ANNUAL REPORT 2022

Banka Ekonomike

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Content

MESSAGE FROM THE BOARD OF DIRECTORS

Dear clients, employees and shareholders of Banka Ekonomike

We are very happy to announce that our bank has just closed its most successful year to date. It is a great pleasure to share this news with all of you, as this success is a testament and result of the hard work and dedication of every member of our team. The Board of Directors is grateful to each and every one of them for their contribution to this impressive journey.

Through 2022, we have remained dedicated in our commitment to provide exceptional customer service, innovative financial products and excellent financial expertise. We have continued to strengthen our relationships with clients and partners, earning their trust and loyalty through our unwavering commitment to their success in achieving objectives.

In addition to developing excellent client relationships, we have made significant investments in information technology, infrastructure, professional development, and talent acquisition to ensure we remain a significant player in the banking industry.

A special and significant moment in 2022 was the acquisition of the insurance company "KS Siguria". This step will have a positive impact for the bank and "KS Siguria" which constitutes a new synergy, increasing the presence and participation in the financial industry through banking services and insurance services. This new dimension will inevitably result in success and is also a testimony to the important role of the bank in the financial industry.

As we celebrate this milestone for the bank, I would like to express our deepest respect and appreciation to our clients, employees and shareholders for their continued support and dedication. Together, we have achieved tremendous success and are confident that we will continue to drive growth and deliver value in the years to come.

Thank you for your trust and support.

On behalf of the Board of Directors,

Valon Lluka
Chairman

MESSAGE FROM THE EXECUTIVE MANAGEMENT

Dear clients and associates of the Banka Ekonomike,

Dear shareholders,

Dear Board of Directors,

Dear colleagues,

We are pleased to present our annual report for fiscal year 2022. On behalf of the entire Banka Ekonomike team, I would like to express our gratitude and appreciation for your continued trust and support.

The year 2022 was another challenging year for our Bank. Despite economic difficulties such as high inflation, challenges and geopolitical conflicts, the effects of which were undoubtedly felt and had impacts in our country, we remained focused and flexible in providing value to our clients and associates. We continued to be innovative, consistent and focused on the needs of our clients.

As a result, our dedication reflected in positive results both in terms of quality and in terms of growth. We have maintained and increased the credit portfolio by 51 million EUR or over 15 percent, and at the same time provisions for loan losses have decreased from 15.36 percent of the market down to 13.6 percent of the market. Deposits increased by 93 million EUR from 412 million EUR to 505 million EUR or by 22 percent compared to the market which increased by 14 percent. This shows that clients' trust in the quality of our services is growing every year. We committed to increasing efficiency and effectiveness, reducing administrative costs and increasing personnel costs. Our employees have completed more than 100 training activities throughout the year, showing our continuous commitment to develop human resources and respond to the increasingly dynamic business environment. The year 2022 also marks the continuation of most advanced level of training from credible world institutions such as Harvard, Oxford, Cambridge and MIT for Department Managers.

Banka Ekonomike launched several new products and services that meet the evolving needs of our clients. We introduced the Visa Platinum metal credit card for the first time in Kosovo, a card that offers special advantages and privileges. In this way, the Bank has made an important step in the card market in Kosovo by offering new and innovative choices to our clients.

The bank paid special attention to technological developments and innovation to improve customer service. One of the achievements was the successful migration to the new card processing center. At the same time, changes were also made in the security of card transactions, where 3D Secure was implemented for VISA and we advanced with MasterCard 3D Secure MasterCard.

The engagement to improve the offer and customer services was positively evaluated by our clients and this influenced the increase of our income from commission by over 50 percent. Thus, with dedication and hard work, we managed to increase our profits by more than 40 percent, achieving a profit of 11 million EUR before tax.

In addition to the excellent financial performance, on 22.06.2022 we received the approval of the authority for the purchase of 100% of the shares of the SIGURIA Insurance Company. In this context, Banka Ekonomike is the first Bank in the Kosovo market that owns an insurance company, in which case we have developed a strategic action plan to ensure the most effective and efficient operation of KS Siguria, foreseeing the procedural actions to be followed. We expect this to bring synergy effects and create opportunities to expand our offers, while enabling high economies of scale and ultimately better products and services for our clients and beyond.

Throughout the year 2022 and all the development work, for no moment we have neglected corporate social responsibility, which provides us with special motivation for all employees. During 2022, we supported 60 projects, demonstrating our commitment to corporate social responsibility and active role in improving the quality of community life. In total, 39 of the 60 projects have been dedicated to support sports clubs throughout the territory of Kosovo, such as football, basketball, mountain climbing, volleyball, handball, golf, judo, martial arts, skiing, tennis, table tennis and archery. Throughout all of this, we have not left aside the contribution to support culture, health, education, marginalized categories and initiatives that directly affect social development and well-being.

The social responsibility of the corporation was elevated with the creation of the book called "On mother land, Kosovo" through which we brought more than just pictures, more than just woven words. We have presented photographs documented by our renowned photographers, starting from the most hidden places to open urbanism. This voluminous book with over 480 photos is a source of data on our lands, archaeological sites, religious objects, the living world, the wildness of nature, cultural institutions, the heritage that we preserve with honor and privilege.

Finally, on behalf of the Executive Management, we would like to express our heartfelt thanks to our employees for their hard work and dedication throughout a challenging year, to our clients and shareholders for their trust and support, to the Board of Directors for their continuously given support, as well as gratitude to all public institutions and the Central Bank of the Republic of Kosovo.

Looking forward with great enthusiasm and optimism to the challenges and opportunities that are ahead us, we remain committed to delivering exceptional experiences for our clients and encouraging sustainable growth that will bring mutual benefits to all.

On behalf of the Executive Management

Shpend Luzha
CEO

Parku i Karagaqit

Shpend Luzha

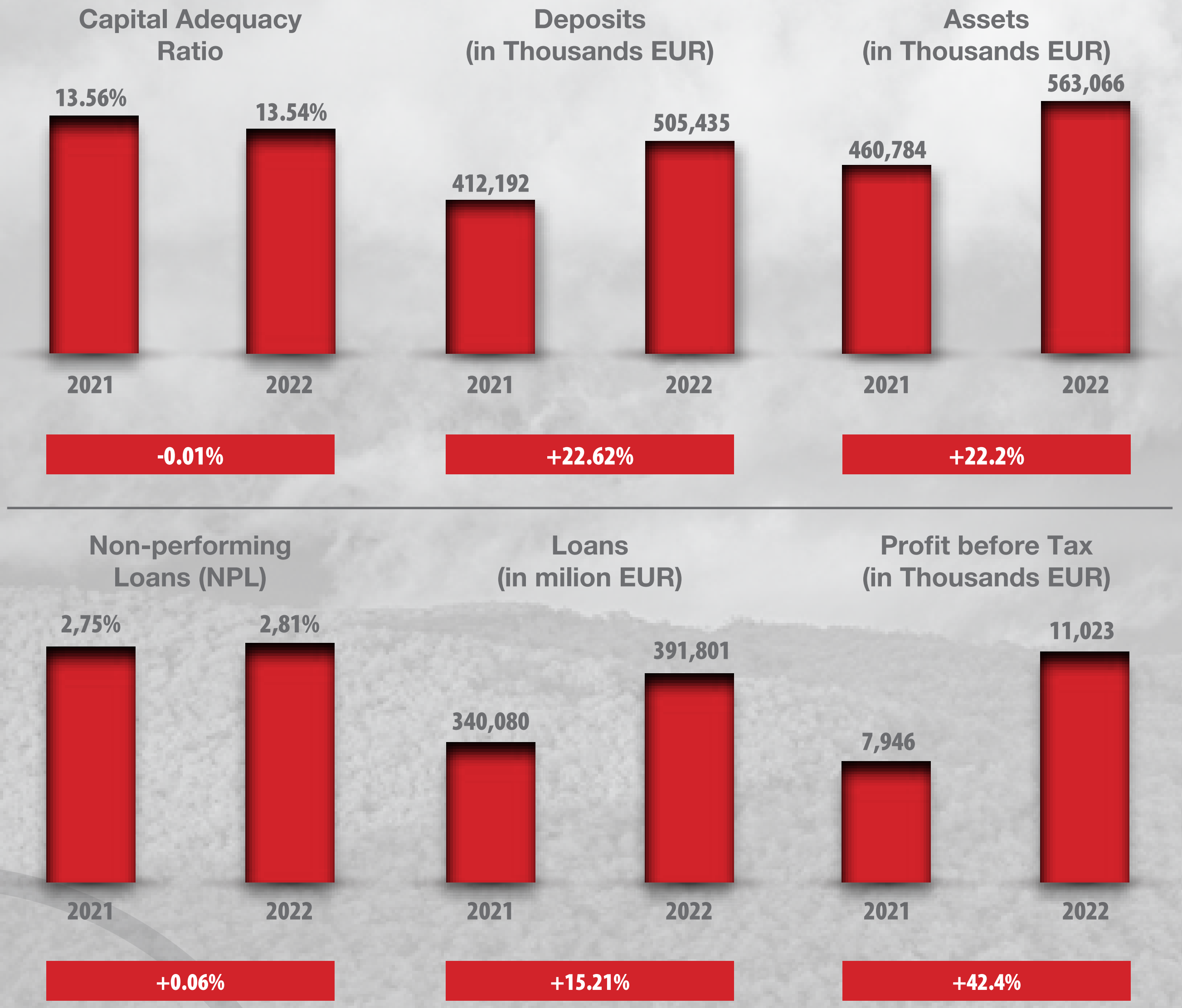
Chief Executive Officer

Hamide Pacolli Gashi

Deputy Chief Executive Officer

Arijan Haxhibeqiri

Deputy Chief Executive Officer



ORGANIZATIONAL STRUCTURE OF BANK

VISION

To be one of the best and largest provider of financial services in Kosovo.

MISSION

- To be the best financial partner of our clients, to achieve economic growth and sustainability.
- To be at the center of the financial demands and services of individual clients, businesses, corporations and institutional clients.
- To support and align in all activities that affect the economic growth and development of Kosovo.
- Our primary goal is to earn and maintain public trust and adhere to the highest ethical standards.
- To be able to provide financial support, security and optimism to our clients.

OUR VALUES

- In the long-term view, we invest in people, products and technology.
- We constantly strive to improve our performance to perfection.

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MACROECONOMIC ENVIRONMENT

Economic activity in Kosovo recorded a real growth of 3.6 percent in Q4 2022. The real growth of Gross Domestic Product (GDP) in Kosovo in Q4 2022 was higher compared to the previous quarter. Private consumption, the export of goods and services as well as the decrease in the import of goods contributed positively to real economic growth, while the decrease in investments and the increase in the import of services had a negative impact.

The increase in economic activity in Q4 2022 is mainly supported by the growth in the processing industry sector (12.5 percent), financial and insurance activities (11.5 percent), scientific, professional and technical activities (9.8 percent), etc. Even the trade sector, as one of the main sectors, has recorded a real increase in added value of 6.9 percent in Q4 2022, which is a lower increase compared to the increase of 19.7 percent in Q4 2021. However, due to the increase in prices, the average turnover index in the trade sector has increased by 38.1 percent. On the other hand, the highest decrease in added value was recorded in the construction sector (11.8 percent). The decline in economic activity in this sector is largely attributed to the increase in construction costs of 16.6 percent in Q4 2022, which has influenced the postponement of investment projects in this sector.

The annual inflation rate in Q4 2022 reached 12.1 percent, compared to 6.4 percent in the same quarter of the previous year. Whereas, the annual increase in the inflation rate in Q4 compared to the previous quarter turns out to have slowed down (13.3 percent in Q3 2022), which can be attributed to the slowdown in domestic demand after the burden of inflation on purchasing power, climate conditions and policies undertaken to save energy that affected the decrease in electricity consumption compared to Q4 2021, as well as the positive dynamics that affected the decrease in energy prices and the slowdown in food prices in international markets.

Budget revenues in Q4 2022 reached a net value of 640.9 million euros, which represents an annual increase of 11.9 percent. The increase in budget revenues was mainly the result of the high rate of inflation, which mainly affected indirect taxes, as the main category of budget revenues, as well as the efforts undertaken to formalize the economy, through the formalization of employment as well as the increase of controls and inspections in the field.

Source: Central Bank of the Republic of Kosovo - Quarterly Economic Assessment

BANKING SECTOR

The financial system is characterized by stability and without any materialized risk during Q4 2022, despite concerns about the economic slowdown, inflationary pressures and increased uncertainties in international markets.

The banking sector has managed to maintain a high level of capitalization and liquidity as well as to maintain a low level of non-performing loans, which results in an increase in the absorption capacity of the sector over the years.

While it is estimated that the high rate of inflation throughout the year has affected the potential reduction of available income in the economy, potentially jeopardizing the repayment capacity of borrowers (potential increase in credit risk) and discouraging savings (liquidity risk). In the fourth quarter of 2022, the value of non-performing loans began to increase, against the last two years, which was in a downward trend.

The assets of the banking sector in 2022 reached the value of 6.76 billion euros, which coincides with accelerated annual growth of 13.5 percent compared to the 11.3 percent growth in the previous year. The main contribution to the growth was the expansion of lending as the main activity of the sector.

The lending activity of the sector recorded an annual growth of 16.1 percent, which coincides with the highest growth rate in the last eleven years. However, the last quarter of the year was characterized by a slowdown in the upward trend.

POSITIONING OF BANKA EKONOMIKE DURING 2022 IN KOSOVO BANKING MARKET

Banka Ekonomike has managed to improve its position in the market in 2022, marking an increase over the general trend of the banking market, which continues to grow. The growth of the banking market in all assets was 14.01 percent, and our Bank has contributed to this growth by marking an increase of 22.2 percent in all assets, which is 8.18 percent more than the growth of the market. At the end of 2022, the total assets/assets of the Banka Ekonomike reached 563 million EUR, compared to 460.8 million EUR at the end of 2021.

FIGURE 1. Participation of Banka Ekonomike in the overall growth of market assets, December 31, 2022;

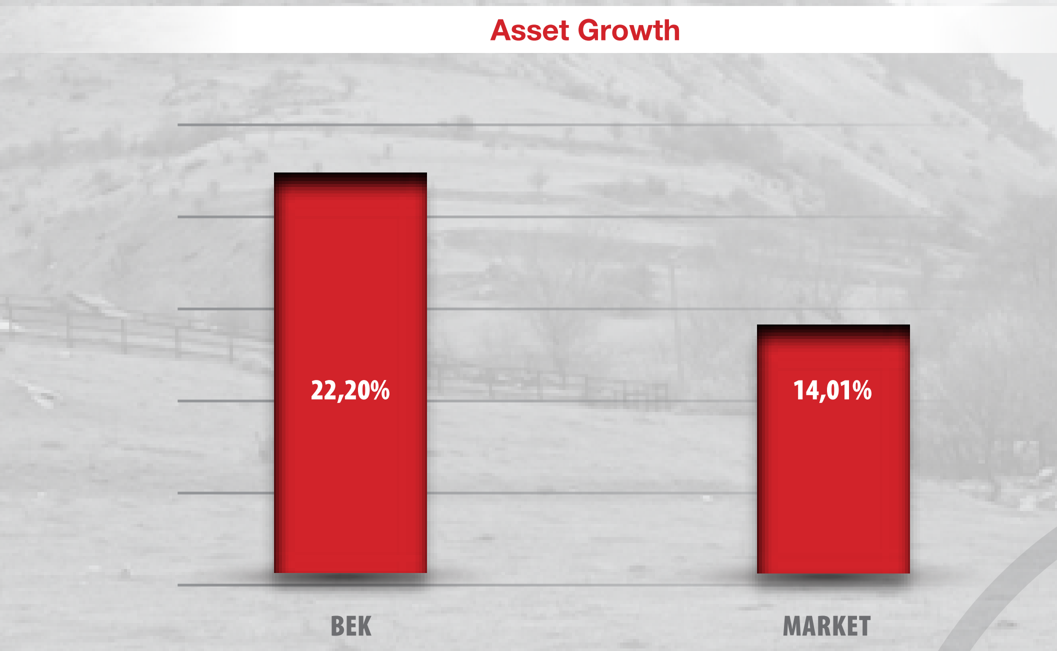
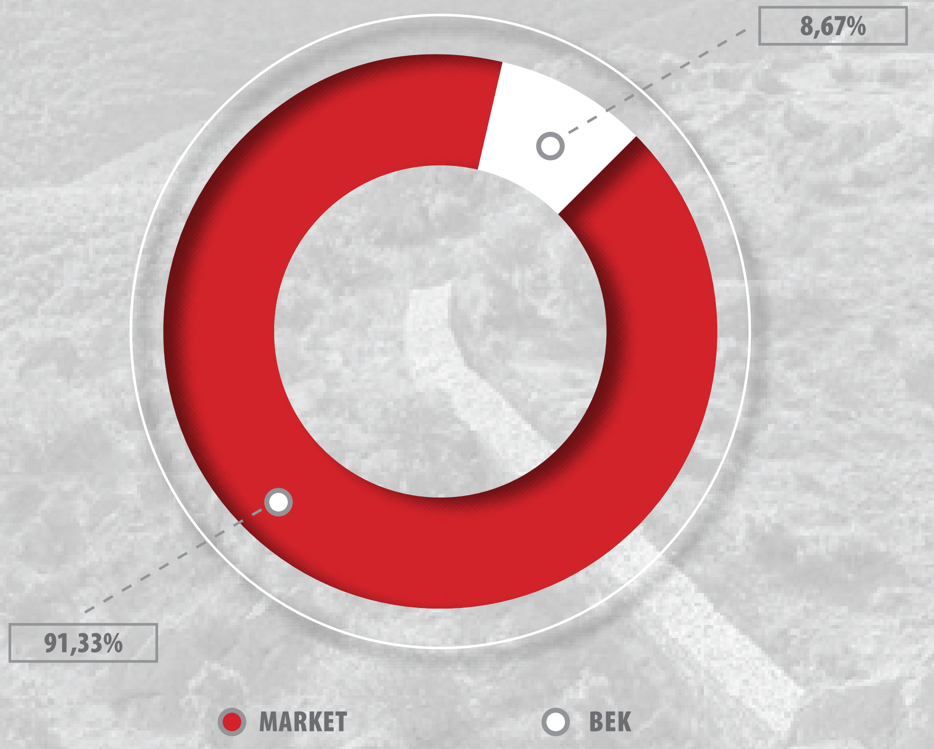


FIGURE 2. Share of Banka Ekonomike in the overall growth of market assets, December 31, 2022;

% in total assets



LOAN MARKET SHARE

Share of the Banka Ekonomike in total loans in the market, on December 31, 2022, stood at 9.04 percent of the total banking sector. During the year 2022, our Bank has recorded an increase of 15.21 percent in loans, compared to the market which has recorded an increase of 16.1 percent.

FIGURE 3. Increase of Banka Ekonomike in general loans in relation to the market, December 31, 2022;

Credit Growth

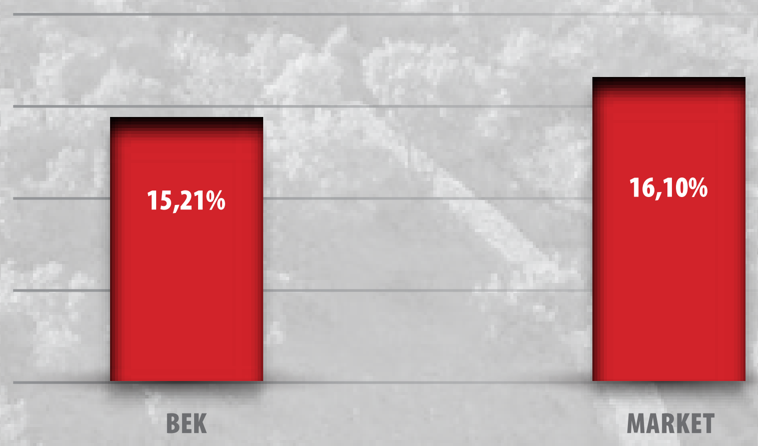
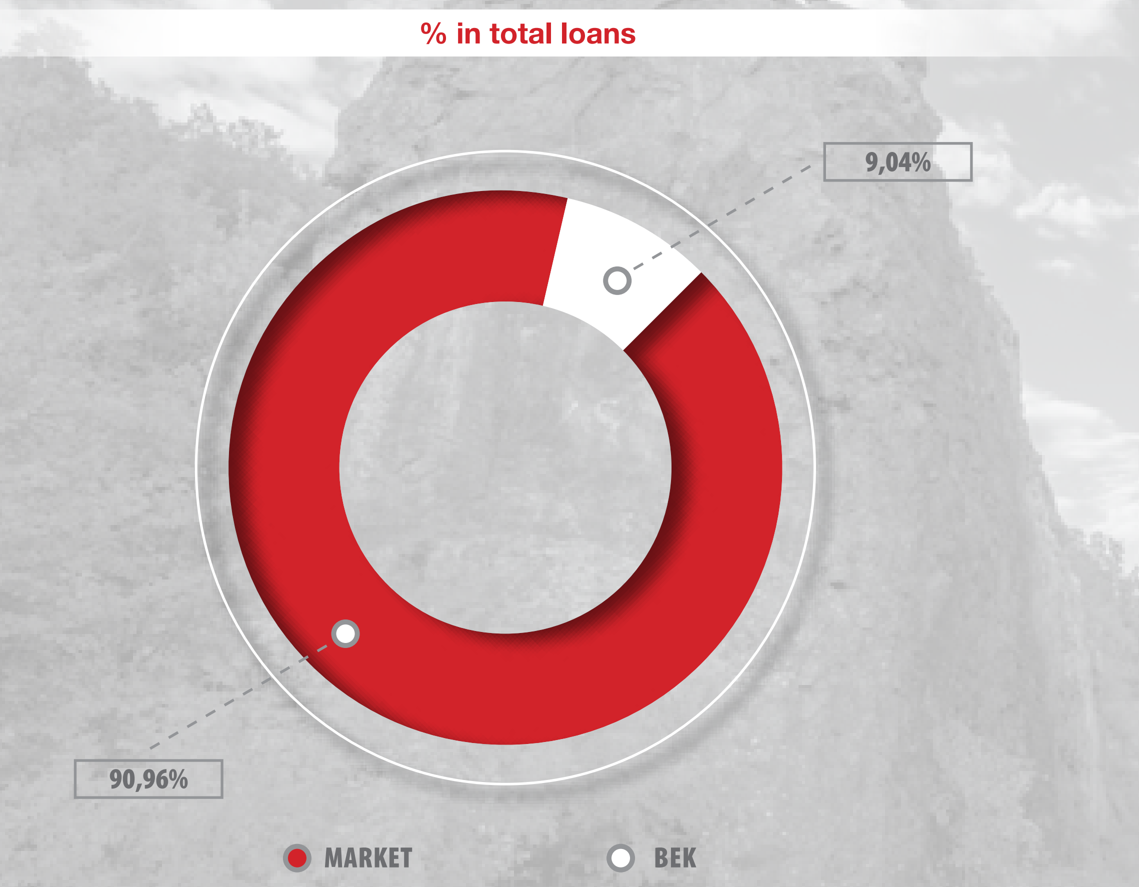


FIGURE 4: Share of Banka Ekonomike in the size of loans in relation to the market, December 31, 2022;



DEPOSIT MARKET SHARE

Share of Banka Ekonomike in the total deposits in the market, as of December 31, 2022, was 9.21 percent of the total banking sector in Kosovo. During the year 2022, our Bank recorded an increase of 22.62 percent in deposits, compared to the market which recorded an increase of 14.33 percent.

FIGURE 5. Share of Banka Ekonomike in deposits in relation to the market, December 31, 2022;

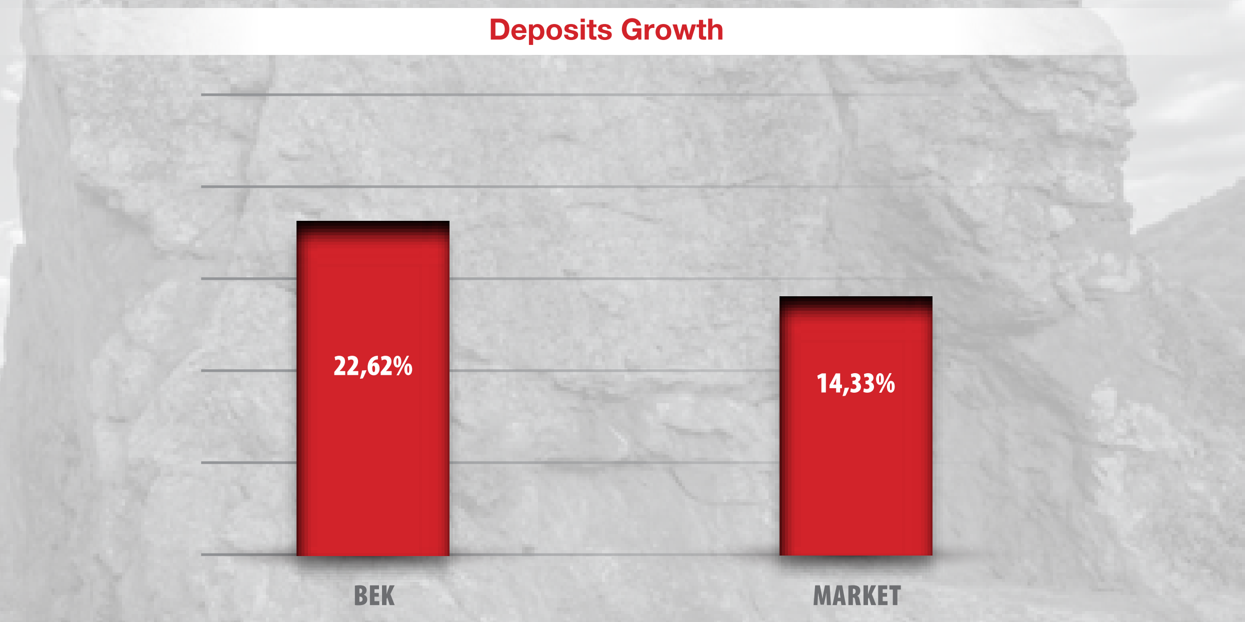
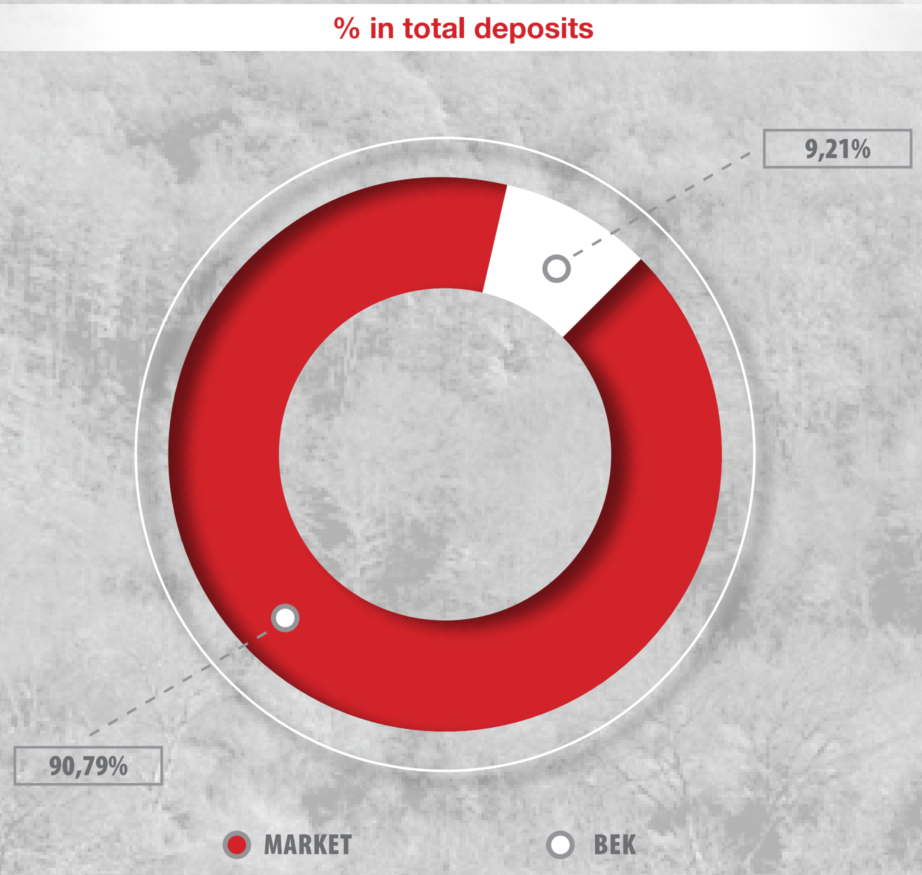


FIGURA 6. Share of Banka Ekonomike in the size of deposits in relation to the market, December 31, 2022;



STATEMENT OF FINANCIAL POSITION

		EURO '000
	On 31 December, 2022	On 31 December, 2021
Assets		
Cash and in banks	32,388	29,081
Balance with the Central Bank of Kosovo	95,201	78,542
Loans for clients	379,892	329,296
Investments in securities	28,225	5,000
Property and equipment and assets with right of use	13,979	13,118
Immovable properties	4,794	3,949
Investment, shares-security	6,058	-
Other assets	2,529	1,798
Total assets	**563,066**	**460,784**
Liabilities		
Liabilities to clients	505,342	411,106
Liabilities to banks	93	1,086
Tax liabilities	210	253
Other liabilities	3,549	2,542
Deferred tax liability	604	608
Total liabilities	**509,798**	**415,595**

Equity and reserves		
Share capital	29,422	29,422
Revaluation reserve	4,853	4,794
Retained incomes	18,993	10,973
Total equity and reserves	**53,268**	**45,189**
Total liabilities, equity and reserves	**563,066**	**460,784**

STATEMENT OF INCOME OR EXPENSE AND OTHER COMPREHENSIVE INCOMES

		EURO '000
	For the year ending 31 December 2022	For the year ending 31 December 2021
Interest income calculated according to the effective interest method	24,579	21,512
Interest expense calculated according to the effective interest method	(3,251)	(2,838)
Interest net income	**21,328**	**18,674**
Income from fees and commissions	4,358	3,660
Expenses from fees and commissions	(914)	(1,300)
Net income from fees and commissions	**3,444**	**2,360**
Other operational incomes	641	561
Net currency exchange loss/gain	(4)	(101)
Incomes	**25,409**	**21,494**

Personnel expenses	(4,548)	(3,890)
Depreciation of assets, equipment and ROU	(1.921)	(1,965)
Depreciation of intangible assets	(459)	(373)
Other expenses	(6,753)	(6,466)
Net depreciation losses on loans	(705)	(919)
Total operating expenses	**(14,386)**	**(13,611)**
Profit before tax	**11,023**	**7,883**
Tax on profit	**(1,003)**	**(805)**
Net profit for the year	**10,020**	**7,078**
Other comprehensive income		
Items that will not subsequently be reclassified to Income or Expense		
Profit on revaluation of land and building, net of tax		
Items that may subsequently be reclassified to Income or Expense	18	4,725
Changes in the fair value of debt instruments at fair value through other comprehensive income	41	54
Total comprehensive income, net of tax	59	4,779
Total comprehensive income for year	**10,079**	**11,857**

These financial statements have been approved by the Board of Directors of the Bank and signed on its behalf on 10 April 2023:

Z. Shpend Luzha
Kryeshef Ekzekutiv

Z. Fitim Rexhepaj
Zyrtar Kryesor për Financa

PERFORMANCE OF BANKA EKONOMIKE

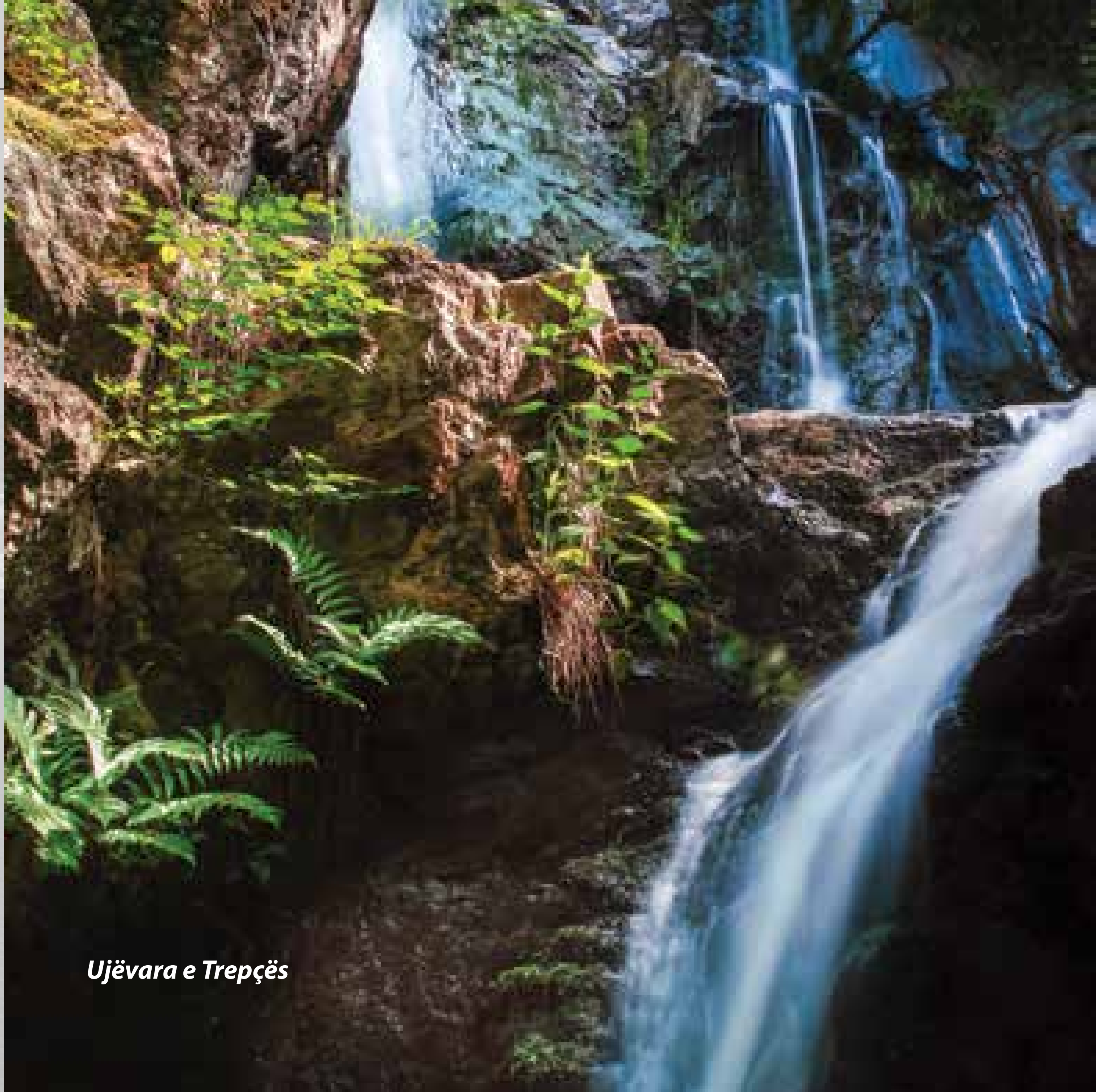
Continuing with the trend of growth and maintaining satisfaction of clients, as well as constantly working to achieve financial performance goals, our Bank, even in 2022, has marked progress in most of the financial indicators, closing the year with profit before tax in the amount of 11 million EUR.

Net interest income has increased, and this increase compared to last year is 14.2 percent higher, at the same time the Bank managed to gain new clients to a significant extent thanks to good services and modern technology, which is also noticed by the increase of 51.1 percent of revenues from commissions.

Our bank remains committed to realizing its long-term strategic plans, in order to continue to carry out operations with ever-increasing success.

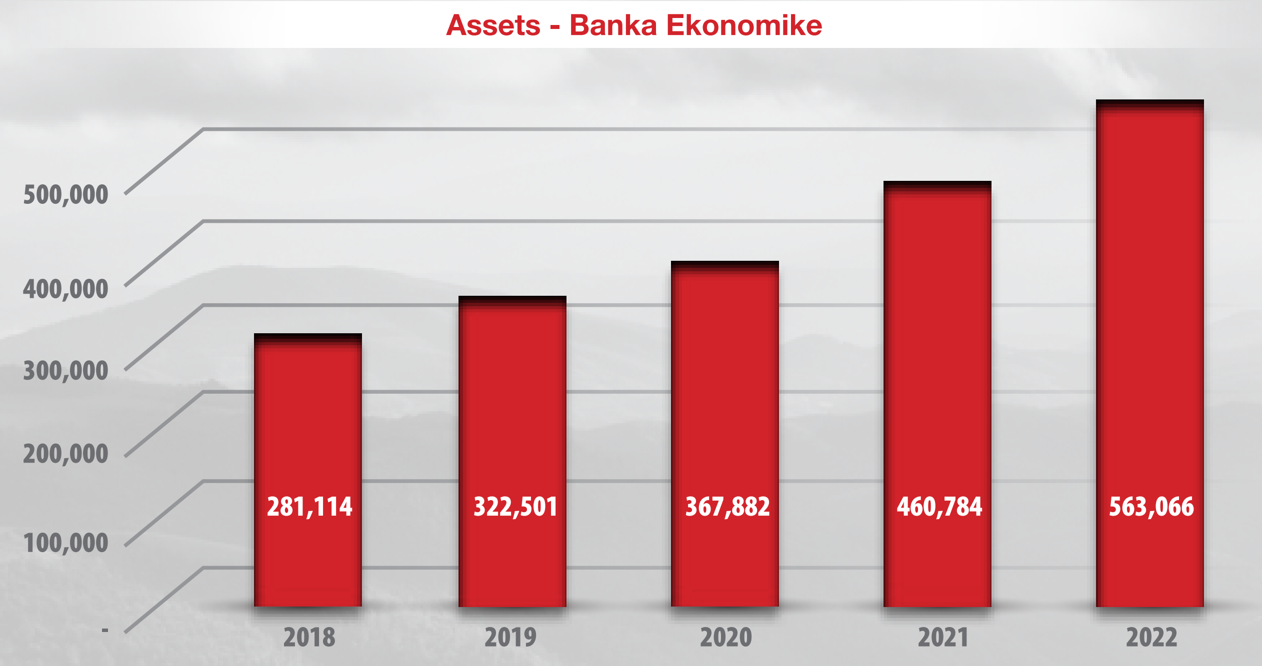
BANK ASSETS

Dedication to values, performance goals and continuous commitment to expanding the Bank's network and infrastructure have resulted in an increase of Bank's assets for the fifth year in a row. Our bank closed the year 2022 with EUR 563 million, in contrast to 2021 when it had EUR 461 million in assets.



Ujëvara e Trepçës

FIGURE 7. Assets of Banka Ekonomike, 2018-2022



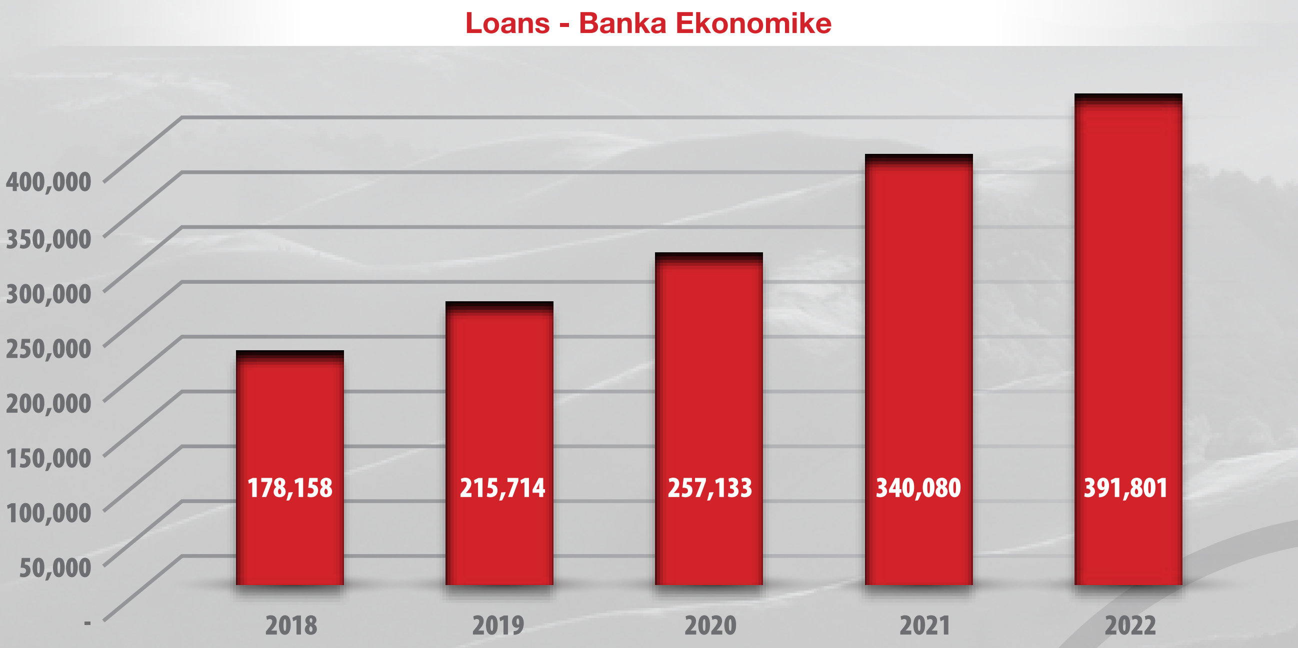
All figures are in '000 EUR.

LOAN PORTFOLIO

Proper portfolio management and balanced risk management have influenced the growth trend to continue this year as well. As a result, our Bank had substantial growth in its loan portfolio, including the category of private and business clients. During 2022, the loan portfolio has increased from EUR 340 million to EUR 392 million.

This positive result shows the commitment of Banka Ekonomike in providing services that meet the needs of clients and in the use of appropriate strategies to increase participation in market.

FIGURE 8. Loan portfolio, 2018-2022;



All figures are in '000 EUR.

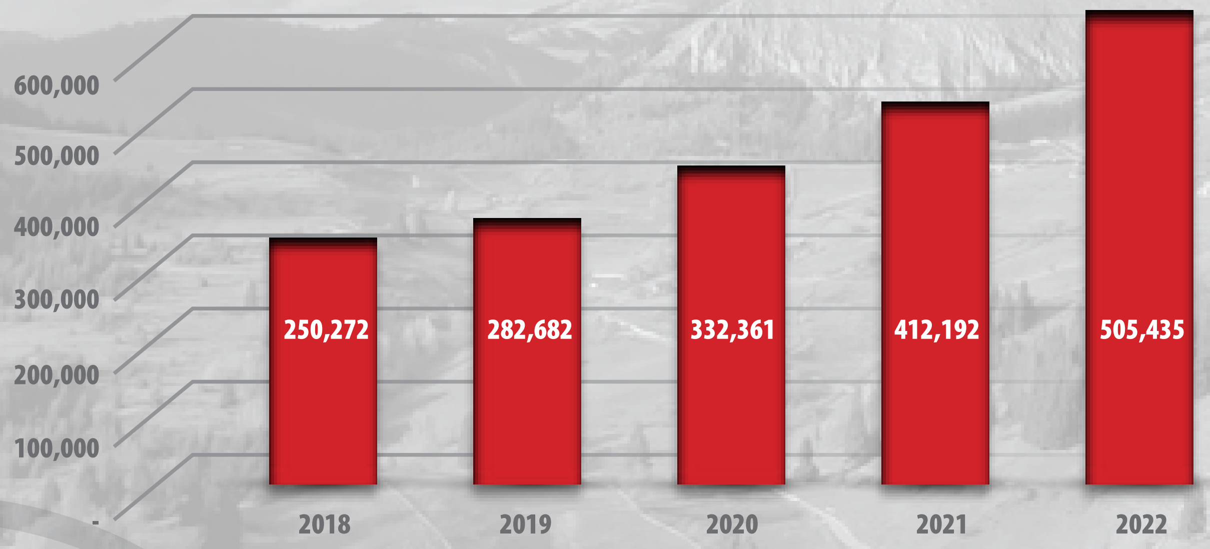
Gërmia

DEPOSITS

The continuous growth of deposits is one more indicator of the continuous growth of customers' trust in the services of Banka Ekonomike. The year 2022 has marked an increase in deposits to 505 million Euros, from 412 million Euros in the previous year. This represents an increase of 22.62 percent while the general market deposits during 2022 have increased by 14.33 percent.

FIGURE 9: Client deposits, 2018-2022:

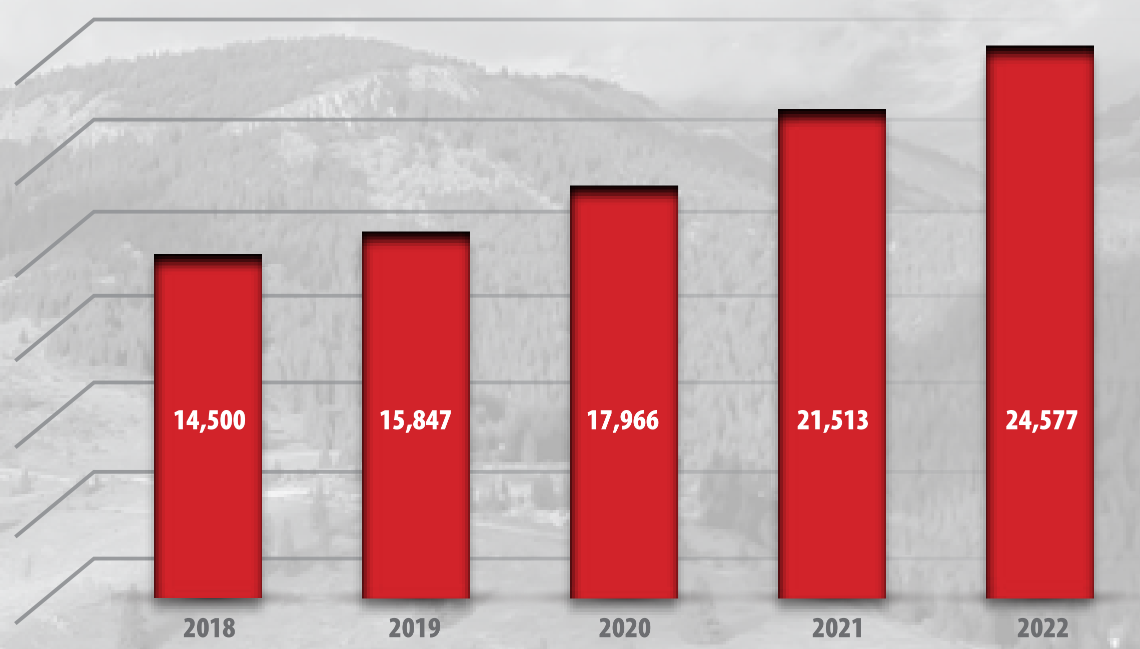
Client Deposits - Banka Ekonomike



All figures are in '000 EUR.

FIGURE 10. Interest incomes, 2018-2022;

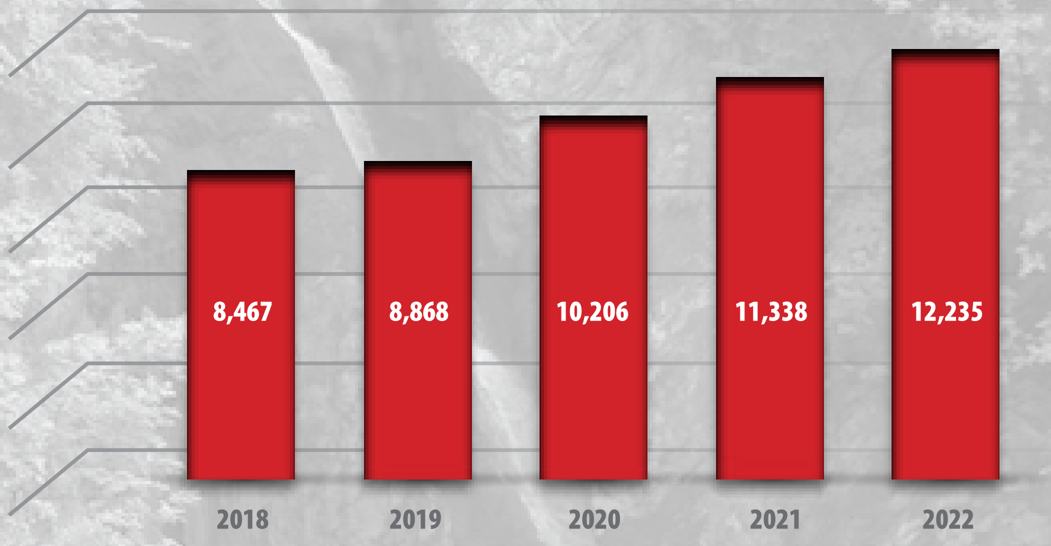
Interest Revenue



All figures are in '000 EUR.

OPERATIONAL EXPENSES

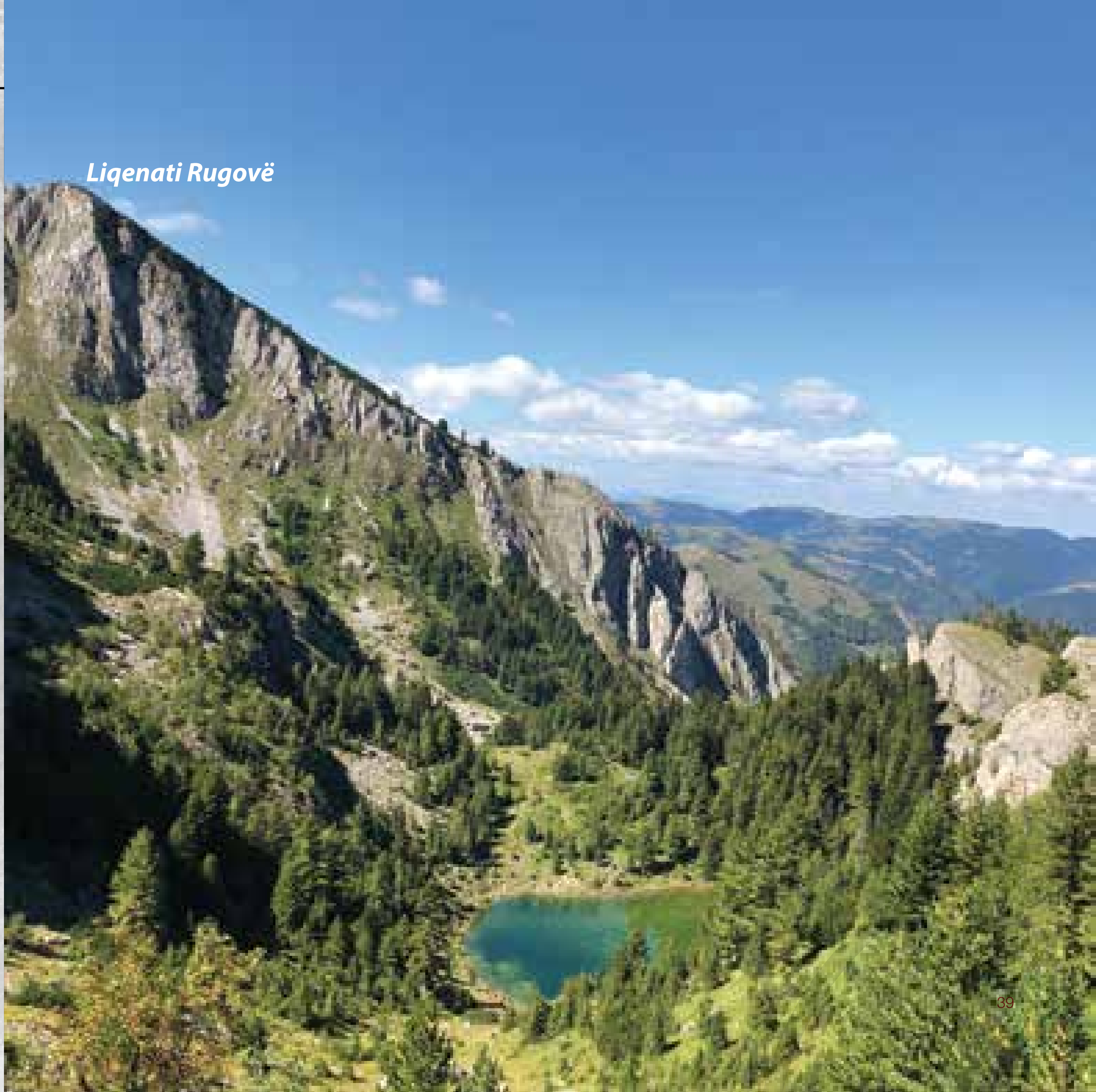
FIGURE 11. Operational expenses



All figures are in '000 EUR.

During the year 2022, Banka Ekonomike has paid special attention to investments in branches and infrastructure, but at the same time also to the development and training of personnel, which has resulted in the growth of the Bank, compared to the previous year.

The review of operational expenses has been a priority this year as well and marked increasing efficiency and effectiveness, always being in compliance with laws and regulations and to meet the demands and needs of our customers.




Bjeshkët e Deçanit

BUSINESS DEVELOPMENT

The bank has continued to be vigilant, giving special importance to the continuous and qualitative development and expansion of the departments responsible for business development.

Being in line with the Bank's mission, BEK has continued to strongly support businesses in Kosovo, considering them as the main promoters of employment and substantial contributors to the economic development of Kosovo. A confirmation of our strategic approach to Businesses in Kosovo is the structure of BEK's loan portfolio, where the Business portfolio has a participation of 67% in the loan portfolio, compared to the market where the participation of the Business portfolio in the total loan portfolio is 63%.
Despite our orientation in supporting and financing Businesses in Kosovo, individual persons are also a substantial part of our support. In order to offer the closest and most accessible products and services to this category of clients, the Bank has continued with the opening of new Branches during 2022 in order to be as close as possible to our clients. Moreover, the fleet of ATMs has been modernized and increased

By working closely with all the Bank's departments to develop the business, we have managed to be a strategic partner for our clients by offering a wide range of products and services, including financial facilities. We have put a special focus on the needs and requirements of the Corporate segment, which represents an important part, of 34.8 percent, of the Bank's portfolio. In addition to the high growth of deposits in the Corporate segment during 2022, we have emphasized on keeping over 50 percent of these deposits in current accounts of clients, reducing our interest expenses to depositor clients significantly. We have improved the process of currency exchange, a process which is now done without the presence of clients in the Bank's branches, and as a result has had a significant impact on the income from currency exchange.

Based on the importance of the segment of small and medium-sized enterprises in the sense of generating employment and creating new values, our Bank, during 2022, demonstrated confidence in the capacities of businesses and maintained their lending by always offering the best possible service for this client group.

This focused initiative proved successful as the effects were positive. In this way, the segment recorded an increase of EUR 14.1 million, thus reaching a loan portfolio to 103.6 million EUR. Also, in this part, the guarantee fund has played a role as an instrument for increasing access to capital for businesses, as well as overcoming restrictions for clients who had difficulties securing collateral.

Seeing the advantage that this fund offers in overcoming collateral barriers, Banka Ekonomike intends to continue with this rate of utilization.

In addition to lending activity, the segment has also been focused on indirect sales, offering an integrated approach to client needs with other products and services.

The year 2022 is characterized by the expansion of the base of new clients, also influencing the increase in deposits, loans and the use of electronic services that the Bank has available to its clients.

During 2022, the Bank has continued to offer services with the Leasing product, increasing the range of available products that have had a positive impact on economic activity. The results achieved during this year have shown considerable success in offering this product, increasing the base of new clients, respectively by 51% more than in the previous year, and the loan portfolio in the field of Leasing while building close cooperation relations with our partners.

The increase in the demand trend for the Leasing product shows that there is great potential and the Bank continues to support the growth of its capacities in order to remain close to customers and develop the Leasing product effectively.

Among other things, during this year various campaigns were launched for products, services and strengthening of the brand as a Bank with 100 percent local capital. In an effort to modernize technology, the Bank has implemented a new digitalization strategy, focusing on maximum presence in the digital world and attracting as many followers as possible on social networks. These efforts have been necessary to keep up with the times and ensure the best possible experience for customers.

LOAN PORTFOLIO

As a result of the Bank's strategy, during 2022, our Bank managed to have high performance in all business segments. The growth of the loan portfolio was distributed to all business segments, where we have the largest portfolio growth from 340 million in 2020 to 392 million in 2022

Segment	Credit exposure 2021 in '000	Percentage participation in 2021	Credit exposure 2022 in '000	Percentage participation in 2022
SME	89,575	26,34%	103,618	26,45%
Leasing	17,982	5,29%	25,800	6,58%
Corporate	122,849	36,12%	136,570	34,86%
Individual	109,672	32,25%	125,812	32,11%
Total	340,078	100,00%	391,800	100,00%

CORPORATE CLIENTS

During year 2022, the Corporate Department main goal was to build satisfactory relationships with each of its clients, providing not only efficient financial products and services, but also to be as competitive as possible in the market. The Bank has launched a new service of mediation for "Investments in Financial Markets" during 2022. This service has been very important for the Bank and for its clients, as the interest in investments in financial markets has been high. With this service, the Bank has offered a safe and regulated way for its clients to invest in the financial markets, by signing necessary agreements with its correspondents. This service has provided simple and minimal cost opportunities to invest safely.

Client financing activity within the Department for Corporations during 2022 has registered significant growth in the loan portfolio, increasing net loans by 13.72 million EUR or 11.17 percent compared to the previous year. Consequently, during the year the quality of assets resulting in non-performing loans constitutes only 2.35 percent of the loan portfolio or a decrease of 30.6 percent compared to the previous year (2021: 3.36 percent), which was achieved with close monitoring of the loan portfolio, especially by maintaining the quality of loans, despite the continuous growth of the loan portfolio.

In addition, the activity of client deposits within the Corporate Department has also registered significant growth during 2022, increasing the balance of deposits by 27.8 million EUR or 23.6 percent compared to the previous year. In this balance of deposits, institutional clients have the main weight, where this category of clients in the total value of deposits of clients of the Corporate Department (145.6 million EUR) participates with 85.6 percent of the value.

SMALL AND MEDIUM-SIZED ENTERPRISES AS CLIENTS

The year 2022, in terms of business, can be described as a successful year.

Based on the importance of the segment of small and medium-sized enterprises (SMEs) for the economy of Kosovo, in terms of generating employment and creating new values, it remains one of the most important sectors for the Banka Ekonomike.

In 2022, our commitment to improve our processes brought excellent results in terms of performance. We managed to increase the credit portfolio by an amount of 14.1 million EUR or 16 percent, bringing the loan portfolio to 103.6 million EUR for the SME, Micro and Agro segment. This growth confirms that the sector of small and medium enterprises remains a priority for us and that we are determined to continue our efforts to provide suitable financial solutions for this segment.

Focusing on the needs and demands of the market, as well as on the potential of small and medium-sized enterprises, Banka Ekonomike has continued to engage in providing more suitable solutions for these demands. The profiling of the products, especially the agro-credit product, has helped to provide opportunities for the advancement of this product in the future.

Even in terms of portfolio quality, we have shown high performance by keeping the level of non-performing loans within acceptable parameters, which proves the professional approach in terms of portfolio maintenance.

In addition to the lending activity, the segment has also been focused on indirect sales, offering an integrated approach to client needs with other products and services.

INDIVIDUAL CLIENTS

Individual clients remain the most important category for the Bank in terms of meeting their needs and therefore the Bank continues to invest in the development of quality and competitive products and services to suit their requirements. The year 2022 is also characterized by the realization of loan campaigns. Following the strengthening of the private sector, Banka Ekonomike has offered new products and services, thus creating financing facilities for individual clients. In order to promote products and services, four Campaigns were carried out during the year 2022. The growth of the loan portfolio during the year 2022 was about 16 million EUR, expressed as a percentage of 14.71 percent.

The Individual segment continues to grow continuously and in accordance with the Bank's mission and strategy, it offers quality and flexible services to its clients, being present in the market with various offers through campaigns for individual loans, mortgage loans, various cooperation agreements, etc. Business partners as well as the Campaign for Term Deposits.

Throughout the year 2022, the Bank has rewarded all its clients with deposits, carrying out the term deposit campaign, where in addition to high security, favorable interest, it has also distributed rewards in different values, which clients were able to use in the company of insurance Security, benefiting from different insurance services, depending on their requirements. Through this very successful campaign, the Bank has increased its deposit portfolio, which continues to remain stable and highly concentrated on individual clients, and has also proven that it continues to remain a leader in meeting client needs. Only among individual clients, the Bank had an increase in deposits of 47 million EUR or 18 percent.

Only through this commitment, the year 2022 has also been successfully completed, thus influencing the setting of new objectives that could previously be considered quite ambitious.

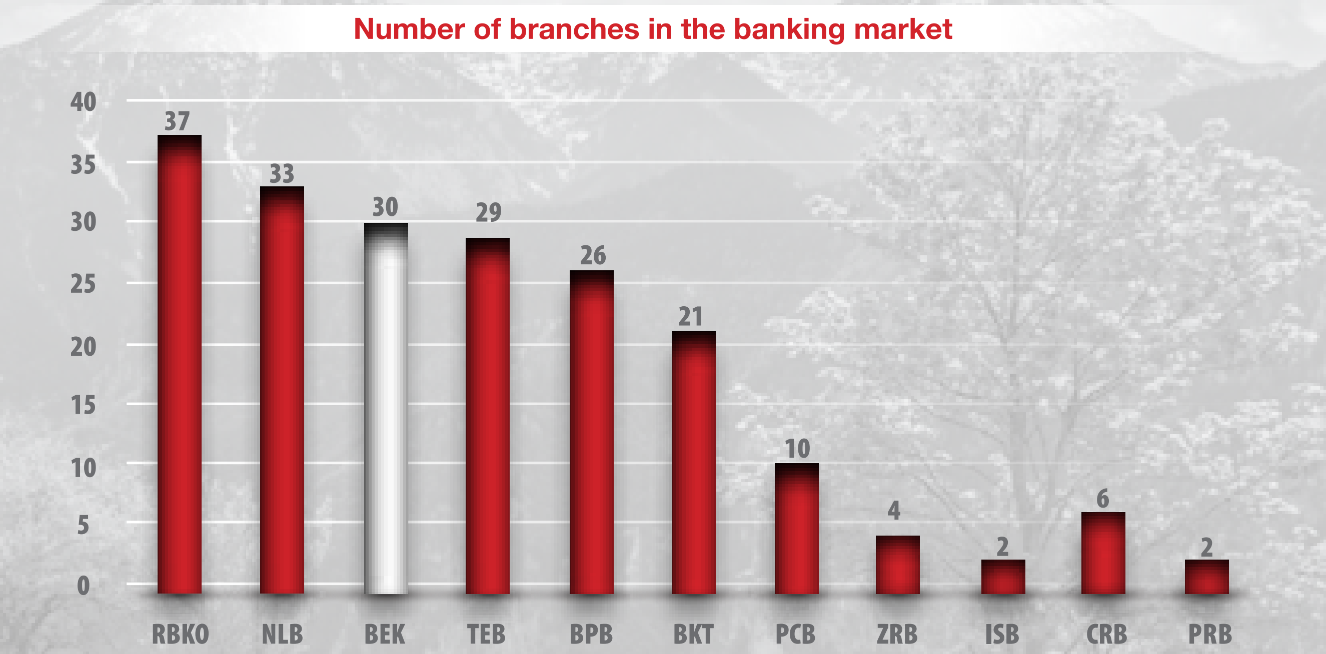
DISTRIBUTION CHANNELS AND BRANCH NETWORK

Banka Ekonomike ensures particular importance to the network of its branches throughout the country, to be able to follow the latest developments in the banking market and to offer the most qualitative and current services to clients throughout the country. This shows dedication and commitment to provide good services and appropriate to the needs of client, making it a preferred solution in the banking market. Technology and digitization of business operations are very important nowadays, but it should not be forgotten that proximity to clients is also very important.

Machines cannot replace human contact, therefore with the aim of always being closer to clients, Banka Ekonomike has a network of 30 branches distributed in 7 main branches and 23 sub-branches, making sure to offer quality and current services the whole country. The general banks report shows that Banka Ekonomike ranks third this year in the banking market of Kosovo, proving the dedication and commitment of the Bank to be as close as possible to the clients.

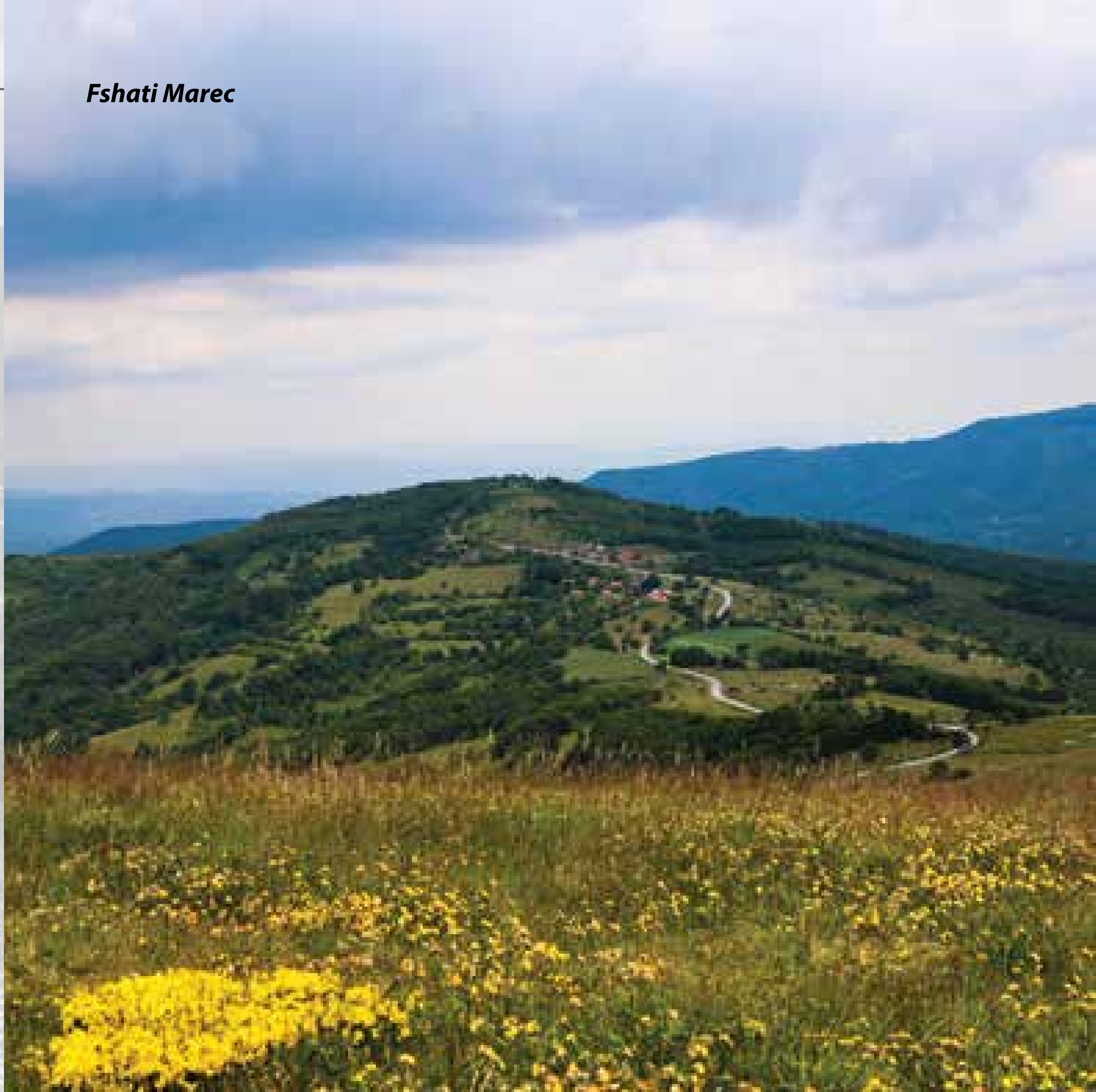
During 2022, in compliance with contemporary standards, the branches were renovated in order to provide the fastest and easiest services to clients. In terms of improving the infrastructure of the branch network and self-service spaces, we have relocated premises in Suharekë and opened a new sub-branch in Malishevë, which offer a more modern environment in the banking industry for customer service.

FIGURE 12. Share of Banka Ekonomike in the number of branches in the banking market.



Banka Ekonomike has a share of 11 percent in the banking market in terms of the number of ATMs. At a time when technology and life are dynamic, Banka Ekonomike has decided that a top priority are services they can offer at any time through ATMs, becoming a preferred solution to make transactions quickly and safely.

The year 2022 is characterized by an increase in card transactions, both in value and in number. As for deposits, the year 2022 marks an increase of 39.77 percent in the number of deposits compared to the previous year, while the number of withdrawals has increased by 15.92 percent compared to the previous year.
To complete the provision of quality services to clients, our Bank has a dedicated team in every branch, which ensures that every service is provided properly and every client request is carefully addressed.



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ALTERNATIVE CUSTOMER SERVICE CHANNELS - CALL CENTER

The Call Center is a channel of communication with clients, which is extremely important for providing quality services and meeting their needs. In addition to phone calls, the Call Center also offers email service to handle client requests and needs in the most effective and practical time possible. This communication channel is available 24/7 and plays an important role in increasing service delivery and meeting client requirements, helping to improve their experience with the Bank. The Call Center plays an outstanding role in providing services to clients and, as a result, Banka Ekonomike has invested in improving the working conditions for Call Center employees. In 2022, we have reallocated the office and improved the infrastructure to create a more suitable environment for work and customer support. During the year 2022, through the Call Center, our Bank has received over 37 thousand requests from clients and provided clarifications and advisory instructions about the Bank's products and offers.

The goal and focus of the Bank for 2022 was to provide professional services and continue with the strengthening and quality improvement of this service, with the aim of creating and increasing the reliability and maintaining long-term relationships with clients.

LEASING

During 2022, we continued to work to consolidate our leasing service. It is important to note that the Leasing Department has expanded the range of products, also offering real estate leasing, a new product which has resulted positively in increasing the demand trend for leasing financing and shows great potential.

Leasing in 2022 financing activity has marked a significant increase in the loan portfolio with 25.8 million EUR, which represents an increase in the portfolio by 7.9 million compared to 2021 or expressed as a percentage of 44 percent. This success has been achieved by expanding the number of new clients who have established trust in us in meeting their financial needs, by expanding and consolidating the range of products and by expanding cooperation with our partners.

Seeing it as a product with great potential and with the increase in demand for this product, in the future, the Bank will continue to strengthen and expand its capacities in order to meet the demands of clients for the range of products offered by the Leasing Department.

BANCASSURANCE DEVELOPMENT UNIT

Banka Ekonomike has continued to engage in the diversification of its portfolio and expansion of activity in various sectors of the financial industry. In this regard, in June 2022, Banka Ekonomike received the necessary approval from the Central Bank of Kosovo to purchase 100 percent of the shares of the Insurance Company "SIGURIA". This strategic step will allow our Bank to offer new and innovative services in the field of insurance, benefiting from the experience and expertise of the Insurance Company "SIGURIA", while it will also increase its impact on the insurance market.

The Synergy Strategy Plan was created based on all the processes on which every opportunity of synergy will be used for a better efficiency for both companies, thus optimizing the processes and utilizing the resources of the Banka Ekonomike related to the management success of KS "SIGURIA" to offer the highest quality services and products to clients. In order to ensure a successful follow-up of this process, this year Banka Ekonomike has established the Bancassurance Development Unit, which will coordinate the entire synergy process and ensure an effective and efficient cooperation between the two companies.

The main goal of the synergy is that Banka Ekonomike continues to support clients and fulfill their requirements by offering all banking and insurance products and services at single point of sale. In this way, our approach is for our clients to be served with fast banking and insurance products and services.

This step shows that Banka Ekonomike is moving towards a broader strategy of diversification of financial services to grow and stay at the top of the financial industry in Kosovo.


Bjeshkët e Sharrit

GENERAL INFORMATION ABOUT THE "SIGURIA" INSURANCE COMPANY

Insurance Company "SIGURIA" has been operating since 2000, as a company with limited liability, based on the law on temporary insurance of commercial companies.

In SC "SIGURIA" 81 employees are employed in the central office and 61 agents who operate within the "SIGURIA" Insurance Company.

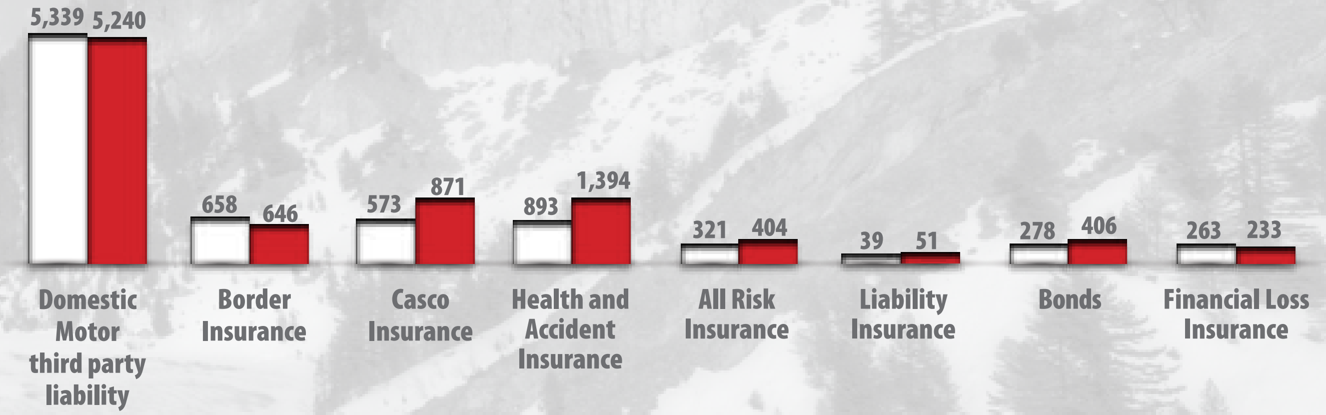
Although initially SC "SIGURIA" focused on providing mandatory insurance in the local market, gradually it brought innovations to the insurance market by bringing new voluntary products, thus following other European trends. Today, KS "SIGURIA" offers a wide range of products, starting from mandatory third-party liability insurance, TPL, as well as voluntary insurance such as:

- "Casco" vehicles insurance
- Personal accident insurance
- Housing and home insurance
- Property insurance
- Insurance of goods in transport
- Insurance of banks
- Ensuring cash in the safe and cash in transit
- Provision of responsibilities to third parties

PORTFOLIO: During the year 2022, KS "SIGURIA" had a total of 35,569 active clients in its portfolio, where 70 percent of them belong to the mandatory insurance portfolio and 30 percent to voluntary insurance.

The portfolio of KS "SIGURIA" is reinsured by reputable reinsurers, with financial stability and credibility in the reinsurer markets in Europe.

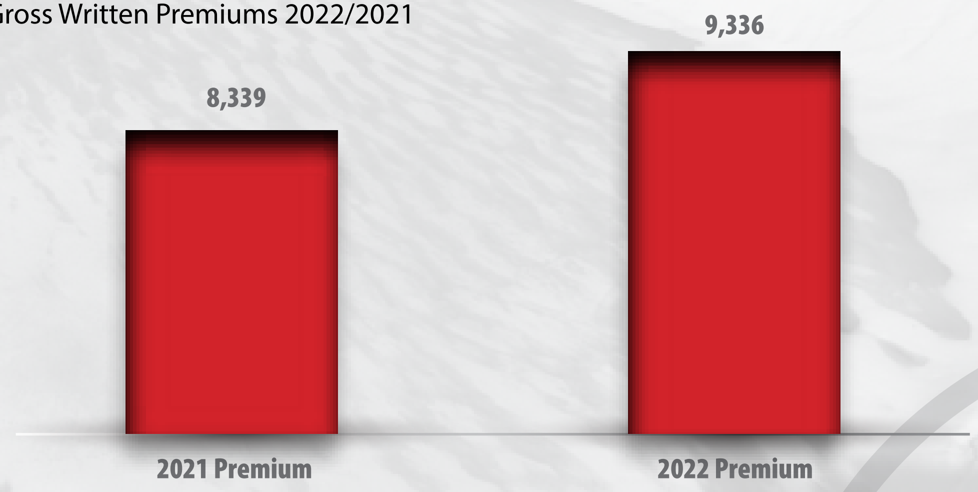
FIGURA 13. Gross Written Premiums 2022/2021



All figures are in '000 EUR.

MARKET PARTICIPATION: SC "SIGURIA" recorded an increase in gross written premiums during 2022 for about 1 million euros, or 12 percent more compared to the previous year 2021. Referring to gross premiums written, SC "SIGURIA" has share at the level of 7.3 percent in the insurance market for 2022.

FIGURE 14. Gross Written Premiums 2022/2021

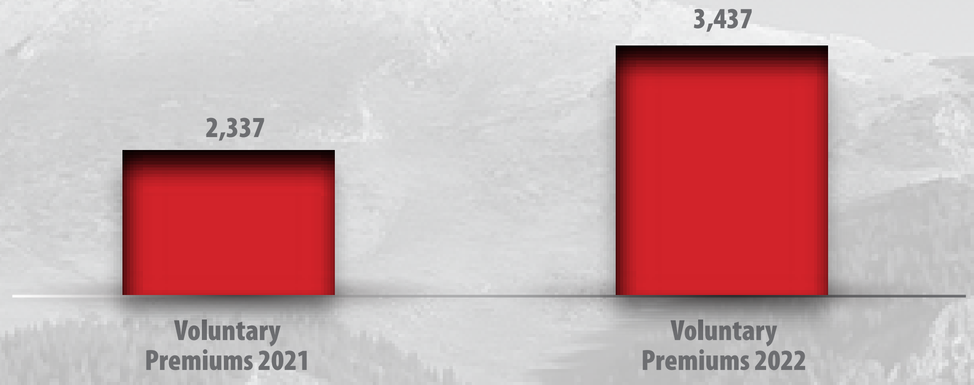


All figures are in '000 EUR.

The increase in premiums throughout the year 2022 results mainly in voluntary premiums with 47 percent realization more than the previous year 2021, namely in the "Casco" products, health insurance, travel health and guarantees.

KS "SIGURIA" marked a trend of increasing market share, where from 5.5 percent for 2021, KS "SIGURIA" voluntary premiums for 2022 increased to a 6.6 percent market share.

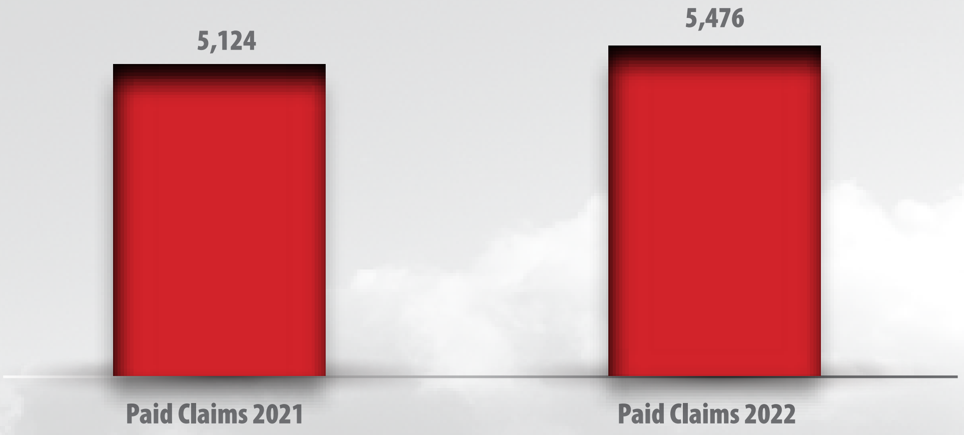
FIGURE 15. Voluntary products Premiums 2022/2021



All figures are in '000 EUR.

DAMAGES: KS "SIGURIA" throughout 2022 continued the same trend in the fulfillment of damage payments to the injured parties, or with a slight increase of 7 percent compared to the previous year 2021.

FIGURA 16. Paid Insurance Claims 2022/2021



All figures are in '000 EUR.

KS "SIGURIA" continues to have a high share of paid claims at the level of 9 percent in the total insurance market for 2022.


Kamenicë

RISK MANAGEMENT

The year 2022 is marked by global macro-economic challenges caused as a result of geopolitical tensions of the war in Ukraine and its impact on the increase in prices at the global level, reflecting also on the energy crisis. Despite these challenges, the Bank remains stable, adapting to these challenges and always following the opportunity for loan growth carefully and ensuring an increase in loan assets year-on-year by 15.21 percent. However, the year 2023 warns that ongoing risks, including geopolitical tensions, may present continuous challenges for the Bank and our clients.

However, the inflation rate still remains at high margins, a fact that has influenced the reduction of the purchasing power, even so limited, at the level of family economies. The macro-economic forecasts for the year 2023 are to an optimistic extent, while the real annual economic development will be around 3.5 percent.

On the other hand, the lack of work/labor power, which is appearing in some sectors as an effect of population migration, is another important factor that is creating pressure on the private sector in particular and is limiting economic development to its full potential.

The risk management process at the bank level includes the management of credit, operational, market, liquidity, IT systems, investment and other risks to which the Bank may be exposed at any time. In order to achieve the strategic goals, annual strategy documents have been drawn up and policies have been adapted for each specific risk in order to maintain key risk indicators, to be controlled and monitored on a regular basis, always based on the available capital of the Bank. The performance and financial stability of the Bank is stable, based on key risk indicators for December 2022:

- Total capital in relation to assets at risk (13.55 percent).
- Total capital in relation to risked assets (13.55 percent).
- The level of non-performing loans (2.81 percent).
- Maintenance of the ratio between loan exposures and deposits (77.52 percent).
- Reserves for loan losses in relation to total loans (3.04 percent).

Furthermore, during this year the adaptation to the regulatory and legal infrastructure has been further advanced by adapting all the requirements derived from the regulator's requirements or international standards. The calculation of expected loan losses has been advanced in accordance with the new International Financial Reporting Standards (IFRS) by integrating macro-economic factors in the forecast of expected loan losses.

CREDIT RISK MANAGEMENT

The Bank is exposed to credit risk, which is among the material risks and has an impact on the Bank's overall performance. On the other hand, the Bank has limited exposure to the capital markets through the treasury, while the largest concentration, about 70 percent of the total assets, is held by the diversified loan portfolio in three segments.

In order to ensure continuity in business, the risks from loan exposures must be identified, then their impact must be assessed and, finally, by creating mechanisms for their management and monitoring to reduce their impact to an acceptable level in relation to the Bank's capital. The bank also takes into account the concentration of credit risk based on the diversification of the loan portfolio across industries and different risk profiles that may come as a result of macro-economic changes or external factors. As a result of the loan policies approved by the Bank, the maximum loan limit for a client or related group of clients is always kept below the regulator's limits, thus reducing the risk of credit concentration. Such limits are pre-approved by the Board of Directors and are regularly monitored and reported to the Risk Management Committee.

On the other hand, in order to be more competitive with the market and to benefit from a more stable clients structure, the bank has launched various campaigns during the year for the Individual segment and the Micro and SME segment with more favorable conditions than in the current Policy.

Diversification of the loan portfolio continues for enterprises of the business segment and individual clients by allocating a part of the loan portfolio to family economies, it also supports the growth of the financial leasing segment by providing support for new leasing products (real estate leasing), support emphasis on project financing has also been given to business enterprises. The bank has used the possibility of transferring the loan risk to third parties, using this year the possibility of financing through the Kosovar Credit Guarantee Fund.

The level of non-performing loans is a very important indicator expressing the ratio of non-performing loans to total credit exposures. The management of non-performing loans at the end of the year experienced a small increase, from 2.75 percent (December 2021) to 2.81 percent (December 2022). This performance trend was stable considering the effects caused by inflation and price increases at the country level.

OPERATIONAL RISK

Operational risk is also defined differently as the risk of losses caused by inadequate or failed internal processes of people, systems and external events. The Bank has a developed operational risk system that suits the nature of the Bank in terms of identifying key risk indicators and controlling operational risk incidents on an ongoing basis with the sole aim of reducing the financial impact and frequency of an incident. In general, the bank and the financial sector are exposed to operational risk, as a result of technological developments in the field of financial services.

Prizren

In order to create a more effective control of operational risk, the Bank has implemented its assessment process within the most critical processes which are considered to carry operational risk. Also, the Bank assesses the existing risk profile through the categorization of incidents in the database, including events that lead to potential operational risk. In addition, the Bank has set high standards of operational risk monitoring based on reporting and provides ongoing operational risk training to all employees, in particular those responsible for reporting operational risk incidents and new employees. Through standardized approaches in operational risk management, we have managed to significantly improve the quality of data as a key decision-making point in relation to incidents presented to operational risk committees.

Therefore, despite the continuous increase in exposure to operational risk, the management of this risk was adequate, isolating its consequences as a result of separate activities according to the Basel standard. The bank has managed to take steps towards a more effective control over operational risk management, fully implementing the assessment of the bank's existing risk profile itself.

LIQUIDITY RISK

Liquidity risk occurs when there are not sufficient funds to meet funding requirements at the right time and it can also happen when open positions cannot be closed in time at suitable prices. On the other hand, as part of the market risk, it appears when an asset of the Bank may lose value due to the change in the interest rate.

Regarding liquidity, during the first part of 2022 and as a result of the war in Ukraine, the banking sector has been stressed for the first time in a decade with withdrawal of deposits due to the uncertainty of business and individuals, while the sector is recovered well during the second part of 2022, where the deposit base has increased significantly as a result of the attractive interest rates offered for term accounts.

On the other hand, the main source of asset financing continues to be represented by local deposits, which increased year-on-year by 22.62 percent, mainly from legal entities in relation to deposits of individuals.

The ratios between deposits and loan exposures continue to have discrepancies in maturity and increased risk, especially in the interest part for long-term loan exposures, therefore the variable interest rate product has been implemented in order to manage the gap in terms of interest rate movements. For the same purpose, the deposit stress model was built for long-term sustainability in the bank, while the Bank carries out on a monthly basis its analysis of deposits and historically 80 percent of the total basic current accounts remain in our bank for a period of >12 months.

Liquidity reserves continue to be at high levels, exceeding the required reserve held at CBK by 40.41 percent, in relation to the legal requirement of >25 percent. The bank is sufficiently liquid and has the ability to meet current and future obligations on time. During the entire period, the limits set by the regulator were kept, as well as the key liquidity indicators were monitored on a regular basis, which give positive signals for stability in the bank. On the other hand, as part of Basel III, the Bank calculates on a regular basis the liquidity coverage ratio ensuring that the Bank is maintaining this ratio >100 percent.

MARKET RISK

Market risk is the risk that comes as losses from positions on and off the Bank's balance sheet resulting from movements in market conditions such as changes in interest rates, exchange rates and asset prices. A specific market risk that has emerged during the second part of 2022 is the interest rate risk and the increase in Euribor rates, which is a reference used for financial contracts such as loan, mortgage loan and derivatives, and such an increase has a high impact on the cost of financing for the financial sector. Although predicting future market movements remains difficult, the reference Euribor rates may also move during 2023, which will result in higher financing costs for legal entities and households and which may lead to a negative impact as it belongs to economic growth. Although the bank does not have direct loans linked to Euribor reference rates, historically it shows that there is a significant positive correlation in terms of Euribor rates and local deposit rates. For this reason, the bank has applied in its loan agreements the application of Euribor rates for long-term loans, protecting its balance sheet against any movement of the Euribor rate.

IT RISK

IT risk is a growing and important risk for the Bank in this digital age of operations, as cyber-attacks and data breaches can result in significant financial and reputational damage. In order to reduce these risks, the Bank has invested in sustainable cyber security measures and has ensured that the Bank's employees are adequately trained to detect and prevent potential threats.

IT Risk Management within the Bank is assessed on a regular basis by the Risk Management Department, as an independent function of the IT department. The assessment of regular risks assessed and related to IT systems are divided into the following categories: Risk of changes, risk of continuity and availability, risk of data integrity, risk of contracting third parties and security risk.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The bank has implemented the document which, as a concept, aims to identify, assess and manage all risks according to the second pillar of the Basel standards for capital adequacy. This standardized internal assessment process is important for planning the minimum capital requirements to which the bank is exposed or may be exposed in order to continue with regular business operations. The individual risks derived from the model or strategy during the duration of the business plan, the concentration of the loan portfolio, the availability of collateral, operational and IT systems risk, liquidity, interest rate risk, determine the need for capital planning for these risks.

Liqeni i Zemrës

RISK MANAGEMENT COMMITTEE (RMC)

All activities undertaken for risk management at the Bank level are discussed and reported on a regular basis in RMC at the level of the board of directors. RMC is the highest body in terms of supervision of the Bank for risk activities. All policies for managing each specific risk, limits, risk indicators are analyzed, evaluated and pre-validated by RMC and finally recommended for approval by the Bank's Board of Directors.

OPERATIONS AND PAYMENTS

Banka Ekonomike has continued to focus on customer service and stability of operational functions by developing and implementing a number of development projects related to the improvement of the bank's processes and the fulfillment of local and international legal requirements.

With this, Banka Ekonomike continues to be a competitor in the market, being oriented towards the further improvement of the infrastructure of services to its clients.

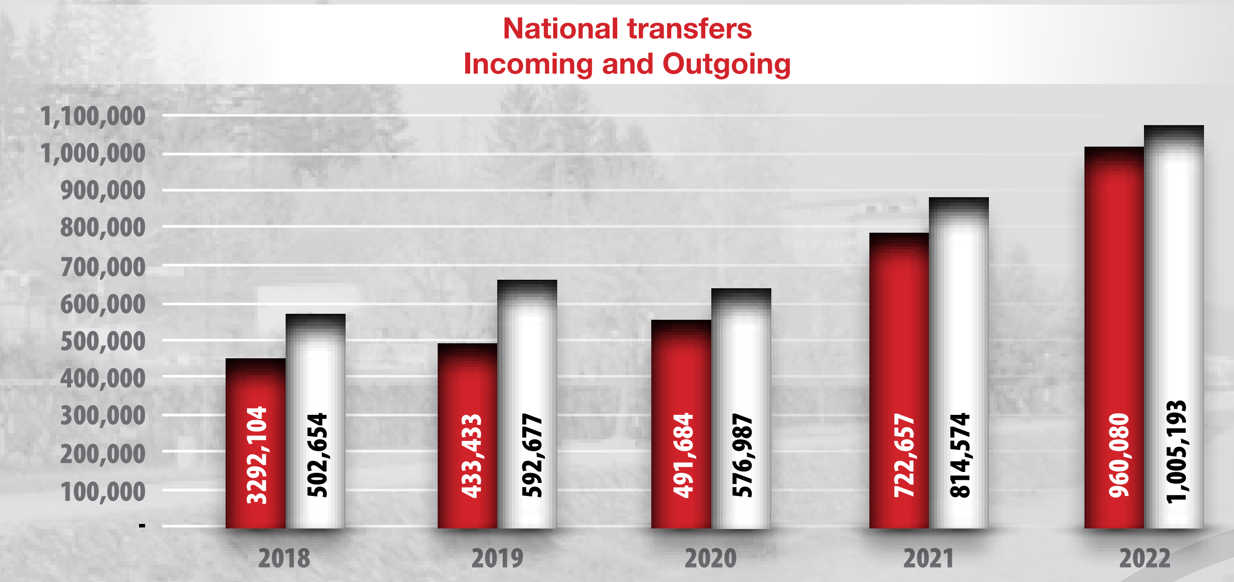
Banka Ekonomike has continued with the process of personalizing client cards within Kosovo for the category of pensioners. We have also invested in increasing the efficiency of card production, shortening the time from application to delivery of the card to the client.

Banka Ekonomike has implemented various projects that contribute to increasing the security of international transfers. These projects involve the use of advanced technologies to monitor and verify transactions, as well as to identify and stop suspicious transactions. The bank has invested in training its employees and using international security standards to ensure that money transfers are carried out safely and reliably. These projects have improved access of clients to the Bank's services and increased their trust in our institution.

NATIONAL TRANSFERS

The total value of incoming and outgoing transfers from 1.54 billion in 2021 has increased to 1.97 billion in 2022, which is an increase of about 28 percent, while during 2022, national outgoing transfers made in branches have had an increase of 4 percent in amount and number compared to the previous year. Within the framework of our Bank's strategy for further advancement of process automation and the use of alternative channels, the usability of the E-Banking platform has increased by 20 percent in number and 32 percent in value.

FIGURE 17. National transfers, incoming and outgoing;



All figures are in '000 EUR

INTERNATIONAL TRANSFERS

International transfers in 2022 have increased compared to the previous year. The total value of incoming and outgoing transfers has increased by about 22 percent, from 383 million in 2021 to 466 million in 2022 as presented in the table below. The usage of the E-Banking platform in terms of international payments has increased by 13 percent in number and 40 percent in value compared to 2021.

During year 2022, 35 percent of all outgoing international transfers were made in e-banking.

FIGURE 18. International transfers, incoming and outgoing;

All figures are in '000 EUR

INTERNATIONAL GUARANTEES AND LETTERS OF CREDIT

International guarantees and letters of credit in 2022 have increased compared to the previous year. If we take the total amount of guarantees this year, we have an increase of about 63 percent compared to last year.

FIGURE 19. International guarantees and letters of credit over years.

All figures are in '000 EUR

BANK CARDS

Banka Ekonomike offers to its clients debit and credit cards for performing services in the country and abroad in cooperation with Master Card and Visa partners, both in ATMs, POS terminals and also in online payments. Also, with the local debit cards, the number of which has reached 20,000, for the category of pensioners, the process of withdrawing funds at the Economic Bank's ATMs is enabled. Compared to the previous year, the number of debit cards reached 83 thousand and marked an increase of 10 percent more than in the previous year, while the number of credit cards increased by 2.75 percent.

In 2022, Banka Ekonomike has successfully managed to migrate to the new card processing center.

Banka Ekonomike presented for the first time in Kosovo the Visa Platinum metal credit card. This card offers special advantages and privileges such as: Free visits to business lounges with Lounge Key, discounts on hotel reservations, discounts on rental cars and many other benefits. In this way, the Bank has made an important step in the card market in Kosovo by offering new and innovative choices to our clients.

The bank has continued to invest in its infrastructure by installing new ATMs, which have influenced the decrease in the number of cash transactions at counters and the increase in the number of ATM transactions. In fact, the number of ATM deposits has increased by 40 percent compared to the previous year.

During 2022, Banka Ekonomike has made some changes in the security of card transactions. To make its transactions more secure, we implemented 3D Secure for VISA and advanced with MasterCard 3D Secure. This will help prevent illegal actions and ensure that transactions are more secure.

At the same time, the Bank has started offering a new service to our clients that allows them to activate their cards via SMS. This means clients can activate their cards and make transactions more easily and quickly using their mobile phone.

FIGURA 20. Number of debit and credit cards over the years.

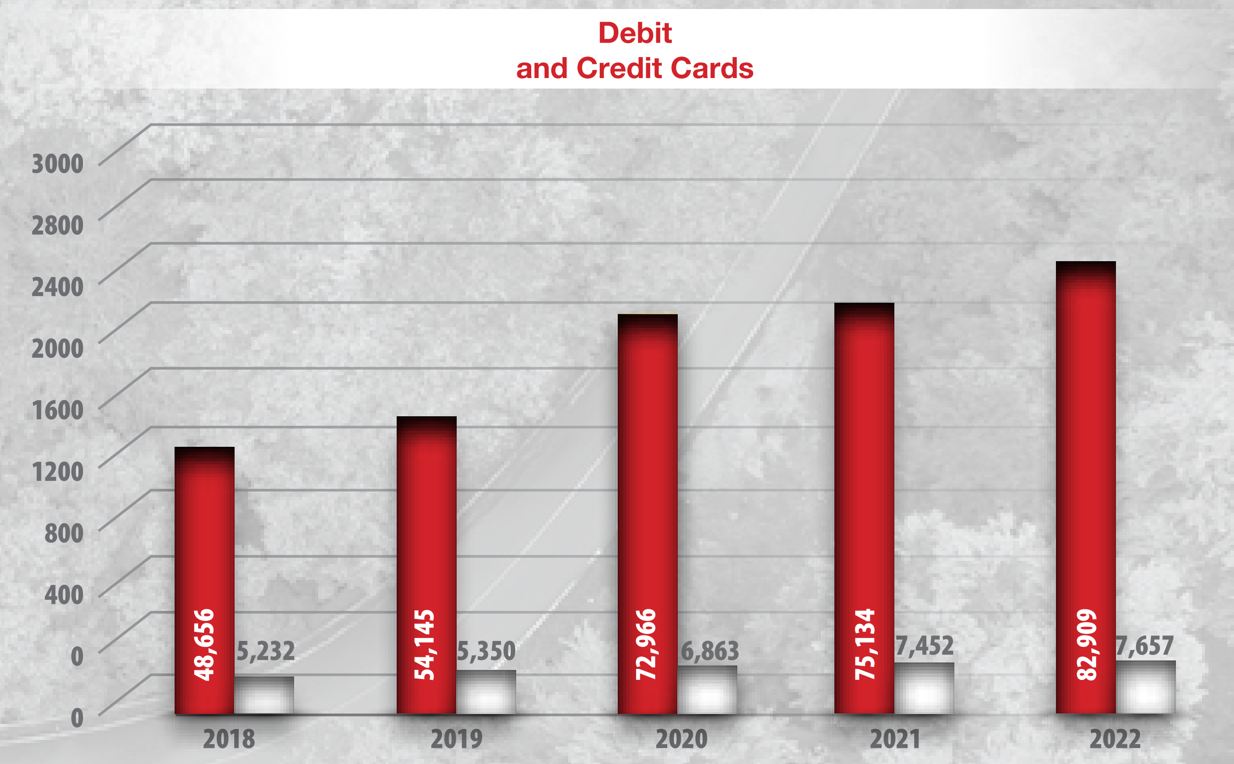
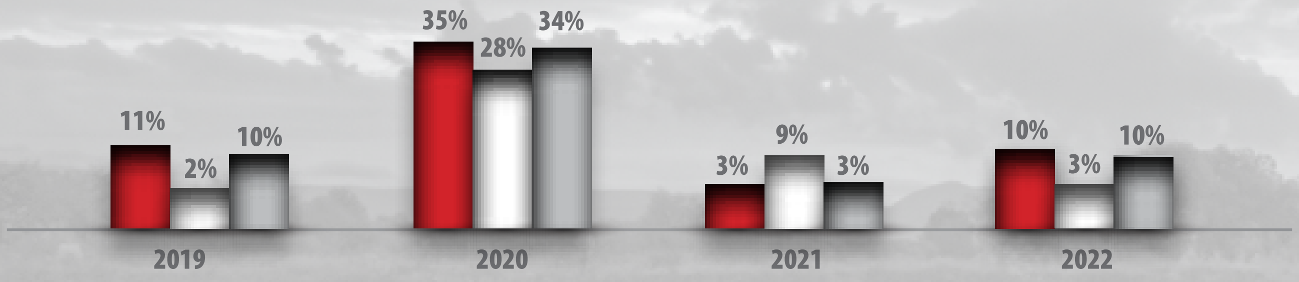


FIGURA 21. Increase/decrease in debit and credit cards over the years.



INFORMATION TECHNOLOGY

In line with the Banks strategy, the Information Technology Department has continued to focus on improving and modernizing the technological ecosystem to enhance and improve banking services.

This will increase the performance of systems and the stability of technical operations.

According to the Bank's strategy, the Information Technology department continues to focus on improving and modernizing the technological ecosystem to enhance and improve banking services. As a result, the Bank has made major investments in technological infrastructure this year, including the advancement of the server room according to international standards. This will increase the performance of systems and the stability of technical operations.

Simultaneously, in order to increase work productivity and follow regulations and laws, the Bank has implemented a large number of projects in the field of IT. During 2022, the information technology department managed to complete 33 projects/changes, in addition to the continuation of the project for changing the basic banking system. Investments in technological infrastructure will enable the automation of processes, offering innovative digital products and services in order to make the client experience superior and easy. These projects have also contributed to the improvement of the Bank's performance and increased reliability and sensitivity to client needs.

Among other things, from the information security point of view our main objective is to ensure the safety and protection of the information of our clients and employees, and we are proud to say that we have made great strides towards this goal.

One of the Bank's main initiatives during 2022 was to raise awareness among employees about data security. The bank focused on educating and empowering employees to recognize and deal with potential threats, considering that human error is one of the most common causes of security incidents. The employee awareness program included real-life attack simulations to ensure they understood how to identify potential security risks and take appropriate measures to prevent them. This initiative has made the bank staff aware of the importance of data security and assures us that the company is well prepared to prevent and respond to any potential security incidents in the future.

In addition to employee awareness, the Bank has taken other steps to strengthen its Data Loss Prevention (DLP) capabilities. We have implemented new technologies and processes that help us detect and prevent malicious or accidental exfiltration of sensitive Bank data. These measures give us better control and access to our data, allowing us to better protect ourselves from potential data breaches. This has allowed us to improve our data loss prevention capabilities and better secure our data against potential breaches. The implementation of these information security practices and frameworks helps to detect and prevent potential cyber threats and ensures that the Bank is equipped with the necessary tools and procedures to manage security incidents. NIST, Zero-Trust, Cobit5 and ISO 27001 standards are the world's most recognized frameworks for information security and their implementation shows that the Bank is committed to ensuring that its data is protected and secure.

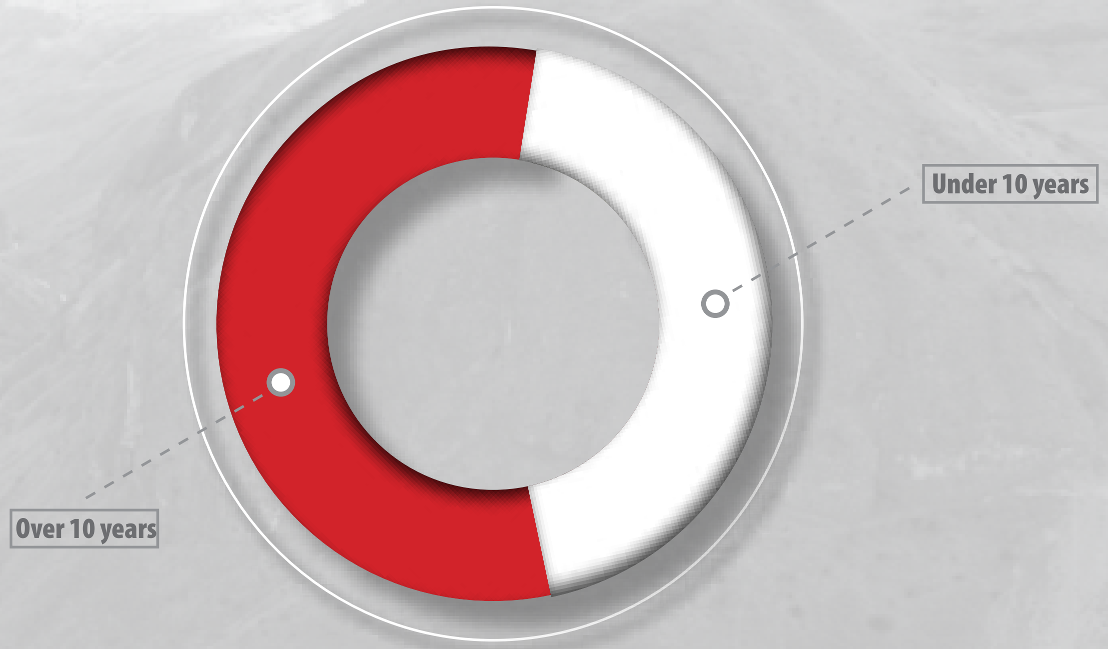
This is another good example of good information security management practices. By simulating and testing our security systems against various threats, we are able to identify any vulnerabilities and address them before a security incident occurs. This is an important strategy to minimize the risk of a data breach and keep our systems secure and prepared for potential security incidents.

We are committed to maintaining the highest levels of security for our Bank and expect continued progress in the years to come.

MANAGEMENT AND TRAINING OF PERSONNEL

Considering the importance of employees as an important resource for achieving the goals of Banka Ekonomike, we have focused our attention on recruiting individuals with suitable profiles for the respective positions, but always offering opportunities for career development for all our employees.

Putting our focus on creating a competitive work environment in accordance with the requirements of the labor market, we have taken care that during 2022 we will not only fill new positions with new employees, but also train current employees from various fields. At the same time, we have organized recreational events to ensure the most attractive working environment for our team. As every year, also in 2022, Banka Ekonomike has distributed acknowledgments to workers with 10 and 20 years of work experience in the Banka Ekonomike. This shows that the Bank continues to be an attractive employer with an organizational culture and good work environment.



This is best proven by the fact that over 44 percent of our employees have been with Banka Ekonomike for more than 10 and 20 years..

During 2022, the Bank has continued to offer practical work opportunities for students in the last years of their studies or recent graduates from faculties in cooperation with a large number of universities. These students and graduates have been engaged in various projects within the bank. This opportunity has been offered to about 40 students/recent graduates, mainly with fields of study in economics and administration, where 11 of this group have become part of the Bank in various Branches and Departments, based on their qualifications and performance.

Training and development within Banka Ekonomike are fundamental elements of our strategy for hiring and increasing the skills of our employees. We understand the importance of developing talent within our Bank and provide training and development opportunities to help our employees grow in their careers and improve their performance in their jobs. For us, training and development are not only investments in our employees, but also an investment in the future of the Banka Ekonomike.

Our employees have completed over 100 trainings throughout the year, showing our continuous commitment to the development of human capital and to adapt to different circumstances and meet the expectations of clients.

During this year, we have continued our commitment to training all employees, focusing on the cultural and ethical orientation of the work, as well as on equipping them with technical skills and refreshing knowledge about the bank's policies and procedures. Also, we have fulfilled all the requirements for training required by the regulator.

Even during the year 2022, like any other institution, we are faced with the movement of employees and the main factors have been the continuous migration and the fact that our qualified employees have become attractive to the banking market and other institutions. Relying on our experience and skills, we have also been committed to digital transformation to enable our employees to succeed in new environments and remain an employer that invests in development by helping employees on their career path step by step.

Also, during this year, introductory trainings were successfully conducted and all new employees were trained on the code of conduct and work ethics.

The year 2022 also marks the continuation of the most advanced trainings from credible world institutions such as Harvard, Oxford, Cambridge, MIT for Department managers. During these trainings they have acquired knowledge and best practices in the relevant fields identified as necessary to apply them at a strategic level.

We have continued to be dedicated to the consolidation of our leaders and successors within the institution, who through training have been able to promote a real leadership model in the development and management of teams.

Only through this dedication, the year 2022 has also been successfully concluded, thus influencing the setting of new objectives, which earlier could be considered quite ambitious.

GENERAL COMPLIANCE

The General Compliance Department has continuously monitored the regulatory and legal requirements, for which it has ensured that the same are implemented within the Bank. Within these responsibilities, special importance has been given to: the function of protecting personal data, because the protection of personal data is one of the basic rules and responsibilities of every banking institution, including Banka Ekonomike, therefore respecting the protection of personal and confidential data received from consumers, clients, business partners or third parties is of particular importance, as well as the function of handling client complaints through the CBK, because complaints are a valuable source of information for any financial institution both in terms of identifying and filling legal/regulatory deficiencies as well as in the further development and improvement of the services offered by the Banka Ekonomike.

In general, the performed compliance activities cover the implementation of tasks according to the 2022 annual work plan, the regular review and updating of internal Compliance documents, as well as the performance of regular and exceptional compliance reviews in banking processes.

Important activities developed by the Compliance Department during 2022 are: Training held for Bank employees regarding the importance of implementing and respecting the requirements arising from the Code of Conduct; Identification and monitoring of legal/regulatory changes affecting bank operations; information to bank employees regarding legal/regulatory changes and other awareness activities on compliance and protection of personal data; preventing/avoiding conflict of interest and corruption, gifts, harmful actions/behavior; confidentiality and storage of personal data; FATCA report for the period/year 2021, with information according to the requirements of the FATCA agreement and its submission to the Tax Administration of Kosovo.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is essential for Banka Ekonomike and constitutes one of its main values. For this reason, the bank has invested in a number of projects that have a positive impact on society and the environment.

Throughout 2022, Banka Ekonomike has supported 60 social projects throughout the country, engaging in various fields such as education, health, sports and culture. In addition to financial support, the bank has also offered its expertise in project management and the development of long-term strategies to achieve the goals of the projects.

Banka Ekonomike is committed to continue supporting social projects in the future, thus being a reliable partner of society and an important actor in improving the lives of citizens. In the following, we will present in detail the social projects we have supported and the positive impact they have had on society and the environment.


SUPPORT FOR SPORTS

The Bank's support and commitment to sports continues. By supporting sports clubs, Banka Ekonomike has made an important investment in the local community and has influenced the improvement of the quality of life of citizens.

Support of Banka Ekonomike of sport has had a number of benefits for the local community and the Bank itself. If we look at it from the perspective of the local community, supporting sports directly affects the health and well-being of citizens, especially young people. This affects the improvement of the quality of life of citizens and the increase of awareness for a healthy lifestyle. By supporting sport clubs, Banka Ekonomike is promoting a culture of awareness in sports and physical activity.




Seeing the need for support of clubs in order to create the best conditions for work, we have continued with the support of 39 clubs throughout Kosovo such as: Kosovo Golf Federation, TOP Football, Vëllaznimi Volleyball Club, Ulpiana Volleyball Club , Tiger Academy, Lidhja e Prizrenit Table Tennis Club, FC KEK Football Club, KB Rahoveci Club, Iliria Football Club, Ferizaj Women's Volleyball Club, Shkëndija Football Club, Drita Women's Volleyball Club, Drenica Football Club, Vushtrri Handball Club, 2 Korriku Football Club, Skenderaj Women's Volleyball Club, Peja Volleyball Club, KF Flamurtari Football Club, Prishtina Elite Volleyball Club, Skitar PriSki Club, Bashkimi Basketball Club, FC Vellaznimi, FC Balkan, Handball Club Vëllaznimi Women, KF Llapi, Kosovo Tennis Federation, KB Peja, KB Trepça, Judist Akil Gjakova, FC Malisheva, Shqiponja-Gjakovë Handball Club, FC Ferizaj, Women's Handball Club KHV Ferizaj, KB Vëllaznimi, Judo Federation in Kosovo, KF Trepça 89, Kosovo Basketball Cup, Archery Club, Vëllaznimi Handball Club, FC Ferizaji.













KV ULPIANA
EXFIS





FC MALISHEVA

For second year in a row, Banka Ekonomike supports the activity of releasing superheroes with a rope from the facility of Pediatric Clinic.

Banka Ekonomike has supported the organization Alpine Club Prishtina and “Care for Kosovo Kids” in the activity of the rope release from the Pediatric Clinic facility, part of the rope release were some employees of Banka Ekonomike dressed as #superheroes who surprised the children.

In addition to the rope activity, some modest gifts were distributed to the children and the staff of the Pediatric Clinic.

During this activity, Banka Ekonomike also gave a donation to the “Care for Kosovo Kids” organization, which will be used for the purchase of medicines and equipment needed for the Pediatric Clinic.

Banka Ekonomike opens exhibition of the book “On the Motherland, Kosovo” and donates to the National Museum of Kosovo

Banka Ekonomike, through this book “On the motherland, Kosovo”, has brought more than just pictures, more than just woven words. Staying true to the ideal as a 100 percent local bank, Banka Ekonomike has always worked and acted for the good of the country, aiming at the promotion of a country full of value.

Corporate social responsibility is one of the key values of Banka Ekonomike, we are active supporters of culture and art in Kosovo and contribute to the preservation of Kosovar cultural values and heritage.

Photographs documented by our renowned photographers, starting from the most hidden places to open urbanism. This voluminous book with over 480 photos constitutes a wealth of data on our lands, archaeological sites, religious objects, the living world, the wildness of nature, cultural institutions, the heritage that we preserve with honor and privilege.

Banka Ekonomike has decided to donate the photos taken by a well-known photographer of Kosovo to the National Museum of Kosovo, enabling use of these photos for the purposes and needs of the Kosovo Museum.

We thank all the photographers who participated in the creation of the book “On Mother Earth, Kosovo”, and those who collaborated with their art in the creation of a book full of value.

Banka Ekonomike supports the Annual Charity Gala Dinner

In the context of social responsibility, as a Platinum sponsor, Banka Ekonomike has supported the Annual Charity Gala Dinner organized by the American Chamber of Commerce.

The purpose of the dinner was to collect funds which will be allocated to various charitable organizations and projects. The three causes of the evening were: 1. Scholarship for KAEF students, Scholarship for the children of SOS Villages and Lifeline.

Banka Ekonomike will continue to support initiatives that improve the condition of various social categories and the community in general.

Banka Ekonomike is declared Taxpayer of year 2022

At the Gala Evening "THE BEST OF KOSOVO 2022" organized on the occasion of the 60th anniversary of the establishment of the Kosovo Chamber of Commerce, Banka Ekonomike was declared Taxpayer of the year 2022.

This reward once again demonstrates the respectable business activity of the bank and the commitment to be among the main actors in the economic development of the country.

Kosovo Banking Association celebrated its 20th anniversary

On the occasion of the 20th anniversary of the establishment, the Kosovo Banking Association organizes the Conference with the theme "Acceleration and promotion towards a more stable future for Kosovo: The role of banks and financing".

Shpend Luzha - Chief Executive Officer of the Banka Ekonomike emphasized: "For 20 years in a row, we had the Kosovo Banking Association as a partner and supporter in overcoming various challenges and achieving the bank's objectives, raising capacities through employee training and promoting products and services. The association had an important and active role in the development of the banking sector, maintaining the integrity and stability of this economic sector, which simultaneously contributes to the overall economic stability of the country.

Deputy CEO of Banka Ekonomike Arijan Haxhibeqiri, was part of the discussion panel of the conference, with the topic "Increasing local production and exports by increasing access to finance for SMEs".

During his discussion, among other things Mr. Haxhibeqiri emphasized: "Considering the fact that 90 percent of businesses in Kosovo belong to the segment of small and medium enterprises, it is understandable that all banks operating within the financial system in Kosovo, depending on the strategic orientation and business model that they represent, to a significant extent have had a positive impact on the support and financing of small and medium-sized enterprises".
Banka Ekonomike supported the "Let's Dance" humanitarian action organized by the "Foundation for Mothers and Children". This action returns with the sixth edition to continue the mission of supporting mothers and children.
During the five years of organization, the funds collected through the "Let's Dance" event have served to save many children's lives, thanks to the purchase of medicines and medical equipment needed for the hospitals in country.
This support is part of the continuous dedication of the Banka Ekonomike for raising the awareness and social responsibility within our society.



Banka Ekonomike signs cooperation agreement with Sparkase Bank AD in Skopje

Chief Executive Officer of the Banka Ekonomike, Shpend Luzha, as well as the Deputy Chairman of the Board of Directors of Sparkase Bank AD, Nina Nedanoska, at the Hilton hotel, in the presence of the Chairman of the Board of the Banka Ekonomike, Valon Lluka, signed a cooperation agreement, in which case the clients of both banks will benefit from preferential prices for the products and services offered. This official business event was attended by senior representatives from both banks and the business community.

The main purpose of this cooperation is to offer competitive products and services, where among many other benefits include banking transactions with preferential commissions between clients of both banks, the use of the ATM network, the use of Sparkasse Bank's POS network for clients of the Banka Ekonomike, as well as the trading of securities between our business clients.

Sparkasse Bank offers to Banka Ekonomike access to automated and competitive trading at preferential prices in the foreign exchange market. In the money market part, Banka Ekonomike is given the opportunity to enter the international money market through the use of the network of correspondent banks of Erste and Staermerkische Sparkasse Group.
In accordance with the strategy of Banka Ekonomike, regional cooperation between banks is of great importance and the benefits of such cooperation are multi-dimensional. Among other things, it will enable the increase of the exchange of goods and services between the clients of both banks, the exchange of experiences between clients in points of common interest as well as the possibility of expanding capacities, be they production, trade or services in both countries.

Banka Ekonomike signs cooperation agreement with Tirana Bank


Chief Executive Officer of Banka Ekonomike, Shpend Luzha, the Chairman of the Board, Valon Lluka, as well as the Chief Executive Officer of Tirana Bank, Dritan Mustafa, together with the relevant teams signed an agreement in order to formalize and define the cooperation between Banka Ekonomike and Tirana Bank.

This agreement includes the mutual cooperation between Banka Ekonomike and Tirana Bank in the sector of financial development and banking services. All this with the aim of providing the most favorable and innovative services, expanding the range of services offered, increasing their quality and their continuous advancement, in which case the clients of both banks will benefit in all areas of interaction.

Banka Ekonomike and Tirana Bank will make efforts towards strengthening the market attraction from their respective sides, in terms of offering and promoting the ongoing cooperation.

Support of Banka Ekonomike for children with Down Syndrome continues

Taking into account the challenges faced by children with Down syndrome and the need for institutional support, Banka Ekonomike, in the framework of social responsibility, as in previous years, this year has continued to support "Down Syndrome Kosovo" by giving a donation aimed to directly impact further integration into society and continued access to therapeutic services for children with Down syndrome.

The Down Syndrome Association of Kosovo counts over 980 members and extends to four regions: Prishtina, Prizren, Ferizaj and Mitrovica, where around 300 members receiving the necessary services in these centers.

Banka Ekonomike will continue to show the necessary care for this social category, aiming to raise their voice even further, the awareness of our society for categories that need constant institutional care.

Banka Ekonomike supports the cultural activity Diaspora Days

Banka Ekonomike continues to provide support for cultural activities and social welfare.
On this occasion, Banka Ekonomike has supported the cultural and entertainment activities organized in Ferizaj in honor of Diaspora Days.

International Children Day

Children are our inspiration to work towards a secure future!
Thanks to the unconditional love of the children, we wish them a life full of health and joy.
In honor of this day, children were educated on the importance of financial education and about banking as a concept.
Banka Ekonomike had the privilege of distributing modest gifts on occasion of International Children Day.

Banka Ekonomike supports the Bsides Prishtina conference

The one-day cyber security conference was organized for the first time in Kosovo as part of the framework of "Security Bsides" based in America, in order to gather cyber security enthusiasts to share knowledge through presentations.
During the conference, in addition to presenters from Kosovo, there were also presenters from America, Bishop Fox, Microsoft, SpecterOps and Mandiant.
One of the presenters was Arian Sheremeti - Chief Officer for Security and Information Technology at the Banka Ekonomike, who presented "Understanding cyber security threats and challenges in the protection of critical infrastructure".
Banka Ekonomike places special emphasis on cyber security, given that banking is increasingly being extended to digital platforms, therefore we will remain an active supporter of activities that contribute to the safe advancement of digitalization.

International Money Week

Banka Ekonomike, in order to mark the International Money Week, has organized several awareness-raising activities in various primary schools in Kosovo.

All this, with the aim of financial education and raising children awareness by teaching them how to take care of money, how to save and the importance of managing it for a brighter future.

International Client Day

To celebrate International Client Day and to reward their loyalty, Banka Ekonomike has awarded a modest gift to client whose birthday falls on International Client Day.

We thank all the clients of Banka Ekonomike for their trust and appreciation given to us.

Banka Ekonomike visits the home for elderly persons in Suharekë

In order to be closer to the elderly, Banka Ekonomike has visited their homes in some of the centers of Kosovo, to bring them some beautiful moments for the end of the year celebration and giving some modest gifts.

Banka Ekonomike promises that it will continue, in addition to good business results, to contribute to the social aspect of Kosovar society, stressing that it is important to work for the well-being of all citizens.

Banka Ekonomike distributes gifts for children on occasion of the end of year holidays

On the occasion of the end-of-year holidays, as well as in the framework of social responsibility, Banka Ekonomike distributed gifts to the children in the seven main cities.

In the city of #Prishtina, the gifts have been distributed to the Social - Educational Center SOS Kopshti and the Down Syndrome Association, in the city of #Gjakova at SHFMU Yll Morina, SHFMU Zekeria Rexha and the primary school in the village of Dol, in the city of Peja in the association Duart plot Mëshirë, in the city of #Prizren at the Association Dsk Center Prizren, in the city of #Mitrovica Mother Teresa special school, in the city of #Gjilan at the "Pema" day care, Kamenicë at QPMS 11 and PS Bafti Haxhiu as well as in the city of #Ferizaj at Association Handikos and Pema.

Our commitment as an institution will continue in the future, hoping that together we will raise collective awareness in order to provide the right support for children in need!

BANKA EKONOMIKE SH.A.

Separate Financial Statements prepared in accordance with
the International Financial Reporting Standards
for the year ended 31 December 2022
(with Independent Auditor's Report thereon)

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RSM KOSOVO SH.P.K.

Rr. Xhevdet Doda
Dukagjini Residence, Hyrja B-C,
Kati 2, No.B56
10 000 Prishtina
Republic of Kosovo

DL +383 45 666 888

www.rsm.global/kosovo

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Banka Ekonomike Sh.A.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate 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 separate financial statements in the Republic of 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.

Emphasis of matter

As disclosed in the separate statement of financial position and note 9.1 of the accompanying separate financial statements as at 31 December 2022, the Bank has an investment in its subsidiary amounting to EUR 6,058 thousand. Until the date of issuance of this report, the Bank has not prepared consolidated financial statements. These separate financial statements are prepared to assist the Bank in complying with financial reporting requirements of the Central Bank of Kosovo may not be appropriate to be used for general purposes unless they are read along with the consolidated financial statements. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's annual report but does not include the separate financial statements and our auditor's report. The Bank's annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the separate 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 separate 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 separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our Objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

RSM Kosovo Shpk

RSM Kosovo Sh.p.k.	**Sadik Berisha**
Prishtina, Republic of Kosovo	Statutory Auditor
29 April 2023	

Banka Ekonomike Sh.a.
Separate Statement of Financial Position

	Note	As at 31 December 2022	As at 31 December 2021
Assets			
Cash on hand and at banks	6	32,388	29,081
Balances with the Central Bank of Kosovo	7	95,201	78,542
Loans to customers	8	379,892	329,296
Investments in securities	9	28,225	5,000
Investments in subsidiary	9.1	6,058	-
Property and equipment and right-of-use assets	10	13,979	13,118
Intangible assets	11	4,794	3,949
Other assets	12	2,529	1,798
Total assets		**563,066**	**460,784**
Liabilities			
Deposits from customers	13	505,342	411,106
Due to banks	14	93	1,086
Current tax liability		210	253
Other liabilities	15	3,549	2,542
Deferred tax liability		604	608
Total liabilities		**509,798**	**415,595**
Equity and reserves			
Share capital	16	29,422	29,422
Revaluation and other reserves	16	4,853	4,794
Retained earnings		18,993	10,973
Total equity and reserves		**53,268**	**45,189**
Total liabilities, equity and reserves		**563,066**	**460,784**

The accompanying notes 1 to 26 form an integral part of these separate financial statements.

These separate financial statements have been approved by the Board of Directors of the Bank and signed on its behalf on 10 April 2023:

Mr. Shpend Luzha
Chief Executive Officer

Mr. Fitim Rexhepaj
Chief Finance Officer

Separate Statement of Profit and Loss and Other Comprehensive Income
(Amounts in thousands of EUR, unless otherwise stated)

			EURO '000
	Note	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income calculated using the effective interest method	17	24,579	21,512
Interest expense calculated using the effective interest method	17	(3,251)	(2,838)
Net interest income		**21,328**	**18,674**
Fee and commission income	18	4,358	3,660
Fee and commission expense	18	(914)	(1,300)
Net fee and commission income		**3,444**	**2,360**
Other operating income	19	641	561
Net foreign exchange gains/(losses)		(4)	(101)
Revenue		**25,409**	**21,494**
Personnel expenses	20	(4,548)	(3,890)
Depreciation of property and equipment and ROU	10	(1,921)	(1,965)
Amortization of intangible assets	11	(459)	(373)
Other expenses	21	(6,753)	(6,466)
Net impairment losses on financial instruments	6,7,8,9	(705)	(917)
Total operating expenses		**(14,386)**	**(13,611)**
Profit before tax		**11,023**	**7,883**
Income tax expense	22	(1,003)	(805)
Profit for the year		**10,020**	**7,078**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		-	4,725
Deferred tax effect on revaluation of land and building		18	-
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		41	54
Total other comprehensive income, net of tax		**59**	**4,779**
Total comprehensive income		**10,079**	**11,857**

The accompanying notes 1 to 26 form an integral part of these separate financial statements.

Banka Ekonomike Sh.a.

Separate Statement of Changes in Equity

	Share Capital	Revaluation and other reserve	Retained earnings	Total equity and reserves
As at 01 January 2021	**29,422**	**63**	**3,847**	**33,332**
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	-	-	-	-
Dividend distributed (note 16)	-	-	-	-
Total transactions with owners registered directly in the equity	-	-	-	-
Profit for the year	-	-	7,078	**7,078**
Other comprehensive income for the year: Property revaluation, net of tax	-	4,725	-	**4,725**
Revaluation of securities, net of tax	-	54	-	**54**
Transfer	-	(48)	48	-
Total comprehensive income for the year	-	**4,731**	**7,126**	**11,857**
As at 31 December 2021	**29,422**	**4,794**	**10,973**	**45,189**
As at 01 January 2022	**29,422**	**4,794**	**10,973**	**45,189**
Transactions with owners registered directly in the equity				
Contributions from and distributions to owners	-	-	-	-
Dividend distributed (note 16)	-	-	(2,000)	(2,000)
Total transactions with owners registered directly in the equity	-	-	**(2,000)**	**(2,000)**
Profit for the year	-	-	10,020	**10,020**
Other comprehensive income for the year: Deferred tax effect on revaluation	-	18	-	**18**
Revaluation of securities, net of tax	-	41	-	**41**
Transfer	-	-	-	-
Total comprehensive income for the year	-	**59**	**10,020**	**10,079**
As at 31 December 2022	**29,422**	**4,853**	**18,993**	**53,268**

The accompanying notes 1 to 26 form an integral part of these separate financial statements.

Separate Statement of Cash Flows

(Amounts in thousands of EUR, unless otherwise stated)

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Operating activities			
Profit before taxation		**11,023**	**7,883**
Adjustment for:			
Amortization and depreciation	10,11	2,380	2,367
Net impairment loss on loans to customers	8	668	917
Charge of provision for guarantees and securities	15,9	146	10
Interest income	17	(24,579)	(21,512)
Interest expense	17	3,251	2,838
Loss before changes in operating activities		**(7,111)**	**(7,497)**
Changes in operating assets and liabilities			
Statutory reserves with the CBK and other restricted funds	6	(5,176)	(6,592)
Loans to customers	8	(53,135)	(83,634)
Other assets	12	946	1,659
Deposits from customers	13	93,208	80,855
Due to banks	14	(993)	(994)
Other liabilities	15	63	699
		27,802	**(15,504)**
Interests paid		(2,160)	(2,868)
Interests received		24,772	20,700
Income tax paid		(1,050)	(621)
Net cash flow generated from operating activities		**49,364**	**1,707**
Investment activities			
Purchase of property and equipment and intangible assets	10,11	(2,486)	(2,607)
Purchases of investment securities		(23,190)	(21,687)
Redemptions of securities		-	42,052
Investments in subsidiary	9.1	(6,058)	-
Net cash flow (used in) / generated from investing activities		**(31,734)**	**17,758**
Financial activities			
Repayment of Lease liability		(840)	(825)
Dividends paid	16	(2,000)	-
Net cash flow (used in) financial activities		**(2,840)**	**(825)**
Net increase in cash and cash equivalents		**14,790**	**18,640**
Cash and cash equivalents, beginning of the year	6	78,311	59,671
Cash and cash equivalents, end of the year	**6**	**93,101**	**78,311**

The accompanying notes 1 to 26 form an integral part of these separate financial statements.

1. INTRODUCTION

Banka Ekonomike Sh.   a ("the Bank") is a Shareholding Company incorporated in the Republic of Kosovo. The address of its registered Head Office is Mother Teresa Square, 10000 Prishtina, Republic of Kosovo.
In accordance with the Central Bank of Kosovo ("CBK") regulations, the Bank obtained a license for banking activities on 28 May 2001 and commenced operations on 5 June 2001. The Bank operates as a commercial and savings bank for all categories of customers within Kosovo, through its network of 7 main branches in Prishtina, Gjakova, Peja, Prizren, Ferizaj, Mitrovica and Gjilan and 22 subbranches. The Bank employs 425 employees as at 31 December 2022 (2021: 377).

On September 2022, the Bank completed its purchase of 100% of shares in Insurance Company Siguria Sh.a through a purchase agreement, thus obtaining full control of the Insurance Company Siguria Sh.a. As at 31 December 2022, the Bank holds 100% of the shares in Insurance Company Siguria Sh.a.

2. BASIS OF PREPARATION

(a) Statement of compliance

These separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

These separate financial statements represent the result and financial position of the Bank alone and do not include that of its subsidiary (note 9.1) The Bank prepares another set of consolidated financial statements in accordance with IFRS. These separate financial statements are prepared for local regulatory purposes.

(b) New and amended standards and interpretations adopted by the Bank

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. The adoption of these standards and interpretation had no significant impact in Banks separate financial statements.

The following new standards and amendments became effective as at 1 January 2022:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Covid-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards – 2018-2020 Cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

2. Basis of preparation (continued)

(c) New standards and interpretations in issue not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank separate financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - effective for annual reporting periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - effective for annual reporting periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) - effective for annual reporting periods beginning on or after 1 January 2023.
- Definition of Accounting Estimates (Amendments to IAS 8) - effective for annual reporting periods beginning on or after 1 January 2023.
- Amendments to 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 and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Bank has opted not to early adopt these pronouncements and is in the process of analyzing the impact of adoption of these standards, revisions and interpretations on the separate financial statements of the Bank in the period of initial application.

(d) Basis of accounting

The separate financial statements have been prepared using the going concern assumption and under historical cost convention, except for the financial assets listed below, which are measured at fair value:

- Debt instruments held under the business model held to collect and sale and certain classes of property, plant and equipment

(e) Functional and presentation currency

These separate financial statements are presented in EUR, which is the Bank's functional currency. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

2. Basis of preparation (continued)

(f) Use of judgments and estimates

In preparing these separate financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements are described in notes 4, 5 and 25.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently to all periods presented in these separate financial statements. Where necessary, comparative figures have been reclassified to conform with changes in presentation for the current year.

(a) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense presented in the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

3. Significant accounting policies (continued)

(b) Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate (note (3a)).
Other fees and commission income, including account servicing fees, fund transfer fees, sales commission and placement fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.
Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(d) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

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

(ii) 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.
The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

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

(iii) Tax exposures
In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and 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 will impact tax expense in the period that such a determination is made.

3. Significant accounting policies (continued)
(e) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised costs in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(f) Financial assets and financial liabilities
(i) Recognition
The Bank initially recognises loans, deposits, debt securities issued, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

(ii) Classification
Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.
All financial assets are classified as measured at amortised cost or at FVOCI.

Business model assessment
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)
Business model assessment (continued)
that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank does not hold Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition
Financial assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)
Financial assets (continued)
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

Financial liabilities
The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Modifications of financial assets
If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Group of similar transactions such as in the Bank's trading activity.

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

Financial liabilities (continued)

(vi) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(vii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Identification and measurement of impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans to customers;
- other financial assets at amortised cost;
- financial assets that are debt instruments; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

The Bank recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'; and
- loans and debt investment securities for which credit risk has not increased significantly since initial recognition.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Definition of default

Under IFRS 9, the Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

This definition is largely consistent with the definition used for regulatory purposes for loans classified as doubtful or lost.

In assessing whether a borrower is in default, the Bank consider indicators that are consistent with the risk regulatory requirements for classification of loans as doubtful or lost:

- qualitative: e.g. breaches of contractual covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same borrower to the Bank; and
- regulatory risk classification of the same borrowers in other banks.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on requirements set forth by Credit Risk Management regulation by using qualitative and quantitative factors that are indicative of the risk of default. In addition to the risk classes introduced for regulatory purposes, the Bank identifies and monitors separately standard loans in past due from standard loans not in past due.

Each exposure it is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)
(viii) Identification and measurement of impairment (continued)

Determining whether credit risk has increased significantly
Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure that changes the regulatory risk classification from standard to watch assessed in line with the Bank's policy for regulatory risk classification. All loans showing significant increase in credit risk are classified in Stage 2.

As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the average time between the identification of a significant increase in credit risk and default appears reasonable; and
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

Modified financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the Bank considers whether the asset's credit risk has increased significantly by analysing quantitative and qualitative factors affecting risk of default.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and business loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit.
Following forbearance, a customer needs to demonstrate consistently good payment behavior over eight months before the exposure is measured at an amount equal to 12-month ECLs.

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)
(viii) Identification and measurement of impairment (continued)

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters derived from internally developed statistical models and other historical data that leverage regulatory models. PDs have been adjusted to reflect forward-looking information as decired below.

Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Bank employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in macro-economic factors, as well as in-depth analysis of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro- economic indicators are likely to include unemployment rates and consumer price inflation. The Bank's approach to incorporating forward-looking information into this assessment is discussed below.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models considers the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD.

LGD estimates are calibrated for different external factors, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset are the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts.

The Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period will be estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)
(viii) Identification and measurement of impairment (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be recognized on the basis of shared risk characteristics that include:

- instrument type; and
- credit risk grading.

The recognition are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

For investments in debt securities in respect of which the Bank has limited historical data, external benchmark information published by recognized external credit rating agencies such as Moody's are used to supplement the internally available data.

Forward-looking information
Loss allowances for ECL are presented in the statement of financial position as follows:
Under IFRS 9, the Bank has incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Bank Risk Committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the country where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private sector and academic forecasters. The base case represents a most-likely outcome and be aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank also periodically carry out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include unemployment rates and consumer price inflation forecasts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

3. Significant accounting policies (continued)
(f) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, mortgage and pledge arrangement. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as licensed mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(h) Investment securities

The 'investment securities' caption in the statement of financial position includes debt securities measured at amortised cost and at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

(i) Deposits, subordinated debt and other liabilities

Deposits and subordinated debts are the Bank's main sources of debt funding.

Deposits, subordinated debts and other liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (continued)

(j) Property and equipment (continued)

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives. Depreciation is recognised in profit or loss.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Useful life 2022	Useful life 2021
Buildings	40 years	40 years
Computers and related equipment	5 years	5 years
Motor vehicles	5 years	5 years
Furniture, fixtures and equipment	5 years	5 years

Leasehold improvements are depreciated using the straight-line basis over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Land and building

Land and building of Head Office are shown at fair value, periodically, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

(k) Leased property and equipment

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies (continued)

(k) **Leased property and equipment (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position (note 10).

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 on 31 December 2022 was 2.94%.

The Bank uses one or more of the following practical expedients according to IFRS 16.C10, applying it on a lease -by-lease basis:
- Using a single discount rate to a portfolio of leases with similar characteristics;
- Adjusting the right-of-use asset for any recognized onerous lease provisions, in-stead of performing an impairment review;
- Applying a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application and leases of low-value assets (For this purpose the bank has chosen a threshold of around € 5,000). The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term;
- Excluding initial direct costs from the measurement of the right-of-use asset;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

3. Significant accounting policies (continued)

(k) Leased property and equipment (continued)

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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:
- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(l) **Intangible assets**

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss over the estimated useful life of the asset, from the date that it is available for use.

Software is amortised using the straight-line method over the estimated useful life of five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Research and development

Research and development Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Bank is able to use or sell the asset; the Bank has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life.

(m) Repossessed property

Repossessed assets are acquired through enforcement of security over non-performing loans to customers and are intended for disposal in a reasonably short period of time. Repossessed assets are initially recognised using the bailiff set amount in the last auction and are subsequently measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss when incurred.
Gains or losses from the sale of these assets are recognized in the profit or loss.

(n) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

3. Significant accounting policies (continued)
(p) **Employee benefits**
(i) Defined contribution plans

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

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

(q) Financial guarantees and loan commitments
Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Such financial commitments are recorded in the statement of financial position if and when they become payable.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

The Bank has issued no loan commitment that are measured at FVTPL.
For other loan commitments the Bank recognises loss allowance.
The nominal contractual value of financial guarantees, and undrawn loan commitments, are not recorded on the statement of financial position. The nominal values of these instruments are disclosed in note 23 and corresponding loss allowance are disclosed in note 15.

(r) Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are disclosed as events after the end of the reporting period.

(s) Investments in subsidiaries
A subsidiary company is one in which the Bank has a long-term investment and over which it exerts control, including the governance of its financial and operating policies. Investment in subsidiary in these separate financial statements are carried at cost.

4. USE OF ESTIMATES AND JUDGMENTS

Management discusses with the Audit Committee and the Board of Directors the development, selection and disclosure of the Bank's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 25).

(a) Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3(f)(viii). The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The Bank determines those financial assets measured at fair value through other comprehensive income are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Based on observable market inputs and using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity, the value of the Investment securities measured at FVOCI that resulted after impairment value approximated the carrying amount.

Carrying and net amount of financial assets as at 31 December 2022 is presented below:

Financial assets	Carrying amount	Impairment	Net amount
Loans to customers	391,800	(11,908)	379,892
Investment securities measured at FVOCI	28,231	(6)	28,225

Determining fair values

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(f)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

4. Use of estimates and judgments (continued)

(b) Determining fair values (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The estimation of the fair value is disclosed in note 5.

5. DISCLOSURE AND ESTIMATION OF FAIR VALUE

Fair value estimates are based on existing financial instruments on the Bank's financial position statement without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

Financial instruments measured at fair value – fair value hierarchy
The following table analyses financial instruments 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 recognized in the statement of financial position.

Fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Investment securities	Carrying amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
31 December 2022	28,225	-	28,225	-
31 December 2021	5,000	-	5,000	-

Investment securities measured at FVOCI as at 31 December 2022 include Government bonds issued by the Government of Kosovo (2021: Government bonds issued by the Government of Kosovo) which are bought either to be sold or will be held till maturity depending on liquidity needs of bank. We as a bank in our financial investment portfolio at reporting date have Government Bonds starting from three-month to five year maturity denominated in EUR.

Non-Financial instruments measured at fair value – fair value hierarchy
Land and Building
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 31 December 2021 based on external, independent and qualified valuer. The management do not believe that there has been a material movement in fair value since the revaluation date up to 31 December 2022. Measurement of the land and building 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 land and building as of 31 December 2021 was determined by using the average of the fair market value derived from comparison method and income approach.

Below table presents fair value at reporting date minus accumulated depreciation.

Buildings	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
31 December 2022	-	-	8,720
31 December 2021	-	-	9,718

The inputs used for the calculation of the fair value of buildings are presented below:

	Price per sq meters	Rent income per sq meter	Cap Rate	Location
31 December 2021	EUR 5,585	EUR 18	4.5%	Mother Teresa Square

Financial instruments not measured at fair value – fair value hierarchy

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.

	Carrying value		Fair value			
			Level 2	Level 3	Level 2	Level 3
Assets	**2022**	**2021**	**2022**	**2022**	**2021**	**2021**
Cash on hand and at banks	32,388	29,081	32,388	-	29,081	-
Balance with CBK	95,201	78,542	95,201	-	78,542	-
Loans to customers	379,892	329,296	-	379,892	-	329,296
Liabilities						
Deposits from customers	505,342	411,106	505,342	-	411,106	-
Due to banks	93	1,086	93	-	1,086	-

Fair values for financial assets and liabilities above have been determined using Level 2 or 3 input described above.

Balances with banks

Due from other banks include inter-bank placements and items in the course of collection. As balances with banks are short term, their fair value is considered to equate to their carrying amount.

Loans to customers

Where available, the fair value of loans 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. There are no cases of loans that are valued based on observable inputs.

Deposits from customers

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits and subordinated debt of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date. The deposits have an estimated fair value which approximates the carrying amount due either to their short term nature or to underlying interest rates which approximate market rates. The majority of deposits is subject to re-pricing within a year.

6. CASH ON HAND AND AT BANKS

	As at 31 December 2022	As at 31 December 2021
Cash on hand	12,207	13,387
Current accounts with banks	20,190	15,694
Allowance for impairment	(9)	-
	32,388	**29,081**

Cash and cash equivalents for the purposes of cash flow statement comprise the following:

	As at 31 December 2022	As at 31 December 2021
Cash on hand and at banks	32,388	29,081
Balances with the CBK (Note 7)	95,201	78,542
Statutory reserves with the CBK	(32,153)	(27,966)
Other restricted funds	(2,335)	(1,346)
	93,101	**78,311**

In accordance with the CBK requirements relating to the deposits reserve for liquidity purposes, the Bank should maintain a minimum of 10% of customer deposits with maturities up to one year, as statutory reserves. The statutory reserves represent 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.

The assets with which the Bank may satisfy its liquidity requirement are deposits in EUR with the CBK and 50% of the EUR equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5% of the applicable deposit base.

Movement in impairment for the years ended December 31, 2022 and 2021, charged to profit and loss is as following:

	2022	2021
Opening balances	-	-
Charge/(release) to profit and loss	9	-
Closing balance	**9**	**-**

7. BALANCES WITH THE CENTRAL BANK OF KOSOVO

	As at 31 December 2022	As at 31 December 2021
Statutory reserves with the CBK	32,153	27,966
Current accounts	63,070	50,576
Allowance for impairment	(22)	-
	95,201	**78,542**

Movement in impairment for the years ended December 31, 2022 and 2021, charged to profit and loss is as following:

	2022	2021
Opening balances	-	-
Charge/(release) to profit and loss	22	-
Closing balance	**22**	**-**

8. LOANS TO CUSTOMERS

	As at 31 December 2022	As at 31 December 2021
Loans	328,009	289,665
Overdraft facilities	63,480	49,614
	391,489	**339,279**
Accrued interest	1,757	1,950
Deferred disbursement fees	(1,446)	(1,149)
	391,800	**340,080**
Allowance for impairment	(11,908)	(10,784)
Loans to customers	**379,892**	**329,296**

Loans are presented at nominal value, accrued interest are based on nominal interest rates, while deferred disbursement fees are incremental fees which are part of effective interest rate.

Maturities of long-term loans are in the range of 1 to 30 years (2021: 1 to 30 years). In 2022, the interest rates on loans to customers ranged from 2.20% to 24% p.a (2021: 2.50% to 24% p.a).

The Bank has granted few loans with interest rates at the minimum limit shown above, which are lower than the rates that are generally offered by the Bank and are covered by cash collaterals.

The movements in the allowance for impairment are as follows:

	2022	2021
Allowance for impairment at 1 January	10,784	10,010
Loans written off	(1,222)	(1,499)
Charge / (Release) for the year, net	2,346	2,273
Allowance for impairment at 31 December	**11,908**	**10,784**

The movement in the impairment for the years ended December 31,2022 and 2021, charged or released to profit and loss are is as follows:

	2022	2021
(Charge)/Release	(2,346)	(2,273)
Recoveries from previously written off loans	1,678	1,356
Net impairment losses on loans	**(668)**	**(917)**

8. Loans to customers (continued)

The following table sets out the gross carrying amount and loss allowance of loans to customers at amortised cost:

31 December 2022

Amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying value per asset type					
Business	201,314	34,607	8,194	-	**244,115**
Mortgage	48,808	58	318	-	**49,184**
Consumer	80,307	716	1,215	-	**82,238**
Agro	8,314	136	296	-	**8,746**
Credit Cards	2,185	102	405	-	**2,692**
Other	4,394	4	116	-	**4,514**
Total gross carrying value	**345,322**	**35,623**	**10,544**	**-**	**391,489**
Loss allowance per per asset type					
Business	(1,949)	(1,745)	(4,286)	-	**(7,980)**
Mortgage	(306)	(6)	(142)	-	**(454)**
Consumer	(1,521)	(152)	(860)	-	**(2,533)**
Agro	(199)	(12)	(158)	-	**(369)**
Credit Cards	(79)	(24)	(334)	-	**(437)**
Other	(77)	-	(58)	-	**(135)**
Total loss allowance	**(4,131)**	**(1,939)**	**(5,838)**	**-**	**(11,908)**

8. Loans to customers (continued)

The following table sets out the gross carrying amount and loss allowance of loans to customers at amortised cost:

31 December 2021

Amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying value per asset type					
Business	183,336	18,639	6,390	493	**208,858**
Mortgage	37,795	721	260	-	**38,776**
Consumer	75,967	584	1,152	-	**77,703**
Agro	7,423	89	280	-	**7,792**
Credit Cards	1,870	113	315	-	**2,298**
Other	3,706	9	137	-	**3,852**
Total gross carrying value	**310,097**	**20,155**	**8,534**	**493**	**339,279**
Loss allowance per per asset type					
Business	(1,182)	(1,722)	(4,344)	(466)	**(7,714)**
Mortgage	(280)	(41)	(160)	-	**(481)**
Consumer	(990)	(57)	(807)	-	**(1,854)**
Agro	(124)	(12)	(230)	-	**(366)**
Credit Cards	(42)	(16)	(185)	-	**(243)**
Other	(42)	-	(84)	-	**(126)**
Total loss allowance	**(2,660)**	**(1,848)**	**(5,810)**	**(466)**	**(10,784)**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Business loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-im-paired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2022	**1,182**	**1,722**	**4,344**	**466**	**7,714**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(223)	223	-	-	-
Transfer from Stage 1 to Stage 3	(528)	-	528	-	-
Transfer from Stage 2 to Stage 1	51	(51)	-	-	-
Transfer from Stage 2 to Stage 3	-	(331)	331	-	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	3	(3)	-	-
Release of ECL on derecognition of loans other than write offs	(472)	(495)	(506)	-	(1,473)
New financial assets originated or purchased	1,350	1,452	167	-	2,969
Changes in Risk Parameters (PD/ LGD/EAD)	588	(778)	372	(466)	(284)
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(946)	-	(946)
FX and other movements	-	-	-	-	-
Net provision value for the period	**767**	**23**	**(58)**	**(466)**	**266**
Other movements without im-pact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**1,949**	**1,745**	**4,286**	**-**	**7,980**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Business loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-im-paired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2022	**183,336**	**18,639**	**6,390**	**493**	**208,858**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(13,729)	13,729	-	-	-
Transfer from Stage 1 to Stage 3	(1,850)	-	1,850	-	-
Transfer from Stage 2 to Stage 1	5,953	(5,953)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,034)	1,034	-	-
Transfer from Stage 3 to Stage 1	108	-	(108)	-	-
Transfer from Stage 3 to Stage 2	-	12	(12)	-	-

Financial assets derecognised during the period other than write-offs	(75,799)	(7,633)	(1,033)	-	(84,465)
New financial assets originated or purchased	131,384	19,582	804	-	151,770
Modification of contractual cash flows	(28,089)	(2,735)	215	(493)	(31,102)
Write-offs	-	-	(946)	-	(946)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**201,314**	**34,607**	**8,194**	**-**	**244,115**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Mortgage loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
MORTGAGE	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Amount of the provision as at 1 January 2022	**280**	**41**	**160**	**-**	**481**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(6)	6	-	-	-
Transfer from Stage 1 to Stage 3	(24)	-	24	-	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2)	2	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Release of ECL on derecognition of loans other than write ofs	(19)	(3)	(16)	-	(38)
New financial assets originated or purchased	113	-	-	-	113
Changes in Risk Parameters (PD/LGD/EAD)	(39)	(35)	(28)	-	(102)
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Net provision value for the period	**26**	**(35)**	**(18)**	**-**	**(27)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**306**	**6**	**142**	**-**	**454**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Mortgage loans at amortised cost:

MORTGAGE	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-im-paired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2022	**37,795**	**721**	**260**	**-**	**38,776**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(28)	28	-	-	-
Transfer from Stage 1 to Stage 3	(37)	-	37	-	-
Transfer from Stage 2 to Stage 1	488	(488)	-	-	-
Transfer from Stage 2 to Stage 3	-	(82)	82	-	-
Transfer from Stage 3 to Stage 1	8	-	(8)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(2,802)	(44)	(38)	-	(2,884)
New financial assets originated or purchased	16,541	-	-	-	16,541
Modification of contractual cash flows	(3,157)	(77)	(15)	-	(3,249)
Write-offs	-	-	-	-	-
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**48,808**	**58**	**318**	**-**	**49,184**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Consumer loans at amortised cost:

CONSUMER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-im-paired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2022	**990**	**57**	**807**	**-**	**1,854**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(122)	122	-	-	-
Transfer from Stage 1 to Stage 3	(276)	-	276	-	-
Transfer from Stage 2 to Stage 1	7	(7)	-	-	-
Transfer from Stage 2 to Stage 3	-	(49)	49	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Release of ECL on derecognition of loans other than write ofs	(208)	(1)	(41)	-	(250)
New financial assets originated or purchased	564	28	9	-	601
Changes in Risk Parameters (PD/LGD/EAD)	564	2	(82)	-	484
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(156)	-	(156)

FX and other movements	-	-	-	-	-
Net provision value for the period	**531**	**95**	**53**	**-**	**679**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**1,521**	**152**	**860**	**-**	**2,533**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Consumer loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CONSUMER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-im-paired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Gross carrying amount as at 1 January 2022	**75,967**	**584**	**1,152**	**-**	**77,703**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(584)	584	-	-	-
Transfer from Stage 1 to Stage 3	(445)	-	445	-	-
Transfer from Stage 2 to Stage 1	412	(412)	-	-	-
Transfer from Stage 2 to Stage 3	-	(107)	107	-	-
Transfer from Stage 3 to Stage 1	173	-	(173)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(16,467)	(8)	(63)	-	(16,538)
New financial assets originated or purchased	28,918	124	14	-	29,056
Modification of contractual cash flows	(7,667)	(49)	(111)	-	(7,827)
Write-offs	-	-	(156)	-	(156)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**80,307**	**716**	**1,215**	**-**	**82,238**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Agro loans at amortised cost:

AGRO	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2022	**124**	**12**	**230**	**-**	**366**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(8)	8	-	-	-
Transfer from Stage 1 to Stage 3	(33)	-	33	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(19)	19	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Release of ECL on derecognition of loans other than write ofs	(22)	(2)	(29)	-	(53)
New financial assets originated or purchased	97	-	-	-	97
Changes in Risk Parameters (PD/LGD/EAD)	41	13	(31)	-	23
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(64)	-	(64)
FX and other movements	-	-	-	-	-
Net provision value for the period	**75**	**-**	**(72)**	**-**	**3**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**199**	**12**	**158**	**-**	**369**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Agro loans at amortised cost:

AGRO	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2022	**7,423**	**89**	**280**	**-**	**7,792**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(90)	90	-	-	-
Transfer from Stage 1 to Stage 3	(126)	-	126	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
Transfer from Stage 2 to Stage 3	-	(30)	30	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-

Financial assets derecognised during the period other than write-offs	(1,317)	(29)	(34)	-	(1,380)
New financial assets originated or purchased	4,183	33	-	-	4,216
Modification of contractual cash flows	(1,762)	(14)	(42)	-	(1,818)
Write-offs	-	-	(64)	-	(64)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**8,314**	**136**	**296**	**-**	**8,746**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-im-paired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Amount of the provision as at 1 January 2022	**42**	**16**	**185**	**-**	**243**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(21)	21	-	-	-
Transfer from Stage 1 to Stage 3	(102)	-	102	-	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(44)	44	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	1	(1)	-	-
Release of ECL on derecognition of loans other than write ofs	(3)	(1)	(17)	-	(21)
New financial assets originated or purchased	22	3	5	-	30
Changes in Risk Parameters (PD/LGD/EAD)	140	29	53	-	222
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(37)	-	(37)
FX and other movements	-	-	-	-	-
Net provision value for the period	**37**	**8**	**149**	**-**	**194**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**79**	**24**	**334**	**-**	**437**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Credit Cards at amortised cost:

CREDIT CARDS	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2022	**1,870**	**113**	**315**	-	**2,298**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(84)	84	-	-	-
Transfer from Stage 1 to Stage 3	(147)	-	147	-	-
Transfer from Stage 2 to Stage 1	31	(31)	-	-	-
Transfer from Stage 2 to Stage 3	-	(55)	55	-	-
Transfer from Stage 3 to Stage 1	14	-	(14)	-	-
Transfer from Stage 3 to Stage 2	-	5	(5)	-	-
Financial assets derecognised during the period other than write-offs	(118)	(8)	(44)	-	(170)
New financial assets originated or purchased	399	12	9	-	420
Modification of contractual cash flows	220	(18)	(21)	-	181
Write-offs	-	-	(37)	-	(37)
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**2,185**	**102**	**405**	-	**2,692**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Other loans at amortised cost:

OTHER	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2022	**42**	**-**	**84**	**-**	**126**
Movements with impact ne P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(3)	-	3	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Release of ECL on derecognition of loans other than write ofs	(9)	-	(3)	-	(12)
New financial assets originated or purchased	34	-	-	-	34
Changes in Risk Parameters (PD/LGD/EAD)	13	-	(7)	-	**(6)**
Changes in Models	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(19)	-	**(19)**

FX and other movements	-	-	-	-	-
Net provision value for the period	**(34)**	**-**	**(25)**	**-**	**9**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2022	**77**	**-**	**58**	**-**	**135**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Other loans at amortized cost, which includes Staff and OVD:

	Stage 1	Stage 2	Stage 3	POCI	
OTHER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Gross carrying amount as at 1 January 2022	**3,706**	**9**	**137**	**-**	**3,852**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(3)	-	3	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	(767)	(5)	(5)	-	(777)
New financial assets originated or purchased	1,822	-	3	-	**1,825**
Modification of contractual cash flows	(365)	-	(2)	-	**(367)**
Write-offs	-	-	(19)	-	**(19)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**4,394**	**4**	**116**	**-**	**4,514**

8. Loans to customers (continued)

The Bank monitors closely the collaterals held for the damaged loans, because it is likely that it will initiate procedures for the re-disposal and sale of collateral to reduce the expected losses. Below is the value of gross / net exposure versus collateral value:

2022	**Gross carrying amount**	**Expected Losses**	**Net Exposure**	**Fair Value of the Collaterals**
Credit-impaired assets (stage 3)	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Loans to individuals:	**2,054**	**(1,394)**	**660**	**3,716**
- Consumer	1,215	(860)	355	1,899
- Credit cards	405	(334)	71	375
- Mortgages	318	(142)	176	661
- Other	116	(58)	58	781

Loans to corporate entities:	8,490	(4,444)	4,046	52,449
- Agro	296	(158)	138	1,213
- Business	8,194	(4,286)	3,908	51,236
Total credit-impaired assets	**10,544**	**(5,838)**	**4,706**	**56,165**

8. Loans to customers (continued)

The following table contains an analysis of exposure to credit risk for financial instruments for which expected losses have been realized. The gross value below represents the entity's maximum exposure to credit risk.

	December 2022					December 2021
	Stage 1	Stage 2	Stage 3	POCI		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Credit Risk Grade						
A0	8,838	-	-	-	8,838	7,778
A1	336,484	-	-	-	336,484	302,319
B	-	33,612	-	-	33,612	18,891
C	-	2,011	-	-	2,011	1,264
DEFAULT	-	-	10,544	-	10,544	9,027
Gross Carrying amount	**345,322**	**35,623**	**10,544**	**-**	**391,489**	**339,279**
Loss Allowance	(4,131)	(1,939)	(5,838)	-	(11,908)	(10,784)
Net Exposure	**341,191**	**33,684**	**4,706**	**-**	**379,581**	**328,495**

8. Loans to customers (continued)

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

BUSINESS	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2021	**1,028**	**74**	**3,344**	**409**	**4,855**
Movements with impact in P&L					
Transfers:					
Transfer from Stage 1 to Stage 2	(562)	562	-	-	-
Transfer from Stage 1 to Stage 3	(1,080)	-	1,080	-	-
Transfer from Stage 3 to Stage 1	2	(2)	-	-	-
Transfer from Stage 2 to Stage 1	-	(754)	754	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	2	(2)	-	-
New financial assets originated or purchased	857	1,152	577	77	2,663
Changes in Risk Parameters(PD/LGD/EAD)	937	688	(322)	(20)	1,283
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(1,087)	-	(1,087)

FX and other movements	-	-	-	-	-
Net provision value for the period	**154**	**1,648**	**1,000**	**57**	**2,859**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**1,182**	**1,722**	**4,344**	**466**	**7,714**

8. Loans to customers (continued)

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

	Stage 1	Stage 2	Stage 3	POCI	
BUSINESS	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2021	**142,167**	**2,420**	**3,565**	**409**	**148,561**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(9,071)	9,071	-	-	-
Transfer from Stage 1 to Stage 3	(1,841)	-	1,841	-	-
Transfer from Stage 2 to Stage 1	843	(843)	-	-	-
Transfer from Stage 2 to Stage 3	-	(891)	891	-	-
Transfer from Stage 3 to Stage 1	7	-	(7)	-	-
Transfer from Stage 3 to Stage 2	-	7	(7)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	123,410	9,214	1,568	88	**134,280**
Modification of contractual cash flows	(72,179)	(339)	(374)	(4)	**(72,896)**
Write-offs	-	-	(1,087)	-	**(1,087)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**183,336**	**18,639**	**6,390**	**493**	**208,858**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Mortgage loans at amortised cost:

MORTGAGE	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2021	**391**	**-**	**315**	**-**	**706**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(41)	41	-	-	-
Transfer from Stage 1 to Stage 3	(49)	-	49	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	(21)	21	-	-
Transfer from Stage 2 to Stage 3	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	172	-	4	-	**176**
Changes in Risk Parameters (PD/ LGD/EAD)	(194)	21	(93)	-	**(266)**
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(135)	-	**(135)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(111)**	**41**	**(155)**	**-**	**(225)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**280**	**41**	**160**	**-**	**481**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Mortgage loans at amortised cost:

MORTGAGE	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2021	**23,842**	**176**	**342**	**-**	**24,360**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(710)	710	-	-	-
Transfer from Stage 1 to Stage 3	(101)	-	101	-	-
Transfer from Stage 2 to Stage 1	23	(23)	-	-	-
Transfer from Stage 2 to Stage 3	-	(46)	46	-	-
Transfer from Stage 3 to Stage 1	61	-	(61)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	21,755	-	8	-	**21,763**

Modification of contractual cash flows	(7,075)	(96)	(41)	-	**(7,212)**
Write-offs	-	-	(135)	-	**(135)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**37,795**	**721**	**260**	**-**	**38,776**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Consumer loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CONSUMER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Amount of the provision as at 1 January 2021	**2,366**	**105**	**984**	**-**	**3,455**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(21)	21	-	-	-
Transfer from Stage 1 to Stage 3	(180)	-	180	-	-
Transfer from Stage 3 to Stage 1	4	(4)	-	-	-
Transfer from Stage 2 to Stage 1	-	(64)	64	-	-
Transfer from Stage 2 to Stage 3	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	497	31	7	-	**535**

Changes in Risk Parameters (PD/LGD/EAD)	(1,677)	(32)	(279)	-	**(1,988)**
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(148)	-	**(148)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(1,376)**	**(48)**	**(177)**	**-**	**(1,601)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**990**	**57**	**807**	**-**	**1,854**

8. Loans to customers (continued)

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

	Stage 1	Stage 2	Stage 3	POCI	
CONSUMER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Gross carrying amount as at 1 January 2021	**66,825**	**583**	**1,187**	**-**	**68,595**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(239)	239	-	-	-

Transfer from Stage 1 to Stage 3	(368)	-	368	-	-
Transfer from Stage 2 to Stage 1	322	(322)	-	-	-
Transfer from Stage 2 to Stage 3	-	(99)	99	-	-
Transfer from Stage 3 to Stage 1	51	-	(51)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	38,128	295	22	-	**38,445**
Modification of contractual cash flows	(28,752)	(112)	(325)	-	**(29,189)**
Write-offs	-	-	(148)	-	**(148)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**75,967**	**584**	**1,152**	**-**	**77,703**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Agro loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
AGRO	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2021	**144**	**12**	**248**	**-**	**404**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(9)	9	-	-	-
Transfer from Stage 1 to Stage 3	(21)	-	21	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	(43)	43	-	-
Transfer from Stage 2 to Stage 3	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	70	1	8	-	**79**
Changes in Risk Parameters (PD/LGD/EAD)	(61)	33	(44)	-	**(72)**
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(45)	-	**(45)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(20)**	**-**	**(18)**	**-**	**(38)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**124**	**12**	**230**	**-**	**366**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Agro loans at amortised cost:

AGRO	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2021	**6,084**	**110**	**344**	**-**	**6,538**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(79)	79	-	-	-
Transfer from Stage 1 to Stage 3	(29)	-	29	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
Transfer from Stage 2 to Stage 3	-	(61)	61	-	-
Transfer from Stage 3 to Stage 1	46	-	(46)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	4,376	4	22	-	**4,402**
Modification of contractual cash flows	(2,978)	(40)	(85)	-	**(3,103)**
Write-offs	-	-	(45)	-	**(45)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**7,423**	**89**	**280**	**-**	**7,792**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Credit Cards at amortised cost:

CREDIT CARDS	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2021	**114**	**24**	**248**	**-**	**386**
Movements with impact in P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(12)	12	-	-	-
Transfer from Stage 1 to Stage 3	(51)	-	51	-	-
Transfer from Stage 3 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 1	-	(16)	16	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	3	(3)	-	-
New financial assets originated or purchased	9	1	2	-	**12**
Changes in Risk Parameters(PD/ LGD/EAD)	(19)	(7)	(73)	-	**(99)**
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(56)	-	**(56)**
FX and other movements	-	-	-	-	-

Net provision value for the period	**(72)**	**(8)**	**(63)**	-	**(143)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**42**	**16**	**185**	-	**243**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Credit Cards at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
CREDIT CARDS	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross carrying amount as at 1 January 2021	**1,739**	**85**	**277**	-	**2,101**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(77)	77	-	-	-
Transfer from Stage 1 to Stage 3	(125)	-	125	-	-
Transfer from Stage 2 to Stage 1	29	(29)	-	-	-
Transfer from Stage 2 to Stage 3	-	(40)	40	-	-
Transfer from Stage 3 to Stage 1	18	-	(18)	-	-
Transfer from Stage 3 to Stage 2	-	20	(20)	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	294	10	4	-	**308**

Modification of contractual cash flows	(8)	(10)	(37)	-	**(55)**
Write-offs	-	-	(56)	-	**(56)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**1,870**	**113**	**315**	-	**2,298**

8. Loans to customers (continued)

The following table sets out the changes in allowance of Other loans at amortised cost:

	Stage 1	Stage 2	Stage 3	POCI	
OTHER	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Amount of the provision as at 1 January 2021	**109**	**1**	**94**	-	**204**
Movements with impact ne P&L	-	-	-	-	-
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(42)	-	42	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	15	-	3	-	**18**

Changes in Risk Parameters(PD/LGD/EAD)	(40)	(1)	(27)	-	**(68)**
Changes in Models	-	-	-	-	-
Modification of contractual cash flows	-	-	-	-	-
Unwind of discount	-	-	-	-	-
Write-offs	-	-	(28)	-	**(28)**
FX and other movements	-	-	-	-	-
Net provision value for the period	**(67)**	**(1)**	**(10)**	**-**	**(78)**
Other movements without impact on P&L	-	-	-	-	-
Derecognition Instruments	-	-	-	-	-
Amount of the provision as at 31 December 2021	**42**	**-**	**84**	**-**	**126**

8. Loans to customers (continued)

The following table sets out the changes in gross carrying amount of Other loans at amortized cost, which includes Staff and OVD:

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	
OTHER	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Gross carrying amount as at 1 January 2021	**6,495**	**5**	**213**	**-**	**6,713**
Transfers:	-	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(90)	-	90	-	-
Transfer from Stage 2 to Stage 1	3	(3)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	1,180	9	4	-	**1,193**
Modification of contractual cash flows	(3,883)	(2)	(141)	-	**(4,026)**
Write-offs	-	-	(28)	-	**(28)**
FX and other movements	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**3,706**	**9**	**137**	**-**	**3,852**

8. Loans to customers (continued)

The Bank monitors closely the collaterals held for the damaged loans, because it is likely that it will initiate procedures for the re-disposal and sale of collateral to reduce the expected losses. Below is the value of gross / net exposure versus collateral value:

2021	Gross carrying amount	Expected Losses	Net Exposure	Fair Value of the Collaterals
Credit-impaired assets (stage 3)	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Loans to individuals:	**1,864**	**(1,236)**	**628**	**3,518**
- Consumer	1,152	(807)	345	1,530
- Credit cards	315	(185)	130	343
- Mortgages	260	(160)	100	672
- Other	137	(84)	53	973
Loans to corporate entities:	**6,670**	**(4,574)**	**2,096**	**47,337**
- Agro	280	(230)	50	1,418
- Business	6,390	(4,344)	2,046	45,919
Total credit-impaired assets	**8,534**	**(5,810)**	**2,724**	**50,855**

8. Loans to customers (continued)

The following table contains an analysis of exposure to credit risk for financial instruments for which expected losses have been realized. The gross value below represents the entity's maximum exposure to credit risk.

	December 2021					December 2020
	Stage 1	Stage 2	Stage 3	POCI		
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	Total	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Credit Risk Grade						
A0	7,778	-	-	-	7,778	230,561
A1	302,319	-	-	-	302,319	16,591
B	-	18,891	-	-	18,891	2,753
C	-	1,264	-	-	1,264	626
DEFAULT	-	-	8,534	493	9,027	6,337
Gross Carrying amount	**310,097**	**20,155**	**8,534**	**493**	**339,279**	**256,868**
Loss Allowance	(2,660)	(1,848)	(5,810)	(466)	(10,784)	(10,010)
Net Exposure	**307,437**	**18,307**	**2,725**	**27**	**328,495**	**246,858**

9. INVESTMENTS IN SECURITIES

	As at 31 December 2022	As at 31 December 2021
Investments securities – at FVOCI		
Government bonds	28,115	5,017
Accrued Interest	116	(17)
Allowance for impairment	(6)	-
Total Investments in Securities	**28,225**	**5,000**

Investments in securities at reporting date represent three-month to-five year government bonds denominated in EUR. Bank investment portfolio is classified into two parts at amortized cost and FVOCI, and all of these investments are invested in securities issued by the Government of Kosovo. The bank does not have Treasury bills or Bonds which are classified in Amortized cost as of 31 December 2022.

Bank has five Government Bonds as of December 2022 which are classified in FVOCI, the average of maturity for these bonds is 3.91 years (2021: 3 years) and average of interest is 2.80% (2021: 0.66%).

The following table provides for the movement of investment securities measured at FVOCI during 2022 and 2021:

	Investments at FVOCI
At 01 January 2022	**5,017**
Additions	23,057
Disposal	-
Unrealized gain/(loss)	41
At 31 December 2022	**28,115**
At 01 January 2021	**20,542**
Additions	26,419
Disposal	(41,998)
Unrealized gain/(loss)	54
At 31 December 2021	**5,017**

9.1 Investments in subsidiary

	As at 31 December 2022	As at 31 December 2021
Investments in Insurance Company Siguria Sh.a.	6,058	-
Total Investments in Subsidiary	**6,058**	**-**

On 17 May 2022 the Bank has initiated the process of purchasing Insurance Company Siguria Sh.a. by signing a contract of purchase with the prior shareholder of Insurance Company Siguria Sh.a. The contract was sent to the Regulator for approval.

The approval from the Regulator regarding the transaction for the purchase of Insurance Company Siguria Sh.a. was received by the Bank on 22 June 2022 and Competition authority approval was received on 9 September 2022.

Further to receipt of regulatory approvals, on 12 September 2022, the Bank completed its purchase process of acquiring 100% stake in Insurance Company Siguria Sh.a, after transferring consideration agreed of EUR 2,100 thousand to prior shareholder of Insurance Company Siguria Sh.a. Subsequent to the date of purchase, additional amount of EUR 958 thousand and EUR 3,000 thousand was invested in Insurance Company Siguria Sh.a. on 30 September 2022 and 19 December 2022, respectively.
As of 31 December 2022, the Bank is the sole shareholder of Insurance Company Siguria Sh.a.

10. PROPERTY EQUIPMENT AND RIGHT-OF USE-ASSETS

The following is a breakdown of property and equipment owned and leased:

	2022	2021
Property, plant and equipment owned	11,391	11,533
Right-of-use assets (ROU) IFRS 16	2,588	1,585
Property, Plant and Equipment and right-of use-assets	**13,979**	**13,118**

The Bank leases several assets which consist of premises. Information about Right of Use assets and Lease liabilities for which the Bank is a lessee is presented below:

Right-of-use assets	2022	2021
Balance at 1 January	**1,585**	**1,919**
Additions in current year	1,832	613
Disposals / terminated contracts	(172)	(183)
Depreciation charge for the year	(657)	(764)
Balance at 31 December	**2,588**	**1,585**

Lease Liability as at January 1, 2021	1,954
+ Additions	455
- Less Disposals	(181)
- Less lease payments	(825)
+ Interest on Lease Liabilities	55
Lease liability as at December 31, 2021	**1,458**
+ Additions	1,637
- Less Disposals	(56)
- Less lease payments	(840)
+ Interest on Lease Liabilities	63
Lease liability as at December 31, 2022	**2,262**

Amounts recognized in the profit or loss of the Bank for the years ended 31 December 2022 and 2021:

	2022	2021
Interest on lease liabilities - IFRS 16	(63)	(55)
Depreciation of ROU	(657)	(764)
Total expenses from leases	**(720)**	**(819)**

10. Property and equipment and right-of use-assets (continued)

Cost or Revaluation	Build-ings	Leasehold im-provements	Furniture, fixtures and equipment	Computers and related equipment	Motor vehicles	Total
At 1 January 2021	**5,634**	**1,462**	**3,934**	**1,677**	**772**	**13,479**
Additions	13	67	197	229	204	**710**
Buildings-Revaluation	5,235	-	-	-	-	**5,235**
Disposals	(13)	(194)	(649)	(48)	(195)	**(1,099)**
At 31 December 2021	**10,869**	**1,335**	**3,482**	**1,858**	**781**	**18,325**
Additions	-	105	547	307	187	**1,146**
Write-offs	-	(419)	(93)	(35)	-	**(547)**
At 31 December 2022	**10,869**	**1,021**	**3,936**	**2,130**	**968**	**18,924**

Accumulated depreciation						
At 1 January 2021	1,551	742	2,585	1,236	516	**6,630**
Charge for the year	278	231	396	188	108	**1,201**
Disposals	-	(180)	(619)	(45)	(195)	**(1,039)**
At 31 December 2021	**1,829**	**793**	**2,362**	**1,379**	**429**	**6,792**
Charge for the year	320	194	405	216	129	**1,264**
Write-offs	-	(402)	(90)	(31)	-	**(523)**
At 31 December 2022	**2,149**	**585**	**2,677**	**1,564**	**558**	**7,533**
Carrying amount						
At 1 January 2021	**4,083**	**720**	**1,349**	**441**	**256**	**6,849**
At 31 December 2021	**9,040**	**542**	**1,120**	**479**	**352**	**11,533**
At 31 December 2022	**8,720**	**436**	**1,259**	**566**	**410**	**11,391**

During year 2022 the Bank has written off assets with carrying amount of EUR 24 thousand (2021: EUR 60 thousand).

As at 31 December 2022 and 2021 the Bank does not have, any property or equipment pledged as collateral.

The carrying amount of property and equipment and intangible assets of the Bank at 31 December 2022 was EUR 13,053 thousand representing 27.60 % of Tier 1 capital (2021: EUR 13,002 thousand representing 32.36% of Tier 1 capital). The maximum regulatory limit of property and equipment and intangible assets is 50% of Tier 1 capital. No breach of such ratio was reported in 2022, nor in 2021.

If land and buildings were stated under the historical cost convention, the amounts would be as follows:

	2022	2021
Balance at 1 January	**3,944**	**4,085**
Additions in current year	-	-
Less: Depreciation	(141)	(141)
Balance at 31 December	**3,803**	**3,944**

11. INTANGIBLE ASSETS

Cost	Software	Intangible assets in progress	Total
At 1 January 2021	**2,147**	**2,148**	**4,295**
Additions during the year	606	1,010	1,616
Disposals	(1,196)	-	(1,196)
At 31 December 2021	**1,557**	**3,158**	**4,715**
Additions for the year	411	981	1,392
Disposals	(444)	-	(444)
At 31 December 2022	**1,524**	**4,139**	**5,663**
Accumulated amortization			
At 1 January 2021	1,482	-	1,482
Charge for the year	373	-	373
Disposals	(1,089)	-	(1,089)
At 31 December 2021	**766**	**-**	**766**
Charge for the year	459	-	459

Disposals	(356)		(356)
At 31 December 2022	**869**	**-**	**869**
Carrying amount			
At 31 December 2021	**791**	**3,158**	**3,949**
At 31 December 2022	**655**	**4,139**	**4,794**

On November 2018, the Bank signed a contract for the development of a new core banking system. Work on the project was in progress and the project was expected to be finalized in October 2023.

Subsequent to the reporting date, the Bank concluded that the functionality of the new system does not entirely complement with their existing IT infrastructure, resultantly, the bank re-entered into a discussion with the contractor and negotiated a revised contract, under which the existing core banking system would be upgraded to cover all developments that were initially envisioned under the new core banking system, without any additional cost to the Bank.

The Bank and the Contractor have agreed on a specific list of modules and upgrades to be made in the existing core banking system, with the timeline of completion being kept the same as the base contract i.e., October 2023.

As at 31 December 2022 and 2021 the Bank does not have intangible assets pledged as collateral.

12. OTHER ASSETS

	As at 31 December 2022	As at 31 December 2021
Prepayments	752	375
Repossessed property	1,009	678
Other	792	851
Allowance for impairment	(24)	(106)
Total	**2,529**	**1,798**

Movements in repossessed property during the years are shown below:

	2022	2021
Balance at 1 January	**678**	**-**
Additions in current year	712	707
Sold during the year	(151)	-
Write down	(230)	(29)
Balance at 31 December	**1,009**	**678**

13. DEPOSITS FROM CUSTOMERS

	As at 31 December 2022	As at 31 December 2021
Current accounts	252,266	221,627
Blocked accounts	11,861	6,095
Flexi deposits	7,220	7,314
Savings accounts	22,711	21,542
	294,058	**256,578**
Add: Current maturity of long-term customer deposits	62,792	**53,212**
Total short-term customer deposits	**356,850**	**309,790**
Time Deposits	207,633	151,905
	207,633	**151,905**
Less: Current maturity of long-term customer deposits	(62,792)	(53,212)
Total long-term customer deposits	**144,841**	**98,693**
Accrued interest	3,651	2,623
Total	**505,342**	**411,106**

Current accounts are non-interest bearing.
The average effective interest rates for time deposits during 2022 and 2021 were as follows:

Year	1 month	3 months	6 months	1 year	18 months	2 -5 years	>5years
2022	0.03%	1.37%	1.26%	1.45%	2.10%	2.35%	2.5%
2021	0.04%	1.57%	1.27%	1.13%	1.82%	2.11%	-

14. DUE TO BANKS

Balances due to banks amounting EUR 93 thousand (2021: EUR 1,086 thousand) represent current accounts from local banks.

15. OTHER LIABILITIES

	As at 31 December 2022	As at 31 December 2021
Lease liabilities (Note 10)	2,262	1,458
Accrued expenses	743	666
Other deferred income	197	76
Provision for losses from guarantees	162	22
Provisions for litigations	138	257
Pension and social assistance charges	33	30
Other taxes payable	14	33
Total	**3,549**	**2,542**

The movement in the provision for losses from guarantees issued by the Bank is as follows:

_	2022	2021
Provisions as at 1 January	22	12
Charge for the year (Note 20)	140	10
Provisions as at 31 December	**162**	**22**

16. SHARE CAPITAL AND RESERVES

The authorised and paid up share capital of the Bank comprises 114,930 ordinary shares (2021: 114,930 ordinary shares) with par value of EUR 256 each (2021: 256). The shareholding structure of the Bank is as follows:

	As at December 31, 2022		As at December 31, 2021	
	%	Amount	%	Amount
Behgjet Pacolli	35	10,246	35	10,246
Immobiliare Red Llc	29	8,402	29	8,402
Selim Pacolli	18	5,360	18	5,360
Xhabir Kajtazi	12	3,482	12	3,482
Ismet Gjoshi	3	987	3	987
Hasan Hajdari	1	297	1	297
Zyhra Hajdari	1	285	1	285
Others with less than 1%	1	363	1	363
	100	**29,422**	**100**	**29,422**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Bank's residual assets.

During the year ended at 31 December 2022, Bank paid dividends in the amount of EUR 2,000,000 from retained earnings (2021: no dividends paid).
In accordance with Law no. 04/L-093 on "Banks, Microfinance Institutions and Non-Bank Financial Institutions", the minimum paid-in capital for domestic banks operating in Kosovo is EUR 7 million.

Revaluation reserves
The movement in revaluation reserve is as follows:

	2022	2021
Revaluation reserve as at January 1	4,794	63
Property revaluation (net of tax)	18	4,725
Revaluation reserve of investment securities measured at FVOCI	41	54
Transfer to retained earning	-	(48)
Balance as of December 31	**4,853**	**4,794**

17. NET INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

Interest income	**Year ended December 31, 2022**	**Year ended December 31, 2021**
Loans to customers	24,295	21,011
Deposits and balances with banks	7	16
Investments in securities	277	485
Total Interest income	**24,579**	**21,512**
Interest expense		
Deposits from customers	(3,188)	(2,783)
Interest on lease liabilities IFRS 16	(63)	(55)
Total Interest expense	**(3,251)**	**(2,838)**
Net interest income	**21,328**	**18,674**

18. NET FEE AND COMMISSION INCOME

	Year ended December 31, 2022	Year ended December 31, 2021
Banking services	4,136	3,562
Guarantees	222	98
Fee and commission income	**4,358**	**3,660**
Swift expenses	(651)	(783)
License and other regulatory fees	(263)	(517)
Fee and commission expenses	**(914)**	**(1,300)**
Net fee and commission income	**3,444**	**2,360**

19. OTHER INCOME

	Year ended December 31, 2022	Year ended December 31, 2021
Other income	454	161
Release from litigations	105	-
Release from impairment of other assets	82	-
Gain from sale of Investments	-	400
	641	**561**

20. PERSONNEL EXPENSES

	Year ended December 31, 2022	Year ended December 31, 2022
Wages and salaries	4,253	3,637
Pension contributions	202	175
Other compensations	93	78
Total	**4,548**	**3,890**

21. OTHER EXPENSES

	Year ended December 31, 2022	Year ended December 31, 2021
Security	1,202	1,144
Repair and maintenance	1,107	872
Deposit insurance fees	644	600
IT services	551	679
Master card operational expenses	534	628
Other	351	333
Sponsorship – allowed for tax purposes	305	163
Advertising and marketing	301	325
Utilities and fuel	285	253
Professional charges and other related legal fees	271	267
Write down of repossessed assets	230	29
Credit collection services	157	91

Charge for provisions of guarantees	140	10
Fee expenses related to FKGK	136	112
Communication	121	135
Write off of PPE and IA	120	168
Representation expenses	112	50
Consulting related expenses	71	159
Office materials	54	42
Printing	47	42
Travel	14	6
Litigations expenses	-	252
Impairment for other assets	-	106
Total	**6,753**	**6,466**

22. INCOME TAX

Income tax in Kosovo is assessed at the rate of 10% (2021: 10%) of taxable income.
The following represents a reconciliation of the accounting result to the income tax:

	2022	2021
Profit before income tax (excluding sponsorship)	**11,328**	**8,046**
Tax at the rate of 10%	1,133	805
Adjusted for:		
Non-deductible expenses	655	263
Additional tax deductible interest expenses	(18)	(14)
Exempted income	(28)	(88)
Allowance for loans	(565)	(150)
Add allowable interest expenses	117	52
Income tax expense for the year	**1,294**	**868**
Effective tax rate	11.42%	10.79%
Sponsorship in culture and sport (up to 30% of the income tax expense)	(305)	(163)
Income tax expense	**989**	**705**
Deferred Tax Charge	**14**	**100**
Income Tax Expense recognized in profit and loss and other comprehensive income	**1,003**	**805**

22. Income tax (Continued)

Differences between IFRS financial statements and Kosovo statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 10 per cent. For the year ended 31 December 2022, total deferred tax liability released through other comprehensive income amounts to EUR 18 thousand and charged to profit and loss is 14 thousand, respectively.

23. COMMITMENTS AND CONTINGENCIES

The Bank issues guarantees for its customers. These instruments bear a credit risk similar to that of loans granted to customers. Based on management's estimate, no material losses related to guarantees outstanding at 31 December 2022 and 2021 will be incurred.

Guarantees	2022	2021
Secured by cash deposits	1,573	891
Secured by other collateral	8,265	2,652
	9,838	**3,543**
Credit Commitments		
Approved but not disbursed loans	8,786	4,742
Overdrafts	19,077	18,990
Credit cards	3,318	2,299
Unused credit facilities	**31,181**	**26,031**

Other collaterals pledged for guarantees, include mainly pledge and real estate properties. Commitments represent the undrawn balances of loans, overdraft and card limits granted to the customers.

Litigations

As at 31 December 2022, the Bank has recognized provisions in the amount of EUR 138 thousand (31 December 2021: EUR 257 thousand), regarding legal proceedings. The management believes that the provisions recognized are a reasonable estimate against the outcome of ongoing lawsuits against the Bank as at December 31, 2022.

24. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. In the course of conducting its banking business, the Bank entered into various business transactions with related parties and the balances with the shareholders and affiliated individuals and entities at 31 December 2022 and 2021 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
Assets	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Loans to customers								
Loans to customers, net	39	44	323	82	9,252	10,318	9,614	10,444
	-	-	-	-	4,140	3,158	4,140	3,158
Total assets	**39**	**44**	**323**	**82**	**13,392**	**13,476**	**13,754**	**13,602**
Liabilities								
Deposits from customers	(11)	(12)	(44)	(70)	(30,503)	(26,221)	(30,558)	(26,303)
Total liabilities	**(11)**	**(12)**	**(44)**	**(70)**	**(30,503)**	**(26,221)**	**(30,558)**	**(26,303)**
Guarantees	-	-	-	-	348	227	348	227
Total off-balance sheet	**-**	**-**	-	-	348	**227**	**348**	**227**

The total estimated value of collateral obtained from related parties at 31 December 2022 amounted to EUR 18,428 thousand Eur (31 December 2021: amounted to EUR 22,189 thousand Eur).

The unused credit commitments with related parties as at 31 December 2022 are EUR 758 thousand Eur (2021: EUR 845 thousand Eur).

Due to related parties represent 6.05 % (2021: 6.38%) of total balances deposits from customers.

Transactions with related parties during 2022 and 2021 are as follows:

	Board of Directors		Key management		Major shareholders and other parties related to them		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	3	3	9	4	411	300	423	307
Fee and commission income	-	-	-	1	80	57	81	58
Interest expense	-	-	-	-	(36)	(41)	(36)	(41)
Implementation expense-BV	-	-	-	-	(383)	(532)	(383)	(532)
Paid for intangible in development	-	-	-	-	981	1,010	981	1,010

Total remuneration to the Bank's key management is as follows:

	2022	2021
Short-term employee benefits for Board of Directors	93	78
Short-term employee benefits for key management	249	208
	342	286

25. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

- market risk
- credit risk
- liquidity risk

Risk management framework

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

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee ("ALCO"), Liquidity Committee Credit Committee, Audit Committee, and Risk Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank aims to develop a constructive control environment, in which all employees understand their roles and obligations.

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

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank. The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets. Based on this, the management analyses profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, maintaining an adequate capital and liquidity position.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans to customers and to other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit Risk Department is responsible for the management of the Bank's credit risk. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

The table below represents a maximum exposure to credit risk exposure of the Bank at 31 December 2022 and 2021, without taking into account any collateral held or other credit enhancements attached. For financial assets, the exposures set out below represent the net carrying amounts as reported in the statement of financial position.

	Loans to customers		Investments in securities		Current accounts with banks and CBK		Financial guarantees	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Maximum exposure to credit risk								
Carrying amount	379,892	329,296	28,225	5,000	115,382	94,236	-	-
	379,892	**329,296**	**28,225**	**5,000**	**115,382**	**94,236**	**-**	**-**
At amortized cost	**391,800**	**340,080**	**28,232**	**5,000**	**115,413**	**94,236**	**-**	**-**
Allowance for impairment	(11,908)	(10,784)	(7)	-	(31)	-	-	-
Net carrying amount	**379,892**	**329,296**	**28,225**	**5,000**	**115,382**	**94,236**	**-**	**-**
Off balance: maximum exposure								
Credit commitments: Low - fair risk	31,181	26,031	-	-	-	-	9,838	3,543

Total committed/ guaranteed	**31,181**	**26,031**	**-**	**-**	**-**	**-**	**9,838**	**3,543**
Provisions recog-nized as liabilities	-	-	-	-	-	-	(162)	(22)
Total exposure	**31,181**	**26,031**	**-**	**-**	**-**	**-**	**9,676**	**3,521**

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality (continued)

		2022				2021		
Loans to customers	**Individu-als**	**Micro**	**Corpo-rate**	**Total Loans**	**Individ-uals**	**Micro**	**Corpo-rate**	**Total Loans**
Total gross amount	125,644	117,694	148,462	391,800	110,571	101,085	128,424	340,080
Allowance for impairment	(3,294)	(4,933)	(3,681)	(11,908)	(2,570)	(4,872)	(3,342)	(10,784)
Net carrying amount	**122,350**	**112,761**	**144,781**	**379,892**	**108,001**	**96,213**	**125,082**	**329,296**
Loans with renegotiated terms								
Carrying amount	310	2,219	1,261	3,791	350	1,997	1,771	4,118
Allowance for impairment	(52)	(451)	(610)	(1,114)	(60)	(720)	(849)	(1,629)
Net carrying amount	**258**	**1,768**	**651**	**2,677**	**290**	**1,277**	**922**	**2,489**

Loans by past due days								
Not past due	119,359	107,344	143,988	370,691	105,464	91,944	123,441	320,849
Past due 1-30 days	3,894	4,983	1,095	9,972	3,091	5,396	1,351	9,838
Past due 31 - 90 days	900	1,496	168	2,564	531	1,263	481	2,275
Past due 91 – 365 days	603	2,478	-	3,081	658	886	1,671	3,215
Past due over 365 days	888	1,393	3,211	5,492	827	1,596	1,480	3,903
	125,644	**117,694**	**148,462**	**391,800**	**110,571**	**101,085**	**128,424**	**340,080**

25. Financial risk management (continued)
(b) Credit risk (continued)
Impairment and provisioning

The total allowances that are required by the IFRS on 'Credit Risk Management' (see 3. (f) (viii), include losses that have been incurred at the reporting date (the 'incurred loss model') and expected credit losses.

The Bank assesses the probability of default of the counterparties, using internal rating tools tailored to the various categories of counterparties. Such tools combine statistical analysis and judgment and are validat-ed, where appropriate, by comparison with externally available data.

Counterparties are segmented into five rating classes and the Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. Exposures migrate between classes as the assessment of their probability of default changes. The rating tools are continuously reviewed, up-graded and validated by the Bank.

Loans are rated from A to E in the Bank's internal credit risk rating system:

- A Standard
- B Watch
- C Sub-standard
- D Doubtful
- E Loss

The Bank reports the classification of its borrowers to the CBK and the Credit Register of Kosovo.
The impairment policy for these loans is detailed in Note 3.(f) (viii).
Individual and collective assessment of loan portfolio
For internal management purpose, the Bank segregates the loans into loans that are assessed individually for impairment: these are loans that are classified as substandard-list or lower. All other loans are analyzed collectively for impairment assessment purposes.

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality (continued)

The Bank assesses ECL (expected credit losses) on individual basis for outstanding exposures EUR >100 thousand that are classified in stage 3 on monthly basis while discounting the projected cash inflow with NEI. Moreover, such exposures are closely monitored by the Bank and reported due to their size and potential impact on the Bank's profit or loss. (2021: EUR 100 thousand at least once a month when individual circumstances demand it).

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

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Write-off policy
The Bank writes off a loan (and any related allowances for impairment) with the decision of the Board of Directors, in accordance with the regulations of Central Bank of Kosovo. The write-off decision is taken after considering information such as the occurrence of significant changes in the borrower issuer's financial position, such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The total amount written off during 2022, is EUR 1,222 thousand (2021: EUR 1,499 thousand).

Due from banks
Interbank exposures are closely monitored on a daily basis by risk management and the Treasury Department. The Bank limits its deposits and other banking transactions to sound local or international banks. Before a business relationship is initiated with a given bank, the management and the Risk Department carry out an analysis of the institution's financial standing. The financial performance of the counterparties is continuously monitored. Moreover, all correspondent banks as well as bond issuers in which the Bank has investment exposures are continuously monitored for their ratings by international rating agencies like: Standard & Poor's (S&P), Fitch and Moody's.

In accordance to the new regulation on large exposures of the Central Bank of Republic of Kosovo, banks shall not have any aggregate credit risk exposure to related counterparties exceeding 15% of Tier I Regulatory Capital. Loans to banks are granted without collateral. The table below presents the Bank's current accounts and time deposits with corresponding banks by credit ratings:

At 31 December	2022	2021
AAA+ to BBB-	15,494	8,854
A+ to A-	1,790	1,052
BB+ to B-	321	619
BBB+ to B-	-	-
Not Rated	2,351	1,398
Local Banks	225	3,772
	20,181	**15,694**

Investments in securities
Investments in debt securities are only with the Kosovo Government. These securities are not rated. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

25. Financial risk management (continued)
(b) Credit risk (continued)
Analysis of credit quality (continued)

Lending commitments and financial guarantees
The maximum exposure from financial guarantees represents the maximum amount that the Bank should pay if the guarantee is called on, which may be significantly greater than the amount recognized as a liability. The maximum credit exposure for lending commitments is the full amount of the commitment.

Risk limit control and mitigation policies
The Bank manage limits and controls the concentrations of credit risk wherever they are identified in particular to individual counterparties and groups, and to affiliates.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, if necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Other controls and mitigation measures are outlined below.

Collateral held and other credit enhancements, and their financial effect
The Bank holds collateral against loans to customers in the form of mortgage interests over property and other movable assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Collateral generally is not held over loans to banks. An estimate of the fair value of collateral and other security enhancements held against loans is shown below:

	2022		2021	
	Loans to customers	FV of collateral	Loans to customers	FV of collateral
Mortgages	136,681	444,897	115,325	446,444
Cash collateral	13,240	13,240	10,092	10,092
Pledge	156,732	305,295	147,657	264,458
Mixed (mortgages and pledge)	64,392	294,756	57,044	296,174
Not collateralised	20,756	-	9,962	-
Total	**391,801**	**1,058,188**	**340,080**	**1,017,168**

Concentration of credit risk

As at 31 December 2022, the Bank has had exposures that exceed 10% of Tier 1 capital. The highest exposure was at 14.43%, there were in total five loans exposures exceeding 10% of Tier 1 capital. (2021: 12.33%, two loans exposures). The exposures to related parties at 31 December 2022, represent 21.94% (2021: 27.06%) of the Tier 1 Capital. The majority of the exposures to related parties are covered by cash collateral representing 5.54% (2021: 7.26%) of the Tier 1 Capital.

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

25. Financial risk management (continued)

(b) Credit risk (continued)

Analysis of credit quality (continued)

Concentration of credit risk (continued)

	Loans to customers		Investments in securities		Current accounts with banks and CBK		Financial guarantees	
	2022	2021	2022	2021	2022	2021	2022	2021
Concentration by sector								
Corporate	144,781	125,082	-	-	-	-	1,845	1,893
Government	-	-	28,225	5,000	-	-	-	-
Banks	-	-	-	-	115,382	94,236	-	-
Individuals	122,350	108,001	-	-	-	-	-	-
Micro entities	112,761	96,213	-	-	-	-	7,993	1,650
Total	**379,892**	**329,296**	**28,225**	**5,000**	**115,382**	**94,236**	**9,838**	**3,543**
Concentration by location								
EU countries	-	-	-	-	19,544	11,823	-	-
Republic of Kosovo	379,892	329,296	28,225	5,000	95,838	82,413	9,838	3,543
Total	**379,892**	**329,296**	**28,225**	**5,000**	**115,382**	**94,236**	**9,838**	**3,543**

Effects of Ukraine-Russia War

The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities and financial markets. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests. The Bank does not have any significant direct exposure to Ukraine, Russia or Belarus. Nevertheless, the Bank is continuously monitoring the developments related to the effects of Ukraine-Russia War. The Bank's financial position continues to be stable and growing steadily. This increase is observed in the increase of loans and deposits, as well as in interest income and in income from fees and commissions.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

Interest rate risk is comprised of 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. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The assets and customer term deposits of the Bank carry fixed interest rates. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest- bearing assets and liabilities mature or reprice at different times or in differing amounts. The Bank attempts to mitigate this risk by monitoring the repricing dates of its assets and liabilities. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

25. Financial risk management (continued)
(c) Market risk (continued)
Interest rate risk (continued)
Bank's exposures are based on Kosovo marked interest rates and the Bank faces only repricing risk.

On quarterly basis are held the Operational Risk Management Meetings, where are discussed the following issues:

- The report on the Operational Risk- the report is prepared from the Department of Risk
- The report on the Liquidity and Market Risk- the report is prepared from the Department of Risk
- The report on Interest rate risk - the report is prepared from the Department of Risk. The report details the interest rates of the Bank in comparison to the market interest rates and gives details of the changes in the interest rates in the market, any unusual fluctuations.

The Department of Treasury on a constant basis monitors the interest rates risk through monitoring the market conditions and taking necessary re- pricing or reallocation decisions with the approval of the Asset and Liability Committee. A report with regard to this monitoring is prepared and presented in the meeting of Assets and Liabilities Committee. Necessary measures are taken whether interest rates are changing adversely. The report includes analysis on the top depositors, their impact of the rates of deposits, investments on securities analysis, average interest rates on client accounts, GAP analysis on liquidity risk.

Exposure to interest rate risk
The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate, LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In decreasing interest rate environments, margins earned will narrow as liabilities interest rates will decrease with a lower percentage compared to assets' interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation. The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2022 and 2021 are as follows:

	USD		*EUR*		*CHF*	
Assets	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Cash on hand and at banks	0.22%	0.40%	(0.35%)	(0.57%)	(1.13%)	(1.62%)
Balances with CBK	-	-	(0.41%)	(0.63%)	-	-
Loans to customers	-	-	6.49%	6.64%	-	-
Investment securities at FVOCI	-	-	2.80%	1.00%	-	-
Liabilities						
Customer deposits	-	1.66%	0.85%	0.63%	-	-

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios include a 1% parallel fall or rise in all yield curves.

25. Financial risk management (continued)
(c) Market risk (continued)
Exposure to interest rate risk (continued)

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

Estimated Profit (loss) effect	up to 1 Year scenarios		over 1 Year scenarios	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
2022	(97)	(163)	(144)	(426)
2021	(145)	(99)	(260)	(286)

The following table shows the interest bearing and non-interest bearing financial instruments by maturity date. Increase / decrease is not symmetrical because the savings asset has rates 0,25% and in case of increase for 100pb they reach 1.25%, while in case of decrease for 100bp, they reach down to 0%. The same is with placements; their rate is 0% and in case of increase by 100bp the reach 1.00%, and in case of decrease they reach 0%. These assets are short term, hence they have affected only the part up to 1 year. There are not long term assets, hence they do not affect in the part over 1 year.

31 December 2022	Up to 1 month	1-3 Month	3-6 Month	6-12 Month	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash on hand and at banks	7,066	-	-	-	-	-	25,322	**32,388**
Balances with CBK	95,201	-	-	-	-	-	-	**95,201**
Investments in securities	-	-	5,023	-	23,202	-	-	**28,225**
Loans to customers - Fixed rate	2,864	14,245	21,541	37,026	164,270	139,946	-	**379,892**
Other assets	-	-	-	-	-	-	768	**768**
Total	**105,131**	**14,245**	**26,564**	**37,026**	**187,472**	**139,946**	**26,090**	**536,474**
Liabilities								
Deposits from customers – Fixed rate	48,287	10,102	5,467	42,163	146,958	6	252,359	**505,342**
Due to Banks	93	-	-	-	-	-	-	**93**
Other liabilities	-	-	-	2	1,469	790	929	**3,190**
Total	**48,380**	**10,102**	**5,467**	**42,165**	**148,427**	**796**	**253,288**	**508,625**
Gap	**56,751**	**4,143**	**21,097**	**(5,139)**	**39,045**	**139,150**	**(227,198)**	**27,849**
Cumulative gap	**56,751**	**60,894**	**81,991**	**76,852**	**115,897**	**255,047**	**27,849**	**-**

25. Financial risk management (continued)
(c) Market risk (continued)
Exposure to interest rate risk (continued)

31 December 2021	Up to 1 month	1-3 Month	3-6 Month	6-12 Month	1-5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash on hand and at banks	-	-	-	-	-	-	29,081	**29,081**
Balances with CBK	78,542	-	-	-	-	-	-	**78,542**
Investments in securities	-	-	-	-	5,000	-	-	**5,000**

Loans to customers - Fixed rate	5,833	12,014	16,531	30,266	145,755	118,897	-	**329,296**
Other assets	-	-	-	-	-	-	745	**745**
Total	**84,375**	**12,014**	**16,531**	**30,266**	**150,755**	**118,897**	**29,826**	**442,664**
Liabilities								
Deposits from customers – Fixed rate	40,868	7,588	7,246	31,374	101,133	178	222,719	**411,106**
Due to Banks	1,086	-	-	-	-	-	-	**1,086**
Other liabilities	-	-	-	4	1,118	337	985	**2,444**
Total	**41,954**	**7,588**	**7,246**	**31,378**	**102,251**	**515**	**223,704**	**414,636**
Gap	**42,421**	**4,426**	**9,285**	**(1,112)**	**48,504**	**118,382**	**(193,878)**	**28,028**
Cumulative gap	**42,421**	**46,847**	**56,132**	**55,020**	**103,524**	**221,906**	**28,028**	**-**

Exposure to currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot when necessary to address short-term balances.

The currency risk is not significant, as the majority of transactions of the Bank are in local currency. The foreign currencies the Bank deals with are predominantly United States Dollars (USD) and Swiss Franc (CHF) and GBP. The rates used for translation as at 31 December 2022 and 2021 are as follows:

	2022	2021
Currency	**EUR**	**EUR**
1 USD	1.0666	1.1326
1 CHF	0.9847	1.0331
1 GBP	0.8869	0.8403

25. Financial risk management (continued)

(c) Market risk (continued)

The Bank's exposure to foreign currency risk, expressed in EUR equivalents is as follows:

31 December 2022	**EUR**	**USD**	**CHF**	**GBP**	**Total**
Assets					
Cash on hand and at banks	21,912	4,251	4,680	1,545	**32,388**
Balances with CBK	95,201	-	-	-	**95,201**
Investments in securities	28,225	-	-	-	**28,225**
Loans to customers	379,892	-	-	-	**379,892**
Other assets	768	-	-	-	**768**
	525,998	**4,251**	**4,680**	**1,545**	**536,474**
Liabilities					
Deposits from customers	497,886	2,037	4,665	754	**505,342**
Due to banks	93	-	-	-	**93**
Other liabilities	3,190	-	-	-	**3,190**
	501,169	**2,037**	**4,665**	**754**	**508,625**
Net foreign currency position	**24,829**	**2,214**	**15**	**791**	**27,849**
31 December 2021	**EUR**	**USD**	**CHF**	**GBP**	**Total**
Assets					
Cash on hand and at banks	20,656	3,934	3,897	594	**29,081**
Balances with CBK	78,542	-	-	-	**78,542**
Investments in securities	5,000	-	-	-	**5,000**
Loans to customers	329,296	-	-	-	**329,296**
Other assets	745	-	-	-	**745**
	434,239	**3,934**	**3,897**	**594**	**442,664**

Liabilities					
Deposits from customers	397,372	8,025	5,117	592	**411,106**
Due to banks	1,086	-	-	-	**1,086**
Other liabilities	2,444	-	-	-	**2,444**
	400,902	**8,025**	**5,117**	**592**	**414,636**
Net foreign currency position	**33,337**	**(4,091)**	**(1,220)**	**2**	**28,028**

An analysis of the Bank's sensitivity to an increase or decrease in foreign currency rates is as follows:

	USD		CHF		GBP	
	2022	2021	2022	2021	2022	2021
Sensitivity rates	5%	5%	5%	5%	5%	5%
Profit or loss						
+5% of Euro	110.70	(204.56)	0.75	(61.03)	39.55	0.11
- 5% of Euro	(110.70)	204.56	(0.75)	61.03	(39.55)	(0.11)

25. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank monitors its liquidity on a daily basis in order to manage its obligations as and when they fall due.

Exposure to liquidity risk

Funds are raised using a range of instruments including customers' deposits, subordinated debt and share capital.

The Bank has a liquidity reserve in the Central Bank of Republic of Kosovo that is calculated based on the liquidity needs of the Bank and that is available in cases of liquidity problems. The amount of the reserve for the year ended December 31, 2022 amounted to EUR 32,153 thousand (as at December 31, 2021: EUR 27,966 thousand).

Flexibility limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet 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.

Management of liquidity risk

Residual contractual maturities of financial assets and liabilities

The following tables show cash flows of the Bank's financial assets and liabilities on the basis of their earliest residual contractual maturity. The Bank's expected cash flows of these instruments vary significantly from this analysis. For example, demand accounts are expected to maintain a stable or increasing balance.

25. Financial risk management (continued)

(d) Liquidity risk (continued)

Management of liquidity risk (continued)

31 December 2022	Up to 1 month	1-3 months	3-6 Months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Cash on hand and at banks	32,388	-	-	-	-	-	**32,388**
Balances with CBK	95,201	-	-	-	-	-	**95,201**
Investments in securities	-	-	5,023	-	23,202	-	**28,225**
Loans to customers	2,864	14,245	21,541	37,026	164,270	139,946	**379,892**
Other assets	768	-	-	-	-	-	**768**
Total	**131,221**	**14,245**	**26,564**	**37,026**	**187,472**	**139,946**	**536,474**
Liabilities							
Deposits from customers	300,646	10,102	5,467	42,163	146,958	6	**505,342**
Due to banks	93	-	-	-	-	-	**93**
Other liabilities	341	6	756	85	1,545	457	**3,190**
Total	**301,080**	**10,108**	**6,223**	**42,248**	**148,503**	**463**	**508,625**
Liquidity gap	**(169,859)**	**4,137**	**20,341**	**(5,222)**	**38,969**	**139,483**	**27,849**
Cumulative gap	**(169,859)**	**(165,722)**	**(145,381)**	**(150,603)**	**(111,634)**	**27,849**	**-**

25. Financial risk management (continued)

(d) Liquidity risk (continued)

31 December 2021	Up to 1 month	1-3 months	3-6 Months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Cash on hand and at banks	29,081	-	-	-	-	-	**29,081**
Balances with CBK	78,542	-	-	-	-	-	**78,542**
Investments in securities	-	-	-	-	5,000	-	**5,000**
Loans to customers	5,833	12,014	16,531	30,266	145,755	118,897	**329,296**
Other assets	745	-	-	-	-	-	**745**
Total	**114,201**	**12,014**	**16,531**	**30,266**	**150,755**	**118,897**	**442,664**
Liabilities							
Deposits from customers	263,587	7,588	7,246	31,374	101,133	178	**411,106**
Due to banks	1,086	-	-	-	-	-	**1,086**
Other liabilities	444	181	389	20	1,159	251	**2,444**
Total	**265,117**	**7,769**	**7,635**	**31,394**	**102,292**	**429**	**414,636**
Liquidity gap	**(150,916)**	**4,245**	**8,896**	**(1,128)**	**48,463**	**118,468**	**28,028**
Cumulative gap	**(150,916)**	**(146,671)**	**(137,775)**	**(138,903)**	**(90,440)**	**28,028**	**-**

25. Financial risk management (continued)

(e) Capital risk management

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance.
The equity structure of the Bank comprises share capital, reserves and retained earnings.

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Central Bank of Kosovo ("CBK"). The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets, off balance-sheet items and other risks, expressed as a percentage. The minimum required Capital Adequacy Ratio is 9% for Tier 1 capital and 12% for total own funds.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Six categories of risk weights (0%, 20%, 50%, 75%, 100% and 150%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carry a 100% risk weighting, meaning that it must be supported by capital (Tier 1) equal to 9% in 2021 Tier 1 Capital Ratio+CCB .

Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

	2022	2021
Total risk weighted assets	355,604	294,701
Total risk weighted assets for operational risk	24,072	21,254
Total	**379,676**	**315,955**
Regulatory capital (Total Capital)	51,426	42,842
Capital adequacy ratio (Total Capital)	**13.54%**	**13.56%**

CBK Regulation on bank capital adequacy ratio entered into force on 01.01.2020 and for this reason there has been a change of a financial assets with RWA 100% where some of these assets has been calculated with 75% RWA.

Gearing ratio

The Bank's risk management committee reviews the capital structure on a continuously basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital. Based on the CBK regulations, the minimum leverage ratio is 3%.

The leverage ratio at the year ended was as follows:

	2022	2021
Total Assets	563,066	460,784
Total Equity	53,268	45,189
Leverage ratio	**9.46%**	**9.81%**

26. SUBSEQUENT EVENTS

Except as disclosed in the separate financial statements, there are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.