PriBank

ANNUAL REPORT 2023

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PriBank

ANNUAL **REPORT**
2023

CONTENT

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear reader,

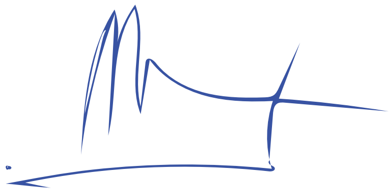
I am pleased and honored to present PriBank's annual report, on behalf of the Board of Directors, for the fiscal year ending on 31 December 2023. It has been a year of extraordinary achievement and growth for our institution. Since the establishment of our institution on 7 October 2022, we have remained steadfast in our commitment to laying a strong foundation, obtaining all necessary licenses, and strategically establishing branches. I always speak proudly about the branches because they are the lungs of the bank. The successful integration of our core banking system has significantly increased operational efficiency and customer experience, thanks to the dedication of our outstanding staff.

In 2023, the first full year for our bank operation, we expanded our presence in all major cities in Kosovo, inaugurating seven new branches, and together with the Head Office, a total of ten. With 110 dedicated associates, we are better positioned to serve our ever-growing customer base.

Furthermore, we are proud to introduce a full range of banking products, including Master debit and credit cards, E-banking and M-banking, enriching our service offers.
The year 2023 has presented challenges for the banking sector in Kosovo, especially regarding deposits. However, PriBank, by establishing a strong reputation and gaining the trust of customers, not only met, but also exceeded all predictions for 2023.
Looking ahead, our commitment to expanding our reach and providing exceptional banking services remains unwavering, reaffirming PriBank's position as the most trusted bank in the Kosovo market.

Finally, once again, I want to express my heartfelt gratitude to each of you having played a role in our success story so far. Your continued support and cooperation inspires us to reach greater heights, and for that, we are truly grateful.

Thank you.



Besarb Blakaj
Chairman of the Board of Directors

MESSAGE FROM CHIEF EXECUTIVE OFFICER

Ladies and gentlemen,

I have the special pleasure of unveiling the annual report for 2023 and am proud to report a very successful year for PriBank.

The year 2023 has presented previously unforeseen challenges, challenges that were driven by geopolitical changes in Europe due to the war in Ukraine. Despite these challenges, PriBank has achieved financial stability unusual for new banks in the market, achieving excellent results and good financial performance across all key performance indicators.

PriBank has experienced significant growth in its credit portfolio during 2023, while being very cautious in risk management. We are proud to have contributed to the growth of Kosovo's economy, supporting individuals and at the same time the development of businesses in the country. Through these financing activities, we contributed to increasing the well-being of our clients and created new jobs.
PriBank continues to attract talented, well-educated and experienced banking staff. PriBank is committed to improving internal communication and improving working conditions and increasing the well-being of our staff. PriBank is getting recognition as one of the best banks for recruiting and developing young talents who are proving themselves more and more every day and achieving wonderful results in an extremely competitive banking market.

PriBank meticulously implemented its business strategy and opened 6 new branches in 2023. Considering the time needed to find locations for 6 new branches and recruit, train and prepare new staff in these branches, last year we launched a significant number of banking products and services such as: m-banking, MasterCard debit and credit cards for individuals and businesses, local debit cards, international transfers, leasing loans, bank guarantees, and activated contact centers with primary features for our clients.

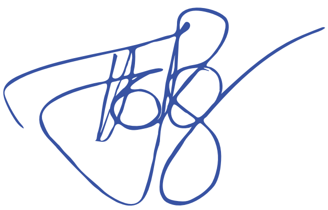
Money management doesn't have to be about complexity and stress. Money management should be about simplicity and the options offered by the bank. Digital innovation plays a critical role in transforming banks to meet the expectations of today's customers, and for this reason, we at PriBank have launched innovative digital products and services that make banking at PriBank much easier.

PriBank has achieved excellent results during 2023. If we talk in numbers, PriBank has diversified well its credit portfolio with zero non-performing loans and has achieved a credit portfolio of 45.6 million euros or 6.6% of the total growth of the banking sector's credit portfolio. This growth in the credit portfolio has been accompanied by an even greater increase in deposits, reaching a deposit portfolio worth 56.9 million euros at the end of 2023, or 7.4% of the total growth in banking sector deposits during 2023, making the bank quite liquid with a Loan to Deposit ratio of 80.1%.

All of these results during 2023 would not have been possible without the genuine and continuous trust of our customers and the tireless work of each of our colleagues at PriBank. I express my deep gratitude for the valuable guidance and advice and sound judgment shown by the Members of the Board of Directors of PriBank, as well as for the unreserved trust of the Shareholders of PriBank in our plans for the growth and development of PriBank so far and for the years to come.

As we conclude a successful year for PriBank and look to the future, PriBank remains committed to providing superior products and services to our customers, providing the best possible working conditions and increasing well-being for our colleagues, and contributing to the economic development of Kosovo in the years to come.

Sincerely yours,



Fatos Krasniqi
Chief Executive Officer

GENERAL OVERVIEW

During 2023, PriBank has demonstrated significant growth and expansion, marked by the successful establishment of 9 branches in strategic locations. This achievement reflects our commitment to implementing our business strategy, which prioritizes providing tailored services to individual clients, Micro, SME-s and Corporates. Our focus remains on meeting the diverse needs of our customers through a wide range of products and services, accessible both through our extensive branch network and through electronic channels. Since our official launch on 31 October 2022, we have consistently offered a comprehensive suite of banking solutions, including various account types, credit products, transfers, and digital banking options, providing around-the-clock access to financial services.

Moving forward, we remain steadfast in our pursuit of excellence, constantly seeking opportunities to enhance our offerings, enhance customer experiences, and drive sustainable growth. We are confident that our continued commitment to innovation and customer focus will position us for continued success in the banking system.
PriBank has had an exponential, but at the same time stable growth of its credit portfolio, marking an increase of EUR 37.7 million. This increase was accompanied by an increase in deposits of EUR 44.5 million, maintaining the loan/deposit ratio of 80.4%. This increase in deposits comes mainly from institutional clients, individual clients and business clients.

The bank's focus on meeting customer needs has made it possible for PriBank to become a preferred choice for customers looking for a reliable partner for their financial needs.


PriBank
DEGA PRISHTINË
PRISHTINA BRANCH
ZONA DIGJITALE 24/7
DIGITAL ZONE 24/7
BANKOMAT

PriBank

Individual Clients Department and Business Department

INDIVIDUAL CLIENTS DEPARTMENT AND BUSINESS DEPARTMENT

PriBank has continued to be focused on meeting customers' financing requirements, supporting the accomplishment of their investment plans and a better life with favorable conditions and a prompt procedure.

During 2023, we offered the new innovative product - Advance Deposit for clients who entrusted their savings to our bank, enabling them to also credit interest in advance for short-term deposits, as well as the Progressive Deposit, which enabled us to offer a graduated interest rate for medium-term deposits.

During 2023, we also launched the m-banking mobile application service, offering advanced and convenient solutions for an easier and more convenient experience for our customers. We have also added and improved the services offered through the electronic e-banking service, which is why the majority of the bank's clients use our electronic e/m banking services. We also promoted the Campaign for the launch of Credit Cards for Individual Clients and Business Clients - one more opportunity for our clients to fulfill their financial needs.

While promoting the use of our debit and credit cards, we also rewarded our customers for using the cards to make POS payments and online payments.

We have also promoted the student account and at the same time we have offered favorable conditions for student loans by promoting and supporting education loans.
As part of the Marketing Sector activities, PriBank decorated "Zahir Pajaziti" Square and Str. "Ukshin Hoti" in Prishtina, a fruitful effort that has not only transformed the appearance of the city during the end-of-year holidays, but has also emphasized our commitment to the community. This initiative has served as a clear example of our close relationship with the community and our desire to contribute to the common good.

PriBank continues to focus on providing superior service to its customers and keeping the customer at the center of its strategy, in order to maintain a competitive advantage in the market and ensure long-term sustainable growth in the banking sector.
We continue to be as close to our customers as possible by staying close to them through our 24/7 Contact Center and offering the opportunity for online applications at any time.

During 2023, PriBank continued to develop and expand its business by opening branches in all regions of Kosovo. Considering that PriBank is a bank oriented towards MSME-s and individual clients, expanding the branch network is more than necessary in order to provide customers with the fastest and highest quality services. During 2023, PriBank opened six new branches, ending the year with eight branches in total and at the same time covering all regions of Kosovo.

The Bank has continued to support MSMEs by financing various projects to expand capacities, offering financing according to client needs and being attractive in the market with business campaigns.

During 2023, PriBank continued to have a special focus on Leasing by signing cooperation agreements with over 30 dealers for vehicle financing throughout the territory of Kosovo. Our focus has been primarily on financing business vehicle fleets, supporting businesses in expanding and replacing vehicle fleets.
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The bank's focus on meeting customer needs has made it possible for PriBank to become a preferred choice for customers looking for a reliable partner for their financial needs.

INDIVIDUAL CLIENTS DEPARTMENT AND BUSINESS DEPARTMENT


PriBank

Finance Department

FINANCE DEPARTMENT

The Finance Department at PriBank is a key segment of the bank's organizational structure, tasked with managing the institution's financial resources and ensuring accurate and timely financial reporting. This responsibility includes a range of activities and functions that directly impact the bank's performance and financial stability, such as:

Financial reporting: Preparing and presenting periodic financial reports to management, senior bank officials, regulatory bodies or even stakeholders in order to ensure the necessary transparency and accountability. Financial planning and analysis: Preparing and evaluating the bank's long-term and short-term financial plans, including identifying financial risks and developing strategies to address them.

Budgeting: Drafting, monitoring and controlling the bank's annual budget, determining expected revenues, expenses and investments, ensures that the bank has a safe path in line with its strategy.

Liquidity management: Efficient coordination of the bank's cash demand and supply enables it to ensure the necessary liquidity for daily operations and to minimize potential lending risks.

Supervision of accounting systems and processes: Ensuring that the bank's accounting systems and processes meet established standards and regulations for accounting and financial reporting.

In general, the Finance Department works in close cooperation with all other segments and departments of the bank to ensure that the financial activities of the institution are in line with strategic goals and ensure its financial sustainability. To this end, the Finance Department staff is committed to maintaining high standards of professionalism and providing accurate, transparent financial information at all times to all stakeholders.

PriBank

Human Resources Department

Operations Department

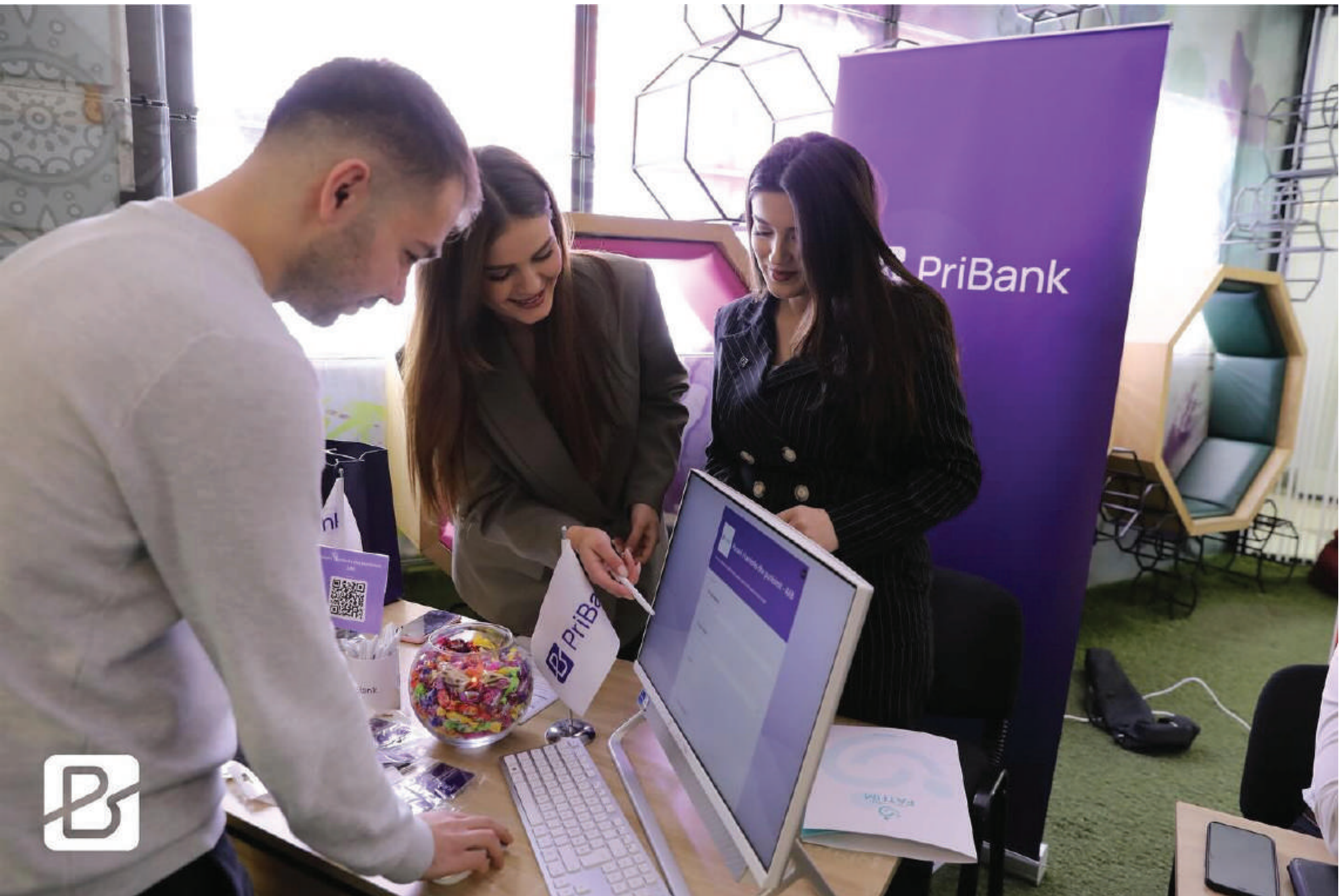
HUMAN RESOURCES DEPARTMENT

PriBank believes that employees are the key to success, therefore it continues to have a special focus on Human Resources. In line with the bank's growth trend in 2023, PriBank has continued to recruit a significant number of employees.

A favorable environment has been created within the bank for the development and career growth of employees. In this regard, PriBank has organized a series of trainings for the professional development of employees.

To address employee needs and ensure compliance with legal requirements, PriBank has fully implemented a professional application for Human Resources management.

Through these initiatives, PriBank continues to engage in supporting and encouraging its workforce, recognizing that their dedication and talent are essential to the bank's continued success.



OPERATIONS DEPARTMENT

PriBank has further advanced its Operations Department by structuring it into several sectors within the Department to provide the best and fastest service to colleagues and customers.

The large and important investments made by PriBank in infrastructure, security and operations make us a bank with a promising future and customer-oriented service.

Considering that in addition to developing many new products and processes during 2023, PriBank has also expanded with six new branches and two external ATMs. We have successfully completed the administrative, operational and security aspects according to legal and regulatory requirements.

Within the Operations Department, we have strengthened the Disbursements Sector, supporting colleagues in the optimal and timely distribution of all approved loans. We have also organized the Account Management and Branch Support sectors to ensure better and more effective control, while providing customers with fast and high-quality responses. As the newest bank in the market, PriBank has successfully implemented numerous major projects in 2023 in the field of domestic and international transfers and customer money management, offering high security and quality. PriBank has obtained the MasterCard license in record time, meeting all international security requirements set by MasterCard, thus increasing customer confidence in PriBank.

PriBank

General Compliance Department

AML/CFT Compliance Department

Legal Department

GENERAL COMPLIANCE DEPARTMENT

The General Compliance Department as a Regulatory Compliance function is organized as an independent function separate from all other functions and reports directly to the Board of Directors.

The Regulatory Compliance Function is established in accordance with regulatory requirements, good practices, European Union Directives and the Basel Principles.

The Regulatory Compliance function is responsible for confirming the bank's compliance with legal and regulatory requirements.

Regarding corporate governance, PriBank is in full compliance with regulatory requirements and responsibilities are clearly divided, starting from the Shareholders' Assembly, the Board of Directors, the Executive Management and every employee in the bank.

The Shareholders' Assembly holds regular meetings once a year, while the Board of Directors and Board Committees meet every three months.

PriBank has created a hierarchy of documents by approving all policies and procedures that regulate every banking process. These documents are in full compliance with the applicable laws and regulations in the country. Each document (Policies and Procedures) is confirmed by the Compliance function and approved by the Executive Management and the Board of Directors.

Furthermore, the function of the Officer for Personal Data Protection in the bank is organized within the General Compliance Department, where PriBank has appointed a Personal Data Protection Officer and has created a strong legal framework for the protection of personal data. This function collaborates closely with the Information Security Department in order to ensure the best possible security and protection for PriBank's data.

AML/CFT COMPLIANCE DEPARTMENT

The AML/CFT Compliance Department, as an independent function of the Bank, has designed and implemented a program that ensures compliance with the applicable law on the prevention of money laundering and combating the financing of terrorism, as well as with the by-laws adopted in implementation of this law. The Bank has taken all necessary actions and undertaken adequate measures to protect its reputation and prevent the use of its products and services by criminal elements for money laundering or terrorist financing purposes.

The AML/CFT Compliance Department has made significant achievements in the fight against money laundering and terrorist financing over the past year. As a result of the continuous commitment to implementing high standards of financial integrity, the AML/CFT Compliance Department has managed to successfully identify and monitor suspicious transactions, using a special application for risk analysis and assessment. In addition, improvements in internal policies/procedures have facilitated the process of identifying and reporting suspicious transactions as well as cooperating with supervisory and law enforcement authorities.

Training the Bank's staff and raising their awareness regarding the importance of the function has also been a particular priority, providing a strong framework for the prevention and detection of illicit financial activities. Compliance with rules and standards has included all levels of the Institution, positively impacting the Bank's credibility and integrity in the financial market in Kosovo.

DEPARTAMENTI LIGJOR

PriBank ka vazhduar me ngritjen dhe forcimin e departamentit ligjor. Gjatë vitit 2023 ka pasur shumë zhvillime pozitive, ku Departamenti Ligjor kontribuoi ndjeshëm në përmirësimin e proceseve të bankës.

Departamenti Ligjor ka siguruar këshilla ligjore për të gjitha funksionet e bankës, ka rishikuar dhe monitoruar kontratat kreditore si dhe të furnitorëve dhe në këtë mënyrë ka ulur riskun ligjor. Departamenti Ligjor gjithashtu ka qenë shumë bashkëpunues edhe në aspektin e rishikimit të proceseve për të larguar akspektin burokratik dhe në të njëjtën kohë për të rritur efikasitetin e proceseve në PriBank.

Departamenti Ligjor ka mbajtur edhe trajnimet për të gjithë punonjësit e PriBank për t'i rifreskuar dhe vetëdijësuar në aspektin e riskut ligjor.

PriBank ka dhënë kontribut domethënës edhe në sektorin Bankar në Komitetin Ligjor në Shoqatën e Bankave të Kosovës duke mbështetur procese në nivel sektori.

PriBank

Risk Management Department

RISK MANAGEMENT DEPARTMENT

CREDIT RISK MANAGEMENT

At our bank, we recognize the importance of identifying, assessing and mitigating credit risk to protect the interests of all stakeholders. We have established a robust credit risk management framework, which includes several key components:

Risk identification: We identify and categorize different types of credit risk exposures, providing a comprehensive understanding of potential risks across our entire portfolio. Risk assessment: Rigorous rating methodologies are used to assess the creditworthiness of borrowers. We perform comprehensive analyses, including financial assessments and due diligence processes.

Risk monitoring: Continuous monitoring of credit exposures enables us to track developments in the quality of exposures and identify new risks in a timely manner. Risk mitigation: We implement prudent lending policies, set appropriate limits, and use collateral and other risk mitigation techniques to minimize potential losses.

Governance and reporting: Strong governance structures and transparent reporting mechanisms ensure effective oversight and accountability in credit risk management practices.

To assess the sustainability of the credit portfolio under different economic conditions, stress tests and scenario analyses have been performed.

LIQUIDITY RISK MANAGEMENT

Liquidity risk management remains a fundamental priority for our bank. Liquidity risk is carefully monitored and mitigated through a combination of liquidity management practices and robust contingency planning. During 2023, we maintained adequate liquidity reserves and optimized our liquidity position. Our proactive approach to liquidity risk management ensures that we can continue to meet our obligations to depositors, creditors and other stakeholders, thereby maintaining confidence in PriBank

OPERATIONAL RISK MANAGEMENT

Operational risk management is essential to maintain operational sustainability and protect against disruptions. Throughout 2023, we have focused on identifying, assessing, and mitigating operational risk. This includes risks arising from internal processes, systems, human errors and external events. The incident database aims to capture and analyze operational incidents, enabling us to proactively identify areas for improvement. Key Risk Indicators (KRIs) are regularly monitored to provide early warning signals of potential operational risk events, allowing for timely intervention. By implementing robust internal controls, enhancing cybersecurity measures, and investing in staff training and development, we aim to minimize the likelihood and impact of operational incidents. Additionally, we continually review and strengthen our business continuity and crisis management plans to ensure our ability to effectively respond to unforeseen events. Our dedication to operational risk management emphasizes our commitment to providing reliable and secure banking services to our customers, while maintaining the trust of stakeholders.

FOREIGN CURRENCY RISK MANAGEMENT

Despite our bank's minimal exposure to foreign currency, we maintain a vigilant approach to foreign exchange risk management to ensure capital preservation and stability in our operations. To manage this risk, we have established a comprehensive foreign exchange risk management framework, which includes policies, procedures and risk limits.

CAPITAL ADEQUACY

Throughout 2023, we have maintained a good capital position, exceeding regulatory requirements to support our growth initiatives and absorb unexpected losses. Our capital management approach includes ongoing monitoring of capital ratios and stress testing to assess our ability to withstand adverse economic scenarios. By maintaining a strong capital base, we not only enhance investor confidence, but also strengthen our capacity to support lending activities, meet regulatory obligations and protect the interests of our stakeholders.

PriBank

Information Technology Department

Information Security Department

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2023

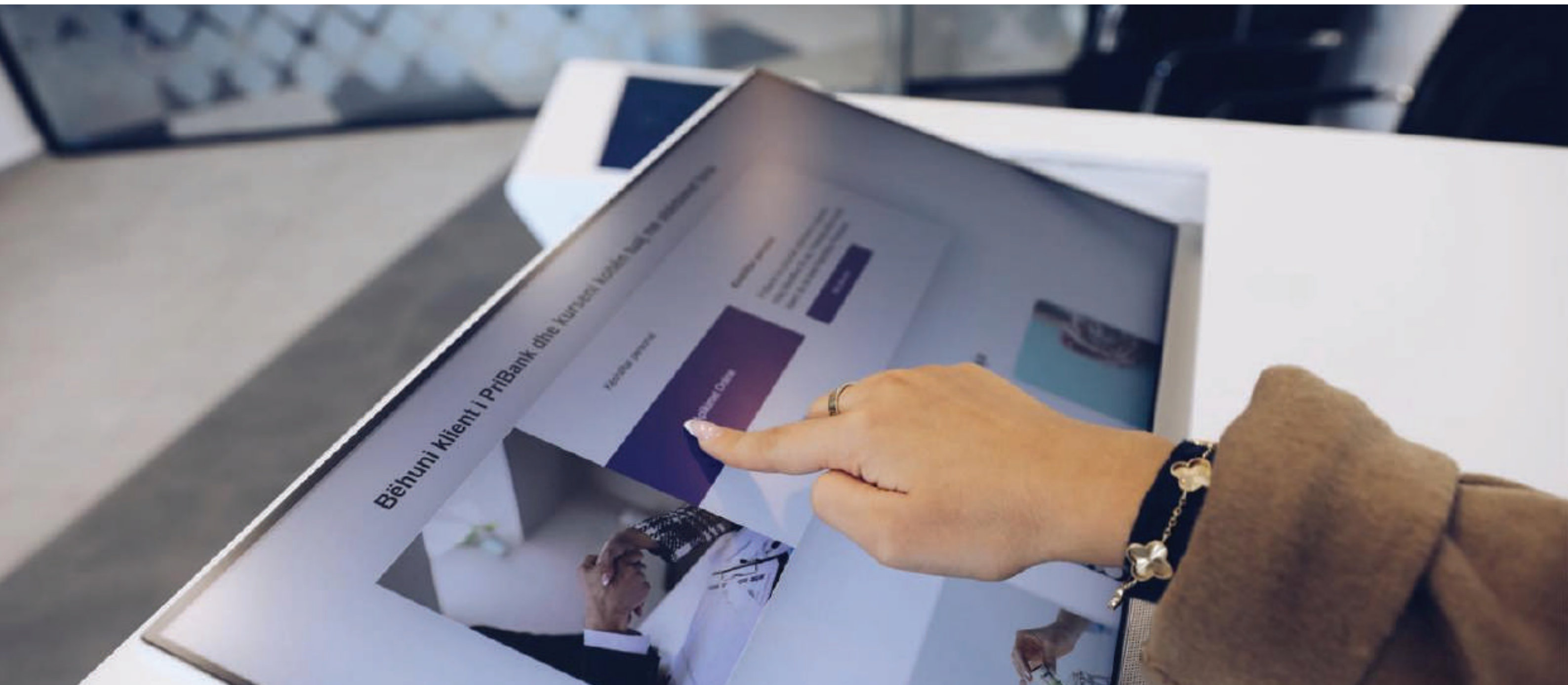
INFORMATION TECHNOLOGY DEPARTMENT

PriBank has a special focus on developing technological infrastructure in order to provide the most qualitative and professional services to customers in line with its strategy.

The IT Department at PriBank has achieved a number of key achievements during 2023. The IT Department has implemented the latest technology for data processing and storage, building an infrastructure that ensures the smooth running of operations and the security of the Bank's customer data.

As part of strategic investments and in the continuity of providing service to the Bank's clients, the IT Department has also built a disaster recovery center, increasing service efficiency and data security. As a result of the construction of this center, the Bank has successfully tested the Business Continuity Plan (BCP). This has ensured that the bank is ready to cope with and implement the necessary measures in case of emergencies. To meet the bank's expansion needs, the IT Department has successfully configured the necessary infrastructure for the opening of 6 new branches. This has significantly improved the bank's ability to provide services in more countries and accelerate its growth.

These achievements demonstrate the commitment and ability of the IT Department at PriBank to meet and improve the needs of their technological infrastructure and to ensure that the bank is prepared to face market challenges and potential emergencies.



INFORMATION SECURITY DEPARTMENT

PriBank is committed to the security of customer information. In 2023, the Information Security Department worked diligently to improve the protection of our customers' data and financial transactions. These efforts include:

PROTECTION OF SENSITIVE DATA

We have implemented new technologies and specific policies to protect customers' personal and financial information. These measures provide strong protection against data loss, leakage or abuse. Data encryption, access control, and continuous network monitoring are included.

INCREASE OF SECURITY AWARENESS

We have organized awareness campaigns and special training to educate our staff on information security best practices. Team members are better able to identify and avoid cyber threats, thus protecting the bank's systems and customer data. Trainings are concluded with tests and assessments to ensure full understanding of security concepts.

ADVANCED TECHNOLOGY

We have invested in new software and systems to detect and prevent suspicious activity on our networks. These systems use artificial intelligence and machine learning to identify and block threats in real time. Continuous 24/7 network monitoring ensures immediate response to any anomaly.

INTERNATIONAL REGULATIONS AND STANDARDS

We regularly update our procedures to comply with the latest international information security standards. This allows us to effectively defend against new cyber techniques and stay at the forefront of data protection. In collaboration with regulatory authorities and security experts, we ensure compliance with ISO/IEC 27001 standards.

The ongoing efforts of the Information Security Department mean that PriBank customers can conduct their transactions with complete confidence and security. We are committed to protecting their data and maintaining a secure digital environment. We appreciate our customers' support and continue to work diligently to keep their information secure.

PriBank

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

PRIBANK SH. A.

Draft Audit Report and Financial Statements

For the year ended December 31, 2023

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10000 Prishtina Kosova

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of PriBank Sh.a

Opinion

We have audited the financial statements of Pribank Sh.a (the "Bank"), which comprise the statement of financial position as at December 31, 2023, and the statement profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2023, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Other information in the Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank in accordance with the requirements of the Law No. 04/L-093. The Annual Report of the Bank is expected to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance 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.

Sami Tahiraga
Engagement Partner
BDO Kosova L.L.C.
April 22,2024
Str. Ukshin Hoti, C 4/3, Entr.A, Floor II
Pristina, Kosovo

PRIBANK SH.A
Statement of Financial Position
As at December 31, 2023

	Note	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Assets			
Cash and cash equivalents	7	16,436,201	12,402,953
Placements at banks		2,104,570	-
Loans and advances to customers	8	45,169,282	7,921,067
Property and equipment	10	1,351,303	609,196
Intangible assets	9	342,940	204,750
Right of use assets	11	704,661	247,839
Other assets	12	376,658	759,285
Total assets		**66,485,615**	**22,145,090**
Liabilities			
Due to customers	13	56,891,665	12,131,478
Lease liabilities	14	709,292	248,951
Other liabilities	15	292,483	274,440
Total liabilities		**57,893,440**	**12,654,869**
Equity			
Share capital	16	10,000,000	10,000,000
Accumulated losses		(509,779)	-
Loss for the year		(898,046)	(509,779)
Total Equity		**8,592,175**	**9,490,221**
Total liabilities and equity		**66,485,615**	**22,145,090**

These financial statements are authorized for issue by the management of Pribank sha, on 22 April 2024.

Mr. Fatos Krasniqi
Chief Executive Officer

Mr. Ardian Damoni
Head of Finance

The accompanying notes from 1 to 25 form an integral part of these financial statements.

PRIBANK SH.A
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2023

	Note	For the year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Interest income	17	1,698,453	20,271
Interest expenses	18	(368,935)	(6,163)
Net interest income		**1,329,518**	**14,108**
Fee and commission income	19	110,897	1,949
Fee and commission expense	19	(45,905)	(3,267)
Fee and commission income, net		**64,992**	**(1,318)**
Net foreign exchange loss		(3,507)	-
Total Operating income		**1,391,003**	**12,790**
Other income		-	-
Impairment losses on financial assets	7,8	(212,696)	(36,600)
Personnel expenses	20	(1,045,146)	(329,652)
General and administrative expenses	21	(1,124,197)	(211,485)
Loss before tax	22	**(991,036)**	**(564,947)**
Deferred tax income		92,990	55,168
Loss for the year		**(898,046)**	**(509,779)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(898,046)**	**(509,779)**

The accompanying notes from 1 to 25 form an integral part of these financial statements.

PRIBANK SH.A
Statement of Changes in Equity
For the year ended December 31, 2023

	Share capital (in EUR)	Accumulated loss (in EUR)	Total (in EUR)
Balance as at January 1, 2022	**-**	**-**	**-**
Contributions	10,000,000	-	10,000,000
Loss for the year	-	(509,779)	(509,779)
Other comprehensive income	-	-	-
Balance as at December 31, 2022	**10,000,000**	**(509,779)**	**9,490,221**
Contributions	**-**	**-**	**-**
Loss for the year	**-**	(898,046)	**(898,046)**
Other comprehensive income	**-**	**-**	**-**
Balance as at December 31, 2023	**10,000,000**	**(1,407,825)**	**8,592,175**

The accompanying notes from 1 to 25 form an integral part of these financial statements.

PRIBANK SH.A
Statement of Cash Flows
For the year ended December 31, 2023

	Note	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Cash flows from operating activities			
Loss for the year before tax		(991,036)	(564,947)
Adjustments for*:*			
Amortization	9	68,097	3,344
Depreciation	10-11	301,994	51,735
Impairment losses on loans to customers	8	154,159	36,407
Provision for financial assets	7	2,405	193
Interest income	17	(1,698,453)	(20,271)
Interest expense	18	368,935	6,163
		(1,793,899)	**(487,376)**
Changes in:			
Placements with banks		(2,104,570)	
Loans and advances to customers	8	(37,249,795)	(7,943,625)
Restricted balance with CBK	7	(1,308,033)	(122,502)
Other assets	12	(204,382)	(24,117)
Due to customers	13	44,556,241	12,129,020
Other liabilities	15	18,044	274,440
Interest received		1,545,874	6,422
Interest paid		(164,990)	(3,705)
Cash generated from operations		**3,294,490**	**3,828,557**
Income tax paid		**-**	**-**
Cash flow used from operating activities		**3,294,490**	**3,828,557**
Cash flow from investing activities			
Acquisitions of property and equipment	10	(920,379)	(624,975)
Acquisitions of intangible assets	9	(206,287)	(208,094)
Cash flow used in investing activities		**(1,126,666)**	**(833,069)**
Cash flow from financing activities			
Increase in shares		680,000	9,320,000
Lease liabilities		(120,204)	(34,844)
Cash flow from financing activities		**559,796**	**9,285,156**
Net increase in cash and cash equivalents		**2,727,620**	**12,280,644**
Cash and cash equivalents at the beginning of the year		12,280,644	-
Cash and cash equivalents at the end of the year	7	**15,008,264**	**12,280,644**

The accompanying notes from 1 to 25 form an integral part of these financial statements.

1. GENERAL INFORMATION

PriBank SH.A ("the Bank") has been established in Republic of Kosova at January 14th, 2022 as joint stock company.

On October 31st 2022, PriBank has been licensed to operate as bank in all bank's activities according to Central Bank of Kosova regulations and is subject of law no. 04/L-093 "On Banks, Microfinance Institutions And Non-Bank Financial Institutions". The Bank is a commercial bank offering services and products to small and medium companies as well as private individuals.

The Bank's address is Sicilia st. Kalabria, Blloku A1, Lam A1/2, Nr.2. 10000 Prishtina, Republic of Kosova. The bank is operating with eight branches located in different cities of Kosova (31 December 2022: 2 branches). Total number of employees at year end 2023 was 109 (31 December 2022: 48 employees).

2. BASIS OF PREPARATION

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) under the going concern assumption. The MATERIAL ACCOUNTING POLICIES applied in the preparation of these financial statements are set out below.

2.2. Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is the bank's functional currency, the currency of the primary economic environment in which the bank operates.

2.3. Use of assessments and judgements

In preparing these 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 recognized prospectively. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes 5 and 6.

2.4. Going concern

The Management of the Bank has made an assessment on the ability of going concern principle and thinks that there are sufficient resources to continue the activity for the foreseeable future. Also, management is unaware of any material uncertainties that may cast serious doubt on the bank's ability to pursue the principle of continuity.

3. MATERIAL ACCOUNTING POLICIES

The Bank has consistently applied the following material accounting policies to all periods presented in these financial statements.

3.1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the spot exchange rates on 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 exchange rates at that date.

The foreign currency profit or loss on monetary items is the difference between amortized cost 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 period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the prevailing foreign exchange rate at the date of the transaction.

3.2. Interest income and expenses

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial assets and liabilities and may be revised based on the contractual terms.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss include interest on financial assets and financial liabilities at amortized cost on an effective interest rate basis.

3.3. Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized according to effective interest rate basis over the commitment period.

Other fee and commission income is recognized when the related service is performed.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4. Leases

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognized where the Bank is contractually required to dismantle, remove or restore the leased asset.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

After initial recognition lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Bank revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognized in profit or loss.

3.5. Income tax

Income taxes have been provided for in the financial statements in accordance with legislation (Corporate Income Tax no. 06/L-105). Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the reporting date. The tax rate on corporate income is 10%. The income tax charge comprises current tax and deferred income tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

PRIBANK SH.A
Notes to the Financial Statements
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5. Income tax (continued)

Current tax

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns. Taxes other than income are recorded within administrative and other operating expenses.

Deferred tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

3.6. Financial assets and liabilities

Recognition

The Bank initially recognizes loans and advances, deposits to customers and borrowings on the date they are originated. All other financial assets and liabilities (including regular purchases and sales) are initially recognized on the trade date, which is the date on which the Bank becomes a party to the contractual terms of the instrument.

Classification and initial measurement of financial assets

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

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

The classification is determined by both:

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

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

Business model assessment

IFRS 9 identifies three types of business models: ‘hold to collect’, ‘hold to collect and sell’ and ‘other’. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Hold to collect

The objective of the ‘hold to collect’ business model is to hold financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. Only financial assets that meet the SPPI test and are held in a ‘hold to collect’ business model are classified at amortized cost.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.6. Financial assets and liabilities (continued)

Hold to collect and sell
Under the 'hold to collect and sell' business model, the objective is to both collect the contractual cash flows and sell the financial asset. In contrast to the 'hold to collect' business model, sales are integral rather than incidental, and consequently this business model typically involves a greater frequency and volume of sales.
Only financial assets that meet the SPPI test and are held in a 'hold to collect and sell' business model are classified at fair value through other comprehensive income for debt.

Other
Other business models are all those that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria. Financial assets within business models for which the primary objective is realizing cash flows through sale, or business models which are managed and performance evaluated on a fair value basis or held for trading and all non-equity financial assets falling into 'other' business models must be classified at fair value through profit or loss, irrespective of whether the SPPI test is passed.

Loans and advances to customers
Loans and advances to customers consist of various financing facilities such as Trade, Services, consumer, housing, and manufacturing. These products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are held for collection of contractual cash flows of principal and interest. The fair value of the loans and advances to customers is not a critical aspect in the Bank's management of the portfolio.

The business model of the Bank under IFRS 9 is "HTC" and the loans and advances to customers shall be measured at amortized cost.

Classification - (comparative periods)
Financial assets are classified into the category 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Subsequent measurement of financial assets
Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, loans and most of other receivables fall into this category of financial instruments.

PRIBANK SH.A
Notes to the Financial Statements
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)
3.6. Financial assets and liabilities (continued)

Financial assets at fair value through profit or loss (FVTPL)

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

Financial assets at fair value through other comprehensive income (FVOCI)

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

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

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset. The Bank has no assets classified in this category.

c) De-recognition

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

d) Offsetting

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

e) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment (for financial assets).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6. Financial assets and liabilities (continued)

f) 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 determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value by using a valuation technique. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. For these financial instruments, inputs into models are market observable.

g) Identification and measurement of impairment

The measurement of expected credit losses under IFRS 9 uses the information and approaches that the bank uses to manage credit risk. Credit losses are calculated using a three stages impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition.

The key inputs into measurement for expected credit losses are the term structure of the following variables:

– Probability of default (PD)
– Loss given default (LGD), and
– Exposure at default (EAD).

Probability of Default ("PD") – this is an estimate of the likelihood of default over a given time horizon (either 12 months or lifetime).

Loss Given Default ("LGD") – this is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD (Loss exposed on the case of non-payment).

PRIBANK SH.A
Notes to the Financial Statements
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6. Financial assets and liabilities (continued)

g) Identification and measurement of impairment (continued)

Exposure at Default ("EAD") – this is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
However, factors to be considered when determining whether credit risk has increased significantly for all loans, and hence determine the staging of the loans are listed below:

- Credit risk classification;
- Rebuttable presumption;
- General indicators of credit risk changes as defined by the standard;
- Forward looking information;

Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest in the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of financial assets

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.
The Bank considers evidence for loans and advances of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.
In assessing the collective loan loss allowance, the Bank uses benchmarking data derived from banking sector statistical modelling of historical trends of probability of default, timing of recoveries and amount of loss incurred. The specific loan loss allowance is based on a loan's underlying collateral, evidence of cash flow for paying back the loan, management's judgment of current economic conditions, the value of underlying collateral, if any, and the credit rating of the loan portfolio. The management believes that these allowances are adequate for loan losses inherent in the loan portfolio.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6. Financial assets and liabilities (continued)

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate.
Losses are recognized in profit or loss and reflected in an allowance account against loans. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss. The Bank writes off certain loans to customers when they are determined to be uncollectible.

Classification and measurement of financial liabilities

The Bank’s financial liabilities include borrowings from banks and other financial institutions and other payables.
Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.
Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

3.7. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term 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 amortized cost in the statement of financial position.

3.8. Equipment

(i) Recognition and measurement

Offices and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

PRIBANK SH.A
Notes to the Financial Statements
For the year ended December 31, 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8. Equipment (continued)

(ii) Subsequent cost

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

(iii) Impairment

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior years is reversed, if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

(iv) Depreciation

Depreciation on items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Office equipment and other	20%
Computers and IT Equipment	20%
Vehicles	20%

Right of use assets and leasehold improvements are depreciated over the shorter of the lease term and their useful lives. All right of use assets have 5 years terms to the maturity.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.9. Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Bank are stated at cost less accumulated amortization and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the intangible assets are 5 years.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10. Repossessed assets

Repossessed assets represent non-financial assets acquired by the Bank in the settlement of overdue loans and the Bank intends to sell them within a short period. The assets are initially recognized at the value at which are gained as inventories within other assets and are subsequently measured at the lower of cost and net realizable value and any reduction in their value is recognized as a loss.

3.11. Employee benefits

The local authorities are responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan. Obligations for compulsory contributions to that defined contribution pension plan are recognized as an expense in profit or loss when they are due.

3.12. Provisions

A provision is recognized 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.

3.13. New standards, interpretations, and amendments not yet effective for the year ended December 31, 2023

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning January 1, 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Bank does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the financial statements.

PRIBANK SH.A
Notes to the Financial Statements
For the year ended December 31, 2023

4. FINANCIAL RISK MANAGEMENT

4.1. Introduction and general overview

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

- Credit risk
- Liquidity risk
- Market risk

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.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board and management have set up various committees which are responsible for developing and monitoring risk policies as a whole.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

4.2. Credit risk

Credit risk is the risk that if a client or the counterparty to a financial instrument will fail to repay the obligation and cause the Bank to incur a loss. The Bank manages credit risk by employing various techniques such as thorough credit assessments, setting credit limits, monitoring credit exposures regularly, diversifying loan portfolio, and implementing risk mitigation strategies such as collateral requirements or obtaining guarantees. The Bank's primary exposure to credit risk arises through its loans to customers. Concentrations of credit risk to individual and business clients(whether on or off-balance sheet) arise from the inability of customers to meet contractual obligations which might be affected by the operating environment or their business cycles. The Bank also has exposure to banks in the form of bank accounts and deposits. The credit risk related to banks is managed through allocation of available funds to a number of retail banks operating in Kosovo.

The maximum exposure to credit risk is primarily reflected in the carrying amount of each financial asset in the statement of financial position, as well as off-balance sheet items such as guarantees and other unused commitments.

*Credit risk management*The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. The credit department is required to implement credit policies and procedures and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios. The Bank's policy is to require suitable collateral to be provided by the customers prior to the disbursement of approved loans. Collateral for loans is usually obtained in the form of vehicles/equipment and goods, or mortgages.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

Impaired loans

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. The credit risk grading system categorizes loans into various risk levels, with A+ indicating the highest credit quality and lowest risk, followed by progressively lower rating representing higher potential for default.

Based on the Bank's internal rating policy, the portfolio rating as at December 31, 2023 is as follows:

Bank's Credit Rating	December 31, 2023	% to Total Gross	December 31, 2022	% to Total Gross
A+ Excellent	-	0%	-	0%
A	-	0%	-	0%
A-	1,727,789	3.79%	300,053	3.76%
B+ Strong	7,866,641	17.26%	618,758	7.75%
B	4,681,318	10.27%	1,219,141	15.27%
B-	4,862,111	10.67%	1,507,676	18.88%
C+	1,996,235	4.38%	-	0%
C	2,400,335	5.27%	1,378,243	17.26%
C- Low /Poor	801,418	1.76%	500,114	6.26%
D+	-	0%	-	0%
D	-	0%	-	0%
D- Credit Impaired	-	0%	-	0%
Loans with credit rating	**24,335,847**	**53.39%**	**5,523,985**	**69.17%**
Loans with no rating	21,243,843	46.61%	2,461,982	30.83%
Total Gross Loan portfolio	**45,579,690**	**100.00%**	**7,985,967**	**100.00%**

The table below shows the credit quality by class of asset for loans and advances to customers to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross carrying amount.

Based on the Central Banks of Kosovo, Credit Registry, the portfolio classifications as at December 31, 2023 is as follows:

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

CBK Credit Classification		December 31, 2023	% to Total Gross	December 31, 2022	% to Total Gross
A	Standard	45,571,590	100%	7,985,967	100%
B	Watch-list	8,100	0%	-	0%
C	Substandard	-	0%	-	0%
D	Doubtful	-	0%	-	0%
E	Loss	-	0%	-	0%
Loans with credit classification		**45,579,690**	**100%**	**7,985,967**	**100%**
Loans with no classification		-	0%	-	0%
Total Gross Loan portfolio		**45,579,690**	**100%**	**7,985,967**	**100%**

As at December 31, 2023, the Bank does not non-performing exposures for loans and advances to customers.

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 until requirements are met regarding exit criteria according to the regulations in place.

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Bank writes-off a loan balance (and any related allowances for impairment) when management determines that the loans are uncollectible. This conclusion is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient pay back the entire exposure. The Bank can also write-off a loan on the basis of a Board decision when all other measures taken to collect the loan have been unsuccessful.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

Changes in the gross carrying amount of loans to customers at amortized cost:

	Phase 1	Phase 2	Phase 3	Total
Initial balance at December 31, 2022	7,985,967	-	-	7,985,967
Transfer to phase 1 (of 2 or 3)	-	-	-	-
Transfer to phase 2 (of 1 or 3)	(8,100)	8,100	-	-
Transfer to phase 3 (of 1 or 2)	-	-	-	-
Financial assets originated	42,985,750	-	-	42,985,750
De-recognition or repayment of financial assets	(5,555,279)	-	-	(5,555,279)
Write-offs	-	-	-	-
Changes due to modifications that do not result in non-recognition	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Final balance at December 31, 2023	**45,408,338**	**8,100**	**-**	**45,416,438**

	Phase 1	Phase 2	Phase 3	Total
Initial balance at December 31, 2021	-	-	-	-
Transfer to phase 1 (of 2 or 3)	-	-	-	-
Transfer to phase 2 (of 1 or 3)	-	-	-	-
Transfer to phase 3 (of 1 or 2)	-	-	-	-
Financial assets originated	7,985,967	-	-	7,985,967
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes due to modifications that do not result in non-recognition	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Final balance at December 31, 2022	**7,985,967**	**-**	**-**	**7,985,967**

Changes in the ECL amount for loans to customers at amortized cost:

	Phase 1	Phase 2	Phase 3	Total
Initial balance at December 31, 2022	36,487	-	-	36,487
Transfer to phase 1 (of 2 or 3)	-	-	-	-
Transfer to phase 2 (of 1 or 3)	(90)	90	-	-
Transfer to phase 3 (of 1 or 2)	-	-	-	-
Financial assets originated	154,159	-	-	154,159
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes due to modifications that do not result in non-recognition	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Final balance at December 31, 2023	**190,556**	**90**	-	**190,645**

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For the year ended December 31, 2023

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

	Phase 1	Phase 2	Phase 3	Total
Initial balance at December 31, 2021	-	-	-	-
Transfer to phase 1 (of 2 or 3)	-	-	-	-
Transfer to phase 2 (of 1 or 3)	-	-	-	-
Transfer to phase 3 (of 1 or 2)	-	-	-	-
Financial assets originated	36,487	-	-	36,487
De-recognition of financial assets	-	-	-	-
Write-offs	-	-	-	-
Changes due to modifications that do not result in non-recognition	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Final balance at December 31, 2022	**36,487**	-	-	**36,487**

Credit risk exposure

Maximum Credit Risk Exposure - Financial Instruments Subject to Impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which ECL assistance is recognized. The gross carrying amount of the financial assets below also represents the Bank's maximum exposure to credit risk for those assets before collateral and other credit improvements.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

Collateral

The Bank holds collateral against loans to customers in the form of mortgages, vehicles and equipment. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. The collateral coverage is calculated when the loan is disbursed and is required at least 100% of the loan amount disbursed.

	Over-Collateralized		**Under-Collateralized**	
At 31 December 2023	**Carrying value of the assets**	**Nominal Value of Collateral**	**Carrying value of the assets**	**Nominal Value of Collateral**
Business	26,731,129	123,166,130	1,716,370	944,312
Private	3,226,909	7,011,337	13,905,282	3,429,346
Total Gross Loan portfolio	**29,958,038**	**130,177,467**	**15,621,652**	**4,373,658**

	Over-Collateralized		**Under-Collateralized**	
At 31 December 2022	**Carrying value of the assets**	**Nominal Value of Collateral**	**Carrying value of the assets**	**Nominal Value of Collateral**
Business	3,552,509	11,783,449	2,283,344	477,623
Private	404,063	560,440	1,746,050	400,019
Total Gross Loan portfolio	**3,956,572**	**12,343,889**	**4,029,394**	**877,642**

Credit Risk Concentration

The Bank monitors credit risk concentrations by segmentation. The analysis of the concentration of credit risk for loans and advances to gross customers at the reporting date is presented below.

Concentration by segment (gross):	**As at December 31, 2023**	**As at December 31, 2022**
Corporates	9,334,467	-
Medium-sized enterprises	7,619,001	244,809
Small enterprises	11,678,751	2,533,401
Individuals	16,947,471	5,207,757
Total	**45,579,690**	**7,985,967**

The analysis of the concentration of credit risk for loans and advances as per economic activity at the reporting date is presented below.

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For the year ended December 31, 2023

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2. Credit risk (continued)

Loans and advances to customers (gross)	As at December 31, 2023	As at December 31, 2022
Household	17,631,866	2,303,918
Wholesale and retail trade	11,035,660	3,212,859
Manufacturing	4,106,931	924,894
Construction	3,844,734	998,338
Accommodation and food service activities	1,917,658	242,290
Administrative and support service activities	1,559,118	50,022
Transportation and storage	1,284,085	-
Professional, scientific and technical activities	1,052,907	-
Financial and insurance activities	841,892	-
Agriculture, forestry, and fishing	773,808	25,005
Real estate activities	541,734	-
Other service activities	398,611	198,611
Information and communication	289,016	-
Education	175,336	-
Arts, entertainment, and recreation	126,334	30,030
Total	**45,579,690**	**7,985,967**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Liquidity risk

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

Management of liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting short term obligations from its financial liabilities. The Bank is financed through demand deposits, and it is exposed to daily withdrawable from current and savings deposits. The liquidity risk is managed by the Management of the Bank. The Bank's approach to liquidity risk management is to ensure that, as far as possible, that it has sufficient liquidity to meet its obligations when necessary, under normal circumstances and under pressure, without incurring unreasonable losses or damage the reputation of the Bank.

Regulatory minimum reserve requirement held with the Central Bank is calculated as 10 per cent of the average liabilities due within one-year. The assets with which the bank can meet its demands for reserve are its deposits with the CBK and fifty per cent (50%) of the cash in its vaults. As at December 31, 2023, the liquidity reserve was in amount of EUR 3,044,315, (2022: EUR 650,874). The bank on reporting date had an overage of EUR 11,590,890.

The table below shows net carrying amounts of assets and liabilities as at December 31, 2023 and 2022 by their remaining contractual maturity.

Exposure to liquidity risk

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals any targets set in terms of the overall Bank strategy. All financial assets and liabilities are reported based on the timing when liabilities become due and assets can be used as repayment source. The bank classifies current accounts as due on demand 25% of balance up to 1 month, whilst 75% of balance is considered as demand from 1 to 3 months. The following are the remaining maturities between the contractual and expected financial assets and liabilities at the reporting date.

As at December 31, 2023	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash on hand and at banks	3,224,487	-	-	-	-	**3,224,487**
Balances with CBK	13,214,312	-	-	-	-	**13,214,312**
Placements at banks	90,498	2,014,072	-	-	-	**2,104,570**
Loans to customers	874,629	1,839,167	2,763,191	5,661,897	38,593,486	**49,732,370**
Total	**17,403,926**	**3,853,239**	**2,763,191**	**5,661,897**	**38,593,486**	**68,275,739**
Liabilities						
Due to customers	7,298,950	21,256,278	1,666,192	7,508,667	19,161,578	**56,891,665**
Other liabilities	292,484	-	-	-	-	**292,484**
Total	**7,591,434**	**21,256,278**	**1,666,192**	**7,508,667**	**19,161,578**	**57,184,149**
Gap	**9,812,491**	**(17,403,038)**	**1,096,999**	**(1,846,770)**	**19,431,908**	**11,091,590**
Cumulative gap	**9,812,491**	**(7,590,547)**	**(6,493,548)**	**(8,340,318)**	**11,091,590**	**-**

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Notes to the Financial Statements
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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Liquidity risk (Continued)

As at December 31, 2022	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Assets						
Cash on hand and at banks	1,256,717	-	-	-	-	**1,256,717**
Balances with CBK	11,146,429	-	-	-	-	**11,146,429**
Loans to customers	77,673	322,600	456,186	930,643	6,745,316	**8,532,418**
Total	**12,480,819**	**322,600**	**456,186**	**930,643**	**6,745,316**	**20,935,564**
Liabilities						
Due to customers	2,010,012	6,099,011	-	3,687,417	335,038	**12,131,478**
Other liabilities	274,441	-	-	-	-	**274,441**
Total	**2,284,453**	**6,099,011**	**-**	**3,687,417**	**335,038**	**12,405,919**
Gap	**10,196,366**	**(5,776,411)**	**456,186**	**(2,756,774)**	**6,410,278**	**8,529,645**
Cumulative gap	**10,196,366**	**4,419,955**	**4,876,141**	**2,119,367**	**8,529,645**	**-**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads 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 optimizing the return on risk.

ALCO is responsible for the overall management of market risks. The risk of foreign exchange positions is measured and reported by the Risk Management Department on a daily basis. The Bank manages this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions. The Bank manages interest rate risk by conducting reprising gap analysis and profit margin analysis for each major currency. The Risk Management Department produces these reports on a monthly basis.

Exposure to foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The bank has no exposure to foreign exchange risk. The bank has no assets nor any liabilities denominated in foreign currency.

Exposure to interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank manages interest rate risk by monitoring market conditions and making appropriate pricing or reallocation decisions. All loans are at fixed rates and have maturities ranging between one month to five years.

The interest rate profile of the Bank's interest-bearing financial instruments is as follows:

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4. Market risk (continued)

Interest sensitivity Gap	Up to 1 Month	1 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total interest sensitive	Total non-interest sensitive
Assets								
Cash and deposits at central banks	15,704,522	-	-	-	-	-	**-**	**15,704,522**
Deposits in banks	731,679	-	-	-	-	-	**-**	**731,679**
Loans and advances to clients (fixed)	874,630	4,957,420	6,867,330	9,150,100	16,099,150	7,224,020	**45,172,650**	**-**
Placements with banks	90,498	2,014,072	-	-	-	-	**2,104,570**	**-**
Other assets	432,789	-	-	-	-	-	**-**	**432,789**
Total Assets	**17,834,118**	**6,971,492**	**6,867,330**	**9,150,100**	**16,099,150**	**7,224,020**	**47,277,220**	**16,868,990**
Liabilities								
Current accounts from customers	27,961,000	-	-	-	-	-	**-**	**27,961,000**
Term deposits (fixed)	250,271	1,776,434	7,508,667	1,584,813	17,310,113	-	**28,430,298**	**-**
Other liabilities	-	-	-	-	-	-		**-**
Total Liabilities	**28,211,271**	**1,776,434**	**7,508,667**	**1,584,813**	**17,310,113**	**-**	**28,430,298**	**27,961,000**
IR sensitivity gap	**(10,377,153)**	**5,195,059**	**(641,337)**	**7,565,287**	**(1,210,963)**	**7,224,020**	**18,846,922**	**(11,092,010)**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4. Market risk (continued)

Interest sensitivity Gap	Up to 1 Month	1 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total interest sensitive	Total non-interest sensitive
Assets								
Cash and deposits at central banks	12,164,941	-	-	-	-	-	**-**	**12,164,941**
Deposits in banks	238,012	-	-	-	-	-	**-**	**238,012**
Loans and advances to clients (fixed)	77,673	778,786	930,643	1,829,893	3,383,591	1,531,832	**8,532,418**	**-**
Other assets	759,285	-	-	-	-	-	-	**759,285**
Total Assets	**13,239,911**	**778,786**	**930,643**	**1,829,893**	**3,383,591**	**1,531,832**	**8,532,418**	**13,162,238**
Liabilities								
Current accounts from customers	2,340,012	7,088,989	-	-	-	-	**-**	**9,429,001**
Term deposits (fixed)	-	-	3,685,000	-	335,041	**-**	**4,020,041**	**-**
Other liabilities	343,822	-	-	-	-	-	**-**	**343,822**
Total Liabilities	**2,683,834**	**7,088,989**	**3,685,000**	**-**	**335,041**	**-**	**4,020,041**	**9,772,823**
IR sensitivity gap	**10,556,077**	**(6,310,203)**	**(2,754,357)**	**1,829,893**	**3,048,550**	**1,531,832**	**4,512,377**	**3,389,415**

The Bank does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Bank does not use derivatives (interest rate swaps) as hedging instruments. Therefore, a change in interest rates at the reporting date would not affect profit or loss for fixed rate instruments.

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5. DETERMINATION OF FAIR VALUES

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 and interest rates. Homogeneous small loans are grouped into portfolios with similar characteristics.

Financial assets carried at amortized cost

The estimated fair value of cash and cash equivalents, which include deposits with no stated maturity, is the amount repayable on demand. For short-term deposits, their fair value is considered to approximate their carrying amount.

Loans to customers are net of allowances for impairment. The loan portfolio has an estimated fair value approximately equal to its book value due to either their short-term nature or underlying interest rates, which approximate market rates. The fair value of loans is estimated using discounted cash flow techniques, applying the rates that are offered for loans of similar terms.

Financial liabilities carried at amortized cost

Because no active market exists for borrowings and subordinated debt, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.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.

As of December 31, 2023	Category	Carrying Value	Fair Value	Fair value hierarchy
Financial Assets				
Cash and cash equivalents	Amortized Cost	16,436,201	16,436,201	Level 1
Loans and advances to customers	Amortized Cost	45,169,282	45,120,106	Level 3
Total		**61,605,483**	**61,556,307**	
Financial Liabilities				
Deposits from customers	Amortized Cost	56,891,665	56,502,620	Level 3
Lease Liability	Amortized Cost	709,292	709,291	Level 3
Other liabilities	Amortized Cost	292,484	292,484	Level 3
Total		**57,893,441**	**57,504,395**	

As of December 31, 2022	Category	Carrying Value	Fair Value	Fair value hierarchy
Financial Assets				
Cash and cash equivalents	Amortized Cost	12,402,953	12,402,953	Level 1
Loans and advances to customers	Amortized Cost	7,921,067	7,921,067	Level 3
Total		**20,324,020**	**20,324,020**	
Financial Liabilities				
Deposits from customers	Amortized Cost	12,131,478	12,131,478	Level 3
Lease Liability	Amortized Cost	248,951	248,951	Level 3
Other liabilities	Amortized Cost	274,441	274,441	Level 3
Total		**12,654,870**	**12,654,870**	

5. DETERMINATION OF FAIR VALUES(CONTINUED)

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

6. USE OF PROFESSIONAL EVALUATION AND JUDGEMENT

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending December 31, 2023 is included in the following notes.

(i) Allowances for impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded, 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 group.

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 methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Determination of fair values

A number of accounting policies and disclosures of the Bank require the measurement of fair values for financial assets and liabilities. In measuring the fair value of an asset or liability, the Bank uses observable market data as much as possible. Fair values are categorized at different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

Level 2: Other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability (unobservable data).

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, then the fair value measurement is categorized entirely at the same level of the fair value hierarchy as the inputs of the lowest level that is relevant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

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7. CASH AND CASH EQUIVALENTS

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Cash on hand	2,490,211	1,018,512
Cash at banks	734,277	238,205
Balance at CBK	13,214,311	11,146,429
Total	**16,438,799**	**12,403,146**
Less: Loss allowance	(2,598)	(193)
Total	**16,436,201**	**12,402,953**

Movement in impairment for the year ended December 31,2023, charged to profit and loss is as following:

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Opening balance on 1st of January	193	-
New financial assets originated	-	-
Release due to derecognition	-	-
Increase/decrease in impairment	2,405	193
Closing balance	**2,598**	**193**

In accordance with CBK regulation on Minimum reserve requirement, the bank should maintain the minimum required reserve ratio 10% of the following liabilities with maturity up to one year: deposits, borrowings and securities. The assets with which the bank can meet its demand for reserves are its deposits with CBK and 50% of the cash in vaults. However, deposits with CBK may not be less then half of the applicable minimum reserve.

8. LOANS AND ADVANCES TO CUSTOMERS

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Gross loans to customers	45,359,848	7,957,474
Less: Allowance for impairment	(190,566)	(36,407)
Total	**45,169,282**	**7,921,067**

Movement in impairment for the year ended December 31, 2023, charged to profit and loss is as following:

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Opening balance on 1st of January	36,407	-
Net impairment charge	154,159	36,407
Closing balance	**190,566**	**36,407**

9. INTANGIBLE ASSETS

	Software
Historical Cost:	**(in EUR)**
January 1, 2022	-
Additions during the year	208,094
December 31, 2022	**208,094**
Additions during the year	206,287
December 31, 2023	**414,381**
Accumulated amortization:	
January 1, 2022	-
Amortization for the year	3,344
December 31, 2022	**3,344**
Amortization for the year	68,097
December 31, 2023	**71,441**
Assets net book value:	
As at December 31, 2022	**204,750**
As at December 31, 2023	**342,940**

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10. PROPERTY AND EQUIPMENT

Historical cost	Vehicles (in EUR)	Furniture and supplies (in EUR)	Computers and electronic equipment (in EUR)	Leasehold improvements (in EUR)	Total (in EUR)
January 1, 2022					
Additions during the year	65,500	127,540	319,610	112,325	**624,975**
December 31, 2022	**65,500**	**127,540**	**319,610**	**112,325**	**624,975**
Additions during the year	170,927	303,329	84,632	361,490	**920,378**
December 31, 2023	**236,427**	**430,869**	**404,242**	**473,815**	**1,545,353**
Accumulated depreciation:					
January 1, 2022					
Depreciation for the year	3,267	3,798	4,970	3,744	**15,779**
December 31, 2022	**3,267**	**3,798**	**4,970**	**3,744**	**15,779**
Depreciation for the year	33,387	52,908	35,960	56,016	**178,271**
December 31, 2023	**36,654**	**56,706**	**40,930**	**59,760**	**194,050**
Net book value:					
December 31, 2022	**62,233**	**123,742**	**314,640**	**108,581**	**609,196**
December 31, 2023	**199,773**	**374,163**	**363,312**	**414,055**	**1,351,303**

11. RIGHT-OF-USE ASSETS

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
January 1,	283,795	-
Additions	580,545	283,795
Total	**864,340**	**283,795**
Accumulated depreciation		
January 1,	35,956	-
Depreciation for the year	123,723	35,956
As at December 31,	**159,679**	**35,956**
Total net value	**704,661**	**247,839**

12. OTHER ASSETS

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Prepaid expenses	29,386	24,117
Deferred tax asset	148,158	55,168
Other receivables	255,246	680,000
Provisions on receivables	(56,132)	-
Total	**376,658**	**759,285**

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. The Bank operated at a taxable loss amounting to EUR 934,903 during the year ended December 31, 2023 (2022: EUR 564,947). These losses can be carried forwards up to 4 years. The directors believe that it is probable that the deferred tax assets will be recovered.
Other receivables includes VAT in amount of EUR 138,223.

13. DUE TO CUSTOMERS

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Current accounts	27,961,110	8,040,048
Saving accounts	233,931	68,972
Term deposits	28,490,220	4,020,000
Accrued interest	206,404	2,458
Total	**56,891,665**	**12,131,478**

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14. LEASE LIABILITIES

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
At January 1,	248,951	-
Additions	580,544	283,445
Interest expense	11,267	3,684
Lease payments	(131,470)	(38,178)
As at December 31,	**709,292**	**248,951**
Short term lease liability	172,476	54,623
Long term lease liability	536,816	194,328

The bank leases properties on which the periodic rent is fixed over the lease term. The bank has leased 9 properties with a lease term of 5 years since inception. The incremental borrowing rate on commencement of the lease used to measure lease liabilities is 2.52%.

15. OTHER LIABILITIES

	As at December 31, 2023 (in EUR)	As at December 31, 2022 (in EUR)
Payables to suppliers	115,070	223,876
Accrued expenses	90,831	38,000
Pension contribution payable to Kosovo Pension Fund	9,791	5,074
Withholding tax on employees' salaries	6,977	3,840
Other payables	69,814	3,650
Total	**292,483**	**274,440**

16. SHARE CAPITAL

Share capital initially was fully paid in amount of EUR 8,000,000. Upon the shareholders meeting held on December 5, 2022 the share capital was increased to EUR 10,000,000.

Shareholder	Number of Shares	Nominal value	EUR	%
Model Slovenia Invest ShPK	340	10,000	3,400,000	34%
Model Slovenia ShPK	330	10,000	3,300,000	33%
Prisig SHA Insurance Company	330	10,000	3,300,000	33%
Total	**1,000**	**30,000**	**10,000,000**	**100%**

17. INTEREST INCOME

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Loans and advances to customers	1,491,793	20,128
Leasing	108,375	143
Other	59,945	-
Placements	38,340	-
Total	**1,698,453**	**20,271**

Interest income is recognized in statement of profit and loss in using effective interest rate.

18. INTEREST EXPENSES

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Due to customers	357,741	2,479
Interest on lease liability	11,194	3,684
Total	**368,935**	**6,163**

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19. FEE AND COMMISION INCOME, NET

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Fee and commission income:		
Payment services	61,599	1,602
Account maintenance fees	26,915	-
Other fees	22,383	347
Total fee and commission income	**110,897**	**1,949**
Fee and commission expense:		
Transaction and account maintenance fee	(45,905)	(3,267)
Total fee and commission expense	**(45,905)**	**(3,267)**
Net fee and commission income	**64,992**	**(1,318)**

20. PERSONNEL EXPENSES

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Salaries	972,278	309,129
Pension contributions	48,971	15,698
Health insurance	22,375	4,825
Other employee costs	1,522	-
Total	**1,045,146**	**329,652**

As at December 31, 2023 the Bank had 109 employees (2022: 48 employees)

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Depreciation and Amortization	370,091	55,078
Licenses and tariffs	162,574	63,818
Cards supply	99,154	-
Advertising and marketing expenses	70,412	5,506
Master card fee	71,603	-
Security	55,802	15,457
Software support and maintenance	49,309	-
Professional services	43,821	18,764
Car fleet expenses	29,219	4,019
Other expenses	27,928	12,209
Office supply	25,458	15,538
Communications	21,016	3,485
Insurance	19,135	5,267
Utilities	17,908	3,188
Cleaning expenses	11,822	2,894
ATM maintenance	13,100	-
Small equipment	12,597	4,373
Memberships	12,770	-
Repairs and maintenance	10,478	1,889
Total	**1,124,197**	**211,485**

22. INCOME TAX

	Year ended December 31, 2023 (in EUR)	Period from January 14, 2022 to December 31, 2022 (in EUR)
Current tax expense	-	-
Deferred tax income/ expense	92,990	55,168
Income tax expense	**92,990**	**55,168**

Current income tax is calculated based on the law nr. 06/L-105 on Corporate Income Tax of Kosovo. The corporate income tax is 10% (2022: 10%).

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23. RELATED PARTY TRANSACTIONS

Related parties include the shareholders of the Bank and key management. As of December 31, 2023, there are no loans and advances issued to bank's related parties.

Liabilities	**2023**	**2022**
Due to customer (Shareholder)	5,780,777	5,197,500
Due to customer (Management)	22,244	13,872
Total	**5,803,021**	**5,211,372**

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

Expenses	**2023**	**2022**
Key Management Remuneration	203,000	156,210
Remuneration to the Board	19,895	9,555
Total	**222,895**	**165,765**

24. COMITTMENTS AND CONTIGENCIES

(i) Litigations

In the normal course of business, the Bank is presented with legal claims and litigation. The Bank currently has no legal events affecting the normal course of business.

(ii) Tax liabilities

Financial statements and the accounting records of the Bank have not been audited by the tax authorities since the beginning of operation. Hence, the Bank's tax liabilities may not be considered finalized. A provision for additional taxes and penalties, if any that may be levied cannot be determined with any reasonable accuracy at this stage.

25. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or additional disclosures in the financial statements.