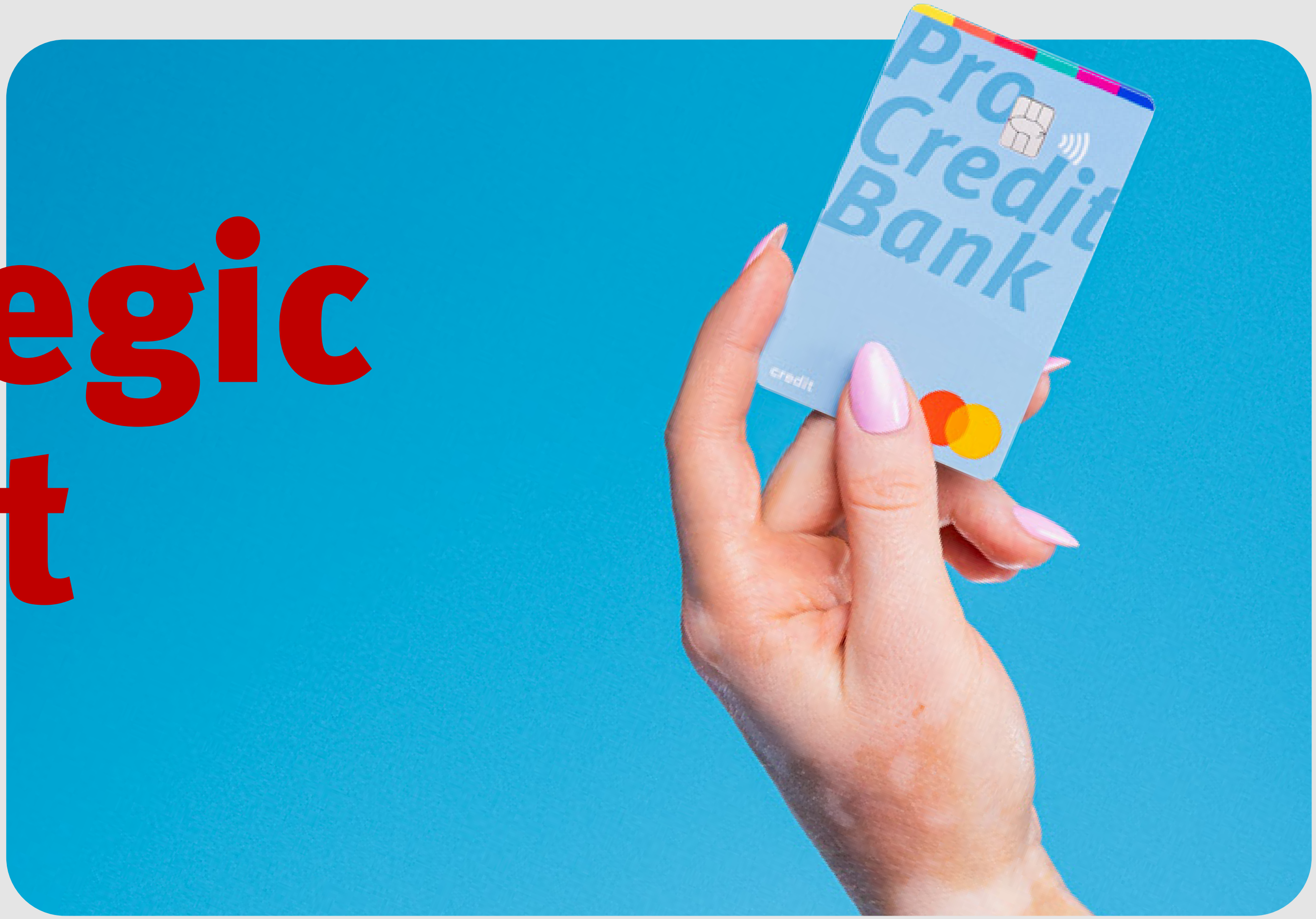
ANNUAL REPORT

ProCredit Bank

31
DECEMBER
2024

Content

Strategic report



2024
ANNUAL
REPORT

Leadership Insights & Group Structure

Our year at a glance

We launched G Pay for our clients

Sustainable Impact Award from CSR Kosovo

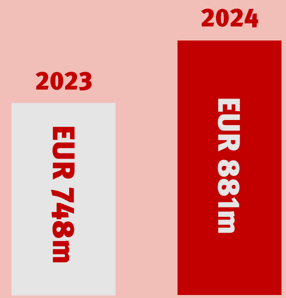
Over **30 projects** supported through sponsorships and donations

130 hours of training per employee

Loan Portfolio

+18%

Strong growth



Green loans

EUR 126m

+EUR 9.1m increase

Largest green loan portfolio in Kosovo

123%

Deposit-to-loan ratio

Exceeding the average banking sector's Deposit-to-loan Ratio

Strong asset quality

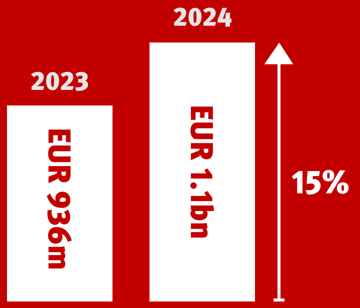
NPL **1.2%**

Assets

EUR 1.3bn

2024, redefining **success** for **ProCredit Bank**

Customer deposits



Our year at a glance

55%

of the bank's middle management positions were held by **women**

Launched
organic cards

Received the
"Mik i fëmijëve"
award from the
Association for Protecting Children in Kosovo

Higher
Return on assets
reflects our ability to create more value

2.5%

+0.4 pp increase

2024

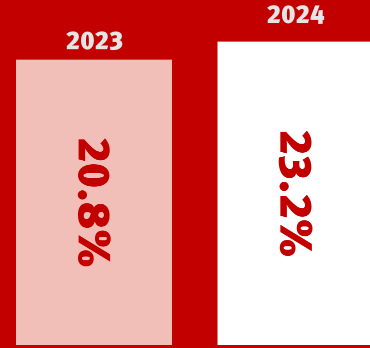
16.4%

16.8% - 2023

Total capital ratio

highlights our commitment to strength, security and responsible banking

Return on equity



Supervised by

BaFin

We work **in compliance** with the best banking practices and **regulatory standards** in Germany

FitchRatings

BB+

Mission and vision

Mission and vision

ProCredit is a German development-oriented bank for Eastern and Southeastern Europe dedicated to supporting micro, small, and medium-sized enterprises (MSMEs) and private individuals, fostering economic growth and sustainable development.

We are committed to delivering exceptional customer service that extends far beyond offering financial products. Our goal is to build strong, lasting partnerships with our clients by providing personalised advice and consistent support at every stage of their financial journey.

Our core principles guide everything we do:

• We take the time to thoroughly understand our clients' unique circumstances, conducting sound financial analysis to promote their long-term financial stability.

• We prioritise transparency in all client interactions, ensuring clarity and trust in our financial services and products.

• We uphold responsible lending practices that promote financial inclusion while protecting clients from over-indebtedness.

• We focus on driving broad social, economic and environmental impact by engaging with our clients to promote sustainable practices and support their transition towards environmentally responsible operations.

We believe MSMEs are vital drivers of economic and social progress. By supporting them through their economic cycle, we aim to foster sustainable development and drive the green transformation in our countries of operation. By offering accessible deposit facilities, digital banking services, and a comprehensive range of financial products, we aim to cultivate a culture of saving and financial responsibility among all our clients, including private individuals.

Our shareholders seek sustainable, long-term returns, aligned with our unwavering commitment to ethical banking practices and positive social impact.

We invest extensively in the training and development of our staff to foster an open, professional, and efficient working environment.

This enables us to deliver friendly, knowledgeable, and effective service to our clients.

Supervisory board statement

Supervisory Board Statement

As members of the Supervisory Board of ProCredit Bank Kosovo, we are pleased to present our reflections on the bank's performance during the past year and to share our perspectives on the direction we are heading. Over the course of the year, we have worked closely with the Management Board to ensure that the bank continues to operate responsibly, deliver sustainable growth, and remain committed to its core values. This statement outlines the key developments, strategic focus areas, and the collective efforts that shaped the bank's development in 2024.

Following an exceptionally successful year in 2023, which saw record results and strong business performance, we crafted an ambitious new vision for our group at the start of the past financial year. Our goal was to further elevate the ProCredit group's presence in its markets, enhancing visibility, reach, and sustainability, while amplifying the positive impact of our banking business through a stronger presence. In this context, 2024 marked the beginning of our group's ambitious growth strategy, aimed at further scaling our operations within key segments, including MSMEs and private clients. Our goal is to strengthen our position as a leader in impact banking across Eastern Europe, and thanks to the hard work of our team and the strategic decisions made, we've seen solid financial performance that allows us to continue on our path with confidence. Even as we continue to face economic uncertainties, our strong risk management and commitment to customer service have kept us steady.

At the heart of everything we do are the people who make up ProCredit Bank Kosovo. Our leadership team is dedicated to ensuring the bank continues to operate ethically and transparently, and we are grateful for the tireless efforts of both the Management Board and our staff. The Supervisory Board remains committed to supporting a culture of trust and accountability, always aiming to act in the best interests of our clients, employees, and shareholders.

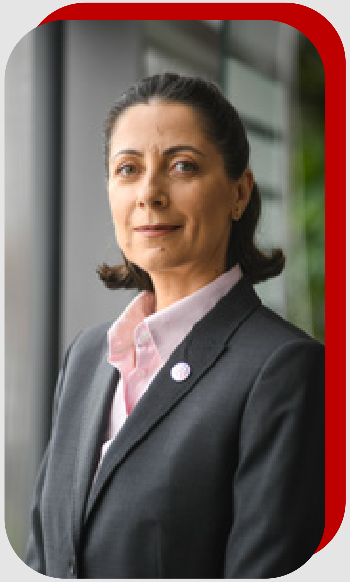
The Supervisory Board has approved several key initiatives that we believe will help us grow in the right direction. We're investing in digital technologies that will not only streamline our operations but also enhance the customer experience. These efforts are part of a broader strategy to strengthen our market presence and introduce new products and services that respond to the evolving needs of our business and private clients.

We're also committed to integrating sustainability into every aspect of our operations. From financing green initiatives to adopting more eco-friendly practices, we see this as an important step for the future, not just for our business, but for the broader community.

As we look to the future, we remain optimistic and focused on creating long-term value for all our stakeholders. We know there are challenges ahead, but with the dedication of our people and the support of our partners, we are confident that ProCredit Bank Kosovo will continue to thrive.

On behalf of the Supervisory Board,

Eriola Bibolli
Chairperson of the Board of Directors of ProCredit Bank Kosovo




ProCredit Bank
deposit card

Letter from the **Chief Executive Officer**

Letter from the Chief Executive Officer

Dear Stakeholders,

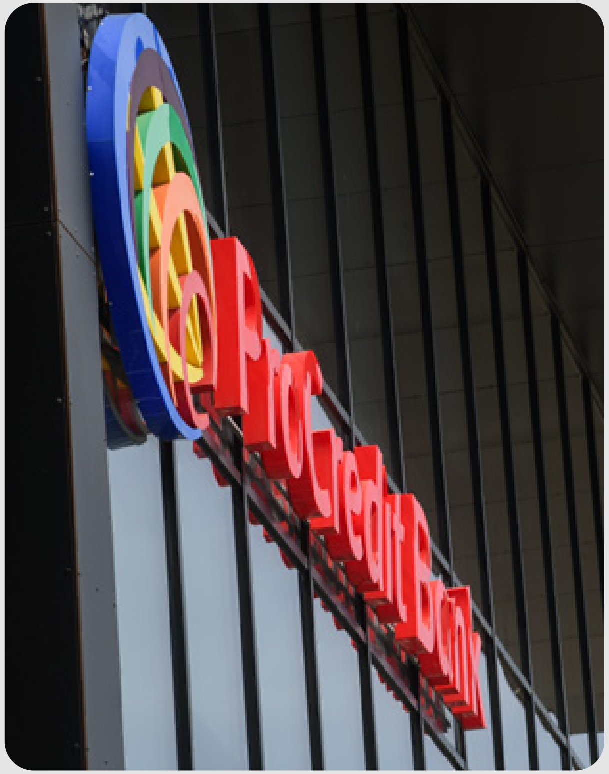
I am pleased to share an overview of the progress and performance of ProCredit Bank Kosovo over the past year. 2024 was a transformative year for us—marked by meaningful growth, strategic development, and continued dedication to our values.

Throughout the year, we invested purposefully in the pillars that define our long-term strategy: our people, technology and the expansion and modernisation of our branch network. These investments have not only supported our current operations but have also established a strong foundation for future growth.

The financial results for 2024 reflect this commitment. We achieved an 18% increase in our loan portfolio and a 15% increase in deposits, both important indicators of trust from our clients and the strength of our services. We also continued to grow our green finance initiatives, with an additional EUR 9.1 million growth in green loans, bringing our total green loan portfolio to EUR 126 million. These achievements are the result of a clear strategy, strong execution, and a team that remains deeply committed to delivering responsible and sustainable banking.

In our efforts to continuously improve customer experience, we made significant strides in our digital transformation. We enhanced our digital onboarding process, improving accessibility and convenience for new customers, which has contributed to a growing private client base. We also introduced Google Pay and launched eco-friendly organic payment cards, further integrating innovation with our sustainability efforts.

Sustainability remains at the heart of our mission. Throughout 2024, we supported impactful environmental and community-focused projects that brought meaningful value to the society around us. We were honoured to receive the Sustainable Impact Award from CSR Kosovo, which acknowledged our ongoing efforts in this area. Additionally, the “Mik i fëmijëve” award, presented by the Association for Protecting Children in Kosova and SOS Children’s Villages, was a deeply touching recognition of our initiatives to support children and young people without parental care or at risk of losing it.



Recognising the importance of resilience in an ever-changing environment, we further strengthened our risk management framework. These enhancements help us better anticipate challenges and navigate uncertainties with of our portfolio and the effectiveness of our risk controls.

At the core of all our efforts lies a sincere commitment to our clients. This year, we dedicated ourselves to listening more closely, particularly to the needs of micro, small, and medium enterprises as well as private clients. This attentive approach not only enhanced overall client satisfaction but also reinforced the long-standing relationships we have nurtured within the communities we serve.

As we look ahead, our priorities remain rooted in the experience and satisfaction of our clients. We are committed to expanding our reach in key markets, advancing digital innovation, and embedding sustainability even more deeply into our business practices. Every step we take will be guided by the goal of providing exceptional value and meaningful service, ensuring that the evolving needs of our clients remain at the centre of everything we do.

On behalf of the Management Board, I would like to thank our clients, employees, and partners for their continued trust and support. Together, we look forward to building an even stronger and more impactful future.

On behalf of the
Management Board,

Visar Paçarada
Chief Executive Officer

The Management Board of Kosovo

The Management Board of Kosovo

Visar Paçarada
Chief Executive Officer

Bejtë Cakaj
Deputy Chief Executive Officer

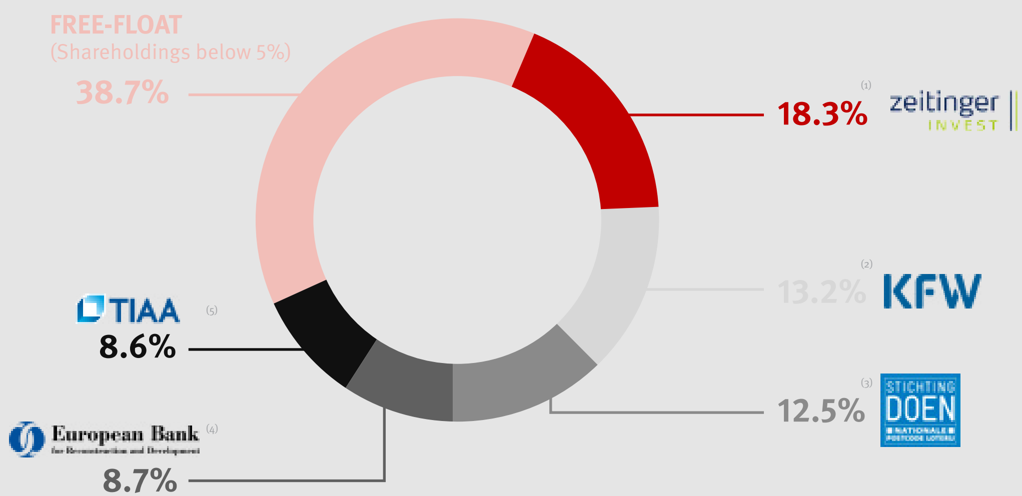
Shareholder structure

Shareholder structure

ProCredit Bank Kosovo is owned by ProCredit Holding AG, the parent company of the ProCredit group with a special focus on economic, ecologic and social development, focused on South Eastern and Eastern Europe.

According to available voting rights notifications or voluntary disclosures, as of year-end 2024[1] the largest shareholders of ProCredit Holding AG are: Zeitinger Invest GmbH, Kreditanstalt für Wiederaufbau (KfW), DOEN Participaties BV, the European Bank for Reconstruction and Development (EBRD) and the Teachers Insurance and Annuity Association of America (TIAA).

As the group's superordinated company in accordance with the German Banking Act and as the parent financial holding company of the ProCredit financial holding group, ProCredit Holding AG is supervised on a consolidated level by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsauf sicht, BaFin) and the German Bundesbank. For additional information, visit: https://www.procredit-holding.com/



For more information please visit: https://www.procredit-holding.com/investor-relations/our-share/

(1) According to voluntary disclosures by Zeitinger Invest on 13 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (2) According to voluntary disclosures by KfW on 17 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (3) According to voluntary disclosures by DOEN Participaties on 14 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (4) According to the voting rights notifications as of 23 May 2023; (5) According to the voting rights notifications as of 29 December2016 The shareholder structure presented above is based on public voting rights notifications by EBRD and TIAA and, in the case of Zeitinger Invest GmbH, KfW and DOEN Participaties B.V., on the voluntary disclosure of voting rights (see "Voting rights notifications" and "Other information" in the Investor Relations section of the ProCredit Holding website). This breakdown was calculated by comparing the number of voting rights reported by the shareholders on the above-mentioned dates against the total number of voting rights (currently 58,898,492). ProCredit Holding AG has made reasonable efforts to provide a realistic overview of the shareholder structure. However, due to limitations on the availability and verifiability of the underlying data, ProCredit Holding AG does not assume any responsibility for the accuracy, completeness or up-to-dateness of the information presented here.

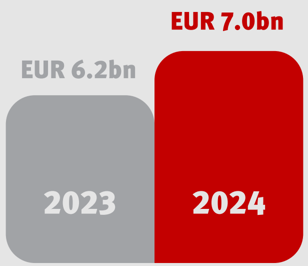
Source: 2024 PCH Annual Report and consolidated financial statements

The ProCredit group at a glance

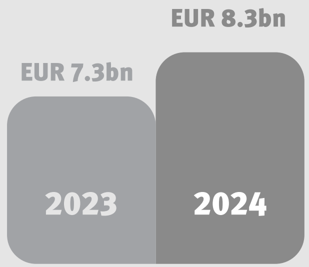
The ProCredit group at a glance

ProCredit Bank Kosovo is part of an international group of development-oriented commercial banks operating in South Eastern Europe, Eastern Europe, South America, and Germany. Based in Frankfurt, Germany, ProCredit Holding, the parent company of the group is responsible for the strategic management, capital adequacy, reporting, risk management, and proper business organisation of the group and acts as a superordinated company from a regulatory point of view.

As a group we are supervised at a consolidated level by Germany's Federal Financial Supervisory Authority, and we comply with all risk requirements in our 13 countries of operation, where we are dedicated to supporting micro, small, and medium-sized enterprises (MSMEs) and private individuals, fostering economic growth and sustainable development.



Loan Portfolio



Customer deposits

12.6% Loan growth

19.3% Green loans

2.3% Non-performing loans

14.3% Deposit growth

118.3% Deposit-to-loan ratio

3.5% Net interest margin

EUR 10.8bn Balance sheet

10.2% Return on equity

13.1% CET1 Ratio

The activities of the ProCredit group comprise the financing of micro, small and medium-sized enterprises (MSMEs) and direct banking for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. The superordinated company of the group is ProCredit Holding, based in Frankfurt am Main.

Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. Our business strategy is based on long-term relationships with our clients as well as a conservative approach to risk. The group does not engage in speculative lines of business.

We aim to be the “Hausbank” for our clients, and thus to be their first point of contact for financial matters. Our MSME clients typically have financing needs ranging from EUR 50,000 to the single-digit millions. As specialists in financing MSMEs, we understand the particular challenges these clients face and the specific needs they have, often going well beyond just loans. We offer banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, we offer efficient solutions for trade finance business and international payments through our network of banks.

In addition to serving MSMEs, we also pursue a direct banking strategy for private clients. As a general rule, we interact with our private clients via digital channels, offering them a full range of online services combined with personal customer care. With our direct services, we aim to stand out from other providers in our markets in terms of convenience, security and transparency.

Accountability is part of our culture. An integral part of our business strategy is our aim to have the smallest possible impact on the environment and to pro-actively bring about a shift in thinking, with greater focus on sustainability. Environmental awareness, consideration of the impact of our actions on the environment and understanding climate change impacts have always been highly relevant to the ProCredit group and its clients. We coordinate our actions using a comprehensive environmental management system and we aim to promote sustainable development in all forms. Our environmental management system encompasses both internal and external dimensions, enabling us to manage the impact of our own business activities, and that of our clients, on the environment.

Internal measures include controlling and reducing the environmental footprint of the individual ProCredit institutions.

Key external aspects of environmental management are the strict application of our Exclusion List in the lending business and, as part of the credit risk assessment, an annual review of sustainability factors regarding the impact of our clients’ operations on the environment and society. We believe that our banks can make an important contribution with these measures by promoting sustainable economic development in our countries of operation through green investment projects, particularly in the areas of energy efficiency and renewable energies, and through green investments in waste management or organic agriculture. Our primary target group in lending comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to deliver added value to our clients as well as make a contribution to creating jobs, enhancing capacity for innovation and encouraging investments in ecological projects. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture. Our approach is based on a careful and critical selection of clients, with solvency, transparency and social responsibility at the heart of the lending process. In this way, we want to ensure that our clients can adequately service their loans and also build up reserves for potentially more difficult times. We attach great importance to open and transparent business relationships and we maintain regular contact with our clients. We believe that our clients also make an important contribution to the formal sector, and thus to social and economic development in their markets, not only through their actions but also by paying taxes and maintaining fair working conditions. At the same time, we make clear demands on our clients with regard to ethical business practices and the responsible treatment of the environment. As a member of the Net-Zero Banking Alliance, we have committed to achieving net-zero emissions for our loan and investment portfolio by 2050 or earlier. In this context, we support our business clients, particularly those with high emissions, in improving the measurement of their greenhouse gas emissions, in setting emissions targets in accordance with the Science Based Targets Initiative (SBTi) and reducing these emissions through green investments. Consideration of our clients' social and environmental risks is firmly integrated into our credit decision processes. We also place great emphasis on the prevention of money laundering, terrorist financing and other illegal activities.

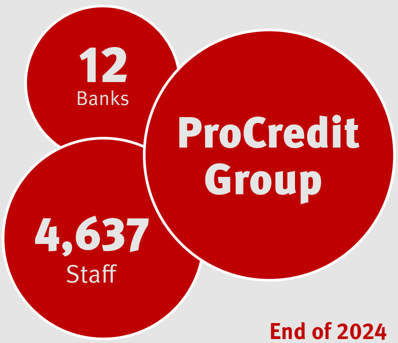
We maintain long-term relationships with our clients and find this to be beneficial for both sides: Our clients have us as a reliable partner who stands by their side, even when economic conditions become difficult. At the same time, we create a portfolio of loans issued to reliable clients that grows steadily and is of very good quality in the context of our markets. In the coming years, we also want to position ourselves more strongly as an attractive bank for private clients in our markets. To this end, we want to offer private clients a comprehensive range of banking services and set ourselves apart from other banks in terms of quality, functionality and customer service. We take a responsible approach to retail lending and our credit decisions are based on the customer's repayment capacity over a reasonable loan period. In countries where the marketing of consumer loans is insufficiently regulated, we want, as a responsible bank, to promote a culture of saving, to set prices for financing transparently, and to prevent clients from becoming over-indebted.

The quality and motivation of staff is a key factor in achieving our business objectives.

We select our staff carefully and offer long-term career prospects based on a transparent, standardised group-wide salary and promotion structure. In order to provide continued staff training and promote ongoing exchange within the group, we run a responsible behaviour in daily life is also emphasised in our group-wide Code of Conduct, which all of our staff discuss and further develop in dedicated annual workshops.

Across the entire group, there is a diverse range of employees from various academic backgrounds and a balanced gender distribution at all business levels. We believe that this diversity promotes innovation and makes a significant contribution to the long-term success of our business.

Organisation of the ProCredit group



End of 2024

ProCredit Holding is the parent company and also the superordinated entity of the group. ProCredit Holding owns 100% of the shares of all subsidiaries. It is responsible for the strategic guidance the group; for maintaining an adequate level of equity for the group and for ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking regulations, and particularly the requirements defined in section 25a of the German 39 Banking Act (“KWG”), are met. At a consolidated level, group supervision is performed by the German financial supervisory authorities (BaFin and Bundesbank).

The Management Board and the members of the Supervisory Board and selected management-level staff of the ProCredit group sit on the supervisory boards of the ProCredit banks, alongside independent board members. ProCredit Holding sets policy guidelines and standards for risk management and other important areas of banking operations in order to ensure that appropriate uniform organisational structures and processes are in place in the ProCredit banks. These guidelines are complemented by the regular exchange of best practices within the ProCredit group. Furthermore, ProCredit Holding provides support in shaping human resources policies and in developing and delivering the curricula in our ProCredit academies. Our IT and software development priorities are set in the Group IT Strategy. Optimal IT solutions are a central part of implementing our business and risk strategies. Quipu GmbH, a wholly owned subsidiary of ProCredit Holding, develops tailored software solutions for the ProCredit group. In close collaboration, the systems used in connection with banking operations for clients, various treasury functions, and for accounting and reporting are developed and implemented by Quipu.

The ProCredit group divides its business operations into regional segments:

- South Eastern Europe, consisting of seven banks in the following countries: Albania, Bosnia and Herzegovina, Bulgaria (including a branch in Greece), Kosovo, North Macedonia, Romania and Serbia

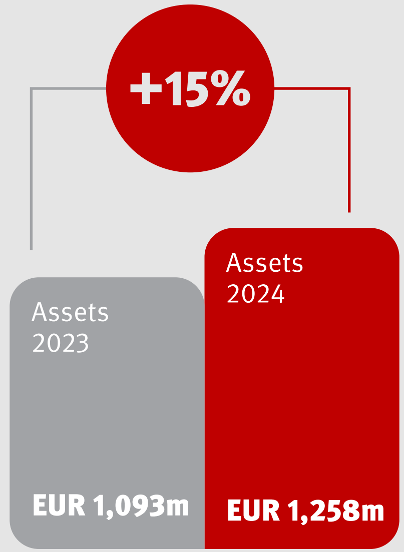
- Eastern Europe, with three banks located in the following countries: Georgia, Moldova and Ukraine

- South America, consisting of one bank in Ecuador

- Germany, consisting of the ProCredit Bank in Germany, ProCredit Holding, Quipu and the ProCredit Academy in Fürth

Financial performance of ProCredit Bank Kosovo

Financial performance of ProCredit Bank Kosovo

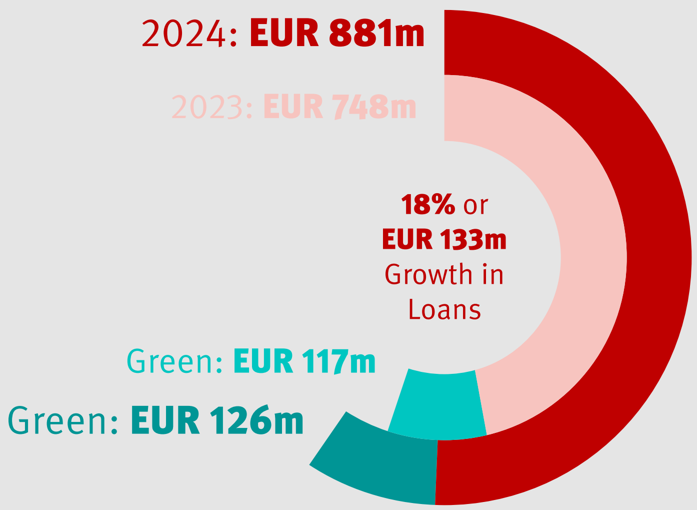


In 2024, ProCredit Bank demonstrated strong financial resilience and growth, achieving solid performance across key indicators. Our disciplined approach to risk management, strategic investments, and customer-focused solutions contributed to sustainable profitability by strengthening our market position. The bank maintained a healthy balance sheet, strong liquidity, and robust capital adequacy, reinforcing its position as a trusted financial institution. 2024 is a milestone year for us, as +EUR 165 million is the highest growth ever in assets. The assets' structure continued to be dominated by loans and advances to customers at 69%, followed by cash and balances with central banks at 13%, and investment in securities at 11%. A significant portion of the bank's assets is allocated to investments securities, which reached a portfolio of EUR 141 million (a 13% increase over 2023). These investments provide a stable source of income, help manage risk, and ensure liquidity.

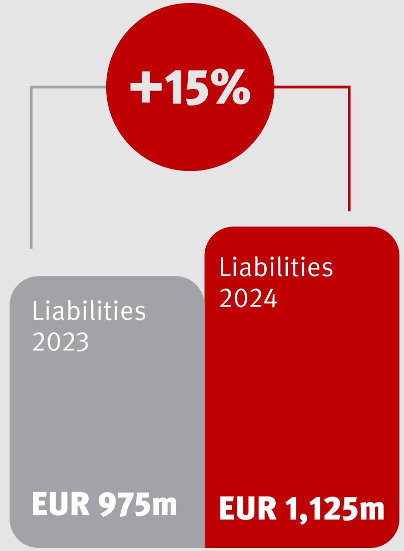
Security investments serve as a reliable investment option, offering predictable returns while diversifying the bank's asset portfolio. Additionally, they play a crucial role in meeting regulatory requirements and maintaining financial stability. ProCredit Bank has invested in securities that are highly secure, with a minimum credit rating of AA-, indicating strong credit quality and solid financial stability.

Furthermore, the bank recorded the highest loan portfolio growth ever 18% or EUR 133 million driven by a strong commitment to supporting private individuals, businesses and fostering economic development. fostering economic development.

Business loans make up approximately 78.4% of the volume of our outstanding loan portfolio. In line with our mission of supporting MSMEs, the sector which helps the economy to grow by creating workplaces, we are the bank of choice for business clients. We hold the largest business loan portfolio in Kosovo, EUR 691 million, or 20% of the market share in the country's banking sector. We plan to strengthen our expertise and focus on financing investments in energy efficiency, renewable energy and green initiatives, both for our business and private clients. With a year-on-year increase of EUR 9.1 million, our green loan portfolio amounted to EUR 126 million by the end of 2024. We are engaging with our partners such as the EBRD on creating new products and support. Side by side with our clients, partners and staff, we are creating value while protecting nature for future generations. We also reported the best asset quality in the market through the lowest NPL ratio, demonstrating strong risk management and asset quality.



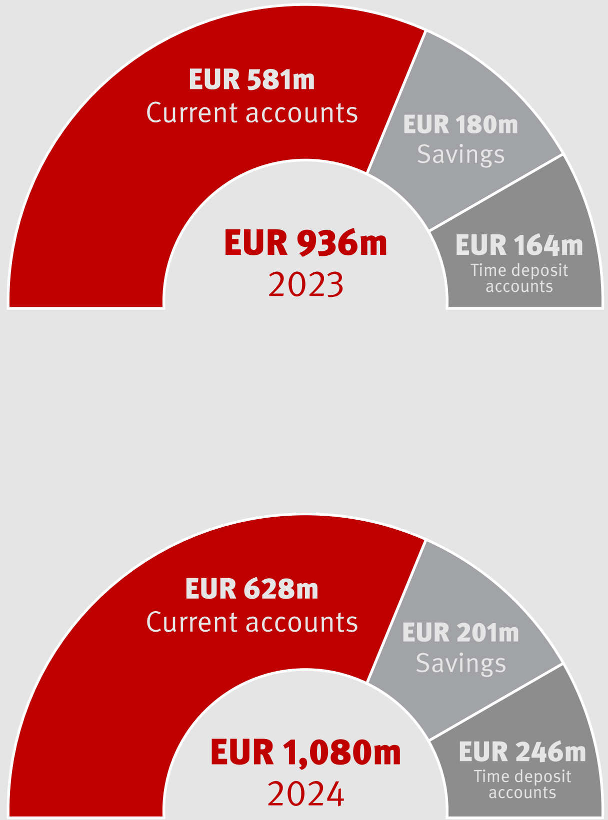
Our total liabilities account for 89% of the total asset value, reflecting the bank's leverage position and funding structure. This figure provides insight into the bank's financial stability, risk exposure, and reliance on borrowed funds relative to its asset base. Considering our liquidity position and approach to risk management, the bank's level of customer deposits allows us to use them as main source of financing for our lending operations. The use of "non-customer funding" is therefore limited. Given the dominance of very stable and diversified client deposits in the funding of the bank's business, we consider funding risk low. Alongside this, the bank has experienced a notable increase in subordinated debt, which has grown by EUR 4 million, underscoring a key development in the bank's capital structure in 2024. On the liabilities side, the predominant component is customer deposits: In 2024 we mobilised EUR 1,080 million in deposits.
The increase of EUR 144 million is not only the highest level of growth we have ever had, but it is also the highest increase in the banking sector in Kosovo. Our creative campaigns, simple products, and close relationship with our clients have not only helped us achieve strategic objectives and outperform our business plan, but have also helped our clients benefit from our campaigns and keep their deposits safe.



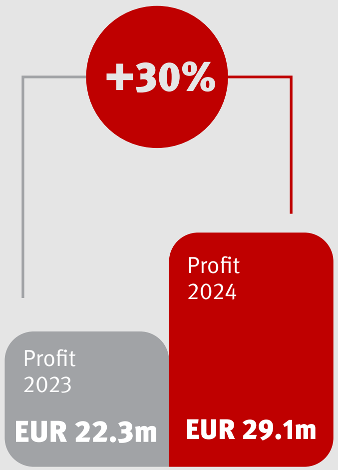
We aim to promote local financial intermediation, i.e. to mobilise local to mobilise local savings to support lending to local small businesses as well as lending to retail clients. We place emphasis on current and FlexSave accounts with a view to managing the cost of funds and encouraging clients to actively bank with us. Our Client Advisers will continue to have a strong focus on mobilising deposits from retail clients and attracting the payment turnovers of business clients. This additionally supports our self-funding approach and a favourable funding costs.

Despite the very competitive environment, we have managed to maintain a low cost of funding, outperforming the market average.

Customer deposits by products

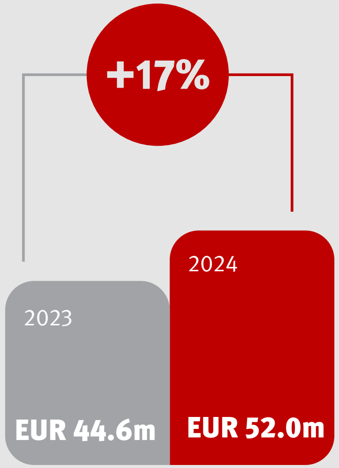


The total includes other customer accounts.



In 2024, ProCredit Bank demonstrated strong financial resilience and growth, achieving solid performance across key indicators. Our disciplined approach to risk management, strategic investments, and customer-focused solutions contributed to sustainable profitability by strengthening our market position. The bank maintained a healthy balance sheet, strong liquidity, and robust capital adequacy, reinforcing its position as a trusted financial institution.

Net interest income increased by 21% to EUR 45 million. Interest income from loans increased by 21%, reaching EUR 46 million, driven by the expansion of the loan portfolio, which generated an additional EUR 8 million compared to 2023. Meanwhile we are growing and diversifying our investment securities portfolio through continued investments in secure, highly rated assets, all of which have a minimum credit rating of AA-, ensuring financial stability and strong creditworthiness. This growth led to a 46% increase in income. At the same time, our strongest year-on-year increase in deposits—up by EUR 144 million, bringing the total deposit portfolio to EUR 1,080 million—resulted in a significant rise in interest expenses on deposits. We registered EUR 5.8 million in interest to customers, compared to EUR 3.8 million in 2023.



Net interest income & Net fee and commission income

Other non-interest income increased by EUR 0.4 million, bringing the total to EUR 7.3 million.
Throughout 2024, we launched several campaigns offering clients a range of products and services. Promotions such as the “0 € maintenance fee for 12 or 24 months” contributed to a slight 5% decrease in account maintenance fee income, totalled EUR 3.9 million.
Personnel expenses increased by EUR 0.8 million, reaching EUR 7.6 million in 2024
We expanded our team by 15%, bringing the total to 400 highly skilled professionals, recognised to be among the best-trained and highest-paid in the banking sector. Through ongoing investments in training programmes and our internal academies, we ensure our team remains at the forefront of industry excellence.
We strategically increased our administrative expenses in IT by 29% to enhance our digital infrastructure in order to provide innovative, secure, and efficient banking solutions. In 2024 we launched “digital onboarding”, offering our clients the chance to open an account online anywhere in just 10 minutes.
We invested in sponsorship and marketing activities by supporting more than 20 cultural and sporting events such as the biggest musical festival in Kosovo – the Sunny Hill Festival, the Basketball Super League, DokuFest, KosICT, etc. Being present in our clients’ moments of fun and victory, will help grow our brand awareness and strengthen our connection.

Milestones and achievements

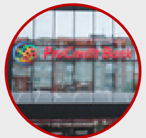
over the years

Milestones and achievement over the years

2000
The first bank in the post-war period - Micro Enterprise Bank.

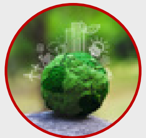
2002

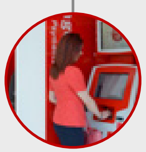
The first bank to offer cards for withdrawals and payments.

2003

The bank is rebranded as ProCredit Bank.

2005

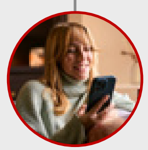
The bank introduces the first e-banking for customers in Kosovo.

2009

The bank embarks on its journey as a green bank, offering green loans to increase energy efficency.

2013

ProCredit brings the first cash-in ATM to Kosovo and introduces e-commerce.

2015


The bank introduces concept of 24/7 self-service zones and ProCredit transforms into the first digital bank.

2018

Mobile app launch.

2020

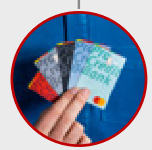
ProCredit launches its Digital Wallet.

2021

The bank becomes the first in Kosovo to enable online account opening.

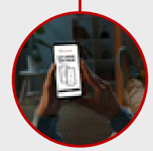
2023

ProCredit inaugurates its four-hectare solar park, ProEnergy, which has the capacity to generate enough electricity to meet the needs of 500 households.

2024

The bank introduced new, eco-friendly card designs made from organic material.

2024

Google Pay is accessible for our cardholders.

2024

Digital Onboarding is accessible for the diaspora.

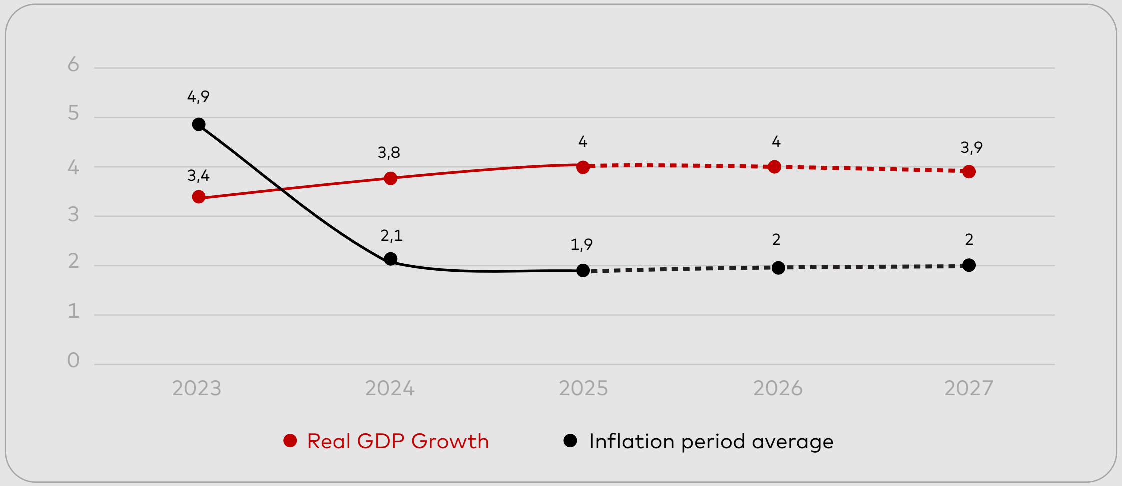
Market and economic context

Market & economic context

Economic landscape in Kosovo

Kosovo, located in the Western Balkans, continues to evolve economically despite historical complexities. The country has demonstrated steady growth over the past decade, positioning itself as an emerging market with tangible opportunities for sustainable development and investment. With an estimated population of around 1.6 million, it boasts one of the youngest demographics in Europe, a fact that influences both the labour market and the country's broader economic prospects.

Kosovo's GDP has generally trended upward over the last decade, with real annual growth rates typically landing between 3-4%. The same level is expected to continue in the years to come. Inflation rates, while traditionally moderate, saw some upward pressure in the last few years due to higher energy prices and supply chain challenges. The inflation rate averaged from 4.9% in 2023 to 3.8% in 2024. According to IMF forecasts, inflation is expected to remain at this level in the future. Despite notable progress, Kosovo continues to grapple with relatively high unemployment rates, where the latest data (2023) show an unemployment rate of 10%, which, again, represents a huge improvement over previous years.

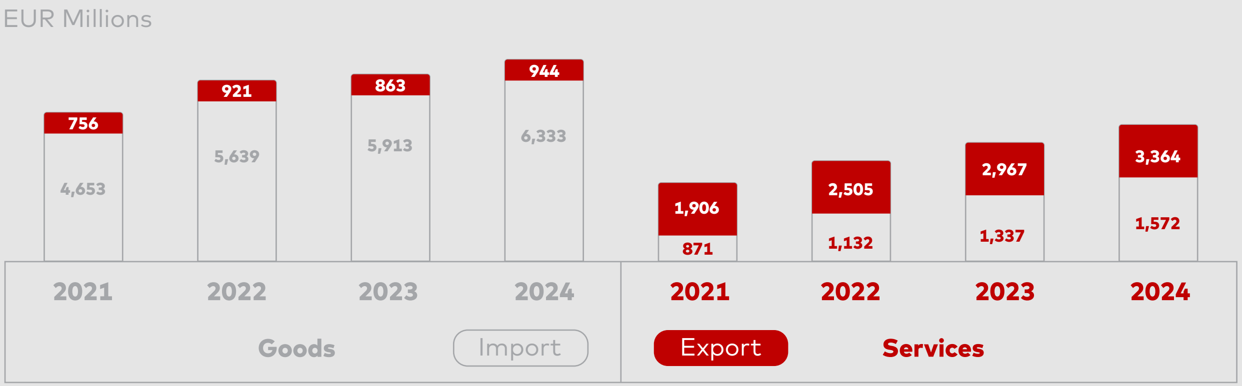


Source: IMF World Economik Outlook

Kosovo's economy is driven by services (50-60% of GDP), industry (20-25%), and agriculture (8-15%). ProCredit Kosovo plays a crucial role in supporting these sectors. Holding a 20% market share of total business loans, the bank directly contributes to the growth of the private sector, which is central to Kosovo's economic development.
In 2024, ProCredit allocated 78% of its loan portfolio to business loans, well above the sector average of 58%, emphasising its commitment to micro, small and medium-sized enterprises (MSMEs), key drivers of the economy. In the services sector, ProCredit's financing enables businesses to expand and innovate.

Kosovo has historically maintained a significant trade deficit in goods, as imports have consistently exceeded exports. During 2024 imports grew 7.1% (+EUR 420 million) year-on-year, while exports rose by 9.3% (+EUR 80 million).

Efforts to boost local manufacturing, diversify product ranges, and increase export competitiveness are ongoing but have yet to fully close the gap between imports and exports.



Source: Kosovo Agency of Statistics

On the other hand, Kosovo's trade in services generally runs a surplus, earning more from exports than it spends on imports. Growth in 2024 for the export of services stood at 13.5% (+EUR 397 million).

This surplus is driven by sectors like IT outsourcing, tourism and transportation/logistics linked to regional trade routes. Foreign trade, along with remittances and FDI, support household incomes and business stability. ProCredit Kosovo plays a key role in facilitating these financial flows. In 2024, the bank saw EUR 858 million in international incoming transfers, a 30% increase (+EUR 200 million) over the previous year. Outgoing transfers from private and business clients reached EUR 2.6 billion, growing by 17% (+EUR 380 million) over 2023.

ProCredit Bank Kosovo's services, which include efficient money transfer solutions, help strengthen Kosovo's economy by supporting businesses and households while also contributing to its economic resilience.

	2021	2022	2023	2024E
FDI (% of real GDP)	5.6%	8.2%	9.2%	8.5%
Remittance inflows (% of real GDP)	14.5%	13.7%	13.8%	13.1%
Remittances	EUR 1.15bn	EUR 1.22bn	EUR 1.36bn	EUR 1.35bn

Source: International Monetary Fund and Central Bank of Kosovo

Banking sector overview

ProCredit Bank Kosovo has established itself as a development-oriented financial institution that not only serves as a "Hausbank" for micro, small and medium-sized enterprises (MSMEs) but also supports the growing digital needs of private customers.

The bank has continuously improved its financial performance, risk management, and social outreach initiatives. Its business model emphasises long-term client relationships, prudent credit management, and a strong commitment to sustainability, all of which have contributed to robust economic growth and financial inclusion in Kosovo. ProCredit Bank Kosovo operates within a stable and expanding financial sector in Kosovo.

As of December 2024, the banking sector's total assets reached approximately EUR 8.5 billion, reflecting an annual growth rate of about 13.5%. Deposits in the sector totalled around EUR 6.9 billion, with an annual increase of 13%, while the credit portfolio stood at approximately EUR 5.8 billion, showing annual growth of 18.2%.

'000

	Assets	Loan Portfolio	Investments in Securities	Customer Deposits	Equity
ProCredit	1,258,046	866,514	140,767	1,075,722	132,776
Participation of ProCredit	15.0%	15.3%	14.2%	15.5%	13.4%
Banking Sector	**8,396,922**	**5,664,984**	**993,156**	**6,922,246**	**990,260**

	Profit of the year	ROA	ROE	NPL	CAR
ProCredit	29.099	2.5%	23.2%	1.2%	16.4%
Participation of ProCredit	16.0%	0.2pp	3.4pp	0.7pp	0.2pp
Banking Sector	**182,137**	**2.3%**	**19.7%**	**1.9%**	**16.2%**

Source: Kosovo Banking Association and Central Bank of Kosovo

ProCredit Bank Kosovo has consistently delivered positive financial results. In December 2024 total deposits stood at EUR 1,073 million, representing growth of 16% year-on-year. The same pattern has also been observed for loans, where there was an 18% increase over the previous year, when the loan portfolio stood at EUR 822 million. Furthermore, even though there has been a rapid increase in the loan portfolio, the bank maintained a low level of non-performing loans of 1.2% in 2024, which is among the best in the region, reflecting rigorous underwriting standards and effective portfolio monitoring. Solid capitalisation, a high deposit-to-loan ratio (122%), and digital advancements have also enabled ProCredit Kosovo to expand its product range while keeping risk well under control.

ProCredit has shown solid financial performance over the past two years, with its capital adequacy ratio consistently around 16.0%, in line with the market average. This highlights the bank's strong capital position and effective risk management. In terms of profitability, ProCredit's return on assets (ROA) for December 2024 was 2.5%, slightly above the market average of 2.4%, demonstrating its effective use of assets to generate returns. Additionally, the bank's return on equity (ROE) after tax stood at 23.2%, outperforming the market average of 20.4%, reflecting its strong value creation for shareholders. By prioritising sustainable growth, operational efficiency, and responsible lending practices, ProCredit establishes a strong benchmark for innovation and financial discipline.

This approach not only drives its own success but also contributes significantly to enhancing the overall health and competitiveness of the financial sector.

Clients and business performance

Our approach to business clients

ProCredit Bank is dedicated to upholding the “Hausbank” concept, which is tailored to micro, small and medium-sized enterprises (MSMEs), acknowledging their vital role in job creation and economic growth. Our strategy involves working closely with MSMEs through our specialised Business Client Advisers, enabling us to thoroughly understand their needs and provide customised financial solutions effectively and responsibly. The bank has successfully maintained and expanded long-term, mutually beneficial relationships with MSME clients, further supporting its competitive edge in the market.

In line with our group's strategy, ProCredit Bank has expanded the "Hausbank" business model to include not only loan financing but also a wide range of modern financial services essential for MSMEs. These services include an advanced e-banking platform for smooth national and international transactions, payroll and bulk payments, bill payments, trade finance services, and 24/7 digital banking access. Our banking services empower MSMEs to grow and operate more efficiently, promoting their sustainability and long-term development. We aim to build lasting partnerships with these businesses, offering tailored expertise from our specialised Business Client Advisers. This comprehensive approach forms the foundation of our successful business model, driving the prosperity of MSMEs and the overall economy. Throughout the year, ProCredit Bank has been committed to financing businesses and providing them with valuable advice to navigate challenges effectively. We have placed special emphasis on offering customised financing solutions, particularly for MSMEs in the manufacturing and ICT sectors, leading to significant market penetration and a notable increase in the business credit portfolio.

The total volume of credit exposure for businesses reached **EUR 690 million** by the end of the year.

As part of our commitment to responsible banking, ProCredit Bank has prioritised compliance with environmental standards. This includes initiatives introduced over recent years involving “green loans”, which cover financial services for energy efficiency projects, renewable energy sources, and other environmentally friendly measures. In 2024, we actively encouraged businesses to invest in electricity-saving measures such as solar panels and pollution-reducing technologies.

The share of green loans for business clients now makes up more than **15%** of the total business loan portfolio.

Market average refers to the seven largest banks.

Our Business Client Advisers play a crucial role by offering personalised advisory services, which include providing comprehensive banking services and professional guidance. Continuous investment in training and developing long-term advisers underscores our commitment to delivering high-quality service to MSMEs.

The introduction of the online application for opening accounts and applying for different services, designed exclusively for MSME clients, has streamlined the account opening process through a user-friendly online interface, and the majority of new customers joined the bank by completing an online application. This innovative solution empowers MSMEs to quickly and conveniently establish banking relationships with us, thereby unlocking growth opportunities and fostering success in the digital age.

In 2025, our focus remains on supporting long-term investments, particularly eco-friendly initiatives aimed at energy conservation, alongside continued support for manufacturing businesses. Furthermore, we continue to assist businesses in optimising sales through POS (point of sale) terminals, mPOS devices and digital channels. ProCredit Bank's overarching goal remains to serve as a reliable "Hausbank" for small and medium-sized businesses, fostering enduring partnerships and providing tailored financial solutions to support their growth and development.

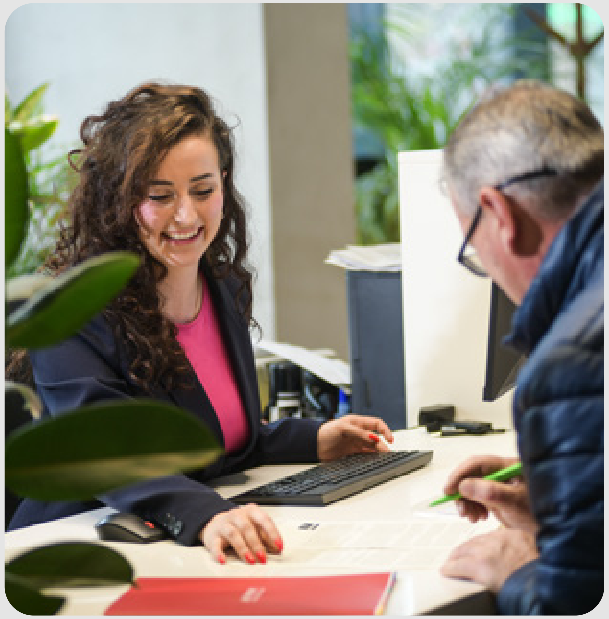
Our approach to retail clients

For over 25 years, we have stood beside individuals and families in pursuit of financial security and an improved quality of life, whether through saving or investing. This longstanding commitment is underpinned by our solid dedication to service excellence, prudent financing practices, and state-of-the-art banking technology that is readily accessible to our clients at any time.

Throughout 2024, we further enhanced and diversified our range of banking services tailored for private clients, while simultaneously reinforcing our physical presence by establishing additional service points across the country. Each strategic initiative was carefully undertaken with the objective of enriching the client experience, offering customised financial solutions and expert guidance through our team of dedicated private advisers. In this context, we successfully inaugurated five new service points during the year, underscoring our ongoing efforts to ensure comprehensive coverage and accessibility throughout the national territory.
Our commitment to innovation remains closely aligned with the evolving needs of our clients and broader trends within the banking industry. In 2024, we further enhanced our digital onboarding process, one of our most advanced digital offers to date — an innovation that enables clients to open a bank account remotely utilising a digital signature, thus eliminating the need for physical presence at our branches.

Furthermore, the strategic expansion of our physical infrastructure continues to play a vital role in ensuring the inclusive, efficient, and responsive delivery of services to all segments of our clientele.

We place the utmost importance on client feedback, which serves as a cornerstone in shaping and refining our services. Accordingly, our entire team dedicated to serving private clients shares a unified objective: to provide a banking experience of the highest standard by diligently addressing all client needs and consistently striving to exceed expectations.



Our digital approach

ProCredit Bank has consistently prioritized enhancing its digital presence to improve client's engagement and operational efficiency. The bank's digital strategy focuses on delivering seamless and innovative banking solutions to its clients. As the first bank in the market to successfully digitalise nearly all non-financial transactions, we continued this trend in 2024 with the introduction of digital onboarding of private clients. This solution includes tools for video identification, face recognition, and electronic signatures, enabling clients to complete the onboarding process entirely online without needing to visit the bank. This product offers a fully digital onboarding experience for private clients through various channels, including the Mobile Banking Application and ProCredit website.

On the other hand, as one of the first banks in the market to implement Google Wallet, ProCredit Bank underscored its commitment to adopting and utilising the latest technologies to provide clients with optimal transaction tools. This solution allows clients to conduct transactions using tokenised cards within their Android mobile phones, eliminating the need to carry physical cards. Furthermore, during 2024, the Albanian Power Exchange (ALPEX) commenced operations to manage the Day-Ahead and Intraday electricity markets in Albania and Kosovo.

ProCredit Bank has been appointed as the sole settlement bank, responsible for executing all financial transactions within this new market, ensuring accuracy and compliance with regulatory standards. Additionally, the bank serves as a General Clearing Member, guaranteeing timely and precise payments for energy transactions on behalf of market participants.

ProCredit Bank has also introduced an innovative service that allows clients to pay customs invoices via SMS, eliminating the need for traditional processing. This efficient solution enables both private and business clients to make customs payments anytime and anywhere by simply sending an SMS, ensuring that goods are not delayed at customs.

Ultimately, ProCredit Bank aims to deliver a comprehensive banking experience by offering both financial and non-financial services through diverse digital channels.

At the same time, we remain dedicated to providing personalised financial expertise through our Client Advisers, ensuring tailored support for our clients' financing needs.

Our people and workplace culture

Our people and workplace culture

At ProCredit Bank Kosovo, we recognise that our people are the foundation of our success.

By nurturing a culture of growth, inclusivity, and respect, we create a work environment where employees can thrive, and our bank's impact-driven approach comes to life at every level.

In 2024, we continued our commitment to employee development, gender diversity, and workplace engagement, which are essential to our long-term strategy and vision.

Employee development and training

Employee growth remains a top priority for ProCredit Bank Kosovo, and 2024 saw us further expand our development programmes. We provided more than 130 hours of training per employee, reflecting our continued dedication to enhancing skills across all levels.

EUR 760,000 dedicated to staff training and development

Through the ProCredit Academy and other tailored training programs, employees have access to both technical and leadership development courses, enabling them to grow within the bank and fulfill our long-term goals of sustainability and impact. As part of our commitment to employee development, we focused on fostering the leadership potential of our middle management.

In 2024, we launched a week-long management course on diversity and inclusion, aimed at equipping our future leaders with the skills to foster inclusive workplaces and promote gender equity. **This course plays an important part in terms of narrowing the gender gap and ensuring that our leaders have the tools to create balanced and fair workplaces.**

Diversity and inclusion

Gender diversity is a cornerstone of our workplace culture. In line with our global strategy, ProCredit Bank Kosovo strives to create an environment where every individual, regardless of gender, has equal access to opportunities. By the end of 2024, women represented 61% of our workforce, a significant achievement that sets a strong example for other organizations in Kosovo, where 77% of women remain in the labour market. We are proud of our role in advancing gender equity in the region, and we continue to take proactive steps to close the gender gap. ProCredit Bank Kosovo's Gender Action Plan includes initiatives designed to enhance access to finance for women-led businesses. The "Women in Business" credit line, introduced in 2024, provides tailored financial products with special guarantee schemes aimed at supporting female entrepreneurs.

This initiative is just one example of how we empower women both inside and outside the bank. Additionally, ProCredit Bank is committed to ensuring that women have equal access to leadership roles and career development opportunities. We believe that by fostering a culture of diversity and inclusion, we benefit not only our employees but also our customers and communities. In 2024, 55% of the bank's middle management positions were held by women, underscoring our commitment to gender parity in leadership.

Workplace engagement and culture

A positive workplace culture is integral to employee satisfaction, retention, and performance. At ProCredit Bank Kosovo, we emphasise open communication, mutual respect, and shared responsibility. This approach encourages employees to feel valued and motivated, contributing to their long-term engagement. Our efforts to create an inclusive work environment go beyond gender diversity. In 2024, we expanded our employee engagement programmes, focusing on fostering a sense of belonging and respect. By addressing unconscious biases through regular diversity training and promoting open and inclusive workplace culture, we continue to build a team that reflects our core values. Furthermore, we recognise the importance of environmental sustainability in workplace engagement. **In 2024, we expanded our "ProEnergy" solar park initiative, increasing its capacity to generate 5,000 MWh annually, providing our employees with the opportunity to contribute to our environmental goals and take pride in the bank's sustainability efforts.**

Women's financial empowerment

ProCredit Bank Kosovo is deeply committed to promoting women's financial empowerment. In 2024, we intensified our efforts to close the gender gap by expanding access to financial services for women. We understand that empowering women financially not only enhances their lives but also has a far-reaching impact on economic development. ProCredit Bank Kosovo's Gender Action Plan includes measures to reduce gender-based barriers in business and improve access to capital for women entrepreneurs.

This year, we joined the Financial Alliance for Women to strengthen our commitment to financial inclusion and women's economic empowerment. Additionally, our partnership with 2X Global, an international organisation promoting women's economic empowerment, allows us to align with best practices and accelerate capacity-building initiatives.

In 2024, we also continued to support initiatives aimed at raising awareness and empowering women through training and education. Our ProCredit Academy's training programmes, including the specialised diversity and inclusion course for middle managers, are designed to equip employees with the tools to challenge societal norms and contribute to a more equitable workplace.

ProCredit Bank Kosovo's dedication to employee development, gender diversity, and workplace engagement is central to our vision of creating a sustainable, inclusive, and positive work environment. Our commitment to women's financial empowerment, workplace diversity, and equal opportunities enables us to build a team that reflects our values and supports the communities we serve. Through these efforts, we continue to contribute to a more inclusive and equitable world, where all individuals have the opportunity to thrive.

Sustainability and social responsibility

Our approach to the sustainability

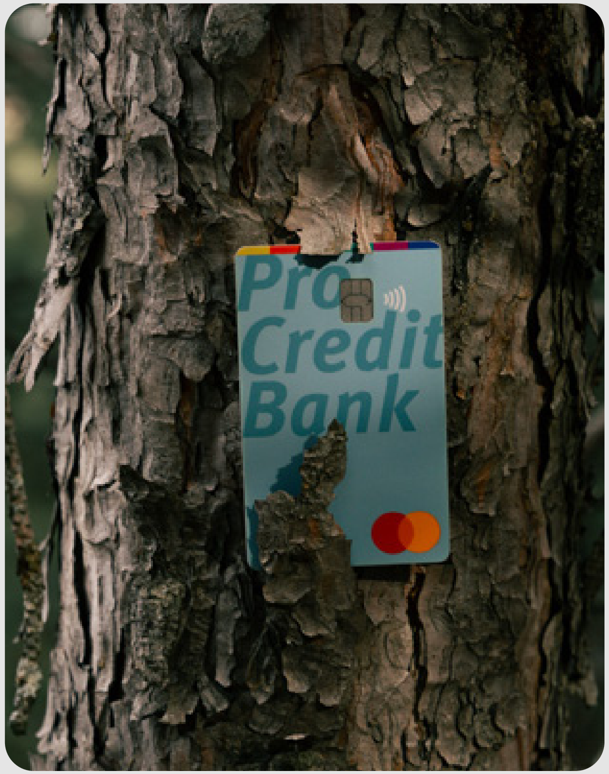
Minimising our environmental footprint remains one of the key objectives of ProCredit Bank. In 2024, we continued to systematically analyse and monitor the environmental impacts arising from our daily activities, setting measurable targets for reducing energy consumption, increasing energy efficiency, and promoting renewable energy sources.

Energy efficiency and sustainability criteria have also been integrated into the renovation of existing spaces, as well as into the design and construction of new branches in 2024, thus reflecting our commitment to implementing the highest environmental standards across all our physical assets.

In addition to implementing green building standards and sustainable resource management, we are committed to sharing our environmental achievements both within the institution and with the wider public, with the aim of raising awareness among employees, clients, and the business community in Kosovo.

One of ProCredit Bank's most important projects in the field of sustainability is the ProEnergy solar park with a capacity of 3 MWp, which began operation in July 2023. Throughout 2024, the park continued to generate clean energy, with an expected production of around 4,100 MWh per year. This investment directly contributes to reducing Kosovo's dependence on carbon-based energy sources and to lowering greenhouse gas emissions by approximately 3,484 tonnes of CO_2 equivalent (tCO2eq) every year. The assessment of environmental and social risk at ProCredit Bank remains a core component of our overall approach to risk management. In addition to internal measures to minimize the environmental impact of our activities, we have developed and implemented structured mechanisms for assessing the environmental and social impacts of the clients we finance. In 2024, we updated our Environmental and Social Risk Assessment Standard to include the most advanced international practices, reflecting our commitment to responsible financing. This update includes an expanded version of our Exclusion List of activities that are not financed, including for the first time the prohibition of financing activities related to coal, in accordance with the detailed definitions in the Exclusion List Supplementary Notes. We have also approved a new Animal Welfare Strategy, with a particular focus on the agricultural sector, especially in financing clients involved in livestock farming and cattle raising, ensuring compliance with standards for the humane and ethical treatment of animals.

Another important improvement has been updating our approach to financing activities in protected natural areas, based on the guidelines of the International Union for Conservation of Nature (IUCN).



This allows us to carefully assess activities that may have an impact on biodiversity and ecosystems, ensuring that our financing aligns with international environmental standards.
In the past decade, ProCredit Bank's Green Loan Portfolio has seen significant growth, reaching 14.3% of the total loan portfolio. This represents a strong commitment to sustainable financing and support for the development of projects that contribute to environmental improvement and energy efficiency in Kosovo.

Kosovo has an energy mix that relies heavily on non-renewable sources, primarily lignite, which is polluting and causes high dependence on energy imports. In this situation, ProCredit Bank has taken on an important role in financing renewable energy projects, particularly photovoltaic systems. In 2024, the bank financed photovoltaic systems for commercial purposes and self-consumption totalling 14.3 MW, enabling greater sustainability for clients and reducing their energy costs.

Since 2019, ProCredit Bank has **financed approximately 44 MW of installed solar energy capacity** in Kosovo, directly contributing to reducing reliance on coal-based energy and improving the economic sustainability of our clients.

The Green Loan Portfolio grew by EUR 11 million in 2024, reaching a total of EUR 125.5 million, including an increase of EUR 9 million in investments from businesses and a EUR 2 million increase in the portfolio consisting of loans to private individuals. This financing has had a tangible impact on the environment, avoiding 19,430 tonnes of CO_2 equivalent through green loans disbursed in 2024.

Community engagement and social impact

At ProCredit, true success is measured by the positive impact we have on our community. We are committed to making a lasting and tangible difference in the lives of our clients and society.

In 2024, we proudly contributed to:

over 30 projects supporting arts, culture,youth, sports and the business community → **with over EUR 800,000 in sponsorships and donations**

Here is the difference we made:

Cultural and educational support

We actively support cultural and educational initiatives that give to the community and promote knowledge-sharing. By celebrating creativity, cultural heritage and the art of learning, we strive to highlight what makes Kosovo unique.

Our contributions include:

• Sponsoring major cultural events such as the Sunny Hill Festival, Dokufest, Yll Limani's concert, 2nd Edition of Festivali i Këngës, Prishtina Music Week, and Jazz Concert Elina Duni & Band, celebrating Kosovo's vibrant art scene.

• Financially backing educational conferences, including KosICT 2024, Kongresi i Farmacisteve, Gjenerata e Gjelber Conference, and DevCon Conference, fostering technological and professional growth.

• Supporting Play International's 25th Anniversary (Campaign PLAY25) to encourage cultural and sports-related education.

Community engagement and sports development

We believe in the power of sports and community-driven projects, and we demonstrate this with initiatives like:

• Being a General Sponsor of the Basketball Super League of Kosovo 2024-2025, reinforcing our commitment to youth engagement and sports development.
• Providing renovation support for Fit Arena in North Mitrovica, ensuring improved sports facilities for the local community.

Business and economic growth

We contribute to strengthening Kosovo's business environment by sponsoring forums and networking events, such as:

• Swiss Kosova Economic Forum 2024, promoting economic collaboration.

• Wood Industry Convention 7th Edition, supporting industrial development.

• German Kosovar Economic Forum, fostering international business partnerships.

• Backing events like the Global Albanian Gastronomy Festival, celebrating cultural heritage and sustainable gastronomy.

Sustainability and social responsibility

As a pioneer in green finance for 25 years, our investment extends to initiatives that emphasise sustainability and social causes:

• Sponsoring Kosova Makers League, an initiative fostering innovation and STEM education among youth.

By reinforcing our role as a responsible corporate citizen, ProCredit Bank continues to prove itself as a force for positive change in Kosovo's social and economic landscape. Through these efforts, we remain committed to ensuring sustainable growth and cultural enrichment for future generations.

Together, we are building stronger, more united, and happier communities.

Risk management

Risk management

At the heart of our socially responsible business model lies a robust and transparent approach to risk management. This commitment is deeply embedded in our risk culture and appetite, ensuring that every decision we make is meticulously balanced and informed. By prioritising transparency and informed decision-making, we foster a risk-aware environment that not only safeguards our stakeholders but also drives sustainable growth and innovation. The principles of risk management and the risk strategy of ProCredit Bank have not changed significantly compared to the previous year.

Overall, the last few years have been characterised by adverse macroeconomic and geopolitical shocks. This trend is expected to continue, keeping uncertainty high both locally and internationally. So far, these developments have not had any significant impact on our bank. Nevertheless, these factors will be under scrutiny as we carry out our risk management activities in 2025. We will continue to carefully monitor developments in the local and international markets to assess their impact and take appropriate action in a timely manner as necessary. In addition, the regulatory requirements for banks are constantly evolving; overall, a tightening of requirements and expectations can be observed.

The bank was always in compliance with internal limits as well as with all applicable regulatory requirements during the 2024 financial year. Even considering the above-mentioned uncertainties, the bank's overall risk profile remains appropriate. This assessment is based on a comprehensive analysis of the individual risks, which are presented in detail in this risk report.

Core principles of the risk culture

At ProCredit, fostering a strong risk culture is integral to our long-term success and stability. We are committed to embedding risk management into every aspect of our operations, ensuring that all employees, from senior leadership to operational teams, share a collective responsibility for identifying, assessing, and mitigating risks. Our risk culture is built on a foundation of transparency, accountability, and open communication, where all staff are encouraged to raise concerns and engage in proactive risk management.

By linking risk awareness with our strategic objectives, we create an environment where sound decision-making is supported by a deep understanding of potential risks, allowing us to make informed decisions that drive sustainable growth while minimising potential threats.

Our risk management is based on three principles that guide our business activities. Through their consistent application, we actively contribute to mitigating the risks to which our bank is exposed. **The principles are:**

Focus on core business: Our business model is focused: We specialise in providing financial services to MSMEs and private clients. We apply strict selection criteria and perform a comprehensive analysis of our customers. This also includes an individual assessment of ESG (environmental, social and governance) aspects for all business customers. Income is generated primarily in the form of interest income from lending and fee income from account operations and payments. All of the bank's other operations are performed mainly in support of the core business. Our bank assumes mainly customer credit risk, interest rate risk, operational risk and liquidity risk in the course of its operations.

Diversification and transparent services: ProCredit's strategic focus as a "Hausbank" for MSMEs and private clients entails a high degree of diversification in both lending and deposit activities. This diversification extends across different regions (urban and rural areas), different customer groups (MSMEs, private customers), and a multitude of economic sectors.

Furthermore, a central feature of our business model is our commitment to providing customers with clear and transparent financial services. These approaches make a significant contribution to risk mitigation in the group.

Careful staff selection and training: Sustainable and responsible banking requires committed employees who identify with our values and actively implement them in their daily work. Accordingly, we attach great importance to careful staff selection and continuing professional development. Our standards in this area are based on mutual respect, a high degree of personal responsibility, long-term commitment and loyalty to the ProCredit group, and an open and transparent culture of communication. From a risk perspective, well-trained employees who think critically and voice their opinions openly play a key role in identifying, managing and reducing risks.

Risk governance and organisation

Robust risk governance is fundamental to our strategic objectives and operational success. Our risk governance framework is designed to identify, assess, manage, and mitigate risks effectively, ensuring the stability and sustainability of our operations. The overarching risk governance framework is cmposed of the Board of Directors, the Risk Management Committee, the Audit Committee, the Management Board, the "three lines of defence" model, and various risk management committees established at the bank level.

ProCredit Bank's risk management framework includes various risk management policies and standards that define group-wide standards for identifying, assessing, treating, monitoring and communicating risks. It sets out binding requirements for the management of all material risks to which the bank is exposed. Besides the group requirements, the bank's risk policies and standards include all local legal and regulatory requirements.

The bank's policies are approved by the Board of Directors and are updated at least annually or on an ad hoc basis, as necessary.

Internal control system and the “three lines of defence” model

The concept of three lines of defence is of central importance for our risk management and our risk culture, as it establishes that appropriate risk management and protection against undesirable risks is not limited to the risk functions.

Three Lines of Defense Model

1st line of defense - Risk Ownership

ProCredit banks have revenue-generating business units that form the first line of defence for their expansive internal control system.

The first-line functions set controls and manage the risks for all activities under their management.

The control duties in the first line of defence also underscore the dual responsibility of these departments, which generate business for the banks and at the same time monitor the associated risks and controls as well as ensure compliance with the group-wide minimum standards.

2nd line of defense - Risk Oversight

The second line of defence comprises the risk management, compliance and AML functions.

Their core tasks include providing guidance, risk oversight, and monitoring, which includes reporting risk-relevant information and incidents and monitoring all types of financial and non-financial risks. By defining group-wide minimum standards and control requirements for prevention and detection, ProCredit has strengthened the second line of defence in accordance with local, German and EU regulatory standards. ProCredit Holding thus ensures that the requirements are embedded in the group’s policies and procedures, which are adapted locally by the banks.

3rd line of defense - Independent Assurance

The third line of defence is composed of the banks’ Internal Audit Departments. This unit is supported by Group Audit at ProCredit Holding, which provides technical guidance and quality assurance.

The internal audit function carries out risk assessments of the respective institution at least once per year in order to arrive at a risk-based annual audit plan. On this basis, it independently audits and assesses the appropriateness and effectiveness of the internal control system and the risk management system.

The Internal Audit Department reports to the Audit Committee on a quarterly basis.

Furthermore, there are additional external control levels that complement the ProCredit group’s three existing internal lines of defence. These include external auditors and banking supervisory authorities.

Key elements of risk management

The risk appetite provides the framework for risk management at ProCredit Bank. This is a conscious decision about the extent to which we are prepared to take risks in order to achieve our strategic objectives. The risk appetite is defined for all material risks and is anchored in the risk strategy. Our strong awareness of sustainability aspects (ESG risks) also informs this process.

In managing risks, the ProCredit banks take account of the local regulatory requirements and the "Minimum Requirements for Risk Management" (MaRisk), of the relevant publications issued by national and international regulatory authorities, and of their knowledge of the respective market. The key elements of risk management at ProCredit Bank are presented below:

- The risk strategy addresses all the material risks arising from the implementation of the business strategy and defines the objectives and measures of risk management. The strategies are approved annually by the bank's Board of Directors.
- The annually conducted risk inventory ensures that all material and non-material risks are identified and, if necessary, taken into account in the strategies and risk management processes.
- All risks assumed are managed to ensure an adequate level of capital, in both the normative and economic perspective, as well as appropriate liquidity levels.
- ProCredit Bank follows the common risk management framework of the group, which defines group-wide minimum standards. The risk management policies and standards are approved by the Board of Directors and are updated at least annually.
- Monitoring and control of material risks and possible risk concentrations is carried out using comprehensive analysis tools. For all material risks, early warning indicators (reporting triggers) and limits are set, and the corresponding utilisation is monitored. The effectiveness of the chosen measures, limits and methods is continuously checked.
- Regular stress tests are performed for material risks; stress tests are carried out for each individual risk category as well as across all risk categories.
- Regular and ad hoc reporting is carried out on the risk profile, including detailed descriptions and commentaries.
- Suitable processes and procedures for an effective internal control system have been established. This is built on the principles of segregation of duties, dual control and, for all risk-relevant operations, the separation of front and back office up to the management level.
- All new or significantly changed products/services, business processes, instruments, IT systems and organisational structures undergo a thorough analysis (New Risk Approval process) before being implemented or used for the first time so as to identify potential risks in a timely manner.

Management of Individual Risks

The material risk types for the ProCredit group are:

Risk type	Definition
Credit risk	The risk that the party to a transaction cannot fulfil its contractual obligations, either in full or on time. Within overall credit risk we distinguish between three categories: customer credit risk, counterparty risk (including issuer risk) and country risk. Credit risk is the most significant risk within our risk management framework, with customer credit risk accounting for the largest share thereof. We limit counterparty risk through our investment strategy and risk management policies, which outline careful selection processes, exposure limits, and permitted transactions.

Customer credit risk

Credit risk management aims to maintain high credit quality and prevent excessive concentrations of risk. It ensures that potential default risks are covered by forward-looking loss allowances. The ProCredit banks target MSMEs and middle-class private clients. The key principles include:

- Analysing borrowers' debt and repayment capacity, including future cash flows and ESG aspects.
- Documenting risk assessments and lending processes for transparency.
- Avoiding client over-indebtedness.
- Building long-term relationships with regular contact and monitoring.
- Tracking repayment and managing loans diligently if arrears occur.
- Recovering collateral in insolvency cases.

The group's credit risk management framework is outlined in policies and standards that detail responsibilities, lending principles, loan monitoring, and collateral valuation. Different credit risk assessment processes apply depending on the client category. Front- and back-office functions are separated for risk-relevant operations. Credit decisions are mainly based on a comprehensive analysis of the client's financial situation and creditworthiness. Regular contact with business clients, including on-site visits, addresses their specific risk profiles. For private customers, assessments focus on income and overall debt.

Assessment of ESG risks as part of credit risk

We account for **ESG risks**, which are environmental, social or corporate governance events that may negatively impact financial position, performance, or reputation. ESG risks significantly influence other risk types and their materiality. These risks primarily affect credit risk from our client business and operational risk.

All business customers are categorised based on the environmental impacts and risks of their activities. Depending on these factors and the credit volume, clients undergo a comprehensive environmental and social assessment, including governance and climate change risks. Key risk indicators (KRIs) measure and monitor the impact of ESG risks on customer credit risk in the loan portfolio.

The portfolio is analysed regarding the potential impact of transition risks and physical climate risks, with transition risk assessed by available macroeconomic scenarios, carbon pricing mechanisms, and borrowers' payment capacity.

These are reviewed quarterly to identify portfolio concentrations with increased ESG risk early on.

Approval process for credit exposures

All credit decisions are made by a credit committee, whose members have approval limits reflecting their expertise. Medium credit exposures are granted exclusively by committees at the banks' head offices.

Credit exposures are primarily secured through mortgages, with collateral valuation based on assessments by external experts. Impairment indicators are checked annually and external assessments updated regularly, with plausibility checks by specialised ProCredit staff. Securing loans with mortgages is crucial for limiting credit risk, with collateral security mainly concentrated in real estate but diversified across regions, countries, and sectors.

Early risk detection and monitoring

Identifying rising credit risks early is integral to all credit-related processes, enabling prompt assessment of potential financial difficulties for customers. Individual and portfolio-level risk analyses use up-to-date customer financial data and market developments. Early warning indicators, accounting for quantitative and qualitative risk characteristics, are recorded and monitored at portfolio level. These indicators help limit exposures to certain client groups and support the management of the loan portfolio, the early identification of potential defaults, and the introduction of countermeasures. Reports on affected portfolios are regularly provided to branch management, the head office, and ProCredit Holding in Frankfurt.

Relevant credit risk events

We carefully monitored our loan portfolio for significant risks throughout 2024. The year's credit risk management was driven by macroeconomic developments.

Key strategies involved market knowledge expansion, client selection, policy analysis, and resilience improvements. Despite rising market prices and inflation, ProCredit Bank maintained a stable portfolio and achieved growth, supporting client development and the broader economy. Continuous communication with clients allowed us to address financial difficulties and offer solutions.

Key developments in credit risk in 2024:

Key Developments	Details
Credit portfolio quality	Improved, non-performing loans at 1.2%
Credit loss reserves	Covered non-performing loan portfolio at 144%
Committees	Discussed credit risk developments, compliance with limits, and activities
Monitoring	Monitored closely for risk factors like interest rates, energy supply, real estate prices
Loan loss provisioning	Updated based on macroeconomic data and historical trends
Staff capacities	Strengthened through credit risk training events and workshops

Credit risk will continue to be a priority in 2025, both at the portfolio and individual levels. The bank will continue to support financing requests during the development of our clients' business activities, even during potential future challenges.

Risk type	Definiton and mitigation measures
Market risks	Market risks comprise the risk of potential losses from shifts in market prices, such as exchange rates, market interest rates or other parameters which can have a negative impact on the bank's income and value. **Key mitigation measures:** • Ensure the repricing of interest rate-sensitive items on the balance sheet is balanced across all maturities. To this end, the interest rate type of the disbursed loans is matched with the one of the contracted funding. Furthermore, the stable core part of non-maturity deposits is used to reduce the gaps. • Employ interest rate swaps to hedge the interest rate risk arising primarily from long-term investment loans with fixed interest rates (e.g. renewable energy projects). • Assess the impact of new/large transactions on interest rate risk before concluding them and avoid material concentrations. • Monitor interest rate structure and compliance at both individual and group levels, and perform regular stress tests simulating various interest rate scenarios. • Conduct regular reporting for market risk development and risk limits to designated internal and board-level committees. • Carry out a regular review of policies and procedures and provide continuous training and professional development opportunities for specialised staff. • Conduct a regular review and validation of the models used to quantify interest rate risk.
Liquidity and funding risk	Liquidity and funding risk addresses the bank's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Risk type	Definiton and mitigation measures
Liquidity and funding risk	**Key mitigation measures:** • Focus on retail deposits from private individuals and SMEs, establishing strong client relationships and increasing on-demand accounts for stable funding. • Disburse loans to small and medium-sized businesses as annuity term loans for regular monthly cash inflows and invest in highly liquid assets in reliable instruments available for immediate liquidation. • Follow prudent liquidity risk management practices, keep liquid assets sufficiently high, monitor and report on key liquidity risk indicators regularly. • Use liquidity risk reports for gap analysis under contractual and stress assumptions, monitor regulatory changes, analyse business developments and optimise funding activities by adhering to policies. • Conduct regular monitoring of liquidity risk indicators and reporting to designated internal and board-level committees. • Perform regular comprehensive stress tests, simulating various scenarios of liquidity development and their impact on risk indicators. • Regularly review and update policies and procedures for liquidity and funding risk management and provide continuous training and professional development opportunities for specialised staff.
Operational risk	We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people or systems (e.g. failure of data-processing systems, embezzlement, human error, faulty processes, structural weaknesses, insufficient monitoring) or from external events (e.g. criminal activities, natural disasters). This definition also takes into account fraud risk, IT risk, legal risk, reputational risk and outsourcing risk. Operational risk management aims to identify, analyse and assess all material risks at an early stage and to avoid their recurrence.

Risk type	Definiton and mitigation measures
	Risk mitigation measures • Use the Risk Event Database to record, analyse, and communicate operational risk events, ensuring the implementation of corrective and preventive measures. • Conduct annual risk assessments to systematically identify and evaluate key risks, assess the adequacy of control processes, and define mitigation measures. • Regularly analyse early warning indicators to proactively identify areas of increased fraud risk, and implement preventive measures promptly to mitigate potential threats. • Conduct thorough risk assessments for all new products, activities, and outsourcing initiatives to identify and manage potential operational risks before implementation. • Conduct regular risk awareness training programmes for staff across the whole organisation. • Practise rigorous oversight and evaluation of third-party services to ensure robust controls and prompt risk mitigation. • Make efforts to foster a strong risk-aware culture, encouraging proactive risk management practices at all levels.
Cybersecurity risks	Cybersecurity risks represent the potential for damage to the bank's systems, data, and reputation from sophisticated digital threats, including cyberattacks, data breaches, and other malicious activities. **Key mitigation measures:** • Carry out continuous risk assessments, vulnerability scans, and penetration tests to identify and address potential weaknesses in our systems. • Implement advanced threat detection technologies to identify and mitigate cyber threats in real time.

Risk type	Definiton and mitigation measures
Cybersecurity risks	• Strengthen our incident response protocols, ensuring rapid reaction to security incidents and minimising any potential damage. • Increase the frequency and depth of employee cybersecurity training to ensure that all staff can effectively identify and respond to cybersecurity threats. • Ensure that all critical service providers continue to undergo thorough security assessments to ensure they meet the bank's high-security standards before engagement. • Continue to regularly review and update cybersecurity policies and procedures to ensure they remain aligned with evolving security threats and regulatory requirements.
Risks related to money laundering, terrorist financing and other acts punishable by law	This risk refers to the potential for financial institutions to be exploited for illegal activities as well as the risk of legal and regulatory sanctions, financial loss, or damage to reputation. **Key mitigation measures** • Implement and enforce comprehensive AML policies and ensure extensive employee training across the organisation. • Use advanced systems to detect and report suspicious transactions in real time. • Stay informed about updates to AML regulations and ensure adherence to legal requirements. • Verify customer identities and monitor their financial activities. • Systematically perform risk assessments for identifying and evaluating potential vulnerabilities related to money laundering, terrorist financing, and sanctions compliance.

Risk type	Definiton and mitigation measures
Business risk	Business risk is the risk of reduced profitability due to external and internal factors. These include deteriorating economic conditions, unanticipated regulatory interventions, and disadvantageous business decisions. **Key mitigation measure:** The ProCredit group has a structured process for the planning, implementation, assessment and adjustment of the business strategy and risk strategy. In addition, there is regular and close interaction between the Management Board of ProCredit Holding and the management teams in the banks. Another risk-mitigating factor is that the group has its own IT service provider, Quipu, which provides standardised software solutions for the group. In addition, our internal training programmes help to ensure and continuously develop the high level of expertise of our managers and employees.
Model risk	Model risk refers to the risk that inaccurate foundations for decision-making will be used due to modelling errors or inadequately used models, which may result in higher risks being taken unintentionally. **Key mitigation measures:** The basic principles of model risk management are the identification and avoidance of model risks and the appropriate consideration of known model risks. Model risks that are not known and therefore cannot be mitigated are accepted as an inherent risk of the business model.

Capital management

Capital management is guided by the principle that ProCredit banks do not incur risks greater than they are able to bear. In this context, our objectives are to ensure compliance with regulatory and internally defined capital requirements in the normative and economic perspective, maintaining adequate capitalisation to create a sufficient capital buffer.

This approach not only guarantees the banks' ability to act but also supports our plans for sustainable growth.

The principle of capital adequacy is monitored using different indicators for which early warning indicators and limits have been established. We regularly monitor, stress test and perform scenario analyses in order to ensure that the bank is well capitalised at all times. In 2024 we always remained within the defined internal and regulatory capital requirement limits.

Ensuring sufficient capitalisation in the economic perspective is a key element of ProCredit's risk management and capital management processes.

Regulatory compliance risk management and data protection

At ProCredit Bank, we are committed to fostering a strong compliance culture and effective compliance risk management to protect our shareholders, customers, business, and employees. A key focus of our business strategy is digitalisation, which we have implemented with a strong emphasis on risk management. Our risk management framework underpins this approach by fostering continual compliance risk monitoring, enhancement of compliance risk awareness, and promoting sound operational and strategic decision-making. It enables a consistent methodology for identifying, assessing, managing, and reporting the compliance risks we incur in our activities, ensuring clear accountability. All employees are responsible for identifying and managing compliance risk within their roles, with ultimate responsibility residing with the Board of Directors. Through this commitment, we strive to uphold the highest standards of compliance, transparency, and corporate governance. Regulatory compliance risk is the risk of legal and regulatory sanctions, or financial or reputational loss resulting from noncompliance with the applicable laws, regulations, industry standards, and internal rules. We are committed to staying ahead of the evolving regulatory compliance landscape, which currently includes, but is not limited to ESG matters, operational resilience, digital and technological advancements, customer complaint management, and regulatory reporting. Our compliance framework is guided by key principles that ensure:

1. adherence to all applicable laws and regulations and ethical norms
2. a strong and effective internal control environment to mitigate compliance risks, informed by risk ratings of compliance control assessments; alignment with our strategy, values, and customer needs
3. the availability of qualified staff with the necessary expertise to manage compliance risks effectively.

To maintain regulatory compliance and uphold industry best practices, we:

- monitor and implement regulatory developments in a timely and effective manner
- engage with regulators and policymakers actively, resulting in pragmatical regulatory frameworks
- utilise a top and emerging risks process with a forward-looking approach to identify and assess potential threats that could impact our strategic objectives in the medium to long term.

Governance and structure

Our Compliance Department is responsible for the compliance risk management framework. As part of the second line of defence, it operates independently from business and operational functions, providing objective oversight. This governance structure ensures accountability, transparency, and a proactive approach to managing compliance risks across the organisation. The Chief Compliance Officer (CCO) reports directly to the Board of Directors and provides regular updates to the Management Board and Group Compliance Officer. The CCO actively participates in key committee meetings to provide strategic oversight on compliance matters. In addition, the Compliance Department collaborates closely with other control functions and key stakeholders to promote a culture of ethical conduct, ensure adherence to applicable laws and regulations, and support the organisation in managing regulatory compliance risks. While regulatory compliance risks span a broad range of areas, some of the key regulatory compliance risks under ongoing evaluation include consumer protection, data protection, credit risk, financial and operational risk, and IT risks. A significant area of focus within our compliance strategy is ESG risk. We integrate ESG considerations into our overall regulatory compliance risk management framework to ensure robust controls and alignment with evolving regulatory expectations.

Risk	Arising from	Management of compliance risk
Regulatory compliance risk is the risk of legal and regulatory sanctions, financial loss, or damage to reputation.	Regulatory compliance risk arises from failure to comply with applicable laws, regulations, industry standards, and internal rules, which can lead to fines, penalties and reputational damage to our business integrity.	**Measured** against risk appetite, key metrics, regulatory feedback, and expert judgement from compliance team. **Monitored** through first-line risk assessments, second-line testing and assurance, internal and external audits, and regulatory inspections. **Managed** via policies, procedures, employee training, and ongoing monitoring with proactive risk control and remediation.

Data protection

We are committed to protecting the data we process in full compliance with Kosovo's Law No. 06/L-082 on Protection of Personal Data, the EU's General Data Protection Regulation (GDPR), and other applicable laws and regulations. Our data protection approach is built on robust governance, advanced technology, strong controls, and comprehensive policies to effectively manage data protection risks. Our data protection policy and privacy notice provide a consistent framework that applies across all businesses and functions. We are committed to transparency in how we collect, use, and manage personal data, ensuring that our customers are fully informed of their rights. Our Privacy Notice is available under this link. The Data Protection Officer (DPO) reports regularly to senior management and the Board of Directors, which ensures strong executive oversight.

As the data protection environment continues to evolve globally, we proactively monitor the regulatory landscape to adapt our policies and practices, we conduct regular reviews and risk assessments, and we prioritise training and awareness to ensure that our employees understand and uphold data protection and security standards. We protect customer data through our data protection framework, which defines practices, design principles and guidelines that ensure compliance by preventing, detecting, and mitigating risks and ensuring prompt resolution of any identified issues.

Key developments in compliance in 2024

In 2024, we further strengthened our compliance risk management framework, proactively identifying, managing, monitoring, and mitigating regulatory and data protection risks. Our approach focused on simplifying and enhancing risk management through more effective oversight tools and techniques, improving end-to-end compliance risk management. Some of our key initiatives include, but are not limited to:

- Reviewing and updating our policies and procedures to ensure they remain current and address evolving regulatory compliance risks.
- Updating our internal control framework, driving a centralised and consistent approach to oversight of regulatory compliance risks and data protection.
- Enhancing the capabilities and expertise of our compliance team to ensure know-how with respect to oversight of emerging risks and compliance with the newly introduced regulatory
- Strengthening our group reporting processes, making them more efficient and comprehensive.
- Employing enhanced due diligence and monitoring of material third-party services, improving oversight of supply chain risks and operational resilience.
- Continuing to embed a forward-looking approach to emerging regulatory compliance and data protection risks, with a strong focus on technology and cybersecurity controls.
- Providing tailored training on emerging compliance risks and data protection risks.

These developments reflect our ongoing commitment to maintaining robust compliance, data protection, and operational resilience, ensuring that we continue to meet regulatory obligations while safeguarding our business and customers.

Independent Auditor’s Report & Financial Statement

Financial Statements

2024
ANNUAL
REPORT

PROCREDIT BANK SH.A. KOSOVA

Independent Auditor’s Report and Financial Statements prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2024

Content

INDEPENDENT AUDITOR’S REPORT

To the Shareholder and Board of Directors of ProCredit Bank Sh.a

Opinion

We have audited the financial statements of ProCredit Bank Sh.a (the “Bank”), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2024, 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 of December 31, 2024, and its financial performance and its cash flows for the year 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 expecte d 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.

Amir Dërmaku
Engagement Partner
BDO Kosova L.L.C.
April 15, 2025
Str. Ukshin Hot, C 4/3, Ent. A, Floor II
Pristina, Kosovo

BDO
BDO Kosova L.L.C
audit, accounting and financial advisory
Prishtina,Kosova

PROCREDIT BANK SH.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024

In EUR thousand

	Notes	2024	2023
Interest income	7	52,210	42,175
Interest expenses	7	(7,222)	(4,935)
Net interest icome		**44,988**	**37,240**
Fee and commission income	8	14,983	14,633
Fee and commission expenses	8	(8,013)	(7,285)
Net fee and commisson		**6,970**	**7,348**
Results from foreign exchange transactions	9	1,674	1,488
Net other operating result	10	(1,354)	(1,987)
Operating Income		**52,278**	**44,089**
Personnel expenses	11	(7,641)	(6,830)
Administrative exprenses	12	(19,338)	(14,981)
Loss allowance	13	6,509	2,532
Profit before tax		**31,808**	**24,810**
Income tax expense	14	(2,726)	(2,496)
Profit for the year		**29,082**	**22,314**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on investments in debt instruments measured at FVOCI, net of tax	14	343	69
Total comprehensive income for the year		**29,425**	**22,383**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 71 to 145.

PROCREDIT BANK SH.A.
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2024

In EUR thousand

	Notes	31 December 2024	31 December 2023
Assets			
Cash and balances with Central Banks	15	168,712	192,752
Loans and advances to banks	16	55,998	23,288
Loand and advances to customers	17	866,514	729,774
Investment securities measured at FVOCI	18	140,767	124,418
Intangible assets	19	73	52
Property, plant and equipment	20	18,488	17,057
Deferred tax asset	14	111	166
Other assets	21	7,381	5,790
Total assets		**1,258,044**	**1,093,297**
Liabilites			
Liabilities to banks	22	381	1,066
Liabilities to customers	23	1,079,998	936,060
Other liabilities	24	10,386	10,686
Cuttent tax payables		291	452
Bottowings	25	22,628	19,151
Subordinated debts	25	11,591	7,538
Total liabilities		**1,125,275**	**974,953**
Equity			
Share capital	26	61,346	61,346
Share premium	26	4,204	4,204
Contingency reserve	26	511	511
Revalutation reserve investment securities - FVOCI	26	210	(133)
Retained earnings		66,498	52,416
Total equity		**132,769**	**118,344**
Total liabilites and equity		**1,258,044**	**1,093,297**

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 71 to 145.
These financial statements have been approved by the Management Board on April 15 2025 and signed on their behalf by:

Visar Paçarada
Chief Executive Officer

Bejtë Cakaj
Deputy Chief Executive Officer

Esad Haxhani
Chief Financial Officer

PROCREDIT BANK SH.A.
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024

In EUR thousand

	Share Capital	Share premium	Contingency reserve	Retained earnings	Fair value reserve	Total
As of 1 January 2023,	**61,346**	**4,204**	**511**	**30,102**	**(202)**	**95,961**
Profit for the year	-	-	-	22,314	-	22,314
Other comprehensive income	-	-	-	-	69	69
Total comprehensive income	-	-	-	**22,314**	**69**	**22,383**
Distributed dividends	-	-	-	-	-	-
Balance as of 31 December 2023	**61,346**	**4,204**	**511**	**52,416**	**(133)**	**118,344**
Profit for the year	-	-	-	29,082	-	29,082
Other comprehensive income	-	-	-	-	343	343
Total comprehensive income	-	-	-	**29,082**	**343**	**29,425**
Distributed dividends	-	-	-	(15,000)	-	(15,000)
Balance as of 31 December 2024	**61,346**	**4,204**	**511**	**66,498**	**210**	**132,769**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 71 to 145.

PROCREDIT BANK SH.A.
STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

In EUR thousand

	Note	2024	2023
Cash flows from operating activities			
Profit before tax		31,808	24,809
Adjustments for:			
Depreciation	20	2,619	2,083
Amortization	19	31	21
Gains on disposal of property and equipment		(62)	(37)
Loss allowance	13	(6,509)	(2,532)
Interest income	7	(52,210)	(42,175)
Interest expense	7	7,222	4,935
Cash flows used in operating activities before changes in operating assets		**(17,101)**	**(12,896)**
Net (increase)/decrease in:			
Loans and advances to banks		(810)	1,531
Loans and advances to customers		(130,733)	(71,455)
Other assets		(2,271)	(2,703)
Balances with the Central Bank		(11,202)	(362)
Net increase/(decrease) in:			
Liabilities to other banks		(684)	435
Liabilities to customers		143,939	40,279
Other liabilities		563	1,464
Cash (used)/generated in operating activities		**(18,299)**	**(43,708)**
Interest received		52,866	40,807
Interest paid		(7,244)	(4,913)
Income tax paid		(2,853)	(1,586)
Net cash (used)/generated in operating activities		**24,470**	**(9,400)**

PROCREDIT BANK SH.A.
STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

In EUR thousand	Note	2024	2023
Cash flows from investing activities			
Acquisition of investment securities through FVOCI		(126,930)	(83,543)
Proceeds from disposal of investment securities FVOCI		109,832	24,234
Acquisition of premises and equipment		113	(3,273)
Proceeds from disposal of premises and equipment		(3,300)	381
Acquisition of intangible assets		(51)	(35)
Net cash (used)/generated in investing activities		**(20,336)**	**(62,236)**
Cash flow from financing activities			
Proceeds from long term borrowings		7,524	(3,738)
Dividends paid	26	(15,000)	-
Net cash used in financing activities		**(7,476)**	**(3,738)**
Net (decrease)/increase in cash and cash equivalents		**(3,342)**	**(75,374)**
Cash and cash equivalents at the beginning of the year		160,945	236,319
Cash and cash equivalents at the end of the year		**157,603**	**160,945**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 71 to 145.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

1. Introduction

ProCredit Bank Sh.a. Kosovo ("the Bank") was incorporated in the Republic of Kosovo on 9 December 1999 as a joint stock company. The Bank commenced its operations on January 12, 2000.
The Bank is a member of the ProCredit Group, and is wholly owned by ProCredit Holding AG Frankfurt, Germany which serves as the ultimate parent company of the group.

Principal activity

The Bank obtained its license to operate in all banking activities in Kosovo in accordance with the regulations of the Central Bank of Kosovo (formerly the Central Banking Authority of Kosovo) ("CBK")
and is presently governed by the Law "On Banks, Microfinance Institutions, and Non-Bank Financial Institutions," No. 04/L-093. Additionally, ProCredit Bank was the first licensed bank in Kosovo.
ProCredit Bank Sh.a. is a development-oriented commercial bank which offers customer services to Micro, Small and Medium-sized Enterprises (MSMEs) and to private individuals. In its operations, it adheres to a several fundamental principles: it values transparency in its communication with customers; seeks to minimise ecological footprint; and, to provide services which are based both on an understanding of each client's situation and a sound financial analysis.

Registered address and place of business

The Bank's registered address is Str. "George Bush", No 26, 10000 Prishtina, Republic of Kosovo. Throughout 2024, alongside its e-Banking platform and website services, the Bank maintained operations through a branch, Contact Centre, and 24/7 (self-service) Zones, aiming to deliver comprehensive and easily accessible services to customers.

Board of Directors:
- Mrs. Eriola Bibolli, Chairperson
- Mr. Christian Edgardo Dagrosa,Member
- Mr. Rainer Ottenstein, Member
- Mr. Jordan Damchevski, Member
- Mrs. Semra Citaku, Member

2. Material accounting policy information
(a) Basis of preparation.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, incorporating modifications related to the revaluation of Investment securities measured at Fair Value through Other Comprehensive Income (FVOCI). These financial statements have been prepared on a going concern basis. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Use of judgements and estimates

The bank's financial reporting and its financial results are influenced by assumptions, estimates, and management judgements that are essential in the preparation of the Financial Statements. These estimates and assumptions represent the best possible evaluations, conducted in compliance with applicable standards. They are continually assessed based on experience, available information, and expectations of future events, ensuring their relevance to the circumstances. Any revisions to estimates are applied prospectively. Details about significant areas of estimation uncertainty and key judgments in applying accounting policies that materially impact the amounts reported in the financial statements are provided in the accompanying notes 4, 5 and 6.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

Functional and presentation currency

The financial statements are presented in EUR, the Bank's functional currency and the primary currency of its economic environment. All amounts have been rounded to the nearest thousands,
unless otherwise specified.

(b) Interest income and expenses

Effective interest rate (EIR) Method for Interest Income and Expenses

Interest income and expense are recognized in profit or loss using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash payments or receipts
through the expected life of the financial instrument to its gross carrying amount (for financial assets) or amortized cost (for financial liabilities).
When calculating the EIR for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the instrument.
but does not consider Expected Credit Losses (ECL). However, for purchased or originated credit-impaired assets, the credit-adjusted effective interest rate is used, incorporating expected future cash flows, including ECL.

The calculation of the EIR also considers transaction costs, fees, and points that are directly attributable to the acquisition or issuance of a financial asset or liability.
Transaction costs refer to incremental costs incurred directly as part of the financial instrument's origination.

Revisions to the Effective Interest Rate

The effective interest rate is determined at initial recognition of a financial asset or liability and is generally applied consistently throughout the life of the instrument.
However, in certain cases, it may be revised:

- For floating-rate instruments, the EIR is periodically recalculated to reflect changes in market interest rates.
- For fair value hedge adjustments, the EIR is revised when the amortization of the hedge adjustment begins.

Treatment of Credit-Impaired Assets

- For financial assets that become credit-impaired after initial recognition, interest income is recognized by applying the EIR to the amortized cost rather than the gross carrying amount.
- If a financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.
- For financial assets that were already credit-impaired at initial recognition, interest income remains based on the credit-adjusted EIR even if the asset's credit risk improves.

In such cases, the calculation does not revert to a gross basis.

Amortised cost and gross carrying amount

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

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(c) Fees and commissions

Fees integral to the effective interest rate include origination fees received or paid by the entity in connection with the creation or acquisition of a financial asset or issuance of a financial liability.
These may include fees for evaluating creditworthiness, evaluating, and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.
Commitment fees received by the Bank for originating loans at market interest rates are considered integral to the effective interest rate if it is probable that the Bank will enter in a specific lending arrangement and does not intend to sell the resulting loan shortly after origination. All other fees, that are integral part of effective interest rate calculation are recognized in interest income. All other fees, commissions and other income and expense items are generally recorded on an accrual basis, based on the completion of the specific transaction and the proportion of services provided.

Fee and commission income and expenses include charges related to credit cards, account service fees, international payments and domestic payments, Central Bank fees, SMS banking, guarantees and letters of credit and other fees and commissions. Other fee and commissions are recognised as the related services are performed while fee and commission expenses related to transaction and service fees, are expensed as the services are received.

(d) Leases

ProCredit Bank as lessee

At contract initiation, the bank assesses whether the agreement constitutes or contains a lease. This is the case when the agreement grants the right to control the use of an identified asset for a specified period in return for a fee. The bank uses the option to account for each leasing component and the related non-leasing components as a single leasing component. ProCredit Bank recognizes an asset for the right of use granted as well as a lease liability on the commencement date.
The right of use asset is recognized at acquisition costs. These costs include the lease liability, any initial direct costs incurred at or before the commencement date, lease payments made before commencement, and estimated dismantling and removal costs, less any incentives received from the lessor. It is subsequently measured at cost less accumulated depreciation and any impairment losses.

The lease liability is recognized at the present value of future lease's payments not yet made discounted at the lessee's incremental borrowing rate of interest. The lease liability is subsequently measured at amortized cost using the effective interest method. Short-term leases (with a lease term of 12 months or less) and leases on low-value assets are not recognized in the balance sheet; instead, lease payments are recognized as an expense in profit or loss over the lease term.
Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the bank. Each lease payment is allocated between liability and finance cost. The finance cost is recognized in profit or loss over the lease term, ensuring a constant periodic interest rate on the outstanding lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
The right-of-use asset is presented either separately or within an appropriate asset category, such as Property, Plant, and Equipment.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(d) Leases (continued)

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured if there is any reassessment, lease modification or revised in-substance fixed payments.
The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are included in the lease term if it is reasonably certain that the lease will be extended.
Right-of-use assets are measured initially at cost comprising the following:

- The amount of the initial measurement of lease liability.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
The bank leases office premises. Leases are negotiated on an individual basis, but in general contain similar terms and conditions (incl. termination and renewal rights). Extension and termination options are included in the leasing contracts. These are used to maximize operational flexibility in terms of managing the assets used in the bank's operations.
The costs for low-value leases are expenses directly in profit or loss on a straight-line basis over the lease term.

(e) Foreign currency transactions

Items included in the separate financial statements are measured using the currency with which the entity operates in its primary economic environment ("the functional currency"). The financial statements are presented in Euro, which is the bank's functional and presentation currency.
Foreign currency assets and liabilities are translated into the functional currency using the closing exchange rates, and items of income and expenses are translated at the fixing at the moment of the operation.
Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit or Loss.
In the case of changes in the fair value of financial assets at fair value through other comprehensive income denominated in foreign currency a distinction is made between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Translation differences on financial assets (debt instruments) at fair value through other comprehensive income are recognized in the Separate Statement of Profit or Loss, while other fair value changes are recognized in Other Comprehensive Income (OCI).
Foreign non-monetary items measured at amortized cost are translated with the historical exchange rate as at the date of the transaction.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(f) Income tax

Income taxes have been recognized in the financial statements in accordance with legislation that was enacted or substantively enacted by the end of the reporting period. The income tax expense comprises current and deferred tax and is recognised in profit or loss for the year, unless it is recognised in other comprehensive income or directly to equity.

(i) Current tax

Current tax is the amount expected to be paid to or recovered from taxation authorities based on taxable profits or losses for the current and prior periods. When financial statements are authorized before the filing of relevant tax returns, taxable profits or losses are estimated using available information.

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, considering tax loss carry forwards and temporary differences 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, expected to apply when the temporary differences will reverse, or the tax loss carry forwards is utilised.
Deferred tax liabilities are recognised on all taxable temporary differences. 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 utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets, and they pertain to taxes imposed by the same tax authority.

(g) Financial instruments
(i) Recognition and initial measurement

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position (including regular-way purchases and sales of financial assets) when, and only when, the Bank becomes a party to the contractual provisions of the instrument.
A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

At initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).
A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(g) Financial instruments (continued)

(ii) Classification (continued)

Financial assets (continued)

A financial asset is measured at FVOCI only if both of the following conditions are met:

• The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL. Furthermore, at initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank assesses the objective of a business model at the portfolio level, as this approach best reflects how the business is managed and how information is conveyed to management. The information considered includes:
• The stated policies and objectives for the portfolio and their practical implementation.
Specifically, whether the management strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, aligning the duration of financial assets with the duration of the liabilities funding those assets or realizing cash flows through the sale of the assets.
• How the portfolio's performance is assessed and reported to the Bank's management.

• The risks that affect the performance of the business model (and the financial assets held within that business model) and the corresponding strategy implemented for their management;

• The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed within a business model where performance is evaluated on a fair value basis are measured at Fair Value Through Profit or Loss (FVTPL). This classification applies because such assets are neither held solely to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

As a result, the balance sheet items allocated to the "hold to collect" business model are: "Central bank balances", "Loans and advances to banks", "Loans and advances to customers" and "Other assets". "Investment securities" are allocated to the "hold to collect and sell" business model.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of the SPPI assessment under IFRS 9, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows of a financial asset meet the SPPI criteria, the Bank evaluates the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that would result in the financial asset failing to meet the SPPI condition.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(g) Financial instruments (continued)
(ii) Classification (continued)

In making the assessment, the Bank considers:
• Contingent events that would change the amount and timing of cash flows;
• Leverage features;
• Prepayment and extension terms;
• Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
• Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).
The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or request for prepayment based on the contract terms. The bank has assessed that the contractual cash flows of these loans satisfy the Solely Payments of Principal and Interest (SPPI) criteria because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans).
The Bank applies judgment in assessing whether the non-recourse loans meet the Solely Payments of Principal and Interest (SPPI) criterion. The Bank typically considers the following information when making this judgement:

• Whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
• The fair value of the collateral relative to the amount of the secured financial asset;
• The ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
• Whether the borrower is an individual or a substantive operating entity or is a special - purpose entity;
• The Bank's risk of loss on the asset relative to a full - recourse loan;
• The extent to which the collateral represents all or a substantial portion of the borrower's assets; and
• Whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are reclassified only if the bank changes its business model for managing them, and such reclassification occurs after their initial recognition.

(iii) Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss previously recognised in other comprehensive income, is recognised in profit or loss statement.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(g) Financial instruments (continued)

(iii) Derecognition (continued)

Financial assets (continued)

Any cumulative gain or loss recognised in other comprehensive income for equity investment securities designated as at FVOCI is not reclassified to profit or loss upon derecognition. Additionally, any interest in transferred financial assets that qualify for derecognition and is created or retained by the Bank is recognised as a separate asset or liability.

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

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

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

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

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expires.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(g) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)
(g) Financial instruments (continued)

(vi) 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 one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)
(g) Financial instruments (continued)

(vii) Impairment

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

- Financial assets that are debt instruments.
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as Stage 1 financial instruments.
Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as Stage 2 financial instruments.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

Modification of the financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset as a forborne exposure is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

2. Material accounting policy information (continued)

(g) Financial instruments (continued)

(vii) Impairment (continued)

Credit impaired financial assets (continued)

• Material exposures are over 90 days past due.
• The debtor is unlikely to fulfil credit obligations without collateral realization, regardless of past-due status.

This classification applies to:

• Loans, debt securities, and other defaults in the banking book used for capital calculations.
• Off-balance sheet items like unused commitments and guarantees.

Classification as non-performing is independent of regulatory "default" classification or accounting "impaired" status. Defaulted or impaired exposures (per regulations or IFRS) are considered non-performing. Exposures are categorized for their full amounts, ignoring collateral presence. Commitments become non-performing if, when used, they create high non-repayment risk without collateral. Guarantees are deemed non-performing if there's a risk of being called or if receivables meet non-performing criteria post-guarantee execution.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit impaired.
In assessing whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

• The market's assessment of creditworthiness as reflected in the bond yields.
• The rating agencies' assessments of creditworthiness.
• The country's ability to access the capital markets for new debt issuance.
• The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
• The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
• Loan commitments and financial guarantee contracts: generally, as a provision.
• Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
• Debt instruments measured at FVOCI: Movements in the ECL allowance are recognized in the statement of profit and loss. However, the allowance itself is credited to the FVOCI reserve.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in EUR thousand, unless otherwise stated)

2. Material accounting policy information (continued)

(g) Financial instruments (continued)

(vii) Impairment (continued)

Write-off

When a loan is uncollectible, it is written off against the corresponding loss allowance which has been set aside, provided there is no justified expectation of repayment. This typically occurs when the Bank determines that the borrower lacks assets or income sources capable of generating sufficient cash flows to repay the amounts subject to write-off.

This assessment is conducted at the individual asset level.
Subsequent recoveries of written-off amounts are recognised in the Statement of Profit or Loss under ''Loss allowances''.
Written-off financial assets may still be subject to enforcement activities in accordance with the Bank's recovery procedures.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral part of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. In making this assessment, the company considers factors such as whether:

• The guarantee is implicitly included in the contractual terms of the debt instrument.
• The guarantee is required by laws and regulations governing the debt instrument contract.
• The guarantee is issued at the same time as and in contemplation of the debt instrument; and
• The guarantee is provided by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral part of the financial asset, any premium payable at initial recognition is treated as a transaction cost of acquiring the asset. In this case, the bank considers the effect of the protection when measuring both the fair value of the debt instrument and expected credit losses (ECL). If the Bank determines that the guarantee is not an integral part of the debt instrument, it recognises an asset for any prepaid guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure is neither credit-impaired nor has significantly increase in credit risk at the time the guarantee is acquired. These assets are recorded under other assets. The Bank presents gains or losses on the compensation right in profit or loss under 'impairment losses on financial instruments.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, unrestricted balances held with central banks, and highly liquid financial assets with original maturities of three months or less from the acquisition date.
These assets are subject to an insignificant risk of changes in fair value and are used by the Bank to manage its short-term commitments. Cash and cash equivalents are carried at amortized cost.

(i) Loans and advances

The ''Loans and advances' captions in the statement of financial position include:
• Loans and advances measured at amortised cost -initially recognized at fair value plus incremental direct transaction costs and subsequently measured at amortised cost using the effective interest method.
• Loans and advances mandatorily measured at FVTPL or designated as at FVTPL (see J)- measured at fair value with changes recognised immediately in profit or loss; and
• Finance lease receivables
When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in EUR thousand, unless otherwise stated)

2. Material accounting policy information (continued)

(j) Investment securities

The 'investment securities' caption in the statement of financial position includes debt securities measured at FVOCI. For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as financial assets measured at amortised cost:
- Interest revenue using the effective interest method.
- ECL and reversals and
- Foreign exchange gains and losses.

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

(k) Property, plant, and equipment

Property, plant, and equipment are stated at acquisition or production cost less scheduled depreciation and impairment losses. Acquisition or production costs include all expenditure directly attributable to the goods. Component parts of an asset are recognised separately if they have different useful lives or have different patterns of use. The acquisition costs of rights-of-use assets (ROU) include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received.
Subsequent purchase or production costs are included in the asset's carrying amount or are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Statement of Profit or Loss during the current financial period.

The carrying values of property, plant and equipment are reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.
The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.
For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.
Land is not depreciated. Depreciation of assets is charged on a straight-line basis at prescribed rates to allocate the cost of property, plant, and equipment over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as presented below.

Description	Useful life 2024
Buildings	40 years
Business and office equipment	2-10 years

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

2. Material accounting policy information (continued)
(k) Property, plant, and equipment (continued)

Leasehold improvements are depreciated over the shorter of rental contract life or expected use life. The rights of use are amortised on a straight-line basis until the end of the lease term.
Property, plant, and equipment with useful lives of more than one year which fall under the materiality threshold of EUR 100 (2023: EUR 100) and are also not material in aggregate, are expensed in profit or loss.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other income or other operating expenses (as appropriate) in Statement of Profit or Loss.

(l) Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are comprised of computer software and licenses which are amortised using the straight-line method over their estimated useful life of five years, if not stated otherwise in their corresponding contracts.

(m) Repossessed collateral

Repossessed collateral refers to properties acquired by the Bank as settlement of overdue loans. The assets are initially recognised at the lower of their fair value (net of selling cost) or the carrying amount of the loan at the date of exchange. Movable property is not recognised as an asset upon repossessed.
The Bank subsequently measures repossessed collateral at the lower of the initially recognised and or the fair value of the properties, net of selling costs. To assess fair value, management relies on appraisals conducted by external expert valuators, licensed under the Central Bank of Kosovo regulation. The Bank applies haircuts determined by the Bank that reflect limitations of the market, consideration of time value of money and legal issues with the properties.

A repossessed property is accounted for under IFRS 5 – Held for sale assets, and expected to be sold within one year period, except if there is a delay caused by events or circumstances beyond the bank's controls and there is sufficient evidence that the bank remains committed to its plan to sell the asset. Any loss from the remeasurement is recorded in profit or loss. Gains or losses from the sale of these assets are also recognized in the profit or loss.

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

2. Material accounting policy information (continued)

(n) Due from other banks

Amounts due from other banks are recorded when the Bank advances funds to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

(o) Deposits, borrowings and subordinated liabilities

Deposits, borrowings and subordinated liabilities are the Bank's main sources of debt funding.
When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a liability, and the underlying asset continues to be recognised in the Bank's financial statements.

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

(p) Provisions

A provision is recognised when a past event results in a present legal or constructive obligation for the Bank, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation must be reliably measurable. The provision is recorded at the best estimate of the expenditure needed to settle it as of the reporting date, with expected future cash flows discounted at a pre-tax rate that reflects current market assessments of the time value of money and liability-specific risks. The unwinding of the discount is recognised as interest expense over time.

(q) Employee benefits

The Bank is required to make contributions to the publicly administered pension plan on a mandatory basis. Once these contributions are paid, the Bank has no further obligations. The contributions are recognised as employee benefit expense when they are due. Additionally, the bank calculates and recognizes a provision for unused staff leave at the end of the reporting period.

(r) Financial guarantees and loan commitments

Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for losses incurred due to a debtor's failure to meet payment obligations under a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-defined terms and conditions.
Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. The Bank has not issued any loan commitments that are measured at FVTPL.

Liabilities arising from non-financial guarantees are included within provisions and are accounted for as provisions under IAS 37.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

2. Material accounting policy information (continued)

(s) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

Share premium represents the excess amount received over the nominal value of shares issued.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are not recognised as liability at year-end. The dividends are disclosed in the notes to financial statements.

3. Adoption of new and revised International Financial Reporting Standards

3.1 Standards, amendments and interpretations that are already effective

In the current year, the Bank has applied several amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2024.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (including Classification of Liabilities as Current or Non-current - Deferral of Effective Date) (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures);

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to materially affect the current or future periods.

3.2 Standards, amendments and interpretation issued but not yet effective

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

The following amendments are not effective for the period beginning 1 January 2024:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates),
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments).
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7),
- IFRS 18 Presentation and Disclosure in Financial Statements,
- IFRS 19 Subsidiaries without Public Accountability: Disclosures,

These standards, amendments or interpretations are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

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

4. Critical accounting judgments and key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assumptions and estimation uncertainties

Key assumptions and estimation uncertainties that could lead to a material adjustment in the subsequent years are set out below regarding the impairment of financial instruments.

(i) Impairment charge for credit losses

The Bank conducts a monthly review of its loan portfolio to assess impairment for all on- and off-balance sheet credit exposures, regardless of their size. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. The bank estimates future cash flows based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. The methodology and assumptions used to determine the amount and timing of future cash flows are regularly reviewed to minimize differences between estimated and actual losses.
A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in impairment on loans and advances (ECL) by EUR 1,046 thousand (2023: EUR 1,505 thousand), respectively. Impairment losses for significant individually impaired (SII) loans are based on estimates of discounted future cash flows of the individual loans, considering repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from significant individually impaired (SII) loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in impairment on loans and advances by EUR 107 thousand (2023: EUR 85 thousand), respectively.

Increase or decrease in the actual loss experience	+10%		-10%	
	2024	2023	2024	2023
ECL	1,046	1,505	(1,046)	(1,505)
SII	107	85	(107)	(85)

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5. Risk management

Business model and business strategy

ProCredit Bank aims at being a leading partner providing a complete range of financial services for micro, small and medium enterprises, since these businesses have vital significance for the economic development and the creation of new jobs. The bank also focuses on serving private individuals who appreciate modern banking services, who have the capacity to save and who prefer to do their banking through electronic channels. ProCredit Bank functions in a responsible and transparent way, focusing on building long-term relationships with its clients and providing an inclusive range of professional and flexible business solutions, both for the businesses and private individuals. The main competitive advantages of ProCredit Bank are the personal approach to the individual needs of the clients and the high quality of the services provided. By offering simple and accessible deposit facilities the bank promotes a culture of savings, which contributes to greater security and stability of households. At the same time ProCredit Bank does not offer complex financial products or asset management services.

ProCredit Bank takes an individual approach to its clients, aiming to know their needs to develop a strategy for serving them effectively. The bank adheres to its concept of “Know your customer,” which assumes that if clients and their businesses are accurately identified, the bank will be able to provide to them the most suitable banking services. A strategic focus of the work with clients is on encouraging investments in energy efficiency, renewable energy, and environmental protection as well as funding production companies and agricultural producers.
The business model is straightforward, with asset-side operations dominated by credit issued to clients, while the liabilities basically comprise attracted funds from clients. The business strategy is based on a focused approach to staff development. The bank carefully recruits and trains its staff to work responsibly and professionally with clients. ProCredit Bank is an institution based on professionalism, communication and trust and it aims at a high level of satisfaction both for the staff and the clients. To this effect, the bank makes significant investments in training its personnel.

Risk management strategy

ProCredit Bank is exposed to risks in the course of its business activities. An informed and transparent approach to risk management is a central component of its socially responsible business model. This is also reflected in the risk culture and the risk appetite, resulting in decision-making processes that are well-balanced from a risk point of view.

By following a consistent group-wide approach to managing risks, the bank aims to ensure that its liquidity and capital adequacy continues to always be sustainable and appropriate, as well as to achieve steady results. The risk management principles and the risk strategy of the bank have not changed significantly compared to the previous year. In general, the last few years have been characterized by adverse macro-financial and geopolitical shocks. This trend is expected to continue, and uncertainty will remain high. So far, the impact on the bank has been limited. Nevertheless, these factors will also determine the focus of the institution’s risk management activities in 2025. ProCredit Bank will continue to closely monitor the macroeconomic situation in order to assess the impact and, if necessary, take measures in a timely manner. In addition, the regulatory requirements are constantly evolving. In general, a tightening of requirements and expectations can be observed.

Management of Individual Risks

The material risks for ProCredit Bank are credit risk, market risks (foreign currency risk and interest rate risk), liquidity and funding risk, operational risk, risks arising from money laundering, terrorist financing and other acts punishable by law, business risk and model risk.
ESG risks are environmental, social or corporate governance events or conditions whose occurrence may have an actual or potential negative impact on financial position and financial performance as well as on reputation.

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NOTES TO THE FINANCIAL STATEMENTS
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5. Risk management

Management of Individual Risks (continued)

The bank deliberately does not give separate treatment to ESG risks, as it would hardly be possible to isolate such risks. Managing ESG risks is an integral part of the business strategy. ESG risks can have a material impact on all of the identified risks, contributing as a factor in their materiality. ESG risks have the greatest impact on credit risk arising from business with clients, i.e. the impact that ESG risks have on the clients and the corresponding business models and thus on their ability to survive.

(a) Market risk

Market risks comprise the risk of potential losses arising from shifts in market prices, such as exchange rates, interest rates, or other parameters that influence prices. The relevant market risks for the bank are foreign currency risk and interest rate risk in the banking book. As a non-trading book institution, the Bank manages market risks in such a way that their impact is as limited as possible from an overall risk perspective.

In accordance with bank's risk strategy, foreign currency risk and interest rate risk may not be incurred for speculative purposes. Foreign currency and interest rate derivatives are used exclusively for hedging or liquidity purposes.

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank does not aim to profit from speculative transactions. The Bank tries to always keep its open currency position close to zero. The bank's open currency position limits and risk-taking capacity are set by respective policies, which are approved by the Board of Directors, and reviewed by the Risk Monitoring Department. Additionally, the bank always adheres to regulatory limits.
Treasury Unit assesses foreign exchange rate developments with reference to all material currency positions. Major changes in the structure of assets and liabilities denominated in foreign currency and their impact are reviewed before trades are executed by the bank's treasury front office department.
Treasury Unit also monitors the financial market and regularly informs the Risk Monitoring Department of any significant developments that may influence the bank's currency risk situation.
Although the bank aims to keep its currency position as close as possible to zero, there may be occasions where the bank is still affected by unexpected volatility in exchange rates. Therefore, the Risk Monitoring Department performs stress tests and reports the effects on the bank's profit and loss (P&L) on a monthly basis.
Official exchange rates for major currencies used in the translation of the balance sheet items denominated in foreign currencies were as follows (in EUR):

	31 December 2024	31 December 2023
1 USD	0.9626	0.9050
1 CHF	1.0625	1.0799
1 GBP	1.2060	1.1507

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5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The tables below summarize the Bank's assets and liabilities denominated in foreign currencies as of December 31, 2024, and 2023, translated into EUR '000.

31 December 2024	EUR	USD	CHF	GBP	Total
Assets					
Cash and Balances with Central Banks	166,903	1,445	360	4	168,712
Loans and advances to banks	49,606	5,892	166	334	55,998
Loans and advances to customers	866,514	-	-	-	866,514
Investment securities measured at FVOCI	107,457	33,310	-	-	140,767
Other financial assets	2,697	1,023	-	-	3,720
Total monetary financial assets	**1,193,177**	**41,670**	**526**	**338**	**1,235,711**
Liabilities					
Liabilities to banks	380	1	-	-	381
Liabilities to customers	1,037,898	41,525	244	331	1,079,998
Borrowings	22,628	-	-	-	22,628
Subordinated debt	11,591	-	-	-	11,591
Other financial liabilities	2,097	-	-	-	2,097
Total monetary financial liabilities	**1,074,594**	**41,526**	**244**	**331**	**1,116,695**
Net on-balance sheet financial position	**118,583**	**144**	**282**	**7**	**119,016**
Credit commitments	107,061	77	-	-	**107,138**
Off balance sheet - letters of credit	506	241	-	-	747
Off balance sheet - bank guarantees	56,240	170	-	-	56,410
Total credit related commitments	**163,807**	**488**	**-**	**-**	**164,295**

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

5. Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2023	EUR	USD	CHF	GBP	Total
Assets					
Cash and Balances with Central Banks	191,454	929	364	5	192,752
Loans and advances to banks	16,701	6,092	204	291	23,288
Loans and advances to customers	729,774	-	-	-	729,774
Investment securities measured at FVOCI	101,908	22,510	-	-	124,418
Other financial assets	2,006	907	-	-	2,913
Total monetary financial assets	**1,041,843**	**30,438**	**568**	**296**	**1,073,146**
Liabilities					
Liabilities to banks	1,065	1	-	-	1,066
Liabilities to customers	905,092	30,387	284	297	936,060
Borrowings	19,151	-	-	-	19,151
Subordinated debt	7,538	-	-	-	7,538
Other financial liabilities	2,273	4	-	-	2,277
Total monetary financial liabilities	**935,119**	**30,392**	**284**	**297**	**966,092**
Net on-balance sheet financial position	**106,724**	**47**	**284**	**(1)**	**107,054**
Credit commitments	85,029	72	-	-	85,101
Off balance sheet - letters of credit	1,535	39	-	-	1,574
Off balance sheet - bank guarantees	49,988	189	-	-	50,177
Total credit related commitments	**136,552**	**300**	**-**	**-**	**136,852**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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5. Financial risk management (continued)

(a) Market risk (continued)
(i) Foreign currency risk (continued)

The table below summarises the sensitivity analysis for foreign currency risk and the effect on the profit or loss and net equity, net of tax:

	Increase 2024	Increase 2023	Effect on profit or loss and net equity 31 December 2024	Effect on profit or loss and net equity 31 December 2023
USD	10%	10%	15	6
Other	10%	10%	27	25

(ii) Interest rate risk

The Bank is exposed to various risks associated with fluctuations in market interest rates, which can affect its financial position and cash flows. The Bank does not aim to earn profits through excessive maturity transformation, or other forms of speculations in the interest rate market. Instead, the Bank seeks to ensure that the structure of assets and liabilities is balanced across all maturities.

The tables below summarize the Bank's exposure to interest rate risks. Included in the tables are the Bank's monetary assets and liabilities (principal and future interest) with both fixed and non-fixed interest rates. The Bank's interest rate risk (IRR) management follows the EU guidelines and German MaRisk.

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5. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

EUR 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	Not interest sensitive	Total
At 31 December 2024										
Assets										
Cash on hand		-	-	-	-	-	-	-	72,875	72,875
Balances with Central Banks		94,350	-	-	-	-	-	94,350	-	94,350
Current accounts with banks		14,892	-	-	-	-	-	14,892	-	14,892
T-bills and marketable securities	Fixed	8,911	41,986	37,077	5,657	5,321	53	99,005	(568)	98,437
	Variable	10,237	16	85	59	-	-	10,397	160	10,557
Term deposits with banks		28,739	6,530	-	-	-	-	35,269	-	35,269
Loans and advances to customers	Fixed	32,636	106,256	142,459	73,773	36,625	7,562	399,311	-	399,311
	Variable	261,133	66,581	33,576	79,747	105,174	10,675	556,886	-	556,886
Off-balance sheet items		10,090	42,703	43,814	2,749	7,320	44	106,720	-	106,720
Total assets		**460,988**	**264,072**	**257,011**	**161,985**	**154,440**	**18,334**	**1,316,830**	**72,467**	**1,389,297**
Liabilities										
Current accounts from banks		-	-	-	-	-		-	1,069	1,069
Current accounts from customers		226,663	74,040	73,739	135,729	285,477	-	795,648	2,713	798,361
Deposits from customers		9,459	43,936	86,098	71,935	25,671	481	237,580	-	237,580
Borrowings and subordinated debt	Fixed	-	4,194	6,012	9,469	3,923	-	23,598	-	23,598
	Variable	161	12,242	445	950	2,274	3,538	19,610	-	19,610
Total liabilities		**236,283**	**134,412**	**166,294**	**218,083**	**317,345**	**4,019**	**1,076,436**	**3,782**	**1,080,218**
IR sensitivity gap- open position		**224,705**	**129,660**	**90,717**	**(56,098)**	**(162,905)**	**14,315**	**240,394**	**68,685**	**309,079**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(a) Market risk (continued)
(ii) Interest rate risk (continued)

EUR 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	Not interest sensitive	Total
At 31 December 2023										
Assets										
Cash on hand		-	-	-	-	-	-	-	78,361	78,361
Balances with Central Banks		113,462	-	-	-	-	-	113,462	-	113,462
Current accounts with banks		6,691	-	-	-	-	-	6,691	-	6,691
T-bills and marketable securities	Fixed	38,126	36,035	5,445	1,500	805	-	81,911	(303)	81,608
	Variable	10,253	10,063	149	101	31	-	20,597	337	20,934
Term deposits with banks		10,188	351	-	-	-	-	10,539	-	10,539
Loans and advances to customers	Fixed	28,855	94,202	130,786	35,770	29,369	5,008	323,990	-	323,990
	Variable	296,564	48,894	51,301	25,434	46,774	7,979	476,946	-	476,946
Off-balance sheet items		10,804	32,214	39,241	378	1,426	485	84,548	-	84,548
Total assets		**514,943**	**221,759**	**226,922**	**63,183**	**78,405**	**13,472**	**1,118,684**	**78,395**	**1,197,079**
Liabilities										
Current accounts from banks		-	-	-	-	-	-	-	1,308	1,308
Current accounts from customers		10,904	36,552	84,027	43,828	-	-	175,311	565,404	740,715
Deposits from customers		4,875	21,214	84,114	40,892	11,499	525	163,119	-	163,119
Borrowings and subordinated debt	Fixed	2,994	2,408	4,520	4,566	4,566	-	19,054	-	19,054
	Variable	429	782	7,888	360	1,073	320	10,852	-	10,852
Total liabilities		**19,202**	**60,956**	**180,549**	**89,646**	**17,138**	**845**	**368,337**	**566,712**	**935,049**
IR sensitivity gap- open position		**495,741**	**160,803**	**46,373**	**(26,463)**	**61,267**	**12,627**	**750,347**	**(488,317)**	**262,030**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(a) Market risk (continued)
(ii) Interest rate risk (continued)

USD 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	Not interest sensitive	Total
At 31 December 2024										
Assets										
Cash on hand		-	-	-	-	-	-	-	1,445	1,445
Balances with Central Banks		-	-	-	-	-	-	-	-	-
Current accounts with banks		4,157	-	-	-	-	-	4,157	-	4,157
T-bills and marketable securities	Fixed	5,024	21,400	7,194	204	-	-	33,822	(117)	33,705
	Variable	-	-	-	-	-	-	-	-	-
Term deposits with banks		1,948	974	-	-	-	-	2,922	-	2,922
Loans and advances to customers	Fixed	-	-	-	-	-	-	-	-	-
	Variable	-	-	-	-	-	-	-	-	-
Off-balance sheet items		77	-	-	-	-	-	77	-	77
Total assets		**11,206**	**22,374**	**7,194**	**204**	-	-	**40,978**	**1,328**	**42,306**
Liabilities										
Current accounts from banks		-	-	-	-	-	-	-	1	1
Current accounts from customers		9,794	2,905	2,885	5,567	11,935	-	33,086	3	33,089
Deposits from customers		373	6,938	1,027	-	-	-	8,338	-	8,338
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-	-
	Variable	-	-	-	-	-	-	-	-	-
Total liabilities		**10,167**	**9,843**	**3,912**	**5,567**	**11,935**	-	**41,424**	**4**	**41,428**
IR sensitivity gap- open position		**1,039**	**12,531**	**3,282**	**(5,363)**	**(11,935)**	-	**(446)**	**1,324**	**878**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(a) Market risk (continued)
(ii) Interest rate risk (continued)

USD 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	Not interest sensitive	Total
At 31 December 2023										
Assets										
Cash on hand		-	-	-	-	-	-	-	929	929
Balances with Central Banks		-	-	-	-	-	-	-	-	-
Current accounts with banks		3,013	-	-	-	-	-	3,013	-	3,013
T-bills and marketable securities	Fixed	8,718	12,685	1,360	-	-	-	22,763	(207)	22,556
	Variable	-	-	-	-	-	-	-	-	-
Term deposits with banks		3,984	-	-	-	-	-	3,984	-	3,984
Loans and advances to customers	Fixed	-	-	-	-	-	-	-	-	-
	Variable	-	-	-	-	-	-	-	-	-
Off-balance sheet items		72	-	-	-	-	-	72	-	72
Total assets		**15,787**	**12,685**	**1,360**	**-**	**-**	**-**	**29,832**	**722**	**30,554**
Liabilities										
Current accounts from banks		-	-	-	-	-	-	-	1	1
Current accounts from customers		296	992	2,281	1,190	-	-	4,759	23,661	28,420
Deposits from customers		2	826	945	62	42	-	1,877	-	1,877
Borrowings and subordinated debt	Fixed	-	-	-	-	-	-	-	-	-
	Variable	-	-	-	-	-	-	-	-	-
Total liabilities		**298**	**1,818**	**3,226**	**1,252**	**42**	**-**	**6,636**	**23,662**	**30,298**
IR sensitivity gap- open position		**15,489**	**10,867**	**(1,866)**	**(1,252)**	**(42)**	**-**	**23,196**	**(22,940)**	**256**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)
(a) Market risk (continued)
(ii) Interest rate risk (continued)

The analysis and calculations aim to quantify the impact of interest rate movements on economic value of capital and interest earning capacities over a certain period of time and to mitigate risks affecting these parameters. Considering denominated asset and liability structures as of 31 December 2024 and 2023, and assuming a parallel shift of interest rate by +/-200 basis points for the yield curves that reflect the interest rate environment on international markets and for the local currency, as well as for EUR and USD, a parallel up and down that reflects the local specifics of the market rates (while ensuring a minimum shock of +/- 200 basis point is applied), the Bank's interest rate risk profile is presented below, where negative figures represent losses to profit or loss and decrease of net equity:

+/- parallel shift of the yield curves	12 month P&L – Effect (parallel down)		Economic Value impact (parallel up)	
Assets and Liabilities in:	2024	2023	2024	2023
EUR:	(5,094)	(7,522)	(11,748)	(6,265)

(b) Credit risk

The Bank is exposed to credit risk, the risk of financial loss if a counterparty fails to meet its obligations. Credit risk is pervasive to the Bank's business; therefore, management actively monitors and manages this risk. Credit exposures primarily arise from lending activities including loans and advances to customers, as well as investment activities involving placements and debt securities in the Bank's asset portfolio.
Credit risk also exists in off-balance sheet financial instruments, such as letters of credit, guarantees and credit commitments. The Credit Risk Department centrally manages and controls credit risk for loans and advances, while interbank risk related to placements and debt securities is overseen by Treasury Unit and Risk Monitoring Department. All departments responsible for credit risk management and control, report regularly to the Management Board and to the Board of Directors.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality

The tables below provide information on the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets. The table represents a maximum exposure to credit risk as of 31 December 2024 and 2023 without considering any collateral held or other credit enhance ments. For financial assets, the exposures set out below represent the net carrying amounts as reported in the statement of financial position.

Maximum exposure to credit risk	Carrying amount	31 December 2024 Amount committed/ guaranteed	Carrying amount	31 December 2023 Amount committed/ guaranteed
Balances with Central Banks	94,392	-	113,462	-
Loans and advances to banks	55,998	-	23,288	-
Loans and advances to customers	866,514	-	729,774	-
Investment securities measured at FVOCI	140,767	-	124,418	-
Other financial assets	3,720	-	2,913	-
Lending commitments and guarantees	-	164,295	-	136,852
Total	**1,161,391**	**164,295**	**993,855**	**136,852**

	31 December 2024	31 December 2023
Credit commitments	107,138	85,101
Financial guarantees	41,050	37,523
Non-financial guarantees	15,360	12,654
Letters of Credit	747	1,574
	164,295	**136,852**
Provisions recognised as liabilities	(560)	(916)
Total	**163,735**	**135,936**

Cash and balances with central banks

Cash and current account with banks are neither past due nor impaired and are not collateralised. The credit quality of cash and balances with central banks is provided below.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

31 December 2024	Cash balances with central banks, including mandatory reserves	Kosovo Government securities with maturities less than 3 months	Total
Neither past due nor impaired			
Central Bank of the Republic of Kosovo			
- Current accounts	32,432	-	**32,432**
- Mandatory reserve	61,950	-	**61,950**
Government securities of the Republic of Kosovo	-	1,245	**1,245**
Central Bank of the Republic of Germany (Deutsche Bundesbank)	10	-	**10**
Total	**94,392**	**1,245**	**95,637**

31 December 2023	Cash balances with central banks, including mandatory reserves	Kosovo Government securities with maturities less than 3 months	Total
Neither past due nor impaired			
Central Bank of the Republic of Kosovo			
- Current accounts	7,183	-	**7,183**
- Mandatory reserve	50,714	-	**50,714**
Government securities of the Republic of Kosovo	-	6,025	**6,025**
Central Bank of the Republic of Germany (Deutsche Bundesbank)	55,565	-	**55,565**
Total	**113,462**	**6,025**	**119,487**

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans and advances to banks

Risk Monitoring and Treasury closely monitor interbank exposures on a daily basis. Before establishing a business relationship with any bank, the Risk Monitoring Department conducts a thorough analysis of the institution's financial standing. The financial performance of counterparties is continuously monitored. Additionally, all correspondent banks and bond issuers in which the Bank has investment exposures are regularly monitored for their ratings by international rating agencies such as Standard & Poor's (S&P), Fitch, and Moody's. An independent department from the Treasury Unit, the Risk Moni toring Department, ensures that the exposure to all banks does not exceed regulatory or internal limits set by the Bank's management.
In accordance with the regulation on large exposures set by the Central Bank of Republic of Kosovo, banks must ensure that their aggregate credit risk expo sure to related counterparties does not exceed 15% of Tier I Regulatory Capital. To further mitigate counterparty risk, the ALCO and the Financial and Market Risk Management Committee approve internal limits on counterparty exposures that are slightly below the regulatory requirements. These limits have been consistently maintained by the Bank. Loans and advances to banks are granted without collateral. The table below presents the Bnak's current accounts and time deposits with corresponding banks, categorized by credit ratings:

	31 December 2024	31 December 2023
Neither past due nor impaired		
AA+ to AA- rating	19,619	8,924
A+ to A- rating	34,241	12,466
BBB+ to B- rating	2,138	1,898
Total due from other banks	**55,998**	**23,288**

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans and advances to customers

As of 31 December 2024	Private loans	Business Loans	Total
Stage 1			
Gross outstanding amount	188,289	671,090	859,379
Loss allowance for loans to customers	(2,616)	(4,560)	(7,176)
Net outstanding amount	185,673	666,530	852,203
Stage 2			
Gross outstanding amount	805	11,013	11,818
Loss allowance for loans to customers	(45)	(625)	670
Net outstanding amount	760	10,388	11,148
Stage 3			
Gross outstanding amount	1,319	8,758	10,077
Loss allowance for loans to customers	(835)	(6,261)	(7,096)
Net outstanding amount	485	2,497	2,982
POCI			
Gross outstanding amount	19	197	215
Loss allowance for loans to customers	(2)	(33)	(34)
Net outstanding amount	17	164	181
Total Gross outstanding amount	190,432	691,057	881,490
Total Loss allowance for loans to customers	(3,497)	(11,478)	(14,976)
Total Net outstanding amount	**186,935**	**679,579**	**866,514**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

As of 31 December 2023	Private loans	Business Loans	Total
Stage 1			
Gross outstanding amount	154,077	567,834	721,911
Loss allowance for loans to customers	(3,829)	(5,672)	(9,501)
Net outstanding amount	150,248	562,162	712,410
Stage 2			
Gross outstanding amount	4,732	12,143	16,875
Loss allowance for loans to customers	(166)	(2,357)	(2,523)
Net outstanding amount	4,566	9,786	14,352
Stage 3			
Gross outstanding amount	1,124	7,806	8,930
Loss allowance for loans to customers	(762)	(5,452)	(6,214)
Net outstanding amount	362	2,354	2,716
POCI			
Gross outstanding amount	20	682	702
Loss allowance for loans to customers	(20)	(386)	(406)
Net outstanding amount	-	296	296
Total Gross outstanding amount	159,953	588,465	748,418
Total Loss allowance for loans to customers	(4,777)	(13,867)	(18,644)
Total Net outstanding amount	**155,176**	**574,598**	**729,774**

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans and advances to customers (continued)

Impairment and provisioning

Loss allowances

The bank establishes loss allowances in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for investment securities recognised at fair value with changes in fair value reported in Other Comprehensive Income (FVOCI), and for contingent liabilities. A three-stage model is used to report loss allowances. Estimates and assumptions are particularly necessary for determining which future-related macroeconomic factors are to be included. Furthermore, discretionary decisions are made when determining the probability of occurrence for various scenarios.

The bank sets aside loss allowances for the balance sheet items “Central bank balances”, “Loans and advances to banks”, “Loans and advances to customers”, “Investment securities” and for the financial assets under “Other assets” and for off-balance sheet transactions.

These are recognised at net value within the corresponding balance sheet position. The loss allowances for “Investment securities at FVOCI” are recognised directly in shareholders’ equity under “Revaluation reserve”. Loss allowances for off-balance sheet transactions are reported under the balance sheet position “Provisions”.

The bank uses expected credit losses model which requires recognition of expected credit losses in a timely manner to ensure that the amount of expected credit losses recognised at each reporting date reflects the changes in the credit risk of the financial instruments.

Specifically, the model addresses the IFRS 9 requirements on measurement of expected credit losses based on reasonable and supportable information that is available without undue cost or effort, including historical, current, and forecasted information. This model outlines three stages based on changes in the exposure’s credit risk since the date of initial recognition.

•Stage 1:
All financial assets are allocated to “Stage 1” upon recognition, with the exception of those categorised as POCI (Purchase or Originated Credit Impaired). The bank establishes loss allowances in an amount equivalent to the expected credit losses during a maximum of 12 months following the balance sheet date, insofar as there is no significant increase in credit risk since initial recognition.

• Stage 2:
If credit risk increases significantly, the assets are classified as “Stage 2” and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.

•Stage 3:
Impaired financial assets are classified as “Stage 3” and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. For significant exposures, loss allowances are determined individually on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised on the net book value (with consideration of loss allowances).

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans and advances to customers (continued)

Impairment and provisioning (continued)

Loss allowances (continued)

Financial assets which are purchased or originated credit-impaired at initial recognition (POCI) are reported as part of the impaired exposures. These financial assets are initially recognised at fair value and thus no loss allowances are established. In subsequent periods, changes in the expected loss over the entire remaining maturity are recognised as an expense in the statement of profit or loss.
A non-substantial modification exists if a financial asset is modified without derecognition. The modification gains or loss is recognised in “Change in loss allowances”. The modification gains or loss is equal to the difference between the original gross book value and the present value, discounted at the original effective interest rate, of the contractual cash flows under the modified terms.
Migration between the stages is possible in both directions (except for POCI), provided the grounds for the prior migration no longer exist. In the event that credit risk decreases, loss allowances already recorded are reduced. For the “Other assets” position, loss allowances are established using the simplified approach.

As a rule, loss allowances are recorded at initial recognition and on each subsequent reporting date in an amount equivalent to the expected credit losses during the total maturity period. For these short-term assets, the total maturity period has been simplified as 12 months.

Calculation of expected credit loss (ECL)

The following parameters are used in the calculation of expected credit loss:

- Exposure at default (EAD)

EAD is the expected exposure amount at the time of a loan default; it is derived from the currently outstanding receivable from the customer and possible future changes under the applicable contractual conditions. Thus, the EAD consists of the expected exposures (including credit risk from off-balance sheet business) at the time of default. For exposures with regular repayment plans, the modelled EAD is adjusted for the expected possibility of early repayment based on historical observations and on scenarios for the development of the economic environment and associated future forecasts. For potential exposures that may arise in the future from the utilisation of existing credit commitments, such as credit lines or overdraft facilities, conversion factors are estimated based on empirical analysis of historical data; for payment guarantees and letters of credit, a conversion factor of 100% or 50%, respectively, is set on the basis of professional judgment.

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans and advances to customers (continued)

Impairment and provisioning (continued)

Loss allowances (continued)

•Probability of Default (PD)

The probability of a loan default within a certain period of time is derived from historical default events, taking account for the current macroeconomic expectations. These data include the time, type and amount of default as well as information about the characteristics of the customer from our internal risk classification system. The parameters are country-specific and differentiate the risk levels of exposures according to the customer segments defined at bank level. We use statistical models to analyse the collected data and make forecasts for the expected PD, taking account of scenarios for the development of the economic environment (PiT estimate). In addition, we estimate the PDs over the remaining lifetime of an exposure.

•Loss Given Default (LGD)

The LGD reflects the expected extent of the loss from a defaulted credit exposure. The figure comprises the probability of recovery from the default and the estimated recovery rates for both scenarios (recovery/non-recovery). The recovery rates are calculated from the discounted cash flows based on historical data on funds received from defaulted customers and on the realisation of collateral and guarantees. The estimated probabilities and recovery rates are modelled as forward- looking forecasts that account for the assumed scenarios about the development of the economic environment.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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

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

Input data for the assessment of credit risk parameters are based on multi-year data histories for our borrowers. The influence of customer-specific risk characteristics and macroeconomic factors on the selected parameters is determined through a regression analysis. The multi-stage selection process for relevant macroeconomic factors, which address various dimensions of the economic environment (economic performance, inflation, unemployment, interest rate environment, currency strength, energy prices), is based on professional discretion, their statistical significance and economic relevance. The selection process is validated annually. Publications of the International Monetary Fund (IMF), the Economist Intelligence Unit (EIU) and the European Central Bank (ECB) are used as data sources for the historical data and forecasts of the following relevant macroeconomic factors: GDP, inflation, unemployment rate, lending rate, purchasing power parity, gas and oil price index.

Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when it is determined that the loans are uncollectible. This determination is reached after assessing information such as significant changes in the borrower financial position indicating an inability to meet the obligations towards the Bank, or the assessment that proceeds from collateral will not be sufficient to pay back the entire exposure. Uncollectible loans for which no loss allowances have been set aside in full are recognised in profit or loss as direct write-offs.

Recoveries of amounts previously written off

When a loan is uncollectible, it is written off against the related loss allowance which has been set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts which have been written off are recognised in the Statement of Profit or Loss under “Loss allowances”.

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in EUR thousand, unless otherwise stated)

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Investments securities measured through FVOCI

Investments in debt securities are with sovereign issuers, central banks and other supranational borrowers rated as AA- or higher by Fitch, S&P or Moody's. Exposure to debt securities is managed in accordance with the Treasury Policy. Investments are permitted only in highly liquid securities with high credit ratings. The maximum exposure to credit risk is reflected by the carrying amount of each financial asset in the statement of financial position. The table below shows the entire portfolio, including non-rated Kosovo Government securities. In April 2024, Fitch Ratings assigned the Republic of Kosovo its inaugural sovereign credit rating of BB- with a stable outlook. Regarding the Central Bank of Kosovo, Fitch Ratings does not typically assign individual credit ratings to central banks. Instead, the central bank's performance and policies are integral components of the overall sovereign rating.

31 December 2024	Kosovo Government bonds	OECD Government bonds	Total
Neither past due nor impaired			
- AAA rated	-	91,368	91,368
- AA+ rated	-	37,077	37,077
- Unrated (at Government or Country level)	12,322	-	12,322
Total Investment securities measured through FVOCI	**12,322**	**128,445**	**140,767**

31 December 2023	Kosovo Government bonds	OECD Government bonds	Total
Neither past due nor impaired			
- AAA rated	-	107,992	107,992
- Unrated (at Government or Country level)	16,426	-	16,426
Total Investment securities measured through FVOCI	**16,426**	**107,992**	**124,418**

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For the year ended 31 December 2024

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

5. Financial risk management (continued)

(b) Credit risk (continued)

(i) Analysis of credit quality (continued)

Lending commitments and financial guarantees

The maximum exposure from financial guarantees represents the maximum amount the Bank would be liable to pay if the guarantee were to be invoked, potentially surpassing the amount recognized as a liability by a considerable margin. The maximum credit exposure for lending commitments is the full amount of the commitment.

(ii) Risk limit control and mitigation policies

The Bank manages limits and controls the concentrations of credit risk wherever they are identified, particularly with individual counterparties, groups, and affiliates. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, if necessary. Limits on the level of credit risk by product, region and industry sector are approved by the Board of Directors.

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

Collateral held and other credit enhancements, and their financial effect

The Bank employs a range of policies and practices to mitigate credit risk, the most common of which is the security for fund advances. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
•Mortgages over immovable properties
(residential, commercial, industrial, vacant land etc.);
•Pledge over movable properties, such as:
machinery, equipment, vehicles, etc.; and
•Charges over cash and cash equivalents (cash collateral).

Credit facilities extended to corporate entities and individuals are typically secured by cash collateral or other types of collateral determined by credit committee decision.
Additionally, to minimize credit loss, the Bank may require additional collateral from the counterparty upon identifying impairment indicators for the relevant loans and advances.
The financial impact of collateral is presented by disclosing collateral values separately for:
-those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”); and
-those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”).

PROCREDIT BANK SH.A.
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts expressed in EUR thousand, unless otherwise stated)

5. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Collateral held and other credit enhancements, and their financial effect (continued)

	Over-collateralised		Under-collateralised	
31 December 2024	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Business	319,119	713,894	360,460	253,043
Private	60,299	123,271	126,636	49,285
Total	**379,418**	**837,165**	**487,096**	**302,328**

	Over-collateralised		Under-collateralised	
31 December 2023	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Business	269,744	712,373	304,854	214,787
Private	51,810	111,015	103,366	42,057
Total	**321,554**	**823,388**	**408,220**	**256,844**

The fair value of the collateral is evaluated by the Bank on an individual basis. The assessed values are generally determined with reference to the market. Expected income from collateral liquidation is also taken into account in calculation of individual impairment provisioning.

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5. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, activities in the same geographical region, or activities that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to these developments.

Geographical sectors

The following table breaks down the Bank's main credit exposure at their net amount, as categorised by geographical region as of 31 December 2024 and 2023. The Bank has allocated exposures to regions based on the country of domicile of its counterparties.

			2024			2023
Assets	OECD Countries	Kosovo	Total	OECD Countries	Kosovo	Total
Balances with Central Banks	10	94,382	94,392	55,565	57,897	113,462
Loans and advances to banks	55,998	-	55,998	23,288	-	23,288
Loans and advances to costumers	7,456	859,058	866,514	4,013	725,761	729,774
Investment securities FVOCI	128,445	12,322	140,767	107,992	16,426	124,418
Other financial assets	80	3,640	3,720	-	2,913	2,913
Total assets	**191,989**	**969,402**	**1,161,391**	**190,858**	**802,997**	**993,855**

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5. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Concentration of credit risk (continued)

Geographical sectors (continued)

Client type

The following table breaks down the Bank's main credit exposure at their net amount, as categorised by client type as of 31 December 2024 and 2023:

			2024			2023
	Private	Business	Total	Private	Business	Total
Assets						
Balances with Central Banks	-	94,392	94,392	-	113,462	113,462
Loans and advances to banks	-	55,998	55,998	-	23,288	23,288
Loans and advances to costumers	186,935	679,579	866,514	155,176	574,598	729,774
Investment securities FVOCI	-	140,767	140,767	-	124,418	124,418
Other financial assets	-	3,720	3,720	-	2,913	2,913
Total assets	**186,935**	**974,456**	**1,161,391**	**155,176**	**838,679**	**993,855**

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5. Financial risk management (continued)

(c) Liquidity risk and Funding risk

Liquidity and funding risk addresses the Bank's short- and long-term ability to meet its financial obligations in a complete and timely manner, even in stress situations.

Liquidity risk

Bank assesses short-term liquidity risk through a liquidity gap analysis, among other instruments, and monitors this risk using numerous indicators. These include a 30-day liquidity indicator known as Sufficient Liquidity Indicator (SLI), a survival period, and the liquidity coverage ratio stipulated by CRR (Liquidity Coverage Ratio, LCR) as well as Regulatory regulation enforced since January 2023.The SLI measures whether the bank has sufficient liquidity in relation to the expected inflows and outflows of funds in the next 30 days. The survival period is the timeframe during which the bank is able to fulfil all payment obligations, despite reduced liquidity inflows and elevated outflows. The calculation applies outflows derived from historical analyses of deposit movements from the bank. LCR indicates whether the bank has sufficient liquidity to cover the net outflows expected in the next 30 days, even in the event of a specified severe economic shock scenario.

Furthermore, the bank continues to monitor the local liquidity indicator, which assesses liquid assets against short-term liabilities, as stipulated by previous regulations governing liquidity risk management set forth by the Regulator.

Market-wide, institution-specific (idiosyncratic) and combined stress tests are conducted monthly and ad hoc. Bank should keep sufficient liquid funds to meet its obligations, even in difficult times. Moreover, bank has a contingency plan. If unexpected circumstances arise and bank proves not to have sufficient liquid funds, ProCredit Holding would step in as a "lender of last resort". ProCredit Holding keeps an adequate liquidity reserve available for this purpose. The amount of the liquidity reserve is determined on the basis of group stress tests and monitored on a regular basis.

Liquidity is managed on a daily basis by the Treasury Unit and is monitored by Risk Monitoring Department and ALCO as well. Short-term liquidity risk is measured particularly by means of regulatory LCR. As of 31 December 2024, the regulatory LCR was 224%, thus above the regulatory requirement of 100% and bank's internally defined early warning threshold. This indicates an appropriate liquidity situation for the bank.

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5. Financial risk management (continued)

(c) Liquidity risk and Funding risk

Liquidity risk (continued)

Overall, the bank maintained a satisfactory liquidity position throughout 2024, enabling it to meet all financial obligations promptly.
The figures reported on the Liquidity gap table do not match with the statement of financial position figures because the Bank has included both on-balance and off-balance sheet positions. All financial assets and liabilities are reported based on the timing when liabilities (including contingent liabilities from Bank's guarantees and letters of credit and other credit related commitments) become due and assets can be used as repayment source (including the off balance sheet items like unused irrevocable and unconditional credit commitments which the Bank can use as liquidity source at any time without a prior approval).
In the liquidity gap table presented below the following definitions are considered relevant:

- Assets 1 - are assets which do not have a contractual maturity and/or can be converted into cash very quickly;
- Assets 1-S – are assets that have a contractual maturity and the distribution into the time buckets is based on the remaining maturities;
- Liabilities 1 – are liabilities which contractually are due on demand; and
- Liabilities 1-S – are liabilities that have a contractual maturity and the distribution into the time buckets is based on the remaining maturities.

The Liquidity gap presents the liquidity analysis of undiscounted remaining contractual maturities at the reporting date grouped by expected maturities of the financial assets and liabilities. The amounts disclosed in the first part of the table are contractual discounted cash flows, whereas the Bank manages the inherent liquidity risk on an expected basis, based on expected undiscounted cash inflows and outflows reported on the second part. In transforming the liabilities from contractual to expected, the Bank considers two sets of assumptions: first assumptions which are recommended by ProCredit Holding and which are based on German Liquidity Regulation; and second assumptions are derived from historical analysis of customer deposits and their with-drawal pattern.
The Bank's objective is to maintain a consistently positive expected cumulative maturity gap. If this gap were to become negative rather than positive, the Bank identifies this as a "watch liquidity position," indicating a need for closer monitoring of liquidity levels.

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5. Financial risk management (continued)
(c) Liquidity risk and Funding risk

As at 31 December 2024	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	> 1 year	Total
Assets 1						
Cash on hand	74,320	-	-	-	-	74,320
Reserves with the Central Bank	61,952	-	-	-	-	61,952
Current accounts with Central Banks	32,442	-	-	-	-	32,442
Current accounts with banks	12,145	570	1,855	2,345	1,973	18,889
T-bills and marketable securities	3,383	35,774	23,683	45,654	32,274	140,767
Assets 1-S						
Term deposits with banks	22,725	15,457	-	-	-	38,182
Loans and advances to customers	33,493	65,672	112,248	232,081	531,301	974,795
Total Assets	**240,460**	**117,473**	**137,786**	**280,080**	**565,548**	**1,341,347**
Contractual Liabilities						
Liabilities 1						
Liabilities to banks (due daily)	1,070	-	-	-	-	1,070
Liabilities to customers (due daily)	785,610	-	-	-	-	785,610
Contingent liabilities from guarantees	57,156	-	-	-	-	57,156
Unused credit commitments	107,119					107,119
Liabilities 1-S						
Liabilities to customers	10,394	15,687	34,439	101,412	140,537	302,470
Borrowings and subordinated debt	-	1,475	4,455	9,563	30,115	45,607
Total Contractual Liabilities	**961,349**	**17,162**	**38,894**	**110,975**	**170,652**	**1,299,032**
Periodic Contractual Liquidity Gap	**(720,889)**	**100,311**	**98,892**	**169,105**	**394,896**	**42,315**
Cumulative Contractual Liquidity Gap	**(720,889)**	**(620,578)**	**(521,686)**	**(352,581)**	**42,315**	
Expected Liabilities						
Liabilities 1						
Liabilities to banks (due daily)	972	49	49	-	-	1,070
Liabilities to customers (due daily)	4,658	-	-	-	-	4,658
Contingent liabilities from guarantees	2,858	-	-	-	-	2,858
Unused credit commitments	21,425	2,678	2,678	-	-	26,781
Liabilities 1-S						
Liabilities to customers	71,941	31,657	32,513	64,006	872,564	1,072,681
Borrowings and subordinated debt	-	1,393	2,857	3,857	26,072	34,179
Total Expected Liabilities	**101,854**	**35,777**	**38,097**	**67,863**	**898,636**	**1,142,227**
Periodic Expected Liquidity Gap	**138,606**	**81,696**	**99,689**	**212,217**	**(333,088)**	**199,120**
Cumulative Expected Liquidity Gap	**138,606**	**220,302**	**319,991**	**532,208**	**199,120**	-

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5. Financial risk management (continued)
(c) Liquidity risk and Funding risk

As at 31 December 2023	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	> 1 year	Total
Assets 1						
Cash on hand	79,290	-	-	-	-	79,290
Reserves with the Central Bank	50,750	-	-	-	-	50,750
Current accounts with Central Banks	62,748	-	-	-	-	62,748
Current accounts with banks	4,216	240	1,505	2,260	1,487	9,708
T-bills and marketable securities	29,693	37,866	24,447	18,664	13,052	123,722
Assets 1-S						
Term deposits with banks	4,018	10,500	-	-	-	14,518
Loans and advances to customers	29,823	56,862	97,228	198,897	439,768	822,578
Total Assets	**260,538**	**105,468**	**123,180**	**219,821**	**454,307**	**1,163,314**
Contractual Liabilities						
Liabilities 1						
Liabilities to banks (due daily)	1,309	-	-	-	-	1,309
Liabilities to customers (due daily)	723,745	-	-	-	-	723,745
Contingent liabilities from guarantees	51,751	-	-	-	-	51,751
Unused credit commitments	84,988	-	-	-	-	84,988
Liabilities 1-S						
Liabilities to customers	6,550	7,632	16,319	93,426	91,025	214,953
Borrowings and subordinated debt	3,002	444	2,718	4,489	18,951	29,603
Total Contractual Liabilities	**871,345**	**8,076**	**19,037**	**97,915**	**109,976**	**1,106,349**
Periodic Contractual Liquidity Gap	**(610,807)**	**97,392**	**104,143**	**121,906**	**344,331**	**56,965**
Cumulative Contractual Liquidity Gap	**(610,807)**	**(513,415)**	**(409,272)**	**(287,366)**	**56,965**	**-**
Expected Liabilities						
Liabilities 1						
Liabilities to banks (due daily)	918	-	-	-	-	918
Liabilities to customers (due daily)	8,821	-	-	-	-	8,821
Contingent liabilities from guarantees	2,588	-	-	-	-	2,588
Unused credit commitments	22	-	-	-	-	22
Liabilities 1-S	-	-	-	-	-	-
Liabilities to customers	51,786	26,731	8,910	96,183	739,739	923,349
Borrowings and subordinated debt	2,976	393	-	2,143	21,143	26,655
Total Expected Liabilities	**67,111**	**27,124**	**8,910**	**98,326**	**760,882**	**962,353**
Periodic Expected Liquidity Gap	**193,427**	**78,344**	**114,270**	**121,495**	**(306,575)**	**200,961**
Cumulative Expected Liquidity Gap	**193,427**	**271,771**	**386,041**	**507,536**	**200,961**	**-**

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5. Financial risk management (continued)

(c) Liquidity and funding risk (continued)

For liquidity purposes, the Bank classifies demand and saving deposits as due on demand and maturing within one month. As a result, the contractual liquidity gap of up to twelve months is increased. However, the possibility of large amounts of customer deposits leaving the Bank is very low. Therefore, the Bank does not consider having a short-term liquidity gap. Instead, it focuses on the expected maturity gap, which represents a more likely scenario.
The Bank maintains a portfolio of highly marketable financial assets (Investment Securities measured at FVOCI) that can easily be liquidated as protection against any unforeseen events interruption to cash flow. The management of the Bank monitors liquidity ratios against internal and regulatory requirements on a daily, weekly and monthly basis. As a result, Management believes that the Bank has no short-term liquidity gap. During 2024, the Bank applied liquidity stress testing on a monthly basis for all operating currencies and discussed it regularly in the Bank's Financial and Market Risk Management Committee and ALCO.

The stress test is performed applying four different scenarios as per Liquidity Risk Management policy, starting from less to more conservative scenarios. In case the Management Board and Risk Monitoring Department see any concerns under these scenarios, the Bank takes the necessary measures to minimise any risk.

Funding risk

Funding risk is the risk that additional funding cannot be obtained or can only be obtained at higher costs. This risk is mitigated by the fact that bank finances its lending operations primarily through deposits; its deposit-taking operations focus on its target group of business clients and private clients/savers. These are supplemented by loans from international financial institutions (IFIs). The funding of the bank has proven to be resilient. As of the end of December 2024, deposits stood as the predominant funding source, representing 95% of the total.
Bank manages, measures and limits funding risk through business planning, maturity gap analysis and several indicators. This includes the structural liquidity ratio (net stable funding ratio, NSFR). As of 31 December 2024, the regulatory NSFR was 150% (entered into force since January 2023).
The funding needs of the banks, identified in the business planning process, are monitored and regularly reviewed at bank and group level.
A key indicator for limiting funding risk is the deposit concentration indicator. In addition, funding via the interbank market is limited by two indicators (share of interbank liabilities and overnight liabilities within total liabilities).

5. Financial risk management (continued)

(d) Capital management

Capital management within the bank is governed by the fundamental principle that the bank should not assume risks beyond its capacity to manage. In this context, the bank is oriented towards achieving the following objectives:

- Compliance with regulatory capital requirements (normative perspective)
- Ensuring adequate capitalisation in the economic perspective
- Compliance with the internally defined capital requirements and creation of a sufficient capital buffer to ensure that the bank is able to act
- Implementing the plans for sustainable growth

The principle of capital adequacy is monitored using different indicators for which early warning indicators and limits have been established.

Capitalisation in the normative perspective

Capital adequacy and the utilization of regulatory capital are monitored on a monthly basis by Bank's management, using techniques based on the guidelines of the CBK. Required information is submitted to the CBK on a regular monthly basis. The Risk-weighted assets (RWA) are classified according to the class categories that the assets are assigned to them. These categories reflect the nature and estimation of credit, market and other risks associated with each asset and off-balance sheet exposure, with adjustments to account the contingent nature of certain potential losses.
The Capital Adequacy Ratio represents the proportion of regulatory capital to risk-weighted assets, off-balance sheet items, and other risks, expressed as a percentage. The minimum required Capital Adequacy ratios are: Common Equity Tier 1 (CET1) at 4.9% of Risk-weighted assets, Tier 1 at 9% of Risk-weighted assets, and Total Capital (Tier 1 plus Tier 2) at 12% of Risk-weighted assets. As of December 31, 2024, and 2023, the bank was in compliance with the capital adequacy requirements.

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5. Financial risk management (continued)

(d) Capital management (countinued)

	2024	2023
Tier 1 capital		
Share capital and share premium	65,550	65,550
Reserves	7,092	6,749
Retained earnings	60,127	46,045
less: Intangible assets	(73)	(52)
less: Credits to bank related persons	(5,005)	(4,720)
less: Deferred tax assets	(111)	(166)
Total qualifying Tier 1 capital	**127,581**	**113,406**
Tier 2 capital		
Subordinated liability	11,500	7,500
Provisions for loan losses (limited to 1.25% of RWA)	8,423	9,177
Total qualifying Tier 2 capital	**19,923**	**16,677**
Total regulatory capital	**147,504**	**130,083**
Risk-weighted assets:		
Off-balance sheet	813,626	693,112
Off-balance sheet	43,053	41,053
Risk assets for operational risk	44,141	40,678
Total risk-weighted assets	**900,819**	**774,843**
Tier I capital adequacy ratio	**14.16%**	**14.64%**
Total capital adequacy ratio	**16.37%**	**16.79%**

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5. Financial risk management (continued)

(d) Capital management (continued)

Capitalisation in the economic perspective

In addition to regulatory capital ratios, the Bank assesses its capital adequacy by using the concept of economic capital to reflect the specific risk profile of the Bank, i.e. comparing the potential losses arising from its operation with the Bank's capacity to bear such losses.
The included material risks and the limits set for each risk reflect the specific risk profile of the bank and are based on the annually conducted risk inventory. The following concepts were used to calculate potential losses in the different material risk categories:
• Credit risk (clients): Based on a regularly updated migration analysis on the loan portfolio, the historical loss rates and their statistical distribution is calculated. The historical loss rates in different arrears categories (at a 99% confidence level) are applied to the loan portfolio to calculate potential loan losses.
• Counterparty risk: The calculation of potential losses due to counterparty risk is based on the probability of default arising from the respective international rating of the counterparty or its respective country of operation (after adjustment).
• Market risks: Whereas historical currency fluctuations are statistically analysed and highest variances (99% confidence level) are applied to current currency positions, interest rate risk is calculated by determining the economic value impact of a standard interest rate shock of 200 basis points up and down for the yield curves that reflect the interest rate environment on international markets and for the local currency ,as well as for EUR and USD, a parallel up and down that reflects the local specifics of the market rates is determined, while ensuring a minimum shock of +- 200 basis point is applied.
•Operational risk: The Basel II Standard approach is used to calculate the respective value.

The Bank showed a modest level of utilization of its Resources Available to Cover Risk (RAtCR) as of 31 December 2024. Counterparty and market risk limit utilization are again low, reflecting the risk-averse management approach which guides the Bank's treasury operations. The economic capital required to cover operational risk is calculated according to the Basel II standard approach. Data collected during 2024 in the Risk Event Database (RED), which captures risk event data on a bank and group-wide scale, indicates a low level of operational risk.
All risks combined, as quantified by the methods established by the Bank's policies, are below the limit of 80% of the Bank's total risk-taking potential.

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6. Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 Inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Inputs:

Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation techniques applied refer to the current fair value of similar instruments and valuation techniques using observable market parameters.

Level 3 Inputs:

Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities. Level 3 assets and liabilities include those whose value is determined using market standard valuation techniques. When observable inputs are not available, the market standard techniques for determining the estimated fair value of certain securities that trade infrequently, and therefore have little transparency, rely on inputs that are significant to the estimated fair value and that are not observable in the market or cannot be derived principally from or corroborated by observable market data. These unobservable inputs can be based on management judgment or estimation and cannot be supported by reference to market activity.

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6. Fair values of financial instruments (continued)

a) Valuation models (continued)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.
Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate.
Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

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6. Fair values of financial instruments (continued)

b) Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. These values are recognized in the statement of financial position.

Investment securities measured at FVOCI	Total Fair Value	Level 1	Level 2	Level 3
31 December 2024	140,767	128,445	12,322	-
Bonds	140,767	128,445	12,322	-
31 December 2023	124,418	107,992	16,426	-
Bonds	124,418	107,992	16,426	-

c) Financial instruments not measured at fair value for which fair value is disclosed

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

As of 31 December 2024	Category	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets						
Cash and balances with Central Banks	AC	168,712	168,712	-	168,712	-
Loans and advances to banks	AC	55.998	53,868	-	53,868	-
Loans and advances to customers	AC	866,514	858,755	-	-	858,755
Investment securities	FVOCI	140,767	140,767	128,445	12,322	-
Other assets (shares)	FVOCI	53	53	-	53	-
Other financial assets	AC	3,720	3,720	-	3,720	-
Total		**1,179,822**	**1,225,875**	**128,445**	**238,675**	**858,755**
Financial Liabilities						
Liabilities to banks	AC	381	381	-	381	-
Liabilities to Customers	AC	1,079,313	1,074,998	-	831,454	243,544
Borrowings	AC	22,628	22,158	-	193	21,965
Subordinated debts	AC	11,591	11,591	-	-	11,591
Other financial liabilities	AC	2,097	2,097	-	2,097	-
Total		**1,116,010**	**1,111,225**	**-**	**834,125**	**277,100**

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6. Fair values of financial instruments (continued)

c) Financial instruments not measured at fair value for which fair value is disclosed (continued)

As of 31 December 2023	Category	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Assets						
Cash and balances with Central Banks	AC	192,752	192,752	-	192,752	-
Loans and advances to banks	AC	23,288	22,535	-	4,171	18,364
Loans and advances to customers	AC	729,774	724,047	-	-	724,047
Investment securities	FVOCI	124,418	124,418	107,992	16,426	-
Other assets (shares)	FVOCI	52	52	-	52	-
Other financial assets	AC	2,913	2,913	-	2,913	-
Total		**1,073,197**	**1,066,717**	**107,992**	**216,314**	**742,411**
Financial Liabilities						
Liabilities to banks	AC	1,066	1,066	-	1,066	-
Liabilities to Customers	AC	935,816	933,531	-	769,134	164,397
Borrowings	AC	19,151	18,423	-	-	18,423
Subordinated debts	AC	7,538	7,538	-	-	7,538
Other financial liabilities	AC	2,277	2,277	-	2,277	-
Total		**965,848**	**962,835**	**-**	**772,477**	**190,358**

* Categories: AC - Amortised cost; FVOCI - fair value through other comprehensive income

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available then, fair value is estimated using fair value own model, such as discounted cash flow technique. Input into the valuation technique includes expected lifetime credit losses, interest rates and prepayment rates.

For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. For retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics.

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.

The fair value of borrowings and subordinated debt is based on discounted contractual cash flows, taking into consideration market interest rates, which would have been payable by the Bank in need of replacing the old sources with the new ones of equal remaining maturity.

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7. Net interest income

	2024	2023
Interest income from		
Loans and advances to customers	46,209	38,207
Loans and advances to banks	1,482	873
Investment securities measured at FVOCI	4,489	3,076
Other	30	19
Total interest income	**52,210**	**42,175**
Interest expense on		
Liabilities to customers	5,779	3,777
Borrowed funds	1,136	946
Other	307	212
Total interest expense	**7,222**	**4,935**
Net interest income	**44,988**	**37,240**

Interest income and expenses are recognised in Statement of profit or loss and reported on an accrual basis. Net interest Income is calculated on the gross book value of a financial asset; for financial assets in Stage 3, net interest income is calculated on the net book value of a financial asset. Payments received in respect of written-off loans are not recognised in the net interest income, but rather under ''Loss allowance''.

8. Net fee and commission income

	2024	2023
Fee and commission income from		
Payment services	5,232	4,832
Debit/Credit cards	4,363	4,256
Account maintenance fee	3,938	4,159
Letters of credit and guarantees	1,004	997
Others	446	389
Total fee and commission income	**14,983**	**14,633**
Fee and commission income from		
Debit/Credit cards service fee	4,530	3,716
Transactions related to processing centre and other financial services	1,918	1,784
Other fees to banks	1,252	1,328
Account maintenance fee	48	45
Other fees	265	412
Total fee and commission expense	**8,013**	**7,285**
Net fee and commission income	**6,970**	**7,348**

**Previous year figures have been adapted to the current disclosure structure.*

Fee and commission income and expenses are recognised based on the agreed payable amount. Income and expenses are generally recognised at a point in time.

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9. Result from foreign exchange transactions

	2024	2023
Foreign currency exchange	1,655	1,491
Net gains and losses from FX revaluation	19	(3)
Result from foreign exchange transactions	**1,674**	**1,488**

10. Net other operating result

	2024	2023
Other operating income from		
Reversal of provisions	338	221
Reimbursement of expenses	3	32
Sale of property plant and equipment	113	37
Others	585	482
Other operating income	**1,039**	**772**
Other operating expenses for		
Deposit insurance	760	730
Disposal of property, plant and equipment	50	364
Credit Recovery Services	263	395
Others	1,320	1,270
Other operating expense	**2,393**	**2,759**
Net other operating result	**(1,354)**	**(1,987)**

11. Personnel expenses

	2024	2023
Salary expenses	6,942	6,056
Pension contribution	353	307
Health insurance	138	126
Other employee costs	208	341
Total	**7,641**	**6,830**

As of 31 December 2024, the Bank had 400 employees (2023: 347 employees).

12. Administrative expenses

	2024	2023
Repairs and maintenance	5,989	4,513
Depreciation fixed and intangible assets	2,649	2,103
Consulting, legal and other fees	2,549	1,936
Marketing, advertising and representation	1,698	729
Expenses paid to ProCredit Holding	1,467	1,160
Security services	1,152	1,140
Training	760	611
Royalties on software	427	373
Utilities	359	307
Transport (fuel, maintenance)	350	361
Communication (telephone, on-line connection)	340	329
Office supplies	201	191
Lease expenses	54	40
Other expenses	1,343	1,188
Total	**19,338**	**14,981**

Lease expenses primarily include short – term leases that qualify for exemptions under IFRS 16.

13. Loss allowance

	2024	2023
Change in loss allowances	3,048	(982)
Recovery of written-off loans	3,461	3,514
Total	**6,509**	**2,532**

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14. Income taxes

Amounts recognised in profit or loss	2024	2023
Current tax expenses	2,709	2,548
Deferred tax income/ expense	17	(49)
Previous year's tax expenses	-	(3)
Income tax expense	**2,726**	**2,496**

Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the reporting date. The tax rate on corporate income is 10% (2023: 10%).

Amounts recognised in Other Comprehensive Income ('OCI')	2024			2023		
	Before tax	Tax charge	Net of tax	Before tax	Tax charge	Net of tax
Investment securities measured at FVOCI	(381)	38	(343)	(78)	9	(69)
Total	**(381)**	**38**	**(343)**	**(78)**	**9**	**(69)**

Reconciliation of effective tax rate

The following is a reconciliation of income taxes calculated at the applicable tax rate of 10% (2023: 10%) to current income tax expense:

	2024	2023
Profit before tax	31,808	24,809
Tax using the corporate tax rate	3,181	2,481
Exempt income	(182)	(134)
Non-deductible expenses	396	318
Deduction for sponsorship contributions	(686)	(120)
Deferred tax (income) / expense	17	(49)
Income tax expense	**2,726**	**2,496**

Current income tax liabilities on 31 December 2024 are EUR 291 thousand (31 December 2023: EUR 452 thousand).

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14. Income taxes (continued)

Movement in deferred tax balances
Deferred tax is calculated based on the enacted tax rate of 10% (2023: 10%).

	31 December 2024	Profit or loss	OCI	31 December 2023
Deferred tax assets				
Accrued interest on deposits	121	18	-	103
Depreciation for property and equipment	(10)	(45)	-	35
	111	**(27)**	**-**	**138**
Deferred tax liabilites				
Investment securities measured at FVOCI	(22)	-	(38)	16
Right-of-use asset	22	10	-	12
	-	**10**	**(38)**	**28**
Net deferred tax assets/(liabilities)	111	(17)	(38)	166

15. Cash and balances with Central Banks

	2024	2023
Cash on hand	74,320	79,290
Amounts held at the CBK		
Current accounts	32,432	7,183
Statutory reserves	61,952	50,750
Balance with Deutche Bundesbank	10	55,565
Loss allowance	(2)	(36)
	168,712	**192,752**

Movement in impairment for the years ended December 31, 2024, and 2023, charged to profit or loss is as following:

	2024	2023
Loss allowances as of 01 January	36	36
Increase/Decrease in credit risk	(34)	-
Closing balance	**2**	**36**

In accordance with CBK regulation on Minimum reserve requirement, the bank should maintain the minimum required reserve ratio 10 % of the following liabilities with maturities up to one year: deposits, borrowings and securities. 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. However, deposits with the CBK may not be less than half of the applicable minimum reserve requirement.

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15. Cash and balances with Central Banks (continued)

Cash and cash equivalents as of 31 December 2024 and 2023 are presented as follows in statement of cash flows:

	2024	2023
Cash and balances with Central Banks	168,712	192,752
Statutory reserves	(61,952)	(50,750)
Loans and advances to banks with maturities of 3 months or less	50,843	18,943
Total	**157,603**	**160,945**

16. Loans and advances to banks

	2024	2023
Current accounts	17,879	8,800
Time deposits with banks	38,120	14,488
Loss allowance	(1)	(0)
Total	**55,998**	**23,288**

Movement in impairment for the years ended December 31, 2024, and 2023, charged to profit or loss is as following:

	2024	2023
Loss allowances as of 01 January	-	1
New financial assets originated	1	-
Release due to derecognition	-	(1)
Increase/Decrease in credit risk	-	-
Closing balance	**1**	**-**

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

- Deposits in EUR: from 1.50% p.a. to 3.86% p.a. (2023: from: 1.10% p.a. to 3.90% p.a.); and
- Deposits in USD: from 1.50% p.a. to 5.26% p.a. (2023: from 3.00% p.a. to 5.10% p.a.).

17. Loans and advances to customers

	2024	2023
Loans to customers	829,320	701,194
Overdrafts	51,997	47,120
Credit cards receivable	173	104
	881,490	748,418
Loss allowance	(14,976)	(18,644)
	866,514	**729,774**

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17. Loans and advances to customers(continued)

The movement on loans to customers and provision for impairment on loans to customers for the year ended December 31, 2024, and December 31, 2023, based on IFRS 9 requirements, is as follows:

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January	**721,911**	**16,875**	**8,930**	**702**	**748,418**
New financial assets originated	411,911	-	-	-	411,911
Modification of contractual cash flows of financial assets	-	-	(29)	-	(29)
Derecognitions	(99,658)	(6,074)	(1,042)	-	(106,774)
Write-offs	-	-	(1,163)	-	(1,163)
Changes in interest accrual	34	32	121	(2)	185
Changes in the principal and disbursement fee amount	(162,888)	(8,645)	953	(485)	(171,065)
Transfers to Stage 1	13,399	(13,117)	(282)	-	-
Transfers to Stage 2	(24,931)	25,118	(187)	-	-
Transfers to Stage 3	(399)	(2,371)	2,770	-	-
Foreign exchange and other movements	-	-	7	-	7
Gross outstanding amount as of 31.12.2024	**859,379**	**11,818**	**10,078**	**215**	**881,490**

Loss allowance loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	(9,501)	(2,523)	(6,214)	(406)	(18,644)
New financial assets originated	(4,981)	-	-	-	(4,981)
Release due to derecognition	577	1,011	798	-	2,386
Transfers to Stage 1	(225)	217	8	-	-
Transfers to Stage 2	401	(416)	15	-	-
Transfers to Stage 3	5	109	(114)	-	-
Increase in PD/LGD/EaD	(2,890)	(1,802)	(4,920)	-	(9,612)
Decrease in PD/LGD/EaD	9,438	2,735	2,166	372	14,711
Usage of allowance	-	-	1,163	-	1,163
Foreign exchange and other movements	-	-	2	-	2
Loss allowances as of **31.12.2024**	**(7,176)**	**(670)**	(7,096)	**(34)**	**(14,976)**

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17. Loans and advances to customers (continued)

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1 January	**646,170**	**14,915**	**13,102**	**668**	**674,855**
New financial assets originated	316,799	-	-	-	316,799
Modification of contractual cash flows of financial assets	17	(1)	(29)	-	(13)
Derecognitions	(80,502)	(3,914)	(1,958)	-	(86,374)
Write-offs	-	-	(1,569)	(9)	(1,578)
Changes in interest accrual	157	(3)	152	24	330
Changes in the principal and disbursement fee amount	(146,805)	(6,550)	(2,294)	19	(155,630)
Transfers to Stage 1	10,142	(9,797)	(345)	-	-
Transfers to Stage 2	(23,907)	24,595	(688)	-	-
Transfers to Stage 3	(108)	(2,400)	2,508	-	-
Foreign exchange and other movements	(52)	30	51	-	29
Gross outstanding amount as of 31.12.2023	**721,911**	**16,875**	**8,930**	**702**	**748,418**

Loss allowance loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at 1 January	**(8,920)**	**(1,553)**	**(8,050)**	**(361)**	**(18,884)**
New financial assets originated	(4,701)	-	-	-	(4,701)
Release due to derecognition	631	173	1,221	-	2,025
Transfers to Stage 1	(164)	151	13	-	-
Transfers to Stage 2	973	(1,169)	196	-	-
Transfers to Stage 3	4	225	(229)	-	-
Increase in PD/LGD/EaD	(4,264)	(2,447)	(4,737)	(92)	(11,540)
Decrease in PD/LGD/EaD	6,940	2,101	3,806	38	12,885
Usage of allowance	-	-	1,569	9	1,578
Foreign exchange and other movements	-	(4)	(3)	-	(7)
Loss allowances as of **31.12.2023**	**(9,501)**	**(2,523)**	**(6,214)**	**(406)**	**(18,644)**

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17. Loans and advances to customers (continued)

The movement on provision for impairment on loans to customers for the year ended December 31, 2024, and December 31, 2023, is as follows:

	2024	2023
At 1 January	18,644	18,884
Charge / (release) for the year	(2,505)	1,338
Write-offs	(1,163)	(1,578)
Total	**14,976**	**18,644**

	2024			2023		
	Gross amount	Loss allowance	Net amount	Gross amount	Loss allowance	Net amount
Business loans:						
Loans to customers	640,679	(11,133)	629,546	543,098	(13,438)	529,661
Overdrafts	50,378	(345)	50,033	45,367	(429)	44,937
Private loans:						
Housing	151,485	(2,152)	149,333	120,855	(2,852)	118,003
Investment loans	37,174	(1,259)	35,915	37,240	(1,774)	35,466
Consumer loans	1,773	(86)	1,687	1,858	(151)	1,707
Total	**881,490**	**(14,976)**	**866,514**	**748,418**	**(18,644)**	**729,774**

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17. Loans and advances to customers (continued)

An analysis of loans and advances to customers (business loans) by industry amount is provided below:

	2024	%	2023	%
Trade	328,218	47.5%	280,593	47.7%
Manufacturing	158,174	22.9%	138,215	23.5%
Construction	73,021	10.6%	61,680	10.5%
Hotels and restaurants	24,986	3.6%	22,366	3.8%
Transport, information and communication	42,605	6.2%	37,451	6.4%
Education, professional, scientific and technical activities	25,720	3.7%	13,537	2.3%
Electricity, gas, water, and quarrying	18,180	2.6%	14,722	2.5%
Financial, insurance, health and social work activities	13,171	1.9%	14,830	2.5%
Agriculture	3,658	0.5%	2,742	0.5%
Other service activities	3,324	0.5%	2,331	0.4%
Total Loans and advances to customers (GLP)	**691,057**	**100%**	**588,465**	**100%**

Movement in impairment for the years ended December 31, 2024, and 2023, charged to profit or loss is as following:

	2024	2023
Loss allowances as of 01 January	7	15
New financial assets originated	8	1
Release due to derecognition	(5)	(2)
Increase/Decrease in credit risk	-	(7)
Closing balance	**10**	**7**

18. Investment securities measured at FVOCI

	2024	2023
Investment securities measured at FVOCI	140,767	124,418
Loss allowance	(10)	(7)
Total	**140,757**	**124,411**

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19. Intangible assets

	Software
Cost	
At January 2024	7,346
Additions	51
Disposals	-
At 31 December 2024	**7,397**
Accumulated amortization	
At 1 January 2024	7,293
Charge for the year	31
Disposals	-
At 31 December 2024	**7,324**
Net book value	73
Cost	
At January 2023	7,311
Additions	35
Disposals	-
At 31 December 2023	**7,346**
Accumulated amortization	
At 1 January 2023	7,272
Charge for the year	22
Disposals	-
At 31 December 2023	**7,294**
Net book value	**52**

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20. Property, plant and equipment	Land and Buildings	Business and office equipment	Land and buildings (ROU)	Total PPE
Total acquisition costs as of 1 January 2024	11,404	9,800	5,594	26,798
Additions	1,601	1,699	847	4,147
Disposals	(206)	(1,409)	(223)	(1,478)
Total acquisition costs as of 31 December 2024	**12,799**	**10,450**	**6,217**	**29,466**
Accumulated depreciation as of 1 January 2024	(1,857)	(7,134)	(750)	(9,741)
Depreciation	(511)	(1,366)	(742)	(2,619)
Disposals	158	1,043	181	1,382
Accumulated depreciation as of 31 December 2024	**(2,210)**	**(7,457)**	**(1,311)**	**(10,978)**
Net Book value	**10,589**	**2,993**	**4,906**	**18,488**
Total acquisition costs as of 1 January 2023	10,114	9,500	2,783	22,397
Additions	1,918	1,355	3,203	6,476
Disposals	(628)	(1,055)	(392)	(2,075)
Total acquisition costs as of 31 December 2023	**11,404**	**9,800**	**5,594**	**26,798**
Accumulated depreciation as of 1 January 2023	(1,818)	(6,964)	(570)	(9,352)
Depreciation	(309)	(1,213)	(561)	(2,083)
Disposals	270	1,043	381	1,694
Accumulated depreciation as of 31 December 2023	**(1,857)**	**(7,134)**	**(750)**	**(9,741)**
Net Book value	**9,547**	**2,666**	**4,844**	**17,057**

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21. Other assets

	2024	2023
Prepaid expenses	2,535	653
Receivables from financial institutions	1,723	1,391
Security deposits	1,173	907
Inventories and advances	1,140	464
Accrued account maintenance fees	171	183
Receivables from clients (Not related to lending)	130	97
Year-end clearance accounts	2	1,660
Others	525	466
Loss allowance	(18)	(31)
Total	**7,381**	**5,790**

*Previous year figures have been adapted to the current disclosure structure.

Movement in impairment for the years ended December 31, 2024, and 2023, charged to profit or loss is as following:

	2024	2023
Loss allowances as of 01 January	31	33
Increase/(Decrease) in credit risk	(13)	(2)
Closing balance	**18**	**31**

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22. Liabilities to banks

	2024	2023
Current accounts	381	1,066
Total	**381**	**1,066**

23. Liabilities to customers

	2024	2023
Current accounts	628,543	581,131
Saving accounts	200,880	180,071
Term deposits	245,918	164,994
Other customer accounts	4,657	9,864
Total	**1,079,998**	**936,060**

The published annual interest rates at 31 December 2024 and 2023 were as follows:

	Private Customers		Business Customers	
	2024	2023	2024	2023
Saving accounts	0.15%	0.15%	0.15%	0.15%
Time deposits:				
- One year	0.15%	0.15%	n/a	n/a
- Two years	0.30%	0.30%	n/a	n/a
- Three years	0.50%	0.50%	n/a	n/a
- Four years	n/a	n/a	n/a	n/a
- Five years	n/a	n/a	n/a	n/a

Current accounts do not generally bear interest.

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24. Other liabilities

	2024	2023
Lease liabilities	5,125	4,966
Provision for litigation cases	1,123	901
Liabilities for goods and services	1,121	1,222
Other taxes	688	260
Provisions for financial off-balance sheet items	560	773
Provision for untaken vacation	246	231
Liabilities to related parties	200	720
Pension contribution payable to Kosovo Pension Fund	88	72
Provisions for non-financial off-balance sheet items	-	143
Other	1,235	1,398
Total	**10,386**	**10,686**

*Previous year figures have been adapted to the current disclosure structure.

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25. Borrowings and subordinated debt

	2024	2023
European Bank for Reconstruction and Development (EBRD)	22,628	19,151
Total	**22,628**	**19,151**

Outstanding amount includes accrued interest (actual EUR 136 thousand, 2023 EUR 158 thousand)

	2024	2023
Subordinated debt from ProCredit Holding AG	11,591	7,538
Total	**11,591**	**7,538**

Outstanding amount includes accrued interest (actual EUR 91 thousand, 2023 EUR 38 thousand)

In its SME lending business, ProCredit Bank collaborates closely with key European institutions such as the European Investment Bank (EIB), the European Investment Fund (EIF), and the European Bank for Reconstruction and Development (EBRD). Notable agreements include the partnership with the EIF under the InnovFin guarantee programme and the Unfunded Risk Sharing Framework with the EBRD.

In 2024, the bank further strengthened its long-standing cooperation with the EBRD by extending its commitment to the Sustainable Reboot SME Programme II. In September, the bank signed an additional EUR 8 million agreement. This continued partnership supports the sustainable growth of SMEs by enhancing their sustainability and productivity through investments in energy-efficient, green, and competitive technologies.

Additionally, the bank has expanded its engagement with the Green Economy Financing Facility – RE power Residential III (GEFF III) by committing an additional EUR 5 million to finance green economy investments in the residential sector.

In November 2024 the bank entered into a new subordinated debt agreement with ProCredit Holding AG. The subordinated debt meets the regulatory requirement for tier II capital and has been approved as such by the regulator the Central Bank of the Republic of Kosovo.

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26. Shareholder's equity and reserves

Share capital on 31 December 2024 the authorised share capital comprised 12,269,242 ordinary shares (2023: 12,269,242), with a par value of EUR 5 each, while the shareholding structure was as follows:

	Number of shares	In EUR	%
ProCredit Holding AG	12,269,242	61,346,210	100
Total	**12,269,242**	**61,346,210**	**100**

All issued shares are fully paid. There are no restrictions, conditions or preferences attached to the ordinary shares.

Share premium: Share premium of EUR 4,204 thousand (2023: EUR 4,204 thousand) represents the excess of contribution received over the nominal value of shares issued.

Contingency Reserve: The contingency reserve of EUR 511 thousand was created in 2000, through the appropriation of retained earnings. The reserve represents a provision against political risk and cannot be distributed as dividend without prior approval of CBK.
Following the initial adoption of IFRS 9 from the Central Bank of Kosovo, as of January 1, 2020, an amount of EUR 6,371 thousand has been presented for regulatory purposes as Other Reserve. This reserve represents the change between IFRS reported figures and CBK reported figures as of January 1, 2020, therefore it is a transfer from Retained Earnings to Other Reserve balance and is not distributable for dividend purposes.

Fair value reserve: The fair value reserve includes the cumulative net change in the fair value of Investment Securities measured at FVOCI, until the investment is derecognised or impaired. The movements in the fair value reserve are presented as follows:

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26. Shareholder’s equity and reserves (continued)

	2024	2023
Balance at 1 January	(133)	(202)
Revaluation losses reserve for Investment Securities - FVOCI	647	99
Revaluation gains reserve for Investment Securities – FVOCI	(272)	(13)
Deferred tax on revaluation reserve for Investment Securities - FVOCI	(38)	(9)
Allowance for impairment	3	(8)
Revaluation reserve fair value changes of FVOCI shares	2	-
Deferred tax on revaluation reserve of FVOCI shares	1	-
Balance at 31 December	**210**	**(133)**

Dividends paid: Dividends totalling EUR 15,000 thousand, or EUR 1.22 per share were approved in March 2024 and paid to the sole shareholder, ProCredit Holding AG, in May 2024 (2023: No dividends were distributed).

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27. Related party transactions

The ProCredit Group (the 'Group') is made up of development-oriented commercial banks operating in the Southeastern and Eastern Europe and South America, as well as a bank in Germany. The Parent company of the Group is ProCredit Holding AG, a Frankfurt based entity which guides the Group. At a consolidated level the Procredit group is supervised by the German financial supervisory authorities (BaFin and Bundesbank). The ProCredit Group aims to combine high development impact with commercial success for its shareholders.

In the course of conducting its banking business, the Bank entered into various business transactions with related parties. These transactions were conducted on standard commercial terms and at market prices. The Bank conducts Transfer Pricing analysis through an independent external provider, confirming that these terms are substantiated. The balances with the shareholder and affiliated entities on 31 December 2024 and 2023 are as follows:

	2024		2023	
	Parent Company	Entities under common control	Parent Company	Entities under common control
Statement of Financial Position				
Assets	-	**3,818**	-	**2,040**
Loans and advances to banks	-	3,818	-	2,040
Liabilities	**11,595**	**1,070**	**7,578**	**1,209**
Liabilities to banks	-	188	-	282
Liabilities to customers	-	685	-	244
Other Liabilities	4	197	40	683
Subordinated debt	11,591	-	7,538	-

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27. Related party transactions (continued)

Statement of Profit or Loss and OCI				
Income	-	**220**	-	**205**
Interest income	-	25	-	12
Fee and commission income	-	1	-	4
Other income	-	194	-	189
Expenses	**1,834**	**8,160**	**1,561**	**6,294**
Interest expenses	408		343	1
Fee and commission expenses	13	1,905	58	1,726
Administrative expenses	1,413	6,255	1,160	4,567

Effective March 31, 2024, Bank and ProCredit Holding AG mutually agreed to terminate the stand-by line agreement, which was valued at EUR 15,000 thousand (2023: 15,000 thousand).

Remuneration of Key Management and those charged with governance

Key Management Personnel receive compensation primarily in the form of salaries. In 2024, the total gross salaries paid to the Key Management Personnel amounted to EUR 289 thousand (2023: EUR 370 thousand)

The total gross compensation for the members of the Board of Directors was EUR 58 thousand in 2024 (2023: EUR 60 thousand)

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28. Commitments and contingencies

Guarantees, letters of credit and credit commitments	2024	2023
Credit commitments (see details below)	107,138	85,101
International guarantees	33,769	32,290
Local guarantees	22,641	17,887
Letters of credit	747	1,574
Less: Provisions recognised as liabilities	(560)	(916)
Total	**163,735**	**135,936**
Credit commitments		
Unused credit card facilities	3,601	2,902
Unused overdraft limits	50,809	42,884
Non-disbursed loans tranches	11,873	5,010
Unused portion of credit lines	40,855	34,305
Total	**107,138**	**85,101**

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28. Commitments and contingencies (continued)

Guarantees and letters of credit issued in favour of customers are secured by cash collateral, real estate and counter guarantees from other financial institutions.
Commitments to extend credit represent contractual commitments to provide loans and revolving credit facilities. These Commitments typically have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total amounts do not necessarily represent future cash outflows.
Legal cases in the normal course of business the Bank encounters legal claims and litigation. The Bank's management believes that no additional material losses will arise from outstanding as of 31 December 2024, beyond those already provided for (Note 24).

29. Events after the end of the reporting period

No material events have occurred after the reporting date that require disclosure in the financial statements.