Raiffeisen Bank

Annual Report 2024


Raiffeisen BANK
Raiffeisen BANK

Overview

Monetary values are in € million	2024	2023	Change
Income Statement	**1/1-31/12**	**1/1-31/12**	
Net interest income	69.0	63.8	8.2%
Net commission income	14.6	14.8	-1.7%
Gains or losses on financial assets and liabilities	1.0	1.4	27.7%
Other operating income	8.9	8.2	8.2%
General administrative expenses	(47.3)	(41.2)	14.6%
Profit before tax	44.3	34.6	28.2%
Profit after tax	39.2	30.4	28.8%
Earnings per share	N/A	N/A	N/A
Balance Sheet			
Loans and advances to banks	9.5	12.0	-20.7%
Loans and advances to customers	1,072.4	925.5	15.9%
Investment securities	245.6	256.0	-4.1%
Deposits and borrowings from banks	11.9	7.7	53.7%
Deposits from customers	1,329.1	1,219.3	9.0%
Equity (incl. minorities and profit)	170.7	151.1	13.0%
Balance-sheet total	1,565.6	1,425.3	9.8%
Local Regulatory information			
Risk-weighted assets B2, incl. market risk and ops. risk	1,158.0	1,016.0	14.0%
Total own funds	196.1	171.6	14.3%
Total own funds requirement	139.0	121.9	14.0%
Excess cover ratio	41.1%	40.7%	0.4 PP
Core capital ratio (Tier 1)	15.1%	15.7%	-0.7 PP
Total own funds ratio	16.9%	16.9%	0 PP
Performance			
Return on equity (ROE) before tax	30.7%	25.9%	4.8 PP
Return on equity (ROE) after tax	27.1%	22.8%	4.3 PP
Cost/income ratio	48.0%	44.3%	3,7 PP
Return on assets (ROA) before tax	3.1%	2.6%	0.5 PP
NPL	3.2%	3.4%	-0.2 PP
NPL coverage ratio	74.8%	73.9%	0.9 PP
Net provisioning ratio	0.2%	1.4%	-1.2 PP
Risk/earnings ratio	13.4%	15.4%	-2 PP
Resources			
Number of staff	927	948	-2.2%
Business outlets	36	36	0.0%

Contents

Report of the Supervisory Board

Ladies and Gentlemen,

In 2024, Raiffeisen Bank in Kosova delivered a strong performance, driven by solid financial results, continued growth of its client base and services, key advancements in digitalization, and a deepened commitment to ESG (Environment, Social, Governance) principles, allowing the bank to maintain its leadership position in the market.

During the 2024 financial year, the members of the Supervisory Board held 4 ordinary meetings. The overall attendance rate for Supervisory Board meetings was 100 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen Bank in Kosovo. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen Bank in Kosovo for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board

Andrii Stepanenko
Chairman of the Supervisory Board

Report of the Management Board

2024 marked a successful year for Raiffeisen Bank in Kosova, highlighted by the continued growth of our client base and the maintaining of our position as a market leader. These achievements reflect our strong commitment to delivering high-quality banking services, with a clear focus on expanding our offering and advancing digital innovation.

Key financial metrics as of 31 December 2024 provide view of the bank's strong performance. Total assets on 31 December 2024 reached € 1,565.6 million, marking an increase of 9.8 per cent when compared to the previous year (2023: € 1,425.3 million). Total loans and advances of Raiffeisen Bank Kosovo as of 31 December 2024 were € 1,072.4 million (2023: € 925.5 million) while total customer deposits reached € 1,329.1 million as of 31 December 2024 up from € 1,219.3 million on 31 December 2023. The bank demonstrated strong profitability: net income after tax in 2024 was € 39.2 million (2023: € 30.4 million).

Raiffeisen became the first bank in Kosova to introduce digital signatures in its operations in 2024. This innovation provides our clients with easier and more accessible services, aligning with our broader commitment to expanding our digital services and product portfolio. Additionally, our main digital banking app underwent significant enhancements, offering a variety of new features that make it a comprehensive 'one-stop shop' for all our clients' banking needs. Complementing our digital progress, the bank continues to operate the largest branch network in the country, enabling us to serve clients across all regions while maintaining our approach as a digital bank with a human touch. While delivering excellent customer experiences, the bank has also regained its leadership in Net Promoter Scores (NPS) in both Corporate and Personal Banking, showing significant improvement in our SME segments as well.

The bank also continued to demonstrate its strong commitment to ESG (Environmental, Social, and Governance) principles, achieving significant results across its core pillars: Core Business, Employees, Community Investments, In-house Ecology. Notably, we are pleased to report a growing portfolio of ESG loans, dedicated to both social and environmental purposes, while also supporting initiatives that have a direct positive social impact. These efforts were recognized when we received the Excellence in Corporate Social Responsibility award from the Kosovo CSR Network, acknowledging our dedication to integrating ESG principles into our operations and the impactful initiatives we have carried out across all areas. It is with great pride that we report that the bank received other significant awards in 2024, further adding to its long list of recognitions.

The growth of the bank is a result of the strong support from our loyal customers, partners, and our dedicated employees. Their commitment has been integral to our success. As we look toward a bright future, we will continue to rely on their continued partnership and dedication. Remaining the market leader, the employer of choice, and a responsible member of our community is not only our goal but a core part of who we are.

On behalf of the Management Board,

Anita Kovacic
CEO, Chairwoman of the Management Board

Raiffeisen Bank Kosovo Management Board

Anita Kovacic

Chairwoman of the Management Board
Chief Executive Officer

Iliriana Toçi

Member of the Management Board
Retail Banking

David Heitzinger

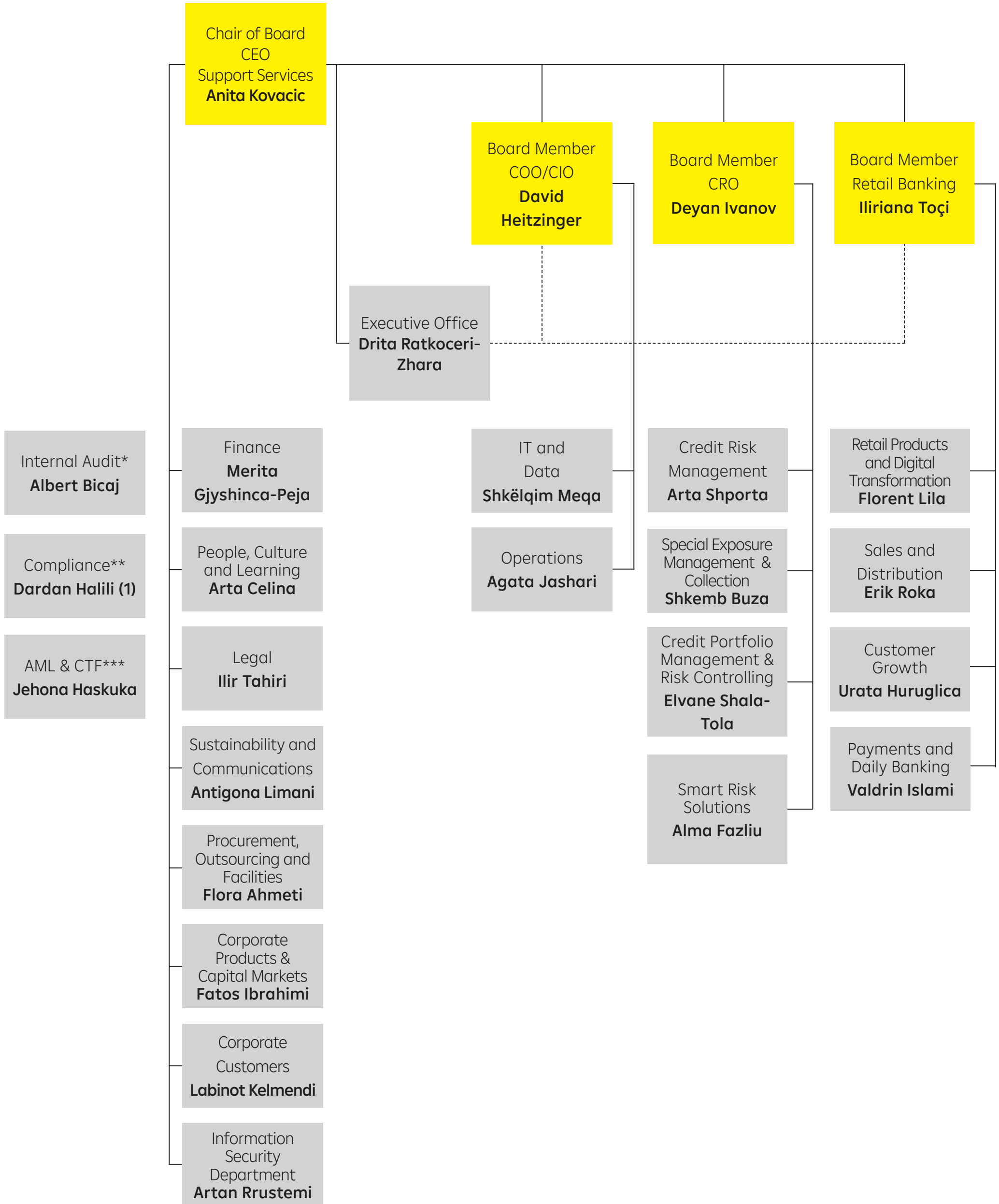
Member of the Management Board
COO/CIO

Deyan Ivanov

Member of Management Board
Risk Management

Raiffeisen Bank Kosovo Organisation Structure

As of 31 December 2024



* Internal Audit reports directly to Audit Committee of Supervisory Board

** Compliance reports directly to the Supervisory Board and to MB

*** AML & CTF reports directly to Supervisory Board and to MB

1) Data Protection Officer reports to the Board of Management

Raiffeisen Bank Kosovo Vision and Mission

Vision

We are the most recommended bank in Kosovo.

Mission

We transform continuous innovation into superior customer experience.

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 11 markets in the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management, factoring and M&A. In total, around 43,000 RBI employees serve 17.9 million customers in around 1,400 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold 61.17 per cent of RBI's shares. The remaining shares are held in free float.

Developments in the economy of Kosovo

In 2024, Kosovo's economy surged with a vibrant 4.4% real growth rate, up from 4.1% in 2023, driven primarily by robust private consumption. Household consumption, the driving force of GDP, contributed a hefty 4.0 percentage points to growth. This consumer spending boom was fueled by competitive lending conditions, with household loans soaring by 22.0%, and a dynamic labor market marked by rising wages. Stable diaspora remittances also played a crucial role in sustaining high consumption levels.
Gross capital formation added another 0.9 percentage points to GDP growth, supported by a remarkable 16.7% increase in capital expenditures. Private investments were pivotal in this expansion, evidenced by a 25.4% rise in imports of machinery and equipment and an impressive 41.4% surge in new investment loans. Both household consumption and private investments benefited from low inflation levels throughout the year.

Public consumption contributed 0.6 percentage points, reflecting a well-balanced fiscal policy that ensured essential public services while managing expenditures effectively.

However, net exports remained a challenge, detracting 1.1 percentage points from GDP growth. While exports of goods and services added 3.6 points, imports took a larger toll, subtracting 4.7 points. Despite growth in service exports, particularly in tourism and IT, Kosovo's status as a net importer widened the trade deficit. This underscores the urgent need for strategic measures to boost export competitiveness and reduce import dependency for sustainable long-term growth.

In 2024, the inflation rate has been following a declining trend. However, after peaking 0.2% in September 2024, the lowest level since early 2021, it slightly went up in the last quarter. The year 2024 was closed with an average inflation rate of 1.6% from 4.9% in 2023. This decline is mainly due to lower prices of food and fuels.

Core inflation, which measures long-term inflation trends by excluding volatile items like food and energy prices to offer a clearer view of underlying inflationary pressures, remained higher than the overall inflation rate at 2.4% at the end of 2024, up from the headline rate of 1.1%, demonstrating greater resilience.

Declared increased wages and pension hikes, tighter domestic labor market conditions and the proposal of a 15% increase in the electricity prices from the Energy Regulatory Office in Kosovo could further exacerbate inflation pressures.

Nevertheless, looking at the first two months of 2025, core inflation has remained lower than headline inflation in 2025, registering at 1.3% in February compared to 1.7% overall, indicating subdued domestic pressures even though production prices rose by 8.5% year-on-year in Q4 2024. As Kosovo is a net importer, import prices are more significant, and their growth remained modest at 0.5% year-on-year in Q4 2024, suggesting that while inflationary pressures may continue to rise, their impact will be limited.

The fiscal sector showcased impressive performance in 2024, with total revenues rising by 8.4% year-on-year and exceeding projections by 1.6%. This growth was driven by a remarkable 9.3% increase in tax revenues, which accounted for 89% of total revenues, reflecting both the organic growth of Kosovo's economy and the effects of compliance audits and formalization measures.

On the other hand, total expenses reached EUR 3.1 billion in 2024, marking an 8.4% increase from the previous year but roughly 6% below the planned budget amount. While current expenses slightly exceeded the budget by 0.4%, capital expenditures lagged by 24%, indicating that the public investments planned for 2024 were not fully realized. Nevertheless, capital expenses increased by 16.7% compared to the prior year, as 2023 was characterized by poor execution of capital investments.

As a result, the budget balance posted a surplus of EUR 16.6 million, or about 0.2% of GDP. Public debt to GDP also improved, dropping from 17.2% in 2023 to 16.9% in 2024. In absolute terms, public debt increased slightly by 4.6% year-on-year in 2024.

In contrast to the previous year, Kosovo's external sector deteriorated in 2024. The current account deficit surged to approximately EUR 920.8 million, marking a dramatic 26.2% year-on-year increase. The primary driver was the trade deficit in goods, which widened by 7.1% to about EUR 4.9 billion, coupled with a 2.1% drop in secondary incomes. Despite a 10.0% rise in net services to EUR 1.8 billion and an 8.3% increase in primary incomes, these gains couldn't offset the swelling trade deficit.

Kosovo's Foreign Direct Investment (FDI) totaled EUR 856.3 million, reflecting a modest increase of 1.9% from the previous year. The real estate sector continued to dominate as the largest recipient of FDIs, commanding over 75.7% of the total, primarily driven by investments from the Kosovar diaspora. Real estate was followed by the financial and insurance sector, with EUR 144.0 million or 16.8% of total FDIs.

Germany and Switzerland, home to significant Kosovar communities, were the leading sources of these investments, contributing 23.2% and 21.5% of the total FDIs, respectively. Remittances totaled approximately EUR 1.355 billion, reflecting a modest 1.4% year-on-year growth. This marks a significant slowdown compared to the robust increases of previous years, such as the 9.2% rise in 2023 and the 17.7% surge in 2021. Despite the overall upward trajectory over the past two decades, the growth rate in 2024 suggests stabilization following years of substantial gains. Remittances and FDI together are a solid source of financing for the current account deficit.

The last census in Kosovo reports a resident population of around 1.6 million, an 8.8% decline from 2011. This demographic shift towards an aging population and smaller households may have significant implications for economic growth in the future.

Looking ahead to 2025, GDP growth is anticipated to maintain a steady expansion at around 4%, fueled by strong private consumption and investment activities. Continued support from the diaspora is expected to bolster the economy. However, geopolitical risks remain a concern, and resolving EU penalties will be crucial to prevent future economic disruption. Additionally, Kosovo's reliance on trade underscores the importance of stable commodity prices for local economic progress. Another significant risk is the declining population, which could affect the labor market and long-term economic sustainability.

Source: Central Bank of Kosovo, Kosovo Agency of Statistics, Ministry of Finance, Raiffeisen Research

Banking Sector in Kosovo

During the recent tightening cycle, transmission of the ECB policy rate to market rates in Kosovo—a unilaterally euroized economy—has been limited. This is true even when compared to regional peers with similar exchange rate regimes. Euro area inflation 2.9% percent in 2023 to 2.4 percent in December 2024. In 2023, Kosovo's annual inflation rate slowed to 4.9%, down from 11.6% in 2022. As of December 2024, the inflation rate stood at 1.1%.

Following the surge of inflation, the ECB implemented the most aggressive monetary policy tightening since the ECB came into existence, effectively leading to a rise in bank interest rates both in and out of the euro area. Between June 2022 and September 2023, the ECB policy rate increased significantly, from 0 percent to 4.5 percent. This represented a faster and stronger tightening compared to the previous most substantial tightening episode, which recorded an escalation from 2 percent in December 2005 to 4.25 percent in September 2008. Passthrough of changes in the policy rate to economic agents' financial decisions is key to the effectiveness of the monetary policy transmission mechanism.2 In this context, the literature suggests that the ECB's policy rate changes have been effective not only in euro area but also in non-euro area economies.

Bank interest rates in Kosovo increased following the ECB policy tightening, however the passthrough has been limited, particularly for lending rates. Both lending and deposit rates in Kosovo inched up since the beginning of the ECB tightening cycle. However, this increase has been much smaller than in the euro area. For instance, from the start of the ECB tightening cycle in July 2022 to August 2023, non-financial corporations (NFC) loan rates increased by 3 percentage points (pp) in the euro area but by only 0.9 pp in Kosovo

Just before the ECB's tightening measures, loan and deposit rates in Kosovo were higher than in the euro area and comparable economies. For instance, mortgage rates in the euro area in August 2023 were still lower than the level of mortgage rates in Kosovo at the beginning of the tightening cycle in June 2022. This contrast reflects different levels of financial market development and risk perception. Deposit rates being high initially can be explained by bank dependence on local deposits more than on wholesale funding (and consequently paying a higher price to attract deposits). Although banks with the largest customer shares in Kosovo are subsidiaries of foreign banks, the system is still affected by Kosovo-specific risks, while Kosovo is still developing the financial sector's legal and regulatory.

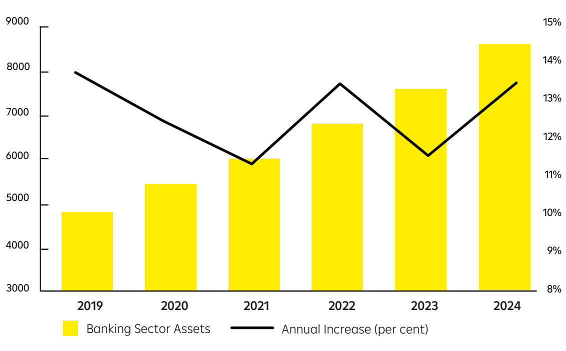
During the recent ECB monetary policy tightening, private sector credit growth has been larger, and banks have been more profitable in Kosovo than in comparator economies. Profitability of banks in Kosovo has always been stronger than the banks in comparator economies, with larger credit growth despite high lending rates. Although keeping the leading position in profitability, the gap on profitability with banks in comparator economies has narrowed.5 This could be partially explained by stronger ECB policy rate pass-through to loan rates in these economies than Kosovo.

Banks of Kosovo serve the citizens and businesses of Kosovo by offering a wide range of financial services. Banking business in Kosovo is traditional in nature. It largely comprises the acceptance of deposits and granting of loans. Virtually all banking business is conducted in euros, and there is no cross-border activity except for placements from and with foreign banks and parent bank groups of Kosovo banks and also security investments mostly in OECD government securities.

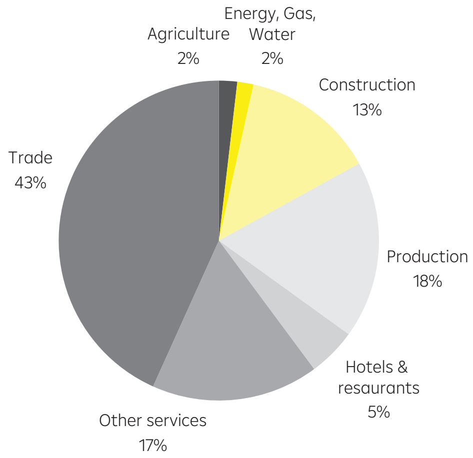
With the closure of banking operations from Komercijalna Banka, the number of banks in actual year went from 12 to 11 licensed banks operating in Kosovo as of Dec 2024, out of which 8 are with foreign ownership of capital and the rest being locally owned capital. Total assets of foreign owned banks are 83.6% as of Dec 2024.

The total number of banking branches in the market increased from 215 in 2023 to 227 in Dec 2024. In addition, the number of employees in banking sector also increased from 4,022 in 2023 to 4,143 as of Dec 2024.

Banking Sector Assets Development



Total assets of the banking sector reached € 8.6 billion on 31 December 2024 (2023: € 7.5 billion). The growth of total assets in 2024 was 13.5 per cent and it was higher compared to increase of 11.5 per cent in 2023. The growth of the banks' total assets was mainly driven by an increase in loans and advances to customers, which continued to be the main asset category followed by investments in securities and placements with banks.



Business Loan Sector Concentration

Total loans and advances reached a value of € 5.8 billion (2023: € 4.9 billion), which is an annual increase of 18.3 per cent (2023: 13 percent). This growth was made possible mainly as result of increase in demand for new loans as the banking sector did impose certain tightening policies as result of economic situation and the inflationary pressures.

The economic sector concentration of loans and advances to businesses continued to be dominated by the trade sector with an overall share of 43 per cent (2023: 44 per cent), followed by production with 18 per cent and other construction with 13 per cent. In 2024 the largest increase in absolute terms was in the other services sector at € 188 mn followed by trade which increased by € 184 mn. (Source: bqk-kos.org | Seritë Kohore | Banka Qendrore e Republikës së Kosovës).

Banking sector investments in securities including bonds and T-bills was € 991.8 million on 31 December 2024 (2023: € 895 million), an increase of 10.8 per cent. It reflected the increased overall liquidity position of the Kosovo banks which was impacted by an increase in customer deposits during the year.

The financing of banking sector activities continued to be supported by customer deposits and own capital, specifically the profit kept from the previous periods. So, the growth of the banking sector is largely dependent on the performance of deposits, which determine the direction of the sector's movement.

Value of customer deposits at the end of December 2023 reached 6.9 billion euros which represents an annual increase of 13 percent (2023: 10.4 percent). The increase in household deposits was 11.1 percent, in non-financial corporations it was 12.3 percent while the increase in other financial corporations was 34.2 percent.

Customer deposits consisted of the following:
- Current accounts with € 4.3 billion, out of which 65 percent was from household sector.
- Term deposits with € 2.0 billion, out of which 60% percent was from household sector; and,
- Saving accounts € 586.5 million, out of which over 80% percent was from household sector.

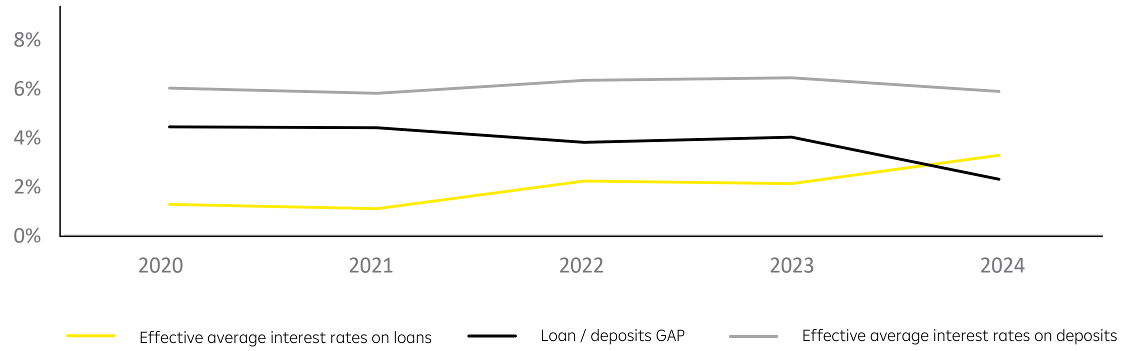
The European Central Bank (ECB) has not raised basic interest rates recently, reflecting its ongoing efforts to manage inflation. In December 2024, annual inflation in the euro area stood at 2.4%, up from 2.2% in November. Projections suggest that inflation will continue to decline, averaging around 1.9% in 2025.

These developments in the ECB's monetary policy are expected to influence the interest rates applied by local banks in Kosovo. While local banks have decreased slightly interest rates, it is anticipated that there will be no further increases, consistent with the decreasing trend observed in last two years.

Based on the Central Bank of Kosovo published data on customer loans in Kosovo it shows an decreasing trend for the last two years. The overall loans rate dropped from 6.35 percent in December 2023 to 5.87 percent in December 2024. This is small decrease but very substantial in the determining the overall economic health of the economy and economic development of the country by reducing the cost of investments and promote customer expenditure. The average interest rates for loans have reduced across all sectors including households and non-financial institutions. The average rates for non-financial institutions stood at 5.95 percent, down from 6.45 percent a year before. While the average rates for households were 5.68 percent, down from 6.18 percent in the previous year.

The rates for new mortgage loans also saw a decrease in the actual year as they dropped from 5.32 percent in December 2023 to 4.88 percent in December 2024.

Market effective interest rates



The banking sector at the end of 2024 realized a net profit of 182.1 million euro, the highest level in the recent history of Kosovo banking sector. Such a positive financial result was achieved mainly by the increase in revenues which was better than a year ago, while expenses also continued the increasing trend. Total revenues reached the value of 503.3 million euros, which represents an annual increase of 15.6 percent. Main contribution in the income increase was by the income from interest, which represents 76 percent of total revenues. Within the interest income, interest income from loans mainly contributed to this increase, a category affected by the significant increase in lending which has been increasing in double digit figures in the recent years. Interest income from loans and advances to customers increased by 17 percent in the actual reporting period.

In addition, income from placements with banks have grown, though not as significantly compared to the same period of the previous year while the growth in the interest income from investments in securities grew more significant at 37 percent from a year before. This was mainly driven by the higher interest rate environment in 2023 and the first half of 2024, which positively impacted the overall income generated from the bond portfolio.

The category of non-interest income, mainly from fees and commissions, the increase was 10 percent, reaching the value of 105.5 million euros up from 96.2 million euros at the end of 2023.

Total expenses of the banking sector increased in actual year by 15 percent and reached 321.2 million euros by December 2024. The highest contribution to this growth of expenses was the growth of general and administrative expenses which increased by 26.4 million euro or 17 percent, followed by interest expenses which increased by 17.4 million euro or 42 percent in the actual year.

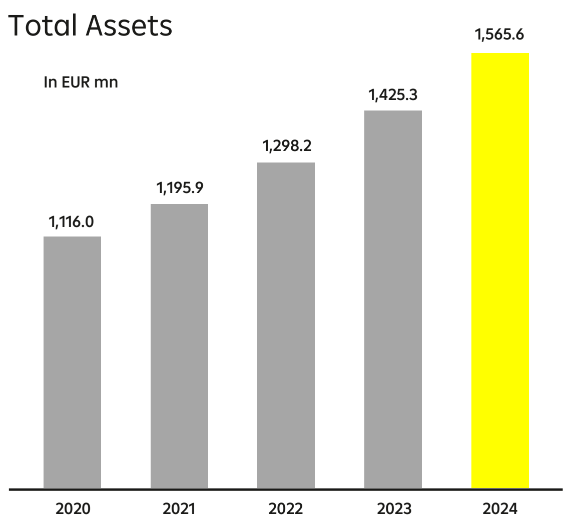
Over the years, the banking sector has managed to provide high level of capitalization when when measured as total own funds over risk weighted assets at 16.2 percent and liquidity levels, when measured as liquid assets over short term liabilities at 32.6 percent, as well as to keep a low ratio of non-performing loans. The levels of these indicators beyond the regulatory requirements give advantage to the sector in absorbing losses likely to be caused in the event of any negative macroeconomic or financial shock. Also above actual capital requirements ratio means that banking sector will be able to adjust to the new macroprudential capital buffers introduced by Central bank of Kosovo during 2024 for which the banks should be fully compliant by end of June 2025. The quality of assets, specifically portfolios credit marked improvement starting from the last quarter of 2021 until end of 2024, where the value of non-performing loans there was an average downward trend. The NPL Ratio improved slightly in actual year at 1.9 percent down from 2 percent in December 2023.

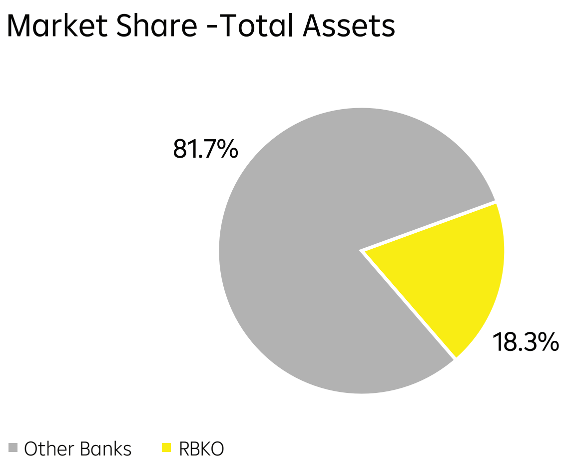
Coverage with provisions from potential losses from loans was reduced to 123.9 percent, from 145.9 percent in December 2023, due to higher growth of the value of non-performing loans than the value of provisions set aside for loan coverage.

Raiffeisen Bank Kosovo performance and financials

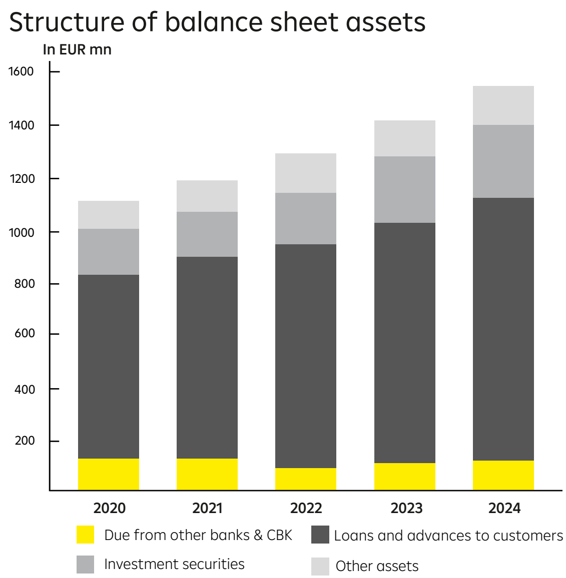
Raiffeisen Bank Kosovo had a strong year with solid financial performance, in line with the positive developments in the banking sector.

Total assets of Raiffeisen Bank Kosovo on 31 December 2024 were € 1,565.6 million. This is an increase of 9.8 per cent when compared to the previous year (2023: € 1,425.3 million). The percentage of market share of the total assets of Raiffeisen Bank Kosovo was 18.3 per cent (2023: 18.9 per cent).



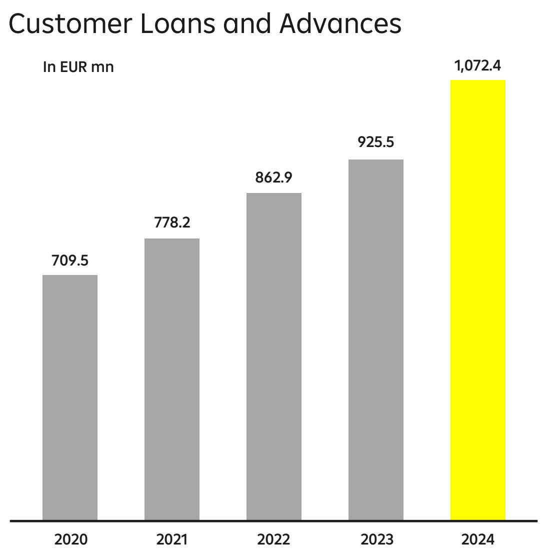


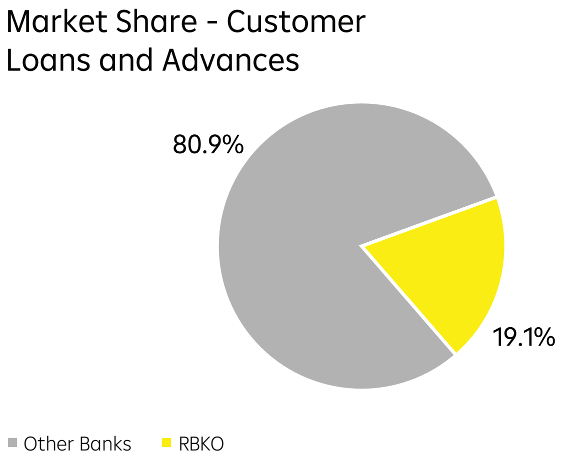
The structure of Raiffeisen Bank Kosovo assets continued to be dominated by loans and advances to customers. As of 31 December 2024, 68.5 per cent of total assets were concentrated in loans and advances to customers. That was followed by 15.7 per cent in investment securities. Investment securities include investments in Government and Corporate bonds of EU countries and the US, as well as treasury bills issued by Kosovo Government.



Investments in securities as of 31 December 2024 were € 245.6 million (2023: € 256 million). Investments in Kosovo Government treasury bills were € 32.3 million (2023: € 29.5 million) and investments in other OECD country government and corporate bonds was € 213.3 million (2023: € 226.5 million).

Total loans and advances of Raiffeisen Bank Kosovo as of 31 December 2024 were € 1,072.4 million (2023: € 925.5 million). The market share in loans and advances as of 31 December 2024 was 19.1 per cent (2023: 19.6 per cent).



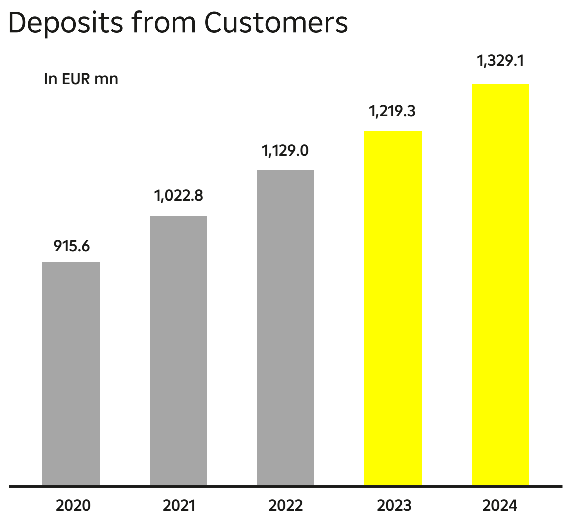


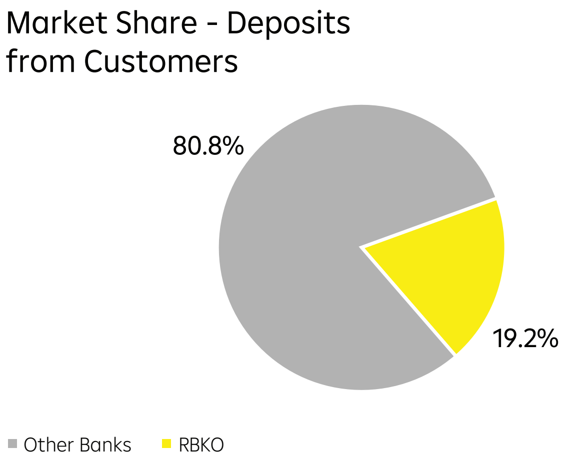
The bank is a member of Kosovo Credit Guarantee Fund and benefits from the guaranteed scheme of micro enterprises aimed at providing access to funds for micro enterprises and encourage employment in the sector by entering in risk sharing guarantee program. The bank's securitized portfolio has a value of over EUR 52.6 million and is part of various securitization windows with varying risk-sharing agreements. In June of 2024 a new window "Diaspora Investment Window" was launched. This initiative aims to attract investments from the diaspora and facilitate access to finance for diaspora businesses that are ready to invest in Kosovo. It is worth noting that the basic funds for the guarantee scheme, in the amount of 10 million euros, were provided by the Government of Kosovo (8 million euros) and the Kosovo Credit Guarantee Fund (2 million euros). Also, USAID through the project "Investment Promotion and Access to Finance" will implement a broad promotional campaign and will offer grants to qualified businesses, which are financed through the Diaspora Investment Window.

Raiffeisen Bank Kosovo has calculated allowances for credit losses based on credit risk policies. These allowances for credit losses amount to € 38.2 million (2023: € 39.4 million). These allowances are calculated based on the IFRS 9 expected credit loss model and reflect Raiffeisen Bank Kosovo assessment of risk on the loan credit portfolio on 31 December 2024.

The total credit loss allowances to nonperforming loans was 108.1 per cent (2023: 121 per cent).

Total customer deposits of Raiffeisen Bank Kosovo reached € 1,329.1 million as of 31 December 2024 up from € 1,219.3 million on 31 December 2023. That is an increase of 9 per cent. Raiffeisen Bank Kosovo had a market share of 19.2 per cent in deposits from customers. The domestic generation of finances also contributed towards greater stability in the banking sector and reduced the impact of any volatility from the international markets.

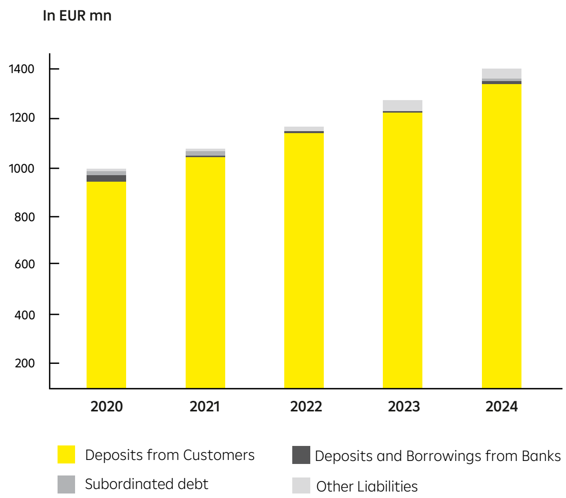




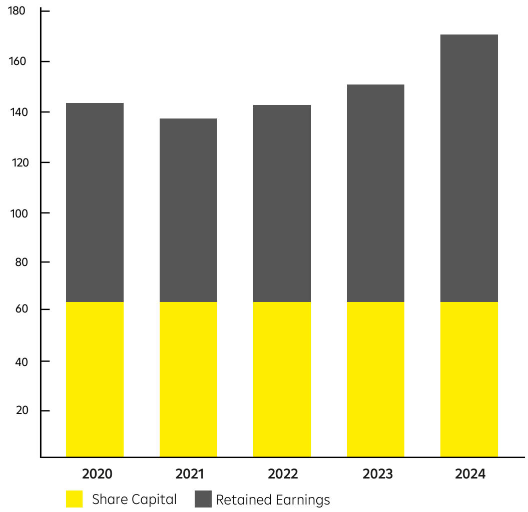
The largest contributor to deposits from customers was current accounts with a share of 87 per cent. Savings accounts have a share of 9 per cent of total bank customer deposits. Term deposits from customers and other accounts contain equate to 4 per cent of the total deposit base. The current structure of customer base is dominated by current accounts due to an economic environment dominated by very low interest rates. The liabilities structure of Raiffeisen Bank Kosovo was dominated by customer deposits, and this was also the case for the Kosovo market.

In 2024, Raiffeisen Bank Kosovo's share capital remained unchanged at € 63 million. The total equity as at 31 December 2023 was € 170.7 million (2023: € 151 million), also including € 108.3 million in the form of retained earnings.

Structure of balance sheet liabilities



Structure of Equity



Raiffeisen Bank Kosovo continued to be well capitalized which was reflected in the 2024 regulatory capital ratios of Tier 1 to total risk weighted assets ratio of 15.05 percent (legal requirement over 9 per cent) and a total capital (including Tier 2) to risk weighted assets ratio of 16.9 per cent (legal requirement 12 per cent).

The above capital requirements were calculated in compliance with the CBK regulation on capital adequacy and other applicable regulatory rules and regulations.

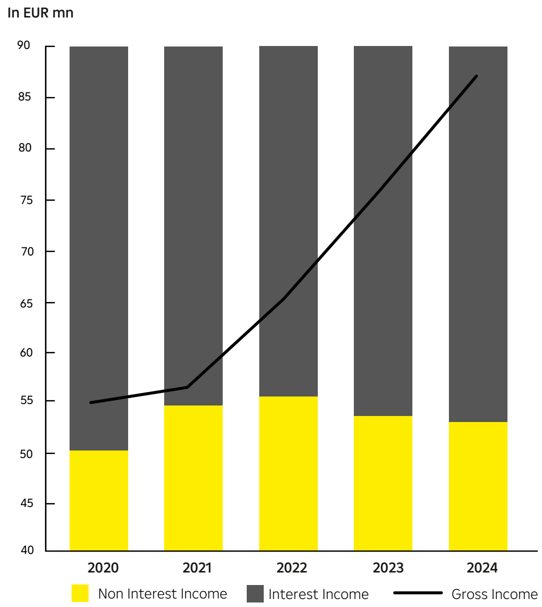
2024 was a year in which the bank achieved some record results in terms of financial performance making it the most successful year since its beginning of operation in the market. Net income after tax in 2024 was € 39.2 million (2023: € 30.4 million). This result is calculated based on IFRS Financial Statements as included in this report.

IFRS statements are reported to Central Bank of Kosovo on regular monthly basis and are also published on a quarterly basis on the Raiffeisen Bank Kosovo website and in local e-news portals.

Raiffeisen Bank Kosovo income was strongly dominated by income generated from loans and advances to local customers.

In 2024, the net interest income increased compared to the year before by 8 percent.

Gross Income development and structure

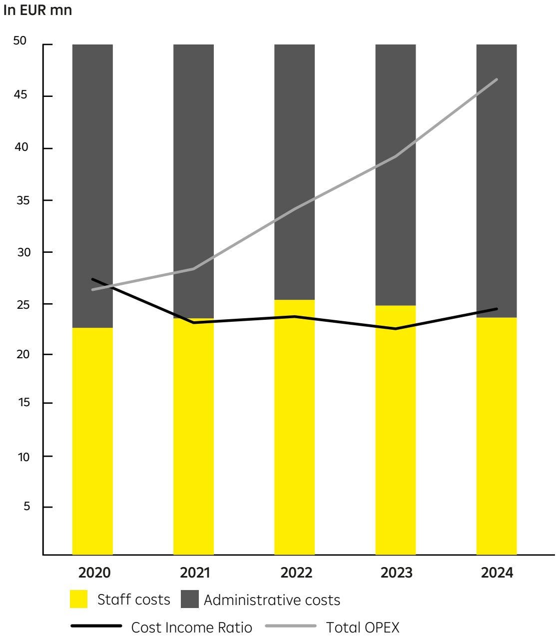


The increase was impacted by increase in interest income from loans and advances as well as interest income from investment securities. On the other hand, interest expenses also increased as result of increase in customer term deposit balances with and issuing of subordinated debt in Q4 of actual year.

Net fee and commission income decreased very lightly by less than 2 per cent in 2024. The increase in fee and commission income is one of the positions which has seen more rapid growth in the period after the pandemic crisis and is mainly coming from bank payments business which saw increased activity in actual reporting period as result of large number of diaspora transactions throughout the year and more significantly during the summer.

Other income increased slightly but as of July 2024 the bank competence center department, which offered IT services to intergroup companies, was sold to Raiffeisen Tech Kosovo (100% subsidiary of Raiffeisen Tech Vienna), registered as separate legal entity and will resume its services independently.

General Administrative Expenses Development



The general and administrative for the period ended 31 December 2023 were € 47.3 million (2021: € 41.2 million). The largest increase in bank operating expenses was in the other administrative costs followed by personnel & related expenses which includes costs, such as employee wages, training and other professional development. These costs continued to represent a significant part of operational expenses of the bank.

The cost income ratio was 48.0 per cent (2023: 44.3 per cent).

Treasury, asset and liability management

The main responsibility of the Treasury/ALM (Asset and Liability Management) is to manage the bank's financial resources to ensure liquidity, profitability, and financial bank stability. This includes managing liquidity, strategic asset and liability management (optimizing the bank's balance sheet to achieve financial goals and comply with regulations), funding and capital management (ensuring the bank has sufficient funds for its operations and long-term growth while maintaining a strong capital position).

Intraday liquidity management & Money Market

Intraday liquidity management encompasses the continuous monitoring and forecasting of daily cash flows, establishing liquidity limits, and ensuring strict adherence to reserve requirements. It also involves managing liquidity risks and collaborating with various departments to ensure that adequate liquidity is maintained to meet short-term financial obligations. All these activities are conducted in full compliance with local regulatory standards, safeguarding the bank's operational efficiency and financial stability.

The Asset and Liability Management (ALM)

The unit is responsible for dynamically managing the bank's balance sheet through an ongoing process of formulating, implementing, and monitoring strategies approved by the Asset and Liability Management Committee. It oversees the strategic interest rate position, with the primary goal of maximizing the economic value of the banking book and generating adequate, stable net interest income within the approved risk appetite. This year, for the first time, Raiffeisen Bank Kosovo implemented Cash Flow Hedge Accounting as an effective tool for managing interest rate positions.

The management of the balance sheet takes into account both liquidity and interest rate exposure. One of the key tools used by Raiffeisen Bank Kosovo to manage these positions is internal funds transfer pricing, which is based on market rates and designed to allocate costs and benefits across business segments, encouraging efficient liquidity usage. As part of the broader risk management framework, the bank's assets and liabilities are modeled and analyzed to accurately reflect its liquidity and interest rate risk profile. The liquidity position is managed with a conservative strategy that ensures adequate long-term funding, supported by a stable deposit base, to support the Bank's lending programs. This strategy maintains a liquidity profile that is sufficiently robust to meet client needs and payment obligations, both under normal economic conditions and during times of stress.

In order to ensure an adequate level of liquidity under stress conditions, the Bank maintains a liquidity reserve comprised of high-quality liquid assets (HQLA), including cash held at the Central Bank and bonds eligible as collateral for Central Bank liquidity facilities. By maintaining this reserve, the Bank ensures alignment with internal requirements and liquidity risk regulations for stress conditions. Liquidity Coverage Ratio (LCR), the regulatory standard for stress conditions, aims to ensure sufficient liquid assets to meet stress-free liquidity needs for 30 days. According to regulatory requirements, the Bank has to maintain an LCR level above the minimum threshold of 100%. In the case of Raiffeisen Bank Kosovo LCR ratio at the end of 2024 is 195% notably higher than the regulatory level.

Funding Management

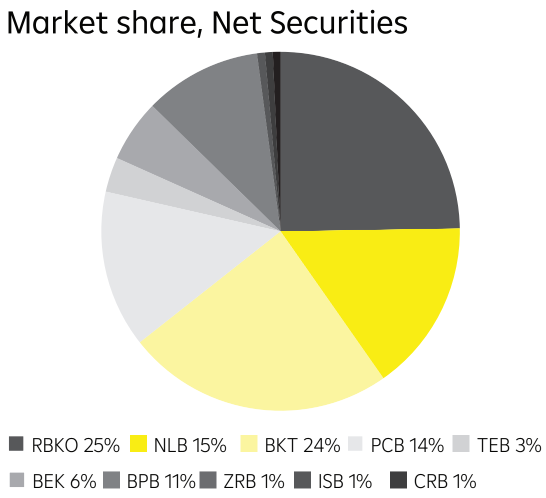
The Treasury Unit is also responsible for managing Funding and regularly updating the Bank's funding plan. This plan takes into account projected business growth, balance sheet development, future funding requirements, and maturity profiles, while considering the impact of market changes and regulatory conditions. All of this is managed within the framework of optimizing the Bank's capital structure.

In 2024, Raiffeisen Bank Kosovo continued its successful partnership with the EBRD by signing three new guarantee agreements. Through these agreements, the Bank will support small and medium-sized enterprises (SMEs) in strengthening their resilience, competitiveness, and contribution to the green economy transition. The new guaranteed schemes will facilitate loans to SMEs over the coming years, offering more favorable financing conditions, such as preferential interest rates, reduced collateral requirements, and other attractive terms. Funding requestors, including businesses and other stakeholders, along with Treasury, are responsible for coordinating access to and participation in various programs developed by international financial institutions, which support the lending activities of the business lines.

Treasury and Investment Banking/Fixed Income

In 2024, eurozone government bond yields experienced notable fluctuations, influenced by various economic factors. At the beginning of the year, yields were elevated due to ongoing concerns about inflation and adjustments in monetary policy. As the year progressed, however, yields started to decrease. During this time, Raiffeisen Bank played a crucial role in the local bond market, helping to develop the secondary market for Kosovo government bonds and boosting trading volumes. Alongside our regular lending activities, in 2024, we also allocated our liquidity to investments in both Kosovo and foreign government bonds, seeing them as a highly attractive investment with the best returns.

The bank absorbed its surplus liquidity primarily through financial investments, ending the year with a total volume of €246 million, nearly 95% of which was held in high quality liquid assets. We increased the proportion of high-quality liquid assets to meet our mandatory liquidity requirements. A very small portion of the portfolio is allocated to financial institution positions, with government securities making up the majority of the overall portfolio. In 2024, Raiffeisen Bank Kosovo maintained its position as the market leader in security holdings, capturing 25% of the market share.



Money Market

The money market portfolio remained stable and well managed throughout 2024. Maturity extensions were carefully structured to adhere to all imposed restrictions while ensuring that the liquidity needs of both the bank and its customers were met at all times. This unit supported short-term liquidity management by increasing the volume of interbank transactions in both domestic and foreign markets, further enhancing interbank activity.

Business segments

As of December 2024, 927 employees of Raiffeisen Bank Kosovo served 349,602 customers, an increase of about 28,523 customers compared with the previous year (2023: 321,079 customers). This growth underscores the bank's dedication to delivering exceptional customer experiences for both individuals and businesses, all while continuing to blend personal service with advanced digital solutions.

The bank has the largest branch network in Kosovo, with a presence in every region of the country. Branches are equipped with a variety of modern features, including self-service areas that allow customers to access online banking services around the clock. Additionally, the bank offers a comfortable and private space for meetings and financial consultations, thoughtfully designed to enhance the Affluent Banking services.

In 2024, the bank continued to enhance both lending and customer service, with its digital transformation efforts serving as a key driver of this success. Examples of this success is the continued growth in the use of the RaiKesh digital platform for personal loan applications, which has greatly enhanced customer convenience. Through continuous innovation, RaiKesh has achieved significant progress. The increased loan application ticket limit to €20,000 resulted in a remarkable 192% boost in total sales and allowing the bank to process 45% more applications. In addition, the adoption of digital Know Your Customer processes has further streamlined operations, improved efficiency and ensuring a smoother experience for costumers.

The bank strengthened its SME offerings with innovative strategies. The portfolio experienced impressive growth of €13.7 million compared to last yeaar, fueled by the introduction of tailored solutions such as the current account package for new-to-bank small enterprises and the SME Loan "All4business" platform, designed to meet the diverse financing needs of its clients.

The bank also initiated ESG-focused initiatives. The current SME portfolio was flagged to identify environmentally and socially responsible businesses, with plans to expand its ESG-focused portfolio further. These initiatives reflect the bank's dedication promoting sustainable growth within the SME segment.

Total ESG portfolio reached EUR 113.41 million by the end of 2024, with EUR 22.40 million in green loans, EUR 73.61 million in social and EUR 17.4 million in environment. The bank continued its partnerships with various organizations to promote green investments in SMEs, including the collaboration with the European Bank for Reconstruction and Development (EBRD).

In 2024, the Corporate Segment demonstrated strong resilience and growth. The continued focus on delivering tailored financial solutions, enhancing customer relationships, and fostering innovation has enabled the bank to achieve significant financial results.

The Corporate Segment also focused on evaluating potential lending opportunities in ESG loans, with an emphasis on enhancing environmental and social outcomes. As such, solar power plant projects have been supported and financed from the bank, while other green deals are already under review for Y2025.

G-Fit, a new cash management high sophisticated service offering that improves cross-border payments with faster processing, real-time tracking and increased transparency has been launched. Thus, enhances efficiency, streamline interbank transactions, boost's reliability and increase client satisfaction.

To attract international customers and companies that do operate in different countries, a special focus was put in improving of digital service offering to these groups of clients related to Cash Management Services. EBAM (Electronic Bank Account Management) has been started to develop. Through this platform international companies will have transparency over all accounts, streamline internal processes for efficiency - Opening and closing of accounts.

The bank also placed further focus on younger generations. At the end of 2024, it became the first in the country to introduce a debit card specifically designed for children aged 11-18, aimed at helping them develop responsible financial habits in a safe and controlled environment, with supervision from parents or guardians. This personalized debit card, featuring the child's name, offers several key benefits, including the ability for parents to set daily spending limits, ensuring greater control over their child's financial activity.

Banking products and services

In 2024, the retail banking digital products reinforced unwavering commitment to excellence by embracing digital transformation, with a clear focus on delivering a customer-centric banking experience. The bank saw an impressive 25% year-over-year increase in mobile banking usage, with over 70% of active customers now engaging with the bank`s digital platform. This growth highlights the increasing preference among the bank`s customers for digital channels in managing their banking needs.

Alongside this, the bank witnessed a remarkable 62% increase in transaction volumes through the bank`s mobile banking platform, which now accounts for 97% of all transactions conducted at the bank. This indicates strong customer engagement and a high rate of adoption of the bank`s mobile services.

Raiffeisen Bank Kosovo introduced a range of innovative features in 2024, aimed at enhancing the digital banking experience and providing greater convenience, security, and personalization for the bank`s customers. To start, the bank launched an advanced smart widget within Mobile Banking, allowing retail customers to gain comprehensive insights into their financial status and activities.

The Bank also enhanced the platform with features enabling seamless redirection to specific in-app pages or external links, improving navigation and boosting the overall user experience. By incorporating cutting-edge designs and functionalities, was ensured the bank`s mobile banking services remain at the forefront of innovation. In addition, the platform underwent significant upgrades, improving both its visual appeal and operational efficiency.

Customers can now set up Standing Orders directly within mobile banking, facilitating automated recurring transfers both domestically and within the bank. The introduction of Card-to-Card transfer capabilities further enhances the flexibility and convenience of the services.

To further meet customer needs, the bank expanded the mobile banking offerings to allow users to open savings accounts directly within the app, streamlining the process and providing faster, more convenient access to banking services without the need for a branch visit. In response to customer demand for greater flexibility, was raised the KUIK payment limit to 500 EUR, enabling customers to make higher-value transactions with ease and security. Additionally, were launched targeted campaigns offering personalized financial solutions based on individual customer preferences and needs.

In the second quarter of 2024, the bank introduced digital identification and signature functionality across its platforms, simplifying the document signing process while ensuring enhanced security and efficiency. This feature eliminates the need for physical paperwork, accelerating transactions and supporting environmental sustainability. With robust encryption and authentication in place, the digital signature solution provides a safe and legally recognized alternative to traditional signatures, offering customers a more convenient and secure way to manage their banking needs.

Through continuous innovation, RaiKesh, the bank`s personal loan platform, has made significant progress. Bank raised the loan application ticket limit to €20,000, leading to a remarkable 192% increase in total sales and covering over 45% more applications with the same amount. Since early 2024, was integrated RaiKesh into the mobile platform, enabling customers to apply for personal loans directly through the Raiffeisen Plus app. Additionally, the first end-to-end (E2E) digital journey was completed through RaiKesh, further enhancing the customer experience.

During 2024, the bank introduce the fully digital, end-to-end online account opening service, which allows customers to open accounts completely online, from initial application to final approval. Since its launch, thousands of customers have successfully onboarded through this E2E journey.

Introducing All4Business, an SME online lending platform dedicated to streamlining the loan application process and automated approvals for small and medium-sized enterprises. The bank has proven the focus on digital transformation and simple processes. This innovative solution reflects the commitment to fostering the growth of SMEs.

Customer experience

In 2024, the bank undertook several key initiatives to enhance its customer-centric approach. A primary focus was improving the digital journeys by scaling up the service design principles, particularly in account opening, lending, internet/mobile banking platform and Know Your Customer (KYC) process. This strategic effort ensured a more seamless and intuitive user experience, addressing specific pain points and enhancing customer satisfaction and loyalty.

Efforts to extend research were made to better understand and address customer needs and preferences. By employing a combination of qualitative and quantitative methods, the bank gathered comprehensive customer data to tailor the products and services more closely to customer needs. This approach allowed the bank to identify and address specific pain points and expectations through in-depth interviews, feedback surveys, and large-scale quantitative studies.

A cornerstone of 2024 initiatives was also the successful integration of the Digital Commerce initiative into the bank`s mobile banking app. By leveraging customer data, the bank created and delivered personalized offers and recommendations, making customers feel valued and understood. Namely, this feature enables a higher level of personalization through highly personalized banners, push notifications, and so on. This data-driven approach fostered deeper connections with the brand and increased customer engagement, satisfaction, and loyalty. The overall efforts to streamline processes are appreciated by bank`s customers. For instance, Raiffeisen Plus,  bank`s main digital platform, has a customer rating of 4.1, with users praising its simplicity and efficiency for tasks like bill payments and quick access to essential banking services anytime, anywhere. RaiPay (an app serving as a digital wallet) boasts a higher rating of 4.5, with customers finding it highly useful for daily financial transactions. Most importantly, the PI NPS score of 57 in 2024 solidifies the bank`s position as a market leader.

Risk management

Raiffeisen Bank Kosovo is committed to a proactive and dynamic approach to risk management, ensuring the bank's activities remain healthy, sustainable, and resilient in an evolving financial landscape. The bank recognizes the importance of a strong culture, which refers to shared attitudes, values and standards that shape behaviors related to risk awareness, risk taking and risk management.

Risk culture encompasses corporate values, norms, attitudes, competencies, and behaviors related to risk awareness (perception of risk) and risk-taking. The bank has a sound risk culture, consistently supports appropriate risk awareness, behaviors, and judgements about risk-taking within a strong risk governance framework. A well-developed risk culture strengthens risk management, encourages prudent risk-taking, and ensures that potential threats beyond the bank's risk appetite are promptly recognized, assessed, and mitigated.

As a financial institution, the bank is exposed to many types of risks as part of bank activities. To actively and effectively identify, measure and manage risks, the bank continues to develop and advance its comprehensive risk management framework and system. Risk Management is an integral part of the overall bank management. The bank has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at managing material risks. Credit, market, liquidity, and operational risks are measured, limited, mitigated, aggregated, and compared to the available risk coverage capital. The bank also leverages advanced data analytics and predictive modeling to enhance risk identification and prevention, enabling a forward-looking approach to risk assessment. In addition to adhering to legal and regulatory requirements, the bank considers the nature, scale, and complexity of its business activities to ensure that risks are well understood and appropriately managed.

Environmental, Social, and Governance (ESG) risks are recognized as cross-dimensional factors affecting all areas of risk management. In response to growing global sustainability challenges, the bank actively integrates ESG considerations into its risk framework to ensure long-term resilience and compliance with international best practices. These factors, assessed through an internally developed materiality framework, are embedded within the management of various risk types, including credit, market, operational, and liquidity risks. By prioritizing sustainability, the bank aims to not only safeguard its financial stability but also contribute positively to environmental protection, social well-being, and ethical governance.

During 2024, RBI received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment, also RBI's sustainability rating was confirmed at level "C+" in September 2024, which corresponds to "Prime Status". In February 2025, RBI received a B which is in the Management band. This is the same as the Europe regional average of B, and the same as the financial services sector average of B.

Credit Risk

Credit risk refers to the potential financial loss that arises when a customer or counterparty fails to fulfill their contractual obligations. Among the various risks the bank faces, credit risk is the most significant, primarily stemming from direct lending, trade finance, and other credit-related activities with clients. Managing this risk effectively is essential to safeguarding the bank's financial stability and ensuring sustainable business growth.

To address this, the bank has implemented a comprehensive Credit Risk Management framework, which is detailed in relevant policies, procedures, and standards. These documents are fully compliant with Kosovo's legal and regulatory requirements and are also harmonized with the risk management policies of Raiffeisen Bank International AG. The framework outlines the fundamental principles of credit risk governance, emphasizing prudence, risk awareness, and proactive mitigation strategies.

The primary objective of Credit Risk Management is to maintain a high-quality credit portfolio, minimize risk concentration, and ensure appropriate provisioning for potential credit losses. Credit risk concentration is carefully managed through defined limits and exposure thresholds, applied across various dimensions such as individual counterparties, economic sectors, and geographic regions. For instance, single-name risk limits help prevent excessive exposure to a single borrower or group of connected clients (GCC), while industry-specific caps mitigate sectoral vulnerabilities. The bank's commitment to a diversified and resilient credit portfolio is reinforced through continuous risk assessments and strategic adjustments.

As part of this framework, credit risk analysis and assessment processes are conducted before loan disbursement. A structured and data-driven approach enables the bank to assess the creditworthiness of clients, evaluate potential risks, and structure loans accordingly. Furthermore, to sustain a healthy and balanced credit portfolio, regular monitoring of clients' financial positions is carried out post-disbursement. Ongoing surveillance and early warning systems allow the bank to identify potential deterioration in a borrower's financial condition, facilitating timely intervention to mitigate risks. By employing advanced analytics, automated risk monitoring tools, and stress testing methodologies, the bank strengthens its ability to anticipate and respond to emerging credit risks.

Credit Portfolio Management

Credit Portfolio Management and Risk Controlling Department closely monitors and perform analysis of the macroeconomic developments and emerging risks on the market and across the economic sectors and undertakes scenario analysis. This enables the bank to foresee and to take actions where necessary, including enhanced monitoring, amending the bank risk appetite and/or adjusting limits and exposures, to rebalance exposures and manage risk appetite where necessary. Based on this, the bank undertakes regular reviews of key portfolio indicators to ensure that individual customer or portfolio risks are understood, and bank can manage the level of facilities offered through any downturn is appropriate.

During 2024, regarding Credit Risk Management, the bank was continuously focused on following up the economic changes in the way to assess the potential impact in credit portfolio of the bank and in the client's financial situation.

To maintain the loan quality portfolio and prevent any deterioration, during the year bank continued to have regular contact with clients to have most recent information on the potential impact which could affect their operations and finances. Based on the information from clients, the risk analysis was performed mainly focused on the businesses and individuals which were assessed as the most affected from the economic situation.

Raiffeisen Bank Kosovo stands in a very good position by maintaining healthy credit risk exposure within acceptable parameters. This effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success and sustainability of the bank.

Management of non-performing exposure

In line with EU and local authority requirements, Raiffeisen Bank Kosovo has fully implemented regulatory requirements and has developed internal procedures and processes for managing non-performing loans. Raiffeisen Bank Kosovo has also been actively engaged on prevention on new defaults and good recoveries through 2024. At the conclusion, bank has continued to have sound structure of quality portfolio and the coverage ratio stands at satisfactory level, in line with the limit sets in the internal Non Performing Exposure and Risk Cost Strategy.

Liquidity risk

Liquidity adequacy is a critical component for ensuring the financial stability and operational resilience of Raiffeisen Bank. It is assessed from both an economic and regulatory perspective. From an economic standpoint, the bank has established a governance framework comprising internal limits and steering measures that help ensure liquidity remains optimal to meet financial obligations. This approach is grounded in a robust risk management structure designed to anticipate and manage liquidity needs in dynamic market conditions.

Raiffeisen Bank manages liquidity risk through policies and procedures that comply with the regulatory authority's requirements. These practices are continuously monitored as part of the Risk Controlling Unit, located within the Risk Division. The bank's liquidity position is analyzed and discussed regularly at several governance levels, including the Asset and Liability Committee (ALCO), Management Board, and Risk Management Committee on the Supervisory Board. This multi-layered review ensures that liquidity positions are assessed from various perspectives and decisions are made based on comprehensive insights.

The regulatory component is addressed by compliance with the reporting requirements under Central Bank of the Republic of Kosovo for regulatory on liquidity ratios included here Liquidity Coverage Ratio and Net Stable Funding Ratio. These ratios help maintain the bank's liquidity resilience under stress scenarios and ensure the bank has sufficient liquidity to withstand potential market disruptions.

The bank monitors and assesses short-term liquidity risk based on a liquidity gap analysis, among other instruments, by using numerous indicators. The bank managed to maintain the liquidity indicators above the minimum limits set, be that from regulators or from internal aspect which were way above the minimum required level of 100%. As a result, the bank is well-positioned to meet all financial obligations in a timely manner, even under challenging conditions in 2024.

Liquidity is actively managed daily by the Treasury ALM Unit and closely monitored by the Risk Controlling Unit. This information is regularly presented to ALCO for review. The bank considers liquidity risk to be low due to the diversification of client deposits and the fact that the loan portfolio includes a mix of short-, medium-, and long-term credit exposures, coupled with a low Non-Performing Loan (NPL) ratio. This combination ensures a steady flow of diversified and sustainable cash inflows, supported by deposit stickiness, which is the bank's primary source of funding. Regarding funding risk, the bank mitigates this by primarily financing its lending operations through client deposits. The bank also uses the deposit concentration indicator to monitor and manage funding risk by ensuring that no single source of funding becomes disproportionately large.

Liquidity positions are analyzed under both expected and stressed conditions, ensuring that the bank has access to diverse funding sources. The contingency plans are activated through predefined procedures to manage potential liquidity crises. This ensures that, in the event of a crisis, the bank can maintain its operations and protect its financial health.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and Time-to-Wall (TTW) scenarios. The Going Concern analysis assesses the bank's structural liquidity position under normal operating conditions, identifying key risk drivers that could negatively impact the bank's financial health. The Time-to-Wall analysis, on the other hand, calculates the survival horizon under adverse scenarios, including market, reputational, and combined crises, and determines the minimum required liquidity buffer or counter-balancing capacity to weather such scenarios.

Liquidity scenarios are modeled using a Group-wide approach, which incorporates local specifications where necessary, based on factors like the market environment or unique business characteristics in Kosovo. Liquidity limits are defined for both business-as-usual conditions and stress scenarios. In alignment with the defined risk appetite, Raiffeisen Bank Kosovo has demonstrated a survival horizon of several months (TTW) under severe, combined stress scenarios, indicating a robust capacity to endure financial stress. This is ensured by either a structurally positive liquidity profile or by maintaining a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level.

Market risk

The bank defines market risk as the risk of potential losses that may arise from fluctuations in market prices related to trading and investment positions. This type of risk occurs when movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices, and commodity prices, negatively impact the bank's income or the value of its portfolios. Market risk can affect both short-term trading activities and long-term investment strategies, requiring effective management to ensure the stability of the bank's financial position.

To effectively manage market risk, the Risk Controlling Unit is responsible for measuring, monitoring, and mitigating all related risks. The unit utilizes advanced tools and methodologies to assess the bank's exposure to various market factors. The results of market risk positions and associated analyses are presented regularly to key governance bodies, including the Asset and Liability Committee (ALCO), the Management Board, and the Supervisory Board. This ensures that market risk is continuously monitored at multiple levels of decision-making and that strategies are adapted in real time to evolving market conditions. The following values are measured and limited daily in the market risk management system:

- *Value-at-Risk (confidence level 99 per cent, risk horizon one day)*
  Value-at-risk (VaR) is the main steering instrument in liquid markets and normal market situations. VaR is the probabilistic maximum potential loss of a portfolio with a certain confidence level for a specified holding period (99% and 1d). The market risk system calculates the profit and loss distribution of each deal. Single deal results are then aggregated to obtain VaR estimates on portfolio level. Value-at-risk results are not only used for limiting risk but also in the economic capital allocation.
- *Sensitivities (to changes in exchange rates and interest rates)*
  Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- *Stop loss*
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress-testing concept compliments this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, or systems or from external events, including outsourcing, reputational and legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud, or theft, conduct related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of self-assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and active risk management.

Three lines of defense concept has been implemented where Business Line Managers are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators, scenarios and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Risk Controlling Unit is responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments and all first line of defense partners (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the bank's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management. Operational risk assessment is executed in a structured manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products, new projects, new emerging regulations, and open audit points as well.

Monitoring

Early warning indicators are used to monitor operational risks, allowing prompt identification and minimization of losses. In compliance with internal policies and procedures loss data is collected in a central database in a structured manner according to the event type and the business line. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the Operational Risk Management Committee on a regular basis.

Collecting losses in central database stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data is used to create and validate operational risk scenarios and for exchange with international data pools to further develop advanced operational risk management tools as well as to track further on measures and control efficiency.

Quantification and mitigation

Raiffeisen Bank Kosovo is calculating the equity requirement for operational risk using the standardized approach. To reduce operational risk, ORMs decide on preventive risk-reduction actions such as risk mitigation or risk transfer. The progress and effectiveness of these actions is monitored by Operational Risk. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for preventing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management as part of Compliance Department. Financial Crime Management provides support for the prevention and identification of fraud. The Raiffeisen Bank Kosovo also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

Changes in the regulatory environment

The Kosovo banking sector is considered very dynamic with changes in legislation in line with directives of the EU. As part of Raiffeisen Bank International (RBI) Group, the bank is subject to the changes in the regulatory environment in the EU. This enables the bank to be adapted in advance to changes in local regulations, which aim to be harmonized with EU regulations.

The bank followed closely the current and the upcoming regulatory developments in 2024. Through the year, in September 2024 the Central Bank one new regulation related to risk, which is Regulation on Country and Transfer Risk Management Principle..

People, Culture and Learning (PCL)

Central to the bank's cultural values and integral to the strategy for developing a robust workforce is the bank's ambition to be the leading employer in Kosovo. In 2024, this objective drove initiatives to cultivate a workplace where exceptional talent feels appreciated and supported. The bank concentrated on nurturing an atmosphere that encourages high performance, continuous learning, career advancement, and the well-being of the bank's team. A key achievement was the rollout of the bank's Employee Value Proposition, designed to attract and retain top talent.

Raiffeisen Bank Kosovo workforce consisted of 927 individuals in 2024.

Just like in the preceding year, 2024 saw continued emphasis on the bank's tech community. Aligned with market trends and the bank's objectives in technology and digitalization, the bank prioritized providing an outstanding experience for the tech professionals. Throughout the year, the bank organized various activities focused on employer branding, talent acquisition, retention, and professional development within the tech sector. Notable initiatives included Tech4Tech, Data and AI Hackathons, IT Security sessions, etc.

Looking at the demographics of the bank's workforce, the bank has a diverse and relatively young team, with an average age of 37. Women make up 58 percent, while men make up 42 percent of the total workforce.

Professional development

Throughout 2024, there was a sustained effort to enhance the awareness and skill set of people managers regarding human capabilities. Raiffeisen Bank Kosovo (RAIFFEISEN BANK KOSOVO) has implemented several programs to foster talent, innovation, and inclusivity among its workforce. These initiatives are designed to recognize talent and enhance the skills of the most promising bank employees and managers. They utilize a blend of practical, unconventional, and academic learning methods to deepen expertise and foster innovation.

The RISE program offered scholarships and internships to IT students, with a high transition rate to regular employment. TalentED Academy annually selected around 35 high-performing employees for development, embracing diversity in profiles and expertise. The Leadership Academy focused on enhancing leadership skills for around 25 participants across all management levels. Employees have access to a Learning Management System with over 5,000 trainings, including Diversity & Inclusion topics. AI Pioneers prepared 50 employees for digital transformation through AI-focused development, complemented by an AI Hackathon for innovation.

Safe Working Environment

As a leading employer, the bank recognizes that the bank's organization's success is closely tied to the well-being of the bank's employees. The bank is dedicated to offering a modern work environment, featuring innovative work models and state-of-the-art offices, alongside health and wellness programs, to help the bank's workforce reach its full potential. The bank's flexible hours and hybrid work model aim to provide employees with increased flexibility and the option to work remotely. By allowing employees to choose schedules and environments that enhance their productivity, the bank believes it can boost their satisfaction, support mental health, and ultimately improve performance and productivity. Additionally, the bank's on-site facilities, such as the canteen, foster community and collaboration, reflecting the bank's core values. The sports room is designed to promote health, well-being, and enjoyment during work hours. Team-building activities, excursions, and outdoor events contribute to a supportive and enriching work culture. "Feel Good October," a month focused on wellness, includes activities like morning runs, cycling, hiking, mental health sessions, healthy cooking and eating programs, free yoga, Pilates, kickboxing, blood donation drives, and a steps challenge. The bank also held sessions for mothers on maternity leave about positive parenting, in collaboration with external partners. In celebration of Children's day, the bank organized a major summer event for employees and their children, highlighting the bank's commitment to recognizing and supporting the bank's staff and their loved ones, reinforcing the bank's status as an Employer of Choice. The bank is proud to emphasize the bank's dedication to gender equality and equal opportunities. Moreover, the bank's commitment to Employee Sustainability within the bank's Employee Value Proposition includes fostering a diverse and inclusive workplace. With over 50% of the bank's workforce being women and more than 40% in leadership roles, the bank actively promotes employee well-being, talent retention, and the attraction of skilled individuals. This effort directly supports the bank's Environmental, Social, and Governance (ESG) strategy.

Family Friendly Employer

Raiffeisen Bank Kosovo's policies are crafted to support both women and men in balancing professional and personal responsibilities, thereby fostering women's economic empowerment and encouraging men's involvement in parental care. The following initiatives underscore Raiffeisen Bank Kosovo's commitment to being a family-friendly employer, prioritizing employee well-being and fostering a supportive environment for both staff and their families.

Flexible Work Models: Raiffeisen Bank Kosovo offers flexible hours and a hybrid work model, allowing employees to tailor their schedules and work environments to suit their personal and professional needs.

On-Site Facilities: Amenities like the canteen and sports room promote community, collaboration, and well-being, supporting employees during work hours.

Team Building and Events: Activities such as excursions and outdoor events foster a supportive work culture, encouraging engagement among employees and their families.

"Feel Good October": A month dedicated to wellness, featuring activities such as yoga, Pilates, and mental health sessions, along with special parenting sessions for mothers on maternity leave. Recognition as a "Champion Company": Raiffeisen Bank Kosovo is acknowledged by UNFPA for its family-friendly policies, aligning with its broader Environmental, Social, and Governance (ESG) strategy.

Sustainability and ESG Management

In 2024, the Bank has made significant strides in ESG management, demonstrating the commitment to sustainability and social responsibility. Key achievements include:

Environmental (E) Achievements:

Our constant effort to minimize the bank's environmental footprint through proactive management of resources and implementation of sustainable practices, includes activities to achieve the desired reduction such as:

1. **Renewable Energy Initiatives:** Approved and issued two renewable energy loans for solar panel projects in the Gjakova region, with a production capacity of 8.67 GWh, supplying approximately 1,108 homes and reducing CO2 emissions by approximately 4,121 tons.
2. **ESG Portfolio Growth:** Total ESG portfolio reached EUR 113.41 million by the end of 2024, with EUR 22.40 million in green loans, EUR 73.61 million in social and EUR 17.4 million in environment.
3. **Recycling Initiatives:** Increased paper recycling from 1,970 kg in 2023 to 3,355 kg in 2024, and glass recycling from 11 kg to 56 kg. Implemented dedicated recycling bins for paper, glass, and plastic, and removed all general collecting points from Head Office premises.
4. **Environmental Management:** Implemented ISO 14001 Environmental Management Systems, renewed the bank`s vehicle fleet from 12 hybrid models in 2023 to 86 in 2024 and offset 77% of the carbon emissions from a total of 264 business flight tickets, demonstrating the commitment to reducing carbon footprint.
5. **Promote Sustainable Commuting:** Purchased 300 bus tickets for colleagues in the Head Office who typically commute by car, encouraging eco-friendly transportation options.
6. **Partnerships and Funds:** EBRDGEFF and EBRD SME Go Green fund became active, incentivizing green investments in SMEs.

Social (S) Achievements:

1. **Diversity and Inclusion:** Women now make up 52% of the bank`s top management, surpassing the bank`s 2024 target of 35%.
2. **Corporate Social Responsibility:** Received a Corporate Award for excellence in CSR, with 26 projects completed in 2024.
3. **Training and Awareness:** Conducted training sessions on sustainable finance with 74% attendance, exceeding the 70% target. Held 8 financial literacy sessions for SMEs and youths using the bank`s Minecraft game and conducted 23 internal and external awareness communications. Held 2 internal workshops with experts from RBI Sustainable Finance and supported "The 1st Sustainable Forum," a 2-day event organized by EIC in June 2024.
4. **Health and Wellbeing:** The health and wellbeing program featured leadership commitment, tailored program development, and active employee involvement, cultivating a wellbeing culture. The Bank organized 18 activities, including physical activity (energizer), brain health sessions, nutrition sessions, and gifts such as personalized meal plans from a nutritionist, the "Neuroscience for Leaders" book, and health insurance check-ups. The bank`s efforts resulted in a health and wellbeing score of 79% from the pulse survey.

Governance (G) Achievements:

1. **Partnerships and Funds:** Signed agreements with EBRD, EIF, and KCGF for risk-sharing funds, enhancing support for clients without collateral, particularly in regions outside Pristina.
2. **New Structure of ESG Website:** Launched a new ESG website structure to enhance communication and transparency.
3. **Non-Financial Reporting:** Prepared and published the Non-financial Report for the second consecutive year.

These accomplishments reflect the dedication to integrating ESG principles into the bank`s operations and fostering a sustainable future.

Raiffeisen Bank Kosovo J.S.C

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2024
WITH INDEPENDENT AUDITOR'S REPORT THEREON

CONTENTS

Statement of Management's Responsibilities

To the Shareholders and the Supervisory Board of Raiffeisen Bank Kosovo J.S.C.

We have prepared the financial statements as at 31 December 2024 and for the year then ended, which presents fairly, in all material respects the financial position of Raiffeisen Bank Kosovo J.S.C. (the "Bank") as at 31 December 2024 and the results of its operations and its cash flows for the year ended. Management is responsible for ensuring that the Bank keeps accounting records that comply with the Kosovo banking regulations and can be suitable amended to disclose with reasonable accuracy the financial position of the Bank and the results of its operations and cash flows in accordance with IFRS Accounting Standards that include International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for related accounted periods. Management also has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

Management considers that, in preparing the financial statements, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates, and the appropriate International Financial Reporting Standards have been followed.

The financial statements are hereby approved on behalf of the Management Board.

Pristina, Kosovo
11 April 2025

The Management Board

Anita Kovacic
Chief Executive Officer
Management Board
Chairwoman

Iliriana Toçi
Retail Banking
Management Board Member

David Heitzinger
COO/CIO
Management Board Member

Deyan Ivanov
Risk Management
Management Board Member

Deloitte.

Independent auditor's report

To the Shareholder and Board of Directors of Raiffeisen Bank Kosovo J.S.C

Opinion

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

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank in accordance with the requirements of the Law No. 04/L-093. The Annual Report of the Bank is expected to be made available to us after the date of our audit report. Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Deloitte.

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

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

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

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

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

Deloitte Kosova Sh.p.k.

Str. Ukshin Hoti, No. 120

Prishtina, Republic of Kosova

Unique Identification No.: 810468373

April 11, 2025

Engagement Partner:

Arta Limani

Separate statement of financial position as at 31 December 2024

(amounts in Euro'000, unless otherwise stated)

	Notes	2024	2023
Assets			
Cash and cash equivalents and mandatory reserve	8	183,645	185,138
Due from banks	9	9,491	11,961
Investment securities	10	245,584	256,026
Loans and advances to customers	11	1,072,443	925,540
Other assets	12	6,925	3,739
Deferred tax asset	29	213	-
Investments in subsidiaries	13	4,234	2,234
Property,plant and equipment	14	34,201	32,591
Intangible assets	14	8,845	8,062
Total assets		**1,565,581**	**1,425,291**
Liabilities			
Due to banks	15	11,870	7,721
Deposits from customers	16	1,329,064	1,219,286
Financial liabilities measured at fair value	17	27	101
Other liabilities	18	43,192	45,742
Provisions	18	589	1,210
Deferred tax liability	29	-	134.00
Subordinated loan	19	10,094	-
Total liabilities		**1,394,836**	**1,274,193**
Shareholder's equity			
Share capital		63,000	63,000
Accumulated other comprehensive income		(579)	(661)
Other reserves		1,955	1,955
Retained earnings		106,369	86,804
Total shareholder's equity	20	170,745	151,098
Total liabilities and shareholder's equity		1,565,581	1,425,291

Financial Statements are approved for issue on behalf of the Management of Raiffeisen Bank Kosovo J.S.C. and signed on its behalf on 14 April 2025.

Merita Gjyshinca Peja
Chief Financial Officer

Anita Kovacic
Chief Executive Officer
Chairperson of Management Board

The separate statement of financial position is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 39 to 113.

Separate statement of comprehensive income for the year ended 31 December 2024

(amounts in Euro'000, unless otherwise stated)

		2024	2023
Interest income calculated using the effective interest method	21	70,431	64,416
Interest expense calculated using the effective interest method	21	(1,412)	(620)
Net interest income		**69,019**	**63,796**
Dividend income	22	341	249
Fee and commission income	23	29,580	27,259
Fee and commission expense	23	(15,010)	(12,431)
Net fee and commission income		**14,570**	**14,828**
Impairment losses on financial assets	6	(5,122)	(14,424)
Recoveries from loans previously written off		2,872	1,719
Gains or losses on financial assets and liabilities	24	1,033	1,429
Other operating income	25	8,860	8,187
Net operating income		**91,573**	**75,784**
Personnel expenses	26	(21,965)	(20,133)
Depreciation of property and equipment and ROU	27	(3,567)	(3,663)
Amortisation of intangible assets	27	(3,218)	(2,959)
Other operating expenses	28	(18,510)	(14,475)
Profit before income tax		**44,313**	**34,554**
Income tax expense	29	(5,148)	(4,152)
Profit for the year		**39,165**	**30,402**
Other comprehensive income			
Items that will be reclassified to profit or loss			
Net change in fair value of Financial assets through other comprehensive income		52	1,456
Net change in cash flow hedges		30	-
Total comprehensive income for the year		**39,247**	**31,858**

The separate statement of comprehensive income is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 39 to 113.

Separate statement of changes in equity for the year ended 31 December 2024

(amounts in Euro'000, unless otherwise stated)

	Share capital	Retained earnings	Other Reserves	Fair value reserve	Cash flow hedge	Total shareholder's equity
Balance at 1 January 2023	**63,000**	**79,902**	**1,955**	**(2,117)**	**-**	**142,740**
Profit for the year	-	30,402	-	-		30,402
Net change in fair value of financial assets through other comprehensive income	-	-	-	1,456	-	1,456
Dividend to equity holders	-	(23,500)	-	-	-	(23,500)
Total comprehensive income	**63,000**	**86,804**	**1,955**	**(661)**		**151,098**
Balance at 31 December 2023	**63,000**	**86,804**	**1,955**	**(661)**	**-**	**151,098**
Profit for the year	-	39,165	-	-	-	39,165
Net change in fair value of financial assets through other comprehensive income	-	-	-	52	30	82
Total comprehensive income	**63,000**	**125,969**	**1,955**	**(609)**	**30**	**190,345**
Contributions and distributions	**-**					
Dividends to equity holders	-	(19,600)	-	-	-	(19,600)
Balance at 31 December 2024	**63,000**	**106,369**	**1,955**	**(609)**	**30**	**170,745**

The separate statement of changes in equity is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 39 to 113.

Separate statement of cash flows for the year ended 31 December 2024

(amounts in Euro'000, unless otherwise stated)

	Notes	2024	2023
Cash flows from operating activities			
Interest received on loans		62,478	58,318
Interest paid on placements		1,261	1,540
Interest received on investment securities		5,791	4,619
Dividends received		341	249
Interest paid on deposits and subordinated loan		(2,089)	(776)
Fees and commissions received		29,580	27,259
Fees and commissions paid		(15,010)	(12,431)
Other income from non-banking activities		11,732	9,906
Staff costs paid		(20,782)	(20,955)
Other operating expenses paid		(18,510)	(14,475)
Income tax paid		(3,854)	(4,170)
Cash flow from operating activities before changes in operating assets and liabilities		**50,938**	**49,084**
Changes in operating assets and liabilities			
- Mandatory liquidity reserve		(5,210)	(9,107)
- Due from banks		4,024	314
- Loans and advances to customers		(162,571)	(78,573)
- Other assets		(2,996)	957
- Due to customers		111,680	96,539
- Deposits from banks		786	(663)
- Other liabilities		307	3,879
Net cash flow from / (used in) operating activities		**(3,042)**	**62,431**
Cash flows from investing activities			
Acquisition of property, equipment & intangibles assets	14	(8,623)	(6,881)
Income from property and equipment disposal		181	58
Investment in securities		12,148	(58,178)
Net cash (used in) / from investing activities		**3,706**	**(65,001)**
Cash flows from financing activities			
Proceeds from borrowings		13,457	(43)
Repayment of leased liabilities		(745)	(871)
Dividends paid		(23,500)	-
Net cash flow (used in) financing activities		**(10,787)**	**(914)**
Effect of exchange rate changes		173	88
Net decrease in cash and cash equivalents		**(9,950)**	**(3,396)**
Cash and cash equivalents at the beginning of year	8	75,478	78,874
Cash and cash equivalents at 31 December 2024	8	**65,528**	**75,478**

The separate statement of cash flows is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 39 to 113.

Notes to the separate financial statements for the year ended 31 December 2024

1. REPORTING ENTITY

Raiffeisen SEE Region Holding GmbH is the 100 per cent shareholder of Raiffeisen Bank Kosovo J.S.C. Raiffeisen SEE Region Holding GmbH is a 100 per cent indirect subsidiary of Raiffeisen Bank International AG, the ultimate parent.

The Bank operates under a banking licence issued by the Central Bank of the Republic of Kosovo - ("CBK") on 8 November 2001. The Bank's principal business activities are commercial and retail banking operations within Kosovo.

As of 31 December 2024, the Bank has 7 branches and 29 sub-branches within Kosovo (31 December 2023: 7 branches and 29 sub-branches within Kosovo). The Bank's registered office is located at the following address: Robert Doll Street 99, 10000 Prishtina, Republic of Kosovo.

2. BASIS OF PREPARATION

2.1 Basis of accounting

The separate financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").
These financial statements have been prepared using the going concern assumption.

2.2 New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the bank has applied several amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements

The bank has adopted the amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements for the first time in the current year.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period.

Under the transitional provisions an entity is not required to disclose:

- comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- the information otherwise required by IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

Amendments to IAS 1 Presentation of Financial Statements

The bank has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The bank has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only must comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Amendments to IFRS 16 Presentation of Financial Statements

The bank has adopted the amendments to IFRS 16 for the first time in the current year.The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16.

This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

2.3 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective [and [in some cases] have not yet been adopted by the [relevant body]:

- Amendments to IAS 21 Lack of Exchangeability
- IFRS 18 Presentation and Disclosures in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to IFRS 7 - Amendments regarding the classification and measurement of financial instruments
- IFRS 9 - Amendments regarding the classification and measurement of financial instruments

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the bank in future periods, except if indicated below.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.
The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.
In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The directors of the company do not anticipate that the application of these amendments may have an impact on the bank's financial statements in future periods.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The directors of the company anticipate that the application of these amendments may have an impact on the bank's financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets),

or

- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.
If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The directors of the company do not anticipate that IFRS 19 will be applied for purposes of the Bank standalone and consolidated financial statements.

2.4 Functional and presentation currency

The Bank's functional currency used in preparing the financial statements is Euro as it is the currency of the primary economic environment in which the Bank operates, and it reflects the economic substance of the underlying events ("functional currency"). All amounts have been rounded to the nearest thousands, except when otherwise indicated.

2.5 Use of judgments and estimates

In preparing these separate financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set below have been applied consistently to all the periods presented in these separate financial statements.

3.1 Subsidiaries and consolidation

Subsidiaries are entities controlled by the Bank. Control exists as the Bank is exposed, or has rights, to variable returns from its involvement with the investee (subsidiary) and can affect those returns through its power over the investee.

These financial statements represent the result and financial position of the Bank alone and do not include those of its subsidiaries, as detailed in Note 13.

The Bank prepares separate and consolidated financial statements in accordance with IFRS. The consolidated financial statements are prepared for local regulatory purposes and are not published as the Bank is itself a wholly-owned subsidiary and the ultimate parent Raiffeisen Bank International produces consolidated financial statements available for public use at http://www.rbinternational.com, in accordance with IFRS Accounting Standards.

Interests in subsidiaries are accounted for at cost in the separate financial statements.

3.2. Foreign currency transactions

Foreign exchange transactions are recorded at the rate ruling at the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

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 profit or loss under Note 23 Fee and Commission income and Note 24 Gain and Losses, exchange differences.

3.3. Financial assets and financial liabilities

3.3.1. Classification financial assets

The Bank classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

3.3.2. Classification financial liabilities

All financial liabilities are classified as subsequently measured at amortized cost except for the following items which are measured at FVTPL:

- Financial liabilities that are held for trading – including derivatives;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies;
- Financial guarantees and below market rate interest loan commitments;
- Contingent consideration recognized by an acquirer in a business combination;
- Financial liabilities that are designated as at FVTPL on initial recognition.

The Bank classifies its financial liabilities at amortized cost and at fair value through profit or loss.

3.3.3. Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

However, the Bank's assessment is at highest level of aggregation possible is the Bank's department level. Further sub-portfolios should be used so that each portfolio has the same or similar below characteristics;

- Business area;
- Performance evaluation KPIs;
- Key Management Personal (B-1);
- Risks and risk management processes;
- IT Infrastructure.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.3.4. Contractual cash flow characteristic

For financial assets with the business model to collect contractual cash flows, the bank assesses whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (for example liquidity) and costs (for example administrative), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest the bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Bank considers:

- Prepayment, extension terms;
- Leverage features;
- Claim is limited to specified assets or cash flows;
- Contractually linked instruments.

This assessment needs to be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

3.3.5. Modification of Time Value of Money and the Benchmark Test

Time value of money is the element of interest that provides consideration for only the passage of time. It does not consider other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e., the modification term does not significantly alter the cash flows from a 'perfect' benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

For the following main contractual features that can potentially modify the time value of money a benchmark test is applied:
- Reset rate frequency does not match interest tenor;
- Lagging indicator;
- Smoothing clause;
- Grace period;
- Secondary market yield reference.

3.3.6. Recognition of financial assets and liabilities

The Bank initially recognises loans, receivables, and other financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.3.7. Derecognition of financial assets and liabilities

3.3.7.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, the Bank considers the following qualitative factors:

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

and quantitative factors:

- Extension of the average remaining term of equal or more than 50% and equal or more than 2 years (cumulative):
- Changes of amortised cost amount (discounted with the original EIR) with equal or more than 10% and/or equal or more than 100thousands.
- Stage 3 loans can often be restructured to match the maximus expected payouts that a defaulted client can afford. If this the case, then an extension beyond 2 years does not automatically result in de-recognition and requires judgement to determine whether the extension is economically a new instrument.

3.3.7.2 Derecognition other than substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates,
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients,
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Derecognition is accounted for cases where changes of amortised cost amount (discounted with the original EIR) are equal or more than 10% and/or equal or more than 100thousands. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.8. 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 has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

3.3.9. Amortised cost measurement

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 principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.3.10. 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.

The objective of using a valuation technique is to establish what the transaction price (i.e. an exit price) would have been on the measurement date in an orderly transaction between market participants. Fair value is estimated on the basis of the results of a valuation technique that takes maximum use of market inputs, and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

- it reasonably reflects how the market could be expected to price the instrument; and
- the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique

- incorporates all factors that market participants would consider in setting a price; and
- is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Other methodologies include comparing the fair value of that instrument is by comparison with other observable current market transactions in the same/similar instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include data from observable markets. The discounted cash flow approach is a technique used to link future amounts (cash flows) to the present through a discount rate.

Present value concepts are critical to the development of techniques for estimating the fair value of financial instruments because the market exit price of a financial instrument represents market participant's collective estimate of the present value of its expected cash flows. Therefore, cash flows and discount rate should reflect only factors that are specific to the financial instrument being measured and should reflect assumptions that market participants would use in their estimates of fair value. Also, as the cash flows used are estimates rather than known amounts, a fair value estimate, using present value, is made under conditions of uncertainty. As market participants generally seek compensation for bearing the uncertainty inherent in cash flows (risk premium), the effect of variability (risk) in the cash flows should be reflected either in the cash flows or in the discount rate.

In applying discounted cash flow ("DCF") analysis, the Bank has to use discount rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics, including the credit quality of the instrument, the remaining term over which the contractual interest rate is fixed, the remaining term to the principal's re-payment and the currency in which payments are to be made. The cash flows used in the DCF model should "fit" to the discount rate and they should also take into consideration the characteristics mentioned above (e.g. remaining term of the contractual interest rate and of the principal).

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize 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 fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.3.11. Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and under IFRS 9 – an ECL provision. The premium received is recognized in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 30 and corresponding ECLs are disclosed in Note 6.

3.3.12. Financial instruments - impairment (IFRS 9)

The measurement of impairment for expected credit loss on financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behaviour.

Significant judgments are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the bank, credit risk comes from the risk of suffering financial loss should any of bank's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and personal loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances. Bank is also exposed to other credit risks arising from investments in debt securities.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime expected credit losses - LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 4). The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Significant increase in the credit risk

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging bank compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ. For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 per cent or greater. For longer maturities the threshold of 250 per cent is reduced to account for a maturity effect. For retail exposures on the other hand, the remaining cumulative PDs are compared as the logit difference between "Lifetime PD at reporting date" and "Lifetime PD at origination conditional to survival up to the reporting date". A significant increase in credit risk is considered to have occurred once this logit difference is above a certain threshold. The threshold levels are calculated separately for each portfolio which is covered by individual rating-based lifetime PD models. Based on historical data, the thresholds are estimated as the 50th quantile of the distribution of the above-mentioned logit differences on the worsening portfolio. This way, 50 per cent of the worsening in the lifetime PDs with the highest magnitude is deemed significant. That usually translates to a PD increase between 150 and up to 300 per cent, dependent on the default behaviour of the different portfolios. Regarding the threshold at which a financial instrument must be transferred to stage 2, Bank has decided on the thresholds based on the current market practice.

Qualitative criteria

Bank qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios.

A movement to Stage 2 takes place when the criteria below are met. For sovereign, bank, corporate customer and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgment

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all sovereign, bank, corporate customer and project finance portfolios held by bank.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance
- Default of other exposure of the same customer (PI segment)
- Holistic approach - Applicable for cases where new forward-looking information becomes available for a segment or portion of the portfolio and this information is not yet captured in the rating system. If such cases are identified, management measures this portfolio with lifetime expected credit losses (as a collective assessment).
- The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by bank.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, the presumption that financial assets which are more than 30 days overdue should be moved to Stage 2, is rebutted.

Low credit risk exemption

In selected cases for mostly sovereign debt securities bank makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better.

Bank has not used the low credit risk exemption for any lending business.

Definition of default and credit-impaired assets

Default is defined in article 178 CRR as the event where a specific debtor of bank:

- is unlikely to pay its credit obligations to bank from primary sources, OR
- the debtor is overdue more than 90 days on any material credit obligation to bank.

The indicators for the classification 'unlikely to pay' are roughly included in article 178 (3) CRR.

Non-Retail

Bank has defined 12 indicators which are currently used to identify unlikely to pay and 90dpd and are to be considered in DDB (field: default classification). The column 'Classification' gives a reference to which of the two above listed default reasons the indicator refers.

- Bankruptcy
- Direct write-off
- Claim written-off against provisions
- Loan/facility called
- Distressed Restructuring
- Interest payment cancelled
- Claim sold with losses
- Overdue payment
- License withdrawn
- Payment moratorium
- Expected economic loss
- Cross Default

Calculation of the threshold for material overdue.

The bank materiality threshold for non-retail customers is regulated in the draft Regulatory Technical Standards (RTS) on materiality threshold for credit obligation past due under Article 178 of Regulation (EU) No575/2013, adopted by the EU Commission as Delegated Regulation (EU) No 2018/171 – entered into force on 26 February 2018. According to the above-mentioned regulation, the threshold consists of an absolute and a relative component:

- the absolute component of the threshold is set as a maximum amount for the sum of all overdue amounts owed by an obligor to the bank ('credit obligation past due') and shall not exceed 500 EUR or the equivalent of that amount in the relevant national currency;

and

- the relative component of the threshold is set as a ratio, expressed as a percentage, of the overdue amount as referred to in point (a), versus the total amount of all on-balance sheet exposures to the obligor excluding equity exposures ('on-balance credit obligation'); and is equal to 1%.

Retail

Bank uses the following retail default indicators: the 90+DPD indicator and 17 unlikeliness to pay indicators, including 4 situations of cross-default.

90+ Days Past Due

For the purposes of the application of point (b) of Article 178(1) of the CRR, the obligor is considered in default in case of being past due for more than 90 consecutive days on any material credit obligation.

The materiality threshold of the bank consists of an absolute and a relative component:

- The absolute threshold component equals to EUR100.
- The relative threshold component equals to 1% of the total amount of the on-balance sheet exposure.

The numerator of the relative threshold calculation has to include all past due amounts that exist for a facility/an obligor (calculated based on the used level of default application). The denominator of the relative threshold calculation has to include the obligor's on-balance exposure towards the bank, including all past due amounts considered in the numerator.

Unlikeliness to pay indicators

- Non-accrued status
- Specific Credit Risk Adjustments
- Debt sale
- Distressed restructuring
- Bankruptcy
- Credit fraud

- Death of obligor
- Loss of income
- Significant indebtedness
- Breach of contractual covenants
- Call of contract before maturity
- Collateral sale
- POCI

Situations of cross -default

- Product cross-default
- Pulling effect
- Joint obligation default
- Connected client default

IFRS 9 calculation concept

IFRS 9 uses an expected credit loss model to recognise impairment. The expected credit loss model applies to debt instruments at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

There are 3 main approaches which can be used to calculate expected credit losses these are:
- General approach
- Simplified approach
- Purchase or originated credit impaired financial assets

A. General approach

Using the general approach, the amount of expected credit losses recognised as a loss allowance or provision depends on the assessment of the extent of credit deterioration since initial recognition. There are therefore two possibilities:

- When the credit risk on a financial instrument has not increased significantly since initial recognition, the bank shall measure the loss allowance for that financial instrument at an amount equal to 12- month expected credit losses (IFRS 9.5.5.5). These assets are in Stage 1.
- When the credit risk on a financial instrument has increased significantly since initial recognition the bank shall measure the loss allowance at an amount equal to the lifetime expected credit losses (IFRS 9.5.5.4). These assets are in Stage 2.

The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking (IFRS 9.5.5.4). The assessment of whether lifetime expected credit losses should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition irrespective of whether a financial instrument has been repriced to reflect an increase in credit risk.

B. Simplified approach

There is a simplified approach which has some operational simplifications and has to be applied or is a policy choice for trade receivables, contract assets and lease receivables. This includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk because they would all be in Stage 2 as practical expedient to calculate expected credit losses on trade receivables using a provision matrix.

The simplified approach is not applied by the bank.

C. Purchase or originated credit impaired financial assets

For financial assets which are credit impaired on initial recognition the bank shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets (IFRS 9.5.5.14). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Staging criteria

At each reporting date, the bank shall assess whether the credit risk on a financial instrument has increased significantly from the date of initial recognition (IFRS 9.5.5.9). Credit risk analysis is a multifactor and holistic analysis. This means the assessment is made using qualitative and quantitative inputs and whether a specific factor is relevant, and its weight compared to other factors, will depend on the type of product, characteristics of the financial instruments and the borrower as well as the geographic region. It may also be the case that some factors or indicators are not available on an individual level and hence should be assessed on a collective basis. In such a case, the factors or indicators should be assessed for appropriate portfolios, groups of portfolios or portions of a portfolio of financial instruments. The quantitative assessment is to be made by looking at the change in the risk of default occurring over the expected life of the financial instrument. When determining whether the recognition of lifetime expected credit losses is required, bank shall consider reasonable and supportable information that is available without undue cost or effort (IFRS 9.5.5.9).

This means that the bank need not undertake an exhaustive search for information when determining whether credit risk has increased significantly since initial recognition. The bank, as a practical expedient and as long as certain conditions hold, the change in the risk of default occurring for some financial instruments or groups of financial instruments can be assessed based on 12 month expected credit losses. This is possible for financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial. However, for some financial instruments, or in some circumstances, the use of changes in the risk of default occurring over the next 12 months may not be appropriate. These circumstances would be:

- The financial instrument only has significant payment obligations beyond the next 12 months;
- Changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or
- Changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months (IFRS 9.B5.5.14).

It should be noted that, with several exceptions related to the practical expedients described below, the assessment for deciding whether credit risk on a financial instrument has increased significantly is to be made on a relative and not absolute basis.

This means that given a change in absolute terms for a financial instrument it is more likely to be assessed as having credit risk which has increased significantly if the initial credit risk is low compared to if it is high. One such practical expedient is to choose the low credit risk exception option, which states that an entity may assume that the credit risk on a security (but not a loan according to the GRAECL guidance) has not increased significantly since initial recognition if the security is determined to have low credit risk at the reporting date. For securities with low credit risk bank would recognise an allowance based on 12 month expected credit losses. Securities are not considered to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral. From a theoretical perspective, low credit risk is defined as a security having low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations and future adverse conditions will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations. From a practical point of view, in the bank, this means that securities which are considered investment grade do not have to be assessed to see whether the credit risk on a security has increased significantly. Here investment grade is defined by recognised external rating agencies as a rating between AAA-BBB.

Stage 2 triggers

Assumptions concerning triggers qualifying for the stage 2 treatment

When defining which time horizon should be used for the assessment of significantly increased credit risk, IFRS 9 BC5.174 imposes that [...] *not reflecting the term structure might also result in the assessment that the risk of a default occurring has changed merely because of the passage of time.*

This could happen even if the bank had expected such a change at initial recognition. In the IASB's view, the assessment of the criteria should not change solely because the maturity date is closer. Furthermore, while the risk of a default occurring over the expected life of the financial instrument usually decreases as time passes, this is not always the case. For financial instruments, that only have significant payment obligations close to the maturity of the financial instrument, the risk of a default occurring may not automatically decrease as time passes. In such a case, bank should also consider other qualitative factors that would demonstrate whether credit risk has increased significantly since initial recognition. Significant increase of credit risk for the purpose of stage 2 allowance is perceived in terms of:

- A quantitative measure, where calculable; and
- A qualitative measure in other cases and
- Backstop indicators

Qualitative and quantitative non-statistical triggers

A number of factors are relevant when assessing significant increase in credit risk, as the non-exhaustive list in IFRS 9 B.5.5.16/17 suggests. Therefore, qualitative factors are taken into account to complement the assessment of increased credit risk and also in cases where only qualitative factors or non-statistical quantitative factors exist the assessment will be driven by these factors alone.

Following on from this it is important that bank should consider observable market information about the credit risk of the particular financial instrument or similar financial instruments. The construction of qualitative and quantitative non-statistical flags is based on the following list:

- B5.5.16 "holistic analysis"
- B5.5.17.a "internal price indicators"
- B5.5.17.b "rates/terms"
- B5.5.17.c "external market indicators"
- B5.5.17.d "external credit rating"
- B5.5.17.e "internal credit rating"
- B5.5.17.f "business/financial/economic conditions"
- B5.5.17.g "operating results"
- B5.5.17.h "other instruments"
- B5.5.17.i "business environment"
- B5.5.17.j "collateral value"
- B5.5.17.k "quality of guarantee"
- B5.5.17.l "support from parent unit"
- B5.5.17.m "contract changes"
- B5.5.17.n "performance and behaviour"
- B5.5.17.o "credit management approach"
- B5.5.17.p "past due information"

There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition, at the latest when contractual payments are more than 30 days past due. The presumption can be rebutted if the bank has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition (IFRS 9.5.5.11). It could therefore be the case that the presumption is rebuttable when contractual payments are more than 30 days past due if:

- Non-payment was an administrative oversight
- The bank has access to historical evidence that demonstrates that a correlation between significant increases in credit risk and an amount of days past due which is higher than 30 days past due exists (e.g. 40 days past due or 50 days past due etc.) (IFRS 9.B5.5.20).

In cases where the rebuttable presumption is rebutted it should be noted that bank cannot align the timing of significant increases in credit risk and the recognition of lifetime expected credit losses to when a financial asset is regarded as credit-impaired or when the financial instrument is considered to have defaulted (IFRS 9.B5.5.21). In cases where the 30 days past due has been rebutted it will be necessary to establish a limit for a new backstop which will not be higher than 90 days past due and provide evidence of this.

Assessment of stage-transfer on a collective basis

It may not be possible to assess whether there has been an increase in credit risk on an individual basis and therefore this assessment can also be carried out on a collective basis. For example, this might be the case for retail loans where there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms.

In such cases lifetime expected credit losses shall be recognised on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information must incorporate not only past due information but also all relevant credit information, including forward looking macroeconomic information, in order to approximate the result of recognizing lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.
rent risk characteristics. Shared credit risk characteristics may include, but are not limited to, the following:

- Instrument type;
- Credit risk ratings;
- Collateral type;
- Date of initial recognition;
- Remaining term to maturity;
- Industry;
- Geographical location of the borrower; and
- The value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (for example, non-recourse loans in some jurisdictions or loan-to-value ratios) (IFRS 9.B5.5.5)

Stage 3 triggers

According to the deterioration model, a financial instrument has to be transferred to stage 3 (i.e. is credit impaired) when one or more events that have a detrimental impact on the estimated future cash flows have occurred. If the requirements for stage transfer are not fulfilled anymore (i.e. the instrument is no longer credit-impaired) it shall be transferred back to stage 1 or 2 (i.e. the approach is symmetrical). The following list is taken from the "Credit-impaired" indicators according to IFRS 9 Appendix A:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Due to the changed scope of IFRS 9 compared to IAS 39, also loan commitments and financial guarantee contracts shall be covered by the same process (replacement of IAS 37 assessment). There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. Due to the changed scope of IFRS 9 impairment compared to IAS 39, the following aspects shall be considered.

In the bank the definition of credit-impaired is aligned with the (regulatory - Art 178 CRR) definition of default, as the definition of default and credit-impaired are similar and this is in line with current risk management processes. This means that all instruments in scope of IFRS 9 impairment where the counterparty is in default shall be transferred to stage 3. Furthermore, fully collateralized loans with zero risk provision, where the counterparty is in default, shall be assigned to stage 3 (if the 'credit deterioration model' applies). Due to the necessity to calculate a probability-weighted ECL zero risk provisions in stage 3 is only expected in rare cases. Finally, due to regulatory probation periods, there may be situations, where the risk provision is low or zero (as the bank has no expectation of non- or late-payment), but the default status is still active. In such cases, the exposure shall remain in stage 3 as long as the obligor is in default.

General concept of the model

Expected credit losses are calculated as the sum of the marginal losses occurring in each time period of the balance sheet date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the marginal probability of default for each period. The expected credit loss calculations are based on four components:

- Probability of Default ("PD") – This is an estimate of the likelihood of default over a given time horizon.
- Exposure at Default ("EAD") – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Loss Given Default ("LGD") – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
- Discount Rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.

The bank shall measure expected credit losses of a financial instrument in a way that reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions (IFRS 9.5.5.17).

When measuring expected credit losses, bank need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. This means that however low the probability of a credit loss occurring it will never be zero due to the probability weighting.

Approach to on-balance sheet items

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the bank in accordance with the contract and the cash flows that bank expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if bank expects to be paid in full but later than when contractually due (IFRS 9.B5.5.28). The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. Therefore, for practical purposes the use of probability-weighted estimates of credit losses does not have to consider a large number of scenarios. However, the expected credit losses shall reflect minimum of two outcomes (IFRS 9.B5.5.41). It should be noted that 12-month expected credit losses are a portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring. For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the bank. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it). Consequently, any cash flows that are expected from the realisation of the collateral beyond the contractual maturity of the contract should be included in this analysis. Any collateral obtained as a result of foreclosure is not recognised as an asset that is separate from the collateralised financial instrument unless it meets the recognition criteria (IFRS 9.B5.5.55). Expected credit losses shall be discounted to the reporting date using the variable rate instrument expected credit losses shall be discounted using the current effective interest rate (IFRS 9.B5.5.44).

Approach to off-balance items

For loan commitments and financial guarantee contracts, the date that bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. For loan commitments, bank considers changes in the risk of a default occurring on the loan to which a loan commitment relates. For financial guarantee contracts, bank considers the changes in the risk that the specified debtor will default on the contract. In both cases for a financial asset/s, a credit loss is the present value of the difference between the contractual cash flows that are due to the bank under the contract and the cash flows that the bank expects to receive.

In the case of undrawn loan commitments, a credit loss is the present value of the difference between the contractual cash flows that are due to the bank if the holder of the loan commitment draws down the loan and the cash flows that bank expects to receive if the loan is drawn down. Bank's estimate of expected credit losses on loan commitments shall be consistent with its expectations of drawdowns on that loan commitment, i.e. it shall consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses, and the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses. For a financial guarantee contract, the bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the bank expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.
The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Forward looking information

A measure of expected credit losses is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. When there is a non-linear relationship between the different forward-looking scenarios and their associated credit losses, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses to meet the above objective adopted:

Number of economic scenarios: representative scenarios that capture material non-linearities are modelled (e.g. a base scenario, an upside scenario and a downside scenario). Different numbers of scenarios may be appropriate depending on the facts and circumstances - e.g. in periods of expected increased volatility.

Determining alternative economic scenarios: whether bank produces its own forward economic estimates or uses third party estimates, it considers all reasonable and supportable information available without undue cost or effort, unless the marginal effect of using additional data would be insignificant. In certain economies, extensive data will be available, but in other territories less information may be available.

Representative scenarios: upside and downside scenarios used are not biased to extreme scenarios such that the range and weighting of scenarios used is not representative. In particular, as noted in the Basel Committee's GCRAECL, "stressed scenarios developed for industry-wide supervisory purposes are not intended to be used directly for accounting purposes.

Base scenario: the base scenario is consistent with relevant inputs to other estimates in the financial statements (e.g. deferred tax recoverability and goodwill impairment assessments), budgets, strategic and capital plans, and other information used in managing and reporting by the bank. However, these inputs should not be lagging or biased. Even if the inputs used are timely and unbiased, if bank budget is developed in September but macro-economic conditions have changed by the December year-end, or if the budget contains inherent optimism or pessimism, then appropriate adjustments are made to these inputs when using them to determine the base scenario for the purposes of the year-end ECL calculation.

Sensitivities and asymmetries: scenarios selected are representative and take account of key drivers of ECL, particularly non-linear and asymmetric sensitivities within portfolios. For example, if bank has significant property exposures and hence significant ECL sensitivity to future property values, then different changes in property prices are modelled. The sensitivity of ECL to each individual forward economic parameter is monitored to identify key drivers and to estimate effects of changes in parameters on ECL. Parameter coherence: in developing the detail of a specific economic scenario (e.g. a scenario with individual point estimates of future GDP, unemployment, interest rates, etc.), any expected correlation or other interrelationship between parameters (e.g. an increase in unemployment is expected to result in a decrease in interest rates) is considered in the development of the scenario so that it is realistic. Granularity of adjustments: the calculation of a separate modelled adjustment to reflect the impact of less likely scenarios and the resulting non-linear impacts is performed at an appropriately low level of granularity which takes account of qualitatively different risk characteristics and sensitivities.

Measurement of lifetime expected credit losses in Stage 1/2

Forward looking perspective

Historical information is an important anchor or base from which to measure expected credit losses. However, the bank shall adjust historical data, such as credit loss experience, on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based, and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows. In some cases, the best reasonable and supportable information could be the unadjusted historical information, depending on the nature of the historical information and when it was calculated, compared to circumstances at the reporting date and the characteristics of the financial instrument being considered. Estimates of changes in expected credit losses should reflect, and be directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of credit losses on the financial instrument or in the group of financial instruments and in the magnitude of those changes). The bank shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

The bank is not required to incorporate forecasts of future conditions over the entire expected life of a financial instrument. The degree of judgement that is required to estimate expected credit losses depends on the availability of detailed information. As the forecast horizon increases, the availability of detailed information decreases, and the degree of judgement required to estimate expected credit losses increases. The estimate of expected credit losses does not require a detailed estimate for periods that are far in the future—for such periods, bank may extrapolate projections from available, detailed information.

PD

The PD used for IFRS 9 should reflect management's current view of the future and should be unbiased (i.e. it should not include any conservatism or optimism). There are two types of PDs used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' exposures, whereas lifetime PD for Stage 3 is 100%.

The risk of a default occurring on financial instruments that have comparable credit risk is higher the longer the expected life of the instrument is; for example, the risk of a default occurring on an AAA-rated bond with an expected life of 10 years is higher than that on an AAA-rated bond with an expected life of five years. The effect of an improvement in credit risk of a maturing asset needs to be taken into account for the comparison of credit risk at initiation and current credit risk.

For products with insufficient default history, data unavailability or in case of new products, the last option is to use a **benchmark for 12-month PD**. The Benchmarks are calculated by Raiffeisen Bank International Retail Risk using average PD values of the accounts with existing PD estimates. The calculation is based on actual data available, excluding defaulted and not rated accounts and using simple averages. The Benchmarks are grouped by product and geographic region and rounded with a step of 50bps. They will be revaluated annually and updated if necessary. The currently valid 12-month PD Benchmarks are:

Segment	Product Type	PD
PI	Mortgage	2.50%
	Personal Loans	5.00%
	Credit Cards	4.00%
	Overdrafts	3.00%
	Car Loans	2.50%
	Other Products	5.00%
MicroSME	All Products	6.50%

Application, behaviour, and transactional scorecards are used for PD estimation. Scoring in general can be defined as a statistical technique to predict, at a specific point in time with the available information, the probability of a future event (e.g. default or non-payment).

Scorecard (SC) models represent statistical risk assessment tools, specifically designed for retail exposures. Expected credit losses are calculated by factoring in rating (which represents the probability of default), exposure at default, and loss given default.

The table below represents the retail rating grades used by the bank:

URG	URG meaning	URG score range	Theoretical PD band (%)	Theoretical PD (%, geometric average of theoretical PD band)
0	Not Rated	Not Rated		
0.5A	Minimal risk	860 < Score	PD<0.043%	0.03%
0.5B		820<Score≤860	0.043%≤PD<0.087%	0.06%
0.5C		780<Score≤820	0.087% ≤ PD<0.17%	0.12%
1.0	Excellent credit standing	740<Score≤780	0.17%≤PD<0.35%	0.24%
1.5	Very good credit standing	700<Score≤740	0.35%≤PD<0.69%	0.49%
2.0	Good credit standing	660<Score≤700	0.69%≤PD<1.37%	0.97%
2.5	Sound credit standing	620<Score≤660	1.37%≤PD<2.7%	1.92%
3.0A	Acceptable credit standing	600<Score≤620	2.7%≤PD<3.78%	3.20%
3.0B		580<Score≤600	3.78%≤PD<5.26%	4.46%
3.5A	Marginal credit standing	560<Score≤580	5.26%≤PD<7.28%	6.19%
3.5B		540<Score≤560	7.28%≤PD<10.00%	8.53%
4.0	Weak credit standing	500<Score≤540	10.00%≤PD<18.18%	13.48%
4.5A	Very weak credit standing	460<Score≤500	18.18%≤PD<30.77%	23.65%
4.5B		Score≤460	30.77%≤PD<100.00%	38.05%
5.0	Default	Defaulted (PD of defaulted exposure is 100%)		

Below is the bank's non-retail internal credit rating grades information as used for internal purposes and the respective comparative data:

Internal rating grade	Internal rating description	12 month Basel II PD range		International risk rating grade
		Lower PD bound	Upper PD bound	
1A	Excellent	>0.0000%	≤0.022%	AAA, AA+, AA, AA-
1B		>0.022%	≤0.026%	
1C		>0.026%	≤0.0300%	
2A	Strong	>0.0300%	≤0.0408%	A+, A, A-
2B		>0.0408%	≤0.0553%	
2C		>0.0553%	≤0.0751%	
3A		>0.0751%	≤0.1019%	
3B		>0.1019%	≤0.1383%	
3C		>0.1383%	≤0.1878%	
4A	Good	>0.1878%	≤0.2548%	BBB+, BBB, BBB-
4B		>0.2548%	≤0.3459%	
4C		>0.3459%	≤0.4694%	
5A		>0.4694%	≤0.6371%	BB+
5B		>0.6371%	≤0.8646%	
5C		>0.8646%	≤1.1735%	
6A	Satisfactory	>1.1735%	≤1.5927%	BB, BB-
6B		>1.5927%	≤2.1616%	
6C		>2.1616%	≤2.9338%	B+
7A		>2.9338%	≤3.9817%	B
7B		>3.9817%	≤5.4040%	
7C		>5.4040%	≤7.3344%	B-

8A		>7.3344%	≤9.9543%	
8B		>9.9543%	≤13.5101%	
8C		>13.5101%	≤18.3360%	CCC+, CCC
9A	Substandard	>18.3360%	≤24.8857%	
9B		>24.8857%	≤33.7751%	CCC-, CC, C
9C		>33.7751%	<100%	
10	Credit impaired	100%	100%	D

LGD

A key component of the sum of marginal losses approach is loss given default (LGD). Bank uses a combination of PD and LGD in order to calculate the expected cash flows from the projection of contractual cash flows. Estimates of LGD should consider forward looking information. The modelling approach for LGD (but not necessarily the actual LGD estimates) generally does not vary depending on which stage the exposure is in, i.e. there is a common LGD methodology that is applied consistently. The modelling methodology for LGD is designed, where appropriate, at a component level, whereby the calculation of LGD is broken down into a series of drivers.

For secured exposures, the approach considers at a minimum the following components:

- Forecasts of future collateral valuations, including expected sale discounts;
- Time to realisation of collateral (and other recoveries);
- Allocation of collateral across exposures where there are a number of exposures to the same counterparty (cross-collateralisation);
- Cure rates (including consideration of how the unit has looked at re-defaults within the lifetime calculation); and
- External costs of realisation of collateral. For unsecured exposures the approach considers at a minimum the following components:

For unsecured exposures the approach considers at a minimum the following components:

- Time to recovery;
- Recovery rates; and
- Cure rates (including consideration of how the unit has looked at re-defaults within the lifetime calculation).

The estimation of the components considers the range of relevant drivers, including: geography (location of the counterparty and the collateral) and seniority of the credit exposure. The estimation of LGD reflects expected changes in the exposure (consistent with assumptions used in modelling the EAD), so that it is not biased (for example, a conservative estimate may arise if the expected exposure amount drops over time, but this is not taken into account in estimating LGD). The unit considers whether component values are dependent on macro-economic factors and reflects any such dependency in its modelling considering relevant forward-looking information. In particular, for exposures secured against real estate, the unit considers the interdependency between real estate prices and macro-economic variables. Similarly, the unit considers whether there is any correlation or interdependency between components of LGD and then reflects that correlation in the estimation of LGD. The data history that supports the modelling of LGD and its components covers a suitable period to support the relevance and reliability of the modelling (e.g. over a full economic cycle). The estimation of the component values within LGD reflects available historical data and considers whether there have been or are expected to be any changes in economic conditions, or changes to internal policies or procedures, that should impact the calculation of LGD, but which are not otherwise reflected in the modelling. The LGD approach reflects discounting of cash shortfalls considering their expected timing using the EIR. If regulatory LGD values are used as a starting point, then the effect of the different discount rates inherent in the regulatory LGD value is adjusted for. Furthermore, if regulatory LGD values used as a starting point contain floors that would lead to a biased result, these floors are removed for IFRS 9 purposes. The IFRS 9 LGD only reflects credit enhancements that are integral to the terms of the exposure and that are not accounted for separately. If regulatory LGD values are used as a starting point and reflect credit enhancements that should not be included for IFRS 9 purposes (e.g. cr edit default swaps), then the impact is removed. For products with insufficient default history, data unavailability or in case of new products, LGD benchmarks will be used. The Benchmarks are calculated by Raiffeisen Bank International Retail Risk using average LGD values of the accounts with existing LGD estimates. The calculation is based on actual data available, excluding defaulted and not rated accounts and using simple averages. The benchmarks are grouped by product and geographic region and rounded with a step of 5pp. They will be revaluated annually and updated if necessary. The currently valid LGD benchmarks in use by the bank are:

Segment	Product Type	LGD
	Mortgage	25.00%
	Personal Loans	50.00%
	Credit Cards	40.00%
PI	Overdrafts	50.00%
	Car Loans	50.00%
	Other Products	50.00%
MicroSME	All Products	50.00%

EAD

Although IFRS 9 does not explicitly require units to model EAD, understanding how loan exposures are expected to change over time is crucial to an unbiased measurement of ECLs. This is particularly important for 'stage 2' loans, where the point of default may be several years in the future. Ignoring an expected fall in exposure (e.g. on a loan repayable in instalments) could lead to measurements of ECLs being too high. Ignoring an expected increase in exposure (e.g. drawdowns within an agreed limit on a revolving facility) could lead to measurements of ECLs being too low. The maximum period over which expected credit losses shall be measured is the maximum contractual period (including extension options) over which the unit is exposed to credit risk. For loan commitments and financial guarantee contracts, this is the maximum contractual period over which a unit has a present contractual obligation to extend credit. However, some financial instruments include both a loan and an undrawn commitment component and the unit's contractual ability to demand repayment and cancel the undrawn commitment does not limit the unit's exposure to credit losses to the contractual notice period. For example, revolving credit facilities, such as credit cards and overdraft facilities, can be contractually withdrawn by the lender with as little as one day's notice. However, in practice lenders continue to extend credit for a longer period and may only withdraw the facility after the credit risk of the borrower increases, which could be too late to prevent some or all of the expected credit losses.

These financial instruments generally have the following characteristics as a result of the nature of the financial instrument, the way in which the financial instruments are managed, and the nature of the available information about significant increases in credit risk:

- The financial instruments do not have a fixed term or repayment structure and usually have a short contractual cancellation period (for example, one day).
- The contractual ability to cancel the contract is not enforced in the normal day-to-day management of the financial instrument and the contract may only be cancelled when the unit becomes aware of an increase in credit risk at the facility level.
- The financial instruments are managed on a collective basis.

When determining the period over which the unit is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by the unit's normal credit risk management actions, a unit should consider factors such as historical information and experience about:

- The period over which the unit was exposed to credit risk on similar financial instruments;
- The length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- The credit risk management actions that a unit expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits

A unit need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses, including the effect of expected prepayments. The information used shall include factors that are specific to the borrower, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A unit may use various sources of data that may be both internal (unit-specific) and external. Possible data sources include internal historical credit loss experience, internal ratings, credit loss experience of other entities and external ratings, reports and statistics. Entities that have no, or insufficient, sources of unit-specific data may use peer group experience for the comparable financial instrument (or groups of financial instruments).

The modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, including:

- Required repayments/amortization schedule;
- Full early repayment (e.g. early refinancing);
- Monthly overpayments (i.e. payments over and above required repayments but not for the full amount of the loan);
- Changes in utilization of an undrawn commitment within agreed credit limits in advance of default;
- Credit mitigation actions taken prior to default.

The unit uses a cash-flow model to calculate the estimated exposure at each future month-end. This model is consistent with any similar model used for EIR or macro fair-value hedging purposes. This cash-flow model further reflects movements in the EAD in the months before default. The inputs into the EAD model are reviewed to assess their suitability for IFRS 9 and adjusted, where required, to ensure an unbiased, probability weighted ECL calculation reflecting current expectations and forward-looking information.

EAD models are differentiated to reflect the different risk characteristics of different portfolios. The unit considers these different underlying drivers in determining the different inputs to EAD models.

Discount rate

ECLs are measured in a way that reflects the time value of money. This means that cash shortfalls associated with default are required to be discounted back to the balance sheet date. For a financial asset, a unit uses the effective interest rate (EIR) (i.e.

the same rate used to recognise interest income) or an approximation. The effect of discounting may be significant because default events and/or associated cash shortfalls may occur a long time into the future. The time value of money must be taken into account when calculating expected credit losses. Cash flows shall be discounted to the reporting date. Aside of the below mentioned exceptions, cash flows that are expected to be received are discounted using the effective interest rate (EIR) determined at an instruments on-balance initial recognition or an approximation thereof.

Measurement of lifetime expected credit losses in Stage 3

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, bank shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss. For collateralised assets, the estimation also includes cash flows from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable. All measurement requirements also apply to debt securities. When defining default for the purposes of determining the risk of a default occurring, bank shall apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless a unit has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. The gross carrying amount can include principal outstanding (including any overdue amounts), accrued interest, unamortised fees and costs, unamortised modification gains or losses, unamortised changes in cash flow expectations, unamortised fair value hedge adjustments as well as unamortised initial differences between fair value and transaction price (deferred according to IFRS 9.B5.1.2A (b))

When determining lifetime ECL for stage 3 exposures, the same requirements apply as for stage 2 exposures. This means the ECL over the remaining life of a financial instrument shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by estimating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events (that is available at the reporting date without undue cost or effort). The assumptions and inputs must be aligned across all stages of the impairment model, this is particularly relevant for forward looking information such as macro variables.

Probability Weighting

The expected credit losses must reflect a probability weighted amount that is determined by weighting a range of possible outcomes. All relevant scenarios (instead of only the most likely scenario) shall be considered. Scenarios that are extremely unlikely to occur shall not be considered when estimating ECL. Even if only one workout strategy is realistic, it will usually be appropriate and required to take into account at least two different cash flow estimates. For risky assets, such as defaulted debt, actual cash flows can be very different from expectations. The preferred method for calculating the expected cash flows in such cases is to use the most feasible best case and worst-case scenarios. The most feasible best-case scenario will be not the scenario which maximizes all inputs, but rather, one which accounts for the relationship between inputs in a realistic manner. The worst case scenario should also account for the relationship between inputs in a realistic manner. It should also be noted that the riskier the cash flows the great the range of cash flows should be. Workout strategies have to be reflected in the cash flow estimate. Such workout scenarios may be for example:

- Cure (full recovery, full repayment and upgrade to non-default);
- Restructuring (repayment of renegotiated cash flows);
- Liquidation of collateral (gone concern);
- Transfer of the asset through sale;
- A combination of the above.

The amount and timing of the cash flows for particular scenarios have to be determined and a probability has to be attached to each cash flow estimate. The sum of the probability weighted cash flows for each relevant scenario shall then be discounted to the reporting date. The choice of scenario, the weighting and the ratio of the worst case/best case cash flows should be based on historical experience.

Forward Looking Information

The need to incorporate forward-looking information means that application of the standard will require considerable judgement, in particular, as to how changes in macroeconomic factors will affect provisions.

Collateral

Estimated cash flows that are considered shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, i.e. that are part of the contractual terms (even if not explicitly) and are not recognised separately (to avoid double counting).

Off-Balance

For a financial guarantee contract the expected loss is determined based on the expected payments to reimburse the holder for a credit loss, less any amounts that the bank expects to receive from the holder, the debtor or any other party. However, future premium receipts due from the holder should not be considered in the measurement of the expected loss on the asset subject to the guarantee. This is because cash flows under the guarantee depend upon the risk of default of the guaranteed financial asset, whereas the premiums to be received are subject to the risk of default by the holder of the guarantee. For loan commitments the bank will also consider the individual expected draw down. However, this should not be higher than 1, as ECL must not be recognised for any exposures where there is no contractual obligation.

Discount rate

The time value of money must be taken into account when calculating expected credit losses. Cash flows shall be discounted to the reporting date. Aside of the below mentioned exceptions, cash flows that are expected to be received are discounted using the effective interest rate (EIR) determined at an instruments on-balance initial recognition or an approximation thereof. If a financial instrument has a variable interest rate, the ECL should be discounted using the current EIR (i.e. the original EIR adjusted for the floating element's value reset at its most recent repricing date). If the instrument is or was designated as hedged item in a fair value hedging relationship, any revisions according to IFRS 9.6.5.10 shall be considered as well For lease receivables the discount rate used in the measurement of these lease receivables is in accordance with IFRS 16. If a financial instrument was credit impaired at initial recognition (POCI), the ECLs must be discounted using a credit adjusted effective interest rate. For loan commitments the future EIR determined to apply to the asset that will be initially recognised on the commitments' expected future first usage date, as the financial asset that is recognised following a drawdown on a loan commitment is treated as a continuation of that commitment instead of a new financial instrument. For financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3.3.13. Amortized cost category

A financial asset shall be measured at amortized cost if it is within a business model whose objective is to hold assets to collect contractual cash flows and contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, financial assets and financial liabilities are measured at fair value plus eligible transaction costs.

If there is a difference between the entity's estimate of fair value at initial recognition and the transaction price, then:

- if the estimate of fair value uses only data from observable markets, then the difference is recognised in profit or loss; or,
- in all other cases, the difference is deferred as an adjustment to the carrying amount of the financial instrument, which is amortized through PL over the life-time of the financial instrument.

Bank's loan and advances portfolio is carried at amortized cost and the interest income is recognized in profit and loss using effective interest rate.

3.3.14. FVOCI Category

A financial asset is classified as measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets and meets the SPPI criterion.

3.3.15. FVTPL Category

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognised in profit or loss.

In addition, the Bank has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an 'accounting mismatch' – that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

At initial recognition the financial assets classified as at fair value through profit or loss shall be measured at fair value. After initial recognition the financial assets classified as at fair value shall be measured at fair value and transaction costs are recognised in profit or loss.

3.3.16. Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses arising from changes in fair value of derivatives are included in 'Net income from financial instruments at fair value through profit or loss' in profit or loss for the period.

The Bank uses derivative financial instruments such as over the counter (OTC) interest rate swaps to manage its risk arising from fluctuations of market interest rates. No hedge accounting is applied for derivative instruments.

3.3.17. Cash and cash equivalents and mandatory reserves

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

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

3.4. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Significant accounting judgments and accounting are described in the following notes:

- 3.3.12 Impairment of financial assets
- 3.3.16 Impairment losses on financial assets;
- 3.3.17 Amortized cost and Category;
- 3.3.18 FVOCI Category;
- 3.3.19 FVTPL Category;
- 3.8 Repossessed property.

3.5. Mandatory liquidity reserves

In accordance with the CBK rules, the Bank should meet the minimum daily average liquidity requirement. The liquidity requirement is calculated on a weekly basis as 10 per cent of the deposit base, defined as the average total deposit liabilities to the non-banking public in euro and other currencies, over the business days of the maintenance period. The assets with which the Bank may satisfy its liquidity requirement are the euro deposits with the CBK and 50 per cent of the euro equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5 per cent of the applicable deposit base. As the respective liquid assets are not available to finance the Bank's day to day operations, they have been excluded from cash and cash equivalents for the purposes of the cash flow statement.

3.6. Property and equipment

3.6.1. Owned property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any.

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

The carrying values of property 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 unit (CGU) are written down to their recoverable amount.
The recoverable amount of property and equipment is the higher 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 units (CGU) to which the asset belongs.

Impairment losses are recognized in profit or loss.

Depreciation of assets is charged on a straight-line basis at prescribed rates to allocate the cost of property and equipment over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as per the table below:

Leasehold improvements within property are depreciated over the shorter of useful life and the lease term. Work in progress is not depreciated until the asset is put in use.

ATMs, other bank and office equipment	5-10 years
Computer hardware	4-7 years
Buildings used for own purposes	50 years

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

3.6.2. Leased property and equipment

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined based on the lease terms. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

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

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position (note 18).

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

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

what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

The bank chose to use recognition exemptions short term leases as well as low value leases.

- A short-term lease is defined as a lease that has a lease term of 12 months or less.
- A threshold of EUR 5,000, low value leases under threshold.

Each criterion is applied individually, meaning there is no restriction on qualifying short-term lease based on value of the lease and vice versa. The election is to be made on a class-by-class basis. The bank decided to use this exemption for all classes of assets. Any subsequent modification on short-term lease will be considered as a new lease and criteria will be reassessed.

3.6.3. Repossessed property

Repossessed assets are acquired through enforcement of security over non-performing loans and advances to customers that do not earn rental and are not used by the Bank and are intended for disposal in a reasonably short period of time.

Repossessed assets are initially recognised using the bailiff set amount in the last auction and are subsequently measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss. Repossessed assets are recognised as inventories and are stated under merchandise inventory and suspense account for services rendered not yet charged out in statement of financial position and as expenses from non-banking activities in statement of comprehensive income. In case of sale, the revenue is recognised and carrying amount of the asset is recognised as an expense.

Net realisable value is estimated once a year and any write-down/reversal is recognised as an expense /income in the period it occurred.

3.7. Intangible assets

Intangible assets are recognized 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 entirely comprised of computer software which is amortized using the straight-line method over their estimated useful life of five years and licences which are amortized during the licence term.

3.8. Deposits, borrowings and subordinated liabilities

Deposits, borrowings and subordinated liabilities are part of the Bank's sources of debt funding.

Deposits, borrowings and subordinated liabilities are initially recognized at fair value, net of transaction costs incurred. Subsequently are stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period using the effective interest method.

3.9. Hedge accounting

The bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the bank actually hedges and the quantity of the hedging instrument that the bank actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The bank designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The bank designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the bank applies straight-line amortisation.

Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a nonfinancial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the bank expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 4 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item. The bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the bank expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

3.10. Provisions

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

Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. In case that the contingent liability results in a present obligation that can be measured reliably, a provision on-balance has to be made. Only irrevocable commitments give rise to a credit risk, therefore only irrevocable contingencies and commitments can be subject to provisioning. For significant exposures, the assessment is done individually. In case of portfolio-based assessment the portfolio-building and calculation of portfolio-based provisions are calculated as indicated in the impairment of Loans and Advances.

3.11. Employee benefits

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

3.12. Share capital

Dividends on ordinary shares

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

3.13. Equity reserves

Equity reserves are comprised of Fair value reserves and Retained earnings.

The reserves recorded in OCI within the equity on the Bank's statement of financial position include:

- Fair value reserve which comprises changes in fair value of financial assets at fair value through other comprehensive income.

Retained earnings include the cumulative non distributed earnings and are distributable upon approval of the Bank General Shareholder and regulatory approval of the Central Bank.

3.14. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized through profit or loss for the period within 'interest income' and 'interest expense' using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

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

Interest income and expense presented in profit or loss include:

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

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

For purchased or originated credit-impaired (POCI) financial assets the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. The Bank also holds investments in assets issued in countries with negative interest rates. The Bank discloses interest paid on these assets as an interest expense, with additional disclosures in Note 21.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

3.15. Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Other fees and commission income – including account servicing fees, sales commission, card and ATM fees, payment collection fees, is recognised as the related services are performed, respectively over time as the services are provided and/or at a point in time when the transaction takes place (transaction based fees).

More information about the Bank's performance obligations is provided in Note 23.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and the applies IFRS 15 to the residual component.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.16. Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.17. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

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

Deferred tax

Deferred tax Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

4. FINANCIAL RISK MANAGEMENT

4.1. Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

The internal controls and additional risk control tools set by Raiffeisen International Risk Management enable the controlled risk management of the Bank. The main Risk Management Tools have been endorsed by Raiffeisen International and are applied for use by the Bank.

The Bank has been complying with and reports based on Basel II requirements at the Group level covering credit and market risks. The implementation of Basel II requirements should ensure a better management of the capital.

Based on the Bank policies, the Bank's total assets are classified and analysed as follows:

- Analysis of assets based on the class of asset / product (the assets are classified based on the Group Product Catalogue);
- Analysis of assets based on the credit quality (the assets are classified based on the Group Directives);
- Analysis of assets in line with the measurement basis;

Analysis of assets based on age, which means analysis performed for assets that are past due but not impaired;

- Individual analysis of assets determined as impaired by impairment factors;
- Analysis of assets based on the collateral type and with consideration to the recoverable estimated amount;

Analysis of assets based on the concentration of risks for industry / sector / segment / certain exposure amount.

4.2. Credit risk

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

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly or more frequent review. Limits on the level of credit risk by borrower are approved by Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits, where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

The Bank holds different types of collateral as security for the credit risk. Additionally, other credit enhancement methods are applied. The main types of collateral are listed below:

- Property (land, buildings)
- Apartments
- Vehicles
- Equipment
- Personal Guarantee

The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined discounts, and expert assessments.

Collateral evaluation and re-evaluation are direct responsibility of Collateral Specialist of the bank, for all type of collaterals. Real estate appraisal is updated once a year. This yearly update is performed internally by the respective Collateral Specialist. If the update of the revaluation is not done once every 18 months, the WCV of the respective mortgage is reduced by at least 10% per year as long as there is no actual update performed. More frequent monitoring is required where the real estate market is subject to significant changes in conditions.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that there is:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

ECLs are measured in a way that reflects the time value of money. This means that cash shortfalls associated with default are required to be discounted back to the balance sheet date. For Stage 3 assets ECLs are discounted using the original EIR, while for POCI assets ECLs are discounted using CAEIR.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category until sustained performance is observed. Sustained performance is defined as three consecutive contractual payments of principal and/or interest.

ECL

The Bank establishes allowance and provision for expected credit losses that represents its estimate of expected losses in its loan/security and off-balance portfolio.

Write-off policy

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

The following criteria is applicable for retail exposures:

- when the asset is classified as non-performing and the asset is not secured by collateral, the asset is written down within 18 months;
- when the asset is classified as non-performing and the asset is secured by pledged collateral, the asset is written down within 36 months;
- when the asset is classified as non-performing and the asset is secured by mortgage, the asset is written down within 60 months.

The following criteria is applicable for non-retail exposures:

- when the ILLP calculation is done on gone concern approach and the asset is provisioned 100%;
- when there is lack of expected future cash flows from operations;
- when the fair value less cost to sell of a still existing collateral used in the impairment calculation is zero or there is no collateral anymore.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as a direct write down in the profit and loss statement. Any subsequent recoveries are credited to credit loss expense.

Overview of forborne loans

The following tables provide a summary of the Bank's forborne assets as of 31 December 2024 and 31 December 2023.

31 December 2024	Gross carrying amount	Stage 2			Stage 3			Total forborne loans	Forbearance ratio
		Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total performing forborne loans	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total non-performing forborne loans		
Due from banks	3,143	-	-	-	-	-	-	-	0%
Loans and advances to customers									
Non-Retail	408,710	603	1,577	-	152	3,504	-	-	0%
Retail	701,888	17,590	3,466	1,548	3,118	2,789	2,467	4,015	1%
Total loans and advances to customers	**1,110,598**	**18,193**	**5,043**	**1,548**	**3,270**	**6,293**	**2,467**	**4,015**	**1%**

31 December 2023	Gross carrying amount	Stage 2			Stage 3			Total forborne loans	Forbearance ratio
		Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total performing forborne loans	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total non-performing forborne loans		
Due from banks	21,639	-	-	-	-	-	-	-	0.0%
Loans and advances to customers									
Non-Retail	364,721	13,749	2,381	-	207	4,532	-	-	0.0%
Retail	600,265	29,712	4,620	2,605	5,379	2,962	2,851	5,456	0.91%
Total loans and advances to customers	**964,986**	**43,461**	**7,001**	**2,605**	**5,586**	**7,494**	**2,851**	**5,456**	**0.91%**

Overview of forborne loans

31 December 2024	Gross amount of forborne loans			ECLs of forborne loans		
	Stage 2	Stage 3	Total	Stage 2 Collective	Stage 3 Collective	Total
Due from banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Non-Retail	-	-	-	-	-	-
Retail	1,501	1,863	3,364	266	1,459	1,725
Total loans and advances to customers	**1,501**	**1,863**	**3,364**	**266**	**1,459**	**1,725**

31 December 2023	Gross amount of forborne loans			ECL of forborne loans		
	Stage 2	Stage 3	Total	Stage 2 Collective	Stage 3 Collective	Total
Due from banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Non-Retail	-	-	-	-	-	-
Retail	2,483	2,122	4,605	379	1,685	2,064
Total loans and advances to customers	**2,483**	**2,122**	**4,605**	**379**	**1,685**	**2,064**

Loans and advances to customers

Maximum exposures to credit risk before collateral and other credit enhancements as at 31 December 2024 of financial assets by counterparty sector.

	Credit risk exposure	
	31-Dec-24	**31-Dec-23**
Central Bank of Kosovo	79,092	74,171
Other Banks	10,510	32,252
Investments in subsidiaries	4,234	2,234
Sovereigns	236,094	246,556
International Corporates	9,523	9,523
Local Corporates	408,710	364,721
Local Retail customers	701,888	600,265
Total Financial Assets risk exposure	**1,450,051**	**1,329,722**

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

	Loans and advances to customers	
	2024	**2023**
Maximum exposure to credit risk		
Gross amount	1,110,598	964,986
Allowance for impairment	(38,155)	(39,446)
Net carrying amount	**1,072,443**	**925,540**
Loans with renegotiated terms		
Gross carrying amount	32,798	63,542
Allowance for impairment	(7,704)	(10,525)
Net carrying amount	**25,094**	**53,017**

Loans and advances to customers

Set out below is an analysis of collateral and credit enhancement obtained during the years:

31 December 2024	Loans and advances to customers			Fair value of collateral		
	Retail	**Corporate**	**Total**	**Retail**	**Corporate**	**Total**
Commercial Real Estate	60	7,822	7,882	45	7,024	7,069
Residential Real Estate	103,214	-	103,214	94,243	-	94,243
Movable	174,935	383,762	558,697	59,628	355,239	414,867
Unsecured	423,679	17,126	440,805	-	-	-
Total	**701,888**	**408,710**	**1,110,598**	**153,916**	**362,263**	**516,179**

31 December 2023	Loans and advances to customers			Fair value of collateral		
	Retail	**Corporate**	**Total**	**Retail**	**Corporate**	**Total**
Commercial Real Estate	260	4,481	4,741	224	3,787	4,011
Residential Real Estate	77,112	-	77,112	70,195	-	70,195
Movable	214,618	346,605	561,223	84,761	325,623	410,384
Unsecured	308,275	13,635	321,910	-	-	-
Total	**600,265**	**364,721**	**964,986**	**155,180**	**329,410**	**484,590**

Set out below is an analysis of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts:

31 December 2024	Total gross carrying amount	Stage 1	Stage 2	Stage 3	Fair value of the collateral
Non-retail Customers	408,710	339,617	56,112	12,981	153,916
Retail Customers	701,888	544,308	135,138	22,442	362,263
Total Loans and Advances to Customers	**1,110,598**	**883,925**	**191,250**	**35,423**	**516,179**

31 December 2023	Total gross carrying amount	Stage 1	Stage 2	Stage 3	Fair value of the collateral
Non-retail Customers	364,721	300,900	51,702	12,119	155,180
Retail Customers	600,265	439,996	139,487	20,783	329,410
Total Loans and Advances to Customers	**964,986**	**740,896**	**191,189**	**32,902**	**484,590**

An analysis of concentrations of credit risk as at 31 December 2024 and 31 December 2023 for loans and advances to customers past due and impaired – Stage 3 and POCI are presented below:

31 December 2024	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Non-retail Customers	1,731	716	1,668	7,644	11,759
Retail Customers	2,638	364	1,632	21,762	26,396
Total Loans and advances to customers impaired	**4,369**	**1,080**	**3,300**	**29,406**	**38,155**

31 December 2023	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Non-retail Customers	3,113	991	1,079	6,818	12,001
Retail Customers	3,129	463	1,994	21,859	27,445
Total Loans and advances to customers impaired	**6,242**	**1,454**	**3,073**	**28,677**	**39,446**

The Bank monitors concentrations of credit risk by sector. Economic sector risk concentrations within the customer loan portfolio are as follows:

	2024	%	2023	%
Trade	158,420	14%	161,121	17%
Individuals	892,484	80%	747,476	77%
Manufacturing, chemical and processing	40,687	4%	37,428	4%
Service	8,431	1%	8,107	1%
Construction and construction servicing	5,359	0%	4,223	0%
Food industry and agriculture	5,106	0%	6,425	1%
Other	111	0%	206	0%
Total loans and advances to customers before allowance for loan impairment	**1,110,598**	**100%**	**964,986**	**100%**

Due from banks

Interbank exposures are closely monitored on a daily basis by risk management and the Treasury Department. The Bank limits its deposits and other banking transactions to sound local or international banks. Before a business relationship is initiated with a given bank, the management and the Risk Department carry out an analysis of the institution's financial standing. The financial performance of the counterparties is continuously monitored. Moreover, all correspondent banks as well as bond issuers in which the Bank has investment exposures are continuously monitored for their ratings by international rating agencies. In order to represent the ratings of different international rating agencies the tables below have been prepared in accordance with Central Bank of Kosovo rating scales representing as below:

International Risk Ratings				
Ratings definitions	Moody's Rating Scale		Fitch Rating Scale	
	Long term rating scale	Short term rating scale	Long term rating scale	Short term rating scale
High credit quality	Aaa	P-1	AAA	F1+
	Aa1		AA+	
	Aa2		AA	
	Aa3		AA-	
Strong payment capacity	A1	P-2	A+	F1/F1+/F2
	A2		A	
	A3		A-	
Adequate payment capacity	Baa1	P-3	BBB+	F2/F3
	Baa2		BBB	
	Baa3		BBB-	
Speculative payment capacity	Ba1	Not Prime	BB+	B
	Ba2		BB	
	Ba3		BB-	

A function independent from the treasury department, usually risk management, must monitor that the exposure toward all banks does not exceed regulatory limits or internal limits set by the management of the Bank.

In accordance to the new regulation on large exposures of the Central Bank of Republic of Kosovo, banks shall not have any aggregate credit risk exposure to related counterparties exceeding 15 per cent of Tier I Regulatory Capital.

Due from banks are granted without collateral. The table below presents the Bank's current accounts and time deposits with corresponding banks by credit ratings, which are all classified as Stage 1.

At 31 December	2024	2023
P-1	10,510	32,150
P-2	-	1,102
P-3	-	-
	10,510	**33,252**

Investment securities

Investments in securities are mainly invested in government bonds with OECD Countries, Republic of Kosovo T Bills and corporate bonds.

The investments are primarily for liquidity management of the bank and ensure sufficient risk diversification in terms of credit exposure with one sovereign also considering the local regulatory environment and limitation on large exposures.

The below table represents securities exposure based on International risk rating:

	2024	**2023**
Aaa	102,274	105,581
Aa1	66,747	70,668
Aa2	40,741	43,765
A2	-	3,087
Baa3	3,586	3,470
Ba3	32,236	29,455
	245,584	**256,026**

Starting in 2024, Kosovo Government Bonds have been rated BB-.

4.3. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. The Bank is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan draw downs and guarantees. The liquidity risk is managed by the Management of the Bank.

The Bank holds mid to long term assets and due to market conditions, finances the majority of its portfolio with short term debt. In this process the Bank inherits liquidity risk pertaining to maturity mismatches. The Bank issues long term assets, such as PI loans and Mortgages, and these portfolios are mainly financed by demand deposits and Term Deposits up to 1 year. The management receives on a daily basis the liquidity ratio information of the Bank, and also on a weekly basis receives a liquidity report sorted by Business segment. Since the Bank issues mid to long term assets, and finances it with short to mid-term debt, it is also exposed to interest rate risk.

Regulatory liquidity reserve is calculated as 10 percent of the average liabilities due within one-year, which reserve is maintained by deposits at central bank and 50 percent of physical cash. The bank monitors this requirement and reports it on monthly basis the required liquidity reserve for each working day.

The table below shows net carrying amounts of assets and liabilities as at 31 December 2024 and 2023 by their remaining contractual maturity.

However, the Bank expects that many customers will not request repayment of deposits on the earliest date it could be required to pay, and the table does not reflect the expected cash flows indicated by its deposit retention history. In addition, the Bank is using EU LCR delegated act for liquidity management and is required to keep liquidity for 10 percent to 10.9 percent for retail uninsured deposits and percent for insured deposits. For non-retail an outflow of 33 percent to 85 percent is planed based if account is operational or not. The EU LCR should be above 100 percent. As of 31 December 2024, the Bank was well over this limit at above 300 percent.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	183,645	-	-	-	183,645
Due from banks	9,491	-	-	-	9,491
Loans and advances to customers	26,413	30,688	200,698	814,644	1,072,443
Investment securities	-	67,011	93,851	84,722	245,584
Other assets	-	-	5,787	-	5,787
Total financial assets	**219,549**	**97,699**	**300,336**	**899,366**	**1,516,950**
Liabilities					
Deposits from customers	1,281,295	740	3,928	43,101	1,329,064
Due to banks	10,854	-	1,016	-	11,870
Subordinated debt	94	-	-	10,000	10,094
Other non-derivative financial liabilities	-	-	62,436	-	62,436
Other derivative financial liabilities	-	-	27	-	27
Total financial liabilities	**1,292,243**	**740**	**67,407**	**53,101**	**1,413,491**
Net gap position at 31 December 2024	**(1,072,694)**	**96,959**	**232,929**	**846,265**	**103,459**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	185,138	-	-	-	185,138
Due from banks	11,961	-	-	-	11,961
Loans and advances to customers	19,944	28,870	195,937	680,789	925,540
Investment securities	-	-	-	256,026	256,026
Other assets	-	-	2,550	-	2,550
Total financial assets	**217,043**	**28,870**	**198,487**	**936,815**	**1,381,215**
Liabilities					
Deposits from customers	1,216,476	925	1,738	147	1,219,286
Due to banks	7,491	-	230	-	7,721
Subordinated debt	-	-	-	-	-
Other non-derivative financial liabilities	-	-	45,445	-	45,445
Other derivative financial liabilities	-	-	101	-	101
Total financial liabilities	**1,223,967**	**925**	**47,514**	**147**	**1,272,553**
Net gap position at 31 December 2023	**(1,006,924)**	**27,945**	**150,974**	**936,668**	**108,663**

The maturity analysis of loans to customers is based on the remaining maturity dates of the credit agreements, which means taking into account the instalments due on a monthly basis.

Liquidity reporting on a weekly basis at business segment level, monitoring of stickiness ratio separately for all business segments, banking book limits and reports, which measure the interest risks and gaps, are currently the tools applied to manage and limit the underlying risk of conducting business.

Mandatory liquidity reserves are included within demand and less than one month as the majority of liabilities to which this balance relates are also included within this category.

The maturity analysis for financial liabilities is analysed as follows:

- Based on earliest contractual maturity date – worst case scenario;
- Based on contractual undiscounted cash-flows;
- Determination of the time bands;
- Expected cash-flows are used as supplementary information.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace interest-bearing liabilities as they mature at an acceptable cost are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The Bank has a significant maturity mismatch of the assets and liabilities maturing within one year. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2024 and 2023 was customer accounts being on demand and maturing in less than one month. Management believes that in spite of a substantial portion of customers' accounts being on demand, diversification of these deposits by number and type of depositors would indicate that these customers' accounts provide a long-term and stable source of funding for the Bank.

The Bank has improved the net position through other sources of funding, which provide middle-term finance and intend to continue matching assets vs. liability maturity in the periods to come. In addition, the Bank has an unused Credit Facility Agreement, which will provide support in case of liquidity needs.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

4.4. Market risk

Market risk is the risk that the value of an investment will decrease due to moves in market factors. The four standard market risk factors are:

- Equity risk or the risk that stock prices will change.
- Interest rate risk or the risk that interest rates will change.
- Currency risk or the risk that foreign exchange rates will change.
- Commodity risk or the risk that commodity prices (i.e. grains, metals, etc.) will change.

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Geographical risk

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2024 and 2023 is set out below:

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	183,019	626	-	183,645
Due from banks	-	9,491	-	9,491
Loans and advances to customers	1,072,443	-	-	1,072,443
Investment securities	32,237	156,394	56,953	245,584
Other assets	5,787	-	-	5,787
Total financial assets	**1,293,486**	**166,511**	**56,953**	**1,516,950**
Liabilities				
Deposits from customers	1,285,205	17,491	26,368	1,329,064
Deposits from banks	10,239	1,631	-	11,870
Subordinated debt	-	10,094	-	10,094
Other liabilities	42,836	19,600	27	62,463
Total financial liabilities	**1,338,280**	**48,816**	**26,395**	**1,413,491**
Net gap position at 31 December 2024	**(44,794)**	**117,695**	**30,558**	**103,459**

	Kosovo	**EU**	**Other**	**Total**
Assets				
Cash and cash equivalents and mandatory liquidity reserve	165,965	19,173	-	185,138
Due from banks	-	11,961	-	11,961
Loans and advances to customers	925,540	-	-	925,540
Investment securities	76,854	179,172	-	256,026
Other assets	2,550	-	-	2,550
Total financial assets	**1,170,909**	**210,306**	**-**	**1,381,215**
Liabilities				
Deposits from customers	1,168,849	16,800	33,637	1,219,286
Deposits from banks	7,491	230	-	7,721
Subordinated debt	-	-	-	-
Other liabilities	45,445	-	101	45,546
Total financial liabilities	**1,221,785**	**17,030**	**33,738**	**1,272,553**
Net gap position at 31 December 2023	**(50,876)**	**193,276**	**(33,738)**	**108,663**

Currency risk

This is a form of risk that arises from the change in price of one currency against functional currency. The currency risk is managed through monitoring and managing open FX positions. These positions are set for daily positions and separately, for overnight positions. The sensitivity analysis is provided to the management on weekly basis.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total, as well as stop-loss limits, which are monitored daily, and hedged accordingly by entering offsetting positions. The use of euro in Kosovo allows the bank to enter in highly liquid derivatives, such as cross-currency swaps, to be used as hedging tools to the short-term liquidity variances.

The Market Risk Report encapsulating the Interest Rate Risk Report and the Open FX currency report is sent to the management on weekly basis. The respective report is produced by RBI Risk management based on the inputs that are provided from local reporting resources.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2024 and 2023. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency and translated into Euro '000.

	Euro	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	146,020	5,923	31,702	183,645
Due from banks	3,502	3,569	2,420	9,491
Loans and advances to customers	1,072,443	-	-	1,072,443
Investment securities	188,631	56,953	-	245,584
Other assets	5,787	-	-	5,787
Total financial assets	**1,416,383**	**66,445**	**34,122**	**1,516,950**
Liabilities				
Deposits from customers	1,203,111	68,701	57,252	1,329,064
Deposits from banks	11,870	-	-	11,870
Subordinated debt	10,094	-	-	10,094
Other liabilities	62,463	-	-	62,463
Total financial liabilities	**1,287,538**	**68,701**	**57,252**	**1,413,491**
Net gap position at 31 December 2024	**128,845**	**(2,256)**	**(23,130)**	**103,459**

	Euro	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	165,360	1,522	18,256	185,138
Due from banks	6,002	1,348	4,611	11,961
Loans and advances to customers	925,540	-	-	925,540
Investment securities	208,627	47,399	-	256,026
Other assets	2,550	-	-	2,550
Total financial assets	**1,308,079**	**50,269**	**22,867**	**1,381,215**
Liabilities				
Deposits from customers	1,140,829	68,150	10,307	1,219,286
Deposits from banks	7,721	-	-	7,721
Subordinated debt	-	-	-	-
Other liabilities	45,546	-	-	45,546
Total financial liabilities	**1,194,096**	**68,150**	**10,307**	**1,272,553**
Net gap position at 31 December 2022	**113,983**	**(17,881)**	**(12,560)**	**108,663**

Foreign currency risk

The foreign currencies to which the Bank is mainly exposed are US Dollar (USD), Swiss Franc (CHF) and British Pound (GBP). The limit for aggregate foreign currency open position is maintained within regulatory requirements. This reduces the risk exposure to any market fluctuations on the market and minimizes the potential FX revaluation impact in the profit and loss of the bank.

Rates for major currencies used in the translation of the reporting date items denominated in foreign currencies were as follows (in euro):

Compared to EUR	31 December 2024	31 December 2023
1 USD	1.103890	1.105005
1 CHF	0.941	0.926
1 GBP	0.82918	0.86905

Interest rate risk

This is the risk that the relative value of an interest-bearing asset will lose in value. The Bank's assets being largely in mid to long fixed term loans, and liabilities being mainly short term deposits, exposes the Bank to a mismatch in interest rates, and consequently the corresponding gaps exposed the Bank to interest rate movements in the market.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term deposits at fixed interest rates. In practice interest rates are generally fixed on a short-term basis. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. Under the interest rate SWAP contracts, the Bank agrees to exchange the difference between the fixed and floating rate interest amount calculated on agreed notional principal amounts. Cash in hand and balances with CBK on which no interest is paid are included in the "non-interest bearing" column in the below table as well as non-interest bearing deposits of customers.

In order to hedge for the gaps in fixed-mid to long term loans vs. variable short to mid-term debt, financial derivatives Interest Rate Swaps are used, whereby Raiffeisen Bank Kosovo is mainly a fixed side interest payer, whereas in return the counterparty is variable rate payer, and the variable side is indexed to 6 Month EURIBOR, to ensure optimal sensitivity.

Raiffeisen Bank Kosovo applies active risk management to hedge against market risk positions. Interest rate risk is partially hedged through financial derivatives. In order to ensure long term stability in the cash flow from existing loan portfolios, maturing from between 2028 to 2029 these positions are hedged through Interest Rate Swaps.

The Interest Rate Swaps are accounted for as banking book derivatives without hedge accounting. Interest Rate Swaps are measured at market value on each reporting date and any changes resulting from this are recognized in Profit and Loss of the year. The positions are measured using basis point value method.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	183,645	-	-	-	-	183,645
Due from banks	9,491	-	-	-	-	9,491
Loans and advances to customers	26,413	30,688	200,698	814,644	-	1,072,443
Investment securities	-	67,011	93,851	84,722	-	245,584
Other assets	-	-	-	-	5,787	5,787
Total financial assets	**219,549**	**97,699**	**294,549**	**899,366**	**5,787**	**1,516,950**
Liabilities						
Deposits from customers	122,761	740	3,928	43,101	1,158,534	1,329,064
Deposits from banks	9,838	-	1,016	-	1,016	11,870
Subordinated debt	94	-	-	10,000	-	10,094
Other liabilities	-	-	-	-	62,463	62,463
Total financial liabilities	**132,693**	**740**	**4,944**	**53,101**	**1,222,013**	**1,413,491**
Net gap position at 31 December 2024	**86,856**	**96,959**	**289,605**	**846,265**	**(1,216,226)**	**103,459**

Non-interest bearing deposits in the amount of € 1,159,550 thousand are mainly current accounts of businesses and individuals. They do not have any contractual re-pricing or maturity dates, however the interest rates would respond in a short amount of time in response to changes in market interest rates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	185,138	-	-	-	-	185,138
Due from banks	11,961	-	-	-	-	11,961
Loans and advances to customers	19,944	28,870	195,937	680,789	-	925,540
Investment securities	-		-	256,026	-	256,026
Other assets	-	-	-	-	2,550	2,550
Total financial assets	**217,043**	**28,870**	**195,937**	**936,815**	**2,550**	**1,381,215**
Liabilities						
Deposits from customers	127,276	925	1,738	147	1,089,200	1,219,286
Deposits from banks	7,261	-	230	-	230	7,721
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	45,546	45,546
Total financial liabilities	**134,537**	**925**	**1,968**	**147**	**1,134,976**	**1,272,553**
Net gap position at 31 December 2023	**82,506**	**27,945**	**193,969**	**936,668**	**(1,132,426)**	**108,663**

The table below summarises the Bank's exposure to variable interest rate (EURIBOR). Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	-	-	-	-	-
Due from banks	-	-	-	-	-
Loans and advances to customers	12,552	597	7,576	53,911	74,636
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**12,552**	**597**	**7,576**	**53,911**	**74,636**
Liabilities					
Deposits from customers	-	-	-	-	-
Deposits from banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2024	**12,552**	**597**	**7,576**	**53,911**	**74,636**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	-	-	-	-	-
Due from banks	-	-	-	-	-
Loans and advances to customers	1,452	2,213	12,429	102,359	118,453
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**1,452**	**2,213**	**12,429**	**102,359**	**118,453**
Liabilities					
Deposits from customers	-	-	-	-	-
Deposits from banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2023	**1,452**	**2,213**	**12,429**	**102,359**	**118,453**

Risk Management Strategy: The bank uses interest rate swaps (IRS) to hedge its exposure to changes in interest rates on its variable-rate loans. The objective is to manage interest rate risk by converting variable-rate assets into fixed-rate assets.

Hedging Instruments:
The bank ALM monitors the IR position continuously and hedges the IR position by IRS derivates with respect to risk appetite, market possibilities and in accordance with the risk management strategy.

Portfolio of net receiver IR swaps denominated in EUR. It means that receiver swaps will dominate in the portfolio. However, there may be also a combination of receiver and payer swaps that are viewed in combination and designated together as hedging instrument. (IAS 39.77)

- The bank has entered into interest rate swaps with a notional amount of EUR 10 million.
- The fair value (positive fair value) of the interest rate swaps as of the reporting date is EUR 3 ths.
- The swaps are included in the line item "Derivative financial instruments" in the statement of financial position and is included in the note 12.

Hedged Items:
The hedged item in each relationship is defined as a portion of the portfolio of floating-rate assets in currency EUR. The primary underlying volume is formed by floating-rate corporate loans, revolving corporate loans with high probability of roll over (Working Capital financing), floating rate mortgages and SMEs loans, as well as the treasury mandatory buffers with a short-term refixing period.

The amount of hedged item within each time bucket is defined as a portion of a corporate loan portfolio selected according to criteria defined below. The portion is set so that the volume of the hedged item corresponds to the volume of the hedging instrument linked to the same reference rate. Additional requirement is that impaired loans are not included in the portfolio of hedged items.

The loans are assigned to specific time buckets based on their contractual repricing dates. Consequently, they share the same risk: cash flow exposure to changes in swap yield curve, i.e. changes in EURIBOR rates with respect to relationship. The loans will be bearing only 6M EURIBOR however in a limited amount also the loans and other assets with different repricing tenors could be included in the portfolio which will be duly reflected in the calculation of the efficiency of the hedging relationship.

The proportion of loans hedged naturally and hedged by derivatives changes continuously as the balance sheet of the bank evolves. Both hedged item and hedging instrument are living portfolios. In IFRS terms the situation can be interpreted as an adjustment of the hedging instrument that reflects the change in the hedged position. Nevertheless, the dynamic of the cash flow hedge is expected to be low and is constantly monitored by Treasury.

Hedge Effectiveness and Ineffectiveness:

- The bank uses the euro-offset method to assess hedge effectiveness.
- The effective portion of valuation is booked in OCI, while the ineffective portion is booked in PL
- As of reporting period the hedge effectiveness has been within hedge acceptable levels without any result being recognized in PL.

Impact on Financial Statements:

- The change in fair value of the hedging instruments recognized in OCI is EUR 30 ths. No bookings where made in the PL during 2024.

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using annual effective rates.

In percentage	2024				2023			
	Euro	USD	CHF	GBP	Euro	USD	CHF	GBP
Assets								
Balance with Central Bank	0.00	-	-	-	0.00	-	-	-
Due from banks	0.00	0.05	0.00	-	0.00	0.05	0.00	-
Government Bonds AC yield	0.03	0.04	-	-	0.03	0.04	-	-
Government Bonds Non-trading through FV yield	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Government Bonds OCI yield	0.03	0.03	-	-	0.01	-	-	-
Bonds held for trading yield	0.03	-	-	-	0.03	-	-	-
Loans and advances to customers	0.06	0.07	-	-	0.07	0.06	-	-

In percentage	2024				2023			
Liabilities								
Customer accounts	(0.00)	-	-	-	N/A	N/A	N/A	N/A
Term deposits	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Savings accounts	(0.00)	-	-	-	(0.00)	(0.00)	(0.00)	(0.00)
Subordinated loan	(0.05)	-	-	-	-	-	-	-
IRS	-	-	-	-	(0.03)	-	-	-

From Risk Management and control perspective, there are two aspects of risk:

- Risk evaluation
- Risk control

Interest rate risk evaluation

Interest rate risk sensitivity is measured to quantify dependence of the present value of a position on a risk factor. The interest rate sensitivities, often referred to as basis point values (BPV), give the change of the present value in units of the reference currency, under the assumption that interest rates change by 200 bps. The Interest Rate risk is measured using VaR (Value at risk) approach. This approach implies a measurement scenario using 10 days duration and 99 per cent confidence interval.

	+ 200 bps	- 200 bps
Main Categories of sensitivity 2024		
NII Sensitivity	-1.30M	-10.84M
Valuation sensitivity	1.17M	-2.21M
Total Sensitivity	0.13M	-13.05M
Main Categories of sensitivity 2023		
NII Sensitivity	0.07M	-5.58M
Valuation sensitivity	-2.23M	2.92M
Total Sensitivity	-2.16M	-2.65M

The VaR is measured at stress of 1bps shift in the Yield curve. This Scenario assumes the implication on Profit and loss account of the Bank, in case the yield curve moves in one or the other direction by 200 basis point.

Value at risk as of 31 December 2024 is Euro value At Risk (99%, 1d) in Banking Book, is EUR 2,470 thousand. The results of the sensitivity analysis are presented to the management on a monthly basis and are independently reviewed by RBI Vienna Risk Management.

Interest rate risk control

The mechanism of control interest rate risk is utilized through the daily Basis Point Value (BPV) reports. The Bank currently has a total BPV limit of EUR 40 thousand and USD 5 thousand. For the purpose of measuring BPV, administered rate products are modelled using replicating portfolio. The Basis Point Value is measured per currency and per time band. The limits are also set for each currency and for different time bands.

4.5. Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

4.6. Capital risk management

Regulatory capital

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Bank's overall strategy remains unchanged from previous year. The capital structure of the Bank consists of debt, which includes borrowings, and equity attributable to equity holders, comprising issued capital and retained earnings.

Capital requirements for operational risk

The capital requirements for operational risk are calculated based on CBK regulation "on operational risk management", using the standardized approach. Under the Standardised Approach (TSA), the capital requirement for operational risk is the average over three years of the risk-weighted relevant indicators calculated each year across eight business lines. The three-year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year.

Capital adequacy ratio

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets, off balance-sheet items and other risks, expressed as a percentage. The minimum requirements where updated beginning 01 January 2020 and the requirement for Common Equity Tier 1 ("CET 1") is 4.9 per cent of risk-weighted assets, Tier 1 capital above 9 per cent of risk-weighted assets and 12 per cent of risk-weighted assets for total own funds, i.e. Tier 1 Capital plus Ties 2 Capital (2024: the minimum required Capital Adequacy Ratio is 8 per cent for Tier 1 capital and 12 per cent for total own funds). The Bank has met these regulatory requirements during and at the year end 2024 and 2023. In addition to the requirements above, the bank has also received two decisions from the CBK in September 2024 that require the implementation of a positive countercyclical capital buffer and an additional capital buffer for systemically important banks. The positive countercyclical capital buffer is 2.0% of risk-weighted assets, while the additional capital buffer for systemically important banks is 0.75% of risk-weighted assets. These decisions came into effect on October 1, 2024, with the final adjustment period for the bank to comply by June 30, 2025.

Risk-weighted assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. The bank assets are assigned one of the weights based on the CBK Regulation on Capital Adequacy. To calculate risk-weighted exposure amounts, risk weights are applied to all exposures, unless deducted from own funds, in accordance with article 44 to 58 of Regulation on Capital Adequacy. The application of risk weights is based on the exposure class to which the exposure is assigned and, to the extent specified in its credit quality. Credit quality may be determined by reference to the credit assessments of External Credit Assessment Institutions (ECAI) or the credit assessments of Export Credit Agencies (ECA) in accordance with the Regulation on the use of external credit assessments for the purpose of calculation of the regulatory capital.

	31 December 2024	31 December 2023
Total risk weighted assets	1,063,448	877,460
Total risk weighted off balance exposures	13,253	69,361
Total risk weighted assets for operational risk	81,226	69,213
Total	**1,157,927**	**1,016,034**
Regulatory capital (Total Capital)	196,070	171,632
Capital adequacy ratio (Total Capital)	16.9%	16.9%

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's management of capital during the period.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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

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 premia 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.

5.1. Financial instruments not measured at fair value

Cash and cash equivalents and mandatory reserve

Cash and cash equivalents include inter-bank placements and items in the course of collection. As these balances are short term and at floating rates their fair value is considered to equate to their carrying amount.

Due from banks

Due from banks are consisted of term deposits and guarantees from other banks. As these balances are short term and at floating rates their fair value is considered to equate to their carrying amount.

Subordinated loan

Long term subordinated loan due to Raiffeisen Bank International has an estimated fair value approximately equal to its carrying amount because of its underlying fixed interest rate.

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.

Assets	Carrying value 2024	Fair value Level 3 2024	Carrying value 2023	Fair value Level 3 2023
Loans and advances to customers	1,072,443	1,064,307	925,540	923,610
Liabilities				
Deposits from customers	1,329,064	1,329,064	1,219,286	1,219,286
Deposits from banks	11,870	11,870	7,721	7,721

5.2. Financial instruments measured at fair value- fair value hierarchy

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

31 December 2024				
Non-derivatives	**Carrying value**	**Fair Value Level 1**	**Fair Value Level 2**	**Fair Value Level 3**
Investment securities	***245,584***	***213,348***	***23,723***	***8,513***
Financial investments at fair value through profit or loss	-	-	-	-
Financial investments- Held for trading	492	-	492	-
Financial investments at fair value through OCI	120,279	97,047	23,231	-
Financial investments at amortised cost	124,813	116,300	-	8,513
Derivatives	**27**	**27**	**-**	**-**
Derivatives held for risk management	27	27	-	-

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows the ECL charges on financial instruments for the year 2024 recorded in the income statement:

Credit loss expense 2024	**Stage 1 Individual**	**Stage 1**	**Stage 2 Individual**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers	-	82	-	3,280	(8,524)	(591)	(5,753)
Debt instruments measured at FVOCI	19						19
Off balance (Financial guarantees and loan commitments)	-	63	-	549	-	-	612
Total impairment losses	**19**	**145**	**-**	**3,829**	**(8,524)**	**(591)**	**(5,122)**

Credit loss expense 2023	**Stage 1 Individual**	**Stage 1**	**Stage 2 Individual**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to customers	-	785	-	(6,634)	(5,076)	(2,986)	(13,911)
Debt instruments measured at FVOCI	5						5
Off balance (Financial guarantees and loan commitments)	-	90	-	(608)	0	-	(518)
Total impairment losses	**5**	**875**	**-**	**(7,242)**	**(5,076)**	**(2,986)**	**(14,424)**

7. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2024	Cash flows	Declaration of Dividends	31 December 2023
Interest bearing borrowings Note 15	7,491	3,363		10,854
Subordinated debt	-	10,094		10,094
Lease payments	(871)	126		(745)
Dividends payable	23,500	(23,500)	19,600	19,600
Total liabilities from financing activities	30,120	(9,917)	19,600	39,803

	1 January 2023	Cash flows	Declaration of Dividends	31 December 2023
Interest bearing borrowings Note 15	7,534	(43)	-	7,491
Subordinated debt	-	-	-	-
Lease payments	-	(871)	-	(871)
Dividends payable			23,500	23,500
Total liabilities from financing activities	7,534	(914)	23,500	30,120

8. CASH AND CASH EQUIVALENTS AND MANDATORY RESERVE

	2024	2023
Cash on hand	103,534	90,676
Balances with the CBK	79,092	74,171
Correspondent accounts with other banks	1,019	20,291
Allowance for accounts with other banks	-	-
Total	**183,645**	**185,138**

Cash, cash equivalents and mandatory reserve include a mandatory liquidity reserve balance with CBK of EUR 125,483 thousand (31 December 2023: EUR 120,274 thousand). The liquidity reserve balance requirement is calculated as the average of daily balance for each day of the previous calendar month and should be maintained at 10 per cent of bank deposits payable within one year. It consists of balances with CBK and 50 per cent of cash on hand. As such the balance can vary from day-to-day. This balance is excluded from cash and cash equivalents for the purposes of the cash flow statement. As of 31 December 2024 and 2023 the Bank's cash and cash equivalents for the purposes of cash flow statement were as follows:

	2024	2023
Term deposits (note 9)	7,366	10,614
Cash and cash equivalents and mandatory reserve	183,645	185,138
Less: Mandatory liquidity reserve	(125,483)	(120,274)
Cash and cash equivalents for the purposes of cash flow statement	**65,528**	**75,478**

Interest rate has been applied on the balances (above the liquidity reserve requirement) with CBK for current reporting year (0.3 per cent) and previous reporting year (0.1 per cent).

9. DUE FROM BANKS

Term deposits are placed with banks operating in OECD countries. The balance of due from banks includes accrued interest of EUR 11 thousand (31 December 2023: EUR 12 thousand).

Guarantee deposits include an amount of EUR 2,125 thousand as of 31 December 2024 (31 December 2023: EUR 1,347 thousand) which represent restricted deposits with UOB Bank as card cash collateral. The Bank does not have the right to use these funds for the purposes of funding its own activities.

	2024	**2023**
Term deposits	7,366	10,614
Guarantee deposits	2,125	1,347
Allowances for impairment	-	-
Total due from banks	**9,491**	**11,961**

10. INVESTMENT SECURITIES

	2024	2023
Investment securities designated as at FVTPL	-	-
Investment securities held for trading	492	1,734
Investment securities measured at FVOCI	120,302	128,881
Investment securities measured at amortized cost	124,824	125,464
Allowances for impairment	(34)	(53)
Total investment securities	245,584	256,026

Investment securities are held in different business model divided between investment securities at FVOCI, FVTPL, at amortized cost and held for trading.

Investment securities designated at FVTPL and debt securities at FVOCI as of 31 December 2024 represent one month to five year bonds and treasury bills denominated in EUR and US dollar issued by Germany, Austria, United States of America, Poland and Republic of Kosovo (Government Treasury Bills).

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

		2024		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	-	-	-	-
Excellent	97,050	-	-	97,050
Strong	-	-	-	-
Good	-	-	-	-
Satisfactory	23,252	-	-	23,252
Substandard	-	-	-	-
Credit impaired	-	-	-	-
Unrated	-	-	-	-
Total	**120,302**	**-**	**-**	**120,302**

	2023			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	-	-	-	-
Excellent	107,153	-	-	107,153
Strong	3,975	-	-	3,975
Good	-	-	-	-
Satisfactory	-	-	-	-
Substandard	-	-	-	-
Credit impaired	-	-	-	-
Unrated	17,753	-	-	17,753
Total	**128,881**	**-**	**-**	**128,881**

The movements in gross carrying amounts and the corresponding ECLs for the debt securities at FVOCI, as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2024	128,881	-	-	128,881
New assets originated or purchased	90,516	-	-	90,516
Assets derecognised or matured	(99,147)	-	-	(99,147)
Change in fair value	52	-	-	52
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not recognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	120,302	-	-	120,302

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2023	160,109	-	-	160,109
New assets originated or purchased	87,321	-	-	87,321
Assets derecognised or matured	(120,006)	-	-	(120,006)
Change in fair value	1,457	-	-	1,457
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not recognized	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	128,881	-	-	128,881

	2024			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	30	-	-	30
New assets originated or purchased	25	-	-	25
Assets derecognised or matured	(29)	-	-	(29)
Change in fair value (excluding write offs)	(3)	-	-	(3)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	**23**	**-**	**-**	**23**

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	34	-	-	34
New assets originated or purchased	36	-	-	36
Assets derecognised or matured	(16)	-	-	(16)
Change in fair value (excluding write offs)	(24)	-	-	(24)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**30**	**-**	**-**	**30**

11. LOANS AND ADVANCES TO CUSTOMERS

	2024	2023
Non-retail customers		
Current and restructured loans	331,626	303,376
Overdraft facilities	77,084	61,345
	408,710	**364,721**
Retail customers		
Current and restructured loans	679,247	577,436
Overdraft facilities	22,641	22,829
	701,888	**600,265**
Loans and advances to customers	**1,110,598**	**964,986**
Less: Allowance for impairment	(38,155)	(39,446)
Loans and advances to customers, net	**1,072,443**	**925,540**

Loans and advances to customers include accrued interest income for EUR 2,936 thousand (31 December 2023: EUR 2,938 thousand).

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

Gross carrying amount and the corresponding loss allowances for total loans are, as follows:

					2024	2023
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	293,835	25,059	25,059	17	318,911	217,443
Strong	125,423	50,897	50,897	59	176,379	171,679
Good	144,768	9,300	9,300	630	154,698	129,876
Satisfactory	167,244	25,840	25,840	-	193,084	189,723
Substandard	1,990	22,297	22,297	-	24,287	21,747
Credit impaired	-	-	-	7,682	34,606	31,812
Unrated	150,665	57,857	57,857	111	208,633	202,706
Total	**883,925**	**191,250**	**191,250**	**8,499**	**1,110,598**	**964,986**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for total loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2024	740,896	191,189	23,147	9,754	964,986
New assets originated or purchased	561,438	87,864	1,013	271	650,586
Assets derecognised or repaid	(290,261)	(53,871)	(369)	(541)	(345,042)
Transfers to Stage 1	16,171	(15,959)	(212)	-	-
Transfers to Stage 2	(30,723)	31,004	(281)	-	-
Transfers to Stage 3	(2,263)	(10,403)	12,666	-	-
Changes due to change in credit risk (net)	(111,211)	(38,333)	(2,940)	(403)	(152,887)
Changes to contractual cash flows due to modifications not resulting in derecognition					
Amounts written off	(122)	(241)	(6,100)	(582)	(7,045)
Foreign exchange adjustments					
Gross carrying amount as at 31 December 2024	**883,925**	**191,250**	**26,924**	**8,499**	**1,110,598**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2024	3,200	12,067	17,692	6,487	39,446
New assets originated or purchased	1,651	3,224	678	204	5,757
Assets derecognised or repaid	(840)	(2,631)	841	(117)	(2,747)
Transfers to Stage 1	276	(274)	(2)	-	-
Transfers to Stage 2	(1,703)	1,728	(25)	-	-
Transfers to Stage 3	(1,464)	(6,429)	7,893	-	-
Changes due to change in credit risk (net)	2,120	1,198	(1,099)	529	2,748
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(122)	(241)	(6,100)	(586)	(7,049)
Foreign exchange adjustments					
Loss allowance as at 31 December 2024	3,118	8,642	19,878	6,517	38,155

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2023	810,922	55,636	18,042	7,335	891,935
New assets originated or purchased	427,195	90,729	1,211	4,336	523,471
Assets derecognised or repaid	(265,643)	(26,765)	(747)	(721)	(293,876)
Transfers to Stage 1	6,070	(5,998)	(72)	-	-
Transfers to Stage 2	(88,869)	88,998	(129)	-	-
Transfers to Stage 3	(5,177)	(4,053)	9,230	-	-
Changes due to change in credit risk (net)	(143,562)	(7,319)	(1,688)	(520)	(153,089)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(40)	(39)	(2,700)	(676)	(3,455)
Foreign exchange adjustments	-	-	-	-	-
Gross carrying amount as at 31 December 2023	740,896	191,189	23,147	9,754	964,986

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2023	4,013	5,552	15,241	4,182	28,988
New assets originated or purchased	1,762	5,367	745	3,618	11,492
Assets derecognised or repaid	(909)	(2,317)	(429)	(619)	(4,274)
Transfers to Stage 1	67	(66)	(1)	-	-
Transfers to Stage 2	(5,491)	5,502	(11)	-	-
Transfers to Stage 3	(3,309)	(2,778)	6,087	-	-
Changes due to change in credit risk (net)	7,107	846	(1,240)	(18)	6,695
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(40)	(39)	(2,700)	(676)	(3,455)
Foreign exchange adjustments	-	-	-	-	-
Loss allowance as at 31 December 2023	3,200	12,067	17,692	6,487	39,446

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2024 (2023: nil).

Non-retail loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

					2024	2023
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	4,114	-	-	-	4,114	-
Strong	11,650	1,450	-	-	13,100	6,430
Good	141,802	4,388	-	-	146,190	116,830
Satisfactory	167,244	25,840	-	-	193,084	189,723
Substandard	1,990	22,297	-	-	24,287	21,746
Credit impaired	-	-	5,298	7,682	12,980	12,118
Unrated	12,818	2,137	-	-	14,955	17,874
Total	**339,618**	**56,112**	**5,298**	**7,682**	**408,710**	**364,721**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for non-retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2024	300,901	51,702	3,453	8,665	364,721
New assets originated or purchased	282,038	39,521	384	-	321,943
Assets derecognised or repaid	(192,611)	(24,837)	(369)	(310)	(218,127)
Transfers to Stage 1	3,622	(3,622)	-	-	-
Transfers to Stage 2	(5,790)	5,790	-	-	-
Transfers to Stage 3	(56)	(3,457)	3,513	-	-
Changes due to change in credit risk (net)	(48,476)	(8,985)	(380)	(273)	(58,114)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(10)	-	(1,303)	(400)	(1,713)
Foreign exchange adjustments					
Gross carrying amount as at 31 December 2024	**339,618**	**56,112**	**5,298**	**7,682**	**408,710**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2024	693	2,988	2,562	5,758	12,001
New assets originated or purchased	455	1,309	301	-	2,065
Assets derecognised or repaid	(457)	(1,510)	(176)	(2)	(2,145)
Transfers to Stage 1	178	(178)	-	-	-
Transfers to Stage 2	(52)	52	-	-	-
Transfers to Stage 3	(55)	(1,732)	1,787	-	-
Changes due to change in credit risk (net)	23	931	25	576	1,555
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(10)	-	(1,303)	(404)	(1,717)
Foreign exchange adjustments					
Loss allowance as at 31 December 2024	**775**	**1,860**	**3,196**	**5,928**	**11,759**

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2023	322,957	35,001	3,883	6,202	368,043
New assets originated or purchased	211,655	33,784	319	4,050	249,808
Assets derecognised or repaid	(156,117)	(23,736)	(238)	(630)	(180,721)
Transfers to Stage 1	1,656	(1,654)	(2)	-	-
Transfers to Stage 2	(12 ,56)	12,256	-	-	-
Transfers to Stage 3	-	(181)	181	-	-
Changes due to change in credit risk (net)	(66,994)	(3,768)	(589)	(337)	(71,688)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(101)	(620)	(721)
Foreign exchange adjustments					
Gross carrying amount as at 31 December 2023	**300,901**	**51,702**	**3,453**	**8,665**	**364,721**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2023	482	3,023	3,070	3,463	10,038
New assets originated or purchased	525	2,283	210	3,421	6,439
Assets derecognised or repaid	(217)	(2,153)	(118)	(544)	(3,032)
Transfers to Stage 1	2	(2)	-	-	-
Transfers to Stage 2	(335)	335	-	-	-
Transfers to Stage 3	0	(143)	143	-	0
Changes due to change in credit risk (net)	236	(355)	(643)	43	(719)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(100)	(625)	(725)
Foreign exchange adjustments					
Loss allowance as at 31 December 2023	693	2,988	2,562	5,758	12,001

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2024 (2023: nil).

Retail loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Gross carrying amount for retail loans are, as follows:

					2024	2023
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	289,721	25,059	-	17	314,797	217,444
Strong	113,773	49,447	-	59	163,279	165,249
Good	2,966	4,912	-	630	8,508	13,046
Satisfactory	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Credit impaired	-	-	21,626	-	21,626	19,694
Unrated	137,847	55,720	-	111	193,678	184,832
Total	**544,307**	**135,138**	**21,626**	**817**	**701,888**	**600,265**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2024	439,995	139,487	19,694	1,089	600,265
New assets originated or purchased	279,400	48,343	629	271	328,643
Assets derecognised or repaid	(97,650)	(29,034)	-	(231)	(126,915)
Transfers to Stage 1	12,549	(12,337)	(212)	-	-
Transfers to Stage 2	(24,933)	25,214	(281)	-	-
Transfers to Stage 3	(2,207)	(6,946)	9,153	-	-
Changes due to change in credit risk (net)	(62,735)	(29,348)	(2,560)	(130)	(94,773)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(112)	(241)	(4,797)	(182)	(5,332)
Foreign exchange adjustments	-	-	-	-	-
Gross carrying amount as at 31 December 2024	**544,307**	**135,138**	**21,626**	**817**	**701,888**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2024	2,507	9,079	15,130	729	27,445
New assets originated or purchased	1,196	1,915	377	204	3,692
Assets derecognised or repaid	(383)	(1,121)	1,017	(115)	(602)
Transfers to Stage 1	98	(96)	(2)	-	-
Transfers to Stage 2	(1,651)	1,676	(25)	-	-
Transfers to Stage 3	(1,409)	(4,697)	6,105	-	(1)
Changes due to change in credit risk (net)	2,097	267	(1,123)	(47)	1,194
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(112)	(241)	(4,797)	(182)	(5,332)
Foreign exchange adjustments	-	-	-	-	-
Loss allowance as at 31 December 2024	**2,343**	**6,782**	**16,682**	**589**	**26,396**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2023	487,964	20,636	14,159	1,133	523,892
New assets originated or purchased	215,540	56,945	892	286	273,663
Assets derecognised or repaid	(109,526)	(3,029)	(509)	(91)	(113,155)
Transfers to Stage 1	4,414	(4 344)	(70)	-	-
Transfers to Stage 2	(76,613)	76,742	(129)	-	-
Transfers to Stage 3	(5,177)	(3,872)	9,049	-	-
Changes due to change in credit risk (net)	(76,567)	(3,552)	(1,099)	(183)	(81,401)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(40)	(39)	(2,599)	(56)	(2,734)
Foreign exchange adjustments	-	-	-	-	-
Gross carrying amount as at 31 December 2023	**439,995**	**139,487**	**19,694**	**1,089**	**600,265**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2023	3,532	2,529	12,172	718	18,951
New assets originated or purchased	1,237	3,083	535	196	5,051
Assets derecognised or repaid	(692)	(164)	(311)	(75)	(1,242)
Transfers to Stage 1	65	(64)	(1)	-	-
Transfers to Stage 2	(5,156)	5,167	(11)	-	-
Transfers to Stage 3	(3,310)	(2,635)	5,944	-	(1)
Changes due to change in credit risk (net)	6,871	1,202	(598)	(59)	7,416
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(40)	(39)	(2,600)	(51)	(2,730)
Foreign exchange adjustments	-	-	-	-	-
Loss allowance as at 31 December 2023	**2,507**	**9,079**	**15,130**	**729**	**27,445**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2024 (2023: nil).

As at 31 December 2024 the Bank has 965 borrowers (31 December 2023: 745 borrowers) with aggregated loan amounts above EUR 100 thousand. The aggregate amount of these loans is EUR 482,870 thousand or 43 per cent of the gross loan portfolio (31 December 2023: EUR 409,860 thousand or 42 per cent of the gross loan portfolio).

The Bank manages individual counterparty exposures in order to be compliant with the regulations of the Central Bank that require individual counterparty exposures not to exceed 15 percent of Tier I Capital.

12. OTHER ASSETS

	2024	2023
Prepayments and advances for services	907	1,189
Receivables from clearing transactions	-	-
Receivables from parent company	3,302	124
Derivatives that are designated and effective as hedging instruments carried at fair value: Interest rate swaps	3	
Other receivables	2,483	2,426
Repossessed properties	230	-
Total other assets	6,925	3,739

13. INVESTMENTS IN SUBSIDIARIES

	2024	2023
Investment in Raiffeisen Leasing Kosovo	4,227	2,227
Investment in Raiffeisen Insurance Broker Kosovo	7	7
Total investments in subsidiaries	**4,234**	**2,234**

The table below provides details of the significant subsidiaries of the Bank:

Subsidiary	Principal place of business	Ownership interest	
		2024	2023
Raiffeisen Leasing Kosovo	Kosovo	100%	100%
Raiffeisen Insurance Broker Kosovo	Kosovo	70%	70%

The Bank does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. Banking subsidiaries must comply with rules and regulations applicable for other financial institutions and in consolidation level must comply in addition with banking rules and regulations.

Dividend received from Raiffeisen Insurance Broker is EUR 341 thousand (2023: 249 thousand), and from Raiffeisen Leasing Kosovo LLC we haven't received any for 2024 (2023:nil).

14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

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

	2024	2023
Property, plant and equipment	32,148	30,550
Intangible assets	8,845	8,062
Right-of-use assets (ROU) under IFRS 16	2,053	2,041
Property, Plant and Equipment and Intangible Assets	**43,046**	**40,653**

The Bank leases many assets including buildings, vehicles and IT equipment. Information about leases for which the Bank is a lessee is presented below.

	2024			
	Property	Vehicles	IT equipment	Total
Balance at 1 January	1,997	11	33	2,041
Additions in current year	863	-	-	863
Depreciation charge for the year	(761)	-	(6)	(767)
Disposals	(84)	-	-	(84)
Balance at 31 December	**2,015**	**11**	**27**	**2,053**

	2023			
	Property	Vehicles	IT equipment	Total
Balance at 1 January	1,710	13	46	1,769
Additions in current year	1,321	-	-	1,321
Depreciation charge for the year	(812)	(2)	(13)	(827)
Disposals	(222)	-	-	(222)
Balance at 31 December	**1,997**	**11**	**33**	**2,041**

The total cash outflow for leases amount to EUR 745 thousand (2023: EUR 871 thousand).

The following table presents the maturity analysis – contractual undiscounted cash flows for the lease liability:

	2024	2023
Less than one year	93	70
One to five years	2,061	2,058
More than five years	-	-
Total undiscounted lease liabilities at 31 December	**2,154**	**2,128**
Lease liabilities included in Note 18 as at 31 December	**2,154**	**2,128**

As at 31 December 2024 and 2023, there are no restrictions or covenants imposed by leases. The Bank uses reasonable certainty on extension and termination option for lease contracts on initial recognition.

Short term lease commitments. The future minimum lease payments under non-cancellable leases, where the Bank is the lessee, and are subject to exemption from recognition criteria of IFRS 16 Leases.

	2024	2023
Short-term lease commitments	141	147

	Buildings and land used for own purposes-work in progress	IT Equipment	Other equipment and leasehold improvements	Intangible assets	Total
Cost					
Opening Balance as at 1 January 2024	**24,808**	**16,231**	**9,908**	**32,978**	**83,925**
Additions	112	1,861	2,649	4,001	8,623
Disposals	-	(301)	(1,178)	(852)	(2,331)
Cost As at 31 December 2024	**24,920**	**17,791**	**11,379**	**36,127**	**90,217**
Accumulated depreciation and amortization					
Opening Balance as at 1 January 2024	**1,856**	**12,164**	**6,377**	**24,917**	**45,314**
Depreciation/amortisation charge for the year (Note 27)	457	1,060	1,284	3,218	6,019
Disposals	-	(289)	(967)	(853)	(2,109)
As at 31 December 2024	**2,313**	**12,935**	**6,694**	**27,282**	**49,224**
Net book value at 31 December 2024	**22,607**	**4,856**	**4,685**	**8,845**	**40,993**

	Buildings and land used for own purposes-work in progress	IT equipment	Other equipment and leasehold improvements	Intangible assets	Total
Cost					
Opening Balance as at 1 January 2023	**24,765**	**15,009**	**9,457**	**29,267**	**78,498**
Additions	43	1,685	1,442	3,711	6,881
Disposals	-	(463)	(991)	-	(1,454)
Cost **As at 31 December 2023**	**24,808**	**16,231**	**9,908**	**32,978**	**83,925**
Accumulated depreciation and amortization					
Opening Balance as at 1 January 2023	**1,401**	**11,453**	**6,001**	**21,958**	**40,813**
Depreciation/amortization charge for the year (Note 26)	455	1,142	1,214	2,959	5,770
Disposals	-	(431)	(838)	-	(1,269)
As at 31 December 2023	**1,856**	**12,164**	**6,377**	**24,917**	**45,314**
Net book value at 31 December 2023	**22,952**	**4,067**	**3,531**	**8,062**	**38,611**

As at December 2024 and 2023 there are no property, equipment and intangible assets encumbered of pledged to secure bank liabilities.

15. DUE TO BANKS

	2024	2023
Borrowings		
Overdrawn accounts used for operational purposes with other commercial Banks - OECD Countries	10,854	7,491
Deposits		
Other commercial banks - non OECD Countries	1,016	230
Total due to banks	**11,870**	**7,721**

16. DEPOSITS FROM CUSTOMERS

	2024	2023
Corporate customers:		
Current accounts	157,785	163,746
Savings accounts	1,312	1,578
Term deposits	42,175	-
	201,272	**165,324**
Retail customers:		
Current accounts	1,000,749	925,455
Savings accounts	121,450	125,697
Term deposits	5,593	2,810
	1,127,792	**1,053,962**
Total customer accounts	**1,329,064**	**1,219,286**

As of 31 December 2024, customer accounts include nil accrued interest (31 December 2023: nil). As of 31 December 2024, the Bank has 1,606 customers each with balances above EUR 100 thousand (31 December 2023: 1,669 customers). The aggregate balances of these customers are EUR 492,534thousand or 37 per cent of total customer accounts (31 December 2023: EUR 507,223 thousand or 31 per cent of total customer accounts).

17. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The Bank uses other derivatives, not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The instruments used are interest rate swaps.

The Bank pays fixed and receives variable interest rates. The net valuation result of these contracts for the year ended 31 December 2024 was a gain of EUR 0 thousand (2023: a gain of EUR 0 thousand).

Fair value of SWAP contracts as at 31 December 2024 was EUR 27 thousand and reported as liability (2023: EUR 101 thousand). Details of related party balances are presented in Note 31.

	2024	2023
Opening balance 01 January	**101**	**101**
Interest payable on Swaps		
Change from fair value	(73)	-
Fair value as of 31 December	**27**	**101**

18. PROVISIONS AND OTHER LIABILITIES

	2024	2023
Clearing deposits from payment transfer business	3,251	7,967
Deferred income	356	297
Accrued staff costs	2,474	1,291
Payables to suppliers	8,521	5,887
Dividend liability	19,600	23,500
Accrued operating expenses	1,376	1,370
Other taxes payable	3,305	1,119
Lease liability IFRS 16 (Note 14)	2,154	2,128
Other	2,155	2,183
Other liabilities	**43,192**	**45,742**
Provision for litigations and off balance sheet credit exposures (see below)	589	1,210

Clearing deposits comprise clearing accounts for debit and credit cards, payments and other items. Clearing deposits from payment transfer business comprise bank's suspense accounts which result in amount of EUR 3,251 thousand as at 31 December 2024 (31 December 2023: EUR 7,967 thousand).

Deferred income as at 31 December 2024 and 31 December 2023 represents the amount of deferred fees for customer overdrafts.

Movements in the provision for litigations and off-balance sheet credit exposures are as follows:

	2024	2023
Provision for litigations and off-balance sheet credit exposures at the beginning of the year	**1,210**	**630**
Provision / (release of provision) for off balance sheet credit exposures (note 6)	(612)	518
Provision / (release of provision) for legal litigations	(4)	(5)
Usage of previous year provisions	-	-
Other provisions	(5)	67
Provision for litigations and off-balance sheet credit exposures at the end of the year	**589**	**1,210**

Following is the breakdown of the provision as at 31 December:

	2024	2023
Provision for off balance sheet credit exposures	422	1,033
Provision for litigations	167	177
Total Provision	**589**	**1,210**

For more details regarding off balance sheet credit commitments, refer to Note 30.

19. SUBORDINATED DEBT

	2024	2023
Subordinated loan	10,094	-

20. SHAREHOLDER'S EQUITY

Share capital

Authorised and registered share capital of the Bank comprises 100 shares of common stock. Raiffeisen Bank International AG is ultimate parent. The structure of the share capital of the Bank as at 31 December 2024 and 2023 is as follows:

	2024			2023		
Shareholder	Number of shares	Amount in '000 Euro	Voting share	Number of shares	Amount in '000 Euro	Voting share
Raiffeisen SEE Region Holding GmbH	100	63,000	100%	100	63,000	100%

All shares have equal rights to dividends and carry equal voting rights.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets carried at fair value through OCI, until the assets are derecognised or impaired.

The following table presents the information on dividend per share for years 2024 and 2023:

	2024	2023
Dividend per share	196	235

21. INTEREST INCOME AND EXPENSE

	2024	2023
Interest income at effective interest		
Non-trading financial assets mandatorily at fair value through profit or loss	2,404	1,244
Financial assets at fair value through other comprehensive income	2,697	1,180
Financial assets at amortised cost	65,330	61,992
Total interest income	**70,431**	**64,416**
Interest expense		
Financial liabilities held for trading	(30)	(48)
Financial liabilities measured at amortised cost	(914)	(62)
Other liabilities	(345)	(538)
Interest expense on financial assets	-	156
Interest expense on lease liabilities	(123)	(128)
Total interest expense	**(1,412)**	**(620)**
Net interest income	**69,019**	**63,796**

22. DIVIDEND INCOME

	2024	2023
Dividend income from investments in subsidiaries	341	249

Dividend received from bank's subsidiaries as disclosed in the note 13 above.

Dividend amount from Raiffeisen Insurance Broker is EUR 341 thousand (2023: EUR 249 thousand), and from Raiffeisen Leasing Kosovo LLC for 2024 is nil (2023: nil).

23. FEE AND COMMISSION INCOME AND EXPENSE

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major business lines.

	2024	2023
ATM & Card related fees	17,944	15,658
Account service fees	6,189	6,182
Payments transfer fees	4,306	4,285
Trade finance commission	1,023	1,048
Other banking services	118	86
Total fee and commission income from contracts with customers	**29,580**	**27,259**
Financial guarantee contracts and loan commitments	-	-
Total fee and commission income	**29,580**	**27,259**
Payment transfer business	(14,389)	(11,079)
Other banking services	(621)	(1,352)
Total fee and commission expense	**(15,010)**	**(12,431)**
Net fee and commission income	**14,570**	**14,828**

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms
ATM & Card related fees	The Bank provides ATM & Card related services to customers including ATM deposit and withdrawal services, card merchant transactions, currency conversion, maintenance/servicing fee, etc. Transaction-based fees for interchange, foreign currency conversions and card transaction related fees are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed at least annually by the Bank.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms
Account service fees	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. 'Deferred Income' as included under 'Other liabilities' in the statement of financial position, represents the Bank's obligation to transfer services to a customer related to overdraft facilities maintenance for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs.
Payments transfer fees	The Bank provides payment transfer services to its retail and corporate clients, including national and international settlement of payments. The Bank sets the rates separately for retail and corporate banking customers at least on an annual basis. Transaction-based fees for payments transfer services are charged to the customer's account when the transaction takes place.

24. GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES

	2024	2023
Gains or losses on economic hedge derivatives (BB derivatives)	347	115
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	444	1,156
Exchange differences (gain or loss)	242	158
Total gains or losses on financial assets and liabilities	**1,033**	**1,429**

25. OTHER OPERATING INCOME

	2024	2023
Competence center income	2,928	5,517
Foreign currency business (trading income)	2,527	2,396
Profit from sale of repossessed assets	69	232
Profit from fixed assets disposal	181	58
Other operational income	3,137	(20)
Cash in transit service fees	18	4
Total other operating income	**8,860**	**8,187**

Competence Center income includes income from bank's department which offers IT services to Raiffeisen Bank International AG with head office in Vienna, Austria. Income for the services is recognized as revenue by the bank in the period the service was rendered. The invoicing is done for all services rendered during the reporting period and any due amounts at the yearend are included in the other receivables account disclosed under other assets as receivable from parent company. There are no contractual obligations that where invoiced and undelivered at the end of year.

26. PERSONNEL EXPENSES

	2024	2023
Salaries and wages	19,191	16,380
Pension contributions	907	810
Other voluntary social expenses	1,867	2,943
Share incentives	-	-
Total personnel expenses	**21,965**	**20,133**

The Raiffeisen International management having regard to the performance of individuals and market trends determines the remuneration of directors and key executives. The Managing-Board-related expense for 2024 amounted to EUR 792 thousand (2023: EUR 762 thousand).

27. DEPRECIATION AND AMORTIZATION

	2024	2023
Depreciation of tangible assets	2,801	2,836
Depreciation for ROU	766	827
Total Depreciation of property and equipment	**3,567**	**3,663**

28. OTHER OPERATING EXPENSES

	2024	2023
IT cost	5,384	4,717
Legal, advisory and consulting expenses	3,522	2,462
Deposit insurance fees	2,058	1,891
Office space expenses (rental, maintenance, other)	1,315	1,186
Advertising, PR and promotional expenses	2,741	1,388
Security expenses	1,358	1,019
Expenses for legal litigations	(4)	(5)
Other administrative expense	480	349
Training expenses for staff	253	263
Communication expenses	380	320
Office supplies	253	204
Car expenses	274	250
Travelling expenses	496	431
Total other operating expenses	**18,510**	**14,475**

28.1 Audit fees

For the year ended December 31, 2024 and 2023, contracted fees for the audit services were as follows:

	2024	2023
Audit fees for statutory reporting	49	40
Other audit related fees for group purposes	28	34
Review report for regulatory purposes	10	19
Other fees related to permissible NAS	10	17
Total	**97**	**110**

29. INCOME TAX EXPENSE

The income tax rate applicable to the Bank's income is 10 per cent (31 December 2023: 10 per cent). The reconciliation between the expected and the actual taxation charge is provided below.

	2024	2023
Current tax charge	5,495	4,246
Deferred taxation	(347)	(94)
Income tax expense for the year	**5,148**	**4,152**

		2024		2023
Profit before taxation		**44,313**		**34,554**
Tax charge for the year at the applicable statutory rate	10%	4,431	10%	3,455
Tax effect of items which are not deductible for taxation purposes and other regulatory differences	2.40%	1,064	2.29%	792
Current tax charge (effective income tax rate)	**12.40%**	**5,495**	**12.29%**	**4,247**

Differences between IFRS financial statements and Kosovo statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 10 per cent. The differences are presented in the table below.

	2023	Movement 2024	2024
Tax effect of deductible temporary differences			
Property, equipment and intangible assets	(12)	12	-
Term deposits – accrued interest	(48)	(238)	(286)
Other legal provisions	(60)	(226)	(286)
Gross deferred tax asset			
Tax effect of taxable temporary differences			
Provision for off-balance sheet credit exposure	-	-	-
Property, equipment and intangible assets	193	(120)	73
Other payables to staff	-	-	-
Total deferred tax liability	193	(120)	73
Total net deferred tax liability	133	(346)	(213)

	2022	Movement 2023	2023
Tax effect of deductible temporary differences			
Property, equipment and intangible assets	-	-	-
Term deposits – accrued interest	-	(12)	(12)
Other legal provisions	-	(48)	(48)
Gross deferred tax asset	**-**	**(60)**	**(60)**
Tax effect of taxable temporary differences			
Loan impairment provision	12	(12)	-
Provision for off-balance sheet credit exposure	103	90	193
Property, equipment and intangible assets	113	(113)	-
Total deferred tax liability	**228**	**(35)**	**193**
Total net deferred tax (liability)/asset	**228**	**(95)**	**133**

Tax relating to other comprehensive income items presents the amount of tax related to income from financial investments through OCI. The following table presents the amounts of income tax related to other comprehensive income for year 2024 and 2023:

	2024	2023
Income tax on financial investments through OCI	**(58)**	**146**

30. CONTIGENCIES AND COMMITMENTS

Legal proceedings & other regulatory fines

From time to time and in the normal course of business, claims against the Bank are received. As at 31 December 2024, the Bank had a number of legal cases pending in the court. On the basis of internal judgement based on previous court rulings and Management decision, the Bank has made a total provision of EUR 107 thousand (2023: EUR 111 thousand) as the nearest estimate of possible cash outflows arising from possible court decisions and the fine.

Capital commitments

As of 31 December 2024 the Bank has no capital commitments in respect of the purchase of equipment and software (31 December 2023: nil).

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments if a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, they are considered to be "regular way" transactions.

Outstanding credit related commitments are as follows:

	2024	2023
Commitments to extend credit	55,074	55,201
Guarantees (credit facility)	40,540	38,430
Guarantees (cash covered)	5,230	4,595
Letters of credit (credit facility)	3,644	2,120
Letters of credit (cash cover)	-	-
Trade Finance line of credit	7,081	9,489
Stand by letter of credit	1,925	1,810
Total credit related commitments	**113,494**	**111,645**
Allowance for credit related commitments (Note 18)	(422)	(1,033)
Net credit related commitments	**113,072**	**110,612**

Commitments to extend credit represent loan amounts in which the loan documentation has been signed but the money not yet disbursed and unused amounts of overdraft limits in respect of customer accounts. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to losses in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of commitments to extend credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Tax Commitments: The bank is currently ongoing a tax inspection for fiscal year 2016. The procedure was initiated in December 2023 and is still ongoing.

Interest Rate SWAPS. The main purpose of these instruments is to mitigate the interest rate risk associated to the fixed rate lending. As of 31 December 2024, the Bank has three interest rate SWAP contracts with a notional amount of EUR 850 thousand (2023: EUR 850 thousand).

31. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with significant shareholders, directors, companies with which the Bank has significant shareholders in common and other related parties. These transactions include settlements, placements, deposit taking and foreign currency transactions. These transactions are priced at market rates, where the Bank conducts a TTP analysis by independent external provider confirming that such terms have been substantiated. The outstanding balances at the year end and related income and expense items during the year with related parties are as follows:

	2024			2023		
	Parent	Subsid-iaries	Other related party	Parent	Subsid-iaries	Other related party
Assets	**4,207**	**4,237**	**219**	**1,355**	**2,234**	**1,000**
Cash and cash equivalents and mandatory reserve	-	-	-	-	-	-
Due from banks	393	-	-	1,119	-	-
Loans and advances to customers	-	1,000		-	-	1,000
Derivatives – Hedge accounting	3	-	-	-		-
Other loans	-	-	-	-	-	-
Other assets	3,302	-	-	124	-	-
Investments in subsidiaries	-	4,234	-	-	2,234	-
Property, equipment and intangible assets – NBV	509	-	219	112	-	-
Liabilities	**31,363**	**3,080**	**-**	**305**		**2,781**
Customer accounts						
Due to banks	1,357	3,080	-	-	-	2,781
Subordinated debt	10,094	-	-	-	-	-
Other liabilities	19,911	-	-	305	-	-

	2024			2023		
	Parent	Subsid-iaries	Other related party	Parent	Subsid-iaries	Other related party
Statement of profit and loss and other comprehensive income	(1,883)	360	(1,781)	1,985	264	(1,068)
Interest income	-	7	-	-	3	-
Interest expense	(181)	-	(2)	(251)	-	(2)
Dividend Income	-	341		-	249	
Net fees and commission	(658)	-	(1,449)	(554)	-	(1,649)
Net valuation result financial instruments carried at fair value	30	-	-	115	-	-
Net change in cash flow hedges	3,316	-	-	-	-	
Other operating Income	(4,738)	12	149	4,620	12	897
Other operating Expenses	143	-	(480)	(1,945)	-	(313)
Off Balance Sheet	**143**	**2,002**	**-**	**50**	**2,005**	**-**
Guarantees	-		-	50		-
Letter of credit	-		-	-		-
Other commitments		2,002			2,005	

	2023			2022		
	Parent	Subsid-iaries	Other related party	Parent	Subsid-iaries	Other related party
Assets	**1,355**	**3,234**	**887**	**1,579**	**3,235**	**778**
Cash and cash equivalents and mandatory reserve	-	-	-	-	-	-
Due from banks	1,119	-	-	842	-	-
Loans and advances to customers	-	1,000		-	1,001	
Other loans	-	-	-	-	-	-
Other assets	124	-	851	730	-	730
Investments in subsidiaries	-	2,234	-	-	2,234	-
Property, equipment and intangible assets – NBV	112	-	36	7	-	48
Liabilities	**305**	**2,781**	**-**	**1,737**	**1,494**	**1,808**
Customer accounts						
Due to banks	-	2,781	-	-	1,494	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	305	-	-	1,737	-	1,808

	2023			2022		
	Parent	**Subsid-iaries**	**Other related party**	**Parent**	**Subsid-iaries**	**Other related party**
Statement of profit and loss and other comprehensive income	**1,985**	**264**	**(1,068)**	**(198)**	**1,128**	**(1,517)**
Interest income	**1,985**	264	(1,068)	**(198)**	1,128	(1,517)
Interest expense	-	3	-	-	11	-
Dividend Income	**(251)**	-	(2)	**(1,773)**	-	(2)
Net fees and commission	-	249		-	1,105	
Net valuation result financial instruments carried at fair value	(554)	-	(1,649)	(638)	-	(1,355)
Other operating Income	**115**	-	-	**544**	-	-
Other operating Expenses	4,620	12	897	3,185	12	29
Off Balance Sheet	**(1,945)**	**-**	**(313)**	**(1,516)**	**-**	**(189)**
Guarantees	50	2,005	-	-	2,005	-
Letter of credit	50		-	-		-
Other commitments	-		-	**-**		**-**
Other liabilities		**2,005**			**2,005**	

In the following table are presented management remuneration for the year ended 31 December 2024 and 2023:

	2024	**2023**
Short-term employee benefits	153	251

32. SUBSEQUENT EVENTS

There are no subsequent events after the end of the reporting period that require adjustment or disclosure in the separate financial statements.

Non-Financial Report 2024

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Non-Financial Report 2024

Sustainability management and corporate responsibility

Raiffeisen Bank Kosovo, standing as a subsidiary of RBI, upholds a fundamental principle that has steered RBI's corporate journey for over 130 years: sustainability. For Raiffeisen, sustainability means conducting responsible corporate activities that yield long-term, economically positive results while considering key societal and environmental aspects, entwined with our very essence, and deeply ingrained in our core values.

In the pursuit of sustainability goals, Raiffeisen Bank in Kosova has identified four key pillars: „Core Business," „Employees," „In-house Ecology," and „Community Investments." These pillars are not disparate entities; rather, they are interconnected facets of the bank's commitment to promoting sustainable development in tandem with the clients and society.

To ensure the effective implementation of our sustainability initiatives, the bank has established a steering group comprised of the Bank's management board and leaders for each pillar. This group serves as the driving force behind the strategic approach, outlining our ambitions for integrating sustainability into the bank's business activities. The focus remains on areas that wield significant impacts on the economy, the environment, and people's lives. We are committed to continually enhancing the positive outcomes of our business practices while mitigating any adverse effects. Moreover, the bank is actively engaged in developing robust measurement and verification mechanisms to track our progress, with a specific emphasis on enhancing data quality in the market.

Through these concerted efforts, it aims to catalyze sustainable development, foster responsible business practices, and create a positive impact on the well-being of our employees, the environment, and the communities we serve.

In 2024, Raiffeisen Bank Kosovo achieved significant progress across several key areas, including the alignment with Environmental, Social, and Governance (ESG) principles, strategic engagements for green financing, financial education, and efforts to become an employer of choice in Kosovo. As a voluntary signatory to the United Nations Principles of Responsible Financing and a trailblazer in ESG principles, Raiffeisen Bank in Kosovo has been steadfast in supporting companies and individuals in their transition to a sustainable, green, and equitable economy since 2021. As part of the RBI Group, we are dedicated to upholding the rigorous standards outlined by EU regulations, including the EU Taxonomy.

The bank remains dedicated to fostering responsible banking practices for a more sustainable future by implementing eco-friendly initiatives. Internally, we recognize the importance of understanding and addressing the impact of our activities on the environment.

The Sustainability strategy is based on ESG framework and EU regulation, aiming aim to continuously adapt our focus on the Sustainability/ESG based on the latest EU regulation.

The SDGs (Sustainable Development Goals) and the Paris Climate Agreement are just as relevant as the EU initiatives, forming a key part of fostering ESG initiatives. The EU's Sustainable Finance Action Plan sets three broad aims: (1) To reorient capital flows towards a more sustainable economy, (2) Mainstreaming sustainability into risk management, and (3) Enhancing transparency and long-termism. Now that the international community is generating momentum for ESG, the EU will continue to drive progressive standards and influence global ESG agendas. This has wider implications specifically for financial institutions, and therefore also for RBI and Raiffeisen Bank in Kosovo.

UN Global Compact

As a subsidiary of RBI, Raiffeisen Bank Kosovo is proud to be part of the UN Global Compact (UNGC), a global initiative for corporate social responsibility and sustainable development. As a signatory company, RBI and its subsidiaries, including Raiffeisen Bank Kosovo, are committed to upholding the ten UNGC principles of responsible business.

The UNGC encompasses a wide range of areas, including human rights, labor standards, environmental protection, and combating corruption. These principles serve as the foundation of our globally responsible approach. We expect all employees, managers, as well as our partners and suppliers, to align with and adhere to these principles.

By participating in the UNGC, Raiffeisen Bank in Kosova demonstrate its commitment to conducting business in a responsible and sustainable manner. By integrating these principles into its daily operations, the bank ensures that its actions positively impact human rights, labor practices, environmental sustainability, and the fight against corruption.

Through dedication to the UNGC and its principles, Raiffeisen Bank Kosovo actively contributes to the efforts of creating a more sustainable and ethical business environment. The bank recognize the importance of collective action and collaboration in achieving a more responsible and inclusive society.

Science-based targets

In 2022, RBI submitted its science-based climate targets to the Science Based Targets initiative (SBTi) in line with the "well below 2°C"reduction pathway. The Science Based Targets initiative is a partnership between CDP (formerly the Carbon Disclosure Project), UNGC (United Nations Global Compact), WRI (World Resources Institute), and WWF (Worldwide Fund For Nature), and has created industry-specific methodologies and calculation tools for companies to help develop scientifically validated carbon targets. SBTi also enables the financial sector to use its own methodology to commit to its own reduction pathway and incorporate corporate climate targets into internal risk management.
RBI's targets were approved by SBTi in September 2022. In so doing, RBI has committed to setting CO2 reduction targets for its core business. In order to fulfil its ambitions, RBI has chosen a holistic approach across all customer groups, with the aim of making a significant contribution to RBI's sustainable business growth through responsible banking, and Raiffeisen Bank Kosovo will also have a contribution in this target.

UNEP Finance Initiative Principles for Responsible Banking

As a long-standing member of the UNEP Finance Initiative, RBI signed up to the "ESG for Responsible Banking" in 2021, thereby committing to implementing the six associated principles within the Group.
These principles anchor sustainability at a strategic, portfolio and transaction level and in all areas of business. RBI is thus underlining its efforts to proactively contribute to the implementation of the Paris goals and the redirection of capital flows to sustainable activities.

The implementation phase, which began in 2021, continued in 2022. In a three-stage process covering the first years, RBI as the respective signatory bank is initially demonstrating its commitment by conducting an impact analysis of its portfolio. It will then disclose the most important impacts of its products and services on society and the economies in which they operate.
A second impact analysis was carried out at RBI in 2022. An important focus is now on defining measurable targets and implementing them in those areas of the bank that have the greatest sustainable impact. Annual reporting will ultimately help to document the progress made in implementing the principles in a transparent manner.

RBI 2022 was selected as one of three global case studies by the UNEP Finance Initiative as an example of "good practice ". Case studies were selected to provide inspiration and practical insights for other banks. Many elements of the RBI impact analysis and target setting process can be considered good practice.

The six principles for Responsible Banking of UNEP Finance Initiative

Alignment	
Principle 1:	We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
Impact & target setting	
Principle 2:	We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.
Clients & customers	
Principle 3:	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
Stakeholders	
Principle 4:	We will implement our commitment to these Principles through effective governance and a culture ot responsible banking.
Governance & culture	
Principle 5:	We will implement our commitment to these Principles through effective governance and a culture ot responsible banking.
Transparency & accountability	
Principle 6:	We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Sustainable Development Goals

In order to help find solutions for global challenges, promote human welfare and protect the environment, the international community of states adopted "Agenda 2030" in September 2015 in the interests of sustainable development. At its core the 17 goals for sustainable development – the Sustainable Development Goals (SDGs) and their 169 sub-goals, encompass social and economic development as well as environmental sustainability. They also address aspects such as peace and security, justice and global partnerships, all of which are of great importance for sustainable development. The SDGs are globally applicable. In other words, all 193 UN member states, are called upon to contribute to achieving the goals according to their means. Kosovo not being a UN country yet has made a voluntary commitment in 2018 to include these goals as part of the national development strategy of the country.

As an international banking group, we consider ourselves obliged to support these important international initiatives within the scope of our sustainability agenda. Our focus is on those SDGs that are relevant to the business activities in each individual case and that best complement our sustainability strategy. While they are all important and interrelated, some of them are more relevant to the bank's business than others. We have prioritized and selected the following SDG's that align with our business strategy and goals.

The following SDGs are relevant for the Bank, and those that we can have positive impact on.

Governance

A Code of conduct

The Code of Conduct (CoC) serves as the foundation of our business practices and reflects our corporate culture at Raiffeisen Bank Kosovo.

The CoC is applicable to all employees throughout the Bank. It is based on Raiffeisen's core values and tailored to meet the specific requirements of our everyday business operations.

Emphasizing collaboration, proactivity, learning, and responsibility, our CoC goes beyond legal requirements and outlines how we interact with customers, business partners, and employees. It ensures compliance with international standards, including anti-money laundering and counter-terrorism financing laws, anti-fraud and corruption measures, market abuse prevention, conflict of interest avoidance, adherence to financial sanctions, data protection standards, and environmental laws.

The expect all individuals acting on behalf of the bank and our business partners to uphold regulations and standards that align with our Code. Compliance with the CoC is incorporated into contracts with contractors, suppliers, and service providers. To promote awareness of CoC principles, mandatory e-learning is provided to all employees, covering the fundamentals of the CoC. Employees also sign a compliance declaration, committing to uphold the CoC and regularly update conflict of interest statements.

The Management Board of Raiffeisen Bank Kosovo holds ultimate responsibility for the CoC, while the Compliance department oversees CoC coordination and addresses legal requirements. All members of management are responsible for ensuring CoC compliance within their respective areas, which is linked to employee remuneration and performance appraisals.

Regular reviews of the CoC's effectiveness are conducted, with input from various stakeholders, in 2022 a process of review was initiated focused on ESG-related topics and compliance with the latest regulatory guidelines.

We have established mechanisms for employees to report serious CoC violations, such as market abuse, fraud, theft, bribery, or corruption. An anonymous electronic reporting system provided by an external service provider is available, along with other channels like telephone and email. We proactively inform our employees about these reporting options. All reports are processed through RBI's internal compliance investigation mechanism, adhering to our zero-tolerance policy against harassment and discrimination.

Where violations are identified, appropriate disciplinary action, up to and including dismissal, is carried out in accordance with group policy. We constantly analyze our rules and regulations to minimize the risks for the future as far as possible.

As one of the signatories of the UN Global Compact (UNGC), we are committed to proactively and consistently comply with the principles contained therein, which cover the core areas of human rights, labor regulations, environmental protection and anti-corruption.

Human rights violations may generate illicit profit, support slavery and human trafficking, promote the continuation of poor working conditions, and lead to other abuses. The Bank also does not directly or indirectly finance any businesses, projects, or parties in which human rights violations are evident. Our employees have been instructed to take information on forced or child labor into account and, in case of doubt, to involve Compliance.

Position statements on customer relationships, lending and our investments in certain sectors (e.g. military equipment and technology, gambling and nuclear power) are also communicated proactively. Business inquiries involving these sectors are forwarded to Compliance for further evaluation to ensure that risks of this nature are adequately managed, minimized or avoided. Our processes and control mechanisms are aimed at identifying potential environmental, social, or reputational risks resulting from such companies in good time and revising them regularly in the event of changes to our risk appetite.

Compliance

The Bank places great value on compliance with all relevant regulations in Kosovo. It do not tolerate any form of financial crime (e.g .bribery/corruption, tax evasion, money laundering, terrorist financing, evasion of sanctions, fraud or market abuse) and we work actively against such activities.

A prerequisite in the business and operational practices is the fair, ethical and legally compliant behavior of all members of staff. Mechanisms for complying with laws as well as internal or external codes of conduct are established through our CoC and the clear, detailed regulations contained in the Compliance Policies, which are continuously adapted and improved in response to the latest regulatory requirements and global challenges. Internal reports (ad hoc, quarterly, annual) discuss various aspects of the implementation of compliance guidelines and processes. Top of Form

The compliance area has an important managing and checking function in the company, particularly in the context of the development of group standards and their implementation.

Regularly the bank has run an internal awareness initiative to build a better culture of compliance where all employees are given regular training on compliance topics in line with their compliance-relevant function. All new employees must complete training courses on the topic of compliance. These cover aspects of preventing economic crime (especially combating money laundering and the financing of terrorism, international sanctions and embargoes, and corruption and fraud prevention), market abuse and conflicts of interest as well as appropriate measures and rules concerning internal reporting obligations. Furthermore, defined groups of employees are required to attend regular refresher training. To raise the level of employee compliance and risk awareness, we have now updated training concept and sessions to incorporate advanced techniques and user-centric approaches to learning. In addition, managers, compliance ambassadors and employees of selected areas are trained in line with the specific requirements of their role and responsibility.

It is mandatory for all employees to attend these training sessions.

Anti-corruption

Customers and all stakeholders of the Bank are expected to comply with business ethics and to act with integrity, beyond professional competence. To identify, prevent and fight against corruption, the bank assesses its operations on an annual basis to identify the potential risks associated with corruption. These risks are monitored and managed by the permanent update and communication of procedure and policies via training and awareness sessions. Bank employees receive annual information on bribery and corruption for the purpose of raising awareness, preventing, and discouraging potential risks of inappropriate behavior. Within the Orientation training session, each new employee must attend a session concerning compliance and the prevention of acts of fraud and corruption. New employees receive information guidelines on the manner of preventing fraud and acts of corruption, as well as on the manner of reporting breach situations within the internal regulation framework.

Annually, all employees pass online courses, followed by a test inspecting the knowledge acquired to establish a common level of understanding and awareness in terms of fraud and corruption. The company supports a zero-tolerance policy towards acts of corruption. All employees have the possibility to report anonymously any incident that might be related to corruption, money laundry and financial sanctions, internal fraud, external fraud and insider trading, conflict of interest, harassment, inappropriate behavior. Employees are encouraged to inform on any deviation or suspicion concerning fraud, bribery, and corruption.

Anti-money laundering

Money laundering is the act of concealing the existence, origin, movement, intended purpose or use of illegally obtained assets or funds to make them appear legitimate. This system typically involves three stages: the placement of funds in a financial system, the stratification of transactions to conceal the origin, ownership and location of the funds, and the integration of the funds into society in the form of investments that appear legitimate. We recognize that money laundering undermines confidence in the financial system.

Based on the mission of becoming the most recommended financial service provider, we are committed to combating money laundering by complying with all the applicable legislation on money laundering as well as international best practice standards, such as the recommendations of the Financial Action Task Force (FATF), in all areas of responsibility in which the bank is active. In order to design the statutory preventive mechanisms in a targeted manner, RBI supports legal initiatives wholeheartedly and has co-initiated and been regularly involved in a number of working groups in Austria (e.g. Compliance Package, Financial Crime), as well as participating in several initiatives at a European level (such as the EU AML package 2021). Raiffeisen Bank in Kosovo is an active contributor to the FIU in Kosovo as well as in Kosovo Banking Association.

The Group has created a comprehensive AML framework to ensure that AML risks are properly identified, evaluated, and appropriately mitigated. Our AML framework provides orientation for all employees and group units and obliges them to conduct transactions in accordance with the applicable laws and regulations. It is based on a few components, including the following:

- Appointment of an anti-money laundering officer
- Risk identification and classification regarding customers and products as well as risk-based due diligence obligations
- Systematic, continuous due diligence obligations regarding customers (including identifying politically exposed persons and beneficial owners), comprising enhanced due diligence for high-risk customers and management approval for certain types of customers (e.g., customers associated with politically exposed persons or certain high-risk countries)
- Role-based training and awareness programs (classroom-based, e-learning, micro-learning)
- Customer data, transaction, and account monitoring, including coherence screening.
- Reporting on suspicious activities

In addition, emphasis has been placed on the Know Your Customer (KYC) process, developed for identifying and verifying the identity of customers, anti-money laundering, terrorism financing and stock market manipulation.

Conflict of interests

The RBI Group has an internal policy for managing conflicts of interest. The drivers are expected to report actual or potential conflict of interest situations in accordance with the existing reporting guidelines.

The notifications are then processed by the Compliance Department, which at the same time implements.the measures it deems necessary. Regular monitoring of the detection of conflicts of interest, which we strive to prevent and avoid with appropriate mechanisms, is also foreseen.

The Management Board is regularly informed about the notifications of conflicts of interest. Raiffeisen Bank in Kosovo discloses conflicts of interest to its stakeholders in accordance with legal requirements relating to the capital markets or other relevant regulations. We inform stakeholders about the occurrence of potential conflicts of interest, which may relate to membership in other committees, mutual co-ownership with suppliers and other stakeholders, the existence of controlling shareholders (there is only one shareholder of the Bank), and related parties, their relationships, transactions, and outstanding balances.

The bank has an internal Conflict of Interest Management Policy that includes mitigating conflicts of interest of the highest governing body.

Tax compliance

Raiffeisen Bank Kosovo has been combating tax evasion and tax avoidance continuously and with dedication, where due diligence and good understanding of clients have played an important role. Raiffeisen Bank Kosovo has also defined additional requirements for companies based in offshore financial centers when establishing a business relationship and its constant monitoring, where special attention is paid to checking and verifying that all transactions are conducted according to the law.

In these cases, the ownership structure and the nature and purpose of the business relationship as well as the source of funds is examined in the most detailed way possible. This includes a focus on the transparency of a business model, the existence of legal and economic ties with onshore companies, and the actual business activities of the company.

Internal Controls

Internal Controls is situated within Group Compliance and is responsible for the implementation of the Internal Control System (ICS), reflecting RBI's related processes/risks/controls approach which is integrated within the overarching three lines of defense model for controlling risk management. The ICS framework is described in an internal regulation and should ensure that RBI's controls environment provides assurance regarding the effective management of underlying operational risks, financial reporting and compliance with applicable regulatory requirements. This internal regulation aims to comply with the existing legal requirements and with industry leading practices (i.e. Committee of Sponsoring Organizations, Internal Control – Integrated Framework). Through regular risk identification, mitigating control development, documentation, prioritization and periodic independent control testing, the ICS framework is implemented and an appropriate control environment ensured. These activities, the methodology to be applied and the respective responsibility are described in the ICS framework. In this respect it is stipulated that the first line of defense is responsible for implementing adequate processes, identifying the risks, and designing and executing mitigating controls. The second line of defense is responsible for supporting and challenging the first line of defense in assessing risks, designing efficient and effective controls, and validating and reviewing the effectiveness of risk mitigation and controls. The third line of defense is executed by Internal Audit, which provides independent assurance of the internal control environment and system. The approach supports the selection of relevant business processes, enforces accountability, and ensures integration of processes/risks/controls, independence, and segregation of duties.

Impacts and material topics

In January 2022, Raiffeisen Bank Kosovo embarked on a significant initiative to assess materiality in the Kosovo market. Materiality assessment is a crucial process that helps identify and prioritize the most relevant environmental, social, and governance (ESG) issues for our stakeholders and the bank itself.

By assessing materiality, the bank demonstrates its commitment to understanding the evolving needs and concerns of our stakeholders in Kosovo. This enables aligning business practices with the most relevant ESG issues, contributing to the sustainable development of the local market while enhancing trust and collaboration with our stakeholders.

The financial sector itself has for years been confronted with many challenges and risks. To remain profitable over the long term, these challenges call for a strong culture of risk management and sustainability. Compliance with appropriate due diligence processes is therefore of particular importance.

The bank intensively address RBI's impacts on the economy, environment and society, and the risks and opportunities associated therewith. This includes risks and opportunities for RBI and those for the economy, the environment, and society. Our own activities or business relationships can have an impact, resulting in a positive or negative contribution to sustainable development. The aim is to mitigate negative impacts and enhance positive ones, and to try to ensure this through strategic and operational sustainability management.

Material topics

The principle of materiality forms the core of the bank's reporting. The selection of material topics considers internationally recognized criteria and sustainability standards, but also the United Nations Global Compact and current laws and regulations.

Raiffeisen Bank Kosovo, as a subsidiary of Raiffeisen Bank International (RBI), conducts a comprehensive materiality assessment to identify and prioritize issues that are most relevant to both the company and its stakeholders. The selection of material topics is guided by the regulatory requirements of the European Sustainability Reporting Standards (ESRS). Additionally, internationally recognized criteria and sustainability standards, such as the Global Reporting Initiative and the United Nations Global Compact, provide guidance. This approach ensures RBI's strategy reflects the expectations of key stakeholders, including supervisory authorities and supranational organizations.

RBI's longstanding experience in analyzing and identifying material topics supports and enhances the quality of the due diligence and materiality assessment process. Feedback mechanisms, such as surveys and workshops, along with evaluations of discussions held with individual stakeholder groups (customers, employees, rating agencies, NGOs and sustainability experts), are vital sources for understanding stakeholder interests. Notably, initiatives like the UNEP FI Principles for Responsible Banking and the Science Based Targets initiative play an important role in identifying areas where the greatest impact can be achieved, guiding strategic investment and focus. To keep track of changes in stakeholder interests and emerging trends, RBI conducts an ongoing monitoring process. This proactive approach allows the company to adapt its strategy and business model as needed, ensuring continued alignment with stakeholder expectations and enhancing overall corporate resilience. This fosters stakeholder trust while simultaneously advancing value creation for the company and its investors.

To ensure a comprehensive understanding of material topics, the bank conducted internal and external stakeholder questionnaires. This was the first time such an assessment was carried out in the Kosovo market, highlighting the bank's commitment to responsible and transparent business practices.

Internal stakeholders, including employees at various levels and departments within the bank, were actively engaged in providing insights and perspectives on the issues they consider significant for the bank's operations and its impact on stakeholders. Their invaluable input helped identify key ESG aspects relevant to our daily business activities.

Furthermore, the bank has extended our reach to external stakeholders, including customers, community representatives, non-governmental organizations, regulators, and industry experts. By gathering their opinions and expectations, comprehensive view of the ESG topics that are considered vital by the Kosovo market were gained. This inclusive approach ensured that a wide range of perspectives was considered, promoting transparency and accountability in the materiality assessment process.

The results of the internal and external stakeholder questionnaires allowed to identify and prioritize the most material ESG issues for Raiffeisen Bank Kosovo. These issues serve as the foundation for our sustainability strategy, guiding our actions and decision-making processes to address the concerns and expectations of our stakeholders effectively.

Besides the questionnaire, the bank received feedback through workshops as well as evaluations of discussions held with individual stakeholder groups, including customers, employees, non-governmental organizations, and sustainability experts.

The impact of the individual sub-topics was evaluated on a case-by-case basis, using the likelihood of occurrence and the level of severity to assess their significance. The most important tool for our core business is the UNEP FI Impact Analysis Tool, used to identify the most positive and negative impact areas. For Inhouse ecology, the main environmental impact factor was identified as consumption related greenhouse gas emissions. For the other sub-topics, we used qualitative descriptions combined with an assessment of each to determine the degree of impact and subsequently identify materiality.

Based on this, the material topics and their sub-topics are as follows:

Strategic area of action	Material topic	
All	Compliance (regulation and control)	- Combating money laundering and terrorism - Combating Corruption - Security in financial business
Core Business	Sustainable financing	- Climate Change - Circularity
	Societal Aspects within the Core Business	- Financial Inclusion - Customer Data Protection - Responsible Sales Practices and Marketing
	Economic value creation	- Economic Sustainability - Tax Compliance
Employees	Employee Concerns	- Employment - Diversity - Health and wellbeing - Employee Development - Employee Involvement
In-house Ecology	Internal ecology	- Emissions - Energy - Business Travel - Waste
Community Investments	Commitment to Society and Environment	- Donations and Corporate Volunteering - Commitment to support SDG community investments - Financial Literacy

Stakeholders

Raiffeisen Bank Kosovo defines its stakeholders as those people or groups of people that have a legitimate interest in the company through their direct or indirect business activities. Stakeholders are therefore primarily employees, customers, owners, as well as business partners/suppliers. There are also several other stakeholder groups with regular mutual relations.

The bank is a fair business and dialog partner to all stakeholders. In this role, we interact in an open and respectful manner with employees (see chapter Fair partner - Employees), customers, business partners, shareholders, and other stakeholder groups.

However, the bank also consider environmental and climate protection to be part of our social responsibility and see ourselves as a fair partner to the environment.

Sustainability in the core business

Raiffeisen Bank Kosovo, embraces the role as a "responsible banker" with a primary objective of creating long-term added value. Sustainability is deeply ingrained in our business strategy, and we align our products, services, and processes accordingly. The holistic approach revolves around minimizing ESG risks and seizing opportunities to enhance environmental protection and social standards.

In line with responsible banking approach, RBI became the first Austrian banking group to sign the Principles for Responsible Banking (PRBs) of the UNEP Finance Initiative in early 2021. This global framework, developed through a pioneering partnership between banks and the United Nations Environment Program Finance Initiative (UNEP FI), provides a comprehensive guide for fostering sustainability in the banking industry. By committing to these principles, we reinforce our dedication to integrating sustainability into all areas of our business, maximizing our potential to contribute to a sustainable world. The PRBs serve as our overarching framework, guiding our actions and decision-making processes.

At Raiffeisen Bank Kosovo, the goal is to offer sustainable financial products and services that empower our customers in their journey towards a sustainable future. By doing so, the aim is to make a positive impact on society, aligning with our Vision 2025 and the broader sustainability goals of RBI. Through responsible banking practices, we strive to support the transformation of customers and contribute to the creation of a sustainable world for generations to come.

RBI, including Raiffeisen Bank Kosovo, is dedicated to fulfilling the six principles outlined by the UNEP FI within the specified timeframe. We manage the requirements arising from these principles through a project-based approach, integrated within our holistic governance framework and supervised by an operational steering group. To set targets and monitor progress, we conduct annual impact analyses and produce progress reports on our adherence to the UNEP FI Principles for Responsible Banking. This transparent approach enables us to showcase our achievements and identify areas for further improvement. Embracing agility and integrating innovative and digital initiatives within the Group, we continuously strive to implement these guidelines, which can be summarized as follows:

Principle 1: Alignment

The bank aligns its business strategy with the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks to contribute to individuals' needs and society's goals.

Principle 2: Impact & target setting

The bank continuously enhances its positive impacts while mitigating negative effects on people and the environment resulting from our activities, products, and services. By focusing our efforts on areas where we can create the most significant changes, the bank sets ambitious targets to drive meaningful progress.

Principle 3: Clients & customers

The Bank Kosovo actively collaborates with clients to foster sustainable practices and facilitate economic activities that promote shared prosperity for present and future generations.

Principle 4: Stakeholders

The bank is committed to engaging in proactive and responsible consultations, partnerships, and engagements with relevant stakeholders. By working together, the aim to achieve society's goals and drive positive change.

Principle 5: Governance & culture

The bank prioritizes effective governance and cultivate a culture of responsible banking to ensure the implementation of the principles. Through robust governance structures and practices, it embeds sustainability into our operations and decision-making processes.

Principle 6: Transparency & accountability

The bank is to periodically reviewing individual and collective adherence to the principles, promoting transparency and accountability. It strives to be transparent about our positive and negative impacts, and we take responsibility for our contributions to society's goals. For a comprehensive overview of our progress in implementing the principles, including a self-evaluation, please refer to the PRB report at the end of this report.

Responsible Banker

Raiffeisen Bank Kosovo recognizes that the most impactful way to drive sustainable change is through its core business activities, especially in granting loans and investing funds. Across all business areas and products, we prioritize long-term resilience, actively avoiding social and environmental risks, and capitalizing on opportunities to enhance environmental protection and social standards. Trust and reliability have always been fundamental principles for Raiffeisen Bank Kosovo.

The commitment to delivering an exceptional service culture goes beyond meeting customer expectations. It is ingrained in RBI's Mission and Vision 2025, where we strive to be the most recommended financial services provider by simplifying our customers' lives through innovation. We continuously seek to enhance the customer experience and support our customers in achieving their goals. As part of our comprehensive range of financial services, we provide guidance and assistance on their sustainable transformation journey. We are attuned to the growing demand for products and services that integrate social, environmental, and economic criteria. The Bank provides honest and fair recommendations, ensuring customers are well-informed about associated risks. Moreover, we actively assess and optimize the significant impacts of our business activities on the economy, the environment, circularity, and human rights. This approach contributes to a positive experience for both customers and stakeholders. Our focus is on engaging with sustainable segments, aligning with our strategic goals.

Enhancing the product offering to incorporate ESG components and introducing new ESG products are top priorities. The bank also actively supports the development of the regulatory framework, foster increased cooperation, and facilitate the exchange of information among all stakeholders.

Ecological and social product responsibility

Raiffeisen Bank Kosovo is deeply aware of the potential economic, social, and ecological impacts that can arise from the use of its products and services. In our Code of Conduct, we have outlined our commitments to ecological and social responsibility.

Environmental considerations hold significant importance. In 2022 the bank started assessing the environmental consequences associated with the products and services. The bank is committed to avoiding any involvement in transactions or projects that pose lasting risks to the environment, as it contradicts our business policies. The aim is to minimize the negative impacts of business activities on the environment and continuously improve the environmental footprint of product and service portfolio. To achieve this, we actively support the transition to a low-carbon economy and have established science-based targets.

Every employee is responsible for considering the potential risks associated with a transaction or project that may have negative environmental impacts. These risks range from environmental harm to potential damage to our reputation and the financial implications for our business. The bank ensures that each financing and project approval aligns with regional and EU environmental legislation, as well as international agreements on environmental protection. Additionally, we have developed sector guidelines that specifically address sensitive, CO2-intensive sectors. These guidelines identify key environmental risks within each sector and define corresponding improvement measures.

Social responsibility arises from the vital role that banks play in society through the products and services they provide. Banks, including Raiffeisen Bank Kosovo, facilitate most payment transactions and have influence over the purpose for which funds are used through loan granting decisions. products and services have a direct impact on the lives and consumer behavior of individuals. Furthermore, the bank investments in projects or companies can have indirect effects on society, either benefiting or potentially disadvantaging people.

Respecting human rights is a fundamental requirement that underpins all products and services, as outlined in our Code of Conduct. Specifically, the bank strives to avoid financing transactions associated with forced or child labor or in violation of the European Convention on Human Rights, labor and social laws of respective countries, regulations issued by international organizations (including relevant UN conventions), and the rights of local populations or indigenous people. We take our responsibility seriously in ensuring that our business practices align with human rights standards.

Business strategy

Raiffeisen Bank's strategic goal is to become the most recommended financial services provider in Kosovo. This is to be achieved through continuous innovation, superior customer experience, digital transformation, and sustainability. Sustainability is a fundamental pillar of this strategy, and the bank aims to be a responsible banker and a pioneer in ESG. The Bank not only offers sustainable financial services but also supports its customers in transitioning to sustainable business models.

To realize these ambitions, the bank has implemented a holistic approach across all customer groups, prioritizing responsible banking. The establishment of a Group-wide ESG competency center caters to corporate and institutional customers, providing advisory services and integrated financing solutions. Efforts are also focused on strengthening the integration of ESG aspects into bank products for retail customers and small companies.

Through its comprehensive approach, the Bank strives to drive business growth while promoting responsible banking and meeting the evolving needs of its customers. Alongside the internal motivation to fully align its business operations with this aim, RBI signed the UNEP FI Principles for Responsible Banking in early 2021, thereby underscoring its efforts to proactively participate in meeting the Paris targets and redirecting capital flows toward sustainable activities.

Corporate

At Corporate division, the environmental initiatives are at the forefront of our sustainability efforts. Corporate banking in Raiffeisen Bank Kosovo has had very good year, despite the challenging economic climate. The bank's efforts in relationship management, people, products, technology, and innovation have made it possible to maintain long-term and mutually beneficial relationships with corporate customers, while also maintaining its competitive advantage in the market.

In 2024, the bank placed a high priority on ensuring full compliance with increased regulatory requirements both at the local and group levels. It has implemented strict measures to ensure that operations and activities are in line with the latest regulations and guidelines. This enabled the bank to maintain a high level of transparency and credibility.

Promoting sustainability and responsible banking practices has also been one of the main priorities of the bank during 2024. It worked in developing a comprehensive strategy for ESG Financing, which involved increasing training and awareness both internally and externally not only with the support from local but also from RBI experts. However, the aim was to engage its customers in understanding the benefits of financing the transition to a low-carbon economy, which supports their sustainable and inclusive growth. This interaction with customers was reflected in the increase of their interest in ESG-focused lending. Thus, in 2024, the corporate segment had a green ESG portfolio of € 38.7 million.

Through strategic investments in renewable energy, energy-efficient technologies, and other responsible business activities, we have significantly reduced our greenhouse gas emissions and achieved notable progress towards our sustainability goals. In this regard we have approved and issued two renewable energy loans for solar panel projects in the Gjakova region, with a production capacity of 8.67 GWh, supplying approximately 1,108 homes and reducing CO2 emissions by approximately 4,121 tons.

The bank is committed to continue to direct flow of financing towards customers who are actively contributing the transition to green economy and continues to be a valuable partner to government institutions in implementing green agenda. We will continue to innovate, collaborate, and adapt to emerging challenges and opportunities, striving to create a more sustainable and equitable future.

Retail

In 2024, the banking sector maintained a strong focus on supporting SMEs, with lending activity remaining solid throughout the year. In this context, Raiffeisen Bank stood out as a key contributor, increasing its loan portfolio by €71.8 million, demonstrating its ongoing commitment to both new and existing customers.

Additionally, Raiffeisen Bank continued to lead the market not only through innovative banking products and services but also by prioritizing customer-centric solutions. The bank is present in all regions of Kosovo, operating through a wide network of 35 branches and sub-branches — the largest branch network in the market.

As part of its efforts to promote sustainable financing, Raiffeisen Bank also extended €1.1 million in PI Green Loans, supporting environmentally friendly investments and initiatives.

Furthermore, partnerships with EBRD's GEFF and the EBRD SME Go Green Fund became active, incentivizing green investments among SMEs and reinforcing Raiffeisen Bank's role in driving sustainable economic growth.

Impacts, risks and opportunities

Raiffeisen Bank Kosovo has recognized and understood its important role as a bank and understands that its activities and relationships can impact the economy, environment, society, and human rights. These impacts can be either positive or negative for sustainable development. To promote sustainability and align its strategy, RBI has assessed the effects of its core banking business on the environment and society.

During this assessment, RBI identifies key topics that directly influence its impact and uses management tools to steer positive outcomes and manage risks. These material topics include creating economic value, addressing societal aspects like customer privacy, practicing responsible sales and marketing, promoting financial inclusion, ensuring sustainable financing, and supporting sustainable investments.

The importance of human rights, which cuts across all these areas, is also acknowledged by RBI, as it is listed separately as a significant impact area by the Global Reporting Initiative (GRI). To uphold human rights, RBI has developed a human rights policy applicable to the entire RBI Group, including Raiffeisen Bank Kosovo. This demonstrates RBI's commitment to respecting and promoting human rights within its operations.

In 2022, RBI conducted a sustainability impact analysis of its portfolio using the UNEP FI Portfolio Impact Analysis Tool. This analysis consists of two stages: impact identification and consequence estimation. The purpose of this analysis is to understand the specific impacts and identify the main areas of impact, aligning with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. As the portfolio did not change materially in 2024, the results are still up to date.

The scope of the analysis included the business activities of consumer banking, business & corporate banking and the market positions in Central and Eastern European (CEE) countries. In business & corporate banking, the gross profit per sector and country, as well as the NACE code for the respective customers were analyzed. In the consumer banking business, the impacts of five banking products were analyzed. In the data collection process, industries with negative key sectors for the 38 impact themes in twelve impact areas were prioritized. The results of the analysis showed that the two main positive impact areas were financial services in general (public access to financial services) and growth in SMEs (development and value creation thanks to successful SMEs). Both areas had positive impacts on SDGs 8 and 9. The main negative impact areas relating to the largest proportion of the exposure were climate stability and circularity, including resource intensity and waste.

- As a result of the extensive data analysis using the UNEP FI Portfolio Impact Analysis tool, RBI identified two impact areas of strategic importance that are highly significant as material themes in all three business segments:

- As a result of the data analysis using the UNEP FI Portfolio Impact Analysis tool, two impact areas of strategic importance to RBI were identified that are relevant as material themes in all three business areas: Climate stability/SDG 13, 7, 9 and 12 Circularity/SDG 11, 12, 6, 7, 8, 9, 14 and 15 Sustainability targets were agreed at the level of RBI's Management Board and are also transparently disclosed in the Remuneration Report.

Societal aspects in the core business

Being a financial service provider and operator of vital services (critical infrastructure), the bank acknowledges the influence of our business operations on society. Customer security stands as a pivotal concern, with responsible sales practices and marketing serving as crucial elements in ensuring it. Our endeavor involves offering customers access to pertinent information, verifying claims, and elucidating potential risks associated with our products or services. For instance, the bank meticulously evaluate a customer's loan repayment capability before approval. Any grievances brought to our notice undergo thorough investigation and prompt resolution. Additionally, the bank is committed to furnishing comprehensive and easily accessible financial services for individuals with disabilities.

To foster a positive customer experience, satisfaction, and loyalty, we uphold an extensive array of products and prioritize continuous innovation. Every new product, combination, or variation undergoes a rigorous Product Approval Process (PAP) to refine its features, identify risks and potential concerns, and ensure alignment with our risk strategy, appetite, and regulatory standards. We introduce products and services exclusively when equipped with the requisite expertise, infrastructure, licenses, and approvals. Additionally, market trends and advancements are duly considered throughout the product development phase.

Protecting customer data is part of our social responsibility, and we have specific measures and processes in place to ensure data protection and data security.

Ensuring the safeguarding of customer data and maintaining data security are fundamental aspects of our business operations. The bank not only complies with obligatory legal requirements but also adhere to internal principles and procedures for data protection. Oversight of compliance with data protection regulations is entrusted to specialized organizational units under the supervision of the Data Protection Officer. A variety of technical and organizational measures have been implemented to guarantee the security of customer, employee, and partner data. Our cybersecurity strategy undergoes regular updates and is endorsed by the Management Board. Furthermore, our information security management system holds certification according to the ISO 27001 standard.

The bank also implements fully requirements of the General Data Protection Regulation (GDPR) and internal data protection principles and processes are in place to achieve full compliance. In addition to GDPR compliance, the bank ensures compliance with applicable national laws in Kosovo.

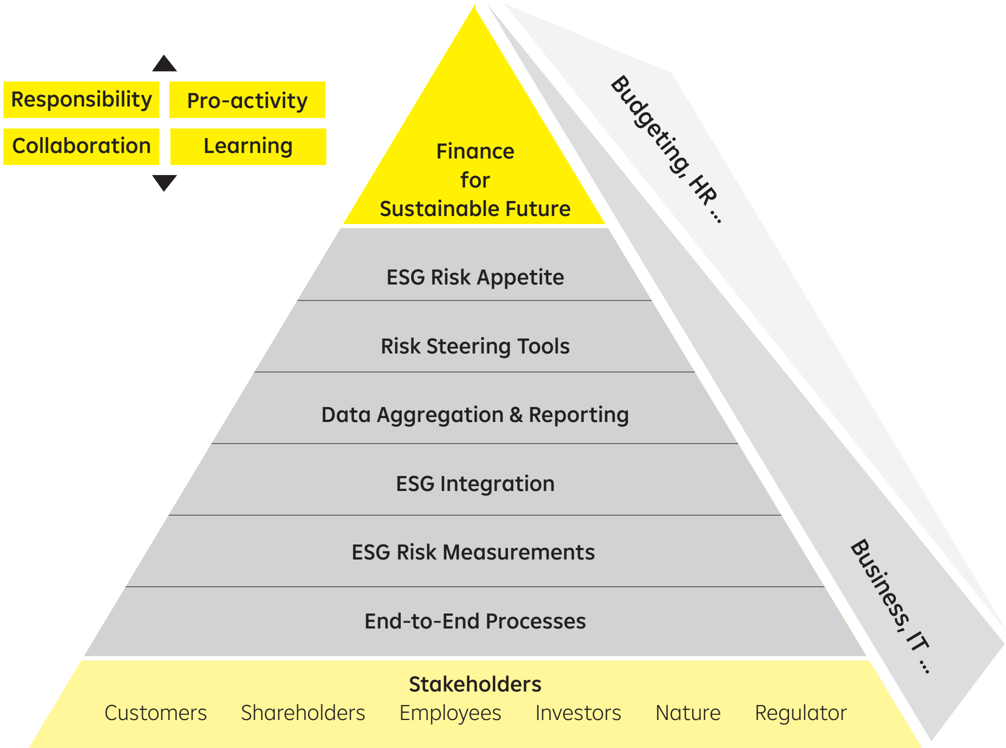
To reinforce awareness regarding data protection and security, employee training sessions are conducted. These initiatives are designed to enhance the conscientious handling of personal data and facilitate practical implementation across various employee segments. We diligently monitor, review, process, and document complaints and instances of data protection breaches. Each complaint or breach is thoroughly investigated to determine its underlying causes, and appropriate measures are taken to safeguard affected individuals, including notifying the relevant data protection authorities as necessary.

In terms of sales practices and marketing, the bank prioritizes trust and transparency. It's imperative that to communicate clearly and openly about the products and services, furnishing customers and stakeholders with comprehensive and easily digestible information. Advertising and marketing guidelines strictly adhere to these principles, aiming to shield customers from potential losses and maintain objectivity in recommendations. We are steadfast in our commitment to clearly delineate and elucidate the risks associated with our products, and we unequivocally prohibit the dissemination of false or misleading information under any circumstances.

Risk and lending

RBI Group, including Raiffeisen Bank Kosovo, is committed to supporting the transition to a low-carbon economy. We have published approved Science Based Targets, and these targets guide our portfolio structure and engagement with customers as we contribute to the well-below 2C target. The bank are adjusting our business model to identify business opportunities that support the financing needs of customers striving to achieve the transition. This operational approach includes developing specific sector strategies, such as thermal coal, oil & gas, and steel, to align with our risk perspective.

To illustrate the affected areas of the risk management framework, we have mapped the respective requirements in the following pyramid, which provides a concise overview of the steering set up within the risk area:



ESG Risks are integrated within existing risk management processes and structures. This approach enhances our existing classical four Pillars of Risk Management on various operational levels, including the identification and definition of ESG risks, measurement methodologies and analytics, steering approaches, and risk processes and governance. ESG risk assessment is integrated into our daily risk activities.

RBI Group, including RBKO have aligned its risk management approach with the long-term trend of Environmental, Social, and Governance (ESG) considerations. We recognize and address the additional risks stemming from ESG factors at both industry and counterpart levels. While Social and Governance aspects are equally important, we primarily focus on climate and environmental-related risks, including transition and physical risks.

I. Identification & definition of ESG risks	II. Measurement methodologies & analytics	III. Steering approaches, reflecting risks & opportunities	IV.Risk processes and governance
■ Climate-related and environmental risks ■ Identifying risks according to: ✓ Climate-change risk ✓ Circularity ✓ Biodiversity ■ Social risks ■ Governance risks	Use of metrics for measurement of ESG on a customer and portfolio dimension: ■ Environmental, Social and Governance score ■ Green Asset Ratio ■ Financed GHG emissions ■ Science-based targets	■ Sectoral strategies & special policies ■ Climate stress testing	■ Credit processes enhancement ■ Prevention of liability, reputational and greenwashing risk in the design phase

To ensure coordinated and structured efforts, RBI launched the ESG Risk Project in 2022, bringing together all risk-related activities under one umbrella. This project is directly sponsored by the Risk Board Member at RBI Group level and cascaded to local Chief Risk Officers (CROs), ensuring commitment across the entire risk organization.

As of 2024, all ESG-related topics in the CRO area will be addressed via the line organization, thus ensuring full integration into our daily activities.

RBKO aim is to always adhere to the regulatory requirements, while aligning our actions with the RBI business model. From a regulatory perspective, our efforts are based on the ECB guide on climate-related and environmental risks.

In addition to minimizing environmentally damaging activities, RBI has adopted sustainability and sustainable finance as key topics. We have begun integrating ESG evaluation into our processes, in line with market expectations and supervisory authorities' requirements. The inclusion of ESG aspects in risk management is implemented at multiple levels within the organization, considering the needs and expectations of various stakeholders.

ESG risks (environmental, social and governance) are viewed as multidimensional cross-cutting risks that affect all areas of the risk management. They are continuously incorporated into the types of risks within the already existing framework (e.g. within credit, market, operational and liquidity risk). It consists of three criteria that are used to measure the sustainability and social impact resulting from the Bank's operations.

They are as follows:

Environmental protection criteria	Social criteria	Management criteria
The functioning of business activities in the management of natural environment (waste and pollution: resource depletion: greenhouse gas emissions: deforestation: climate change)	Attitude towards people attitude towards employees, diversity, working conditions, attitude towards child labour and slavery, attitude towards local communities (financing of projects or institutions intended for poor and underserved communities), health and safety	Ways in which the corporation conducts its policy (company management, focus on tax strategy, executives remuneration, management of donations, political lobbying, corruption and bribery: diversity management and steering board structure)

Sustainable Finance

Sustainable Finance Strategy

The growing momentum around sustainability has led financial institutions to play a crucial role in redirecting capital flows towards a more sustainable economy. Investors are increasingly demanding information about the use of their assets and the positive impact of their investments on the environment and social issues. Customers also have a growing demand for products and services that integrate social, environmental, and economic criteria. In line with this, Raiffeisen Bank in Kosovo has focused on selected ESG (Environmental, Social, and Governance) topics to advance its sustainable strategy.

ESG Rulebook for sustainable customers and transactions

To assist customers in improving their carbon footprint and ensuring a sustainable transformation, RBI has developed an ESG rulebook. This rulebook provides a harmonized definition of sustainable customers and transactions, including the customer's ESG score. It has been made available throughout the RBI Group and serves as a binding policy at the group level. The ESG Rulebook establishes uniform definitions for sustainable customers and various types of sustainable finance, such as green, social, and ESG-linked finance. When classifying transactions, RBI considers its in-house definitions and incorporates the provisions of the EU taxonomy where possible, aiming to prevent greenwashing.

Framework for Green and Social Loans

RBI's Retail Banking division has published its own "Framework for Green and Social Loans" to ensure that loans provided to private individuals and SMEs align with Green and Social Bond Principles and regulatory requirements. This framework, validated by Sustainalytics, sets definitions for "green" loans for private individuals and SMEs and "social" loans for SMEs. Subsidiary banks including Raiffeisen Bank Kosovo implement these definitions in the markets where RBI operates, supporting mitigation and adaptation goals. The framework is part of RBI's broader sustainability strategy, focusing on assets with positive environmental and social impacts to facilitate the transition to a sustainable future.

ESG Customer Advisory

Raiffeisen aims to provide best-in-class ESG advisory services to customers and maintain a high standard of quality. The dedicated ESG Advisory Team at RBI's head office conducts expert analyses and evaluations of corporate and institutional customers from an ESG perspective. Together with local ESG experts they help customers identify green and social aspects of their business profiles and provide expert advice on structuring new products and adapting existing ones to meet specific ESG requirements.

ESG risks and prevention of greenwashing

Raiffeisen Bank in Kosovo has implemented processes to integrate ESG risks and prevent negative impacts within the overall financing process. An exclusion list of corporate activities in which Raiffeisen Bank does not wish to be involved has been created, and employees have received training on identifying sustainability-critical activities and sectors. For critical customers and projects, an ESG expert opinion is prepared, analyzing ESG factors at the project and company levels and assessing their environmental and social impacts. This opinion influences lending decisions, preventing negative impacts from an ESG perspective.

Greenwashing prevention check

RBI has established a process to prevent greenwashing, which is part of the RBI Group Rulebook. This process focuses on the structure and communication of sustainable financial products, including those designated as "green," "social," or "sustainability linked" The Bank commits to internal process steps that involve the participation of ESG experts in critical customer transactions, especially during the bid, execution, and decision phases. By involving ESG experts, the Bank minimizes greenwashing risks and contributes to preventing such practices. In addition, RBKO also included it's greenwashing preventing process as a part of Marketing Communication Policy/ Procedure.

Our Employees

At the core of our cultural beliefs and firmly rooted in our approach to building a strong workforce is the goal of being the top choice for employers in Kosovo. Throughout 2024, this goal guided the efforts in creating a workplace where top talent feels welcomed and valued. We focused on fostering an environment that promotes high performance, learning, career growth, and the well-being of our team members. A significant milestone was the introduction of our Employee Value Proposition, aimed at attracting and retaining top talent, which was successfully launched by the end of the year.

Just like in the preceding year, 2024 saw continued emphasis on our tech community. Aligned with market trends and our objectives in technology and digitalization, we prioritized providing an outstanding experience for our tech professionals. Throughout the year, we organized various activities focused on employer branding, talent acquisition, retention, and professional development within the tech sector. Notable initiatives included Tech4Tech, Data Hackathon, IT Security sessions, Open Day, and the RISE - Raiffeisen Internship and Scholarship for Engineers program, resulting in a moderate level of employee turnover throughout the year.

Looking at the demographics of our workforce, we have a diverse and relatively young team, with an average age of 36. Women make up 56 percent, while men make up 44 percent of our total workforce.

Professional development

The bank is fully committed to the growth and development of its employees, providing a diverse range of learning opportunities. These efforts have resulted in enhanced knowledge across various areas, including banking products, management practices, innovative work methods, and technology. This commitment has positioned the bank as a market leader, offering customers a more professional and efficient service through adaptive approaches.

In 2024, there was a specific focus on promoting self-development through online learning, facilitated by the advanced Learning Management System (LMS). Collaborating with training providers both within and outside Kosovo, the bank continuously identifies training needs, tailoring programs to meet the evolving requirements of its employees.

Individual development plans target specific competencies by increasing the likelihood of personal growth. eLearning has gained widespread acceptance, with significant employee interest and support for internally developed courses. The year 2024 also saw an increased emphasis on externally provided online courses, enhancing learning efficiency and variety. Additionally, physical training sessions were organized.

The bank's support for employees extended to licensed courses covering technical and soft skills, aligning with the corporate value of "Learning." Lifelong learning remains a central theme, with a heightened focus in 2024 on topics like new way of work, digital transformation, health, safety, and diversity, delivered mostly online by key speakers from RBI and local experts.

All Raiffeisen Employees have learning objectives and development plans incorporated in their annual performance appraisal. Moreover, a tailored learning and development plans are designed and implemented based on individual needs/TNA (training needs analysis) This ensures our focus in having individual needs as a foundation for development and as such fosters inclusive culture in offering tailored programs for individuals based on their needs and job requirements.

Some of the development programs that ensure that development is balanced and inclusive for all target groups:

- **RISE** (Raiffeisen Internship and Sponsorship for Engineers). Development Program dedicated to offering scholarship and internship opportunities for IT students and hiring opportunities based on performance of Interns. Mentors dedicated have clear and objective assessment method in identifying and developing talents of this program for further employment In a bank. Yearly approx.20 RISE-rs are selected on yearly basis.
- **Leadership Academy** (Modular Development Program dedicated to further develop our management/leaders) focused in developing leaders who create an environment and culture where people feel valued, respected and developed up to their fullest potential. Around 30 participants per program.
- **AI Pioneers** Development and Innovation Program for passionate and skilled employees in Artificial Intelligence that will prepare and equip employees with necessary skills for adapting to constant digital changes and help the bank to build future proof workforce– participants around 50 employees
- **Training Opportunities** for all employees in Learning Management System where employees have access to a learning portfolio of more than 5 000 trainings (incl. trainings for Diversity & Inclusion) and as well an house Library (Raiffeisen Library) available for everyone.

Talent management

Throughout 2024, there was a sustained effort to enhance the awareness and skill set of people managers regarding human capabilities. The Talent Management Program and Leadership Program were strengthened and officially supported. These initiatives are designed to recognize talent and enhance the skills of the most promising bank employees and managers. They utilize a blend of practical, unconventional, and academic learning methods to deepen expertise and foster innovation.

TalentED Academy -Development Program for employees who show exceptional performance and talent for further development. Target group of the program are around 30 talents per year who are assessed through specific objective talent identification process –The program has diverse employee base young talents, senior experts and is inclusive in terms of employee profiles, expertise, gender, age.

Safe Working Environment

As a preferred employer, we understand that the well-being of our organization hinges on the well-being of our employees. Our commitment to providing a modern working environment, inclusive of new working models and contemporary offices, coupled with health and well-being initiatives, is geared towards unlocking the full potential of our workforce.

With flexible working hours and a hybrid working model, our aim is to afford our employees greater flexibility and the option to work remotely. By empowering our employees to choose their working schedules and environments conducive to their productivity, we believe we enhance their happiness, promote mental well-being, and ultimately drive better performance and productivity.

Furthermore, our on-site amenities such as the canteen foster a sense of community and collaboration, aligning with our core values.

Our sports room is designed to support our employees' health, well-being, and enjoyment during their working hours.

Physical wellbeing (Sports Room in Head Office Building with subsidized physical activities as: Pilates, Yoga, Kickbox), Hiking Sessions, Morning Runners Group, Biking Groups, Health Related Challenges and Rewards, -

Psychological Wellbeing (Inclusive workplace, Rewards & Recognition, easy access to financing via preferential interest rates in bank products, Meaningful Connections , Feeling of belonging, Flexibility, Family Friendly Policies, Long Term Paid Sick Leave for employees and close family members, Remote Work, Mental Health Awareness Sessions with Psychologists (Psychologists, Health professionals, Nutritionists etc), Parenting Sessions, Team Buildings, Socializing Events (excursions, employee parties, Employee Family Events)

A year dedicated to well-being featuring a variety of activities centered around health management and overall wellness. Activities included morning runs, cycling, hiking, mental health sessions, healthy cooking and eating programs, free yoga, Pilates, kickboxing, blood donation drives, and a steps challenge. Additionally, sessions were organized for mothers on maternity leave to address positive discipline in everyday parenting in collaboration with external entities.

#FeelGoodOctober Initiative as a part of Employee Health and Wellbeing, was mainly focused in awareness and educational sessions with Health Professionals (Psychologists, Physicians, Nutritionist) with live sessions organized in Training Center that is located in Head Office, in 2024 we extended the session throughout our Branch Network where the team (Psychologist/ Nutritionist) travelled in all Branches and held sessions to employees at their living and working places. With this, we ensured the inclusivity and equity for employees in attaining all Health and Wellbeing initiatives. We organized 18 activities, including physical activity (energizer), brain health sessions, nutrition sessions, and gifts such as personalized meal plans from a nutritionist, the "Neuroscience for Leaders" book, and health insurance check-ups.

The bank also proud to emphasize our commitment to gender balance and equal opportunities.

Furthermore, it's worth noting that the commitment to Employee Sustainability within our Employee Value Proposition extends to championing a workplace that is diverse and inclusive. With a representation of over 50% women in the bank and over 50% in leadership roles, we actively promote employee well-being, talent retention, and the attraction of skilled individuals.
This concerted effort has a direct impact on our Environmental, Social, and Governance (ESG) strategy.

Family Friendly Employer

In 2024, the bank continued to be recognized through the "Expanding Choices through Family-Friendly Policies" project by UNFPA (United Nations Population Fund) for its commitment to family-friendly workplace policies. These policies are designed to assist both women and men in achieving a balance between their professional and personal responsibilities, fostering women's economic empowerment, and encouraging increased participation of men in parental care responsibilities.

We continued with 2nd edition of summer event, called "Employee Day" for our employees and their children. This event emphasizes our ongoing dedication and recognition of our employees and their families, setting our position as an Employer of Choice.

Raiffeisen Bank Kosovo is acknowledged by UNFPA as a "Champion Company" for its family-friendly policies and practices, this recognition is in harmony with our broader Environmental, Social, and Governance (ESG) strategy.

Diversity and inclusion

Raiffeisen Bank in Kosovo (RBKO) shares the commitment of RBI Group to equal opportunities for all employees, regardless of age, gender, nationality, sexual orientation and identity, disability, religion, or belief. As a large organization, we recognize our role model function and the impact we can have on the lives of our employees, customers, stakeholders, and society. Embracing our societal responsibility, RBKO has made a concerted effort to address diversity and inclusion systematically.

To guide our approach to diversity and inclusion, we adhere to the RBI Group Diversity and Inclusion Policy. This policy defines the attitudes, roles, and responsibilities necessary for effectively addressing this topic and outlines the principles that underpin our diversity and inclusion strategy within the Group. At RBK, we have appointed diversity and inclusion officers, and we have adopted local strategies aligned with the Group's objectives at all key subsidiaries.

The primary objective of the Diversity and Inclusion Strategy is to embed this topic throughout our entire organization. We aspire to move beyond isolated initiatives driven solely by our People, Culture and Learning department or the diversity officers. Instead, we seek to integrate diversity and inclusion into all our processes and make it a responsibility of our management teams. Rather than focusing on individual dimensions of diversity separately, we adopt a holistic approach based on five principles that integrate dimensions such as gender, sexual identity, and different abilities.

By embracing diversity and inclusion at all levels, we aim to create an environment where every employee feels valued, respected, and empowered. We believe that fostering diversity and inclusion not only contributes to a more equitable workplace but also enhances our ability to understand and meet the needs of our diverse customer base. We are committed to promoting a culture of openness, collaboration, and continuous learning, where diversity is seen as a strength that drives innovation and success.

During 2024 on the focus of diversity and inclusion the bank has achieved the following results:

There is a a mix of male and female participation in the workforce of the Bank,approximately 97% of the employees are full time employees, also there is a good mix of age groups within the Bank and by end of the year 2024 we have achieved 52% vs the target of 35% of women representative on the management level (Supervisory board, Management Board and B-1 management combined).

Five Principles for Diversity & Inclusion Strategy
Our engagement and commitment to diversity and inclusion begins at the very highest level of management
Our management teams are diverse and aware of the importance of diversity
We empower all employees to contribute to an inclusive work culture
We actively integrate diversity and inclusion into HR processes and practices
We work transparently and on the basis of data

Inhouse ecology

The bank is dedicated to enhancing environmental and climate protection as an integral aspect of our social responsibility, positioning ourselves as responsible stewards of the environment. Over recent years, capturing emissions data presented a notable challenge; however, the bank is pleased to report significant progress in identifying and measuring pertinent data points.

As part of the commitment to sustainability, it has meticulously identified factors influencing environmental pollution and proactively developed measures and initiatives to mitigate their impact. Ongoing implementation plan underscores our dedication to effecting positive change.

Further solidifying the environmental commitment, the bank has obtained ISO 14001 certification, demonstrating our adherence to internationally recognized environmental management standards. This certification reflects the structured approach to minimizing environmental impact, ensuring continuous improvement, and reinforcing sustainable practices across our operations.

As part of the commitment to sustainability we are presenting a detailed overview of our environmental impact for the year 2024. These disclosures are part of our ongoing efforts to measure and manage our carbon footprint, including Scope 1, Scope 2, and relevant Scope 3 emissions.

This report includes the required metrics, targets for reducing emissions, and the initiatives we have implemented.

Scope 1 Emissions (Direct Emissions from Owned or Controlled Sources)

Year	Vehicle Type	KM	Fuel Consumption (L)	Emission Factor (kg CO_2/L)	Total CO_2 (kg)	Total CO_2 (ton)
2023	Petrol (7L/100km)	695,536.1 km	48,687.52 L	2.31	112,531.83	112.53
	Diesel (7L/100km)	257,396.42 km	18,017.72 L	2.68	48,295.54	48.30
	Hybrid (4L/100km)	417,081.65 km	16,683.24 L	2.31	38,525.14	38.53
Total 2023		1,370,014.17 km	83,388.48 L		199,352.51	199.36
2024	Petrol (7L/100km)	295,476.68 km	20,683.32 L	2.31	47,778.16	47.78
	Diesel (7L/100km)	76,441.99 km	5,350.87 L	2.68	14,358.34	14.36
	Hybrid (4L/100km)	1,013,351.09 km	40,534.04 L	2.31	93,633.38	93.63
Total 2024		1,385,269.76 km	66,568.23 L		155,769.88	155.77
Reduction (%)		-16,820.25 L	-43,582.63 kg	-43.59 ton		
Reduction Percentage			-20.14% Reduction L	-21.86% Reduction Ton CO2		

In 2024, after shifting to more hybrid vehicles, emissions dropped to 155.77 tons of CO_2.
The reduction in emissions was 20.14%, demonstrating significant progress in sustainability.

Total Emissions Reduction: The total reduction in CO_2 emissions from the fleet in 2024 was -21.86% compared to 2023.

Scope 2 Emissions (Indirect Emissions from Purchased Electricity)

Table 2. CO2 Emission with Energy consumption

Energy Source	2023 Consumption (kWh)	2023 CO_2 (ton)	2024 Consumption (kWh)	2024 CO_2 (ton)
Total Electricity purchased by Kesco	3,417,827 kWh	1230.41 t	3,456,957 kWh	1244.50 t
Energy from renewable sources purchased by Kesco	264,198 kWh	-95.00 t	234,381 kWh	-84.37 t
Solar Panel Generation	31,677 kWh	-11.40 t	33,129 kWh	-11.92 t
Total Electricity from different sources	3,449,504 kWh	1124.01 t	3,490,086 kWh	1,148.21 t

Scope 2 Emission factor:0.36 kg

Scope 3 Other indirect Emissions:

(Business Air Travel) CO_2 Emissions Report Table 2023 vs 2024 and offsetting data:

Year	Nr. of Tickets	PKM	Emission Factor (kg CO_2/ pkm)	Total CO_2 (kg)	Total CO_2 (tons)	Ticket Offset Carbon Emission	Reduction CO_2 (kg)	Reduction CO_2 (tons)	Net CO_2 Emissions (tons)	Total CO_2 Reduction in 2024 (tons)	Total Reduction CO_2 in Percentage 2024
2023	198	277,200	0.158	43,803.6	43.80	0	0	0	43.80	0	0%
2024	246	344,400	0.158	54,415.2	54.42	190	42,028	42.03	12.39	42.03	77.24%

Table 4. Waste and Recycling Data (2023 vs 2024)

Material	2023 Quantity	2024 Quantity
Electronics and Metal Devices (pcs)	405 pcs	1,460 pcs
Recycling (KG)		
Electronics & Metal	1,800 kg	4,280 kg
Paper	1,970.29 kg	3,355 kg
Plastic	40.88 kg	N/A
Glass	10.64 kg	56 kg
Cans	1.6 kg	N/A

Sustainability Initiatives

In 2024, RBKO offset a total of 190 air travel tickets out of the 246 total tickets during the purchase process with Austrian Airlines' carbon offset program. This initiative resulted in a CO_2 reduction of 42.03 tons, representing 77.24% of the total air travel emissions for the year.

As a result, the net CO_2 emissions for business air travel were reduced to 12.39 tons in 2024, down significantly from the gross emissions of 54.42 tons – incurring a cost of €1,258.52.

The fleet now includes 86 hybrid vehicles in 2024, significant replacement of petrol and diesel vehicles with hybrid models. Hybrid vehicles are more fuel-efficient (4L/100km) and therefore contributed to the reduction off CO2 emissions.

Improved recycling rates for electronics, paper, and other materials compared to 2023 as shown in table 4.

Continued use of solar panels at the head office, generating over 33,000 kWh in 2024, that contributed on carbon reduction by 11.92 tons of the total amount of carbon produced from the used electricity by our bank.

At the same time from data of Kosovo Agency of Statistics we understood that 6.78% of yearly distributed energy by Kesco on 2024 was produced via wind or solar. Based on these stats we understand that from the total amount of electricity purchased by us, 33,129 kWh were from renewable sources that means 84.37 tons carbon reduction on total yearly amount.

Group Environmental targets

To understand the categorization of CO2 emissions, they are divided into three "Scopes" according to the Greenhouse Gas Protocol:

- Scope 1: This includes direct greenhouse gas emissions produced by the company itself. Examples include emissions from stationary sources like power plants and boilers, emissions from mobile sources like company-owned vehicles, emissions from production processes, and transient emissions.
- Scope 2: This includes indirect emissions resulting from the company's energy supply. It encompasses emissions associated with the energy provided by external suppliers for powering or heating company facilities.
- Scope 3: This encompasses all other emissions within the company's operational boundaries. This includes emissions from business travel, office supplies (including paper), waste, and energy-related emissions such as transmission losses. In this chapter, we focus on reporting Scope 3 emissions related to inhouse ecology.

RBI is committed to the Science Based Targets initiative and has set a target of reducing its inhouse CO2 emissions by 35 percent. The base year for this target is 2020, and it applies separately to Scope 1+2 and Scope 3 emissions. To achieve this target, RBI aims for an annual reduction in CO2 emissions of at least 2.9 percent, improved energy efficiency, increased use of renewable energy, reduced business travel, and employee awareness measures.

Community Investments

As a responsible bank, Raiffeisen Bank in Kosova recognizes our integral role within the communities we serve. This commitment extends beyond financial services as we are dedicated to actively contributing to local development and educational advancement, therefore we have sponsored local art programs, educational initiatives aimed at enhancing financial literacy and sport federations.

The bank is dedicated to conducting our business in a socially responsible manner, ensuring that our actions contribute to the long-term well-being of individuals, businesses, and communities within our markets. Our commitment extends beyond business objectives, as we actively seek to address social challenges, foster cultural enrichment, and support environmental sustainability. As part of our corporate social responsibility strategy, we strive to make a meaningful impact by supporting initiatives that promote social development, innovation, and education. We recognize the importance of investing in the communities where we operate, strengthening societal bonds, and fostering positive change.

In alignment with these values, the bank has allocated dedicated budget for sponsorships and donations in 2024. This funding supports key areas such as sports, culture, education, innovation, conferences, and social initiatives. By directing resources toward these essential sectors, we aim to create lasting value, encourage growth, and enhance the overall quality of life for individuals and organizations alike.

Through these initiatives, we reaffirm our commitment to corporate citizenship, ensuring that our contributions leave a meaningful and sustainable impact on society.

In 2024, we actively encouraged our employees to engage in various volunteer initiatives, fostering a culture of social responsibility and community involvement. To support this effort, we established a dedicated volunteer group, providing staff with opportunities to contribute to meaningful projects.One of the key initiatives was our participation in an environmental project focused on reforestation. Employees had the opportunity to take part in the creation of seed bombs, which were later deployed by drones in hard-to-reach areas to support tree-planting efforts and promote ecological restoration.

Additionally, a blood donation was organized in collaboration with the Kosovo Transfusion Center. By hosting the event at our bank, we facilitated employee participation and reinforced our commitment to public health and community well-being. Through these initiatives, we continue to strengthen our role as a socially responsible organization, empowering our employees to make a positive and lasting impact on society.

During 2024 bank supported boost Kosovo with UNDP and initiative for boosting social impact innovation and acceleration the 2030 Agenda for Sustainable Development.

The effort to promote public transportation continue as we provided bus tickets to 300 employees commuting to our main office in Prishtina. This initiative emerging from an internal survey where many of our colleagues expressed a preference for more eco-friendly options, comes after our contribution in beginning of 2024 to promote usage of public transport by supporting a video campaign on this important issue.

In October 2024, in collaboration with the Prishtina Municipality, the bank undertook a green initiative by planting trees and greenery across approximately one hectare in the Bregu i Diellit neighborhood. A total of 400 trees and plants were added to the area, transforming the space into a welcoming environment for the community to enjoy. This effort not only enhances the aesthetic appeal of the neighborhood but also plays a vital role in reducing pollution

The bank supported the Green Wings project dedicated to reforestation. By utilizing drones for tree planting, the project aims to revitalize forests in Prishtina and promote environmental sustainability. Implemented by Sustainability Leadership Kosova in partnership with Municipality of Prishtina and USAID Kosovo Adapt Activity, this initiative demonstrates the potential of technology and innovation in tackling environmental challenges. The project was solemnly launched in May 2024, while the tree planting took place in fall 2024.

The bank was awarded the Corporate Award for Excellence in CSR by Kosovo CSR Network, this award was given to our Bank based on the activities that we have done in terms of Community Investments and support on various forms for local communities in Kosovo on the area of Environment, Sports, Education, Arts and Culture, Volunteering and creation of many partnerships like UNICEF, UNDP, UNFPA, UN Women, CEL Kosova, Handikos, and the CSR Network demonstrates a commitment to social welfare, inclusivity, and empowerment of marginalized communities. As well as the relation of all these activities with the UN Sustainable Development Goals and targets.

Education and community empowerment are central to the CSR pillar. Support for local culture and education, financial literacy initiatives, collaborations with sports federations and strategic partnerships such as United Nations agencies (UNICEF, UNDP, UNFPA, UN Women) to address global and local priorities, via emphasizing SDGs through these strategic partnerships.

In 2024 Raiffeisen Bank supported “1st Sustainable Investment Forum in Kosova”, a 2 days event organized in Prishtina.

In addition, Raiffeisen Bank Kosovo has undertaken several steps to promote financial literacy through various initiatives:

- Minecraft Education Sessions: In 2024, we realized several Minecraft sessions, starting at "Mileniumi 3- Primary and High School", where the response from students was overwhelmingly positive. Additionally, during Mobility Week in Prishtina in September, we organized a special financial education session for kids using the Minecraft game, which was a great success. Further sessions were held in December in collaboration with Youth Center Prishtina, and we plan to continue these activities throughout 2025. The game has been promoted in our TikTok account (video attached in this email too) and is also available on our website, translated and adapted into the local language, encouraging parents to explore these financial concepts with their children at home.
- Financial Literacy for Entrepreneurs, in September 2024 Raiffeisen Bank joined the "Financial Literacy for Entrepreneurs" initiative organized by ECIKS, targeting Small and Medium Enterprises (SMEs). This project aims to equip entrepreneurs with essential financial knowledge crucial for business growth. We have conducted 5 workshops in Prishtina, Gjakova, and Prizren, focusing on budgeting, financial planning, investment strategies, ESG and savings management. These workshops will continue to be held in other towns across Kosovo in the coming months.
- Promoting Financial Literacy through National TV: Raiffeisen Bank enjoys a partnership with Kosovo's public broadcaster, allowing us to feature monthly interviews on their morning program. A bank representatives discussed the importance of financial literacy, with a special emphasis on businesses.

In order to promote sports and recreation, fostering a healthy and active lifestyle among community members we continued to support Kosovo Volleyball Federation and Football Federation.

Sponsoring Austria Kosovo Friendship Society and Austrian National Day through Austrian Embassy in Kosovo highlights our international outreach efforts, fostering diplomatic relations and cross-cultural exchange to drive positive change both locally and globally.

The collaboration with RTK enabled to amplify our message and reach a broader audience, promoting awareness and engagement in our community initiatives as well as promoting the importance of environmental protection and SDGs through our collaboration with INDEP.

Through above mentioned collaborations and partnerships, Raiffeisen Bank Kosovo remains steadfast in its mission to drive positive social change, fostering a more inclusive, sustainable, and prosperous future for all.

Non-Financial Key Figures

SUSTAINABILITY REPORT

1. Compliance with IFRS Sustainability Disclosure Standards

The sustainability report of the bank has been prepared in accordance with IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB).

In addition, when preparing this report, the disclosure topics in the Sustainability Accounting Standards Board (SASB) standards have been referred to and considered.

Connectivity with financial statements (reporting period, reporting entity, and presentation currency)
The sustainability report has been prepared for the bank and should be read in conjunction with the bank's financial statements prepared in accordance with IFRS Accounting Standards. It covers a 12-month period for the year ended 31 December 2024 which is aligned with the reporting period of the related financial statements.

2. Environmental Impact and Sustainability Efforts (Scope 1,2 and 3)

Introduction

The bank recognizes the critical importance of sustainability in shaping a prosperous future for our communities, our clients, and the planet. As a leading bank, we are committed to integrating sustainable practices into every aspect of our operations, products, and services. Our approach to sustainability is rooted in the belief that responsible banking not only supports environmental stewardship but also drives long-term economic growth and social well-being.

The bank has established Sustainability Committee responsible for overseeing sustainability-related risks and opportunities, including climate-related issues. Meeting and reporting to the Board is on quarterly basis to ensure comprehensive oversight and strategic alignment. Additionally, regular monthly meetings are held for each sustainability pillar to address specific issues and initiatives in a timely manner. Chief Sustainability Officer is responsible for leading the sustainability strategy and oversees the implementation of sustainability initiatives and ensure alignment with our overall business objectives. Chief Sustainability Officer reports directly to the CEO and other board members, providing regular updates on progress, challenges, and opportunities related to sustainability.

As part of bank's commitment to sustainability below is presented an overview of bank's environmental impact for year 2023 and 2024. These disclosures are part of the bank ongoing in-house efforts to measure and manage our carbon footprint, including Scope 1, Scope 2, and relevant Scope 3 emissions. This report includes the required metrics, targets for reducing emissions, and the initiatives which have been implemented.

2.1. Scope 1 Emissions (Direct Emissions from Owned or Controlled Sources)

Below is presented the CO_2 emissions and reduction in CO_2 emissions for year 2023 and 2024:

Year	Vehicle Type	Fuel Consumption (L)	Emission Factor (kg CO_2/L)	Total CO_2 (kg)	Total CO_2 (ton)
2023	Petrol (7L/100km)	48,687.52 L	2.31	112,531.83	112.53
	Diesel (7L/100km)	18,017.72 L	2.68	48,295.54	48.3
	Hybrid (4L/100km)	16,683.24 L	2.31	38,525.14	38.53
	Total 2023	83,388.48 L		199,352.51	199.36
2024	Petrol (7L/100km)	20,683.32 L	2.31	47,778.16	47.78
	Diesel (7L/100km)	5,350.87 L	2.68	14,358.34	14.36
	Hybrid (4L/100km)	40,534.04 L	2.31	93,633.38	93.63
	Total 2024	66,568.23 L		155,769.88	155.77
▼ **Reduction (%)**				-43,582.63 kg	-43.59 ton
Reduction Percentage				-20.14%	-21.86%

Calculation:

The bank has calculated CO_2 emissions for Scope 1 (vehicle fleet) using the following formula:
CO2=Fuel Consumption (L)×Emission Factor (kg CO_2/L)

Key Results for vehicles:

As of December 31, 2023, emissions from the bank's vehicles totaled 199.36 tons of CO_2. As of December 31, 2024, after shifting to more hybrid vehicles, emissions dropped to 155.77 tons of CO_2.
The reduction in emissions was 21.86%, demonstrating significant progress in sustainability.

2.2. Scope 2 Emissions (Indirect Emissions from Purchased Electricity)

Table 2. CO2 Emission with Energy consumption

Energy Source	2023 Consumption (kWh)	2023 CO_2 (ton)	2024 Consumption (kWh)	2024 CO_2 (ton)
Total Electricity purchased by Kesco	3,417,827 kWh	1230.41 t	3,456,957 kWh	1244.50 t
Energy from renewable sources purchased by Kesco	264,198 kWh	-95.00 t	234,381 kWh	-84.37 t
Solar Panel Generation	31,677 kWh	-11.40 t	33,129 kWh	-11.92 t
Total Electricity from different sources	3,449,504 kWh	1124.01 t	3,490,086 kWh	1,148.21 t

Scope 2 Emission factor:0.36 kg

2.3. Scope 3 Other indirect Emissions:

(Business Air Travel) CO_2 Emissions Report Table 2023 vs 2024 and offsetting data:

Category	Total Tickets (2023)	2023 PKM (Passenger KM)	2023 CO_2 (tons)	2024 PKM (Passenger KM)	Total Tickets (2024)	2024 CO_2 (tons)	2024 Offset CO_2 (tons)	Net 2024 CO_2 (tons)
Air Travel (PKM)	198	277,200 PKM	31.91	344,400 PKM	246	7.20	5.58	1.62

Scope 3 emission factor: 0.02089 kg CO2e/km

Sustainability Initiatives:

Carbon Offset for Business Air Travel:

In 2024, the bank has offset a total of 190 air travel tickets out of the 246 total tickets, resulting in a CO_2 reduction of 5.58 tons. This represents 77.5% of the total air travel emissions for the year.

As a result, the net CO_2 emissions for business air travel were reduced to 1.62 tons in 2024, down significantly from the gross emissions of 7.20 tons - incurring a cost of €1,258.52.

Transition to Hybrid Vehicles:

The bank's fleet now includes 86 hybrid vehicles in 2024, significant replacement of petrol and diesel vehicles with hybrid models. Hybrid vehicles are more fuel-efficient (4L/100km) and therefore contributed to the reduction off CO_2 emissions.
Increased Recycling Efforts

Improved recycling rates for electronics, paper, and other materials are shown in the below table for 2023 and 2024:

Material	2023 Quantity	2024 Quantity
Electronics and Metal Devices (pcs)	405 pcs	1,460 pcs
Electronics & Metal	1,800 kg	4,280 kg
Paper	1,970.29 kg	3,355 kg
Glass	10.64 kg	56 kg

Renewable Energy

Continued use of solar panels at the head office, generating over 33,000 kWh in 2024, that contributed on carbon reduction by 11.92 tons of the total amount of carbon produced from the used electricity by the bank. At the same time from data's of

Kosovo Agency of Statistics, 6.78% of yearly distributed energy by Kesco on 2024 was produced via wind or solar. Based on these statistics the total amount of electricity purchased by the bank 33,129 kWh were from renewable sources that means 84.37 tons carbon reduction on total yearly amount.

Target for Reducing Scope 1 and 2 Emissions

Achieve 3-5% annual reduction off Carbon Emission during 2025 for both Scope 1 and 2 emissions, considering the national level of possibilities to use renewable energy for Bank business needs.

Finance Inclusion (Scope 3)

The bank is dedicated to promoting financial inclusion through targeted lending programs. This includes providing environmental loans and social loans that support sustainable development and social well-being.

Environmental Loans

Environmental loans are designed to finance projects that have a positive impact on the environment. These loans support initiatives such as:

- Renewable Energy Projects: Financing for solar, wind, and other renewable energy projects that reduce reliance on fossil fuels.
- Energy Efficiency Improvements: Loans for businesses and individuals to upgrade to more energy-efficient technologies and practices.
- Water and Wastewater Management: Funding for projects that improve water conservation, wastewater treatment, and sustainable water management practices.

Below are presented gross exposures on environmental loans by industry for year 2024 and 2023:

Activity	2024	%	2023	%
Water and Wastewater Management	5,758	29%	-	0%
Renewable Energy	9,935	51%	9,018	0%
Energy Efficiency	3,925	20%	6,008	0%
Total exposure of environmental loans	**19,618**	**100%**	**15,026**	**100%**

Social Loans

The bank provides social loans aiming to achieve specific social objectives, such as improving access to education, healthcare, and affordable housing. The impact of social loans, are listed below:

- By providing collateral-free financing, individuals and businesses, especially women, youth, and those in rural areas, are empowered to access credit and grow their businesses. This fosters economic independence and reduces financial inequality.
- Supporting businesses in rural areas and among youth and women helps generate new employment opportunities, contributing to local economies and reducing unemployment.
- Facilitating access to capital encourages entrepreneurial spirit and innovation, enabling businesses to expand, adopt new technologies, and become more competitive in the market.
- By promoting businesses that are economically viable and socially responsible, the initiative contributes to long-term, sustainable growth, creating a positive impact on communities and the environment.
- This support helps overcome the challenges faced by those who lack traditional collateral, enabling a more inclusive and equitable financial ecosystem.

New social loans for 2024 are Eur 137.9 mil (Eur 141.7 mil as at December 31, 2023), with a total number of exposures 1,852 (2,838 as at December 31, 2023).

From these portfolios past due exposure were at Eur 4.1 mil as at December 31, 2024, and Eur 17.4 mil as at December 31, 2023.

Corporation of Environmental Social, and Governance Factors in Credit Analysis and Systemic Risk Management

The bank has integrated ESG risk considerations into bank's operations, financing, lending, and procurement decisions.

ESG in Underwriting Process

The Corporate ESG Underwriting Process integrates ESG-related information from Business & Risk to provide decision-makers with a comprehensive ESG assessment. Business information undergoes critical review by the risk/underwriting function, ensuring a holistic ESG perspective. Meanwhile, insights from Analysis and Underwriting are structured into guidance for underwriters, prioritizing high ESG risk customers over lower-risk ones.

Structurally, the process consists of two key components:

- Input Parameters: Data sourced from business operations, risk assessments, and external frameworks.
- Output Parameters: ESG risk assessments, underwriting guidance, and structured decision-making support.

Green Finance and ESG Integration in Small Enterprises

The bank is advancing green finance initiatives for small enterprises with fund support, though product-specific UC parameters are yet to be established. Lending conditions align with standard risk assessment criteria applicable to other loan products. Eligible Green and Social Loans are designed to generate tangible environmental and social benefits, screened under the established Framework for Green and Social Loans. This framework aligns with EU Taxonomy regulations, ICMA Green Bond Principles, and ICMA Social Bond Principles.

The bank is further embedding ESG into Credit Portfolio Policies (CPP) through:
- Development of green financial products
- Inclusion of climate considerations in collateral evaluation
- Pricing differentiation for sustainable purchases
- Controlled exposure to non-green industries

Due to data limitation such as the absence of Energy Performance Certificates (EPC) the bank collaborates with the EBRD fund to offer grants and incentives for green projects, classifying these financings as "green loans".

While fully integrated sustainable products are still in development, the bank leverages external funding to classify green loans in compliance with regulatory standards.

ESG Assessment Breakdown

Environmental Assessment

The E Score is derived from a mix of quantitative and qualitative data points. Environmental soft fact questions—seven in total—are embedded in the Corporate Rating Database (CRDB) within the Qualitative Module. These questions are independent of industry selection and contribute to the overall ESG evaluation.

Social Assessment

The Social Score is based on 12 questions related to corporate social responsibility. These questions do not affect the credit rating outcome but contribute to the overall ESG Score.

Governance Assessment (For Large Corporates)

Governance assessment for large corporates involves six additional questions in the CRDB. These questions do not influence the credit rating but are essential for ESG scoring. If responses are unavailable during the rating process, default values are applied to finalize credit ratings.

ESG Factors in Real Estate Collateral Evaluation

ESG factors are incorporated into real estate collateral evaluations, currently applicable only to building structures. The RBI-mandated ESG collateral attributes include:
- Collateral Type
- Zip Code, City Name, Address
- Year Built & Year Renovated
- Usable Area (sqm)

The bank assesses products and services based on individualized risk evaluations, including ESG risks, to align with the bank's financial condition and regulatory obligations. Higher-risk sectors or activities undergo enhanced due diligence to ensure robust risk management.

Business ethics

The bank is committed to maintaining the highest standards of business ethics. This disclosure outlines our approach to business ethics in alignment with IFRS S1 and IFRS S2 requirements, ensuring transparency and accountability in our operations. As at December 31, 2024 there is a monetary losses of Eur 0.2thsd as a result of legal proceeding associated with other related financial industry laws or regulations. The bank has established robust mechanisms for monitoring and reporting ethical conduct. These mechanisms are designed to ensure that any concerns regarding unethical or illegal activities can be reported confidentially (including full anonymity) and will be addressed promptly and effectively.

The bank has a group-wide whistle blowing web-based application (WHISPLI), that gives all employees, contractors, consultants, service providers, suppliers, business partners including former employees or business partners, the possibility to report material breaches, potential conflicts or compliance breaches, corporate wrongdoings, or other violations.

The policy, procedure and processes are based on the governance principles of the following legal and regulatory provisions and guidelines:
- Kosovo LAW No. 06/L –085 ON PROTECTION OF WHISTLEBLOWERS
- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law;
- Article 71 Directive 2013/36/EU (CRD) and Article 99g Austrian Banking Act;
- Chapter 13 - EBA/GL/2017/11, Guidelines on internal governance under Directive 2013/36/EU

Service

Addresses and contacts

Raiffeisen Bank Kosovo J.S.C.

Head Office
Robert Doll, no. 101
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 735
SWIFT Code: RBKOXKPR
IBAN Code: XK05
E-mail: info@raiffeisen-kosovo.com

REGIONAL BRANCH IN PRISHTINA
Robert Doll, no. 101
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 735

Branch in Prishtina
Agim Ramadani Street, no. 227
10000 Prishtina
Tel: +383 38 222 222, ext. 344

Cashless Branch in Prishtina
Vëllezërit Fazliu Street, Kodra e Trimave
10000 Prishtina
Tel: +383 38 222 222, ext. 465

Cashless Branch in Prishtina
Rrahim Beqiri Street, no 29, Bregu i Diellit
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 420

Cashless Branch in Prishtina
Bulevardi i Deshmorëve, Ulpianë
10000 Prishtina
Tel: +383 38 222 222, ext. 277

Cashless Branch in Prishtina
UCK Street, No. 25
10000 Prishtina
Tel: +383 38 222 222, ext. 142

Branch in Fushë Kosova
Nëna Terezë Street, No. 80
12000 Fushe Kosova
Tel: +383 (0)38 222 222, ext. 470

Cashless Branch in Obiliq
Hasan Prishtina Street, n.n. 36
12000 Obiliq
Tel: +383 (0)38 222 222, ext. 467

Cashless Branch in Drenas
Fehmi dhe Xheve Ladrovci Street, n.n.
13000 Gllogovc
Tel: +383 (0)38 222 222, ext. 460

Cashless Branch in Gracanica
Kralja Milutina, n.n.
Tel: +383(0) 222 222 ext 450

Cashless Branch in Lipjan
Lidhja e Prizrenit Street, nr. 35
14000 Lipjan
Tel: +383 (0)38 222 222, ext. 440

Cashless Branch in Podujeva
Zahir Pajaziti Street, n.n.
11000 Podujeva
Tel: +383 (0)38 222 222, ext. 430

Cashless Branch in Skenderaj
Adem Jashari Square, no. 15
41000 Skenderaj
Tel: +383 (0)38 222 222, ext. 570

REGIONAL BRANCH IN FERIZAJ
Dëshmorët e Kombit Street, no. 39
70000 Ferizaj
Tel: +383 (0)38 222 222, ext. 584

Cashless Branch in Kaçanik
Ismail Raka Street, n.n.
71000 Kaçanik
Tel: +383 (0)38 222 222, ext. 670

Cashless Branch in Shtrpce
Main Street, n.n.
73000 Shtërpce
Tel: +383 (0)38 222 222, ext. 690

REGIONAL BRANCH IN GJAKOVA
Skenderbeu Street, n.n.
50000 Gjakovë
Tel: +383 (0)38 222 222, ext. 701

Cashless Branch in Rahovec
Avdullah Bugari Street, n.n.
21010 Rahovec
Tel: +383 (0)38 222 222, ext. 732

Cashless Branch in Malisheva
Gjergj Kastrioti - Skenderbeu Street, n.n.
24000 Malisheva
Tel: +383 (0)38 222 222, ext. 530

REGIONAL BRANCH IN GJILAN
Adem Jashari Street, no. 110
60000 Gjilan
Tel: +383 (0)38 222 222, ext. 750

Cashless Branch in Kamenica
Sheshi Skenderbeu, n.n.
62000 Kamenica
Tel: +383 (0) 38 222 222, ext. 770

Cashless Branch in Viti
28 Nentori Street, n.n.
61000 Viti
Tel: +383 (0) 38 222 222, ext. 780

REGIONAL BRANCH IN MITROVICA
Sheshi Shemsi Ahmeti, n.n.
40000 Mitrovica
Tel: +383 (0)38 222 222, ext. 550

Cashless Branch in Vushtrri
Dëshmorët e Kombit Street, n.n.
42000 Vushtrri
Tel: +383 (0)38 222 222, ext. 560

Branch in North Mitrovica
Kralja Petra I Street, n.n.
Tel: +383 (0)38 222 222, ext. 580

Branch in Brnjak
Border with Serbia
Customs Terminal 1 in Brnjak
Tel: +383 (0)38 222 222, ext. 584

Branch in Jarinje
Border with Serbia
Customs Terminal 31 in Jarinje
Tel: +383 (0)38 222 222, ext. 588

Branch in Leposaviq
Border with Serbia
Rr. "JNA", nr. 26, Leposaviq

REGIONAL BRANCH IN PEJA
Haxhi Zeka Square, n.n.
30000 Peja
Tel: +383 (0) 38 222 222, ext. 607

Cashless Branch in Decan
Luan Haradinaj Street, n.n.
51000 Deçan
Tel: +383 (0)38 222 222, ext. 620

Cashless Branch in Istog
Fadil Ferati Street, no. 22
31000 Istog
Tel: +383 (0)38 222 222, ext. 640

Cashless Branch in Klina
Mujë Krasniqi Square, n.n.
32000 Klina
Tel: +383 (0) (0)38 222 222, ext. 630

REGIONAL BRANCH IN PRIZREN
Nëna Terezë Street, Bazhdarhane, no. 7
20000 Prizren
Tel: +383 (0)38 222 222, ext. 507

Cashless Branch in Prizren
Shaip Spahiu Street, Shadervan
20000 Prizren
Tel: +383 (0)38 222 222, ext. 520

Cashless Branch in Dragash
Sheshi i Dëshmorëve, no. 22
22000 Dragash
Tel: +383 (0)38 222 222, ext. 535

Cashless Branch in Suhareka
Brigada 123 Street, n.n.
23000 Suhareka
Tel: +383 (0)38 222 222, ext. 540

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0
SWIFT/BIC: RZBATWW
www.rbinternational.com

CEE banking network

Albania
Raiffeisen Bank Sh.a.
Rruga "Tish Daija"
Kompleksi Kika 2
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Bosnia and Herzegovina
Raiffeisen Bank dd Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-80 488 588
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
Raiffeisen Bank S.A.
FCC Building
Calea Floreasca 246D
014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
Smolenskaya-Sennaya Sq. 28
119002 Moscow
Tel: +7-495-721 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d. Beograd
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank JSC
Generala Almazova Str., 4A
01011 Kiev
Tel: +38-044-490 8888
SWIFT: AVALUAUK
www.raiffeisen.ua

Leasing companies

Austria
Raiffeisen-Leasing Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-716 01-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
Rruga "Tish Daija"
Kompleksi Kika 2
1000 Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus
„Raiffeisen-Leasing" JLLC
V. Khoruzhey St. 31 A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

Croatia
Raiffeisen Leasing d.o.o.
Magazinska cesta 69
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr
Czech Republic
Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14000 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-486 5177
www.raiffeisenlizing.hu

Kosovo
Raiffeisen Leasing Kosovo LLC
St. UÇK no. 222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

Romania
Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 C
014476 Bucharest
Tel: +40-21-30 644 44
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen-Leasing
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

Serbia
Raiffeisen Leasing d.o.o.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

Slovakia
Tatra-Leasing s.r.o.
Hodžovo námestie 3
81106 Bratislava
Tel: +421-2-5919-5919
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

Ukraine
LLC Raiffeisen Leasing
Pyrohov Str. 7-7b
Office 503
01601 Kiev
Tel: +38-044-590 24 90
www.raiffeisen-leasing.com.ua

Branches and representative offices – Europe

Belgium
RBI Liaison Office Brussels
Rue de l'Industrie 26-38
1040 Brussels
Tel: +32 2 28968–56

France
RBI Representative Office Paris
9 - 11 avenue Franklin D. Roosevelt
75008 Paris
Tel: +33 (0) 1 45 61 27 00

Germany
RBI Frankfurt Branch
Wiesenhüttenplatz 26
60329 Frankfurt
Tel: +49-69-29 921 924

Poland
Raiffeisen Bank International AG
(Spółka Akcyjna) Oddział w Polsce
Plac Konesera 8
03-736 Warsaw
Tel: +48-22-5785602

Slovakia
Raiffeisen Bank International AG Slovak Branch pobočka zahraničnej banky
Karadžičova 14
821 08 Bratislava
Tel: +421 2 57203040
https://sk.rbinternational.com

Sweden
RBI Representative Office
Nordic Countries
Drottninggatan 89, 14th Floor
113 60 Stockholm
Tel: +46 73 091 05 89

Turkey
Raiffeisen Investment
Financial Advisory Services Ltd. Co.
Bahtiyarlar Sok. No. 8 Etiler
34337 Istanbul
Tel: +90 212 287 10 80

United Kingdomn
RBI London Branch
Tower 42, Leaf C 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-207-933-8000

Branches and representative offices – Asia

China
RBI Beijing Branch
Unit 700 (7th Floor), Building No. 6
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388

India
RBI Representative Office Mumbai
501, Kamla Hub,
Gulmohar Rd, Juhu
Mumbai 400049
Tel: +91-22-26 230 657

Korea
RBI Representative Office Korea
#1809 (Jongno 1 ga,
Le Meilleur Jongno Town)
19, Jong-ro, Jongno-gu
Seoul 03157
Tel: +82-2-725-7951

Singapore
RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

Vietnam
RBI Representative Office
Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist. 1
Ho-Chi-Minh-City
Tel: +842-8-38 214 718,
+842-8-38 214 719

Selected subsidiaries

Austria
Elevator Ventures Beteiligungs GmbH
Mooslackengasse 12
1190 Vienna
www.elevator-ventures.com

Kathrein Privatbank AG
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-0
www.kathrein.at

Raiffeisen Bausparkasse Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Continuum GmbH
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707 8510
www.raiffeisen-continuum.at

Raiffeisen Digital Bank AG
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707 5560
www.raiffeisendigital.com

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Mooslackengasse 12
1190 Vienna
Tel: +43-1-219 74 57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage- Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
1190 Vienna
mailbox@rwbb.at
https://raiffeisen-wohnbaubank.at

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

USA
RB International Markets (USA) LLC
1177 Avenue of the Americas, 5th Floor
New York, NY 10036

Publication details

Editor, Publisher
Raiffeisen Bank Kosovo J.S.C.
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www.raiffeisen-kosovo.com

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