FONDI KOSOVAR PËR GARANCI KREDITORE
KOSOVSKI FOND ZA KREDITNO JEMSTVO
KOSOVO CREDIT GUARANTEE FUND

ANNUAL REPORT 2025

CONTENTS

PART I

BACKGROUND

FOREWORD BY THE CHAIRPERSON OF THE BOARD AND THE MANAGING DIRECTOR

Dear Readers,

The year 2025, marked another year of significant achievements and continued growth for the Kosovo Credit Guarantee Fund (KCGF). It will remain a milestone in the Fund's journey, as we surpassed EUR 1 billion in guaranteed loans since the commencement of our operations. At the same time, the year was characterized by the further enhancement of our guarantee windows, the expansion of our active guarantee portfolio, and the strengthening of KCGF's role as a key institution supporting Kosovo's economic development.

This achievement represents far more than a quantitative milestone; it demonstrates that KCGF's credit guarantee scheme has become a well-established and effective instrument for mobilizing private capital, facilitating investment, and improving access to finance for micro, small, and medium-sized enterprises (MSMEs).

Since its establishment, KCGF has operated under a clear mandate: to improve access to finance for micro, small, and medium-sized enterprises by sharing credit risk with financial institutions and encouraging private sector investment. Today, this mandate remains as relevant as ever, while our role has evolved beyond the provision of credit guarantees. KCGF has become an important development partner that mobilizes private capital, stimulates investment, and supports the sustainable growth of Kosovo's economy.

Working closely with Registered Financial Institutions, the Government of the Republic of Kosovo, and our international development partners, KCGF has continued to support investment, competitiveness, and the growth of Kosovo's enterprises. During 2025, the Fund issued guarantees amounting to EUR 121 million, supporting loans totaling EUR 242.5 million for 3,111 enterprises. As a result, the active guarantee portfolio reached EUR 179.5 million, while the cumulative value of guaranteed loans exceeded EUR 1 billion for the first time. These indicators reflect not only the Fund's expanding activities but also the trust that Registered Financial Institutions, businesses, and our development partners have built over the years in KCGF's credit guarantee scheme.

Throughout 2025, particular emphasis was placed on strengthening our guarantee windows that target development priority segments, ensuring they are better aligned with the needs of our society and the country's strategic economic development objectives.

In this regard, the GROW Guarantee Window underwent significant improvements. The maximum guarantee coverage was increased from 50% to 70%, while the maximum guarantee amount was doubled from EUR 500,000 to EUR 1 million. These enhancements create more favorable conditions for financing investments in renewable energy and energy efficiency measures for micro, small, and medium-sized enterprises, thereby supporting the private sector's transition toward a greener, more sustainable, and more competitive economy.

Equally important were the improvements introduced to the Women in Business Guarantee Window and the Start-up Guarantee Window, where guarantee fees were reduced to facilitate access to finance for women-led enterprises and young entrepreneurs. In parallel, KCGF and Registered Financial Institutions intensified their joint promotion and outreach activities to increase awareness of these products and expand the number of beneficiary businesses.

However, improving our guarantee windows is only one part of our mission. Our objective is to ensure that the benefits created through these enhancements are transferred as effectively as possible to the end beneficiary micro, small, and medium-sized enterprises. This means ensuring that credit guarantees translate into more favorable lending terms, more flexible collateral requirements, longer loan maturities, lower financing costs, and greater opportunities for investment.

To this end, during 2025, KCGF and Registered Financial Institutions further strengthened their cooperation in promoting and communicating the guarantee windows, with the aim of ensuring that their benefits are better understood and more effectively passed on to businesses. We believe that the impact of a credit guarantee should not be measured solely by the level of risk coverage it provides, but also by its ability to translate that coverage into better financing conditions. Therefore, our objective is for Registered Financial Institutions to view the credit guarantee scheme not only as a risk management instrument, but also as a development mechanism that creates value for the economy by encouraging investment, growth, and competitiveness of Kosovo's enterprises.

The continued growth of the guarantee portfolio, the expansion of cooperation with Registered Financial Institutions, and the high quality of the portfolio itself demonstrate KCGF's institutional maturity. Prudent risk management, sound corporate governance, and financial sustainability have enabled the Fund to consolidate its position as one of the country's most trusted development finance institutions.

None of these achievements would have been possible without the continued support and partnership of the Government of the Republic of Kosovo, our international development partners, and Registered Financial Institutions. We extend our sincere appreciation to all our partners for their trust, strategic support, and invaluable contribution to strengthening the Fund's capacities and expanding access to finance for Kosovo's businesses.

We also express our special gratitude to the employees of KCGF, whose professionalism, integrity, and dedication have been the cornerstone of the institution's success and development throughout its first decade of operations.

As we enter our tenth year of operations, our vision remains clear: to further expand and facilitate access to finance for micro, small, and medium-sized enterprises; to strengthen and enrich our existing guarantee windows; and to develop new credit risk-sharing instruments. Through these efforts, we aim to deepen our partnership with the financial sector and support investments that enhance productivity, innovation, and the competitiveness of Kosovo's economy.

Ultimately, our mission is not merely guaranteeing loans. Our mission is to create opportunities for businesses to invest, grow, innovate, and contribute to Kosovo's economic development. It is through this perspective that we believe KCGF's success should be measured—not only by the value of guarantees issued, but by the impact those guarantees generate on the economy and on the enterprises we support.

The year 2025 once again demonstrated that KCGF is more than a credit guarantee mechanism. It is a development partner that builds trust, mobilizes private capital, and creates bridges between the financial sector and entrepreneurship. In the years ahead, we will continue to strengthen this role by increasing the development impact of every guarantee and remaining a trusted partner for businesses, Registered Financial Institutions, and the economic development of Kosovo.

We invite you to continue reading this Annual Report, which provides a comprehensive overview of the Fund's activities, achievements, and financial performance throughout 2025.

AGAN AZEMI
CHAIRPERSON OF THE BOARD OF DIRECTORS

BESNIK BERISHA
MANAGING DIRECTOR

ACRONYMS

AECM	EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS
AC	AUDIT COMMITTEE
BD	BOARD OF DIRECTORS
CBK	CENTRAL BANK OF KOSOVO
DFC	U.S INTERNATIONAL DEVELOPMENT FINANCE CORPORATION
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EIB	EUROPEAN INVESTMENT BANK
EIF	EUROPEAN INVESTMENT FUND
ERP	ECONOMIC RECOVERY PACKAGE
ESMP	ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY
ESMS	ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
FI	FINANCIAL INSTITUTION
FIN	FARMER IDENTIFICATION NUMBER
FSSP	FINANCIAL SECTOR STRENGTHENING PROJECT
GRK	GOVERNMENT OF REPUBLIC OF KOSOVO
GROW	GREEN RECOVERY AND OPPORTUNITY WINDOW
IFC	INTERNATIONAL FINANCE CORPORATION
KAS	KOSOVO AGENCY OF STATISTICS
KBRA	KOSOVO BUSINESS REGISTRATION AGENCY
KCGF	KOSOVO CREDIT GUARANTEE FUND
KFW	GERMAN DEVELOPMENT BANK
MCC	MILLENNIUM CHALLENGE CORPORATION
MFI	MICROFINANCE INSTITUTIONS
MFK	MILLENNIUM FOUNDATION KOSOVO
MFLT	MINISTRY OF FINANCE, LABOUR and TRANSFERS
MINTI	MINISTRY OF INDUSTRY ENTREPRENEURSHIP TRADE AND INOVATION
MSME	MICRO SMALL MEDIUM ENTERPRISES
MIS	MANAGEMENT INFORMATION SYSTEM
NBFI	NON-BANK FINANCIAL INSTITUTIONS
NPL	NON-PERFORMING LOANS
RFI	REGISTERED FINANCIAL INSTITUTIONS
RMC	RISK MANAGEMENT COMMITTEE
SDG	SUSTAINABLE DEVELOPMENT GOALS
SIDA	THE SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

PORTFOLIO AND IMPACT

CAPITAL
109,234,599
EUR

CUMULATIVE AMOUNT OF APPROVED LOANS
1,041,620,812
EUR

CUMULATIVE AMOUNT OF APPROVED GUARANTEES
535,344,214
EUR

NEW GUARANTEES
121,010,358 EUR
+43% compared to 2024

ACTIVE GUARANTEE BALANCE
179,480,299 EUR
+32% compared to 2024

AVERAGE GUARANTEE AMOUNT
25,750 EUR
+7% compared to 2024

AVERAGE WEIGHTED GUARANTEE FEE
1.16%
-20 pp compared to 2024

PARTNER RFIs
12

NUMBER OF GUARANTEED LOANS
20,790

NUMBER OF ACTIVE GUARANTEED LOANS
8,208

NUMBER OF GUARANTEED BUSINESSES (INCLUDING FIN)
12,767

INDIRECT JOBS CREATED
34,112

PORTFOLIO QUALITY

CLAIM AMOUNT OF NPL LOANS
4,716,278 EUR
2.6% of active guarantee balance

NON PERFORMIN LOANS
1.39%
-0.8 pp

RECOVERIES / CLAIMS AMOUNT OF NPL LOANS
11.6%

CLAIM PROCESSING TIME FOR NPL LOANS
7 days

PART II

INSTITUTION PROFILE

THE ESTABLISHMENT OF THE KCGF AND ITS STATUS

Kosovo Credit Guarantee Fund (KCGF) is an independent public development institution established under Law No. 05/L-057 on the Establishment of the Kosovo Credit Guarantee Fund, which entered into force on 23 January 2016. The Law was sponsored by the then Ministry of Trade and Industry (MTI), with the support of the United States Agency for International Development (USAID) through its Credit Support Empowerment Program and the German Development Bank (KfW). Following the entry into force of the Law, KCGF commenced its operational activities in September 2016.

KCGF is constituted as an independent legal entity operating in accordance with the applicable legislation of the Republic of Kosovo. It enjoys full operational and financial autonomy in carrying out its statutory mandate.

KCGF's primary mandate is to facilitate access to finance for micro, small and medium-sized enterprises (MSMEs) in Kosovo by providing credit guarantees to licensed financial institutions. Rather than extending loans or providing grants directly, KCGF shares credit risk with its partner financial institutions, thereby enabling increased lending to the private sector. As a development finance institution, KCGF contributes to strengthening the financial sector, stimulating private investment, and supporting sustainable economic growth and employment generation in Kosovo.

KCGF is governed by a Board of Directors, which provides strategic oversight and supervises the institution's overall governance and operations. KCGF conducts its activities in accordance with the principles of transparency, accountability, financial sustainability, and sound corporate governance.

MISSION AND VISION

The Kosovo Credit Guarantee Fund is an independent, development orientated legal entity that provides credit guarantees for MSMEs, by sharing the credit risk with financial institutions.

By guaranteeing the credit portfolios of financial institutions we aim to enhance access to finance for MSMEs, support entrepreneurship development, support domestic production and services that create an added value, create new jobs and support overall economic development. We are committed to sustainable corporate management and the social responsibility that comes with it. Coordinating activities with our partners – donors, financial institutions and local regulators – we strive to serve the long-term economic interests of the country, the business community and our wider society.

INSTITUTIONAL VALUES

Our institutional values shape our working culture and guide our daily practices, steering us toward a high level of accountability in line with the highest ethical and moral standards.

OUR CORE VALUES:

- TRANSPARENCY
- OPEN COMMUNICATION AND COOPERATION
- INSTITUTIONAL INDEPENDENCE AND DECISION-MAKING
- DEDICATION AND PROFESSIONAL ETHICS
- CONTINUOUS ADVANCEMENT OF GUARANTEE WINDOWS
- SOCIAL RESPONSIBILITY AND INCLUSION

TRANSPARENCY

As an institution of public interest, KCGF considers transparency and the disclosure of information—regarding its operations, activities, financial performance, and results—to partners, stakeholders, and the public to be of utmost importance.

OPEN COMMUNICATION AND COOPERATION

We value open communication and collaboration, both among colleagues within the institution and with our external partners. This is a carefully cultivated value that helps us fulfill our institutional objectives. We are committed to transparently communicating our mission and principles to all stakeholders and applying these values consistently in our daily interactions. Through mutual sincerity and open dialogue, we believe we can build lasting credibility and align institutional and personal interests.

INSTITUTIONAL INDEPENDENCE AND DECISION-MAKING

As an independent and autonomous institution established by a separate law, we are committed to maintaining our independence in both strategic and operational decision-making. We take full accountability for the results and consequences of our actions. The KCGF Board of Directors and staff believe that professional independence, paired with transparent accountability and sound principles, is essential for building credibility, professionalism, and institutional sustainability.

DEDICATION AND PROFESSIONAL ETHICS

The staff and Board of Directors of KCGF are deeply committed to the institution's role in fostering economic development and improving social welfare in Kosovo. With high professionalism and motivation, they work diligently to fulfill this mission. Guided by the highest ethical and moral standards, we act with honesty, integrity, transparency, and professionalism. By upholding these values, we build trust and maintain strong relationships with partners and stakeholders, contributing to a culture of accountability and reliability.

CONTINUOUS ADVANCEMENT OF GUARANTEE WINDOWS

We promote innovation and strive to continually improve our services. We proactively engage with market demands and the specific needs of private entrepreneurs to adapt and expand our guarantee offerings.

SOCIAL RESPONSIBILITY AND INCLUSION

Through its guarantee windows, KCGF is committed to making a positive social impact. We follow principles of social responsibility and support private enterprises that ensure their investments do not harm the environment, while also promoting inclusivity and equal opportunities for all, regardless of gender, beliefs, or ethnic and religious background. We prioritize support for women's economic participation, the development and empowerment of new businesses, and the growth of rural farmers. In addition, we are dedicated to supporting investments that enhance energy efficiency and promote clean, renewable energy, contributing to a better future for the next generations. At KCGF, we expect our financial partners to adopt the same approach—ensuring that the investments supported through their lending not only avoid environmental harm but actively contribute to environmental improvement.

KCGF GOALS

KCGF focuses on expanding access to finance, fostering sustainable economic growth and development, and empowering high-potential sectors through targeted financial instruments. KCGF promotes innovation, supports private sector competitiveness, and strengthens its institutional resilience to ensure the effective and sustainable delivery of its development mandate.

ACCESS TO FINANCE

Women in Business

Young Entrepreneurs

Green/Sustainable Economy

Farmers

Underserved Sectors

Economic Inclusion of the Diaspora

ECONOMIC GROWTH

Promoting Production and Exports

Encouraging Business Formalization

Increasing Formal Employment

Supporting Innovation

COUNTERCYCLICAL SUPPORT DURING CRISES

Utilizing guarantee schemes to mitigate the negative effects during periods of economic downturn.

INSTITUTIONAL SUSTAINABILITY

Ensuring Financial Sustainability

Promoting Best Practices to Mitigate Credit Risk

Establishing Efficient and Sustainable Internal Processes

Maintaining a Well-Established, Independent Institution with High Integrity

Employing a Professional and Skilled Staff

Providing Continuous Training and Capacity Building for staff members

KCGF'S CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In partnership with RFIs, development partners, donors, and public sector institutions, the Kosovo Credit Guarantee Fund (KCGF) contributes to the achievement of the United Nations Sustainable Development Goals (SDGs) by expanding access to finance, mobilizing private investment, and supporting sustainable economic development.

SDG 5 – GENDER EQUALITY

OBJECTIVES

Expand access to finance for women-owned businesses.

Reduce financial barriers and collateral requirements for women entrepreneurs.

Empower women through capacity building and financial literacy initiatives.

KEY RESULTS

5 GENDER EQUALITY

1,914 women-owned businesses supported through credit guarantees.

15% **of guaranteed loans** disbursed to women entrepreneurs

657 **women entrepreneurs** trained through the non-financial support component.

30% **of first-time borrowers** are women-owned businesses.

76% of KCGF employees are women.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

OBJECTIVES

Expand access to finance for micro, small and medium-sized enterprises (MSMEs).

Support job creation and job retention.

Promote business formalization and sustainable economic growth.

Mobilize private capital for productive investment.

KEY RESULTS

8 DECENT WORK AND ECONOMIC GROWTH

11,607 **businesses** supported through credit guarantees, representing **22% of all active businesses in Kosovo.**

34,112 projected jobs supported by beneficiary businesses.

EUR 1.04 billion in loans mobilized for the economy.

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

OBJECTIVES

Promote technological modernization and productivity growth among MSMEs.

Support investment in production and infrastructure.

Enhance competitiveness and export orientation.

Facilitate long-term financing for capital investments.

KEY RESULTS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- **40%** **of guaranteed loans** allocated to technology, machinery, and infrastructure investments.
- **39 month's** **weighted average loan maturity,** exceeding prevailing market maturities.
- **EUR 203.3 million in loans** mobilized for the manufacturing sector.
- **28%** **of manufacturing sector financing** guaranteed by KCGF.
- **EUR 46.9** **million in loans** provided to exporting enterprises.
- **58.3%** **of export financing** directed to the manufacturing sector.

SDG 10: Reduced Inequalities

OBJECTIVES

Improve financial inclusion for underserved groups.

Reduce regional disparities in access to finance.

Promote more equitable access to financial services.

KEY RESULTS

10 REDUCED INEQUALITIES

- **95%** **of first-time borrowers** in the banking sector supported through KCGF.
- **62%** **of guaranteed loans** disbursed outside the capital region.
- **30%** **% of loans exceeding EUR 100,000** approved without collateral requirements.

SDG 13: CLIMATE ACTION

OBJECTIVES

Support the transition to a green economy.

Promote energy efficiency and renewable energy investments.

Reduce carbon emissions through green financing.

Increase financing for environmentally sustainable projects.

KEY RESULTS

13 CLIMATE ACTION

6,279 tons of CO_2 emissions reduced **annually.**

10,515 MWh of primary energy savings are achieved **annually.**

Financing provided for renewable energy, energy efficiency, and clean technology investments.

SDG 17: PARTNERSHIPS FOR THE GOALS

OBJECTIVES

Strengthening partnerships with the financial sector.

Mobilize additional financial resources for development.

Enhance cooperation with donors and international development partners.

Ensure KCGF's institutional and financial sustainability.

KEY RESULTS

17 PARTNERSHIPS FOR THE GOALS

EUR 109 million in committed capital.

EUR 1.04 billion in private capital mobilized.

12 partner financial institutions.

8 international donors and development partners.

PART III

CORPORATE GOVERNANCE

KCGF's corporate governance framework is founded on the principles of transparency, accountability, integrity, and institutional effectiveness, ensuring a clear decision-making and oversight structure for the effective fulfillment of the Fund's mandate and strategic objectives. The governing bodies of KCGF are the Board of Directors and the Managing Director, supported by the institution's professional staff.

BOARD OF DIRECTORS

The KCGF is governed by a Board of Directors consisting of seven (7) members:

A. One (1) ex officio member, appointed by the Ministry of Industry Entrepreneurship, Trade and Innovation of the Republic of Kosovo

B. One (1) ex officio member, appointed by the Ministry of Finance Labor and Transfers of the Republic of Kosovo

C. Four (4) independent members, appointed by donors and

D. Managing Director of KCGF

KCGF BOARD OF DIRECTORS MEMBERS IN 2025

AGAN AZEMI

CHAIRPERSON OF THE BOARD OF DIRECTORS

KRESHNIK KURTISHI

INDEPENDENT BOARD MEMBER

ANILA STATOVCI DEMAJ

INDEPENDENT BOARD MEMBER

MELIH ÇADIRCI

INDEPENDENT BOARD MEMBER

BESNIK BERISHA

MANAGING DIRECTOR OF KCGF

ZEF DEDAJ

EX OFFICIO BOARD MEMBER – MINTI

* The term of office of the representative of the Ministry of Finance, Labour and Transfers of the Republic of Kosovo on the Board of Directors expired on 12 June 2024, and a new representative has not yet been appointed.

KCGF STAFF

KCGF TEAM IN 2025:

ALBAN RAMADANI
MANAGER OF THE RISK MANAGEMENT UNIT

ALBULENA LUBISHTANI
SENIOR PROJECT SPECIALIST

ANITA TOÇI
COMMUNICATION AND PUBLIC RELATIONS SENIOR SPECIALIST

AULONA SELISHTA
REPORTING, DATA MANAGEMENT AND PORTFOLIO ANALYSIS SPECIALIST

BESA JASHARI
CLAIM AND RECOVERY SPECIALIST

BESNIK BERISHA
MANAGING DIRECTOR

BURBUQE GURI
CONTROL SPECIALIST

ENISA BASHOTA
SENIOR RISK SPECIALIST

JEHONA GJERGJI
LEGAL OFFICER

LIRIDONA SOPA
FINANCE SPECIALIST

MAHIR BLAKU
SENIOR RISK SPECIALIST

MRIKA MALIQI
ENVIRONMENTAL AND SOCIAL GOVERNANCE SPECIALIST
*UNTIL 15.11.2025

NORA ARIFI
MANAGER OF THE PORTFOLIO UNIT

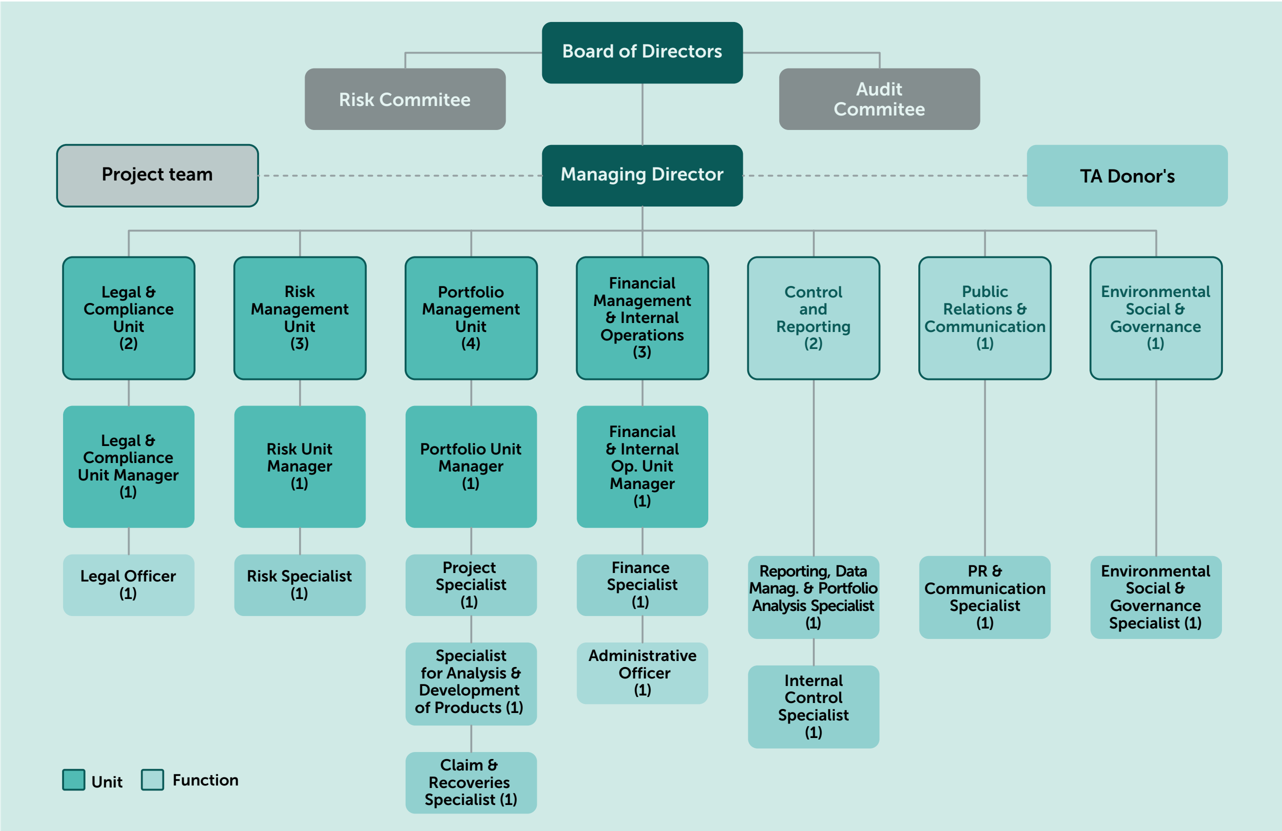
SHKODRANE ZARIQI BOGIQI
SENIOR SPECIALIST FOR ANALYSIS AND DEVELOPMENT OF PRODUCTS

VERË KADRIU
SENIOR ADMINISTRATION SPECIALIST

VILSON UKAJ
MANAGER OF THE LEGAL AND COMPLIANCE UNIT

VJOSA KELMENDI
MANAGER OF THE FINANCE AND INTERNAL OPERATIONS UNIT

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS
Functions and Responsibilities

The Board of Directors is the highest governing body of KCGF and plays a key role in its strategic direction and overall oversight. It is composed of seven (7) members, who exercise their mandate independently, professionally, and collegially, acting in the best interest of KCGF. The Board meets at least four (4) times per year or more frequently, as necessary to consider matters of strategic and operational importance. The Board of Directors has decision-making and oversight authority over the overall functioning of KCGF. In carrying out its mandate, it ensures strategic direction, financial stability, and compliance with the institutional legal and regulatory framework.

THE BOARD'S KEY RESPONSIBILITIES INCLUDE:

• **Strategic decision-making within the guarantee schemes** – approving the registration and participation of financial institutions in credit guarantee schemes and guarantee agreements, as well as determining the strategic direction for the development and expansion of guarantee schemes, including the approval of new guarantee products, strategic objectives, and priorities aimed at improving access to finance for businesses.

• **Approval of the institution's regulatory framework** – approving the Statute, policies, procedures, guidelines, and other internal acts governing the organization, management, and operation of the institution.

• **Financial and institutional oversight** – approving the annual budget, financial statements, and capital investment policy, as well as overseeing the implementation of agreements, policies, and internal acts to ensure sound financial management, transparency, institutional accountability, and monitoring of the institution's overall performance.

Through the exercise of these responsibilities, the Board of Directors has contributed to the strengthening of KCGF's institutional sustainability, enhancing accountability, and advancing its mission of improving access to finance for businesses in Kosovo.

In 2025, the Board of Directors held six (6) meetings, adopting key decisions for KCGF's operations and strategic development. Among its principal decisions were: approval of new guarantee agreements with RFIs under the Start-Up, Women in Business, and Standard Windows; amendments to the terms and eligibility criteria of the GROW Window and approval of new guarantee agreements with RFIs under this Window; approval of the annual budget and financial statements; approval of new guarantee fees; and adoption of new policies and procedures aimed at enhancing operations and risk oversight, improving internal human resource management processes, advancing the salary structure, strengthening procurement rules and procedures, and aligning the institution with new environmental and social standards.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors establishes committees to support its work. Committees review issues within their scope, monitor KCGF's activities in areas requiring more focused, specialist, and technical discussion. Committees report on their work to the Board. Currently, the Board has established the Risk Management Committee and the Audit Committee as permanent committees.

THE RISK MANAGEMENT COMMITTEE assists the Board of Directors on risk management. This Committee is responsible for reviewing the credit and operational risk policies, overseeing the developments of the guaranteed portfolio and ensuring that the credit risk profile is in line with credit policies, applicable laws and regulations. This Committee consists of at least three (3) Board members and holds meetings at least every three (3) months.

THE AUDIT COMMITTEE is responsible for making recommendations to the Board of Directors on the following matters: risk management, internal control, financial statements, adequacy requirements, internal audit, external audit, and other relevant functions, including the review of the KCGF governance arrangements. The Committee consists of at least three (3) Board members and meets every three months.

Both Board committees contribute to strengthening the KCGF's transparency, efficiency, and institutional sustainability. In 2025, each committee held five meetings, reviewing important matters within their respective areas of responsibility.

MEETINGS OF THE BOARD OF DIRECTORS AND RELEVANT COMMITTEES

The following table shows the meetings of KCGF's Board of Directors:

BOARD MEETING SCHEDULE	NUMBER OF TOPICS ADDRESSED	NUMBER OF DECISIONS TAKEN
26 February 2025	12	9
02 April 2025	3	3
28 April 2025	8	4
20 June 2025	12	10
25 September 2025	20	13
29 December 2025	16	10
TOTAL:	**71**	**49**

The following table shows the meetings of the Risk Management Committee (RMC):

RMC MEETING SCHEDULE	NUMBER OF TOPICS ADDRESSED	NUMBER OF DECISIONS/ RECOMMENDATIONS ISSUED
21 February 2025	6	3
24 April 2025	6	2
17 June 2025	5	2
22 September 2025	8	4
03 December 2025	7	4
TOTAL:	**32**	**15**

The following table presents the meetings of the Audit Committee (AC):

AC MEETING SCHEDULE	NUMBER OF TOPICS ADDRESSED	NUMBER OF DECISIONS/ RECOMMENDATIONS ISSUED
19 February 2025	3	-
22 April 2025	1	-
10 June 2025	2	-
18 September 2025	1	-
27 November 2025	3	-
TOTAL:	**10**	**-**

PART IV

KCGF
PARTNERS

DONORS

GOVERNMENT
OF KOSOVO

USAID
NGA POPULLI AMERIKAN
OD AMERIČKOG NARODA

US AGENCY FOR
INTERNATIONAL DEVELOPMENT
(USAID)

KFW

german
cooperation
DEUTSCHE ZUSAMMENARBEIT

KfW DEVELOPMENT BANK

ASSOCIATES

Sweden
Sverige

SWEDISH AGENCY
FOR INTERNATIONAL
DEVELOPMENT AND
COOPERATION (SIDA)
represented by the
Swedish Embassy

THE
WORLD
BANK

WORLD BANK

DFC U.S. International
Development
Finance Corporation

MILLENNIUM
CHALLENGE
CORPORATION (MCC)

Financimi përfiton nga mbështetja e Bashkimit Evropian në kuadër të Fondit për Garantimin e Kredive të krijuar sipas Rregullores (EU) Nr 1287/2013 të Parlamentit dhe Këshillit Europian për krijimin e Programit për Konkurrueshmërinë e Ndërmarrjeve dhe Ndërmarrjeve të Vogla dhe të Mesme (COSME) (2014 -2020).

EUROPEAN
INVESTMENT
FUND

EUROPEAN INVESTMENT FUND (EIF)

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

MILLENNIUM
CHALLENGE
CORPORATION (MCC)

European
Investment
Bank

EUROPEAN
INVESTMENT BANK
(EIB)

PARTNER FINANCIAL INSTITUTIONS

BANKING INSTITUTIONS

MICROFINANCE INSTITUTIONS

NON BANK FINANCIAL INSTITUTIONS

THE EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS

The European Association of Guarantee Institutions (AECM), headquartered in Brussels, is the leading European organization representing guarantee institutions and promoting the role of credit guarantees in facilitating access to finance for micro, small and medium-sized enterprises (MSMEs). Established in 1992, AECM comprised 48 members from 31 European countries as of the end of 2025.

AECM members are presented on the map below.

Since 2018, KCGF has represented Kosovo within this prestigious European network, contributing to the exchange of best practices, the promotion of guarantee instruments, and the strengthening of cooperation with peer institutions across Europe. Throughout 2025, KCGF actively participated in key AECM activities. During the annual event organized by AECM, KCGF presented the topic "Enhancing Development Impact through Guarantees", sharing the institution's experiences and results in supporting economic development and expanding access to finance for businesses in Kosovo. Furthermore, in October 2025, KCGF participated in the Operational Training Seminar (OTS) organized by AECM in Paris, under the theme "Credit Guarantees for Economic and Social Inclusion." During this event, KCGF presented its Women in Business Guarantee Window, with a particular focus on the program of non-financial component, including initiatives aimed at strengthening the capacities of women entrepreneurs in the areas of financial literacy, digital marketing, and communication. Participation in these international forums enables KCGF to showcase Kosovo's experience in the credit guarantee sector, learn from advanced European practices, and further strengthen its role in supporting the sustainable development and competitiveness of the MSMEs.

PART V

KCGF OPERATIONAL ACHIEVEMENTS

ACHIEVEMENTS IN 2025

APPROVED GUARANTEES
121
EUR MILLION

NUMBER OF APPROVED LOANS
3,653

BUSINESSES RECEIVING A LOAN FOR THE FIRST TIME
631

APPROVED LOANS
242
EUR MILLION

NUMBER OF GUARANTEED BUSINESSES OWNED BY WOMEN
528

BUSINESSES OWNED BY WOMEN PART OF THE GUARANTEED LOANS
17%

NUMBER OF GUARANTEED BUSINESSES
3,111

DEVELOPMENT OF THE CREDIT GUARANTEE PORTFOLIO

VThe year 2025 marked another important milestone in KCGF's journey toward strengthening access to finance for micro, small, and medium-sized enterprises (MSMEs) in Kosovo. Through new institutional developments and the continuous improvement of guarantee schemes, KCGF continued to expand its impact in supporting entrepreneurship and economic development.

The growth of the guarantee portfolio during this year was a direct result of the close cooperation and trust of partner financial institutions in KCGF's mechanisms. Through guarantee schemes designed to address the specific needs of different market segments, KCGF succeeded in providing more tailored and accessible financing solutions for MSMEs.

Among the most significant developments during 2025 was the advancement of green financing through the improvement of the terms of the GROW Window, as well as the strengthening of cooperation between KCGF and PFIs to encourage investments in energy efficiency and renewable energy.

At the same time, KCGF took steps to deepen inclusive financing through the application of preferential guarantee fees for the Start-up Window and the Women in Business Window. These measures were accompanied by joint commitments with partner banks to improve lending conditions and increase support for these segments. In parallel, KCGF expanded its cooperation with microfinance institutions, enabling the use of other guarantee windows beyond the Agro Window. This step aims to further increase access to finance for micro-enterprises and businesses in areas that are less served by the financial system.

During 2025, intermediated lending to MSMEs reached EUR 242.5 million, distributed across 3,653 loans, facilitating access to finance for 3,111 enterprises. By the end of the year, the total cumulative amount of approved loans reached EUR 1.04 billion, supporting a total of 12,767 MSMEs, while the cumulative amount of guarantees reached EUR 535.3 million.

At the end of 2025, the total outstanding value of the loan portfolio was EUR 358.7 million, while the guaranteed portfolio reached EUR 179.5 million, distributed across 8,208 active loans.

In terms of sectoral distribution, the wholesale and retail trade sector remained the dominant sector in the active guaranteed loan portfolio, accounting for 39.61%, followed by services at 24.85%, manufacturing at 20.85%, agriculture at 8.15%, and construction at 6.54%[1].

The continued dominance of the trade sector demonstrates its significant role in economic activity, while the participation of the services, manufacturing, and agriculture sectors indicates the contribution of the guarantee scheme to supporting investments and developing capacities in key sectors of the economy.

The analysis of the portfolio by financing purpose during 2025 shows that guaranteed loans were used primarily for working capital and short-term loans, which represented 54.44% of the portfolio, while investment loans accounted for 45.50%. The share of financing for working capital reflects businesses' need to support their day-to-day activities, manage liquidity, and finance the operating cycle. On the other hand, investment financing contributed to the expansion of production capacities, modernization of equipment, development of business infrastructure, and increased competitiveness of enterprises. The distribution between short-term and investment financing demonstrates KCGF's role both in addressing businesses' immediate liquidity needs and in supporting investments that create potential for long-term economic growth and development.

From the perspective of business size, the guaranteed portfolio continued to be dominated by micro and small enterprises. The segment of enterprises with up to 50 employees represented 98% of the portfolio in terms of the number of loans, clearly reflecting KCGF's focus on supporting businesses that constitute the main pillar of the country's economy.

The progress achieved during 2025 in the development of the guarantee portfolio, as well as the initiatives undertaken during the year, demonstrate KCGF's commitment to continuous improvement and to strengthening its role in creating a more inclusive, sustainable, and long-term development-oriented financial ecosystem for Kosovo's economy.

1 Economic activity NACE 4120 – Construction of residential and non-residential buildings – is not considered eligible. An exception applies to investments in renewable energy, provided that they comply with the established eligibility criteria.

FINANCIAL COMPONENT
KCGF's GUARANTEE WINDOWS

The financial component constitutes the core pillar of KCGF's activities and is implemented through guarantee schemes offered to partner financial institutions, with which the KCGF shares the credit risk associated with loans extended to micro, small and medium sized enterprises (MSMEs). Through this mechanism, banks and other financial institutions are encouraged to expand lending to businesses, thereby addressing one of the private sector's main challenges - access to finance. KCGF operates through seven guarantee windows designed to address specific market needs and support different segments of economy.

STANDARD WINDOW

Established in 2016, alongside the creation of the institution, the Standard Window is a comprehensive, general-purpose window that supports MSMEs across all eligible sectors of the economy by providing guarantees for investment and working-capital loans.

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 3,000,000**
- Maximum guarantee amount: **EUR 500.000**
- Maximum repayment period of the guaranteed loan term: **Up to 120 months**
- Guarantee coverage at individual level: **up to 50%**

To date, more than 14,669 loans with a cumulative value of EUR 745.2 million have been guaranteed through this window.

2025

14,669 LOANS

EUR 745.2 million

AGRO WINDOW

Established in 2018, this window is designed to facilitate access to finance for farmers and enterprises operating in the agricultural sector. It covers the entire food value chain, from primary production through to processing. A distinctive feature of this window is that it provides guarantees not only to businesses registered with the Kosovo Business Registration Agency (KBRA), but also to farmers holding a Farmer Certificate and a Farm Identification Number (FIN).

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 3,000,000**
- Maximum guarantee amount: **EUR 500,000**
- Maximum repayment period of the guaranteed loan term: **up to 120 months**
- Guarantee coverage at individual level: **up to 60%**

To date, 2,800 loans with a total value of EUR 96.1 million have been guaranteed through this window..

2025

2,800 LOANS

EUR 96.1 million

GREEN RECOVERY AND OPPORTUNITIES WINDOW (GROW)

Established in June 2022, this window supports investments in equipment and technologies that enable at least 15% savings in primary energy consumption and/or reductions in CO_2 emissions, as well as the generation of energy from renewable sources for self-consumption. At the portfolio level, the supported investments are expected to achieve at least 20% savings in primary energy consumption, without increasing CO_2 emissions, thereby contributing to the transition of businesses towards more sustainable practices and the development of a greener economy.

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 3,000,000**
- Maximum guarantee amount: **EUR 1,000,000**
- Maximum repayment period of the guaranteed loan term: **up to 120 months**
- Guarantee coverage at individual level: **up to 70%**
- Guarantee coverage at portfolio level: **up to 30%**

To date, 50 loans with a total value of EUR 9.6 million have been guaranteed through this window.

2025

50 LOANS

EUR 9.6 million

EXPORT WINDOW

Established in 2022, this window is designed to support enterprises that engage in regular export activities or plan to commence exporting, by facilitating access to finance for investments and working capital associated with export activities.

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 3,000,000**
- Maximum guarantee amount: **EUR 1,000,000**
- Maximum repayment period of the guaranteed loan term: **up to 120 months**
- Guarantee coverage at individual level: **up to 50%**

To date, 327 loans with a total value of EUR 46.9 million have been guaranteed under this window.

This guarantee scheme, continues to be one of the most active instruments in the KCGF's portfolio.

2025 — **327 LOANS** — **EUR 46.9 million**

START-UP WINDOW

This window aims to support newly established enterprises with up to 12 months of business activity, thereby stimulating entrepreneurial initiatives and the development of early-stage businesses. The KCGF began operating this window in 2023.

General terms and conditions

• Minimum loan amount:	**EUR 3,000**
• Maximum loan amount:	**EUR 100,000**
• Maximum guarantee amount:	**EUR 80,000**
• Maximum repayment period of the guaranteed loan term:	**up to 84 months**
• Guarantee coverage at individual level:	**up to 80%**
• Guarantee coverage at portfolio level:	**up to 30%**

To date, 311 loans with a total value of EUR 8.9 million have been guaranteed through this window.

2025

311 LOANS

EUR 8.9 million

WOMEN IN BUSINESS WINDOW

Established in 2023, this window aims to support businesses that are owned or co-owned by at least one woman, regardless of her shareholding, or businesses led by at least one woman in an executive position, thereby promoting financial inclusion and the economic empowerment of women.

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 250,000**
- Maximum guarantee amount: **EUR 175,000**
- Maximum repayment period of the guaranteed loan term: **up to 120 months**
- Guarantee coverage at individual level: **up to 70%**
- Guarantee coverage at portfolio level: **up to 20%**

To date, 624 loans with a total value of EUR 24.4 million have been guaranteed through this window.

2025

624 LOANS

EUR 24.4 million

DIASPORA INVESTMENT WINDOW

Established in July 2024, this window is designed to facilitate access to finance for diaspora investors seeking to invest in Kosovo. It is intended for individuals born in Kosovo or who hold or have previously held Kosovan citizenship, who have emigrated and resided outside Kosovo for more than three years, as well as their descendants up to the second generation of parents of Kosovan origin. Under this window, privately owned micro, small and medium-sized enterprises (MSMEs) established or owned by members of the Kosovo diaspora are eligible for support, provided they are either newly established or have been registered for no more than 36 months.

General terms and conditions

- Minimum loan amount: **EUR 3,000**
- Maximum loan amount: **EUR 3,000,000**
- Maximum guarantee amount: **EUR 2,000,000**
- Maximum repayment period of the guaranteed loan term: **up to 84 months**
- Guarantee coverage at individual level: **up to 80%**
- Guarantee coverage at portfolio level: **up to 15%**

To date, 29 loans with a total value of approximately EUR 5.8 million have been guaranteed through this window.

Through these specialized windows and new instruments, the KCGF supports investments that contribute to sustainable development by encouraging business practices aligned with environmental, social, and governance principles and with country's development priorities.

In addition to its seven active guarantee windows, the KCGF continues to manage the remaining portfolio of Economic Recovery Package windows, which were established to support businesses affected by the COVID-19 pandemic. Although these windows have not accepted new applications since the end of inclusion period on 31 December 2021, the existing exposures remain active and are monitored until all guarantee obligations have been fully discharged.

The table below presents the active PRE exposures

Window	Year established	Status	Remaining portfolio (€)	Number of active loans
Economic Recovery Package	2021	Closed to new cases	5.5 million	320

NON-FINANCIAL COMPONENT

In addition to financial support, KCGF actively invests in strengthening capacities of financial institutions and beneficiary businesses, recognizing that sustainable development requires not only financing but also more advanced knowledge and skills.

TRAINING FOR RFIS STAFF

An important part of this approach is the support provided to partner financial institutions and their staff through training and other professional instruments that facilitate a better understanding and more effective implementation of guarantee windows.

During 2025, in line with the institution's objectives for ensuring high-quality services and a more balanced distribution of guarantees across all regions of Kosovo, the KCGF conducted an analysis of the use of guarantee windows by financial institutions in different regions of the country. Based on this analysis, targeted training sessions were organized for the staff of financial institutions in areas where the needs were greatest. The aim was to increase awareness of the guarantee schemes and their added value for financial institutions, MSMEs, and economy as a whole.

As a result, 20 information sessions were organized during 2025 in Kosovo's seven main regional centres, with the participation of 403 representatives of financial institutions.

EMPOWERING MSMEs THROUGH KNOWLEDGE AND NETWORKING

Alongside these activities, the KCGF continued to support micro, small, and medium-sized enterprises through technical assistance programs and thematic training. The aim is to strengthen businesses' capacities in areas such as financial management, leadership, access to market and communication.

A particular focus of these programs has been placed on women in business, recognizing that, in addition to access to finance, they also require further development of their entrepreneurial skills and professional networks.

In 2025, building on the initiatives implemented in 2023 and 2024 under the theme "Advancing Financial Knowledge", the KCGF implemented a technical assistance program with the support of Sida. The program aimed to strengthen capacities of specific business segments, particularly women entrepreneurs.

The program focused on:

- professional capacity-building,
- networking,
- mentoring.

To date, training sessions have been delivered on topics such as Digital Marketing and Communication, helping participating businesses strengthen their market presence and improve their customer communication strategies.

During the first round of the program, held from October to November 2025, the following activities were carried out:

- 17 training sessions,
- 204 participants; and
- activities in seven cities across Kosovo.

The program will continue throughout 2026, further expanding support for enterprises in different regions of Kosovo and contributing to the development of a stronger and more sustainable entrepreneurial ecosystem.

AN APPROACH FOR LONG-TERM IMPACT

By combining financial instruments with non-financial support, KCGF aims to generate a lasting impact on the country's economic development. This approach not only improves MSMEs' access to finance but also equips businesses with the knowledge and skills needed to increase their competitiveness, adopt responsible business practices, and contributes to a more inclusive and sustainable economy.

ADDITIONALITY

Additionality is a fundamental principle used to assess the impact of credit guarantee instruments. It refers to the positive change generated as a result of an intervention, compared to the situation that would have prevailed in its absence. In the case of the KCGF, additionality is reflected in improved access to finance and lending terms for MSMEs, particularly for segments facing greater financial constraints. By sharing credit risk with partner financial institutions, the KCGF encourages increased lending, reduces collateral-related barriers, enables longer loan maturities, and creates more favorable financing conditions. As a result, businesses have greater opportunities to invest, expand their operations, and create new jobs, thereby generating sustainable economic impact and fostering more inclusive development. A comparison between guaranteed and non-guaranteed lending within this segment, based on data provided by the Central Bank of the Republic of Kosovo (CBK), demonstrates how the KCGF addresses key structural barriers, including high collateral requirements, shorter loan maturities and limited access to finance. This assessment focuses particularly on loans of up to EUR 100,000, which constitute the main financing segment for MSMEs and account for more than 65% of the KCGF's total guaranteed portfolio.

The findings of this data analysis confirm that KCGF plays a critical role in improving lending conditions for MSMEs, particularly in segments where access to credit remains limited. KCGF's intervention not only expands access to finance but also improves the quality and sustainability of lending across the sector.

STRATEGIC PARTICIPATION AND MARKET REACH

During 2025, the Kosovo Credit Guarantee Fund achieved a 22.78% share of the banking sector lending, confirming the important role of credit guarantees in MSME financing.

The analysis by loan size shows that the importance of KCGF support increases in line with businesses' financing needs. KCGF's share is highest in the EUR 25,000 - EUR 50,000 segment, at 25.96%, and in the EUR 50,000 - EUR 100,000 segment, at 24.32%. This reflects the Fund's impact in facilitating access to finance for higher-value investments and business expansion projects.

These results demonstrate that KCGF plays a key role in risk sharing and in expanding lending to businesses in segments where traditional financing remains more limited. This impact is particularly evident in the financial inclusion of new enterprises in the banking system. During 2025, 95% of MSMEs receiving a loan for the first time were supported through loans guaranteed by the KCGF

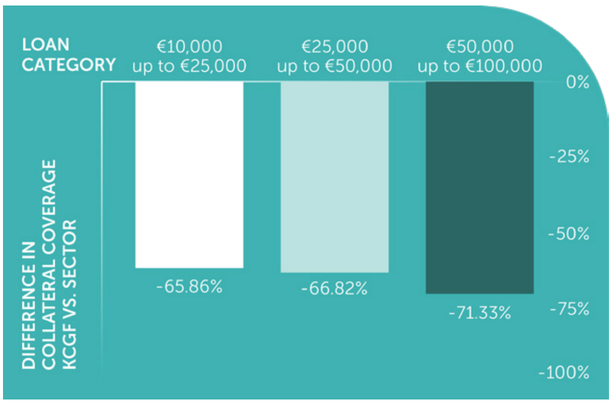
The table below represents KCGF's share of the banking sector (%).

LOAN CATEGORY	KCGF'S SHARE OF THE BANKING SECTOR (%)
Up to €10,000	8.15%
€10,000 – €25,000	16.76%
€25,000 – €50,000	25.96%
€50,000 – €100,000	24.32%
TOTAL:	**22.78%**

COLLATERAL REQUIREMENTS

Reducing collateral requirements remains one of KCGF's most transformative contributions to Kosovo's credit market. According to the data, MSMEs without guarantee support continue to face high levels of collateralization, which often restricts their access to formal financing. The KCGF directly addresses this restriction by significantly reducing collateral requirements in main loan segments. The impact is particularly evident among small and medium-sized loans, where the majority of MSME activity is concentrated.

The following chart represents the KCGF vs SECTOR difference in collateral coverage



These reductions indicate that the KCGF-supported loans require approximately two-thirds less collateral than non-guaranteed loans.

By sharing credit risk with partner financial institutions, KCGF encourages the expansion of lending to enterprises with high development potential, which may lack sufficient collateral despite having the capacity to meet credit obligations.

The consistent reduction in collateral requirements across all loan categories demonstrates that KCGF's impact is systemic and not limited solely to the guaranteed portfolio, thereby contributing to changes in lending practices across the financial sector.

This KCGF's impact on reducing collateral coverage is also confirmed by its own data, according to which 30% of guaranteed loans over EUR 100,000 were issued without collateral.

EXTENSION OF LOAN MATURITIES

KCGF guarantees significantly improved loan maturity, enabling businesses to align repayments with long-term investment cycles rather than solely with short-term liquidity constraints. This is particularly important for MSMEs undertaking capital investments with longer payback periods.

Overall, KCGF-supported loans demonstrate a clear maturity advantage compared to loans in the broader credit sector.

The chart table represents the weighted average maturity

A more detailed breakdown by loan size shows that the maturity advantage increases with the value of the loans presented in the following table.

The chart below represents KCGF's share of the banking sector (%).

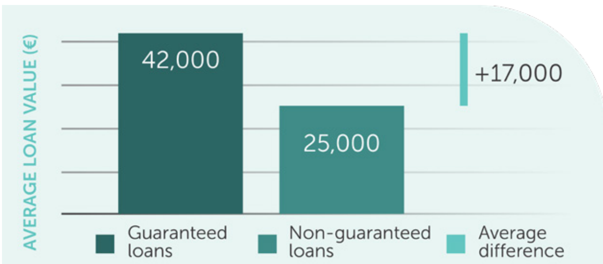
From the borrower›s perspective, longer maturities mean lower monthly payment pressure, slower loan amortization, and better cash flow management.

This enables businesses to increase investment capacity, undertake larger and more productive investments, and better align their repayment schedule with revenue generation.

COMPARISON OF LENDING VOLUMES

The data also confirms that the KCGF guarantee scheme serves as an important driver of growth in lending volumes compared with Kosovo's broader financial sector. By mitigating credit risk for partner financial institutions, the guarantee scheme increases their confidence and enables them to provide larger loans to MSMEs. A comparison with the sector highlights a substantial difference in average loan size is presented in the following chart.

The chart below presents the average maturity of guaranteed and non-guaranteed loans, segmented by loan size.



This difference between the average value of guaranteed and non-guaranteed loans demonstrates that KCGF-supported loans enable businesses to access larger amounts of capital than would be possible under standard market conditions.

SHARE OF KCGF-GUARANTEED LOAN VOLUME IN GROSS DOMESTIC PRODUCT (GDP)

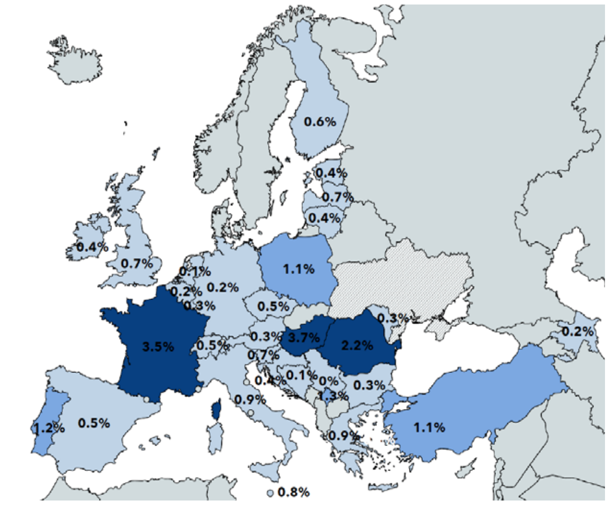
The figure below illustrates the intensity of the KCGF's intervention in the economy through the ratio of outstanding guarantees to GDP.

International comparison shows that Kosovo ranks among the countries with the highest levels of guarantee scheme utilization in Europe, with outstanding KCGF guarantees equivalent to 1.3 % of GDP. Compared with most European countries where this indicator remains below 1%, Kosovo's relatively high level shows the importance of the guarantee fund in supporting economic growth.

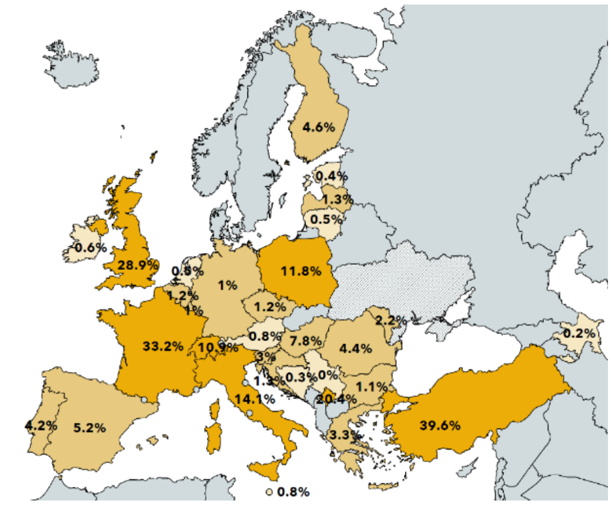
SHARE OF GUARANTEED BUSINESSES IN THE TOTAL NUMBER OF ACTIVE BUSINESSES IN THE REAL ECONOMY

The map presents the share of guaranteed enterprises in relation to the total number of enterprises operating in the market. The data show that KCGF has a relatively high level of market share compared to many European countries, with around 20.4% of MSMEs supported through credit guarantees. The comparison with European countries shows that guarantee schemes in Kosovo play a more significant role in financing the private sector than in most countries in the region and Europe. This level of participation reflects the importance of risk-sharing mechanisms in expanding access to finance and supporting the MSME development.

Intensity map – ratio of outstanding guarantee volume to GDP



Intensity Map – Share of guaranteed enterprises in the total number of MSMEs



1 The data presented refer to 2024 and are sources from AECM Statistical Yearbook 2024.

2 The data presented refer to 2024 and are sources from AECM Statistical Yearbook 2024.

ENGAGEMENT WITH THIRD PARTIES DURING 2025

During 2025, KCGF continued to strengthen its role as a key institution for supporting private sector financing and MSME development in Kosovo. By expanding its strategic cooperation with international partners, the KCGF contributed to improving access to finance, advancing financial inclusion, and strengthening the institutional capacities of the financial sector.

An achievement of strategic importance during the year was the operationalization of the Western Balkans Guarantee Program financed by the European Union and KfW, with a total value of EUR 22 million. This instrument is expected to enable the KCGF to generate at least EUR 44 million in guarantees and support lending worth at least EUR 88 million for SMEs in Kosovo.

This re-guarantee aims to improve access to finance for priority segments of the economy, with a particular focus on:

- Enterprises in rural areas,
- Manufacturing enterprises, and
- Start-ups.

In addition to expanding KCGF's guarantee capacity, the agreement contributes to reducing guarantee fees, improving financing conditions and mobilizing private investment, thereby supporting economic growth, job creation and sustainable development of the private sector.

One of the most important developments during the year was the continued implementation of the agreement with Sida, which in addition to providing support through credit guarantees for women entrepreneurs, export-oriented enterprises and green investments, also placed a special focus on non-financial component. This component aims to address barriers that are not directly related to access to finance, but rather to enterprises' capacities to obtain and effectively use financing.

During 2025, the KCGF also continued its cooperation with the EIB, DFC and SIDA, contributing to the increase in the volume of loans supported by these institutions. These collaborations supported lending to businesses with growth potential and implementation of productive investments in exports, manufacturing, agriculture, start-ups, and green investments.

The table below presents the approved value of loans and guarantees supported by the EIB Fund, as well as by the re-guarantors Sida and DFC.

Funds	Value of approved loans	Value of approved guarantees
EIB	72,910,520	35,242,555
Re-guarantor		
DFC	3,438,459	1,706,230
SIDA	29,091,100	15,097,790

Overall, 2025 was characterized by the expansion of strategic partnerships, advancement of guarantee instruments, and strengthening of KCGF's role as a key mechanism for supporting economic development and improving access to finance in Kosovo.

ADVANCING GREEN FINANCING THROUGH GROW WINDOW

The year 2025 marked an important step forward in advancing Kosovo's green finance agenda in Kosovo. To accelerate investment in energy efficiency and renewable energy, the Kosovo Credit Guarantee Fund undertook a significant review of the eligibility criteria for the GROW Window.

In this context, the KCGF enhanced the risk-sharing mechanism and eligibility criteria for the window, making financing of green projects more attractive and accessible to micro, small and medium-sized enterprises.

The main changes include:

- increasing the guarantee coverage from 50% to 70%, thereby significantly increasing the share of risk assumed by KCGF;
- extending the loan maturity from 84 to 120 months;
- increasing the maximum guarantee amount from EUR 500,000 to EUR 1 million;
- increasing the maximum loan exposure from EUR 5 million to EUR 7 million;
- further reducing guarantee fees.

These changes aim to reduce financial barriers to green investments and increase the willingness of financial institutions to finance projects that improve energy efficiency, reduce operating costs and contribute to environmental protection. Alongside the improvements in financial conditions, KCGF and its partner financial institutions have committed to actively communicating these financing opportunities, so that micro, small and medium-sized enterprises are better informed about the added value of green investments. In this regard, financial institutions will promote products and dedicated credit lines for financing sustainable investments, while systematically communicating the benefits that these investments bring to businesses and environment.

To raise awareness and stimulate demand for green finance, the KCGF, in cooperation with partner banks, will organize forums, workshops and information sessions for MSMEs, focusing on sustainable investments and the opportunities offered by the GROW Window. At the same time, KCGF will continue to support capacity building for the staff of partner financial institutions through training and retraining. These activities will aim to strengthen knowledge of green finance, improve identification of eligible projects and facilitate the more effective integration of sustainable practices into lending processes. Through these measures, the KCGF aims to support the transition towards a greener, more competitive economy by facilitating investments that generate long-term economic value and a positive impact on the environment and society.

DEEPENING INCLUSIVE FINANCING FOR WOMEN IN BUSINESS AND START-UPS

Another important development during 2025 was the intensification of efforts to advance economic inclusion, with a particular focus on women in business and start-ups. The KCGF considers these segments strategically important for the country's economic development, as they play a key role in fostering entrepreneurship and innovation, creating new jobs, and expanding the economic base. However, despite their potential, these categories often face greater barriers for accessing finance than established businesses, due to lack of financial track record, insufficient collateral, limited business experience, and more restricted access to financial and professional networks. Recognizing these challenges, as well as the potential of these segments to contribute to a more dynamic and inclusive economic development, the KCGF has launched a new cooperation initiative with partner financial institutions.

This initiative reflects a shared will and commitment to supporting and advancing measures aimed at improving access to finance and removing barriers for underrepresented groups, particularly start-ups and women-led businesses. In this regard, KCGF and its partner banks are committed to work closely together to improve financing practices and undertake concrete actions that contribute to this agenda. Under this initiative, KCGF and its partner financial institutions have agreed to take coordinated steps to facilitate access to finance, improve lending conditions, and increase affordable financing for these segments. In support of this objective, the KCGF Board of Directors has approved preferential guarantee rates for Women in Business and Start-ups, on the condition that partner banks reflect this support by offering more favorable lending terms to these segments.

In this context, partner banks are encouraged to take concrete steps to:

- Improve eligibility criteria for these segments;
- reduce collateral requirements;
- offer loans with longer maturities;
- increase maximum loan amount; and
- broaden the inclusion of newly established businesses.

At the same time, banks are expected to intensify the promotion of these products through their digital channels and customer communication, with the aim of increasing awareness and encouraging greater use of opportunities offered by the Start-up Window and Women in Business Window. This initiative was launched in the last quarter of 2025, while its full implementation is expected to take place during 2026, in close cooperation with partner banks.

Through this approach, the KCGF aims to deepen financial inclusion, empower young entrepreneurs and women entrepreneurs, and contribute to the development of a more innovative, inclusive, and sustainable economy. This is in line with our institution's commitment to Environmental, Social and Governance (ESG) principles, which promote responsible financing by considering the environmental and social impacts of financed activities. In this respect, KCGF aims to ensure that supported investments are implemented in an environmentally and socially responsible manner, through identification, assessment and, where necessary, mitigation of potential risks and adverse impacts. At the same time, the KCGF promotes financial inclusion and economic empowerment of underserved and marginalized groups, thereby contributing to more equitable and sustainable development.

CREDIT RISK MANAGEMENT

THE ROLE AND IMPORTANCE OF RISK MANAGEMENT IN THE KCGF

Risk management represents one of the main pillars of the functioning of the KCGF. As an institution that mediates the relationship between financial institutions and MSMEs, the KCGF is exposed to a wide range of risks that could affect its financial sustainability, institutional reputation, and its ability to fulfill its mission of improving access to finance for businesses in Kosovo.

KCGF is committed to having a proactive and structured approach to risk management, in accordance with its internal policies and procedures. This approach enables effective identification, assessment, monitoring and management of risks, ensuring that the level of risk exposure remains aligned with the institution's strategic objectives and activities.

Risk management is embedded across all organizational levels of the KCGF, fostering a culture of risk awareness and accountability in decision-making processes.

KEY RISKS AND RISK MANAGEMENT FRAMEWORK

Due to the nature of the guarantee activities, credit guarantee schemes are exposed to several risks that may affect their financial performance and their ability to achieve their development objectives.

The most common risks associated with guarantee schemes include credit risk, concentration risk, operational risk, liquidity risk, reputational risk, and moral hazard, which may arise when financial institutions or guarantee beneficiaries assume higher levels of risk by relying on the coverage provided by the guarantee.

As a guarantee institution, KCGF is exposed to these risks and manages them through an integrated risk management framework designed to safeguard the institution's financial sustainability and support the fulfillment of its mandate. The risk management framework is based on the principles of early risk identification, objective assessment, continuous monitoring, transparent reporting and implementation of appropriate risk mitigation measures.

Risk management governance in KCGF is structured to ensure clear responsibilities and effective oversight at all organizational levels. The Board of Directors is responsible for the overall oversight of the institution's risk profile and for approving key risk management policies. The Risk Committee, Managing Director and Risk Management unit are responsible for ensuring the implementation of these policies, the continuous monitoring of exposures and timely resolution of risk-related matters.

The Risk Management unit supports the identification, measurement, monitoring and reporting of risks at the institutional level. Beyond these formal structures and responsibilities, KCGF promotes a risk management culture across all levels of the organization, encouraging each employee to understand their role and responsibility in identifying, reporting and managing risks related to daily activities.

Risk management at the KCGF is by a consolidated system of internal policies, procedures and methodologies that regulate risk assessment, monitoring and reporting processes. These documents provide a standardized approach to risk management and clearly define roles, responsibilities, and control mechanisms throughout the institution.

Through regular monitoring and reporting processes, KGCF continuously assesses its risk profile, identifies changes in the internal and external operating environment, and takes preventive or corrective measures when necessary. This approach enables an early response to identified risks and contributes to maintaining the institution's financial and operational stability.

CREDIT RISK OF GUARANTEES

The main risk of the KCGF stems from its role and activity in providing partial loan guarantees to MSMEs through Registered Financial Institutions (RFIs). Since RFIs are responsible for credit assessment, decision-making, and loan management, KCGF's ability to directly control credit risk is limited. To address these challenges, KCGF has optimized its risk management processes and developed a proactive portfolio-level approach to risk management. Credit risk exposure is managed through a range of control mechanisms, including careful assessment of guarantee applications, analysis of the characteristics of the guaranteed loan portfolio, evaluation of RFI performance, and other appropriate control mechanisms.

The credit risk management framework consists of a well-structured monitoring mechanism, which includes a monitoring cycle beginning with the analysis and monitoring of external macroeconomic factors, financial sector factors and tracking and monitoring of internal risk indicators defined by the KCGF. The risk management framework is supported by detailed and transparent reports from the KCGF's management information and reporting systems.

COMPREHENSIVE CREDIT RISK MANAGEMENT PROCESSES

KCGF has implemented comprehensive credit risk management processes aimed at timely identification, proper assessment and effective mitigation of potential risks within the guarantee portfolio. These processes include:

1. Policies and procedures	The risk management policy framework is continuously reviewed and updated, incorporating advanced practices for portfolio diversification, limitation of risk concentration, and effective exposure monitoring.
2. Governance and Risk Management Framework	The risk governance framework ensures effective oversight through the role of the Board of Directors, the Risk Management Committee, and the Risk Management function, ensuring that risks are identified, monitored and managed in accordance with the KCGF's policies, risk appetite and strategic objectives.
3. Risk Identification and Assessment	Periodic portfolio assessments are conducted using Key Risk Indicators (KRI) and Early Warning Indicators (EWI), aiming at proactive identification, measurement and analysis of potential risks.
4. Monitoring and Control	Continuous portfolio monitoring is carried out through monthly risk reports, trend analyses, sector assessments and annual RFI assessments. This enables the timely identification of changes in portfolio performance and the implementation of preventive measures.
5.Calculation of Provisions	Provisions for potential losses are calculated in accordance with internal provisioning policies and international financial reporting standards, prudently reflecting the risk level of the portfolio and ensuring adequate coverage against potential losses.

KCGF has implemented structured measures to ensure adequate risk distribution at several levels:

• **Guarantee structure:** Guarantee coverage limits of up to 50% are applied for MSME clients, while higher coverage levels of up to 80% are offered under strategic windows, higher for certain sensitive segments of the economy, balancing development support with risk control.

• **Re-guarantee scheme:** Re-guarantee lines are used as an instrument for risk redistribution, contributing to strengthening the overall sustainability of the guarantee portfolio.

• **Leverage:** KCGF has continued to manage its guarantee potential through the application of the approved leverage factors for each guarantee window. This has enabled a more prudent capital utilization while maintaining a prudent level of risk exposure and ensuring sufficient capacity to absorb potential losses. The high level of capitalization and controlled leverage represent key elements of the KCGF's financial sustainability, strengthening the institution's ability to withstand potential losses and enhancing stakeholder confidence. The management of capital needs remains an essential component of the risk management framework, supporting the institution's long-term capacity to fulfill its mandate.

• **Loss cap at Window level:** As part of portfolio-level risk management, KCGF applies predetermined loss caps, for certain guarantee windows. This mechanism establishes a maximum threshold for acceptable losses, ensuring direct control over total exposure and safeguarding the institution's financial stability, particularly in higher risk segments.

• **Exposure diversification:** KCGF establishes internal limits and controls to prevent excessive risk concentrations through:

- Setting exposure limits at the level of Registered Financial Institutions, both for total exposure and for each institution individually;

- Setting guarantee limits at the level of MSMEs and their related parties;

- Applying restrictions to avoid high concentrations in a single industry; and
- Using a range of measures and control mechanisms to identify, monitor and limit concentration risk, with the aim of maintaining a balanced and diversified portfolio.

The KGCF has also continued its commitment to advancing the digitalization of key processes and functions. This has contributed to increasing institutional transparency, improving operational efficiency, and strengthening capacities for proactive identification and real-time management of risks.

PORTFOLIO QUALITY

The Kosovo Credit Guarantee Fund has continued to systematically monitor the quality of its credit guarantee portfolio, ensuring a sustainable level of support for partner financial institutions, while maintaining stable risk exposure.

Data as of the end of December 2025 show that the credit delinquency rate remained at low and manageable levels, decreasing from 1.35% in December 2024 to 1.21% in December 2025.

The share of non-performing loans (NPLs) also recorded a significant improvement, declining from 2.19% in December 2024 to 1.39% in December 2025, reflecting effective risk management by the KCGF. At the same time, these results were supported by sound lending policies and prudent risk management practices implemented by partner financial institutions, which contributed to maintaining the quality of the guarantee portfolio.

The reported level of NPLs was also partially affected by the removal from the guarantee portfolio of non-performing loans with a guaranteed value of approximately EUR 692 thousand, for which the deadline for submitting a payment request under the terms of the Guarantee Agreement had expired.

This positive trend demonstrates the effectiveness of the credit assessment processes and risk management practices implemented by KCGF. Meanwhile, the cumulative percentage of payment requests to total outstanding debt increased slightly, from 2.43% in December 2024 to 2.63% in December 2025. Despite this increase, the level of this indicator remains manageable and reflects a prudent approach to managing and controlling financial exposure.

The following table presents portfolio quality trends 2025

Quality indicators	December 2024	December 2025	Difference
Delinquency rate	1.35%	1.21%	-0.14 pp
NPL*	2.19%	1.39%	-0.80 pp
Payment request	2.43%	2.63%	-0.20 pp

* The decrease in the NPL ratio was also partially influenced by the removal of non-performing loans from the guarantee portfolio, for which the deadline for submitting a claim, as provided under the Guarantee Agreement, had expired.

In line with the objective of maintaining a balanced and sustainable portfolio, KCGF has continued to implement its credit guarantee portfolio diversification strategy. Portfolio diversification remains one of KCGF's main mechanisms for managing risk at the portfolio level. KCGF continuously assesses the structure of the portfolio by loan size, economic sector, geographic region, partner financial institution and individual exposures.

The portfolio is characterized by an average guaranteed loan amount of EUR 50,102. The distribution by loan size shows that 26.31% of loans are concentrated in the 50,000-100,000 segments, while the remainder is diversified across other categories. This reflects a broad client base and a satisfactory level of risk diversification.

Large exposures are monitored separately to ensure that no single client, group of connected clients, or economic sector gives rise to an undue concentration of credit risk within the guaranteed portfolio. At year-end, large exposures represented 12% of the total guaranteed portfolio, while the largest individual exposure amounted to 1.07% of KCGF's capital. These metrics, jointly with a Gini coefficient of 0.59, indicate a satisfactory degree of portfolio diversification. The resulting dispersion of exposures across counterparties and sectors mitigates concentration risk, enhances the portfolio's overall risk profile, and supports its long-term resilience and sustainability. Overall, the portfolio quality indicators confirm KGCF's prudent approach to risk management, as well as the effectiveness of internal policies aimed at maintaining portfolio quality, minimizing potential losses, and supporting the Fund's mission to increase access to finance for MSMEs.

SECTORS WITH THE HIGHER NPL RATIO

The analysis of non-performing loans (NPLs) by economic sector shows differences in the level of exposure to credit risk across sectors of the economy. The data indicate that the construction sector recorded the highest NPL ratio, at 3.05%, followed by the manufacturing sector, at 2.19%, reflecting a relatively higher level of risk in these sectors compared to others. By contrast, the agriculture, forestry and fishing sectors recorded a moderate NPL ratio of 1.66%, while the wholesale and retail trade sector stood at 1.01% and the services sector at 0.80%. Although at a higher NPL ratio, the construction sector continued to play an important role in Kosovo's economic activity. However, this sector is characterized by a higher credit risk profile compared to other economic sectors. This performance is linked to the structural challenges faced by the sector, including rising construction and material costs, shortages of skilled labor, dependence on imports, and sensitivity to economic fluctuations.

The following table presents NPL ratio by sector, 2025

Sector	NPL ratio, December 2025	Portfolio share
Wholesale and retail trade	**1.01 %**	**39.61%**
Construction	**3.05 %**	**6.54 %**
Production	**2.19 %**	**20.85 %**
Agriculture, Forestry and Fisheries	**1.66 %**	**8.15 %**
Services	**0.80 %**	**24.85 %**
Total	**1.39 %**	**100 %**

Continuous monitoring of the sector performance quality and exposure concentration remains an important risk management objective, aimed at the timely identification of potential risks and preservation of the stability of the guaranteed portfolio.

EXPECTED LOSS RESERVES (PROVISIONS)

During the reporting year, total provisions for expected credit losses (ECL) reached 4.4 million EUR, representing a coverage of 2.48% against the total guaranteed balance of 179.5 million EUR. The provisioning profile indicates that the vast majority of the guarantee portfolio remains classified in Stage 1, representing 96.35% of the total portfolio, with a provision coverage ratio of 1.28%. This distribution reflects the overall sound credit quality and low-risk profile of the portfolio. In contrast, Stage 2 and Stage 3 exposures, which are associated with a higher degree of credit risk and credit deterioration, are subject to significantly higher provision coverage ratios of 21.79% and 53.97%, respectively. These coverage levels demonstrate a prudent and risk-sensitive provisioning approach.

The following table presents the provisioning reserves for the guarantee portfolio.

Guarantee Portfolio	Guaranteed balance	ECL Amount	ECL Coverage	Share
Stage 1	172,925,354	2,212,971	1.28%	96.35%
Stage 2	4,054,885	883,404	21.79%	2.26%
Stage 3	2,500,060	1,349,320	53.97%	1.39%
Total	**179,480,299**	**4,445,695**	**2.48%**	**100.00%**

In addition to the credit guarantee portfolio, KCGF has also established provisioning reserves for other financial assets, including deposits with partner financial institutions and investments in securities of the Government of the Republic of Kosovo. The application of the expected credit loss (ECL) model enables a more comprehensive and risk-based assessment of asset quality, strengthening the Fund's prudent approach to financial management.

Overall, the level of provisions reflects adequate coverage of credit risk and confirms KCGF's prudent approach to managing expected losses, contributing to the financial stability and sustainability of the guarantee portfolio. This model also supports strategic decision-making processes, serving as an important component in determining risk-based guarantee fees and ensuring a consistent approach to portfolio management.

The following table presents the provisioning reserves for other assets.

Other assets	Investments	ECL Amount	Provision ratio
Stage 1	113,869,455	366,857	0.35%
Total	**113,869,455**	**366,857**	**0.35%**

OPERATIONAL RISK

Operational risk at the KCGF includes risks arising from internal processes, information technology systems, human factors, and external events that may affect the achievement of institutional objectives.

For effective management of operational risk, the KCGF has implemented a structured framework that includes an efficient governance structure, internal policies and procedures aimed at improving identification and monitoring of operational risks. The KCGF has also continued with the Risk Control and Self-Assessment process, with the aim of identifying, analyzing and prioritizing risks, as well as supporting appropriate decision-making for the implementation of risk mitigation strategies.

This framework also includes the operational loss database, which serves to record and analyze information related to operational risk events. In addition, the new risk approval process functions as a mechanism for assessing and approving new or significantly changed business processes, products or instruments before their implementation, with the aim of preventing and reducing potential risks.

Particular importance is also given to the development of professional capacities through regular staff training in the areas of risk management, internal control and compliance, with the aim of increasing institutional awareness of operational risks. This approach contributes to strengthening operational resilience and preserving the integrity of the Fund's processes.

LIQUIDITY RISK

Liquidity risk management has a key priority for KCGF, with the aim of ensuring the sufficient availability of financial resources for the timely fulfillment of obligations arising from the guarantee activities and the institution's operations. The KCGF applies a prudent approach to liquidity risk management, based on continuous cash flow planning and monitoring, periodic projections of fund inflows and outflows, and the assessment of future financing needs.

The management of financial assets is also based on maintaining adequate reserves and investing available funds in low-risk instruments, while ensuring diversification across financial institutions, investment instruments, and maturities. The investment structure is designed to balance the security, availability of funds, and reasonable return on investment. To monitor the liquidity profile, the KCGF uses internal indicators, monitors the level of liquid assets in relation to potential liabilities arising from the guarantee portfolio and conducts periodic assessments of their adequacy.

During the reporting period, KCGF has maintained a stable financial position, ensuring sufficient coverage of current and potential liabilities, as well as strong capacity to fulfill guarantee payment requests in a timely manner.

The high level of capitalization, combined with adequate liquidity reserves and controlled leverage, contributes to strengthening the institution's capacity to absorb potential losses and maintain long-term financial sustainability.

REPUTATIONAL RISK

Maintaining institutional reputation is one of KCGF's main priorities, as the institution's credibility forms the basis for cooperation with partner financial institutions, donors, public authorities and other stakeholders. As an institution with an important role in the development of the financial sector, KCGF's reputation directly affects its ability to fulfill its mission and achieve its strategic objectives.

In this context, KCGF adheres to robust standards of corporate governance, professional conduct, and internal control, fostering transparency, accountability, and integrity across all areas of its operations. The institution maintains clear, consistent, and effective communication with stakeholders, ensures the accuracy and timeliness of financial and institutional reporting, and maintains full compliance with applicable legal and regulatory requirements. These practices underpin KCGF's commitment to safeguarding institutional trust, strengthening accountability, and maintaining its credibility as a sound and responsible financial institution.

Through continuous monitoring of factors that may affect its reputation, the publication of relevant information and the strengthening of cooperation with partners, the KCGF aims to preserve and further strengthen its position as a reliable, transparent and professional institution supporting the development of the financial sector and MSMEs in Kosovo.

EXTERNAL ENVIRONMENT: KEY DEVELOPMENTS AND CHALLENGES

During 2025, Kosovo's economy continued to operate in an environment characterized by ongoing economic and geopolitical uncertainty at the international level. Although economic activity remained relatively stable, developments in global markets continued to affect the economic outlook and the level of risk faced by the financial sector. Inflationary pressures, fluctuations in energy and commodity prices, weaker demand in key European markets, and geopolitical tensions in various regions of the world remain factors with potential implications for economic and investment activity.

According to assessments by international institutions and the Central Bank of Kosovo, Kosovo's economy continued to expand in 2025, albeit at a more moderate pace than in previous periods. Inflationary pressures re-emerged during the year, driven primarily by higher food, energy, and services prices, thereby exerting pressure on the purchasing power of both households and businesses. At the same time, heightened uncertainty surrounding economic developments in the European Union continued to pose a potential downside risk to Kosovo's economic outlook, given the country's significant exposure to the EU through remittances, foreign direct investment, and international trade.

Despite these challenges, Kosovo's financial sector demonstrated a high level of resilience and stability. The banking system maintained satisfactory levels of capitalization, liquidity and credit portfolio quality, while continuing to support economic activity through lending to the private sector. However, increased competition for deposits, the expansion of lending activity, and changes in interest rates require continuous monitoring of financial and liquidity risks.

In this context, KCGF continued to strengthen its capacities for identifying, assessing and monitoring risks arising from the external environment. Through regular market analysis, monitoring of macroeconomic indicators and development of analytical tools for assessing portfolio performance, the KCGF supported the decision-making process with risk-based information and enabled a more proactive response to potentially adverse developments.

This approach contributed to maintaining the Fund's financial stability, strengthening the sustainability of the guaranteed portfolio, and continuously supporting access to finance for micro, small and medium-sized enterprises in Kosovo.

CLAIMS AND RECOVERIES OF NON-PERFORMING LOANS

MANAGEMENT OF CLAIMS AND RECOVERIES FOR NON-PERFORMING LOANS

During 2025, KCGF continued to improve its operational procedures for managing payment claims and recovering guaranteed loans, with the aim of increasing efficiency, transparency and consistency in the administration of these processes.

Through the standardization of procedures, strengthening of internal mechanisms, use of digital systems and close cooperation with Registered Financial Institutions (RFIs), the KCGF significantly improved the quality and speed of processing payment claims and recovering funds. At the same time, these measures strengthened the credibility of the credit guarantee scheme and supported the sound management of the guaranteed portfolio.

PERFORMANCE OF CLAIMS AND RECOVERIES DURING 2025

During 2025, KCGF paid 107 payment claims with a total value of EUR 1.41 million. The level of payments remained below the annual forecast of EUR 2.2 million, for which the institution had secured the necessary financial capacity, reflecting a more favorable performance of the guaranteed portfolio than initially projected.

An analysis of payment claims by economic sector shows that the trade sector accounted for 29.44% of paid claims, while representing 39.6% of guaranteed loans in the guaranteed portfolio. Similarly, the manufacturing sector accounted for 19.65% of payment claims, compared to a 20% share of the guaranteed portfolio.

The construction sector accounted for 15.86% of payment claims, despite representing only 6% of guaranteed loans, suggesting a higher level of exposure to credit risk compared to other sectors. The agricultural sector accounted for 14.68% of payment claims, while representing only 8% of the guaranteed portfolio.

The remaining 17.88% of payment claims are distributed across various economic sectors. In terms of regional distribution, payment claims are concentrated primarily in the Prishtina region, which accounted for 20.98%, followed by Ferizaj with 17.77%, Peja with 13.45% and Fushë Kosova with 13.41%. The remaining payment claims were distributed across other regions of the country.

During the year, five payment claims were rejected, three due to exceeding the percentage of prepayment stipulated in the Guarantee Agreement, and two due to an ineligible classification in the Credit Registry of Kosovo (CRK). The low number of rejected claims indicates a high level of compliance by partner financial institutions with the requirements of the guarantee scheme.

With regard to recoveries, a total of EUR 317,197.77 recovered during 2025. The construction sector accounted for the largest share, at 38.32%, demonstrating the strongest performance in recovery of funds following guarantee payments. The trade sector contributed 17.85%, manufacturing 15.77% and agriculture 10.18%, while the remaining recoveries were generated across various other economic sectors.

The regional distribution shows that recoveries were most concentrated in Suhareka, which accounted for 36.66% of the total, followed by Prishtina with 20.93%, Prizren with 8.59%, Ferizaj with 6.75%, Peja with 3.39% and Fushë Kosova with 1.30%. The remaining recoveries were generated in other municipalities in the country.

Overall, the results for 2025 indicate that the level of payment claims remained below projections, while the recovery process continued to generate significant returns. The analysis by sector and region provides a clearer overview of their distribution:

The table below presents a sectoral analysis

ANALYSIS BY SECTORS		
Sector	**Claims %**	**Recoveries %**
Trade	29.44%	17.85%
Construction	15.86%	38.32%
Production	19.65%	15.77%
Agriculture	14.68%	10.18%
Others	20.23%	17.88%

The table below presents an analysis by municipality

ANALYSIS BY MUNICIPALITY		
Municipality	**Claims %**	**Recoveries %**
Prishtina	20.98%	20.93%
Ferizaj	17.77%	6.75%
Peja	13.45%	3.39%
Fushë Kosova	13.41%	1.30%
Suhareka	2.82%	36.66%
Prizren	3.13%	8.59%
Others	28.44%	22.28%

The breakdown by sector and region facilitates a clearer comparison between paid claims and recoveries, as it shows not only where losses are occurring, but also where funds are being recovered more effectively following the payment of guarantees. Since the guarantee scheme began operating, KCGF has paid a total of EUR 4,716,278, across 353 payment claims. All payment claims were processed in full compliance with the guarantee agreements and KCGF's internal policies, ensuring transparency and integrity throughout the entire process.

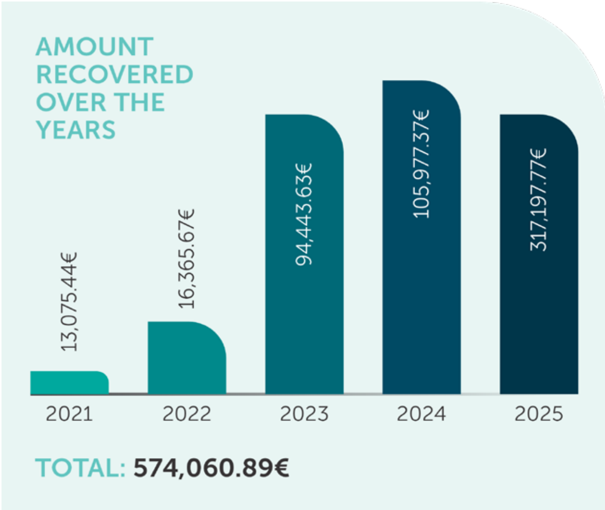
The table below presents the value of claims paid

Year	No.	Value of paid claims (EUR)
2019	4	82,351.06€
2020	16	228,895.10€
2021	20	223,304.13€
2022	44	572,603.54€
2023	60	851,873.00€
2024	102	1,345,012.55€
2025	107	1,412,239.00€
Total	**353**	**4,716,278.38€**

In parallel with the management of payment claims, the KCGF continued to improve the recovery process, with a particular focus on monitoring paid cases and coordinating with the Registered Financial Institutions.

As a result of these efforts, EUR 317,198 was recovered during 2025, representing the highest annual level of recoveries achieved to date. This brought the total amount recovered since the start of the recovery process to EUR 547,060.

The chart below presents the amount recovered over the years



In addition to improving recovery performance, KCGF continued to strengthen its mechanisms for monitoring paid cases through field visits. Alongside ongoing communication and coordination with the RFIs, monitoring activities were carried out with clients for whom the KCGF has executed claim payments.

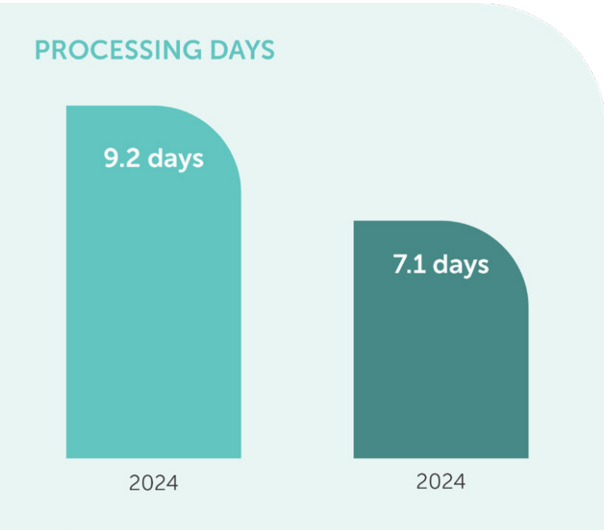
These activities served to assess the situation of clients following the payment of claims, identify additional recovery opportunities, and ensure more comprehensive information for the management of cases by partner financial institutions. This engagement contributed to strengthening the oversight of the paid-claims portfolio, enhancing transparency and improving the effectiveness of the recovery process.

These results demonstrate the KGCF's commitment to effective management of risk following claim payments, balancing the fulfillment of its obligations to financial institutions with efforts to recover funds and preserve the sustainability of the guarantee scheme.

EFFICIENCY IN PROCESSING PAYMENT CLAIMS

In addition to strengthening monitoring and recovery processes, the KCGF continued to improve the processing time for payment claims during 2025. As result of optimized internal processes and more effective use of digital systems, the average claim processing time decreased from 9.2 days in 2024 to 7.1 days in 2025. This improvement enabled a faster response to payment claims submitted by Registered Financial Institutions (RFIs) and contributed to enhancing the quality of services provided by the KCGF.

The chart below presents processing days.



Processing time refers to the period required to review and finalize a payment claim, starting from the date on which the financial institution completes the documentation and ending with the execution of payment.

This period covers all stages of the process, including the analysis of the claim, the review of supporting documentation, obtaining a legal opinion, decision-making in accordance with internal procedures, and execution of payment by the Finance Department. This indicator reflects the efficiency of the payment claim handling process and the level of coordination among the institution's relevant units.

The year 2025 marked significant progress in the management of payment claims and recoveries, reflecting the KCGF's continued commitment to improving processes, reducing payment claim processing times, and prudently managing the guaranteed portfolio. The increase in the value of claims paid the high level of recoveries and the advancement of monitoring mechanisms demonstrate the consolidation of institutional capacities and the effectiveness of the measures undertaken. These achievements have further strengthened financial partners' confidence in the guarantee scheme, enhanced KCGF's credibility as a strategic partner, and contributed to the stability, sustainability and further development of the financial sector in the Republic of Kosovo.

FINANCE, TREASURY AND ADMINISTRATION

A YEAR OF SUSTAINABLE GROWTH AND OPTIMIZED FINANCIAL PERFORMANCE

The year 2025 marked the continued growth and development of the Kosovo Credit Guarantee Fund (KCGF). The Fund's performance during the year reflected balanced revenue growth, prudent risk management, and sustained expenditure discipline, further strengthening its institutional resilience and guarantee capacity.

The expansion of the guarantee portfolio, optimization of the investment portfolio, and enhanced operational efficiency contributed to a strong financial performance. As a result, 65% of total revenues were retained as annual surplus, further strengthening KCGF's capital base and enhancing its capacity to expand financial support for enterprises across Kosovo. This performance demonstrates KCGF's commitment to maintaining long-term financial sustainability while reinforcing its role in facilitating access to finance and supporting private sector development.

FINANCIAL PERFORMANCE AND STRUCTURE OF INCOMES

During 2025, the Kosovo Credit Guarantee Fund (KCGF) generated EUR 6 million in total revenue. The Fund maintained a diversified and sustainable revenue structure, supported by a balanced contribution from both guarantee operations and investment activities. Revenue from guarantee fees accounted for approximately 41% of total revenue, representing a 15% year-on-year increase, driven by the continued expansion of the guaranteed loan portfolio.

Investment interest income represented 52% of total revenue, remaining the Fund's primary source of income during 2025. This growth was driven by a larger investment portfolio, coupled with moderately higher market interest rates.

Additional revenue was generated through recoveries from partner financial institutions and re-guarantors, which accounted for 6% of total revenue. This reflects continued improvements in recovery processes and the effective management of existing exposures. Total expenditure represented 35% of total revenue, demonstrating effective cost control despite the continued expansion of the Fund's operations.

In terms of expenditure structure, provision expenses accounted for 24% of total revenue, increasing by 46% compared to the previous year, in line with the growth of the guarantee portfolio and the associated risk exposure. Personnel expenses increased following the recruitment of additional specialized and managerial staff to support the Fund's expanding operations. Nevertheless, these costs remained proportionate to the Fund's overall revenue, representing approximately 6% of total revenue, reflecting a balanced and sustainable cost structure.

Operating expenses (OPEX) increased in absolute terms because of the KCGF's expanded activities. However, they remained stable relative to total revenue at approximately 4%, demonstrating continued operational efficiency and disciplined resource management.

CAPITAL STRUCTURE

Maintaining a strong capital base remains a key priority for strengthening KCGF's guarantee capacity and ensuring stability within the financial market. KCGF implements a prudent strategy for the management and utilization of its capital, based on the assessment of risks within the financial sector, with the objective of ensuring that its capital remains sufficient to support core activities and absorb potential losses.

The institution's financial structure reflects this approach, with approximately 95% of total equity and liabilities consisting of contributed capital and accumulated retained earnings over the years. This structure demonstrates a sound financial position and provides substantial capacity to withstand potential risks and losses. The remaining portion consists of liabilities, with guarantee loss provisions representing the main component.

Considering the nature of guarantee operations, the assessment of the institution's capitalization also incorporates off-balance-sheet exposures, represented by active guarantees. As of 31 December 2025, the active guarantee portfolio reached EUR 179.5 million, while total capital amounted to EUR 109.2 million. This represents an active guarantees-to-capital ratio of 1.64, reflecting a prudent level of financial leverage and an adequate capital capacity to cover the undertaken exposures.

This high level of capitalization enhances the institution's ability to absorb unexpected losses, supports financial sustainability, and contributes to the achievement of strategic objectives in a sustainable and long-term manner.

The following table presents developments in capital structure over the years

	Government of Kosovo	USAID	KFW	Accumulated Profit	Total
Capital 2016	2,000,000 €	5,345,141 €	-	(3,149) €	7,341,992 €
Capital 2017	1,000,000 €	445,780 €	7,000,000 €	179,017 €	8,624,797 €
Capital 2018	-	-	-	320,012 €	320,012 €
Capital 2019	-	-	-	484,334 €	484,334 €
Capital 2020	21,410,000 €	-	11,500,000 €	66,312 €	32,976,312 €
Capital 2021	-	-	5,600,000 €	(430,202) €	5,169,798 €
Capital 2022	-	-	-	2,818,066 €	2,818,066 €
Capital 2023	22,631,590 €	-	-	926,061 €	23,557,651 €
Capital 2024	20,368,410 €	-	-	3,177,602 €	23,546,012 €
Capital 2025	-	-	258,295 €	4,137,330 €	4,395,625 €
Total	67,410,000 €	5,790,921 €	24,358,295 €	11,675,383 €	109,234,599 €
%	62%	5%	22%	11%	100%

CAPITAL CONTRIBUTIONS AND FUNDS

KCGF does not distribute dividends. All generated surpluses are re-capitalized, thereby increasing the KCGF capital base and strengthening the institution's capacity to provide additional credit guarantees in the future.

This report serves as a reflection of KCGF's commitment to strengthening the financial infrastructure and expanding access to finance for businesses in Kosovo, while highlighting the essential role of continued support from the Government of the Republic of Kosovo and international development partners.

KCGF's capital base primarily consists of financial contributions from the Government of the Republic of Kosovo and international partners. The Government of the Republic of Kosovo remains the largest contributor, accounting for 62% of KCGF's total capital. KfW Development Bank, as the second-largest contributor, has provided 22% of the capital, while USAID has contributed 5% of total capital.

The remaining 11% consists of accumulated retained earnings generated over the years, reflecting a consistent trend of progressive profit growth and the continued strengthening of the institution's capital base.

STRUCTURE OF THE ASSETS AND LIQUIDITY MANAGEMENT

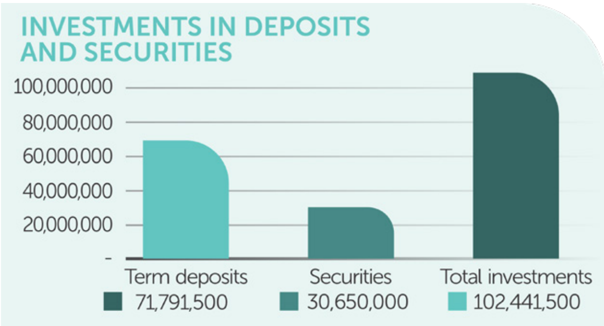
KCGF's asset structure is predominantly composed of investments in term deposits and Government of Republic of Kosovo securities. During 2025, total assets increased by 4%, reaching EUR 115 million. This growth reflects the continued expansion of the Fund's operations, increased investment activity, and the further strengthening of its financial position. In accordance with its legal mandate, KCGF invests a portion of its capital with partner financial institutions, generating interest income to support its operating expenses. Investment income is recognized in the Statement of Profit or Loss, while any annual surplus is retained within KCGF's capital base or reinvested to further strengthen the institution's financial capacity.

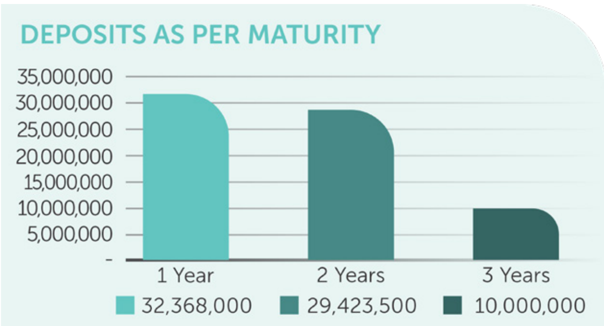
This investment approach reflects the mutual trust established between KCGF and its partner financial institutions, which are entrusted with managing the Fund's invested resources. At the same time, KCGF's investment strategy contributes to enhancing liquidity in Kosovo's financial sector and supports the expansion of lending activities by partner financial institutions. By maintaining a prudent balance between capital preservation and investment returns, KCGF seeks to optimize investment performance while safeguarding the institution's overall financial stability.

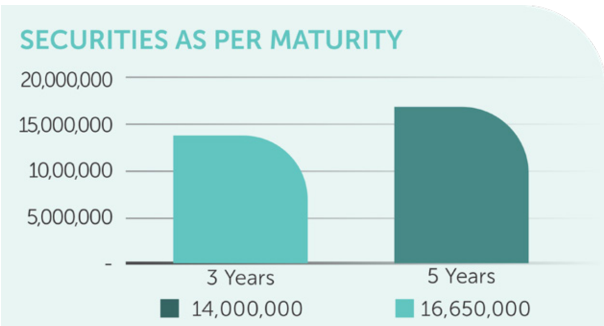
Throughout 2025, KCGF continued to implement a conservative investment strategy focused on capital preservation, sustainable returns, and maintaining an adequate level of liquidity. The KCGF's term deposit portfolio increased by 4.2%, reaching EUR 71 million. These investments, with maturities of one, two, and three years, were placed with partner financial institutions, reflecting the long-standing and trusted partnerships developed over the years.

Similarly, KCGF's portfolio of the Government of Republic of Kosovo securities increased by 4.5%, reaching EUR 30 million. The investments were made in three-year and five-year government securities, further diversifying the Fund's investment portfolio while maintaining a conservative risk profile. As part of its ongoing investment optimization strategy, cash and bank balances decreased by 8% as funds were reallocated to interest-bearing financial instruments. This reallocation enhanced returns on capital while maintaining sufficient liquidity to meet the Fund's operational and strategic requirements.

The following charts present: Investment in deposits and securities; Deposits as per maturity; Securities as per maturity







FINANCIAL MANAGEMENT AND CONTROL

During 2025, the Kosovo Credit Guarantee Fund (KCGF) continued to implement enhanced financial management and internal control processes developed in previous years, maintaining a strong focus on transparency, integrity, and institutional efficiency. Within this framework, the Financial Management Policy was updated to further strengthen the institution's financial governance framework and ensure its continued alignment with KCGF's operational requirements and evolving institutional needs.

To ensure an effective and efficient internal control system, KCGF continued to apply the following key principles:

Clear segregation of duties and responsibilities – ensuring the prevention of conflicts of interest and guaranteeing that no individual or organizational unit has full control over all aspects of a transaction.

Process documentation and standardization – ensuring consistency, transparency, and facilitating effective auditability and verification of implemented actions.

Regular oversight and reporting – through internal and external audits, as well as systematic monitoring and reporting of performance indicators and compliance with applicable financial and regulatory requirements.

Risk analysis and corrective measures – through proactive identification of financial and operational risks and the timely implementation of appropriate mitigation measures.

Periodic review of policies and procedures – ensuring continued alignment with legal requirements, international best practices, and institutional developments.

These measures have contributed not only to maintaining KCGF's financial sustainability — with the Fund closing 2025 with a net profit of EUR 4.1 million — but also to strengthening the confidence of strategic partners and financial institutions.

Through these continued efforts, KCGF has further reinforced its role as a credible and sustainable instrument for economic development and for supporting small and medium-sized enterprises in Kosovo.

INVESTMENT IN HUMAN RESOURCES

Investment in human resources remains one of the key pillars of KCGF's institutional development, reflecting the Fund's continued commitment to strengthening staff professional capacities and enhancing institutional performance. Through targeted training programmes, professional certifications, and participation in local and international professional activities, KCGF aims to maintain a highly qualified and capable team equipped to effectively deliver on the institution's strategic objectives.

Throughout the year, important initiatives were undertaken to enhance staff expertise in areas of strategic importance to the institution. KCGF representatives participated in the Annual Meeting of the European Association of Guarantee Institutions (AECM), as well as in the operational training session organized by the association, benefiting from knowledge exchange and exposure to European best practices in the field of credit guarantee schemes.

Specialized training programmes were delivered in Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), with the objective of strengthening staff knowledge and professional capabilities in this critical area.

Furthermore, the certification programme in Digital Marketing Strategy provided by Harvard Business School Online was successfully completed, contributing to the enhancement of institutional expertise in digital communication and marketing practices.

In addition, KCGF representatives participated in professional conferences focused on human resource management and digital accounting, supporting continuous knowledge development and the exchange of best practices. The institution also organized a team-building workshop aimed at strengthening internal collaboration, communication, and team cohesion, as well as professional training in project management to enhance internal operational capabilities.

These activities reflect KCGF's ongoing commitment to strengthening professional capacities and developing its human capital. The total investment in staff training and professional development during 2025 amounted to approximately EUR 33 thousand, demonstrating the Fund's continued commitment to raising professional standards, enhancing institutional capabilities, and improving overall performance.

STRENGTHENING HUMAN CAPITAL IN SUPPORT OF INSTITUTIONAL GROWTH

During 2025, the Kosovo Credit Guarantee Fund (KCGF) continued to place human capital development at the core of its institutional strategy, recognizing its workforce as a critical driver of sustainable growth and effective management of the Fund's expanding operations. In line with the growth of the guarantee portfolio and the increasing complexity of guarantee activities, five (5) new professionals were recruited during 2025 to fill senior and specialized positions. The integration of new employees was supported through structured orientation and initial onboarding programmes, ensuring their effective transition into their respective roles and alignment with KCGF's institutional objectives.

GENDER EQUALITY AT KCGF

KCGF remains committed to promoting gender equality and fostering an inclusive working environment based on respect, diversity, and equal opportunities for all employees. During the reporting year, KCGF had a total of 17 staff members, of whom 13 (76%) were women and 4 (24%) were men. This gender composition reflects the institution's continued commitment to advancing women's representation and empowerment, while fostering an organizational culture grounded in meritocracy, inclusion, and equal opportunity.

LEGAL, REGULATORY AND COMPLIANCE FRAMEWORK

The Kosovo Credit Guarantee Fund is an independent legal entity established by law. KCGF operates outside the structures of the Government of Kosovo and the Kosovo Civil Service, thereby ensuring institutional independence and efficiency in decision-making. In carrying out its mandate, KCGF enjoys full operational and administrative autonomy, including the authority to issue bylaws. In this regard, KCGF adopted its Statute, policies, procedures, guidelines, and other internal acts, which constitute its secondary regulatory framework.

KCGF annually reviews its internal secondary legislation to assess the need for amendments or the introduction of new acts that reflect operational developments and support the achievement of its strategic objectives. In 2025, in line with its strategic objectives and the obligations arising from agreements signed with third parties, KCGF implemented a number of important initiatives that contributed to improving internal processes and advancing the achievement of its institutional mandate and objectives.

Key legal and regulatory activities and achievements included the enhancement of the secondary legislative framework, anti-money laundering and counter-terrorist financing monitoring, personal data protection, agreements with donors and third parties, and the development of a legal provisioning methodology. More detailed information on each of these areas is provided below.

STRENGTHENING KCGF'S SECONDARY LEGAL FRAMEWORK

KCGF continued to strengthen and update its secondary legal framework, with a focus on enhancing its regulatory and operational structure. In 2025, the KCGF Statute was revised, and amendments were introduced to seven policies and one procedure, including the Credit Guarantee Risk Policy and Procedure, Human Resources Policy, Procurement Policy, and Environmental and Social Management Policy.

These amendments to the secondary legal framework directly contributed to improving KCGF's efficiency, institutional sustainability, and legal certainty. At the same time, they strengthened the framework for credit and operational risk management, enhanced institutional standards across operational areas, supported the achievement of the institution's strategic objectives, improved internal human resource management processes and procurement rules, and ensured compliance with new environmental and social governance standards.

In addition, amendments to agreements with international financial institutions, KCGF partner institutions, and guarantee agreements with RFIs were negotiated and formalized. These amendments aimed to improve the eligibility criteria and terms governing the use of credit guarantees, particularly under the strategic guarantee windows, including the Women in Business Window, Start-Up Window, Export Window, and GROW Window.

APPROVAL OF NEW GUARANTEE AGREEMENTS, AMENDMENTS TO AGREEMENTS WITH PARTNER INSTITUTIONS, AND OTHER DECISIONS

KCGF is committed to the continuous improvement of the services delivered through its credit guarantee scheme. In this context, amendments were introduced to eligibility criteria and guarantee terms to stimulate the use of guarantee windows and improve access to finance for final beneficiaries. These changes were implemented through amendments to guarantee agreements with RFIs, as well as through the revision and harmonization of agreements with international partner institutions.

To improve the terms and increase the utilization of the GROW Window, KCGF, in coordination with KfW, revised the eligibility criteria for this window and signed new guarantee agreements with RFIs. Under the Start-Up and Women in Business Windows, KCGF signed new guarantee agreements with RFIs reflecting the new, more favorable guarantee conditions aimed at improving access to finance for the target beneficiary groups.

KCGF also expanded its cooperation with micro-finance institutions KEP Trust and Kosovo Rural Credit (KRK) by approving new guarantee agreements under the Standard, Start-Up, and Women in Business Windows, thereby strengthening its network of financial partners and expanding market coverage.

Furthermore, KCGF approved the full registration of PriBank as an RFI and signed the corresponding guarantee agreements, further broadening its institutional partnership base.

To increase the impact of its guarantee schemes and improve financing conditions for borrowers, KCGF approved a new guarantee fee structure, reducing guarantee fees across all guarantee windows. The reduction in guarantee fees was intended to support the provision of loans on more favorable terms and improve access to finance for the final beneficiaries of the credit guarantee scheme.

These achievements and activities not only contributed to the realization of KCGF's strategic objectives, but also strengthened institutional capacities and increased credibility among partners and stakeholders.

The following were some of the significant decisions approved by the Board of Directors in 2025:

- Approval of the Amendment to the Special Agreement for Component 2 of the COVID-19: Green Recovery Project, dated 25 November 2021, signed between KfW, Frankfurt am Main, and KCGF, as well as the amendments to the eligibility criteria under the GROW Window.
- Approval of the Amendment to the Credit Portfolio Guarantee Agreement between KCGF and DFC.
- Approval of the Amendment to the Portfolio Re-Guarantee Agreement No. 14881 between KCGF and Sida.
- Approval of new Guarantee Agreements for the Start-Up and Women in Business Windows with RFIs.
- Approval of the proposal to sign Guarantee Agreements for the Standard, Start-Up, and Women in Business Windows between KCGF and the micro-finance institution KEP Trust.
- Approval of the proposal to sign Guarantee Agreements for the Standard, Start-Up, and Women in Business Windows between KCGF and the micro-finance institution Kosovo Rural Credit (KRK).
- Approval of the new Guarantee Fee Schedule for RFIs.
- Approval of the full registration of PriBank as a participating financial institution in KCGF's credit guarantee scheme.

ADVANCING MONITORING IN ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

KCGF further strengthened its monitoring processes in the field of Anti-Money Laundering and Counter-Terrorist Financing. Although KCGF does not maintain direct relationships with borrowers (the final beneficiaries of credit guarantees), it monitored and verified the processes implemented by RFIs, including their policies and procedures, to ensure compliance with applicable legal and regulatory requirements.

KCGF reviewed the relevant documentation of RFIs and regularly monitored eligible loans according to risk categories and the status of borrowers as politically exposed persons (PEPs). It also conducted annual assessments of RFIs and maintained continuous communication with compliance officers on AML/CFT-related matters, while monitoring compliance with contractual obligations toward donors and international financial institutions.

To further strengthen staff knowledge and awareness, KCGF organized a dedicated AML/CTF training programme for its employees.

IMPLEMENTATION OF THE PERSONAL DATA PROTECTION POLICY

KCGF has a Personal Data Protection Policy in place, ensuring that all documents and personal data are processed, stored, and shared in compliance with applicable laws.

To strengthen data security and compliance with data protection standards, KCGF undertook a range of measures, including continuous monitoring of data storage and information-sharing processes, reporting in accordance with KCGF policies and relevant legislation, and providing advice and guidance to ensure compliance with personal data protection requirements. These measures have helped foster an organizational culture that respects privacy and information security.

These measures contributed to enhancing data security, strengthening the institution's compliance culture, and ensuring alignment with national legal requirements and international protection personal data standards.

MONITORING AND IMPLEMENTATION OF AGREEMENTS WITH DONORS AND THIRD PARTIES

KCGF continued the systematic monitoring of agreements and contracts with donors, financial institutions, and third parties to ensure the effective implementation of contractual obligations.

This process included:

- Assessing partner institutions› compliance with contractual obligations;
- Continuously monitoring the implementation of agreements;
- Organizing regular internal meetings to review implementation progress by responsible units and staff within KCGF; and
- Reporting on the fulfillment of contractual obligations.

These measures enhanced efficiency, transparency, and internal coordination in the monitoring process, while strengthening compliance with contractual commitments and reinforcing partnerships with donors and third parties.

DEVELOPMENT OF A METHODOLOGY FOR LEGAL PROVISIONS FOR EXPECTED LOSSES ARISING FROM LEGAL DISPUTES

KCGF developed and approved a methodology for calculating provisions for expected losses that may arise from potential legal disputes.

The legal provisioning methodology is based on a detailed analysis of the legal and contractual provisions contained in agreements signed with financial institutions, donors, and third parties, as well as on the assessment of cases involving rejected payment claims submitted by RFIs.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

KCGF'S COMMITMENT TO ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Environmental and social responsibility continues to represent one of the key pillars of the institutional mission of KCGF. As an institution supporting private sector financing, KCGF is committed to promoting sustainable finance and minimizing potential environmental and social risks associated with projects supported through credit guarantees.

To further advance sustainability standards, KCGF has continued to strengthen its Environmental and Social Management System (ESMS), based on Environmental, Social, and Corporate Governance (ESG) principles. This system serves as a practical framework for managing risks, identifying opportunities for sustainable financing, and ensuring alignment with donor requirements and international best practices.

During 2025, KCGF continued integrating ESG considerations into its operational processes and decision-making framework, further advancing its institutional approach to environmental and social risk management. In this context, KCGF updated and enhanced its Environmental and Social Management Policy with the objective of strengthening its risk management framework. The revisions included structural improvements to the policy document, the introduction of key definitions, clarification of roles and responsibilities, strengthened monitoring and reporting requirements, incorporation of partner and donor requirements in line with existing agreements, as well as enhanced procedures for grievance management and environmental and social risk categorization.

KCGF's impact in this area is reflected through both indirect impacts, arising from internal institutional operations and practices that contribute to sustainability, and direct impact, generated through the guarantee portfolio and assessed against available environmental and social criteria.

Through this approach, KCGF continues to strengthen its role as a responsible financial institution, contributing to sustainable economic development, the transition towards a green economy, and the promotion of responsible financing practices in Kosovo.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

As a credit guarantee institution, KCGF assesses the risks associated with guaranteed loans, including the evaluation of environmental and social impacts arising from supported operations and the identification of potential risks. Through comprehensive risk assessments, KCGF determines which businesses may be supported and guides them in implementing appropriate mitigation measures to minimize potential negative impacts.

KCGF's Environmental and Social Management System (ESMS) is based on three main pillars:

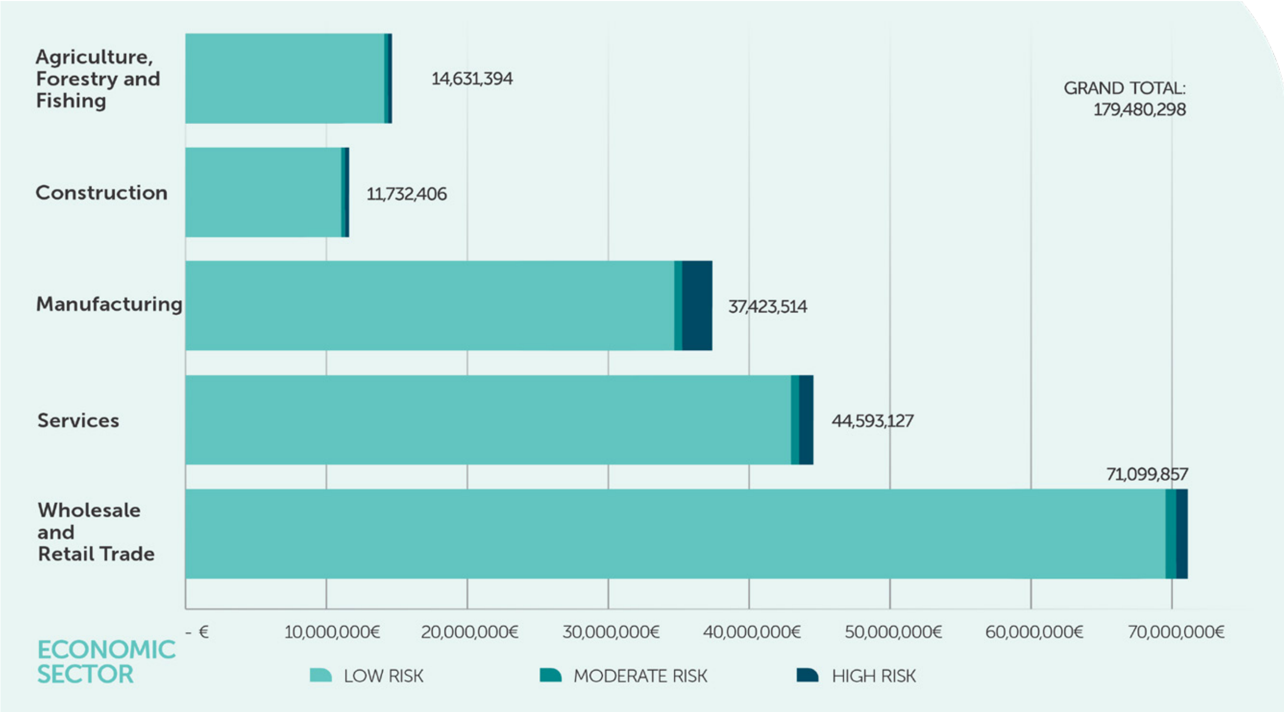
1. Categorization of loans according to their level of environmental and social risk;
2. Implementation of an exclusion list for activities that are not eligible for support; and
3. Appointment of an ESG responsible officer, responsible for overseeing implementation, monitoring, and updating of policy requirements.

Strengthening the implementation of this policy is achieved through the continuous enhancement of these three pillars, ensuring effective monitoring, regular procedural updates, and compliance with established standards. This approach enables progress tracking, identification of areas for improvement, and assurance that supported businesses comply with their environmental and social commitments.

Based on these principles, KCGF has developed a system for assessing the environmental and social impact of guaranteed loans, with loan categorization according to environmental and social risk levels serving as a key component. Through this system, ESG considerations are integrated into the decision-making process, in line with international best practices and with the objective of minimizing adverse environmental and social impacts.

During 2025, KCGF continued monitoring its guarantee portfolio through the categorization of exposures according to environmental risk levels and economic sectors. The guaranteed portfolio was classified across different risk categories, with the majority of exposures continuing to fall within the low environmental risk category. A smaller portion of the portfolio, distributed across various economic sectors, was classified under moderate and substantial risk categories, covering activities with moderate environmental and social impacts. These exposures are managed through appropriate mitigation measures and continuous monitoring.

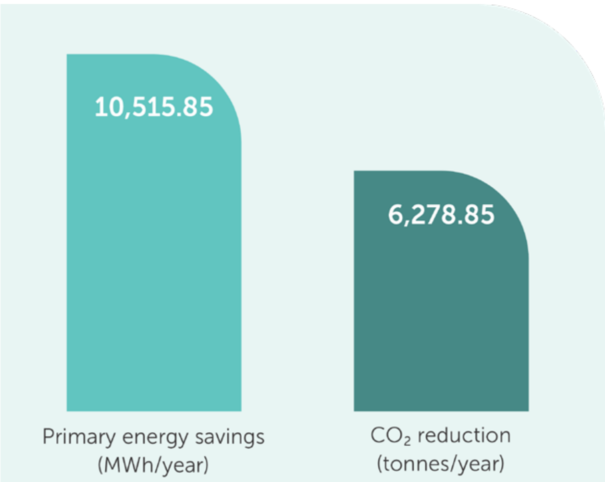
The chart below presents the sectoral distribution of the portfolio by environmental risk as of 31 December 2025.



As part of its climate risk management approach, KCGF has also continued monitoring exposures to sectors with higher carbon intensity, with the objective of identifying and managing risks associated with the transition towards a green economy and sustainable development.

Through its guarantee activities, KCGF contributed during 2025 to the reduction of CO_2 emissions and primary energy consumption, generating a positive impact on environmental sustainability and energy efficiency. During the reporting year, supported projects contributed to the reduction of approximately 6,278.85 tonnes of CO_2 emissions and achieved savings of 10,515.85 MWh of primary energy.

The chart below presents the environmental impact of guaranteed cases under the GROW Window.



Building on these principles, KCGF has established a framework for assessing the environmental and social impact of guaranteed loans by incorporating ESG considerations into the decision-making process, based on applicable best practices and with the objective of supporting projects with lower environmental and social impacts.

To assess and reduce KCGF's internal environmental footprint, the institution has undertaken several measures, including reducing electricity consumption, promoting waste recycling, and using electric taxis for operational activities.

Furthermore, KCGF conducted refresher training sessions with Registered Financial Institutions (RFIs) and Microfinance Institutions (MFIs) regarding environmental and social considerations related to loans financed and guaranteed by KCGF.

Another important component is the implementation of environmental and social management policies aligned with the highest international standards. Through this approach, KCGF has restricted the list of sectors and activities eligible for guarantees, taking into consideration their potential environmental and social impacts.

PART VI

COMMUNICATION AND PUBLIC RELATIONS ACTIVITIES IN 2025

COMMUNICATION AND PUBLIC RELATIONS ACTIVITIES IN 2025

Throughout 2025, the Kosovo Credit Guarantee Fund continued to implement various communication and public relations activities. KCGF's communications related to its mission and guarantee schemes were carried out through a wide range of initiatives. Joint campaigns were initiated with Registered Financial Institutions (RFIs) to promote KCGF's guarantee windows, including information sessions for RFI staff on existing schemes and newly introduced guarantee windows. In addition, KCGF delivered lectures at higher education institutions, participated in forums and activities focused on the economy and financing, and actively promoted its guarantee windows through various media outlets and television programmes, as presented below.

Guided by its key communication objectives—enhancing KCGF's institutional reputation and image, strengthening engagement with stakeholders, and increasing awareness and understanding of guarantee windows, the Communication Unit played a crucial role in supporting all institutional units throughout 2025. Our efforts ensured consistency of messaging, alignment with the institutional identity, and coordinated communication across all channels.

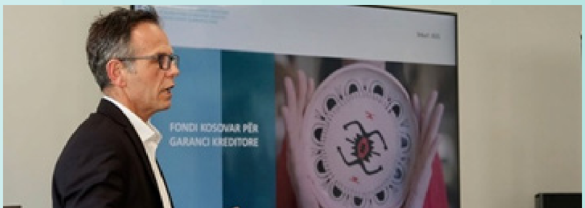
During 2025, KCGF organized numerous trainings, workshops, and information-sharing activities with partner financial institutions. These initiatives strengthened understanding of KCGF's products, enabling staff of partner banks to effectively promote and implement guarantee schemes. Through enhanced institutional knowledge, these efforts contributed to more efficient service delivery and the strengthening of the overall financial ecosystem. KCGF also expanded its presence within educational institutions by delivering five lectures and presentations for students at both public and private universities. Throughout 2025, KCGF actively participated in various sector forums and conferences, presenting its guarantee schemes, as well as highlighting the role and importance of KCGF in supporting access to finance and economic development.

24 JANUARY 2025

KCGF welcomed a high-level delegation from TESKOMB – The Central Union of Credit Guarantee Cooperatives of Tradesmen and Craftsmen in Türkiye, which is also a member of AECM. The visit aimed to facilitate the exchange of institutional experiences, discuss the activities and operational models of credit guarantee schemes, and explore opportunities for cooperation between the two institutions. The delegation was welcomed by representatives of KCGF, as well as by the Chief Executive Officer of the Kosovo Banking Association.

6 FEBRUARY 2025

KCGF was hosted at ITP Prizren, where it presented the institution and its guarantee schemes to the business community. During the event, KCGF's Managing Director, Mr. Besnik Berisha, explained the role and importance of guarantee schemes, with particular emphasis on the Startup Window, dedicated to supporting newly established enterprises. The activity was characterized by high participation and strong interest from businesses regarding the Fund's operations and the opportunities available for financial support.



27 FEBRUARY 2025

KCGF participated in a discussion organized by the American Chamber of Commerce in Kosovo.

21 MARCH 2025

KCGF participated in the conference organized by the Central Bank of the Republic of Kosovo, with the support of the European Bank for Reconstruction and Development (EBRD) and the Frankfurt School of Finance & Management, marking the launch of the "WE Finance Code" initiative aimed at supporting access to finance for women entrepreneurs. As part of the conference, KCGF's Managing Director, Mr. Besnik Berisha, participated in a panel discussion focused on empowering women-led enterprises and addressing the financing gap.

8 APRIL 2025

KCGF delivered a lecture at RIT Kosovo, where it presented the importance and role of guarantee schemes in supporting MSMEs and contributing to economic development. During the lecture, students were introduced to the functioning of guarantee schemes and the benefits they provide to businesses. The lecture was delivered by Ms. Anita Toçi from KCGF, as part of the courses taught by Prof. Fadil Sahiti and Prof. Mrika Kotorri.

22 APRIL 2025

KCGF marked its 9th anniversary, and as part of KCGF Week, organized a voluntary environmental clean-up activity in connection with the celebration of Earth Day. The activity was carried out in cooperation with the organization "Let's Do It – Ta Pastrojmë Kosovën", reflecting the Fund's commitment to social responsibility and environmental protection.

23 APRIL 2025

KCGF marked its 9th anniversary together with its institutional partners and collaborators. On this occasion, the Fund's role in supporting small and medium-sized enterprises throughout its nine years of operation was highlighted, while appreciation was expressed to local and international institutions, Registered Financial Institutions, and all partners who have contributed to this journey.

13 MAY 2025

KCGF launched a new cycle of GROW Window training sessions organized for Registered Financial Institutions, in cooperation with MACS. The purpose of these trainings was to present the new features of the GROW Window and refresh knowledge regarding the e-Save platform. The GROW Window aims to support access to finance for MSMEs by facilitating financing in the areas of renewable energy and energy efficiency.

17 MAY 2025

KCGF participated in the annual meeting of the European Association of Guarantee Institutions (AECM), with the participation of the KCGF delegation. During this event, the Chairperson of the KCGF Board, Mr. Agan Azemi, delivered a presentation entitled "Increasing Development Impact through Guarantees", highlighting the role of guarantee schemes in promoting and strengthening economic development.

19 MAY 2025

KCGF participated in a panel discussion on the Diaspora Investment Window, where the role of guarantee schemes in supporting diaspora investments and strengthening access to finance was discussed. KCGF representatives presented the functioning of this window and its contribution to economic development.

20 MAY 2025

KCGF participated in the Kosovo Financial Forum 2025, where KCGF's Managing Director, Mr. Besnik Berisha, was a speaker in the panel discussion entitled "Building a Sustainable Financial Future: Financial Transition and Beyond", contributing to discussions on sustainable financial development.

26 MAY 2025

KCGF participated in the "Euro Mediterranean Guarantee Network (EMGN) Spring Academy 2025", held in Istanbul, represented by its Managing Director, Mr. Besnik Berisha. The focus of the academy was on green guarantee schemes, where KCGF presented the GROW Window and shared its institutional experience regarding the design, implementation, features, and eligibility criteria of green guarantee schemes, as well as the institution's work and achievements to date.

4 JUNE 2025

KCGF organized the 2025 Annual Meeting with representatives of Registered Financial Institutions (RFIs), aimed at discussing common challenges, exchanging experiences, and strengthening inter-institutional cooperation. During the meeting, discussions focused on processes related to guarantee windows and the role of KCGF's guarantees, while the Fund expressed its appreciation to RFIs for their continued commitment and cooperation.

4 JUNE 2025

As part of the Annual Meeting with RFIs, KCGF presented certificates of appreciation in recognition of their professional cooperation and contribution to the implementation of guarantee schemes.

The recognitions were awarded as follows:

- **Banka Ekonomike** – for approving the first guaranteed loan under the "Diaspora Investment Window" guarantee scheme.
- **TEB Bank** – for the best performance under the "Women in Business Window" guarantee scheme.
- **Banka për Biznes (BpB)** – for the best performance under the "Start-Up Window" guarantee scheme.
- **ProCredit Bank** – for the best performance under the "Export Window" guarantee scheme.
- **NLB Bank** – for the best performance under the "GROW Window" guarantee scheme.
- **BKT Kosovo** – for the best performance under the "Agro Window" guarantee scheme.
- **Raiffeisen Bank** – for the highest utilization of the "Standard Window" guarantee scheme.
- **KEP Trust** – for professional cooperation with KCGF.
- **FINCA Kosovë** – for professional cooperation with KCGF.
- **PriBank** – for cooperation and swift engagement within KCGF's guarantee scheme framework.

8 JUNE 2025

KCGF held its annual meeting with RFI staff responsible for claim payments and recoveries. During the meeting, KCGF presented its work, guarantee windows, and an overview of payment and recovery claims, while the main focus was placed on discussions regarding the efficient implementation of processes related to these procedures. KCGF organizes such meetings regularly, twice a year.

25 JULY 2025

KCGF expanded its cooperation with KEP Trust through the signing of an agreement for the inclusion of this institution in the Standard Window, Women in Business Window, and Start-Up Window guarantee schemes. The cooperation between KCGF and KEP Trust began in March 2021 with its inclusion in the Agro Window. With this expansion, KEP Trust became the first microfinance institution to offer guarantees under four KCGF guarantee schemes, further increasing access to finance opportunities for MSMEs.

29 JULY 2025

KCGF participated in a panel discussion at the first edition of the Expo Real Kosova 2025 fair. During the panel, KCGF representative Ms. Nora Arifi, Senior Portfolio Manager, presented the GROW Guarantee Scheme and KCGF's role in promoting sustainable practices within the financial sector. Through the GROW Window, the Fund contributes to financing investments in energy efficiency and sustainable development,

reinforcing its commitment to green finance and long-term economic development.

25 AUGUST 2025

KCGF conducted a visit to Aronica, a business representing an example of sustainable agriculture and innovation, established by diaspora investors. The business benefited from financial support through the Diaspora Investment Window, which enabled the expansion of its operations and the acquisition of modern machinery, increasing its production capacities. The visit was attended by senior institutional representatives and financial partners, highlighting the role of this scheme in promoting diaspora investments and supporting the development of private entrepreneurship in Kosovo.

7 OCTOBER 2025

KCGF conducted a training session for the staff of KEP Trust as part of the expanded cooperation between the two institutions. The training focused on the role and importance of credit guarantee schemes in facilitating access to finance for MSMEs, presenting KCGF's guarantee windows, their key features, and the support they provide to financial institutions. Particular emphasis was placed on the following guarantee schemes: the Standard Window, the Women in Business Window, and the Start-Up Window. Through such capacity-building activities, KCGF continues to strengthen cooperation with its partners and contribute to the development of a financial ecosystem that supports local businesses.

7 OCTOBER 2025

KCGF launched its Digital Marketing Training Programme for Women in Business, with the first session held in Pristina. The programme aims to empower women entrepreneurs in Kosovo by developing their digital marketing skills and enhancing their ability to use social media platforms to grow and promote their businesses. The trainings will be conducted in seven cities across Kosovo: Pristina, Ferizaj, Peja, Gjakova, Prizren, Gjilan, and Mitrovica. The programme is financed by Sweden and implemented by KCGF.

22 OCTOBER 2025

KCGF held a strategic cooperation meeting with high-level institutional representatives, including the Governor of the Central Bank of the Republic of Kosovo. The meeting focused on inter-institutional coordination, discussions on strategic priorities, and strengthening cooperation to advance access to finance and support financial stability.

24 OCTOBER 2025

KCGF participated in a panel discussion during the roundtable where the report "Strengthening Financial Support for Women-Owned and Ethnic Minority-Owned Businesses in Kosovo" was presented, organized by the GAP Institute in cooperation with the Friedrich Ebert Stiftung. During the panel, KCGF's Managing Director, Mr. Besnik Berisha, presented the new conditions and features of the Women in Business Window, as well as the institution's commitment to facilitating access to finance for underserved segments.

27 OCTOBER 2025

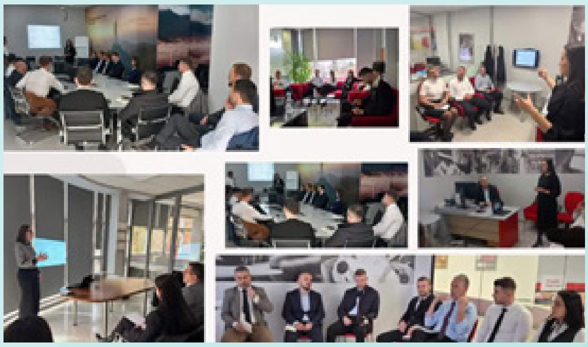
KCGF participated in the OTS Meeting organized by the European Association of Guarantee Institutions (AECM), held in Paris, under the theme “Credit Guarantees for Economic and Social Inclusion.” During the meeting, KCGF presented the Women in Business Window, with particular emphasis on its non-financial component, including initiatives aimed at training women entrepreneurs in the areas of financial literacy, digital marketing, and communication.

7 NOVEMBER 2025

KCGF participated in the “Women’s Entrepreneurship Expo 2025 – Kosovo Satellite Event”, organized by UN Women Kosovo, where it was represented in the panel discussion by Ms. Nora Arifi. She highlighted KCGF’s role in promoting the economic empowerment of women through credit guarantees and non-financial support, reaffirming the institution’s commitment to building an inclusive and supportive ecosystem for women entrepreneurs.

10 NOVEMBER 2025

KCGF launched a cycle of training sessions for bank branches in major cities, aimed at increasing staff knowledge about guarantee schemes and the new features of the strategic windows: Women in Business, Start-Up, and GROW. The previous week, a training session was conducted with Banka Ekonomike, contributing to the strengthening of bank capacities and improving support for beneficiary businesses.



12 NOVEMBER 2025

PriBank became a full financial partner of KCGF following the signing of an agreement enabling access to all KCGF guarantee windows, with a guarantee limit of EUR 6.5 million. This partnership increases the capacity to finance MSMEs, promote sustainable growth, exports, and innovative entrepreneurship. Through improved conditions under the strategic windows — GROW, Women in Business, and Start-Up — this cooperation further strengthens KCGF’s impact on the country’s economic development.

17 NOVEMBER 2025

KCGF and NLB Bank signed an agreement for the continuation and expansion of the GROW Window, significantly improving the conditions for businesses investing in energy efficiency and renewable energy. The enhancements include an increase in the guarantee coverage percentage to 70%, an increase in the maximum exposure and loan amount, an extension of the financing period up to 120 months, and a reduction in guarantee fees. This partnership, which since 2016 has enabled more than EUR 51 million in guaranteed loans, continues to contribute to sustainable development and support businesses across Kosovo.

25 NOVEMBER 2025

KCGF and Banka Ekonomike signed an agreement for the continuation and expansion of the GROW Window, providing more favourable conditions for businesses investing in energy efficiency and renewable energy. The improvements include an increase in the guarantee coverage percentage to 70%, an increase in the maximum exposure and loan amount, an extension of the financing period up to 120 months, and a reduction in guarantee fees. This partnership, which since 2016 has enabled more than EUR 77 million in KCGF-guaranteed loans, has supported hundreds of businesses and contributed to sustainable economic development in Kosovo.

25 NOVEMBER 2025

KCGF held a press conference to announce a historic milestone in its development, with the cumulative portfolio of guaranteed loans surpassing the EUR 1 billion threshold. This achievement reflects sustained growth in access to finance for MSMEs in Kosovo, with more than EUR 519 million in approved guarantees, over EUR 169 million in active guarantees, more than 20,258 guaranteed loans, and approximately 13,000 businesses supported. This milestone was made possible through the close partnership with Registered Financial Institutions and the continued support of international donors and local institutions.

27 NOVEMBER 2025

KCGF participated in the Green Business and Industry Summit 2025, represented by Ms. Nora Arifi, Senior Portfolio Manager. KCGF took part in the panel discussion dedicated to ESG, where discussions focused on the role of the private sector in advancing ESG maturity, strengthening compliance readiness, and accelerating investments in low-carbon solutions.

2 DECEMBER 2025

KCGF and BKT Kosovo signed an agreement for the continuation and expansion of the GROW Window, providing more favourable conditions for businesses investing in energy efficiency and renewable energy production. The improvements include increasing the guarantee coverage percentage from 50% to 70%, increasing the maximum credit exposure from EUR 5 million to EUR 7 million, increasing the maximum loan amount from EUR 1 million to EUR 3 million, extending the loan maturity period up to 120 months, and reducing guarantee fees. Since 2016, the partnership with BKT Kosovo has enabled more than EUR 131 million in KCGF-guaranteed loans, supporting hundreds of businesses across Kosovo.

3 DECEMBER 2025

KCGF and BpB – Banka për Biznes signed an agreement for the continuation and expansion of the GROW Window, advancing the conditions available for businesses investing in energy efficiency and renewable energy production. The agreement includes an increase in the guarantee coverage percentage from 50% to 70%, an increase in the maximum credit exposure from EUR 5 million to EUR 7 million, an increase in the maximum loan amount from EUR 1 million to EUR 3 million, an extension of the loan maturity period up to 120 months, and a reduction in guarantee fees. Since 2016, the partnership with BpB has enabled more than EUR 158 million in KCGF-guaranteed loans, contributing to the support of hundreds of businesses across Kosovo.

4 DECEMBER 2025

KCGF delivered a lecture at the University of Applied Sciences in Ferizaj, where it presented the importance and role of guarantee schemes in supporting micro, small, and medium-sized enterprises (MSMEs). During the lecture, students were introduced to the functioning of guarantee schemes, the benefits they provide to businesses, and their connection with economic development and strengthening access to finance.

5 DECEMBER 2025

KCGF welcomed a high level delegation from Kredi Garanti Fonu (KGF) Türkiye, with representatives from KGF and Frankfurt School. The study visit focused on exchanging experiences and best practices, as well as strengthening interinstitutional cooperation to expand access to finance and support economic development.

5 DECEMBER 2025

KCGF and ProCredit Bank Kosovo have expanded the GROW Window, improving financing conditions for businesses investing in energy efficiency and renewable energy. The enhancements provide more favorable financing terms, including higher guarantee coverage, more suitable credit limits, longer repayment periods, and lower fees. Over the years, this partnership has supported hundreds of businesses in Kosovo through loans guaranteed by KCGF.

8 DECEMBER 2025

KCGF conducted a training session for PriBank staff following the signing of the new agreement for strategic guarantee windows with more favourable conditions, including greater flexibility, lower fees, and higher guarantee coverage. In cooperation with eMAC, the training focused on the GROW Window and the eSAVE platform, with the aim of strengthening capacities for green financing, sustainable investments, and supporting businesses in their transition towards energy efficiency.

9 DECEMBER 2025

KCGF, represented by its Managing Director, Mr. Besnik Berisha, participated as a panellist in the discussion "Financing the Green Transition – From Policies to Practice" held as part of Green Finance Day 2025. During the discussion, the role of the GROW Window was highlighted as a dedicated guarantee scheme for green financing, supporting investments in energy efficiency, renewable energy, and sustainable environmental projects, while transforming climate objectives into tangible outcomes for businesses in Kosovo.

KCGF contributed to the panel alongside institutions such as ProCredit Bank, IFC, and EBRD, under the moderation of InstaBuilt.

15 DECEMBER 2025

KCGF participated in the Annual Conference organized by the Kosovo Investment and Enterprise Support Agency (KIESA), under the theme "Industrial Performance 2025 and Plans for Supporting MSMEs in 2026." KCGF was represented by its Managing Director, Mr. Besnik Berisha, who participated in the panel discussion "Unleashing the Potential of Domestic Industry: 2025 Results and 2026 Plans," where key industrial developments and support measures for micro, small, and medium-sized enterprises (MSMEs) were discussed.

16 DECEMBER 2025

Ms. Klimes, Country Officer for Kosovo at the Federal Ministry for Economic Cooperation and Development (BMZ), conducted a visit to TAG, a successful example of local entrepreneurship. The visit was carried out together with representatives from TAG, GIZ Kosovo, and KfW, as well as with the participation of representatives from TEB JSC and the Kosovo Credit Guarantee Fund (KCGF), reflecting the importance of institutional cooperation in supporting businesses in Kosovo. The business received financing support through the Diaspora Investment Window, demonstrating the role of the partnership between KCGF, BMZ, and KfW in promoting economic development and creating sustainable success stories.

SUCCESS STORIES

GERTI FOODS Sh.p.k.
From the heart of Has to European markets

From Has, a region known for its hospitality and rich heritage of pastry making, an idea was born that today has become a true success story. Relying on family tradition and passion for work, Mr. Shpejtim Agushaj, together with investors from the diaspora, Mr. Talat Binaj and Mr. Idajet Osmanollaj, founded the company Gerti Foods Sh.p.k. in 2022 – with the vision that the Has tradition would be transformed into a modern brand exportable beyond the borders of Kosovo.

MODERN FACTORY WITH INTERNATIONAL STANDARDS
Today, Gerti Foods operates in a modern factory in Prizren, within an area of 2200 square meters, equipped with high-tech machinery and a team of 25 professional and dedicated workers. Every day, this factory produces: fresh croissants, tortillas, traditional pies, delicious pizzas, and many other products that maintain the authentic taste and high quality for which local and international customers have built trust.

QUALITY AND FOOD SAFETY
Gerti Foods gives a particular importance to quality and food safety. This company is certified with ISO 22000:2018, by the internationally renowned certification body TÜV Nord, guaranteeing high standards at every step of the production.

EXPANSION INTO INTERNATIONAL MARKETS
Based on the dedication and a clear vision, Gerti Foods products are available not only in the Kosovo market, but are also successfully exported to Albania, Austria and Slovenia, Germany, giving the company a new dimension of development and international affirmation.

THE ROLE OF FINANCIAL SUPPORT
This success would not have been possible without the appropriate financial support. Gerti Foods is one of the beneficiaries of the Guarantee Scheme under the Export Window of the Kosovo Credit Guarantee Fund (KCGF). Through this guarantee scheme the company secured the necessary credit to make key investments. As the founder, Mr. Shpejtim Agushaj, added: "The support from KCGF enabled us to make the investments that gave our company a boost. It was a decisive help that opened our path to international markets." With these funds, the company invested in modern equipment and freezing systems, which are essential for preserving the quality, freshness and nutritional values of the products. This technology ensures that the products maintain their maximum quality until they reach the final consumer, guaranteeing the same quality standard as on the day of production.

AN INSPIRING MODEL
Gerti Foods Sh.p.k. is more than a dough producer – it is a living example of the power of tradition, vision and support of local institutions. It is a model of success for all those who believe that big dreams can be born from a small country and turn into powerful international brands.

Gerti Foods Sh.p.k. – Tradition that travels beyond borders!

SWISS HOME STORE
Transforming manufacturing in Kosovo

In the heart of Kosovo, a story of vision, innovation, and growth is unfolding. In 2016, two brothers from Switzerland saw an opportunity to invest in Kosovo's growing market.

With a passion for precision and quality, they established a business specializing in the production of high-quality aluminum blinds. Their ambition was not just to introduce superior products but also to create jobs and contribute to the local economy.

To bring their vision to life, the brothers made a significant investment of €800,000 in state-of-the-art machinery, ensuring high-capacity production and precision manufacturing.

This sophisticated technology allowed them to meet the growing demand for modern, durable, and energy-efficient blinds, both in Kosovo and beyond.

Despite their strong capital investment, they needed additional financial support to cover operational costs and sustain business growth. With a loan of €40,000, guaranteed by the Kosovo Credit Guarantee Fund (KCGF), they were able to bridge the financial gap, securing the necessary resources to optimize their production process and expand their operations.

Today, their aluminum blinds company is a shining example of how strategic investment and financial support can drive success.

The business has grown to become a key player in the market, delivering high-quality products to both residential and commercial customers. Their advanced production facility enables them to meet large orders efficiently, maintaining competitive pricing and exceptional quality standards.

More than just a business, their venture has become a source of employment and skill development for the local workforce, fostering economic growth and industrial innovation in Kosovo. Thanks to the support of KCGF, they have turned their vision into reality, proving that with the right investment and financial backing, success knows no boundaries.

Their journey is a testament to the power of entrepreneurship, strategic investment, and the impact of financial institutions like KCGF in enabling businesses to thrive.

As they continue to grow and innovate, their success story serves as an inspiration for other entrepreneurs looking to invest and build a prosperous future in Kosovo.

PART VII

AUDITED FINANCIAL STATEMENTS

KOSOVO CREDIT GUARANTEE FUND

Independent Auditor's Report and Financial Statements for the year ended December 31, 2025

CONTENT

Ernst & Young Certified Auditors
Ltd - Kosovo
Str. Bajram Kelmendi 92 3rd floor
Prishtine, Kosova

Tel: +383 38 220 155
Fax: +383 38 220 151
ey.com

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kosovo Credit Guarantee Fund

Opinion

We have audited the accompanying financial statements of Kosovo Credit Guarantee Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Fund as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 financial statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of the Fund for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on 29 April 2025.

Responsibilities of management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Ernst & Young Certified Auditors Kosovo sh.p.k.

Ernst & Young Kosovo

29 April 2026

Prishtinë, Kosovë

Mario Vangjeli

Certified Auditor

ERNST & YOUNG CERTIFIED AUDITORS LTD. KOSOVO SH.P.K.

EY

	Notes	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
ASSETS			
Property, plant, and equipment	9	48,875	16,813
Intangible assets	10	35,246	17,362
Right of Use (ROU)	8	125,203	3,173
Total non-current assets		**209,324**	**37,348**
Deposits	6	73,473,102	69,444,691
Investments in Securities	7	30,888,962	29,521,232
Trade and other receivables	5	532,765	350,079
Cash on hand and at banks	4	10,673,850	11,772,869
Total current assets		**115,568,679**	**111,088,871**
TOTAL ASSETS		**115,778,003**	**111,126,219**
EQUITY AND LIABILITIES			
Capital	13	97,559,216	97,300,921
Accumulated profit		7,538,053	4,360,451
Profit for the year		4,137,330	3,177,602
Total equity		**109,234,599**	**104,838,974**
ECL reserve for losses on Guarantees	19	4,445,695	4,332,317
Deferred revenues	11	360,335	627,575
Lease liability	8	100,904	-
Total non-current liabilities		**4,906,934**	**4,959,892**
Accrual guarantee fees	12	1,362,222	1,188,285
Deferred revenues	11	235,863	111,798
Accrued expenses		11,380	23,599
Lease liability	8	27,005	3,671
Total current liabilities		**1,636,470**	**1,327,353**
Total liabilities		**6,543,404**	**6,287,245**
TOTAL LIABILITIES & EQUITY		**115,778,003**	**111,126,219**

Authorized for issue by the management and signed on its behalf on 23 April 2026

Besnik Berisha
Managing Director

Vjosa Balaj
Senior Finance Manager

The accompanying notes on pages 5 to 49 form an integral part of these financial statements.

	Notes	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Revenues			
Guarantee fees	14	2,643,790	2,376,782
Interest income	15	3,323,871	2,271,078
Other income	16	408,983	235,882
Total revenues		**6,376,644**	**4,883,742**
Expenses			
Personnel expenses	17	(397,685)	(285,458)
Operating expenses	18	(279,237)	(152,112)
Depreciation expenses	9,10	(23,452)	(28,644)
ROU depreciation	8	(24,612)	(19,038)
Net provision losses for guarantees	19	(1,525,617)	(1,106,346)
Net provision losses for other assets	19	17,585	(113,591)
Total expenses		**(2,233,018)**	**(1,705,189)**
Gross profit		**4,143,626**	**3,178,553**
Lease liability interest expenses		(6,296)	(951)
Net Profit for the year		**4,137,330**	**3,177,602**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,137,330**	**3,177,602**

The accompanying notes on pages 5 to 49 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Changes in Equity for the year ended December 31, 2025
(All amounts in EUR, unless stated otherwise)

	Capital (EUR)	Accumulated profit (EUR)	Profit for the year (EUR)	Total (EUR)
Balance at 1 January 2024	76,932,511	4,360,451	-	**81,292,962**
Net profit for the year	-	-	3,177,602	**3,177,602**
Paid in capital	20,368,410	-	-	**20,368,410**
Balance as at December 31, 2024	**97,300,921**	**4,360,451**	**3,177,602**	**104,838,974**
Net profit for the year	-	-	4,137,330	**4,137,330**
Paid in capital	258,295	-	-	**258,295**
Balance as at December 31, 2025	**97,559,216**	**4,360,451**	**7,314,932**	**109,234,599**

The accompanying notes on pages 5 to 49 form an integral part of these financial statements.

	Notes	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Operating activities			
Net profit for the year before tax		4,137,330	3,177,602
Adjustments for:			
Guarantee expected credit losses	19	1,525,617	1,106,346
Expected credit losses of other financial assets	19	(17,587)	113,591
Depreciation of right-of-use-assets	8	24,612	19,038
Depreciation and amortization	9,10	23,450	28,644
Interest income	15	(3,323,871)	(2,271,078)
Interest expense	8	6,296	951
Operating loss before working capital changes		**2,375,847**	**2,175,094**
Increase in Trade and Other Receivables		(182,686)	(14,428)
(Decrease)/Increase in Accrued Expenses		(12,217)	(77,835)
Decrease in deferred revenues		(143,175)	(90,467)
Increase/(Decrease) in accrual guarantee fees		173,937	57,946
Claims paid		(1,412,239)	(1,340,282)
Net cash generated in operating activities		**799,467**	**710,028**
Investing activities			
Increase (Decrease) in Deposits		(2,900,000)	(13,355,200)
Increase (Decrease) in Treasury Bonds		(1,337,376)	(6,576,517)
Acquisition of property, and equipment	9,10	(73,398)	(2,437)
Interest received		2,200,629	1,989,158
Interest paid		(6,296)	(951)
Net cash used in investing activities		**(2,116,441)**	**(17,945,947)**
Financing activities			
Payment Lease Liability		(22,404)	(21,249)
Increase (Decrease) in Capital		258,295	20,368,410
Net cash generated in financing activities		**235,891**	**20,347,161**
Increase in cash and cash equivalents during the year		**(1,081,083)**	**3,111,242**
Cash and cash equivalents, the beginning of the year		11,779,003	8,687,761
Cash and cash equivalents, end of the year		**10,697,920**	**11,799,003**

The accompanying notes on pages 5 to 49 form an integral part of these financial statements.

1. GENERAL

The Kosovo Credit Guarantee Fund (KCGF) is an independent development institution established to improve access to finance for Micro, Small, and Medium Enterprises (MSMEs) in Kosovo. KCGF fulfills its mandate by providing partial credit guarantees to partner financial institutions, thereby sharing credit risk on eligible MSME loans.

Through this risk-sharing mechanism, KCGF facilitates access to finance for MSMEs, including enterprises with viable business models but limited collateral, those perceived with elevated credit risk, or insufficient credit history. In doing so, KCGF promotes financial inclusion and contributes to entrepreneurship growth, employment generation, and sustainable economic development in the Republic of Kosovo.

KCGF was established in January 2016 through a joint initiative of the United States Agency for International Development (USAID), KfW, and the Government of the Republic of Kosovo (GoK). Its establishment and operations are governed by the Law on the Establishment of the Kosovo Credit Guarantee Fund (Law No. 05/L-057, hereinafter: LKCGF). The Law defines KCGF as a separate legal entity, distinct from its Board of Directors and Management, and sets out its mandate, authority, governance framework, operational scope, and procedures for issuing credit guarantees.

KCGF commenced independent operations under its own management structure on June 10, 2017. The fiscal identification number of KCGF is 601642061.

KCGF operates under a capital-funded guarantee model. Its capital base consists of donations and grant contributions from the GoK, USAID, and KfW, as well as retained earnings accumulated since the Fund began operations. The initial capital of KCGF was contributed by the GoK with EUR 3.0 million through the Ministry of Trade and Industry, by USAID with EUR 5.79 million, and by KfW with EUR 2.0 million.

Subsequently, KfW made additional contributions to support specific guarantee schemes and programs, including EUR 11.5 million to establish the Agro Window (a credit guarantee scheme designed to support investment in the agricultural sector), EUR 5.0 million to support the Economic Recovery Program, and EUR 5.6 million to finance the Green Window – GROW.

Additional capital contributions from the Government of Kosovo's were financed through arrangements supported by the World Bank under the Kosovo Financial Sector Strengthening Project, in amount of EUR 21.4 mil and partially through the European Investment Bank (EIB) under the project Kosovo COVID-19 Response for MSMEs, in amount of EUR 40.0 mil.

In accordance with Article 10 of the LKCGF, the statutory minimum capital of KCGF is EUR 300,000.

In addition to its own capital, KCGF leverages counter-guarantee facilities provided by the Swedish International Development Cooperation Agency (Sida), the European Investment Fund under the COSME Loan Guarantee Facility (LGF) Programme, and the U.S. International Development Finance Corporation (DFC).

KCGF signed its first Guarantee Agreement with Sida, represented by the Embassy of Sweden in Pristina, on December 6, 2017, followed by a second agreement on November 30, 2023. The Guarantee Agreement with the European Investment Fund under the COSME LGF Programme was signed on May 14, 2019, and the Guarantee Agreement with DFC was signed on May 11, 2022.

1. GENERAL (CONTINUED)

These counter-guarantee arrangements strengthen KCGF's risk-bearing capacity, enhance capital leverage, and increase its overall guarantee issuance potential, while also enabling improved terms and conditions for partner financial institutions.

As of December 31, 2025, KCGF has guaranteed a total of EUR 1.04 billion, covering 20,790 individual loans. The active credit guarantee portfolio currently stands at EUR 179.5 million. Since its establishment, approximately 12,767 private enterprises have benefited, at least once, from KCGF's credit guarantee windows. These figures demonstrate KCGF's significant role in facilitating access to finance for MSMEs, supporting business growth, and promoting financial inclusion in Kosovo.

KCGF's governing bodies are the Board of Directors and the Managing Director. The Board of Directors is the highest governing body of KCGF and provides strategic direction and oversight of the institution.

The Board of Directors is composed of seven members:

- One ex-officio member appointed by the Ministry of Industry, Entrepreneurship and Trade of the Republic of Kosovo;
- One ex-officio member appointed by the Ministry of Finance, Labor and Transfers of the Republic of Kosovo;
- Four independent members appointed by donors; and
- The Managing Director of KCGF, as a voting ex-officio member.

In accordance with its legal mandate, KCGF is responsible for:

a. Issuing credit guarantees in line with the LKCGF and internal policies approved by the Board of Directors;

b. Establishing eligibility criteria and registering qualified financial institutions;

c. Determining the terms and conditions of credit guarantee coverage;

d. Setting and approving guarantee fees;

e. Managing and investing KCGF assets in accordance with the LKCGF;

f. Reviewing and settling guarantee claims submitted by registered financial institutions in accordance with applicable policies and guarantee agreements; and

g. Performing other functions as prescribed by the LKCGF.

2. MATERIAL ACCOUNTING POLICIES INFORMATION

2.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income, and expense. The measurement bases are more fully described in the Note below. The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying KCGF accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.8

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.1 *Standards, amendments and interpretations that are already effective*

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments had no material impact on the financial statements of the Entity.

Standards issued but not yet effective and not early adopted

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**

In May 2024, the IASB issued amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and they become effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**

In December 2024, the IASB issued targeted amendments for a better reflection of Contracts Referencing Nature-dependent Electricity, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and they become effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

- **Annual Improvements to IFRS Accounting Standards – Volume 11**

In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.1 *Standards, amendments and interpretations that are already effective (continued)*

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The amendments will impact the presentation of the statement of profit or loss. The Entity will be required to reclassify income and expenses including guarantee fees, interest income, depreciation, and provisions into the new mandatory categories introduced by IFRS 18, and to present newly required subtotals such as 'operating profit. The impact is limited to the structure and disclosure of the statement of profit or loss.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments).**

In May 2024, the IASB issued IFRS 19 - Subsidiaries without Public Accountability: Disclosures, and in August 2025 the IASB issued amendments to IFRS 19. IFRS 19 (including the amendments) becomes effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:**

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting

The Entity has elected not to adopt these standards, amendments to existing standards and new interpretations in advance of their effective dates. The Management anticipates that the adoption of these standards amendments to existing standards and new interpretations will have no material impact on the financial statements of the Entity in the period of initial application, except IFRS 18.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.2 Critical accounting estimates and judgments in applying accounting policies

The Entity makes estimates and assumptions that affect the amounts recognized in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected Credit Loss (ECL) measurement: Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 2.13. The following components have a major impact on credit loss allowance: definition of default, criteria for SICR, PD and LGD, as well as models of macro-economic scenarios. The Entity based on the published IFRS 9 Impairment Policy regularly reviews and validates the models and inputs to reduce any differences between expected credit loss estimates and actual credit loss experience.

Sensitive analysis

Management has considered a standard scenario that include increase or decrease of 10% in the probability of default (PD) and Loss given default (LGD). The sensitivity analyses of KCGF' possible losses as a result of increase or decrease of credit loss indicators is presented in the table below:

	PD & LGD	
	+10%	**-10%**
Impact in Impairment As at December 31, 2025	**728,903**	**-728,903**

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.3 Financial assets and financial liabilities

At the initial recognition, KCGF measures a financial asset or liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions.

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI, or FVTPL. Financial liabilities are classified and measured at amortized costs. Government securities are initially recognized using settlement date accounting, which is the date on which the securities are delivered to the Fund and payment is made. Deposits are recognized on trade date.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Business model assessment

The Entity manages its financial assets within the business model held to collect the contractual cash flows ('held to collect'). The business model is determined by senior management at a level that reflects how the Entity manages its investments, which consists solely of deposits in local banks and debt securities of the Government of Kosovo. There are no complex terms in these investments such as contingent events affecting timing of cash flows, prepayment or extension terms, leverage features etc.

KCGF business model does not depend on management's intentions for an individual financial asset. Historically, the Entity has held its investment until maturity and collects only its principal and interest. All financial assets are classified as measured at amortized cost, as they meet the SPPI test and the Entity does not have a business model to obtain return from trading or changes in fair value. Changes in the business model are not expected to occur. Such changes are subject to approval by the Board of Directors and documented through Entity's strategy for managing its assets, risks managed and evaluation of the performance.

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

As of December 31, 2025, and 2024, financial assets and liabilities of KCGF are subsequently measured at amortized cost and include cash and cash equivalents, deposits, securities, trade, and other receivables and liabilities. Loss allowances for expected credit losses (ECL) are presented in the statement of financial position as a deduction from the gross carrying amount of assets. The calculation of ECL for financial assets measured at amortized cost is disclosed in Note 2.13.

Offsetting: Financial assets and liabilities are offset when, and only when, the Entity 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. There are no such cases at KCGF.

Derecognition: Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired. Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, canceled, or expires).

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.3 Financial assets and financial liabilities (continued)

Credit Guarantees issued

a) Credit guarantees issued

The Entity's principal business is the issuance of credit guarantees to other financial institutions for loans to certain established customer categories. These are contracts that require the Fund to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At the initial recognition financial guarantees are measured at fair value, which is the price received given that such guarantee is issued to unrelated third-party financial institutions.

Subsequent to the initial recognition, financial guarantee contracts are measured at the higher of:

i. the amount of the loss allowance determined in accordance with expected credit loss model and
ii. the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Fund measures its financial guarantees given at their expected credit loss model as described in Note 2.13.

b) Credit guarantees received

KCGF has entered into contracts with a number of multilateral financial institutions from which receives guarantees covering credit losses of portfolios it guarantees. These contracts do not provide any control on economic benefits until a credit loss triggers the guarantees issued and consequently, they are not recognized as an asset.

Guarantees received are, however, taken into account in estimating expected credit losses as a form of credit enhancement and are deducted from the EAD as detailed further in Note 2.13.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and balances with banks that have an original maturity of less than three months. KCGF maintains a bank account with the Central Bank of the Republic of Kosovo, as well as current accounts with Banka per Biznes, Banka Ekonomike, Banka Kombetare Tregtare, ProCredit Bank, NLB Bank and TEB Bank.

2.5 Property, Plant, and Equipment

In the financial statement property, plant, and equipment are measured at the historical cost of acquisition less accumulated depreciation and impairment loss.

Initial recognition

Upon their initial acquisition property, plant, and equipment are valued at acquisition cost, which comprises the purchase price, including customs charges and any directly attributable costs of bringing the asset to working condition. The directly attributable costs include costs for site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, etc.

The approach chosen by KCGF for subsequent measurement of property, plant, and equipment is the cost model under IAS 16 - acquisition cost less accumulated depreciation and impairment losses.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.5 Property, Plant, and Equipment (continued)

Depreciation methods

KCGF applies the straight-line depreciation method for property, plant, and equipment as follows:

(i) Equipment and IT equipment	3 years (useful life)
(ii) Office furniture	3 years (useful life)
(iii) Leasehold improvements	as per the lease contract

2.6 Intangible assets

In the financial statements, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They include software programs and licenses for their use. KCGF applies the straight-line depreciation method for the intangible assets with a determined useful life of 5 years.

2.7 Right of use asset

KCGF 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 end of the useful life of the right-of-use asset or the end of the lease term.

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, KCGF incremental borrowing rate.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.7 Right of use asset (continued)

Lease payments included in the measurement of the lease liability comprise the fixed payments, the entity has no contracts with variable payments, residual guarantees or other complex arrangements.

The lease liability is measured at amortized cost using the effective interest method. 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 KCGF estimate of the amount expected to be payable under a residual value guarantee, or if KCGF changes its assessment of whether it will exercise a purchase, extension or termination option.

The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 6.4%.

At the inception of a contract, KCGF 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 in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, KCGF assesses whether:

- the contract involves using an identified asset – this may be specified explicitly or implicitly and should be physically distinct or substantially represent all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- KCGF has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

2.8 KCGF Capital Funds

The KCGF Capital Funds consists of grants provided by the GOK, USAID, and KfW as reflected in the Equity section of the financial statements.

2.9 Current and deferred income taxes

According to the LKCGF, the KCGF is exempt from Corporate Income Tax, VAT, and taxes on dividends, interest, or investment income earned from credit guarantees or investments. Additionally, the Fund is exempt from any other levies, withholdings, or taxes related to its operations.

2.10 Revenue recognition

Revenue from services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the entity.
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

The KCGF revenues are as follows:

(i) Revenues from guarantee fees;

(ii) Interest from investments of capital funds.

Other income, including post-claim recoveries, reimbursements from re-guarantee agreements and donor contributions.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.10 Revenue recognition (continued)

Credit Guarantee Scheme-Windows Offered by the Kosovo Credit Guarantee Fund

The Kosovo Credit Guarantee Fund (KCGF) provides credit guarantees to financial institutions to share the risk of qualified loans issued to Micro, Small and Medium Enterprises (MSMEs), with purpose to facilitate their access to finance through several targeted programs or Guarantee windows.

Window	Guarantee rate	Purpose
Standard	up to 50% of the loan amount.	Supports MSMEs across all sectors by providing guarantees for both investment and working capital loans.
Export	50% of the loan amount	Encourages export-oriented companies by facilitating financing for investments and working capital related to export activities.
Agriculture	up to 60% of the loan amount	Supports agribusinesses and rural enterprises through credit guarantees
Start-up	up to 80% of the loan amount.	Facilitates access to finance for newly established businesses (up to 12 months of operation) to support entrepreneurial initiatives and early-stage business development
Women in Business	up to 70% of the loan amount	Supports businesses owned, co-owned, or led by women, promoting financial inclusion and strengthening women's participation in the economy.
GROW – Green Recovery	up to 70% of the loan amount	Supports financing for investments in renewable energy and energy efficiency
Diaspora Investment	up to 80% of the loan amount.	The Diaspora Investment Window aims to support investments in private entrepreneurship established by our diaspora living and working in other countries

Guarantees can be used to guarantee credit instruments, such as, credit for working capital and investments, overdrafts, credit lines, leasing and Bank Guarantees and letters of credit. The maximum maturity of guaranteed credits is one hundred and twenty months. For revolving products, such as overdrafts and credit lines, the maximum maturity shall be up to twelve months and may be extended; however, the total maturity does not exceed sixty months from the date of first acceptance.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.10 Revenue recognition (continued)

In the case of letters of credit or bank guarantees, the maturity is not shorter than twelve months and may be extended for up to two additional cycles, each with a duration of twelve months.

Guarantee fees

Once the loan is accepted and put under guarantee, the guarantee fee is also calculated. The guarantee fee is calculated based on the actual guarantee fee percentage specified for a Guarantee Agreement multiplied by the Approved Amount of the guarantee. The guarantee fee is calculated annually based on the outstanding portion of the credit guarantee.

In accordance with the Fund's revenue recognition policy and the principles of IFRS 15 – Revenue from Contracts with Customers, guarantee fee income is recognized over time, reflecting the continuous transfer of guarantee services to partner financial institutions. Revenue is recognized on an accrual basis over a 12-month period.

The guarantee fees are recognized as revenues in the statement of comprehensive income at the end of each month by debiting Accrual Guarantee Fee and Credit Guarantee Fees Income.

Interest from investments

Investment means investments of capital funds where the overriding principle guiding the investment of capital funds is to ensure that the primary objectives of safeguarding KCGF's assets and limiting its risk are balanced with the achievement of a satisfactory return.

Other Income (Post Claim Recoveries and Reimbursement)

Other income includes recoveries from reimbursements related to paid claims, as well as income from re-guarantee institutional agreements (counter-guarantor).

When KCGF has paid a claim for a guaranteed loan and the RFI subsequently recovers debt from the qualified loan, the RFI is obligated to reimburse KCGF in accordance with the respective guarantee agreement.

Additionally, as per agreements with counter-guarantors, when KCGF pays a claim for a loan covered under a re-guarantor agreement, the counter-guarantor will reimburse KCGF for the amount paid.

Both recoveries from debt and reimbursements from counter-guarantors are classified as "Other Income" and are recognized on an accrual basis, ensuring that the income is recorded when it is realized or receivable, in line with the terms of the respective agreements.

KCGF's expenses are:

- **(i)** Re-guarantee expenses (fees paid for a counter-guarantee)
- **(ii)** Operating expenses (general administrative expenses)
- **(iii)** Personnel expenses (salaries, board fees)
- **(iv)** Provision expenses (Provision for expected credit losses on guarantees)

KCGF recognizes expenses using the accrual basis of accounting. The difference between revenues and expenses reflects the net income or loss for the accounting period, which is then transferred to the accumulated profit as part of KCGF capital.

2 MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.11 Employee benefits

The Entity pays contributions to the publicly administered pension plan (Kosovo Pension Savings Trust) on a mandatory basis. The Entity has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.12 Donations

KCGF accepts donations or Technical Assistance from donors. In the framework of Technical Assistance, KCGF receives funds for expenses specified in the contract, fixed or intangible assets, and capacity building. KCGF accounts for the amounts received depending on the specifics of the contract as deferred revenues and only after their realization registers them into donation revenues in the Income Statement as follows:

- Grants or donations for expenses are recognized as income in the income statement when the expenses are realized.
- Grants to purchase assets or donation of assets in kind are recognized as income in the manner the assets are depreciated.

2.13 Financial assets – impairment

KCGF recognizes impairment losses using the expected-credit-loss (ECL) model prescribed by IFRS 9, as mandated by its provisioning policy.

Measurement of ECLs

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

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

Definition of default

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

- Exposures are more than 90 days past due
- all exposure meeting the criteria defined for doubtful and loss risk classifications in line with CBK Regulation;
- all exposures pertaining to a client who has at least one loan classified as NPL due to verification of conditions described in a) and b) above; and
- specific for debt securities, external grade "D" category from Moody's is considered to be default. Therefore, the entity will consider "D" category as criterion for stage 3, i.e. default.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.13 Financial assets – impairment (continued)

Determining whether credit risk has increased significantly

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

Staging Criteria's for Credit Guarantees

Stage 1	Stage 2	Stage 3
• Performing exposures without days past due • Performing exposures with less than or equal 30 days past due	• Performing exposures with more than 30 days past due • Restructured exposures: "Restructured" • CBK Classification: Watch List, Substandard • Manual flag: Stage 2 Corona, etc. • Loan Status: Disputed	• Exposures with more than 90 days past due • CBK Classification: Doubtful, Loss • Manual flag: Stage 3 Corona, etc.

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

In addition, forbearance measures could represent a significant increase in credit risk since they consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. For guarantees it is not possible to implement a full forbearance process due to lack of information available and the absence of monitoring for such instruments. In this regard the Entity has considered the restructured status in the assessment of staging.

Risk classification from Central Bank of Kosovo on client level is used for identification of significant increase in credit risk and default.

If none of the indicators that are used by KCGF to assess whether significant increase in credit risk/default has occurred, then the exposures are transferred out from stage 3/2 to stage 2/1, in line with criteria present at reporting date.

Staging Criteria's for other Financial Assets

The Fund assesses significant increases in credit risk ("SICR") using both quantitative and qualitative indicators in line with IFRS 9.

Relative change in lifetime PD - the change in lifetime PD of more than 200%, which is used as threshold, is indicative of a significant increase in credit risk.

Change notches external credit score/rate - for this criterion, the country's rating is taken into account.

Days Past Due criterion is used for counterparty exposures, e.g. corporate Bonds/Loans, as for Deposits and Sovereign bonds is not deemed to be relevant. The rebuttable presumption is that when DPD's exceed 30 is indicative of a significant increase in credit risk.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.13 Financial assets – impairment (continued)

Deposits and Sovereign bonds is not deemed to be relevant. The rebuttable presumption is that when DPD's exceed 30 is indicative of a significant increase in credit risk.

Loss Caps

The Entity applies loss caps within its guarantee frameworks. The purpose of a loss cap is to limit the Entity's exposure to losses arising from non-performing PFIs while still providing partial guarantee coverage on a loan-by-loan basis for new exposures originated by the PFI, up to the agreed maximum guaranteed loss amount. For each defaulted loan within the portfolio, the Entity compensates the PFI for the covered portion of the loss until the cumulative losses reach the established loss cap.

Accordingly, each loss cap is determined based on the specific risk profile of the relevant guarantee window. The loss cap is calculated by comparing total claims arising from defaulted exposures to the total guaranteed exposure accepted under the agreement.

Inputs into measurement of ECLs

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

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. The model uses data that are standardized by the Fund and reported to it regularly by the partner financial institutions.

Probability of Default for Credit Guarantees

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

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

Probability of Default for Other Financial Assets

The Entity determines probabilities of default using external credit ratings, primarily based on data published by internationally recognized rating agencies. PDs applied for banks and other financial institutions are derived from corporate credit risk data, while exposures to sovereign counterparties are assessed using sovereign-level PD information. For deposits placed with financial institutions, the Entity applies PDs relevant to the credit quality of the respective counterparties. PDs are adjusted to reflect the characteristics of each exposure and are updated at each reporting date based on the most recently available external credit information.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.13 Financial assets – impairment (continued)

Loss Given Default for Credit Guarantees

The Entity estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

LGD is assessed by classifying historical defaults by default vintages and constructing the recovery vector based on the repayments in the months after default. This is done from the point of view of the guarantor, the Entity, referring to the Outstanding guaranteed as EAD. LGD for defaulted exposures which the Banks/Partner Financial Institutions report to the Entity will eventually result into the claim/loss for the Entity.

LGD for Other Financial Assets

LGD estimates are derived from historical recovery data published by reputable rating agencies. As the Kosovo Government has no history of defaults, LGD assessments for sovereign exposures rely on internationally available data and may require additional judgement due to the absence of country-specific default experience.

Forward-looking information

Under IFRS 9, the Entity incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Entity formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Entity Risk Committee and economic experts and consideration of a variety of external actual and forecast information.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome

The Entity has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include Consumer Price Indices, Unemployment rates and GDP forecasts.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: generally, as a provision;
- instruments measured at FVOCI, if any: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

2.14 Commitments and Contingencies

Contingent liabilities are not recognized in financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made..

3. FINANCIAL RISK MANAGEMENT

3.1 Introduction and Overview

Risk is defined as the effect of uncertain events and their outcomes that may have a significant effect on KCGF operations. Risk management involves identifying, assessing and responding to risks to reduce them to acceptable levels. The evaluation of risk is based on the identification of threats, as well as the likelihood of the threats being realized and the potential impact on the KCGF. Risk management uses the results of risk assessments to make decisions and coordinate activities to direct and control an organization regarding risk.

The KCGF Risk Management Policy sets out the key principles to establish an appropriate system of risk oversight and management. The key principles for risk management are implemented in the Guarantee Agreement, in existing policies and procedures as well as methodologies and tools for risk measuring, monitoring, and reporting. Together these form the KCGF risk management framework.

3.2 Risk Governance Structure

The KCGF risk governance structure emphasizes oversight and control of risk and defines the processes and mechanisms by which decisions about risks are taken and implemented. KCGF's risk management governance structure begins with oversight by the Board of Directors of KCGF. The Board receives regular updates on the key risks of KCGF - including a comprehensive summary of KCGF's risk profile and performance of the portfolio against defined goals, presented quarterly to the Board. The Board sets forth risk appetites for credit risk and liquidity risk and approves key risk policies, limits, and strategies. The Board also ensures that KCGF is taking appropriate measures to achieve a prudent balance between risk and reward.

The Board of Directors of KCGF has established two committees to supervise specific areas and to prepare topics for consideration by the Board: Risk Management Committee and Audit Committee. Risk Management Committee - the committee reviews and submits recommendations to the Board of Directors of KCGF regarding KCGF risk appetites, risk policies, risk instructions, capital, leverage, liquidity, products and services from a risk perspective, and loan portfolio credit quality. Audit Committee -The committee operates as a preparatory committee for the Board of Directors of KCGF with respect to accounting and auditing matters, including related risk matters.

The Provisioning Committee holds a monthly meeting to review and validate the provisioning results prior to their submission to the Risk Management Committee.

In general, both committees assist the Board of Directors of KCGF in ensuring strict risk management within KCGF and in ensuring that risk management and risk reporting are always compliant with the law and the KCGF general principles.

KCGF is not exposed to foreign exchange risk, since all assets, liabilities, and transactions are in EUR. KCGF is also not exposed to interest rate risk, since all assets and liabilities are at fixed interest rates.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Credit risk

Credit risk is the risk of loss arising from a borrower's failure to meet its financial or contractual obligations to a bank. Because KCGF provides partial guarantees to registered financial institutions (RFIs), its exposure to credit risk is indirectly linked to the performance of those institutions' loan portfolios. To manage this risk, the KCGF Policy on Credit Guarantee Risk requires from FIs s interested to be registered as KCGF's Partner Financial Institution to demonstrate a sound capital base, strong financial performance, sound corporate governance and good reputation in the market, an intention to lend to micro, small and medium enterprises (MSMEs) and a willingness to improve loan conditions, in return for KCGF guarantees. For Registering Financial Institutions, KCGF has designed a clear process of FI registration in the Policy on Credit Guarantee Risk_ which is aimed at ensuring registration of only financial institutions that are responsive and transparent and provide evidence of their ability to comply with KCGF requirements.

The registration process, defined in the Policy on Credit Guarantee Risk_sets the key principles that financial institutions should have to be registered in KCGF:

- A sound capital base and financial position
- A good reputation in the market
- A willingness and clear strategy to further penetrate the MSME segment
- A willingness to reduce collateral requirements and improve terms and conditions of the loans as a quid pro quo for KCGF's partial loan guarantees
- Sound loan underwriting policies and procedures

For ensuring the guarantee commitments that KCGF is taking within its risk-bearing capacity and that its portfolio is well-diversified, KCGF has adopted a Credit Guarantee Risk Policy. This policy determines the risk appetite that KCGF is willing to take and sets the methodology for evaluating RFI exposure. The policy also sets a methodology for assessing RFI and allocating limits to RFI. The methodology defines that the main criteria for allocating an initial limit are market share and risk profile. However, exposure limits may be adjusted by KCGF. Reasons for adjustment would include failure to use the allocated limit significantly or at all, poor quality of loans submitted for a guarantee, or overall poor performance of the bank.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Credit risk (continued)

(i) Maximum Exposure to Credit Risk

The following table shows the current maximum exposure to credit risk for the applicable components of statement of financial position:

	Maximum Exposure	
	31 December 2025	**31 December 2024**
Cash on hand and at banks	10,673,850	11,772,869
Deposits	73,473,102	69,444,691
Treasury Bonds	30,888,962	29,521,232
Trade receivable	532,765	350,079
Total on-balance-sheet risk	**115,568,679**	**111,088,871**
Credit Guarantee	179,480,299	135,710,786
Reserve for losses on Guarantees	(4,445,695)	(4,332,317)
Total credit related commitments	**175,034,604**	**131,378,469**
Total Credit Risk Exposure	**290,603,283**	**242,467,340**

Maximum exposure to credit risk for all financial assets is presented in the Statement of Financial Position and within the notes.

For addressing capital investment, KCGF has adopted a policy on investment and treasury management that ensures the safety of the invested capital and accordingly evaluates the counterparty risk, hence setting the limits in accordance with the risk involved for each counterparty. KCGF manages investment risk by determining the percentage distribution of the amount invested in Registered Financial Institutions and in securities issued by the Government of Kosovo, as well as the breakdown by maturity buckets, where currently the maximum maturity is 5 years. Investments in deposits and Securities of the Government of Kosovo are categorized in Stage 1 according to IFRS 9, and no deterioration is expected.

3.4 Liquidity risk

Effective liquidity risk governance is essential to maintain the confidence of donors and RFI and to enable the core business to continue to bring additionality and support access to finance for MSMEs, even under adverse circumstances.

KCGF manages liquidity risk through:

Maintenance of a reserve held at the Central Bank of Kosovo, calculated annually based on the highest level of non-performing loans (NPL) in the active guarantee portfolio during the previous 12 months;

Cash flow forecasting and monitoring mechanisms, including the use of liquidity indicators such as the Quick Ratio and receivable turnover analysis;

Diversification of investments across defined maturity buckets to ensure continuous inflow of funds and minimize the need for premature termination of term deposits;

A structured maturity distribution framework, ensuring an appropriate balance between short-term flexibility and longer-term return optimization;

To optimizing potential returns within acceptable risk parameters, KCGF has prepared a policy on investment and treasury management that clearly sets out an investment framework consistent with the KCGF mandate and its strategic objectives

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Liquidity risk (continued)

	December 31, 2025 Current			
	Up to 1 year (EUR)	**1 to 2 years (EUR)**	**2 to 5 years (EUR)**	**Over 5 years (EUR)**
Financial assets				
Cash and cash equivalents	10,697,920	-	-	-
Trade and other receivables	533,528	-	-	-
Deposits	21,983,107	41,416,493	10,384,685	-
Securities	-	-	30,952,613	-
Total financial assets	**33,214,555**	**41,416,493**	**41,337,298**	**-**
Financial liabilities				
Accrued expenses	11,382	-	-	-
Lease liability	27,005	100,904		
Deferred revenues	235,861	360,335	-	-
Accrual guarantee fee	1,362,222	-	-	-
Total financial liabilities	**1,636,470**	**461,239**	**-**	**-**

	December 31, 2024 Current			
	Up to 1 year (EUR)	**1 to 2 years (EUR)**	**2 to 5 years (EUR)**	**Over 5 years (EUR)**
Financial assets				
Cash and cash equivalents	11,799,003	-	-	-
Trade and other receivables	350,607	-	-	-
Deposits	34,971,852	24,721,977	10,079,261	-
Securities	-	-	29,583,425	-
Total financial assets	**47,121,462**	**24,721,977**	**39,662,686**	**-**
Financial liabilities				
Accrued expenses	23,599	-	-	-
Lease liability	3,671	-	-	-
Deferred revenues	111,798	627,575	-	-
Accrual guarantee fee	1,188,285	-	-	-
Total financial liabilities	**1,327,353**	**627,575**	**-**	**-**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Maturity analysis of assets and liabilities

31.12.2025	Within 12 months (EUR)	After 12 months (EUR)	Total (EUR)
ASSETS			
Property, plant, and equipment	-	48,875	**48,875**
Intangible	-	35,246	**35,246**
Right of Use (ROU)	-	125,203	**125,203**
Deposits	21,983,107	51,489,995	**73,473,102**
Treasury Bonds	-	30,888,962	**30,888,962**
Trade and other receivables	532,765	-	**532,765**
Cash on hand and at banks	10,673,850	-	**10,673,850**
TOTAL ASSETS	**33,189,722**	**82,588,281**	**115,778,003**
EQUITY AND LIABILITIES			
Capital	-	97,559,216	**97,559,216**
Accumulated profit	-	7,538,053	**7,538,053**
Profit for the year	-	4,137,330	**4,137,330**
Total equity	**-**	**109,234,599**	**109,234,599**
Accrued expenses	11,380	-	**11,380**
Lease liability	27,005	100,904	**127,909**
Reserve for losses on Guarantees	-	4,445,695	**4,445,695**
Deferred revenues	235,863	360,335	**596,198**
Accrual guarantee fees	1,362,222	-	**1,362,222**
Total liabilities	**1,636,470**	**4,906,934**	**6,543,404**
TOTAL LIABILITIES & EQUITY	**1,636,470**	**114,141,533**	**115,778,003**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Maturity analysis of assets and liabilities (continued)

31.12.2024	Within 12 months (EUR)	After 12 months (EUR)	Total (EUR)
ASSETS			
Property, plant, and equipment	-	16,813	**16,813**
Intangible	-	17,362	**17,362**
Right of Use (ROU)	-	3,173	**3,173**
Deposits	34,971,852	34,472,839	**69,444,691**
Treasury Bonds	-	29,521,232	**29,521,232**
Trade and other receivables	350,079	-	**350,079**
Cash on hand and at banks	11,772,869	-	**11,772,869**
TOTAL ASSETS	**47,094,800**	**64,031,419**	**111,126,219**
EQUITY AND LIABILITIES			
Capital	-	97,300,921	**97,300,921**
Accumulated profit	-	4,360,451	**4,360,451**
Profit for the year	-	3,177,602	**3,177,602**
Total equity	**-**	**104,838,974**	**104,838,974**
Accrued expenses	23,599	-	**23,599**
Lease liability	3,671	-	**3,671**
Deferred revenue	111,798	627,575	**739,373**
Accrual guarantee fees	1,188,285	-	**1,188,285**
Reserve for losses on Guarantees	-	4,332,317	**4,332,317**
Total liabilities	**1,327,353**	**4,959,892**	**6,287,245**
TOTAL LIABILITIES & EQUITY	**1,327,353**	**109,798,866**	**111,126,219**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.6 Operational Risk

Operational risk can arise due to internal events such as the potential for failures or inadequacies in any of KCGF's processes and systems, or those of its outsourced service providers. Operational risk can come also from a wide spectrum of different external events, ranging from power failures to floods or earthquakes.

Due to internal events, the operational risk may arise from the failure or discrepancy in any of KCGF processes or systems, or any of the external service providers. Operational risk stemming from human resource management may mean a range of issues, such as poorly trained or poorly managed staff, the potential for negligence, or deliberate misdemeanor, conflict of interest; fraud; hostile action, and so on. KCGF's operational risk management focuses on proactive measures to ensure business continuity as well as the accuracy of information used internally and reported externally, competent, and well-informed staff, and its adherence to established rules and procedures as well as security arrangements to protect the physical and ICT infrastructure of KCGF.

KCGF's Operational Risk Management Framework includes:

I) Clear strategies adopted by the Board of Directors of KCGF and oversight exercised by the Management of the institution.

II) Strong internal operational risk culture (Internal operational risk culture means the combined set of individual and corporate values, attitudes, competencies, and behavior that determine an institution's commitment to and style of operational risk management) and internal control culture, emphasizing dual controls.

III) High standards of ethics and integrity, and

IV) Commitment to effective corporate governance, including, among others, segregation of duties, avoidance of conflicts of interest, and clear lines of management responsibility, accountability, and reporting, as reflected in the KCGF's governance documents. All levels of staff shall understand their responsibilities with respect to operational risk management.

Insurance policies may be used to confront losses that may occur because of events such as third-party claims resulting from errors and omissions, employee or third-party fraud, and natural disasters.

3.7 Market risk

The majority of transactions of the Entity are in local currency and exposure to foreign exchange risk is very limited, resulting in minimal exposure to foreign exchange risk.

As of December 31, 2025, and 2024, KCGF has no financial assets measured at fair value, However, for purposes of the fair value disclosures in Note 3.7, the fair value of the securities has been classified within Level 2 of the fair value hierarchy.

The Entity does not have any assets at fair value and the market risk is limited.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8 Financial instruments that are not presented at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value:

	Carrying value 2025 (EUR)	Fair value 2025 (EUR)
Financial assets - at amortized cost		
Cash and cash equivalents	10,697,920	10,697,920
Trade and other receivables	533,528	533,528
Deposits	73,784,287	73,784,287
Securities	30,952,613	31,866,908
Total financial assets	**115,968,348**	**116,882,643**
Financial liabilities - at amortized cost		
Payables and other liabilities	4,856,744	4,856,744
Total financial liabilities	**4,856,744**	**4,856,744**

	Carrying value 2024 (EUR)	Fair value 2024 (EUR)
Financial assets - at amortized cost		
Cash and cash equivalents	11,799,003	11,799,003
Trade and other receivables	350,607	350,607
Deposits	69,773,090	69,773,090
Securities	29,583,425	29,583,425
Total financial assets	**111,506,125**	**111,506,125**
Financial liabilities - at amortized cost		
Payables and other liabilities	4,773,169	4,773,169
Total financial liabilities	**4,773,169**	**4,773,169**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.9 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Management also needs to exercise judgment in applying the KCGF accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis.

This note provides an overview of the areas that involve a higher degree of judgment and complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgments is included in related notes together with information about the basis of calculation for each affected line item in the financial statements.

Impairment of credit guarantees

Management's judgment is required in the estimation amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about several factors. Details are provided in Note 2.13.

The useful life of depreciable assets

Management reviewed the useful lives of depreciable assets on December 31, 2025. Management estimates the determined useful life of assets and represents the expected usefulness (utility) of assets. The carrying values of such assets are analyzed in Note 9.

4. CASH AND CASH EQUIVALENTS

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Cash at Central Bank of Kosovo	10,230,004	10,781,436
Current Accounts	467,106	1,015,639
Petty cash	810	1,928
Total	**10,697,920**	**11,799,003**
Expected credit loss allowance	(24,070)	(26,134)
Total cash and cash equivalents	**10,673,850**	**11,772,869**

5. TRADE AND OTHER RECEIVABLES

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Receivables from clients	512,615	339,806
Advances	20,913	10,801
Total	**533,528**	**350,607**
Expected credit loss allowance	(763)	(528)
Total receivables	**532,765**	**350,079**

As of December 31, 2025 and 2024, receivables from clients primarily relate to guarantee fees that are invoiced in the month following the bank's status update of the outstanding guarantees. These receivables are settled within contractual payment terms.

6. DEPOSITS

As at 31 December 2025, term deposits amounted to EUR 71,791,500 (2024: EUR 68,891,500). The deposits bear fixed interest rates ranging from 2.7% to 3.8% per annum (2024: 2% to 3.8%). In accordance with the Fund's investment policy, deposits are limited to banks that meet the criteria approved by KCGF Board of Directors. The contractual maturity of these placements range from one to three years.

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Deposits in banks in Kosovo	71,791,500	68,891,500
Accrued interest	1,992,787	881,590
Total deposits	**73,784,287**	**69,773,090**
Expected credit loss allowance	(311,185)	(328,399)
Total	**73,473,102**	**69,444,691**

These investments are following article 22 – "Investment of KCGF Capital Fund" of the 'Law on the Establishment of the Kosovo Credit Guarantee Fund'.

7. INVESTMENTS IN SECURITIES

As of December 31, 2025, investments in securities amounted to EUR 30,770,566 (2024: EUR 29,433,190), with an interest rate range of 2.1% to 4% (2024: 2% to 4%) and contractual maturities between three and five years.

The investments in securities are measured at amortized cost and are issued by the Government of Kosovo.

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Investment securities – at amortized cost		
Government bonds	30,770,566	29,433,190
Accrued interest	182,047	150,235
Total Investments in Securities	**30,952,613**	**29,583,425**
Expected credit loss allowance	(63,651)	(62,193)
Total	**30,888,962**	**29,521,232**

These investments are following article 22 – "Investment of KCGF Capital Fund" of the 'Law on the Establishment of the Kosovo Credit Guarantee Fund'.

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

8.1 Right-of-use

Right-of-use assets comprise a building leased for the KCGF office.

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Carrying Amount on January 1	3,173	22,211
Additions	146,642	-
Depreciation charge for the year	(24,612)	(19,038)
Carrying Amount on December 31,	**125,203**	**3,173**

8.2 Lease liability

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
As of January, 1	3,671	24,920
Lease Liability for the new contract	146,642	-
Lease payment for the year	(28,700)	(22,200)
Interest expenses	6,296	951
Lease liability on December 31,	**127,909**	**3,671**

The following table presents the maturity analysis of the lease liability:

	2025	2024
Less than one year	27,005	3,671
Two to five years	100,904	-
Total lease liabilities on December 31,	**127,909**	**3,671**

9. PROPERTY, PLANT, AND EQUIPMENT

	Equipment (EUR)	IT Equipment (EUR)	Office furniture (EUR)	Leasehold improvements (EUR)	Total (EUR)
Historical cost					
As of January 1, 2024	**22,158**	**28,858**	**5,662**	**22,430**	**79,108**
Additions during the period	-	-	-	-	-
As at December 31, 2024	**22,158**	**28,858**	**5,662**	**22,430**	**79,108**
Additions during the period	41,190	5,762	1,472	-	**48,424**
As of December 31, 2025	**63,348**	**34,620**	**7,134**	**22,430**	**127,532**
Accumulated depreciation					
As of January 1, 2024	**(12,114)**	**(7,324)**	**(4,760)**	**(16,675)**	**(40,873)**
Depreciation for the period	(6,069)	(9,761)	(639)	(4,953)	**(21,422)**
As at December 31, 2024	**(18,183)**	**(17,085)**	**(5,399)**	**(21,628)**	**(62,295)**
Depreciation for the period	(7,634)	(7,276)	(650)	(802)	**(16,362)**
As at December 31, 2025	**(25,817)**	**(24,361)**	**(6,049)**	**(22,430)**	**(78,657)**
NET VALUE					
As of December 31, 2024	**3,975**	**11,773**	**263**	**802**	**16,813**
As of December 31, 2025	**37,531**	**10,259**	**1,085**	-	**48,875**

As of December 31, 2025, and 2024, KCGF uses all property and equipment for its activities and there are no encumbrances over KCGF assets.

10. INTANGIBLE ASSETS

	Software (EUR)
Historical cost	
As of January 1, 2024	122,734
Additions during the period	2,437
As of December 31, 2024	**125,171**
Additions during the period	24,974
As at December 31, 2025	**150,145**
Accumulated amortization	
As of January 1, 2024	100,587
Amortization for the period	7,222
As at December 31, 2024	**107,809**
Amortization of the year	7,090
As of December 31, 2025	**114,899**
NET VALUE	
As of December 31, 2024	**17,362**
As of December 31, 2025	**35,246**

As of December 31, 2025, and 2024, there are no encumbrances on KCGF's intangible assets.

The Management Information System (MIS) utilized by KCGF was originally donated by USAID and was acquired and activated in July 2016, with an initial value of EUR 66,825. KCGF subsequently upgraded the system.

11. DEFERRED REVENUES

Grants related to depreciable assets are recognized in profit or loss over the estimated useful lives of the donated assets, such as software and equipment. Grants associated with non-depreciable assets, which require the fulfillment of specific obligations, are recognized in profit or loss over the periods during which the related obligations are met.

	Note	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Deferred revenue from donated assets	11.1	16,976	29,788
Fee subsidy	11.2	424,502	536,300
Deferred revenue from technical assistance	11.3	154,720	173,295
Total deferred revenues from subsidy fee		**596,198**	**739,373**

11. DEFERRED REVENUES (CONTINUED)

11.1 Deferred revenue from donated assets

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Opening	29,788	53,006
Additions during the year	1,497	-
Depreciation (Note 16)	(14,309)	(23,218)
Total deferred revenues from subsidy fee	**16,976**	**29,788**

11.2 Deferred revenue from guarantee fee subsidy

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Fee subsidy	424,502	536,300
Total deferred revenues from subsidy fee	**424,502**	**536,300**

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
At the beginning	536,300	759,809
Utilized (Note 12, Note 14)	(111,798)	(223,509)
At the end of the year	**424,502**	**536,300**

In accordance with Law No. 07/L-016 on Economic Recovery – COVID-19 and the Agreement for the Subsidy of Guarantee Fees entered into between the Kosovo Credit Guarantee Fund (KCGF) and the Ministry of Finance dated 31 December 2020, KCGF received a total subsidy of EUR 5,000,000 for the purpose of subsidizing guarantee fees related to guarantees issued under the Economic Recovery Package (PRE). The subsidy was disbursed in two tranches:

- EUR 1,500,000 on 18 February 2021; and
- EUR 3,500,000 on 17 August 2021.

11. DEFERRED REVENUES (CONTINUED)

11.2 Deferred revenue from guarantee fee subsidy (continued)

Upon receipt, the total amount was recorded as deferred income. Income was subsequently recognized in the statement of comprehensive income only upon the realization of the related guarantee fee, consistent with KCGF's revenue recognition policy and the terms of the Agreement.

Since the agreement terminated on 31 December 2021, following consultations and agreement with the Ministry of Finance, Labor, and Transfers, KCGF returned unused funds from the subsidy in the total amount of Eur 1,861,563 during 2021 and 2022.

Recovery, KCGF received an advance subsidy for the guarantee fee, in the amount of EUR 5 Million, to be distributed over a period of time. KCGF recorded this amount as deferred income and recognized it as income in the statement of comprehensive income only upon the realization of the guarantee. The contract was terminated on December 31, 2021.

Under the Agreement between the Kosovo Credit Guarantee Fund and the Ministry of Finance, dated December 31, 2020, for the Subsidy of Guarantee Fees, the Kosovo Credit Guarantee Fund received a total of EUR 5 million (disbursed in two parts: EUR 1.5 million on February 18, 2021, and EUR 3.5 million on August 17, 2021) to subsidize guarantee fees for cases covered under the Economic Recovery Package (PRE), in accordance with Law no. 07/L-016 on Economic Recovery – COVID. Since the validity of Law no. 07/L-016 was until December 31, 2021, the guarantee window under the PRE, along with the dedicated budget of EUR 5 million to subsidize guarantee fees, was effective until this date.

The calculation of the guarantee fee subsidy was based on the initial maturity of each underlying loan or lease, assuming full amortization in accordance with the original repayment schedule. Prepayments, restructurings, or other changes occurring after initial disbursement were not considered in the calculation. For revolving credit products (including overdrafts and credit lines), the calculation assumed five annual renewal cycles, as permitted under the respective Guarantee Agreements with partner financial institutions. For loans and leases with irregular repayment structures, calculations were performed using the specific payment schedules provided by the lending banks.

11. DEFERRED REVENUES (CONTINUED)

11.3 Deferred revenue from technical assistance

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
SIDA Technical assistance	154,720	173,295
Total deferred revenues from technical assistance	**154,720**	**173,295**

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
At the beginning	173,295	-
Additions during the period	-	173,295
Utilized SIDA TA (Note 16)	(18,575)	-
At the end of the year	**154,720**	**173,295**

In 2024, KCGF signed an agreement with the Swedish International Development Cooperation Agency (SIDA) regarding Technical Assistance Support for the Kosovo Credit Guarantee Fund (KCGF) under the project 'Empowering Women in Business: Capacity Building, Networking, and Impact Evaluation.

The project agreement established a budget of SEK 2,000,000, which at the time of contracting was estimated to be approximately EUR 170,000. The funds were disbursed in EUR, and due to exchange rate fluctuations between the date of contract signature and the date of disbursement, the amount received was EUR 173,295. The difference of EUR 3,295 represents an exchange rate variation between the budget estimate and the actual disbursement. KCGF recognizes the grant amount as deferred revenue and, upon the realization of expenditures related to the implementation of the project, recognizes the amount as income in the statement of comprehensive income.

12. ACCRUALS

	As of December 31, 2025 (EUR)	**As of December 31, 2024 (EUR)**
Accrual Guarantee Fee	870,030	644,448
Accrual Annual Fee	315,606	173,885
Accrual Annual Fee (covered by Ministry of Finance)	176,586	369,952
Total accrual fees	**1,362,222**	**1,188,285**

13. CAPITAL

As of December 31, 2025, and 2024, capital consists of funds provided to KCGF as grants as follows:

	As of December 31, 2025 (EUR)	**As of December 31, 2024 (EUR)**
Funds received from USAID	5,790,921	5,790,921
Funds received from KfW	24,358,295	24,100,000
Funds received from GoK	67,410,000	67,410,000
Total	**97,559,216**	**97,300,921**

KCGF operates under a capital-funded guarantee model, with its capital base composed of donations and grant contributions from public and international partners as well as retained earnings accumulated since KCGF began operations. KCGF was initially capitalized through foundational contributions from key stakeholders: GoK contributed EUR 3.0 million via the Ministry of Trade and Industry, USAID provided EUR 5.79 million, and KfW contributed EUR 2.0 million. Following these initial contributions, KfW made additional capital injections to support targeted guarantee schemes, including EUR 11.5 million for the Agro Window, EUR 5.0 million for the Economic Recovery Program, and EUR 5.6 million for the GROW Window. Further capital reinforcement came through Government of Kosovo allocations financed under the World Bank supported Kosovo Financial Sector Strengthening Project (EUR 21.4 million) and through the European Investment Bank (EIB) under the Kosovo COVID-19 Response for MSMEs project (EUR 40.0 million). In December 2025, KfW disbursed the remaining unused balance of the Technical Assistance funds dedicated to KCGF in the amount of EUR 258,295. These funds were subsequently converted into additional capital.

In addition to these external endowments, KCGF's capital base includes retained earnings generated from its ongoing operations, strengthening its financial sustainability and enabling expanded support for micro, small and medium enterprises (MSMEs).

14. GUARANTEE FEES

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Guarantee fees	2,467,204	2,005,961
Release of deferred revenue for Annual fees covered by the Ministry of Finance (Note 12)	176,586	370,821
Total guarantee fees	**2,643,790**	**2,376,782**

Upon approval of a loan by a financial institution and its placement under guarantee, the fee is calculated by applying the guarantee fee rate, as specified in the respective Guarantee Agreement, to the approved guarantee amount.
Guarantee fee income is recognized on an accrual basis over a period of 12 months. At the end of each month, the accrued portion of the fee is recognized as revenue in the statement of comprehensive income by debiting Accrued Guarantee Fees and crediting Guarantee Fee Income.
The applicable fee rates ranged from a minimum of 0.3% to a maximum of 2% in both 2025 and 2024.

15. INTEREST INCOME

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Interest income from deposits	2,353,158	1,610,885
Interest income from Government bonds	970,713	660,193
Total interest income	**3,323,871**	**2,271,078**

16. OTHER INCOME

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Recovery	376,099	212,664
Release of deferred revenues for SIDA TA (Note 11.3)	18,575	-
Release of deferred revenue for in-kind fixed asset donation (Note 11.1)	14,309	23,218
Total other income	**408,983**	**235,882**

17. PERSONNEL EXPENSES

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Salaries	329,257	235,803
Pension contribution	37,919	27,237
Tax salaries	30,509	22,418
Total personnel expenses	**397,685**	**285,458**

18. OPERATING EXPENSES

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Translate and other Professional services	74,057	22,753
Re-guarantee Expenses	39,977	28,299
Training, Conferences and Seminars	36,962	28,045
Other expenses	39,461	20,154
Maintenance & Repair Exp.	35,437	26,153
Publications, Branding and Marketing	33,414	10,693
Expenses for Membership & Subscription	10,122	7,000
Phone and internet expenses	4,453	4,919
Utilities	3,702	2,196
Bank fees	1,652	1,900
Total operating expenses	**279,237**	**152,112**

19. IMPAIRMENT PROVISION LOSSES

19.1 Impairment provision for guarantees

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Additional provision	9,060,558	8,203,607
Release of provision	(7,534,941)	(7,097,261)
Total net provision expenses	**1,525,617**	**1,106,346**

A provisioning policy outlines the process of allocating reserves for credits under guarantees that are either expected to or have already incurred credit losses.
The movement of the reserve for losses on guarantees for 2025 and 2024 is as follows:

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
As at 1 January	4,332,317	4,566,252
Additional provision	9,060,558	8,203,608
Release of provision	(7,534,941)	(7,097,261)
Claims paid	(1,412,239)	(1,340,282)
As at December 31,	**4,445,695**	**4,332,317**

The paid claims refer to 107 claims requested by 8 RFI's (2024: 100 claims, requested by 8 RFIs).

	As of December 31, 2025 (EUR)	As of December 31, 2024 (EUR)
Stage 1	2,212,971	1,848,992
Stage 2	883,404	533,722
Stage 3	1,349,320	1,949,602
As of December 31,	**4,445,695**	**4,332,316**

19. IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

Changes in the corresponding Outstanding guaranteed amount and ECLs are as follows:

Regular Window includes all Guarantee Windows, except for the Agro Window.

	Stage 1	Stage 2	Stage 3	POCI	
REGULAR Window	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
Loss allowance as at 31/12/2024	**1,586,679**	**370,316**	**1,818,107**	**-**	**3,775,102**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(31,997)	31,997	-	-	-
Transfer from Stage 1 to Stage 3	(20,627)	-	20,627	-	-
Transfers from Stage 2 to Stage 3	-	(178,824)	178,824	-	-
Transfers from Stage 2 to Stage 1	68,081	(68,081)		-	-
Transfer from Stage 3 to Stage 2	-	53,945	(53,945)	-	-
Transfer from Stage 3 to Stage 1	3,271	-	(3,271)	-	-
New financial assets originated or purchased	1,151,035	71,902	29,598	-	**1,252,535**
Financial assets derecognized during the period other than write-offs		-	-	-	
Changes in PDs/LGDs/EADs	(836,288)	339,713	(811,112)	-	**(1,307,687)**
FX and other movements	-	-	-		-
Total net P&L charge during the period	**333,475**	**250,652**	**(639,279)**	**-**	**(55,152)**
Other movements with no P&L impact					
Write-offs	-	-	-		-
Loss allowance as at 31/12/2025	**1,920,154**	**620,968**	**1,178,828**	**-**	**3,719,950**

19. IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	Stage 1	Stage 2	Stage 3	POCI	
REGULAR Window	**12-month EAD**	**Lifetime EAD**	**Lifetime EAD**	**Purchased or originated credit-impaired**	**Total**
Outstanding Guarantee as at 31/12/2024	**114,024,138**	**1,629,465**	**2,669,032**	**-**	**118,322,635**
Transfers:					
Transfer from Stage 1 to Stage 2	(2,274,634)	2,274,634	-	-	-
Transfer from Stage 1 to Stage 3	(1,467,019)	-	1,467,019	-	-
Transfers from Stage 2 to Stage 3	-	(756,441)	756,441	-	-
Transfers from Stage 2 to Stage 1	285,189	(285,189)	-	-	-
Transfer from Stage 3 to Stage 2	-	89,610	(89,610)	-	-
Transfer from Stage 3 to Stage 1	5,230	-	(5,230)	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	93,786,676	349,031	57,327	-	**94,193,034**
Write-offs					
Payment and other movements	(50,631,727)	(166,703)	(2,735,887)	-	**(53,534,317)**
Outstanding guaranteed amount as at 31/12/2025	**153,727,853**	**3,134,407**	**2,119,092**	**-**	**158,981,352**

31/12/2025

REGULAR Window	**Outstanding guaranteed amount**	**Impairment allowance**	**Outstanding guaranteed amount after ECL**	**Value of Collateral***
Credit-impaired assets (stage 3)*				
Loan	2,024,032	1,127,613	896,419	3,383,584
Credit Line	52,607	28,400	24,207	-
OVD	42,453	22,815	19,638	5,556
Total	**2,119,092**	**1,178,828**	**940,264**	**3,389,140**

*The value of collateral showing in the table above, represent collateralized asset as per Financial Institutions register for the guaranteed exposure.

19. IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2024

REGULAR Window	Outstanding guaranteed amount	Impairment allowance	Outstanding guaranteed amount after ECL	Value of Collateral
Credit-impaired assets (stage 3)*				
Loan	2,550,106	1,746,852	803,253	3,545,834
Credit Line	21,621	15,468	6,153	28,280
OVD	97,305	55,786	41,519	293,556
Total	**2,669,032**	**1,818,106**	**850,925**	**3,867,670**

According to the CBK Regulation on Credit Loss Risk Assessment, entity classify exposures into five categories, from A to E, and they are as follows:

•Standard Exposures-This credit rating includes all credit exposures with less than 30 days past due (DPD).
•Category B - Special Care Exposures (Watchlist)-This credit rating is intended to identify exposures with arrears at an early stage, when the capacity to repay the loan from the borrower is not secure. All credit exposures that have more than 30 days but less than 60 days overdue, should be classified in the category of special care exposures (Watchlist).
•Category C - Sub-standard Exposures-This classification of exposures aims to identify all credit exposures that present certain weaknesses and risk the return of funds to predetermined flows. All credit exposures with arrears of more than 60 days but less than 90 days should be classified in the sub-standard credit category.
•Category D - Doubtful Exposures-This credit rating includes all credit exposures that prove that they have a high probability that the principal amount will not be repaid. All credit exposures with arrears of more than 90 days but less than 180 days should be classified in the doubtful category.
•Category E - Lost Exposures-This credit classification includes all exposures that according to the assessment are not justified for keeping in active books. This credit rating includes credit exposures that have failed to repay liabilities for more than 180 days.

31/12/2025	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	
REGULAR Window	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
Credit Grade					
Standard	153,727,853	1,323,676	-	-	**155,051,529**
Watch List	-	814,482	-	-	**814,482**
Substandard	-	996,250	-	-	**996,250**
Doubtful	-	-	967,813	-	**967,813**
Loss	-	-	1,088,855	-	**1,088,855**
Write Off	-	-	62,423	-	**62,423**
Outstanding guaranteed amount	**153,727,853**	**3,134,408**	**2,119,091**	-	**158,981,352**
Loss Allowance	(1,920,154)	(620,968)	(1,178,828)	-	**(3,719,950)**
Outstanding guaranteed amount after ECL	**151,807,699**	**2,513,440**	**940,263**	-	**155,261,402**

19. IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2024	Stage 1	Stage 2	Stage 3	POCI	
REGULAR Window	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
Credit Grade					
Standard	114,024,138	200,371	545	-	**114,225,054**
Watch List	-	748,074	-	-	**748,074**
Substandard	-	681,021	-	-	**681,021**
Doubtful	-	-	832,944	-	**832,944**
Loss	-	-	1,738,555	-	**1,738,555**
Write Off	-	-	96,988	-	**96,988**
Outstanding guaranteed amount	**114,024,138**	**1,629,466**	**2,669,032**	**-**	**118,322,636**
Loss Allowance	(1,586,679)	(370,316)	(1,818,107)	-	**(3,775,102)**
Outstanding guaranteed amount after ECL	**112,437,459**	**1,259,150**	**850,925**	**-**	**114,547,534**

19. IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	Stage 1	Stage 2	Stage 3	POCI	
AGRO Window	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
Loss allowance as at 31/12/2024	**262,314**	**163,407**	**131,495**	**-**	**557,216**
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(8,316)	8,316	-	-	-
Transfer from Stage 1 to Stage 3	(2,649)	-	2,649	-	-
Transfers from Stage 2 to Stage 3	-	(80,620)	80,620	-	-
Transfers from Stage 2 to Stage 1	17,581	(17,581)	-	-	-
Transfer from Stage 3 to Stage 2		4,792	(4,792)	-	-
Transfer from Stage 3 to Stage 1	-		-	-	-
New financial assets originated or purchased	157,991	45,946	3,825	-	**207,762**
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
Changes in PDs/LGDs/EADs	(134,104)	138,176	(43,305)	-	**(39,233)**
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	**30,503**	**99,029**	**38,997**	**-**	**168,529**
Other movements with no P&L impact					
Write-offs	-	-	-	-	-
Loss allowance as at 31/12/2025	**292,817**	**262,436**	**170,492**	**-**	**725,745**

19 IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

AGRO Window	Stage 1 12-month EAD	Stage 2 Lifetime EAD	Stage 3 Lifetime EAD	POCI Purchased credit-impaired	Total
Outstanding Guarantee as at 31/12/2024	**16,513,866**	**568,435**	**305,851**	**-**	**17,388,152**
Transfers:					
Transfer from Stage 1 to Stage 2	(513,065)	513,065	-	-	-
Transfer from Stage 1 to Stage 3	(163,019)	-	163,019	-	-
Transfers from Stage 2 to Stage 3	-	(237,823)	237,823	-	-
Transfers from Stage 2 to Stage 1	47,229	(47,229)	-	-	-
Transfer from Stage 3 to Stage 2	-	4,804	(4,804)	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	10,238,745	193,555	11,504	-	**10,443,804**
Write-offs	-	-	-	-	-
Payment and other movements	(6,926,255)	(74,328)	(332,424)	-	**(7,333,007)**
Outstanding guaranteed amount as at 31/12/2025	**19,197,501**	**920,479**	**380,969**	**-**	**20,498,949**

31/12/2025

AGRO Window	Outstanding guaranteed amount	Impairment allowance	Outstanding guaranteed amount after ECL	Value of Collateral
Credit-impaired assets (stage 3)*				
Loan	380,968	296,875	210,477	692,462
OVD	-	-	-	-
Total	**380,968**	**296,875**	**210,477**	**692,462**

19 IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2024

AGRO Window	Outstanding guaranteed amount	Impairment allowance	Outstanding guaranteed amount after ECL	Value of Collateral
Credit-impaired assets (stage 3)*				
Loan	295,851	276,991	167,355	866,262
OVD	10,000	3,000	7,000	-
Total	**305,851**	**279,991**	**174,355**	**866,262**

31/12/2025	Stage 1	Stage 2	Stage 3	POCI	
AGRO Window	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Purchased or originated credit-impaired**	**Total**
Credit Grade					
Standard	19,197,501	557,443	-	-	**19,754,944**
Watch List	-	177,432	-	-	**177,432**
Substandard	-	185,604	1,358	-	**186,962**
Liquidated	-	-	-	-	**-**
Doubtful	-	-	150,779	-	**150,779**
Loss	-	-	223,044	-	**223,044**
Write Off	-	-	5,788	-	**5,788**
Outstanding guaranteed amount	**19,197,501**	**920,479**	**380,969**	**-**	**20,498,949**
Loss Allowance	(292,817)	(262,436)	(170,492)	-	**(725,745)**
Outstanding guaranteed amount after ECL	**18,904,684**	**658,043**	**210,477**	**-**	**19,773,204**

19 IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2024	Stage 1	Stage 2	Stage 3	POCI	
AGRO Window	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	Total
Credit Grade					
Standard	16,513,866	151,962	-	-	**16,665,828**
Watch List	-	227,809	-	-	**227,809**
Substandard	-	188,664	-	-	**188,664**
Liquidated	-	-	-	-	**-**
Doubtful	-	-	11,550	-	**11,550**
Loss	-	-	294,300	-	**294,300**
Write Off	-	-	-	-	**-**
Outstanding guaranteed amount	**16,513,866**	**568,435**	**305,850**	**-**	**17,388,151**
Loss Allowance	(262,314)	(163,407)	(131,495)	-	**(557,216)**
Outstanding guaranteed amount after ECL	**16,251,552**	**405,028**	**174,355**	**-**	**16,830,935**

19.2 Impairment Provision losses for financial assets

	Year ended December 31, 2025 (EUR)	Year ended December 31, 2024 (EUR)
Cash	10,673,850	11,772,869
Receivables	532,765	350,079
Deposits	73,473,102	69,444,691
Investment securities measured at amortized cost	30,952,613	29,583,425
Allowances for impairment	(399,667)	(417,254)
Total investments	**115,232,663**	**110,733,810**

19 IMPAIRMENT PROVISION LOSSES (CONTINUED)

19.2 Impairment Provision losses for financial assets (continued)

Changes in the corresponding gross carrying amount and ECLs are as follows:

	Stage 1	Stage 2	Stage 3	Total
Financial Assets as of 1 January	110,939,386	-	-	**110,939,386**
New assets originated or purchased	50,593,540	-	-	**50,593,540**
Assets derecognized or matured	(45,175,677)	-	-	**(45,175,677)**
As at 31.12.2025	**116,357,249**	-	-	**116,357,249**

	Stage 1	Stage 2	Stage 3	Total
Financial Assets as of 1 January	417,254	-	-	**417,254**
New assets originated or purchased	84,035	-	-	**84,035**
Assets derecognized or matured	(101,622)	-	-	**(101,622)**
As at 31.12.2025	**399,667**	-	-	**399,667**

20. CONTINGENCIES AND COMMITMENTS

	No. of guarantees (No.)	Outstanding Guaranteed Amount (EUR)
As of December 31, 2025	20,790	179,480,301
As of December 31, 2024	17,137	135,710,787

Litigation and claims

As of December 31, 2025, there are no litigations or claims against KCGF (2024: no litigations or claims against KCGF).

21. RELATED PARTY TRANSACTIONS

Related parties consist of the Board of Directors of KCGF. Parties are considered related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. The expenses shown below include compensation paid to Board Members (remuneration fee for meetings, pension contribution) as per the Statute, including the Managing Director of KCGF.

	Receivables (EUR)	Liabilities (EUR)	Revenues (EUR)	Expenses (EUR)
As of December 31, 2025				
Board Members	-	-	-	88,115
Total	**-**	**-**	**-**	**88,115**

	Receivables (EUR)	Liabilities (EUR)	Revenues (EUR)	Expenses (EUR)
As of December 31, 2024				
Board Members	-	-	-	65,122
Total	**-**	**-**	**-**	**65,122**

22. EVENTS AFTER THE REPORTING DATE

At the end of February 2026, a significant geopolitical event occurred in the Middle East, resulting in heightened regional tensions and uncertainty. Due to the growing geopolitical tensions, since February 2026, there has been a significant increase in market volatility, as well as fluctuations in energy, oil and gas prices. Elevated inflationary pressures, disruptions across global supply chains, and a deceleration in economic growth are expected. The Entity does not have direct exposures to related parties or key customers or suppliers or banks from affected region. The impact of the above events may affect the macro-economic conditions in the country and across Europe, and in the longer-term, the trading volumes, cash flows, profitability. The Entity regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the date of the approval for issue of the present financial statements with a sufficient degree of confidence. Currently, the Entity's management is analyzing the possible impact of changing macroeconomic conditions on the Entity's financial position and results of operations. No other material events subsequent to the reporting date have occurred which require disclosure in the financial statements.

Address: Nijazi Alishani Entry 4/ Floor 1,
10 000 Prishtina, Republic of Kosovo

Tel: +383 (0) 38 225 600
Email: info@fondikgk.org | **www.fondikgk.org**

Kosovo Credit
Guarantee Fund