

KOSOVO CREDIT GUARANTEE FUND

**Independent Auditor's Report and
Financial Statements for the year
ended December 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kosovo Credit Guarantee Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kosovo Credit Guarantee Fund ("the Fund" or "KCGF"), which comprise: the statement of financial position as at December 31, 2023, statement of profit and 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 a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the 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' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

Management is responsible for other information disclosed in Annex 1 to these financial statements. Other information comprises of schedule disclosing the balances and transactions with World Bank.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the financial statements, management is responsible for assessing the 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 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 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 judgement 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Amir Dërmala
Engagement Partner
BDO Kosova L.L.C.

June 25, 2024

Ukshin Hoti, Building C 4/3, Ent. A, 2nd Floor,
Pristina, Kosovo

Kosovo Credit Guarantee Fund
Statement of Financial Position
As at December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Notes	As at December 31, 2023	As at December 31, 2022
ASSETS			
Property, plant, and equipment	9	38,234	30,954
Intangible	10	22,147	17,509
Right of Use (ROU)	8	22,210	41,248
Total non-current assets		82,591	89,711
Deposits	6	55,932,554	42,174,250
Treasury Bonds	7	22,926,628	18,781,139
Trade and other receivables	5	335,651	282,333
Cash on hand and at banks	4	8,668,321	2,052,322
Total current assets		87,863,154	63,290,044
Total assets		87,945,745	63,379,755
EQUITY AND LIABILITIES			
Capital	13	76,932,511	54,300,921
Accumulated profit		4,360,451	3,434,390
Total equity		81,292,962	57,735,311
Accrued expenses		101,434	11,553
Lease liability	8	24,920	44,891
Total non-current liabilities		126,354	56,444
Reserve for losses on Guarantees	19	4,566,250	3,021,000
Deferred revenues	11	829,840	1,346,980
Accrual guarantee fees	12	1,130,339	1,220,020
Total current liabilities		6,526,429	5,588,000
Total liabilities		6,652,783	5,644,444
Total equity and liabilities		87,945,745	63,379,755

Authorized for issue by the management and signed on its behalf on June 25, 2024.


Besnik Berisha
Managing Director




Vjosa Balaj
Senior Finance Manager

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

		Year ended December 31, 2023	Year ended December 31, 2022
	Notes		
Guarantee fees	14	2,374,801	2,457,527
Interest income	15	1,209,007	855,819
Other income	16	474,325	368,359
Gross profit		4,058,133	3,681,705
Personnel expenses	17	(335,474)	(287,630)
Operating expenses	18	(262,596)	(297,530)
Depreciation expenses	9,10	(23,626)	(21,155)
ROU depreciation	8	(19,038)	(19,038)
Net provision losses for guarantees	19	(2,397,124)	(269,387)
Net provision losses for other assets	19	(91,985)	34,531
Total expenses		(3,129,843)	(860,209)
Lease liability cost total expenses	18	(2,229)	(3,430)
Net profit for the year		926,061	2,818,066
Other comprehensive income		-	-
Total comprehensive income for the year		926,061	2,818,066

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Changes in Equity
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Capital	Accumulated profit	Total
Balance at 1 January 2022	54,300,921	616,324	54,917,245
Net profit for the year	-	2,818,066	2,818,066
Other comprehensive income	-	-	-
Balance as at December 31, 2022	54,300,921	3,434,390	57,735,311
Balance at 1 January 2023	54,300,921	3,434,390	57,735,311
Net profit for the year	-	926,061	926,061
Paid in capital	22,631,590	-	22,631,590
Other comprehensive income	-	-	-
Balance as at December 31, 2023	76,932,511	4,360,451	81,292,962

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund
Statement of Cash Flows
For the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	Year ended December 31, 2023	Year ended December 31, 2022
Operating activities		
Net profit for the year before tax	926,061	2,818,066
<i>Adjustments for:</i>		
Depreciation and amortization expense	42,664	40,193
Losses from disposal of assets	-	108
Operating loss before working capital changes	968,725	2,858,367
(Increase)/decrease in trade and other receivables	(53,318)	(56,625)
Decrease in accrued expenses	89,881	(1,543)
Change in deferred revenues	(517,140)	(910,478)
Change in accrual guarantee fees	(89,681)	(106,566)
Net cash generated in operating activities	398,467	1,783,155
Cash flows from investing activities		
Increase in deposits	(13,758,304)	(5,038,340)
Increase in treasury bonds	(4,145,489)	(4,194,717)
Purchase of property, plant, and equipment	(35,544)	(27,579)
Change in reserve for losses on guarantees	1,545,250	(303,217)
Change in reserve for losses on other assets	-	(34,531)
Net cash used in investing activities	(16,394,087)	(9,598,384)
Cash flows from financing activities		
Decrease in lease liability	(19,971)	(18,770)
Paid in capital	22,631,590	-
Net cash generated/(used) in financing activities	22,611,619	(18,770)
Increase/(decrease) in cash and cash equivalents during the year	6,615,999	(7,833,999)
Cash and cash equivalents, the beginning of the year	2,052,322	9,886,321
Cash and cash equivalents, end of the year	8,668,321	2,052,322

The accompanying notes on pages 7 to 41 form an integral part of these financial statements.

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

1. GENERAL

The Kosovo Credit Guarantee Fund ("KCGF" or "the Fund") is an independent and sustainable institution that issues guarantee to financial institutions to cover the risk for MSME (Micro, Small, and Medium Enterprises) loans.

KCGF was established, through a joint initiative between International Donors in Kosovo (mainly USAID and KfW) and the Government of Kosovo, in January 2016, based on the Law on Establishment of the Kosovo Credit Guarantee Fund.

The "Law on Establishment of the Kosovo Credit Guarantee Fund" (Law No. 05/L-057), henceforth referred to as LKCGF, created the Kosovo Credit Guarantee Fund (KCGF) as an independent, autonomous, non-profit public institution with full legal personality. This law distinctly separates the legal identity of KCGF from its Board of Directors and Executives. It also defines the KCGF's authority, structure, governance, operations, scope, policies, and procedures for issuing credit guarantees.

The Law on establishment of KCGF was initiated by MTI (Ministry of Trade and Industry), while USAID in Kosovo, through the EMPOWER Credit Support Program (ECS), supported the institution in becoming operational. The law entered into force on 23 January 2016. KCGF capital consists of funds donated by USAID, KfW, and the Government of Kosovo (GoK).

KCGF is created to help meet the need for increased access to finance for micro, small, and medium enterprises in Kosovo, create jobs, increase local production and value-added services, improve the trade balance, and enhance financing opportunities for MSMEs.

KCGF is governed by a Board of Directors 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, Labour and Transfers of the Republic of Kosovo; four independent members, appointed by donors, and the KCGF Managing Director, who collectively combine years of experience in financial management, risk management, commercial or financial law, private sector and auditing. The Board provides leadership and oversight for all KCGF's activities.

KCGF was established to provide partial risk credit guarantees to financial institutions on loans to MSMEs up to the credit guarantees coverage amount prescribed by the LKCGF and the Guarantee Agreement between KCGF and the financial institution.

For its main function, KCGF is responsible for:

- a. Issuing Credit Guarantees by the LKCGF and internal policies approved by the Board of Directors.
- b. Setting the conditions for registering qualified Financial Institutions in the KCGF, according to the Policy that regulates the Registration of Financial Institutions.
- c. Setting the conditions for issuing Credit Guarantees by the KCGF.
- d. Setting the credit Guarantee Fees.
- e. Depositing or investing directly or through delegation of authority the assets of KCGF within the limitations of the LKCGF.
- f. Paying Payable Amounts on Credit Guarantees to Registered Financial Institutions under the provisions of the LKCGF and the Guarantee Agreement, in provisions of the LKCGF and the Policy that regulates the handling of the claims.

1. GENERAL (CONTINUED)

KCGF's minimum capital is 300,000.00 Euros as defined in Article 10 of the LKCGF (Law on Establishment of the Kosovo Credit Guarantee Fund). KCGF's governing bodies are the Board of Directors and the Managing Director. The Board of Directors shall be the highest governance body of KCGF. The KCGF's fiscal identification number is 601642061.

KCGF operations and all administrative activities since June 10, 2017, are independent and under its own management.

On December 6, 2017, the Kosovo Credit Guarantee Fund (FKGK) signed the Guarantee Agreement with the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Pristina.

On May 14, 2019, the Kosovo Credit Guarantee Fund (KCGF) signed the Guarantee Agreement with the European Investor Fund under the COSME LGF (loan guarantee facility) program.

On May 11, 2022, the Kosovo Credit Guarantee Fund (KCGF) signed the portfolio Guarantee Agreement with the Development Finance Corporation (DFC).

On November 30, 2023, the Kosovo Credit Guarantee Fund (FKGK) signed the second Guarantee Agreement with the Swedish International Development Cooperation Agency (SIDA), represented by the Embassy of Sweden in Pristina.

The support of the guaranteed portfolio of KCGF by SIDA, COSME and DFC will further enhance the ability of the Fund to ensure a higher level of credit guarantees, while at the same time increasing the financial sustainability of the sector. The sustainability will reflect the facilitation of financial intermediation, hence increasing access to finance for micro, small, and medium-sized enterprises to promote economic growth and job creation for women, men, and youth of all ethnicities in Kosovo.

2. MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation and statement of compliance

These financial statements have been prepared by 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 the Fund's 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.

2.1.1 *New and amended standards and interpretations*

The following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) are effective for the current reporting period.

- **IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)**

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It considers market interest rates, and the impact of policyholders' options and guarantees.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.1 *New and amended standards and interpretations (continued)*

Kosovo Council for Financial Reporting (KCFR) has postponed the implementation date of IFRS 17 for three years. Application of *IFRS 17 - Insurance Contracts* will become effective for annual reporting periods beginning on or after 1 January 2026.

KCGF does not have any contracts that meet the definition of an insurance contract under IFRS 17, thus the management of the Fund anticipates that the standard will have no impact on the Fund's financial statements in future periods.

- **Amendments to IAS 12 - Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

Amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments had no impact on the financial statements of KCGF.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

The Amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments had no material impact on the financial statements of the KCGF.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The amendments become effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments had no impact on the financial statements of KCGF.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1.2 *New and Revised Standards and Interpretations issued by IASB but not yet effective and not early adopted*

At the date of authorization of these financial statements, KCGF has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current.
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The management of the Fund do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods.

- **Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. KCGF will assess the impact the amendments might have on current practice.

- **Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Fund's financial statements.

- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**

IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must apply retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. The amendments are not expected to have an impact on the Fund's financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets and financial liabilities

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.

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.

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

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

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.

As of December 31, 2023, and 2022, financial assets and liabilities of the Fund 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 the assets. The calculation of ECL for financial assets measured at amortized cost is disclosed in Note 2.13.

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).

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks with an original maturity of fewer than 3 months. The Fund has a bank account opened with the Central Bank of the Republic of Kosovo and current accounts with Banka per Biznes, Banka Ekonomike, TEB Bank, Banka Kombetare Tregtare, ProCredit Bank, and NLB Bank.

2. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.4 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 the Fund for subsequent measurement of property, plant, and equipment is the cost model under IAS 16 - acquisition cost less accumulated depreciation and impairment losses.

Gains or losses from the derecognition of an item of property, plant, and equipment (calculated as the difference between the proceeds and the carrying amount of the item) are recognized net within other income/other costs in profit or loss.

Depreciation methods

The Fund 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

2.5 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. The Fund applies the straight-line depreciation method for the intangible assets with a determined useful life of 5 years.

2.6 Right of use asset

The Fund 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Right of use asset(continued)

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

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

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 the Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 6.4%.

The Fund uses one or more of the following practical expedients according to IFRS 16.C10, applying it on a lease-by-lease basis:

- Using a single discount rate for a portfolio of leases with similar characteristics.
- Adjusting the right-of-use asset for any recognized onerous lease provisions, instead of performing an impairment review.
- Applying a recognition exemption for leases for which the lease term ends within 12 months of the date of initial application and leases of low-value assets. KCGF recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
- Excluding initial direct costs from the measurement of the right-of-use asset.
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Right of use asset (continued)

- KCGF has the right to direct the use of the asset. KCGF has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, KCGF has the right to direct the use of the asset if either:
 - KCGF has the right to operate the asset; or
 - KCGF designed the asset in a way that predetermines how and for what purpose it will be used.

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

2.7 Impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of such assets is greater than the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax-discount rate that reflects a current market assessment of the time value of money and the risks specific to the assets.

Impairment losses are recognized in the statement of comprehensive income.

2.8 Fund's balance

The Fund Balance is a grant provided by the Government of the Republic of Kosovo, USAID, and KfW.

2.9 Current and deferred income taxes

According to LKCGF, the Fund is exempt from Corporate Income Tax, VAT, and tax on dividends, interest, or investment income earned from funds on credit guarantees or investments, and any other levy, withholding, or tax to any aspect of the operations of the Fund.

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 Fund's revenues are:

- (i) Revenues from guarantee fees;
- (ii) Interest from investments.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Revenue recognition (continued)

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 active portion of the credit guarantee. The income from the guarantee fee is recognized on an accrual basis for a period of 12 months. 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 investment

Investment means investments of surplus funds where the overriding principle guiding the investment of surplus 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.

2.11 Expenses

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 guarantee losses)

The fund registers the expenses under the accrual basis of accounting. The difference between revenues and expenses represents the net income/loss during the accounting period, which is transferred into the accumulated profit as part of the capital of the fund. KCGF pays only contributions to a publicly administered pension plan on a mandatory basis. The contributions are recognized as employee benefit expenses 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.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment provisions

An impairment provisioning policy specifies the process of setting aside certain reserves for all credits that are placed under guarantees that are expected or have incurred credit loss. In the year 2021, KCGF upgraded the model which calculates the historical data of the KCGF adapted from the macroeconomic model to derive the expected losses in the guaranteed portfolio, which is in line with the requirements of IFRS 9. The ECL calculations are based on the following input parameters:

- *Probability of Default (PD)*: This expresses the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon, i.e., over 12-month for stage 1 exposures and over the entire lifetime for stage 2 and stage 3 exposures.
- *Exposure at Default (EAD)*: This is an estimate of the exposure at a future default date, considering expected changes in the exposure after reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. For Guarantees, EAD will be based on the outstanding guaranteed amount.
- *Loss Given Default (LGD)*: This represents an estimate of the loss arising from a default event. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

The impairment of credit guarantees according to the model is done in three stages, based on changes in credit quality since initial recognition.

The guiding principle of IFRS 9 is that Expected Credit Loss (ECL) reflects the general pattern of deterioration or improvement in credit quality. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition.

Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) if there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which apply when a significant increase in credit risk has occurred on an individual or collective basis.

Stage 1 - involves identifying financial instruments that have not deteriorated. For these instruments, 12-month expected credit losses would be recognized. That is, an estimate would be made of the probability of a default occurring in the 12 months following the reporting date. That probability would be multiplied by the shortfall in lifetime cash flows (that is, the present value of the difference of all principal and interest contractually due and the amount the entity expects to receive) In essence, the 12 months expected credit losses represent a portion of the lifetime credit losses.

Stage 2 - involves identifying financial instruments that have deteriorated significantly in credit quality since they were first recognized, and do not exhibit objective evidence of a credit loss event. For these instruments, lifetime expected credit losses would be recognized; interest revenue would still be calculated on the gross carrying amount for these instruments. In contrast to 12-month expected credit losses, lifetime expected credit losses represent estimates based on the probability of a default event occurring at any time over the life of an instrument and are not only weighted by the likelihood of possible default events over the next 12 months.

Stage 3 - is for those financial instruments that do show objective evidence of impairment at the reporting date. For such instruments, lifetime expected credit losses are recognized, but unlike for financial assets in Stages 1 or 2, the interest revenue on these assets is calculated on the net carrying amount (i.e., the gross carrying amount less the loss allowance for expected credit losses).

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment provisions (continued)

In addition, the ECL is calculated also for financial assets measured at amortized cost (Deposits and Securities). The ECL calculation for financial assets is based on external ratings where for each counterparty KCGF assigns a rating. As Kosovo does not have a rating, nor the deposit Financial Institutions are not rated, the average region most recent assessment is used.

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 is the process of evaluating and responding to risks for the purpose of reducing those risks 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. 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 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 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 with respect to accounting and auditing matters, including related risk matters. In general, both committees assist the Board of Directors 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.

3.3 Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower to honor its financial or contractual obligations to a bank. KCGF's risks lie, correspondingly, with the banks. If nonperforming loans at a bank increase, putting their portfolio at risk, this will in turn increase KCGFs, in the sense that KCGFs may be called on the guarantees issued. This will have an impact on KCGF's capital position and expected fee income. Therefore, KCGF's counterparties' (Registered Financial Institutions' "RFI") credit assessment and their policies will influence the quality of KCGF's guaranteed portfolio. For Registering Financial Institutions, KCGF has implemented a Registration Policy 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Credit risk (continued)

The registration policy 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 to further penetrate the MSME segment
- A willingness to reduce collateral requirements as a quid pro quo for KCGF's partial loan guarantees
- Sound loan underwriting policies and procedures

For ensuring that the guarantee commitments that KCGF are 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 the 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 safety and soundness issues in the overall condition of the bank.

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

For addressing the capital investment, KCGF has adopted an investment policy 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 term deposits with Financial Institutions in securities issued by the Government of Kosovo as well as the breakdown by investment maturity, 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 in order to bring additionality and support access to finance for MSMEs, even under adverse circumstances. Reliable arrangements, analysis of liquidity requirements, and contingency planning (for example, counter-guarantee arrangement) are crucial elements of strong liquidity.

KCGF acknowledges that the capital that it is holding as liquid assets should provide support for the achievement of its objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques that balance risk and reward, within the context of effective risk management.

For the purpose of optimizing potential returns within acceptable risk parameters, KCGF has prepared an investment policy 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, 2023			
	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial assets				
Cash and cash equivalents	8,687,761	-	-	-
Trade and other receivables	336,096	-	-	-
Deposits	46,458,137	9,722,287	-	-
Securities	-	-	22,962,536	-
Total financial assets	55,481,994	9,722,287	22,962,536	-
Financial liabilities				
Payables and other liabilities	4,971,349	-	-	-
Total financial liabilities	4,971,349	-	-	-
	December 31, 2022			
	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Financial assets				
Cash and cash equivalents	2,052,322	-	-	-
Trade and other receivables	282,334	-	-	-
Deposits	32,747,840	9,546,130	-	-
Securities	-	-	18,870,642	-
Total financial assets	35,082,495	9,546,130	18,870,642	-
Financial liabilities				
Payables and other liabilities	3,244,232	-	-	-
Total financial liabilities	3,244,232	-	-	-

3.5 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 from a wide spectrum of different external events, ranging from power failures to floods or earthquakes.

Similarly, the operational risk may arise due to internal events, such as the potential for failure or discrepancy in any of the FKGGK 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 workers; the potential for negligence or deliberate misdemeanor; conflict of interest; fraud; hostile action, and so on.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Operational Risk (continued)

The 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 include:

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

II) Strong internal operational risk culture (Internal operational risk culture is taken to mean 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 on 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.

3.6 Financial instruments presented at fair value

The financial assets measured according to the fair value in the statement of financial position in accordance with the hierarchy of the fair value are shown in the next table. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund can access at the measurement date.
- Level 2: Other than quoted market prices included within Level 1 that are observable for the asset or liability either directly or indirectly and
- Level 3: Unobservable inputs for the asset or liability.

As of December 31, 2023, and 2022, the Fund has no financial assets measured at fair value.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.7 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 December 31, 2023	Fair value December 31, 2023
Financial assets - at amortized cost		
Cash and cash equivalents	8,687,761	8,687,76
Trade and other receivables	336,096	336,096
Deposits	56,180,424	56,180,424
Securities	22,962,536	22,962,536
Total financial assets	88,166,817	88,166,817
Financial liabilities - at amortized cost		
Payables and other liabilities	4,971,349	4,971,349
Total financial liabilities	4,971,349	4,971,349

	Carrying value December 31, 2022	Fair value December 31, 2022
Financial assets - at amortized cost		
Cash and cash equivalents	2,052,322	2,052,322
Trade and other receivables	282,334	282,334
Deposits	42,293,970	42,293,970
Securities	18,870,642	18,608,402
Total financial assets	63,499,268	63,237,028
Financial liabilities - at amortized cost		
Payables and other liabilities	3,244,232	3,244,232
Total financial liabilities	3,244,232	3,244,232

3.8 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.8 Critical accounting estimates and judgments (continued)

Impairment of credit guarantees

The Fund reviews its credit guarantee contracts to assess whether an impairment loss should be recorded in profit or loss. 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, 2023. 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 Notes 9. However, the factual results may differ due to technological obsolescence.

4. CASH AND CASH EQUIVALENTS

	As at December 31, 2023	As at December 31, 2022
Cash at Central Bank of Kosovo	8,277,074	1,777,895
Current Accounts	409,745	276,253
Petty cash	942	629
Total	8,687,761	2,054,777
Impairment	(19,440)	(2,455)
Total cash and cash equivalents	8,668,321	2,052,322

5. TRADE AND OTHER RECEIVABLES

	As at December 31, 2023	As at December 31, 2022
Receivables from RFI's	326,648	273,084
Advances	9,448	9,249
Total	336,096	282,333
Impairment	(445)	-
Total receivables	335,651	282,333

Receivables from clients as of December 31, 2023 and 2022 are past due. Receivables from clients are paid in the following month as the Fund generates the fees invoices in the following month after the bank's status update of the outstanding guarantee.

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

6. DEPOSITS

The total deposits as of 31.12.2023 are in the amount of 55,536,300 EUR (2022: 41,840,832 EUR) with a minimum interest rate of 1.1% and maximum interest rate of 3.6% (2022: the minimum interest rate of 0.8% and maximum interest rate of 2.6%).

These investments, which should have a minimum maturity of 1 year and a maximum maturity of 5 years, are limited to banks that meet the criteria as approved by KCGF's Board of Directors.

	As at December 31, 2023	As at December 31, 2022
Deposits in banks in Kosovo	55,536,300	41,840,832
Accrued interest	644,124	453,138
Total	56,180,424	42,293,970
Impairment allowance	(247,870)	(119,720)
Total deposits	55,932,554	42,174,250

These investments are in compliance with article 22 - "Investment of KCGF Capital Fund" of the Law on the Establishment of the Kosovo Credit Guarantee Fund.

7. INVESTMENTS IN SECURITIES

The total investments in securities as of 31.12.2023 are in the amount of 22,856,673 EUR (2022: 18,791,668 EUR) with a minimum interest rate of 1.1% and maximum interest rate of 3.6% (2022: a minimum interest rate of 1.1% and maximum interest rate of 2.1%), and minimum maturity of 3 years and maximum maturity of 5 years.

The investments are classified as amortized cost and all investments are invested in securities issued by the Government of Kosovo.

	As at December 31, 2023	As at December 31, 2022
Investment securities - at amortized cost		
Government bonds	22,856,673	18,791,668
Accrued interest	105,863	78,974
Total	22,962,536	18,870,642
Impairment allowance	(35,908)	(89,503)
Total Investments in Securities	22,926,628	18,781,139

These investments are in compliance with 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 comprises a building leased for the KCGF office.

	As at December 31, 2023	As at December 31, 2022
Carrying Amount at January 1	41,248	60,286
Additions	-	-
Disposal	-	-
Depreciation charge for the year	(19,038)	(19,038)
Carrying Amount at December 31,	22,210	41,248

8.2 Lease liability

	As at December 31, 2023	As at December 31, 2022
As at January 1	44,891	63,661
Additions	-	-
Lease payments	(22,200)	(22,200)
Accrued interest	2,229	3,430
Lease liability as at December 31,	24,920	44,891

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

	As at December 31, 2023	As at December 31, 2022
Less than one year	19,971	19,971
Two to five years	4,949	24,920
Total lease liabilities at December 31,	24,920	44,891

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

9. PROPERTY, PLANT, AND EQUIPMENT	Equipment	IT Equipment	Office furniture	Leasehold improvements	Total
Historical cost					
As at January 1, 2022	4,689	6,766	3,746	21,120	36,321
Additions during the period	12,550	5,073	1,915	1,310	20,848
Disposals during the period	(679)	-	-	-	(679)
As at December 31, 2022	16,560	11,839	5,661	22,430	56,490
Additions during the period	5,598	17,019	-	-	22,617
As at December 31, 2023	22,158	28,858	5,661	22,430	79,107
Accumulated depreciation					
As at January 1, 2022	(3,506)	(277)	(1,823)	(6,831)	(12,437)
Depreciation for the period	(4,354)	(2,802)	(1,623)	(4,891)	(13,670)
Disposals for the period	571	-	-	-	571
As at December 31, 2022	(7,289)	(3,079)	(3,446)	(11,722)	(25,536)
Depreciation for the period	(4,825)	(4,245)	(1,314)	(4,953)	(15,337)
As at December 31, 2023	(12,114)	(7,324)	(4,760)	(16,675)	(40,873)
NET VALUE					
As at December 31, 2022	9,271	8,760	2,215	10,708	30,954
As at December 31, 2023	10,044	21,534	901	5,755	38,234

As of December 31, 2023 and 2022, KCGF uses all property and equipment for its activities and there are no encumbrances over KCGF assets.

10. INTANGIBLE ASSETS

	Software
Historical cost	
As at January 1, 2022	103,076
Additions during the period	<u>6,731</u>
As at December 31, 2022	<u>109,807</u>
Additions during the period	<u>12,927</u>
As at December 31, 2023	<u>122,734</u>
Accumulated amortization	
As at January 1, 2022	84,813
Amortization for the period	<u>7,485</u>
As at December 31, 2022	<u>92,298</u>
Amortization of the year	<u>8,289</u>
As at December 31, 2023	<u>100,587</u>
NET VALUE	
As at December 31, 2022	<u><u>17,509</u></u>
As at December 31, 2023	<u><u>22,147</u></u>

As of December 31, 2023, and 2022, there are no encumbrances over KCGF intangible assets.

Management Information System is the Fund's software which was originally donated by USAID. This system was acquired and activated in July 2016 and its initial value was 66,825 euros. KCGF in 2017 and 2018 upgraded the system with its funds of 11,844 euros. With a donation from KfW, the Fund upgraded the system again in 2019 and 2020 for 17,885 euros. In 2021, with technical assistance from the project FSSP, the Fund upgraded the system for 5,386 euros, and with its funds in the amount of 1,136 euros. In 2022, with technical assistance from the project FSSP, the Fund upgraded the system for 5,080 euros. In 2023, with technical assistance from the project FSSP, the Fund upgraded the system for 12,927 euros. The Fund has recognized the system as an asset in the financial statements and has accounted for deferred income to the amount of the donation.

11. DEFERRED REVENUES

Grants related to depreciable assets are released to profit or loss over the estimated useful lives of donated assets - software and equipment. Grants related to non-depreciable assets requiring the fulfillment of certain obligations are recognized in profit or loss over the periods that bear the cost of meeting the obligations.

11.1 Deferred revenue from donated assets

	As at December 31, 2023	As at December 31, 2022
Equipment	9,646	8,480
IT Equipment (FSSP TA - Note 11.3)	19,027	4,061
IT Equipment (MFK TA)	2,424	4,369
Leasehold improvements (FSSP TA - Note 11.3)	695	1,293
Office furniture (FSSP TA)	902	1,542
Software (FSSP TA - Note 11.3)	18,398	8,538
Software (KfW TA)	1,977	5,557
Total in-kind contributions	53,069	33,840

	As at December 31, 2023	As at December 31, 2022
At the beginning	33,840	20,447
Additions during the year (Note 11.3)	35,544	25,110
Equipment (FSSP TA)	5,598	11,950
- IT Equipment (FSSP TA)	17,019	-
- IT Equipment (MFK TA)	-	4,853
- Office furniture (FSSP TA)	-	1,916
- Leasehold improvements (FSSP TA)	-	1,311
- Software (FSSP TA)	12,927	5,080
- Depreciation and amortization (USAID TA)	-	-
- Depreciation and amortization (KfW TA)	(3,580)	(3,577)
- Depreciation and amortization (FSSP TA)	(10,790)	(7,718)
- Depreciation and amortization (MFK TA)	(1,945)	(484)
Depreciation and amortization (Note 16)	(16,315)	(11,779)
At the end of the year	53,069	33,778

11.2 Deferred revenue from guarantee fee subsidy

	As at December 31, 2023	As at December 31, 2022
Fee subsidy	759,809	1,233,171
Total deferred revenues from subsidy fee	759,809	1,233,171

11. DEFERRED REVENUES (CONTINUED)

11.2 Deferred revenue from guarantee fee subsidy (continued)

	As at December 31, 2023	As at December 31, 2022
At the beginning	1,233,171	2,260,814
Additions during the period	-	-
Utilized (Note 12, Note 14)	(473,362)	(781,031)
Returned	-	(246,612)
	<u>759,809</u>	<u>1,233,171</u>
At the end of the year	<u>759,809</u>	<u>1,233,171</u>

KCGF as part of the economic recovery program and law on economic recovery, received as an advance the subsidy of the guarantee fee, in the amount according to the contract, distributed over a period of time. KCGF recorded the amount as deferred income and only after the realization of the guarantee, recorded it as income in the statement of comprehensive income. The contract was terminated on December 31, 2021.

In the framework of the Agreement between the Kosovo Credit Guarantee Fund and the Ministry of Finance, for the Subsidy of Guarantee Fees dated 31.12.2020, the Kosovo Credit Guarantee Fund has received the amount of 5 million euros (received in two parts, dated 18 February 2021 in the amount of EUR 1.5 million and on 17 August in the amount of EUR 3.5 million) for subsidizing tariffs for cases guaranteed under the Economic Recovery Package (PRE) in accordance with Law no. 07 / L -016 for Economic Recovery - COVID. Since the duration of the Law no. 07 / L-016 on Economic Recovery was until December 31, 2021, and a result, the validity of the guarantee windows as a special measure within the PRE has been up to this date, including the use of a dedicated budget of 5.0 million euros to subsidize guarantee fees. In agreement with the Ministry of Finance, Labor, and Transfers, it was decided that the unused funds from the amount of subsidy of guaranteed fees, in 2021 in the amount of 1,614,951 euros, and in 2022 in the amount of 246,612 euros, were returned to the Government of the Republic of Kosovo.

The initial maturity of the loan or lease was used as the basis for the calculation, assuming that each loan guaranteed under this window will be amortized according to the initial payment plan and eventual prepayments and restructurings that may occur during the maturity of the exposures are not taken into account. In addition to all revolving products (Overdrafts and Credit Lines), it is calculated that they will be re-extended for five cycles (years), as allowed in the Guarantee Agreement with partner banks. For Loans and Leases marked with irregular payment plans, the calculation is performed by considering the payment plans which are requested by the Banks.

11.3 Deferred revenue from technical assistance

	As at December 31, 2023	As at December 31, 2022
FSSP technical assistance	16,962	80,031
Total deferred revenues from technical assistance	<u>16,962</u>	<u>80,031</u>

11. DEFERRED REVENUES (CONTINUED)

11.3 Deferred revenue from technical assistance (continued)

	As at December 31, 2023	As at December 31, 2022
At the beginning	80,031	10,728
Additions during the period	221,673	170,012
Utilized FSSP TA (Note 11.1)	(35,544)	(25,110)
Utilized FSSP TA (Note 16)	(249,198)	(75,599)
	<u>16,962</u>	<u>80,031</u>
At the end of the year	<u>16,962</u>	<u>80,031</u>

KCGF in the framework of the contract signed on September 17, 2020, between KCGF and the Government of the Republic of Kosovo represented by the Ministry of Finance and the implementation of the Financial Sector Strengthening Project, receives advance technical assistance, according to the budgeted amount, which is determined according to the need to cover costs.

KCGF records the amount as deferred revenue and only after the realization of expenditures dedicated to the implementation of the project, records it as income in the comprehensive income statement. These funds cover the expenses of the staff engaged in the project in the amount of 120,312 euros, assets in the amount of 35,544 euros, and other consulting and administrative expenses in the amount of 83,436 euros. This value is recorded as other income for 250,082 euros and is reflected in disclosure 16, also the value of assets is recorded as income in the relevant period and is reflected in disclosures 9 and 10.

12. ACCRUALS

	As at December 31, 2023	As at December 31, 2022
- Accrual Guarantee Fee	479,869	466,575
- Accrual Guarantee Fee (covered by Ministry of Finance) (Note 11.2)		
- Accrual Annual Fee	342,402	292,085
- Accrual Annual Fee (covered by Ministry of Finance) (Note 11.2)	308,068	461,360
	<u>1,130,339</u>	<u>1,220,020</u>
Total accrual fees	<u>1,130,339</u>	<u>1,220,020</u>

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
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13. CAPITAL

As at December 31, 2022 and 2021, capital consists of funds provided to the KCGF as grants as follows:

	As at December 31, 2023	As at December 31, 2022
Funds received from USAID	5,790,921	5,790,921
Funds received from KfW	24,100,000	24,100,000
Funds received from GoK	47,041,590	24,410,000
Total	76,932,511	54,300,921

In December 2021, KfW donated an additional capital of 5,600,000 euros to support the green recovery sector through KCGF. In April 2020, KfW donated an additional capital of 6,500,000 euros to Agro Window as part of the development of this KfW-supported sector. While in November 2020, KfW donated another 5,000,000 euros to support the windows under the Recovery Package, dedicated to the recovery of businesses during the pandemic crisis, and in 2021 another 5,600,000 euros. In 2020, the implementation of the World Bank project for the Financial Sector Strengthening Project began, where the Government of Kosovo donated to the KCGF 21,410,000 euros capital. From this capital, through FSSP, to address the request for financial support of MSMEs affected by the crisis caused by COVID-19, KCGF designed and implemented six windows in different sectors and generated revenues which are disclosed in Note 14. The windows within the Recovery Package have enabled the guarantee of loans up to 80%. In 2023, the Government of Kosovo donated to the KCGF 22,631,590 EUR capital, through the EIB agreement.

14. GUARANTEE FEES

	Year ended December 31, 2023	Year ended December 31, 2022
Guarantee fees	1,724,896	1,471,774
Release of deferred revenue for Guarantee fees covered by the Ministry of Finance (Note 11.2)	649,905	985,753
Total guarantee fees	2,374,801	2,457,527

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 income from the guarantee fee is recognized on an accrual basis for a period of 12 months.

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. The total fee income as of 31.12.2023 is in the amount of 2,374,801 EUR (2022: 2,457,527 EUR) with a minimum fee of 0.5% and a maximum fee of 2% (2022: a minimum fee of 0.5% and a maximum fee of 2%).

Kosovo Credit Guarantee Fund
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15. INTEREST INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income from deposits	885,468	574,576
Interest income from Government bonds	<u>323,539</u>	<u>281,243</u>
Total interest income	<u>1,209,007</u>	<u>855,819</u>

16. OTHER INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Funds for operating expenses	884	218,384
Release of deferred revenue for FSSP TA (Note 11.3)	249,198	75,599
Recovery	207,928	62,597
Release of deferred revenue for in-kind fixed asset donation (Note 11.1)	<u>16,315</u>	<u>11,779</u>
Total other income	<u>474,325</u>	<u>368,359</u>

Funds for operating expenses are part of the technical assistance under the contract between KCGF and the Government of the Republic of Kosovo represented by Ministry of Finance in the framework of the implementation of the project with the World Bank for the Financial Sector Strengthening Project (FSSP). It is important to note that the funds are used only to cover operating expenses according to the plan set out in the relevant contract.

17. PERSONNEL EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Salaries	276,344	236,950
Pension contribution	31,950	27,394
Tax salaries	<u>27,180</u>	<u>23,286</u>
Total personnel expenses	<u>335,474</u>	<u>287,630</u>

18. OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Translator and other Professional services	103,471	30,300
Publications, Branding, and Marketing	49,476	16,068
Re-guarantee expenses	25,967	183,296
Training, Conferences, and Seminars	23,507	8,290
Maintenance & Repair Exp.	22,723	25,034
Expenses for Membership & Subscription	7,000	5,501
Phone and internet expenses	4,616	4,211
Interest expenses on the lease liabilities	2,229	3,430
Office rent & utilities	2,196	2,196
Bank fees	1,600	977
Other expenses	22,040	21,657
Total operating expenses	<u>264,825</u>	<u>300,960</u>

19. IMPAIRMENT PROVISION LOSSES

19.1 Impairment provision for guarantees

	Year ended December 31, 2023	Year ended December 31, 2022
Additional provision	6,771,011	5,184,809
Release of provision	<u>(4,373,887)</u>	<u>(4,915,422)</u>
Total net provision expenses	<u>2,397,124</u>	<u>269,387</u>

A provisioning policy specifies the process of setting aside certain reserves for all credits that are placed under guarantees that are expected or have incurred credit loss.

	Year ended December 31, 2023	Year ended December 31, 2022
As at 1 January	3,021,000	3,324,217
Additional provision	6,771,011	5,184,809
Release of provision	(4,373,887)	(4,915,422)
Claims paid	<u>(851,874)</u>	<u>(572,604)</u>
As at December 31,	<u>4,566,250</u>	<u>3,021,000</u>

The movement of the reserve for losses on guarantees for 2023 and 2022 is as follows:
The paid claims refer to 60 claims requested by 7 RFI's (2022: 44 claims, requested by 5 banks).

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
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19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	As of December 31, 2023 (EUR)	As of December 31, 2022 (EUR)
Stage 1	1,878,373	1,326,386
Stage 2	628,528	479,651
Stage 3	2,059,351	1,214,963
As of 31 December	<u>4,566,252</u>	<u>3,021,000</u>

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

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Loss allowance as at 31/12/2022	1,259,123	436,116	1,180,646	-	2,875,884
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(21,734)	21,734	-	-	-
Transfer from Stage 1 to Stage 3	(20,148)	-	20,148	-	-
Transfers from Stage 2 to Stage 3	-	(116,144)	116,144	-	-
Transfers from Stage 2 to Stage 1	166,930	(166,930)	-	-	-
Transfer from Stage 3 to Stage 2	-	17,000	(17,000)	-	-
Transfer from Stage 3 to Stage 1	21,522	-	(21,522)	-	-
New financial assets originated or purchased	742,937	104,250	187,908	-	1,035,095
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
Changes in PDs/LGDs/EADs	(482,916)	246,498	502,349	-	265,932
FX and other movements	-	-	-	-	-
Total net P&L charge during the period	406,591	106,410	788,027	-	1,301,028
Other movements with no P&L impact					
Write-offs	-	-	-	-	-
Loss allowance as at 31/12/2023	1,665,714	542,525	1,968,673	-	4,176,912

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

REGULAR Window	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month EAD	Lifetime EAD	Lifetime EAD	Purchased credit-impaired	
Outstanding Guarantee as at 31/12/2022	105,001,439	1,744,921	2,209,352	-	108,955,712
Transfers:					
Transfer from Stage 1 to Stage 2	(1,828,665)	1,828,665	-	-	-
Transfer from Stage 1 to Stage 3	(1,681,145)	-	1,681,145	-	-
Transfers from Stage 2 to Stage 3	-	(505,100)	505,100	-	-
Transfers from Stage 2 to Stage 1	576,573	(576,573)	-	-	-
Transfer from Stage 3 to Stage 2	-	29,941	(29,941)	-	-
Transfer from Stage 3 to Stage 1	38,839	-	(38,839)	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	43,955,420	349,578	280,356	-	44,585,354
Write-offs FX and other movements	(47,215,664)	(987,046)	(1,520,049)	-	(49,722,759)
Gross carrying amount as at 31/12/2023	98,846,797	1,884,386	3,087,124	-	103,818,307

31/12/2023

REGULAR Window	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)*	CU'000	CU'000	CU'000	CU'000
Loan	2,902,220	2,018,064	884,156	1,792,834
Credit Line	23,560	16,496	7,064	28,280
OVD	161,344	107,383	53,961	5,556
Total	3,087,124	2,141,943	945,181	1,826,670

Kosovo Credit Guarantee Fund
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19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2022

REGULAR Window Credit-impaired assets (stage 3)*	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Loan	2,143,366	1,153,889	989,477	1,109,080
OVD	47,405	19,269	28,137	5,556
Total	2,190,771	1,173,158	1,017,614	1,114,636

31/12/2023

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Credit Grade					
Standard	98,846,795	201,707	-	-	99,048,502
Substandard	-	437,836	-	-	437,836
Watch List	-	1,244,843	-	-	1,244,843
Liquidated	-	-	-	-	-
Doubtful	-	-	886,250	-	886,250
Loss	-	-	2,135,910	-	2,135,910
Write Off	-	-	64,964	-	64,964
Gross carrying amount	98,846,795	1,884,386	3,087,124	-	103,818,305
Loss Allowance	1,665,714	542,525	1,968,673	-	4,176,912
Carrying Amount	97,181,082	1,341,861	1,118,451	-	99,641,393

31/12/2022

REGULAR Window	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Purchased or originated credit- impaired	Total
Credit Grade					
Standard	105,001,439	658,193	-	-	105,659,632
Substandard	-	428,362	34,712	-	463,075
Watch List	-	658,366	-	-	658,366
Liquidated	-	-	-	-	-
Doubtful	-	-	533,584	-	533,584
Loss	-	-	1,581,214	-	1,581,214
Write Off	-	-	59,842	-	59,842
Gross carrying amount	105,001,439	1,744,921	2,209,352	-	108,955,712
Loss Allowance	1,259,123	436,116	1,180,646	-	2,875,885
Carrying Amount	103,742,316	1,308,805	1,028,706	-	106,079,827

Kosovo Credit Guarantee Fund
Notes to the Financial Statement for the year ended December 31, 2023
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19 IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

AGRO Window	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit- impaired	
Loss allowance as at 31/12/2022	67,462	43,536	34,317	-	145,315
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(602)	602	-	-	-
Transfer from Stage 1 to Stage 3	(1,360)	-	1,360	-	-
Transfers from Stage 2 to Stage 3	-	(37,492)	34,492	-	-
Transfers from Stage 2 to Stage 1	8,330	(8,330)	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	139,828	62,088	4,272	-	206,188
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
Changes in PDs/LGDs/EADs FX and other movements	(999)	25,600	13,237	-	37,839
Total net P&L charge during the period	406,591	106,410	788,027	-	244,026
Other movements with no P&L impact					
Write-offs	-	-	-	-	-
Loss allowance as at 31/12/2023	1,665,714	542,525	1,968,673	-	389,341

Kosovo Credit Guarantee Fund

Notes to the Financial Statement for the year ended December 31, 2023

(All amounts in EUR, unless stated otherwise)

19 IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month EAD	Lifetime EAD	Lifetime EAD	Purchased credit-impaired	
AGRO Window					
Outstanding Guarantee as at 31/12/2022	7,467,815	175,762	93,870	-	7,737,447
Transfers:					
Transfer from Stage 1 to Stage 2	(66,637)	66,637	-	-	-
Transfer from Stage 1 to Stage 3	(150,440)	-	150,440	-	-
Transfers from Stage 2 to Stage 3	-	(37,492)	37,492	-	-
Transfers from Stage 2 to Stage 1	35,322	(35,322)	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-	-
New financial assets originated or purchased	7,877,307	163,951	4,959	-	8,046,217
Write-offs	-	-	-	-	-
FX and other movements	(3,171,062)	(96,045)	(89,804)	-	(3,356,911)
Gross carrying amount as at 31/12/2023	11,992,305	237,491	196,957	-	12,426,753

31/12/2023

AGRO Window	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)*				
Loan	171,956	157,014	14,942	629,462
Credit Line	-	-	-	-
OVD	25,000	22,987	2,013	-
Total	196,956	180,021	16,955	629,462

Kosovo Credit Guarantee Fund
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(All amounts in EUR, unless stated otherwise)

19. IMPAIRMENT PROVISION (CONTINUED)

19.1 Impairment Provision losses for guarantees (continued)

31/12/2022

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
AGRO Window Credit-impaired assets (stage 3)*				
Loan	93,870	34,317	59,553	368,462
Credit Line	-	-	-	-
OVD	-	-	-	-
Total	93,870	34,317	59,553	368,462

31/12/2023

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
AGRO Window					
Credit Grade					
Standard	11,992,305	64,395	-	-	12,056,700
Substandard	-	106,194	-	-	106,194
Watch List	-	66,904	-	-	66,904
Liquidated	-	-	-	-	-
Doubtful	-	-	91,508	-	91,508
Loss	-	-	105,448	-	105,448
Write Off	-	-	-	-	-
Gross carrying amount	11,992,305	237,493	196,956	-	12,426,754
Loss Allowance	212,659	86,004	90,678	-	389,341
Carrying Amount	11,779,646	151,489	106,278	-	12,037,413

31/12/2022

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
AGRO Window					
Credit Grade					
Standard	7,467,815	8,750	-	-	7,476,565
Substandard	-	102,541	-	-	102,541
Watch List	-	64,471	-	-	64,471
Liquidated	-	-	-	-	-
Doubtful	-	-	34,409	-	34,409
Loss	-	-	46,961	-	46,961
Write Off	-	-	12,500	-	12,500
Gross carrying amount	7,467,815	175,762	93,870	-	7,737,447
Loss Allowance	67,462	43,536	34,317	-	145,315
Carrying Amount	7,400,353	132,226	59,553	-	7,592,132

19. IMPAIRMENT PROVISION (CONTINUED)

19.2 Impairment Provision losses for financial assets

	Year ended December 31, 2023	Year ended December 31, 2022
Cash	8,687,761	2,054,777
Receivables	321,304	
Deposits	56,189,124	42,293,970
Investment securities measured at amortized cost	22,962,536	18,870,642
Allowances for impairment	<u>(303,663)</u>	<u>(211,678)</u>
Total investments	<u>87,857,062</u>	<u>63,007,711</u>

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

	Stage 1	Stage 2	Stage 3	Total
Investments as of 1 January	63,007,711	-	-	63,007,711
New assets originated or purchased	57,461,568	-	-	57,461,568
Assets derecognized or matured	<u>(32,520,232)</u>	-	-	<u>(32,520,232)</u>
As of December 31, 2023	<u>87,949,047</u>	-	-	<u>87,949,047</u>

	Stage 1	Stage 2	Stage 3	Total
As of January 1, 2023	211,678	-	-	211,678
New assets originated or purchased	195,031	-	-	195,031
Assets derecognized or matured	<u>(103,046)</u>	-	-	<u>(103,046)</u>
As of December 31, 2023	<u>303,663</u>	-	-	<u>303,663</u>

20. CONTINGENCIES AND COMMITMENTS

	No. of guarantees (No.)	Outstanding Guaranteed Amount (EUR)
As of December 31, 2023	6,957	116,245,060
As of December 31, 2022	6,720	116,693,160

Litigation and claims

As of December 31, 2023, there are no litigations or claims against FK GK (2022: no litigations or claims against FK GK).

21. RELATED PARTY TRANSACTIONS

Related parties consist of the Board of Directors of the Fund. Parties are considered related if one party could 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.

	Expenses
As at December 31, 2023	
Board Members	<u>61,412</u>
Total	<u>61,412</u>

	Expenses
As at December 31, 2022	
Board Members	<u>61,915</u>
Total	<u>61,915</u>

22. EVENTS AFTER THE REPORTING DATE

After December 31, 2023- the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.

Kosovo Credit Guarantee Fund
Annex 1 - Financial strengthening support project transactions
World Bank as of and for the year ended December 31, 2023
(All amounts in EUR, unless stated otherwise)

	2023	2022
Property, plant, and equipment (FSSP)	29,368	15,177
Intangible assets (FSSP)	18,398	5,080
Total non-current assets (FSSP)	47,766	20,257
Deposits (FSSP)	6,410,000	6,410,000
Treasury Bonds (FSSP)	15,000,000	15,000,000
Accrual interest	246,741	101,378
Receivables to be reimbursement	-	13,508
Cash and cash equivalents (FSSP)	79,513	94,919
Total current assets (FSSP)	21,736,254	21,619,805
Capital (FSSP)	21,410,000	21,410,000
Total capital (FSSP)	21,410,000	21,410,000
Accrued expenses (FSSP)	62,918	-
Total non-current liabilities (FSSP)	62,918	-
Deferred revenues (FSSP)	16,962	80,031
Accrual guarantee fees (FSSP)	-	-
Accrual annual fees (FSSP)	308,068	461,360
Total current liabilities (FSSP)	325,030	541,391
Guarantee fees (FSSP)	649,905	985,753
Interest income (FSSP)	287,045	119,675
Other income (FSSP)	250,082	83,318
Total income (FSSP)	1,187,032	1,188,746
Personnel expenses (FSSP)	(120,312)	(69,908)
Operating expenses (FSSP)	(56,062)	(5,692)
Depreciation expenses (FSSP)	(10,790)	(7,718)
Total expenses (FSSP)	(187,164)	(83,318)

The table shows the items in the FS that are directly related to the IDA financing funds, and the reinvestment of revenues from these operations is not considered because they cannot be correctly identified due to the nature of the accounting data.