

KOSOVO CREDIT GUARANTEE FUND

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

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**Building a better
working world**

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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



Kosovo Credit Guarantee Fund
Statement of Financial Position as of December 31, 2025
(All amounts in EUR, unless stated otherwise)

	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.

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

	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.

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

	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
<i>Adjustments for:</i>			
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
<ul style="list-style-type: none"> • Performing exposures without days past due • Performing exposures with less than or equal 30 days past due 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 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

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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 Purchased or originated credit- impaired	Total
REGULAR Window	12-month ECL	Lifetime ECL	Lifetime ECL		
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 Purchased or originated credit- impaired	Total
REGULAR Window	12-month EAD	Lifetime EAD	Lifetime EAD		
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	Total
REGULAR Window	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
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	Total
REGULAR Window	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased or originated credit-impaired	
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 Purchased or originated credit- impaired	Total
AGRO Window	12-month ECL	Lifetime ECL	Lifetime ECL		
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)

	Stage 1	Stage 2	Stage 3	POCI	
	12-month EAD	Lifetime EAD	Lifetime EAD	Purchased credit-impaired	Total
AGRO Window					
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

AGRO Window	Stage 1	Stage 2	Stage 3	POCI Purchased or originated credit- impaired	Total
Credit Grade	12-month ECL	Lifetime ECL	Lifetime ECL		
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.