

KEP TRUST

**Independent Auditor's Report and
Financial Statements for the year
ended 31 December 2025 prepared
in accordance with International
Financial Reporting Standards
(IFRSs)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of KEP Trust

Opinion

We have audited the financial statements of KEP Trust (the "Organisation" or "KEP"), which comprise the statement of financial position as at December 31, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisation as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

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 Organisation in accordance with the International Ethics Standards Board for Accountant's International Code of Ethics for Professional Accountant's (including International Independence Standards, IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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 Organisation'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 Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation'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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation'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 Organisation'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 Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Burim Cena,
Engagement Partner

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April 8, 2026

KEP TRUST
Statement of Financial Position
(All amounts are expressed in '000 EUR)

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and cash equivalents	6	10,110	5,621
Loans and advances to customers	7	136,294	112,604
Right-of-use assets	11	1,306	1,450
Other assets	8	220	191
Property and equipment	9	1,047	1,000
Intangible assets	10	566	510
TOTAL ASSETS		149,543	121,376
LIABILITIES			
Borrowings	12	106,573	84,148
Lease liability	11	1,361	1,489
Provisions	13	164	284
Other liabilities	14	604	425
TOTAL LIABILITIES		108,702	86,346
FUND BALANCES			
Retained surplus		40,841	35,030
TOTAL FUND BALANCES		40,841	35,030
TOTAL LIABILITIES AND FUND BALANCES		149,543	121,376

The financial statements were authorized for issue by the Board of Directors on April 8, 2026 and signed on its behalf by:


 Adrian Alo
 Chief Executive Officer


 Teuta Rexhbeqaj
 Chief Financial Officer

KEP TRUST**Statement of Profit or Loss and Other Comprehensive Income***(All amounts are expressed in '000 EUR)*

		Year ended 31 December 2025	Year ended 31 December 2024
Interest income at effective interest rate	15	21,702	17,933
Interest expense	12	(6,080)	(4,831)
Net interest income		15,622	13,102
Fee and commission income		114	87
Fee and commission expense		(69)	(54)
Net fee and commission income		45	33
Other income	16	410	399
Credit loss expense on loans and advances to customers	7	(1,039)	(1,110)
Personnel expenses	17	(5,598)	(4,846)
Administrative expenses	18	(2,049)	(1,875)
ROU depreciation	11	(495)	(469)
Depreciation and amortization	9,10	(374)	(364)
Loss on disposal of equipment		(1)	(1)
Lease liability cost	11	(101)	(95)
Provision expense for claims and litigations	13	17	216
Operating expenses		(9,640)	(8,544)
Surplus before income tax		6,437	4,990
Income tax expense	19	(626)	(495)
Net surplus for the year		5,811	4,495
Other comprehensive income		-	-
Total comprehensive surplus for the year		5,811	4,495

There were no items of comprehensive income in the current or prior year other than the surplus for the year and, accordingly, no statement of comprehensive income is presented.

Notes from pages 7 to 58 form an integral part of these financial statements.

KEP TRUST
Statement of Changes in Fund Balances

(All amounts are expressed in '000 EUR)

	Retained Surplus
Balance on 1 January 2024	30,535
Surplus for the year	4,495
Other comprehensive income	-
Total comprehensive surplus for the year	4,495
Balance on 31 December 2024	35,030
Surplus for the year	5,811
Other comprehensive income	-
Total comprehensive surplus for the year	5,811
Balance on 31 December 2025	40,841

Notes from pages 7 to 58 form an integral part of these financial statements.

KEP TRUST
Statement of Cash Flows

(All amounts are expressed in '000 Euro)

	Note	For the year ended 31 December 2025	For the year ended 31 December 2024
Cash flows from operating activities			
Surplus before income tax		6,437	4,990
Adjustments for:			
Depreciation and amortization	9,10	374	364
ECL/Impairment of loans	7	1,039	1,110
Change in provision for legal claims	13	(17)	(216)
Provision for other assets	13	11	-
Paid for legal litigations during the year	13	(114)	-
Loss on disposal of equipment		1	1
Interest income		(21,702)	(17,933)
Interest expenses		6,080	4,831
		(7,891)	(6,853)
Change in loans and advances to customers		(24,513)	(24,650)
Change in other assets		115	(2)
Change in other liabilities		(89)	31
		(32,378)	(31,474)
Interest received		21,486	17,665
Income tax paid		(486)	(554)
Net cash used in operating activities		(11,378)	(14,363)
Cash flows from investing activities			
Acquisition of equipment and leasehold improvements	9	(391)	(345)
Acquisition of intangible assets	10	(87)	(28)
Net cash used in investing activities		(478)	(373)
Cash flows from financing activities			
Disbursements during the year		56,200	47,929
Repayments during the year		(33,681)	(31,627)
Interest paid		(6,174)	(4,559)
Net cash from financing activities		16,345	11,743
Net increase in cash and cash equivalents		4,489	(2,993)
Cash and cash equivalents at 1 January		5,621	8,614
Cash and cash equivalents at 31 December	6	10,110	5,621

Notes from pages 7 to 57 form an integral part of these financial statements.

1. GENERAL INFORMATION

Operations

The Micro Finance Institution - KEP Trust (the "Organisation"), previously known as Kosovo Enterprise Program ("KEP") was founded by the humanitarian Organisation International Catholic Migration Commission - Switzerland ("ICMC") and the Prizren Business Club in August 1999 and was licensed to operate as a non-banking institution from the Central Bank of the Republic of Kosovo ("CBK").

The Organisation was incorporated and domiciled in Kosovo, as a Non-Governmental Organisation ("NGO") on 4 March 2002 and is registered with the CBK as a non-bank micro financial institution as defined in section 2 of Regulation 1999/21. The Organisation's principal activity is to provide lending to low-income individuals and households in Kosovo. On 3 April 2002, the Banking and Payment Authority of Kosovo approved the registration of the Organisation as local NGO.

As of 31 December 2025, the Organisation operated through 31 branches (2024: 31 branches)

The Head Office of the Organisation is located at Mujë Krasniqi str. No. 1, Prishtina, Kosovo.

The Organisation is governed by the Board of Directors and the Organisation's Management. The Board of Directors is composed of 5 members, and all of them are independent and not related to the Organisation's interests and activities.

Board of Directors

As of 31 December 2025, the following members composed the Board of Directors:

Korab Sejdiu - Chairman of the Board
Birgit Rauleder - Member of the Board
Barbara Wasmus Sajet- Member of the Board
Elza Herman- Member of the Board
Arbër Hoti - Member of the Board

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Going concern

The Organisations management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Organisation's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.4 Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is the Organisation's functional currency.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Use of 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about material areas of estimation uncertainty and critical judgments in applying accounting policies that have the most material effect on the amounts recognized in the financial statements are described in Note 5.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

a) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, where appropriate, a shorter period) to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for purchased or originated credit impaired financial assets (POCI), a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, under IFRS 9 for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Under IFRS 9 for financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income (OCI) include:

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Under IFRS 15 the Organisation earns fee and commission income from financial services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Organisation expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Organisation's revenue contracts do not typically include multiple performance obligations,

The Organisation provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time.

The Organisation has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

c) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Organisation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority. Additional taxes that arise from the distribution of dividends by the Organisation are recognised at the same time as the liability to pay the related dividend is recognised.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c) Tax expense (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Uncertain tax positions

The Organisation's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

d) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Organisation at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

e) Financial assets and liabilities

(i) Recognition

The Organisation recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

The Organisation's financial assets include loans to customers and accounts / deposits with banks. Liabilities include borrowings from banks and other creditors, and other payables. The Organisation recognizes all its:

- Loans to customers initially at fair value minus the transaction fees that are directly attributable to the issue of the loan (i.e. loan origination fee); and
- Borrowings from banks and other creditors at fair value minus the transaction costs that are directly attributable to the acquisition of the borrowing (i.e. debt origination fee).

Any fee or cost incurred on short-term bank deposits and other payable with no significant financing component are recognized directly as income or expense in the profit or loss account when they originate.

KEP does not designate its financial assets or liabilities at fair value through profit or loss at initial recognition.

(All amounts are expressed in '000 Euro, unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair Value through other Comprehensive Income (FVOCI) or Fair Value through Profit or loss (FVTPL).

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Organisation may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All Organisation's financial assets are classified as measured at amortised cost.

Business model assessment

The Organisation makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Organisation's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Organisation's stated objective for managing the financial assets is achieved and how cash flows are realised.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(ii) Classification (continued)

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organisation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Organisation considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Organisation's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

The Organisation holds a portfolio of long-term fixed rate loans for which the Organisation has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Organisation has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

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

Financial liabilities (Policy applicable before and after 1 January 2018)

The Organisation classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition

Financial assets

The Organisation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Organisation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organisation is recognised as a separate asset or liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (only for debt instruments measured at FVOCI) is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organisation is recognised as a separate asset or liability.

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

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

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

Financial liabilities

The Organisation derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

(iv) Modifications of financial assets

If the terms of a financial asset are modified, the Organisation evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Organisation recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Organisation has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Organisation's trading activity.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

Financial liabilities

(vi) Amortised cost measurement

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

(vii) Fair value measurement (policy applicable before and after 1 January 2018)

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Organisation has access at that date. The fair value of a liability reflects its non-performance risk

When available, the Organisation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Organisation uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Organisation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Organisation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred in FV levels.

(All amounts are expressed in '000 Euro, unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be 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 Organisation in accordance with the contract and the cash flows that the Organisation 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 expected future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Organisation if the commitment is drawn down and the cash flows that the Organisation expects to receive.

Definition of default

Under IFRS 9, the Organisation will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Organisation in full, without recourse by the Organisation to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Organisation.

This definition is largely consistent with the definition used for regulatory purposes for loans classified as doubtful or loss.

In assessing whether a borrower is in default, the Organisation will consider indicators that are consistent with the risk regulatory requirements for classification of loans as doubtful or lost:

- qualitative: e.g. breaches of contractual covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same borrower to the Organisation; and
- regulatory risk classification of the same borrowers in other financial institutions.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Organisation allocates each exposure to a credit risk grade based on requirements set forth by Credit Risk Management regulation by using qualitative and quantitative factors that are indicative of the risk of default. In addition to the risk classes introduced for regulatory purposes, the Organisation identifies and monitors separately standard loans in past due from standard loans not in past due.

Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Significant increase in credit risk

Significant increase in the risk of default and default itself are key determinants for calculation of the expected credit losses.

At each reporting date, the Organisation assesses whether there has been a significant increase in credit risk by comparing: (i) the risk that the loan will default at or after the reporting date with (ii) the risk of default assessed at or after the date of its initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Significant increase in credit risk (continued)

When performing this assessment, the Organisation considers reasonable and supportable forward-looking and historical information for individual loans, or group of loans when reasonable and supportable information is not available on an individual basis. Measurement of the ECLs pattern reflects the general pattern of deterioration or improvement in the credit quality of financial instruments, expressed in terms of significant increase in credit risk. When the financial instruments are initially originated, loss allowance is measured at an amount equal to 12-month expected credit losses. When the instrument's risk of default has significantly increased since its origination, the Organisation shall measure loss allowance at an amount equal to lifetime expected credit losses.

The Organisation will monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable; and
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Organisation 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 Organisation's historical experience, expert credit assessment and forward-looking information.

The Organisation has identified whether a significant increase in credit risk has occurred for an exposure that changes the regulatory risk classification from standard to watch assessed in line with the Organisation's policy for regulatory risk classification. All loans showing significant increase in credit risk are classified in Stage 2.

As a backstop, and as required by IFRS 9, the Organisation presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Organisation 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.

Beside the backstop indicator, the Organisation also considers as a significant increase in credit risk if the loan is classified from standard to watch or a worse risk grade or other loans of the same customer with the Organisation are classified from standard to watch or a worse risk grade. The Organisation also considers that the risk has increased if the client requests a restructuring with easing terms such as: extended maturity, lower instalment, lower interest rate, waivers of accrued penalties and interest.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Significant increase in credit risk (continued) Grouping of loans

Collective assessment of PD - Probability of Default

For the purpose of a collective assessment of PDs, KEP groups loans on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In consideration to credit risk profile of its loans, KEP has selected to group loans based on **product type** (agriculture, business, consumer, housing).

There has been a segmentation of the loan portfolio based on the similar characteristics of risk. Below are presented four segments of the loan portfolio:

- Agro
- Business
- Consumer
- Housing

Collective assessment of LGD

For the purpose of a collective assessment of LGDs, loans are grouped on the basis of:

- the cash recovery cycle for non-performing loans; and
- the recovery after write-off.

KEP reviews on annual basis the set limits and criteria to ensure that they remain valid following possible changes in the loan portfolio size and composition.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a change in the lifetime expected credit losses subsequent to the initial recognition. For financial assets for which the Organisation has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the Organisation will consider whether the asset's credit risk has increased significantly by analysing quantitative and qualitative factors affecting risk of default. More specifically, the Organisation shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

the risk of a default occurring at the reporting date (based on the modified contractual terms); and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Modified financial assets (continued)

The Organisation renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Organisation's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and business loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of default and credit impairment, and expectations of forbearance are relevant to assessing whether there is a significant increase in credit.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over eight months before the exposure is measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

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

- 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. PDs are adjusted to reflect forward-looking information as described below.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Organisation has employed statistical models to analyse 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, interest rates and unemployment. The Organisation's approach to incorporating forward-looking information into this assessment is discussed below.

LGD is the magnitude of the likely loss if there is a default. The Organisation estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset

LGD estimates are calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment (continued)

EAD represents the expected exposure in the event of a default. The Organisation derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts.

The Organisation is measuring ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Organisation considers a longer period. The maximum contractual period extends to the date at which the Organisation has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Forward-looking information

Under IFRS 9, the Organisation 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 Organisation 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 Organisation 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. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Organisation operates, supranational organisations such as the Bank for Economic Co-operation and Development and the International Monetary Fund, and selected private sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Organisation for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes. The Organisation also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Organisation 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 interest rates, unemployment rates and GDP forecasts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

e) Financial assets and liabilities (continued)

(viii) Identification and measurement of impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Organisation cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Organisation presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Organisation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Organisation's procedures for recovery of amounts due.

f) Cash and cash equivalents

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

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

g) Borrowings

Borrowings are the Organisation's main sources of debt funding. The Organisation's financial liability include borrowing from local banks and other international financial institutions.

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

h) Property and equipment

Items of Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Organisation and its cost can be measured reliably. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h) Property and equipment (continued)

At the end of each reporting period management assesses whether there is any indication of impairment of Property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior years is reversed, if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss.

(i) Depreciation

Depreciation on items of Property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Motor vehicles	5 years
Furniture and fittings	5 years
Computers and electronic equipment	5 years

Leasehold improvements Shorter than useful life or the term of the underlying lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets acquired by the Organisation are stated at cost less accumulated amortization and accumulated impairment losses.

i) Intangible assets

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful life of the intangible assets is determined as per the contract validity or 10 years.

j) Leases

The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

The Organisation assesses whether a contract is or contains a lease, at inception of the contract. The Organisation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. For these leases, the Organisation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

j) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Organisation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)
j) Leases (continued)

The Organisation did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Organisation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Organisation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Organisation has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Organisation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

k) Provisions

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

l) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss when they are due. The Organisation makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Kosovo under a defined contribution pension plan.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Organisation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(All amounts are expressed in '000 Euro, unless otherwise stated)

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

4.1. Standards, amendments and interpretations that are already effective.

During the current year, the Organisation has applied a number of amendments to International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for accounting periods beginning on or after 1 January 2025.

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).
- Uncertainties in Financial Statements - Amendments to Illustrative Examples on IFRS 7 Financial Instruments: Disclosures, IFRS 18 Presentation and Disclosure in Financial Statements, IAS 1 Presentation of Financial Statements, IAS 8 Basis of Preparation of Financial Statements, IAS 36 Impairment of Assets and IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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

4.2 Standards, amendments and interpretation issued but not yet effective

New and amended standards and interpretations that have been issued but are not yet effective as at the date of issuance of the financial statements are disclosed below. The Organisation intends to adopt these new and amended standards and interpretations, where applicable, when they become effective.

The following amendments are not effective for the period beginning 1 January 2025:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 Financial Instruments);
- Contracts referencing nature-dependent electricity (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures);
- Annual Improvements to IFRS Accounting Standards - Volume 11;
- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

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

5. USE OF ESTIMATES AND JUDGMENTS

The Organisation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Information about provisions and contingencies is detailed in Notes 13 and 21.

a) Expected Credit Losses

Financial assets measured at amortised cost or debt instruments measured at FVOCI are assessed for impairment on a basis described in Note 3.(e).(vii). The Organisation reviews its assumptions and judgments on a regular basis.

The Organisation measures the expected credit losses of a financial instrument in a way that reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

b) Determining fair values

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3.(e).(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Organisation measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The estimation of the fair value is disclosed in Note 5 c) below

c) Disclosure and estimation of fair value

Fair value estimates are based on existing financial instruments on the Organisation's financial position statement without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

c) Disclosure and estimation of fair value (continued) Fair values of financial instruments

Where available, the fair value of loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses and interest rates. Homogeneous small loans are grouped into portfolios with similar characteristics.

The fair value of borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for borrowings of similar maturities and terms.

	31 December 2025		31 December 2024	
	Fair value Level 3	Carrying amount	Fair value Level 3	Carrying amount
Financial Assets				
Loans and advances to customers	135,566	136,294	113,083	112,604
Financial Liabilities				
Borrowings	107,577	106,573	84,268	84,148

The carrying amounts of loans and borrowings at 31 December 2025 are higher than the fair values for loans, because the current market rates of 18.3% (referring to Monthly Report of Financial System, CBK for Dec 2025) are lower for loans and 6% for borrowings are lower (2024: lower 18,7% for loans and lower 6% for borrowings).

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(All amounts are expressed in '000 Euro, unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash at banks	9,265	4,879
Cash on hand	845	742
	10,110	5,621

7. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2025	31 December 2024
Loans and advances to customers	138,987	115,563
Less: allowance for impairment	(2,693)	(2,959)
	136,294	112,604

Movements in the allowance for impairment are as follows:

	31 December 2025	31 December 2024
Balance at 1 January	2,959	2,515
Impairment charge	1,039	1,110
Amounts written-off	(1,305)	(666)
Balance at 31 December	2,693	2,959

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(All amounts are expressed in '000 Euro, unless otherwise stated)

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Agro Loans <=3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	649	4	4	657
New assets originated or purchased	917	-	-	917
Assets de-recognised or repaid	(936)	(4)	(1)	(941)
Transfers to Stage 1	(2)	-	2	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(2)	(2)
Total	628	-	3	631

Agro Loans <=3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	6	1	2	9
New assets originated or purchased	3	-	-	3
Assets de-recognised or repaid	(3)	(1)	-	(4)
Transfers to Stage 1	(2)	-	2	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(1)	(1)
Total	4	-	3	7

Agro Loans >3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	21,343	137	154	21,634
New assets originated or purchased	20,472	-	7	20,479
Assets de-recognised or repaid	(13,671)	(77)	(28)	(13,776)
Transfers to Stage 1	(104)	22	82	-
Transfers to Stage 2	-	(18)	18	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(51)	(51)
Total	28,040	64	182	28,286

Agro Loans >3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	180	40	104	324
New assets originated or purchased	80	-	15	95
Assets de-recognised or repaid	(54)	(19)	(40)	(113)
Transfers to Stage 1	(74)	7	67	-
Transfers to Stage 2	-	(12)	12	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(38)	(38)
Total	132	16	120	268

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Business Loans <=3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	956	32	27	1,015
New assets originated or purchased	767	-	-	767
Assets de-recognised or repaid	(970)	(29)	3	(996)
Transfers to Stage 1	(18)	8	10	-
Transfers to Stage 2	-	(1)	1	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(27)	(27)
Total	735	10	14	759

Business Loans <=3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	8	10	20	38
New assets originated or purchased	4	1	1	6
Assets de-recognised or repaid	3	(9)	2	(4)
Transfers to Stage 1	(9)	2	7	-
Transfers to Stage 2	-	1	(1)	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(22)	(22)
Total	6	5	7	18

Business Loans >3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	40,678	709	548	41,935
New assets originated or purchased	40,520	62	4	40,586
Assets de-recognised or repaid	(26,408)	(536)	(53)	(26,997)
Transfers to Stage 1	(660)	305	355	-
Transfers to Stage 2	-	(75)	75	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(322)	(322)
Total	54,130	465	607	55,202

Business Loans >3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	317	205	387	909
New assets originated or purchased	211	39	74	324
Assets de-recognised or repaid	184	(173)	(84)	(73)
Transfers to Stage 1	(347)	88	259	-
Transfers to Stage 2	-	(55)	55	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(249)	(249)
Total	365	104	442	911

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(All amounts are expressed in '000 Euro, unless otherwise stated)

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Consumer loans <=3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	21,918	310	581	22,809
New assets originated or purchased	30,950	-	-	30,950
Assets de-recognised or repaid	(27,756)	(251)	(14)	(28,021)
Transfers to Stage 1	(870)	253	617	-
Transfers to Stage 2	-	(38)	38	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(535)	(535)
Total	24,242	274	687	25,203

Consumer loans <=3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	414	121	469	1,004
New assets originated or purchased	403	48	183	634
Assets de-recognised or repaid	254	(133)	(150)	(29)
Transfers to Stage 1	(578)	85	493	-
Transfers to Stage 2	-	(31)	31	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(476)	(476)
Total	493	90	550	1,133

Housing Loans <=3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	1,417	43	59	1,519
New assets originated or purchased	933	-	-	933
Assets de-recognised or repaid	(1,325)	(34)	(6)	(1,365)
Transfers to Stage 1	(35)	6	29	-
Transfers to Stage 2	-	(5)	5	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(47)	(47)
Total	990	10	40	1,040

Housing Loans <=3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	15	13	46	74
New assets originated or purchased	6	1	-	7
Assets de-recognised or repaid	12	(9)	(2)	1
Transfers to Stage 1	(24)	2	23	1
Transfers to Stage 2	-	(4)	4	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(40)	(40)
Total	9	3	31	43

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

7. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Housing Loans >3

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	25,065	628	300	25,993
New assets originated or purchased	18,218	7	3	18,228
Assets de-recognised or repaid	(15,696)	(409)	(25)	(16,130)
Transfers to Stage 1	(249)	148	101	-
Transfers to Stage 2	-	(39)	39	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(222)	(222)
Total	27,338	335	196	27,869

Housing Loans >3

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025 under IFRS 9	174	200	225	599
New assets originated or purchased	58	8	5	71
Assets de-recognised or repaid	(11)	(152)	(27)	(190)
Transfers to Stage 1	(112)	40	72	-
Transfers to Stage 2	-	(27)	27	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	(167)	(167)
Total	109	69	135	313

	Stage 1	Stage 2	Stage 3	As at 31 December 2025		As at 31 December 2024
				POCI	Total	Total
Loans and advances	136,101	1,155	1,730	-	138,986	115,563
Low- fair risk	135,898	320		-	136,218	113,223
Monitoring	167	478		-	645	426
Substandard	36	287		-	323	280
Doubtful		70	597	-	667	554
Lost			1,133	-	1,133	1,080
Less: allowance	(1,119)	(282)	(1,292)	-	(2,693)	(2,959)
Carrying amount	134,982	873	438	-	136,294	112,604

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

8. OTHER ASSETS

	31 December 2025	31 December 2024
Prepaid expenses	131	121
Advances to employees	18	17
Other receivables	71	53
	<u>220</u>	<u>191</u>

Prepaid expenses include prepayments of EUR 30 for Annual Microsoft 365 license for 2026, EUR 30 for Management Fee of international lender and EUR 26 for Directors Liability Insurance.

9. PROPERTY AND EQUIPMENT

	Motor vehicles	Computers and electronic equipment	Furniture and Fittings	Leasehold Improvements	Total
<i>Cost</i>					
Balance at 1 January 2024	643	692	1,182	782	3,299
Additions	107	56	80	102	345
Disposals	-	(5)	(31)	-	(36)
Balance at 31 December 2024	<u>750</u>	<u>743</u>	<u>1,231</u>	<u>884</u>	<u>3,608</u>
Additions	145	73	90	83	391
Disposals	(10)	(36)	(19)	-	(65)
Balance at 31 December 2025	<u>885</u>	<u>780</u>	<u>1,302</u>	<u>967</u>	<u>3,934</u>
<i>Accumulated depreciation</i>					
Balance at 1 January 2024	(573)	(510)	(838)	(390)	(2,311)
Charge for the year	(50)	(71)	(108)	(103)	(332)
Disposals	-	5	30	-	35
Balance at 31 December 2024	<u>(623)</u>	<u>(576)</u>	<u>(916)</u>	<u>(493)</u>	<u>(2,608)</u>
Charge for the year	(47)	(75)	(110)	(111)	(343)
Disposals	10	36	18	-	64
Balance at 31 December 2025	<u>(660)</u>	<u>(615)</u>	<u>(1,008)</u>	<u>(604)</u>	<u>(2,887)</u>
<i>Carrying amounts</i>					
At 31 December 2024	<u>127</u>	<u>167</u>	<u>315</u>	<u>391</u>	<u>1,000</u>
At 31 December 2025	<u>225</u>	<u>165</u>	<u>294</u>	<u>363</u>	<u>1,047</u>

As at 31 December 2025, the Organisation has not pledged any property or equipment as collateral (2024: nil).

10. INTANGIBLE ASSETS

	<i>Programs/Software</i>
Cost	
Balance at 1 January 2024	799
Additions	28
	<hr/>
Balance at 31 December 2024	827
Additions	87
	<hr/>
Balance at 31 December 2025	914
Accumulated amortization	
Balance at 1 January 2024	(285)
Amortization for the year	(32)
	<hr/>
Balance at 31 December 2024	(317)
Amortization for the year	(31)
	<hr/>
Balance at 31 December 2025	(348)
	<hr/>
Carrying amounts	
At 31 December 2024	510
At 31 December 2025	566

11. RIGHT OF USE ASSET AND LEASE LIABILITY

	Right of use asset Building
Cost	
As at January 1, 2024	3,411
Additions	455
Disposals	(1,571)
	<hr/>
As at December 31, 2024	2,295
Additions	349
Disposals	-
	<hr/>
As at December 31, 2025	2,644
	<hr/>
Accumulated depreciation	
As at January 1, 2024	(1,947)
Charge	(469)
Disposal	1,571
	<hr/>
As at December 31, 2024	(845)
Charge	(495)
Disposal	2
	<hr/>
As at December 31, 2025	(1,338)
	<hr/>
Carrying amounts	
December 31, 2024	1,450
December 31, 2025	1,306

11. RIGHT-OF-USE ASSET AND LEASE LIABILITY (CONTINUED)

	Lease liability
Lease Liability as at January 1, 2024	1,477
Additions	455
Disposals	-
- Less lease payments	(538)
+ Interest on Lease Liabilities	95
	<hr/>
Lease liability as at December 31, 2024	1,489
Additions	349
Disposals	-
- Less lease payments	(578)
+ Interest on Lease Liabilities	101
	<hr/>
Lease liability as at December 31, 2025	1,361
	<hr/>
Maturity of lease liability	
Not later than one year	525
Later than one year and not later than five years.	836
Later than five years	-
	<hr/>
Total	1,361
	<hr/> <hr/>

The Organisation leases several assets which consist of premises. The average lease term is 5 years.

The Organisation does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Organisation's treasury function.

All lease obligations are denominated in EURO.

Total cash outflow for leases in 2025 was EUR 578. (2024: EUR 538)

12. BORROWINGS

As at 31 December 2024 and 2025, borrowings of the Organisation are composed as follows:

31 December 2024

	Maturity range	Amount
International lenders		
Fixed interest rate	21 - 49 months	36,938
Floating interest rates	25 - 51 months	33,569
Local Lenders	Maturity range	Amount
With Fixed rate	24 - 37 months	12,109
Overdraft	12 months	943
	Principal outstanding	83,559
	Accrued interest	1,152
	Deferred fee	<u>(563)</u>
	Total	<u><u>84,148</u></u>

31 December 2025

	Maturity range	Amount
International lenders		
Fixed interest rate	36 - 48 months	62,772
Floating interest rates	25 - 51 months	31,206
Local Lenders	Maturity range	Amount
With Fixed rate	36 - 37 months	12,100
Overdraft	12 months	-
	Principal outstanding	106,078
	Accrued interest	1,218
	Deferred fee	<u>(723)</u>
	Total	<u><u>106,573</u></u>

The total interest expense for these borrowings in 2025 is EUR 6,080 (2024: EUR 4,831).

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

12 BORROWINGS (CONTINUED)

	31 December 2025	31 December 2024
Principal outstanding as of 1 January	83,559	67,257
Disbursements during the year	56,200	47,929
Repayments during the year	(33,681)	(31,627)
Principal outstanding 31 December	106,078	83,559
Accrued interest and fees as of 1 January	589	317
Interest expense	6,080	4,831
Interest paid	(6,174)	(4,559)
Accrued interest and fees as of 31 December	495	589
Total	106,573	84,148

The Organisation has an overdraft facility from one local bank of EUR 1,000 in total, and maturity on 23 January 2026. As of 31 December 2025, the Organisation has not utilized this overdraft (2024: EUR 943).

The Organisation has secured overdrafts and loans with three local banks with a loan portfolio outstanding totalling EUR 13,827 as at end of December 2025 (overdraft and loans 2024: EUR 10,160). The loan portfolios are required to have zero days past due and a collateral coverage ratio of at least 150%.

As at 31 December 2025, all the loan payments are made on time. As at 31 December 2025 the Organisation is in compliance with financial covenants attached to the agreements with lenders. While as at 31 December 2024 the Organisation was in compliance with all financial covenants attached to the agreements with lenders.

13. PROVISIONS

	31 December 2025	31 December 2024
Legal claims	146	277
Other provisions for losses	18	7
As of December 31	164	284

Provisions for legal claims are mainly related to ongoing court cases brought by former employees against the Organisation.

Other provisions for losses of EUR 18 (2024: EUR 7) relate to legal cases that were won by the Organisation in the past and were subsequently appealed by third parties, which management believes that will be lost.

Movements in the provision charge are as follows:	31 December 2025	31 December 2024
At 1 January	284	500
Provision charge	(17)	(216)
Provision charge for other assets	11	-
Paid for legal litigations during the year	(114)	-
As of 31 December	164	284

(All amounts are expressed in '000 Euro, unless otherwise stated)

14. OTHER LIABILITIES

	31 December 2025	31 December 2024
Accrued expenses	146	31
Withholding tax on interest	82	58
Pension contributions and personal income tax payable	137	125
Income tax	113	(27)
Accounts payable	23	27
Other payables	103	211
Total	604	425

Other payables comprise EUR 54 due to suppliers and EUR 35 related to the EIF loss portfolio guarantee fund for SME resilience.

Accrued expenses comprise EUR 95 in respect of the Best Branch award for the year ended 31 December 2025, EUR 10 relating to electricity supply obligations, and EUR 15 for the quarterly commission fee payable to the CBK.

15. INTEREST INCOME

	Year ended 31 December 2025	Year ended 31 December 2024
Interest income from loans and advances	21,636	17,840
Interest income from banks	66	93
Total	21,702	17,933

As of 31 December 2025, the Organisation has accrued interest of EUR 95 (2024: EUR 93) for past due loans.

16. OTHER INCOME

	Year ended 31 December 2025	Year ended 31 December 2024
Recoveries from loans written off	377	366
Proceeds from sale of fixed assets	7	6
Other operating income	26	27
Total	410	399

17. PERSONNEL EXPENSES

	Year ended 31 December 2025	Year ended 31 December 2024
Wages and salaries	4,745	4,157
Compulsory social and health insurance	263	232
Other	590	457
Total	5,598	4,846

As of 31 December 2025, the Organisation employed 276 employees (2024: 273).

18. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2025	Year ended 31 December 2024
Advertisement (marketing expenses)	333	307
Communication	261	283
Security	251	252
Legal, consultancy and professional fees	352	239
Utilities	209	158
Fuel and parking	86	88
Board compensation and travelling	109	85
Repairs and maintenance	82	78
Office supplies	61	71
Insurance policy expenses	64	63
Staff development	25	19
Travel	11	15
Accommodation	7	10
Representation expenses	13	7
Other	185	200
Total	2,049	1,875

19. INCOME TAX

	Year ended 31 December 2025	Year ended 31 December 2024
Profit before tax	6,437	4,990
Corrections	(172)	(41)
Taxable profit	6,265	4,949
Income tax	626	495
Effective tax rate	9.73%	9.92%

Following the decision of the Organisation's Board, starting from year 2018, the Organisation recognises and pays Income tax voluntarily despite the Public Benefit Status. Income tax expense for the year December 31, 2025 was EUR 626 (2024: EUR 495).

Following the renewal of the Public Benefit Status in 2017, the Organisation was not liable to pay income tax and was exempted from income tax. The Board of Directors decided to voluntarily terminate the Public Benefit Status from 2018 onwards, consequently corporate income tax is applied at the rate of 10%.

20. RELATED PARTY TRANSACTIONS

The Organisation has related party relationships with its directors and executive officers. As described in Note 1, the Organisation is a Non-Governmental Organisation. Therefore, there is no ultimate parent or shareholders.

Transactions with related parties

A summary of remuneration and benefits of directors and key management for the years ended 31 December 2025 and 2024 is as follows:

	Year ended 31 December 2025		Year ended 31 December 2024	
	Remuneration	Other expenses	Remuneration	Other expenses
Executive Management	224	10	247	10
Board of Directors	63	46	45	40
Total	287	56	292	50

21. COMMITMENT AND CONTINGENCIES

Legal

Except for provisions created as of 31 December 2025 (see note 13), management believes that there are no other litigations or claims brought by third parties that may result in significant future cash outflows or losses in the future.

22. FINANCIAL RISK MANAGEMENT

22.1 Introduction and overview

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

- credit risk
- liquidity risk
- market risk

This Note presents information about the Organisation's exposure to each of the above risks, the Organisation's objectives, policies and processes for measuring and managing risk, and the Organisation's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Credit risk is the risk of financial loss to the Organisation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Organisation's loans and advances to customers. For risk management reporting purposes, the Organisation considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Organisation's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets. The Organisation has no significant exposure to any individual customer or counterparty. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Board of Directors has delegated responsibility for the management of credit risk to the management. Regular audits of business units and credit processes are undertaken by the Internal Audit Department.

22.2 Credit risk

Allowances for impairment

The Organisation establishes an allowance for expected credit losses (ECL) on its loan portfolio in accordance with IFRS 9.

The ECL model requires the recognition of credit losses based on forward-looking information, rather than incurred losses. The allowance is measured at an amount equal to either:

12-month expected credit losses for financial assets where there has not been a significant increase in credit risk since initial recognition (Stage 1); or

Lifetime expected credit losses for financial assets where there has been a significant increase in credit risk (Stage 2) or which are credit-impaired (Stage 3).

The estimation of expected credit losses is performed on both:

- an individual basis for significant exposures; and
- a collective basis for groups of financial assets with similar credit risk characteristics.

The collective assessment incorporates historical loss experience, current conditions and forward-looking information.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Organisation has made concessions that it would not otherwise consider.

Once the loan is restructured, it must be classified at the minimum substandard category or worse and will continue to be classified at the same category until stable performance is observed (regarding repayment of principal and interest as per repayment schedule). As at 31 December 2025, the loans with renegotiated terms are EUR 177 (2024: EUR 167). The impairment allowance for loans with renegotiated terms as at 31 December 2025 is EUR 60 (2024: EUR 45).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

Write-off policy

The Organisation writes off a loan (and any related allowances for impairment losses) when Management determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For small balance standardized loans, write off decisions are generally based on a product specific past due status. Loans are generally written off when they are overdue more than 365 days (2024: 365 days), and no repayment has been made during the last six months. The total amount of loans written-off is presented in Note

7. Total recoveries from loans written off are presented in Note 7.

The classification of loans by type are as follows:

	31 December 2025	31 December 2024
Agriculture	28,642	21,957
Consumer	25,813	24,244
Housing	27,556	25,394
Individual Business	54,283	41,009
	136,294	112,604

a) Financial assets impairment

Under IFRS 9, KEP recognizes an impairment allowance measured for the expected credit losses (ECLs) at each reporting date for all its financial assets measured at amortized costs (AC), which include:

- Loans to customers, and
- Deposits with Banks

Additionally, impairment requirements under IFRS 9 apply to the following groups of credit risk exposures, which are not applicable for KEP at the date of this policy:

1. Financial assets measured at fair value through other comprehensive income (FVOCI) other than investments in equity instruments elected to FVTOCI option upon initial recognition
2. Loan commitments not measured at fair value through profit or loss (FVPL);
3. Financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss; and
4. Lease receivables that are within the scope of IFRS 16, Leases, and trade receivables or contract assets within the scope of IFRS 15.

This policy will address the main principles for recognition of expected credit losses for loans to customers and deposits with banks measured at amortized costs. Principles and requirements introduced for measuring ECL of loans to customers (referred as "loans"), are applicable to deposits with banks proportionate with their complexity and time-to-maturity.

b) Main principles

Measurement of the ECLs pattern reflects the general pattern of deterioration in the credit quality, expressed in terms of significant increase in credit risk.

When the loans are initially originated, loss allowance is measured at an amount equal to 12-month expected credit losses. When the instrument's risk of default has significantly increased since its origination, KEP measure loss allowance at an amount equal to lifetime expected credit losses.

(All amounts are expressed in '000 Euro, unless otherwise stated)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

c) The three-stage model

IFRS 9 general approach to impairment and interest revenue recognition can be summarized in the following three-stage model, where transfers from one stage to another depend on the changes in credit risk since origination until credit defaults.

Stage 1	Stage 2	Stage 3	POCI
Newly originated financial assets non-credit-impaired			Credit impaired financial assets at acquisition
Existing financial assets with no significant increase in risk since origination	Existing financial assets with significant increase in risk since origination.	Credit impaired financial assets (in default)	Credit impaired financial assets at origination
Recognition of expected credit losses			
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Cumulative changes in lifetime ECL
Interest revenue			
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortized cost	Credit-adjusted effective interest on amortized cost

Significant increase in credit risk (referred also as risk of default)

Significant increase in the risk of default and default itself are key determinants for calculation of the expected credit losses.

At each reporting date, KEP assesses whether there has been a significant increase in credit risk by comparing:

- (i) the risk that the loan will default at the reporting date with
- (ii) the risk of default assessed at initial recognition of the loan.

When performing this assessment KEP considers reasonable and supportable forward-looking and historical information for individual loans, or group of loans when reasonable and supportable information is not available on an individual basis. *Guidelines on Stage Classification* lists information used by KEP in assessing whether credit risk has significantly increased at the reporting date.

What constitutes significant increase in credit risk is neither not specifically defined by IFRS 9. Instead, the Standard provides guiding principles, allowing the Entity to make its own judgments and conclusions in line with its credit risk management practices.

d) Definition of default

Under IFRS 9, the Organisation will consider a financial asset to be in default when the credit client is more than 90 days past due on any of the outstanding loans at the reporting date.

- The borrower is assessed as ***unlikely to pay its credit obligations*** in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due;
- The loans are credit impaired as defined in IFRS 9 requirements and linked with unlikelihood to pay;

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

d) Definition of default(continued)

- The loan(s) of the credit client is(are) restructured within the last 4 months, due to financial difficulties evidenced by delays of more than 90 days in past due on any of the outstanding loans before the restructuring event.

Groups of related clients are all classified 'in default', when the debtor being classified as in default has a material effect on the repayment capabilities of the other related debtors belonging to the same group.

Any deviation from the above rules should be very well supported and documented.

e) Unlikelihood to pay

Unlikelihood to pay includes the following:

- KEP puts the credit obligation on non-accrued status;
- KEP recognizes a specific loss due fact known on the client's ability to repay the loan;
- KEP considers selling the credit obligation at a material credit-related economic loss;
- KEP consents to a distressed restructuring of the loan where this is likely to result in a material forgiveness, or postponement, of principal, interest or, where relevant, fees;
- KEP has filed for the client's bankruptcy or a similar order (legal procedures against the client have started);
- the client has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to KEP.

Events that may indicate unlikelihood to pay or existence of credit impaired financial instrument are presented below. The list is not exhaustive.

Credit - impaired triggers	Non-performing UTP events
a)	the entity has called any collateral including a guarantee
	lawsuit, execution or enforced execution to collect debt
	license of the borrower is withdrawn
	the borrower is a co-debtor when the main debtor is in default or a guarantor of a debtor in default.
	postponements/ extensions of loans beyond economic lifetime
	multiple restructurings on one exposure
	a borrower's sources of recurring income are no longer available to meet the instalment payments; customer becomes unemployed, and repayment is unlikely
	the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage; equity reduced by 50% within a reporting period due to losses
	for exposures to an individual: default of a Organisation fully owned by a single individual where this individual provided the institution with a personal guarantee for all obligations of the Organisation
	a financial asset was purchased or originated at a material discount that reflects the deteriorated credit quality of the debtor

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

e) Unlikeliness to pay (continued)

Credit - impaired triggers (continued)	Non-performing UTP events (continued)
	for retail exposures where the default definition is applied at the level of an individual credit facility, the fact that a significant part of the total obligation of the obligor is in default
	debt service coverage ratio indicates that debt is not sustainable
	loss of major customer or tenant
	material decrease of turnover/operating cash flows (20%)
	connected customer has filed for bankruptcy
	restricted or qualified opinion of external auditor
	it is expected that a bullet loan cannot be refinanced at current market conditions
	disappearance of refinancing options
	fraud cases
b) a breach of contract such as default or past due event	the borrower has breached the covenants of a credit contract
c) the disappearance of an active market for that financial asset because of financial difficulties	disappearance of an active market for the debtor's financial instruments
d) the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider	credit institution stops charging of interest (also partially or conditionally)
	direct write-off
	write-off against loss allowance
	claim sold with loss which is credit-related
	restructuring with a material part which is forgiven (net present value (NPV) loss)
	restructuring with conditional forgiveness
e) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation	credit institution or leader of consortium starts bankruptcy/insolvency proceedings
	out-of-court negotiations for settlement or repayment (e.g. stand-still agreements)
	obligor has filed for bankruptcy or insolvency

a. Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the loans. KEP measures the expected credit losses in a way that reflects:

- ✓ an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- ✓ the time value of money; and
- ✓ reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

b. Period over which to estimate expected credit losses

KEP measures the expected credit losses over the maximum period exposed to credit risk. For KEP loans, such period, would be contractual period for which KEP has a present contractual obligation to extend credit.

However, for some accounts/deposits with banks, period over which KEP is exposed to credit risk may be longer than their contractual term due to the following characteristics:

- a) the deposits do not have a fixed term or repayment structure and are usually repaid on demand;
- b) the contractual ability to cancel the contract or recall the deposit is not mitigated by KEP's normal credit risk management actions. In such cases, to determine the maximum period of exposure to credit risk, KEP considers factors such as historical information and experience about:
 - the period over which KEP was exposed to credit risk on similar deposits;
 - Time from significant increase in credit risk to default on similar deposits; and
 - Potential recall of the amounts deposited when credit risk of the bank has increased.

c. Probability-weighted scenario

The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses consistently reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

d. Consideration of time value of money

Expected credit losses are discounted to the reporting date using the discount rate provided below.

Instrument	Discount rate to be used
Fixed rate financial asset	Effective interest rate determined at initial recognition
Variable rate financial asset	Current effective interest rate
Purchased or originated credit impaired asset	Credit-adjusted effective interest rate determined at initial recognition
Lease receivable	Same discount rate used to measure lease receivables
Loan commitments	Effective interest rate of an approximation of it that will be applied when recognising the financial asset resulting from the loan commitment
Loan commitments and financial guarantee contracts for which effective interest rate cannot be determined	A rate that reflects current market assessment of the time value of money and specific risks to the cash flows (unless adjustment has been made for the cash flows)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

e. Consideration of collateral

For the purposes of measuring expected credit losses, KEP considers the amount and timing of cash expected from the foreclosure of the collaterals, when these can be reliably measured for individual loans or group of loans.

f. Reasonable and supportable information

KEP considers reasonable and supportable information is that which is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. Information that is available for financial reporting purposes is considered to be available without undue cost or effort.

g. Special considerations

a) Modification of financial instruments

In some circumstances, the restructuring or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing loans in accordance with IFRS 9 derecognition requirements.

KEP derecognizes a loan when:

- a) the contractual rights to a portion or full cash flows from the loan has expired, or
- b) it transfers the loan, and the transfer qualifies for derecognition.

b) Derecognition rules

KEP has set specific rules in order to assess whether derecognition should be performed. In this context the below criteria should be assessed:

- change of debtor
- change of currency
- debt consolidation of multiple loans into one loan or vice-versa
- Write-offs partial or not

In case at least one of the above criteria is present, derecognition should be performed. On derecognition of a loan in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed) be recognised in profit or loss.

c) Modification that leads to derecognition

When the modification results in the derecognition of the existing loan(s) and the subsequent recognition of a new modified loan, KEP classifies this new loan either as **POCI** or **Stage 1** depending on the fact whether the new loan is credit-impaired.

For originated credit-impaired loans, expected credit losses shall be discounted using the credit-adjusted effective interest rate determined at initial recognition.

At the reporting date, KEP only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

d) Credit-impaired loans

Derecognition of assets already classified as “Credit Impaired” triggered by modifications including change of debtor may not lead to the recognition of a Purchased or Originated Credit Impaired (POCI) following an assessment to verify that:

- a) the New Debtor has improved credit rating as compared to the previous, and
- b) the New Debtor is not in financial difficulty, and
- c) the New Debtor’s expected cash flows are sufficient

More analysis for the POCI is described in the Classification and Measurement Policy.

e) Modification that does not lead to derecognition

When contractual cash flows on a loan have been renegotiated or otherwise modified and such has not lead to derecognition of the loan, KEP assesses whether there has been a significant increase in credit risk since initial recognition on the basis of all reasonable and supportable information that is available without undue cost or effort, which includes but is not limited to:

- information about the circumstances that led to the modification,
- credit repayment history before the medication (missed or irregular payments).

h. Expected Credit Loss model

a) Impairment methodology

For the purposes of ECL measurement, KEP performs the necessary model parameterization based on observed point-in-time data on a granularity of quarterly time intervals, which is considered appropriate for the circumstances. The ECL calculations are based on the following input parameters:

Probability of Default (PD): This expresses the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon, i.e. over 12-month for **Stage 1** loans and over the entire lifetime for **Stage 2** loans.

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date, including repayments of principal and interest and expected drawdowns on committed facilities.

Loss Given Default (LGD): This represents an estimate of the loss arising on a default event. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Cure Rate: This expresses the likelihood of exit from Stage 3 status.

Discount Rate: This is used in the discounting of an expected credit loss to a present value at the reporting date. **See section I. j)**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

The following table illustrates how the model applies to the different stages:

Stage	Level	PD	LGD	EAD
Stage 1	Collective	12-months PD (adjusted for macro-economic conditions)	Lifetime losses	Exposure at default over the next 12 month
	Individual	Not applicable or applied in limited circumstances*		
Stage 2	Collective	Lifetime PD (adjusted for macro-economic conditions)	Lifetime losses	Exposure at default over the remaining lifetime
	Individual	Not applicable or applied in limited circumstances*		
Stage 3	Collective	PD equals 1, because default event has occurred	Lifetime losses depending on the point of the recovery cycle	Exposure in default at the reporting date
	Individual	N/a	Estimated future cash flows discounted at the reporting date	Exposure in default at the reporting date

*Individual assessment of the PiT probability of default and the lifetime losses is inherently difficult when there is no objective evidence of impairment. However, for significant exposures classified in Stage 1 and Stage 2, KEP may wish to corroborate LGD assessed on a collective basis to the expected recovery from the collateral foreclosure strategy in a default event.

Exposure at default

EAD is an assessment of the exposure that will default as a result of a default event. Assessment of EAD differs depending on whether default has or has not occurred.

h. Expected Credit Loss model (continued) Default has occurred (exposure in default - EID)

When default has occurred (typical for Stag 3), the exposure in default is a known amount, which includes outstanding loan principal, accrued interest, accrued penalties, and other receivables arising from the loan contract such as: insurance fees, prepaid bailiff fees etc.

Default has not occurred (exposure at default - EAD)

When default has not occurred, the EAD is a reasonable estimate of the exposure at a future default date. In cases of newly originated loans not credit-impaired, or existing loans not subject to significant increase in credit risk, the exposure at default would be assessed over a period of 12 month from the reporting date. EAD could be the gross carrying amount at the reporting date or a later date depending on the point in time the default occurs.

In cases where there has been a significant increase in credit risk, KEP assesses the probability that the loan will default in any of the forthcoming years until its contractual maturity. KEP's consideration for point in time EAD are summarized as follows depending on the stage classification of the loans to customers and bank deposits:

(All amounts are expressed in '000 Euro, unless otherwise stated)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

Stage 1	The gross carrying amount at the reporting date
Stage 2	The gross carrying amount at the reporting date and at each forthcoming anniversary until maturity of the loan. In normal credit recovery cycle where cash is recovered in accordance with the payment plan, EAD is expected to decrease as time approaches maturity date.
Stage 3	The gross carrying amount at the reporting date. In a normal recovery cycle where cash is recovered in small payments over the recovery cycle after default, EAD is expected to decrease as months in default increase
POCI	The net carrying amount at the reporting date

In line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in preparation of its annual financial statements due for submission on 30 April, KEP consider repayments of principal and interest and expected drawdowns on committed facilities granted prior to year- end, until 31st of March subsequent to the 31st December of the reporting year.

Individual vs. collective assessment

KEP assesses ECL on individual basis for all outstanding loans in default exceeding 10 EUR. Such would include all loans classified in Stage 3 or as POCI and individually exceeding 10 EUR.

KEP performs collective assessment of the:

- PDs and LGDs for all loans classified in Stage 1 and Stage 2, and
- LGD of all loans classified in Stage 3 or as POCI with an outstanding exposure less than 10 EUR.

Grouping of loans Collective assessment of PD

For the purpose of a collective assessment of PDs, loans are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms. Such may include the basis of a credit risk evaluation or grading process that considers product type, customer type, collateral type, past-due status and other relevant factors.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

h. Expected Credit Loss model (continued)

Grouping of loans (continued)

In consideration of the credit risk profile of its loans, KEP has selected to group loans based on:

1. The loan purpose (business, agro, housing and consumer) and
2. The collateral requirements for the borrower assessed based on the loan amount granted.

In line with Credit risk policy loans KEP requires collateral for all loans granted with an amount in exceed of EUR 3. Accordingly, this amount is a key determinant to the risk of the loan, depending on whether the loan is secured by collateral or not. Based on the criteria adopted KEP loans are grouped as follows for the purpose of PD modelling:

1. Business > 3	Business loans granted in an amount in exceed of EUR 3
2. Business <= 3	Business loans granted in an amount equal or lower than EUR 3
3. Agro > 3	Agro loans granted in an amount in exceed of EUR 3
4. Agro <= 3	Agro loans granted in an amount equal or lower than EUR 3
5. Housing > 3	Housing loans granted in an amount in exceed of EUR 3
6. Housing <= 3	Housing loans granted in an amount equal or lower than EUR 3
7. Consumer > 3	Consumer loans granted in an amount in exceed of EUR 3
8. Consumer <= 3	Consumer loans granted in an amount equal or lower than EUR 3

Collective assessment of LGD

For the purpose of a collective assessment of LGDs, loans are grouped on the basis of:

- the recovery cycle for non-performing loans, and / or
- the collateral type (i.e. house financed by the loan).

In consideration of these criteria, KEP considers PD groups enumerated above appropriately reflecting the recovery cycle for non-performing loans.

KEP reviews on annual basis the above presented limits and criteria to ensure that they remain valid following possible changes in the loans portfolio size and composition.

Individual assessment of ECL

KEP assesses individual exposures when reasonable and supportable information is available without undue cost. Such would require individual forecast of timing and extent of cash shortfalls considering at least two scenarios: 1) *the scenario that results in a loss* and 2) *the scenario that results with no loss*.

Consideration of multiple scenarios

The impairment is a probability-weighted amount that is determined by evaluating the outcomes of two or more different economic scenarios applied by KEP for measuring expected credit losses. KEP considers variability of cash flows to different economic factors in a multiple-scenario analysis.

Probabilities of the scenarios are determined by KEP, given that there is reasonable and available information. These probabilities are reviewed annually and amended accordingly depending on the economic outlook and/or other relevant information.

i) Cash Flows received from the Borrower

In the context of the Impairment Assessment, KEP estimates the future cash flows of the borrower/business which will be available to serve the debt. In more detail, these cash flows are determined by KEP's collection unit and credit risk unit responsible for developing an expectation of recovery cash flows by taking into consideration relevant available information such as financial information and future plans.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

h. Expected Credit Loss model (continued)

Consideration of multiple scenarios (continued)

ii) *Liquidation of Collaterals*

In order for KEP to determine the recoverable amount of collaterals, it considers the indicative following series of information if available:

- Market value of the collateral
- Appraisal date
- Price indexation
- Time to sale
- Forced sale discount (auction discount)
- Sale cost haircut (i.e. liquidation cost)
- Prior liens
- Preferential rights

The forced sale discount and the sale cost haircut are also applied on the market value of the collateral, without taking into account any prior liens or preferential rights. Based on the parameters mentioned above, the recoverable amount per collateral and per loan facility is calculated. Afterwards, the recoverable amount of the collateral per facility is discounted back based on the estimated time to recovery and the effective interest rate. In the case of repossession of collaterals, KEP discounts further the cash flows considering the timing of the realization of these cash flows and the time to sell the repossessed collateral.

Collective assessment of ECL

KEP measures ECLs on a collective basis for portfolios where less borrower specific information is available such as retail exposures and some exposures to small and medium sized enterprises. This incorporates borrower specific information such as delinquency days, collective historical experience of credit losses and forward-looking information.

For the calculation of the impairment amount of loans assessed on a collective basis, statistical methods are used, based on credit risk parameters. The calculation of 12-Month and Lifetime ECL, for all portfolios, is depicted below:

Stage 1 - 12 months ECL

For stage 1 loans, time of exposition to credit risk is considered for over the forthcoming 12 months.

Stage 2 - Lifetime ECL

For stage 2 loans, the period over which to measure ECL is the maximum period over which KEP is exposed to credit risk. This could be the maximum contractual period over which KEP is exposed to credit risk (*i.e. period until the loan is fully repaid, typically the remaining time until contractual maturity*) or a longer period.

Stage 3 - Lifetime ECL

Loans classified in stage 3 have already defaulted; hence, probability of default equals 1. Expected credit losses are measured as the ultimate loss after consideration of all potential repayments over the recovery horizon, reflected by the LGD in each month in default.

Forward-looking and macro-economic adjustment

KEP considers the potential impact of the forward-looking macroeconomic and financial factors into the PD assessment over the 12 months and Lifetime in line with PD Macro-modeling Guidelines.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

h. Expected Credit Loss model (continued)

Consideration of multiple scenarios (continued)

ECL assessments for bank deposits

Stage 1

For the calculation of the impairment amount of bank deposits KEP applies statistical methods based on credit risk parameters developed by Moody's Annual Default Study: Corporate Default and Recovery Rates.

Stage 2

The variables at each reporting date represent as described below:

If there is a significant increase in credit risk associated with a specific bank deposit compared to the acquisition date, then expected credit losses for the full lifetime of the debt instrument are recognized.

If the expected maturity is shorter than 12m then the 12-month PD is adjusted accordingly for the remaining maturity.

Stage 3

If the credit risk of a debt instrument increases to the point that it is considered to be credit impaired, the lifetime PD equals to 1 and KEP estimates lifetime ECLs based on the LGD, the notional amount and the accrued interest. Under stage 3 (where a credit event has occurred), interest income is calculated on the amortized cost (i.e. the gross carrying amount adjusted for the impairment allowance).

Transition considerations Loans to customers

At the date of initial application of IFRS 9, KEP could not determine whether there has been a significant increase in credit risk since initial recognition for the loans originated on or before 30 September 2018, without undue cost or effort. In line with IFRS 9 transition requirements, KEP recognizes a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until these loans are derecognized. After the date of initial application, KEP uses reasonable and supportable information that is available without undue cost or effort to determine whether credit risk has significantly increased for all loans originated on or after 1 October 2018.

Bank deposits

At the date of initial application, KEP uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that a bank deposit was initially recognized and compare that to the credit risk at 1 January 2018.

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

Information on loans by sector and type of collateral as at 31 December 2025 and 2024, is as follows:

<i>In EUR</i>	Agriculture	Consumer	Housing	Individual Business	Total
Secured loans					
Vehicles	6,579	19	5,918	12,042	24,558
Real estate	12	-	7	24	43
Goods	8,914	168	5,607	14,409	29,098
Un-secured loans	13,137	25,626	16,023	27,809	82,595
Total loans and advances to customers	28,642	25,813	27,555	54,284	136,294

<i>In EUR</i>	Agriculture	Consumer	Housing	Individual Business	Total
Secured loans					
Vehicles	4,375	40	4,469	7,690	16,574
Real estate	16		12	40	68
Goods	6,690	158	5,443	9,970	22,261
Un-secured loans	10,876	24,045	15,471	23,309	73,701
Total loans and advances to customers	21,957	24,243	25,395	41,009	112,604

The Organisation holds collateral against loans and advances to customers in the form of mortgages, vehicles and goods.

	31 December 2025	31 December 2024
Vehicles	30,244	22,892
Real estate	392	392
Goods	19,282	14,971
	49,918	38,255

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

Analysis by credit quality of loans outstanding at 31 December 2025 is as follows:

In EUR

	Agriculture	Consumer	Housing	Individual Business	Total
<i>Neither past due nor impaired</i>					
Loans to individuals below 3 EUR	625	25,652	-	3	26,280
Loans to individuals over 3 EUR	27,894	10	27,359	53,898	109,161
Total neither past due nor impaired	28,519	25,662	27,359	53,901	135,441
<i>Past due but not impaired</i>					
- less than 30 days overdue	92	340	138	299	869
- 30 to 90 days overdue	32	266	162	208	668
- 91 to 180 days overdue	41	248	57	176	522
- 181 to 360 days overdue	102	463	95	241	901
- over 360 days overdue	40	28	44	81	193
Total past due but not impaired	307	1,345	496	1,005	3,153
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	90	-	14	220	324
- 30 to 90 days overdue	-	-	-	69	69
- 91 to 180 days overdue	-	-	-	-	-
- 181 to 360 days overdue	-	-	-	-	-
- over 360 days overdue	-	-	-	-	-
Total individually impaired loans (gross)	90	-	14	289	392
Less impairment provisions	(274)	(1,194)	(313)	(911)	(2,692)
Total loans and advances to customers	28,642	25,813	27,556	54,283	136,294

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.3 Liquidity risk

Liquidity risk is the risk that the Organisation will encounter difficulty in meeting obligations from its financial liabilities.

The Organisation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organisation's reputation.

The Organisation's liquidity position is monitored by the Accounting and Financial Reporting Department on a weekly and monthly basis and directly by the management systematically, through managing cash availability for loan disbursement and ensuring adequate funds, available for each account, based on expected inflows and outflows to meet the Organisation's obligations. Internal policies on liquidity risk management are aligned with the regulation "On the management of liquidity risk in microfinance institutions", approved by the Central Bank of Kosovo on 29 August 2013.

Exposure to liquidity risk

Borrowings are the main source of funding for the Organisation. The Organisation strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Organisation continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall the Organisation strategy.

In addition, the Organisation holds a portfolio of liquid assets as part of its liquidity risk management strategy. The following table shows the Organisation's financial liabilities on the basis of their earliest possible contractual maturity:

	Up to 1 month	1 to 6 months	6 months to 1 year	Over one year	Carrying amount
31 December 2025					
Borrowings	1,835	15,532	16,200	73,006	106,573
Other liabilities	604	-	-	-	604
	2,439	15,532	16,200	73,006	107,177
31 December 2024					
Borrowings	2,188	16,068	15,756	50,138	84,148
Other liabilities	425	-	-	-	425
	2,613	16,068	15,756	50,138	84,573

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.4 Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Organisation's income, or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Exposure to interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Organisation manages the interest rate risk through monitoring the market conditions and taking necessary re-pricing, or reallocation decisions. The sensitivity analysis has been determined based on the exposure to interest rates for both financial assets and financial liabilities assuming that their amounts outstanding at the reporting date, were outstanding during the year.

KEP Trust
Notes to the financial statements

(All amounts are expressed in '000 Euro, unless otherwise stated)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.4 Market risk (continued)

The interest gap positions of significant categories of interest-bearing financial assets and liabilities as at 31 December 2025 and 2024 are as follows:

	Up to 1 month	1 to 6 months	6 months to 1 year	Over one year	Carrying amount
31 December 2025					
Loans and advances to customers	6,718	24,921	27,322	77,333	136,294
	6,718	24,921	27,322	77,333	136,294
Borrowings	1,835	15,532	16,200	73,006	106,573
	1,835	15,532	16,200	73,006	106,573
Net position	4,883	9,389	11,122	4,327	29,721
31 December 2024					
Loans and advances to customers	5,761	21,137	23,009	62,697	112,604
	5,761	21,137	23,009	62,697	112,604
Borrowings	2,187	16,069	15,755	50,137	84,148
	2,187	16,069	15,755	50,137	84,148
Net position	3,574	5,068	7,254	12,560	28,456

The management of interest rate risk is supplemented by monitoring the sensitivity of the Organisation's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios include a 1% parallel fall or rise in all yield curves. An analysis of the Organisation's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant net position) is as follows:

	2025	2024
Profit: 1% increase	297	285
Loss: 1% decrease	(297)	(285)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.4 Market risk (continued)

Exposure to currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Organisation is not exposed to this risk because its assets and liabilities are in EUR.

22.5 Capital management

The Organisation is in compliance with the minimum capital of EUR 200 required by the Central Bank of Kosovo. The Organisation is subject to a periodic supervision by the Central Bank of Kosovo.

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

23. EVENTS AFTER THE REPORTING PERIOD

On January 30th, 2026, the Organisation received 4th tranche of EUR 1,000 as part of contractual agreement with a local bank signed in October 28th 2024 in amount of EUR 5,000.

On February 9th, 2026, the Organisation entered into a loan contractual agreement with an international lender of an amount of EUR 1,000.

On February 27th, 2026, the Organisation received 1st tranche of EUR 4,000 as part of contractual agreement with an international lender signed in December 23rd, 2025 in amount of EUR 8,000.

There were no other events after the reporting date that would require adjustments, or additional disclosures, in these financial statements.