

BANKA PER BIZNES SH.A.

**Financial statements prepared in accordance
with the rules and regulations of the Central Bank of Kosovo
for the year ended 31 December 2015**

(with independent auditors' report thereon)

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Independent Auditors' Report

To the shareholders and Board of Directors of
Banka per Biznes Sh.a

Pristina, 31 March 2016

We have audited the accompanying financial statements of Banka per Biznes Sh.a ("the Bank"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of Article 53 of the Law No. 04/L-093, dated 11 May 2012, "Law on banks, microfinance institutions and non-bank financial institutions" (the "Banking Law").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Banking Law, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Banking Law.

Basis of accounting

Without modifying our opinion, we draw attention to Notes 2 and 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Bank to meet the requirements of the Central Bank of the Republic of Kosovo. As a result, the financial statements may not be suitable for another purpose.

KPMG Albania Shpk Kosovo Branch

KPMG Albania Shpk Kosovo Branch
6, Pashko Vasa Street,
Pristina, Kosovo

KPMG Albania Shpk Kosovo Branch, a branch of KPMG Albania Shpk, an Albanian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered with the Kosovo
Business Registration Agency
with Business no. 70291840

Banka per Biznes Sh.a.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

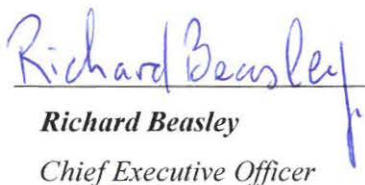
<i>In thousands of EUR</i>	Note	2015	2014
Interest income	6	9,173	9,013
Interest expense	6	(1,669)	(2,556)
Net interest income		7,504	6,457
Fee and commission income	7	1,848	1,999
Fee and commission expense	7	(414)	(399)
Net fee and commission income		1,434	1,600
Recoveries of loans previously written off		542	465
Net foreign exchange gain		70	25
Income from sale of securities		120	-
Other operating income		100	69
Total operating income		9,770	8,616
Impairment losses	15	(1,584)	(2,231)
Net reversal of provisions for guarantees		19	6
Reposessed assets write-downs	16	(305)	(327)
Other provisions	23	(642)	-
Other operating expenses	8	(5,257)	(4,793)
Total operating expenses		(7,769)	(7,345)
Profit before income tax		2,001	1,271
Income tax expense	9	-	-
Net profit for the year		2,001	1,271
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets)		(18)	-
Total comprehensive income for the year		1,983	1,271

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 39.

Banka per Biznes Sh.a.
Statement of Financial Position
As at 31 December 2015

<i>In thousands of EUR</i>	Note	2015	2014
Assets			
Cash on hand and at banks	10	10,623	8,540
Balances with Central Bank of Kosovo	11	22,576	20,891
Loans and advances to banks	12	960	1,211
Held-to-maturity investments	13	-	7,242
Available-for-sale financial assets	14	10,372	-
Loans and advances to customers	15	85,975	73,929
Repossessed assets	16	747	843
Other financial assets	17	291	459
Other assets	18	122	249
Intangible assets	19	147	145
Property and equipment	20	1,041	642
Total assets		132,854	114,151
Liabilities			
Due to customers	21	115,848	103,003
Subordinated debt	22	1,848	1,848
Borrowings	22	3,017	-
Other liabilities and provisions	23	1,345	487
Total liabilities		122,058	105,338
Equity			
Share capital	24	11,247	11,247
Fair value reserve		(18)	-
Accumulated losses		(433)	(2,434)
Total equity		10,796	8,813
Total liabilities and equity		132,854	114,151

These financial statements were approved by the management of the Bank on 31 March 2016 and signed on its behalf by:


Richard Beasley
Chief Executive Officer


Avni Berisha
Head of Finance Division

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 39.

Banka per Biznes Sh.a.**Statement of Changes in Equity**

For the year ended 31 December 2015

<i>In thousands of EUR</i>	Share capital	Accumulated losses	Fair value reserve	Total
Balance at 1 January 2014	11,247	(3,705)	-	7,542
Transactions with owners of the Bank				
<i>Total comprehensive income for the year</i>				
Profit for the year	-	1,271	-	1,271
Other comprehensive income	-	-	-	-
Total comprehensive income /(loss)	-	1,271	-	1,271
Balance at 31 December 2014	11,247	(2,434)	-	8,813
Balance as at 1 January 2015	11,247	(2,434)	-	8,813
Transactions with owners of the Bank				
<i>Total comprehensive income for the year</i>				
Profit for the year	-	2,001	-	2,001
Other comprehensive loss (Fair value reserve)	-	-	(18)	(18)
Total comprehensive income /(loss)	-	2,001	(18)	1,983
Balance at 31 December 2015	11,247	(433)	(18)	10,796

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 39.

Banka per Biznes Sh.a.**Statement of Cash Flows**

For the year ended 31 December 2015

<i>In thousands of EUR</i>	Note	2015	2014
Cash flows from operating activities			
Profit for the year		2,001	1,271
<i>Non-cash items in the financial statements:</i>			
Depreciation	20	281	271
Amortisation	19	87	109
Gain from disposal of property and equipment		(30)	(87)
Impairment losses from loans	15	1,584	2,231
Write down of repossessed assets	16	305	327
Interest expense	6	1,669	2,556
Interest income	6	(9,173)	(9,013)
		(3,276)	(2,335)
Changes in:			
Loans and advances to banks	12	251	(845)
Loans and advances to customers	15	(13,599)	(8,953)
Restricted balancew with the CBK	11	(1,066)	(221)
Other assets	18	127	(591)
Other financial assets	17	168	-
Repossessed assets	16	(209)	166
Due to customers	21	13,049	2,187
Other liabilities and provisions	23	858	(2,091)
Interest received		9,142	9,013
Interest paid		(1,873)	(2,556)
Net cash used in operating activities		3,572	(6,226)
Cash flows from investing activities			
Investments in available-for-sale investments	14	(10,390)	-
Proceeds from held-to-maturity investments	13	7,242	8,806
Purchase of property and equipment	20	(711)	(159)
Purchase of intangible assets	19	(89)	(7)
Proceeds from sale of property and equipment		61	127
Net cash from investing activities		(3,887)	8,767
Cash flows from financing activities			
Receipts from borrowings	22	3,017	-
Net cash used in financing activities		3,017	-
Net increase in cash and cash equivalents		2,702	2,541
Cash and cash equivalents at beginning of the year	10	21,452	18,911
Cash and cash equivalents at the end of the year	10	24,154	21,452

The Statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 39.

Banka per Biznes Sh.a.

Notes to the financial statements

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

1. Introduction

The Bank for Private Business Sh.a obtained a license for banking activities on 29 March 2001 and commenced operations on 24 April 2001.

Based on the decision of the Board of Directors dated 28 February 2005, and the final approval from the Central Bank of Kosovo ("CBK") dated 22 March 2005, the Bank changed its name to Banka per Biznes (the "Bank"). In 2006, the Bank was registered as a joint stock company ("Sh.a"). The Bank operates as a commercial and savings bank to all categories of customers within Kosovo through its network of 7 branches in Prishtina, Gjakova, Peja, Prizren, Ferizaj, Mitrovica and Gjilan and 19 sub-branches located throughout Kosovo (2014: 20).

2. Basis of preparation

(a) Statement of compliance

These financial statements are prepared in accordance with Article 53 of the Law No. 04/L- 093, dated 11 May 2012, "Law on banks, microfinance institutions and non-bank financial institutions".

These financial statements are prepared for regulatory purposes and reflect the accounting rules and regulations of the Central Bank of the Republic of Kosovo ("CBK Rules"). The CBK Rules are based on the relevant legal decision defining the mandatory application of International Financial Reporting Standards ("IFRS") in Kosovo, but CBK rules also specifically require the application of certain accounting treatments which are not in accordance with the specific requirements of IFRS. Consequently, these financial statements should be read as being prepared in accordance with the accounting standards and regulations prevailing in the Territory of Kosovo as disclosed in the significant accounting policies set out in Note 3 below.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of judgments and estimates

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 4, 5 and 26.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies

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

(a) Interest

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 the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in 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; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

(b) Fees and commissions

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.

Other fees and commission income, including account servicing fees, fund transfer fees, sales commission and placement fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

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

(c) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(d) 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 Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)**(d) Tax expense (continued)***(ii) Deferred tax (continued)*

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 Bank are recognised at the same time as the liability to pay the related dividend is recognised.

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) Tax exposures

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(e) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Bank 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 rate exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised costs in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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.

(f) Financial assets and financial liabilities*(i) Recognition*

The Bank initially recognises loans and advances, held-to-maturity and available-for-sale investments, deposits, borrowings and subordinated debt on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are recognised initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Banka per Biznes Sh.a.

Notes to the financial statements

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii) Classification

Financial assets

The Bank classifies its financial assets into one of the following categories:

- loans and receivables;
- held to maturity, and
- available-for-sale financial assets.

See notes 3.(g),(h), (i) and (j).

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost. See note 3.(k).

(iii) Derecognition

Financial assets

The Bank 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 Bank 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 Bank is recognised as a separate asset or liability.

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 is recognised in profit or loss.

Financial liabilities

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

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to 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 Bank's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

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

Banka per Biznes Sh.a.

Notes to the financial statements

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

If there is no quoted price in an active market, then the Bank 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 Bank 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 Bank 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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

Impairment of loans and advances

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Bank.

Provisions for loan losses are created pursuant to the Regulation “Credit Risk Management”, which was approved by CBK on 26 April 2013. The regulation requires the Bank to classify exposures into five risk categories. The Bank considers evidence of impairment for loans and advances at both a specific asset and collective level. Loans and advances that are specifically impaired include significant exposures of more than EUR 50,000. Loans and advances that are not specifically impaired are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

Provisions created for possible losses on loans classified as standard and watch are classified as general provisions. In accordance with the internal provisioning policies of the Bank the rate that is applied for the standard and watch categories is 1.06% (2014: 1.26%). For each risk category, the following minimum rates of specific provision are applied:

Category	Minimum provision rate
Substandard	20%
Doubtful	50%
Loss	100%

3. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii) Fair value measurement (continued)

Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. The loans are written off after reasonable collection measures have been taken in accordance with the Bank's established policy. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of available-for-sale financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

(g) 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 Bank in the management of its short-term commitments.

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

(h) Investments held-to-maturity

Investment securities are initially measured at fair value plus incremental direct transaction costs, and subsequently accounted for depending on their classification as held to maturity.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 3.(f).(vii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)**(i) Available-for-sale financial assets**

Investment securities are initially measured at fair value plus incremental direct transaction costs.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise debt securities. All available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss (see (f)(vii)).

Other fair value changes, other than impairment losses (see (f)(vii)), are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances to banks and to customers are classified as loans and receivables.

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

(k) Deposits, borrowings and subordinated debt

Deposits, borrowings and subordinated debts are the Bank's main sources of debt funding.

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

(l) Repossessed assets

Reposessed assets are acquired through enforcement of security over non-performing loans and advances to customers that do not earn rental, and are not used by the Bank and are intended for disposal in a reasonably short period of time. Repossessed assets are measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss.

(m) Property and equipment*(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)**(m) Property and equipment (continued)***(iii) Depreciation*

Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values over their estimated useful lives. Depreciation is recognised in profit or loss.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Buildings	20 years
Computer and related equipment	5 years
Vehicles	5 years
Furniture, fixtures and equipment	5 years

Leasehold improvements are depreciated using the straight-line basis over the shorter of the lease term and their useful lives. The estimated useful life of the leasehold improvements is 5 years.

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

(n) Intangible assets

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss over the estimated useful life of the asset, from the date that it is available for use.

Software is amortised using the straight-line method over the estimated useful life of five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Provisions

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

3. Significant accounting policies (continued)

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Bank makes only 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 recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank 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.

(r) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Such financial commitments are recorded in the statement of financial position if and when they become payable.

(s) Dividends

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

4. Use of estimates and judgments

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 26).

(a) Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3.(f).(vii).

The Bank reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Banka per Biznes Sh.a.

Notes to the financial statements

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

4. Use of estimates and judgments

(a) Impairment (continued)

The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(b) Net realizable value of repossessed assets

The Bank has established a policy with respect to the fair values of repossessed assets which are being measured at the lower of cost and net realizable value. The fair value measurement include the use of external, independent property values, having appropriate recognized statutory professional qualifications, which is subsequently reviewed from the Bank Management for significant unobservable inputs and any required write down adjustments.

The Bank does not present repossessed property in the statement of financial position for periods longer than 5 years.

The fair values of the Bank's repossessed assets are categorized into Level 3 of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of repossessed assets, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Reference to the current market: The valuation model uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)	Market prices were modified to reflect the following: <ul style="list-style-type: none">• The level of market transactions when the market activity is low or the price for an identical property is difficult to obtain• Specific condition of each property (construction, position etc.)

(c) 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.(f).(vi). 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 Bank 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.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***5. Disclosure and estimation of fair value**

Fair value estimates are based on existing financial instruments on the Bank'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.

Financial instruments – fair value hierarchy

The following table sets out the fair values of financial instruments measured and not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	2015		2014	
	Carrying value	Fair value Level 2	Carrying value	Fair value Level 2
Financial assets measured at fair value				
Available-for-sale	10,372	10,372	-	-
Financial assets not measured at fair value				
Cash on hand and at banks	33,199	33,199	29,431	29,431
Loans and advances to banks	960	960	1,211	1,211
Held-to-maturity investments	-	-	7,242	7,244
Loans and advances to customers	85,975	88,924	73,929	72,672
Other financial asset	291	291	459	459
Financial liabilities not measured at fair value				
Due to customers	115,848	116,330	103,003	103,371
Subordinated debt	1,848	1,842	1,848	1,599
Borrowings	3,017	3,017	-	-
Other financial liabilities	651	651	416	416

Fair value for financial assets and liabilities above have been determined using Level 2 and Level 3 input described above.

Fair value estimates are based on existing financial instruments on the Bank'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.

Balances with banks

Due from other banks include inter-bank placements and items in the course of collection. As loans, advances and deposits are short term and at floating rates, their fair value is considered to equate to their carrying amount.

Treasury Bills

Treasury Bills include treasury bills issued by the Government of Kosovo which are bought with the intention to hold till maturity. The fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

Bonds

Bonds include bonds issued by the Government of Kosovo which are bought with the intention to hold till maturity. Quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***5. Disclosure and estimation of fair value (continued)***Loans and advances to customers*

Where available, the fair value of loans and advances 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, interest rates and prepayment rates. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics.

The Bank's loan portfolio has an estimated fair value approximately equal to its book value due either to their short term nature or to underlying interest rates which approximate market rates. The majority of the loan portfolio is subject to re-pricing within a year.

Due to customers, borrowings and subordinated debt

The fair value of subordinated debt and Due to customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits and subordinated debt of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income

Net interest income is composed as follows:

	2015	2014
Interest income		
Loans and advances to customers	9,018	8,917
Loans and advances to banks	2	5
Held-to-maturity investments	-	91
Available-for-sale investments	153	-
	9,173	9,013
Interest expenses		
Due to customers	(1,466)	(2,373)
Subordinated debt	(186)	(183)
Borrowings	(17)	-
	(1,669)	(2,556)
Net interest income	7,504	6,457

7. Net fee and commission income

	2015	2014
Fee and commission income		
Payment transfers and transactions	1,485	1,665
Account maintenance fees	321	287
Other fees and commissions	42	47
Total fee and commission income	1,848	1,999
Fees and commissions on bank accounts	(323)	(328)
Fees and commissions on social aid distribution	(69)	(65)
Other fees and commissions	(22)	(6)
Total fee and commission expense	(414)	(399)
Net fee and commission income	1,434	1,600

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***8. Other operating expenses**

	2015	2014
Personnel expenses (see below)	2,388	2,173
Rent	667	718
Depreciation and Amortisation	368	380
Insurance and security	303	324
Utilities and fuel	162	171
Repairs and maintenance	152	148
Communications	135	141
Consultancy	87	111
Card issuance costs	131	104
Advertising and marketing expenses	170	91
Cleaning expenses	39	54
Office materials	49	51
Board member remuneration	42	23
Travel	12	8
Other expenses	552	296
Total	5,257	4,793

The number of employees as at 31 December 2015 is 288 (31 December 2014: 276).

Personnel expenses are details as follows:

	2015	2014
Wages and salaries	2,111	1,946
Pension contribution	104	99
Fringe benefits	163	122
Other compensations	10	6
Total	2,388	2,173

9. Income taxes

The income tax charge differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the bank as follows:

	Effective tax rate	2015 2,001	Effective tax rate	2014 1,271
Profit before tax				
Tax calculated at 10%	10%	200	10%	127
Tax effect of non-deductible expenses	0.05%	1	0.39%	5
Tax effect of the accrued interest on term deposits	(1.00%)	(20)	(4.17%)	(53)
Utilisation of tax loss carried forward	(9.05%)	(181)	(6.22%)	(79)
Income tax expense	-	-	-	-

Deferred tax is calculated based on the enacted tax rate of 10%. Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable. As at 31 December 2015, a net deferred tax asset of EUR 87 thousand (2014: EUR 268 thousand) has not been recognized due to the uncertainty that sufficient taxable profits will be available to allow the benefit of that deferred tax asset to be utilized.

The carry forward period for any tax losses in accordance with the Kosovo Tax Law is six years.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***9. Income taxes (continued)**

Income tax is assessed at the rate of 10% (2014: 10%) of taxable income. The following represents a reconciliation of the accounting profit to the income tax:

	2010	2011	2012	2013	2014	2015
Tax losses unrecognized (utilized) during the year	167	1,160	2,232	(87)	(789)	(1,814)
Tax losses carried forward	167	1,327	3,559	3,472	2,683	869
				Movement		
			2014	during 2015	2015	
Tax losses carried forward			(2,683)	1,814	(869)	
Deferred tax asset at 10%			268	(181)	87	
Less: unrecognized tax losses			(268)	181	(87)	
Deferred tax asset at the end of the year			-	-	-	

10. Cash on hand and at banks

	2015	2014
Cash on hand	6,335	5,421
Cash at banks	4,288	3,119
Total	10,623	8,540

Cash and cash equivalents consist of the following:

	2015	2014
Cash on hand and at banks	10,623	8,540
Unrestricted balances with CBK (note 11)	13,531	12,912
Total	24,154	21,452

11. Balances with Central Bank of Kosovo

	2015	2014
Statutory reserves	9,045	7,979
Current accounts	13,531	12,912
Total	22,576	20,891

In accordance with the CBK requirements relating to the deposits reserve for liquidity purposes, the Bank should maintain a minimum of 10% of customer deposits with maturities up to one year, as statutory reserves. The statutory reserves represent highly liquid instruments, including cash on hand, accounts at the CBK or at other banks in Kosovo, and the amounts held at the CBK should not be less than half of the total statutory reserves. The assets with which the Bank may satisfy its liquidity requirement are EUR deposits with the CBK and 50% of the EUR equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5% of the applicable deposit base.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***12. Loans and advances to banks**

	2015	2014
<i>Blocked accounts:</i>		
Raiffeisen Bank International	960	776
Banca di Cividale	-	435
Total	960	1,211

Loans and advances to banks include blocked accounts on behalf of guarantees from customers.

13. Held-to-maturity investments

Treasury Bills and Government Bonds held-to-maturity at 31 December 2014 are issued by the Kosovo Government and are denominated in EUR. Kosovo Government securities are not rated.

	2015	2014
Treasury Bills	-	6,942
Government Bonds	-	300
Total (see note 14)	-	7,242

14. Available-for-sale investments

	2015	2014
Treasury Bills	5,334	-
Government Bonds	5,038	-
Total	10,372	-

During 2015, the Bank sold held-to-maturity investments of EUR 6,034 thousand. As a result, the entire held-to-maturity portfolio was tainted and reclassified to available-for sale-instruments.

15. Loans and advances to customers

	2015	2014
Loans and advances to customers	91,380	80,025
Accrued interest	534	549
Deferred disbursement fees	(474)	(520)
Total	91,440	80,054
Allowance for impairment losses on loans and advances to customers	(5,465)	(6,125)
Loans and advances to customers, net	85,975	73,929

Movements in the allowance for impairment losses on loans and advances to customers are as follows:

	2015	2014
At January 1	6,125	5,336
Loan loss provision	1,584	2,231
Loans written off	(2,244)	(1,442)
At December 31	5,465	6,125

The Bank exceeded the limit set by CBK for maximum exposure in relation to Tier One capital to a single or group of connected customers and related parties for one case as at 31 December 2014, for which the Bank obtained approval from CBK up to 30 June 2015. The Bank did not exceed such limits at 31 December 2015

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***16. Repossessed assets**

Reposessed assets are properties acquired through enforcement of security over loans and advances to customers. The Bank intends and is taking steps to sell them within a reasonable short period of time.

	2015	2014
Residential real estate	572	371
Commercial real estate	1,008	1,000
Total	1,580	1,371
Less: write-down	(833)	(528)
Net carrying value	747	843

The fair value of these assets is determined with reference to market values by independent external valuers. The values are further written down depending on their location, maintenance and conditions to reflect delays in likely settlement and the length of time for holding the assets.

Movements in the values written down are as follows:

	2015	2014
At January 1	528	307
Charge for the year	305	327
Reversel on disposal	-	(106)
At December 31	833	528

17. Other financial assets

	2015	2014
Receivables from customers	133	160
Accrued income from banking services	67	28
Accrued fees and commissions	84	264
Other receivables	7	7
Total	291	459

18. Other assets

	2015	2014
Prepaid expenses	122	65
Shares of the Bank held for sale	-	184
Total	122	249

In previous years, the Bank had issued a loan of EUR 1,800 thousand to Getoar, one of its shareholders. The loan was secured with the Getoar's shares in the Bank, with a total nominal value of EUR 184 thousand. Getoar failed to repay the loan and in 2014, based on a court decision the shares were acquired by the Bank through the enforcement of security over the loan. As at 31 December 2014, these shares were recognized as part of the share capital with a corresponding asset held for sale, included in other assets. In 2015, the shares were purchased by one of the existing shareholders of the Bank.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***19. Intangible assets**

	Software
Cost	
At 1 January 2014	798
Additions	7
At 31 December 2014	805
Additions	89
At 31 December 2015	894
Accumulated amortisation	
At 1 January 2014	551
Charge for the year	109
At 31 December 2014	660
Charge for the year	87
At 31 December 2015	747
Net carrying amount	
At 31 December 2014	145
At 31 December 2015	147

20. Property and equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Computers and related equipment	Vehicles	Total
Cost						
At 1 January 2014	221	636	610	1,196	515	3,178
Additions during the year	-	29	9	108	13	159
Disposals during the year	(112)	(55)	(45)	(123)	(39)	(374)
At 31 December 2014	109	610	574	1,181	489	2,963
Additions during the year	-	275	101	177	158	711
Disposals during the year	-	(111)	(130)	(178)	(50)	(469)
At 31 December 2015	109	774	545	1,180	597	3,205
Accumulated depreciation						
At 1 January 2014	42	520	487	985	304	2,338
Charge for the year	4	42	52	97	76	271
Disposals during the year	(33)	(55)	(44)	(120)	(36)	(288)
At 31 December 2014	13	507	495	962	344	2,321
Charge for the year	2	62	75	84	58	281
Disposals for the year	-	(108)	(129)	(173)	(28)	(438)
At 31 December 2015	15	461	441	873	374	2,164
Carrying amounts						
At 31 December 2014	96	103	79	219	145	642
At 31 December 2015	94	313	104	307	223	1,041

As at 31 December 2015 and 2014, the Bank does not have any property pledged as collateral.

Included in property and equipment as of 31 December 2015 are buildings with a carrying amount of EUR 94 thousand (2014: EUR 96 thousand) which represent repossessed collaterals and which management is using in its day to day activities.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***21. Due to customers**

	2015	2014
Current accounts	50,036	43,646
In EUR	47,625	41,955
In foreign currencies	2,411	1,691
Time deposits	65,812	59,357
In EUR	65,084	58,878
In foreign currencies	728	479
Total	115,848	103,003

22. Subordinated debt and borrowings

:

	2015	2014
Subordinated debt		
EBRD	1,008	1,008
<i>Individuals:</i>		
Valon Budima	420	420
Armend Skeja	420	420
Total	1,848	1,848
Borrowings		
Borrowings from EFSE	3,017	-
Total	3,017	-

Subordinated debt was provided by the above parties to enable the Bank to maintain the minimum regulatory capital requirements. The subordinated debt bears an annual interest rate of 10%. The interest is payable to EBRD on a quarterly basis, and to individuals on an annual basis. The subordinated debt is repayable on the following dates:

- Debt from EBRD: 31 July 2019
- Debt from individuals: 26 December 2023.

During the year 2015, the Bank entered into a borrowing agreement with EFSE (European Fund for Southeastern Europe) for a total of EUR 4,000 thousand. The purpose is to support the private individuals and the SME loans portfolios. An amount of EUR 1,000 had not yet been disbursed at 31 December 2015. The borrowing bears an interest rate of 3.4% annually, and is repayable within three years. The interest is payable on a quarterly basis.

The subordinated debt from individuals has no specific covenants attached to the agreements. The Bank has not complied with certain financial covenants attached to the agreement with EBRD. As at 31 December 2015 the Bank was not in compliance with the following:

- Maintain a ratio of Liquid Assets to Deposits of 75% or more (2014: the same);
- Maintain a negative liquidity Gap Ratio with respect to each maturity Band of not more than 20% all times (2014: the same);
- Maintain an Open Credit Exposure Ratio of not more than 12%;
- Maintain the exposure to top 10 borrowers by the size of their loans with a share in the aggregate Loan Portfolio of not more than 10%.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***23. Other liabilities and provisions**

	2015	2014
Payments in transit	295	205
Provisions for letters of guarantee issued by the Bank	52	71
Payable on behalf of Ministry of Labour and Social Welfare	170	8
Payable on behalf of Ministry of Economy and Finance	25	83
Due to suppliers	161	120
Other provisions	642	-
Total	1,345	487

The Bank acts as an agent for the transactions performed on behalf of government institutions with third parties. These include payments on behalf of the Ministry of Labour and Social Welfare and Ministry of Economy and Finance.

Other provisions represent a provision related to a legal claim with previous shareholders of the Bank. During, 2015, the claimants have won the court case against the Bank and it is likely that the Supreme Court will confirm the decision. The value of the dispute was Euro 642 thousand and the entire amount was provided for by 31 December 2015.

24. Shareholders' equity and reserves***Share capital***

In accordance with Law no. 04/L-093 on "Banks, Microfinance Institutions and Non-Bank Financial Institutions", the minimum paid-in capital for domestic banks operating in Kosovo is EUR 7 million.

At 31 December 2015, the subscribed capital was divided into 28,530 ordinary shares (2014: 28,530 ordinary shares) with a nominal value of EUR 394.2 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

The structure of subscribed capital is as follows:

<i>Name of shareholder</i>	2015		2014	
	%	EUR ('000)	%	EUR ('000)
Afrim Govori	21.27	2,392	21.27	2,392
Rrustem Aliaj	17.27	1,942	17.27	1,942
EBRD	10.00	1,125	10.00	1,125
John Khan Taip	9.91	1,115	9.91	1,115
Mejdi Rexhepi	9.35	1,052	9.35	1,052
Nazmi Viça	6.89	775	8.80	989
Kareman Limani	4.85	545	4.85	545
Banka di Cividale	4.62	520	4.62	520
Ahmet Arifi	2.39	269	2.39	269
Ismet Sylejmani	1.90	214	-	-
BPB (see note 18)	-	-	1.63	184
Rasim Gashi	1.54	173	1.54	173
Riza Mikullovci	1.45	163	1.45	163
Others	1.26	141	1.26	141
DMTH shpk	5.17	581	3.27	367
Naser Aliu	0.62	70	0.62	70
Besnik Vrella	0.62	70	0.62	70
Agim Bilalli	0.62	70	0.62	70
Flamur Bryma	0.27	30	0.53	60
Total	100.00	11,247	100.00	11,247

Banka per Biznes Sh.a.

Notes to the financial statements

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

25. Commitments and contingencies

The Bank issues guarantees for its customers. These instruments bear a credit risk similar to that of loans granted. Guarantees issued in favour of customers are secured by cash collateral, and non cash collateral (real estate and movable collateral).

Guarantees extended to customers	2015	2014
Secured by cash deposits	525	825
Secured by collateral (real estate and movable collateral)	1,133	1,659
Unsecured	996	1,156
Less: Provision recognised as liabilities	(66)	(84)
Total	7,499	9,991

Commitments represent the undrawn balances of loans, overdraft and card limits granted to the customers.

Credit commitments	2015	2014
Approved but not disbursed loans	581	215
Unused overdraft limits approved	3,896	5,867
Unused credit card facilities	434	353
Total	4,911	6,435

Legal

The Bank is involved in routine legal proceedings in the ordinary course of business at 31 December 2015 and 2014. The Bank's management is of the opinion that no material losses will be incurred in relation to legal claims, except for provisions which have been recognized in the profit or loss.

Lease commitments

The Bank has entered into non-cancelable lease commitments, which are composed as follows:

	2015	2014
Not later than 1 year	482	337
Later than 1 year and not later than 5 years	186	-
Total	668	337

26. Financial risk management

(a) Introduction and overview

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

- market risk
- credit risk
- liquidity risk

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

Risk management framework

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee ("ALCO"), Credit Committee, Audit Committee, and Risk Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

26. Financial risk management (continued)

(a) Introduction and overview (continued)

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by the Internal Audit Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank. The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets. Based on this, the management analyses profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, maintaining an adequate capital and liquidity position.

(b) Credit risk

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

Management of credit risk

The Board of Directors has delegated the responsibility for the management of credit risk to its Risk Division for the following categories: business loans (SME) and personal loans (PI) up to EUR 50 thousand which are approved by the Risk Division.

Credit exposures larger than EUR 50 thousand and less than 10% of the Bank's Tier I Capital are approved by the Risk Division / Credit Committee, while exposures over 10% of the Bank's Tier I Capital are approved by the Board of Directors.

Separate units of the Bank's Risk and Sales Divisions are responsible for the oversight of the Bank's credit risk, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits prior to facilities being committed to customers.
- Limiting concentrations of exposure to geographies and industries.
- Establishing the Banks' credit risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the risks. The risk grading system is used in determining where impairment losses may be required. The current risk grading framework consists of 5 grades reflecting varying degrees of risk of default and the availability of collateral.
- Reviewing compliance with agreed exposure limits, including those for industries, country risk and product types.
- Regular reports for the credit exposure, risk grading and allowance for impairment are provided to the Credit Risk Committee and appropriate corrective action is taken.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(b) Credit risk (continued)**

- Units within the credit department are required to implement credit policies and procedures and are responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.
- Regular audits of the credit department's processes are undertaken by Internal Audit Department.

Analysis of credit quality

The table below represents a worst case scenario of credit risk exposure of the Bank at 31 December 2015 and 2014, without taking into account any collateral held or other credit enhancements attached. For financial assets, the exposures set out below represent the net carrying amounts as reported in the statement of financial position.

	Cash and balances with banks and CBK		Investments (AFS/HTM)		Loans and advances to customers		Other financial assets		Financial guarantees	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Maximum exposure to credit risk										
Carrying amount	33,199	29,431	10,372	7,242	85,975	73,929	291	459	-	-
Amount committed/guaranteed	-	-	-	-	-	-	-	-	7,565	10,075
	33,199	29,431	10,372	7,242	85,975	73,929	291	459	7,565	10,075
At amortised cost										
Standard	33,199	29,431	10,372	7,242	79,547	65,309	291	459	-	-
Watch	-	-	-	-	3,392	3,012	-	-	-	-
Substandard	-	-	-	-	3,237	5,124	-	-	-	-
Doubtful	-	-	-	-	2,990	4,753	-	-	-	-
Loss	-	-	-	-	2,274	1,856	-	-	-	-
Total	33,199	29,431	10,372	7,242	91,440	80,054	291	459	-	-
Allowance for impairment (individual and collective)	-	-	-	-	(5,465)	(6,125)	-	-	-	-
Net carrying amount	33,199	29,431	10,372	7,242	85,975	73,929	291	459	-	-
Off balance: maximum exposure										
Credit commitments: Low - fair risk	-	-	-	-	-	-	-	-	4,911	6,435
Financial guarantees: Low - fair risk	-	-	-	-	-	-	-	-	2,654	3,640
Total committed/guaranteed	-	-	-	-	-	-	-	-	7,565	10,075
Provisions recognised as liabilities	-	-	-	-	-	-	-	-	(66)	(84)
Total exposure	-	-	-	-	-	-	-	-	7,499	9,991

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(b) Credit risk (continued)****Analysis of credit quality (continued)**

	2015			2014		
	Retail	Corporate	Total Loans	Retail	Corporate	Total Loans
Loans and advances to customers						
Total gross amount	26,948	64,492	91,440	22,353	57,701	80,054
Allowance for impairment (individual and collective)	(570)	(4,895)	(5,465)	(506)	(5,619)	(6,125)
Net carrying amount	26,378	59,597	85,975	21,847	52,082	73,929
<i>At amortised cost</i>						
Standard	26,001	53,546	79,547	21,649	43,660	65,309
Watch	193	3,199	3,392	205	2,807	3,012
Substandard	196	3,041	3,237	127	4,997	5,124
Doubtful	110	2,880	2,990	132	4,621	4,753
Loss	448	1,826	2,274	240	1,616	1,856
Total Gross	26,948	64,492	91,440	22,353	57,701	80,054
Less: allowance for individually impaired loans	(103)	(3,311)	(3,414)	(42)	(4,546)	(4,588)
Less: allowance for collectively impaired loans	(467)	(1,584)	(2,051)	(464)	(1,073)	(1,537)
Total Allowance for impairment	(570)	(4,895)	(5,465)	(506)	(5,619)	(6,125)
<i>Loans with renegotiated terms</i>						
Carrying amount	351	8,451	8,802	302	11,377	11,679
<i>From which: Impaired</i>	72	5,774	5,846	82	8,585	8,667
Allowance for impairment	(100)	(3,094)	(3,194)	(96)	(3,772)	(3,868)
Net carrying amount	251	5,357	5,608	206	7,605	7,811

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(b) Credit risk (continued)*****Analysis of credit quality (continued)******Impaired loans***

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded A to E in the Bank's internal credit risk grading system where A is Standard while E is Loss. The provisioning policy for these loans is detailed in Note 3.(f) (vii).

Individual and collective assessment of loan portfolio

For internal management purpose, the Bank segregates the loans into loans that are assessed individually for impairment: these are loans that are classified as substandard-list or lower. All other loans are analysed collectively for impairment assessment purposes.

The Bank's policy requires the review of individual loans and advances to customers that are above materiality thresholds of EUR 50 thousand (2014: EUR 50 thousand) at least quarterly when individual circumstances demand it.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Write-off policy

The Bank writes off a loan (and any related allowances for impairment) with the decision of the Board of Directors, in accordance with the regulations of Central Bank of Kosovo. The write-off decision is taken after considering information such as the occurrence of significant changes in the borrower issuer's financial position, such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The total amount written off during 2015 is EUR 2,244 thousand (2014: EUR 1,442 thousand).

Due from banks

Interbank exposures are closely monitored on a daily basis by risk management and the Treasury Department. The Bank limits its deposits and other banking transactions to sound local or international banks. Before a business relationship is initiated with a given bank, the management and the Risk Department carry out an analysis of the institution's financial standing. The financial performance of the counterparties is continuously monitored. Moreover, all correspondent banks as well as bond issuers in which the Bank has investment exposures are continuously monitored for their ratings by international rating agencies like: Standard & Poor's (S&P), Fitch and Moody's.

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

Loans and advances to banks are granted without collateral. The table below presents the Bank's current accounts and time deposits with corresponding banks by credit ratings:

At 31 December	2015	2014
A+ to A-	-	776
BBB+ to B-	960	-
Not rated	-	435
	960	1,211

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(b) Credit risk (continued)****Analysis of credit quality (continued)***Financial assets held-to-maturity*

Investments in debt securities are only with the Kosovo Government. These securities are not rated. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Lending commitments and financial guarantees

The maximum exposure from financial guarantees represents the maximum amount that the Bank should pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability. The maximum credit exposure for lending commitments is the full amount of the commitment.

Risk limit control and mitigation policies

The Bank manage limits and controls the concentrations of credit risk wherever they are identified in particular to individual counterparties and groups, and to affiliates.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, if necessary.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Other controls and mitigation measures are outlined below.

Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property and other movable assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Collateral generally is not held over loans and advances to banks.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Estimated Value of Collateral	
	2015	2014
Property	57,169	48,908
Equipment	18,268	21,620
Goods	4,077	3,477
Without collateral	11,866	6,021
Total	91,380	80,026

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(b) Credit risk (continued)****Concentration of credit risk**

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Cash and balances with Banks and CBK		Loans and advances to banks		Held to maturity investments		Available-for- sale financial assets		Loans and advances to customers		Other financial assets		Financial guarantees	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Concentration by sector														
Corporate	-	-	-	-	-	-	-	-	59,597	52,082	-	-	7,565	10,075
Banks	33,199	29,431	960	1,211	-	7,242	10,372	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	26,378	21,847	291	459	-	-
Total	33,199	29,431	960	1,211	-	7,242	10,372	-	85,975	73,929	291	459	7,565	10,075
Concentration by location														
EU countries	3,103	3,139	960	1,211	-	-	-	-	-	-	-	-	-	-
Republic of Kosovo	30,029	26,254	-	-	-	7,242	10,372	-	85,975	73,929	291	459	7,565	10,075
Other countries	67	38	-	-	-	-	-	-	-	-	-	-	-	-
Total	33,199	29,431	960	1,211	-	7,242	10,372	-	85,975	73,929	291	459	7,565	10,075

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank'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 optimising the return on risk.

Interest rate risk

Interest rate risk is comprised of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest bearing assets differ from the maturities of the interest bearing liabilities used to fund those assets. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The assets and customer term deposits of the Bank carry fixed interest rates.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and liabilities mature or reprice at different times or in differing amounts. The Bank attempts to mitigate this risk by monitoring the repricing dates of its assets and liabilities. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

Exposure to interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate, LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In decreasing interest rate environments, margins earned will narrow as liabilities interest rates will decrease with a lower percentage compared to assets' interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank'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.

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2015 and 2014 are as follows:

	USD		EUR	
	2015	2014	2015	2014
Assets				
Cash at banks	0.51%	0.15%	-	-
Loans and advances to banks	-	0.48%	-	-
Loans to customers	-	-	10.02%	11.48%
Available-for-sale financial assets	-	-	1.95%	-
Held-to-maturity investments	-	-	-	1.90%
Liabilities				
Due to customers	0.04%	0.66%	1.81%	2.08%
Subordinated debt	-	-	10.04%	10.04%
Borrowings	-	-	3.40%	-

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

(Amounts in thousands of EUR, unless otherwise stated)

26. Financial risk management (continued)**(c) Market risk (continued)**

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

2015	up to 1 Year scenarios		over 1 Year scenarios	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
Estimated Profit (loss) effect	(286)	286	373	(373)

2014	up to 1 Year scenarios		over 1 Year scenarios	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
Estimated Profit (loss) effect	(112)	112	181	(181)

The following table shows the interest bearing and non-interest bearing financial instruments by repricing date.

31 December 2015		Up to 1 month	1-3 Month	3-6 Month	6-12 Month	Over 1 year	Total
Assets							
Cash on hand and at banks							
Non-interest bearing		10,623	-	-	-	-	10,623
Balances with CBK							
Non-interest bearing		22,576	-	-	-	-	22,576
Loans and advances to banks							
Interest bearing	<i>Fixed</i>	100	306	-	454	100	960
Investment securities							
Interest bearing	<i>Fixed</i>	1,750	649	2,938	300	4,735	10,372
Loans to customers							
Interest bearing	<i>Fixed</i>	4,382	5,932	8,496	15,570	51,595	85,975
Other financial assets							
Non-interest bearing		291	-	-	-	-	291
Total		39,722	6,887	11,434	16,324	56,430	130,797
Liabilities							
Deposits from customers							
Interest bearing	<i>Fixed</i>	14,804	4,629	3,626	28,047	14,706	65,812
Non-interest bearing		50,036	-	-	-	-	50,036
Subordinated debt							
Interest bearing	<i>Fixed</i>	-	7	41	-	1,800	1,848
Borrowings							
Interest bearing	<i>Variable</i>	-	17	-	400	2,600	3,017
Other liabilities							
Non-interest bearing		651	-	-	-	-	651
Total		65,491	4,653	3,667	28,447	19,106	121,364
Gap		(25,769)	2,234	7,767	(12,123)	37,324	9,433
Cumulative gap		(25,769)	(23,535)	(15,768)	(27,891)	9,433	

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(c) Market risk (continued)**

31 December 2014		Up to 1 month	1-3 Month	3-6 Month	6-12 Month	Over 1 year	Total
Assets							
Cash on hand and at banks							
Non-interest bearing		8,540	-	-	-	-	8,540
Balances with CBK							
Non-interest bearing		20,891	-	-	-	-	20,891
Loans and advances to banks							
Interest bearing	<i>Fixed</i>	400	30	290	491	-	1,211
Investment securities							
Interest bearing	<i>Fixed</i>	200	2,191	2,282	2,170	399	7,242
Loans to customers							
Interest bearing	<i>Fixed</i>	3,162	8,463	8,313	16,920	37,071	73,929
Other financial assets							
Non-interest bearing		459	-	-	-	-	459
Total		33,652	10,684	10,885	19,581	37,470	112,272
Liabilities							
Deposits from customers							
Interest bearing	<i>Fixed</i>	12,779	2,103	4,546	22,394	17,535	59,357
Non-interest bearing		43,646	-	-	-	-	43,646
Subordinated debt							
Interest bearing	<i>Fixed</i>	-	7	41	-	1,800	1,848
Other liabilities							
Non-interest bearing		416					416
Total		56,841	2,110	4,587	22,394	19,335	105,267
Gap		(23,189)	8,574	6,298	(2,813)	18,135	7,005
Cumulative gap		(23,189)	(14,615)	(8,317)	(11,130)	7,005	

Exposure to currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot when necessary to address short-term balances.

The foreign currencies the Bank deals with are predominantly United States Dollars (USD), Swiss Franc (CHF) and Great Britain Pounds (GBP). The rates used for translation as at 31 December 2015 and 2014 are as follows:

CURRENCY	2015 EUR	2014 EUR
1 USD	0.9185	0.8237
1 CHF	0.9229	0.8317
1 GBP	1.3625	1.2839

An analysis of the Bank's sensitivity to an increase or decrease in foreign currency rates is as follows:

in thousands of EUR

	USD		CHF		GBP	
	2015	2014	2015	2014	2015	2014
Sensitivity rates	5%	5%	5%	5%	5%	5%
Profit or loss						
+5% of Euro	11.70	0.45	(2.65)	4.25	1.45	1.05
- 5% of Euro	(11.70)	(0.45)	2.65	(4.25)	(1.45)	(1.05)

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(c) Market risk (continued)****Exposure to currency risk (continued)**

The Bank's exposure to foreign currency risk is as follows:

All amounts are translated in thousands of EUR

31 December 2015	EUR	USD	CHF	GBP	Total
Financial Assets					
Cash on hand and at banks	7,400	1,202	1,730	291	10,623
Balances with CBK	22,576	-	-	-	22,576
Loans and advances to banks	960	-	-	-	960
Available-for-sale investments	10,372	-	-	-	10,372
Loans and advances to customers	85,975	-	-	-	85,975
Other financial assets	291	-	-	-	291
Total financial assets	127,574	1,202	1,730	291	130,797
Financial Liabilities					
Due to customers	112,835	968	1,783	262	115,848
Subordinated debt	1,848	-	-	-	1,848
Borrowings	3,017	-	-	-	3,017
Other liabilities	651	-	-	-	651
Total financial liabilities	118,351	968	1,783	262	121,364
Net foreign currency position	9,223	234	(53)	29	9,433

All amounts are translated in thousands of EUR

31 December 2014	EUR	USD	CHF	GBP	Total
Financial Assets					
Cash on hand and at banks	5,377	1,173	1,839	151	8,540
Balances with CBK	20,891	-	-	-	20,891
Loans and advances to banks	1,086	-	125	-	1,211
Held-to-maturity investments	7,242	-	-	-	7,242
Loans and advances to customers	73,929	-	-	-	73,929
Other financial assets	459	-	-	-	459
Total financial assets	108,984	1,173	1,964	151	112,272
Financial Liabilities					
Due to customers	99,830	1,164	1,879	130	103,003
Subordinated debt	1,848	-	-	-	1,848
Other liabilities	416	-	-	-	416
Total financial liabilities	102,094	1,164	1,879	130	105,267
Net foreign currency position	6,890	9	85	21	7,005

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(d) Liquidity risk**

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

The Bank'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 Bank's reputation.

The Liquidity Risk Management Committee ("LRMC") receives information from the department of foreign payments and other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The LRMC in cooperation with foreign payments then establishes a portfolio of short-term liquid assets, largely made up of short-term loans and advances to banks, to ensure that sufficient liquidity is maintained within the Bank.

The daily liquidity position and market conditions are regularly monitored. All liquidity policies and procedures are subject to review and approval by LRMC and ALCO. Daily reports cover the liquidity position of the Bank. Liquidity reports are submitted monthly to CBK.

Exposure to liquidity risk

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including customers' deposits, subordinated debt and share capital.

Flexibility limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Management of liquidity risk

Residual contractual maturities of financial assets and liabilities

The following tables show the discounted cash flows of the Bank's financial liabilities and unrecognized loan commitments and guarantees on the basis of their earliest possible contractual maturity. The Bank's expected cash flows of these instruments vary significantly from this analysis. For example, demand accounts are expected to maintain a stable or increasing balance.

31 December 2015	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total
Financial Assets						
Cash on hand and at banks	10,623	-	-	-	-	10,623
Balances with CBK	22,576	-	-	-	-	22,576
Loans and advances to banks	100	306	-	454	100	960
Available-for-sale financial assets	1,750	649	2,938	300	4,735	10,372
Loans and advances to customers	4,382	5,932	8,496	15,570	51,595	85,975
Other financial assets	291	-	-	-	-	291
Total	39,722	6,887	11,434	16,324	56,430	130,797
Financial Liabilities						
Due to customers	64,840	4,629	3,626	28,047	14,706	115,848
Subordinated debt	-	7	41	-	1,800	1,848
Borrowings	-	17	-	400	2,600	3,017
Other liabilities	651	-	-	-	-	651
Guarantees issued	7,499	-	-	-	-	7,499
Unused credit commitments	4,911	-	-	-	-	4,911
Total	77,901	4,653	3,667	28,447	19,106	133,774
Liquidity gap	(38,179)	2,234	7,767	(12,123)	37,324	(2,977)

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(d) Liquidity risk (continued)**

31 December 2014	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 12 Months	Total
Financial Assets						
Cash on hand and at banks	8,540	-	-	-	-	8,540
Balances with CBK	20,891	-	-	-	-	20,891
Loans and advances to banks	400	30	290	491	-	1,211
Held-to-maturity investments	200	2,191	2,282	2,170	399	7,242
Loans and advances to customers	3,162	8,463	8,313	16,920	37,071	73,929
Other financial assets	459	-	-	-	-	459
Total	33,652	10,684	10,885	19,581	37,470	112,272
Financial Liabilities						
Due to customers	56,425	2,103	4,546	22,394	17,535	103,003
Subordinated debt	-	7	41	-	1,800	1,848
Other liabilities	487	-	-	-	-	487
Contingent liabilities from guarantees	9,991	-	-	-	-	9,991
Unused credit commitments	6,435	-	-	-	-	6,435
Total	73,338	2,110	4,587	22,394	19,335	121,764
Liquidity gap	(39,686)	8,574	6,298	(2,813)	18,135	(9,492)

(e) Operational risk

Taking into consideration the Bank's business model and the decentralized decision making process within the Bank, operational risk is considered as a very important factor and inclusive part of the overall business management. In this line, and in compliance with Basel II principles, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from certain external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank applies a wide range of principles aiming to establish an effective management of its own operations. Operational risk management contains the following basic elements:

- Business model and its related operations are simple. The Bank aims a high level of transparency, diversified operations and sound system of controls.
- Segregation of duties, and application of "four eye" principles when necessary and possible.
- Appropriate documentation of all processes within the Bank. These processes are supported and documented with procedures, manuals and other additional instructions. The same documents are made available to the relevant employees.
- All processes are subject to internal controls at different stages, which are continuously assessed for effectiveness and efficiency.
- Internal audit function is established and reports to the Audit Committee.
- The recruitment of personnel is based on the required competencies.
- The Bank continuously invests on information technology security.

These principles are compiled by risk management division and approved by the Bank's Management Board and the Board of Directors, and are subject to annual reviews and changes in line with the business development. Operational risk management strategy is supplemented by the operational risk policy. Moreover, the basic principles of operational risk management are reflected in details in the procedure for identification, assessment, and treatment of operational events as an integral part of the operational risk management.

The Bank has established the risk management division and operational risk sector. Moreover, the Bank has developed an operational risk database where all risky events/incidents are registered. This enables the reporting of incidents to operational risk management committee, Management Board and Board of Directors on regular basis.

26. Financial risk management (continued)

(e) Operational risk (continued)

The internal control system is established based on the ‘four eyes’ principle where it is possible, and enables the segregation of functions and duties within the Bank. In addition, all Bank’s sectors and units perform routine control with the purpose of ensuring that daily operations are correctly done by the respective employees. Furthermore, during 2015 the Bank has structured the internal controlling unit, aiming to avoid and minimize the number of events/incidents associated with operational risk. In this regard a number of key risk indicators has been determined that are monitored on regular periods.

(f) Capital risk management

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Bank’s overall strategy remains unchanged from 2014.

The equity structure of the Bank comprises share capital, reserves and retained earnings. The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Central Bank of Kosovo (“CBK”). The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets, off balance-sheet items and other risks, expressed as a percentage. The minimum required Capital Adequacy Ratio is 8% for Tier 1 capital and 12% for total own funds.

Risk-Weighted Assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Six categories of risk weights (0%, 20%, 50%, 75%, 100%, 150%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that it must be supported by capital (Tier 1) equal to 8% of the carrying amount. Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***26. Financial risk management (continued)****(f) Capital risk management (continued)**

	2015	2014
Total risk weighted assets	82,753	71,138
Total risk weighted off balance exposures	2,076	2,531
Total risk weighted assets for operational risk	9,600	9,600
Total	94,429	83,269
Regulatory capital (Total Capital)	12,848	11,148
Capital adequacy ratio (Total Capital)	13.61%	13.39%

27. Related party transactions

Parties are considered to be related if one of them has the ability to control the other or exercise significant influence over the one making financial and operating decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not the merely to the legal form.

A summary of related party balances at the end of year are as follows:

	31 December 2015	31 December 2014
Assets:		
<i>Loans outstanding at end of year with shareholders and key management</i>		
	CBK Rating*	CBK Rating*
Enrad-Ex Newco Jugo Term	A 1,561	A 1,488
Eng Office	A 660	A 470
Ismet Sylejmani (Vatani shpk)	A 52	A 104
Uniprojekt	A 252	A 237
Naser Aliu-Uniprojekt	A 12	A -
Besnik Vrella- Uniprojekt	A 14	A -
Sokol Krasniqi	A 6	A -
Brymako	C 28	A 36
Ahmet Arifi	A 27	A -
Naim Abazi (Medianam shpk)	B 180	B 192
Flamur Bryma	A 30	A -
DMTH sh.p.k	A 11	A -
Other shareholders and management	A 130	A 158
Total	2,963	2,649
Guarantees and letters of credit with shareholders	21	-
Loans and advances to Banka Di Cividale	-	435

*) A: Standard category

B: Watch category

C: Substandard category

Banka per Biznes Sh.a.**Notes to the financial statements**

For the year ended 31 December 2015

*(Amounts in thousands of EUR, unless otherwise stated)***27. Related party transactions (continued)**

	2015	2014
Loans to shareholders, gross	2,827	2,491
Allowance for impairment	(63)	(53)
Total Loans to shareholders, net	2,764	2,438
Cash collateral	(2,032)	(2,007)
Net exposure to shareholders	732	1,004

	2015	2014
Loans to management and BoD members, gross	136	158
Allowance for impairment	-	(1)
Loans to management, net	136	157
Cash collateral	(57)	(57)
Net exposure to shareholders	79	100

	31 December 2015	31 December 2014
Liabilities:		
<i>Customer accounts with shareholders</i>		
Mjedi Rexhepi	308	-
Newco Jugo Term	30	1,528
Rrustem Aliaj	39	-
Besnik Vrella- Uniprojekt	2	-
Ahmet Arifi	2	-
DMTH sh.p.k	34	-
Nazmi Viça	3	-
ENG Office	-	470
Other shareholders and management	1	115
Total	419	2,113
Borrowing from EBRD	1,000	1,000
	1,419	3,113

Following are the transactions made with related parties during the year.

	2015	2014
Income		
Interest income from loans and advances	210	207
Total interest income	210	207
Expenses		
Interest expenses for subordinated debt from EBRD	100	103
Key management compensation	318	290
Board of directors compensation	43	23
Total expenses	461	416

28. Subsequent events

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.