



Central Bank of the Republic of Kosovo
Financial Statements
as at and for the year ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT

To the Management of Central Bank of Republic of Kosovo

Opinion

We have audited the financial statements of Central Bank of Republic of Kosovo ("the Bank"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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May 20, 2019



Arta Limani

Engagement Partner
Arta Limani

Central Bank of the Republic of Kosovo

Statement of financial position

At 31 December 2018

<i>In thousands of EUR</i>	Note	2018	2017
Assets			
Cash on hand	7	285,376	188,547
Current accounts with non-resident banks	8	34,797	422,845
Treasury bills	9	758,890	592,712
Deposit accounts with non-resident banks	10	183,734	67,342
Assets related with IMF	11	326,051	325,764
Property and equipment	12	5,016	5,329
Intangible assets	13	1,790	2,065
Other assets	14	1,411	9,101
Total assets		1,597,065	1,613,705
Liabilities			
Due to domestic banks	15	343,394	331,826
Due to IMF related accounts	16	321,854	318,616
Due to governmental institutions	17	762,901	811,341
Due to public and commercial entities	18	110,863	95,807
Borrowings	19	2,266	2,266
Other liabilities	20	1,797	2,047
Total liabilities		1,543,075	1,561,903
Capital and reserves			
Authorized capital	21	30,000	30,000
Reserve fund	21a	21,802	22,683
Revaluation reserve		-	-
Retained earnings		2,188	(881)
Total capital and reserves		53,990	51,802
Total liabilities, capital and reserves		1,597,065	1,613,705

These financial statements set out on pages 5 to 44 were approved by the management of CBK on May 20, 2019 and signed on its behalf by:


Fehmi Mehmeti
Governor


Faton Ahmetaj
Director of Financial Planning and
Reporting

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo

Statement of comprehensive income

At 31 December 2018

<i>In thousands of EUR</i>	Note	2018	2017
Interest income			
Interest income		2,826	2,002
Interest expense		(982)	(1,036)
Net interest income	22	1,844	966
Fee and commission income			
Fee and commission income		2,252	2,101
Fee and commission expense		(332)	(370)
Net fee and commission income	23	1,920	1,731
Regulatory and other operating activities income			
Regulatory activity income	24	4,451	4,178
Grant income	25	98	106
Other operating income	26	11	6
Foreign exchange net profit / loss	29	527	(1,225) ¹
Operating revenue		8,851	5,762
Operating expenses			
Personnel expenses	27	(4,407)	(4,453)
Depreciation and amortization	12,13	(1,029)	(978)
General and administrative expenses	28	(1,227)	(1,212)
Operating expenses		(6,663)	(6,643)
Profit / loss for the year		2,188	(881)¹
Other comprehensive income			-
Total comprehensive income for the year		2,188	(881)

The accompanying notes from 1 to 33 are an integral part of these financial statements

¹ The profit / loss for 2018, not including the effect of the loss from the change in the foreign exchange rate (i.e. the amount of EUR 1,225 thousand), is EUR 344 thousand. This also represents the actual operating profit for 2018.

The loss from the "foreign exchange rate" change is a temporary non-operating position arising from non-Euro currency (USD and DVT-SDR) items, which, at the reporting date, have to be reported in their Euro equivalent according to the foreign exchange rate at the reporting date. The foreign exchange rate change result in the difference (either profit or loss), which as such only equates the items of statement of financial position with the equivalent values but are not factual realizations (in our case the non-factual loss/expense for 2018 is the sum of EUR 1,225 thousand). A more analytical disclosure will be reflected in note 29 on page 43.

Central Bank of the Republic of Kosovo

Statement of changes in equity

For the year ended 31 December 2018

	Capital	Reserve fund	Revaluation fund	Retained Earnings	Total
<i>In thousands of EUR</i>					
Balance at 1 January 2018	30,000	22,683	-	(881)	51,802
Transfer to reserve fund	-	(881)	-	881	-
	-	(881)	-	881	-
Total transactions required by law					
Profit for the year	-	-	-	2,188	2,188
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,188	2,188
Balance at 31 December 2018	30,000	21,802	-	2,188	53,990
Balance at 1 January 2017	30,000	21,023	-	1,660	52,683
Transfer to reserve fund	-	1,660	-	(1,660)	-
	-	1,660	-	(1,660)	-
Total transactions required by law					
Profit for the year	-	-	-	(881)	(881)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(881)	(881)
Balance at 31 December 2017	30,000	22,683	-	(881)	51,802

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo

Statement of cash flows

For the year ended 31 December 2018

<i>In thousands of EUR</i>	Note	2018	2017
Cash flows from operating activities			
Profit for the year		2,188	(881)
<i>Adjustments for:</i>			
Depreciation	12	657	615
Amortization	13	372	363
Grant revenue	25	(98)	(106)
Profit on sale of equipment		-	-
Interest income	22	(2,826)	(2,002)
Interest expense	22	982	1,036
		1,274	(974)
Change in treasury bills		(162,114)	(25,441)
Change in deposit accounts with non-resident banks		(114,999)	135,000
Change in assets with IMF		(147)	(49,880)
Change in other assets		7,690	(7,817)
Change in due to domestic banks		11,568	35,427
Change in due to IMF related accounts		3,093	35,288
Change in due to governmental institutions		(48,439)	92,905
Change in due to public and commercial entities		15,055	36,941
Change in borrowings		-	133
Change in Other liabilities		(152)	109
		(287,171)	251,691
Interest received		(1,372)	(2,344)
Interest paid		(837)	(717)
Net cash generated from/used in operating activities		(289,380)	248,630
Cash flows from investing activities			
Proceeds from sale of equipment		-	-
Purchase of equipment	12	(364)	(1,461)
Purchase of intangible assets	13	(77)	(157)
Net cash used in investing activities		(441)	(1,618)
Cash flows from financing activities			
Proceeds from grants		-	5
Net cash generated from financing activities		-	5
Net increase / decrease in cash and cash equivalents		(289,821)	247,017
Effect of exchange rate		-	-
Cash and cash equivalents at 1 January		618,728	371,711
Cash and cash equivalents at 31 December	30	328,907	618,728

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

1. Reporting entity

The Central Bank of the Republic of Kosovo (hereinafter "CBK" or "the Bank"), the successor to the Central Banking Authority of Kosovo, is an independent juridical entity with full capacity as a legal person under the law applicable in the Republic of Kosovo. CBK is a distinct public entity with the authority to license, supervise and regulate financial institutions in the Republic of Kosovo. The Bank acts in accordance with Law No.03/L-209 "Law on Central Bank of the Republic of Kosovo" hereafter referred to as ("the CBK Law"). As per this law, the principal objectives of CBK are to:

- Foster and maintain a stable financial system, including a safe, sound and efficient payment system.
- Contribute to achieving and maintaining domestic price stability.
- Support the general economic policies of the Government.

As prescribed in the Law, CBK shall act in accordance with the principles of an open market economy with free competition, favouring an efficient allocation of resources.

CBK operates from its premises located in Pristina. The address of the registered office of CBK is as follows:

Str. Garibaldi, No. 33

Prishtina, Kosovo.

Central Bank Board, Executive Board and Governor

The decision-making bodies of CBK are the Central Bank Board, the Executive Board, and the Governor. As per Article 34, paragraph 2, and the provisional provision of Article 79, paragraph 2 of the CBK Law, the Central Bank Board comprises of the Governor, and four² non-executive members, and is charged with the supervision of the implementation of the policies, and the supervision of the administration and the operations of CBK.

As at 31 December 2018, the Board of the Central Bank of Kosovo comprised of the following members:

- Flamur Mrasori – Chairman of the Board (non-executive)
- Fehmi Mehmeti – Acting Governor
- Behxhet Brajshori – Member (non-executive)
- Nuhi Ahmeti – Member (non-executive)

As at 31 December 2018, the Executive Board comprised of the Governor, who shall be the Chairperson, and two Deputy Governors, and shall be charged with the implementation of the CBK's policies and its operations.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in note 3 below.

² A non-executive member is vacant.

Banka Qendrore e Republikës së Kosovës

Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2018

(në mijë Euro, nëse nuk është theksuar ndryshe)

2. Basis of preparation (continued)

c) Functional and presentation currency

These financial statements are presented in Euro (“EUR”), which is CBK’s functional currency unless otherwise stated in any analytical note. If not otherwise stated, financial information that is presented in Euro has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 5.

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

3. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency profit or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted with effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

b) Interest

Interest income and expenses are recognized 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 liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all the fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expenses presented in the profit or loss include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

c) Fees and commission

Fees and commission income and expenses 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 transaction fees for operating accounts, fund transfers and licensing fees are recognized as the related services are performed.

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

d) Employee benefits

CBK makes compulsory social security contributions that provide pension benefits for employees upon retirement. These contributions are classified under defined contribution plans based on Kosovo legislation. CBK's contributions are charged to profit or loss as incurred.

e) Taxation and profit allocation

CBK is exempt from income tax according to Law no. 03/L-209, approved on 22 July 2010. See Note 4 (f) on how CBK allocates its profit.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

f) Financial assets and liabilities

The Bank classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and liabilities, held-to-maturity financial assets and available-for-sale financial assets. This classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the “financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Bank intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Provisions for impairment of loans and receivables are established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms. The bank has no assets classified in this category.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Bank’s management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Bank has no assets classified in this category.

i. Recognition

CBK initially recognizes deposits on the date they originate. All other financial assets and liabilities are initially recognized on the trade date at which the CBK becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

ii. Derecognition

CBK derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by CBK is recognized 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 profit or loss that had been recognized in other comprehensive income is recognized in profit or loss.

CBK derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

iii. Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for profits and losses arising from a group of similar transactions.

iv. Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction of impairment.

v. 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.

When available, the CBK measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the CBK establishes fair value using a valuation technique. Valuation techniques include the use of recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to CBK, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. CBK calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

vi. Identification and measurement of impairment

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a placement or advance by CBK on terms that CBK 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 CBK, or economic conditions that correlate with defaults in CBK.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset if applicable, continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

g) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash balance on hand, demand deposits with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by CBK in the management of its short-term commitments.

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

h) Investment securities

Investment securities, consisting of Treasury Bills, are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as held-to-maturity investment.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the CBK has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss. Held-to-maturity investments include treasury bills.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent CBK from classifying investment securities as held-to-maturity for the current and the following two financial years.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

i) Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses from the change in value.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized 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.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to CBK and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are derecognized in profit and loss as incurred.

iii. Depreciation

Depreciation is recognized 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:

	2018	2017
Leasehold improvements	20 years	20 years
Equipment	5 years	5 years
Computers	3 years	3 years
Vehicles	5 years	5 years

The other equipment useful life is assessed on case by case basis. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

j) Intangible assets

Software acquired by the CBK is stated at cost less accumulated amortization and accumulated impairment losses.

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of each software is based on assessment of the use of that software without any large need of upgrade, currently from 3 to 10 years.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

k) Impairment of non-financial assets

The carrying amounts of CBK's non-financial 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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit 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 recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

l) Financial liabilities

CBK's sources of funding are deposits from international, governmental, public, banking and other financial institutions. Financial liabilities are measured at their amortized cost using the effective interest rate method.

m) Grant revenue

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the CBK will comply with the conditions associated with the grant. Grants that compensate CBK for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate CBK for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

n) Donor funded salaries

Certain individuals engaged at CBK are international experts appointed and funded for a short term by international organizations. The funding from these international organizations includes, but it is not limited to, the payment of salaries to these international experts. As this assistance is paid by the international organizations directly to the appointee, the extent of the payments are not known nor are they included in these financial statements.

o) Provisions

A provision is recognized if, as a result of a past event, CBK 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.

A provision for onerous contracts is recognized when the expected benefits to be derived by CBK from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the CBK recognizes any impairment loss on the assets associated with that contract.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

p) Changes in accounting policies and disclosures

(i) Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board are effective for the current reporting period:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 “Revenue from Contracts with Customers”** and further amendments (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to IFRS 2 “Share-based Payment”** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 “Insurance Contracts”** - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),
- **Amendments to IAS 40 “Investment Property”** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (effective for annual periods beginning on or after 1 January 2018).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Bank’s financial statements.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

3. Significant accounting policies (continued)

p) Changes in accounting policies and disclosures (continued)

ii) Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements the following standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period)
- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after 1 January 2019).

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

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial Risk Management

a) Introduction and Overview

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

- Credit risk
- Operational risk
- Liquidity risk
- Market risk

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

Risk Management Framework

The Central Bank Board has overall responsibility for the establishment and oversight of CBK's risk management. CBK management reports regularly through CBK's Executive Board to the Central Bank Board on risk management practices. The Executive Board and Investment Committee have obligations for developing and monitoring CBK risk management policies. These policies are implemented by the respective organizational units.

CBK's risk management policies are established to identify and analyse the risks that the CBK has to deal with, and to set appropriate risk controls and limits, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. CBK, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

CBK's Audit Committee is responsible for monitoring and reviewing compliance with risk management policies and procedures, as well as for reviewing the adequacy of the risk management framework related to the risks faced by the CBK. CBK's Audit Committee is assisted in these functions by the Internal Audit Department. Internal audit undertakes both regular and ad-hoc audits of risk management controls and procedures, the results of which are reported through the Chief Internal Auditor to the Audit Committee.

b) Credit risk

Credit risk is the risk of financial loss to the CBK if a contracting party to financial instruments fails to meet its contractual obligations, and may arise mainly from CBK's investments in securities and deposits (in money markets or current account) in other banks.

Management of Credit Risk

i. Investments and exposure to other banks

CBK limits its exposure to credit risk by investing only in securities issued by the governments of EU countries and having deposits with foreign banks whose short term liabilities are rated in one of the two highest categories by internationally recognized credit rating agencies. Given the high credit ratings, the management does not expect any contracting party to fail to meet its obligations.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial Risk Management/ *Management of credit risk (continued)*

ii. *Exposure towards credit risk*

The highest exposure to credit risk as at 31 December 2017 and 31 December 2018, is presented by is represented by the carried forward amount of the current accounts with non-resident banks, treasury bills and money market placements with non-resident banks. For details regarding the exposure, please refer to the Notes 8, 9 and 10.

None of CBK's exposures are past due or impaired. There are no changes in the credit risk management policies from previous years. CBK does not hold any collateral or other credit enhancements against its exposure to credit risk.

c) **Liquidity risk**

Liquidity risk is the risk that CBK will encounter difficulties in meeting obligations from its financial liabilities.

Management of liquidity risk

CBK's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities in due time, both in normal and unfavourable conditions, without incurring unacceptable losses or risking damage to CBK's reputation.

Policies to monitor and address liquidity risk are set by the Bank Executive Board. The CBK manages its liquidity risk by investing in short term deposits with non-resident banks and holding adequate amounts of cash in its vaults. Liquidity management policies are set to ensure that even under adverse conditions, the CBK is able to meet its obligations. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the CBK management. Monthly reports covering the liquidity position of the CBK are regularly submitted to the Investment Committee members by the Asset Management Department.

Exposure to liquidity risk

Residual contractual maturities of financial liabilities, excluding future interest payments

	Note	Amount carried forward	Less than 1 month	1-3 months to 1 year	3 mon. to 1 year	1 year to 5 years	over 5 years
31 December 2018							
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	343,394	343,394	-	-	-	-
Due to IMF related accounts	16	321,854	161,711	4,265	25,590	130,288	-
Due to governmental institutions	17	762,901	762,901	-	-	-	-
Due to public and commercial entities	18	110,863	110,863	-	-	-	-
Due to borrowings	19	2,266	-	-	-	680	1,586
Other liabilities	20	756	756	-	-	-	-
		1,542,034	1,379,625	4,265	25,590	130,968	1,586
31 December 2017							
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	331,826	331,826	-	-	-	-
Due to IMF related accounts	16	318,616	157,832	-	4,171	156,613	-
Due to governmental institutions	17	811,341	811,341	-	-	-	-
Due to public and commercial entities	18	95,807	95,807	-	-	-	-
Due to borrowings	19	2,266	-	-	-	453	1,813
Other liabilities	20	756	756	-	-	-	-
		1,560,612	1,397,562	-	4,171	157,066	1,813

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Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

c) Liquidity risk (continued)

The previous table shows the undiscounted cash flows of CBK's financial liabilities on the basis of their earliest possible contractual maturity. In order to manage the liquidity risk arising from financial liabilities, the CBK holds liquid assets comprising cash and cash equivalents and securities for which there is an active and liquid market.

d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit (not relating to changes in the borrower's / issuer's credit status) will affect CBK's income or the value of financial instruments it holds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

Management of market risks

CBK'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 amounts. In the case of floating rate assets and liabilities, there is exposure to basis risk, which is the difference in repricing characteristics of the various floating rate indices.

Risk management activities are aimed at optimizing net interest income, based on market interest rate levels consistent with the CBK's operations strategies. CBK's exposure to market risk is related only to non-trading portfolios.

Exposure to interest rate risk – non-trading portfolios

The principal risk, to which non-trading portfolios are exposed to, is the risk of loss, caused by the fluctuation of future cash flows or fair values of financial instruments due to a change in market rates. Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing strips. The Investment Committee is the monitoring body of the implementation of these limits. A summary of CBK's interest rate gap position on non-trading portfolios is as follows:

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

Exposure to interest rate risk – non-trading portfolios

31 December 2018	Note	Amount carried forward	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Current accounts with non-resident banks	8	34,797	34,797	-	-	-	-
Securities (Bonds and Treasury bills)	9	758,890	-	-	5,998	752,892	-
Deposit accounts with non-resident banks	10	183,734	8,734	-	175,000	-	-
Assets in IMF related accounts	11	242,849	82,706	-	-	160,143	-
Total		1,220,270	126,237	-	180,998	913,035	-
Due to domestic banks	15	(343,394)	(343,394)	-	-	-	-
Due to IMF related accounts	16	(245,441)	(85,298)	-	-	(160,143)	-
Due to governmental institutions	17	(762,901)	(762,901)	-	-	-	-
Due to public and commercial entities	18	(110,863)	(110,863)	-	-	-	-
Due to borrowings	19	(2,266)	-	-	-	-	(2,266)
Due to Other liabilities	20	(756)	(756)	-	-	-	-
Total		(1,465,621)	(1,303,212)	-	-	(160,143)	(2,266)
Gap		(245,351)	(1,176,975)	-	180,998	752,892	(2,266)

31 December 2017	Note	Amount carried forward	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Current accounts with non-resident banks	8	422,009	422,009	-	-	-	-
Securities (Treasury bills)	9	592,712	-	2,999	22,984	566,729	-
Deposit accounts with non-resident banks	10	68,178	8,172	-	60,006	-	-
Assets in IMF related accounts	11	244,337	83,553	-	-	160,784	-
Total		1,327,236	513,734	2,999	82,990	727,513	-
Due to domestic banks	15	(331,826)	(331,826)	-	-	-	-
Due to IMF related accounts	16	(244,022)	(83,238)	-	-	(160,784)	-
Due to governmental institutions	17	(811,341)	(811,341)	-	-	-	-
Due to public and commercial entities	18	(95,807)	(95,807)	-	-	-	-
Due to borrowings	19	(2,266)	-	-	-	-	(2,266)
Other liabilities	20	(756)	(756)	-	-	-	-
Total		(1,486,018)	(1,322,968)	-	-	(160,784)	(2,266)
Gap		(158,782)	(809,234)	2,999	82,990	566,729	(2,266)

Non-interest bearing financial assets and liabilities have not been included in the table above.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

Overall non-trading interest rate risk is managed by the Asset Management Department, which uses investment securities and deposits with banks to manage the overall risk arising from the CBK's non-trading activities.

Management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities against various standard and nonstandard interest rate scenarios. Standard scenarios that are assessed on a regular basis include a 100 basis point ("bp") parallel fall or rise in all yield curves. 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 financial position) is as follows:

2018

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	2,454	(4,454)

2017

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	1,588	(1,588)

Exposure to other market risks/currency risks non-trading portfolios

CBK has an exposure to SDR related to its IMF assets and liabilities, which it monitors on an on-going basis. CBK's exposure to foreign currency risk is as follows:

2018

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	26	(26)

2017

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	3	(3)

Central Bank of the Republic of Kosovo

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(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

31 December 2018	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
Assets				
Cash on hand	285,376	-	-	285,376
Current accounts with non-resident banks	34,574	223	-	34,797
Treasury bills	758,890	-	-	758,890
Deposit accounts with non-resident banks	175,000	8,734	-	183,734
Assets with the IMF related accounts	722	-	325,329	326,051
Other assets	1,411	-	-	1,411
Total	1,255,973	8,957	325,329	1,590,259
Liabilities				
Due to domestic banks	343,394	-	-	343,394
Due to IMF related accounts	725	-	321,129	321,854
Due to governmental institutions	762,901	-	-	762,901
Due to public and commercial entities	110,863	-	-	110,863
Due to borrowings	2,266	-	-	2,266
Other liabilities	1,797	-	-	1,797
Total	1,221,946	-	321,129	1,543,075
Net foreign currency position	34,027	8,957	4,200	47,184

31 December 2017	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
Assets				
Cash on hand	188,547	-	-	188,547
Current accounts with non-resident banks	421,782	227	-	422,009
Treasury bills	592,712	-	-	592,712
Deposit accounts with non-resident banks	60,006	8,172	-	68,178
Assets with the IMF related accounts	581	-	325,183	325,764
Other assets	9,101	-	-	9,101
Total	1,272,729	8,399	325,183	1,606,311
Liabilities				
Due to domestic banks	331,826	-	-	331,826
Due to IMF related accounts	581	-	318,036	318,617
Due to governmental institutions	811,341	-	-	811,341
Due to public and commercial entities	95,807	-	-	95,807
Due to borrowings	2,266	-	-	2,266
Other liabilities	2,047	-	-	2,047
Total	1,243,868	-	318,036	1,561,904
Net foreign currency position	28,861	8,399	7,147	44,407

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

CBK mainly carries out operations with Euro, while foreign currencies that CBK deals are mainly “Special Drawing Rights” (“SDRs”). The exchange rates used for translation on 31 December 2018 and 2017 were as follows:

	2018	2017
	EUR	EUR
1 SDR	1.21424	1.18747
1 USD	0.87336	0.83380

SDRs are supplementary foreign Exchange/transaction reserve assets defined and maintained by the International Monetary Fund (IMF). Although the SDR itself is not a currency, it represents a potential claim on the currencies of IMF member states for which they may be exchanged. SDRs were created in 1969 to alleviate a shortage of preferred foreign exchange reserve assets, namely the US dollar and gold, the value of the SDRs is defined as a mean currency basket of four major currencies, the Euro, the US Dollar, the British Pound, and the Japanese Yen.

SDRs are current account and overnight deposit (such as repo) assets with Federal Reserve New York.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with CBK’s processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of CBK’s operations and it affects all the organizational units.

CBK’s objective is to manage operational risk, as well as to balance the avoidance of financial losses and damage to CBK’s reputation by effective cost management.

The main responsibility for the development and implementation of controls in order to monitor operational risk is assigned to managerial staff within each organizational unit. This responsibility is supported by the observance of overall CBK standards for the management of operational risk in the following areas:

- requirements for the allocation of duties and responsibilities, including the independent authorization of transactions;
- requirements for transaction evaluation and monitoring;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and code of conduct standards;
- Risk mitigation, including insurance, where this is effective.

Compliance with CBK standards is supported by a program of periodic reviews undertaken by Internal Audit. The findings of Internal Audit reviews are discussed with management of the organizational unit to which they relate, with summaries submitted to the Audit Committee and CBK management.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

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4. Financial risk management (continued)

(f) Capital management

In accordance with the Law, CBK shall establish and maintain a general reserve. The general reserve may not be used except for the purposes of covering losses sustained by the CBK. In addition, CBK shall establish unrealized revaluation reserve accounts to account for unrealized profit and losses owing to its positions with the SDR.

Pursuant to the Law no. 03/L-209, the net profits or losses of the Central Bank shall be determined in conformity with the International Financial Reporting Standards (IFRS).

The earnings available for distribution shall be determined as follows:

- by deducting from the net profits the total amount of unrealized revaluation profits, and by allocating an equivalent amount to the respective unrealized revaluation reserve account; and
- by deducting from the appropriate unrealized revaluation reserve account and adding to the distributable earnings the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.

Unrealized revaluation losses will be transferred to the respective unrealized revaluation reserve accounts until such time as these revaluation reserve accounts have a zero balance, after which these losses shall be covered by the current year's profit, then by the general reserve account and subsequently by the authorized capital account.

All distributable earnings will first be applied to the general reserve fund until the aggregate amount of initial capital and general reserves equals five percent (5%) of the Central Bank's monetary liabilities.

50% of the distributable earnings remaining after fulfilling the 5% criteria mentioned above is required to be transferred to the Ministry of Finance. While the remaining 50% percent will be allocated to the general reserve fund of the Central Bank.

(g) Asset management

In accordance with the Law no. 03/L-209 and Law no. 03/L-048, the CBK is assigned the responsibility for making and managing authorized investments on behalf of the Ministry of Finance.

Central Bank of the Republic of Kosovo

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(in thousands of EUR, unless otherwise stated)

5. Use of estimates and judgments

Management discusses with the Central Bank Board the development, selection and disclosure of CBK's critical accounting policies and estimates, and the application of these policies and estimates. Estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 3(f)(VI). The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

Critical accounting judgments in applying CBK's accounting policies

Critical accounting judgments made in applying CBK's accounting policies include:

Financial asset and liability classification

CBK's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain.

In classifying financial assets as held-to-maturity, CBK has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3.

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Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

6. Financial assets and liabilities (Accounting classifications and fair values)

The table below sets out CBK's classification of each class of financial assets and liabilities, and their fair values.

<i>In thousands of EUR</i>	Note	Loans and receivables	Held-to-maturity	Other amortized cost	Total amount carried forward	Fair value
31 December 2018						
Cash on hand	7	285,376	-	-	285,376	285,376
Current accounts with non-resident banks	8	34,797	-	-	34,797	34,797
Treasury bills	9	-	758,890	-	758,890	758,682
Deposit accounts with non-resident banks	10	-	183,734	-	183,734	183,734
Assets related with IMF	11	326,051	-	-	326,051	326,051
		646,224	942,624	-	1,588,848	1,588,640
Due to domestic banks	15	-	-	343,394	343,394	343,394
Due to IMF related accounts	16	-	-	321,854	321,854	321,854
Due to governmental institutions	17	-	-	762,901	762,901	762,901
Due to public and commercial entities	18	-	-	110,863	110,863	110,863
Due to borrowings	19	-	-	2,266	2,266	2,266
Other liabilities	20	-	-	756	756	756
		-	-	1,542,034	1,542,034	1,542,034
31 December 2017						
Cash on hand	7	188,547	-	-	188,547	188,547
Current accounts with non-resident banks	8	422,009	-	-	422,009	422,009
Treasury bills	9	-	592,712	-	592,712	592,904
Deposit accounts with non-resident banks	10	-	68,178	-	68,178	68,178
Assets related with IMF	11	325,764	-	-	325,764	325,764
		936,320	660,890	-	1,597,210	1,597,402
Due to domestic banks	15	-	-	331,826	331,826	331,826
Due to IMF related accounts	16	-	-	318,616	318,616	318,616
Due to governmental institutions	17	-	-	811,341	811,341	811,341
Due to public and commercial entities	18	-	-	95,807	95,807	95,807
Due to borrowings	19	-	-	2,266	2,266	2,266
Other liabilities	20	-	-	756	756	756
		-	-	1,560,612	1,560,612	1,560,612

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7. Cash on hand

Cash on hand is all denominated in EUR.

8. Current accounts with non-resident banks

These accounts were held at the following banks:

	2018	2017
Deutsche Bundesbank	500	62,776
Raiffeisen Zentralbank	9,920	44,800
Banque Centrale du Luxembourg	24,133	39,846
Deutsche Bank	1	195,262
Commerzbank AG	10	499
Bayerische Landesbank	10	78,599
Federal Reserve Bank (FED-NY)	223	227
Total	34,797	422,009

All current accounts of the above banks have credit ratings of A-2u/P-2, as per 2018 rankings by Standard & Poors/Moody's. The decrease compared to the 2017 is a normal flow of daily activities, and at the same time this increase in current accounts is related with the decrease in the Note 10 (money market).

9. Securities (treasury bills and government bonds)

Both categories are debt securities issued by governments of European Union countries. Treasury bills disclosed below have maturity up to one year, while the bonds up to 5 years. All of them are denominated in EUR and had effective annual interest rates ranging from 0.008% to 2.696% in 2018 (while in 2017: 0.008% up to 1.716% p.a.).

Analytical disclosure of securities by type and by issuing countries:

As per countries:

	2018	2017
Germany	67,126	-
France	10,030	10,036
Netherlands	12,772	-
Italy	176,834	359,513
Slovenia	22,138	22,840
Luxemburg	90,244	-
EuroFima-Switzerland	6,040	6,253
Austria	79,463	-
Irlande	105,390	-
Kosovo	188,853	194,070
Total	758,890	592,712

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Notes to the financial statements for the year ended 31 December 2018

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9. Securities (treasury bills and government bonds) – continued

As per type:

	2018	2017
Treasury bills	5,998	20,970
Government bonds	752,892	571,742
Total	758,890	592,712

Credit rating for financial instruments that CBK has invested for the year ended on 31 December 2018 was BBB and Baa2, according to Standard & Poor's / Moody's.

The increase compared to 2017 derives mainly from the transfer between categories i.e. Note 10 has decreased and the amounts in the Notes 7 and 9 have increased, as well as from the increase of total deposits in the liabilities (see Note 15-18).

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

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10. Deposit accounts with non-resident banks

Deposit accounts with non-resident banks are composed as

follows:

	2018	2017
Term deposits		
Raiffeisen Zentralbank	-	60,000
Deutsche Bank	175,000	-
Federal Reserve Bank (FED-NY)	8,733	8,171
	183,733	68,171
Interest accrued on term deposits		
Raiffeisen Zentralbank	-	6
Deutsche Bank	-	-
Federal Reserve Bank (FED-NY)	1	1
	1	7
Total	183,734	68,178

Deposits placed with non-resident banks are denominated in EUR and earn interest at effective annual interest rates ranging from 0.005% to 1.460% (2017: 0.020% up to 0.460% annual) and have original maturities from 1 to 368 days (2017: from 3 to 368 days). All deposits have minimum credit ratings of A-2/P-2, according to the ratings for 2018 by Standard & Poors/Moody's.

Comparing the end of the year 2017, there is a decrease of the position at the end of 2018 compared to 2017, which derives mainly from the normal activity of portfolio management, also described in Notes 8 and 9, related to the movements in portfolio and the movements between the categories, within the Notes 7, 8, 9 and 10 for a better management of funds.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

11. Assets related with IMF

	2018	2017
IMF quota	100,296	98,085
SDR Holdings	64,890	66,314
Accrued interest	722	581
IMF	165,908	164,980
Government		
Due from the Government for the use of IMF funds (SBA)	160,143	160,784
Total	326,051	325,764

The assets listed above are related to the admission of Kosovo to the IMF in June 2009. CBK acts as depository and fiscal agent in relation to Kosovo's membership in the IMF. This is in accordance with the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo and Law no. 03-L-152 on Membership of the Republic of Kosovo in the International Monetary Fund and World Bank Group Organizations.

IMF Quota represents the subscription amount determined at the time of admission of Kosovo into the IMF and is expressed in SDR. The increase represents the increase of quota from 59 million SDR to 82.6 million (while disclosed above in the Note 11 in Euro) and the amounts are determined based on the rules and regulations of IMF decisions.

SDR Holdings represents assets approved by the IMF Board of Governors as per allocations of SDRs to IMF's member countries (decisions made on 28 August 2009 and 9 September 2009). SDR holding assets bear annual interest rates in 2018 ranging from 0.241% to 0.742% p.a. (2017: 0.044% up to 0.243% p.a.).

Due from the Government for the use of IMF funds, represents an amount due from the Government as per IMF and Kosovo Stand-by Arrangement signed in July 2010, April 2012 and July 2017, through which the Government of Kosovo obtained from IMF a line for use of funds in accordance with Standby Arrangements, while the outstanding as of 31 December 2018 is 135.4 million SDR (or, 160.8 million Euro). The interest rate of this arrangement __ is tied to IMF's market-related interest rate, known as basic rate of charge, which is itself linked to the SDRs interest rate. The interest rate for 2018 annually fluctuates from 1.247% to 1.752% (in 2017 it fluctuated from 1.050% to 1.249% p.a.).

CBK acts as depository institution for the Government of Kosovo. To regulate the Stand-By Arrangement with IMF, CBK and the Government of Kosovo entered into an agreement for each Standby Arrangement "on the Procedure for Request, Acceptance, Service and Repurchase of the Funds from the IMF in terms of the Stand -By Arrangement". Based on this arrangement CBK withdraws the SDRs from IMF, on behalf of the Government and credits them to the Government's account.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

12. Property and equipment

Property and equipment are composed as follows:

	Leasehold improvements	Equipment	Computers	Vehicles	Assets in process of capitalization	Total
Cost						
At 1 January 2017	2,420	2,004	2,066	320	1,507	8,317
Acquisitions	182	199	68	-	1,012	1,461
Transfer from/to	271	-	-	-	(271)	-
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(1)	-	-	(1)
At 31 December 2017	2,873	2,203	2,133	320	2,248	9,777
At 1 January 2018	2,873	2,203	2,133	320	2,248	9,777
Acquisitions	100	228	36	-	-	364
Transfer from/to	2,228	-	-	-	(2,228)	-
Transfer from/to (adjustment)	-	-	-	-	(20)	(20)
Disposals	-	-	(3)	-	-	(3)
At 31 December 2018	5,201	2,431	2,166	320	-	10,118
Depreciation						
At 1 January 2017	790	1,579	1,232	232	-	3,833
Depreciation of the year	131	153	302	29	-	615
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2017	921	1,732	1,534	261	-	4,448
At 1 January 2018	921	1,732	1,534	261	-	4,448
Depreciation of the year	232	175	220	30	-	657
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(3)	-	-	(3)
At 31 December 2018	1,153	1,907	1,751	291	-	5,102
Carrying amounts						
At 1 January 2017	1,630	425	834	88	1,507	4,484
At 31 December 2017	1,952	471	599	59	2,248	5,329
At 31 December 2018	4,048	524	415	29	-	5,016

There are no assets pledged as collateral as at 31 December 2018 (31 December 2017: nil).

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

13. Intangible assets

Intangible assets are composed as follows:

	Software under development	Software	Total
Cost			
Balance at 1 January 2017	-	3,717	3,717
Acquisitions	89	68	157
Transfers (from)/to	-	-	-
Transfers (from)/to (adjustments)	-	-	-
Disposals	-	-	-
Balance at 31 December 2017	89	3,785	3,874
Balance at 1 January 2018	89	3,785	3,874
Acquisitions	-	77	77
Transfers (from)/to	(89)	89	-
Transfers (from)/to (adjustments)	-	20	20
Disposals/write offs	-	-	-
Balance at 31 December 2018	-	3,971	3,971
Amortization			
Balance at 1 January 2017	-	1,446	1,446
Amortization for the year	-	363	363
Disposals	-	-	-
Balance at 31 December 2017	-	1,809	1,809
Balance at 1 January 2018	-	1,809	1,809
Amortization for the year	-	372	372
Disposals/write offs	-	-	-
Balance at 31 December 2018	-	2,181	2,181
Amounts carried forward			
Balance at 1 January 2017	-	2,271	2,271
Balance at 31 December 2017	89	1,976	2,065
Balance at 31 December 2018	-	1,790	1,790

14. Other assets

Other assets are composed as follows:

	2018	2017
Accrued fee income	1,280	1,129
Accounts receivables and prepayments	131	7,972
Total	1,411	9,101

Accrued fee income represents the estimated license renewal fees and other fees for the fourth quarter for local financial institutions.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

15. Due to domestic banks

Under CBK supervision Banking Rule XVII, commercial banks operating in Kosovo are required to maintain a liquidity reserve amounting to 10% of their qualifying customer deposits. At least half of these reserve balances must be kept in accounts at CBK.

Due to domestic banks	2018	2017
ProCredit Bank Kosovo	29,834	31,884
Raiffeisen Bank Kosovo	35,665	35,811
NLB Prishtina	23,162	19,852
Banka Ekonomike	8,351	8,086
Banka për Biznes	8,689	7,551
Banka Kombëtare Tregtare (Prishtina branch)	12,261	10,911
Banka Ekonomike Turke (TEB)	18,672	16,099
Komercijalna Banka – Mitrovica branch	3,214	2,854
Turkiye is Bankasi a.s.	2,842	2,587
T.C. Ziraat Bankasi A.S. – Kosovo branch	764	505
Banka Kreditore e Prishtinës	-	-
Total required reserve	143,454	136,140
Additional amount on the required reserve		
ProCredit Bank Kosovo	10,764	15,853
Raiffeisen Bank Kosovo	9,635	20,932
NLB Prishtina	46,755	46,581
Banka Ekonomike	47,518	22,468
Banka për Biznes	30,532	26,447
Banka Kombëtare Tregtare (Prishtina branch)	20,278	12,316
Banka Ekonomike Turke (TEB)	18,790	33,899
Komercijalna Banka – Mitrovica branch	3,144	2,767
Turkiye is Bankasi a.s.	11,580	13,593
T.C. Ziraat Bankasi A.S. –Kosova branch	915	822
Banka Kreditore e Prishtinës	29	8
Total addition on current account	199,940	195,686
Total amount on current account	343,394	331,826

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

16. Due to IMF related accounts

	2018	2017
IMF Account no. 1	251	245
IMF Account no. 2	6	6
IMF Security Account	235,825	234,797
IMF SDR - Allocation	67,231	65,748
Accrued interest	725	581
Total due to IMF	304,038	301,377

Due to Government

IMF – Paid proportion of Government quota	17,816	17,239
Total due to Government	17,816	17,239
Total	321,854	318,616

These positions are related to the admission of Kosovo to the IMF in June 2009.

Accounts No.1 and No.2 are IMF accounts with CBK opened according to IMF's rules and regulations.

IMF Security Account represents a promissory note, which the Government of Kosovo has to pay upon IMF's request. This amount represents the liability of the CBK to IMF and is matched by a corresponding claim of the CBK to the Government of Kosovo.

IMF paid portion of Government quota represents the amount paid by the Government to the IMF regarding the IMF quota.

SDRs allocation represents allocations of SDRs to IMF's member countries as approved by IMF Board of Governors on 28 August 2009 and 9 September 2009.

SDR Allocations and Paid portion of quota are interest-bearing with annual interest rates for quarterly averages ranging from 0.241% - 0.734% p.a. 2018 (2017: 0.050% - 0.243% p.a.).

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

17. Due to Governmental institutions

Due to Governmental institutions comprise current accounts as follows:

Current accounts	2018	2017
Treasury – Ministry of Finance	374,663	339,906
Privatization Agency of Kosovo	388,116	471,298
Interim administration institutions	122	137
Total	762,901	811,341

The effective annual interest rate for current accounts for the year ended on 31 December 2018 is zero (for the year ended on 31 December 2017: zero).

18. Due to public and commercial entities

	2018	2017
Current accounts		
Insurance companies	4,537	4,906
Other public institutions	106,324	90,900
Licensed Pension Funds	-	-
Other	2	1
Total	110,863	95,807

The effective interest for current accounts as at 31 December 2018 and 2017 is zero. The change in the group comes from the withdrawal of assets held in the current account of one public institution based on their operating goals in their own account in CBK.

19. Due to borrowings

	2018	2017
Borrowing/s	2,266	2,266
Total	2,266	2,266

The above amounts represent the borrowing from the World Bank. The Bank has used the opportunity of borrowing with favourable terms (the low interest rates and repayment period of principal up to 10 years). The borrowing is related to the project for payments system within the country in terms of their real time processing and for the project for the centre of continuity of work.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

20. Other liabilities

	2018	2017
Safe custody accounts	756	756
Deferred grant income	492	591
Other deferred income	4	5
The reserve fund	162	162
Sundry creditors	383	533
	1,797	2,047

The change comes from the normal flow of activities within the group in the report with the disclosure dates.

As of 31 December 2018 the safe custody accounts include the amount of 756 thousand Euros, which is related to the current accounts of the Kosovo Insurance Company, which was liquidated on April 2010. Consequently, this amount remained as safe custody account and as of 31 December 2018 and 2017 it has the above balance.

The movement in deferred grant revenue was as follows:

	Ministry of Finance	World Bank	Total
Deferred grant revenue at 1 January 2017	317	374	691
Grants received during the year	5	-	5
Grants recognized as revenue for the year	(64)	(41)	(105)
Deferred grant revenue at 31 December 2017	258	333	591
Deferred grant revenue at 1 January 2018	258	333	591
Grants received during the year	-	-	-
Grants recognized as revenue for the year	(60)	(39)	(99)
Deferred grant revenue at 31 December 2018	198	294	492

21. Authorized capital

The CBK statutory fund as at 31 December 2018 and 2017 is 30,000 Euro, pursuant to the Law no. 03/L-209 adopted on 22 July 2010.

CBK reports directly to the Assembly of Kosovo. CBK capital is not subject to encumbrances.

21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve is regulated by Law no. 03/L-209 on the Central Bank of the Republic of Kosovo. The profit of each financial year is allocated as described in the Note 4 (f) in accordance with this law.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

22. Net interest income

Net interest income is composed as follows:

	2018	2017
Interest income		
From deposit accounts	156	108
From treasury bills	1,607	1,020
From current accounts	611	342
From negative rates in deposits	452	532
	2,826	2,002
Interest expense		
On current accounts from non-banking entities	622	359
To nostro accounts with correspondent banks	346	657
On term deposits	0	0
From borrowings	14	20
	982	1,036
Net interest income	1,844	966

23. Net fee and commission income

Net fee and commission income is composed as follows:

	2018	2017
Fee income		
From cash deposits	665	583
From foreign incoming transfers	72	76
From foreign outgoing transfers	294	305
From the inter-bank clearing system	1,016	973
From the credit registry system	166	127
Other fees	39	37
	2,252	2,101
Fee expenses		
For cash transportation	277	326
For correspondent bank transactions	55	44
	332	370
Net fee and commission income	1,920	1,731

This group of income is derived from the services offered to bank's clients (institution), for payments, deposits, for the credit registry platform and maintenance of accounts and items in storage.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

24. Income from regulatory activity

Regulatory activity income mainly comprises fees charged to financial institutions in Kosovo as part of the issuance or renewal of licenses, as well as other statutory fees related to their activities for which the CBK has regulating legal power.

Income from regulatory activity:

	2018	2017
Fee charged to commercial banks	2,822	2,636
Fee charged to insurance companies	1,327	1,303
Fee from non-bank financial institutions	276	212
Fee charged to pension fund institutions	26	27
Total	4,451	4,178

25. Grant income

Grant income is composed as follows:

	2018	2017
Treasury – Ministry of Finances (ICU portfolio)	60	64
World Bank	38	42
Total	98	106

26. Other operating income

Operating income:

	2018	2017
Other income (extraordinary)	11	6
Total	11	6

Within other income are included extraordinary income related to Note 26, which are not related with the ordinary activity of the Bank and any other balance disclosed in a separate Note.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

27. Personnel expenses

Personnel expenses are composed as follows:

	2018	2017
Wages and salaries	3,471	3,528
Pension contributions	540	547
Health insurance costs	166	167
Staff training	95	91
Central Bank Board expenses	115	95
Other	20	25
Total	4,407	4,453

The number of employees that actively affected the cost disclosed for 2018 is 218 (2017: 222).

28. General and administrative expenses

General and administrative expenses are as follows:

	2018	2017
Insurance expenses	298	266
Repairs and maintenance	56	58
Software maintenance	310	275
Communication expense (telephone, telex and internet)	34	35
Utilities	85	105
Audit and consulting expense	16	16
Security and guard services	96	69
Travel and transportation	128	142
Vehicle operating expenses	20	21
Stationery	5	6
Representation expenses *	36	65
Other representation expenses *	9	12
Cafeteria expenses	41	41
Computer and other consumables expense	15	10
Consumable expenses for equipment	3	4
Publication and literature expenses	16	17
Technical professional assistance and other external services	9	6
Membership in professional organizations **	29	35
Other	21	29
Total	1,227	1,212

* Other Representation expenses are mainly representative lunches/dinners of the Bank, Representation expenses include: *conferences during 2018, financial education program, representation in regional sport competitions, children's gifts for the end of the year, ceremonies and gifts for retired staff, gifts for 8 march and alike. In 2017, the CBK was the organiser and the host of sports competitions of regional Central Banks, in which the CBK participated only as a guest, in the previous years.*

** Memberships in professional organizations relates to the expenses for international memberships fees for insurance supervisions, pension supervisions, credit registry, internal audit and financial reporting standard regulatory.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

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29. Foreign exchange net profit/loss

Net loss from foreign exchange is 1,225 thousand Euro for the year ended 31 December 2018, (while in 2017: profit of 22 thousand), and it represents the unrealised foreign exchange losses in relation to foreign exchange differences resulting upon translation of the USD and SDR assets and liabilities to the equivalent amounts in Euro, disclosed in the CBK's books.

Within the non-Euro currencies, there are the respective positions:

Note:		31 December 2018	
		Assets	Liabilities
10	USD	10,255	-
11,16	SDR	267,928	264,468

		31 December 2017	
		Assets	Liabilities
10	USD	10,072	-
11,16	SDR	273,844	267,825

The effect of exchange rate variation on inclusive income

	31 December 2018	31 December 2017
from USD	403.00	(876)
from SDR	124.00	(349)
	527.00	(1,225)

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Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2018	2017
Cash on hand	7	285,376	188,547
Current accounts with non-resident banks	8	34,797	422,009
Treasury bills with maturity up to three months	9	-	-
Deposit accounts with non-resident banks with maturity up to three months	10	8,734	8,172
Total		328,907	618,728

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. An investment qualifies as a cash equivalent when it has a short maturity, three months or less from the date of acquisition.

31. Commitments and Contingencies Liabilities

Legal cases

There are several open legal cases against the CBK as at the reporting date of these financial statements. It is the management's opinion that the final outcome of these cases will not have a significant effect on the financial statements of the CBK, as at and for the year ending 31 December 2018, however due to professional care, the CBK has estimated and recorded a provision disclosed under other liabilities, even though during 2018 this provision has not increased compared to the prior year.

Credit Related Commitments

As at 31 December 2018, the CBK had commitments to place deposits in the amount of 0/zero/ million Euro (31 December 2017, the CBK had commitments to place deposits in the total amount of 20 /twenty/ million Euro).

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2018

(in thousands of EUR, unless otherwise stated)

31. Commitments and Contingencies (continued)

Credit Related Commitments (continued)

Other Commitments

Other commitments are composed as follows:

	2018	2017
Service contracts	11	168
Contracts for renovation of building	37	118
Equipment contracts	146	80
Total	194	366

In 2009, Kosovo became a member of the World Bank Group organizations – International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and the Multilateral Investment Guarantee Agency (MIGA). In relation to this membership, the CBK acts as depository. This is in accordance with the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo and Law no. 03-L-152 on Membership of the Republic of Kosovo in the International Monetary Fund and World Bank Group Organizations.

In June 2009, the Government of Kosovo issued promissory notes to make payments concerning membership subscription to the abovementioned World Bank agencies, upon their requests and payment instructions. The total balance at 31 December 2018 was 645 thousand and in 2017 the total amount of these promissory notes was 645 thousand Euro.

32. Related party transactions

Related parties include Key Management and the Central Bank Board. Their compensations are presented below:

	2018	2017
Compensation to Central Bank Board members	90	75
Compensation to Audit Committee	9	9
Compensation to Key Management Personnel	115	186
Total	214	270

33. Subsequent events

There are no important, subsequent events after the reporting date that would require either adjustments or additional disclosures in these financial statements.