



**Central Bank of the Republic of Kosovo**  
**Financial Statements**  
**as at and for the year ended 31 December 2019**  
**with Independent Auditor's Report**

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## Independent Auditor's Report

**Grant Thornton LLC**  
Rr. Rexhep Mala 18  
10 000 Pristina  
Kosovo  
T +381 38 247 771  
+381 38 247 801  
F +381 38 247 802  
[www.grantthornton-ks.com](http://www.grantthornton-ks.com)

To the Board of the Central Bank of the Republic of Kosovo

### *Opinion*

We have audited the financial statements of the Central Bank of the Republic of Kosovo (hereinafter the “Central Bank”), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (hereinafter “IFRSs”).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (hereinafter “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 Central Bank in accordance 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other matter*

The financial statements of the Central Bank of the Republic of Kosovo as of and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion in their report on 20 May 2019.

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

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

In preparing the financial statements, management is responsible for assessing the Central 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 Central Bank or to cease operations, or has no realistic alternative but to do so.

The Board of the Central Bank of the Republic of Kosovo is responsible for overseeing the Central Bank's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Central 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 Central 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 our auditor's report. However, future events or conditions may cause the Central 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 the Board of the Central Bank of the Republic of Kosovo 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.

Grant Thornton LLC  
Prishtina,  
12 June 2020



Suzana Stavrikj  
Statutory auditor



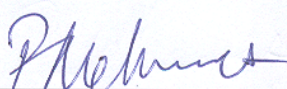
# Central Bank of the Republic of Kosovo

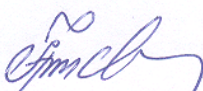
## Statement of financial position

At 31 December 2019

<i>In thousands of EUR</i>	Note	2019	2018 Restated
<b>Assets</b>			
Cash on hand	7	302,166	285,376
Current accounts with non-resident banks	8	108,863	34,797
Securities (Treasury Bills and Bonds)	9	576,616	758,207
Deposit accounts with non-resident banks	10	248,864	183,576
Assets related with IMF	11	298,345	326,051
Property and equipment	12	4,967	5,016
Intangible assets	13	1,945	1,790
Other assets	14	1,700	1,411
<b>Total assets</b>		<b>1,543,466</b>	<b>1,596,224</b>
<b>Liabilities</b>			
Due to domestic banks	15	414,942	343,394
Due to IMF related accounts	16	297,236	321,854
Due to governmental institutions	17	719,819	762,901
Due to public and commercial entities	18	52,167	110,863
Borrowings	19	2,266	2,266
Other liabilities	20	1,778	1,797
<b>Total liabilities</b>		<b>1,488,208</b>	<b>1,543,075</b>
<b>Capital and reserves</b>			
Authorized capital	21	30,000	30,000
Reserve fund	21a	22,622	21,215
Revaluation reserve	21a, 29	527	-
Retained earnings		2,109	1,934
<b>Total capital and reserves</b>		<b>55,258</b>	<b>53,149</b>
<b>Total liabilities, capital and reserves</b>		<b>1,543,466</b>	<b>1,596,224</b>

These financial statements were approved by the Board of the Central Bank of the Republic of Kosovo on 12 June 2020 and signed on its behalf by:

  
Fehmi Mehmeti  
Governor

  
Faton Ahmetaj  
Director of Financial Planning and  
Reporting Directorate

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 2019

<i>In thousands of EUR</i>	Note	2019	2018 Restated
<b>Interest income</b>			
Interest income		3,529	2,826
Interest expense		(1,599)	(982)
<b>Net interest income</b>	22	<b>1,930</b>	<b>1,844</b>
<b>Fee and commission income</b>			
Fee and commission income		2,798	2,252
Fee and commission expense		(576)	(332)
<b>Net fee and commission income</b>	23	<b>2,222</b>	<b>1,920</b>
<b>Regulatory and other operating activities income</b>			
Regulatory activity income	24	4,956	4,451
Grant income	20, 25	120	98
Other operating income	26	8	11
Foreign exchange net profit / loss	29	248	527
<b>Operating revenue</b>		<b>9,484</b>	<b>8,851</b>
<b>Operating expenses</b>			
Personnel expenses	27	(4,989)	(4,407)
Depreciation and amortization	12,13	(1,041)	(1,029)
General and administrative expenses	28	(1,451)	(1,227)
<b>Operating expenses</b>		<b>(7,481)</b>	<b>(6,663)</b>
<b>Financial result before provision for expected credit losses</b>		<b>2,003</b>	<b>2,188</b>
Provisions for expected credit losses, net decrease / (increase)		106	(254)
<b>Net profit for the year</b>		<b>2,109</b>	<b>1,934</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,109</b>	<b>1,934</b>

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

# Central Bank of the Republic of Kosovo

## Statement of changes in equity

For the year ended 31 December 2019

	Capital	Reserve fund	Revaluation fund	Retained Earnings	Total
<i>In thousands of EUR</i>					
<b>Balance at 1 January 2018</b>	<b>30,000</b>	<b>22,683</b>	-	<b>(881)</b>	<b>51,802</b>
Impact of adopting IFRS 9	-	-	-	(587)	(587)
<b>Restated balance at 1 January 2018</b>	<b>30,000</b>	<b>22,683</b>	-	<b>(1,468)</b>	<b>51,215</b>
Transfer from reserve fund	-	(1,468)	-	1,468	-
<b>Total transactions required by law</b>	-	<b>(1,468)</b>	-	<b>1,468</b>	-
Profit for the year (restated)	-	-	-	1,934	1,934
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	<b>1,934</b>	<b>1,934</b>
<b>Restated balance at 31 December 2018</b>	<b>30,000</b>	<b>21,215</b>	-	<b>1,934</b>	<b>53,149</b>
Transfer to reserve and revaluation funds	-	1,407	527	(1,934)	-
<b>Total transactions required by law</b>	-	<b>1,407</b>	<b>527</b>	<b>(1,934)</b>	-
Profit for the year	-	-	-	2,109	2,109
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	<b>2,109</b>	<b>2,109</b>
<b>Balance at 31 December 2019</b>	<b>30,000</b>	<b>22,622</b>	<b>527</b>	<b>2,109</b>	<b>55,258</b>

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 2019

<i>In thousands of EUR</i>	Note	2019	2018 Restated
<b>Cash flows from operating activities</b>			
Profit for the year		2,109	1,934
<i>Adjustments for:</i>			
Depreciation	12	645	657
Amortization	13	396	372
Grant revenue	25	(120)	(99)
Provisions for expected credit losses		(106)	254
Interest income	22	(3,529)	(2,826)
Interest expense	22	1,599	982
		<b>994</b>	<b>1,274</b>
Change in securities		180,657	(162,114)
Change in deposit accounts with non-resident banks		(65,000)	(114,999)
Change in assets with IMF		27,520	(147)
Change in other assets		(289)	7,690
Change in due to domestic banks		71,548	11,568
Change in due to IMF related accounts		(24,434)	3,093
Change in due to governmental institutions		(43,082)	(48,439)
Change in due to public and commercial entities		(58,696)	15,055
Change in other liabilities		80	(152)
		<b>89,298</b>	<b>(287,171)</b>
Interest received		4,814	(1,372)
Interest paid		(1,783)	(837)
<b>Net cash generated from/(used in) operating activities</b>		<b>92,329</b>	<b>(289,380)</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	12	(596)	(364)
Purchase of intangible assets	13	(551)	(77)
<b>Net cash used in investing activities</b>		<b>(1,147)</b>	<b>(441)</b>
<b>Cash flows from financing activities</b>			
Proceeds from grants		21	-
<b>Net cash generated from financing activities</b>		<b>21</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>91,202</b>	<b>(289,821)</b>
Cash and cash equivalents at 1 January		<b>328,907</b>	<b>618,728</b>
<b>Cash and cash equivalents at 31 December</b>	30	<b>420,109</b>	<b>328,907</b>

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 2019

(in thousands of EUR, unless otherwise stated)

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### 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 CBK 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 acts 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 four<sup>1</sup> 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 2019, the Board of the Central Bank of Kosovo comprised of the following members:

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

As at 31 December 2019, the Executive Board comprised of the Governor, who is the Chairperson, and two Deputy Governors, is in 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.

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<sup>1</sup> One non-executive member position is vacant.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 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 income and expenses

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 2019

(in thousands of EUR, unless otherwise stated)

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### 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.

#### f) Financial assets and liabilities

##### Classification of financial assets and financial liabilities

The CBK has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

Additionally, the CBK adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the CBK's financial statements are described below.

The CBK has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

##### (a) Classification and measurement of financial assets and financial liabilities

The date of initial application (i.e. the date on which the CBK has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the CBK has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### f) Financial assets and liabilities (continued)

The financial assets of CBK included in these financial statements are classified as financial instruments at amortized cost (hold to collect model) and comprise of cash and cash equivalents, securities, deposit accounts with non-resident banks, assets related with IMF and other assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL (Fair Value through Profit Loss):

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

The CBK classifies all its financial liabilities as measured at amortised cost using the effective interest rate method. Interest income or interest expense from financial liabilities measured at amortised cost is recognised in profit or loss.

Financial liabilities measured at amortised cost include due to domestic banks, governmental institutions, public and commercial entities, due to IMF, borrowings and other financial liabilities.

#### *i. Recognition*

On initial recognition, a financial asset is classified as measured at: amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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 on issue.

As mentioned above, the CBK has in its books only financial instruments at amortized cost, which meet the criteria of hold to collect model.

#### *ii. Reclassification*

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

#### *iii. Derecognition*

The CBK 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 of the risks and rewards of ownership of the financial asset are transferred or in which the CBK neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 derecognised) 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 ('OCI') is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the CBK is recognised as a separate asset or liability.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### f) Financial assets and liabilities (continued)

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

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

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

#### *iv. Modifications of financial assets and financial liabilities*

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the CBK recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The CBK derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

#### *v. 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 CBK of similar transactions.

#### *vi. 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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### f) Financial assets and liabilities (continued)

##### vii. 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.

##### viii. Impairment

The CBK recognizes loss allowances for expected credit losses "ECL" for financial assets that are debt instruments and are not measured at FVTPL. The CBK measures loss allowances at an amount equal to lifetime ECL except for the following for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The CBK considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

##### Measurement of ECL

The ECL impairment model is a probability-based measurement and includes the impact of different possible outcomes. Operationally, this can be difficult to implement and selecting relevant economic scenarios can be challenging.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### f) Financial assets and liabilities (continued)

For detailed implementation of ECL we used the simple method that utilizes the explicit probability of default approach which is:

$$\text{Expected credit losses (ECL)} = \text{Exposure at default (EAD)} \times \text{Loss given default (LGD)} \times \text{Probability of default (PD)}.$$

EAD - Exposure at default is the gross carrying amount at financial assets that fall within the model.

LGD - Loss given default, we used based on our internal judgment and perception of this value, also based on some Basel risk approach for borrowers' default.

PD – Probability of default, is the most sensitive variable

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the CBK in accordance with the contract and the cash flows that the CBK expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying.

#### 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 and Bonds, are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as amortized cost/hold to collect investment using the effective interest rate method.

Amortized cost/hold to collect 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.

#### i) Deposits and borrowings

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



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### j) 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, if any.

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:

	2019	2018
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.

#### k) Intangible assets

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

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 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### l) 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.

#### m) 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.

#### n) 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.

#### o) 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.

#### p) Provisions

A provision is recognised 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 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### q) 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 16 "Leases"** (effective for annual periods beginning with or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Fees for prepayment with negative compensation (effective for annual periods that started on or after January 1, 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Change, Reduction or Solution (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Joint Stock Companies and Enterprises"** - Long-term Interests in Joint Stock Companies and Enterprises (effective for annual periods beginning on or after 1 January 2019),
- **Changes in various standards due to "IFRS Improvements (2015-2017 cycle)"** resulting from the annual SNRF improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) mainly for the purpose of removal of discrepancies and clarification of the effective wording for the annual periods that started on or after 1 January 2019),
- **IFRIC 23 "Insecurity on the Treatment of Income Taxes"** (effective for annual periods beginning with or after 1 January 2019).

The application of these standards, amendments and interpretations has no significant impact on the financial statements of the Central Bank in the current period.

##### ii) Standards and Interpretations in issue not yet adopted

As at the date of authorization of these financial statements the following standards, revisions and interpretations have been published by the IASB, but are not yet effective and have not been adopted early by the Central Bank:

- **Amendments to IFRS 3 "Business Combinations"** - Defining a Business (effective for business combinations for which the purchase date is on or after the start of the first annual reporting period starting on or after January 1, 2020 and for purchases of assets that occur in or after the start of that period).
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Joint Stock Companies and Enterprises"** - Sale or Contribution of Assets between an Investor and His Partner or Joint Venture and Further Changes (effective date postponed to one indefinite time until the capital method is completed),
- **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)
- **Changes in References in the Conceptual Framework to IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021).

The Central Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Central Bank anticipates that the adoption of these standards, revisions and interpretations will not have a significant impact on the financial statements of the Central Bank.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 3. Significant accounting policies (continued)

#### q) Change in accounting policy

The CBK has initially adopted IFRS 9 (see (I)) and IFRS 15 (see (II)) from 1 January 2018 in these financial statements. As of 01 January 2018, a number of other new standards were also effective but they did not have a material effect on the CBK's financial statements. The effect of initially applying these standards is limited to IFRS 9 and mainly attributed to the following:

- changes in classification and measurement categories of financial assets and liabilities (see note 3(f));
- impairment losses recognized on financial assets (see note 9); and
- additional disclosures related to IFRS 9 (see notes 9 and 10).

Except for the changes below, the CBK has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

#### Impact of IFRS 9 in year 2018

##### Statement of financial position

	As previously presented	Adjustment for Expected credit losses	Restated
31-Dec-18			
Securities	758,890	(683)	758,207
Deposit accounts with non-resident banks	183,734	(158)	183,576

##### Statement of profit and loss

	As previously presented	Adjustment for Expected credit losses	Restated
Net profit for the year	2,188	(254)	1,934

In thousands of euro	Statutory fund	Reserve fund	Revaluation reserve	Retained Earnings	Total
<b>Balance at 1 January 2018</b>	<b>30,000</b>	<b>22,683</b>	-	<b>(881)</b>	<b>51,802</b>
Impact of IFRS 9	-	-	-	(587)	(587)
<b>Restated balance at 1 January 2018</b>	<b>30,000</b>	<b>22,683</b>	-	<b>(1,468)</b>	<b>51,215</b>
Transfer to reserve fund	-	(1,468)	-	1,468	-
<b>Restated Transactions required by law</b>	<b>-</b>	<b>(1,468)</b>	-	<b>1,468</b>	<b>-</b>
Profit for the year	-	-	-	2,188	2,188
Impact of IFRS 9	-	-	-	(254)	(254)
<b>Restated of Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	-	<b>1,934</b>	<b>1,934</b>
<b>Restated balance at 31 December 2018</b>	<b>30,000</b>	<b>21,215</b>	-	<b>1,934</b>	<b>53,149</b>



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 3. Significant accounting policies (continued)

#### q) Change in accounting policy

##### I. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the CBK has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, CBK has adopted consequential amendments to IFRS 7 Financial Instruments. The key changes to CBK's accounting policies resulting from its adoption of IFRS 9 are summarised below.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the CBK classifies financial assets under IFRS 9, see note 3(f).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the CBK classifies financial liabilities under IFRS 9, see note 3(f).

The following tables present the reconciliation of the original classification under IAS 39 and new classification under IFRS 9 for each class of financial assets and financial liabilities of the CBK as at 1 January 2018.

<b>1 January 2018</b>				
<b>Financial asset</b>	<b>Measurement category under IAS 39</b>	<b>Measurement category under IFRS 9</b>	<b>Carrying amount under IAS 39</b>	<b>Carrying amount under IFRS 9</b>
Cash on hand	Loans and receivables	Amortised cost	188,547	188,547
Current accounts with non-resident banks	Loans and receivables	Amortised cost	422,845	422,845
Securities (Treasury Bills and Bonds)	Held-to-maturity	Amortised cost	592,712	592,159
Deposit accounts with non-resident banks	Loans and receivables	Amortised cost	68,178	67,591
Assets related with IMF	Loans and receivables	Amortised cost	325,764	325,764
Other financial assets	Loans and receivables	Amortised cost	7,927	7,927
<b>TOTAL FINANCIAL ASSETS</b>			<b>1,605,973</b>	<b>1,604,833</b>

<b>1 January 2018</b>				
<b>Financial liabilities</b>	<b>Measurement category under IAS 39</b>	<b>Measurement category under IFRS 9</b>	<b>Carrying amount under IAS 39</b>	<b>Carrying amount under IFRS 9</b>
Due to domestic banks	Amortised cost	Amortised cost	331,826	331,826
Due to IMF related accounts	Amortised cost	Amortised cost	318,617	318,617
Due to governmental institutions	Amortised cost	Amortised cost	811,341	811,341
Due to public and commercial entities	Amortised cost	Amortised cost	95,807	95,807
Borrowings	Amortised cost	Amortised cost	2,266	2,266
Other liabilities	Amortised cost	Amortised cost	2,047	2,047
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>1,561,904</b>	<b>1,561,904</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### q) Change in accounting policy (continued)

##### I. IFRS 9 Financial Instruments (continued)

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model also applies to certain loan commitments and financial guarantee contracts. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the CBK applies the impairment requirements of IFRS 9, see Note 3(f).

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Periods before 01 January 2018 have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the CBK has assumed that credit risk on the asset had not increased significantly since its initial recognition.

##### II. IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The CBK initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the CBK’s fee and commission income was not impacted by the adoption of IFRS 15.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 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. For credit risk management reporting purposes, the CBK considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

#### *Management of Credit Risk*

##### *i. Investments and exposure of CBK's Credit Risk*

CBK limits its exposure to credit risk by investing only in securities and in deposits with foreign banks that have investment grade and whose short term liabilities are rated by internationally recognized credit rating agencies. Given the investment credit ratings, the management does not expect any contracting party to fail to meet its obligations as per our credit risk appetite.

The management of the risk is performed through:

- Limiting the scope and duration of financial instruments,
- Limiting the counterparties issuers, by acceptable credit rating on investment grade and above,
- Limit the maximum amount and concentration with the counterparties,

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 4. Financial Risk Management (continued) Management of credit risk (continued)

#### ii. Exposure towards credit risk

The highest exposure to credit risk as at 31 December 2018 and 31 December 2019, is represented by the carrying amount of the current accounts with non-resident banks, treasury bills, and bonds 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. There is a substantial change in the credit risk management policies from previous years, as a result of applying the IFRS 9. As per that we switch to the ECL – Expected credit loss model from the incurred credit as it was from the IFRS 9. CBK does not hold any collateral or other credit enhancements against its exposure to credit risk.

Expected credit loss measurement:

The financial assets that fall under the scope of expected credit loss with the CBK are:

- Current accounts and deposits with foreign banks
- Securities,
- Other receivables that are linked to above two elements, if any.

The basic criteria of defining the exposure is credit rating. The credit rating is taken from credit rating agencies.

Our floor for our exposure is investment grade. As of that we don't invest below that grade.

Model of impairment of financial assets defines three stages of credit levels, at the initial recognition and changes in credit quality after initial recognition. Those stages can be summarized as below:

1. Stage 1 of exposure distribution - financial assets which are treated as the low or medium risk exposure, all of them which fall within this are allocated to the Stage 1 at ignition recognition. According to our internal procedure we are not allowed to invest in the higher credit risk exposure. Based on this each investment at initial recognition is allocated to Stage 1 of exposure.
2. Stage 2 of exposure distribution - if we have a significant increase since initial recognition the financial asset which is located in stage 1 moved to stage 2.
3. Stage 3 of exposure distribution - the criteria that moves financial assets to stage 3 is determined from default status of the financial assets.

The evaluation is done on initial recognition and at the date of the reporting period. The model used for the stage 1 of distribution is 12 months basis of the life time, but it could be depending to the composite credit exposure level if we have the significant change on increase on credit risk and on credit impaired of the financial assets portfolio.

Significant change in increase of the credit risk as criteria to move from stage 1 to stage 2, when it goes from investment grade to the non-investment grade of the composite credit rating of a portfolio.

Definition of the default:

Default criteria should be based on the objective evidence of:

- Debtors, significant financial difficulties
- When it is coming to breach of contractual obligations, in regards to the principal and interest,
- When it happen to any restructuring the existing terms of servicing the obligation from an financial instrument,
- Clear evidence/probability that debtor is going to the bankruptcy and/or liquidation,
- Signs of not being active in the trading mark.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued) Management of credit risk (continued)

	2019			2018		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Current accounts with non-resident banks	108,863	-	-	34,797	-	-
Securities	577,135	-	-	758,890	-	-
Money market placements	249,080	-	-	183,734	-	-
<b>Gross carrying amount</b>	<b>935,078</b>	-	-	<b>977,421</b>	-	-
Loss allowance	(735)	-	-	(841)	-	-
<b>Net Carrying amount</b>	<b>934,343</b>	-	-	<b>976,580</b>	-	-

	2019			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2019				841
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	(106)	-	-	(106)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December 2019</b>	<b>735</b>	-	-	<b>735</b>

	2018			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2018	-	-	-	-
Impact of IFRS 9 adoption as of 1 January	587	-	-	587
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	254	-	-	254
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December 2018</b>	<b>841</b>	-	-	<b>841</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued)

#### 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 unfavorable conditions, without incurring unacceptable losses or risking damage to CBK's reputation.

Policies to monitor and address liquidity risk are set by the CBK 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	Net carrying amount	Less than 1 month	1-3 months	3 mon. to 1 year	1 year to 5 years	over 5 years
<b>31 December 2019</b>							
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	414,942	414,942	-	-	-	-
Due to IMF related accounts	16	297,236	173,308	20,917	37,494	65,517	-
Due to governmental institutions	17	719,819	719,819	-	-	-	-
Due to public and commercial entities	18	52,167	52,167	-	-	-	-
Borrowing	19	2,266	-	-	-	907	1,359
Other liabilities	20	756	756	-	-	-	-
		<b>1,487,186</b>	<b>1,360,992</b>	<b>20,917</b>	<b>37,494</b>	<b>66,424</b>	<b>1,359</b>
<b>31 December 2018</b>							
<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	-	-	-	-
Borrowing	19	2,266	-	-	-	680	1,586
Other liabilities	20	756	756	-	-	-	-
		<b>1,542,034</b>	<b>1,379,625</b>	<b>4,265</b>	<b>25,590</b>	<b>130,968</b>	<b>1,586</b>

Non-interest bearing financial liabilities are not included in the table above.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 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 2019

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

#### (d) Market risks (continued)

##### Exposure to interest rate risk – non-trading portfolios

	Note	Net carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
<b>31 December 2019</b>							
Current accounts with non-resident banks	8	108,863	108,863	-	-	-	-
Securities (Bonds and Treasury bills)	9	576,616	-	100	150	486,309	90,057
Deposit accounts with non-resident banks	10	248,864	9,080	20,000	219,784	-	-
Assets in IMF related accounts	11	214,090	81,480	-	-	132,610	-
<b>Total</b>		<b>1,148,433</b>	<b>199,423</b>	<b>20,100</b>	<b>219,934</b>	<b>618,919</b>	<b>90,057</b>
Due to domestic banks	15	(414,942)	(414,942)	-	-	-	-
Due to IMF related accounts	16	(219,664)	(95,736)	-	-	(123,928)	-
Due to governmental institutions	17	(719,819)	(719,819)	-	-	-	-
Due to public and commercial entities	18	(52,167)	(52,167)	-	-	-	-
Borrowing	19	(2,266)	-	-	-	-	(2,266)
Due to Other liabilities	20	(756)	(756)	-	-	-	-
<b>Total</b>		<b>(1,409,614)</b>	<b>(1,283,420)</b>	<b>-</b>	<b>-</b>	<b>(123,928)</b>	<b>(2,266)</b>
<b>Gap</b>		<b>(261,181)</b>	<b>(1,083,997)</b>	<b>20,100</b>	<b>219,934</b>	<b>494,991</b>	<b>87,791</b>
<b>31 December 2018</b>							
Current accounts with non-resident banks	8	34,797	34,797	-	-	-	-
Securities (Treasury bills)	9	758,207	-	-	5,998	752,209	-
Deposit accounts with non-resident banks	10	183,576	8,734	-	174,842	-	-
Assets in IMF related accounts	11	242,849	82,706	-	-	160,143	-
<b>Total</b>		<b>1,219,429</b>	<b>126,237</b>	<b>-</b>	<b>180,840</b>	<b>912,352</b>	<b>-</b>
Due to domestic banks	15	(343,394)	(343,394)	-	-	-	-
Due to IMF related accounts	16	(245,447)	(85,304)	-	-	(160,143)	-
Due to governmental institutions	17	(762,901)	(762,901)	-	-	-	-
Due to public and commercial entities	18	(110,863)	(110,863)	-	-	-	-
Borrowing	19	(2,266)	-	-	-	-	(2,266)
Other liabilities	20	(756)	(756)	-	-	-	-
<b>Total</b>		<b>(1,465,627)</b>	<b>(1,303,218)</b>	<b>-</b>	<b>-</b>	<b>(160,143)</b>	<b>(2,266)</b>
<b>Gap</b>		<b>(246,198)</b>	<b>(1,176,981)</b>	<b>-</b>	<b>180,998</b>	<b>752,892</b>	<b>(2,266)</b>

As of 31 December 2019 and 2018 there are no non-interest bearing financial assets and liabilities.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(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 CBK'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 ("bps") parallel fall or rise in all yield curves. An analysis of the CBK'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:

#### 2019

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(2,612)	2,612

#### 2018

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

#### 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:

#### 2019

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(56)	56

#### 2018

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

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

#### (d) Market risks (continued)

31 December 2019	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
<b>Assets</b>				
Cash on hand	302,166	-	-	302,166
Current accounts with non-resident banks	108,615	248	-	108,863
Treasury bills	576,616	-	-	576,616
Deposit accounts with non-resident banks	239,784	9,080	-	248,864
Assets with the IMF related accounts	535	-	297,810	298,345
Other assets	1,700	-	-	1,700
<b>Total</b>	<b>1,229,416</b>	<b>9,328</b>	<b>297,810</b>	<b>1,536,554</b>
<b>Liabilities</b>				
Due to domestic banks	414,942	-	-	414,942
Due to IMF related accounts	541	-	296,695	297,236
Due to governmental institutions	719,819	-	-	719,819
Due to public and commercial entities	52,167	-	-	52,167
Borrowing	2,266	-	-	2,266
Other liabilities	1,778	-	-	1,778
<b>Total</b>	<b>1,191,513</b>	<b>-</b>	<b>296,695</b>	<b>1,488,208</b>
<b>Net foreign currency position</b>	<b>37,902</b>	<b>9,328</b>	<b>1,115</b>	<b>48,345</b>

31 December 2018	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
<b>Assets</b>				
Cash on hand	285,376	-	-	285,376
Current accounts with non-resident banks	34,574	223	-	34,797
Treasury bills	758,207	-	-	758,207
Deposit accounts with non-resident banks	174,842	8,734	-	183,576
Assets with the IMF related accounts	722	-	325,329	326,051
Other assets	1,411	-	-	1,411
<b>Total</b>	<b>1,255,132</b>	<b>8,957</b>	<b>325,329</b>	<b>1,589,418</b>
<b>Liabilities</b>				
Due to domestic banks	343,394	-	-	343,394
Due to IMF related accounts	724	-	321,130	321,854
Due to governmental institutions	762,901	-	-	762,901
Due to public and commercial entities	110,863	-	-	110,863
Borrowing	2,266	-	-	2,266
Other liabilities	1,797	-	-	1,797
<b>Total</b>	<b>1,221,945</b>	<b>-</b>	<b>321,130</b>	<b>1,543,076</b>
<b>Net foreign currency position</b>	<b>33,186</b>	<b>8,957</b>	<b>4,199</b>	<b>46,343</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

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### 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 2019 and 2018 were as follows:

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
1 SDR	1.23588	1.21424
1 USD	0.89015	0.87336

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 five major currencies, the Euro, the US Dollar, the British Pound, Japanese Yen and Chinese Renminbi.

US Dollar 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 2019

(in thousands of EUR, unless otherwise stated)

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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

## Notes to the financial statements for the year ended 31 December 2019

*(in thousands of EUR, unless otherwise stated)*

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### 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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(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.

31 December	Note	2019		2018	
		Amortised cost	Fair value	Amortised cost	Fair value
Cash on hand	7	302,166	302,166	285,376	285,376
Current accounts with non-resident banks	8	108,863	108,863	34,797	34,797
Securities	9	576,616	579,894	758,207	592,904
Deposit accounts with non-resident banks	10	248,864	248,864	183,576	183,576
Assets related with IMF	11	298,345	298,345	326,051	326,051
Other Assets	14	142	142	131	131
		<b>1,534,996</b>	<b>1,538,274</b>	1,588,138	1,422,835
Due to domestic banks	15	414,942	414,942	343,394	343,394
Due to IMF related accounts	16	297,236	297,236	321,854	321,854
Due to governmental institutions	17	719,819	719,819	762,901	762,901
Due to public and commercial entities	18	52,167	52,167	110,863	110,863
Borrowing	19	2,266	2,266	2,266	2,266
Other liabilities	20	756	756	756	756
		<b>1,487,186</b>	<b>1,487,186</b>	<b>1,542,034</b>	<b>1,542,034</b>



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 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:

	2019	2018
Deutsche Bundesbank	71,230	500
Raiffeisen Zentralbank	9,900	9,920
Deutsche Bank London AG	24,169	24,133
Banque centrale du Luxembourg	1,827	1
Commerzbank AG	499	10
Bayerische Landesbank	990	10
Federal Reserve Bank (FED-NY)	248	223
<b>Total</b>	<b>108,863</b>	<b>34,797</b>

The increase compared to the 2018 is a normal flow of daily activities, and at the same time this increase in current accounts is reflected almost in a balanced form with changes within the notes 7, 9 and 10 (cash, securities and placements in the money market).

### 9. Securities (treasury bills and bonds)

Both categories are debt securities issued by governments of European Union countries or multinational corporates. Treasury bills disclosed below have maturity up to one year, while the bonds up to 6 years. All of them are denominated in EUR and had effective annual interest rates ranging from 0.019% to 3.021% in 2019 (while in 2018: 0.008% up to 3.020% p.a.).

Analytical disclosure of securities by type and by issuing countries:

	2019			2018		
	Carrying amount	Impairment for expected credit loss	Net carrying amount	Carrying amount	Impairment for expected credit loss	Net carrying amount
Germany	66,652	(60)	66,592	67,126	(60)	67,066
France	10,023	(9)	10,014	10,030	(9)	10,021
Netherlands	12,556	(11)	12,543	12,772	(11)	12,761
Italy	-	-	-	176,834	(159)	176,675
Slovenia	21,435	(19)	21,416	22,138	(20)	22,118
Luxemburg	89,313	(80)	89,233	90,244	(81)	90,163
EuroFima-Switzerland	5,827	(5)	5,822	6,040	(5)	6,035
KommuneKredit-Denmark	6,052	(5)	6,047	-	-	-
Austria	77,099	(69)	77,030	79,463	(72)	79,391
Irlande	104,335	(96)	104,239	105,390	(96)	105,294
Kosovo	183,845	(165)	183,680	188,853	(170)	188,683
<b>Total</b>	<b>577,137</b>	<b>(519)</b>	<b>576,617</b>	<b>758,890</b>	<b>(683)</b>	<b>758,207</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

## 9. Securities (treasury bills and bonds) ( continued)

As per type:

	2019			2018		
	Carrying amount	Adjusted value	Net carrying amount	Carrying amount	Adjusted value	Net carrying amount
Treasury bills	150	-	150	5,998	(5)	5,993
Government bonds	576,985	(519)	576,466	752,892	(678)	752,214
<b>Total</b>	<b>577,135</b>	<b>(519)</b>	<b>576,616</b>	<b>758,890</b>	<b>(683)</b>	<b>758,207</b>

The movements of corresponding ECLs for the debt securities at Amortized Costs are, as follows:

	2019			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	683	-	-	683
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	(164)	-	-	(164)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December</b>	<b>519</b>	<b>-</b>	<b>-</b>	<b>519</b>

	2018			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January	-	-	-	-
Impact of IFRS 9 adoption, 1 January	533	-	-	533
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	150	-	-	150
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December</b>	<b>683</b>	<b>-</b>	<b>-</b>	<b>683</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 9. Securities (treasury bills and bonds) (continued)

Credit rating for financial instruments that CBK has invested for the year ended on 31 December 2019 was from AAA to BBB+ / Aaa to Baa1, according to Standard & Poor's / Moody's.

The reduction compared to year 2018 is mainly due to the transfer between categories / items 7,8,9 and 10 (i.e. note 9 has been decreased and the amounts in 7, 8 and 10 have been increased).

### 10. Deposit accounts with non-resident banks

Deposit accounts with non-resident banks are composed as follows:

	2019			2018		
	Gross carrying amount	Impairment for expected credit loss	Net carrying amount	Gross carrying amount	Impairment for expected credit loss	Net carrying amount
<b>Term deposits</b>						
Deutsche Bank	240,000	(216)	239,784	175,000	(158)	174,842
Federal Reserve Bank (FED-NY)	9,079	-	9,079	8,733	-	8,733
	<b>249,079</b>	<b>(216)</b>	<b>248,863</b>	<b>183,733</b>	<b>(158)</b>	<b>183,576</b>
<b>Interest accrued on term deposits</b>						
Deutsche Bank	-	-	-	-	-	-
Federal Reserve Bank (FED-NY)	1	-	1	1	-	1
	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total</b>	<b>249,080</b>	<b>(216)</b>	<b>248,864</b>	<b>183,735</b>	<b>(158)</b>	<b>183,576</b>

The movements of corresponding ECLs for the deposit accounts with non-resident banks at Amortized Costs are, as follows:

	2019			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2019	158	-	-	158
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	58	-	-	58
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December 2019</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 10. Deposit accounts with non-resident banks (continued)

	2018			Total
	Stage 1	Stage 2	Stage 3	
ECL as at 1 January	-	-	-	-
Impact of IFRS 9 adoption, 1 January	54	-	-	54
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	104	-	-	104
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Foreign exchange adjustments	-	-	-	-
<b>At 31 December</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>158</b>

Deposits placed with non-resident banks are denominated in EUR and earn interest at effective annual interest rates ranging from 0.000% to 5.370% (2018: 0.000% up to 3.040% annual) and have original maturities from 1 to 367 days (2018: from 1 to 367 days). All deposits have minimum credit ratings of A3/BBB+, according to the ratings for 2019 by Standard & Poors/Moody's.

Comparing the end of the year 2018, there is an increase of the position at the end of 2019, 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.

### 11. Assets related with IMF

	2019	2018
IMF quota	102,084	100,296
SDR Holdings	63,116	64,890
Accrued interest	535	722
<b>IMF</b>	<b>165,735</b>	<b>165,908</b>
<b>Government</b>		
Due from the Government for the use of IMF funds (SBA)	132,610	160,143
<b>Total</b>	<b>298,345</b>	<b>326,051</b>

The assets listed above are related to the admission of Kosovo to the International Monetary Fund ("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

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

*(in thousands of EUR, unless otherwise stated)*

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### 11. Assets related with IMF (continued)

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 2019 ranging from 0.738% to 1.148% p.a. (2018: 0.758% up to 1.117% 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 2019 is 107.3 million SDR (or, 132.61 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 2019 annually fluctuates from 1.744% to 2.157% (in 2018 it fluctuated from 1.769% to 2.126% 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 (SBA)". 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 2019

(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
<b>Cost</b>						
<b>At 1 January 2018</b>	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)
<b>At 31 December 2018</b>	<b>5,201</b>	<b>2,431</b>	<b>2,166</b>	<b>320</b>	<b>-</b>	<b>10,118</b>
<b>At 1 January 2019</b>	5,201	2,431	2,166	320	-	10,118
Acquisitions	113	102	99	69	213	596
Transfer from/to	-	-	-	-	-	-
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At 31 December 2019</b>	<b>5,314</b>	<b>2,533</b>	<b>2,265</b>	<b>389</b>	<b>213</b>	<b>10,714</b>
<b>Depreciation</b>						
<b>At 1 January 2018</b>	921	1,732	1,534	261	-	4,448
Depreciation of the year	232	175	220	30	-	657
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(3)	-	-	(3)
<b>At 31 December 2018</b>	<b>1,153</b>	<b>1,907</b>	<b>1,751</b>	<b>291</b>	<b>-</b>	<b>5,102</b>
<b>At 1 January 2019</b>	1,153	1,907	1,751	291	-	5,102
Depreciation of the year	265	172	175	34	-	646
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At 31 December 2019</b>	<b>1,418</b>	<b>2,079</b>	<b>1,926</b>	<b>325</b>	<b>-</b>	<b>5,748</b>
<b>Carrying amounts</b>						
<b>At 1 January 2018</b>	<b>1,952</b>	<b>471</b>	<b>599</b>	<b>59</b>	<b>2,248</b>	<b>5,329</b>
<b>At 31 December 2018</b>	<b>4,048</b>	<b>524</b>	<b>415</b>	<b>29</b>	<b>-</b>	<b>5,016</b>
<b>At 31 December 2019</b>	<b>3,896</b>	<b>454</b>	<b>339</b>	<b>64</b>	<b>213</b>	<b>4,967</b>

There are no assets pledged as collateral as at 31 December 2019 (31 December 2018: nil).

According to the Law on CBK, the Central Bank shall, for its official business, utilize and administer the property and facilities, including moveable and immovable property, located at Garibaldi Street 33, Pristina.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 13. Intangible assets

Intangible assets are composed as follows:

	Software under development	Software	Total
<b>Cost</b>			
<b>Balance at 1 January 2018</b>	89	3,785	3,874
Acquisitions	-	77	77
Transfers (from)/to	(89)	89	-
Transfers (from)/to (adjustments)	-	20	20
Disposals	-	-	-
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>3,971</b>	<b>3,971</b>
<b>Balance at 1 January 2019</b>	-	3,971	3,971
Acquisitions	508	43	551
Transfers (from)/to	-	-	-
Transfers (from)/to (adjustments)	-	-	-
Disposals/write offs	-	-	-
<b>Balance at 31 December 2019</b>	<b>508</b>	<b>4,014</b>	<b>4,522</b>
<b>Amortization</b>			
<b>Balance at 1 January 2018</b>	-	1,809	1,809
Amortization for the year	-	372	372
Disposals	-	-	-
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>2,181</b>	<b>2,181</b>
<b>Balance at 1 January 2019</b>	-	2,181	2,181
Amortization for the year	-	396	396
Disposals/write offs	-	-	-
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>2,577</b>	<b>2,577</b>
<b>Net carrying amounts</b>			
<b>Balance at 1 January 2018</b>	<b>89</b>	<b>1,976</b>	<b>2,065</b>
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>1,790</b>	<b>1,790</b>
<b>Balance at 31 December 2019</b>	<b>508</b>	<b>1,437</b>	<b>1,945</b>

### 14. Other assets

Other assets are composed as follows:

	2019	2018
Accrued fee income	1,558	1,280
Accounts receivables and prepayments	142	131
<b>Total</b>	<b>1,700</b>	<b>1,411</b>

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 2019

(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.

<b>Due to domestic banks</b>	<b>2019</b>	<b>2018</b>
ProCredit Bank Kosovo	29,070	29,834
Raiffeisen Bank Kosovo	41,973	35,665
NLB Prishtina	28,123	23,162
Banka Ekonomike	9,818	8,351
Banka për Biznes	10,336	8,689
Banka Kombëtare Tregtare (Prishtina branch)	15,203	12,261
Banka Ekonomike Turke (TEB)	22,243	18,672
Komercijalna Banka – Mitrovica branch	3,886	3,214
Turkiye is Bankasi a.s.	3,294	2,842
T.C. Ziraat Bankasi A.S. – Kosovo branch	2,315	764
Banka Kreditore e Prishtinës	-	-
<b>Total minimum required reserve</b>	<b>166,261</b>	<b>143,454</b>
<b>Additional amount on the required reserve</b>		
ProCredit Bank Kosovo	26,882	10,764
Raiffeisen Bank Kosovo	18,958	9,635
NLB Prishtina	53,539	46,755
Banka Ekonomike	32,026	47,518
Banka për Biznes	31,733	30,532
Banka Kombëtare Tregtare (Prishtina branch)	25,576	20,278
Banka Ekonomike Turke (TEB)	32,635	18,790
Komercijalna Banka – Mitrovica branch	3,737	3,144
Turkiye is Bankasi a.s.	16,013	11,580
T.C. Ziraat Bankasi A.S. –Kosova branch	7,582	915
Banka Kreditore e Prishtinës	-	29
<b>Total addition on current account</b>	<b>248,681</b>	<b>199,940</b>
<b>Total amount on current account</b>	<b>414,942</b>	<b>343,394</b>

The applied interest rate as of 31 December 2019 was -0.60% (subsequently -0.40% for 31 December 2018) for the deposits above the reserve required. The required reserve is calculated as per rule of required reserve.

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

## 16. Due to IMF related accounts

	2019	2018
IMF Account no. 1	255	251
IMF Account no. 2	6	6
IMF Security Account	209,641	235,825
IMF SDR - Allocation	68,429	67,231
Accrued interest	541	725
<b>Total due to IMF</b>	<b>278,872</b>	<b>304,038</b>

<b>Due to Government</b>		
IMF – Paid proportion of Government quota	18,364	17,816
<b>Total due to Government</b>	<b>18,364</b>	<b>17,816</b>
<b>Total</b>	<b>297,236</b>	<b>321,854</b>

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 0.740% - 1.153% p.a. 2019 (2018: 0.764% - 1.121% p.a.).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 17. Due to Governmental institutions

Due to Governmental institutions comprise current accounts as follows:

<b>Current accounts</b>	<b>2019</b>	<b>2018</b>
Treasury – Ministry of Finance	444,301	374,663
Privatization Agency of Kosovo	275,160	388,116
Interim administration institutions	358	122
<b>Total</b>	<b>719,819</b>	<b>762,901</b>

The effective annual interest rate for current accounts for the year ended on 31 December 2019 is zero (for the year ended on 31 December 2018: zero).

### 18. Due to public and commercial entities

	<b>2019</b>	<b>2018</b>
<b>Current accounts</b>		
Insurance companies	4,717	4,537
Other public institutions	47,448	106,324
Licensed Pension Funds	-	-
Other	2	2
<b>Total</b>	<b>52,167</b>	<b>110,863</b>

The effective interest for current accounts as at 31 December 2019 and 2018 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. Borrowings

	<b>2019</b>	<b>2018</b>
Borrowing/s	2,266	2,266
<b>Total</b>	<b>2,266</b>	<b>2,266</b>

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 repayment of interest has started from the starting of the disbursement in 2014, but the repayment of the principal will start from October 2021. The final maturity will be 15 April 2031. 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 2019

(in thousands of EUR, unless otherwise stated)

### 20. Other liabilities

	2019	2018
Safe custody accounts	756	756
Deferred grants	393	492
Other deferred income	11	5
Provision for litigations	162	162
Sundry creditors	456	382
	<b>1,778</b>	<b>1,797</b>

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

As of 31 December 2019 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 2019 and 2018 it has the above balance.

The movement in deferred grants was as follows:

	Ministry of Finance	World Bank	European Central Bank	Total
Deferred grant at 1 January 2018	258	333	-	591
Grants received during the year	-	-	-	-
Grants recognized as revenue for the year	(60)	(39)	-	(99)
<b>Deferred grant at 31 December 2018</b>	<b>198</b>	<b>294</b>	<b>-</b>	<b>492</b>
Deferred grant at 1 January 2019	198	294	-	492
Grants received during the year	-	-	21	21
Grants recognized as revenue for the year (note: 25)	(60)	(39)	(21)	(120)
<b>Deferred grant at 31 December 2019</b>	<b>138</b>	<b>255</b>	<b>-</b>	<b>393</b>

The Ministry of Finance grant was their project for establishment the application of the Kosovo government security deposits, once the project was completed they granted to us the application. The World Bank grant was for application of off-site supervision and the ECB grant is the regional project for training the regional central bank, part of that program was the CBK as well.

### 21. Authorized capital

The CBK statutory fund as at 31 December 2019 and 2018 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 2019

(in thousands of EUR, unless otherwise stated)

### 22. Net interest income

Net interest income is composed as follows:

	2019	2018
<b>Interest income</b>		
From deposit accounts	198	156
From treasury bills and bonds	1,983	1,607
From current accounts	642	611
From negative rates in deposits <sup>2</sup>	706	452
	<b>3,529</b>	<b>2,826</b>
<b>Interest expense</b>		
On current accounts from non-banking entities	683	622
To nostrum accounts with correspondent banks	901	346
On term deposits	0	0
From borrowings	16	15
	<b>1,600</b>	<b>983</b>
<b>Net interest income</b>	<b>1,930</b>	<b>1,844</b>

### 23. Net fee and commission income

Net fee and commission income is composed as follows:

	2019	2018
<b>Fee income</b>		
From cash deposits	873	665
From foreign incoming transfers	70	72
From foreign outgoing transfers	352	294
From the inter-bank clearing system	1,279	1,016
From the credit registry system	199	166
Other fees	25	39
	<b>2,798</b>	<b>2,252</b>
<b>Fee expenses</b>		
For cash transportation	529	277
For correspondent bank transactions	47	55
	<b>576</b>	<b>332</b>
<b>Net fee and commission income</b>	<b>2,222</b>	<b>1,920</b>

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

<sup>2</sup> Negative interest is applied to Commercial banks and Kosovo Pension Saving Trust fund.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(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:

	2019	2018
Fee charged to commercial banks	3,137	2,822
Fee charged to insurance companies	1,491	1,327
Fee from non-bank financial institutions	300	276
Fee charged to pension fund institutions	28	26
<b>Total</b>	<b>4,956</b>	<b>4,451</b>

### 25. Grant income

Grant income is composed as follows:

	2019	2018
Treasury – Ministry of Finances (ICU portfolio)	60	60
World Bank	39	39
European Central Bank	21	-
<b>Total</b>	<b>120</b>	<b>99</b>

### 26. Other operating income

Operating income:

	2019	2018
Other income	8	11
<b>Total</b>	<b>8</b>	<b>11</b>

Other income is income which is not related with the ordinary activity of the CBK 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 2019

(in thousands of EUR, unless otherwise stated)

### 27. Personnel expenses

Personnel expenses are composed as follows:

	2019	2018
Employee benefits		
Wages and salaries	3,892	3,471
Pension contributions	609	540
Health insurance costs	189	166
	<b>4,690</b>	<b>4,177</b>
Other personnel expenses		
Staff training	164	95
Central Bank Board expenses	116	115
Other	19	20
	<b>299</b>	<b>230</b>
<b>Total</b>	<b>4,989</b>	<b>4,407</b>

The number of employees that actively affected the cost disclosed for 2019 is 236 (2018: 218).

### 28. General and administrative expenses

General and administrative expenses are as follows:

	2019	2018
Insurance expenses	296	298
Repairs and maintenance	76	56
Software maintenance	333	310
Communication expense (telephone, telex and internet)	38	34
Utilities	82	85
Audit and consulting expense	13	16
Security and guard services	111	96
Travel and transportation	153	128
Vehicle operating expenses	19	20
Stationery	5	5
Representation expenses *	122	36
Other representation expenses *	9	9
Cafeteria expenses	42	41
Computer and other consumables expense	15	15
Consumable expenses for equipment	4	3
Publication and literature expenses	10	16
Technical professional assistance and other external services	56	9
Membership in professional organizations **	28	29
Other	39	21
<b>Total</b>	<b>1,451</b>	<b>1,227</b>

\* Other Representation expenses are mainly representative lunches/dinners of the CBK, Representation expenses include: *conferences and activities of the 20th CBK establishment, 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.* The main increase is dedicated to the 20th conference and research activities for the establishment of the CBK.

\*\* 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 2019

(in thousands of EUR, unless otherwise stated)

### 29. Foreign exchange net profit/loss

Net profit from foreign exchange is 248 thousand Euro for the year ended 31 December 2019, (while in 2018: profit of 527 thousand), and it represents the unrealised foreign exchange profit 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 2019	
		Assets	Liabilities
10	USD	10,479	-
11,16	SDR	240,969	240,067

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

### The effect of exchange rate variation on inclusive income

	31 December 2019	31 December 2018
from USD	172	403
from SDR	76	124
	<b>248</b>	<b>527</b>

Profit / Loss from the change of "exchange rate" is a temporary non-operating position derived from foreign currency items (USD and DVT-SDR disclosed above), which on the reporting date must be reported in Euros their equivalents according to the exchange rate of the reporting date. With the change of the exchange rate, there is also a difference (whether profit or loss), which as such only equates financial items - equivalent values but which are not actual realizations.

This effect in 2019 has been positive and has increased *"the total comprehensive income for the year"*. If we exclude this effect (respectively amounts of 248 thousand and 527 thousand euros as unrealized profits), the financial operating result for 2019 is **1,861 thousand euros** and for 2018 is **1,407 thousand euros**.

The position in USD (US Dollar) is with the Federal Reserve Bank New York (FED) and is held for the purpose of managing the activities of the investment portfolio in the framework of asset management. This activity started in the second quarter of 2018.

Position in DVT - The special rights of withdrawal are set out in notes 11 and 16.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

### 30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2019	2018
Cash on hand	7	302,166	285,376
Current accounts with non-resident banks	8	108,863	34,797
Deposit accounts with non-resident banks with original maturity up to three months	10	9,080	8,734
<b>Total</b>		<b>420,109</b>	<b>328,907</b>

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 2019, however due to professional care, the CBK has estimated and recorded a provision disclosed under other liabilities, even though during 2019 this provision has not increased compared to the prior year.

#### Credit Related Commitments

As at 31 December 2019, the CBK had commitments to place deposits in the amount of 0/zero/ million Euro (31 December 2018, the CBK had commitments to place deposits in the total amount of 0 /zero/ million Euro).

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2019

(in thousands of EUR, unless otherwise stated)

## 31. Commitments and Contingencies (continued)

### Credit Related Commitments (continued)

#### *Other Commitments*

Other commitments are composed as follows:

	2019	2018
Service contracts	172	11
Contracts for renovation of building	339	37
Equipment contracts	123	146
<b>Total</b>	<b>634</b>	<b>194</b>

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 2019 was 645 thousand and in 2018 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:

	2019	2018
Compensation to Central Bank Board members	78	90
Compensation to Audit Committee	10	9
Compensation to Key Management Personnel	149	147
<b>Total</b>	<b>237</b>	<b>246</b>

## 33. Subsequent events

There are no important or large impact of subsequent events after the reporting date, that would require either adjustments or additional disclosures in these financial statements. This includes also, our evaluation and assessments of financial effect in the financial statements of the Central Bank for pandemic situation of covid-19.