



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS  
CENTRALNA BANKA REPUBLIKE KOSOVA  
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Annual Report 2021

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BANKA QENDRORE E REPUBLIKËS SË KOSOVËS  
CENTRALNA BANKA REPUBLIKE KOSOVA  
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Annual Report 2021

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## LIST OF ABBREVIATIONS

ACH	(Automated Clearing House)
APR	Risk Weighted Assets
ARS	Accounting Registry System
ATM	Automated Teller Machine
ATP	Money Transfer Agencies
BEC	Broad Economic Categories
BEEP	Business Environment Enhancement Project
BIC	Business Identifier Code
BIS	Bank for International Settlements
BKT	Banka Kombëtare Tregtare
BPB	Banka për Biznes
CAI	Capital Adequacy Indicators
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central European Free Trade Agreement
CPI	Consumer Price Index
CRK	Credit Registry of Kosovo
DJI	Dow Jones Industrial Average
DLE	Department of Labour and Employment
EBRD	European Bank for Development and Reconstruction
ECB	European Central Bank
EFSE	European Fund for South-Eastern Europe
ESCB	European System of Central Banks
EU	European Union
EULEX	European Union Rule of Law Mission
EUROSTAT	Directorate General for European Statistics
FDI	Foreign Direct Investments
FSKP	Slovenian-Kosovo Pension Fund
GBP	Great Britain Pound
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IAIS	International Association for Insurance Supervisors
ICAAP	Internal Capital Adequacy Assessment Process
IECS	Interbank Electronic Clearing System
IIP	International Investment Position

IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IPI	Import Price Index
KAS	Kosovo Agency of Statistics
KEDS	Electricity Distribution Services in Kosovo J.S.C
KEK	Kosovo Electricity Corporation J.S.C
KIB	Kosovo Insurance Bureau
KJP	Nonperforming Loans
KKP	National Payments Council
KMB	Komercijalna Banka
KPST	Kosovo Pension Saving Trust
MFI	Micro financial Institutions
MLSW	Ministry of Labour and Social Welfare
MoF	Ministry of Finances, Labour and Transfers
MTPL	Motor Third Party Liability Insurance
NFA	Net Foreign Assets
NLB	Nova Ljubljanska Banka
NPISH	Non-profit Institutions Serving Households
ODC	Other Depositing Corporations
PAK	Privatization Agency of Kosovo
PCB	Procredit Bank
POS	Point of Sale
pp	Percentage Point
PPI	Producer Price Index
PTK	Post and Telecom of Kosovo
RBK	Raiffeisen Bank Kosovo
REER	Real Effective Exchange Rate
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RTGS	Real Time Gross Settlement
SEE	Southeast Europe
SEPA	Single Euro Payment Area
SFR	Swiss Franc
SWIFT	Society for Worldwide International Financial Telecommunication
SWR	Special Drawing Rights
TAK	Tax Administration of Kosovo
TEB	Türk Ekonomi Bankasi



TPL	Third Party Liability
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
VAT	Value Added Tax
VPN	Virtual Encryption and Connection Technology
WB	World Bank

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## Foreword by the Chairman of the Board

Based on the Law on the Central Bank of the Republic of Kosovo and in order to inform the public about the fulfilment of the tasks and objectives of the CBK, while continuously respecting the standards of transparency and accountability, the Central Bank of the Republic of Kosovo (CBK) has prepared the Annual Report for 2021. This report contains a comprehensive summary of the CBK activity for 2021, focusing on the most important data and indicators of the country's financial sector for the respective year. The report also includes the most significant developments of the country's economy, regional economies and global economies.

Despite the circumstances of the global pandemic COVID-19 which have characterized most of 2021, the CBK has successfully managed to fulfil its constitutional and legal role through professional decision-making based on the standards and principles of corporate governance, independence and accountability.

Although the CBK Board (the Board), as the highest decision-making body, has been non-functional until the end of 2021 due to lack of quorum (three positions of non-executive members being vacant), the rest of the Board has followed the practice of meetings at regular time intervals, in order to maintain continuity and provide adequate information on the activities of the CBK in fulfilment of its tasks and objectives. These meetings were held in accordance with the legislation in force and in accordance with the recommendations of international financial institutions, specifically the IMF, which resulted in an immediate continuation of the meetings of the CBK Board after its functionalization at the end of 2021. The above-mentioned meetings and similar meetings of the remaining members of the CBK Board with Internal Audit also ensured and influenced the efficient and complete continuation of the functioning of the CBK Board after a period of one and a half years of being non-functional due to lack of quorum. In the above-mentioned circumstances and in accordance with the legislation in force, the CBK, in addition to its tasks and objectives, has successfully managed to fulfil additional activities necessary for the implementation of policies, strengthening of cooperation with sister institutions, international financial institutions and fulfilment of their recommendations, contribution to overcome the European integration challenges, as well as the efficient coordination of activities with relevant local institutions in order to fulfil its constitutional and legal agenda.

Consequently, thanks to the activity of the CBK in 2021, we have managed to have a stable, sustainable and competitive financial sector, as well as with an increasing trend in all its components such as capital, liquidity, lending, deposits, financial actors, products and financial services, as well as users of financial services. These developments contributed to the efficient support to the country's economy by the financial sector, continuous reduction of the cost of financial intermediation, increase of citizens' trust and increase of interest of foreign and domestic investors in this sector.

Finally, the above-mentioned successes and results and those presented in this Report are jointly attributed to the staff and decision-making bodies of the CBK, to whom I am grateful and thankful that even in these circumstances they have managed to successfully complete their tasks and responsibilities in particular and of the CBK in general.

Flamur MRASORI



Chairman of the Board of the  
Central Bank of the Republic of Kosovo



## Foreword by the Governor

Kosovo's economy in 2021 marked a significant growth following the decline that characterized 2020. KAS's preliminary estimations suggest that Kosovo's economy increased by 10.5 percent in 2021. The significant increase in economic activity was attributed to the improvement of health crisis and supportive financial and fiscal policies.

Components contributing to the significant economic growth during 2021 were: increase of consumption by 7.8 percent, increase of investments by 10.2 percent and slow increase of net export deficit (1.9 percent).

The increase of the overall demand due to the economic recovery and the increase of main commodities prices in international markets have reflected into inflationary pressures in Kosovo. The average annual inflation rate in 2021, expressed through the consumption price index (CPI) was 3.4 percent, with transport costs and food prices as main contributors.

Due to the high increase of economic activity, the fiscal sector was characterized by a higher increase of budget revenues compared to expenditures. Budget revenues in 2021 amounted to a net of EUR 2.2 billion, constituting an annual increase of 27.1 percent, whereas budget expenditures amounted to EUR 2.27 billion, representing an annual increase of 2.3 percent. Consequently, the primary deficit was only 0.9 percent of GDP, compared to 7.6 percent of GDP in 2020. The public debt amounted to EUR 1.7 billion, marking an annual increase of 13.1 percent compared to 2020. As a percentage of GDP, public debt has amounted to 23.3 percent compared to 22.4 percent in 2020.

Kosovo's external sector was characterized by an increase of 42.5 percent in the current account deficit, reaching EUR 480.7 million (8.6 percent of GDP). Such increase in current account deficit was the result of increased goods deficit by 38.3 percent. On the other hand, the positive balance of services was 176.7 percent higher and secondary and primary revenues increased by 5.9 and 5.5 percent, respectively. Remittances received in Kosovo amounted to EUR 1.15 billion, which constitutes an annual increase of 17.7 percent, while Foreign Direct Investment (FDI) in Kosovo amounted to EUR 415.3 million, representing an increase of 20.1 percent.

The financial system during 2021 was characterized by an accelerated activity growth, despite ongoing uncertainties because of the Covid-19 pandemic and application of restrictive measures for most of the year. The contribution of the banking sector to the economy was very important also in terms of continued lending, and at the same time, maintaining high levels of liquidity and capital adequacy. The banking sector continues to have good quality credit portfolio with a non-performing loan level of 2.3 percent. The sector of microfinance and non-bank financial institutions has also continued to have a significant impact on lending to households and small businesses. The value of the credit stock in 2021 amounted to EUR 239.2 million, which constitutes an annual increase of 17.1 percent (annual decrease of 7.1 percent in 2020).

The pension sector during 2021 was characterized by an accelerated assets growth of 18.2 percent (1.2 percent growth in 2020), while their total value amounted to EUR 2.4 billion. Such increase in sector activity is attributed to a high return on investment as well as an increase in collection from contributors. Increased vaccination rate and global economic recovery improved the performance of global markets, which increased the return on investment for the Kosovo pension sector.

The brokerage level of the insurance sector, more specifically gross written premiums in relation to the country's GDP, stand at a low level of 1.52 percent. The insurance sector assets, representing 2.7 percent of total financial system assets, have amounted to EUR 238.8 million, constituting an annual increase of 9.3 percent (increase of 11.2 percent in the previous year). In 2021, the value of insurers written premiums amounted to EUR 117.4 million, which represents an annual increase

of 18.2 percent (annual increase of 0.1 percent in 2020), while claims paid by insurers and Kosovo Insurance Bureau (KIB) marked an annual increase of 24.4 percent, amounting to EUR 61.0 million.

As in previous years, during 2021 the CBK, in the light of cash management operations, has ensured supply of local economy with appropriate quantity and quality of euro banknotes and coins.

The CBK plays a key role in ensuring financial stability and has an impact on key economic development parameters. To achieve this, the CBK, with the help of international partners, has continued advancing and developing its technical and human capacities, as well as harmonizing the regulatory framework with the practices and standards of developed countries.

Henceforth, allow me to present the CBK Annual Report for 2021, which provides a detailed overview of economic and financial developments, as well as a detailed description of activities by various functions within the CBK. The Report also contains the report of the independent auditor and the audited financial statements, which confirm the good governance and effective and efficient management of the CBK's assets.

Fehmi MEHMETI



Governor of the Central Bank  
of the Republic of Kosovo

## Central Bank Board and Executive Board

### Central Bank Board

The decision-making process in the CBK Board is guided by the principles of legality, professionalism, independence and transparency. Activities of the CBK Board have been oriented towards the fulfilment of the competencies and duties set out in the Law on the Central Bank of the Republic of Kosovo.

Until 6 December 2021, the Central Bank Board did not have quorum for regular work due to absence (as a result of the end of the mandate) of 3 (three) non-executive members, therefore the activity of the Central Bank Board during 2021 could not be exercised as in other years.

Nevertheless, in accordance with the applicable legislation and recommendations of the International Monetary Fund, the Chairperson of the Central Bank Board continued with briefings on regular basis with the Governor/Executive Board and the Head of Internal Audit. In these meetings, the Chairperson of the Board was informed about CBK's operations and administration, including the internal audit.

After selection by the Assembly of the Republic of Kosovo, on 6 December 2021, the President of the Republic of Kosovo has decreed the appointment of Ms. Nora Latifi Jashari and Mr. Bashkim Nurboja as non-executive members of the Central Bank Board. After that, a quorum was created for work, namely for regular activities of the Central Bank Board.

During 2021, the Central Bank Board held 1 (one) meeting, wherein 2 (two) decisions were taken: approval of the Central Bank Budget for 2022; as well as the approval of the Financial Statements for the third quarter for 2021.

During 2021, all tasks related to implementation of nomination and appointment process within competencies defined by the Law on CBK have been completed in due time;

On 31 December 2021, the Central Bank Board of the Republic of Kosovo consisted of the following members:

Flamur Mrasori, Chairman of the Central Bank Board;

Fehmi Mehmeti, Governor - member;

Nora Latifi Jashari – member, and

Bashkim Nurboja- member.

### Audit Committee

The Audit Committee acts in accordance with Article 62 of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and the Statute of the Audit Committee.

The objectives of the Audit Committee are to assist the Central Bank Board in fulfilling its responsibilities in relation to internal and external audit, internal controls, business ethics and transparent governance, as well as in the CBK financial report.

The Audit Committee is appointed by the Central Bank Board and consists of three members (two non-executive members elected among the Central Bank Board and one member - an external expert in the field of accounting and auditing).

During 2021 this body was not functional due to the CBK Board being non-functional.

## Executive Board

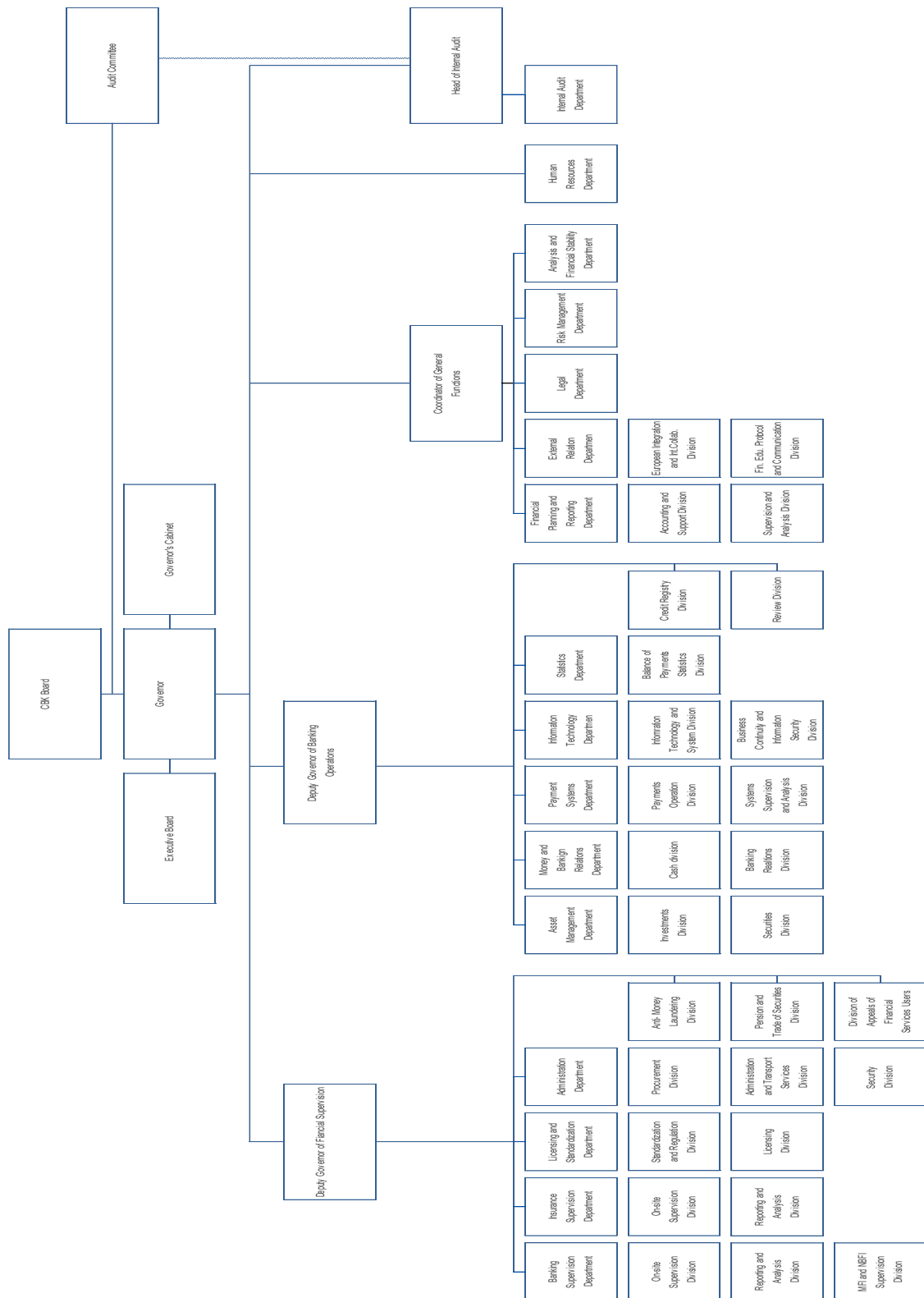
The CBK Executive Board consists of the Governor, who chairs the Executive Board, and the Deputy Governors. On 31 December 2021, the Executive Board consisted of Fehmi Mehmeti, Governor and Sokol Havolli, Deputy Governor for Financial Supervision. The competencies of the Executive Board are defined by the Law on the Central Bank of the Republic of Kosovo. The Executive Board is in charge of managing and executing the activities of the Central Bank of the Republic of Kosovo, while its activity is supervised by the Central Bank Board.

During 2021, the Executive Board held 31 meetings. Within its competencies in relation to the Central Bank Board, the Executive Board during 2021 reviewed and recommended for approval to the Central Bank Board the applicable regulations for the country's financial system, CBK's Annual Report, as well as the CBK financial reports, statements and plans. Moreover, the Executive Board has prepared and communicated reports and information regularly and on *ad hoc* basis about the performance of assigned duties and competencies

In 2021, the Executive Board, in accordance with the legislation in force, approved one instruction and one manual applicable to the country's financial system. In the same sphere of competencies, the Executive Board in the banking sectors has approved the establishment of a representative office of a foreign bank, while in the non-banking financial sector; it approved the registration of four institutions. On the other hand, in the insurance sector, the license of an insurer was revoked during 2021. In the same period, in order to achieve objectives, and based on supervisory tasks performed by responsible organizational units, in 18 cases were imposed punitive-administrative measures against financial institutions and related parties.

In 2021, the Executive Board approved the periodic reporting on the implementation of the CBK Strategic Plan for 2020 and the revision of the Strategic Plan 2019-2021. Also, the Executive Board approved the issuance/amendment and supplement of 15 internal policies and rules, and supervised the reporting of relevant internal bodies in the exercise of its competencies. The Executive Board exercised other duties in accordance with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

Organizational structure of the CBK, 31 December 2021



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## 1. Executive summary

The global economic recovery from the unprecedented pandemic crisis of 2020 was mainly attributed to the rapid vaccination process that were put in place by some of the large economies, a determining factor in easing restrictive measures that followed in 2021. Increased mobility due to easing of restrictive measures and the monetary and fiscal support packages translated into an increased aggregate demand and improved labour market, thus supporting economic recovery in the Euro area. After the decline of economic activity by 6.5 percent in 2020, in the second quarter of 2021, the Euro area economy was characterized by a significant annual growth of 14.6 percent. According to the European Central Bank, economic growth in the Euro area for the whole of 2021 is estimated to have been around 5.4 percent, while forecasts for 2022 suggest a slower growth of 3.7 percent. The sharp increase of overall demand due to the reopening of economies and unprecedented stimulus measures taken by local authorities was not accompanied by same intensity of supply due to constraints that remained evident in the global supply chains. Such dynamic stimulated inflationary pressures, which remained evident during the last months of 2021 and deepened further in 2022. According to Eurostat estimates, the average annual inflation rate in 2021 was 2.6 percent (5.0 percent only in December 2021), from 0.3 percent in 2020. Expectations for 2022 were revised upwards to 3.5 percent during first months of 2022, with expectations for a return to ECB's target under 2.0 percent in 2023.

Similar to the dynamics in the Euro area, after normalization of the pandemic situation and easing of restrictive measures, the economic recovery of the Western Balkan countries was supported by resumption of activities in sectors most affected by the pandemic (tourism in particular), as well as expanding exports due to external demand growth. Economic activity in these countries is estimated to have increased by an average of 7.6 percent, from the decline of 5.7 percent in 2020. While economic growth for 2022 according to the International Monetary Fund, is projected to be slower namely at an average of 4.3 percent. Inflation dynamics in Western Balkan countries were imposed by rising inflationary pressures globally. Rising energy and commodity prices imported from partner countries have exacerbated price increases in the region, with differences between them in the range of 1.8 percent to 4.0 percent inflation growth.

The Kosovo's economy marked a significant growth during 2021, following the decline that characterized 2020. KAS's preliminary estimates suggest that Kosovo's economy increased by 10.5 percent in 2021. The significant growth of economic activity was attributed to improvement of the health crisis and the supportive financial and fiscal policies. The improvement of the health crisis allowed for gradual easing of pandemic measures, which resulted in a high diaspora influx, which in turn resulted to be an important catalyst for economic recovery. The components that contributed to a significant increase of economic activity during 2021 were: increase of consumption by 7.8 percent, increase of investments by 10.2 percent and a slower growth of net export deficit (1.9 percent). The significant increase of economic activity in 2021 is expected to slow down to 2.5 percent in 2022. The slowdown in economic activity growth is expected to be mainly due to lower growth of domestic demand and increases in the net export deficit. While the risks related to the pandemic have decreased, the pace of economic recovery is expected to slow down due to existing two crises: evident disruptions in supply chains from the pandemic and the accompanying inflationary pressures; combined with the effects of the war in Ukraine that further reinforced rising prices, weakening purchasing power and declining confidence.

The increase in overall demand resulting from the economic recovery and the dynamics in basic goods prices in international markets were reflected in inflationary pressures in Kosovo. The average annual inflation rate in 2021, expressed through the Consumer Price Index (CPI), was 3.4 percent, with transport costs and food prices contributing the most. The war in Ukraine accelerated

price increases in 2022, whereby CBK projections suggest an average inflation rate of 10.4 percent. Inflationary pressures in 2021 and in 2022 are mainly attributed to supply constraints and direct consequences that the war in Ukraine has produced in the context of further increases in import prices. The CBK remains limited in pursuing potential policies that effect stabilization of prices. While discouraging lending through a potential increase in the required reserve ratio would have a minor effect on curbing inflation, the CBK considers that such measure would further exacerbate the slowdown in economic activity in the country.

Due to high increase of economic activity, the fiscal sector was characterized by higher growth of budget revenues compared to expenditures. Budget revenues in 2021 amounted to a net value of EUR 2.20 billion, representing an annual increase of 27.1 percent, while budget expenditures amounted to EUR 2.27 billion euros, representing an annual increase of 2.3 percent. Consequently, the primary budget deficit was only 0.9 percent of GDP, compared to 7.6 percent of GDP in 2020. Public debt has reached EUR 1.7 billion, which is an annual increase of 13.1 percent compared to 2020. As a percentage of GDP, public debt has reached 23.3 percent, from 22.4 percent in 2020.

Kosovo's external sector was characterized by an increase in the current account deficit of 42.5 percent, amounting to EUR 480.7 million (8.6 percent of GDP). This increase in the current account deficit was a result of the increase in goods deficit by 38.3 percent. On the other hand, the services positive balance was 176.7 percent higher and secondary and primary revenues increased by 5.9 and 5.5 percent, respectively. Remittances received in Kosovo amounted to EUR 1.15 billion, which represents an annual increase of 17.7 percent, while Foreign Direct Investment (FDI) in Kosovo amounted to EUR 415.3 million, representing an increase of 20.1 percent.

The financial system was characterized by an accelerated growth in activity during 2021, despite on-going uncertainties about the Covid-19 pandemic and the application of some restrictive measures for most of the year. The annual growth of Kosovo's financial system total assets by 12.7 percent was mainly attributed to the growth of banking sector assets. Banking sector assets in 2021 marked an annual increase of 11.3 percent and amounted to EUR 5.96 billion. The increase in assets was supported by a significant increase in the sector's funding sources, namely deposits. With regard to assets, lending and investments in securities were the only items that were characterized by an accelerated annual growth rate. According to the Bank Lending Survey, the dynamics of lending activity in 2021 were affected positively by both credit supply and demand, however the credit demand was the main driver. With the exception of the third quarter where there was a low demand growth, affected by the constriction of measures to prevent the spread of the pandemic, during the rest of the year there was a significant increase in credit demand. Credit supply from banks was characterized by an easement throughout the year, although at a low level. Market dynamics and perspectives in the country influenced the perception of declining risk, which together with the KCGF support for lending to SMEs and increasing competitive pressures dictated changes in credit supply. The banking sector credit portfolio expanded by 15.5 percent, while the total value of loans amounted to EUR 3.75 billion in 2021. The growth dynamics during the year resulted to be twice as high compared to the previous year. In the same period, deposits in the Kosovo's banking sector amounted to EUR 4.90 billion and marked an accelerated annual growth of 12.4 percent (11.6 percent in 2020).

The strong economic recovery and the continuation of credit restructuring mitigation measures prevented increased risks resulting due to the pandemic from materializing. Banking performance and banking sector financial health indicators remained stable. The ratio of non-performing loans to total loans in December 2021 dropped to 2.3 percent, while the value of non-performing loans decreased by 2.6 percent compared to the previous year. Banks' supportive approach to customer needs, vigilant monitoring of customer performance, as well as economic recovery due to positive global developments and increased remittances contributed to the improvement of payment



performance. However, mid-term expectations suggest an increase to some extent in non-performing loans due to stabilization of the economy, and consequently a decrease in demand due to termination of mitigation measures and inflationary pressures. Profit realized during 2021 results to have been EUR 117.5 million, an annual increase of 47.1 percent, mainly attributed to the accelerated growth of revenues compared to a slower growth of expenditures. The banking sector continues to have a high level and quality of capital. The suspension of the CBK's recommendation for non-distribution of dividends (as a measure for managing possible consequences of the pandemic) at the end of 2021 resulted with a decrease in the level of sector capital. On the other hand, risk-weighted assets marked a significant increase due to accelerated growth of lending. Such dynamics were reflected with a decline of capital adequacy ratio to 15.3 percent from 17.4 percent in the previous year, although still remaining high above required regulatory minimum of 12 percent. The liquidity position of the banking sector remains stable, whereby liquid assets to short-term liabilities ratio reached 37.4 percent, which is well above the required regulatory minimum of 25.0 percent.

The pension sector in 2021 was characterized by an accelerated asset growth of 18.2 percent (1.2 percent growth in 2020), while their total value amounted to EUR 2.4 billion. Such increase in sector activity is attributed to a high return on investment and increase in collection from contributors. Increased vaccination rate and global economic recovery improved the performance of global markets, which increased the return of investments for the Kosovo pension sector.

The insurance sector brokerage level, more precisely the gross written premiums in relation to the country's GDP, stands at a low level of 1.52 percent. Similarly, the level of density, measured through written premiums per capita, in 2021 amounted to EUR 65.3. Insurance sector assets, representing 2.7 percent of total financial system assets, amounted to EUR 238.8 million, constituting an annual increase of 9.3 percent (increase of 11.2 percent in the previous year). In 2021, the value of written premiums by insurers amounted to EUR 117.4 million, representing an annual increase of 18.2 percent (annual increase of 0.1 percent in 2020), while claims paid by insurers and the Kosovo Insurance Bureau (KIB) marked an annual increase of 24.4 percent, and amounted to EUR 61.0 million. The insurance sector concluded 2021 with a positive financial result of EUR 6.9 million compared to last year, where it had a positive financial result of EUR 2.0 million. The sector's positive financial result reflects an increase in revenues (written premiums) against the decline in operating expenses, despite the increase in the level of damages incurred. The combined report of the sector also reflects the improvement of the financial position. In 2021, this ratio stood at 94.1 percent, reflecting claims to net earned premiums ratio of 58.9 percent and expense to net earned premiums ratio of 35.2 percent, without including income from investment interest.

The microfinance sector in 2021 marked an increase in assets, with a special emphasis on lending activity and leasing, positive financial performance and low level of non-performing loans. The MFI and NBFIs total assets amounted to EUR 340.0 million, representing an accelerated annual growth of 7.6 percent (2.0 percent in 2020). The stock value of credits issued in 2021 reached EUR 239.2 million, which represents an annual increase of 17.1 percent (annual decrease of 7.1 percent in 2020). The lending activity recovery to the pre-pandemic level was as a result of improved global economic outlook influenced by an increase in vaccination rate and easing of restrictive measures against the spread of the pandemic. The microfinance sector realized highest annual profit since the beginning of their operation, in the amount of EUR 14.1 million in 2021. The good financial performance was due to a sharp decline in expenditures (mainly provisions for potential loan losses), while revenues increased (mainly those from non-interest). The level of non-performing loans to total loans remained low and decreased further by 0.6 percentage points to 2.4 percent. Whereas, the provisions coverage level for non-performing loans in 2021 stood at 141.6 percent (143.0 percent in 2020).

In light of further developing the regulatory framework for banking regulation, under the new Draft Law on Banks, the CBK during 2021 drafted a Chapter that addresses bank recovery, resolution and liquidation, with the support of EBRD's technical assistance. Following the approval of the new draft law on banks during 2022, the plan is to approve regulations drafted by the CBK and which derive from the new provision included in the draft law. Also, during 2021, two draft regulations and two guidelines on bank liquidity were finalized, in order to align with EU regulatory requirements. To reflect latest developments in liquidity risk management, in relation to the Basel standards and EU Regulation, the CBK has reviewed and amended/supplemented the Regulation on Bank Liquidity Risk Management. Generally during 2021, the CBK continued with the reviewing/amending of the regulatory framework for regulating microfinance institutions and non-bank financial institutions, as well as insurers and insurance brokers, in order to approximate our legislation with the best European standards and practices.

During 2021, despite the continuation of Covid-19 pandemic challenges, we have continued implementing the banking examination plan by applying a risk-based supervision approach. In February 2021, the CBK issued the third and final guide for credit restructuring, while December 2021 was deadline when the loan restructuring period under the Covid-19 clause ended.

The CBK has continued performing its duties and responsibilities in the function of prudent supervision of the insurance sector, despite continuation of constraints because of Covid-19. Due to non-fulfilment of financial recovery plan and the difficult financial situation, and the lack of readiness of the insurer Shareholder to fulfil capital requirements, the CBK on 24 September has revoked the insurance license of "Kosova e Re" J.S.C.

In order to maintain the financial sector's stability, in 2021 were conducted examinations of pension funds as per the annual plan. Also, during 2021, the CBK continued performing supervisory functions in financial institutions in terms of compliance with prevention of money laundering and terrorist financing, conducting a total of eight examinations.

The CBK plays a key role in protecting users of financial services in Kosovo. In this context, within the internal process of handling complaints, during 2021 CBK reviewed 1,025 complaints filed by users of financial services (natural and legal persons), whereby 542 complaints were filed against banks, 121 against MFI, NBFI, 3 against pension funds, 339 complaints against insurers, while 20 were other types of complaints.

As in previous years, during 2021, in the light of cash management operations, the CBK ensured the supply of local economy with appropriate quantity and quality of euro banknotes and coins. The total value of cash supply in 2021 resulted to have declined, mainly because during 2020 there was an increased demand for cash due to Covid-19 pandemic, while in 2021 the demand for cash returned to normal.

In 2021, the CBK paid special attention to its supervisory role in maintaining security of the payment system and its role as a catalyst for further development of the payment market. As part of the reforms in this process, during 2021, the CBK with the support of the World Bank finalized the National Retail Payment Strategy (NRPS) 2021-2026. During 2021, Credins Bank was added to the financial market of Kosovo as a direct participant in the interbank payment system (IBPS), and requirements for registration and authorization of NBFIs for the issuance of electronic money, which are expected to expand opportunities for electronic payments and increase competition in the provision of payment services, have been added.

In 2021, the CBK's priority with regard to funds under its management was security and liquidity of the funds, before return on investment. The reserve portfolio managed by the CBK consists of instruments in the liquid portfolio and those in the investment portfolio. Short-term repurchase agreements with commercial banks of the Republic of Kosovo have continued throughout 2021,

and constitute an important instrument of the money market. Also, in 2021, the CBK continued to be part of the credit line provided by the Euro system through the Deutsche Bundesbank.

The Credit Registry of Kosovo (CRK) has also made progress during 2021, whereby 273 new users have been registered, as a result of requests submitted by member institutions, while the research on liabilities and credit histories of credit applicants reached 947,431 inquires.

In order to achieve its objectives, the CBK has continued to pay special attention to analyses of general economic developments in the country, as well as analyses related to the assessment of financial stability and systemic and non-systemic risks. In 2021, the unprecedented health, economic and social crisis also affected this function of the CBK, increasing the weight of the recommendations arising from the models developed by the CBK to address systemic and non-systemic risks, with a focus on signalling the expected progress about macroeconomic dynamics, as well as the progress in the financial system and key actors therein. With special interest in 2021, the CBK has undertaken an important commitment to conduct a study of the Households Indebtedness. In order to ensure a more favourable environment for the development of the financial system and support its stability, the CBK has conducted the second study to assess the indebtedness of borrowers in the financial sector of Kosovo, namely the household indebtedness in Kosovo. The main purpose of the study was to assess the level of indebtedness of individual credit clients and their household.

During 2021, the CBK has continued to regularly publish statistics for the monetary and financial sector, as well as statistics for the external sector, in accordance with the calendar of publications. During this year, the CBK has developed financial accounts, a new statistics module based on the requirements of international financial organizations. As an independent part of national accounts, financial accounts provide a complete, comprehensive picture of the financial situation and financial relations in the economy, in terms of economic sectors and financial instruments, including relations with non-residents.

## 2. External economic environment

### 2.1. Eurozone and the Western Balkans

The global economic recovery, after the shock suffered a year ago as a result of the declaration of the pandemic situation, was mainly attributed to the rapid vaccination process followed by some large economies, which was reflected in the easing of restrictive measures, especially after the first quarter of 2021. However, the process of economic recovery did not turn out to be comprehensive, with differences between different regions, which is mainly a reflection of the more difficult access to vaccination, the fragility inherited by certain economies and the high uncertainties that continued to accompany the global economy in the context of the spread of new variants of COVID-19 and the risk of inflation with rising energy prices and barriers that persisted in global supply chains.

The improvement of the pandemic situation and the gradual easing of restrictive measures, especially in the service sector, the vaccination process, as well as supporting fiscal and monetary policies, were among the main factors that helped increase domestic demand and improve the labour market, and as a result the economic recovery in the Eurozone. Following the contraction of economic activity of 6.5 percent in 2020, the Eurozone economy in the second quarter of 2021 was characterized by an annual growth of 14.6 percent (or 2.3 percent from the previous quarter). According to the ECB, economic growth in the Eurozone for 2021 is estimated to have been around 5.4 percent, while for 2022 it is projected to be slower, namely 3.7 percent (table 1).

**Table 1. Key macroeconomic indicators in the euro area**

Description	Real GDP (%)				Inflation (%)				Unemployment		
	2019	2020	2021	2022p	2019	2020	2021	2022p	2019	2020	2021
Euro area	1.6	(6.5)	5.4*	3.7*	1.2	0.3	2.6	5.1*	7.4	8.2	7.0
Spain	2.1	(10.8)	5.1	5.6	0.8	(0.3)	3.0	3.6	14.1	15.5	15.4
Greece	1.8	(9.0)	8.3	4.9	0.5	(1.3)	0.6	3.1	17.3	16.4	15.8
Austria	1.5	(6.7)	4.5	4.3	1.5	1.4	2.8	3.3	4.8	5.4	6.4
France	1.8	(7.9)	7.0	3.6	1.3	0.5	2.1	2.8	8.4	8.0	8.1
Germany	1.1	(4.6)	2.9	3.6	1.4	0.4	3.2	3.7	3.2	3.8	3.7
Italy	0.5	(9.0)	6.6	4.1	0.6	(0.1)	1.9	3.8	10.0	9.3	10.3

Source: Eurostat, ECB (2022), European Commission (February 2022)

\* The data are according to the assessment and forecast of the ECB (March 2022) and the forecasts for 2022 for EZ countries are based on EC data (February 2022)

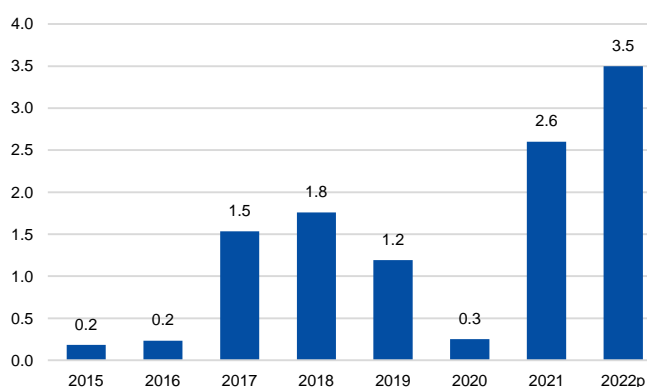
The trend of economic recovery slowed down by the end of 2021, where the last quarter marked only 0.3 percent increase compared to the previous quarter. The increase of activity in the production and trade sector was influenced by unfavourable developments in this period. Beyond the severity of the pandemic situation with the recent wave of infections and the imposition of restrictive measures in some countries, which has mainly affected tourism and travel services, the Eurozone economy also faced rising energy prices and the problem of outages in the goods manufacturing chain, which also affected the dynamics of inflation. The dynamics in most Eurozone countries were in the same line. The German economy, although recovering in the second quarter, at the end of the year suffered from disruptions in global production with a direct impact on exports and investment, as a result of declining manufacturing activity, especially in the automotive sector. Greece's economy recovered from tourism growth following the relaxation of anti-Covid restrictive measures, but the latest wave of infections at the end of the year had an adverse impact on economic growth. The French economy was also adversely impacted by rising

energy prices and similar to the Italian economy, which, in addition to energy prices, was also affected by manufacturing supply. The Austrian economy was characterized by a slowdown in economic growth due to the increase in cases of infections and the application of restrictive measures at the end of the year.

The global inflationary pressures increased significantly in recent months, mainly driven by the strengthening of aggregate demand with the reopening of economies, a dynamic that was not accompanied by an increase in supply due to massive disruptions in commodity production chains and their transport. The pandemic situation has affected some aspects of lifestyle that are being reflected in current developments in economic activity and inflation. The rapid increase in demand for specific products such as electronics, microchips and household and construction products has been faced with insufficient supply for these products. Lack of materials, equipment and labour in some sectors lead to supply bottleneck in these manufacturing industries and has made the transport of these goods difficult and expensive. At the same time, the reopening of economies and especially the resumption of air transport operations significantly strengthened the global demand for oil, which had suffered an unprecedented decline since the outbreak of the COVID-19 pandemic and the closure of economies. Various natural and atmospheric causes, in parallel with the geopolitical crisis, resulted in more limited supply and consequently put pressure on rising energy prices and prices in many other sectors.

Consequently, since the beginning of 2021, and especially by the end of the year, the inflation rate in the euro area, driven by rising energy and food prices, has followed a strong growth trend. According to Eurostat estimates, the average annual inflation rate in 2021 was 2.6 percent (5.0 percent in December 2021), from 0.3 percent in 2020. Expectations for 2022 were revised upwards looking at the overall economic dynamics, at 3.5 percent, to go down to the target of below 2 percent in 2023 (Chart 1). Consumer prices of energy, gas and other materials increased by 25.0 percent during 2021. High costs of energy, gas and oil are hurting demand and spending in 2022.

Chart 1. Inflation rate in euro area, in percent



Source: Eurostat (2022)

In the face of inflationary pressures, central banks have little room to act as during the second half of 2021 inflation was mainly driven by supply factors. The Bank of England<sup>1</sup> has decided to raise base financing rates, and the US Federal Reserve has warned of a tightening of monetary policy from March 2022 in response to inflationary pressures. The Federal Reserve has the comfort of raising the base interest rate in conditions where economic activity has recovered at a rapid pace (5.97 percent in 2021) and on the other hand inflation has reached very high levels (4.7 percent by December 2021).<sup>2</sup>

In the context of a slower economic recovery, as well as the nature of inflationary pressures (mainly supply factor), the ECB has decided to continue to maintain an easing monetary policy. The ECB has decided to undertake more gradual strategies, starting with the reduction in asset purchases

<sup>1</sup> Since the decision of the Bank of England Committee in December 2021, the base interest rate has been raised twice, from 0.10 percent to 0.25 percent and most recently to 0.50 percent. [Bank Rate increased to 0.25 percent - December 2021 | Bank of England](#). While the US Federal Reserve plans to increase the base funding rate in March 2022 [Speech by Governor Bowman on high inflation and the outlook for monetary policy - Federal Reserve Board](#)

<sup>2</sup> WEO IMF 2022, Report for Selected Countries and Subjects (imf.org).

and plans to end the pandemic emergency purchase programme at the end of March 2022, which will be a precondition for the possible increase of interest rates in the future. Consequently, financing conditions in the Eurozone will remain stimulating.

Facilitation packages adopted by national governments and quantitative easing programs by central banks that were the main support of bank lending during the pandemic continued to be in favour of economic recovery throughout 2021. Lending activity in the Eurozone to the private sector exceeded pre-pandemic levels. The growth rate of lending to non-financial corporations by the end of the year was higher by 3.7 percent compared to the pre-pandemic period of 2.6 percent. While, lending to households marked an annual increase of 4.2 percent in December, from 3.5 percent in the previous year.

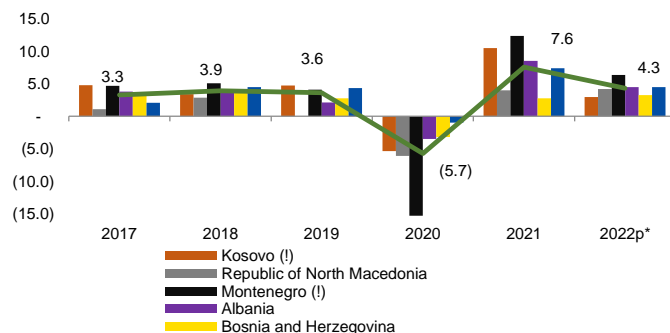
According to the Eurozone bank lending survey, credit standards have remained broadly unchanged since their tightening during the pandemic, and there has been some easing of credit conditions, excluding home loans. For this segment, banks have expressed that they will remain more conservative, applying stricter credit standards and conditions. Meanwhile, the demand for loans from enterprises and households has been stated to have increased.

Government incentive schemes have helped save jobs, where the unemployment rate fell to 7.0 percent from 8.2 percent a year ago. According to ECB statements, it is expected that the inflationary pressures will begin to decrease by the end of 2022. Initially, the effect of the low inflation base from 2020 will be ruled out for 2022, while the effects of other factors are expected to fade under conditions when the production and accommodation chains of goods will be normalized and supply will increase to accommodate demand. However, uncertainty remains as risks from geopolitical tensions increase. Also, the recovery of massive outages in supply chains may take longer than expected or inflationary pressures may create a second-round effect<sup>3</sup> by affecting wage increases, which risks translating into an even higher level of inflation.

## 2.2. Western Balkans

The economies of the Western Balkan countries are recovering from the recession caused by the COVID-19 pandemic crisis. The normalization of the pandemic situation and the relaxation of restrictive measures, the resumption of activity in the sectors most affected by the pandemic, as well as the expansion of exports due to increased external demand, were the factors that mainly contributed to the economic recovery of these countries in 2021. Economic activity in the Western Balkans is estimated to have increased by an average of 7.6 percent<sup>4</sup>, from the contraction of 5.7 percent in 2020.<sup>5</sup> For 2022, economic growth for these countries, according to the International Monetary Fund, is projected to be slower, namely in the level of an average of 4.3 percent. (Chart 2). The highest economic growth was recorded in Montenegro (12.4 percent), supported by the recovery of tourism, a country which experienced the deepest recession in 2020 precisely due to travel restrictions. The growth of economic activity in Kosovo was supported by diaspora visits, increased credit activity and exports.

Chart 2. Annual GDP growth rate in Western Balkans



Source: Statistics Agencies of the respective countries, \*IMF while (!) forecasts for 2022 based on local agencies (2022)

<sup>3</sup> The transfer of inflation from the producer (supply) to the consumer (demand)

<sup>4</sup> Based on the GDP data in the statistical agencies of the respective countries.

<sup>5</sup> Real GDP growth for 2019, 2020 is based on the data reported in the statistical agencies of the respective countries.



Albania's economy was mainly supported by tourism and construction. While Bosnia and Herzegovina from increased exports and consumption. The economies of Serbia and North Macedonia also saw an increase in private consumption, contributing to the economic recovery.

**Table 2. Data on macroeconomic and banking indicators for the Western Balkan countries**

Description	Real GDP (%)			Inflation (%)*			Balance of current account (% of GDP)			Credit growth (%)*			Nonperforming loans (%)*			Unemployment (%)		
	2019	2020	2021p(!)	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Kosovo	4.8	(5.3)	10.5	2.7	0.2	3.4	(5.6)	(7.1)	(7.9)	10.0	7.1	15.5	2.0	2.7	2.3	25.7	24.6	25.8
Republic of North Macedonia	3.9	(6.1)	4.0	0.8	1.2	3.2	(3.3)	(3.5)	(2.1)	5.7	4.8	8.4	4.6	3.3	3.1	17.3	16.4	15.9
Montenegro	4.1	(15.3)	12.4	0.5	(0.8)	2.5	(14.3)	(26.0)	(21.0)	7.9	4.2	1.5	5.1	5.9	6.8	15.1	17.9	24.7
Albania	2.1	(3.5)	8.5	1.7	2.2	2.3	(7.6)	(8.9)	(8.6)	(0.8)	5.8	10.3	8.4	8.1	5.7	11.5	11.7	12.0
Bosnia and Herzegovina***	2.8	(3.2)	2.8	0.6	(1.0)	1.8	(3.1)	(3.2)	(3.9)	6.6	(2.0)	3.0	6.5	6.1	5.6	15.7	15.9	15.8
Serbia	4.3	(0.9)	7.4	1.9	1.3	4.0	(6.9)	(4.3)	(4.1)	8.1	14.5	8.3	4.1	3.7	3.6	10.9	9.5	9.3

Source: IMF (WEO) October 2021

\* Source from statistical agencies and central banks of the respective countries, \*\*\* B&H has data available only as of September 2021, (!) GDP data are based on the statistical agencies of the respective countries, except Bosnia and Herzegovina which is based on IMF data.

Private investment supported economic growth, positively impacted by improved business sentiment, increased consumption, lending activity and strong tourism growth. Exports of goods and services improved due to the strengthening of external demand for goods, metals and minerals, as well as the growth of tourism, being more pronounced in Kosovo and Montenegro respectively. The relaxation of travel restrictions resulted in stronger recovery of services sector, with Kosovo, Montenegro and Albania significantly benefiting from tourism and diaspora visits. This has affected the improvement of the current account balance in some countries.

Budget revenues grew at a faster pace than economic activity, narrowing the fiscal deficit in the Western Balkans, excluding Bosnia and Herzegovina. The temporary increase in value added tax revenues, influenced by globally rising prices, was the main contributor to increased budget revenues and fiscal deficit reduction. The reduction of the fiscal deficit from the sudden increase of budget revenues was more pronounced in North Macedonia and Albania, as public expenditures were also high. Public spending also supported growth in most countries, to a lesser extent in Kosovo and Montenegro, due to delays in approving public investment. Despite positive developments and economic recovery, the labour market remains challenged by the gradual reduction of government support measures and the consequences of the still unfinished pandemic situation. Unemployment rates remain high and relatively unchanged compared to previous years (table 2).

Inflation dynamics in the Western Balkan countries were imposed by rising inflationary pressures at the global level. The rise of energy prices and commodity prices imported from partner countries intensified price rise in Balkan countries. Albania benefited from the appreciation of the lek during the summer tourism season, to cover to some extent the negative effects of price increases, while it has also decided to increase the minimum wage, with effect from 2022. In North Macedonia there were pressures for wage increases as a result of prices, which have been backed by government incentives. In Montenegro, consumption growth driven by the recovery of tourism created pressure for rising prices, while the government also plans to raise the minimum wage. The highest inflation rate was reached in Serbia at an average annual level of 4.0 percent, although it is within the central bank target, followed by Kosovo at 3.4 percent (table 2). Core inflation, which is mainly influenced by monetary policy measures, was more stable in Albania (1.7 percent), Macedonia (2.7 percent) and Serbia (2.3 percent), creating the comfort for the central banks of these countries to continue easing monetary policy through low interest rates, in support of financing conditions and economic recovery. However, the Western Balkan countries remain under the influence of ECB and FED decisions and the eventual materialization of inflation risks. Therefore, in the event of a tightening of monetary policy by the ECB, the potential increase in the cost of financing together

with the increase in inflation risks in the country, would force the Balkan countries to review monetary and fiscal policy measures in 2022.

The stability of the financial system was made possible by government supportive monetary policies. Lending increased in almost all countries of the region, mainly driven by faster lending to households than to enterprises. Lending activity of the banking sector in the Western Balkans marked a positive growth rate of average 7.8 percent by December 2021. The highest credit growth rate was recorded in the banking sector of Kosovo with 15.5 percent, that of Albania with an increase of 10.3 percent, followed by North Macedonia (8.4 percent) and Serbia (8.3 percent).

The highest quality of the loan portfolio continues to be maintained by the banking sector in Kosovo, with a non-performing loan rate of 2.3 percent, while the banking sector of Montenegro is characterised with the highest level of non-performing loans of 6.8 percent, and the banking sector of Albania with 5.7 percent. Deposits in the banking sector also increased in almost all Western Balkan countries, except in the banking sector of North Macedonia, where the growth of deposits slowed down (0.1 percent from 0.7 percent). The increase of deposits turns out to have been accelerated in Montenegro (16.3 percent from -3.3 percent a year earlier), Kosovo (12.4 percent from 11.6% a year earlier) and Albania (11.5 percent from 7.8 percent). In the foreign exchange market, the euro depreciated during the quarters of 2021 against the currencies of major trading partners, especially against the US dollar by 3.0 percent in the last quarter. This reflects the pandemic situation and the geopolitical crisis in Europe, but also the expectations for the effects of rising key interest rates and the accommodating monetary policy that will soon be undertaken in the US.<sup>6</sup> The EUR depreciated against the Swiss franc, British pound, and the Albanian lek by 2.6 percent, respectively 0.9 percent and 0.2 percent. The exception is the appreciation against the Macedonian denar of 0.2 percent.

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<sup>6</sup> The US Federal Reserve has announced an increase in the base interest rate starting in March 2022.

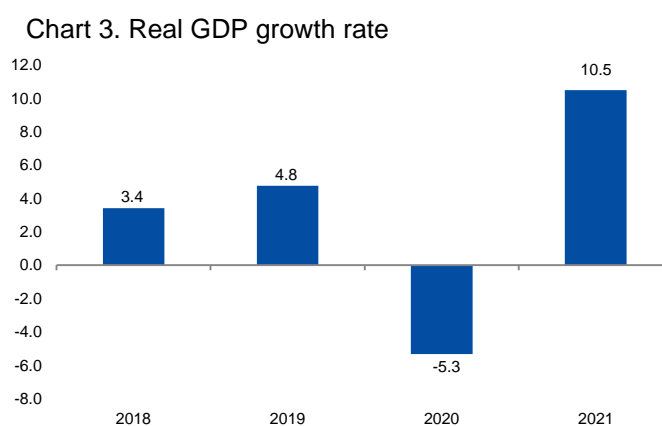


## 3. Economy of Kosovo

### 3.1. Real sector

#### 3.1.1 Gross Domestic Product

Kosovo's economy is estimated to have marked a significant increase in real GDP of 10.5 percent in 2021 (Chart 3), after the contraction it was characterized by in the previous year, a growth supported mainly by improved public health, the trend of vaccination and stimulating fiscal and financial policies. In 2019, Kosovo's economy was characterized by real GDP growth of 4.8 percent, which corresponds to the average GDP growth in the last five years.



Source: KAS (2022)

The recovery that characterized consumption and investment during 2021 was mainly based on the eased restrictive measures that supported free movement, a dynamic that was reflected in the very high support of diaspora-generated activity. Only in 2021, the contribution of the diaspora influx (remittances sent, expenses incurred within the travel component in the Balance of Payments of the country, compensation of seasonal employees abroad and investments in real estate) turns out to be 43 percent in the generated GDP.

The highest growth of economic activity was recorded in the sector of hotels and restaurants (48.7 percent), transport and storage (23.0 percent), trade (17.4 percent), and construction (6.6 percent). Meanwhile, the electricity and gas supply sector (9.9 percent) and public administration (1.3 percent) are estimated to have declined).

The recovery of economic activity during 2021 turns out to have been generated mainly by the increase in investments of 10.2 percent. The increase of FDI by 21.8 percent and public investment, which in 2021 marked an increase of 10.8 percent, is estimated to have had a significant contribution to the increase in investments. An indicator of increase in investments during 2021 is the increase in imports of capital goods of 33.7 per cent. Consumption, as the main component of domestic demand, recorded real growth of 7.8 per cent, supported by growth of private consumption of 7.6 per cent and public consumption of 9.1 per cent. Remittances, as a significant source of financing private consumption, recorded a growth of 17.7 per cent in 2021 (15.1 per cent in 2020), while employee compensation increased by 0.2 percent. The increase in lending by the banking sector also had a significant contribution to the growth of consumption, where new consumer loans marked an accelerated growth of 40.3 percent in 2021. In addition to private consumption, public consumption also increased, since current expenditures of the government marked a slight increase of 0.6 percent in 2021.

The dynamics that characterized the external sector of the economy, especially the trade balance of goods and services, had a positive effect on the increase of export of goods and services by 84.2 percent. Increased diaspora visits to Kosovo as a result of eased restrictive measures in both Kosovo and countries where the Kosovo diaspora is concentrated, have resulted in an increase in export of services by 96.4 percent. Exports of goods also marked an accelerated growth of 58.4

percent as of December 2021. However, as a result of rising prices but also domestic demand, imports of goods and services also marked a high increase (42.1 percent), and this is reflected in the increase of the deficit of goods and services by 13.8 percent.

### 3.1.2 Prices

Inflationary pressures that accompanied the global economy as well as the euro zone and the countries of the region during 2021, were also reflected in the domestic economy. The increase in aggregate demand as a result of the economic recovery, but in particular, the increase in external inflationary pressures as a result of rising energy and other base commodity prices in international markets translated into rising overall domestic prices, measured through four indices compiled by KAS.<sup>7</sup>

Since inflationary pressures in 2021 and further into 2022 are mainly attributed to supply constraints as well as the direct consequences that the war in Ukraine has produced in the context of further increase in import prices for some products such as fuels, gas, oil and other basic products, CBK remains limited in undertaking potential policies with effect on price stabilization. While discouraging lending through a potential increase in the required reserve ratio would have a minor effect on curbing inflation, the CBK considers that such a measure would further exacerbate the slowdown in economic activity in the country.

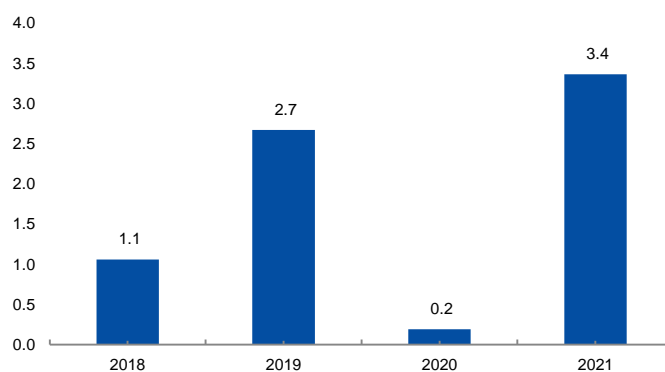
In 2021, the consumer price index increased by 3.4 percent (Chart 4), from an average of 0.2 percent in the pandemic year 2020. The average inflation rate in the last five years turns out to have been below 1.0 percent, although 2019 closed with an average inflation rate of 2.7 percent.

The acceleration of price growth during 2021 is estimated to have been mainly influenced by the prices of means of communication, which increased by 14.8 percent, transport prices (8.1 percent), food prices (2.6 percent), electricity, gas and other fuels prices (0.6 percent), etc. On the other hand, only clothing prices declined (0.5 percent) (Chart 5).

Food and non-alcoholic beverage prices increased by 2.6 per cent, which is a significantly higher rate compared to 2020 where there was an increase of 1.6

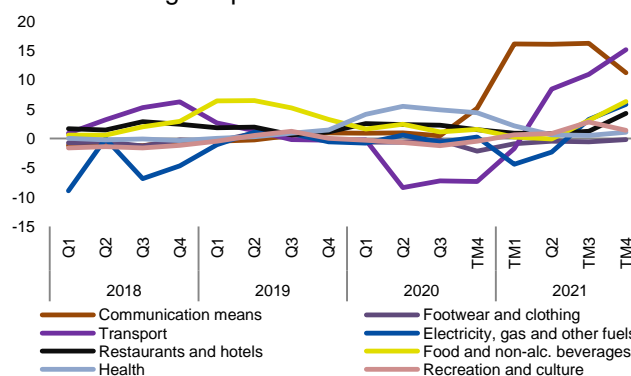
per cent. As a result of this increase in prices but also in the high weight they have in the basket of the Kosovar consumer (39.9 percent of the total consumer basket consists of food and non-alcoholic beverages), food prices have the highest contribution to the overall price growth. Within the food category, the most significant increase was recorded in the prices of oils and fats (22.9

Chart 4. Inflation rate, annual change in percent



Source: KAS (2022)

Chart 5. Price movements by main components, annual change in percent



Source: KAS (2022)

<sup>7</sup>Consumer Price Index; Producer Price Index; Import Price Index; Construction Cost Index.

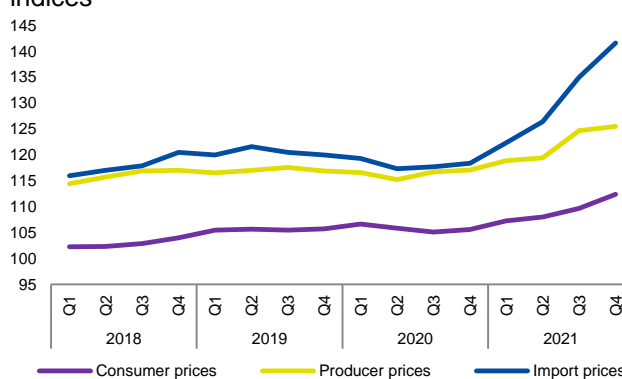
percent), followed by the prices of bread and cereals (4.3 percent), followed by vegetables (4.1 percent), milk, cheese and eggs (3.8 percent), while only fruit prices declined by 9.3 percent in 2021.

According to the World Bank, oil prices (brent crude) reached an average of \$ 69.1 per barrel in 2021, indicating an annual price increase of 67.4 percent. Due to the increase in the price of petroleum products, transport costs increased by 8.1 percent in 2021. The highest increase in transport prices was recorded in the use of personal transport equipment (14.2 percent), followed by transport services ( 2.0 percent) as well as vehicle purchases (1.2 percent).

Prices of electricity, gas and other fuels by September 2021 marked a decrease of 1.2 percent, while in the fourth quarter of 2021 recorded an increase of 5.9 percent. This increase in energy prices in the last quarter is a result of the energy crisis, caused by high energy prices in the international market but also the increase in consumption during the winter months, since a significant amount of energy is used for heating.

The impact of external inflationary pressures was reflected through the import price index, which increased by 11.1 percent (Chart 6). Prices of base metals marked the highest increase (35.7 percent), followed by prices of mineral products (27.8 percent), nutritional oils (14.1 percent), etc. On the other hand, the prices of textile products as well as the prices of paper and its products decreased by 4.0 and 4.1 percent, respectively. The producer price index was also characterized by an increase of 4.9 percent. The highest increase in producer prices was recorded in the extraction of metal ore (13.6 percent), electricity, gas, steam and air conditioning (11.2 percent), metal production (8.8 percent), etc. Meanwhile, decrease was recorded in leather and leather products (1.6 percent), ores and other quarries (0.2 percent), etc.

Chart 6. Consumer, producer and import price indices



Source: KAS (2022)

The trend of prices increase is continuing in 2022 and according to the CBK forecasts, the average inflation rate for this year is expected to be 10.4 percent. Banks' expectations are similar to the CBK forecast, which have stated that they expect the inflation rate to be higher this year compared to that of last year.

### 3.1.3 Financial position of enterprises

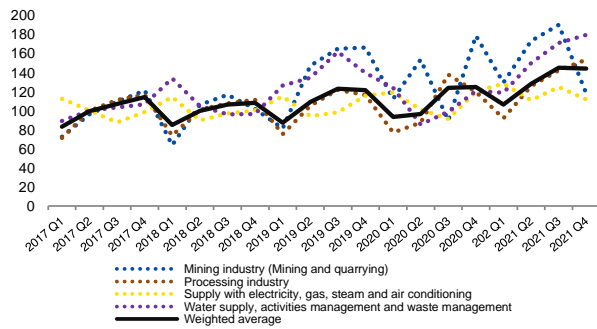
The industry sector and the trade sector constitute the two economic sectors with the highest share in the turnover of the total enterprises, the indices of which<sup>8</sup> have marked a high increase during 2021.

The industrial production volume index increased by an average of 19.3 per cent, influenced by all the integral components (chart 7), while the turnover index in the retail sector increased by an average of 10.4 per cent (chart 8).

In 2021, more new enterprises were registered and more enterprises were closed. The number of new enterprises registered was 10,649 or 8.6 percent more than in 2020, while 1,608 enterprises or 21.3 percent more than in 2020 (Chart 9) were closed.

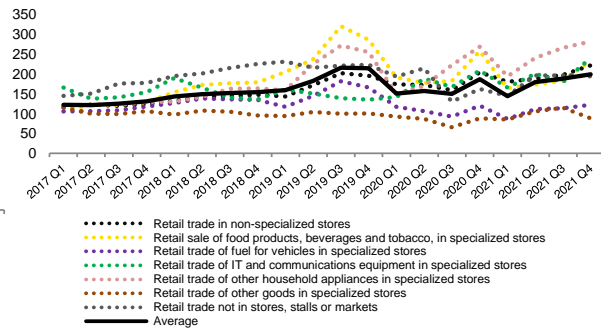
<sup>8</sup> KAS Publication: Report 'Short Term Retail Trade Statistics, Q4 2021', and 'Short Term Industry Statistics, Q4 2021'.

Chart 7. Industrial turnover index (2017=100)



Source: ASK (2022)

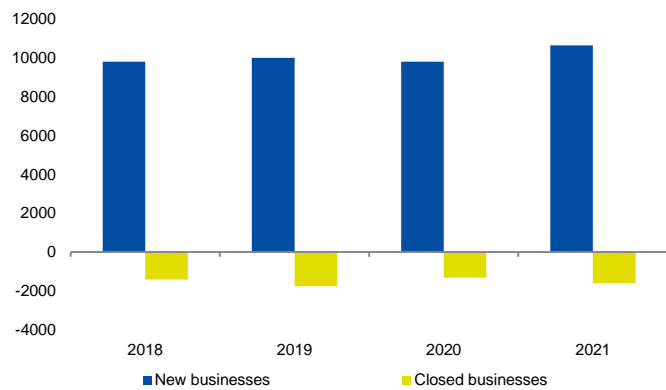
Chart 8. Retail turnover index (2015=100)



Source: KAS (2022)

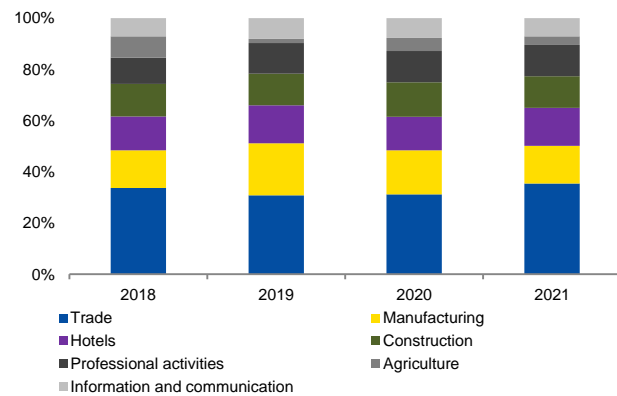
The largest number of registered enterprises continues to be concentrated in the trade sector, with 27.0 per cent of the total new enterprises registered, followed by the hospitality sector with 11.3 percent, manufacturing with 11.2 percent, construction with 9.4 percent and professional activities with 9.3 percent (chart 10). Compared to 2020, 467 more enterprises were registered in the trade sector, 182 more enterprises in the hospitality sector, 106 more enterprises in administrative and support activities, 81 more enterprises in the health sector, etc. Whereas, The sectors with the lowest number of registered enterprises were the manufacturing sector with 136 enterprises less, agriculture with 128 enterprises less, construction sector with 39 enterprises less, etc.

Chart 9. Business registry



Source: KAS (2022)

Chart 10. Structure of new enterprises



Source: KAS (2022)

### 3.1.4 Labour market

Until March 2021, the labour force participation rate in Kosovo was 39.5 per cent, which compared to 2020 shows an increase in the labour force participation rate by 0.7 percentage points. The low labour force participation rate is attributed to some extent to the relatively young population (pupils, students), as well as to the category of discouraged employees, housewives and other persons who are not actively looking for a job.

Based on the Labour Force Survey, the average employment rate<sup>9</sup> turned out to be 29.3 per cent, which represents a slight increase of 0.2 percentage points compared to March 2020. The employment rate turned out to be higher among men versus women, where 42.8 per cent of men of working age were employed versus 15.9 per cent of women. According to the results of the survey,

<sup>9</sup>The employment rate represents the percentage of the working-age population that is employed.

the employment rate among women has increased by 1.8 percentage points, while among men it has marked a decrease of 1.2 percentage points.

By age groups, the population aged 35-44 has the highest employment rate (39.9 per cent), while the age group 15-24 has the lowest employment rate (12.0 per cent). By level of education, the highest employment rate turns out to be among the labour force who have higher education, followed by those with vocational secondary education and gymnasium. Workers who had completed vocational secondary education were mainly employed in the private sector, while workers who had completed tertiary education were mainly employed in the public sector.

Also dictated by the structure of the economy, the employment rate turns out to be concentrated in the trade sector with 16.8 percent of the total number of employees, followed by the production sector with 12.4 per cent, the education sector with 11.1 per cent, the construction sector with 9.4 per cent, etc. Compared to 2020, the data show that there is an increase in participation in the structure of employees in the production and education sector, while the construction and trade sectors have declined.

Despite the increase of economic activity, official labour market statistics in Kosovo show that the average unemployment rate<sup>10</sup> by March 2021 was 25.8 per cent, a higher level compared to the same period of 2020 (25.0 per cent) but approximate to that of 2019 (25.7 per cent). The increase in economic activity does not appear to have translated into an improvement in the unemployment rate in the country. On a gender basis perspective, the labor market in Kosovo is characterized by a higher unemployment rate among women (29.7 percent), with the age group of young women having the highest unemployment rate (53.5 percent), while among men the unemployment rate is lower (24.2 percent). Education has improved employment perspectives in the Kosovo's labour market. According to KAS, the unemployment rate was highest amongst uneducated persons (about 55.4 per cent), while lowest for persons who have completed tertiary education (19.2 per cent).

### 3.2. Fiscal sector

Budget revenues<sup>11</sup> in 2021 reached a net value of EUR 2.20 billion, which represents an annual increase of 27.1 per cent, while budget expenditures<sup>12</sup> reached the value of EUR 2.27 billion, which represents an annual increase of 2.3 per cent. Consequently, the primary budget deficit was significantly lower compared to the precious year declining to 0.9 per cent of GDP, from 7.6 per cent in 2020.

Within tax revenues, all categories have increased. The highest increase was recorded in indirect tax revenues, which reached the value of EUR 1.66 billion or 30.8 per cent more compared to 2020. Direct tax revenues increased by 28.0 per cent and reached the value of EUR 342.2 million. Non-tax revenues increased by 12.6 per cent and reached the value of EUR 252.6 million.

The increase in budget expenditures of 2.3 per cent was lower compared to 2020 when there was an increase of 6.7 per cent. The category that marked an accelerated increase in expenditures was that of capital expenditures, which increased by 10.8 per cent, while current expenditures increased by 0.6 per cent. In terms of current expenditures, subsidies and transfers decreased by 2.9 per cent and reached the value of EUR 842.7 million. Government expenditures on wages increased by 1.0 per cent and reached the value of EUR 667.3 million, while government expenditures on goods and services (including municipal expenditures) increased by 9.6 per cent and reached the value of EUR 327.8 million.

<sup>10</sup>Unemployment rate is the percentage of the labour force that is not employed.

<sup>11</sup>Budget revenues do not include funding revenues.

<sup>12</sup>Budget expenditures do not include funding payments.

Public debt in 2021 has reached EUR 1.7 billion, which is 13.1 per cent higher compared to 2020. As a percentage of GDP, public debt has reached 23.3 per cent, compared to 22.4 per cent in 2020. Public debt growth is attributed to the increase in domestic debt by 15.0 per cent (which reached EUR 1.1 billion) and the increase in external public debt by 9.6 per cent. External public debt has reached the level of EUR 576.4 million or 34.3 per cent of total public debt. In the pre-pandemic year 2019, the level of public debt to GDP was 17.6 percent, compared to a five-year average of 14.9 percent. The growth of public debt before the spread of the pandemic has grown at a slower pace compared to the last two years, a dynamic that is mainly attributed to the growing need to finance businesses and help households overcome the health and economic crisis.

In 2021, the value announced at auctions reached the amount of EUR 335.0 million, which is 11.3 per cent less compared to 2020, while the amount received was EUR 306.8 million, or 17.1 per cent less compared to 2020. Demand for investing in treasury bills and government bonds was lower by 11.9 percent, whereas, even the average interest rate on Kosovo Government Securities decreased to 2.07 per cent, compared to 2.12 per cent in 2020. The decrease in the interest rate is related to the continued increase in the share of long-term securities. While in the past the structure of Kosovo Government Securities was dominated by Treasury bills with shorter maturities, the main categories in 2021 were bonds with maturities of over three years.

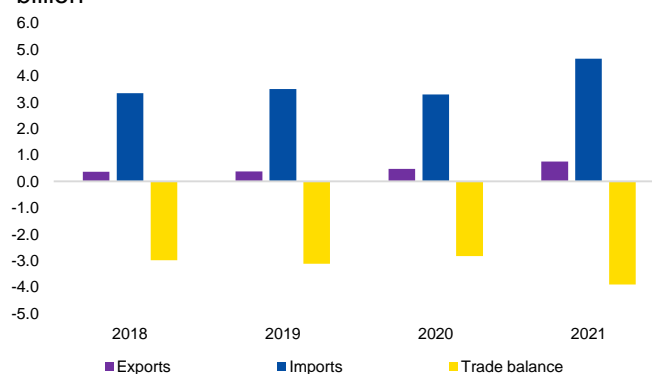
### 3.3. External sector

In 2021, the current account deficit amounted to 42.5 percent, marking the value of EUR 673.0 million. In relation to GDP, the current account deficit was 8.6 per cent (7.0 per cent in 2020). This increase in the current account deficit was as a result of the increase in the goods deficit by 38.3 percent. On the other hand, the positive balance of services was 176.7 percent higher and secondary and primary revenues increased by 5.9 and 5.5 percent, respectively. In the pre-pandemic year 2019, the current account deficit to GDP stood at 5.7 percent, from an average of 7.1 percent in the last five years.

The increase in the import of goods as a result of the increase in domestic

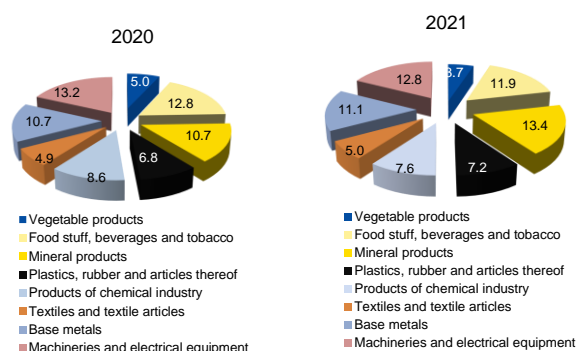
demand but also in prices in international markets, has affected the deficit in trade in goods<sup>13</sup> to increase by 38.3 percent (9.4 percent decrease in 2020) and reach about 3.9 billion euros (Chart 11). In relation to GDP, the trade deficit in goods was 50.4 per cent (41.7 per cent in 2020). The value of imports of goods reached EUR 4.7 billion which amounts to an annual increase of 41.1 per cent (a 5.7 per cent decline in 2020). The highest increase was recorded in the import of mineral products, base metals, plastic products, etc. (Chart 12).

Chart 11. Exports, imports and trade balance, EUR billion



Source: KAS (2022)

Chart 12. Structure of imports by category, in percent



Source: KAS (2022)

<sup>13</sup> The source of data on the export and import of goods in Kosovo is the Kosovo Agency of Statistics.



During 2021, export of goods increased by 57.8 percent (23.8 percent increase in 2020) and reached EUR 749.7 million. The increase in the export of goods has occurred as a result of the increase in external demand but also the increase in prices in international markets. Similar to the import of goods, the highest increase in exports was recorded in the export of base metals, plastic products, mineral products, etc. (Chart 13).

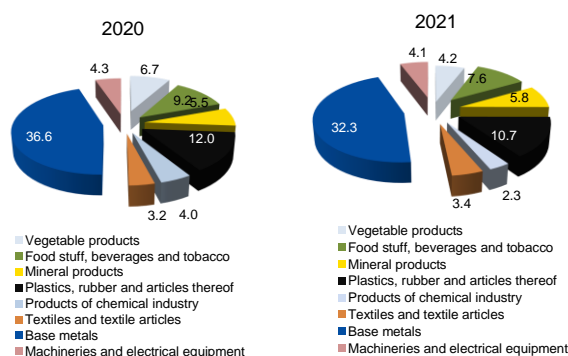
Within the balance of payments, trade in services was the component that increased the most as a result of the easing of restrictive measures taken to manage the health crisis. The balance in the trade in services marked the value of EUR 1.1 billion, (EUR 391.6 million in 2020). The value of exports of services doubled by amounting to EUR 2.2 billion, from EUR 994.9 million in 2020.

Exports of services have a high share in the country's GDP and consist mainly of diaspora expenditures during their stay in Kosovo. Thus, the increase of diaspora visits in Kosovo due to the easing of restrictive measures, has influenced the export of travel services to mark the value of EUR 1.5 billion or 137.3 percent more compared to 2020. Exports of transport services, exports of computer services and exports of construction services were also characterized by double-digit growth. On the other hand, import of services increased by 44.3 percent and reached EUR 870.7 million. Even in the import of services, the highest increase was recorded in the import of travel services (67.6 percent), followed by the import of transport services (58.7 percent), pension and insurance services (27.5 percent), etc.

The primary income account marked an increase of 5.5 per cent, mainly as a result of the increase of incomes from workers' compensation<sup>14</sup> of 0.3 percent, while the income from investments of foreign companies operating in Kosovo marked a decrease of 11.0 percent. The secondary income balance increased by 5.9 per cent, which is mainly attributed to the higher level of remittances. Remittances received in Kosovo, which also represent the largest category within the secondary income account, amounted to EUR 1.15 billion in 2021, which represents an annual increase of 17.7 per cent (chart 14). In the pre-pandemic year 2019, remittances amounted to EUR 851.5 million, an annual increase of 6.4 per cent, which also reflects the average five-year growth of this component (6.8 percent).

This acceleration of the growth of remittances has come despite the fact that even the countries where the Kosovar diaspora is concentrated have been hit by the pandemic crisis. In terms of remittance transfer channels, the vast majority of remittances (57.6 per cent) came through money transfer agencies, which marked a slight decrease of 1.2 per cent. Remittances through banks

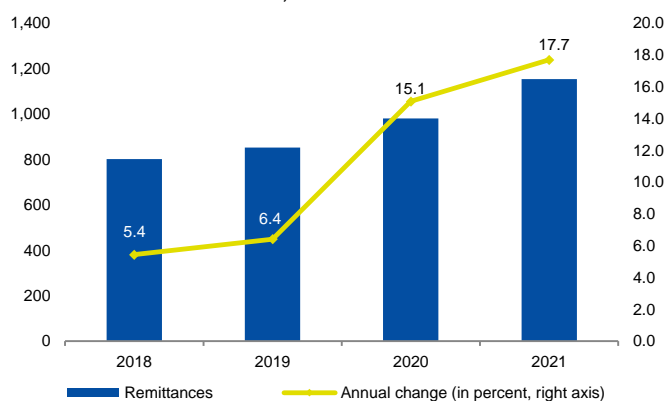
Chart 13. Structure of exports by category, in percent



Source: KAS (2022)

in Kosovo.

Chart 14. Remittances, EUR million



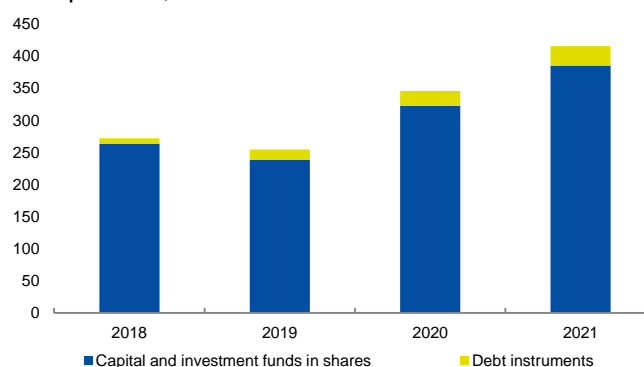
Source: CBK (2022)

<sup>14</sup> Employee compensation includes salaries, wages and other benefits received by resident employees abroad. In this context, this item includes seasonal or other short-term employees (less than one year) and border employees who have the centre of economic interest in their economy.

increased by 26.5 per cent, while as a result of border opening, remittances through the 'informal channel' increased by 86.3 per cent. Remittances to Kosovo come mainly from Germany and Switzerland, countries from which 39.2 per cent, respectively 18.9 per cent of total remittances were sent. A significant share of remittances is also accepted from the USA (7.2 per cent of total remittances).

Foreign Direct Investment (FDI) reached the value of EUR 415.3 million, which represents an increase of 20.1 per cent (increase of 35.8 percent in 2020 and decrease of 6.4 percent in 2019). Within the FDI structure, capital and fund of investment in shares increased by 19.6 per cent, whereas investments in debt instruments increased by 27.4 per cent (Chart 15). Increase in FDI was recorded mainly in the real estate (91.3 percent increase), information and communication, construction sector, etc. On the other hand, the electricity supply and mining sectors recorded the highest decline in investments.

Chart 15. Structure of foreign direct investments by components, EUR million



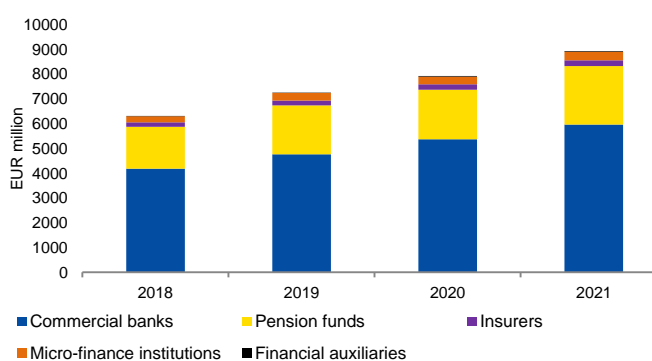
Source: CBK (2022)

### 3.4. Financial sector

#### 3.4.1 General characteristics

The financial system marked an accelerated increase in activity during 2021, despite the continuous challenges caused by the Covid-19 pandemic and the application of certain restrictive measures during the most part of the year. The value of total assets of the financial system of Kosovo reached EUR 8.93 billion in December 2021, which corresponds to an annual increase of 12.7 per cent, namely 4.0 percentage points higher compared to the previous year (Chart 16). The banking sector continues to have the main contribution in expanding the activity of the financial system in the country.

Chart 16. Assets value of Kosovo's financial system



Source: CBK (2022)

Table 3. Number of financial institutions

Description	2016	2017	2018	2019	2020	2021
Commercial banks	10	10	10	10	11	11
Insurers	15	15	14	13	13	12
Pension funds	2	2	2	2	2	2
Financial auxiliaries	40	43	50	50	57	53
Insurance intermediaries	16	16	16	18	18	19
institutions	22	25	29	29	29	30

Source: CBK (2022)



Regarding the number of financial institutions, during 2021 only the number of microfinance institutions and non-bank financial institutions increased, from 29 last year to 30 this year. Whereas, the number of insurers was reduced to 12 due to the revocation of the one insurer’s license. The number of financial auxiliaries (exchange offices), with a marginal share in assets of financial system of 0.3 percent, decreased to 53 from 57 of previous year (table 3).

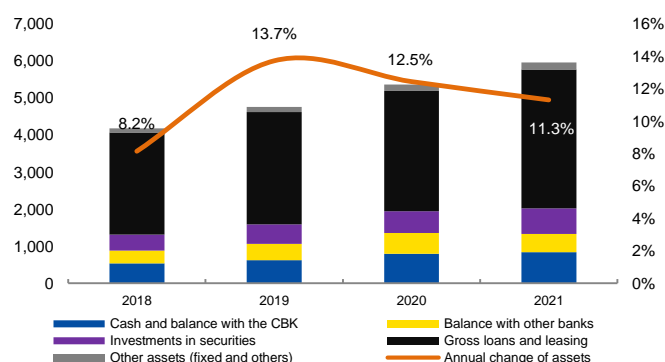
### 3.4.2 Banking sector

#### Assets

Banking sector assets in 2021 marked an annual double-digit growth of 11.3 per cent, reaching a value of EUR 5.96 billion (Chart 17). Growth, despite being pronounced, was slower compared to the 12.5 percent growth in 2020. Asset growth was supported by the marked increase in the sector’s funding sources, namely deposits. Within assets, lending and investments in securities were the only items that were characterized by an accelerated annual growth rate. Lending, as the main activity of the sector, doubled its annual growth, as well as marked the highest growth in ten recent years, supported mainly by household deposits (table 4).

The position of securities marked an accelerated annual increase of 17.2 per cent along with an increase of 11.0 per cent in the previous year. Cash and balance with the CBK marked a slowdown in annual growth to 6.2 percent from 27.0 percent in the previous year. The only item with a decline was balance with the commercial banks, which decreased by 11.8 per cent, compared to the increase of 27.6 per cent in the last year, where deposits held in commercial banks abroad were mainly reduced.

Chart 17. Assets of commercial banks, annual changes, EUR million



Source: CBK (2022)

These dynamics suggest that banks, instead of holding assets in the form of reserves, have invested them, reflecting the improved outlook for economic activity in the country.

Table 4. Structure of the banking sector assets

Description	2016		2017		2018		2019		2020		2021	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Cash and balance with the CBK	457.3	12.6%	499.4	12.9%	541.8	12.9%	622.5	13.1%	790.6	14.8%	839.9	14.1%
Balance with commercial banks	342.0	9.4%	296.6	7.7%	340.8	8.1%	440.6	9.3%	562.2	10.5%	496.1	8.3%
Securities	510.3	14.0%	486.4	12.6%	430.2	10.3%	526.5	11.1%	584.3	10.9%	685.0	11.5%
Gross loans	2,230.0	61.3%	2,485.5	64.2%	2,755.5	65.8%	3,031.9	63.7%	3,246.6	60.6%	3,748.6	62.9%
Fixed assets	58.5	1.6%	60.1	1.6%	79.6	1.9%	98.9	2.1%	116.4	2.2%	127.4	2.1%
Other assets	39.0	1.1%	41.8	1.1%	37.5	0.9%	40.1	0.8%	53.2	1.0%	62.7	1.1%
<b>Total</b>	<b>3,637.1</b>	<b>100%</b>	<b>3,869.8</b>	<b>100%</b>	<b>4,185.5</b>	<b>100%</b>	<b>4,760.5</b>	<b>100%</b>	<b>5,353.4</b>	<b>100%</b>	<b>5,959.6</b>	<b>100%</b>

Source: CBKB (2022)

The degree of concentration in the banking sector has continued to further decline during this year, reflecting increasing competitive pressures within the banking sector. Specifically, the assets of the three largest banks have decreased the share to 52.5 percent of the sector assets from 55.8 percent in the previous year. Also, the Herfindal-Hirschman index for banking sector assets fell to 1,416, compared to 1,466 last year. According to the Bank Lending Survey, the increase of competitive pressures is constantly presented as a key factor in the offer applied by banks.

## Loans

In 2021, the loan portfolio of the banking sector expanded by 15.5 per cent reaching the value of EUR 3.75 billion (Chart 18). The favorable liquidity position, as well as the substantial economic recovery supported by remittances and numerous diaspora visits after the improvement of the pandemic situation contributed to the significant increase in lending. According to the Bank Lending Survey, lending activity dynamics in 2021 were positively affected by both credit supply and demand, but credit demand was the main driver. Except for the third quarter where there was a low increase in demand, influenced by the tightening of restrictive measures to prevent the spread of the pandemic, during the rest of the year there was a significant increase. Credit supply from banks was characterized by easing throughout the year, however at a low level. Market dynamics and perspective in the country influenced the perception of declining risk, which together with the support of KCGF in lending to SMEs and increased competitive pressures from banks were additional key factors that dictated changes in credit supply.<sup>15</sup>

Loans to enterprises marked an annual increase of 13.1 per cent (Chart 19). Lending to almost all economic sectors increased, with the exception of the agricultural sector, which recorded an annual decline of 6.8 per cent. The financial services, construction and manufacturing sectors grew by 29.9 per cent, 27.5 per cent and 9.6 per cent, respectively (Chart 21).

New loans to enterprises marked an annual increase of 10.4 per cent, where all subcategories of new loans were characterized by growth, except for the industry category. The structure of loans to enterprises by economic activities continues to be dominated by loans to the trade sector, followed by those to manufacturing and construction (Chart 20).

Lending to small and medium enterprises in 2021 was also supported by the Kosovo Credit Guarantee Fund, the use of which has marked an accelerated growth trend. The cumulative number of bank loans to SMEs, guaranteed by KCGF, reached 10,064 by the end of 2021 (6,103 by the end of 2020). Among other things, the accelerated increase of guarantees was supported by the signing of a financial agreement for the increase of guarantee capital with the German Development Bank in the amount of 6 million euros. Also, at the beginning of 2021, the implementation of guarantee measures within the Economic Recovery Package began, which includes the increase of credit coverage for SMEs by KCGF up to 80 percent, a change that affects the expansion of profiles that can take advantage of the guarantees. The structure of guaranteed loans is mainly a representation of the general structure of the banking sector loans. Compared to the previous year, all economic sectors increased their share in the total guaranteed loan portfolio, except for the services sector, which decreased participation.

Chart 18. Annual growth rate of loans

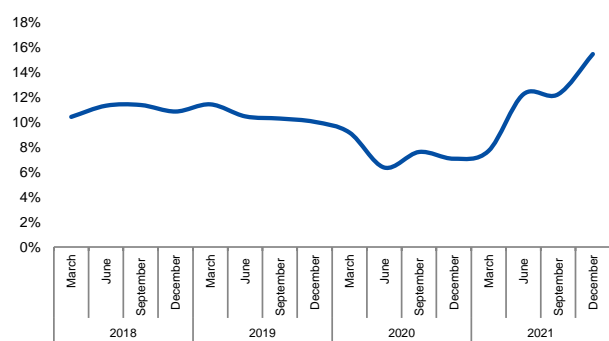
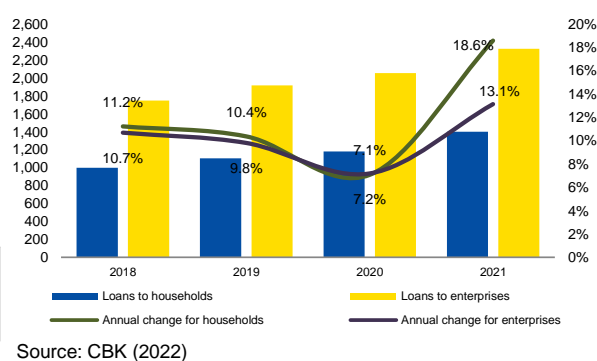


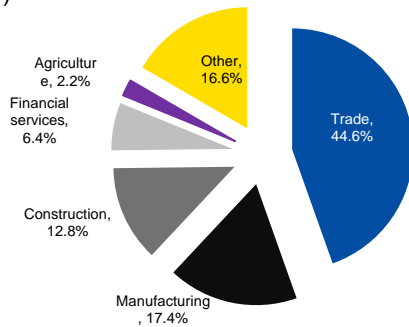
Chart 19. Loans to enterprises and loans to households



<sup>15</sup>Bank Lending Survey and Inflation Expectations Report

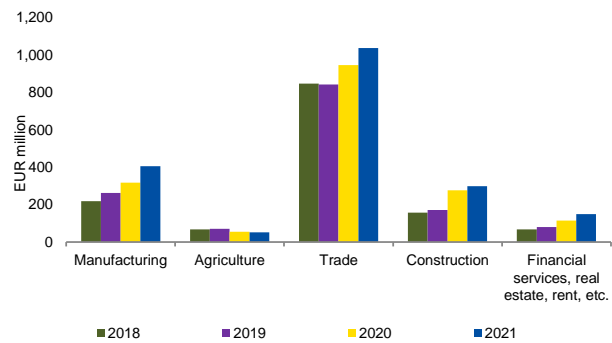
In 2021, loans to households marked an accelerated annual growth compared to the growth in the last ten years. In December 2021, the annual growth of loans to households was 18.6 percent compared to 7.1 percent in the previous year, which reached the value of EUR 1.4 billion (Chart 19). The share of household loans in the total loan stock increased by 1 percentage point to 37.3 percent compared to December 2020.

Chart 20. Loans by economic sectors, in percent (2021)



Source: CBK (2022)

Chart 21. Loans stock, by economic sectors



Source: CBK (2022)

The acceleration in household lending growth is largely attributed to the dynamics of new loans in this sector, which, during this period, marked an annual increase of 45.0 per cent (decrease of 2.4 per cent in December 2020). Within the new household loans, both categories of mortgage loans and consumer loans marked a significant increase of 56.5 per cent and 40.3 percent. This increase in new loans to households was influenced by the improvement of the situation with the pandemic, consequently the eased restrictive measures, that was characterized by increased investment and consumption driven by households until the pandemic situation improved, as well as assistance received from Government recovery packages.

### Liabilities and own sources

The banking sector structure of liabilities is dominated by deposits, which in December 2021 amounted to 82.2 per cent of total liabilities and own funds (table 5).

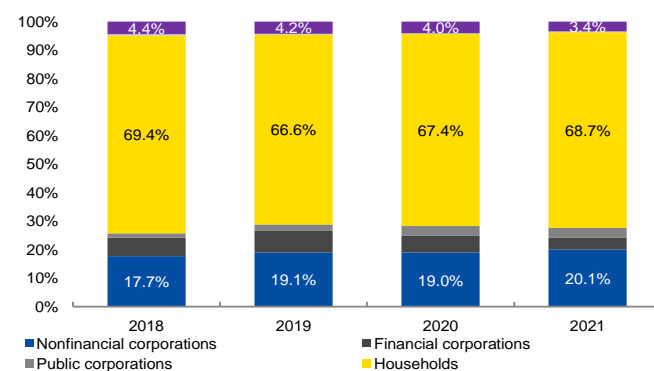
Table 5. Structure of the banking sector liabilities

Description	2016		2017		2018		2019		2020		2021	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Balance with other banks	59.1	1.6%	67.2	1.7%	108.3	2.6%	67.0	1.4%	90.4	1.7%	113.2	1.9%
Deposits	2,897.8	79.7%	3,094.5	80.0%	3,362.9	80.3%	3,908.1	82.1%	4,360.9	81.3%	4,901.8	82.2%
Other borrowings	17.8	0.5%	16.0	0.4%	14.1	0.3%	42.1	0.9%	43.1	0.8%	39.1	0.7%
Other liabilities	203.4	5.6%	184.0	4.8%	169.1	4.0%	179.8	3.8%	206.0	3.8%	220.1	3.7%
Subordinated debt	38.4	1.1%	37.4	1.0%	33.5	0.8%	43.4	0.9%	46.9	0.9%	42.3	0.7%
Own resources	420.6	11.6%	470.8	12.2%	497.7	11.9%	520.1	10.9%	618.0	11.5%	643.1	10.8%
<b>Total liabilities and own resources</b>	<b>3,637.1</b>	<b>100%</b>	<b>3,869.8</b>	<b>100%</b>	<b>4,185.5</b>	<b>100%</b>	<b>4,760.5</b>	<b>100%</b>	<b>5,365.3</b>	<b>100%</b>	<b>5,959.6</b>	<b>100.0%</b>

Source: CBK (2022)

Own funds of the banking sector were characterized by a slower annual growth of 5.4 per cent, compared to annual growth of 17.3 percent in the previous year. This occurred as a result of eased measures for non-distribution of the dividends from the previous year profit, which was in force until October 2021. Consequently, the retained earnings, as a key contributor to the performance of the capital position, marked a decrease of

Chart 22. Structure of deposits, in percent



Source: CBK (2022)

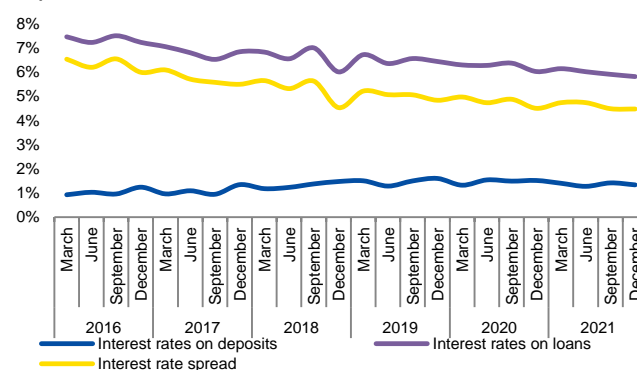
about 18.2 million euros in December 2021, which contributed to the slowdown in the growth rate of the sector's own resources.

### Deposits

Deposits in the banking sector of Kosovo marked an annual increase of 12.4 per cent compared to the increase of 11.6 per cent in December 2020. Household deposits, the category that dominates the structure of total deposits in the banking sector, accelerated growth to 14.6 per cent from 12.9 per cent a year earlier (Chart 22).

In the same period, enterprise deposits<sup>16</sup> also marked an accelerated annual increase of 19.3 per cent from 11.1 per cent a year earlier. The increase in deposits can be attributed to the reluctance to invest by economic entities, as a result of increased uncertainties due to the dynamics of the pandemic, high remittances, and the high number of diaspora visits to the country during this year. Regarding the maturity structure of deposits, in December 2021 transferable deposits increased their share by 4.1 percentage points to 68.1 per cent, while time deposits reduced their share by 4.3 percentage points to 19.0 per cent of total deposits.

Chart 23. Average interest rate on loans and deposits



Source: CBK (2022)

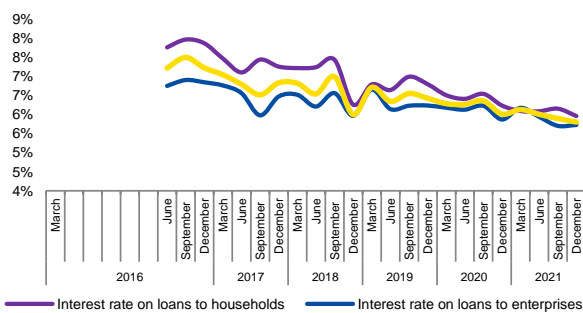
### Interest rates

The difference between the average interest rate on loans and that on deposits remained the same to that of previous year of 4.5 per cent. The average interest rate on loans in December 2021 decreased to 5.8 per cent, while the average interest rate on deposits decreased by 0.2 percentage points to 1.3 per cent (Chart 23).

### Interest rates on loans

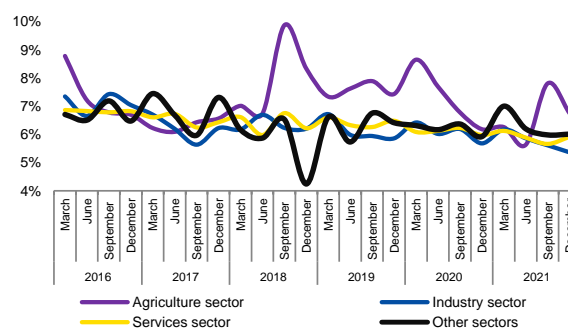
The average interest rate on loans to enterprises decreased to 5.7 per cent from 5.9 per cent in December 2020 (Chart 24). Within this category, the interest rate on investment loans marked a decrease, while the interest rate on non-investment loans marked a marginal increase.

Chart 24. Average interest rate on loans to households and enterprises



Source: CBK (2022)

Chart 25. Average interest rate on loans, by economic sectors



Source: CBK (2022)

<sup>16</sup>Private non-financial enterprises.

By economic sectors, loans to agriculture and other sectors were characterized by an increase in interest rates compared to the previous year, while the interest rate on industry and services sectors decreased compared to December 2020 (Chart 25).

Loans to households also marked a decline in the average interest rate to 6.0 percent, from 6.2 percent in December 2020.

The average interest rate on deposits was characterized by a decline (chart 26).

The average interest rate on enterprise deposits increased by 0.5 percentage points to 2.0 per cent, while the average interest rate on household deposits marked an increase of 0.6 percentage points to 0.9 per cent (charts 27 and 28).

Chart 26. Average interest rate on deposits

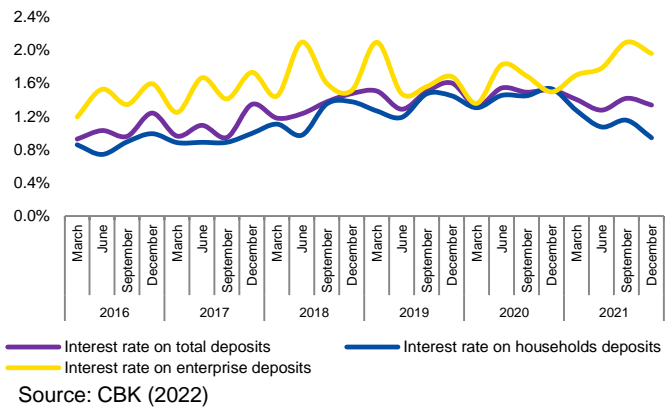


Chart 27. Average interest rate on enterprise deposits, by categories

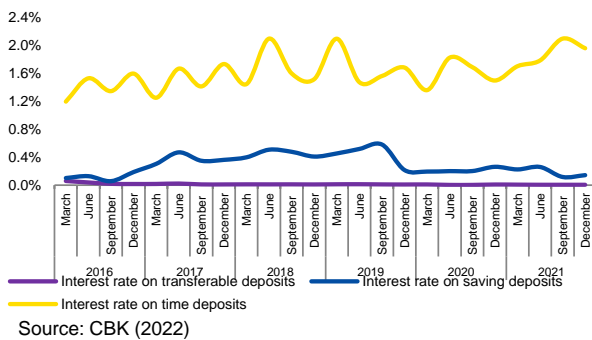
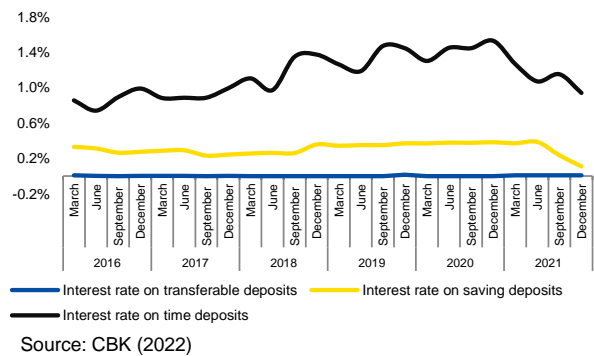


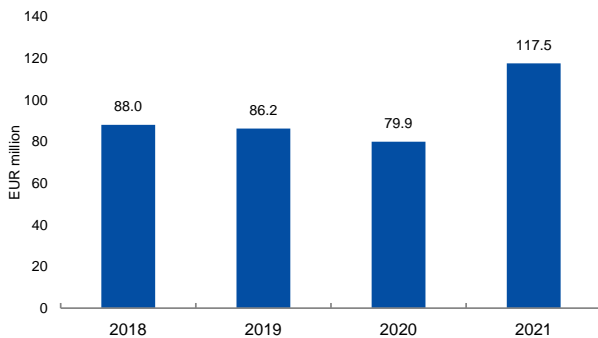
Chart 28. Average interest rate on household deposits, by categories



### Banking sector performance

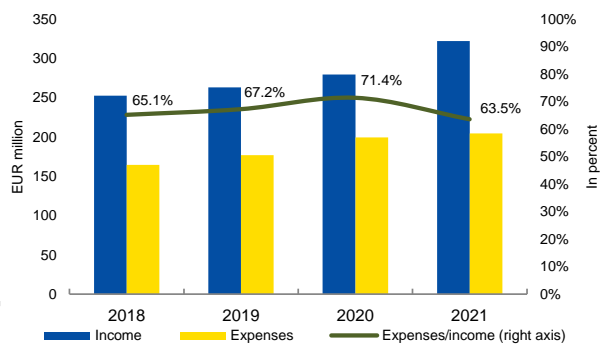
The banking sector, despite facing the challenges posed by the COVID-19 pandemic, closed 2021 with a positive financial result. Net profit realized in 2021 was EUR 117.5 million, or 47.1 per cent higher than in the previous year (Chart 29).

Chart 29. Net profit of the banking sector, EUR million



Source: CBK (2022)

Chart 30. Income and expenses of the banking sector



Source: CBK (2022)

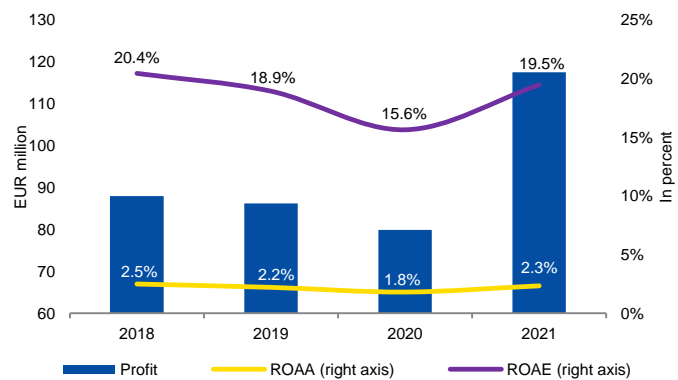
The significant increase in the profit of the banking sector during this period is mainly attributed to the accelerated growth of revenues compared to the slower growth of expenditures. Revenues of

the banking sector amounted to EUR 322.1 million and were characterized by an annual increase of 15.4 per cent (Chart 30).

The main contributor to the increase of revenues was the non-interest revenues, respectively, revenues from fees and commissions which, among other things, may have been influenced by the recorded annual increase in the number and value of transactions compared to the previous year. At the same time, interest income also marked a significant increase compared to last year, mainly income from loans.

Banking sector expenditures amounted to EUR 204.6 million and were characterized by an annual increase of 2.6 per cent which represents a slowed increase compared to the previous year (annual increase of 12.7 per cent in December 2020) (Chart 30). The slowdown in the growth rate of expenditures was influenced by the decrease in non-interest expenses, namely the reduction of the provision held for potential loan losses. Whereas, general and administrative expenses were characterized by the highest increase.

Chart 31. Profitability indicators of the banking sector



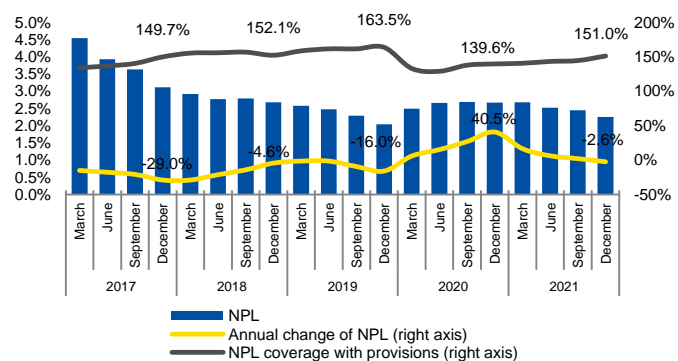
Source: CBK (2022)

The higher increase of revenues compared to the increase of expenditures influenced the ratio of expenditures to revenues of the sector to lower compared to the same period of the previous year (Chart 30). Profitability indicators changed the downward trend of the last three years by marking an increase, where Return on Average Assets (ROAA) and Return on Average Equity (ROAE) reached 2.3 per cent and 19.5 per cent, respectively (Chart 31).

### Financial health indicators

The strong economic recovery and the continuation of credit restructuring mitigation measures have affected the increased credit risk as a result of pandemic developments not to materialize. The ratio of non-performing loans to total loans in the first quarter of 2021 stood at 2.7 per cent, which continued to decline throughout the year, where in December 2021 it dropped to 2.3 per cent by 0.4 percentage points lower than in the previous year. Banks' supportive approach to the needs of their

Chart 32. Indicators of credit portfolio quality and NPL growth rate



Source: CBK (2022)

customers, vigilant monitoring of customer performance, as well as the economic recovery as a result of positive global developments and increased remittances contributed to the improvement of payment performance. The value of non-performing loans decreased by 2.6 per cent compared to the previous year. However, medium-term expectations suggest an increase to some extent in non-performing loans as a result of the stabilization of the economy, consequently a decrease in demand due to the ending of easing measures and an increase in inflation during the following year. In December 2020, the ratio of nonperforming loans to total loan stock continued to be the lowest



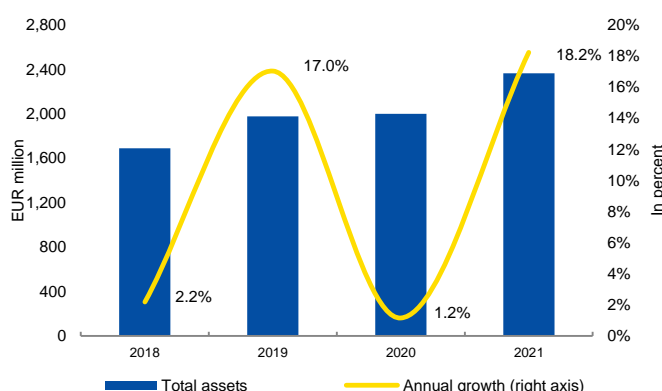
compared to the Western Balkan countries. At the same time, the coverage ratio of non-performing loans with provisions reached 151.0 per cent (Chart 32).

The banking sector continues to have a high level and quality of capital. The withdrawal of the CBK's recommendation not to distribute the dividend as a measure to manage the possible consequences of the pandemic, during the fourth quarter of this year affected the sector capital to decline. On the other hand, Risk-weighted assets marked a significant increase, as a result of the accelerated growth of lending. These dynamics were reflected in the decline of the capital adequacy ratio to 15.3 percent from 17.4 percent in the previous year, although this indicator stands above the required regulatory minimum of 12 percent. The liquidity position of the banking sector remains high. The ratio of liquid assets to short-term liabilities reached 37.4 per cent, which is above the required regulatory minimum of 25.0 per cent.

### 3.4.3 Pension sector

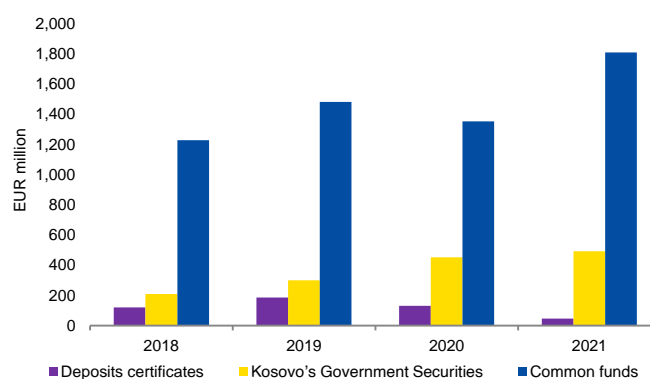
The pension sector in 2021 was characterized by a significant increase in activity compared to the previous year. The value of assets reached EUR 2.36 billion by the end of 2021, which corresponds to an annual increase of 18.2 per cent (chart 33). This increase is attributed to the high return on investment, as well as the increase in collection from contributors. The increase in the vaccination rate and the economic recovery globally affected the improvement of the performance of the global markets, which influenced the increase of the return on investment for the pension sector of Kosovo. Gross return on investments of the Kosovo pension sector in 2021 reached a record value since the beginning of operation of EUR 228.4 million, and a significant increase in unit prices compared to last year. KPST realized gross return on investments in the amount of EUR 227.3 million, with a unit price of EUR 1.72 from EUR 1.56 on the last day of December 2020. During 2021, SKPF realized gross return on investments in the amount of EUR 1.1 million, while the unit price increased to EUR 202.86, compared to EUR 184.38 at the end of December 2020.

Chart 33. Assets of pension sector, EUR million



Source: CBK (2022)

Chart 34. KPST investments



Source: KPSF (2022)

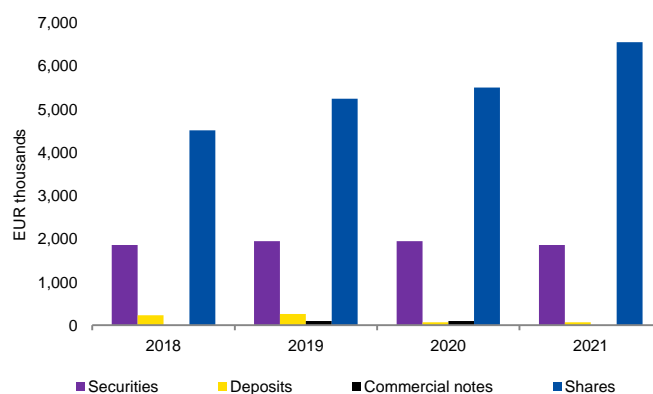
The value of new contributions collected during 2021 marked an increase of 9.8 percent reaching EUR 214.0 million (EUR 194.9 million in 2020). The value of KPST collections reached EUR 213.5 million, while SKPF reached EUR 546.4 thousand.

KPST dominates the assets of the pension sector with a share of 99.6 per cent. During 2021, KPST has increased investments in the foreign market, against the contraction of investments in the domestic market. Investments in the foreign market marked an annual increase of 33.7 per cent, reaching the value of EUR 1.81 billion, mainly in investment funds. Meanwhile, the contraction of

investments within the country came as a result of the decrease of investments in certificates of deposit in commercial banks by 65.4 percent (Chart 34). The decline in domestic investment, ie the reduction of money held in the banking sector in the form of certificates of deposit was also influenced by the withdrawal of 10% of trust funds at the end of last year, but which was later offset by the return on investment and contributions collected. Moreover, interest rates on deposits in recent years have been quite

low, reducing the incentive to invest in instruments such as certificates of deposit. Investments in the Kosovo Government Securities instrument marked a slower annual growth (of 9.0 percent) compared to the previous year (50.8 percent), which reflects the policies of the Government of Kosovo in issuing domestic debt, as well as competition from banking sector (which has increased investment in this instrument compared to the situation last year.) The pension sector continues to have the highest share of the purchase of Securities of the Government of Kosovo. Similar to the KPST, the funds invested by the SKPF, to a large extent were allocated to the external sector (79.3 percent). Domestic investments recorded an annual decrease of 3.1 percent against the annual increase of 15.5 percent of the funds allocated in the external sector. Within the domestic investments, the investments in Securities of the Government of Kosovo were characterized by growth, while within the investments abroad, growth was marked by placements in shares (Chart 35).

Chart 35. SKPF investments



Source: SKPF (2022)

### 3.4.4 Insurance sector

The level of intermediation and density of the insurance sector has remained at a similar level to previous years, with marginal annual increase. Expressed through gross written premiums in relation to GDP, the sector intermediation continues to remain at a relatively low level compared to the average of European Union countries, at 1.52 per cent (1.47 per cent in 2020). The level of density, measured through written premiums per capita, remains similarly low, which in 2021 marked the value of EUR 65.3 (EUR 55.2 in 2020).<sup>17</sup>

The insurance market in Kosovo is characterized by a lower degree of concentration compared to other sectors of the financial system of Kosovo. However, in the last three years there is a slight increase in concentration as a result of the liquidation of two insurance companies (one in 2019 and another during 2021). Herfindahl Index<sup>18</sup> calculated for gross written premiums (GWP) has risen to 925 points from 925 points in 2020. The same index calculated based on insurance market assets shows lower values, but also increasing, respectively 913 points for 2021 from 845 points in 2020. At the same time, the CR5 index<sup>19</sup> for 2021, calculated in relation to the GWP for the insurance sector is 56.6 per cent (in 2020 it was 55.1 per cent), while calculated in relation to assets

<sup>17</sup>According to statistics published in the Insurance Europe database, the density level during the period 2009-2018 in 32 European countries was EUR 1,904 (written premiums per capita), while the level of market penetration (intermediation) during this period stood at 7.25 percent. <https://www.insuranceeurope.eu/insurancedata>.

<sup>18</sup>The Herfindahl index is calculated using the following formula:  $HI = \sum_{i=1}^n (s_i)^2$ , where S is company share in the total assets (gross written premiums) of the insurance market, n is the total number of institutions in the respective sector. If the index ranges between 1,000 and 1,800 units, the level of concentration in the insurance sector is considered acceptable.

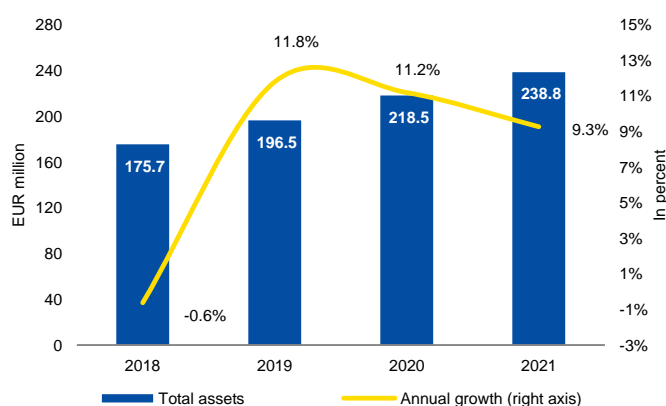
<sup>19</sup>The CR5 index combines the market share of 5 insurers with the highest asset values in relation to the total assets of the sector and the GWP to the total GWPs of the sector.



stand at 53.3 per cent (in 2020 it was 50.2 per cent). The concentration is higher in the life insurance sector, as a result of the smaller number of insurers in this segment of the insurance market.

Insurance sector assets by the end of 2020 represented 2.7 per cent of total financial system assets. The value of total assets amounted to EUR 238.8 million, representing an annual increase of 9.3 per cent (Chart 36). Within assets, the most significant increase was recorded in the category of deposits held in commercial banks, mainly in the form of time deposits. The second category with the highest growth was the investment in securities of the Government of Kosovo. Whereas, the position of loans and receivables and the position of cash and deposits in CBK were the only categories that marked a decrease compared to previous year (table 6).

Chart 36. Assets of insurance sector



Source: CBK (2022)

Non-life insurance marked an annual increase of 9.2 per cent and represented 91.3 percent of total assets of the sector in 2021. While life insurance, which constitutes the remaining part of assets, marked an annual increase of 10.3 per cent.

Table 6. Assets of the insurance sector (EUR million)

Description	2020	2021	Annual change	Share 2020	Share 2021
Cash and deposits at the CBK	6.1	4.9	-18.3%	2.8%	2.1%
Deposits at commercial banks	101.5	110.1	8.5%	46.5%	46.1%
Securities	35.7	42.9	20.1%	16.4%	18.0%
Borrowings and receivables	21.9	18.0	-17.7%	10.0%	7.6%
Part of insurers for technical reserves	19.0	24.5	29.1%	8.7%	10.3%
Investments in properties	4.9	5.4	11.5%	2.2%	2.3%
Other assets	29.4	32.8	11.6%	13.5%	13.8%
<b>Total market</b>	<b>218.5</b>	<b>238.8</b>	<b>9.3%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2022)

Regarding the liabilities of the sector, technical and mathematical provisions constitute the largest part with a total of 64.1 percent, followed by equity with 26.6 percent and other liabilities (Table 7). The value of the total capital of insurers during this period increased significantly by 12.4 percent. The increase in capital compared to last year is mainly attributed to the profit realized during 2021, as the paid-up share capital remained unchanged in 2020. The value of accumulated losses over the years from the sector decreased for EUR 2.6 million, to EUR 42.4 million by the end of 2021.

Table 7. Liabilities and capital of the insurance sector (EUR million)

Description	2020	2021	Annual change	Share 2020	Share 2021
Technical reserves	141.4	153.0	8.2%	64.7%	64.1%
Loans and liabilities from independent securities	0.1	0.1	-23.8%	0.0%	0.0%
Other payable accounts	16.1	18.4	14.5%	7.4%	7.7%
Other liabilities	4.4	3.7	-15.1%	2.0%	1.6%
Total shareholders capital	56.5	63.5	12.4%	25.8%	26.6%
<b>Total market</b>	<b>218.5</b>	<b>238.8</b>	<b>9.3%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2022)

The value of premiums written by insurers in 2021 reached EUR 117.4 million, marking an annual increase of 18.2 percent (0.1 percent in 2020). The structure of written premiums is dominated by non-life insurance premiums which represent 95.9 per cent of total written premiums. The value of non-life insurance written premiums in 2021 reached EUR 112.6 million, representing an annual increase of 17.6 percent (table 8). The number of policies sold also increased, to 1.15 million compared to 824.1 thousand a year ago.<sup>20</sup> The sharp increase in the level of written premiums and policies sold compared to last year reflects the increased economic activity and the easing of restrictive measures to prevent COVID-19. "Non-life" insurance continues to be dominated by compulsory insurance with a share of 62.4 percent in the total gross written "non-life" premiums, while the rest includes voluntary insurance.

The value of life insurance written premiums reached EUR 4.9 million, which is a 35.7 per cent higher value compared to 2020.

**Table 8. Gross written premiums, by business class (EUR million)**

Activity	2020	2021	Change	Share: 2020	Share: 2021
Total non-life	95.7	112.6	17.6%	96.4%	95.9%
Obligatory insurance					
MTPL	53.8	60.3	12.0%	54.2%	51.3%
TPL+	1.8	2.8	56.7%	1.8%	2.3%
Border insurance	4.2	7.3	74.7%	4.2%	6.2%
Voluntary insurances					
Accident and health	16.4	21.0	27.9%	16.5%	17.9%
Casco	5.5	7.2	31.1%	5.5%	6.1%
Loans and guarantees	4.4	4.6	4.0%	4.5%	3.9%
Fire and other damages in property	6.1	5.1	-16.9%	6.1%	4.3%
Overall liabilities	3.6	4.5	22.5%	3.7%	3.8%
Total life	3.6	4.9	35.7%	3.6%	4.1%
<b>Total market</b>	<b>99.3</b>	<b>117.4</b>	<b>18.2%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2022)

In 2021, compulsory insurance products marked an annual increase of 17.7 per cent, and further increased their share in total non-life premiums. The increase in the share of compulsory insurance was mainly influenced by MTPL products. Voluntary insurance marked an annual increase of 17.3 per cent, with a more pronounced increase in products such as "Accident and Health" and "Casco" Insurance (table 8).

Claims paid by the insurance sector, which includes claims of insurers and the Kosovo Insurance Bureau (KIB), marked an increase of 24.4 percent, reaching a value of EUR 61.0 million at the end of 2021 (EUR 49.1 million in 2020). Of the total amount of claims paid, EUR 50.8 million (EUR 43.2 million in 2020) were claims paid by insurers, while EUR 10.2 million (EUR 5.8 million in 2020) were claims paid by KIB. Claims paid by reinsurers participate with 14.4 percent in the total amount of claims paid by insurers<sup>21</sup> (11.4 percent in the previous year). The increase in the level of claims paid by insurance companies and the KIB, among others, is a result of the more relaxed measures against the spread of the pandemic, applied in Kosovo during 2021 compared to the stricter measures during the last year that were reflected in reduced level of movement and consequently of damages incurred and paid.

The value of claims paid by non-life insurance increased to EUR 59.9 million in 2021 (EUR 48.1 million in 2020). Whereas the amount of claims paid by life insurance increased to EUR 1.1 million from EUR 0.9 million in 2020, which represents an annual increase of 20.4 per cent.

<sup>20</sup>Only non-life insurance is included.

<sup>21</sup>KIB is not included.

The increase in the level of claims paid in 2021 under "non-life" insurance was affected by both voluntary and compulsory insurance claims payments (table 9). The value of claims paid by voluntary insurance increased by EUR 3.4 million compared to the previous year, to EUR 20.1 million.

This increase was mainly influenced by the products "Property Insurance", "Accident and Health" and "Casco". Meanwhile, claims paid by compulsory insurance, which have the largest share in the total portfolio of claims paid, marked an accelerated annual increase of 26.8 percent, reaching the value of EUR 39.8 million. The category "MTPL" and Border Insurance, FG, MoU" had The main contribution to the increase of the level of compulsory insurance claims”.

**Table 9. Claims paid, by business class (EUR million)**

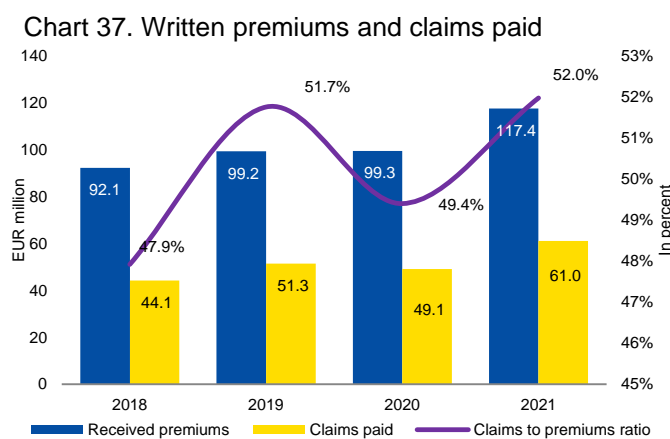
Activity	2020	2021	Change	Share: 2020	Share: 2021
Total non-life	48.1	59.9	24.5%	98.1%	98.2%
Obligatory insurance					
MTPL	25.4	29.4	15.7%	51.8%	48.2%
TPL+	0.2	0.2	40.3%	0.3%	0.4%
Border insurance, FG MoU	5.8	10.2	74.5%	11.9%	16.7%
Voluntary insurances					
Accident and health	9.8	10.6	8.8%	20.0%	17.5%
Casco	3.4	4.6	34.8%	6.9%	7.5%
Loans and guarantees	2.5	1.0	-60.7%	5.1%	1.6%
Property insurance	1.0	3.4	248.3%	2.0%	5.6%
Insurance of goods in transit	0.0	0.0	-100.0%	0.1%	0.0%
Overall liabilities	0.0	0.5	13130.2%	0.0%	0.8%
Total life	0.9	1.1	20.4%	1.9%	1.8%
<b>Total market</b>	<b>49.1</b>	<b>61.0</b>	<b>24.4%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2022)

As a result of the higher increase in expenditures (claims paid) in relation to revenues (premiums collected), the ratio of claims paid to written premiums increased by 2.6 percentage points, to 52.0 percent (Chart 37).

### 3.4.4.1 Insurance sector performance

The insurance sector closed the year with a positive financial result of EUR 6.9 million, unlike last year where it recorded a net profit of EUR 2.3 million (table 10). Non-life insurers recorded profits in the amount of EUR 6.4 million, compared to the amount of EUR 2.0 million in 2020. While, life insurers realized net profit in the amount of EUR 492.4 thousand, compared to EUR 273.3 thousand in 2020. The higher level of profit realized in 2021 compared to the previous year is mainly due to the higher level of revenues from written premiums (by 18.2 percent). The level of claims incurred this year increased by 27.8 percent, while the net operating expenses of the sector during this period marked an annual decrease of 3.7 percent compared to 2020.



Source: CBK (2022)

The combined ratio of the sector also reflects the improvement of the financial position. In December 2021, this ratio stood at 94.1 percent (99.7 percent in the previous year), reflecting the

ratio of claims to net earned premiums of 58.9 percent and the expense ratio to net earned premiums of 35.2 percent, excluding interest income from investments.

**Table 10. Financial result (EUR million)**

Description	2018	2019	2020	2021
Non-life insurance	1.0	-5.1	2.0	6.4
Life insurance	0.6	0.5	0.3	0.5
<b>Total market</b>	<b>1.6</b>	<b>-4.7</b>	<b>2.3</b>	<b>6.9</b>

Source: CBK (2022)

The insurers sector increased the level of liquidity compared to the situation at the end of last year. The ratio between cash and cash equivalents to reserves stood at 103.2 per cent (101.3 per cent in 2020), as a result of higher annual growth of cash and cash equivalents of 10.2 per cent, compared to the lower growth of 8.2 per cent of the technical reserves of the insurance sector. Meanwhile, the ratio between cash and cash equivalents to total liabilities stood at the same level to that of the previous year of 87.3 per cent.

### 3.4.5 Microfinance sector

In 2021, the assets of the microfinance sector reached the value of EUR 340.3 million, marking an annual increase of 7.6 per cent (Chart 38). The accelerated growth of activity compared to last year was a result of the recovery of lending activity and the acceleration of leasing growth. The financing of the sector came mainly from lending from the external sector, own equity, as well as other domestic lending.

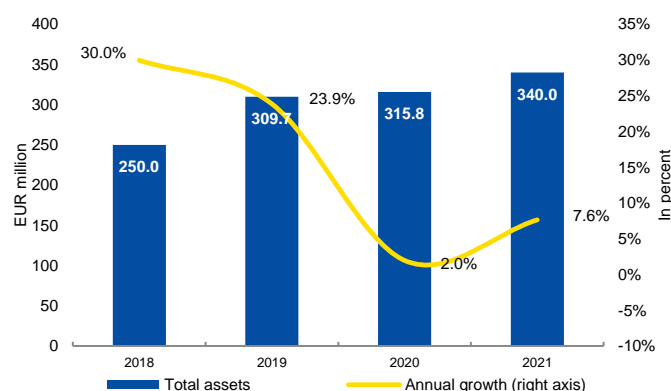
The asset structure of the microfinance sector continues to be dominated by gross loans (70.3 per cent) and leasing (19.3 per cent). The category of balance with commercial banks has decreased its share in total assets of the sector, by 5.5 percentage points compared to last year, to 5.4 per cent by the end of December 2021. This came as a result of the recovery of lending activity and the accelerated growth of leasing compared to last year, so there was a reallocation of funds towards investments with higher returns.

#### Loans

The value of stock of loans issued in 2021 amounted to EUR 239.2 million, representing an annual increase of 17.1 per cent (annual decrease of 7.1 per cent in 2020) (Chart 39). The recovery of the growth of lending activity to the pre-pandemic periods was a result of the improvement of the global economic perspective influenced by the increase of the vaccination rate and the easing of the restrictive measures against the spread of the pandemic.

Lending to both households and non-financial corporations increased significantly in 2021 compared to the contraction during the previous year as a result of the COVID-19 pandemic and the revocation of the licenses of two MFIs / NBFIs. Lending to households increased by 16.7 percent (decrease by 9.4 percent in 2020), reaching the value of euro 156.5 million. Whereas, loans to non-

**Chart 38. Assets of the microfinance sector**



Source: CBK (2022)

financial corporations during this period marked an annual increase of 17.8 percent (decrease of 2.4 percent in 2020), reaching the value of 82.7 million euros.

Lending activity, by economic sectors, reflects the general trend of lending to non-financial corporations, where we have a growth recovery in all sectors without exception compared to a year earlier (Chart 40). Lending to the agriculture, trade and other services sectors marked a stronger increase, recovering from the contraction that had occurred in the previous year.

Chart 39. The value of loans to households and to enterprises, annual growth of loans

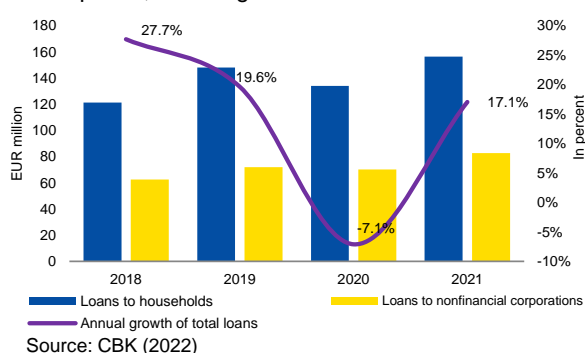
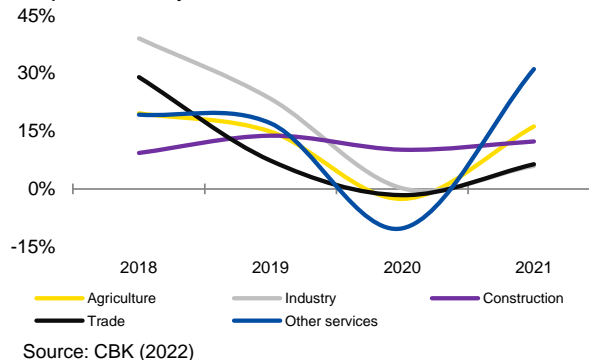


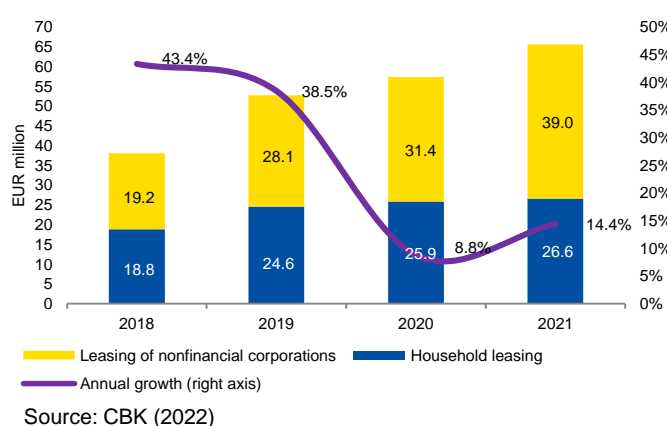
Chart 40. Growth rate of loans to nonfinancial corporations, by economic sectors



## Leasing

Leasing is the second most important category in the microfinance sector asset structure. Leasing continued the steady expansion trend of recent years, which was not affected even by pandemic developments in 2020 (Chart 41). In the increase of leasing, leasing to non-financial corporations had the main contribution, while the contribution of leasing to households was more limited.

Chart 41. Microfinance sector leasing



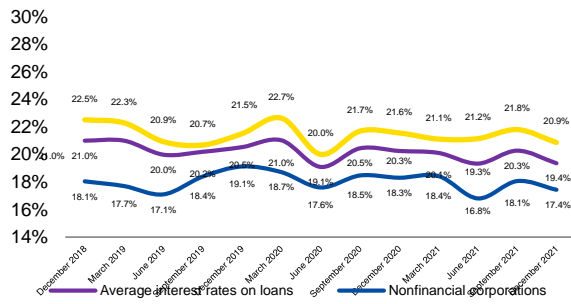
## Interest rates

Interest rates on microfinance sector loans marked a slight annual decline to 19.4 percent from 20.3 percent in December 2020.

Interest rates on loans to households were higher compared to those on non-financial corporations. The average interest rate in December 2021 for households decreased to 20.9 percent, an annual decline of 0.7 percentage points. Meanwhile, the average interest rate on non-financial corporations in December 2021 decreased to 17.4 percent, an annual decrease of 0.9 percentage points, (chart 42).

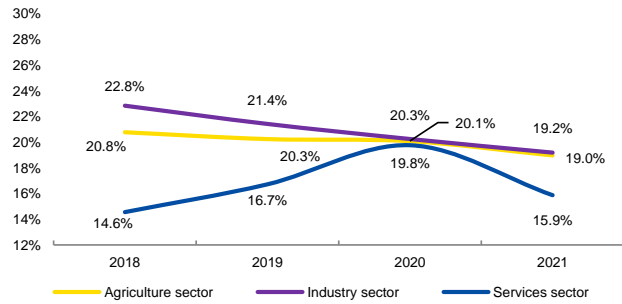
Within loans to non-financial corporations, average interest rates, on an annual basis, decreased for all economic activities, with special emphasis on the services sector (Chart 43). The interest rate on loans to the agricultural and industrial sectors decreased by 1.1 percentage points each, standing at 19.0 percent and 19.2 percent, respectively. Meanwhile, loans to the services sector had an interest rate of 15.9 percent, an annual decrease of 3.9 percentage points.

Chart 42. Average interest rate on microfinance sector loans



Source: CBK (2022)

Chart 43. Average interest rate on loans, by economic sectors

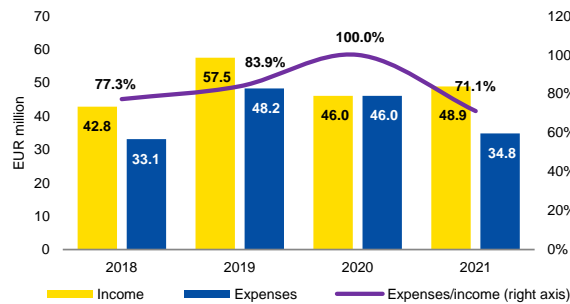


Source: CBK (2022)

### Microfinance sector performance

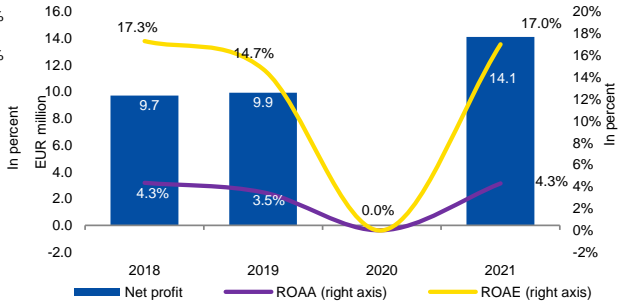
The microfinance sector generated the highest annual profit since the beginning of its operation, in the amount of EUR 14.1 million in 2021.

Chart 44. Microfinance sector income and expenses



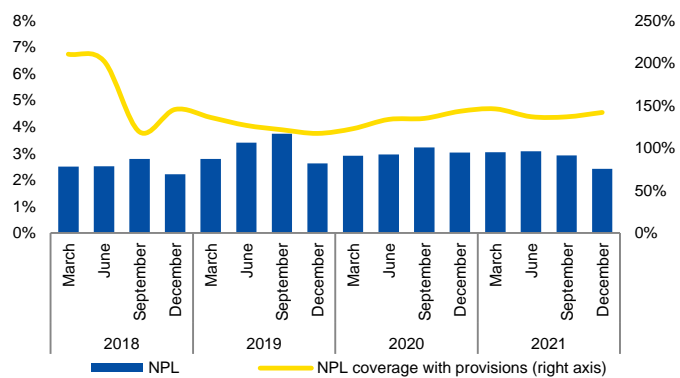
Source: CBK (2022)

Chart 45. Profitability indicators of microfinance sector



The sharp decline in expenses against the increase in revenues of the sector has affected the sector to generate high profits in 2021 (Chart 44 and 45). Within revenues, interest income, which represents the dominant category of revenues (89.0 percent), marked an annual increase of 3.0 percent (decrease of 20.1 percent in 2020), as a result of the recovery of lending activity. However, the main contribution to the growth of total revenues was the category of non-interest income (11.0 percent of total revenues). This category marked an increase of 43.0

Chart 46. Indicators of credit portfolio quality



Source: CBK (2022)

percent (decrease of 19.3 percent in 2020), mainly as a result of the increase in other operating income. Whereas, the decrease in expenses came as a result of the reduction of non-interest expenses (decrease of 37.0 percent in 2021), respectively the provisions for potential loan losses, similar to the banking sector. The category of interest expenses also marked an annual decrease (of 9.0 percent) but which was significantly lower compared to 2020 (decrease of 19.1 percent), as during 2020 there was a decrease in borrowing to finance the activities of the sector (lending and leasing). Whereas, the only category that marked an increase was that of other operating expenses by 6.8 percent, but which represents the category with the lowest share in the total expenses of the sector. The financial



results during 2021 were also reflected in the profitability indicators of the sector, which marked a significant increase compared to the previous period (Chart 46). The level of non-performing loans to total loans remained low and decreased further by 0.6 percentage points, to 2.4 percent. Meanwhile, the coverage level of non-performing loans with provisions in December 2021 stood at 141.6 percent (143.0 percent in 2020) (Chart 46).

### 3.4.6 Financial auxiliaries

The financial auxiliaries sector accounts for the largest number of financial institutions in the country, although it manages only 0.3 per cent of total assets. This sector consists of exchange bureaus and money transfer agencies (MTAs). The value of assets of financial auxiliaries in 2021 reached 24.8 million euros, which represents an annual increase of 21.1 percent. Revenues of financial auxiliaries marked an annual increase of 1.7 per cent and reached the value of 10.2 million euros by the end of December 2021. Structure of revenues of financial auxiliaries is dominated by revenues from transfers (share of 66.5 per cent), which were characterized by an annual decrease of 11.2 per cent. Whereas, the category of other revenues marked an annual increase of 42.9 per cent in 2021 and represented about 33.5 percent of the total income of financial auxiliaries. Expenses marked an annual increase of 21.0 percent, reaching the value of 6.9 million euros, which is mainly a result of the increase in total operating expenses. The net profit generated by these financial institutions in 2021 decreased to 3.3 million euros, which represents an annual decrease of 24.1 percent. The significant increase in the activity of the sector last year and the generated profits had come as a result of sending remittances through these financial institutions, due to the impossibility of visiting in person (closing of land and air borders in certain periods) due to the measures that were in force to fight the COVID-19 pandemic. Whereas, during 2021, the removal of restrictive measures as a result of the increase of vaccination affected the increase of diaspora tourism and consequently the share of remittances sent through financial auxiliaries.

### 3.5. Macroeconomic projections for 2022

As a result of easing of restrictive measures to manage the spread of the pandemic, economic activity is estimated to have increased by 10.5 percent in 2021. Regarding 2022, the CBK projections suggest that economic activity will grow more slowly with about 2.5 percent. The slowdown in economic activity is expected to be mainly due to lower growth in domestic demand, as well as the increase in the net export deficit.

Consumption, as the main component of domestic demand, is expected to record a real growth of 4.1 per cent (7.8 per cent growth in 2021). Factors that are expected to affect the growth of private consumption, among others, are the increase of loans, compensation of workers as well as increased public consumption. Investments in 2022 are projected to record real growth of 10.5 per cent (10.2 per cent increase in 2021). Bank lending is expected to continue to make a significant contribution to investment growth, which is being characterized by faster growth rates and lower interest rates. The growth of investment position is also expected to contribute to the growth of FDI.

Net exports of goods and services in 2022 are expected to have a negative impact in GDP growth. This projection is mainly based on forecasts of growth in imports of goods and services of 14.5 per cent, while exports of goods and services are expected to increase but at a lower rate of 12.8 per cent. Consequently, the trade deficit of goods and services in real terms is expected to be higher by 16.4 per cent compared to 2021.

In terms of inflation, the average rate is expected to be around 10.4 per cent, which is a higher level compared to 2021. This level of inflation is in line with inflation forecasts in the Eurozone and price developments in international markets.

## 4. Licensing and regulation of the financial system

According to the Law on CBK, its primary objective is promoting and maintaining a stable financial system. CBK is committed to achieving this objective by fulfilling duties and responsibilities as a responsible authority for licensing, supervision, and regulation of financial institutions operating in the Republic of Kosovo.

CBK, pursuant to its legal responsibilities as licensing, regulating, and supervisory authority of financial institutions in the country, engages in:

- Regulating the market entry of potential investors, setting the licensing criteria for financial institutions and institutions possessing sufficient capital for supporting foreseen activities, presenting proper preparations for risk assessment and monitoring, adequate policies and procedures on its control, as well as administrators with a high level of qualification, professionalism, and ethics.
- Drafting and maintaining a regulatory framework composed of a set of minimum criteria and regulatory requirements applicable to financial institutions, in line with primary legislation, European Directives, and international standards;
- Developing an effective supervisory process, by implementing risk-based supervisory principles through on-site examinations, as well as analysing, assessing, and interpreting the financial institutions' data, assessment of future financial trends; and undertaking remedial measures to solve various problems.
- Cooperation with financial institutions licensed and supervised by the CBK, and with foreign banking supervisory authorities operating in the territory of the Republic of Kosovo.

In order to perform its supervisory functions, CBK aims the highest levels of integrity, professionalism, efficiency, transparency, and continuous development of its supervisory capacities.

### 4.1. Licensing

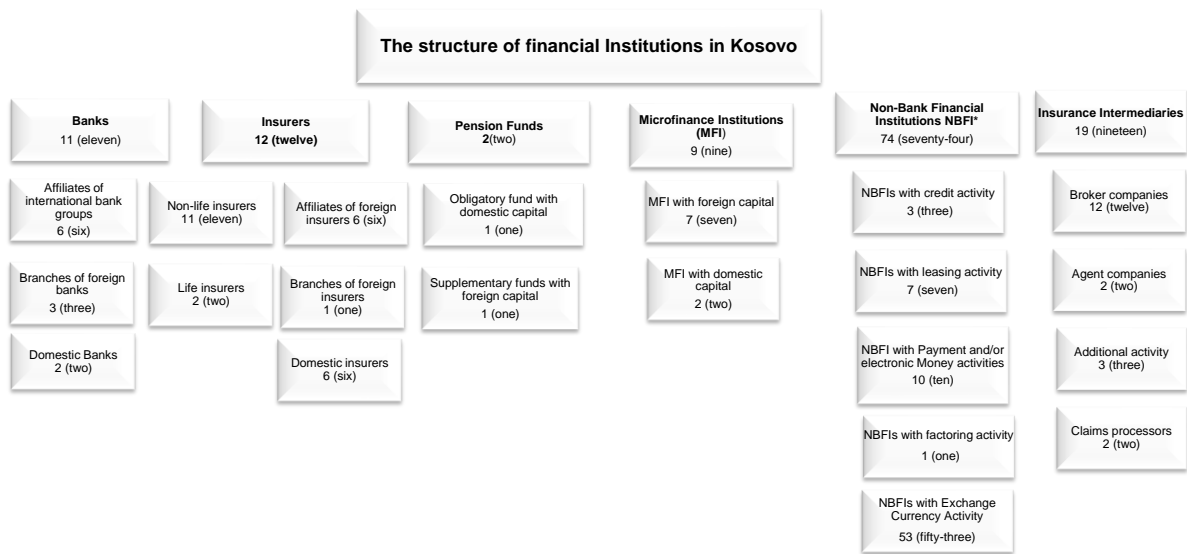
According to the Law on CBK, the Central Bank of the Republic of Kosovo is the sole authority responsible for regulation, licensing/registration, and supervision of financial institutions in the Republic of Kosovo.

CBK intends to provide a transparent and comprehensive licensing process, which helps to ensure a safe, sustainable, and competitive financial environment established based on the principle of justice, honesty, and equality. Licensing terms and criteria are supervisory in nature and are not intended to impose barriers to investors, be it internal or external. The entry of foreign investors into the Kosovo market, particularly in the financial sector, demonstrates the open CBK policy towards foreign investments, without violating legal requirements.

The financial system structure at the end of 2021, by type of licensed and registered financial institutions providing financial services in Kosovo, based on the applicable legislation in the Republic of Kosovo and CBK's applicable regulatory framework, ranked by their weight in the system, is presented in Figure 47.



Figure 47. The structure of financial system in Kosovo



\*3 NBFIs with credit activity, 4 NBFIs with payment activity, and 2 NBFIs with leasing activity perform also other activities.  
Source: CBK (2022)

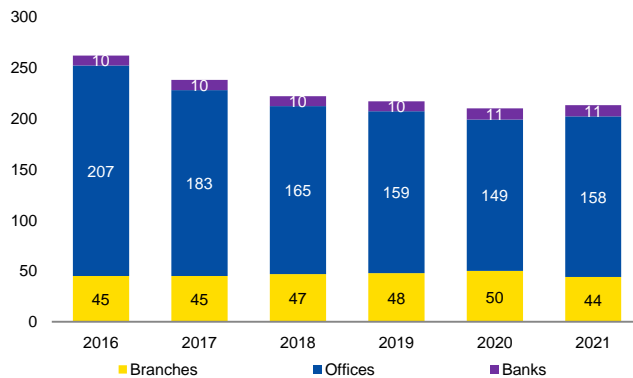
The structure of the financial system is composed of a total of 127 financial institutions, which are licensed and registered and exercise their activity in Kosovo under the applicable legislation in the Republic of Kosovo and CBK's applicable regulatory framework.

#### 4.1.1 Financial system network

By the end of 2021, banks exercised their activity in a total of 44 branches and 158 offices within the country's territory (chart 48). During this year, upon the CBK's approval, 6 branches were reduced/closed, while 9 offices were opened. Narrowing of the physical network of branches has been performed mainly based on the assessment of policies and strategies of one of commercial banks that now operate only with the system of 24/7 areas, i.e., without physical staff serving the clients and as a result of expansion of automated services such as: e-banking, ATMs, POSs, mobile banking etc.

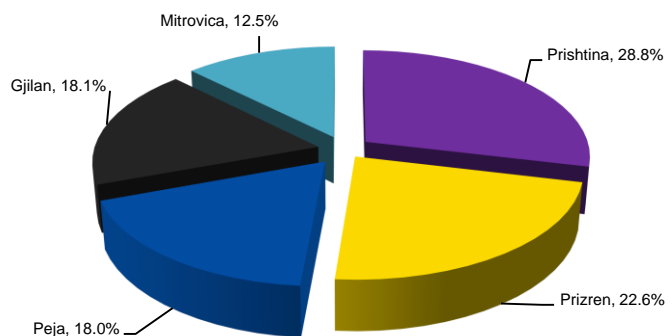
The geographical distribution of the banking network includes almost all of the country's territory, despite the marked shrinking in relation to the number of branches and offices (table 11).

Chart 48. Network of banks by number of branches/offices



Source: CBK (2022)

Chart 49. Distribution of Kosovo's population, by region



Source: KAS (2022)

However, there is still noted a greater concentration of branches and offices in the region of Prishtina (33.0 percent), where the concentration of the population is higher (28.8 percent) as shown in the chart 49.

The five-year trend suggests a consistent bank strategy regarding geographical focus, with a slight decline in the Peja and Gjilan region of the banking network. However, there is no significant change in other regions over this period in relation to the percentage of bank branches and offices, despite the changes in relation to the number of branches and offices, because the network shrinking has been made in proportional manner in all regions.

**Table 11. Geographical distribution of banks branches and offices**

Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	95	36%	38	15%	42	16%	52	20%	35	13%	262
2017	83	35%	37	16%	39	16%	47	20%	32	13%	238
2018	74	33%	35	16%	38	17%	44	20%	31	14%	222
2019	71	33%	35	16%	37	17%	44	20%	30	14%	217
2020	70	33%	34	16%	32	15%	41	19%	34	16%	211
2021	67	33%	34	17%	28	14%	38	19%	34	17%	201

Source: CBK (2022)

Insurers exercise their activity through 60 branches, 399 offices and 63 agents within the country (chart 50). During 2021, there was a shrinking of the general network of insurers in the country, which reflects the cost reduction strategy pursued by the insurers, and at the same time closing the branches and offices of an insurer that is already in the process of liquidation.

The geographical distribution of insurers' network covers almost the entire territory of the country; however, it does not match the geographical distribution

of the population. While the largest concentration of the population is in the region of Prishtina (28.8 per cent, chart 49), the concentration of insurers' network is in the region of Peja, followed by Gjilani region, which are among the the least represented regions in the total population in the country (Chart 49), and this structure is consistent over the last five years (table 12).

**Table 12. Geographical distribution of insurers' branches**

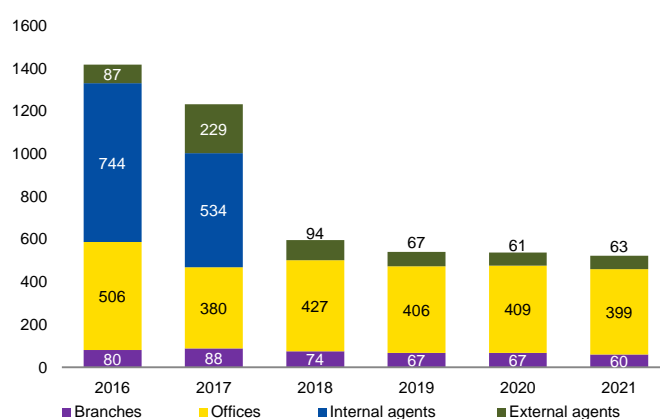
Years	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	11	15.3%	11	15.3%	21	29.2%	18	25.0%	11	15.3%	72
2017	13	17.8%	11	15.1%	20	27.4%	19	26.0%	10	13.7%	73
2018	14	18.9%	11	14.9%	20	27.0%	19	25.7%	10	13.5%	74
2019	13	19.4%	10	14.9%	18	26.9%	17	25.4%	9	13.4%	67
2020	13	19.4%	10	14.9%	18	26.9%	17	25.4%	9	13.4%	67
2021	12	20.0%	9	15.0%	16	26.7%	15	25.0%	8	13.3%	60

Source: CBK (2022)

Pension funds conduct their activity only through central offices located in Prishtina.

Microfinance institutions, by the end of 2021, conducted their activity through 130 offices distributed within the territory of the country. During 2021, the opening of 2 offices and relocation

**Chart 50. Network of insurers**



Source: CBK (2022)

of 6 offices of MFIs was approved. The geographical distribution of microfinance institution offices continues to be concentrated only in two regions of the country's territory, namely in the regions of Prishtina and Prizren (table 13).

**Table 13. MFI Network by geographical distribution**

Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	27	26%	24	23%	23	22%	19	18%	12	11%	105
2017	29	26%	26	23%	24	21%	20	18%	14	12%	113
2018	32	27%	28	23%	24	20%	22	18%	14	12%	120
2019	37	29%	30	23%	24	19%	23	18%	14	11%	128
2020	38	29%	30	23%	25	19%	23	18%	14	11%	130
2021	38	29%	30	23%	25	19%	23	18%	14	11%	130

Source: CBK (2022)

At the end of 2021, non-bank financial institutions operated in a total of 874 offices and agents distributed within the territory of the country. The geographical distribution of branches and offices of non-banking financial institutions is concentrated in almost the entire territory of the country with the exception of the Mitrovica region (table 14). The entry into the market and the registration of new financial institutions dealing with payment service, electronic money issuance and foreign exchange have contributed to this growth rate of new offices and agents of non-bank financial institutions.

**Table 14. Network of NBFIs (offices and agents), by geographical distribution**

Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	136	29%	86	18%	101	22%	103	22%	41	9%	467
2017	158	30%	97	18%	109	21%	114	22%	52	10%	530
2018	181	30%	112	19%	122	20%	129	22%	53	9%	597
2019	223	31%	127	18%	139	19%	159	22%	65	9%	713
2020	278	34%	144	17%	153	19%	173	21%	79	10%	827
2021	304	35%	157	18%	158	18%	178	20%	77	9%	874

Source: CBK(2022)

#### 4.1.2 Licensing activity

In fulfilling the function of licensing and normal operation of financial activities, CBK, during 2021, has reviewed a total of 519 requests, out of which 7 were licensing/registration applications and 512 were requests of financial institutions for transaction approval, which according to the applicable legislation, require prior approval by the CBK (table 15). This does not include: i) requests reviewed and requests carried forward for decision-making in 2021; ii) expression of interest for licensing/registration, iii) requests assessed but not subject to CBK's approval and iv) inquiries, notices and other assessments reviewed by the CBK.

In 2021 similar to the previous year, the CBK received mainly requests for registration of NBFIs.

In general, the structure of licensing requests remains similar, with a slight increase compared to the previous year or from a total of 494 requests in the previous year, to 519 requests during 2021 that include all types of requests such as: initial applications, requests for prior approvals, rejections, etc.

**Table 15. Structure of financial system requests approved/rejected by the CBK**

Transactions	2020						2021					
	Banks	Pension funds	MFI & NBFI	Insurers	Insurance intermediaries	Total	Banks	Pension funds	MFI & NBFI	Insurers	Insurance intermediaries	Total
Applications	0	0	11	0	0	11	2	0	5	0	0	7
Main shareholders and changes in equity	0	0	3	5	2	10	2	0	7	1	1	11
Director and senior managers and delegation of functions	17	0	47	48	2	114	21	0	33	30	11	95
External auditor	10	2	26	14	3	55	10	2	25	14	6	57
Ndryshimet në aktin e themelimit dhe/apo statuti/ emrit	7	2	7	2	1	19	7	0	7	0	1	15
Income from capital interest and transferring of portfolio	0	0	0	0	0	0	2	0	0	0	0	2
Expansion of financial activities	1	0	5	1	1	8	1	1	0	3	0	5
Opening, moving and closing of branches and offices in the country and abroad	13	0	55	27	5	100	27	0	41	30	1	99
Licensing and registration of agents/brokers	7	0	96	1	4	108	47	0	92	10	13	162
Revocation of licensing/registration	0	0	53	9	0	62	0	0	51	10	3	64
Other	0	0	0	6	1	7	0	0	0	2	0	2
<b>Total</b>	<b>55</b>	<b>4</b>	<b>303</b>	<b>113</b>	<b>19</b>	<b>494</b>	<b>119</b>	<b>3</b>	<b>261</b>	<b>100</b>	<b>36</b>	<b>519</b>

Source: CBK (2022)

Within these 7 applications for licensing/registration, the CBK has processed during 2021 applications for licensing/financial registration as follows:

- Application for registration of “Velanis Kosova” J.S.C., as a Non-Bank Financial Institution to exercise payment service, electronic money and currency exchange activity;
- Approval of the licensing as Insurance Intermediaries of “Banka Për Biznes” J.S.C.;
- Application for registration of "Zvilo Factor" L.L.C., as a Non-Bank Financial Institution to exercise the Factoring activity;
- Rejection of application of “OneFor Kosovo” L.L.C., for registration as a Non-Bank Financial Institution to exercise Payment Service and Electronic Money Issuance activity;
- Approval for registration of “Finser” L.L.C., as a Non-Bank Financial Institution to exercise payment service activity;
- Approval of the request of the representative office from "Banka e Tiranës" J.S.C.
- Approval for registration of “TAFA” L.L.C., as a Non-Bank Financial Institution to exercise the currency exchange activity.

In the licensing process, the CBK has paid special attention to the implementation of the principles and basic rules for responsible and effective governance, evaluating organizational structures, management, and allocation of responsibilities.

Based on the regulations in force, during 2021, the CBK has reviewed (approved/rejected) and processed requests for prior approval from the financial institutions as follows:

- Approval of 2 requests for changes in the main shareholder, 1 request was withdrawn and 3 other requests are under review;
- Approval of 56 external auditor requests, while 1 request was withdrawn during the process of review by the applying institutions;
- Approval of 3 requests of the external member of the audit committee;
- Approval of 28 requests for appointment of new members of the board of directors in financial institutions, 2 requests were rejected while 1 is in the process of review;
- Approval of 52 requests for approval of the appointment of senior managers, 6 requests of this type were rejected while 2 others were withdrawn during the process of review by the applicant institutions, 1 request for approval of the appointment of senior managers received during 2021 was not finalized until the end of the year;

- Approval of 44 requests for opening new branches and/or offices of financial institutions, 1 request was withdrawn during the process of review by the applicant institution, 33 requests for relocation of new branches and/or offices of financial institutions were also approved;
- Approval of closure of 19 offices of financial institutions;
- Approval of 11 requests for licensing of new brokers of insurance intermediaries;
- Approval of licensing/registration of 148 new agents of financial institutions, 60 applications for withdrawal of license/registration of agents of financial institutions were also approved;
- Approval of 11 requests for approval of amendments to the founding acts and/or statutes of financial institutions;
- Approval of 1 request to change the name of a Non-bank Financial Institution;
- Approval of 4 requests for changes in capital;
- Approval of 3 requests for expansion of activity;
- Approval of 1 request for delegation of functions to insurers;
- Approval of 1 request for appropriation of capital interest of the Non-Bank Financial Institution.

## 4.2. Regulation

### 4.2.1 Legal and regulatory framework of financial system

The drafting of new sub-legal acts as well as the review of the regulatory framework in force aims at supplementing and consistently improving this framework, in order to achieve a more effective supervision and to implement legal requirements for financial institutions licensed/registered and supervised by the CBK, through alignment with the European Union regulatory acts, the basic principles for effective supervision and the documents of the Basel Committee as well as other relevant institutions.

Insofar, the CBK has established a regulatory framework for licensing, regulation, and supervision of financial institutions based on best international practices and continuously supported by the World Bank, International Monetary Fund, USAID, US Treasury, KfW, GIZ, European Central Bank, European Bank for Reconstruction and Development, and other international institutions. The regulatory framework has been drafted in alignment with EU Directives addressing the regulation of financial institutions, such as international standards and best practices on regulation and supervision of financial institutions. Also, CBK has continued with the gradual process toward approximation with basic principles on supervision of banks issued by BIS – Bank for International Settlements and basic principles on the supervision of insurers issued by IAIS – International Association for Insurance Supervision. Since the directives, international standards and abovementioned principles on the regulation of financial institutions and the field of their activity are of a dynamic character, this makes the process of drafting the legal framework a continuous and complex process as it requires the amendment and supplementation of the existing legal and regulatory framework and it requires an adequate approach, in order to carefully study specific circumstances of Kosovo, for an adequate adaptation of such international legal instruments to the needs of financial sector in Kosovo.

In order to further develop the regulatory framework for the supervision of financial institutions, the CBK during 2021 has carried out the activities described below.

## 4.2.2 Legal and regulatory framework for banking supervision

In order to further develop the regulatory framework for regulation of banks, the CBK has carried out the following activities during 2021.

### 4.2.2.1 New Draft Law on Banks

In 2019, the Working Group within CBK has prepared the new draft on banks, which includes also the comments received from the Banking Association. The new draft Law has been drafted in line with the European directives, regional legal framework and international banking standards. This draft law regulates with a special chapter the process of recovery and resolution of banks, thus transposing the EU Directive and relevant regulations and upgrading banking regulation in parallel with the countries of the region and developed European countries. Its drafting was supported by international banking experts engaged within the US Treasury, International Monetary Fund (IMF) and European Bank for Reconstruction and Development (EBRD). During 2022, it is expected to be finalised and forwarded for adoption to the responsible institutions of the Republic of Kosovo.

### 4.2.2.2 Regulatory Framework for Recovery, Resolution and Liquidation of Banks

The CBK has drafted the Chapter of the new Draft Law on Banks which addresses the part of bank recovery, resolution and liquidation with the support of EBRD technical assistance. Following the adoption of the new Draft Law on Banks, during 2022, there are plans to adopt regulations which have been drafted by the CBK and derive from the new part drafted in the draft law regulating the process of bank recovery and liquidation based on the European Directive on the same process. These regulations define how this process will take place, the main stakeholders during this process, the qualifications of certain persons as official administrators or liquidators and any other process necessary and required in the implementation of the new draft law on banks.

### 4.2.2.3 Alignment with EU regulations regarding liquidity risk management in banks

During 2021, two draft regulations and two guidelines on bank liquidity have been finalized, for which the process of addressing the comments of the Banking Association has been finalized and will be further processed for approval:

- Regulation on liquidity coverage ratio (LCR);
- Regulation on net stable funding ratio (NSFR);
- Methodological guideline for the implementation of the Regulation on liquidity coverage ratio (LCR);
- Methodological guideline for the implementation of the Regulation on net stable funding ratio (NSFR);

These regulations and guidelines have been drafted in order to align with EU regulatory requirements. The Regulation on Liquidity Coverage Ratio (LCR) is based on EU Regulation 2015/61 on liquidity coverage requirement dated 10 October 2014 as well as EU Regulation 2018/1620 for the supplementation of the Regulation 2015/61 on liquidity coverage requirement dated 13 July 2018. While the Regulation on Net Stable Funding Ratio (NSFR) - is based on Regulation EU 2019/876 dated 20 May 2019 (Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012).

The draft Regulation on net stable funding ratio, the draft Regulation on liquidity coverage ratio and the guidelines for their implementation are expected to be approved within 2022.

#### **4.2.2.4 Regulation on liquidity risk management**

During 2021, the Regulation on the management of banks' liquidity risk was revised and supplemented/amended according to the Basel standards and the EU Regulation to reflect the latest developments in the risk management. The regulation has been sent to the industry for comments and after addressing the comments, it will be processed for approval.

#### **4.2.2.5 Regulatory Framework on Appraisal of Immovable Properties**

The CBK continued the project on the revision of the regulatory framework for appraisal of immovable property, in order to update the requirements to improve the practices of appraisal of immovable property by financial institutions in compliance with the new European standards (European Valuation Standards - EVS 2016). This project is developed under the support of US Treasury advisor, an expert with long experience in the field of real estate appraisal for the needs of banks. Within this project, the Regulation on Appraisal of Immovable Properties has been drafted and is expected to be approved by the CBK Board in 2022.

#### **4.2.2.6 Regulation on country risk and transfer risk**

During 2021, a regulation was drafted which addresses the country risk that refers to the possibility or risk that a foreign borrower (state or other) will not be able or willing to meet obligations due to specific country conditions, that may be economic, political, social, natural or other events, as well as the transfer risk which is one of the country's risks and refers in more detail to the risk associated with the foreign currency's ability to service the external debt of a country. The regulation is expected to be adopted during 2022.

#### **4.2.2.7 Regulation on Access to Basic Accounts and payments for services**

In order to approximate our legislation with European standards and best practices, the approval of this Regulation is planned, which has started to be drafted during 2020 by the working group. This Regulation is based on the European Directive 2014/92/EU on the comparability of fees associated with payment accounts, the transfer of payment accounts and access to payment accounts with basic features.

#### **4.2.2.8 Regulatory framework for banks according to Decision No. 15-06/2021**

By decision of the Executive Board, a working group for the advancement of banking regulation has been established, as the regulatory framework for banks is planned to be further advanced by harmonizing it with the Basel Standards and EU Regulations and Directives with the following regulations:

- Defining more detailed criteria regarding the default of a borrower through a new regulation regarding the default;
- Defining macroprudential measures through the establishment of regulatory requirements for capital surplus in the Regulation on capital adequacy;
- Reviewing and supplementing the Regulation on liquidity management (internal liquidity adequacy assessment process - ILAAP);
- Reviewing the Regulation on large exposures;



- Compiling a regulation related to the Basel principles (BCBS 239) for the aggregation of risk data effectively, as well as its reporting;
- Developing and regulating the secondary market related to non-performing loans;
- Adopting the 3rd Pillar of the Basel framework;
- Adopting the Guidelines of the European Banking Authority regarding the granting and monitoring of loans;

#### **4.2.2.9 Regulation on corporate governance of banks**

During 2021, work has been done on drafting the new regulation on corporate governance of banks, which supplements/amends the existing Regulation on corporate governance of banks, with the support of technical assistance within the project on corporate governance supported by the EBRD. The same is expected to be approved during 2022.

#### **4.2.2.10 Advisory letter for corporate governance of banks**

During 2021, the draft of this advisory letter for corporate governance of banks was drafted with the support of technical assistance within the corporate governance project supported by the EBRD. The same is expected to be approved during 2022.

#### **4.2.2.11 Other acts drafted and/or approved for e-banking regulation**

In 2021, within the working group, the Regulation on electronic payment instruments was supplemented/amended in order to regulate the exchange fee. This Regulation was approved by the CBK Board on 27 January 2022.

### **4.2.3 Regulatory Framework for Microfinance Institutions (MFIs) and Non-Bank Financial Institutions (NBFIs).**

In order to further develop the regulatory framework for the regulation of microfinance institutions, as well as non-bank financial institutions, during 2021 the following legal and sub-legal acts have been drafted:

#### **4.2.3.1 Draft Law on MFIs and NBFIs**

Drafting of this law was done by the inter-institutional working group which also included the CBK. This draft was approved by the Government during 2018 and then proceeded to the Assembly of the Republic of Kosovo for approval. The same is expected to be approved by the Assembly of the Republic of Kosovo in 2022.

#### **4.2.3.2 Regulation on corporate governance of MFIs and NBFIs**

During 2021, work has been done on drafting a new regulation on corporate governance of MFIs and NBFIs, with the support of technical assistance within the corporate governance project supported by the EBRD. The same is expected to be approved during 2022.



#### **4.2.3.3 Advisory letter for corporate governance of MFIs and NBFIs**

During 2021, the draft of this advisory letter for corporate governance of MFIs and NBFIs was drafted with the support of technical assistance, within the project on corporate governance supported by the EBRD. The same is expected to be approved during 2022.

#### **4.2.4 Regulatory framework on insurers**

In order to further develop the legal and regulatory framework on insurers and insurance intermediaries during 2021, the following legal and sub-legal acts have been drafted:

##### **4.2.4.1 Draft Law on Compulsory Motor third party liability insurance**

The CBK during 2020 and 2021 has drafted amendments and supplementations to this law, including addressing the comments of the Insurance Association. The draft Law on Compulsory Motor Third Party Liability Insurance, as finalized, will be processed for approval by the responsible institutions of the Republic of Kosovo.

##### **4.2.4.2 Regulation on corporate governance of insurers**

During 2021, work has been done on drafting the new regulation on corporate governance of insurers, which supplements/amends the existing regulation on corporate governance of insurers, with the support of technical assistance within the project on corporate governance supported by the EBRD. The same is expected to be approved during 2022.

##### **4.2.4.3 Advisory letter for corporate governance of insurers**

During 2021, the draft of this advisory letter for the corporate governance of insurers was drafted with the support of technical assistance within the project for corporate governance supported by the EBRD. The same is expected to be approved during 2022.

##### **4.2.4.4 Regulation on insurer liquidity risk management**

The draft of this regulation has been drafted during 2021. By the end of the first quarter of 2022, it is planned that it will be ready for approval by the responsible bodies of the CBK.

##### **4.2.4.5 Regulation on operational risk management of insurers**

During the examinations performed on the insurers, it was seen as necessary the regulation of operational risk management. The CBK during 2021 has drafted a regulation on operational risk management of insurers. This regulation will address additional requirements for insurers regarding the management of this risk and the same is planned to be approved during 2022.

##### **4.2.4.6 Regulation on insurers information systems**

The draft of this regulation was drafted during 2021. The regulation sets out the minimum criteria and conditions that insurers must meet for the organization and operation of their information systems, which enable the reduction of operational risk that may be caused by misuse of information systems, as well as to maintain the reliability of these systems in supporting the activity of insurers. During 2022, it is planned that it will be ready for approval by the responsible bodies of the CBK.

#### **4.2.4.7 Regulation On Kosovo Insurance Bureau Reporting and Oversight Standards**

The draft with amendments and supplementations to this regulation was drafted by the CBK during 2021. Through these amendments, in particular, the requirements and criteria for approval of important positions in the Kosovo Insurance Bureau were addressed. This regulation is expected to be processed for approval during 2022.

#### **4.2.4.8 Regulation on transactions with related parties of insurers**

The draft of this regulation has been drafted during 2021. This regulation regulates the transactions of insurers with related parties. With the entry into force of this regulation, which is expected to be approved during 2022, Rule 27 on insurances will be repealed.

#### **4.2.5 Regulatory Framework on Pension Funds**

During 2021, the following regulations in the field of Pension Funds were drafted and subsequently submitted for approval to the Board of the CBK:

- Regulation on termination of employer pension fund;
- Regulation on the termination of individual supplementary pensions;
- Regulation on participation in the pension fund and occupational categories of employees.

## 5. Supervision of the financial system

In order to reflect its activity in the field of financial system supervision, in line with the requirements deriving from the relevant primary and secondary legislation, the following presents the financial supervision activity by nature of financial institutions.

### Banking sector

During 2021, despite continuing with the challenges of the Covid-19 pandemic, the implementation of the banking examination plan continued, through the application of the risk-based supervision approach. As a result of the pandemic even during 2021, on-site bank supervisory activities have not been complete, affecting the incomplete implementation of the banking examination plan. During 2021, the following examinations were performed in banks:

**Table 16. Number of bank examinations**

Institutions	Type of Examination
Banks	1 full examination 5 focused examinations

Source: CBK (2022)

In addition to the full examinations, the focused examinations of banks verified the application of IFRS 9, information technology, as well as the verification of the status of fulfillment of the recommendations from the preliminary examinations. As an integral part of the examinations, relevant recommendations are given with deadlines for implementation, depending on the weight, impact and sensitivity of the findings. Their fulfillment was continuously monitored by the bank, where it was verified that those recommendations were fulfilled according to the specified deadlines.

### Anti-Covid-19 mitigation measures

In addition to the guidelines in June and August 2020, in February 2021, the CBK issued the third and final guideline, providing an additional deadline for loan restructuring. The guideline specifies the categories of loans for restructuring, as well as their term. Consequently, December 2021 was the deadline when the loan restructuring period under the Covid-19 clause ended.

### Microfinance Institutions and Non-Bank Financial Institutions Sector

The CBK has continuously monitored the financial performance of microfinance institutions and non-bank financial institutions throughout the year through monthly reports, which were submitted to the CBK, and depending on the needs has taken the necessary actions, followed by concrete recommendations, to be implemented by these institutions.

The sector of microfinance institutions and non-bank financial institutions has continued to be characterized by continuous growth throughout 2021 both in terms of the operation of new institutions in this market, as well as in terms of financial performance. As a result, during 2021 the following examinations were performed:

**Table 17. Number of examinations at MFI and NBFi**

Institutions	Type of Examination
MFI	1 focused examinations
NBFi	5 full examinations

Source: CBK (2022)

The purpose of the full examinations was to assess the general condition of the institutions including the adequacy of the functioning of internal controls, the management of the institution, compliance with CBK laws and regulations, the evaluation of internal policies and procedures, the financial statements of the institution and other relevant areas, including the information technology functioning system of the institution, while the purpose of the focused examination was to assess capital adequacy in accordance with applicable regulations. Characteristic of the examinations of 2021 is the supervision of the involvement of the NBFi sector in fintech, respectively the activity of electronic money which activity is allowed by the CBK to certain institutions, according to the legal framework in force.

In order to be proactive in the supervisory process by microfinance institutions and non-bank financial institutions with lending activity, it is continued the following of the strategic plans and financial projections for the period 2021-2023, in order to evaluate these business plans, as well as expectations on developments in the sector of microfinance institutions and non-bank financial institutions during this period.

### Insurance sector

The CBK has continued its activities in carrying out its duties and responsibilities for prudential supervision of the insurance sector, despite the continuation of restrictions as a result of facing Covid-19. The supervision activity was carried out through the system of monitoring and analysis of financial reports, as well as other data reported by insurers and insurance intermediaries and on-site supervision - examinations.

Initially, due to circumstances and uncertainty from Covid-19 and consequently potential negative effects on the business and financial performance of the insurer, the CBK during 2020 has decided to postpone financial recovery plans for insurers who have been subject to relevant administrative measures. Due to non-fulfillment of the financial recovery plan and difficult financial situation, the Executive Board of the CBK had placed the insurer "Kosova e Re" JSC. under temporary administration from 1 November 2020 until 24 September 2021. Taking into account the serious financial situation of the insurer and the lack of willingness of the insurer shareholder to meet the capital requirements, the CBK on 24 September revoked the insurance license of "Kosova e Re" JSC, resulting in two insurers in process of compulsory liquidation. Regarding the active compulsory motor liability insurance policies of the insurer "Kosova e Re" JSC, the insurers operating in the insurance market have taken over all the active compulsory insurance policies of this insurer, so that citizens do not need to repurchase insurance policies. Meanwhile, another insurer continues to be in the plan for financial recovery.

As a result of the continuation of occasional restrictions, the year 2021 has continued to be challenging in organizing and conducting on-site examinations, but despite this, CBK is fully engaged in adapting to new circumstances in conducting full and focused examinations. The purpose of the examinations was to assess the general condition of the relevant institutions in relation to the risk profile and compliance with the laws and regulations of the CBK, in order to protect policyholders and maintain the financial stability of institutions. The classification of insurers to be subject to examinations is based on several factors ranging from the analysis of financial indicators from regular reporting to the CBK, the opinion of financial statements from the external auditor, preliminary examinations conducted, complaints of policyholders to the CBK,

and other factors. This has influenced the prioritization of the most risky institutions to be subject to the next examinations by the CBK and consequently to increase the level of effective supervision.

**Table 18. Number of examinations of the insurance sector**

Institutions	Type of Examination
Insurers	5 full examinations 1 focused examination
Claims treaters	2 full examinations
Intermediaries	3 full examinations

Source: CBK (2022)

The CBK during 2021 in order to harmonize with the modern principles of insurance supervision, to expand and promote the early identification of risks present with insurers, as well as the drafting of prudential supervisory recommendations in order to maintain the security and financial stability of insurers, has continued with the implementation of the Risk-Based Supervision Manual for Insurers, which is an advanced conceptual framework related to supervision. Also, during 2021 CBK was engaged in projects with material impact on the regulatory and supervisory framework of insurers.

- The CBK during 2021, supported by assistance provided by the World Bank (WB), has started the long-term project for alignment with capital requirements under Solvency II. During the first half of 2022, the roadmap for approximation to capital requirements under Solvency II is expected to be finalized.
- Determining the premium for the product of compulsory motor liability insurance according to risk factors and the process of preparation for market liberalization;

The non-life insurance sector, at the end of 2021, in addition to the two insurers, has achieved full compliance with the legal requirements in relation to the guarantee fund, solvency and eligible assets to cover technical provisions, marking a significant improvement compared to earlier periods. This improvement from the same period of the previous year, comes as a result of not including in the calculation of the insurer "Kosova e Re" since on 24 September 2021, the Executive Board of the CBK has taken the decision to revoke the insurer license and open of liquidation proceedings.

Consequently, the capital in relation to the guarantee fund for non-life insurers results in 135 percent above the accepted rate of 100%, while for life insurers the ratio results in 153.5 percent. The coverage of technical provisions with eligible assets reached 109.3 percent for non-life insurers and 115.9 percent for life insurers. However two insurers continue to be below the minimum legal requirements for capital and eligible assets to cover technical provisions.”

Note:

In the calculations of capital and eligible assets ratios to cover technical provisions are included the assets from the reinsurance of the Loss portfolio transfer agreements.

### Pension funds

In order to maintain the stability of the financial sector, in 2021 examinations were conducted in pension funds according to the annual plan. Pension oversight has been consistent with international practice in the relevant field, applying the risk-based oversight approach, with a strong focus on fund management, investment strategy, effectiveness of internal controls, maintaining adequate liquidity and other risks.

Regarding the supervision of pension funds, during 2021, three full examinations of pension funds and one focused examination of one bank were conducted, in order to assess the general condition of pension funds for the financial year 2020, assessing compliance with relevant laws and regulations of the CBK, the effectiveness of the functioning of internal controls, the implementation of recommendations raised in the examination reports of the CBK, in order to protect the pension funds saved by contributors and to maintain the financial stability of funds.

**Table 19. Number of examinations**

Institutions	Type of Examination
Pension funds	3 full examinations
TEB Bank	1 focused examination

Source: CBK (2022)

### Prevention of money laundering

The CBK, based on paragraph 4 of Article 34 of the Law on Prevention of Money Laundering and Combating Terrorist Financing, exercises supervisory powers in financial institutions regarding compliance with this Law and relevant regulations. During 2021, the CBK has continued to carry out the supervisory function in financial institutions regarding compliance with the prevention of money laundering and terrorist financing by conducting a total of eight examinations. Three examinations were performed in banking institutions, two of them full and one focused examination. In microfinance and non-banking institutions, three examinations were performed - two full and one focused. While insurers are covered with two focused examinations. The following table presents the number of examinations performed for 2021.

**Table 20. Number of examinations**

Institutions	Type of Examination
Banks, NBF and Insurers	4 full examinations
	4 focused examinations

Source: CBK (2022)

For the most effective implementation in practice of the law on the prevention of money laundering and combating terrorist financing, it is necessary to issue instructional acts. In this regard, the "Instruction on the use of the form on the origin of funds and the determination of the property right holder" has been approved, the purpose of which is to determine the manner of using the form on the origin of funds and the determination of the holder of the right of ownership.

In terms of strengthening cooperation and increasing care for the financial sector, meetings were held with the compliance committee within the Association of Banks and with commercial banks, in which meetings were considered the requirements related to the legal and operational framework of the field. Whereas within the joint project of the European Union and the Council of Europe against Economic Crime in Kosovo (PECK III), the CBK has continued with active participation in the meetings of the Steering Council of the project. Also during 2021, the requests regarding the assessment of the suitability of natural and legal persons regarding the field of money laundering and terrorist financing have been addressed.

## Complaints of users of financial services

During 2021, the complaints of the users of financial services were received, systematized and reviewed in accordance with the relevant regulation, as well as regular reports were made regarding the activities for handling the complaints of the users of financial services.

During 2021, 1,045 complaints of users of financial services (natural and legal persons) were reviewed):

- The total number of complaints against commercial banks addressed to the CBK for 2021 was 542, while the most frequent complaints were related to credit products (credit and credit card) respectively the classification in the Credit Registry of Kosovo (CRK).
- The total number of complaints against microfinance institutions (MFIs) and non-bank financial institutions (NBFIs) addressed to the CBK for 2021 was 121. Even in these institutions, the most frequent complaints were related to the loan product, namely the classification in the Credit Registry of Kosovo.
- The total number of complaints against insurance companies addressed to the CBK for 2021 was 339. The most frequent complaints are related to non-compensation of material and non-material damage from TPL motor third party liability insurance, non-compliance with deadlines for payment under out-of-court agreements, and non-reimbursement of medical expenses by health insurance.

**Table 21. Number of complaints over the years**

Financial industry	Number of complaints by years		
	2019	2020	2021
Commercial banks	550	1,048	542
MF/NBFI	156	376	121
Insurance companies	495	409	339
Pension funds	0	5	3
Other claims	10	8	20
Total complaints	1,211	1,846	1,025

Source: CBK (2022)

The table above shows the number of complaints reviewed during the last three years. The number of complaints received and handled in 2021 is lower compared to 2020. 2020 has been a challenging year in terms of workload and the reason for the increase in the number of complaints received and handled has been the impact of the pandemic in the financial industry, namely the provision of the possibility of a moratorium. Of the total number of complaints reviewed, 34% of complaints were resolved in favor of the parties.

**Table 22. Number of complaints by status**

Financial industry	Total complaints	Supported	Rejected
Commercial banks	542	183	359
MF/NBFI	121	26	95
Insurance companies	339	133	206
Pension funds	3	1	2
Other claims	20	2	18
Total complaints	1,025	345	680

Source: CBK (2022)

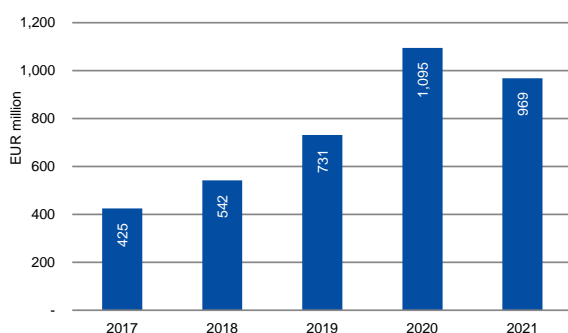
## 6. Services provided to the authorities, the financial community and the public

### 6.1. Operations and cash management

The CBK, as part of its cash management operations, ensures that the domestic economy is supplied with the appropriate amount and quality of euro banknotes and coins. For the realization of this function, it maintains and manages monetary reserves, regulates and determines the standards of financial institutions in the field of cash transactions related to the control and circulation of banknotes and coins, the obligation to withdraw from circulation money suspected of being counterfeit and unfit for re-circulation, as well as criteria for exchanging damaged money.

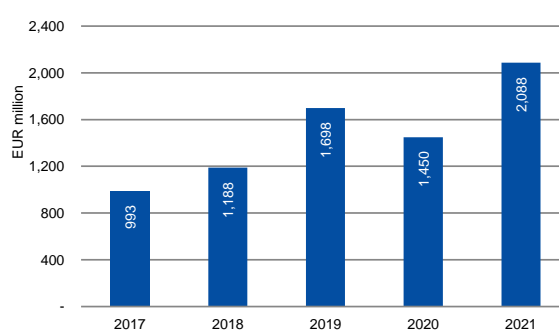
During 2021 the CBK successfully supplied the local economy with the right quantity and quality of euro banknotes and coins.

Chart 51. Supply with cash, (value) EUR million



Source: CBK (2022)

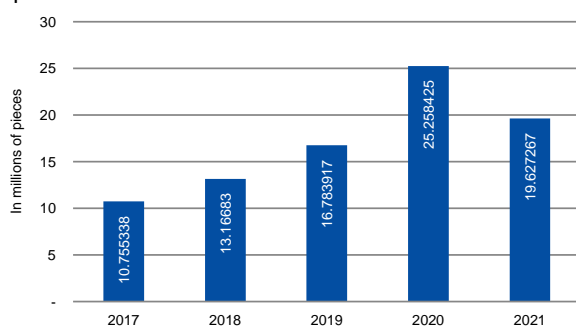
Chart 52. Cash admission, (value) EUR million



Source: CBK (2022)

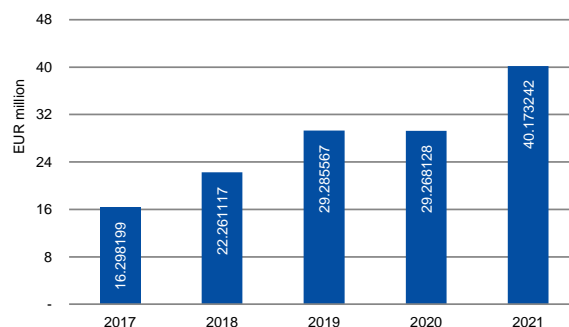
The total value of cash supply in 2021, marked a slight decrease of 11.5 percent compared to 2020. This decrease in supply during 2021 is explained by the fact that during 2020 there was an increased demand for cash due to the Covid-19 pandemic and in 2021 the demand for cash returned to normal. The structure of cash supplied according to denominations, which is primarily determined by the requirements of the banking sector, did not change significantly from 2020 to 2021.

Chart 53. Supply with cash, (volume) in millions of pieces



Source: CBK (2022)

Chart 54. Cash admission, (volume) in millions of pieces



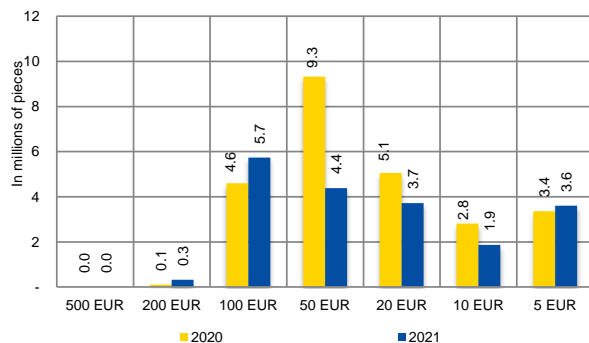
Source: CBK (2022)

In euro banknotes, the demand for delivery volumes during 2021 marked a decrease of 22.3 percent compared to 2020 and the demands for delivery of denominations of 5, 10, 20, 50 and 100 euros continued to dominate. Demand for denomination volumes in the amount of 200, 100 and 50 euros marked a group decline of about 25.7 percent compared to last year while demand for denomination volumes in the amount of 20, 10 and 5 euro marked a group decline of 18.1 percent.



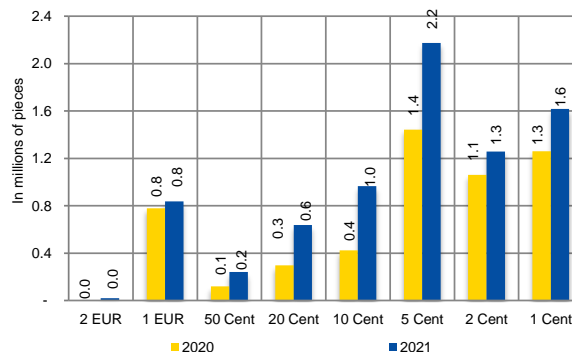
As shown in the Charts below, during 2021, the CBK supplied the banking sector with over 19.63 million euro banknotes (worth over 967.2 million euros) and over 7.74 million euro coins (worth close to 1.37 million euros).

Chart 55. Supply with EUR banknotes, by denominations



Source: CBK (2022)

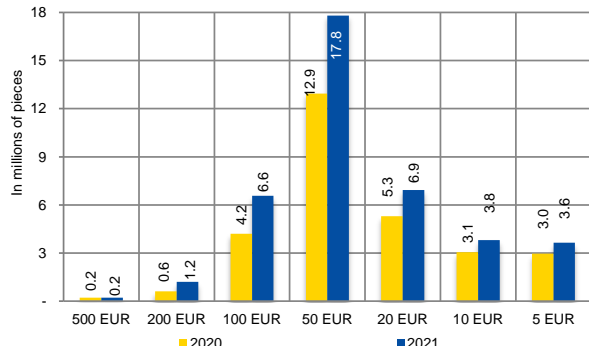
Chart 56. Supply with EUR coins, by denominations



Source: CBK (2022)

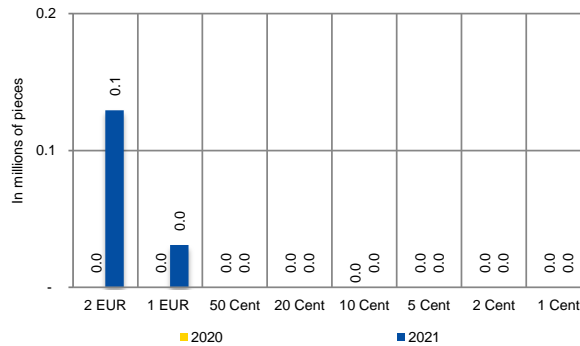
Volumes of demand for supply of coins during 2021 marked an increase of about 44.0 percent compared to 2020. Demand for supply of euro coins in 2021 was dominated by small coins of 1, 2 and 5 euro cents. Compared to the previous year, the requests for denominations of 5, 2 and 1 euro cents marked a group increase of 66.8 percent, while the requests for supply of denominations of 2 euros, 1 euro and 50 euro cents marked a group increase of 34.2 percent compared to the previous year.

Chart 57. Received EUR banknotes, by denominations



Source: CBK (2022)

Chart 58. Received EUR coins, by denominations (number of pieces)



Source: CBK (2022)

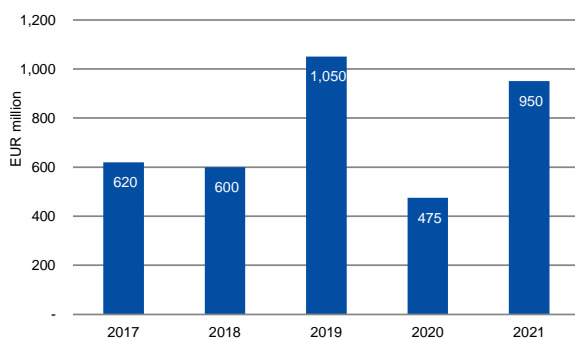
The total value of cash received as deposits marked an increase of 44.0 percent in 2021 compared to the previous year. Expressed in value, cash deposits amounted to 2.09 billion euro banknotes and 0.29 million euro coins respectively. The CBK received from the banking sector over 40.17 million pieces of banknotes (on average about 160,000 pieces of banknotes per day), while the deposit of coins was only 160,000 pieces. Banknote volumes received during 2021 marked an increase of about 37.3 percent compared to 2020.

The structure of euro banknotes received during 2021 has not changed significantly from the previous year and as shown in the chart below, coin deposits were at zero level in 2020.

Similar to previous years, during 2021 the cash received was at a higher value than the cash supplied. In fact, during 2021 net cash (surplus) was about 1.12 billion euros, which was significantly higher than last year when net cash was about 354.56 million euros. This increase was mainly due to the increase in the volume of cash deposits from the banking sector on the one hand and the decline in demand for cash on the other.

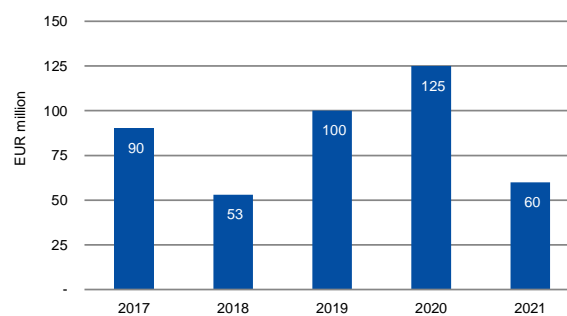
Since the CBK keeps only the optimal level of cash needed to conduct operations, the surpluses are sent to the Euro area, which then are used to make international payments, and through investments are returned to interest-earning assets. Net remittances abroad in 2021 amounted to 890.00 million euros, being higher by 154.3 percent than a year earlier when they were 350.00 million euros. This net increase in remittances in 2021 came as a result of the increase in deposits from the banking sector on the one hand and the decline in demand for cash on the other. The performance of exports and imports of cash over the past years are presented in the following two charts.

Chart 59. Export of cash (value), EUR million



Source: CBK (2022)

Chart 60. Import of cash, (value) EUR million

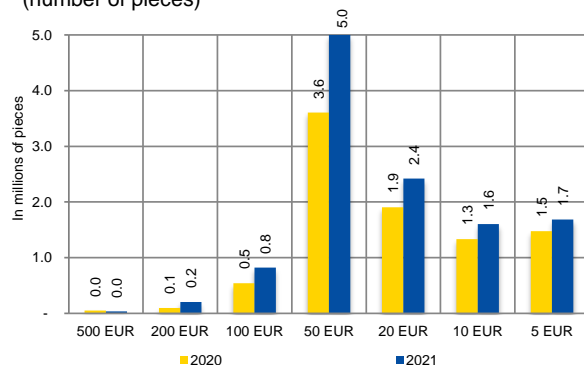


Source: CBK (2022)

During 2021 all cash received from the banking sector was processed by being checked for authenticity and classified according to the degree of eligibility (40.17 million euro banknotes).

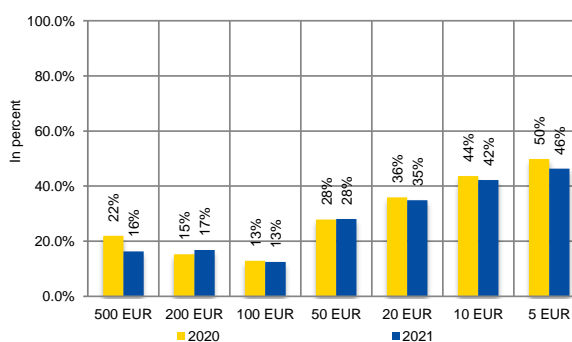
About 11.77 million euro banknotes (29.3 percent of the total number of euro banknotes deposited by the banking sector) during 2021 were classified as unfit for re-circulation (highly obsolete/damaged) and were withdrawn from circulation by being sent to the banks of Eurozone. Such a significant amount of ineligible euro banknotes withdrawn from circulation significantly contributed to the improvement of the quality of cash in circulation in the Republic of Kosovo. Similar to previous years, the banknotes that were mostly classified as unfit for recirculation were those of 50, 20, 10 and 5 euro denominations. They accounted for about 91.0 percent of unfit banknotes withdrawn from circulation due to more frequent use by citizens.

Chart 61. Outdated banknotes withdrawn from circulation (number of pieces)



Source: CBK (2022)

Chart 62. Outdated banknotes withdrawn from circulation from total received ones (in percent)



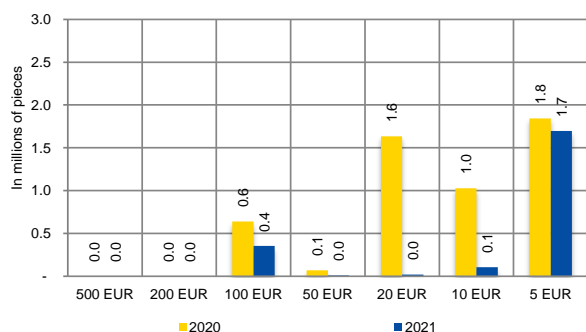
Source: CBK (2022)

The quality of cash in circulation was also improved through the delivery of brand-new euro banknotes to the banking sector, brought from the Eurozone. During 2021, the CBK delivered the banking sector with more than 2.18 million new euro banknotes (11.1 percent of the total number of euro banknotes delivered).

About 83.3 percent of the new banknotes delivered during 2021 were low-denomination banknotes (20, 10 and 5 euros), which were delivered to commercial banks for the purpose of repaying cash transactions.

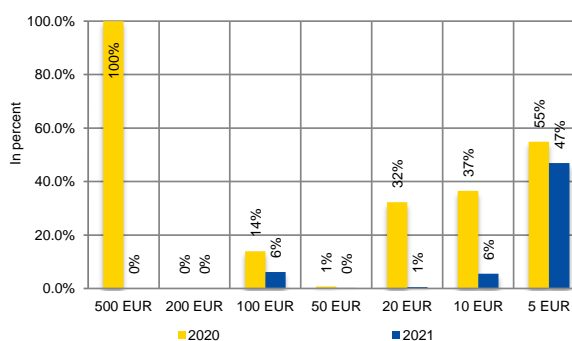
Furthermore, all banknotes suitable for euro re-circulation were delivered to commercial banks and were of high quality (suitable for re-circulation).

Chart 63. New banknotes put into circulation (number of pieces)



Source: CBK (2022)

Chart 64. New banknotes put into circulation to total supplied ones ratio (in percent)



Source: CBK (2022)

### 6.1.1 Account maintenance and transactions

The CBK provides banking services to the Government of the Republic of Kosovo, the Privatization Agency of Kosovo and other institutions such as banks and other financial institutions, public entities, foreign banks, central banks, international financial institutions (International Monetary Fund, World Bank) and international organizations, as specified in Article 9 of Law No. 03/L-209 on the CBK.

Table 23. Amount of transactions by main types of payments (EUR thousands)

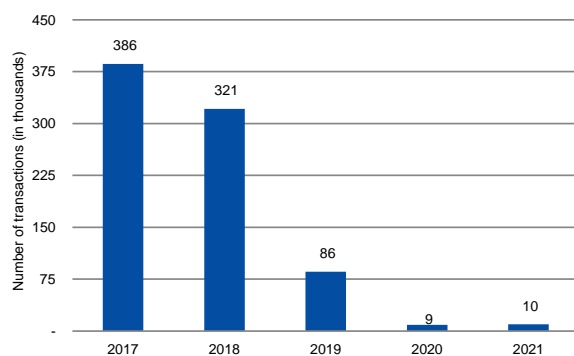
Type of transactions	2017	2018	2019	2020	2021
<b>Transactions with cash</b>	<b>+563,570</b>	<b>+643,831</b>	<b>+965,364</b>	<b>+354,562</b>	<b>+1,119,117</b>
Deposits with cash	989,618	1,187,889	1,697,993	1,449,546	2,087,729
Cash withdrawals	426,048	544,057	732,629	1,094,984	968,612
<b>Domestic transfers</b>	<b>+1,131,645</b>	<b>+1,050,203</b>	<b>+425,715</b>	<b>+70,305</b>	<b>+30,021</b>
Domestic incoming transfers	1,861,640	1,882,670	693,428	110,763	76,421
Domestic outgoing transfers	729,995	832,467	267,714	40,458	46,400
<b>International transfers</b>	<b>-432,050</b>	<b>-642,864</b>	<b>-954,036</b>	<b>-424,086</b>	<b>-1,068,449</b>
International incoming transfers	1,081,879	1,054,765	1,971,668	1,794,963	1,727,337
International outgoing transfers	1,513,929	1,697,629	2,925,705	2,219,049	2,795,786

Source: CBK (2022)

The CBK has supported the advancement of transaction execution and allocation processes of the Ministry of Finance and the Privatization Agency of Kosovo. Even during 2021 as in previous years, all international payments were made via the SWIFT network and all domestic payments were made via the KIPS system, thus shortening the time and increasing the effectiveness of processing.

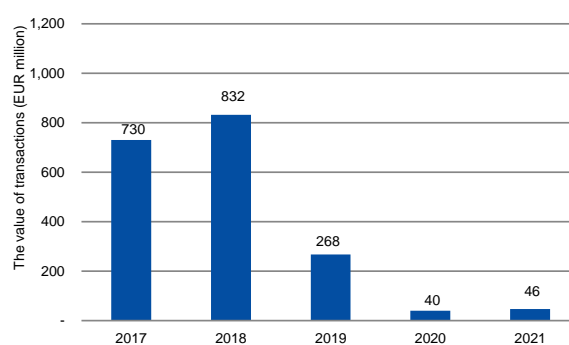
While most CBK cash operations in 2021 were carried out in the name of/and on behalf of commercial banks, most CBK domestic payments were made in the name of/and on behalf of PAK.

Chart 65. The volume of domestic outgoing transactions, number



Source: CBK (2022)

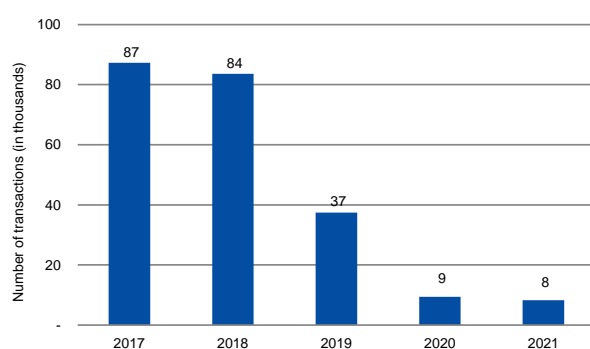
Chart 66. The value of domestic outgoing transactions, EUR million



Source: CBK (2022)

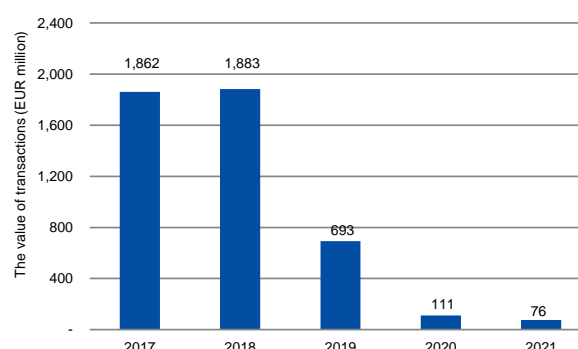
During 2021, the CBK processed close to 10 thousand outgoing local payment orders on behalf of its clients (an increase of 9.2 percent compared to the previous year), and received close to 8,300<sup>22</sup> incoming payment orders on their behalf (a decrease of 12.41 percent compared with the previous year).

Chart 67. The volume of domestic incoming transactions, number



Source: CBK (2022)

Chart 68. The value of domestic incoming transactions, EUR million



Source: CBK (2022)

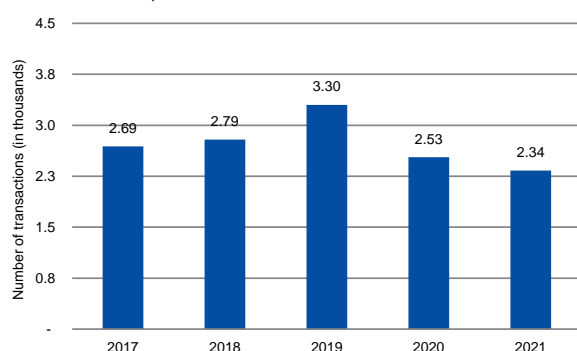
Expressed in value, domestic outgoing payment orders amounted to over 46.4 million euros (an increase of 14.7 percent compared to the previous year) while domestic incoming payment orders amounted to over 76.42 million euros (a decrease of 31.0 percent compared to the previous year). The largest number and amount of local transactions were carried out by the CBK by order and for the KPA. The decrease in the volume of transactions during 2020 and 2021 is explained by the fact that all Treasury<sup>23</sup> accounts are directly linked to the KIPS payment system.

Regarding domestic outgoing payments, it should be noted that all commercial banks generate them themselves, while insurers make most of their payments through commercial banks. In fact, all other CBK account holders use the payment services provided by the CBK in a limited way, as they all have accounts in commercial banks. Regarding international transactions, most of them were executed by the CBK by order of the Treasury. On the other hand, based on their value, most of the international transactions performed by the CBK were related to transfers of funds from commercial banks and the Kosovo Pension Trust. Annual data on international transactions are presented in the following four charts.

<sup>22</sup> Most incoming payments with the implementation of the KIPS system are accepted by the CBK as grouped.

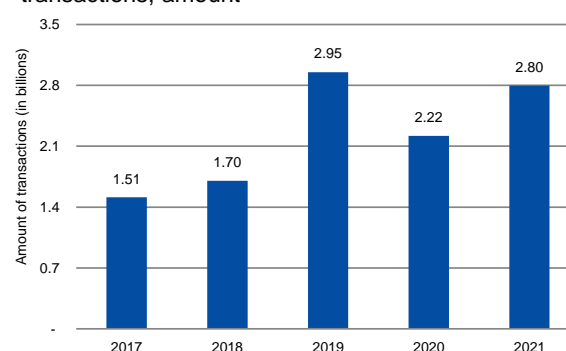
<sup>23</sup> Treasury - Ministry of Finance.

Chart 69. The volume of international outgoing transactions, number



Source: CBK (2022)

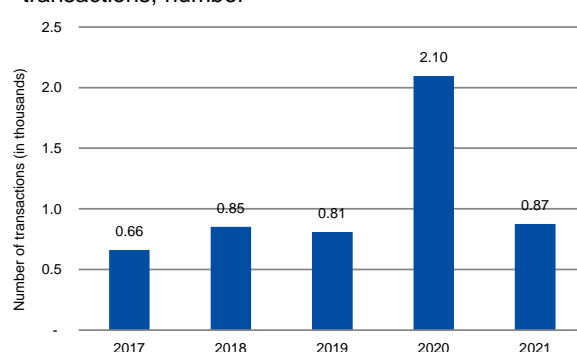
Chart 70. The value of International outgoing transactions, amount



Source: CBK (2022)

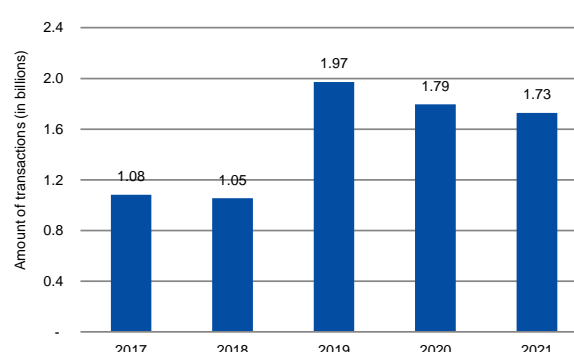
During 2021, the CBK processed close to 2,335 outgoing international payment orders on behalf of its clients (a decrease of 7.7 percent compared to the previous year), and received close to 874 international incoming payment orders on their behalf (a decrease of 58.3 percent compared to the previous year). Expressed in value, outgoing international payment orders amounted to over 2.79 billion euros (an increase of 26.0 percent compared to the previous year) while international incoming payment orders amounted to over 1.73 billion euros (a decrease of 3.8 percent compared to the previous year).

Chart 71. The volume of international incoming transactions, number



Source: CBK (2022)

Chart 72. The value of international incoming transactions, amount



Source: CBK (2022)

On 31 December 2021, the deposits of the institutions of the Government of Kosovo amounted to 423.32 million euros, while those of the KPA amounted to 184.73 million euros. Together, the deposits of the institutions of the Government of Kosovo and those of the KPA amounted to about 47.7 percent of the deposits held in the CBK at the end of 2021.

Table 24. Level of deposits of the main customers (EUR thousands)

Account statement	2017	2018	2019	2020	2021
<b>Total statement</b>	<b>1,239,730</b>	<b>1,217,914</b>	<b>1,187,685</b>	<b>1,214,559</b>	<b>1,275,801</b>
Government institutions	339,906	374,663	444,301	316,897	423,322
Kosovo Privatization Agency	471,299	388,116	275,160	191,457	184,737
Commercial banks and insurers	336,732	347,931	419,659	571,114	593,910
Other	91,793	107,205	48,566	135,091	73,832

Source: CBK (2022)

Commercial banks and insurance companies have a significant share in the level of deposits in the CBK. These deposits mainly relate to the legal and regulatory requirements and obligations of commercial banks and insurance companies. They accounted for 46.6 percent of deposits held with

the CBK at the end of 2021. As at December 31, 2021, deposits of commercial banks and insurance companies amounted to euro 593.91 million.

## 6.2. Payment System

Ongoing operation, supervision and development of payment systems are some of the main functions of the CBK, through which the security, stability and efficiency of the payment infrastructure in the country are guaranteed. In the framework of fulfilling these functions, in addition to the operation of the interbank payment system, the CBK has paid special attention to its supervisory role in maintaining the security of the system and the role of catalyst for the further development of the payment market. In the framework of ongoing reforms, during 2021 the National Retail Payments Strategy (NRPS) 2021-2026 was finalized. This strategy was prepared by the CBK with the support of the World Bank under the Remittances and Payments Program (RPP) funded by SECO and in consultation with other relevant public and private sector institutions in the field of payments. The main goal of the strategy is to modernize the national payment system, based on best international practices and standards.

From the technical and functional point of view, the payment sector in the CBK has operated without interruption and at full capacity, despite the continuation of measures and restrictions taken against Covid-19, which has enabled the timely and unimpeded clearing and settlement of all payment transactions and securities.

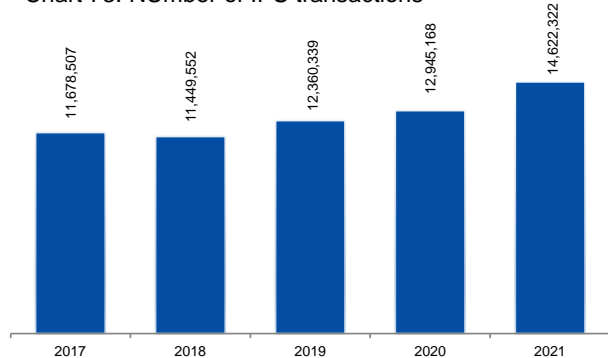
During 2021, Credins Bank was added to the financial market of Kosovo as a direct participant in the interbank payment system (IPS), as well as the requirements for registration and authorization of NBFIs for the issuance of electronic money have been increased, through which it is expected an expansion of opportunities for electronic payments and increased competition in the provision of payment services.

### 6.2.1 Interbank Payment System Operation

The interbank payment system (IPS) which enables the processing of a range of payment instruments, interbank clearing, as well as the settlement of securities has continued to operate normally and without obstacles. The following charts show the number and value of transactions performed through IPS for the respective periods.

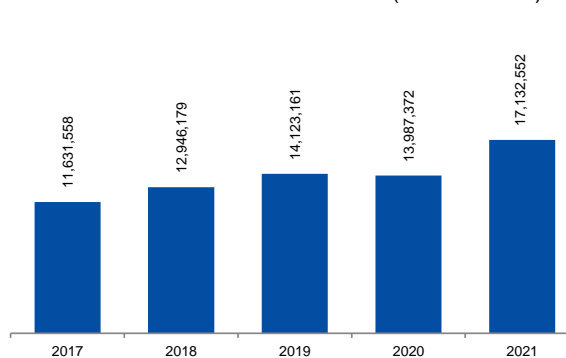
Statistical indicators of IPS activity have reflected an increase in the volume and value of transactions compared to the previous year, where during 2021 were processed 14.6 million transactions with a total value of over 17 billion euros. Compared to IPS transactions in the previous year, the volume of transactions increased by close to 13.0 percent, while the value of transactions increased by 22.5 percent.

Chart 73. Number of IPS transactions



Source: CBK (2022)

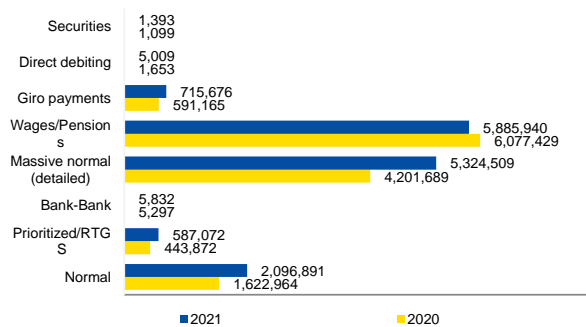
Chart 74. Value of IPS transactions (In thousands)



Source: CBK (2022)

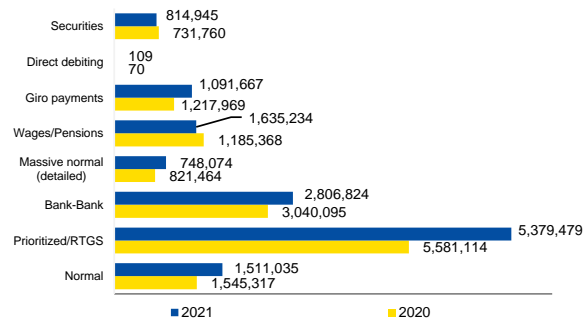
Within the IPS, payments are made through two components: RTGS (Real-Time Gross Settlement) and ACH (Automated Clearing House). In the RTGS component all payments worth over 10 thousand euros are carried out in real time, as well as payments ordered with priority by customers, while in the ACH component are carried out all payments worth less than 10 thousand euros which include the following types of payments: regular-normal payments, mass payments, salaries and pensions, Kos-Giro payments and Direct Debit. A comparison of the volume and value of these payment categories for certain years is presented in the following charts.

Chart 75. Annual volume of IPS transactions, by their



Source: CBK (2022)

Chart 76. Annual value of IPS transactions, by their type (in thousands)



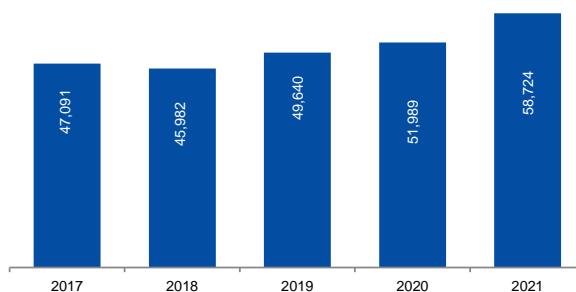
Source: CBK (2022)

Regular payments (normal and mass) account for about 50.7 percent of the volume and 17.0 percent of the value of IPS transactions. RTGS transactions are processed and settled during working hours in real time and on a gross basis. During 2021 their number accounted for over 4.0 percent of the total number of transactions in IPS, while their value about 42.3 percent of the value of transactions through IPS.

In the category of payments for salaries/pensions there is a decrease in the number and value of transactions, where if compared with the previous year, there is a decrease of 3.0 percent in number and 8.5 percent in the value of transactions.

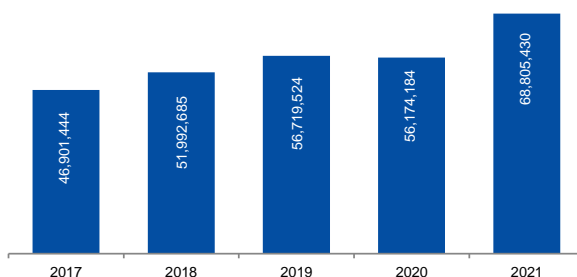
In addition to the increase in volume and value of transactions compared to the previous year, the following Charts show an increase in the daily average of processed transactions, both in volume and value.

Chart 77. Daily average of transactions number in IPS



Source: CBK (2022)

Chart 78. Daily average of transactions value in IPS

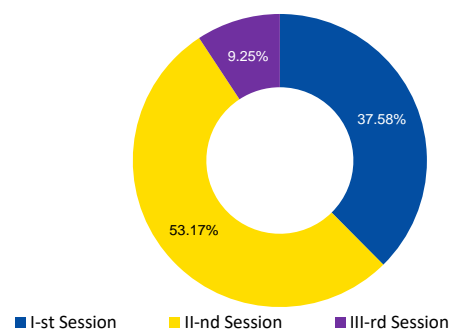


Source: CBK (2022)

An overview of payments processed through the ACH system during 2021, by sessions, shows a more pronounced concentration in the first and second clearing sessions, compared to the last session. Avoiding overloads of payment flows during the last clearing session minimizes additional

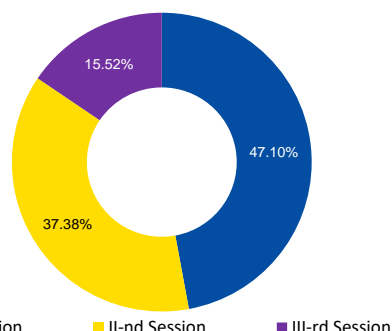
risks within the functioning of the payment system, therefore lower fees apply to transactions processed in the first two sessions.

Chart 79. Number of IPS transactions, by sessions



Source: CBK (2022)

Chart 80. Value of IPS transactions, by sessions



Source: CBK (2022)

The total value of settled transactions in IPS during 2021 amounted to 17.1 billion euros, where the first three institutions with the highest value of initiated transfers account for 59.6 percent of the total value, while all other institutions account for 40.4 percent. Regarding the number of initiated transfers, out of their total number of 14.6 million, the first three institutions with the largest number of initiated transfers account for 63.3 percent of the total number, while all other institutions account for 36.7 percent.

**Table 25. Concentration indicators for transactions initiated/delivered to IPS**

IPS System	Volume	Value
3 banks	63.3%	59.6%
8 other banks	36.7%	40.4%
<b>Total</b>	<b>14,622,322</b>	<b>17,132,552,052</b>

Source: CBK (2022)

Within the operational functions, the register of bank accounts also plays an important role. This register represents a database infrastructure, which enables the reporting of data on bank accounts by account data providers (commercial banks), as well as the use of this data in order to implement enforcement decisions by the enforcement bodies and other competent institutions according to the provisions of the Law on Enforcement Procedure. This register has had a significant impact on increasing the efficiency in the processing of enforcement cases by the enforcement procedure bodies, especially after the expansion of the functions for enabling the electronic processing of enforcement decisions.

During the reporting year, 43 private enforcement agents, 124 officials from the Kosovo Judicial Council, as well as 11 officials from the Tax Administration of Kosovo had access to the register of bank accounts, through which they exchanged 23,078 cases of enforcement proceedings with commercial banks, of which 15,349 have been closed.

**Table 26. Cases processed in RLLB**

Status of cases	2020	2021	Increase/Decrease (%)
Opened	14,793	23,078	56.01
Closed	11,406	15,349	34.57

Source: CBK (2022)



In order to implement the measures of the Economic Recovery Package, approved by the Government of the Republic of Kosovo in response to the situation created by COVID 19, to facilitate the implementation of beneficiaries' claims and validation of their bank accounts, in the bank account register are carried out the necessary technical adjustments for the exchange of data with the system of the Agency for Information Society (AIS).

### **6.2.2 Supervision and analysis of payment systems**

In order to fulfill the supervisory function of payment systems, during 2021 the CBK finalized the evaluation of the interbank payment system (RTGS - Real Time Gross Settlement System), according to the supervisory principles of the European Central Bank (ECB) and the principles issued by IOSCO/BIS for financial market infrastructure (PFMI - Principles for Financial Market Infrastructure). The evaluation process analyzes and issues recommendations where necessary, for all types of risks posed by the operation of the system, ranging from legal and governance risks, financial and operational risks, to transparency and objectivity of the rules for participation in system.

The evaluation of the RTGS system was carried out according to the CBK methodology prepared with the support of the World Bank, within the Remittances and Payments Program (RPP). The rules, processes and technical infrastructure of the RTGS system resulted in compliance with the ECB standards/PFMI principles and the recommendations made are easily addressable in the near future. The positive results from this evaluation guarantee the stability of the basic infrastructure for the settlement of interbank payments and government securities.

Requests from other institutions interested in registering as institutions for the issuance of electronic money, have continued in 2021. The provision of electronic money issuance by these institutions is estimated to have a direct impact on promoting competition and innovation in the field of small-value payments, thus promoting electronic payments and increasing their efficiency. Currently, there are five registered/authorized financial institutions that provide electronic money issuance services.

In order to further strengthen the supervision of the payment system, work has also been done on the amendment of the Payment Systems Supervision Policy, under the support of World Bank experts within the framework of the RPP program. The focus of the new changes will be on further strengthening the supervision of low value payment systems and identifying risks associated with new payment services and instruments, thus expanding the scope and care to new institutions that provide electronic payment and money services.

During 2021, the annual analysis on the use of cards in Kosovo was reviewed, which in addition to information related to the socio-demographic distribution of cards used by the citizens of Kosovo and relevant factors that have influenced such distribution, also includes information about the types of cards, the use of cards in various terminals including online ones. The annual analysis on the use of cards in Kosovo is published on a regular annual basis on the official website of the CBK.

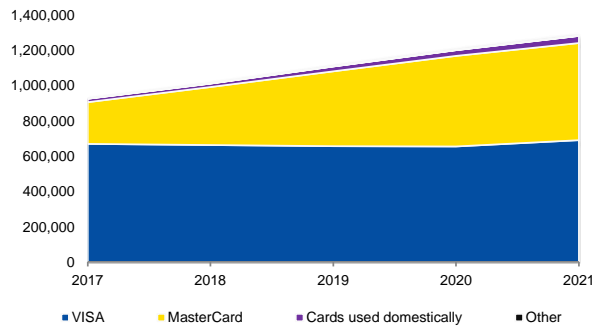
Also, within the preparation of analyzes and reports on payment statistics, regular annual and monthly reports were prepared regarding the number and value of payments of the interbank payment system, on commercial bank deposits and reserves, on cash and non-cash instruments, as well as the comparative report on electronic payment instruments (Kosovo compared to Central and Southeast European countries) which are published on the official website of the CBK.

### **6.2.3 Payment instruments and banking infrastructure for payment services**

Banks' reports on payment instruments show that by the end of December 2021 the number of debit cards reached about 1.3 million while the number of credit cards reached 176 thousand.

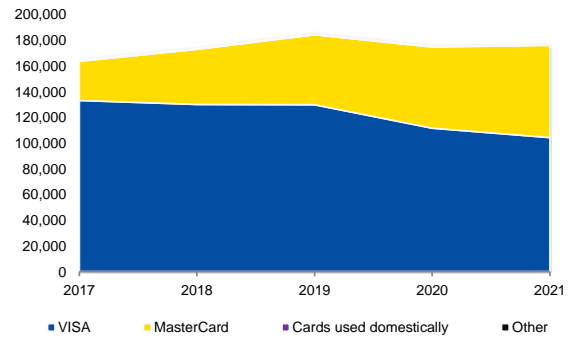
Compared to a year ago, it is found that the number of debit cards has increased by 6.6 percent, while the number of credit cards has increased slightly by 0.7 percent.

Chart 81. Number of debit accounts, by their type



Source: CBK (2022)

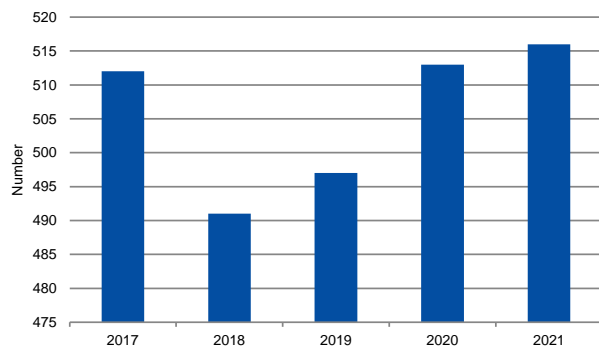
Chart 82. Number of credit accounts, by their type



Source: CBK (2022)

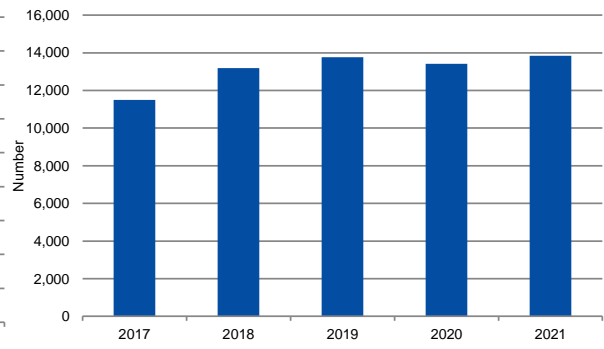
Regarding the infrastructure of ATM terminals, it can be seen that there has been a slight increase last year compared to the previous year, there has also been a slight increase in the number of POS terminals during 2021.

Chart 83. Number of ATM terminals



Source: CBK (2022)

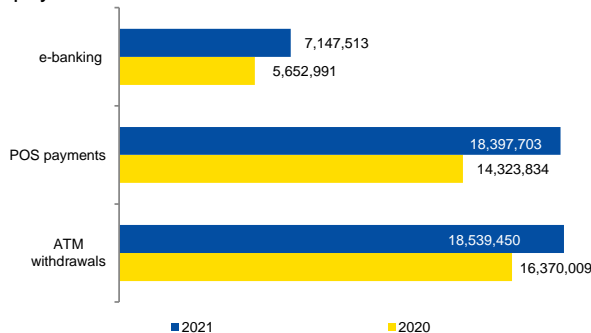
Chart 84. Number of POS terminals



Source: CBK (2022)

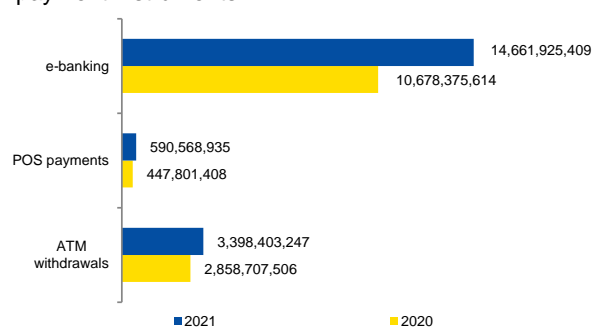
In addition to the increase in the number of payment terminals and instruments, statistical data show that 2021 is also characterized by an increase in the use of electronic payment instruments.

Chart 85. Annual transactions volume of electronic payment instruments



Source: CBK (2022)

Chart 86. Annual transactions value of electronic payment instruments



Source: CBK (2022)

The number of payments made through the e-banking service reached 7.1 million transactions, which compared to the previous year represents an increase of 26.4 percent, while their value reached 14.7 billion euros, with an annual increase of 37.3 percent.

The year 2021 was also characterized by an increasing trend of the use of card payments. The number of payments at POS terminals has increased by 28.4 percent, while the value has increased compared to the previous year by about 32 percent.

ATM withdrawals show an increase in their number and value, compared to the previous year. The number of ATM withdrawals increased by 13.2 percent, while the value of withdrawals increased by 18.9 percent.

Bank reports show that at the end of 2021, the total number of bank accounts of customers reached about 2.4 million, which is an increase of 4.0 percent compared to the end of 2020. About 98.6 percent of accounts belong to residents, while about 1.4 percent to non-residents.

**Table 27. Number of accounts**

Description of accounts	Total client accounts			Internet accessible accounts		
	2019	2020	2021	2019	2020	2021
Client accounts (1+2)	2,152,128	2,292,172	2,384,742	337,693	411,346	537,733
1-Resident accounts (a+b)(%)	98.49%	98.57%	98.57%	97.96%	98.22%	98.50%
a-Individual (%)	92.77%	92.71%	92.97%	84.57%	86.63%	87.98%
b-Business (%)	7.23%	7.29%	7.03%	15.43%	13.37%	12.02%
2-Non-resident accounts (C+ D) (%)	1.51%	1.43%	1.41%	2.04%	1.78%	1.50%
C-Individual (%)	98.68%	98.79%	98.99%	93.16%	93.66%	97.83%
D-Business (%)	1.32%	1.21%	1.01%	6.84%	6.34%	2.17%

Source: CBK, Banking reporting according to the "Regulation on reporting of instrument statistics"

Of the total accounts at the end of 2021, over 537 thousand accounts had online access through the Internet. This represents an increase of about 30.1 percent of accounts with remote access.

**Table 28. Number of electronic money accounts**

Description of accounts	2020	2021
(E-money accounts)	3,483	11,543

Source: CBK (2022)

Based on statistical data, infrastructure development has continued with an increasing trend, and the rapid trend of increasing use of electronic payment instruments remains encouraging. Non-bank financial institutions registered for the issuance of electronic money, at the end of 2021 have reported 11,543 electronic money accounts, which marks a rapid increase based on the fact that this is the second year of this activity in the market. Electronic money institutions together have made a volume of approximately 15 thousand electronic money payments, with a value of about 1.3 million euros. So far there are five NBFIs that offer electronic money issuance service and electronic payment services, but there is increased interest in these services from other NBFIs which currently offer only cash payment services.

Encouraging the use of electronic money instruments is estimated to have an impact on expanding the financial inclusion of citizens by enabling access to payment services (opening an electronic money/payment account and owning a prepaid card) from the category of population without access to other services, such as the categories that are not employed.

#### 6.2.4. Research activities in the field of payments

Within its role as a catalyst of the payment system, the CBK has undertaken several activities in terms of further development and reform of payment infrastructure and services. These activities were carried out mainly within the RPP program with the support of World Bank experts.

**Finalizing the Study of the Retail Payment Costs** - Conducting such a survey according to the methodology developed by the World Bank Payment Systems Development Group - PSDG (A Practical Guide for Measuring Retail Payment Costs) with The support of the World Bank has been assessed as very effective by the central banks of developed countries both in the context of the fight against the use of physical money, and in the context of identifying opportunities to reduce the costs of using payment instruments in the economy. The above study was based on survey data through questionnaires administered on a prepared sample of households and businesses, on the demand side, as well as commercial banks and NBFIs operating in Kosovo. Beyond identifying the high costs of using cash for the country's economy (about 2.7% of GDP), the main cost categories for each of the economic actors and savings opportunities by replacing cash payments with electronic payments were identified. The detailed report of this study will be published on the official website of the CBK during the first months of 2022.

**National Retail Payments Strategy (2021-2026)** - As a result of several years of work, the CBK with the support of the World Bank under the RPP program and in cooperation with member institutions of the National Payments Council (banks, NBFIs), Treasury and other public and private institutions, relevant to the payment market), has issued a national strategy for addressing the identified market demands and taking the necessary actions. The strategy sets out a clear medium-term vision for the retail payments market, which consists of *“creating a modern and inclusive retail payments market in Kosovo, supported by safe and efficient payment infrastructures, and a wide range of payment instruments and services that meet the needs of citizens throughout the country”*. The goal of the strategy is to ensure that the retail payments market offers payment users more solutions, in as many places as possible to carry out their day-to-day transactions, in the most convenient and cost-effective ways, in support of the objective of increasing and expanding financial inclusion. The strategy also contains a detailed Implementation Plan for achieving the objectives, the main measures of which consist of: a) improving the legal and regulatory framework; b) developing and improving the infrastructures for financial services; c) increasing the possession of payment accounts and their use; d) increasing the access points to these services; e) increasing education and financial awareness; f) increasing the volumes of transactions processed by payment systems; and g) inter-institutional engagement of both the public and private sectors, as a key factor in implementing the recommendations. Implementing the strategy and materializing its effects requires a commitment from all payment market actors. To this end, the strategy envisages concrete roles and objectives for each institution involved.

The CBK within the RPP, with the support of the World Bank, has launched several initiatives to establish and improve the infrastructure of payment systems and the legal framework of payment services, such as:

- Exploring the possibilities related to the development of a system for the settlement of payments known as "Instant Payments" with the capacity of processing and settlement of payments during a continuous 24/7 365 schedule, where, in cooperation with the World Bank a report is being drafted to analyze the opportunities for the implementation of this project and identify the best opportunity for the circumstances and the market of Kosovo;
- Providing access to NBFIs that provide electronic payment and payment services in IPS, for which the technical and regulatory aspect of establishing access is being analyzed together

with World Bank experts, while addressing the potential risks to which the system is exposed by such an opening for new non-bank participants;

- During 2021, the regulation on electronic payment instruments was reviewed in order to adapt the EU regulation No. 2015/751 on the limitation of exchange rates known as "interchange fees" applied in the case of card payments. These changes have been adapted in order to increase the efficiency of the card payment acceptance service for merchants and to create opportunities for expanding the network of physical and virtual terminals for accepting card payments in the market.
- Initiating the drafting of the Law on Payment Services, through which the directives of the European Union on payment services, payment accounts and electronic money institutions will be transposed into local legislation. The adaptation of these directives in the local market is estimated to contribute to promoting competition in the market of payment services, increasing transparency in services provided by the market and creating a consolidated framework for consumer protection. Approximation of payment services market regulation practices with European ones is another fundamental step in integrating and implementing the recommendations within the free movement of capital and membership in the Eurozone payment scheme known as SEPA (Single Euro Payments Area).

**Cooperation with other local institutions and at the international level** - During 2021, the CBK has participated in meetings held by the RCC - Regional Cooperation Council respectively in the Working Group on Financial Markets, composed of representatives of relevant institutions of six countries of the Western Balkans, within the European Union initiative to facilitate cross-border payments of countries in the region between them and the EU. This project aims to prepare the countries of the region for membership in SEPA, through their support in the development of technical and legal infrastructure, as well as to enable the interconnection of payment systems between them and the EU, which is expected to last for the next three years. During this year the CBK has provided support to the Treasury, ASHI and other relevant institutions related to the project for enabling electronic payments via the government services portal e-Kosovo. Also, the CBK has been in constant contact with the banking sector and the Banking Association in order to promote the market development of payment systems and instruments, by stimulating discussions on the latest developments, as well as accommodating the needs for regulatory adjustments, which promote the efficiency of these systems and instruments.

### **6.3. Asset Management**

The Central Bank of Kosovo implements the investment of national reserves, as well as the operation of the central depository system for trading of Securities issued by the Republic of Kosovo. The duties of national reserve management are specified in the Law on the Central Bank of the Republic of Kosovo, Article 15 of Law No. 03/L-209.

#### **6.3.1. Investment Management**

The Central Bank manages its reserves to achieve the objectives of the Investment Policy approved by the Executive Board, where the security and liquidity of assets take precedence over return on investment.

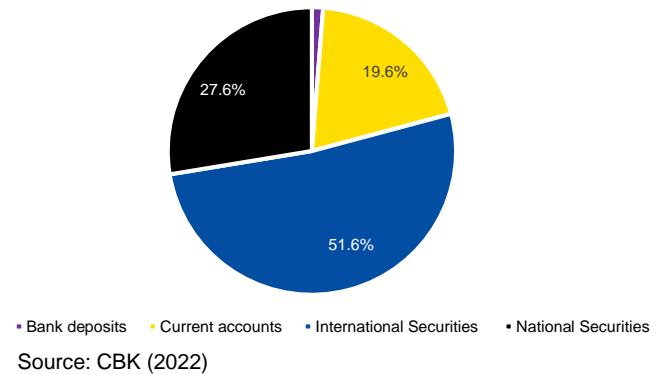
#### **Instruments**

National reserves in the CBK portfolio consist of liquid portfolio and investment portfolio instruments. The liquid part of the reserves consists of instruments that are maintained to provide sufficient funds to make payments and transfers according to the needs of the CBK and its

depositors. While the investment part consists of safe financial instruments with investment-grade credit rating.

The distribution of the CBK reserve portfolio by instruments is reflected in Chart 87 as of 31 December 2021, where the largest part of 51.6 percent is placed on international securities and securities issued by the Government of the Republic of Kosovo which make up 27.6 percent of the portfolio. The assets in the current account that are kept to ensure a sufficient flow of funds for short-term liabilities of the CBK and its depositors are 19.6 percent while 1.25 percent of the portfolio in euros consists of short-term repurchase agreements, respectively repos with local banks.

Chart 87. Portfolio of the CBK reserves (EUR), as of 31 December 2021



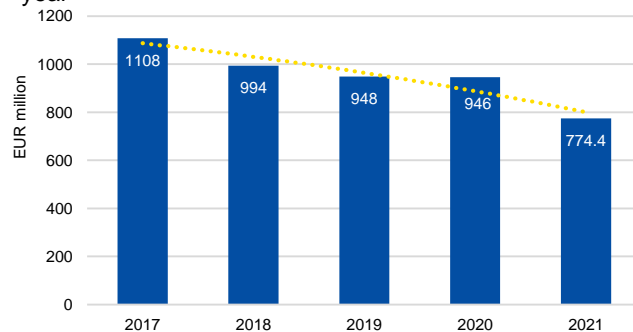
The CBK reserve investment portfolio in all currencies consists of these **financial instruments**:

- bank term deposits placed with European banks with adequate investment rating, short-term repurchase agreements placed with local banks or the US Federal Reserve;
- international securities, respectively government, municipal, supranational bonds, government agencies or credit institutions in euros and dollars with a term of up to seven years;
- state bonds issued by the Government of the Republic of Kosovo traded on the secondary securities market with a maturity of up to seven years.

Short-term repurchase agreements with commercial banks of the Republic of Kosovo have continued to be placed throughout 2021 and constitute an important instrument of the money market. Through this instrument, the CBK provides fast liquidity to local banks in case of need for a period of one to ten days against the collateral, respectively securities issued by the Government of the Republic of Kosovo. This instrument also helps state bonds to be treated as more liquid instruments, offering their holders easy access to financing through collateral.

The CBK in 2021 has continued to be part of the credit line provided by the Eurosystem through the Deutsche Bundesbank. Through this line of credit, the European Central Bank has provided the Central Bank of the Republic of Kosovo with the opportunity to borrow from the Eurosystem liquidity package against adequate euro collateral consisting of tradable debt securities issued by the central governments of the Eurozone and supranational institutions. This line of credit addresses the potential liquidity needs in euro of the CBK in case of eventual claims as a result of the situation caused by the Covid-19 pandemic, enabling loans of up to 100 million euros from the European Central Bank. The credit line will remain in force until the end of March 2022, with the possibility of extension.

Chart 88. The ending balance of funds invested by the CBK in EUR (million), as of 31 December of the respective year



Source: CBK (2022)

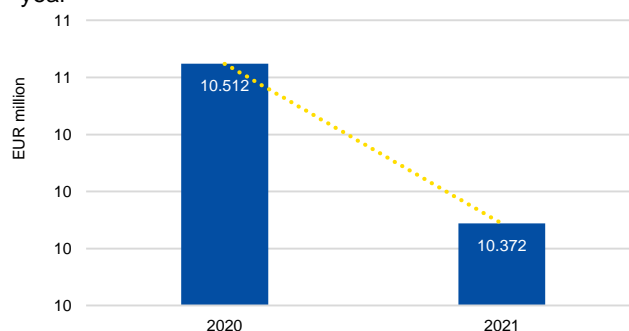


## Currencies

Euro is the main currency in the CBK investment portfolio with 99 percent of assets denominated and paid in euros. As can be seen in Chart 88, reserves available in the CBK portfolio have decreased to 774 million euros in 2021 from 946 million in the previous year, due to the movements of CBK depository funds.

About 1 percent of the reserve portfolio is kept in US dollars invested in overnight placements at the interest rate quoted in repurchase agreements with the US Federal Reserve and short-term securities issued and paid by US Treasury with maturities up to a year. In 2021 there is no significant change in the level of reserves in USD, with a slight decrease from 10.51 million in 2020 to 10.37 million in 2021 as seen in Chart 89. The distribution of assets in the two respective currencies is done based on the content of the CBK reserves by its depositors, which mainly come and are kept in euro currency.

Chart 89. The ending balance of funds invested by the CBK in USD (million), as of 31 December of the respective year



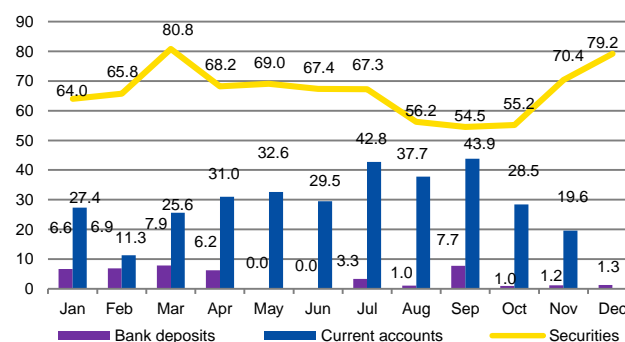
Source: CBK (2022)

## Distribution

In accordance with the objectives of the Investment Policy of the CBK, the placement of reserve investments is focused on safe and liquid financial instruments, i.e. debt instruments or bonds with a maximum maturity of up to seven years and an adequate credit rating.

As shown in Chart 91, securities are the main instruments with the highest share in the CBK portfolio, where the concentration in this category remains the highest of all other assets throughout the year.

Chart 90. CBK portfolio investments distribution ratio in EUR (in percent)



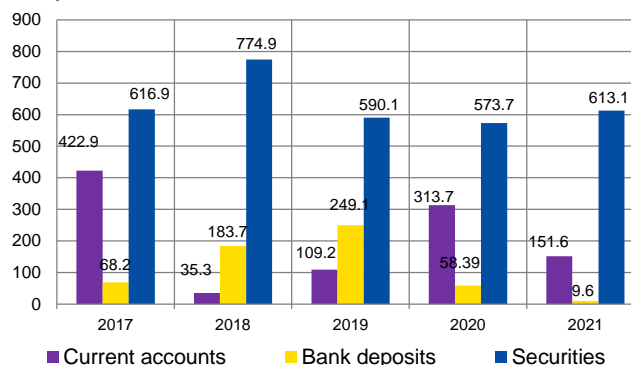
Source: CBK (2022)

Maintaining a high level of concentration in current accounts throughout the year comes as a result of the inability to place on new instruments due to the deeply negative rates in the euro, which have prevailed during 2021 in the European money and debt market. As in the previous year, the distribution of the CBK portfolio in securities was dictated by market bond prices and market supply for government bonds, supranational bonds, agencies and credit institutions bonds issued and paid in euros, the rates of return of which have remained negative throughout 2021. Extremely limited supply for this category of instruments and deeply negative rates in euros has prevented new purchases of these bonds by the CBK.

The deposit rate in euro is based on the rate set by the European Central Bank for deposits which during 2021 has stood at -0.50 percent.

In 2021 the concentration in securities has remained relatively the same as in the previous two years, as described in Chart 92. The main change in the portfolio distribution structure is seen in bank deposits as described in the previous paragraphs. This category of assets has decreased, in order for the concentration in liquid assets, respectively in current accounts to increase and also due to the inability to place in the debt market as a result of deeply negative rates. This distribution enables the CBK to maintain sufficient liquidity in its reserve portfolio, while contributing to the overall portfolio liquidity and return on investment from this category of assets.

Chart 91. Distribution of portfolio investment, end of the year



Source: CBK (2022)

### 6.3.2. Portfolio performance

The instruments in the CBK portfolio performed well with 2.64 million euro revenues from all categories of investments, including the difference between revenues and expenditures from deposit rates applied to the accounts.

### 6.3.3. Risk Management

The investment of funds is made in securities issued by countries, the most credible Eurozone agencies and supranational institutions with investment-grade credit rating according to the ratings of International Credit Agencies: Standard & Poor's and Moody's, as well as in securities of the Republic of Kosovo.

Financial risks during the investment of funds by CBK are: credit risk, interest rate risk, liquidity risk, currency risk and operational risk.

**Credit risk** - Investment portfolio is distributed in order to keep the credit risk at a low level. All investments are carried out in relation to the criteria of short-term and long-term credit ranking, set forth in the Investment Policy P-2/A-2 (Moody's/S&P) for short-term and Baa2/BBB- (Moody's/S&P) for long-term, as well as in extraordinary cases on the market, with P-3/A-3 for short-term and Baa3/BBB- (Moody's/S&P) for long term.

**Interest rate risk** - Interest rate risk management by the CBK versus interest rate change limit is supplemented by monitoring the sensitivity of CBK assets and liabilities to different standard and non-standard interest rate scenarios.

**Liquidity risk** - is the risk in timely fulfilment of the obligations from its financial liabilities. CBK's position on liquidity management is to ensure that there is consistently sufficient liquidity to timely meet obligations both in normal and disadvantaged conditions, without incurring unacceptable losses or risking damage to the reputation of the CBK.

**Currency risk** - appears as a result of exchange rate movements that implicate the value of currencies in the financial market, where the return or loss as a result of exchange rate changes may arise;

**Operational risk** - it is the risk of fulfilment of operations that are related to deposit placement, securities trading and their timely payment.



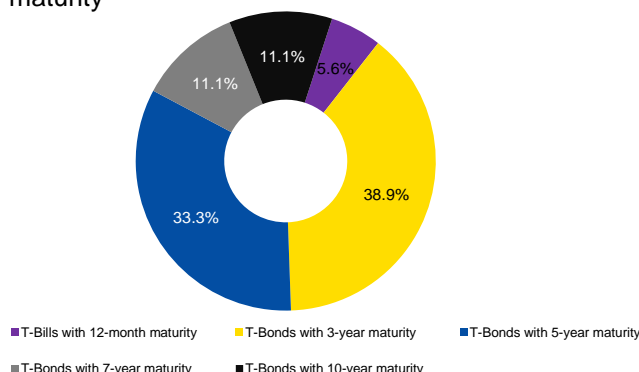
### 6.3.4. Kosovo Government Securities

In accordance with the Law on Public Debts, the CBK acts as a fiscal agent for the Ministry of Finance, Labour and Transfers in the process of issuing securities of the Government of Kosovo.

According to the Securities Issuance Calendar published by the Ministry of Finance, Labour and Transfers, through the electronic platform in 2021, a total of eighteen auctions were conducted. The conducted auctions include one auction for treasury bills of 364 days, seven auctions for government bonds with a maturity of three years, six auctions for government bonds with a maturity of five years, two auctions for government bonds with a maturity of seven years and two auctions for government bonds with a maturity of ten years. During 2021, the Ministry of Finance, Labour and Transfers for the first time has issued two auctions called Diaspora Bonds with a maturity of three and five years.

Chart 92 presents the structure of Kosovo Government securities issued in the primary market of Government securities during 2021, expressed in percentage and by maturity.

Chart 92. Structure of Government securities, by maturity

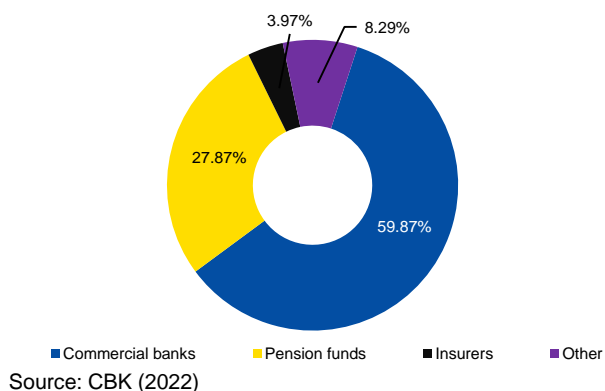


Source: CBK (2022)

Chart 93 presents the participation by category of investor in securities auctions of the Government of Kosovo in the primary market.<sup>24</sup>

Chart 94 presents the average annual rate of return compared to the previous year, which for government bonds with a maturity of three years in 2021 has decreased by 3 basis points, for government bonds with a maturity of five years has decreased by 16 basis points and for seven-year and ten-year government bonds declined by 5 basis points.

Chart 93. Investment structure at auctions



Source: CBK (2022)

Chart 95 shows all auctions in 2021 where the market demand for government bonds with a maturity of three years and five years dominates.

The total volume of transactions of purchase and sale and repurchase of Government securities carried out in the secondary market during 2021 was 203.4 million euros compared to the volume of the previous year of 169.8 million euros, marking an increase of 19.8 percent.

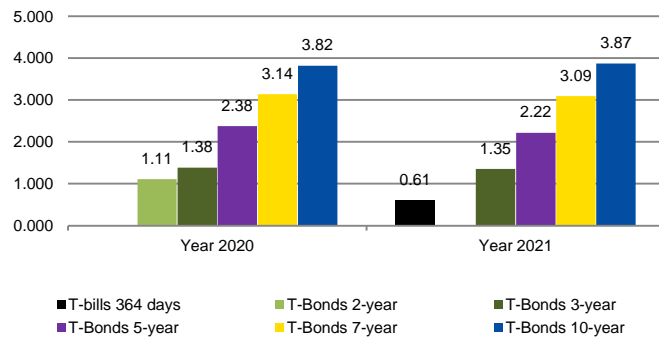
<sup>24</sup> Participants in the Government securities market are commercial banks, pension funds, insurers and other participants through commercial banks (Primary Actors).

The volume of transactions of sale and purchase of Government securities in 2021 was 120.7 million euros compared to the volume of the previous year of 109.5 million euros marking an increase of 10.2 percent. Participants in purchase and sales transactions were commercial banks, Pension Savings Fund, other participants through commercial banks and CBK.

The volume of repurchase transactions through short-term lending supported by Government securities in 2021 was a total of 82.6 million euros compared to the volume of the previous year which was 60.3 million euros, marking an increase of 37 percent. Participants in repurchase transactions were commercial banks, Pension Savings Trust and CBK.

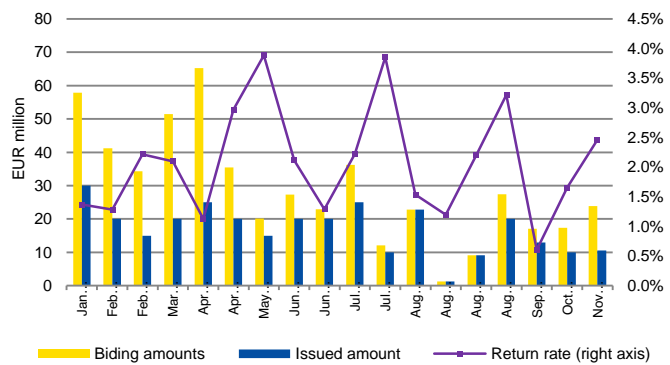
Based on the Regulation on Repurchase of Securities and the Regulation on intra-day and overnight lending, repurchase transactions of Government securities and transactions secured by Government securities collateral have been carried out, in order to more efficiently manage short-term liquidity of the banking sector.

Chart 94. Annual average interest rate returns for 2020 and 2021



Source: CBK (2022)

Chart 95. Auctions of Government securities in 2021



Source: CBK (2022)

### 6.4. Information Technology

Even during 2021, the CBK has continued with the advancement of information technology systems and work processes, giving special focus to increasing information security.

Due to the continuation of the pandemic caused by the spread of the COVID-19 virus, the CBK, based on the recommendations of the relevant institutions, has continued to operate by engaging a part of the staff for remote work, to ensure the continuity of operation, in case of eventual infection of a larger number of staff. In this case, the work of the staff in such conditions is supported, to ensure that information technology systems are always accessible and as secure as possible, to guarantee continuity of the institution, providing services to financial institutions, government and for the citizens of the Republic of Kosovo.

Also, continuous work has been done for the advancement of services and work processes, as well as for the development of new projects. To enable easier access for citizens and by following the latest technology, the Citizens Portal has been advanced, within the Credit Registry System, which enables businesses and citizens to view their credit status in this register at any time. Other projects have been developed, which facilitate and advance the work within the institution itself.

### 6.5. Kosovo Credit Registry

Pursuant to the Law on the Central Bank of the Republic of Kosovo, the CBK may operate, regulate, license, register and monitor credit information systems for the purpose of collecting and distributing credit information among credit institutions, and may also issue regulations for relevant application.

Based on this goal, since 2006, the CBK has managed the Credit Registry System (CRS), which functions as an Internet application and aims to collect and distribute positive and negative information about individuals and legal entities, in order to improve the process of assessing credit clients, as well as exercising the supervisory function of the CBK.

From a general economic perspective, the Credit Registry facilitates loan approval in terms of volume and cost, and generally contributes to financial stability by helping lenders make the right decisions, in the short term, accurately and objectively.

According to the Credit Registry regulation, members of the CRK system are all financial institutions designated by the CBK to be loan providers, including all licensed banks and microfinance institutions as well as nonbank financial institutions and insurance companies licensed to engage in special lending activities.

Based on the CRK system data, there are currently 1,928 registered active users of lending institutions, dominated by the number of users from banking institutions with 1,501 active users, micro-financial and non-banking institutions with 467 users and insurers with 29 active users of the CRK system. During 2021, the Credit Registry registered 273 new users.

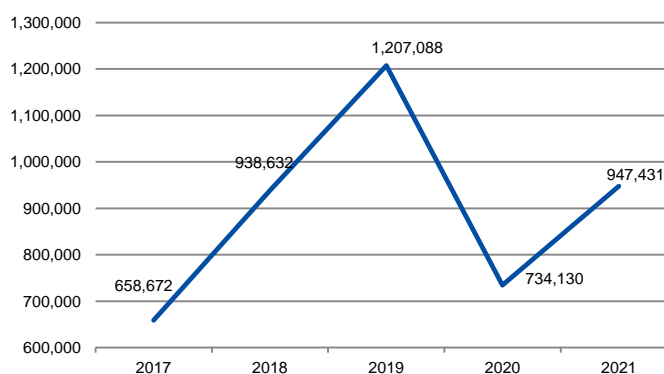
The Credit Registry System is designed to provide an advanced infrastructure for the functioning of the credit market by presenting an important tool for lending institutions in assessing credit risk.

CRK system is an internet-based application and can be accessed directly and in real time by the staff of lending institutions.

Credit institutions in the CRK system research on credit histories of credit applicants, where according to statistics from the CRK system, the number of surveys (inquiries) during 2021 reaches the figure of 947,431 surveys.

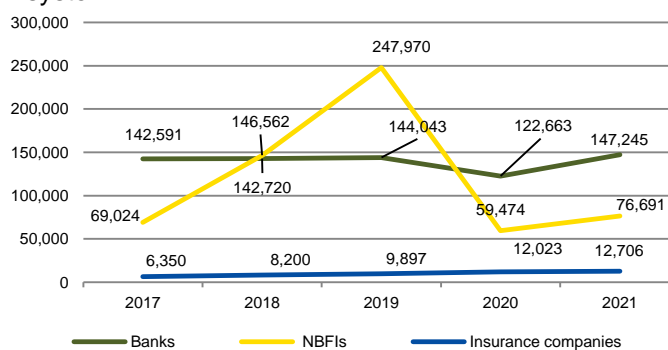
An overview of this activity, on an annual basis, for the years 2017 - 2021 is presented below in Chart 96.

Chart 96. The number of surveys in CRK system



Source: CBK (2022)

Chart 97. The number of approved loans in CRK system



Source: CBK (2022)

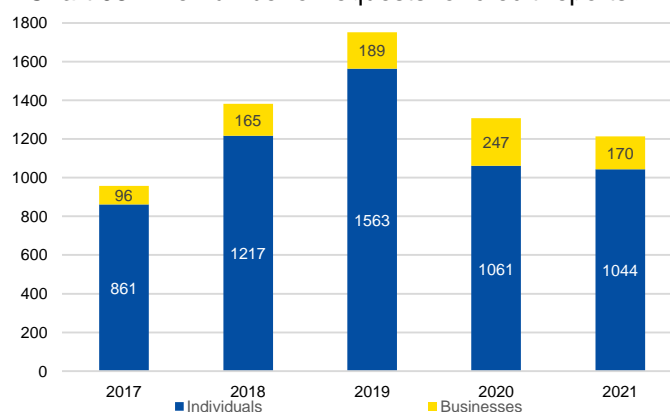
All lenders are required to report to the CRK, on all loan applications and loans granted to their clients in accordance with the terms of the relevant instruction issued by the CBK.

Based on the CRK system data, during 2021, 236,642 loans were reported, including loans, credit cards, overdrafts, residential mortgage loans, credit lines, guarantees, leasing, factoring and other credit assets.

The ratio of the number of registered loans by type of lending institution for the years 2017-2021 is presented below through Chart 97.

Chart 98 presents the number of requests for an individual loan report of loan beneficiaries (natural/legal entity) based on the data of the Credit Registry system for the years 2017, 2018, 2019, 2020 and 2021.

Chart 98. The number of requests for credit reports



Source: CBK

## 6.6. Activities in the field of economic analysis and financial stability

In order to achieve its primary objective, maintaining financial stability through regular monitoring of systemic risk, among other things, the CBK identifies, monitors and analyses systemic risk on a regular quarterly basis. In this context, the identification of potential risks is done through continuous monitoring of cyclical and structural macroeconomic developments. Risk assessment and their potential impact on financial stability and consequently overall macroeconomic stability is done through regular qualitative and quantitative analysis including analysis of the performance of high frequency economic and financial indicators, forecasts on key macroeconomic indicators and application of models, which address the cyclical, structural and cross-sectorial dimension of systemic risk.

The CBK has continued to be focused on increasing the volume and quality of analyses examining key macroeconomic developments in the country and those focused on assessing financial stability, especially with the new dynamics created by the pandemic situation in 2020. Through identification and assessment of risks threatening the financial system and its infrastructure, with a perspective of risk-based analysis, the CBK has continued to inform the public on the situation of the financial system, increase transparency and promote professional debate on developments and challenges of the country's financial system and its infrastructure.

In addition to various periodic analysis and regular monitoring of key developments indicators in relevant sectors of the economy, the CBK has continued to update the models developed for risk assessment, such as the Financial Stability Map model (which analyses developments through eight risk dimensions to financial stability), the Stress Testing model (one of the key tools for identifying current fragility in the banking sector and potential systemic risks in the coming year), the model of identifying banks with Systemic Importance (a typical macroprudential policy instrument that assesses the risk of the distribution of the negative effects of a systemic institution throughout the system), as well as model of Countercyclical capital buffer (macro prudential policy model).

One of the most important periodic publications is the Financial Stability Report. This report reflects the sustainability of the financial system, analysing general economic trends, together with the development of activities, performance and sustainability of all components of the country's

financial system. In order to provide the public with the fastest possible access to information on developments in the country's economy, the CBK continued to regularly publish Quarterly Assessment Reports, reports that provide an overview of key macroeconomic developments and developments in all components of the financial system on a quarterly basis. Moreover, the CBK continued to publish the Monthly Report on Financial System Information, which is a summary of key indicators for all components of Kosovo's financial system and is published monthly.

The CBK has continued to conduct the Bank Lending Survey (BLS) with commercial banks on a quarterly basis, a survey that in addition to helping to better understand developments in the banking sector, has also served as an important input for forecasting economic growth and of other macroeconomic aggregates. By the end of 2020 and throughout 2021, BLS has been supplemented with a section that addresses the expectations of commercial banks for prices in the country, while the time series of banks' expectations for inflation dynamics are also published on the CBK website.

With special interest in 2021, the CBK has undertaken an important commitment for the conducting of the study of the Household Indebtedness. In order to provide the most favorable environment for the development of the financial system and support its stability, the CBK has conducted the second study in a row to assess the indebtedness of borrowers in the financial sector of Kosovo, namely the indebtedness of households in Kosovo. The main purpose of the study was to assess the level of indebtedness of individual credit clients and their household unit. In addition, the study aimed to identify lending trends, possible differences in these trends according to socio-demographic and socio-economic characteristics, as well as borrowing patterns, especially the identification of multiple borrowing in different institutions and different sectors and their interconnection with the issue of over-indebtedness. The study was conducted with data from March 2021, from almost all lending institutions in Kosovo (9 banks and 9 microfinance institutions), as well as the inclusion of the total range of credit products for the segment of loans to households.

### **6.7. Main activities in the field of statistics during 2021**

Pursuant to Article 25 of the Law on the Central Bank of the Republic of Kosovo, the CBK collects, compiles and publishes statistics and other necessary information to meet its objectives. Statistical data collection is done to promote and maintain a stable financial system; efficient and secure payment system; to contribute to achieving and maintaining domestic price stability; to support the general economic policies of the Government; to inform the Assembly of the Republic of Kosovo and the general public about the real indicators of the economy, for reporting to international organizations, as well as for the implementation of processes and policies by the CBK itself. The CBK is the main producer and user of financial statistics of the Republic of Kosovo and one of the main sources of statistics at the national level. Within its legal mandate, the CBK compiles and publishes statistics on the monetary, financial sector, financial accounts and external sector.

For the purposes of compiling statistics, reporting entities to the CBK are natural and legal persons including financial institutions (commercial banks, pension funds, insurers, other financial intermediaries and financial auxiliaries), foreign-owned enterprises, Kosovo Customs, government institutions, non-financial corporations, households and non-profit organizations. In accordance with the legislation in force, the CBK respects the confidentiality regarding the individual data it obtains from various reporting entities, which it uses only for the purpose of compiling statistics. The information provided by the rapporteurs is needed to compile monetary and financial statistics, external sector statistics and financial accounts within the legal responsibilities of the CBK. The latter derive from Law No. 03 / L-209 on the Central Bank of the Republic of Kosovo and Law No. 04 / L-036 on Official Statistics of the Republic of Kosovo.

The compilation of the above statistics is based on the methodology recommended by the International Monetary Fund, the European Central Bank, the World Bank, Eurostat and the best practices of other countries.

The publication of statistics is done according to the deadline published in advance on the CBK website and in various formats: time series, monthly statistical bulletin, annual report, National Data Summary Page, IMF, Eurostat, World Bank, CEFTA, etc. Statistics under the responsibility of the CBK upon request are prepared and disseminated for the needs of organizational units within the CBK, as well as for external users, such as: government institutions, media, international organizations, universities and the general public.

The CBK during 2021 has continued the regular publication of statistics for the monetary and financial sector and the external sector in accordance with the calendar of publications. During this year, the CBK has developed financial accounts, a new statistics module based on the requirements of international financial organizations. As an independent part of national accounts, financial accounts provide a complete, comprehensive picture of the financial situation and financial relationships in the economy in terms of economic sectors and financial instruments, including relationships with non-residents. In order to determine the division of institutional responsibilities, as well as the cooperation mechanisms for the preparation of financial accounts, a draft memorandum of cooperation is underway between the CBK, the Kosovo Agency of Statistics and the Ministry of Finance, Labor and Transfers of the Republic of Kosovo. Based on the practices of other countries according to which central banks cover the financial sector and the external sector, the CBK has managed during 2021 to compile and publish regularly on its website statistics of financial accounts for the financial sector (by sub-sectors; central bank, depository corporations, other financial intermediaries, insurance companies, pension funds and other financial intermediaries) and the external sector. The financial accounts statistics for these two sectors are presented in current value and accumulated by sub-sectors in 18 new time series tables within the CBK website. The presentation of statistics is done on a "who-to-who" basis, meaning that the requirements of Eurostat and the IMF for the publication of the Balance Sheet according to the Sectoral Approach have been met.

During 2021, the CBK has continued to further align statistics under its responsibility with EU standards set by the European System of National and Regional Accounts (ESA 2010). Interest rate statistics were reported on a regular monthly basis to the European Central Bank (ECB), while to Eurostat on a quarterly basis were reported Balance of Payments and International Investment Position statistics and on an annual basis direct investment statistics and international trade in services statistics. During 2021, through technical assistance from Eurostat, two statistical projects were finalized; Macroeconomic Imbalance Procedure (MIP) and International Trade in Services Statistics (ITSS). The activities undertaken within these two-year projects have resulted in quality improvement and approximation with EU requirements, such as: reporting to Eurostat of statistics on financial accounts and balance sheet for financial assets and liabilities according to ESA 2010 recommendations, advancing the way of validating reports when reporting to Eurostat and publishing statistics on export and import of services by categories and countries. In the field of data processing, the automation of work processes for the compilation and validation of published statistics has been improved. In addition to the above activities, the CBK during 2021 is committed to improving the quality and consistency of data produced according to the standards and methodology recommended by Eurostat and the IMF, updating the methodology published on the CBK website, publication of new tables on the CBK website, reduction of the frequency of publication of statistical indicators, advancement of methods of processing and validation of statistical reports, maintenance of the page "Kosovo Economy at a glance", compilation and publication of late interest in commercial and credit transactions, compilation and reporting of financial health indicators, etc.



The difficulties caused by the Covid-19 pandemic have led to some projects planned for 2021 being postponed to next year, including; implementation of the online platform to collect statistical reports on direct investments from reporting companies, increasing the number of surveys for compiling certain components of the balance of payments and conducting a survey to estimate the expenditures of migrants in Kosovo.

#### **6.8. Review of the requests of financial institutions supervised by the CBK**

The CBK during the exercise of its supervisory powers, acting in accordance with Article 67 point 4 of Law No. 03 / L-209 on the Central Bank of the Republic of Kosovo, before imposing administrative penalties, provides a detailed statement to the person to whom the penalty will be imposed, describing the facts and the law that support the existence of the violation, giving this person a full opportunity to provide facts and arguments as to why the punishment should not be imposed on him.

In the document / statement sent by the CBK (Notice for the purpose of imposing administrative penalties), legal advice is given, whereby the institution is informed of his right to make a request, within 15 calendar days from the date of receipt of this statement, for review by the Review Division.

Institutions supervised by the CBK after receiving such a statement, and having the possibility of reconsideration of the penalty, if they decide to appeal, address the request to the Review Division.

The Division is continuously coordinated with the financial supervision regarding the addressing of Notices for the purpose of imposing administrative penalties by the CBK (on supervised financial institutions) as preparation, in case of eventual submission of requests for reconsideration of these institutions. During 2021, two requests were addressed for review from financial institutions. The requests were reviewed with professional care and in accordance with the legal framework, and relevant recommendations for decision-making were prepared. Due diligence has been followed in the developments in the legal regulations in order to identify the needs for amendment of any provision that would be related to the issues of review of requests coming from financial institutions. As a result of the pandemic, 2021 was a year of challenges in general and as a result brought significant difficulties in the functioning and performance of operational work in relation to the review of these requests. Despite the difficulties to communicate and gather the necessary material in a timely manner, and despite the difficulties of holding the necessary direct consultations or clarifications (either with the responsible persons of the organizational units within the CBK or of the supervised financial institutions by the CBK) it has been managed to review requests in a timely manner.

## 7 . Internal Developments

### 7.1. Internal audit

Internal Audit (IA) is an important function of the system, which provides reasonable assurance to the CBK Board and Senior Management that internal control mechanisms are designed and operate effectively. Internal audit together with external audit completes the chain of accountability within the institution.

The CBK legal framework provides a full mandate for the IA to independently conduct audit engagements in order to provide recommendations to the CBK Board and Management in order to increase the efficiency of internal controls and add value to institution.

Even during 2021, Internal Audit has continued engagements / audits in accordance with the Annual Plan. This document has been prepared based on the Risk Assessment Methodology, according to the Risk Based Approach. In the absence of a quorum of the CBK Board, the IA Annual Plan was not approved. However, at the end of 2020 it was sent to the Chairman of the Board of the CBK and the Governor.

The audits and engagements performed during 2021 were of the following nature: financial, compliance, operational and information technology. These activities were carried out referring to Law No.03 / L-209 on the Central Bank of the Republic of Kosovo, respectively Article 61 of this Law.

The IA scope has continued to be oriented towards the improvement and advancement of systems / processes which assist the Management in achieving the set objectives. Despite the fact that the year 2021 was quite challenging, as a result of the Global Pandemic COVID-19, IA through activities / audits performed, in order to improve internal control systems, as well as to enhance the value of to the departments / divisions and other responsible areas in the Central Bank has given a total of fifty two (52) recommendations.

IA, in accordance with legal requirements has also prepared the Annual Plan 2022, which was preceded by the preparation of the Audit Universe. This document, according to legal procedures, is first discussed by the Audit Committee, and then discussed and approved by the CBK Board. In order to meet the legal requirements, the Head of Internal Audit, at the end of December 2021, has submitted the Annual Plan 2022 for discussion and approval to the Board of the CBK. As the CBK Board became operational at the end of December 2021, this document is expected to be approved in early 2022.

As a result of the non-operationalization of the CBK Board (this situation we have been facing since 15.06.2020, the Head of Internal Audit even during 2021 has continued his regular reporting to the Chairman of the CBK Board and the Governor. Also, during the period in question, regular monthly informative meetings were held between the Chairman of the Board of the CBK and the Head of IA, during which the progress of the Internal Audit activities was discussed, with special emphasis on the process of monitoring the implementation of recommendations.

The IA has continued with activities related to addressing the recommendations given under external assessments, such as: World Bank, European Central Bank, International Monetary Fund - Safeguards Assessment and USAID.

Activities for continuing professional education of staff have continued during this year, through the participation of IA staff in several trainings and virtual seminars. The Internal Audit Department is involved in the program for strengthening the capacity of Central Banks in the Western Balkans, in order to integrate into the European System of Central Banks, organized by



Deutsche Bundesbank, a program which is expected to continue to be implemented during 2022, depending on the pandemic situation.

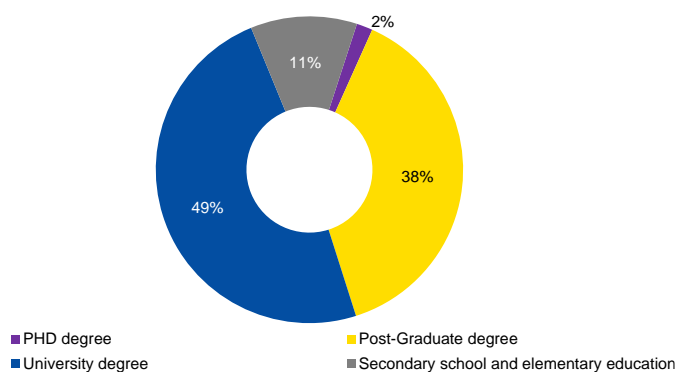
Also, in order to perform its duties, the IA during 2021 has maintained constant contacts with the External Auditors of the CBK.

### 7.2. Human resources

In accordance with the strategic objectives of the Central Bank of the Republic of Kosovo and human resource management policies, the CBK has continuously been focused on acquiring and implementing the best human resource management practices applied in similar institutions.

Effective human resource management pays particular importance to adapting the institution's regulatory infrastructure to the best standards, and also provides opportunities for development and promotion for all employees, aiming at increasing the professionalism, performance and motivation of employees.

Chart 99. Structure by education



Source: CBK (2022)

At the end of 2021, the number of employees in the Central Bank of the Republic of Kosovo was 230. The average age of employees was 42 years. Gender representation at the level of specialists and managers is balanced. The ratio of women to men is 52.6-47.4 percent, while this ratio at the management level is 42.3-57.7 percent.

In the general structure of the Central Bank of the Republic of Kosovo 4 employees or 1.7 percent are with PhD, 88 employees or 38.4 percent with postgraduate education, 112 employees or 48.7 percent with university education, 24 employees or 10.4 percent with secondary education and 2 employees or 0.8 percent with basic education (Chart 99).

The Central Bank of the Republic of Kosovo acknowledges the staff as one of the most important resources and continuously engages in their support to provide them with adequate knowledge, skills, expertise and adequate professional development to fulfil their duties and responsibilities according to the highest standards, and to achieve their full potential, creating conditions for postgraduate studies and participation in conferences, trainings, courses, seminars, etc.

Out of the total number of employees, 77 employees or 33.5 percent of them have participated in vocational training which are mainly organized online by the European Central Bank, International Monetary Fund - IMF, Joint Vienna Institute - JVI, Deutsche Bundesbank, Bank of the Netherlands, Bank of Poland, Bank of France, Bank of Italy, Bank of the Czech Republic, Istanbul School of Central Banking, Kosovo Banking Association and "Center of Excellence in Finance - CEF".

### 7.3. CBK Legal Activities

In order to meet the objectives set by law, the CBK during this year has developed legal activity focusing on the implementation and advancement of the legal infrastructure for the regulation and supervision of the financial sector, based on recent developments, as well as in accordance with the basic principles of European Union directives and international standards.

Focusing on advancing the legal infrastructure in step with the latest developments in the financial market, in order to meet the objectives and tasks set by law, the decision-making bodies of the CBK, namely the Executive Board has adopted a number of bylaws and other decisions, which have been previously reviewed and confirmed from a legal point of view before their adoption. Whereas, in the absence of consolidation of the Central Bank Board, during 2021, in addition to previous years, a number of bylaws in the competence of this board have not managed to be approved.

Also this year, taking into account the situation created by the pandemic, in order to overcome the challenges presented, the Executive Board of the CBK extended the term of the Instruction on Loan Restructuring, as a mitigating measure for borrowers, thus managing to ensure a secure and stable financial system, as one of its main objectives.

Regarding the primary legislation of the CBK, in the process of approval by the competent bodies are: the draft law on microfinance institutions and non-bank financial institutions, as well as the draft law on banks, while the draft law on compulsory motor third party liability insurance is at the CBK, in order to review the necessary amendment-supplements. The purpose of supplementing / amending these laws is to harmonize with the legislation of the European Union, as well as the best international practices and standards, in order to achieve the objectives of the CBK for the preservation and maintenance of financial stability, as well as the protection of the interests of depositors and policyholders. Also, during this year, with the assistance of the World Bank, the draft law on payment services has begun, which aims to regulate payment services provided in Kosovo, in accordance with European Union directives in this area.

In order to carry out as efficiently as possible the tasks related to issues within the areas of relevant legal competencies, the CBK is also engaged in reaching cooperation agreements with other institutions, as follows:

- Cooperation agreement between the CBK, the Ministry of Finance, Labor and Transfers, the Ministry of Internal Affairs and the Kosovo Insurance Bureau, in order to fully cover the border insurance premium for parties subject to border police who come to Kosovo during year 2021;
- Cooperation agreement between the CBK, the Ministry of Finance, Labor and Transfers and partner commercial banks for the launch of treasury bills for the diaspora, through which the aim is to create additional opportunities for mobilizing savings towards the economy of Kosovo;
- Cooperation agreement between the CBK, the Chamber of Private Enforcement Agents and the Ministry of Justice, with the aim of cooperation regarding the efficiency of enforcement procedures according to legal requirements;
- Cooperation agreement between the CBK, the Ministry of Finance, Labor and Transfers and the Agency for Information Society, on the possibility of validating the bank account data of the beneficiaries of the economic recovery package through the bank account register.

Thus, even during 2021, the CBK has continued to promote and maintain a stable and sustainable financial system by focusing on the smooth implementation of the legal framework, guaranteeing a modern legal framework constantly updated in accordance with the standards and required criteria as well as international best practices.

## 7.4. Risk Management Function

Risk management in the Central Bank of the Republic of Kosovo is oriented towards achieving the objectives of the Central Bank set by law.

Risk management framework and support processes are designed to serve the achievement of the Central Bank's strategic objectives, providing structured and comprehensive information on how to identify risks and manage / reduce these risks. This information is provided in a timely manner and is intended to assist decision-making. The General Risk Management Framework defines the main types of risks to which the CBK is exposed and manages. Part of the framework are the processes for risk identification, analysis and assessment which are followed by risk response and its level is monitored according to the regulatory framework in force.

Risk management in the CBK is not a process independent of other activities and work processes, but is an integral part of governance and all processes, including strategic planning and project management.

CBK in accordance with best practices has adapted the model of three lines of defence. The first line is the organizational units / carriers of processes responsible for risk management through the establishment of controls. The risk management function serves as a second line, with the responsibility to monitor the adequacy of risk management with the defined scope. The third line is the internal audit function which performs regular audits of risk management processes and the internal control system.

The risk management function has periodically reported to the Executive Board of the CBK on the overall operational risk profile in the CBK, about the activities developed which have been in the service of advancing operational risk management processes and expanding scope for dealing with financial risks.

The advancement of operational risk management processes is based on the best practices of central banks, the International Operational Risk Working Group (IORWG), which assesses the level of maturity of processes according to the methodology used by IORWG. Based on the activities and developments presented below, the level of maturity of operational risk management in the CBK has reached a satisfactory level of maturity in line with the objectives of the risk management function. The assessment is done periodically by addressing the governance, the risk culture in the institution, the operational risk management processes, the results after the risk management and their reporting.

Work has been done on developing and updating the regulatory framework, on maintaining and further developing the financial risk management framework, and on integrating risk management into all CBK functions. To meet the requirements of the institution, as part of the risk management framework, various risk management instruments and models have been further developed and adapted. A four-day roundtable was held, which further contributed to strengthening the risk management culture at the CBK.

For each reporting period, the databases are completed and updated: that of the work processes at the level of the CBK, supported by the necessary details and the risk register as a very critical database for the institution of a dynamic nature. To support the risk register, a control book has been developed which contains all the control categories according to their function and the way they are designed. These controls, set in response to the identified risks to work processes, are assessed according to the degree of effectiveness to provide assurance that strategic objectives are being achieved.

To facilitate the risk identification process and to perform structured risk assessment, taxonomies have been developed as a coherent and uniform set of definitions to better cover operational risk

categories and subcategories. Taxonomies help to accurately describe the risk and prioritize risk management actions.

The assessment of the overall level of risk is based on many components which have then undergone the process of quantitative and qualitative analysis, in order to as accurately ascertain the level of risk and recommend actions for its management. Based on the defined frequency, the key risk indicators, part of the catalogue of key risk indicators, are followed. This catalogue serves as an instrument that enables the judgment about the tolerance for operational risk by providing a signal to the management in case of increase of certain risks that may affect the achievement of the strategic objectives of the institution.

To address the level of risk, action plans have been developed and followed through which the measures taken for risk management and mitigation are monitored.

## 8 . External relations and international cooperation

### 8.1. International Relations

The Central Bank of the Republic of Kosovo has intensively continued to advance international cooperation, within its functions and responsibilities, despite the situation created by the pandemic, both in our country and around the world.

During 2021, the CBK continued its cooperation with international financial institutions, such as: International Monetary Fund (IMF), World Bank (WB), European Central Bank (ECB), European Banking Authority (UAE), Crans Montana Economic Forum in Switzerland , United States Agency for International Development (USAID), European Commission (EC), Deutsche Bundesbank, German Federal Supervisory Authorities, Austrian Supervisory Authority, Bank of Turkey, International Finance Corporation (IFC), part of World Bank, Bank European Agency for Reconstruction and Development, Eurostat and other institutions.

The leaders of the CBK headed by the Governor Mr. Fehmi Mehmeti, participated remotely (online) in the virtual spring and annual meetings of the World Bank and the International Monetary Fund, where participants were briefed on the current situation in the financial sector and the measures taken by the CBK to maintain this sector, being ready to assist the economy and citizens in more easily coping with the situation caused by the Covid-19 pandemic.

The measures taken by the CBK were highly praised by the International Monetary Fund, the World Bank, the European Commission, the US Department of State, the joint conclusions of the economic and financial dialogue between the EU and the Western Balkan countries and Turkey, etc.

The German Government has also supported the advisory program through which the German Government intends to support further institutional development in Kosovo.

In the framework of the current capacity building program of central banks in the Western Balkans with the aim of integration into the European System of Central Banks, the Central Bank of the Republic of Kosovo and the Central Bank of Portugal (Banco de Portugal) carried out activities focused on advancing processes at the CBK for the review and examination of complaints of users of financial services.

The work of the CBK and the good cooperation with the United States of America is also reflected in the report on the investment climate for 2021 for Kosovo by the US Department of State, which gave a high assessment of the functioning of the country's financial system.

The European Union has also recognized the commitment and reforms undertaken by the CBK and published in the European Commission Country Report for 2020.

In the spring meetings, which took place from 5 to 12 April 2021, Governor Mehmeti and representatives of the CBK discussed with IMF representatives on the latest economic, fiscal and financial developments, as well as plans and expectations for 2021.

The launch of the new project was discussed with the leaders of the International Finance Corporation, which is related to the assessment of the situation in the microfinance and non-banking financial sector, as well as the necessary changes for the reform of this sector.

The assessments given by the International Monetary Fund acknowledge the measures taken by the CBK for loan restructuring. According to the IMF, the preliminary data signal a healthy loan portfolio, with the possibility of a slight increase in non-performing loans in the coming months.

The CBK participated together with 20 central banks of the European Union member states in the capacity building program of central banks in the Western Balkans with the aim of integration into the European System of Central Banks which was launched on March 26, 2019.

In the concluding statement of the Assessment Mission for Article IV, the IMF assessed the resilience of the banking sector, which was expressed through high levels of capital and liquidity, on the one hand, and low levels of non-performing loans, on the other, which are partly as a result of measures taken by the CBK regarding the pandemic.

There has been a good cooperation of the CBK with international institutions and embassies operating in Kosovo.

The Central Bank of the Republic of Kosovo signed a cooperation agreement with the Ministry of Finance, Labor and Transfers and partner commercial banks for the launch of treasury bills for the diaspora, which aim to create additional opportunities for mobilizing savings towards the economy of Kosovo.

During 2021, meetings were held with various business associations in order to continue cooperation to help businesses and citizens in overcoming the situation caused by the Covid-19 pandemic.

## **8.2. Communication and Financial Education**

The Central Bank of the Republic of Kosovo attaches special importance to increasing transparency and informing the public about its work, developments in the financial sector and the steps taken by the CBK. This is transmitted to the public through communication channels and dissemination of information about the achievements and results of activities within its functions and responsibilities.

In the framework of the Financial Education Program, the CBK has continued to carry out activities, prepare educational materials and projects which have been mainly targeted at students and young people, in order to influence the increase of economic and financial knowledge to the general public.

Continuing the cooperation with the Development Fund of the European Fund for Southeast Europe (EFSE), the CBK has managed to print and distribute the collection of 5 financial education textbooks in all education directorates of all municipalities of Kosovo, respectively in all schools in Kosovo. The project has been agreed and supported by the Ministry of Education, Science and Innovation. In order to include all students without distinction, books were distributed in Albanian, Serbian, Turkish, Roma, Bosnian and in the Braille alphabet for students with disabilities.

In the framework of the already traditional activities of financial education, the Central Bank of the Republic of Kosovo has carried out activities for students and young people either with physical presence in schools or in the CBK, or with virtual activities, as follows: International Money Week, June 1 Children's Day, World Savings Day and the awarding of the traditional "Young Economist" award.

In the framework of the Financial Education Program, during the year, visits were made with educational activities in primary schools, in some municipalities of Kosovo and lectures were organized in faculties or in the CBK with university level students. The number of educational materials that are published on the financial education platform in all three languages has also increased.

Other projects implemented during 2021 are: The Greenback Project in which the CBK has cooperated with the World Bank through the Remittances and Payments Program (RPP), a

program funded by the Swiss State Secretariat for Economic Affairs (SECO). This project aimed to increase the efficiency of remittances and the benefits they bring to individuals, households and the economy in general, mainly through financial education, capacity building and coordination of relevant parties. Consequently, 5 meetings were organized with members of the Kosovar diaspora from Germany, Austria, Switzerland, the United Kingdom and the United States of America. As part of this cooperation, two training sessions were also organized with representatives of various departments at the CBK to assess the space and needs for the development and implementation of a National Financial Education Strategy (NFES) and a National Financial Inclusion Strategy (NFIS).

Another project worked on during 2021 is the Project for building an online platform for comparing interest rates. The purpose of the project is to create an online platform / application for the public who will be able to access and compare information about the price of financial products offered by banking institutions. The project is supported by the Department for Development of the European Fund for Southeast Europe (EFSE - Kosovo Office) and the first phase was achieved which contains: Project Development Concept, data collection model (Excel), data consolidated by financial institutions (Excel), Manual or guide on how to use and complete the data collection model (Albanian and English), an explanatory dictionary with the terminology included in the guide, final report and recommendations.

The CBK during 2021 has been focused on informing the public in real time, by organizing press conferences, publishing press releases, statements, answers to questions from journalists and citizens, as well as participating in TV shows and debates and representations in radio, etc.

During 2021, videos were made from the activity of distributing financial education books, also, videos of the Governor's speeches were prepared with subtitles in English and Serbian, thus strictly respecting the Law on the Use of Languages. All videos are published on the CBK channel on YouTube and Facebook. In order to better inform the public about the activities of the CBK, speeches, interviews for visual and written media are constantly posted on the Governor's Activities link. The CBK has continued to maintain good and correct cooperation with all media and journalists. In order to increase information, the CBK has continued with the publication of the book Bulletin of CBK activities (January-June and July-December) which is published twice a year. The book "Governor's Speeches in the BIS" (Bank for International Settlements), then the book "Macroeconomic Indicators" and the book "CBK in the eyes of the public" were also published. Good cooperation has continued with the Bank for International Settlements-BIS where all the speeches of the Governor have been published. The CBK has also taken care of requests for access to public documents, providing documents to requesting parties, always based on applicable laws. The CBK publishes all developments regarding its activities, legislation and measures taken within its mandate on its official website [www.bqk-kos.org](http://www.bqk-kos.org), which has a large number of visits by citizens. The official website also contains publications, reports and constantly updated data on financial sector developments.

### **8.3. Technical assistance**

The CBK has continued to cooperate with international financial institutions, as well as with central banks and regulatory agencies, both regionally and internationally. Mainly during 2021, cooperation in new circumstances in accordance with the pandemic, have been realized with international institutions such as: IMF, WB, ECB, US Treasury, EBRD, EFSE, SECO, etc.



### International Monetary Fund (IMF)

As part of the ongoing support from the IMF, during 2021, the CBK has received technical assistance for the following projects:

- Safeguard Assessment, which covers the areas and functions of the CBK, such as: external audit, internal audit, legal framework, financial reporting and internal controls.
- Review of CBK investment policy, including: crisis investment, investment allocation and diversification, evaluation of CBK portfolio performance over the past years, evaluation of technical and operational capacities, evaluation of risk management etc.
- Meetings with IMF staff for technical assistance were conducted in 2020 and the first draft recommendations were received by the IMF in January 2022 which are currently being commented and reviewed by the CBK and the IMF. Until this period DMM has not received training or workshops to increase its capacity. In the draft recommendation document, the DMM commented on the need for staff to be supported through training in order to be able to implement the changes recommended by the IMF.

Technical assistance regarding updating of the existing manual / development of the manual according to the SREP approach. This manual includes the process of assessing capital adequacy in relation to the bank's risk profile and strategy for maintaining capital levels, the internal assessment of capital levels in order to maintain compliance with the regulator, and the regulator requirements for additional levels of capital for banks, when assessed as such.

Supervisory Capacity Building: Training On-site Inspection. Technical assistance from the MFI. The first phase was the training offered at the beginning of 2021. In 2022 we are expected to start with the second phase.

### 8.4. European Integrations

With a view to realizing the country's perspective for membership in the European Union (EU), the Central Bank of the Republic of Kosovo has continued this year to fulfil its obligations within the European integration process. Monitoring of key legislative developments and supervisory practices, respectively alignment of CBK's legislation with the Acquis, as well as recent macroeconomic developments have been reported continuously through reporting documents as well as meetings with local and international stakeholders involved in the European Integration process of Kosovo.

The Central Bank of the Republic of Kosovo during 2021 has cooperated with relevant institutions by providing continuous support in advancing the European integration process in the Republic of Kosovo.

The cooperation with the Office of the Prime Minister (OPM) of Kosovo which is the main coordinator of the European integration process in the Republic of Kosovo, plays an important role in this area. The CBK has also cooperated with other ministries and institutions operating in Kosovo, such as: Ministry of Foreign Affairs, Ministry of Finance, Labor and Transfers, Ministry of Industry, Entrepreneurship and Trade, and the EU Office in Prishtina. The CBK throughout the year 2021 has continued regular reporting in order to achieve the conclusions within the structures of the Stabilization and Association. The CBK also reported on the meeting of the Stabilization and Association Council, reporting the inputs requested by the Government of the Republic of Kosovo. These inputs are part of the official position (Position Paper), which presents progress and achievements in certain areas (including the financial sector). During 2021, the CBK has also reported within the Subcommittee on Economy, Financial Affairs and Statistics, as well as the Subcommittee on Internal Market, Competition, Consumer Protection and Public Health.



In addition to joint structures with the European Commission, the CBK has reported on a regular basis under the National Plan for the Implementation of the Stabilization and Association Agreement (NPISAA). In this context, the CBK has reported on the constituent chapters of the NPISAA, which aim to implement the reforms required by the Stabilization and Association Agreement (SAA): the free movement of capital chapter and the financial services chapter. Under the SAA, there are obligations for the Central Bank of Kosovo (CBK) in the field of financial services, such as:

- right to decide and the freedom to provide banking services;
- freedom to provide insurance and other services in the financial field, and
- alignment and implementation of the legal and regulatory framework with the legislation of the European Union, the Statute of the European Central Bank and the European System of Central Banks.

Other requirements include developments in the free movement of capital:

- EU legislation for cross-border payments and execution of transfer orders related to securities.
- Liabilities arising in connection with any payment or transfer to the balance of payments/capital current account between the EU and Kosovo.
- Free movement of capital related to trade transactions between Kosovo and the EU;
- In the field of banks and financial conglomerates: (authorizations, functioning and prudent supervision of credit institutions, requirements for calculating the capital of credit institutions and investment firms, Basel III international standards);
- In the field of insurance and occupational pensions: European directives laying down rules regarding the authorization, operation and supervision of life and non-life insurance as well as reinsurance of enterprises;
- In the field of securities markets and investment services: Directive 2004/39 / EC on markets in financial instruments (MiFID).

In the field of European Integration, in meetings with the European Commission, the CBK regularly reported on key developments in the above mentioned areas. Other chapters in which the CBK has consistently contributed are as follows: Chapter of the right of establishment of companies and freedom of service provision, Chapter on economic and monetary policy, chapter of statistics, chapter on freedom, security and justice (Article 89 Money Laundering and Financing of Terrorism), as well as the financial control chapter. The CBK has prepared the Input for the European Commission (EC) Report, and the inputs required by the EC have been provided in accordance with the deadlines. Inputs are a uniform reporting format for all candidate and potential candidate countries, covering specific developments during the year. The major legal developments are reported through a questionnaire drafted by the European Commission on all areas of political and Acquis criteria.

At the end of 2021, the consolidated draft of the NPISAA was prepared, in which the CBK has made a summary of primary legislation and secondary acts, which are expected to be approved during 2022. Legislative proposals derive from the requirements of meetings with members of the European Commission, as well as the needs identified by the CBK. Based on this, the draft of NPISAA contains legislation that transposes directives or that contains suggestions set by the European Commission.

During 2021, the CBK has also reported in the framework of the Regional Common Market Action Plan. Areas reported by the CBK under this action plan are financial services and the development of a modern payment system.

The CBK remains committed to addressing the findings of the Country Report (former progress report), as a result of which there have been a significant number of findings of the 2021 EC Report, which have been addressed to be implemented. during 2022. EC country reports have praised the contribution of the Central Bank of the Republic of Kosovo in terms of consolidating macroeconomic stability, maintaining financial stability, improving supervisory practices and improving the payment system in the Republic of Kosovo. The CBK remains committed to the implementation of priority structural reforms, which will further contribute to achieving the standards required by the European Union.

The CBK during 2021 has continued to benefit from donor assistance programs from the Grand Duchy of Luxembourg and the Kingdom of Norway, which are supporting the efforts of the Government of the Republic of Kosovo and Kosovo institutions to meet the requirements of the Agreement of the Stabilization and Association Agreement (SAA) between the European Union (EU) and the Republic of Kosovo. To this end, the Human Capacity Development Facility (HCDF) has been set up to support the implementation of the SAA. In the framework of cooperation with other central banks, according to the memoranda of understanding in force, the CBK has conducted trainings in various areas in the field of European integration, such as with the Bank of Austria, Turkey, Slovenia. According to the identified needs, the cooperation is expected to continue in the coming years. In the framework of advancing its regulatory and supervisory function, during 2021 the CBK has started technical negotiations with the Single Resolution Board as the central decision-making authority within the Banking Union, whose main goal is to reduce the negative impact of eventual failure of banks in the economy and maintaining financial stability. The CBK continues to play an important role contributing to the implementation of the European Integration Agenda of the Republic of Kosovo.

## 9. Financial Statement

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**Central Bank of the Republic of Kosovo**  
**Financial Statements**  
**as at and for the year ended 31 December 2021**  
**with Independent Auditor's Report**

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## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial statements of the Central Bank of Republic of Kosovo (the "CBK"), which comprise the statement of financial position as at 31 December 2021, 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 CBK as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation 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 CBK'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 CBK or to cease operations, or has no realistic alternative but to do so.

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

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

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



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

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

We communicate with those charged with governance of Central Bank of 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

  
Suzana Stavrik  
Statutory auditor  


27 April 2022

# Central Bank of the Republic of Kosovo

## Statement of financial position

At 31 December 2021

<i>In thousands of EUR</i>	Note	2021	2020
<b>Assets</b>			
Cash on hand	7	537,818	308,090
Current accounts with non-resident banks	8	151,880	313,343
Securities (Treasury Bills and Bonds)	9	632,602	587,794
Money market placements	10	14,053	58,324
Assets related with IMF	11	323,793	268,199
Property and equipment	12	4,562	4,888
Intangible assets	13	1,341	1,700
Other assets	14	2,187	1,883
<b>Total assets</b>		<b>1,668,236</b>	<b>1,544,221</b>
<b>Liabilities</b>			
Due to domestic banks	15	589,099	566,426
Due to IMF related accounts	16	325,853	269,138
Due to governmental institutions	17	608,362	508,446
Due to public and commercial entities	18	77,392	138,661
Borrowings	19	2,139	2,154
Other liabilities	20	2,418	2,539
<b>Total liabilities</b>		<b>1,605,263</b>	<b>1,487,364</b>
<b>Capital and reserves</b>			
Authorized capital	21	30,000	30,000
Reserve fund	21a	26,857	23,903
Revaluation reserve	21a, 29	-	792
Retained earnings		6,116	2,162
<b>Total capital and reserves</b>		<b>62,973</b>	<b>56,857</b>
<b>Total liabilities, capital and reserves</b>		<b>1,668,236</b>	<b>1,544,221</b>

These financial statements were approved by the decision-making<sup>1</sup> bodies of the Central Bank of the Republic of Kosovo on 08 April 2022 and were signed on their 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

<sup>1</sup> According to article 34 and 59 of the Law No.03/L-209 on Central Bank of the Republic of Kosovo.

# Central Bank of the Republic of Kosovo

## Statement of comprehensive income

At 31 December 2021

<i>In thousands of EUR</i>	Note	2021	2020
<b>Interest income</b>			
Interest income		4,142	3,829
Interest expense		(1,493)	(965)
<b>Net interest income</b>	22	<b>2,649</b>	<b>2,864</b>
<b>Fee and commission income</b>			
Fee and commission income		3,388	2,719
Fee and commission expense		(577)	(387)
<b>Net fee and commission income</b>	23	<b>2,811</b>	<b>2,332</b>
<b>Regulatory and other operating activities income</b>			
Regulatory activity income	24	6,335	5,382
Grant income	20, 25	126	119
Other operating income	26	22	11
Foreign exchange net profit / loss	29	536	(663)
<b>Operating revenue</b>		<b>12,479</b>	<b>10,045</b>
<b>Operating expenses</b>			
Personnel expenses	27	(4,908)	(4,833)
Depreciation and amortization	12,13	(1,028)	(1,040)
General and administrative expenses	28	(1,420)	(1,346)
<b>Operating expenses</b>		<b>(7,356)</b>	<b>(7,219)</b>
<b>Financial result before provision for expected credit losses</b>		<b>5,123</b>	<b>2,826</b>
Provisions for expected credit losses, net decrease / (increase)	4	993	(664)
<b>Net profit for the year</b>		<b>6,116</b>	<b>2,162</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,116</b>	<b>2,162</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 2021

	Capital	Reserve fund	Revaluation fund	Retained Earnings	Total
<i>In thousands of EUR</i>					
<b>Balance at 1 January 2020 (as stated)</b>	<b>30,000</b>	<b>22,622</b>	<b>527</b>	<b>2,109</b>	<b>55,258</b>
Adjustment for long-term employee benefits and for foreign exchange revaluation (EUR / SDR) for World Bank lending	-	(580)	17	-	(563)
<b>Balance at 1 January 2020 (restated)</b>	<b>30,000</b>	<b>22,042</b>	<b>544</b>	<b>2,109</b>	<b>54,695</b>
Transfer to reserve fund's	-	1,861	248	(2,109)	-
<b>Total transactions required by law</b>	<b>-</b>	<b>1,861</b>	<b>248</b>	<b>(2,109)</b>	<b>-</b>
Profit for the year	-	-	-	2,162	2,162
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,162</b>	<b>2,162</b>
<b>Balance at 31 December 2020</b>	<b>30,000</b>	<b>23,903</b>	<b>792</b>	<b>2,162</b>	<b>56,857</b>
<b>Balance at 1 January 2021</b>	<b>30,000</b>	<b>23,903</b>	<b>792</b>	<b>2,162</b>	<b>56,857</b>
Transfer to reserve fund's	-	2,954	(792)	(2,162)	-
<b>Total transactions required by law</b>	<b>-</b>	<b>2,954</b>	<b>(792)</b>	<b>(2,162)</b>	<b>-</b>
Profit for the year	-	-	-	6,116	6,116
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,116</b>	<b>6,116</b>
<b>Balance at 31 December 2021</b>	<b>30,000</b>	<b>26,857</b>	<b>-</b>	<b>6,116</b>	<b>62,973</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 2021

<i>In thousands of EUR</i>	Note	2021	2020
<b>Cash flows from operating activities</b>			
Profit for the year		6,116	2,162
<i>Adjustments for:</i>			
Depreciation	12	646	628
Amortization	13	382	412
Grant revenue	25	(126)	(119)
Provisions for expected credit losses	4	(993)	664
Interest income	22	(4,142)	(3,829)
Interest expense	22	1,493	965
		<b>3,376</b>	<b>883</b>
Change in securities		(44,728)	(11,435)
Change in money market placements		49,999	190,000
Change in assets with IMF		(55,693)	29,854
Change in other assets		(283)	(184)
Change in due to domestic banks		22,673	151,484
Change in due to IMF related accounts		56,815	(27,800)
Change in due to governmental institutions		99,916	(211,373)
Change in due to public and commercial entities		(61,269)	86,495
Change from borrowing		95	(95)
Change in other liabilities		(23)	279
		<b>70,878</b>	<b>208,108</b>
Interest received		4,758	3,932
Interest paid		(1,592)	(1,263)
<b>Net cash generated from/(used in) operating activities</b>		<b>74,044</b>	<b>210,777</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	12	(320)	(549)
Purchase of intangible assets	13	(43)	(167)
<b>Net cash used in investing activities</b>		<b>(363)</b>	<b>(716)</b>
<b>Cash flows from financing activities</b>			
Proceeds /(Repayments) from/for borrowing	19	(110)	-
Proceeds from grants	20	28	20
<b>Net cash generated from financing activities</b>		<b>(82)</b>	<b>20</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>73,599</b>	<b>210,081</b>
Cash and cash equivalents at 1 January		<b>630,190</b>	<b>420,109</b>
<b>Cash and cash equivalents at 31 December</b>	30	<b>703,789</b>	<b>630,190</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 2021

(in thousands of Euros, 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 Prishtina. 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>2</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 2021, the Board of the Central Bank of Kosovo comprised of the following members:

- Flamur Mrasori – Chairman of the Board (non-executive)
- Fehmi Mehmeti – Governor
- Nora Latifi Jashari - Member (non-executive)
- Bashkim Nurboja - Member (non-executive)

Whereas, on December 31, 2020, the Central Bank Board consisted of the following members:

- Flamur Mrasori - Chairman of the Board (non-executive)
- Fehmi Mehmeti – Governor

As at 31 December 2021, the Executive Board comprised of the Governor, who is the Chairperson, and one Deputy Governor, while on 31 December 2020 the Executive Board consisted of the Governor and two Deputy Governors. Executive Board is in charged with the implementation of the CBK's policies and its operations.

During 2021, the mandate of one of the Deputy Governors has ended, therefore on December 31, 2021, the position is vacant for a member of the Executive Board.

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<sup>2</sup> As of December 31, 2021, is a vacant position for one non-executive member, while as of December 31, 2020 there were three vacancies for non-executive members (there was actually no quorum for decision making).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

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

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### **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.

#### **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.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

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

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### **3. Significant accounting policies (continued)**

#### **b) Interest income and expenses (continued)**

The calculation of the effective interest rate includes all the fees and amounts 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.

#### **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.

The CBK also distributes employee benefits on a jubilee basis and in the form of a predetermined amount at the time of retirement. The CBK recognizes these expenses according to the occurrence of these events according to the long-term benefit plans.

#### **e) Taxation and profit allocation**

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

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of Euros, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### f) Financial assets and liabilities

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 financial assets of the bank depending on the circumstances, respectively the change of its business model for the management of financial assets can re-classify the latter even after their initial recognition.

If the bank re-classifies a financial asset or group of financial assets from the amortized cost measurement category to the fair value measurement category through profit or loss, their fair value will be measured at the new classification date. Any net gain or loss arising on the difference between the amortized cost and the fair value of the financial asset is recognized in profit or loss.

#### *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 2021

(Notes to the financial statements for the year ended)

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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 2021

(Notes to the financial statements for the year ended)

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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 2021

(Notes to the financial statements for the year ended)

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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 to base 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 and represents the probability of non-payment by the other party for an observed period (12 months or throughout the life of the instrument).

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.

#### j) IMF related assets and liabilities

The financial position with the IMF is commonly presented in full in the member's central bank balance sheet. IMF related assets and liabilities are initially measured at fair value and subsequently measured at their amortized cost. Exchange rate revaluation gains and losses arising on revaluation of IMF assets and liabilities are recognized in the statement of comprehensive income.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### k) 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:

	<b>2021</b>	<b>2020</b>
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.

#### l) 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 2021

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### m) 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.

#### n) 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.

#### o) 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.

#### p) 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.

#### q) 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 2021

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### r) 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:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2** (effective for annual periods beginning on or after 1 January 2021),
- **Amendment to IFRS 16 "Leases"** Covid-19-Related Rent Concessions are effective for annual periods beginning on or after 1 June 2020 but prior application is permitted, including in financial statements not yet authorized for issue on 28 May 2020 (amendment is also available for interim reports).

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 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),
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 - "Presentation of Financial Statements"** - Classification of Liabilities as Short-Term Liabilities or Long-Term Liabilities (effective for periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3 "Business Combinations"** - Refers to the conceptual framework (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 - "Provisions, Assets and Contingent Liabilities"** - Large Contracts The cost of performing a contract (effective for periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 - Property, Plant and Equipment** - Revenue before target use (effective for periods beginning on or after 1 January 2022).
- **The cycle of annual improvements to IFRSs 2018-2020** which is a summary of changes to IFRS 1, IFRS 9, IFRS 16, IAS 41 (effective for periods beginning on or after 1 January 2022).

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 2021

(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 2021

(in thousands of EUR, unless otherwise stated)

### 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 2020 and 31 December 2021, is represented by the carrying amount of the current accounts with non-resident banks, treasury bills, and bonds and money market placements (including residents and non-residents). For details regarding the exposure, please refer to the Notes 8, 9 and 10.

The credit rating for financial instruments that the CBK has exposure for the period ended 31 December 2021 is from AAA to BBB - / Aaa to Baa3.

The carrying values of credit risk exposure divided by credit rating and expressed as a percentage share of the total, are as follows:

<b>2021</b>						
Credit Rating (S&P/Moody's)	Current accounts with non- resident banks	Money market placements	Securities (Treasury Bills and Bonds)	IMF related accounts (SDR holding and use of funds)	Total carrying value	% of total weight
AAA/Aaa	109,931	4,415	113,844	-	228,190	22.36%
AA+/Aa1	-	-	134,241	-	134,241	13.15%
AA/Aa2	-	-	10,011	-	10,011	0.98%
A+/A1	441	-	-	-	441	0.04%
A/A2	9,944	-	118,191	-	128,135	12.56%
BBB+/A3	31,596	9,644	216,576	-	257,816	25.26%
BBB-/Baa3	-	-	40,107	-	40,107	3.93%
N/A (unrated (IFI) <sup>3</sup> )	-	-	-	158,218	158,218	15.50%
N/A (unrated <sup>4</sup> )	-	-	-	63,359	63,359	6.21%
<b>Total</b>	<b>151,912</b>	<b>14,059</b>	<b>632,970</b>	<b>221,577</b>	<b>1,020,518</b>	<b>100.00%</b>

<b>2020</b>						
Credit Rating (S&P/Moody's)	Current accounts with non- resident banks	Money market placements	Securities (Treasury Bills and Bonds)	IMF related accounts (SDR holding and use of funds)	Total carrying value	% of total weight
AAA/Aaa	128,168	8,394	105,714	-	242,276	21.42%
AA+/Aa1	86,666	-	147,567	-	234,233	20.71%
AA/Aa2	-	-	10,017	-	10,017	0.89%
A+/A1	460	-	-	-	460	0.04%
A/A2	-	-	103,282	-	103,282	9.13%
BBB+/A3	98,412	50,000	222,180	-	370,592	32.76%
BBB-/Baa3	-	-	-	-	-	0.00%
N/A (unrated (IFI))	-	-	-	58,761	58,761	5.19%
N/A (unrated)	-	-	-	111,652	111,652	9.87%
<b>Total</b>	<b>313,706</b>	<b>58,394</b>	<b>588,760</b>	<b>170,413</b>	<b>1,131,273</b>	<b>100.00%</b>

None of CBK's exposures are past due. CBK does not hold any collateral or other credit enhancements against its exposure to credit risk.

The basic criteria for determining exposure are credit rating. Credit rating is obtained from credit rating agencies. The minimum credit rating allowed for short-term investment is P-2 (Moody's) or A-2 (Standard & Poor's), while in the long term it is Baa2 (Moody's) or BBB (Standard & Poor's).

In extraordinary cases of inability to make positive returns, investment exposure is permitted through the short-term credit rating of issuer P-3 (Moody's) or A-3 (Standard & Poor's) and the long-term credit rating of Issuer Baa3 (Moody's) or BBB- (Standard & Poor's).

<sup>3</sup> IFI - International financial institutions.

<sup>4</sup> There is no credit rating (neither external nor internal) for the assets in question.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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

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 (Performing) 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 initial 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 (Under Performance) 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 (Non-Performing) of exposure distribution - the criteria that moves financial assets to stage 3 is determined from default status of the financial assets.

The assessment is done at the initial recognition and at the date of the reporting period. The Bank in Stage 1 will measure the loss provision of that financial instrument in ECL equal to the expected 12-months credit loss. If we have a significant increase in credit risk since the initial recognition, the financial instrument will be transferred to Stage 2 (underperforming). For the Stage 2 the Bank will measure the loss provision in ECL amount equal to the expected credit loss over its lifetime. The criteria for determining whether we have a significant increase in credit risk are: deteriorations in credit default and deterioration in the assessment of the probability of default (PD).

Definition of the default:

Default criteria to meet the obligations, respectively for the transfer in Stage 3, 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 happens 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.

The following table shows the exposure values by stages. At the reporting date we do not have any material change in credit risk since the initial recognition therefore all financial assets are in stage 1.

	2021 <sup>5</sup>			2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Current accounts with non-resident banks	151,912	-	-	313,706	-	-
Securities	632,970	-	-	588,760	-	-
Deposit accounts with non-resident banks	14,059	-	-	58,394	-	-
<b>Gross carrying amount</b>	<b>798,941</b>	-	-	<b>960,860</b>	-	-
Loss allowance	(406)	-	-	(1,399)	-	-
<b>Net Carrying amount</b>	<b>798,535</b>	-	-	<b>959,461</b>	-	-

<sup>5</sup> Neither in 2021 nor in the comparative year, the IMF related accounts (SDR and use of funds) are not included as the assessment is that this group is not an exposition that carries allowances for expected credit losses (ECL).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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

The movements of the respective ECL for the financial instruments that the CBK has exposure are as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2021</b>	<b>1,399</b>	-	-	<b>1,399</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	(993)	-	-	(993)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2021</b>	<b>406</b>	-	-	<b>406</b>
	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2020</b>	<b>735</b>	-	-	<b>735</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	664	-	-	664
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2020</b>	<b>1,399</b>	-	-	<b>1,399</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(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 2021</b>							
<i>Non-derivative assets</i>							
Cash on hand		537,818	537,818	-	-	-	-
Current accounts with non-resident banks	8	151,880	151,880	-	-	-	-
Securities (Bonds and Treasury bills)	9	632,602	-	27,849	346,143	224,592	34,018
Money market placements	10	14,053	14,053	-	-	-	-
Assets in IMF related accounts	11	239,903	176,544	12,251	-	51,108	-
		<b>1,576,256</b>	<b>880,295</b>	<b>40,100</b>	<b>346,143</b>	<b>275,700</b>	<b>34,018</b>
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	(589,099)	(589,099)	-	-	-	-
Due to IMF related accounts	16	(248,584)	(268)	(12,251)	-	(51,108)	(184,957)
Due to governmental institutions	17	(608,362)	(608,362)	-	-	-	-
Due to public and commercial entities	18	(77,392)	(77,392)	-	-	-	-
Borrowing	19	(2,139)	-	-	(225)	(901)	(1,013)
Other liabilities	20	(756)	(756)	-	-	-	-
		<b>(1,526,332)</b>	<b>(1,275,877)</b>	<b>(12,251)</b>	<b>(225)</b>	<b>(52,009)</b>	<b>(185,970)</b>
		<b>49,924</b>	<b>(395,582)</b>	<b>27,849</b>	<b>345,918</b>	<b>223,691</b>	<b>(151,952)</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued)

#### c) Liquidity risk (continued)

31 December 2020	Note	Net carrying amount	Less than 1 month	1-3 months	3 mon. to 1 year	1 year to 5 years	over 5 years
<i>Non-derivative assets</i>							
Cash on hand		308,090	308,090	-	-	-	-
Current accounts with non-resident banks	8	313,343	313,343	-	-	-	-
Securities (Bonds and Treasury bills)	9	587,794	15,690	4,021	49,613	518,470	-
Deposit accounts with non-resident banks	10	58,324	8,388	-	49,936	-	-
Assets in IMF related accounts	11	187,828	80,335	11,720	35,160	60,613	-
		<b>1,455,379</b>	<b>725,846</b>	<b>15,741</b>	<b>134,709</b>	<b>579,083</b>	-
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	(566,426)	(566,426)	-	-	-	-
Due to IMF related accounts	16	(195,113)	(4,415)	(11,720)	(35,160)	(60,613)	(83,205)
Due to governmental institutions	17	(508,446)	(508,446)	-	-	-	-
Due to public and commercial entities	18	(138,661)	(138,661)	-	-	-	-
Borrowing	19	(2,154)	-	-	-	(1,077)	(1,077)
Other liabilities	20	(756)	(756)	-	-	-	-
		<b>(1,411,556)</b>	<b>(1,218,704)</b>	<b>(11,720)</b>	<b>(35,160)</b>	<b>(61,690)</b>	<b>(84,282)</b>
		<b>43,823</b>	<b>(492,858)</b>	<b>4,021</b>	<b>99,549</b>	<b>517,393</b>	<b>(84,282)</b>

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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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### 4. Financial risk management (continued)

#### 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 presented in the table below.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

#### (d) Market risk (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 2021</b>							
Current accounts with non-resident banks	8	151,880	151,880	-	-	-	-
Securities (Bonds and Treasury bills)	9	632,602	-	-	6,635	518,894	107,073
Money Market Placements	10	14,053	14,053	-	-	-	-
Assets in IMF related accounts	11	239,903	176,544	-	-	63,359	-
<b>Total</b>		<b>1,038,438</b>	<b>342,477</b>	<b>-</b>	<b>6,635</b>	<b>582,253</b>	<b>107,073</b>
Due to domestic banks	15	(589,099)	(589,099)	-	-	-	-
Due to IMF related accounts	16	(248,584)	(268)	-	-	(63,359)	(184,957)
Due to governmental institutions	17	(608,362)	(608,362)	-	-	-	-
Due to public and commercial entities	18	(77,392)	(77,392)	-	-	-	-
Borrowing	19	(2,139)	-	-	-	-	(2,139)
Due to Other liabilities	20	(756)	(756)	-	-	-	-
<b>Total</b>		<b>(1,526,332)</b>	<b>(1,275,877)</b>	<b>-</b>	<b>-</b>	<b>(63,359)</b>	<b>(187,096)</b>
<b>Gap</b>		<b>(487,894)</b>	<b>(933,400)</b>	<b>-</b>	<b>6,635</b>	<b>518,894</b>	<b>(80,023)</b>
<b>31 December 2020</b>							
Current accounts with non-resident banks	8	313,343	313,343	-	-	-	-
Securities (Treasury bills)	9	587,794	-	-	-	501,505	86,289
Money market placements	10	58,324	8,388	-	49,936	-	-
Assets in IMF related accounts	11	187,828	76,176	-	-	111,652	-
<b>Total</b>		<b>1,147,289</b>	<b>397,907</b>	<b>-</b>	<b>49,936</b>	<b>613,157</b>	<b>86,289</b>
Due to domestic banks	15	(566,426)	(566,426)	-	-	-	-
Due to IMF related accounts	16	(195,113)	(16,135)	-	-	(95,773)	(83,205)
Due to governmental institutions	17	(508,446)	(508,446)	-	-	-	-
Due to public and commercial entities	18	(138,661)	(138,661)	-	-	-	-
Borrowing	19	(2,154)	-	-	-	-	(2,154)
Other liabilities	20	(756)	(756)	-	-	-	-
<b>Total</b>		<b>(1,411,556)</b>	<b>(1,230,424)</b>	<b>-</b>	<b>-</b>	<b>(95,773)</b>	<b>(85,359)</b>
<b>Gap</b>		<b>(264,267)</b>	<b>(832,517)</b>	<b>-</b>	<b>49,936</b>	<b>517,384</b>	<b>930</b>

Non-interest bearing financial assets and 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 2021

(in thousands of EUR, unless otherwise stated)

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### 4. Financial risk management (continued)

#### (d) Market risk (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:

#### 2021

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(4,879)	4,879

#### 2020

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(2,643)	2,643

#### 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:

#### 2021

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(87)	87

#### 2020

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(73)	73

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

#### (d) Market risk (continued)

31 December 2021	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
<b>Assets</b>				
Cash on hand	537,818	-	-	537,818
Current accounts with non-resident banks	151,552	328	-	151,880
Securities (Treasury Bills and Bonds)	628,188	4,414	-	632,602
Money market placements	9,638	4,415	-	14,053
Assets with the IMF related accounts	144	-	323,649	323,793
Other assets	2,187	-	-	2,187
<b>Total</b>	<b>1,329,527</b>	<b>9,157</b>	<b>323,649</b>	<b>1,662,333</b>
<b>Liabilities</b>				
Due to domestic banks	589,099	-	-	589,099
Due to IMF related accounts	145	-	325,708	325,853
Due to governmental institutions	608,362	-	-	608,362
Due to public and commercial entities	77,392	-	-	77,392
Borrowing	-	-	2,139	2,139
Other liabilities	2,418	-	-	2,418
<b>Total</b>	<b>1,277,416</b>	<b>-</b>	<b>327,847</b>	<b>1,605,263</b>
<b>Net foreign currency position</b>	<b>52,111</b>	<b>9,157</b>	<b>(4,198)</b>	<b>57,070</b>

31 December 2020	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
<b>Assets</b>				
Cash on hand	308,090	-	-	308,090
Current accounts with non-resident banks	313,170	173	-	313,343
Treasury bills	587,794	-	-	587,794
Money market placements	49,930	8,394	-	58,324
Assets with the IMF related accounts	242	-	267,957	268,199
Other assets	1,883	-	-	1,883
<b>Total</b>	<b>1,261,109</b>	<b>8,567</b>	<b>267,957</b>	<b>1,537,633</b>
<b>Liabilities</b>				
Due to domestic banks	566,426	-	-	566,426
Due to IMF related accounts	244	-	268,894	269,138
Due to governmental institutions	508,446	-	-	508,446
Due to public and commercial entities	138,661	-	-	138,661
Borrowing	-	-	2,154	2,154
Other liabilities	2,539	-	-	2,539
<b>Total</b>	<b>1,216,316</b>	<b>-</b>	<b>271,048</b>	<b>1,487,364</b>
<b>Net foreign currency position</b>	<b>44,793</b>	<b>8,567</b>	<b>(3,091)</b>	<b>50,269</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

#### (d) Market risk (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 2021 and 2020 were as follows:

	2021	2020
	EUR	EUR
1 SDR	1.23748	1.18385
1 USD	0.88292	0.81493

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 2021

(in thousands of EUR, unless otherwise stated)

### 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 foreign currencies, gold, financial instruments, and other assets.

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.

According to article 56, paragraph 1.1. of the Law no. 03/L-209 on Central Bank of the Republic of Kosovo, 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.

#### Distributable earnings

Description	2021	2020
<b>Total comprehensive income for the year</b>	<b>6,116</b>	<b>2,162</b>
From which are unrealized revaluation gains (profits) note (note 29)	1,529	-
From which are unrealized revaluation losses which were realized in the current year	-	-
<b>Distributable earnings</b>	<b>4,587</b>	<b>2,162</b>

#### Capital, general reserve account and distributable earnings

	2021	2020
Capital	30,000	30,000
General reserve	26,857	23,903
Distributable earnings	4,587	2,162
<b>Total Capital, general reserve account and distributable earnings</b>	<b>61,444</b>	<b>56,065</b>

#### Total monetary liabilities

	2021	2020
Due to commercial banks	589,099	566,426
Due to government	608,362	508,446
Due to IMF related accounts <sup>6</sup>	185,225	83,461
Due to public and commercial entities	77,392	138,661
Due to borrowings	2,139	2,154
Due to other monetary liabilities	756	756
<b>Total monetary liabilities</b>	<b>1,462,973</b>	<b>1,299,904</b>
<b>Ratio as per article 56, paragraph 1.1.</b>	<b>4.20%</b>	<b>4.31%</b>

<sup>6</sup> Exclude securities account and accruals.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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### 4. Financial risk management (continued)

#### (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.

### 5. Use of estimates and judgments

The preparation of financial statements involves the use of uncertain estimates and assumptions about future events that affect the amounts recognized for assets, liabilities, income and expenses. 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. Actual results may differ from those estimated. Estimates and assumptions are reviewed on an ongoing basis. Evaluation reviews are recognized prospectively.

#### 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. Uncertainty in the assessment which may result in a material adjustment in the reporting period is presented in the case of: determination of data for the ECL measurement model, including information on the future and key assumptions used in estimating recoverable flows monetary. 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.

##### Pandemic COVID 19

In 2020 financial statements, the bank's international reserves, consisting of highly valued securities and short-term bank deposits, were not materially affected by the global economic downturn. Also the social and economic impact of the COVID-19 virus and its spread globally since March 2020, has not resulted in increased uncertainty in regards to assessments and judgments throughout 2021. We expect the same as of upcoming year (2022).

During 2021, there was a new SDR allocation from the IMF that has increased international reserves in DVT (SDR) for its members, an increase from that has also Kosovo benefited, by increasing Kosovo's international reserves with the IMF by about 100 million euros [or about 79 million DVT (SDR)]. According to the information that we have, such an increase is not expected in the year 2022.

#### 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 hold to collect, 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.

Also the judgments made in the implementation of accounting policies, which have a significant impact on the amounts recognized in the financial statements are: setting criteria to assess whether the credit risk of a financial asset has increased significantly since initial recognition, setting the methodology for include information on the future in measuring Expected Credit Losses (ECL) and selecting and approving models used to measure ECL.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(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	2021		2020	
		Amortised cost	Fair value	Amortised cost	Fair value
Cash on hand	7	537,818	537,818	308,090	308,090
Current accounts with non-resident banks	8	151,880	151,880	313,343	313,343
Securities	9	632,602	631,621	587,794	590,010
Money market placements	10	14,053	14,053	58,324	58,324
Assets related with IMF	11	323,793	323,793	268,199	268,199
Other Assets	14	129	129	99	99
		<b>1,660,275</b>	<b>1,659,294</b>	<b>1,535,849</b>	<b>1,538,065</b>
Due to domestic banks	15	589,099	589,099	566,426	566,426
Due to IMF related accounts	16	325,853	325,853	269,138	269,138
Due to governmental institutions	17	608,362	608,362	508,446	508,446
Due to public and commercial entities	18	77,392	77,392	138,661	138,661
Borrowing	19	2,139	2,139	2,154	2,154
Other liabilities	20	756	756	756	756
		<b>1,603,601</b>	<b>1,603,601</b>	<b>1,485,581</b>	<b>1,485,581</b>

### 7. Cash on hand

Cash on hand is all denominated in EUR.

	2021	2020
Cash on hand	537,818	308,090
<b>Total</b>	<b>537,818</b>	<b>308,090</b>

### 8. Current accounts with non-resident banks

These accounts were held at the following banks:

	2021	2020
Deutsche Bundesbank	64,669	127,998
Raiffeisen Zentralbank	9,944	9,903
Deutsche Bank	31,596	88,509
Banque Centrale du Luxembourg	44,985	86,666
Commerzbank AG	441	460
Federal Reserve Bank (FED-NY)	277	170
<b>Total carrying amount</b>	<b>151,912</b>	<b>313,706</b>
Impairment for expected credit loss	(32)	(363)
<b>Total net carrying amount</b>	<b>151,880</b>	<b>313,343</b>

The decline compared to 2021 is a normal flow of daily activities, at the same time this decline in current accounts is reflected almost in a balanced form with the increases of notes 7 and 9 (cash and securities).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 8. Current accounts with non-resident banks (continued)

Relevant movements of corresponding ECLs for current accounts with non-resident banks are as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2021</b>	<b>363</b>	-	-	<b>363</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	(331)	-	-	(331)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2021</b>	<b>32</b>	-	-	<b>32</b>
	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2020</b>	-	-	-	-
Impact of IFRS 9 adoption as of 1 January	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge of the year	363	-	-	363
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2020</b>	<b>363</b>	-	-	<b>363</b>

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

Both categories that are part of the group are debt securities issued by European Union countries, America and Kosovo. The treasury bills disclosed below have a maturity of up to one year. While those of bonds up to 7 years. The effective interest rate on securities ranges from -0.014% to 3.023% p.a. in 2021 (2020: 0.019% to 3.023% p.a.).



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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

Analytical disclosure of securities by type and by issuing countries:

	2021			2020		
	Carrying amount	Impairment for expected credit loss	Net carrying amount	Carrying amount	Impairment for expected credit loss	Net carrying amount
Germany	65,703	(32)	65,671	66,177	(157)	66,020
France	10,011	(16)	9,995	10,017	(104)	9,913
Netherlands	12,122	(4)	12,118	12,339	(27)	12,312
Slovenia	-	-	-	20,732	(67)	20,665
Luxemburg	87,452	(17)	87,435	88,382	(93)	88,289
Switzerland	-	-	-	5,614	(3)	5,611
Denmark	6,027	(3)	6,024	6,039	(8)	6,031
Austria	72,366	(21)	72,345	74,729	(248)	74,481
Ireland	102,229	(11)	102,218	103,282	(97)	103,185
America	4,414	(1)	4,413	-	-	-
Italy	40,107	(63)	40,044	-	-	-
Poland	15,962	(35)	15,927	-	-	-
Kosovo	216,577	(165)	216,412	201,449	(162)	201,287
<b>Total</b>	<b>632,970</b>	<b>(368)</b>	<b>632,602</b>	<b>588,760</b>	<b>(966)</b>	<b>587,794</b>

As per type:

	2021			2020		
	Carrying amount	Impairment for expected credit loss	Net carrying amount	Carrying amount	Impairment for expected credit loss	Net carrying amount
Treasury bills	4,414	(1)	4,413	-	-	-
Government bonds	628,556	(367)	628,189	588,760	(966)	587,794
<b>Total</b>	<b>632,970</b>	<b>(368)</b>	<b>632,602</b>	<b>588,760</b>	<b>(966)</b>	<b>587,794</b>

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2021</b>	<b>966</b>	-	-	<b>966</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge for the year	(598)	-	-	(598)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2021</b>	<b>368</b>	-	-	<b>368</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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

The movements of corresponding ECLs for the debt securities at Amortized Costs (continued)

	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2020</b>	<b>519</b>	-	-	<b>519</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge for the year	447	-	-	447
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2020</b>	<b>966</b>	-	-	<b>966</b>

The following table presents the geographical distribution of investments in securities, including the minimum, maximum and average yield. Also, the percentage of concentration and maturities at the state level.

Country	2021					
	Minimum yield	Maximum yield	Average yield	Carrying amount	% of weight in total	Maturity
Germany	0.081030%	0.116846%	0.093827%	65,703	10.38%	2022 - 2023
France	0.054809%	0.074934%	0.064997%	10,011	1.58%	2022
Netherlands	0.103064%	0.153385%	0.128224%	12,122	1.92%	2022
Slovenia	-	-	-	-	-	-
Luxemburg	0.103429%	0.167596%	0.134248%	87,452	13.82%	2022
Switzerland	-	-	-	-	-	-
Denmark	0.039471%	0.039471%	0.039471%	6,027	0.95%	2023
Austria	0.018695%	0.020095%	0.019492%	72,366	11.43%	2022
Ireland	0.082635%	0.128851%	0.111529%	102,229	16.15%	2022 - 2023
America	0.078061%	0.078061%	0.078061%	4,414	0.70%	2022
Italy	-0.014030%	0.052825%	0.019397%	40,107	6.34%	2026
Poland	0.057678%	0.072308%	0.066451%	15,962	2.52%	2027 - 2028
Kosovo	0.191021%	3.022899%	1.409325%	216,577	34.22%	2022 - 2028
<b>Total</b>				<b>632,970</b>	<b>100%</b>	

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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

2020						
Country	Minimum coupon rate	Maximum coupon rate	Average coupon rate	Carrying amount	% of weight in total	Maturity
Germany	0.081030%	0.116846%	0.093827%	66,177	11.24%	2022 - 2023
France	0.054809%	0.074934%	0.064997%	10,017	1.70%	2022
Netherlands	0.103064%	0.153385%	0.128224%	12,339	2.10%	2022
Slovenia	0.154661%	0.176338%	0.165499%	20,732	3.52%	2021
Luxemburg	0.103429%	0.167596%	0.134248%	88,382	15.01%	2022
Switzerland	0.049391%	0.049391%	0.049391%	5,614	0.95%	2021
Denmark	0.039471%	0.039471%	0.039471%	6,039	1.03%	2023
Austria	0.018695%	0.020095%	0.019492%	74,729	12.69%	2022
Ireland	0.082635%	0.128851%	0.111529%	103,282	17.54%	2022 – 2023
America	-	-	-	-	-	-
Italy	-	-	-	-	-	-
Poland	-	-	-	-	-	-
Kosovo	0.302847%	3.022899%	1.337371%	201,449	34.22%	2021 – 2025
<b>Total</b>				<b>588,760</b>	<b>100%</b>	

## 10. Money market placements

Money market placements are composed as follows:

	2021			2020		
	Gross carrying amount	Impairment for expected credit loss	Net carrying amount	Gross carrying amount	Impairment for expected credit loss	Net carrying amount
<b>Term placements</b>						
Raiffeisen Bank International AG	-	-	-	50,000	(64)	49,936
Federal Reserve Bank (FED-NY)	4,415	(1)	4,414	8,394	(6)	8,388
Banka Kombëtare Tregtare Kosovë (BKT)	9,644	(5)	9,639	-	-	-
	<b>14,059</b>	<b>(6)</b>	<b>14,053</b>	<b>58,394</b>	<b>(70)</b>	<b>58,324</b>
<b>Interest accrued on term placements</b>	-	-	-	-	-	-
<b>Total</b>	<b>14,059</b>	<b>(6)</b>	<b>14,053</b>	<b>58,394</b>	<b>(70)</b>	<b>58,324</b>

Active placements in euro at the reporting date are 9.6 million and are with commercial bank (BKT) in the form of collateral-backed lending of securities of the Government of Kosovo through execution of the repurchase agreement with the Central Bank of the Republic of Kosovo. Whereas, we have a outstanding placement of 5 million in USD with FED-NY at the reporting date.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 10. Money market placements (continued)

The movements of corresponding ECLs for the money market placements at Amortized Costs are, as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2021</b>	<b>70</b>	-	-	<b>70</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	(64)	-	-	(64)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2021</b>	<b>6</b>	-	-	<b>6</b>
	2020			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2020</b>	<b>216</b>	-	-	<b>216</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	(146)	-	-	(146)
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognized 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 2020</b>	<b>70</b>	-	-	<b>70</b>

Money market placements are in Euro and Dollar, the effective interest rate during 2021 ranges from - 0.60% to 0.25% p.a. (2020: -0.59% to 1.50% p.a.) and has an initial maturity of 1 to 365 days (2020: from 1 to 365 days). Deposits have a minimum credit rating of AAA / Aaa to A3 / BBB +, according to the rating made for 2021 by Standard & Poors / Moody's.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 11. Assets related with IMF

	2021	2020
IMF quota	102,216	97,786
SDR Holdings	158,074	58,519
Accrued interest	144	242
<b>IMF</b>	<b>260,434</b>	<b>156,547</b>
<b>Government</b>		
Due from the Government for the use of IMF funds (SBA, RFI)	63,359	111,652
<b>Total</b>	<b>323,793</b>	<b>268,199</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 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 represent assets approved by the IMF Board of Governors under SDR allocations to IMF member countries (decisions taken on 28 August 2009 and 9 September 2009). As well as the new allocation / distribution in 2021 (according to IMF definitions) in the amount of 79,168,385 SDR approved by the Board of Governors of the IMF on 2 August 2021 with effective date 23 August 2021. As a result, SDR Holdings in the IMF on behalf of the Republic of Kosovo has increased for this value from the effective date of the transaction. SDR Holdings benefit from annual interest rates in 2021 which range from 0.050% to 0.115% p.a. (2020: 0.050% to 0.748% 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 as well as the agreement for emergency assistance under the Instrument of Rapid Financing (RFI) in the amount of SDR 41.3 million SDR signed in 10 April 2020. While the outstanding as 31 December 2021 is 51.2 million SDR (or 63.36 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 2021 ranges from 1.050% to 1.115% p.a. (in 2020 it has moved from 1.050% to 1.754% 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. As explained in note 3 (j) for IMF related assets and liabilities.

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2021

(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 2020</b>	5,314	2,524	2,274	389	213	10,714
Acquisitions	273	140	136	-	-	549
Transfer from/to	208	-	-	-	(208)	-
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(2)	-	-	(2)
<b>At 31 December 2020</b>	<b>5,795</b>	<b>2,664</b>	<b>2,408</b>	<b>389</b>	<b>5</b>	<b>11,261</b>
<b>At 1 January 2021</b>	5,795	2,664	2,408	389	5	11,261
Acquisitions	313	1	6	-	-	320
Transfer from/to	5	-	-	-	(5)	-
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	(171)	(610)	-	-	(781)
<b>At 31 December 2021</b>	<b>6,113</b>	<b>2,494</b>	<b>1,804</b>	<b>389</b>	<b>-</b>	<b>10,800</b>
<b>Depreciation</b>						
<b>At 1 January 2020</b>	1,418	2,069	1,936	324	-	5,747
Depreciation of the year	271	171	172	14	-	628
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(2)	-	-	(2)
<b>At 31 December 2020</b>	<b>1,689</b>	<b>2,240</b>	<b>2,106</b>	<b>338</b>	<b>-</b>	<b>6,373</b>
<b>At 1 January 2021</b>	1,689	2,240	2,106	338	-	6,373
Depreciation of the year	299	158	175	14	-	646
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	(171)	(610)	-	-	(781)
<b>At 31 December 2021</b>	<b>1,988</b>	<b>2,227</b>	<b>1,671</b>	<b>352</b>	<b>-</b>	<b>6,238</b>
<b>Carrying amounts</b>						
<b>At 1 January 2020</b>	3,896	455	338	65	213	4,967
<b>At 31 December 2020</b>	<b>4,106</b>	<b>424</b>	<b>302</b>	<b>51</b>	<b>5</b>	<b>4,888</b>
<b>At 31 December 2021</b>	<b>4,125</b>	<b>267</b>	<b>133</b>	<b>37</b>	<b>-</b>	<b>4,562</b>

There are no assets pledged as collateral as at 31 December 2021 (31 December 2020: none). 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 2021

(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 2020</b>	508	4,014	4,522
Acquisitions	31	136	167
Transfers (from)/to	(508)	508	-
Transfers (from)/to (adjustments)	-	-	-
Disposals/ Write offs	-	-	-
<b>Balance at 31 December 2020</b>	<b>31</b>	<b>4,658</b>	<b>4,689</b>
<b>Balance at 1 January 2021</b>	31	4,658	4,689
Correction for prior year	(20)	-	(20)
<b>Balance at 1 January 2021 (restated)</b>	<b>11</b>	<b>4,658</b>	<b>4,669</b>
Acquisitions	-	43	43
Transfers (from)/to	(11)	11	-
Transfers (from)/to (adjustments)	-	-	-
Disposals/write offs	-	(1,548)	(1,548)
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>3,164</b>	<b>3,164</b>
<b>Amortization</b>			
<b>Balance at 1 January 2020</b>	-	2,577	2,577
Amortization for the year	-	412	412
Disposals	-	-	-
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>2,989</b>	<b>2,989</b>
<b>Balance at 1 January 2021</b>	-	2,989	2,989
Amortization for the year	-	382	382
Disposals/Write offs	-	(1,548)	(1,548)
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>1,823</b>	<b>1,823</b>
<b>Net carrying amounts</b>			
<b>Balance at 1 January 2020</b>	<b>508</b>	<b>1,437</b>	<b>1,945</b>
<b>Balance at 31 December 2020</b>	<b>31</b>	<b>1,669</b>	<b>1,700</b>
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>1,341</b>	<b>1,341</b>

During the year ended 31 December 2021, CBK has written off amortised intangible assets that are not in use based on Executive Board Decision, No. 04/2021.

### 14. Other assets

Other assets are composed as follows:

	2021	2020
Accrued fee income	2,047	1,774
Accounts receivables and prepayments	140	109
<b>Total</b>	<b>2,187</b>	<b>1,883</b>

Accrued (accrued) fee revenues represent fees from license renewals and other fees for local financial institutions accrued for the last quarter.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(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>2021</b>	<b>2020</b>
ProCredit Bank Kosovo	36,713	33,453
Raiffeisen Bank Kosovo	50,313	44,734
NLB Prishtina	35,149	32,142
Banka Ekonomike	13,983	12,416
Banka për Biznes	13,555	12,346
Banka Kombëtare Tregtare (Kosovë)	21,139	17,534
Banka Ekonomike Turke (TEB)	27,763	24,781
Komercijalna Banka – Mitrovica branch	5,039	4,447
Turkiye is Bankasi a.s.	3,250	2,942
T.C. Ziraat Bankasi A.S. – Kosovo branch	2,521	2,621
Banka Credins Kosovë	440	-
Banka Kreditore e Prishtinës	-	-
<b>Total minimum required reserve</b>	<b>209,865</b>	<b>187,416</b>
<b>Additional amount on the required reserve</b>		
ProCredit Bank Kosovo	32,074	29,850
Raiffeisen Bank Kosovo	31,007	36,494
NLB Prishtina	51,193	91,536
Banka Ekonomike	64,559	45,114
Banka për Biznes	47,980	40,166
Banka Kombëtare Tregtare (Kosovë)	65,527	56,986
Banka Ekonomike Turke (TEB)	57,410	44,667
Komercijalna Banka – Mitrovica branch	5,051	4,219
Turkiye is Bankasi a.s.	17,120	16,556
T.C. Ziraat Bankasi A.S. –Kosova branch	4,613	5,530
Banka Credins Kosovë	2,687	7,887
Banka Kreditore e Prishtinës	13	5
<b>Total addition on current account</b>	<b>379,234</b>	<b>379,010</b>
<b>Total amount on current account</b>	<b>589,099</b>	<b>566,426</b>

The applied interest rate as of 31 December 2021 is -0.70% p.a. (respectively -0.60% p.a. for 31 December 2020) 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 2021

(in thousands of EUR, unless otherwise stated)

### 16. Due to IMF related accounts

	2021	2020
IMF Account no. 1	262	250
IMF Account no. 2	6	6
IMF Security Account	140,483	185,433
IMF SDR - Allocation	166,487	65,548
Accrued interest	145	244
<b>Total due to IMF</b>	<b>307,383</b>	<b>251,481</b>

#### Due to Government

IMF – Paid proportion of Government quota	18,470	17,657
<b>Total due to Government</b>	<b>18,470</b>	<b>17,657</b>
<b>Total</b>	<b>325,853</b>	<b>269,138</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. As well as the new allocation / distribution 2021 (according to IMF definitions) in the amount of 79,168,385 SDR approved by the Board of Governors of the IMF on 2 August 2021 and effective 23 August 2021. Consequently, this item on behalf of the Republic of Kosovo has increased for the value in question from the effective date of the transaction.

SDR Allocations and Paid portion of quota are interest-bearing with annual interest rates for quarterly averages ranging from 0.050% - 0.115% p.a. 2021 (2020: 0.050% - 0.750% p.a.).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(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>2021</b>	<b>2020</b>
Treasury – Ministry of Finance	423,322	316,897
Privatization Agency of Kosovo	184,737	191,457
Interim administration institutions	303	92
<b>Total</b>	<b>608,362</b>	<b>508,446</b>

The effective annual interest rate for current accounts for the year ended on 31 December 2021 is zero (for the year ended on 31 December 2020: zero).

### 18. Due to public and commercial entities

	<b>2021</b>	<b>2020</b>
<b>Current accounts</b>		
Insurance companies	4,811	4,688
Other public institutions	72,579	133,971
Licensed Pension Funds	-	-
Other	2	2
<b>Total</b>	<b>77,392</b>	<b>138,661</b>

The effective interest for current accounts as at 31 December 2021 and 2020 is zero.

### 19. Borrowings

	<b>2021</b>	<b>2020</b>
<b>Balance at 1 January</b>	<b>2,154</b>	<b>2,266</b>
Adjustments for FX gains on liabilities related	-	(17)
<b>Balance at 1 January (restated)</b>	<b>2,154</b>	<b>2,249</b>
Repayments for borrowings (installments)	(110)	-
Foreign exchange adjustments	95	(95)
<b>Balance at 31 December</b>	<b>2,139</b>	<b>2,154</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 annual interest rate is 0.75% and the repayment of interest has started from the starting of the disbursement in 2014, but the repayment of the principal has started 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. The change is due to the EUR/SDR exchange rate movement at the reporting date.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 20. Other liabilities

	2021	2020
Safe custody accounts	756	756
Deferred grants	197	295
Other deferred income	15	11
Provision for litigations	261	242
Sundry creditors	574	606
Employee benefits	615	629
	<b>2,418</b>	<b>2,539</b>

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

As of 31 December 2021, 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 2021 and 2020 it has the above balance.

The movement in provisions is as follows:

	2021	2020
Carrying value on January 1st	242	162
Provision expenses for contingent liabilities (note 28)	20	80
Reduction of provisions during the year	(1)	-
	<b>261</b>	<b>242</b>

The movement in deferred grants was as follows:

	Ministry of Finance	World Bank	European Central Bank	Total
Deferred grant at 1 January 2020	138	256	-	394
Grants received during the year	-	-	20	20
Grants recognized as revenue for the year (note: 25)	(60)	(39)	(20)	(119)
<b>Deferred grant at 31 December 2020</b>	<b>79</b>	<b>217</b>	<b>-</b>	<b>295</b>
Deferred grant at 1 January 2021	79	218	-	295
Grants received during the year	-	-	28	28
Grants recognized as revenue for the year (note: 25)	(60)	(38)	(28)	(126)
<b>Deferred grant at 31 December 2021</b>	<b>19</b>	<b>180</b>	<b>-</b>	<b>197</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 2021 and 2020 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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve are regulated by article 54 of the 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) capital management in accordance with article 54 and 55 of this Law.

### 22. Net interest income

Net interest income is composed as follows:

	2021	2020
<b>Interest income</b>		
From deposit accounts	3	27
From treasury bills and bonds	2,976	2,607
From current accounts	50	126
From negative rates in deposits	1,113	1,069
	<b>4,142</b>	<b>3,829</b>
<b>Interest expense</b>		
On current accounts from non-banking entities	56	138
To nostrum accounts with correspondent banks	1,341	808
On term deposits	80	2
From borrowings	16	17
	<b>1,493</b>	<b>965</b>
<b>Net interest income</b>	<b>2,649</b>	<b>2,864</b>

The CBK is paying negative rates on nostro current account balances with correspondent banks (according to some limits set by them), as a result of which it applies negative rates on the required reserve for commercial banks and to deposits of the Kosovo Pension Savings Trust.

### 23. Net fee and commission income

Net fee and commission income are composed as follows:

	2021	2020
<b>Fee income</b>		
From cash deposits	1,190	954
From foreign incoming transfers	87	77
From foreign outgoing transfers	366	308
From the inter-bank clearing system	1,564	1,231
From the credit registry system	162	132
Other fees	19	17
<b>Total income fees</b>	<b>3,388</b>	<b>2,719</b>
<b>Fee expenses</b>		
For cash transportation	536	346
For correspondent bank transactions	41	41
<b>Total expense fees</b>	<b>577</b>	<b>387</b>
<b>Net fee and commission income</b>	<b>2,811</b>	<b>2,332</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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(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:

	2021	2020
Fee charged to commercial banks	4,133	3,567
Fee charged to insurance companies	1,818	1,535
Fee from non-bank financial institutions	355	251
Fee charged to pension fund institutions	29	29
<b>Total</b>	<b>6,335</b>	<b>5,382</b>

### 25. Grant income

Grant income is composed as follows:

	2021	2020
Treasury – Ministry of Finances (ICU portfolio)	60	60
World Bank	38	39
European Central Bank	28	20
<b>Total</b>	<b>126</b>	<b>119</b>

### 26. Other operating income

Operating income:

	2021	2020
Other income	22	11
<b>Total</b>	<b>22</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 2021

(in thousands of EUR, unless otherwise stated)

### 27. Personnel expenses

Personnel expenses are composed as follows:

	2021	2020
Employee benefits		
Wages and salaries	3,924	3,902
Pension contributions (employer)	628	606
Health and life insurance costs	282	195
	<b>4,834</b>	<b>4,703</b>
Other personnel expenses		
Staff training	9	26
Central Bank Board expenses	51	86
Other	14	18
	<b>74</b>	<b>130</b>
<b>Total</b>	<b>4,908</b>	<b>4,833</b>

The number of employees that actively affected the cost disclosed for 2021 is 233 (2020: 229).

### 28. General and administrative expenses

General and administrative expenses are as follows:

	2021	2020
Insurance expenses	486	331
Repairs and maintenance	91	73
Software maintenance	361	385
Communication expense (telephone, telex and internet)	32	37
Utilities	83	81
Audit and consulting expense	10	13
Security and guard services	112	112
Travel and transportation	15	15
Vehicle operating expenses	17	14
Stationery	7	4
Representation expenses *	19	31
Other representation expenses *	7	4
Cafeteria expenses	44	36
Computer and other consumables expense	5	11
Consumable expenses for equipment	8	5
Publication and literature expenses	10	8
Technical professional assistance and other external services	12	11
Membership in professional organizations **	31	43
Provision expenses	20	80
Other	50	52
<b>Total</b>	<b>1,420</b>	<b>1,346</b>

\* Other Representation expenses consist of: *conferences and similar activities, financial education program, children's gift for the end of the year, ceremonies and gifts for staff retirement, gifts for March 8 and the like.*

\*\* 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 2021

(in thousands of EUR, unless otherwise stated)

### 29. Foreign exchange net profit/loss

Net profit from foreign exchange is 536 thousand Euro for the year ended 31 December 2021, (while in 2020: loss of 663 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 2021	
		Assets	Liabilities
10	USD	10,370	-
11,16	SDR	261,538	264,931

		31 December 2020	
		Assets	Liabilities
10	USD	10,512	-
11,16	SDR	226,343	228,954

The effect of exchange rate variation derives from:

	31 December 2021	31 December 2020
from USD	706	(791)
from SDR	(170)	128
	<b>536</b>	<b>(663)</b>

Profit / Loss from the change of "exchange rate" is a temporary non-operating position derived from foreign currency items (USD and 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 2021 has been positive and has increased "*total comprehensive income for the year*". If we exclude this effect (respectively the amounts of 536 thousand profit in 2021 and 663 thousand euros as (loss) not factual in 2020) as well as the net effect for correction of the value of financial instruments, then the operating financial result for 2021 is about **4,587 thousand euro** and for 2020 is about **3,489 thousand Euro**.

Position in USD are set out in notes 4 (d), while position in SDR - The special rights of withdrawal are set out in notes 11 and 16.

Unrealized profit/loss	2021	2020
From foreign currency position	536	(663)
From financial instrument position (note 4)	993	(664)
<b>Total revaluation profit/loss</b>	<b>1,529</b>	<b>(1,327)</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

### 30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2021	2020
Cash on hand	7	537,818	308,090
Current accounts with non-resident banks	8	151,912	313,706
Deposit accounts with non-resident banks with original maturity up to three months	10	14,059	8,394
<b>Total</b>		<b>703,789</b>	<b>630,190</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 2021, however due to professional care, the CBK has estimated and recorded a provision disclosed under other liabilities, even though during 2021 this provision has not increased compared to the prior year.

#### Other Commitments

Other commitments are composed as follows:

	2021	2020
Service contracts	-	-
Contracts for renovation of building	-	58
Equipment contracts	-	46
Applications in process	-	19
<b>Total</b>	<b>-</b>	<b>123</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 2021 was 645 thousand and in 2020 the total amount of these promissory notes was 645 thousand Euro.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2021

(in thousands of EUR, unless otherwise stated)

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### 32. Related party transactions

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

	2021	2020
Compensation to Central Bank Board members	46	68
Compensation to Audit Committee	-	7
Compensation to Key Management Personnel	158	155
<b>Total</b>	<b>204</b>	<b>230</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.

A special treatment has been given to the assessment of the new situation created globally after the start of the war in Eastern Europe (Ukraine) and the tightening of sanctions of Western countries against the Russian Federation (such as the US, UK and the European Union, an initiative which you Kosovo also responded). It is still too early to talk about the economic impacts that may result from this situation. But there are indications that there can certainly be an impact. CBK evaluated and emphasized that, and has taken concrete initiatives (i.e. establishment of an advisory body for the Executive Board and Governor) to address and asses circumstances that could affect the economy of Kosovo and consequently the activity of our institution and we pledged to be very vigilant in this aspect, to follow the circumstances and be prepared for them.

## 10. Statistical Appendix

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## 1.1. Financial Corporation survey - assets

(EUR million: End of period)

Description	Net foreign assets								Domestic claims							
	Claims on non-residents							Liabilities to non-residents	Claims on central government				Claims on other sectors			
	Monetary gold and SDR	Deposits	Securities other than shares	of which:			Claims on central government		Liabilities to central government	Loans	of which:					
				IMF Quota	Shares and other equities	Other nonfinancial corp.		Households								
2010	1,935.4	2,365.6	64.0	1,235.7	525.2	68.5	269.3	430.2	788.9	-802.7	22.1	824.8	1,591.6	1,568.3	1,127.7	434.2
2011	2,047.3	2,425.6	65.1	1,338.9	230.2	70.1	533.1	378.2	998.8	-778.0	20.5	798.4	1,776.8	1,750.8	1,233.1	514.6
2012	2,224.1	2,660.4	63.3	1,147.7	486.0	68.8	666.5	436.3	1,195.5	-651.7	186.8	838.5	1,847.2	1,819.4	1,271.3	546.3
2013	2,452.7	2,908.3	59.6	1,037.9	818.7	65.9	651.2	455.6	1,369.1	-515.0	258.9	774.0	1,884.2	1,859.9	1,291.1	567.7
2014	2,546.6	3,011.6	62.5	1,313.0	315.7	70.4	1,024.4	465.0	1,609.0	-386.7	349.2	735.9	1,995.8	1,971.5	1,345.5	625.3
2015	2,610.3	3,133.4	65.1	1,271.6	351.3	75.1	1,086.3	523.2	1,864.8	-278.4	481.2	759.6	2,143.2	2,114.8	1,416.3	697.7
2016	2,705.6	3,249.5	56.0	648.0	712.5	105.3	1,307.4	543.9	2,221.0	-160.1	582.2	742.3	2,381.1	2,354.7	1,552.3	799.1
2017	2,784.8	3,441.8	66.3	715.9	639.2	98.1	1,483.0	657.0	2,561.2	-123.4	714.7	838.1	2,684.6	2,650.8	1,747.6	900.4
2018	2,610.2	3,288.1	64.9	602.2	739.8	100.3	1,231.8	677.9	3,049.2	48.5	839.5	791.0	3,000.8	2,970.2	1,965.0	1,000.8
2019	2,867.1	3,574.0	63.7	723.6	633.4	102.1	1,485.3	706.9	3,511.9	181.0	931.6	750.6	3,330.9	3,296.6	2,187.8	1,104.7
2020	2,976.9	3,701.5	58.8	831.3	717.8	97.8	1,356.7	724.6	4,051.2	515.6	1,055.8	540.2	3,535.6	3,499.5	2,312.7	1,182.2
2021	3,511.4	4,296.1	158.2	546.2	789.7	102.2	1,815.1	784.7	4,575.8	485.7	1,127.0	641.3	4,090.2	4,041.7	2,639.8	1,401.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/01%20Financial%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls)

## 1.2. Financial corporation survey – liabilities

(EUR million: End of period)

Description	Deposits									Loans	Insurance technical reserves			Shares and other equity	Other items (net)
	Transferable (net) deposits	of which:				Other deposits	of which:				Net equity of households in pension funds	Prepayment of premiums and reserves			
		Public nonfinancial corp.	Other financial corp.	Households	Public nonfinancial corp.		Other nonfinancial corp.	Households							
2010	1,744.2	621.2	83.8	218.6	303.5	1,123.1	42.8	83.4	995.9	...	540.5	493.7	46.8	361.0	74.0
2011	1,933.6	658.4	68.1	208.1	360.9	1,275.1	60.8	79.7	1,129.6	...	647.8	593.3	54.5	389.7	76.5
2012	2,076.6	700.2	13.8	257.5	407.2	1,376.5	61.8	78.2	1,232.9	...	814.9	745.1	69.8	399.2	128.9
2013	2,275.3	848.0	16.4	299.6	506.6	1,427.3	55.7	98.2	1,268.4	...	990.3	919.0	71.3	403.9	152.4
2014	2,353.7	1,133.9	21.1	338.4	743.5	1,219.8	51.6	58.0	1,104.8	...	1,173.8	1,094.1	79.7	452.3	175.8
2015	2,514.6	1,378.4	11.1	413.8	919.0	1,136.3	20.6	68.3	1,046.8	...	1,329.6	1,237.3	92.3	530.5	100.4
2016	2,739.7	1,630.1	24.7	456.0	1,116.0	1,109.6	32.2	70.8	1,006.2	...	1,546.0	1,425.4	120.6	542.4	98.4
2017	2,888.4	1,780.2	59.2	491.6	1,191.8	1,108.2	35.1	89.9	978.7	...	1,766.5	1,652.8	113.8	621.0	70.0
2018	3,118.2	1,962.6	80.5	527.0	1,316.1	1,155.6	30.2	98.4	1,018.2	...	1,807.2	1,689.0	118.2	658.6	75.4
2019	3,490.5	2,261.8	61.5	657.3	1,496.9	1,228.7	29.0	90.3	1,105.0	...	2,107.6	1,976.5	131.1	693.8	87.1
2020	3,999.1	2,683.3	126.9	719.8	1,784.1	1,315.8	44.8	107.7	1,153.3	...	2,138.0	1,999.2	138.8	808.1	82.9
2021	4,580.3	3,216.3	153.1	882.9	2,136.0	1,364.0	26.7	104.3	1,230.1	...	2,516.4	2,363.4	153.0	863.0	127.6

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/01%20Financial%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls)

## 2.1. Depository corporations survey- net foreign assets and domestic claims

(EUR million: End of period)

Description	Net foreign assets							Domestic claims							
	Claims on non-residents						Minus: liabilities to non-residents	Net claims on central government				Claims on other sectors			
	Cash	Deposits	Securities other than shares	IMF Quotas	Claims on central government	Minus: liabilities to central government		Loans	of which:		Other nonfinancial corp.	Households			
2010	1,594.1	1,935.0	164.3	1,235.7	372.7	68.5	340.9	654.9	-802.7	22.1	824.8	1,453.3	1,452.9	1,006.6	434.2
2011	1,583.3	1,879.9	124.9	1,338.8	227.0	70.1	296.6	888.2	-777.9	20.5	798.4	1,666.1	1,665.6	1,130.6	514.6
2012	1,616.7	1,989.7	141.4	1,147.6	482.7	68.8	373.1	1,075.9	-665.7	172.9	838.5	1,741.6	1,740.9	1,172.9	546.3
2013	1,859.7	2,252.6	157.9	1,037.8	815.3	65.9	392.9	1,219.0	-568.2	205.8	774.0	1,787.2	1,786.0	1,196.7	567.7
2014	1,579.0	1,982.2	160.4	1,312.9	311.6	70.4	403.2	1,441.6	-441.4	294.5	735.9	1,883.0	1,881.9	1,248.7	625.3
2015	1,581.8	2,042.3	190.6	1,271.5	347.4	75.1	460.5	1,641.4	-378.9	380.7	759.6	2,020.3	2,019.2	1,312.0	697.7
2016	1,493.1	1,936.8	316.7	647.9	709.5	105.3	443.7	1,971.5	-259.4	482.9	742.3	2,230.9	2,229.6	1,419.2	799.1
2017	1,419.6	1,945.7	357.2	707.6	637.6	98.1	526.1	2,254.7	-240.2	597.9	838.1	2,495.0	2,485.1	1,577.1	900.4
2018	1,421.7	1,931.4	483.8	482.2	738.4	100.3	509.7	2,572.8	-184.6	606.4	791.0	2,757.4	2,755.1	1,743.2	1,000.8
2019	1,576.3	2,085.0	509.8	722.9	632.0	102.1	508.7	2,885.8	-146.9	603.7	750.6	3,032.6	3,030.9	1,915.2	1,104.7
2020	1,812.4	2,339.7	540.5	830.5	716.8	97.8	527.3	3,274.2	26.7	567.0	540.2	3,247.5	3,245.6	2,051.0	1,182.2
2021	1,896.9	2,477.3	788.7	545.2	789.1	102.2	580.3	3,709.4	-49.4	591.9	641.3	3,758.8	3,747.0	2,335.1	1,401.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/02%20Depository%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls)

## 2.2. Depository corporations' survey - Liabilities

(EUR million: End of period)

Description	Deposits included in broad money											Deposits excluded from broad money	Shares and other equity	Other items (net)
	Transferable deposits						Other deposits							
	of which:						of which:							
	Other financial corp.	Public nonfinancial corp.	Other nonfinancial corp.	Households		Other financial corp.	Public nonfinancial corp.	Other nonfinancial corp.	Households					
2010	1,747.9	674.3	53.1	83.8	218.6	305.1	1,073.6	85.2	30.2	73.5	883.7	138.2	278.5	84.4
2011	1,902.2	705.3	37.8	77.2	208.1	363.3	1,196.9	91.0	49.2	71.7	979.9	175.8	302.9	90.6
2012	2,036.8	759.5	41.9	31.2	257.5	408.9	1,277.3	100.4	49.8	70.5	1,053.1	206.2	321.1	128.5
2013	2,389.2	1,097.1	226.5	39.1	299.6	509.0	1,292.1	62.2	43.7	92.3	1,088.9	209.7	329.0	151.5
2014	2,287.4	1,194.7	60.8	21.1	338.4	745.2	1,092.7	67.2	39.4	50.2	930.6	208.7	373.8	150.6
2015	2,415.6	1,476.0	97.6	11.1	413.8	919.7	939.6	37.4	7.8	55.0	838.9	252.2	444.4	111.7
2016	2,639.1	1,700.3	70.9	24.7	456.0	1,116.0	938.7	50.5	20.1	56.4	811.3	243.3	474.1	108.3
2017	2,806.9	1,869.2	89.8	59.2	491.6	1,191.8	937.7	68.2	22.9	66.3	775.8	261.6	523.3	82.5
2018	3,030.0	2,047.4	84.9	80.5	527.0	1,316.1	982.6	126.7	17.5	60.8	768.9	329.3	552.2	83.0
2019	3,393.4	2,338.2	76.4	61.5	657.3	1,496.9	1,055.2	201.0	16.0	56.5	777.3	438.9	575.8	54.0
2020	3,913.5	2,835.0	152.0	126.9	719.7	1,783.9	1,078.5	152.9	32.2	74.7	808.5	459.7	675.2	38.0
2021	4,388.3	3,311.3	95.1	153.1	882.9	2,136.0	1,077.0	110.9	12.4	75.2	875.4	457.4	706.3	54.4

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/02%20Depository%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls)

**Table 3.1. CBK Survey - net foreign assets and domestic claims**

(EUR million: End of period)

Description	Net foreign assets										Net claims on central government	Claims on other sectors
	Claims on non-residents							Minus: liabilities to non-residents	of which:			
	SDRs	Cash	Deposits	Securities other than shares	IMF Quota	SDR allocations	Use of IMF funds					
2010	1,085.9	1,224.8	64.0	60.2	832.3	199.2	68.5	138.9	64.2	73.0	-791.0	0.5
2011	1,074.1	1,214.2	65.1	13.5	1,038.8	25.0	70.1	140.1	65.7	73.7	-776.7	0.5
2012	1,125.7	1,356.0	63.3	16.8	921.0	286.0	68.8	230.3	64.6	165.3	-724.8	0.7
2013	1,286.3	1,504.3	59.6	27.4	790.5	560.8	65.9	218.0	61.9	155.8	-667.5	1.2
2014	1,044.7	1,266.4	62.5	29.2	983.5	120.5	70.4	221.6	66.1	155.2	-628.8	1.1
2015	1,046.4	1,302.6	65.1	15.3	1,046.3	100.2	75.1	256.1	70.5	184.8	-599.4	1.1
2016	895.2	1,161.7	56.0	154.8	402.7	438.4	105.3	266.5	70.6	193.7	-493.1	1.4
2017	939.4	1,242.6	66.3	188.5	491.0	394.3	98.1	303.2	65.7	235.0	-473.6	9.7
2018	933.9	1,239.6	64.9	285.4	219.0	565.5	100.3	305.7	67.2	236.1	-431.6	2.1
2019	937.1	1,218.6	63.7	302.2	357.7	392.9	102.1	281.5	69.0	209.9	-421.5	1.7
2020	969.1	1,222.8	58.8	308.1	371.7	386.5	97.8	253.7	65.8	185.7	-213.1	1.9
2021	1,060.9	1,370.7	158.2	537.8	156.3	416.2	102.2	309.8	166.6	140.8	-346.8	11.8

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/03%20CBK%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls)**Table 3.2. CBK survey - Liabilities**

(EUR million: End of period)

Description	Deposits included in broad money								Deposits excluded from monetary base			Capital and other			Other items (net)
	Transferable deposits					Other deposits			Other nonfinancial corporations	Local government	of which:				
	Other financial corporations	Local government	Public nonfinancial corporations	Other financial corporations	Other financial corporations	Capital	Profit loss of the year								
2010	45.6	45.6	43.9	...	0.0	...	...	...	...	...	48.0	30.0	3.1	-1.8	
2011	39.5	39.5	36.8	...	0.2	...	...	...	...	...	50.0	30.0	1.5	-1.3	
2012	51.5	51.5	49.8	...	0.0	...	...	...	...	...	50.4	30.0	0.3	-2.4	
2013	239.0	239.0	236.6	...	0.0	...	...	...	...	...	50.5	30.0	0.2	-2.7	
2014	53.0	53.0	40.5	...	10.9	...	...	...	...	...	50.8	30.0	0.4	-2.7	
2015	83.4	83.4	82.3	...	0.3	...	...	...	...	...	51.6	30.0	0.7	-3.3	
2016	59.6	59.6	51.2	...	7.7	...	...	...	...	...	53.3	30.0	1.6	-5.8	
2017	96.6	96.6	52.7	...	43.1	...	...	...	...	...	52.4	30.0	-0.9	-5.3	
2018	111.6	111.6	49.3	...	61.6	...	...	...	...	...	54.5	30.0	2.2	-5.1	
2019	52.9	52.9	51.0	...	1.1	...	...	...	...	...	55.7	30.0	2.1	-6.3	
2020	139.4	139.4	110.3	...	28.3	...	...	...	...	...	57.2	30.0	2.2	-5.1	
2021	78.1	78.1	67.8	...	9.6	...	...	...	...	...	63.2	30.0	6.1	-4.4	

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/03%20CBK%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls)

Table 4.1. ODC Survey - Net Foreign Assets and Domestic Claims

(EUR million: End of period)

Description	Net foreign assets								Claims on CBK	Net claims on central government	Claims on other sectors				
	Claims on residents	on non-residents			Minus: Liabilities to non-residents	of which:		Loans			Public nonfinancial corp.	of which:		House holds	
		Cash	Deposits	Securities other than shares		Deposits	Loans					Other nonfinancial corp.			
2010	507.6	709.8	103.5	403.5	173.4	202.2	85.5	116.7	203.4	-11.6	1,457.5	1,452.7	6.3	1,006.6	434.2
2011	509.2	665.7	111.5	300.0	202.0	156.5	64.8	90.5	220.0	-1.2	1,666.1	1,664.1	1.5	1,130.6	514.6
2012	490.9	633.7	124.6	226.6	196.7	142.8	87.6	50.3	301.1	59.2	1,741.6	1,740.5	1.4	1,172.9	546.3
2013	573.4	748.3	130.6	247.3	254.4	174.9	90.4	82.4	332.8	99.4	1,786.0	1,786.0	0.2	1,196.7	568.6
2014	534.3	715.8	131.2	329.4	191.1	181.5	90.6	87.8	315.9	187.3	1,881.9	1,881.8	0.6	1,248.7	625.3
2015	535.7	740.0	175.5	225.2	247.2	204.3	116.0	85.9	315.7	220.7	2,019.0	2,019.0	0.6	1,324.1	685.6
2016	597.9	775.1	161.9	245.2	271.1	177.2	74.1	95.9	295.4	233.7	2,229.6	2,229.6	2.9	1,419.2	799.5
2017	480.2	703.1	168.7	216.6	243.4	222.9	117.9	102.5	330.7	233.4	2,485.1	2,485.1	2.4	1,577.1	900.8
2018	487.8	691.8	198.5	263.2	172.8	204.0	108.6	91.9	343.3	247.0	2,755.2	2,755.2	4.0	1,743.2	1,001.2
2019	639.2	866.5	207.6	365.1	239.1	227.2	119.4	106.0	414.9	274.7	3,030.9	3,030.9	3.4	1,915.2	1,105.4
2020	845.4	1,116.8	232.2	458.8	330.3	271.4	152.8	116.9	558.4	239.8	3,245.6	3,245.6	3.7	2,051.0	1,183.1
2021	836.0	1,106.5	250.9	388.9	372.9	270.5	138.3	128.9	589.0	297.3	3,747.0	3,747.0	0.0	2,335.1	1,401.9

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/03%20CBK%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls)

Table 4.2. ODC survey- Liabilities

(EUR million: End of period)

Description	Deposits included in broad money*										Deposits excluded from broad money	of which:		Share capital and other	Other items (net)	
	Transferable deposits					Other deposits						Other nonfinancial corporations	House holds			
	of which:				House holds	of which:										
Other financial corp.	Public nonfinancial corp.	Other nonfinancial corp.	House holds	Other financial corp.		Public nonfinancial corp.	Other nonfinancial corp.	House holds	Other financial corp.	Public nonfinancial corp.	Other nonfinancial corp.	House holds				
2010	1,702.7	628.6	9.2	83.8	218.6	303.5	1,074.1	85.2	30.2	73.5	884.2	138.2	9.9	112.2	230.4	85.7
2011	1,863.3	665.9	10.1	67.9	208.1	360.9	1,197.4	91.0	49.2	71.7	980.4	175.8	8.0	149.7	252.8	102.2
2012	1,986.0	708.0	9.6	13.8	257.5	407.2	1,278.0	100.4	49.8	70.5	1,053.8	206.2	7.8	179.8	270.7	129.8
2013	2,149.5	857.3	11.8	16.4	299.6	506.6	1,292.2	62.2	43.7	92.3	1,088.9	209.7	5.9	179.4	277.8	154.4
2014	2,234.4	1,141.7	20.4	10.2	338.4	743.5	1,092.7	67.2	39.4	50.2	930.6	208.7	7.8	174.2	323.0	153.3
2015	2,349.6	1,392.0	14.5	10.9	413.8	919.1	957.5	37.6	12.8	54.3	852.3	232.7	13.9	193.1	393.8	115.0
2016	2,579.4	1,640.7	19.0	17.0	456.0	1,116.0	938.7	50.5	20.1	56.4	811.2	243.3	14.3	195.0	420.8	113.3
2017	2,710.3	1,772.7	36.3	16.0	491.6	1,191.8	937.7	68.2	22.9	66.3	775.8	261.6	23.6	202.9	471.0	86.7
2018	2,918.4	1,935.8	34.8	18.9	527.0	1,316.1	982.6	126.7	17.5	60.8	768.9	329.3	37.6	249.3	497.7	88.0
2019	3,340.5	2,285.3	24.6	60.4	657.3	1,496.9	1,055.2	201.0	16.0	56.5	777.3	438.9	33.8	327.7	520.1	60.2
2020	3,774.1	2,695.6	40.9	98.5	719.7	1,783.9	1,078.5	152.9	32.2	74.7	808.5	459.7	32.9	344.8	610.2	45.1
2021	4,310.1	3,233.1	26.5	143.5	882.9	2,136.0	1,077.0	110.9	12.4	75.2	875.4	457.4	29.1	354.6	643.1	58.8

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/04%20Other%20Deposit%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/04%20Other%20Deposit%20Corporations%20Survey.xls)

Table 5.1. OFC survey – net foreign assets and domestic claims

(EUR million: End of period)

Description	Net foreign assets						Claims on depository corporations						Net claims on central government	Claims on other sectors	Loans	
	Claims on non-residents	of which:		Minus: Liabilities to non-residents	Loans	CBK	Other depository corporations			Transferable deposits	Other deposits					
		Securities other than shares	Share capital and other				Transferable deposits	Other deposits								
2010	341.3	430.5	152.5	269.3	89.2	89.2	142.8	43.9	43.9	...	98.8	8.2	90.6	–	139.7	116.9
2011	464.0	545.7	3.2	533.1	81.7	81.7	138.1	27.7	27.7	...	110.4	7.3	103.1	–	128.1	102.5
2012	607.6	670.8	3.3	666.5	63.2	63.2	154.0	32.4	32.4	...	121.6	9.7	111.9	13.9	125.5	98.3
2013	593.0	655.8	3.5	651.2	62.7	62.7	313.0	213.9	213.9	...	99.1	14.6	84.5	53.1	117.5	94.4
2014	967.6	1,029.4	4.0	1,024.4	61.8	61.8	119.5	15.7	15.7	...	103.7	13.6	90.1	54.7	119.9	96.8
2015	1,028.4	1,091.1	3.9	1,086.3	62.7	62.7	162.8	55.4	55.4	...	107.3	21.8	85.6	100.5	131.6	104.2
2016	1,212.5	1,312.7	3.0	1,307.4	100.2	100.2	136.6	20.6	20.6	...	116.0	26.3	89.7	99.3	158.1	133.1
2017	1,365.1	1,496.0	1.5	1,483.0	130.9	130.9	178.4	18.6	18.6	...	159.8	47.7	112.1	116.8	194.5	170.5
2018	1,188.4	1,356.7	1.5	1,231.8	168.3	168.3	235.4	10.8	10.8	...	224.6	73.8	150.8	233.1	250.2	221.9
2019	1,290.8	1,489.0	1.4	1,485.3	198.1	198.1	309.0	7.7	7.7	...	301.3	81.8	219.5	327.9	305.2	272.6
2020	1,164.5	1,361.7	1.0	1,356.7	197.3	197.3	335.4	62.1	62.1	...	273.2	156.0	117.3	488.9	295.9	261.6
2021	1,614.5	1,818.9	0.6	1,815.1	204.4	204.4	192.3	13.6	13.6	...	178.7	58.3	120.4	535.1	341.3	304.7

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls)

Table 5.2. OFC survey– liabilities

(EUR million: End of period)

Description	Loans	Insurance technical reserves				Share capital and other					Other items			
		Net equity of households in life insurance reserves	Net equity of households in pension funds	Prepayment of premiums and res. against cum. claims.		Funds contributed by owners	Retained earnings	General and special reserves	Annual Profit/Loss	Other liabilities	Minus: other assets	Plus: consolidation adjustments		
2010	2.9	540.5	...	493.7	46.8	82.5	59.7	13.6	7.2	2.0	-2.1	20.9	23.1	...
2011	3.3	647.8	...	593.3	54.5	85.4	60.4	13.3	10.8	0.9	-6.3	16.1	22.4	...
2012	7.2	814.9	...	745.1	69.8	78.1	63.5	9.8	10.7	-6.4	0.7	29.0	28.4	...
2013	6.8	990.3	...	919.0	71.3	75.6	64.2	1.3	11.1	-1.0	3.9	29.8	25.9	...
2014	3.2	1,173.8	...	1,094.1	79.7	78.5	64.3	-0.5	14.4	0.3	6.1	30.9	24.8	...
2015	1.0	1,329.5	...	1,237.3	92.1	86.1	76.9	-2.7	17.3	-5.4	6.4	31.2	24.8	...
2016	2.1	1,546.0	...	1,425.4	120.6	68.3	94.9	-9.5	3.8	-20.9	-10.0	21.0	31.0	...
2017	5.8	1,766.5	...	1,652.8	113.8	97.7	107.3	-27.0	3.8	13.6	-15.1	21.8	36.9	...
2018	3.0	1,807.2	...	1,689.0	118.2	106.4	106.0	-16.1	5.0	11.5	-9.5	30.6	40.1	...
2019	10.1	2,107.6	...	1,976.5	131.1	118.1	114.9	-7.2	6.5	3.9	-2.8	49.6	52.3	...
2020	9.4	2,138.0	...	1,999.2	138.8	133.0	124.7	-3.1	7.2	4.2	4.1	56.4	52.3	...
2021	13.1	2,516.4	...	2,363.4	153.0	156.7	127.8	-0.5	7.6	21.9	-2.9	51.5	54.4	...

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls)



Table 6.1. ODC deposits in euro – according to initial maturity, main sectors

(EUR million: End of period)

Description	Total deposits in euro														
	Government	Financial corporations							Non-financial corporations			Other domestic sectors			Non residents
		Other depository corporations	Other financial intermediaries	Insurance companies	Pension funds	Financial auxiliaries	Public nonfinancial corporations	Other nonfinancial corporations	Households	NPISH					
2010	1,827.7	11.7	102.0	7.2	7.8	47.6	38.6	0.6	414.9	122.3	292.5	1,220.0	1,206.1	14.0	79.1
2011	1,982.4	2.7	117.5	9.9	6.8	57.2	43.1	0.5	406.6	128.5	278.1	1,395.6	1,373.4	22.1	60.0
2012	2,162.7	0.7	120.0	3.8	6.2	64.3	45.3	0.4	401.7	75.6	326.1	1,558.6	1,535.4	23.2	81.7
2013	2,314.0	1.8	88.1	2.5	7.4	72.3	5.7	0.3	455.6	72.1	383.5	1,685.1	1,658.7	26.4	83.4
2014	2,426.6	8.8	104.4	2.6	5.1	79.3	17.1	0.3	449.7	61.8	388.0	1,781.6	1,751.1	30.6	82.1
2015	2,579.9	5.9	96.7	3.3	5.0	82.5	4.8	1.1	476.4	31.4	445.0	1,895.5	1,862.3	33.2	105.3
2016	2,779.6	5.6	120.4	5.6	6.9	82.8	23.7	1.1	536.4	49.0	487.5	2,053.4	2,021.5	31.9	63.7
2017	2,960.4	11.7	164.6	6.7	10.9	90.7	52.6	3.7	584.1	51.0	533.1	2,087.0	2,047.9	39.0	113.0
2018	3,221.6	15.6	234.0	14.0	8.4	85.0	124.9	1.7	629.4	49.1	580.3	2,236.0	2,193.8	42.1	106.5
2019	3,759.9	14.9	301.2	9.3	21.2	91.9	176.5	2.3	819.1	89.4	729.7	2,511.2	2,463.5	47.7	113.6
2020	4,226.0	14.0	275.3	12.8	36.1	98.6	123.5	4.2	944.8	143.3	801.5	2,843.8	2,781.8	62.0	148.1
2021	4,710.6	14.7	205.0	8.9	40.3	106.0	46.7	3.1	1,129.0	170.2	958.8	3,236.7	3,190.0	46.7	125.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/08%20Deposits%20at%20ODC%20-%20deposits%20in%20euro.xls](http://www.bqk-kos.org/repository/docs/time_series/08%20Deposits%20at%20ODC%20-%20deposits%20in%20euro.xls)

Table 6.2. ODC deposits in non euro – according to initial maturity, main sectors

(EUR million: End of period)

Description	Non euro deposits															
	Financial corporations	of which:					Nonfinancial corporations	of which:			Other domestic sectors					Non residents
		CBK	Other depository corporations	Other financial intermediaries	Insurance companies	Public nonfinancial corporations		Other nonfinancial corporations	Households			NPISH				
									Transferable deposits	Saving deposits	Other deposits					
2010	113.7	3.1	...	2.9	...	...	13.6	4.3	9.3	93.8	93.3	33.1	25.9	34.3	0.5	3.1
2011	131.4	0.3	...	0.3	...	...	9.8	0.1	9.7	117.5	117.0	46.5	31.7	38.9	0.4	3.8
2012	120.9	1.6	...	1.2	0.2	...	9.6	...	9.6	104.9	104.7	45.7	27.0	32.0	0.2	4.8
2013	136.9	0.7	...	...	0.4	...	14.2	...	14.2	116.7	116.2	59.6	29.6	27.0	0.5	5.2
2014	113.0	0.3	...	...	0.3	...	8.5	...	8.5	97.8	97.2	63.2	21.5	12.6	0.6	6.5
2015	124.3	0.2	...	0.2	...	...	13.5	...	13.5	102.8	102.2	76.6	19.3	6.2	0.6	7.8
2016	128.9	0.8	...	...	0.7	...	15.9	0.2	15.7	101.9	100.8	78.3	17.4	5.1	1.1	10.4
2017	148.1	0.6	...	...	0.5	...	17.6	0.1	17.5	122.9	122.6	99.3	17.0	6.2	0.3	7.0
2018	170.9	6.1	...	5.5	0.5	...	15.7	...	15.6	140.8	140.4	116.9	17.1	6.4	0.4	8.3
2019	166.0	6.0	...	5.0	0.6	...	15.0	...	15.0	138.9	138.5	115.2	16.0	7.2	0.5	5.9
2020	191.1	4.3	...	3.4	0.6	...	25.9	...	25.9	156.0	155.4	132.9	16.5	6.0	0.7	4.7
2021	223.7	5.5	...	4.8	0.3	...	28.4	...	28.4	176.6	176.1	153.3	16.7	6.1	0.5	13.1

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/09%20Deposits%20at%20ODC%20-%20deposits%20in%20non-euro.xls](http://www.bqk-kos.org/repository/docs/time_series/09%20Deposits%20at%20ODC%20-%20deposits%20in%20non-euro.xls)

Table 6.3. ODC loans – main institutional sectors

(EUR million: End of period)

Description	Total loans																Loans in non-euro currency
	Financial corporations	of which:			Nonfinancial corporations	of which:					Other domestic corporations	of which:				Non residents	
		Other financial intermediaries	Insurance companies	Public nonfinancial corporations		Other non-financial corporations			Households								
						Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Up to 1 year	Over 1 year and up to 5 years		Over 5 years					
2010	1,458.6	9.9	6.8	3.0	1,010.3	6.2	1,004.1	255.2	493.8	255.1	434.3	434.2	26.5	232.5	175.1	1.6	2.5
2011	1,698.1	16.4	14.7	1.7	1,129.7	1.5	1,128.2	298.8	563.7	265.7	512.4	510.9	44.0	256.7	210.2	32.3	7.3
2012	1,763.4	19.8	16.3	3.5	1,171.2	1.4	1,169.8	313.4	586.5	269.9	542.9	542.6	52.2	256.2	234.2	22.5	6.9
2013	1,805.8	20.4	17.3	3.1	1,194.7	0.2	1,194.5	378.0	569.0	247.5	564.7	563.9	65.4	253.6	244.9	19.8	6.1
2014	1,882.2	7.1	5.8	1.3	1,247.0	0.6	1,246.4	380.7	590.5	275.2	621.8	621.6	55.9	285.0	280.7	0.4	6.0
2015	2,019.3	8.7	7.4	1.1	1,322.2	0.6	1,321.6	306.9	671.5	343.2	682.2	682.0	58.2	280.7	343.1	0.3	5.9
2016	2,230.0	7.9	7.5	0.3	1,420.8	2.9	1,417.9	405.9	638.2	373.8	796.5	796.2	56.1	307.2	432.8	0.4	4.2
2017	2,485.5	4.9	4.5	0.1	1,577.2	2.4	1,574.8	339.8	724.4	510.6	897.8	897.4	48.9	319.3	529.1	0.4	5.3
2018	2,755.5	6.9	5.4	0.1	1,745.7	4.0	1,741.7	311.1	817.8	612.8	998.5	998.2	50.2	326.9	621.1	0.3	4.1
2019	3,031.9	7.0	6.8	0.1	1,916.9	3.4	1,913.5	294.5	921.7	697.3	1,102.8	1,102.0	49.8	331.9	720.3	1.0	4.3
2020	3,246.6	7.7	7.5	0.1	2,054.8	3.7	2,051.0	334.7	941.9	774.5	1,180.8	1,179.9	40.1	306.1	833.7	1.0	2.3
2021	3,748.6	10.0	9.9	0.1	2,324.4	0.0	2,324.4	374.6	1,043.1	906.8	1,399.7	1,399.1	44.3	324.9	1,029.9	1.6	12.8

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls](http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls)

Table 6.4. ODC loans - main economic sectors

(EUR million: End of period)

Description	Total									
	Agriculture			Industry, energy and construction				Services		
		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year	
2010	1,022.8	38.2	1.7	36.5	269.3	76.21	193.12	715.3	192.8	522.4
2011	1,149.5	40.5	0.8	39.7	284.7	75.07	209.61	824.4	235.7	588.6
2012	1,194.2	43.6	3.0	40.6	290.4	66.56	223.80	860.2	262.4	597.8
2013	1,217.4	45.8	3.3	42.5	291.4	85.15	206.21	880.2	321.2	559.0
2014	1,256.4	49.8	4.1	45.7	300.0	88.81	211.18	906.6	319.1	587.5
2015	1,333.4	59.9	4.6	55.3	300.6	75.97	224.67	972.9	285.6	687.2
2016	1,410.1	59.7	9.1	50.6	324.8	75.50	249.33	1,025.5	322.2	703.4
2017	1,563.7	67.7	10.7	57.1	371.5	82.94	288.61	1,124.4	296.7	827.7
2018	1,734.3	67.7	18.4	49.3	428.5	88.06	357.08	1,238.1	298.6	939.4
2019	1,904.1	70.6	10.6	60.0	493.0	77.21	415.76	1,340.6	266.0	1,074.6
2020	2,040.6	55.0	4.7	50.3	633.6	100.59	533.05	1,352.0	311.6	1,040.5
2021	2,326.3	51.2	5.4	45.9	760.9	126.8	634.1	1,514.1	360.4	1,150.7

Note: For more detailed information about this table please visit the link:

[http://www.bqk-kos.org/repository/docs/time\\_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls](http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls)

**Table 6.5. Effective interest rates on ODC deposits**

(Annual average, in percentage)

Description	New deposits							Transferable deposits	Saving deposits
	Up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 2 years	Over 2 years			
<b>NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS</b>									
2010	3.8	2.8	3.0	3.6	4.5	4.7	5.3	0.5	2.3
2011	3.5	2.5	3.1	3.1	4.2	4.6	5.1	0.7	2.1
2012	3.6	2.3	3.2	3.0	4.3	4.5	5.2	0.7	2.0
2013	3.4	2.0	2.7	2.7	3.7	4.4	4.8	0.6	1.7
2014	1.1	0.5	0.6	0.5	1.2	1.4	1.9	0.1	0.7
2015	0.9	0.4	0.8	0.4	0.7	1.0	1.9	0.0	0.3
2016	1.0	0.5	0.5	0.4	0.9	1.0	2.0	0.0	0.3
2017	1.0	0.8	0.4	0.4	1.0	1.1	1.6	0.0	0.3
2018	1.3	0.6	0.5	0.4	1.2	1.4	1.9	0.0	0.3
2019	1.5	0.5	0.6	0.6	1.3	1.5	1.8	0.0	0.4
2020	1.5	0.2	0.2	0.8	1.4	1.5	2.0	0.0	0.3
2021	1.3	0.4	0.1	0.5	1.2	1.4	1.5	0.0	0.3
<b>Non-financial corporations</b>									
2010	3.9	2.9	3.2	4.3	5.2	4.6	5.2	0.9	2.4
2011	3.5	2.4	3.7	3.8	5.0	5.0	5.3	1.0	2.2
2012	3.5	2.1	3.8	3.7	5.0	4.9	5.3	0.9	2.1
2013	3.5	1.5	2.8	2.7	3.7	4.6	4.8	0.7	2.0
2014	1.3	0.6	0.8	0.5	1.4	1.2	1.9	0.2	0.8
2015	1.1	0.7	1.0	0.3	1.0	1.0	1.9	0.1	0.1
2016	1.4	0.6	0.5	0.4	1.4	1.4	1.8	0.0	0.1
2017	1.4	0.9	0.9	0.8	1.3	1.5	1.9	0.0	0.3
2018	1.6	1.0	1.1	1.2	1.6	1.7	2.4	0.0	0.5
2019	1.8	1.0	1.8	0.9	1.6	1.8	1.8	0.0	0.5
2020	1.7	0.5	..	0.8	1.5	1.7	1.8	0.0	0.2
2021	1.8	0.6	..	1.1	1.6	1.8	1.9	0.0	0.2
<b>Households</b>									
2010	3.7	2.8	2.8	3.4	4.4	4.6	5.3	0.3	2.3
2011	3.6	2.5	2.6	2.9	4.2	4.5	5.1	0.4	2.1
2012	3.6	2.4	2.5	2.8	4.2	4.5	5.2	0.5	2.0
2013	3.5	2.1	2.3	2.6	3.7	4.3	4.8	0.6	1.6
2014	1.1	0.5	0.6	0.4	1.0	1.3	1.9	0.1	0.7
2015	0.9	0.4	0.6	0.4	0.7	0.9	1.9	0.0	0.3
2016	0.9	0.5	0.5	0.4	0.7	1.0	2.0	0.0	0.3
2017	0.9	0.7	0.4	0.4	0.8	1.1	1.6	0.0	0.3
2018	1.2	0.3	0.4	0.4	1.1	1.2	1.8	0.0	0.3
2019	1.4	0.2	0.3	0.6	1.2	1.3	1.8	0.0	0.4
2020	1.4	0.2	0.2	0.8	1.3	1.4	2.0	0.0	0.4
2021	1.2	0.1	0.1	0.4	1.1	1.3	1.4	0.0	0.3

Note: For more detailed information about this table please visit the link: [http://www.bgk-kos.org/repository/docs/time\\_series/13a%20ODC%20effective%20interest%20rates%20on%20deposits.xls](http://www.bgk-kos.org/repository/docs/time_series/13a%20ODC%20effective%20interest%20rates%20on%20deposits.xls)

**Table 6.6. Effective interest rates on ODC loans**

(Annual average, in percentage)

Description	New loans									Overdrafts	Credit lines
	Consumer loans	Mortgage loans	Loans with favorable conditions	Other loans	Agricultural	Industrial	Services	Other sectors			
<b>NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS</b>											
2010	14.4	13.9	11.8	6.6	16.5	25.7	15.2	15.5	15.3	12.9	13.5
2011	13.8	13.9	11.5	7.9	14.5	23.7	13.9	13.9	16.1	12.1	13.2
2012	12.7	12.4	10.6	7.4	13.2	20.7	12.5	13.2	16.0	10.7	11.6
2013	11.8	11.6	10.1	7.6	12.3	17.4	12.3	11.9	13.7	9.3	11.4
2014	10.6	10.9	9.1	4.6	10.6	13.2	10.4	10.7	10.9	9.5	11.3
2015	8.3	9.0	7.4	4.7	8.2	9.8	8.0	8.1	8.9	8.2	9.6
2016	7.5	8.3	6.5	3.7	7.0	8.3	7.0	7.1	6.8	7.1	8.6
2017	6.8	7.8	5.9	3.6	6.5	7.7	6.4	6.5	6.6	6.7	7.9
2018	6.7	7.5	6.0	2.9	6.4	9.2	6.2	6.4	6.3	6.7	6.8
2019	6.5	7.0	5.7	2.9	6.4	9.1	6.4	6.3	6.3	7.1	6.8
2020	6.2	6.8	5.7	2.8	6.1	9.3	6.0	6.0	6.3	7.4	5.9
2021	6.0	6.4	5.0	2.8	5.9	8.0	5.9	5.9	6.3	7.6	5.9
<b>Non-financial corporations</b>											
2010	16.5	.	.	6.9	16.5	25.7	15.2	15.5	15.3	12.5	13.5
2011	14.4	.	.	7.6	14.4	24.2	13.9	13.9	16.1	11.8	13.2
2012	13.2	.	.	7.5	13.2	21.1	12.5	13.2	16.0	10.5	11.6
2013	12.3	.	.	7.0	12.3	17.6	12.3	11.9	13.7	9.1	11.4
2014	10.6	.	.	5.5	10.6	13.2	10.4	10.7	10.9	9.3	11.3
2015	8.1	.	.	2.9	8.1	9.3	8.0	8.1	8.9	7.9	9.6
2016	7.0	.	.	3.0	7.0	7.7	7.0	7.1	6.8	6.8	8.6
2017	6.4	.	.	3.6	6.4	7.2	6.4	6.5	6.6	6.5	7.9
2018	6.3	.	.	2.9	6.3	7.7	6.2	6.4	6.3	6.5	6.8
2019	6.3	.	.	2.9	6.3	7.2	6.4	6.3	6.3	6.7	6.8
2020	6.0	.	.	2.7	6.0	7.1	6.0	6.0	6.3	7.0	5.9
2021	5.9	.	.	2.9	5.9	6.9	5.9	5.9	6.3	7.0	5.9
<b>Households</b>											
2010	13.5	13.9	11.8	6.4	25.0	25.0	.	.	.	22.3	.
2011	13.4	13.9	11.5	8.2	22.4	22.4	.	.	.	18.9	.
2012	12.2	12.4	10.6	7.0	19.8	19.8	.	.	.	15.2	.
2013	11.3	11.6	10.1	6.8	16.4	16.4	.	.	.	14.7	.
2014	10.6	10.9	9.1	3.9	15.4	15.4	.	.	.	13.6	.
2015	8.7	9.0	7.4	5.1	13.3	13.3	.	.	.	13.1	.
2016	8.0	8.3	6.5	3.9	12.0	12.0	.	.	.	12.8	.
2017	7.4	7.8	5.9	2.9	12.5	12.5	.	.	.	13.7	.
2018	7.2	7.5	6.0	2.9	11.0	11.0	.	.	9.2	16.4	.
2019	6.8	7.0	5.7	2.9	10.6	10.6	.	.	5.7	16.4	.
2020	6.5	6.8	5.7	2.9	10.7	10.7	.	.	.	16.1	.
2021	6.1	6.4	5.0	2.6	9.0	9.9	.	.	5.9	16.1	.

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/13%20ODC%20effective%20interest%20rates%20on%20loans.xls](http://www.bqk-kos.org/repository/docs/time_series/13%20ODC%20effective%20interest%20rates%20on%20loans.xls)

Table 7.1 Balance of Payments of Kosovo – main components

(EUR million)

Description	Balance from current and capital account							Balance from financial account					Errors and omissions
	Current account						Capital account	Direct investments	Portfolio investments	Other investments	Reserve assets		
	Goods	Services	Primary income	Secondary income									
2010	-494.8	-516.1	-1,741.6	176.0	67.0	982.5	21.3	-297.2	-331.1	48.6	-57.4	42.7	197.6
2011	-569.4	-611.4	-2,047.1	395.7	111.2	928.8	42.0	-377.5	-378.9	57.8	4.8	-61.2	191.8
2012	-280.2	-293.1	-2,050.1	499.6	153.6	1,103.7	13.0	-232.4	-213.3	185.7	-420.5	215.8	47.8
2013	-144.3	-179.0	-1,995.6	520.0	121.5	1,175.0	34.7	-132.2	-250.2	139.3	14.4	-35.7	12.1
2014	-363.4	-384.6	-2,058.6	459.9	113.8	1,100.3	21.2	-145.0	-123.8	13.3	22.6	-57.0	218.4
2015	-471.4	-497.3	-2,109.3	457.1	92.6	1,062.4	25.8	-312.3	-271.8	18.6	-132.8	73.6	159.1
2016	-467.2	-481.4	-2,290.8	638.8	74.5	1,096.1	14.2	-199.1	-177.2	343.6	-264.0	-101.5	268.1
2017	-360.4	-348.6	-2,464.2	827.3	127.4	1,161.0	-11.8	-276.2	-212.0	14.7	-148.8	69.8	84.2
2018	-519.9	-508.8	-2,737.7	855.8	113.1	1,260.0	-11.1	-335.5	-225.8	-199.9	3.4	86.8	184.4
2019	-408.3	-399.5	-2,840.2	926.0	160.6	1,354.1	-8.9	-163.0	-188.4	59.0	-128.8	95.2	245.3
2020	-454.7	-472.2	-2,573.2	391.6	164.0	1,545.4	17.5	-560.9	-286.6	-81.7	-238.9	46.3	-106.1
2021	-610.8	-673.0	-3,567.0	1,083.7	173.1	1,637.3	62.2	-362.5	-315.6	283.6	-492.8	168.7	248.3

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/26%20Balance%20of%20payments%20-%20main%20components.xls](http://www.bqk-kos.org/repository/docs/time_series/26%20Balance%20of%20payments%20-%20main%20components.xls)

## 7.2. Current Account

(EUR million)

Description	Balance					Credit					Debit				
	Goods	Services	Primary income	Secondary income		Goods	Services	Primary income	Secondary income		Goods	Services	Primary income	Secondary income	
2010	-515.7	-1,741.6	176.0	67.4	982.5	2,147.2	299.2	574.3	186.7	1,087.4	2,663.3	2,040.8	398.3	119.2	105.0
2011	-611.4	-2,047.1	395.7	111.2	928.8	2,417.0	316.5	820.3	239.0	1,041.3	3,028.4	2,363.7	424.5	127.77	112.46
2012	-293.1	-2,050.1	499.6	153.6	1,103.7	2,614.1	281.9	894.5	230.0	1,207.7	2,907.2	2,332.0	394.8	76.42	103.92
2013	-179.0	-1,995.6	520.0	121.5	1,175.0	2,678.4	291.5	875.1	227.5	1,284.3	2,857.4	2,287.0	355.1	105.96	109.28
2014	-384.6	-2,058.6	459.9	113.8	1,100.3	2,667.3	324.3	928.6	215.8	1,198.7	3,052.0	2,382.9	468.7	102.01	98.40
2015	-497.3	-2,109.3	457.1	92.6	1,062.4	2,628.2	322.5	951.5	221.7	1,132.5	3,125.5	2,431.8	494.4	129.07	70.16
2016	-481.4	-2,290.8	638.8	74.5	1,096.1	2,822.9	307.9	1,130.6	212.8	1,171.6	3,304.3	2,598.7	491.8	138.34	75.44
2017	-348.6	-2,464.2	827.3	127.4	1,161.0	3,195.3	378.4	1,358.8	230.0	1,228.2	3,543.9	2,842.6	531.5	102.6	67.2
2018	-508.8	-2,737.7	855.8	113.1	1,260.0	3,531.3	376.7	1,561.6	264.2	1,328.8	4,040.1	3,114.5	705.8	151.1	68.8
2019	-399.5	-2,840.2	926.0	160.6	1,354.1	3,753.2	393.2	1,675.1	277.7	1,407.2	4,152.7	3,233.5	749.1	117.1	53.1
2020	-480.7	-2,573.2	391.5	164.3	1,536.6	3,353.7	475.1	994.0	290.2	1,594.4	3,834.4	3,048.3	602.5	125.9	57.8
2021	-673.0	-3,567.0	1,083.7	173.1	1,637.3	4,704.2	752.7	1,954.4	290.6	1,706.5	5,377.2	4,319.7	870.7	117.6	69.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/26a%20Current%20account.xls](http://www.bqk-kos.org/repository/docs/time_series/26a%20Current%20account.xls)

### 7.3.1 Primary income

(EUR million)

Description	Balance			Credit			Debit					
	Compensation of employees	Investment income	Other primary income	Compensation of employees	Investment income	Other primary income	Compensation of employees	Investment income	Other primary income			
2010	67.0	171.6	-104.6	-	186.3	176.1	10.1	0.0	119.2	4.5	114.7	-
2011	111.3	208.2	-96.9	0.0	239.1	221.3	17.8	0.0	127.8	13.1	114.7	0.0
2012	153.6	214.3	-60.6	0.0	230.0	219.9	10.1	0.0	76.4	5.6	70.8	0.0
2013	121.5	218.9	-97.4	0.0	227.5	223.2	4.3	0.0	106.0	4.3	101.6	0.0
2014	113.8	200.4	-85.9	-0.7	215.8	206.5	8.0	1.3	102.0	6.1	93.9	2.0
2015	92.6	205.7	-112.0	-1.0	221.7	210.3	9.6	1.8	129.1	4.6	121.6	2.8
2016	74.5	194.2	-116.7	-3.0	212.8	199.9	11.3	1.6	138.3	5.7	128.0	4.6
2017	127.4	217.3	-86.0	-3.9	230.0	222.6	5.7	1.7	102.6	5.3	91.7	5.6
2018	113.1	237.0	-121.4	-2.5	264.2	247.6	14.1	2.5	151.1	10.6	135.5	5.0
2019	160.6	257.1	-92.4	-4.1	277.7	264.5	10.3	2.9	117.1	7.3	102.8	7.0
2020	164.3	262.4	-94.3	-3.8	290.2	274.1	13.7	2.5	125.9	11.7	108.0	6.2
2021	161.9	258.3	-94.7	-1.7	290.4	274.8	12.6	3.1	128.5	16.5	107.3	4.7

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/28%20Primary%20Income.xls](http://www.bqk-kos.org/repository/docs/time_series/28%20Primary%20Income.xls)

### 7.3.2 Secondary income

(EUR million)

Description	Secondary income		Credit		Debit				
	Government	Financial corporations, nonfinancial corporations, households and NPISHs	Government	Financial corporations, non-financial corporations, households and NPISHs	Government	Financial corporations, non-financial corporations, households and NPISHs			
2010	982.5	319.5	662.9	1,087.4	319.5	767.9	105.0	-	105.0
2011	928.8	322.2	606.6	1,041.3	322.2	719.1	112.5	-	112.5
2012	1,103.7	401.6	702.2	1,207.7	401.6	806.1	103.9	-	103.9
2013	1,175.0	369.7	805.3	1,284.3	369.7	914.6	109.3	-	109.3
2014	1,100.3	291.9	808.4	1,198.7	291.9	906.8	98.4	-	98.4
2015	1,062.4	202.9	859.5	1,132.5	202.9	929.6	70.2	-	70.2
2016	1,096.1	207.2	888.9	1,171.6	207.2	964.3	75.4	-	75.4
2017	1,161.0	199.7	961.3	1,228.2	199.7	1,028.5	67.2	-	67.2
2018	1,260.0	226.1	1,033.9	1,328.8	226.1	1,102.7	68.8	-	68.8
2019	1,354.2	236.6	1,117.6	1,407.2	236.6	1,170.6	53.1	-	53.1
2020	1,536.6	276.6	1,260.0	1,594.4	276.6	1,317.8	57.8	-	57.8
2021	1,637.3	233.6	1,403.6	1,706.5	233.6	1,472.9	69.2	-	69.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/29%20Secondary%20Income.xls](http://www.bqk-kos.org/repository/docs/time_series/29%20Secondary%20Income.xls)

## 7.4. Remittances - by countries

(In percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Denmark	Finland	Netherlands	Slovenia	Other
92011 Q1	32.7	23.7	7.5	5.6	2.8	4.6	3.9	3.8	2.8	1.5	1.5	0.7	0.8	1.2	3.9	3.0
2012 Q1	30.9	23.7	4.8	6	1.1	6.3	3.6	2.8	4.9	0.7	3.2	0.8	0.7	0.5	5	5
Q2	37.4	26.3	8.4	6.4	6.6	3.9	0.8	0.4	1.3	0.1	1.9	0.1	0.1	0.1	5.4	0.8
Q3	34.6	22.6	7.9	5.9	3.2	3.9	3.1	3.2	2.8	1.5	1.8	0.7	0.8	0.8	3.6	3.7
Q4	34.5	21	8.5	6.2	2.6	3.8	3.3	3.3	2.3	1.9	1.8	0.5	0.8	...	3.7	5.9
2013 Q1	33.6	22.5	7.5	5.8	2.7	4.2	3.4	3.5	3	1.6	1.8	0.7	0.9	1	3.7	4.3
Q2	33.3	25.5	5.9	5.7	2.5	4.6	2.5	1.4	2.3	1.3	4	0.8	0.9	1	5.3	3.1
Q3	33.6	24.4	6.6	7.8	2.5	4.3	3.5	4.5	2.3	0.4	1.9	0.7	0.8	0.9	4.9	1.1
Q4	35.3	22.7	10.6	4.6	1.6	4.4	2.1	5	2.7	1.8	1.7	0.5	0.6	1.5	0.5	4.2
2014 Q1	36.7	21.4	5.9	3.8	2.3	6	3.1	4.1	2.3	1.5	3.1	0.4	0.6	1.1	0.8	7
Q2	36.6	23.7	5.4	4.5	2.1	6.4	2.7	3.2	2.4	1.3	3.3	0.4	0.6	0.6	1.5	5.5
Q3	35.5	23.9	4.6	3.6	2.1	6.5	3.4	3.5	2.6	1.9	3	0.5	0.7	0.7	1.1	6.5
Q4	36.8	21.1	3.8	3.1	4	6.1	2.4	2.4	5.5	0.7	3.1	1	0.3	0.1	2.2	7.3
2015 Q1	35.2	21.8	5	3.9	3.3	8.1	2.9	3.6	3.1	1.6	1.6	0.4	0.7	0.9	0.8	7.2
Q2	36.9	21.6	3.6	3.5	2.3	8.2	2.5	1.6	4	3.5	3.7	0.2	0.6	0.7	0.5	6.6
Q3	35.9	23.8	5.6	3.4	2.1	7.4	3.2	3.7	2.1	1.5	3.3	0.3	0.6	0.6	0.7	5.8
Q4	38.8	22.2	5.1	3.3	2.2	8.4	2.9	3.3	1.8	1.5	3	0.4	0.6	0.7	1.3	4.4
2016 Q1	37.8	21.3	5.9	3.8	2.4	7.6	3.2	3.7	1.7	1.5	3.3	0.4	0.7	0.8	0.7	5.2
Q2	37.6	21.8	5.2	3.7	2.2	6.4	3	3.5	1.8	1.4	3.1	0.5	0.6	0.8	1.7	6.5
Q3	35.1	24	5.6	3.3	2.2	6.6	4.2	3.9	2.5	1.8	2.5	0.3	0.7	0.5	1.5	5.2
Q4	38.0	23.5	4.3	3.6	2.4	6.9	3.1	4.0	2.1	1.5	2.8	0.3	0.7	0.7	0.5	5.9
2017 Q1	38.5	22.8	4.5	3.9	2.5	7.7	3.3	3.9	1.9	1.5	3.0	0.4	0.9	0.6	0.5	4.3
Q2	39.9	22.5	4.2	3.8	2.8	6.9	3.3	3.8	1.9	1.5	3.1	0.4	0.7	0.6	0.4	4.2
Q3	39.3	22.8	4.5	3.8	2.7	6.1	3.6	4.3	2.0	1.7	2.4	0.4	0.7	0.5	0.5	4.7
Q4	39.4	21.8	4.5	3.7	2.6	7.1	3.5	4.3	1.7	1.6	2.5	0.4	0.9	0.6	0.6	4.9
2018 Q1	39.8	21.5	5.0	4.0	2.6	6.4	3.2	4.4	1.6	1.5	2.6	0.3	0.8	0.6	0.4	5.2
Q2	41.1	20.5	4.6	4.1	2.5	6.5	3.5	4.2	2.1	1.4	2.4	0.3	0.6	0.5	0.5	5.0
Q3	38.8	21.9	5.0	4.0	2.3	6.7	3.5	4.3	2.1	1.2	2.1	0.4	0.8	0.5	0.5	5.9
Q4	42.1	22.8	4.9	4.2	2.5	7.4	3.3	4.4	1.8	1.4	2.2	0.3	0.8	0.6	0.6	0.7
2019 Q1	40.7	20.4	5.3	4.1	2.4	7.1	3.0	4.2	1.6	1.3	2.2	0.3	1.0	0.5	0.5	5.3
Q2	41.8	19.3	4.9	3.9	2.6	7.1	3.1	4.3	1.7	1.4	2.1	0.4	0.8	0.5	0.5	5.6
Q3	39.2	20.8	4.8	4.1	2.2	6.8	3.1	4.4	1.9	1.5	2.0	0.4	0.9	0.5	0.6	6.9
Q4	41.2	20.4	4.7	3.9	2.4	7.3	2.6	4.3	1.5	1.3	2.2	0.3	0.8	0.6	0.6	5.9
2020 Q1	42.4	20.8	4.4	4.1	2.2	7.3	2.7	3.9	1.3	1.0	2.0	0.3	0.9	0.4	0.6	5.7
Q2	43.1	24.3	3.5	4.8	2.1	5.4	2.5	3.5	1.1	1.1	1.5	0.3	0.8	0.5	0.9	4.8
Q3	40.8	24.4	4.0	4.8	1.9	6.2	2.3	3.7	1.4	1.2	1.8	0.3	0.9	0.5	0.6	5.0
Q4	42.9	20.0	4.3	4.7	2.2	6.7	2.6	4.2	1.4	1.3	2.2	0.3	0.9	0.5	0.6	5.2
2021 Q1	41.3	18.9	4.1	4.5	2.5	6.9	2.8	3.9	1.5	1.3	2.2	0.3	0.9	0.5	0.6	7.7
Q2	39.5	17.3	4.0	4.2	2.4	7.0	2.7	3.9	1.7	1.3	2.2	0.3	0.9	0.5	0.5	11.5
Q3	39.2	19.7	4.3	4.5	2.2	7.9	3.1	4.2	2.0	1.5	2.3	0.3	1.0	0.6	0.7	6.4
Q4	36.9	19.7	4.4	4.6	2.8	7.1	2.6	3.7	1.9	1.4	1.7	0.3	1.0	0.5	0.8	10.8

Note: For more detailed information about this table please visit the link: [http://www.bgk-kos.org/repository/docs/time\\_series/32%20Remittances-by%20country.xls](http://www.bgk-kos.org/repository/docs/time_series/32%20Remittances-by%20country.xls)

## 8.1. Direct Investments – by geographic criteria

(EUR million: as of 31 December 2021)

Country	Total incoming direct investments			Total outgoing direct investments		
		Equity	Other capital transactions		Equity	Other capital transactions
<b>European Union</b>	1,728.9	1,442.6	286.3	172.7	154.3	18.4
AT Austria	286.7	261.9	24.9	10.1	9.1	1.0
BE Belgium	59.0	52.1	7.0	5.1	5.0	0.2
BG Bulgaria	37.4	7.4	30.0	0.8	0.8	0.0
CY Cyprus	13.9	3.5	10.3	19.7	19.7	0.1
FR France	46.4	42.6	3.8	6.5	6.5	0.0
DE Germany	704.3	645.4	58.8	68.7	63.1	5.6
GR Greece	7.9	6.6	1.4	2.7	2.7	...
HR Croatia	11.0	12.1	-1.1	10.4	10.0	0.4
IT Italy	63.6	51.9	11.7	8.2	8.2	...
NL Netherlands	46.0	38.8	7.2	14.7	3.7	11.0
RO Rumania	0.2	1.8	-1.6	0.6	0.6	...
SI Slovenia	219.2	151.7	67.5	13.1	13.0	0.1
SE Sweden	89.3	88.8	0.4	3.5	3.5	...
Other EU countries	144.0	78.1	65.9	8.5	8.4	0.1
<b>Other European Countries</b>	1,597.4	1,334.1	263.3	373.4	345.5	27.9
AL Albania	271.5	188.4	83.0	194.3	178.2	16.1
MK Macedonia	22.8	16.5	6.4	35.1	30.4	4.7
ME Montenegro	19.2	9.1	10.1	42.0	39.2	2.8
NO Norway	46.5	45.3	1.3	2.4	2.4	...
RS Serbia	22.2	20.0	2.3	12.5	12.4	0.0
GB Great Britain	133.0	121.9	11.1	14.1	14.0	0.1
CH Switzerland	645.2	587.7	57.5	29.5	28.9	0.6
TR Turkey	413.2	325.6	87.5	16.9	13.4	3.6
Other European countries	23.7	19.6	4.1	26.5	26.5	0.0
<b>Other Countries</b>	397.2	329.2	68.0	33.0	31.3	1.6
US United States	287.9	233.1	54.8	21.4	19.9	1.5
AE United Arab Emirates	28.5	28.3	0.1	2.5	2.5	...
Other countries	80.9	67.8	13.0	9.0	8.9	0.1
<b>Other Countries (not allocated)</b>	932.2	932.2	...	...	...	...
ZZ Not specified	932.2	932.2	...	...	...	...
<b>Total</b>	4,655.7	4,038.2	617.5	579.1	531.1	48.0

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls](http://www.bqk-kos.org/repository/docs/time_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls)



## 9.1. Assets in form of portfolio investments by countries

(EUR million: as of 31 December 2020)

Description	Equity and investment fund shares	Total Debt Instruments	Total Debt Instruments		Total
			Long-term Debt Instruments	Short-term Debt Instruments	
AE Arab Emirates	...	0.1	0.1	...	0.1
AL Albania	...	6.9	6.9	...	6.9
AT Austria	...	45.2	45.2	...	45.2
BE Belgium	...	10.0	0.0	10.0	10.0
BR Brazil	...	...	...	...	...
CH Switzerland	...	...	...	...	...
CI Ivory Coast	...	1.9	1.9	...	1.9
DE Germany	0.2	57.5	47.5	10.0	57.8
DK Denmark	...	1.1	1.1	...	1.1
EG Egypt	...	8.2	8.2	...	8.2
FR France	364.8	22.9	11.4	11.5	387.7
GB Great Britain	...	2.6	2.6	...	2.6
GR Greece	...	0.2	0.2	...	0.2
JP Japan	...	1.9	1.9	...	1.9
IE Ireland	465.8	17.9	17.9	...	483.7
LU Luxemburg	721.0	26.9	12.5	14.3	747.8
ME Montenegro	...	11.4	11.4	...	11.4
MX Mexico	...	5.3	5.3	...	5.3
NG Nigeria	...	5.3	5.3	...	5.3
NL Netherlands	...	2.1	2.1	...	2.1
PL Poland	...	21.5	21.5	...	21.5
RO Romania	...	...	...	...	...
SE Sweden	...	0.1	0.1	...	0.1
SI Slovenia	...	0.2	0.2	...	0.2
SK Slovakia	...	4.9	4.9	...	4.9
SN Senegal	...	3.8	3.8	...	3.8
TG Togo	...	1.4	1.4	...	1.4
TN Tunisia	...	1.0	1.0	...	1.0
TR Turkey	...	74.7	74.7	...	74.7
US United States	263.1	65.2	54.2	10.9	328.3
UA Ukraine	...	8.7	8.7	...	8.7
UZ Uzbekistan	...	...	...	...	...
ZA South Africa	...	9.7	9.7	...	9.7
ZZ Other	...	27.3	27.3	...	27.3
<b>Total value of investments</b>	<b>1,815.0</b>	<b>445.8</b>	<b>389.1</b>	<b>56.8</b>	<b>2,260.8</b>

Note: For more detailed information about this table please visit the link:  
[http://www.bqk.kos.org/repository/docs/time\\_series/34f%20Portfolio%20Investments%20Position.xls](http://www.bqk.kos.org/repository/docs/time_series/34f%20Portfolio%20Investments%20Position.xls)

## 10.1. International investments position – main components

(EUR million: End of period)

Description	Net	Assets					Liabilities			
		Direct investments	Portfolio investments	Other investments	Reserve assets	Direct investments	Portfolio investments	Other investments		
2010	406.8	3,234.8	96.6	693.8	1,832.0	612.5	2,828.0	1,971.0	0.0	857.0
2011	113.6	3,304.8	102.0	740.2	1,908.2	554.4	3,191.2	2,326.1	0.0	865.1
2012	135.8	3,592.0	117.8	986.6	1,760.6	726.9	3,456.3	2,524.3	0.0	931.9
2013	258.6	3,997.4	147.5	1,192.6	1,963.2	694.1	3,738.8	2,816.4	0.0	922.4
2014	196.5	4,175.8	174.6	1,274.7	2,081.5	645.0	3,979.3	2,961.4	0.0	1,017.9
2015	-43.0	4,366.0	211.5	1,383.3	2,063.5	707.8	4,409.0	3,254.4	0.0	1,154.6
2016	-81.0	4,547.7	261.2	1,789.3	1,892.2	605.1	4,628.7	3,405.4	0.0	1,223.3
2017	-99.9	4,837.9	304.5	1,904.8	1,945.2	683.4	4,937.9	3,518.9	0.0	1,418.9
2018	-409.4	4,766.2	348.4	1,613.3	2,035.2	769.3	5,175.6	3,691.5	0.0	1,484.1
2019	-410.1	5,163.3	415.2	1,829.3	2,055.1	863.7	5,573.4	3,968.8	0.0	1,604.6
2020	-829.6	5,315.6	477.2	1,779.2	2,158.4	900.8	6,145.2	4,229.4	0.0	1,915.8
2021	-935.6	6,082.2	579.1	2,260.8	2,142.3	1,100.1	7,017.9	4,655.7	6.4	2,355.8

Note: For more detailed information about this table please visit the link : [https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbk-kos.org%2Frepository%2Fdocs%2Ftime\\_series%2F34b%2520International%2520Investments%2520Position.xls&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbk-kos.org%2Frepository%2Fdocs%2Ftime_series%2F34b%2520International%2520Investments%2520Position.xls&wdOrigin=BROWSELINK)

## 10.2. International investments position – by sectors

(EUR million: End of period)

Description	Net international investments position												
	Total	The Central Bank of the Republic of Kosovo			Banks			Government			Other sectors		
		Assets	Liabilities		Asset	Liabilities		Asset	Liabilities		Asset	Liabilities	
2010	406.8	1,106.9	1,172.8	65.9	488.0	709.8	221.8	-260.0	0.0	260.0	-928.1	1,352.2	2,280.3
2011	113.6	1,094.5	1,161.0	66.4	479.1	675.5	196.4	-253.6	0.0	253.6	-1,206.4	1,468.4	2,674.8
2012	135.8	1,238.8	1,303.7	65.0	458.0	633.6	175.6	-336.5	0.0	336.5	-1,224.5	1,654.7	2,879.3
2013	258.6	1,392.1	1,454.2	62.1	540.2	748.3	208.1	-321.8	0.0	321.8	-1,351.9	1,794.9	3,146.9
2014	196.5	1,146.5	1,212.9	66.3	481.6	715.8	234.2	-326.4	0.0	326.4	-1,105.2	2,247.1	3,352.3
2015	-43.0	1,174.9	1,245.5	70.6	480.9	740.0	259.1	-371.2	0.0	371.2	-1,327.6	2,380.5	3,708.1
2016	-81.0	1,011.1	1,082.0	70.9	539.2	775.1	235.9	-373.8	0.0	373.8	-1,257.6	2,690.6	3,948.2
2017	-99.9	1,102.5	1,168.4	65.9	429.7	710.1	280.3	-422.2	0.0	422.2	-1,210.0	2,959.5	4,169.5
2018	-409.4	1,096.3	1,163.7	67.4	426.2	691.9	265.6	-416.4	0.0	416.4	-1,515.6	2,910.6	4,426.2
2019	-410.1	1,072.5	1,141.8	69.3	568.1	866.5	298.4	-409.1	0.0	409.1	-1,641.5	3,155.0	4,796.6
2020	-829.6	1,083.6	1,149.5	65.9	765.8	1,116.8	350.9	-525.8	0.0	525.8	-2,153.2	3,049.4	5,202.5
2021	-935.6	1,126.2	1,293.1	166.9	735.3	1,106.6	371.3	-576.4	0.0	576.4	-2,214.3	3,682.5	5,896.8

Note: For more detailed information about this table please visit the link : [https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbk-kos.org%2Frepository%2Fdocs%2Ftime\\_series%2F34c%2520International%2520Investment%2520Position%2520-%2520by%2520sectors.xls&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbk-kos.org%2Frepository%2Fdocs%2Ftime_series%2F34c%2520International%2520Investment%2520Position%2520-%2520by%2520sectors.xls&wdOrigin=BROWSELINK)

### 10.3.1 International investments position – assets

(EUR million: End of period)

	Net IIP	Kosovo's international assets								
		Equities				Debt				
			Investments abroad	Equity securities		Investments abroad	Equity securities	Other investments	Reserve assets	
2010	406.8	3,234.8	280.6	86.4	194.2	2,954.3	10.2	499.6	1,832.0	612.5
2011	113.6	3,304.8	398.0	102.0	296.0	2,906.8	0.0	444.3	1,908.2	554.4
2012	135.8	3,592.0	784.2	117.8	666.3	2,807.9	0.0	320.3	1,760.6	726.9
2013	258.6	3,997.4	786.2	135.4	650.8	3,211.2	12.1	541.7	1,963.2	694.1
2014	196.5	4,175.8	1,186.3	161.9	1,024.4	2,989.5	12.6	250.3	2,081.5	645.0
2015	-43.0	4,366.0	1,284.9	198.6	1,086.3	3,081.1	13.0	296.9	2,063.5	707.8
2016	-81.0	4,547.7	1,550.4	243.1	1,307.4	2,997.3	18.1	481.9	1,892.2	605.1
2017	-99.9	4,837.9	1,762.3	279.3	1,483.0	3,075.6	25.2	421.8	1,945.2	683.4
2018	-409.4	4,766.2	1,546.6	314.8	1,231.8	3,219.5	33.6	381.5	2,035.2	769.3
2019	-410.1	5,163.3	1,864.5	379.2	1,485.3	3,298.8	35.9	344.0	2,055.1	863.7
2020	-829.6	5,315.6	1,787.0	429.3	1,357.7	3,528.7	47.9	421.5	2,158.4	900.8
2021	-935.6	6,082.2	2,346.0	531.1	1,815.0	3,736.2	48.0	445.8	2,142.3	1,100.1

Note: For more detailed information about this table please visit the link: [https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbqk-kos.org%2Frepository%2Fdocs%2Ftime\\_series%2F34e%2520IIP%2520Assets%2520and%2520Liabilities.xls&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbqk-kos.org%2Frepository%2Fdocs%2Ftime_series%2F34e%2520IIP%2520Assets%2520and%2520Liabilities.xls&wdOrigin=BROWSELINK)

### 10.3.2 International Investment Position – Liabilities

(EUR million: End of period)

Description	Net IIP	Liabilities							
		International equity				International debt			
			Direct investments	Equity and shares of investing funds		Direct investments	Debt instruments	Other investments	
2010	406.8	2,828.0	1,455.3	1,455.3	0.0	1,372.8	515.8	0.0	857.0
2011	113.6	3,191.2	1,760.7	1,760.7	0.0	1,430.5	565.4	0.0	865.1
2012	135.8	3,456.3	1,938.4	1,938.4	0.0	1,517.8	585.9	0.0	931.9
2013	258.6	3,738.8	2,129.9	2,129.9	0.0	1,608.9	686.5	0.0	922.4
2014	196.5	3,979.3	2,241.4	2,241.4	0.0	1,737.9	720.0	0.0	1,017.9
2015	-43.0	4,409.0	2,476.3	2,476.3	0.0	1,932.7	778.2	0.0	1,154.6
2016	-81.0	4,628.7	2,612.7	2,612.7	0.0	2,016.0	792.7	0.0	1,223.3
2017	-99.9	4,937.9	2,848.2	2,848.2	0.0	2,089.6	670.7	0.0	1,418.9
2018	-409.4	5,175.6	3,138.4	3,138.4	0.0	2,037.2	553.1	0.0	1,484.1
2019	-410.1	5,573.4	3,371.0	3,371.0	0.0	2,202.4	597.8	0.0	1,604.6
2020	-829.6	6,145.2	3,626.0	3,626.0	...	2,519.2	603.4	...	1,915.8
2021	-935.6	7,017.9	4,038.2	4,038.2	...	2,979.7	617.5	6.4	2,355.8

Note: For more detailed information about this table please visit the link: [https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbqk-kos.org%2Frepository%2Fdocs%2Ftime\\_series%2F34e%2520IIP%2520Assets%2520and%2520Liabilities.xls&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fbqk-kos.org%2Frepository%2Fdocs%2Ftime_series%2F34e%2520IIP%2520Assets%2520and%2520Liabilities.xls&wdOrigin=BROWSELINK)

## 11.1. External debt - gross position

(EUR million: End of period)

Description	Total gross external debt																		Direct investments: crediting between companies
	Public debt and guaranteed public debt											Private sector non-guaranteed debt							
	Government				Central bank of the Republic of Kosovo			Public non-financial corporations				Deposit-taking corporations, except the Central Bank			Other sectors				
	Short-term	Long-term			Short-term	Long-term		Short-term	Long-term		Short-term	Long-term		Short-term	Long-term				
2010	1,371.5	325.9	260	-	260	65.9	1.7	64.2	-	-	-	1,045.6	221.8	221.8	-	308	232.7	75.4	515.8
2011	1,428.4	320	253.6	-	253.6	66.4	0.7	65.7	-	-	-	1,108.4	196.4	196.4	-	346.6	259.8	86.8	565.4
2012	1,517.3	401.4	336.5	-	336.5	65	0.4	64.6	-	-	-	1,115.9	175.6	175.6	-	354.4	321	33.5	585.9
2013	1,608.2	383.9	321.8	-	321.8	62.1	0.3	61.9	-	-	-	1,224.3	208.1	208.1	-	329.7	281.1	48.5	686.5
2014	1,737.1	392.8	326.4	-	326.4	66.3	0.3	66.1	-	-	-	1,344.3	234.2	234.2	-	390.1	294.8	95.3	720
2015	1,931.8	441.8	371.2	-	371.2	70.6	0.1	70.5	-	-	-	1,490.0	259.1	259.1	-	452.8	313.8	139	778.2
2016	2,015.1	444.6	373.8	-	373.8	70.9	0.1	70.8	-	-	-	1,570.5	235.9	235.9	-	541.9	353.1	188.8	792.7
2017	2,088.5	499.3	422.2	-	422.2	65.9	0.1	65.8	11.3	-	11.3	1,589.2	280.3	280.3	-	638.1	416.6	221.5	670.7
2018	2,035.7	498.4	416.4	-	416.4	67.4	0.1	67.2	14.6	-	14.6	1,537.3	265.6	217.5	48.1	718.6	480.8	237.8	553.1
2019	2,200.7	499.0	409.1	-	409.1	69.3	0.4	69.0	20.6	-	20.6	1,701.7	298.4	206.8	91.6	805.4	536.3	269.1	597.8
2020	2,517.0	615.8	525.8	0.0	525.8	65.9	0.1	65.8	24.1	0.0	24.1	1,901.3	350.9	258.1	92.8	946.9	525.5	421.4	603.4
2021	2,977.2	770.9	582.8	0.0	582.8	166.9	0.3	166.6	21.2	0.0	21.2	2,206.3	371.3	289.9	81.4	1,217.4	684.0	533.5	617.5

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34/%20Gross%20External%20Debt%20Position.xls](http://www.bqk-kos.org/repository/docs/time_series/34/%20Gross%20External%20Debt%20Position.xls)

## 11.2. Public sector external debt service payment schedule

(EUR million: as of 31 December 2021)

Description	One year or less (several months)						Over one year up to two years			Third year	Fourth year	Fifth year	Over 5 years up to 10 years	Over 10 years up to 15 years	Over 15 years
	Immediate	0 - 3	4-6	7 - 9	10 - 12	13 - 18	19 - 24								
External Debt of Public Sector	39.0	-	19.5	6.1	7.2	6.1	44.2	16.4	27.8	56.2	43.8	36.0	160.5	189.7	227.1
Principal	34.1	-	17.2	6.0	5.0	6.0	39.8	14.1	25.7	52.5	40.7	33.4	153.7	189.6	227.1
Interest	4.9	-	2.4	0.1	2.2	0.1	4.4	2.3	2.1	3.7	3.1	2.6	6.8	0.1	-
External debt of private sector guaranteed by the Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	39.0	-	19.5	6.1	7.2	6.1	44.2	16.4	27.8	56.2	43.8	36.0	160.5	189.7	227.1
Principal	34.1	-	17.2	6.0	5.0	6.0	39.8	14.1	25.7	52.5	40.7	33.4	153.7	189.6	227.1
Interest	4.9	-	2.4	0.1	2.2	0.1	4.4	2.3	2.1	3.7	3.1	2.6	6.8	0.1	-

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34/%20Public%20Sector%20Debt%20Service%20Payment.xls](http://www.bqk-kos.org/repository/docs/time_series/34/%20Public%20Sector%20Debt%20Service%20Payment.xls)

### 11.3. Gross External Debt – By Creditors

(EUR million: as of 31 December 2021)

Description	Total gross external debt						
	Gross external debt excluding direct investments						Direct investments: Crediting between companies
		Government	Central Bank of the Republic of Kosovo	Deposit-taking Corporations, except the Central Bank	Other sectors		
International Monetary Fund	229.7	229.7	63.1	166.6	-	-	-
World Bank	276.3	276.3	276.3	-	-	-	-
IBRD	113.0	113.0	113.0	-	-	-	-
IDA	163.4	163.4	163.4	-	-	-	-
BE 3/	100.0	100.0	100.0	-	-	-	-
KFW 4/	29.9	29.9	29.9	-	-	-	-
BZhKE 5/	35.0	35.0	35.0	-	-	-	-
Other creditors	2,306.2	1,688.7	78.5	0.3	371.3	1,238.6	617.5
<b>Total Debt</b>	<b>2,977.2</b>	<b>2,359.7</b>	<b>582.8</b>	<b>166.9</b>	<b>371.3</b>	<b>1,238.6</b>	<b>617.5</b>

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34h%20Gross%20External%20Debt%20Statistics%20-%20by%20creditors.xls](http://www.bqk-kos.org/repository/docs/time_series/34h%20Gross%20External%20Debt%20Statistics%20-%20by%20creditors.xls)

## 11.4. Net External Debt Position

(EUR million: as of 31 December 2021)

Description	Gross external debt (1)	External assets in debt instrument (2)	Gross external debt (3)=(1)-(2)
General Government	582.8	0.0	582.8
Short-term	-	-	-
Long-term	582.8	0.0	582.8
Special Drawing Rights (SDRs) allocations	-	-	-
Currency and deposit	-	-	-
Debt securities	6.4	0.0	6.4
Loans	576.4	0.0	576.4
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Central Bank	166.9	1,293.1	-1,126.2
Short-term	0.3	698.3	-698.0
Currency and deposit	0.3	693.9	-693.6
Debt securities	-	4.4	-4.4
Loans	-	-	-
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Long-term	166.6	594.7	-428.1
Special Drawing Rights (SDRs) allocations	166.6	183.0	-16.4
Currency and deposit	-	-	-
Debt securities	-	411.7	-411.7
Loans	-	-	-
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Depository corporations except the Central Bank	371.3	1,106.6	-735.3
Short-term	289.9	789.7	-499.9
Currency and deposit	239.1	639.9	-400.8
Debt securities	-	56.0	-56.0
Loans	47.5	81.6	-34.1
Trade credits and advances	-	-	-
Other debt instruments	3.3	12.3	-9.0
Long-term	81.4	316.9	-235.5
Other sectors	1,238.6	1,288.5	-49.9
Short-term	684.0	1,271.5	-587.5
Currency and deposit	-	1,213.2	-1,213.2
Debt securities	-	-	-
Loans	306.0	7.3	298.7
Trade credits and advances	378.0	49.9	328.1
Other debt instruments	-	1.0	-1.0
Long-term of which:	554.6	17.0	537.6
Currency and deposit	-	-	-
Debt securities	-	0.6	-0.6
Loans	554.6	16.5	538.2
Direct investments: Intercompany lending	617.5	48.0	569.5
Debt liabilities of direct investment enterprises to direct investors	0.1	18.4	-18.3
Debt liabilities of direct investors to direct investments enterprises	619.2	27.7	591.6
Debt liabilities to fellow enterprises	-1.8	1.9	-3.7
NET external debt (3)	2,977.2	3,736.2	-759.0

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34g%20Net%20External%20Debt%20Position.xls](http://www.bqk-kos.org/repository/docs/time_series/34g%20Net%20External%20Debt%20Position.xls).

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