



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

# Annual Report 2022

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CENTRALNA BANKA REPUBLIKE KOSOVA  
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# Annual Report 2022

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## LIST OF ABBREVIATIONS

ACH	Automated Clearing House
NFA	Net Foreign Assets
PAK	Privatization Agency of Kosovo
KAS	Kosovo Agency of Statistics
TAK	Tax Administration of Kosovo
ATM	Automated Teller Machine
MTA	Money Transfer Agencies
WB	World Bank
EU	European Union
EBRD	European Bank for and Reconstruction Development
BIS	Bank for International Settlements
KIB	Kosovo Insurance Bureau
ECB	European Central Bank
CBK	Central Bank of the Republic of Kosovo
CAI	Capital Adequacy Indicators
CEFTA	Central European Free Trade Agreement
CPI	Consumer Price Index
EUROSTAT	Directorate-General for European Statistics
IMF	International Monetary Fund
SKPF	Slovenian-Kosovo Pension Fund
IAIS	International Association for Insurance Supervisors
FDI	Foreign Direct Investments
MFI	Microfinance Institutions
IPI	Import Price Index
MFLT	Ministry of Finance, Labour and Transfers
MTPL	Motor Third Party Liability Insurance
NPL	Non-Performing Loans
GDP	Gross Domestic Product
IIP	International Investment Position
POS	Point of Sale
pp	Percentage Points
PPI	Producer Price Index
CRK	Credit Registry of Kosovo
RPP	Remittances and Payment Program

ROAA	Return on Average Assets
ROAE	Return on Average Equity
RTGS	Real Time Gross Settlement
RWA	Risk Weighted Assets
SEPA	Single Euro Payment Area
SFR	Swiss Franc
IPS	Interbank Payment System
SWIFT	Society for Worldwide International Financial Telecommunication
TEB	Türk Ekonomi Bankasi
KPST	Kosovo Pension Savings Trust
TPL	Third Party Liability
USAID	United States Agency for International Development



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## Speech of the Chairman of the Board - Acting Governor

With the greatest honour, I present the annual report of the Central Bank of the Republic of Kosovo (CBK) for 2022. The CBK has drafted the annual report 2022 in accordance with the legal requirements and standards for transparency and accountability. The report, in addition to an overview on the main activities of the institution, also contains an analysis on main macroeconomic dynamics in the country, region and beyond, and on the general financial stability.

In a year marked by global uncertainty, rising prices and issues of global fragmentation such as trade tensions, geopolitical conflicts and the tightening of monetary policies, maintaining key balances and general economic stability has been a serious challenge for policy-makers. Under these circumstances, the CBK, in line with other local institutions, has undertaken adequate measures and actions to maintain the general financial stability. The CBK's focus on maintaining financial stability, price stability and ensuring a favourable environment for the growth of economic activity, in coordination with the measures taken by the Government, resulted in an economic growth of 3.5 percent in 2022 - despite the environment with increased internal and external macroeconomic risks.

Despite increased risks, Kosovo's financial system continued to grow, reflecting stability in all its constituent sectors. Banking sector's credit activity had an accelerated growth, marking the highest growth rate in the last eleven years of 16.0 percent, and thus supporting the financing of consumption and general investments in the country. Meanwhile, ongoing inflationary pressures as well as uncertainties about economic activity in 2023 imperil the economic perspective for both households and businesses. Despite the accelerated lending growth during 2022, the banking sector continued to improve key quality credit portfolio indicators, i.e. ratio of non-performing loans to total loans, to 2.0 percent. However, the high inflation rate, especially the basic one, increases the risk and consequently, the need for closer monitoring of credit risk dynamics in 2023. The accelerated credit activity, and consequently the increase in risk-weighted assets, results to have easily affected capitalization position of the sector, although the capital level remains above the minimum regulatory levels at 15.5 percent, from the 12 percent required by the applicable legal framework.

Even other sectors within the financial system in Kosovo result to have recorded double-digit growth throughout 2022, except for the pension sector, which in 2022 was characterized by a more pronounced slowdown in the asset growth and a decrease in the value of investments compared to the previous year, mainly due to unfavourable global macroeconomic developments and geopolitical tensions that resulted in fluctuations in global financial markets.

The rapid and continuous change of the financial sector in the country, the euro area and around the world requires continuous adaptability and improvement of the legal infrastructure and framework. During 2022, the CBK has approved regulations regarding the risk management in the banking sector, which are in line with BASEL III requirements, and other regulations in function of financial stability. The CBK closely follows digital transformations in the financial system that support innovation and increase of efficiency. The CBK also participates in important international projects that modernize the payment system, promote financial inclusion and improve the supervision role in the financial sector.

In the upcoming years, the CBK, together with international partners, will focus on strengthening its role in environmental, social and governance (ESG) policies, which should be considered by the financial sector stakeholders. Investing and building human capacities with the right skills, in order to fulfil the mandate by law, are necessary and in the focus of the CBK. The increase in risks with the continuous advances in technology, the continuous expansion of CBK's mandate in accordance with international standards, as well as the skills gap characterizing the labour market

in the country, have increased pressures for building human capacities and increasing CBK's attractiveness as an employer in attracting and retaining appropriate skills.

Our commitment to promote strong governance and maintain public trust remains unwavering. Our objective remains strengthening internal audits, building capacities for monitoring, analysing and managing risks that threaten financial stability, and promoting ethical behaviour. Through effective and transparent communication, the CBK will continue to coordinate policies in coordination with the main stakeholders in the country such as the government, financial institutions, international partners and the public.

Finally, the achievements of 2022 show the financial sector stability and dedication of the personnel, to whom I express my gratitude from the bottom of my heart. With a clear vision and commitment, the CBK will continue to navigate the ever-changing economic landscape and fulfil its mandate brilliantly.

Dr. Sc. Bashkim NURBOJA



Chairman of the Board - Acting 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 Central Bank Board is guided by the principles of legality, professionalism, independence and transparency.

Activities of the Central Bank Board were oriented towards fulfilling competencies and duties defined by the Law on the Central Bank of the Republic of Kosovo. For this purpose, the Central Bank Board has held continuous meetings that informed and discussed the general progress of the financial system in Kosovo. Also, the CBK Board has exercised supervision on implementation of policies, as well as supervision on the administration and activities of the Central Bank.

During 2022, the Central Bank Board held 12 meetings in which a total of 38 decisions were rendered.

The Central Bank Board, as one of the decision-making bodies of the CBK, has reviewed and approved the issuance and amendment of regulations in the field of financial system based on the recommendations of the Executive Board, as follows:

1. Regulation on Electronic Payment Instruments;
2. Regulation on Transfers and Transfer Payments of Pension Assets;
3. Regulation on Determination of Pension Beneficiaries;
4. Regulation on the Pension Benefits of Supplementary Employer Pension Funds;
5. Regulation on External Audit of Pension Funds;
6. Regulation on the Liquidity Coverage Ratio;
7. Regulation on the Net Stable Funding Ratio;
8. Regulation on Access to Payment Account with Basic Services.

The Central Bank Board has also approved:

- CBK's Annual Report for 2021;
- CBK's Financial Statements for 2021 and the Independent Auditor's Report;
- The CBK Budget for 2023;
- Annual Internal Audit Plan for 2023;
- Reports and periodic statements on the financial position of the CBK;
- Statute of the Audit Committee;
- Statute of the Internal Audit;
- Internal Audit Quality Improvement and Assurance Manual;
- Code of Ethics for CBK Internal Auditors;
- Internal Audit Manual;
- Accounting Policies of the Central Bank;
- Annual Internal Audit Plan for 2023.

In order to fulfil the competencies defined by law, the Central Bank Board has timely performed all tasks related to:

- Implementation of the process of nominations and appointments within the competencies defined by the CBK Law;
- Review of all reports and recommendations of the Executive Board and the Governor, in order to maintain financial stability.

Also, the Board has exercised other duties which were in harmony with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

On 31 December 2022, the Board of the Central Bank of the Republic of Kosovo consisted of the following members:

Flamur Mrasori, Chairman;

Fehmi Mehmeti, Governor;

Nora Latifi Jashari, Member;

Bashkim Nurboja, Member; and

Nexhat Kryeziu, Member.

### **Audit Committee**

The Audit Committee (AC) was appointed by the Central Bank Board in accordance with Article 62 of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo. The purpose of the Audit Committee (AC) is to assist the Central Bank of the Republic of Kosovo (CBK) in fulfilling its responsibilities in terms of risk management of institution, controls, governance and related activities, as follows:

- Financial reporting and integrity of Annual Financial Statements;
- Compliance with laws, rules and the Code of Ethics;
- Internal control operation;
- Risk management;
- Efficiency and objectivity of the Internal Audit (IA) function; and
- Performance of the function of the IA and the External Auditors (EA).

The Central Bank Board has defined the composition, responsibilities and duties of the Audit Committee in the Statute of the Audit Committee of the Central Bank. The AC periodically reports to the Central Bank Board. Meanwhile, it can regulate its activity by complying with any requirement of the Law on the Central Bank and any order given to this body by the Central Bank Board.

Since 15.06.2020, the Audit Committee has been non-functional, due to the expiration of the mandate of two (2) non-executive members of the Central Bank Board, who were also members of the AC. The Central Bank Board, in the meeting held on 28.02.2022, has appointed two (2) non-executive members from among themselves, in the capacity of members of the Audit Committee of the Central Bank, making this body functional. During this period, the AC has been quite active, holding a total of eight (8) meetings.



On 31 December 2022, the Audit Committee was composed of the following members:

**Nora Latifi-Jashari** – Chairperson;

**Nexhat Kryeziu** – Member;

**Edona Perjuci-Uka** - External member.

In order to fulfil its responsibilities and duties, the Audit Committee, during 2022, performed the following tasks:

- Provide advice in the areas of Management's responsibility for internal control system;
- Discuss and support the Internal Audit Strategic Plan for the period 2023-2025;
- Discuss and support the Internal Audit Annual Work Plan for 2022 (this document was approved by the Central Bank Board);
- Discuss and support the Internal Audit Annual Work Plan for 2023 (this document was approved by the Central Bank Board);
- Review summary reports of the internal audit, findings and recommendations that have come out of these audits, and has from requested the Central Bank Board to ask the Management of the CBK to address these findings;
- Review financial statements, assessment of issues related to external audit opinions and all audit reports.
- Review issues raised by the external audit;
- Ensure that there is an effective relationship between the Internal Audit and the External Auditor;
- Continuously defend the functional independence of the Chief Internal Auditor and the function of the IA;
- Assess adequacy of internal audit resources;
- Provide advice on issues related to identified risks and internal control system;
- Maintain records of all meetings along with reports provided by the Internal Audit function and all written records of all matters and evidence related to these reports, as well as actions taken by the Audit Committee.

During the year 2022, the Audit Committee, in cooperation with the Chief Internal Auditor, reviewed all the documents related to Internal Audit function as follows: the Statute of the Audit Committee, the Statute of Internal Audit, the Code of Ethics for CBK Internal Auditors, Internal Audit Quality Improvement and Assurance Manual, Internal Audit Manual, as well as Internal Audit Standard Forms. These documents were forwarded to the Central Bank Board, where, after relevant discussions and comments, they were approved.

### **Executive Board**

CBK's Executive Board consists of the Governor, who is the Chair of the Executive Board, and the Deputy Governors. The Executive Board on 31 December 2022 consisted of Fehmi Mehmeti, Governor, and Shkendije Nahi, Acting Deputy Governor for Financial Supervision. The powers of the Executive Board are defined by the Law on the Central Bank of the Republic of Kosovo. The Executive Board is charged with the administration and exercise of operations of the Central Bank of the Republic of Kosovo, while its activity is supervised by the Central Bank Board.

During 2022, the Executive Board held 32 meetings. Within the scope of its competencies in relation to the Central Bank Board, the Executive Board, during 2022, has reviewed and prepared to proceed further the applicable regulations for country's financial system, the annual report of

the CBK, as well as reports, statements and financial plans of CBK. In the given context, the Executive Board has also prepared and communicated regular and *ad hoc* reports and information on the exercise of the duties and competencies given.

The Executive Board, in accordance with the applicable legislation, has approved during 2022 two methodological guidelines and an instruction manual applicable to the country's financial system. In the same sphere of competencies, the Executive Board has approved, in the banking sector, the licensing of a bank, while in the non-banking financial sector has approved registration of five institutions with foreign exchange activity and one institution for payment services and issuing electronic money. On the other hand, in the insurance sector, the licenses of three insurance intermediaries were revoked during 2022. In the same period, in order to achieve the objectives and based on the supervisory tasks carried out by the responsible organizational units, punitive-administrative measures against financial institutions and related parties have been issued in four occasions.

In 2022, the Executive Board has approved periodic reporting regarding implementation of the CBK's strategic plan for 2021, as well as approval of the new strategic plan for the period 2022-2024. Also, the Executive Board has approved the issuance/amendment and supplementation of 14 internal policies and rules, as well as supervised the reports of relevant internal bodies for the exercise of its competencies. The Executive Board has exercised other duties in accordance with the Law on the Central Bank of the Republic of Kosovo and other applicable legislation.



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## 1. Executive summary

The economic outlook in the Eurozone during 2022 was negatively affected by increased geopolitical uncertainties following the war in Ukraine and increased inflationary pressures, which were followed by constricted monetary policies in the second half of the year.

Based on preliminary data from Eurostat, economic activity in the Eurozone during 2022 marked a real growth of 3.5 per cent, against the growth of 5.3 per cent in the previous year. Economic activity throughout 2022 was also affected by the deterioration of trade conditions due to the acceleration of import prices alongside lower export prices in the Eurozone.

The European Central Bank's (ECB) projections in December for economic growth in 2023 have been revised upwards from 0.5 per cent in December to 1.0 per cent in March 2023, as a result of falling energy prices and the resilience of the Eurozone economy against external shocks.

The average annual inflation rate in the Eurozone was 8.4 per cent in 2022 compared to 2.6 per cent in 2021, reaching the highest level in October when it recorded double-digit growth (10.6 per cent). The main contribution to inflation in the Eurozone came from high energy and food prices with 3.8 and 1.9 percentage points respectively. In addition to the direct and indirect effects of increase in energy cost, inflation during 2022 was also partially driven by the devaluation of the euro currency.

The ECB's inflation projections in 2023 are up from 6.3 per cent in December to 5.3 per cent in the March projections, mainly due to falling energy prices, easing of supply chain bottlenecks, appreciation of the euro, and slowdown of economic activity.

Similar to the Eurozone, the Western Balkans also faced slower economic growth in 2022 compared to the previous year. In 2022, the average real GDP growth in the region was 3.8 per cent, with the highest growth recorded in Montenegro at 6.6 per cent and the lowest growth recorded in North Macedonia at 2.0 per cent.

IMF projections for 2023 suggest that the region is expected to be characterized by a real GDP growth of 2.7 per cent. The slowdown in economic activity in the Eurozone, the main trading partner and important source for investments and remittances, is expected to be a determining factor in the overall economic dynamics of the Western Balkan countries.

The average inflation rate in Western Balkans countries has reached a 12.1 per cent annual growth, where the highest was recorded in North Macedonia, at 18.7 per cent, followed by Bosnia and Herzegovina with 14.0 per cent, and Albania with the lowest inflation rate of 6.7 per cent.

According to KAS estimates, Kosovo's economy recorded a decelerated growth of 3.5 per cent in 2022. The slowdown in economic activity was mainly attributed to the general increase in prices, affecting real GDP growth by only 1.0 percentage points. As for net exports, the dynamics that characterized the external sector of the economy, especially the trade balance of goods and services, have caused net exports to have a positive contribution of 2.6 percentage points to GDP growth. The increase of diaspora visits to Kosovo has resulted in a real increase in export of services by 17.9 per cent. The goods export has also recorded a real increase of 15.5 per cent in 2022. On the other hand, the import of goods has recorded a decelerated real growth of 2.0 per cent which has reflected in decrease of goods and services deficit of 8.0 per cent in real terms.

Prices in 2022 continued to be largely dictated by external factors that determined the inflation trajectory from the second half of the previous year, which includes rising energy prices in international markets, disruptions in supply chains caused by the pandemic, and rapid growth in general demand. One of the main factors determining inflation during 2022 results to have been the rapid acceleration of prices for basic goods in the international markets, especially prices of energy and food with the beginning of the war in Ukraine, an increase which was transmitted to

Kosovo through import of such goods. The annual average inflation in 2022 was 11.6 per cent, from 3.4 per cent in the previous year.

Budget revenues in 2022 marked an annual increase of 13.7 per cent, as a result of the high inflation rate, as well as efforts undertaken to formalize the economy. Budget expenditures also recorded a double-digit increase of 10.5 per cent, causing the Kosovo Budget to register a primary budget deficit of 0.1 per cent of GDP. Public debt reached about 1.8 billion euros, which is 4.2 per cent higher compared to 2021. Despite the increase in absolute terms, as a percentage of GDP, public debt fell to 20.7 per cent from 21.5 per cent in 2021.

In 2022, the external sector in Kosovo was characterized by a deterioration of current and capital accounts, while the position of the financial account improved. The current account deficit reached the value of EUR 940.3 million in 2022, an annual increase of 35.4 per cent and a share of 10.5 per cent in the GDP generated in the country (8.7 per cent in 2021). The current and capital account recorded an increase in the deficit, mainly as a result of the increase in goods deficit and decrease in the positive balance of the primary income account. In the same period, the positive balance of the services account and secondary income was characterized by growth. Within the financial account, foreign direct investments recorded an annual increase of 85.0 per cent and reached the value of EUR 778.2 million. The real estate sector constitutes 67.3 per cent of total FDI or EUR 523.7 million and in 2022 it recorded an annual increase of 36.4 per cent. Whereas the value of remittances received in 2022 reached EUR 1.22 billion, an increase of 6.0 per cent compared to the previous year (13.7 per cent of GDP).

The financial system marked a significant increase in activity during 2022, despite high inflation, concerns about the economic slowdown, as well as fluctuations in commodity prices in international markets. However, the growth was slower than the previous year, due to slowdown in the growth of pension sector assets.

The total financial system asset value reached EUR 9.89 billion euros in December 2022, which coincides with an annual increase of 10.7 per cent, respectively 2.0 percentage points lower compared to the previous year. The banking sector continues to have main contribution in expanding the activity of the financial system in the country.

The banking sector assets in 2022 reached the value of EUR 6.76 billion, which coincides with accelerated annual growth of 13.4 per cent compared to the 11.3 per cent growth in the previous year. The main contribution to the increase was credit expansion as the main activity of the sector, which recorded the highest annual growth in the last eleven years.

The banking sector credit portfolio expanded by 16.0 per cent in 2022, reaching the value of EUR 4.35 billion. The annual growth of the loan stock represents the highest growth in the last 11 years. Factors with a positive contribution to the growth of lending activity were the good liquidity position of the sector, the increase in competition between banks, as well as support from the Kosovo Credit Guarantee Fund. While factors with a negative contribution were increased risks related to economic perspective and global markets and their reflection in the deterioration of the credit portfolio.

In the same period, deposits in the banking sector of Kosovo reached the value of EUR 5.55 billion and marked an accelerated annual growth of 13.3 per cent (12.4 per cent in 2021). Household deposits, a category dominating total deposits structure in the banking sector, slowed its growth to 8.2 per cent from 14.6 per cent in the previous year. Enterprise deposits recorded similar annual growth, namely a slight slowdown in the growth rate to 18.9 per cent from 19.3 per cent in 2021.

Banking sector performance and financial health indicators continued to remain stable, whereby due to the high growth of lending, ratio of non-performing loans to total loans in December 2022 decreased to 2.0 per cent, namely 0.3 percentage points lower than in the previous year. At the

same time, the coverage ratio of non-performing loans with commissions decreased to the level of 149.8 per cent from 151.9 per cent a year ago, due to the higher increase in the value of non-performing loans compared to the increase in commissions.

The banking sector continues to have a high level and quality of capital. Risk-weighted assets recorded a more noticeable increase, as a result of the accelerated growth of credit, compared to the slower growth of capital, a dynamic that was reflected in the decrease of the capital adequacy indicator to 15.5 per cent from 16.4 per cent in the previous year, although this indicator stands above the required regulatory minimum of 12 per cent. The banking sector liquidity position remains at a high level. The ratio of liquid assets to current liabilities was 36.5 per cent from 37.2 per cent a year ago, but still well above the required regulatory minimum of 25.0 per cent.

The pension sector in 2022 was characterized by a more noticeable slowdown in the growth of assets and a decrease in the value of investments compared to the previous year, as a result of unfavourable macroeconomic developments that have simultaneously affected the evidenced turbulence in the financial markets. The value of the assets of the funds, which is dominated by the Pension Savings Trust with a share of 99.6 per cent, reached EUR 2.42 billion at the end of 2022, which coincides with a decelerated annual growth of 2.4 per cent (18.2 per cent a year ago). The slower growth was the result of a decrease in the value of returns from investments, while the growth of collections from contributors was higher than in the previous year. The cumulative gross return from investments throughout 2022 suffered a decrease in value, descending into the negative territory of EUR 119.7 million, compared to positive return of total EUR 228.4 million from one year before.

The insurance sector for the fourth year in a row recorded double-digit annual growth in assets. Despite the expansion of the sector, the level of brokerage and density has expanded at a slower pace in these four years. Expressed through gross written premiums in relation to GDP, the brokerage of the sector continues to remain at a relatively low level compared to the average in Europe, at 1.50 per cent (1.48 per cent in 2021). Similarly, the level of density remains low, measured through written premiums per capita, which in 2022 marked the value of EUR 73.9 (EUR 64.8 in 2021).

The assets of the insurance sector represented 2.7 per cent of the total assets of the financial system at the end of 2022. The value of the total assets reached EUR 269.7 million, which represents an annual increase of 12.1 per cent. The value of premiums written by insurers in 2022 reached 134.0 million euros, marking an annual increase of 14.1 per cent (18.2 per cent in 2021), while the claims paid by the insurance sector, which includes the claims of insurers and the Kosovo Insurance Bureau (KIB), recorded an annual increase of 5.4 per cent (24.4 per cent a year ago), reaching the value of EUR 64.3 million at the end of 2022 (EUR 61.0 million in 2021).

The insurance sector closed this year with a positive financial result of EUR 2.1 million, a weaker performance compared to last year when it recorded a net profit of EUR 6.3 million. The decrease in realized profit compared to the previous year mainly reflects the increase in operating expenses, i.e., the cost of purchasing goods and services (affected by inflationary pressures in 2022) and administrative expenses (mainly compensation for workers). Also, compared to the previous year, there was an increase in the category of expenses for incurred damages (amounts and numbers), which is the result of an increase in the number and amount of written premiums.

In 2022, the microfinance sector assets amounted to EUR 400.8 million, marking an annual increase of 17.9 per cent. Loans continue to dominate the asset structure of the microfinance sector (71.5 per cent), followed by leasing (18.4 per cent). While, the rest of the assets (of 10.1 per cent) consists mainly of cash in bank and other assets.

The value of the stock of loans issued in 2022 reached EUR 286.5 euros, which represents an annual increase of 19.8 per cent (annual increase of 17.1 per cent in 2021), while the leasing activity for the second year in a row recorded double-digit growth and reached the value to EUR 73.7 million euros at the end of 2022.

The microfinance sector in 2022 managed to record a net profit in the amount of EUR 17.2 million. The most noticeable increase in revenues (14.9 per cent) against the level of increase in expenses (12.0 per cent) of the sector has influenced that MFI/NBFI realize a higher profit of EUR 3.1 million compared to the previous year. The level of non-performing loans to total loans remains low and has further decreased by 0.6 percentage points, to 1.8 percent. Whereas, the level of coverage of non-performing loans with provisions in December 2022 has increased to 153.2 per cent (141.6 per cent in 2021).

In view of the further development of the regulatory framework for the regulation of banks, the following regulations and instructions have been approved during 2022 regarding liquidity management in banks, namely the liquidity coverage ratio (LCR) and the net sustainable funding ratio (NSFR); the regulation for access to basic accounts and payments in services, as well as a number of drafts of legal and sub-legal acts related to the regulation of the financial sector have been compiled. In general, during 2022, the CBK has continued with revision/completion of the regulatory framework for regulation of microfinance institutions and non-bank financial institutions, as well as insurers and insurance intermediaries, with the aim of aligning our legislation with the standards and best practices of Europe.

During 2022, within the framework of its legal mandate for the implementation of tasks and responsibilities in the function of prudential supervision, the CBK has continued with the implementation of the plan of examinations of licensed financial institutions, through application of the risk-based supervision.

CBK plays an important role in protecting users of financial services in Kosovo. In this context, within the internal process of handling complaints, during 2022 CBK has reviewed 873 complaints of financial services users (natural and legal persons), where 518 complaints were filed for banks, 87 for MFIs and NBFIs, 262 complaints were filed for insurers, while 6 were other complaints.

CBK, within the framework of cash management operations, ensures the supply of the local economy with the appropriate quantity and quality of euro banknotes and coins. Compared to the previous year, during 2022 the general activities of cash operations recorded a group increase of 28.2 per cent (expressed in value) and a group increase of 26.9 per cent (expressed in volume). The overall value of cash supply in 2022 marked a moderate increase of 1.5 per cent compared to 2021. The structure of cash supplied by denominations, which is primarily determined by the requirements of the banking sector, had a little change from 2021 to 2022.

The interbank payment system (IPS) built by and under the administration of the CBK, during 2022, has ensured maximum availability, guaranteeing processing and settlement of payments for all economic stakeholders of the country. The interbank payment system, which allows the processing of a number of payment instruments, interbank clearing, as well as the settlement of securities, has continued to operate normally and without obstacles. The statistical indicators of IPS activity have reflected an increase of 19.2 per cent in transactions volume and 18.6 per cent in value compared to the previous year, with 17.4 million transactions with a total value of over EUR 20 billion being processed during 2022.

The number of electronic payments has continued to grow significantly even during 2022, where payments through the e-banking service increased by 16.5 per cent in volume and about 29.5 per cent in value. Card payments also had significant increases as they had an increase of 41 per cent in volume and 35.3 per cent in value compared to the previous year.



Even in 2022, CBK's priority for the assets under management was safety and liquidity of the assets, before the return on investments. Reserves in the CBK portfolio consist of portfolio instruments that are classified as liquid and investment grade. The liquid categorization of reserves consists of instruments that are maintained to ensure sufficient funds for making payments and transfers according to needs of CBK and its depositors. On the other hand, the investment categorization is fulfilled by safe financial instruments with an investment credit rating that are also easily tradable.

As in the previous year, during 2022 CBK continued to be part of the credit line offered by the Eurosystem through the Deutsche Bundesbank. Through this credit line, the European Central Bank has offered the Central Bank of the Republic of Kosovo the opportunity to borrow from the Eurosystem's liquidity package against adequate collateral in euros consisting of marketable debt securities issued by the central governments of the Eurozone and supranational institutions. This credit line addresses the possible liquidity needs of CBK in case of eventual requests, enabling it to borrow up to EUR 100 million euros from European Central Bank. The credit line will remain in force until the middle of January 2024, with the possibility of extending the term.

Even the Credit Registry of Kosovo (CRK) has marked progress in 2022, with 493 new users being registered as a result of requests submitted by member institutions, while the research on the obligations and credit histories of credit applicants reached 1,009,083 researches.

In order to achieve its primary objective, maintaining financial stability through regular monitoring of systemic risk, among other things, 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 macroeconomic cyclical and structural developments. The risks assessment and their potential impact on financial stability and, consequently, overall macroeconomic stability, is done through regular qualitative and quantitative analyses, including the analysis of the progress of economic and financial indicators with high frequency, forecasts on the main macroeconomic indicators and the application of models, which address the cyclical, structural and cross-sectoral dimension of systemic risk.

In addition to various periodic analyses and regular monitoring of the main indicators of developments in the relevant sectors of the economy, CBK has continued to update the models developed for risks assessment, such as the Financial Stability Map, the stress-test model, the model for Identifying Systematically Important Banks and the model of Countercyclical Capital Buffer). In 2022, in cooperation with a focused technical assistance from the IMF, the CBK has started a very important process to review and advance one of the most important tools that a central bank has to assess the stability of the sector financial – the stress-test model.

The CBK has continued the regular publication of statistics for the monetary and financial sector, as well as statistics for the external sector, in harmony with the publication calendar during 2022.

## 2. External economic environment

### 2.1. The Eurozone and the Western Balkans

The economic outlook in the euro area during 2022 was negatively affected by increased geopolitical uncertainties due to the start of the war in Ukraine and increased inflationary pressures, that were followed by constricted monetary policies in the second half of the year.

Based on preliminary data from Eurostat, economic activity in the euro area during 2022 recorded real growth of 3.5 per cent, compared to 5.3 per cent in the previous year (table 1). In the first part of the year, economic activity was supported by domestic demand as a result of the total reopening of economies within the euro area, where an increase in consumption supported by fiscal packages and private savings accumulated during the pandemic was evident, as well as an increase in economic activity in the sector of non-tradable services, including those of tourism. While in the last quarter of the year, although economic growth managed to avoid the predicted contraction in relation to the previous quarter, it slowed down significantly to 0.1 per cent after a decline in real household income and rising costs of production for enterprises that mitigated domestic production and demand. However, some large economies such as Germany, Italy, Austria, depending also on the exposure to the energy crisis and effectiveness of policies undertaken to face the acceleration of energy prices, recorded a recession compared to the previous quarter. Economic activity throughout 2022 was also affected by the deterioration of trade conditions due to the acceleration of import prices alongside lower export prices in the euro area.

The European Central Bank's (ECB) projections of December for economic growth in 2023 have been revised upwards from 0.5 per cent in December to 1.0 per cent in March 2023, due to declining energy prices and the resilience of the euro area economy against external shocks. But although economic growth is expected to be higher in the next two years, namely 1.6 per cent in 2024 and 2025 as a result of solid labour markets and improved purchasing power and consumer confidence, these projections compared to those of December remain lower due to the tightening of financing conditions, which are expected to slow down economic activity over the next two years. However, in the medium-term period, despite the tightening of financing conditions, mitigating factors for economic growth are expected to be the reduction of insecurities related to geopolitical tensions, strengthening of external demand and elimination of remaining obstacles in supply.

While, in the short term, the risks related to economic growth projections for the euro area continue to lean downward and include, among others, the uncertainties related to the war in Ukraine, the potential acceleration of food and energy prices, as well as the potential slowdown of global economic activity beyond anticipated levels.

The stable labour market continued to support economic activity in the euro area, with the annual unemployment rate expected to reach 6.7 per cent in 2022. Overall, labour market participation and employment rate increased, while the number of hours worked decreased compared to pre-pandemic levels. The labour market demand dynamics were similar, which also marked an increase with the average rate of vacant job positions reaching 3.1 per cent in 2022 from 2.3 per cent before the pandemic.

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

Description	Real GDP (%)				Inflation (%)				Unemployment (%)		
	2020	2021	2022	2023p	2020	2021	2022	2023p	2020	2021	2022
Euro area	-6.1	5.3	3.5	1.0*	0.3	2.6	8.4	5.3*	8	7.7	6.7
Austria	-6.5	4.6	5	0.5	1.4	2.8	8.6	6.6	6	6.2	4.8
France	-7.8	6.8	2.6	0.6	0.5	2.1	5.9	5.2	8	7.9	7.3
Germany	-3.7	2.6	1.8	0.2	0.4	3.2	8.7	6.3	3.7	3.7	3.1
Greece	-9	8.4	5.9	1.2	-1.3	0.6	9.3	4.5	17.6	14.7	12.5
Italy	-9	7	3.7	0.8	-0.1	1.9	8.7	6.1	9.3	9.5	8.1
Spain	-11.3	5.5	5.5	1.4	-0.3	3	8.3	4.4	15.5	14.8	12.9

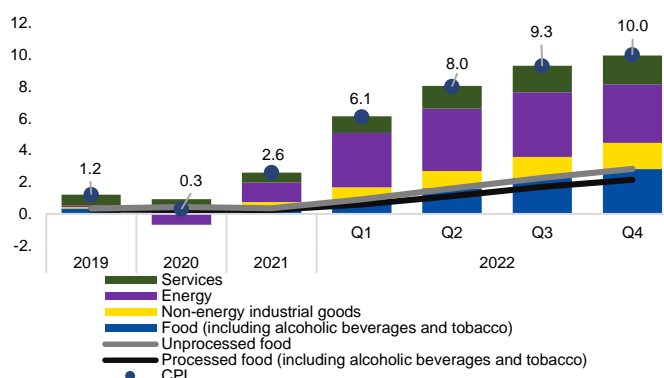
\*Data are according to ECB estimates and forecasts (March 2023) and forecasts for 2023 for euro area countries are based on EC data (February 2023).

Source: Eurostat, ECB (March 2023), European Commission (February 2023)

Inflation in the euro area in 2022 continued to be affected by a combination of factors that intensified inflationary pressures from the second half of 2021 such as the increase in energy prices in international markets, disruptions in supply chains from the pandemic and the brisk recovery of economic activity after the lifting of restrictive measures. Moreover, the start of the war in Ukraine, which resulted in a reduction in Europe's supply of natural gas and other commodities from Russia and Ukraine, added further pressures to energy and food prices in the euro area, which became the main determinants of inflation with average annual growth of 37.0 and 9.0 per cent, respectively.

The median annual inflation rate in the euro area was 8.4 per cent in 2022 compared to 2.6 per cent in 2021, reaching the highest level in October when it recorded double-digit growth (10.6 per cent) (chart 1). The main contribution to inflation in the euro area came from the high prices of energy and food with 3.8 and 1.9 percentage points respectively, while during the year there was also an increase in the contribution of non-energy industrial goods (with an average annual contribution of 1.2

**Chart 1. Inflation in the euro area, by main categories**



Source: Eurostat (2023)

percentage points) and services (1.5 percentage points). In the last quarter, there was a decrease in the contribution of energy inflation that was as a result of the reduction in energy prices in international markets. On the other hand, food inflation continued to accelerate, especially for processed food goods. In addition to the direct and indirect effects of the increase in the cost of energy, inflation during 2022 was also partially driven by the devaluation of the euro currency.

The ECB's projections for inflation in 2023 have been revised downwards from 6.3 per cent in December to 5.3 per cent in the March projections, mainly as a result of reduced energy prices, mitigation of supply chain disruptions, higher appreciation of euro, and the slowdown of economic activity. While the fiscal policies undertaken to protect consumers and companies from inflation are expected to moderate inflationary pressures in 2023, the impact is expected to be the opposite in 2024 when almost all of these measures are expected to be discontinued. Projections for inflation in 2024 and 2025 suggest a rate of 2.9 and 2.1 per cent respectively, based on the assumptions of stabilization of energy and food prices during the projection period, lowered projections of economic activity, and gradual effect of tightening funding policies under ECB monetary policies.

In an effort to bring inflation back within the 2.0 per cent target, the ECB took a number of measures in 2022. Asset purchases under the pandemic emergency purchase program were suspended in March 2022, while the ECB continues to reinvest principal payments from securities into this program until the end of 2024. The Governing Council of the ECB also decided to reduce the amount of net asset purchases to EUR 20 billion in June and stopped the purchases under this program in July 2022, continuing partial reinvestment of principal payments from securities under this program until July 2023 to facilitate liquidity conditions. Whereas, from July 2022 the ECB started with the increase of three key ECB interest rates: the deposit rate (-0.5 per cent in September 2019 to 2.0 per cent in December 2022), refinancing operations rate (0.0 per cent in September 2019 to 2.5 per cent in December 2022) and the marginal lending rate (0.25 per cent to 2.75 per cent). These decisions of the ECB to tighten financing conditions were translated into an increase in interest rates and consequently in a slower growth of lending to the private sector (from 6.3 per cent annual growth in June to 5.4 per cent in December 2022), although with increase during the months of August and September due to positive dynamics in economic activity during the third quarter. The household economy segment was also characterized by a slowdown in credit growth, from 4.6 per cent in June to 3.8 per cent in December.

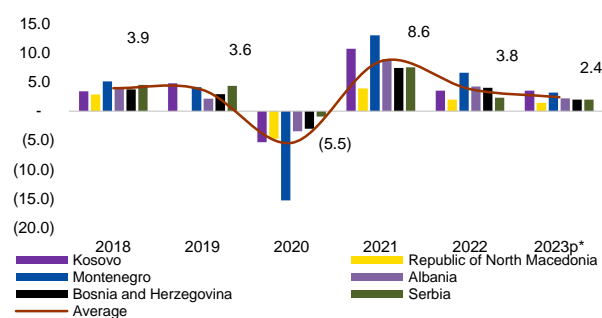
## 2.2. Western Balkans

Similar to the euro area, the Western Balkans also faced sluggish economic growth in 2022 compared to the previous year. In 2022, the average real GDP growth in the region was 3.8 per cent, with the highest growth recorded in Montenegro at 6.6 per cent, supported by good performance during the touristic season and the lowest growth recorded in North Macedonia of 2.0 per cent, influenced by high energy and food prices.

IMF projections for 2023 suggest that the region is expected to be characterized by a real GDP growth of 2.4 per cent. The slowdown in economic activity in the euro area, the main trading partner and important source for investments and remittances, is expected to be a determining factor in the overall economic dynamics of the Western Balkan countries. The economic performance of the six countries continues to be affected by the food and energy price crisis. Export from the countries of the Western Balkans has started to slow down and the cost of import has significantly increased due to the increase in prices in the international markets, which poses a risk of deteriorating the current account deficit. The countries of the region recorded an increase in private consumption, mainly influenced by the increase in wages, remittances and private lending.

The average rate of inflation in the countries of the Western Balkans has reached 11.6 per cent annual growth, where the highest was recorded in North Macedonia and Bosnia and Herzegovina with 14.0 per cent, while Albania remains with the lowest inflation rate at 6.6 per cent. In response to inflation, central banks from countries in the region having their own currencies have increased the base interest rate. Albania has increased the base rate by 2.75 percentage points since the beginning of the war in Ukraine (last increase in November 2022, 0.5 points). At the end of 2022, North Macedonia decided to increase the interest rate by 0.5 points, reaching the level of 4.75 percentage points. While the latest data from the central bank of Serbia showed that the interest rate has increased to 5.5 percentage points.

Chart 2. Annual GDP growth rate in Western Balkans



Source: Eurostat, and the respective Statistical Agencies of WB (2023)

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

Description	Real GDP (%)				Inflation (%)				Balance of current account (% of GDP)*				Credit growth (%)				Nonperforming loans (%)				Unemployment (%)*			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Kosovo	4.8	(5.3)	10.7	3.5	2.7	0.2	3.4	11.6	(5.7)	(7.0)	(8.8)	(10.5)	10.0	7.1	15.5	16.1	2.0	2.7	2.3	2.0	25.7	26.0	20.8	n/a
Republic of North Macedonia	3.9	(4.7)	3.9	2.0	0.7	1.2	3.4	14.0	(3.0)	(2.9)	(3.1)	(6.0)	5.7	4.8	8.4	10.0	4.6	3.3	3.1	2.8	17.3	16.4	15.7	14.5
Montenegro	4.1	(15.3)	13.0	6.6	0.5	(0.5)	2.5	11.9	(14.3)	(26.1)	(9.2)	(13.3)	4.5	3.2	6.4	8.9	5.1	5.9	6.8	6.3	15.1	17.9	24.7	n/a
Albania	2.1	(3.5)	8.9	4.2	1.7	2.2	2.3	6.6	(7.6)	(8.7)	(7.7)	(7.8)	(0.8)	5.8	10.3	6.5	8.4	8.1	5.7	5.0	11.5	11.7	11.4	11.1
Bosnia and Herzegovina	2.9	(3.0)	7.4	4.0	0.6	(1.1)	2.0	14.0	(2.6)	(3.3)	(2.4)	(3.8)	6.6	(2.0)	3.0	4.4	6.5	6.1	5.6	4.5	15.7	15.9	17.4	17.3
Serbia	4.3	(0.9)	7.5	2.3	1.9	1.8	4.0	11.7	(6.9)	(4.1)	(4.3)	(6.9)	8.1	14.5	8.3	4.5	4.1	3.7	3.6	3.0	11.2	9.7	11.0	9.4

\* IMF (WEO) April 2023

! Source: Central banks of the respective countries

Source: IMF (WEO) October 2021

Lending recorded an increase in almost all countries of the region by an average of 4.2 per cent. The highest credit growth rate was recorded in Kosovo banking sector at 16.1 per cent, followed by North Macedonia at 11.6 per cent and Montenegro at 9.0 per cent. Kosovo's economy continues to maintain the lowest rate of non-performing loans of 2.0 per cent, while Montenegro reports the highest level of non-performing loans of 6.7 per cent, followed by Bosnia and Herzegovina with 5.2 per cent. Deposits have increased in all countries of the region: the highest in Montenegro (24.4 per cent), Kosovo (13.3 per cent), Serbia (7.0 per cent) and Albania (5.9 per cent). The restriction of monetary policies is expected to be reflected in higher cost of financing and consequently, in slowing down the demand for loans and increasing the cost of financing for the banking sector.

The increase in base interest rates by the ECB has contributed the revaluation of the euro currency against the currencies of the main trading partners, especially in the second half of 2022, the effect of the revaluation is expected to have more effect in the next year. In the foreign exchange market, the euro depreciated throughout 2022 against the Swiss franc by 7.0 per cent, the Albanian lek by 2.8 per cent and the American dollar by 10.9 per cent.

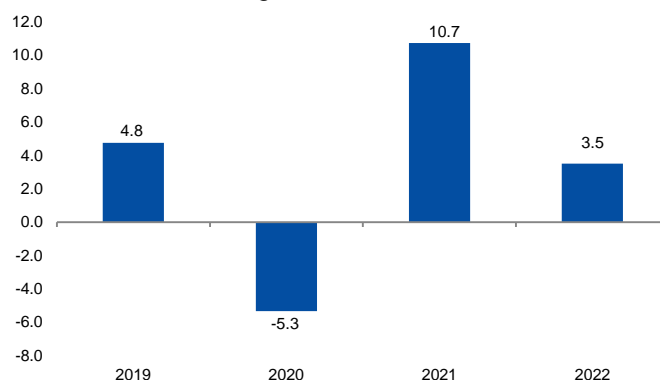
### 3. The economy of Kosovo

#### 3.1. Real sector

##### 3.1.1 Gross Domestic Product

Kosovo's economy, according to KAS's estimates, recorded a slow growth of 3.5 per cent in 2022 (chart 3). The slowdown in economic activity in 2022 was mainly attributed to the general increase in prices, which negatively affected overall demand and consequently economic activity. Domestic demand contributed positively to real GDP growth by only 1.0 percentage points (11.0 percentage points in 2021), while the contribution of net exports was positive by 2.6 percentage points (-0.3 percentage points in 2021).

Chart 3. Real GDP growth rate



Source: KAS (2023)

Consumption as the main component of domestic demand contributed by 3.2 percentage points to real GDP growth in 2022 (7.5 percentage points in 2021). The identified slowdown in consumption growth is mainly attributed to the weakening of purchasing power as a result of the general increase in prices throughout the year, as well as the slowdown in the growth of consumption financing sources, such as: remittances, consumer loans, public consumption, etc. Unlike consumption, investments contributed negatively to real GDP growth by 2.2 percentage points, mainly as a result of the decline in public capital expenditures, as well as the slowdown of economic activity in the construction sector.

As for net exports, the dynamics that have characterized the external sector of the economy, especially the trade balance of goods and services, have made net exports to have a positive contribution of 2.6 percentage points to GDP growth. The export of goods and services contributed by 5.7 percentage points, while the import of goods and services contributed negatively to the real GDP rate by 3.2 percentage points. The increase in diaspora visits to Kosovo has resulted in a real increase in the export of services by 17.9 per cent. The export of goods has also recorded a real increase of 15.5 per cent in 2022. On the other hand, as a result of the increase in prices that has influenced the slowdown in the growth of domestic demand, the import of goods has recorded a real growth slowed down by 2 per cent and this has reflected in the reduction of the goods and services deficit by 8.0 per cent in real terms.

The growth of economic activity in 2022 is mainly supported by the processing industry (8.7 per cent), financial and insurance activities (7.6 per cent), trade (7.6 per cent), transport and storage (5.6 per cent), etc. Whereas, it is estimated that the construction sector recorded a decrease of 7.9 per cent, mainly as a result of the increase in the cost of construction.

##### 3.1.2 Prices

Prices in 2022 continued to be largely dictated by external factors that determined the inflation trajectory from the second half of the previous year, which include increase in energy prices in international markets, disruptions in supply chains caused by the pandemic, and rapid growth in general demand. One of the main factors determining inflation during 2022 turns out to have been the rapid acceleration of the prices of basic goods in the international markets, especially the prices of energy and food with the outbreak of war in Ukraine, an increase which was transmitted to



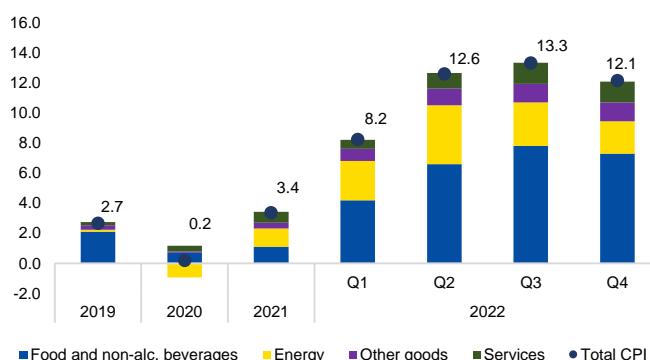
Kosovo through import channels of these goods. Also, inflation was accelerated by internal inflationary pressures driven by domestic demand that were felt most in the first quarter of the year, as well as to a greater degree from the aggravation of global inflationary pressures in various sectors of domestic production.

The annual average inflation in 2022 was 11.6 per cent, from 3.4 per cent in the previous year. Given the significant weight of food and energy goods in the consumer basket in Kosovo (46.7 per cent, including electricity), the dominant drivers of inflation acceleration in 2022 were accelerated food and energy prices on international markets that translated in increased prices of import and consequently of consumption. The inflation trajectory shows the CPI to have peaked in Q3 2022 when it recorded annual growth of 13.3 per cent, while in the last quarter of 2022 it showed an inflation slowdown to 12.1 per cent, attributed to the reduction of disruptions in supply chains and the fall of the price of energy.

The prices of food items, which made up 33.7 per cent of the consumption basket in 2022, recorded an average annual increase of 17.9 per cent, with the annual inflation rate resulting in 19.4 per cent in December 2022 against 8.9 per cent in December of the previous year. Within the food category, a significant increase was noted in the prices of oils and fats with an average annual increase of 44.3 per cent, bread and cereals (25.3 per cent), milk, cheese and eggs (21.9 per cent), meat (17.3 per cent), etc. Overall, with the exception of fruit, which saw a 5.1 per cent price decline, all food items in the consumer basket saw average annual price increases of more than 6.0 per cent.

Similarly, the prices of electricity and other fuels within the housing category recorded an annual increase of 17.2 per cent, which is a significant increase compared to the previous year when this category recorded an increase of only 0.6 per cent (chart 4). Meanwhile, transport prices recorded an average annual increase of 16.9 per cent, with the category of personal transportation equipment usage recording a high price increase of 26.3 per cent, which then translated into a 13.6 per cent increase in the price of transportation services.

Chart 4. Inflation in Kosovo, by main categories



Source: KAS (2023)

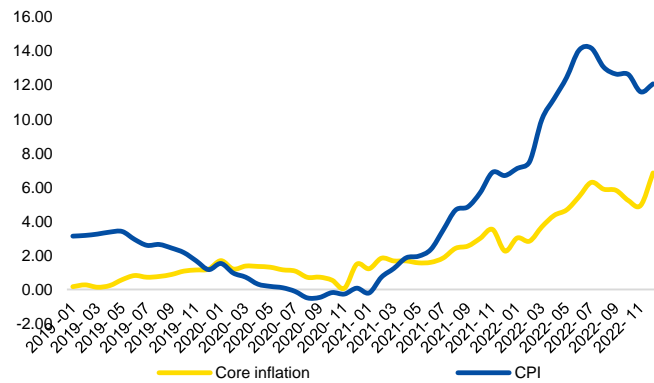
The contribution of food to the average rate of inflation was 6.2 percentage points, with the highest contribution marked by the increase in the prices of bread and cereals of 2.3 percentage points, meat of 1.6 percentage points and milk, cheese and eggs of 1.3 percentage points. As for transport, the contribution of this category to the total core inflation in 2022 was 2.7 percentage points, which was mainly generated by the subcategory of the use of equipment for personal transport, which includes the highest proportion of the fuel with a contribution of 2.1 percentage points.

The intensification of internal inflationary pressures during 2022 was reflected in the expansion of the inflation core, where 80.5 per cent of the consumption basket recorded an average annual increase of over 5.0 per cent. This development was initially driven by the continuation of the increase in domestic demand in Q1 2022 against the ongoing disruptions on the supply side, as well as by the transfer of the increased cost of domestic production from enterprises to consumers. Consequently, the year 2022 was characterized by the acceleration of the prices of other goods (excluding food and energy) and services. The contribution from the sector of other goods and services to total core inflation reached 1.1 percentage points for each category in 2022, from 0.4

and 0.7 percentage points respectively in 2021. The dynamics of the prices of services, especially non-tradable ones, give indications about the growing trend of internal inflation, where an increase in the prices of transport services (13.6 per cent), hospitality services (11.2 per cent) and personal care (about 7.0 per cent) was evident.

The strengthening of internal inflationary pressures was also confirmed by the trajectory of core inflation according to the method of permanent exclusion of categories with frequent price fluctuations (food and non-alcoholic beverages, alcoholic beverages and tobacco, electricity and other fuels) (chart 5). In 2022, the core inflation recorded an annual increase of 4.9 per cent against 2.1 per cent in 2021. The increase in the core inflation in 2022 reflects the increase in the prices of transport services that marked a contribution of 1.5 percentage points to the core inflation, furniture with a contribution of 1.2 percentage points, while restaurants and hotels of 0.9 percentage points.

Chart 5. Core and headline inflation

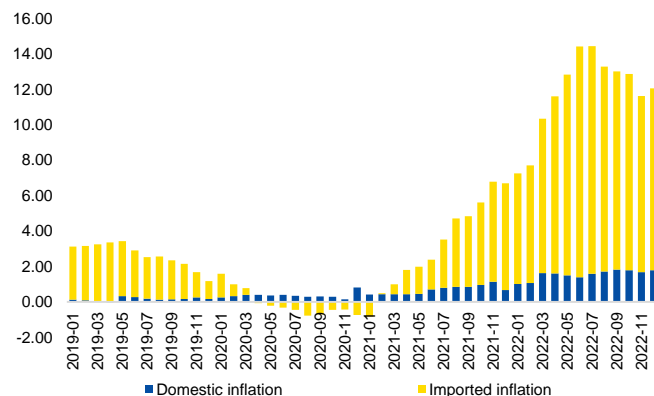


Source: KAS and CBK calculations (2023)

The dependence of Kosovo's economy on the import of food and energy goods, as well as the high rate of participation of these goods in the consumption basket, influence that the rate of inflation in Kosovo is largely determined by the prices of imported goods. In 2022, 10.1 percentage points of inflation in Kosovo was imported, while 1.5 percentage points was generated by internal inflationary pressures (chart 6). Similar to the core inflation, in annual average terms the internal inflation also shows an increasing trend throughout the year, providing signals about the intensification of the inflation generated in the country, which also mainly leans towards the inflation of services.

The large fluctuations in the prices of goods in international markets, reflected in Kosovo through the increase in the prices of imported goods, are summarized through the import price index (IPI) which reached 18.9 per cent in 2022 compared to 11.1 per cent in 2021. The prices of i) mineral products, ii) items of stone, mortar and ceramic and glass products, as well as iii) plastics, rubber and their items, which represent the largest categories within the IPI, marked an average annual increase of 51.9 per cent, 36.8 per cent, and 18.9 per cent, respectively, in 2022. On the other hand, from the second half of the year there is a slowdown in the increase in the prices of imported industrial goods, especially in the prices of basic metals and related items.

Chart 6. Domestic and imported inflation



Source: KAS and CBK calculations (2023)

Growth during 2022 was also marked by the producer price index (PPI), which reached 9.4 per cent, from 4.9 per cent in 2021. Within this index, the categories with the highest participation include i) electricity, gas, steam and air-conditioned supply, ii) non-metallic mineral products, and iii) food processing recorded average growth of 15.8 per cent, 6.9 per cent, and 13.2 percent respectively. Meanwhile, a decrease of 16.1 per cent was noted in the prices of metal ore extraction.



The construction cost index (CCI) also recorded a similar high growth, which resulted in an annual average of 20.1 per cent against 12.2 per cent in 2021. Highest proportion of the inflation in this category is attributed to the increased prices of construction materials, including electrical and hydro-sanitary ones that recorded an annual increase of 22.6 per cent. The general construction cost index showed signs of slowdown throughout the year. However, there was an increase in the prices of wages (with an annual increase of 9.1 per cent) and machinery (13.0 per cent).

Regarding the perspective of inflation in Kosovo, CBK predicts that inflation in 2023 will slow down to 4.9 per cent. Factors expected to contribute to these dynamics include further easing of constraints in supply chains, the downward trend of core inflation in the euro area, the slowdown in economic activity in the euro area and in the country, and others. However, risks related to inflation continue to be on the high side and mainly consist of the risks of new disruptions in supply chains as a result of the war in Ukraine, the potential increase in the prices of energy, base metals and other commodities from the reopening of the economy of China, shifting consumer expectations for inflation, pressure for increased wages, and more.

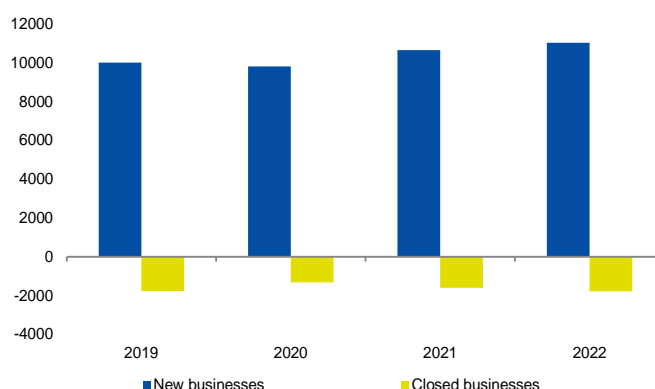
### 3.1.3 Financial position of enterprises

The trade sector together with the industry sector make up the two economic sectors with the highest share in the turnover of total enterprises, whose indices<sup>1</sup> have recorded growth during 2022. The turnover index in the retail trade sector has recorded an average increase of 9.1 per cent in 2022, while the industrial production volume index has recorded a slowed growth of 0.3 per cent.

Regarding the registration of enterprises, in 2022 more new enterprises were registered and more enterprises were closed. The number of new registered enterprises was 11,024 or 3.5 per cent more than in 2021, while 1,784 enterprises were closed or 10.9 per cent more than in 2021 (chart 7).

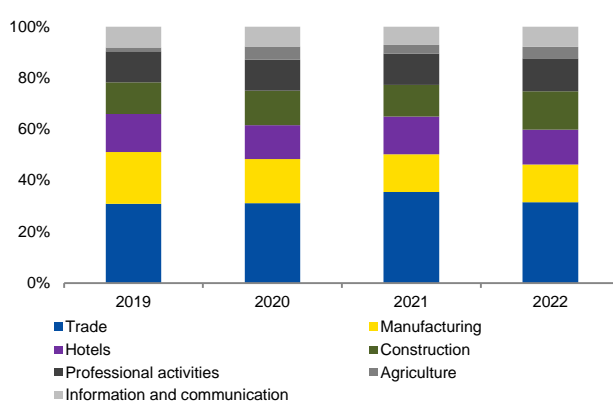
The largest number of registered enterprises continues to be concentrated in trade sector with 23.6 per cent of the total number of new registered enterprises, followed by construction with 11.2 per cent, production with 11.1 per cent, hospitality industry with 10.2 per cent and professional activities with 9.7 per cent (chart 8). Compared to 2021, 272 fewer enterprises were registered in the trade sector, 81 fewer enterprises in the hospitality sector, 18 fewer enterprises in financial activities, while the sectors that recorded the highest number of registered enterprises were the construction sector with 238

Chart 7. Business registry



Source: KAS (2023)

Chart 8. Structure of new enterprises



Source: KAS (2023)

<sup>1</sup> KAS publication: Report 'Short-Term Retail Trade Statistics, November 2022', and 'Short-Term Industry Statistics, November 2022'.

more enterprises, administrative and support activities with 141 more enterprises, agriculture with 101 more enterprises, etc.

### 3.1.4 Labour market<sup>2</sup>

The labour force participation rate in the first quarter of 2022 was 38.6 per cent, which, compared to the same period of 2021, indicates a decrease in the labour force participation rate by 0.9 percentage points. This shows that Kosovo has a low labour force participation rate which is attributed to a certain extent to the relatively young population (pupils, students), as well as to the category of discouraged workers, housewives and other persons who are not actively looking for a job.

According to the Labour Force Survey, the average employment rate<sup>3</sup> in the first quarter of 2022 was 32.2 per cent, which represents an annual increase of 2.9 percentage points. The employment rate was higher among men with 46.6 per cent, recording an annual increase of 3.8 percentage points, while the percentage of women of working age who were employed was 17.9 per cent, recording an annual increase of 2.0 percentage points.

By age group, the population aged between 35-44 years has the highest employment rate (43.8 per cent), while the 15-24 age group has the lowest employment rate (14.6 per cent). By educational level, the highest employment rate is found to be among the labour force with higher education, followed by secondary vocational education and gymnasium. Workers with vocational secondary education were mainly employed in the private sector, while workers with 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 15.5 per cent of the total number of employees, followed by the education sector with 9.5 per cent, the production sector with 8.7 per cent, the construction sector with 7.8 per cent, etc. Compared to the same period of 2021, the data show that there is a decrease in participation in the structure of employees in production, construction, trade and education.

Official labour market statistics show that the average unemployment rate<sup>4</sup> in the first quarter of 2022 was 16.6 per cent, a significantly lower level compared to the same period of 2021 (25.8 per cent). On a gender basis, the labour market in Kosovo is characterized by a higher rate of unemployment among women (18.9 per cent), with the age group of young women having the highest rate of unemployment (34.6 per cent), while the unemployment rate among men is the lowest (15.6 per cent). Education has improved prospects in the labour market in Kosovo, where the unemployment rate was the highest for uneducated people (about 40.1 per cent), while the lowest for people who had completed tertiary education (15.5 per cent).

## 3.2. Fiscal sector

Budget revenues<sup>5</sup> in 2022 reached a net value of EUR 2.48 billion, which represents an annual increase of 13.7 per cent. The increase in budget revenues was a result of the high rate of inflation, as well as the efforts undertaken to formalize the economy. Also, budget expenses<sup>6</sup> recorded double-digit growth of 10.5 per cent and reached the value of EUR 2.49 billion. Consequently, the Kosovo Budget recorded a primary budget deficit of 0.1 per cent of GDP (0.9 per cent of GDP was the primary budget deficit in 2021).

<sup>2</sup> The latest data on the labour market are for 2021.

<sup>3</sup> The employment rate represents the percentage of the working-age population that is employed.

<sup>4</sup> The unemployment rate is the percentage of the labour force that is not employed.

<sup>5</sup> Receipts from financing, as well as receipts from defined donor grants, are not included in budget revenues.

<sup>6</sup> Payments for financing, as well as payments from donor designated grants, are not included in the budget expenditures.

Within the framework of tax revenues, all categories have recorded an increase. The highest increase was recorded in direct tax revenues, which reached the value of EUR 413.8 million or 20.9 per cent more compared to 2021. Indirect tax revenues increased by 12.3 per cent and reached the value of EUR 1.87 billion. Non-tax revenues increased by 13.0 per cent and reached the value of EUR 266.8 million.

As for budget expenditures, the category that recorded the highest growth was that of current expenditures, which recorded an increase of 13.0 per cent, while capital expenditures recorded a slight decrease of 0.1 per cent. In the framework of current expenses, subsidies and transfers increased by 26.3 per cent and reached the value of EUR 1.06 billion. Government expenditures for goods and services (including municipal expenditures) increased by 9.7 per cent and reached the value of EUR 359.3 million, while government expenditures for wages decreased by 2.2 per cent and reached the value of EUR 652.6 million.

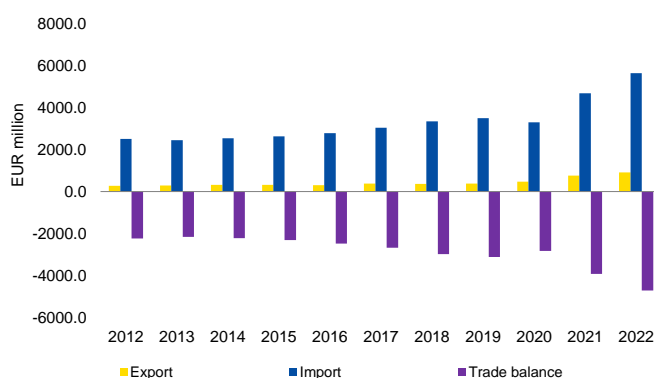
Public debt in 2022 has reached around EUR 1.8 billion, which is 4.2 per cent higher compared to 2021. Despite the increase in absolute terms, as a percentage of GDP, public debt fell to 20.7 per cent, from 21.5 per cent in 2021. The increase in public debt is attributed to the increase of 11.2 per cent in international debt (which has reached EUR 641.2 million), as well as the slight increase of 0.5 per cent in domestic debt. International public debt has reached the level of EUR 641.2 million or 36.6 per cent of the total public debt. In the pre-pandemic year 2019, the ratio of public debt to GDP was 17.6 per cent, against a four-year average of 15.1 per cent. After the outbreak of the pandemic, the public debt has grown at a higher rate, a dynamic that is mainly attributed to the increase in the needs to finance businesses and help households to overcome the health and economic crisis, while in 2022 it grew at a slower rate due to the increased liquidity of the Government.

In 2022, the amount announced in the auctions reached the value of EUR 245.0 million, which is 26.9 per cent less compared to 2021, while the amount received was EUR 223.7 million or 27.1 per cent less compared to 2021. Also, demand to invest in government treasury bills and bonds was lower by 37.7 per cent, while the average interest rate in the Securities of Government of Kosovo increased to 2.81 per cent compared to 2.07 per cent in 2021. The increase in the interest rate is related with the continuation of the increase in the participation of long-term securities. While in the past the structure of the Securities of the Government of Kosovo was dominated by treasury bills with the shortest maturity, in 2022 the main category was that of bonds with a maturity of over five years.

### 3.3. External sector

In 2022, the external sector in Kosovo was characterized by a deterioration of the current and capital account position, while in the same period, the financial account position improved. The current and capital account recorded an increase in the deficit, mainly as a result of the increase in the deficit in the goods account and the decrease in the positive balance of the primary income account. In the same period, the positive balance of the account of services and secondary income was characterized by growth.

Chart 9. Exports, imports and trade balance



Source: KAS (2023)

The goods account, as one of the categories determining the dynamics in the current account, recorded an annual increase of 20.2 per cent and closed the year with a trade deficit of EUR 4.3

billion. It turns out that the primary income account also had a negative effect on the current account balance, which decreased by 40.5 per cent and marked the value of EUR 90.1 million in 2022. At the same time, the increase in the positive balance in the services account by 32.9 per cent to EUR 1.4 billion and the positive balance of the secondary income account by 11.6 per cent to EUR 1.9 billion mitigated to some extent the negative impact of the dynamics in goods trade. However, the current account deficit reached the value of EUR 940.3 million in 2022, an annual increase of 35.4 per cent and a share of 10.5 per cent in GDP generated in the country (8.7 per cent in 2021).

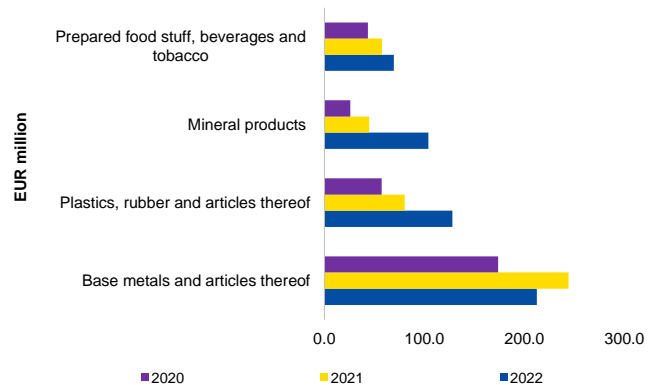
The export of goods in 2022 marked an annual increase of 21.7 per cent and reached the value of EUR 920.4 million (chart 9). This increase was mainly attributed to the increase in prices in international markets, but also to the increase in the quantity exported (only the quantity of exported goods increased by 8.3 per cent). The structure of exports according to categories remained unchanged, where the category of basic metals recorded the highest growth, followed by the category of plastics,

rubber and other relevant articles and mineral products. The main partners in 2022 for the export of goods are the EU countries with 33.9 per cent and the countries of the Western Balkans with 36.2 per cent of the total export of goods. Data from Kosovo Customs illustrated that in 2022, the structure of goods exported from Kosovo remained relatively concentrated in two more important categories: mattresses and articles thereof in the value of EUR 129.2 million (14.0 per cent of the total export), exported mainly to the American market, doors and windows in the value of EUR 65.5 million (7.0 per cent of total exports) and electricity in the amount of EUR 63.2 million (6.8 per cent), mainly for the EU market. While the structure of exported goods remained concentrated, geographically, Kosovo appears to have increased its presence in new markets: from 127 countries where it exported in 2021, Kosovo now exports to 140 countries.

The value of total imported goods reached EUR 5.6 billion (63.0 per cent of GDP), an annual increase of 20.4 per cent. The increase noted in imported goods during 2022 is mainly attributed to the upward growth that characterized import prices throughout the year, while the imported quantity and the overall weight of imported goods turns out to have decreased by 0.3 and 14.5 per cent, respectively - in line with the dynamics in the general demand in the country.

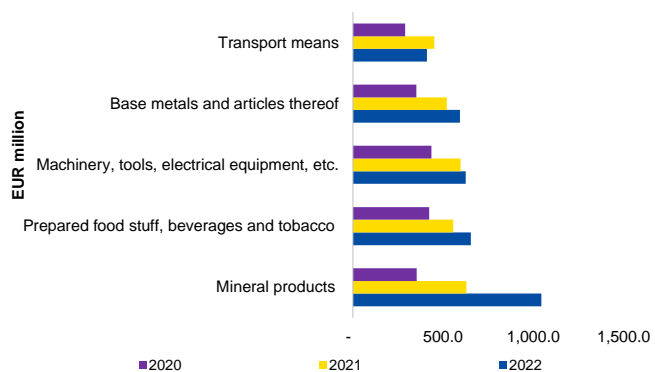
The structure of imported goods categories remained unchanged, with mineral products, foodstuffs and machinery, including household appliances dominating the share. Within the structure of imports, the share of capital goods of 9.5 per cent remains low, although in 2022 they were characterized by an annual increase of 5.8 per cent. The increase in prices in the international markets and the increase in activity noted in the sector of the processing industry and transport, also translated into an increase in the

Chart 10. Structure of exports by category



Source: CBK (2023)

Chart 11. Structure of imports by category



Source: CBK (2023)

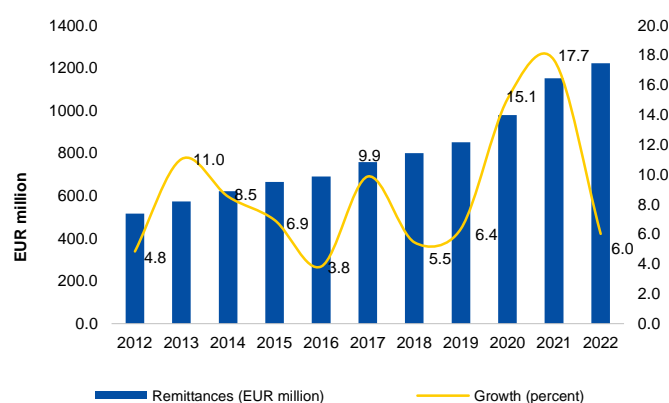
value added to GDP by these two sectors, may have influenced the increase in the value of the import of intermediate goods, category that recorded an increase of 30.7 per cent. Meanwhile, the value of the import of consumer goods during this period has increased by 15.3 per cent. Intermediate goods continue to have the highest share within the structure of total imported goods in the country (52.9 per cent), while consumer goods have a share of about 30.8 per cent. Unlike previous years, in 2022 there was a decrease in the amount of import of diesel cars by 25.0 per cent, diesel and gasoline by 6.4 and 5.2 per cent. The import of goods continues to maintain the same geographical structure. About 42.3 per cent of goods imports came from European Union countries, 25.5 percent, among which Germany continues to have the main weight with 10.8 per cent of total imports. Meanwhile, outside the European Union, Kosovo continues to import goods from Turkey (EUR 842.9 million or 14.9 per cent of total imports), followed by China (EUR 548.6 million or 9.7 per cent of total imports).

Trade in services was characterized by an increase in the positive balance in 2022, components that reached the value of EUR 1.3 billion. The main contribution to the increase in the export of services was the travel category, which was characterized by an increase of 25.8 per cent and reached EUR 1.87 billion. The dynamics in this category mainly reflect the expenses of the diaspora in Kosovo (EUR 1.02 billion during June-September), but also the increase in the number of travellers by 37.3 per cent more compared to the previous year (data from Prishtina International Airport). The category of computer services has recorded an annual increase with a value of EUR 210.1 million (EUR 98.8 million in 2021), affected by the increase in external demand for these services. On the other hand, the increase in the import of services is attributed to the increase in the component of travel and transport for 30.4 and 39.1 per cent, respectively, a dynamic mainly resulting from the increase in the prices of mineral products in the international market.

The balance of primary income recorded a decrease of 40.5 per cent, reaching the value of EUR 90.1 million (EUR 151.4 million in 2021). The decrease in primary income was mainly influenced by the balance of direct investments, as a result of the dividend return in the amount of EUR 218.0 million (EUR 107.3 million in 2021). Meanwhile, the balance of income from workers' compensation has increased by 8.7 per cent, influenced by the increase in income from resident workers abroad.

Within the secondary income in the balance of payments, the value of remittances received in 2022 has reached EUR 1.22 billion, an increase of 6.0 per cent compared to the previous year (13.7 per cent of GDP). The slower growth of remittances received in the country, compared to previous years, may be a consequence of the weakening of the financial position of the Kosovar diaspora, especially in EU countries, as a result of worsening macroeconomic dynamics with the increase in general prices throughout 2022. The structure by country remains unchanged: Germany (40.4 per cent of remittances sent), Switzerland (19.3 per cent) and the USA (8.4 per cent). Immigrants' remittances through formal channels (banks and other institutions) have recorded an increase in the value of EUR 66.2 million, while there was a slight decrease in remittances in informal channels. Considering that most of the remittances are from the euro area countries (60.2 per cent), the uncertainties that accompany the expectations about the general macroeconomic dynamics in 2023 may translate into a reduction of this important source of financing for the country's economy.

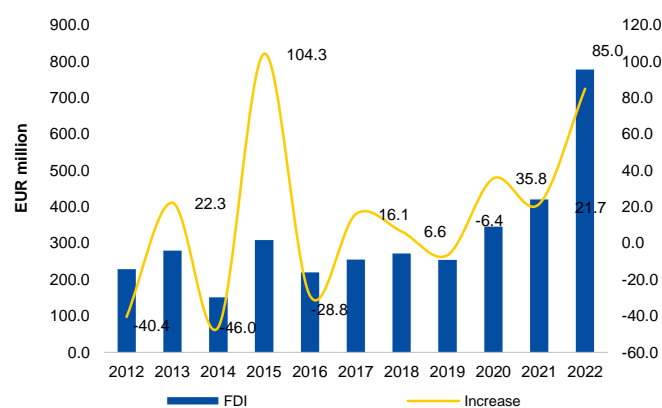
Chart 12. Remittances



Source: CBK (2023)

In the framework of the financial account, foreign direct investments show an annual increase of 85.0 per cent and have reached the value of EUR 778.2 million. The increase of FDIs in Kosovo in 2022 has been recorded mainly in the real estate sectors, mining, including quarries and construction, being at the same time the sectors that have the highest share in the general portfolio of these investments. The real estate sector covers 67.3 per cent of total FDIs or EUR 523.7 million and in 2022 it recorded an annual increase of 36.4 per cent. Despite the decline in activity in the construction sector (an average of 7.6 per cent in 2022), the increase in basic inputs and other accompanying costs in this sector may have influenced the increase of FDIs in the construction sector by 70.0 per cent. While, the increase of FDIs in the real estate sector is estimated to have been mainly influenced by the increase in prices in this sector (35.0 per cent increase in general prices per square meter based on the association of builders). The FDIs of residents from Kosovo in other countries has recorded a high growth of 75.0 per cent in 2022, reaching the value of EUR 175.6 million (EUR 100.3 million in 2021), investments destined to the countries of the region and mainly oriented to real estate sector.

Chart 13. Foreign direct investments



Source: CBK (2023)

### 3.4. Financial sector

#### 3.4.1 General characteristics

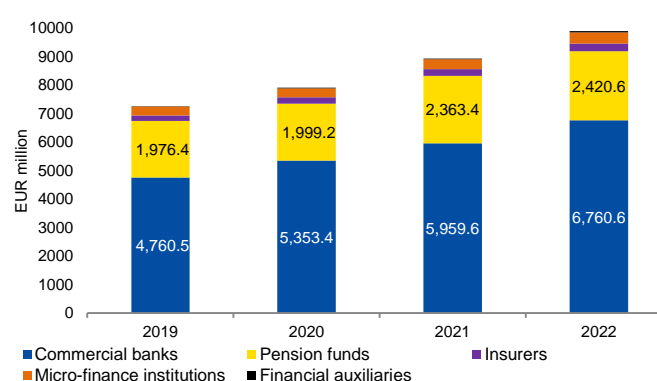
The financial system marked a significant increase in activity during 2022, despite high inflation, concerns about the economic slowdown, as well as fluctuations in commodity prices in international markets. However, the growth was slower than the previous year, as a result of the marked slowdown in the growth of pension sector assets.

The total value of the assets of the financial system reached EUR 9.89 billion in December 2022, which coincides with an annual increase of 10.7 percent, namely 2.0 percentage points lower compared to the previous year (chart 14). The banking sector continues to have the main contribution in the expansion of the activity of the financial system in the country.

The number of financial institutions increased during 2022 to 131 from 127 a year ago. During this period, a new bank

with domestic capital began operating, increasing the total number of banks to 12. The number of financial auxiliaries (exchanges) - with a marginal share in the assets of the financial system of 0.4 percent - increased to 59 from 53 in the previous year. Meanwhile, the number of insurance intermediaries decreased to 16 from 19 a year ago (table 3).

Chart 14. Assets value of Kosovo's financial system



Source: CBK (2023)



**Table 3. Number of financial institutions**

Description	2017	2018	2019	2020	2021	2022
Commercial banks	10	10	10	11	11	12
Insurers	15	14	13	13	12	12
Pension funds	2	2	2	2	2	2
Financial auxiliaries	43	50	50	57	53	59
Insurance intermediaries	16	16	18	18	19	16
Microfinance institutions and non-bank financial institutions	25	29	29	29	30	30

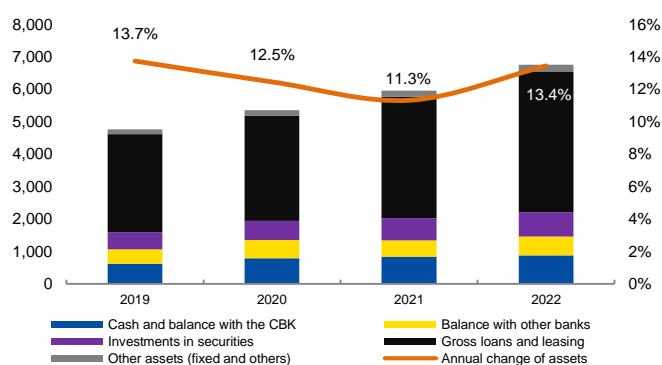
Source: CBK (2023)

### 3.4.2 Banking Sector

#### Assets

The assets of the banking sector in 2022 reached the value of EUR 6.76 billion (chart 14), which coincides with accelerated annual growth of 13.4 percent compared to the 11.3 percent growth in the previous year. The main contribution to the growth was the expansion of credit as the main activity of the sector, which recorded the highest annual growth in the last eleven years (table 4). The balance with other banks was the second consecutive component in terms of contribution to the acceleration of asset growth, while other items slowed down the growth rate.

**Chart 15. Main items of the banking sector assets, EUR million**



Source: CBK (2023)

Accordingly, the investment in securities recorded a slowed annual growth of 9.8 percent compared to the growth of 17.2 percent in the previous year. Cash and balance with the CBK also saw a slowdown in annual growth to 4.5 percent from 6.2 percent in the previous year (chart 15).

The degree of concentration in the banking sector has continued to decrease during this year, reflecting the pressures of increasing competition within the banking sector, also recorded through the Bank Lending Survey. Specifically, the assets of the three largest banks have reduced their weight to 51.9 percent of the sector's assets from 52.6 percent in the previous year. Also, the Herfindal-Hirschman index for banking sector assets dropped to 1,392 from 1,416 last year.

**Table 4. Structure of banking sector assets**

Description	2019		2020		2021		2022	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Cash and balance with the CBK	622.5	13.1%	790.6	14.8%	839.9	14.1%	877.4	13.0%
Balance with commercial banks	440.6	9.3%	562.2	10.5%	496.1	8.3%	575.2	8.5%
Securities	526.5	11.1%	584.3	10.9%	685.0	11.5%	752.1	11.1%
Gross loans	3,031.9	63.7%	3,246.6	60.6%	3,748.6	62.9%	4,348.5	64.3%
Fixed assets	98.9	2.1%	116.4	2.2%	127.4	2.1%	136.1	2.0%
Other assets	40.1	0.8%	53.2	1.0%	62.7	1.1%	71.4	1.1%
<b>Total</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>	<b>6,760.6</b>	<b>100.0%</b>

Source: CBK (2023)

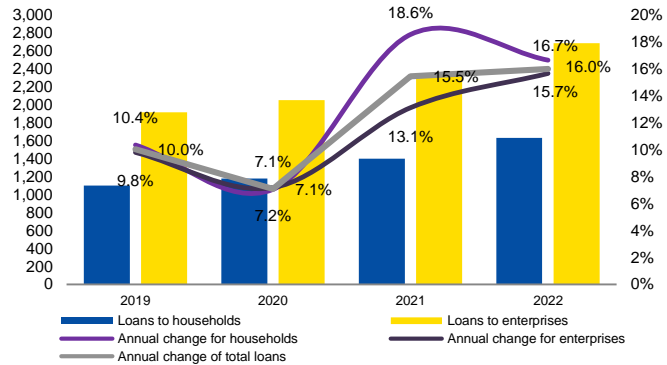
The addition of a new bank with local capital, as well as the increase in the market share of one local bank, resulted in the slight increase of the rate of domestically owned assets to 15.1 percent from 14.5 percent.

### Loans

Credit portfolio of the banking sector expanded by 16.0 percent in 2022, reaching the value of EUR 4.35 billion. The annual growth of the loan stock represents the highest growth in the last 11 years. The first half of the year was characterized by more pronounced growth, while the second half of the year saw a slowdown in the upward trend. New loans, after the upward growth in 2021, marked a slowdown in the upward trend returning to the growth levels of the pre-pandemic years. While the growth in new loans was high in the first quarter of the year, in the following part of the year, after the outbreak of the war in Ukraine and the increase in inflationary pressures, they were characterized by annual decline. According to the Bank Lending Survey, credit growth during 2022 is mainly driven by demand, while supply, namely, credit standards have tightened especially in the second half of the year or have not changed at all. Factors with a positive contribution to the growth of lending activity were the good liquidity position of the sector, the increase in competition between banks, as well as the support from the Kosovo Credit Guarantee Fund. While the factors with negative contribution were the increased risks related to the economic outlook and global markets, and their reflection in the deterioration of the credit portfolio.

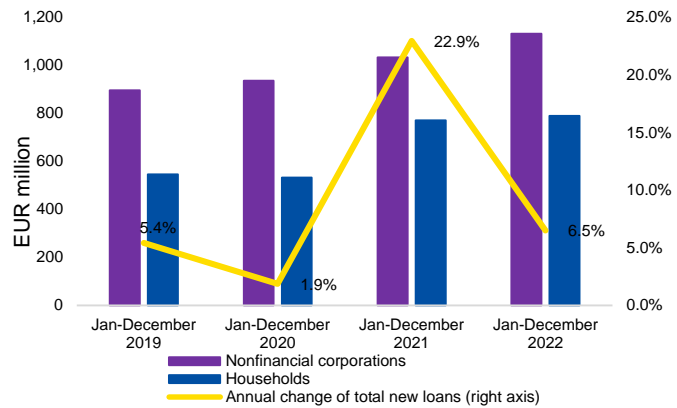
Loans to enterprises recorded an annual increase of 15.7 percent (chart 16). All economic sectors recorded accelerated annual credit growth, with the exception of the financial services sector, real estate, rents, etc. This sector recorded a slowdown in annual growth, despite the upward growth of 33.9 percent (46.2 percent in the previous year). The trade sector, with a share of 42.7 percent in total loans according to economic sectors (chart 18), recorded an increase of 11.8 percent. The second sector with the highest share, the production sector, recorded a high annual growth of 29.4 percent and was the sector with the largest contribution to the increase in total lending according to economic sectors. Construction was characterized by annual growth of 25.8 percent, which coincides with almost three times the growth compared to the previous year. While, the agriculture sector, which was characterized by

Chart 16. Loans to enterprises and to households



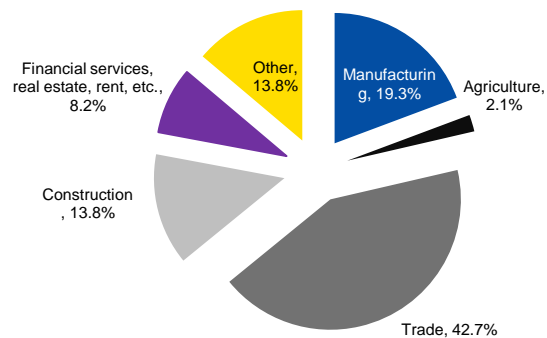
Source: CBK (2023)

Chart 17. New loans, annual change



Source: CBK (2023)

Chart 18. Loans share by economic sectors



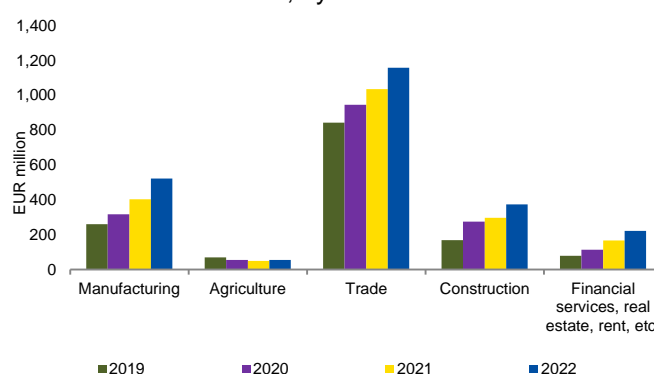
Source: CBK (2023)



an annual decrease in lending of 6.8 percent in 2021, in 2022 recorded an increase of 9.9 percent (chart 19).

New loans to enterprises increased by 9.6 percent. Unlike the previous year where new industrial loans decreased, this year this subcategory increased by 17.1 percent. New loans to agriculture recorded the highest growth, of 34 percent. While the new loans to the service sector, which have the largest share, recorded an annual decrease of 1.0 percent.

Chart 19. Loans stock, by economic sectors



Source: CBK (2023)

Lending to small and medium enterprises continued to be supported by the Kosovo Credit Guarantee Fund in 2022, but at a lower rate compared to the previous year due to the closing of the Economic Recovery window (package offered by the Government of Kosovo within the measures to support businesses to overcome the challenges created by the pandemic situation) at the end of 2021. The cumulative number of bank loans for SMEs, guaranteed by KCGF since the beginning of operation, reached 12,084 at the end of 2022 (10,064 at the end of 2021), while the cumulative amount of guaranteed loans reached EUR 506.3 million (EUR 408.7 million at the end of 2021). The structure of guaranteed loans is a representation of the general structure of loans in the banking sector.

Loans to households recorded a slight slowdown in annual growth to 16.7 percent from 18.6 percent in December 2021 (chart 16). The slowdown in the growth of lending to households is attributed to the dynamics of new loans in this sector, which during this period recorded a marked slowdown in annual growth to 2.4 percent from 45.0 percent in 2021. New consumer loans recorded an annual decrease of 6.3 percent (40.3 percent growth in 2021), while mortgage loans growth slowed to 13.5 percent from 56.5 percent growth a year ago.

## Liabilities and own sources

The structure of the liabilities of the banking sector is dominated by deposits, which in December 2022 constituted 82.1 percent of the total liabilities and own funds (table 5).

Table 5. Structure of banking sector liabilities

Description	2019		2020		2021		2022	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Balance with other banks	67.0	1.4%	90.4	1.7%	113.2	1.9%	199.9	3.0%
Deposits	3,908.1	82.1%	4,360.7	81.5%	4,901.8	82.2%	5,553.3	82.1%
Other borrowings	42.1	0.9%	43.1	0.8%	39.1	0.7%	31.6	0.5%
Other liabilities	179.8	3.8%	202.2	3.8%	220.1	3.7%	252.0	3.7%
Subordinated debt	43.4	0.9%	46.9	0.9%	42.3	0.7%	23.0	0.3%
Own resources	520.1	10.9%	610.2	11.4%	643.1	10.8%	701.3	10.4%
<b>Total liabilities and own resources</b>	<b>4,760.5</b>	<b>100%</b>	<b>5,353.4</b>	<b>100%</b>	<b>5,959.6</b>	<b>100.0%</b>	<b>6,760.6</b>	<b>100.0%</b>

Source: CBK (2023)

Own funds of the banking sector constitute the next component with the highest share. In 2022, their share decreased by 0.4 percentage points to 10.4 percent, despite accelerated annual growth of 9.1 percent (5.4 percent in 2021). This is as a result of the higher growth of other components in the liability structure, with the exception of subordinated debt and other loans, which recorded an annual decrease.

## Deposits

Deposits in Kosovo's banking sector recorded accelerated annual growth, 13.3 percent compared to growth of 12.4 percent in December 2021. Household deposits, the category that dominates the structure of total deposits in the banking sector, slowed their growth to 8.2 percent from 14.6 percent a year ago (chart 20).

Enterprise deposits<sup>7</sup>, second in terms of the share in the structure of deposits, recorded similar annual growth, namely a slight slowdown in the growth rate to 18.9 percent from 19.3 percent in 2021.

Deposits of financial corporations, public corporations, as well as deposits from non-residents, which determined the accelerated upward trend of total deposits, marked a significant annual growth.

As for the structure of deposits according to maturity, the increase in interest rates affected the increase in the share of time deposits by 4.8 percentage points to 23.9 percent in December 2022, while transferable deposits reduced the share by 3.2 percentage points to 64.8 percent of total deposits.

## Interest rates

Inflationary pressures that started at the end of 2021, initially driven by the consequences of the pandemic and then the geopolitical crisis throughout the year 2022, have also created pressure on policymakers against the tightening of monetary policies. While the US Federal Reserve decided in March 2022 to increase the basic interest rates by 0.25 basis points (continuing several times throughout the year), the European Central Bank acted later and in July decided to increase the base interest rate by 0.50 basis points.

The application of tight monetary policies to fight inflation have created an environment with increased interest rates, a situation that has also been conveyed in the country's financial system. The transmission of changes in basic interest rates has been reflected in all segments of the banking and financial market, but at different levels.

Chart 20. Structure of deposits, in percent

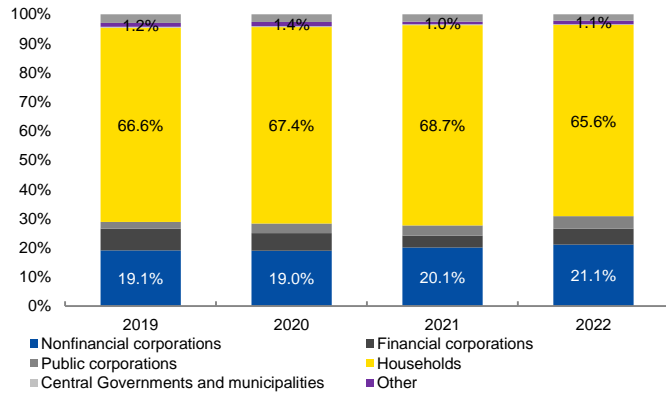
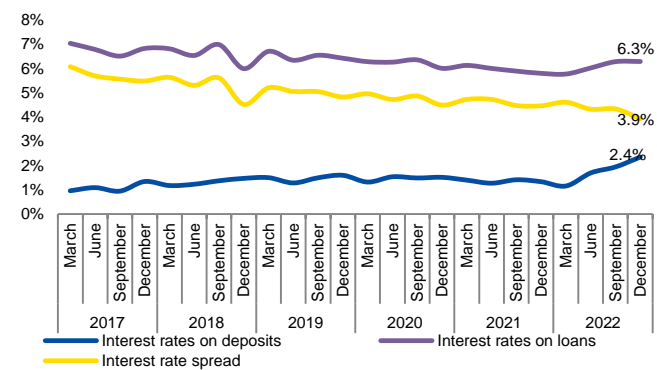
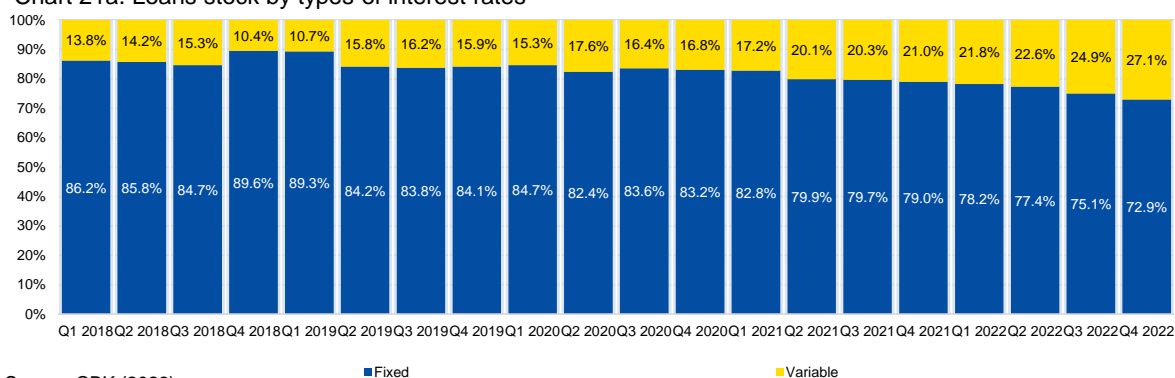


Chart 21. Average interest rate on loans and deposits



<sup>7</sup> Private nonfinancial enterprises.

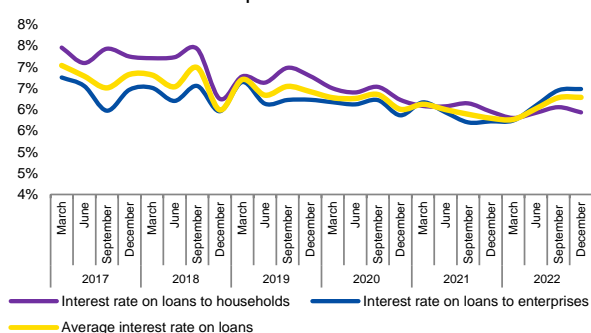
Chart 21a. Loans stock by types of interest rates



Source: CBK (2023)

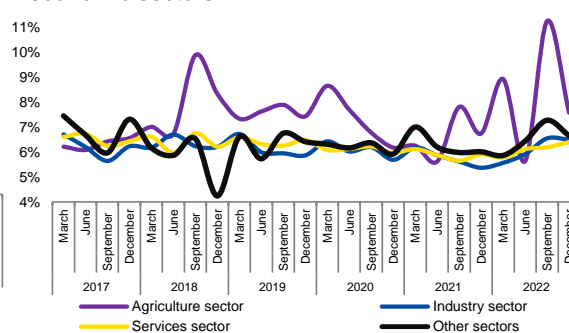
In the banking market, the interest rates on new deposits have been affected at a higher level than the interest rates on new loans. The loan-to-deposit interest margin narrowed to 3.9 percentage points from 4.5 percentage points. In December 2022, the interest rate on loans reached 6.3 percent from 5.8 percent a year earlier, and 6.0 percent from June 2022, when inflation was intensified and discussions on monetary policy intervention in the euro area began.

Chart 22. Average interest rate on loans to households and enterprises



Source: CBK (2023)

Chart 23. Average interest rate on loans, by economic sectors



Source: CBK (2023)

Moreover, the highest increase in interest rates on loans came mainly from banks that have parent banks in the euro area countries, but to some extent also from banks that have just entered the market. The average interest rate on deposits rose to 2.4 percent from 1.3 percent a year ago and all banks applied an increase in interest rates on deposits (chart 21). Likewise, the interbank repurchase rate (repo rate) determined by the CBK in the market where credit lines are issued between banks based on Government securities as collateral, has followed the monetary policy decisions of the ECB, thus being in line with the level of the basic rates set in the euro area.

These developments, in addition to pushing banks to increase interest rates, at the same time also influenced the change in the structure of loans according to the type of interest rates. While last year and in 2020, loans with variable interest rates, which are mainly determined by the movements of the Euribor rate for the additional margin, constituted on average 19.6 percent of the credit portfolio and 16.5 percent respectively, this composition has risen to 24.1 percent this year. Also, some banks that have only applied fixed rates, this year started applying variable rates (chart 21a).

### Interest rates on loans

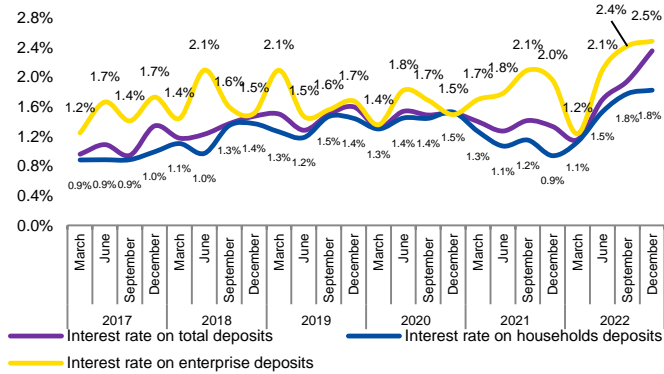
The average interest rate on loans to enterprises rose to 6.5 percent from 5.7 percent in December 2021 (chart 22). Within this category, the interest rate on investment and non-investment loans also increased to 6.5 percent from last year, which were 5.7 percent and 5.8 percent, respectively.

According to the economic sectors, loans to the industry sector recorded the most significant increase of 1.13 percentage points, while interest rates on loans to the services and agriculture sectors recorded an increase of 0.5 percentage points and 0.83 percentage points, respectively (chart 23).

The average interest rate on loans to households remains almost at the same level as the previous year of 5.9 percent.

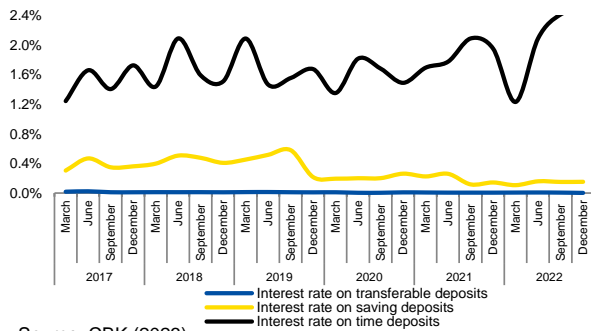
The average interest rate on deposits increased more in household deposits by 0.9 percentage points in relation to the average interest rate in enterprise deposits which increased by 0.5 percentage points (charts 24, 25 and 26).

Chart 24. Average interest rate on deposits



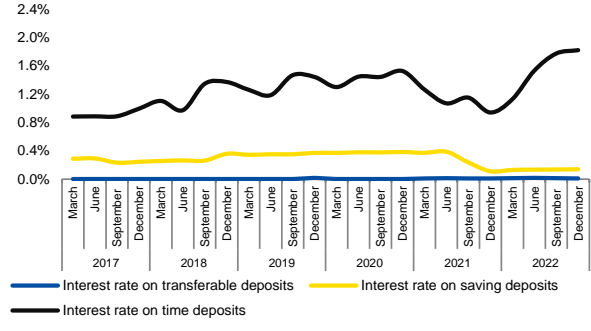
Source: CBK (2023)

Chart 25. Average interest rate on enterprise deposits, by categories



Source: CBK (2023)

Chart 26. Average interest rate on household deposits, by categories



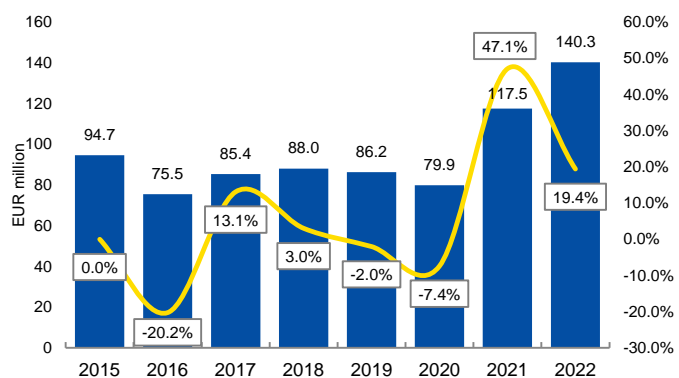
Source: CBK (2023)

### Performance of the banking sector

The banking sector, despite the challenges from the two biggest global crises, closed the year 2022 with an increased positive financial result. The net profit generated in 2022 was EUR 140.3 million or 19.4 percent higher than in the previous year, although the growth seems lower than in the previous year which was the post-pandemic year with very pronounced growth (chart 27).

The financial result was made possible by the higher growth of revenues alongside the growth of expenses. The revenues of the banking sector reached the value of EUR 370.4 million and were characterized by an annual growth of 15.0 percent (chart 28).

Chart 27. Net profit of the banking sector, EUR million



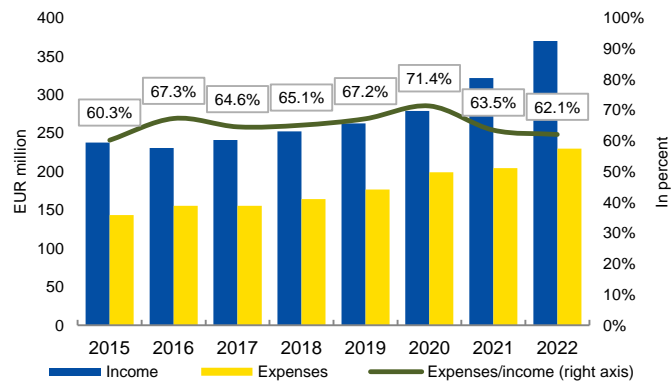
Source: CBK (2023)

The main contributor to the increase in income was the interest income, representing 71.1 percent of total income. In the context of interest income, collections of interest on loans contributed mainly to this increase, a category influenced by the significant increase in lending. Moreover, this year, interest income from placements in other banks and from investments in securities have increased

significantly compared to the decrease in the previous year. The increase in interest (non-loan) income has been influenced by the increase in interest rates on deposits held abroad; influenced by the ECB's policies for increasing basic interest rates.

The expenses of the banking sector reached the value of EUR 230.0 million and were characterized by an annual increase of 12.4 percent, which represents a higher increase than in the previous year (annual increase of 2.6 percent in December 2021) (chart 28). The higher increase in expenses was influenced by the increase in general and administrative expenses, as well as, but to a lesser extent, the increase in expenses for fees and commissions and expenses for provisions set aside for possible losses from loans.

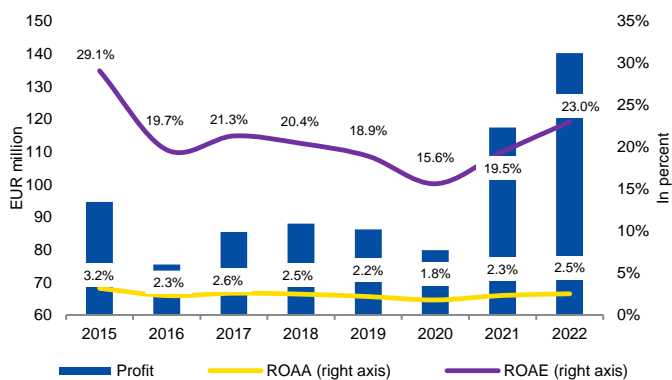
Chart 28. Income and expenses of the banking sector



Source: CBK (2023)

The higher growth of revenues compared to the growth of expenses influenced the ratio of expenses to revenues of the sector to be lower compared to the same period of the previous year (chart 28). Profitability indicators also showed growth and return on capital had relatively higher growth. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) reached 2.5 percent and 23.0 percent from 2.3 percent and 19.5 percent, respectively (chart 29).

Chart 29. Profitability indicators of the banking sector

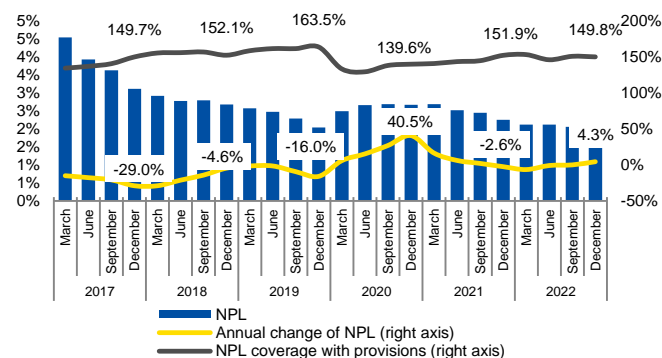


Source: CBK (2023)

**Financial health indicators**

The main dynamic that characterized the general economic activity throughout the year 2022, the high rate of inflation, is considered to have been translated into the potential reduction of available income in the economy, potentially jeopardizing the repayment capacity of borrowers and consequently the potential increase in credit risk. Although the data in the first nine months of the year do not indicate the materialization of the risk in the sector's activity and performance, in the fourth quarter, the value of non-

Chart 30. Indicators of credit portfolio quality and NPL growth rate



Source: CBK (2023)

performing loans increased compared to the last two years, which was on a downward trend. The banks' prudent approach and vigilant monitoring of customer performance, as well as the increased economic activity at the beginning of the year, and the increase in remittances, may have influenced positive payment performance throughout these nine months. While in the fourth quarter, the annual increase in the value of non-performing loans of 4.3 percent and the quarterly

increase of 1.2 percent, was in line with expectations that suggested an increase to a certain extent in non-performing loans as a result of macroeconomic developments, such as the weakening of economic activity and rising inflation. In addition, the increase in energy prices has affected more those sectors that have a higher level of utilization of electricity (such as construction, manufacturing, trade), potentially affecting the repayment ability of borrowing businesses of these sectors. However, due to the high growth of lending, the ratio of non-performing loans to total loans in December 2022 decreased to 2.0 percent, 0.3 percentage points lower than in the previous year. At the same time, the coverage ratio of non-performing loans with provisions decreased to the level of 149.8 percent from 151.9 percent a year ago, due to the higher increase in the value of non-performing loans compared to the increase in provisions (chart 30).

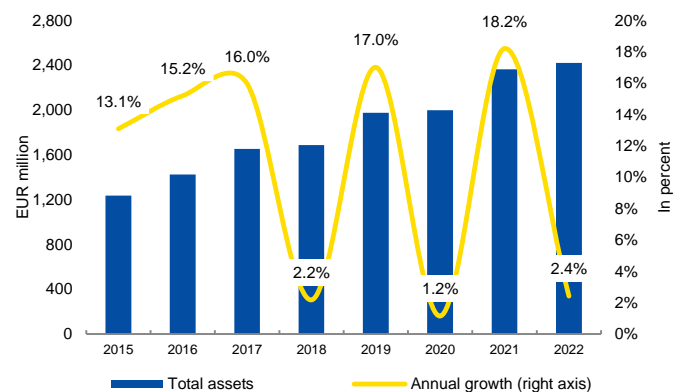
The banking sector continues to have a high level and quality of capital. Risk-weighted assets recorded a more pronounced increase, as a result of the accelerated growth of lending, compared to the slower growth of capital, a dynamic that was reflected in the decrease of the Capital Adequacy Ratio (CAR) to 15.5 percent from 16.4 percent in the previous year, although this indicator remains above the required regulatory minimum of 12 percent. The liquidity position of the banking sector remains at a high level. The ratio of liquid assets to current liabilities was 36.5 percent from 37.2 percent a year ago, but that remains well above the required regulatory minimum of 25.0 percent. The decrease in the level of liquidity compared to a year ago is the result of the increase in short-term liabilities of 9.2 percent, influenced by the increase in deposits mainly during the end of the year, in addition to the increase in liquid assets of 7.0 percent. While, the slower growth of liquid assets (7.0 percent from 5.9 percent a year ago), was the result of the increase in the level of credit in the local economy.

### 3.4.3 Pension sector

The pension sector in 2022 was characterized by a more pronounced slowdown in the growth of assets and a decrease in the value of investments compared to the previous year, as a result of unfavourable macroeconomic developments that have simultaneously affected the turbulence recorded in the financial markets. The value of the assets of the funds, which is dominated by the Pension Savings Fund with a share of 99.6 percent, reached EUR 2.42 billion at the end of 2022, which coincides with a decelerated annual growth of 2.4

percent (18.2 percent a year ago) (chart 31). The slower growth was the result of the decrease in the value of returns from investments, while the growth of collections from contributors was higher than in the previous year. The efforts of central banks to control inflation through the tightening of monetary policies sent signals inversely correlated with stock and bond prices and, as a result, negatively affected investment returns starting from the first quarter of the year, which was further emphasized in the second quarter. Although in the first three quarters of the year the returns were negative, in the fourth quarter of the year both pension funds managed to realize positive returns. The cumulative gross return from investments throughout 2022 suffered a decrease in value, descending into the negative territory of EUR 119.7 million, compared to positive returns of a total of EUR 228.4 million a year ago. While only in the fourth quarter of the year, the value of returns returned to the positive territory of EUR 51.72 million.

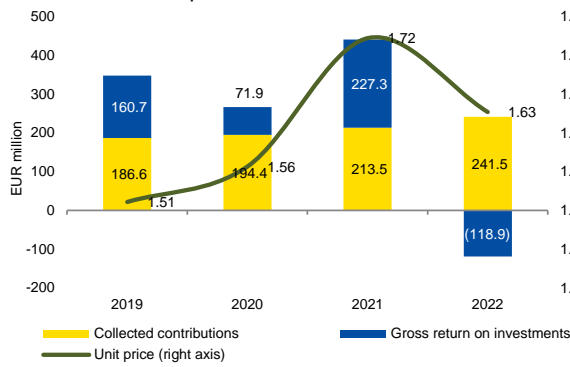
Chart 31. Assets of pension sector, EUR million



Source: CBK (2023)

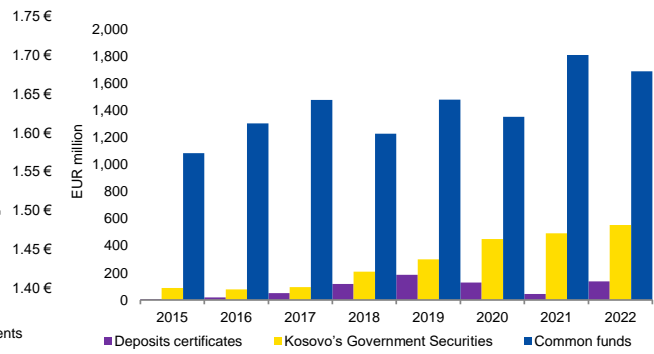


Chart 31a. KPST performance



Source: KPSF (2023)

Chart 32. KPST investments



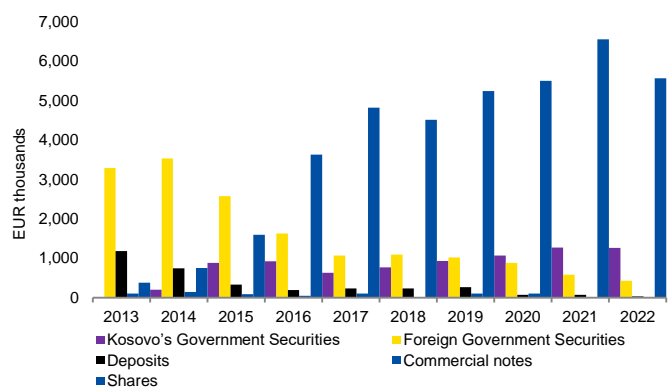
Source: KPST (2023)

KPST made a gross return from investments in a negative value of EUR 118.9 million, with a unit price of EUR 1.63 from EUR 1.72 as of the last day of December 2021 (chart 31A). During 2022, KPST achieved a gross return on investments in a negative value of EUR 788.6 thousand, while the unit price increased to EUR 1.81 from EUR 2.03 at the end of December 2021.

The value of new contributions collected during 2022 increased by 13.1 percent and reached EUR 242.1 million (EUR 214.0 million in 2021). The value of KPST's collections reached EUR 241.5 million, while that of SKPF reached EUR 608.4 thousand.

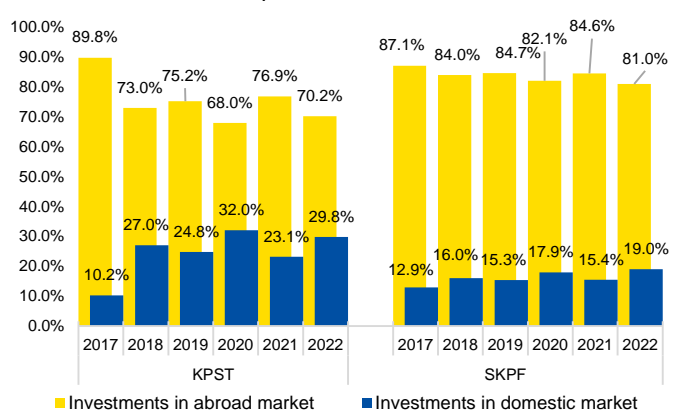
Both pension funds were characterized by the shrinking of the investment portfolio in the external market alongside the increase in investments in the internal one, being affected by the negative fluctuations that have affected the financial markets. KPST's investments in the domestic market recorded an annual increase of 32.1 percent, reaching the value of EUR 719.5 million, significantly influenced by investments in certificates of deposit and that mainly in the last quarter, which may have been stimulated by the increasing rates of interest on deposits. Meanwhile, investments in the foreign market suffered a decrease of 6.5 percent in the value of 1.69 billion from EUR 1.81 billion, which are mainly investment funds (charts 32 & 34). In 2022, KPST's investments in the Government of Kosovo Securities instrument recorded an annual increase of 12.7 percent, continuing to have the main participating role in the Government Securities portfolio. The pension sector at the end of 2022 represented 49.0 percent of the total portfolio of domestic government debt in the form of securities. Similar to KPST, the funds invested by SKPF recorded an annual increase of 11.7 percent in the domestic market - held in the form of cash and a decrease of 13.3 percent in the external market, mainly in the form of shares (chart 33 & 34).

Chart 33. SKPF investments



Source: SKPF (2023)

Chart 34. Structure of pension funds investments



Source: KPST, SKPF (2023)

The pension sector at the end of 2022 represented 49.0 percent of the total portfolio of domestic government debt in the form of securities. Similar to KPST, the funds invested by SKPF recorded an annual increase of 11.7 percent in the domestic market - held in the form of cash and a decrease of 13.3 percent in the external market, mainly in the form of shares (chart 33 & 34).

### 3.4.4 Insurance sector

For the fourth year in a row, the insurance sector recorded double-digit annual growth in assets. Despite the expansion of the sector, the level of intermediation and density has expanded at a slower pace in these four years. Expressed through gross written premiums in relation to GDP, the intermediation of the sector continues to remain at a relatively low level compared to the average in Europe, at 1.50 percent (1.48 percent in 2021). Similarly, the level of density remains low, measured through written premiums per capita, which in 2022 marked the value of 73.9 euros (64.8 euros in 2021).<sup>8</sup>

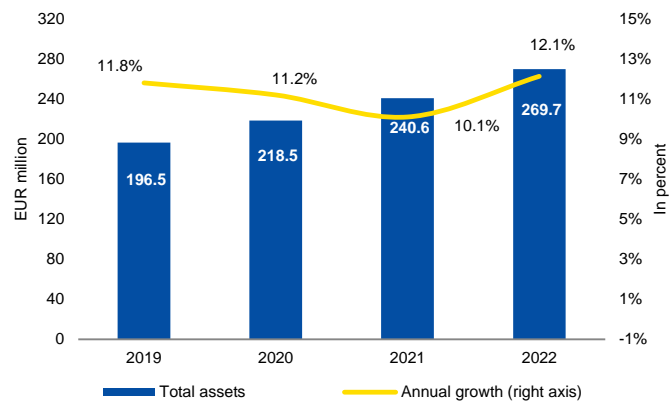
The insurance market in Kosovo is characterized by a lower degree of concentration compared to that in other constituent sectors of the financial system. However, in the last three years we have had a slight increase in concentration, especially in assets, as a result of the liquidation of two insurers (one in 2019 and another in 2021). Compared to the previous year, the Herfindahl Index<sup>9</sup> for gross written premiums (GWP) remained unchanged at 981 points. The same index calculated

based on insurance market assets shows lower values, but compared to the previous year, it turns out to have increased by 15 basis points to 928 points for 2022. At the same time, the index CR5<sup>10</sup> for 2022, calculated in relation to GWP for the insurance sector, results in 58.2 percent (56.6 percent in 2021), while calculated in relation to assets, results in 53.5 percent (53.3 percent in 2021). So, the slight increase in concentration both in relation to assets and gross written premiums reflects the decrease in the number of insurers in recent years, while the concentration is higher in the market of insurers that offer 'life' insurance services due to of their low number.

The assets of the insurance sector represented 2.7 percent of the total assets of the financial system by the end of 2022. The value of the total assets reached 269.7 million euros, which represents an annual increase of 12.1 percent (chart 35). In the context of assets, the most significant growth was marked by the category of deposits held in commercial banks, which are mainly in the form of term deposits - which derive from the sale of premiums.

In 2022, the second category in terms of weight also saw an increase, that of the Securities of the Government of Kosovo, although more slowly compared to the previous year as a result of the lower level of debt issued by the Government of Kosovo. Likewise, the competition to buy Kosovo's state debt from the banking and pension sectors has influenced the slower growth of this category within the assets of the insurance sector. Other balance sheet items recorded growth, with the exception

Chart 35. Assets of insurance sector



Source: CBK (2023)

<sup>8</sup> According to statistics published in the Insurance Europe database, the level of density in 2020 in 32 European countries was 3,679 Euros (written premiums per capita), while the level of penetration (intermediation) in the market during this period stood at 6.80 percent.

<sup>9</sup> The Herfindahl index is calculated by the following formula:  $HI = \frac{1}{n} \sum_{i=1}^n (s_i)^2$ , where S represents the company's participation in the total assets (gross written premiums) of the insurance market, n is the total number of institutions in the relevant sector. If the index lies between the intervals of 1,000 - 1,800 units, the level of concentration in the insurance sector is considered acceptable.

<sup>10</sup> The CR5 index combines the market participation of the 5 insurers with the highest asset values in relation to the total assets of the sector and GWP to the total GWP of the sector.



of property investments, which is one of the two categories with the lowest weight within assets (table 6).

**Table 6. Assets of the insurance sector (in millions of euros)**

Description	2021	2022	Annual change	Share 2021	Share 2022
Cash and deposits at the CBK	4.9	4.9	0.1%	2.1%	1.8%
Deposits at commercial banks	110.1	126.2	14.6%	45.8%	46.8%
Securities	42.9	45.6	6.3%	17.8%	16.9%
Borrowings and receivables	20.0	20.2	1.1%	8.3%	7.5%
Part of insurers for technical reserves	22.6	28.9	27.6%	9.4%	10.7%
Investments in properties	7.2	7.1	-2.0%	3.0%	2.6%
Other assets	32.7	36.8	12.3%	13.6%	13.6%
<b>Total market</b>	<b>240.6</b>	<b>269.7</b>	<b>12.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2023)

"Non-life" insurance recorded an annual increase of 12.4 percent and represented 91.6 percent of the total assets of the sector at the end of 2022. While "life" insurance, which constitute the rest of the assets, recorded an annual increase of 9.1 percent.

Regarding the liabilities of the sector, technical and mathematical provisions constitute the largest part with a total of 64.0 percent, followed by equity with 25.2 percent and other balance items with lower weight (table 7). The value of the capital has recorded slower growth compared to the previous year as a result of the lower profit realized in 2022, but the profitable operation for the third year in a row has influenced further decrease of the losses carried over from the past years. As a result, the value of losses accumulated over the years by the sector was reduced by 5.4 million euros, to 36.9 million euros at the end of 2022.

**Table 7. Liabilities and capital of the insurance sector (in millions of euros)**

Description	2021	2022	Annual change	Share 2021	Share 2022
Technical reserves	153.0	172.5	12.7%	63.6%	64.0%
Loans and liabilities from independent securities	0.1	0.0	-29.6%	0.0%	0.0%
Other payable accounts	18.4	23.8	28.8%	7.7%	8.8%
Other liabilities	5.6	5.5	-1.0%	2.3%	2.0%
Total shareholders capital	63.4	67.9	7.0%	26.4%	25.2%
<b>Total market</b>	<b>240.6</b>	<b>269.7</b>	<b>12.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2023)

The value of premiums written by insurers in 2022 reached 134.0 million euros, marking an annual increase of 14.1 percent (18.2 percent in 2021). The slower growth in written premiums compared to 2021 is primarily a consequence of the lower base of written premiums in 2020 (as a result of the outbreak of the Covid-19 pandemic). The structure of written premiums continues to be dominated by "non-life" insurance premiums, which represent 95.2 percent of total written premiums. The value of premiums written by "non-life" insurance in 2022 reached 127.7 million euros, which represents an annual increase of 13.5 percent (table 8). This increase in written premiums of the 'non-life' category is also reflected in the increase in the volume of policies sold in 2022, namely 1.32 million of them, an annual increase of 15.1 percent.<sup>11</sup> "Non-life" insurance continues to be dominated by compulsory insurance with a participation of 58.9 percent in total gross "non-life" written premiums, while the rest includes voluntary insurance. Compulsory insurance products recorded an annual growth of 7.1 percent, mainly influenced by "MTPL" products (table 8). Meanwhile, the voluntary insurance has marked an increase in the category

<sup>11</sup> Only non-life insurance is included.

'Accident and health', by 29.3 percent, to 28.4 million euros in written premiums. Moreover, only in the subcategory 'Illness Insurance' within 'Accident and Health', the number of policies sold in 2022 has increased by 86.8 percent compared to last year to 265.7 thousand, which is a positive signal for increased number of citizens who have health insurance. In addition, the level of per capita premiums for health insurance has increased to 14.81 euros in 2022, from 11.30 euros in 2021.

The value of premiums written from "life" insurance reached 6.4 million euros, which represents a higher value by 31.5 percent compared to 2021, mainly as a result of the increase in premiums of the category "Life of the debtor" [credit life insurance] ("life insurance"), from 1.6 million euros to 3.1 million euros.

**Table 8. Gross written premiums by business classes (in millions of euros)**

Activity	2021	2022	Annual change	Share: 2021	Share: 2022
<i>Total non-life</i>	112.5	127.7	13.5%	95.9%	95.2%
<i>Obligatory insurance</i>					
MTPL	60.0	63.2	5.4%	51.1%	47.1%
TPL+	3.0	3.6	18.8%	2.6%	2.7%
Border insurance	7.3	8.4	16.1%	6.2%	6.3%
<i>Voluntary insurances</i>					
Accident and health	21.9	28.4	29.3%	18.7%	21.1%
Casco	7.2	8.6	19.5%	6.1%	6.4%
Loans and guarantees	6.5	7.6	16.8%	5.6%	5.7%
Fire and other damages in property	4.9	6.0	23.4%	4.1%	4.5%
Overall liabilities	1.8	1.9	7.2%	1.5%	1.4%
<i>Total life</i>	4.8	6.4	31.5%	4.1%	4.8%
<b>Total market</b>	<b>117.4</b>	<b>134.0</b>	<b>14.1%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2023)

Claims paid by the insurance sector, which includes the claims of insurers and the Kosovo Insurance Bureau (KIB), recorded an annual increase of 5.4 percent (24.4 percent a year ago), reaching a value of 64.3 million euros at the end of 2022 ( 61.0 million euros in 2021). Of the total amount of claims paid, 55.5 million euros were claims paid by insurers, while 8.8 million euros were claims paid by KIB. Claims paid by reinsurers account for 19.5 percent of the total amount of claims paid by insurers<sup>12</sup>. The lower growth in claims paid by the insurance sector in 2022 of 5.4 percent mainly reflects the higher base value of claims paid a year ago and not necessarily a slowdown in claims this year.

The value of claims paid by "life" insurance in 2022 reached the value of 1.15 million euros (1.11 million euros a year ago), which represents an annual increase of 3.3 percent.

The increase in the level of claims paid in 2022 under the "non-life" insurance was mainly affected by the claims payments of the voluntary "Accident and Health" insurance; as well as 'MTPL' in the framework of compulsory insurance (table 9). The value of claims paid by voluntary insurance increased by 3.0 million euros compared to the previous year, to 23.1 million euros. Meanwhile, the value of claims paid by the compulsory insurance increased by 0.2 million euros, to 40.1 million euros in 2022.

The ratio of claims paid to premiums written in 2022 improved by 4.0 percentage points compared to the previous year, dropping to 48.0 percent (chart 36). This came as a result of the higher growth of revenues (premiums collected) compared to the growth rate of expenses (claims paid) in 2022 compared to the previous year (tables 8 and 9).

<sup>12</sup>KIB is not included.

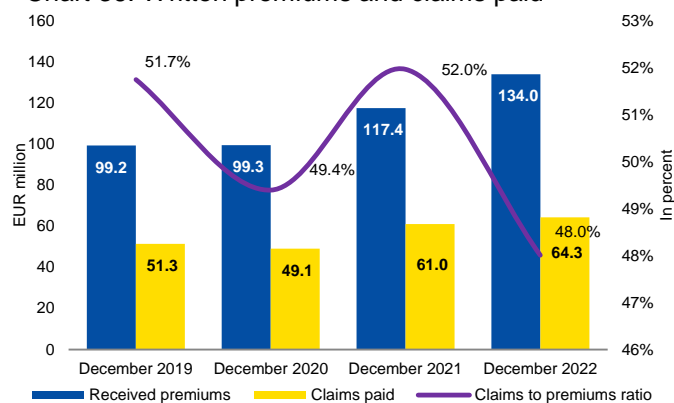
**Table 9. Claims paid, by business classes (in millions of euros)**

Activity	2021	2022	Annual change	Share: 2021	Share: 2022
<i>Total non-life</i>	59.9	63.2	5.4%	98.2%	98.2%
<i>Obligatory insurance</i>					
MTPL	29.4	30.9	5.2%	48.2%	48.1%
TPL+	0.2	0.3	39.9%	0.4%	0.5%
Border insurance, FG MoU	10.2	8.8	-13.3%	16.7%	13.7%
<i>Voluntary insurances</i>					
Accident and health	10.6	13.0	22.3%	17.5%	20.3%
Casco	4.6	5.5	19.9%	7.5%	8.5%
Loans and guarantees	1.0	1.8	86.2%	1.6%	2.9%
Property insurance	3.4	2.7	-20.3%	5.6%	4.2%
Insurance of goods in transit	0.0	0.0		0.0%	0.0%
Overall liabilities	0.5	0.0	-97.4%	0.8%	0.0%
<i>Total life</i>	1.1	1.1	3.3%	1.8%	1.8%
<b>Total market</b>	<b>61.0</b>	<b>64.3</b>	<b>5.4%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: CBK (2023)

### 3.4.4.1 Performance of the insurance sector

The insurance sector closed this year with a positive financial result of 2.1 million euros, a weaker performance compared to last year when it recorded a net profit of 6.3 million euros (table 10). "Non-life" insurers recorded profits in the amount of 2.5 million euros, compared to the value of 5.8 million euros in 2021. Meanwhile, "life" insurers recorded losses in the amount of 413.1 thousand euros compared to profits of 492.4 thousand euros in 2021. The decrease in realized profit compared to the previous year mainly reflects the increase in operating expenses, namely the cost of purchasing goods and services (affected by inflationary pressures in 2022) and administrative expenses (mainly compensation for workers).

**Chart 36. Written premiums and claims paid**

Source: CBK (2023)

**Table 10. Financial result (in millions of euros)**

Description	2019	2020	2021	2022
Non-life insurance	-5.1	2.0	5.8	2.5
Life insurance	0.5	0.3	0.5	-0.4
<b>Total market</b>	<b>-4.7</b>	<b>2.3</b>	<b>6.3</b>	<b>2.1</b>

Source: CBK (2023) Also, compared to the previous year, an increase in the category of expenses for the incurred damages (value and number) was recorded, which is the result of the increase in the number and value of written premiums.

### 3.4.5 Microfinance sector

In 2022, the assets of the microfinance sector reached the value of 400.8 million euros, marking an annual increase of 17.9 percent (chart 37).

Loans continue to dominate the asset structure of the microfinance sector (71.5 percent), followed by leasing (18.4 percent). While, the rest of the assets (of 10.1 percent) consist mainly of cash at bank and other assets.

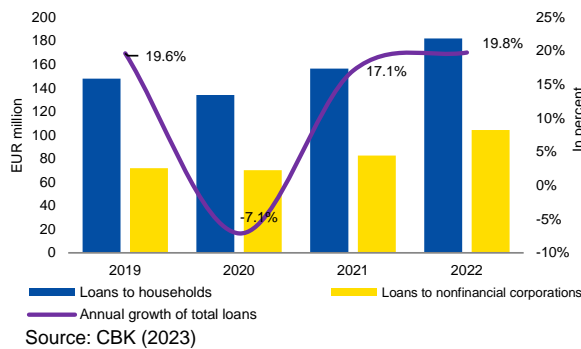
**Loans**

The value of the stock of loans issued in 2022 amounted to 286.5 million euros, representing an annual increase of 19.8 percent (annual increase of 17.1 percent in 2021) (chart 38). The significant increase in lending for the second year in a row reflects the demand for loans from both segments, that of households (which had the main contribution to the overall increase in loans) and non-financial corporations.

Lending to households increased by 16.4 percent and amounted to 182.1 million euros at the end of the period. Meanwhile, loans to non-financial corporations recorded an annual increase of 26.2 percent and amounted to 104.4 million euros.

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Chart 38. The value of loans to households and to enterprises, annual growth of loans



Lending to non-financial corporations according to economic sectors has followed the general trend, showing growth in each segment. In contrast to the banking sector, the stock of loans to the agricultural segment has the largest share in total lending to non-financial corporations of MFIs/NBFIs of 25.8 percent. Moreover, this segment had the second highest contribution to the growth of total lending to non-financial corporations, marking an annual increase of 25.4 percent in 2022 and reaching the value of 26.9 million euros. The guarantee offered by KCGF to cover the risk for loans in the agricultural sector for SMEs also had an impact on the increase in lending for the agricultural sector<sup>13</sup>. Compared to the previous year, the approved amount of loans from the KCGF

Chart 37. Assets of the microfinance sector

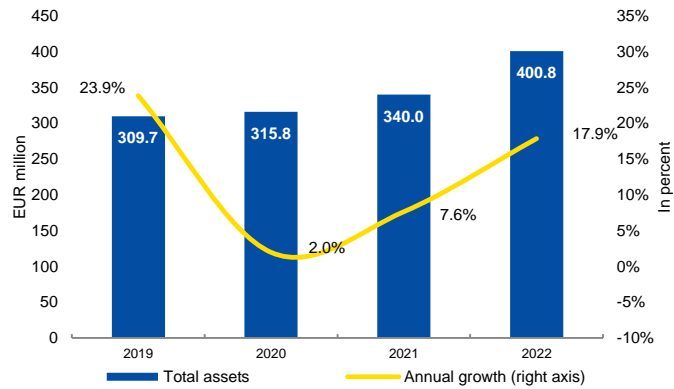


Chart 39. Growth rate of loans to nonfinancial corporations, by economic sectors

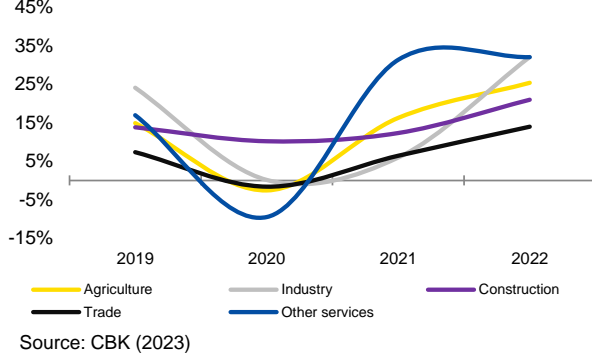
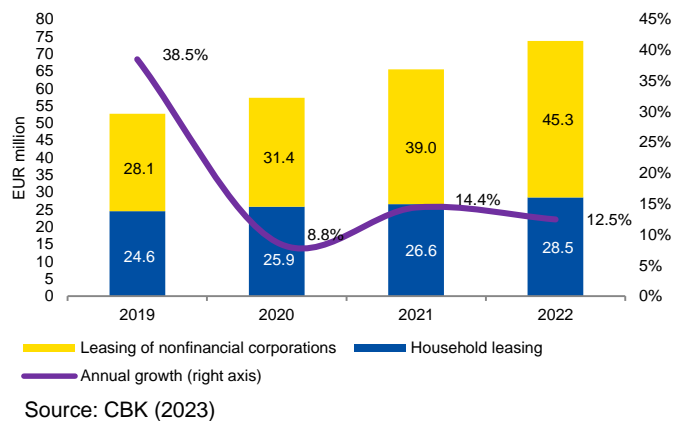


Chart 40. Microfinance sector leasing



<sup>13</sup> Micro, small and medium enterprises (MSMEs)

reached 506.3 million euros, an increase compared to the previous year of 23.9 percent. As a result of the guarantees from KCGF, MFIs have responded positively to the demand for loans for this sector, which is considered as the sector carrying the highest risk. The segment of industry, construction and trade was also characterized by double-digit growth during this period. Lending to the segment of other services<sup>14</sup>, had the highest contribution and growth during this period (chart 39).

### Leasing

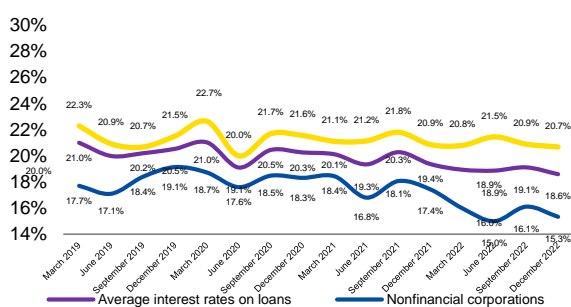
Leasing continues to be the second most important category in terms of weight in the asset structure of the microfinance sector. Leasing activity for the second year in a row recorded double-digit growth and reached the value of 73.7 million euros at the end of 2022 (chart 40). Non-financial corporations continue to make the main contribution to the increase in leasing, while the contribution of leasing to households was more limited.

### Interest rates

Interest rates on microfinance sector loans recorded a slight annual decrease to 18.6 percent, from 19.4 percent as of December 2021. Unlike the banking sector, which has almost three times lower rates due to the low cost of financing activities (through deposits), MFIs/NBFIs are mainly financed by loans received from the external sector, which have higher interest rates. The latest developments in the financial sector, namely the increase in the basic interest rates from the central banks is expected to be reflected in the cost of financing of the sector and potentially translate into an increase in the interest rate offered by this sector.

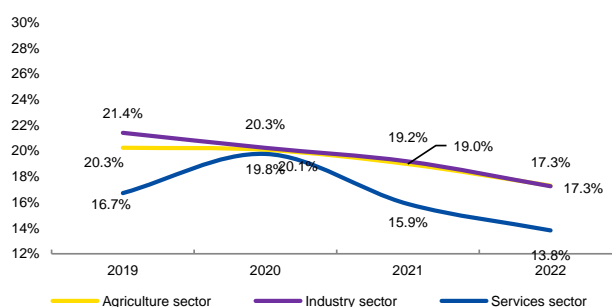
The interest rate for loans to households were higher compared to those for non-financial corporations. The average interest rate in December 2022 for households decreased to 20.7 percent, an annual decrease of 0.2 percentage points. Meanwhile, the average interest rate for non-financial corporations decreased to 15.3 percent in December 2022, an annual decrease of 2.1 percentage points (chart 41).

Chart 41. Average interest rate on microfinance sector loans



Source: CBK (2023)

Chart 42. Average interest rate on loans, by economic sectors



Source: CBK (2023)

In terms of loans to non-financial corporations, the average interest rates, on an annual basis, decreased for all economic activities, with special emphasis on the services sector (chart 42). The interest rate for loans to the agricultural and industrial sectors decreased by 1.7 and 1.9 percentage points, respectively, standing at 17.3 percent in December 2022. Meanwhile, loans to the service sector had the lowest interest rate, at 13.8 percent, an annual decrease of 2.1 percentage points.

### Microfinance sector performance

The microfinance sector in 2022 managed to record a net profit in the amount of 17.0 million euros.

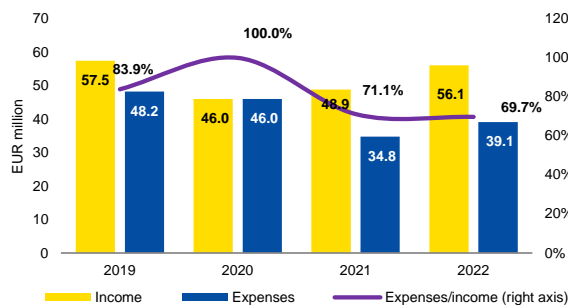
<sup>14</sup> Hotels and Restaurants, Other Trade, Use of financial services, real estate, rent, Other Services, etc.

The more pronounced increase in revenues (14.9 percent) compared to the level of increase in expenses (12.6 percent) of the sector has led to MFI/NBFIs realizing a higher profit for 2.9 million euros compared to the previous year (chart 43 and 44).

Within revenues, the interest revenues, representing the dominant category of revenues (89.8 percent), recorded an annual increase of 15.9 percent (3.0 percent increase in 2021), as a result of the significant increase in lending in the two last years. The category of non-interest income in 2022 increased by 6.6 percent, but their contribution to the increase in total income was limited due to the low share in total income (10.2 percent).

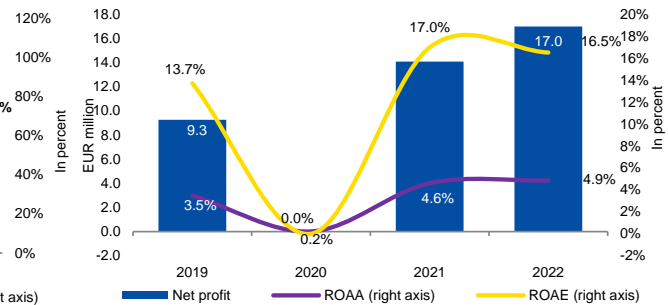
Within the expenses, the increase recorded in the non-interest expenses subcategory was mainly attributed to personnel expenses and administrative expenses. This subcategory recorded an annual increase of 18.9 percent (7.7 percent a year ago), which was mainly attributed to the increase in expenses for workers, and to a lesser extent, administrative ones.

Chart 43. Microfinance sector income and expenses



Source: CBK (2023)

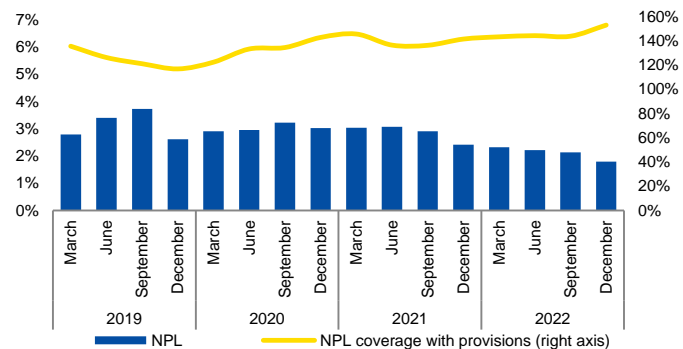
Chart 44. Profitability indicators of microfinance sector



Source: CBK (2023)

The increase in the number of personnel during 2022 and the increase in salaries in the sector (as a response to the inflation rate) appear to have contributed to the increase in this subcategory of non-interest expenses. Meanwhile, the category of interest expenses (21.4 percent of total expenses) recorded an annual increase of 4.6 percent in 2022 (-37.0 percent a year ago), which mainly reflects the increase in the level of loans from the external sector. The level of non-performing loans<sup>15</sup> to total loans remains low and has further decreased by 0.6 percentage points, to 1.8 percent. Meanwhile, the coverage level of non-performing loans with provisions in December 2022 has increased to 153.2 percent (141.6 percent in 2021) (chart 45).

Chart 45. Indicators of credit portfolio quality



\*Including loans and leasing

Source: CBK (2023)

### 3.4.6 Financial auxiliaries

The financial auxiliaries sector represents only 0.4 percent of the total assets of the financial system, but constitutes the largest number of financial institutions in the country. This sector consists of exchange bureaus and money transfer agencies (MTAs). The value of assets of financial

<sup>15</sup> The level of non-performing loans includes loans and leases, in the absence of their disaggregation.

auxiliaries in 2022 reached 35.9 million euros, which represents an annual increase of 45.1 percent (21.1 percent a year ago).

The asset structure of financial auxiliaries mainly consists of cash and cash held in the banking sector, which constitute about 65.2 percent of total assets. Meanwhile, the rest of 6.8 and 28.0 percent consists of fixed assets, respectively other assets. The sector is mainly financed by own capital and borrowings, which constitute 55.1 and 40.8 percent of the total liabilities. The income of financial auxiliaries recorded an annual increase of 10.5 percent and reached the value of 11.3 million euros at the end of December 2022. The structure of the income of financial auxiliaries is dominated by income from transfers (participation 59.3 percent), which were characterized by an annual decrease of 1.3 percent. The second most important category in terms of weight, that of other incomes (39.9 percent), recorded an increase of 1.1 million euros compared to the previous year, to 4.5 million euros in 2022, and at the same time had the main contribution to the increase in total revenues. Expenses recorded an annual increase of 20.9 percent, reaching the value of 8.4 million euros, which is mainly the result of an increase in general operating expenses of 26.3 percent compared to the previous year. This category constitutes about 90.2% of the total expenses of the sector, and the rest consists of interest expenses and expenses for transfers. As a result of the higher growth of expenses against the progress of revenues, the sector made a profit of 2.9 million euros in 2022, which represents an annual decrease of 11.5 percent.

### **3.5. Macroeconomic projections for 2023**

The double-digit growth rate of real GDP in 2021 and the war in Ukraine, which was accompanied by increased inflation, influenced economic activity to record a slower growth of 3.5 percent in 2022. As for 2023, the projections of CBK suggest that economic activity will increase by about 4.0 percent. The increase in economic activity is expected to be generated by domestic demand and net exports with a contribution of 2.0 percentage points each.

Consumption, as the main component of domestic demand, is expected to record a real growth of 1.1 percent, while the nominal growth is expected to be 6.1 percent. Factors that are expected to affect the increase in consumption, among others, are the increase in remittances, compensation of workers, the increase in consumer loans and the increase in public consumption. Investments in 2023 are projected to record a real growth of 2.6 percent (6.1 percent decrease in 2022). The increase in public investments is also expected to have an important contribution to the increase of investment.

Net exports of goods and services in 2023 are expected to positively affect GDP growth. The positive contribution of the net export is expected to be due to the expectations for the increase in import prices even in 2023. This projection is based on the forecasts of the increase in the export of goods and services of 7.1 percent in real terms, while the import of goods and services is expected to grow at a lower rate of 1.0 percent. Consequently, the trade deficit of goods and services in real terms is expected to be lower by 6.3 percent compared to 2022.

As for inflation, the average rate is expected to slow to around 4.9 percent (11.6 percent in 2022). This level of inflation is in line with the forecasts of inflation in the euro area, as well as the development of prices in the international markets, which are showing a decrease, while the financial tightening is also expected to negatively affect demand, thus slowing the growth of inflation.



## 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 for the highest levels of integrity, professionalism, efficiency, transparency and permanent development of its supervisory capacities.

### 4.1. Licensing

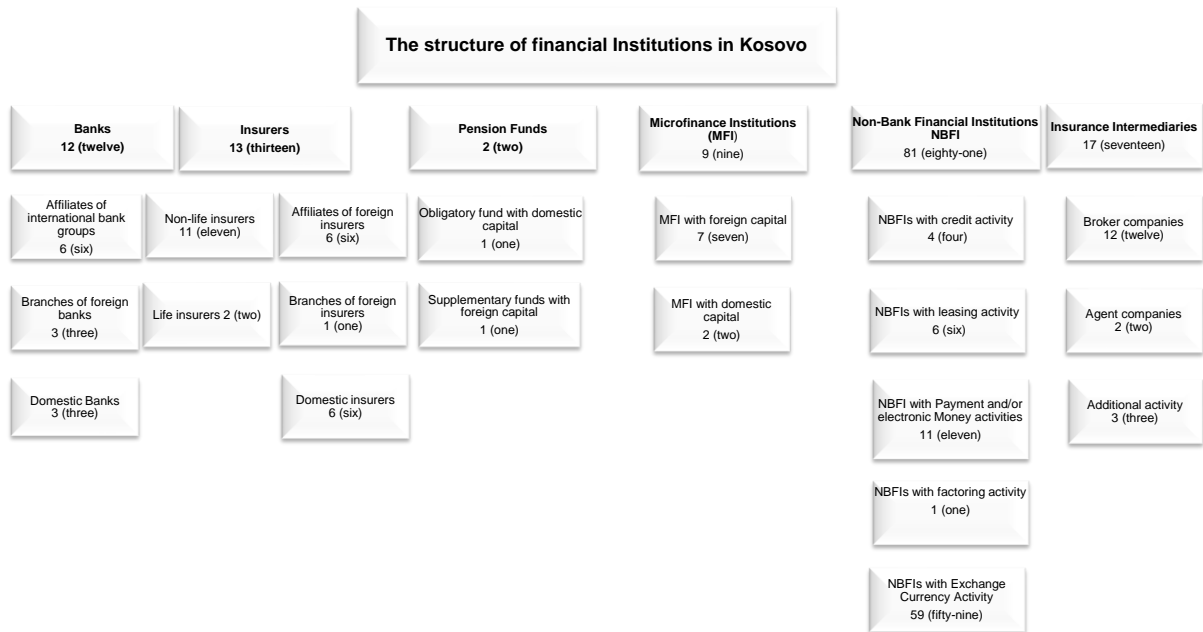
According to the Law on CBK, the Central Bank of the Republic of Kosovo is the sole authority responsible for regulation, licensing/registration, and supervision of financial institutions in the Republic of Kosovo.

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 46.



Figure 46. Structure of the financial system in Kosovo



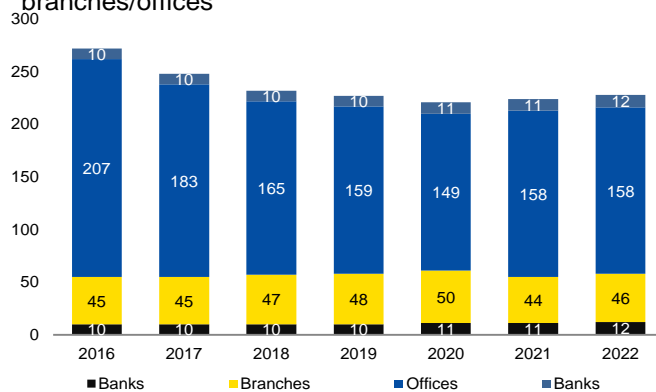
The structure of the financial system is composed of a total of 127 financial institutions, which are licensed and registered and exercise their activity in Kosovo under the applicable legislation in the Republic of Kosovo and CBK's applicable regulatory framework.

**4.1.2 Financial system network**

By the end of 2022, banks exercised their activity in a total of 46 branches and 158 offices within the country's territory (Figure 48). During this year, upon the CBK's approval, the branches of Pribank J.S.C. have increased, while the number of offices has remained the same as in the previous year.

The geographical distribution of the banking network includes almost all of the country's territory and in relation to the number of branches and offices it's almost the same as the previous year (table 10). 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 figure 49.

Chart 47. Network of banks by number of branches/offices



Source: CBK (2023)

Chart 48. Distribution of Kosovo's population, by region



Source: KAS (2023)

The five-year trend suggests consistent bank strategies in terms of geographic focus. So, there is no significant change in other regions over this period in relation to the percentage of bank branches and offices by region and it has been made in proportional manner in all regions.

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

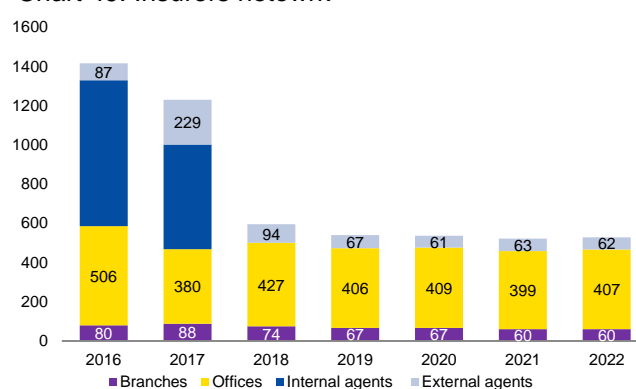
Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	95	36%	38	15%	42	16%	52	20%	35	13%	262
2017	83	35%	37	16%	39	16%	47	20%	32	13%	238
2018	74	33%	35	16%	38	17%	44	20%	31	14%	222
2019	71	33%	35	16%	37	17%	44	20%	30	14%	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
2022	67	33%	35	17%	29	14%	39	19%	33	16%	203

Source: CBK (2023)

Insurers exercise their activity through the same 60 branches as in the previous year, 407 offices and 62 agents within the territory of the country (see Figure 50). During 2022, there is an expansion of the general network of insurer offices in the country.

The geographical distribution of the 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 percent, see Figure 49), the concentration of the insurers' network is in the region of Peja, followed by the region of Gjilan, which are among the least represented regions in the total population in the country (see Figure 49) and this structure is consistent over the last five years (table 11).

**Chart 49. Insurers network**



Source: CBK (2023)

**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
2022	12	20.0%	9	15.0%	16	26.7%	15	25.0%	8	13.3%	60

Source: CBK (2023)

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

By the end of 2022, microfinance institutions conducted their activity through 136 offices distributed within the territory of the country. During 2022, the opening of 6 offices and relocation of 7 other MFI offices was approved. The geographical distribution of the offices of microfinance institutions continues to be concentrated only in two regions of the country's territory, namely in the regions of Prishtina and Prizren (table 12).

**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
2022	39	29%	33	24%	26	19%	24	18%	14	10%	136

Source: CBK (2023)

At the end of 2022, non-banking financial institutions exercised their activity in a total of 1008 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, led by the region of Prishtina by share of expansion, and the region of Mitrovica, which has a lower share (see Table 13). 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. NBFi network (office and agent) 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	290	33%	151	17%	165	19%	191	22%	82	9%	879
2021	344	36%	164	17%	170	18%	196	21%	80	8%	954
2022	364	36%	178	18%	174	17%	211	21%	81	8%	1008

Source: CBK (2023)

#### 4.1.3 Licensing activity

In fulfilling the function of licensing and normal operation of financial activities, CBK, during 2022, has reviewed a total of 519 requests, out of which 10 applications (two in process carried over to 2023) for licensing/registration and 512 requests of financial institutions for transaction approval, which according to the applicable legislation require the prior approval of the CBK (table 15). This also includes: i) requests reviewed in 2022 carried over for decision-making in 2023; ii) expressions 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.

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

Transactions	2021						2022					
	Bank	Pension funds	MFI & NBFi	Insurers	Insurance intermediaries	Total	Bank	Pension funds	MFI & NBFi	Insurers	Insurance intermediaries	Total
Applications	2	0	5	0	0	7	1	0	8	0	1	10
Main shareholders and changes in equity	2	0	7	1	1	11	4	0	13	3	5	25
Director and senior managers and delegation of functions	21	0	33	30	11	95	22	0	45	26	6	99
External auditor	10	2	25	14	6	57	10	1	30	14	5	60
Ndryshimet në aktin e themelimit dhe/apo statuti/ emrit	7	0	7	0	1	15	6	0	10	2	4	22
Income from capital interest and transferring of portfolio	2	0	0	0	0	2	1	0	0	0	0	1
Expansion of financial activities	1	1	0	3	0	5	1	0	5	1	0	7
Opening, moving and closing of branches and offices in the country and abroad	27	0	41	30	1	99	11	0	44	15	0	70
Licensing and registration of agents/brokers	47	0	92	10	13	162	35	0	81	4	53	173
Revocation of licensing/registration	0	0	51	10	3	64	0	0	47	4	2	53
Other	0	0	0	2	0	2	0	0	1	0	1	2
<b>Total</b>	<b>119</b>	<b>3</b>	<b>261</b>	<b>100</b>	<b>36</b>	<b>519</b>	<b>91</b>	<b>1</b>	<b>284</b>	<b>69</b>	<b>77</b>	<b>522</b>

Source: CBK (2023)

During 2022, 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 decrease compared to previous years.

Within these 10 applications for licensing/registration in 2022, CBK has processed 8 applications, 7 with approvals, 1 rejection and 2 others have been carried over for 2023. The applications for financial licensing/registration carried out in 2022 are as follows:

- Approval of the registration of "Pribank" J.S.C., for the exercise of banking activity;
- Approval of the registration of "Global Exchange" LLC, for the exercise of foreign exchange activity;
- Approval of the registration of "Convert Euro" LLC, for the exercise of foreign exchange activity;
- Approval of the registration of "Orchide Exchange" LLC, for the exercise of foreign exchange activity;
- Approval of the registration of "FinInvestire" LLC, for the exercise of foreign exchange activity;
- Approval of the registration of "KSG" SH.P.K., for the exercise of foreign exchange activity;
- Approval of the registration of "OneFor Kosova" LLC, for the exercise of the activity of the Payment Service, and Issuance of Electronic Money;
- Rejection of Licensing of "Star Broker" J.S.C. – Kosovo branch., as an intermediary company for the exercise of insurance brokerage activity.

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

During 2022, requests for prior approval from financial institutions were processed as follows:

- Approval of 9 requests for change in main shareholder;
- Approval of 60 requests for approval of the external auditor;
- Approval of 4 requests for approval of the external member of the audit committee;
- Approval of 30 requests for approval of the appointment of new members of the board of directors in financial institutions;
- Approval of 54 requests for appointment of senior managers;
- Approval of the opening of 38 new branches and/or offices of financial institutions, 1 such request was withdrawn during the review process by the applicant institution, 22 requests for relocation of new branches and/or offices of financial institutions were also approved;
- Approval of the closure of 6 offices of financial institutions;
- Approval of the licensing of 11 new insurance brokers;
- Approval of the licensing/registration of 134 new agents of financial institutions, 53 requests for withdrawal of license/registration of agents of financial institutions were also approved;
- The approval of 18 requests for changes in the articles of incorporation and/or statutes of financial institutions;
- Approval of 2 requests to change the name of the Non-banking Financial Institution;
- Approval of 7 requests for capital changes;
- Approval of 5 requests for activity expansion;
- Rejection of an application for approval as a senior manager of a non-life insurer;
- 12 requests requiring prior approvals for registration/licensing of Financial Institutions were unilaterally withdrawn/cancelled;

- During 2022, 47 received requests were reviewed, which were received in the second half of December 2022, but which remained in the process for 2023. These requests are from all types of requests mentioned above, where two requests are requests for voluntary liquidation: one Insurance Intermediary and one Non-Banking Financial Institution.

The total number of requests processed within 2022 is 522 requests. The average time of their review from the day of receipt of the request is 21 days, and for applications 122 days, for unilateral withdrawal/cancellation for incomplete documentation by financial institutions is 67 days.

## 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 and with the basic principles for the effective supervision of other relevant international institutions.

Until now, 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.

### 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 2022.

#### 4.2.2.1 New Draft Law on Banks

In 2019, the Working Group within CBK has prepared the new draft law on banks, which includes also the comments received from the Banking Association and the International Monetary Fund. The new law has been restructured in line with the European Directives, the regional legal framework and international banking standards. The new 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 and the European Bank for Reconstruction and Development (EBRD). During 2022, the Ministry of Finance, Transfers and Labour has established the working group for drafting the law in question.

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

The working group within the CBK has drafted the Chapter of the new 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, there are plans to adopt regulations which have been drafted by the working group and derive from the new part drafted in the 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 law on banks.

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

During 2022, the following two regulations and two guidelines were approved:

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

The aforementioned regulations and guidelines have been drafted in order to align with EU regulatory requirements related to liquidity risk management in banks. The Regulation on the Liquidity Coverage Ratio (LCR) is based on the EU Regulation 2015/61 on liquidity coverage requirement of 10 October 2014, as well as the EU Regulation 2018/1620 on the supplementation of the regulation 2015/61 on liquidity coverage requirement of 13 July 2018. While the Regulation on Net Stable Funding Ratio (NSFR) - is based on EU Regulation 2019/876 of 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).

These regulations and methodological guidelines are in force from 1 January 2023.

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

During 2022, the regulation on the management of banks' liquidity risk was finalized according to the Basel standards and the EU Regulation to reflect the latest developments in the management of this risk. The regulation has been sent for approval to the CBK decision-making bodies.

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

CBK has revised 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. This draft regulation has been finalized and has been processed for approval by the CBK decision-making bodies.

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

During 2022, a draft regulation on country and transfer risk was finalized, which addresses country risk, which 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 approval of this regulation by the CBK decision-making bodies is expected during 2023.

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

In order to approximate our legislation with European standards and best practices, this regulation was approved in 2022, which will enter into force from August 2023. This regulation is based on European Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. This regulation shall enter into force on 1 August 2023.

#### **4.2.2.8 Regulation on the internal liquidity adequacy assessment process of banks (ILAAP)**

During 2022, the drafting of the regulation on the process of internal liquidity adequacy assessment of banks (ILAAP) which is based on the Basel Framework and European Directives has begun. This regulation is expected to be finalized during 2023 and sent for approval by the CBK Board.

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

During 2022, the draft of the regulation on the corporate governance of banks was finalized, 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. In the framework of the regulation of the corporate governance of banks, the Advisory Letter has also been drafted, which will serve as a guideline showing the expectations of the CBK for the implementation of this Regulation and which will have information purpose rather than mandatory purpose. During 2022, workshops were also organized for the CBK staff as well as the banking industry related to the amendments and new requirements arising from the new draft of this regulation. The same is expected to be approved by the CBK's decision-making bodies within 2023.

#### **4.2.2.10 Regulation on external audit of banks**

During 2022, the regulation on external audit of banks has begun to be supplemented / amended based on the elements of the newest Basel standard related to this field (Supplemental note to External audits of banks – audit of expected credit loss). This regulation is expected to be finalized during 2023.

#### **4.2.2.11 Other activities related to the regulatory framework in the field of banks**

During 2022, engagement in the Project with the World Bank (FinSAC) regarding the upgrading of regulatory acts for the management of climate and environmental risks has begun. For this purpose, there were meetings with representatives of the World Bank and other interested parties.



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

In order to further develop the regulatory framework for the regulation of microfinance institutions as well as non-banking financial institutions during 2022, the following legal and sublegal acts have been drafted:

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

During 2022, the Ministry of Finance, Labor and Transfers established the working group for the drafting of this Law. A representative from CBK is part of this working group. This working group has begun its work for the finalization of the draft of this Law.

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

During 2022, the draft of the new regulation on the corporate governance of MFIs and NBFIs was finalized, with the support of technical assistance within the corporate governance project supported by the EBRD. In the framework of the regulation of the corporate governance of MFIs and NBFIs, an Advisory Letter has also been drafted, which will serve as a guideline that shows the expectations of the CBK for the implementation of this Regulation and which will have information purpose rather than mandatory purpose. During 2022, workshops were also organized for the CBK staff as well as the relevant industry related to the requirements derived from this regulation. The same is expected to be approved by the CBK's decision-making bodies within 2023.

#### **4.2.3.3 Regulation on liquidity risk management for NBFIs**

In order to regulate the issue of liquidity risk management for NBFIs during 2022, the CBK has drafted and finalized the draft regulation on the management of this risk. This regulation is in the process stage, within the CBK, for approval by the decision-making bodies.

#### **4.2.3.4 Regulation on the external audit of NBFIs**

This regulation has been amended / supplemented for alignment with the latest developments in this field. Amendments/supplementations started and finished during 2022. The final draft is ready for further processing.

#### **4.2.3.5 Regulation on the external audit of MFIs**

The regulation on the external audit of MFIs has been amended/supplemented for alignment with the latest developments in this field, as well as the regulation on the external audit of NBFIs. Amendments/ supplementations started and finished during 2022. The final draft is ready for further processing.

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

In order to further develop the legal and regulatory framework of insurers and insurance intermediaries during 2022, the following legal and sublegal acts have been drafted:

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

During 2022, the draft of the new regulation on the corporate governance of insurers was finalized, which supplements/amends the existing regulation on the corporate governance of insurers, with the support of technical assistance within the project on corporate governance supported by the EBRD. In the framework of the regulation on the corporate governance of insurers, the Advisory



Letter has also been drafted, which will serve as a guideline that shows the expectations of the CBK for the implementation of this Regulation, and which will have information purpose rather than mandatory purpose. During 2022, workshops were also organized for the staff of CBK and insurance industry related to the requirements derived from this regulation. The same is expected to be approved by the CBK's decision-making bodies within 2023.

#### **4.2.4.2 Regulation on internal controls and internal audit of insurers**

Within the project for corporate governance of financial institutions supported by EBRD, during 2022 the revised draft was finalized which is expected to be approved along with the regulations on corporate governance of financial institutions.

#### **4.2.4.3 Regulation on liquidity risk management of insurers**

The draft of this regulation was finalized during 2022. The draft of this regulation is in the proceeding phase, within the CBK, for approval by the decision-making bodies.

#### **4.2.4.4 Regulation on risk retention and reinsurance coverage requirements**

During 2022, the existing regulation was supplemented / amended, where the problems identified by the CBK during the implementation of this regulation by the insurers were addressed. This regulation has been finalized and is in the proceeding phase within the CBK.

#### **4.2.4.5 Regulation on investment of assets covering technical and mathematical provisions and investment of charter capital for insurers**

During the year 2022, the draft of this regulation was drafted and it is currently in the discussion phase within the relevant departments at CBK. During 2023, it is expected that the same will be finalized.

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

During the examinations carried out at the insurers, it was considered as necessary to regulate the operational risk management of the insurers. During 2022, the draft of this regulation was finalized and it is expected to be finalized within 2023. This regulation will address additional requirements for insurers regarding the management of this risk.

#### **4.2.4.7 Regulation on Insurers' Information Systems**

The draft of this regulation was finalized during 2022. The regulation defines the minimum criteria and conditions that insurers must meet for the organization and operation of their information systems, which enable the reduction of risks that may be caused by the misuse of information systems as well as maintain the reliability of these systems, supporting the activity of insurers. This regulation is expected to be approved by the CBK's decision-making bodies within 2023.

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

The draft of this regulation was finalized during 2022. This regulation regulates the transactions of insurers with related persons. With the entry into force of this regulation, Rule 27 of insurance will be repealed. This regulation is expected to be approved by the CBK's decision-making bodies within 2023.

#### **4.2.4.9 Regulation on the management of commissions and operating expenses of insurers**

During 2022, the existing regulation was supplemented / amended, where the problems identified by the CBK during the implementation of this regulation by the insurers were addressed. This regulation has been finalized and is in the proceeding phase within the CBK.

#### **4.2.4.10 Instruction on the calculation and recording of "Deferred Acquisition Costs" (DAC) in the Financial Statements**

During 2022, the existing instruction was supplemented / amended. This Instruction is ready for proceeding and approval.

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

During 2022, the following regulations in the field of pension funds were finalized and approved,:

- Regulation on transfers and transfer payments of payment benefits;
- Regulation on determining pension beneficiaries;
- Regulation on the external audit of pension funds and pension providers;
- Regulation on the pension benefits of the supplementary employer pension funds.

During 2022, the following regulations in the field of pension funds were finalized and further processed for approval:

- Regulation on the Value of Pension Benefits applicable to the Supplementary Employer Pension Fund;
- Regulation on participation in the Pension Fund and professional categories of employees (Rule 19);
- Regulation on suspension of Individual Supplementary Pensions (Rule 22);
- Regulation on termination of the Supplementary Employer Pension Fund (Rule 21);
- Regulation on the supervision of the field of information technology in pension funds is in the process of drafting and is expected to be finalized during 2023.

## 5. Supervision of the financial system

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

### Banking sector

During 2022, the bank examinations activity continued, through on-site examinations of banks, by applying the risk-based supervision approach according to the Risk-based Supervision Manual for banks. During the complete on-site examinations of the banks, the risk profile of the banks was assessed, the way of governance, the banks appetites to take risks, the system established by them to manage the risks, as well as the monitoring of the fulfillment of the recommendations of the results from the CBK preliminary examinations was carried out.

During 2022, the following examinations were carried out in banks:

**Table 16. Number of examinations at banks**

Institutions	Type of Examination
Banks	2 full examinations
	4 focused examinations

Source: CBK (2023)

Full examination reports are prepared according to the type of banking risks such as: credit risk, liquidity risk, market risk and operational risk. In addition to full examinations, bank-focused examinations were held, such as IFRS 9, information technology, as an integral part of the examinations, relevant recommendations were 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.

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

The On-Site Supervision Division of MFIs and NBFIs has continuously monitored the financial performance of microfinance institutions and non-banking financial institutions throughout the monthly reports they have submitted to the CBK and, depending on the needs, has taken necessary actions, followed by concrete recommendations, to be implemented by these institutions. Special emphasis has been given to monitoring and examinations of fin-tech institutions and those issuing electronic money.

The sector of microfinance institutions and non-banking financial institutions has continued to be characterized by growth throughout 2022, both in terms of the operation of new institutions in this market, as well as in terms of financial performance. As a result, during 2022, the following examinations were carried out:

**Table 17. Number of examinations at MFIs and NBFIs.**

Institutions	Type of Examination
MFI	5 focused examinations
NBFI	1 full examination and 3 focused examinations

Source: CBK (2023)

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 the 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, while the purpose of the focused examination was to assess capital adequacy in accordance with the regulations in force and/or the assessment related to the development of the activity of the relevant institutions.

A special achievement during 2022 was the case of IuteCredit, where as a result of great commitment and a professional and highly coordinating management throughout the process, it reflected that the international arbitration process related to the lawsuit of IuteCredit against the Republic of Kosovo was in our favor, where the international court in the arbitration process rejected all the claims presented by IuteCredit.

In order to be proactive in supervising microfinance institutions and non-bank financial institutions with lending activity, there was monitoring and follow-up of implementation of strategic plans and financial projections for the period 2022-2024, in order to evaluate these business plans, as well as the expectations on developments in the sector of microfinance institutions and non-banking financial institutions during this period.

### Insurance sector

CBK has continued its activity in the performance of tasks and responsibilities in the function of prudential supervision for the insurance sector. The supervision activity is carried out through the system of monitoring and analyzing financial reports, as well as other data reported by insurers and insurance intermediaries and on-site supervision - examinations. The CBK is engaged with full capacity in carrying out complete and focused examinations. The purpose of the examinations was to assess the general condition of the respective institutions in relation to the risk profile and compliance with the laws and regulations of the CBK, in order to protect the policyholders and preserve the financial stability of the institutions. The classification of insurers to be subject to examinations is based on several factors, starting from the analysis of financial indicators from the reports of the institutions, the opinion of the financial statements from the external auditor, the preliminary examinations carried out, the complaints of the policyholders to the CBK, as well as other factors. This has influenced the prioritization of the most risky institutions to be the subject of the next examinations by the CBK and consequently in raising the level of effective supervision.

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

Institution	Type of examination
Insurers	3 full examinations
	5 focused examinations
Claim treaters	2 examinations
Intermediation	3 full examinations

Source: CBK (2023)

CBK, during 2022, in order to align with the contemporary principles of insurance supervision, to enhance and promote the early identification of risks present in insurers, as well as the drafting of prudent supervisory recommendations in order to preserve the security and financial stability of insurers, has continued with the implementation of the Risk-Based Supervision Manual for Insurers, which constitutes an advanced conceptual framework related to supervision. Also, during 2022, CBK also engaged in projects with a material impact on the regulatory and supervisory framework of insurers. CBK during 2022, supported by the assistance provided by the World Bank (WB), has started the long-term project for alignment with capital requirements according to Solvency II. During 2022, CBK has had two visits by the WB team, where the basic elements of

the draft guidelines for alignment with capital requirements according to Solvency II were presented. Also, part of this assistance is the determination of the premium for the compulsory auto liability insurance product according to the risk factors and the preparation process for market liberalization.

The non-life insurance sector, at the end of 2022, has achieved compliance with legal requirements in relation to the guarantee fund, solvency and acceptable assets to cover technical provisions, marking a significant improvement compared to previous periods. This improvement from the same period of the previous year comes as a result of a better performance of insurers as well as the completion/injection of capital in the amount of 6.1 million euros by the shareholders. Consequently, the capital in relation to the guarantee fund for non-life insurers results in 129.3 percent above the accepted rate of 100%, while for life insurers the ratio results in 148.1 percent. The coverage of technical provisions with eligible assets reached 113.0 percent for non-life insurers and 107.4 percent for life insurers.

### Pension funds

In order to preserve the stability of the financial sector, in 2022, examinations were conducted in pension funds according to the annual plan. The pension supervision has implemented the risk-based supervision approach, special attention has been paid to the implementation of the requirements of the legislation in force, fund management, investment strategy, the effectiveness of internal controls, maintaining adequate liquidity and other risks.

As regards the supervision of pension funds, during 2022, two full examinations were carried out in pension funds and two focused examinations on pension funds and TEB Bank, in order to assess the general state of pension funds, assessing compliance with relevant laws and the regulations of the CBK, the effectiveness of the operation of internal controls, the implementation of the recommendations raised in the examination reports of the CBK, in order to protect the pension funds saved by the contributors and maintain the financial stability of the funds.

**Table 19. Number of examinations**

Institutions	Type of Examination
Pension funds	2 full examinations
TEB Bank	1 focused examination
Pension funds	1 focused examination

Source: CBK (2023)

### Prevention of money laundering

CBK, based on paragraph 4 of Article 34 of the Law on Prevention of Money Laundering and Combating Terrorist Financing, exercises supervisory powers to financial institutions in terms of compliance with this law and the relevant regulations. During the year 2022, 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 thirteen examinations. In the banking institutions, two full examinations were carried out. In microfinance and non-banking institutions, five examinations were carried out, of which three were full examinations and two were focused examinations. While insurers were covered with one full examination. Also, during 2022, five examinations were carried out in currency exchange offices. The following table presents the number of examinations carried out for the year 2022.

**Table 20. Number of examinations**

Institutions	Type of Examination
Banks, NBFi and Insurers	7 full examinations 6 focused examinations

Source: CBK (2023)

In terms of strengthening cooperation and increasing care for the financial sector, meetings were held with the compliance committee within the Banking Association and with commercial banks, in which the requirements related to the legal and operational framework of the field were reviewed. Also, during 2022, joint meetings were organized with microfinance institutions and insurance companies.

As part of 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 Governing Council and other activities of the project. In this aspect, it is worth noting that during 2022, within the PECK III project, the CBK has benefited from technical assistance from the experts of the Council of Europe in order to increase the capacities of risk-based supervision.

### Complaints of users of financial services

During 2022, the complaints of users of financial services were received, systematized and examined in compliance with the relevant regulation, as well as regular reports were made regarding the activities for handling complaints of users of financial services.

During 2022, 873 complaints of users of financial services (natural and legal persons) were reviewed:

- A total of 518 complaints for commercial banks addressed to CBK for 2022, while the most frequent complaints were related to credit products (loans), namely the classification in the CRK as well as complaints related to misuse of credit cards.
- A total of 87 complaints for MFIs and NBFIs addressed to CBK for 2022. Even among these institutions, the most frequent complaints were related to the loan product, namely the classification in CRK.
- A total of 262 complaints against insurance companies addressed to the CBK for 2022. The most frequent complaints are related to non-compensation of material and non-material damage from TPL auto liability insurance, non-compliance with payment deadlines in out-of-court settlements as well as non-reimbursement of medical expenses by health insurance.

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

Financial industry	Number of complaints by years		
	2020	2021	2022
Commercial banks	1,048	542	518
MFI/NBFI	376	121	87
Insurance companies	409	339	262
Pension funds	5	3	0
Other claims	8	20	6
Total complaints	1,846	1,025	873

Source: CBK (2023)

The table above shows the number of complaints reviewed during the last three years, where it is noted that the number of complaints received and handled in 2022 is lower compared to the previous two years, especially when compared to 2020 when it has been a challenging year in every aspect and it has also affected the complaints division in terms of the volume of work, and the reason for the increase in the number of complaints received and handled has been the impact of the pandemic on the financial industry, namely the provision of option of a moratorium.

From the total number of reviewed complaints, 28 percent of the complaints were resolved in favor of the parties.

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

Financial industry	Total complaints	Supported	Rejected	In process
Commercial banks	518	155	362	1
MFV/NBFI	87	13	74	0
Insurance companies	262	75	187	0
Pension funds	0	0	0	0
Other claims	6	0	6	0
Total complaints	873	243	629	1

Source: CBK (2023)



## 6. Services provided to 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 implementation of this function, it maintains and manages foreign exchange reserves, regulates and defines the standards for financial institutions in the field of cash operations related to the control and recirculation of banknotes and coins, the obligation to withdraw from circulation suspected money such as falsified and those unsuitable for recirculation as well as the criteria for exchanging damaged money.

During the year 2022, the CBK successfully fulfilled the supply of the local economy with the appropriate quantity and quality of euro banknotes and coins.

**Table 23. Amount and volume of general activities of cash operations**

Types of transactions	2018	2019	2020	2021	2022
<b>Amount of transactions with cash (EUR)</b>	<b>2,384,960,326</b>	<b>3,582,508,222</b>	<b>3,145,892,125</b>	<b>4,066,951,506</b>	<b>5,212,926,592</b>
<b>Annual growth of transactions amount with cash</b>	<b>12.19%</b>	<b>50.21%</b>	<b>-12.19%</b>	<b>29.28%</b>	<b>28.18%</b>
Receipts of banknotes	1,186,742,135	1,697,553,870	1,449,545,855	2,087,439,200	2,499,965,400
Supply with banknotes	542,462,255	731,312,360	1,093,937,800	967,243,590	981,543,770
Export of banknotes	600,000,000	1,050,000,000	475,000,000	950,000,000	1,700,000,000
Import of banknotes	53,000,000	100,000,000	125,000,000	60,000,000	28,500,000
Receipts of coins	1,152,859	888,000	0	290,000	180,362
Supply with coins	1,603,077	1,324,992	1,045,470	1,367,716	1,616,060
Export of coins	0	0	0	0	0
Import of coins	0	1,429,000	1,363,000	611,000	1,121,000
<b>Volume of transactions with cash (in pieces)</b>	<b>60,309,489</b>	<b>82,844,588</b>	<b>77,997,553</b>	<b>95,447,465</b>	<b>121,075,678</b>
<b>Annual growth of transactions volume with cash</b>	<b>6.72%</b>	<b>37.37%</b>	<b>-5.85%</b>	<b>22.37%</b>	<b>26.85%</b>
Receipts of banknotes	22,261,117	29,285,567	29,268,128	40,173,242	45,151,268
Supply with banknotes	13,166,830	16,783,917	25,258,425	19,627,266	19,016,775
Export of banknotes	11,326,000	15,586,000	9,672,000	18,128,000	32,333,000
Import of banknotes	4,200,000	3,590,000	4,420,000	3,715,000	2,700,000
Receipts of coins	2,567,196	670,000	0	160,500	180,185
Supply with coins	6,788,346	7,229,104	5,379,000	7,743,457	10,544,450
Export of coins	0	0	0	0	0
Import of coins	0	9,700,000	4,000,000	5,900,000	11,150,000

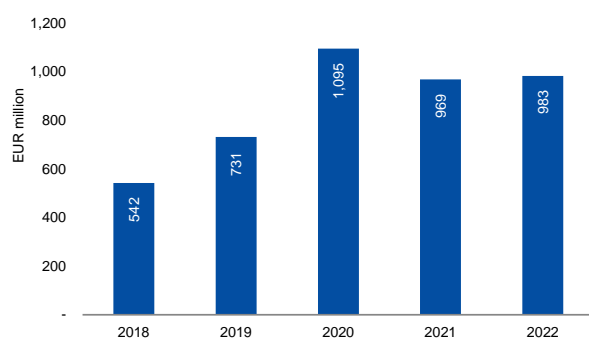
Source: CBK (2023)

Compared to the previous year, during 2022, the general activities of cash operations recorded a group increase of 28.2 percent (expressed in value) and a group increase of 26.9 percent (expressed in volume).

The overall value of cash supply in 2022 marked a moderate increase of 1.5 percent compared to 2021. The structure of cash supplied by denominations, which is primarily determined by the requirements of the banking sector, had a little change from 2021 to 2022.

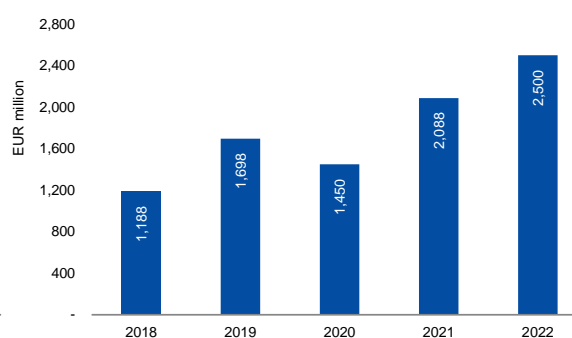
During 2022, the CBK supplied the banking sector with over 19.02 million pieces of euro banknotes (worth close to 981.54 million euros) and over 10.54 million pieces of euro coins (worth close to 1.62 million euros).

Chart 50. Supply with cash, (value) EUR million



Source: CBK (2023)

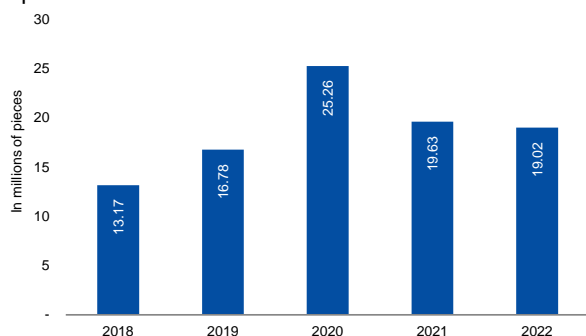
Chart 51. Cash admission, (value) EUR million



Source: CBK (2023)

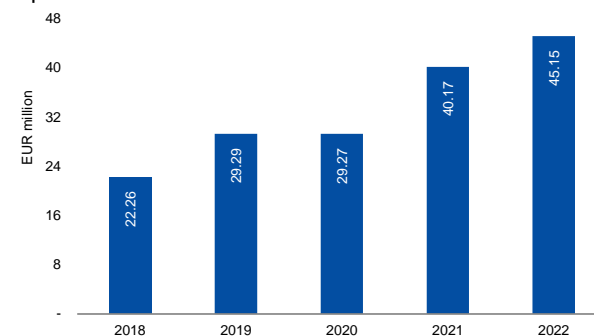
In euro banknotes, the volumes of requests for supply during 2022, marked a moderate decrease of 3.1 percent compared to 2021 and continued to dominate the requests for supplies with denominations of 5, 20 and 100 euros, which constituted about 80.4 percent of the demand for supply.

Chart 52. Supply with cash, (volume) in millions of pieces



Source: CBK (2023)

Chart 53. Cash admission, (volume) in millions of pieces



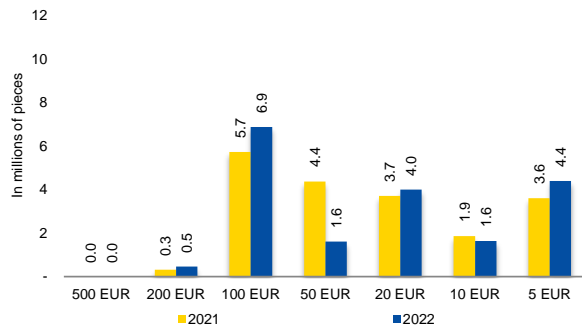
Source: CBK (2023)

While during 2022, the demand for denominations in the value of 200 euros marked an increase of 46.6 percent, the demand for denominations in the value of 100 euros marked an increase of 20.1 percent and the demand for denominations in the value of 5 euros marked an increase of 22.0 percent while the demand for denominations in value of 50 euros marked a decrease of 63.1 percent and that of denominations in the value of 10 euros marked a decrease of 12.1 percent compared to 2021. Requests for the volumes of denominations in the value of 20 euros marked a moderate increase of 7.6 percent compared to last year.

Coin supply demand volumes during 2022, marked an increase of about 36.2 percent compared to 2021. The supply demand for euro coins in 2022 was dominated by the small value coins of 1, 2 and 5 euro cents, which made up about 67.4 percent of the demand for supply. Compared to the previous year, requests for denominations of 1, 2 and 5 euro cents have recorded a group increase of 40.8 percent, while requests for supply with denominations of 2 euro, 1 euro and 50, 20 and 10 euro cents have recorded a group increase of 27.5 percent compared to the previous year.

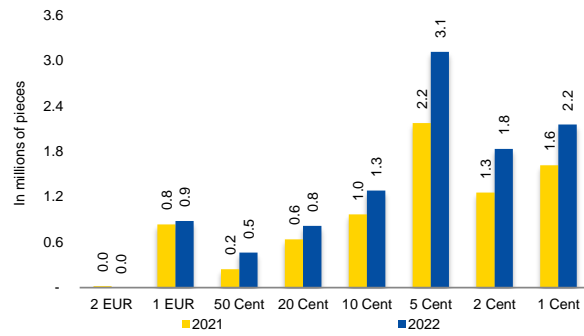
The total value of cash received as deposits marked an increase of 19.8 percent in 2022 compared to the previous year. Expressed in value, cash deposits amounted to nearly 2.5 billion euro banknotes and over 0.2 million euro coins, respectively. The CBK received from the banking sector over 45.2 million pieces of banknotes (an average of about 181,330 pieces of banknotes per day), while coin deposits were only 180,000 pieces. The volumes of banknotes accepted during 2022 marked an increase of about 12.4 percent compared to 2021.

Chart 54. Supply with EUR banknotes, by denominations



Source: CBK (2023)

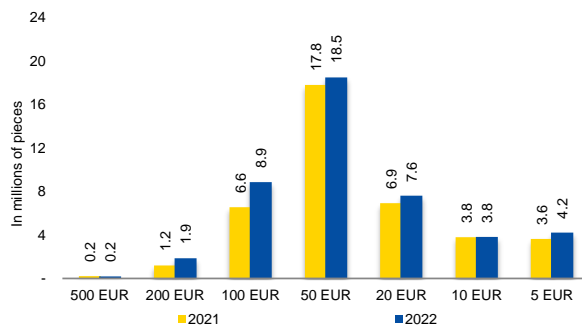
Chart 55. Supply with EUR coins, by denominations



Source: CBK (2023)

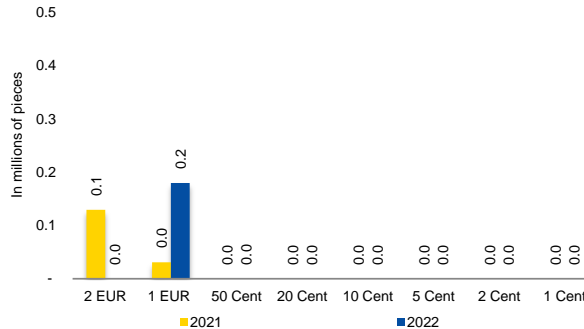
The structure of euro banknotes accepted during 2022 did not have any major changes from the previous year, while as can be seen in the chart below, coin deposits were at a fairly low level in 2022.

Chart 56. Received of EUR banknotes, by denominations (number of pieces)



Source: CBK (2023)

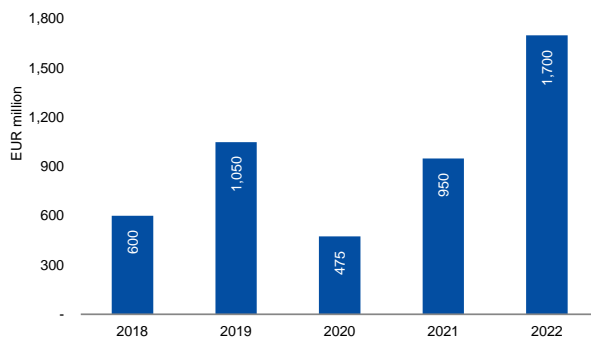
Chart 57. Received EUR coins, by denominations (number of pieces)



Source: CBK (2023)

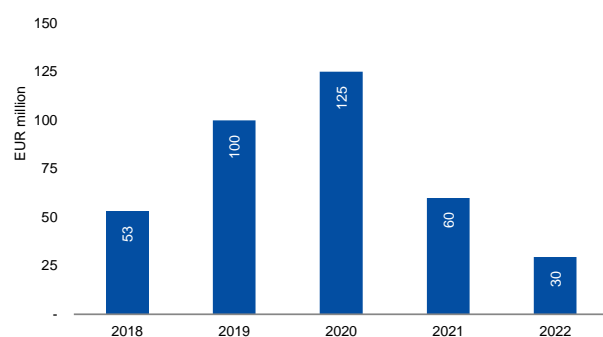
Similar to previous years, during 2022 the cash received was at a higher value than the cash supplied. In fact, during 2022 the net cash (surpluses) was about 1.52 billion euros, which was significantly higher than in the previous year when the net cash was about 1.12 billion euros. This increase was mainly a result of the increase in the volume of cash deposits from the banking sector on the one hand and the unchanged demand from the previous year for cash on the other hand.

Chart 58. Export of cash (value), EUR million



Source: CBK (2023)

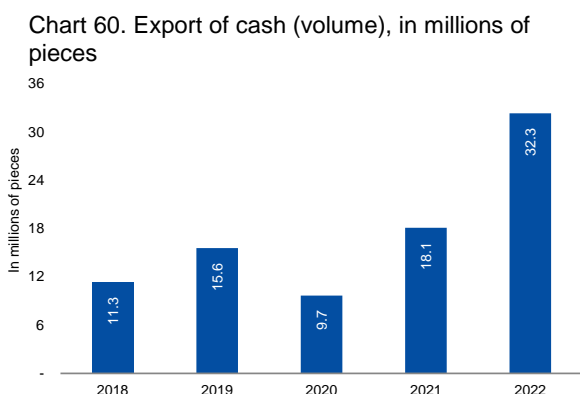
Chart 59. Import of cash, (value) EUR million



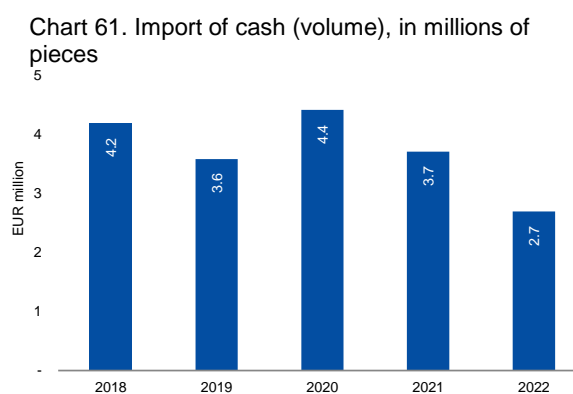
Source: CBK (2023)

Since the CBK only maintains the optimal level of cash needed to carry out operations, the surpluses are sent to the euro area, where they are then used to make international payments and through investments they are turned into interest-bearing assets. Net remittances abroad in 2022 amounted to 1.67 billion euros, being 87.7 percent higher than the previous year when they were

890.00 million euros. This net increase in remittances in 2022 came as a result of increased deposits from the banking sector on the one hand and unchanged demand for cash on the other.

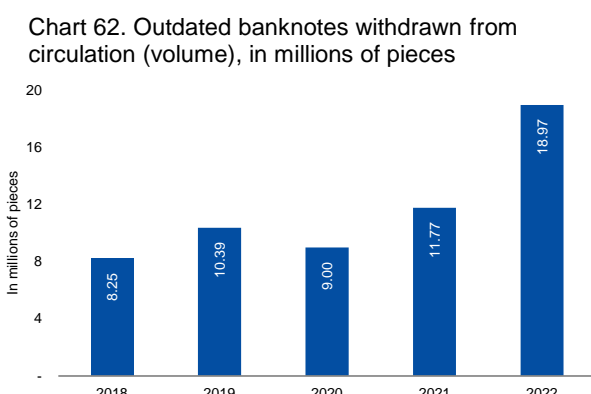


Source: CBK (2023)

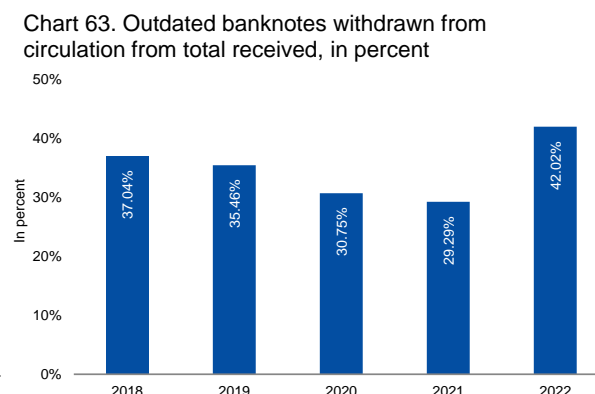


Source: CBK (2023)

During 2022, about 45.15 million pieces of euro banknotes received by the banking sector were processed by being checked for authenticity and classified according to the degree of suitability. The check for authenticity and classification according to the degree of appropriateness has significantly contributed to the protection of the integrity of euro banknotes as well as enabling the detection of forgery thus ensuring that all euro banknotes and coins introduced into circulation had a good qualitative condition (suitable for recirculation) in order to ensure that the latter can be easily checked for their authenticity.

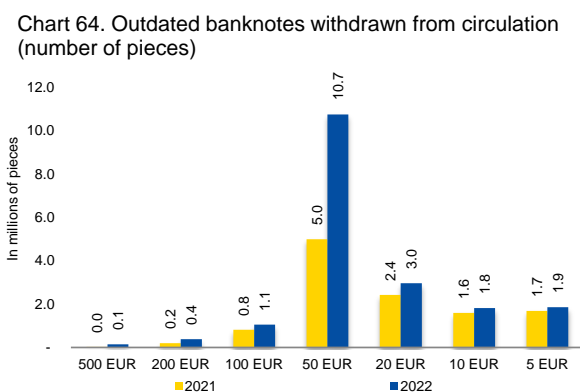


Source: CBK (2023)

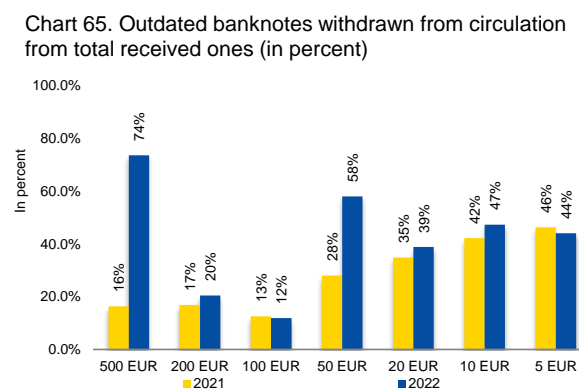


Source: CBK (2023)

About 18.97 million pieces of euro banknotes (42.0 percent of the total number of euro banknotes deposited by the banking sector) during 2022 were classified as unfit for recirculation (extremely obsolete/damaged) and were withdrawn from circulation by being sent to euro area banks. Such a significant volume of unsuitable euro banknotes withdrawn from circulation significantly contributed to the improvement of the quality of cash in circulation in the Republic of Kosovo.



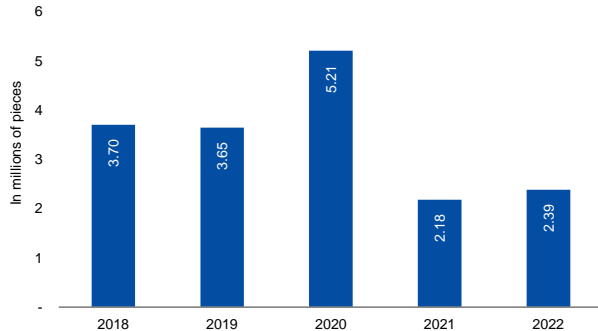
Source: CBK (2023)



Source: CBK (2023)

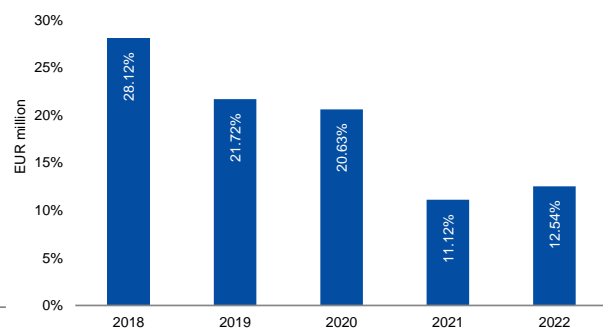
Similar to previous years, the banknotes that were mostly classified as unsuitable for recirculation were those of the 50, 20, 10 and 5 euro denominations. They accounted for about 91.7 percent of unsuitable banknotes withdrawn from circulation due to more frequent use by citizens.

Chart 66. New banknotes put into circulation (volume), in millions of pieces



Source: CBK (2023)

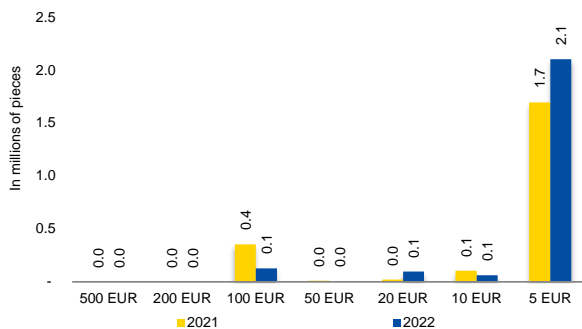
Chart 67. New banknotes put into circulation to total supplied, in percent



Source: CBK (2023)

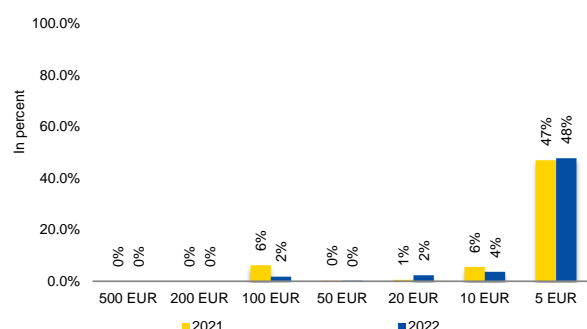
The quality of cash in circulation was also improved by supplying the banking sector with completely new euro banknotes, which were brought in from the euro area. During 2022, the CBK supplied the banking sector with more than 2.39 million pieces of new euro banknotes (12.5 percent of the entire number of euro banknotes supplied).

Chart 68. New banknotes put into circulation (number of pieces)



Source: CBK (2023)

Chart 69. New banknotes put into circulation to total supplied ones ratio (in percent)



Source: CBK (2023)

About 94.6 percent of the amount of new banknotes supplied during 2022 were banknotes of low denominations (20, 10 and 5 euros), which were supplied to commercial banks in order to settle cash transactions. Moreover, all euro banknotes suitable for recirculation, with which commercial banks were supplied, were of high quality (suitable for recirculation).

### 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.

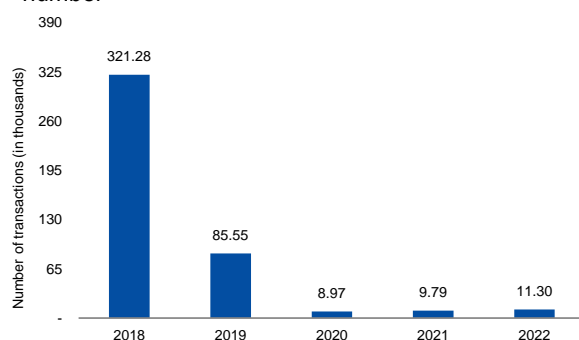
CBK has supported the advancement of the processes of carrying out transactions and allocations of the Ministry of Finance and the Privatization Agency of Kosovo. Even during 2022, as in the previous years, all international payments were made through the SWIFT network, while all local payments were made through the KIPS system, thus shortening the time and increasing the effectiveness of processing.

**Table 24. Amount of transactions by main types of payments (EUR thousands)**

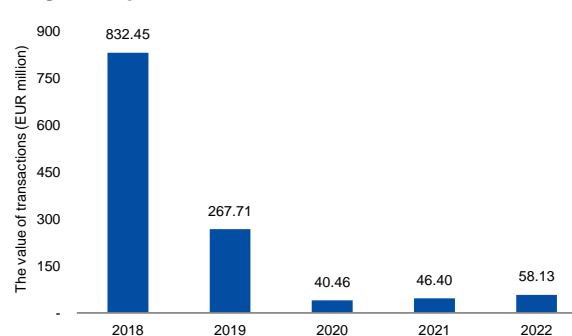
Type of transactions	2018	2019	2020	2021	2022
<b>Transactions with cash</b>	<b>+643,831</b>	<b>+965,364</b>	<b>+354,562</b>	<b>+1,119,117</b>	<b>+1,516,986</b>
Deposits with cash	1,187,889	1,697,993	1,449,546	2,087,729	2,500,146
Cash withdrawals	544,057	732,629	1,094,984	968,612	983,160
<b>Domestic transfers</b>	<b>+1,050,203</b>	<b>+425,715</b>	<b>+70,305</b>	<b>+30,021</b>	<b>+34,037</b>
Domestic incoming transfers	1,882,670	693,428	110,763	76,421	92,164
Domestic outgoing transfers	832,467	267,714	40,458	46,400	58,127
<b>International transfers</b>	<b>-642,864</b>	<b>-954,036</b>	<b>-424,086</b>	<b>-1,068,449</b>	<b>-1,444,209</b>
International incoming transfers	1,054,765	1,971,668	1,794,963	1,727,337	1,728,325
Outgoing international transfers	1,697,629	2,925,705	2,219,049	2,795,786	3,172,534

Source: CBK (2023)

While the majority of the CBK's cash operations in 2022 were carried out in the name of/and on behalf of commercial banks, the majority of CBK's domestic payments were performed in the name of/and on behalf of PAK.

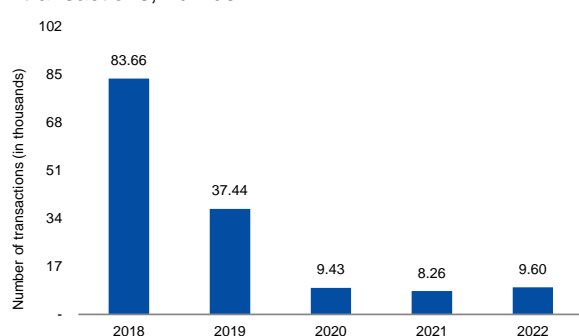
**Chart 70. Volume of domestic outgoing transactions, number**

Source: CBK (2023)

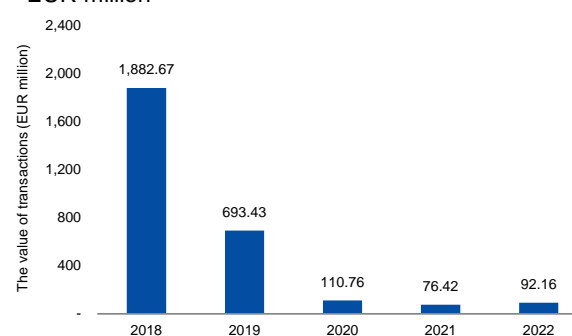
**Chart 71. Value of domestic outgoing transactions, EUR million**

Source: CBK (2023)

During 2022, CBK has processed on behalf of its clients close to 11.30 thousand domestic outgoing payment orders (an increase of 15.4 percent compared to the previous year), and has accepted on their behalf close to 9.60 thousand incoming payment orders (an increase of 16.3 percent compared to the previous year). Expressed in value, domestic outgoing payment orders reached the amount of over 58.13 million euros (an increase of 25.3 percent compared to the previous year) while domestic incoming payment orders reached the amount of over 92.16 million euros (an increase of 20.6 percent compared to the previous year). The largest number and amount of domestic transactions were carried out by the CBK by order and on behalf of the PAK.

**Chart 72. Volume of domestic incoming transactions, number**

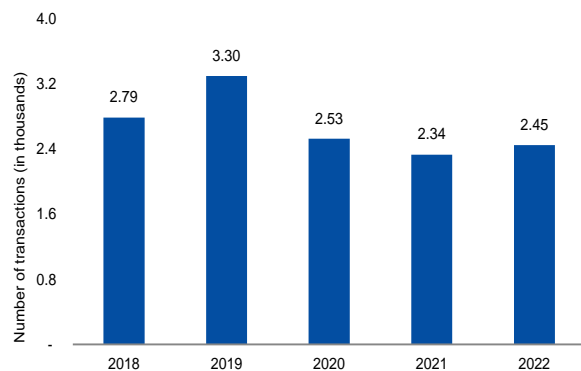
Source: CBK (2023)

**Chart 73. Value of domestic incoming transactions, EUR million**

Source: CBK (2023)

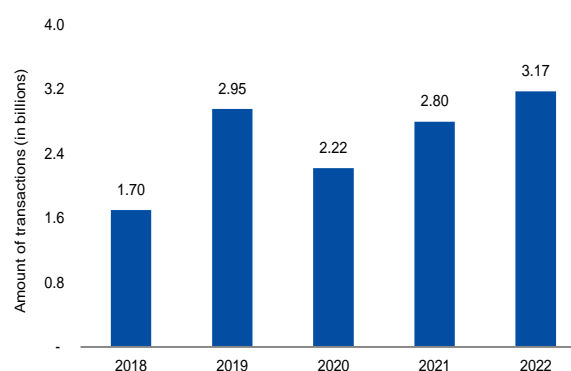
As for domestic outgoing payments, it should be noted that all commercial banks generate them themselves, while insurers make most of their payments through commercial banks. Indeed, all other CBK account holders use the payment services offered by the CBK in a limited way, since they all have accounts in commercial banks.

Chart 74. Volume of international outgoing transactions, number



Source: CBK (2023)

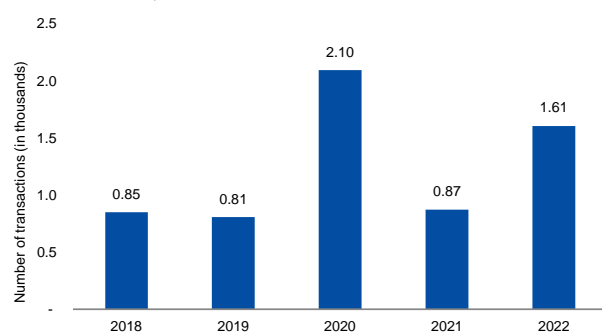
Chart 75. Value of International outgoing transactions, amount



Source: CBK (2023)

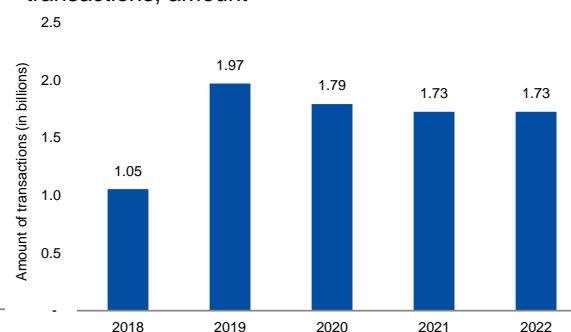
As for international transactions, the largest number of them were carried out by the CBK by order and for the account of the Treasury. On the other hand, based on their value, most of the international transactions carried out by CBK were related to the transfers of funds of commercial banks and the Kosovo Pension Trust.

Chart 76. Volume of international incoming transactions, number



Source: CBK (2023)

Chart 77. Value of international incoming transactions, amount



Source: CBK (2023)

During 2022, the CBK processed on behalf of its clients close to 2,451 outgoing international payment orders (an increase of 4.97 percent compared to the previous year), and has accepted for their account close to 1,607 incoming international payment orders (an increase of 83.9 percent compared with the previous year). Expressed in value, outgoing international payment orders reached the amount of over 3.17 billion euros (an increase of 13.5 percent compared to the previous year) while incoming international payment orders reached the amount of over 1.73 billion euros (a slight increase of 0.06 percent compared to the previous year).

Table 25. Level of deposits of the main customers (EUR thousands)

Accounts statement	2018	2019	2020	2021	2022
<b>Total</b>	<b>1,217,914</b>	<b>1,187,685</b>	<b>1,214,559</b>	<b>1,275,801</b>	<b>1,288,150</b>
Government institutions	374,663	444,301	316,897	423,322	419,664
Privatization Agency of Kosovo	388,116	275,160	191,457	184,737	165,854
Commercial Banks + Insurance Companies	347,931	419,659	571,114	593,910	575,043
Other	107,205	48,566	135,091	73,832	127,589

Source: CBK (2023)

On December 31, 2022, the deposits of the institutions of the Government of Kosovo reached the amount of 419.66 million euros, while those of the PAK reached the amount of 165.85 million euros. Together, the deposits of the institutions of the Government of Kosovo and those of the PAK constituted about 45.5 percent of the deposits that were held in the CBK at the end of 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 44.6 percent of the deposits held at CBK at the end of 2022. On December 31, 2022, deposits of commercial banks and insurers amounted to 575.04 million euros.

## 6.2. Payment System

Providing secure and efficient payment systems is one of the main objectives of CBK. The interbank payment system, built and under the administration of the CBK, during 2022 has ensured maximum availability, guaranteeing the processing and settlement of payments for all economic actors of the country. In the framework of the fulfillment of this objective, in addition to the operation of the interbank payment system, CBK also pays special attention to the supervisory and catalytic role of maintaining the security of the system and the further development of the payment market, implementing in this direction also the National Strategy on Retail Payments 2021-2026.

The number of electronic payments has continued to grow significantly even during 2022, where payments through the e-banking service increased by 16.5 percent in volume and about 29.5 percent in value. Significant increases were also seen in card payments, where they had an increase of 41 percent in volume and 35.3 percent in value compared to the previous year. Also, during 2022 there was a doubling of electronic money accounts and transactions provided by Non-Banking Financial Institutions registered to provide payment and electronic money services. This growth has also been supported by the recent regulatory changes implemented within the Remittances and Payments Program (RPP) under the leadership of the World Bank Team, as well as improving infrastructure and increasing competition enabled by these regulatory framework changes over the last few years.

During 2022, a new bank has been added to the payment market of Kosovo, as a direct participant in the interbank payment system (IPS), as well as an NBFIs registered for the issuance of electronic money and the provision of payment services, through which is expected an expansion of the possibilities for electronic payments and increase of 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.

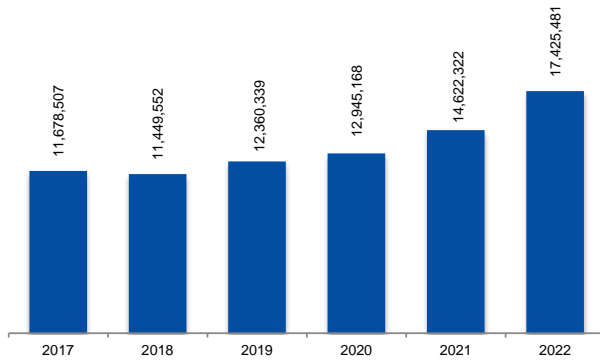
The statistical indicators of IPS activity have reflected an increase in transactions in volume by 19.2 percent and in value by 18.6 percent compared to the previous year, where 17.4 million transactions with a total value of over 20 billion euros were processed during 2022.

Within IPS, payments are made through two components: RTGS (Real-Time Gross Settlement) and ACH (Automated Clearing House). In the RTGS component, all payments worth more than 10.000 euros are made in real time, as well as payments ordered by customers with priority, while in the ACH component, all payments under 10.000 euros are made, which include the following



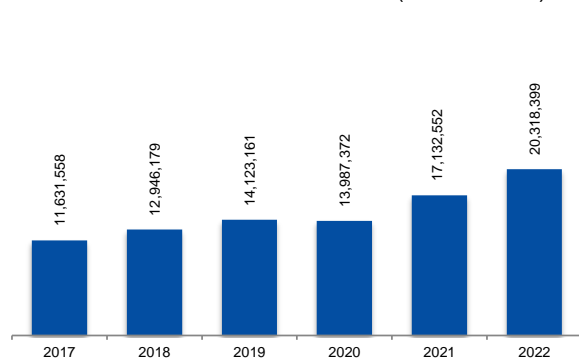
types of payments: regular-normal payments, mass payments, salaries and pensions, Kos-Giro payments and Direct Debit. The comparison of the volume and value of these categories of payments for certain years is presented in the following graphs.

Chart 78. Number of IPS transactions



Source: CBK (2023)

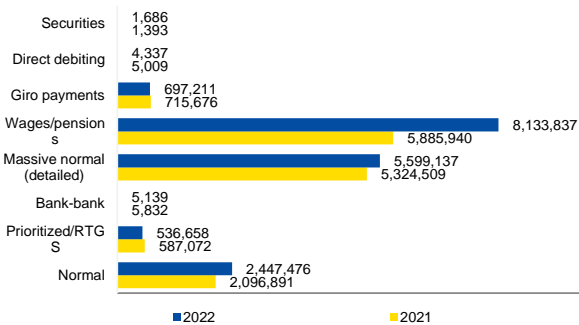
Chart 79. Value of IPS transactions (in thousands)



Source: CBK (2023)

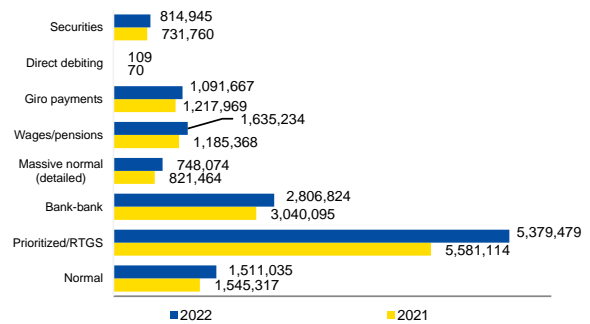
Regular payments (normal and bulk) account for about 46.2 percent of the volume and 17.2 percent of the value of IPS transactions. RTGS transactions are processed and settled during business hours in real time and on a gross basis. During 2022, their number constituted over 3.1 percent of the total number of transactions in IPS, while their value was about 44.5 percent of the value of transactions through IPS.

Chart 80. Annual value of IPS transactions by their type



Source: CBK (2023)

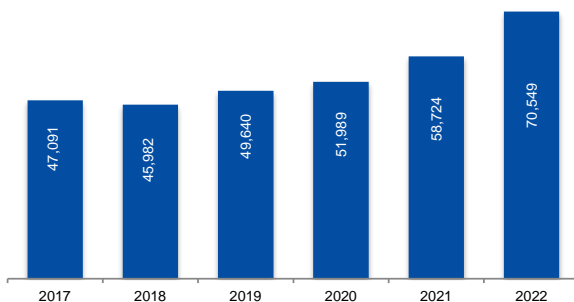
Chart 81. Annual value of IPS transactions by their type (in thousands)



Source: CBK (2023)

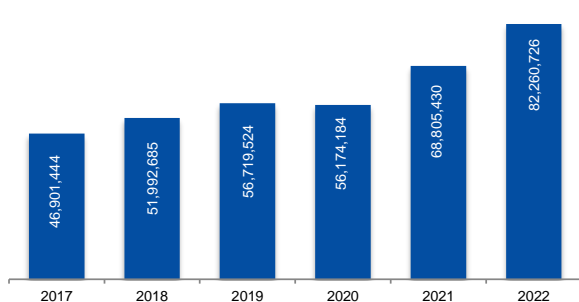
In the category of salary/pension payments, we have an increase, both in number and value of transactions, if we compare them with the previous year, we have an increase of 38 percent in number and 13.3 percent in value of transactions.

Chart 82. Daily average of IPS transactions number



Source: CBK (2023)

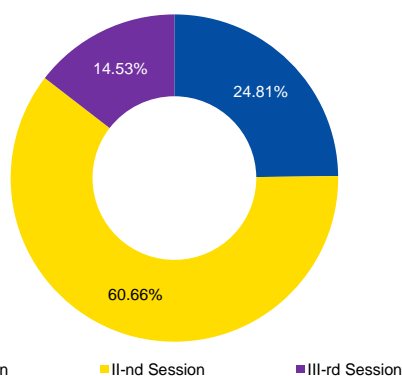
Chart 83. Daily average of IPS transactions value



Source: CBK (2023)

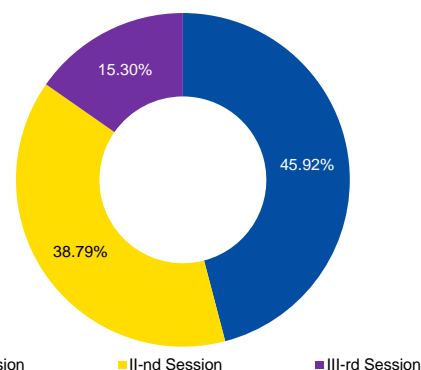
In addition to the increase in the volume and value of transactions compared to the previous year, the graphs below show an increase in the daily average of processed transactions, both in volume and value, of 20 percent and 19 percent, respectively.

Chart 84. Transactions number, by IPS sessions



Source: CBK (2023)

Chart 85. Transactions value, by IPS sessions

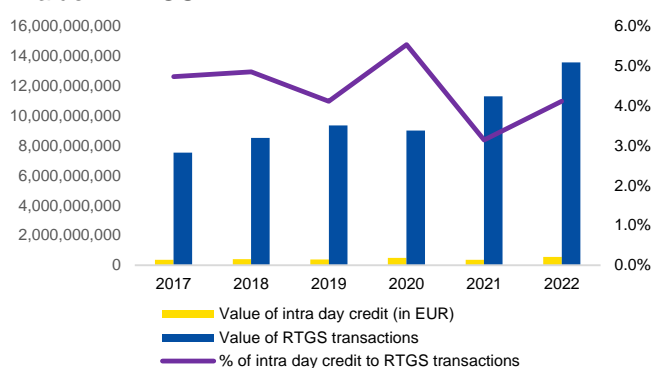


Source: CBK (2023)

The overview of payments processed through the ACH system during 2022, by session, shows a more pronounced concentration in the first and second clearing sessions, compared to the last session. Avoiding overloads in payment flows during the last clearing session minimizes additional risks within the functioning of the payment system, therefore lower fees are applied to transactions processed in the first two sessions.

The total value of transactions settled in IPS during 2022 was close to 20.3 billion euros, which includes the transactions of all participants, including the Treasury. From the volume and value of transactions initiated by all institutions participating in the system, the three participants with the largest number of initiated transfers account for 60.9 percent of the total volume, while all other participants account for 39.1 percent.

Chart 86. Ratio of intraday credit to total settled value in RTGS



Source: CBK (2023)

As for the value of transfers initiated by all participating institutions, from their total value of 20.3 billion transactions, the first three institutions participating in the system with the largest value of initiated transfers account for 42.1 percent of the total value, while all other institutions occupy 57.9 percent.

Table 26. Concentration indicators for transactions initiated/ delivered to IPS

IPS system	Value	Value
3 participants in the system	60.90%	42.10%
17 other participants	39.10%	57.90%
<b>Total</b>	<b>17,453,703</b>	<b>20,334,977,252</b>

Source: CBK (2023)

Intraday liquidity loan - means a collateralized loan that the CBK provides to participating banks within IPS working hours, using Government securities as collateral, when a bank's balance in its CBK account is insufficient to process payment orders.

The ratio of the liquidity intra-day loan value to the total value of the activity of the RTGS system for 2022 results in 4.1 percent, reflecting a low weight of the need to finance the activity of this system with liquidity from the CBK, consequently low exposure of the system to liquidity risk.

### 6.2.2. Register of Bank Accounts

Within the framework of 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 these 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 functions to enable the electronic processing of enforcement decisions.

During the reporting year, 47 private enforcement agents, 114 officials from the Kosovo Judicial Council, as well as 12 officials from the Tax Administration of Kosovo had access to the register of bank accounts, through which they exchanged 22,066 cases of enforcement procedure with commercial banks, of which 16,678 are closed.

**Table 27. Cases processed in the Register of Bank Accounts**

Statute of cases	2021	2022	Increasing/decreasing (%)
Opened	23,078	22,066	-4.39%
Closed	15,349	16,678	8.66%

Source: CBK (2023)

### 6.2.3 Supervision and analysis of payment systems

In the function of supervision and reformation of payment systems, CBK at the end of 2022, has carried out extensive discussions with the actors of the market of payment systems. In this direction, the process of further advancement of statistics related to the types and instruments of payments has begun. As a result, the revision of the regulation on payment instrument statistics reporting and the revision of the monthly reports on electronic money institutions has been done with the aim of including new instruments and forms of payments within the analysis of the payment system, as well as strategic decision-making support for developments in the field of payments.

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 under the RPP program. The focus of the new changes will be on further strengthening the supervision of small-value payment systems and identifying the risks associated with new payment services and instruments, thus expanding the scope and monitoring of new institutions that provide payment and electronic money services.

During 2022, the annual analysis on the use of cards in Kosovo was revised, which, in addition to the information related to the socio-demographic distribution of the cards used by the citizens of Kosovo and the relevant factors that have influenced such distribution, also includes information related to the types of cards, the use of cards in different terminals, including online ones. The

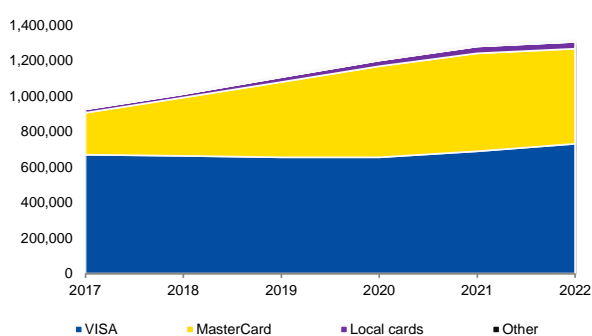
annual analysis on the use of cards in Kosovo is published on a regular annual basis on the official website of the CBK.

Also, in the framework of the preparation of analyses and reports on payment statistics, regular annual and monthly reports have been prepared and published 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 the countries of Central and South-Eastern Europe) which are published on the official website of the CBK.

### 6.2.4 Payment instruments and banking infrastructure for payment services

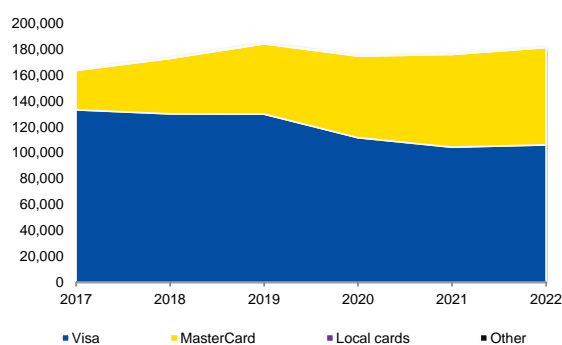
Banks' reports on payment instruments show that by the end of December 2022, the number of debit cards reached over 1.3 million, while the number of credit cards reached 181 thousand. Compared to a year ago, it is found that the number of debit cards has increased by 2.0 percent, while an increase of 3.0 percent has been observed in the number of credit cards.

Chart 87. Number of debit cards, by their type



Source: CBK (2023)

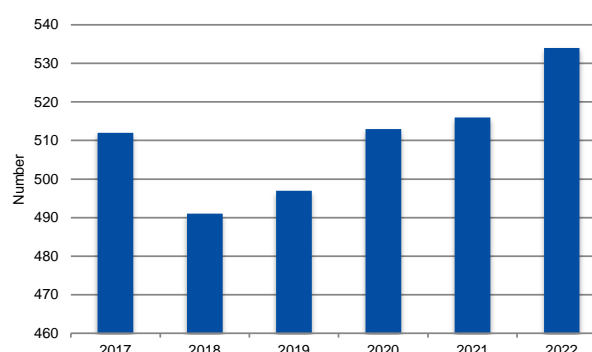
Chart 88. Number of credit cards, by their type



Source: CBK (2023)

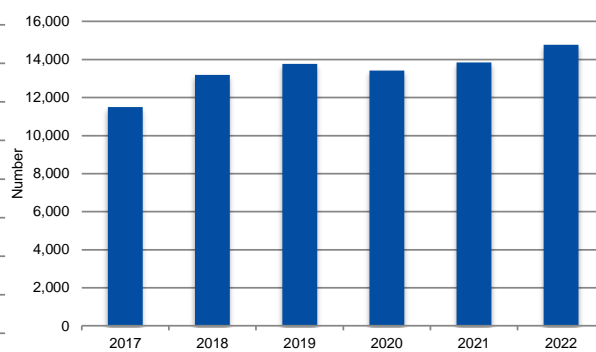
As for the infrastructure of the terminals, it can be seen that there was an increase in the number of ATMs in the last year compared to the previous year, and also a slight increase in the number of terminals at the points of sale / POS during the year 2022 was noted.

Chart 89. Number of ATM terminals



Source: CBK (2023)

Chart 90. Number of POS terminals

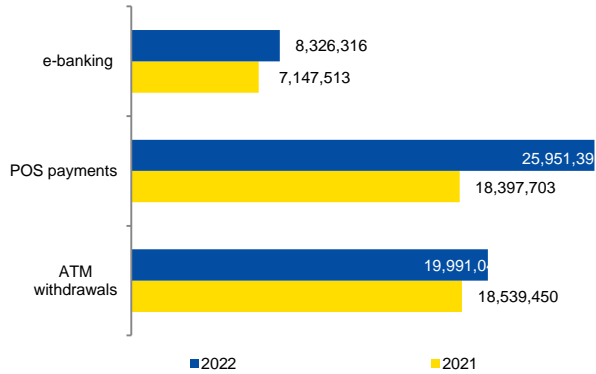


Source: CBK (2023)

In addition to the increase in the number of payment terminals and instruments, statistical data shows that the year 2022 has also been characterized by an increase in the use of electronic payment instruments.

The number of payments made through the Internet/e-banking service reached 8.3 million transactions, which compared to the previous year represents an increase of 16.5 percent, while their value reached 18.9 billion euros, with an annual increase of 29.5 percent.

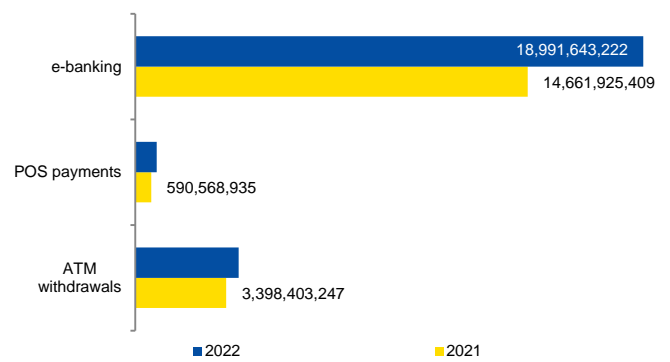
Chart 91. Annual transactions volume of electronic payment instruments



Source: CBK (2023)

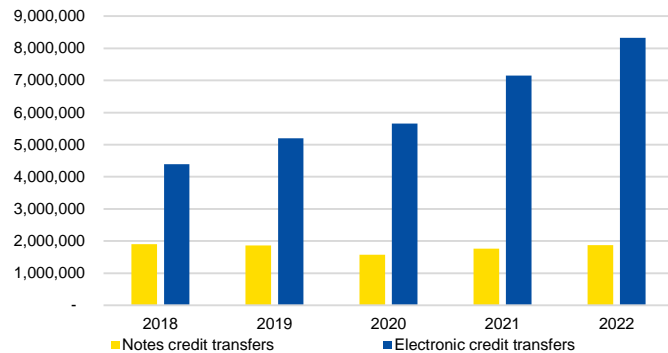
2022 was also characterized by an increasing trend in the use of card payments. The number of payments at sales points / POS has increased by 41.0 percent, while the value has increased compared to the previous year by about 35.3 percent. ATM withdrawals show an increase in terms of their number and value, compared to the previous year. The number of ATM withdrawals increased by 7.8 percent, while the value of withdrawals increased by 13.8 percent.

Chart 92. Annual transactions value of electronic payment instruments



Source: CBK (2023)

Chart 93. Number of credit transfers in electronic form to note transfers form ratio



Source: CBK (2023)

Banks' reports show that at the end of 2022, the total number of customer bank accounts reached about 2.37 million, which represents a slight decrease of 0.5 percent compared to the end of 2021. About 98.5 percent of the accounts belong to residents, while about 1.5 percent belong to non-residents.

The increase in electronic payments over the years is also reflected in the way credit transfers are carried out. Transfers in paper form are constantly decreasing, compared to those in electronic form. During 2022, transfers initiated in paper form accounted for 18 percent, while those in electronic form constituted 82 percent of the total transfers initiated through banks.

Of the total accounts at the end of 2022, over 688 thousand accounts had "online" access from the Internet. This represents a roughly 28 percent increase in remote access accounts.

Table 28. Number of accounts

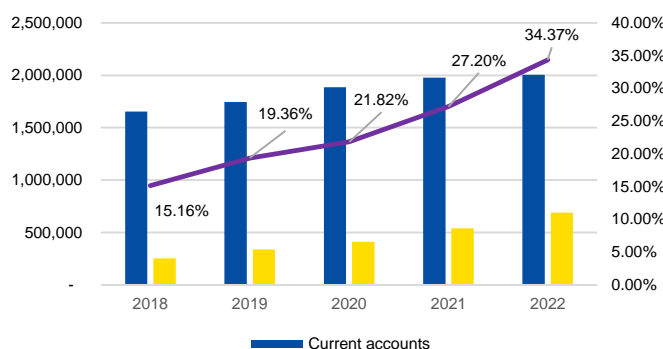
Description of accounts	Total number of client accounts			Accessible from the Internet		
	2020	2021	2022	2020	2021	2022
Client accounts (1+2)	2,292,172	2,384,742	2,371,544	411,346	537,733	688,891
1-Resident accounts (a+b) (%)	98.57%	98.57%	98.50%	98.22%	98.50%	98.29%
A-individual (%)	92.71%	92.97%	91.73%	86.63%	87.98%	89.54%
B-business (%)	7.29%	7.03%	8.27%	13.37%	12.02%	10.46%
2-Non-resident accounts (c+d) (%)	1.43%	1.41%	1.50%	1.78%	1.50%	1.71%
c-Individual (%)	98.79%	98.99%	98.95%	93.66%	97.83%	91.55%
D-business (%)	1.21%	1.01%	1.05%	6.34%	2.17%	8.45%

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

The participation of accounts with Internet access, during the last years, has marked a continuous increase.

Chart 94 shows the participation of accounts with Internet access in the total number of current accounts over the last five years. Based on the statistical data, the development of the infrastructure has continued with an increasing trend, and the rapid trend of increasing the use of electronic payment instruments remains encouraging.

Chart 94. Number of accounts with internet access to total number of current accounts ratio



Source: CBK (2023)

Non-banking financial institutions registered to issue electronic money at the end of 2022 reported 25,554 electronic money accounts, which marks a rapid increase considering that this is only their third year of operation in the market.

Together, these institutions have performed a volume of approximately 300,000 electronic money payments, with a value of approximately 70 million euros.

Table 29. Number of electronic money accounts

Description of accounts	2021	2022
E-money accounts	11,543	25,164

Source: CBK (2023)

Promoting the use of electronic money instruments is also estimated to have an impact on expanding the financial inclusion of citizens by enabling access to payment services (opening an electronic money account/payment account and owning a prepaid card) from categories of the population without access to banking services, such as the categories that are not employed. The performing of electronic transactions is also considered as the main window that can facilitate their access to loans and other financial services.

Table 30. Number and value of electronic money payments

Description	2021	2022
Number	52,779	278,538
Value	29,170,803	69,939,744

Source: CBK (2023)

### 6.2.5. The role of CBK as a catalyst of the payment system

In the framework of its role as a catalyst of the payment system, CBK has continued the reforms for the modernization and expansion of the payment market and has undertaken several activities regarding the development and further reformation of the infrastructure and payment services. In this direction, during 2022, amendments to the regulation on electronic payment instruments were approved through which the requirements of EU Regulation 2015/751 on exchange fees for card payments were adapted. The purpose of these supplements is to limit interchange fees according to EU standards, with the aim of influencing the cost reduction to merchants for accepting card payments to enable a lower cost even for small retail merchants. Also, the new changes require increased transparency regarding the costs applied to merchants by banks that offer the service of accepting card payments, to enable them to compare the services provided by different banks more easily.

In order to address the recommendations of the World Bank mission in Kosovo within the Development Module of the Financial Sector Assessment Program (FSAP), which are related to the system of interbank payments and bank requests, as well as issues identified during the operation of the IPS system since its operationalization in July 2016 in need of additional clarification and regulation, the regulation on the Interbank Payment System has also been supplemented.

Also, in order to collect statistical data on new payment services, which are always developing, such as payments through mobile phone applications, card payments through digital wallets, as well as new forms of payments, the regulation on payment instrument statistics has been supplemented.

These activities were mainly carried out within the framework of the RPP program with the support of World Bank experts, in function of the implementation of the National Strategy for Retail Payments (2021-2026). In implementation of the strategy, CBK within the framework of the RPP program has continued with the drafting of the Law on payment services, through which the three directives of the European Union important for payment services will be transposed into local legislation: Payment Services Directive known as PSD2, Payment Accounts Directive and Electronic Money Institutions Directive. The adaptation of these directives to the local market is estimated to contribute to the promotion of competition in the payment services market, in increasing transparency and security in the services provided by the market and in creating a consolidated framework for consumer protection. Alignment of payment services market regulation practices with European ones is also a fundamental step regarding the integration and implementation of recommendations within the framework of the free movement of capital and membership in the single euro payment scheme known as SEPA (Single Euro Payments Area).

### **6.2.6 Cooperation with other local and international institutions**

During 2022, within the framework of the cooperation in the Project for the Modernization of Payment Systems of the Western Balkan Countries, under the leadership of the Regional Cooperation Council (RCC - Regional Cooperation Council), the necessary consultations regarding the second phase of the project have been developed aimed at support in the regulatory and infrastructural aspects in order to enable fast and efficient cross-border payments between the countries of the Western Balkans and between them and the EU, as well as for the preparation of the countries of the region for membership in the EU payment scheme known as SEPA.

CBK is also engaged in supporting the Treasury, AIS and other relevant actors in the provision and use of payment services. In particular, related to the project for enabling electronic payments through the e-Kosova government services portal. In addition, CBK has organized meetings and maintained continuous communication with payment service providers, including banks and the Banking Association, as well as NBFIs registered for the provision of payment and electronic money services, in order to promote the development of the market of payment systems and services, through the organization of discussions on the latest developments, as well as the necessary updates of the regulatory framework, to increase the efficiency and security of payment systems and services.

### **6.3. Asset Management**

The Central Bank of Kosovo carries out the investment of reserves and the operation of the central depository system (CSD) for the trading of Securities issued by the Republic of Kosovo. Reserve management tasks are specified in the Law on the Central Bank of the Republic of Kosovo, respectively Article 15 of Law No. 03/L-209.



### 6.3.1. Investment Management

The Central Bank manages its reserves in order to achieve the objectives of the Investment Policy approved by the Executive Board, where safety and liquidity of assets are prioritized, before returns from investments.

#### Instruments

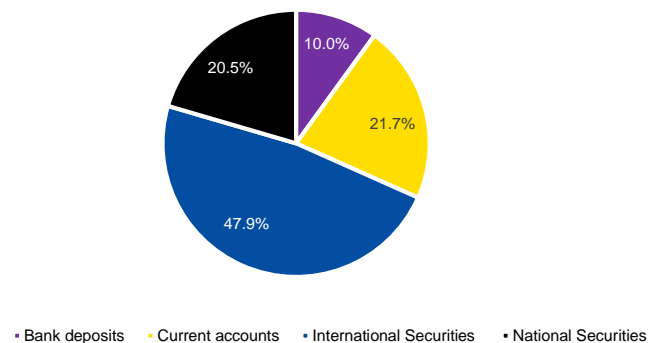
Reserves in the CBK portfolio consist of portfolio instruments that are classified as liquid and investment grade. The liquid categorization of reserves consists of the instruments that are maintained to ensure sufficient funds for making payments and transfers according to the needs of the CBK and its depositors. On the other hand, the investment categorization is fulfilled by safe financial instruments with an investment credit rating that are also easily tradable.

The portfolio of CBK's euro reserves according to instruments is shown in Chart 95 as of December 31, 2022, where we have 47.9 percent of the portfolio in international securities and 20.5 percent of the portfolio in securities issued by the Government of the Republic of Kosovo. In order to ensure the sufficiency of funds for the international transfers of CBK depositors, the funds in the current account are maintained for the short-term liabilities of the CBK, which for the reporting period constitute the level of 21.7 percent of the portfolio. About 10 percent has been placed in bank deposits in order to ensure adequate distribution under short-term instruments.

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

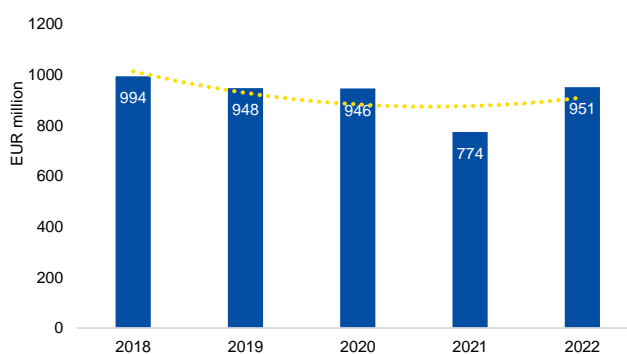
- bank term deposits placed with European banks with adequate investment rating, short-term repurchase agreements placed with local banks or the US Federal Reserve;
- international securities, respectively government, municipal, supranational bonds, government agencies or credit institutions in euros 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.

Chart 95. Portfolio of the CBK reserves (EUR), as of 31 December 2022



Source: CBK (2023)

Chart 96. Ending balance of funds invested by the CBK (EUR million), as of 31 December of the respective year



Source: CBK (2023)

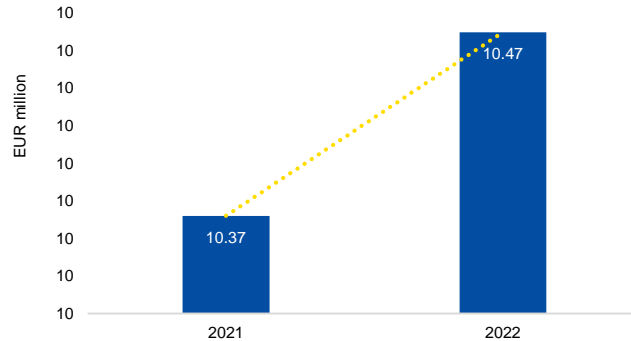
Also, throughout 2022, placements in short-term repurchase agreements (Repo) with commercial banks of the Republic of Kosovo continued as an important instrument of the money market. Through this instrument, CBK provides local banks rapid liquidity in case of need for a period of one to ten days against collateral, respectively securities issued by the Government of the Republic



of Kosovo. This instrument also helps government bonds to be treated as more liquid instruments, providing their holders easy access to financing through collateral.

As in the previous year, during 2022, CBK continued to be part of the credit line provided by the Eurosystem through the Deutsche Bundesbank. Through this credit line, the European Central Bank has provided the Central Bank of the Republic of Kosovo the opportunity to borrow from the Eurosystem's liquidity package against adequate collateral in euros consisting of marketable debt securities issued by the central governments of the euro area and supranational institutions. This credit line addresses the possible liquidity needs of CBK in case of eventual requests, enabling it to borrow up to 100 million euros from the European Central Bank. The credit line will remain in effect until the middle of January 2024, with the possibility of extending the term.

Chart 97. Ending balance of funds invested by the CBK (USD million), as of 31 December of the respective year



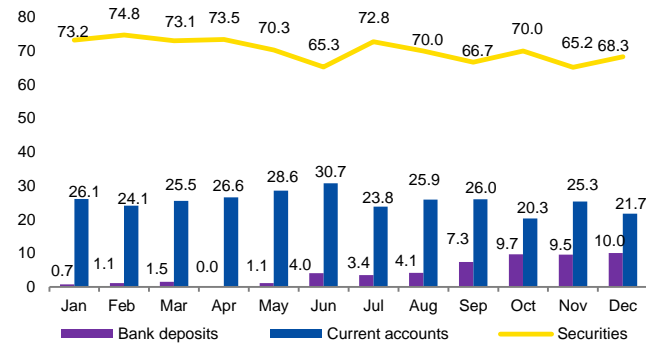
Source: CBK (2023)

**Currencies**

The currency composition of the CBK's reserves portfolio consists of euros and US dollars. As can be seen in chart 96, euro reserves available in the CBK portfolio have increased to 951 million euros in 2022 from 774 million in the previous year, due to the movements of the funds of the CBK depositories.

Approximately 1 percent of the reserve portfolio is kept in U.S. dollars invested in overnight placements at the interest rate quoted in repurchase agreements with the U.S. Federal Reserve and short-term securities issued and paid for by the U.S. Treasury at maturity up to one year within the automatic investment program with the Federal Reserve (Automatic Investment Programme). In 2022 there is no significant change in the level of reserves in USD, with a slight increase from 10.37 million in 2021 to 10.47 million in 2022 as seen in chart 97

Chart 98. Distribution of the CBK portfolio investments in EUR (in percent)



Source: CBK (2023)

that comes as a result of interest accumulation. 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.

**Distribution**

The distribution of investments in the reserve portfolio according to the Investment Policy is carried out in different types of instruments and issuers in order to minimize the concentration risk.

During 2022, the distribution of the portfolio was carried out with a focus on the category of highly liquid, easily convertible assets with a developed market, such as securities - treasury bills and

bonds. Consequently, securities constitute the main instruments with the highest participation in the CBK portfolio as liquid instruments, presented in Chart 98.

In the securities portfolio, special importance is given to geographical distribution, distribution according to issuers and the condition that these securities are recognized as acceptable collateral by the European Central Bank. As in the previous year, the distribution of CBK's portfolio in securities was also dictated by bond prices in the market and the market offer for government, supranational, agency and credit institution bonds issued and paid in Euro.

Due to the negative rates in the Euro-system that have continued until July 2022, we have a higher distribution in current accounts and less in bank deposits. After the increase in rates in July-August, the distribution in bank deposits has gradually increased, simultaneously reducing the level of funds in the current account. The deposit rate in the interbank market in euros is based on the rate set by the European Central Bank for deposits, which during 2022 has varied from -0.5% from January to July and from 0% to around 2% in December 2022<sup>16</sup>.

In 2022, the distribution in securities has remained relatively the same as the previous year, as seen in Chart 99. The main change in the distribution structure of the portfolio can be seen in bank deposits, where this category of assets has increased, as a result of the increase in the deposit rate from the European Central Bank and opportunities for placements in the interbank market. This distribution enables CBK to maintain sufficient liquidity in its portfolio of reserves, while contributing to maintaining the security of the portfolio and realizing the return on investment from this category of assets.

### 6.3.2. Portfolio performance

The instruments in the CBK portfolio have performed well, realizing 6.05 million euros of net income from all investment categories, including the difference between income and expenses from the deposit rates applied to the accounts.

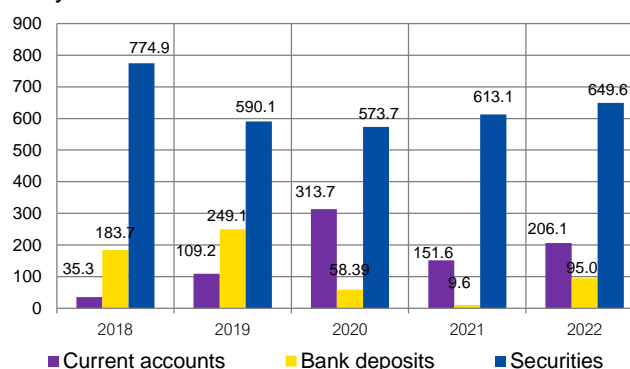
### 6.3.3. Risk Management

The investment of funds is made in securities issued by most credible countries, euro area 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.

The 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.

Chart 99. Distribution of portfolio investment, end of the year



Source: CBK (2023)

<sup>16</sup> [https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/key\\_ecb\\_interest\\_rates/html/index.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html)

**Interest rate risk** - Interest rate risk management by the CBK versus interest rate change limit is completed 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.

Chart 100. Structure of Government securities by maturity

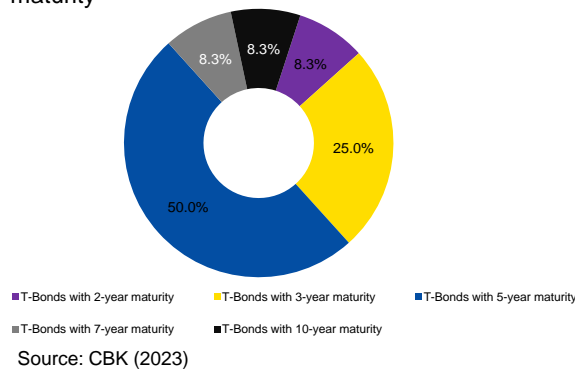
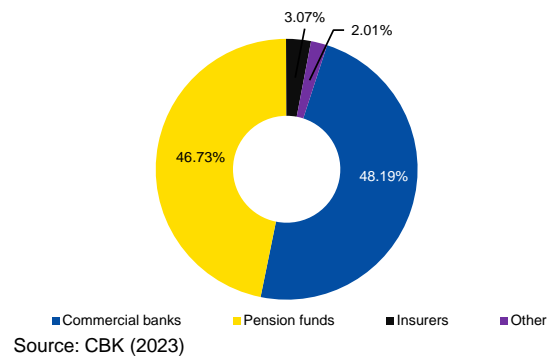


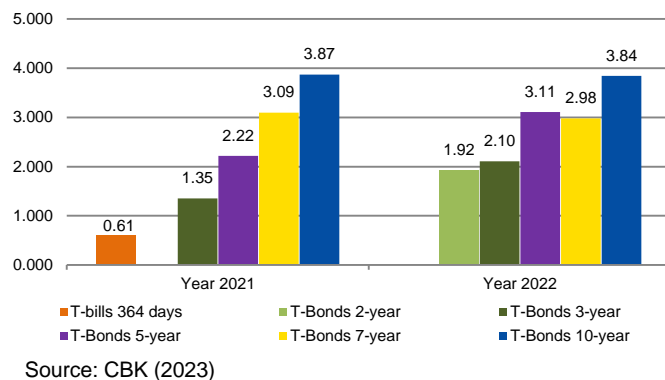
Chart 101. Investment structure at auctions



According to the annual calendar for the issuance of Government Securities and published by the Treasury of Kosovo within the Ministry of Finance, Labor and Transfers, a total of 12 auctions were held during the year for the issuance of government bonds with maturities ranging from two years to ten years.

Chart 100 shows the structure of Securities issued in the primary market of Government Securities during the year, expressed in percentage and according to the maturity period, where we see that almost half of the issues have a maturity period of 5 years. Chart 101 presents the participation in auctions of Government Securities in the primary market divided by investor category<sup>17</sup>.

Chart 102. Annual average interest rate returns for 2021 and 2022

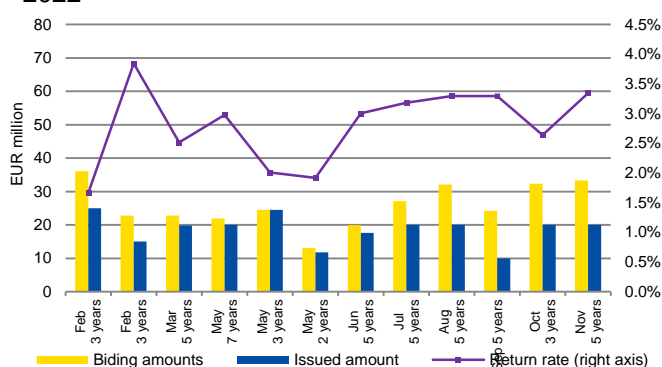


<sup>17</sup>Participants in the primary market of Government Securities are commercial banks, pension funds, insurers as well as legal and natural persons acting through commercial banks.

Chart 102 shows the average annual rates of return on investment broken down by maturity, which remain at an approximate level compared to the previous year, while in Chart 103, all the auctions carried out during the year are presented, where it can be seen that the market's greatest demand was for government bonds with three-year and five-year maturities.

The total volume of sales and repurchase transactions in the secondary market of Government securities during the year resulted in 242.1 million euros compared to the total volume of the previous year of 203.4 million euros, marking an increase of 19.5 percent. Only the volume of purchase and sale transactions<sup>18</sup> of Government securities between participants during the year resulted in 94.8 million euros compared to the previous year's volume of 120.7 million euros, marking a decrease of 21.6 percent.

Chart 103. Auctions of Government Securities in 2022



Source: CBK (2023)

For short-term lending purposes, the total volume of repurchase transactions backed by collateral with Government Securities during the year resulted in 147.3 million euros, compared to the previous year's volume of 82.6 million euros, marking an increase of 78.3 percent.

In order to manage the short-term liquidity of the banking sector as efficiently as possible, the volume of requests of the banking sector with CBK, based on intra-day lending backed by collateral with Government Securities, was a total of 557.1 million euros.

### 6.4 Information Technology

Even during 2022, CBK has continued with the advancement of information technology systems and work processes, giving special focus to increasing information security and services provided.

To guarantee continuity and quality of services that CBK offers to financial and governmental institutions and citizens of the Republic of Kosovo, it has been invested in updating, expanding and advancing the existing information technology capacities, introducing the latest technology equipment.

During this year, a large number of new reporting forms of financial institutions have been developed, with which the CBK, as a supervisory institution, facilitates and improves these institutions' quality supervision. Another important project during this year is the further advancement of the modern electronic platform for Complaints by Users of Financial Services, which allows citizens to submit complaints online, as well as informs complainants about the status of the case until it is closed with a response.

Also, continuous work has been done on the advancement of services and work processes, as well as for development of new projects. As a project serving advancement of internal processes, it is worth mentioning development of the Risk Management System, which allows the internal staff regular reporting of operational risks and various incidents that may occur during the performance of daily tasks. With this system, it is attempted to identify and report potential operational risks in the shortest possible time, in order to take measures to eliminate them, before they have an

<sup>18</sup> Participants in the secondary market of Government Securities were pension funds, commercial banks, natural persons and CBK.

effect on services provided by the Central Bank. Other projects have been developed, which facilitate and advance work within the institution itself.

**6.5. Credit Registry of Kosovo**

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 costs, and generally contributes to financial stability by helping lenders make the right decision, within a short period of time, accurately and objectively.

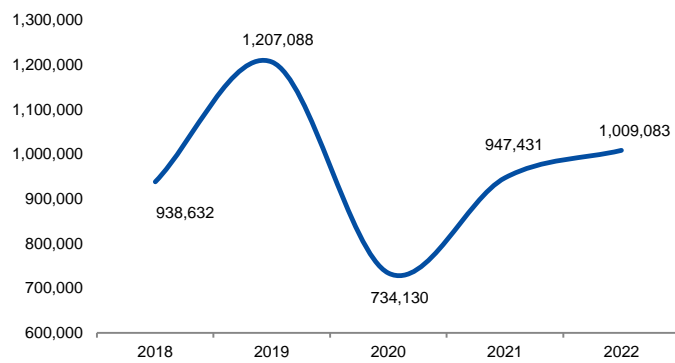
According to the Credit Registry regulation, members of the CRK system are all financial institutions designated by the CBK to be loan providers, including all licensed banks and microfinance institutions as well as nonbank financial institutions and insurance companies licensed to engage in special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

Based on the CRK system data, there are currently 2,130 registered active users of lending institutions dominated by the number of users from banking institutions with 1,571 active users, micro-financial and non-banking institutions with 527 users and insurers with 32 active users of the CRK system. During 2022, the Credit Register registered 493 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.

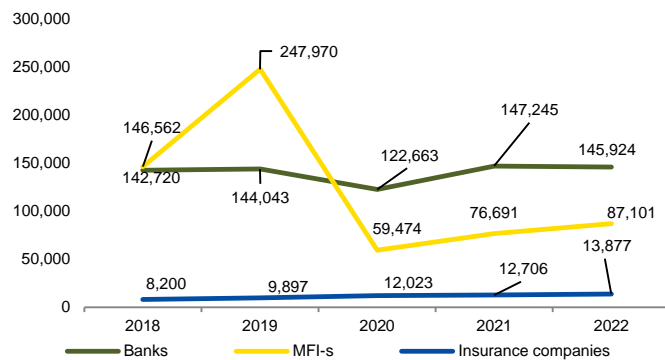
CRK system is an internet -based application and can be accessed directly and in real time by the staff of lending institutions.

Chart 104. Number of surveys in the CRK system



Source: CBK (2023)

Chart 105. Number of approved loans in the CRK system



Source: CBK (2023)

Credit institutions in the CRK system research on credit histories of credit applicants, where according to statistics from the CRK system, the number of inquiries during 2022 reached to 1,009,083 inquiries.

An overview of this activity, on an annual basis, for the years 2018 - 2022 is presented below in chart 104.

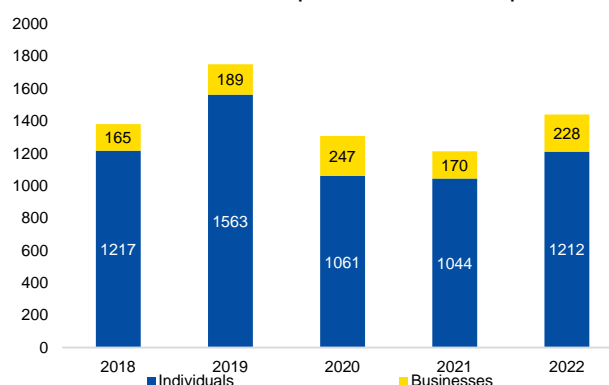
All lenders are required to report to the CRK, on all loan applications and loans granted to their clients in accordance with the terms of the relevant instruction issued by CBK.

Based on the CRK system data, during 2022, 246,902 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 2018-2022 is presented below through Chart 105.

Chart 106 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 2018 - 2022.

Chart 106. 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 others 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 analyses of the performance of high frequency economic and financial indicators, forecasts on key macroeconomic indicators and application of models that address the cyclical, structural and cross-sectoral 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. By identifying and assessing risks that threaten the financial system and its infrastructure, with a perspective of risk-based analysis, the CBK has continued to inform the public on the financial system's situation, 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 models developed for risk assessment, such as the Financial Stability Map model (which analyses developments through eight risk dimensions to financial stability), the Stress-Test model (one of the key tools for identifying current fragilities 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 Countercyclical capital buffer (macroprudential policy model). In 2022, in cooperation with a focused technical assistance from the IMF, the CBK has started a



very important process, to review and advance one of the most important tools that a central bank has to assess the stability of the financial sector - the model of stress test. The model that is expected to be finalized during 2023 will help the CBK's policy-making through increasing the capacities to assess the dimensions of the risks that threaten the overall financial stability in the country. Also, always in function of advancing the work and raising the forecasting and research capacities in the CBK, the process of building the macroeconomic model for the CBK has begun, a model that is expected to be finalized within the year 2023.

One of the most important periodic publications is the Financial Stability Report that reflects the stability of the financial system by analysing general economic trends, together with developments in the activity, performance and stability of all components of the country's financial system. To provide the public with fast access to information on developments in the country's economy, the CBK continued to regularly publish Quarterly Assessments 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 Monthly Information Report on Financial System, 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 particular interest in 2021 and the first quarter of 2022, the CBK has undertaken an important commitment to carry out the study of the Household Indebtedness. In order to provide the most favourable environment for development of financial system and support its stability, the CBK has conducted a second study to assess the indebtedness of borrowers in the financial sector of Kosovo, namely household indebtedness in Kosovo. The findings and recommendations of the study, which mainly had to do with the availability and quality of data, were included in the new draft regulation for the Credit Registry of Kosovo.

### **6.7. Main activities in the field of statistics during 2022**

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. 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 the 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 applicable legislation, the CBK respects the confidentiality regarding the individual data obtained from various reporting entities, which it uses only for the purposes of compiling statistics. The information provided by the reporters are 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 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 2022 has continued with regular compilation and publication of statistics within its scope in accordance with the publication calendar. Monetary and financial statistics included under sectors (central bank, commercial banks, insurance companies, pension funds, other financial intermediaries and financial assistants) as well as external sector statistics (balance of payments, international investment position, external debt) have continue to be published regularly on CBK's website and international organizations. The new statistics module, those of financial accounts, have been completed for the financial sector and the external sector and are regularly published on a quarterly basis on the CBK website. However, there are three other sectors of the economy that are not covered, data sources for which they must be provided in cooperation with other relevant institutions in the country. In this direction, in order to determine the division of institutional responsibilities, as well as the cooperation mechanisms for the preparation of financial accounts, the final stage is the memorandum of cooperation between the CBK, the Kosovo Statistics Agency and the Ministry of Finance, Labor and Transfers of Republic of Kosovo. During 2022, the CBK has continued to further align statistics under its responsibility with European Union standards defined 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 the Balance of Payments and International Investment Position statistics were reported on a quarterly basis to Eurostat, and direct investments statistics and international trade in services statistics were reported on annual basis. With regard to transmission of data to Eurostat, it is worth noting that during 2022, the compilation and validation method was advanced in the case of reporting by implementing the new rules of double validation applied by the validation system in Eurostat. During 2022, through technical assistance from Eurostat, activities were developed for increasing quality of the compilation and distribution of services data within the SP 2.1 International Trade in Services Statistics (ITSS) project. During 2022, as part of the activities of this project, a technical assistance mission from Eurostat and a workshop attended by representatives of the Department of Statistics were carried out. During 2022, the Department of Statistics has focused on the automation of work processes by increasing the efficiency and productivity of daily tasks, especially regarding the acceptance and validation of statistics; reducing manual work; reducing possible errors when receiving reports from reporters and compilers; etc. This automation, has led to almost all reports in the Department of Statistics now being accepted through the system, which enables data validation and allows for improvement prior to acceptance by DS officials. In addition, during 2022, the CBK is committed to improving the quality and consistency of data produced according to standards and methodology recommended by Eurostat and the IMF, updating the methodology published on the CBK website, publishing tables new features on the CBK website, reducing the frequency of publication of statistical indicators, advancing the methods of processing and validating statistical reports, maintaining the "Kosovo's Economy at a glance" page, compiling and publishing penalty interest on commercial and credit transactions, compilation and reporting of financial health indicators, etc.



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

The CBK, during the exercise of its supervisory powers, acting in accordance with Article 67 paragraph 4 of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo, prior to imposing administrative penalties, provides a detailed statement to the entity/person against whom a penalty will be imposed, describing the facts and the law that support the existence of the violation and giving this person the opportunity to provide facts and arguments as to why the punishment should not be imposed against him. In the statement/Preliminary Notice for administrative punitive measures sent by the CBK, legal advice is also given, whereby the subject (financial institution) is informed of the right to submit a request for review in the Review Division of the CBK within 15 calendar days from the day of receipt of this statements. In case the subject (financial institution) supervised by CBK decides to complain, then it sends the request to the relevant division. This division has continuously coordinated with the financial supervision regarding the preliminary notice for administrative punitive measures sent by the CBK to the subject (financial institution), as a preparation, in the event of a request for reconsideration by these institutions.

During 2022, requests for reconsideration were received from two subjects (financial institutions), which were examined carefully and in compliance with the legal framework, and a report was prepared with the relevant recommendations for decision-making. On a continuous basis, the developments in the legal framework have been monitored in order to identify the needs for changing any provision that would be related to the issues of re-examination of requests received by financial institutions.

During the examination of requests, communication was made with the financial institutions that submitted the request for reconsideration and the relevant departments in the CBK, providing the necessary material, possible clarifications and reviewing requests within the legal deadline.

## 7. Internal Developments

### 7.1. Internal audit

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

The CBK legal framework provides a full mandate for the IA to independently develop audit activities in order to provide recommendations to the Central Bank Board, Audit Committee and Management to increase efficiency of internal controls and add value to institution.

Even during 2022, the 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. This Plan was initially discussed and received support from the Audit Committee and the same was approved by Central Bank Board.

The audits and engagements performed during 2022 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, as well as the Annual Plan of the IA.

The IA scope has continued to be oriented towards improvement and advancement of systems/processes that assist the Management in achieving the objectives. Despite the lack of staff, due to the failure to fill vacant positions, the IA through activities/audits performed, in order to improve the internal control systems, and to enhance the value of the departments/divisions and other responsible areas in the Central Bank has given a total of fifty one (51) recommendations.

In accordance with legal requirements, the IA has also prepared the Annual Plan 2023, which was preceded by the preparation of Internal Audit Strategic Plan 2023-2025. In order to fulfil the legal requirements, the Head of Internal Audit at the end of 2022, has submitted the Annual Plan 2023 for discussion to the responsible bodies. This document was initially discussed and received support from the Audit Committee. The same, after the necessary discussions, was approved by Central Bank Board.

The Head of Internal Audit during 2022 continued his regular reporting to Central Bank Board and the Audit Committee. During this year, eight (8) meetings of the Audit Committee were held, where the Head of Internal Audit also participated. In these meetings, among other things, the progress of the Internal Audit activities was discussed, with special emphasis on the process of monitoring the implementation of the recommendations.

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

Activities for continuing professional education of staff have continued during this year, through the participation of IA staff in several trainings and seminars, most of them in a virtual way. The Internal Audit Department is involved in the program for strengthening the capacity of Central Banks in the Western Balkans, with the aim of integration into the European System of Central Banks, a program which is expected to continue to be implemented during 2023.

## 7.2. Human resource

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

Effective human resources 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 professionalism, performance and motivation of employees.

At the end of 2022, the number of employees in the Central Bank of the Republic of Kosovo was 228. 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 54 - 46 percent, while this ratio at the management level is 38.3 - 61.7 percent.

In the general structure of the Central Bank of the Republic of Kosovo, 2 employees or 0.9 percent are with PhD, 94 employees or 41.2 percent with postgraduate education, 109 employees or 47.8 percent with university education, 21 employees or 9.2 percent with secondary education and 2 employees or 0.9 percent with basic education (chart 107.)

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 highest standards, and to achieve their full potential, creating conditions for postgraduate studies and participation in conferences, trainings, courses, seminars, etc.

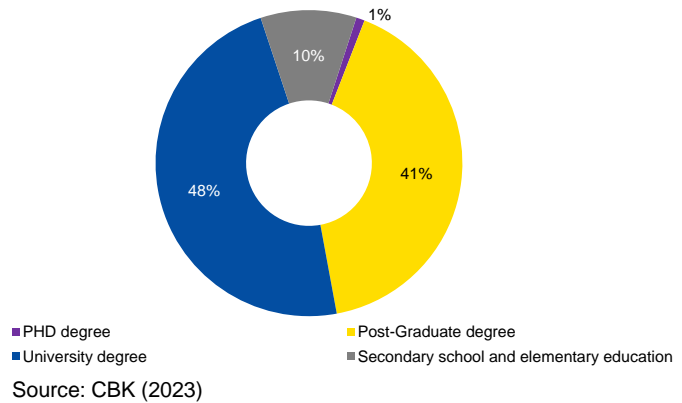
Out of the total number of employees, 140 employees or 61.4 percent of them have participated in vocational trainings that are mainly organized online by the European Central Bank, International Monetary Fund - IMF, Joint Vienna Institute - JVI, Deutsche Bundesbank, Bank of the Netherlands, Bank of Poland, Bank of France, Bank of Italy, Bank of the Czech Republic, Istanbul School of Central Banking, Kosovo Banking Association and "Centre of Excellence in Finance - CEF".

## 7.3. CBK's legal activity

In implementation of the legal objectives, during 2022, the Central Bank of the Republic of Kosovo (CBK) has focused on reviewing and amending/supplementing the legal infrastructure, supervising and regulating the activity of the financial institutions licensed by the latter. Such activity by CBK was undertaken with the aim of drafting an advanced legal framework, in accordance with the relevant directives of the European Union as well as the latest international standards for the regulation and supervision of financial institutions.

In order to harmonize the primary legislation with the legislation of the European Union, as well as international practices and standards, and to implement CBK's objectives for preservation and maintenance of financial stability, the relevant draft laws have been drawn up and their supplementing/amending has been done as follows: Draft Law on Banks and Draft Law on Microfinance Institutions and Non-Banking Financial Institutions, both of these draft laws which

Chart 107. Structure of employees, by education



are in government bodies for further processing. Also, the Law on Compulsory Motor Third Party Liability Insurance is in the process of necessary amendments, and with the assistance of the World Bank, the process of drafting the draft law on payment services, which aims to regulate payment services offered in Kosovo, has also continued in accordance with European Union directives in this field.

In order to implement relevant legal requirements, the CBK's decision-making bodies have reviewed and supplemented secondary legislation for the supervision and regulation of banks and non-banking institutions, the payment service and beneficiaries of pension funds, by approving a series of by-laws, which in advance, prior to their approval, have been subject to review from the legal aspect to ensure compliance with the applicable legal framework. Also, in the framework of duties and responsibilities, the decision-making bodies have issued other decisions for the regulation and stable maintenance of the financial system.

During this year, the decision of the international arbitration was issued, which rejected the claim of "Iute Credit" against the Republic of Kosovo, and which proved the legality of CBK's decisions, as one of the main commitments towards the implementation of tasks to achieve objectives set by law.

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

- Memorandum for the implementation of the placement of stickers (stickers), between the Central Bank, the Ministry of Environment, Spatial Planning and Infrastructure, the Kosovo Insurance Bureau and the Civil Registration Agency. The purpose of this agreement is to reduce unregistered vehicles in the country.

In general, even during this year, the legal activity of CBK has been oriented towards functioning in accordance with regulatory requirements, which has allowed continuation of safe and effective functioning of the financial system in Kosovo.

#### **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 the Law.

Risk management framework and supporting 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 CBK is exposed and manages, such as strategic, operational and financial risks. The processes for risk identification, analysis and assessment are part of the framework, which are followed by risk response and their level is monitored according to the applicable regulatory framework.

The development of the risk management framework at CBK is based on the principles that allow effective and efficient risk management in achieving objectives. The main principles that have provided guidelines for its development are: creation and preservation of values defined in the strategic orientations and implemented in the operational commitments, integration of risk management in governing structures and institutional processes and results obtained from the risk management processes can be used to held decision-making towards informed solutions, prioritizing actions and highlighting possible alternatives in the course of action.

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

The CBK, in accordance with best practices, has adapted the three defence lines model. The first line of defence are organizational units/leaders of processes in charge of risk management that set-up control functions. The risk management function serves as a second line of defence, with the responsibility to monitor adequacy of risk management within a defined scope. The third line of defence is the internal audit function, which performs regular audits of risk management processes and internal control system.

The risk management function has periodically reported to the Executive Board of the CBK about the activities that have served to the advancement of the processes and the general risk profile in the CBK.

For the implementation of CBK's objectives, all CBK's activities operate by effectively managing risk in accordance with the principles and provisions of the Risk Management Policy at CBK. The development of risk management processes in CBK is based on the principles that enable effective and efficient risk management for achieving its objectives. The main principles are: the creation and preservation of values defined in the strategic orientations and implemented in the operational commitments, the integration of risk management in the governance structure and institutional processes and the results obtained from the risk management processes are used to help decision-making towards informed solutions, priority treatment of actions and highlights possible alternatives in the course of actions.

Risk Management System has been developed, which aims to support the processes for identification, evaluation, reporting and monitoring in order to advance the risk management processes in CBK. Risk Management Department has initiated the development of Risk Management System through which the risk management processes are now supported. This project was initiated in compliance with the CBI Information Technology Project Management Rule and the system was developed by the Software Developers Group within the Information Technology Department.

Awareness programs related to risk management have been developed, which programs have been executed periodically. To contribute to raising awareness about incident reporting, development and reporting of key risk indicators and other issues related to risk management, guidelines and procedures that are easily accessible to staff have been developed. During the quarterly reporting periods of self-assessments and risk indicators, meetings were held with all reporting units in order to provide instructions for risk identification and assessment of mitigation controls. Also, after every development and advancement of the processes and supporting instruments, round tables and workshops were organized with the organizational units in order to provide the necessary information for the implementation of the new requirements issued through these acts.

The processes for identification, analysis and assessment of risk which are followed by response to risk and monitoring its level are designed to be at the service of achieving the strategic objectives of the Central Bank by highlighting opportunities and potential risks. In order to achieve this, the link between strategic goals, work processes that help achieve these objectives and risks that may jeopardize their achievement has been made. For each phase of the risk management cycle, procedures, forms and tools have been developed to support the identification, assessment, reporting and monitoring of the level of risk in the institution. Risk Management function has prepared consolidated reports with the results obtained after analyses and assessments using the instruments developed for this purpose. Reports as final products after the execution of risk management processes are standardized and customized for stakeholders.

## 8. External relations and international cooperation

### 8.1. International Relations

The CBK has continued close cooperation with all local and international institutions during 2022 as well.

During 2022, the CBK under the chairmanship of the Governor continued its cooperation with international financial institutions, such as: International Monetary Fund (IMF), World Bank (WB), European Central Bank (ECB), Board of Governors of the US Federal Reserve, European Banking Authority (EBA), United States Agency for International Development (USAID), European Commission (EC), Deutsche Bundesbank, German Federal Supervisory Authorities, Austrian Supervisory Authority, Bank of Turkey, Bank of Slovakia, Bank of Portugal, Bank of Italy, International Finance Corporation (IFC), part of the World Bank, European Agency for Reconstruction and Development, the Council of Green Card Bureaus based in Brussels, with the Office of the European Union/Special Representative of the European Union (EU) in Kosovo, and other institutions.

During this period, the Governor participated in annual meetings of International Monetary Fund and World Bank. The most recent economic, fiscal, and financial developments as well as projections for 2022 were discussed at the annual meetings. Additionally, the implementation of previous technical assistance reports' recommendations as well as indications of interest in additional support were discussed.

Thanks to the many years of cooperation, CBK as host has welcomed the Deputy Managing Director of International Monetary Fund Bo Li. Deputy Managing Director Bo Li congratulated the Governor for maintaining financial stability in this unfavourable economic time and emphasized the importance of using supervisory tools to strengthen the financial sector. Also during his visit to Kosovo, Deputy Director Li reaffirmed the commitment of International Monetary Fund for further support and requested that the independence of Central Bank of the Republic of Kosovo be maintained and preserved.

Also, at the annual meetings of the IMF and World Bank that were held in Washington, USA, the Governor held a meeting with representatives of the Federal Reserve of New York. During the meeting was also discussed the possibility of expanding and advancing cooperation between the two institutions in the field of asset management, as well as participation in training organized by the Federal Reserve of New York. Meanwhile, at the annual meetings of the IMF and the WB, the Governor was received at the offices of the Board of Governors of the US Federal Reserve by the Governor, Lisa DeNell Cook. Always in the spirit of this cooperation, in these meetings was discussed the cooperation up to now with the Federal Reserve, as well as the possibility of further expansion and advancement of cooperation between the two institutions. During 2022, the Governor has hosted a meeting of IMF senior management, whereas in the closing statement after the staff visit to Kosovo on 10 – 20 May, led by the head of International Monetary Fund Mission for Kosovo, Gabriel Di Bella, this institution has valued that the banking sector has so far withstood the shocks, helped by a good regulatory framework. In addition, the International Monetary Fund has highly appreciated the cooperation with the Governor of the Central Bank of the Republic of Kosovo.

In a published article, the IMF has mentioned the technical assistance, through the Financial Sector Stability Review (FSSR) and also, the concluding statement of the Mission under Article IV for 2022 has estimated that the financial sector has withstood the shocks that hit the economy and one of the influencing factors was the policies followed by the CBK. During this period, meetings were also held with senior leaders of the World Bank, where the Vice President for Europe and



Central Asia, Mrs. Anna Bjerde emphasized that World Bank will continue to maintain a high level of cooperation with the CBK, in the implementation of projects whose main purpose is continuous development of the financial sector and economy of Kosovo in general. Meanwhile, in the meetings with the leaders of the European Bank for Reconstruction and Development – EBRD, the governor thanked the representatives of the EBRD for the presentation of the Transition Report 2021/2022, emphasizing also the commitment and the important contribution that the EBRD has continuously given to support Kosovo's institutions and to the economic development of the country in general.

During 2022, the Central Bank of the Republic of Kosovo and the European Bank for Reconstruction and Development organized the workshop with financial institutions about the revised corporate governance regulations and supervisory statements. The Kosovo delegation headed by the Governor met the Managing Director of the Council of Bureaux in Brussels-COB, Mrs. Greet Floré, and informed her about the preparations that the Kosovo Insurance Bureau, together with the Central Bank of the Republic of Kosovo and other institutions of interest, have undertaken so far in relation to the requirements for the COB membership process, and for the readiness to take other steps in this direction. During her visit to Kosovo, the Governor also welcomed the President of the Council of Bureaux, Mrs. Sandra Schwartz, informing her about the actions taken and fulfilment of conditions related to Kosovo's membership in the Green Card

The Governor of the Central Bank of the Republic of Kosovo, during his visit to Istanbul, Turkey, met the Head of the Banking Supervisory and Regulatory Agency of Turkey, Mr. Mehmet Ali Akben. In this meeting, it was discussed about continuation of cooperation in the field of training and further development of CBK staff, participation in supervisory colleges and conducting joint examinations.

The Central Bank was also represented in the regular meetings of the Constituency, which this time were held in Budapest, Hungary, whereby it was negotiated regarding the agreement of the IMF constituency for the next 10 years, in which Kosovo is a part. The results of the negotiations found unanimous support from all members of the constituency, while the members agreed that the composition of this constituency for the next 10 years will continue to be the same with the current members such as Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovakia, Slovenia and Turkey. In this meeting, the member countries also agreed on the division of the positions of representation of these countries in the office of the Executive Director of the constituency, in which case Kosovo was allocated the position of adviser for 4 years.

CBK together with 18 national central banks of the European System of Central Banks (ESCB) has participated in a program financed by the EU whose aim was to strengthen institutional capacities of beneficiary institutions, especially by improving their analytical tools and of policies and transferring best international and European standards to national practices. This program is supported by Deutsche Bundesbank, European Commission and European Central Bank (ECB). In the meeting held in September, support was given to this program for the next 36 months, where CBK will be among the 19 beneficiary banks.

The governor also hosted the Head of European Union Office/Special Representative of the European Union (EU) in Kosovo, Tomáš Szunyog. The Governor informed the Head of the EU Office regarding actions undertaken by CBK in developing and maintaining the stability of the financial system, as well as the regular activities in the field of integration, developed together with the EU institutions. There has also been a good cooperation with the embassies in Kosovo, where meetings were held with the ambassador of Turkey, the ambassador of Australia accredited to Kosovo and the French ambassador in Kosovo, as well as representatives of Israeli businesses. The Central Bank of the Republic of Kosovo and the European Bank for Reconstruction and Development, organized the workshop with financial institutions about the revised corporate

governance regulations and supervisory statements. In this workshop, it was emphasized, as a final conclusion, that CBK is engaged in further advancement of the financial industry in Kosovo, based on the best international practices.

## 8.2. Financial Communication and Education

During 2022, the Central Bank of the Republic of Kosovo remains committed to informing and educating the public about its responsibilities, duties and activities.

During 2022, the CBK informed media in a timely and appropriate manner through publications made on its official website or by publishing and sharing 59 statements and announcements with the media, 153 posts on social media, 203 media questions were addressed, which reflected the work and responsibilities of the CBK, during the performance of its duties. During this period, many videos of CBK activities (conferences, commission reports) and videos of financial education activities have been prepared, which are published on the official CBK YouTube channel.

During 2022, we have also managed communication and publication of materials, researches and reports and announcements on website and sub-site of the CBK; response to journalists' questions; answers to citizens' questions; participation in television shows and debates, radio appearances; press conferences, as well as publications on social networks.

The following activities related to Financial Education were carried out during 2022:

Global Money Week 2022 - was held from March 21 to 25, 2022, where financial education activities for children and young people were held in several cities of Kosovo for different age groups, starting from primary school students, the cycle of low to university students. The week opened with the activity of awarding prizes from the competition announced for the best works with the theme: "Manage your money wisely, build your future!". The activities continued at the "Financial Education Centre" of the Central Bank of the Republic of Kosovo in Prizren, with students of the 6th grades of the "Loyola" primary school, with whom an educational activity was carried out. The activities continued with fourth grade students of the "Emin Duraku" primary school in Shtime. During this week, a lecture was held with the students of "Fehmi Agani" University in Gjakova. The lecture was held with the students of the Faculty of Education, about the role and functions of the Central Bank of the Republic of Kosovo in the economy of Kosovo, about the structure and functioning of the financial sector in Kosovo, as well as other relevant topics.

1 June, International Children's Day was marked with an educational activity at SHFMU "Asim Vokshi", in Prishtina, where about 60 students of the 4th grade participated, with whom an educational and informative activity was carried out about the CBK and the financial sector.

The International Savings Day 2022 was marked with a lecture for the students of the "Hoxhe Kadri Prishtina" – Upper -Secondary School of Economics.

Award for Young Economist - this year the topic of the competition was: The impact of inflation on European and Kosovo Trade.

During this year, educational materials were published, such as:

Study - Remittances a gateway to sustainable development, (in collaboration with the World Bank), as well as brochures:

- Euro coins features and security features,
- Financial stability,
- General conditions of the compulsory Moto Liability Insurance policy - TPL.



Also, in cooperation with the GIZ office in Kosovo, the following brochures have been prepared and published:

- About Migration
- About Remittances
- About sending remittances
- About the Personal Budget Plan
- About business loans, and
- About financial analysis

Other activities carried out during 2022:

Lecture with the students of the University of Prishtina on the role and importance of insurance in the country's economy, Lecture for the youth of the Group for the Balkans, Educational activity with the SOS Children Villages - discussion on basic economic and financial topics.

Financial education activity with students of the primary school "Shaban Jashari" in Skënderaj.

Educational activity with students of the Turkish community of primary schools in Prizren, and other activities carried out during this year.

### **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 2022, cooperation has continued with international institutions such as: International Monetary Fund, World Bank, European Central Bank, US Treasury, European Bank for Reconstruction and Development, the European Fund for Southeast Europe, the State Secretariat for Economic Affairs, as well as the central banks of other countries.

#### **International Monetary Fund (IMF)**

In the framework of continuous support from the IMF, during 2022, CBK has received technical assistance for the following projects:

- Safeguard assessment, which covers the areas and functions of CBK, such as: external audit, internal audit, legal framework, financial reporting and internal controls and
- Review of CBK's investment policy, including: crisis investment, investment allocation and diversification, evaluation of CBK's portfolio performance over the past years, evaluation of technical and operational capacities, evaluation of risk management etc.
- Technical assistance for updating 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 the strategy for maintaining capital levels, as well as 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.

#### **KOS-18/0005- Support for the European integration of Kosovo**

In 2022, CBK 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's institutions to fulfil the requirements of the Stabilization and Association Agreement (SAA) between the European Union (EU) and the Republic of Kosovo. For this purpose, at the central level, Human Capacity Development Facility (HCDF) has been set up to support the implementation of the SAA. In continuation of the KOS-18/0005 project, during 2022, the coordination of the Technical Assistance project with UNOPS "Knowledge for reform actions in the Western Balkans" - funded by the Norwegian Ministry of Foreign Affairs - has begun. The main objective of the project is to provide technical assistance to Western Balkans (WB) countries in the exchange of expertise and knowledge in order to promote European integration reforms. Western Balkan states will be offered expertise in harmonizing legislative framework, strategic and other relevant policy documents in order to align with EU standards and *acquis*.

Also, in the framework of cooperation with other central banks, according to applicable Memorandums of Understanding, the CBK has delivered training in various fields of European integration, as is the case with the Bank of Austria, Turkey and Slovenia. In accordance with the Memorandum of Understanding with the Bank of Turkey, during 2022, trainings in the field of Administration, Finance, and Risk Management were delivered. According to the identified needs, the cooperation is expected to continue in the following years.

#### 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 this year continued to fulfil its obligations within the European integration process. Monitoring of key legislative developments and supervisory practices, i.e. alignment of CBK legislation with ACQUIS, as well as the 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 in 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 of Kosovo (OPM), 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 such as: Ministry of Foreign Affairs; Ministry of Finance, Labor and Transfers; Ministry of Industry, Entrepreneurship and Trade; and the EU Office in Prishtina. During 2022, CBK has continued its commitment to the implementation of EU conclusions.

The CBK has 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 2022, the CBK has also reported within the Economic Reform Programme (ERP), reporting on the conclusions derived from the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey; joint structures within the SAA, respectively the Subcommittee for Internal Market, Competition, Consumer Protection and Public Health as well as the Subcommittee for Economy, Financial Affairs and Statistics.

In addition to joint structures with the European Commission, the CBK has reported on a regular basis under the National Plan for Implementation of the Stabilization and Association Agreement (NPISAA). In this context, the CBK has reported on the constituent chapters of NPISAA, which aim to implement reforms required by the Stabilization and Association Agreement (SAA). The chapters on which CBK has reported are: chapter of financial services and chapter of free

movement of capital. Within the SAA, there are obligations for the Central Bank of Kosovo (CBK) in the field of financial services related to:

- the right to decide and 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 to 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 EU;
- In the field of banks and financial conglomerates: (authorization, 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 labour insurance and pensions: European directives laying down rules regarding authorization, operation and supervision of life and non-life insurance as well as reinsurance of enterprises;
- In the field of securities' market and investment services: Directive 2004/39/EC on markets in financial instruments (MiFID).

In the field of European Integrations, the CBK regularly reported on key developments in the above-mentioned areas. Other chapters in which CBK has continuously contributed are as follows: Chapter on the right of establishment of companies and the freedom of service provision; Chapter on economic and monetary policies; 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 inputs for the European Commission (EC) Report, and in accordance with the deadlines. Inputs are a uniform reporting format for all candidate and potential candidate countries, covering specific developments throughout the year.

Also, in the questionnaire drafted by the European Commission (questionnaire for all areas of political criteria and ACQUIS), the key legal developments were reported for all questions that are within the scope of the CBK.

At the end of 2022, the consolidated draft of NPISAA was prepared, in which the CBK has made a summary of primary legislation and bylaws that are expected to be approved during 2023. The draft of NPISAA for 2023 contains legislation that aims transposition of European directives. In addition, the legislative proposals in NPISAA derive from the requirements of official reports and meetings with members of the European Commission, such as: Country Report; official meetings with high-level delegations with members of the European Commission (within the ERP); meetings in the framework of joint structures within the SAA, etc.

During 2022, the CBK has also reported in the framework of the Common Regional Market Action Plan. Areas reported by the CBK under this action plan are financial services and the development of a modern payment system. At the request of the OPM and in cooperation with the relevant departments, DIEBN has identified all activities in the function of regional cooperation.

The CBK remains committed to addressing the findings of the Country Report (former progress report), as a result there has been a significant number of findings from the 2021 EC Report, which have been addressed to be implemented during 2022. Also, in the findings of the Country Report published on 12 October 2022), in addition to some recommendations that have been identified, the Report has valued 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.

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## 9. Financial Statements

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**Central Bank of the Republic of Kosovo**  
**Financial Statements**  
**as at and for the year ended 31 December 2022**  
**with Independent Auditor's Report**



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## Independent Auditor's Report

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**Grant Thornton LLC**  
Rexhep Mala 18  
10000 Pristina  
Kosovo  
**T** +383 (0)38 247 801  
**F** +383 (0)38 247 802  
**E** Contact@ks.gt.com  
VAT No. 330086000

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

### Opinion

We have audited financial statements of the Central Bank of Republic of Kosovo (the "CBK"), which comprise the statement of financial position as at 31 December 2022, 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 2022, 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  
14 June 2023

  
Suzana Stavrikj  
Statutory auditor



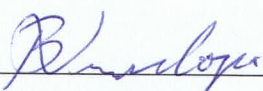
# Central Bank of the Republic of Kosovo

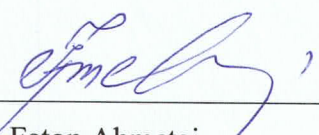
## Statement of financial position

At 31 December 2022

<i>In thousands of EUR</i>	Note	2022	2021
<b>Assets</b>			
Cash on hand	7	409,426	537,818
Current accounts with non-resident banks	8	206,359	151,880
Securities (Treasury Bills and Bonds)	9	666,597	632,602
Money market placements	10	99,950	14,053
Assets related with IMF	11	315,563	323,793
Property and equipment	12	4,199	4,562
Intangible assets	13	1,042	1,341
Other assets	14	2,709	2,187
<b>Total assets</b>		<b>1,705,845</b>	<b>1,668,236</b>
<b>Liabilities</b>			
Due to domestic banks	15	594,281	589,099
Due to IMF related accounts	16	318,736	325,853
Due to governmental institutions	17	585,784	608,362
Due to public and commercial entities	18	131,137	77,392
Borrowings	19	1,938	2,139
Other liabilities	20	2,444	2,418
<b>Total liabilities</b>		<b>1,634,320</b>	<b>1,605,263</b>
<b>Capital and reserves</b>			
Authorized capital	21	30,000	30,000
Reserve fund	21a	31,444	26,857
Revaluation reserve	21a, 29	1,529	-
Total comprehensive income for the year		8,552	6,116
<b>Total capital and reserves</b>		<b>71,525</b>	<b>62,973</b>
<b>Total liabilities, capital and reserves</b>		<b>1,705,845</b>	<b>1,668,236</b>

These financial statements were approved by the decision-making<sup>1</sup> bodies of the Central Bank of the Republic of Kosovo on June 14, 2023 and were signed on their behalf by:

  
Bashkim Nurboja  
*Acting 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 2022

<i>In thousands of EUR</i>	Note	2022	2021
<b>Interest income</b>			
Interest income		8,574	4,142
Interest expense		(2,668)	(1,493)
<b>Net interest income</b>	22	<b>5,906</b>	<b>2,649</b>
<b>Fee and commission income</b>			
Fee and commission income		3,760	3,388
Fee and commission expense		(924)	(577)
<b>Net fee and commission income</b>	23	<b>2,836</b>	<b>2,811</b>
<b>Regulatory and other operating activities income</b>			
Regulatory activity income	24	6,954	6,335
Grant income	20, 25	67	126
Other operating income	26	13	22
Foreign exchange net profit / loss	29	542	536
<b>Operating revenue</b>		<b>16,318</b>	<b>12,479</b>
<b>Operating expenses</b>			
Personnel expenses	27	(5,127)	(4,908)
Depreciation and amortization	12,13	(829)	(1,028)
General and administrative expenses	28	(1,757)	(1,420)
<b>Operating expenses</b>		<b>(7,713)</b>	<b>(7,356)</b>
<b>Financial result before provision for expected credit losses</b>		<b>8,605</b>	<b>5,123</b>
Provisions for expected credit losses, net decrease / (increase)	4	(53)	993
<b>Net profit for the year</b>		<b>8,552</b>	<b>6,116</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>8,552</b>	<b>6,116</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 2022

	Capital	Reserve fund	Revaluation fund	Total comprehensive income for the year	Total
<i>In thousands of EUR</i>					
<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	<b>6,116</b>
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>
<b>Balance at 1 January 2022</b>	<b>30,000</b>	<b>26,857</b>	<b>-</b>	<b>6,116</b>	<b>62,973</b>
Transfer to reserve fund's	-	4,587	1,529	(6,116)	-
<b>Total transactions required by law</b>	<b>-</b>	<b>4,587</b>	<b>1,529</b>	<b>(6,116)</b>	<b>-</b>
Profit for the year	-	-	-	8,552	<b>8,552</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,552</b>	<b>8,552</b>
<b>Balance at 31 December 2022</b>	<b>30,000</b>	<b>31,444</b>	<b>1,529</b>	<b>8,552</b>	<b>71,525</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 2022

<i>In thousands of EUR</i>	Note	2022	2021
<b>Cash flows from operating activities</b>			
Profit for the year		8,552	6,116
<i>Adjustments for:</i>			
Depreciation	12	508	646
Amortization	13	321	382
Grant revenue	25	(67)	(126)
Provisions for expected credit losses	4	53	(993)
Foreign exchange net profit / loss	29	(542)	(536)
Interest income	22	(8,574)	(4,142)
Interest expense	22	2,668	1,493
		<b>2,919</b>	<b>2,840</b>
Change in treasury bills and bonds		(32,633)	(44,478)
Change in money market placements		(74,984)	49,999
Change in assets with IMF		12,507	(45,956)
Change in other assets		(520)	(283)
Change in due to domestic banks		5,182	22,673
Change in due to IMF related accounts		(11,439)	47,002
Change in due to governmental institutions		(22,578)	99,916
Change in due to public and commercial entities		53,745	(61,269)
Change in other liabilities		85	(23)
		<b>(67,716)</b>	<b>70,421</b>
Interest received		6,250	4,758
Interest paid		(1,612)	(1,592)
<b>Net cash generated from/ (used in) operating activities</b>		<b>(63,078)</b>	<b>73,587</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	12	(147)	(320)
Purchase of intangible assets	13	(22)	(43)
<b>Net cash used in investing activities</b>		<b>(169)</b>	<b>(363)</b>
<b>Cash flows from financing activities</b>			
(Repayments) for borrowings	19	(230)	(110)
Proceeds from grants	20	8	28
<b>Net cash used in financing activities</b>		<b>(222)</b>	<b>(82)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(63,469)</b>	<b>73,142</b>
Effect on exchange rate fluctuation (on cash and cash equivalent)		304	457
Cash and cash equivalents at 1 January		703,789	630,190
<b>Cash and cash equivalents at 31 December</b>	30	<b>640,624</b>	<b>703,789</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 2022

(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 2022, the Board of the Central Bank of Kosovo comprised of the following members:

- Flamur Mrasori<sup>3</sup> – Chairman of the Board (non-executive)
- Fehmi Mehmeti<sup>4</sup> – Governor
- Nora Latifi Jashari - Member (non-executive)
- Bashkim Nurboja<sup>5</sup> - Member (non-executive)
- Nexhat Kryeziu (non-executive)

Whereas, on December 31, 2021, the Central Bank Board consisted 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)
- 

As of February 5, 2023, for the Chairman of the Board position, Mr. Bashkim Nurboja has been elected, after the expiration of the mandate of Mr. Mrasori. On March 29, 2023, the CBK Board, based on Article 46 of the Law on the CBK, received the competencies of the Executive Board according to the definitions of this article.

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<sup>2</sup> As of December 31, 2021, was a vacant position for one non-executive member

<sup>3</sup> On February 4, 2023 ends the mandate of Mr. Flamur Mrasori - respectively as Chairman of the Board.

<sup>4</sup> On March 28, 2023 ends the mandate of Mr. Fehmi Mehmeti - respectively as Governor.

<sup>5</sup> Mr. Nurboja is the Chairman of the Board of CBK from February 5, 2023, while from March 29, 2023 he also exercises competencies of Governor according to Article 46 of the Law on CBK.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

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

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### 1. Reporting entity (continued)

Definitions of Article 46 of the Law on CBK:

“Article 46 - Absence or relatively long-term inability to act of the Executive Board: 1. In the event of exceptional circumstances and if all members of the Executive Board are absent or unable to act, the office of Governor shall be taken temporarily by the Chairman of the Central Bank Board. The two (2) most senior, and available, non-executive members of the Central Bank Board will temporarily take over the office of the Deputy Governors.

2. In the event the absence or inability to act of all members of the Executive Board continues for a period of three (3) months, vacancies shall have been deemed to be created and the procedures for appointment in Article 38 of this Law shall apply.

The Executive Board is responsible for the implementation of CBK policies and its operations. The Executive Board on December 31, 2022 consists of the Governor, who is the Chairman, and an Acting Deputy Governor, while on December 31, 2021, the Executive Board consisted of the Governor and one Deputy Governor. During 2022, one of the Deputy Governors resigned, as a result, based on the organizational structure, on December 31, 2022, two positions for members of the Executive Board are vacant.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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.

#### e) Circumstances for performing the Central Bank's operations in 2022

The year 2022 has seen rising inflation in almost all major economies around the world. The rapid rise in inflation is the result of several factors, including fiscal stimulus measures taken in response to the COVID-19 pandemic, the effects of the war in Ukraine, particularly on energy prices, and strong consumer demand for goods and services following the opening of the boundaries and easing of the restrictions imposed during the pandemic.

In addition, after a stable period of low interest rates, interest rates have increased in 2022. This can affect the value of assets, liabilities and net interest expense, and cause impairment losses in the value of financial assets. However, the CBK's financial assets are not directly affected by the increase in interest rates, except when they are modified.

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 we have taken concrete initiatives (the establishment of an advisory body for the Governor and the Executive Board) to address and evaluate events that may affect the economy of Kosovo and, consequently, the activity of our institution, and we have pledged to be very vigilant in this aspect, to follow the events and be prepared for them.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of Euros, unless otherwise stated)

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### 3. Significant accounting policies

#### a) Foreign currency transactions

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

#### b) Interest income and expenses

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all the fees and 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 2022

(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 amortized 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 2022

(in thousands of Euros, unless otherwise stated)

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### 3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

#### v. Offsetting

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

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

#### vi. Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of Euros, unless otherwise stated)

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### 3. Significant accounting policies (continued)

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

##### *vii. Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

##### *viii. Impairment*

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

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

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

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

##### *Measurement of ECL*

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

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of Euros, unless otherwise stated)

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### 3. Significant accounting policies (continued)

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

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

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

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

LGD - Loss given default, we used 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 amortized 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 2022

(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 labor, 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 recognized 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:

	2022	2021
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 recognized 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 2022

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

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

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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 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 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:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements” and “Practice Statement 2”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (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 2024),
- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely)

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 2022

(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 activities and also from the 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 as well as the administration of activities and capital by the CBK. Further qualitative and quantitative disclosures are included throughout these financial statements.

#### *Risk Management Framework*

The Central Bank Board has overall responsibility to oversight the administration of CBK activities (including risk management). CBK management reports regularly through CBK's Executive Board to the Central Bank Board on risk management practices. The Executive Board has the responsibility to identify and assess the risks and draw up plans, so that in case of unexpected events in the future, the continuity of activities and the security of the Central Bank are ensured. CBK management reports regularly (on a quarterly basis) through the Risk Management Department and the CBK Executive Board to the CBK Board on risk management and administration practices. The Executive Board, the Investment Committee and the Risk Management Department are tasked with drafting and monitoring the CBK's risk management and administration policies. These policies are then implemented by the relevant organizational units. These policies are implemented by the respective organizational units.

CBK's risk management and administration policies are established to identify and analyze 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).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued)

#### 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,

##### ii. Exposure towards credit risk

Exposure to credit risk on December 31, 2022 and December 31, 2021, is represented by the carrying value of current accounts with foreign banks, securities (Treasury bills and bonds) and deposits with banks (including resident and non-resident ones). For details on exposure also refer to notes 8, 9 and 10.

The credit rating for the financial instruments that CBK has exposure for the period ending on December 31, 2022 is from AAA to BBB-/ Aaa to Baa3/AAA to BBB-.

The following table presents the carrying values of exposure to credit risk divided by credit rating and expressed as a percentage of the total.

#### Distribution by type and credit rating

Credit Rating (S&P/Moody's/Fitch)	December 31, 2022					
	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/AAA	205,718	54,956	168,864	-	429,538	36.23%
AA+/Aa1/AA+	-	-	61,222	-	61,222	5.16%
AA/Aa2/AA	-	-	59,988	-	59,988	5.06%
AA-/Aa3/AA-	-	-	51,308	-	51,308	4.33%
A+/A1/A+	138	-	52,379	-	52,517	4.43%
A/A2/A	330	-	15,810	-	16,140	1.36%
A-/A3/A-	214	45,050	218,415	-	263,679	22.24%
BBB-/Baa3/BBB-	-	-	38,973	-	38,973	3.29%
N/A (unrated (IFI <sup>6</sup> ))	-	-	-	160,327	160,327	13.52%
N/A (unrated) <sup>7</sup>	-	-	-	51,745	51,745	4.37%
<b>Total</b>	<b>206,400</b>	<b>100,006</b>	<b>666,959</b>	<b>212,072</b>	<b>1,185,437</b>	<b>100.00%</b>

<sup>6</sup> IFI - International financial institutions.

<sup>7</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 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued)

#### Management of credit risk (continued)

#### Distribution by type and credit rating

Credit Rating (S&P/Moody's/Fitch)	December 31, 2021					
	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/AAA	109,931	4,415	113,844	-	228,190	22.36%
AA+/Aa1/AA+	-	-	134,241	-	134,241	13.15%
AA/Aa2/AA	-	-	10,011	-	10,011	0.98%
AA-/Aa3/AA-	-	-	-	-	-	0.00%
A+/A1/A+	441	-	-	-	441	0.04%
A/A2/A	9,944	-	118,191	-	128,135	12.56%
A-/A3/A-	31,596	9,644	216,576	-	257,816	25.26%
BBB-/Baa3/BBB-	-	-	40,107	-	40,107	3.93%
N/A (unrated (IFI))	-	-	-	158,218	158,218	15.50%
N/A (unrated)	-	-	-	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>

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).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

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

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

Definition of the default:

Default criteria should be based on the objective evidence of:

- Debtors, significant financial difficulties
- When it is coming to breach of contractual obligations, in regards to the principal and interest,
- When it 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.

	2022 <sup>8</sup>			2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Current accounts with non-resident banks	206,400	-	-	151,912	-	-
Securities	666,959	-	-	632,970	-	-
Deposit accounts with non-resident banks	100,006	-	-	14,059	-	-
<b>Gross carrying amount</b>	<b>973,365</b>	-	-	<b>798,941</b>	-	-
Loss allowance	(459)	-	-	(406)	-	-
<b>Net Carrying amount</b>	<b>972,906</b>	-	-	<b>798,535</b>	-	-

<sup>8</sup> Neither in 2022 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 2022

(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:

	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2022</b>	<b>406</b>	-	-	<b>406</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	53	-	-	53
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 2022</b>	<b>459</b>	-	-	<b>459</b>
	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>



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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 2022</b>							
<i>Non-derivative assets</i>							
Cash on hand		409,426	409,426	-	-	-	-
Current accounts with non-resident banks	8	206,359	206,359	-	-	-	-
Securities (Bonds and Treasury bills)	9	666,597	-	51,407	140,605	456,480	18,105
Money market placements	10	99,950	14,799	40,069	45,082	-	-
Assets in IMF related accounts	11	229,784	178,039	-	12,936	38,809	-
		<b>1,612,116</b>	<b>808,623</b>	<b>91,476</b>	<b>198,623</b>	<b>495,289</b>	<b>18,105</b>
<i>Non-derivative liabilities</i>							
Due to domestic banks	15	(594,281)	(594,281)	-	-	-	-
Due to IMF related accounts	16	(239,449)	(271)	-	(12,936)	(38,809)	(187,433)
Due to governmental institutions	17	(585,784)	(585,784)	-	-	-	-
Due to public and commercial entities	18	(131,137)	(131,137)	-	-	-	-
Borrowings	19	(1,938)	-	-	(228)	(912)	(798)
Other liabilities	20	(756)	(756)	-	-	-	-
		<b>(1,553,345)</b>	<b>(1,312,229)</b>	<b>-</b>	<b>(13,164)</b>	<b>(39,721)</b>	<b>(188,231)</b>
		<b>58,771</b>	<b>(503,606)</b>	<b>91,476</b>	<b>185,459</b>	<b>455,568</b>	<b>(170,126)</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial Risk Management (continued)

#### c) Liquidity risk (continued)

31 December 2021	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		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)	-	-	-	-
Borrowings	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>

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 2022

(in thousands of EUR, unless otherwise stated)

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### 4. Financial risk management (continued)

#### c) 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 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

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

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

	Note	Net carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
<b>31 December 2022</b>							
Current accounts with non-resident banks	8	206,359	206,359	-	-	-	-
Securities (Bonds and Treasury bills)	9	666,597	-	10,109	34,499	567,624	54,365
Money Market Placements	10	99,950	24,774	30,094	35,090	9,992	-
Assets in IMF related accounts	11	229,784	178,039	-	-	51,745	-
<b>Total</b>		<b>1,202,690</b>	<b>409,172</b>	<b>40,203</b>	<b>69,589</b>	<b>629,361</b>	<b>54,365</b>
Due to domestic banks	15	(594,281)	(594,281)	-	-	-	-
Due to IMF related accounts	16	(239,449)	(271)	-	-	(51,745)	(187,433)
Due to governmental institutions	17	(585,784)	(585,784)	-	-	-	-
Due to public and commercial entities	18	(131,137)	(131,137)	-	-	-	-
Borrowing	19	(1,938)	-	-	-	-	(1,938)
Due to Other liabilities	20	(756)	(756)	-	-	-	-
<b>Total</b>		<b>(1,553,345)</b>	<b>(1,312,229)</b>	<b>-</b>	<b>-</b>	<b>(51,745)</b>	<b>(189,371)</b>
<b>Gap</b>		<b>(350,655)</b>	<b>(903,057)</b>	<b>40,203</b>	<b>69,589</b>	<b>577,616</b>	<b>(135,006)</b>
<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)
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>

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 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

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

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

Management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the CBK's financial assets and liabilities against various standard and nonstandard interest rate scenarios. Standard scenarios that are assessed on a regular basis include a 100-basis point ("bps") parallel fall or rise in all yield curves. An analysis of the CBK's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position) is as follows:

#### 2022

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(3,507)	3,507

#### 2021

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

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

CBK has an exposure to SDR related to its IMF assets and liabilities and to USD related its assets in the current accounts with non-resident banks and investments in dollar securities, which they monitor continuously, which it monitors on an on-going basis. CBK's exposure to foreign currency risk is as follows:

#### 2022

	SDR		USD	
	100 bps Increase	100 bps Decrease	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	51	(51)	(98)	98

#### 2021

	100 bps Increase	100 bps Decrease	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	42	(42)	(92)	92

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

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

31 December 2022	EUR	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total
<b>Assets</b>				
Cash on hand	409,426	-	-	409,426
Current accounts with non-resident banks	206,012	347	-	206,359
Securities (Treasury Bills and Bonds)	661,916	4,681	-	666,597
Money market placements	95,168	4,782	-	99,950
Assets with the IMF related accounts	1,158	-	314,405	315,563
Other assets	2,709	-	-	2,709
<b>Total</b>	<b>1,376,389</b>	<b>9,810</b>	<b>314,405</b>	<b>1,700,604</b>
<b>Liabilities</b>				
Due to domestic banks	594,281	-	-	594,281
Due to IMF related accounts	1,201	-	317,535	318,736
Due to governmental institutions	585,784	-	-	585,784
Due to public and commercial entities	131,137	-	-	131,137
Borrowing	-	-	1,938	1,938
Other liabilities	2,444	-	-	2,444
<b>Total</b>	<b>1,314,847</b>	<b>-</b>	<b>319,473</b>	<b>1,634,320</b>
<b>Net foreign currency position</b>	<b>61,542</b>	<b>9,810</b>	<b>(5,068)</b>	<b>66,284</b>
<b>31 December 2021</b>				
	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
Treasury bills	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>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 4. Financial risk management (continued)

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

CBK mainly carries out operations with Euro, while foreign currencies that CBK deals are mainly “Special Drawing Rights” (“SDRs”) and USD. The exchange rates used for translation on 31 December 2022 and 2021 were as follows:

	2022	2021
	EUR	EUR
1 SDR	1.25291	1.23748
1 USD	0.93756	0.88292

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 periodic reporting program reviewed by the Risk Management and Internal Audit Department. The findings of the evaluations of both the Department for risk management and Internal Audit are discussed with the management of the organizational unit with which they are related, and the same are also submitted and discussed in the Audit Committee and the decision-making bodies of the CBK.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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	2022	2021
<b>Total comprehensive income for the year</b>	<b>8,552</b>	<b>6,116</b>
From which are unrealized revaluation gains (profits) (note 29)	542	1,529
From which are unrealized revaluation losses which were realized in the current year	-	-
<b>Distributable earnings</b>	<b>8,010</b>	<b>4,587</b>

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

	2022	2021
Capital	30,000	30,000
General reserve	31,444	26,857
Distributable earnings	8,010	4,587
<b>Total Capital, general reserve account and distributable earnings</b>	<b>69,454</b>	<b>61,444</b>

#### Total monetary liabilities

	2022	2021
Due to commercial banks	594,281	589,099
Due to government	585,784	608,362
Due to IMF related accounts <sup>9</sup>	187,704	185,225
Due to public and commercial entities	131,137	77,392
Due to borrowings	1,938	2,139
Due to other monetary liabilities	756	756
<b>Total monetary liabilities</b>	<b>1,501,600</b>	<b>1,462,973</b>
<b>Ratio as per article 56, paragraph 1.1.</b>	<b>4.63%</b>	<b>4.20%</b>

<sup>9</sup> Exclude securities account and accruals.



# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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 HPC 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 and other global developments

In the financial statements of 2021 and 2022, the bank's international reserves, consisting of highly rated securities and short-term bank deposits (in the euro currency), have not been materially affected by the global economic slowdown or the worsening of market conditions as a result of the pandemic, inflation and other crises of these years at the global level. Likewise, we do not estimate that it will have an impact in the following year after the reporting year. We expect the same as of upcoming year.

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)]. During the year 2022, there was no significant similar change.

##### 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 2022

(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. All financial assets and liabilities are measured at amortised cost (hold to collect).

31 December	Note	2022		2021	
		Amortized cost	Fair value	Amortized cost	Fair value
Cash on hand	7	409,426	409,426	537,818	537,818
Current accounts with non-resident banks	8	206,359	206,359	151,880	151,880
Securities	9	666,597	645,095	632,602	631,621
Money market placements	10	99,950	99,950	14,053	14,053
Assets related with IMF	11	315,563	315,563	323,793	323,793
Other Assets	14	176	176	129	129
		<b>1,698,071</b>	<b>1,676,569</b>	<b>1,660,275</b>	<b>1,659,294</b>
Due to domestic banks	15	594,281	594,281	589,099	589,099
Due to IMF related accounts	16	318,736	318,736	325,853	325,853
Due to governmental institutions	17	585,784	585,784	608,362	608,362
Due to public and commercial entities	18	131,137	131,137	77,392	77,392
Borrowing	19	1,938	1,938	2,139	2,139
Other liabilities	20	756	756	756	756
		<b>1,632,632</b>	<b>1,632,632</b>	<b>1,603,601</b>	<b>1,603,601</b>

### 7. Cash on hand

Cash on hand is all denominated in EUR

	2022	2021
Cash on hand	409,426	537,818
<b>Total</b>	<b>409,426</b>	<b>537,818</b>

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

These accounts were held at the following banks:

	2022	2021
Deutsche Bundesbank	142,288	64,669
Raiffeisen Zentralbank	330	9,944
Deutsche Bank	214	31,596
Banque Centrale du Luxembourg	63,102	44,985
Commerzbank AG	138	441
Federal Reserve Bank (FED-NY)	328	277
<b>Total carrying amount</b>	<b>206,400</b>	<b>151,912</b>
Impairment for expected credit loss	(41)	(32)
<b>Total net carrying amount</b>	<b>206,359</b>	<b>151,880</b>

Until July 27, 2022, the CBK has paid negative rates for nostro current account balances with correspondent banks (according to certain limits determined by them). From July 27 (referring to the ECB's decision on the change of the base interest rate from July 27, 2022, September 14, November 2, and December 21, 2022) the CBK receive interest from positive rates on nostro current accounts with Deutsche Bundesbank and Banque Centrale du Luxembourg (according to certain limits determined by them). Interest rate for the reporting period is between 1.85% and 2%.

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2022

(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:

	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2022</b>	<b>32</b>	-	-	<b>32</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL charge for the year	9	-	-	9
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 2022</b>	<b>41</b>	-	-	<b>41</b>

	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 charge / (release) for 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>

## 9. Securities (Treasury bills and Bonds)

Both categories that are part of the group are debt securities issued by European Union countries, USA and Kosovo and are measured at amortised cost. 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 2022 (2021: -0.014% to 3.023% p.a.).

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

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

Breakdown of securities by type and by issuing countries:

As per country:

	2022			2021		
	Carrying amount	Impairment for expected credit loss	Net carrying amount	Carrying amount	Impairment for expected credit loss	Net carrying amount
Germany	95,693	(40)	95,653	65,703	(32)	65,671
France	59,988	(28)	59,960	10,011	(16)	9,995
Netherlands	48,956	(18)	48,938	12,122	(4)	12,118
Finland	51,251	(18)	51,233	-	-	-
Slovenia	21,021	(13)	21,008	-	-	-
Luxemburg	13,520	(1)	13,519	87,452	(17)	87,435
Belgium	51,308	(22)	51,286	-	-	-
Denmark	6,014	(1)	6,013	6,027	(3)	6,024
Austria	9,971	(2)	9,969	72,366	(21)	72,345
Ireland	52,379	(4)	52,375	102,229	(11)	102,218
USA	4,681	(1)	4,680	4,414	(1)	4,413
Italy	38,973	(24)	38,949	40,107	(63)	40,044
Poland	15,810	(35)	15,775	15,962	(35)	15,927
Kosovo	197,394	(156)	197,239	216,577	(165)	216,412
<b>Total</b>	<b>666,959</b>	<b>(362)</b>	<b>666,597</b>	<b>632,970</b>	<b>(368)</b>	<b>632,602</b>

As per type:

	2022			2021		
	Carrying amount	Impairment for expected credit loss	Net carrying amount	Carrying amount	Impairment for expected credit loss	Net carrying amount
Treasury bills	24,642	(6)	24,636	4,414	(1)	4,413
Government Bonds	642,317	(356)	641,961	628,556	(367)	628,189
<b>Total</b>	<b>666,959</b>	<b>(362)</b>	<b>666,597</b>	<b>632,970</b>	<b>(368)</b>	<b>632,602</b>

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2022</b>	<b>368</b>	-	-	<b>368</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge for the year	(6)	-	-	(6)
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 2022</b>	<b>362</b>	-	-	<b>362</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2022

(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)

	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>

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	2022					
	Minimum yield	Maximum yield	Average yield	Carrying amount	% of weight in total	Maturity
Germany	0.083606%	1.713005%	0.610513%	95,693	14.35%	2023 - 2025
France	0.856348%	1.350168%	1.110888%	59,988	8.99%	2023 - 2025
Netherlands	0.401329%	2.110753%	1.078297%	48,956	7.34%	2024 - 2026
Finland	0.516549%	1.339458%	0.794837%	51,251	7.68%	2023 - 2025
Slovenia	0.472334%	0.472334%	0.472334%	21,021	3.15%	2025
Luxemburg	0.867848%	1.164139%	1.015994%	13,520	2.03%	2023 - 2025
Belgium	0.220161%	1.927772%	0.925997%	51,308	7.69%	2023 - 2027
Denmark	0.039471%	0.039471%	0.039471%	6,014	0.90%	2023
Austria	0.550091%	0.550091%	0.550091%	9,971	1.49%	2023
Ireland	0.128851%	0.556740%	0.342796%	52,379	7.85%	2023 - 2024
USA	1.017679%	1.017679%	1.017679%	4,681	0.70%	2023
Italy	-0.014030%	0.052825%	0.019397%	38,973	5.84%	2026
Poland	0.057678%	0.072308%	0.066451%	15,810	2.37%	2027 - 2028
Kosovo	0.702013%	3.022899%	1.676068%	197,394	29.60%	2023 - 2028
<b>Total</b>				<b>666,959</b>	<b>100%</b>	

# Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

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

2021

Country	Minimum coupon rate	Maximum coupon rate	Average coupon rate	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
Finland	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-
Luxemburg	0.103429%	0.167596%	0.134248%	87,452	13.82%	2022
Belgium	-	-	-	-	-	-
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
USA	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>	

## 10. Money market placements

Money market placements are composed as follows:

	2022			2021		
	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>						
Deutsche Bank	45,000	(53)	44,947	-	-	-
Banque Centrale De Luxemburg	50,000	(2)	49,998	-	-	-
Federal Reserve Bank (FED-NY)	4,782	(1)	4,781	4,415	(1)	4,414
Banka Kombëtare Tregtare Kosovë	-	-	-	9,644	(5)	9,639
	<b>99,782</b>	<b>(56)</b>	<b>99,726</b>	<b>14,059</b>	<b>(6)</b>	<b>14,053</b>
<b>Interest accrued on term placements</b>						
Deutsche Bank	49	-	49	-	-	-
Banque Centrale De Luxemburg	174	-	174	-	-	-
Federal Reserve Bank (FED-NY)	1	-	1	-	-	-
Banka Kombëtare Tregtare Kosovë	-	-	-	-	-	-
	<b>224</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>100,006</b>	<b>(56)</b>	<b>99,950</b>	<b>14,059</b>	<b>(6)</b>	<b>14,053</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 10. Money market placements (continued)

Active placements in euros on the reporting date are 45 million with Deutsche Bank, 50 million with the Central Bank of Luxembourg. As well as we have a placement of 5 million in USD with FED on the reporting date.

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
<b>ECL as at 1 January 2022</b>	<b>6</b>	-	-	<b>6</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (release) / charge of the year	50	-	-	50
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 2022</b>	<b>56</b>	-	-	<b>56</b>
	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>

Money market placements are in Euro and Dollar, the effective interest rate during 2022 ranges from 0.05% to 4.30% p.a. (2021: -0.60% to 0.25% p.a.) and has an initial maturity of 1 to 367 days (2021: from 1 to 365 days). Deposits have a minimum credit rating of AAA/Aaa/AAA to A-/A3/A-, according to the rating made for 2022 by Standard & Poors / Moody's/Fitch.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 11. Assets related with IMF

	2022	2021
IMF quota	103,491	102,216
SDR Holdings	159,169	158,074
Accrued interest	1,158	144
<b>IMF</b>	<b>263,818</b>	<b>260,434</b>
<b>Government</b>		
Due from the Government for the use of IMF funds (SBA, RFI)	51,745	63,359
<b>Total</b>	<b>315,563</b>	<b>323,793</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 2022 which range from 0.050% to 2.916% p.a. (2021: 0.050% to 0.115% 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 2022 is 41.3 million SDR (or 51.75 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 2022 ranges from 1.050% to 3.916% p.a. (in 2021 from 1.050% to 1.115% 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 (memorandum of understanding) 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/receives 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 2022

(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 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>At 1 January 2022</b>	6,113	2,494	1,804	389	-	10,800
Acquisitions	-	36	107	-	4	147
Transfer from/to	-	-	-	-	-	-
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	(2)	(1)	-	-	(3)
<b>At 31 December 2022</b>	<b>6,113</b>	<b>2,528</b>	<b>1,910</b>	<b>389</b>	<b>4</b>	<b>10,944</b>
<b>Depreciation</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>At 1 January 2022</b>	1,988	2,227	1,671	352	-	6,238
Depreciation of the year	310	117	67	14	-	508
Transfer from/to (adjustment)	-	-	-	-	-	-
Disposals	-	-	(1)	-	-	(1)
<b>At 31 December 2022</b>	<b>2,298</b>	<b>2,344</b>	<b>1,737</b>	<b>366</b>	<b>-</b>	<b>6,745</b>
<b>Carrying amounts</b>						
<b>At 1 January 2021</b>	4,106	424	302	51	5	4,888
<b>At 31 December 2021</b>	4,125	267	133	37	-	4,562
<b>At 31 December 2022</b>	<b>3,815</b>	<b>184</b>	<b>173</b>	<b>23</b>	<b>4</b>	<b>4,199</b>

There are no assets pledged as collateral as at 31 December 2022 (31 December 2021: 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 2022

(in thousands of EUR, unless otherwise stated)

### 13. Intangible assets

Intangible assets are composed as follows:

	Software	Software under development	Total
<b>Cost</b>			
<b>Balance at 1 January 2021</b>	4,658	31	4,689
Correction for prior year	-	(20)	(20)
<b>Balance at 1 January 2021 (restated)</b>	<b>4,658</b>	<b>11</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>3,164</b>	<b>-</b>	<b>3,164</b>
<b>Balance at 1 January 2022</b>	3,164	-	3,164
Acquisitions	22	-	22
Transfers (from)/to	-	-	-
Transfers (from)/to (adjustments)	-	-	-
Disposals/write offs	-	-	-
<b>Balance at 31 December 2022</b>	<b>3,186</b>	<b>-</b>	<b>3,186</b>
<b>Amortization</b>			
<b>Balance at 1 January 2021</b>	2,989	-	2,989
Amortization for the year	382	-	382
Disposals	(1,548)	-	(1,548)
<b>Balance at 31 December 2021</b>	<b>1,823</b>	<b>-</b>	<b>1,823</b>
<b>Balance at 1 January 2022</b>	1,823	-	1,823
Amortization for the year	321	-	321
Disposals/Write offs	-	-	-
<b>Balance at 31 December 2022</b>	<b>2,144</b>	<b>-</b>	<b>2,144</b>
<b>Net carrying amounts</b>			
<b>Balance at 1 January 2021</b>	<b>1,669</b>	<b>31</b>	<b>1,700</b>
<b>Balance at 31 December 2021</b>	<b>1,341</b>	<b>-</b>	<b>1,341</b>
<b>Balance at 31 December 2022</b>	<b>1,042</b>	<b>-</b>	<b>1,042</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:

	2022	2021
Accrued fee income	2,519	2,047
Accounts receivables and prepayments	190	140
<b>Total</b>	<b>2,709</b>	<b>2,187</b>

Accrued (accrual) 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 2022

(in thousands of EUR, unless otherwise stated)

### 15. Due to domestic banks

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

Due to domestic banks	2022	2021
ProCredit Bank Kosovo	37,351	36,713
Raiffeisen Bank Kosovo	55,952	50,313
NLB Prishtina	36,177	35,149
Banka Ekonomike	16,076	13,983
Banka për Biznes	16,965	13,555
Banka Kombëtare Tregtare (Kosovë)	26,237	21,139
Banka Ekonomike Turke (TEB)	31,234	27,763
Komercijalna Banka – Mitrovica branch	4,937	5,039
Turkiye is Bankasi a.s.	4,188	3,250
T.C. Ziraat Bankasi A.S. – Kosovo branch	2,686	2,521
Banka Credins Kosovë	962	440
PriBank sh.a.	123	-
Banka Kreditore e Prishtinës	-	-
<b>Total minimum required reserve</b>	<b>232,888</b>	<b>209,865</b>
<b>Additional amount on the required reserve</b>		
ProCredit Bank Kosovo	42,726	32,074
Raiffeisen Bank Kosovo	15,593	31,007
NLB Prishtina	60,194	51,193
Banka Ekonomike	79,147	64,559
Banka për Biznes	34,924	47,980
Banka Kombëtare Tregtare (Kosovë)	46,876	65,527
Banka Ekonomike Turke (TEB)	35,493	57,410
Komercijalna Banka – Mitrovica branch	4,930	5,051
Turkiye is Bankasi a.s.	18,213	17,120
T.C. Ziraat Bankasi A.S. –Kosova branch	7,908	4,613
Banka Credins Kosovë	4,328	2,687
PriBank sh.a.	11,030	-
Banka Kreditore e Prishtinës	31	13
<b>Total addition on current account</b>	<b>361,393</b>	<b>379,234</b>
<b>Total amount on current account</b>	<b>594,281</b>	<b>589,099</b>

The interest rate applied on December 31, 2022 is 0%, until August 8, 2022 it was -0.70% (-0.70% for December 31, 2021) for deposits above the reserve required. The required reserve is calculated as per rule of required reserve. Banks report on this regards with a specific report to CBK on monthly basis.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 16. Due to IMF related accounts

	2022	2021
IMF Account no. 1	265	262
IMF Account no. 2	6	6
IMF Security Account	129,831	140,483
IMF SDR - Allocation	168,563	166,487
Accrued interest	1,201	145
<b>Total due to IMF</b>	<b>299,866</b>	<b>307,383</b>

#### Due to Government

IMF – Paid proportion of Government quota	18,870	18,470
<b>Total due to Government</b>	<b>18,870</b>	<b>18,470</b>
<b>Total</b>	<b>318,736</b>	<b>325,853</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% - 2.916% p.a. 2022 (2021: 0.050% - 0.115% p.a.).

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(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>2022</b>	<b>2021</b>
Treasury – Ministry of Finance	419,665	423,322
Privatization Agency of Kosovo	165,854	184,737
Interim administration institutions	265	303
<b>Total</b>	<b>585,784</b>	<b>608,362</b>

The effective annual interest rate for current accounts for the year ended on 31 December 2022 is zero (for the year ended on 31 December 2021: zero).

### 18. Due to public and commercial entities

<b>Current accounts</b>	<b>2022</b>	<b>2021</b>
Insurance companies	4,762	4,811
Other public institutions	126,373	72,579
Licensed Pension Funds	-	-
Other	2	2
<b>Total</b>	<b>131,137</b>	<b>77,392</b>

The effective interest for current accounts as at 31 December 2022 and 2021 is zero.

### 19. Borrowings

	<b>2022</b>	<b>2021</b>
<b>Balance at 1 January</b>	<b>2,139</b>	<b>2,154</b>
Repayments for borrowings (installments)	(230)	(110)
Foreign exchange adjustments	29	95
<b>Total</b>	<b>1,938</b>	<b>2,139</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. Both of these two projects are now realized. 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 2022

(in thousands of EUR unless otherwise stated)

<b>20. Other liabilities</b>	<b>2022</b>	<b>2021</b>
Safe custody accounts	756	756
Deferred grants	138	197
Other deferred income	13	15
Provision for litigations	327	261
Sundry creditors	527	574
Employee benefits	683	615
	<b>2,444</b>	<b>2,418</b>

As of 31 December 2022, and 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 2022 and 2021 it has the above balance.

The movement in provisions is as follows:

	<b>2022</b>	<b>2021</b>
Carrying value on January 1st	261	242
Provision expenses for litigations (note 28)	66	20
Release of provisions during the year	-	(1)
	<b>327</b>	<b>261</b>

The movement in deferred grants was as follows:

	<b>Ministry of Finance</b>	<b>World Bank</b>	<b>European Central Bank</b>	<b>Total</b>
Deferred grant at 1 January 2021	78	217	-	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>18</b>	<b>179</b>	<b>-</b>	<b>197</b>
Deferred grant at 1 January 2022	18	179	-	197
Grants received during the year	-	-	8	8
Grants recognized as revenue for the year (note: 25)	(18)	(41)	(8)	(67)
<b>Deferred grant at 31 December 2022</b>	<b>-</b>	<b>138</b>	<b>-</b>	<b>138</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.

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR unless otherwise stated)

### 21. Authorized capital

The CBK statutory fund as at 31 December 2022 and 2021 is 30,000 Euro, pursuant to the Law no. 03/L-209 adopted on 22 July 2010.

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

### 21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve are regulated by article 54 of the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo. The profit of this Law is allocated each year as it is described in Note 4 (f), in accordance with the Articles 54, 55 and 56 of this Law.

### 22. Net interest income

Net interest income is composed as follows:

	2022	2021
<b>Interest income</b>		
From deposit accounts	393	3
From treasury bills and bonds	4,628	2,976
From current accounts	2,756	50
From negative rates in deposits	797	1,113
	<b>8,574</b>	<b>4,142</b>
<b>Interest expense</b>		
On current accounts from non-banking entities	2,079	56
To nostrum accounts with correspondent banks	569	1,341
On term deposits	-	80
From borrowings	20	16
	<b>2,668</b>	<b>1,493</b>
<b>Net interest income</b>	<b>5,906</b>	<b>2,649</b>

CBK until July 27, 2022 has paid negative rates on the balances of nostro current accounts with correspondent banks (according to certain limits determined by them). Until August 8, 2022, CBK calculated and charged -0.70% negative interest to some of its depositors (commercial banks for deposits above the required reserve and Kosova Pension Saving Trust and account balance), the interest rate applied on December 31, 2022 is 0% (-0.70% for December 31, 2021). From July 27 (referring to the ECB's decision on the change of the base interest rate from July 27, 2022, September 14, November 2, and December 21, 2022), CBK has realized interest income on nostro current accounts. As a result, from January 1, 2023, the CBK started to apply a positive rate<sup>10</sup> to all depositors of the CBK, while it applies the same rate to commercial banks up to the minimum reserve requirement.

<sup>10</sup>Interest rate for current accounts 0.15% (effective from January 1, 2023)

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 23. Net fee and commission income

Net fee and commission income are composed as follows:

	2022	2021
<b>Fee income</b>		
From cash deposits	1,352	1,190
From foreign incoming transfers	87	87
From foreign outgoing transfers	445	366
From the inter-bank clearing system	1,686	1,564
From the credit registry system	172	162
Other fees	18	19
	<b>3,760</b>	<b>3,388</b>
<b>Fee expenses</b>		
For cash transportation	873	536
For correspondent bank transactions	51	41
	<b>924</b>	<b>577</b>
<b>Net fee and commission income</b>	<b>2,836</b>	<b>2,811</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.

### 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 the legal authority to regulate them.

	2022	2021
Fee charged to commercial banks	4,574	4,133
Fee charged to insurance companies	2,028	1,818
Fee from non-bank financial institutions	323	355
Fee charged to pension fund institutions	29	29
<b>Total</b>	<b>6,954</b>	<b>6,335</b>

### 25. Grant income

Grant income is composed as follows:

	2022	2021
Treasury – Ministry of Finances (ICU portfolio)	18	60
World Bank	41	38
European Central Bank	8	28
<b>Total</b>	<b>67</b>	<b>126</b>

### 26. Other operating income

	2022	2021
Other income	13	22
<b>Total</b>	<b>13</b>	<b>22</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 2022

(in thousands of EUR, unless otherwise stated)

### 27. Personnel expenses

Personnel expenses are composed as follows:

	2022	2021
Employee benefits		
Wages and salaries	4,007	3,924
Pension contributions (employer)	628	628
Health and life insurance costs	288	282
	<b>4,923</b>	<b>4,834</b>
Other personnel expenses		
Staff training	84	9
Central Bank Board expenses	108	51
Other	12	14
	<b>204</b>	<b>74</b>
<b>Total</b>	<b>5,127</b>	<b>4,908</b>

The number of employees that actively affected the cost disclosed for 2022 is 232 (2021: 233).

### 28. General and administrative expenses

General and administrative expenses are as follows:

	2022	2021
Insurance expenses	582	486
Software maintenance	410	361
Security and guard services	112	112
Repairs and maintenance	110	91
Travel and transportation	101	15
Utilities	89	83
Provision expenses	65	20
Cafeteria expenses	45	44
Other	44	50
Membership in professional organizations **	37	31
Communication expense (telephone, telex and internet)	33	32
Representation expenses *	31	19
Vehicle operating expenses	20	17
Publication and literature expenses	20	10
Technical professional assistance and other external services	15	12
Computer and other consumables expense	15	5
Audit and consulting expense	12	10
Consumable expenses for equipment	7	8
Other representation expenses *	5	7
Stationery	4	7
<b>Total</b>	<b>1,757</b>	<b>1,420</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 2022

(in thousands of EUR, unless otherwise stated)

### 29. Unrealized net profit/loss from foreign exchange fluctuation and ECL

Net unrealized profit from foreign exchange is 542 thousand Euro for the year ended 31 December 2022, (while in 2021: unrealized profit of 536 thousand), and it represents the unrealised foreign exchange gains/losses in relation to foreign exchange differences resulting upon translation of the USD and SDR assets and liabilities to the equivalent amounts in Euro, disclosed in the CBK's books.

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

Note:	31 December 2022		
		Assets	Liabilities
10	USD	10,463	-
11,16	SDR	250,939	254,984

	31 December 2021		
		Assets	Liabilities
10	USD	10,370	-
11,16	SDR	261,538	264,931

The effect of exchange rate variation derives from:

	31 December 2022	31 December 2021
from USD	574	706
from SDR	(32)	(170)
	<b>542</b>	<b>536</b>

Unrealized 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 2022 has been positive and has increased "*total comprehensive income for the year*". If we exclude this effect (respectively the amounts of 542 thousand profit in 2022 and 536 thousand euros as unrealized profit in 2021) as well as the net effect of provisions for expected credit losses for financial instruments, then the operating financial result for 2022 is **8,063 thousand euro** and for 2021 is **4,587 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.

<b>Total unrealized profit/loss (including financial instruments)</b>	<b>2022</b>	<b>2021</b>
From foreign currency position	542	536
From financial instrument position (note 4)	(53)	993
<b>Total revaluation profit/loss</b>	<b>489</b>	<b>1,529</b>

# Central Bank of the Republic of Kosovo

## Notes to the financial statements for the year ended 31 December 2022

(in thousands of EUR, unless otherwise stated)

### 30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2022	2021
Cash on hand	7	409,426	537,818
Current accounts with non-resident banks	8	206,400	151,912
Deposit accounts with non-resident banks with original maturity up to three months	10	24,798	14,059
<b>Total</b>		<b>640,624</b>	<b>703,789</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 2022. The CBK has estimated and recorded a provision disclosed under other liabilities.

#### Other Commitments

Other commitments are composed as follows:

	2022	2021
Contracts for renovation of building	213	-
Equipment contracts	498	-
Applications in process	144	-
<b>Total</b>	<b>855</b>	<b>-</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 2022 was 718 thousand Euro and in 2021 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 2022

(in thousands of EUR, unless otherwise stated)

### 32. Related party transactions

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

	2022	2021
Compensation to Central Bank Board members	82	46
Compensation to Audit Committee	10	-
Compensation to Key Management Personnel	153	158
<b>Total</b>	<b>245</b>	<b>204</b>

### 33. Subsequent events

From March 29, 2023, the CBK Board, based on Article 46 of the Law on the CBK, has taken over the powers of the Executive Board according to the definitions of this article. Until the date of preparation of these Financial Statements, no Executive Board Member has been elected.

Regarding the interest rate, the ECB continues to change the rate (increase) on February 8, 2023 2.50%, March 22, 2023 3.00% and May 10, 2023 3.25%. As a result, interest income increased during this period in 2023.

Except as the above mentioned, no material events subsequent to the date of the statement of financial position have occurred that would require corrections in the financial statements nor events that would require additional disclosures in the financial statements.

## 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	of which:				
	Monetary gold and SDR	Deposits	Securities other than shares	of which:		Claims on central government		Liabilities to central government	Loans							
				IMF Quota	Shares and other equities				Other non-financial 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
2022	3,624.3	4,488.2	160.3	744.8	957.0	103.5	1,695.2	864.0	5,241.8	495.6	1,114.1	618.4	4,746.2	4,695.4	3,061.0	1,634.1

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 nonfinancial 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
2022	5,154.4	3,508.1	164.3	989.5	2,297.0	1,646.3	105.7	183.8	1,350.1	...	2,593.1	2,420.6	172.5	950.6	168.0

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
2022	2,169.7	2,786.4	692.8	741.6	956.5	103.5	616.7	4,244.4	-104.5	513.9	618.4	4,348.9	4,346.5	2,700.8	1,634.1

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								
	Other financial corp.	Public nonfinancial corp.	of which:		Households	Other financial corp.	Public nonfinancial corp.	of which:		Households				
Other nonfinancial corp.			Households	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
2022	4,884.2	3,631.2	123.1	164.3	989.5	2,297.0	1,253.0	181.4	32.0	104.7	927.8	665.4	772.8	89.7

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
2022	1,146.8	1,448.9	160.3	409.4	306.1	469.4	103.5	302.1	169.8	130.1	-355.4	2.7

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	
2022	131.9	131.9	95.0	...	36.1	...	...	...	...	...	71.7	30.0	8.6	-3.7	

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 non-residents	of which:			Minus: Liabilities to non-residents	of which:		Loans			of which:				
		Cash	Deposits	Securities other than shares		Deposits	Loans				Public nonfinancial corp.	Other nonfinancial corp.	House holds		
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
2022	1,022.8	1,337.5	283.4	435.5	487.2	314.7	178.3	134.6	594.0	250.9	4,346.5	4,346.5	...	2,700.8	1,634.4

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 4.2. 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
2022	4,752.3	3,499.3	27.4	128.2	989.5	2,297.0	1,253.0	181.4	32.0	104.7	927.8	665.4	79.2	422.3	701.3	95.3

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/04%20Other%20Depository%20Corporations%20Survey.xls](http://www.bqk-kos.org/repository/docs/time_series/04%20Other%20Depository%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
2022	1,454.6	1,701.9	0.4	1,695.2	247.2	247.2	325.8	34.5	34.5	...	291.3	154.7	133.5	600.1	408.3	360.2

Note: For more detailed information about this table please visit the link: [http://www.bgk-kos.org/repository/docs/time\\_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls](http://www.bgk-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	...
2022	14.3	2,593.1	...	2,420.6	172.5	177.7	133.6	18.2	7.1	18.8	3.7	58.1	54.4	...

Note: For more detailed information about this table please visit the link: [http://www.bgk-kos.org/repository/docs/time\\_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls](http://www.bgk-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
2022	5,467.9	14.1	342.9	29.0	43.1	125.9	137.1	7.9	1,371.9	233.4	1,138.5	3,579.0	3,517.4	61.6	160.0

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
2022	175.1	4.0	...	4.0	...	...	34.9	...	34.9	116.3	115.1	101.6	11.0	2.6	1.2	18.3

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																	
	Financial corporations	of which:			Nonfinancial corporations	of which:						Other domestic corporations	of which:				Non residents	Loans in non-euro currency
		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	
2022	4,347.9	10.8	10.1	0.3	2,688.7	...	2,688.7	418.2	1,163.5	1,106.9	1,632.7	1,632.3	48.6	312.1	1,271.6	2.4	13.3	

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	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	2,344.8	51.2	5.4	45.9	760.9	126.8	634.1	1,532.7	250.6	1,282.1
2022	2,713.6	56.3	4.6	51.7	968.3	157.3	811.0	1,688.9	259.3	1,429.6

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>									
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
2022	1.7	1.1	0.6	0.4	1.5	1.6	2.0	0.0	0.1
<b>Non-financial corporations</b>									
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
2022	1.8	1.5	1.2	0.9	1.9	1.8	1.7	0.0	0.1
<b>Households</b>									
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
2022	1.5	0.8	0.5	0.4	1.3	1.5	2.0	0.0	0.1

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>											
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
2022	6.0	6.3	4.9	2.8	6.1	8.1	6.0	6.0	6.5	6.9	5.7
<b>Non-financial corporations</b>											
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
2022	6.1	.	.	2.8	6.1	8.1	6.0	6.0	6.6	6.9	5.7
<b>Households</b>											
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	.
2022	5.9	6.3	4.9	2.6	8.1	9.6	.	.	5.7	.	.

Note: For more detailed information about this table please visit the link: [http://www.bkg-kos.org/repository/docs/time\\_series/13%20ODC%20Effective%20interest%20rates%20on%20loans.xls](http://www.bkg-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	-632.5	-694.7	-3,567.0	1,034.8	151.4	1,686.1	62.2	-362.6	-320.4	283.6	-488.3	168.9	269.9
2022	-871.9	-910.4	-4,275.1	1,388.4	94.6	1,881.6	38.5	-661.3	-596.8	135.6	-267.7	67.6	210.6

Note: For more detailed information about this table please visit the link: [26 Balance of payments - main components.xls \(live.com\)](#)

## 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	-472.2	-2,573.2	391.6	164.0	1,545.4	3,363.3	475.1	994.9	290.2	1,603.1	3,835.5	3,048.3	603.3	126.2	57.8
2021	-694.7	-3,567.0	1,034.8	151.4	1,686.1	4,712.8	752.7	1,906.0	295.6	1,758.5	5,407.5	4,319.7	871.1	144.2	72.4
2022	-910.4	-4,275.1	1,388.4	94.6	1,881.6	5,768.7	930.9	2,518.9	353.2	1,965.8	6,679.1	5,206.0	1,130.5	258.5	84.1

Note: For more detailed information about this table please visit the link: [26a Current account.xls \(live.com\)](#)



### 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	164.0	262.4	-94.6	-3.8	290.2	274.1	13.7	2.5	126.2	11.7	108.3	6.2
2021	151.4	263.4	-110.4	-1.7	295.6	279.9	12.6	3.1	144.2	16.5	123.0	4.7
2022	94.6	286.5	-192.3	0.3	353.2	314.9	35.6	2.7	258.6	28.4	227.8	2.3

Note: For more detailed information about this table please visit the link: [28 Primary Income.xls \(live.com\)](#)

### 7.3.2 Secondary income

(EUR million)

Description	Secondary income			Credit			Debit		
	Government	Financial corporations, non-financial 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	1,545.4	276.6	1,268.7	1,603.1	276.6	1,326.5	57.8	-	57.8
2021	1,686.1	233.6	1,452.5	1,758.5	233.6	1,524.9	72.4	-	72.4
2022	1,881.6	295.8	1,585.8	1,965.8	295.8	1,670.0	84.1	-	84.1

Note: For more detailed information about this table please visit the link: [29 Secondary Income.xls \(live.com\)](#)

## 7.4. Remittances - by countries

(In percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Denmark	Finland	Netherlands	Slovenia	Other
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
2022 Q1	40.0	18.5	4.7	5.1	2.9	8.0	2.5	3.7	1.8	1.4	2.1	0.3	1.1	0.6	0.8	6.6
Q2	38.9	17.9	4.5	5.4	3.0	8.4	2.4	3.8	2.1	1.6	2.1	0.3	1.0	0.6	0.8	7.2
Q3	41.2	20.2	5.0	5.6	2.7	9.1	2.6	4.0	2.2	1.7	2.0	0.3	1.2	0.7	1.1	0.4
Q4	41.5	20.7	4.9	5.3	3.5	8.3	2.0	4.2	1.8	1.5	2.2	0.3	1.1	0.9	1.0	0.6

Note: For more detailed information about this table please visit the link: [32 Remittances-by country.xls \(live.com\)](https://www.cbk.pl/32-Remittances-by-country.xls)

## 8.1. Direct Investments – by geographic criteria

(EUR million: as of 31 December 2022)

Country	Total incoming direct investments			Total outgoing direct investments		
		Equity	Other capital transactions		Equity	Other capital transactions
<b>European Union</b>	2,095.9	1,757.6	338.3	210.8	191.8	19.0
AT Austria	329.3	303.4	25.9	13.3	12.1	1.2
BE Belgium	70.8	62.8	8.0	6.7	6.5	0.2
BG Bulgaria	38.7	8.3	30.4	0.9	0.9	0.0
CY Cyprus	15.6	4.1	11.5	19.7	19.7	0.1
FR France	56.1	52.2	3.9	9.2	9.1	0.0
DE Germany	897.6	824.8	72.8	85.2	79.8	5.4
GR Greece	6.8	5.5	1.4	3.4	3.4	0.0
HR Croatia	12.5	13.5	-1.0	18.2	14.6	3.7
IT Italy	74.1	61.7	12.4	11.9	11.8	0.1
NL Netherlands	88.5	46.7	41.8	12.8	4.8	8.0
RO Rumania	0.3	1.9	-1.6	0.6	0.6	0.0
SI Slovenia	238.9	182.8	56.1	14.3	14.1	0.2
SE Sweden	99.5	99.1	0.5	4.5	4.5	0.0
Other EU countries	167.1	91.0	76.1	10.1	9.9	0.2
<b>Other European Countries</b>	1,872.9	1,539.2	333.7	488.5	452.0	36.5
AL Albania	339.5	212.5	127.0	268.9	246.1	22.8
MK Macedonia	25.5	17.9	7.6	38.5	33.0	5.5
ME Montenegro	19.0	11.0	8.0	53.2	49.0	4.2
NO Norway	53.5	52.3	1.3	3.6	3.6	0.0
RS Serbia	21.6	19.3	2.3	14.5	14.5	0.0
GB Great Britain	134.4	123.5	10.9	16.0	15.9	0.1
CH Switzerland	800.5	714.6	85.9	37.1	36.4	0.6
TR Turkey	453.8	367.8	86.0	29.2	26.1	3.1
Other European countries	25.0	20.3	4.7	27.4	27.3	0.0
<b>Other Countries</b>	505.7	428.7	77.0	53.4	51.7	2.1
US United States	383.6	321.7	61.9	41.4	39.3	2.0
AE United Arab Emirates	20.1	20.0	0.1	2.8	2.8	0.0
Other countries	101.9	86.9	15.0	9.2	9.6	0.1
<b>Other Countries (not allocated)</b>	933.3	931.1	2.2	0.0	0.0	0.0
ZZ Not specified	933.3	931.1	2.2	...	0.0	.
<b>Total</b>	<b>5,407.8</b>	<b>4,656.6</b>	<b>751.2</b>	<b>752.7</b>	<b>695.5</b>	<b>57.6</b>

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/tiime\\_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls](http://www.bqk-kos.org/repository/docs/tiime_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 2022)

Description	Equity and investment fund shares	Total Debt Instruments		Total
		Long-term Debt Instruments	Short-term Debt Instruments	
AE Arab Emirates	-	-	-	-
AL Albania	-	16.1	16.1	16.1
AT Austria	-	61.7	48.2	61.7
BE Belgium	-	26.4	9.9	26.4
BR Brazil	-	-	-	-
CH Switzerland	-	6.4	5.4	6.4
CI Ivory Coast	-	1.5	1.5	1.5
DE Germany	0.1	97.1	82.1	97.2
DK Denmark	-	-	-	-
EG Egypt	-	6.8	6.8	6.8
FR France	382.3	63.8	58.3	446.1
GB Great Britain	30.1	1.2	1.2	31.3
GR Greece	-	2.5	2.5	2.5
JP Japan	-	1.7	1.7	1.7
IE Ireland	333.4	8.5	8.5	341.9
LU Luxembourg	506.2	14.7	14.7	520.9
ME Montenegro	-	5.7	5.7	5.7
MX Mexico	-	2.2	2.2	2.2
NG Nigeria	-	-	-	-
NL Netherlands	-	8.4	8.4	8.4
PL Poland	-	5.9	5.9	5.9
RO Romania	-	6.5	6.5	6.5
SE Sweden	-	-	-	-
SI Slovenia	-	3.5	3.5	3.5
SK Slovakia	-	4.7	4.7	4.7
SN Senegal	-	3.3	3.3	3.3
TG Togo	-	1.4	1.4	1.4
TN Tunisia	-	1.0	1.0	1.0
TR Turkey	-	50.4	50.4	50.4
US United States	442.5	44.4	37.1	486.9
UA Ukraine	-	8.4	8.4	8.4
UZ Uzbekistan	-	8.3	8.3	8.3
ZA South Africa	-	9.4	9.4	9.4
ZZ Other	-	93.1	76.1	93.1
<b>Total value of investments</b>	<b>1,694.7</b>	<b>564.8</b>	<b>489.1</b>	<b>2,259.5</b>

Note: For more detailed information about this table please visit the link:

[http://www.bqkos.org/repository/docs/time\\_series/34f%20Portfolio%20Investments%20Position.xls](http://www.bqkos.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	-94.6	4,837.9	304.5	1,904.8	1,945.2	683.4	4,932.6	3,518.9	0.0	1,413.6
2018	-395.5	4,766.2	348.4	1,613.3	2,035.2	769.3	5,161.7	3,691.5	0.0	1,470.1
2019	-394.2	5,163.3	415.2	1,829.3	2,055.1	863.7	5,557.5	3,968.8	0.0	1,588.7
2020	-814.9	5,315.6	477.2	1,779.2	2,158.4	900.8	6,130.5	4,229.4	0.0	1,901.1
2021	-912.5	6,082.2	579.1	2,260.8	2,142.3	1,100.1	6,995.0	4,655.7	6.4	2,340.2
2022	-1,612.8	6,470.4	753.2	2,259.5	2,281.8	1,175.8	8,083.1	5,407.8	6.4	2,669.0

Note: For more detailed information about this table please visit the link [Y:\03\\_Statistics\05\\_Time Series\34b International Investments Position.xls](#)

## 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	-1,204.7	2,690.6	4,164.2
2017	-94.6	1,102.5	1,168.4	65.9	429.7	710.1	280.3	-422.2	0.0	422.2	-1,501.6	2,959.5	4,412.2
2018	-395.5	1,096.3	1,163.7	67.4	426.2	691.9	265.6	-416.4	0.0	416.4	-1,625.7	2,910.6	4,780.7
2019	-394.2	1,072.5	1,141.8	69.3	568.1	866.5	298.4	-409.1	0.0	409.1	-2,138.5	3,155.0	5,187.9
2020	-814.9	1,083.6	1,149.5	65.9	765.8	1,116.8	350.9	-525.8	0.0	525.8	-2,191.4	3,049.4	5,874.0
2021	-912.5	1,126.2	1,293.1	166.9	735.3	1,106.6	371.3	-576.4	0.0	576.4	-1,204.7	3,682.5	4,164.2
2022	-1,612.8	1,200.5	1,370.6	170.0	901.2	1,337.6	436.4	-647.6	0.0	647.6	-3,066.9	3,762.2	6,829.1

Note: For more detailed information about this table please visit the link [Y:\03\\_Statistics\05\\_Time Series\34c International Investment Position - by sectors.xls](#)

### 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	-94.6	4,837.9	1,762.3	279.3	1,483.0	3,075.6	25.2	421.8	1,945.2	683.4
2018	-395.5	4,766.2	1,546.6	314.8	1,231.8	3,219.5	33.6	381.5	2,035.2	769.3
2019	-394.2	5,163.3	1,864.5	379.2	1,485.3	3,298.8	35.9	344.0	2,055.1	863.7
2020	-814.9	5,315.6	1,787.0	429.3	1,357.7	3,528.7	47.9	421.5	2,158.4	900.8
2021	-912.5	6,082.2	2,346.0	531.1	1,815.0	3,736.2	48.0	445.8	2,142.3	1,100.1
2022	-1,612.8	6,470.4	2,390.3	695.5	1,694.8	4,080.0	57.6	564.7	2,281.8	1,175.8

Note: For more detailed information about this table please visit the link: [Y:\03\\_Statistics\05\\_Time Series\34e IIP Assets and Liabilities.xls](#)

### 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	-94.6	4,932.6	2,848.2	2,848.2	0.0	2,084.4	670.7	0.0	1,413.6
2018	-395.5	5,161.7	3,138.4	3,138.4	0.0	2,023.2	553.1	0.0	1,470.1
2019	-394.2	5,557.5	3,371.0	3,371.0	0.0	2,186.5	597.8	0.0	1,588.7
2020	-814.9	6,130.5	3,626.0	3,626.0	...	2,504.5	603.4	...	1,901.1
2021	-912.5	6,995.0	4,038.2	4,038.2	...	2,964.0	617.5	6.4	2,340.2
2022	-1,612.8	8,083.1	4,656.6	4,656.6	0.0	3,426.5	751.2	6.4	2,669.0

Note: For more detailed information about this table please visit the link: [Y:\03\\_Statistics\05\\_Time Series\34e IIP Assets and Liabilities.xls](#)

## 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	2,083.2	494.0	422.2	-	422.2	65.9	0.1	65.8	6.0	-	6.0	1,589.2	280.3	280.3	-	638.1	416.6	221.5	670.7
2018	2,021.9	493.9	416.4	-	416.4	67.4	0.1	67.2	10.0	-	10.0	1,537.3	265.6	217.5	48.1	709.3	480.8	228.4	553.1
2019	2,184.8	488.4	409.1	-	409.1	69.3	0.4	69.0	10.0	-	10.0	1,701.7	298.4	206.8	91.6	800.2	536.3	263.9	597.8
2020	2,502.4	601.1	525.8	0.0	525.8	65.9	0.1	65.8	9.4	0.0	9.4	1,901.3	350.9	258.1	92.8	946.9	525.5	421.4	603.4
2021	2,955.8	756.4	582.8	0.0	582.8	166.9	0.3	166.6	6.6	0.0	6.6	2,206.3	371.3	289.9	81.4	1,217.4	684.0	533.5	617.5
2022	3,423.6	823.2	647.6	0.0	647.6	170.0	0.3	169.8	5.6	0.0	5.6	2,600.4	436.4	391.2	45.2	1,412.8	786.2	626.6	751.2

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34i%20Gross%20External%20Debt%20Position.xls](http://www.bqk-kos.org/repository/docs/time_series/34i%20Gross%20External%20Debt%20Position.xls)

## 11.2. Public sector external debt service payment schedule

(EUR million: as of 31 December 2022)

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	58.0	-	10.1	14.6	17.9	15.5	69.5	34.2	35.3	54.2	47.1	39.0	160.5	171.8	243.8
Principal	52.5	-	7.74	14.1	15.6	15.1	65.2	31.9	33.3	51.2	44.6	37.04	156.8	171.8	243.8
Interest	5.6	-	2.4	0.5	2.3	0.4	4.3	2.3	1.9	2.9	2.4	1.9	3.75	-	-
External debt of private sector guaranteed by the Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	58.0	-	10.1	14.6	17.9	15.5	69.5	34.2	35.3	54.2	47.1	39.0	160.5	171.8	243.8
Principal	52.5	-	7.74	14.1	15.6	15.1	65.2	31.9	33.3	51.2	44.6	37.04	156.8	171.8	243.8
Interest	5.6	-	2.4	0.5	2.3	0.4	4.3	2.3	1.9	2.9	2.4	1.9	3.75	-	-

Note: For more detailed information about this table please visit the link: [http://www.bqk-kos.org/repository/docs/time\\_series/34i%20Public%20Sector%20Debt%20Service%20Payment.xls](http://www.bqk-kos.org/repository/docs/time_series/34i%20Public%20Sector%20Debt%20Service%20Payment.xls)

### 11.3. Gross External Debt – By Creditors

(EUR million: as of 31 December 2022)

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	221.2	221.2	51.4	169.8	-	-	-
World Bank	320.2	320.2	320.2	-	-	-	-
IBRD	101.6	101.6	101.6	-	-	-	-
IDA	218.5	218.5	218.5	-	-	-	-
BE 3/	100.0	100.0	100.0	-	-	-	-
KFW 4/	23.4	23.4	23.4	-	-	-	-
BZhKE 5/	45.8	45.8	45.8	-	-	-	-
Other creditors	2,713.0	1,961.8	106.8	0.3	436.4	1,418.4	751.2
<b>Total Debt</b>	<b>3,423.6</b>	<b>2,672.4</b>	<b>647.6</b>	<b>170.0</b>	<b>436.4</b>	<b>1,418.4</b>	<b>751.2</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 2022)

Description	Gross external debt (1)	External assets in debt instrument (2)	Gross external debt (3) = (1)-(2)
General Government	647.6	0.0	647.6
Short-term	-	-	-
Long-term	647.6	0.0	647.6
Special Drawing Rights (SDRs) allocations	-	-	-
Currency and deposit	-	-	-
Debt securities	6.4	0.0	6.4
Loans	641.2	0.0	641.2
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Central Bank	170.0	1,370.6	-1,200.5
Short-term	0.3	720.4	-720.1
Currency and deposit	0.3	715.7	-715.5
Debt securities	-	4.7	-4.7
Loans	-	-	-
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Long-term	169.8	650.1	-480.4
Special Drawing Rights (SDRs) allocations	169.8	185.5	-15.7
Currency and deposit	-	-	-
Debt securities	-	464.7	-464.7
Loans	-	-	-
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Depository corporations except the Central Bank	436.4	1,337.6	-901.2
Short-term	391.2	934.9	-543.7
Currency and deposit	300.1	718.9	-418.8
Debt securities	-	84.5	-84.5
Loans	89.4	117.7	-28.2
Trade credits and advances	-	-	-
Other debt instruments	1.7	13.9	-12.2
Long-term	45.2	402.7	-357.5
Other sectors	1,418.4	1,314.2	104.2
Short-term	786.2	1,280.6	-494.5
Currency and deposit	-	1,250.5	-1,250.5
Debt securities	-	-	-
Loans	343.4	13.5	329.9
Trade credits and advances	442.7	13.3	429.4
Other debt instruments	-	3.3	-3.3
Long-term of which:	632.2	33.6	598.6
Currency and deposit	-	-	-
Debt securities	-	0.4	-0.4
Loans	632.2	33.1	599.1
Direct investments: Intercompany lending	751.2	57.6	693.5
Debt liabilities of direct investment enterprises to direct investors	0.1	16.4	-16.3
Debt liabilities of direct investors to direct investments enterprises	735.8	40.1	695.7
Debt liabilities to fellow enterprises	15.3	1.1	14.2
NET external debt (3)	3,423.6	4,080.0	-656.4

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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33 Garibaldi Street, 10000 Prishtina  
Republic of Kosovo  
Tel: +383 38 222 055; Fax: +383 38 243 763  
Web: [www.bqk-kos.org](http://www.bqk-kos.org)