



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

Annual Report 2023

P R I S H T I N A , J U N E 2 0 2 4

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

Annual Report 2023

This page is intentionally left blank

CONTENT

Speech of the Chairperson of the Board of the Central Bank.....	13
Introductory remarks of the Governor.....	15
Central Bank Board and Executive Board.....	17
Organizational structure of the CBK, December 31, 2023.....	21
1. Executive summary	23
2. External economic environment	25
2.1. The euro area and the global economy	25
2.2. Western Balkans.....	27
3. The economy of Kosovo.....	28
3.1. Real sector	28
3.2. Fiscal sector	32
3.3. External sector	33
3.4. Financial sector	35
4. Licensing and regulation of the financial system	54
4.1. Licensing	54
4.2. Regulation	60
5. Supervision of the financial system	68
6. Services provided to authorities, the financial community and the public.....	73
6.1. Operations and cash management.....	73
6.2. Payment system.....	82
6.3. Asset Management	90
6.4. Information Technology.....	95
6.5. Credit Registry of Kosovo	95
6.6. Activities in the field of economic analysis and financial stability.....	96
6.7. Main activities in the field of statistics during 2023	98
6.8. Review of financial institutions requests supervised by the CBK	100
7. Internal Developments	101
7.1. Internal audit	101
7.2. Human resource.....	101
7.3. CBK's legal activity.....	102
7.4. Risk Management Function	103
8. Foreign relations and international cooperation	105
8.1. International Relations	105
8.2. Communication and Financial Education.....	106
8.3. Technical Assistance	108

8.4. European Integrations	108
9. Financial Statements	111
10. Statistical Appendix	173

LIST OF ABBREVIATIONS

AC	Audit Committee
ACH	Automated Clearing House
ARA	Average Return on Assets
ARE	Average Return on Equity
ARS	Accounting Register System
ATM	Automated Teller Machine
BE	Executive Board of CBK
BEC	Broad Economic Categories
BEEP	Business Environment Enhancement Project
BIC	Business Identifier Code
BIS	Bank for International Settlements
BKT	Banka Kombëtare Tregtare
BPB	Banka për Biznes
CAI	Capital Adequacy Indicators
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central European Free Trade Agreement
CPI	Consumer Price Index
CRK	Credit Registry of Kosovo
DJI	Dow Jones Industrial Average
DPP	Department of Labor and Employment
DST	Special Drawing Rights
EBRD	European Bank for Development and Reconstruction
ECB	European Central Bank
EFSE	European Fund for Southeastern Europe
EU	European Union
EULEX	European Union Mission for the Rule of Law
EUROSTAT	Directorate General for European Statistics
FDI	Foreign Direct Investments
FSKP	Slovenian-Kosovar Pension Fund
GBP	Great Britain
GDP	Gross Domestic Product
GO	Import Price Index
IA	Internal Audit
IAIS	International Association of Insurance Supervisors

ICAAP	The Internal Capital Adequacy Assessment Process
IECS	Interbank Electronic Clearing System
IHH	Herfindahl-Hirschman Index
IIP	International Investment Position
IMF	International Monetary Fund
IOPS	International Organization of Pension Supervisors
KAS	Kosovo Agency of Statistics
KEDS	Kosovar Company for Distribution and Supply of Electric Energy SH.A
KEK	Energy Corporation of Kosovo JSC
KIB	Kosovo Insurance Bureau
KMB	Commercial Bank
KPST	Kosovo Pension Savings Fund
MFI	Microfinance Institutions
MFLT	Ministry of Finance, Labor and Transfers
MTA	Money Transfer Agencies
MTPL	Autoliability Insurance
NBFI	Non-Banking Financial Institutions
NCP	National Council of Payments
NFA	Net Foreign Assets
NLB	Nova Ljubljanska Banka
NPISH	Non-Profit Institutions in the Service of Households
NPL	Nonperforming Loans
ODC	Other Depository Corporations
PAK	Kosovo Privatization Agency
PCB	Procredit Bank
POS	Point of Sale
PP	Percentage Points
PPI	Producer Price Index
PTK	Post and Telecom of Kosovo
RBK	Raiffeisen Bank Kosovo
REER	Real Effective Exchange Rate
RTGS	Real Time Gross Settlement
RWA	Risk Weighted Assets
SEBQ	European System of Central Banks
SEE	Southeastern Europe
SEPA	Single Euro Payment Area

SFR	Swiss Franc (Swiss Franc)
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TAK	Tax Administration of Kosovo
TEB	Türk Ekonomi Bankası
TPL	Third Party Liability
USAID	United States Agency for International Development
VAT	Value Added Tax
VPN	Encryption and Virtual Connections Technology
WB	World Bank

LIST OF CHARTS

1.	Inflation in the euro area, by main categories -----	26
2.	Annual GDP growth in the Western Balkans -----	27
3.	Real GDP growth rate -----	28
4.	Inflation in Kosovo, by main categories -----	29
5.	Core and headline inflation -----	29
6.	Domestic and imported inflation -----	30
7.	Businesses registry -----	31
8.	Structure of new enterprises -----	31
9.	Exports, imports and trade balance of goods -----	33
10.	Exports structure of goods, by categories -----	33
11.	Imports structure of goods, by categories -----	34
12.	Remittances -----	35
13.	Foreign direct investments -----	35
14.	Assets value of Kosovo's financial system -----	35
15.	Main items of banking sector assets -----	36
16.	Loans of enterprises and to households -----	37
17.	Loans share by economic sectors -----	38
18.	Loans stock by economic sectors -----	38
19.	New loans -----	38
20.	Structure of deposits -----	39
21.	Average interest rate on loans and deposits -----	40
22.	Average interest rate on loans to households and enterprises -----	40
23.	Average interest rate on deposits -----	40
24.	Average interest rate on enterprise deposits -----	41
25.	Average interest rate on household deposits -----	41
26.	Loans stock, by fixed or variable interest rates -----	41
27.	Net profit of the banking sector -----	42
28.	Income and expenses of the banking sector -----	42
29.	Profitability indicators of the banking sector -----	42
30.	Indicators of credit portfolio quality and NPL growth rate -----	43
31.	Assets of the pension sector -----	44
32.	KPST performance -----	44
33.	KPST investments -----	44
34.	FSKP investments -----	45
35.	Investment share of pension funds -----	45
36.	Insurance sector assets -----	46
37.	Written premiums and claims paid -----	48

38.	Assets of microfinance and non-bank financial institutions -----	50
39.	The value of loans to households and enterprises -----	50
40.	Growth rate of loans to nonfinancial corporations -----	50
41.	Leasing -----	51
42.	Average interest rate on microfinance and non-bank financial institutions -----	51
43.	Average interest rate on loans -----	51
44.	Income and expenses of the microfinance and non-bank financial institutions -----	52
45.	Profitability indicators of the microfinance and non-bank financial institutions -----	52
46.	Credit portfolio quality indicators -----	53
47.	The structure of financial institutions in Kosovo -----	55
48.	Network of banks by number of branches/offices -----	55
49.	Distribution Kosovo's population, by region -----	55
50.	Network of insurers -----	56
51.	Supply with cash, by value -----	74
52.	Cash admission, by value -----	74
53.	Supply with cash, by volume -----	74
54.	Cash admission, by volume -----	74
55.	Supply with EUR banknotes, by denominations -----	74
56.	Supply with EUR coins, by denominations -----	74
57.	Received EUR banknotes, by denominations -----	75
58.	Received EUR coins, by denominations -----	75
59.	Export of cash, by value -----	76
60.	Import of cash, by value -----	76
61.	Export of cash, by volume -----	76
62.	Import of cash, by volume -----	76
63.	Outdated banknotes withdrawn from circulation, by volume -----	76
64.	Outdated banknotes withdrawn from circulation from total received ones -----	76
65.	Outdated banknotes withdrawn from circulation -----	77
66.	Outdated banknotes withdrawn from circulation from the total received ones -----	77
67.	New banknotes put into circulation, by volume -----	77
68.	New banknotes put into circulation from the total supplied -----	77
69.	New banknotes put into circulation -----	77
70.	New banknotes put into circulation to total supplied ones ratio -----	77
71.	Counterfeit EUR banknotes seized from circulation -----	78
72.	Counterfeit EUR banknotes seized from circulation, by denominations -----	78
73.	Counterfeit EUR coins seized from circulation, number of pieces -----	78
74.	Counterfeit EUR coins seized from circulation, by denominations -----	78
75.	The volume of domestic outbound transactions -----	80
76.	The value of domestic outbound transactions -----	80

77.	The volume of domestic inbound transactions -----	81
78.	Value of domestic inbound transactions -----	81
79.	The volume of international outbound transactions -----	81
80.	Value of international outbound transactions -----	81
81.	The volume of inbound international transactions -----	82
82.	Value of inbound international transactions -----	82
83.	Number of transactions in KIPS -----	83
84.	Value of transactions in KIPS -----	83
85.	Annual volume of KIPS transactions, by their type -----	84
86.	Annual value of KIPS transactions, by their type -----	84
87.	Daily average of transactions number in KIPS -----	84
88.	Daily average of transactions value in KIPS -----	84
89.	Number of transactions, by session in KIPS -----	85
90.	Value of transactions, by sessions in KIPS -----	85
91.	Intra day credit to total cleared value in RTGS -----	85
92.	Number of debit cards, by their type -----	86
93.	Number of credit cards, by their type -----	86
94.	Number of ATM terminals -----	87
95.	Number of POS terminals -----	87
96.	Annual transactions volume of electronic payment instruments -----	87
97.	Annual transactions value of electronic payment instruments -----	87
98.	Number of electronically credit transfers to note transfers ratio -----	87
99.	Number of accounts accessible through Internet to overall current accounts ratio -----	88
100.	Portfolio of the CBK reserves (EUR) -----	91
101.	The ending balance of funds invested by the CBK, in EUR -----	91
102.	The ending balance of funds invested by the CBK, in USD -----	92
103.	Distribution ratio of the CBK investment portfolio, in EUR -----	92
104.	Distribution of portfolio investment, as at end of each year -----	93
105.	Structure of securities, by maturity -----	94
106.	Structure of investors in securities auctions -----	94
107.	Annual average interest rate returns for 2022 and 2023 -----	94
108.	Auctions of Government securities, in 2023 -----	95
109.	Number of surveys in the CRK system -----	96
110.	Number of loans approved in the CRK system -----	96
111.	Number of requests for credit reports -----	96
112.	Structure of employees by education -----	102
113.	Number of the CBK publications through official communication channels, in 2023 -----	107

LIST OF TABLES

1.	Basic macroeconomic indicators in the euro area-----	25
2.	Data on macroeconomic and banking indicators for the Western Balkan countries-----	27
3.	Number of financial institutions-----	36
4.	Structure of the banking sector assets -----	37
5.	Structure of the the banking sector liabilities-----	39
6.	Insurance sector assets-----	47
7.	Liabilities and equity of the insurance sector -----	47
8.	Gross written premiums, by business classes-----	48
9.	Claims paid, by business classes-----	49
10.	Financial results-----	49
11.	Geographical distribution of bank branches and offices -----	56
12.	Geographical distribution of insurers' affiliates -----	56
13.	Network of MFIs, by geographical distribution-----	57
14.	NBFIs network (office and agent), by to geographical distribution -----	57
15.	Structure of financial system requirements approved/rejected by the CBK-----	58
16.	Processed and ongoing requests, in 2023 -----	59
17.	Number of bank examinations, in 2023 -----	68
18.	Number of examinations of MFIs and NBFIs -----	69
19.	Number of examinations of the insurance sector -----	70
20.	Number of examinations of the pension sector -----	71
21.	Number of examinations for money laundering -----	71
22.	Number of complaints over the years-----	72
23.	Number of complaints, by status-----	72
24.	Amount and volume of general activities of cash operations -----	73
25.	Amount of transactions, by main types of payments -----	80
26.	Level of main customers deposits-----	82
27.	Concentration indicators for transactions initiated/sent to KIPS, in 2023-----	85
28.	Cases processed in the Bank Accounts Registry-----	86
29.	Number of accounts-----	88
30.	Number of electronic money accounts -----	88
31.	Number and value of electronic money payments -----	89

This page is intentionally left blank

Speech of the Chairperson of the Board of the Central Bank

I am delighted to address you within the framework of the Central Bank of the Republic of Kosovo's (CBK) Annual Report for the year 2023. This year has been a transformative period for our institution, marked by significant advances in the regulatory framework and changes in leadership, which will push the financial sector forward to European Union (EU) standards.

During 2023, the Central Bank Board has adopted several critical regulations aimed at strengthening the financial sector, further influencing the increase in stability, transparency and integrity of our financial system. The CBK focused on strengthening the regulatory framework as part of its ongoing commitment to ensure a strong and stable financial environment that supports sustainable economic growth, as well as building public confidence in the CBK.

During 2023, the implementation of the Regulation on Access to Payment Accounts with Basic Services in the banking sector began, which has had a profound impact on financial inclusion and cost reduction for the most vulnerable groups, including pensioners and social assistance beneficiaries. This also contributed to reducing economic disparities and strengthening social stability in Kosovo.

In 2023, the CBK also experienced a significant change in executive leadership. After an extensive selection process, we welcomed a new Governor, who was appointed in August 2023. The new Governor brings a wealth of experience and a fresh perspective that aligns with the Central Bank's strategic objectives. He expresses his conviction that under his leadership, the CBK will continue to achieve the objectives foreseen by the Law on the Central Bank of the Republic of Kosovo.

We must emphasize the extraordinary efforts of the CBK Board during a unique period of transition, where from March 29 to August 9, 2023, it assumed executive duties due to delays in the appointment of the new Governor. This period required the Board to move beyond its traditional governance role and directly manage executive functions. Despite the challenges, the Board ensured continuity and stability within the institution, demonstrating unwavering commitment to effective governance, playing the role of guardian in the vital activities of CBK. The Board ensured that all critical functions operated without interruption, while the transition was carried out smoothly and successfully with the dedication of our Board members and staff.

As we reflect on the achievements of 2023, we are also optimistic about the opportunities and challenges that lie ahead. The Board's focus will continue to be on advancing the regulatory framework, promoting financial inclusion and supporting sustainable economic development. Advancement of the payment system with the aim of SEPA membership, improvement of cyber security measures, expansion of financial education programs and inclusion of green economy components in the financial sector remain some of our goals. In conclusion, I would like to express my gratitude to the members of the Board, the Governor and the Executive Board, as well as all the employees of CBK for their dedication and work. Also, I thank the public for their continued trust and support, with the conviction that together we will build a stable financial future for Kosovo.

With respect,

Bashkim NURBOJA, Dr. Sc.,



**Chairperson of the Board,
Central Bank of the Republic of Kosovo**

This page is intentionally left blank

Introductory remarks of the Governor

Dear readers,

I have the pleasure, with a deep sense of responsibility, to present the Annual Report of the Central Bank of the Republic of Kosovo for the year 2023. This report not only reflects our work and dedication from the assigned tasks, but also the challenges and achievements we have experienced together during this year as challenging as successful.

The year 2023 was filled with challenges, opportunities, and accomplishments. As a young and developing economy, the Republic of Kosovo is constantly undergoing economic and social changes. However, some of the challenges were regional and global, which had an impact on the entire economy, but were able to be addressed to a reasonable extent with the proper inter-institutional coordination. Throughout this period, we have worked tirelessly to maintain the country's financial stability and to create the conditions for long-term economic development. We have achieved our objectives thanks to the Central Bank team's ongoing efforts and the strong and continuous support of our international friends and partners. I am pleased to state that our financial system is stable and stable, within the relevant parameters required, regulatory measures have been taken to improve the integrity of the financial system and access to finance, and there is still room for further improvement.

In this Report, we provide a more detailed analysis of the country's economic and financial situation, as well as a summary of the measures we have taken in several directions to further improve and strengthen the country's financial system and to increase the credibility of the system and citizens. Specifically, work is underway to improve the financial infrastructure to keep up with the rapid development and continuous innovations in the financial sector, and we have increased transparency and accountability, thus building a stronger and more reliable financial system for all citizens of the country, partners, and international organizations.

In particular, I want to emphasize the important role played by our international partners. Institutions such as the International Monetary Fund (IMF), the World Bank (WB), the US Treasury and European partners led by the European Central Bank have been indispensable in providing technical assistance and financial support in overcoming the challenges we have faced. Through this cooperation, we have managed to implement the best international practices to further advance the Central Bank and further strengthen our financial system, while committing to further integration of the financial system.

In addition to institutional achievements, the year 2023 has been an important year for deepening our cooperation and partnership relations with Central Banks, Supervisory Authorities and the international community. I am particularly proud of the close cooperation with the institutions of the United States of America and the institutions of the European Union states. These partnerships have been vital to our progress and will continue to be a strong pillar of our development in the future, based on the Strategic Plan approved in consultation and reflecting our common journey.

In the end, I want to express my deepest gratitude to all those who have contributed to the successes of the Central Bank of the Republic of Kosovo during this year. I thank our dedicated staff for their unparalleled dedication and hard work. I thank the CBK Board for their support and contribution, while a special thanks goes to all our partners, for their continued support and trust. Together, we will continue to work to build a brighter and more sustainable future for the financial system, the country, and its citizens.

Let's continue to work together with dedication and faith in the common future. I believe that with your continued support and cooperation, we can achieve any goal and overcome any challenge for the benefit of the country and the entire region.

With respect and gratitude,

Ahmet ISMAILI



Governor and Chairperson of the Executive Board
of the Central Bank of the Republic of Kosovo

Central Bank Board and Executive Board

The decision-making process of the Central Bank of the Republic of Kosovo (CBK) is guided by the principles of legality, professionalism, independence, and transparency. According to the CBK law, decision-making is exercised by the Governor, the Executive Board and the Board of the Central Bank.

Central Bank Board

The activities of the CBK Board have been oriented towards fulfilling the powers and duties defined by the Law on the Central Bank of the Republic of Kosovo. For this purpose, the Board of the Central Bank held continuous meetings in which it was informed and discussed about the general progress of the financial system in Kosovo. In addition, he supervised the implementation of policies, as well as the supervision of the administration and activities of the CBK.

In order to ensure the continuity of the fulfillment of the objectives and tasks of the CBK in accordance with Article 46 of Law no. 03/L-209 on the Central Bank of the Republic of Kosovo, on March 29, 2023, because the former Governor of the mandate had expired and there was no deputy governor elected with a mandate, the CBK Board had decided that the post of Governor would be temporarily taken by the Chairperson of the CBK Board, Mr. Bashkim Nurboja, while two (2) non-executive members of the Board had temporarily taken the positions of Deputy Governors. As a result, throughout this period (29.03.2023 to 08.08.2023), the function of the CBK Board has been more limited. From August 10, 2023, the position of the Governor was filled, based on the decision of the Assembly of the Republic of Kosovo and the Decree by the President of the Republic.

Despite this, during the year 2023, the CBK Board held 13 meetings out of at least 10 required by the CBK Law, in which a total of 31 decisions were taken, some of which are listed below.

As one of the decision-making bodies of the CBK, based on the recommendations of the Executive Board chaired by the Governor, the Board of the CBK has reviewed and approved the issuance and completion of regulations from the field of the financial system, as follows:

1. Regulations for Bank Reporting;
2. Regulations for Bank Liquidity Risk Management;
3. Regulations for Reporting Statistics of Payment Instruments;
4. Regulations for the Interbank Payments System of Kosovo;
5. Regulation for the Management of Commissions and Operating Expenses of Insurers;
6. Regulation for Supplementing and Amending the Regulation for External Audit of Banks;
7. Regulation on the Structure and Use of the Unique Payment Account Identifier for National and International Transactions;
8. Regulations for Cash Operations;

The CBK Board, based on the recommendations of the relevant bodies, has also approved:

1. CBK's annual report for 2022;
2. CBK's Financial Statements for 2022, and the Independent Auditor's Report;
3. The CBK Annual Budget for 2024;
4. Periodic reports and statements of the financial condition of the CBK;

5. Rules for the Work Procedures of the CBK Board ;
6. The Organizational Structure of CBK;
7. CBK Strategic Plan 2024-2028;
8. The Annual (work) Plan of the Internal Audit for the year 2024;

In order to fulfill the powers defined by the Law on the Central Bank of the Republic of Kosovo, the Board of the Central Bank of the Republic of Kosovo has in time performed all the tasks related to:

1. Implementation of the process of nominations and appointments within the competences defined by Law no. 03/L-209 for the Central Bank of the Republic of Kosovo. Specifically, the Governor and Deputy Governor have been appointed, and the CBK Board has been completed with the new non-executive member ;
2. Reviewing all reports and recommendations of the Executive Board and the Governor, in order to maintain financial stability.

In addition, the CBK Board has performed other duties which were in harmony with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

On December 31, 2023, the CBK Board consisted of the following members:

- Mr. Bashkim Nurboja, Chairperson of the Board of CBK,
- Ms. Nora Latifi Jashari, member
- Mr. Nexhat Kryeziu, member,
- Ms. Arta Hoxha, member, and
- Mr. Ahmet Ismaili, Governor/member.

Audit Committee (AC)

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

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

The CBK Board has defined the composition, responsibilities and duties of the Audit Committee in the Statute of the Audit Committee of the Central Bank. CA reports periodically to the CBK Board. As long as, it can regulate its activity by adhering to any requirement of the Law on the Central Bank and any order given to this body by the CBK Board.

On December 31, 2023, the Audit Committee had the following composition:

- Ms. Nora LATIFI-JASHARI - Chairperson,
- Mr. Nexhat KRYEZIU - Member,
- Ms. Edona PERJUCI-UKA - External member.

The Audit Committee during the period January-December 2023 has been active, where through the CBK Board it has encouraged the management to improve and promote compliance with policies, procedures, and best practices at all organizational levels of the CBK. For the period in question, the CA has held a total of eight (8) meetings out of at least four (4) that are required to be held according to the Statute of the Audit Committee of the Central Bank of the Republic of Kosovo.

In order to fulfill its responsibilities and duties, during this year, the CA performed the following works:

- Providing advice in the areas of management responsibility for the internal control system;
- Review of internal audit summary reports, findings and recommendations that have emerged from these audits;
- Review of financial statements, evaluation of issues related to external audit opinions and all audit reports;
- Discussion of the results of the external evaluation for the Internal Audit function;
- Preparation of the 2024 Annual Plan of the Audit Committee;
- Discussion and support of the Internal Audit Strategic Plan for the period 2024-2026;
- Discussion and support of the annual work plan of the Internal Audit for 2024 (this document has been approved by the CBK Board);
- Review of issues raised by the external audit;
- It is ensured that there is an effective relationship between the Internal Audit and the External Auditor;
- Ensuring and strengthening the functional independence of the Head of Internal Audit and Internal Audit;
- Assessment of the adequacy of Internal Audit resources;
- Providing advice on issues related to identified risks and the internal control system;
- Keeping 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 2023, the Audit Committee, in cooperation with the Head of Internal Audit, revised the Statute of the Audit Committee and the Statute of Internal Audit. These documents were forwarded to the CBK Board, where after relevant discussions and comments, they were approved.

During 2023, the Audit Committee also held meetings with representatives from the Central Bank of the Netherlands regarding the external evaluation of the Internal Audit function, with the Central Bank of Austria (within the framework of cooperation and exchange of experiences in the field of internal audit), as well as with representatives from the International Monetary Fund, within the mission for the evaluation of the CBK's protective measures.

Executive Board

The Executive Board of CBK consists of the Governor, who is the head of the Executive Board (BEk), and the Deputy Governors. On December 31, 2023, BEk consisted of two members Ahmet Ismaili, Governor, and Dardan Fusha, Deputy Governor for Banking Operations. The powers of the Governor are defined in the Constitution of the country and the Law on the CBK, while the powers of the BEk are defined by the Law on the Central Bank of the Republic of Kosovo. The Governor and BEk is charged with the administration and exercise of CBK's operations, while its activity is supervised by the CBK's Board.

During the year 2023, the BEk held 35 meetings. In the framework of its competences in relation to the CBK Board, the BEk during 2023 has reviewed and prepared for the procedure applicable regulations for the financial system of the country, the annual report of the CBK, the Strategic Plan, the Organizational Structure, as well as the reports, statements, and financial plans of CBK. In addition to these, regular and ad hoc reports and information have been prepared and communicated on the exercise of the duties and powers given. Most of the decisions taken by the CBK Board are prepared and sponsored by the Executive Board or the Governor, ex officio.

BEk, in accordance with the legislation in force during 2023, has approved two guidelines and one guideline applicable to the country's financial system. In the same field of competences, as far as the non-banking financial sector is concerned, it has approved the registration of five institutions with foreign exchange activity and one institution with lending activity. Whereas, as far as the banking sector is concerned, it has approved the license for a bank to exercise insurance mediation activity, while it has proceeded with the voluntary liquidation of a branch of a foreign bank. In the insurance sector, during 2023 the license of an insurance intermediary was revoked. In the same period, in order to achieve the primary objectives and based on the relevant tasks carried out by the responsible organizational units, in six cases special supervisory measures were approved against financial institutions and related parties.

This year, the BEk also approved the periodic report regarding the implementation of the CBK Strategic Plan for 2022, while in terms of long-term development, at the end of 2023, it prepared the new Strategic Plan for the period 2024-2028, as well as the structure of organizational cloud of CBK. During 2023, the BEk also approved the issuance and addition-amendment of eight internal policies and rules, as well as supervised the reports of internal bodies relevant to the exercise of its powers. BEk has also exercised other duties in accordance with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

Organizational structure of the CBK, December 31, 2023



This page is intentionally left blank

1. Executive summary

The 2023 Annual Report of the Central Bank of the Republic of Kosovo (CBK) provides a detailed overview of the main economic and financial developments, the main activities of the CBK, the performance of the financial system during the reporting year, the financial statements and the opinion of the External Auditor. Through this report, CBK continues to ensure transparency and accountability in the management of financial resources and policies implemented in accordance with legal requirements and established standards. Some of them are briefly summarized below.

The global economy and that of the euro area experienced major challenges during 2023. The slowdown in external demand, high inflation and the increase in the cost of financing, following the tightening of monetary policy, negatively affected economic growth. The euro area economy registered a modest growth of 0.4%, mainly due to post-pandemic consumption and the decline in the import of goods as a result of the weakening of production and domestic demand.

Kosovo's economy showed resistance to global challenges, recording GDP growth of 3.3% (ASK, 2023), and that in several key sectors. The real sector, including manufacturing and services, continued to expand. The government took steps to strengthen the fiscal sector and improve the trade balance, although the latter remained sensitive to global developments, recording a current account deficit of 7.6%. The financial sector remained stable, with financial institutions maintaining their financial health and providing support for the country's economic development.

During 2023, the CBK continued to implement its strategies for the supervision and regulation of the financial system, to ensure its stability and sustainability. This included the licensing and regulation of financial institutions, their supervision and the provision of necessary services to the authorities and the public. The implementation and advancement of the payment system and the effective management of funds were among the main priorities of the CBK.

CBK has continued to regulate and supervise the financial system through the licensing of new financial institutions and the supervision of existing institutions. This has included improving licensing standards and criteria to ensure that financial institutions comply with legal and regulatory requirements.

Supervision of financial institutions is one of the main functions of CBK, which includes continuous monitoring of their performance and sustainability. During 2023, CBK has taken measures to ensure that financial institutions operate in a stable manner and meet the required capitalization and liquidity standards.

CBK has provided a range of services to public authorities, the financial community and the public, including cash operations management, payment system operation and financial asset management. These services aim to support the sustainable functioning of the financial system and improve market efficiency, as well as increase financial inclusion.

CBK has strengthened its internal capacities through internal audit and risk management, in accordance with international recommendations. International cooperation was advanced as an essential aspect, with an intensive agenda of intensifying cooperation with consolidated relations and expanding the cooperative network with central banks of different countries and with international financial institutions and other relevant partners. These efforts have aimed at increasing the effectiveness and efficiency of the CBK's operation in mandated functions and deeper integration into European and global financial structures.

CBK has intensified cooperation with international financial institutions and has participated in various technical assistance and European integration projects. These activities are aimed at improving the capacities of CBK and increasing the level of financial education in the country.

Internal Audit is an essential function that provides reasonable assurance to the Central Bank Board, Audit Committee and Executive Board to ensure that internal control mechanisms are designed and operating effectively. In 2023, the Internal Audit prepared the Strategic Audit Plan for the period 2024-2026 and continued to supervise the implementation of the recommendations given by the external evaluations.

The report also contains the financial statements of CBK for the year 2023, providing transparency and accountability in the management of financial resources. The financial performance of CBK reflects the careful and stable management of its assets and liabilities, as well as the commitment to meet strategic objectives. As a result, after the legal conditions were met and the financial threshold was reached, it will be possible to distribute income above the allowed limit, namely their transfer to the state budget.

In conclusion, the 2023 Annual Report of the CBK proves the continuous commitment of the CBK to maintain financial stability and to support the economic development of Kosovo. Through consistent policies and international cooperation, CBK remains a key factor in ensuring a healthy and stable financial system in the country. The report provides a clear overview of CBK's efforts and achievements, reflecting its commitment to transparency and accountability. This executive summary aims to provide a quick and comprehensive overview of CBK's activity during 2023, highlighting the importance of applicable policies and measures undertaken to support sustainable economic and financial development in Kosovo.

Furthermore, we are pleased to invite you to review portions of the report for more detailed information on the key issues the report addresses.

2. External economic environment

2.1. The euro area and the global economy

The euro area economy showed fragility throughout 2023, influenced by the slowdown in external demand, the burden of inflation on the purchasing power of households, and the increase in the cost of financing after the tightening of monetary policy. According to preliminary data from Eurostat, the euro area economy is estimated to have recorded growth of 0.4 percent in 2023 which can be attributed to the post-pandemic momentum of consumption as well as the decline in the import of goods as a result of the weakening of production and domestic demand for goods. On the other hand, the increase in the cost of financing and the weakening of external demand influenced investments and the export of goods to contribute negatively to economic growth. In sectoral terms, the slowdown in economic activity was broad-based, being felt more in the manufacturing industry, which faced challenges as a result of the decline in domestic and external demand for goods. Meanwhile, positive dynamics were evident in terms of added value from the information and communication services sector.

The slowdown in economic activity in 2023 was more evident at the quarterly level, when the euro area economy stagnated in the third quarter and contracted by 0.1 percent in the last quarter of the year. Among the main determinants of the progress of economic growth at the quarterly level, the changes in the inventory were singled out, which resulted in a negative contribution as a result of the reduction of the stock accumulated by the enterprises. The dynamics of economic activity within the euro area in 2023 were heterogeneous with eight countries entering recession, including Germany which recorded a -0.3 percent contraction, Austria with -0.8 percent (see Table 1), etc., while other countries recorded a marginal increase in activity. economic.

Against a backdrop of geopolitical tensions, tight financing conditions, and weakening global trade, European Central Bank (ECB) projections suggest economic growth of 0.9 percent in 2024. This is based on assumptions of increased private consumption as a result of growth of household incomes and the slowdown of inflation, as well as the gradual recovery of exports with the improvement of global trade. According to the ECB, these dynamics, in addition to expectations for monetary policy easing, are expected to dictate the course of economic growth over the medium-term period. ECB projections recommend economic growth of 1.4 and 1.6 percent in 2025 and 2026, respectively.

Table 1. Basic macroeconomic indicators in the euro area

Description	Real GDP (%)				Inflation (%)				Unemployment (%)			
	2021	2022	2023	2024p	2021	2022	2023	2024p	2021	2022	2023	2024p
Euro area	5.9	3.4	0.4	0.9*	2.6	8.4	5.4	2.5*	7.7	6.8	6.5	6.6
Austria	4.2	4.8	-0.8	0.3	2.8	8.6	7.7	3.6	6.2	4.8	5.1	5.3
France	6.4	2.5	0.7	0.7	2.1	5.9	5.7	2.5	7.9	7.3	7.3	7.7
Germany	3.2	1.8	-0.3	0.1	3.2	8.7	6.0	2.4	3.7	3.1	3.1	3.1
Greece	8.4	5.6	2.0	2.2	0.6	9.3	4.2	2.8	14.7	12.5	11.1	10.3
Italy	8.3	4.0	0.9	0.9	1.9	8.7	5.9	1.6	9.5	8.1	7.7	7.5
Spain	6.4	5.8	2.5	2.1	3.0	8.3	3.4	3.1	14.8	12.9	12.2	11.6

Source: Eurostat (June 2024), European Central Bank (June 2024), and European Commission (May 2024).

*The data are according to the estimates and forecasts of the European Central Bank (June 2024). Forecasts for the year 2024 for euro area countries are based on data from the European Commission (May 2024).

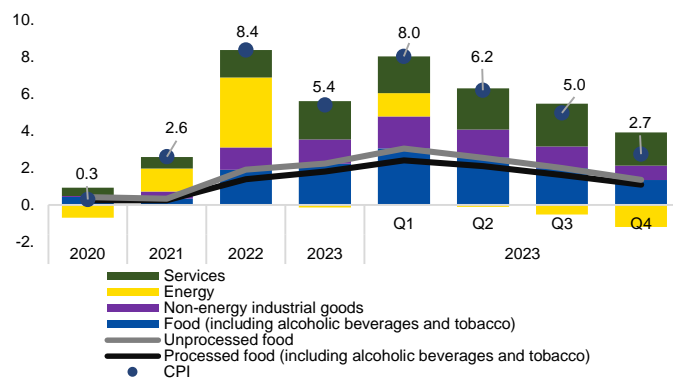
The labor market continued to show stability in 2023, despite concerns about rising unemployment as a result of a significant slowdown in economic activity. The average unemployment rate in the euro area was 6.5 percent (see Table 1), which represents the lowest annual rate historically. As in the previous year, an increase in the employment rate was also noted in 2023, however, this was not reflected in an increase in the number of working hours. This is explained by the reduction of working hours to maintain the number of workers, avoiding later difficulties in finding workers.

The labor market also showed differences on a sectoral basis in 2023. The lack of workers, as one of the main obstacles in the production sector, eased, while in the services sector, despite slight improvements, it continued to remain more pronounced. Despite the drop in productivity per worker (-0.1 percent), nominal wages per worker increased by 6.2 percent, thus signaling the continuation of pressures for wage increases, pressures absorbed almost entirely by businesses, which is evidenced by the decline in profit margins. the profit of businesses in the euro area.

Inflation in the euro area in 2023 slowed to 5.4 percent from 8.4 percent a year ago (see Chart 1), supported by falling energy prices, and slowing prices of food and other non-energy goods. Price performance in 2023 continued to be influenced by easing supply chains and increased security of energy supply. Meanwhile, throughout the year, the decelerating impact on the demand side intensified as a result of the tightening of the monetary policy and the weakening of the credibility and purchasing power of consumers. Despite the slowdown, inflation remained high in the services sector as one of the main contributors to price developments, driven mainly by wage growth in this sector. These dynamics were also reflected in the core inflation that in 2023 resulted in an acceleration to 4.9 percent compared to 3.9 percent in 2022.

The ECB's projections suggest a continued slowdown in inflation, with the average annual inflation rate in the euro area expected to hover around 2.5 percent in 2024 and 2.2 percent in 2025. Factors expected to support this slowdown include continued easing in supply, the stabilization of energy prices, the impact of the tightening of monetary policy on domestic demand, as well as the expectations for limited impact of the conflict in the Middle East and obstacles in transportation in the Red Sea on the prices of basic goods in international markets.

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



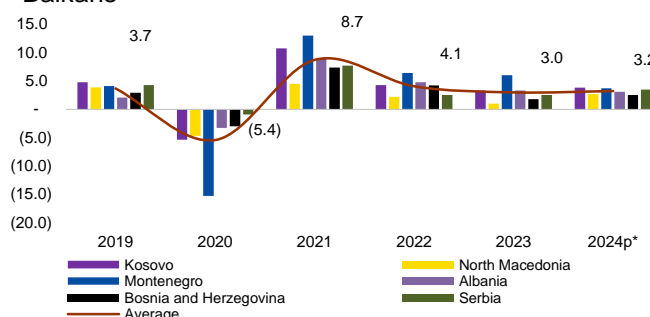
Source: Eurostat (2024)

The tightening of monetary policy by the ECB, initiated in July 2022, continued throughout 2023, resulting in a cumulative increase of 400 basis points in key interest rates by September 2023. The continued slowdown in inflation raised market expectations for monetary policy easing. In relation to these developments, the ECB decided to lower the interest rate by 0.25 basis points in June 2024, emphasizing that the course of monetary policy will continue to be determined by the course of prices and the effectiveness of monetary policy transmission. Moreover, according to the Bank Credit Survey, the year 2023 was characterized by continuous tightening of lending standards to all segments, although a slowdown in the pace of tightening was evident by the end of the year. Lending standards to businesses were tightened throughout the year as a result of the increased risk perceived by banks regarding the economic outlook, the characteristics of borrowers, and the increase in the cost of financing. On the other hand, the demand for loans decreased in all segments, with the demand for loans from businesses being mainly affected by the increase in interest rates and the decrease in fixed investments. Meanwhile, the demand for loans from family economies was affected by developments in the real estate market, the increase in interest rates, and the decrease in consumer confidence.

2.2. Western Balkans

Economic activity in the countries of the Western Balkans (WB) in 2023 marked a slowed growth of 3.0 percent compared to 4.1 percent last year (see Chart 2 and Table 2), mainly influenced by the slowdown of economic activity in the EU countries and monetary policies applied to curb inflation. The highest economic growth in the region was recorded in Montenegro (6.0 percent), supported by good tourism performance and increased consumption, followed by Kosovo and Albania (3.3 percent). The lowest growth was recorded in North Macedonia (1.0 percent), mainly influenced by the slowdown in investments (see Chart 2). It is worth noting that the countries of the region experienced a drop in export demand due to the slow economic growth of the EU. The import of consumer goods remained high due to private consumption, which had the main contribution to real GDP growth. IMF projections for 2024 suggest an average growth of 3.2 percent for the WB region. The slowdown in economic activity in the euro area, the main trading partner of the region and an important source of investment, is also expected to be a determining factor in the overall economic dynamics of WB countries. The average inflation rate in WB countries in 2023 slowed to 7.7 percent from 11.6 percent in 2022. The highest inflation rate was in Serbia (12.0 percent), while Kosovo had the lowest inflation rate of 4.9 percent (see Table 2), influenced by the slowdown in commodity price increase, including food and energy prices. The central banks in the countries of the region, four of which have their own currencies, have kept interest rates unchanged considering the slowdown of inflation in 2023. In Albania, after the currency evaluation during 2023, in the last meeting held in June 2024, the Bank of Albania has decided to keep the base interest rate unchanged at 3.25 percent. Likewise, in North Macedonia, following the tightening of financing conditions, in October 2023, the basic interest rate remained unchanged at the level of 6.3 percent. Meanwhile, data from the Central Bank of Serbia show that the interest rate in Serbia has increased to 6.5 percent. Lending activity in the countries of the region and in Kosovo, in general, has increased at a slower level compared to the previous year, with the exception of Bosnia and Herzegovina. The slowdown in lending has been influenced by the more conservative monetary policies applied by the central banks of the region to curb inflation in 2023. The highest rate of credit growth was recorded in Kosovo with 13.0 percent, followed by Montenegro with 7.7 percent and Bosnia and Herzegovina with 5.5 percent (see Table 2). Nonperforming loans decreased in almost all countries of the region, with the exception of Serbia, which had a marginal increase. The most pronounced decline was in Montenegro and Bosnia and Herzegovina, while Kosovo was the only country that had a similar level of nonperforming loans compared to the previous year (see Table 2).

Chart 2. Annual GDP growth rate in Western Balkans



Source: Eurostat, and the respective Statistical Agencies of WB (2024)
 *IMF projections (WEO April 2024).

It is worth noting that the countries of the region experienced a drop in export demand due to the slow economic growth of the EU. The import of consumer goods remained high due to private consumption, which had the main contribution to real GDP growth. IMF projections for 2024 suggest an average growth of 3.2 percent for the WB region. The slowdown in economic activity in the euro area, the main trading partner of the region and an important source of investment, is also expected to be a determining factor in the overall economic dynamics of WB countries. The average inflation rate in WB countries in 2023 slowed to 7.7 percent from 11.6 percent in 2022. The highest inflation rate was in Serbia (12.0 percent), while Kosovo had the lowest inflation rate of 4.9 percent (see Table 2), influenced by the slowdown in commodity price increase, including food and energy prices. The central banks in the countries of the region, four of which have their own currencies, have kept interest rates unchanged considering the slowdown of inflation in 2023. In Albania, after the currency evaluation during 2023, in the last meeting held in June 2024, the Bank of Albania has decided to keep the base interest rate unchanged at 3.25 percent. Likewise, in North Macedonia, following the tightening of financing conditions, in October 2023, the basic interest rate remained unchanged at the level of 6.3 percent. Meanwhile, data from the Central Bank of Serbia show that the interest rate in Serbia has increased to 6.5 percent. Lending activity in the countries of the region and in Kosovo, in general, has increased at a slower level compared to the previous year, with the exception of Bosnia and Herzegovina. The slowdown in lending has been influenced by the more conservative monetary policies applied by the central banks of the region to curb inflation in 2023. The highest rate of credit growth was recorded in Kosovo with 13.0 percent, followed by Montenegro with 7.7 percent and Bosnia and Herzegovina with 5.5 percent (see Table 2). Nonperforming loans decreased in almost all countries of the region, with the exception of Serbia, which had a marginal increase. The most pronounced decline was in Montenegro and Bosnia and Herzegovina, while Kosovo was the only country that had a similar level of nonperforming loans compared to the previous year (see Table 2).

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

Description	Real GDP (%)				Inflation (%)				Current account balance (% of GDP)				Credit growth (%)				Nonperforming loans (%)				Unemployment (%)			
	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Kosovo	(5.3)	10.7	4.3	3.3	0.2	3.4	11.6	4.9	(7.0)	(8.7)	(10.6)	(7.6)	7.1	15.5	16.0	13.0	2.7	2.3	2.0	2.0	26.0	20.8	12.6	n/a
North Macedonia	(4.7)	4.5	2.2	1.0	1.2	3.4	14.0	9.0	(2.9)	(2.8)	(6.1)	0.7	4.2	8.8	10.3	4.8	3.3	3.1	2.8	2.7	16.4	15.4	14.4	14.3
Montenegro	(15.3)	13.0	6.4	6.0	(0.5)	2.5	11.9	8.7	(26.1)	(9.2)	(12.9)	(11.4)	3.8	3.1	8.8	7.7	5.9	6.8	6.3	5.8	n/a	n/a	n/a	n/a
Albania	(3.3)	8.9	4.8	3.3	2.2	2.3	6.6	5.3	(8.7)	(7.7)	(6.0)	(3.7)	6.9	8.8	6.1	3.1	7.7	5.4	4.8	4.6	11.7	11.4	11.1	11.0
Bosnia and Herzegovina	(3.0)	7.4	4.2	1.8	(1.1)	2.0	14.0	6.1	(2.8)	(1.8)	(4.3)	(4.3)	0.3	4.1	3.3	5.5	6.1	5.8	4.5	3.8	15.9	17.4	15.4	13.3
Serbia	(0.9)	7.7	2.5	2.5	1.8	4.0	11.7	12.0	(4.1)	(4.3)	(6.9)	(2.6)	11.9	9.7	7.1	1.1	3.7	3.6	3.0	3.2	9.7	11.0	9.4	9.5

Source: Eurostat, International Monetary Fund, Statistical Agencies, and Central Banks of Western Balkan countries (2024)

As for the foreign exchange market, in 2023, the euro currency appreciated against the US dollar, the Turkish lira and the British pound, depreciating against the Albanian lek and the Swiss franc, while it remained almost unchanged against the Macedonian denar and the Serbian dinar.

3. The economy of Kosovo

3.1. Real sector

3.1.1 Gross Domestic Product

The economy of Kosovo, according to the quarterly estimates of the Kosovo Agency of Statistics (KAS), in 2023 recorded a growth of 3.3 percent (see Chart 3). Growth was supported by stable consumption, investment and export of services. However, the decrease in the export of goods, as well as the increase in the import of goods and services, resulted in slower growth of economic activity compared to the previous year.

Consumption, as the main component of domestic demand, in 2023 contributed 3.9

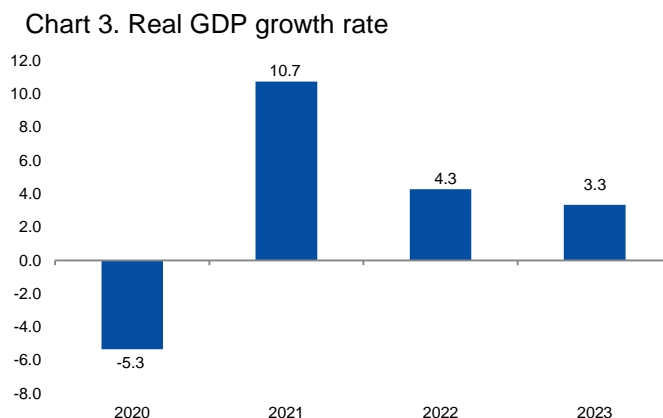
percentage points to real GDP growth compared to 2.9 percentage points in 2022. The increase in consumption can be explained through the increase in sources of consumption financing, slowdown in price growth, as well as improving consumer confidence. Investments contributed positively to the real GDP growth by 1.1 percentage points compared to -1.4 percentage points in 2022, mainly as a result of the increase in public investments.

As for net exports, the dynamics that characterized the external sector of the economy, especially the trade balance of goods and services, had a negative contribution of 1.6 percentage points to GDP growth. The export of goods and services contributed by 2.4 percentage points, while the import of goods and services contributed negatively by 4.1 percentage points to the real GDP growth. The increase in the trade deficit was the result of an increase in the import of goods and services by 5.9 percent (the import of goods marked a real increase of 2.8 percent, while the import of services marked an increase of 20.2 percent), as well as a decrease in the export of goods by 6.5 percent. Meanwhile, the increase in diaspora visits to Kosovo resulted in a real increase in the export of services by 11.0 percent.

As for the year 2024, CBK projections suggest that economic activity will increase by 3.9 percent. Some factors that are expected to affect this growth are the income from the diaspora and the stabilization of prices in international markets, which can affect the increase in the trust of consumers and investors. Domestic demand is expected to contribute 6.3 percentage points to GDP growth, while net exports are expected to contribute negatively by 2.4 percentage points.

Consumption, as the main component of domestic demand, is expected to contribute 3.2 percentage points to GDP growth, supported by the increase in remittances, employee compensation and individual/personal loans. Investments are expected to contribute 3.1 percentage points, with a significant contribution from public investments. The export of goods and services is expected to positively affect GDP growth by 1.9 percentage points, supported by the increase in the export of services, especially the expenses of the diaspora in Kosovo. Meanwhile, the import of goods and services is expected to contribute negatively by 4.2 percentage points, influenced more by the import of services.

However, the development of geopolitical tensions and the possible slowdown of economic activity in the EU, beyond expectations, present potential risks to the growth of economic activity in the



Source: KAS (2024)

country. Also, recent price fluctuations (April and May 2024), as a result of the intensification of geopolitical tensions, increase uncertainties about the progress of inflation and consequently interest rates with potential implications for consumer and investor trust that could affect the continued slowdown of economic activity in the euro area and in the country.

3.1.2 Prices

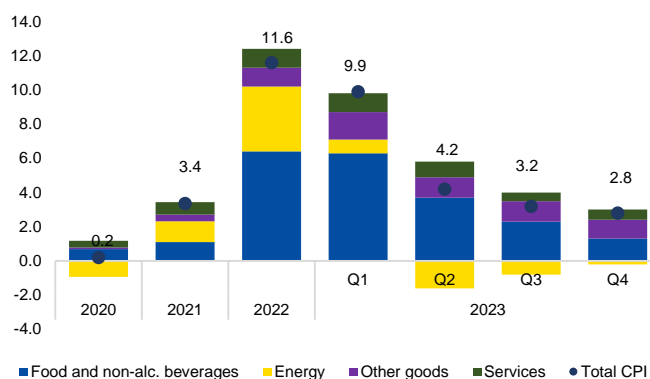
Throughout 2023, prices in Kosovo followed a slowdown trend, mainly influenced by the stabilization of supply, prices of basic goods in international markets, and the slowdown of economic activity that reduced the pressures on the demand side. The inflation rate in 2023 slowed to 4.9 percent from 11.6 percent in 2022.

This slowdown is attributed to lower energy prices in international markets, slower growth in food and service prices, and to a lesser extent reductions in the prices of other goods. However, the main contribution to this inflation rate continued to be generated by the category of food and non-alcoholic beverages with 3.4 percentage points (see Chart 4), taking into account the weight in the consumption basket (38.2 percent) and the increase in prices of this category (8.6 percent). Within the food category, growth at a slower pace continued to be recorded in the prices of most categories, with the exception of oils and fats, which resulted in an annual decrease, and with the highest growth recorded in the prices of vegetables, fruits, sugar, and food products. On the other hand, the contribution from energy was negative (-0.4 percentage points) as a result of the drop of 7.6 percent in the prices of the category of use of equipment for personal transport, which includes fuel. However, the prices of electricity and other fuels within the housing category recorded an annual increase of 7.7 percent, which represents a slower growth from 17.2 percent in 2022.

The softening of inflationary pressures was also reflected in the slowdown of core inflation that resulted in an average annual rate of 4.4 percent in 2023 compared to 4.9 percent in 2022. However, the slowdown pace in core inflation was lower than that of overall inflation, with core inflation being higher than overall inflation almost throughout the year (see Chart 5). The main contribution to core inflation continued to be marked by the growth, albeit slowed, of furniture prices and transport services. The most volatile dynamics evident in the last quarter were mainly the result of increased inflationary pressures in recreation and culture, and the base effect in prices of transport services that had a noticeable increase in December 2022.

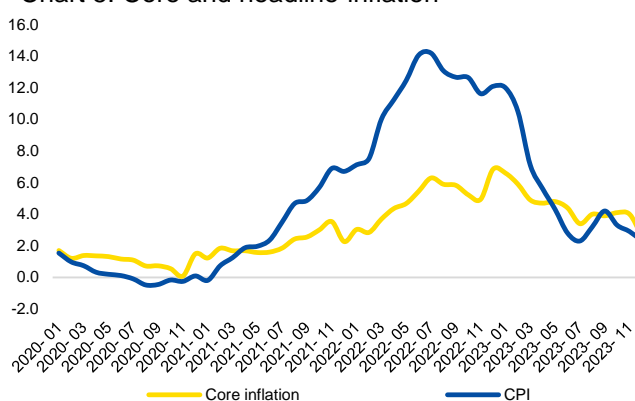
The dependence of Kosovo's economy on the import of food and energy goods, as well as the high rate of participation of these goods in the consumption basket, influence that the rate of inflation in Kosovo is largely determined by the prices of imported goods. In 2023, 4.1 percentage points of

Chart 4. Inflation in Kosovo, by main categories



Source: KAS (2024)

Chart 5. Core and headline inflation

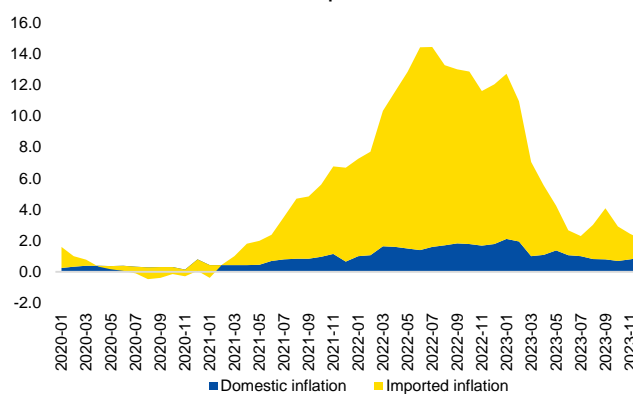


Source: KAS and CBK calculations (2024)

the inflation rate in Kosovo was imported, while 0.8 percentage points was generated by internal inflationary pressures (see Chart 6). Throughout 2023, there was a slowdown in inflationary pressures generated within the country, which coincides with easing dynamics in hotel services, home maintenance, personal care services, and solid fuel prices.

The slowdown in imported inflation was also reflected in the Import Price Index (IPI), which resulted in an average increase of 4.2 percent in 2023 (18.7 percent in 2022). The prices of mineral products and metals, which make up about 25 percent of imported goods, decreased by 2.0 and 4.4 percent, respectively. While, there was an increase in the prices of the two categories with the highest weight in imported goods (food items, beverages, and tobacco) with an average increase of 8.6 percent, and also in means of transport that recorded an increase of 9.1 percent.

Chart 6. Domestic and imported inflation



Source: KAS and CBK calculations (2024)

On the other hand, the Producer Price Index (PPI) in 2023 resulted in a decrease of 3.1 percent, a significant slowdown compared to the increase of 9.3 percent in 2022. The decrease is mainly attributed to the decrease in the production prices of electricity, gas, steam and air conditioning supply of 17.8 percent. Meanwhile, there was an increase in prices in the other two main production categories, which include the production of non-metallic mineral products and the processing of food products, which had an average annual increase of 3.6 and 6.8 percent, respectively.

The construction cost index remained almost unchanged at an average increase of 0.6 percent in 2023, although the slowdown was evident from the increase of 20.1 percent in 2022. Prices of construction materials, which make up the category with more than half the weight in this index, recorded a relatively slight decrease of 0.5 percent. Meanwhile, the continuation of inflationary pressures was evident in wages in the construction sector, which recorded an annual increase of 4.1 percent, in the prices of machinery with an increase of 5.8 percent, and other costs of 5.0 percent.

According to CBK projections, inflation in 2024 is expected to slow down to 2.5 percent, based on expectations for continued stabilization of supply and prices in international markets, the trend of slowing inflation in the euro area, transmission of the tightening of financing conditions to domestic demand, etc. However, the risks related to inflation are leaning upward and mainly consist of the risks of disruptions in supply chains as a result of geopolitical tensions intensified with the conflict in the Middle East, the potential further reduction in the amount of oil production by OPEC+, the impact of potential migration on wages as a result of changes in working conditions or visa liberalization, etc.

As for inflation expectations, based on the Bank Lending Survey in Kosovo, commercial banks' expectations for annual inflation in Kosovo for 2024 indicate a rate of 3.5 percent. Although banks' expectations are following a downward trend, they remain above the actual values of general inflation, suggesting expectations for a slower pace of inflation slowdown.

3.1.3 Financial position of enterprises

The trade sector, together with the industry sector, constitute the two economic sectors with the highest share in the turnover of the total enterprises, whose indices¹ have increased during the year 2023. The turnover index in the retail trade sector has recorded an average increase of 12.5 percent, while the industrial production volume index has recorded an increase of 20.8 percent.

As for enterprise registration, in 2023 more new enterprises were registered and there were fewer enterprise closures compared to 2022. The number of new enterprises registered was 11,422, which represents an increase of 3.6 percent compared to 2022, while 1,617 enterprises were closed or 9.4 percent less than in 2022 (see Chart 7).

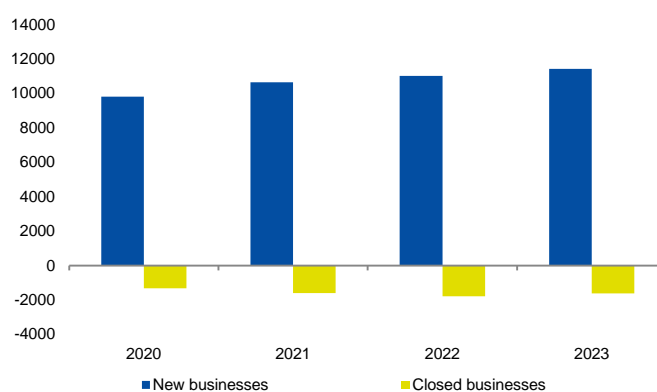
The trade sector remains the sector with the largest number of registered enterprises, representing 24.2 percent of all new registered enterprises, followed by the professional activities sector with 10.6 percent, the construction and manufacturing sector with 10.2 percent and the catering sector with 9.3 percent, etc., (see Chart 8). Compared to 2022, 167 more enterprises were registered in the trade sector, 143 in the professional activities sector, and 34 in the information and communication sector. The sectors with the smallest number of enterprises registered as compared to 2022 were the construction with 71 less enterprises, the catering sector with 58, and the manufacturing sector with 56.

3.1.4 Labor market²

The labor force participation rate in the third quarter (Q3) of 2023 was 40.9 percent, which is a limitation in comparative analysis. However, if compared to the same period in 2022 it indicates an increase in the labor force participation rate by 2.0 percentage points. However, this level is estimated as relatively low due to a significant part of the population at a relatively young age (pupils, students), as well as discouraged employees and people who are not actively looking for work.

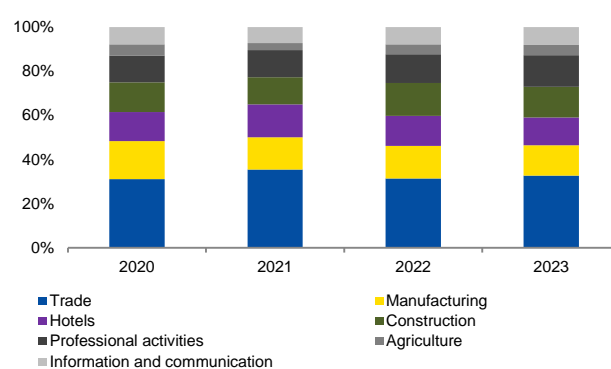
According to the KAS Labour Force Survey, the average employment rate³ in Q3 of 2023 was 36.6 percent, which represents an annual increase of 1.9 percentage points. The employment rate was higher among men, with 53.9 percent, an annual increase of 3.1 percentage points compared to the

Chart 7. Business registry



Source: KAS (2024)

Chart 8. Structure of new enterprises



Source: KAS (2024)

¹ KAS Database/Short-Term Retail Trade Statistics and Short-Term Industry Statistics.

² The latest data on the labor market are for the first quarter of 2023.

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

previous year, while the percentage of employed women was 20.2 percent, an annual increase of 1.1 percentage points compared to 2022.

Also, according to the data from the aforementioned survey, the population aged 35-44 has the highest employment rate (46.5 percent), while the 15-24 age group (as per KAS categorization) has the lowest employment rate (18.7 percent). According to educational level, the highest employment rate is found to be among the labour force with higher education, followed by those with secondary education.

Also dictated by the structure of the economy, the employment rate is higher in the trade sector (19.9 percent of employees), followed by the construction sector (12.6 percent), the education sector (10.0 percent), the production sector (9.1 percent), etc. Compared to the same period of 2022, the data show an increase in the participation of employees in the trade, construction, education and production sectors.

Official labor market statistics show that the average unemployment rate⁴ in Q3 of 2023 was 10.6 percent, a lower level than in the same period of the previous year. On a gender basis, the labor market in Kosovo is characterized by a higher rate of unemployment among women (18.6 percent) than among men (7.0 percent). However, education has improved prospects in the labor market in Kosovo, where the highest unemployment rate is for people without education (about 27.0 percent, while the lowest for those with tertiary education 7.2 percent).

3.2. Fiscal sector

During 2023, the fiscal sector was characterized by a significant increase in budget revenues and expenditures. Budget revenues⁵ reached a net value of EUR 2.84 billion, which represents an annual increase of 14.4 percent. The increase in budget revenues was a result of the increase in economic activity, the persisting high rate of inflation, as well as efforts to formalize the economy, contributing to the primary budget balance of 0.2 percent of GDP against the primary budget balance of -0.2 percent of GDP in the previous year.

In tax revenues, almost all categories recorded an increase. The highest increase was noted in direct tax revenues, which reached the value of EUR 490.3 million, or 18.5 percent more compared to 2022. Indirect tax revenues increased by 11.0 percent, reaching the value of EUR 2.08 billion. Meanwhile, non-tax revenues also increased by 26.0 percent, reaching the value of EUR 344.2 million.

Budgetary expenditures⁶ also recorded a double-digit growth of 13.1 percent, reaching the value of EUR 2.82 billion. The category that recorded the highest growth was that of capital expenditures by 32.2 percent or in the amount of EUR 554.4 million. Current expenses also increased by 9.3 percent, amounting to EUR 2.27 billion. In the category of current expenses, government expenses for goods and services (including municipal expenses) increased by 17.9 percent or EUR 423.8 million, while government expenses for salaries increased by 17.5 percent or in nominal terms in the amount of EUR 766.6 million. Subsidies and transfers recorded a slower growth of 1.3 percent reaching the value of EUR 1.08 billion.

Public debt in 2023 amounted to EUR 1.66 billion or 5.1 percent lower compared to the previous year. In relation to GDP, the percentage of public debt decreased to 17.2 percent compared to 19.9 percent last year. Due to the increased liquidity of the Government, the domestic public debt decreased by 12.8 percent (which was EUR 970.2 million). On the other hand, the external public

⁴ The unemployment rate is the percentage of the labor force that is not employed.

⁵ Funding receipts are not included in budget revenues.

⁶ Funding payments are not included in the budget expenditures.

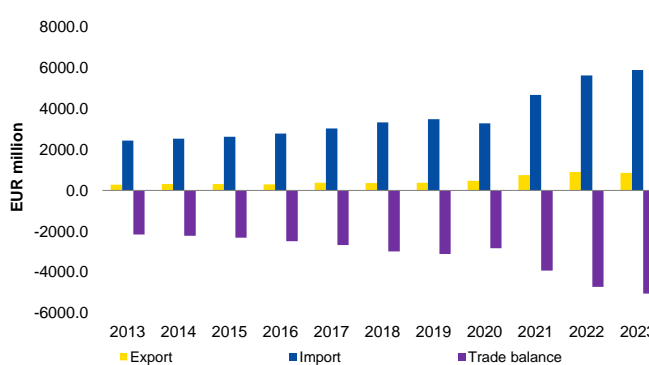
debt increased by 8.1 percent, reaching the level of EUR 692.9 million or 41.7 percent of the total public debt.

The amount announced in auctions during 2023 reached the value of EUR 145.0 million or 40.8 percent less compared to 2022, while the amount accepted was EUR 106.9 million or 52.2 percent less than in 2022. Even the demand to invest in bonds and government bonds was lower by 50.2 percent compared to the previous year. The average interest rate in the Securities of the Government of Kosovo increased, reaching 3.35 percent compared to 2.81 percent in 2022. The structure of Securities of the Government of Kosovo in 2023 was mainly dominated by securities with a maturity of three years, accounting for 51.7 percent of total securities, which differs from last year's structure that was dominated by five-year securities and accounted for 46.9 percent of total securities.

3.3. External sector

The external sector in Kosovo was characterized by a decrease in the deficit compared to the previous year in both accounts of the balance of payments - the current account and the financial account. The reduction of the current account deficit was mainly influenced by the increase in the balance of services, as well as primary and secondary income. Meanwhile, the goods account, as one of the categories determining the dynamics in the current account, recorded an increase in the deficit.

Chart 9. Exports, imports and trade balance of goods

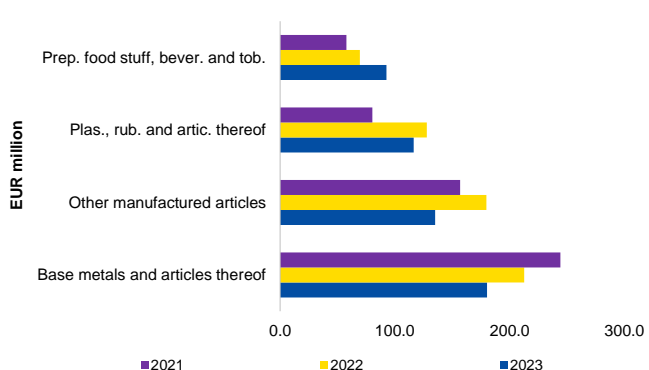


Source: KAS (2024)

The current account deficit in 2023 reached the value of EUR 738.4 million or 7.6 percent of GDP, marking an annual decrease of 19.5 percent compared to last year. The trade deficit of goods according to the current account increased by 7.3 percent, reaching the value of EUR 4.6 billion. At the same time, the growth of the positive balance in the services account by 18.6 percent, the primary income account by 58.4 percent and the secondary income by 8.8 percent mitigated to some extent the negative impact of the dynamics in goods trade.

The export of goods in 2023 recorded an annual decrease of 6.2 percent, reaching the value of EUR 863.1 million (see Chart 9). The structure of goods by category remained largely unchanged. The decrease in the export of goods was influenced by the export of mineral products, with a decrease of 52.5 percent compared to the previous year, as well as other manufactured items that contributed with a decrease of 24.9 percent, mainly due to the reduction of the export to the US market. Base metals also fell by 15.2 percent, partly due to prices in international markets and weakening demand in the foreign market (see Chart 10). Data from Kosovo Customs show that in 2023, exports were dominated by mattress products, electricity, plastic doors and windows, and base metals. The main

Chart 10. Exports structure of goods, by categories



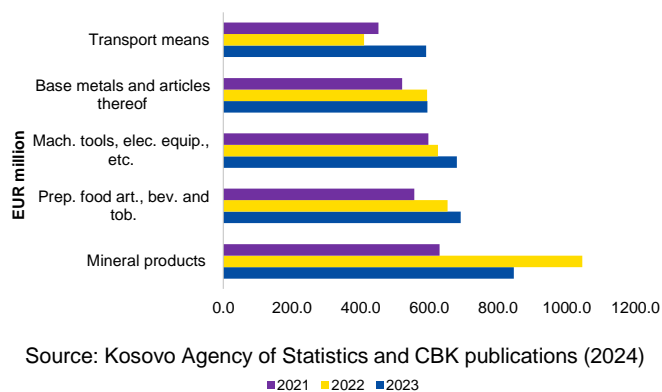
Source: Kosovo Agency of Statistics and CBK publications (2024)

also fell by 15.2 percent, partly due to prices in international markets and weakening demand in the foreign market (see Chart 10). Data from Kosovo Customs show that in 2023, exports were dominated by mattress products, electricity, plastic doors and windows, and base metals. The main

partners for export of goods in 2023 were WB countries with 39.8 percent and EU countries with 32.3 percent, with Germany continuing to have the main weight with 10.8 percent of total exports. While the structure of exported goods remained geographically concentrated, Kosovo has maintained the extent of exporting goods to a total of 140 countries.

The value of the total goods imported during 2023 reached EUR 5.9 billion or 61.3 percent of GDP, an annual increase of 4.9 percent. The increase in imports during the year 2023 is mainly attributed to price dynamics in international markets, but also to the increase in the quantity and weight of imported goods, which resulted in an increase of 11.6 and 8.3 percent, respectively. The structure of imported goods remained unchanged, dominated by mineral products, foodstuffs and machinery including household appliances (see Chart 11). Within the structure of imports, intermediate goods continue

Chart 11. Imports structure of goods, by categories



to have the highest share in total goods imported into the country (46.4 percent), while consumer goods have a lower share (32.5 percent). The share of capital goods still remains low (10.3 percent); however, it recorded an annual increase of 13.2 percent. Data from Kosovo Customs show that in 2023, imports were dominated by motor oils, steel pipes and vehicles. The import of goods continues to maintain the same geographical structure, with 43.0 percent of goods imported from EU countries, 15.7 percent from regional countries, 14.8 percent from Turkey, 11.0 percent from China, etc.

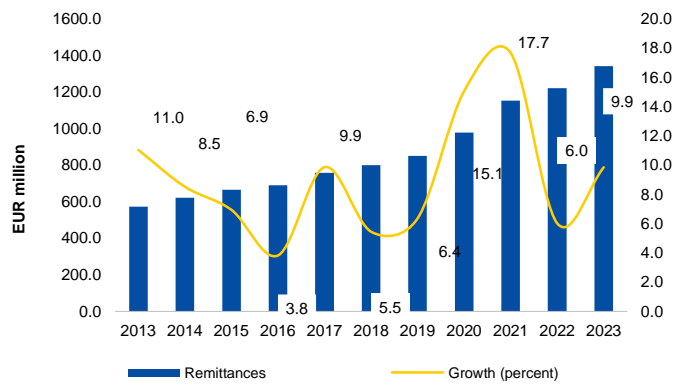
Trade in services during 2023 was characterized by an increase in the positive balance, which reached the value of EUR 1.6 billion or 16.9 percent of GDP. The export of services recorded an increase of 18.4 percent, reaching the value of EUR 2.9 billion. The main contribution to the increase in the export of services was the export of travel services, which was characterized by an increase of 17.7 percent and reached EUR 2.2 billion. The dynamics in this category mainly reflect the expenses of the diaspora in Kosovo, but also the increase in the number of travelers by 14.0 percent and the increase in the number of flights by 7.0 percent compared to the previous year⁷. Annual increase in information technology services and other business services also contributed positively. On the other hand, the import of services recorded an increase of 18.2 percent and reached the value of EUR 1.3 billion, influenced by the increase in the import of travel services for 39.2 percent, which constitutes about 46.8 percent of the total import of services. After the liberalization of visas in January 2024, it is expected that the import of travel services will increase, which may affect the balance of services and consequently the increase in the negative balance of the current account.

The balance of primary income this year reached the value of EUR 183.0 million, marking an annual increase of 58.4 percent. This increase was mainly influenced by workers' compensation income, the balance of which reached the value of EUR 338.0 million, an increase of 18.0 percent compared to the same period last year. At the same time, the balance of income from investments was negative in the amount of EUR 155.8 million as a result of the dividend return from foreign direct investments.

⁷ Data about the number of passengers and flights from the Civil Aviation Authority of the Republic of Kosovo

The value of remittances received in 2023 reached EUR 1.3 billion, an increase of 9.9 percent compared to the previous year, or 13.9 percent of GDP (see Chart 12). The three main countries from which remittances are sent remain unchanged, led by Germany with 38.2 percent of total remittances, Switzerland with 18.8 percent and the USA with 7.3 percent. Remittances sent through formal channels (banks and other institutions) have recorded an increase of 7.3 percent, as well as those through other channels which recorded an increase of 17.4 percent.

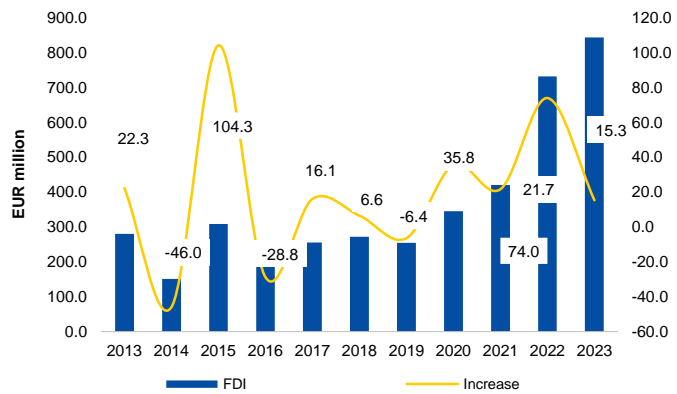
Chart 12. Remittances



Source: CBK (2024)

Within the financial account, incoming FDIs in 2023 recorded an annual increase of 15.3 percent and amounted to EUR 844.3 million (8.7 percent of GDP) (see Chart 13). The real estate sector continues to lead in the share with 60.6 percent of total incoming FDIs, which as a sector, however, recorded a slight decrease of 3.4 percent compared to the previous year. This year, a slight increase in incoming FDIs was observed in the financial sector, including insurance and electricity supply. The top three countries from which incoming FDIs come are Germany with 22.6 percent of total incoming FDIs, Switzerland with 20.8 percent, and the United States with 7.9 percent. Outgoing FDIs or direct investments of residents from Kosovo to other countries increased by 8.0 percent in 2023, reaching the value of EUR 189.2 million compared to EUR 175.2 million in 2022. About 82.0 percent or EUR 155.1 million of direct investments abroad are oriented to the real estate sector and are mainly intended for the countries of the region. During the last years, there has been an increase in direct investments originating from Kosovo in EU countries, especially in Germany, which reached the value of EUR 17.8 million, marking an annual increase of 9.1 percent.

Chart 13. Foreign Direct Investments



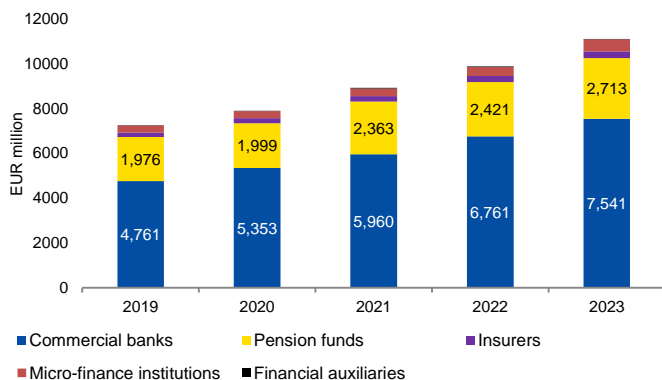
Source: CBK (2024)

3.4. Financial sector

3.4.1 General characteristics

The financial system in the country has continued to expand at a high rate even in 2023, closing the year with an accelerated annual growth of assets. The system expanded despite the risks arising from the worsening macroeconomic factors, influenced by the geopolitical situation, as well as the accumulated effects of inflation. Meanwhile, the developments in the following year are subject to the dynamics in the macroeconomic indicators, which are

Chart 14. Assets value of Kosovo's financial system



Source: CBK (2024)

expected to be more positive, as well as the capacity to raise funds through the increase in deposits and the provision of financing from abroad.

During this year, the assets of the financial system increased by EUR 1.22 billion or by 12.4 percent, reaching the value of EUR 11.1 billion. The banking sector continues to have the main contribution to the growth of assets, despite the slowdown in the growth rate, while all other sectors were characterized by accelerated annual growth (see Chart 14).

The number of financial institutions increased to 136 from 131 a year ago, two of which were non-bank financial institutions, two financial auxiliaries and one insurance broker (see Table 3).

Table 3. Number of financial institutions

Description	2019	2020	2021	2022	2023
Commercial banks	10	11	11	12	12
Insurers	13	13	12	12	12
Pension funds	2	2	2	2	2
Financial auxiliaries	50	57	53	59	61
Insurance intermediaries institutions	18	18	19	16	17
	29	29	30	30	32

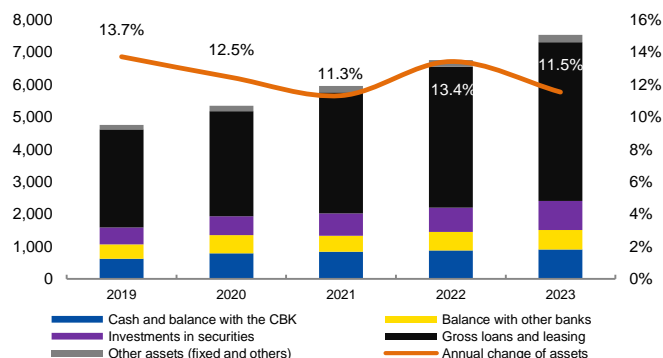
Source: CBK (2024)

3.4.2 Banking Sector

Assets

The assets of the banking sector in 2023 reached the value of EUR 7.54 billion, which coincides with an annual growth of 11.5 percent or 1.9 percentage points lower than the growth of the previous year (see Chart 15). This dynamic was influenced by lending activity - as the main activity of the banking sector - which grew at a slower pace than the previous year (see Table 4). Higher interest rates in international markets influenced the amount of investments in securities to grow at a faster rate, while the items with lower returns, such as the balance in other banks and the item of cash and the balance with CBK saw a slowdown in growth. Specifically, investments in securities recorded an annual growth of 19.0 percent compared to the growth of 9.8 percent in the previous year. Meanwhile, the item of cash and balance with the CBK marked a slowdown in growth, to 3.9 percent from 4.5 percent growth in the previous year.

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



Source: CBK (2024)

The degree of concentration in the banking market this year also remained at a similar level, with a slight downward trend in some of the concentration indicators. The assets of the five largest banks slightly reduced their share to 84.3 percent of the total assets of the sector from 84.9 percent in the previous year. Meanwhile, the three largest banks have easily reduced their concentration in the market to 52.3 percent from 52.7 percent a year ago. The entry into the market of the third local bank in 2022, influenced local banks to increase their share in the sector's assets by 0.6 percentage points, reaching a share of 15.7 percent at the end of 2023. Herfindal-Hirschman Index

(HHI)⁸ for assets of the banking sector decreased marginally to 1,391.5 points from 1,393.1 points in the previous year.

Table 4. Structure of the banking sector assets

Description	2019		2020		2021		2022		2023	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Cash and balance w ith the CBK	622.5	13.1%	790.6	14.8%	839.9	14.1%	877.4	13.0%	911.8	12.1%
Balance w ith commercial banks	440.6	9.3%	562.2	10.5%	496.1	8.3%	575.2	8.5%	600.0	8.0%
Securities	526.5	11.1%	584.3	10.9%	685.0	11.5%	752.1	11.1%	895.0	11.9%
Gross loans	3,031.9	63.7%	3,246.6	60.6%	3,748.6	62.9%	4,348.5	64.3%	4,913.8	65.2%
Fixed assets	98.9	2.1%	116.4	2.2%	127.4	2.1%	136.1	2.0%	149.5	2.0%
Other assets	40.1	0.8%	53.2	1.0%	62.7	1.1%	71.4	1.1%	71.0	0.9%
Total	4,760.5	100%	5,353.4	100%	5,959.6	100%	6,760.6	100.0%	7,541.1	100.0%

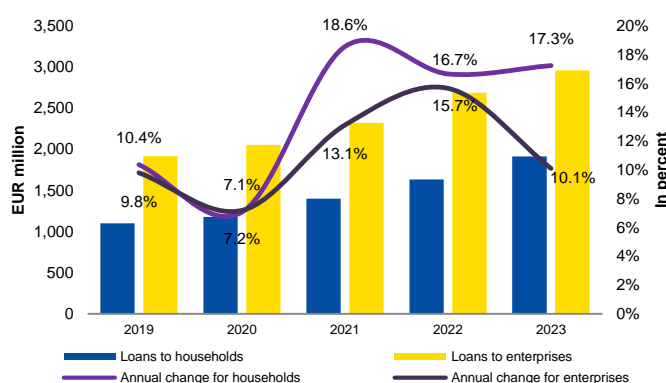
Source: CBK (2024)

Loans

The lending activity of the banking sector during 2023 recorded an annual growth of 13.0 percent, which was the highest in the region (almost double, see Table 2), however, it coincides with a lower annual growth rate of 3.0 percentage points compared to the previous year. This development mainly reflects the progress of credit growth for enterprises (non-financial corporations), while loans for households recorded a higher growth than a year ago. According to the Bank Lending Survey (BLS), lending dynamics were influenced by credit demand, while credit supply had marginal changes. At the end of 2023, the total stock of loans reached EUR 4.91 billion from EUR 4.35 billion a year earlier.

Loans to enterprises (financial corporations) recorded an annual increase of 10.1 percent, which as a stock is 5.6 percentage points lower than last year, but from a higher base (see Chart 16), reaching the value of EUR 2.96 billion. There was a slowdown in credit growth in almost all economic sectors within loans to enterprises, especially in sectors with a higher weight in credit, such as trade, production, and construction (Chart 17). Banks declared credit standards largely unchanged, both for large enterprises and SMEs. While there was some growth in loan demand from SMEs, demand from large enterprises remained largely unchanged. The slower growth of lending to enterprises is in line with general macroeconomic developments and the orientation towards curbing inflation, namely with the slower growth of GDP compared to the previous year.

Chart 16. Loans to enterprises and to households

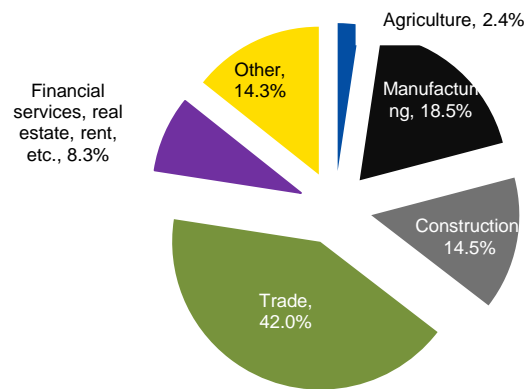


Source: CBK (2024)

⁸ The Herfindahl-Hirschman Index (HHI) is a number that shows how concentrated a market is: the higher the number, the fewer companies control that market, and the less competition there is.

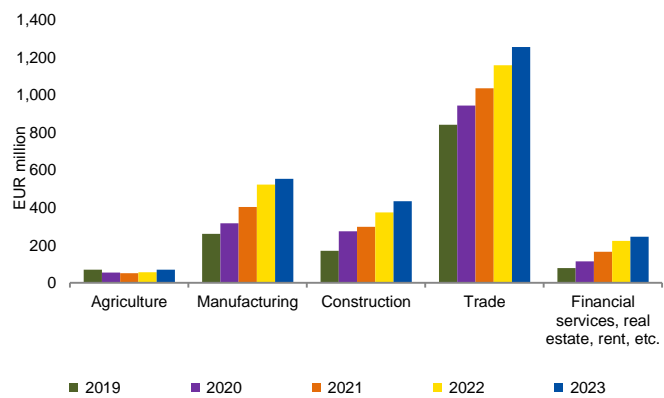
Lending to the trade sector had the highest contribution to the growth of total loans to the non-financial corporate segment despite the slowdown in the growth rate to 8.3 percent from 11.8 percent a year ago. The manufacturing sector in 2023 marked a significantly slower annual (net) growth of 5.9 percent from 29.4 percent in the previous year. Last year, this sector had the highest weight in the increase in total lending to enterprises, also influenced by the support from the government's subsidy measures within the economic recovery package (see Chart 18). Lending to the construction sector also recorded lower annual growth (15.9 percent) compared to the previous year (25.8 percent). This slowdown can also be attributed to the high rate of inflation in the past year that encouraged the increase in the price of construction materials, with an effect on the pace or slowdown of construction works. The agricultural sector, which has a low share in total lending of the banking sector, was characterized by accelerated annual growth of 25.8 percent compared to 9.9 percent of the previous year.

Chart 17. Loans share by economic sectors, 2023



Source: CBK (2024)

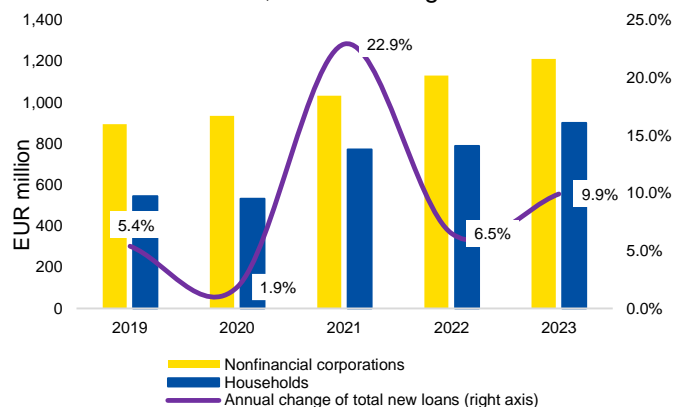
Chart 18. Loans stock, by economic sectors



Source: CBK (2024)

New loans during 2023 recorded an annual growth of 9.9 percent from 6.5 percent growth in the same period of the previous year, reaching a value of EUR 2.11 billion (see Chart 19). This upward trend was determined by the new household loans, which recorded an increase of 14.1 percent from 2.4 percent in the previous year, while the enterprise segment was characterized by a slower growth of 7.1 percent from the 9.6 percent level of the previous year. Within the enterprises, the rate of growth was slowed by new investment loans, which increased by 3.6 percent from 9.0 percent last year, while non-investment loans recorded an annual increase of 5.6 percent from 7.8 percent in 2022, although with a lower weight in the total portfolio of new loans to this segment.

Chart 19. New loans, annual change



Source: CBK (2024)

The stock of loans for households in 2023 marked an annual increase of 17.3 percent from 16.7 percent in the previous year. This dynamic was influenced by the upward trend of new personal/individual loans, which recorded an annual increase of 23.2 percent from a decrease of 6.3 percent in the previous year. Based on current data, their purpose cannot be disaggregated, but a majority of personal loans have high values (so over EUR 10,000), and they are used for investment purposes,

although they do not meet the definition of being called mortgage loans. Meanwhile, new loans, which by definition are considered mortgages, recorded an annual decrease of 11.3 percent from the increase of 13.5 percent a year ago. The fact that incoming FDIs in the real estate sector showed a downward trend, plus the aspect of falling new mortgage loans, in addition to the base effect of higher growth in the previous year, may suggest a downward trend in overall real estate investment, influenced by interest rates, as well as real estate prices.

Liabilities and own sources

The financing of banking sector activities is supported by customer deposits and own capital. In December 2023, deposits had a share of 81.3 percent in the total structure of liabilities and own capital of the sector (see Table 5). Own funds, the next component with the highest share, increased share by 1.0 percentage points to 11.4 percent, as a result of increased profits, particularly in the previous two years.

Table 5. Structure of the banking sector liabilities

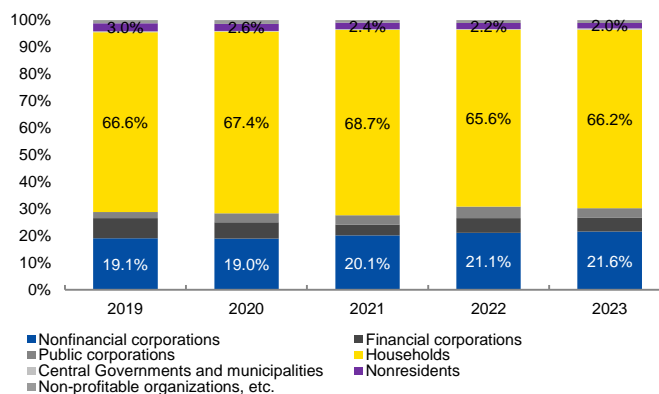
Description	2019		2020		2021		2022		2023	
	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)	EUR million	Share (%)
Balance with other banks	67.0	1.4%	90.4	1.7%	113.2	1.9%	199.9	3.0%	183.8	2.4%
Deposits	3,908.1	82.1%	4,360.7	81.5%	4,901.8	82.2%	5,553.3	82.1%	6,129.0	81.3%
Other borrowings	42.1	0.9%	43.1	0.8%	39.1	0.7%	31.6	0.5%	33.3	0.4%
Other liabilities	179.8	3.8%	202.2	3.8%	220.1	3.7%	252.0	3.7%	287.5	3.8%
Subordinated debt	43.4	0.9%	46.9	0.9%	42.3	0.7%	23.0	0.3%	45.0	0.6%
Own resources	520.1	10.9%	610.2	11.4%	643.1	10.8%	701.3	10.4%	862.4	11.4%
Total liabilities and own resources	4,760.5	100.0%	5,353.4	100.0%	5,959.6	100.0%	6,760.6	100.0%	7,541.1	100.0%

Source: CBK (2024)

Deposits

The sector's deposits were characterized by double-digit annual growth even during 2023, but at a slower pace compared to the previous year. In December 2023, the value of total deposits reached EUR 6.13 billion, which represents an annual increase of 10.4 percent, or 2.9 percentage points lower than in the previous year. Household deposits, which dominate the structure of total deposits, were characterized by annual growth of 11.3 percent from 8.2 percent in 2022, giving the highest contribution to the growth of total deposits (see Chart 20). Whereas, the slowing trend of growth was determined by the slowdown in the growth of deposits of financial and non-financial corporations, as well as the reduction of deposits of public corporations, which in the previous year had a significant increase. Corporate deposits slowed to 12.9 percent from 18.9 percent a year earlier. Deposits started slowing growth in the last months of 2023, while the first half of the year was characterized by higher growth. As for the structure of deposits according to maturity, the increase in interest rates in these two years influenced time deposits to increase in the share by 1.3 percentage points, while transferable and saving deposits easily reduce share by 0.3 and 1.0 percentage points of total deposits.

Chart 20. Structure of deposits, in percent



Source: CBK (2024)

Interest rates

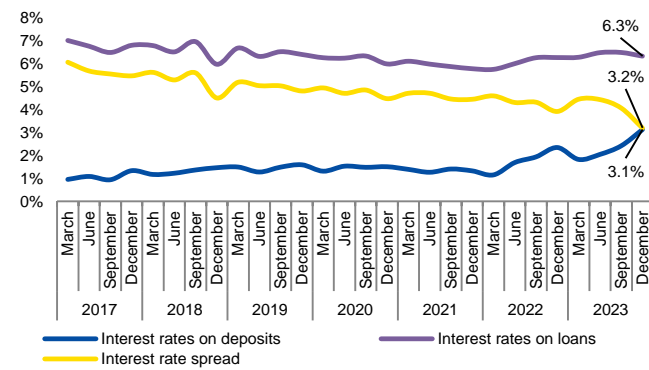
The increase in interest rates globally during 2023 has translated into increased competitive pressures to secure sustainable financing. Consequently, interest rates on deposits were affected to a higher magnitude than interest rates on new loans, also due to their initial positions, which were generally high in loans, and therefore with more limited room to increase further, and the preliminary low levels in deposits. In December of this year, the interest rate on loans reached 6.3 percent from 6.6 percent at the beginning of the year, while the average interest rate on deposits rose to 3.1 percent from 1.9 percent at the beginning of 2023. Consequently, the loan-deposit interest margin narrowed to 3.2 percentage points from 3.9 percentage points in December 2022 (see Chart 21).

However, after the ECB's decision not to increase further the base interest rates, the banks in Kosovo have also stopped increasing the interest rate on loans, namely, they have gradually started lowering them, while competitive pressures have encouraged the further increase of interest rates on deposits. In 2023, the interest rate on new loans reached an average of 6.5% from 6.0% in 2022. Meanwhile, the average interest rate on new deposits increased to 2.3% in 2023 from 1.7% in 2022.

Average rate of loans to enterprises recorded a slight annual decrease of 0.03 percentage points in December 2023, standing at 6.5 percent. Meanwhile, the average interest rate on loans to households increased by 0.24 percentage points to 6.2 percent (see Chart 22).

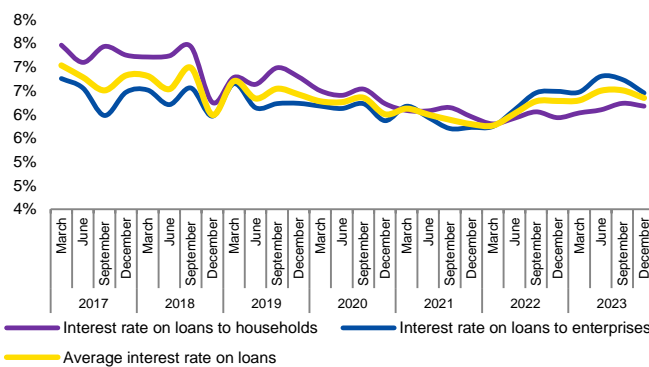
In the context of loans to households, the most favorable interest rates are applied to mortgage loans, at an average of 5.3 percent, since they are considered lower risk due to the cover with real estate - the subject of financing (mortgage). Meanwhile, consumer/individual loans continue to have higher interest rates of an average of 6.4 percent as they were in December 2023.

Chart 21. Average interest rate on loans and deposits



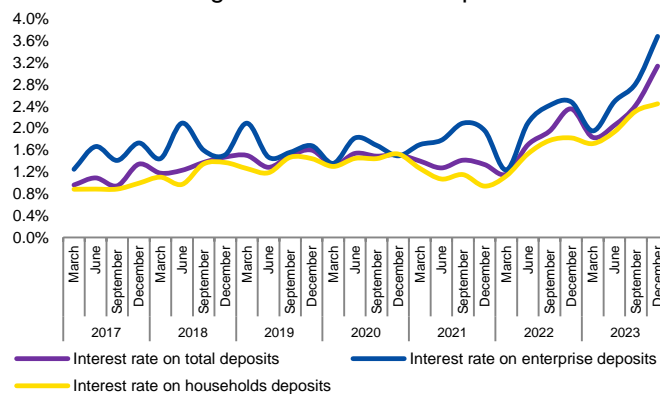
Source: CBK (2024)

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



Source: CBK (2024)

Chart 23. Average interest rate on deposits



Source: CBK (2024)

Interest rates on deposits started the upward trend from June 2022 and the same upward trend continued throughout 2023. The average interest rate on deposits for non-financial corporations increased by 1.2 percentage points within the year, reaching 3.7 percent in December 2023. The increase in interest rates for household deposits was lower by 0.6 percentage points, reaching 2.5 percent in December 2023 (see Charts 24-25).

Chart 24. Average interest rate on enterprise deposits, by categories

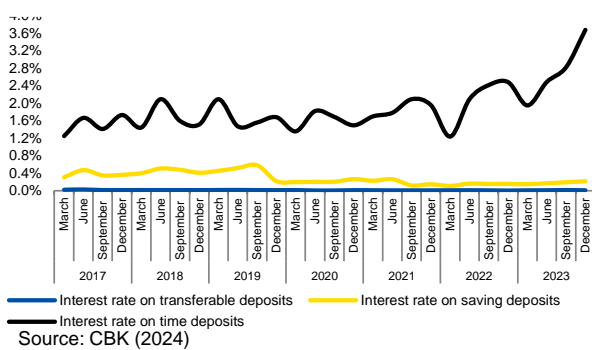
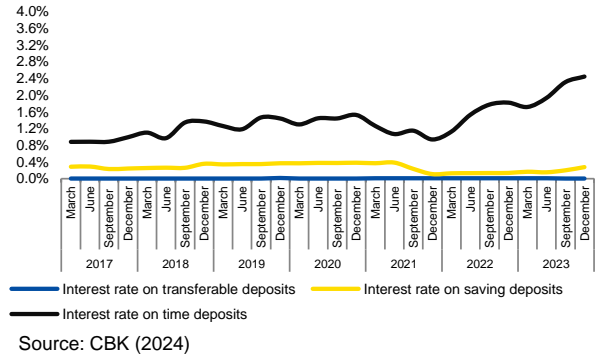
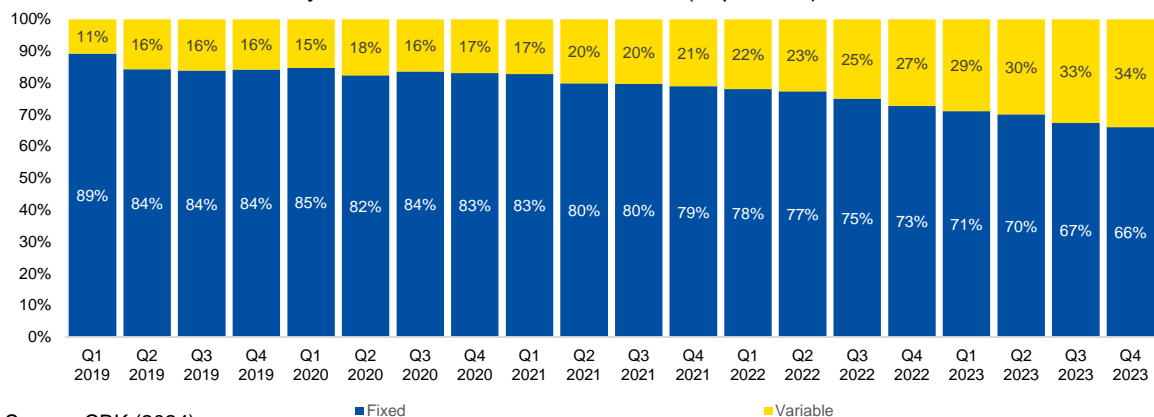


Chart 25. Average interest rate on household deposits, by categories



The changes in the base interest rates have also been reflected in other segments of the banking and financial market, but at different levels. 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 continued to follow the ECB's monetary policy decisions, being in line with the level of basic rates determined in the euro area.

Chart 26. Loans stock, by fixed or variable interest rates (in percent)



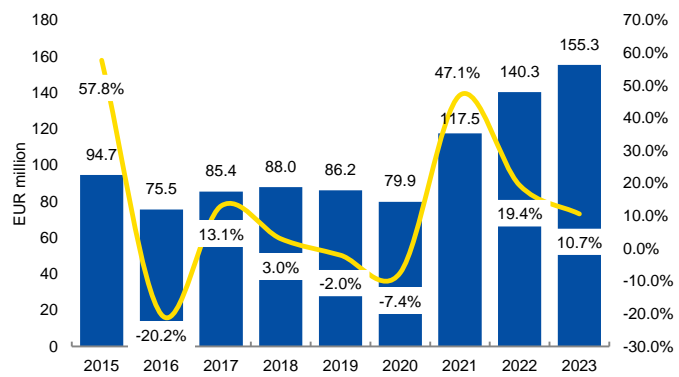
The dynamics of interest rates in the last three to four years have also changed the structure of loans according to the type of interest rates. In particular, the share of loans with variable interest rates, which are mainly based on the Euribor rate, has increased. The share of variable rate loans has almost doubled since the end of 2019, reaching 33.8 percent of the total credit portfolio in December 2023 (see Chart 26).

Performance of the banking sector

The profitability of the banking sector in 2023 was asymmetrically affected by the rise in interest rates, with some banks experiencing a substantial increase in profits from the increase in interest income on loans, and others facing higher interest and administrative expenses, and consequently recorded lower profit growth.

At the end of 2023, the net profit of the total sector reached 155.3 million euros, which however coincides with a slower annual growth of 10.7 percent from the 19.4 percent growth of the previous year (see Chart 27). This financial result reflects the increase in income from interest on loans, while the slowdown in profit growth compared to the previous two years was influenced by the high increase in interest and administrative expenses. Competitive pressures to attract and retain depositors have affected smaller banks more, while larger banks have benefited from a broad depositor base. Meanwhile, all banks have faced an increase in administrative expenses, reflecting the general increase in prices and workers' compensation in a competitive environment (see Chart 28).

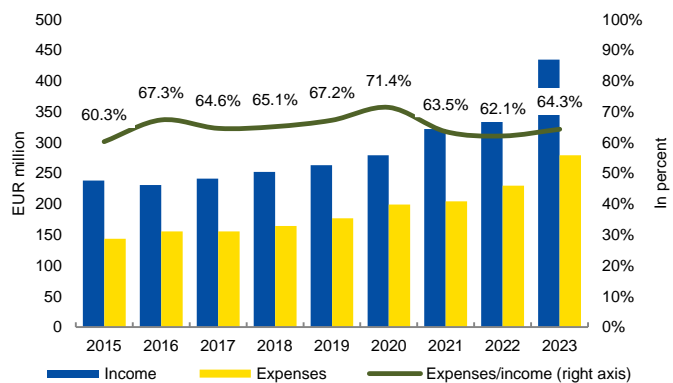
Chart 27. Net profit of the banking sector, EUR million



Source: CBK (2024)

In the increase of revenues, the main contribution was the interest revenues, which represent 74.5 percent of the total revenues. In the context of interest income, the collections from interest on loans contributed mainly to this increase, a category influenced by the significant increase in lending and at the same time the increased interest rates on loans in recent years. Incomes from securities have also increased as a result of the increase in investments in this category, which has provided higher returns, while placements with banks have shown significantly slower growth compared to the previous year.

Chart 28. Income and expenses of the banking sector

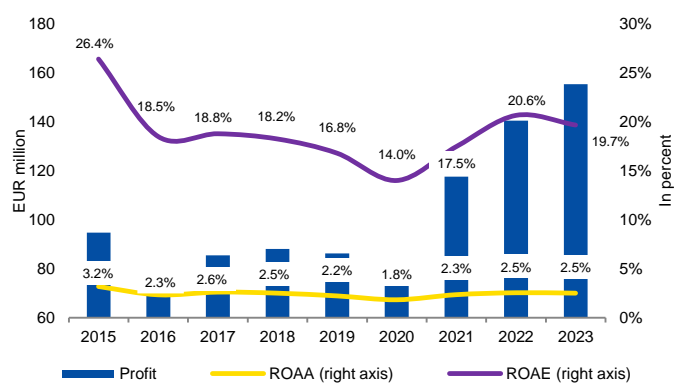


Source: CBK (2024)

The category of non-interest income, mainly from fees and commissions, recorded slower annual growth of 3.2 percent from the 8.0 percent increase a year ago, reaching a value of 95.7 million euros at the end of 2023 .

The expenses of the banking sector this year reached the value of 279.6 million euros, characterized by faster annual growth of 21.5 percent compared to 12.4 percent a year ago (see Chart 28). The highest contribution to this increase was the increase in general and administrative expenses, as well as interest expenses. The category with the highest weight in total expenses, that of general and administrative expenses with a participation of 56.1 percent, increased by 15.9 percent from 12.1 percent growth in the previous year, and reached the value of 156.8 million euros at the end of 2023. The increase in this category mainly reflects the increase in staff expenses. Furthermore, interest expenses recorded an annual increase of 55.4 percent compared to 9.1 percent in the

Chart 29. Profitability indicators of the banking sector



Source: CBK (2024)

previous year, which is attributed to the increase in interest rates in all categories that generate interest expenses and simultaneously to the increase in the stock of deposits. The higher increase in expenses compared to the increase in revenues influenced the ratio of expenses to revenues of the sector to be higher compared to the same period of the previous year (see Chart 28). Such profit dynamics influenced the Return on Capital to be lower, namely in the ratio of 19.7 percent compared to 20.6 percent a year ago. While the return on assets remained at the same level of 2.5 percent (see Chart 29).

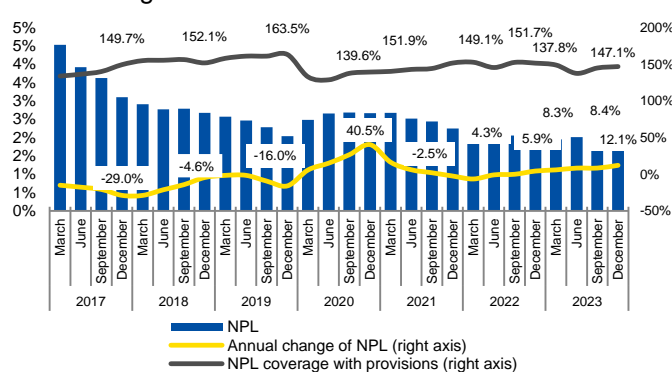
Financial health indicators

Over the years, the banking sector has managed to ensure a high level of capitalization and liquidity, as well as to maintain a low level of nonperforming loans. The levels of these indicators, beyond the regulatory requirements, prioritize the sector in absorbing possible losses that would be caused in the event of any possible macroeconomic and financial shock.

Despite some challenging factors such as high inflation, tighter financing conditions, which presented increased risks, affected the cost of financing and purchasing power, they were successfully faced and failed to materialize in the performance of the banking sector by the financial system. The repayment capacity remained good and sustainable, supported by a careful and prudent approach, also supported by the increase in wages and other funding sources.

Nevertheless, as expected as a result of increased risks, the value of nonperforming loans increased, where nonperforming exposures increased by 12.1 percent compared to the increase of 4.3 percent a year ago, the ratio of nonperforming loans remained at the same low level of 2.0 percent, due to the significant increase in lending. Coverage by possible loan loss provisions decreased slightly to 147.1 percent from 151.7 percent in the prior year, due to higher growth in the value of nonperforming loans rather than the value of provisions set aside for loan coverage (see Chart 30).

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



Source: CBK (2024)

The capital position in 2023 has increased to 16.5 percent from 15.5 percent a year ago as a result of stable profit and low level of dividend distribution. Risk-weighted assets recorded an increase of 13.4 percent, while capital recorded a higher annual growth of 20.5 percent due to the dynamic capitalization approach that was reflected in the increase of the capital adequacy indicator. Despite the high level of liquidity and stable sources of funding such as deposits, liquidity risk requires constant monitoring, taking into account market conditions. The banking sector marked changes in the structure of financing and investments in continuous efforts to adapt to the new conditions created in the market, such as the increase in the cost of financing and at the same time the increase in attractive opportunities for investment. Competitive pressures in deposit insurance are expected to influence some banks to adapt their funding structure by relying on funding from institutional clients. On the other hand, the increase in the opportunity cost of holding cash and the greater opportunities for return from investments in foreign markets can encourage investments in less liquid assets, but with higher returns.

Consequently, there is a need for closer monitoring of the movement of deposits and their composition in relation to the concentration in large depositories, as well as the general quality of investments. In December 2023, the liquidity ratio had the value of 34.7 percent, which represents

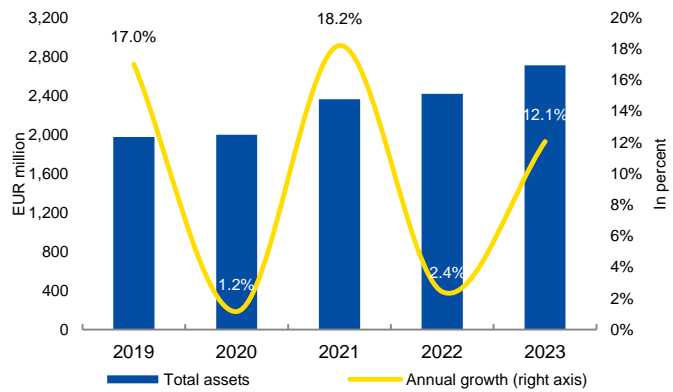
a slight decrease of 1.8 percentage points, compared to the previous year. The slight decrease in the ratio is attributed to the more pronounced increase in short-term liabilities of 10.0 percent influenced by the increase in deposits, rather than the increase in liquid assets of 4.6 percent, which is the result of the reduction of current account balances, placements and deposits in local banks, as well as investments in local government bonds. The loan-deposit ratio in 2023 increased to 80.2 percent from 78.3 percent in the previous year, due to a more pronounced increase in lending than deposits. On the other hand, the liquidity coverage indicator at the end of 2023 increased significantly and stood at 279.7 percent from 228.2 percent at the beginning of this year.

3.4.3 Pension sector

Pension sector assets recorded high growth in 2023 after the marked slowdown a year ago. Despite the negative effects as a result of geopolitical tensions and inflationary pressures that caused volatility in the financial markets, both pension funds recorded a positive return on investments, benefiting from the high interest rates affected by the effects of tight monetary policies in the fight against inflation.

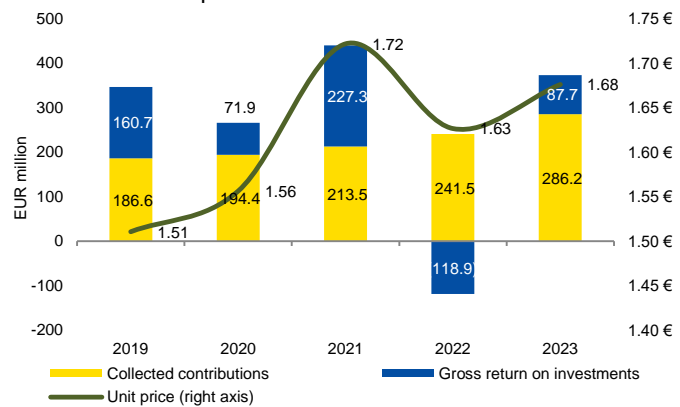
Kosovo's pension sector is dominated by the assets of the Kosovo Pension Savings Fund (KPSF), with a share of 99.7 percent. In 2023, the value of KPSF assets reached 2.71 billion euros, which corresponds to an annual increase of 12.1 percent compared to 2.4 percent last year (see Chart 31). The high growth was a result of positive returns from investments in the foreign sector. Likewise, the income from the contributors has continued the upward trend, with special emphasis in the last two years, which, among other things, reflects the increase in the level of salaries, including the adjustment to inflation, as well as the increase in the salaries of civil servants at the beginning of 2023. The achievement of the positive return on investments, especially in Q4 2023, which was worth 40.1 million euros, was positively influenced by the increase in the value of shares that have been affected by the monetary policy signals of no further increase in basic interest rates. The cumulative gross return from investments in 2023 reached 87.7 million euros (see Chart 32).

Chart 31. Assets of the pension sector, EUR million



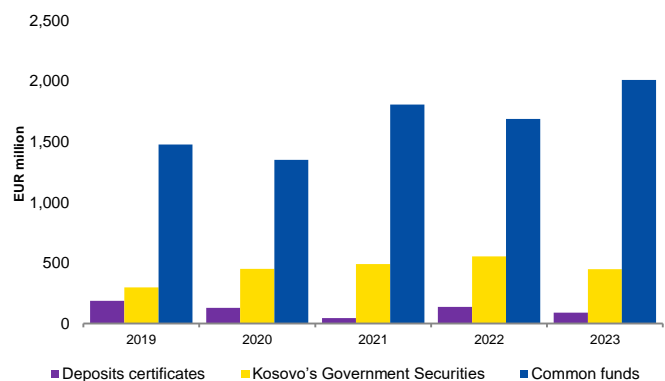
Source: CBK (2024)

Chart 32. KPST performance



Source: KPSF (2024)

Chart 33. KPST investments



Source: KPSF (2024)

The Slovenian-Kosovo Pension Fund (FSKP), which constitutes 0.3 percent of the total pension assets, also achieved a positive return on investments in 2023 in the amount of 817.0 thousand euros from the losses of 788.6 thousand euros in the previous year, while the value of the price of the share on the last day of 2023 reached 196⁹ euros from 181 euros on the last day of 2022.

The value of new contributions that the pension sector collected in 2023 marked an annual increase of 18.5 percent

compared to 13.1 percent a year ago and reached 286.8 million euros compared to 242.1 million euros in the previous year. The value of the collections of the KPSF reached 286.2 million euros, while that of the FSKP reached 667.0 thousand euros.

The assets of KPSF are mainly invested in the foreign market, in mutual funds, with a share of 74.5 percent in the entire investment portfolio. Investments in the portfolio of mutual funds have increased significantly, reaching the value of 2.01 billion euros, while the rest of the investments are diversified in the domestic market (see Charts 33 and 35). While investments in foreign markets have increased, those in the domestic market decreased, with the exception of cash and the balance held at CBK, which increased.

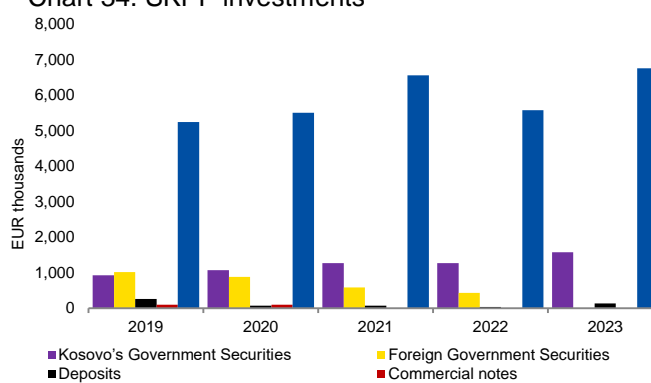
Investments in securities of the Government of Kosovo at the end of 2023 decreased to 447.1 million euros, reducing the share to 16.5 percent of the total investment portfolio from 23.0 percent share a year ago. The category of deposit certificates in local banks decreased to 90.1 million euros, reducing the share to 3.3 percent of total investments from 5.7 percent a year ago.

The structure of FSKP's investment portfolio is similarly diversified to that of KPSF, being mainly oriented towards the foreign market, more specifically in shares which make up 77.2 percent of the investment portfolio and the rest in cash, which make up 2.4 percent of total investments (see Chart 34 and 35). Meanwhile, investments within the country are mainly focused on securities of the Government of Kosovo, which represent 18.0 percent of the total investment portfolio. The rest of the assets held in the country consisting of cash and deposits held in commercial banks constitute 2.4 percent of the investment portfolio.

3.4.4 Insurance sector

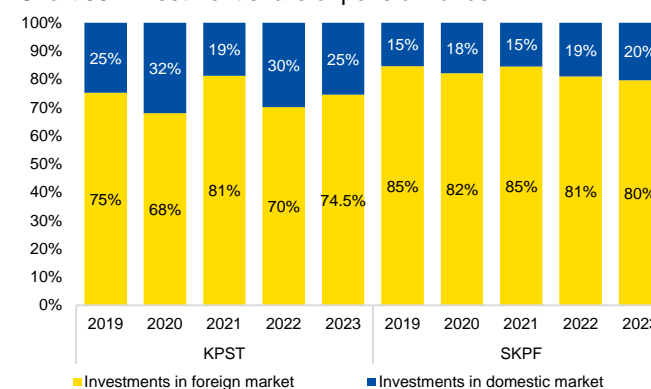
During 2023, the insurance sector was characterized by double-digit growth, mainly as a result of the increase in written premiums. The sector is performing with positive financial return for the third year in a row, unlike the losses incurred in previous years. Despite the expansion of the sector, the level of intermediation and density has expanded at a slower pace over the years.

Chart 34. SKPF investments



Source: SKPF (2024)

Chart 35. Investment share of pension funds



Source: KPST, SKPF (2024)

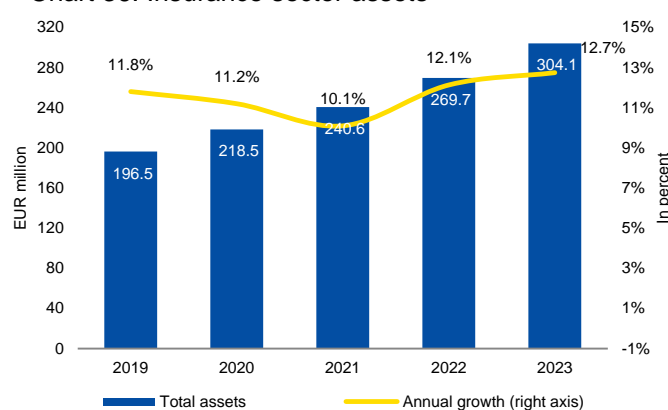
⁹ The basic value of the FKPK share = €1.0, while the basic value of the FSKP share = €100.0.

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 of developed countries, standing this year at 1.52 percent compared to 1.51 percent in 2022. Similarly, the level of density also remains low, measured through written premiums per capita, which this year marked the value of 82.6 euros compared to 75.5 euros in 2022.¹⁰

The insurance market in Kosovo is characterized by a lower degree of concentration compared to the banking and microfinance market. However, in recent 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 Index¹¹ for gross written premiums (GWP) in 2023 increased, to 992 points from 981 points as it was a year ago. The same index, calculated based on the assets of the insurance market, shows lower values, but compared to the previous year, it turns out to have increased by 27 base points to the level of 954 points at the end of 2023. Simultaneously, the CR5 index¹² for 2023, calculated in relation to GWP for the insurance sector, results in 59.6 percent from 58.2 percent in 2022, while, calculated in relation to assets, results in 55.3 percent from 53.5 percent in 2022. So, the slight increase in concentration both in relation to assets and gross written premiums reflects the reduction in the number of insurers in recent years, while the higher concentration in the market of insurers that offer 'life' insurance services results as such due to their low number.

Insurance sector assets represented 2.7 percent of total financial system assets at the end of 2023, similar to the previous year. Their value reached 304.1 million euros, which represents an annual increase of 12.7 percent (see Chart 36). In the context of assets, the most pronounced increase was marked by the category of deposits held in commercial banks, which are mainly in the form of term deposits, which originate from the sale of premiums. The second category in terms of weight, that of Securities of the Government of Kosovo, also recorded an increase. Other balance sheet items that do not have a large weight in total assets recorded a decrease, with the exception of the category 'other assets' and the 'part of the reinsurer for technical reserves' which recorded an increase, since the latter is affected by the performance of written premiums and claims incurred (see Table 6). However, the quality of statistics and key indicators still remains to be improved and reach more sustainable levels.

Chart 36. Insurance sector assets



Source: CBK (2024)

¹⁰ According to the latest statistics published in the database of the Organization for Economic Co-operation and Development (OECD), the level of density in 2022 in 38 countries of this organization (27 European, including the USA, Japan, and Australia) was 3,722 euros (premiums written per capita), while the level of penetration (intermediation) in the market during this period remained at 9.3 percent.

¹¹ The Herfindahl index is calculated with the following formula: $HI = \sum_{i=1}^n (s_i)^2$, where S represents the company's share 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.

¹² The CR5 index (Concentration Ratio of the top 5 firms) combines the market share 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.

Table 6. Insurance sector assets (EUR million)

Description	2022	2023	Annual change	Share 2022	Share 2023
Cash and deposits at the CBK	4.9	4.4	-11.8%	1.8%	1.4%
Deposits at commercial banks	126.2	140.9	11.6%	46.8%	46.3%
Securities	45.6	50.9	11.5%	16.9%	16.7%
Borrowings and receivables	20.2	18.8	-7.2%	7.5%	6.2%
Part of insurers for technical reserves	28.9	42.9	48.3%	10.7%	14.1%
Investments in properties	7.1	6.2	-11.8%	2.6%	2.0%
Other assets	36.8	40.2	9.2%	13.6%	13.2%
Total market	269.7	304.1	12.7%	100.0%	100.0%

Source: CBK (2024)

"Non-life" insurance recorded an annual increase of 12.8 percent and represented 91.6 percent of the total assets of the sector at the end of 2023. While "life" insurance, which makes up the rest of the assets, recorded an annual increase of 12.0 percent.

As for the liabilities of the sector, technical and mathematical provisions constitute the largest part with a total of 66.2 percent, followed by equity with 24.7 percent and other balance items with lower weight (see Table 7). The value of the insurance capital has marked a significantly higher increase compared to the previous year as a result of the high profit realized in 2023. Moreover, the profitable operation for the fourth year in a row has influenced the gradual reduction of losses inherited from previous years. As a result, the value of losses accumulated over the years by the sector was reduced to 39.6 million euros in 2023 from 44.9 million euros in 2020.

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

Description	2022	2023	Annual change	Share 2022	Share 2023
Technical reserves	172.5	201.3	16.7%	64.0%	66.2%
Loans and liabilities from independent securities	0.0	0.0	-100.0%	0.0%	0.0%
Other payable accounts	23.8	23.2	-2.4%	8.8%	7.6%
Other liabilities	5.5	4.6	-16.6%	2.0%	1.5%
Total shareholders capital	67.9	75.1	10.5%	25.2%	24.7%
Total market	269.7	304.1	12.7%	100.0%	100.0%

Source: CBK (2024)

The value of premiums written by insurers in 2023 reached 146.5 million euros, marking an annual increase of 9.4 percent, compared to 14.1 percent in 2022. The slower growth of written premiums compared to 2022 mainly reflects the performance of premiums of the 'accident and health' category within the framework of voluntary insurance. This category of premiums has seen significantly slower growth both in the value of written premiums and also in the volume of sold policies, mainly health policies (see Table 8). The slowdown in the growth of the latter is mainly attributed to the effect of the significantly increased base in the previous two years, which, among other things, may be a post-pandemic effect.

The structure of written premiums continues to be dominated by "non-life" insurance premiums, which in December 2023 represented 95.5 percent of total written premiums. The value of premiums written by "non-life" insurance in 2023 reached 139.9 million euros, which represents an annual increase of 9.5 percent. The increase in the value of premiums resulted from the increase in the volume of policies sold in 2023, which reached 1.48 million policies, an annual increase of 12.3 percent.¹³ Gross written "non-life" premiums continue to be dominated by mandatory premiums with a share of 59.1 percent, while the rest includes voluntary premiums. Compulsory

¹³ Only non-life insurance is included.

insurance products recorded annual growth of 9.7 percent, mainly influenced by "MTPL" products (see Table 8). However, within the framework of voluntary insurance, the highest growth was recorded by the insurance category 'Casco'.

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

Activity	2022	2023	Annual change	Share: 2022	Share: 2023
<i>Total non-life</i>	127.7	139.9	9.5%	95.2%	95.5%
<i>Obligatory insurance</i>					
MTPL	63.2	69.2	9.5%	47.1%	47.3%
TPL+	3.6	4.1	14.0%	2.7%	2.8%
Border insurance	8.4	9.2	9.6%	6.3%	6.3%
<i>Voluntary insurances</i>					
Accident and health	28.4	30.3	6.9%	21.1%	20.7%
Casco	8.6	10.4	20.8%	6.4%	7.1%
Loans and guarantees	7.6	8.7	13.7%	5.7%	5.9%
Fire and other damages in property	6.0	6.6	10.2%	4.5%	4.5%
Overall liabilities	1.9	1.3	-31.6%	1.4%	0.9%
<i>Total life</i>	6.4	6.6	3.5%	4.8%	4.5%
Total market	134.0	146.5	9.4%	100.0%	100.0%

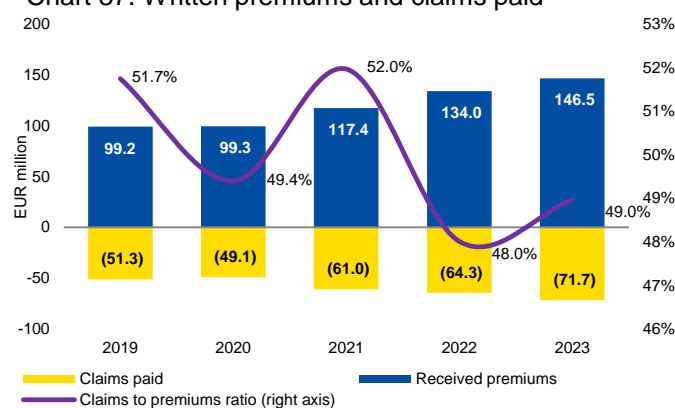
Source: CBK (2024)

The value of premiums written by "life" insurers in 2023 reached 6.6 million euros, which represents a higher value for 3.5 percent compared to 2022. These premiums represent 4.5 percent of the total value of gross premiums written by insurers.

Claims paid by the insurance sector, which includes the claims of insurers and the Kosovo Insurance Bureau (KIB), this year saw an annual increase of 11.6 percent from 5.4 percent the year before, reaching a value of 71.7 million euros at the end of 2023. Of the total amount of claims paid, 65.7 million euros were claims paid by insurers, while 6.1 million euros were claims paid by KIB. Meanwhile, claims paid by reinsurers participate with 16.5 percent in the total amount of claims paid by insurers¹⁴. The higher increase in claims paid by the insurance sector in 2023 mainly reflects the increase in claims paid for the categories 'property insurance', 'MTPL' and 'accident and health' (see Table 9).

The value of claims paid by "life" insurers in 2023 reached 1.5 million euros from 1.1 million euros the year before, which represents an annual increase of 29.5 percent. This increase is attributed to the increase in claims paid for the subcategories 'combined life' (combination of 'life' insurance for a certain period of time with the possibility of extension), 'debtor's life' (payment of obligations in the event of the death of the policyholder, applies mainly from banks – loan insurance), and 'survival insurance' (reward with financial means after the maturity of the insurance policy), which has started to be applied in the last four years.

Chart 37. Written premiums and claims paid



Source: CBK (2024)

The ratio of claims paid to premiums written in 2023 worsened by 1.0 percentage points compared to the previous year, increasing to 49.0 percent (see Chart 37). This came as a result of higher

¹⁴ KIB is not included.

growth in claims paid compared to the annual growth rate of premiums received (see Tables 8 and 9).

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

Activity	2022	2023	Annual change	Share: 2022	Share: 2023
<i>Total non-life</i>	63.2	70.3	11.2%	98.2%	97.9%
<i>Obligatory insurance</i>	0.0	0.0			
MTPL	30.9	34.4	11.3%	48.1%	47.9%
TPL+	0.3	0.3	-4.3%	0.5%	0.4%
Border insurance, FG MoU	8.8	6.1	-31.2%	13.7%	8.5%
<i>Voluntary insurances</i>	0.0	0.0			
Accident and health	13.0	15.7	20.3%	20.3%	21.8%
Casco	5.5	6.3	15.5%	8.5%	8.8%
Loans and guarantees	1.8	0.9	-50.2%	2.9%	1.3%
Property insurance	2.7	6.5	140.9%	4.2%	9.1%
Insurance of goods in transit	0.0	0.0	36.0%	0.0%	0.0%
Overall liabilities	0.0	0.0	-45.4%	0.0%	0.0%
<i>Total life</i>	1.1	1.5	29.5%	1.8%	2.1%
Total market	64.3	71.7	11.6%	100.0%	100.0%

Source: CBK (2024)

3.4.4.1 Performance of the insurance sector

The insurance sector closed the year 2023 with a net profit of 11.0 million euros, a marked increase compared to the profit of 2.1 million euros in the previous year (see Table 10). "Non-life" insurers recorded profits in the amount of 10.0 million euros compared to the value of 2.5 million euros in the previous year.

Table 10. Financial results (EUR million)

Description	2019	2020	2021	2022	2023
Non-life insurance	-5.1	2.0	5.8	2.5	10.0
Life insurance	0.5	0.3	0.5	-0.4	1.0
Total market	-4.7	2.3	6.3	2.1	11.0

Source: CBK (2024)

Meanwhile, "life" insurers recorded a profit in the amount of 1.0 million euros against losses in the amount of 413.1 thousand euros a year ago. The higher profit realized in 2023 is the result of the higher growth of collections from written premiums in relation to the slower growth of expenses, namely 'incurred claims' and operational expenses (which include staff and administrative expenses). However, the progress of treatment, reservation and payment of claims remains in the focus of CBK.

3.4.5 Microfinance and non-banking sector

During 2023, the microfinance and non-banking sector recorded a high increase in activity supported by borrowings from the external sector as the main source of financing. The financial performance of the sector increased despite the higher cost of financing influenced by the general global environment of higher interest rates. The value of the sector's assets at the end of 2023 reached 540.2 million euros, marking an annual increase of 34.8 percent (see Chart 38) ¹⁵. Loans continue to dominate the asset structure of the microfinance sector with a share of 66.7 percent, followed by leasing with 17.9 percent and money held in the banking sector with a 9.5 percent share. While, the rest of the assets of 5.9 percent consists mainly of cash and other assets (including fixed assets).

Loans

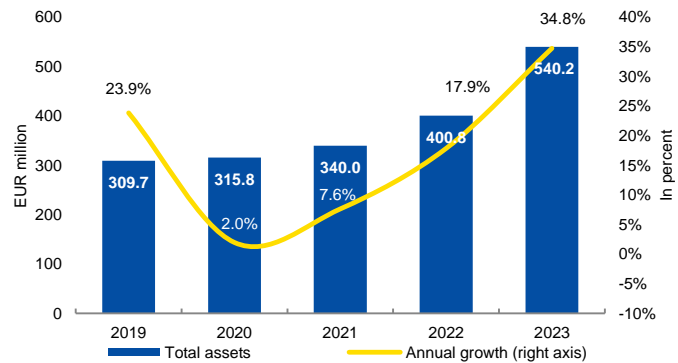
The credit activity of the microfinance and non-banking sector has marked an upward trend in the years after the pandemic, with special emphasis in 2023, where the value of loans reached 360.5 million euros, which represents an annual increase of 25.9 percent (see Chart 39).

Both segments of the private sector, non-financial corporations and households, were characterized by similar credit growth trends. Loans to households this year marked an annual increase of 21.1 percent from 16.4 percent in 2022, reaching a value of 220.4 million euros. The stock of loans to non-financial corporations recorded an annual increase of 34.2 percent from 26.2 percent in 2022, reaching a value of 140.2 million euros.

Lending to non-financial corporations followed the upward trend in all economic sectors (see Chart 40). Unlike the

banking sector where the stock of agricultural loans has a low share in the total credit portfolio of non-financial corporations, in the microfinance and non-banking sector, agricultural loans have a greater weight (25.0 percent), thus giving the highest contribution to growth of lending to non-

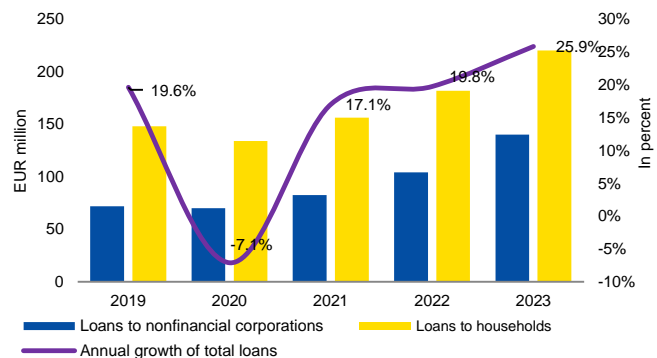
Chart 38. Assets of microfinance and non-bank financial institutions



Source: CBK (2024)

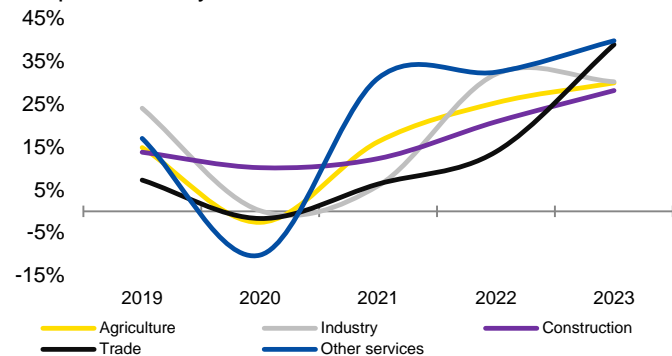
with a share of 66.7 percent, followed by leasing with 17.9 percent and money held in the banking sector with a 9.5 percent share. While, the rest of the assets of 5.9 percent consists mainly of cash and other assets (including fixed assets).

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



Source: CBK (2024)

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



Source: CBK (2024)

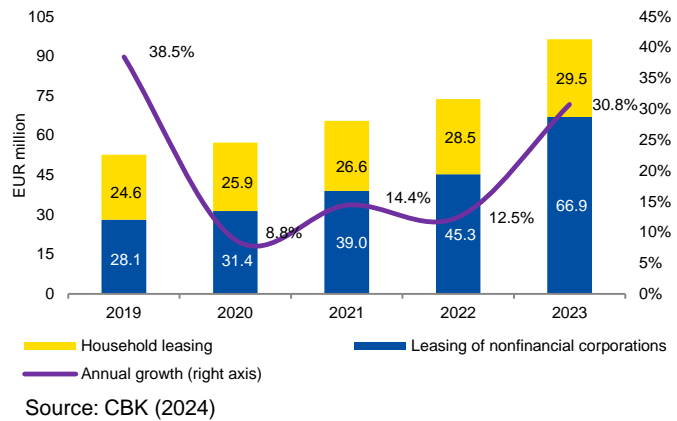
¹⁵ From November 2023, two financial institutions have been reclassified from financial aid to other financial intermediaries (IMF and IFJB). This reclassification has had the effect of increasing the value of assets in the microfinance sector, specifically in *the balance sheet with other banks*, and affecting the statement of income, *a significant increase in income from services*.

financial corporations (see Chart 39). The value of loans to the agricultural sector reached 35.0 million euros, which coincides with an annual increase of 30.0 percent. The significant increase in loans for the agricultural sector is also supported by credit guarantees from the Kosovo Credit Guarantee Fund (KCGF).

Leases

Leases are the second most important category in terms of weight in the asset structure of the microfinance and non-banking sector with a share of 17.9 percent. Leasing activity recorded an annual increase of 30.8 percent, while their value reached 96.4 million euros (see Chart 41). In the growth of leasing, the main contribution continues to be made by non-financial corporations, which have the largest share of 69.4 percent in total leasing, while the contribution of households to leasing was lower.

Chart 41. Leasing



Interest rates

Inflationary pressures and the increase in interest rates at the global level that have been reflected in the increase in the financing cost of the microfinance and non-banking sector have interrupted the several-year downward trend of interest rates in sector loans, however, they have not been reflected in the financing rates in the country. In December 2023, the average interest rate on loans from microfinance institutions and non-bank financial institutions was 18.62 percent, almost the same as the 18.59 percent rate in the previous year (Graph 42), despite the fact that the source of their financing is external and completely influenced by markets. The interest rate for loans to households increased by 0.5 percentage points, reaching 21.1 percent. The average interest rate on consumer loans also increased by 1.4 percentage points, reaching 23.8 percent, while that of mortgage loans decreased by 1.5 percentage points, with an average of 15.8 percent.

Chart 42. Average interest rate on microfinance and non-bank financial institutions

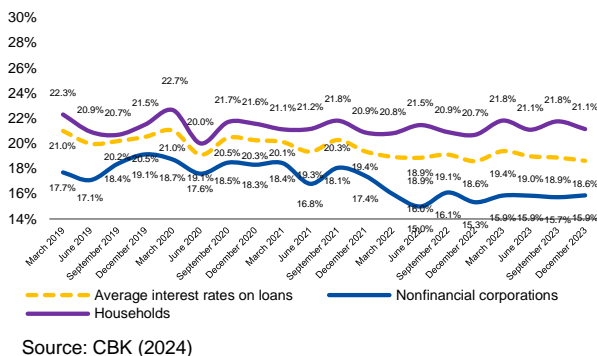
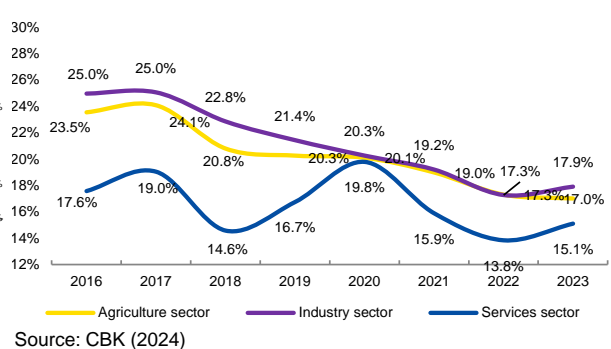


Chart 43. Average interest rate on loans, by economic sectors



Despite the scope for more favorable financing terms, their financing structure and business model greatly limits the significant reduction of interest rates. However, the level of intermediation and competition in the entire sector is expected to achieve a positive impact in this regard. Sources of financing with more favorable conditions, as well as optimization of the business model, to provide financing with more affordable conditions for the borrower, remain their main challenge.

For non-financial corporations, the average interest rate on loans increased by 0.5 percentage points, reaching 15.9 percent. The interest rate on loans to the industry and services sector increased by 0.6 and 1.3 percentage points, reaching 17.9 percent and 15.1 percent, respectively (see Chart 43). However, the average interest rate on loans to the agricultural sector decreased to 17.0 percent or by 0.3 percentage points from a year ago.

Performance of the microfinance and non-banking sector

In 2023, the microfinance and non-banking sector generated a net profit in the amount of 18.1 million euros or 6.4 percent higher than in the previous year, influenced by the higher increase in the value of revenues in relation to the increase in expenses due to the significant increase in lending (see Charts 44 and 45).

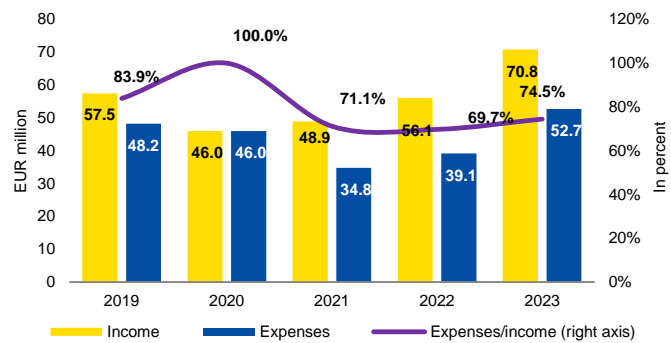
As a result of the lending activity, the revenues of the sector in 2023 have increased by 14.7 million euros or by 26.1 percent, while expenses by 13.6 million euros or by 34.7 percent from last year.

Within the income, interest income represents the main category with 87.0 percent, which recorded an annual increase of 22.2 percent in 2023 from 15.9 percent in the previous year, mainly as a result of high lending growth. The non-interest income category, which accounts for 13.0 percent of total revenues, recorded an annual increase of 60.7 percent from 6.6 percent a year ago, as a result of the increase in fees and commissions to 4.3 million euros from 0.9 million euros in last year. Among other things, this result was also influenced by the methodological change, where two institutions have been reclassified to MFI/NBFI from the previous category of Financial Aids, which has affected the financial statements in the last two months of 2023¹⁶.

Within expenses, interest expenses represent 26.9 percent of total expenses, marking an annual increase of 69.2 percent in 2023 (increase of 4.6 percent from the previous year), and had the greatest impact on the increase in total expenses of the sector.

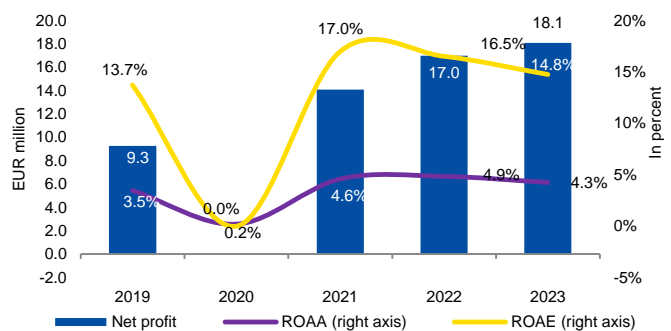
The marked increase in this category is a result of the increase in interest expenses from borrowings, which is the main source of financing the activity of the sector. The category that has the largest weight in the total expenses of the sector, that of non-interest expenses with a share of

Chart 44. Income and expenses of microfinance and non-bank financial institutions



Source: CBK (2024)

Chart 45. Profitability indicators of microfinance and non-bank financial institutions



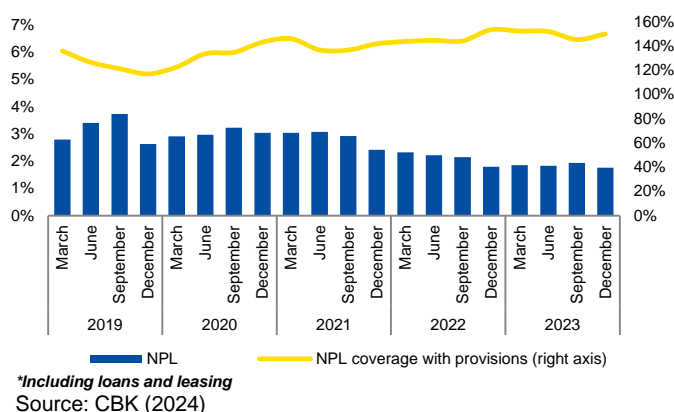
¹⁶This methodological change has had the following effect on the income statement of MFIs/NBFIs: we have an increase of 3.7 million euros in the revenues of the sector, affecting the subcategory of income from non-interest (income from services increased by 2.9 million euros, while other operating income for 0.8 million euros)

52.5 percent, recorded a lower growth of 20.5 percent from the growth of 21.2 percent a year ago, this is due to the slowdown in growth of staff expenses. Expenses for provisions also increased.

The level of nonperforming loans to total sector loans at the end of 2023 was 1.8 percent, similar to a year ago. However, the value of nonperforming exposures increased by 20.6 percent from 12.4 percent a year ago, reaching a value of 7.5 million euros at the end of 2023. The level of coverage of nonperforming loans with

provisions decreased by 3.4 percentage points in the value of 149.7 percent (see Chart 46) as a result of the higher growth of nonperforming loans in relation to the growth of provisions.

Chart 46. Credit portfolio quality indicators



3.4.6 Financial assistants¹⁷

The financial aid sector represents only 0.1 percent of the total assets of the financial system, but it constitutes the largest number of financial institutions in the country represented by a total of 61 foreign exchange offices and money transfer agencies.

The value of assets of financial assistants at the end of 2023 reached 13.3 million euros. The structure of assets of financial helpers consists of fixed and other assets with a share of 69.9 percent in the total assets of the sector, while 24.2 percent of the assets of the sector are held in commercial banks and the remaining part is in cash. The sector has a low level of debt: 30.6 percent of the sector's liabilities and equity represent various debt products such as loans, accounts payable, and other liabilities. While, own capital constitutes about 67.0 percent of the total liabilities and equity of the sector.

The sector of financial aids in 2023 recorded a net profit in the amount of 0.6 million euros. Revenues reached the value of 7.4 million euros, mainly revenues from services. Meanwhile, the value of expenses reached 6.6 million euros, of which 60.5 percent are staff expenses, the rest of 39.1 percent are operational expenses and 0.7 percent for interests.

¹⁷ From November 2023, two financial institutions have been re-classified from financial aid to other financial intermediaries (MFI&NBFI). This reclassification has had the effect of significantly reducing the assets of financial assistants, affecting the income statement.

4. Licensing and regulation of the financial system

Based on the CBK Law, its primary objective is to promote and maintain a stable financial system. CBK is committed to achieving this objective through the fulfillment of duties and responsibilities as the authority responsible for licensing, supervision and regulation of financial institutions operating in the Republic of Kosovo.

The CBK, in implementation of its legal responsibilities as a licensing, regulatory and supervisory authority of financial institutions in the country, engages in the following:

- Regulating the entry into the market of potential investors, determining criteria for licensing financial institutions and those institutions that possess sufficient capital to support the planned activities, that present appropriate preparations for risk assessment and monitoring, sustainable business plans with the aim of impact and competition in the sector, adequate policies and procedures for its control, as well as administrators with a high level of qualification, professionalism and ethics, easy access and trust and communication with the relevant state institutions of the investor's country;
- Drafting and maintenance of the regulatory framework consisting of a set of minimum criteria and regulatory requirements applicable to financial institutions, in harmony with primary legislation, European Directives, as well as international standards;
- Developing an effective supervisory process, applying the principles of risk-based supervision, through on-site examinations, as well as analyzing, evaluating and interpreting financial institutions' data, assessing future financial trends, as well as the possibility of taking improvement measures for solving various problems;
- Cooperation with financial institutions licensed and supervised by the CBK, as well as with foreign supervisory authorities for banks or relevant regulatory authorities for non-bank institutions 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.

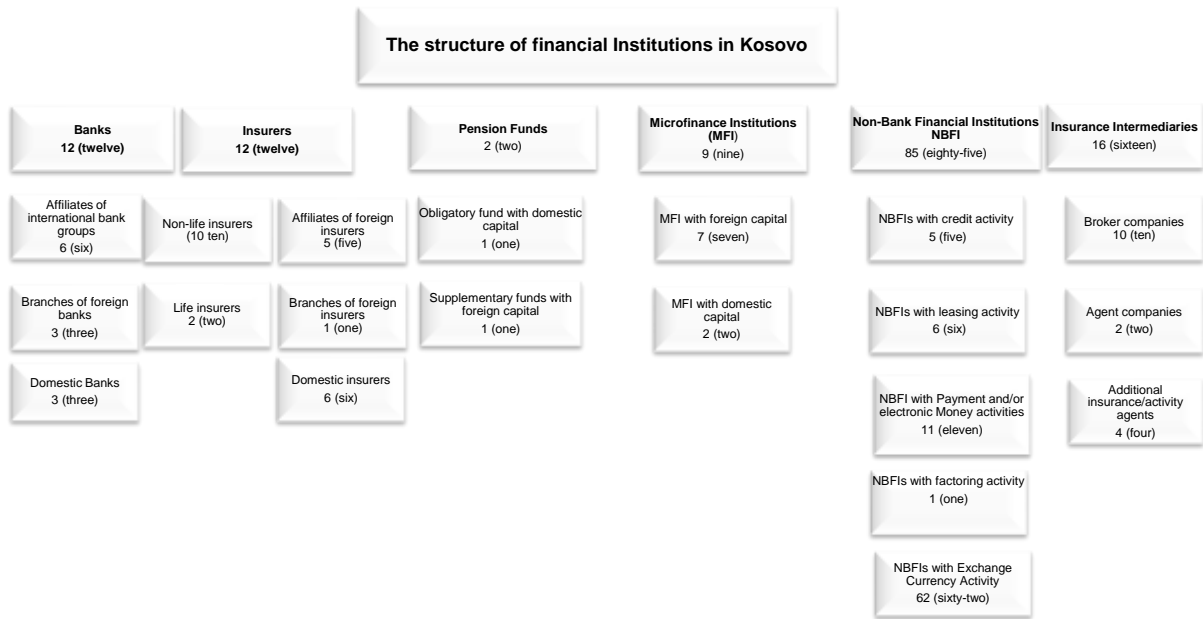
4.1. Licensing

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

CBK aims to provide a meritorious, transparent and comprehensive licensing process, which helps to ensure a safe, stable and competitive financial environment built on the principle of justice, fairness and equality. Licensing conditions and criteria are of a supervisory nature and are not intended to establish barriers to investors, both internal or external, however they serve to ensure that only institutions that meet the legal requirements at the required level do not expose the country and consumers to risks and bring added value enter the market. The entry of foreign investors into the Kosovar market, especially in the financial sector, proves the open policy of the CBK towards foreign investments, without violating the legal requirements, while the practice in some cases has proven the need for their revision and updating, in accordance past practices and current challenges.

The structure of the financial system at the end of 2023, according to the type of licensed and registered financial institutions that provide financial services in Kosovo, based on the legislation applied in the Republic of Kosovo and the regulatory framework in force of the Central Bank of the Republic of Kosovo, listed according to their weight in the system is presented in figure 47.

Figure 47. Structure of the financial system in Kosovo



Source: CBK (2024)

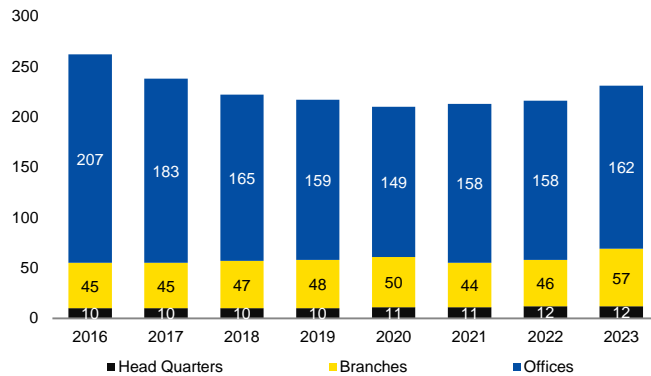
The structure of the financial system of Kosovo consists of a total of 136 licensed and registered financial institutions, which exercise their activity in the country based on the legislation applied in the Republic of Kosovo and the CBK regulatory framework in force.

4.1.2 The network of the financial system

At the end of 2023, banks operated in a total of 57 branches and 162 offices within the territory of the country (see Chart 48). During this year, with the approval of the CBK, the number of branches for the two new banks has increased, while the number of branches of other banks has remained almost the same as the previous year.

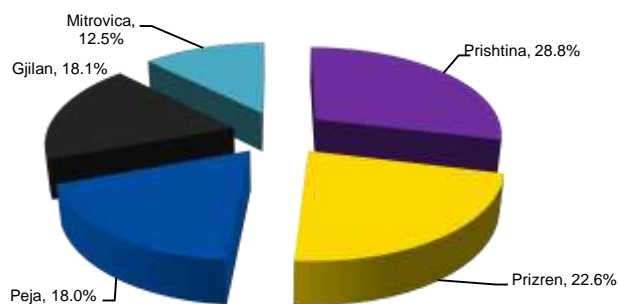
The geographical distribution of the banking network includes almost the entire territory of the country and was almost the same as the previous year in relation to the number of branches and offices (see Table 11). However, a greater concentration of branches and offices continues to be evident in the Prishtina region with 36.0 percent, where the population concentration is also greater at 28.8 percent (see Chart 49).

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



Source: CBK (2024)

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



Source: KAS (2024)

The five-year trend suggests consistent bank strategies in terms of geographic focus. So, during this period, there is no significant change in other regions in relation to the percentage of bank branches and offices, and the trend continues almost proportionally in all regions. However, financial inclusion may result in consideration of this pretence.

Table 11. Geographical distribution of bank branches and offices

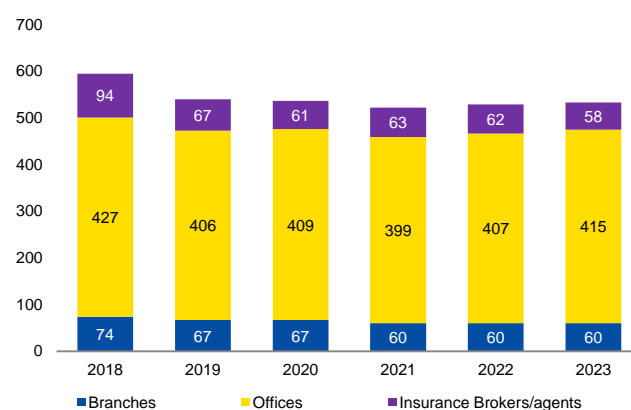
Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	95	36%	38	15%	42	16%	52	20%	35	13%	262
2017	83	35%	37	16%	39	16%	47	20%	32	13%	238
2018	74	33%	35	16%	38	17%	44	20%	31	14%	222
2019	71	33%	35	16%	37	17%	44	20%	30	14%	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
2023	73	36%	37	18%	33	16%	41	20%	35	17%	219

Source: CBK (2024)

During 2023, insurers exercised their activity through 60 branches, just like in the previous year, 415 offices and 58 agents and brokers within the territory of the country (see Chart 50), where a slight expansion of the general network of offices of insurers in the country can be observed.

The geographic distribution of the insurers' network includes almost the entire territory of the country, but does not match the geographic distribution of the population as in the case of banks. The concentration of the network of insurers, with emphasis on that of insurer branches, in 2023 has the highest representation in the region of Peja with 26.7%, followed by the region of Gjilan, which as regions do not reflect the geographical distribution of the population and this structure is consistent over the past six years (see Table 12).

Chart 50. Insurers network



Source: CBK (2024)

Table 12. Geographical distribution of insurers' affiliates

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
2023	12	20.0%	9	15.0%	16	26.7%	15	25.0%	8	13.3%	60

Source: CBK (2024)

Pension funds develop their activity only through the central offices located in Pristina.

At the end of 2023, microfinance institutions exercised their activity through 138 offices distributed within the territory of the country. During 2023, the opening of three (3) offices, the closing of one (1) office, and the relocation of ten (10) other MFI offices were approved. The geographical

distribution of the offices of microfinance institutions continues to be mainly concentrated in two regions of the country's territory, in the region of Prishtina and Prizren (see Table 13).

Table 13. Network of MFIs, 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
2023	41	30%	32	23%	27	20%	24	17%	14	10%	138

Source: CBK (2024)

At the end of 2023, non-bank financial institutions exercised their activity in a total of 1038 offices and agents distributed within the territory of the country. Geographic distribution of branches and offices of the network of non-bank financial institutions is concentrated in almost the entire territory of the country, where the Prishtina region leads with 37 percent, followed by the Gjilan region with 22 percent, and with the Mitrovica region having the lowest share in the country (see Table 14). Entry into market and registration of new financial institutions dealing with payment services, electronic money issuance and foreign exchange has contributed to this growing trend of new offices and agents.

Table 14. NBFi network (offices and agents), by geographical distribution

Description	Prishtina region		Prizren region		Peja region		Gjilan region		Mitrovica region		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2016	132	29%	85	18%	101	22%	103	22%	41	9%	462
2017	154	29%	96	18%	109	21%	115	22%	52	10%	526
2018	177	30%	111	19%	122	21%	130	22%	53	9%	593
2019	219	31%	126	18%	139	20%	160	23%	65	9%	709
2020	286	33%	150	17%	165	19%	192	22%	82	9%	875
2021	340	36%	163	17%	170	18%	197	21%	80	8%	950
2022	360	36%	177	18%	174	17%	212	21%	81	8%	1004
2023	384	37%	174	17%	177	17%	228	22%	75	7%	1038

Source: CBK (2024)

4.1.3 Licensing activity

Within the framework of the fulfillment of the operation of licensing and the normal operation of financial activities, during 2023, the CBK has examined a total of 473 requests, of which six (6) applications for licensing, which according to the legislation in force require the prior approval of the CBK (see Table 15). This does not include: (i) reviewed requests carried over for decision-making from 2022, (ii) expressions of interest in licensing/registration, (iii) requests that are well evaluated but are not subject to CBK approval, and (iv) questions, notices and other evaluations reviewed by CBK. During 2023, similar to last year, the CBK has mainly received requests for registration of NBFIs, and there has been a slight increase in requests from the banking sector. In general, the structure of licensing requirements remains similar, but with a slight decrease compared to previous years.

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

Transactions	2022						2023					
	Bank	Pension funds	MFI&NBFI	Insurers	Insurance intermediaries	Total	Bank	Pension funds	MFI&NBFI	Insurers	Insurance intermediaries	Total
Applications	1	0	8	0	1	10	1	0	5	0	0	6
Main shareholders and changes in equity	4	0	13	3	5	25	5	0	6	2	0	13
Director and senior managers and delegation of functions	22	0	45	26	6	99	20	0	26	47	19	112
External auditor	10	1	30	14	5	60	6	1	9	5	4	25
Changes in inception and/or status/name	6	0	10	2	4	22	6	1	9	1	1	18
Income from capital interest and transferring of portfolio	1	0	0	0	0	1	0	0	0	0	0	0
Expansion of financial activities	1	0	5	1	0	7	0	0	3	0	1	4
Opening, moving and closing of branches and offices in the country and abroad	11	0	44	15	0	70	29	0	42	28	3	102
Licensing and registration of agents/brokers	35	0	81	4	53	173	40	0	88	1	8	137
Revocation of licensing/registration	0	0	47	4	2	53	0	0	53	1	0	54
Other	0	0	1	0	1	2	0	0	1	0	1	2
Total	91	1	284	69	77	522	107	2	242	85	37	473

Source: CBK (2024)

Within these 6 applications for licensing/registration during 2023, the CBK has approved 4 applications, rejected 1 and 1 application has been transferred for processing in 2024. In the licensing process, in addition to legal and regulatory requirements, the CBK has paid special attention to the evaluation of the business plan and the added value, as well as the implementation of the basic principles and rules for responsible and effective governance by evaluating their organizational structures, management, as well as the division of responsibilities.

During 2023, decisions were made and requests for preliminary approval/rejection were processed. Similarly, there were voluntarily withdrawn requests by the financial institutions themselves. In total, there were 473 requests, where 456 of them received approval, 4 were rejected, and 13 were voluntarily withdrawn or the review procedure was stopped due to failure to comply with legal procedures and criteria.

Table 16. Processed and ongoing requests, in 2023

Applications and claims along 2023	Withdrawn	Approved	Rejected	Total
Bank	5	101	1	107
Main shareholders	2	2		4
External auditor;		6		6
Appointment of the external member of auditing committee		1		1
Appointments of directors;		7		7
Appointments of senior managers;		12		12
Opening of branches and offices inside the country		17		17
Licensing/Registration of agents;		40		40
Closure of branches and offices inside the country;	2	1		3
Changes in inception and/or status;		6		6
Change in equity;	1			1
The shift of branches and offices inside the country;		9		9
Initial application			1	1
IKB		15		15
Appointments of senior managers;		14		14
Expansion of financial activities;		1		1
FP		2		2
External auditor;		1		1
Changes in inception and/or status;		1		1
NBFI	2	212		214
Main shareholders		1		1
External auditor;		6		6
Appointments of directors;	1	7		8
Appointments of senior managers;		11		11
Opening of branches and offices inside the country		16		16
Licensing/Registration of agents;		88		88
Closure of branches and offices inside the country;		1		1
Changes in inception and/or status;	1	5		6
Change in equity;		5		5
Withdrawal of registered agents;		53		53
Expansion of financial activities;		3		3
The shift of branches and offices inside the country;		11		11
Initial application		5		5
MFI		27		27
External auditor;		3		3
Appointments of directors;		3		3
Appointments of senior managers;		4		4
Opening of branches and offices inside the country		3		3
Closure of branches and offices inside the country;		1		1
Changes in inception and/or status;		3		3
The shift of branches and offices inside the country;		10		10
IC in liquidation		1		1
External auditor;		1		1
IC-Life	1	6	2	9
Appointments of directors;		2	1	3
Appointments of senior managers;	1	4	1	6
IC- Non-life insurance	5	72		77
External auditor;		5		5
Delegation of functions		1		1
Appointments of directors;		11		11
Appointments of senior managers;	4	23		27
Opening of branches and offices inside the country		17		17
Licensing/Registration of agents;		1		1
Closure of branches and offices inside the country;		1		1
Change of the name;		1		1
Change in equity;		2		2
Withdrawal of registered agents;		1		1
The shift of branches and offices inside the country;	1	9		10
Insurance intermediaries		20	1	21
External auditor;		3		3
Appointments of directors;		4		4
Appointments of senior managers;		1		1
Licensing of brokers		7	1	8
Changes in inception and/or status;		1		1
Expansion of financial activities;		1		1
The shift of branches and offices inside the country;		3		3
Total	13	456	4	473

Source: CBK (2024)

4.2. Regulation

4.2.1 Legal and regulatory framework of the financial system

The drafting of new sub-legal acts and the review of the regulatory framework in force aims to complete and continuously improve it, in order to achieve a more effective supervision and to implement the legal requirements for financial institutions licensed/registered and supervised by the CBK through alignment with the regulatory acts of the European Union and with the basic principles for the effective supervision of other relevant international institutions.

Until now, the CBK has built a regulatory framework for the licensing, regulation and supervision of financial institutions based on international best practices, continuously supported by well-known international institutions, such as the World Bank Group (WB), the International Monetary Fund (IMF), USAID, FED, US Treasury, ECB, European Bank for Reconstruction and Development (EBRD), KfW, GIZ and other international institutions. The regulatory framework is designed in compliance with European directives that address the regulation of financial institutions, as well as international standards and best practices for the regulation and supervision of financial institutions. Also, the CBK has continued with the gradual process towards alignment with the basic principles for the supervision of banks, issued by the Bank for International Settlements (BIS), and the basic principles for the supervision of insurers issued by the International Association of Insurance Supervision (IAIS). Since the directives, international standards, and the aforementioned principles related to the regulation of financial institutions and their scope are of a dynamic nature, this affects the drafting of the legal framework to be a continuous and complex process as it requires the amendment and supplement of the existing legal and regulatory framework, as well as requires an adequate approach in order to carefully study the specific circumstances of Kosovo, for an adequate adaptation of these international legal instruments in function of the needs of the financial sector in Kosovo.

In addition to this, CBK has initiated and chaired the group for the drafting of the law on banks, while continuing the activity for the law on payment services, the law on (non-banking) microfinance institutions. Also, it is in the process of examining legal changes in the field of insurance - the law on auto responsibility, as well as participated in the working group for the concept document on capital markets. These legal initiatives are expected to be addressed in 2024-25.

4.2.2 Legal and regulatory framework for bank supervision

In view of the further development of the regulatory framework for the regulation of banks, during 2023 the following activities were carried out:

4.2.2.1 New Draft Law on Banks

The CBK has finalized the draft law on banks, which aims to regulate the banking and financial activity of banks in the Republic of Kosovo, in order to promote and run a stable financial system, ensuring an appropriate level of protection of depositors' interests, through the regulation of the criteria for the establishment and licensing of banks, the organization and sound management of banks, the prudential supervision of banks, the protection of consumers, as well as the recovery, closure and liquidation of banks.

This draft law, which consists of 150 Articles, divided into four chapters, aims to harmonize the legal framework for banks in Kosovo with the *Acquis* acts of the European Union, as follows:

- Regulation on prudential requirements for credit institutions and investment firms (Regulation No. 575/2013/EU, amending and supplementing Regulation No. 648/2012/EU).
- Directive on access to the activity of credit institution and the prudential supervision of credit institution and investment firms (Directive 2013/16/EU, amending and supplementing Directive 2002/87/EC, and repealing Directives 2006/48/EC and 2006/49/EC).
- Directive on the establishment of a framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU, amending and supplementing Directive 82/891/EEC, 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, as well as Regulation 1093/2010/EU and 648/2012/EU).

This draft law will apply to all banks, including branches of foreign banks that carry out banking and financial activities, their shareholders, board of directors, senior managers, employees, agents and their subsidiaries, as well as to accounting aspects and the financial reporting system of banks, including audit requirements.

4.2.2.2 Alignment with EU regulations regarding liquidity risk management in banks

During 2023, as part of the process of harmonizing the regulatory requirements of the CBK with the Basel standards and the European Directives/Regulations, the Regulation on the Bank Liquidity Risk Management, which defines the minimum standards and requirements for the effective management of liquidity risk by banks.

4.2.2.3 Regulatory framework for real estate valuation

CBK has reviewed the regulatory framework for real estate valuation in order to update the requirements to improve real estate valuation practices by financial institutions, in accordance with the new European Valuation Standards 2016 (EVS). This project was developed with the support of the adviser from the US Treasury, an expert with long experience in the field of real estate valuation for the needs of banks.

4.2.2.4 Regulation on country risk and transfer risk

During 2023, the Regulation on Country Risk and Transfer Risk was approved. This regulation addresses country risk, which refers to the possibility or risk that a foreign borrower (state or other) is unable or unwilling to meet obligations due to specific country conditions, which may be economic, political, social, natural or other events, as well as the risk of transfer, which is one of the country's risks.

4.2.2.5 Regulation on the internal liquidity assessment process of banks (ILAAP)

During 2023, drafting of the Regulation on Internal Liquidity Adequacy Assessment Process (ILAAP) has continued, which is based on the Basel Framework and European Directives. The purpose of this Regulation is to define the internal assessment process of the bank's liquidity sufficiency to ensure that the expected risks and outflows are sufficiently covered by the internal liquidity that the bank has available.

4.2.2.6 Regulations on corporate governance of banks

During 2023, the draft of the Regulation on Corporate Governance of Banks was finalized, which amends and supplements the existing regulation on corporate governance of banks. This was achieved with the support of technical assistance within the Project for Corporate Governance

supported by EBRD. The purpose of the Regulation is to harmonize the regulatory framework with the good practices of corporate governance of banks, as an important factor for maintaining the sustainability and stability of the banking sector as a whole. This Regulation defines the minimum requirements for bank shareholders, Board of Directors and Senior Managers regarding their responsibilities in corporate governance. During 2023, workshops were also organized for the staff of the CBK, as well as of the banking industry regarding the changes and new requirements arising from the new draft of this Regulation. The same is expected to be approved within 2024.

4.2.2.7 Regulations on external audit of banks

During 2023, the amendment and supplement was made to the existing Regulation on External Audit of Banks, and the same was approved by the CBK and entered into force in December 2023. Through this amendment and supplement, the continuous employment of the same external auditor is harmonized with the requirements for other non-banking institutions, respectively, it was limited to five (5) consecutive audits, limiting that the same auditor can participate in the audit of the same bank, again after the time limit of at least two (2) years.

4.2.2.8 Regulations on directors and senior managers of banks

In order to strengthen the criteria required for senior bank management positions, during 2023 the CBK has begun to amend and supplement the existing Regulation on Directors and Senior Managers of Banks, which has been finalized and is expected to be approved during 2024.

4.2.2.9 Regulation on licensing of banks and branches of foreign banks

In 2023, the amendment and supplement of the existing Regulation on Licensing of Banks and Branches of Foreign Banks began. The purpose of the Regulation is to determine the conditions, requirements, procedures and deadlines to be followed for the licensing of banks and/or branches of foreign banks, transactions that require prior approval by the CBK during the exercise of activity by banks and branches of foreign banks, as well as obligations for notifications to the CBK by banks and branches of foreign banks during the exercise of their activity. The Draft Regulation is in the process of being finalized and it is expected that the same be processed for approval during 2024.

4.2.2.10 Other activities related to the regulatory framework in the field of banks

During 2023, engagement in the Project with the World Bank (FinSAC) regarding the advancement of regulatory acts for the management of climate and environmental risks continued. For this purpose, there were meetings with representatives of the World Bank and other interested parties. Currently, it is in the process of drafting Advisory Letters for banks regarding Climate and Environmental Risks according to the best international practices applied in this field.

4.2.2.11 Regulations on cash operations

The Regulation on Cash Operations was approved on 27 December 2023, with the aim of advancing and defining the regulatory standards for the professional performance of tasks by financial institutions in the field of cash operations. The regulation includes the control of the amount of money in circulation, the protection of the integrity of the financial system, the fight against counterfeit money, consumer protection, the fight against money laundering and terrorist financing activities, as well as addressing other issues related to the scope of the CBK. Additionally, the regulation aims to improve the payment system, implements the constitutional mandate of the sole use of the euro as a legal instrument, as well as prohibits the operation of financial institutions or machines not licensed by the CBK. The same prohibits the re-circulation of €500 notes to discourage large cash transactions.

4.2.3 Regulatory framework on microfinance and non-bank institutions

In view of the further development of the regulatory framework for the regulation of microfinance and non-bank institutions, during 2023, the following draft legal and sub-legal acts were drawn up, the approval of which will depend on compliance with the new law, where there will be amendments.

4.2.3.1 Draft Law on Microfinance Institutions and Non-Bank Financial Institutions

During 2022, the Ministry of Finance, Labour 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 started its work in finalizing the draft of this Law. During 2023, the activity in the direction of drafting this law continued, where the team from the International Finance Corporation (IFC) was also engaged, and the same is expected to be processed for approval during 2024.

4.2.3.2 Regulation on corporate governance of microfinance and non-bank institutions

During 2023, the new Draft Regulation on Corporate Governance was finalized, through the technical assistance within the Project for Corporate Governance supported by EBRD. In the framework of the regulation of the corporate governance of these institutions, the Advisory Letter has also been drawn up, which will serve as a guide showing the expectations of the CBK for the implementation of the Regulation, the intent of which will not be prescriptive but rather informative. The purpose of the Regulation is to define the regulatory framework in harmony with good corporate governance practices. The regulation defines the minimum requirements for the Board of Directors and Senior Managers regarding their responsibilities in corporate governance. During 2023, workshops were also organized for the CBK staff and the relevant industry related to the requirements derived from this Regulation. The regulation has undergone a revision and the same is expected to be processed for approval within 2024.

4.2.3.3 Regulation on liquidity risk management for NBFIs

In order to regulate the issue of liquidity risk management for NBFIs during 2023, the Draft Regulation on Liquidity Risk Management for NBFIs has been finalized. The regulation establishes the minimum standards and requirements for the effective management of liquidity risk by NBFIs, in order for the latter to have high-quality free liquid assets that can be easily and immediately converted into cash, to meet their obligations on time. This Regulation is in the process of approval by the decision-making bodies and is expected to be approved during 2024.

4.2.3.4 Regulations on the external audit of MFIs

The Regulation on External Audit of MFIs has been amended and supplemented for the purposes of alignment with the latest developments in this field, similar to the Regulation on the External Audit of Banks. Through this Regulation, the continuous employment of the same External Auditor is extended to five (5) years or five (5) consecutive audits. During 2023, the final draft was compiled, which is expected to be approved by the CBK's decision-making bodies within 2024.

4.2.3.5 Regulation on the external audit of NBFIs

This Regulation has been amended and supplemented for the purposes of alignment with the latest developments in this field. The Regulation harmonizes the continuous employment of the same External Auditor in five (5) years or five (5) consecutive audits. During 2023, the draft was compiled, which is expected to be approved within 2024.

4.2.3.6 Regulation on registration of microfinance institutions

During 2023, the amendment and supplement of the Regulation on Registration of MFIs has begun. The purpose of the Regulation is to determine the conditions, requirements, procedures and deadlines that must be followed for the registration of MFIs to exercise financial activity, including the branch of MFIs, transactions that require prior approval by the CBK during the exercise of activity by MFIs, and the obligations for notifications to the CBK by MFIs during the exercise of their activity. The draft is in the finalization phase and it is expected to be processed for approval in 2024.

4.2.3.7 Regulation on registration of non-banking financial institutions

During 2023, the amendment and supplement of the Regulation on Registration of NBFIs has begun. The purpose of the Regulation is to determine the conditions, requirements, procedures and deadlines that must be followed for: registration of NBFIs to exercise financial activity, including the branch of NBFIs, transactions that require prior approval from the CBK during the exercise of activity by the NBFIs, and the obligations for notifications to the CBK by the NBFIs during the exercise of their activity. The draft is in the finalization phase and it is expected to be processed for approval in 2024.

4.2.4 Regulatory framework for insurers

In order to further develop the legal and regulatory framework of insurers and insurance intermediaries, during 2023, the following legal and sub-legal acts were drafted:

4.2.4.1 Regulation on corporate governance of insurers

During 2023, the draft of the new Regulation on Corporate Governance of Insurers was finalized, which amends and supplements the existing regulation on corporate governance of insurers. This was achieved through technical assistance within the Project for Corporate Governance supported by EBRD. In the framework of the regulation of the corporate governance of insurers, an Advisory Letter has been drawn up, which will serve as a guide showing the expectations of the CBK for the implementation of the Regulation. During 2023, workshops were also organized for the CBK and insurance industry staff related to the requirements derived from this Regulation. The same is expected to be approved within 2024.

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 2023, the revised draft of the existing Regulation on Internal Controls and Internal Audit of Insurers was finalized. The final draft of this Regulation is expected to be approved together with the Regulation on Corporate Governance of Insurers within 2024.

4.2.4.3 Regulation on liquidity risk management of insurers

The Regulation on Liquidity Risk Management of Insurers sets the minimum standards and requirements for the effective management of liquidity risk by insurers, in order for insurers to have high-quality free liquid assets that can be easily and immediately converted into cash to fulfil their obligations on time. This Regulation has been finalized and sent for approval.

4.2.4.4 Regulation on risk retention and reinsurance coverage requirements

During 2023, the existing Regulation on Risk Retention and Reinsurance Coverage Requirements was finalized, in which the problems identified by CBK during the implementation of the Regulation by insurers were addressed. This Regulation has been finalized and processed for approval in 2024.

4.2.4.5 Regulation on operational risk management of insurers

During the examinations carried out at the insurers, it was found necessary to regulate the operational risk management of the insurers. The draft of this regulation has been finalized, which will address additional requirements for insurers regarding the management of this risk. The purpose of this regulation is to define the basic principles for the identification, measurement, control and management of the operational risk of insurers, its structure and components, as well as the supervisory requirements from the CBK. This regulation has been finalized and is in the processing stage within the CBK.

4.2.4.6 Regulation on information systems for insurers

The Regulation on Information Systems for Insurers 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, in support of the activity of insurers. This regulation has been finalized and is in the processing stage within the CBK.

4.2.4.7 Regulation on transactions with related parties of insurers

The purpose of the regulation on transactions with related parties of insurers is to determine the principles in cases of transactions that the insurer makes or intends to make with the parties related to that insurer. With the entry into force of this regulation, Rule 27 of insurance will be repealed. This draft regulation has been finalized and is in the processing stage within the CBK.

4.2.4.8 Regulation on the management of commissions and operating expenses of insurers

During 2023, the amended and supplemented draft of the existing Regulation on the Management of Commissions and Operating Expenses of Insurers was approved, in which the problems identified by CBK during its implementation by insurers were addressed. This Regulation defines the criteria and limitations for the management of commissions and expenses for non-life insurers.

4.2.4.9 Instruction on the calculation and registration of "Deferred Acquisition Cost-DAC" in financial statements

The existing instruction has been amended/supplemented. This instruction regulates and standardizes the procedure as well as the methodology for the calculation and reporting of "Deferred Acquisition Cost" in the financial statements of insurers. This Instruction is in the stage of proceeding for approval within the CBK.

4.2.4.10 Regulation on the licensing of insurers and branches of foreign insurers

During 2023, the amendment and supplement of the Regulation on the Licensing of Insurers and Branches of Foreign Insurers has begun. Its purpose is to determine the conditions, requirements, procedures and deadlines to be followed for the licensing of insurers/reinsurers and branches of foreign insurers/reinsurers, transactions that require prior approval by the CBK during the exercise of activity by insurers/reinsurers and branches of foreign insurers/reinsurers, and the

obligations for notifications to the CBK by insurers/reinsurers and branches of foreign insurers/reinsurers during the exercise of their activity. The draft is in the finalization phase and it is expected to be processed for approval in 2024.

4.2.4.11 Regulation on licensing of insurance intermediaries

During 2023, the amendment and supplement of the Regulation on Licensing of Insurance Intermediaries has begun. Its purpose is to determine the conditions, requirements, procedures and deadlines that must be followed for the licensing of insurance and reinsurance intermediaries, transactions that require prior approval from the CBK, during the exercise of the activity of insurance intermediation, and obligations for notifications to the CBK by insurance intermediaries during the exercise of their activity. The draft is in the finalization phase and it is expected to be processed for approval in 2024.

4.2.4.12 Regulation on insurance actuaries

During 2023, the amendment and supplement of the Regulation on Insurance Actuaries has begun. This amendment-supplement aims to limit the engagement of the same actuary in more than two insurers. The draft has been finalized and has been processed for approval in 2024.

4.2.5 Regulatory Framework for Pension Funds

In order to further develop the legal and regulatory framework of pension funds during 2023, the following sub-legal acts have been drawn up:

4.2.5.1 Regulation on participation in the Pension Fund and professional categories of employees

During 2023, the drafting of the Regulation on Participation in the Pension Fund and Professional Categories of Employees began. The purpose of this regulation is to determine the requirements for employee participation in the employer's Supplementary Pension Funds under employer-sponsored pension programs. The draft is in the finalization phase and it is expected to be processed for approval in 2024.

4.2.5.2 Regulation on extinguishment of Individual Supplementary Pensions

During 2023, the Regulation on Extinguishment of Individual Supplementary Pensions was finalized. This regulation defines the requirements that must be met for the completion of the Individual Supplementary Pension, as well as defines certain obligations for the Pension Insurers, its Management Board and the Special Manager appointed by the CBK. The regulation is expected to be approved in 2024.

4.2.5.3 Regulation on termination of the employer's Supplementary Pension Fund

Regulation on termination of the employer's Supplementary Pension Fund has been finalized and is in the process stage within the CBK for approval. This regulation defines the requirements that must be met during the termination of the employer's supplementary pension fund, the duties of the sponsor, the Board of Directors of the Pension Fund and the special manager appointed by the CBK to carry out the liquidation and distribution of pension funds. The regulation is expected to be approved in 2024.

4.2.5.4 Regulation on the supervision of the field of information technology in pension funds

This regulation has passed the approval of the Executive Board and is in the procedure for approval by the CBK. The purpose of this regulation is to determine the minimum criteria and conditions that pension funds must meet for the organization and operation of their information technology systems to reduce operational risk and maintain the reliability of these systems. This Regulation has been processed for approval in 2024.

4.2.6 Other regulatory activities

Other activities that can be singled out during 2023 are:

- Drafting of the Instruction on the Criteria for the Appointment of Administrators and Liquidators of Financial Institutions, approved by the decision-making bodies of the CBK;
- Activities regarding reports, questionnaires and other various documents, accepted by the European Commission, the Government of the Republic of Kosovo and other international organizations;

5. Supervision of the financial system

In order to reflect the activity of the CBK in the field of financial supervision in accordance with the requirements arising from the relevant primary and secondary legislation, the activity of financial supervision according to the nature of financial institutions is presented below.

Banking sector

During 2023, the activity of bank examinations continued, through on-site examinations of banks, through the application of the risk-based supervision approach according to the Risk-Based Bank Supervision Manual.

During the complete on-site examinations of the banks, the risk profile of the banks, the manner of governance, the appetites of the banks to take risks, the system established by them to manage the risks, as well as the monitoring of the fulfilment of the recommendations from the CBK's preliminary examinations have been evaluated.

This year, the following examinations were carried out in banks:

Table 17. Number of bank examinations, in 2023

Institutions	Type of examination
Banks	3 complete examinations
	4 focused examinations

Source: CBK (2024)

Complete examination reports are prepared according to the type of banking risks: credit risk, liquidity risk, market risk, and operational risk.

In addition to complete examinations, examinations focused on banks, such as investments in securities, and large exposures, were conducted.

As an integral part of the examinations, 76 relevant recommendations were given with deadlines for implementation, depending on the weight, impact, and sensitivity of the findings.

Their fulfilment by the bank was continuously monitored, where it was verified whether the recommendations were fulfilled according to the specified time limits.

As a result of the prudent supervision and regulatory framework in compliance with the Basel Standards and the EU Regulatory Framework, the banking sector remains sound, well capitalized and liquid, as well as with good asset quality.

More detailed information about the banking sector and the main indicators are covered in Section 3.4, namely point 3.4.2 of this report.

Sector of Microfinance Institutions and Non-Banking Financial Institutions

Micro-Financial Institutions (MFIs) and Non-Banking Financial Institutions (NBFIs), during 2023, continued to add weight to the development of the country's financial industry and as such remain increasingly active in financial intermediation, in lending mainly to small-income strata, households, and individual businesses, which do not easily find access to financing sources. Both MFIs, as well as NBFIs with lending, leasing activities, and currency exchange offices, continued to successfully offer their products to the economy. Important focus in the financial market has also been placed on the NBFIs of money transfer and payment service, with emphasis on electronic money issuing institutions.

As a result of the continuous expansion of payment service points, as well as acceptable and quite competitive costs in the provision of such services, NBFIs with the activity of payment service and issuing electronic money, have achieved a very positive performance.

The NBFIs sector has continued to be characterized by continuous growth throughout 2023, both in terms of the operation of new institutions in this market, and also in terms of the launch of new products and services. Throughout the year, the Department of Banking Supervision has monitored the financial performance of MFIs and NBFIs through the monthly reports that they have submitted to the CBK, as well as carrying out on-site examinations in the respective institutions, and in which case, depending on the needs, necessary actions were undertaken, followed by concrete recommendations to be implemented by these institutions. In certain cases, administrative measures have also been taken. In 2023, the following examinations were carried out in MFIs and NBFIs:

Table 18. Number of examinations of MFIs and NBFIs

Institutions	Type of Examination
NBFIs	6 complete examinations

Source: CBK (2024)

During 2023, 6 complete examinations were carried out in NBFIs (see Table 18), where, in accordance with the relevant objectives, the on-site supervision in the NBFIs during this year was focused on the assessment of risk management, compliance with CBK legislation, their internal policies, and the general evaluation of corporate institutional governance. Also, during the examinations in NBFIs, the risk in the field of information technology was examined and assessed, with a focus on the general security of the systems, as well as the establishment and completion of security measures for proper functioning of information technology. Consequently, the reflections of these institutions in accordance with the positive developments in this sector indicate the steps of success in relation to the adequate approach and effective supervision of the CBK, where, through relevant examinations and concrete recommendations for implementation, it has been possible to reflect progress in risk management, internal controls, as well as improving the regulatory and reporting infrastructure of this sector.

More detailed information about the microfinance and non-banking sector and the main indicators are covered in Section 3.4, namely point 3.4.5 of this report.

Insurance sector

CBK has continued the activity in the performance of tasks and responsibilities in the function of prudent supervision for the insurance sector in 2023. The supervision activity was carried out through on-site supervision - examinations and the system of monitoring and analysing financial reports. CBK is engaged with full capacity in carrying out complete and focused examinations. The aim 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 maintain 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 statements and indicators, the opinion of the financial statements by the external auditor, the preliminary examinations carried out, the complaints of the policyholders to the CBK, as well as other relevant factors. This has influenced the prioritization of the most risky institutions to be subject to the next examinations by the CBK and, as a result, in raising the level of effective supervision.

Table 19. Number of examinations of the insurance sector

Institution	Type of examination
Insurers	6 complete examinations
Claims handlers	2 focused examinations
Intermediaries	2 examinations
	1 complete examination
	1 focused examination

Source: CBK (2024)

During 2023, CBK continued with the implementation of the Risk-Based Supervision Manual for Insurers, which constitutes an advanced conceptual framework related to supervision. This is done in order to harmonize with the contemporary principles of insurance supervision, to expand and encourage the early identification of risks present in insurers, as well as drafting prudent supervisory recommendations in order to preserve the safety and financial stability of insurers. In addition, CBK also engaged in projects with a material impact on the regulatory and supervisory framework of insurers. Supported by the assistance provided by the WB, CBK has continued the initial stages of the long-term project for alignment with capital requirements under Solvency II. During this year, the WB team managed to finalize the proposal related to the roadmap for alignment with capital requirements according to Solvency II. Also, part of this assistance is the determination of the premium for the mandatory auto liability insurance product according to the risk factors and the process of preparation for the liberalization of the market.

The insurance sector has concluded 2023 in compliance with legal requirements in relation to the guarantee fund, solvency and acceptable assets to cover technical provisions according to the external audit, marking further significant improvement compared to previous periods. This improvement from the same period of the previous year also comes as a result of a better performance of the insurers as well as the addition/injection of capital in the amount of 1.3 million euros by the shareholders. Consequently, the capital in relation to the guarantee fund for "non-life" insurers in 2023 results in 129.3 percent above the accepted rate of 100%, while for "life" insurers the ratio results in 148.1 percent. However, the quality of the assets or their eligibility is subject to CBK assessment. The coverage of technical provisions with eligible assets reached 113.0 percent for "non-life" insurers, and 107.4 percent for "life" insurers.

More detailed information about the insurance sector and the main indicators are covered in Section 3.4, namely point 3.4.4 of this report.

Pension funds

In order to preserve the stability of the financial sector, in 2023, examinations were conducted in pension funds and banks according to the annual plan. Pension supervision has implemented the risk-based supervision approach, where 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, maintenance of adequate liquidity, and other risks.

Regarding the supervision of pension funds, during 2023, 3 examinations were carried out in pension funds and 2 examinations in commercial banks for phased withdrawal of pensions administered by banks. The scope of the examinations was the review and assessment of the general state of pension funds, compliance with relevant laws and CBK regulations, the effectiveness of the operation of internal controls, and the implementation of the recommendations raised in the CBK examination reports, with the purpose of protecting the pension funds saved by the contributors and maintaining the financial stability of the funds.

Table 20. Number of examinations of the pension sector

Institutions	Type of Examination
Pension Funds	3 examinations
Banks	2 examinations

Source: CBK (2024)

More detailed information about the pension sector and the main indicators are covered in Section 3.4, namely point 3.4.3 of this report.

Prevention of money laundering

CBK, based on paragraph 4 of Article 34 of the Law on the Prevention of Money Laundering and Combating Terrorist Financing, applies supervisory powers to financial institutions in terms of compliance with this law and the relevant regulations. During 2023, the CBK has continued with the implementation of the supervisory function in financial institutions in terms of compliance with the prevention of money laundering and combating terrorist financing, carrying out 7 complete examinations. In banking institutions, 5 complete examinations were carried out, while 2 complete examinations were carried out in NBFIs. The following table presents the number of examinations carried out for 2023.

Table 21. Number of examinations for money laundering

Institutions	Type of Examination
Banks, NBFIs	7 complete examinations

Source: CBK (2024)

For the most effective practical implementation of the Law on Prevention of Money Laundering and Combating Terrorist Financing, it is necessary to issue guideline acts. In connection with this, the "Guideline on client due diligence and the factors that banks and financial institutions must take into account when assessing the risk of money laundering and terrorist financing" was approved.

In terms of strengthening cooperation and increasing care for the financial sector, meetings were held with the Compliance Committee within the Association of Banks of Kosovo and with commercial banks, in which the requirements related to the legal and operational framework of the field were reviewed. Meanwhile, within the joint project of the EU and the Council of Europe against Economic Crime in Kosovo (PECK III), CBK has continued with active participation in the meetings of the Steering Council and other activities of the project. In this regard, it is worth noting that during 2023, within the framework of the PECK III project, the CBK has benefited from technical assistance from the experts of the Council of Europe for raising the capacities of risk-based supervision.

Complaints of users of financial services

During 2023, the complaints of users of financial services were received, systematized and reviewed in compliance with the relevant regulation, as well as regular reports were made regarding the activities for handling complaints of users of financial services.

This year, a total of 792 complaints of users of financial services (natural and legal persons) were reviewed, which are detailed below:

- The total number of complaints for commercial banks addressed to the CBK for 2023 was 448. The most frequent complaints were related to credit products (loans), namely the classification

in the Kosovo Credit Registry (KCR), and complaints related to doubts about credit card misuse;

- The total number of complaints for MFIs and NBFIs addressed to CBK for 2023 was 81. The most frequent complaints were related to the loan product, namely the classification in KCR;
- The total number of complaints against insurance companies addressed to the CBK for 2023 was 246. The most frequent complaints were related to non-compensation of material and non-material damage from TPL auto liability insurance, non-compliance with payment deadlines in extrajudicial agreements, and non-reimbursement of medical expenses by health insurance.

Table 22. Number of complaints over the years

Financial industry	Number of complaints by years		
	2021	2022	2023
Commercial banks	542	518	448
MF/NBFI	121	87	81
Insurance companies	339	262	246
Pension funds	3	0	1
Other claims	20	6	16
Total complaints	1,025	873	792

Source: CBK (2024)

Table 21 shows the number of complaints reviewed during the last three years, where it is noted that the number of complaints received and handled in 2023 is lower compared to the previous two years. The decrease in the number of complaints about financial services compared to the previous year can be interpreted as an indicator of the improvement of the quality of service by financial institutions, but also as an increase in the effectiveness of the CBK's actions to address the concerns and problems of customers in the financial sector.

From the total number of complaints reviewed in 2023, about 31 percent of them, after handling by the CBK, were resolved in favour of the parties who complained, while the rest were either unfounded complaints or unsupported by arguments, or were instructed to be examined first by the financial institutions, in accordance with the relevant rule for complaints. This highlights the need for advancement of financial education and consumer protection.

Table 23. Number of complaints, by status

Financial industry	Total complaints	Supported	Not supported
Commercial banks	448	138	310
MF/NBFI	81	14	67
Insurance companies	246	63	183
Pension funds	1	0	1
Other claims	16	2	14
Total complaints	792	217	575

Source: CBK (2024)

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 2023, despite the challenges presented, the CBK successfully fulfilled the supply of the local economy with the appropriate quantity and quality of euro banknotes and coins.

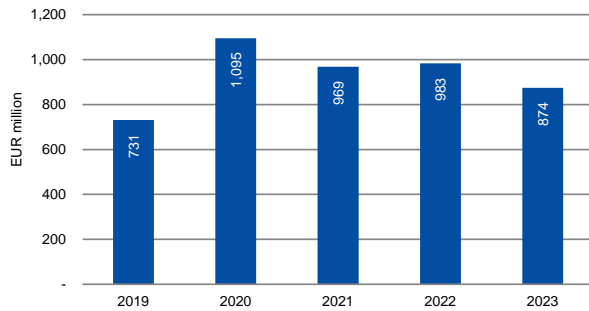
Table 24. Amount and volume of general activities of cash operations

Types of transactions	2019	2020	2021	2022	2023
Amount of transactions with cash (EUR)	3,582,508,222	3,145,892,125	4,066,951,506	5,212,926,592	5,880,040,716
Annual growth of transactions amount with cash	50.21%	-12.19%	29.28%	28.18%	12.80%
Receipts of banknotes	1,697,553,870	1,449,545,855	2,087,439,200	2,499,965,400	2,735,521,340
Supply with banknotes	731,312,360	1,093,937,800	967,243,590	981,543,770	871,352,540
Export of banknotes	1,050,000,000	475,000,000	950,000,000	1,700,000,000	2,215,000,000
Import of banknotes	100,000,000	125,000,000	60,000,000	28,500,000	44,000,000
Receipts of coins	888,000	0	290,000	180,362	20,000
Supply with coins	1,324,992	1,045,470	1,367,716	1,616,060	2,414,836
Export of coins	0	0	0	0	0
Import of coins	1,429,000	1,363,000	611,000	1,121,000	11,732,000
Volume of transactions with cash (in pieces)	82,844,588	77,997,553	95,447,465	121,075,678	148,468,536
Annual growth of transactions volume with cash	37.37%	-5.85%	22.37%	26.85%	22.62%
Receipts of banknotes	29,285,567	29,268,128	40,173,242	45,151,268	49,980,419
Supply with banknotes	16,783,917	25,258,425	19,627,266	19,016,775	19,159,994
Export of banknotes	15,586,000	9,672,000	18,128,000	32,333,000	38,072,000
Import of banknotes	3,590,000	4,420,000	3,715,000	2,700,000	4,650,000
Receipts of coins	670,000	0	160,500	180,185	20,000
Supply with coins	7,229,104	5,379,000	7,743,457	10,544,450	12,786,123
Export of coins	0	0	0	0	0
Import of coins	9,700,000	4,000,000	5,900,000	11,150,000	23,800,000

Source: CBK (2024)

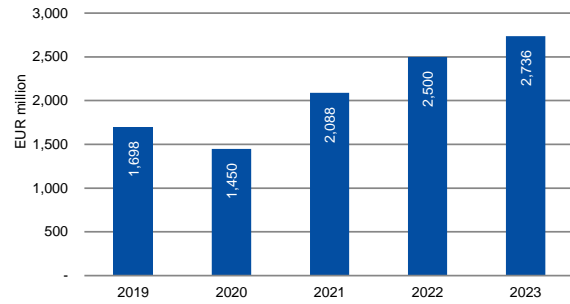
Compared to the previous year, during 2023 the general activities of cash operations recorded a group increase of 12.80 percent (expressed in value) and a group increase of 22.62 percent (expressed in volume).

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



Source: CBK (2024)

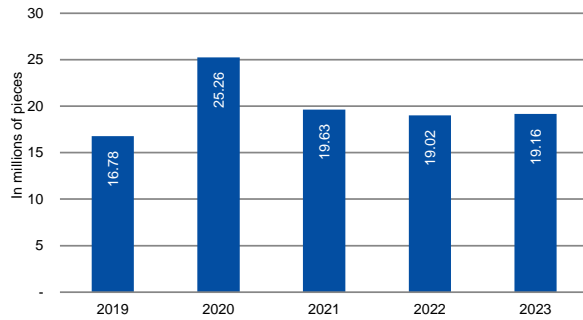
Chart 52. Cash admission, (value) EUR million



Source: CBK (2024)

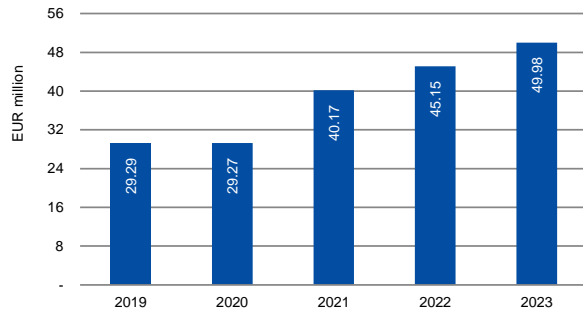
The total value of cash supply in 2023 marked a decrease of 11.13 percent compared to 2022 (see Chart 51). The structure of cash supplied by denomination, which is primarily determined by the requirements of the banking sector, also did not change from 2022 to 2023.

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



Source: CBK (2024)

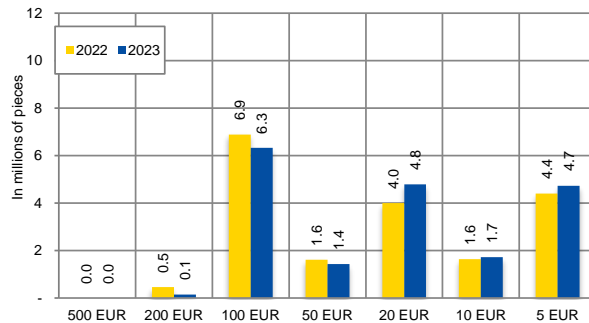
Chart 54. Cash admission, (volume) in millions of pieces



Source: CBK (2024)

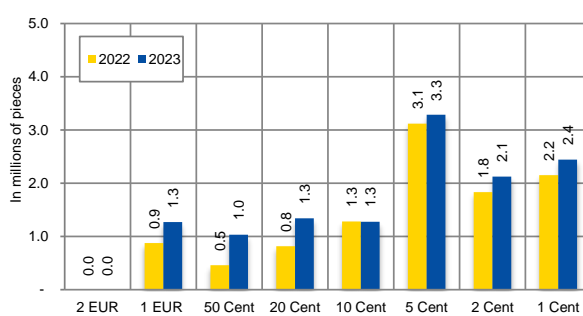
During this year, CBK supplied the banking sector with over 19.16 million pieces of euro banknotes (worth over 871.35 million euros) (Chart 53) and over 12.79 million pieces of euro coins (worth over 2.41 million euros).

Chart 55. Supply with EUR banknotes, by denominations



Source: CBK (2024)

Chart 56. Supply with EUR coins, by denominations



Source: CBK (2024)

In euro banknotes, the volumes of requests for supply during 2023, marked a moderate increase of 0.75 percent compared to the previous year and continued to dominate requests for supplies with denominations of 5, 20 and 100 euros which constituted about 82.78 percent of volume demand for supply.

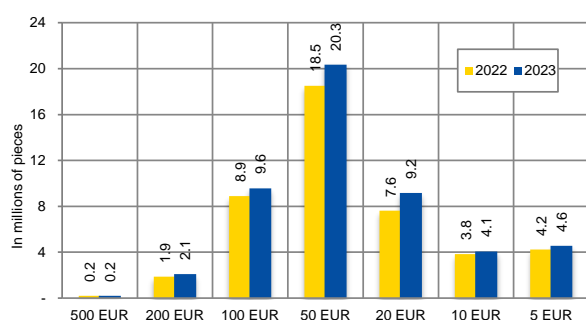
While during this year the demand for denominations in the value of 200, 100 and 50 euros marked a group decrease of 11.79 percent, the demand for denominations in the value of 20, 10 and 5 euros marked a group increase of 11.95 percent compared to last year (see Chart 55).

The volumes of requests for supply of coins during 2023 marked an increase of about 21.26 percent compared to 2022. The demand for supply of euro coins this year was dominated by the small value coins of 1, 2 and 5 euro cents which accounted for about 61.47 percent of the demand for supply (see Chart 56). Compared to the previous year, requests for denominations of 1, 2 and 5 euro cents have recorded a group increase of 10.59 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 43.31 percent compared to the previous year.

The total value of cash received as deposits marked an increase of 9.42 percent in 2023 compared to the previous year. Expressed in value, cash deposits amounted to nearly 2.74 billion euro banknotes and over 0.02 million euro coins, respectively. The CBK received from the banking sector over 49.98 million pieces of banknotes (an average of about 200,725 pieces of banknotes per day), while currency deposits were only 20,000 pieces. The volumes of banknotes received during 2023 marked an increase of about 10.70 percent compared to 2022.

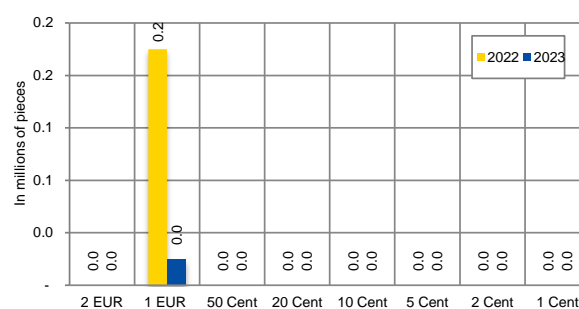
The structure of euro banknotes received during 2023 did not have any major changes from the previous year, and as can be seen in Chart 57, coin deposits in 2023 were at a fairly low level.

Chart 57. Received EUR banknotes, by denominations



Source: CBK (2024)

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



Source: CBK (2024)

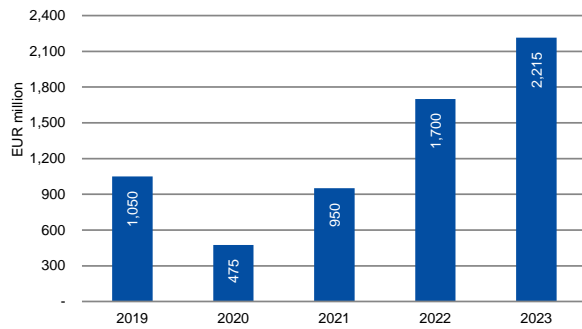
Similar to previous years, during 2023 the cash received was in a higher value than the cash supplied. In fact, this year the net cash¹⁸ (surpluses) was about 1.86 billion euros, a significantly higher figure than last year when the net cash was about 1.52 billion euros. This increase is mainly as a result of the increase in the volume of cash deposits from the banking sector on the one hand, and the decrease in the demand for cash on the other hand.

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, as well as through investments they are turned into interest-bearing assets. Net remittances¹⁹ abroad in 2023 amounted to 2.16 billion euros, being 29.27 percent higher than the previous year when they were 1.67 billion euros (see Charts 59 and 60). This increase came as a result of the decrease in the balance of foreign currency reserves held in the CBK on the one hand, and the increase in deposits from the banking sector and the decrease in the demand for cash on the other hand.

¹⁸ Deposits minus Cash Withdrawals

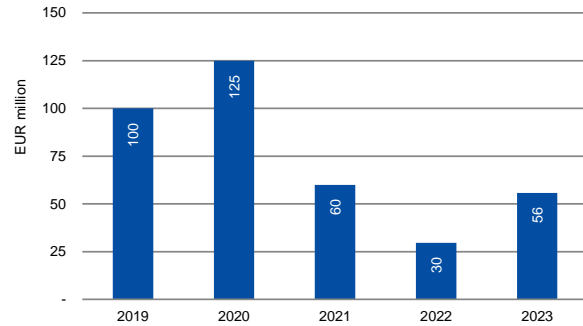
¹⁹ Imports minus Cash Exports

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



Source: CBK (2024)

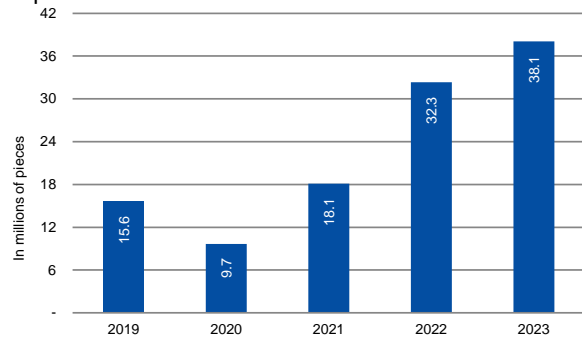
Chart 60. Import of cash, (value) EUR million



Source: CBK (2024)

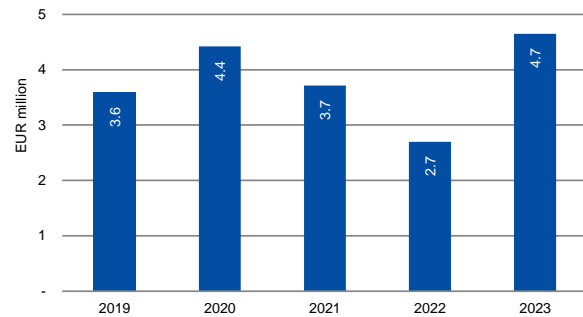
During 2023, around 49.98 million pieces of euro banknotes received by the banking sector were processed by being checked for authenticity and classified according to the degree of suitability. The authenticity check and classification according to the degree of appropriateness of such a large volume of banknotes has significantly contributed to protecting the integrity of euro banknotes as well as enabling counterfeit detection, thus ensuring that all euro banknotes and coins introduced into circulation have a good qualitative condition (suitable for recirculation), in order to ensure that the latter can be easily checked for their authenticity.

Chart 61. Export of cash (volume), in millions of pieces



Source: CBK (2024)

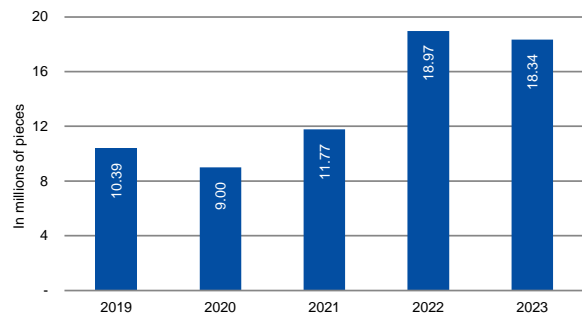
Chart 62. Import of cash (volume), in millions of pieces



Source: CBK (2024)

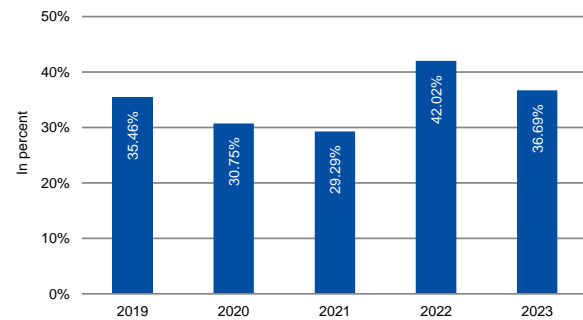
About 18.34 million pieces of euro banknotes or 36.69 percent of the total number of euro banknotes deposited by the banking sector during 2023 were classified as unfit for recirculation (extremely obsolete/damaged) and were removed from circulation by being sent to euro area banks (see Chart 63). This considerable volume significantly contributed to the improvement of the quality of cash in circulation in the Republic of Kosovo.

Chart 63. Outdated banknotes withdrawn from circulation (volume), in millions of pieces



Source: CBK (2024)

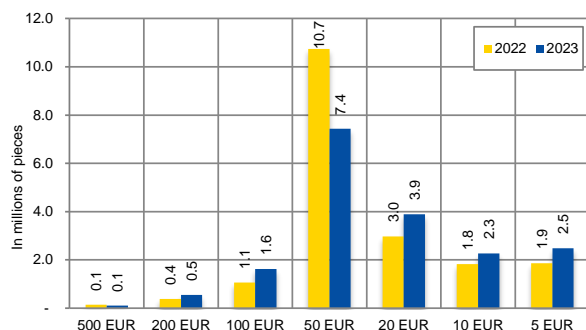
Chart 64. Outdated banknotes withdrawn from circulation from total received ones, in percent



Source: CBK (2024)

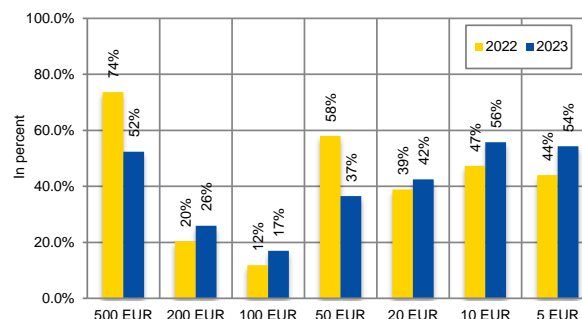
Similar to previous years, the banknotes that were mostly classified as unsuitable for recirculation were those of 50, 20, 10 and 5 euro denominations. They accounted for about 87.6 percent of the volume of unsuitable banknotes withdrawn from circulation due to more frequent use by citizens (see Charts 65 and 66).

Chart 65. Outdated banknotes withdrawn from circulation (number of pieces)



Source: CBK (2024)

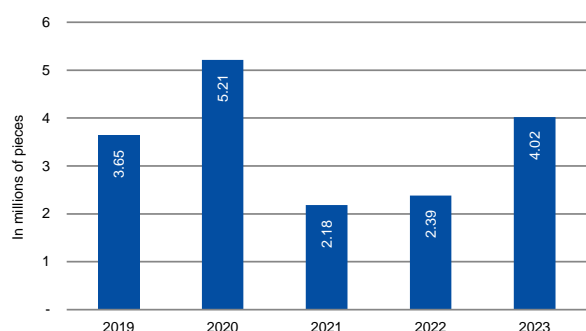
Chart 66. Outdated banknotes withdrawn from circulation from total received ones (in percent)



Source: CBK (2024)

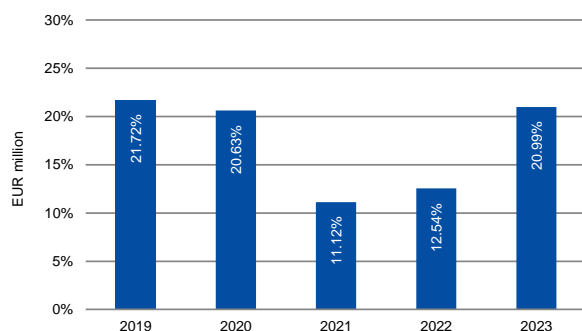
The quality of cash in circulation was also improved by supplying the banking sector with completely new euro banknotes, which were brought in from the euro area. During 2023, the CBK supplied the banking sector with more than 4.02 million pieces of new euro banknotes or 20.99 percent of the entire number of euro banknotes supplied (see Charts 67 and 68).

Chart 67. New banknotes put into circulation (volume), in millions of pieces



Source: CBK (2024)

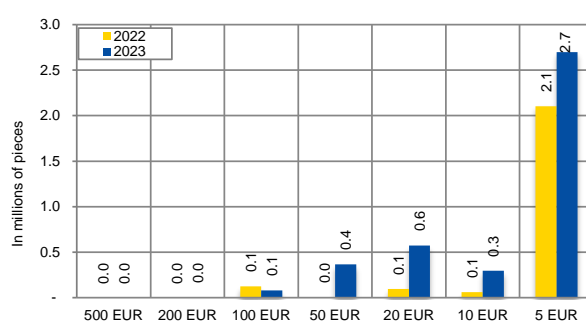
Chart 68. New banknotes put into circulation to total supplied, in percent



Source: CBK (2024)

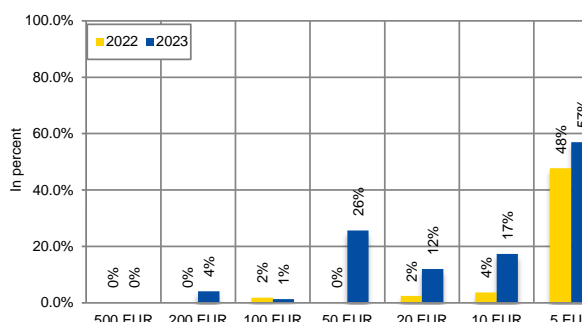
About 88.75 percent of the amount of new banknotes supplied during 2023 were banknotes of low denominations (20, 10 and 5 euros), which were supplied to commercial banks for the purpose of settling cash transactions (see Charts 67 and 70). Furthermore, all euro banknotes supplied to commercial banks were fit for recirculation and of high quality.

Chart 69. New banknotes put into circulation (number of pieces)



Source: CBK (2024)

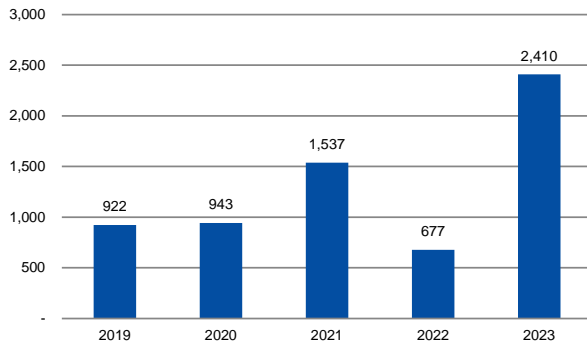
Chart 70. New banknotes put into circulation to total supplied ones ratio (in percent)



Source: CBK (2024)

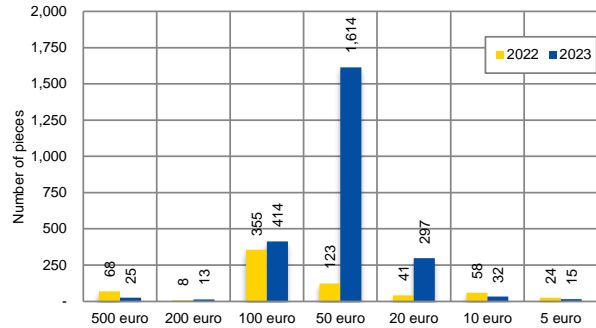
During this year, 2,410 banknotes and 40,184 counterfeit coins were identified (see Charts 71 and 73). Most of these banknotes and coins have been confiscated by financial institutions during their regular activities.

Chart 71. Counterfeit EUR banknotes seized from circulation, (number of pieces)



Source: Kosovo Agency Forensic (2024)

Chart 72. Counterfeit EUR banknotes seized from circulation, by denominations (number of pieces)

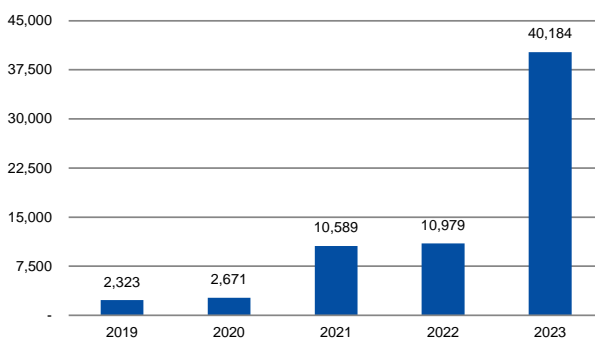


Source: Kosovo Agency Forensic (2024)

Unlike previous years when the most counterfeited banknotes were those of the denomination of 50 and 100 euros, in 2023 the most counterfeited banknotes were those of the denomination of 50 euros, which accounted for about 67 percent of all counterfeit banknotes withdrawn from circulation (Chart 72). While, in trend with the previous year, the most counterfeited coin was the one in the denomination of 2 euros, which constituted about 95.2 percent of the entire number of counterfeit coins withdrawn from circulation (Chart 74).

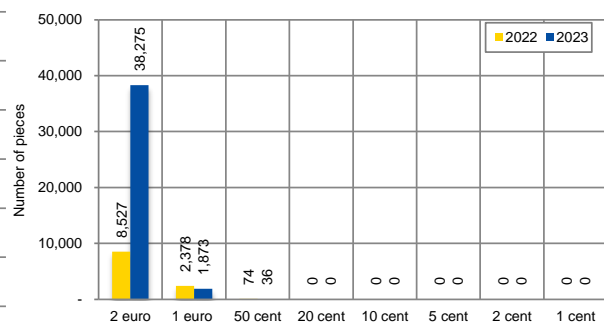
The CBK this year continued to cooperate with the authorities to combat counterfeit money. Regarding the situation created by the phenomenon of the circulation of counterfeit 2 euro coins, and within the framework of its competences, the CBK during the months of November and December 2023 held intensive meetings and activities with the responsible law enforcement institutions, aiming to combat counterfeit money and inter-institutional coordination to combat this phenomenon.

Chart 73. Counterfeit EUR coins seized from circulation, (number of pieces)



Source: Kosovo Agency Forensic (2024)

Chart 74. Counterfeit EUR coins seized from circulation, by denominations (number of pieces)



Source: Kosovo Agency Forensic (2024)

The responsible institutions agreed on specific action measures that foresee the undertaking of preventive actions by each institution according to their areas of responsibility. Joint inter-institutional efforts from each institution without exception resulted in a successful combat against counterfeit money.

In implementation of these measures, and within its competences, the CBK in cooperation with commercial banks at the beginning of December started to implement specific action measures as follows:

- a. Removal of the fee for depositing coins in the CBK, effective from 11 December 2023;
- b. Instructing commercial banks to apply the same practice to their clients;
- c. Providing the economy supply through commercial banks with completely new coins of denominations of 2 and 1 euro; and
- d. Regulatory changes regarding the regulation of cross-border coin transportation.

In the regulatory aspect, aiming to prevent counterfeit money, combating money laundering and terrorist financing, combating informality and related phenomena in the second half of 2023, through the Regulation on Cash Operations, among others have been initiated and drafted the following regulatory measures:

1. Regulation on cross-border coin transport - This regulation aims to prevent to enter of counterfeit money into the Republic of Kosovo, through which natural and legal persons that do not exercise financial activity to be obliged to declare the coins if they carry more than 100 pieces/units, despite the fact that their value is below the declaration limit of 10,000 (ten thousand) euros.
2. Prohibition of the re-circulation of the 500-euro banknote - This regulation aims to reduce the risk of counterfeit money and will contribute and help the national strategy for combating informality and related phenomena. Through this regulation, the recirculation of the 500-euro banknote by financial institutions is prohibited. The regulation does not prohibit the circulation of the 500-euro banknote between the parties as a legal means of payment.
3. Regulation of the cross-border transport of euro banknotes and coins and other currencies - This regulation aims to help in combating money laundering and the financing of terrorism through the control of cash entering and leaving the Republic of Kosovo, while in statistical terms the collection of data on the inflows and outflows of cash in the Republic of Kosovo through financial institutions to enable the modelling of the assessment of money in circulation. Through this regulation, the import and export of euro banknotes and coins and other currencies in the Republic of Kosovo can only be done for and by banking and non-banking financial institutions licensed by the Central Bank of the Republic of Kosovo to exercise the financial banking activities.
4. Regulation of procedures and obligations for providers of cash deposit or withdrawal services through machines used by the customer - Through this regulation, non-banking financial institutions that are licensed by the Central Bank of the Republic of Kosovo, which offer payment accounts and electronic money, must obtain the additional license and authorization from the Central Bank of the Republic of Kosovo for providing the service of depositing or withdrawing cash or purchasing and re-returning electronic money through machines used by the customer. No natural or legal person can offer cash deposit or withdrawal services through any location with physical service or through any equipment or machine used by the customer in the name of providing financial services without having a license and authorization from Central Bank of the Republic of Kosovo.
5. Regulation of the import of technical-electronic devices or machines that offer cash withdrawal and deposit services - Through this regulation is intended to regulate the import of technical-electronic devices or machines for cash withdrawal and deposit services where this activity can to be done only by licensed financial institutions for providing banking activities or non-banking financial institutions with licensed services for electronic money and payment services. No natural or legal person may import and be equipped with technical-electronic machines for cash withdrawal and deposit services if it is not licensed

as a financial institution for the provision of banking activities or a non-banking financial institution with licensed money services electronic and payment services.

6.1.1 Maintenance and transactions of the CBK customer accounts

The CBK provides banking services for the Government of the Republic of Kosovo (i.e. the Ministry of Finance, Labour and Transfers/Treasury), the Privatization Agency of Kosovo (PAK) and for other institutions such as banks and other financial institutions, public entities, foreign banks, central banks, international financial institutions (IMF, WB), and international organizations, as specified in Article 9 of Law No. 03/L-209 on the CBK.

Table 25. The amount of transactions, by main types of payments (EUR thousands)

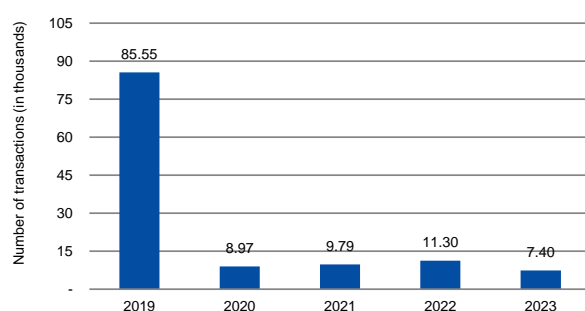
Types of transactions	2019	2020	2021	2022	2023
Transactions with cash	+965,364	+354,562	+1,119,117	+1,516,986	+1,861,774
Deposits with cash	1,697,993	1,449,546	2,087,729	2,500,146	2,735,541
Cash withdrawals	732,629	1,094,984	968,612	983,160	873,767
Domestic transfers	+425,715	+70,305	+30,021	+34,037	+5,532
Domestic incoming transfers	693,428	110,763	76,421	92,164	95,370
Domestic outgoing transfers	267,714	40,458	46,400	58,127	89,838
International transfers	-954,036	-424,086	-1,068,449	-1,444,209	-1,811,455
International incoming transfers	1,971,668	1,794,963	1,727,337	1,728,325	1,471,546
Outgoing international transfers	2,925,705	2,219,049	2,795,786	3,172,534	3,283,000

Source: CBK (2024)

The CBK has supported the enhancement of the processes of carrying out transactions and reconciliations of the Ministry of Finance, Labour and Transfers (MFPT) and PAK. During 2023, all international payments were made through the SWIFT network, while all local payments were made through the Kosovo Interbank Payment System (KIPS), thus reducing the processing time and increasing the effectiveness.

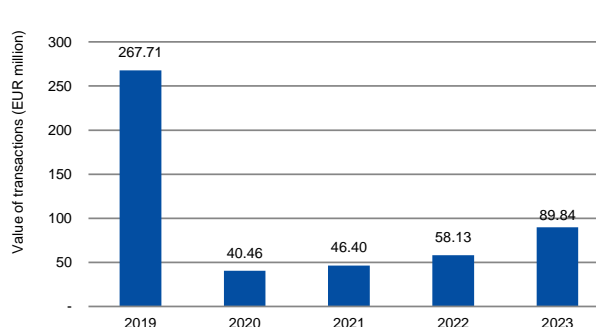
While the majority of the CBK's cash operations in 2023 were performed in the name of/ and on behalf of commercial banks, the majority of the CBK's domestic payments were performed in the name of / and on behalf of the PAK account.

Chart 75. The volume of domestic outbound transactions, number



Source: CBK (2024)

Chart 76. The value of domestic outbound transactions, EUR million



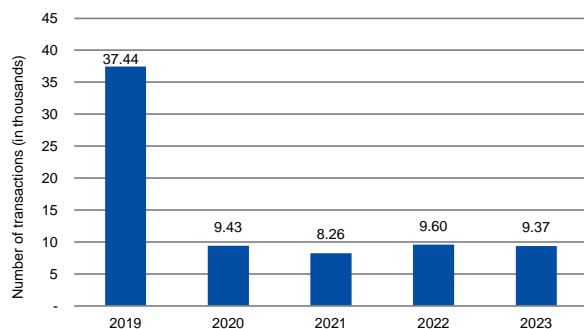
Source: CBK (2024)

During 2023, the CBK has processed on behalf of its clients close to 7.4 thousand outgoing local payment orders (a decrease of 34.53 percent compared to the previous year) (see Chart 75), and has accepted for their account close to 9.37²⁰ thousand incoming payment orders (a decrease of 2.43

²⁰ Most of the incoming payments with the implementation of the KIPS system are accepted by CBK as grouped ones

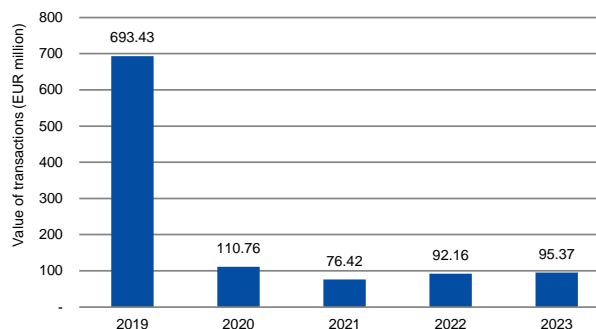
percent compared to the previous year) (see Chart 77). Expressed in value, the outgoing domestic payment orders reached the amount of over 89.84 million euros (an increase of 54.55 percent compared to the previous year) (Chart 76), while the incoming domestic payment orders reached the amount of over 95.37 million euros (an increase of 3.48 percent compared to the previous year) (Chart 78). The largest number and amount of domestic transactions were carried out by the CBK on behalf of the PAK.

Chart 77. The volume of domestic inbound transactions, number



Source: CBK (2024)

Chart 78. The value of domestic inbound transactions, EUR million

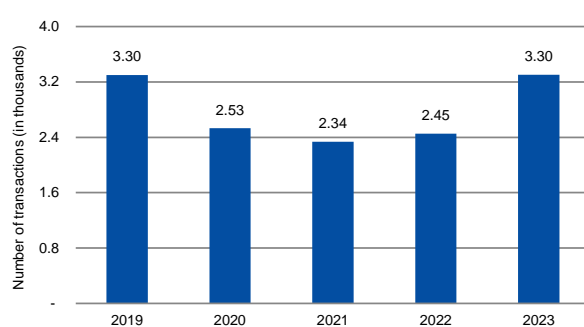


Source: CBK (2024)

As for outgoing domestic payments, they are generated by the commercial banks themselves, while insurance companies make the most of their payments through commercial banks. All other CBK account holders use the payment services provided by the CBK in a limited way since they all have accounts in commercial banks.

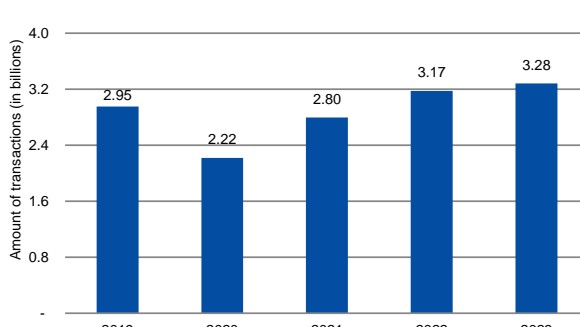
The largest number of international transactions was carried out by the CBK by order and for the account of the State Treasury. On the other hand, based on their value, most of the international transactions carried out by the CBK were related to the transfers of funds of commercial banks and the Kosovo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

Chart 79. The volume of international outbound transactions, number



Source: CBK (2024)

Chart 80. The value of International outbound transactions, amount

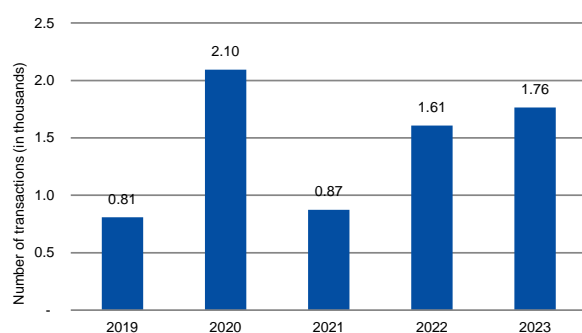


Source: CBK (2024)

During this year, the CBK has processed for and on behalf of its clients close to 3,303 outgoing international payment orders (an increase of 34.76 percent compared to the previous year) (see Chart 79), and has accepted for their account close to 1,764²¹ incoming international payment orders (an increase of 9.77 percent compared to the previous year) (Chart 81). Expressed in value, outgoing international payment orders amount to more than 3.28 billion euros (an increase of 3.48 percent compared to the previous year) (Chart 80), while incoming international payment orders amount to more than 1.47 billion euros (a slight decrease of 14.86 percent compared to with the previous year) (Chart 82).

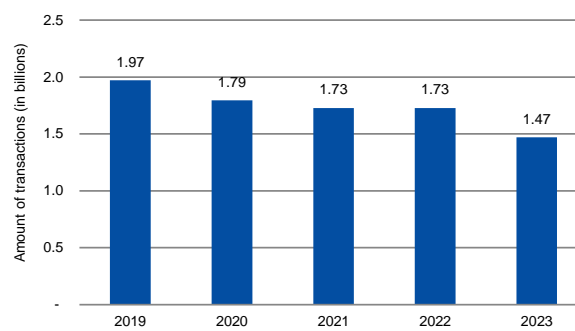
²¹ Most of the incoming payments are related to commercial bank fund transfers

Chart 81. The volume of international inbound transactions, number



Source: CBK (2024)

Chart 82. The value of international inbound transactions, amount



Source: CBK (2024)

On 31 December 2023, the deposits of the institutions of the Government of Kosovo (Treasury/MFLT) reached the amount of 345.23 million euros, while those of the PAK reached the amount of 166.37 million euros, and together constituted about 38.08 percent of the deposits that were held in the CBK at the end of 2023.

Table 26. Level of main customer deposits (EUR thousands)

Accounts statement	2019	2020	2021	2022	2023
Total	1,187,685	1,214,559	1,275,801	1,288,150	1,343,340
Government institutions	444,301	316,897	423,322	419,664	345,232
Privatization Agency of Kosovo	275,160	191,457	184,737	165,854	166,373
Commercial Banks + Insurance Companies	419,659	571,114	593,910	575,043	594,657
Other	48,566	135,091	73,832	127,589	237,078

Source: CBK (2024)

Commercial banks and insurance companies have a significant share in the level of deposits in the CBK, which are mainly related to legal and regulatory requirements and obligations. Together, these deposits accounted for 44.27 percent of the deposits held at the CBK at the end of 2023. On 31 December 2023, the deposits of commercial banks and insurance companies amounted to 594.66 million euros (see Table 26).

6.2. Payment system

Providing secure and efficient payment systems is one of the main objectives of the CBK. The interbank payment system, built and under the administration of the CBK, during 2023 has provided maximum availability, guaranteeing the processing and settlement of payments for all economic actors of the country.

In the framework of the fulfilment of this objective, in addition to the operation of the interbank payment system, the 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 the National Strategy on Retail Payments 2021-2026. The payment systems during the year 2023 are characterized by a dynamic of developments from both regulatory and operational and supervisory aspects. During this period, the main goals in improving the regulatory framework based on the applicable international standards have been met.

In this regard, in August 2023, the CBK approved the revision of the Regulation on the Interbank Payment System, which broadly defines the rules and procedures for the operation of the Interbank Payment System. In addition, the Regulation on the Reporting of Statistics of Payment

Instruments has been revised and the Regulation on the Structure and Use of the Unique Payment Account Identifier for national and international transactions has been approved.

During 2023, the CBK has also prepared the Draft Law on Payment Services, which aims to transpose important European directives in the field of payments. This process also takes place within the framework of the Stabilization-Association Agreement between Kosovo and the EU, as a request for the transposition of the relevant EU directives and regulations related to the free movement of capital and services, according to the plan foreseen in the National Program for European Integration.

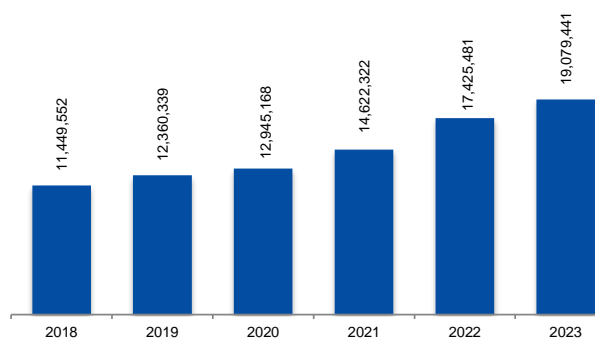
This year, is continued with the advancement of the Register of Bank Accounts to adapt the new requirements that emerged from the process with basic accounts and as a result of this process, some of the functions of this register have been expanded.

In general, during this reporting period, the interbank payment system has continued to operate with the highest level of stability, security and efficiency, which has enabled the timely clearing and settlement of all payment and securities transactions.

6.2.1 Interbank Payment System Operation

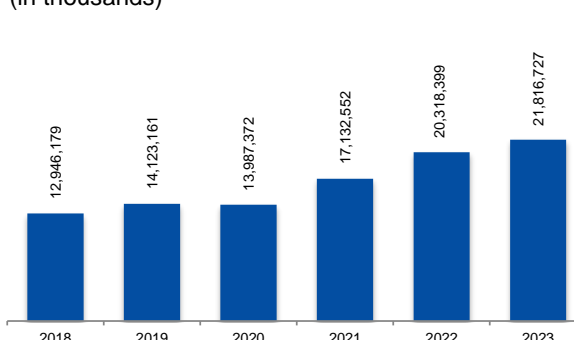
The Kosovo Interbank Payment System (KIPS) which enables the processing of a range of payment instruments, interbank clearing, as well as the settlement of securities has continued to operate normally and without obstacles. The following charts present the number and value of transactions carried out through KIPS for the respective periods.

Chart 83. Transactions number in KIPS



Source: CBK (2024)

Chart 84. Value of transactions in KIPS (in thousands)



Source: CBK (2024)

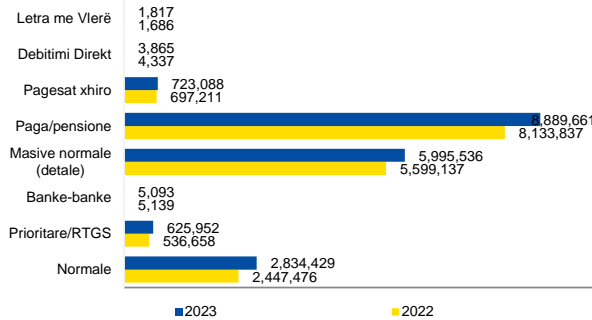
KIPS statistical indicators of activity during 2023 have reflected an increase in transactions in volume by 9.5 percent and in value by 7.4 percent compared to the previous year, where over 19 million transactions with a total value of over 21.8 billion euros were processed (see Charts 83 and 84).

Within KIPS payments are made through two components: RTGS (Real-Time Gross Settlement) and ACH (Automated Clearing House). In the RTGS component, all payments worth over 10,000 euros are made in real time, as well as payments ordered with priority by customers. While, in the ACH component, all payments under 10,000 euros are made, including 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 charts.

This year, regular payments (normal and = bulk) accounted for about 46.3 percent of the volume and 18.5 percent of the value of KIPS transactions (see Chart 85). RTGS transactions are processed and settled during business hours in real time and on a gross basis. During 2023, their number

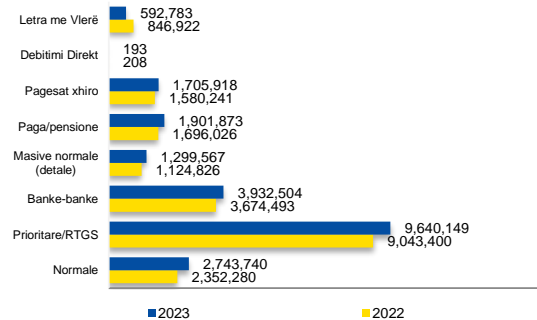
constituted about 3.3 percent of the total number of transactions in KIPS (see Chart 85), while their value was about 44.2 percent of the value of transactions through KIPS (see Chart 86).

Chart 85. Annual volume of KIPS transactions, by their type



Source: CBK (2024)

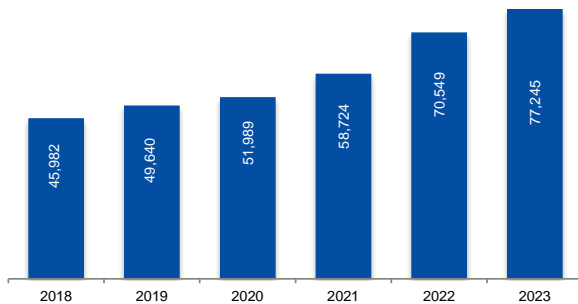
Chart 86. Annual value of KIPS transactions, by their type (in thousands)



Source: CBK (2024)

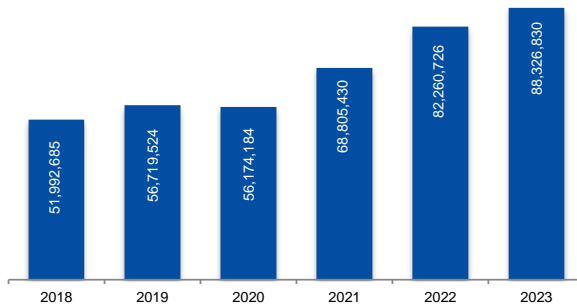
In the category of salary/pension payments, we have an increase, both in number and value of transactions. Compared to the previous year, the increase in number is 9.3 percent, while in value of transactions 12.1 percent. In addition to the increase in the volume and value of transactions compared to the previous year, there is also an increase in the daily average of processed transactions, both in volume and value, of 9.5 percent and 7.4 percent, respectively (see Charts 87 and 88).

Chart 87. Daily average of transactions number in KIPS



Source: CBK (2024)

Chart 88. Daily average of transactions value in KIPS

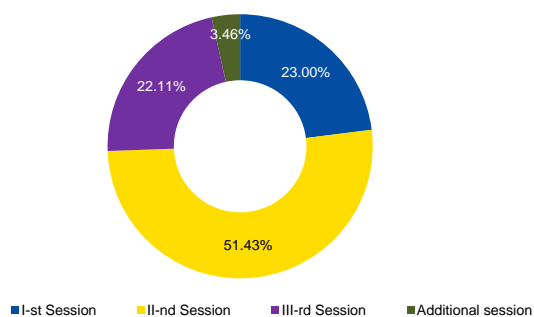


Source: CBK (2024)

During 2023, the overview of payments processed through the ACH component, 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 (see Charts 89 and 90).

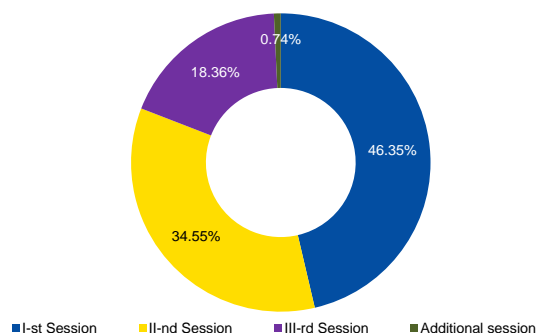
The total value of transactions settled in KIPS during 2023 was close to 21.8 billion euros, which includes the transactions of all participants, including the Treasury. From the volume and value of transactions initiated by all participating institutions in the system, three participants with the largest number of initiated transfers account for 63.6 percent of the total volume, while all other participants account for 36.4 percent.

Chart 89. Number of transactions, by sessions in KIPS



Source: CBK (2024)

Chart 90. Value of transactions, by sessions in KIPS



Source: CBK (2024)

Whereas, regarding the value of transfers initiated by all participating institutions, from their total value of 21.8 billion transactions, first three participating institutions in the system with the largest value of initiated transfers account for 42.2 percent of the total value, while all other institutions account for 58.8 percent (see Table 27).

Table 27. Concentration indicators for transactions initiated/sent to KIPS, in 2023

KIPS System	Volume	Value
3 participants in the system	63.6%	42.2%
Other participants	36.4%	58.8%
Total	19,112,699	21,833,903,859

Source: CBK (2024)

The ratio of the value of intra-day loans liquidity to the total value of the RTGS system activity for 2023 is about 4.2 percent (see Chart 91), reflecting a low weight of the need to finance the activity of this system with liquidity from the CBK, therefore, of the system's exposure to liquidity risk.

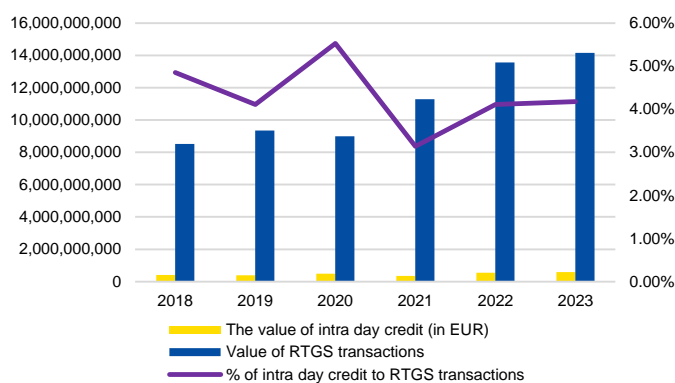
6.2.2. Register of Bank Accounts

Within the operational functions of the CBK, 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 the function of implementing executive decisions by the bodies of enforcement 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 2023, 47 enforcement agents, 117 officials from the Judicial Council of Kosovo and 13 officials from the Tax Administration of Kosovo had access to the register, through which they exchanged 23,159 cases of enforcement procedure with commercial banks, of which 18,023 are closed (see Table 28).

Chart 91. Intra day credit to total cleared value in RTGS



Source: CBK (2024)

Table 28. Cases processed in the Bank Accounts Registry

Status of cases	2022	2023	Increase/Decrease (%)
Opened	22,066	23,159	4.95%
Closed	16,678	18,023	8.06%

Source: CBK (2024)

6.2.3 Supervision and analysis of payment systems

Oversight of payment and settlement systems is a CBK function where safety and efficiency objectives are promoted by monitoring existing and planned systems, assessing them against objectives and instigating changes as necessary.

In the function of supervision and development of analysis of payment systems, during 2023 the CBK has continued to monitor the payment system through periodic reports received from commercial banks and IFJBs that perform payment and electronic money services. This year, the Regulation on the Reporting of Statistics of Payment Instruments was revised in order to increase the quality of statistical data within the analysis of the payment system as a support for strategic decision-making.

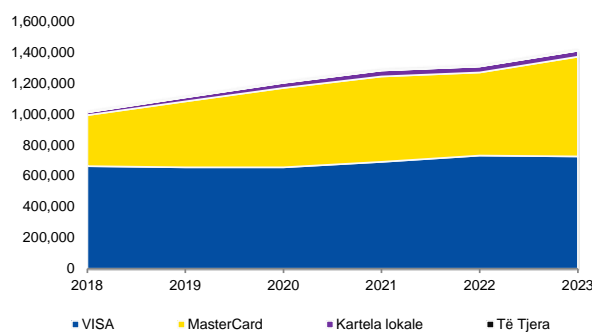
In addition, this year annual analysis on the use of cards in Kosovo has been revised, which in addition to the information related to the socio-demographic distribution of the cards used by the citizens of Kosovo and the relevant factors that have influenced such distribution, includes also the information 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 CBK's official website.

In the framework of the preparation of periodic 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 instruments and not with cash 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, as well.

6.2.4 Payment instruments and banking infrastructure for payment services

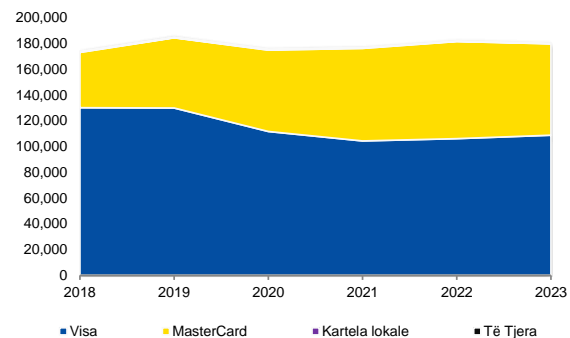
Banks' reports on payment instruments show that by the end of December 2023, the number of debit cards reached over 1.4 million, while the number of credit cards reached about 180 thousand. Compared to a year ago, the number of debit cards increased by 10.6 percent, while the number of credit cards decreased by 0.9 percent (see Charts 92 and 93).

Chart 92. Number of debit cards, by their type



Source: CBK (2024)

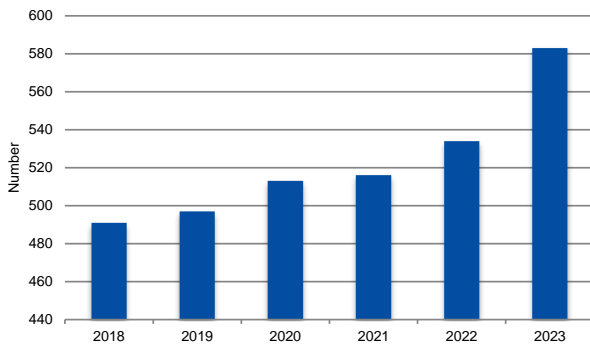
Chart 93. Number of credit cards, by their type



Source: CBK (2024)

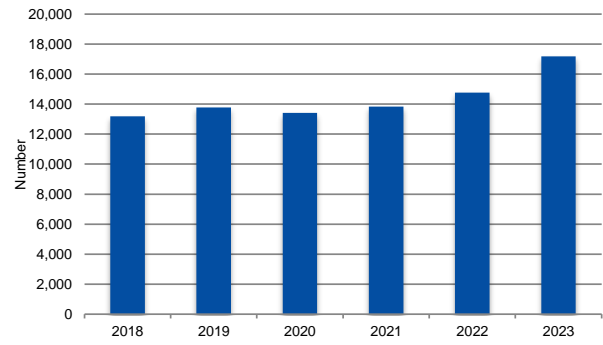
The infrastructure of the terminals has continued to expand with an increase in the number of ATMs during this year compared to the previous year (see Chart 94). A slight increase was also noted in the number of terminals at points of sale/ POS (see Chart 95).

Chart 94. Number of ATM terminals



Source: CBK (2024)

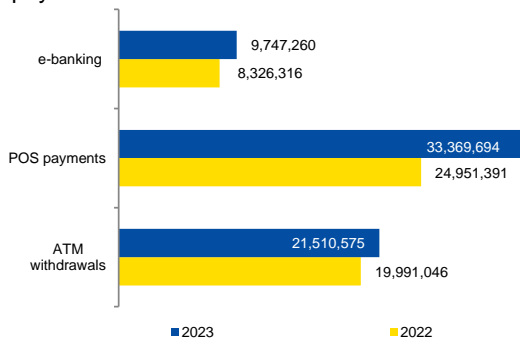
Chart 95. Number of POS terminals



Source: CBK (2024)

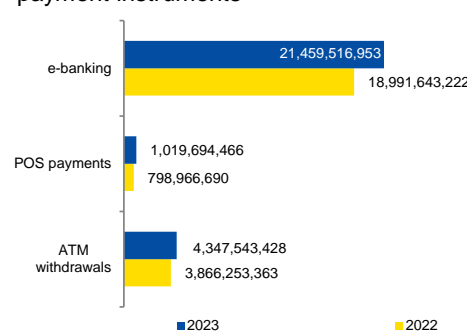
In addition to the increase in the number of payment terminals and instruments, in 2023, statistical data shows that there has been an increase in the use of electronic payment instruments. The number of payments made through the internet/e-banking service reached over 9.7 million transactions, which compared to the previous year represents an increase of 17 percent, with a value that reached over 21.4 billion euros or an annual increase of 13 percent (see Charts 96 and 97).

Chart 96. Annual transactions volume of electronic payment instruments



Source: CBK (2024)

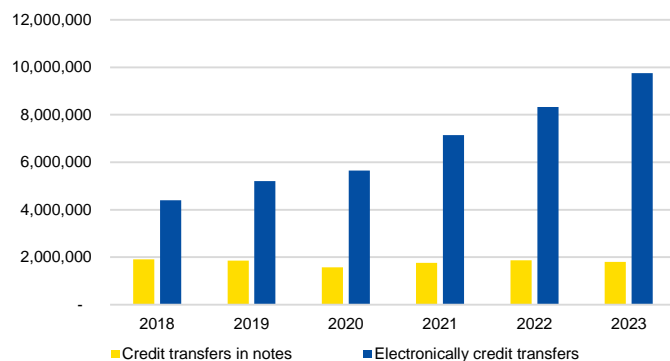
Chart 97. Annual transactions value of electronic payment instruments



Source: CBK (2024)

The year 2023 was characterized by an increasing trend in the use of card payments. The number of payments at points of sale/POS has increased by 33.7 percent, while an increase in value has been recorded compared to the previous year by 37.6 percent. ATM withdrawals also show an increase in number and value compared to the previous year, with the number of ATM withdrawals increasing by 7.6 percent, while in value by 12.4 percent (see Charts 96 and 97).

Chart 98. Number of electronically credit transfers to note transfers ratio



Source: CBK (2024)

The re-functionalized National Council of Payments has addressed the main needs for infrastructure development and advancement in coordination with the relevant institutions for increasing access to finance and financial inclusion aiming reducing of cash with positive effects.

Banks' reports show that at the end of 2023 the total number of customer bank accounts reached about 2.51 million, which represents an increase of 5.9 percent compared to the end of 2022. About 98.5 percent of the accounts belong to residents, while about 1.5 percent of non-residents (see Table 29).

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 2023, transfers initiated in paper form constituted 15 percent, while those in electronic form constituted 85 percent of the total transfers initiated through banks (see Chart 98).

Table 29. Number of accounts

Description of accounts	Total client accounts			Internet accessible accounts		
	2021	2022	2023	2021	2022	2023
Client accounts (1+2)	2,384,742	2,371,544	2,512,575	537,733	688,891	851,645
1-Resident accounts (a+b)(%)	98.57%	98.50%	98.53%	98.50%	98.29%	98.21%
a-Individual (%)	92.97%	91.73%	91.10%	87.98%	89.54%	90.31%
b-Business (%)	7.03%	8.27%	7.43%	12.02%	10.46%	9.69%
2-Non-resident accounts (C+ D) (%)	1.41%	1.50%	1.45%	1.50%	1.71%	1.79%
C-Individual (%)	98.99%	98.95%	99.20%	97.83%	91.55%	84.80%
D-Business (%)	1.01%	1.05%	0.80%	2.17%	8.45%	15.20%

Source: CBK (2024)

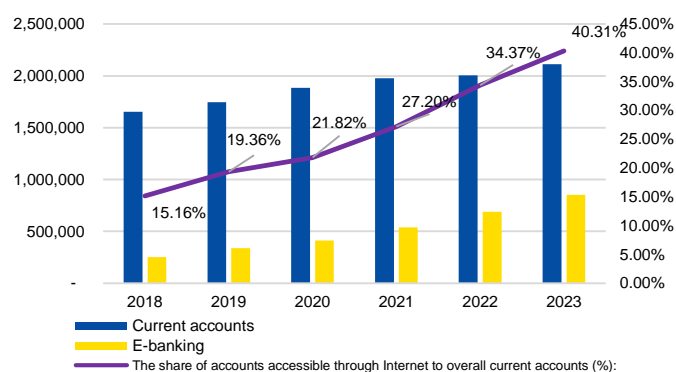
Note: CBK, Bank reporting according to the "Regulation for reporting instrument statistics".

Of the total accounts, at the end of 2023, over 851 thousand accounts had "online" access from the Internet, which is a 23 percent increase in remote access to accounts.

Chart 99 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 the upward trend and the rapid trend of increasing the use of electronic payment instruments remains encouraging.

NFBIs registered to issue electronic money at the end of 2023 reported 45,310 electronic money accounts, marking a rapid increase based on the fact that this is only their fourth year of operation in the market (see Table 30). Together, these institutions have made a volume of 1.6 million payments with electronic money, with a value of about 617 million euros (Table 31).

Chart 99. Number of accounts accessible through Internet to overall current accounts ratio



Source: CBK (2024)

Table 30. Number of electronic money accounts

Description of accounts	2021	2022	2023
E-money accounts	11,543	25,164	45,310

Source: CBK (2024)

Table 31. Number and value of electronic money payments

Description	2021	2022	2023
Number	52,779	293,097	1,620,139
Value	29,170,803	70,005,357	617,969,808

Source: CBK (2024)

Encouraging 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) by categories of the population without access to banking services, as for categories that are not employed. Realization of electronic transactions is also considered as the main window that can facilitate access to loans and other financial services.

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, the 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 regard, from 1 August 2023, the part of the Regulation on Access to Payment Accounts with Basic Services entered into force, which aims to enable all citizens to receive the benefits that the financial market brings to contribute to the increase of financial inclusion, as well as encourage the participation of all citizens in the financial sector. The regulation enables all citizens of Kosovo, regardless of their financial circumstances, employment status or income level, to have access to a payment account with basic services at a lower cost. Whereas, the part of this regulation that addresses the group of consumers of vulnerable categories (beneficiaries of social assistance, pensions), who can receive these services at no cost, entered into force on January 1, 2024.

Based on the available data for payment accounts with basic services at the end of 2023 and the beginning of 2024, 320,000 accounts were converted for the categories of vulnerable citizens, according to the provisions of the CBK Regulation on Access to Payment Accounts with Basic Services.

The CBK decision to switch from the bank account to the payment account concept is a step towards fulfilling its strategic objectives, to increase access to finance and the competitiveness of the financial system. The payment account can also be offered by NBFIs, which with the new regulatory changes will have a dedicated IBAN and all citizens will be able to accept payments.

In addition, the Regulation on the Structure and Use of the Unique Identifier of the Payment Account for National and International Transactions regulated in accordance with EU standards, addresses the requirements from payment institutions and non-bank electronic money institutions to be equipped with the code of identification in the IBAN account standard, in accordance with the criteria for application in the single payment area SEPA (Single Euro Payment Area).

In implementation of the National Strategy for Retail Payments (2021-2026), the CBK within the framework of the Remittances and Payments Program (RPP) has finalized the drafting of the Law on Payment Services through which will be transposed into local legislation three important EU directives for payment services: (i) Payment Services Directive (known as PSD2), (ii) Payment Accounts Directive (known as PAD) and (iii) the Electronic Money Institutions Directive (known as EMD2).

The adaptation of these directives to the local market is estimated to contribute to promoting competition in the payment services market, increasing transparency and security in the services offered by the market, and creating a consolidated framework for consumer protection. Alignment of payment services market regulation practices with European ones is also a fundamental and substantial step towards the integration and implementation of recommendations deriving within the framework of the free movement of capital and services for SEPA membership, as a stated objective of the CBK for the Republic of Kosovo.

6.2.6. Cooperation with other local and international institutions

This year, 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), the WB team has been very useful in supporting CBK. First, it assessed the sustainability of the cybersecurity program through information gathering and interviews with key personnel at the CBK. The data will provide a comprehensive report on the cybersecurity program, and how it compares to practices best outlined by industry-recognized frameworks and with findings/ recommendations for actions based on identified gaps/weaknesses. Second, the WB team has continued its work in supporting the CBK towards the preparation of membership prerequisites in SEPA through assistance in the alignment of payments related legislation with the EU Acquis. This team has also continued to support the finalization of the new Law on Payment Services, the status of the AML/CFT framework and other relevant ongoing developments or planned within the payment system.

Cooperation and support has also continued in defining technical specifications for national QR codes which can be used to support various basic payment methods, including instant payments. In fulfilling its role as a catalyst, the CBK has supported and organized a series of meetings and consultations with key internal and external factors involved in the payments industry.

At the local level, a special space was also dedicated to the role of financial education in promoting financial inclusion as well as preparations for the re-establishment and expansion of the functions of the National Payments Council.

6.3. Asset Management

The CBK performs the management of assets and reserves as well as the operation of the Central Depository System (CDS) for the trading of Securities issued by the Government of the Republic of Kosovo. Reserve management tasks are specified in the Law on the Central Bank of the Republic of Kosovo, respectively in Article 15 of Law No. 03/L-209.

6.3.1. Investment Management

The CBK manages its reserves in order to achieve the objectives of the Investment Policy, where the safety and liquidity of assets before the return from investments is the priority.

Instruments

Reserves in the CBK portfolio consist of portfolio instruments which are classified as liquid and investment grade. The category of liquid reserves consists of instruments that are maintained to ensure sufficient assets for making payments and transfers according to the needs of the CBK and its depositors. Whereas, the category of investment tools consists of safe financial instruments, with investment credit rating that are also easily tradable.

In order to ensure the sufficiency of liquid funds for the realization of international transfers of the CBK depositors, the funds in the current account are maintained to realize the short-term

obligations of the CBK, which at the end of 2023 reached the level of 31.9 percent of the total portfolio.

The CBK reserves portfolio in euros according to instruments is reflected in Chart 100 with the balance as of 31 December 2023, where it is evident that 39.8 percent of the portfolio is invested in international securities and 13.3 percent in Securities issued by the Government of the Republic of Kosovo. Placement in bank deposits participates with 15 percent.

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

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

Short-term repurchase agreements (REPO) with the local banks of the Republic of Kosovo have continued to be issued throughout the year 2023, being an important instrument of the local money market. Through this instrument, if needed, the CBK provides the local banks quick liquidity for a period of one to ten days against collateral, i.e., securities of the Republic of Kosovo. This instrument which treats government bonds as more liquid instruments providing their holders easy access to financing through the collateral provided.

During 2023, the CBK continued to be part of the credit line offered by the European Central Bank, Emergency Liquidity Assistance (ELA) through the Deutsche Bundesbank (on behalf of the Eurosystem) that will remain in force until on 31 January 2025. Through this credit line, the ECB has offered the CBK 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 loans from the European Central Bank up to 100 million euros.

Currencies

The currency composition of the CBK's reserves portfolio consists of euros and US dollars (USD). In 2023, the euro reserves available in the CBK portfolio have reached 1,332

Chart 100. Portfolio of the CBK reserves (EUR), as of 31 December 2023

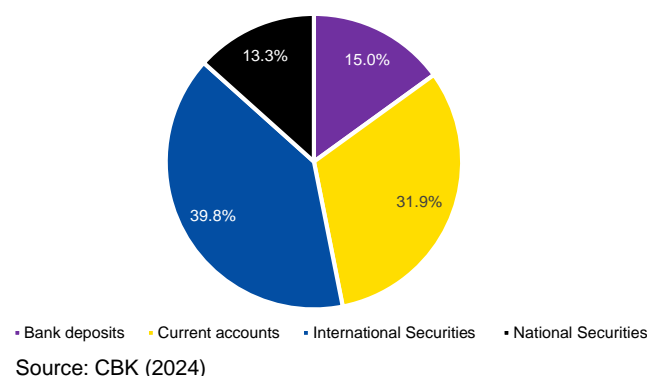
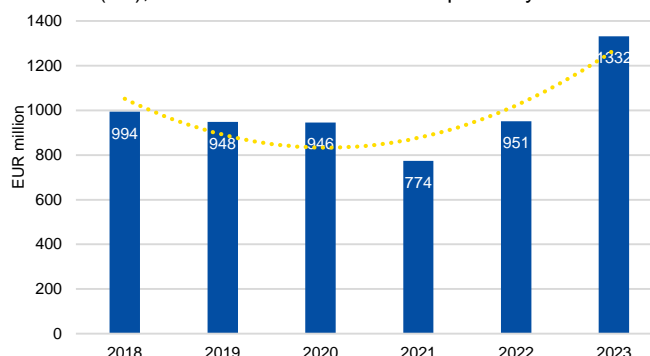


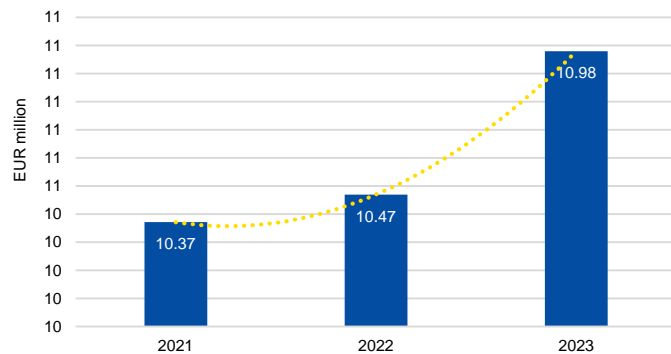
Chart 101. The ending balance of funds invested by the CBK in EUR (mil), as of 31 December of the respective year



million euros from the value of 951 million euros in the previous year (see Chart 101), mainly due to the movements of the funds of the CBK depositories.

Approximately 1 percent of the reserve portfolio is kept in USD, invested in one-day placements with an interest rate quoted by repurchase agreements with the U.S. Federal Reserve Bank and short-term securities bonds issued and paid by the U.S. Treasury with a maturity of up to one year within the Automatic Investment Program with the FED. In 2023 there is no significant change in the level of reserves in USD, but there is a slight increase from 10.47 million in 2022 to 10.98 million in 2023 (see Chart 102), that comes as a result of interest accumulation from invested instruments.

Chart 102. The ending balance of funds invested by the CBK in USD (mil), as of 31 December of the respective year



Source: CBK (2024)

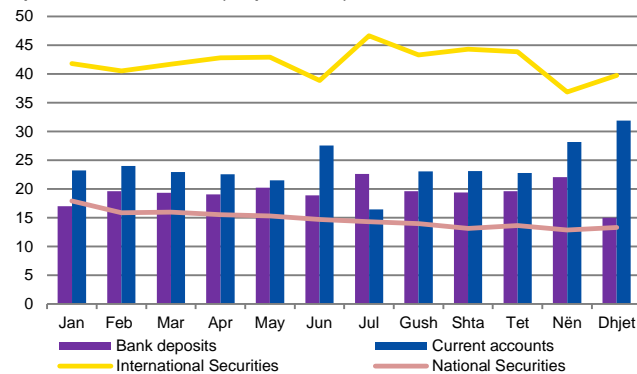
The distribution of assets in the two respective currencies is done based on the content of the CBK reserves from its depositors, which mainly come and are kept in the euro currency.

Distribution

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

During 2023, the distribution of the portfolio was carried out with a focus on the category of liquid assets, easily convertible and with a developed securities market, such as treasury bills and bonds. Consequently, 39.8 percent of the portfolio was invested in International Securities, as the main liquid instruments with the highest participation in the CBK portfolio, while 13.3 percent were National Securities (see Chart 103). 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 ECB. Even in 2023, the distribution of the portfolio of securities has been realized by market conditions and prices for government, supranational, agency and credit institution bonds issued and paid in Euro.

Chart 103. Distribution ratio of the CBK investment portfolio in EUR (in percent)



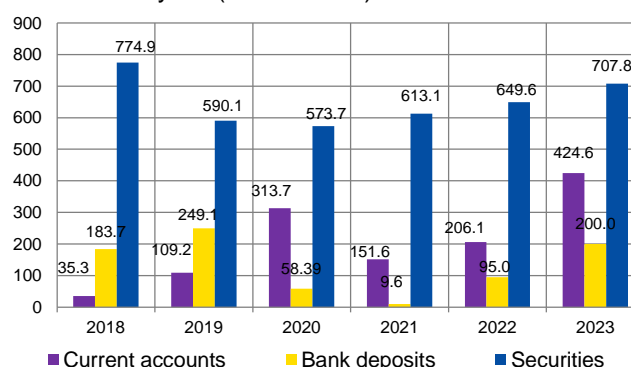
Source: CBK (2024)

The continuous increase of interest rates during this year by the ECB and the FED has affected the rates of the interbank market and the debt market, which have made it possible to position the portfolio in instruments with returns according to the market rates of the Euro-system and the FED. The deposit rate in the interbank market in euros is based on the rate set by the ECB for deposits, which during 2023 has varied from 2.50 percent as it was in February until the last increase to 4 percent in September 2023²².

²² https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html

Distribution in International Securities this year has increased compared to the previous year (see Chart 104). The main change in the distribution structure of the portfolio can be seen in bank deposits, where this category of assets has seen a significant increase compared to the previous three years as a result of the increase in the deposit rate by the ECB and opportunities for placements in the interbank market of the central and commercial banks of the Euro-system. This distribution enables CBK to maintain sufficient liquidity in its portfolio of reserves, while contributing to maintaining the security of the portfolio of this category of assets and realizing the return on investment.

Chart 104. Distribution of portfolio investment, as at end of each year (EUR million)



Source: CBK (2024)

6.3.2. Portfolio performance

During the year 2023, the instruments in the CBK portfolio have shown high performance with the realization of 25.59 million euros of net income in all categories of portfolio assets, including the difference between income and expenses from the rates applied to deposit accounts.

6.3.3. Risk Management

CBK's funds are invested in securities issued by stable and developed countries, the most credible agencies of the euro area and supranational institutions with a high investment credit rating from international credit agencies such as Standard&Poor's, Moody's, Fitch, 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 is managed when the 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 rating, set forth in the Investment Policy P-2/A-2 (Moody's/S&P) for short-term and Baa2/BBB (Moody's/S&P) for long-term, as well as in extraordinary cases on the market, with P-3/A-3 for short-term and Baa3/BBB- (Moody's/S&P) for long term.

Interest rate risk is reduced when the 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 fulfillment of obligations from its financial liabilities. CBK's position on liquidity management is to ensure sufficient liquidity to meet obligations on time, both in normal and disadvantaged conditions, without incurring unacceptable losses or risking damage to the reputation of the CBK.

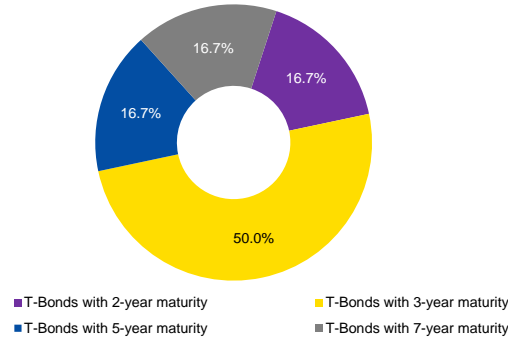
Currency risk appears as a result of exchange rate movements that implicate the value of currencies in the financial market, where the return or loss as a result of exchange rate changes may arise.

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

6.3.4. Kosovo Government Securities

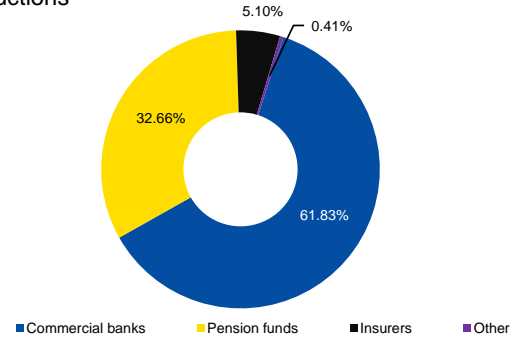
In accordance with the Law on Public Debts, the CBK acts as a fiscal agent for the MFPT/Treasury in the process of issuing securities of the Government.

Chart 105. Structure securities, by maturity



Source: CBK (2024)

Chart 106. Structure of investors in Securities auctions



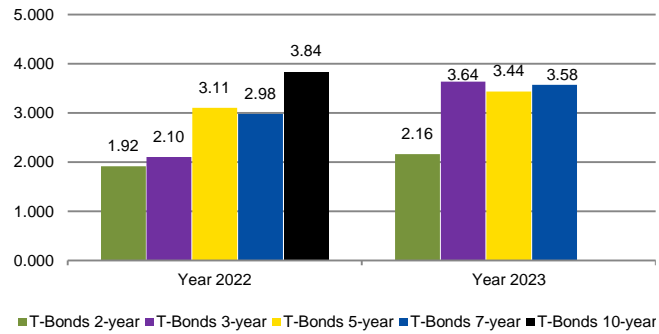
Source: CBK (2024)

According to the annual calendar for the issuance of Government Securities and published by the Treasury of Kosovo within the MFLT, during 2023 a total of 11 auctions were held for the issuance of government bonds with a maturities ranging from one to seven years. Six auctions were successfully completed, while five auctions were canceled at the request of the Treasury/MFLT based on Article 6, paragraph 3.4. of Regulation MOF-CBK No. 01/2014 for the Primary and Secondary Market of Government Securities.

Chart 105 presents the structure according to the maturity of Government Securities in 2023, issued in the primary market, where the participation is dominated by issues with a maturity of 3 years with 50.0%, while commercial banks are the largest investor in Government Securities with 61.83 percent, followed by pension funds with 32.66 percent (see Chart 106).²³

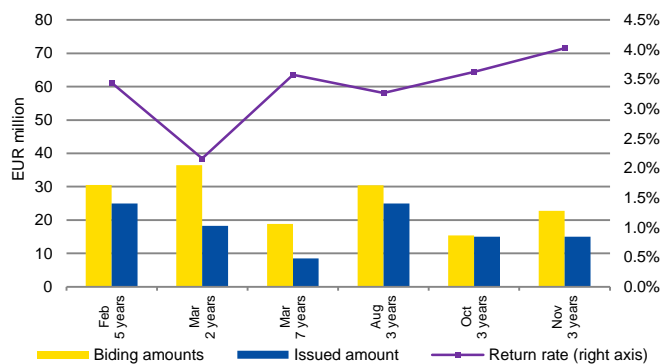
Average annual rates of return on investment according to maturity in 2023 have increased compared to the previous year (see Chart 107), while the greatest demand from the market was for Government Securities with maturity from 2 to 5 years (see Chart 108).

Chart 107. Annual average interest rate returns for 2022 and 2023



Source: CBK (2024)

Chart 108. Auctions of Government securities, in 2023



Source: CBK (2024)

²³ Participants in the primary market of Government Securities are commercial banks, pension funds, insurers and legal and physical persons acting through commercial banks.

The total volume of purchases and sales²⁴ of Government Securities among participants in the secondary market during 2023 was 68.6 million euros, a decrease of 27.7 percent compared to 94.8 million euros as it was last year.

For short-term lending purposes, the total volume of repurchase transactions backed by collateral with Government Securities during 2023 resulted in 67.6 million euros, a decrease of 54.1 percent compared to the previous year's volume of 147.3 million euros.

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 the CBK in 2023, based on intra-day lending backed by collateral with Government Securities, was a total of 592.5 million euros, marking an increase of 6.4 percent compared to the previous year's volume of 557.1 million euros.

6.4. Information Technology

During 2023, the Department of Information Technology and Security has continued with the advancement of technology systems, information security, and work processes, focusing in particular on raising the quality of services provided and their security.

In order to guarantee the continuity and quality of the services that the CBK offers to financial and governmental institutions and to the citizens of the Republic of Kosovo, it has continued with the investment in new technologies and the advancement and expansion of the existing information technology capacities, putting into operation the equipment of the latest technology. These systems are maintained, monitored, and tested continuously to ensure that they will be operational even during various and extraordinary situations. However, challenges in the recruitment and retention of professional capacities have appeared and are being addressed, as possible.

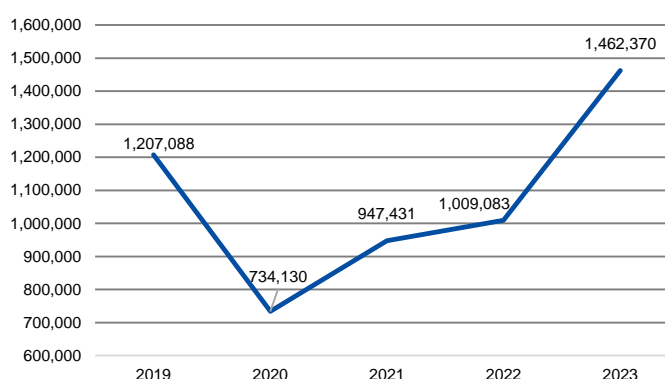
6.5. Credit Registry of Kosovo

Pursuant to the Law on the CBK, 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 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 (all commercial banks,

Chart 109. Number of surveys in the CRK system



Source: CBK (2024)

²⁴ Participants in the secondary market of Government Securities are commercial banks, pension funds, insurers, legal and natural persons acting through commercial banks, as well as public institutions.

licensed MFIs, as well as NBFIs and insurance companies licensed to engage in special lending activities). Possibilities of advancing the electronic access to this register are being considered, in addition to the current CBK website, namely the eventual connection with the state platform, subject to internal evaluations and decision-making.

The data of the CRK system show that in 2023 there were 2,280 registered active users of lending institutions dominated by banks with 1,579 users, MFIs and NBFIs with 670 and insurance companies with 31 active users of the system, where only during this year, CRK has registered 490 new users.

The CRK 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.

This system is an internet-based application and can be accessed directly and in real time by the staff of lending institutions, which inquiries the credit histories of credit applicants, where during 2023 it reached 1,462,370 inquiries (see Chart 109).

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

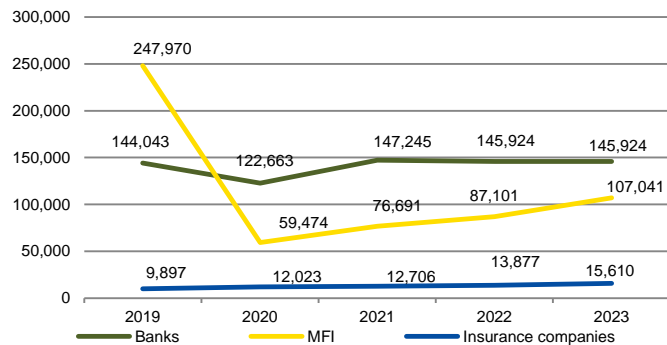
During the 2023, 276,100 loans were reported in CRK, including loans, credit cards, overdrafts, residential mortgage loans, credit lines, guarantees, leasing, factoring, and other credit assets. In reporting on approved loans for 2023, banks lead with 153,450 loans, followed by MFIs with 107,040, and insurance companies with 15,610 approved loans (see Chart 110). Meanwhile, the number of requests for the individual credit report of borrowers in 2023 has decreased from a year ago, both for natural and legal persons (Chart 111).

During the 2023, 276,100 loans were reported in CRK, including loans, credit cards, overdrafts, residential mortgage loans, credit lines, guarantees, leasing, factoring, and other credit assets. In reporting on approved loans for 2023, banks lead with 153,450 loans, followed by MFIs with 107,040, and insurance companies with 15,610 approved loans (see Chart 110). Meanwhile, the number of requests for the individual credit report of borrowers in 2023 has decreased from a year ago, both for natural and legal persons (Chart 111).

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

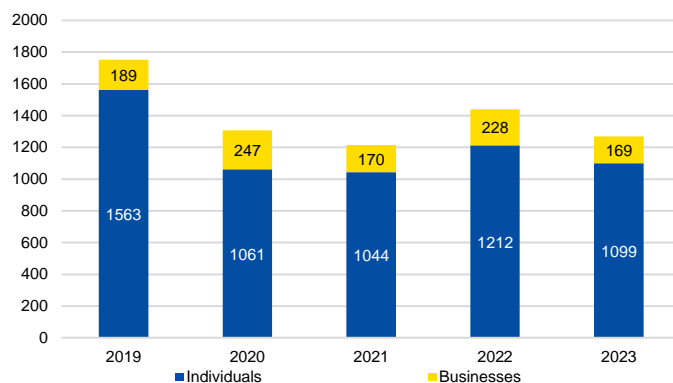
In order to achieve its primary objective, maintaining financial stability through regular monitoring of systemic risk, among others things, the CBK identifies, monitors, and analyses systemic risk at regular monthly, quarterly, six-monthly and annual basis. In this context, the identification of potential 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, including analyzing the performance of high frequency economic and

Chart 110. Number of loans approved in the CRK system



Source: CBK (2024)

Chart 111. Number of requests for credit reports



Source: CBK

financial indicators, forecasts on key macroeconomic indicators and application and analysis of models that address the cyclical, structural and cross-sectoral dimensions 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 the 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 engage in the advancement of internal models for the design of the economy and models for risk assessment such as: (i) the macroeconomic model (annual model that generates macroeconomic projections in basic and aggravated scenarios), (ii) 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), (iii) the revision of the Map of Financial Stability (which analysis developments in eight dimensions of the risk to financial stability), (iv) the model of Identification of Systemically Important Banks (a typical macroprudential policy model, which assesses the risk of spreading the negative effects of a systemic institution throughout the system), as well as (v) the Countercyclical capital buffer (macroprudential policy model).

The Macroprudence Committee, as an advisory body established in the CBK, aims to help preserve the financial stability of Kosovo, with the aim of strengthening the resistance of the financial system, reducing the accumulation of systemic risk that ensures a healthy financial sector that also contributes to sustainable economic growth. Committee has macroprudential instruments and advises the Executive Board on the appropriate application. However, during the year 2023, for the sustainability and stability of the financial system as a whole, it was not necessary to apply macroprudential instruments, except for microprudential measures arising from the supervisory mandate. Within this Committee, 4 meetings were held and 9 recommendations were given, in the function of macroprudential supervision. After the revision of the terms of reference in 2024, as planned, the scope and impact on the adoption of macro and micro-prudential measures will be expanded.

In 2023, in cooperation with a focused technical assistance of the IMF, the CBK has reviewed and advanced one of the most important tools that a central bank has to assess the stability of the financial sector, the Stress-Test model. The model that is expected to be finalized in 2024, 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, during this year CBK has revised and advanced the design capacities through the reassessment of the macroeconomic model.

One of the most important periodic publications is the Financial Stability Report that reflects the stability of the financial system by analyzing general economic trends, along with developments in the activity, performance and stability of all components of the country's financial system. In order to provide the public with the fastest possible access to information on developments in the country's economy, the CBK has continued to regularly publish Quarterly Assessments Reports that provide an overview of key macroeconomic developments and developments in all components of the financial system of the economy on a quarterly basis. Moreover, the CBK continued to publish the Financial System Monthly Information Report, a report that presents a summary of key indicators for all components of the financial system of the Republic of Kosovo 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. Further, against the first mandatory goal of the CBK, BLS is also completed by the section that addresses the expectations of commercial banks for prices in the country, while the time series of banks' expectations for inflation dynamics is also published on the official website of the CBK, as well as the Core Inflation Time Series.

6.7. Main activities in the field of statistics during 2023

Pursuant to Article 25 of the Law on the CBK, 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 of the monetary, financial sector, financial accounts and external sector.

For the purposes of compiling statistics, reporting entities to the CBK, in the Department of Statistics (DS), 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 the 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 that derive from Law no. 03/L209 on the CBK and Law no. 04/L-036 on Official Statistics of the Republic of Kosovo.

The compilation of statistics is based on the methodology recommended by the IMF, ECB, WB, 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, such as: time series, monthly statistical bulletin, annual report, National Data Summary Page, IMF, Eurostat, WB, 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.

Also during 2023, CBK 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, etc.) have continued to be published regularly on the CBK's website and international organizations. The financial accounts statistics module has continued to be published regularly on a quarterly basis in time series on the CBK website for the financial sector and the external sector. However, there are three other sectors of the economy that are not covered, data sources for which should 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 reaching of the Memorandum of Cooperation between the CBK, KAS and MFLT is in the final stage.

During the year 2023, the CBK has continued to further align statistics under its responsibility with the 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.

Within the framework of the IPA 2019 Program, this year the CBK has implemented the project "1.2 Statistics of Trade in Services", fulfilling all the tasks assigned according to the contract. Within this project, the advancement of reporting has continued by implementing the new rules of double validation, applied by the data distribution system in Eurostat. In addition, a technical assistance mission from Eurostat, a workshop and a study visit to Turkey were carried out within this project.

In the framework of the regular monthly publications of the IMF by the CBK, for the first time from February 2023 has started the regular publication on a monthly basis of the consolidated report of international reserves and foreign currency liquidity, more specifically "International Reserves and Foreign Currency Liquidity Data Template". The completion of the IRFCL represents a good opportunity to align with criteria defined by the Special Data Distribution Standard (SDDS), which is expected to be adapted by the Republic of Kosovo in the near future.

Within the framework of the agreements with the Government of Kosovo, the Stand-By Arrangement (SBA) and the Resilience and Sustainability Facility (RSF) Agreement, from June 2023 the following reports have been added to the DS that must be sent to the IMF:

- Preparation of the report Financial Soundness Indicators (FSI) according to Other Depository Corporations (ODC) on a monthly basis;
- Preparation of balance sheet reports, income statements, nonperforming loans, loans according to economic activity according to the ODC, according to the request received from the IMF office in Kosovo, on a quarterly basis starting from the period of June 2023.

During the 2023, the CBK has organized a survey project with non-residents visiting Kosovo during the vacation period. The survey was carried out using an advanced system borrowed from the World Bank, which has made it possible to increase the efficiency of data collection and improve their quality. The collected data were used to calculate estimates of the expenses of immigrants in Kosovo, which have a significant impact on the statistics of travel services and some other categories related to the impact of immigrants in Kosovo, such as remittances, direct investments, etc. During this year, work was also done on the automation of work processes, increasing the efficiency and productivity of the realism of daily work, especially regarding the acceptance and validation of statistics, reducing manual work, reducing possible errors when accepting reports from reporters and compilers, etc. From this automation, CBK has continued to work on the development of the online platform for the collection and processing of data reported by non-financial corporations. With the finalization of this program, which is expected during 2024, it is intended to increase functionality, effectiveness and data protection.

In addition, the CBK this year has also engaged in improving the quality and consistency of data produced according to the standards and methodology recommended by Eurostat and the IMF, updating the methodology published on the CBK website, publishing new tables, reducing the frequency of publication of statistical indicators, advancing the methods of processing and validating statistical reports, maintaining the page "Economy of Kosovo at a glance", compiling and publishing late interest in commercial and credit transactions, compiling and reporting indicators of financial health, as well as the publication of summary clarifications about the main developments on the CBK website for transparency and more accurate information of public.

6.8. Review of financial institutions requests supervised by the CBK

During the exercise of its supervisory powers, the CBK acts in accordance with Article 67 paragraph 4 of Law No. 03/L-209 on the CBK in the case of administrative penalties against the subject/person. Article 67 paragraph 4 specifies that before imposing administrative penalties, the CBK provides a detailed statement to the entity/person to whom the penalty will be imposed, describing the facts and the law that support the existence of the violation and giving the entity/person the opportunity to fully provide facts and arguments for impunity.

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 Reexamination Division. The Reexamination Division is continuously coordinated with the financial supervision regarding the sending of the preliminary notice for taking administrative punitive measures by the CBK to the subject (financial institution), as a preparation, in the eventual case of submission of requests for reexamination of these institutions.

During 2023, requests for reconsideration were received from five 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 in the Executive Board. 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 the requests, communication was made with the financial institutions that submitted the request for reconsideration and the relevant departments in the CBK, thus providing the necessary material, possible clarifications and the efficiency for the requests to be reviewed within the legal deadline.

7. Internal Developments

7.1. Internal audit

Internal Audit (IA) is an important function that provides reasonable assurance to the CBK Board, Audit Committee (AC) and the Executive Board that internal control mechanisms are designed and operating effectively. Internal Audit (IA) together with external audit complete the chain of accountability within the institution. The CBK legal framework provides full mandate to the IA to independently develop audit activities in order to provide recommendations to the CBK Board, AC and Management in order to increase efficiency of internal controls and adding value to institution.

During the year 2023, the Internal Audit has continued engagements/audits in accordance with the Annual Plan, which was prepared based on the Risk Assessment Methodology, according to the Risk Based Approach. The audits and engagements carried out during this year were of a financial, compliance, operational and information technology nature. These activities were carried out referring to Law no. 03/L-209 on the CBK, respectively Article 61 of this Law, as well as the Annual Plan of the IA. The IA scope has continued to be oriented towards the improvement and advancement of systems/processes that assist the Management in achieving the defined objectives. Through the activities/audits performed, the IA has given concrete recommendations in order to improve the internal control systems, as well as to increase the value of the departments/divisions and other responsible areas within the CBK.

In addition to audit activities, the IA has prepared the 2024 Annual Plan, which was preceded by the preparation of the Internal Audit Strategic Plan for the period 2024-2026. In order to fulfill the legal requirements, at the end of 2023, the Head of Internal Audit has submitted the 2024 Annual Plan for discussion to the responsible bodies. This document was initially discussed and received support from the AC. The same, after the necessary discussions, was approved by the CBK Board. The Head of Internal Audit has continued his regular reporting to the AC and the CBK Board. During this year, a total of eight AC meetings were held, with the regular participation of the Head of the IA, where, among other things, the progress of the activities of the IA and the process of monitoring the implementation of the recommendations were discussed. This year, IA has undergone the external evaluation process by representatives of the Central Bank of the Netherlands, while, in the framework of the exchange of experiences, representatives from the Central Bank of Austria have stayed for a one-week visit to the CBK, to share their experiences with IA staff. IA has continued its engagement in addressing the recommendations given by the external evaluations by the External Assessors of the Central Bank of the Netherlands, the IMF - Safeguards Assessment and the External Auditors.

The activities related to continuous professional education have continued during this year as well, through the participation of the IA staff in several trainings and seminars. Meanwhile, in order to perform its duties, the IA has continued communication with the External Auditors of the CBK.

7.2. Human resource

In accordance with the strategic objectives of the CBK's and human resource management policies, the CBK has continuously focused on acquiring and implementing the best human resource management practices that are applied in similar institutions. Effective human resources management pays particular importance to adapting of the institution's regulatory infrastructure to the best standards, offering opportunities for development and promotion to all employees, aiming at increasing the professionalism, performance and motivation of employees.

At the end of 2023, the number of employees at CBK was 225, with an average age of employees of 42 years and with balanced gender representation at the level of specialists and managers. The ratio of women to men is 53.8% - 46.2%, while, at the management level is 41.5% - 58.5%.

In the general structure of the CBK, three employees or 1.3% are with PhD, 97 or 43.1% with postgraduate education, 103 or 45.8% with university education, 20 or 8.9% with secondary education and 2 employees or 0.9% with basic education (see Chart 112).

The CBK 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 fulfill 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, workshops, seminars, etc.

In order to achieve its objectives, in accordance with the law on the CBK, to maintain and attract professional staff, the CBK has reviewed the labor relations policy and during 2024 will also review the necessary internal acts.

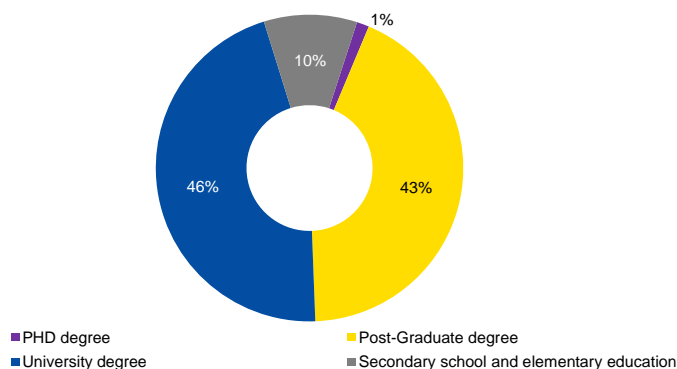
Out of the total number of employees, until 2023, 190 employees have participated in professional trainings which were mainly organized online by the ECB, IMF, Joint Vienna Institute (JVI), Deutsche Bundesbank, Bank of the Netherlands, Bank of Poland, Bank of France, Bank of Italy, Bank of the Czech Republic, Istanbul School of Central Banking, Kosovo Banking Association and Center of Excellence in Finance (CEF).

7.3. CBK's legal activity

In order to implement and achieve the objectives defined according to the Law on the CBK, during 2023 the CBK has focused on the implementation of the existing legal framework and on the drafting and updating of the regulatory legal framework in accordance with the latest developments in the financial sector. In the wake of efforts to harmonize the primary legislation with that of the EU, and with international practices and standards, draft laws have been drawn up and relevant by-laws have been approved. In cooperation with the assistance provided by the WB, the CBK has drawn up the draft Law on Payment Services in accordance with the relevant EU directives and regulations, which provides a general framework for payment services and related activities within the Republic of Kosovo, which, among other things, aims to determine payment service providers, rules for issuing electronic money, authorization, activity and supervision of payment institutions and electronic money institutions, etc. The draft law for banks has been drawn up, while the draft law on Mandatory Auto Liability Insurance is in the process of being drawn up by the CBK.

In order to implement relevant legal requirements, during the 2023, the CBK has continued with the further advancement of by-laws for the supervision and regulation of financial institutions in Kosovo. During this year, the Regulation on Access to Payment Accounts with Basic Services entered into force, the purpose of which is to create the opportunity for all citizens in terms of financial inclusion. Within the scope of duties and responsibilities, the decision-making bodies

Chart 112. Structure of employees by education



Source: CBK (2024)

have issued a series of regulations, policies, rules and other decisions, in order to regulate, supervise and keep the financial sector stable, ensuring a safe, stable, and efficient payment system. The approval of all by-laws, as well as other decisions by the CBK's decision-making bodies, was preceded by a preliminary legal review to ensure applicability in full accordance with the legislation in force.

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

- Agreement of understanding between the CBK and the Financial Intelligence Unit, for cooperation and exchange of information, signed in July 2023;
- Agreement of understanding between CBK and Aflatoun International, regarding social and financial education for children and youth in Kosovo, signed in May 2023;
- Agreement of understanding between the CBK and the Kosovo Fund for Credit Guarantees, regarding the cooperation and exchange of information in the field of lending and credit guarantees, is in the process of being drafted.

7.4. Risk Management Function

Risk management (RM) in the CBK is oriented towards achieving the objectives defined by law and is monitored and supervised with a systematic structured approach, defined by the general framework of RM, which also defines the main types of risk (strategic, operational and financial risks), to which CBK is exposed and manages. 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 RM framework at CBK is based on principles that allow effective and efficient risk management in achieving objectives, and 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: (i) organizational units/leaders of processes in charge of RM through the establishment of controls, (ii) the RM function, with the responsibility to monitor adequacy of RM within a defined scope, and (iii) the internal audit function, which performs regular audits of risk management processes and internal control system. The MR 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. The RM Department (RMD) is connected to two CBK commissions that have powers for risk management: the Audit Committee and the Investment Committee.

Risk Management System is intended to support the processes for identification, evaluation, reporting and monitoring in order to advance the risk management processes in CBK. Risk Management Department has a Risk Management System through which risk management processes are now supported. This project is based 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 risk 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. Foreign relations and international cooperation

8.1. International Relations

CBK has continued close cooperation with all local and international institutions during 2023 as well.

CBK under the chairmanship of the Governor, continued the various meetings throughout the year in the spirit of cooperation with international financial institutions, among others: IMF, WB, ECB, Board of Governors of the Federal Reserve of the USA, European Commission, Deutsche Bundesbank, Authorities of the German Federal Supervisory Authority, the Austrian Supervisory Authority, the Supervisory Authority of Great Britain, the National Bank of Austria, the Bank of Albania, the National Bank of the Republic of North Macedonia, the Bank of Lithuania, the National Bank of Croatia, the Bank of Portugal, the Bank of Italy, IFC, EBRD, the Council of Green Card Bureaus based in Brussels, with the EU Office/EU Special Representative in Kosovo and other institutions. As part of the advanced practice of transparency, from the second half of 2023 onwards, the public has been effectively notified of the meetings and their content.

Through its management, the CBK was represented by the acting Governor at the Spring Meetings of the IMF and the World Bank, in Washington DC, USA, where they held meetings with senior officials of the IMF and the World Bank and with counterparts from the central banks of different countries. The CBK delegation was hosted in meetings by the high executive levels of the WB and the IMF.

In the sphere of international relations and cooperation, CBK has been represented through management in conferences and joint tables with sister institutions, including formal meetings, conferences and other organizations of an adequate level for representation by the Governor and teams as needed.

CBK and MFLT welcomed the member states of the Constituency of the World Bank and IMF which this year gathered in Pristina. Constituency meetings are held with representatives of central banks and finance ministries from member states of our Constituency such as: Austria, Belgium, Turkey, Czech Republic, Luxembourg, Slovakia, Hungary and Slovenia. The meetings were held in several sessions, with high-level participants from international financial institutions such as: the WB Group, including the IFC, and the IMF. On this occasion, various topics were discussed on recent global and economic developments, in particular, views on inflation, the impact of the war in Ukraine, economic growth, and the role of these institutions in supporting economic developments. The meetings of the Constituency were held for the second time in Pristina since the declaration of Independence in 2008. The selection of Kosovo as the host for the holding of these meetings shows the commitment of the institutions of Kosovo for continuous cooperation with the highest international financial institutions.

CBK was also represented by the Governor at the Forum of Ministers of Economy within the framework of the Berlin process in Tirana, entitled "Common Regional Market - A Step Towards the EU Single Market".

At the invitation of the Governor of the National Bank of North Macedonia, the Governor participated in the International Forum on "Reactivation of Inflation and New Geopolitical Realities Affecting the Redesign of Macroeconomic Policy" held in Skopje.

In addition to participating in the Round Table of this Forum, the Governor participated in several bilateral meetings with some of the governors of the central banks of the states of the region and Europe, including the governors from the Bank of Albania, the Bank of Slovenia, the National

Bank of Croatia, the Bank of Lithuania, the National Bank of Belgium, as well as senior representatives of the IMF, the World Bank and other financial institutions.

Meanwhile, a high-level delegation of the CBK, headed by the Governor and with the participation of the Chairman of the Board of the CBK, participated in the annual meetings of the IMF and the World Bank that took place in Marrakesh, Morocco. During the participation in these meetings of the IMF and the WB, the delegation met the Vice President of the WB for Europe and Central Asia, the Deputy Managing Director of the IMF and the Director of the European Department of the IMF.

At the next meeting, the CBK delegation also met the Deputy Director of the Department of Monetary and Capital Markets at the IMF, the Vice President of the IFC for Europe, the Regional Director of the IFC and the Executive Director of the Constituency at the IMF.

It is also worth highlighting the achievement of an agreement of special importance for CBK and not only, which was realized during the participation in the Annual Meetings in Morocco.

The Governor has signed with the Vice President of the WB and at the same time Director of the WB Treasury the agreement for the membership of the CBK in the Partnership Program for Counseling and Management of Reserves (RAMP) with the WB Treasury.

The Governor represented the CBK in Tirana, at the conference entitled "Development of the Insurance Sector in South-Eastern Europe - Opportunities and Challenges", which was held under the organization of the Ministry of Finance and Economy of the Republic of Albania (MFE), the Authority for Financial Supervision (AMF), WB, Embassy of Switzerland in Albania, and Finance for Development (F4D).

During November 2023, a high-level CBK delegation, headed by the Governor, participated in high-level meetings with the governors and deputy governors of the six WB (Western Balkans) countries, organized by the host ECB, related to the integration in the European system of central banks, namely, in the SEPA payment scheme, and the fast payment system, TARGET Instant Payment Settlement (TIPS). Meanwhile, prior to this, the Governor had a welcoming meeting reserved for him by the Vice President of the ECB, who thanked him for the cooperation so far by offering the full support of the ECB in this very important project, both locally as well as in the integration process of Kosovo.

Since the decree and assuming the office, the Governor has also welcomed many representatives of the diplomatic corps accredited in Kosovo, and many officials of international institutions operating in Kosovo, until they are developed in accordance with the objective of the strategic plan.

8.2. Communication and Financial Education

CBK during 2023 has worked on increasing transparency through informing and educating the public about its responsibilities, duties and activities.

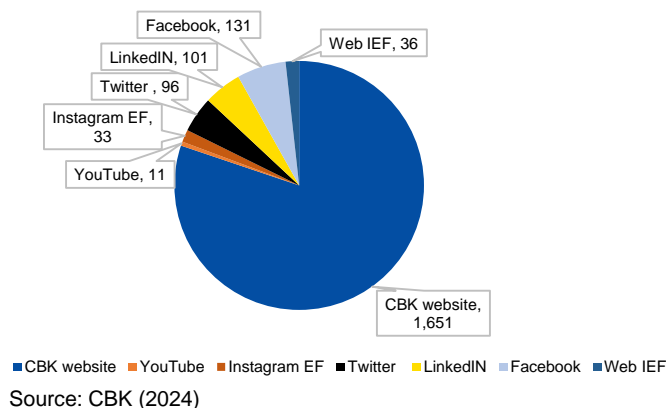
During the year 2023, the public was informed through the placement of information in all means of communication through communiqués, media announcements, publications of informative and educational materials on all communication channels of the CBK, including the official website of the CBK, interviews given in the media by the Governor or his delegates, media questions and answers, through the CBK's contact email info@bqk-kos.org, participation in TV shows and debates, radio appearances, publications of analyzes and reports of the CBK, press conferences, the web platform of financial education, as well as the distribution of information, video messages and infographics on the accounts of the CBK on social networks such as LinkedIn, Facebook, X or the former Twitter, and YouTube.

For the purpose of transparency, during 2023 CBK distributed 2,059 publications through all official communication channels (see Chart 113).

Financial Education

During the year 2023, continuous educational and informative activities were carried out to contribute to the distribution of awareness-raising information on the importance of awareness about the functioning of the economic and financial system. Through the activity campaigns, information, data, advice, messages, and instructions have been distributed so that the public can gain and increase knowledge, information and habits that will help them make prudent and financial decisions about their personal finances. Among the most important activities that took place this year are:

Chart 113. Number of the CBK publications through official communication channels, in 2023



- International Money Week 2023 was held on March 20 - 26, 2023, and some of the activities that CBK organized were:
 - Lecture at CBK with students of "Sami Frashëri" high school;
 - Educational activity with students of the Roma, Ashkali and Egyptian communities in the Organization "The Ideas Partnership" in Fushë Kosovë;
 - Educational activity at the Center for Financial Education and Training of the CBK, with students of the Bosnian community from the school "Svjetlost" - Manastirica;
 - Activity with students of the Bosnian community of the economic high school "Ymer Prizreni" in Prizren;
- June 1 - International Children's Day was marked with an educational activity with the students of the 1st and 2nd grades at the "Emin Duraku" school in Prishtina;
- October 31, World Savings Day - Educational lecture at CBK with the students of "Xhevdet Doda" high school in Prishtina;
- The Young Economist Award - an activity that CBK organizes every year with the aim of encouraging and motivating students and promoting research through the preparation of papers on current and interesting economic and financial topics. This year, three winning papers were selected and three students were awarded with the Young Economist award.

During the year 2023, two contests were organized for high school students, who were invited to apply with their papers (Essays) on the topics "Save wisely - Invest in my future" and "Plan your money, plant your future".

From these competitions, 17 works/high school students from different municipalities of Kosovo were awarded.

During this year, activities were also carried out with students from primary and secondary schools, including students from schools in different municipalities and villages, and with students from non-majority communities and with students from non-majority communities, such as: Prishtina, Prizren, Fushë Kosovë, Kamenica, Ferizaj, etc.

For information purposes and for increasing knowledge on various educational and financial topics, during this year 11 educational and informative materials were prepared for the audience, which

were published and distributed during the activities in the form of flyers and brochures and through all official communication channels of CBK, including CBK accounts on social networks.

8.3. Technical Assistance

During the year 2023, CBK has continued to benefit within the framework of donor assistance programs from the Grand Duchy of Luxembourg and the Kingdom of Norway that are supporting the efforts of the Government of the Republic of Kosovo and the institutions of Kosovo to meet the requirements of the Stabilization Agreement Association (SAA) between the EU and the Republic of Kosovo. This project will last until April 2024.

In continuation of the KOS-18/0005 project, during 2023, CBK has continued coordination with the Technical Assistance project with UNOPS "Knowledge for Reform Actions in the Western Balkans", financed by the Norwegian Ministry of Foreign Affairs. The main objective of the project is to provide technical assistance to WB countries in the exchange of expertise and knowledge in order to promote European integration reforms. WB states will be offered expertise in harmonizing the legislative framework, strategic, and other relevant policy documents in order to align with EU standards and acquis.

Within the framework of inter-institutional cooperation, in accordance with the Memorandum of Understanding with the Bank of Turkey, video conferences were held in which information was exchanged about processes such as: immediate payments; supervision of payment institutions, electronic money institutions, safekeeping of funds of payment institutions, and access to interbank payment systems for non-bank payment service providers. In addition, in cooperation with the Bank of Turkey, a video conference entitled: "Cash Operations at the Central Bank - The Practice of Handling Banknotes and Coins" was held.

During 2023, CBK continued to participate as a beneficiary institution in Phase II of the Program for Strengthening the Capacities of Central Banks in the Western Balkans with the aim of Integration into the European System of Central Banks (ESCB). Phase II of this program, that was launched in September 2022, during 2023 included the holding of 8 trainings and 1 high-level policy workshop, in which CBK participated together with other beneficiary institutions and which addressed fields and topics of interest to the central banks of the region. Also, during the year 2023, 5 bilateral measures of cooperation with individual central banks of ESCB were made, in which special aspects of the functions of the central bank were addressed from the perspective of CBK. This program is financed by the EU and implemented by the ECB and 20 central banks of the ESCB, including the Central Bank of Germany, which coordinates and administers it.

Also, during this year, CBK has been the beneficiary of a large number of technical assistance provided by the IMF, the World Bank and other international institutions in the field of financial stability, banking and insurance supervision, statistics, as well as some other fields of operations of Central Bank, such as payments, cash operations, asset management, etc.

8.4. European Integrations

With the aim of realizing the country's perspective for membership in the EU, CBK has continued to fulfill its obligations within the European integration process this year as well. The monitoring of the main legislative developments and supervisory practices, respectively, the harmonization of CBK legislation with the EU acquis, as well as the latest macroeconomic developments are continuously reported through regular reporting documents, as well as through meetings with local and international parties involved in the European integration process in Kosovo.

During this year, the CBK has cooperated with the relevant institutions, providing continuous support in the advancement of the European integration process in the Republic of Kosovo, such as 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, cooperation with other ministries and institutions operating in Kosovo, such as: Ministry of Foreign Affairs and Diaspora, Ministry of Finance, Labor, and Transfers, Ministry of Industry, Entrepreneurship, and Trade, as well as the EU Office in Prishtina. During 2023, CBK has continued its commitment to the implementation of EU conclusions.

During the year 2023, CBK has reported within the Program for Reforms in the Economy (PRE), regarding the conclusions derived from the economic and financial dialogue between the EU and BP of Turkey. Also, the CBK has made the necessary preparations to report to the joint structures within the SAA, respectively the Sub-Committee for the Internal Market, Competition, Consumer Protection, and Public Health, as well as the Sub-Committee for Economy, Financial Affairs, and Statistics.

In addition to the aforementioned structures with the European Commission and the ECB, CBK has also reported on a regular basis within the National Plan for the Implementation of the Stabilization and Association Agreement (NPISAA). In this context, the CBK has reported on the constituent chapters of the NPISAA that aim to implement the reforms required by the SAA. The chapters on which CBK has reported are: the chapter of financial services and the chapter of free movement of capital. Within the framework of the SAA, the obligations for the CBK in the field of financial services related to other responsibilities are as follows:

- the right of establishment and the freedom to provide banking services;
- the freedom to provide insurance services and other services in the financial field; and
- alignment and implementation of the legal and regulatory framework with EU legislation, and the ECB statute and the European System of Central Banks.

Other requirements from the free movement of capital include:

- EU legislation containing the rules for cross-border payments and the execution of transfer orders in relation to securities;
- Obligations arising in connection with any payment or transfer to the balance of payments/capital current account between the EU and Kosovo; and
- Free movement of capital related to commercial transactions between Kosovo and the EU.

In the field of banks and financial conglomerates, the CBK has the following obligations:

- Authorization, operation and prudential supervision of credit institutions, requirements related to the calculation of capital of credit institutions and investment firms and Basel III international standards.

In the field of labor insurance and pensions, the CBK has the following obligations:

- European directives that define rules related to the authorization, operation and supervision of life and non-life insurance, as well as reinsurance companies.

In the field of the securities market and investment services, the CBK has the following obligations:

- Directive 2004/39/EC on markets in financial instruments (MiFID).

In the framework of the European integration process, CBK has carried out regular reports on the main developments from the above-mentioned fields. Other chapters in which the CBK have continuously contributed are: the chapter on the right to establish companies and the freedom to provide services, the chapter on economic and monetary policies, the chapter on statistics, the chapter on freedom, security, and justice (Article 89 : Money Laundering and Financing of Terrorism), as well as the financial control chapter.

At the end of 2023, the consolidated draft of NPISAA was prepared, in which CBK made a summary of primary legislation and secondary acts which are expected to be approved during 2024. The draft of NPISAA for 2024 contains legislation aimed at transposition of European directives. In addition, the legislative proposals in NPISAA derive from the requirements of reports and official meetings with members of the European Commission (EC), such as: Country Report, official meetings with high-level delegations with members of the EC (in the framework of the PRE) , meetings within the framework of joint structures within the SAA, etc.

During this year, CBK has coordinated with other local actors regarding the action plan of the Common Regional Market. The fields for which CBK reports within this action plan are financial services (with an emphasis on the establishment of capital markets), and the development of a modern payment system. At the request of the OPM and in cooperation with the relevant departments, the actions that the CBK should undertake in order to increase regional cooperation have been identified.

The CBK is committed to addressing the findings from the Country Report (formerly the Progress Report), which has resulted in a significant number of findings from the 2023 EC Report, which have been addressed in order to be realized during 2024.

Also, the findings of the Country Report (published on November 8, 2023), in addition to some recommendations that have been identified, the said Report has assessed the contribution of the CBK in terms of consolidating macroeconomic stability, maintaining financial stability, improving practices supervisory and improvement of the payment system in the Republic of Kosovo. CBK remains engaged and committed to the implementation of priority structural reforms with the objective of achieving the standards required by the EU.

9. Financial Statements

This page is intentionally left blank



Central Bank of the Republic of Kosova
Financial Statements
as at and for the year ended 31 December 2023
with Independent Auditor's Report thereon

Contents	Page
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 56

Independent Auditor's Report

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 the financial statements of the Central Bank of Republic of Kosovo (the "CBK"), which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CBK as at 31 December 2023, 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 of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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
22 May 2024


Suzana Stavriqi
Statutory auditor



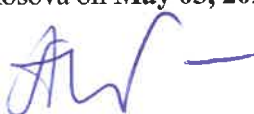
Central Bank of the Republic of Kosovo

Statement of financial position

As of 31 December 2023

<i>In thousands of EUR</i>	Note	2023	2022
Assets			
Cash on hand	7	101,932	409,426
Current accounts with non-resident banks	8	426,077	206,359
Securities (Treasury bills and government bonds)	9	717,814	666,597
Money market placements	10	205,252	99,950
Assets related with IMF	11	178,261	185,467
Property and equipment	12	4,276	4,199
Intangible assets	13	896	1,042
Other assets	14	2,476	2,709
Total assets		1,636,984	1,575,749
Liabilities			
Due to domestic commercial banks	15	590,622	594,281
Due to IMF related accounts	16	184,217	188,640
Due to governmental institutions	17	511,903	585,784
Due to public and commercial entities	18	240,202	131,137
Borrowings	19	1,662	1,938
Other liabilities	20	9,222	2,444
Total liabilities		1,537,828	1,504,224
Capital and reserves			
Authorized capital	21	30,000	30,000
Reserve fund	21a	39,507	31,444
Revaluation reserve	21a, 29	2,018	1,529
Retained earnings		27,631	8,552
Total capital and reserves		99,156	71,525
Total liabilities, capital and reserves		1,636,984	1,575,749

These financial statements were approved by the decision-making bodies¹ of the Central Bank of the Republic of Kosovo on **May 03, 2024** and were signed on their behalf by:



Ahmet Ismaili

Governor



Faton Ahmetaj

*Director,
Finance Department*

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

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

Central Bank of the Republic of Kosovo
Statement of profit or loss and other comprehensive income
As of 31 December 2023

<i>In thousands of EUR</i>	Note	2023	2022
Interest income			
Interest income		34,526	8,574
Interest expense		(9,350)	(2,668)
Net interest income	22	25,176	5,906
Fee and commission income			
Fee and commission income		4,140	3,760
Fee and commission expense		(1,274)	(924)
Net fee and commission income	23	2,866	2,836
Regulatory and other operating activities income			
Income from regulatory activity	24	7,849	6,954
Income from grants	20, 25	81	67
Other operating income	26	19	13
Foreign exchange profit / (loss)	29	(182)	542
Operating income		35,809	16,318
Administrative (operating) expenses			
Personnel expenses	27	(5,588)	(5,127)
Depreciation and amortization	12,13	(840)	(829)
General and administrative expenses	28	(1,697)	(1,757)
Administrative (operating) expenses		(8,125)	(7,713)
Financial result before allowance for expected credit losses		27,684	8,605
Expected credit losses, net	4	(53)	(53)
Profit for the year		27,631	8,552
Other comprehensive income		-	-
Total comprehensive income for the year		27,631	8,552

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 2023

	Capital	Reserve fund	Revaluation reserves	Retained earnings	Total
<i>In thousands of EUR</i>					
Balance as at 1 January 2022	30,000	26,857	-	6,116	62,973
Transfer to reserve fund	-	4,587	1,529	(6,116)	-
Total transactions required by law	-	4,587	1,529	(6,116)	-
Profit for the year	-	-	-	8,552	8,552
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,552	8,552
Balance as at 31 December 2022	30,000	31,444	1,529	8,552	71,525
Balance as at 1 January 2023	30,000	31,444	1,529	8,552	71,525
Transfer to reserve fund	-	8,063	489	(8,552)	-
Total transactions required by law	-	8,063	489	(8,552)	-
Profit for the year	-	-	-	27,631	27,631
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	27,631	27,631
Balance as at 31 December 2023	30,000	39,507	2,018	27,631	99,156

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 flow

For the year ended 31 December 2023

<i>In thousands of EUR</i>	Note	2023	2022
Cash flow from operating activities			
Profit for the year		27,631	8,552
<i>Adjustments for:</i>			
Depreciation	12	555	508
Amortisation	13	286	321
Income from grants	25	(81)	(67)
Expected credit losses	4	53	53
Foreign exchange net profit / loss	29	182	(542)
Interest income	22	(34,526)	(8,574)
Interest expense	22	9,350	2,668
		3,450	2,919
Change in treasury bills and government bonds		(51,881)	(32,633)
Change in money market placements		75,105	(74,984)
Change in assets related to IMF		1,109	12,507
Change in other assets		240	(520)
Change in due to commercial banks		(3,659)	5,182
Change in due to IMF related accounts		1,750	(11,439)
Change in due to government institutions		(73,880)	(22,578)
Change in due to public and commercial entities		109,064	53,745
Change in other liabilities		6,814	85
		68,112	(67,716)
Interest received		33,718	6,250
Interest paid		(9,259)	(1,612)
Net cash generated by/(used in) operating activities		92,571	(63,078)
Cash flow from investing activities			
Purchase of equipment	12	(632)	(147)
Purchase of intangible assets	13	(139)	(22)
Net cash used in investing activities		(771)	(169)
Cash flow from financing activities			
(Repayments) of borrowings	19	(224)	(230)
Proceeds from grants	20	45	8
Net cash generated from financing activities		(179)	(222)
Net increase/(decrease) in cash and cash equivalents		91,621	(63,469)
The effect of foreign exchange rate (in cash and its equivalents)		(189)	304
Cash and cash equivalents at 1 January		640,624	703,789
Cash and cash equivalents at 31 December	30	732,056	640,624

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 2023

(in thousands of Euros, unless otherwise stated)

1. General information

The Central Bank of the Republic of Kosovo (hereinafter “CBK” or the “Central Bank”), the successor of the Central Banking Authority of Kosova, is an independent legal entity with full capacity as a legal entity under the law applicable in the Republic of Kosova. The CBK is a distinct public entity with the authority to license, supervise and regulate financial institutions in the Republic of Kosova. The CBK operates in accordance with Law No. 03/L-209 on Central Bank of the Republic of Kosova, hereinafter referred to as (“Law on CBK”). 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 provided for by this law, the CBK shall act in accordance with the principles of an open market economy and free competition, favoring an efficient allocation of resources.

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

Garibaldi Str., No. 33
Prishtina, Kosova.

Central Bank Board, Executive Board and Governor (decision-making bodies)

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

As at 31 December 2023, the Central Bank Board comprises of the following members:

- Bashkim Nurboja – Chairman of the Board (non-executive member)
- Ahmet Ismaili – Governor
- Nora Latifi Jashari – Member (non-executive member)
- Nexhat Kryeziu - Member (non-executive member)
- Arta Hoxha – Member (non-executive member)

Whereas, as of December 31, 2022, the Board of the Central Bank consisted of the following members:

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

As of 5 February 2023, Mr. Bashkim Nurboja has been elected the Chairman of the Board, after the expiration of the mandate of Mr. Mrasori. From 29 March 2023 to August 2023, the CBK Board, pursuant to Article 46 of Law on CBK has taken the powers of the Executive Board according to the provisions of this article. In August 2023, the new bodies of the Executive Board were elected and members of the CBK Board returned to their respective appointments as members of the CBK Board. As of August 2023, CBK has had both decision-making bodies functional.

Central Bank of the Republic of Kosovo

Notes to the financial statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

1. General information (continued)

Definitions of Article 46 of the Law on CBK:

“Article 46 - 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. On 31 December 2023, the Executive Board consists of the Governor, who is the Chairman, and a Deputy Governor (two vacant positions as Deputy Governor), while also on 31 December 2022, the Executive Board consisted of the Governor and one acting Deputy Governor.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

2. Basis of preparation

a) Statement of compliance

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

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 Euros (“EUR”), which is CBK’s functional currency unless otherwise stated in any analytical note. Unless otherwise stated, financial information that is presented is rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the implementation of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimated.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if they are 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 below 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 the performance of Central Bank operations in 2023

2023 also faced inflation in almost all major economies around the world. But not as notable as the comparative year. The increase in inflation is a result and combination of several factors, including the fiscal stimulus measures taken in response to the after-effects of the COVID-19 pandemic, the effects of the war in Ukraine, then the effect of energy prices, and strong consumer demand for goods and services after the borders were opened and the easing of restrictions imposed during and after the pandemic. It should also be noted that inflation has not had a significant impact on the activities of the CBK in 2023.

On the other hand, after a long period of low interest rates, interest rates have significantly increased in 2023. This may affect the value of assets, liabilities and net interest expenses and cause impairment losses in the value of financial assets. However, the value of CBK's financial assets is not directly affected by the increase in interest rates, unless they are modified. Meanwhile, the increase in the rates in the euro currency has had the greatest impact on interest income and expenses, but with a positive effect, practically with a positive increase of the *net income from interest* item.

A special treatment has been devoted to the assessment of the new situation created at the global level after the beginning of the war in Eastern Europe (Ukraine) and the conflict in the Middle East, as well as the imposition of stricter sanctions by Western countries against the Russian Federation (such as the USA, Great Britain and the European Union, an initiative to which Kosovo also responded positively). The wars in question are still active, however in the reporting period there was no significant impact on the activity of the Central Bank, however, the Central Bank through its bodies is constantly monitoring the potential effects of these events and will be very vigilant in this regard to monitor events and prepare for them in advance.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material 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 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 as profit or loss based on the effective interest method. The effective interest rate is the rate that discounts the estimated future 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 asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or 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 include additional costs directly chargeable to the purchase, issuance or disposal of an asset or financial liability. Interest income and expenses presented in profit or loss include interest from financial assets or liabilities at amortized cost on the basis of effective interest.

c) Fees and commissions

Revenues and expenses from fees and commissions 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 revenues from commissions and fees, including transaction fees for operating accounts, fund transfers and licensing fees are recognized as the related services are performed. Other expenses for commissions and fees relate mainly to transaction and service fees which are incurred as the services are received.

d) Employee benefits

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

Likewise, the CBK allocates employee benefits on a jubilee basis and in the form of predetermined amount at the time of retirement. The CBK recognizes these expenses as these events occur according to long-term benefit plans.

e) Taxation and profit allocation

CBK is exempt from profit 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 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

f) Financial assets and liabilities

The financial assets of CBK included in these financial statements are classified as financial instruments with amortized cost (hold to collect model) and comprise of cash and cash equivalent, 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 FVTPL (Fair Value Through Profit Loss):

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

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

Financial liabilities measured at amortized cost include due to domestic banks, government institutions, public and commercial entities, due to the IMF, loans and other financial liabilities.

i. Recognition

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

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

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

ii. Reclassification

The financial assets of the Central 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 Central bank reclassifies 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 on 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

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

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

f) Financial assets and liabilities (continued)

The CBK enters into transactions whereby it transfers assets recognized in the statement of financial position, but retains substantially all the risks and rewards of the transferred assets or a portion thereof. In such cases, the transferred assets are not deregistered. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the CBK neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the CBK continues to recognize 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.

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

iv. *Changes in financial assets and 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 recognized at fair value.

If the cash flows of the modified asset carried at amortized 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 recognizes the amount arising from adjusting of 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 the impairment losses. In other cases, it is presented as interest income.

CBK derecognizes 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 recognized at fair value. The difference between the carrying amount of the extinguished financial liability and the new financial liability with modified terms is recognized in profit or loss. If the modification of a financial liability is not accounted for as a derecognition, then the amortized 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 recognized 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 to either settle them on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for profits and losses arising from a group 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 the time of initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any discount for impairment effects.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material 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 the most 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. Expected Credit Losses

CBK recognizes loss allowances for expected credit losses "ECL" for financial assets measured at amortized cost. 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 the credit risk has not increased significantly since initial recognition.

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

Life-time ECL are the ECL that result from all possible default events during 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 - Underperforming 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 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

f) Financial assets and liabilities (continued)

For detailed implementation of ECL, CBK 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, is the expectation that from the exposed value, it might not be recovered if the loss occurs. CBK it is based on its internal judgment and have also relied on several risk approaches according to Basel's definitions for assessing borrowers who fail to meet their obligations.

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).

Expected credit losses (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 the 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 Government 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. All acquisitions and sales of investment securities are recognized on the settlement date, ie. the date the asset was received, or delivered to the other party.

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 loans 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 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

j) IMF-related assets and liabilities (continued)

During the year 2023, CBK has changed the presentation model of account items with the IMF. CBK has switched from the gross method to the net method and as a result the claims on the government and the corresponding obligations related to the promissory² note account have been removed from the balance sheet items, which means the promissory note account (liability) and its corresponding claims (assets) have been removed out (set as off-balance sheet item) and practically, the items of the accounts related with the IMF are arranged in the net method. The difference lies in the fact that now CBK will keep these values of promissory notes, but only as off-balance sheet items (those changes are in note 11 and 16). The changes are as follows:

IMF-related Assets accounts (note 11)

	Quota with the IMF	DVT/SDR Holding	Accrual Interest	Total_1	Funds borrowed from the IMF	Total_2
Initial balance at 31 December 2022	103,491	159,169	1,158	263,818	51,745	315,563
Adjustment according to net method	(78,351)	-	-	(78,351)	(51,745)	(130,096)
Adjusted balance at 31 December 2022 (restated)	25,140	159,169	1,158	185,467	-	185,467
Balance as of 31 December 2023	24,430	152,619	1,212	178,261	-	178,261

IMF-related Liabilities accounts (note 16)

	IMF Account No. 1	IMF Account No. 2	IMF Security Account	DVT/SDR Allocation	Accrual Interest	Total_1	IMF - Paid portion of quota from Government	Total_2
Initial balance 2022	265	6	129,831	168,563	1,201	299,866	18,870	318,736
Adjustment according to net method	(265)		(129,831)			(130,096)	-	(130,096)
Adjusted balance 2022 (restated)	-	6	-	168,563	1,201	169,770	18,870	188,640
Balance 2023	-	6	-	163,802	1,291	165,099	19,118	184,217

² These are financial instruments that the government of Kosovo issued as a commitment over future obligations to the IMF

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

j) IMF-related assets and liabilities (continued)

Changes in total assets and liabilities

	2022 as stated	Reclassified to off balance sheet	2022 (restated)
Assets			
Cash on hand	409,426	-	409,426
Current accounts with foreign banks	206,359	-	206,359
Securities (Treasury Bonds and Government Bonds)	666,597	-	666,597
Placements in the money market	99,950	-	99,950
IMF-related assets	315,563	(130,096)	185,467
Property and equipment	4,199	-	4,199
Intangible assets	1,042	-	1,042
Other assets	2,709	-	2,709
Total assets	1,705,845	(130,096)	1,575,749
Liabilities			
Due to domestic commercial banks	594,281		594,281
Due to IMF-related accounts	318,736	(130,096)	188,640
Due to government institutions	585,784		585,784
Due to public and commercial institutions	131,137		131,137
Borrowing/s	1,938		1,938
Other liabilities	2,444		2,444
Total liabilities	1,634,320	(130,096)	1,504,224

k) Property and equipment

i. Recognition and measurement

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

The cost includes expenses that are directly attributable to the acquisition of the asset. The cost of CBK 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 operation of the related equipment is capitalized as part of that equipment.

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

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material accounting policies (continued)

k) Property and equipment (continued)

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:

	2023	2022
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 a case-by-case basis. Depreciation method, useful life and residual value are reassessed at each reporting date.

l) Intangible assets

Software acquired by 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 expenditures are recognised as incurred.

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

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material 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 the 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 asset-specific risks. 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. The impairment loss is reversed to the extent 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

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

o) Grant revenue

Government grants are initially recognized as deferred revenue 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. Funding from these international organizations includes, but 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 past events, CBK has present legal or constructive obligations that can be reliably estimated, and it is probable that an outflow of cash or 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 the market's current assessment of the time value of money and, where appropriate, the specific risks to the liabilities.

The provision for onerous contracts is recognized when the expected benefits to be derived by CBK from a contract are less than the unavoidable cost of meeting the 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 the contract. Before a provision is established, the CBK recognizes any impairment loss of the assets associated with that contract.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

3. Material 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 published by the International Accounting Standards Board are effective for the current reporting period:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and Practical Formulation IFRS 2 "Judgment of Materiality"** - Disclosure of accounting policies (effective for 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 periods beginning on or after 1 January 2023).

The application of these standards, amendments and interpretations has no significant impact on the financial statements of the Central Bank in the reporting 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 IASB, but are not yet effective for the reporting period and have not been adopted early by the Central Bank:

- **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 IAS 1 "Presentation of Financial Statements"** - Long-term contractual obligations (effective for periods beginning on or after 1 January 2024),
- **Amendments to IFRS 16 "Leases"** - Lease Liability in a sale and leaseback (effective for periods beginning on or after 1 January 2024),
- **Amendments to IAS 7 and IFRS 7 "Cash flow statement" and "Disclosures for financial instruments"**: Disclosure – • Amendments related to increased disclosure requirements to increase transparency of supplier financial arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk (effective for periods of annual reporting beginning on or after 1 January 2024).

The Central Bank chose not to apply these standards, revisions and interpretations prior to their effective date. The Central Bank anticipates that the application 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 2023

(in thousands of Euros, unless otherwise stated)

4. Financial risk management

a) Introduction and overview

CBK is exposed to the following risks from the conducting of 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 the above risks, CBK's objectives, policies and procedures 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). The Executive Board is responsible to identify and assess the risks and draft 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 Investments Committee and the Risk Management Department are tasked with drafting and monitoring the CBK's risk management and administration policies in coordination with the organizational units. These policies are then implemented by the relevant organizational units.

CBK's risk management and administration policies are established to identify and analyse the risks that the CBK has to deal with, and to set appropriate risk controls and limits, to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed 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, and than to the CBK Board.

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 2023

(in thousands of Euros, unless otherwise stated)

4. Financial risk management(continued)

b) Credit risk (continued)

Credit risk management

i. Investments and credit risk exposure at CBK

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

Risk management is performed through:

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

ii. Exposure to credit risk

Exposure to credit risk on 31 December 2023 and 31 December 2022, 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 31 December 2023 is from AAA to BBB-/ Aaa to Baa3/AAA to BBB-.

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

Distribution by type and credit rating

31 December 2023						
Credit rating (S&P/Moody's/Fitch)	Current accounts with non-resident banks	Money market placements	Securities (Treasury Bills and Government Bonds)	IMF related accounts (SDR holding and use of funds)	Total carrying value	% of total weight
AAA/Aaa/AAA	387,109	180,216	143,867	-	711,192	46.59%
AA+/Aa1/AA+	-	-	129,489	-	129,489	8.48%
AA/Aa2/AA	-	-	-	-	-	0.00%
AA-/Aa3/AA-	-	-	190,575	-	190,575	12.48%
A+/A1/A+	6,023	-	-	-	6,023	0.39%
A/A2/A	21,178	-	15,658	-	36,836	2.41%
A-/A3/A-	10,534	25,064	200,755	-	236,353	15.48%
BBB-/Baa3/BBB-	-	-	37,836	-	37,836	2.48%
N/A (unrated - IFI)	-	-	-	178,261	178,261	11.68%
Total	424,844	205,280	718,180	178,261	1,526,565	100.00%

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

Distribution by type and credit rating

31 December 2022						
Credit rating (S&P/Moody's/Fitch)	Current accounts with non-resident banks	Money market placements	Securities (Treasury Bills and Government 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	37.89%
AA+/Aa1/AA+	-	-	61,222	-	61,222	5.40%
AA/Aa2/AA	-	-	59,988	-	59,988	5.29%
AA-/Aa3/AA-	-	-	51,308	-	51,308	4.53%
A+/A1/A+	138	-	52,379	-	52,517	4.63%
A/A2/A	330	-	15,810	-	16,140	1.42%
A-/A3/A-	214	45,050	218,415	-	263,679	23.26%
BBB-/Baa3/BBB-	-	-	38,973	-	38,973	3.44%
N/A (unrated - IFI)	-	-	-	185,467	185,467	14.14%
	-	-	-	-	-	
Total	206,400	100,006	666,959	185,467	1,158,832	100.00%

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

The basic criteria for determining exposure is credit rating. Credit rating is obtained from credit rating agencies. The minimum credit classification 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 the issuer P-3 (Moody's) or A-3 (Standard & Poor's) and the long-term credit classification of the 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 2023

(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

Model of impairment of financial assets based on the common characteristics of credit risk, respectively changes in credit risk since the initial recognition of financial assets, defines three stages in the model for evaluating expected credit losses. These stages can be summarized as follows:

1. Stage 1 (Performing) of exposure distribution - financial assets which are treated as low or medium risk exposure are included in this phase in the initial recognition. According to CBK internal procedure, CBK is not allowed to invest in higher credit risk exposures. Based on this, any investment in initial recognition is allocated to Stage 1 exposure.
2. Stage 2 (Underperforming) of exposure distribution - if CBK has a significant increase in credit risk since the initial recognition, the financial asset which is located in stage 1, is moved to stage 2.
3. Phase 3 (Non-performing) of exposure distribution - the move to phase 3 is made only when there is objective evidence that the client will fail to fulfill obligations.

The evaluation is done on initial recognition and at the date of the reporting period. The model used for stage 1 of distribution is 12 month basis of life time, but it could be depending on the composite level of credit exposure if CBK has significant change in credit risk growth and credit impaired financial asset portfolio.

The significant change in increase of the credit risk as a criterion for moving from stage 1 to stage 2, when it goes from investment grade to non-investment grade of the composite credit rating of a portfolio.

Definition of default:

Default criteria should be based on the objective evidence of:

- Debtors with significant financial difficulties,
- When it comes to breach of contractual obligations, in regards to principal and interest,
- When it happens to any restructuring of the existing terms of fulfillment of the obligation by a financial instrument,
- Clear evidence/probability that the debtor is going into bankruptcy and/or liquidation,
- Signs of being inactive in trading (in financial markets).

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

	2023 ³			2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Current accounts with non-resident banks	424,844	-	-	206,400	-	-
Securities (Treasury bills and Government bonds)	718,180	-	-	666,959	-	-
Money market placements	205,280	-	-	100,006	-	-
Gross carrying amount	1,348,304	-	-	973,365	-	-
Expected credit losses (ECL)	(512)	-	-	(459)	-	-
Net carrying amount	1,347,792	-	-	972,906	-	-

³Financial instruments for IMF related accounts are not included in the reporting year (2023) nor in the comparative year, as the assessment/expectation is that this group is not an exposure 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 2023

(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

The movements of the respective ECL related to the financial assets where CBK has exposure are as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	459	-	-	459
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for 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	-	-	-	-
On 31 December 2023	512	-	-	512
	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	406	-	-	406
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease)/increase for 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	-	-	-	-
On 31 December 2022	459	-	-	459

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial risk management(continued)

c) Liquidity risk

Liquidity risk is the risk that the CBK will encounter difficulties in timely meeting obligations arising 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 timely its liabilities, both in normal and unfavourable conditions, without incurring unacceptable losses or risking damage to CBK's reputation.

Policies to monitor and address liquidity risk are set by the 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 assets and liabilities, excluding future interest payments:

31 December 2023	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		101,932	101,932	-	-	-	-
Current accounts with foreign banks	8	426,077	426,077	-	-	-	-
Securities	9	717,814	42,170	74,273	267,436	333,935	-
Money market placements	10	205,252	130,184	75,068	-	-	-
Accounts in IMF	11	152,619	152,619	-	-	-	-
		1,603,694	852,982	149,341	267,436	333,935	-
<i>Non-derivative liabilities</i>							
Due to domestic commercial banks	15	(590,622)	(590,622)	-	-	-	-
Due to IMF related accounts	16	(163,802)	-	-	-	-	(163,802)
Due to governmental institutions	17	(511,903)	(511,903)	-	-	-	-
Due to public and commercial entities	18	(240,202)	(240,202)	-	-	-	-
Borrowing	19	(1,662)	-	-	(222)	(886)	(554)
Other domestic liabilities	20	(758)	(758)	-	-	-	-
		(1,508,949)	(1,343,485)	-	(222)	(886)	(164,356)
		94,745	(490,503)	149,341	267,214	333,049	(164,356)

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial Risk Management (continued)

c) Liquidity risk (continued)

31 December 2022

	Note	Net carrying amount	Less than 1 month	1-3 months	3 mon. to 1 year	1-5 years	Over 5 year
<i>Non-derivative assets</i>							
Cash on hand		409,426	409,426	-	-	-	-
Current accounts with foreign banks	8	206,359	206,359	-	-	-	-
Securities	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	11	159,169	159,169	-	-	-	-
		1,541,501	789,753	91,476	185,687	456,480	18,105
<i>Non-derivative liabilities</i>							
Due to domestic commercial banks	15	(594,281)	(594,281)	-	-	-	-
Due to IMF related accounts	16	(168,563)	-	-	-	-	(168,563)
Due to governmental institutions	17	(585,784)	(585,784)	-	-	-	-
Due to public and commercial entities	18	(131,137)	(131,137)	-	-	-	-
Borrowings	19	(1,938)	-	-	-	-	(1,938)
Other domestic liabilities	20	(756)	(756)	-	-	-	-
		(1,482,459)	(1,311,958)	-	-	-	(170,501)
		59,042	(522,205)	91,476	185,687	456,480	(152,396)

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 on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial risk management (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit (not relating to changes in the borrower's / issuer's credit status) will affect CBK's income or the value of financial instruments it holds. The objective of market risk administration 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 basic 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, 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 differences and by having pre-approved limits for re-evaluation intervals. 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 on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risk (continued)

Exposure to interest rate risk – non-trading portfolios

31 December 2023	Note	Net carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Current accounts with foreign banks	8	426,077	426,077	-	-	-	-
Securities (bonds and treasury bills)	9	717,814	116,443	103,538	163,899	333,934	-
Money market placements	10	205,252	205,252	-	-	-	-
Assets in IMF related accounts	11	152,619	152,619	-	-	-	-
Total		1,501,762	900,391	103,538	163,899	333,934	-
Due to domestic banks	15	(590,622)	(590,622)	-	-	-	-
Due to IMF related accounts	16	(163,802)	-	-	-	-	(163,802)
Due to governmental institutions	17	(511,903)	(511,903)	-	-	-	-
Due to public and commercial entities	18	(240,202)	(240,202)	-	-	-	-
Borrowings	19	(1,662)	-	-	-	-	(1,662)
Other domestic liabilities	20	(758)	(758)	-	-	-	-
Total		(1,508,949)	(1,343,485)	-	-	-	(165,464)
Difference		(7,187)	(443,094)	103,538	163,899	333,934	(165,464)

31 December 2022	Note	Net carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years
Current accounts with foreign 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	159,169	159,169	-	-	-	-
Total		1,132,075	390,302	40,203	69,589	577,616	54,365
Due to domestic banks	15	(594,281)	(594,281)	-	-	-	-
Due to IMF related accounts	16	(168,563)	-	-	-	-	(168,563)
Due to governmental institutions	17	(585,784)	(585,784)	-	-	-	-
Due to public and commercial entities	18	(131,137)	(131,137)	-	-	-	-
Borrowings	19	(1,938)	-	-	-	-	(1,938)
Other domestic liabilities	20	(756)	(756)	-	-	-	-
Total		(1,482,459)	(1,311,958)	-	-	-	(170,501)
Difference		(350,384)	(921,656)	40,203	69,589	577,616	(116,136)

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 on 31 December 2023

(in thousand 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:

2023

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(72)	72

2022

	100 bps Increase	100 bps Decrease
Estimated profit (loss) effect	(3,504)	3,504

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:

2023

	SDR		USD	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Estimated profit (loss) effect	(75)	75	99	(99)

2022

	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Estimated profit (loss) effect	(51)	51	98	(98)

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

31 December 2023	Euro	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total net carrying amount
Assets				
Cash on hand	101,932	-	-	101,932
Current accounts with foreign banks	425,818	259	-	426,077
Securities (Treasury bills and bonds)	713,321	4,493	-	717,814
Money market placements	200,094	5,158	-	205,252
Assets with the IMF related accounts	1,212	-	177,049	178,261
Other assets	2,476	-	-	2,476
Total	1,444,853	9,910	177,049	1,631,812
Liabilities				
Due to domestic banks	590,622	-	-	590,622
Due to IMF related accounts	1,291	-	182,926	184,217
Due to governmental institutions	511,903	-	-	511,903
Due to public and commercial entities	240,202	-	-	240,202
Borrowings	-	-	1,662	1,662
Other domestic liabilities	9,222	-	-	9,222
Total	1,353,240	-	184,588	1,537,828
Net foreign currency position	91,613	9,910	(7,539)	93,984
<hr/>				
31 December 2022	Euro	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total net carrying amount
Assets				
Cash on hand	409,426	-	-	409,426
Current accounts with foreign 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	-	184,309	185,467
Other assets	2,709	-	-	2,709
Total	1,376,389	9,810	184,309	1,570,508
Liabilities				
Due to domestic banks	594,281	-	-	594,281
Due to IMF related accounts	1,207	-	187,433	188,640
Due to governmental institutions	585,784	-	-	585,784
Due to public and commercial entities	131,137	-	-	131,137
Borrowings	-	-	1,938	1,938
Other domestic liabilities	2,444	-	-	2,444
Total	1,314,853	-	189,371	1,504,224
Net foreign currency position	61,536	9,810	(5,062)	66,284

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand 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 2023 and 2022 were as follows:

	2023	2022
	EUR	EUR
1 SDR	1.21753	1.25291
1 USD	0.90498	0.93756

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 means in current account and term deposit 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 policies, rules and procedures 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 this risk;
- 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.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

4. Financial risk management (continued)

(f) Capital management

Compliance with the standards and reporting framework for financial items, CBK relies on internal policies, rules and procedures and prepares periodic reporting based on them. Then these are reviewed by the Department for Risk Management and Department for Internal Audit. The findings of the evaluations of both the Department for Risk Management and Department for 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.

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 its activity. 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 CBK shall be calculated 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, the net profit 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 net balance of the generated incomes 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.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand of EUR, unless otherwise stated)

4. Financial risk management (continued)

(f) Capital management (continued)

Distributable incomes		
Description	2023	2022
Total comprehensive income for the year	27,631	8,552
From which are unrealized FX gains (profits) (note 29)	-	542
Distributable incomes	27,631	8,010
Capital, general reserve account and distributable earnings		
	2023	2022
Capital	30,000	30,000
General reserve	39,507	31,444
Distributable earnings	27,631	8,010
Total Capital, general reserve account and distributable earnings	97,138	69,454
Total monetary liabilities		
	2023	2022
Due to domestic commercial banks	590,505	594,281
Due to governmental institutions	511,705	585,784
Due to IMF related accounts	182,925	187,704
Due to public and commercial entities	240,163	131,137
Borrowings	1,662	1,938
Due to other monetary liabilities	757	756
Total monetary liabilities⁴	1,527,718	1,501,600
Ratio as per Article 56, paragraph 1.1.	6.36%	4.63%
Capital and reserves (Article 56, p.1.1.)	97,138	69,454
Capital and reserves (Article 56, p.1.1.) – Limit of 5%	76,386	75,080
Distributable earnings above the limit of 5%	20,752	-
50% of distributable earnings	10,376	N/A

(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 certain circumstances. Actual results may differ from those estimated. Estimates and assumptions are reviewed on an ongoing basis. Evaluation reviews are recognized prospectively.

⁴ Excluding accruals.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousand of EUR, unless otherwise stated)

5. Use of estimates and judgments (continued)

Key sources of estimation uncertainty

Allowances for expected credit losses

Assets registered at amortized cost are assessed on an ongoing basis to identify possible impairment of the asset. 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 ECLs measurement model, including information on the future and key assumptions used in estimating recoverable monetary flows.

The specific components of the total allowance for impairment of financial assets evaluated individually and is based on 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 financial situation of the party in transaction and the net realizable value of any established collateral.

Other global developments

In the 2022 and 2023 financial statements, the Central bank's international reserves, consisting of highly rated securities and short-term bank deposits (in EUR 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, CBK does not estimate that it will have an impact in the year following the reporting year.

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 create the possibility for assets and liabilities to be placed from the beginning in different accounting categories according to certain circumstances.

In classifying financial assets as held to collect contracted cash flows, the CBK has shown that it has the positive intent and ability to hold the assets until the maturity date, as required by accounting policies.

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 including information on the future in measuring Expected Credit Losses (ECL) and selecting and approving models used to measure ECLs.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(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 are carried at amortized cost (held to collect).

31 December	Note	2023		2022	
		Amortised cost	Fair value	Amortised cost	Fair value
Cash on hand	7	101,932	101,932	409,426	409,426
Current accounts with foreign banks	8	426,077	426,077	206,359	206,359
Securities	9	717,814	705,860	666,597	645,095
Money market placements	10	205,252	205,252	99,950	99,950
Assets related with IMF	11	178,261	178,261	185,467	185,467
Other assets	14	145	145	176	176
		1,629,481	1,617,527	1,567,975	1,546,473
Due to domestic banks	15	590,622	590,622	594,281	594,281
Due to IMF related accounts	16	184,217	184,217	188,640	188,640
Due to governmental institutions	17	511,903	511,903	585,784	585,784
Due to public and commercial entities	18	240,202	240,202	131,137	131,137
Borrowing	19	1,662	1,662	1,938	1,938
Other domestic liabilities	20	758	758	756	756
		1,529,364	1,529,364	1,502,536	1,502,536

7. Cash on hand

Cash on hand :

	2023	2022
Cash on hand	101,932	409,426
Total amount	101,932	409,426

8. Current accounts with non-resident banks

These accounts are held at the following banks:

	2023	2022
Deutsche Bundesbank	319,333	142,288
Raiffeisen Zentralbank	6,023	330
Deutsche Bank	10,534	214
Banque centrale du Luxembourg	67,529	63,102
Commerzbank AG	1,078	138
Bank of Lithuania	20,101	-
Federal Reserve Bank (FED-NY)	246	328
Total carrying amount	424,844	206,400
Expected Credit Losses (ECLs)	(117)	(41)
Total net amount	424,727	206,359

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

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

Current accounts with foreign banks - accrued interest

	2023	2022
Deutsche Bundesbank	1,077	-
Raiffeisen Zentralbank	-	-
Deutsche Bank	-	-
Banque Centrale du Luxembourg	208	-
Commerzbank AG	-	-
Bank of Lituania	64	-
Federal Reserve Bank (FED-NY)	-	-
Current accounts with banks – accruals	1,349	-
Current accounts with banks – Total	426,077	206,359

The interest rate for the reporting period is between 0.9% and 4%. Whereas in the comparison period was between 1.85% and 2%.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(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:

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	41	-	-	41
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	76	-	-	76
Impact at the end of the year of ECLs of the 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	-	-	-	-
As at 31 December 2023	117	-	-	117

	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	32	-	-	32
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	9	-	-	9
Impact at the end of the year of ECLs of the 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	-	-	-	-
At 31 December 2022	41	-	-	41

9. Securities (treasury bills and government bonds)

Both categories that are part of the group are debt securities issued by European Union countries, America and Kosovo and are measured at amortised cost/hold to collect business model. The treasury bills disclosed below have a maturity of up to one year. While those of government bonds up to 7 years. The effective interest rate on securities ranges between -0.014% to 5.104% p.a. in 2023 (2022: -0.014% to 3.023% p.a.).

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

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

Analytical disclosure of securities by type and by issuing countries:

By issuing countries:

State	2023			2022		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Germany	80,242	(32)	80,210	95,693	(40)	95,653
France	69,396	(33)	69,363	59,988	(28)	59,960
Netherlands	49,337	(15)	49,322	48,956	(18)	48,938
Finland	60,578	(19)	60,559	51,251	(18)	51,233
Slovenia	20,695	(15)	20,680	21,021	(13)	21,008
Luxemburg	9,795	(2)	9,793	13,520	(1)	13,519
Belgium	89,857	(44)	89,813	51,308	(22)	51,286
Denmark	-	-	-	6,014	(1)	6,013
Austria	68,911	(17)	68,894	9,971	(2)	9,969
Ireland	31,322	(2)	31,320	52,379	(4)	52,375
USA	4,493	(1)	4,492	4,681	(1)	4,680
Italy	37,836	(28)	37,808	38,973	(24)	38,949
Poland	15,658	(28)	15,630	15,810	(35)	15,775
Kosovo	180,060	(131)	179,930	197,394	(156)	197,239
Total	718,180	(367)	717,814	666,959	(362)	666,597

By type:

	2023			2022		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Treasury bills	74,018	(20)	73,998	24,642	(6)	24,636
Government Bonds	644,162	(347)	643,816	642,317	(356)	641,961
Total	718,180	(367)	717,814	666,959	(362)	666,597

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

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	362	-	-	362
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	5	-	-	5
Impact at the end of the year of ECLs of the 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	-	-	-	-
At 31 December 2023	367	-	-	367

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2022

(in thousands of EUR, unless otherwise stated)

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

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	368	-	-	368
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	(6)	-	-	(6)
Impact at the end of the year of ECLs of the 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	-	-	-	-
Exchange rate adjustments	-	-	-	-
At 31 December 2022	362	-	-	362

The following table shows the geographical distribution of investments in securities, including the minimum, maximum and average effective interest rate, as well as the percentage of concentration and maturities at the state level.

State	2023					
	Minimum effective interest	Maximum effective interest	Average effective interest	Carrying amount	% of weight to total	Maturity
Germany	0.49757%	3.68490%	1.69919%	80,242	11.17%	2024 – 2025
France	0.85635%	3.30498%	1.83716%	69,396	9.66%	2024 – 2025
Netherlands	0.40133%	2.11075%	1.07830%	49,337	6.87%	2024 - 2026
Finland	0.51655%	3.88875%	1.86877%	60,578	8.43%	2024 - 2025
Slovenia	0.47233%	0.47233%	0.47233%	20,695	2.88%	2025
Luxembourg	1.16414%	1.16414%	1.16414%	9,795	1.36%	2025
Belgium	0.22016%	3.15564%	1.66122%	89,857	12.51%	2024 - 2027
Austria	3.37129%	3.73074%	3.55995%	68,911	9.60%	2024 - 2025
Ireland	0.55674%	3.31140%	1.93407%	31,322	4.36%	2024 - 2025
America	5.10406%	5.10406%	5.10406%	4,493	0.63%	2024
Italy	-0.01403%	0.05282%	0.01940%	37,836	5.27%	2026
Poland	0.05768%	0.07231%	0.06645%	15,658	2.18%	2027 - 2028
Kosovo	0.88849%	2.92672%	1.81850%	180,060	25.07%	2024 - 2028
Total				718,180	100%	

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

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

2022						
State	Minimum effective interest	Maximum effective interest	Average effective interest	Carrying amount	% of the weight in total	Maturity
Germany	0.0836%	1.7130%	0.6105%	95,693	14.35%	2023 - 2025
France	0.8563%	1.3502%	1.1109%	59,988	8.99%	2023 - 2025
Netherlands	0.4013%	2.1108%	1.0783%	48,956	7.34%	2024 - 2026
Finland	0.5165%	1.3395%	0.7948%	51,251	7.68%	2023 - 2025
Slovenia	0.4723%	0.4723%	0.4723%	21,021	3.15%	2025
Luxembourg	0.8678%	1.1641%	1.0160%	13,520	2.03%	2023 - 2025
Belgium	0.2202%	1.9278%	0.9260%	51,308	7.69%	2023 - 2027
Denmark	0.0395%	0.0395%	0.0395%	6,014	0.90%	2023
Austria	0.5501%	0.5501%	0.5501%	9,971	1.49%	2023
Ireland	0.1289%	0.5567%	0.3428%	52,379	7.85%	202-2023
America	1.0177%	1.0177%	1.0177%	4,681	0.70%	2023
Italy	-0.0140%	0.0528%	0.0194%	38,973	5.84%	2026
Poland	0.0577%	0.0723%	0.0665%	15,810	2.37%	2027 - 2028
Kosovo	0.7020%	3.0229%	1.6761%	197,394	29.60%	2023 - 2028
Total				666,959	100%	

10. Money market placements

Money market placements are composed as follows:

	2023			2022		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Term deposits						
Deutsche Bank	25,000	(7)	24,993	45,000	(53)	44,947
Banque Centrale De Luxembourg	150,000	(12)	149,988	50,000	(2)	49,998
Deutsche Bundesbank	25,000	(8)	24,992	-	-	-
Federal Reserve Bank (FED-NY)	5,158	(1)	5,157	4,782	(1)	4,781
	205,158	(28)	205,130	99,782	(56)	99,726
Interest accrued on term deposits						
Deutsche Bank	63	-	63	49	-	49
Banque Centrale De Luxembourg	49	-	49	174	-	174
Deutsche Bundesbank	8	-	8	-	-	-
Federal Reserve Bank (FED-NY)	2	-	2	1	-	1
Banka Kombëtare Tregtare Kosovë	-	-	-	-	-	-
	122	-	122	224	-	224
Total	205,280	(28)	205,252	100,006	(56)	99,950

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

10. Money market placements (continued)

As of 31 December 2023 CBK has money market placements as follows: 25 million in Deutsche Bank, 150 million euro in Central Bank of Luxembourg, 25 million euro in Bundesbank, 5.7 million USD in FED.

As of 31 December 2022, CBK has money market placements as follows: 45 million euro in Deutsche Bank, 50 million euro in Central Bank of Luxembourg, 5 million USD in FED.

The movements of relevant ECLs for the deposit accounts in non-resident banks with amortised cost are as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	56	-	-	56
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	(28)	-	-	(28)
Impact at the end of the year of ECLs of the 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	-	-	-	-
At 31 December 2023	28	-	-	28
	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	6	-	-	6
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	50	-	-	50
Impact at the end of the year of ECLs of the 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	-	-	-	-
At 31 December 2022	56	-	-	56

Money market placements are in Euro and Dollar, the effective interest rate during 2023 ranges from 0.05% to 5.3% p.a., (2022: 0.05% to 4.30% p.a.) and has an initial maturity of 1 to 367 days (2022: 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 2023 from Standard & Poors / Moody's/ Fitch.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

11. Assets related with IMF (International Monetary Fund)

	2023	2022 (restated)
Reserved Quota Portion (RTP)	24,430	25,140
SDR holdings	152,619	159,169
Accrued interest	1,212	1,158
IMF	178,261	185,467

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 quota totals to 82.6 million in SDR. While disclosed above in Note 11 is only the counter value of the reserved (paid) quota portion plus an additional value according to the regulations of the IMF, based on the rules and regulations of the decisions of the IMF. It should be noted that this year CBK has changed the method of presentation of items/accounts related to the IMF and have only presented the balances according to the net method of presentation, which means CBK has removed the unpaid quota portion that is kept in an off-balance sheet account of 62.3 million SDR or 78.09 million EUR.

Please refer to Note 3f - Assets and liabilities related to the IMF to see the analytical disclosure on the reflection of the change of method from the gross method to the net method.

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 benefited from annual interest rates in 2023 which range from 2.916% to 4.198% p.a. (2022: 0.050% to 2.916% p.a.).

CBK acts as depository institution (bank) for the Government of Kosovo. To manage activities resulting from agreements with the IMF. For each event of agreement for loans and use of funds, CBK and the Government of Kosovo sign a memorandum of understanding.

Based on these agreements, the CBK transfers the funds received to the nostro account from the IMF on behalf of the Government and credits these funds to the Government's account. As a result of this, CBK disclose that as off-balance sheet items the balance of funds borrowed by the Government of Kosovo.

As of 31 December 2023 the balance of borrowings from the Government of Kosovo from IMF it is in the amount of 30.975 million SDR or 37.712 million EUR in the form of Rapid Financial Instrument (RFI) (as of 31 December 2022 30.975 million SDR or 38.809 million EUR). This borrowing is active from 2020.

As of 31 December 2023 the balance of borrowings from the Government of Kosovo from IMF is in the amount of 30.976 million SDR or 37.714 million EUR in the form of a Resilience and Financial Facility (RSF) (as of 31 December 2022 zero euro), this borrowing from government is active from the year 2023.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

12. Property and equipment

Property and equipment are composed as follows:

	Investments in leaseholds	Equipment	Computer	Vehicles	Assets under construction	Total
Cost						
At 1 January 2022	6,113	2,494	1,805	389	-	10,801
Acquisition	-	36	108	-	4	148
Transfer from/to	-	-	-	-	-	-
Disposal/write-off	-	(2)	(1)	-	-	(3)
31 December 2022	6,113	2,528	1,911	389	4	10,946
At 1 January 2023	6,113	2,528	1,911	389	4	10,945
Acquisition	9	243	378	-	2	632
Disposal/write of	-	(6)	(6)	-	-	(12)
At 31 December 2023	6,122	2,765	2,283	389	6	11,565
Depreciation						
At 1 January 2022	1,987	2,227	1,672	352	-	6,240
Depreciation of the year	310	117	67	14	-	508
Disposal/write-off	-	-	(1)	-	-	(1)
At 31 December 2022	2,297	2,344	1,740	366	-	6,747
At 1 January 2023	2,297	2,344	1,740	366	-	6,747
Depreciation of the year	311	104	126	14	-	555
Disposal/write-off	-	(6)	(6)	-	-	(12)
At 31 December 2023	2,608	2,442	1,860	380	-	7,290
Carrying amount						
At 1 January 2022	4,126	267	131	37	-	4,561
At 31 December 2022	3,816	184	172	23	4	4,199
At 31 December 2023	3,514	323	424	9	6	4,276

There are no assets pledged as collateral as at 31 December 2023 (31 December 2022: 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, Prishtina.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

13. Intangible assets

Intangible assets are composed as follows:

	Software	Total
Cost		
Balance at 1 January 2022	3,164	3,164
Acquisitions	22	22
Transfers (from)/to	-	-
Transfers (from)/to (adjustment)	-	-
Disposal	-	-
Balance at 31 December 2022	3,187	3,187
Balance at 1 January 2023	3,187	3,187
Acquisition	139	139
Disposal	-	-
Balance at 31 December 2023	3,326	3,326
Amortization		
Balance at 1 January 2022	1,823	1,823
Amortization for the year	322	322
Disposal	-	-
Balance at 31 December 2022	2,145	2,145
Balance at 1 January 2023	2,144	2,144
Amortization for the year	286	286
Disposal	-	-
Balance at 31 December 2023	2,430	2,430
Carrying amount		
Balance at 1 January 2022	1,341	1,341
Balance at 31 December 2022	1,042	1,042
Balance at 31 December 2023	896	896

During 2023 and 2022, there were no intangible assets pledged as collateral.

14. Other assets

Other assets are composed as follows:

	2023	2022
Accrued fee income	2,315	2,519
Accounts receivables and prepayments, payment in process	161	190
Total	2,476	2,709

Accrued fee 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 on 31 December 2023

(in thousands of EUR, unless otherwise stated)

15. Due to domestic commercial 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 this reserve must be kept in accounts at CBK.

Due to domestic banks

	2023	2022
ProCredit Bank Kosova	40,270	37,351
Raiffeisen Bank Kosova	59,716	55,952
NLB Prishtina	39,937	36,177
Banka Ekonomike	15,407	16,076
Banka për Biznes	18,561	16,965
Banka Kombëtare Tregtare	29,432	26,237
Banka Ekonomike Turke (TEB)	32,747	31,234
Komercijalna Banka – Mitrovica Branch	3,971	4,937
Turkiye is Bankasi a.s.	3,841	4,188
T.C. Ziraat Bankasi A.S. – Kosova Branch	3,920	2,686
Banka Credins Kosovo	1,760	962
PriBank sh.a.	1,431	123
Banka Kreditore e Prishtinës	-	-
Total reserve required up to 5%	250,993	232,888
Additional amount on the required reserve 5%		
ProCredit Bank Kosova	17,663	42,726
Raiffeisen Bank Kosova	14,455	15,593
NLB Prishtina	61,212	60,194
Banka Ekonomike	58,971	79,147
Banka për Biznes	35,683	34,924
Banka Kombëtare Tregtare (Prishtina Branch)	77,886	46,876
Banka Ekonomike Turke (TEB)	35,537	35,493
Komercijalna Banka – Mitrovica Branch	3,509	4,930
Turkiye is Bankasi a.s.	4,175	18,213
T.C. Ziraat Bankasi A.S. – Kosova Branch	17,490	7,908
Banka Credins Kosova	1,078	4,328
PriBank sh.a.	11,808	11,030
Banka Kreditore e Prishtinës	44	31
Total addition in current accounts	339,511	361,393

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

15. Due to domestic commercial banks (continued)

Accrued interest	2023	2022
ProCredit Bank Kosova	18	-
Raiffeisen Bank Kosova	22	-
NLB Prishtina	21	-
Banka Ekonomike	8	-
Banka për Biznes	10	-
Banka Kombëtare Tregtare (Kosova)	14	-
Banka Ekonomike Turke (TEB)	17	-
Komercijalna Banka – Mitrovica Branch	2	-
Turkiye is Bankasi a.s.	2	-
T.C. Ziraat Bankasi A.S. – Kosova Branch	2	-
Banka Credins Kosovë	1	-
PriBank sh.a.	1	-
Banka Kreditore e Prishtinës	-	-
Total accrued interest	118	-
Total banks	590,622	594,281

The interest rate applied on 31 December 2023 is 0.30%, until 31 July 2023 it was 0.15% for deposits up to the account balance or maximum up to the required reserve value of 10% (0% for 31 December 2022, while from 01 January to 08 August 2022 it was -0.70% for deposits above the value of the required reserve). The required reserve is calculated according to the relevant regulation on liquidity reserve requirements.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

16. Due to IMF related accounts

	2023	2022 (restated)
IMF Account no. 2	6	6
IMF SDR – Allocation	163,802	168,563
Accrued interest	1,291	1,201
Total due to IMF	165,099	169,770
Due to Government		
IMF – Quota proportion paid by the Government	19,118	18,870
Total due to Government	19,118	18,870
Total	184,217	188,640

The abovementioned values are related to the admission of Kosovo to the IMF in June 2009.

Account no. 2 is the operational account of the IMF in the CBK and is opened according to the requirements based on the rules and regulations of the IMF.

The quota proportion paid to the IMF by the Government of Kosovo represents the amount that the Government of Kosovo has paid to the IMF on behalf of the IMF quota.

The distribution (issuance) of SDRs represents the distribution (issuance) of SDRs by the IMF to the member states of the IMF, which issuance was approved by the Board of Governors of the IMF on 28 August 2009 and 9 September 2009. As well as the distribution (issuance/allocation) in 2022 (according to IMF definitions) in the amount of 79,168,385 SDR approved by the Board of Governors of the IMF on 2 August 2022 and with an effective date of 23 August 2022. As a result, this item on behalf of the Republic of Kosovo has increased by the value in question from the effective date of the transaction.

Distributions of SDRs and the paid quota portion are interest bearing average annual interest rates ranging from 2.916 - 4.198% for 2023 (2022: 0.050% - 2.919% p.a.).

Liabilities to accounts with the IMF are arranged according to the net method that reflects only financial items. Whereas, commitments on promissory notes exist and are kept as off-balance sheet items. As such, they are disclosed under Note 11 of these financial statements.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

17. Due to Governmental institutions

Due to Governmental institutions comprise current accounts as follows:

Current accounts	2023	2022
Treasury – Ministry of Finance	345,232	419,665
Privatization Agency of Kosovo	166,373	165,854
Interim administrative institutions	100	265
	511,705	585,784

Current accounts – accrued interest	2023	2022
Treasury – Ministry of Finance	155	-
Privatization Agency of Kosovo	43	-
Interim administrative institutions	-	-
	198	-
Total	511,903	585,784

Annual effective interest rate for current accounts for the year ended on 31 December 2023 is 0.3% (for the year ended on 31 December 2022: zero).

18. Due to public and commercial entities

Current accounts	2023	2022
Insurance companies	4,152	4,762
Other public institutions	236,009	126,373
Licensed pension funds	-	-
Others	2	2
	240,163	131,137

Current accounts – accrued interest	2023	2022
Insurance companies	1	-
Other public institutions	38	-
Licensed pension funds	-	-
Others	-	-
	39	-
Total	240,202	131,137

Effective interest rate for current accounts as at 31 December 2023 is 0.3% and for 2022 has been zero.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

19. Borrowings

	2023	2022
Balance at 1 January	1,938	2,139
Repayments for borrowings (instalments)	(224)	(230)
Foreign exchange adjustments	(52)	29
Balance at 31 December	1,662	1,938

The above amounts represent the borrowing from the World Bank. The Central Bank has used the opportunity of borrowing with favourable terms (the low interest rates and non-payment period of principal up to 10 years).

Interest payments have started since the initiation of disbursement in 2014, but principal repayment has started from October 2021. The maturity date will be 15 April 2031.

Borrowing is mainly related to the project for making payments within the country, enabling their processing in real time as well as the project for the business continuity centre. Both these projects have already been completed. The change is due to the payment of the respective instalments and partly due to the movement of the EUR/SDR exchange rate on the reporting date with the comparative period.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

20. Other liabilities

	2023	2022
Safe custody accounts	758	756
Deferred grant income	102	138
Other deferred income	9	13
Provisions for legal cases	505	327
Miscellaneous creditors	7,189	527
Long-term employees benefits	659	683
	9,222	2,444

On 31 December 2023, the safe custody accounts include the amount of 756 thousand Euros, which is related to the current-operating account of the Insurance Company "Kosova", which was liquidated in April 2010. According to the process in question, this amount remained as a custody account and as of 31 December 2023 and 2022 has the balance disclosed above.

Changes in provisions for the year are as follows:

	2023	2022
Carrying amount on 1 January	327	261
Increase in provisions (Note 28)	178	66
	505	327

The movements in grant incomes are as follows:

	Ministry of Finance	World Bank	European Central Bank	Total
Deferred grant incomes 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)
	-	-	-	-
Deferred grant incomes at 31 December 2022	-	138	-	138
Deferred grant incomes at 1 January 2023	-	138	-	138
Grants received during the year	-	-	45	45
Grants recognized as revenue for the year (Note 25)	-	(36)	(45)	(81)
	-	-	-	-
Deferred grant incomes at 31 December 2023	-	102	-	102

The Ministry of Finance grant was provided for implementing the project for establishment of the application/software for managing of the Kosovo government security deposits. The World Bank grant was provided for the software application for on-site supervision, and the ECB grant is the regional project for training of the regional central banks, 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 on 31 December 2023

(in thousands of EUR, unless otherwise stated)

21. Authorized capital

The authorized capital of CBK on 31 December 2023 and 2022 amounts to EUR 30,000 which is in compliance with the Law No. 03/L-209 approved on 22 July 2010.

CBK reports to the Assembly of Kosovo. The capital of CBK is not subject to any obligation.

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. Profit as of this Law.

22. Net interest income

Net interest income is composed as follows:

	2023	2022
Interest income		
From current accounts	10,806	792
From deposit accounts	7,148	393
From securities (treasury bills and bonds)	10,660	4,628
From accounts with IMF	5,912	1,964
From negative deposit rates	-	797
	34,526	8,574
Interest expense		
From balances with IMF	6,308	2,079
Negative rates to nostro accounts with correspondent banks	964	569
Due to current accounts with the treasury	1,722	-
Due to public and commercial entities	340	-
Due to other institutions	2	-
From borrowings	14	20
	9,350	2,668
Net interest incomes	25,176	5,906

During 2023, the interest rates in the EUR currency have increased significantly, practically the increase in the interest rates in the EUR currency has started in July 2022. As a result of these rate increases, the CBK has had significant changes in the balance of items for *interest income* and *expenses*, as well as in the *net interest income item*.

The interest rate applied to customers as at 31 December 2023 is 0.30% (0% for 31 December 2022).

The case is different for items with IMF accounts that are based on SDR currency and have rates according to the disclosures under note and 16.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended on 31 December 2023

(in thousands of EUR, unless otherwise stated)

23. Net fee and commission income

Net fee and commission income are composed as follows:

	2023	2022
Fee income		
From cash deposits	1,401	1,352
From foreign incoming transfers	87	87
From foreign outgoing transfers	534	445
From the inter-bank clearing system	1,879	1,686
From the credit registry system	221	172
Other fees	18	18
Total fee incomes	4,140	3,760
Fee expenses		
For cash transportation	1,219	873
For correspondent bank transactions	55	51
Total fee expenses	1,274	924
Net fee and commission income	2,866	2,836

This group of income derives from the services offered to the Bank's customers, for payments, deposits, for the credit register platform, as well as maintenance of accounts and items in custody.

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 applicable fees related to their activities for which the CBK has regulating legal power.

	2023	2022
Revenues from fees for services, regulation and supervision		
From commercial banks	5,241	4,574
From insurance companies	2,211	2,028
From non-bank financial institutions	369	323
From pension funds	28	29
Total	7,849	6,954

25. Grant income

Grant income is composed as follows:

	2023	2022
Treasury – Ministry of Finances (Application for DepoX)	-	18
World Bank	36	41
European Central Bank	45	8
Total	81	67

26. Other operating income

	2023	2022
Other income	19	13
Total	19	13

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 on 31 December 2023

(in thousands of EUR, unless otherwise stated)

27. Personnel expenses

Personnel expenses are composed as follows:

	2023	2022
Employee benefits		
Salaries	4,330	4,007
Pension contributions (employer)	689	628
Health and life insurance costs	290	288
	5,309	4,923
Other personnel expenses		
Staff trainings	147	84
Central Bank Board expenses	121	108
Other	11	12
	279	204
Total	5,588	5,127

The average number of employees that actively influenced the disclosed expenses for 2023 is 229 (this average in 2022 was 232).

28. General and administrative expenses

General and administrative expenses are as follows:

	2023	2022
Software maintenance	415	410
Insurance expenses	359	562
Changes in provisions (Note 20)	178	65
Travel and transport	119	101
Security and custodial expenses	112	112
Maintenance and repair	98	110
Utilities	93	89
Representation expenses*	54	31
Cafeteria expenses	47	45
Cash operating expenses	45	20
Professional membership fees	34	37
Communication expense (telephone, telex and internet)	33	33
Vehicle operating expenses	22	20
Publication and literature expenses	16	20
Audit and consulting expense	12	12
Computer and other consumables expense	12	15
Technical assistance and other external services	12	15
Stores and stationery	8	4
Other representation expenses	6	5
Consumables expenses for equipment	5	7
Other	17	44
Total	1,697	1,757

* Representation expenses consist of: conferences and similar activities, financial education program, children's year-end gifts, staff retirement ceremonies and gifts, March 8 gifts and similar. The main change are related with IMF additional activity for contuence in 2023 (which it is being organized from one of the members in 7-8 years).

** Memberships in professional associations are mainly memberships in international level associations of regulators of insurance supervision, pension supervision, credit register, for internal audit and financial reporting standards.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

29. Net profit/(loss) from foreign exchange and expected credit losses

The net unrealized losses from the foreign exchange translations is 182 thousand Euros for the year ended 31 December 2023, (2022: profit of 542 thousand Euros), and represents an unrealized profit/losses in relation to the differences from currency translations of assets and liabilities in USD and SDRs into euros equivalent values reflected in the books of the CBK.

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

Note:	31 December 2023		
	Assets	Liabilities	
10	USD	10,950	-
11,16	SDR	145,417	151,609

	31 December 2022		
	Assets	Liabilities	
10	USD	10,463	-
11,16	SDR	147,103	151,143

The effect of exchange rate variation derives from:

	31 December 2023	31 December 2022
from USD	(351)	574
from SDR	169	(32)
	(182)	542

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 their EUR 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 unrealized.

Active positions in USD (American Dollar) are disclosed under Note 4 (d) while position in SDR – Special Drawing Rights are disclosed under Notes 11 and 16.

Unrealized profit/loss	2023	2022
From currency positions	(182)	542
From financial instrument positions (Note 4)	(53)	(53)
Total unrealized profit/loss	(235)	489

If we exclude this effect of the unrealized profit/loss (respectively the amounts of 235 thousand of unrealized (loss) in 2023 and 489 thousand euros as unrealized profit in 2022), then the operating financial result for 2023 will be **27,866 thousand Euros** and for 2022 is **8,063 thousand Euros**.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2023	2022
Cash on hand	7	101,932	409,426
Current accounts with foreign banks	8	424,844	206,400
Money market placements with maturity up to three months	10	205,280	24,798
Total		732,056	640,624

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments.

31. Commitments and contingent 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 2023. As at 31 December 2023 and 2022, CBK recognized provisions for legal cases in the amount of 505 thousand euros and 327 thousand euros respectively (Note 20 and 28).

Commitments

Commitments consist of:

	2023	2022
Contracts for building renovation and repair	115	213
Equipment contracts	534	498
Tender procedures in process (contracts)	132	144
Total	781	855

Contingent liabilities

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 2023 was 718 thousand Euro and in 2022 the total amount of these promissory notes was 718 thousand Euro.

Central Bank of the Republic of Kosovo

Notes to the Financial Statements for the year ended 31 December 2023

(in thousands of Euros, unless otherwise stated)

32. Related party transactions

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

	2023	2022
Compensations to the CBK Board	87	82
Compensations to the Audit Committee	12	10
Compensations to the Senior Management	160	153
Total	259	245

33. Subsequent events

No material events have occurred after the date of Statement of financial position that would require corrections of the financial statements nor events that would require additional disclosures in the financial statements.

10. Statistical Appendix

This page is intentionally left blank

Table 1.1. Statement of Financial Corporations - Assets

(In millions of euros: End of period)

Description	Net external assets							Internal claims								
	Claims against non-residents						Obligations to non-residents	Claims to the central government				Claims to other sectors		of which:		
	Monetary gold and DST	Deposit	Securities other than shares	of which:		Claims to the central government		Obligations to the central government		Loans	of which:					
				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	5,241.4	495.6	1,114.1	618.4	4,746.2	4,695.4	3,061.0	1,634.1
2023	4,254.6	5,063.3	153.8	1,110.0	1,210.9	24.4	2,020.7	808.7	5,753.6	340.3	900.6	560.3	5,413.3	5,348.7	3,432.6	1,915.3

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls**Table 1.2. Statement of Financial Corporations - Liabilities**

(In millions of euros: End of period)

Description	Deposits									Loans	Technical insurance reserves				Share capital and others	Other items (net)
	Transferable deposits	of which:			Other deposits	of which:			Net equity of households in pension funds		Payment of primes and reserves					
		Public non-financial corp.	Other financial corp.	Households		Public non-financial corp.	Other non-financial 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	105.3	183.8	1,350.1	...	2,593.1	2,420.6	172.5	950.4	167.8	
2023	5,668.9	3,820.5	97.7	1,113.7	2,546.4	1,848.4	123.4	210.6	1,510.4	...	2,913.8	2,712.5	201.2	1,187.3	238.2	

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls

Table 2.1. Statement of Depository Corporations - Net Foreign Assets and Domestic Claims

(In millions of euros: End of period)

Description	Net external assets							Internal claims							
	Claims against non-residents						Minus: Obligations to non-residents	Net claims to the central government				Claims to other sectors			
	Cash money	Deposit	Securities other than shares	IMF Quota	of which:			Requests to the central government	Minus: damages to the central government	Loans	of which:				
							Other non-financial 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	4,244.2	-104.5	513.9	618.4	4,348.7	4,346.0	2,700.8	1,634.1
2023	2,554.2	3,036.8	424.0	1,109.6	1,210.6	24.4	482.6	4,757.2	-158.0	402.3	560.3	4,915.7	4,913.4	2,975.6	1,915.3

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls**Table 2.2. Statement of Depository Corporations – Liabilities**

(In millions of euros: End of period)

Description	Deposits included in broad money											Deposits outside of broad money	Share capital and others	Other items (net)
	Transferable deposits						Other deposits							
	Other financial corp.	Public non-financial corp.	Other non-financial corp.	Households	of which:		Other financial corp.	Public non-financial corp.	Other non-financial 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	773.0	91.3
2023	5,405.3	4,084.6	264.1	97.7	1,113.7	2,546.4	1,320.6	162.1	75.4	105.0	974.3	810.1	961.7	134.7

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls

Table 3.1. Statement of CBK - Net Foreign Assets and Domestic Claims

(In millions of euros: End of period)

Description	Net external assets									Net claims to the central government	Claims to other sectors	
	Claims against non-residents						Obligations to non-residents					
	DST	Cash money	of which:			IMF Quota	Allocation of IMF DSTs	of which:				
Deposit			Securities other than shares	IMF Quota	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
2023	1,282.5	1,449.4	153.8	101.9	631.3	537.9	24.4	166.9	165.1	0.0	-350.8	2.3

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls**Table 3.2. Statement of CBK - Liabilities**

(In millions of euros: End of period)

Description	Deposits included in the monetary base							Deposits excluded from the monetary base			Capital and others			Other items (net)
	Transferable deposits				Other deposits			Other non-financial corporations	Local government	of which:				
	Other financial corp.	of which:		Other financial corp.	Other financial corp.	Other financial corp.	Capital			Profit loss of the year				
Local government		Public non-financial corp.												
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
2023	240.9	240.9	224.9	...	15.3	...	...	...	...	99.3	30.0	27.7	3.4

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

Table 4.1. Statement of KTDs - Net Foreign Assets and Domestic Claims

(In millions of euros: End of period)

Description	Net external assets								Claims to the CBK	Net claims to the central government	Claims to other sectors					
	Claims to non-residents				Minus: liab. to non-residents						Loans			Non-financial public corp.	Other nonfinancial corp.	House holds
	Cash money	Deposit	Securities other than shares		Deposits	Loans										
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	0.0	2,700.8	1,634.4	
2023	1,271.6	1,587.4	322.0	478.3	672.7	315.8	170.2	142.3	589.8	192.7	4,909.1	4,909.1	...	2,975.6	1,916.1	

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/04%20Other%20Depository%20Corporations%20Survey.xls**Table 4.2. Statement of KTDs - Liabilities**

(In millions of euros: End of period)

Description	Deposits included in broad money										Dept. outside broad money	of which:		Share capital and others	Other items (net)	
	Transferable deposits					Other deposits						Other fin. corp.	House holds			
	Other fin. corp.	Public non-financial corp.	Other non-fin. corp.	House holds		Other fin. corp.	Public non-financial corp.	Other non-fin. 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
2023	5,164.3	3,843.7	38.4	82.5	1,113.7	2,546.4	1,320.6	162.1	75.4	105.0	974.3	810.2	105.0	536.2	862.4	126.4

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/04%20Other%20Depository%20Corporations%20Survey.xls

Table 5.1. Statement of KTFs – Net External Assets and Internal Claims

(In millions of euros: End of period)

Description	Net external assets						Claims to depository corporations						Net claims to the central government	Claims to other sectors	Loans	
	Claims against non-residents	of which:			Minus: obligations to non-residents	Loans	CBK			Other depository corporations						
		Securities other than shares	Share capital and others				Transferable deposit	Other deposits		Transferable deposit	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
2023	1,700.5	2,026.5	0.3	2,020.7	326.1	326.1	447.1	156.4	156.4	...	290.7	132.2	155.7	498.3	519.3	457.0

Note: more detailed information about this table can be found at the link: https://bqk-kos.org/repository/docs/time_series/5f%20QFC%20Balance%20Sheet.xls**Table 5.2. Statement of KTFs - Liabilities**

(In millions of euros: End of period)

Description	Loans	Technical insurance reserves				Share capital and others				Other items				
		Net capital of households in res. of life insurance	Net capital of households in pension funds	Prepaid of premiums and res. vs. cumul. claims		Funds contributed by owners	Retained earnings	General and special reserves	Annual profit/loss	Other liabilities	Minus: other assets	Plus: the convenience of consolidation		
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	...
2023	28.2	2,913.8	...	2,712.5	201.2	225.6	142.3	42.0	11.5	29.7	-2.4	76.3	78.7	...

Note: more detailed information about this table can be found at the link: https://bqk-kos.org/repository/docs/time_series/5f%20QFC%20Balance%20Sheet.xls

Table 6.1. Customer Deposits in Euro Currency in ODC – By initial maturity, main Sectors

(In millions of euros: end of period)

Description	Total deposits in euro														Non-resident
	Government	Financial corporations							Non-financial corporations			Other local sectors			
		Other depositary corporations	Other financial intermediaries	Insurance companies	Pension funds	Financial auxiliaries	Public non-financial corporations	Other non-financial 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	2,779.5	5.6	120.4	5.6	6.9	82.8	23.7	1.1	536.4	49.0	487.5	2,053.3	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
2023	5,998.4	31.0	370.7	50.4	73.1	142.5	94.3	10.4	1,490.1	205.9	1,284.1	3,965.3	3,901.1	64.3	142.3

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/08%20Deposits%20at%20ODC%20-%20deposits%20in%20euro.xls

Table 6.2. Customer deposits in Non-euro Currency in ODCs - By Initial Maturity, Main Sectors

(In millions of euros: end of period)

Description	Non euro deposits														Nonresidents	
	Financial corporations	of which:				Non-financial corporations	of which:			Other local sectors						
		CBK	Other depositary corporations	Other financial intermediaries	Insurance companies		Public nonfinancial corporations	Other nonfinancial corporations	Households of which:			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
2023	213.6	3.4	...	2.9	0.4	...	40.2	...	40.2	156.5	155.7	134.7	11.3	9.7	0.8	13.3

Note: more detailed information about this table can be found at the link: 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

(In millions of euros: End of period)

Description	Total credits																
	Financial corporations				Non-financial corporations							Other internal sectors			Non-residents	Loans in non-euro currency	
		of which:				of which:						of which:					
		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		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	...	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
2023	4,909.5	17.4	14.5	1.0	2,960.4	...	2,960.4	405.5	1,361.6	1,193.3	1,914.8	1,914.0	56.4	354.3	1,503.4	4.6	12.2

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls**Table 6.4. Enterprise Loans from ODCs - Main Economic Sectors**

(In millions of euros: End of period)

Description	Total									
	Agriculture			Industry, energy and construction				Services		
		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year	
2010	1,022.8	38.2	1.7	36.5	269.3	76.2	193.1	715.3	192.8	522.4
2011	1,149.5	40.5	0.8	39.7	284.7	75.1	209.6	824.4	235.7	588.6
2012	1,194.2	43.6	3.0	40.6	290.4	66.6	223.8	860.2	262.4	597.8
2013	1,217.4	45.8	3.3	42.5	291.4	85.2	206.2	880.2	321.2	559.0
2014	1,256.4	49.8	4.1	45.7	300.0	88.8	211.2	906.6	319.1	587.5
2015	1,333.4	59.9	4.6	55.3	300.6	76.0	224.7	972.9	285.6	687.2
2016	1,410.1	59.7	9.1	50.6	324.8	75.5	249.3	1,025.5	322.2	703.4
2017	1,563.7	67.7	10.7	57.1	371.5	82.9	288.6	1,124.4	296.7	827.7
2018	1,734.3	67.7	18.4	49.3	428.5	88.1	357.1	1,238.1	298.6	939.4
2019	1,904.1	70.6	10.6	60.0	493.0	77.21	415.8	1,340.6	266.0	1,074.6
2020	2,040.6	55.0	4.7	50.3	633.6	100.6	533.1	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
2023	2,991.3	70.8	5.7	65.1	1,076.1	163.3	912.6	1,844.4	239.6	1,618.7

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls

Table 6.5. Effective Interest Rate on ODC Deposits

(Annual average, in percentage)

Description	New deposits							Transferable deposits	Savings 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			
NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS									
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
2023	2.3	2.2	1.0	1.5	2.0	2.4	2.4	0.0	0.2
Non-financial corporations									
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
2023	2.7	2.0	2.0	2.7	2.5	3.0	2.8	0.0	0.2
Households									
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
2023	2.1	2.3	0.6	1.4	1.9	2.2	2.3	0.0	0.2

Note: more detailed information about this table can be found at the link:

http://www.bkkos.org/repository/docs/time_series/13a%20ODC%20effective%20interest%20rates%20on%20deposits.xls

Table 6.6. Effective Interest Rates on OSC 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			
NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS											
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
2023	6.5	6.4	5.3	3.0	6.7	9.1	6.8	6.6	6.9	6.7	5.7
Non-financial corporations											
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
2023	6.7	.	.	3.1	6.7	9.3	6.8	6.6	7.2	6.7	5.7
Households											
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	.	.
2023	6.2	6.4	5.3	2.9	6.6	9.8	.	.	6.3	.	.

Note: more detailed information about this table can be found at the link:

http://www.bqk-kos.org/repository/docs/time_series/13%20ODC%20effective%20interest%20rates%20on%20loans.xls

Table 7.1 Balance of Payments of Kosovo - Main components

(In millions of euros)

Description	Balance from current and capital account							Balance from the 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	-878.7	-917.1	-4,287.2	1,372.9	115.5	1,881.6	38.5	-661.6	-556.9	135.7	-307.9	67.6	217.1
2023	-675.6	-738.4	-4,598.3	1,628.9	182.9	2,048.0	62.8	-391.5	-655.2	436.2	-128.5	-44.0	284.1

Note: more detailed information about this table can be found in the link [26 Balance of payments - main components.xls \(live.com\)](#)**7.2. Current Account**

(In millions of euros)

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	127.8	112.5
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	76.4	104.0
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	106.0	109.3
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	102.0	98.4
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	129.1	70.2
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	138.3	75.4
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	-917.1	-4,287.2	1,372.9	115.5	1,881.6	5,755.5	931.5	2,504.5	353.7	1,965.8	6,672.6	5,218.7	1,131.6	238.2	84.1
2023	-738.4	-4,598.3	1,628.9	182.9	2,048.0	6,476.0	870.7	2,966.1	476.2	2,163.0	7,214.4	5,469.0	1,337.2	293.3	114.9

Note: more detailed information about this table can be found at link [26a Current account.xls \(live.com\)](#)

TABLE 7.3.1 Primary Income

(In millions of euros)

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	115.5	286.5	-171.3	0.3	353.7	314.9	36.1	2.7	238.2	28.4	207.4	2.3
2023	183.0	338.0	-155.8	0.8	476.2	358.1	114.3	3.9	293.4	20.1	270.2	3.0

Note: more detailed information about this table can be found at the link: [28 Primary Income.xls \(live.com\)](#)

Table 7.3.2 Secondary Income

(In millions of euros)

Description	Secondary income			Credit			Debit		
	Government	Financial corporations, nonfinancial corporations, households and NPISHs	Government	Financial corporations, nonfinancial corporations, households and NPISHs	Government	Financial corporations, nonfinancial corporations, households and NPISHs	Government	Financial corporations, nonfinancial 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
2023	2,048.0	301.7	1,746.5	2,163.0	301.7	1,861.5	114.9	-	114.9

Note: more detailed information about this table can be found in the link: [29 Secondary Income.xls \(live.com\)](#)

Table 7.4. Remittances - by Countries

(in percentage)

Description	Germany	Switzerland	Italz	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Danimark	Finland	Netherlands	Slovenia	Other
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
T2	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
T3	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
T4	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
2020 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
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
2023 Q1	38.8	17.2	4.8	4.8	3.3	7.6	1.9	3.7	1.5	1.3	2.1	0.3	1.1	0.7	1.0	9.9
Q2	37.4	18.0	4.5	4.9	3.3	7.4	2.3	3.5	1.6	1.3	2.0	0.3	1.0	0.7	1.0	10.7
Q3	37.9	19.1	4.3	4.7	3.2	7.3	2.9	3.9	2.0	1.5	2.4	0.3	1.1	0.7	1.0	7.7
Q4	38.4	20.8	4.8	4.2	3.5	7.1	2.0	3.7	1.7	1.3	2.6	0.3	1.1	0.6	1.0	7.0

Note: more detailed information about this table can be found in the link: [32 Remittances-by country.xls \(live.com\)](#)

Table 8.1. Direct Investments - by Geographic Criteria

(In millions of euros: as of December 31, 2023)

Country	Total incoming direct investments			Total outgoing direct investments		
		Equity	Other capital transactions		Equity	Other capital transactions
European union	2,506.4	2,117.8	388.6	254.2	239.0	15.2
AT Austria	394.2	367.8	26.4	16.1	14.8	1.3
BE Belgium	85.0	76.5	8.5	8.4	8.2	0.2
BG Bulgaria	39.3	8.6	30.7	1.0	1.0	0.0
CY Cyprus	17.7	4.2	13.5	19.7	19.7	0.1
FR France	66.8	62.6	4.2	10.9	10.9	0.0
DE Germany	1,093.1	1,012.2	80.9	105.5	100.0	5.6
GR Greece	6.5	5.5	1.0	5.1	5.1	0.0
HR Croatia	22.2	16.0	6.2	32.1	28.1	4.0
IT Ital	85.9	74.5	11.4	13.8	13.7	0.1
NL Netherlands	113.7	25.9	87.8	8.6	5.1	3.5
RO Romania	0.3	2.0	-1.7	0.7	0.7	0.0
SL Slovenia	275.5	241.0	34.5	14.9	14.6	0.2
SE Sweden	107.6	106.4	1.2	5.9	5.9	0.0
Other EU countries	198.7	114.6	84.0	11.4	11.2	0.2
Other European countries	2,220.9	1,803.3	417.5	625.1	597.2	27.8
AL Albania	371.0	254.3	116.7	352.1	334.0	18.1
MK Macedonia	30.0	19.4	10.6	53.4	48.4	5.0
ME Montenegro	21.2	13.4	7.8	63.2	59.0	4.2
NO Norway	59.8	58.6	1.3	5.7	5.7	0.0
RS Serbia	23.0	20.7	2.3	18.4	18.4	0.0
GB Great Britain	175.7	126.8	49.0	25.0	24.9	0.1
CH Switzerland	1,011.2	860.4	150.8	44.4	43.7	0.6
TR Turkey	501.8	427.7	74.1	34.6	34.9	-0.2
Other European countries	27.1	22.1	5.0	28.3	28.2	0.0
Other countries	591.0	502.0	88.9	62.7	60.4	2.3
US United States	455.1	384.5	70.6	47.8	45.6	2.1
AE United Arab Emirates	19.2	19.0	0.1	3.9	3.9	0.0
Other countries	116.8	98.6	18.2	11.1	10.9	0.1
Other countries (not allocated)	932.1	930.4	1.7	0.0	0.0	0.0
ZZ Not specified	932.1	930.4	1.7	0.0	0.0	0.0
Total	6,250.4	5,353.6	896.8	941.9	896.6	45.3

Note: more detailed information about this table can be found in the link: http://www.bagk-kos.org/repository/docs/time_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls

Table 9.1. Assets in the Form of Portfolio Investments by Countries

(In millions of euros: as of December 31, 2023)

Description	Equity and investment fund shares	Total debt instruments			Total
			Long-term debt instruments	Short-term debt instruments	
AE Arab Emirates	-	0.1	-	0.1	0.1
AL Albania	-	15.3	15.3	-	15.3
AT Austria	-	106.6	101.6	5.0	106.6
BE Belgium	-	47.8	47.8	-	47.8
BR Brazil	-	-	-	-	-
CH Switzerland	-	-	-	-	-
CI Ivory Coast	-	1.6	1.6	-	1.6
DE Germany	0.2	142.5	137.6	5.0	142.7
DK Denmark	-	-	-	-	-
EG Egypt	-	6.6	6.6	-	6.6
FR France	849.3	100.4	100.4	-	949.7
GB Great Britain	60.1	1.6	1.6	-	61.7
GR Greece	-	3.2	3.2	0.0	3.2
JP Japan	-	1.9	1.9	-	1.9
IE Ireland	293.7	7.8	7.8	-	301.5
LU Luxembourg	447.6	7.5	7.5	-	455.2
ME Montenegro	-	6.4	6.4	-	6.4
MX Mexico	-	2.7	2.7	-	2.7
NG Niger	-	2.6	2.6	-	2.6
NL Netherlands	-	40.3	40.3	-	40.3
PL Poland	-	7.0	7.0	-	7.0
RO Romania	-	6.3	6.2	0.1	6.3
that Sweden	-	1.0	1.0	-	1.0
SI Slovenia	-	5.3	5.2	0.1	5.3
SK Slovakia	-	-	-	-	-
SN SENEGAL	-	3.5	3.5	-	3.5
TG Togo	-	1.4	1.4	-	1.4
TN Tunisia	-	-	-	-	-
TR Turkey	-	66.8	66.8	-	66.8
US United States	369.4	83.5	82.4	1.1	452.9
UA Ukraine	-	2.2	2.2	-	2.2
UZ Uzbekistan	-	8.6	8.6	-	8.6
SA South Africa	-	10.0	10.0	-	10.0
ZZ Others	-	112.0	104.5	7.5	112.0
Total investment value	2,020.3	802.7	783.9	18.9	2,823.0

Note: more detailed information about this table can be found in the link: http://www.bqkko.org/repository/docs/time_series/34f%20Portfolio%20Investments%20Position.xls

Table 10.1. International Investments Position – Main Components

(In millions of euros: end of period)

Description	net	Assets					Obligations			
		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	-1,595.4	6,472.9	755.7	2,259.5	2,281.8	1,175.8	8,083.1	5,358.8	6.4	2,703.2
2023	-1,817.5	7,387.5	941.9	2,823.0	2,020.3	1,131.1	9,205.0	6,250.4	6.4	2,948.2

Note: more detailed information about this table can be found in the link: http://www.bqk-kos.org/repository/docs/time_series/34b%20International%20Investments%20Position.xls

Table 10.2. International Investments Position - by Sector

(In millions of euros: end of period)

Description	Net international investments position												
	Total	Central Bank of the Republic of Kosovo		Banks		Government		Other sectors					
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2010	406.8	1,106.9	1,172.8	65.9	488.0	709.8	221.8	-260.0	0.0	260.0	-928.1	1,352.2	2,280.3
2011	113.6	1,094.5	1,161.0	66.4	479.1	675.5	196.4	-253.6	0.0	253.6	-1,206.4	1,468.4	2,674.8
2012	135.8	1,238.8	1,303.7	65.0	458.0	633.6	175.6	-336.5	0.0	336.5	-1,224.5	1,654.7	2,879.3
2013	258.6	1,392.1	1,454.2	62.1	540.2	748.3	208.1	-321.8	0.0	321.8	-1,351.9	1,794.9	3,146.9
2014	196.5	1,146.5	1,212.9	66.3	481.6	715.8	234.2	-326.4	0.0	326.4	-1,105.2	2,247.1	3,352.3
2015	-43.0	1,174.9	1,245.5	70.6	480.9	740.0	259.1	-371.2	0.0	371.2	-1,327.6	2,380.5	3,708.1
2016	-81.0	1,011.1	1,082.0	70.9	539.2	775.1	235.9	-373.8	0.0	373.8	-1,257.6	2,690.6	3,948.2
2017	-94.6	1,102.5	1,168.4	65.9	429.7	710.1	280.3	-422.2	0.0	422.2	-1,204.7	2,959.5	4,164.2
2018	-395.5	1,096.3	1,163.7	67.4	426.2	691.9	265.6	-416.4	0.0	416.4	-1,501.6	2,910.6	4,412.2
2019	-394.2	1,072.5	1,141.8	69.3	568.1	866.5	298.4	-409.1	0.0	409.1	-1,625.7	3,155.0	4,780.7
2020	-814.9	1,083.6	1,149.5	65.9	765.8	1,116.8	350.9	-525.8	0.0	525.8	-2,138.5	3,049.4	5,187.9
2021	-912.5	1,126.2	1,293.1	166.9	735.3	1,106.6	371.3	-576.4	0.0	576.4	-2,191.4	3,682.5	5,874.0
2022	-1,595.4	1,200.5	1,370.6	170.0	901.2	1,337.6	436.4	-647.6	0.0	647.6	-3,049.6	3,764.7	6,814.3
2023	-1,817.5	1,284.2	1,449.4	165.2	1,123.8	1,582.1	458.3	-699.2	0.0	699.2	-3,526.3	4,356.0	7,882.3

Note: more detailed information about this table can be found in the link: http://www.bqk-kos.org/repository/docs/time_series/34c%20International%20Investment%20Position%20-%20by%20sectors.xls

Table 10.3.1 International Investments Position - assets

(In millions of euros: end of the period)

	Net IIP	Kosovo's international assets								
		Equity				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	-1,595.4	6,472.9	2,390.3	695.5	1,694.8	4,082.5	60.2	564.7	2,281.8	1,175.8
2023	-1,817.5	7,387.5	2,916.9	896.6	2,020.3	4,470.6	45.3	802.7	2,491.5	1,131.1

Note: more detailed information about this table can be found in the link: http://www.bqk-kos.org/repository/docs/time_series/34e%20IIP%20Assets%20and%20Liabilities.xls**10.3.2 Position of International Investments - Liabilities**

(In millions of euros: end of period)

Description	Net IPP	Liabilities							
		International equity				International debt			
			Direct investments	Equity and shares of investment 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	0.0	2,504.5	603.4	...	1,901.1
2021	-912.5	6,995.0	4,038.2	4,038.2	0.0	2,964.0	617.5	6.4	2,340.2
2022	-1,595.4	8,068.3	4,628.3	4,628.3	0.0	3,440.0	730.5	6.4	2,703.2
2023	-1,817.5	9,205.0	5,353.6	5,353.6	0.0	3,851.4	896.8	6.4	2,948.2

Note: more detailed information about this table can be found in the link: http://www.bqk-kos.org/repository/docs/time_series/34e%20IIP%20Assets%20and%20Liabilities.xls

Table 11.1. External Debt – Gross Position

(In millions of euros: as of December 31, 2023)

Description	Total gross external debt																		Direct investment: lending 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	-	525.8	65.9	0.1	65.8	9.4	-	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	-	582.8	166.9	0.3	166.6	6.6	-	6.6	2,206.3	371.3	289.9	81.4	1,217.4	684.0	533.5	617.5
2022	3,437.1	823.2	647.6	-	647.6	170.0	0.3	169.8	5.6	-	5.6	2,613.9	436.4	391.2	45.2	1,447.0	779.3	667.7	730.5
2023	3,848.0	869.0	699.2	-	699.2	165.2	0.1	165.1	4.6	-	4.6	2,979.0	458.3	387.4	70.9	1,623.9	930.6	693.3	896.8

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/34i%20Gross%20External%20Debt%20Position.xls**Table 11.2. Public Sector External Debt Payment Schedule**

(In millions of euros: As of December 31, 2023)

Description	One year or less (several months)					Over one year up to two years				Third year	Fourth year	Fifth year	Over 5 years to 10 years	Over 10 years to 15 years	Over 15 years
	Immediate	0 - 3	4-6	7 - 9	10 - 12	13 - 18	19 - 24								
Public Sector External Debt	69.4	-	16.9	15.9	23.1	13.5	61.1	34.6	26.6	43.4	48.8	42.0	154.8	226.0	240.9
Principal	64.7	-	14.8	15.5	21.2	13.2	58.0	32.8	25.2	40.9	46.7	40.3	152.1	225.6	240.8
Interest	4.8	-	2.1	0.5	1.9	0.3	3.2	1.7	1.4	2.5	2.1	1.7	2.7	0.3	0.1
External debt of the private sector guaranteed by the Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	69.4	-	16.9	15.9	23.1	13.5	61.1	34.6	26.6	43.4	48.8	42.0	154.8	226.0	240.9
Principal	64.7	-	14.8	15.5	21.2	13.2	58.0	32.8	25.2	40.9	46.7	40.3	152.1	225.6	240.8
Interest	4.8	-	2.1	0.5	1.9	0.3	3.2	1.7	1.4	2.5	2.1	1.7	2.7	0.3	0.1

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/34i%20Public%20Sector%20Debt%20Service%20Payment.xls

Table 11.3. Gross External Debt - by Creditors

(In millions of euros: As of December 31, 2023)

Description	Total gross external debt						
	Gross external debt excluding direct investments						Direct Investment s: creditingbet ween companies
	Government	The Central bank	Deposit-taking corporations, except the Central bank	Other sectors			
International Monetary Fund	240.6	240.6	75.5	165.1	-	-	-
World Bank	337.1	337.1	337.1	-	-	-	-
IBRD 1/	90.3	90.3	90.3	-	-	-	-
IDA 2/	246.8	246.8	246.8	-	-	-	-
EU 3/	100.0	100.0	100.0	-	-	-	-
KFW 4/	16.9	16.9	16.9	-	-	-	-
CEDB 5/	45.8	45.8	45.8	-	-	-	-
Other creditors	3,107.7	2,210.9	124.0	0.1	458.3	1,628.5	896.8
Total debt	3,848.0	2,951.2	699.2	165.2	458.3	1,628.5	896.8

Note: more detailed information about this table can be found at the link: http://www.bqk-kos.org/repository/docs/time_series/34h%20Gross%20External%20Debt%20Statistics%20-%20by%20creditors.xls

Table 11.4. Net External Debt Position

(In millions of euros: as of December 31, 2023)

Description	Gross external debt (1)	External assets in debt instruments (2)	Net external debt (3)=(1)-(2)
General government	699.2	0.0	699.2
Short-term	-	-	-
Long-term	699.2	0.0	699.2
Special drawing rights (SDRs) allocations	-	-	-
Currency and deposits	-	-	-
Debt securities	6.4	0.0	6.4
Loans	692.8	0.0	692.8
Trade loans and advances	-	-	-
Other debt instruments	-	-	-
Central bank	165.2	1,449.4	-1,284.2
Short-term	0.1	807.3	-807.2
Currency and deposits	0.1	733.3	-733.2
Debt securities	-	74.0	-74.0
Loans	-	-	-
Trade loans and advances	-	-	-
Other debt instruments	-	-	-
Long-term	165.1	642.1	-477.1
Special drawing rights (SDRs) Allocations	165.1	178.3	-13.2
Currency and deposits	-	-	-
Debt securities	-	463.9	-463.9
Loans	-	-	-
Trade credits and advances	-	-	-
Other debt instruments	-	-	-
Depository corporations, with the exception of the Central Bank	458.3	1,582.1	-1,123.8
Short-term	387.4	1,098.6	-711.2
Currency and deposits	312.6	800.0	-487.4
Debt securities	-	184.2	-184.2
Loans	71.4	100.5	-29.1
Trade loans and advances	-	-	-
Other debt instruments	3.3	13.9	-10.6
Long-term	70.9	483.5	-412.7
Other sectors	1,628.5	1,393.8	234.7
Short-term	930.6	1,323.8	-393.2
Currency and deposits	-	1,298.0	-1,298.0
Debt securities	-	-	-
Loans	413.0	22.5	390.5
Trade loans and advances	517.7	3.0	514.7
Other debt instruments	-	0.4	-0.4
Long-term of which:	697.9	70.0	627.9
Currency and deposits	-	-	-
Debt securities	-	0.3	-0.3
Loans	697.9	69.7	628.2
Direct Investments: Intercompany lending companies	896.8	45.3	851.5
Debt liabilities of direct investment enterprises to direct investors	8.1	8.2	-0.1
Debt liabilities of direct investors to direct investment enterprises	817.3	36.1	781.2
Debt liabilities to fellow enterprises	71.4	1.1	70.4
NET external debt (3)	3,848.0	4,470.6	-622.6

Note: more detailed information about this table can be found at the link: http://www.bsk-kos.org/repository/docs/time_series/34q%20Net%20External%20Debt%20Position.xls

Katalogimi në botim – (CIP)
Biblioteka Kombëtare e Kosovës “Pjetër Bogdani”

336.71(496.51)(047)"2023"

Annual Report 2023 / Banka Qendrore e Republikës së Kosovës. – Prishtinë : Banka Qendrore e Republikës së Kosovës, 2024. - 196 f. : ilustr. 26 ; cm.

ISBN 978-9951-821-24-7

ISBN 978-9951-821-24-7



33 Garibaldi Street, 10000 Prishtina
Republic of Kosovo
Tel: +383 38 222 055; Fax: +383 38 243 763
Web: www.bqk-kos.org