



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

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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 basis risk, which is the difference in repricing characteristics of the various floating rate indices.

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

Exposure to interest rate risk – non-trading portfolios

The principal risk, to which non-trading portfolios are exposed, 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 Kosova	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.