



**Central Bank of the Republic of Kosovo**  
**Independent Auditor's Report and Financial Statements**  
**as at and for the year ended on 31 December 2014**

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## INDEPENDENT AUDITOR'S REPORT

### To the Management of Central Bank of Republic of Kosovo

We have audited the accompanying financial statements of Central Bank of Republic of Kosovo ("CBK"), which comprise the statement of financial position as at December 31, 2014, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of Central Bank of Republic of Kosovo as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Other matters*

Bank's financial statements as at and for the year ended December 31, 2013, were audited by another auditor who expressed an unqualified opinion on these financial statements on May 7, 2014.

*Deloitte Kosova K.p.l.*

Prishtina, Kosovo  
April 27, 2015


# Central Bank of the Republic of Kosovo


## Statement of financial position

As at 31 December 2014

<i>In thousands of EUR</i>	Note	2014	2013
<b>Assets</b>			
Cash on hand	7	29,178	27,384
Current accounts with non-resident banks	8	323,401	61,083
Securities (treasury bills and government bonds)	9	120,789	560,828
Deposits accounts with non-resident banks	10	660,123	729,473
IMF related assets	11	234,786	231,459
Property and equipment	12	1,956	1,907
Intangible assets	13	1,251	1,311
Other assets	14	886	976
<b>Total assets</b>		<b>1,372,370</b>	<b>1,614,421</b>
<b>Liabilities</b>			
Due to domestic commercial banks	15	315,932	333,173
Due to IMF related accounts	16	238,713	234,011
Due to governmental institutions	17	713,567	757,446
Due to public and commercial institutions	18	50,608	236,597
Due to borrowing/s	19	34	-
Other domestic liabilities	20	3,181	3,244
<b>Total liabilities</b>		<b>1,322,035</b>	<b>1,564,471</b>
<b>Capital and reserves</b>			
Authorized capital	21	30,000	30,000
Reserve fund	21a	19,561	19,462
Revaluation reserve		389	301
Net result (retained earnings)		385	187
<b>Total capital and reserves</b>		<b>50,335</b>	<b>49,950</b>
<b>Total liabilities, capital and reserves</b>		<b>1,372,370</b>	<b>1,614,421</b>

These financial statements set out on pages 4 to 41 were approved by the CBK management on 27 April 2015 and signed on its behalf by:

  
Bedri Hamza  
Governor

  
Faqon Ahmetaj  
Director of Financial Planning and  
Reporting

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

# Central Bank of the Republic of Kosovo

## Statement of comprehensive income

As at 31 December 2014

<i>In thousands of EUR</i>	Note	2014	2013
<b>Interest income</b>			
Interest income		1,504	990
Interest expenses		(246)	(181)
<b>Net interest income</b>	22	<b>1,258</b>	<b>809</b>
<b>Fees and commissions income</b>			
Fees and commissions income		1,640	1,563
Fees and commissions expenses		(318)	(306)
<b>Net fees and commissions income</b>	23	<b>1,322</b>	<b>1,257</b>
<b>Regulatory activity income and other operating revenues</b>			
Regulatory activity income	24	3,310	2,357
Grant income	25	77	78
Other operating income	26	18	10
Foreign exchange profit / (loss)	29	(225)	87
<b>Operating revenues</b>		<b>5,760</b>	<b>4,598</b>
<b>Administrative expenses (operating)</b>			
Staff expenses	27	(3,571)	(2,877)
Depreciation and amortization	12,13	(485)	(478)
General and administrative expenses	28	(1,319)	(1,056)
<b>Administrative (operating) expenses</b>		<b>(5,375)</b>	<b>(4,411)</b>
<b>Profit for the year</b>		<b>385</b>	<b>187</b>
Other comprehensive income			
<b>Total comprehensive income for the year</b>		<b>385</b>	<b>187</b>

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 on 31 December 2014

	Capital	Reserve fund	Revaluation reserves	Retained earnings (Net result/s)	Total
<i>In thousands of EUR</i>					
<b>Balance at 1 January 2013</b>	<b>30,000</b>	<b>19,166</b>	<b>269</b>	<b>328</b>	<b>49,763</b>
Transfer to reserve fund	-	296	32	(328)	-
<b>Total transactions required by law</b>	<b>-</b>	<b>296</b>	<b>32</b>	<b>(328)</b>	<b>-</b>
Profit for the year	-	-	-	187	187
Other comprehensive incomes	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187</b>	<b>187</b>
<b>Balance at 31 December 2013</b>	<b>30,000</b>	<b>19,462</b>	<b>301</b>	<b>187</b>	<b>49,950</b>
<b>Balance at 1 January 2014</b>	<b>30,000</b>	<b>19,462</b>	<b>301</b>	<b>187</b>	<b>49,950</b>
Transfer to reserve fund	-	99	88	(187)	-
<b>Total transactions required by law</b>	<b>-</b>	<b>99</b>	<b>88</b>	<b>(187)</b>	<b>-</b>
Profit for the year	-	-	-	385	385
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385</b>	<b>385</b>
<b>Balance at 31 December 2014</b>	<b>30,000</b>	<b>19,561</b>	<b>389</b>	<b>385</b>	<b>50,335</b>

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 at 31 December 2014

<i>In thousands of EUR</i>	Note	2014	2013
<b>Cash flows from operating activities</b>			
Profit for the year		385	187
<i>Adjustments for:</i>			
Depreciation	12	279	272
Authorization	13	206	206
Grant income	25	(77)	(78)
Profit from sale of equipment		(18)	(10)
Interest income	22	(1,504)	(990)
Interest expenses	22	246	181
		<b>(483)</b>	<b>(232)</b>
Changes in treasury bills		250,048	(124,860)
Changes in deposit accounts with non-resident banks		(74,139)	104,661
Changes in IMF related assets		(3,348)	13,938
Changes in other assets		91	(514)
Changes in due to domestic commercial bank		(17,242)	31,026
Changes in due to IMF related accounts		4,720	(12,874)
Changes in due to government institutions		(43,876)	(64,075)
Changes in due to public and commercial institutions		(185,989)	187,575
Changes in borrowing/s		34	-
Changes in other domestic liabilities		3	22
		<b>(70,181)</b>	<b>134,667</b>
Interest received		1,597	971
Interest paid		(263)	(178)
<b>Net cash generated from/(used in) operational activities</b>		<b>(68,847)</b>	<b>135,460</b>
<b>Cash flows from investing activities</b>			
Revenues from the sale of equipment		18	10
Purchase of equipment	12	(351)	(729)
Purchase of intangible assets	13	(123)	(92)
<b>Net cash used in investing activities</b>		<b>(456)</b>	<b>(811)</b>
<b>Cash flow from investing activities</b>			
Grant income		10	11
<b>Net cash generated from financing activities</b>		<b>10</b>	<b>11</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(69,293)</b>	<b>134,660</b>
Effect of exchange rate		-	-
Cash and cash equivalents on 1 January		831,879	697,219
<b>Cash and cash equivalents on 31 December</b>	30	<b>762,586</b>	<b>831,879</b>

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

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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## 1. Reporting entity

The Central Bank of the Republic of Kosovo (hereinafter "CBK" or "Bank"), the successor to the Central Banking Authority of Kosovo, is an independent juridical entity with full capacity as a legal person under the law applicable in the Republic of Kosovo. CBK is a distinct public entity with the authority to license, supervise and regulate financial institutions in the Republic of Kosovo. The Bank acts in accordance with Law No.03/L-209 on "Central Bank of the Republic of Kosovo," hereinafter referred to as ("the CBK Law"). According to this law, the primary objectives of CBK are to:

- foster and maintain a stable financial system, including a safe, sound and efficient payment system.
- contribute in achieving and maintaining internal price stability.
- support the general economic policies of the Government.

As prescribed in the Law, CBK shall act in accordance with the principles of an open market economy with free competition, favouring an efficient allocation of resources.

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

Garibaldi Street no. 33

Prishtina, Kosovo.

## Central Bank Board, Executive Board and Governor

The CBK decision-making bodies are the Central Bank Board, the Executive Board, and the Governor. According to Article 79, paragraph 2 of the CBK Law, the Central Bank Board is composed of the Governor, the General Director of Treasury and three non-executive members and is responsible for the supervision of the implementation of the policies, and the supervision of the CBK administration and the operations.

On 31 December 2014, Central Bank Board was composed of following members:

- Bedri Peci – Board Chairman
- Bedri Hamza – Governor
- Fatmir Plakiqi – Member, Director of Treasury of Ministry of Finance

The Executive Board shall be comprised of Governor, who shall be the Chairperson and three Deputy Governors, and is responsible for the implementation of the CBK's policies and operations.

## 2. Basis of preparation

### a) Statement of compliance

Financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### b) Bases 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.

# Central Bank of the Republic of Kosovo

## Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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### 2. Basis of preparation (continued)

#### c) Functional and presentation currency

These financial statements are presented in EUR, which is CBK's functional currency. Unless otherwise noted, financial information presented in Euro has been approximated to the nearest thousand.

#### d) Use of estimates and judgments

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

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 any future periods affected. In particular, information related to significant areas of estimation of uncertainty and critical decisions in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

### 3. Significant accounting policies

#### a) Foreign currency transactions

Transactions in foreign currencies are estimated in the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-estimated to the functional currency at the exchange rate at that date. The foreign currency profit or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency, estimated 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 re-estimated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising from revaluation are recognised in profit or loss.

#### b) Interest

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

The calculation of the effective interest rate includes all paid commissions and points or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expenses presented in the profit or loss include interest on financial assets and liabilities at amortised cost, on the effective interest rate basis.

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

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

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## 3. Significant accounting policies (continued)

### c) Fees and commissions

Fees and commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability, are included in the measurement of the effective interest rate.

Other fees and commission income, including transaction fees for operating accounts, fund transfers and licensing fees are recognized as the related services are performed.

Other fees and commission expenses are mainly related to transaction and service fees, which are expensed as the services are received.

### d) Employees benefits

CBK makes compulsory social insurance contributions that provide pension benefits for employees upon retirement. These contributions are classified under defined contribution plans based on Kosovo legislation. CBK's contributions are charged as expense to income as incurred.

### e) Taxation and profit allocation

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

# Banka Qendrore e Republikës së Kosovës

Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014

(në mijë Euro, nëse nuk është theksuar ndryshe)

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## 3. Significant accounting policies (continued)

### f) Financial assets and liabilities

The Bank classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and liabilities, held-to-maturity financial assets and available-for-sale financial assets. This classification depends on the purpose for which the investments were provided.

Management determines the classification of its investments under initial recognition and re-evaluates this at every reporting date.

#### Financial actives at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at initial fair value through profit or loss. A financial asset is classified into the “financial assets at fair value through the category of profit or loss incurred, if acquired principally for the purpose of selling in the short term, if it forms a part of a portfolio of financial assets in which there is evidence of short term profit, or if so designated by management.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Bank intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, minus provision for impairment. Provisions for impairment of loans and receivables are established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms. The bank has no assets classified in this category.

#### Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Bank’s management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, minus provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms.

#### Available-for-trade financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or classified in any of the other categories. The Bank has no assets classified in this category.

#### i. Recognition

CBK initially recognizes deposits on the date they originate. All other financial assets and liabilities are initially recognized on the trade date at which CBK becomes a party to the contractual provisions of the instrument.

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

# Central Bank of the Republic of Kosovo

## Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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### 3. Significant accounting policies (continued)

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

##### ii. *De-recognition*

CBK derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred. Any interest in transferred financial assets that is created or retained by CBK is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) received value (including any new asset obtained less any new assumed liability) and (ii) any cumulative profit or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

CBK derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

##### iii. *Offsetting*

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

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

##### iv. *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction of impairment.

##### v. *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, CBK measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered 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, CBK establishes fair value using an evaluation technique. Evaluation techniques include using recent 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 pricing models. The chosen evaluation technique makes maximum use of market data, relies as little as possible on estimates specific to CBK, includes all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Data on evaluation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. CBK calibrates evaluation 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.

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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## 3. Significant accounting policies (continued)

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

#### vi. *Identification and measurement of impairment*

At each reporting date, CBK assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a deposit or advance by CBK, on terms and conditions that CBK would not otherwise consider, which are indications that a borrower or issuer of securities will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in CBK, or economic conditions that correlate with defaults in CBK.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset, if applicable, continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through income or loss.

#### g) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash balance on hand, demand deposits with banks and highly liquid financial assets with original maturity of less than three months, which are subject to an 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 amortised cost in the statement of financial position.

#### h) Investment securities

Investment securities, consisting of Treasury Bills, are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as held-to-maturity investments.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that CBK has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss. Held-to-maturity investments include treasury bills.

Held-to-maturity securities are carried at amortised cost, using the effective interest method.

Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments that are available for sale, and prevent CBK from classifying investment securities as held-to-maturity for the current and the following two financial years.

# Banka Qendrore e Republikës së Kosovës

Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014

(në mijë Euro, nëse nuk është theksuar ndryshe)

## 3. Significant accounting policies (continued)

### i) Property and equipment

#### i. Recognition and measurement

Items of property and equipment are presented at cost minus accumulated depreciation and accumulated loss from the change in value.

Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct workforce, 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 equipments and restoring the site on which they are located.

Purchased software that is essential to the functionality of the related equipment is capitalised as part of that equipment.

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

#### ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits from the use of that asset will flow to CBK and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment (long-term material assets) are recognised in profit and loss as incurred.

#### iii. Depreciation

Depreciation is recognised in profit or loss statement with the linear method over the estimated useful life of each part of an item of property and equipment.

Assessment of useful life for the current and comparative periods is as follows:

	2014	2013
Leasehold improvements	20 years	20 years
Equipment	5 years	5 years
Computers	3 years	3 years
Vehicles	5 years	5 years

The other equipment useful life is assessed on case by case basis. Depreciation methods, useful life and residual values are reassessed at the reporting date.

### j) Intangible assets

Software acquired by CBK is recognised at historical cost less accumulated amortisation and accumulated impairment losses.

Subsequent expense on software is capitalised only when it increases the future economic benefit from this asset. All other expenses are recognised as incurred.

Amortisation expense is recognised in profit or loss statement, based on linear method of amortization over the estimated economic useful life of the software, from the date that it is available for use. The useful life of any software is based on assessment of the use of that software without any need for large upgrade, currently from 3 to 10 years.

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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## 3. Significant accounting policies (continued)

### k) Impairment of non-financial assets

The carrying amount of CBK's non-financial assets is 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 independent from other assets and groups. Impairment losses are recognized in income statement. Losses from impairment 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, minus sale costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined by discounting depreciation or amortisation, if no impairment loss had been recognised.

### l) Financial liabilities

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

### m) Grant income

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that CBK will comply with the conditions associated to the grant. Grants that compensate CBK for expenses incurred, are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate CBK for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### n) Donor financed salaries

Certain individuals engaged at CBK are international experts appointed and financed for a short term by international organisations. Financing from these international organisations includes, but it is not limited to, the payment of salaries to these international experts. As this assistance is paid by the international organisations directly to certain persons, the extent of the payments are not known nor included in these financial statements.

### o) Provisions

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

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

# Banka Qendrore e Republikës së Kosovës

## Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014

(në mijë Euro, nëse nuk është theksuar ndryshe)

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### 3. Significant accounting policies (continued)

#### p) Changes in accounting policies and disclosures

##### (i) Standards and effective interpretation for the current period

Standards below, amendments in existing standards and interpretations issued by the Board of International Accounting Standards, are effective for the current period:

- **Amendments in IAS 32 "Financial Instruments: Presentation"** – Compensation of Financial Assets and Liabilities (effective for annual periods starting on or after 1 January 2014),
- **Amendments in IAS 36 "Impairment of assets"** – Disclosures of recoverable amount for non-financial assets (effective for annual periods starting on or after 1 January 2014),
- **Amendments in IAS 39 "Financial instruments: Recognition and Measurement"** - Changes of derivatives and continuation of hedge accounting (effective for annual periods starting on or after 1 January 2014),
- **IFRIC 21 "Levies"** (effective for annual periods starting on or after 1 January 2014).

The approval of these amendments in existing standards and interpretations has not made a change in accounting policies of the bank.

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

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

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## 3. Significant accounting policies (continued)

### p) Changes in accounting policies and disclosures (continued)

#### ii) Concluded standards and interpretations that are not yet effective

At the date of authorization of these financial statements, standards, amendments to existing standards and interpretations were being concluded, but not yet effective:

- **IFRS 9 "Financial instruments "** (effective for annual periods starting on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts "** (effective for annual periods starting on or after 1 January 2016),
- **IFRS 15 "Revenues from Contracts with Costumers "** (effective for annual periods starting on or after 1 January 2017),
- **Amendments to ISRF 11 "Joint Arrangements" – Accounting for Acquisition of Interests in Joint Operations** (effective for annual periods starting on or after 1 January 2016),
- **Amendments to IAS 16 "Property, plants and equipments " and IAS 38 "Intangible assets" – Clarification of Acceptable Methods of Depreciation and Amortisation** (effective for annual periods starting on or after 1 January 2016),
- **Amendments to IAS 16 "Property, plants and equipments" and IAS 41 "Agriculture"- Agriculture: Bearer plants** (effective for annual periods starting on or after 1 January 2016),
- **Amendments to IAS 19 "Employee benefits" – Defined benefit plans: Employee Contributions** (effective for annual periods starting on or after 1 July 2014),
- **Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements** (effective for annual periods starting on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRS (2010-2012 cycle)"** resulting from the Annual Improvement Project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mainly to avoid incompliance and improve the text (amendments should be applied for annual periods starting on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRS (2011-2013 cycle)"** resulting from the Annual Improvement Project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) mainly to avoid incompliance and improve the text (amendments should be applied for annual periods starting on or after 1 July 2014).

The company decided not to approve these standards, reviews and interpretations before their dates of entry into force. The company foresees that the approval of these standards, reviews and interpretations will have a material impact on financial statements in the period of initial implementation.

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

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## 4. Financial risk management

### a) Introduction and overview

CBK has been exposed to following risks from the use of financial instruments:

- Credit risk
- Operational risk
- Liquidity risk
- Market risk

This note presents information about CBK's exposure to the above risks, CBK's objectives, policies and processes for measuring and managing risk and CBK's management of capital. Further qualitative and quantitative notes are included throughout these financial statements.

#### *Risk management structure*

The Central Bank Board is responsible for the establishment and oversight of CBK's risk management. CBK management reports regularly through CBK's Executive Board to the Central Bank Board on risk management practices. The Executive Board and Investment Committee are obliged to develop and monitor CBK risk management policies. These policies are implemented by the respective organisational units.

CBK's risk management policies are established to identify and analyze risks that CBK face, and to set appropriate risk controls and limits, to monitor risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services provided. CBK, through its training and standards and management 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 review and monitoring the compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management structure in relation to the risks faced by 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 of Internal Audit to the Audit Committee.

### b) Credit risk

Credit risk is the risk of financial loss to CBK if a contracting party of financial instrument fails to meet its contractual obligations, and arises principally from CBK's investments in debt securities and deposits (in money markets or current accounts) in other banks.

#### *Management of credit risk*

##### *i. Investment and exposure to other banks*

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

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 4. Financial risk management / Management of credit risk (continued)

### ii. Exposure to credit risk

The maximum exposure to credit risk is on 31 December 2014 and 31 December 2013, and is presented by the carrying amount of its current accounts with non-resident banks, treasury bills and deposits with non-resident banks. For details on the exposures please see notes 8, 9 and 10.

None of CBK's exposures are past due or impaired. There are no changes in the credit risk management policies from previous years. CBK does not hold any collateral or other credit enhancements against its exposure to credit risk.

### c) Liquidity risk

Liquidity risk is the risk that CBK will encounter difficulty in meeting obligations from its financial liabilities.

#### Management of liquidity risk

CBK's attitude in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both 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 Bank Executive Board. CBK manages its liquidity risk by investing in short term deposits with non-resident banks and holding adequate quantity of cash in its vaults. Liquidity management policies are set to ensure that even under adverse conditions, 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 CBK management. Monthly reports covering the liquidity position of CBK are regularly submitted to the Investment Committee members by the Asset Management Department.

#### Exposure to liquidity risk

#### Residual contractual maturity of financial liabilities, excluding future interest payments

31 December 2014	Note	Carrying amount	Less than a 1 month	1-3 months	3 months to 1 year	1 year to 5 years
<i>Non-derivative liabilities</i>						
Due to domestic commercial banks	15	315,932	315,932	-	-	-
Due to IMF related accounts	16	238,713	136,982	2,798	5,596	93,337
Due to governmental institutions	17	713,567	683,561	30,006	-	-
Due to public and commercial institutions	18	50,608	50,608	-	-	-
From borrowing/s	19	34	34	-	-	-
Other domestic liabilities	20	2,428	2,428	-	-	-
		<b>1,321,282</b>	<b>1,189,545</b>	<b>32,804</b>	<b>5,596</b>	<b>93,337</b>
<b>31 December 2013</b>						
<i>Non-derivative liabilities</i>						
Due to domestic commercial banks	15	333,173	333,173	-	-	-
Due to IMF related accounts	16	234,011	128,278	2,620	7,860	95,253
Due to governmental institutions	17	757,446	687,431	70,015	-	-
Due to public and commercial institutions	18	236,597	236,597	-	-	-
From borrowing/s	19	-	-	-	-	-
Other domestic liabilities	20	2,428	2,428	-	-	-
		<b>1,563,655</b>	<b>1,387,907</b>	<b>72,635</b>	<b>7,860</b>	<b>95,253</b>

# Banka Qendrore e Republikës së Kosovës

Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014

(në mijë Euro, nëse nuk është theksuar ndryshe)

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## 4. Financial risk management (continued)

### c) Liquidity risk (continued)

The previous table shows the undiscounted cash flows of CBK's financial liabilities on the basis of their earliest possible contractual maturity. To manage the liquidity risk arising from financial liabilities, CBK holds liquid assets comprising cash and cash equivalents and liabilities for which there is an active and liquid market.

### d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and loans (not relating to changes in the creditor's / issuer's credit standing) will affect CBK's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

#### *Management of market risk*

CBK's operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and liabilities mature or re-price at different times or in various amounts. Floating rate assets and liabilities are exposed to basic risk, which is the difference in re-pricing characteristics of the various floating rate indices.

Risk management activities are aimed at optimising net interest income, based on market interest rate levels consistent to 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*

One of the principal risks to which non-trading portfolios are exposed is the risk of loss from the fluctuation of future cash flows or fair values of financial instruments assets, due to a change in market norms. Interest rate risk is managed mainly through monitoring interest rate differences and by having pre-approved limits for re-pricing intervals. The Investment Committee is the authority monitoring the compliance with these limits. A summary of CBK's interest rate gap position on non-trading portfolios is as follows:

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 4. Financial risk management (continued)

### (d) Market risks (continued)

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

	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years
<b>31 December 2014</b>						
Current accounts with non-resident banks	8	323,401	323,401	-	-	-
Securities (Bonds and Treasury bills)	9	120,789	-	-	69,997	50,792
Deposits with non-resident banks	10	660,123	410,020	240,101	10,002	-
Assets to IMF related accounts	11	164,193	62,462	-	-	101,731
<b>Total</b>		<b>1,268,506</b>	<b>795,883</b>	<b>240,101</b>	<b>79,999</b>	<b>152,523</b>
Due to domestic banks	15	(315,932)	(315,932)	-	-	-
Due to IMF related accounts	16	(167,803)	(66,072)	-	-	(101,731)
Due to governmental institutions	17	(713,567)	(648,550)	(65,017)	-	-
Due to commercial and public entities	18	(50,608)	(50,608)	-	-	-
From borrowing/s	19	(34)	(34)	-	-	-
Other domestic liabilities	20	(2,428)	(2,428)	-	-	-
<b>Total</b>		<b>(1,250,372)</b>	<b>(1,083,624)</b>	<b>(65,017)</b>	<b>-</b>	<b>(101,731)</b>
<b>Change</b>		<b>18,134</b>	<b>(287,741)</b>	<b>175,084</b>	<b>79,999</b>	<b>50,792</b>
<b>31 December 2013</b>						
	Note	Carried amount	Less than 3 months	3-6 months	6-12 months	1-5 years
Current accounts with non-resident banks	8	61,083	61,083	-	-	-
Securities (Treasury bills)	9	560,828	229,963	330,865	-	-
Deposits with non-resident banks	10	729,473	553,493	145,953	30,027	-
Assets with IMF related accounts	11	181,438	75,705	-	-	105,733
<b>Total</b>		<b>1,532,822</b>	<b>920,244</b>	<b>476,818</b>	<b>30,027</b>	<b>105,733</b>
Due to domestic banks	15	(333,173)	(333,173)	-	-	-
Due to IMF related accounts	16	(183,705)	(77,972)	-	-	(105,733)
Due to governmental institutions	17	(757,446)	(737,439)	(20,007)	-	-
Due to commercial and public entities	18	(236,597)	(236,597)	-	-	-
From borrowing /s	19	-	-	-	-	-
Other domestic liabilities	20	(2,428)	(2,428)	-	-	-
<b>Total</b>		<b>(1,513,349)</b>	<b>(1,387,609)</b>	<b>(20,007)</b>	<b>-</b>	<b>(105,733)</b>
<b>Change</b>		<b>19,473</b>	<b>(467,365)</b>	<b>456,811</b>	<b>30,027</b>	<b>-</b>

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

# Central Bank of the Republic of Kosovo

Notes on Financial Statements for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 4. Financial risk management (continued)

### (d) Market risks (continued)

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

Management of interest rate risk against interest rate change limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and nonstandard interest rate scenarios. Standard scenarios that are estimated on a regular basis include a 100 basis point ("bp") parallel fall or rise in all yield curves. An analysis of the Bank'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:

2014

	100 bp Increase	100 bp Decrease
Estimated profit (loss) effect	181	(181)

2013

	100 bp Increase	100 bp Decrease
Estimated profit (loss) effect	195	(195)

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

CBK has an exposure to SDR related to its IMF assets and liabilities, which they monitor on an ongoing basis. CBK's exposure to foreign currency risk is as follows:

2014

	100 bp Increase	100 bp Decrease
Estimated profit (loss) effect	36	(36)

2013

	100 bp Increase	100 bp Decrease
Estimated profit (loss) effect	23	(23)

# Banka Qendrore e Republikës së Kosovës

Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014

(në mijë Euro, nëse nuk është theksuar ndryshe)

## 4. Financial risk management (continued)

### (d) Market risks (continued)

31 December 2014	EUR	SDR (EUR equivalent)	Total
<b>Assets</b>			
Cash on hand	29,178	-	29,178
Current accounts with non-resident banks	323,401	-	323,401
Treasury bills	120,789	-	120,789
Deposits with non-resident banks	660,123	-	660,123
Assets to IMF related accounts	101,731	133,055	234,786
Other assets	886	-	886
<b>Total</b>	<b>1,236,108</b>	<b>133,055</b>	<b>1,369,163</b>
<b>Liabilities</b>			
Due to domestic banks	315,932	-	315,932
Due to IMF related accounts	155,240	83,660	238,900
Due to governmental institutions	713,567	-	713,567
Due to commercial and public entities	50,608	-	50,608
From borrowing/s	34	-	34
Other domestic liabilities	3,181	-	3,181
<b>Total</b>	<b>1,238,563</b>	<b>83,660</b>	<b>1,322,222</b>
<b>Net foreign currency position</b>		<b>49,395</b>	<b>46,941</b>

31 December 2013	EUR	SDR (EUR equivalent)	Total
<b>Assets</b>			
Cash on hand	27,384	-	27,384
Current accounts with non-resident banks	61,083	-	61,083
Treasury bills	560,828	-	560,828
Deposits with non-resident banks	729,473	-	729,473
Assets to IMF related accounts	105,733	125,726	231,459
Other assets	976	-	976
<b>Total</b>	<b>1,485,477</b>	<b>125,726</b>	<b>1,611,203</b>
<b>Liabilities</b>			
Due to domestic banks	333,173	-	333,173
Due to IMF related accounts	155,623	78,388	234,011
Due to governmental institutions	757,446	-	757,446
Due to commercial and public entities	236,597	-	236,597
From borrowing/s	-	-	-
Other domestic liabilities	3,244	-	3,244
<b>Total</b>	<b>1,486,083</b>	<b>78,388</b>	<b>1,564,471</b>
<b>Net foreign currency position</b>		<b>47,388</b>	<b>46,732</b>

**4. Financial risk management (continued)**

**(d) Market risks (continued)**

CBK deals predominantly in EUR, while the foreign currencies with which CBK deals are predominantly Special Drawing Rights (“SDRs”). The exchange rates used for translation at 31 December 2014 and 2013 were as follows:

	<b>2014</b>	<b>2013</b>
	<b>EUR</b>	<b>EUR</b>
1 SDR	1.1933	1.1173

SDRs are supplementary foreign exchange reserve assets, defined and maintained by the International Monetary Fund (IMF). Although SDRs are not a currency itself, they represent 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 SDR is defined by a weighted currency basket of four major currencies, the Euro, the US dollar, the British pound, and the Japanese yen.

**(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, and 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 risks arise from all of CBK’s operations and are faced by all of the organization’s 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 with overall effective costs.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to managerial staff within each organizational unit. This responsibility is supported by the development of overall CBK policies and procedures for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties and responsibilities, including the independent authorisation of transactions;
- requirements for evaluating and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks and the adequacy of controls and procedures to manage the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and conduct standards;
- risk mitigation, including insurance, where this is effective.

Compliance with CBK standards is supported by a programme of periodic controls undertaken by Internal Audit. Findings of Internal Audit controls are discussed with management of the organizational unit to which they relate, and conclusions are submitted to the Audit Committee and CBK management.

# **Banka Qendrore e Republikës së Kosovës**

## **Shënimet mbi Pasqyrat Financiare për vitin e mbyllur më 31 dhjetor 2014**

*(në mijë Euro, nëse nuk është theksuar ndryshe)*

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### **4. Financial risk management (continued)**

#### **(f) Capital management**

In accordance with the Law, CBK shall establish and maintain a general reserve. The general reserve may not be used except for the purposes of covering losses of CBK. In addition, CBK shall establish unrealized revaluation reserve accounts to account for unrealized profits and losses due to its positions with SDR.

Pursuant to the Law no. 03/L-209, net income or net loss of CBK are calculated in accordance with International Financial Reporting Standards (IFRS).

Profits available for distributions shall be determined:

- 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 profits 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 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.

Net income will firstly be distributed 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.

The 50% of net balance of realized income remaining after fulfilling the 5% criterion mentioned above is required to be transferred to the Ministry of Finance. The remaining 50% of the realized income is required to be allocated to the general reserve account of CBK.

#### **(g) Asset management**

Pursuant to the Law No. 03/L-209 and Law No. 03/L-048, CBK is assigned the responsibility for making and managing authorized investments on behalf of the Ministry of Finance.

# Central Bank of the Republic of Kosovo

## Notes on Financial Statements for the year ended on 31 December 2014

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

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### **5. Use of estimates and judgments**

Management discusses with the Central Bank Board the development, selection and disclosure of CBK's critical accounting policies and estimates, and the application of these policies and estimates. Estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under certain circumstances.

These explanatory notes support comments on financial risk management (see note 4).

### **Key sources of estimation uncertainty**

#### **Allowances for credit losses**

Assets registered at amortised cost are evaluated for impairment on a basis described in accounting policy 3(f) (vi). The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the party's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

#### **Critical accounting judgments in applying CBK's accounting policies**

Critical accounting judgments made in applying CBK's accounting policies include:

#### **Financial asset and liability classification**

CBK's accounting policies provide the opportunity for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets as held-to-maturity, CBK has determined that it has both the positive intention and ability to hold the assets until their maturity date, as required by accounting policy 3(h).

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(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.

<i>In thousands of EUR</i>	Note	Loans and receivables	Held-to-maturity	Others at amortised cost	Total carrying amount	Fair value
<b>31 December 2014</b>						
Cash on hand	7	29,178	-	-	29,178	29,178
Current accounts with non-resident banks	8	323,401	-	-	323,401	323,401
Treasury bills	9	-	120,789	-	120,789	120,789
Deposits with non-resident banks	10	-	660,123	-	660,123	660,123
Assets with IMF	11	234,786	-	-	234,786	234,786
		<b>587,365</b>	<b>780,912</b>	<b>-</b>	<b>1,368,277</b>	<b>1,368,277</b>
Due to domestic banks	15	-	-	315,932	315,932	315,932
Due to IMF related accounts	16	-	-	238,713	238,713	238,713
Due to governmental institutions	17	-	-	713,567	713,567	713,567
Due to commercial and public entities	18	-	-	50,608	50,608	50,608
From borrowing/s	19	-	-	34	34	34
Other domestic liabilities	20	-	-	2,428	2,428	2,428
		<b>-</b>	<b>-</b>	<b>1,321,282</b>	<b>1,321,282</b>	<b>1,321,282</b>
<b>31 December 2013</b>						
Cash on hand	7	27,384	-	-	27,384	27,384
Current accounts with non-resident banks	8	61,083	-	-	61,083	61,083
Treasury bills	9	-	560,828	-	560,828	560,828
Deposits with non-resident banks	10	-	729,473	-	729,473	729,473
Assets related with IMF	11	231,459	-	-	231,459	231,459
		<b>319,926</b>	<b>1,290,301</b>	<b>-</b>	<b>1,610,227</b>	<b>1,610,227</b>
Due to domestic banks	15	-	-	333,173	333,173	333,173
Due to IMF related accounts	16	-	-	234,011	234,011	234,011
Due to governmental institutions	17	-	-	757,446	757,446	757,446
Due to commercial and public entities	18	-	-	236,597	236,597	236,597
From borrowing/s	19	-	-	-	-	-
Other domestic liabilities	20	-	-	2,428	2,428	2,428
		<b>-</b>	<b>-</b>	<b>1,563,655</b>	<b>1,563,655</b>	<b>1,563,655</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 7. Cash on hand

Cash on hand is all denominated in EUR.

## 8. Current accounts with non-resident banks

These accounts are held at the following banks:

	2014	2013
Deutsche Bundesbank	-	39,337
Raiffeisen Zentralbank	145,497	5,358
SvenskaHandelsbanken	10,004	-
DeutscheBank	104,900	16,388
PohjolaBankPlc	63,000	-
<b>Total</b>	<b>323,401</b>	<b>61,083</b>

All current accounts of the above banks have credit ratings of A-2/P-2, as per 2014 ratings conducted on 31 December 2014 by Standard &Poors/Moody's.

## 9. Securities (Treasury bills and Governmental bonds)

Both categories falling within the group are debt securities issued by governments of European Union countries. Treasury bills below have maturities up to one year. While those government bonds to two years and a half. All are in EUR, and had have effective interest rates ranging from 0.009% to 0.370% in 2014 (whereas in 2013: 0.0051% to 2.131%). Securities are held to maturity.

Treasury bills are issued by governments of European Union as follows:

### By states:

	2014	2013
France	-	244,953
Netherland	50,792	215,901
Belgium	69,997	99,974
<b>Total</b>	<b>120,789</b>	<b>560,828</b>

### By type:

	2014	2013
Treasury bills	69,997	560,828
Governmental bonds	50,792	-
<b>Total</b>	<b>120,789</b>	<b>560,828</b>

Credit rating for these financial instruments, which CBK had invested for the period ending on 31 December 2014, was for A-1+u and P-1, according to the evaluation of Standard &Poor's /Moody's. Reducing along with 2013 stems partly that total portfolio decreased (see note 15, 17 and 18) and from the interest rate decline in the financial markets for securities (for those categories that the investment policies of the CBK allows to invest it's profolio), which has led to increased current account position along the end of 2013 (see note 8).

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 10. Deposits with non-resident banks

Deposits with non resident banks are composed of:

	2014	2013
<b>Time deposits</b>		
RaiffeisenZentralbank	20,000	109,400
SvenskaHandelsbanken	80,062	150,943
ING Bank	50,000	-
DeutscheBundesbank	-	130,000
Rabobank	110,007	30,007
DanskeBank	100,000	30,000
Swedbank	50,000	120,006
Banque Centrale duLuxembourg	150,000	159,016
PohjolaBankPlc	100,000	-
	<b>660,069</b>	<b>729,372</b>
<b>Interest accrued on time deposits</b>		
RaiffeisenZentralbank	1	1
SvenskaHandelsbanken	8	18
ING Bank	1	-
DeutscheBundesbank	-	3
Rabobank	6	20
DanskeBank	18	23
Swedbank	12	13
Banque Centrale duLuxembourg	1	23
PohjolaBankPlc	7	-
	<b>54</b>	<b>101</b>
<b>Total</b>	<b>660,123</b>	<b>729,473</b>

Deposits placed with non-resident banks are denominated in EUR and earn interest at effective interest rates ranging from 0.005% to 0.0370% (2013: 0.005% to 0.300%) and have original maturities 1 to 273 days (2013: from 1 to 273 days). All deposits have minimum credit rating A-2/P-2, according to December 2014 rating from Standard & Poors/Moody's.

If we compare with the end of 2013 we see here a reduction of year end 2014 position along 2013 stems mainly from what we said in the note 9 regarding the reduction of the portfolio and the decline of interest rates in the financial markets in the last quarter of 2014.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 11. Assets related with IMF

	2014	2013
IMF quota	70,406	65,922
SDR holdings	62,462	59,597
Accrued interest	187	207
<b>IMF</b>	<b>133,055</b>	<b>125,726</b>
<b>Government</b>		
Request from Government for the use of IMF funds (SBA)	101,731	105,733
<b>Total</b>	<b>234,786</b>	<b>231,459</b>

The assets listed above are related to the admission of Kosovo to the 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 a subscription amount determined at the time of admission of Kosovo into IMF and is expressed in SDR (above disclosed in EUR equivalent) and its amount is determined based on IMF rules and regulations.

SDR Holdings represents assets approved by the IMF Board of Governors according to allocations of SDR to IMF's member countries (decisions made on 28 August 2009 and 9 September 2009). SDR holding assets bear annual average interest rates in 2014, which range from 0.05% to 0.12% (2013: 0.06% to 0.13%).

The request from the Government for using IMF funds represents an amount due from the Government according to IMF and Kosovo Stand-by Arrangement signed in June 2010, through which the Government of Kosovo obtained from IMF a Stand-By Arrangement in the amount of SDR 97 million (EUR: 113 million), while the position at 31 December 2014 is SDR 85.2 million (EUR: 101.7 million). The interest rate of this arrangement is linked to IMF's market-related interest rate, known as basic rate of charge, which is itself linked to the SDRs interest rate. The interest rate for the period 2014 fluctuated in quarterly basis per year in average as 1.05% - 1.12% p.a., (on 2013 fluctuated from 1.06% to 1.16%).

Balance drawn from IMF until 31 December 2010, and three other tranches during the 2012, in total amount around SDR 97 million (EUR 113 million) by the Government of Kosovo, according to the Stand-by Arrangement. CBK acts as depository institution for the Government of Kosovo. To regulate the Stand-By Arrangement with IMF, CBK and the Government of Kosovo entered into an agreement on July 2010 and April 2012 "on the Procedure for Request, Acceptance, Service and Repurchase of the Funds from the IMF in terms of the Stand -By Arrangement". Based on this arrangement, CBK withdraws the SDRs from IMF, on behalf of the Government, and credits them to the Government's account.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 12. Property and equipment

Property and equipment is composed as follows:

	Leaseholds improvements	Equipment	Computer	Vehicles	Assets in process of capitalization	Total
<b>Cost</b>						
<b>At 1 January 2013</b>	1,550	1,359	858	242	-	4,009
Acquisitions	495	144	35	-	55	729
Transfer from/to	-	-	-	-	-	-
Disposals	-	(19)	(12)	-	-	(31)
<b>At 31 December 2013</b>	<b>2,045</b>	<b>1,484</b>	<b>881</b>	<b>242</b>	<b>55</b>	<b>4,707</b>
<b>At 1 January 2014</b>	2,045	1,484	881	242	55	4,707
Acquisitions	2	174	145	-	30	351
Transfer from/to	10	22	-	-	(32)	-
Transfer from/to (correction)	-	-	-	-	(23)	(23)
Disposals	-	-	-	(67)	-	(67)
<b>At 31 December 2014</b>	<b>2,057</b>	<b>1,680</b>	<b>1,026</b>	<b>175</b>	<b>30</b>	<b>4,968</b>
<b>Depreciation</b>						
<b>At 1 January 2013</b>	391	1,240	751	177	-	2,559
Depreciation for the year	80	75	73	44	-	272
Disposals	-	(19)	(12)	-	-	(31)
<b>At 31 December 2013</b>	<b>471</b>	<b>1,296</b>	<b>812</b>	<b>221</b>	<b>-</b>	<b>2,800</b>
<b>At 1 January 2014</b>	471	1,296	812	221	-	2,800
Depreciation for the year	103	78	77	21	-	279
Transfer from/to (correction)	-	10	(10)	-	-	-
Disposals	-	-	-	(67)	-	(67)
<b>At 31 December 2014</b>	<b>574</b>	<b>1,384</b>	<b>879</b>	<b>175</b>	<b>-</b>	<b>3,012</b>
<b>Carrying amounts</b>						
<b>At 1 January 2013</b>	1,159	119	107	65	-	1,450
<b>At 31 December 2013</b>	1,574	188	69	21	55	1,907
<b>At 31 December 2014</b>	<b>1,483</b>	<b>296</b>	<b>147</b>	<b>-</b>	<b>30</b>	<b>1,956</b>

There are no assets pledged as collateral until 31 December 2014 (31 December 2013: nil).

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 13. Intangible assets

Intangible assets are composed as follows:

	Software under development	Software	Total
<b>Cost</b>			
<b>Balance at 1 January 2013</b>	25	2,657	2,682
Acquisitions	88	4	92
Transfers (from)/to	-	-	-
Disposals	-	(649)	(649)
<b>Balance at 31 December 2013</b>	<b>113</b>	<b>2,012</b>	<b>2,125</b>
<b>Balance 1 January 2014</b>	113	2,012	2,125
Acquisitions	34	89	123
Transfers (from)/to	(88)	88	-
Transfers (from)/to (correction)	-	23	23
Disposals	-	-	-
<b>Balance at 31 December 2014</b>	<b>59</b>	<b>2,212</b>	<b>2,271</b>
<b>Amortization</b>			
<b>Balance at 1 January 2013</b>	-	1,257	1,257
Amortization for the year	-	206	206
Disposals	-	(649)	(649)
<b>Balance at 31 December 2013</b>	-	<b>814</b>	<b>814</b>
<b>Balance at 1 January 2014</b>	-	814	814
Amortization for the year	-	206	206
Disposals	-	-	-
<b>Balance at 31 December 2014</b>	-	<b>1,020</b>	<b>1,020</b>
<b>Carrying amounts</b>			
<b>Balance at 1 January 2013</b>	<b>25</b>	<b>1,400</b>	<b>1,425</b>
<b>Balance at 31 December 2013</b>	<b>113</b>	<b>1,198</b>	<b>1,311</b>
<b>Balance at 31 December 2014</b>	<b>59</b>	<b>1,192</b>	<b>1,251</b>

## 14. Other assets

Other assets are composed as follows:

	2014	2013
Accrued fee income	771	898
Accounts receivable and prepayments	115	78
<b>Total</b>	<b>886</b>	<b>976</b>

Accrued fee income represents the estimations for license renewal fees and other fees for the fourth quarter for domestic financial institutions.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 15. Due to commercial domestic banks

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

<b>Due to domestic banks</b>	<b>2014</b>	<b>2013</b>
ProCreditBank Kosovo	29,511	29,599
RaiffeisenBank Kosovo	30,023	25,065
NLB Prishtina	16,984	16,229
Banka Ekonomike	5,910	5,443
Banka për Biznes	3,989	3,838
Banka Kombëtare Tregtare (Branch in Prishtina)	8,740	8,363
Banka Ekonomike Turke (TEB)	14,401	14,667
Komercijalna Banka – Branch in Mitrovica	2,407	2,091
TurkiyeisBankasia.s.	1,449	5
Banka Kreditore e Prishtinës	-	-
<b>Total required reserve</b>	<b>113,414</b>	<b>105,300</b>
<b>Additional amount above required reserve</b>		
ProCreditBank Kosovo	82,301	23,560
RaiffeisenBank Kosovo	16,110	10,977
NLB Prishtina	25,840	64,153
Banka Ekonomike e Prishtinës	5,005	32,651
Banka për Biznes	16,902	13,135
Banka Kombëtare Tregtare (Branch in Prishtina)	15,098	27,811
Banka Ekonomike Turke (TEB)	32,285	46,842
Komercijalna Banka – Branch in Mitrovica	2,350	2,098
TurkiyeisBankasia.s.	6,607	6,641
Banka Kreditore e Prishtinës	20	5
<b>Total additions on current accounts</b>	<b>202,518</b>	<b>227,873</b>
<b>Total amount on current accounts</b>	<b>315,932</b>	<b>333,173</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 16. Due to IMF related accounts

	2014	2013
IMF account no. 1	176	164
IMF account no. 2	6	6
IMF Security account	155,058	155,663
IMF SDR allocation	66,072	61,863
Accrued interest	187	207
<b>Total due to IMF</b>	<b>221,499</b>	<b>217,903</b>
<b>Due to government</b>		
IMF- Part of quota paid by government	17,214	16,108
<b>Total due to government</b>	<b>17,214</b>	<b>16,108</b>
<b>Total</b>	<b>238,713</b>	<b>234,011</b>

The above amounts are related to the admission of Kosovo to IMF in June 2009.

Accounts no. 1 and no. 2 are IMF accounts in CBK, opened according to IMF's rules and regulations.

IMF Security Account represents a promissory note to be paid by the Government of Kosovo upon IMF's request. This amount represents a liability of CBK to IMF and is matched by a corresponding claim of CBK to the Government of Kosovo.

The portion of quota paid to IMF by the Government represents the amount paid by the Government to the IMF regarding the IMF quota.

SDR allocation represents allocations of SDRs to IMF's member countries as approved by IMF Board of Governors on 28 August 2009 and 9 September 2009.

SDR allocations and paid portion of quota are interests that include annual approximate interest rates, ranging from 0.05% - 0.12% for 2014 (2013: 0.06% - 0.12%).

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 17. Due to governmental institutions

Due to governmental institutions includes current accounts from the following:

<b>Current accounts</b>	<b>2014</b>	<b>2013</b>
Treasury- Ministry of Finance	90,481	12,888
Privatization Agency of Kosovo	557,801	530,328
Interim administration institutions	268	260
<b>Total current accounts</b>	<b>648,550</b>	<b>543,476</b>
<b>Time deposits</b>		
Treasury – Ministry of Finance	65,017	113,008
Privatization Agency of Kosovo	-	20,007
<b>Total time deposits</b>	<b>65,017</b>	<b>133,015</b>
<b>Securities</b>		
Treasury – Ministry of Finance	-	80,955
<b>Total securities</b>	<b>-</b>	<b>80,955</b>
<b>Total</b>	<b>713,567</b>	<b>757,446</b>

The annual effective interest rate for current accounts for the year ended on 31 December 2014 is zero (for the year ended on 31 December 2013: zero). Regarding time deposits, effective interest rates for 2014 range from 0.010% - 0.370% (2013: 0.005% - 0.22 %).

## 18. Due to public and commercial institutions

	<b>2014</b>	<b>2013</b>
<b>Current accounts</b>		
Insurance companies	4,982	4,199
Other public institutions	45,556	232,328
Licensed pension funds	68	68
Other	2	2
<b>Total</b>	<b>50,608</b>	<b>236,597</b>

Effective interest rate for current accounts on 31 December 2014 and 2013 is zero. The change within the group arises from the withdrawal of assets held in current account for one of public institutions accounts, based on its operating purposes with its own account in CBK.

## 19. Due to borrowing/s

	<b>2014</b>	<b>2013</b>
Borrowing/s	34	-
<b>Total</b>	<b>34</b>	<b>-</b>

Used part of the borrowing from World Bank.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 20. Other domestic liabilities

	2014	2013
Safe custody accounts	2,428	2,428
Deferred grants income	456	523
Other deferred income	6	12
Reserves fund	146	-
Sundry creditors	145	281
	<b>3,181</b>	<b>3,244</b>

The change comes only from the normal flow of activities within the group, in relation to dates when the balances are disclosed.

Safe custody balance is composed of the following types of accounts and amounts.

The amount of EUR 1,134 represents rents amounts collected by the CBK until 5 January 2004 on behalf of the Government of Kosovo for the offices of the former National Bank of Kosovo, which were rented out to various entities/individuals. This amount includes also the interest earned on these rent payments until 31 December 2014.

Included in the safe custody accounts are also certain amount of cash in various currencies and other assets, which CBK inherited from the former National Bank of Kosovo upon establishment, and the interest earned over the years which on 31 December 2013 amounts EUR 538 thousand.

As of 31 December 2014, in the safe custody accounts are also included EUR 756 thousands, which are related to current amount of the Insurance Company Kosova, which was liquidated on April 2010.

Movement in revenues from grants are as follows:

	Ministry of Finance (ICU Portfolio)	World Bank	Total
Deferred grant revenues at 1 January 2013	555	35	590
Grants received during the year	11	-	11
Grant income for the year	(71)	(7)	(78)
<b>Deferred grant revenue on 31 December 2013</b>	<b>495</b>	<b>28</b>	<b>523</b>
Deferred grants revenues at 1 January 2014	495	28	523
Grants received during the year	10	-	10
Grants recognised as revenues for the year	(70)	(7)	(77)
<b>Grants deferred revenues at 31 December 2014</b>	<b>435</b>	<b>21</b>	<b>456</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 21. Authorized capital

CBK authorized capital on 31 December 2014 and 2013 is EUR 30,000 pursuant to the Law no. 03/L-209, approved on 22 July 2010.

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

## 21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve is regulated by Law no. 03/L-209 on the Central Bank of the Republic of Kosovo. The profit of each financial year is allocated as described in note 4 (f) in accordance with this law.

## 22. Net interest income

Net interest income is composed of:

	2014	2013
<b>Interest income</b>		
From deposit accounts	812	548
From treasury bills	636	391
From current accounts	56	51
	<b>1,504</b>	<b>990</b>
<b>Interest expenses</b>		
On current accounts from non-banking entities	54	50
In current accounts of banks	-	1
In time deposits	192	130
	<b>246</b>	<b>181</b>
<b>Net interest income</b>	<b>1,258</b>	<b>809</b>

## 23. Net fees and commissions income

Net fees and commission income are composed of:

	2014	2013
<b>Fees income</b>		
From cash deposits	459	459
From foreign incoming transfers	40	45
From foreign outgoing transfers	290	191
From inter-bank clearing system	477	433
From credit registry system	121	119
From the management of treasury funds	224	284
Other fees	29	32
	<b>1,640</b>	<b>1,563</b>
<b>Fee expenses</b>		
For cash transportation	273	253
For correspondent bank transactions	45	53
Penalties charges	-	-
	<b>318</b>	<b>306</b>
<b>Net fees and commissions income</b>	<b>1,322</b>	<b>1,257</b>

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 23. Net fees and commissions income (continued)

Income from management of treasury fund results (note 23) from asset management services provided to the Treasury of the Ministry of Finance by CBK. These services are in accordance with the CBK law.

## 24. Income from regulatory activity

Other operating income mainly comprises fees charged to financial institutions in Kosovo as part of issuing or renewing licenses, as well as other statutory fees related to their activities.

Other operating income consists of the following:

	2014	2013
Fees charged to commercial banks	1,957	1,136
Fees charged to insurance companies	1,144	1,095
Fees from non-banking financial institutions	196	105
Pension renewal fees	13	21
<b>Total</b>	<b>3,310</b>	<b>2,357</b>

## 25. Grants incomes

Grants incomes are composed of:

	2014	2013
Treasury – Ministry of Finance (ICU portfolio)	70	71
World bank	7	7
<b>Total</b>	<b>77</b>	<b>78</b>

## 26. Other operating income

Other income:

	2014	2013
Other income	18	10
<b>Total</b>	<b>18</b>	<b>10</b>

Within other revenues are mainly sales of some assets that have been out of use or for the purpose of replacing them with new ones that are more economical and functional.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 27. Personnel expenses

Personnel expenses are composed of:

	2014	2013
Wages	2,779	2,131
Pension contributions	439	343
Health insurance costs	178	168
Personnel trainings	43	74
Central Bank Boards expenses	107	136
Other	25	25
<b>Total</b>	<b>3,571</b>	<b>2,877</b>

Number of employees working in CBK on 31 December 2014 was 201 (31 December 2013: 193). From the above disclosure it was noted that personnel costs are increased in 2014 compared to 2013, and this is indicated by the increased number of personnel and partly by harmonization with the organizational structure of ranks and salaries of staff in January 2014. This harmonization does not include the Governor, Deputy Governors or members of the board of CBK.

## 28. General and administrative expenses

General and administrative expenses are composed of:

	2014	2013
Insurance expenses	185	172
Repairs and maintenance	44	63
Software maintenance	240	225
Communication expense (telephone, telex and internet)	51	62
Utilities	97	99
Audit and consulting expense	18	19
Security and guard services	44	44
Travel and transportation	107	117
Vehicle operating expenses	33	29
Stores and stationery	21	27
Representation expenses	75	55
Computer and other consumables expense	10	18
Consumable expenses for equipment	40	30
Publishing and literature expenses	38	33
Professional technical assistance and other external services	121	5
Membership to professional associations *	29	26
Provisions expenses **	145	-
Other	21	32
<b>Total</b>	<b>1,319</b>	<b>1,056</b>

\* Memberships to professional associations are mainly memberships to associations, at the international level, of regulators of insurance supervision, pension supervision, credit register, for internal audit and financial reporting standards.

\*\* Provisions allocated for opened judicial disputes on 31 December 2014.

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 29. Foreign exchange net income profit/ (loss)

Net loss from the foreign exchange is EUR 225 thousands for the year ended on 31 December 2014, (whereas 2013: profit 88 thousands) represent unrealized profits/losses in relation to foreign exchanges differences resulting upon translation of SDR assets and liabilities on the CBK books.

## 30. Cash and cash equivalents

Cash and cash equivalents are composed of:

	Note	2014	2013
Cash on hand	7	29,178	27,384
Current accounts with non-resident banks	8	323,401	61,083
Treasury bills with maturity up to three months	9	-	189,963
Deposits with non-resident banks with maturity up to three months	10	410,007	553,449
<b>Total</b>		<b>762,586</b>	<b>831,879</b>

Cash and cash equivalents are held for the purpose of fulfilling liquidity liabilities, mainly short-term. An investment is qualified as a cash equivalent when it has a short-term maturity, less than three months from the date of acquisition.

## 31. Commitments and contingencies

### Legal

CBK has several opened judicial proceedings against her at the reporting date of these financial statements. The opinion of management is that the ultimate outcome of these claims will not have a significant effect on the CBK financial statements and for the year ended on 31 December 2014. However, wishing to be more responsive, for some of them we have evaluated the allocation of a reserve fund, disclosed as item to other liabilities.

### Credit related commitments

On 31 December 2014, CBK had commitments to place deposits in total amount of EUR 149 million (31 December 2013, CBK had commitments to place deposits in the total amount of EUR 50 million).

# Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended on 31 December 2014

(in thousands of EUR, unless otherwise stated)

## 31. Commitments and contingencies (continued)

### Credit related commitments (continued)

#### *Other commitments*

Other commitments are composed of:

	2014	2013
Service contracts	17	47
Equipment contracts	145	27
<b>Total</b>	<b>162</b>	<b>74</b>

In 2009, Kosovo became member of the World Bank Group organizations - International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (MIGA). In relation to this membership, 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 to the World Bank above mentioned agencies, upon their requests and payment instructions. Total amount of these promissory notes in 31 December 2014 was 645 thousands and in 2013, EUR 654 thousands.

## 32. Related party transactions

Related parties include key management and Central bank Board. Their compensations are presented below:

	2014	2013
Compensations for the members of Central Bank Board	81	116
Compensations for Audit Committee	7	8
Compensations to Key Management Personnel	216	170
<b>Total</b>	<b>304</b>	<b>294</b>

## 33. Subsequent events

There are no important subsequent events after the reporting date that would require either adjustments or additional explanatory notes in these financial statements.