



Central Bank of the Republic of Kosova

Financial Statements

as at and for the year ended 31 December 2024

Accompanied by the Independent Auditor's Report

Contents	Page
Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 54

INDEPENDENT AUDITOR'S REPORT

To the Board of Central Bank of the Republic of Kosovo

Opinion

We have audited the financial statements of Central Bank of the Republic of Kosovo (the "CBK" or the "Central Bank"), which comprise the statement of financial position as at December 31, 2024, 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 December 31, 2024, 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 Accountant's International Code of Ethics for Professional Accountant's (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of CBK as of and for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2024.

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 IFRS, 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.



Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 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.



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Engagement Partner

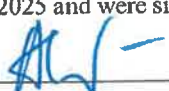
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June 4, 2025

Central Bank of the Republic of Kosovo
Statement of financial position
As of 31 December 2024

<i>In thousands of EUR</i>	Note	2024	2023
Assets			
Current assets			
Cash on hand	7	77,017	101,932
Current accounts with non-resident banks	8	147,633	426,077
Securities (Treasury bills and Bonds)	9	192,364	383,879
Money market placements	10	506,806	205,252
Assets related with IMF	11	154,934	153,831
Other assets	14	2,673	2,476
Total current assets		1,081,427	1,273,447
Non-current assets			
Securities (Treasury bills and Bonds)	10	539,730	333,935
Assets related with IMF	11	25,255	24,430
Property and equipment	12	4,179	4,276
Intangible assets	13	836	896
Total non-current assets		570,000	363,537
Total assets		1,651,427	1,636,984
Liabilities			
Current Liabilities			
Due to domestic banks	15	656,260	590,622
Due to IMF related accounts	16	1,135	1,297
Due to governmental institutions	17	575,251	511,903
Due to public and commercial entities	18	104,611	240,202
Borrowings	19	228	222
Other liabilities	20	2,042	8,362
Total current liabilities		1,339,527	1,352,608
Non-current liabilities			
Due to IMF related accounts	16	189,420	182,920
Borrowings	19	1,256	1,440
Other liabilities	20	827	860
Total non-current liabilities		191,503	185,220
Total liabilities		1,531,030	1,537,828
Capital and reserves			
Authorized capital	21	30,000	30,000
Reserve fund	21a	56,997	39,507
Revaluation reserve	21a, 29	1,783	2,018
Retained earnings		31,617	27,631
Total capital and reserves		120,397	99,156
Total liabilities, capital and reserves		1,651,427	1,636,984

These financial statements were approved by the decision-making bodies¹ of the Central Bank of the Republic of Kosovo on April 24, 2025 and were signed on their behalf by:


 Ahmet Ismaili
 Governor


 Faton Ahmetaj
 Director of Financial Department

The accompanying Notes 1 to 33 form 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 2024

<i>Expressed In thousands of EUR</i>	Note	2024	2023
Interest income			
Interest income		45,149	34,526
Interest expense		(17,922)	(9,350)
Net interest income	22	27,227	25,176
Fee and commission income			
Fee and commission income		4,716	4,140
Fee and commission expense		(1,221)	(1,274)
Net fee and commission income	23	3,495	2,866
Regulatory and other operating activities income			
Income from regulatory activity	24	8,722	7,849
Income from grants	20, 25	50	81
Other operating income	26	22	19
Foreign exchange profit / (loss)	29	783	(182)
Operating income		40,299	35,809
Administrative (operating) expenses			
Personnel expenses	27	(6,036)	(5,588)
Depreciation and amortization	12,13	(890)	(840)
General and administrative expenses	28	(1,663)	(1,697)
Administrative (operating) expenses		(8,589)	(8,125)
Financial result before allowance for expected credit losses		31,710	27,684
Expected credit losses, net	4	(93)	(53)
Profit for the year		31,617	27,631
Other comprehensive income		-	-
Total comprehensive income for the year		31,617	27,631

The accompanying Notes 1 to 33 form 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 2024

<i>In thousands of EUR</i>	Capital	Reserve fund	Revaluation reserves	Retained earnings	Total
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
Balance as at 1 January 2024	30,000	39,507	2,018	27,631	99,156
Transfer to reserve fund	-	17,490	(235)	(17,255)	-
Transfer to Treasury – Ministry of Finance	-	-	-	(10,376)	(10,376)
Total transactions required by law	-	17,490	(235)	(27,631)	(10,376)
Profit for the year	-	-	-	31,617	31,617
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	31,617	31,617
Balance as at 31 December 2024	30,000	56,997	1,783	31,617	120,397

The accompanying Notes 1 to 33 form 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 2024
(in thousands of Euros, unless otherwise stated)

<i>In thousands of EUR</i>	Note	2024	2023
Cash flow from operating activities			
Profit for the year		31,617	27,631
<i>Adjustments for:</i>			
Depreciation	12	632	555
Amortisation	13	258	286
Income from grants	25	(50)	(81)
Expected credit losses	4	93	53
Foreign exchange net profit / loss	29	(783)	182
Interest income	22	(45,149)	(34,526)
Interest expense	22	17,922	9,350
		4,540	3,450
Change in treasury bills and government bonds		(4,378)	(51,881)
Change in money market placements		(201,000)	75,105
Change in assets related to IMF		(7,513)	131,205
Change in other assets		(170)	240
Change in due to commercial banks		65,622	(3,659)
Change in due to IMF related accounts		937	128,345
Change in due to government institutions		62,926	(73,880)
Change in due to public and commercial entities		(135,587)	109,064
Change in other liabilities		(6,304)	6,814
		(220,927)	68,112
Interest received		44,869	33,718
Interest paid		(17,712)	(9,259)
Net cash generated by/(used in) operating activities		(193,770)	92,571
Cash flow from investing activities			
Purchase of equipment	12	(428)	(632)
Purchase of intangible assets	13	(198)	(139)
Net cash used in investing activities		(626)	(771)
Cash flow from financing activities			
Repayments of borrowings	19	(224)	(224)
Proceeds from grants	20	15	45
Net cash generated from financing activities		(209)	(179)
Net (decrease)/increase in cash and cash equivalents		(194,605)	91,621
The effect of foreign exchange rate (in cash and its equivalents)		1,392	(189)
Cash and cash equivalents at 1 January		732,056	640,624
Cash and cash equivalents at 31 December	30	538,843	732,056

The accompanying Notes 1 to 33 form 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 2024
(in thousands of Euros, unless otherwise stated)

1. The Reporting Entity

The Central Bank of the Republic of Kosovo (hereinafter referred to as “CBK” or the “Central Bank”), the successor to the Central Banking Authority of Kosova, is an independent legal entity with full legal capacity under the laws applicable in the Republic of Kosovo. The CBK is a distinct public institution with the authority to license, supervise, and regulate financial institutions within the Republic of Kosovo.

The CBK operates in accordance with Law No. 03/L-209 on the Central Bank of the Republic of Kosovo (hereinafter referred to as the “Law on CBK”). Pursuant to this law, the principal objectives of the 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 stipulated by the Law on CBK, the Central Bank shall act in accordance with the principles of an open market economy and free competition, promoting the efficient allocation of resources.

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

Garibaldi Street, No. 33
Prishtina, Republic of Kosovo.

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

The decision-making bodies of the CBK are the Central Bank Board, the Executive Board, and the Governor. In accordance with Article 34, paragraph 2, and the temporary provision of Article 79, paragraph 2, of the Law on the CBK, the Central Bank Board consists of four non-executive members and the Governor. It is responsible for supervising the implementation of policies, as well as overseeing the administration and operations of the CBK.

As of 31 December 2024, the Central Bank Board was composed 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)

As of 31 December 2023, the Central Bank Board was composed of the following members:

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

On 5 February 2023, Mr. Bashkim Nurboja was elected Chairman of the Board, following the expiration of Mr. Mrasori’s mandate.

From 29 March 2023 to August 2023, the CBK Board, pursuant to Article 46 of the Law on the CBK, assumed the powers of the Executive Board in accordance with the provisions of this article. In August 2023, the new Executive Board members were elected, and the CBK Board members returned to their respective appointments as members of the Central Bank Board.

Since August 2023, both decision-making bodies of the CBK have been fully functional.

1. The Reporting Entity (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 implementing the policies and overseeing the operations of the Central Bank of Kosovo (CBK).

As of 31 December 2024, the Executive Board comprised the Governor, who serves as the Chairman, and three Deputy Governors.

As of 31 December 2023, the Executive Board consisted of the Governor and one Deputy Governor, with two Deputy Governor positions vacant.

Additionally, as of 1 January 2023, the Executive Board consisted of the Governor and an Acting Deputy Governor.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity financial assets and contingent consideration that have been measured at fair value. The detailed measurement basis is presented in note 3.

c) Functional and presentation currency

The financial statements are presented in Euros and all values are rounded to the nearest thousand Euros (000), except when otherwise indicated.

d) Use of estimates and judgments

In preparing these financial statements, management has exercised judgments, made estimates, and applied assumptions that influence the implementation of policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may vary from these estimates.

Estimates and assumptions are continuously reviewed. Revisions to accounting estimates are accounted for in the period of the revision and in subsequent periods if applicable. Details of significant areas of estimation uncertainty and critical judgments in applying accounting policies, which have a substantial impact on the amounts reported in the financial statements, are provided in note 5.

The accounting policies outlined below have been applied consistently across all periods presented in these financial statements.

e) Circumstances for the performance of Central Bank operations in 2024

In 2024, inflation had a moderate impact on the consumer price index and overall price increases, in contrast to the inflation experienced in 2023, which was marked by significant price increases. These were driven by a combination of domestic and international factors, primarily the ongoing war in Ukraine and rising energy prices.

The impact of inflation on CBK's operational activities in 2024 was relatively limited. However, interest rates experienced a significant increase during the year. The value of CBK's financial assets was not directly affected by rising interest rates due to the nature of the CBK's financial instruments portfolio. The increase in interest rates positively influenced interest income, contributing to growth in net interest income. This trend enabled CBK to achieve improved financial results in 2024 and bolster its financial stability.

The war in Ukraine, the strengthening of international sanctions against the Russian Federation, and the Middle East conflict did not have a significant impact on CBK's activities or financial results during the reporting period. Nevertheless, CBK continues to closely monitor these developments and remains vigilant to their potential effects on the economy and financial stability of the Republic of Kosovo.

3. Material accounting policies

f) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate applicable on the reporting date. The foreign currency gain or loss on monetary items represents the difference between the amortized cost in the functional currency at the beginning of the period (adjusted for 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.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction. Foreign currency differences are typically recognized in profit or loss and presented under finance costs.

3. Material accounting policies (continued)

g) Interest income or expense

Interest income or expense is recognized using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts over the expected life of a financial instrument to:

- The gross carrying amount of financial assets, or
- The amortized cost of financial liabilities.

The effective interest rate is determined at the initial recognition of a financial asset or liability and is not revised subsequently.

Transaction costs include those directly attributable to the acquisition, issuance, or disposal of an asset or financial liability. Interest income or expense reported in profit or loss includes interest from financial assets or liabilities measured at amortized cost using the effective interest method.

a) Fees and commissions

Revenues and expenses from fees and commissions that are integral to the calculation of the effective interest rate on a financial asset or liability are included in the determination 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. Similarly, other expenses related to commissions and fees primarily pertain to transaction and service fees, which are recognized as the services are received.

b) Employee benefits

CBK applies compulsory social insurance contributions that provide pension benefits to employees upon retirement. These contributions are classified as defined contribution plans, in accordance with Kosovo legislation. CBK's contributions are charged to profit or loss as they are incurred.

In addition, CBK employees are entitled to jubilee benefits and a predetermined amount upon retirement. The liability for post-employment benefits is calculated annually and charged to profit or loss.

c) Taxation and profit allocation

CBK is exempt from profit tax under Law No. 03/L-209, approved on July 22, 2010. Note 4(f) provides details on CBK's profit allocation method.

d) Financial assets and liabilities

Financial assets are measured at amortized cost (hold-to-collect model) and include cash and cash equivalents, securities, deposit accounts with non-resident banks, IMF-related assets, 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 or 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 specify cash flows on particular dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

CBK liabilities are measured at amortized cost and include amounts due to domestic banks, government institutions, public and commercial entities, IMF-related accounts, loans, and other financial liabilities. Income or expenses from financial liabilities measured at amortized cost are recognized in profit or loss.

3. Material accounting policies (continued)

i) Recognition

Financial assets and liabilities are initially recognized when CBK becomes a party to the contractual provisions of the instrument. Upon initial recognition, a financial asset is classified for subsequent measurement as either:

- Amortized cost (AC),
- Fair value through other comprehensive income (FVOCI), or
- Fair value through profit or loss (FVTPL).

A financial asset or liability is initially measured at fair value, adjusted for transaction costs directly attributable to its acquisition or issuance, except for items measured at fair value through profit or loss (FVTPL).

i. Reclassification

CBK's financial assets may be reclassified after their initial recognition if CBK changes the business model governing the financial assets and their measurement.

If CBK reclassifies a financial asset or a group of financial assets from the amortized cost measurement method to the fair value measurement method through profit or loss, their fair value will be determined on the reclassification date. Any net gain or loss resulting from the difference between the amortized cost and the fair value of the financial asset is recognized in profit or loss.

ii. Derecognition

CBK derecognizes a financial asset when the contractual rights to its cash flows expire, or when it transfers the rights to receive the cash flows in a transaction where substantially all risks and rewards of ownership are transferred. Alternatively, derecognition occurs if CBK neither transfers nor retains substantially all risks and rewards of ownership and does not retain control of the financial asset.

Upon derecognition of a financial asset, the difference between the carrying amount of the asset (or the portion of the asset that is derecognized) and the sum of the following is recognized in profit or loss:

- (i) The consideration received, including any new asset acquired or liability assumed, and
- (ii) Any cumulative gain or loss previously recognized in other comprehensive income.

New or retained contractual rights to transferred financial assets that qualify for derecognition are recognized as a separate asset or liability.

Transactions in which CBK 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) are not derecognized (e.g., securities lending and sale-and-repurchase transactions).

In cases where CBK neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset but retains control over the asset, CBK continues to recognize the asset to the extent of its ongoing involvement, as determined by its exposure to changes in the value of the transferred asset.

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

iii. Changes in financial assets and liabilities

If the terms of a financial asset are modified, CBK assesses whether the cash flows of the modified asset differ substantially from the original. If the cash flows are substantially different, the contractual rights to cash flows from the original financial asset are considered expired. In such cases, the original financial asset is derecognized (refer to Section (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, the modification does not result in derecognition of the financial asset. Instead, CBK recalculates the gross carrying amount of the financial asset, recognizing any adjustments as a modification gain or loss in profit or loss. If the modification arises due to the borrower's financial difficulties, the gain or loss is presented alongside impairment losses. Otherwise, it is presented as interest income.

3. Material accounting policies (continued)

iii. Changes in financial assets and liabilities (continued)

CBK derecognizes a financial liability if its terms are modified and the cash flows of the modified liability are substantially different. In such cases, 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 under modified terms is recorded in profit or loss. If the modification of a financial liability does not result in derecognition, 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.

iv. Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position only when CBK has the legal right to set off these 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.

v. Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which it is initially recognized, adjusted for principal repayments, plus or minus the cumulative amortization of any difference between the initial recognized amount and the maturity amount, calculated using the effective interest method, and reduced by any impairment-related discounts.

vi. 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 as of 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 active if quoted prices are readily and regularly available and represent actual, frequently occurring market transactions conducted on an arm's length basis.

If a market for a financial instrument is not active, CBK determines its fair value using a valuation technique. Valuation techniques may include the use of the most recent arm's length transactions between knowledgeable and willing parties (if available), reference to the current fair value of substantially similar instruments, discounted cash flow analyses, or option pricing models.

The selected valuation technique maximizes the use of market inputs, minimizes reliance on CBK-specific estimates, incorporates all factors that market participants would consider in determining a price, and adheres to accepted economic methodologies for pricing financial instruments. Inputs used in valuation techniques reasonably represent market expectations and the risk-return factors inherent in the financial instrument.

CBK regularly calibrates its valuation techniques and tests their validity using prices derived from observable current market transactions in the same instrument or from other available market data.

viii. Expected Credit Losses

CBK recognizes loss allowances for expected credit losses (ECL) for financial assets measured at amortized cost. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, where they are measured as 12-month ECL:

- Debt investment securities determined to have low credit risk at the reporting date.
- Other financial instruments for which the credit risk has not increased significantly since initial recognition.

CBK considers a debt security to have low credit risk if its credit rating is equivalent to the globally recognized definition of "investment grade."

3. Material accounting policies (continued)

viii. Expected Credit Losses (continued)

12-month ECL represents the portion of ECL arising from possible default events within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are categorized as Stage 1 financial instruments.

Lifetime ECL represents the ECL arising from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognized, but are not credit-impaired, are classified as "Stage 2 - Underperforming financial instruments.

Measurement of ECL

The ECL impairment model is a probability-based measurement which includes the impact of different possible outcomes and it is based on a complex calculation method of the economic scenarios.

CBK calculates the ECL (Expected credit losses) by using to the following formula:

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

EAD - Exposure at default is an estimate of CBK's exposure to its counterparty at the time of default.

LGD - Loss Given Default (LGD) refers to the projected loss incurred in the event of a default. CBK bases its assessments on internal judgment and also utilizes several risk approaches, as defined under Basel standards, to evaluate 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).

ECL - Expected credit loss is the probability-weighted estimate of credit losses and it is measured as follows:

- For 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 contractual cash flows due to CBK and the cash flows that CBK expects to receive);
- For financial assets that are credit-impaired at the reporting date: as the difference between the asset's gross carrying amount and the present value of estimated future cash flow.

g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash balances on hand, demand deposits with banks, and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant risk of changes in fair value and are used by CBK to manage 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 recognized at fair value plus incremental direct transaction costs. Subsequently, they are measured at amortized cost under the "hold to collect" business model, applying the effective interest rate method. All purchases and sales of investment securities are recognized on the settlement date, being the date the asset is received or delivered.

Financial assets classified under amortized cost/hold-to-collect are non-derivative instruments with fixed or determinable payments and fixed maturities, for which CBK has both the positive intent and the ability to hold to maturity, and which are not designated at fair value through profit or loss.

i) Deposits and borrowings

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

3. Material accounting policies (continued)

j) IMF related assets and liabilities

The financial position with the International Monetary Fund (IMF) is fully reflected in CBK's balance sheet. IMF-related assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Exchange rate gains and losses arising from the revaluation of IMF-related assets and liabilities are recognized in the statement of comprehensive income.

j) 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 directly attributable to the acquisition of the asset. For CBK self-constructed assets, the cost encompasses materials, direct labor, and any other expenses necessary to bring the asset to

a functional condition for its intended use, including the costs of dismantling, removing the items, and restoring the site where they are located.

Purchased software that is integral to the operation of the related equipment is capitalized as part of that equipment.

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

k) Property and equipment (continued)

ii. Subsequent costs

The cost of replacing a part of an item of property or equipment is included in the carrying amount of the item if it is probable that the future economic benefits associated with the replaced part will flow to CBK and the cost can be measured reliably. However, the expenses for routine maintenance and servicing of property and equipment are recognized in profit or loss as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss using the straight-line method over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

	2024	2023
Leasehold improvements	20 years	20 years
Equipment	5 years	5 years
Computers	3 years	3 years
Vehicles	5 years	5 years

The useful life of other equipment is evaluated on a case-by-case basis. The depreciation method, useful life, and residual value are reviewed and reassessed at each reporting date.

l) Intangible assets

Software acquired by CBK is recorded at cost, less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software is capitalized only if it enhances the future economic benefits associated with the specific asset. All other expenditures are recognized as incurred.

3. Material accounting policies (continued)

l) Intangible assets (continued)

Amortization is charged to profit or loss on a straight-line basis over the estimated useful life of the software, beginning from the date it becomes available for use. The useful life of each software asset is assessed based on its expected utilization without significant upgrades, which is currently estimated to range from 3 to 10 years.

The amortization method, useful life, and residual value are reviewed and reassessed at each reporting date.

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

CBK's funding sources include deposits from international, governmental, public, banking, and other financial institutions. Financial liabilities are measured at amortized cost using the effective interest 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 is 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 calculated 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 applicable, the specific risks related to the liabilities.

The provision for onerous contracts is recognized when the expected benefits to CBK from a contract are less than the unavoidable costs of fulfilling the contractual obligations. 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 establishing a provision, CBK recognizes any impairment loss on the assets associated with the contract.

3. Material accounting policies (continued)

r) Standards, amendments and interpretations that are already effective.

In the current year, the Company has implemented several amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB). These amendments are mandatorily effective for accounting periods beginning on or after January 1, 2024.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (including the Deferral of Effective Date) (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to materially affect the current or future periods.

s) Standards, amendments and interpretation issued but not yet effective

The new and amended standards and interpretations that have been issued but are not yet effective as of the date of these financial statements are outlined below. CBK intends to adopt these new and amended standards and interpretations, where applicable, when they become effective.

The following amendments are not effective for the period beginning on January 1, 2024:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments);
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7);
- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

The Central Bank has decided not to apply these standards, revisions, and interpretations before their effective date. It anticipates that their application will not have a significant impact on its financial statements. However, their full impact will be reassessed when a decision is made regarding their implementation.

4. Financial risk management

a) Introduction and overview

CBK is exposed to the following risks arising from its activities and the use of financial instruments:

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

This note provides details about CBK's exposure to these risks, along with its objectives, policies, and procedures for measuring and managing risk. It also outlines CBK's approach to administering activities and capital. Additional qualitative and quantitative disclosures are included throughout these financial statements."

Risk Management Framework

The Central Bank Board holds overall responsibility for overseeing the administration of CBK's activities, including risk management. The Executive Board is responsible for identifying and assessing risks and preparing plans to ensure the continuity of operations and the security of the Central Bank in the event of unforeseen circumstances.

CBK management provides regular reports, on a quarterly basis, through the Risk Management Department and the CBK Executive Board to the Central Bank Board on risk management and administration practices. The Executive Board, the Investments Committee, and the Risk Management Department are tasked with developing and monitoring CBK's risk management and administration policies in collaboration with the organizational units. These policies are then implemented by the relevant organizational units.

CBK's risk management and administration policies are designed to identify and analyze the risks CBK encounters, establish appropriate risk controls and limits, and monitor risks and compliance with those limits. These policies and systems are periodically reviewed to reflect changes in market conditions, products, and services offered. Through training programs, management standards, and procedures, CBK fosters a disciplined and constructive control environment in which employees fully understand their roles and responsibilities.

CBK's Audit Committee is tasked with monitoring and reviewing compliance with risk management policies and procedures, as well as evaluating the adequacy of the risk management framework in relation to the risks CBK faces. The Audit Committee is supported in these duties by the Internal Audit Department, which conducts regular and ad hoc audits of risk management controls and procedures. The results of these audits are reported by the Chief Internal Auditor to the Audit Committee and subsequently to the Central Bank Board.

b) Credit risk

Credit risk refers to the potential financial loss to CBK if a counterparty to financial instruments fails to fulfill its contractual obligations. This risk primarily arises from CBK's investments in securities and deposits (whether in money markets or current accounts) with other banks.

For credit risk management reporting purposes, CBK considers and consolidates all elements of credit risk exposure, including individual obligor default risk, as well as country and sector risks.

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(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 mitigates its credit risk exposure by investing exclusively in securities issued by EU governments and in deposits with foreign banks whose short-term liabilities are rated within the two highest categories by internationally recognized credit rating agencies. Due to these high credit ratings, the management does not anticipate any of the counterparties failing to meet their obligations.

Risk management is carried out through::

- Limiting the scope and duration of financial instruments,
- Restricting counterparty issuers to those with an acceptable credit rating of investment grade or higher,
- Setting limits on the maximum amount and concentration of exposure with counterparties.

ii. Exposure to credit risk

Exposure to credit risk as of 31 December 2024 and 31 December 2023 is represented by the carrying value of current accounts with foreign banks, securities (Treasury bills and bonds), and deposits with banks (including both resident and non-resident banks). For further details on exposure, please refer to notes 8, 9, and 10.

The credit ratings for the financial instruments to which CBK is exposed for the period ending on 31 December 2024 range from AAA to BB-, Aaa to Baa3, and AAA to BBB-.

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

Distribution by type and credit rating

31 December 2024						
Credit rating (S&P/Moody's/Fitch)	Current accounts with non- resident banks	Money market placemen ts	Securities (Treasury Bills and Governmen t Bonds)	IMF related accounts (SDR holding and use of funds)	Total carrying value	% of total weight
AAA/Aaa/AAA	104,510	271,246	176,138	-	551,894	35.20%
AA+/Aa1/AA+	-	-	137,974	-	137,974	8.81%
AA/Aa2/AA	374	20,231	-	-	20,605	1.32%
AA-/Aa3/AA-	10,170	-	163,465	-	173,635	11.08%
A+/A1/A+	2,928	120,530	-	-	123,458	7.88%
A/A2/A	7,221	25,043	15,507	-	47,771	3.05%
A-/A3/A-	21,460	50,373	29,989	-	101,822	6.49%
BBB-/Baa3/BBB-	1,012	-	36,700	-	37,712	2.41%
BB-/Ba3/BB	-	19,479	172,789	-	192,268	12.26%
N/A (unrated - IFI)	-	-	-	180,189	180,189	11.50%
Total	147,675	506,902	732,562	180,189	1,567,328	100.00%

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

Distribution by type and credit rating

31 December 2023						
Credit rating (S&P/Moody's/Fitch)	Current accounts with non- resident banks	Money market placemen ts	Securities (Treasury Bills and Governmen t Bonds)	IMF related accounts (SDR holding and use of funds)	Total carrying value	% of total weight
AAA/Aaa/AAA	387,109	180,216	143,868	-	711,193	46.59%
AA+/Aa1/AA+	-	-	129,489	-	129,489	8.48%
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	11.69%
Total	424,844	205,280	718,181	178,261	1,526,566	100.00%

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

The primary criterion for determining exposure is the credit rating, which is obtained from credit rating agencies. The minimum credit rating required for short-term investments is P-2 (Moody's) or A-2 (Standard & Poor's), while for long-term investments, it is Baa3 (Moody's) or BBB (Standard & Poor's).

In exceptional circumstances where achieving positive returns is not feasible, investment exposure is allowed with a short-term credit rating of P-3 (Moody's) or A-3 (Standard & Poor's) and a long-term credit rating of Ba3 (Moody's) or BB- (Standard & Poor's).

The impairment model for financial assets is based on common characteristics of credit risk, specifically changes in credit risk since the initial recognition of financial assets. It defines three stages for evaluating expected credit losses, summarized as follows:

Stage 1 (Performing): Financial assets classified as low or medium risk exposure are included in this phase at initial recognition. According to CBK's internal procedures, CBK is prohibited from investing in higher-risk exposures, so all investments at initial recognition are allocated to Stage 1 exposure.

Stage 2 (Underperforming): Financial assets are moved from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition.

Stage 3 (Non-performing): Assets are moved to Stage 3 only when objective evidence exists indicating that the counterparty is likely to default on its obligations.

Evaluations are conducted at initial recognition and at the reporting date. The model used for Stage 1 is based on a 12-month expected credit loss assessment, but it may vary depending on the composite level of credit exposure, significant changes in credit risk growth, or a credit-impaired financial asset portfolio.

A significant increase in credit risk, as the criterion for moving from Stage 1 to Stage 2, is indicated when a portfolio's credit rating drops from investment grade to non-investment grade.

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

Definition of default:

Default criteria are determined based on objective evidence, such as:

- Debtors experiencing significant financial difficulties,
- Breaches of contractual obligations related to principal or interest payments,
- Restructuring of existing terms for fulfilling obligations under a financial instrument,
- Clear evidence or probability of bankruptcy or liquidation,
- Signs of inactivity in trading (within financial markets).

The following table presents the exposure values by stages. As of the reporting date, CBK has not experienced any significant changes in credit risk since initial recognition; therefore, all financial assets remain classified under Stage 1.

	2024 ²			2023		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Current accounts with non-resident banks	147,675	-	-	426,194	-	-
Securities (Treasury bills and Government bonds)	732,562	-	-	718,181	-	-
Money market placements	506,902	-	-	205,280	-	-
Gross carrying amount	1,387,139	-	-	1,349,655	-	-
Expected credit losses (ECL)	(606)	-	-	(512)	-	-
Net carrying amount	1,386,533	-	-	1,349,143	-	-

The movements in the respective ECL related to the financial assets to which CBK is exposed are as follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	512	-	-	512
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	94	-	-	94
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 2024	606	-	-	606

²Financial instruments associated with IMF-related accounts are excluded from both the reporting year (2024) and the comparative year. This exclusion is based on the assessment that this group does not constitute an exposure requiring allowances for expected credit losses (ECL).

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

b) Credit risk (continued)

	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

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management(continued)

e) Liquidity risk

Liquidity risk refers to the possibility that CBK might face difficulties in meeting its financial liabilities in a timely manner.

Management of Liquidity Risk

CBK's approach to managing liquidity is focused on ensuring, as far as possible, that sufficient liquidity is always available to meet its obligations on time, both under normal and adverse conditions, without incurring unacceptable losses or risking harm to CBK's reputation.

Policies for monitoring and addressing liquidity risk are established by the CBK Executive Board. Liquidity risk is managed by investing in short-term deposits with non-resident banks and maintaining adequate cash reserves in CBK's vaults. These policies are designed to guarantee that even in unfavorable conditions, CBK can fulfill its obligations.

CBK monitors its daily liquidity position and conducts regular liquidity stress tests under various scenarios, ranging from normal market conditions to more severe ones. All liquidity policies and procedures undergo review and approval by CBK management. Additionally, monthly reports on CBK's liquidity position are regularly prepared and submitted to the Investment Committee by the Asset Management Department.

Exposure to liquidity risk

Residual contractual maturities of financial assets and liabilities, excluding future interest payments:

	Note	current items		non-current items			
		Net carrying amount	Less than 1 month	1-3 months	3 mon. to 1 year	1 year to 5 years	Over 5 years
31 December 2024							
<i>Non-derivative assets</i>							
Cash on hand		77,017	77,017	-	-	-	-
Current accounts with foreign banks	8	147,633	147,633	-	-	-	-
Securities	9	732,562	-	68,521	124,312	533,085	6,644
Money market placements	10	506,902	335,402	171,500	-	-	-
Accounts in IMF	11	179,206	153,951	-	-	-	25,255
		1,643,320	714,003	240,021	124,312	533,085	31,899
<i>Non-derivative liabilities</i>							
Due to domestic commercial banks	15	(656,260)	(656,260)	-	-	-	-
Due to IMF related accounts	16	(168,887)	(68)	-	-	-	(168,819)
Due to governmental institutions	17	(575,251)	(575,251)	-	-	-	-
	18	(104,611)	(104,611)	-	-	-	-
Due to public and commercial entities							
Borrowing	19	(1,484)	-	(114)	(114)	(913)	(343)
Other domestic liabilities	20	(760)	(760)	-	-	-	-
		(1,507,253)	(1,336,950)	(114)	(114)	(913)	(169,162)
		136,067	(622,947)	239,907	124,198	532,172	(137,263)

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

A summary of CBK's interest rate gap position for non-trading portfolios is provided in the table below.

Exposure to interest rate risk – non-trading portfolios

31 December 2024	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	147,633	147,633	-	-	-	-
Securities (bonds and treasury bills)	9	732,562	9,583	-	4,781	652,294	65,904
Money market placements	10	506,902	305,261	201,641	-	-	-
Assets in IMF related accounts	11	176,459	153,951	-	-	-	22,508
Total		1,563,556	616,428	201,641	4,781	652,294	88,412
Due to domestic banks	15	(656,260)	(656,260)	-	-	-	-
Due to IMF related accounts	16	(168,887)	(68)	-	-	-	(168,819)
Due to governmental institutions	17	(575,251)	(575,251)	-	-	-	-
Due to public and commercial entities	18	(104,611)	(104,611)	-	-	-	-
Borrowings	19	(1,484)	-	-	-	-	(1,484)
Other domestic liabilities	20	(760)	(760)	-	-	-	-
Total		(1,507,253)	(1,336,950)	-	-	-	(170,303)
Difference		56,303	(720,522)	201,641	4,781	652,294	(81,891)

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	174,384	152,619	-	-	-	21,765
Total		1,523,527	900,391	103,538	163,899	333,934	21,765
Due to domestic banks	15	(590,622)	(590,622)	-	-	-	-
Due to IMF related accounts	16	(163,808)	(6)	-	-	-	(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		(1,508,955)	(1,343,491)	-	-	-	(165,464)
Difference		14,572	(443,100)	103,538	163,899	333,934	(143,699)

Financial assets and liabilities that do not bear interest are excluded from the table above.

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, 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 utilizes investment securities and bank deposits to mitigate the risks arising from CBK's non-trading activities.

Management of interest rate risk within interest rate gap limits is further supported by monitoring the sensitivity of CBK's financial assets and liabilities under various standard and non-standard interest rate scenarios. Regularly assessed standard scenarios include a 100-basis point ("bps") parallel increase or decrease across all yield curves.

An analysis of CBK's sensitivity to changes in market interest rates (assuming symmetrical movements in yield curves and a stable financial position) is presented as follows:

2024	100 bps	100 bps
	Increase	Decrease
Estimated profit (loss) effect	563	(563)

2023	100 bps	100 bps
	Increase	Decrease
Estimated profit (loss) effect	146	(146)

Exposure to Other Market Risks/Currency Risks in Non-Trading Portfolios

CBK is exposed to Special Drawing Rights (SDR) through its IMF-related assets and liabilities, as well as to USD through its assets in current accounts with non-resident banks and investments in dollar-denominated securities. This exposure is monitored on an ongoing basis.

CBK's exposure to foreign currency risk is detailed as follows:

2024	SDR		USD	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Estimated profit (loss) effect	(118)	118	209	(209)

2023	SDR		USD	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Estimated profit (loss) effect	(75)	75	99	(99)

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

31 December 2024	Euro	USD (Equivalent in EUR)	SDR (Equivalent in EUR)	Total net carrying amount
Assets				
Cash on hand	77,017	-	-	77,017
Current accounts with foreign banks	147,187	446	-	147,633
Securities (Treasury bills and bonds)	717,731	14,363	-	732,094
Money market placements	462,327	44,479	-	506,806
Assets with the IMF related accounts	983	-	179,206	180,189
Other assets	2,673	-	-	2,673
Total	1,407,918	59,288	179,206	1,646,412
Liabilities				
Due to domestic banks	656,260	-	-	656,260
Due to IMF related accounts	1,067	-	189,488	190,555
Due to governmental institutions	536,845	38,406	-	575,251
Due to public and commercial entities	104,611	-	-	104,611
Borrowings	-	-	1,484	1,484
Other domestic liabilities	2,869	-	-	2,869
Total	1,301,652	38,406	190,972	1,531,030
Net foreign currency position	106,266	20,882	(11,766)	115,382

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

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

(d) Market risks (continued)

CBK primarily conducts operations in Euros. However, the foreign currencies CBK deals with most frequently are Special Drawing Rights (“SDRs”) and USD. The exchange rates used for currency translation as of 31 December 2024 and 2023 were as follows:

	2024	2023
	EUR	EUR
1 SDR	1.25482	1.21753
1 USD	0.96256	0.90498

SDRs are supplementary foreign exchange and transaction reserve assets defined and maintained by the International Monetary Fund (IMF). Although SDRs are not a currency, they represent a potential claim on the currencies of IMF member states, which can be exchanged as needed.

SDRs were created in 1969 to address a shortage of preferred foreign exchange reserve assets, namely the US dollar and gold. The value of SDRs is determined based on a weighted basket of five major currencies: the Euro, the US Dollar, the British Pound, the Japanese Yen, and the Chinese Renminbi.

US Dollars are held in the current account and term deposits with the Federal Reserve Bank of New York.

(e) Operational risk

Operational risk refers to the potential for direct or indirect losses arising from a variety of causes related to CBK's processes, personnel, technology, and infrastructure. It also encompasses external factors beyond credit, market, and liquidity risks, such as legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all CBK operations and impacts every organizational unit.

CBK aims to manage operational risk by balancing the prevention of financial losses and reputational harm with effective cost management strategies.

The primary responsibility for developing and implementing controls to monitor operational risk is assigned to managerial staff within each organizational unit. This responsibility is supported by adherence to CBK's overarching policies, rules, and procedures for managing operational risk in the following areas:

- Allocation of duties and responsibilities, including the independent authorization of transactions;
- Transaction evaluation and monitoring requirements;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Periodic assessment of operational risks and evaluation of controls and procedures to mitigate such risks;
- Reporting of operational losses and proposed corrective actions;
- Development of contingency plans;
- Training and professional development programs;
- Upholding ethical standards and codes of conduct;
- Risk mitigation measures, including the use of insurance where effective

4. Financial risk management (continued)

(f) Capital management

Compliance with Standards and Reporting Framework for Financial Items

CBK relies on internal policies, rules, and procedures to prepare periodic reports based on these standards. These reports are then reviewed by the Department for Risk Management and the Department for Internal Audit. The findings from both departments are discussed with the management of the relevant organizational units. Additionally, the evaluations are submitted to and reviewed by the Audit Committee and other decision-making bodies of the CBK.

General Reserve and Unrealized Revaluation Reserve Accounts

In accordance with the Law, CBK is required to establish and maintain a general reserve, which may only be used to cover losses incurred through its activities. Furthermore, CBK must establish unrealized revaluation reserve accounts to record unrealized profits and losses related to positions in foreign currencies, gold, financial instruments, and other assets.

Calculation of Net Profits or Losses

Pursuant to Law No. 03/L-209, CBK calculates net profits or losses in accordance with the International Financial Reporting Standards (IFRS).

Determination of Earnings Available for Distribution

The distributable earnings are determined as follows:

- Deducting unrealized revaluation profits from the net profits and allocating an equivalent amount to the unrealized revaluation reserve account;
- Deducting unrealized profits that were previously allocated to the reserve account in prior years and realized during the current financial year, then adding this amount to the distributable earnings.

Treatment of Unrealized Revaluation Losses

Unrealized revaluation losses are transferred to the respective reserve accounts until these accounts have a zero balance. Once depleted, the losses are covered using the current year's profit, followed by the general reserve account, and finally the authorized capital account.

Allocation of Net Profit

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

- Net profit is first allocated to the general reserve fund until the combined amount of initial capital and general reserves equals five percent (5%) of the Central Bank's monetary liabilities.
- After fulfilling the 5% criterion, 50% of the remaining net income is transferred to the Ministry of Finance, while the other 50% is allocated to the Central Bank's general reserve fund.

Central Bank of the Republic of Kosovo
Notes to the financial statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

4. Financial risk management (continued)

(f) Capital management (continued)

Distributable incomes		
Description	2024	2023
Total comprehensive income for the year	31,617	27,631
From which are unrealized FX gains (profits) (note 29)	(783)	-
From which are unrealized revaluation losses that were realized in the current year	-	-
Distributable incomes	30,834	27,631
Capital, general reserve account and distributable earnings		
	2024	2023
Capital	30,000	30,000
General reserve	56,997	39,507
Distributable earnings	30,834	27,631
Total Capital, general reserve account and distributable earnings	117,831	97,138
Total monetary liabilities		
	2024	2023
Due to domestic commercial banks	656,127	590,505
Due to governmental institutions	574,631	511,705
Due to IMF related accounts	189,488	182,925
Due to public and commercial entities	104,576	240,163
Borrowings	1,484	1,662
Due to other monetary liabilities	760	757
Total monetary liabilities³	1,527,066	1,527,717
Ratio as per Article 56, paragraph 1.1.	7.72%	6.36%
Capital and reserves (Article 56, p.1.1.)	117,831	97,138
Capital and reserves (Article 56, p.1.1.) – Limit of 5%	76,353	76,386
Distributable earnings above the limit of 5%	30,834	20,752
50% of distributable earnings	15,417	10,376

(g) Asset management

In accordance with Laws No. 03/L-209 and No. 03/L-048, CBK is entrusted with the responsibility of making and managing authorized investments on behalf of the Ministry of Finance.

³ Excluding accruals.

5. Use of estimates and judgments

The preparation of financial statements requires the use of estimates and assumptions about future events, which introduce uncertainty and affect the amounts recognized for assets, liabilities, income, and expenses. Management collaborates with the Central Bank Board to develop, select, and disclose CBK's critical accounting policies and estimates, as well as their application.

Estimates and judgments are continuously reviewed, drawing on historical experience and other factors, including reasonable expectations of future events under specific circumstances. However, actual results may differ from these estimates.

Estimates and assumptions undergo regular reassessment, and the results of these evaluations are recognized prospectively.

Key sources of estimation uncertainty

Allowances for Expected Credit Losses

Assets measured at amortized cost are assessed continuously to identify potential impairment. Uncertainty in this assessment, which could result in a material adjustment during the reporting period, arises in cases such as the determination of data for the ECL measurement model, including forward-looking information and key assumptions used to estimate recoverable cash flows.

The specific components of the total allowance for the impairment of financial assets, evaluated individually, are based on management's best estimate of the present value of expected cash flows. When estimating these cash flows, management exercises judgment regarding the financial condition of the counterparty and the net realizable value of any established collateral.

Other Global Developments

In the financial statements for 2023 and 2024, CBK's international reserves, comprising highly rated securities and short-term bank deposits in EUR currency, have not been significantly impacted by the economic slowdown, inflation trends, or other global crises during these years. This holds true for the markets where the bank has exposure to foreign reserves. Furthermore, CBK does not anticipate any material impact in the year following the reporting period.

Critical Accounting Judgments in Applying CBK's Accounting Policies

Critical accounting judgments involved in applying CBK's accounting policies include the following:

Financial Asset and Liability Classification

CBK's accounting policies allow assets and liabilities to be initially categorized into different accounting classifications based on specific circumstances. When classifying financial assets as "held to collect contractual cash flows," CBK demonstrates the positive intent and ability to retain these assets until their maturity date, as required by its accounting policies.

Additionally, the key judgments made in implementing accounting policies, which significantly influence the amounts recognized in the financial statements, include:

- Establishing criteria to determine whether the credit risk of a financial asset has significantly increased since initial recognition;
- Developing methodologies to incorporate forward-looking information in the measurement of Expected Credit Losses (ECL); and
- Selecting and approving the models utilized for ECL measurement.

6. Financial assets and liabilities (Accounting classifications and fair values)

The table below outlines CBK's classification of each category of financial assets and liabilities, along with their fair values. All financial assets are measured at amortized cost and classified as 'held to collect'.

31 December	Note	2024		2023	
		Amortised cost	Fair value	Amortised cost	Fair value
Cash on hand	7	77,017	77,017	101,932	101,932
Current accounts with foreign banks	8	147,633	147,633	426,077	426,077
Securities	9	732,094	724,185	717,814	705,860
Money market placements	10	506,806	205,252	205,252	205,252
Assets related with IMF	11	180,189	178,261	178,261	178,261
Other assets	14	2,673	145	145	145
		1,646,412	1,332,493	1,629,481	1,617,527
Due to domestic banks	15	656,260	656,260	590,622	590,622
Due to IMF related accounts	16	190,555	190,555	184,217	184,217
Due to governmental institutions	17	575,251	575,251	511,903	511,903
Due to public and commercial entities	18	104,611	104,611	240,202	240,202
Borrowing	19	1,484	1,484	1,662	1,662
Other domestic liabilities	20	760	760	758	758
		1,528,921	1,528,921	1,529,364	1,529,364

7. Cash on hand

Cash on hand:

	2024	2023
Cash on hand	77,017	101,932
Total amount	77,017	101,932

The balances align with the typical trend of management's assessment and account cash flow in our financial positions for the reporting periods, specifically for the year ending December 31, as outlined in the related disclosure notes.

8. Current accounts with non-resident banks

These accounts are held at the following banks:

	2024	2023
Deutsche Bundesbank	47,999	319,333
Raiffeisen Zentralbank	1,721	6,023
Deutsche Bank	1,166	10,534
Banque centrale du Luxembourg	55,761	67,529
Commerzbank AG	465	1,078
Bank of Lithuania	6,026	20,101
Federal Reserve Bank (FED-NY)	327	246
DZ Bank AG	374	-
Hrvatska Narodna Banka	21,368	-
Erste Group Bank AG	743	-
National Bank of Belgium	10,145	-
Banca D'Italia	1,009	-
Total carrying amount	147,104	424,844
Expected Credit Losses (ECLs)	(42)	(117)
Total net amount	147,062	424,727

9. Securities (treasury bills and government bonds)

Both categories within the group consist of debt securities issued by the European Union, the United States, and Kosovo. The treasury bills detailed below have maturities of up to one year, whereas government bonds have maturities of up to seven years.

The effective interest rate on securities ranges from -0.014% to 4.998% per annum in 2024 (2023: -0.014% to 5.104% per annum).

Analytical breakdown of securities categorized by type and issuing countries:

State	2024			2023		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Germany	58,625	(34)	58,591	80,243	(32)	80,211
France	48,499	(30)	48,469	69,396	(33)	69,363
Netherlands	73,606	(37)	73,569	49,337	(15)	49,322
Finland	67,759	(40)	67,719	60,578	(19)	60,559
Slovenia	29,989	(19)	29,970	20,695	(15)	20,680
Luxemburg	29,543	(4)	29,539	9,795	(2)	9,793
Belgium	69,117	(36)	69,081	89,857	(44)	89,813
Austria	70,216	(49)	70,167	68,911	(17)	68,894
Ireland	45,849	(15)	45,834	31,322	(2)	31,320
USA	14,364	(2)	14,362	4,493	(1)	4,492
Italy	36,700	(30)	36,670	37,836	(28)	37,808
Poland	15,506	(38)	15,468	15,658	(28)	15,630
Kosovo	172,789	(134)	172,655	180,060	(131)	179,929
Total	732,562	(468)	732,094	718,181	(367)	717,814

Securities (treasury bills and government bonds)

By type:

	2024			2023		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Treasury bills	14,364	(2)	14,362	74,019	(20)	73,999
Government Bonds	718,198	(466)	717,732	644,162	(347)	643,815
Total	732,562	(468)	732,094	718,181	(367)	717,814

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

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	367	-	-	367
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	101	-	-	101
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 2024	468	-	-	468

	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	-	-	-	-
Exchange rate adjustments	-	-	-	-
At 31 December 2023	367	-	-	367

The table below presents the geographical distribution of investments in securities, detailing the minimum, maximum, and average effective interest rates, along with the percentage of concentration and maturities at the state level.

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

2024						
State	Minimum effective interest	Maximum effective interest	Average effective interest	Carrying amount	% of weight to total	Maturity
Germany	0.49757%	3.03205%	2.10637%	58,625	8.00%	2025-2027
France	0.85635%	2.37200%	1.61417%	48,499	6.62%	2025-2027
Netherlands	2.06588%	2.36018%	2.17894%	73,606	10.05%	2026-2028
Finland	0.85555%	3.05094%	2.20657%	67,759	9.25%	2025-2028
Slovenia	0.47233%	3.15152%	2.08428%	29,989	4.09%	2025-2028
Luxembourg	1.16414%	2.26451%	1.88860%	29,543	4.03%	2025-2026
Belgium	0.22016%	2.63902%	1.72340%	69,117	9.44%	2025-2029
Austria	2.14269%	3.37129%	2.67847%	70,216	9.58%	2025-2029
Ireland	2.17326%	3.31140%	2.62184%	45,849	6.26%	2025-2031
America	4.60941%	4.99778%	4.80360%	14,364	1.96%	2025
Italy	-0.01403%	0.05282%	0.01940%	36,700	5.01%	2026
Poland	0.05768%	0.07231%	0.06645%	15,506	2.12%	2027-2028
Kosovo	0.98795%	3.69770%	2.17685%	172,789	23.59%	2025-2029
Total				732,562	100%	

2023						
State	Minimum effective interest	Maximum effective interest	Average effective interest	Carrying amount	% of weight to total	Maturity
Germany	0.49757%	3.68490%	1.69919%	80,243	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	25.08%	2024-2028
Total				718,181	100%	

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

10. Money market placements

Money market placements as of the reporting date (end of 2024) primarily consist of term deposits with maturities of up to three months. These placements are detailed on the next page, categorized by geographical distribution, predominantly in the financial markets of the Eurozone and the USA.

The management of the portfolio of placements and other financial instruments is carried out in accordance with CBK's internal policies

Money market placements are composed as follows:

(along with the relevant Expected Credit Loss (ECL) movements for deposit accounts held with non-resident banks at amortized cost):

	2024			2023		
	Carrying amount	Expected credit loss	Net amount	Carrying amount	Expected credit loss	Net amount
Term deposits						
Deutsche Bank	25,000	(2)	24,998	25,000	(7)	24,993
Banque Centrale De Luxembourg	165,000	(15)	164,985	150,000	(12)	149,988
Deutsche Bundesbank	100,000	(35)	99,965	25,000	(8)	24,992
Federal Reserve Bank (FED-NY)	38,406	(7)	38,399	-	-	-
RZB	20,200	-	20,200	-	-	-
DZ Bank	82,000	-	82,000	-	-	-
ERSTE BANK	50,000	(27)	49,973	-	-	-
HNB Banka Kombëtare Tregtare (BKT)	6,064	(1)	6,063	5,158	(1)	5,157
	19,469	(9)	19,460	-	-	-
	506,139	(96)	506,043	205,158	(28)	205,130
Interest accrued on term deposits						
Deutsche Bank	43	-	43	63	-	63
Banque Centrale De Luxembourg	165	-	165	49	-	49
Deutsche Bundesbank	16	-	16	8	-	8
Federal Reserve Bank (FED-NY)	8	-	8	-	-	-
RZB	31	-	31	-	-	-
DZ Bank	116	-	116	-	-	-
ERSTE BANK	374	-	374	-	-	-
HNB Banka Kombëtare Tregtare (BKT)	1	-	1	2	-	2
	9	-	9	-	-	-
	763	-	763	122	-	122
Total	506,902	(96)	506,806	205,280	(28)	205,252

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

10. Money market placements (continued)

The movements of relevant Expected Credit Losses (ECLs) for deposit accounts held with non-resident banks at amortized cost are as follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	28	-	-	28
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
ECL (decrease) / increase for the year	68	-	-	68
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 2024	96	-	-	96
	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

Money market placements are denominated in Euro and Dollar. The effective interest rate during 2024 ranged from 2.31% to 5.3% per annum (2023: 0.05% to 5.30% per annum), with an initial maturity period of 1 to 367 days (2023: 1 to 365 days). Deposits hold a minimum credit rating ranging from AAA/Aaa/AAA to BB-/Ba3/BB-, based on the 2023 ratings provided by Standard & Poor's, Moody's, and Fitch.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

11. Assets related with IMF (International Monetary Fund)

	2024	2023
Reserved Quota Portion (RTP)	25,255	24,430
SDR holdings	153,951	152,619
Accrued interest	983	1,212
IMF	180,189	178,261

The assets mentioned above are related to Kosovo's admission to the International Monetary Fund (IMF) in June 2009. CBK serves as the depository and fiscal agent in connection with Kosovo's membership in the IMF. This is in accordance with Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and Law No. 03/L-152 on Kosovo's Membership in the International Monetary Fund and World Bank Group Organizations.

The IMF Quota represents the subscription amount determined at the time of Kosovo's admission to the IMF and is expressed in SDRs, totaling 82.6 million SDR. However, as disclosed in Note 11, only the counter value of the reserved (paid) quota portion, plus an additional value, is reported in accordance with IMF regulations and decisions. It should be noted that, since 2023, CBK has adopted a new method of presenting IMF-related items/accounts. Balances are now presented using the net method, excluding the unpaid quota portion, which is recorded as an off-balance sheet item amounting to 62.3 million SDR or 78.1 million EUR.

SDR Holdings represent assets allocated by the IMF Board of Governors under SDR allocations to IMF member countries, as approved on August 28, 2009, and September 9, 2009. Additionally, a new allocation/distribution was approved by the IMF Board of Governors on August 2, 2021, with an effective date of August 23, 2021, amounting to 79,168,385 SDR. As a result, the SDR Holdings in the IMF on behalf of the Republic of Kosovo increased by this value starting from the transaction's effective date. SDR Holdings earned annual interest rates in 2024 ranging from 3.159% to 4.136% p.a. (2023: 2.916% to 4.198% p.a.).

CBK also acts as the depository institution (bank) for the Government of Kosovo to manage activities arising from agreements with the IMF. For each loan agreement or use of funds, CBK and the Government of Kosovo sign a memorandum of understanding. Under these agreements, CBK transfers the funds received from the IMF to the nostro account on behalf of the Government and credits the funds to the Government's account. Consequently, the balances of funds borrowed by the Government of Kosovo are disclosed as off-balance sheet items.

As of December 31, 2024, the balance of borrowings by the Government of Kosovo from the IMF amounted to 10.325 million SDR or 12.956 million EUR under the Rapid Financial Instrument (RFI) (as of December 31, 2023: 30.975 million SDR or 37.712 million EUR). This borrowing has been active since 2020.

Additionally, under the Resilience and Sustainability Facility (RSF), the borrowing amounted to 54.206 million SDR or 68.018 million EUR (as of December 31, 2023: 30.976 million SDR or 37.714 million EUR).

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, 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 2023	6,113	2,528	1,911	389	4	10,945
Acquisition	9	243	378	-	2	632
Disposal/write-off	-	(6)	(6)	-	-	(12)
31 December 2023	6,122	2,765	2,283	389	6	11,565
At 1 January 2024	6,122	2,765	2,283	389	6	11,565
Acquisition	55	173	200	-	-	428
Transfer from/to	-	111	-	-	(2)	109
Transfer from/to (adjustment)	-	-	-	-	(2)	(2)
Disposal/write of	-	(25)	(14)	-	-	(39)
At 31 December 2024	6,177	3,024	2,469	389	2	12,061
Depreciation						
At 1 January 2023	2,298	2,344	1,738	366	-	6,746
Depreciation of the year	311	97	132	14	-	554
Disposal/write-off	-	-	(11)	-	-	(11)
At 31 December 2023	2,609	2,441	1,859	380	-	7,289
At 1 January 2024	2,609	2,441	1,859	380	-	7,289
Depreciation of the year	310	140	173	9	-	632
Disposal/write-off	-	(25)	(14)	-	-	(39)
At 31 December 2024	2,919	2,556	2,018	389	-	7,882
Carrying amount						
At 1 January 2023	3,815	184	173	23	4	4,199
At 31 December 2023	3,513	324	424	9	6	4,276
At 31 December 2024	3,258	468	451	-	2	4,179

There were no assets pledged as collateral as of December 31, 2024 (December 31, 2023: none). In accordance with the Law on CBK, the Central Bank shall utilize and administer the property and facilities for its official business, including movable 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 31 December 2024
(in thousands of Euros, unless otherwise stated)

13. Intangible assets

Intangible assets are composed as follows:

	Software	Total
Cost		
Balance at 1 January 2023	3,187	3,187
Acquisitions	139	139
Balance at 31 December 2023	3,326	3,326
Balance at 1 January 2024	3,326	3,326
Acquisition	198	198
Balance at 31 December 2024	3,524	3,524
Amortization		
Balance at 1 January 2023	2,144	2,144
Amortization for the year	286	286
Balance at 31 December 2023	2,430	2,430
Balance at 1 January 2024	2,430	2,430
Amortization for the year	258	258
Balance at 31 December 2024	2,688	2,688
Carrying amount		
Balance at 1 January 2023	1,043	1,043
Balance at 31 December 2023	896	896
Balance at 31 December 2024	836	836

During 2024 and 2023, no intangible assets were pledged as collateral.

14. Other assets

Other assets are composed as follows:

	2024	2023
Accrued fee income	2,536	2,315
Accounts receivables and prepayments, payment in process	137	161
Total	2,673	2,476

Accrued fees represent charges from license renewals and other fees for local financial institutions, accumulated during the last quarter.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

15. Due to domestic commercial banks

Under CBK supervision in accordance with Banking Rule XVII, commercial banks operating in Kosovo are required to maintain a liquidity reserve equivalent to 10% of their qualifying customer deposits. At least 50% of this reserve must be held in accounts at the CBK.

Due to domestic banks	2024	2023
ProCredit Bank Kosova	47,191	40,270
Raiffeisen Bank Kosova	39,545	59,716
NLB Prishtina	44,722	39,937
Banka Ekonomike	22,214	15,407
Banka për Biznes	18,156	18,561
Banka Kombëtare Tregtare	37,048	29,432
Banka Ekonomike Turke (TEB)	38,654	32,747
Komercijalna Banka – Mitrovica Branch	-	3,971
Turkiye is Bankasi a.s.	2,533	3,841
T.C. Ziraat Bankasi A.S. – Kosova Branch	4,641	3,920
Banka Credins Kosovo	2,070	1,760
PriBank sh.a.	3,074	1,431
Banka Kreditore e Prishtinës	68	-
Total reserve required up to 5%	259,916	250,993
Additional amount on the required reserve 5%		
ProCredit Bank Kosova	47,191	17,663
Raiffeisen Bank Kosova	39,545	14,455
NLB Prishtina	96,195	61,212
Banka Ekonomike	38,051	58,971
Banka për Biznes	18,156	35,683
Banka Kombëtare Tregtare (Prishtina Branch)	79,657	77,886
Banka Ekonomike Turke (TEB)	48,429	35,537
Komercijalna Banka – Mitrovica Branch	-	3,509
Turkiye is Bankasi a.s.	4,554	4,175
T.C. Ziraat Bankasi A.S. – Kosova Branch	10,255	17,490
Banka Credins Kosova	2,070	1,078
PriBank sh.a.	12,041	11,808
Banka Kreditore e Prishtinës	67	44
Total addition in current accounts	396,211	339,511

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

15. Due to domestic commercial banks (continued)

Accrued interest	2024	2023
ProCredit Bank Kosova	23	18
Raiffeisen Bank Kosova	23	22
NLB Prishtina	23	21
Banka Ekonomike	11	8
Banka për Biznes	10	10
Banka Kombëtare Tregtare (Kosova)	17	14
Banka Ekonomike Turke (TEB)	20	17
Komercijalna Banka – Mitrovica Branch	-	2
Turkiye is Bankasi a.s.	1	2
T.C. Ziraat Bankasi A.S. – Kosova Branch	2	2
Banka Credins Kosovë	1	1
PriBank sh.a.	2	1
Total accrued interest	133	118
Total banks	656,260	590,622

The interest rate applied as of December 31, 2024, was 0.30%. Until July 31, 2023, it stood at 0.15% for deposits up to the account balance or a maximum of the required reserve value of 10%. For December 31, 2023, the rate remained at 0.30%, whereas between January 1 and July 31, 2023, it was 0.15% for deposits up to the required reserve. The required reserve is calculated in accordance with the relevant regulation on liquidity reserve requirements.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

16. Due to IMF related accounts

	2024	2023
IMF Account no. 2	68	6
IMF SDR – Allocation	168,819	163,802
Accrued interest	1,067	1,291
Total due to IMF	169,954	165,099
Due to Government		
IMF – Quota proportion paid by the Government	20,601	19,118
Total due to Government	20,601	19,118
Total	190,555	184,217

The aforementioned values are tied to Kosovo's admission to the International Monetary Fund (IMF) in June 2009.

Account No. 2 serves as the IMF's operational account within the CBK and was established in compliance with IMF rules and regulations.

The quota portion paid to the IMF by the Government of Kosovo represents the amount paid on behalf of Kosovo's IMF quota.

The distribution (issuance) of Special Drawing Rights (SDRs) refers to the allocation of SDRs by the IMF to member states. These allocations were approved by the IMF Board of Governors on August 28, 2009, and September 9, 2009, as well as in 2021. The 2021 allocation, amounting to 79,168,385 SDRs, was approved on August 2, 2021, with an effective date of August 23, 2021. Consequently, this item, on behalf of the Republic of Kosovo, increased by the specified value from the effective date of the transaction.

Distributions of SDRs and the paid quota portion bear annual interest rates ranging from 3.159% to 4.136% in 2024 (2023: 2.916% to 4.198%).

Liabilities to IMF accounts are presented using the net method, reflecting only financial items. Promissory note commitments, however, are recorded as off-balance sheet items and 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 31 December 2024
(in thousands of Euros, unless otherwise stated)

17. Due to Governmental institutions

Amounts due to governmental institutions include current accounts as detailed below:

Current accounts	2024	2023
Treasury – Ministry of Finance	249,422	345,232
Privatization Agency of Kosovo	179,143	166,373
Interim administrative institutions	66	100
Total I	428,631	511,705

Current accounts – accrued interest	2024	2023
Treasury – Ministry of Finance	74	155
Privatization Agency of Kosovo	46	43
Total II	120	198

Current/Dep. accounts	2024	2023
Treasury – Ministry of Finance	146,000	-
Total III	146,000	-

Current/Dep. Accounts accruals	2024	2023
Treasury – Ministry of Finance	500	-
Total IV	500	-

Current/Dep. Accounts	2024	2023
Treasury – Ministry of Finance	395,996	345,387
Privatization Agency of Kosovo	179,189	166,416
Interim administrative institutions	66	100
Total (I,II,III, IV)	575,251	511,903

The annual effective interest rate for current accounts as of December 31, 2024, was 0.3%. For the year 2023, the rate was 0.15% from January 1 to July 31.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

18. Due to public and commercial entities

Current accounts	2024	2023
Insurance companies	4,164	4,152
Other public institutions	100,405	236,004
Others	7	7
	104,576	240,163

Current accounts – accrued interest	2024	2023
Insurance companies	1	1
Other public institutions	34	38
	35	39
Total	104,611	240,202

The effective interest rate for current accounts as of December 31, 2024, was 0.3%. For the year 2023, the rate was 0.15% from January 1 to July 31.

Public institutions are entities established to serve public interest purposes. The main components of this group include the Kosova Pension Savings Trust (a public institution), the Deposit Insurance Fund, and the Credit Guarantee Fund. Meanwhile, trust accounts from the Kosovo Energy Corporation (KEK), KOSTT, and other accounts carry secondary significance within this grouping.

Public institutions	2024	2023
Kosova pension savings trust (KPST)	10,927	151,925
Deposit insurance fund (FSDK)	77,434	68,824
Credit guarantee fund (FKGK)	10,785	8,277
Transmission, System and Market Operator (KOSTT)	273	282
Kosovo energy corporation (KEK)	426	4,411
Regional water company (KUR Prishtina)	148	148
Post and Telecom of Kosovo - PTK	412	2,137
Total	100,405	236,004

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

19. Borrowings

	2024	2023
Balance at 1 January	1,662	1,938
Repayments for borrowings (instalments)	(224)	(224)
Foreign exchange adjustments	46	(52)
Balance at 31 December	1,484	1,662

The amounts above represent borrowings from the World Bank in SDR currency, translated into euros as of the reporting date. The Bank took advantage of the opportunity to borrow under favorable terms, including a low interest rate and a grace period of approximately 10 years.

Interest payments began with the initial disbursement in 2014, while principal repayments started in October 2021. The maturity date for the borrowings is April 15, 2031.

The borrowings primarily financed a project for enabling real-time domestic payment processing and another for establishing a business continuity center. Both projects have been successfully completed.

Changes in the borrowing amounts are due to the payment of respective installments and, in part, to fluctuations in the EUR/SDR exchange rate as of the reporting date compared to the previous period.

20. Other liabilities

	2024	2023
Safe custody accounts	760	758
Deferred grant income	67	102
Other deferred income	10	9
Provisions for legal cases	365	505
Miscellaneous creditors	995	7,189
Long-term employees' benefits	672	659
	2,869	9,222

As of December 31, 2024, the accounts in custody include an amount of 760 thousand Euros, which is linked to the current operating account of the Kosovo Insurance Company, liquidated in April 2010. Following the liquidation process, this amount has remained as an account in custody. As of December 31, 2024, and 2023, the balance remains as disclosed above.

Changes in provisions for the year are outlined as follows:

	2024	2023
Carrying amount on 1 January	505	327
Provision expenses for contingent liabilities (Note 28)	-	178
Reduction of provisions during the year	(140)	-
	365	505

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

20. Other liabilities (continued)

The movements in grant incomes are as follows:

	World Bank	European Central Bank	Total
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
Deferred grant incomes at 1 January 2024	102	-	102
Grants received during the year	-	15	15
Grants recognized as revenue for the year (Note 25)	(35)	(15)	(50)
Deferred grant incomes at 31 December 2024	67	-	67

The World Bank grant was allocated for the implementation of field supervision, while the ECB grant pertains to a regional project aimed at training the central regional CBK, of which the CBK was a participant.

21. Authorized capital

The authorized capital of the CBK as of December 31, 2024, and 2023 amounts to EUR 30,000, in compliance with Law No. 03/L-209, which was approved on July 22, 2010. The CBK reports to the Assembly of Kosovo, and its capital is not subject to any obligations.

21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve are governed by Article 54 of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo. Profit is regulated under the provisions of this law.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

22. Net interest income

Net interest income is composed as follows:

	2024	2023
Interest income		
From current accounts	12,521	10,806
From deposit accounts	14,285	7,148
From securities (treasury bills and bonds)	12,450	10,660
From accounts with IMF	5,893	5,912
	45,149	34,526
Interest expense		
From balances with IMF	6,395	6,308
Negative rates to nostro accounts with correspondent banks	1,459	964
Due to current accounts with the treasury	9,640	1,722
Due to public and commercial entities	414	340
Due to other institutions	2	2
From borrowings	12	14
	17,922	9,350
Net interest incomes	27,227	25,176

During 2024, interest rates for euro-denominated assets (the interest-bearing portion of the portfolio) remained high. However, in the second half of the year, they showed signs of decline. In contrast, during 2023, euro interest rates increased significantly, reaching their peak in September 2023. As a result of these rate increases and the strengthening of interest-bearing components within financial instruments, there were changes in the grouped items of this note, affecting interest income and expense, as well as net interest income. This resulted in a positive increase, driven by better investment opportunities and improved interest rates.

The interest rate applied to customers as of December 31, 2024, was 0.30% (in 2023: 0.30% from August 1 to December 31, and 0.15% from January 1 to July 31).

The scenario differs for items related to IMF accounts, which are denominated in SDR currency and have interest rates as disclosed under Notes 11 and 16.

23. Net fee and commission income

Net fee and commission income are composed as follows:

	2024	2023
Fee income		
From cash deposits	1,524	1,401
From foreign incoming transfers	109	87
From foreign outgoing transfers	640	534
From the inter-bank clearing system	2,172	1,879
From the credit registry system	252	221
Other fees	19	18
Total fee incomes	4,716	4,140
Fee expenses		
For cash transportation	1,168	1,219
For correspondent bank transactions	53	55
Total fee expenses	1,221	1,274
Net fee and commission income	3,495	2,866

This category of income arises from services provided to the Bank's customers, including payments, deposits, the credit register platform, account maintenance, and items held in custody.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

24. Income from regulatory activity

Income from regulatory activity primarily consists of fees charged to financial institutions in Kosovo for the issuance or renewal of licenses, as well as other applicable fees associated with their activities, which fall under the CBK's regulatory authority.

	2024	2023
Revenues from fees for services, regulation and supervision		
From commercial banks	5,760	5,241
From insurance companies	2,550	2,211
From non-bank financial institutions	383	369
From pension funds	29	28
Total	8,722	7,849

25. Grant income

Grant income is composed as follows:

	2024	2023
World Bank	35	36
European Central Bank	15	45
Total	50	81

26. Other operating income

	2024	2023
Other income	22	19
Total	22	19

Other income refers to income that is not related to the ordinary activities of the CBK or any balance disclosed in a separate note.

27. Personnel expenses

Personnel expenses are composed as follows:

	2024	2023
Employee benefits		
Salaries	4,703	4,330
Pension contributions (employer)	739	689
Health and life insurance costs	293	290
	5,735	5,309
Other personnel expenses		
Staff trainings	143	147
Central Bank Board expenses	147	121
Other	11	11
	301	279
Total	6,036	5,588

The average number of employees who actively contributed to the disclosed expenses for 2024 was 232 (compared to an average of 229 in 2023).

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

28. General and administrative expenses

General and administrative expenses are as follows:

	2024	2023
Software maintenance	432	415
Insurance expenses	228	359
Travel and transportation	159	119
Security and guard services	157	112
Repairs and maintenance	100	98
25th anniversary activities*	95	-
Utilities	89	93
Representation and socialization expenses	53	34
Membership in professional organizations **	52	47
Cafeteria expenses	54	54
Cash operating expenses	40	45
Technical professional assistance and other external services	35	12
Communication expense (telephone, telex and internet)	32	33
Publication and literature expenses	30	16
Audit and consulting expense	25	12
Vehicle operating expenses	25	22
Representation expenses	14	6
Computer and other consumables expense	5	12
Consumable expenses for equipment	4	5
Stationery	4	8
Provision expenses	-	178
Other expenses	30	17
Total	1,663	1,697

Total general and administrative expenses in 2024 slightly decreased compared to 2023 and are aligned with the CBK's annual plan. Excluding provision expenses for 2023, other categories show an approximate 9.5% increase.

In 2025, the Central Bank of Kosovo (CBK) celebrated its 25th anniversary with various activities, resulting in dedicated expenses for these events, presented as a line item in the table under note 28.

These expenses, related to the 25th anniversary of CBK's establishment, are non-recurring. They totaled €95,000, which is only 8% higher than the similar costs incurred for the 20th anniversary event held five years earlier. This amount primarily includes the cost of the conference held on November 15, 2024, along with other accompanying activities throughout the year, amounting to a total of €95,000.

The aggregated expense for publications and literature increased compared to the previous period, mainly due to the planned rise in volume for new job vacancy announcements and the cost of surveys during the comparative period.

For professional technical assistance and other external services, the change compared to the previous period is primarily attributable to the increased volume of translation services, while other components have remained largely unchanged.

Representation and social event expenses encompass a variety of events and activities, including the financial education program, year-end gifts for children, retirement ceremonies and gifts for staff, gifts for March 8th, and other social events aimed at fostering staff engagement and internal socialization within CBK.

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

28. General and administrative expenses

Representation expenses in 2024 were higher compared to 2023, primarily because the executive bodies were not fully staffed in 2023 according to the organizational structure. Full staffing was achieved only at the beginning of 2024. Another contributing factor was the increase in planning limits for this specific item, as well as the authorization granted to heads of organizational units to manage their own representation expenses—a right previously delegated solely by the Executive Board or higher until 2023.

Memberships in professional associations are predominantly associated with international organizations and institutions, such as supervisory regulators (for banks, insurance, pensions), credit registry organizations, internal audit bodies, and financial reporting standards institutions.

Meanwhile, other items have either maintained their previous trends or increased based on specific needs and requirements.

29. Net profit/(loss) from foreign exchange and expected credit losses

The net unrealized profit from foreign exchange translations amounted to 783 thousand Euros for the year ended December 31, 2024 (2023: a loss of 182 thousand Euros). This represents an unrealized profit or loss arising from currency translation differences of assets and liabilities denominated in USD and SDRs into their euro-equivalent values, as recorded in the CBK's accounts.

Within the non-Euro currencies, there are the respective positions:

		31 December 2024	
Note:		Assets	Liabilities
10	USD	61,594	39,900
11,16	DVT (SDR)	142,814	152,191

		31 December 2023	
		Assets	Liabilities
10	USD	10,950	-
11,16	SDR	145,417	151,609

The effect of exchange rate variation derives from:

	31 December 2024	31 December 2023
from USD	1,100	(351)
from SDR	(317)	169
	783	(182)

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

29. Net profit/(loss) from foreign exchange and expected credit losses

Profit or loss from changes in the exchange rate is a temporary non-operating position arising from foreign currency items (USD and SDR, as disclosed above). On the reporting date, these items must be converted into their EUR equivalents based on the exchange rate applicable on that date. The exchange rate changes result in differences (whether profit or loss), which solely reflect financial items—equivalent values that remain unrealized.

Active positions in USD (United States Dollar) are disclosed under Note 4(d), while positions in SDR (Special Drawing Rights) are disclosed under Notes 11 and 16.

Unrealized profit/loss	2024	2023
From currency positions	783	(182)
From financial instrument positions (Note 4)	(93)	(53)
Total unrealized profit/loss	690	(235)

If the effect of unrealized profit/loss is exclude —specifically, the amounts of 690 thousand Euros as unrealized profit in 2024 and (235) thousand Euros as unrealized loss in 2023—the operating financial result would amount to **30,927** thousand Euros for 2024 and **27,866** thousand Euros for 2023.

30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2024	2023
Cash on hand	7	77,017	101,932
Current accounts with foreign banks	8	147,104	424,844
T-bills/maturity up to three months		9,583	
Money market placements with maturity up to three months	10	305,139	205,280
Total		538,843	732,056

Cash and cash equivalents are maintained to meet liquidity obligations, primarily those of a short-term nature. An investment qualifies as a cash equivalent if it has a maturity of less than three months from the date of acquisition.

31. Commitments and contingent liabilities

Legal cases

There are several open legal cases against CBK as of the reporting date of these financial statements. Management is of the opinion that the final outcome of these cases will not have a significant impact on the CBK's financial statements as of and for the year ending December 31, 2024. Nevertheless, adhering to the prudence principle, a reserve fund has been allocated for some of these cases, disclosed under other liabilities.

Contingent liabilities

Contingent liabilities include the following:

	2024	2023
Contracts for building renovation and repair	175	115
Equipment contracts	595	534
Applications in process (contracts)	116	132
Total	886	781

Central Bank of the Republic of Kosovo
Notes to the Financial Statements for the year ended 31 December 2024
(in thousands of Euros, unless otherwise stated)

31. Commitments and contingent liabilities (continued)

In 2009, Kosovo became a member of the World Bank Group organizations—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the Multilateral Investment Guarantee Agency (MIGA). In connection with this membership, the CBK acts as a depository in compliance with 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 facilitate payments related to membership subscriptions to the aforementioned World Bank agencies, following their requests and payment instructions. As of December 31, 2024, the total balance amounted to 718 thousand Euros, which remained unchanged from 2023.

32. Related party transactions

Related parties consist of key management personnel and the Central Bank Board. Details of their compensations are provided below:

	2024	2023
Compensations to the CBK Board	100	87
Compensations to the Audit Committee	11	12
Compensation to Governance and Human Resources Committee	6	-
Compensations to the Senior Management	204	160
Total	321	259

33. Subsequent events

No material events have occurred after the statement of financial position date that would necessitate corrections to the financial statements or require additional disclosures within them.