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

# Annual Report 2020

PRISHTINA, JUNE 2021

BANKA QENDRORE E REPUBLIKËS SË KOSOVËS

CENTRALNA BANKA REPUBLIKE KOSOVA

CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Annual Report 2020

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| ACH | Automated Clearing House |
| ARS | Accountancy Registry System |
| ATM | Automated Teller Machine |
| BEC | Broad Economic Categories |
| BEEP | Business Environment Enhancement Project |
| BIC | Business Identifier Code |
| BIS | Bank for International Settlements |
| BKT | Banka Kombëtare Tregtare |
| BPB | Banka për Biznes |
| CAI | Capital Adequacy Indicators |
| CBK | Central Bank of the Republic of Kosovo |
| CEFTA | Central European Free Trade Agreement |
| CPI | Consumer Price Index |
| CRK | Credit Registry of Kosovo |
| DJI | Dow Jones Industrial Average |
| DLE | Department of Labour and Employment |
| EBRD | European Bank for Reconstruction and Development |
| ECB | European Central Bank |
| EFSE | European Fund for South-eastern Europe |
| ESCB | European System of Central Banks |
| EU | European Union |
| EULEX | European Union Rule of Law Mission |
| EUROSTAT | General Directorate of European Statistics |
| FDI | Foreign Direct Investments |
| GBP | Great Britain Pound |
| GDP | Gross Domestic Product |
| HHI | Herfindahl-Hirschman Index |
| IAIS | International Association of Insurance Supervisors |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IECS | Interbank Electronic Clearing System |
| IIP | International Investment Position |
| IMF | International Monetary Fund |
| IOPS | International Organization of Pension Supervisors |
| IPI | Imports Price Index |

| | |
|---|---|
| KAS | Kosovo Agency of Statistics |
| KEDS | Kosovo Energy Distribution Services J.S.C. |
| KEK | Kosovo Energy Corporation J.S.C. |
| KIB | Kosovo Insurance Bureau |
| KMB | Komercijalna Banka |
| KPSF | Kosovo Pension Savings Trust |
| MFI | Microfinance Institutions |
| MoF | Ministry of Finance |
| MLSW | Ministry of Labour and Social Welfare |
| MTA | Money Transfer Agencies |
| MTPL | Motor Third Party Liability Insurance |
| NFA | Net Foreign Assets |
| NLB | Nova Ljubljanska Banka |
| NPC | National Payments Council |
| NPISH | Non-profit Institutions Serving Households |
| NPL | Nonperforming Loans |
| ODC | Other Depositing Corporations |
| PAK | Privatization Agency of Kosovo |
| PCB | Procredit Bank |
| POS | Point of Sale |
| pp | Percentage Points |
| PPI | Producer Price Index |
| PTK | Post and Telecommunication of Kosovo |
| RBK | Raiffeisen Bank of Kosovo |
| REER | Real Effective Exchange Rate |
| ROAA | Return on Average Assets |
| ROAE | Return on Average Equity |
| RTGS | Real Time Gross Settlement |
| RWA | Risk Weighted Assets |
| SDR | Special Drawing Rights |
| SEE | South East Europe |
| SEPA | Single Euro Payment Area |
| SFR | Swiss Franc |
| SKPF | Slovenian-Kosovo Pension Fund |
| SWIFT | Society for Worldwide International Financial Telecommunication |
| TAK | Tax Administration of Kosovo |

| | |
|---|---|
| TEB | Türk Ekonomi Bankasi |
| TPL | Third Party Liability |
| UNMIK | United Nations Mission in Kosovo |
| USAID | United States Agency for International Development |
| VAT | Value Added Tax |
| VPN | Virtual Encryption and Network Technology |
| WB | World Bank |

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## Foreword by the Chairman of the Board

Pursuant to the Law on the Central Bank of the Republic of Kosovo and in order to inform the general public, always in the spirit of the highest standards of transparency and accountability, the Central Bank of the Republic of Kosovo (CBK) has drafted the Annual Report for 2020. This Report includes in detail the activity of the CBK for 2020 and an adequate overview with important data for the country's financial system. It also contains important data on the economic developments of the country, the region and the global ones.

The CBK has managed to successfully fulfil its constitutional and legal agenda despite the circumstances of the global Covid-19 pandemic which accompanied the year 2020. Its operation and activity during this period has been associated with professional and transparent decision-making respecting the principle of legality, as well as standards, principles and the best practices of corporate governance, functional independence and institutional accountability.

The Board of the CBK (The Board), as the highest decision-making body, in 2020, has successfully performed its duties and responsibilities provided by applicable law. In this regard, the Board has made a significant contribution to advancing secondary legislation for the country's financial sector, as well as advancing the level of transparency and accountability for the implementation of duties and responsibilities by other decision-making bodies of the CBK. In this context, the Board has played a crucial role in strengthening cooperation and coordination of activities with other decision-making bodies, which has resulted in full efficiency in the successful implementation of policies in particular and the activity of the institution in general.

The continuous development of the country's financial sector and new developments at the European and global level have imposed the need for advancement of the legal infrastructure (especially secondary legislation) for this sector. Therefore, the Board, during 2020, has taken adequate actions to respond to the needs and factual circumstances related to the advancement of relevant legislation, where the crucial point is the harmonization of the country's financial legislation with that of the European Union and the standards and principles of international financial institutions. It is worth noting that international cooperation and staff development, despite in the circumstances of the Covid-19 pandemic, was supported by the Board in coordination with other decision-making bodies in the CBK (fulfilment of the SAA, recommendations from European and international financial institutions, attending conferences and virtual trainings etc.).

Therefore, as stated above and as noted in the Annual Report 2020, despite the usual challenges and circumstances and those of the Covid-19 pandemic, with the measures and actions taken during 2020, we have managed to keep the financial sector stable, sustainable and competitive, as well as with an increasing trend in all its components (capital, liquidity, lending, deposits, financial stakeholders, financial products and services and users of financial services). These developments have enabled the efficient support of the country's economy by the financial sector, continuous reduction of the cost of financial intermediation, increase of citizens' trust in the financial sector and increase of the interest of foreign investors in this sector.

Finally, the above-mentioned successes and results, as well as those presented in this Report, are jointly attributed to the staff and decision-making bodies of the CBK, to whom I am grateful and thankful that even in these circumstances they managed to successfully fulfil their duties and responsibilities in particular and those of the CBK in general.

Flamur MRASORI

Chairman of the Board of the Central Bank

of the Republic of Kosovo

## Foreword by the Governor

The year 2020 was a special year, as a result of the emergence and spread of the COVID-19 pandemic. As in the rest of the world, the measures undertaken in Kosovo to prevent the spread of the COVID-19 pandemic also affected the decline in economic activity, causing the country to face economic decline after a very long period of growth. Kosovo's economy is estimated to have declined by 3.9 per cent in 2020.

During 2020, Kosovo's economy continued to have fiscal and price stability. Public debt in 2020 has reached EUR 1.5 billion or 21.8 per cent of GDP. The general price level in Kosovo, expressed through the consumer price index, has marked the rate of 0.2 per cent in 2020. Price fluctuation in Kosovo continues to be determined mainly by price fluctuation in international markets, due to the high dependence of Kosovo's economy on imports.

The financial system, despite the difficulties caused by the pandemic situation, continues to be stable and has a very important role in Kosovo's economic development. During 2020, the banking sector expanded to 11 banks as a result of the licensing of a new bank in the last quarter of the year.

In accordance with the new conditions that were created in the country's economy, at the beginning of the pandemic, the CBK was proactive in reacting quickly in order to maintain the normal functioning and stability of the financial system and, at the same time, to put the financial system in the service of the economy.

From the first days of the restrictive measures, the CBK activated the Business Continuity Team, which had the task of monitoring and providing guidance that ensures the smooth running of the CBK functions and of the financial system in general. In this way, the regular functioning of the payment and cash supply system throughout the country was ensured at all times, including the areas which have been isolated for a longer period of time.

In order to deal as effectively as possible with the conditions created, the CBK has continuously coordinated with all institutions of Kosovo, financial institutions in Kosovo, chambers of commerce, as well as international financial institutions, holding very frequent meetings to ensure that adequate and timely measures are taken for the needs of the economy.

From the beginning of the pandemic, the CBK was part of the inter-institutional group for designing emergency measures to help the economy, and then to draft the economic recovery plan. As a result of our on-going communications, RFI (Rapid Financing Instrument) has been approved by the IMF in the amount of EUR 52 million to cover urgent and temporary needs of balance of payments as a result of the COVID-19 pandemic.

Also, after coordination with the central banks of the region, the European Central Bank has approved the request of the CBK to establish a repo financing line in the amount of EUR 100 million. This financing line enables the CBK to borrow liquidity in EUR currency from the Eurosystem, to address the potential liquidity needs of financial institutions in Kosovo in the event of market dysfunction due to the COVID-19 pandemic.

Seeing that the country's economy was entering an overwhelming crisis, where businesses and citizens were facing great financial difficulties, the CBK, based on international best practices and in cooperation with lending institutions in Kosovo, undertook a series of measures to help the economy cope more easily with the challenges of this crisis.

These measures initially consisted in the application of a moratorium on loan repayments without any punitive measures for all borrowers who have been adversely affected by the pandemic. This

moratorium has temporarily relieved the borrower of the loan repayment burden, thus improving their liquidity position to finance other needs. By May 2020, EUR 1.95 billion or 63.5% of the total loan portfolio applied for a loan moratorium, while the approval rate of these applications was over 95% or EUR 1.87 billion.

Following the end of the moratorium period, the CBK has published guidelines for loan restructuring in order to establish the criteria on which the loan restructuring process should be based for borrowers who have encountered financial difficulties as a result of the pandemic. Loan restructuring guidelines have made it possible to ease the credit burden on borrowers without implicating any deterioration in their classification in the Credit Registry of Kosovo.

The measures taken by the CBK were assessed as very adequate both by the local public and by international financial institutions, such as the International Monetary Fund in the Article IV Report on Kosovo, the World Bank and the European Commission.

The contribution of the banking sector to support the economy was very important in terms of continued lending, despite the increase in the level of risks faced by banks, and at the same time the need to maintain high levels of liquidity and capital adequacy. The banking sector continues to have good loan portfolio quality with a non-performing loan level of 2.7 per cent. The microfinance and non-bank financial institutions sector has also continued to have a significant impact on lending to households and small businesses. However, during 2020, the loan portfolio of this sector has marked an annual decline of 7.1 per cent. The decline in lending activity in this sector, in addition to the shock from the COVID-19 pandemic, has been also a result of the revocation of the license of two micro-finance institutions, thus reflecting also in the credit portfolio.

The pension sector in 2020 was characterized by a significant slowdown in growth compared to the previous year. The slowdown in the growth of the pension sector activity was influenced by the withdrawal of 10 per cent of trust funds by contributors, as part of the economic recovery package. Moreover, the negative return on investment during the first quarter of 2020 (as a result of the effects of COVID-19 on the economy and financial markets) also contributed to the slowdown in the activity of the pension sector. However, losses incurred during the first quarter were offset in subsequent quarters, with a gross return on investment of EUR 160 million. Consequently, the sector closed the year with a positive gross return on investment of EUR 72.3 million, despite facing the challenge posed by the COVID-19 pandemic.

The insurance sector continued to improve, as evidenced by the increase in the use of insurance products in our economy. The assets of the insurance sector in 2020 represented 2.8 per cent of total assets of the financial system, with an annual growth of 11.6 per cent, maintaining last year's growth rate of 11.8 per cent.

In the course of activities for regulation of the insurance market in the country, due to the difficult financial situation and non-compliance with legal requirements, the CBK has put the insurer "Kosova e Re" under temporary administration, in order to improve the financial situation of the insurer in question.

Trust of financial service users is a prerequisite for a sound financial system. The CBK remains committed to protecting the consumer rights and continued to address this area with high priority, carefully considering all consumer complaints and improving the financial education of the public.

The CBK plays a key role in ensuring financial stability and has an impact on key economic development parameters. To achieve this, the CBK, with the help of international partners, has continued to advance and develop its technical and human capacities, as well as harmonize the regulatory framework with the practices and standards of developed countries.

Henceforth, allow me to present the CBK Annual Report for 2020, which provides a detailed overview of economic and financial developments, as well as a detailed description of activities by various functions within the CBK. The Report also contains the report of the independent auditor and the audited financial statements, which confirm the good governance and effective and efficient management of the CBK's assets.

Fehmi MEHMETI

Governor of the Central Bank
of the Republic of Kosovo

## Central Bank Board and Executive Board

### Central Bank Board

The decision-making process in the CBK Board is guided by the principles of legality, professionalism, independence and transparency.

Activities of the CBK Board have been oriented towards the fulfilment of the competencies and duties set out in the Law on the Central Bank of the Republic of Kosovo. Until 14 June 2020, the CBK Board has held regular meetings, where its legal and regulatory powers and duties have been exercised.

As of 15 June 2020, the CBK Board failed to have a quorum for regular work due to the end of the mandate of two non-executive members and therefore the activity of the CBK Board in the second half of 2020 could not be exercised as during other years.

After 15 June 2020, in accordance with the legislation in force and the recommendations of the IMF, the Chairman of the CBK Board has held informative meetings on a regular basis with the CBK management, the Head of Internal Audit and, as the case may be, the external member of the Audit Committee. In these meetings, the Chairman of the Board was informed about the CBK operations and administration, including the internal audit.

During 2020, the Central Bank Board held 8 meetings in total, where a total of 26 decisions have been issued.

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

1. Regulation on Financial Services Advertising;
2. Regulation on Prevention of Money Laundering and Financing of Terrorism;
3. Regulation on Corporate Governance of Insurers;
4. Regulation on the Management of Commissions and Operating Expenses of Insurer;
5. Regulation on Fines for Insurers, Insurance Intermediaries and Insurance Claims Handlers;
6. Regulation on Reporting of Banks;
7. Regulation on Information Technology for Banks;
8. Regulation on Licensing of Banks and Branches of Foreign Banks;
9. Regulation on the Registration of Non-Bank Financial Institutions;
10. Regulation on Licensing of Insurers and Branches of Foreign Insurers;
11. Regulation on Licensing of Insurance Intermediaries;
12. Regulation on Intraday and Overnight Lending;
13. Regulation on the Implementation of the Bonus-Malus System;
14. Regulation on Record-Keeping in Pension Funds and Pension Providers;
15. Regulation on Registration of Microfinance Institutions;

The Central Bank Board has also adopted:

- CBK Annual Report for 2019;
- CBK Financial Statements for 2019 and Independent Auditor's Report;
- CBK periodic financial reports and statements for the first quarter of 2020;
- Internal Audit Manual.

In order to fulfil the competencies set out by law, the Central Bank Board has timely performed all duties related to:

- Implementation of the appointments process within the competencies set out by the Law on CBK;
- Review of all reports and recommendations of the Executive Board and the Governor, in order to preserve financial stability;
- Implementation of the necessary activities for the selection of non-executive members of the CBK Board, and submitting of the list with potential candidates to the Assembly of the Republic of Kosovo, to be selected for the position of non-executive member of the CBK Board. However, despite this, the Assembly of the Republic of Kosovo has not managed to select any of the proposed candidates to fill the vacant positions of the CBK Board.

Also, the Board has performed other duties that were in accordance with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

As at 31 December 2020, the Board of the Central Bank of the Republic of Kosovo consisted of the following members:

Flamur Mrasori, Chairman of the Central Bank Board;

Fehmi Mehmeti, Governor;

During 2020, 1 (one) position of non-executive member of the CBK Board was vacant, while from 15 June 2020 another 2 (two) positions of non-executive members of the CBK Board were vacant.

### Audit Committee

The Audit Committee acts in accordance with Article 62 of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and the Statute of the Audit Committee. The objectives of the Audit Committee are to assist the Central Bank Board in fulfilling its responsibilities in relation to internal and external audit, internal controls, business ethics and transparent governance, as well as in the CBK financial report.

The Audit Committee is appointed by the Central Bank Board and consists of three members (two non-executive members elected among the Central Bank Board and one member - an external expert in the field of accounting and auditing).

As a result of the expiration of the mandate of two (2) non-executive members of the CBK Board (who were also members of the Audit Committee), this body was non-functional from 15 June 2020. Up to the aforementioned date, the Audit Committee was composed as follows:

1. Prof Dr Behxhet Brajshori, Chairman of the Audit Committee;

2. Nuhi Ahmeti, Member; and

3. Prof Dr Arben Dermaku, External Member.

When it was functional (from 01 January 2020 to 15 June 2020), the AC has held a total of four (4) meetings. These meetings addressed various issues related to areas which fall under the AC scope in terms of review.

During the aforementioned period, the Audit Committee has carried out a number of activities, including:

- Reviewing the audit results presented in the quarterly and annual internal audit reports;
- Approving the Internal Audit Manual; and reviewing standard internal audit forms;
- Continuing the contribution to the process of implementing the recommendations made by independent external evaluators and assisting the Management in this regard;
- Through External Audit and Internal Audit reports, providing reasonable assurance regarding:

- risk assessment and management processes, internal control and responsibilities;
- accounting policies and financial statements;
- management responses in terms of issues identified by Internal Audit and External Auditor, and
- performance of other important activities related to its scope.

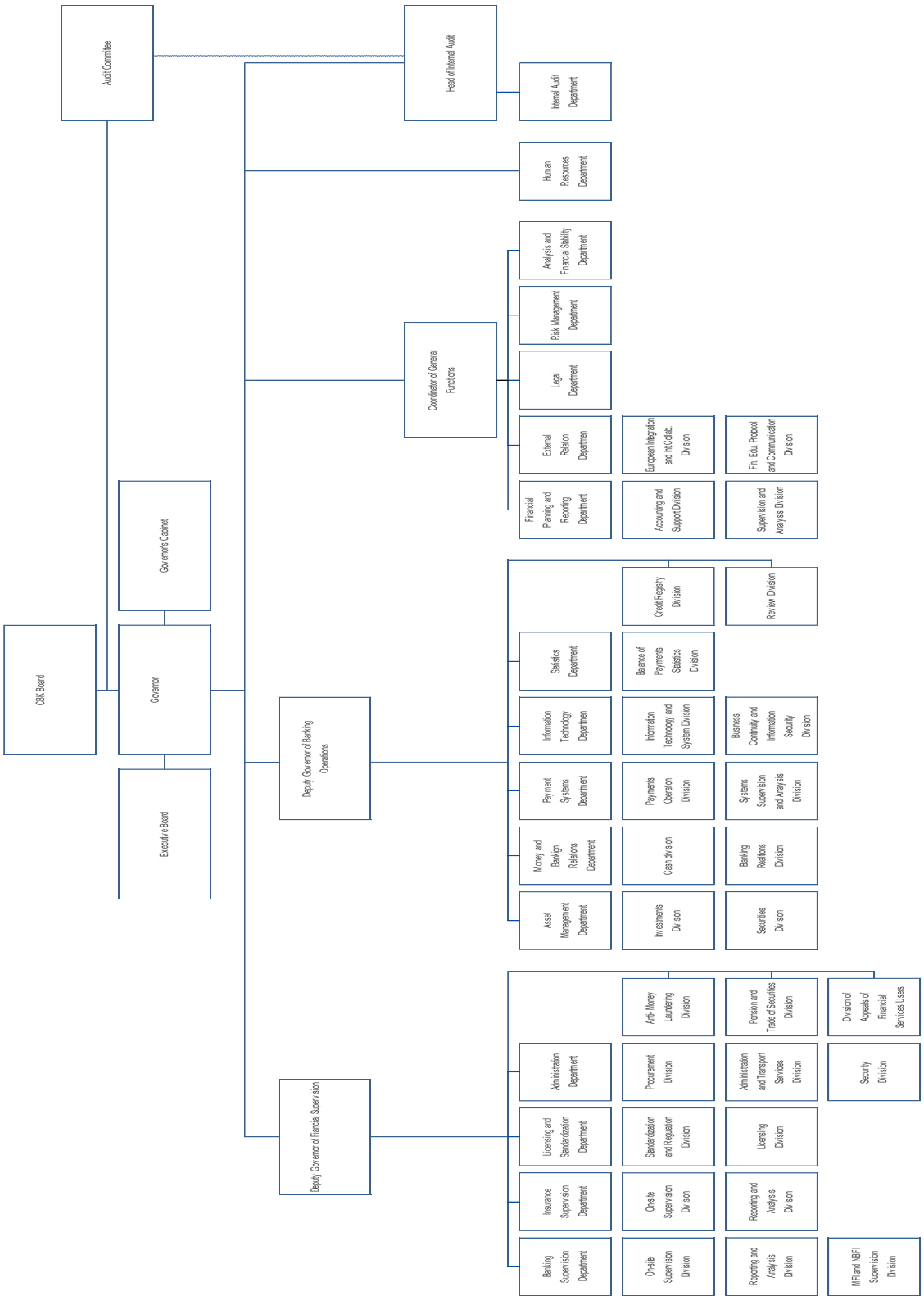
### Executive Board

The CBK Executive Board consists of the Governor, who chairs the Executive Board, and the Deputy Governors. On 31 December 2020, the Executive Board consisted of Fehmi Mehmeti, Governor, Lulzim Ismajli, Deputy Governor for Banking Operations, and Sokol Havolli, Deputy Governor for Financial Supervision. The competencies of the Executive Board are defined by the Law on the Central Bank of the Republic of Kosovo. The Executive Board is in charge of managing and executing the activities of the Central Bank of the Republic of Kosovo, while its activity is supervised by the Central Bank Board.

During 2020, the Executive Board held 33 meetings. Within its competencies, during 2020, the Executive Board reviewed and recommended for approval to the Central Bank Board the applicable regulations for the country's financial system, the CBK Annual Report, as well as the CBK financial reports, statements and plans. Moreover, the Executive Board has regularly informed during this year the members of the Central Bank Board about the performance of assigned duties and competencies.

In 2020, the Executive Board, in accordance with the legislation in force, approved four instructions and two manuals applicable to the country's financial system. In the same sphere of competencies, the Executive Board approved the final licensing of a new bank in the banking sector, while regarding the non-banking financial sector, it approved the registration of eight institutions. On the other hand, the Executive Board approved in 2020 the revocation of the registration of two non-bank financial institutions. In the same period, in order to achieve the objectives and based on the supervisory duties performed by the responsible organizational units, punitive-administrative measures were imposed against financial institutions and related parties in seven cases. In 2020, the Executive Board approved the periodic reporting on the implementation of the CBK Strategic Plan for 2019. Also, the Executive Board approved the issuance/amendment and supplement of sixteen internal policies and rules, and supervised the reporting of relevant internal bodies in the exercise of its competencies. The Executive Board exercised other duties in accordance with the Law on the Central Bank of the Republic of Kosovo and other legislation in force.

## Organizational structure of the CBK, as at 31 December 2020



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## 1. Executive summary

The global economy faced one of the greatest crises in the last decades, spurred on by the spread of the Covid-19 pandemic and measures taken to limit its spread. Closing of borders and total isolation of economies hit global manufacturing chain, general consumption and international trade, causing significant decline in economic activity. The application of fiscal support packages is expected to weigh on the state budget, while the outlook for the forthcoming period remains accompanied by high uncertainties both in terms of ending the health crisis and the cost of economic and social dynamics. According to the ECB, the Eurozone economy for 2020 is estimated to have a contraction of activity of 6.6 percent, while 2021 is expected to mark a recovery (4.0 percent growth of GDP). Inflationary pressures were low, mainly due to falling of overall demand, especially declining tourism, stagnant labor and commodity markets, and the historically high level of the euro exchange rate. According to Eurostat estimates, the inflation rate in the euro area for 2020 was -0.25 percent. The countries of the Western Balkans were also hit by the spread of the Covid-19 pandemic, plunging into a deep recession. According to the World Bank, economic activity for 2020 is estimated to have shrunk by 4.8 percent. The highest economic decline was recorded in Montenegro, whose economy is highly dependent on tourism. The decline in tourism revenues also hit economic activity in Albania. Serbia was the country that reported the slightest decline in economic activity. Inflationary pressures were also declining in the Western Balkans, as a result of declining domestic demand, as well as falling oil and commodity prices in international markets.

In 2020, according to the quarterly estimates of the Kosovo Agency of Statistics (KAS), the economy of Kosovo has marked an annual decline of 3.9 percent. The significant decline in economic activity in Kosovo has been transmitted mainly through the external sector of the economy. The increased risks due to the pandemic and the measures taken to curb the spread of the virus consisted mainly of travel restrictions. This is reflected in a decline in economic activity, especially in the second and third quarters, dynamics that translated into a sharp decline in the export of services within the balance of payments. Specifically, dhe decline in diaspora visits to Kosovo as a direct consequence of restrictive measures taken to manage the health crisis has resulted in a real decline in exports of services, affecting the deepening of the net export deficit in 2020. On the other hand, the marked decline in imports of goods and services, as well as the increase in exports of goods helped to narrow the trade deficit. In addition to net exports, the decline in investment has also negatively affected GDP. Consumption, on the other hand, is estimated to have marked a real increase of 6.7 percent, supported by the growth of private consumption and public consumption. Regarding 2021, the CBK projections suggest that economic activity will recover towards pre-crisis levels, with a real growth of about 4.4 percent. This growth is expected to be generated by domestic demand and net exports. However, the risks to economic activity remain high, associated with mass vaccination and the end of the pandemic. The decline in aggregate demand and the dynamics in the prices of key goods in international markets were reflected in weak inflationary pressures in Kosovo as well. The overall price level in the country, expressed through the consumer price index, has marked a slowdown of 0.2 percent in 2020. For 2021, the average inflation rate is expected to be around 1.6 percent.

Labor market statistics in Kosovo show a high unemployment rate, a rate which according to KAS, remained almost unchanged compared to the previous year. The average unemployment rate until September 2020 was 25.60 percent, a level almost similar to the same period in 2019 (25.57 percent). In 2020, the labor force participation rate in Kosovo was 37.3 percent, which compared to 2019, shows a decrease in the labor force participation rate by 3.2 percentage points.

The fiscal sector was characterized by higher growth of budget expenditures compared to revenues. Budget revenues in 2020 reached a net value of 1.7 billion euros, which represents an annual decline of 8.8 percent, while budget expenditures reached the value of 2.2 billion euros, which represents an annual increase of 6.5 percent. Consequently, the primary budget deficit has reached 7.1 percent of GDP from 2.6 percent in 2019. Public debt has reached 1.5 billion euros, an annual growth of 23.9 percent compared to 2019. As a percentage of GDP, public debt has reached 21.8 percent from 17.5 percent in 2019.

The structure of Kosovo's economy has influenced the effects of the pandemic crisis to be transmitted mainly through the channel of the external sector of the economy. In 2020, Kosovo's external sector was characterized by an increase in the current account deficit to euro 480.7 million (7.1 percent of GDP), an annual increase of 20.4 percent, mainly due to the halving of the positive balance of services. On the other hand, the increase in exports of goods and the significant decline in imports due to the decline in economic activity has affected the deficit in trade in goods to decline by 9.4 percent (4.5 percent increase in 2019) and drop to about 2.8 billion euros (41.5 percent of GDP). Remittances received in Kosovo amounted to 980.1 million euros, which represents an annual increase of 15.1 percent, while Foreign Direct Investments (FDI) in Kosovo reached the value of 341.7 million euros, which represents a significant increase of 34.2 percent.

The financial system marked an increase in activity during 2020, despite facing the challenges of the health and economic crisis caused by the Covid-19 pandemic. The annual growth of total assets of the financial system of Kosovo of 8.9 percent was mainly attributed to the growth of assets of the banking sector. Banking sector assets in 2020 marked an annual increase of 12.5 percent and reached a value of 5.35 billion euros. Due to the uncertainties brought by the restriction of economic activities, the assets of the banking sector marked a slower growth compared to the previous year, which is mainly attributed to the performance with which the lending activity was characterized. In the Bank Lending Survey, banks stated that during the first half of the 2020, the dynamics of lending activity were negatively affected by both credit supply and demand. According to banks, measures taken by the Government of Kosovo to prevent the spread of the Covid-19 pandemic were reflected in the increased risk perceived by banks, the deterioration of the domestic and global market outlook, the decline in the quality of the loan portfolio, and the reduction of banks tolerance to risk. While, in the second half of the year, Banks declared relief to some extent of credit standards and increase in demand for loans, dynamics that were mainly influenced by the measures taken by the CBK to suspend the payment of loan installments and further restructure loans as a result of the pandemic. The banking sector loan portfolio expanded by 7.1 percent, while the value of total loans reached 3.25 billion euros in 2020. The growth dynamics during this year turns out to be slower compared to the double-digit growth of the last four years. In the same period, deposits in the banking sector of Kosovo reached the value of 4.36 billion euros and marked an annual increase of 11.6 percent (16.2 percent in 2019).

The performance and financial health indicators of the banking sector continued to remain stable despite the increase in the sector's exposure to risks due to the pandemic. Full materialization of the expected increase of credit risk in the balance sheet of banks has been avoided mainly through relief measures taken by the CBK, namely the moratorium, the suspension of regulatory provisions on regular provisioning and regular credit rating, as well as loan restructuring. The ratio of non-performing loans changed the declining trend it had in the last six years, rising to 2.7 percent in December 2020, from the lowest historic level of 2.0 percent at the end of 2019. The increase is initially attributed to the methodical change in credit risk[1] assessment, where the NPL rate rose to 2.5 percent in February 2020. In the following, the increase in NPLs reflects the increased risk posed by the pandemic situation. The coverage level of non-performing loans with

[1] Regulation on Credit Risk Managemen, April 2019.pdf (bqk-kos.org)

provisions in this period was 139.6 percent from 163.5 in the previous year. The profit realized during 2020 turns out to have been 79.9 million euros, a lower value compared to the previous year by 7.4 percent, which is mainly attributed to the higher growth of expenditures versus revenues. The banking sector continues to have a high level and quality of capital. The CBK's recommendation for not distributing dividends as a measure to manage the possible consequences of the pandemic, as well as the slowdown in lending, caused capital to increase higher than lending, which was reflected in the increase in the capital adequacy ratio to 17.4 percent from 15.8 percent in the previous year. The liquidity position of the banking sector also remains stable, where the ratio of liquid assets to short-term liabilities reached 39.6 percent, which is well above the required regulatory minimum of 25.0 percent.

The pension sector in 2020 was characterized by a significant slowdown in growth of assets of 1.2 percent (17.0 percent growth in 2019), while their total value reached to 2.0 billion euros. Dynamics in the pension sector in 2020 was influenced by the withdrawal of 10 percent of trust funds from contributors, as a measure under the economic recovery package. Moreover, the negative return on investment during Q1 2020 (due to the effects of Covid-19 on the financial markets) further slowed down the activity of the pension sector, although losses incurred during the first quarter were offset during the following quarters and the sector closed the year with a positive gross return on investment. Also, the contributions collected from both funds contributed positively to the assets of the pension sector.

The level of intermediation of the insurance sector, more precisely the gross written premiums in relation to the country's GDP, stands at a low level of 1.46 percent. Insurance sector assets representing 2.8 percent of total financial system assets reached the value of euro 219.2 million, representing an annual increase of 11.6 percent (increase of 11.8 percent in the previous year). During 2020, the value of premiums written by insurers reached 99.3 million euros, a level similar to last year (annual increase of 0.1 percent), while claims paid by insurers and the Kosovo Insurance Bureau (KIB) marked an annual decline of 6.5 percent, reducing the value to 51.5 million euros. The insurance sector closed the year 2020 with a positive financial result of 3.4 million euros, unlike last year where it had a negative financial result of 4.7 million euros. The positive financial result of the sector reflects the higher decline in expenditures, as a result of the reduction of the level of claims incurred and the reduction of operating expenses, while revenues remained at a level almost similar to last year. The combined ratio of the sector also reflects the improvement of the financial position. In December 2020, this ratio stood at 98.2 percent, reflecting the claims ratio to net earned premiums of 54.2 percent and the expense ratio to net earned premiums of 44.0 percent, excluding investment interest income.

The microfinance sector in 2020 marked a slower growth of assets and a decline in lending activity, while closing the year with a low positive financial result. The value of total assets of MFIs and NBFIs reached 315.3 million euros, which represents a slower annual growth of 1.8 percent. During 2020, the lending activity of the microfinance sector marked an annual decline of 7.1 percent, with the value of total loans of euro 204.3 million. The declining lending activity of the sector reflects not only the impact of the pandemic in this segment, but also the revocation of the license of two microfinance institutions, which is also reflected in the total loan stock portfolio. As a result of the decline in revenues (mainly interest income on loans) along with the decline in expenditures (interest expenses), the microfinance sector realized a low profit of 0.1 million euros, compared to 9.3 million euros profit realized a year ago.

Also during 2020, the CBK has continued to improve the legal and regulatory framework in order to oversee financial institutions as effectively as possible. The improvement of the legal framework is based on the needs for advancing the regulatory processes and in order to approximate with

international standards and European Union directives as a result of the active participation of the CBK in the National Program for the Implementation of the SAA for the Republic of Kosovo.

During 2020, despite the challenges with the Covid-19 pandemic, the partial implementation of the bank examination plan continued, through the application of the risk-based supervision approach. As a result of the pandemic, on-site supervisory activities of banks have been limited and this has also affected the non-implementation of the bank examination plan, according to the initial approval in early 2020.

In 2020, the CBK has taken concrete actions in order to closely monitor the situation of banks, as well as to alleviate the increased difficulties due to the pandemic to both banks and users of financial products. Initially, on March 16, 2020, the CBK decided to temporarily suspend the application of certain provisions of banking regulations related to the issue of provisions and credit rating. Through this decision, customers are given the opportunity to defer credit installments and at the same time maintaining of the existing credit rating and maintaining of the same level of provisions, to be repealed by December 1, 2020. In the meantime, in June and August 2020, two guidelines were issued in order to establish the criteria on which the loan restructuring process should be based so that borrowers in financial difficulties have the opportunity to meet the obligations stipulated in the contract. In order to include all the measures taken so far, in February 2021, the CBK has issued the third guide, giving an additional deadline regarding the restructuring of loans.

Despite the difficulties raised as a result of the pandemic, the CBK is committed, adapting to the new circumstances in 2020, to conduct full and focused examinations of insurers. In order to maintain the stability of the financial sector, in 2020 examinations in pension funds were conducted according to the annual plan. Regarding the MFI and NBFI, the situation created with Covid-19 during 2020 has affected the limitations of on-site examinations, however they are constantly monitored either through numerous meetings and other ongoing communications, as well as from the perspective of off-site supervision.

Regarding the prevention of money laundering and the fight against the financing of terrorism, for the most effective implementation in practice of the Law on the Prevention of Money Laundering and Combating Terrorist Financing, it was considered necessary to analyze the need for issuing guidance acts by the CBK. Following the revision of the CBK Regulation on the prevention of money laundering and terrorist financing, during 2020, the Instruction on completing the declaration of origin of funds and determining the right of ownership was finalized.

CBK plays a key role in protecting users of financial services in Kosovo. In this context, within the internal process of handling complaints, during 2020, the CBK has reviewed 1,846 complaints of users of financial services (natural and legal persons), of which 1,429 complaints have been filed against banks, MFIs, NBFI and pension funds, 409 complaints were filed against insurers, while 8 were other complaints.

Similar to previous years, even during 2020, in the framework of cash management operations, the CBK ensured the supply of the local economy with the appropriate quantity and quality of euro banknotes and coins. Despite the situation caused by the Covid-19 pandemic, all cash operations were monitored and managed on a daily basis, in order to accommodate the increased supply requirements as a result of the pandemic situation. Also, the payment system, in contrast to the situation created as a result of the global pandemic crisis and the need to adapt to the specific needs presented, has proved to be stable and ready to face challenges of this nature, in providing payment services to government, businesses and households.

The key priority of the CBK for assets under management during 2020 was the security and liquidity of assets, before the return on investment. The reserve portfolio managed by the CBK

consists of instruments in the liquid portfolio and those in the investment portfolio. In 2020, the CBK for the first time launched repurchase agreements with local commercial banks as a new instrument in the CBK investment portfolio, an instrument that helps the liquidity of the banking sector and the overall liquidity of national securities. Also, in 2020, the CBK became part of the repurchase agreement of the Eurosystem through the DeutscheBundesbank for central banks (EUREP), enabling borrowing from the Euro-system liquidity package, against adequate euro collateral consisting of tradable debt securities, issued by Eurozone central governments and supranational institutions.

The Credit Registry of Kosovo (CRK) has also made progress during 2020, where 238 new users have been registered, as a result of requests submitted by member institutions, while the inquiries on liabilities and credit histories of credit applicants reached 734,130 inquiries.

In order to achieve its objectives, the CBK has continued to pay special attention to analyses of general economic developments in the country, as well as analyses related to the assessment of financial stability and systemic and non-systemic risks. In 2020, The unprecedented health, economic and social crisis also affected this function of the CBK, increasing the weight of the recommendations arising from the models developed by the CBK to address systemic and non-systemic risks, with a focus on signaling the expected developments about the macroeconomic dynamics as well as the developments in the financial system and the main stakeholders in it. CBK is focused on increasing the volume and quality of analysis, especially with the new dynamics created by the pandemic situation in 2020.

During 2020, the Covid-19 pandemic has created difficulties in the generation of many key statistics, as survey-related operations have become more difficult and in some cases discontinued completely, as is the case with the survey of Kosovar immigrants coming to Kosovo during Q2 and Q3 of the year. Despite the difficulties, the CBK has continued to publish regular statistics on the monetary sector and the external sector, which are the main responsibility of the CBK. This year, the CBK has published some new information regarding the statistics sector of financial accounts. During 2020, two contracts were signed with GOPA / Eurostat, for the advancement of statistics related to the compilation of Imbalance Procedure Indicators and the further improvement of the quality of Statistics on International Trade in Services. A significant progress is also made this year in building the framework for drafting of Financial Accounts Statistics (FAS) and the balance sheet according to the sectoral approach.

# 2. External economic environment

## 2.1. Eurozone and the Western Balkans

The global economy faced one of the greatest crises in history, spurred on by the spread of the Covid-19 pandemic and measures taken to limit its spread. Closing of borders and total isolation of economies in almost all countries pushed economic activity towards a very significant decline. The global production chain and overall consumption were hit hard, with the exception of consumption for basic foodstuffs, also contributing to a significant weakening of international trade. The application of fiscal support packages will burden the state budget, while the outlook for the forthcoming period remains accompanied by high uncertainties both in terms of ending the health crisis and the cost of economic and social dynamics.

Similar negative developments have occurred in all Eurozone and Western Balkan countries, with differences between them depending on the countries' approach to restrictive measures against the spread of the Covid-19 virus, the sensitivity of the economy to such a situation, and the success of applying fiscal packages to ease the burden on the economy.

According to the ECB, the Eurozone economy for 2020 is estimated to have a contraction of activity by -6.6 per cent, while 2021 is estimated with more optimism where the expectations are that there will be economic growth of 3.9 per cent. The economic decline was most pronounced in the second quarter of the year, at -14.6 per cent, a period that was characterized by the first general closure of economies as a response to limit the spread of the first wave of the pandemic. Economic contraction during the second quarter of the year was most pronounced in the countries most affected by the virus such as Spain (-21.6 per cent), France (-18.6 per cent) and Italy (-18.1 per cent). Germany, among the top Eurozone countries, recorded the lowest decline of -11.2 per cent in the second quarter (table 1).

**Table 1. Annual real GDP growth**

| Description | 2016 | 2017 | 2018 | 2019 | 2020 | 2021p |
|---|---|---|---|---|---|---|
| Euro area | 1.9 | 2.6 | 1.9 | 1.3 | -6.6 | 4.0 |
| Spain | 3.0 | 3.0 | 2.4 | 2.0 | -10.8 | 7.2 |
| Greece | -0.5 | 1.3 | 1.6 | 1.9 | -8.2 | 4.1 |
| Austria | 2.0 | 2.4 | 2.6 | 1.4 | -6.6 | 4.6 |
| France | 1.1 | 2.3 | 1.8 | 1.5 | -8.1 | 6.0 |
| Germany | 2.2 | 2.6 | 1.3 | 0.6 | -4.8 | 4.2 |
| Italy | 1.3 | 1.7 | 0.9 | 0.3 | -8.9 | 5.2 |

Source: ECB, Eurostat, IMF (forecasts), February 2021

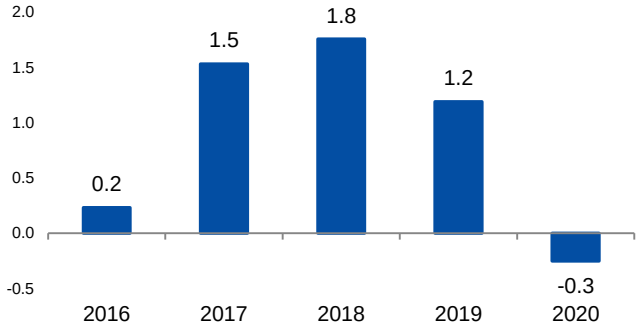
Easing the restrictive measures imposed in March, coupled with implementing fiscal easing packages and unconventional monetary policy measures, as well as increased optimism over the discovery of the Covid-19 vaccine, prompted the global economy to begin mitigating the negative effects on the third quarter of 2020. Eurozone economies showed a slowdown in economic decline to -4.1 per cent, although the increase in the number of cases in autumn and the intensification of control measures in many European countries resulted in the economic activity contraction continuing in the fourth quarter at the level of -4.9 per cent.

Unlike the first wave of virus spread when the industry sector was hit the hardest, the services sector is suffering more from the second wave of virus spread and restrictive measures in response. The pandemic situation further re-emphasized deglobalization and increased uncertainties in

resolving geopolitical tensions, such as the ratio of competition between the major powers of China and America. Developments in the Eurozone industrial sector, negatively impacted by international trade tensions last year, worsened further during the pandemic. As a result of the decline in aggregate demand and production, the value of exports of goods and services decreased by 9.7 per cent in 2020 (increase of 2.5 per cent in 2019). On the other hand, even the import of goods and services decreased by 9.4 per cent (increase of 3.8 in 2019). As a result, net exports contributed to the decline in economic activity during 2020.

Inflationary pressures were low, due to decline in demand, especially declining tourism, stagnant labour and commodity markets, and the historically high level of the euro exchange rate. According to Eurostat estimates, the inflation rate in the Eurozone for 2020 is -0.25 per cent. The significant decline in demand also affected the rapid decline in oil prices, to be increased in November. While, influenced by the increase in oil prices, the latest Eurostat estimates predict an increase in inflation to 1.5 per cent for 2021 (chart 1).

Chart 1. Inflation rate in euro area, in percent




Source: Eurostat (2021)

The financial system has shown resilience to Covid-19 shocks, supported by the ECB's easing monetary policy which reacted immediately to the announcement of the pandemic by launching on 18 March the 'Pandemic Emergency Purchase Program', worth EUR 750 billion, in order to provide the necessary liquidity to the market. In December 2020, the Governing Council of the ECB decided to recalibrate financial instruments under the easing monetary policy in response to low inflationary pressures and to create favourable financing conditions in order to accelerate the recovery and normalization of economic activity. The ECB decided to increase the amount under the Pandemic Emergency Purchase Program to EUR 1.850 billion, to ease the conditions for long-term refinancing, while keep the key interest rates, such as interest rates on basic refinancing operations, key deposit rates and overnight lending rates, at 0.0 per cent, -0.5 per cent and 0.25 per cent, respectively, unchanged since from the last decision in September last year.

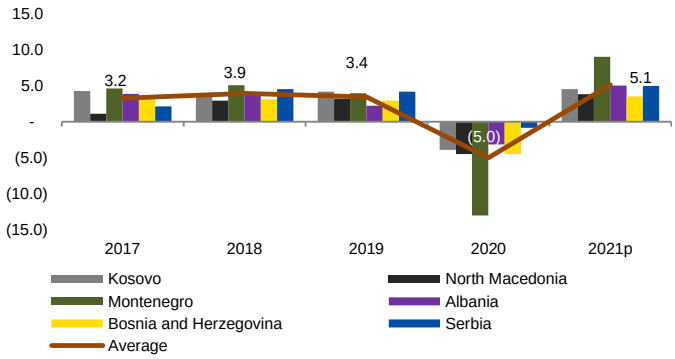
The ECB monetary policy measures and easing packages adopted by national governments are the mainstay of bank lending and access to finance during the pandemic. Lending activity to the private sector in the Eurozone had no consequences during the pandemic period. The growth rate of lending to nonfinancial corporations by the end of the year was higher compared to the period before the pandemic. Lending to non-financial corporations marked an annual growth rate of 6.4 per cent in December 2020, compared to 6.5 per cent in September and 2.4 per cent in February 2020. The decline in lending from September to December resulted from weakening investments and tightening credit conditions for this segment. Meanwhile, lending to households marked an annual increase of 3.5 per cent in December, unchanged from September this year, and lower than before the announcement of the pandemic, which was 3.8 per cent in February.

Like the Eurozone countries, the countries of the Western Balkans were hit by the spread of the Covid-19 pandemic, plunging into a deep recession. According to the World Bank, economic activity for 2020 is estimated to have contracted by -4.8 per cent. According to the data of the respective countries, the economic decline for 2020 is on average 5.0 per cent. The highest economic decline was recorded in Montenegro, at -13.0 per cent, whose economy is highly dependent on tourism, the sector most affected by isolation measures. The decline in tourism revenues also hit economic

activity in Albania, while similarly, Kosovo also suffered from the decline in revenues generated as a result of diaspora not being able to come to Kosovo. Serbia was the country that reported the slightest decline in economic activity, at 0.9 per cent (chart 2).

Due to the isolation measures applied since March in the Western Balkan countries, domestic demand for non-essential products, investments and exports fell sharply. Consumption has been the main contributor to economic activity over the years, and the impact to this category in the pandemic period was an influential factor of economic decline in these countries.

Chart 2. Annual GDP growth rate in Western Balkans




Source: IMF, National Statistics Agencies (2021)

These and the growing political uncertainties associated with the electoral processes in North Macedonia and Kosovo, as well as the second wave of the virus that affected these countries after June, further hampered the recovery. The recession significantly affected the labour market, increasing the unemployment rate and poverty in the countries of the Western Balkans, issues that were problematic even before the pandemic period. Stagnation in international trade has hit export-oriented industry and manufacturing, especially in Bosnia and Herzegovina and North Macedonia. The decrease in net exports has affected almost all the countries of the Western Balkans. In Albania, the decline in tourism and falling oil prices have reduced exports by 29.0 per cent. In Macedonia, exports fell by 10.6 per cent as a result of declining manufacturing. Montenegro's imports decreased by 19.7 per cent while exports by 48.5 per cent. The current account deficit in relation to the gross domestic product in the Western Balkan countries has increased to -9.0 per cent from -7.0 per cent a year ago. Montenegro has the highest ratio of current account deficit to gross domestic product (-25.9 per cent) while Bosnia and Herzegovina and Macedonia have the lowest ratio, at -3.5 per cent.

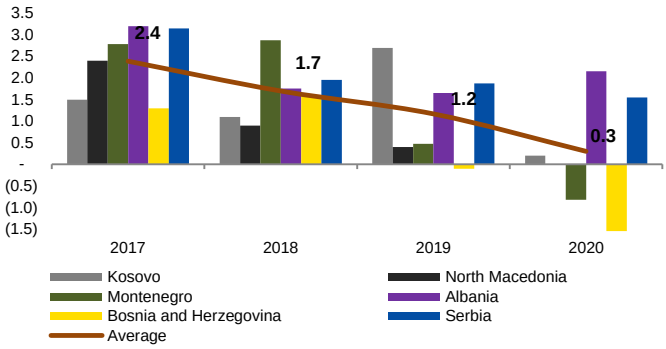
The decline in budget revenues due to the closure of economies and the increase in budget expenditures from the fiscal easing packages applied to mitigate the effects of the pandemic, are expected to put high pressure on the fiscal deficit of countries. According to the World Bank, the fiscal deficit can reach up to 10 per cent of GDP in most countries. Similar to the Eurozone, in the first wave of the pandemic, almost all economic sectors declined. While, in the second wave, the services sector was the activity that was hit hardest in all Balkan countries.

Inflationary pressures were declining even in the Western Balkans, as a result of declining domestic demand, as well as falling oil and commodity prices in international markets. The average annual inflation rate expressed through the Consumer Price Index (CPI) in Montenegro was -0.8 per cent, in Bosnia and Herzegovina -1.6 per cent, while in Albania and Serbia it stood at 2.2 per cent and 1.6 per cent, respectively. Macedonia recorded the highest inflation rate of 2.3 per cent (chart 3).

In response to the pandemic-driven crisis, the central banks of the three Western Balkan countries (Macedonia, Albania and Serbia) have applied monetary policy easing measures, lowering key interest rates to support the economy and maintain financial stability. Lending activity of the banking sector in the countries of the Western Balkans marked a positive growth rate of an average of 5.3 per cent until December 2020. The highest credit growth rate was recorded by the

banking sector of Serbia with 11.5 per cent, followed by that of Kosovo with an increase of 7.1 per cent and the banking sector of Albania with 5.8 per cent. Kosovo continues to maintain the highest quality of the loan portfolio, with a non-performing loan rate of 2.7 per cent, while Albania is characterized by the highest level of non-performing loans with 8.1 per cent, and Bosnia and Herzegovina with 6.7 per cent.[2] Deposits in the banking sector of the Western Balkan countries also increased, except for the deposits of the Montenegrin banking sector, which decreased by 3.0 per cent. The banking sector of Serbia (17.0 per cent from 9.4 per cent a year earlier) and Albania (7.8 per cent from 1.1 per cent) accelerated the growth of deposits.

Chart 3. Annual increase of inflation in Western Balkans




Source: IMF, National Statistics Agencies (2021)

In foreign exchange markets, the euro was generally appreciated against major currencies (excluding the Swiss franc) but also against the currencies of countries in the region, excluding the Serbian dinar. The sharp contraction of the US economy during the second quarter of the year, and uncertainties about the presidential election, contributed to the strengthening of the euro against the US dollar at an average rate of 1.9 per cent. The average exchange rate of the euro against the British pound was appreciated at 1.4 per cent, while against the Swiss franc it depreciated by 3.8 per cent. Against the currencies of the region such as the Albanian lek and the Macedonian denar, the euro appreciated by 0.6 per cent and 0.3 per cent, respectively, while against the Serbian dinar, it depreciated by 0.2 per cent compared to the previous year.

[2] The latest B&H data are as of September 2020.

# 3. Economy of Kosovo

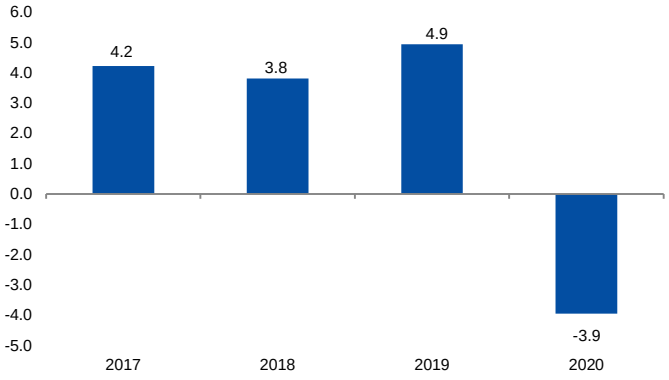
## 3.1. Real sector

### 3.1.1 Gross Domestic Product

Economic activity in Kosovo was characterized by an unprecedented shock in 2020. The health crisis as a result of the Covid-19 pandemic and the measures taken to maintain public health, mainly in the context of restricting movement and physical distancing, were reflected in general decline in economic activity.

According to KAS estimates, economic activity in Kosovo has slowed to a slower growth of 1.3 per cent in the first quarter, and has declined by 9.3 per cent and 7.3 per cent in the second and third quarters of 2020. KAS estimates for the fourth quarter suggest that in this quarter there was an increase in economic activity of 0.7 per cent. Consequently, preliminary estimates suggest that in 2020, nominal GDP decreased by 4.0 per cent compared to 2019, while in real terms, GDP decreased by 3.9 per cent (chart 4). The highest decline in economic activity was recorded in the transport and storage sector (-25.5 per cent), construction (-24.3 per cent) and hotels and restaurants (-21.8 per cent). While, real growth is estimated to have marked the sector of health and social work activities (16.9 per cent), processing industry (11.7 per cent), information and communication (10.0 per cent), electricity and gas supply (9.4 per cent), extractive industry (4.6 per cent), etc.

Chart 4. Real GDP growth rate




Source: KAS (2021)

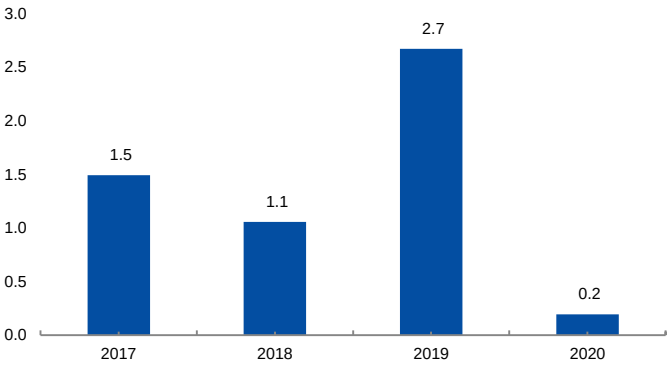
The significant decline in economic activity in Kosovo has been transmitted mainly through the external sector of the economy. The increased risks due to the pandemic and the measures taken to curb the spread of the virus have consisted mainly of travel restrictions, reflected in a decline in economic activity, especially in the second and third quarters due to the decline in exports of services within the balance of payments. The decline in diaspora visits to Kosovo as a direct consequence of restrictive measures taken to manage the health crisis in both Kosovo and the countries where the Kosovo diaspora is concentrated has resulted in a real decline in exports of services by 41.4 per cent, which consequently has deepened the net export deficit of 17.5 per cent in 2020. Other components have contributed to the reduction of the trade deficit. Imports of goods and imports of services marked a real decline of 3.8 per cent and 19.9 per cent, respectively, while exports of goods marked a real growth of 21.4 per cent.

In addition to net exports, the 18.8 per cent drop in investment also had a negative impact on GDP. Government capital investments decreased by 28.4 per cent in 2020. An indication of the decline in investments during 2020 is also the decline in imports of intermediate goods by 7.9 per cent. Consumption, on the other hand, as the main component of domestic demand, marked a real growth of 6.7 per cent, supported by an increase in private consumption of 7.0 per cent and public consumption of 4.4 per cent. Remittances, as an important source of financing private consumption, increased by 15.1 per cent (6.4 per cent in 2019).

### 3.1.2 Prices

The decline in aggregate demand and the dynamics of commodity prices in international markets were reflected in weak inflationary pressures in Kosovo. The overall price level in the country, expressed through the consumer price index, has marked a slowdown of growth of 0.2 per cent in 2020 (chart 5). This slowdown in price growth was mainly influenced by transport prices, which fell by -5.8 per cent, clothing prices (-0.9 per cent), recreation and culture prices (-0.6 per cent), electricity and gas prices, other fuels (-0.1 per cent), etc.

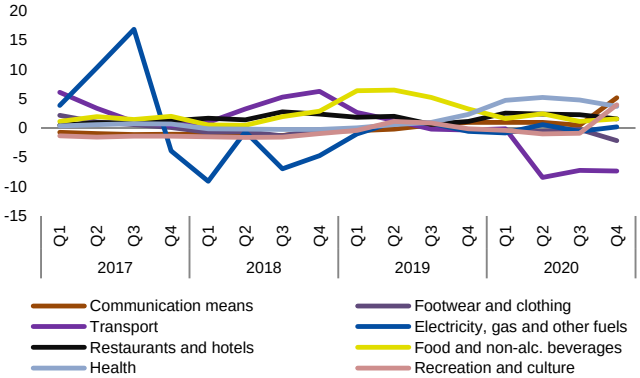
Chart 5. Inflation rate, annual change in percent




Source: KAS (2021)

Food and non-alcoholic beverage prices increased by 1.7 per cent, which is a significantly lower rate compared to 2019 where there was an increase of 5.4 per cent. As a result of the high weight they have in the basket of the Kosovar consumer, food prices have contributed most to the slowdown in overall price growth. On the other hand, as a result of the pandemic situation, health services have marked the highest growth (4.7 per cent), followed by restaurant and hotel prices (2.2 per cent), media (1.9 per cent), etc. (chart 6).

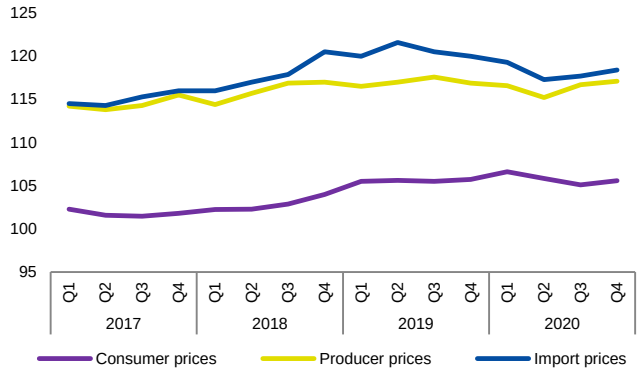
Chart 6. Price movements by main components, annual change in percent




Source: KAS (2021)

Price fluctuation in Kosovo is mainly determined by price fluctuation in international markets, due to the high dependence of Kosovo's economy on imports. The import price index marked an average decline of 1.9 per cent in 2020 (chart 7). Prices of mineral products as well as prices of textile products marked the highest decline (-15.9 and -13.8 per cent, respectively), while prices of plant products marked the highest increase (13.9 per cent). The producer price index was also characterized by a decline, marking an average decline of 0.6 per cent. The highest decline in producer prices was mainly recorded in metal ore mining (-11.4 per cent), machinery and equipment production (-4.5 per cent), metal production (-3.4 per cent), furniture production (-3.3 per cent), etc. Whereas, higher price increases also characterized the production of motor vehicles (6.5 per cent), production of leather and leather products (6.4 per cent), etc.

Chart 7. Consumer, producer and import price indices

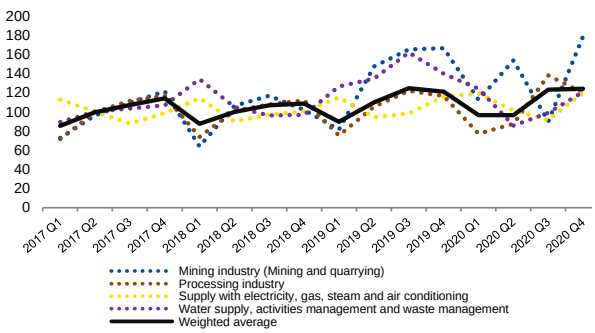



Source: KAS (2021)

### 3.1.3 Financial position of enterprises

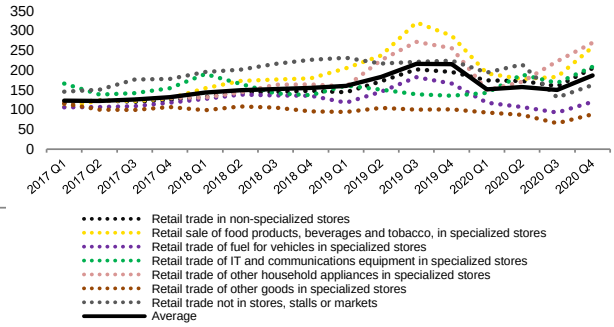
The industry sector and the trade sector constitute the two economic sectors with the highest share in the turnover of the total enterprises, and the indices of these two sectors[3] have declined during 2020.

Chart 8. Industrial production turnover index (2017=100)




Source: KAS (2021)

Chart 9. Retail turnover index (2015=100)

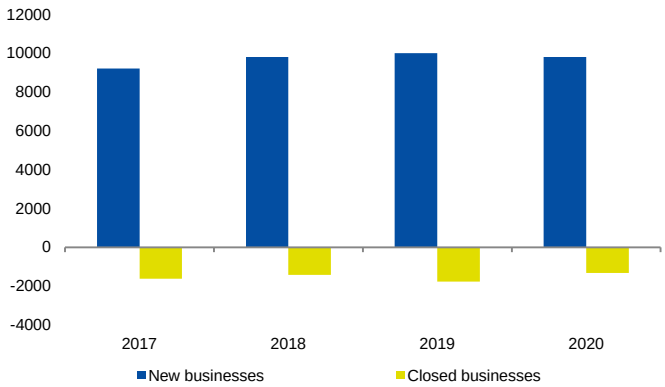



Source: KAS (2021)

The industrial production volume index decreased by an average of 1.2 per cent, influenced by the decline of the water supply index and the extractive industry index (chart 8), while the turnover index in the retail sector decreased by an average of 16.5 per cent. Almost all constituent components are characterized by declines (chart 9).

In 2020, fewer new enterprises were registered and significantly fewer enterprises were closed. The number of new enterprises registered was 9,805, or 2.0 per cent less than in 2019, while 1,326 enterprises were closed, or 25.0 per cent less than in 2019 (chart 10).

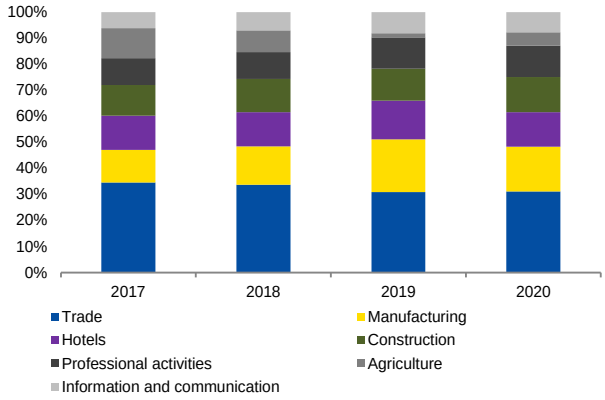
Chart 10. Business registry




Source: KAS (2021)

The largest number of registered enterprises continues to be concentrated in the trade sector, with 24.5 per cent of the total new enterprises registered, followed by the manufacturing sector with 13.5 per cent, construction sector with 10.6 per cent and hospitality sector with 10.4 per cent (chart 11). Compared to 2019, 219 fewer enterprises were registered in the manufacturing sector, 121 less enterprises in the hospitality sector, 79 fewer enterprises in administrative and support activities, etc. Whereas, the sectors that marked the largest number of registered enterprises were the sector of agriculture (276 more enterprises), construction sector (95 more enterprises), trade sector (43 more enterprises), etc.

Chart 11. Structure of new enterprises




Source: KAS (2021)

[3] KAS publication: Report 'Short Term Retail Statistics, Q3 2020', and 'Short Term Industry Statistics, Q4 2020'.

### 3.1.4 Labour market

Until September 2020, the labour force participation rate in Kosovo was 37.3 per cent, which compared to 2019 shows a decrease in the labour force participation rate by 3.2 percentage points. The low labour force participation rate is attributed to some extent to the relatively young population (pupils, students), as well as to the category of discouraged employees, housewives and other persons who are not active in search of a job.

Based on the Labour Force Survey, the average employment rate[4] turned out to be 27.8 per cent, which represents a decrease of 2.3 percentage points compared to 2019. The employment rate turned out to be higher among men versus women, where 42.1 per cent of men of working age were employed versus 13.5 per cent of women. According to the results of the survey, the employment rate among women has decreased by 0.4 percentage points, while among men it has decreased significantly (4.1 percentage points) compared to 2019.

By age groups, the population aged 35-44 has the highest employment rate (37.2 per cent), while the age group 15-24 has the lowest employment rate (10.9 per cent). By level of education, the highest employment rate turns out to be among the highly labour force, followed by vocational secondary education and gymnasium. Workers who had completed vocational secondary education were mainly employed in the private sector, while workers who had completed tertiary education were mainly employed in the public sector.

Dictated by the structure of the economy, the employment rate turns out to be concentrated in the trade sector, with 17.7 per cent of total employees, followed by the manufacturing sector with 11.4 per cent, the construction sector with 10.9 per cent, the education sector with 10.3 per cent, etc. Compared to 2019, the data show that there is an increase in participation in the structure of employees in the trade and education sector, while the construction and manufacturing sectors have declined.

Despite the pandemic and the contraction of economic activity, official labour market statistics in Kosovo show that the average unemployment rate[5] by September 2020 was 25.60 per cent, a level almost similar to the same period of 2019 (25.57 per cent). The contraction of economic activity due to the decline in value added by sectors such as services (hotels and restaurants; entertainment and recreation) sector, construction sector and transport sector does not appear to have translated into a deterioration in the unemployment rate in the country. Such dynamics can be attributed to some extent to the fact that businesses in the affected sectors have managed the decline in activity by reducing the income and working hours of engaged employees, as opposed to their dismissal.

In terms of gender, the labour market in Kosovo is characterized by a higher unemployment rate among women (31.7 per cent), with the age group of young women having the highest unemployment rate (59.1 per cent), while the unemployment rate among men is lower (23.4 per cent). Education has improved the prospects in the labour market in Kosovo. According to KAS, the unemployment rate was highest for uneducated persons (about 49.3 per cent), while lowest for persons who had completed tertiary education (18.6 per cent).

[4] The employment rate represents the percentage of the working-age population that is employed.

[5] Unemployment rate is the percentage of the labour force that is not employed.

### 3.2. Fiscal sector

Budget revenues[6] in 2020 reached a net value of EUR 1.7 billion, which represents an annual decline of 8.8 per cent, while budget expenditures[7] reached the value of EUR 2.2 billion, which represents an annual increase of 6.5 per cent. Consequently, the primary budget deficit has reached 7.1 per cent of GDP, compared to 2.6 per cent in 2019.

Within tax revenues, all categories have decreased. The highest decrease was recorded in indirect tax revenues, which reached the value of EUR 1.27 billion or 10.1 per cent less compared to 2019. Direct tax revenues decreased by 8.6 per cent and reached the value of EUR 267.2 million. Non-tax revenues decreased by 5.3 per cent and reached the value of EUR 214.2 million.

The increase in budget expenditures by 6.5 per cent was lower compared to 2019 when there was an increase of 7.2 per cent. The category that marked an accelerated increase in expenditures was that of current expenditures, which increased by 18.6 per cent, while capital expenditures decreased by 28.4 per cent. In terms of current expenditures, subsidies and transfers increased by 38.4 per cent and reached the value of EUR 867.9 million. Government expenditures on wages increased by 7.3 per cent and reached the value of EUR 660.8 million, while government expenditures on goods and services (including municipal expenditures) increased by 0.2 per cent and reached the value of EUR 296.3 million.

Public debt in 2020 has reached EUR 1.5 billion, which is 23.9 per cent higher compared to 2019. As a percentage of GDP, public debt has reached 21.8 per cent, compared to 17.5 per cent in 2019. Public debt growth is attributed to the increase in domestic debt by 21.5 per cent (which reached EUR 961.9 million) and the increase in public external debt by 28.6 per cent. External public debt has reached the level of EUR 525.8 million or 35.3 per cent of total public debt.

In 2020, the value announced at auctions reached the value of EUR 377.5 million, which is 4.9 per cent more compared to 2019, while the amount received was EUR 369.9 million, or 2.7 per cent more compared to 2019.

Demand for investing in treasury bills and government bonds was lower than in the previous year. This was reflected in the overall ratio of demand to supply in securities, which in 2020 was 1.5 times higher, compared to 1.9 as it was in the previous year. In 2020, the average interest rate on Kosovo Government Securities increased to 2.1 per cent, compared to 1.8 per cent in 2019.

The increase in the interest rate is related to the continued increase in the share of long-term securities. While in the past the structure of Kosovo Government Securities was dominated by Treasury bills with shorter maturities, the main categories in 2020 were bonds with maturities of three and five years.

### 3.3. External sector

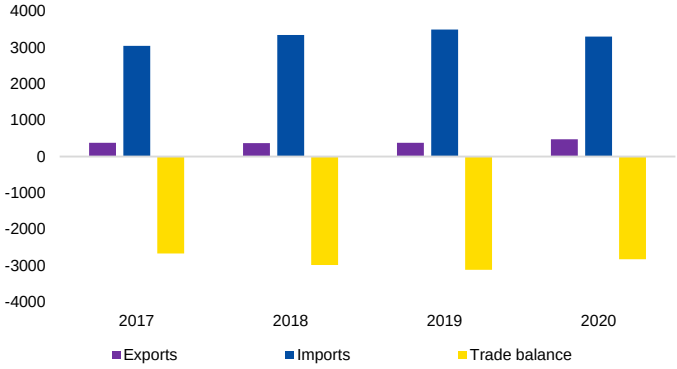
The structure of Kosovo's economy has influenced the effects of the pandemic crisis to be transmitted mainly through the channel of the external sector of the economy. The current account deficit in 2020 has increased by 20.4 per cent, marking the value of EUR 480.7 million. In relation to GDP, the current account deficit was 7.1 per cent (5.6 per cent in 2019). The positive balance of services was halved, while the positive balances of primary and secondary income increased. On the other hand, the goods deficit, which is constantly negative, has marked a significant decline in 2020.

[6] Budget revenues do not include funding revenues.

[7] Budget expenditures do not include funding payments.

The increase in exports of goods and the significant decline in imports due to the decline in economic activity has affected the deficit in trade in goods to decline by 9.4 per cent (4.5 per cent increase in 2019) and reach about EUR 2.8 billion. In relation to GDP, the trade deficit in goods was 41.5 per cent (43.9 per cent in 2019). The value of exports of goods amounted to EUR 475.0 million, which corresponds to an annual increase of 23.8 per cent (4.4 per cent increase in 2019) (chart 12).[8] The increase in exports of goods has occurred despite the decline in external demand but also the decline in metal prices. The highest increase was recorded in the export of chemical industry products, vegetable products, plastic products, etc. Even base metals, which have the highest share in the structure of the country's total exports (about 36.6 per cent), marked a significant increase (29.4 per cent). On the other hand, the export of mineral products, the export of leather and leather goods, etc. was characterized by a decrease (chart 13).

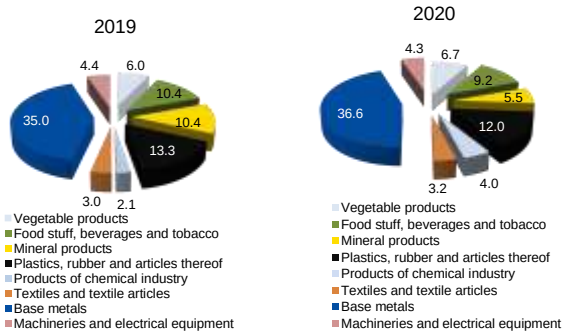
Chart 12. Exports, imports and trade balance, EUR million




Source: KAS (2021)

During 2020, imports of goods decreased by 5.7 per cent (4.5 per cent increase in 2019) and reached EUR 3.3 billion. The decline in imports is attributed to the decline in aggregate demand globally, a dynamic that translated into declining prices of metals and minerals (mainly petroleum products) in international markets, as well as declining economic activity in the country. The highest decrease was recorded in the import of mineral products, means of transport, base metals, as well as textile articles, while the highest increase was recorded in the import of chemical products, import of plastics, rubber and articles thereof, import of textiles and textile articles, import of electrical machinery and equipment, etc. (chart 14).

Chart 13. Structure of exports by categories, in percent




Source: KAS (2021)

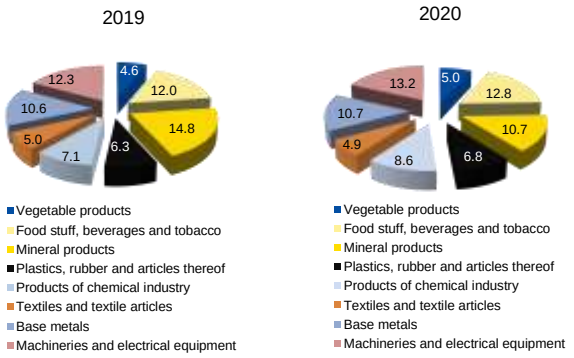
Within the balance of payments, trade in services was the component that declined the most as a direct result of the restrictive measures taken to manage the health crisis. The balance in the trade in services marked the value of EUR 391.5 million, or 57.7 per cent less compared to 2019. The value of exports of services marked an annual decrease of 40.7 per cent, down to EUR 994.0 million.

This decline in exports of services is one of the main channels of crisis transmission, given that exports of services have a high share in the country's GDP and consist mainly of diaspora expenditures during their stay in Kosovo. The decrease of diaspora visits to Kosovo due to the pandemic situation and accompanying restrictions has affected the export of travel services to mark the value of only EUR 628.0 million, or 52.2 per cent less compared to 2019.

[8] The source of data on the export and import of goods in Kosovo is the Kosovo Agency of Statistics.

Also, the export of construction services as well as the export of transport services were characterized by an annual decline of 46.1 and 29.7 per cent, respectively. On the other hand, imports of services decreased by 19.6 per cent and reached EUR 602.5 million. Also in the import of services, the highest decline was recorded in the import of travel services (-37.2 per cent), followed by the import of construction services (-36.9 per cent), computer services (-31.8 per cent), transport services (-10.5 per cent), etc.

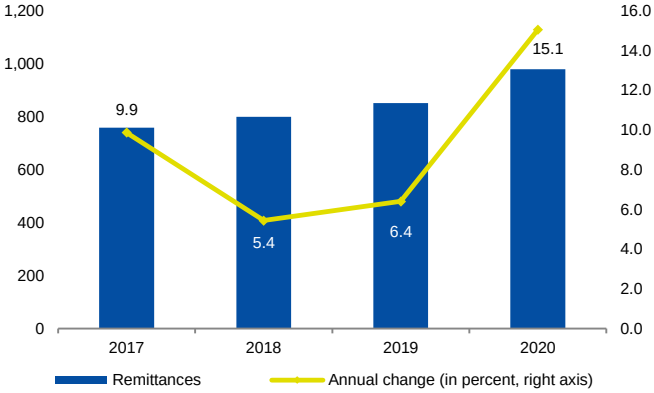
Chart 14. Structure of imports by categories, in percent




Source: KAS (2021)

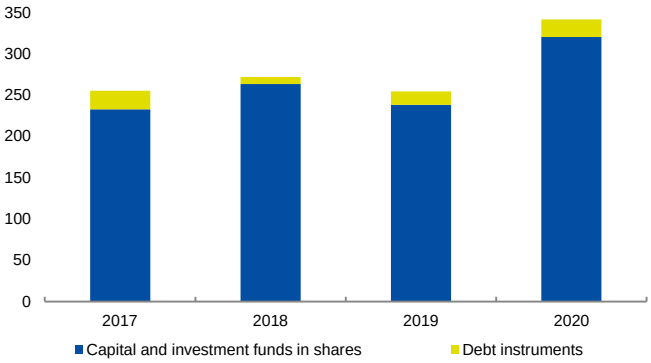
The primary income account marked an increase of 2.3 per cent. Income from employee compensation[9] marked an increase of 3.7 per cent. The secondary income balance increased by 13.5 per cent, which is mainly attributed to the higher level of remittances. Remittances received in Kosovo, which also represent the largest category within the secondary income account, amounted to EUR 980.1 million in 2020, which represents an annual increase of 15.1 per cent (chart 15). This acceleration of the growth of remittances has come despite the fact that even the countries where the Kosovar diaspora is concentrated have been hit hard by the pandemic crisis. The increase in remittances has been in double digits throughout the period, except for March and April 2020 when they declined. In terms of remittance transfer channels, the vast majority of remittances (68.6 per cent) came through money transfer agencies, which marked an increase of 60.0 per cent. Remittances through banks increased by 14.9 per cent, while as a result of border closure and other restrictions, remittances through the 'informal channel' decreased by 46.0 per cent. Remittances to Kosovo come mainly from Germany and Switzerland, countries from which 42.3 per cent and 22.3 per cent of total remittances were sent, respectively. A significant share of remittances is also accepted from the USA (6.4 per cent of total remittances).

Chart 15. Remittances, EUR million




Source: CBK (2021)

Chart 16. Structure o foreign direct investments by components, EUR million




Source: CBK (2021)

[9] Employee compensation includes salaries, wages and other benefits received by resident employees abroad. In this context, this item includes seasonal or other short-term employees (less than one year) and border employees who have the centre of economic interest in their economy.

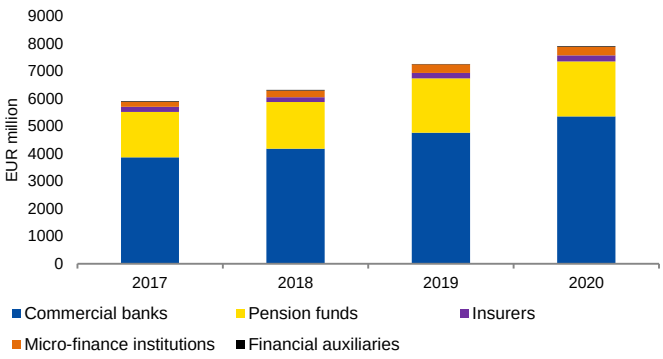
Foreign Direct Investment (FDI) in 2020 reached the value of EUR 341.7 million, which represents an increase of 34.2 per cent. Within the FDI structure, investments in debt instruments increased by 29.9 per cent while capital and fund of investment in shares increased by 34.5 per cent (chart 16). Increase in FDI was recorded mainly in the sector of financial activities, energy as well as mining and quarrying. On the other hand, the real estate sector, which is the sector with the highest share in the structure of FDI, has decreased by 10.1 per cent in 2020.

## 3.4. Financial sector

### 3.4.1 General characteristics

The financial system marked an increase in activity during 2020, despite facing the challenges of the health and economic crisis caused by the Covid-19 pandemic. The value of total assets of the financial system of Kosovo reached EUR 7.91 billion in 2020, which corresponds to an annual increase of 8.9 per cent, namely 6.0 percentage points lower compared to the previous year (chart 17). The banking sector continues to have the main contribution in expanding the activity of the financial system in the country.

Chart 17. Assets value of Kosovo's financial system




Source: CBK (2021)

Regarding the structure of the financial system, the number of commercial banks and financial auxiliaries increased during 2020, while the number of microfinance institutions decreased. The number of institutions in other constituent sectors of the financial system remained unchanged.

During 2020, the banking sector expanded to 11 banks as a result of the licensing of a new bank in the last quarter of the year. Also, financial auxiliaries, as the sector with the largest number of institutions, increased further to 61 institutions, although their share in the total assets of the financial system remains at only 0.2 per cent. Meanwhile, the number of microfinance institutions was reduced to 16, as a result of the withdrawal of registration of two institutions (table 2).

**Table 2. Number of financial institutions**

| Description | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Commercial banks | 10 | 10 | 10 | 10 | 11 |
| Insurers | 15 | 15 | 14 | 13 | 13 |
| Pension funds | 2 | 2 | 2 | 2 | 2 |
| Financial auxiliaries | 48 | 52 | 51 | 54 | 61 |
| Insurance intermediaries | 15 | 16 | 13 | 16 | 16 |
| Microfinance institutions and non-bank financial institutions | 16 | 18 | 22 | 20 | 18 |

Source: CBK (2021)

### 3.4.2 Banking sector

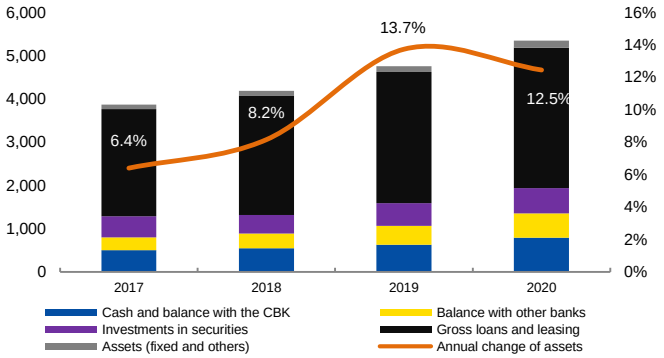
**Assets**

Banking sector assets in 2020 marked an annual increase of 12.5 per cent, reaching a value of EUR 5.35 billion (chart 18). Restrictive measures to prevent the spread of the Covid-19 virus were among the main factors that dictated the performance of the sector's balance sheet items. As a result of the uncertainties brought by the restriction of economic activities, the assets of the banking sector marked a slower growth compared to the previous year, which is mainly attributed

to the dynamics in lending activity, as the item with the main contribution to the assets of the banking sector. This activity is mainly supported by deposits which account for about 81 per cent of total liabilities and own sources.

The position of securities marked an annual increase of 11.0 per cent along with an increase of 22.4 per cent in the previous year. Assets held in commercial banks also had a slower growth, with an annual increase of 27.6 per cent, compared to 29.3 per cent in the previous year. The only item with accelerated growth was cash and balance sheet with the CBK, which increased by 27.0 per cent, compared to 14.9 per cent last year. The increase in reserves held by commercial banks this year mainly reflects the uncertainties created by the pandemic situation and consequently the more limited opportunities for investing funds in these circumstances.

Chart 18. Assets of commercial banks, annual changes, EUR million




Source: CBK (2021)

## Table 3. Structure of the banking sector assets

| Description | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) |
| Cash and balance with the CBK | 457.3 | 12.6% | 499.4 | 12.9% | 541.8 | 12.9% | 622.5 | 13.1% | 790.6 | 14.8% |
| Balance with commercial banks | 342.0 | 9.4% | 296.6 | 7.7% | 340.8 | 8.1% | 440.6 | 9.3% | 562.2 | 10.5% |
| Securities | 510.3 | 14.0% | 486.4 | 12.6% | 430.2 | 10.3% | 526.5 | 11.1% | 584.3 | 10.9% |
| Gross loans | 2,230.0 | 61.3% | 2,485.5 | 64.2% | 2,755.5 | 65.8% | 3,031.9 | 63.7% | 3,246.6 | 60.6% |
| Fixed assets | 58.5 | 1.6% | 60.1 | 1.6% | 79.6 | 1.9% | 98.9 | 2.1% | 116.4 | 2.2% |
| Other assets | 39.0 | 1.1% | 41.8 | 1.1% | 37.5 | 0.9% | 40.1 | 0.8% | 53.2 | 1.0% |
| **Total** | **3,637.1** | **100%** | **3,869.8** | **100%** | **4,185.5** | **100%** | **4,760.5** | **100%** | **5,353.4** | **100%** |

Source: CBK (2021)

The degree of concentration in the banking sector has continued to decline. The assets of the three largest banks have reduced the share to 55.8 per cent of the sector assets, compared to 56.8 per cent in the previous year. Also, the Herfindal-Hirschman index for banking sector assets fell to 1,475, compared to 1,489 last year.

### Loans

In 2020, the loan portfolio of the banking sector expanded by 7.1 per cent (chart 19), while the value of total loans reached EUR 3.25 billion. The growth dynamics during this year turns out to be slower compared to the double-digit growth of the last four years. In the Bank Lending Survey, banks stated that during the first half of the year, the dynamics of lending activity were negatively affected by both credit supply and demand. Measures taken by the Government of Kosovo to prevent the spread of the COVID-19 pandemic were reflected in the increased risk perceived by banks, the deterioration of the domestic and global market perspective, the decline in the quality of the loan portfolio, and the reduction of banks' risk tolerance. While, in the second half of the year, there was an ease to some extent of credit standards and an increase in demand for loans. The measures taken by the CBK to suspend the payment of loan instalments and further restructure loans as a result of the pandemic had an impact on this dynamic. Banks also stated that the KCGF's support in lending, increased competitive pressures and favourable access to finance also made a positive contribution.[10]

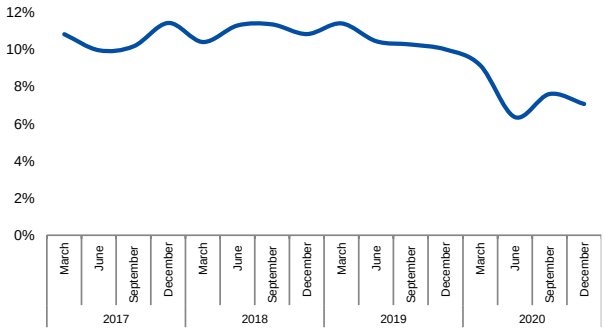
[10] Bank Lending Survey and Inflation Expectations Report.

Loans to enterprises in 2020 marked an annual increase of 7.2 per cent (chart 20). Lending to almost all economic sectors increased, with the exception of the agricultural sector, which recorded an annual decline of 22.1 per cent. The construction, financial services, and manufacturing sectors grew by 61.8 per cent[11], 43.9 per cent, and 21.4 per cent, respectively (chart 22).

New loans to enterprises in 2020 marked an annual increase of 4.4 per cent, where all sub-categories of new loans were characterized by growth, except for the category of other sectors. The structure of loans to enterprises by economic activities continues to be dominated by loans to the trade sector, followed by those to manufacturing and construction (chart 21).

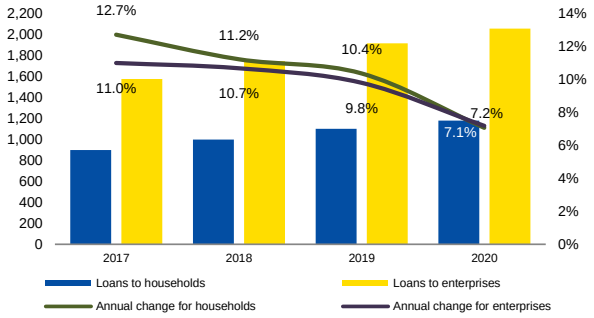
Lending to small and medium enterprises in 2020 was also supported by the Kosovo Credit Guarantee Fund, the use of which has marked a continuous growth trend. The cumulative number of bank loans to SMEs, guaranteed by KCGF, reached 6,103 by the end of 2020 (4,052 by the end of 2019). The total amount of loans guaranteed in 2020 reached EUR 229.0 million, compared to the guaranteed value of EUR 156.3 million in the previous year. The structure of guaranteed loans is a representation of the general structure of the banking sector loans, in which case loans dominate the wholesale and retail trade sector, followed by the services and manufacturing sectors. In contrast to the previous year, the agriculture, forestry and fisheries sector as well as the services sector had lower representation in the total guaranteed loan portfolio by 9.0 per cent (10.0 per cent in December 2019) and 25.0 per cent (28.0 per cent in December 2019), respectively. While, the wholesale and retail trade sector, the manufacturing sector and the construction sector had an increase in weight in the total guaranteed loan portfolio by 39 per cent (38 per cent in December 2019), 18 per cent (17 per cent in December 2019) and 9.0 per cent (7.0 per cent in December 2019), respectively.

Chart 19. Annual growth rate of loans




Source: CBK (2021)

Chart 20. Loans to enterprises and to households



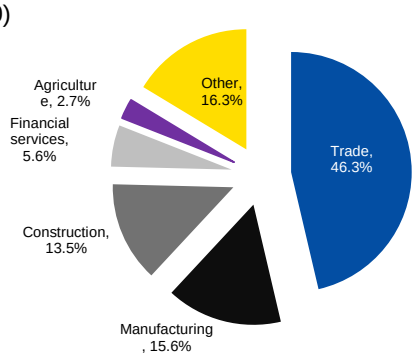

Source: CBK (2021)

KCGF, during this year, has signed several financial agreements to increase capital by about EUR 33 million from various donations, to increase lending to the business sector and help them cope with the difficulties posed by the pandemic crisis. Also, the Economic Recovery Package, which was adopted at the end of 2020, includes amendments to existing laws, including increased credit coverage for enterprises by KCGF from 50 per cent to 80 per cent. This change is expected to be reflected in the further increase in lending to SMEs in general, and especially the most affected sectors, to overcome the difficulties posed by the pandemic.

Loans to households, which have a share of 36.3 per cent in the structure of the total loan stock, marked a slower annual growth in 2020 compared to double-digit growth in five years in a row. In December 2020, their annual growth was 7.1 per cent, 3.3 percentage points lower than the previous year (chart 20).

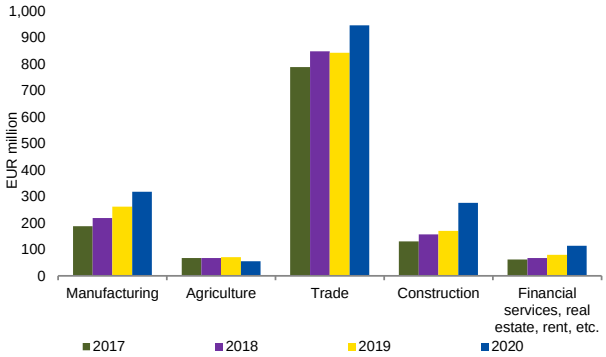
[11] The significant increase in construction lending is attributed to the recategorization by a bank of a portion of the loan portfolio from the item of other services in that of the construction, manufacturing and trade sectors.

Chart 21. Loans by economic sectors, in percent (2020)




Source: CBK (2021)

Chart 22. Loans stock, by economic sectors




Source: CBK (2021)

The slowdown in household lending growth is largely attributed to the dynamics of new loans in this sector, which, during this period, marked a decrease of 2.4 per cent (decrease of 1.0 per cent in December 2019). Within the new household loans, the category of new mortgage loans marked a significant increase of 12.7 per cent during 2020, however, taking into account the higher share of consumer loans in the total new loans to households, which marked an annual decline of 4.0 per cent, new loans to households closed the year with a decline.

### Liabilities and own sources

The structure of liabilities of the banking sector is dominated by deposits, which in December 2020 accounted for 81.5 per cent of total liabilities and own funds.

### Table 4. Structure of the banking sector liabilities

| Description | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) | EUR million | Share (%) |
| Balance with other banks | 59.1 | 1.6% | 67.2 | 1.7% | 108.3 | 2.6% | 67.0 | 1.4% | 90.4 | 1.7% |
| Deposits | 2,897.8 | 79.7% | 3,094.5 | 80.0% | 3,362.9 | 80.3% | 3,908.1 | 82.1% | 4,360.7 | 81.5% |
| Other borrowings | 17.8 | 0.5% | 16.0 | 0.4% | 14.1 | 0.3% | 42.1 | 0.9% | 43.1 | 0.8% |
| Other liabilities | 203.4 | 5.6% | 184.0 | 4.8% | 169.1 | 4.0% | 179.8 | 3.8% | 202.2 | 3.8% |
| Subordinated debt | 38.4 | 1.1% | 37.4 | 1.0% | 33.5 | 0.8% | 43.4 | 0.9% | 46.9 | 0.9% |
| Own resources | 420.6 | 11.6% | 470.8 | 12.2% | 497.7 | 11.9% | 520.1 | 10.9% | 610.2 | 11.4% |
| **Total liabilities and own resources** | **3,637.1** | **100%** | **3,869.8** | **100%** | **4,185.5** | **100%** | **4,760.5** | **100%** | **5,353.4** | **100%** |

Source: CBK (2021)

Own funds of the banking sector were characterized by a significant annual growth of 17.5 per cent, as a result of non-distribution of the previous year profit. The CBK has recommended the banking sector not to distribute dividends during 2020, to create additional capacity to absorb potential losses due to the effects of the pandemic on the country's economy.

### Deposits

Deposits in the banking sector of Kosovo marked an annual increase of 11.6 per cent, compared to an increase of 16.2 per cent in December 2019. Household deposits, the category that dominates the structure of total deposits in the banking sector, accelerated growth to 12.9 per cent from 11.4 per cent a year earlier, however, the slowdown in the growth or even the decline in other categories of deposits affected the slower growth of total deposits (chart 23).

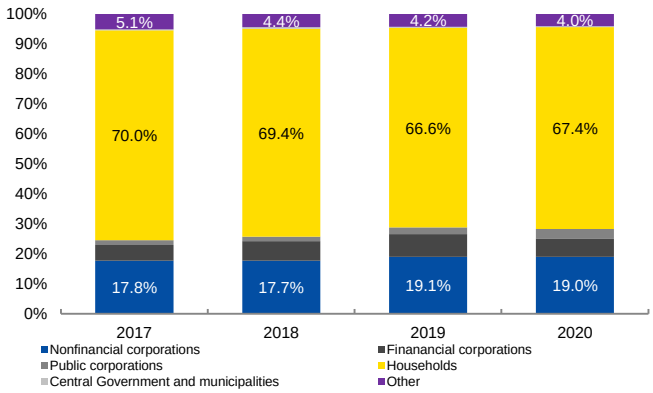
In the same period, enterprise deposits[12] marked an annual increase of 11.1 per cent from 25.0 per cent a year earlier. The increase in household deposits can be attributed, among other things, to the increase in revenues in the economy such as remittances, spending restrictions due to

[12] Private non-financial enterprises.

uncertainties caused by the COVID-19 pandemic, as well as the distribution of funds from the withdrawal of 10 per cent of pension savings in KPST (part of the Economic Recovery Package) at the end of the year.

The slowdown in the growth of enterprise deposits may be related to the decline in economic activity. In December 2020, transferable deposits increased their share by 3.0 percentage points to 63.9 per cent, while time deposits reduced their share to 23.4 per cent from 26.2 per cent a year earlier, affected by the need for liquidity of funds by depositors in circumstances of increased uncertainty due to the COVID-19 pandemic.

Chart 23. Structure of deposits, in per cent

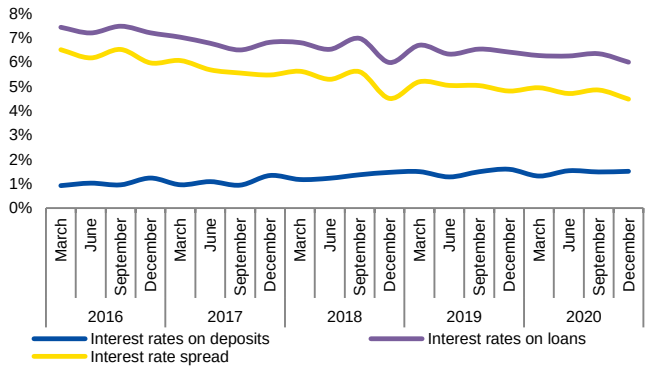



Source: CBK (2021)

### Interest rates

The difference between the average interest rate on loans and that on deposits shrank to 4.5 per cent compared to 4.8 per cent in the same period of the previous year. The average interest rate on loans in December 2020 decreased to 6.0 per cent, while the average interest rate on deposits reached 1.5 per cent (chart 24).

Chart 24. Average interest rate on loans and deposits

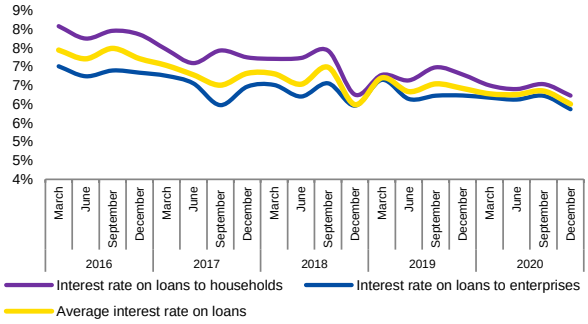



Source: CBK (2021)

### Interest rates on loans

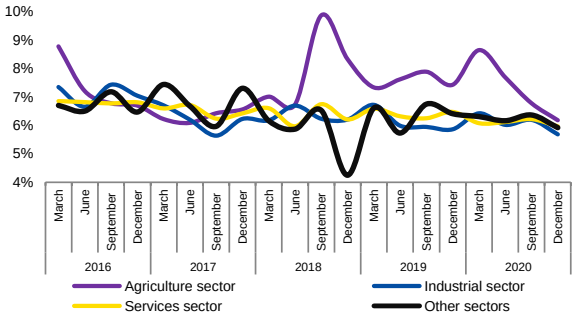
The average interest rate on loans to enterprises decreased to 5.9 per cent from 6.2 per cent in December 2019 (chart 25). Within this category, both the interest rate on investment loans and that on non-investment loans decreased by the end of the year.

Chart 25. Average interest rate on loans to households and enterprises




Source: CBK (2021)

Chart 26. Average interest rate on loans, by economic sectors




Source: CBK (2021)

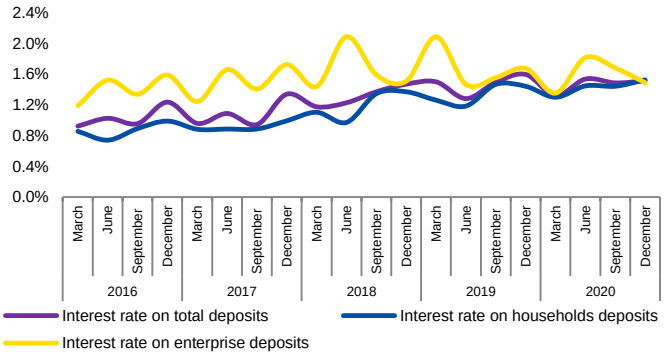
By specific sectors of the economy, loans to all sectors (agriculture, industry, services and other sectors) were characterized by lower interest rates compared to the previous year (chart 26). Loans to households also marked a decrease in the average interest rate to 6.2 per cent, from 6.8 per cent in December 2019.

### Interest rates on deposits

The average interest rate on total deposits was characterized by a marginal decline. In December 2020, interest on deposits was 1.5 per cent, 0.08 percentage points lower than in the same period of the previous year (chart 27).

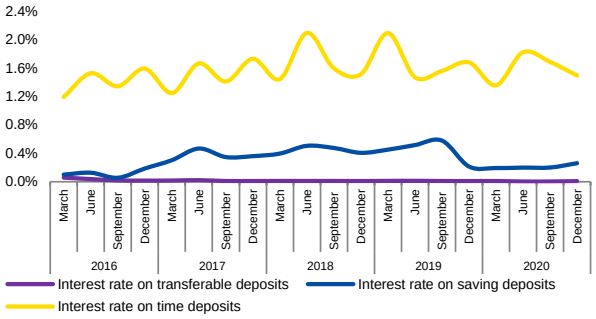
The average interest rate on enterprise deposits decreased by 0.2 percentage points to 1.5 per cent, while the average interest rate on household deposits marked a marginal increase of 0.08 percentage points, standing at around 1.5 per cent in December 2020 (charts 28 and 29).

Chart 27. Average interest rate on deposits



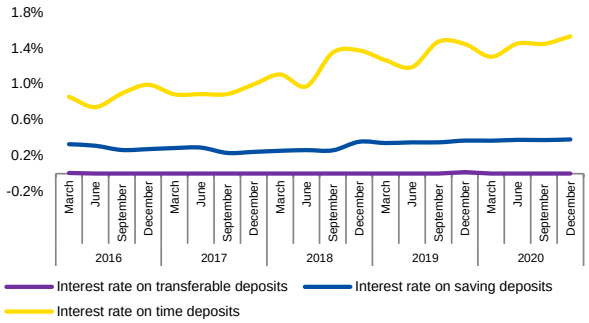

Source: CBK (2021)

Chart 28. Average interest rate on enterprise deposits, by categories




Source: CBK (2021)

Chart 29. Average interest rate on household deposits, by categories

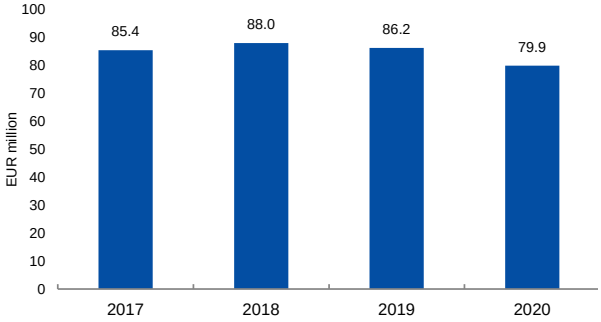



Source: CBK (2021)

### Banking sector performance

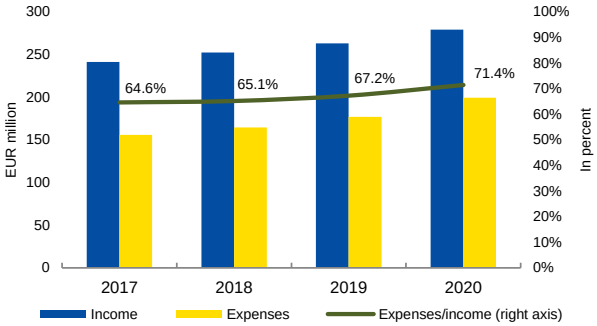
The banking sector, despite facing the challenges posed by the COVID-19 pandemic, closed 2020 with a positive financial result, but lower than the previous year. Net profit realized in 2020 was EUR 79.9 million, 7.4 per cent lower than in the previous year (chart 30).

Chart 30. Net profit of the banking sector, EUR million




Source: CBK (2021)

Chart 31. Income and expenses of the banking sector




Source: CBK (2021)

The decline in the banking sector profit during this period is mainly attributed to the higher growth of expenditures compared to the slower growth of revenues. Revenues of the banking sector amounted to EUR 279.3 million and were characterized by an annual increase of 6.1 per cent (chart 31). The main contribution to revenue growth came from interest revenues, i.e. revenues from

loans and securities. At the same time, non-interest revenues increased compared to the previous year, mainly revenues from fees and commissions.

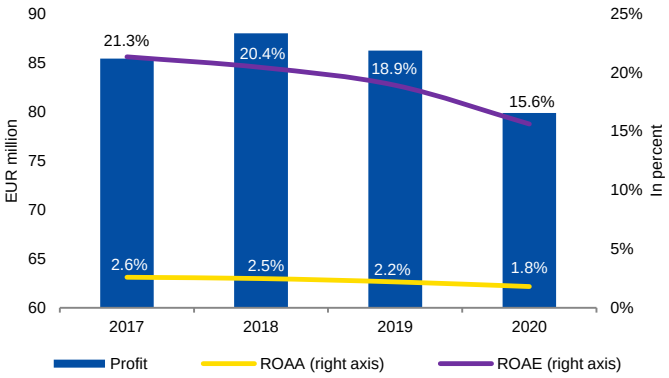
Banking sector expenditures amounted to EUR 199.4 million and were characterized by an annual increase of 12.7 per cent (chart 31). Expenditures were characterized by an increase in almost all categories, but the main contribution to the increase was the expenditure of provisions for possible loan losses.

The higher increase of expenditures compared to the increase of revenues influenced the ratio of expenditures to revenues of the sector to increase compared to the same period of the previous year (chart 31). Profitability indicators continued the downward trend of the last three years, where Return on Average Assets (ROAA) and Return on Average Equity (ROAE) stood at 1.8 per cent and 15.6 per cent, respectively (chart 32).

**Financial health indicators**

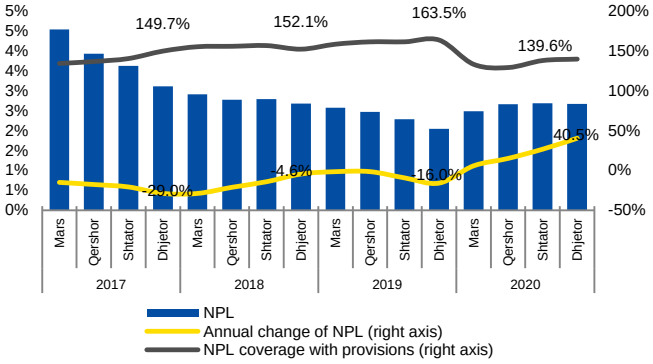
The COVID-19 pandemic has increased the risks to which the banking sector is exposed, namely the credit risk, which was manifested by the deterioration of the quality of the loan portfolio. Tier 2 loans increased their share to 11.2 per cent in December 2020 from 4.4 per cent in January 2020.[13] The ratio of non-performing loans to total loans increased to 2.7 per cent, 0.6 percentage points higher than in the previous year. Further materialization of the increased credit risk in the credit quality indicators is expected to occur in the following year, after the expiration of the restructuring measures enabled by the CBK. In December 2020, the ratio of non-performing loans to total loan stock continued to be the lowest compared to the Western Balkan countries. The coverage ratio of non-performing loans with provisions was 139.6 per cent (chart 33).

Chart 32. Profitability indicators of the banking sector




Source: CBK (2021)

Chart 33. Credit portfolio quality indicators and NPL growth rate




Source: CBK (2021)

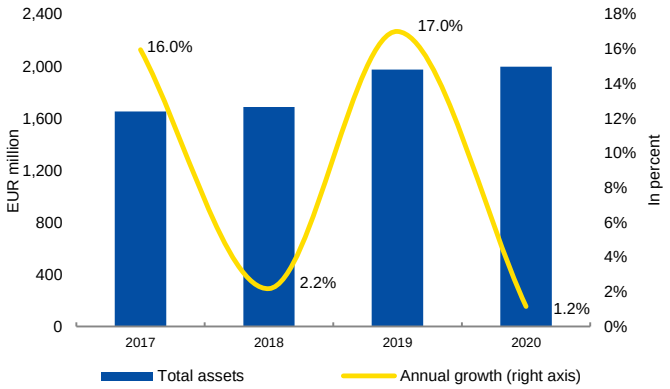
The banking sector continues to have a high level and quality of capital. The CBK's recommendation not to distribute the dividend as a measure to manage the possible consequences of the pandemic, as well as the slowdown in lending, caused capital to increase higher than lending, which was reflected in the increase in the capital adequacy ratio at 17.4 per cent from 15.8 per cent in the previous year. The liquidity position of the banking sector remains high. The ratio of liquid assets to short-term liabilities reached 39.6 per cent, which is above the required regulatory minimum of 25.0 per cent.

[13] Credit classification according to the quality of credit exposures, according to the regulation in force, groups loans into 3 credit tiers, starting from Tier 1 which represents loans with the highest quality. Tier 3 includes non-performing loans.

### 3.4.3 Pension sector

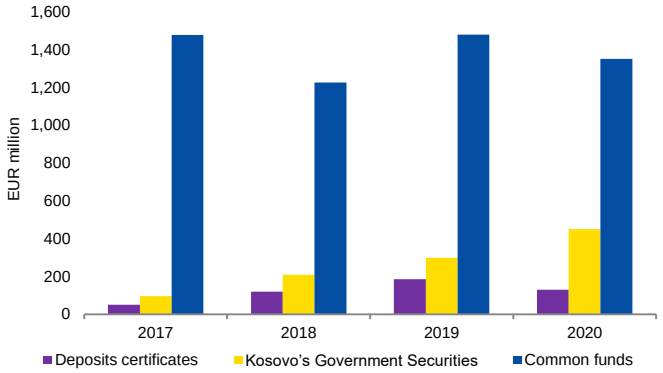
The pension sector in 2020 was characterized by a significant slowdown in growth compared to the previous year. The total value of assets of the pension sector reached EUR 2.0 billion by the end of 2020, which corresponds to an annual increase of 1.2 per cent (chart 34). The significant slowdown in the growth of the sector's activity was due to the withdrawal of 10 per cent of trust funds from contributors, as part of the economic recovery package. Moreover, the negative return on investment during Q1 2020 (as a result of the effects of Covid-19 on the economy and financial markets), also contributed to the further slowdown in the activity of the pension sector. However, losses incurred during the first quarter were offset in subsequent quarters, with a gross return on investment of EUR 160 million. Consequently, the sector closed the year with a positive gross return on investment of EUR 72.3 million, despite facing the challenge posed by the Covid-19 pandemic. KPST realized gross return on investments in the amount of EUR 71.9 million, with a unit price of EUR 1.56, compared to EUR 1.51 on the last day of December 2019. During 2020, SKPF realized gross return on investments in the amount of EUR 388.8 thousand, while the unit price increased to EUR 184.4, compared to EUR 178.7 at the end of December 2019.

Chart 34. Assets of pension sector, EUR million



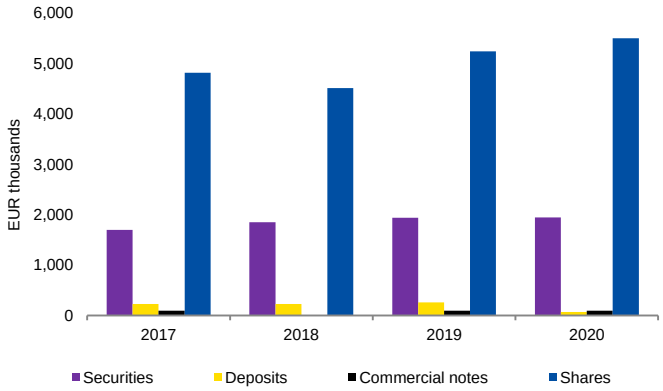

Source: CBK (2021)

Chart 35. KPST investments




Source: KPSF (2021)

Chart 36. SKPF investments




Source: SKPF (2021)

Receipts of the pension sector marked an annual increase of 4.1 per cent. The value of contributions collected in December 2020 amounted to EUR 194.9 million (EUR 187.2 million in 2019). The value of KPST receipts amounted to EUR 194.4 million, while that of SKPF amounted to EUR 554.1 thousand.

KPST dominates the assets of the pension sector with a share of 99.6 per cent. During 2020, KPST has increased investments in the domestic market, namely in the instrument of securities of the Government of Kosovo, which marked an annual increase of 50.8 per cent, reaching EUR 451.1 million by the end of the period (chart 35). Meanwhile, investments in the foreign market marked an annual decline of 8.6 per cent, down to the value of 1.35 billion.

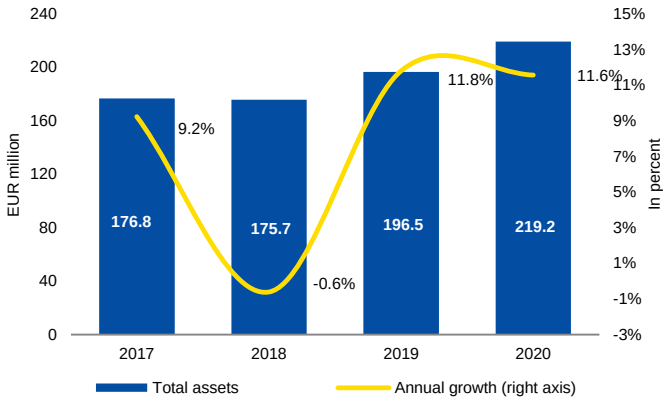
As a result, about 32.0 per cent of KPST assets were allocated to the domestic sector (24.8 per cent in 2019) and the rest to the external sector (mutual investment funds). Similarly, the funds

invested by SKPF, to the greatest extent, were allocated to the external sector (76.3 per cent). Domestic investments marked an annual increase of 54.0 per cent against the annual decline of 4.0 per cent of assets placed in the external sector. As regards the domestic investments, the category of cash and the investments in the securities of the Government of Kosovo were characterized by increase (chart 36).

### 3.4.4 Insurance sector

The level of intermediation and density of the insurance sector has remained at a similar level to last year, with marginal changes compared to recent years. Expressed through gross written premiums in relation to GDP, the sector intermediation continues to remain at a relatively low level compared to the average of European Union countries, at 1.46 per cent (1.40 per cent in 2019). The level of density, measured through written premiums per capita, remains similarly low, which in 2020 marked the value of EUR 54.85 (EUR 54.77 in 2019).[14]

Chart 37. Assets of insurance sector




Source: CBK (2021)

The insurance market in Kosovo is characterized by a lower degree of concentration compared to other sectors of the financial system of Kosovo. Herfindahl Index[15] calculated for gross written premiums (GWP) for 2020 shows 925 points (for 2019 it was 930 points), while the same index calculated based on insurance market assets shows lower values, respectively 845 points for 2020 from 853 points in 2019. At the same time, the CR5 index[16] for 2020, calculated in relation to the GWP for the insurance sector is 55.1 per cent (in 2019 it was 54.7 per cent), while calculated in relation to assets it is 50.2 per cent (in 2019 it was 50.8 per cent). The concentration is higher in the life insurance sector, as a result of the smaller number of insurers in this segment of the insurance market.

Insurance sector assets in 2020 represented 2.8 per cent of total financial system assets. The value of total assets amounted to EUR 219.2 million, representing an annual increase of 11.6 per cent, maintaining the level of growth of the previous year (11.8 per cent in 2019) (chart 37). Within assets, the most significant increase was recorded in the category of deposits held in commercial banks, mainly in the form of time deposits. The next position with the highest growth was the investment in securities of the Government of Kosovo. Whereas, the position of property investments, cash and deposits in the CBK marked a decrease compared to the previous year (table 5).

[14] According to statistics published in the Insurance Europe database, the density level during the period 2009-2018 in 32 European countries was EUR 1,904 (written premiums per capita), while the level of market penetration (intermediation) during this period stood at 7.25 percent. https://www.insuranceeurope.eu/insurancedata.

[15] The Herfindahl index is calculated using the following formula: HI = $\sum_{i=1}^{n}(s)i^2$, where S is company share in the total assets (gross written premiums) of the market insurance, n is the total number of institutions in the respective sector. If the index ranges between 1,000 and 1,800 units, the level of concentration in the insurance sector is considered acceptable.

[16] The CR5 index combines the market share of 5 insurers with the highest asset values in relation to the total assets of the sector and the GWP to the total GWPs of the sector.

Non-life insurance, which also has the highest share in the total assets of the sector (91.4 per cent), marked an annual increase of 12.0 per cent in 2020, while life insurance, which constitutes the remaining part of assets, marked an increase annual of 7.3 per cent.

### Table 5. Assets of the insurance sector (EUR million)

| Description | 2019 | 2020 | Annual change | Share 2019 | Share 2020 |
|---|---|---|---|---|---|
| Cash and deposits at the CBK | 8.8 | 6.1 | -31.5% | 4.5% | 2.8% |
| Deposits at commercial banks | 88.5 | 101.5 | 14.7% | 45.0% | 46.3% |
| Securities | 27.6 | 35.7 | 29.4% | 14.1% | 16.3% |
| Borrowings and receivables | 20.9 | 21.9 | 4.7% | 10.7% | 10.0% |
| Part of insurers for technical reserves | 13.1 | 18.4 | 40.0% | 6.7% | 8.4% |
| Investments in properties | 12.2 | 4.9 | -60.3% | 6.2% | 2.2% |
| Other assets | 25.2 | 30.8 | 21.9% | 12.9% | 14.0% |
| **Total market** | **196.5** | **219.2** | **11.6%** | **100.0%** | **100.0%** |

Source: CBK (2021)

Regarding sector liabilities, technical and mathematical provisions account for the largest share with a total of 63.7 per cent, followed by equity with 26.9 per cent and the remainder from other liabilities (table 6). The total value of insurers' capital during this period marked a significant increase, from 26.9 per cent, to EUR 59.0 million.

### Table 6. Liabilities and capital of the insurance sector (EUR million)

| Description | 2019 | 2020 | Annual change | Share 2019 | Share 2020 |
|---|---|---|---|---|---|
| Technical reserves | 129.4 | 139.6 | 7.9% | 65.8% | 63.7% |
| Loans and liabilities from independent securities | 0.1 | 0.1 | -29.4% | 0.1% | 0.0% |
| Other payable accounts | 16.0 | 16.1 | 0.8% | 8.1% | 7.3% |
| Other liabilities | 3.6 | 4.4 | 20.6% | 1.9% | 2.0% |
| Total shareholders capital | 47.4 | 59.0 | 24.5% | 24.1% | 26.9% |
| **Total market** | **196.5** | **219.2** | **11.6%** | **100.0%** | **100.0%** |

Source: CBK (2021)

The capital increase is mainly attributed to the increase of paid-in share capital, which increased by EUR 7.2 million compared to the previous year, to EUR 91.3 million. The profit realized during 2020, in the amount of EUR 3.4 million, had an impact on the increase, but to a lesser extent. Whereas, the value of losses accumulated over the years by the sector reached EUR 43.6 million, neutralizing the further increase of total insurance capital.

The value of premiums written by insurers in 2020 reached EUR 99.3 million, maintaining the level of receipts of the previous year (an annual increase of 0.1 per cent). The structure of written premiums is dominated by non-life insurance premiums which represent 96.4 per cent of total written premiums. The value of non-life insurance written premiums in 2020 reached EUR 95.7 million, similar to last year. The spread of the Covid-19 pandemic had a huge effect, almost halving the number of policies sold, particularly border policies. Despite the decline in the number of policies, the value of written premiums during 2020 has maintained the overall level of the previous year, as a result of the sale of policies for compulsory auto liability insurance. Non-life insurance continues to be dominated by compulsory insurance with a share of 62.3 per cent in total gross written non-life premiums, while voluntary insurance accounts for 37.7 per cent of total gross written non-life premiums.

Whereas, the value of life insurance written premiums reached EUR 3.6 million, which is a 3.5 per cent higher value compared to 2019.

### Table 7. Gross written premiums, by business class (EUR million)

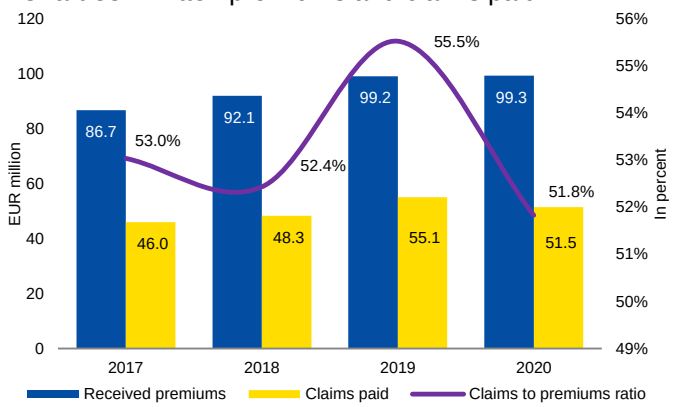
| Activity | 2019 | 2020 | Change | Share: 2019 | Share: 2020 |
|---|---|---|---|---|---|
| *Total non-life* | *95.7* | *95.7* | *0.0%* | *96.5%* | *96.4%* |
| *Obligatory insurance* | | | | | |
| MTPL | 47.0 | 53.8 | 14.6% | 47.3% | 54.2% |
| TPL+ | 2.5 | 1.8 | -29.8% | 2.5% | 1.8% |
| Border insurance | 8.0 | 4.1 | -48.3% | 8.0% | 4.1% |
| *Voluntary insurances* | | | | | |
| Accident and health | 19.6 | 16.4 | -16.3% | 19.8% | 16.5% |
| Casco | 5.4 | 5.5 | 1.2% | 5.5% | 5.5% |
| Loans and guarantees | 4.5 | 4.4 | -2.1% | 4.6% | 4.5% |
| Fire and other damages in property | 5.3 | 6.1 | 14.8% | 5.3% | 6.1% |
| Overall liabilities | 3.5 | 3.6 | 4.6% | 3.5% | 3.7% |
| *Total life* | *3.5* | *3.6* | 3.5% | 3.5% | 3.6% |
| **Total market** | **99.2** | **99.3** | **0.1%** | **100.0%** | **100.0%** |

Source: CBK (2021)

In 2020, compulsory insurance products marked an annual increase of 3.9 per cent, and their share in total non-life premiums increased compared to 2019. The increase in the share of compulsory insurance was mainly influenced by MTPL products. While, voluntary insurance marked an annual decrease of 5.9 per cent, at the same time their share in total non-life premiums marked a decrease. The decline in the share of voluntary insurance in total non-life gross written premiums was affected by the contraction of premiums for the products "Accident and Health" and "Loans and Guarantees" (table 7).

Claims paid by the insurance sector, which includes claims of insurers and the Kosovo Insurance Bureau (KIB), decreased by 6.5 per cent, dropping to EUR 51.5 million (EUR 55.1 million in 2019). Of the total amount of claims paid, EUR 46.0 million (EUR 47.9 million in 2019) were claims paid by insurers, while EUR 5.5 million (EUR 7.1 million in 2019) claims paid by KIB. Claims paid by reinsurers participate with 10.7 per cent in the total amount of claims paid by insurers[17] (15.5 per cent in the previous year). Restrictions on movement within the country and the closure of non-essential economic activities reduced the damages incurred and consequently those paid. Also, the ban and restrictive measures of entry/exit in the territory of Kosovo have influenced the reduction of the number of arrivals of compatriots, which was reflected in the number of border policies sold.

Chart 38. Written premiums and claims paid




Source: CBK (2021)

The value of claims paid by non-life insurance decreased to EUR 45.1 million in 2020 (EUR 47.2 million in 2019), whereas the amount of claims paid by life insurance increased to EUR 902.2 thousand, compared to EUR 718.3 thousand in 2019, so there was an annual increase of 25.6 per cent.

The decline in the level of claims paid in 2020 under non-life insurance was affected by both voluntary and compulsory insurance claims payments (table 8). The amount of claims paid by voluntary insurance decreased by EUR 1.2 million compared to the previous year, namely to EUR

[17] KIB is not included.

16.6 million, or an annual decrease of 7.0 per cent. This decline was mainly influenced by the product "Fire and other property damage".

### Table 8. Claims paid, by business class (EUR million)

| Activity | 2019 | 2020 | Change | Share: 2019 | Share: 2020 |
|---|---|---|---|---|---|
| *Total non-life* | *47.2* | *45.1* | *-4.5%* | *98.5%* | *98.0%* |
| *Obligatory insurance* | | | | | |
| MTPL | 25.5 | 25.9 | 1.6% | 53.3% | 56.4% |
| TPL+ | 0.7 | 0.1 | -86.1% | 1.5% | 0.2% |
| Border insurance | 2.8 | 2.2 | -21.3% | 5.8% | 4.8% |
| Agreement MoU | *0.4* | *0.3* | -26.6% | 0.8% | 0.6% |
| *Voluntary insurances* | | | | | |
| Accident and health | 9.9 | 9.8 | -1.1% | 20.8% | 21.4% |
| Casco | 3.1 | 3.2 | 0.8% | 6.5% | 6.9% |
| Loans and guarantees | 0.8 | 1.8 | 123.8% | 1.7% | 3.9% |
| Property insurance | 3.6 | 1.5 | -58.5% | 7.5% | 3.2% |
| Overall liabilities | 0.3 | 0.3 | -15.8% | 0.7% | 0.6% |
| *Total life* | 0.7 | 0.9 | 25.6% | 1.5% | 2.0% |
| **Total market** | **47.9** | **46.0** | **-4.1%** | **100.0%** | **100.0%** |

Source: CBK (2021)

Meanwhile, claims paid by compulsory insurance, which have the largest share in the total portfolio of claims paid, marked a slower annual decline of 3.1 per cent, declining to EUR 28.5 million.

As a result of developments in sector revenues (premiums collected) and expenditures (claims paid), the ratio of claims paid to written premiums decreased by 3.7 percentage points, namely to 51.8 per cent (chart 38).

#### 3.4.4.1 Insurance sector performance

The insurance sector closed this year with a positive financial result of EUR 3.4 million, unlike last year where it recorded a negative financial result of EUR 4.7 million (table 9). Non-life insurers recorded profits in the amount of EUR 3.1 million, compared to losses in the amount of EUR 5.2 million during 2019. While, life insurers realized lower net profit, in the amount of EUR 273.3 thousand, compared to EUR 460.5 thousand in 2019. The positive financial result of the sector reflects the highest decline in expenditures, as a result of the reduction in the level of claims incurred (annual decline of 7.6 per cent), and the reduction of operating expenses (annual decline of 13.5 per cent). On the other hand, revenues, which have as their main source the level of written premiums, remained at a level almost similar to last year (for EUR 136.7 thousand of receipts more than in 2019).

### Table 9. Financial result (EUR million)

| Description | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Non-life insurance | 6.2 | 1.0 | -5.1 | 3.1 |
| Life insurance | 0.2 | 0.6 | 0.5 | 0.3 |
| **Total market** | **6.4** | **1.6** | **-4.7** | **3.4** |

Source: CBK (2021)

The combined ratio of the sector also reflects the improvement of the financial position. In December 2020, this ratio stood at 98.2 per cent, reflecting the claims ratio to net earned premiums

of 54.2 per cent and the expense ratio to net earned premiums of 44.0 per cent, excluding investment interest income.

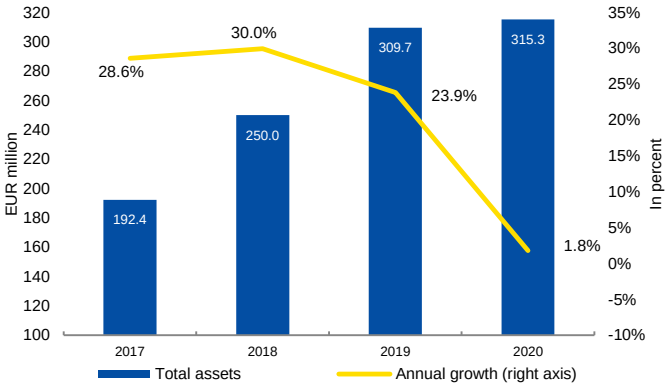
The insurance sector increased the level of liquidity compared to the situation at the end of last year. The ratio between cash and cash equivalents to reserves stood at 102.6 per cent (96.6 per cent in 2019), as a result of higher annual growth of cash and cash equivalents of 14.7 per cent, compared to the lower growth of 7.9 per cent of the technical reserves of the insurance sector. Meanwhile, the ratio between cash and cash equivalents to total liabilities increased to 89.4 per cent (83.8 per cent in 2019).

### 3.4.5 Microfinance sector

***Assets***

In 2020, the assets of the microfinance sector reached the value of EUR 315.3 million, marking an annual increase of 1.8 per cent (chart 39). This result largely reflects the revocation of the licenses of two non-bank microfinance/financial institutions during the past year, whose assets are gradually being deducted from the balance sheet of the entire sector.

Chart 39. Assets of the microfinance sector




Source: CBK (2021)

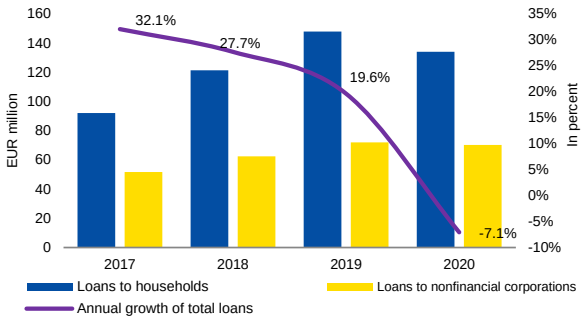
The negative effects of the Covid-19 pandemic also contributed to the overall slowdown in activity. As a result, lending in the country has declined compared to the significant increase in recent years, influenced by both supply and demand for credit. Also, the level of borrowing from the external sector has decreased during 2020, which is also the main source of financing for this sector.

The asset structure of the microfinance sector continues to be dominated by gross loans (64.8 per cent) and leasing with a share of 18.2 per cent. Meanwhile, the category of balance sheet with commercial banks has increased its share in total assets of the sector, by 5.3 percentage points compared to last year, to 10.7 per cent by the end of December 2020.

***Loans***

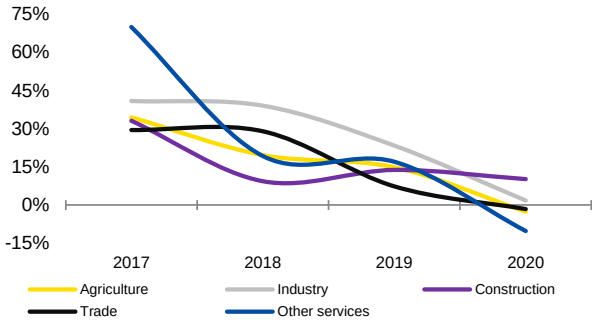
The value of stock of loans issued in 2020 amounted to EUR 204.3 million, representing an annual decrease of 7.1 per cent (annual increase of 19.6 per cent in 2019) (chart 40).

Chart 40. The value of loans to households and to enterprises, annual growth of loans




Source: CBK (2021)

Chart 41. Growth rate of loans to enterprises, by economic sectors




Source: CBK (2021)

As specified above, the declining lending activity reflects not only the shocks the sector has received from the Covid-19 pandemic, but also the revocation of the licenses of two microfinance institutions, which is also reflected in the total loan stock portfolio.

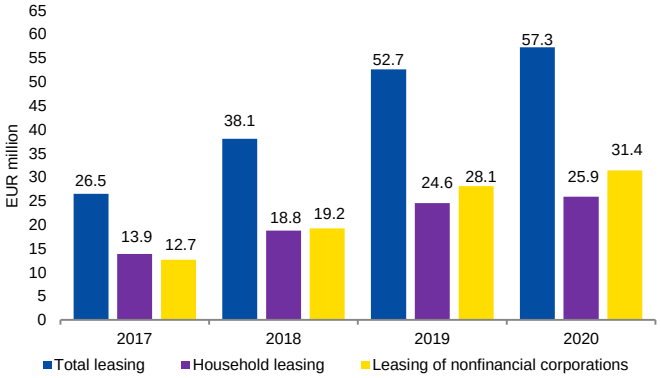
Loans to households were further affected by these developments, decreasing by 9.4 per cent, to the value of EUR 134.1 million. Meanwhile, loans to non-financial corporations during this period marked an annual decline of 2.4 per cent, dropping to EUR 70.2 million.

Lending activity, by economic sectors, reflects the general trend of lending to non-financial corporations, where we have a significant slowdown/decline in lending in certain sectors, excluding the financial services sector, which increased (chart 41). The agriculture, trade and other services sectors were characterized by declines, while the construction and industry sectors slowed down.

**Leasing**

Leasing is the second most important category in the microfinance sector asset structure. In contrast to developments in lending activity, leasing expanded during 2020, although the growth rate was significantly lower than in the previous year, at 8.8 per cent (38.5 per cent annual growth in 2019) (chart 42). The slowdown in the growth of total leasing was influenced by the performance of financial leasing ('mortgage' and 'for equipment') and other leasing.

Chart 42. Microfinance sector leasing



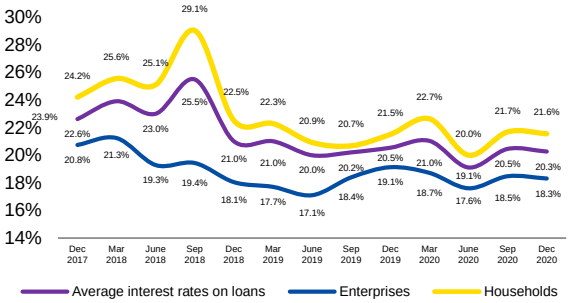

Source: CBK (2021)

**Interest rates**

The average interest rate on microfinance sector loans generally did not change significantly, declining to 20.3 per cent, compared to 20.5 per cent in December 2019.

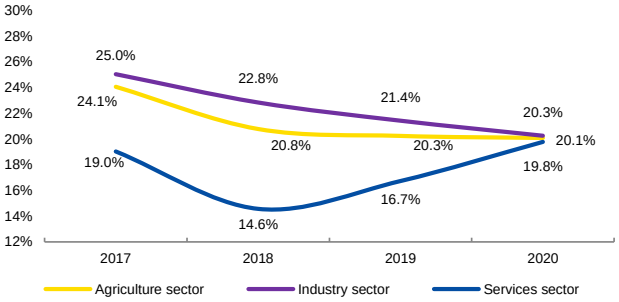
The interest rate on loans to households remained almost unchanged from the previous period, at 21.6 per cent, while that on loans to non-financial corporations decreased by 0.8 percentage points, at 18.3 per cent (chart 43).

Chart 43. Average interest rate on microfinance sector loans




Source: CBK (2021)

Chart 44. Average interest rate on loans, by by economic sectors



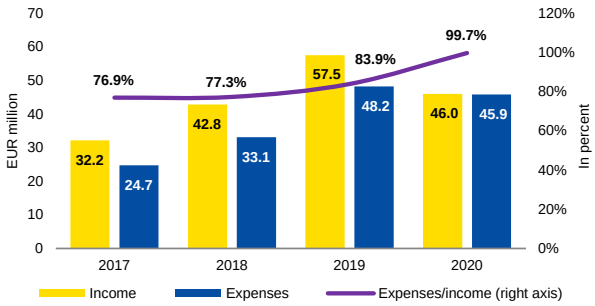

Source: CBK (2021)

Within loans to non-financial corporations, the average interest rate decreased for the agriculture and industry sector, while it increased for the services sector, which has the lowest interest rate. Meanwhile, loans to the industrial sector continue to have the highest interest rate of 20.3 per cent, despite the decline of 1.2 percentage points from last year (chart 44).

### Microfinance sector performance

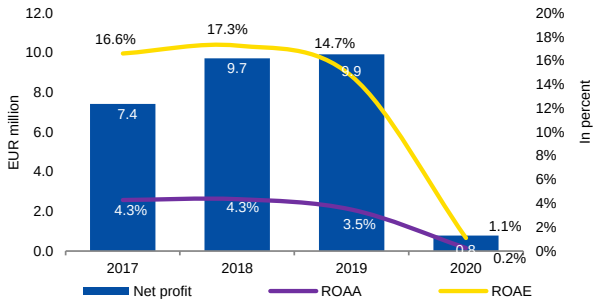
The microfinance sector realized lower profit in 2020, in the amount of EUR 0.1 million, compared to EUR 9.3 million of profit realized a year ago.

Chart 45. Microfinance sector income and expenses




Source: CBK (2021)

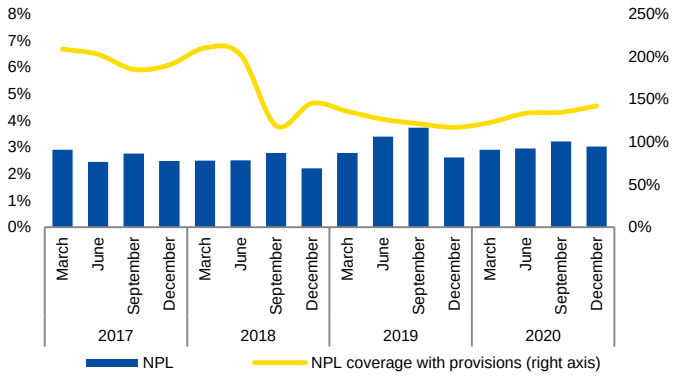
Chart 46. Profitability indicators of microfinance sector




Source: CBK (2021)

The more accelerated decline in revenues compared to the decline in expenditures has resulted in a significant decrease in profit realized during 2020 (chart 45). Revenue from interest on loans marked the most significant decrease of 20.1 per cent compared to last year, as a result of the contraction of lending activity during 2020. Whereas, the decrease in expenditures came as a result of the reduction of interest expenses, as a result of the reduction of borrowings from the external sector (which in recent years had marked a significant increase), and the reduction of other operating expenses.

Chart 47. Indicators of credit portfolio quality




Source: CBK (2021)

However, the only category that increased was that of non-interest expenses, and which reflects the highest level of provisioning for possible loan losses. The financial results during 2020 were also reflected in the sector profitability indicators, which marked a significant decrease compared to the previous period (chart 46). The pandemic crisis has increased the credit risk of the sector. The level of non-performing loans in relation to total loans increased by 0.4 percentage points compared to the previous period, reaching 3.0 per cent. The level of coverage of non-performing loans with provisions has also increased, to 142.2 per cent in December 2020 (chart 47).

### 3.4.6 Financial auxiliaries

The financial auxiliaries sector accounts for the largest number of financial institutions in the country, although it manages only 0.2 per cent of total assets. This sector consists of exchange bureaus and money transfer agencies (MTAs). The value of assets of financial auxiliaries in 2020 reached EUR 20.8 million, which represents an annual increase of 24.8 per cent. Revenues of financial auxiliaries marked an annual increase of 20.0 per cent and reached the value of EUR 10.0 million. Structure of revenues of financial auxiliaries is dominated by revenues from transfers (share of 76.1 per cent), which were characterized by an annual increase of 34.1 per cent. Expenditures marked an annual increase of 13.1 per cent, reaching the value of EUR 5.8 million. The net profit realized by these financial institutions in 2020 reached EUR 4.3 million, which

represents an annual increase of 30.7 per cent. The increase in the activity of the sector, which was also reflected in the revenues and profit realized during 2020, has been influenced by the dynamics related to the Covid-19 pandemic. Closure of land and air borders, which prevented the arrival of the diaspora and aggravated the economic situation of the population, affected the increase of remittances, which reached a record value of EUR 980.0 million. To a large extent, remittances were sent through MTAs, influencing the growth of their activity.

### 3.5. Macroeconomic projections for 2021

As a result of restrictive measures to manage the spread of the pandemic, economic activity has declined by 3.9 per cent in 2020. Regarding 2021, the CBK projections suggest that economic activity will recover towards pre-crisis levels, marking an increase of about 4.4 per cent. This increase is expected to be generated by domestic demand and net exports. However, the risks to economic activity remain high, mainly due to pandemic developments and political developments.

Consumption, as the main component of domestic demand, is expected to record a real growth of 2.8 per cent, based on expectations that private consumption will grow by 2.8 per cent and public consumption by 2.4 per cent. Factors that are expected to affect the growth of private consumption, among others, are the increase in remittances, credit growth and the Economic Recovery Program. By the end of 2021, remittances are expected to record an annual increase of about 11.8 per cent.

Investments in 2021 are projected to record real growth of 6.8 per cent, based on forecasts for significant growth of public investment but also of private investment. Bank lending is expected to continue to make a significant contribution to investment growth, as it is being characterized by faster growth rates and lower interest rates. Also, changes in tax policy over the past years are expected to encourage private investment. Public investments are being characterized by a decline in recent years, but based on the Budget of 2021 which provides for a significant increase in capital expenditures, they are expected to increase during this year.

Net exports of goods and services in 2021 are expected to have a slight negative contribution to GDP compared to 2020 when a very high negative contribution was recorded. This assumption is mainly based on forecasts of growth in exports of services of 40.5 per cent, while exports of goods are expected to increase by 35.5 per cent, as a result of forecasts of rising metal prices. Within imports, imports of goods are expected to increase by about 16.5 per cent in real terms, while imports of services are expected to increase by about 13.9 per cent. Consequently, the trade deficit of goods and services in real terms is expected to be higher by 0.7 per cent compared to 2020. In terms of inflation, the average rate is expected to be around 1.6 per cent, which is a higher level compared to 2020. This level of inflation is in line with inflation forecasts in the Eurozone, price developments in international markets, and expectations for growth of economic activity in Kosovo.

## 4. Licensing and regulation of the financial system

According to the Law on CBK, its primary objective is promoting and maintaining a stable financial system. CBK is committed to achieving this objective by fulfilling duties and responsibilities as a responsible authority for licensing, supervision, and regulation of financial institutions operating in the Republic of Kosovo.

CBK, pursuant to its legal responsibilities as licensing, regulating, and supervisory authority of financial institutions in the country, engages in:

- Regulating the market entry of potential investors, setting the licensing criteria for financial institutions and institutions possessing sufficient capital for supporting foreseen activities, presenting proper preparations for risk assessment and monitoring, adequate policies and procedures on its control, as well as administrators with a high level of qualification, professionalism, and ethics.
- Drafting and maintaining a regulatory framework composed of a set of minimum criteria and regulatory requirements applicable to financial institutions, in line with primary legislation, European Directives, and international standards;
- Developing an effective supervisory process, by implementing risk-based supervisory principles through on-site examinations, as well as analysing, assessing, and interpreting the financial institutions' data, assessment of future financial trends; and undertaking remedial measures to solve various problems.
- Cooperation with financial institutions licensed and supervised by the CBK, and with foreign banking supervisory authorities operating in the territory of the Republic of Kosovo.

In order to perform its supervisory functions, CBK aims the highest levels of integrity, professionalism, efficiency, transparency, and continuous development of its supervisory capacities.

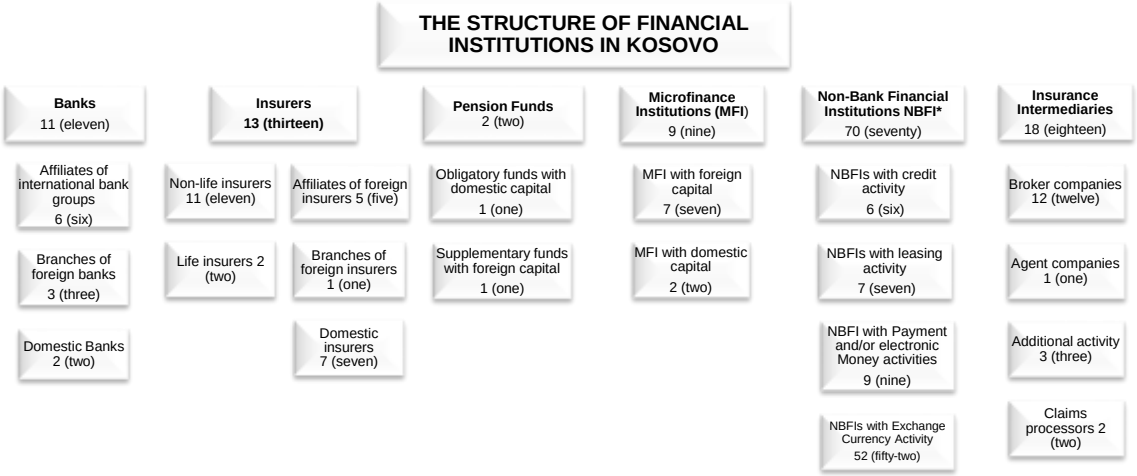
### 4.1. Licensing

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

CBK intends to provide a transparent and comprehensive licensing process, which helps to ensure a safe, sustainable, and competitive financial environment established based on the principle of justice, honesty, and equality. The entry of foreign investors into the Kosovo market, particularly in the financial sector, demonstrates the open CBK policy towards foreign investments, without violating legal requirements.

The financial system structure at the end of 2020, by type of licensed and registered financial institutions providing financial services in Kosovo, based on the applicable legislation in the Republic of Kosovo and CBK's applicable regulatory framework, ranked by their weight in the system, is presented in figure 48.

**Figure 48. Structure of the financial system in Kosovo**



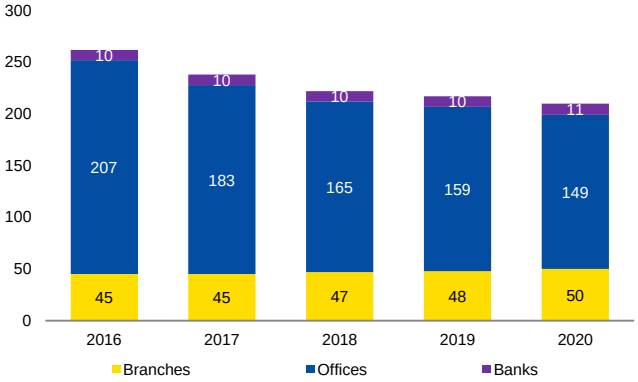

*3 NBFIs with credit activity, 4 NBFI with payment activity, and 2 NBFI with leasing activity perform also other activities

The structure of the financial system is composed of a total 121 financial institutions, which are licensed and registered and exercise their activity in Kosovo under the applicable legislation in the Republic of Kosovo and CBK's applicable regulatory framework.

### 4.1.2 Financial system network

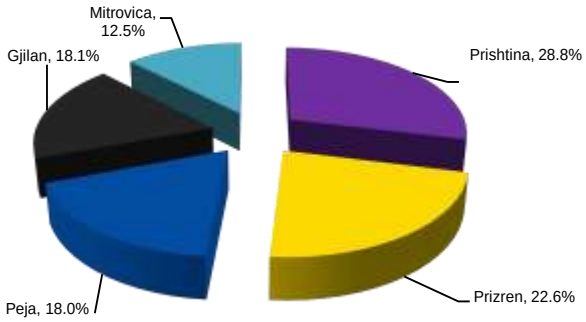
By the end of 2020, banks exercised their activity in a total of 50 branches and 149 offices within the country's territory (chart 48). During this year, upon the CBK's approval, 2 branches were opened and 10 offices were wound up. Narrowing of the physical network of offices has been performed mainly based on the assessment of their performance and efficiency, and as a result of the expansion of automated services such as: e-banking, ATMs, point-of-sale terminals, mobile banking, etc.

Chart 49. Network of banks, by number of branches/offices




Source: CBK (2021)

Chart 50. Distribution of Kosovo's population, by region




Source: CBK (2021)

The geographical distribution of the banking network includes almost all of the country's territory, despite the marked shrinking in relation to the number of branches and offices (table 10). Nevertheless, it still continues to be observed a greater concentration of branches and offices in the region of Prishtina (33.0 per cent), where the concentration of population is higher (28.8 per cent), as shown in chart 49.

The five-year trend suggests a consistent bank strategy regarding geographical focus of bank network. Considering that there is no significant change over this period in relation to the

percentage of bank branches and offices, despite the changes in relation to the number of branches and offices, because the network shrinking has been made in proportional manner in all regions.

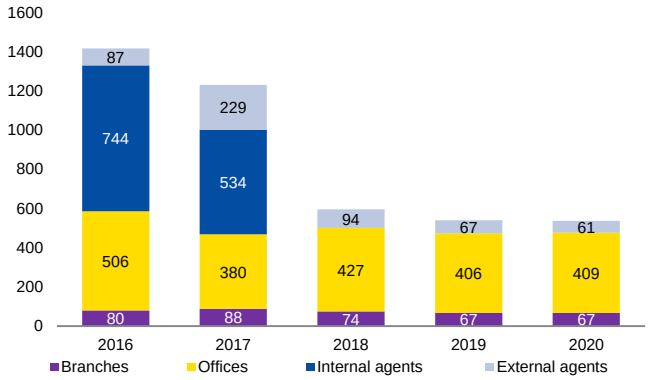
### Table 10. Geographical distribution of banks branches and offices

| Description | Prishtina region | | Prizren region | | Peja region | | Gjilan region | | Mitrovica region | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % | |
| 2016 | 95 | 36% | 38 | 15% | 42 | 16% | 52 | 20% | 35 | 13% | 262 |
| 2017 | 83 | 35% | 37 | 16% | 39 | 16% | 47 | 20% | 32 | 13% | 238 |
| 2018 | 74 | 33% | 35 | 16% | 38 | 17% | 44 | 20% | 31 | 14% | 222 |
| 2019 | 71 | 33% | 35 | 16% | 37 | 17% | 44 | 20% | 30 | 14% | 217 |
| 2020 | 70 | 33% | 34 | 16% | 32 | 15% | 41 | 19% | 34 | 16% | 211 |

Source: CBK (2020)

Insurers exercise their activity through 67 branches, 406 offices and 61 agents within the country (chart 50). During 2020, there was a shrinking of the general network of insurers in the country, which reflects the cost reduction strategy pursued by the insurers.

Chart 51. Insurers network




Source: CBK (2021)

The geographical distribution of insurers' network includes almost all of the country; however, it does not match with the geographical distribution of the population. While the largest concentration of the population is in the region of Prishtina (28.8 per cent, chart 49), the concentration of insurers' network is in the region of Peja, which is one of the least populated regions in the country (chart 49), and this structure is consistent over the last five years (table 11).

### Table 11. Insurers network, by geographical distribution

| Years | Prishtina region | | Prizren region | | Peja region | | Gjilan region | | Mitrovica region | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % | |
| 2016 | 11 | 15.3% | 11 | 15.3% | 21 | 29.2% | 18 | 25.0% | 11 | 15.3% | 72 |
| 2017 | 13 | 17.8% | 11 | 15.1% | 20 | 27.4% | 19 | 26.0% | 10 | 13.7% | 73 |
| 2018 | 14 | 18.9% | 11 | 14.9% | 20 | 27.0% | 19 | 25.7% | 10 | 13.5% | 74 |
| 2019 | 13 | 19.4% | 10 | 14.9% | 18 | 26.9% | 17 | 25.4% | 9 | 13.4% | 67 |
| 2020 | 13 | 19.4% | 10 | 14.9% | 18 | 26.9% | 17 | 25.4% | 9 | 13.4% | 67 |

Source: CBK (2020)

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

Microfinance institutions, by the end of 2020, conducted their activity through 128 offices distributed within the country.

### Table 12. Network of MFIs, by geographical distribution

| Description | Prishtina region | | Prizren region | | Peja region | | Gjilan region | | Mitrovica region | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % | |
| 2016 | 27 | 26% | 24 | 23% | 23 | 22% | 19 | 18% | 12 | 11% | 105 |
| 2017 | 29 | 26% | 26 | 23% | 24 | 21% | 20 | 18% | 14 | 12% | 113 |
| 2018 | 32 | 27% | 28 | 23% | 24 | 20% | 22 | 18% | 14 | 12% | 120 |
| 2019 | 37 | 29% | 30 | 23% | 24 | 19% | 23 | 18% | 14 | 11% | 128 |
| 2020 | 38 | 29% | 30 | 23% | 25 | 19% | 23 | 18% | 14 | 11% | 130 |

Source: CBK (2020)

In 2020, the opening of 2 offices and relocation of 6 offices of MFIs were approved. The geographical distribution of microfinance institution offices is concentrated only in two regions of the country, namely in the regions of Prishtina and Prizren (table 12).

By the end of 2020, non-bank financial institutions conducted their activity in a total of 827 offices and agents distributed within the country. The geographical distribution of branches and offices of non-bank financial institutions is concentrated in almost all the country, excluding the region of Mitrovica (table 13).

### Table 13. Network of NBFIs (offices and agents), by geographical distribution

| Description | Prishtina region | | Prizren region | | Peja region | | Gjilan region | | Mitrovica region | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % | |
| 2016 | 136 | 29% | 86 | 18% | 101 | 22% | 103 | 22% | 41 | 9% | 467 |
| 2017 | 158 | 30% | 97 | 18% | 109 | 21% | 114 | 22% | 52 | 10% | 530 |
| 2018 | 181 | 30% | 112 | 19% | 122 | 20% | 129 | 22% | 53 | 9% | 597 |
| 2019 | 223 | 31% | 127 | 18% | 139 | 19% | 159 | 22% | 65 | 9% | 713 |
| 2020 | 278 | 34% | 144 | 17% | 153 | 19% | 173 | 21% | 79 | 10% | 827 |

Source: CBK (2020)

### 4.1.3 Licensing activity

In fulfilling the function of licensing and normal functioning of financial activities, CBK, during 2020, has reviewed a total of 494 requests, out of which 11 were applications for licensing/registration and 483 were requests of financial institutions for transaction approval, which, according to the applicable legislation, require prior approval by the CBK (table 14). This does not include: i) requests reviewed and requests carried forward for decision-making in 2020; ii) expression of interest for licensing/registration, iii) requests assessed but not subject to CBK's approval, and iv) questions, notices and other assessments reviewed by the CBK.

In 2020, similar to the previous year, the CBK received mainly requests for registration of NBFIs.

In general, the structure of licensing requests remains similar. A slight decrease was marked in the number of these requests compared to the previous year (see table 14).

### Table 14. Structure of financial system requests approved/rejected by the CBK

| Transactions | 2019 | | | | | | 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Banks | Pension funds | MFI & NBFI | Insurers | Insurance intermediaries | Total | Banks | Pension funds | MFI & NBFI | Insurers | Insurance intermediaries | Total |
| Applications | 1 | 0 | 5 | 0 | 2 | **8** | 0 | 0 | 11 | 0 | 0 | **11** |
| Main shareholders and changes in equity | 0 | 0 | 3 | 0 | 1 | **4** | 0 | 0 | 3 | 5 | 2 | **10** |
| Directors and senior managers | 24 | 0 | 29 | 40 | 8 | **101** | 17 | 0 | 47 | 48 | 2 | **114** |
| External auditor | 11 | 2 | 32 | 18 | 11 | **74** | 10 | 2 | 26 | 14 | 3 | **55** |
| Changes in inception and/or status | 4 | 0 | 6 | 2 | 0 | **12** | 7 | 2 | 7 | 2 | 1 | **19** |
| Income from capital interest and transferring of portfolio | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | 0 | **0** |
| Expansion of financial activities | 0 | 0 | 0 | 3 | 0 | **3** | 1 | 0 | 5 | 1 | 1 | **8** |
| Opening, moving and closing of branches and offices in the country and abroad | 21 | 0 | 68 | 44 | 5 | **138** | 13 | 0 | 55 | 27 | 5 | **100** |
| Licensing and registration of agents/brokers | 0 | 0 | 116 | 4 | 32 | **152** | 7 | 0 | 96 | 1 | 4 | **108** |
| Revocation of licensing/registration | 0 | 0 | 72 | 10 | 2 | **84** | 0 | 0 | 53 | 9 | 0 | **62** |
| Other | 0 | 0 | 0 | 3 | 0 | **3** | 0 | 0 | 0 | 6 | 1 | **7** |
| **Total** | **61** | **2** | **331** | **124** | **61** | **579** | **55** | **4** | **303** | **113** | **19** | **494** |

Source: CBK (2020)

Within these 11 applications for licensing/registration, the CBK has processed during 2020 applications for licensing/financial registration as follows:

- Approval of NBFI AGC Faktor request for voluntary liquidation;
- Approval of the registration of the Currency Exchange Office "Gimi" L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;

- Application for registration of Euro Eki L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity (this application has been withdrawn by the applicant);
- Approval of the registration of ForexLena L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;
- Rejection of the registration of FINSER as a Non-Bank Financial Institution to exercise the leasing and payment service activity;
- Approval of the registration of BKV L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;
- Approval of the registration of PreExchange L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;
- Approval of the registration of Dioni & AI L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;
- Approval of the registration of Paysera Kosova L.L.C. as a Non-Bank Financial Institution to exercise the activity of electronic money issuance, payment service and currency exchange;
- Approval of the registration of the Currency Exchange Office Rifa L.L.C as a Non-Bank Financial Institution to exercise the currency exchange activity;
- Approval of the registration of ForexLeo L.L.C. as a Non-Bank Financial Institution to exercise the currency exchange activity;

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

Based on the regulations in force, the CBK has reviewed (approved/rejected) the following:

- Approval of four requests for changes in the main shareholder structure;
- Approval of 54 external auditor requests. One request was rejected while two others were withdrawn during the process of review by the applying institutions;
- Approval of 5 requests of the external member of the audit committee;
- Approval of 22 requests for appointment of new members of the board of directors in financial institutions. Two requests were rejected while another one was withdrawn during the process of review by the applicant institution. Also one such request that was received during 2020 has not been finalized within that year;
- Approval of 65 requests for approval of the appointment of senior managers. Eight requests were rejected and six of them were withdrawn during the process of review by the applicant institutions. Four requests for approval of the appointment of senior managers received during 2020 were not finalized until the end of the year;
- Approval of 38 requests for opening new branches and/or offices of financial institutions. One request was withdrawn during the process of review by the applicant institution;
- Approval of 3 requests for licensing of new brokers of insurance intermediaries;
- Approval of 96 requests for licensing/registration of new agents of financial institutions. One request was withdrawn during the process of review while for the other three has failed to be finalized within 2020.

- Approval of 33 requests for winding up the offices of financial institutions. Two requests received during 2020 have not been finalized until the end of that year;
- Approval of 16 requests for approval of amendments to the founding acts and/or statutes of financial institutions. Two such requests were withdrawn during the process of review by the applicant institutions and one request was not finalized during 2020.
- Approval of one request to change the name of an insurance intermediary;
- Approval of five requests for changes in capital;
- Approval of 62 requests for license withdrawal/registration of agents of financial institutions;
- Approval of six requests for expansion of activity. One such request was withdrawn by the applicant institution while another one was not finalized during 2020;
- Approval of 29 requests for relocation of branches and/or offices of financial institutions. One request of this type was withdrawn during the process of review by the applicant institution while another one was not finalized within 2020;
- Approval of four requests for online sale of insurance products; and
- Approval of the request of KIB for organization of exam and continuous professional education.

## 4.2. Regulation

### 4.2.1 Legal and regulatory framework of financial system

The drafting of new legal and sub-legal acts as well as the review of the legal and regulatory framework in force aims at supplementing and consistently improving this framework, in order to achieve a more effective supervision and to implement legal requirements for financial institutions licensed/registered and supervised by the CBK, through alignment with the European Union regulatory framework, the basic principles for effective supervision and the documents of the Basel Committee as well as other relevant institutions.

Insofar, the CBK has established a regulatory framework for licensing, regulation, and supervision of financial institutions based on best international practices and continuously supported by the World Bank, International Monetary Fund, USAID, US Treasury, KfW, GIZ, European Central Bank, European Bank for Reconstruction and Development, and other international institutions. The legal and regulatory framework has been drafted in order to align it with EU Directives addressing the regulation of financial institutions, such as international standards and best practices on regulation and supervision of financial institutions. Also, CBK has continued with the gradual process toward approximation with basic principles on supervision of banks issued by BIS – Bank for International Settlements and basic principles on the supervision of insurers issued by IAIS – International Association for Insurance Supervision. Since the directives, international standards and abovementioned principles on the regulation of financial institutions and the field of their activity are of a dynamic character, this makes the process of drafting the legal and regulatory framework a continuous process and it requires an adequate approach, in order to carefully study specific circumstances of Kosovo, for an adequate adaptation of such international legal instruments to the needs of financial sector in Kosovo.

Based on the above, the CBK has continued implementing the activities foreseen by the Annual Plan 2020 and with the continuous commitment in fulfilling certain duties and responsibilities within the financial supervision, as well as in supporting the CBK departments and other divisions regarding the legal and regulatory framework. In order to further develop the regulatory

framework for the supervision of financial institutions, the CBK has carried out the following activities during 2020.

### 4.2.2 Legal and regulatory framework for banking supervision

In order to further develop the regulatory framework for regulation of banks, the following activities were implemented during 2020.

#### 4.2.2.1 New Law on Banks

In 2019, CBK has prepared the draft of the new Law on Banks, which includes also the comments received from the Banking Association. The new Law has been restructured in line with the European directives, international banking standards as well as regional legislative practices. Its drafting was supported by international banking experts engaged within the US Treasury and European Bank for Reconstruction and Development (EBRD). The new law has been forwarded to Executive Board of CBK during 20199 and the same is expected to be forwarded to the Government of the Republic of Kosovo which further forward it to the Assembly of Kosovo for review and approval.

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

The Working Group within the CBK has drafted the Chapter of the new Law on Banks which addresses the part of bank recovery, resolution and liquidation with the support of EBRD technical assistance. Following the adoption of the new Law on Banks, there are plans to adopt 13 regulations which have been drafted by the Working Group and derive from the new part drafted in the law regulating the process of bank recovery and liquidation based on the European Directive on the same process.

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

During 2020, the CBK has finalized the draft Regulations and methodological guidelines as follows:

- Regulation on liquidity coverage ratio;
- Regulation on net stable funding ratio;
- Methodological guideline for the implementation of the Regulation on net stable funding ratio;
- Methodological guideline for the implementation of the Regulation on liquidity coverage ratio.

The CBK has submitted these two draft regulations for comments also to the Banking Association. The Banking Association has sent some comments which are addressed in the draft regulations when deemed necessary.

These regulations and guidelines have been drafted in order to align with EU regulatory requirements. The Regulation on Liquidity Coverage Ratio (LCR) is based on EU Regulation 2015/61 on liquidity coverage requirement dated 10 October 2014 as well as EU Regulation 2018/1620 to supplement the Regulation 2015/61 on liquidity coverage requirement dated 13 July 2018. While the Regulation on Net Stable Funding Ratio (NSFR) - is based on Regulation EU 2019/876 dated 20 May 2019.[18]

[18] (REGULATION (EU) 2019/876 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and

The draft Regulation on net stable funding ratio, the draft Regulation on liquidity coverage ratio and the guidelines for their implementation are expected to be approved within 2021.

#### 4.2.2.4 Regulatory Framework on Valuation of Immovable Properties

The CBK continued the project on the revision of the regulatory framework for valuation of immovable property, in order to update the requirements to improve the practices of valuation of immovable property by financial institutions in compliance with the new European standards (European Valuation Standards - EVS 2016). This project is developed under the support of US Treasury advisor. Within this project, the Regulation on Appraisal of Immovable Properties has been drafted and is expected to be approved by the CBK Board in 2021.

#### 4.2.2.5 Regulation on intraday and overnight lending

This Regulation was drafted and approved during 2020. The purpose of this regulation is to determine the conditions and criteria according to which the CBK may provide collateralized intraday and overnight liquidity loans for eligible banks. The purpose of these two liquidity facilities is to enable the CBK to perform operations with eligible banks and ensure the safe operation of the interbank payment settlement system.

#### 4.2.2.6 Regulation on information technology for banks;

The Regulation on information technology was adopted in 2020. The purpose of this Regulation is to define the criteria and conditions that banks must meet for the organization and operation of their information technology systems (hereinafter referred to as IT), which enable the reduction of the operational risk that may be caused by the misuse of IT systems and to maintain the reliability of these systems in supporting the activity of banks.

#### 4.2.2.7 Regulation on financial services advertising[19]

This Regulation has been drafted to set out the general and specific conditions for financial services advertising, the duties and responsibilities of a financial service provider in relation to advertising messages and other matters relating to this type of advertising, and regulates advertising that directly promotes a financial service provider and/or its entire activity and not just the individual financial services provided by it. The same was approved in January 2020.

#### 4.2.2.8 Other acts drafted and/or approved for banking regulation

During 2020, the following regulatory instruments were finalized and approved:

- Regulation on licensing of banks and branches of foreign banks;
- Regulation on reporting of banks;

In 2020, within the Working Group, the Manual on Banking Licensing was revised in order to adapt it to the changes in the Regulation on licensing of banks and branches of foreign banks, which has not yet been submitted for approval to the CBK's decision-making bodies.

eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012).

[19] This regulation is applicable to banks, insurers, MFIs and NBFIs as well as foreign branches of these types of institutions.

### 4.3. Regulatory framework on MFIs and NBFIs

In order to further develop the regulatory framework for the regulation of microfinance institutions as well as non-bank financial institutions, the following legal and sub-legal acts have been drafted during 2020:

#### 4.3.1 Law on MFIs and NBFIs

The draft of this law was drafted by the inter-institutional working group where CBK was a member. This draft was approved by the Government during 2018 and was subsequently forwarded to the Assembly of the Republic of Kosovo.

#### 4.3.2 Approved regulations on MFIs and NBFIs

Regarding the regulations on MFIs and NBFIs, the following regulations were drafted/revised and approved during 2020:

- Regulation on registration of microfinance institutions;
- Regulation on registration of non-bank financial institutions.

Also during 2020, the working group reviewed the manual for registration of microfinance institutions and non-bank financial institutions in order to adapt it with the new regulation on registration of microfinance institutions and changes made to regulations for registration of non-bank financial institutions, which has not yet been submitted to the decision-making bodies of the CBK for approval.

### 4.4. Regulatory framework on insurers

In order to further develop the legal and regulatory framework on insurers and insurance intermediaries, the following laws and bylaws have been drafted during 2020:

#### 4.4.1 Law on Compulsory Motor Third Party Liability Insurance

During 2020, the drafting of amendments and supplementations to the Law on Compulsory Motor Liability was finalized. The new law is planned to be submitted for approval to the responsible institutions during 2021.

#### 4.4.2 Regulation on fines for insurers, insurance intermediaries and insurance claim handlers

In 2019, CBK has drafted the Regulation on fines for insurers, insurance intermediaries and insurance claim handlers, in accordance with Article 125 of the Law on Insurance, in order to determine fines that can be imposed by CBK, in cases when institutions and/or individuals representing them do not meet the requirements of the Law on Insurance and/or sub-legal acts for its implementation. The same regulation, during 2020, has been approved by the responsible bodies of the CBK.

#### 4.4.3 Instruction on classes of insurance

During 2019, the CBK completed the development of the Instruction regulating the classification of types of risks in types in insurance activities classes as well as the types of risks within the insurance classes. The need to issue this instruction came from the numerous requests of insurers for explanations of the various products and the classes to which they belong. The same, during 2020, has been approved by the responsible bodies of the CBK.

#### 4.4.4 Regulation on corporate governance of insurers

In 2019, CBK finalized drafting the Regulation on corporate governance of insurers based on principles defined in the Insurance Core Principles, issued by the International Association of Insurance Supervisors in order to align the CBK's regulatory framework with the European regulatory framework and best international practices and standards. This regulation was approved in January 2020, by the responsible bodies of the CBK.

#### 4.4.5 Other acts drafted and/or approved for the regulation of insurers and insurance intermediaries

Pursuant to the Law on Insurance and to address the issues that were deemed necessary during 2020, amendments and supplementations were drafted and then the following regulations were adopted:

- Regulation on the management of commissions and operating expenses of insurers;
- Regulation on the implementation of bonus-malus system;
- Regulation on licensing of insurers and branches of external insurers;
- Regulation on licensing of insurance intermediaries.

During 2020, the working group reviewed the manual for licensing of insurers and the manual for licensing of insurance intermediaries in order to adapt it to the changes in the regulation on licensing of insurers and branches of foreign insurers as well as the regulation on licensing of insurance intermediaries. The same has not yet been submitted for approval to the decision-making bodies of the CBK.

### 4.5. Regulatory Framework on Pension Funds

During 2020, the following regulations in the field of Pension Funds were drafted and then forwarded for approval by the CBK Board:

- Regulation on record-keeping in pension funds and pension providers (adopted);
- Regulation on the determination of pension beneficiaries;
- Regulation on external audit of pension funds and pension providers.

## 5. Supervision of the financial system

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

### Banking sector

During 2020, despite the challenges associated the Covid-19 pandemic, the partial implementation of the banking examination plan continued, through the application of the risk-based supervision approach. As a result of the pandemic, on-site bank supervisory activities have been limited and this has contributed to the non-implementation of the banking examination plan as approved in early 2020. During 2020, the following examinations were performed in banks:

### Table 15. Number of banks examinations

| Institutions | Type of Examination |
|---|---|
| Banks | 1 full examination<br>4 focused examinations |

Source: CBK (2021)

Full examination report has been prepared according to the type of banking risks such as: liquidity risk, credit risk, market risk and operational risk. On the other hand, from the examination focused on the bank, recommendations were given with deadlines for implementation. Their fulfilment by banks was continuously monitored, where it was checked whether these recommendations were met in accordance with the set deadlines.

### Mitigation measures taken during the Covid-19 period

As a result of the Covid-19 pandemic situation, the CBK has taken concrete actions in order to closely monitor the situation of banks and alleviate the situations that may arise in banks and users of financial products as a result of the pandemic. Initially, on March 16, 2020, the CBK decided to temporarily suspend the application of certain provisions of banking regulations related to the issue of provisions and credit rating. Through this decision, customers were given the opportunity to defer credit instalments and at the same time maintain the existing credit rating and maintain the same level of provisions, to be repealed by December 1, 2020.

In the meantime, in June and August 2020, two guidelines were issued in order to establish the criteria on which the loan restructuring process should be based so that borrowers in financial difficulties would have the opportunity to fulfil the obligations stipulated in the contract. The process of restructuring customers' loans was aimed at returning their business activity to normal situation or improving the solvency of individuals in relation to current liabilities. According to the guidelines in question, the restructuring or easing of the payment of loan instalments cannot be granted for a period longer than 12 months.

In order to include all the measures taken so far, in February 2021, the CBK issued the third guideline, by giving an additional deadline regarding the restructuring of loans. The guideline specifies the categories of loans to be restructured that included: (i) loans that have not previously been subject to restructuring due to Covid-19, where restructuring of a loan in this category should not result in a repayment period of more than 9 months; and (ii) loans which have previously been subject to restructuring due to Covid-19, in which case repayment terms of less than 9 months have been extended. Also in the second scenario, the restructuring of a loan of this category may

result in additional extension of the repayment period, which extension together with the previous extension in total should not be more than 9 months.

**Rough supervision of the banking sector during the Covid-19 period**

In order to be more closely informed during the pandemic period and in accordance with the proactive approach regarding the follow-up of developments in the banking sector, banks were required to report daily compared to monthly reporting in normal periods and to send new reports in accordance with mitigation measures undertaken. More specifically, the closest oversight over the Covid-19 period in the reporting context includes the following reports:

- Daily liquidity report - includes daily frequency reporting through which the CBK is informed on a daily basis on the liquidity situation and other key indicators for the previous day;
- Credit Instalment rescheduling Report - new monthly report initiated based on the CBK decision of March 2020 regarding the credit instalment rescheduling, through which requests for rescheduling, approvals of credit rescheduling are forwarded, according to institutional and economic sectors;
- Credit Restructuring Report - includes reporting on a monthly basis of restructured loans, as derivatives of approved guidelines. Furthermore, this report includes the division into 21 categories according to the NACE classification and the restructuring specification in accordance with the measures taken: deferment (March decision), restructuring (based on guidelines) and classical restructuring.

In addition to reporting, from the perspective of banking supervision, individual meetings were held with banks regarding the issue of provisions and credit ratings. This was meant for preliminary measurement of the weight and financial effect on banks in case of modification or taking of new mitigation measures, or their elimination.

**Insurance sector**

The CBK has continued its activity in implementing the examinations and other duties and responsibilities in function of a prudent oversight for the insurance sector, despite facing the Covid-19 Pandemic. The oversight activity is carried out through the system of monitoring and analysis of the financial report, as well as other data of the insurance report and insurance companies as well as on-site oversight control - examinations.

Due to the circumstances with the Covid-19 pandemic and consequently the potential negative effects on the business and financial performance of the insurer, the CBK has decided to defer financial recovery plans for insurers who have been subject to appropriate administrative measures. Due to non-fulfilment of the financial recovery plan and difficult financial situation, The Executive Board of the CBK has placed the insurer Kosova e Re under temporary administration from 1 November 2020 until 30 April 2021.

As a result of the close oversight of insurance and administrative measures of the CBK, insurers during 2020 have continued to increase their capital. In this year, 7.2 million euros were added, while during 2019, 6.9 million euros had been added. This has contributed to the reduction of the number of insurers who were not within the legal parameters required for capital, solvency and assets to cover technical provisioning. Also, 2020 ended with an increase of technical provisioning of 9.0 million compared to the same period last year.

As a result of facing the COVID-19 pandemic, 2020 was a challenging year in organizing and conducting on-site examinations. However, despite this, the CBK is committed to adapting to new circumstances in conducting full and targeted examinations. The purpose of the examinations was

to assess the general condition of the relevant institutions in relation to the risk profile and compliance with the laws and regulations of the CBK, in order to protect policyholders and maintain the financial stability of institutions. The rating of insurers to be subject to examinations is based on several factors ranging from the analysis of financial indicators from regular reporting to the CBK, the opinion of financial statements from the external auditor, preliminary examinations conducted, policyholders complaints to the CBK, as well as other factors. This has led to the prioritization of the institutions at higher risk to be subject to the next examinations by the CBK and thus, increasing the level of effective oversight.

### Table 16. Number of the insurance sector examinations

| Institutions | Type of Examination |
|---|---|
| Insurers | 3 full examinations<br>2 focused examinations |

Source: CBK (2021)

During 2020, in order to harmonize with the modern principles of insurance supervision, to expand and promote the early identification of risks present to insurers, as well as the drafting of prudential supervisory recommendations in order to maintain the security and financial stability of insurers, CBK has started with the implementation of the Risk Based Supervision Manual for Insurers, which is an advanced conceptual framework related to oversight.

### Pension funds

In order to maintain the stability of the financial sector, in 2020, examinations were conducted in pension funds according to the annual plan. The oversight of the CBK has focused on meeting its objectives and its development plans. During this period, special attention was paid to the fluctuations of financial markets as a result of COVID-19, monitoring the performance and impacts on the activity and health of pension funds.

During 2020, the Assembly of Kosovo adopted the Law on Economic Recovery that allowed the withdrawal of 10% of pension savings. In cooperation with other relevant actors, the CBK has taken all measures to create the legal and technical conditions for the execution of payments of 10 per cent.

Regarding the supervision of pension funds, during 2020 a full examination was conducted and two targeted examinations (follow-up of the implementation of recommendations) in pension funds, in order to assess the overall state of pension funds for the financial year 2019, by assessing compliance with relevant laws and regulations of the CBK, the effectiveness of the functioning of internal controls, the implementation of recommendations highlighted in the examination reports of the CBK.

### Table 17. Number of examinations

| Institutions | Type of Examination |
|---|---|
| Pension funds | 1 full examination |
| Pension funds | 2 focused examinations - follow up of implementation of recommendations |

Source: CBK (2021)

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

The microfinance institutions (MFIs) and non-bank financial institutions (NBFIs) sector as a result of the situation created with Covid-19 during 2020 has had an impact, among other things,

on the limitations of examinations in the country. In this context, during 2020 one examination was conducted in a non-bank financial institution. Despite the above-mentioned limitations, microfinance and non-banking institutions are continuously monitored either through numerous meetings and other on-going communications, as well as from the perspective of external oversight. Regarding the measures taken by the CBK, as they have been applied to all lending institutions, and consequently, have been applicable to MFIs and NBFIs. It should be noted that the regulations repealed in this sector are only those of credit risk and credit register, but not those related to liquidity.

In order to be proactive in the oversight process, microfinance institutions and non-bank financial institutions with lending activity were required to provide strategic plans and financial projections for the period 2021 - 2023, in order to evaluate these business plans, as well as expectations on developments in this sector during this period. Strategies will be continuously monitored and analysed in order to identify potential deviations and measure the risk profile.

In addition to direct activities with the MFI and NBFI, during 2020 a detailed online meeting was held with the company engaged by the EBRD on the corporate governance project related to developments in the non-banking sector, including their regulatory aspect.

### Preventing of money laundering

Regarding the prevention of money laundering and the fight against the financing of terrorism, for the most effective implementation in practice of the law on the prevention of money laundering and the fight against the financing of terrorism, it was considered necessary to analyse the need for issuing guidance acts by side of the CBK. Following the revision of the CBK regulation on the prevention of money laundering and terrorist financing, during 2020 the guideline on completing the declaration of origin of funds and determining the right of ownership was finalized.

In order to strengthen cooperation and increase care for the financial sector, the necessary meetings and presentations were held with the Compliance Commission within the Association of Banks and commercial banks, in which meetings and presentations reviewed the requirements related to the legal and operational framework of the field. Furthermore, communication with sectors within the institution has been intensified and monitoring of activities during examinations of banks and financial institutions and communication with other law enforcement institutions has been increased.

The Division has intensified the cooperation with other organizational units within the CBK, where it is worth noting the cooperation with the licensing department, in the process of handling the approval requests and assessing the eligibility for natural and legal persons, regarding the eligibility in terms of the field. money laundering or terrorist financing.

**Table 18. Number of examinations**

| Institutions | Type of Examination |
|---|---|
| Banks, Insurers, MFIs and NBFIs | 1 full examination<br>5 focused examinations |

Source: CBK (2020)

### Complaints of users of financial services

During 2020, complaints from financial service users were received, systematized and reviewed in accordance with the relevant regulation, as well as regular reporting were carried out regarding the activities for handling complaints of financial services users on a quarterly basis to the European Commission.

As of 1 January 2020, the online complaints system has become operational, **which was adapted to the circumstances created by the pandemic,** when the flow of complaints and the needs of citizens have increased, while addressing requests in physical form has not been possible.

During 2020, 1,846 complaints of users of financial services (natural and legal persons) were reviewed:

a) The total number of complaints to commercial banks addressed to the CBK for 2020 was 1,048, while the most frequent complaints were related to the regular interest applied during the postponement of loan repayment period / moratorium period.

b) The total number of complaints against microfinance institutions (MFIs) and non-bank financial institutions (NBFIs) addressed to the CBK for 2020 was 376. Even in these institutions the highest number of complaints was related to the moratorium period and the payment of regular contacted interest.

c) The total number of complaints against insurance companies addressed to the CBK for 2020 was 409. The most frequent complaints are related to non-compensation of material and non-material damage from TPL motor third party liability insurance, non-compliance with deadlines for payment in relation to out-of-court agreements and non-reimbursement of medical expenses by health insurance.

### Table 19. Number of complaints during the last three years

| Financial industry | Number of complaints by years | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Commercial banks | 471 | 550 | 1,048 |
| MFI/NBFI | 56 | 156 | 376 |
| Insurance companies | 395 | 495 | 409 |
| Pension funds | 0 | 0 | 5 |
| Other claims | 4 | 10 | 8 |
| Number of complaints | 926 | 1,211 | 1,846 |

Source: CBK (2021)

The table above shows the number of complaints reviewed during the last three years. The number of complaints handled from year to year has increased. In 2020, 635 more complaints were handled compared to 2019, where expressed in percentage this increase is 52 percent. The highest increase in the number of complaints was recorded by banks and MFIs of NBFIs. The reason for this increase is as a result of the impact of the pandemic on the financial industry, namely the provision of the possibility of a moratorium. Out of a total of 1,048 complaints, 745 or 71.1 per cent of the total complaints against commercial banks were rejected, while in the case of insurance companies 262 or 64.4 per cent of the total complaints were resolved in favour of the parties (table 20).

### Table 20. Number of complaints, by complaint status

| Financial industry | Number of complaints | Supported | Rejected |
|---|---|---|---|
| Commercial banks | 1.048 | 303 | 745 |
| MFI/NBFI | 376 | 134 | 242 |
| Insurance companies | 409 | 261 | 147 |
| Pension funds | 5 | 1 | 4 |
| Other claims | 8 | 1 | 7 |
| Number of complaints | 1.846 | 701 | 1145 |

Source: CBK (2021)

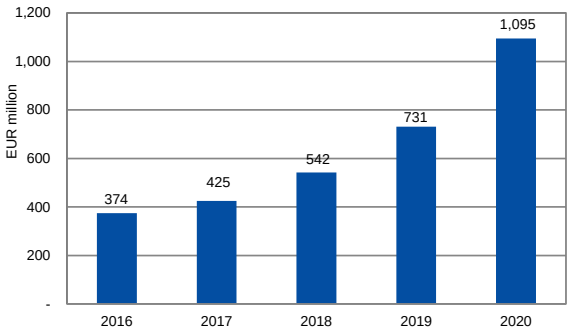
## 6. Services provided to the authorities, the financial community and the public

### 6.1. Operations and cash management

The CBK, as part of its cash management operations, ensures that the domestic economy is supplied with the appropriate amount and quality of euro banknotes and coins. For the realization of this function, it maintains and manages monetary reserves, regulates and determines the standards of financial institutions in the field of cash transactions related to the control and circulation of banknotes and coins, the obligation to withdraw from circulation money suspected of being counterfeit and unfit for re-circulation, as well as criteria for exchanging damaged money.

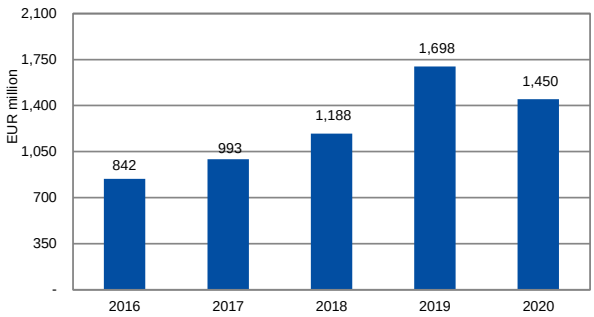
During 2020, despite the situation caused by the Covid-19 pandemic, all cash operations were monitored and managed on a daily basis in order to accommodate the increased supply requirements as a result of the pandemic situation. As a result, the CBK successfully supplied the local economy with the right quantity and quality of euro banknotes and coins. The situation caused by the Covid-19 pandemic had a major impact on the level of deposits and cash withdrawals. While there was a decline in cash deposits, cash withdrawals during this year marked a significant increase. The foreign exchange reserve held by the CBK during 2020 was sufficient to cope with the situation caused by the Covid-19 pandemic, although it marked a significant decline during March 2020, as a result of increased citizens' demands on the banking sector and of the later to the CBK. The period April and May 2020 was followed by a more stable situation of foreign exchange reserves, and with the easing of restrictive measures, cash operations began to return to normal and as a result, foreign exchange reserves reached their optimal level.

Chart 52. Supply with cash (value), EUR million




Source: CBK (2021)

Chart 53. Cash admission (value), EUR million




Source: CBK (2021)

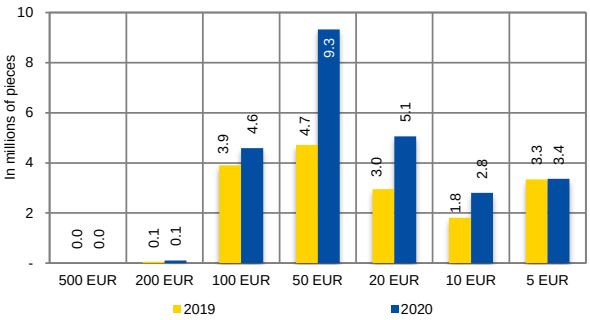
The total value of cash supply in 2020, increased by 49.7 per cent compared to 2019. The structure of cash supplied by denominations, which is primarily determined by the banking sector requirements, did not show any significant changes from 2019 to 2020. Regarding euro banknotes, the amount of demand for delivery during 2020 marked a significant increase of about 50.5 per cent compared to 2019 and continued to dominate the demand for delivery of denominations of 20, 50 and 100 euro. Also, demand for denomination volumes of 200 euros marked a significant increase during 2020. Demand for delivery of denomination volumes in the amount of 200, 100 and 50 euros recorded a group growth of about 61.

As shown in the charts below, during 2020, the CBK supplied the banking sector with approx. 25.26 million euro in banknotes (in the amount of approx. 1.1 billion euros) and approx. 5.38 million euro in coins (worth over 1.05 million Euro).

Regarding the requests for cash supply to the CBK, during the period of restrictive measures caused by Covid-19 (March - May 2020) they marked an increase of 151.7 million euros compared to the same period last year. While in the same period last year the demand for cash supply was a

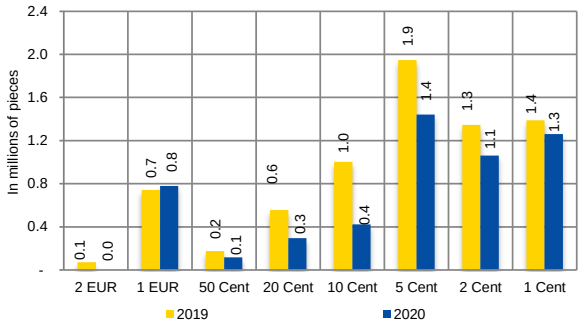
total of 181.5 million euros, in the same period of 2020 the demand for cash supply reached 333.2 million euros or an increase of 83.6 per cent. During the period of easing measures (June - December 2020) the demand for cash supply marked an increase of euro 182.5 million compared to the same period last year. While in the same period last year the demand for cash supply was a total of 474.2 million euros, in the same period of 2020 the demand for cash supply reached 656.7 million euros or an increase of 38.5 per cent respectively.

Chart 54. Supply with EUR banknotes, by denominations (number of piecies)




Source: CBK (2021)

Chart 55. Supply with EUR coins, by denominations (number of piecies)




Source: CBK (2021)

The volumes of demand for supply of coins during 2020 marked a decrease of about 25.6 per cent compared to 2019. The demand for supply of euro coins in 2020 was dominated by small value coins of 1, 2 and 5 euro cents. Compared to the previous year, the demand for denominations of 10, 5, 2 and 1 euro cents marked a group decrease of 26.4 per cent, while the requests for supply of denominations of 2, 1 euro, 50 and 20 euro cents marked a group decrease of 22.8 per cent compared to the previous year.

The total value of cash received as deposits marked a decrease of 14.6 per cent in 2020 compared to the previous year. CBK received around 29.27 million pieces of banknotes (on average about 117,000 pieces of banknotes per day) from the banking sector, while there were no deposits in coins. Expressed in value, cash deposits amounted to approximately 1.45 billion euro banknotes and 0 million euro coins respectively. The volumes of banknotes received during 2020 were almost the same compared to 2019.

During the period of restrictive measures triggered by Covid-19 (March - May 2020) the total value of cash received as deposits was a total of 236.5 million euros, a decrease of 135.4 million euros compared to the same period last year. The main reason for the decline in cash deposits from commercial banks to the CBK during this period was the increase in their stocks and the supply of increased demand for cash withdrawals by citizens during the pandemic. During the period of easing measures (June - December 2020) the total value of cash received as deposits from commercial banks was a total of 907.6 million euros, a decrease of 158.5 million euros compared to the same period last year. The main reason for the decline in cash deposits of commercial banks to the CBK during this period was the smaller influx of diaspora during the summer period (especially during August), a period when cash deposits in the banking sector reach their highest level.

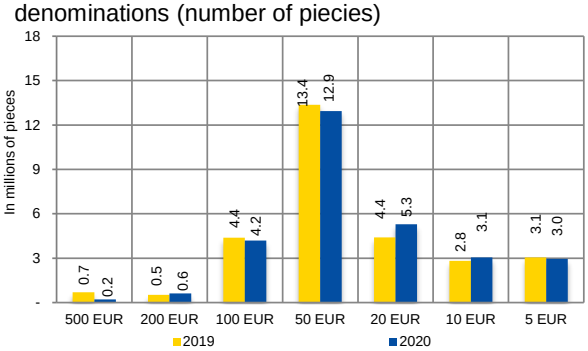
The structure of euro banknotes received during 2020 has not changed significantly from the previous year and as shown in the chart below coin deposits were at zero.

Similar to previous years, during 2020 the received cash was higher than the cash supplied. In fact, during 2020 net cash[20] were about 354.56 million euros, which was significantly lower than

[20] Deposits minus Cash withdrawals

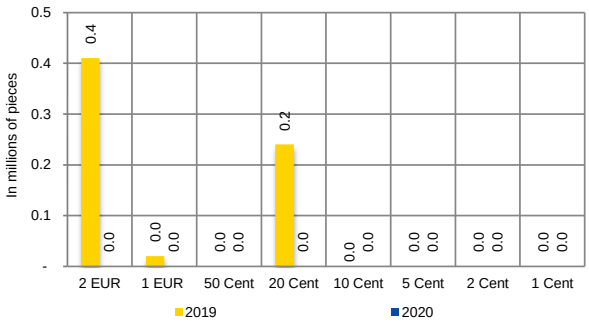
last year when net cash was about 966.24 million euros. This decline was mainly due to the decline in cash deposits from the banking sector on the one hand and the increase in the cash supply on the other.

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




Source: CBK (2021)

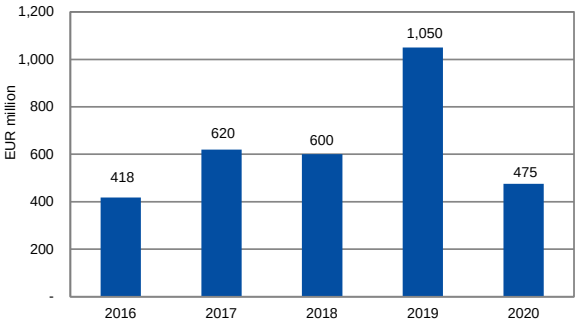
Chart 57. Received EUR coins, by denominations (number of pieces)




Source: CBK (2021)

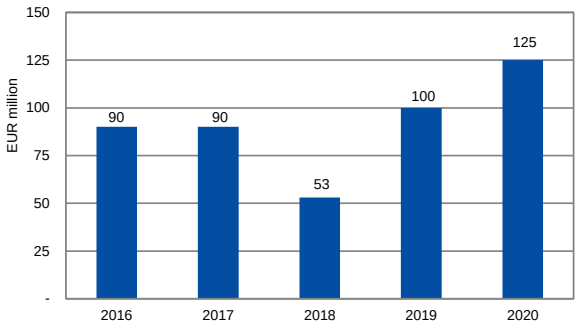
Since the CBK keeps only the optimum level of cash needed to conduct operations, the surpluses are sent to the Euro area, which then are used for international payments and through investments are returned to interest-earning assets. Cash net remittances[21] in 2020 amounted to euro 350 million being lower by 63.2 per cent than a year earlier when it was euro 950 million. This net decline in remittances in 2020 came as a result of the decline in cash deposits from the banking sector on the one hand and the increase in the cash supply on the other. The performance of exports and imports of cash over the past years are presented in the following two charts.

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




Source: CBK (2021)

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



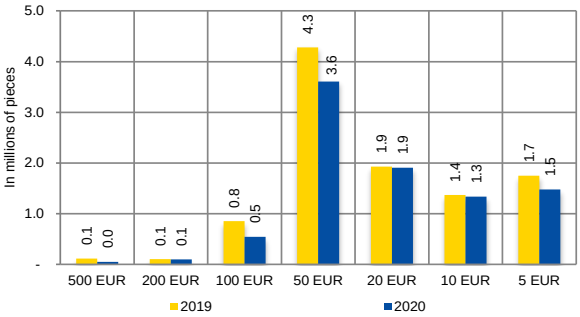

Source: CBK (2021)

During 2020, all cash received from the banking sector was processed by authentication and classified according to the degree of eligibility (close to 29.27 million euro banknotes).

About 9.0 million euro banknotes (30.8 per cent of the total number of euro banknotes deposited by the banking sector) during 2020 were classified as unfit for re-circulation (extremely obsolete/damaged) and were withdrawn from circulation by being sent to the banks of Eurozone. Such a significant amount of ineligible euro banknotes withdrawn from circulation has contributed to improving the quality of cash in circulation in the Republic of Kosovo. Similar to previous years, the banknotes that were generally classified as unfit for re-circulation were denominations of 50, 20, 10 and 5 euros. They make up about 92.4 per cent of unfit banknotes for re-circulation due to more frequent use by citizens.

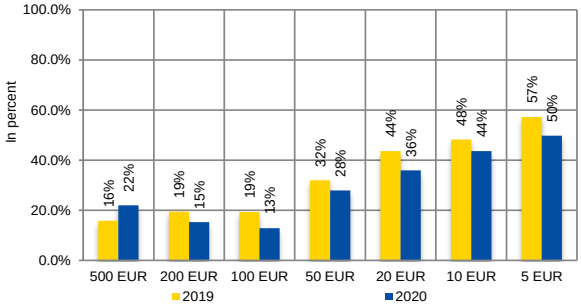
[21] Imports minus Cash exports

Chart 60. Outdated banknotes withdrawn from circulation (number of pieces)




Source: CBK (2021)

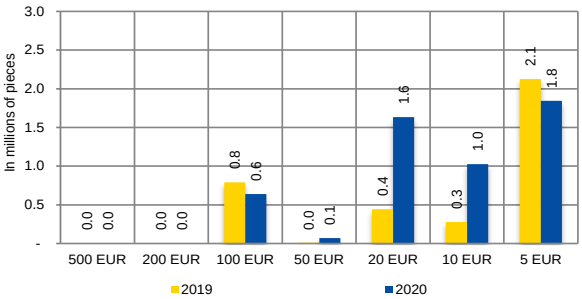
Chart 61. Outdated banknotes withdrawn from circulation from total received ones (in percent)




Source: CBK (2021)

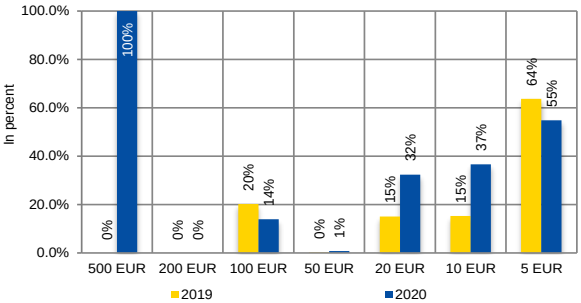
The quality of cash in circulation has also improved through the delivery of brand-new euro banknotes to the banking sector, brought from the Eurozone. During 2020, the CBK delivered more than 5.21 million pieces of new euro banknotes to the banking sector (20.6 per cent of the total number of euro banknotes delivered). About 86.4 per cent of the new banknotes delivered during 2020 were low-denomination banknotes (20, 10 and 5 euros), which were delivered to commercial banks for the purpose of repaying cash transactions. Moreover, all euro banknotes suitable for re-circulation that were delivered were of high quality (suitable for re-circulation).

Chart 62. New banknotes put into circulation (number of pieces)




Source: CBK (2021)

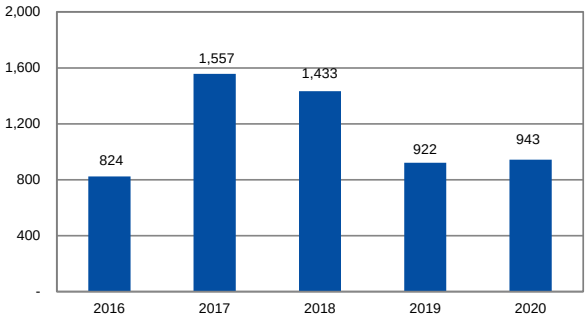
Chart 63. New banknotes put into circulation to total supplied ones ratio (in percent)




Source: CBK (2021)

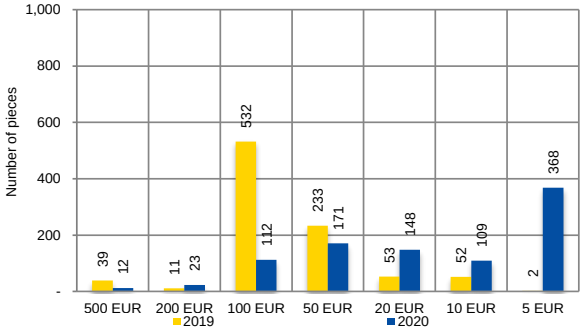
As in previous years, during 2020, regarding measures against counterfeiting, CBK has continued to cooperate with authorities for advancing the reporting of cash suspected as counterfeit. CBK together with the Forensic Laboratory published on the CBK website statistics on counterfeit money in the Republic of Kosovo. During 2020, a number of 943 banknotes and 2,671 counterfeit coins were identified. Most of these banknotes and coins were seized by financial institutions during their regular activity.

Chart 64. Counterfeit EUR banknotes seized from circulation, (number of pieces)




Source: Kosovo Agency Forensic (2021)

Chart 65. Counterfeit EUR banknotes seized from circulation, by denominations (number of pieces)




Source: Kosovo Agency Forensic (2021)

Unlike previous years when the most counterfeit banknotes were in denominations of 50 and 100 euros, in 2020 the most counterfeit banknotes were in denominations of 5 euros, which accounted for about 39 per cent of all counterfeit banknotes withdrawn from circulation. As for coins in 2020, as in the previous year, the most counterfeited coins were denominations of 2 euros, which accounted for about 98 per cent of the total number of counterfeit coins withdrawn from circulation.

### 6.1.1 Account maintenance and transactions

CBK provides banking services to the Government of the Republic of Kosovo, Privatization Agency of Kosovo and other institutions such as banks and other financial institutions, public entities, foreign banks, central banks, international financial institutions (International Monetary Fund, World Bank), and international organizations, as specified in Article 9 of Law no. 03/L-209 of the CBK.

The CBK has supported the improvement of the transaction execution and allocation processes of the Ministry of Finance and the Privatization Agency of Kosovo. Even during 2020, as in previous years, all international payments were made via the SWIFT network and all domestic payments via the ATS system, which shortened processing time and increased processing efficiency.

**Table 21. Amount of transactions by main types of payments (EUR thousands)**

| Type of transactions | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Transactions with cash** | **+467,362** | **+563,570** | **+643,831** | **+965,364** | **+354,562** |
| Deposits with cash | 842,240 | 989,618 | 1,187,889 | 1,697,993 | 1,449,546 |
| Cash withdrawals | 374,878 | 426,048 | 544,057 | 732,629 | 1,094,984 |
| **Domestic transfers** | **+1,041,198** | **+1,131,645** | **+1,050,203** | **+425,715** | **+70,305** |
| Domestic incoming transfers | 1,712,605 | 1,861,640 | 1,882,670 | 693,428 | 110,763 |
| Domestic outgoing transfers | 671,407 | 729,995 | 832,467 | 267,714 | 40,458 |
| **International transfers** | **-580,656** | **-432,050** | **-642,864** | **-954,036** | **-424,086** |
| International incoming transfers | 970,941 | 1,081,879 | 1,054,765 | 1,971,668 | 1,794,963 |
| Outgoing international transfers | 1,551,597 | 1,513,929 | 1,697,629 | 2,925,705 | 2,219,049 |

Source: CBK (2021)

While most CBK cash transactions in 2020 were made in the name and to the account of commercial banks, most CBK domestic payments were made in the name and to PAK accounts.[22]

During 2020, the CBK processed close to 9 thousand domestic outgoing payment orders on behalf of its clients (a decrease of 89.5 per cent compared to the previous year), and received close to 9.5[23] thousand incoming payment orders on their behalf (a decrease of 74.8 per cent compared to the previous year). Expressed in value, outgoing domestic payment orders amounted to over 40.45 million euros (a decrease of 84.89 per cent compared to the previous year) while outgoing domestic payment orders amounted to over 110.76 million euros (a decrease of 84.0 per cent compared to the previous year).

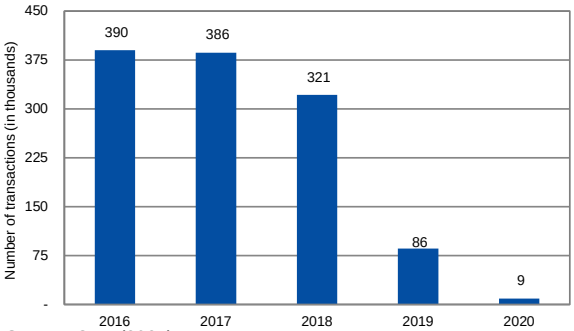
The largest number and amount of domestic transactions were carried out by the CBK with an order and for the PAK. The decline in the volume of transactions during 2020 is explained by the fact that all Treasury accounts[24] are directly connected to the payment system.

[22] PAK - Privatization Agency of Kosovo.

[23] Most incoming payments with the implementation of the ATS system are accepted by the CBK as grouped.

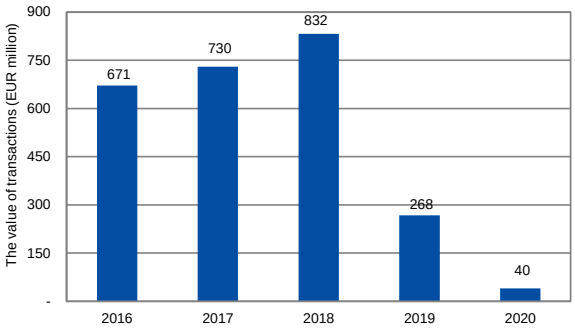
[24] Treasury - Ministry of Finance.

Chart 66. The volume of domestic outgoing transactions, number




Source: CBK (2021)

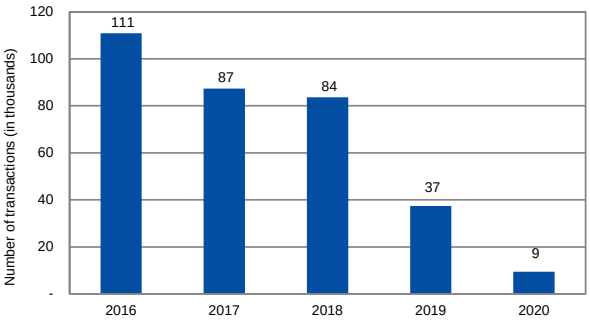
Chart 67. The value of domestic outgoing transactions, EUR million




Source: CBK (2021)

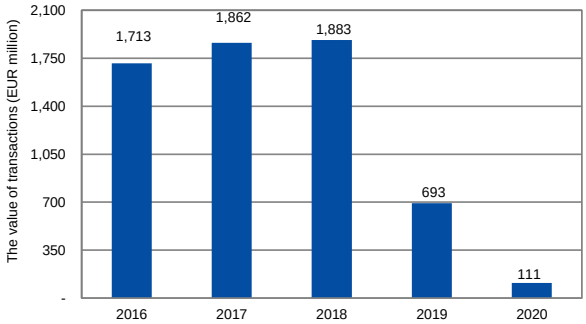
As for domestic outgoing payments, it should be noted that all commercial banks generate them themselves, while insurance companies make most of their payments through commercial banks. In fact, all other CBK account holders use the payment services provided by the CBK in a limited way, as they all have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

Chart 68. The volume of domestic incoming transactions, number




Source: CBK (2021)

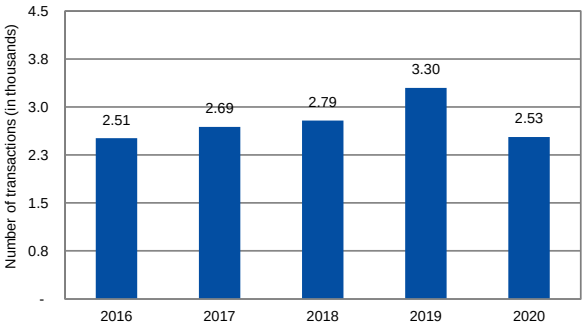
Chart 69. The value of domestic incoming transactions, EUR million




Source: CBK (2021)

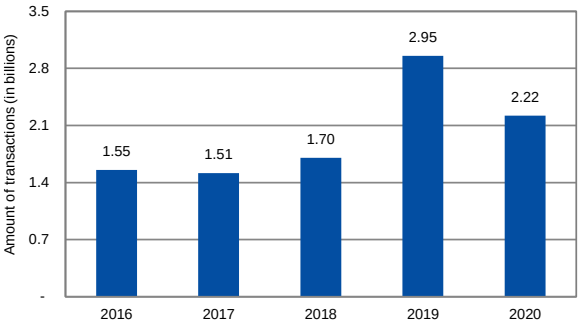
In terms of international transactions, most of them were executed by the CBK by order of the Treasury. On the other hand, taking into account their value, most of the international transactions carried out by the CBK were related to the transfers of funds from commercial banks and the Kosovo Pension Trust. Annual data on international transactions are presented in the following four charts.

Chart 70. The volume of international outgoing transactions, number




Source: CBK (2021)

Chart 71. The value of International outgoing transactions, amount



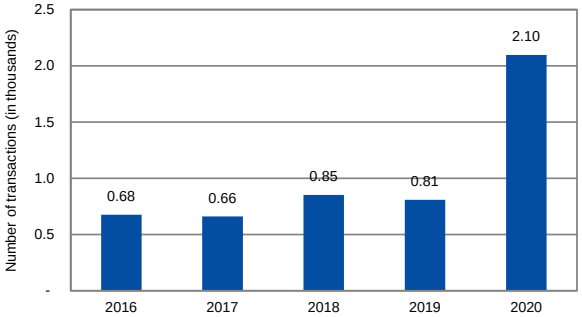

Source: CBK (2021)

During 2020, the CBK processed close to 2,530 international outgoing payment orders on behalf of its clients (a moderate decrease of 23.4 per cent compared to the previous year), and received

close to 2,095[25] international incoming payment orders on their behalf (an increase of 159.3 per cent compared to the previous year).

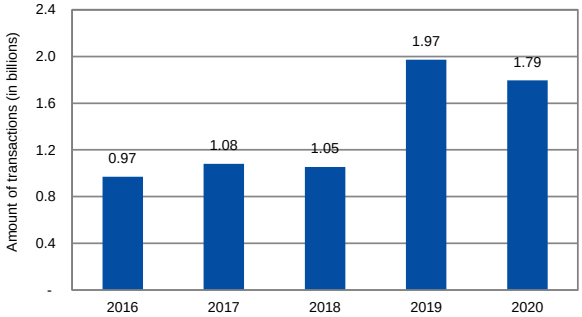
Expressed in value, international outgoing payment orders amounted to over 2.22 billion euros (a decrease of 24.8 per cent compared to the previous year) while international incoming payment orders amounted to over 1.79 billion euros (a decrease of 9.0 per cent compared to the previous year).

Chart 72. The volume of international incoming transactions, number




Source: CBK (2021)

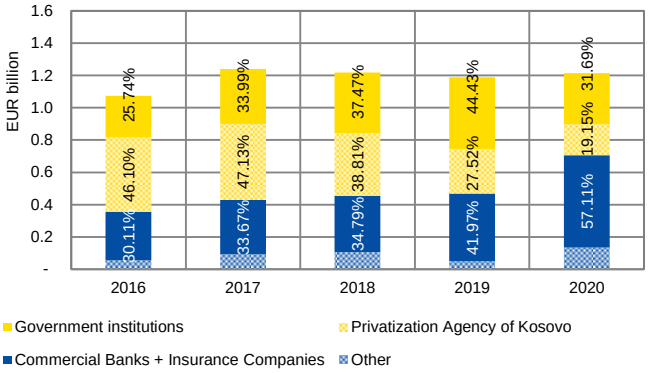
Chart 73. The value of international incoming transactions, amount




Source: CBK (2021)

On 31 December 2020, the deposits of the institutions of the Government of Kosovo amounted to 316.90 million euros while those of the PAK amounted to 191.46 million euros. Together, the deposits from Kosovo Government Institutions and PAK accounted for about 41.9 per cent of deposits held with the CBK at the end of 2020.

Chart 74. Deposits trend of the CBK main clients, EUR billion




Source: CBK (2021)

Commercial banks and insurance companies have a significant share in the level of deposits in the CBK. These deposits mainly relate to the legal and regulatory claims and obligations of commercial banks and insurance companies.

### Table 22. Level of deposits of the main customers (EUR thousands)

| Accounts statement | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Total** | **1,074,458** | **1,239,730** | **1,217,914** | **1,187,685** | **1,214,559** |
| Government institutions | 257,393 | 339,906 | 374,663 | 444,301 | 316,897 |
| Privatization Agency of Kosovo | 460,961 | 471,299 | 388,116 | 275,160 | 191,457 |
| Commercial Banks + Insurance Companies | 301,051 | 336,732 | 347,931 | 419,659 | 571,114 |
| Other | 55,053 | 91,793 | 107,205 | 48,566 | 135,091 |

Source: CBK (2021)

They accounted for 47.0 per cent of deposits held at the CBK by the end of 2020. As at 31 December 2020, deposits of commercial banks and insurance companies amounted to 571.11 million euro.

[25] Most future payments relate to transfers of funds to commercial banks

### 6.2. Payment System

Despite the situation created as a result of the global crisis due to the pandemic and the demand to adapt to the specific needs presented, the payment system has proved to be stable and ready to face challenges of this nature, in order to provide of payment services to government, businesses and households, being available to address participants' requests promptly, all the time.

Initially, during the first quarter after the activation of the emergency action plan, there was a decrease in payment activity and specific needs were presented by the participants, mainly to adapt to the limited movement schedules and to prepare for possible situations. However, even during this reporting period, the payment sector in the CBK has operated without interruption and at full capacity, despite the fact that work was mainly done remotely. Likewise, joint groups have been established with the banks, the treasury and other institutions to quickly address any possible requests or obstacles, as well as faster reporting of transactions and the liquidity situation of banks. This has ensured a safe operation of the payment system, which has enabled timely clearing and settlement and without obstacles, of all payment and securities transactions.

As a result of the circumstances created and the functions offered by the interbank payment system and register of bank accounts, the CBK has provided support for the specific needs of institutions in order to support the implementation of measures taken for the management of the situation and economic recovery. In this regard, the CBK has enabled the validation of bank accounts for beneficiaries of emergency packages and provided its infrastructure for faster and easier distribution of payments. Technical support was also provided to the Pension Savings Fund and the Slovenian-Kosovo Fund, where during the last quarter, additional functions were developed in the bank account register system for validation of applicants' accounts for 10 per cent of pension savings funds, according to the Law on Economic Recovery. This has enabled easy and prompt remote application, as well as prompt distribution of funds in bank accounts, by complying with the measures to contain the spread of Covid-19.

Despite the regular tasks and specific requirements of the situation, the payment system has continued with the activities in progress for the implementation of the strategic plan of the Central Bank. In the framework of the Remittances and Payments Program, which the Central Bank is developing with the support of the World Bank, meetings have continued virtually with World Bank experts regarding the drafting of the Strategy for the Development of the National Small-Value Payment System, review of the Payment Systems Supervision Policy and other activities that are underway under this program.

During 2020, NBFIs were authorized for the first time to issue electronic money, as a new opportunity to expand electronic payment instruments and increase competition. Also, in order to prepare for possible difficulty situations in liquidity management, in response to the situation, a regulation was issued for intraday and overnight lending that the CBK can provide to the banks, in case of possible short-term liquidity difficulties. At the same time, the necessary operational developments have been made for the execution of these instruments in case of need.

During 2020, capacity building activities in the field of payment systems were continued, in which case the CBK staff attended some of the online training provided by important international institutions and central banks of EU countries.

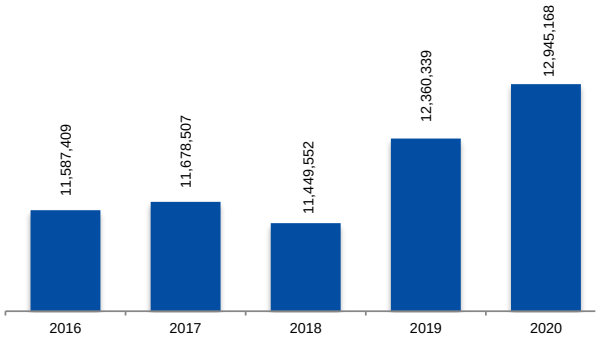
#### 6.3.1 Interbank Payment System Operation

The interbank payment system (IPS) enables the processing of a range of payment instruments, interbank clearing and settlement of securities. The following charts represent the number and value of transactions performed through IPS for the respective periods.

Statistical indicators of IPS activity have reflected an increase in the volume and a slight decrease in the value of transactions compared to the previous year, as presented below.

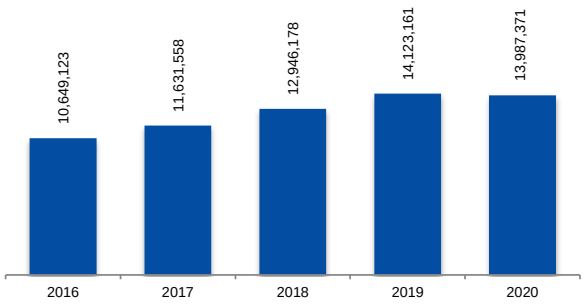
Charts 75 and 76 show that during 2020, around 13 million transactions were processed in the total value of close to 14 billion euros. When compared to the IPS transactions of the previous year, transaction volume is increased by 4.7 per cent, and the value of transactions decreased slightly by 1.0 per cent.

Chart 75. Number of IPS transactions




Source: CBK (2021)

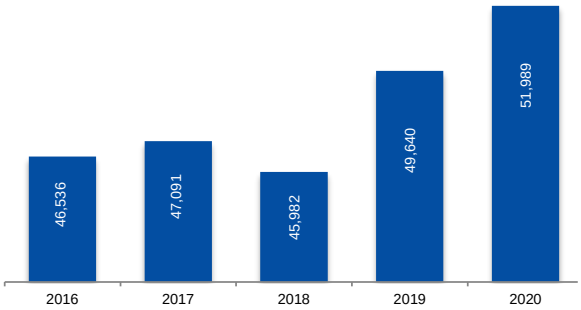
Chart 76. Value of IPS transactions (in thousands)




Source: CBK (2021)

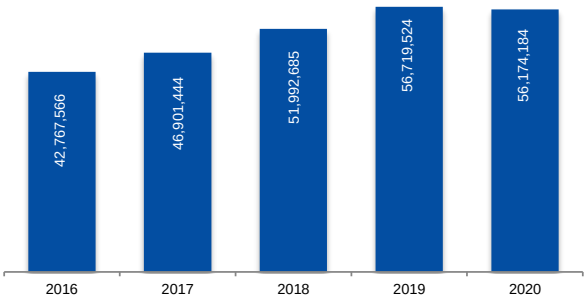
Within the IPS, payments are made through two components: RTGS (Real-Time Gross Settlement) and ACH (Automated Clearing House). In the RTGS component all payments over 10 thousand euros are made in real time, as well as all payments ordered by customers with priority, while in the ACH component all payments are made in the amount of less than 10 thousand euros and include these types of payments: regular payments (individual and mass), salaries and pensions, Kos-Giro payments and Direct Debit. A comparison of the volume and value of these payment categories for certain years is presented in the following charts.

Chart 77. Daily average of transactions number in IPS




Source: CBK (2021)

Chart 78. Daily average of transactions value in IPS




Source: CBK (2021)

Regular payments (individual and mass) account for about 45.0 per cent of the volume and 16.2 per cent of the value of IPS transactions.

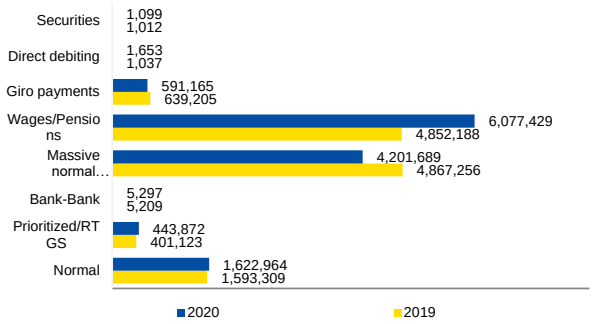
RTGS transactions are processed and settled during working hours in real time and on a gross basis. During 2020, their number accounted for about 3.4 per cent of the total number of IPS transactions, while their value for about 38.5 per cent of the value of transactions through IPS.

A significant increase can be seen in the category of payments for salaries/pensions if compared to the previous year, both in number and value of transactions. There is an increase of 25.0 per cent in number and 38.0 per cent in value of transactions and this increase is related to some additional payments (social assistance, additional salaries for different categories, financial support) that

have been executed during the year for businesses and employees that were mostly affected by the pandemic.

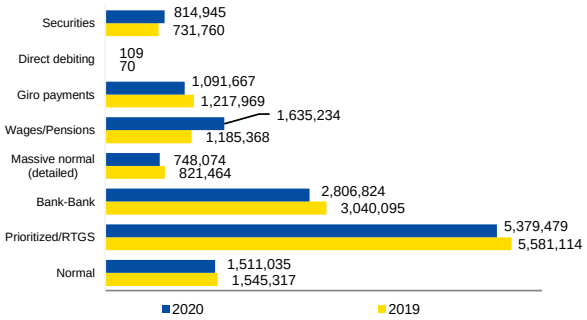
An overview of payments processed through the ACH system during 2020, by sessions, shows a more pronounced concentration in the first and second clearing sessions, compared to the last session. Avoiding overloads of payment flows during the last clearing session minimizes additional risks within the functioning of the payment system, therefore lower fees apply to transactions processed in the first two sessions.

Chart 79. Annual volume of IPS transactions, by their type




Source: CBK (2021)

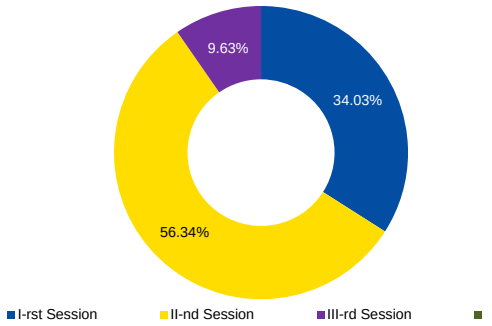
Chart 80. Annual value of IPS transactions, by their type (in thousands)




Source: CBK (2021)

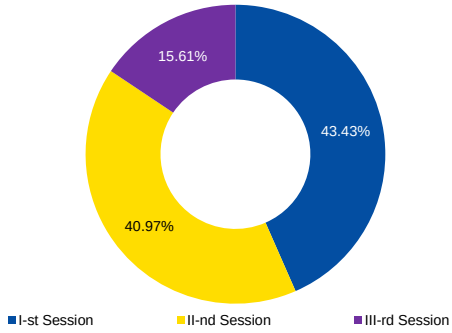
The total value of settled transactions in IPS during 2020 amounted to 14 billion euros, of which the first three institutions with the highest value of initiated transfers account for 60.3 per cent of the total value, while all other institutions accounted for 39.7 per cent. When it comes to the number of initiated transfers, out of their total number of 12.9 million euros, the first three institutions with the largest number of initiated transfers accounted for 70.8 per cent of the total number, while all other institutions accounted for 29.2 per cent.

Chart 81. Number of IPS transactions, by sessions




Source: CBK (2021)

Chart 82. Value of IPS transactions, by sessions




Source: CBK (2021)

Measured by the HHI index, the concentration of participants in IPS during 2020 shows a high concentration, so that it amounted to 2,030 points in relation to the number of transactions, while their value was a moderate concentration, 1,680 points. Compared to 2019, there is a slight decreasing trend in the concentration of participants in the system.[26]

[26] HHI up to 1,000 indicates no market concentration; 1,000-1,800 indicates moderate concentration; over 1,800 high concentration.

**Table 23. Concentration of IPS participants for initiated/delivered transactions**

| IPS System | Volume of transactions | Value of transactions |
|---|---|---|
| HHI - 2020 | 2030 | 1680 |
| HHI - 2019 | 2240 | 1620 |

Source: CBK (2021)

The highest level of concentration, in terms of the number of transactions delivered to the IPS, refers to the delivery of transactions of non-banking financial institutions through commercial banks, of small-value payments and therefore there is a difference in the level of concentration between the value of transactions and the volume of transactions.

Within the operational functions, the Register of bank accounts also plays an important role. This register represents a database infrastructure, which enables the reporting of bank account data by account data providers (commercial banks), as well as the use of this data for the implementation of enforcement decisions by enforcement bodies and other competent institutions in accordance with the provisions of the Law on Enforcement Procedure. During 2020, several developments of this register were made, in order to adapt to the changes made by the Business Registration Agency regarding the unique business registration numbers and other needs presented by the participants.

During the reporting year, 43 private enforcement agents, 110 officials from the Kosovo Judicial Council, as well as 22 officials from the Tax Administration of Kosovo had access to the bank account register, through which they exchanged 14,793 cases of enforcement procedure with commercial banks, of which 11,406 are closed. The table below shows a significant decrease in cases compared to the previous year, which may have been influenced by the overall decline in economic activity and the suspension of punitive measures by Government's decisions due to the pandemic, for different economic categories.

**Table 24. Cases processed in RLLB**

| Status of cases | 2019 | 2020 | Increase / Decrease (%) |
|---|---|---|---|
| Opened | 24,540 | 14,793 | -39.72 |
| Closed | 13,903 | 11,406 | -17.96 |

Source: CBK (2021)

### 6.2.2 Supervision and analysis of payment systems

In the area of supervision and analysis of payment systems, processes have been implemented that have influenced the improvement of the technical infrastructure and regulatory framework. During 2020, the Real Time Gross Settlement (RTGS) payment system has been defined as a system of systemic importance and at the same time a working group has been established to evaluate this system in accordance with the methodology for evaluating systemically important payment systems, based on the Principles issued by IOSCO/BIS for financial market infrastructure.

During 2020, after the entry into force of the regulatory changes which address the payment services and the issuance of electronic money, the first requests were received from the existing NBFIs authorized to provide payment services, to be authorized for the activity of electronic money issuance, too. Similarly, a new NBFI has been registered for the provision of payment services and the issuance of electronic money.

The provision of electronic money issuance by these institutions is estimated to have a direct impact on promoting competition and innovation in the field of small-value payments. Thus, promoting electronic payments and increasing their efficiency. In this regard, the CBK has also drafted the "Instruction on reporting electronic money payment instruments", and the reporting forms through which the reporting of electronic money activity is required on a regular basis for continuous monitoring of the development of electronic money instruments and their use for making payments.

In the framework of the RPP (Remittances and Payments Program), in order to further strengthen the supervision of the payment system, the World Bank team has supported the CBK in drafting the amendment of the Payment Systems Oversight Policy, which is still in process.

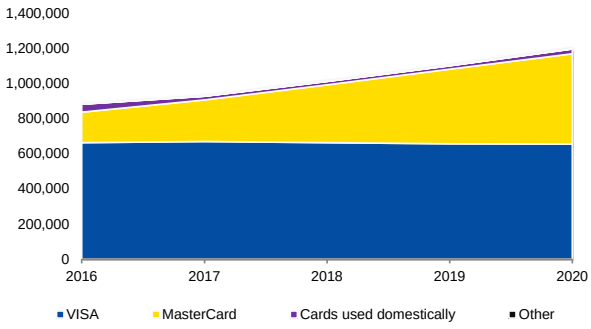
During 2020, the annual analysis on the use of cards in Kosovo was reviewed, which in addition to information related to the socio-demographic distribution of cards used by Kosovo citizens and relevant factors that have affected the distribution of such cards, also includes information about the types of cards, the use of "contact" and "contactless" cards, the use of online cards, etc. The annual analysis on the use of cards in Kosovo is published on a regular annual basis on the official website of the CBK.

Also, within the preparation of analyses and reports on payment statistics, regular annual and monthly reports on the number and value of payments of the interbank payment system, on commercial bank deposits and reserves, on cash and non-cash instruments, and a comparative report on electronic instruments are prepared, which are published electronically on the CBK website.

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

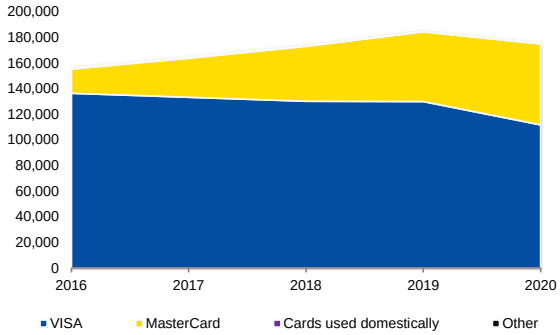
Banks reports on payment instruments show that by the end of December 2020, the number of debit cards reached 1.2 million, while the number of credit cards reached 175 thousand. Compared to a year ago, it was determined that the number of debit cards has increased by 8.4 per cent, while the number of credit cards has decreased by 5.2 per cent.

Chart 83. Number of debit accounts, by their type




Source: CBK (2021)

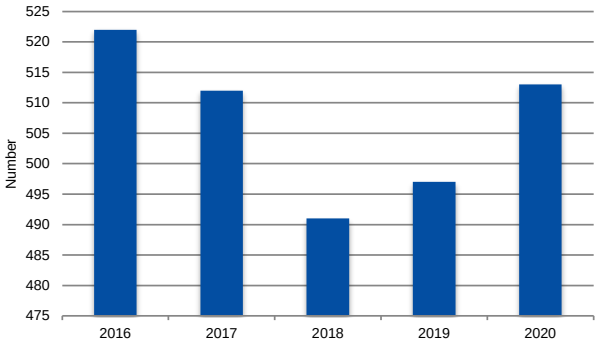
Chart 84. Number of credit accounts, by their type




Source: CBK (2021)

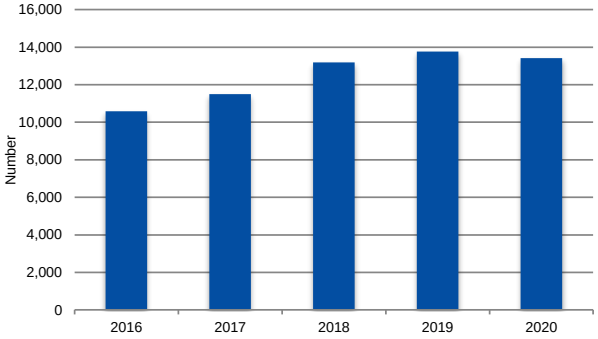
Regarding the infrastructure of ATM terminals, the last three years are characterized by an increase, while a slight decrease was noted in the number of POS terminals during 2020. Along with the growth in the number of payment terminals and instruments, statistical data show that 2020 was also characterized by an increase in the use of electronic payment instruments. The number of payments made through the e-banking service reached 5.6 million transactions, which, compared to the previous year, represents an increase of 8.7 per cent, while their value reached EUR 10.7 billion, with an annual increase of 3.9 per cent.

Chart 85. Number of ATM terminals




Source: CBK (2021)

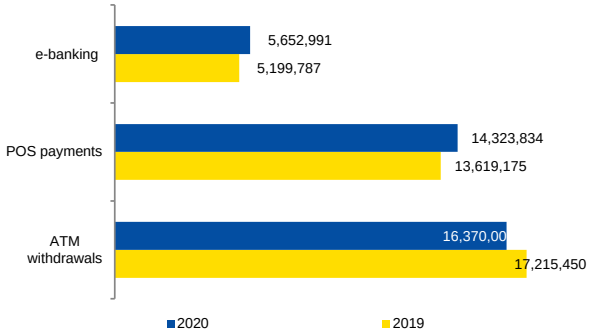
Chart 86. Number of POS terminals




Source: CBK (2021)

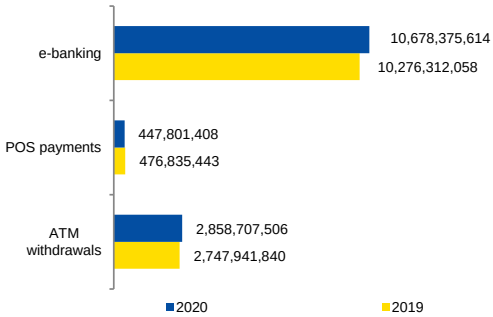
The year of 2020 was also characterized by an increasing trend of using cards for payments. The number of payments at POS terminals has increased by 5.2 per cent, while their value has been smaller, where there is a decrease of 6.0 per cent, compared to the previous year.

Chart 87. Annual transactions volume of electronic payment instruments




Source: CBK (2021)

Chart 88. Annual transactions value of electronic payment instruments




Source: CBK (2021)

ATM withdrawals show a decrease in their number, compared to the previous year, and an increase in their value. The number of ATM withdrawals decreased by 4.9 per cent, while the value of withdrawals increased by 4.0 per cent.

## Table 25. Number of accounts

| Description of accounts | Total client accounts | | | Internet accessible accounts | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Client accounts (1+2) | 2,054,799 | 2,152,128 | 2,292,172 | 250,733 | 337,693 | 411,346 |
| 1-Resident accounts (a+b)(%) | 98.43% | 98.49% | 98.57% | 97.96% | 97.96% | 98.22% |
| a-Individual (%) | 92.98% | 92.77% | 92.71% | 82.95% | 84.57% | 86.63% |
| b-Business (%) | 7.02% | 7.23% | 7.29% | 17.05% | 15.43% | 13.37% |
| 2-Non-resident accounts (C+ D) (%) | 1.57% | 1.51% | 1.43% | 2.04% | 2.04% | 1.78% |
| C-Individual (%) | 98.70% | 98.68% | 98.79% | 91.40% | 93.16% | 93.66% |
| D-Business (%) | 1.30% | 1.32% | 1.21% | 8.60% | 6.84% | 6.34% |

Source: CBK, Bank reports according to the "Regulation on the reporting of payment instrument statistics" (2021)

Bank reports show that, at the end of 2020, the total number of bank accounts of customers amounted to 2.3 million, which is an increase of 6.5 per cent, compared to the end of 2019. About 98.6 per cent of accounts belong to residents, while about 1.4 per cent to non-residents.

Of the total accounts at the end of 2020, over 411 thousand accounts had online access to make payments or to check the account balances. This represents an increase of about 21.0 per cent in remote access accounts, which may also have been affected by the pandemic situation needs for remote access, as a result of movement restrictions.

Based on statistical data, the development of infrastructure has resulted in a faster pace and the rapid growth trend in the use of electronic payment instruments remains encouraging.

At the end of 2020, non-bank financial institutions licensed to issue electronic money reported 3,483 electronic money accounts. This represents a rapid increase considering the start of provision of these services only during the second half of 2020, however it is still early to assess the level of use of these accounts. This depends directly on the opportunities and types of instruments that will be offered in the market and their adaptation to the needs of users of payment services.

### Table 26. Number of electronic money accounts

| Description of accounts | 2020 |
|---|---|
| E-money accounts | 3,483 |

Source: CBK (2021)

Regarding the comparison of Kosovo with countries in the region, it can be seen that the rapid development trend in recent years has influenced that today Kosovo has improved its position compared to neighbouring countries, although it still remains relatively low compared to EU countries and with the possibility of advancement in certain categories to reach the level of countries in the region.

### Table 27. Comparative table of payment instruments and terminals[27]

| Description | Inhabitants | ATM per million of inhabitants | POS per million of inhabitants | Credit Cards per million of inhabitants | Debit Cards per million of inhabitants | E-banking per million of inhabitants |
|---|---|---|---|---|---|---|
| Kosovo | 1.78 | 279 | 7,735 | 103,774 | 622,671 | 170,562 |
| Albania | 3.05 | 232 | 3,670 | 37,303 | 336,249 | 144,784 |
| Czech Republic | 10.68 | 488 | - | 146,483 | 1,066,935 | - |
| Turkey | 81.25 | 653 | 19,686 | 859,395 | 2,045,675 | - |
| Slovenia | 2.1 | 736 | 17,237 | 60,831 | 1,322,059 | - |
| Bulgaria | 7.05 | 802 | - | 176,409 | 881,959 | - |
| Hungary | 9.82 | 519 | 16,071 | 128,453 | 826,373 | |
| Bosnia | 3.84 | 427 | 7,721 | 64,003 | 450,010 | 203,575 |
| Montenegro | 0.61 | - | - | - | - | 109,072 |
| Croatia | 4.27 | 1,275 | 26,036 | 41,907 | 1,601,159 | - |
| North Macedonia | 2.11 | 493 | 15,479 | 176,764 | 698,779 | 216,898 |

Source: CBK (2021) and central banks or supervisory authorities of the respective states

### 6.2.4. Research activities in the field of payments

In order to modernize the general infrastructure of low value payments and increase the efficiency of payment instruments, within the program for remittances and payments, developed with the support of the World Bank (Remittances and Payments Program - RPP), during the first quarter of 2020, the project for the study of the cost of small value payments, the part of the cost for users of payment services, was implemented. The project was also supported by the Kosovo Agency of Statistics, which included a survey of government organizations, businesses and households. In total, the survey process involved 395 businesses, 1,000 households and 7 government agencies;

The results of this study, together with the results of the cost study for low value payment service providers, conducted during 2019, aim to identify the cost of various payment instruments (cash, debit and credit cards, credit transfers and direct debit) for providers and their users, which are obtained as total costs in relation to the country's economy. Also, the study aims to identify the factors that have the greatest impact on the level of these costs.

[27] The data in the table are from 2019 as most countries in the region have not yet published data for 2020.

The data obtained from this study enable the orientation of joint actions of the CBK, banks and other relevant institutions in the field of payments, in order to reduce the costs of low value payments and increase the efficiency and security of electronic payment instruments in order to reduce the use and costs arising from the use of cash for the country's economy.

During 2020, the Working Group established by the Executive Board of the CBK to monitor international developments in the regulation of virtual money has continued, focusing on their treatment by regulators in the European Union and the countries of the region. During this reporting period, two periodic reports were developed for the Executive Board, in order to update information on international developments regarding the manner in which virtual money is addressed by regulators.

In the framework of the RPP program referred to above, in cooperation with the experts of the World Bank, a study has been initiated regarding the examination of possibilities for adapting a local interbank scheme for processing, clearing and settlement of fast payments with small value, known as 'Instant Payments'. Within this activity, several virtual meetings were held with the World Bank team and representatives of commercial banks, as well as data were provided on the level of development of banking infrastructure and the volume of existing transactions, as a necessary basis for this study. The study aims to make recommendations regarding the most appropriate opportunities for the adaptation of a fast payment scheme / system in Kosovo, which is expected to be finalized during 2021.

### 6.3. Asset Management

The Central Bank of Kosovo implements the investment of national reserves, as well as the operation of the central depository system for trading of Securities issued by the Republic of Kosovo. Duties of national reserve management are specified in the Law on the Central Bank of the Republic of Kosovo, i.e. Article 15 of the Law no. 03/L-209.

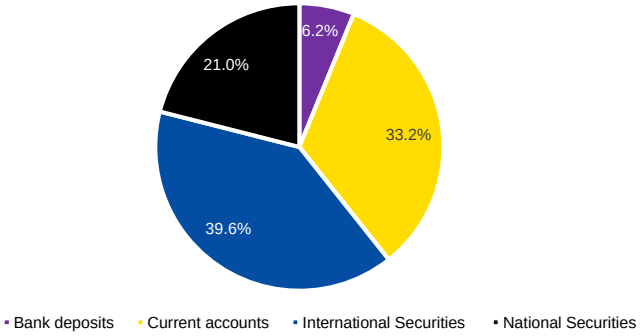
#### 6.3.1. Investment Management

The Central Bank manages its reserves to achieve the objectives of the Investment Policy approved by the Executive Board, where the security and liquidity of assets take precedence over return on investment.

**Instruments**

The reserve portfolio consists of instruments in the liquid portfolio and those in the investment portfolio. The liquid part of the reserves is maintained to provide sufficient funds to make payments and transfers in accordance with the needs of the CBK and its depositories, in accordance with the objectives of the Investment Policy. The investment part consists of safe financial instruments with a credit assessment with an appropriate degree of investment.

Chart 89. Portfolio of the CBK reserves, as of 31 December 2020




Source: CBK (2021)

The composition of the CBK reserve portfolio is reflected in chart 89 as of December 31, 2020, where we see a significant concentration of current account positions at 33.2 per cent. This concentration ensures that the CBK is

consistently liquid in meeting the transfer requirements of its depositors as well as in respecting the primary objective of the Investment Policy. International securities that make 39.6 per cent of the portfolio also contribute to the liquidity target as these securities are easily tradable or convertible into cash. National securities account for 21.0 per cent of the portfolio and are traded on the secondary securities market through local commercial banks. Bank deposits of 6.2 per cent as a short-term instrument of money market constitutes the asset with the lowest share in the reserve portfolio.

These financial instruments represent the investment portfolio of the CBK reserves:

- bank deposits with a fixed or unlimited term, i.e. term Euros and US dollars placed with banks of EU countries with a credit assessment of the degree of investment or the US Federal Reserve;
- international securities, i.e. government, municipal, supranational bonds, government agencies or credit institutions in Euros with a maturity of up to seven years; repurchase agreements of the aforementioned instruments.
- state bonds issued by the Government of Kosovo traded on the secondary market of securities with a maturity of up to seven years, and repurchase agreements of securities issued by the Government of the Republic of Kosovo.

In 2020, the CBK for the first time has placed repurchase agreements with local commercial banks as a new instrument in the CBK investment portfolio. This instrument helps the liquidity of the banking sector, but also the overall liquidity of national securities.

In 2020, CBK became part of the repurchase agreement of the Eurosystem through the Deutsche Bundesbank for central banks (EUREP).[28] This repurchase agreement makes it possible for the Central Bank of the Republic of Kosovo to borrow from the Euro-system liquidity package, against adequate euro collateral consisting of tradable debt securities issued by the euro area central governments and supranational institutions. This repurchase agreement addresses the potential liquidity needs in euro of the CBK in case of claims arising as a result of the situation caused by the COVID-19 pandemic.

Under the repurchase agreement, the Central Bank of the Republic of Kosovo will be able to borrow up to 100 million euros from the European Central Bank. The repurchase agreement will remain in force until the end of March 2022, unless an extension is decided.

## Currencies

Euro is the main currency in the CBK's investment portfolio with over 99.0 per cent of assets denominated and paid in Euro currency. Less than 1 per cent of the reserves portfolio is held in US Dollars invested in daily placements with the interest rate quoted by repurchase agreements with the US Federal Reserve. The distribution of assets in the two respective currencies is made on the basis of CBK's reserve content by its depositors, which mainly come and are held in Euro currency.

### Distribution

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

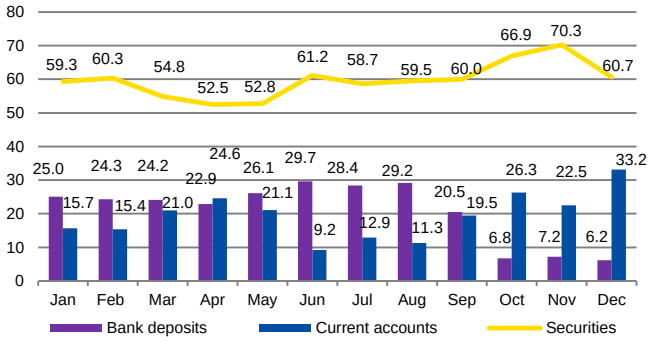
As shown in chart 90, securities are the main instruments with the largest share in the CBK portfolio.

[28] Eurosystem repo facility for central banks - FAQ (europa.eu)

We see the main change in portfolio allocation in the category of bank deposits where in January 2020 bank deposits account for 25 per cent of the investment portfolio, while in December of this year we have a decrease of 6.2 per cent of the investment portfolio.

The distribution of the CBK's portfolio in securities was also dictated by the prices of bonds on the market and the market offer of government, supranational bonds, agencies and credit institutions, issued and paid in Euros, the rates of return of which have declined significantly during 2020. Extremely limited supply for this category of instruments, and negative rates in euros have prevented new purchases of these bonds by the CBK. However, the CBK maintained a satisfactory level of securities allocation during 2020, ensuring that the restrictions were in line with the restrictions set out in the Investment Policy.

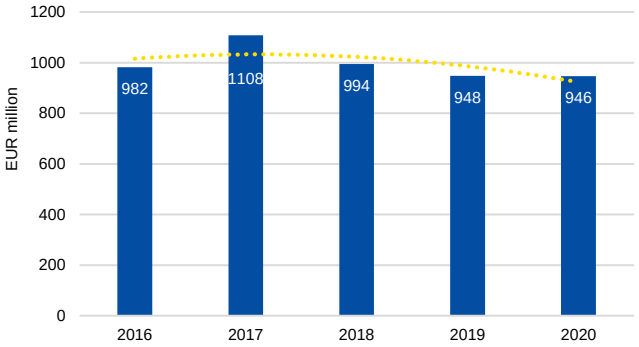
Chart 90. Distribution of the CBK portfolio investments (in percent)




Source: CBK (2021)

The negative deposit rate applied to euro assets has led to a relatively lower level of total depository reserves with the CBK in 2020. The deposit rate in euro is based on the rate set by the European Central Bank for deposits (deposit facility rate) which during 2020 has stood at -0.5 per cent.

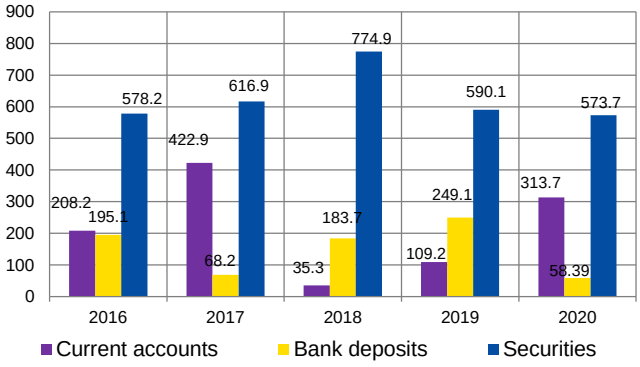
Chart 91. The ending balance of funds invested by the CBK, as of 31 December of the respective year




Source: CBK (2021)

As seen in chart 91, reserves available in the CBK portfolio have marked a small decrease influenced by the CBK depositors who also during 2020 have maintained a lower level of funds to avoid the costs applied to euro accounts, respectively to avoid the deposit rate in euros.

Chart 92. Distribution of portfolio investment, end of the year




Source: CBK (2021)

The main change in the distribution structure of the portfolio can be seen in chart 92 for bank deposits. This category of assets has declined, in order to increase the concentration in current accounts. The exposure or distribution of assets in securities is relatively approximate compared to previous years, except for 2018 where the concentration in securities was higher. This distribution enables the CBK to maintain sufficient liquidity in its reserve portfolio, while ensuring that by allocating funds to these instruments it contributes to the overall liquidity of the portfolio and generates a satisfactory rate of return from this category of assets.

### 6.3.2. Portfolio performance

The instruments in the CBK portfolio performed well with € 2.85 million in revenues from all investment categories, including the difference between revenues and expenditures from deposit rates applied to the accounts. Securities constitute the instrument with the best performance in the CBK portfolio, while in particular the securities of the Republic of Kosovo constitute the instrument with the most favourable return on the portfolio.

### 6.3.3. Risk Management

The investment of funds is made in securities issued by countries, the most credible Eurozone agencies and supranational institutions with investment credit rating according to the ratings of International Credit Agencies: Standard & Poor's and Moody's as well as in securities of the Republic of Kosovo.

Financial risks during the investment of funds by CBK are: credit risk, interest rate risk, liquidity risk, currency risk and operational risk.

**Credit risk -** Investment portfolio is distributed in order to keep the credit risk at a low level. All investments are realized in relation to the criteria of short-term and long-term credit ranking, set forth in the Investment Policy P-2/A-2 (Moody's/S&P) for short-term and Baa2/BBB- (Moody's/S&P) for long-term, as well as in extraordinary cases on the market, with P-3/A-3 for short-term and Baa3/BBB- (Moody's/S&P) for long term.

**Interest rate risk -** Interest rate risk management by the CBK versus interest rate change limit is supplemented by monitoring the sensitivity of CBK assets and liabilities to different standard and non-standard interest rate scenarios.

**Liquidity risk -** is the risk in timely fulfilment of the obligations from its financial liabilities. CBK's position on liquidity management is to ensure that there is consistently sufficient liquidity to meet timely obligations both in normal and disadvantaged conditions, without incurring unacceptable losses or risking damage to the reputation of the CBK**.**

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

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

### 6.3.4. Kosovo Government Securities

Pursuant to the Law on Public Debt, the CBK acts as a fiscal agent for the Ministry of Finance in the process of Government Securities issuance. In accordance with the Securities Issuance Calendar published by the Ministry of Finance, in 2020, 15 auctions in total were conducted through the electronic platform: 2 auctions of government bonds with a maturity of two years, 5 auctions for government bonds with a maturity of three years, 5 auctions for government bonds with a maturity of five years, 1 auction for government bonds with a maturity of seven years and 1 auction for government bonds with a maturity of ten years.

During 2020, for the first time, an auction was conducted for the issuance of a government bond with a maturity of 10 years through the direct issuance of government securities, based on the agreement between the Ministry of Finance and Transfers and the Kosovo Pension Savings Fund.

Chart 93 shows the structure of securities issued by the Government of the Republic of Kosovo during 2020, expressed as a percentage by maturity.

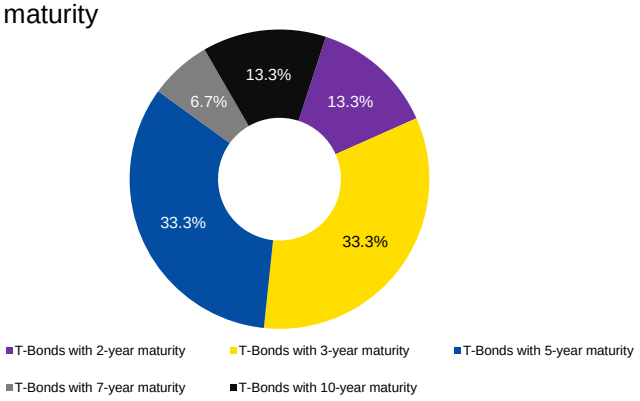
Chart 94 shows the participation by category of investors in the securities auctions of the Government of Kosovo in the primary market.[29]

Chart 95 shows the average annual rate of return compared to the previous year, which for government bonds with a maturity of 2 years in 2020 has decreased by 27 basis points. The average annual rate of return for government bonds with a maturity of 3 years has decreased by 8 basis points, for government bonds for 5 years has decreased by 2 basis points, for government bonds for 7 years has increased by 71 basis points, and for bonds government 10 years has marked a decline of 53 basis points.

Chart 96 shows all auctions indicating that the highest market demand was for government bonds with maturities of 5 years and 3 years, then another 10 years.

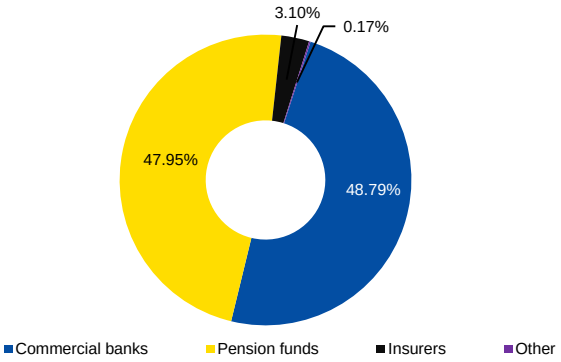
Purchasing activities on the secondary market, taking into account the number of transactions and the volume of trading in securities of the Government of Kosovo compared to the previous year, continued with similar intensity. The annual number of transactions for 2020 was 79, while in 2019, 102 transactions were realized. The annual volume of trading in the secondary market of securities issued by the Government of the Republic of Kosovo during 2020 was 109.5 million euros, while in 2019 it was 104.5 million, with an increase of 4.8 per cent. Participants in the purchase of securities issued by the Government of the Republic of Kosovo have been commercial banks, public institutions and natural persons.

Chart 93. Structure of Government securities, by maturity



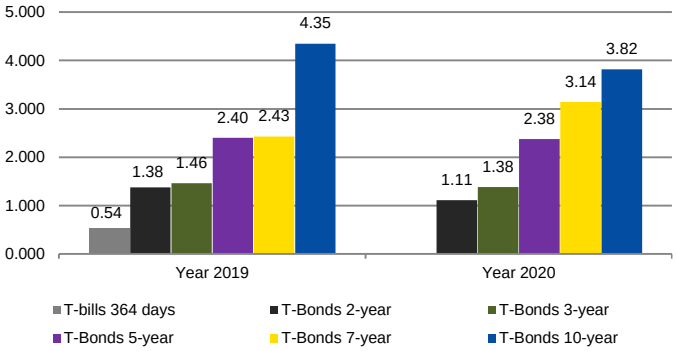

Source: CBK (2021)

Chart 94. Structure of investors at auctions




Source: CBK (2021)

Chart 95. Annual average interest rate returns for 2019 and 2020



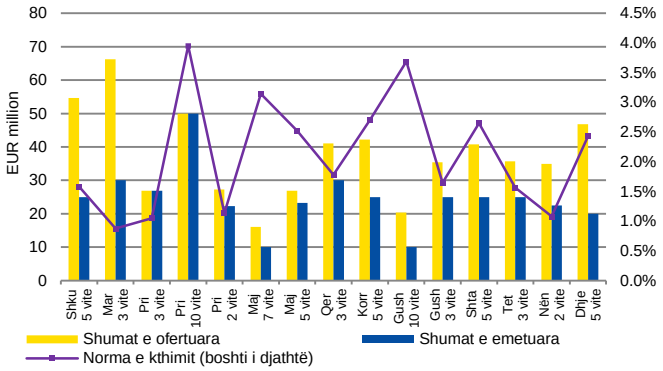

Source: CBK (2021)

During 2020, the Regulation on Intraday and Overnight Lending with Government securities was approved, which enables the banking sector to manage its daily liquidity as efficiently as possible.

[29] Participants in the Government securities market are commercial banks, pension funds, insurers and other participants through commercial banks (Primary Actors).

Based on the Regulation on Repurchase of Government Securities with the CBK, the interest rate for repurchase of securities issued by the Government of the Republic of Kosovo was published, which rate is composed of the base rate, adding the margin determined by the CBK. This rate serves the purpose of short-term lending backed by collateral of securities issued by the Government of the Republic of Kosovo through securities repurchase transactions with commercial banks.

Chart 96. Auctions of Government securities in 2020




Source: CBK (2021)

Following the publication of the interest rate, data on market valuations for all immatured securities have started to be published, in the form of the estimated rate of return for each maturity category from 1 to 10 years. As a result, the volume of repurchase transactions through the CBK was 7.8 million euros. Also during this year, interbank repurchase transactions of securities issued by the Government of the Republic of Kosovo with a volume of 60.3 million euros have continued to be realized with increased intensity, showing a significant increase compared to last year which was 6.1 million euros.

### 6.4. Information Technology

During 2020, the Department of Information Technology has continued to advance information technology systems and work processes.

Due to the pandemic caused by the spread of the COVID-19 virus, at the moment of declaring the emergency situation by the Government of the Republic of Kosovo, the contingency plan was activated, which enabled the continuation of the services provided by the Central Bank of Kosovo to financial and government institutions and citizens of the Republic of Kosovo. As a result of remote work, the cyber-attacks in the world have increased, its systems have been continuously tested and monitored for any eventual attack, or attempt to abuse them.

In order to improve the work processes, work has continued on the development of various applications, to cover the growing needs for new applications and improving the existing ones. Also, the services provided have been improved, based on the service management framework - ITIL.

### 6.5. Kosovo Credit Registry

Pursuant to the Law on the Central Bank of the Republic of Kosovo, the CBK may operate, regulate, license, register and monitor credit information systems for the purpose of collecting and distributing credit information among credit institutions, and may also issue regulations for relevant application.

Based on this goal, since 2006, the CBK has managed the Credit Registry System (CRS), which functions as an Internet application and aims to collect and distribute positive and negative information about individuals and legal entities, in order to improve the process of assessing credit clients, as well as exercising the supervisory function of the CBK.

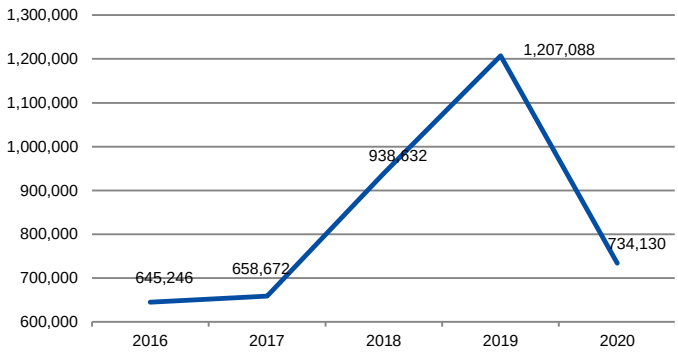
From a general economic perspective, the Credit Registry facilitates loan approval in terms of volume and cost, and generally contributes to financial stability by helping lenders make the right decisions, in the short term, accurately and objectively.

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

Based on the CRK system data, there are currently 1,928 registered active users of lending institutions, dominated by the number of users from banking institutions with 1,430 active users, micro-financial and non-banking institutions with 465 users and insurers with 33 active users of the CRK system. During 2020, the Credit Registry registered 238 new users.

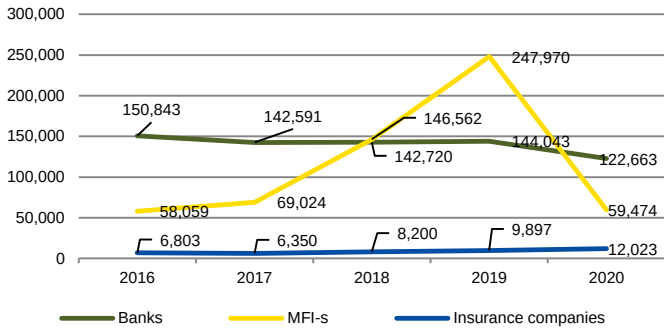
The Credit Registry system is designed to provide an advanced infrastructure for the functioning of the credit market by presenting an important tool for lending institutions in assessing credit risk. The CRK system is an internet-based application and can be accessed directly and in real time by the staff of lending institutions. Credit institutions in the CRS system are researching the credit history of credit users, where according to statistical data derived from the CRS system, the number of surveys during 2020 reaches the figure of 734,130 surveys. An overview of this activity, on an annual basis, for the years 2016 - 2020 is presented below in chart 97. All lenders are required to report to the CRS, on all loan applications and loans granted to their clients in accordance with the terms of the relevant instruction issued by the CBK.

Chart 97. The number of surveys in CRK system



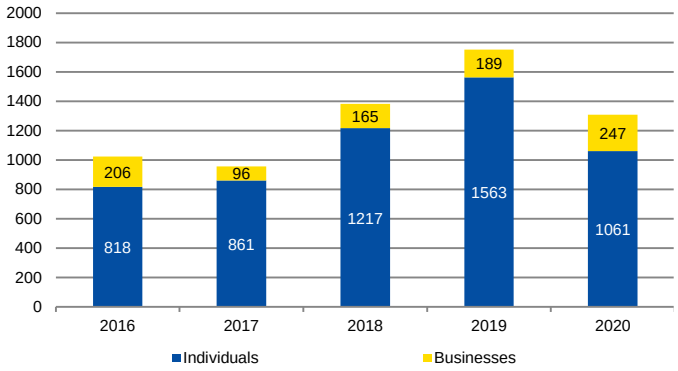

Source: CBK (2021)

Chart 98. The number of approved loans in CRK system




Source: CBK (2021)

Chart 99. The number of requests for credit reports




Source: CBK (2021)

Based on the CRK system data, during 2020, 194,160 loans were reported, including loans, credit cards, overdrafts, housing mortgages, credit lines, guarantees, leasing, factoring and other credit assets. Unlike previous years, we have a decrease in the number of loans reported in the CRK system, mainly due to the closure of the two lending institutions Iute and Monego, as well as the decrease in the level of lending due to the pandemic. The ratio of the number of approved loans by type of lending institution for the years 2016, 2017, 2018, 2019 and 2020 is presented below through chart 98.

Chart 99 shows the number of requests for an individual loan relationship of loan beneficiaries (natural/legal entity) based on the data of the credit registry system for 2016, 2017, 2018, 2019, and 2020.

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

In order to achieve its primary objective, maintaining financial stability through regular monitoring of systemic risk, among other things, the CBK identifies, monitors and analyses systemic risk on a regular quarterly basis. In this context, the identification of potential risks is done through continuous monitoring of cyclical and structural macroeconomic developments. Risk assessment and their potential impact on financial stability and consequently overall macroeconomic stability is done through regular qualitative and quantitative analysis including analysis of the performance of high frequency economic and financial indicators, forecasts on key macroeconomic indicators and application of models, which address the cyclical, structural and cross-sectorial dimension of systemic risk.

The CBK has continued to be focused on increasing the volume and quality of analyses examining key macroeconomic developments in the country and those focused on assessing financial stability, especially with the new dynamics created by the pandemic situation in 2020. Through identification and assessment of risks threatening the financial system and its infrastructure, with a perspective of risk-based analysis, the CBK has continued to inform the public on the situation of the financial system, increase transparency and promote professional debate on developments and challenges of the country's financial system and its infrastructure.

In addition to various periodic analysis and regular monitoring of key developments indicators in relevant sectors of the economy, the CBK has continued to update the models developed for risk assessment, such as the Financial Stability Map model (which analyses developments through eight risk dimensions to financial stability), the Stress Testing model (one of the key tools for identifying current fragility in the banking sector and potential systemic risks in the coming year), the model of identifying banks with Systemic Importance (a typical macroprudential policy instrument that assesses the risk of the distribution of the negative effects of a systemic institution throughout the system), as well as model of Countercyclical capital buffer (macro prudential policy model).[30]

One of the most important periodicals, which continue to be published twice a year, is the Financial Stability Report. This report reflects the sustainability of the financial system, analysing general economic trends, together with the development of activities, performance and sustainability of all components of the country's financial system.

In order to provide the public with the fastest possible access to information on developments in the country's economy, the CBK continued to publish Quarterly Assessment Reports, reports that provide an overview of key macroeconomic developments and developments in all components of the financial system on a quarterly basis. Moreover, the CBK continues to publish a Monthly Report on Financial System Information, which is a summary of key indicators for all components of Kosovo's financial system and is published monthly.

Of particular interest, especially in 2020, as a result of new circumstances caused by the pandemic crisis, the CBK has continued to conduct the Bank Lending Survey (BLS) with commercial banks, thus gathering important information on the factors influencing lending activity of banks in Kosovo and their expectations for lending activity in the coming period. The information from this survey, which is already conducted on a quarterly basis, in addition to helping to better understand

[30] More detailed information about the methodology and analysis of the models is presented in the Financial Stability Report no.17.

developments in the banking sector, has also served as an important input for forecasting economic growth and other macroeconomic aggregates. An additional development in the Bank Lending Survey is the expansion of the survey with the assessment of inflation expectations by banks. As a result, BLS during 2020 has been enriched with additional questions, which address the expectations of commercial banks for price developments in the country, thus helping and complementing our analysis in terms of analysing, modelling and forecasting inflation dynamics. The survey also serves as a tool to identify specific factors that could potentially affect banks' expectations for a given level of inflation. By the end of 2020, the time series of banks' expectations for inflation dynamics are also published on the CBK website.

### 6.7. Main activities in the field of statistics during 2020

Pursuant to Article 25 of the Law on the Central Bank of the Republic of Kosovo, the CBK collects statistical data to perform its duties provided by law. It collects the data needed to promote and maintain a stable financial system; efficient and secure payment system; to contribute to achieving and maintaining domestic price stability; support the general economic policies of the Government; as well as to inform the Assembly of the Republic of Kosovo and the general public about the real indicators of the economy and the implementation of policies by the CBK itself. Statistical data are also compiled for purposes of reporting to international organizations.

The CBK collects data from commercial banks, pension funds, insurers, other financial institutions, foreign-owned enterprises, Kosovo Customs, government institutions, other businesses, and other private individuals. This information is needed to analyse developments in the financial markets and the payment system, or to prepare balance of payments statistics, remittances, statistics on Kosovo's international investment position, direct investment, external debt, etc. The data collected by the reporters is subject to a confidentiality regime and is used only for statistical purposes. They are published only in aggregate form.

During 2020, the Covid-19 pandemic has created difficulties in the generation of many key statistics, as survey-related operations have been hampered and in some cases disrupted, as is the case with the survey of Kosovar migrants arriving in Kosovo during the summer season.

Despite the difficulties, the CBK has continued to publish regular statistics on the monetary sector and the external sector, which are the main responsibility of the CBK. This year, the CBK has published some new information regarding the statistics sector of financial accounts. The main methodology used is that of the International Monetary Fund, the European Central Bank, the World Bank, and Eurostat. In order to increase the transparency and reliability of the statistics produced by the CBK, during 2020, the Methodology on Monetary and Financial Statistics was updated and republished on the CBK website. The methodology on the External Sector was updated last year. Complete information on the generation of Kosovo statistics and dissemination practices are also presented on the IMF website “Dissemination Standards Bulletin Board”.

The CBK publishes its statistics on its website (www.bqk-kos.org) and, in some cases, in the form of printed publications (CBK Annual Report). By the end of 2020, a number of new tables within the Time Series (https://bqk-kos.org/statistikat/serite-kohore) have been published on the CBK website. In general, the CBK has met the fulfilment of internal and external requirements with the necessary statistics for monitoring financial stability, as well as the fulfilment of statistical requirements for the needs of supervision of financial institutions, economic analysis. The CBK has also met numerous requests with data for external parties, including government institutions, media, international organizations, the general public, etc.

During 2020, the CBK has continued to further align statistics under its responsibility with EU standards set by the European System of National and Regional Accounts (ESA 2010). Thus, it

has reported interest rate statistics to the European Central Bank (ECB) on a regular monthly basis. It sent to Eurostat, on a quarterly basis, the Balance of Payments statistics of the International Investment Position, while on an annual basis it reported the statistics on Direct Investment and Statistics on International Trade in Services.

Significant progress has been made this year in building the framework for compiling Financial Accounts Statistics (FAS); as well as the Balance Sheet according to the sectorial approach. At the end of 2019, stock data were published, on an annual basis, for FAS including data for previous years from 2006 onwards. This year the periodicity has improved from annual to quarterly; data on transactions were also published (last year they were only stock data); as well as continued with regular quarterly publication. All the above tables are published on a "whom-to-whom" basis, which means that the requirements of Eurostat and the IMF for the publication of the Balance Sheet according to the Sectorial Approach have been met.

During 2020, two contracts were signed with GOPA/Eurostat for the advancement of statistics related to the compilation of the Macroeconomic Imbalance Procedure (MIP) and the further improvement of the quality of the International Trade Statistics in Services.

During 2020, the periodicity for compiling statistics for Pension Funds and financial sector statements has improved, from quarterly to monthly. The tables for direct investments have been prepared for publication according to NACE Rev. 2. The CBK has also improved the time limit for publishing statistics on remittances, from 90 days to 25 days after the end of the reference month.

In terms of information collection, the new version of the Guidelines for Reporting of the International Transaction Reporting System (SRTN) has been implemented. Following the efforts for rapid information during the pandemic, the CBK has started using new sources of information. Thus the data from the SWIFT system database are used to make 'BLIC' estimates for the needs of trend analysis as a result of developments during the pandemic.

In the field of data processing, there has been an increase in the automation of work processes for the compilation and validation of statistics. Improving statistical validation processes, with a focus on tables published on the CBK website and those submitted to international organizations (e.g., Eurostat).

Despite the progress, the Covid-19 pandemic has affected some projects planned for this year to be postponed next year. This includes the implementation of a new online platform to collect statistical reports on direct investment by reporting companies, increasing the number of surveys for the compilation of certain components of the balance of payments; improving the periodicity of balance of payments statistics submitted to Eurostat from quarterly to monthly; as well as compiling financial account statistics for households, the government sector and non-financial corporations; advancement of the 'Statistics' menu on the CBK website.

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

CBK during the exercise of its oversight powers, acting in accordance with Article 67, paragraph 4 of the Law no. 03/L-209 on Central Bank of the Republic of Kosovo, before imposing administrative penalties, provides a detailed statement to the person against whom the penalty is to be imposed describing the facts and the law supporting the existence of a violation, and shall give such person a full opportunity to provide facts and arguments as to why the penalty should not be imposed. In the document/statement sent by the CBK (Notification for the purpose of imposing Administrative Penalties), the legal advice is provided, whereby the institution is informed with the right to submit a request, within 15 calendar days from the day of receipt of this statement, for review by the Review Division.

Institutions overseen by the CBK after having received such a statement, and having the opportunity to re-examine the punitive measure, if they decide to complain, address the request to the Review Division.

During 2020, 4 requests were received for review from financial institutions supervised by the CBK. All requests were reviewed with professional care and in accordance with the legal framework, addressed in the form of recommendations and forwarded to the Executive Board of the CBK for decision making.

This division has continuously followed the developments of the regulation in order to identify the needs for amendment of any provision that would be related to the issues of review of requests coming from the above institutions.

## 7. Internal Developments

### 7.1. Internal audit

Internal Audit (IA) is an important function, which assures the CBK Board and Senior Management that internal control mechanisms are designed and operate effectively. Internal audit together with external audit completes the chain of accountability within each institution.

The CBK legal framework provides a full mandate for the IA to independently conduct audit engagements in order to provide recommendations to the Board/Management in order to increase the efficiency of internal controls and add value to institution.

Although for most of 2020, Internal Audit has operated with reduced staff, engagements/audits have continued in accordance with the Annual Plan 2020, approved by the Board of the CBK. This plan was prepared in advance based on the Risk Assessment Methodology, according to the Risk Based Approach (model adapted from the practice of the European Central Bank - ECB).

The audits conducted during 2020 were of: financial, compliance, operational and information technology nature. The scope of IA has continued to be oriented towards the improvement and advancement of systems/processes which assist Management in achieving the set objectives. Internal Audit through making recommendations continues to be an added value for the Management and the Board of the CBK.

IA, in accordance with legal requirements has also prepared the Annual Plan 2021, whose Plan was preceded by the preparation of the Audit Universe for the three-year period 2021-2023. This document, according to legal procedures, is first discussed by the Audit Committee, and then discussed and approved by the CBK Board. After 15 June 2020, as a result of the expiration of the mandate of two (2) non-executive members of the CBK Board (who were also members of the Audit Committee), these two bodies have remained non-functional.

However, the Head of Internal Audit, at the end of December 2020, submitted the Annual Plan 2021 to the Chairman of the Board of the CBK, the Governor and the external member of the Audit Committee. This plan is expected to be approved once the CBK Board and the Audit Committee become operational.

In accordance with the CBK Law and the Internal Audit Statute, the Chief of IA, by 15 June 2020, has reported to the Audit Committee and the CBK Board regarding the findings (audit results), recommendations, as well as actions taken to address the recommendations given.

While, during the period July-December 2020, the Head of Internal Audit has continued regular reporting to the Chairman of the Board of the CBK, the Governor and the external member of the Audit Committee. Also, during this period, several informative meetings were held between the Chairman of the Board of the CBK, the Governor, the external member of the AC and the Chief of IA. In these meetings was discussed the progress of Internal Audit activities, with special emphasis on the process of monitoring the implementation of recommendations.

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

In order to address these recommendations, the Internal Audit Manual has been approved by the Internal Audit Committee and the CBK Board. While the standard audit forms have been updated, the form of the audit report has changed, action plans for addressing recommendations provide deadlines for addressing recommendations, and so on. All these activities are undertaken in order

to advance and increase the quality of audit work, always based on International Standards for the Professional Practice of Internal Auditing.

Despite the fact that 2020 has been quite challenging, as a result of the Covid-19 Pandemic, IA has continued its activities around continuing professional education of staff, through participation in several virtual trainings and seminars.

The Internal Audit Department is involved in the program for strengthening the capacity of Central Banks in the Western Balkans in order to integrate into the European System of Central Banks, organized by Deutsche Bundesbank, which depending on the pandemic situation, is expected to continue implementation during 2021.

Also, in order to fulfil its duties, the IA during 2020 has maintained constant contacts with the External Auditors of the CBK.

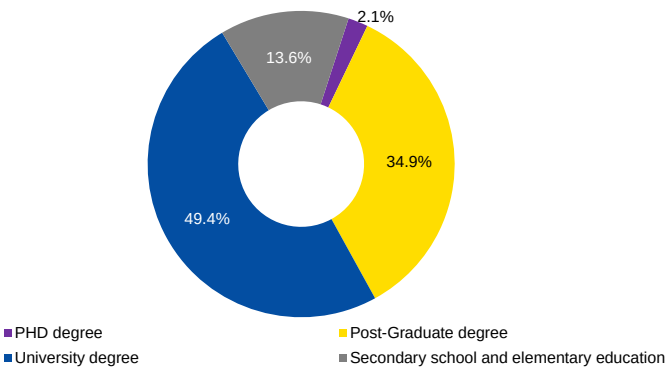
### 7.2. Human resource

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

Effective human resource management pays particular importance to adapting the institution's regulatory infrastructure to the best standards, and also provides opportunities for development and promotion for all employees, aiming at increasing the professionalism, performance and motivation of employees.

At the end of 2020, the number of employees in the Central Bank of the Republic of Kosovo was 226. The average age of employees was 41 years. Gender representation at the level of specialists and managers is balanced. The ratio of women to men is 53.5 to 46.5 per cent, while this ratio at the management level is 41.4 to 58.6 per cent.

Chart 100. Structure by education




Source: CBK (2021)

In the general structure of the Central Bank of the Republic of Kosovo 5 employees or 2.2 per cent are with PhD, 84 employees or 37.2 per cent with postgraduate education, 111 employees or 49.1 per cent with university education, 23 employees or 10.2 per cent with secondary education and 3 employees or 1.3 per cent with basic education (chart 100).

The Central Bank of the Republic of Kosovo acknowledges the staff as one of the most important resources and continuously engages in their support to provide them with adequate knowledge, skills, expertise and adequate professional development to fulfil their duties and responsibilities according to the highest standards, and to achieve their full potential, creating conditions for postgraduate studies and participation in conferences, trainings, courses, seminars, etc.

Of the overall number of employees, 65 employees or 28.8 of them participated in vocational training that were mainly organized by the European Central Bank, the International Monetary Fund-IMF, the Joint Vienna Institute - JVI, Deutche Bundesbank, the Netherlands Bank, the Bank of Poland, the Bank of France, the Bank of Italy, the Bank of Czech Republic, the Istanbul

School of Central Banking, the Kosovo Banking Association and the "Center of Excellence in Finance – CEF".

### 7.3. CBK Legal Activities

During 2020, the Central Bank in accordance with its objectives and duties, has continued to orient legal activities towards improving and updating the regulatory framework of the financial sector in accordance with the relevant European Union legislation and international standards.

Taking into account the new circumstances created due to the Covid-19 virus pandemic, especially during this year, the legal activity of the CBK has been oriented towards taking adequate mitigation actions in order to overcome the challenges faced with, all this in order to ensure a stable financial sector, as one of the main objectives of the CBK.

In this regard, in terms of sub-legal acts, the Guideline on Loan Restructuring due to Covid-19, the temporary suspension of certain provisions of financial regulations, as well as a number of other measures, all in order to preserve the financial stability. In addition to the necessary regulatory actions mentioned above, the decision-making bodies of the CBK during this year have continued with the approval of sub-legal acts, which before their approval have been subject to review from a legal point of view, in order to ensure compliance with the legal framework in force.

Regarding the primary legislation of the CBK, the competent bodies are in the process of approving the following: the draft law on microfinance institutions and nonbanking financial institutions, the draft law on banks, as well as the draft law on compulsory motor third party liability insurance. The purpose of supplementing / amending these laws is to harmonize with the European Union legislation, as well as the best international practices and standards, in order to achieve the objectives of the CBK to maintain and preserve financial stability and protect the interests of policyholders and depositories.

During this year, CBK has also been committed to reaching agreements on cooperation with domestic and international institutions, in order to effectively perform duties related to issues in the field of mutual competence of relevant institutions. In this regard, agreements as below were signed:

- Cooperation agreement between the Ministry of Finance, the Ministry of Internal Affairs, the Central Bank of the Republic of Kosovo and the Kosovo Insurance Bureau to cover the obligations of the border insurance premium by the Government of the Republic of Kosovo for all compatriots and foreigners who are subject to border insurance premiums and come to Kosovo for 2020;
- Memorandum of Understanding between the Central Bank of the Republic of Kosovo and the Pension Savings Trust Fund of Kosovo for the exchange of bank account data of pension fund contributors in electronic form in order to implement economic recovery measures taken by the government in response to the pandemic caused by Covid-19;
- Memorandum of cooperation between the Ministry of Education and Science and the Central Bank of the Republic of Kosovo in order to increase economic and financial knowledge of students, youth, the general public and to advance cooperation in the field of financial education;
- Memorandum of Understanding between the Financial Supervisory Authority of the Republic of Albania and the Central Bank of the Republic of Kosovo for mutual cooperation in the framework of regulation and supervision of financial markets;

- Macro-financial assistance loan agreement signed by the Central Bank of the Republic of Kosovo and the Ministry of Finance with the European Union.

In general, the legal activity during this year has been oriented towards the further development of the legal infrastructure that has enabled the continuation of safe and effective functioning of the financial sector in Kosovo. In order to ensure financial stability as a primary objective of the CBK and its safe and effective operation, the CBK remains committed to reviewing and advancing the legislative framework in line with the latest developments in the financial sector.

### 7.4. Risk Management Function

Risk Management in the Central Bank of the Republic of Kosovo is oriented towards achievement of CBK objectives as stipulated by the Law.

Risk management processes are designed to serve the achievement of the Central Bank's strategic objectives by providing timely structured and comprehensive information about risk exposure, which facilitates decision-making.

In the CBK, risk management processes focus on risk identification and assessment and are followed by risk response and monitoring of its level according to the regulatory framework in force. These processes are part of the risk management framework.

On a periodic basis, it was reported to the Executive Board of the CBK about the activities carried out which have been in the service of operational risk management, the advancement of operational risk management processes and the expansion of the scope beyond this type of risk.

Work has been done on the development and updating of the regulatory framework, on the maintenance and further development of the risk management framework and on the integration of risk management in all CBK functions. In order to meet the requirements of the institution, as part of the risk management framework, various risk management instruments and models have been further developed and adapted.

Guidelines have been developed to facilitate risk identification and assessment processes for risk owners and articles have been drafted on awareness of the importance of risk management and in order to raise the risk culture. All this based on acceptable standards and best practices for risk management.

For each reporting period, the databases have been supplemented and updated: that of the work processes at the CBK level, supported by the necessary details and the risk register as a very critical database for the institution of a dynamic nature. To support the risk register, a control book has been developed which contains all the control categories according to their function and the way they are designed. These controls, established in response to the identified risks on work processes, are assessed on the scale of effectiveness to provide assurance that strategic objectives are being achieved.

To facilitate the risk identification process and to conduct structured risk assessment, taxonomies have been developed as a coherent and uniform set of definitions to better cover operational risk categories and subcategories. Taxonomies help to accurately describe the risk and prioritize risk management actions.

The assessment of the overall level of risk is based on many components which were then subject to the process of quantitative and qualitative analysis in order to, as accurately as possible, ascertain the level of risk and recommend actions for its management.

The key risk indicators catalogue has been developed, as an instrument that enables the judgment about the tolerance for operational risk by providing a signal to the management in case of increase of certain risks that may affect the achievement of the strategic objectives of the institution.

With the announcement of the pandemic and the activation of the Business Continuity Plan, additional operational risk management instruments have been created for work in emergency conditions. Among the main instruments were the design of a special set of key risk indicators through which the level of risk for critical work processes in the CBK identified in the Continuity Plan was monitored. The reporting of the set of indicators was done in frequent time periods in order to monitor the trends for these indicators throughout that period.

To address the level of risk, action plans have been developed and forwarded through which the measures taken for risk management and mitigation are monitored.

Regarding the treatment of other types of risks, in addition to operational risk, concrete actions have been taken leading to the development of processes and methodologies for strategic and financial risk management. For this purpose, cooperation activities have been launched with other central banks and based on the results of this cooperation, requirements and strategic objectives of the CBK will be established management frameworks for all types of risk to which the CBK is exposed.

# 8. External relations and international cooperation

## 8.1. International Relations

The Central Bank of the Republic of Kosovo has intensively continued to advance international cooperation within its functions and responsibilities, despite the situation created by the pandemic, both in our country and around the world.

During 2020, the CBK continued its cooperation with international financial institutions, such as: International Monetary Fund (IMF), World Bank (WB), European Central Bank (ECB), European Banking Authority (EBA), Crans Montana Economic Forum in Switzerland, United States Agency for International Development (USAID), European Commission (EC), Deutsche Bundesbank, German Federal Supervisory Authorities, Austrian Supervisory Authority, Bank of Turkey, International Finance Corporation (IFC), part of the World Bank, Eurostat and other institutions.

The leaders of the CBK headed by the Governor, held meetings with the IMF mission, who were briefed on the current situation in the financial system of Kosovo, in general and the banking system in particular, which continues to be stable and growing.

Also, a meeting was held with Checchi and Company Consulting, a USAID contractor, with whom they discussed the opportunities offered by arbitration in resolving legal disputes, which would help in the further development of the financial sector.

Meanwhile, the World Economic Memorandum was discussed with the World Bank team, as well as future perspectives and challenges related to the country's economic development.

Thanks to the close cooperation between the CBK and the IMF, Kosovo was ensured a financial support with an amount of 52 million euros, which was confirmed during a virtual meeting between the Governor and the Minister of Finance and Transfers, with the Director of the Department for Europe of the IMF.

In this virtual meeting, the IMF assured that it will support Kosovo to respond to the challenges that the country's economy will face.

Also, the Deputy Governor for Financial Supervision of the Central Bank of the Republic of Kosovo, and the Minister of Finance, signed an agreement with the Commissioner for Economy of the European Union.

Through this agreement, Kosovo has received a 100 million euro loan for macro-financial assistance and aims to assist Kosovo in the Economic Recovery Plan and in the implementation of emergency measures.

The signed agreement comes after the opening of the possibility of benefiting from this scheme of the European Union for the countries of the Western Balkans.

The work of the CBK and the good cooperation with the United States of America is also reflected in the report on the investment climate for 2020 for Kosovo by the US Department of State, which gave a high assessment of the country's financial system.

The European Union has also recognized the commitment and reforms undertaken by the CBK and published in the Country Report by the European Commission for 2019.

Meanwhile, the International Monetary Fund has assessed the actions of the Central Bank of the Republic of Kosovo regarding the deferment of loan repayment.

In the concluding statement of the Assessment Mission for Article IV, the IMF notes that the CBK's decisions to defer loan repayments and then the decision to reschedule loans for up to 1 year have mitigated the impact on borrowers and banks.

Also, the Governor of the Central Bank of the Republic of Kosovo, has signed a Memorandum of Understanding for the regulation, licensing and supervision of markets with the Executive Director of the Financial Supervisory Authority of the Republic of Albania.

Through this Memorandum the CBK and AFSA establish a system of mutual cooperation and exchange of information between the parties, based on the importance of developing the financial markets of both countries, which will extend to the insurance / reinsurance markets, capital markets, other non-bank financial activities.

The Governor of the Central Bank of the Republic of Kosovo, held a virtual meeting with the President of the International Court of Arbitration (ICC) and the Director of the Arbitration Commission for Europe. In the virtual meeting held, the Governor requested support from the institution of the International Court of Arbitration regarding the Green Card issue, the possibility of removing obstacles to international transport, the internationalization of Kosovo enterprises and supporting the Kosovo economy through KCC in ICC.

A good cooperation of the CBK has been with international institutions and embassies operating in Kosovo.

### 8.2. Communication and Financial Education

During 2020, the Central Bank of the Republic of Kosovo further improved its transparency and public awareness of its work and increased its activities in the field of communication, information and financial education.

Public information through all communication channels has influenced the CBK to be, in continuation, one of the most transparent Institutions, in disseminating information about the achievements and results of activities within its functions and responsibilities.

In the framework of the Financial Education Program, the CBK has continued to carry out activities, prepare educational materials and projects which have been targeted at all age groups of the general public, in order to influence the increase of economic and financial knowledge to the general public.

In order to supply primary school pupils with basic economic and financial concepts, the Central Bank of the Republic of Kosovo, and the Ministry of Education and Science, signed a Memorandum of Understanding to institutionalize the inclusion of a collection of 5 financial education textbooks in the school curriculum. The preparation of these Books has been supported by the Department of European Development Fund for South East Europe (EFSE). The textbooks have been prepared by relevant experts in the field, in accordance with the core curriculum for primary education in Kosovo. In order to include all children, the textbooks were prepared in Albanian, Serbian, Turkish and Roma languages. A version of the audio texts was also published.

In the framework of the already traditional activities of financial education, the Central Bank of the Republic of Kosovo marks the World Savings Day through virtual activities that are mainly dedicated to primary school students. Through a competition we invited students of grades VI-IX of primary schools in Kosovo, to participate in the competition to select the best Essay on savings and finances. The motto of marking this day was "With small savings for big purposes".

During this year the CBK has increased the number of educational materials published on the financial education platform in all three languages. Some of these materials are: Collection of (5 books) financial education books for grades 1-5 of primary school, supported by the European Development Fund for South East Europe (EFSE); Books in audio and animation format (5 videos) - supported by EFSE; Video animation "Using Bank Cards"; Information leaflet "Save money until dreams come true" supported by EFSE; Information leaflet "What we need to know before getting

a loan", supported by EFSE; Information leaflet "Do you lead with your money or money leads you", supported by EFSE; Information booklet "International money transfers - basic concepts", supported by the World Bank; Information brochure "Financial services and products", supported by the World Bank; Brochure "Youth Finance"; Children's audio book "Learning the squirrels"; The book with the winning works of the competition "Savings for a better future".

The CBK also continues with the awarding of the traditional “Young Economist” prize, which is awarded in order to promote research among young economists in Kosovo. This year the topic which had to be elaborated by the competitive works, was "Kosovo Economy during the Pandemic, the impact of COVID-19 on the local and international economy".

Despite the austerity measures taken to prevent the spread of the virus, the CBK during 2020 has been focused on informing the public in real time, organizing press conferences, participating in shows and conducting interviews. Also, the cooperation with the Bank for International Settlements continued, in which the speeches of the Governor were published. Also all speeches were subtitled and published on the official CBK channel on YouTube. Also, in order to be as close as possible to the information, the CBK has continued with the publication of the book "Bulletin of CBK Activities", which contains information on all activities carried out within a year. This book, which marks the third year of publication, is published every six months.

In the context of information, the CBK has informed the citizens through: publication of numerous materials, through its official platforms, official website, Facebook, YouTube and education platform. Communication with the public continued through answers to journalists' questions; answers to citizens' questions; participation in TV shows and debates, radio representations; organizing press conferences, etc.

The CBK publishes all developments regarding its activities, legislation and measures taken within its mandate on its website www.bqk-kos.org. The website also contains publications, reports and constantly updated data on financial sector developments.

### 8.3. Technical assistance

The CBK has continued to cooperate with International Financial Institutions as well as with Central Banks and Regulatory Agencies, both regionally and internationally. Mainly during 2020, cooperation in new circumstances as a result of the Pandemic, have been carried out with the international institutions such as: IMF, WB, ECB, US Treasury, EBRD, EFSE, SECO, etc.

**International Monetary Fund (IMF)**

As part of the ongoing support from the IMF, during 2020, the CBK has received technical assistance for the following projects:

- Evaluation of safeguard assessment, which has included the areas and functions of the CBK, such as: external audit, internal audit, legal framework, financial reporting and internal controls.
- Review of the CBK investment policy, including: investment in times of crisis, allocation and diversification of investments, assessment of the CBK portfolio performance over the past years, assessment of the technical and operational capacities, assessment of the management risk etc.
- Training for the implementation of the requirements of IFRS 9, which has included the following areas: credit risk governance and control frameworks, assessment of credit risk models, assessment of adequacy of expected credit losses, etc.

**World Bank (WB)**

In the framework of cooperation and support from the World Bank, during 2019, support continued in projects, such as: a joint program funded under the program funded by SECO for remittances and payments – RPP.

This program continued with a view to:

- Studying on cost estimation for small value payments for payment service providers (CBK, banks, NBFIs for payments) and users of payment services (Government institutions, businesses, consumers);
- Preparation of the draft national strategy for small value payments;
- Strengthening the payment systems oversight framework.
- The Greenback project, for which the CBK is supported by the World Bank and the Swiss State Secretariat for Economic Affairs (SECO), is a project which aims to increase the efficiency of the use of remittances through an innovative approach, and to influence the establishment of information on migrants through financial education activities.

**EU-funded programs**

During 2019 the CBK, through donor assistance programs, the Grand Duchy of Luxembourg and the Kingdom of Norway, became a beneficiary of projects supporting the Government of the Republic of Kosovo to meet the requirements of the Stabilization and Association Agreement (SAA) between the European Union (EU) and Kosovo. To this end, the Human Capacity Development Mechanism (HCDF) has been established to support the implementation of the SAA. On that occasion, the CBK also signed a letter of intent, which serves as a legal basis for the implementation of capacity development activities that will benefit the Central Bank of the Republic of Kosovo (CBK) and other designated agencies, in accordance with the relevant implementation plans. The project is funded by the Government of Luxembourg in the amount of EUR 1.685 million and Norway in the amount of EUR 1.466 million, both of which cover different chapters of ACQUIS, while the CBK is part of the funding from the Government of Norway. A significant number of trainings that were planned to be held during 2020, have been extended to 2021 (due to the pandemic), and it is expected that in 2021 all trainings will be completed according to the support program plan.

From 2019, the CBK is a party to the agreement with the European System of Central Banks "Program for Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European System of Central Banks"(Central Bank Capacity Building Program in the Western Balkans aimed at integration into the European System of Central Banks)", which includes specialized staff training, high-level professional workshops, staff internship programs, and bilateral measures cooperation with central banks of EU countries. Such a program had continued in the first months of 2020, but due to the circumstances created by Covid-19, staff trainings, workshops and internships were suspended in March 2020, while bilateral cooperation measures were processed online. This cooperation program, with the eventual necessary changes in the circumstances created by Covid-19, is expected to be completed by the end of 2021.

The CBK has also been involved in two IPA projects this year, among many other institutions, such as the Financial Intelligence Unit, the Kosovo Police, the Ministry of Finance, Kosovo Customs, the Kosovo Tax Administration, etc. These projects are:

- "Project against Economic Crime (PECK II)", funded by the Council of Europe and the Office of the European Union, and
- Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European System of Central Banks (Bilateral measure between the Central Bank of the Republic of Kosovo and the Bulgarian National Bank).

**EFSE & Finance & Motion**

- Book Set Preparation Project - for which the CBK was supported by the Finance in Motion Office (EFSE) in Kosovo. Through this project, a set of 5 books has been prepared for primary school students in Kosovo, in the Albanian language, for the first to the fifth grade. The project will continue in 2021 where the printing and distribution of books throughout Kosovo will be finalized, also in the languages of other communities in Kosovo.
- The project to build a platform for comparing interest rates - for which the CBK was supported by the Office of Finance in Motion (EFSE) in Kosovo, is a project that aims to contribute to the transparency of the financial sector market in Kosovo about effective interest rates and pricing of financial products and services so that financial sector clients can make informed and responsible decisions for the use of financial products and services.

### 8.4. European Integration

With a view to realizing the country's perspective for membership in the European Union (EU), the Central Bank of the Republic of Kosovo has continued this year to fulfil its obligations within the European integration process. Monitoring of key legislative developments and supervisory practices, respectively alignment of CBK's legislation with the Acquis, as well as recent macroeconomic developments have been reported continuously through reporting documents as well as meetings with local and international stakeholders involved in the European Integration process of Kosovo.

The Central Bank of the Republic of Kosovo throughout the year 2020 has cooperated with the relevant institutions providing continuous support to advance the European integration process in the Republic of Kosovo. An important role in this area has the cooperation with the Office of the Prime Minister of Kosovo (OPM), which is the main coordinator of the European integration process in the Republic of Kosovo. The CBK has also cooperated with other ministries and institutions operating in Kosovo, such as: the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Trade and Industry, and the EU Office in Prishtina. Throughout 2020, the CBK has continued regular reporting in order to reach conclusions within the Stabilization and Association structures. The CBK reported on the meeting of the Stabilization and Association Council, reporting the inputs requested by the Government of the Republic of Kosovo. These inputs are part of the official position (Position Paper), which presents progress and achievements in certain areas (including the financial sector).

During 2020, the CBK also reported within the Subcommittee on Internal Market and Consumer Protection, as well as the Subcommittee on Economy, Financial Affairs and Statistics.

In addition to joint structures with the European Commission, the CBK has reported on a regular basis under the National Plan for the Implementation of the Stabilization and Association Agreement (NPISAA). In this context, the CBK has reported on the constituent chapters of the NPISAA, which aim to implement the reforms required by the Stabilization and Association Agreement (SAA): the free movement of capital chapter and the financial services chapter. Under the SAA, there are obligations for the Central Bank of Kosovo (CBK) in the field of financial services, such as:

- right to decide and the freedom to provide banking services;
- freedom to provide insurance and other services in the financial field, and
- alignment and implementation of the legal and regulatory framework with the legislation of the European Union, the Statute of the European Central Bank and the European System of Central Banks.

Other requirements of the SAA in addition to those mentioned above, in the free movement of capital include:

- Rules for cross-border payments and execution of transfer orders related to securities. Liabilities arising in connection with any payment or transfer to the balance of payments/capital current account between the EU and Kosovo; and
- Free movement of capital related to trade transactions between Kosovo and the EU;

The chapter on financial services more specifically covers issues such as:

- In the field of banks and financial conglomerates: (authorizations, functioning and careful supervision of credit institutions, requirements for calculating the capital of credit institutions and investment firms, international standards Basel III;
- In the field of employment insurance and pensions: European directives laying down rules on the approval, operation and supervision of life and non-life insurance and business reinsurance;
- In the field of securities market and investment services: Directive 2004/39/EC on markets in financial instruments (MiFID).

In the field of European Integration, in meetings with the European Commission, the CBK regularly reported on key developments in the above mentioned areas. Other chapters in which the CBK has consistently contributed are as follows:

- Chapter of the right of establishment of companies and freedom of service provision,
- Chapter of economic and monetary policy, Chapter of statistics, Chapter of freedom, security and justice (Article 89 Money Laundering and Financing of Terrorism), as well as the Financial Control Chapter.

The CBK has prepared the Input for the European Commission (EC) Report, and the inputs required by the EC have been provided in accordance with the deadlines. Inputs are a uniform reporting format for all candidate and potential candidate countries, covering specific developments during the year. The major legal developments are reported through a questionnaire drafted by the European Commission on all areas of political and Acquis criteria.

The CBK is a beneficiary institution under the donor assistance program of the Grand Duchy of Luxembourg and the Kingdom of Norway, which supports the efforts of the Government of the Republic of Kosovo and its institutions to meet the requirements of the Stabilization and Association Agreement (SAA) between the European Union (EU) and Kosovo. To this end, a Human Capacity Building Mechanism (HCDF) has been established to support the implementation of the SAA. At the end of 2020, the NPISAA consolidated draft was prepared, in which CBK has made a summary of the primary legislation and secondary acts that are expected to be approved during 2021.

Legislative proposals derive from the requirements of meetings with members of the European Commission. Based on this, the NPISAA draft contains primary and secondary legislation transposing directives or containing specific suggestions by the European Commission. The CBK

remains committed to addressing the findings of the Country Report (formerly- the progress report), resulting in a significant number of findings from the 2020 EC Report, which have been addressed to be implemented during 2021. EC Country Reports have positively considered the contribution of the Central Bank of the Republic of Kosovo in terms of consolidating macroeconomic stability, maintaining financial stability, improving supervisory practices and improving the payment system in the Republic of Kosovo. CBK remains further committed to implementing priority structural reforms that will further contribute to achieving the standards required by the European Union.

The CBK continues to play an important role contributing to the implementation of the European Integration Agenda of the Republic of Kosovo.

# 9. Financial Statements

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

# Central Bank of the Republic of Kosovo

## Financial Statements

## as at and for the year ended 31 December 2020

## with Independent Auditor's Report

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# Independent Auditor's Report

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

## Opinion

We have audited the accompanying financial statements of the Central Bank of Republic of Kosovo (the "CBK"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CBK as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CBK in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kosovo, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the CBK's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the CBK or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CBK's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CBK's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CBK's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CBK to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Central Bank of Republic of Kosovo regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLC
Prishtina

GRANT THORNTON L.L.C. KOSOVO

Suzana Stavrikj
Statutory auditor

6 May 2021

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# Central Bank of the Republic of Kosovo

**Statement of financial position**
**At 31 December 2020**

| *In thousands of EUR* | Note | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash on hand | 7 | 308,090 | 302,166 |
| Current accounts with non-resident banks | 8 | 313,343 | 108,863 |
| Securities (Treasury Bills and Bonds) | 9 | 587,794 | 576,616 |
| Deposit accounts with non-resident banks | 10 | 58,324 | 248,864 |
| Assets related with IMF | 11 | 268,199 | 298,345 |
| Property and equipment | 12 | 4,888 | 4,967 |
| Intangible assets | 13 | 1,700 | 1,945 |
| Other assets | 14 | 1,883 | 1,700 |
| **Total assets** | | **1,544,221** | **1,543,466** |
| **Liabilities** | | | |
| Due to domestic banks | 15 | 566,426 | 414,942 |
| Due to IMF related accounts | 16 | 269,138 | 297,236 |
| Due to governmental institutions | 17 | 508,446 | 719,819 |
| Due to public and commercial entities | 18 | 138,661 | 52,167 |
| Borrowings | 19 | 2,154 | 2,266 |
| Other liabilities | 20 | 2,539 | 1,778 |
| **Total liabilities** | | **1,487,364** | **1,488,208** |
| **Capital and reserves** | | | |
| Authorized capital | 21 | 30,000 | 30,000 |
| Reserve fund | 21a | 23,903 | 22,622 |
| Revaluation reserve | 21a, 29 | 792 | 527 |
| Retained earnings | | 2,162 | 2,109 |
| **Total capital and reserves** | | **56,857** | **55,258** |
| **Total liabilities, capital and reserves** | | **1,544,221** | **1,543,466** |

These financial statements were prepared and issued by the Executive Board of the Central Bank of the Republic of Kosovo on May 5, 2021 and were signed on its behalf by[1]:

Fehmi Mehmeti
*Governor*

Faton Ahmetaj
*Director of Financial Planning and Reporting Directorate*

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

[1] Referring to the CBK Law no. 03 /L209, the approval of the Financial Statements according to article 59, paragraph 2.1 of the CBK Law is in process and will be realized after the completion of the quorum for decision-making of the CBK Board.

# Central Bank of the Republic of Kosovo

**Statement of comprehensive income**
**At 31 December 2020**

| *In thousands of EUR* | **Note** | **2020** | **2019** |
|---|---|---|---|
| **Interest income** | | | |
| Interest income | | 3,829 | 3,529 |
| Interest expense | | (965) | (1,599) |
| **Net interest income** | 22 | **2,864** | **1,930** |
| | | | |
| **Fee and commission income** | | | |
| Fee and commission income | | 2,719 | 2,798 |
| Fee and commission expense | | (387) | (576) |
| **Net fee and commission income** | 23 | **2,332** | **2,222** |
| | | | |
| **Regulatory and other operating activities income** | | | |
| Regulatory activity income | 24 | 5,382 | 4,956 |
| Grant income | 20, 25 | 119 | 120 |
| Other operating income | 26 | 11 | 8 |
| Foreign exchange net profit / loss | 29 | (663) | 248 |
| **Operating revenue** | | **10,045** | **9,484** |
| **Operating expenses** | | | |
| Personnel expenses | 27 | (4,833) | (4,989) |
| Depreciation and amortization | 12,13 | (1,040) | (1,041) |
| General and administrative expenses | 28 | (1,346) | (1,451) |
| **Operating expenses** | | **(7,219)** | **(7,481)** |
| | | | |
| **Financial result before provision for expected credit losses** | | **2,826** | **2,003** |
| Provisions for expected credit losses, net decrease / (increase) | 4 | (664) | 106 |
| **Net profit for the year** | | **2,162** | **2,109** |
| | | | |
| Other comprehensive income | | **-** | **-** |
| | | | |
| **Total comprehensive income for the year** | | **2,162** | **2,109** |

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

# Central Bank of the Republic of Kosovo

**Statement of changes in equity**
**For the year ended 31 December 2020**

| | Capital | Reserve fund | Revaluation fund | Retained Earnings | Total |
|---|---|---|---|---|---|
| *In thousands of EUR* | | | | | |
| **Balance at 1 January 2019** | **30,000** | **21,215** | **-** | **1,934** | **53,149** |
| Transfer to reserve fund | - | 1,407 | 527 | -1,934 | - |
| **Total transactions required by law** | **-** | **1,407** | **527** | **-** | **-** |
| Profit for the year | - | - | - | 2,109 | 2,109 |
| Adjustments | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | 2,109 | 2,109 |
| **Balance at 31 December 2019** | **30,000** | **22,622** | **527** | **2,109** | **55,258** |
| **Balance at 1 January 2020 (as stated)** | **30,000** | **22,622** | **527** | **2,109** | **55,258** |
| Adjustment for long-term employee benefits and for foreign exchange translation (EUR / SDR) for World Bank borrowing | - | (580) | 17 | - | (563) |
| **Balance at 1 January 2020 (restated)** | **30,000** | **22,042** | **544** | **2,109** | **54,695** |
| Transfer to reserve fund | - | 1,861 | 248 | (2,109) | - |
| **Total transactions required by law** | **-** | **1,861** | **248** | **-2,109** | **-** |
| Profit for the year | - | - | - | 2,162 | 2,162 |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **2,162** | **2,162** |
| **Balance at 31 December 2020** | **30,000** | **23,903** | **792** | **2,162** | **56,857** |

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

# Central Bank of the Republic of Kosovo

**Statement of cash flows**
**For the year ended 31 December 2020**

| *In thousands of EUR* | **Note** | **2020** | **2019** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 2,162 | 2,109 |
| *Adjustments for:* | | | |
| Depreciation | 12 | 628 | 645 |
| Amortization | 13 | 412 | 396 |
| Grant revenue | 25 | (119) | (120) |
| Provisions for expected credit losses | | 664 | (106) |
| Interest income | 22 | (3,829) | (3,529) |
| Interest expense | 22 | 965 | 1,599 |
| | | **883** | **994** |
| Change in securities | | (11,435) | 180,657 |
| Change in deposit accounts with non-resident banks | | 190,000 | (65,000) |
| Change in assets with IMF | | 29,854 | 27,520 |
| Change in other assets | | (184) | (289) |
| Change in due to domestic banks | | 151,484 | 71,548 |
| Change in due to IMF related accounts | | (27,800) | (24,434) |
| Change in due to governmental institutions | | (211,373) | (43,082) |
| Change in due to public and commercial entities | | 86,495 | (58,696) |
| Change from borrowing | | (95) | - |
| Change in other liabilities | | 279 | 80 |
| | | **208,108** | **89,298** |
| Interest received | | 3,932 | 4,814 |
| Interest paid | | (1,263) | (1,783) |
| **Net cash generated from/(used in) operating activities** | | **210,777** | **92,329** |
| **Cash flows from investing activities** | | | |
| Purchase of equipment | 12 | (549) | (596) |
| Purchase of intangible assets | 13 | (167) | (551) |
| **Net cash used in investing activities** | | **(716)** | **(1,147)** |
| **Cash flows from financing activities** | | | |
| Proceeds from grants | | 20 | 21 |
| **Net cash generated from financing activities** | | **20** | **21** |
| **Net increase / (decrease) in cash and cash equivalents** | | **210,081** | **91,202** |
| Cash and cash equivalents at 1 January | | **420,109** | **328,907** |
| **Cash and cash equivalents at 31 December** | 30 | **630,190** | **420,109** |

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

## 1. Reporting entity

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

- Foster and maintain a stable financial system, including a safe, sound and efficient payment system.
- Contribute to achieving and maintaining domestic price stability.
- Support the general economic policies of the Government.

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

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

Str. Garibaldi, No. 33
Prishtina, Kosovo.

**Central Bank Board, Executive Board and Governor**

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

As at 31 December 2020, the Board of the Central Bank of Kosovo comprised of the following members:

- Flamur Mrasori – Chairman of the Board (non-executive)
- Fehmi Mehmeti – Governor

Whereas, on December 31, 2019, the Central Bank Board consisted of the following members:

- Flamur Mrasori - Chairman of the Board (non-executive)
- Fehmi Mehmeti – Governor
- Behxhet Brajshori - Member (non-executive)
- Nuhi Ahmeti - Member (non-executive)

As at 31 December 2020, the Executive Board comprised of the Governor, who is the Chairperson, and two Deputy Governors, is in charged with the implementation of the CBK's policies and its operations.

In June 2020, two of the members of the CBK Board expired and the CBK is in the process of filling the vacancies created thereafter.

The Executive Board as of December 31, 2020 and December 31, 2019 consists of the Governor, who is the Chairman and the two Deputy Governors and is responsible for implementing the policies of the CBK and its operations. There has been no movement of functions and officials that make up the Executive Board during 2020 and 2019.

[2] As of 31 December 2020, three of non-executive member's position are vacant.

## 2. Basis of preparation

### a) Statement of compliance

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

### b) Basis of measurement

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in note 3 below.

### c) Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is CBK's functional currency unless otherwise stated. If not otherwise stated, financial information that is presented in Euro has been rounded to the nearest thousand.

### d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 5.

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

## 3. Significant accounting policies

### a) Foreign currency transactions

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

### b) Interest income and expenses

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Interest income and expenses presented in the profit or loss include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

## 3. Significant accounting policies (continued)

### c) Fees and commission

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

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

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

### d) Employee benefits

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

The CBK also distributes employee benefits on a jubilee basis and in the form of a predetermined amount at the time of retirement. The CBK recognizes these expenses according to the occurrence of these events according to the long-term benefit plans.

### e) Taxation and profit allocation

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

### f) Financial assets and liabilities

**Classification of financial assets and financial liabilities**
The CBK has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.
Additionally, the CBK adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2020 and to the comparative period.
IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the CBK's financial statements are described below.

(a) Classification and measurement of financial assets and financial liabilities

The date of initial application (i.e. the date on which the CBK has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the CBK has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

**3. Significant accounting policies (continued)**
**f) Financial assets and liabilities (continued)**

The financial assets of CBK included in these financial statements are classified as financial instruments at amortized cost (hold to collect model) and comprise of cash and cash equivalents, securities, deposit accounts with non-resident banks, assets related with IMF and other assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL (Fair Value through Profit Loss):

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

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

Financial liabilities measured at amortised cost include due to domestic banks, governmental institutions, public and commercial entities, due to IMF, borrowings and other financial liabilities.

***i. Recognition***

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

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

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

***ii. Reclassification***

The financial assets of the bank depending on the circumstances, respectively the change of its business model for the management of financial assets can re-classify the latter even after their initial recognition.

If the bank re-classifies a financial asset or group of financial assets from the amortized cost measurement category to the fair value measurement category through profit or loss, their fair value will be measured at the new classification date. Any net gain or loss arising on the difference between the amortized cost and the fair value of the financial asset is recognized in profit or loss.

***iii. Derecognition***

The CBK derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the CBK neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ('OCI') is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the CBK is recognised as a separate asset or liability.

**3. Significant accounting policies (continued)**
**f) Financial assets and liabilities (continued)**

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

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

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

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

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

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

The CBK derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

***v*. *Offsetting***

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

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

***vi*. *Amortized cost measurement***

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

**3. Significant accounting policies (continued)**
**f) Financial assets and liabilities (continued)**

### *vii. Fair value measurement*

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

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

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

### *viii. Impairment*

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

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

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

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

### *Measurement of ECL*

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

**3. Significant accounting policies (continued)**
**f) Financial assets and liabilities (continued)**

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

**Expected credit losses (ECL) = Exposure at default (EAD) x Loss given default (LGD) x Probability of default (PD).**

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

LGD - Loss given default, we used to base on our internal judgment and perception of this value, also based on some Basel risk approach for borrowers' default.

PD – Probability of default, is the most sensitive variable and represents the probability of non-payment by the other party for an observed period (12 months or throughout the life of the instrument).

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the CBK in accordance with the contract and the cash flows that the CBK expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying.

**g) Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents include cash balance on hand, demand deposits with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by CBK in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

**h) Investment securities**

Investment securities, consisting of treasury bills and bonds, are initially measured at fair value plus incremental direct transaction costs and then measured at amortized cost (holding assets for the purpose of collecting contractual cash flows) using effective interest rate method. All purchases and sales of investment securities are recognized on the settlement date, i.e. the date when the asset was received or delivered to the other party.

Amortized cost/Hold to collect investments are non-derivative assets with fixed or determinable payments and fixed maturity that the CBK has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss.

**i) Deposits and borrowings**

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

## 3. Significant accounting policies (continued)

### j) Property and equipment

#### *i. Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment loses from the change in value, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

#### *ii. Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to CBK and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are derecognized in profit and loss as incurred.

#### *iii. Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

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

| | **2020** | **2019** |
|---|---|---|
| Leasehold improvements | 20 years | 20 years |
| Equipment | 5 years | 5 years |
| Computers | 3 years | 3 years |
| Vehicles | 5 years | 5 years |

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

### k) Intangible assets

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

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised as incurred.

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

## 3. Significant accounting policies (continued)

### l) Impairment of non-financial assets

The carrying amounts of CBK's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### m) Financial liabilities

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

### n) Grant revenue

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

### o) Donor funded salaries

Certain individuals engaged at CBK are international experts appointed and funded for a short term by international organizations. The funding from these international organizations includes, but it is not limited to, the payment of salaries to these international experts. As this assistance is paid by the international organizations directly to the appointee, the extent of the payments are not known nor are they included in these financial statements.

### p) Provisions

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

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

**3. Significant accounting policies (continued)**

**q) Changes in accounting policies and disclosures**

**(i) Standards and Interpretations effective in the current period**

The following amendments to the existing standards issued by the International Accounting Standards Board are effective for the current reporting period:

- **Amendments to IFRS 3 "Business Combinations" -** Defining a Business (effective for business combinations for which the purchase date is on or after the start of the first annual reporting period starting on or after January 1, 2020 and for purchases of assets that occur in or after the start of that period).
- **Amendments to IFRS 7, 9 and IAS 39 - Interest Rate Benchmark Reform** (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" -** Definition of Material (effective for annual periods beginning on or after 1 January 2020)
- **Changes in References in the Conceptual Framework to IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).
- **Amendment to IFRS 16 "Leases"** Covid-19-Related Rent Concessions are effective for annual periods beginning on or after 1 June 2020 but prior application is permitted, including in financial statements not yet authorized for issue on 28 May 2020 (amendment is also available for interim reports) .

The application of these standards, amendments and interpretations has no significant impact on the financial statements of the Central Bank in the current period.

**ii) Standards and Interpretations in issue not yet adopted**

As at the date of authorization of these financial statements the following standards, revisions and interpretations have been published by the IASB, but are not yet effective and have not been adopted early by the Central Bank:

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Joint Stock Companies and Enterprises" -** Sale or Contribution of Assets between an Investor and His Partner or Joint Venture and Further Changes (effective date postponed to one indefinite time until the capital method is completed),
- **The cycle of annual improvements to IFRSs 2018-2020** which is a summary of changes to IFRS 1, IFRS 9, IFRS 16, IAS 41 (effective for periods beginning on or after 1 January 2022),
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 - "Presentation of Financial Statements" -** Classification of Liabilities as Short-Term Liabilities or Long-Term Liabilities (effective for periods beginning on or after 1 January 2023)
- **Amendments to IAS 37 - "Provisions, Assets and Contingent Liabilities" -** Large Contracts The cost of performing a contract (effective for periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 - Property, Plant and Equipment -** Revenue before target use (effective for periods beginning on or after 1 January 2022).

The Central Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Central Bank anticipates that the adoption of these standards, revisions and interpretations will not have a significant impact on the financial statements of the Central Bank.

## 4. Financial Risk Management

### a) Introduction and Overview

CBK has exposure to the following risks from its use of financial instruments:

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

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

***Risk Management Framework***

The Central Bank Board has overall responsibility for the establishment and oversight of CBK's risk management. CBK management reports regularly through CBK's Executive Board to the Central Bank Board on risk management practices. The Executive Board and Investment Committee have obligations for developing and monitoring CBK risk management policies. These policies are implemented by the respective organizational units.

CBK's risk management policies are established to identify and analyse the risks that the CBK has to deal with, and to set appropriate risk controls and limits, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. CBK, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

CBK's Audit Committee is responsible for monitoring and reviewing compliance with risk management policies and procedures, as well as for reviewing the adequacy of the risk management framework related to the risks faced by the CBK. CBK's Audit Committee is assisted in these functions by the Internal Audit Department. Internal audit undertakes both regular and ad-hoc audits of risk management controls and procedures, the results of which are reported through the Chief Internal Auditor to the Audit Committee.

### b) Credit risk

Credit risk is the risk of financial loss to the CBK if a contracting party to financial instruments fails to meet its contractual obligations, and may arise mainly from CBK's investments in securities and deposits (in money markets or current account) in other banks. For credit risk management reporting purposes, the CBK considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

***Management of Credit Risk***

***i. Investments and exposure of CBK's Credit Risk***

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

The management of the risk is performed through:

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

## 4. Financial Risk Management (continued)
## Management of credit risk (continued)

### *ii. Exposure towards credit risk*

The highest exposure to credit risk as at 31 December 2019 and 31 December 2020, is represented by the carrying amount of the current accounts with non-resident banks, treasury bills, and bonds and money market placements with non-resident banks. For details regarding the exposure, please refer to the Notes 8, 9 and 10.

The credit rating for financial instruments that the CBK has exposure for the period ended 31 December 2020 is from AAA to BBB + / Aaa to A3.

The carrying amounts of credit risk exposure, presented by type and expressed as a percentage of the total, are as follows:

**2020**

| Credit Rating (S&P/Moody's) | Current accounts with non-resident banks | Deposits with non-resident banks | Securities (Treasury Bills and Bonds) | IMF related accounts (SDR and use of funds) | Total carrying value | % of total weight |
|---|---|---|---|---|---|---|
| AAA/Aaa | 128,168 | 8,394 | 105,714 | - | 242,276 | 21.42% |
| AA+/Aa1 | 86,666 | - | 147,567 | - | 234,233 | 20.71% |
| AA/Aa2 | - | - | 10,017 | - | 10,017 | 0.89% |
| AA-/Aa3 | - | - | - | - | - | 0.00% |
| A+/A1 | 460 | - | - | - | 460 | 0.04% |
| A/A2 | - | - | 103,282 | - | 103,282 | 9.13% |
| BBB+/A3 | 98,412 | 50,000 | 222,180 | - | 370,592 | 32.76% |
| N/A (unrated (IFI[3]) | - | - | - | 58,761 | 58,761 | 5.19% |
| N/A (unrated[4]) | - | - | - | 111,652 | 111,652 | 9.87% |
| **Total** | **313,706** | **58,394** | **588,760** | **170,413** | **1,131,273** | **100.00%** |

**2019**

| Credit Rating (S&P/Moody's) | Current accounts with non-resident banks | Deposits with non-resident banks | Securities (Treasury Bills and Bonds) | IMF related accounts (SDR and use of funds) | Total carrying value | % of total weight |
|---|---|---|---|---|---|---|
| AAA/Aaa | 248 | 9,080 | 79,207 | - | 88,535 | 7.83% |
| AA+/Aa1 | - | - | 88,978 | - | 88,978 | 7.86% |
| AA/Aa2 | 1,827 | - | 99,335 | - | 101,162 | 8.94% |
| AA-/Aa3 | - | - | 125,770 | - | 125,770 | 11.12% |
| A+/A1 | - | - | - | - | - | 0.00% |
| A/A2 | - | - | - | - | - | 0.00% |
| BBB+/A3 | 106,788 | 240,000 | 183,845 | - | 530,633 | 46.90% |
| N/A (unrated (IFN) | - | - | - | 63,651 | 63,651 | 5.63% |
| N/A (unrated) | - | - | - | 132,610 | 132,610 | 11.72% |
| **Total** | **108,863** | **249,080** | **577,135** | **196,261** | **1,131,339** | **100.00%** |

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

Expected credit loss measurement:

The financial assets that fall under the scope of expected credit loss with the CBK are:

- Current accounts and deposits with foreign banks
- Securities,
- Other receivables that are linked to above two elements, if any.

The basic criteria of defining the exposure is credit rating. The credit rating is taken from credit rating agencies.

The minimum credit rating allowed for short-term investment is P-2 (Moody's or A-2 Standard & Poor's), while in the long term it is Baa2 (Moody's) or BBB (Standard & Poor's). As of that we don't invest below that grade.

[3] IFI - International financial institutions.

[4] There is no credit rating (neither external nor internal) for the assets in question.

**4. Financial Risk Management (continued)**
**Management of credit risk (continued)**

The model of impairment of financial assets based on the common characteristics of credit risk, respectively changes in credit risk since the initial recognition of financial assets defines three phases in the model of estimating expected credit losses. Those stages can be summarized as below:

1. Stage 1 (Performing) of exposure distribution - financial assets which are treated as the low or medium risk exposure, all of them which fall with in this are allocated to the Stage 1 at initial recognition. According to our internal procedure we are not allowed to invest in the higher credit risk exposure. Based on this each investment at initial recognition is allocated to Stage 1 of exposure.
2. Stage 2 (Under Performance) of exposure distribution - if we have a significant increase since initial recognition the financial asset which is located in stage 1 moved to stage 2.
3. Stage 3 (Non-Performing) of exposure distribution - the criteria that moves financial assets to stage 3 is determined from default status of the financial assets.

The evaluation is done on initial recognition and at the date of the reporting period. The Bank on stage 1 will measure the provision for the loss of that ECL financial instrument in an amount equal to the expected 12-month credit loss. If we have a significant increase in credit risk since initial recognition, the financial instrument will be transferred to stage 2 (under - performing). The bank on stage 2 will measure the provision for the loss of that ECL financial instrument in an amount equal to the expected credit loss over its lifetime

The criteria for failure to meet the obligations, respectively for the transfer in stage 3, should be based on objective evidence as follows:

- Debtors, significant financial difficulties
- When it is coming to breach of contractual obligations, in regards to the principal and interest,
- When it happens to any restructuring the existing terms of servicing the obligation from an financial instrument,
- Clear evidence/probability that debtor is going to the bankruptcy and/or liquidation,
- Sings of not being active in the trading mark.

The following table shows the exposure values at the phase level. At the reporting date we do not have any material change in credit risk since the initial recognition therefore all financial assets are in stage 1.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** |
| Current accounts with non-resident banks | 313,706 | - | - | 108,863 | - | - |
| Securities | 588,760 | - | - | 577,135 | - | - |
| Money market placements | 58,394 | - | - | 249,080 | - | - |
| **Gross carrying amount** | **960,860** | **-** | **-** | **935,078** | **-** | **-** |
| Loss allowance | (1,399) | - | - | (735) | - | - |
| **Net Carrying amount** | **959,461** | **-** | **-** | **934,343** | **-** | **-** |

**4. Financial Risk Management (continued)**
**Management of credit risk (continued)**

The movements of the respective ECL for the financial instruments that the CBK has exposure are as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2020** | **735** | **-** | **-** | **735** |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | 664 | - | - | 664 |
| 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 | - | - | - | - |
| **At 31 December 2020** | **1,399** | **-** | **-** | **1,399** |

| | 2019 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2019** | **841** | **-** | **-** | **841** |
| Impact of IFRS 9 adoption as of 1 January | - | - | - | - |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | (106) | - | - | (106) |
| ECL charge of the year | - | - | - | - |
| 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 | - | - | - | - |
| **At 31 December 2019** | **735** | **-** | **-** | **735** |

## 4. Financial Risk Management (continued)

### c) Liquidity risk

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

***Management of liquidity risk***

CBK's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities in due time, both in normal and unfavorable conditions, without incurring unacceptable losses or risking damage to CBK's reputation.

Policies to monitor and address liquidity risk are set by the CBK Executive Board. The CBK manages its liquidity risk by investing in short term deposits with non-resident banks and holding adequate amounts of cash in its vaults. Liquidity management policies are set to ensure that even under adverse conditions, the CBK is able to meet its obligations. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the CBK management. Monthly reports covering the liquidity position of the CBK are regularly submitted to the Investment Committee members by the Asset Management Department.

***Exposure to liquidity risk***

**Residual contractual maturities of financial liabilities, excluding future interest payments**

| **31 December 2020** | **Note** | **Net carrying amount** | **Less than 1 month** | **1-3 months** | **3 mon. to 1 year** | **1 year to 5 years** | **over 5 years** |
|---|---|---|---|---|---|---|---|
| *Non-derivative assets* | | | | | | | |
| Cash on hand | | 308,090 | 308,090 | - | - | - | - |
| Current accounts with non-resident banks | 8 | 313,343 | 313,343 | - | - | - | - |
| Securities (Bonds and Treasury bills) | 9 | 587,794 | 15,690 | 4,021 | 49,613 | 518,470 | - |
| Deposit accounts with non-resident banks | 10 | 58,324 | 8,388 | - | 49,936 | - | - |
| Assets in IMF related accounts | 11 | 187,828 | 80,335 | 11,720 | 35,160 | 60,613 | - |
| | | **1,455,379** | **725,846** | **15,741** | **134,709** | **579,083** | **-** |
| *Non-derivative liabilities* | | | | | | | |
| Due to domestic banks | 15 | (566,426) | (566,426) | - | - | - | - |
| Due to IMF related accounts | 16 | (195,113) | (4,415) | (11,720) | (35,160) | (60,613) | (83,205) |
| Due to governmental institutions | 17 | (508,446) | (508,446) | - | - | - | - |
| Due to public and commercial entities | 18 | (138,661) | (138,661) | - | - | - | - |
| Borrowing | 19 | (2,154) | - | - | - | (1,077) | (1,077) |
| Other liabilities | 20 | (756) | (756) | - | - | - | - |
| | | **(1,411,556)** | **(1,218,704)** | **(11,720)** | **(35,160)** | **(61,690)** | **(84,282)** |
| | | **43,823** | **(492,858)** | **4,021** | **99,549** | **517,393** | **(84,282)** |

## 4. Financial Risk Management (continued)

### c) Liquidity risk (continued)

| 31 December 2019 | Note | Net carrying amount | Less than 1 month | 1-3 months | 3 mon. to 1 year | 1 year to 5 years | over 5 years |
|---|---|---|---|---|---|---|---|
| *Non-derivative assets* | | | | | | | |
| Cash on hand | | 302,166 | 302,166 | - | - | - | - |
| Current accounts with non-resident banks | 8 | 108,863 | 108,863 | - | - | - | - |
| Securities (Bonds and Treasury bills) | 9 | 576,616 | - | 100 | 150 | 486,309 | 90,057 |
| Deposit accounts with non-resident banks | 10 | 248,864 | 9,080 | 20,000 | 219,784 | - | - |
| Assets in IMF related accounts | 11 | 214,090 | 90,162 | - | 58,411 | 65,517 | - |
| | | **1,450,599** | **510,271** | **20,100** | **278,345** | **551,826** | **90,057** |
| *Non-derivative liabilities* | | | | | | | |
| Due to domestic banks | 15 | (414,942) | (414,942) | - | - | - | - |
| Due to IMF related accounts | 16 | (219,664) | (8,942) | - | (58,411) | (65,517) | (86,794) |
| Due to governmental institutions | 17 | (719,819) | (719,819) | - | - | - | - |
| Due to public and commercial entities | 18 | (52,167) | (52,167) | - | - | - | - |
| Borrowing | 19 | (2,266) | - | - | - | (907) | (1,359) |
| Other liabilities | 20 | (756) | (756) | - | - | - | - |
| | | **(1,409,614)** | **(1,196,626)** | **-** | **(58,411)** | **(66,424)** | **(88,153)** |
| | | **40,985** | **(686,355)** | **20,100** | **219,934** | **485,402** | **1,904** |

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

## 4. Financial risk management (continued)

### c) Market risk

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

***Management of market risks***

CBK's operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and liabilities mature or reprise at different times or amounts. In the case of floating rate assets and liabilities, there is exposure to basic risk, which is the difference in reprising characteristics of the various floating rate indices.

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

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

The principal risk, to which non-trading portfolios are exposed to, is the risk of loss, caused by the fluctuation of future cash flows or fair values of financial instruments due to a change in market rates. Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for reprising strips. The Investment Committee is the monitoring body of the implementation of these limits.

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

## 4. Financial risk management (continued)

### (d) Market risks (continued)

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

| 31 December 2020 | Note | Net carrying amount | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Current accounts with non-resident banks | 8 | 313,343 | 313,343 | - | - | - | - |
| Securities (Bonds and Treasury bills) | 9 | 587,794 | - | - | - | 501,505 | 86,289 |
| Deposit accounts with non-resident banks | 10 | 58,324 | 8,388 | - | 49,936 | - | - |
| Assets in IMF related accounts | 11 | 187,828 | 76,176 | - | - | 111,652 | - |
| **Total** | | **1,147,289** | **397,907** | **-** | **49,936** | **613,157** | **86,289** |
| Due to domestic banks | 15 | (566,426) | (566,426) | - | - | - | - |
| Due to IMF related accounts | 16 | (195,113) | (16,135) | - | - | (95,773) | (83,205) |
| Due to governmental institutions | 17 | (508,446) | (508,446) | - | - | - | - |
| Due to public and commercial entities | 18 | (138,661) | (138,661) | - | - | - | - |
| Borrowing | 19 | (2,154) | - | - | - | - | (2,154) |
| Due to Other liabilities | 20 | (756) | (756) | - | - | - | - |
| **Total** | | **(1,411,556)** | (1,230,424) | **-** | **-** | **(95,773)** | (85,359) |
| **Gap** | | **(264,267)** | (832,517) | **-** | **49,936** | **517,384** | 930 |

| 31 December 2019 | Note | Net carrying amount | Less than 3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years |
|---|---|---|---|---|---|---|---|
| Current accounts with non-resident banks | 8 | 108,863 | 108,863 | - | - | - | - |
| Securities (Treasury bills) | 9 | 576,616 | - | 100 | 150 | 486,309 | 90,057 |
| Deposit accounts with non-resident banks | 10 | 248,864 | 9,080 | 20,000 | 219,784 | - | - |
| Assets in IMF related accounts | 11 | 214,090 | 81,480 | - | - | 132,610 | - |
| **Total** | | **1,148,433** | **199,423** | **20,100** | **219,934** | **618,919** | **90,057** |
| Due to domestic banks | 15 | (414,942) | (414,942) | - | - | - | - |
| Due to IMF related accounts | 16 | (219,664) | (8,942) | - | - | (123,928) | (86,794) |
| Due to governmental institutions | 17 | (719,819) | (719,819) | - | - | - | - |
| Due to public and commercial entities | 18 | (52,167) | (52,167) | - | - | - | - |
| Borrowing | 19 | (2,266) | - | - | - | - | (2,266) |
| Other liabilities | 20 | (756) | (756) | - | - | - | - |
| **Total** | | **(1,409,614)** | (1,196,626) | **-** | **-** | **(123,928)** | **(89,060)** |
| **Gap** | | **(261,181)** | (997,203) | **20,100** | 219,934 | 494,991 | **997** |

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

## 4. Financial risk management (continued)
## (d) Market risks (continued)

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

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

| **2020** | 100 bps Increase | 100 bps Decrease |
|---|---|---|
| Estimated profit (loss) effect | (2,643) | 2,643 |

| **2019** | 100 bps Increase | 100 bps Decrease |
|---|---|---|
| Estimated profit (loss) effect | (2,612) | 2,612 |

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

CBK has an exposure to SDR related to its IMF assets and liabilities, which it monitors on an on-going basis. CBK's exposure to foreign currency risk is as follows:

| **2020** | 100 bps Increase | 100 bps Decrease |
|---|---|---|
| Estimated profit (loss) effect | (73) | 73 |

| **2019** | 100 bps Increase | 100 bps Decrease |
|---|---|---|
| Estimated profit (loss) effect | (56) | 56 |

## 4. Financial risk management (continued)

### (d) Market risks (continued)

| 31 December 2020 | EUR | USD (Equivalent in EUR) | SDR (Equivalent in EUR) | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash on hand | 308,090 | - | - | 308,090 |
| Current accounts with non-resident banks | 313,170 | 173 | - | 313,343 |
| Treasury bills | 587,794 | - | - | 587,794 |
| Deposit accounts with non-resident banks | 49,930 | 8,394 | - | 58,324 |
| Assets with the IMF related accounts | 242 | - | 267,957 | 268,199 |
| Other assets | 1,883 | - | - | 1,883 |
| **Total** | **1,261,109** | **8,567** | **267,957** | **1,537,633** |
| **Liabilities** | | | | |
| Due to domestic banks | 566,426 | - | - | 566,426 |
| Due to IMF related accounts | 244 | - | 268,894 | 269,138 |
| Due to governmental institutions | 508,446 | - | - | 508,446 |
| Due to public and commercial entities | 138,661 | - | - | 138,661 |
| Borrowing | - | - | 2,154 | 2,154 |
| Other liabilities | 2,539 | - | - | 2,539 |
| **Total** | **1,216,316** | **-** | **271,048** | **1,487,364** |
| **Net foreign currency position** | **44,793** | **8,567** | **(3,091)** | **50,269** |

| 31 December 2019 | EUR | USD (Equivalent in EUR) | SDR (Equivalent in EUR) | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash on hand | 302,166 | - | - | 302,166 |
| Current accounts with non-resident banks | 108,615 | 248 | - | 108,863 |
| Treasury bills | 576,616 | - | - | 576,616 |
| Deposit accounts with non-resident banks | 239,784 | 9,080 | - | 248,864 |
| Assets with the IMF related accounts | 535 | - | 297,810 | 298,345 |
| Other assets | 1,700 | - | - | 1,700 |
| **Total** | **1,229,416** | **9,328** | **297,810** | **1,536,554** |
| **Liabilities** | | | | |
| Due to domestic banks | 414,942 | - | - | 414,942 |
| Due to IMF related accounts | 541 | - | 296,695 | 297,236 |
| Due to governmental institutions | 719,819 | - | - | 719,819 |
| Due to public and commercial entities | 52,167 | - | - | 52,167 |
| Borrowing | 2,266 | | - | 2,266 |
| Other liabilities | 1,778 | - | - | 1,778 |
| **Total** | **1,191,513** | **-** | **296,695** | **1,488,208** |
| **Net foreign currency position** | **37,903** | **9,328** | **1,115** | **48,346** |

## 4. Financial risk management (continued)

### (d) Market risks (continued)

CBK mainly carries out operations with Euro, while foreign currencies that CBK deals are mainly "Special Drawing Rights" ("SDRs"). The exchange rates used for translation on 31 December 2019 and 2018 were as follows:

| | 2020 | 2019 |
|---|---|---|
| | EUR | EUR |
| 1 SDR | 1.18385 | 1.23588 |
| 1 USD | 0.81493 | 0.89015 |

SDRs are supplementary foreign Exchange/transaction reserve assets defined and maintained by the International Monetary Fund (IMF). Although the SDR itself is not a currency, it represents a potential claim on the currencies of IMF member states for which they may be exchanged. SDRs were created in 1969 to alleviate a shortage of preferred foreign exchange reserve assets, namely the US dollar and gold, the value of the SDRs is defined as a mean currency basket of five major currencies, the Euro, the US Dollar, the British Pound, Japanese Yen and Chinese Renminbi.

US Dollar are current account and overnight deposit (such as repo) assets with Federal Reserve New York.

### (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with CBK's processes, personnel, technology and infrastructure, as well as from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of CBK's operations and it affects all the organizational units.

CBK's objective is to manage operational risk, as well as to balance the avoidance of financial losses and damage to CBK's reputation by effective cost management.

The main responsibility for the development and implementation of controls in order to monitor operational risk is assigned to managerial staff within each organizational unit. This responsibility is supported by the observance of overall CBK standards for the management of operational risk in the following areas:

- requirements for the allocation of duties and responsibilities, including the independent authorization of transactions;
- requirements for transaction evaluation and monitoring;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and code of conduct standards;
- Risk mitigation, including insurance, where this is effective.

Compliance with CBK standards is supported by a program of periodic reviews undertaken by Internal Audit. The findings of Internal Audit reviews are discussed with management of the organizational unit to which they relate, with summaries submitted to the Audit Committee and CBK management.

## 4. Financial risk management (continued)

### (f) Capital management

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

Pursuant to the Law no. 03/L-209, the net profits or losses of the Central Bank shall be determined in conformity with the International Financial Reporting Standards (IFRS).

The earnings available for distribution shall be determined as follows:

- by deducting from the net profits, the total amount of unrealized revaluation profits, and by allocating an equivalent amount to the respective unrealized revaluation reserve account; and
- by deducting from the appropriate unrealized revaluation reserve account and adding to the distributable earnings the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.

Unrealized revaluation losses will be transferred to the respective unrealized revaluation reserve accounts until such time as these revaluation reserve accounts have a zero balance, after which these losses shall be covered by the current year's profit, then by the general reserve account and subsequently by the authorized capital account.

All distributable earnings will first be applied to the general reserve fund until the aggregate amount of initial capital and general reserves equals five percent (5%) of the Central Bank's monetary liabilities.

50% of the distributable earnings remaining after fulfilling the 5% criteria mentioned above is required to be transferred to the Ministry of Finance. While the remaining 50% percent will be allocated to the general reserve fund of the Central Bank.

### (g) Asset management

In accordance with the Law no. 03/L-209 and Law no. 03/L-048, the CBK is assigned the responsibility for making and managing authorized investments on behalf of the Ministry of Finance.

## 5. Use of estimates and judgments

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

These disclosures supplement the commentary on financial risk management (see note 4).

**Key sources of estimation uncertainty**

**Allowances for credit losses**

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

**Pandemic COVID 19**

In December 2019, for the first time from China came the news of the outbreak of the COVID-19 virus. On March 11, 2020, the World Health Organization, seeing the rapid spread of the virus, described it as a pandemic. The Government of the Republic of Kosovo, like all other governments around the world, took a series of actions to slow down the possible spread of the virus. Various restrictions were imposed on activities within the country. Restrictions include the prohibition of all cross-border travel, restrictions on all domestic travel during specific hours, the closure of all public transport, the prohibition of all commercial activity, except for specific businesses (foodstuffs, pharmacies, commercial banks, gas stations, post offices etc.). These actions which resulted in an economic slowdown globally.

At the date of these financial statements, the bank's international reserves, consisting of highly valued securities and short-term bank deposits, were not materially affected by the global economic downturn. However, the social and economic impact of the COVID-19 virus and its spread globally since March 2020, may result in increased uncertainty in assessments and judgments. Which may require revisions which may lead to situations where adjustments to the carrying amount of assets and liabilities will need to be made within the next financial year. However, without prejudging the overall global and local impact of COVID-19, our expectations are that these new situations / assessments will have no material effect on our financial voices.

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

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

**Financial asset and liability classification**

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

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

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

The table below sets out CBK's classification of each class of financial assets and liabilities, and their fair values.

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| **31 December** | **Note** | **Amortised cost** | **Fair value** | **Amortised cost** | **Fair value** |
| Cash on hand | 7 | 308,090 | 308,090 | 302,166 | 302,166 |
| Current accounts with non-resident banks | 8 | 313,343 | 313,343 | 108,863 | 108,863 |
| Securities | 9 | 587,794 | 590,010 | 576,616 | 579,894 |
| Deposit accounts with non-resident banks | 10 | 58,324 | 58,324 | 248,864 | 248,864 |
| Assets related with IMF | 11 | 268,199 | 268,199 | 298,345 | 298,345 |
| Other Assets | 14 | 99 | 99 | 142 | 142 |
| | | **1,535,849** | **1,538,065** | **1,534,996** | **1,538,274** |
| Due to domestic banks | 15 | 566,426 | 566,426 | 414,942 | 414,942 |
| Due to IMF related accounts | 16 | 269,138 | 269,138 | 297,236 | 297,236 |
| Due to governmental institutions | 17 | 508,446 | 508,446 | 719,819 | 719,819 |
| Due to public and commercial entities | 18 | 138,661 | 138,661 | 52,167 | 52,167 |
| Borrowing | 19 | 2,154 | 2,154 | 2,266 | 2,266 |
| Other liabilities | 20 | 756 | 756 | 756 | 756 |
| | | **1,485,581** | **1,485,581** | **1,487,186** | **1,487,186** |

## 7. Cash on hand

Cash on hand is all denominated in EUR.

| | 2020 | 2019 |
|---|---|---|
| Cash on hand | 308,090 | 302,166 |
| **Total** | **308,090** | **302,166** |

## 8. Current accounts with non-resident banks

These accounts were held at the following banks:

| | 2020 | 2019 |
|---|---|---|
| Deutsche Bundesbank | 127,998 | 71,230 |
| Raiffeisen Zentralbank | 9,903 | 9,900 |
| Deutsche Bank London AG | 88,509 | 24,169 |
| Banque Centrale du Luxembourg | 86,666 | 1,827 |
| Commerzbank AG | 460 | 499 |
| Bayerische Landesbank | - | 990 |
| Federal Reserve Bank (FED-NY) | 170 | 248 |
| **Total carrying amount** | **313,706** | **108,863** |
| Impairment for expected credit loss | (363) | - |
| **Total net carrying amount** | **313,343** | **108,863** |

The increase compared to the 2019 is a normal flow of daily activities, and at the same time this increase in current accounts is reflected almost in a balanced form with changes within the notes 7, 9 and 10 (cash, securities and placements in the money market).

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

Relevant movements of corresponding ECLs for current accounts with non-resident banks are as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2020** | - | - | - | - |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | 363 | - | - | 363 |
| 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 | - | - | - | - |
| **At 31 December 2020** | **363** | **-** | **-** | **363** |

| | 2019 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2019** | - | - | - | - |
| Impact of IFRS 9 adoption as of 1 January | - | - | - | - |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | - | - | - | - |
| 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 | - | - | - | - |
| **At 31 December 2019** | - | - | - | - |

## 9. Securities (treasury bills and bonds)

Both categories are debt securities issued by governments of European Union countries or multinational corporates. Treasury bills disclosed below have maturity up to one year, while the bonds up to 6 years. All of them are denominated in EUR and had effective annual interest rates ranging from 0.019% to 3.021% in 2020 (while in 2019: 0.019% up to 3.021% p.a.).

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

Analytical disclosure of securities by type and by issuing countries:

**As per countries:**

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Impairment for expected credit loss** | **Net carrying amount** | **Carrying amount** | **Impairment for expected credit loss** | **Net carrying amount** |
| Germany | 66,177 | (157) | 66,020 | 66,651 | (60) | 66,591 |
| France | 10,017 | (104) | 9,913 | 10,023 | (9) | 10,014 |
| Netherlands | 12,339 | (27) | 12,312 | 12,556 | (11) | 12,545 |
| Slovenia | 20,732 | (67) | 20,665 | 21,435 | (19) | 21,416 |
| Luxemburg | 88,382 | (93) | 88,289 | 89,313 | (80) | 89,233 |
| EuroFima-Switzerland | 5,614 | (3) | 5,611 | 5,827 | (5) | 5,822 |
| KommuneKredit-Denmark | 6,039 | (8) | 6,031 | 6,052 | (5) | 6,047 |
| Austria | 74,729 | (248) | 74,481 | 77,099 | (69) | 77,030 |
| Ireland | 103,282 | (97) | 103,185 | 104,335 | (96) | 104,239 |
| Kosovo | 201,449 | (162) | 201,287 | 183,844 | (165) | 183,679 |
| **Total** | **588,760** | **(966)** | **587,794** | **577,135** | **(519)** | **576,616** |

**As per type:**

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Adjusted value** | **Net carrying amount** | **Carrying amount** | **Adjusted value** | **Net carrying amount** |
| Treasury bills | - | - | - | 150 | - | 150 |
| Government bonds | 588,760 | (966) | 587,794 | 576,985 | (519) | 576,466 |
| **Total** | **588,760** | **(966)** | **587,794** | **577,135** | **(519)** | **576,616** |

The increase compared to 2019 comes mostly from the transfer between categories/items 7,8,9 and 10.

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

| | 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2020** | **519** | **-** | **-** | **519** |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | 447 | - | - | 447 |
| 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 | - | - | - | - |
| **At 31 December 2020** | **966** | **-** | **-** | **966** |

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

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

| | 2019 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2019** | **683** | **-** | **-** | **683** |
| Impact of IFRS 9 adoption as of 1 January | - | - | - | - |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | (164) | - | - | (164) |
| ECL charge of the year | - | - | - | - |
| 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 | - | - | - | - |
| **At 31 December 2019** | **519** | **-** | **-** | **519** |

The following table presents the geographical distribution of investments in securities, including the minimum, maximum and average coupon rate. Also, the percentage of concentration and maturities at the state level.

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Country** | **Minimum coupon rate** | **Maximum coupon rate** | **Average coupon rate** | **Carrying amount** | **% of weight in total** | **Maturity** |
| Germany | 0.13% | 2.13% | 0.96% | 66,177 | 11.24% | 2022 - 2023 |
| France | 0.13% | 0.13% | 0.13% | 10,017 | 1.70% | 2022 |
| Netherlands | 0.50% | 2.25% | 1.38% | 12,339 | 2.10% | 2022 |
| Slovenia | 3.00% | 4.38% | 3.69% | 20,732 | 3.52% | 2021 |
| Luxemburg | 0.00% | 3.00% | 1.05% | 88,382 | 15.01% | 2022 |
| EuroFima-Switzerland | 4.00% | 4.00% | 4.00% | 5,614 | 0.95% | 2021 |
| KommuneKredit-Denmark | 0.25% | 0.25% | 0.25% | 6,039 | 1.03% | 2023 |
| Austria | 3.40% | 3.40% | 3.40% | 74,729 | 12.69% | 2022 |
| Ireland | 0.00% | 3.90% | 0.98% | 103,282 | 17.54% | 2022 - 2023 |
| Kosovo | 0.80% | 3.50% | 1.70% | 201,449 | 34.22% | 2021 - 2025 |
| **Total** | | | | **588,760** | **100%** | |

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

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| **Country** | **Minimum coupon rate** | **Maximum coupon rate** | **Average coupon rate** | **Carrying amount** | **% of weight in total** | **Maturity** |
| Germany | 0.13% | 2.13% | 0.96% | 66,651 | 11.55% | 2022 - 2023 |
| France | 0.13% | 0.13% | 0.13% | 10,023 | 1.74% | 2022 |
| Netherlands | 0.50% | 2.25% | 1.38% | 12,556 | 2.18% | 2022 |
| Slovenia | 3.00% | 4.38% | 3.69% | 21,435 | 3.71% | 2021 |
| Luxemburg | 0.00% | 3.00% | 1.05% | 89,313 | 15.48% | 2022 |
| EuroFima-Switzerland | 4.00% | 4.00% | 4.00% | 5,827 | 1.01% | 2021 |
| KommuneKredit-Denmark | 0.25% | 0.25% | 0.25% | 6,052 | 1.05% | 2023 |
| Austria | 3.40% | 3.40% | 3.40% | 77,099 | 13.36% | 2022 |
| Ireland | 0.00% | 3.90% | 0.98% | 104,335 | 18.08% | 2022 - 2023 |
| Kosovo | 0.00% | 4.90% | 1.62% | 183,844 | 31.85% | 2020 - 2025 |
| **Total** | | | | **577,135** | **100%** | |

## 10. Deposit accounts with non-resident banks

Deposit accounts with non-resident banks are composed as follows:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Gross carrying amount** | **Impairment for expected credit loss** | **Net carrying amount** | **Gross carrying amount** | **Impairment for expected credit loss** | **Net carrying amount** |
| **Term deposits** | | | | | | |
| Deutsche Bank | - | - | - | 240,000 | (216) | 239,784 |
| Raiffeisen Bank International AG | 50,000 | (64) | 49,936 | - | - | - |
| Federal Reserve Bank (FED-NY) | 8,394 | (6) | 8,388 | 9,079 | - | 9,079 |
| | **58,394** | **(70)** | **58,324** | **249,079** | **(216)** | **248,863** |
| **Interest accrued on term deposits** | | | | | | |
| Deutsche Bank | - | - | - | - | - | - |
| Raiffeisen Bank International AG | - | - | - | - | - | - |
| Federal Reserve Bank (FED-NY) | - | - | - | 1 | - | 1 |
| | - | - | - | **1** | **-** | **1** |
| **Total** | **58,394** | **(70)** | **58,324** | **249,080** | **(216)** | **248,864** |

## 10. Deposit accounts with non-resident banks (continued)

The movements of corresponding ECLs for the deposit accounts with non-resident banks at Amortized Costs are, as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2020** | **216** | **-** | **-** | **216** |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | (146) | - | - | (146) |
| 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 | - | - | - | - |
| **At 31 December 2020** | **70** | **-** | **-** | **70** |

| | 2019 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **ECL as at 1 January 2019** | **158** | **-** | **-** | **158** |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Transfers to Stage 3 | - | - | - | - |
| ECL charge of the year | 58 | - | - | 58 |
| 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 | - | - | - | - |
| **At 31 December 2019** | **216** | **-** | **-** | **216** |

Deposits placed with non-resident banks are denominated in EUR and earn interest at effective annual interest rates ranging from 0.000% to 5.370% (2018: 0.000% up to 3.040% annual) and have original maturities from 1 to 367 days (2018: from 1 to 367 days). All deposits have minimum credit ratings of A3/BBB+, according to the ratings for 2019 by Standard &Poors/Moody's.

Comparing the end of the year 2019, there is a decrease of the position at the end of 2020, resulting mainly from the maturity of placements in Deutsche Bank placements in the form of deposits with the possibility of call / withdrawal (Call Deposits) with indefinite maturity but which have matured in October 2020. Active deposits in Euro on the reporting date are 50 million euros in RBI which have a maturity of one year. We also have an overnight deposit (such as repo) assets with Federal Reserve New York of 10.3 million USD which is expressed in euro equivalent.

## 11. Assets related with IMF

| | 2020 | 2019 |
|---|---|---|
| IMF quota | 97,786 | 102,084 |
| SDR Holdings | 58,519 | 63,116 |
| Accrued interest | 242 | 535 |
| **IMF** | **156,547** | **165,735** |
| **Government** | | |
| Due from the Government for the use of IMF funds (SBA and RFI) | 111,652 | 132,610 |
| **Total** | **268,199** | **298,345** |

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

IMF Quota represents the subscription amount determined at the time of admission of Kosovo into the IMF and is expressed in SDR. The increase represents the increase of quota from 59 million SDR to 82.6 million (while disclosed above in the Note 11 in Euro) and the amounts are determined based on the rules and regulations of IMF decisions.

SDR Holdings represents assets approved by the IMF Board of Governors as per allocations of SDRs to IMF's member countries (decisions made on 28 August 2009 and 9 September 2009). SDR holding assets bear annual interest rates in 2020 ranging from 0.050% to 0.748% p.a. (2019: 0.738% up to 1.148% p.a.).

Due from the Government for the use of IMF funds, represents an amount due from the Government as per IMF and Kosovo Stand-by Arrangement signed in July 2010, April 2012 and July 2017, through which the Government of Kosovo obtained from IMF a line for use of funds in accordance with Standby Arrangements as well as the agreement for emergency assistance under the Instrument of Rapid Financing (RFI) in the amount of SDR 41.3 million SDR signed in 10 April 2020. While the outstanding as of 31 December 2020 is 94.3 million SDR (or 111.65 million Euro). The interest rate of this arrangement is tied to IMF's market-related interest rate, known as basic rate of charge, which is itself linked to the SDRs interest rate. The interest rate for 2020 annually fluctuates from 1.050% to 1.754% (in 2019 it fluctuated from 1.744% to 2.157% p.a.).

CBK acts as depository institution for the Government of Kosovo. To regulate the Stand-By Arrangement with IMF, CBK and the Government of Kosovo entered into an agreement for each Standby Arrangement "on the Procedure for Request, Acceptance, Service and Repurchase of the Funds from the IMF in terms of the Stand –By Arrangement (SBA)". Based on this arrangement CBK withdraws the SDRs from IMF, on behalf of the Government and credits them to the Government's account.

## 12. Property and equipment

Property and equipment are composed as follows:

| | Leasehold improvements | Equipment | Computers | Vehicles | Assets in process of capitalization | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 January 2019** | 5,201 | 2,431 | 2,166 | 320 | - | 10,118 |
| Acquisitions | 113 | 93 | 108 | 69 | 213 | 596 |
| Transfer from/to | - | - | - | - | - | - |
| Transfer from/to (adjustment) | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| **At 31 December 2019** | **5,314** | **2,524** | **2,274** | **389** | **213** | **10,714** |
| | | | | | | |
| **At 1 January 2020** | 5,314 | 2,524 | 2,274 | 389 | 213 | 10,714 |
| Acquisitions | 273 | 140 | 136 | - | - | 549 |
| Transfer from/to | 208 | - | - | - | (208) | - |
| Transfer from/to (adjustment) | - | - | - | - | - | - |
| Disposals | - | - | (2) | - | - | (2) |
| **At 31 December 2020** | **5,795** | **2,664** | **2,408** | **389** | **5** | **11,261** |
| | | | | | | |
| **Depreciation** | | | | | | |
| **At 1 January 2019** | 1,153 | 1,907 | 1,751 | 291 | - | 5,102 |
| Depreciation of the year | 265 | 162 | 185 | 33 | - | 645 |
| Transfer from/to (adjustment) | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| **At 31 December 2019** | **1,418** | **2,069** | **1,936** | **324** | **-** | **5,747** |
| | | | | | | |
| **At 1 January 2020** | 1,418 | 2,069 | 1,936 | 324 | - | 5,747 |
| Depreciation of the year | 271 | 171 | 172 | 14 | - | 628 |
| Transfer from/to (adjustment) | - | - | - | - | - | - |
| Disposals | - | - | (2) | - | - | (2) |
| **At 31 December 2020** | **1,689** | **2,240** | **2,106** | **338** | **-** | **6,373** |
| ***Carrying amounts*** | | | | | | |
| **At 1 January 2019** | **4,048** | **524** | **415** | **29** | **-** | **5,016** |
| **At 31 December 2019** | **3,896** | **455** | **338** | **65** | **213** | **4,967** |
| **At 31 December 2020** | **4,106** | **424** | **302** | **51** | **5** | **4,888** |

There are no assets pledged as collateral as at 31 December 2020 (31 December 2019: none). According to the Law on CBK, the Central Bank shall, for its official business, utilize and administer the property and facilities, including moveable and immovable property, located at Garibaldi Street 33, Pristina.

## 13. Intangible assets

Intangible assets are composed as follows:

| | Software under development | Software | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance at 1 January 2019** | - | 3,971 | 3,971 |
| Acquisitions | 508 | 43 | 551 |
| Transfers (from)/to | - | - | - |
| Transfers (from)/to (adjustments) | - | - | - |
| Disposals | - | - | - |
| **Balance at 31 December 2019** | **508** | **4,014** | **4,522** |
| **Balance at 1 January 2020** | 508 | 4,014 | 4,522 |
| Acquisitions | 31 | 136 | 167 |
| Transfers (from)/to | (508) | 508 | - |
| Transfers (from)/to (adjustments) | | | - |
| Disposals/write offs | | | - |
| **Balance at 31 December 2020** | **31** | **4,658** | **4,689** |
| **Amortization** | | | |
| **Balance at 1 January 2019** | - | 2,181 | 2,181 |
| Amortization for the year | - | 396 | 396 |
| Disposals | - | - | - |
| **Balance at 31 December 2019** | **-** | **2,577** | **2,577** |
| **Balance at 1 January 2020** | - | 2,577 | 2,577 |
| Amortization for the year | - | 412 | 412 |
| Disposals/write offs | - | | - |
| **Balance at 31 December 2020** | **-** | **2,989** | **2,989** |
| **Net carrying amounts** | | | |
| **Balance at 1 January 2019** | **-** | **1,790** | **1,790** |
| **Balance at 31 December 2019** | **508** | **1,437** | **1,945** |
| **Balance at 31 December 2020** | **31** | **1,669** | **1,700** |

## 14. Other assets

Other assets are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| Accrued fee income | 1,774 | 1,558 |
| Accounts receivables and prepayments | 109 | 142 |
| **Total** | **1,883** | **1,700** |

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

## 15. Due to domestic banks

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

| Due to domestic banks | 2019 | 2019 |
|---|---|---|
| ProCredit Bank Kosovo | 33,453 | 29,070 |
| Raiffeisen Bank Kosovo | 44,734 | 41,973 |
| NLB Prishtina | 32,142 | 28,123 |
| Banka Ekonomike | 12,416 | 9,818 |
| Banka për Biznes | 12,346 | 10,336 |
| Banka Kombëtare Tregtare (Prishtina branch) | 17,534 | 15,203 |
| Banka Ekonomike Turke (TEB) | 24,781 | 22,243 |
| Komercijalna Banka – Mitrovica branch | 4,447 | 3,886 |
| Turkiye is Bankasi a.s. | 2,942 | 3,294 |
| T.C. Ziraat Bankasi A.S. – Kosovo branch | 2,621 | 2,315 |
| Banka Credins Kosovë | - | - |
| Banka Kreditore e Prishtinës | - | - |
| **Total minimum required reserve** | **187,416** | **166,261** |
| **Additional amount on the required reserve** | | |
| ProCredit Bank Kosovo | 29,850 | 26,882 |
| Raiffeisen Bank Kosovo | 36,494 | 18,958 |
| NLB Prishtina | 91,536 | 53,539 |
| Banka Ekonomike | 45,114 | 32,026 |
| Banka për Biznes | 40,166 | 31,733 |
| Banka Kombëtare Tregtare (Prishtina branch) | 56,986 | 25,576 |
| Banka Ekonomike Turke (TEB) | 44,667 | 32,635 |
| Komercijalna Banka – Mitrovica branch | 4,219 | 3,737 |
| Turkiye is Bankasi a.s. | 16,556 | 16,013 |
| T.C. Ziraat Bankasi A.S. –Kosova branch | 5,530 | 7,582 |
| Banka Credins Kosovë | 7,887 | - |
| Banka Kreditore e Prishtinës | 5 | - |
| **Total addition on current account** | **379,010** | **248,681** |
| **Total amount on current account** | **566,426** | **414,942** |

The applied interest rate as of 31 December 2020 was -0.60% (subsequently -0.60% for 31 December 2019) for the deposits above the reserve required. The required reserve is calculated as per rule of required reserve.

## 16. Due to IMF related accounts

| | 2020 | 2019 |
|---|---|---|
| IMF Account no. 1 | 250 | 255 |
| IMF Account no. 2 | 6 | 6 |
| IMF Security Account | 185,433 | 209,641 |
| IMF SDR - Allocation | 65,548 | 68,429 |
| Accrued interest | 244 | 541 |
| **Total due to IMF** | **251,481** | **278,872** |

| **Due to Government** | | |
|---|---|---|
| IMF – Paid proportion of Government quota | 17,657 | 18,364 |
| **Total due to Government** | **17,657** | **18,364** |
| **Total** | **269,138** | **297,236** |

These positions are related to the admission of Kosovo to the IMF in June 2009.

Accounts No.1 and No.2 are IMF accounts with CBK opened according to IMF's rules and regulations.

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

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

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

SDR Allocations and Paid portion of quota are interest-bearing with annual interest rates for quarterly averages ranging from 0.050% - 0.750% p.a. 2020 (2019: 0.740% - 1.153% p.a.).

## 17. Due to Governmental institutions

Due to Governmental institutions comprise current accounts as follows:

| Current accounts | 2020 | 2019 |
|---|---|---|
| Treasury – Ministry of Finance | 316,897 | 444,301 |
| Privatization Agency of Kosovo | 191,457 | 275,160 |
| Interim administration institutions | 92 | 358 |
| **Total** | **508,446** | **719,819** |

The effective annual interest rate for current accounts for the year ended on 31 December 2020 is zero (for the year ended on 31 December 2019: zero).

## 18. Due to public and commercial entities

| | 2020 | 2019 |
|---|---|---|
| **Current accounts** | | |
| Insurance companies | 4,688 | 4,717 |
| Other public institutions | 133,971 | 47,448 |
| Licensed Pension Funds | - | - |
| Other | 2 | 2 |
| **Total** | **138,661** | **52,167** |

The effective interest for current accounts as at 31 December 2020 and 2019 is zero.

## 19. Borrowings

| | 2020 | 2019 |
|---|---|---|
| Borrowing/s | 2,154 | 2,266 |
| **Total** | **2,154** | **2,266** |

The above amounts represent the borrowing from the World Bank. The Bank has used the opportunity of borrowing with favourable terms (the low interest rates and repayment period of principal up to 10 years). The repayment of interest has started from the starting of the disbursement in 2014, but the repayment of the principal will start from October 2021. The final maturity will be 15 April 2031. The borrowing is related to the project for payments system within the country in terms of their real time processing and for the project for the centre of continuity of work. The change is due to the EUR/SDR exchange rate movement at the reporting date.

## 20. Other liabilities

| | 2020 | 2019 |
|---|---|---|
| Safe custody accounts | 756 | 756 |
| Deferred grants | 295 | 393 |
| Other deferred income | 11 | 11 |
| Provision for litigations | 242 | 162 |
| Sundry creditors | 606 | 456 |
| Employee benefits | 629 | - |
| | **2,539** | **1,778** |

The change comes from the normal flow of activities within the CBK in the report with the disclosure dates.
As of 31 December 2020, the safe custody accounts include the amount of 756 thousand Euros, which is related to the current accounts of the Kosovo Insurance Company, which was liquidated on April 2010. Consequently, this amount remained as safe custody account and as of 31 December 2020 and 2019 it has the above balance.

The movement in provisions is as follows:

| | 2020 | 2019 |
|---|---|---|
| Carrying value on January 1st | 162 | 162 |
| Provision expenses for contingent liabilities (note 28) | 80 | - |
| | **242** | **162** |

The movement in deferred grants was as follows:

| | Ministry of Finance | World Bank | European Central Bank | Total |
|---|---|---|---|---|
| Deferred grant at 1 January 2019 | 198 | 294 | - | 492 |
| Grants received during the year | - | - | 21 | 21 |
| Grants recognized as revenue for the year | (60) | (39) | (21) | (120) |
| **Deferred grant at 31 December 2019** | **138** | **255** | **-** | **393** |
| Deferred grant at 1 January 2020 | 138 | 255 | - | 393 |
| Grants received during the year | - | - | 20 | 20 |
| Grants recognized as revenue for the year | (60) | (39) | (20) | (119) |
| **Deferred grant at 31 December 2020** | **78** | **216** | **-** | **294** |

The Ministry of Finance grant was their project for establishment the application of the Kosovo government security deposits, once the project was completed they granted to us the application. The World Bank grant was for application of off-site supervision and the ECB grant is the regional project for training the regional central bank, part of that program was the CBK as well.

## 21. Authorized capital

The CBK statutory fund as at 31 December 2020 and 2019 is 30,000 Euro, pursuant to the Law no. 03/L-209 adopted on 22 July 2010.
CBK reports directly to the Assembly of Kosovo. CBK capital is not subject to encumbrances.

## 21a. Reserve fund and revaluation reserve

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

## 22. Net interest income

Net interest income is composed as follows:

| | 2020 | 2019 |
|---|---|---|
| **Interest income** | | |
| From deposit accounts | 27 | 198 |
| From treasury bills and bonds | 2,607 | 1,983 |
| From current accounts | 126 | 642 |
| From negative rates in deposits | 1,069 | 706 |
| | **3,829** | **3,529** |
| **Interest expense** | | |
| On current accounts from non-banking entities | 138 | 683 |
| To nostro accounts with correspondent banks | 808 | 901 |
| On term deposits | 2 | - |
| From borrowings | 17 | 16 |
| | **965** | **1,599** |
| **Net interest income** | **2,864** | **1,930** |

The CBK is paying negative rates on nostro current account balances with correspondent banks (according to some limits set by them), as a result of which it applies negative rates on the required reserve for commercial banks and above a certain limit to the Kosovo Pension Savings Trust.

## 23. Net fee and commission income

Net fee and commission income are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| **Fee income** | | |
| From cash deposits | 954 | 873 |
| From foreign incoming transfers | 77 | 70 |
| From foreign outgoing transfers | 308 | 352 |
| From the inter-bank clearing system | 1,231 | 1,279 |
| From the credit registry system | 132 | 199 |
| Other fees | 17 | 25 |
| | **2,719** | **2,798** |
| **Fee expenses** | | |
| For cash transportation | 346 | 529 |
| For correspondent bank transactions | 41 | 47 |
| | **387** | **576** |
| **Net fee and commission income** | **2,332** | **2,222** |

This group of income is derived from the services offered to CBK's clients (institution), for payments, deposits, for the credit registry platform and maintenance of accounts and items in storage.

## 24. Income from regulatory activity

Regulatory activity income mainly comprises fees charged to financial institutions in Kosovo as part of the issuance or renewal of licenses, as well as other statutory fees related to their activities for which the CBK has regulating legal power.

Income from regulatory activity:

| | 2020 | 2019 |
|---|---|---|
| Fee charged to commercial banks | 3,567 | 3,137 |
| Fee charged to insurance companies | 1,535 | 1,491 |
| Fee from non-bank financial institutions | 251 | 300 |
| Fee charged to pension fund institutions | 29 | 28 |
| **Total** | **5,382** | **4,956** |

## 25. Grant income

Grant income is composed as follows:

| | 2020 | 2019 |
|---|---|---|
| Treasury – Ministry of Finances (ICU portfolio) | 60 | 60 |
| World Bank | 39 | 39 |
| European Central Bank | 20 | 21 |
| **Total** | **119** | **120** |

## 26. Other operating income

Operating income:

| | 2020 | 2019 |
|---|---|---|
| Other income | 11 | 8 |
| **Total** | **11** | **8** |

Within the line other incomes (irregular) are the incomes under note 26 and as such these incomes are not related to regular activity nor to any other specific item disclosed as separate within other financial items.

## 27. Personnel expenses

Personnel expenses are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| Employee benefits | | |
| Wages and salaries | 3,902 | 3,892 |
| Pension contributions | 606 | 609 |
| Health insurance costs | 195 | 189 |
| | **4,703** | **4,690** |
| Other personnel expenses | | |
| Staff training | 26 | 164 |
| Central Bank Board expenses | 86 | 116 |
| Other | 18 | 19 |
| | **130** | **299** |
| **Total** | **4,833** | **4,989** |

The number of employees that actively affected the cost disclosed for 2020 is 229 (2019: 236).

## 28. General and administrative expenses

General and administrative expenses are as follows:

| | 2020 | 2019 |
|---|---|---|
| Insurance expenses | 331 | 296 |
| Repairs and maintenance | 73 | 76 |
| Software maintenance | 385 | 333 |
| Communication expense (telephone, telex and internet) | 37 | 38 |
| Utilities | 81 | 82 |
| Audit and consulting expense | 13 | 13 |
| Security and guard services | 112 | 111 |
| Travel and transportation | 15 | 153 |
| Vehicle operating expenses | 14 | 19 |
| Stationery | 4 | 5 |
| Representation expenses * | 31 | 122 |
| Other representation expenses * | 4 | 9 |
| Cafeteria expenses | 36 | 42 |
| Computer and other consumables expense | 11 | 15 |
| Consumable expenses for equipment | 5 | 4 |
| Publication and literature expenses | 8 | 10 |
| Technical professional assistance and other external services | 11 | 56 |
| Membership in professional organizations ** | 43 | 28 |
| Provision expenses | 80 | - |
| Other | 52 | 39 |
| **Total** | **1,346** | **1,451** |

* Other Representation expenses consist of: *conferences and similar activities, financial education program, children's gift for the end of the year, ceremonies and gifts for staff retirement, gifts for March 8 and the like.* The big change is mainly due to the conference and the activity of the 20th anniversary of the establishment of the CBK held during 2019.

** Memberships in professional organizations relates to the expenses for international memberships fees for insurance supervisions, pension supervisions, credit registry, internal audit and financial reporting standard regulatory.

## 29. Foreign exchange net profit/loss

Net loss from foreign exchange is 663 thousand Euro for the year ended 31 December 2020, (while in 2019: profit of 248 thousand), and it represents the unrealised foreign exchange profit in relation to foreign exchange differences resulting upon translation of the USD and SDR assets and liabilities to the equivalent amounts in Euro, disclosed in the CBK's books.

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

| | | 31 December 2020 | |
|---|---|---|---|
| **Note:** | | **Assets** | **Liabilities** |
| 10 | USD | 10,512 | - |
| 11,16 | SDR | 226,343 | 228,954 |

| | | 31 December 2019 | |
|---|---|---|---|
| | | **Assets** | **Liabilities** |
| 10 | USD | 10,479 | - |
| 11,16 | SDR | 240,969 | 240,067 |

**The effect of exchange rate variation on inclusive income**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| from USD | (791) | 172 |
| from SDR | 128 | 76 |
| | **(663)** | **248** |

Profit / Loss from the change of "exchange rate" is a temporary non-operating position derived from foreign currency items (USD and DVT-SDR disclosed above), which on the reporting date must be reported in Euros their equivalents according to the exchange rate of the reporting date. With the change of the exchange rate, there is also a difference (whether profit or loss), which as such only equates financial items - equivalent values but which are not actual realizations.

This effect in 2020 has been negative and has decreased ***"the total comprehensive income for the year"***. If we exclude this effect (respectively amounts of 663 thousand as unrealized loss and 248 thousand euros as unrealized profits), the financial operating result for 2020 is **3,489 thousand euros** and for 2019 is **1,755 thousand euros.**

The position in USD (US Dollar) is with the Federal Reserve Bank New York (FED) and is held for the purpose of managing the activities of the investment portfolio in the framework of asset management. This activity started in the second quarter of 2018.

Position in SDR - The special rights of withdrawal are set out in notes 11 and 16.

## 30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| Cash on hand | 7 | 308,090 | 302,166 |
| Current accounts with non-resident banks | 8 | 313,706 | 108,863 |
| Deposit accounts with non-resident banks with original maturity up to three months | 10 | 8,394 | 9,080 |
| **Total** | | **630,190** | **420,109** |

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. An investment qualifies as a cash equivalent when it has a short maturity, three months or less from the date of acquisition.

## 31. Commitments and Contingencies Liabilities

### Legal cases

There are several open legal cases against the CBK as at the reporting date of these financial statements. It is the management's opinion that the final outcome of these cases will not have a significant effect on the financial statements of the CBK, as at and for the year ending 31 December 2020, however due to professional care, the CBK has estimated and recorded a provision disclosed under other liabilities, even though during 2020 this provision has not increased compared to the prior year.

### *Other Commitments*

Other commitments are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| Service contracts | - | 172 |
| Contracts for renovation of building | 58 | 339 |
| Equipment contracts | 46 | 123 |
| Applications in process | 19 | - |
| **Total** | **123** | **634** |

In 2009, Kosovo became a member of the World Bank Group organizations – International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and the Multilateral Investment Guarantee Agency (MIGA). In relation to this membership, the CBK acts as depository. This is in accordance with the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo and Law no. 03-L-152 on Membership of the Republic of Kosovo in the International Monetary Fund and World Bank Group Organizations.

In June 2009, the Government of Kosovo issued promissory notes to make payments concerning membership subscription to the abovementioned World Bank agencies, upon their requests and payment instructions. The total balance at 31 December 2020 was 645 thousand and in 2019 the total amount of these promissory notes was 645 thousand Euro.

## 32. Related party transactions

Related parties include Key Management and the Central Bank Board. Their compensations are presented below:

| | 2020 | 2019 |
|---|---|---|
| Compensation to Central Bank Board members | 68 | 78 |
| Compensation to Audit Committee | 7 | 10 |
| Compensation to Key Management Personnel | 155 | 149 |
| **Total** | **230** | **237** |

## 33. Subsequent events

There are no important or large impact of subsequent events after the reporting date, that would require either adjustments or additional disclosures in these financial statements. This includes also, our evaluation and assessments of financial effect in the financial statements of the Central Bank for pandemic situation of Covid-19.

# 10. Statistical Appendix

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## 1.1. Financial Corporation survey - assets

(EUR million: End of period)

| Description | Net foreign assets | | | | | | | | Domestic claims | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Claims on non-residents | | | | of which: | | Liabilities to non-residents | | Claims on central government | | | Claims on other sectors | of which: | | |
| | | | Monetary gold and SDR | Deposits | Securities other than shares | IMF Quota | Assets and other equities | | | | Claims on central government | Liabilities to central government | | Loans | of which: | |
| | | | | | | | | | | | | | | | Other nonfinancial corp. | Households |
| 2010 | 1,935.4 | 2,365.6 | 64.0 | 1,235.7 | 525.2 | 68.5 | 269.3 | 430.2 | 788.9 | -802.7 | 22.1 | 824.8 | 1,591.6 | 1,568.3 | 1,127.7 | 434.2 |
| 2011 | 2,047.3 | 2,425.6 | 65.1 | 1,338.9 | 230.2 | 70.1 | 533.1 | 378.2 | 998.8 | -778.0 | 20.5 | 798.4 | 1,776.8 | 1,750.8 | 1,233.1 | 514.6 |
| 2012 | 2,224.1 | 2,660.4 | 63.3 | 1,147.7 | 486.0 | 68.8 | 666.5 | 436.3 | 1,195.5 | -651.7 | 186.8 | 838.5 | 1,847.2 | 1,819.4 | 1,271.3 | 546.3 |
| 2013 | 2,452.7 | 2,908.3 | 59.6 | 1,037.9 | 818.7 | 65.9 | 651.2 | 455.6 | 1,369.1 | -515.0 | 258.9 | 774.0 | 1,884.2 | 1,859.9 | 1,291.1 | 567.7 |
| 2014 | 2,546.6 | 3,011.6 | 62.5 | 1,313.0 | 315.7 | 70.4 | 1,024.4 | 465.0 | 1,609.0 | -386.7 | 349.2 | 735.9 | 1,995.8 | 1,971.5 | 1,345.5 | 625.3 |
| 2015 | 2,610.3 | 3,133.4 | 65.1 | 1,271.6 | 351.3 | 75.1 | 1,086.3 | 523.2 | 1,864.8 | -278.4 | 481.2 | 759.6 | 2,143.2 | 2,114.8 | 1,416.3 | 697.7 |
| 2016 | 2,705.6 | 3,249.5 | 56.0 | 648.0 | 712.5 | 105.3 | 1,307.4 | 543.9 | 2,221.0 | -160.1 | 582.2 | 742.3 | 2,381.1 | 2,354.7 | 1,552.3 | 799.1 |
| 2017 | 2,784.8 | 3,441.8 | 66.3 | 715.9 | 639.2 | 98.1 | 1,483.0 | 657.0 | 2,561.2 | -123.4 | 714.7 | 838.1 | 2,684.6 | 2,650.8 | 1,747.6 | 900.4 |
| 2018 | 2,610.2 | 3,288.1 | 64.9 | 602.2 | 739.8 | 100.3 | 1,231.8 | 677.9 | 3,049.2 | 48.5 | 839.5 | 791.0 | 3.000.8 | 2,970.2 | 1,965.0 | 1,000.8 |
| 2019 | 2,867.1 | 3,574.0 | 63.7 | 723.6 | 633.4 | 102.1 | 1,485.3 | 706.9 | 3,511.9 | 181.0 | 931,6 | 750.6 | 3,330.9 | 3,296.6 | 2,187.8 | 1,104.7 |
| 2020 | 2,981.2 | 3,703.6 | 58.8 | 831.3 | 716.8 | 97.8 | 1,359.9 | 722.4 | 4,048.9 | 513.3 | 1,053.5 | 540.2 | 3,535.6 | 3,499.5 | 2,312.7 | 1,182.2 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls

## 1.2. Financial corporation survey – liabilities

(EUR million: End of period)

| Description | Deposits | | | | | | | | | Loans | Insurance technical reserves | | | Assets and other equities | Other items (net) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Transferable (net) deposits | of which: | | | Other deposits | of which: | | | | | | | | |
| | | | Public nonfinancial corp. | Other financial corp. | Households | | Public nonfinancial corp. | Other nonfinancial corp. | Households | | | Net equity of households in pension funds | Payment of premiums and reserves | | |
| 2010 | 1,744.2 | 621.2 | 83.8 | 218.6 | 303.5 | 1,123.1 | 42.8 | 83.4 | 995.9 | … | 540.5 | 493.7 | 46.8 | 361.0 | 74.0 |
| 2011 | 1,933.6 | 658.4 | 68.1 | 208.1 | 360.9 | 1,275.1 | 60.8 | 79.7 | 1,129.6 | … | 647.8 | 593.3 | 54.5 | 389.7 | 76.5 |
| 2012 | 2,076.6 | 700.2 | 13.8 | 257.5 | 407.2 | 1,376.5 | 61.8 | 78.2 | 1,232.9 | … | 814.9 | 745.1 | 69.8 | 399.2 | 128.9 |
| 2013 | 2,275.3 | 848.0 | 16.4 | 299.6 | 506.6 | 1,427.3 | 55.7 | 98.2 | 1,268.4 | … | 990.3 | 919.0 | 71.3 | 403.9 | 152.4 |
| 2014 | 2,353.7 | 1,133.9 | 21.1 | 338.4 | 743.5 | 1,219.8 | 51.6 | 58.0 | 1,104.8 | … | 1,173.8 | 1,094.1 | 79.7 | 452.3 | 175.8 |
| 2015 | 2,514.6 | 1,378.4 | 11.1 | 413.8 | 919.0 | 1,136.3 | 20.6 | 68.3 | 1,046.8 | … | 1,329.6 | 1,237.3 | 92.3 | 530.5 | 100.4 |
| 2016 | 2,739.7 | 1,630.1 | 24.7 | 456.0 | 1,116.0 | 1,109.6 | 32.2 | 70.8 | 1,006.2 | … | 1,546.0 | 1,425.4 | 120.6 | 542.4 | 98.4 |
| 2017 | 2,888.4 | 1,780.2 | 59.2 | 491.6 | 1,191.8 | 1,108.2 | 35.1 | 89.9 | 978.7 | ... | 1,766.5 | 1,652.8 | 113.8 | 621.0 | 70.0 |
| 2018 | 3,118.2 | 1,962.6 | 80.5 | 527.0 | 1,316.1 | 1,155.6 | 30.2 | 98.4 | 1,018.2 | ... | 1,807.2 | 1,689.0 | 118.2 | 658.6 | 75.4 |
| 2019 | 3,490.5 | 2,261.8 | 61.5 | 657.3 | 1,496.9 | 1,228.7 | 29.0 | 90.3 | 1,105.0 | ... | 2,107.6 | 1,976.5 | 131.1 | 693.8 | 87.1 |
| 2020 | 3,998.8 | 2,683.0 | 126.9 | 719.7 | 1,783.9 | 1,315.8 | 44.8 | 107.7 | 1,153.3 | ... | 2,138.0 | 1,999.2 | 138.8 | 799.9 | 93.4 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls

## 2.1. Deposit corporations' survey- net foreign assets and domestic claims

(EUR million: End of period)

| Description | Net foreign assets | | | | | | | Domestic claims | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Claims on non-residents | | | | | Minus: liabilities to non-residents | | Net claims on central government | | | Claims on other sectors | | | |
| | | | Cash | Deposits | Securities other than shares | IMF Quotas | | | | Claims on central government | Minus: liabilities to central government | | Loans | | |
| | | | | | | | | | | | | | | of which: | |
| | | | | | | | | | | | | | | Other nonfinancial corp. | Households |
| 2010 | 1,594.1 | 1,935.0 | 164.3 | 1,235.7 | 372.7 | 68.5 | 340.9 | 654.9 | -802.7 | 22.1 | 824.8 | 1,453.3 | 1,452.9 | 1,006.6 | 434.2 |
| 2011 | 1,583.3 | 1,879.9 | 124.9 | 1,338.8 | 227.0 | 70.1 | 296.6 | 888.2 | -777.9 | 20.5 | 798.4 | 1,666.1 | 1,665.6 | 1,130.6 | 514.6 |
| 2012 | 1,616.7 | 1,989.7 | 141.4 | 1,147.6 | 482.7 | 68.8 | 373.1 | 1,075.9 | -665.7 | 172.9 | 838.5 | 1,741.6 | 1,740.9 | 1,172.9 | 546.3 |
| 2013 | 1,859.7 | 2,252.6 | 157.9 | 1,037.8 | 815.3 | 65.9 | 392.9 | 1,219.0 | -568.2 | 205.8 | 774.0 | 1,787.2 | 1,786.0 | 1,196.7 | 567.7 |
| 2014 | 1,579.0 | 1,982.2 | 160.4 | 1,312.9 | 311.6 | 70.4 | 403.2 | 1,441.6 | -441.4 | 294.5 | 735.9 | 1,883.0 | 1,881.9 | 1,248.7 | 625.3 |
| 2015 | 1,581.8 | 2,042.3 | 190.6 | 1,271.5 | 347.4 | 75.1 | 460.5 | 1,641.4 | -378.9 | 380.7 | 759.6 | 2,020.3 | 2,019.2 | 1,312.0 | 697.7 |
| 2016 | 1,493.1 | 1,936.8 | 316.7 | 647.9 | 709.5 | 105.3 | 443.7 | 1,971.5 | -259.4 | 482.9 | 742.3 | 2,230.9 | 2,229.6 | 1,419.2 | 799.1 |
| 2017 | 1,419.6 | 1,945.7 | 357.2 | 707.6 | 637.6 | 98.1 | 526.1 | 2,254.7 | -240.2 | 597.9 | 838.1 | 2,495.0 | 2,485.1 | 1,577.1 | 900.4 |
| 2018 | 1,421.7 | 1,931.4 | 483.8 | 482.2 | 738.3 | 100.3 | 509.7 | 2,572.8 | -184.6 | 606.4 | 791.0 | 2,757.4 | 2,755.1 | 1,743.2 | 1,000.8 |
| 2019 | 1,576.3 | 2,085.0 | 509.8 | 722.9 | 632.0 | 102.1 | 508.7 | 2,885.7 | -146.9 | 603.7 | 750.6 | 3,032.6 | 3,030.9 | 1,915.2 | 1,104.7 |
| 2020 | 1,814.4 | 2,339.6 | 540.3 | 830.5 | 716.8 | 97.8 | 525.1 | 3,274.2 | 26.7 | 567.0 | 540.2 | 3,247.5 | 3,245.6 | 2,051.0 | 1,182.2 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls

## 2.2. Depository corporations' survey - – Liabilities

(EUR million: End of period)

| Description | Deposits included in broad money | | | | | | | | | | | Deposits excluded from broad money | Assets and other equities | Other items (net) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Transferable deposits | | | | | Other deposits | | | | | | | |
| | | | | | of which: | | | | | of which: | | | | |
| | | | Other financial corp. | Public nonfinancial corp. | Other nonfinancial corp. | Households | | Other financial corp. | Public nonfinancial corp. | Other nonfinancial corp. | Households | | | |
| 2010 | 1,747.9 | 674.3 | 53.1 | 83.8 | 218.6 | 305.1 | 1,073.6 | 85.2 | 30.2 | 73.5 | 883.7 | 138.2 | 278.5 | 84.4 |
| 2011 | 1,902.2 | 705.3 | 37.8 | 77.2 | 208.1 | 363.3 | 1,196.9 | 91.0 | 49.2 | 71.7 | 979.9 | 175.8 | 302.9 | 90.6 |
| 2012 | 2,036.8 | 759.5 | 41.9 | 31.2 | 257.5 | 408.9 | 1,277.3 | 100.4 | 49.8 | 70.5 | 1,053.1 | 206.2 | 321.1 | 128.5 |
| 2013 | 2,389.2 | 1,097.1 | 226.5 | 39.1 | 299.6 | 509.0 | 1,292.1 | 62.2 | 43.7 | 92.3 | 1,088.9 | 209.7 | 329.0 | 151.5 |
| 2014 | 2,287.4 | 1,194.7 | 60.8 | 21.1 | 338.4 | 745.2 | 1,092.7 | 67.2 | 39.4 | 50.2 | 930.6 | 208.7 | 373.8 | 150.6 |
| 2015 | 2,415.6 | 1,476.0 | 97.6 | 11.1 | 413.8 | 919.7 | 939.6 | 37.4 | 7.8 | 55.0 | 838.9 | 252.2 | 444.4 | 111.7 |
| 2016 | 2,639.1 | 1,700.3 | 70.9 | 24.7 | 456.0 | 1,116.0 | 938.7 | 50.5 | 20.1 | 56.4 | 811.3 | 243.3 | 474.1 | 108.3 |
| 2017 | 2,806.9 | 1,869.2 | 89.8 | 59.2 | 491.6 | 1,191.8 | 937.7 | 68.2 | 22.9 | 66.3 | 775.8 | 261.6 | 523.3 | 82.5 |
| 2018 | 3,030.0 | 2,047.4 | 84.9 | 80.5 | 527.0 | 1,316.1 | 982.6 | 126.7 | 17.5 | 60.8 | 768.9 | 329.3 | 552.2 | 83.0 |
| 2019 | 3,393.4 | 2,338.2 | 76.4 | 61.5 | 657.3 | 1,496.9 | 1,055.2 | 201.0 | 16.0 | 56.5 | 777.3 | 438.9 | 575.8 | 54.0 |
| 2020 | 3,913.5 | 2,835.0 | 152.0 | 126.9 | 719.7 | 1,783.9 | 1,078.5 | 152.9 | 32.2 | 74.7 | 808.5 | 459.7 | 667.3 | 48.1 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls

## Table 3.1. CBK Survey - net foreign assets and domestic claims

(EUR million: End of period)

| Description | Net foreign assets | | | | | | | Minus: liabilities to non-residents | | | Net claims on central government | Claims on other sectors |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Claims on non-residents | | | | | | | | | | |
| | | | of which: | | | | | | of which: | | | |
| | | | SDRs | Cash | Deposits | Securities other than shares | IMF Quota | | SDR allocations | Use of IMF funds | | |
| 2010 | 1,085.9 | 1,224.8 | 64.0 | 60.2 | 832.3 | 199.2 | 68.5 | 138.9 | 64.2 | 73.0 | -791.0 | 0.5 |
| 2011 | 1,074.1 | 1,214.2 | 65.1 | 13.5 | 1,038.8 | 25.0 | 70.1 | 140.1 | 65.7 | 73.7 | -776.7 | 0.5 |
| 2012 | 1,125.7 | 1,356.0 | 63.3 | 16.8 | 921.0 | 286.0 | 68.8 | 230.3 | 64.6 | 165.3 | -724.8 | 0.7 |
| 2013 | 1,286.3 | 1,504.3 | 59.6 | 27.4 | 790.5 | 560.8 | 65.9 | 218.0 | 61.9 | 155.8 | -667.5 | 1.2 |
| 2014 | 1,044.7 | 1,266.4 | 62.5 | 29.2 | 983.5 | 120.5 | 70.4 | 221.6 | 66.1 | 155.2 | -628.8 | 1.1 |
| 2015 | 1,046.4 | 1,302.6 | 65.1 | 15.3 | 1,046.3 | 100.2 | 75.1 | 256.1 | 70.5 | 184.8 | -599.4 | 1.1 |
| 2016 | 895.2 | 1,161.7 | 56.0 | 154.8 | 402.7 | 438.4 | 105.3 | 266.5 | 70.6 | 193.7 | -493.1 | 1.4 |
| 2017 | 939.4 | 1,242.6 | 66.3 | 188.5 | 491.0 | 394.3 | 98.1 | 303.2 | 65.7 | 235.0 | -473.6 | 9.7 |
| 2018 | 933.9 | 1,239.6 | 64.9 | 285.4 | 219.0 | 565.5 | 100.3 | 305.7 | 67.2 | 236.1 | -431.6 | 2.1 |
| 2019 | 937.1 | 1,218.6 | 63.7 | 302.2 | 357.7 | 392.9 | 102.1 | 281.5 | 69.0 | 209.9 | -421.5 | 1.7 |
| 2020 | 969.1 | 1,222.8 | 58.8 | 308.1 | 371.7 | 386.5 | 97.8 | 253.7 | 65.8 | 185.7 | -213.1 | 1.9 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

## Table 3.2. CBK survey - Liabilities

(EUR million: End of period)

| Description | Deposits included in broad money | | | | | | | | Deposits excluded from monetary base | | | Capital and other | | | Other items (net) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Transferable deposits | | | | | Other deposits | | | | | | | | |
| | | | of which: | | | | | | | | | | of which: | | |
| | | | Other financial corporations | Local government | Public nonfinancial corporations | Other financial corporations | | Other financial corporations | | Other nonfinancial corporations | Local government | | Capital | Profit loss of the year | |
| 2010 | 45.6 | 45.6 | 43.9 | … | 0.0 | … | … | … | … | … | … | 48.0 | 30.0 | 3.1 | -1.8 |
| 2011 | 39.5 | 39.5 | 36.8 | … | 0.2 | … | … | … | … | … | … | 50.0 | 30.0 | 1.5 | -1.3 |
| 2012 | 51.5 | 51.5 | 49.8 | … | 0.0 | … | … | … | … | … | … | 50.4 | 30.0 | 0.3 | -2.4 |
| 2013 | 239.0 | 239.0 | 236.6 | … | 0.0 | … | … | … | … | … | … | 50.5 | 30.0 | 0.2 | -2.7 |
| 2014 | 53.0 | 53.0 | 40.5 | … | 10.9 | … | … | … | … | … | … | 50.8 | 30.0 | 0.4 | -2.7 |
| 2015 | 83.4 | 83.4 | 82.3 | … | 0.3 | … | … | … | … | … | … | 51.6 | 30.0 | 0.7 | -3.3 |
| 2016 | 59.6 | 59.6 | 51.2 | … | 7.7 | … | … | … | … | … | … | 53.3 | 30.0 | 1.6 | -5.8 |
| 2017 | 96.6 | 96.6 | 52.7 | ... | 43.1 | .... | … | … | … | … | … | 52.4 | 30.0 | -0.9 | -5.3 |
| 2018 | 111.6 | 111.6 | 49.3 | ... | 61.6 | ... | … | … | … | … | … | 54.5 | 30.0 | 2.2 | -5.1 |
| 2019 | 52.9 | 52.9 | 51.0 | ... | 1.1 | ... | ... | ... | ... | ... | ... | 55.7 | 30.0 | 2.1 | -6.3 |
| 2020 | 139.4 | 139.4 | 110.3 | ... | 28.3 | ... | ... | ... | ... | ... | ... | 57.2 | 30.0 | 2.2 | -5.1 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

## Table 4.1. ODC Survey - Net Foreign Assets and Domestic Claims

(EUR million: End of period)

| Description | Net foreign assets | | | | | | | | Claims on CBK | Net claims on central government | Claims on other sectors | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Claims on non-residents | of which: | | | Minus: Liabilities to non-residents | of which: | | | | | Loans | | | |
| | | | Cash | Deposits | Securities other than shares | | Deposits | Loans | | | | | Public nonfinancial corp. | Other nonfinancial corp. | Households |
| 2010 | 507.6 | 709.8 | 103.5 | 403.5 | 173.4 | 202.2 | 85.5 | 116.7 | 203.4 | -11.6 | 1,457.5 | 1,452.7 | 6.3 | 1,006.6 | 434.2 |
| 2011 | 509.2 | 665.7 | 111.5 | 300.0 | 202.0 | 156.5 | 64.8 | 90.5 | 220.0 | -1.2 | 1,666.1 | 1,664.1 | 1.5 | 1,130.6 | 514.6 |
| 2012 | 490.9 | 633.7 | 124.6 | 226.6 | 196.7 | 142.8 | 87.6 | 50.3 | 301.1 | 59.2 | 1,741.6 | 1,740.5 | 1.4 | 1,172.9 | 546.3 |
| 2013 | 573.4 | 748.3 | 130.6 | 247.3 | 254.4 | 174.9 | 90.4 | 82.4 | 332.8 | 99.4 | 1,786.0 | 1,786.0 | 0.2 | 1,196.7 | 568.6 |
| 2014 | 534.3 | 715.8 | 131.2 | 329.4 | 191.1 | 181.5 | 90.6 | 87.8 | 315.9 | 187.3 | 1,881.9 | 1,881.8 | 0.6 | 1,248.7 | 625.3 |
| 2015 | 535.7 | 740.0 | 175.5 | 225.2 | 247.2 | 204.3 | 116.0 | 85.9 | 315.7 | 220.7 | 2,019.0 | 2,019.0 | 0.6 | 1,324.1 | 685.6 |
| 2016 | 597.9 | 775.1 | 161.9 | 245.2 | 271.1 | 177.2 | 74.1 | 95.9 | 295.4 | 233.7 | 2,229.6 | 2,229.6 | 2.9 | 1,419.2 | 799.5 |
| 2017 | 480.2 | 703.1 | 168.7 | 216.6 | 243.4 | 222.9 | 117.9 | 102.5 | 330.7 | 233.4 | 2,485.1 | 2,485.1 | 2.4 | 1,577.1 | 900.8 |
| 2018 | 487.8 | 691.8 | 198.5 | 263.2 | 172.8 | 204.0 | 108.6 | 91.9 | 343.3 | 247.0 | 2,755.2 | 2,755.2 | 4.0 | 1,743.2 | 1,001.2 |
| 2019 | 639.2 | 866.5 | 207.6 | 365.1 | 239.1 | 227.2 | 119.4 | 106.0 | 414.9 | 274.7 | 3,030.9 | 3,030.9 | 3.4 | 1,915.2 | 1,105.4 |
| 2020 | 845.4 | 1,116.8 | 232.3 | 458.8 | 330.3 | 271.4 | 152.8 | 116.9 | 558.4 | 239.8 | 3,245.6 | 3,245.6 | 3.7 | 2,051.0 | 1,183.1 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

## Table 4.2. ODC survey- Liabilities

(EUR million: End of period)

| Description | Deposits included in broad money | | | | | | | | | | | Deposits excluded from broad money | of which: | | Share capital and other | Other items (net) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Transferable deposits | of which: | | | | Other deposits | of which: | | | | | | | | |
| | | | Other financial corp. | Public nonfinancial corp. | Other nonfinancial corp. | Households | | Other financial corp. | Public nonfinancial corp. | Other nonfinancial corp. | Households | | Other nonfinancial corporations | Households | | |
| 2010 | 1,702.7 | 628.6 | 9.2 | 83.8 | 218.6 | 303.5 | 1,074.1 | 85.2 | 30.2 | 73.5 | 884.2 | 138.2 | 9.9 | 112.2 | 230.4 | 85.7 |
| 2011 | 1,863.3 | 665.9 | 10.1 | 67.9 | 208.1 | 360.9 | 1,197.4 | 91.0 | 49.2 | 71.7 | 980.4 | 175.8 | 8.0 | 149.7 | 252.8 | 102.2 |
| 2012 | 1,986.0 | 708.0 | 9.6 | 13.8 | 257.5 | 407.2 | 1,278.0 | 100.4 | 49.8 | 70.5 | 1,053.8 | 206.2 | 7.8 | 179.8 | 270.7 | 129.8 |
| 2013 | 2,149.5 | 857.3 | 11.8 | 16.4 | 299.6 | 506.6 | 1,292.2 | 62.2 | 43.7 | 92.3 | 1,088.9 | 209.7 | 5.9 | 179.4 | 277.8 | 154.4 |
| 2014 | 2,234.4 | 1,141.7 | 20.4 | 10.2 | 338.4 | 743.5 | 1,092.7 | 67.2 | 39.4 | 50.2 | 930.6 | 208.7 | 7.8 | 174.2 | 323.0 | 153.3 |
| 2015 | 2,349.6 | 1,392.0 | 14.5 | 10.9 | 413.8 | 919.1 | 957.5 | 37.6 | 12.8 | 54.3 | 852.3 | 232.7 | 13.9 | 193.1 | 393.8 | 115.0 |
| 2016 | 2,579.4 | 1,640.7 | 19.0 | 17.0 | 456.0 | 1,116.0 | 938.7 | 50.5 | 20.1 | 56.4 | 811.2 | 243.3 | 14.3 | 195.0 | 420.8 | 113.3 |
| 2017 | 2,710.3 | 1,772.7 | 36.3 | 16.0 | 491.6 | 1,191.8 | 937.7 | 68.2 | 22.9 | 66.3 | 775.8 | 261.6 | 23.6 | 202.9 | 471.0 | 86.7 |
| 2018 | 2,918.4 | 1,935.8 | 34.8 | 18.9 | 527.0 | 1,316.1 | 982.6 | 126.7 | 17.5 | 60.8 | 768.9 | 329.3 | 37.6 | 249.3 | 497.7 | 88.0 |
| 2019 | 3,340.5 | 2,285.3 | 24.6 | 60.4 | 657.3 | 1,496.9 | 1,055.2 | 201.0 | 16.0 | 56.5 | 777.3 | 438.9 | 33.8 | 327.7 | 520.1 | 60.2 |
| 2020 | 3,774.1 | 2,695.6 | 40.9 | 98.5 | 719.7 | 1,783.9 | 1,078.5 | 152.9 | 32.2 | 74.7 | 808.5 | 459.7 | 32.9 | 344.8 | 610.2 | 45.1 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/04%20Other%20Depository%20Corporations%20Survey.xls

## Table 5.1. OFC survey – net foreign assets and domestic claims

(EUR million: End of period)

| Description | Net foreign assets | | | | | | Claims on depository corporations | | | | | | | Net claims on central government | Claims on other sectors | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Claims on non-residents | of which: | | Minus: Liabilities to non-residents | | | CBK | | | Other depository corporations | | | | | Loans |
| | | | Securities other than shares | Share capital and other | | Loans | | | Transferable deposits | Other deposits | | Transferable deposits | Other deposits | | | |
| 2010 | 341.3 | 430.5 | 152.5 | 269.3 | 89.2 | 89.2 | 142.8 | 43.9 | 43.9 | … | 98.8 | 8.2 | 90.6 | _ | 139.7 | 116.9 |
| 2011 | 464.0 | 545.7 | 3.2 | 533.1 | 81.7 | 81.7 | 138.1 | 27.7 | 27.7 | … | 110.4 | 7.3 | 103.1 | _ | 128.1 | 102.5 |
| 2012 | 607.6 | 670.8 | 3.3 | 666.5 | 63.2 | 63.2 | 154.0 | 32.4 | 32.4 | … | 121.6 | 9.7 | 111.9 | 13.9 | 125.5 | 98.3 |
| 2013 | 593.0 | 655.8 | 3.5 | 651.2 | 62.7 | 62.7 | 313.0 | 213.9 | 213.9 | … | 99.1 | 14.6 | 84.5 | 53.1 | 117.5 | 94.4 |
| 2014 | 967.6 | 1,029.4 | 4.0 | 1,024.4 | 61.8 | 61.8 | 119.5 | 15.7 | 15.7 | … | 103.7 | 13.6 | 90.1 | 54.7 | 119.9 | 96.8 |
| 2015 | 1,028.4 | 1,091.1 | 3.9 | 1,086.3 | 62.7 | 62.7 | 162.8 | 55.4 | 55.4 | ... | 107.3 | 21.8 | 85.6 | 100.5 | 131.6 | 104.2 |
| 2016 | 1,212.5 | 1,312.7 | 3.0 | 1,307.4 | 100.2 | 100.2 | 136.6 | 20.6 | 20.6 | ... | 116.0 | 26.3 | 89.7 | 99.3 | 158.1 | 133.1 |
| 2017 | 1,365.1 | 1,496.0 | 1.5 | 1,483.0 | 130.9 | 130.9 | 178.4 | 18.6 | 18.6 | ... | 159.8 | 47.7 | 112.1 | 116.8 | 194.5 | 170.5 |
| 2018 | 1,188.4 | 1,356.7 | 1.5 | 1,231.8 | 168.3 | 168.3 | 235.4 | 10.8 | 10.8 | ... | 224.6 | 73.8 | 150.8 | 233.1 | 250.2 | 221.9 |
| 2019 | 1,290.8 | 1,489.0 | 1.4 | 1,485.3 | 198.1 | 198.1 | 309.0 | 7.7 | 7.7 | ... | 301.3 | 81.8 | 219.5 | 327.9 | 305.2 | 272.6 |
| 2020 | 1,166.8 | 1,364.0 | 0.0 | 1,359.9 | 197.3 | 197.3 | 334.8 | 62.1 | 62.1 | ... | 272.7 | 155.5 | 117.2 | 486.6 | 295.9 | 261.6 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls

## Table 5.2. OFC survey– liabilities

(EUR million: End of period)

| Description | Loans | Insurance technical reserves | | | | Share capital and other | | | | | Other items | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Net equity of households in life insurance reserves | Net equity of households in pension funds | Prepayment of premiums and res. against cum. claims. | | Funds contributed by owners | Retained earnings | General and special reserves | Annual Profit/ Loss | | Other liabilities | Minus: other assets | Plus: consolidation adjustments |
| 2010 | 2.9 | 540.5 | … | 493.7 | 46.8 | 82.5 | 59.7 | 13.6 | 7.2 | 2.0 | -2.1 | 20.9 | 23.1 | ... |
| 2011 | 3.3 | 647.8 | … | 593.3 | 54.5 | 85.4 | 60.4 | 13.3 | 10.8 | 0.9 | -6.3 | 16.1 | 22.4 | ... |
| 2012 | 7.2 | 814.9 | … | 745.1 | 69.8 | 78.1 | 63.5 | 9.8 | 10.7 | -6.4 | 0.7 | 29.0 | 28.4 | ... |
| 2013 | 6.8 | 990.3 | … | 919.0 | 71.3 | 75.6 | 64.2 | 1.3 | 11.1 | -1.0 | 3.9 | 29.8 | 25.9 | ... |
| 2014 | 3.2 | 1,173.8 | … | 1,094.1 | 79.7 | 78.5 | 64.3 | -0.5 | 14.4 | 0.3 | 6.1 | 30.9 | 24.8 | ... |
| 2015 | 1.0 | 1,329.5 | ... | 1,237.3 | 92.1 | 86.1 | 76.9 | -2.7 | 17.3 | -5.4 | 6.4 | 31.2 | 24.8 | ... |
| 2016 | 2.1 | 1,546.0 | ... | 1,425.4 | 120.6 | 68.3 | 94.9 | -9.5 | 3.8 | -20.9 | -10.0 | 21.0 | 31.0 | ... |
| 2017 | 5.8 | 1,766.5 | ... | 1,652.8 | 113.8 | 97.7 | 107.3 | -27.0 | 3.8 | 13.6 | -15.1 | 21.8 | 36.9 | ... |
| 2018 | 3.0 | 1,807.2 | ... | 1,689.0 | 118.2 | 106.4 | 106.0 | -16.1 | 5.0 | 11.5 | -9.5 | 30.6 | 40.1 | ... |
| 2019 | 10.1 | 2,107.6 | ... | 1,976.5 | 131.1 | 118.1 | 114.9 | -7.2 | 6.5 | 3.9 | -2.8 | 49.6 | 52.3 | ... |
| 2020 | 9.4 | 2,138.0 | ... | 1,999.2 | 138.8 | 132.5 | 124.1 | -3.1 | 7.2 | 4.3 | 4.0 | 56.3 | 52.3 | ... |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls

## Table 6.1. ODC deposits in euro – according to initial maturity, main sectors

(EUR million: End of period)

| Description | Total deposits in euro | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Government | Financial corporations | | | | | | Non-financial corporations | | | Other domestic sectors | | | Non residents |
| | | | | Other depository corporations | Other financial intermediaries | Insurance companies | Pension funds | Financial auxiliaries | | Public nonfinancial corporations | Other nonfinancial corporations | | Households | NPISH | |
| 2010 | 1,827.7 | 11.7 | 102.0 | 7.2 | 7.8 | 47.6 | 38.6 | 0.6 | 414.9 | 122.3 | 292.5 | 1,220.0 | 1,206.1 | 14.0 | 79.1 |
| 2011 | 1,982.4 | 2.7 | 117.5 | 9.9 | 6.8 | 57.2 | 43.1 | 0.5 | 406.6 | 128.5 | 278.1 | 1,395.6 | 1,373.4 | 22.1 | 60.0 |
| 2012 | 2,162.7 | 0.7 | 120.0 | 3.8 | 6.2 | 64.3 | 45.3 | 0.4 | 401.7 | 75.6 | 326.1 | 1,558.6 | 1,535.4 | 23.2 | 81.7 |
| 2013 | 2,314.0 | 1.8 | 88.1 | 2.5 | 7.4 | 72.3 | 5.7 | 0.3 | 455.6 | 72.1 | 383.5 | 1,685.1 | 1,658.7 | 26.4 | 83.4 |
| 2014 | 2,426.6 | 8.8 | 104.4 | 2.6 | 5.1 | 79.3 | 17.1 | 0.3 | 449.7 | 61.8 | 388.0 | 1,781.6 | 1,751.1 | 30.6 | 82.1 |
| 2015 | 2,579.9 | 5.9 | 96.7 | 3.3 | 5.0 | 82.5 | 4.8 | 1.1 | 476.4 | 31.4 | 445.0 | 1,895.5 | 1,862.3 | 33.2 | 105.3 |
| 2016 | 2,779.6 | 5.6 | 120.4 | 5.6 | 6.9 | 82.8 | 23.7 | 1.1 | 536.4 | 49.0 | 487.5 | 2,053.4 | 2,021.5 | 31.9 | 63.7 |
| 2017 | 2,960.4 | 11.7 | 164.6 | 6.7 | 10.9 | 90.7 | 52.6 | 3.7 | 584.1 | 51.0 | 533.1 | 2,087.0 | 2,047.9 | 39.0 | 113.0 |
| 2018 | 3,221.6 | 15.6 | 234.0 | 14.0 | 8.4 | 85.0 | 124.9 | 1.7 | 629.4 | 49.1 | 580.3 | 2,236.0 | 2,193.8 | 42.1 | 106.5 |
| 2019 | 3,759.9 | 14.9 | 301.2 | 9.3 | 21.2 | 91.9 | 176.5 | 2.3 | 819.1 | 89.4 | 729.7 | 2,511.2 | 2,463.5 | 47.7 | 113.6 |
| 2020 | 4,226.0 | 14.0 | 275.3 | 12.8 | 36.1 | 98.6 | 123.5 | 4.2 | 944.8 | 143.3 | 801.5.7 | 2,843.8 | 2,781.8 | 62.0 | 148.1 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/08%20Deposits%20at%20ODC%20-%20deposits%20in%20euro.xls

## Table 6.2. ODC deposits in non euro – according to initial maturity, main sectors

(EUR million: End of period)

| Description | Non euro deposits | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Financial corporations | of which: | | | | Nonfinancial corporations | of which: | | Other domestic sectors | | | | | | Non residents |
| | | | CBK | Other depository corporations | Other financial intermediaries | Insurance companies | | Public nonfinancial corporations | Other nonfinancial corporations | | Households | | | | NPISH | |
| | | | | | | | | | | | | of which | | | | |
| | | | | | | | | | | | | Transferable deposits | Savings deposits | Other deposits | | |
| 2010 | 113.7 | 3.1 | … | 2.9 | … | … | 13.6 | 4.3 | 9.3 | 93.8 | 93.3 | 33.1 | 25.9 | 34.3 | 0.5 | 3.1 |
| 2011 | 131.4 | 0.3 | … | 0.3 | … | … | 9.8 | 0.1 | 9.7 | 117.5 | 117.0 | 46.5 | 31.7 | 38.9 | 0.4 | 3.8 |
| 2012 | 120.9 | 1.6 | … | 1.2 | 0.2 | … | 9.6 | … | 9.6 | 104.9 | 104.7 | 45.7 | 27.0 | 32.0 | 0.2 | 4.8 |
| 2013 | 136.9 | 0.7 | … | … | 0.4 | … | 14.2 | … | 14.2 | 116.7 | 116.2 | 59.6 | 29.6 | 27.0 | 0.5 | 5.2 |
| 2014 | 113.0 | 0.3 | … | … | 0.3 | … | 8.5 | … | 8.5 | 97.8 | 97.2 | 63.2 | 21.5 | 12.6 | 0.6 | 6.5 |
| 2015 | 124.3 | 0.2 | … | 0.2 | … | … | 13.5 | … | 13.5 | 102.8 | 102.2 | 76.6 | 19.3 | 6.2 | 0.6 | 7.8 |
| 2016 | 128.9 | 0.8 | … | … | 0.7 | … | 15.9 | 0.2 | 15.7 | 101.9 | 100.8 | 78.3 | 17.4 | 5.1 | 1.1 | 10.4 |
| 2017 | 148.1 | 0.6 | … | … | 0.5 | … | 17.6 | 0.1 | 17.5 | 122.9 | 122.6 | 99.3 | 17.0 | 6.2 | 0.3 | 7.0 |
| 2018 | 170.9 | 6.1 | … | 5.5 | 0.5 | … | 15.7 | … | 15.6 | 140.8 | 140.4 | 116.9 | 17.1 | 6.4 | 0.4 | 8.3 |
| 2019 | 166.0 | 6.0 | — | 5.0 | 0.6 | — | 15.0 | — | 15.0 | 138.9 | 138.5 | 115.2 | 16.0 | 7.2 | 0.5 | 5.9 |
| 2020 | 191.1 | 4.3 | — | 3.4 | 0.6 | — | 25.9 | - | 25.9 | 156.0 | 155.4 | 132.9 | 16.5 | 6.0 | 0.7 | 4.6 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/09%20Deposits%20at%20ODC%20-%20deposits%20in%20non-euro.xls

## Table 6.3. ODC loans – main institutional sectors

(EUR million: End of period)

| Description | Total loans | Financial corporations | of which: | | Nonfinancial corporations | of which: | | | | | Other domestic corporations | of which: | | | | Non residents | Loans in non-euro currency |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other financial intermediaries | Insurance companies | | Public nonfinancial corporations | Other non-financial corporations | Up to 1 year | Over 1 year and up to 5 years | Over 5 years | | Households | Up to 1 year | Over 1 year and up to 5 years | Over 5 years | | |
| 2010 | 1,458.6 | 9.9 | 6.8 | 3.0 | 1,010.3 | 6.2 | 1,004.1 | 255.2 | 493.8 | 255.1 | 434.3 | 434.2 | 26.5 | 232.5 | 175.1 | 1.6 | 2.5 |
| 2011 | 1,698.1 | 16.4 | 14.7 | 1.7 | 1,129.7 | 1.5 | 1,128.2 | 298.8 | 563.7 | 265.7 | 512.4 | 510.9 | 44.0 | 256.7 | 210.2 | 32.3 | 7.3 |
| 2012 | 1,763.4 | 19.8 | 16.3 | 3.5 | 1,171.2 | 1.4 | 1,169.8 | 313.4 | 586.5 | 269.9 | 542.9 | 542.6 | 52.2 | 256.2 | 234.2 | 22.5 | 6.9 |
| 2013 | 1,805.8 | 20.4 | 17.3 | 3.1 | 1,194.7 | 0.2 | 1,194.5 | 378.0 | 569.0 | 247.5 | 564.7 | 563.9 | 65.4 | 253.6 | 244.9 | 19.8 | 6.1 |
| 2014 | 1,882.2 | 7.1 | 5.8 | 1.3 | 1,247.0 | 0.6 | 1,246.4 | 380.7 | 590.5 | 275.2 | 621.8 | 621.6 | 55.9 | 285.0 | 280.7 | 0.4 | 6.0 |
| 2015 | 2,019.3 | 8.7 | 7.4 | 1.1 | 1,322.2 | 0.6 | 1,321.6 | 306.9 | 671.5 | 343.2 | 682.2 | 682.0 | 58.2 | 280.7 | 343.1 | 0.3 | 5.9 |
| 2016 | 2,230.0 | 7.9 | 7.5 | 0.3 | 1,420.8 | 2.9 | 1,417.9 | 405.9 | 638.2 | 373.8 | 796.5 | 796.2 | 56.1 | 307.2 | 432.8 | 0.4 | 4.2 |
| 2017 | 2,485.5 | 4.9 | 4.5 | 0.1 | 1,577.2 | 2.4 | 1,574.8 | 339.8 | 724.4 | 510.6 | 897.8 | 897.4 | 48.9 | 319.3 | 529.1 | 0.4 | 5.3 |
| 2018 | 2,755.5 | 6.9 | 5.4 | 0.1 | 1,745.7 | 4.0 | 1,741.7 | 311.1 | 817.8 | 612.8 | 998.5 | 998.2 | 50.2 | 326.9 | 621.1 | 0.3 | 4.1 |
| 2019 | 3,031.9 | 7.0 | 6.8 | 0.1 | 1,916.9 | 3.4 | 1,913.5 | 294.5 | 921.7 | 697.3 | 1,102.8 | 1,102.0 | 49.8 | 331.9 | 720.3 | 1.0 | 4.3 |
| 2020 | 3,246.6 | 7.7 | 7.5 | 0.1 | 2,054.8 | 3.7 | 2,051.0 | 334.7 | 941.9 | 774.5 | 1,180.8 | 1,179.9 | 40.1 | 306.1 | 833.7 | 1.0 | 2.3 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls

## Table 6.4. ODC loans - main economic sectors

(EUR million: End of period)

| Description | Total | Agriculture | | | Industry, energy and construction | | | Services | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Up to 1 year | Over 1 year | | Up to 1 year | Over 1 year | | Up to 1 year | Over 1 year |
| 2010 | 1,022.8 | 38.2 | 1.7 | 36.5 | 269.3 | 76.21 | 193.12 | 715.3 | 192.8 | 522.4 |
| 2011 | 1,149.5 | 40.5 | 0.8 | 39.7 | 284.7 | 75.07 | 209.61 | 824.4 | 235.7 | 588.6 |
| 2012 | 1,194.2 | 43.6 | 3.0 | 40.6 | 290.4 | 66.56 | 223.80 | 860.2 | 262.4 | 597.8 |
| 2013 | 1,217.4 | 45.8 | 3.3 | 42.5 | 291.4 | 85.15 | 206.21 | 880.2 | 321.2 | 559.0 |
| 2014 | 1,256.4 | 49.8 | 4.1 | 45.7 | 300.0 | 88.81 | 211.18 | 906.6 | 319.1 | 587.5 |
| 2015 | 1,333.4 | 59.9 | 4.6 | 55.3 | 300.6 | 75.97 | 224.67 | 972.9 | 285.6 | 687.2 |
| 2016 | 1,410.1 | 59.7 | 9.1 | 50.6 | 324.8 | 75.50 | 249.33 | 1,025.5 | 322.2 | 703.4 |
| 2017 | 1,563.7 | 67.7 | 10.7 | 57.1 | 371.5 | 82.94 | 288.61 | 1,124.4 | 296.7 | 827.7 |
| 2018 | 1,734.3 | 67.7 | 18.4 | 49.3 | 428.5 | 88.06 | 357.08 | 1,238.1 | 298.6 | 939.4 |
| 2019 | 1,904.1 | 70.6 | 10.6 | 60.0 | 493.0 | 77.21 | 415.76 | 1,340.6 | 266.0 | 1,074.6 |
| 2020 | 2,040.6 | 55.0 | 4.7 | 50.3 | 633.6 | 100.59 | 533.05 | 1,352.0 | 311.6 | 1,040.5 |

Note: For more detailed information about this table please visit the link:
http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls

## Table 6.5. Effective interest rates on ODC deposits

(Annual average, in percentage

| Description | New deposits | Up to 1 month | Over 1 month up to 3 months | Over 3 months up to 6 months | Over 6 months up to 1 year | Over 1 year up to 2 years | Over 2 years | Transferable deposits | Saving deposits |
|---|---|---|---|---|---|---|---|---|---|
| | **NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS** | | | | | | | | |
| 2010 | 3.8 | 2.8 | 3.0 | 3.6 | 4.5 | 4.7 | 5.3 | 0.5 | 2.3 |
| 2011 | 3.5 | 2.5 | 3.1 | 3.1 | 4.2 | 4.6 | 5.1 | 0.7 | 2.1 |
| 2012 | 3.6 | 2.3 | 3.2 | 3.0 | 4.3 | 4.5 | 5.2 | 0.7 | 2.0 |
| 2013 | 3.4 | 2.0 | 2.7 | 2.7 | 3.7 | 4.4 | 4.8 | 0.6 | 1.7 |
| 2014 | 1.1 | 0.5 | 0.6 | 0.5 | 1.2 | 1.4 | 1.9 | 0.1 | 0.7 |
| 2015 | 0.9 | 0.4 | 0.8 | 0.4 | 0.7 | 1.0 | 1.9 | 0.0 | 0.3 |
| 2016 | 1.0 | 0.5 | 0.5 | 0.4 | 0.9 | 1.0 | 2.0 | 0.0 | 0.3 |
| 2017 | 1.0 | 0.8 | 0.4 | 0.4 | 1.0 | 1.1 | 1.6 | 0.0 | 0.3 |
| 2018 | 1.3 | 0.6 | 0.5 | 0.4 | 1.2 | 1.4 | 1.9 | 0.0 | 0.3 |
| 2019 | 1.5 | 0.5 | 0.6 | 0.6 | 1.3 | 1.5 | 1.8 | 0.0 | 0.4 |
| 2020 | 1.5 | 0.2 | 0.2 | 0.8 | 1.4 | 1.5 | 2.0 | 0.0 | 0.3 |
| | **Non-financial corporations** | | | | | | | | |
| 2010 | 3.9 | 2.9 | 3.2 | 4.3 | 5.2 | 4.6 | 5.2 | 0.9 | 2.4 |
| 2011 | 3.5 | 2.4 | 3.7 | 3.8 | 5.0 | 5.0 | 5.3 | 1.0 | 2.2 |
| 2012 | 3.5 | 2.1 | 3.8 | 3.7 | 5.0 | 4.9 | 5.3 | 0.9 | 2.1 |
| 2013 | 3.5 | 1.5 | 2.8 | 2.7 | 3.7 | 4.6 | 4.8 | 0.7 | 2.0 |
| 2014 | 1.3 | 0.6 | 0.8 | 0.5 | 1.4 | 1.2 | 1.9 | 0.2 | 0.8 |
| 2015 | 1.1 | 0.7 | 1.0 | 0.3 | 1.0 | 1.0 | 1.9 | 0.1 | 0.1 |
| 2016 | 1.4 | 0.6 | 0.5 | 0.4 | 1.4 | 1.4 | 1.8 | 0.0 | 0.1 |
| 2017 | 1.4 | 0.9 | 0.9 | 0.8 | 1.3 | 1.5 | 1.9 | 0.0 | 0.3 |
| 2018 | 1.6 | 1.0 | 1.1 | 1.2 | 1.6 | 1.7 | 2.4 | 0.0 | 0.5 |
| 2019 | 1.8 | 1.0 | 1.8 | 0.9 | 1.6 | 1.8 | 1.8 | 0.0 | 0.5 |
| 2020 | 1.7 | 0.5 | .. | 0.8 | 1.5 | 1.7 | 1.8 | 0.0 | 0.2 |
| | **Households** | | | | | | | | |
| 2010 | 3.7 | 2.8 | 2.8 | 3.4 | 4.4 | 4.6 | 5.3 | 0.3 | 2.3 |
| 2011 | 3.6 | 2.5 | 2.6 | 2.9 | 4.2 | 4.5 | 5.1 | 0.4 | 2.1 |
| 2012 | 3.6 | 2.4 | 2.5 | 2.8 | 4.2 | 4.5 | 5.2 | 0.5 | 2.0 |
| 2013 | 3.5 | 2.1 | 2.3 | 2.6 | 3.7 | 4.3 | 4.8 | 0.6 | 1.6 |
| 2014 | 1.1 | 0.5 | 0.6 | 0.4 | 1.0 | 1.3 | 1.9 | 0.1 | 0.7 |
| 2015 | 0.9 | 0.4 | 0.6 | 0.4 | 0.7 | 0.9 | 1.9 | 0.0 | 0.3 |
| 2016 | 0.9 | 0.5 | 0.5 | 0.4 | 0.7 | 1.0 | 2.0 | 0.0 | 0.3 |
| 2017 | 0.9 | 0.7 | 0.4 | 0.4 | 0.8 | 1.1 | 1.6 | 0.0 | 0.3 |
| 2018 | 1.2 | 0.3 | 0.4 | 0.4 | 1.1 | 1.2 | 1.8 | 0.0 | 0.3 |
| 2019 | 1.4 | 0.2 | 0.3 | 0.6 | 1.2 | 1.3 | 1.8 | 0.0 | 0.4 |
| 2020 | 1.4 | 0.2 | 0.2 | 0.8 | 1.3 | 1.4 | 2.0 | 0.0 | 0.4 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/13a%20ODC%20effective%20interest%20rates%20on%20deposits.xls

## Table 6.6. Effective interest rates on ODC loans

(Annual average, in percentage)

| Description | New loans | | | | | | | | | Overdrafts | Credit lines |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Consumer loans | Mortgage loans | Loans with favorable conditions | Other loans | | | | | | |
| | | | | | | Agricultural | Industrial | Services | Other sectors | | |
| | **NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS** | | | | | | | | | | |
| 2010 | 14.4 | 13.9 | 11.8 | 6.6 | 16.5 | 25.7 | 15.2 | 15.5 | 15.3 | 12.9 | 13.5 |
| 2011 | 13.8 | 13.9 | 11.5 | 7.9 | 14.5 | 23.7 | 13.9 | 13.9 | 16.1 | 12.1 | 13.2 |
| 2012 | 12.7 | 12.4 | 10.6 | 7.4 | 13.2 | 20.7 | 12.5 | 13.2 | 16.0 | 10.7 | 11.6 |
| 2013 | 11.8 | 11.6 | 10.1 | 7.6 | 12.3 | 17.4 | 12.3 | 11.9 | 13.7 | 9.3 | 11.4 |
| 2014 | 10.6 | 10.9 | 9.1 | 4.6 | 10.6 | 13.2 | 10.4 | 10.7 | 10.9 | 9.5 | 11.3 |
| 2015 | 8.3 | 9.0 | 7.4 | 4.7 | 8.2 | 9.8 | 8.0 | 8.1 | 8.9 | 8.2 | 9.6 |
| 2016 | 7.5 | 8.3 | 6.5 | 3.7 | 7.0 | 8.3 | 7.0 | 7.1 | 6.8 | 7.1 | 8.6 |
| 2017 | 6.8 | 7.8 | 5.9 | 3.6 | 6.5 | 7.7 | 6.4 | 6.5 | 6.6 | 6.7 | 7.9 |
| 2018 | 6.7 | 7.5 | 6.0 | 2.9 | 6.4 | 9.2 | 6.2 | 6.4 | 6.3 | 6.7 | 6.8 |
| 2019 | 6.5 | 7.0 | 5.7 | 2.9 | 6.4 | 9.1 | 6.4 | 6.3 | 6.3 | 7.1 | 6.8 |
| 2020 | 6.2 | 6.8 | 5.7 | 2.8 | 6.1 | 9.3 | 6.0 | 6.0 | 6.3 | 7.4 | 5.9 |
| | **Non-financial corporations** | | | | | | | | | | |
| 2010 | 16.5 | . | . | 6.9 | 16.5 | 25.7 | 15.2 | 15.5 | 15.3 | 12.5 | 13.5 |
| 2011 | 14.4 | . | . | 7.6 | 14.4 | 24.2 | 13.9 | 13.9 | 16.1 | 11.8 | 13.2 |
| 2012 | 13.2 | . | . | 7.5 | 13.2 | 21.1 | 12.5 | 13.2 | 16.0 | 10.5 | 11.6 |
| 2013 | 12.3 | . | . | 7.0 | 12.3 | 17.6 | 12.3 | 11.9 | 13.7 | 9.1 | 11.4 |
| 2014 | 10.6 | . | . | 5.5 | 10.6 | 13.2 | 10.4 | 10.7 | 10.9 | 9.3 | 11.3 |
| 2015 | 8.1 | . | . | 2.9 | 8.1 | 9.3 | 8.0 | 8.1 | 8.9 | 7.9 | 9.6 |
| 2016 | 7.0 | . | . | 3.0 | 7.0 | 7.7 | 7.0 | 7.1 | 6.8 | 6.8 | 8.6 |
| 2017 | 6.4 | . | . | 3.6 | 6.4 | 7.2 | 6.4 | 6.5 | 6.6 | 6.5 | 7.9 |
| 2018 | 6.3 | . | . | 2.9 | 6.3 | 7.7 | 6.2 | 6.4 | 6.3 | 6.5 | 6.8 |
| 2019 | 6.3 | . | . | 2.9 | 6.3 | 7.2 | 6.4 | 6.3 | 6.3 | 6.7 | 6.8 |
| 2020 | 6.0 | . | . | 2.7 | 6.0 | 7.1 | 6.0 | 6.0 | 6.3 | 7.0 | 5.9 |
| | **Households** | | | | | | | | | | |
| 2010 | 13.5 | 13.9 | 11.8 | 6.4 | 25.0 | 25.0 | . | . | . | 22.3 | . |
| 2011 | 13.4 | 13.9 | 11.5 | 8.2 | 22.4 | 22.4 | . | . | . | 18.9 | . |
| 2012 | 12.2 | 12.4 | 10.6 | 7.0 | 19.8 | 19.8 | . | . | . | 15.2 | . |
| 2013 | 11.3 | 11.6 | 10.1 | 6.8 | 16.4 | 16.4 | . | . | . | 14.7 | . |
| 2014 | 10.6 | 10.9 | 9.1 | 3.9 | 15.4 | 15.4 | . | . | . | 13.6 | . |
| 2015 | 8.7 | 9.0 | 7.4 | 5.1 | 13.3 | 13.3 | . | . | . | 13.1 | . |
| 2016 | 8.0 | 8.3 | 6.5 | 3.9 | 12.0 | 12.0 | . | . | . | 12.8 | . |
| 2017 | 7.4 | 7.8 | 5.9 | 2.9 | 12.5 | 12.5 | . | . | . | 13.7 | . |
| 2018 | 7.2 | 7.5 | 6.0 | 2.9 | 11.0 | 11.0 | . | . | 9.2 | 16.4 | . |
| 2019 | 6.8 | 7.0 | 5.7 | 2.9 | 10.6 | 10.6 | . | . | 5.7 | 16.4 | . |
| 2020 | 6.5 | 6.8 | 5.7 | 2.9 | 10.7 | 10.7 | . | . | . | 16.1 | . |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/13%20ODC%20effective%20interest%20rates%20on%20loans.xls

## Table 7.1 Balance of Payments of Kosovo – main components

(EUR million)

| Description | Balance from current and capital account | | | | | | | Balance from financial account | | | | | Errors and omissions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current account | | | | | Capital account | | | | | | |
| | | | Goods | Services | Primary income | Secondary income | | | Direct investments | Portfolio investments | Other Investments | Reserve assets | |
| 2010 | -494.8 | -516.1 | -1,741.6 | 176.0 | 67.0 | 982.5 | 21.3 | -297.2 | -331.1 | 48.6 | -57.4 | 42.7 | 197.6 |
| 2011 | -569.4 | -611.4 | -2,047.1 | 395.7 | 111.2 | 928.8 | 42.0 | -377.5 | -378.9 | 57.8 | 4.8 | -61.2 | 191.8 |
| 2012 | -280.2 | -293.1 | -2,050.1 | 499.6 | 153.6 | 1,103.7 | 13.0 | -232.4 | -213.3 | 185.7 | -420.5 | 215.8 | 47.8 |
| 2013 | -144.3 | -179.0 | -1,995.6 | 520.0 | 121.5 | 1,175.0 | 34.7 | -132.2 | -250.2 | 139.3 | 14.4 | -35.7 | 12.1 |
| 2014 | -363.4 | -384.6 | -2,058.6 | 459.9 | 113.8 | 1,100.3 | 21.2 | -145.0 | -123.8 | 13.3 | 22.6 | -57.0 | 218.4 |
| 2015 | -471.4 | -497.3 | -2,109.3 | 457.1 | 92.6 | 1,062.4 | 25.8 | -312.3 | -271.8 | 18.6 | -132.8 | 73.6 | 159.1 |
| 2016 | -467.2 | -481.4 | -2,290.8 | 638.8 | 74.5 | 1,096.1 | 14.2 | -199.1 | -177.2 | 343.6 | -264.0 | -101.5 | 268.1 |
| 2017 | -360.4 | -348.6 | -2,464.2 | 827.3 | 127.4 | 1,161.0 | -11.8 | -276.2 | -212.0 | 14.7 | -148.8 | 69.8 | 84.2 |
| 2018 | -519.9 | -508.8 | -2,737.7 | 855.8 | 113.1 | 1,260.0 | -11.1 | -335.5 | -225.8 | -199.9 | 3.4 | 86.8 | 184.4 |
| 2019 | -408.3 | -399.5 | -2,840.2 | 926.0 | 160.6 | 1354.1 | -8.9 | -163.0 | -188.4 | 59.0 | -128.8 | 95.2 | 245.3 |
| 2020 | -463.3 | -480.7 | -2573.2 | 391.5 | 164.3 | 1536.6 | 17.5 | -520.4 | -282.7 | -81.7 | -202.1 | 46.1 | -57.1 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/26%20Balance%20of%20payments%20-%20main%20components.xls

## 7.2. Current Account

(EUR million)

| Description | Balance | | | | | Credit | | | | | Debit | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Goods | Services | Primary income | Secondary income | | Goods | Services | Primary income | Secondary income | | Goods | Services | Primary income | Secondary income |
| 2010 | -515.7 | -1,741.6 | 176.0 | 67.4 | 982.5 | 2,147.2 | 299.2 | 574.3 | 186.7 | 1,087.4 | 2,663.3 | 2,040.8 | 398.3 | 119.2 | 105.0 |
| 2011 | -611.4 | -2,047.1 | 395.7 | 111.2 | 928.8 | 2,417.0 | 316.5 | 820.3 | 239.0 | 1,041.3 | 3,028.4 | 2,363.7 | 424.5 | 127.77 | 112.46 |
| 2012 | -293.1 | -2,050.1 | 499.6 | 153.6 | 1,103.7 | 2,614.1 | 281.9 | 894.5 | 230.0 | 1,207.7 | 2,907.2 | 2,332.0 | 394.8 | 76.42 | 103.92 |
| 2013 | -179.0 | -1,995.6 | 520.0 | 121.5 | 1,175.0 | 2,678.4 | 291.5 | 875.1 | 227.5 | 1,284.3 | 2,857.4 | 2,287.0 | 355.1 | 105.96 | 109.28 |
| 2014 | -384.6 | -2,058.6 | 459.9 | 113.8 | 1,100.3 | 2,667.3 | 324.3 | 928.6 | 215.8 | 1,198.7 | 3,052.0 | 2,382.9 | 468.7 | 102.01 | 98.40 |
| 2015 | -497.3 | -2,109.3 | 457.1 | 92.6 | 1,062.4 | 2,628.2 | 322.5 | 951.5 | 221.7 | 1,132.5 | 3,125.5 | 2,431.8 | 494.4 | 129.07 | 70.16 |
| 2016 | -481.4 | -2,290.8 | 638.8 | 74.5 | 1,096.1 | 2,822.9 | 307.9 | 1,130.6 | 212.8 | 1,171.6 | 3,304.3 | 2,598.7 | 491.8 | 138.34 | 75.44 |
| 2017 | -348.6 | -2,464.2 | 827.3 | 127.4 | 1,161.0 | 3,195.3 | 378.4 | 1,358.8 | 230.0 | 1,228.2 | 3,543.9 | 2,842.6 | 531.5 | 102.6 | 67.2 |
| 2018 | -508.8 | -2,737.7 | 855.8 | 113.1 | 1,260.0 | 3,531.3 | 376.7 | 1,561.6 | 264.2 | 1,328.8 | 4,040.1 | 3,114.5 | 705.8 | 151.1 | 68.8 |
| 2019 | -399.5 | -2,840.2 | 926.0 | 160.6 | 1,354.1 | 3,753.2 | 393.2 | 1,675.1 | 277.7 | 1,407.2 | 4,152.7 | 3,233.5 | 749.1 | 117.1 | 53.1 |
| 2020 | -480.7 | -2573.2 | 391.5 | 164.3 | 1536.6 | 3353.7 | 475.1 | 994.0 | 290.2 | 1594.4 | 3834.4 | 3048.3 | 602.5 | 125.9 | 57.8 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/26a%20Current%20account.xls

## 7.3.1 Primary income

(EUR million)

| Description | Balance | | | | Credit | | | | Debit | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Compensation of employees | Investment income | Other primary income | | Compensation of employees | Investment income | Other primary income | | Compensation of employees | Investment income | Other primary income |
| 2010 | 67.0 | 171.6 | -104.6 | - | 186.3 | 176.1 | 10.1 | 0.0 | 119.2 | 4.5 | 114.7 | - |
| 2011 | 111.3 | 208.2 | -96.9 | 0.0 | 239.1 | 221.3 | 17.8 | 0.0 | 127.8 | 13.1 | 114.7 | 0.0 |
| 2012 | 153.6 | 214.3 | -60.6 | 0.0 | 230.0 | 219.9 | 10.1 | 0.0 | 76.4 | 5.6 | 70.8 | 0.0 |
| 2013 | 121.5 | 218.9 | -97.4 | 0.0 | 227.5 | 223.2 | 4.3 | 0.0 | 106.0 | 4.3 | 101.6 | 0.0 |
| 2014 | 113.8 | 200.4 | -85.9 | -0.7 | 215.8 | 206.5 | 8.0 | 1.3 | 102.0 | 6.1 | 93.9 | 2.0 |
| 2015 | 92.6 | 205.7 | -112.0 | -1.0 | 221.7 | 210.3 | 9.6 | 1.8 | 129.1 | 4.6 | 121.6 | 2.8 |
| 2016 | 74.5 | 194.2 | -116.7 | -3.0 | 212.8 | 199.9 | 11.3 | 1.6 | 138.3 | 5.7 | 128.0 | 4.6 |
| 2017 | 127.4 | 217.3 | -86.0 | -3.9 | 230.0 | 222.6 | 5.7 | 1.7 | 102.6 | 5.3 | 91.7 | 5.6 |
| 2018 | 113.1 | 237.0 | -121.4 | -2.5 | 264.2 | 247.6 | 14.1 | 2.5 | 151.1 | 10.6 | 135.5 | 5.0 |
| 2019 | 160.6 | 257.1 | -92.4 | -4.1 | 277.7 | 264.5 | 10.3 | 2.9 | 117.1 | 7.3 | 102.8 | 7.0 |
| 2020 | 164.3 | 262.4 | -94.3 | -3.8 | 290.2 | 274.1 | 13.7 | 2.5 | 125.9 | 11.7 | 108.0 | 6.2 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/28%20Primary%20Income.xls

## 7.3.2 Secondary income

(EUR million)

| Description | Secondary income | | | Credit | | | Debit | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Government | Financial corporations, nonfinancial corporations, households and NPISHs | | Government | Financial corporations, non-financial corporations, households and NPISHs | | Government | Financial corporations, non-financial corporations, households and NPISHs |
| 2010 | 982.5 | 319.5 | 662.9 | 1,087.4 | 319.5 | 767.9 | 105.0 | - | 105.0 |
| 2011 | 928.8 | 322.2 | 606.6 | 1,041.3 | 322.2 | 719.1 | 112.5 | - | 112.5 |
| 2012 | 1,103.7 | 401.6 | 702.2 | 1,207.7 | 401.6 | 806.1 | 103.9 | - | 103.9 |
| 2013 | 1,175.0 | 369.7 | 805.3 | 1,284.3 | 369.7 | 914.6 | 109.3 | - | 109.3 |
| 2014 | 1,100.3 | 291.9 | 808.4 | 1,198.7 | 291.9 | 906.8 | 98.4 | - | 98.4 |
| 2015 | 1,062.4 | 202.9 | 859.5 | 1,132.5 | 202.9 | 929.6 | 70.2 | - | 70.2 |
| 2016 | 1,096.1 | 207.2 | 888.9 | 1,171.6 | 207.2 | 964.3 | 75.4 | - | 75.4 |
| 2017 | 1,161.0 | 199.7 | 961.3 | 1,228.2 | 199.7 | 1,028.5 | 67.2 | - | 67.2 |
| 2018 | 1,260.0 | 226.1 | 1,033.9 | 1,328.8 | 226.1 | 1,102.7 | 68.8 | - | 68.8 |
| 2019 | 1,354.2 | 236.6 | 1,117.6 | 1,407.2 | 236.6 | 1,170.6 | 53.1 | - | 53.1 |
| 2020 | 1,536.6 | 276.6 | 1,260.0 | 1,594.4 | 276.6 | 1,317.8 | 57.8 | - | 57.8 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/29%20Secondary%20Income.xls

## 7.4. Remittances - by countries

(In percentage)

| Description | Germany | Switzerland | Italy | Austria | Belgium | USA | Sweden | France | Norway | Canada | England | Denmark | Finland | Netherlands | Slovenia | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2010 Q1 | 34.8 | 21 | 8.8 | 5.7 | 2.6 | 3.9 | 3.1 | 3.5 | 2.8 | 1.3 | 1.5 | 0.9 | 1.1 | 1.2 | 3.4 | 4.4 |
| 2011 Q1 | 32.7 | 23.7 | 7.5 | 5.6 | 2.8 | 4.6 | 3.9 | 3.8 | 2.8 | 1.5 | 1.5 | 0.7 | 0.8 | 1.2 | 3.9 | 3.0 |
| 2012 Q1 | 30.9 | 23.7 | 4.8 | 6 | 1.1 | 6.3 | 3.6 | 2.8 | 4.9 | 0.7 | 3.2 | 0.8 | 0.7 | 0.5 | 5 | 5 |
| Q2 | 37.4 | 26.3 | 8.4 | 6.4 | 6.6 | 3.9 | 0.8 | 0.4 | 1.3 | 0.1 | 1.9 | 0.1 | 0.1 | 0.1 | 5.4 | 0.8 |
| Q3 | 34.6 | 22.6 | 7.9 | 5.9 | 3.2 | 3.9 | 3.1 | 3.2 | 2.8 | 1.5 | 1.8 | 0.7 | 0.8 | 0.8 | 3.6 | 3.7 |
| Q4 | 34.5 | 21 | 8.5 | 6.2 | 2.6 | 3.8 | 3.3 | 3.3 | 2.3 | 1.9 | 1.8 | 0.5 | 0.8 | … | 3.7 | 5.9 |
| 2013 Q1 | 33.6 | 22.5 | 7.5 | 5.8 | 2.7 | 4.2 | 3.4 | 3.5 | 3 | 1.6 | 1.8 | 0.7 | 0.9 | 1 | 3.7 | 4.3 |
| Q2 | 33.3 | 25.5 | 5.9 | 5.7 | 2.5 | 4.6 | 2.5 | 1.4 | 2.3 | 1.3 | 4 | 0.8 | 0.9 | 1 | 5.3 | 3.1 |
| Q3 | 33.6 | 24.4 | 6.6 | 7.8 | 2.5 | 4.3 | 3.5 | 4.5 | 2.3 | 0.4 | 1.9 | 0.7 | 0.8 | 0.9 | 4.9 | 1.1 |
| Q4 | 35.3 | 22.7 | 10.6 | 4.6 | 1.6 | 4.4 | 2.1 | 5 | 2.7 | 1.8 | 1.7 | 0.5 | 0.6 | 1.5 | 0.5 | 4.2 |
| 2014 Q1 | 36.7 | 21.4 | 5.9 | 3.8 | 2.3 | 6 | 3.1 | 4.1 | 2.3 | 1.5 | 3.1 | 0.4 | 0.6 | 1.1 | 0.8 | 7 |
| Q2 | 36.6 | 23.7 | 5.4 | 4.5 | 2.1 | 6.4 | 2.7 | 3.2 | 2.4 | 1.3 | 3.3 | 0.4 | 0.6 | 0.6 | 1.5 | 5.5 |
| Q3 | 35.5 | 23.9 | 4.6 | 3.6 | 2.1 | 6.5 | 3.4 | 3.5 | 2.6 | 1.9 | 3 | 0.5 | 0.7 | 0.7 | 1.1 | 6.5 |
| Q4 | 36.8 | 21.1 | 3.8 | 3.1 | 4 | 6.1 | 2.4 | 2.4 | 5.5 | 0.7 | 3.1 | 1 | 0.3 | 0.1 | 2.2 | 7.3 |
| 2015 Q1 | 35.2 | 21.8 | 5 | 3.9 | 3.3 | 8.1 | 2.9 | 3.6 | 3.1 | 1.6 | 1.6 | 0.4 | 0.7 | 0.9 | 0.8 | 7.2 |
| Q2 | 36.9 | 21.6 | 3.6 | 3.5 | 2.3 | 8.2 | 2.5 | 1.6 | 4 | 3.5 | 3.7 | 0.2 | 0.6 | 0.7 | 0.5 | 6.6 |
| Q3 | 35.9 | 23.8 | 5.6 | 3.4 | 2.1 | 7.4 | 3.2 | 3.7 | 2.1 | 1.5 | 3.3 | 0.3 | 0.6 | 0.6 | 0.7 | 5.8 |
| Q4 | 38.8 | 22.2 | 5.1 | 3.3 | 2.2 | 8.4 | 2.9 | 3.3 | 1.8 | 1.5 | 3 | 0.4 | 0.6 | 0.7 | 1.3 | 4.4 |
| 2016 Q1 | 37.8 | 21.3 | 5.9 | 3.8 | 2.4 | 7.6 | 3.2 | 3.7 | 1.7 | 1.5 | 3.3 | 0.4 | 0.7 | 0.8 | 0.7 | 5.2 |
| Q2 | 37.6 | 21.8 | 5.2 | 3.7 | 2.2 | 6.4 | 3 | 3.5 | 1.8 | 1.4 | 3.1 | 0.5 | 0.6 | 0.8 | 1.7 | 6.5 |
| Q3 | 35.1 | 24 | 5.6 | 3.3 | 2.2 | 6.6 | 4.2 | 3.9 | 2.5 | 1.8 | 2.5 | 0.3 | 0.7 | 0.5 | 1.5 | 5.2 |
| Q4 | 38.0 | 23.5 | 4.3 | 3.6 | 2.4 | 6.9 | 3.1 | 4.0 | 2.1 | 1.5 | 2.8 | 0.3 | 0.7 | 0.7 | 0.5 | 5.9 |
| 2017 Q1 | 38.5 | 22.8 | 4.5 | 3.9 | 2.5 | 7.7 | 3.3 | 3.9 | 1.9 | 1.5 | 3.0 | 0.4 | 0.9 | 0.6 | 0.5 | 4.3 |
| Q2 | 39.9 | 22.5 | 4.2 | 3.8 | 2.8 | 6.9 | 3.3 | 3.8 | 1.9 | 1.5 | 3.1 | 0.4 | 0.7 | 0.6 | 0.4 | 4.2 |
| Q3 | 39.3 | 22.8 | 4.5 | 3.8 | 2.7 | 6.1 | 3.6 | 4.3 | 2.0 | 1.7 | 2.4 | 0.4 | 0.7 | 0.5 | 0.5 | 4.7 |
| Q4 | 39.4 | 21.8 | 4.5 | 3.7 | 2.6 | 7.1 | 3.5 | 4.3 | 1.7 | 1.6 | 2.5 | 0.4 | 0.9 | 0.6 | 0.6 | 4.9 |
| 2018 Q1 | 39.8 | 21.5 | 5.0 | 4.0 | 2.6 | 6.4 | 3.2 | 4.4 | 1.6 | 1.5 | 2.6 | 0.3 | 0.8 | 0.6 | 0.4 | 5.2 |
| Q2 | 41.1 | 20.5 | 4.6 | 4.1 | 2.5 | 6.5 | 3.5 | 4.2 | 2.1 | 1.4 | 2.4 | 0.3 | 0.6 | 0.5 | 0.5 | 5.0 |
| Q3 | 38.8 | 21.9 | 5.0 | 4.0 | 2.3 | 6.7 | 3.5 | 4.3 | 2.1 | 1.2 | 2.1 | 0.4 | 0.8 | 0.5 | 0.5 | 5.9 |
| Q4 | 42.1 | 22.8 | 4.9 | 4.2 | 2.5 | 7.4 | 3.3 | 4.4 | 1.8 | 1.4 | 2.2 | 0.3 | 0.8 | 0.6 | 0.6 | 0.7 |
| 2019 Q1 | 40.7 | 20.4 | 5.3 | 4.1 | 2.4 | 7.1 | 3.0 | 4.2 | 1.6 | 1.3 | 2.2 | 0.3 | 1.0 | 0.5 | 0.5 | 5.3 |
| Q2 | 41.8 | 19.3 | 4.9 | 3.9 | 2.6 | 7.1 | 3.1 | 4.3 | 1.7 | 1.4 | 2.1 | 0.4 | 0.8 | 0.5 | 0.5 | 5.6 |
| Q3 | 39.2 | 20.8 | 4.8 | 4.1 | 2.2 | 6.8 | 3.1 | 4.4 | 1.9 | 1.5 | 2.0 | 0.4 | 0.9 | 0.5 | 0.6 | 6.9 |
| Q4 | 41.2 | 20.4 | 4.7 | 3.9 | 2.4 | 7.3 | 2.6 | 4.3 | 1.5 | 1.3 | 2.2 | 0.3 | 0.8 | 0.6 | 0.6 | 5.9 |
| 2020 Q1 | 42.4 | 20.8 | 4.4 | 4.1 | 2.2 | 7.3 | 2.7 | 3.9 | 1.3 | 1.0 | 2.0 | 0.3 | 0.9 | 0.4 | 0.6 | 5.7 |
| Q2 | 43.1 | 24.3 | 3.5 | 4.8 | 2.1 | 5.4 | 2.5 | 3.5 | 1.1 | 1.1 | 1.5 | 0.3 | 0.8 | 0.5 | 0.9 | 4.8 |
| Q3 | 40.8 | 24.4 | 4.0 | 4.8 | 1.9 | 6.2 | 2.3 | 3.7 | 1.4 | 1.2 | 1.8 | 0.3 | 0.9 | 0.5 | 0.6 | 5.0 |
| Q4 | 42.9 | 20.0 | 4.3 | 4.7 | 2.2 | 6.7 | 2.6 | 4.2 | 1.4 | 1.3 | 2.2 | 0.3 | 0.9 | 0.5 | 0.6 | 5.2 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/32%20Remittances-by%20country.xls

## 8.1. Direct Investments – by geographic criteria

(EUR million: as of 31 December 2020)

| Country | | Total incoming direct investments | | | Total outgoing direct investments | | |
|---|---|---|---|---|---|---|---|
| | | | Equity | Other capital transactions | | Equity | Other capital transactions |
| **European Union** | | 1,517.4 | 1,221.4 | 296.0 | 143.4 | 132.1 | 11.3 |
| AT | Austria | 264.5 | 224.6 | 40.0 | 8.8 | 7.9 | 0.9 |
| BE | Belgium | 49.0 | 42.6 | 6.4 | 4.2 | 4.1 | 0.1 |
| BG | Bulgaria | 38.2 | 7.3 | 30.9 | 0.7 | 0.7 | 0.0 |
| CY | Cyprus | 12.9 | 3.5 | 9.5 | 19.7 | 19.7 | 0.1 |
| FR | France | 36.3 | 32.7 | 3.6 | 5.5 | 5.5 | … |
| DE | Germany | 576.7 | 531.5 | 45.2 | 56.0 | 51.1 | 5.0 |
| GR | Greece | 8.1 | 6.7 | 1.4 | 2.3 | 2.3 | … |
| HR | Croatia | 8.0 | 9.8 | -1.9 | 7.3 | 7.2 | 0.1 |
| IT | Italy | 55.1 | 43.3 | 11.8 | 6.9 | 6.9 | … |
| NL | Netherlands | 35.6 | 24.6 | 11.0 | 8.1 | 3.1 | 5.0 |
| RO | Rumania | 0.3 | 1.7 | -1.4 | 0.5 | 0.5 | … |
| SI | Slovenia | 219.2 | 139.2 | 80.0 | 12.5 | 12.4 | 0.0 |
| SE | Sweden | 78.4 | 78.0 | 0.4 | 3.2 | 3.2 | … |
| | Other EU countries | 135.1 | 75.9 | 59.2 | 7.6 | 7.5 | 0.1 |
| **Other European Countries** | | 1,457.5 | 1,208.1 | 249.4 | 302.8 | 270.7 | 32.1 |
| AL | Albania | 219.8 | 147.6 | 72.3 | 146.0 | 132.9 | 13.1 |
| MK | Macedonia | 20.6 | 14.8 | 5.8 | 28.4 | 26.5 | 2.0 |
| ME | Montenegro | 9.8 | 8.0 | 1.9 | 31.5 | 29.5 | 2.0 |
| NO | Norway | 38.8 | 37.6 | 1.2 | 1.6 | 1.6 | … |
| RS | Serbia | 22.4 | 20.1 | 2.3 | 10.2 | 10.2 | 0.0 |
| GB | Great Britain | 131.2 | 114.1 | 17.2 | 12.2 | 12.1 | 0.1 |
| CH | Switzerland | 545.0 | 499.8 | 45.1 | 26.1 | 25.4 | 0.6 |
| TR | Turkey | 447.6 | 347.9 | 99.6 | 22.2 | 8.0 | 14.2 |
| | Other European countries | 22.3 | 18.4 | 3.9 | 24.5 | 24.5 | 0.0 |
| **Other Countries** | | 333.6 | 256.5 | 77.1 | 28.0 | 26.5 | 1.6 |
| US | United States | 231.1 | 182.2 | 48.9 | 17.9 | 16.4 | 1.5 |
| AE | United Arab Emirates | 32.1 | 16.2 | 16.0 | 2.4 | 2.4 | … |
| | Other countries | 70.4 | 58.1 | 12.3 | 7.7 | 7.7 | 0.0 |
| **Other Countries (not allocated)** | | 936.3 | 936.3 | ... | … | … | … |
| ZZ | Not specified | 936.3 | 936.3 | ... | … | … | … |
| **Total** | | 4,244.8 | 3,622.3 | 622.5 | 474.2 | 429.3 | 45.0 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls

## 9.1. Assets in form of portfolio investments by countries

(EUR million: as of 31 December 2020)

| Country | | Equity | Total debt securities | | | Total |
|---|---|---|---|---|---|---|
| | | | | Long-term debt securities | Short-term debt securities | |
| AE | Arab Emirates | … | 0.1 | 0.1 | … | 0.1 |
| AT | Austria | … | … | … | … | … |
| BE | Belgium | … | 0.0 | 0.0 | … | 0.0 |
| BR | Brazil | … | 0.1 | 0.1 | … | 0.1 |
| CH | Switzerland | … | 1.3 | 1.3 | … | 1.3 |
| DE | Germany | 1.4 | 53.8 | 53.8 | … | 55.2 |
| DK | Denmark | … | 1.4 | 1.4 | … | 1.4 |
| FR | France | 265.6 | 24.3 | 24.3 | … | 289.9 |
| GB | Great Britain | … | 3.5 | 3.5 | … | 3.5 |
| GR | Greece | … | 0.1 | 0.1 | … | 0.1 |
| IE | Ireland | 413.1 | 24.1 | 24.1 | … | 437.2 |
| LU | Luxemburg | 635.5 | 20.8 | 20.8 | … | 656.3 |
| NL | Netherlands | … | 23.3 | 23.3 | … | 23.3 |
| PL | Poland | … | 7.7 | 7.7 | … | 7.7 |
| RO | Romania | … | … | … | … | … |
| SE | Sweden | … | 0.1 | 0.1 | … | 0.1 |
| SI | Slovenia | … | 5.2 | 5.2 | … | 5.2 |
| TR | Turkey | … | 5.2 | 5.2 | | 5.2 |
| US | United States | 42.1 | 127.1 | 114.0 | 13.1 | 169.2 |
| UA | Ukraine | … | … | … | … | … |
| ZZ | Other | … | 123.4 | 123.4 | … | 123.4 |
| **Total value of portfolio investments** | | **1,357.7** | **421.5** | **408.4** | **13.1** | **1,779.2** |

Note: For more detailed information about this table please visit the link:
http://www.bgkkos.org/repository/docs/time_series/34f%20Portfolio%20Investments%20Position.xls

## 10.1. International investments position – main components

(EUR million: End of period)

| Description | Net | Assets | | | | | Liabilities | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct investments | Portfolio investments | Other investments | Reserve assets | | Direct investments | Portfolio investments | Other investments |
| 2010 | 406.8 | 3,234.8 | 96.6 | 693.8 | 1,832.0 | 612.5 | 2,828.0 | 1,971.0 | 0.0 | 857.0 |
| 2011 | 113.6 | 3,304.8 | 102.0 | 740.2 | 1,908.2 | 554.4 | 3,191.2 | 2,326.1 | 0.0 | 865.1 |
| 2012 | 135.8 | 3,592.0 | 117.8 | 986.6 | 1,760.6 | 726.9 | 3,456.3 | 2,524.3 | 0.0 | 931.9 |
| 2013 | 258.6 | 3,997.4 | 147.5 | 1,192.6 | 1,963.2 | 694.1 | 3,738.8 | 2,816.4 | 0.0 | 922.4 |
| 2014 | 196.5 | 4,175.8 | 174.6 | 1,274.7 | 2,081.5 | 645.0 | 3,979.3 | 2,961.4 | 0.0 | 1,017.9 |
| 2015 | -43.0 | 4,366.0 | 211.5 | 1,383.3 | 2,063.5 | 707.8 | 4,409.0 | 3,254.4 | 0.0 | 1,154.6 |
| 2016 | -81.0 | 4,547.7 | 261.2 | 1,789.3 | 1,892.2 | 605.1 | 4,628.7 | 3,405.4 | 0.0 | 1,223.3 |
| 2017 | -99.9 | 4,837.9 | 304.5 | 1,904.8 | 1,945.2 | 683.4 | 4,937.9 | 3,518.9 | 0.0 | 1,418.9 |
| 2018 | -409.4 | 4,766.2 | 348.4 | 1,613.3 | 2,035.2 | 769.3 | 5,175.6 | 3,691.5 | 0.0 | 1,484.1 |
| 2019 | -410.1 | 5,163.3 | 415.2 | 1,829.3 | 2,055.1 | 863.7 | 5,573.4 | 3,968.8 | 0.0 | 1,604.6 |
| 2020 | -845.7 | 5,310.0 | 474.2 | 1,779.2 | 2,156.0 | 900.6 | 6,155.7 | 4,244.8 | 0.0 | 1,910.9 |

Note: For more detailed information about this table please visit the link :Y:\03. Statistics\05. Time Series\34b International Investments Position.xls

## 10.2. International investments position – by sectors

(EUR million: End of period)

| Description | Net international investments position | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | The Central Bank of the Republic of Kosovo | | | Banks | | | Government | | | Other sectors | | |
| | | | Assets | Liabilities | | Asset | Liabilities | | Asset | Liabilities | | Asset | Liabilities |
| 2010 | 406.8 | 1,106.9 | 1,172.8 | 65.9 | 488.0 | 709.8 | 221.8 | -260.0 | 0.0 | 260.0 | -928.1 | 1,352.2 | 2,280.3 |
| 2011 | 113.6 | 1,094.5 | 1,161.0 | 66.4 | 479.1 | 675.5 | 196.4 | -253.6 | 0.0 | 253.6 | -1,206.4 | 1,468.4 | 2,674.8 |
| 2012 | 135.8 | 1,238.8 | 1,303.7 | 65.0 | 458.0 | 633.6 | 175.6 | -336.5 | 0.0 | 336.5 | -1,224.5 | 1,654.7 | 2,879.3 |
| 2013 | 258.6 | 1,392.1 | 1,454.2 | 62.1 | 540.2 | 748.3 | 208.1 | -321.8 | 0.0 | 321.8 | -1,351.9 | 1,794.9 | 3,146.9 |
| 2014 | 196.5 | 1,146.5 | 1,212.9 | 66.3 | 481.6 | 715.8 | 234.2 | -326.4 | 0.0 | 326.4 | -1,105.2 | 2,247.1 | 3,352.3 |
| 2015 | -43.0 | 1,174.9 | 1,245.5 | 70.6 | 480.9 | 740.0 | 259.1 | -371.2 | 0.0 | 371.2 | -1,327.6 | 2,380.5 | 3,708.1 |
| 2016 | -81.0 | 1,011.1 | 1,082.0 | 70.9 | 539.2 | 775.1 | 235.9 | -373.8 | 0.0 | 373.8 | -1,257.6 | 2,690.6 | 3,948.2 |
| 2017 | -99.9 | 1,102.5 | 1,168.4 | 65.9 | 429.7 | 710.1 | 280.3 | -422.2 | 0.0 | 422.2 | -1,210.0 | 2,959.5 | 4,169.5 |
| 2018 | -409.4 | 1,096.3 | 1,163.7 | 67.4 | 426.2 | 691.9 | 265.6 | -416.4 | 0.0 | 416.4 | -1,515.6 | 2,910.6 | 4,426.2 |
| 2019 | -410.1 | 1,072.5 | 1,141.8 | 69.3 | 568.1 | 866.5 | 298.4 | -409.1 | 0.0 | 409.1 | -1,641.5 | 3,155.0 | 4,796.6 |
| 2020 | -845.7 | 1,083.2 | 1,149.1 | 65.9 | 763.5 | 1,114.5 | 350.9 | -525.8 | 0.0 | 525.8 | -2,166.6 | 3,046.4 | 5,213.1 |

Note: For more detailed information about this table please visit the link Y:\03. Statistics\05. Time Series\34c International Investment Position - by sectors.xls

## 10.3.1 International investments position – assets

(EUR million: End of period)

| | Net IIP | Kosovo's international assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Equities | | | Debt | | | | |
| | | | | Investments abroad | Equity securities | | Investments abroad | Equity securities | Other investments | Reserve assets |
| 2010 | 406.8 | 3,234.8 | 280.6 | 86.4 | 194.2 | 2,954.3 | 10.2 | 499.6 | 1,832.0 | 612.5 |
| 2011 | 113.6 | 3,304.8 | 398.0 | 102.0 | 296.0 | 2,906.8 | 0.0 | 444.3 | 1,908.2 | 554.4 |
| 2012 | 135.8 | 3,592.0 | 784.2 | 117.8 | 666.3 | 2,807.9 | 0.0 | 320.3 | 1,760.6 | 726.9 |
| 2013 | 258.6 | 3,997.4 | 786.2 | 135.4 | 650.8 | 3,211.2 | 12.1 | 541.7 | 1,963.2 | 694.1 |
| 2014 | 196.5 | 4,175.8 | 1,186.3 | 161.9 | 1,024.4 | 2,989.5 | 12.6 | 250.3 | 2,081.5 | 645.0 |
| 2015 | -43.0 | 4,366.0 | 1,284.9 | 198.6 | 1,086.3 | 3,081.1 | 13.0 | 296.9 | 2,063.5 | 707.8 |
| 2016 | -81.0 | 4,547.7 | 1,550.4 | 243.1 | 1,307.4 | 2,997.3 | 18.1 | 481.9 | 1,892.2 | 605.1 |
| 2017 | -99.9 | 4,837.9 | 1,762.3 | 279.3 | 1,483.0 | 3,075.6 | 25.2 | 421.8 | 1,945.2 | 683.4 |
| 2018 | -409.4 | 4,766.2 | 1,546.6 | 314.8 | 1,231.8 | 3,219.5 | 33.6 | 381.5 | 2,035.2 | 769.3 |
| 2019 | -410.1 | 5,163.3 | 1,864.5 | 379.2 | 1,485.3 | 3,298.8 | 35.9 | 344.0 | 2,055.1 | 863.7 |
| 2020 | -845.7 | 5,310.0 | 1,787.0 | 429.3 | 1,357.7 | 3,523.0 | 45.0 | 421.5 | 2,156.0 | 900.6 |

Note: For more detailed information about this table please visit the link: Y:\03. Statistics\05. Time Series\34e IIP Assets and Liabilities.xls

## 10.3.2 International Investment Position – Liabilities

(EUR million: End of period)

| Description | Net IIP | Liabilities | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | International equity | | | International debt | | | |
| | | | | Direct investments | Equity and shares of investing funds | | Direct investments | Debt instruments | Other investments |
| 2010 | 406.8 | 2,828.0 | 1,455.3 | 1,455.3 | 0.0 | 1,372.8 | 515.8 | 0.0 | 857.0 |
| 2011 | 113.6 | 3,191.2 | 1,760.7 | 1,760.7 | 0.0 | 1,430.5 | 565.4 | 0.0 | 865.1 |
| 2012 | 135.8 | 3,456.3 | 1,938.4 | 1,938.4 | 0.0 | 1,517.8 | 585.9 | 0.0 | 931.9 |
| 2013 | 258.6 | 3,738.8 | 2,129.9 | 2,129.9 | 0.0 | 1,608.9 | 686.5 | 0.0 | 922.4 |
| 2014 | 196.5 | 3,979.3 | 2,241.4 | 2,241.4 | 0.0 | 1,737.9 | 720.0 | 0.0 | 1,017.9 |
| 2015 | -43.0 | 4,409.0 | 2,476.3 | 2,476.3 | 0.0 | 1,932.7 | 778.2 | 0.0 | 1,154.6 |
| 2016 | -81.0 | 4,628.7 | 2,612.7 | 2,612.7 | 0.0 | 2,016.0 | 792.7 | 0.0 | 1,223.3 |
| 2017 | -99.9 | 4,937.9 | 2,848.2 | 2,848.2 | 0.0 | 2,089.6 | 670.7 | 0.0 | 1,418.9 |
| 2018 | -409.4 | 5,175.6 | 3,138.4 | 3,138.4 | 0.0 | 2,037.2 | 553.1 | 0.0 | 1,484.1 |
| 2019 | -410.1 | 5,573.4 | 3,371.0 | 3,371.0 | 0.0 | 2,202.4 | 597.8 | 0.0 | 1,604.6 |
| 2020 | -845.7 | 6,155.7 | 3,622.3 | 3,622.3 | 0.0 | 2,533.4 | 622.5 | 0.0 | 1,910.9 |

Note: For more detailed information about this table please visit the link :Y:\03. Statistics\05. Time Series\34e IIP Assets and Liabilities.xls

## 11.1. External debt - gross position

(EUR million: End of period)

| Description | Total gross external debt | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Public debt and guaranteed public debt | | | | | | | | | | Private sector non- guaranteed debt | | | | | | | Direct investments: crediting between companies |
| | | | Government | | | Central bank of the Republic of Kosovo | | | Public non-financial corporations | | | | Deposit-taking corporations, except the Central Bank | | | Other sectors | | | |
| | | | | Short-term | Long-term | | Short-term | Long-term | | Short-term | Long-term | | | Short-term | Long-term | | Short-term | Long-term | |
| 2010 | 1,371.5 | 325.9 | 260 | - | 260 | 65.9 | 1.7 | 64.2 | - | - | - | 1,045.6 | 221.8 | 221.8 | - | 308 | 232.7 | 75.4 | 515.8 |
| 2011 | 1,428.4 | 320 | 253.6 | - | 253.6 | 66.4 | 0.7 | 65.7 | - | - | - | 1,108.4 | 196.4 | 196.4 | - | 346.6 | 259.8 | 86.8 | 565.4 |
| 2012 | 1,517.3 | 401.4 | 336.5 | - | 336.5 | 65 | 0.4 | 64.6 | - | - | - | 1,115.9 | 175.6 | 175.6 | - | 354.4 | 321 | 33.5 | 585.9 |
| 2013 | 1,608.2 | 383.9 | 321.8 | - | 321.8 | 62.1 | 0.3 | 61.9 | - | - | - | 1,224.3 | 208.1 | 208.1 | - | 329.7 | 281.1 | 48.5 | 686.5 |
| 2014 | 1,737.1 | 392.8 | 326.4 | - | 326.4 | 66.3 | 0.3 | 66.1 | - | - | - | 1,344.3 | 234.2 | 234.2 | - | 390.1 | 294.8 | 95.3 | 720 |
| 2015 | 1,931.8 | 441.8 | 371.2 | - | 371.2 | 70.6 | 0.1 | 70.5 | - | - | - | 1,490.0 | 259.1 | 259.1 | - | 452.8 | 313.8 | 139 | 778.2 |
| 2016 | 2,015.1 | 444.6 | 373.8 | - | 373.8 | 70.9 | 0.1 | 70.8 | - | - | - | 1,570.5 | 235.9 | 235.9 | - | 541.9 | 353.1 | 188.8 | 792.7 |
| 2017 | 2,088.5 | 499.3 | 422.2 | - | 422.2 | 65.9 | 0.1 | 65.8 | 11.3 | - | 11.3 | 1,589.2 | 280.3 | 280.3 | - | 638.1 | 416.6 | 221.5 | 670.7 |
| 2018 | 2,035.7 | 498.4 | 416.4 | - | 416.2 | 67.4 | 0.1 | 67.2 | 14.6 | - | 14.6 | 1,537.3 | 265.6 | 217.5 | 48.1 | 718.6 | 480.8 | 237.8 | 553.1 |
| 2019 | 2,200.7 | 499.0 | 409.1 | - | 409.1 | 69.3 | 0.4 | 69.0 | 20.6 | - | 20.6 | 1,701.7 | 298.4 | 206.8 | 91.6 | 805.5 | 546.3 | 259.1 | **597.8** |
| 2020 | 2,531.3 | 615.8 | 525.8 | - | 525.8 | 65.8 | 0.1 | 65.8 | 24.1 | - | 24.1 | 1,915.5 | 350.9 | 258.1 | 92.8 | 942.0 | 525.6 | 416.4 | 622.5 |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/34j%20Gross%20External%20Debt%20Position.xls

## 11.2. Public sector external debt service payment schedule

(EUR million: as of 31 December 2020)

| Description | One year or less (several months) | | | | | | Over one year up to two years | | | Third year | Fourth year | Fifth year | Over 5 years up to 10 years | Over 10 years up to 15 years | Over 15 years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Immediate | 0 - 3 | 4-6 | 7 - 9 | 10 - 12 | | 13 - 18 | 19 - 24 | | | | | | |
| External Debt of Public Sector | 62.1 | - | 3.0 | 24.3 | 14.8 | 20.1 | 50.3 | 37.3 | 13.0 | 36.3 | 56.4 | 48.0 | 148.6 | 131.9 | 113.1 |
| Principal | 56.9 | - | 3.0 | 21.5 | 14.8 | 17.6 | 45.4 | 34.7 | 10.7 | 31.9 | 52.6 | 44.9 | 139.7 | 131.2 | 113.1 |
| Interest | 5.3 | - | - | 2.7 | - | 2.5 | 4.9 | 2.6 | 2.4 | 4.4 | 3.8 | 3.1 | 8.9 | 0.6 | - |
| External debt of private sector guaranteed by the Government | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 62.1 | - | 3.0 | 24.3 | 14.8 | 20.1 | 50.3 | 37.3 | 13.0 | 36.3 | 56.4 | 48.0 | 148.6 | 131.9 | 113.1 |
| Principal | 56.9 | - | 3.0 | 21.5 | 14.8 | 17.6 | 45.4 | 34.7 | 10.7 | 31.9 | 52.6 | 44.9 | 139.7 | 131.2 | 113.1 |
| Interest | 5.3 | - | - | 2.7 | - | 2.5 | 4.9 | 2.6 | 2.4 | 4.4 | 3.8 | 3.1 | 8.9 | 0.6 | - |

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/34i%20Public%20Sector%20Debt%20Service%20Payment.xls

## 11.3. Gross External Debt – By Creditors

(EUR million: as of 31 December 2020)

| Description | Total gross external debt | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Gross external debt excluding direct investments | | | | | Direct investments: Crediting between companies |
| | | | Government | Central Bank of the Republic of Kosovo | Deposit-taking Corporations, except the Central Bank | Other sectors | |
| International Monetary Fund | 177.2 | 177.2 | 111.4 | 65.8 | - | - | - |
| World Bank | 256.5 | 256.5 | 256.5 | - | - | - | - |
| IBRD | 124.3 | 124.3 | 124.3 | - | - | - | - |
| IDA | 132.2 | 132.2 | 132.2 | - | - | - | - |
| Other creditors | 2,097.5 | 1,475.0 | 157.8 | 0.1 | 350.9 | 966.1 | 622.5 |
| Total Debt | 2,531.3 | 1,908.7 | 525.8 | 65.9 | 350.9 | 966.1 | 622.5 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34h%20Gross%20External%20Debt%20Statistics%20-%20by%20creditors.xls

## 11.4. Net External Debt Position

(EUR million: as of 31 December 2020)

| Description | Gross external debt (1) | External assets in debt instrument (2) | Gross external debt (3)=(1)-(2) |
|---|---|---|---|
| General Government | 525.8 | - | 525.8 |
| Short-term | - | - | - |
| Long-term | 525.8 | - | 525.8 |
| Special Drawing Rights (SDRs) allocations | - | - | - |
| Currency and deposit | - | - | - |
| Debt securities | - | - | - |
| Loans | 525.8 | - | 525.8 |
| Trade credits and advances | - | - | - |
| Other debt instruments | - | - | - |
| Central Bank | 65.9 | 1,149.1 | 1,083.2 |
| Short-term | 0..1 | 679.4 | -679.4 |
| Currency and deposit | 0.1 | 679.4 | -679.4 |
| Debt securities | - | - | - |
| Loans | - | - | - |
| Trade credits and advances | - | - | - |
| Other debt instruments | - | - | - |
| Long-term | 65.8 | 469.7 | -403.9 |
| Special Drawing Rights (SDRs) allocations | 65.8 | 82.5 | -16.7 |
| Currency and deposit | - | - | - |
| Debt securities | - | 387.2 | -387.2 |
| Loans | - | - | - |
| Trade credits and advances | - | - | - |
| Other debt instruments | - | - | - |
| Depository corporations except the Central Bank | 350.9 | 1,114.5 | -763.5 |
| Short-term | 258.1 | 1,026.3 | -768.1 |
| Currency and deposit | 244.9 | 688.8 | -443.9 |
| Debt securities | - | 242.1 | -242.1 |
| Loans | 11.6 | 87.0 | -75.4 |
| Trade credits and advances | - | - | - |
| Other debt instruments | 1.7 | 8.4 | -6.7 |
| Long-term | 92.8 | 88.2 | 4.6 |
| Other sectors | 966.1 | 1,214.5 | -248.4 |
| Short-term | 525.6 | 41.0 | 484.6 |
| Currency and deposit | - | - | - |
| Debt securities | - | - | - |
| Loans | 291.9 | - | 291.5 |
| Trade credits and advances | 233.7 | 36.2 | 197.5 |
| Other debt instruments | - | - | - |
| Long-term of which: | 440.5 | 1,173.5 | -733.0 |
| Currency and deposit | - | 1,166.6 | -1,66.6 |
| Debt securities | - | 1.0 | -1.0 |
| Loans | 440.5 | 6.0 | 434.5 |
| Direct investments: Intercompany lending | 622.5 | 45.0 | 577.6 |
| Debt liabilities of direct investment enterprises to direct investors | 0.1 | 21.8 | -21.7 |
| Debt liabilities of direct investors to direct investments enterprises | 622.0 | 22.8 | 599.2 |
| Debt liabilities to fellow enterprises | 0.4 | 0.4 | -0.3 |
| NET external debt (3) | 2,531.3 | 3,523.0 | -991.8 |

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34q%20Net%20External%20Debt%20Position.xls.

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