



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

THE CBK FINANCIAL STATEMENTS
/for the 1st quarter 2010/
-interim report, unaudited-

Directorate for Financial Planning and Reporting

CBK Financial statements for first quarter

As defined by the Law 03/L-074 "On Central Bank of the Republic of Kosovo" (the CBK), as a reporting framework for the preparation of financial statements are International Financial Reporting Standards, respectively Article 54 of the law mentioned above. Financial statements for the third quarter include *statement of financial position, statement of comprehensive income, statement of changes in capital and reserves (equity)*. The financial year of CBK coincides with the calendar year and the financial statements date for the first quarter is 31 March 2010.

Statement of financial position

as per

| | Note | 31 March 2010 | 31 December 2009 |
|--|------|----------------------|----------------------|
| Assets | | | |
| Cash on hand | 5 | 26,336,794 | 21,805,786 |
| Current accounts with non-resident banks | 6 | 26,863,128 | 34,899,181 |
| Treasury bills | 7 | 404,635,340 | 529,651,716 |
| Placements in money market | 8 | 596,754,523 | 487,529,152 |
| Deposit accounts with IMF | 9 | 128,906,556 | 124,482,484 |
| Property and equipment | 10 | 2,012,333 | 2,115,544 |
| Intangible assets | 11 | 157,061 | 173,404 |
| Other assets | 12 | 612,040 | 350,985 |
| Total assets | | 1,186,277,776 | 1,201,008,252 |
| Liabilities | | | |
| Due to domestic banks | 13 | 210,164,201 | 233,245,596 |
| Due to IMF related accounts | 14 | 127,638,632 | 124,785,689 |
| Due to governmental institutions | 15 | 709,223,941 | 665,187,516 |
| Due to public and commercial entities | 16 | 90,309,492 | 130,846,737 |
| Other domestic liabilities | 17 | 2,171,331 | 2,019,743 |
| Total liabilities | | 1,139,507,597 | 1,156,085,282 |
| Capital and reserves | | | |
| Authorized capital | 18 | 30,000,000 | 30,000,000 |
| Reserve fund | 19 | 14,922,970 | 11,202,820 |
| Net result for the period | | 1,847,209 | 3,720,150 |
| Total capital and reserves | | 46,770,179 | 44,922,970 |
| Total liabilities, capital and reserves | | 1,186,277,776 | 1,201,008,252 |

The notes on pages 5 to 14 are an integral part of these financial statements.

These financial statements set out on pages below were approved by the management of CBK on 29 April 2009 and signed on its behalf by:



Hashim Rexhepi
Governor



Faton Ahmetaj
Director for financial
planning and reporting

Statement of comprehensive income

| | Note | 31 March 2010 | 31 March 2009 |
|---|-------|------------------|------------------|
| Interest income | | 797,030 | 2,707,983 |
| Interest expense | | (420,269) | (1,244,165) |
| Net interest income | 20 | 376,761 | 1,463,818 |
| Fee and commission income | | 579,620 | 574,549 |
| Fee and commission expense | | (54,367) | (41,543) |
| Net fee and commission income | 21 | 525,253 | 533,006 |
| Grant revenue | 22 | 8,955 | 1,240 |
| Other operating income | 23 | 58,525 | 75,138 |
| Operating income | | 969,494 | 2,073,202 |
| Personnel expenses | 24 | (519,441) | (459,246) |
| Depreciation and amortization | 10,11 | (138,554) | (113,196) |
| General and administrative expenses | 25 | (204,176) | (202,522) |
| Operating expenses | | (862,171) | (774,964) |
| Net result without exchange effect | | 107,323 | 1,298,239 |
| Other comprehensive income (net exchange) | 26 | 1,739,886 | - |
| Net result for the period | | 1,847,209 | 1,298,239 |

The notes on pages 5 to 14 are an integral part of these financial statements.

Statement of changes in equity (capital and reserve)

| | Statutory fund | Reserve fund | Retained Earnings | Total |
|---|---------------------------|-------------------------|------------------------------|-------------------|
| <i>Balance at 1 January 2009</i> | 30,000,000 | 3,735,611 | 7,467,209 | 41,202,820 |
| <i>Profit for the period</i> | - | - | 1,298,239 | 1,298,239 |
| <i>Transfer to reserve fund</i> | - | - | - | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 31 March 2009</i> | 30,000,000 | 3,735,611 | 8,765,448 | 42,501,058 |
| <i>Balance at 31 January 2009</i> | 30,000,000 | 3,735,611 | 7,467,209 | 41,202,820 |
| <i>Profit for the period</i> | - | - | 3,720,150 | 3,720,150 |
| <i>Transfer to reserve fund</i> | - | 7,467,209 | (7,467,209) | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 31 December 2009</i> | 30,000,000 | 11,202,820 | 3,720,150 | 44,922,970 |
| <i>Balance at 01 January 2010</i> | 30,000,000 | 11,202,820 | 3,720,150 | 44,922,970 |
| <i>Profit for the period</i> | - | - | 1,847,209 | 1,847,209 |
| <i>Transfer to reserve fund</i> | - | - | - | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 31 March 2010</i> | 30,000,000 | 11,202,820 | 5,567,359 | 46,770,179 |

The notes on pages 5 to 14 are an integral part of these financial statements.

The financial statements of the Central Bank of the Republic of Kosovo

1. Reporting Institution

Central Bank of the Republic of Kosovo - CBK, which operates under the Law no. 03/L-074 "On Central Bank of the Republic of Kosovo approved in June 2008.

2. Basis for preparation of financial statements

Reporting Framework

Financial statements in accordance with International Financial Reporting Standards (IFRS).

Basis of measurement

Financial statements have been prepared on the basis of the historical cost.

Functional and presentation currency

These financial statements are presented in Euro ("EUR"), which is CBK's functional currency. In the case that financial information is presented in other currency it will be indicated. All financial information presented in Euro has been rounded to the zero (decimal values not shown).

3. Accounting policies

The financial statements are prepared using the consistency of accounting policies, and it should be emphasized that there was no new policy or change in accounting policies applied.

4. Financial Risk Management

Financial risk in the CBK is presented in the form of; liquidity risk, operational risk, credit risk and market risk. Financial risk in CBK is mostly related to the asset management activity and is mainly managed by the Directorate of Asset Management in accordance with the asset management policy approved by the Board. Assets exposed as the result of financial management activity are mainly within in European Union countries with very good credit rating (from AAA – A-2 and P-1).

Liquidity Risk Management (continued)**Transferred values according to maturity**

| | Note | Carrying amount | < 3 months | 3-6 months | 6-12 months |
|--|------|------------------------|------------------------|---------------------|---------------------|
| 31 March 2010 | | | | | |
| Cash on hand | 5 | 26,336,794 | 26,336,794 | - | - |
| Current accounts with non-resident banks | 6 | 26,863,128 | 26,863,128 | - | - |
| Treasury bills | 7 | 404,635,340 | 319,750,997 | 84,884,343 | - |
| Deposit accounts with non-resident banks | 8 | 596,754,523 | 546,675,416 | 50,079,107 | - |
| Deposits with IMF | 9 | 128,906,556 | 128,906,556 | - | - |
| | | 1,183,496,342 | 1,048,532,892 | 134,963,450 | - |
| Due to domestic banks | 13 | (210,164,201) | (210,164,201) | - | - |
| Due to accounts related to IMF | 14 | (127,638,633) | (127,638,633) | - | - |
| Due to governmental institutions | 15 | (709,223,941) | (659,199,566) | (50,024,375) | - |
| Due to public and commercial entities | 16 | (90,309,492) | (90,309,492) | - | - |
| Other domestic liabilities | 17 | (2,171,331) | (2,171,331) | - | - |
| | | (1,139,507,598) | (1,089,483,223) | (50,024,375) | - |
| | | 43,988,744 | (40,950,331) | 84,939,075 | - |
| 31 December 2009 | | | | | |
| Cash on hand | 5 | 21,805,786 | 21,805,786 | - | - |
| Current accounts with non-resident banks | 6 | 34,899,181 | 34,899,181 | - | - |
| Treasury bills | 7 | 529,651,716 | 429,807,032 | 99,844,685 | - |
| Deposit accounts with non-resident banks | 8 | 487,529,152 | 487,529,152 | - | - |
| Deposits with IMF | 9 | 124,482,484 | 124,482,484 | - | - |
| | | 1,198,368,319 | 1,098,523,634 | 99,844,685 | - |
| Due to domestic banks | 13 | (233,245,596) | (233,245,596) | - | - |
| Due to accounts related to IMF | 14 | (124,785,689) | (124,785,689) | - | - |
| Due to governmental institutions | 15 | (665,187,516) | (590,108,204) | (50,028,125) | (25,051,188) |
| Due to public and commercial entities | 16 | (130,846,737) | (130,846,737) | - | - |
| Other domestic liabilities | 17 | (2,019,743) | (2,019,743) | - | - |
| | | (1,156,085,282) | (1,081,005,970) | (50,028,125) | (25,051,188) |
| | | 42,283,037 | 17,517,665 | 49,816,560 | (25,051,188) |

5. Cash on hand

| | 31 March 2010 | 31 December 2009 |
|--------------|----------------------|-------------------------|
| EUR | 26,336,794 | 21,805,786 |
| SDR | - | - |
| USD | - | - |
| Total | 26,336,794 | 21,805,786 |

6. Current accounts with non-resident banks

Composition of current accounts with non-resident banks is as following:

| | 31 March 2010 | 31 December 2009 |
|------------------------|----------------------|-------------------------|
| Deutsche Bundesbank | 26,728,281 | 34,369,509 |
| Raiffeisen Zentralbank | (16,610) | 144,683 |
| Svenska Handelsbanken | - | - |
| Commerzbank | 147,345 | 380,877 |
| Banque De France | 4,112 | 4,112 |
| Total | 26,863,128 | 34,899,181 |

7. Securities (Treasury bills)

Securities issued by governments of EU countries (Germany, France and Belgium) with contractual maturity of up to 12 months. Interest rate (yield) ranges from 0.2287% - 0.3900% (in 2009: 0.199% to 1.490%).

| Securities table | 31 March 2010 | | 31. December 2009 | |
|-----------------------------|-----------------------|-------------------|--------------------------|-------------------|
| | Maturity | Principal | Accrued Yield | Principal |
| 0-3 months | 319,643,922.16 | 107,075.24 | 429,477,692.20 | 329,339.55 |
| 3-6 months | 84,871,542.10 | 12,800.93 | 99,843,518.50 | 1,166.11 |
| 6-12 months | | | | |
| Over 12 months | | | - | - |
| Total | 404,515,464.26 | 119,876.17 | 529,321,210.70 | 330,505.66 |
| Total +accrual yield | 404,635,340.43 | | 529,651,716.36 | |

8. Deposits with non-resident banks

Deposits in local banks usually bear an average interest rate of 0.3189% (min. 12:10% and max. 0.81%, while in 2009: min. 0.05%, max. 2:05% to 00:53% average). Mostly with a maturity up to one year. Analytically, according to the banks, as below:

| | 31 March 2010 | 31 December 2009 |
|-----------------------------------|----------------------|-------------------------|
| Placements in money market | | |
| Raiffeisen Zentralbank | 133,400,889 | 56,500,299 |
| Svenska Handelsbanken | - | - |
| HBOS Treasury Service | - | - |
| ING Bank | - | - |
| Dresdner Bank | - | - |
| Deutsche Bundesbank | - | - |
| KBC | 76,953,367 | 48,886,472 |
| Rabobank | 10,007,958 | 10,003,345 |
| Danske Bank | 87,146,950 | 87,098,848 |
| Commerzbank | - | 4,100,039 |
| Banque De France | 144,044,343 | 150,854,925 |
| Banque Centrale du Luxembourg | 145,201,015 | 130,085,223 |
| Total | 596,754,523 | 487,529,152 |

9. Deposits with IMF

| | 31 March 2010 | 31 December 2009 |
|------------------|----------------------|-------------------------|
| IMF Quota | 66,498,280 | 64,205,038 |
| SDR Holdings | 62,408,277 | 60,253,069 |
| Accrued Interest | - | 24,377 |
| Total | 128,906,556 | 124,482,484 |

Above items arise from the membership of Kosovo in the IMF. The first item represents the value of the mandatory quota (SDR 59,000,000) set for Kosovo by the IMF in Euros. The second item represents the value deposited in the SDR on behalf of the Republic of Kosovo, according to the decisions of the IMF Board of Governors, on 28 August 2009 (SDR 43,737,278) and 9 September 2009 (SDR 11,631,135) and is expressed in Euros in the above table.

10, 11 Tangible and intangible assets

| Category | Historical Cost | Depreciation / Amortization accumulated up to 31 December 2009 | Depreciation / Amortization accumulated up to 30 March 2010 | Total Depreciation / Amortization accumulated | Net amount as of 30 March 2010 |
|--------------------------------------|---------------------|---|---|--|-----------------------------------|
| Property, plant and equipment | 3,906,444.63 | 1,771,907.22 | 122,203.55 | 1,894,111.29 | 2,012,333.34 |
| Equipments, offices and others | 1,561,109.14 | 992,702.55 | 56,362.34 | 1,049,065.41 | 512,043.73 |
| Vehicles | 287,150.68 | 64,830.47 | 14,119.77 | 78,950.24 | 208,200.44 |
| Premises | 1,279,281.59 | 191,892.24 | 15,991.02 | 207,883.26 | 1,071,398.33 |
| Computer hardware | 778,903.22 | 522,481.96 | 35,730.42 | 558,212.38 | 220,690.84 |
| Intangible assets | 1,209,629.48 | 1,036,218.50 | 16,350.38 | 1,052,568.88 | 157,060.60 |
| Computer applications | 1,209,629.48 | 1,036,218.50 | 16,350.38 | 1,052,568.88 | 157,060.60 |
| Total | 5,116,074.11 | 2,808,125.72 | 138,553.93 | 2,946,680.17 | 2,169,393.94 |

12. Other assets

Other assets are composed as below:

| | 31 March 2010 | 31 December 2009 |
|----------------|-------------------|-------------------|
| Accrual income | 375,079.33 | 332,923.39 |
| Prepayment | 236,960.87 | 18,061.75 |
| Total | 612,040.20 | 350,985.14 |

13. Due to domestic banks

| | 31 March 2010 | 31 December 2009 |
|--|--------------------|--------------------|
| ProCredit Bank - Kosovo | 91,470,072 | 96,915,038 |
| Raiffeisen Bank - Kosovo | 51,967,449 | 55,572,361 |
| NLB Prishtina | 17,404,776 | 20,535,122 |
| Komercijalna Banka – Branch in Mitrovica | 2,648,377 | 2,526,289 |
| Economic Bank of Prishtina | 7,512,062 | 14,008,502 |
| Banka for Business | 10,077,075 | 22,445,960 |
| Banka Kombëtare Tregtare of Albania | 3,745,799 | 5,872,200 |
| Turk Ekonom Bankasi - Kosovo | 25,028,880 | 15,311,176 |
| Credit Bank of Prishtina | 309,710 | 58,947.21 |
| Total liquidity reserves | 210,164,201 | 233,245,596 |

In this group are disclosed commercial banks balances with the CBK, in accordance with the liquidity reserve regulation.

16. Due to accounts related to IMF

| | 31 March 2010 | 31 December 2009 |
|----------------------------|----------------------|-------------------------|
| Current account IMF No. 1 | 163,369 | - |
| Expenses account IMF Nr. 2 | 5,538 | - |
| Account in trust of IMF | 48,929,980 | 49,098,887 |
| Paid part of IMF quota | 16,134,589 | 15,409,209 |
| IMF SDR allocated by IMF | 62,405,156 | 60,253,069 |
| Accrual rate | - | 24,525 |
| Total | 127,638,632 | 124,785,689 |

Above disclosure present accounts positions related to the IMF following the membership of Kosovo in the IMF. Part of the fee (quota) paid is held in SDR (SDR 14,160,000). IMF SDR (Special Drawing Rights) are allocations mentioned above **note 9**, according to allocations of 28 August and 09 September 2009 (both allocations present the amount of SDR 55,368,413).

15. Due to Governmental domestic institutions

Due to domestic institutions are composed of:

| Current accounts | 31 March 2010 | 31 December 2009 |
|--|----------------------|-------------------------|
| Treasury – Ministry of Economy and Finance | 70,068,065 | 88,245,353 |
| Privatization Agency of Kosovo | 463,174,357 | 451,041,297 |
| Interim Institutions | 736,332 | 797,178 |
| Total | 533,978,754 | 540,083,829 |
| Term deposits | | |
| Treasury – Ministry of Economy and Finance | 175,245,188 | 125,103,688 |
| Privatization Agency of Kosovo | - | - |
| Interim Institutions | - | - |
| Total term deposits | 175,245,188 | 125,103,688 |
| Total | 709,223,941 | 665,187,516 |

The interest rate for current accounts is 0.10% and for time deposits is between 0.20% and 0.81%.

16. Due to commercial and public entities

Due to public and commercial entities include current accounts and include the following:

| | 31 March 2010 | 31 December 2009 |
|-----------------------------|----------------------|-------------------------|
| Insurance companies | 7,603,639 | 7,663,893 |
| Public utility corporations | 172,324 | 505,454 |
| Pension Fund | 82,531,519 | 122,675,363 |
| Other | 2,010 | 2,010 |
| Total | 90,309,492 | 130,846,720 |

17. Other liabilities

| | 31 March 2010 | 31 December 2009 |
|------------------|----------------------|-------------------------|
| Escrow account | 1,745,237 | 1,744,800 |
| Deferred income | 117,209 | 118,346 |
| Accounts Payable | 261,723 | 6,428 |
| Accrued expenses | 47,163 | 150,168 |
| Total | 2,171,331 | 2,019,743 |

18, 19 Regulatory capital and reserves

| | Note | 31 March 2010 | 31 December 2009 |
|---|-------------|----------------------|-------------------------|
| Capital and general reserve | | | |
| Authorized capital | 18 | 30,000,000 | 30,000,000 |
| Reserve fund | 19 | 14,922,970 | 11,202,820 |
| Net result for the period | | 1,847,209 | 3,720,150 |
| Total | | 46,770,179 | 44,922,970 |
| Accounts maintained in the CBK books as at 31 December | | | |
| Due to domestic banks | 13 | 210,164,201 | 233,245,596 |
| Due to accounts related to the IMF | 14 | 127,635,511 | 124,785,689 |
| Due to local governmental institutions | 15 | 709,223,941 | 665,187,516 |
| Due to public and commercial entities | 16 | 90,309,492 | 130,846,737 |
| Other domestic liabilities | 17 | 2,171,331 | 2,019,743 |
| Total | | 1,139,504,476 | 1,156,085,282 |

20. Net interest income

| | 31 March 2010 | 31 March 2009 |
|----------------------------|----------------------|----------------------|
| Interest income | | |
| From placements | 393,869 | 2,414,280 |
| From treasury bills | 372,843 | 4,010,143 |
| From current accounts | 30,318 | 204,692 |
| | 797,030 | 6,629,115 |
| Interest expense | | |
| From current accounts | 170,157 | 1,782,671 |
| Due to commercial banks | 38,608 | 357,912 |
| On fixed term deposits | 211,504 | 359,741 |
| | 420,269 | 2,500,324 |
| Net interest income | 376,761 | 4,128,791 |

21. Net fee and commission income

| | 31 March 2010 | 31 March 2009 |
|---|----------------------|----------------------|
| Net fee and commission income | | |
| From cash deposits | 89,661 | 29,825 |
| From incoming transfers | 5,865 | 27,648 |
| From outgoing transfers | 46,860 | 61,824 |
| From domestic transfers (Domestic payment system) | 34,548 | 24,541 |
| From credit registry system | 19,004 | 13,861 |
| From asset management | 375,000 | 408,056 |
| Other fees | 8,682 | 8,794 |
| | 579,620 | 574,549 |
| Net fee and commission expense | | |
| From cash transportation | 52,055 | 39,157 |
| From correspondent bank transactions | 2,312 | 2,386 |
| | 54,367 | 41,543 |
| Net fee and commission position | 525,253 | 533,006 |

22. Grant revenue

| | 31 March 2010 | 31 March 2009 |
|---------------|----------------------|----------------------|
| Grant revenue | 8,955 | 1,240 |

23. Other operating incomes

| | 31 March 2010 | 31 March 2009 |
|---|----------------------|----------------------|
| Income from the CBK regulatory activity | 58,525 | 74,806 |
| Other income | - | 332 |
| Total | 58,528 | 75,138 |

24. Personnel expenses

| | 31 March 2010 | 31 March 2009 |
|---|----------------------|----------------------|
| Wages and salary | 339,172 | 318,252 |
| Social security and health insurance cost | 113,607 | 106,683 |
| Staff training cost | 28,489 | 13,757 |
| Governing Board | 29,824 | 11,683 |
| Other | 8,348 | 8,871 |
| Total | 519,441 | 459,246 |

Total number of employees as at 31 March 2010 is 167, (comparing to 31 March 2009: 156).

25. General and administrative expenses

| | 31 March 2010 | 31 March 2009 |
|--|----------------------|----------------------|
| Insurance expenses | 64,656 | 59,891 |
| Repairs and maintenance | 11,489 | 21,588 |
| Software applications maintenance | 25,692 | 27,904 |
| Communication expense (telephone, fax and internet) | 16,165 | 15,127 |
| Utilities | 19,088 | 19,193 |
| Audit and consulting expense | - | - |
| Security (guard and transportation) | 7,080 | 3,720 |
| Travel and transportation | 12,808 | 6,440 |
| Vehicle operating expenses | 7,810 | 4,873 |
| Consumable administrative material | 6,930 | 6,035 |
| Cafeteria | 5,046 | 4,023 |
| Consumable expenses (IT and non-IT equipment supply) | 3,840 | 14,695 |
| Publication and literature | 9,057 | 5,715 |
| Representation expenses | 2,987 | 7,863 |
| Other | 11,530 | 5,453 |
| Total | 204,176 | 202,522 |

26. Other comprehensive income (net exchange)

| | 31 March 2010 | 31 March 2009 |
|--|---------------|---------------|
| Net unrealized profit/loss from exchange translation | 1,739,886 | - |

27. Cash and cash equivalents

| | Note | 31 March 2010 | 31 March 2009 |
|---|------|--------------------|--------------------|
| Cash on hand | 5 | 26,336,794 | 40,451,695 |
| Current accounts with non-resident banks | 6 | 26,863,128 | 26,491,360 |
| Treasury bills with maturity up to three months | 7 | 319,643,922 | 490,072,274 |
| Deposit accounts with non-resident banks with maturity up to three months | 8 | 546,439,701 | 383,702,153 |
| Total | | 919,283,545 | 940,717,482 |

28. Commitment and contingencies**Membership in the World Bank**

After the membership of the Republic of Kosovo in the World Bank and its sub-agencies, Kosovo Government has issued payable notes (upon request), committed to pay in accordance with the World Bank request (its sub-agencies) for the admission fee them around 4,007,488 Euro, and the CBK role is as a financial intermediary (guarantee bank) and assets shall be held in a safe custody account.

Abbreviations used:

CBK – Central Bank of Republic of Kosovo

IMF– International Monetary Fund

SDR – Special Drawing Rights

IT – Information Technology