

Directorate for Financial Planning and Reporting

THE CBK FINANCIAL STATEMENT
/for the second quarter 2010/
~~interim report~~

BANKA QENDRORE E REPUBLIKES SE KOSOVES
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO



CBK's Financial Statements of second quarter 2010

As defined by Law 03/L-074 "On Central Bank of the Republic of Kosovo" (CBK), as a reporting framework for the preparation of financial statement are International Financial Reporting Standards, Respectively Article 54 of the law mentioned above. Financial Statements for the second quarter include *statement of financial position, statement of comprehensive income, statement of changes in capital and reserves (equity)*. CBK financial year coincides with calendar year and reporting date for financial statement of the second trimester is 30 June 2010.

Abbreviations used in this Report:

CBK – Central Bank of the Republic of Kosovo
IMF – International Monetary Found
SDR – Special Drawing Rights
IT – Information Technology

Statement of financial position
as per

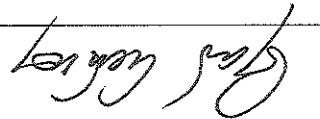
Note
30 June 2010
31 December
2009

	30 June 2010	31 December 2009
Assets		
Cash on hand	62,705,553	21,805,786
Current accounts with non resident banks	30,543,775	34,899,181
Treasury Bill	354,588,787	529,651,716
Placements in money market	609,276,531	487,529,152
Deposit accounts with IMF	138,353,349	124,482,484
Properties and equipments	1,895,132	2,115,544
Intangible assets	400,289	173,404
Other assets	582,344	350,985
Total Assets	1,198,345,759	1,201,008,252
Liabilities		
Due to domestic commercial banks	185,865,009	233,245,596
Due to IMF related accounts	135,201,414	124,785,689
Due to Governmental Institutions	784,486,384	665,187,516
Due to public and commercial entities	40,826,289	130,846,737
Other domestic liabilities	2,689,157	2,019,743
Total liabilities	1,149,068,253	1,156,085,282
Capital and reserves		
Authorized capital	30,000,000	30,000,000
Reserve fund	14,922,970	11,202,820
Net result of the period	4,354,536	3,720,150
Total capital and reserve	49,277,506	44,922,970
Total liability capital and reserve	1,198,345,759	1,201,008,252

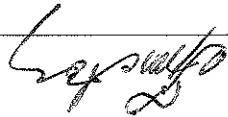
Notes from page 5 up to 14 are integral parts of these financial statements

Financial Statements set out on pages below were approved by management of CBK on 29 July and signed on its behalf by:

Gani Gerguri
Acting Governor



Faton Ahmetaj
Director of Financial Planning and
Reporting Directorate



Statement of comprehensive income

	Note	30 June 2010	30 June 2009
Net interest income		1,590,040	4,284,445
Interest expense		(886,382)	(1,777,720)
Net interest income	20	703,657	2,506,725
Fee and commission income		1,212,274	1,164,441
Fee and commission expenses		(115,982)	(86,884)
Net fee and commission income	21	1,096,292	1,251,325
Other operating income		20,890	2,377
Grant revenues	22	20,890	2,377
Other income	23	722,919	404,600
Total other operating income		2,543,758	3,991,277
Operating expenses			
Personnel expenses	24	(1,093,818)	(968,776)
Depreciation and amortization	10,11	(277,663)	(235,344)
General and administrative expenses	25	(442,140)	(458,962)
Total operating expenses		(1,813,621)	(1,663,082)
Net result without exchange rate effect		730,137	2,328,195
Net gain/loss on exchange rate	26	3,624,399	-
Net result of the period		4,354,536	2,328,195

Notes from page 5 up to 14 are integral parts of these financial statements

Statement of changes in equity (capital and reserve)

	Statutory fund	Reserve fund	Retained earnings	Total
<i>Balance at 01 January 2009</i>	30,000,000	3,735,611	7,467,209	41,202,820
<i>Profit for the period</i>	-	-	2,328,195	2,328,195
<i>Transfer to reserve fund</i>	-	7,467,209	(7,467,209)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 June 2009</i>	30,000,000	11,202,820	2,328,195	43,531,015
<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>	-	-	4,354,536	4,354,536
<i>Transfer to reserve fund</i>	-	3,720,150	(3,720,150)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 June 2010</i>	30,000,000	14,922,970	4,354,536	49,277,506

Notes from page 5 up to 14 are integral parts of these financial statements

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

Basis of measurements

Financial Statements have been prepared on the bases of historical cost.

Functional and presentation currency

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

3. Accounting Policies

Financial statements are prepared by using consistency of accounting policies, and emphasize that there were no new policy or change in accounting policies applied.

4. Financial Risk Management

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

Liquidity Risk Management

Carrying amounts according to residual maturity

	Carrying amount	< 3 months	3-6 months	6-12 months	Note
30 June 2010					
Cash on hand	62,705,553	62,705,553	-	-	5
Current accounts in non-residential banks	30,543,775	30,543,775	-	-	6
Treasury Bonds	354,588,787	159,839,856	194,748,931	-	7
Deposit accounts in non-residential banks	609,276,531	559,169,536	50,106,994	-	8
Deposits with IMF	138,353,349	138,353,349	-	-	9
Due to domestic banks	(185,865,009)	(185,865,009)	-	-	13
Due to accounts related to IMF	(135,201,415)	(135,201,415)	-	-	14
Due to governmental institutions	(784,486,384)	(734,468,731)	(50,017,653)	-	15
Due to public and commercial entities	(40,826,289)	(40,826,289)	-	-	16
Other domestic liabilities	(2,689,157)	(2,689,157)	-	-	17
(1,149,068,254)	(1,099,050,601)	(148,438,533)	194,838,272	-	
31 December 2009					
Cash on hand	21,805,786	21,805,786	-	-	7
Current accounts in non-residential banks	34,899,181	34,899,181	-	-	8
Treasury Bonds	529,651,716	429,807,032	99,844,685	-	9
Deposit accounts in non-residential banks	487,529,152	487,529,152	-	-	10
Deposits with IMF	124,482,484	124,482,484	-	-	11
Due to domestic banks	(233,245,596)	(233,245,596)	-	-	15
Due to accounts related to IMF	(124,785,689)	(124,785,689)	-	-	16
Due to governmental institutions	(665,187,516)	(590,108,204)	(50,028,125)	(25,051,188)	17
Due to public and commercial entities	(130,846,737)	(130,846,737)	-	-	18
Other domestic liabilities	(2,019,743)	(2,019,743)	-	-	19
(1,156,085,282)	(1,081,005,970)	17,517,665	49,816,560	(25,051,188)	
42,283,037	17,517,665	17,517,665	49,816,560	(25,051,188)	

5. Cash on hand

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

6. Current accounts in non-residential banks

Composition of current accounts with non-residential banks is as follows:

	30 June 2010	31 December 2009
Deutsche Bundesbank	30,399,079	34,369,509
Raiffeisen Zentralbank	26,207	144,683
Commerzbank	114,374	380,877
Banque De France	4,115	4,112
Total	30,543,775	34,899,181

7. Securities (Treasury Bill)

Securities issued by governments of European Union (France, Belgium and Italy) with contractual maturity up to 12 month. Interest rate (yield) ranges from 0.141% – 0.815% (in 2009: 0.199% - 1.490%).

Securities table	30 June 2010	31 December 2009
Maturity	Principal	Principal
0-3 Months	159,755,596	429,477,692
3-6 Months	194,646,268	99,843,519
6-12 Months	-	-
over 12 Months	-	-
Total	354,401,864	529,321,211
Total (Principal + Accrued yield)	354,588,787	529,651,716

Above items arise from Kosovo membership in IMF. First item represents the value of the mandatory quota set to Kosovo by IMF in Euros. Second item represents the value deposited in SDR (Special Drawing rights) on behalf of the Republic of Kosovo according to the decisions of the Executive Board of IMF. SDR deposits are deposits that bring an interest of 0.22% – 0.27% for the reporting period.

	30 June 2010	31 December 2009
IMF Quota	66,969,619	64,205,038
SDR Holdings	71,350,397	60,253,069
Accrued Interest	33,333	24,377
Total	138,353,349	124,482,484

9. Deposits with IMF

	30 June 2010	31 December 2009
Placements in money markets	94,523,240	56,500,299
Ratiffisen Zentralbank		48,886,472
KBC	53,893,448	10,003,345
Rabobank	36,015,390	87,098,848
Danske Bank	97,199,945	4,100,039
Commerzbank	38,200,527	150,854,925
Banque de France	144,128,344	130,085,223
Banque Centrale du Luxembourg	145,315,638	487,529,152
Total	609,276,531	487,529,152

Deposits in non-residential banks usually bear an average interest rate of 0.372% (min 0.10% and max 0.81%, while in 2009: min. 0.05%, max. 2.05% with their average of 0.53%), mostly with a maturity up to one year. Analytically, according to the banks as below:

8. Deposits with non-residential banks

10 & 11. Tangible and Intangible Assets

Category of main assets	Historical cost	31 December 2009 to accumulated up to 31 December 2010	30 June 2010 to accumulated up to 30 June 2010	Total Depreciation/Amortization	Net Value on 30 June 2010
Property, plant and equipment	3,912,084	1,771,907	245,061	2,016,968	1,895,132
Equipments, offices and other	1,565,319	992,703	113,339	1,106,042	459,278
Vehicles	287,151	64,830	28,240	93,070	194,081
Premises	1,279,282	191,892	31,982	223,874	1,055,407
Computer hardware	780,332	522,482	71,500	593,982	186,350
Intangible assets	1,469,125	1,036,219	32,618	1,068,837	400,289
Computer applications	1,469,125	1,036,219	32,618	1,068,837	400,289
Total	5,381,209	2,808,126	277,679	3,085,805	2,295,421

12. Other assets

Other assets are as below:

	30 June 2010	31 December 2009
Actual income	412,803	332,923
Prepayment	169,541	18,062
Total	582,344	350,985

13. Due to domestic banks

	30 June 2010	31 December 2009
ProCredit Bank - Kosovo	63,580,076	96,915,038
Ratifeisen Bank - Kosovo	53,742,976	55,572,361
NLB Prishtina	22,066,826	20,535,122
Komercijalna Banka – Branch in Mitrovica	2,843,721	2,526,289
Banka Ekonomike e Prishtines	6,748,631	14,008,502
Banka për Biznes	8,801,649	22,445,960
Banka Kombëtare Tregtare - Prishtina Branch	4,196,831	5,872,200
Turk Ekonom Bankasi - Kosovo	23,697,110	15,311,176
Banka Kreditore e Prishtines	187,188	58,947,21
Total liquidity reserves	185,865,009	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

	30 June 2010	31 December 2009
Current account IMF No. 1	167,398	-
Expenses account IMF No. 2	5,674	-
Account in trust of IMF	50,715,780	49,098,886.52
Paid part of IMF quota	17,326,408	15,409,209.18
IMF (SDR) Allocated by IMF	66,958,614	60,253,069.06
Accrued Interest	27,540	24,524.67
Total	135,201,414	124,785,689

The above disclosure presents positions of account related to IMF after Kosovo's membership in this institution. Part of the fee (quota) paid is held in SDR (14,160,000 SDR). IMF SDR are allocations mentioned before (note 9) according to allocations on 28 August and 09 September 2009 (both allocations make a total of 55,368,413 SDR).

15. Due to Governmental Domestic Institutions

Dues to governmental institutions are composed:

Current accounts

	30 June 2010	31 December 2009
Treasury – Ministry of Economy and Finance	16,955,763	88,245,353
Privatization Agency of Kosovo	471,651,118	451,041,297
Interim Administrative Institutions	726,496	797,178
Total	489,333,377	540,083,829
Term Deposits		
Treasury – Ministry of Economy and Finance	295,153,007	125,103,688
Total - Dues to governmental institutions	784,486,384	665,187,516

Deposits on current accounts have an interest rate of 0.10% while for time deposits the interest rate ranges from 0.20% up to 0.81%.

	30 June 2010	Note	31 December 2009
Capital and general reserve			
Authorised capital	30,000,000	18	30,000,000
Reserve fund	14,922,970	19	11,202,820
Net result for the period	4,354,536		3,720,150
Total	49,277,506		44,922,970

18 & 19. Regulatory capital and reserves

	30 June 2010	31 December 2009
Escrow account	1,664,673	1,744,800
Deferred income	73,393	118,346
Payable accounts	951,091	6,428
Accrued expenses	-	150,168
Total	2,689,157	2,019,743

17. Other liabilities

	30 June 2010	31 December 2009
Insurance Companies	5,719,047	7,663,893
Public utility corporations	46,506	505,454
Pension Fund	35,088,743	122,675,363
Other	1,993	2,010
Total	40,826,289	130,846,720

Dues to commercial and public entities are as below and are all assets in current accounts:

16. Due to Public and Commercial Entities

Total	722,919	404,600
Income from CBK regulatory activity	719,819	404,268
Other income	3,100	332
30 June 2010	30 June 2009	

23. Other operating incomes

22. Grant revenue	20,890	2,377
Grant revenue	20,890	2,377
30 June 2010	30 June 2009	

Net fee and commission position	1,096,292	1,077,557
Fee and commission expense	115,982	86,884
From correspondent bank transactions	4,376	4,099
From cash transportation	111,606	82,784
From credit registry system	52,606	34,897
From domestic transfers (Domestic payment system)	96,986	67,068
From outgoing transfers	97,040	151,758
From incoming transfer	30,938	53,058
From cash deposits	169,004	61,792
Net fee and commission income	1,212,274	1,164,441
Other fees	15,701	12,813
From asset management	750,000	783,056
From domestic transfers (Domestic payment system)	96,986	67,068
From credit registry system	52,606	34,897
From asset management	750,000	783,056
Other fees	15,701	12,813
30 June 2010	30 June 2009	

21. Net fee and commission income

Net interest income	703,657	2,506,742
On fix term deposit	425,436	1,353,061
Due to commercial banks	76,589	279,557
Due to current accounts	384,358	1,363,085
Interest expense	1,590,040	4,284,445
From current accounts	113,118	114,402
From treasury bill	680,022	2,423,241
From placements	796,900	1,746,802
Interest income	1,590,040	4,284,445
30 June 2010	30 June 2009	

20. Net interest income

24. Personnel expenses

	30 June 2010	30 June 2009
Wages and salary	688,226	637,658
Social security and health insurance costs	229,378	214,663
Staff training costs	80,032	45,402
Board costs	74,784	53,893
Other	21,398	17,160
Total	1,093,818	968,776

Total number of employees June 30, 2010 is 167. (June 30 2009: 161).

25. General and administrative expenses

	30 June 2010	30 June 2009
Insurance expenses	129,312	119,783
Repairs and maintenance	22,269	31,419
Software application maintenance	51,425	59,253
Communication expenses (telephone, fax, and internet)	40,348	35,474
Public utility expenses	34,943	38,051
Audit and consulting expenses	1,927	812
Security (guard and transportation)	18,120	18,080
Travel and transportation	46,113	49,267
Vehicle operating expenses	14,302	11,327
Consumable administrative material	16,620	12,799
Cafeteria	8,402	8,543
Consumable expenses (IT and non-IT equipment supply)	9,414	30,696
Publication and literature	20,477	11,569
Representation expenses	7,290	15,584
Other	19,622	16,705
Total	440,585	458,926

26. Other comprehensive income (net exchange)

	30 June 2010	30 June 2009
Net unrealised profit/loss from exchange translation	3,624,399	-

27. Cash and cash equivalents

	Note	30 June 2010	30 June 2009
Cash on hand	5	62,705,553	38,198,613
Current accounts with non residential banks	6	30,543,775	28,551,567
Treasury bill with maturity up to three month	7	24,995,620	-
Placements with non-resident banks with maturity up to three months	8	459,016,053	356,441,912
Total		577,261,001	423,192,091

28. Commitment and contingencies

Membership in the World Bank

After membership of the Republic of Kosovo in World Bank and its agencies, Kosovo Government has issued payable notes (upon request) committed to pay in accordance to World Bank request (its agencies) the admission fee which is 4,007,488 euro. CBK has the financial intermediary role (guaranteee bank) and assets shall be held in a safe custody account.