



THE CBK FINANCIAL STATEMENT
/for the third quarter 2010/
-interim report-

Directorate for Financial Planning and Reporting

CBK's Financial Statements of second quarter 2010

As defined by Law 03/L-209 “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 58 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)*. CBK financial year coincides with calendar year and reporting date for financial statement of the third quarter is 30 September 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

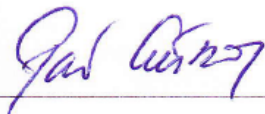
Statement of financial position

as per

	Note	30 September 2010	31 December 2009
Assets			
Cash on hand	5	81,626,439	21,805,786
Current accounts with non resident banks	6	22,446,488	34,899,181
Treasury Bill	7	274,334,886	529,651,716
Placements in money market	8	815,486,284	487,529,152
Deposit accounts with IMF	9	152,359,263	124,482,484
Properties and equipments	10	1,836,795	2,115,544
Intangible assets	11	620,943	173,404
Other assets	12	291,112	350,985
Total Assets		1,349,002,210	1,201,008,252
Liabilities			
Due to domestic commercial banks	13	191,790,710	233,245,596
Due to IMF related accounts	14	152,470,830	124,785,689
Due to Governmental Institutions	15	907,363,418	665,187,516
Due to public and commercial entities	16	48,428,013	130,846,737
Other domestic liabilities	17	2,757,638	2,019,743
Total liabilities		1,302,810,609	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 of the period		1,268,631	3,720,150
Total capital and reserve		46,191,601	44,922,970
Total liability capital and reserve		1,349,002,210	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 25 October 2010 and signed on its behalf by:



Gani Gerguri
Ushtrues detyre i
Guvernatorit



Faton Ahmetaj
Drejtore për Planifikim dhe
Raportim Financiar

Statement of comprehensive income

	Note	30 September 2010	30 September 2009
Net interest income			
Interest income		2,656,876	5,390,097
Interest expense		(1,540,220)	(2,095,697)
Net interest income	20	1,116,656	3,294,400
Fee and commission income			
Fee and commission income		1,903,729	1,763,761
Fee and commission expenses		(417,011)	(164,676)
Net fee and commission income	21	1,486,719	1,599,085
Other operating Income			
Grant revenues	22	28,799	9,373
Other Income	23	813,441	742,783
Total other operating income		3,445,614	5,645,640
Operating expenses			
Personnel expenses	24	(1,655,216)	(1,345,422)
Depreciation and amortization	10,11	(415,033)	(366,773)
General and administrative expenses	25	(660,644)	(659,185)
Total operating expenses		(2,730,893)	(2,371,380)
Net result without exchange rate effect		714,721	3,274,260
Net gain/loss on exchange rate	26	553,910	-
Net result of the period		1,268,631	3,274,260

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>	-	-	3,274,260	3,274,260
<i>Transfer to reserve fund</i>	-	7,467,209	(7,467,209)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 September 2009</i>	30,000,000	11,202,820	3,274,260	44,477,080
<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>	-	-	1,268,631	1,268,631
<i>Transfer to reserve fund</i>	-	3,720,150	(3,720,150)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 September 2010</i>	30,000,000	14,922,970	1,268,631	46,191,601

Notes from page 5 up to 13 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-209 “On Central Bank of the Republic of Kosovo” approved in September 2010.

2. Basis for preparation of Financial Statements

Reporting Framework

Financial statements are in accordance with International Financial Reporting Standards (IFRS) for interim reporting.

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 – A-1+ dhe P-1).

5. Cash on hand

	30 September 2010	31 December 2009
EUR	81,626,439	21,805,786
SDR	-	-
USD	-	-
Total	81,626,439	21,805,786

6. Current accounts in non-residential banks

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

	30 September 2010	31 December 2009
Deutsche Bundesbank	22,130,203	34,369,509
Raiffeisen Zentralbank	54,011	144,683
Commerzbank	258,155	380,877
Banque De France	4,119	4,112
Total	22,446,488	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 September 2010		31 December 2009	
	Principal	Accrued yield	Principal	Accrued yield
0-3 Months	239,498,329	228,173	429,477,692	329,340
3-6 Months	-	-	99,843,519	1,166
6-12 Months	34,530,061	78,323	-	-
over 12 Months	-	-	-	-
Total	274,028,390	306,496	529,321,211	330,506
Total (Principal + Accrued yield)	274,334,886		529,651,716	

8. Deposits with non-residential banks

Deposits in **non-residential** banks usually bear an average interest rate minimum 0.23% and max 0.97%, while in 2009: min. 0.05%, max. 2.05%, mostly with a maturity up to one year. Analytically, according to the banks as below:

	30 September 2010	31 December 2009
Placements in money markets		
Raiffeisen Zentralbank	111,612,867	56,500,299
KBC	50,063,804	48,886,472
Rabobank	136,092,838	10,003,345
Danske Bank	97,272,617	87,098,848
Commerzbank	130,733,083	4,100,039
Banque de France	144,238,679	150,854,925
Banque Centrale du Luxembourg	145,472,397	130,085,223
Total	815,486,283	487,529,152

9. Deposits with IMF

	30 September 2010	31 December 2009
IMF Quota	62,979,007	64,205,038
SDR Holdings	67,286,769	60,253,069
Purchase of SDR	22,093,487	24,377
Accrued Interest	-	24,377
Total	152,359,263	124,482,484

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.

SDR purchases are related to the first tranche of Stand by Arrangement between IMF and Kosovo.

10 & 11. Tangible and Intangible Assets

Category of main assets	Historical cost	Depreciation/ Amortization accumulated up to 31 December 2009	Depreciation/ Amortization accumulated up to 30 September 2010	Total Depreciation/ Amortization accumulated	Net Value on 30 September 2010
Property, plant and equipment	3,977,964	1,771,907	369,262	2,141,189	1,836,795
Equipments, offices and other	1,565,319	992,703	170,448	1,163,151	402,169
Vehicles	287,151	64,830	42,359	107,190	179,961
Premises	1,279,282	191,892	47,973	239,865	1,039,416
Computer hardware	846,212	522,482	108,501	630,983	215,229
Intangible assets	1,143,855	1,036,219	45,772	1,081,990	620,943
Computer applications	1,702,933	1,036,219	45,772	1,081,990	620,943
Total	5,121,819	2,808,126	415,033	3,223,179	2,457,738

12. Other assets

Other assets are as below:

	30 September 2010	31 December 2009
Actual income	125,000	332,923
Prepayment	166,112	18,062
Total	291,112	350,985

13. Due to domestic banks

	30 September 2010	31 December 2009
ProCredit Bank - Kosovo	55,362,923	96,915,038
Raiffeisen Bank - Kosovo	47,871,505	55,572,361
NLB Prishtina	25,662,400	20,535,122
Komercijalna Banka – Branch in Mitrovica	2,839,115	2,526,289
Banka Ekonomike e Prishtinës	13,720,241	14,008,502
Banka për Biznes	16,488,456	22,445,960
Banka Kombëtare Tregtare -Prishtina Branch	7,617,943	5,872,200
Turk Ekonom Bankasi - Kosovo	22,062,315	15,311,176
Banka Kreditore e Prishtinës	165,812	58,947.21
Total liquidity reserves	191,790,710	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 September 2010	31 December 2009
Current account IMF No. 1	167,398	-
Expenses account IMF No. 2	5,674	-
Securities account	72,809,267	49,098,886.52
Paid part of IMF quota	16,343,379	15,409,209.18
IMF (SDR) Allocated by IMF	63,145,113	60,253,069.06
Accrued Interest	-	24,524.67
Total	152,470,831	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 September 2010	31 December 2009
Treasury – Ministry of Economy and Finance	31,240,655	88,245,353
Privatization Agency of Kosovo	156,071,934	451,041,297
Interim Administrative Institutions	701,645	797,178
Total	188,014,234	540,083,829

Term Deposits

Treasury – Ministry of Economy and Finance	395,175,253	125,103,688
Kosovo Privatization Agency	324,173,931	-
Total time deposits	719,349,184	125,103,688
Total - Dues to governmental institutions	907,363,418	665,187,516

Deposits on current accounts have an interest rate of 0.10% while for time deposits the interest rate ranges from 0.46% up to 1.09%.

16. Due to Public and Commercial Entities

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

	30 September 2010	31 December 2009
Insurance Companies	5,628,544	7,663,893
Public utility corporations	80,228	505,454
Pension Fund	42,717,267	122,675,363
Other	1,975	2,010
Total	48,428,013	130,846,720

17. Other liabilities

	30 September 2010	31 December 2009
Escrow account	1,665,098	1,744,800
Deferred income	104,902	118,346
Payable accounts	987,639	6,428
Accrued expenses	-	150,168
Total	2,757,639	2,019,743

18 & 19. Regulatory capital and reserves

	Note	30 September 2010	31 December 2009
Capital and general reserve			
Authorised capital	18	30,000,000	30,000,000
Reserve fund	19	14,922,970	11,202,820
Net result for the period		1,268,631	3,720,150
Total		46,191,601	44,922,970

20. Net interest income

	30 September 2010	30 September 2009
Interest income		
From placements	1,462,817	2,043,996
From treasury bill	1,043,999	3,211,587
From current accounts	150,061	134,514
	2,656,876	5,390,097
Interest expense		
Due to current accounts	526,554	1,542,093
Due to commercial banks	115,484	320,556
On fix term deposit	898,182	233,047
	1,540,220	2,095,697
Net interest income	1,116,656	3,294,400

21. Net fee and commission income

	30 September 2010	30 September 2009
Net fee and commission income		
From cash deposits	268,897	139,920
From incoming transfer	44,942	63,971
From outgoing transfers	159,790	243,263
From domestic transfers (Domestic payment system)	162,562	116,448
From credit registry system	85,565	57,301
From asset management	1,125,000	1,125,000
Other fees	23,530	17,857
	1,870,286	1,763,761
Fee and commission expense		
From cash transportation	184,863	158,008
From correspondent bank transactions	5,690	6,668
	190,553	164,676
Net fee and commission position	1,679,733	1,599,085

22. Grant revenue

	30 September 2010	30 September 2009
Grant revenue	28,799	9,373

23. Other operating incomes

	30 September 2010	30 September 2009
Income from CBK regulatory activity	810,341	742,451
Other income	3,100	332
Total	813,441	742,783

24. Personnel expenses

	30 September 2010	30 September 2009
Wages and salary	1,025,161	853,934
Social security and health insurance costs	349,906	323,495
Staff training costs	131,909	68,319
Board costs	117,981	76,855
Other	30,260	22,820
Total	1,655,216	1,345,422

Total number of employees September 30, 2010 is 163. (September 30 2009: 163).

25. General and administrative expenses

	30 September 2010	30 September 2009
Insurance expenses	193,967	179,674
Repairs and maintenance	28,977	37,885
Software application maintenance	80,896	76,112
Communication expenses (telephone, fax, and internet)	64,629	54,823
Public utility expenses	49,567	50,849
Audit and consulting expenses	1,927	2,702
Security (guard and transportation)	25,420	29,187
Travel and transportation	57,361	71,007
Vehicle operating expenses	19,047	16,324
Consumable administrative material	23,960	16,269
Cafeteria	11,935	11,731
Consumable expenses (IT and non-IT equipment supply)	31,727	35,605
Publication and literature	32,763	25,695
Representation expenses	11,492	29,818
Other	26,973	21,504
Total	660,644	659,185

26. Other comprehensive income (net exchange)

	30 September 2010	30 September 2009
Net unrealised profit/loss from exchange translation	553,909.97	-

27. 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 (guarantee bank) and held in a safe custody account.