



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

THE CBK FINANCIAL STATEMENT
/for the second quarter 2011/
-unaudited interim report-

Directorate for Financial Planning and Reporting

CBK's Financial Statements of second quarter 2011

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 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 quarter is 30 June 2011.

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 2011	31 December 2010
Assets			
Cash on hand	5	35,955,738	60,194,928
Current accounts with non resident banks	6	24,894,035	25,620,824
Treasury Bill	7	244,715,286	199,274,643
Placements in money market	8	847,771,828	807,331,478
Deposit accounts with IMF	9	146,846,248	154,553,901
Properties and equipments	10	1,589,544	1,736,473
Intangible assets	11	940,341	898,167
Other assets	12	727,402	428,165
Total assets		1,303,440,422	1,250,038,581
Liabilities			
Due to domestic commercial banks	13	170,214,944	203,572,088
Due to IMF related accounts	14	146,659,930	153,868,486
Due to Governmental Institutions	15	892,258,318	798,721,062
Due to public and commercial entities	16	41,503,570	43,228,193
Other domestic liabilities	17	3,733,242	2,669,252
Total liabilities		1,254,370,004	1,202,059,081
Capital and reserves			
Authorized capital	18	30,000,000	30,000,000
Reserve fund	19	17,979,500	14,922,970
Net result of the period		1,090,918	3,056,530
Total capital and reserve		49,070,418	47,979,500
Total liability capital and reserve		1,303,440,422	1,250,038,581

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 28 July 2011 and signed on its behalf by:

Gani Gërguri
Governor

Faton Ahmetaj
Director of financial Planning and
Reporting Directorate

Statement of comprehensive income

	Note	30 June 2011	30 June 2010
Net interest income			
Interest income		4,652,577	1,590,040
Interest expense		(3,156,771)	(886,382)
Net interest income	20	<u>1,495,806</u>	<u>703,657</u>
Fee and commission income			
Fee and commission income		1,218,005	1,212,274
Fee and commission expenses		(246,744)	(115,982)
Net fee and commission income	21	<u>971,261</u>	<u>1,096,292</u>
Other operating Income			
Grant revenues	22	20,657	20,890
Other operating Income	23	761,627	722,919
Total Operating Income		<u>3,249,350</u>	<u>2,543,758</u>
Administrative (operative) expenses			
Personnel expenses	24	(1,019,423)	(1,093,818)
Depreciation and amortization	10,11	(308,464)	(277,663)
General and administrative expenses	25	(481,337)	(442,140)
Total administrative (operative) expenses		<u>(1,809,224)</u>	<u>(1,813,621)</u>
Net result without exchange rate effect		<u>1,440,126</u>	<u>730,137</u>
Net gain/loss on exchange rate	26	(349,207)	3,624,399
Net result of the period		<u><u>1,090,918</u></u>	<u><u>4,354,536</u></u>

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
Balance at 01 January 2010	30,000,000	11,202,820	3,720,150	44,922,970
<i>Profit for the period</i>	-	-	3,056,530	3,056,530
<i>Transfer to reserve fund</i>	-	3,720,150	-3,720,150	-
<i>Transfer to statutory fund</i>				
Balance at 31 December 2010	30,000,000	14,922,970	3,056,530	47,979,500
Saldo me 01 Janar 2011	30,000,000	14,259,350	3,056,530	47,979,500
<i>Rezultati financiar i periudhës</i>	-	-	1,090,918	-1,395,746
<i>Transferi në fondin rezervë</i>	-	3,056,530	-3,056,530	-
<i>Transfer to statutory fund</i>	-	-	0	-
Balance at 30 June 2011	30,000,000	17,979,500	1,090,918	49,070,418

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-209 “On Central Bank of the Republic of Kosovo” approved in July 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).

Liquidity risk management (continued)

Carried amounts according to maturity left

	Note	Carried amount	< 3 months	3-6 months	6-12 months	1-5 years
30 June 2011						
Assets						
Cash on hand	5	35,955,738	35,955,738	-	-	-
Current accounts with non-resident banks	6	24,894,035	24,894,035	-	-	-
Treasury bills	7	244,715,286	209,727,556	34,987,730	-	-
Deposit accounts with non-resident banks	8	847,771,828	531,706,567	252,790,243	63,275,018	-
Assets related to IMF	9	146,846,248	124,752,760	-	-	22,093,487
		1,300,183,136	927,036,658	287,777,973	63,275,018	22,093,487
Liabilities						
Due to domestic banks	13	170,214,944	170,214,944	-	-	-
Due to accounts related to IMF	14	146,659,930	124,566,442	-	-	22,093,487
Due to local governmental institutions	15	892,258,318	600,790,004	230,785,443	60,682,871	-
Due to public and commercial entities	16	41,503,570	41,503,570	-	-	-
Other domestic liabilities	17	3,733,242	3,733,242	-	-	-
		1,254,370,004	940,808,203	230,785,443	60,682,871	22,093,487
		45,813,131	-13,771,545	56,992,530	2,592,146	-
31 December 2010						
Assets						
Cash on hand	5	60,194,928	60,194,928	-	-	-
Current accounts with non-resident banks	6	25,620,824	25,620,824	-	-	-
Treasury bills	7	199,274,643	69,901,952	94,665,182	34,707,509	-
Deposit accounts with non-resident banks	8	807,331,478	567,765,432	103,143,262	136,422,784	-
Deposits with IMF	9	154,553,901	132,460,414	-	-	22,093,487
		1,246,975,774	855,943,550	197,808,444	171,130,293	22,093,487
Liabilities						
Due to domestic banks	13	203,572,088	203,572,088	-	-	-
Due to accounts related to IMF	14	153,868,486	131,774,998	-	-	22,093,487
Due to local governmental institutions	15	798,721,062	527,101,139	100,222,238	171,397,685	-
Due to public and commercial entities	16	43,228,193	43,228,193	-	-	-
Other domestic liabilities	17	2,669,252	2,669,252	-	-	-
		1,202,059,081	908,345,671	100,222,238	171,397,685	22,093,487
		44,916,693	-52,402,121	97,586,206	-267,392	-

5. Cash on hand

	30 June 2011	31 December 2010
Cash on hand	35,955,738	60,194,928
Total	35,955,738	60,194,928

6. Current accounts with non-residential banks

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

	30 June 2011	31 December 2010
Deutsche Bundesbank	25,520,982	25,067,799
Raiffeisen Zentralbank	(867,597)	233,652
Commerzbank	141,128	315,250
Banque De France	4,137	4,123
Banque centrale du Luxembourg	27	-
Deutsche Bank London AG	95,358	-
Total	24,894,035	25,620,824

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 0.358% – 1.20% (in 2009: 0.2287% - 0.390%).

Securities (Treasury bills)

	30 June 2011	31 December 2010
Germany	19,979,965	-
France	54,891,397	-
Holand	49,913,561	-
Italy	34,960,838	84,613,107
Portugaly	-	34,786,977
Belgium	84,969,524	79,874,559
Total	244,715,286	199,274,643

8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 1.246% minimum 0.20% and max 1.67%, while in 2010: min. 0.10%, max. 0.81% , and an average of 0.53%), mostly with a maturity up to one year. Analytically, according to the banks as below:

Placements in money markets	30 June 2011	31 December 2010
Raiffeisen Zentralbank	141,984,367	94,634,625
ING Bank	137,755,589	150,220,403
Deutsche Bundesbank	20,011,783	-
KBC	-	20,003,772
Rabobank	137,098,441	136,422,784
Danske Bank	97,888,576	97,393,240
Commerzbank	102,525,655	53,858,209
Banque De France	84,650,570	144,400,340
Banque Centrale du Luxembourg	125,856,847	110,398,104
	847,771,828	807,331,478

9. Assets related to IMF

	30 June 2011	31 December 2010
IMF Quota	65,331,107	68,420,235
SDR holdings	60,926,455	63,992,596
Accrued Interest	67,495	47,583
Use of IMF funds (SBA)	20,463,773	22,093,487
Total	146,788,831	154,553,901

Above items arise from Kosovo membership in IMF. First item represents the value of the mandatory quota (59,000,000 SDR) 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 on 28 August (43,737,278 SDR) and 9 September 2009 (11,631,135 SDR) in euros in the table above . Special Drawing Rights – SDR deposits are deposits that bring an interest of 0.36% – 0.54% for the reporting period.

Last item represents IMF funds according the agreement for use of credit line by Kosovo Government (SBA).

10, 11 Tangible and Intangible Assets

Category of main assets	Historical cost	Depreciation/ Amortization accumulated up to 30 June 2011	Total Depreciation/ Amortization accumulated	Net Value on 30 June 2011
Property, plant and equipment	3,596,084	239,777	2,006,541	1,589,544
Equipments, offices and other	1,254,012	109,565	1,021,859	232,153
Vehicles	287,151	28,240	149,549	137,601
Premises	1,279,282	31,982	287,838	991,443
Computer hardware	692,460	69,991	547,294	145,165
Property, plant and equipment – puna ne proces	83,181	-	-	83,181
Intangible assets	1,995,342	68,687	1,055,001	940,341
Computer applications	1,916,149	68,687	1,055,001	861,148
Computer applications – in implementation process	79,193	-	-	79,193
Total	5,591,427	308,464	3,061,542	2,529,884

12. Other assets

Other assets are as below:

	30 June 2011	31 December 2010
Accrual income	566,670	323,658
Prepayment	160,732	104,508
Total	727,402	428,165

13. Due to domestic banks

	30 June 2011	31 December 2010
ProCredit Bank - Kosovë	52,777,566	64,953,439
Raiffeisen Bank - Kosovë	46,444,210	51,494,826
NLB Prishtina	22,451,583	26,051,568
Komercijalna Banka - Mitrovica branch	3,180,611	2,974,175
Banka Ekonomike	8,446,497	9,554,529
Banka për Biznes	11,111,857	18,065,121
Banka Kombëtare Tregtare e Shqipërisë	6,206,410	9,367,056
TEB - Turk Ekonomi Bankasi sh.a.	19,177,613	21,104,206
Banka Kreditore e Prishtinës	418,597	7,170
Total	170,214,944	203,572,088

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 2011	31 December 2010
Current account FMN No. 1	167,398	167,398
Expenses account FMN No. 2	5,674	5,674
Account in trust of IMF	69,203,045	72,809,267
Part paid of IMF quota	15,917,429	16,629,754
IMF SDR allocated by IMF	61,309,826	64,208,810
Accrued Interest	56,558	47,583
Total	146,659,930	153,868,486

The above items represent positions of accounts related to IMF following Kosovo's membership in this institution. Three first items represent opened accounts according to IMF regulation: two operational accounts and one account in trust for securities issued by Kosovo Government as payable notes. 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

Due to governmental institutions comprise of:

Current account

	30 June 2011	31 December 2010
Treasury – Ministry of Economy and Finance	67,808,694	49,572,088
Privatization Agency of Kosovo	26,944,607	65,088,763
Interim Administrative Institutions	1,494,840	1,677,860
Total	96,248,142	116,338,710

Term Deposits

Treasury – Ministry of Economy and Finance	267,901,716	224,702,520
Privatization Agency of Kosovo	528,108,460	457,679,832
Total Term Deposits	796,010,176	682,382,351
Total	892,258,318	798,721,062

Deposits in current accounts have an interest rate of 0.35% (from 27 April 2011 up to now it was 0.10% while for time deposits and securities the interest rate ranges from 0.20% up to 1.42%.

16. Due to Public and Commercial Entities

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

	30 June 2011	31 December 2010
Insurance Companies	6,529,836	5,026,996
Public utility corporations	34,903,739	38,131,340
Pension Funds	68,265	67,899
Other	1,731	1,958
Total	41,503,570	43,228,193

17. Other liabilities

	30 June 2011	31 December 2010
Escrow account	2,419,975	2,418,769
Deferred income	105,659	121,591
Payable accounts	1,202,533	17,652
Accrued expenses	5,074	111,240
Total	3,733,242	2,669,252

18, 19 Regulatory capital and reserves

	30 June 2011	31 December 2010
Capital and general reserve		
Authorised capital	30,000,000	30,000,000
Reserve fund	17,979,500	14,922,970
Net result for the period	1,090,919	3,056,530
Total	49,070,418	47,979,500

20. Net interest income

	30 June 2011	30 June 2010
Interest Income		

From placements	3,967,637	796,900
From treasury bill	458,261	680,022
From deposit current accounts	226,679	113,118
	4,652,577	1,590,040
Interest expense		
Due to current accounts	218,709	303,444
Due to commercial banks	154,919	157,503
Fix term deposits	2,783,143	425,436
	3,156,771	886,382
Net interest income	1,495,806	703,657

21. Net fee and commission income

	30 June 2011	30 June 2010
Net fee and commission income		
From cash deposits	156,136	169,004
From incoming transfer	39,460	30,937
From outgoing transfers	78,174	97,040
From domestic transfers (Domestic payment system))	116,292	96,986
From credit registry system	66,065	52,606
From asset management	750,000	750,000
Other fees	11,879	15,701
	1,218,005	1,212,274
Fee and commission expense		
From cash transportation	94,274	111,606
From correspondent bank transactions	152,470	4,376
	246,744	115,982
Net fee and commission position	971,261	1,096,292

22. Grant revenue

	30 June 2011	30 June 2010
Grant revenue	20,657	20,890

23. Other operational incomes

	30 June 2011	30 June 2010
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Income from CBK regulatory activity	760,642	719,819
Other income	985	-
Total	761,627	719,819

24. Personnel expenses

	30 June 2011	30 June 2010
Wages and salary costs	732,162	728,224
Social security and health insurance costs	168,189	189,381
Staff training costs	40,085	80,032
Board costs	63,537	76,914
Other	15,398	19,268
Total	1,019,371	1,093,818

Total number of employees on June 30, 2011 is 170. (June 30 2010: 167).

25. General and administrative expenses

	30 June 2011	30 June 2010
Insurance expenses	119,102	129,312
Repairs and maintenance	22,186	22,269
Application maintenance	110,945	52,980
Communication expenses (telephone, fax, and internet)	31,449	40,348
Public utility expenses	35,530	34,943
Audit and consulting expenses	0	1,927
Security (guard and transportation)	28,100	18,120
Travel and transportation	46,025	46,113
Vehicle operating expenses	10,226	14,302
Consumable administrative material	15,799	16,620
Cafeteria expenses	8,173	8,402
Consumable expenses (IT and non-IT equipment supply)	18,655	9,414
Publishing and literature	19,879	20,477
Representation expenses	7,053	7,290
Other	8,214	19,622
Total	481,337	442,140

26. Net result of changes in exchange rates

	30 June 2011	30 June 2010
Net unrealised profit/loss from exchange rate	(349,207)	3,624,399

27. Cash and cash equivalents

	Shënim	30 Qershor 2011	31 Dhjetor 2010
Cash in hand	5	35,955,738	60,194,928
Cash accounts with non-resident banks	6	24,894,035	25,620,824
Treasury bill with maturity up to three months	7	209,727,556	69,862,650
Placements with non-resident banks with maturity up to three months	8	531,706,567	567,626,966
Total		802,283,897	723,305,368

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

Following the membership of the Republic of Kosovo in World bank and its agencies, Kosovo Government has issued payable notes (upon request⁰) committed to pay in accordance with World bank request (and its sub-agencies) the admission fee that is around 4,007,488 euro. The Cbk has the financial intermediary role (guarantee bank) and assets shall be held in a safe custody account.