



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

**Directorate for Financial Planning and Reporting**

## CBK's Financial Statements of third 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 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 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 September 2011	31 December 2010
<b>Assets</b>			
Cash on hand	5	55,029,482	60,194,928
Current accounts with non resident banks	6	25,732,653	25,620,824
Treasury Bill	7	169,768,165	199,274,643
Placements in money market	8	905,748,132	807,331,478
Deposit accounts with IMF	9	151,779,533	154,553,901
Properties and equipments	10	1,666,021	1,736,473
Intangible assets	11	1,084,009	898,167
Other assets	12	885,317	428,165
<b>Total assets</b>		<b>1,311,693,312</b>	<b>1,250,038,581</b>
<b>Liabilities</b>			
Due to domestic commercial banks	13	197,537,493	203,572,088
Due to IMF related accounts	14	149,710,921	153,868,486
Due to Governmental Institutions	15	891,694,214	798,721,062
Due to public and commercial entities	16	17,127,204	43,228,193
Other domestic liabilities	17	4,089,241	2,669,252
<b>Total liabilities</b>		<b>1,260,159,073</b>	<b>1,202,059,081</b>
<b>Capital and reserves</b>			
Authorized capital	18	30,000,000	30,000,000
Reserve fund	19	17,979,500	14,922,970
Net result of the period		3,554,739	3,056,530
<b>Total capital and reserve</b>		<b>51,534,239</b>	<b>47,979,500</b>
<b>Total liability capital and reserve</b>		<b>1,311,693,312</b>	<b>1,250,038,581</b>

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 October 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 September 2011	30 September 2010
<b>Net interest income</b>			
Interest income		7,385,478	2,656,876
Interest expense		(5,450,662)	(1,540,220)
<b>Net interest income</b>	20	<u>1,934,816</u>	<u>1,116,656</u>
<b>Fee and commission income</b>			
Fee and commission income		1,925,675	1,903,729
Fee and commission expenses		(418,770)	(417,011)
<b>Net fee and commission income</b>	21	<u>1,506,905</u>	<u>1,486,719</u>
<b>Other operating Income</b>			
Grant revenues	22	21,794	28,799
Other operating Income	23	1,202,798	813,441
<b>Total Operating Income</b>		<u>4,666,313</u>	<u>3,445,614</u>
<b>Administrative (operative) expenses</b>			
Personnel expenses	24	(1,523,325)	(1,655,216)
Depreciation and amortization	10,11	(468,706)	(415,033)
General and administrative expenses	25	(710,952)	(660,644)
<b>Total administrative (operative) expenses</b>		<u>(2,702,983)</u>	<u>(2,730,893)</u>
<b>Net result without exchange rate effect</b>		<u>1,963,330</u>	<u>714,721</u>
Net gain/loss on exchange rate	26	1,591,409	553,910
			-
<b>Net result of the period</b>		<u><u>3,554,739</u></u>	<u><u>1,268,631</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
<b><i>Balance at 01 January 2010</i></b>	<b>30,000,000</b>	<b>11,202,820</b>	<b>3,720,150</b>	<b>44,922,970</b>
<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>				
<b><i>Balance at 31 December 2010</i></b>	<b>30,000,000</b>	<b>14,922,970</b>	<b>3,056,530</b>	<b>47,979,500</b>
<b><i>Balance at 01 January 2011</i></b>	<b>30,000,000</b>	<b>14,922,970</b>	<b>3,056,530</b>	<b>47,979,500</b>
<i>Profit for the period</i>	-	-	3,554,739	3,554,739
<i>Transfer to reserve fund</i>	-	3,056,530	-3,056,530	-
<i>Transfer to statutory fund</i>	-	-	-	-
<b><i>Balance at 31 December 2010</i></b>	<b>30,000,000</b>	<b>17,979,500</b>	<b>3,554,739</b>	<b>51,534,239</b>

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/Aaa till A-1/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
<b>30 September 2011</b>						
<b>Assets</b>						
Cash on hand	5	55,029,482	55,029,482	-	-	-
Current accounts with non-resident banks	6	25,732,653	25,732,653	-	-	-
Treasury bills	7	169,768,165	144,839,258	24,928,907	-	-
Deposit accounts with non-resident banks	8	905,748,132	806,161,738	66,360,775	33,225,619	-
Assets related to IMF	9	151,779,533	124,752,760	-	-	22,093,487
		<b>1,308,057,965</b>	<b>927,036,658</b>	<b>287,777,973</b>	<b>63,275,018</b>	<b>22,093,487</b>
<b>Liabilities</b>						
Due to domestic banks	13	197,537,493	197,537,493	-	-	-
Due to accounts related to IMF	14	149,710,921	127,617,434	-	-	22,093,487
Due to local governmental institutions	15	891,694,214	716,574,136	114,231,031	60,889,047	-
Due to public and commercial entities	16	17,127,204	17,127,204	-	-	-
Other domestic liabilities	17	4,089,241	4,089,241	-	-	-
		<b>1,260,159,073</b>	<b>1,062,945,508</b>	<b>114,231,031</b>	<b>60,889,047</b>	<b>22,093,487</b>
		<b>47,898,891</b>	<b>163,391,960</b>	<b>-12,882,526</b>	<b>-27,663,428</b>	<b>-</b>
<b>31 December 2010</b>						
<b>Assets</b>						
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
		<b>1,246,975,774</b>	<b>855,943,550</b>	<b>197,808,444</b>	<b>171,130,293</b>	<b>22,093,487</b>
<b>Liabilities</b>						
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	-	-	-
		<b>1,202,059,081</b>	<b>908,345,671</b>	<b>100,222,238</b>	<b>171,397,685</b>	<b>22,093,487</b>
		<b>44,916,693</b>	<b>-52,402,121</b>	<b>97,586,206</b>	<b>-267,392</b>	<b>-</b>

**5. Cash on hand**

	<b>30 September 2011</b>	<b>31 December 2010</b>
Cash on hand	55,029,482	60,194,928
<b>Total</b>	<b>55,029,482</b>	<b>60,194,928</b>

**6. Current accounts with non-residential banks**

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

	<b>30 September 2011</b>	<b>31 December 2010</b>
Deutsche Bundesbank	25,226,672	25,067,799
Raiffeisen Zentralbank	121,783	233,652
Commerzbank	350,331	315,250
Banque De France	1	4,123
Deutsche Bank London AG	33,866	-
<b>Total</b>	<b>25,732,653</b>	<b>25,620,824</b>

**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 2010: 0.14% deri 1.35%).

T-Bills

	<b>30 September 2011</b>	<b>31 December 2010</b>
France	84,938,708	-
Italy	-	84,613,107
Portugal	-	34,786,977
Belgium	84,829,457	79,874,559
<b>Total</b>	<b>169,768,165</b>	<b>199,274,643</b>



## 8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 1.04% minimum 0.15% and max 1.67%, while in 2010: min. 0.10%, max. 1.20% , and an average of 0.41%), mostly with a maturity up to one year. Analytically, according to the banks as below:

Placements in money markets	30 September 2011	31 December 2010
Raiffeisen Zentralbank	108,910,015	94,634,625
ING Bank	50,612,457	150,220,403
Deutsche Bundesbank	70,008,098	-
KBC	87,195,750	20,003,772
Rabobank	137,433,824	136,422,784
Danske Bank	98,225,131	97,393,240
Commerzbank	54,282,750	53,858,209
Banque De France	84,894,019	144,400,340
Banque Centrale du Luxembourg	112,097,345	110,398,104
Svenska Handelsbanken	102,088,744	-
	<b>905,748,132</b>	<b>807,331,478</b>

## 9. Assets related to IMF

	30 September 2011	31 December 2010
IMF Quota	67,915,780	68,420,235
SDR holdings	63,350,692	63,992,596
Accrued Interest	49,288	47,583
Use of IMF funds (SBA)	20,463,773	22,093,487
<b>Total</b>	<b>151,779,533</b>	<b>154,553,901</b>

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. Third 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 September 2011	Total Depreciation/ Amortization accumulated	Net Value on 30 September 2011
<b>Property, plant and equipment</b>	<b>3,798,461</b>	<b>365,676</b>	<b>2,132,439</b>	<b>1,666,021</b>
Equipments, offices and other	1,316,069	174,832	1,087,125	228,944
Vehicles	287,151	41,443	162,752	124,398
Premises	1,279,282	47,973	303,829	975,452
Computer hardware	802,136	101,429	578,732	223,404
Property, plant and equipment– work-in process	113,823	-	-	113,823
<b>Intangible assets</b>	<b>2,173,353</b>	<b>986,315</b>	<b>1,089,345</b>	<b>1,084,009</b>
Computer applications	1,863,398	986,315	1,089,345	774,054
Computer applications – in implementation process	309,955	-	-	309,955
<b>Total</b>	<b>5,971,814</b>	<b>468,706</b>	<b>3,221,784</b>	<b>2,750,030</b>

**12. Other assets**

Other assets are as below:

	30 September 2011	31 December 2010
Accrual income	707,750	323,658
Prepayment	177,567	104,508
<b>Total</b>	<b>885,317</b>	<b>428,165</b>

**13. Due to domestic banks**

	30 September 2011	31 December 2010
ProCredit Bank - Kosovë	54,503,218	64,953,439
Raiffeisen Bank - Kosovë	49,530,304	51,494,826
NLB Prishtina	23,743,293	26,051,568
Komercijalna Banka - Mitrovica branch	3,538,285	2,974,175
Banka Ekonomike	20,100,336	9,554,529
Banka për Biznes	18,947,255	18,065,121
Banka Kombëtare Tregtare e Shqipërisë	6,324,948	9,367,056
TEB - Turk Ekonomi Bankasi sh.a.	20,739,839	21,104,206
Banka Kreditore e Prishtinës	110,017	7,170
<b>Total</b>	<b>197,537,493</b>	<b>203,572,088</b>

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**

	<b>30 September 2011</b>	<b>31 December 2010</b>
Current account FMN No. 1	160,896	167,398
Expenses account FMN No. 2	5,454	5,674
Account in trust of IMF	69,209,767	72,809,267
Part paid of IMF quota	16,562,333	16,629,754
IMF SDR allocated by IMF	63,735,406	64,208,810
Accrued Interest	37,065	47,583
<b>Total</b>	<b>149,710,921</b>	<b>153,868,486</b>

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**

	<b>30 September 2011</b>	<b>31 December 2010</b>
Treasury – Ministry of Economy and Finance	118,494,678	49,572,088
Privatization Agency of Kosovo	126,295,255	65,088,763
Interim Administrative Institutions	1,421,911	1,677,860
<b>Total</b>	<b>246,211,844</b>	<b>116,338,710</b>

**Term Deposits**

Treasury – Ministry of Economy and Finance	194,920,084	224,702,520
Privatization Agency of Kosovo	450,562,286	457,679,832
<b>Total Term Deposits</b>	<b>645,482,370</b>	<b>682,382,351</b>
<b>Total</b>	<b>891,694,214</b>	<b>798,721,062</b>

Deposits in current accounts have an interest rate of 0.60% (from 27 July 2011, 0.35% from 27 April – 26 July and 0.1% 01 January – 26 April up to now it was 0.35% while for time deposits and securities the interest rate ranges from 0.22% 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:

	<b>30 September 2011</b>	<b>31 December 2010</b>
Insurance Companies	3,792,955	5,026,996
Public utility corporations	13,259,755	38,131,340
Pension Funds	68,378	67,899
Other	6,116	1,958
<b>Total</b>	<b>17,127,204</b>	<b>43,228,193</b>

**17. Other liabilities**

	<b>30 September 2011</b>	<b>31 December 2010</b>
Escrow account	2,424,338	2,418,769
Deferred income	272,781	121,591
Payable accounts	1,387,049	17,652
Accrued expenses	5,074	111,240
<b>Total</b>	<b>4,089,241</b>	<b>2,669,252</b>

**18, 19 Regulatory capital and reserves**

	<b>30 September 2011</b>	<b>31 December 2010</b>
<b>Capital and general reserve</b>		
Authorized capital	30,000,000	30,000,000
Reserve fund	17,979,500	14,922,970
Net result for the period	3,554,739	3,056,530
<b>Total</b>	<b>51,534,239</b>	<b>47,979,500</b>

**20. Net interest income**

	<b>30 September 2011</b>	<b>30 September 2010</b>
<b>Interest Income</b>		
From placements	6,468,106	1,462,817
From treasury bill	573,957	1,043,999
From deposit current accounts	343,415	150,061
	<b>7,385,478</b>	<b>7,385,478</b>
<b>Interest expense</b>		
Due to current accounts	569,317	569,317
Due to commercial banks	383,343	383,343
Fix term deposits	4,498,002	4,498,002
	<b>5,450,662</b>	<b>5,450,662</b>
<b>Net interest income</b>	<b>1,934,816</b>	<b>1,934,816</b>

**21. Net fee and commission income**

	<b>30 September 2011</b>	<b>30 September 2010</b>
<b>Net fee and commission income</b>		
From cash deposits	272,443	268,897
From incoming transfer	56,602	44,942
From outgoing transfers	158,754	159,790
From domestic transfers (Domestic payment system))	191,286	162,562
From credit registry system	106,212	85,565
From asset management	1,125,000	1,125,000
Other fees	15,378	23,530
	<b>1,925,675</b>	<b>1,870,286</b>
<b>Fee and commission expense</b>		
From cash transportation	202,934	184,863
From correspondent bank transactions	215,836	232,147
	<b>418,770</b>	<b>417,011</b>
<b>Net fee and commission position</b>	<b>1,506,905</b>	<b>1,453,276</b>

**22. Grant revenue**

	<b>30 September 2011</b>	<b>30 September 2010</b>
Grant revenue	21,794	28,799

**23. Other operational incomes**

	<b>30 September 2011</b>	<b>30 September 2010</b>
Income from CBK regulatory activity	1,201,813	810,341
Other income	985	3,100
<b>Total</b>	<b>1,202,798</b>	<b>813,441</b>

**24. Personnel expenses**

	<b>30 September 2011</b>	<b>30 September 2010</b>
Wages and salary costs	1,108,488	1,085,075
Social security and health insurance costs	251,911	289,992
Staff training costs	50,004	131,909
Board costs	90,276	117,981
Other		
<b>Total</b>	<b>1,500,679</b>	<b>1,624,957</b>

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

**25. General and administrative expenses**

	<b>30 September 2011</b>	<b>30 September 2010</b>
Insurance expenses	178,652	193,967
Repairs and maintenance	36,484	28,977
Application maintenance	166,280	80,896
Communication expenses (telephone, fax, and internet)	53,794	64,629
Public utility expenses	49,790	49,567
Audit and consulting expenses	-	1,927
Security (guard and transportation)	42,420	25,420
Travel and transportation	58,299	57,361
Vehicle operating expenses	14,671	19,047
Consumable administrative material	18,812	23,960
Cafeteria expenses	11,338	11,935
Consumable expenses (IT and non-IT equipment supply)	25,801	31,727
Publishing and literature	33,148	32,763
Representation expenses	11,548	11,492
International professional institution membership	10,505	18,119
Other	22,055	39,114
<b>Total</b>	<b>733,598</b>	<b>690,903</b>

**26. Net result of changes in exchange rates**

	30 September 2011	30 September 2010
Net unrealised profit/loss from exchange rate	1,591,409	553,910

**27. Cash and cash equivalents**

	Shëni m	30 September 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	144,839,258	69,862,650
Placements with non-resident banks with maturity up to three months	8	806,161,731	567,626,966
<b>Total</b>		<b>1,031,763,131</b>	<b>723,305,368</b>

**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 request) 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.