



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 2012/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK's Financial Statements of second quarter 2012

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 first 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 first quarter is 30 June 2012.

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

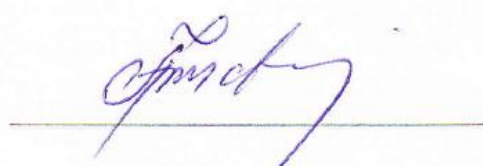
	Note	30 Jun 2012	31 December 2011
Assets			
Cash on hand	5	43,417,840	13,455,713
Current accounts with non-resident banks	6	39,204,695	31,512,845
Treasury Bill	7	49,994,962	24,988,353
Placements in money market	8	964,430,770	1,009,046,079
Deposit accounts with IMF	9	165,283,312	155,686,524
Properties and equipment's	10	1,416,290	1,575,364
Intangible assets	11	1,428,644	1,507,256
Other assets	12	836,069	445,313
Total assets		1,266,012,582	1,238,217,447
Liabilities			
Due to domestic commercial banks	13	194,236,468	209,699,652
Due to IMF related accounts	14	164,563,283	156,508,539
Due to Governmental Institutions	15	813,897,165	782,177,775
Due to public and commercial entities	16	38,002,787	37,058,128
Other domestic liabilities	17	3,648,535	3,338,955
Total liabilities		1,214,348,238	1,188,783,049
Capital and reserves			
Authorized capital	18	30,000,000	30,000,000
Reserve fund	19	18,026,694	17,979,500
Net result of the period		3,637,650	1,454,899
Total capital and reserve		51,664,344	49,434,398
Total liability capital and reserve		1,266,012,582	1,238,217,447

Notes from page 5 up to 15 are integral parts of these financial statements

Financial Statements set out on pages below were approved by management of CBK on 16 July 2012 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 2012	30 June 2012
Net interest income			
Interest income		2,274,169	4,652,577
Interest expense		(1,623,728)	(3,156,771)
Net interest income	20	<u>650,441</u>	<u>1,495,806</u>
Fee and commission income			
Fee and commission income		914,467	1,218,005
Fee and commission expenses		(147,432)	(246,744)
Net fee and commission income	21	<u>767,036</u>	<u>971,261</u>
Other operating Income			
Grant revenues	22	13,871	20,657
Other operating Income	23	765,464	761,627
Total Operating Income		<u>2,196,811</u>	<u>3,249,350</u>
Administrative (operative) expenses			
Personnel expenses	24	(1,171,476)	(1,012,119)
Depreciation and amortization	10,11	(241,640)	(308,464)
General and administrative expenses	25	(438,655)	(488,641)
Total administrative (operative) expenses		<u>(1,851,770)</u>	<u>(1,809,224)</u>
Net result without exchange rate effect		<u>345,041</u>	<u>1,440,126</u>
Net gain/loss on exchange rate	26	3,292,609	(349,207)
Net result of the period		<u><u>3,637,650</u></u>	<u><u>1,090,919</u></u>

Notes from page 5 up to 15 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 2011</i>	30,000,000	14,922,970	3,056,530	47,979,500
<i>Profit for the period</i>	-	-	1,454,899	1,454,899
<i>Transfer to reserve fund</i>	-	3,056,530	(3,056,530)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 December 2011</i>	30,000,000	17,979,500	1,454,899	49,434,398
<i>Balance at 01 January 2012</i>	30,000,000	17,979,500	1,454,899	49,434,398
<i>Profit for the period</i>	-	-	3,637,650	3,637,650
<i>Transfer to reserve fund</i>	-	47,195	(1,454,899)	(1,407,704)
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 June 2012</i>	30,000,000	18,026,694	3,637,650	51,664,344

Notes from page 5 up to 15 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 Department 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 A-1 and 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 2012						
Assets						
Cash on hand	5	43,417,840	43,417,840	-	-	-
Current accounts with non-resident banks	6	39,204,695	39,204,695	-	-	-
Treasury bills	7	49,994,962	49,994,962	49,994,962	-	-
Deposit accounts with non-resident banks	8	964,430,770	829,318,450	94,295,027	40,817,293	-
Assets related to IMF	9	165,283,312	138,291,247	-	-	26,992,064
		1,262,331,579	1,100,227,194	144,289,989	40,817,293	26,992,064
Liabilities						
Due to domestic banks	13	-194,236,468	-194,236,468	-	-	-
Due to accounts related to IMF	14	-164,563,283	-137,571,218	-	-	-26,992,064
Due to local governmental institutions	15	-813,897,165	-688,465,481	-85,102,188	-40,329,496	-
Due to public and commercial entities	16	-38,002,787	-38,002,787	-	-	-
Other domestic liabilities	17	-3,648,535	-3,648,535	-	-	-
		-1,214,348,238	-1,061,924,489	-85,102,188	-40,329,496	-26,992,064
		47,983,341	38,302,705	59,187,801	487,797	0
31 December 2011						
Assets						
Cash on hand	5	13,455,713	13,455,713	-	-	-
Current accounts with non-resident banks	6	31,512,845	31,512,845	-	-	-
Treasury bills	7	24,988,353	24,988,353	-	-	-
Deposit accounts with non-resident banks	8	1,009,046,079	727,473,968	177,255,072	104,317,038	-
Deposits with IMF	9	155,686,524	135,222,750	-	-	20,463,773
		1,234,689,513	932,653,629	177,255,072	104,317,038	20,463,773
Liabilities						
Due to domestic banks	13	-209,699,652	-209,699,652	-	-	-
Due to accounts related to IMF	14	-155,686,524	-135,222,750	-	-	-20,463,773
Due to local governmental institutions	15	-782,177,775	-709,429,224	-32,651,609	-40,096,942	-
Due to public and commercial entities	16	-37,058,128	-37,058,128	-	-	-
Other domestic liabilities	17	-3,338,955	-3,338,955	-	-	-
		-1,187,961,033	-1,094,748,709	-32,651,609	-40,096,942	-20,463,773
		46,728,480	-162,095,080	144,603,463	64,220,097	-

5. Cash on hand

	30 June 2012	31 December 2011
Cash on hand	43,417,840	13,455,713
Total	43,417,840	13,455,713

6. Current accounts with non-resident banks

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

	30 June 2012	31 December 2011
Deutsche Bundesbank	39,094,762	30,960,554
Raiffeisen Zentralbank	4,674	61,147
Deutsche Bank AG (Frankfurt)	105,161	9,666
Commerzbank AG	99	481,477
Total	39,204,695	31,512,844

7. Securities (Treasury Bill)

Securities issued by governments of European Union (Belgium) with contractual maturity up to 12 month. Interest rate (yield) ranges from 0.13% – 0.93% (in 2011: 0.35% - 1.20%).

	30 June 2012	31 December 2011
Belgium	49,994,962	24,988,353
Total	49,994,962	24,988,353

8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 0.215 % minimum 0.10% and max 1.53%, while in 2010: min. 0.05%, max. 1.68% , and an average of 0.53%), mostly with a maturity up to one year. Analytically, according to the banks as below:

Money market placements	30 June 2012	31 December 2011
Raiffeisen Zentralbank	157,798,757	129,634,466
ING Bank	151,616,114	121,050,772
Deutsche Bundesbank	100,000,583	80,009,067
KBC	-	87,519,520
Rabobank	148,111,706	132,695,967
Danske Bank	-	98,535,303
Banque De France	43,511,781	166,108,825
Banque Centrale du Luxembourg	207,015,028	157,307,359
Svenska Handelsbanken	156,376,800	36,184,800
	964,430,770	1,009,046,079

9. Assets related to IMF

	30 June 2012	31 December 2011
IMF Quota	71,771,179	70,005,909
SDR holdings	66,502,688	65,149,070
Accrued Interest	17,381	67,772
Use of IMF funds (SBA)	26,992,064	20,463,773
Total	165,283,312	155,686,524

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 0.13% – 0.16% 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 31 December 2011	Total Depreciation/ Amortization for period	Total Depreciation/ Amortization accumulated till 30 June 2012	Net Value as of 30 June 2012
Property, plant and equipment	3,835,434	2,260,089	159,081	2,419,144	1,416,290
Equipment's, offices and other	1,318,059	1,174,383	37,870	1,212,253	105,806
Vehicles	243,451	131,771	23,870	155,641	87,810
Premises	1,443,609	319,821	34,721	354,542	1,089,067
Computer hardware	830,315	634,114	62,620	696,708	133,607
	-	-	-	-	-
Intangible assets	2,585,323	1,074,120	82,559	1,156,679	1,428,644
Intangible assets	2,559,896	1,074,120	82,559	1,156,679	1,403,217
Intangible assets – work in process	25,427	-	-	-	25,427
Total	6,420,757	3,334,209	241,640	3,575,823	2,844,934

12. Other assets

Other assets are as below:

	30 June 2012	31 December 2011
Accrual income	693,000	370,789
Prepayment	143,069	74,524
Total	836,069	445,313

13. Due to domestic banks

	30 June 2012	31 December 2011
ProCredit Bank - Kosovë	66,492,288	64,802,525
Raiffeisen Bank - Kosovë	40,938,734	38,088,958
NLB Prishtina	25,644,720	20,168,239
Komercijalna Banka - Mitrovica branch	3,674,298	3,590,253
Banka Ekonomike	22,531,851	26,574,852
Banka për Biznes	18,098,292	29,342,477
Banka Kombëtare Tregtare e Shqipërisë	12,804,284	9,573,532
TEB - Turk Ekonomi Bankasi sh.a.	21,228,649	17,545,069
Banka Kreditore e Prishtinës	32,357	13,747
Total	211,445,473	209,699,652

In this group are disclosed commercial banks balances with the CBK. Commercial banks which are operating in Kosovo in CBK they keep balances in accordance with the liquidity reserve regulation.

16. Due to accounts related to IMF

	30 June 2012	31 December 2011
Current account FMN No. 1	173,078	175,015
Expenses account FMN No. 2	5,868	5,454
Account in trust of IMF	79,442,906	69,209,767
Part paid of IMF quota	17,520,117	17,075,937
IMF SDR allocated by IMF	67,353,496	65,696,883
Accrued Interest	67,818	67,935
Total	164,563,283	152,230,991

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 2012	31 December 2011
Treasury – Ministry of Economy and Finance	57,168,713	89,326,101
Privatization Agency of Kosovo	545,532,651	265,310,121
Interim Administrative Institutions	741,614	728,556
Total	603,442,978	355,364,778
Term Deposits		
Treasury – Ministry of Economy and Finance	170,124,690	105,042,076
Privatization Agency of Kosovo	40,329,496	321,770,921
Total Term Deposits	210,454,187	426,812,997
Total	813,897,165	782,177,775

Deposits in current accounts have an interest rate 0.05% annually (from 11 April 2012, before this date the rate was 0.10%) while for time deposits the interest rate ranges from 0.10% up to 1.53%.

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 2012	31 December 2011
Insurance Companies	4,084,013	6,937,644
Public utility corporations	33,848,439	30,050,129
Pension Funds	68,448	68,445
Other	1,887	1,911
Total	38,002,787	37,058,128

17. Other liabilities

	30 June 2012	31 December 2011
Escrow account	2,428,049	2,427,107
Deferred income	648,704	657,037
Payable accounts	555,280	114,483
Accrued expenses	16,503	140,328
Total	3,648,535	3,338,955

18, 19 Regulatory capital and reserves

	30 June 2012	31 December 2011
Capital and general reserve		
Authorised capital	30,000,000	30,000,000
Reserve fund	18,026,694	17,979,500
Net result for the period	3,637,650	1,454,899
Total	51,664,344	49,434,398

20. Net interest income

	30 June 2012	30 June 2011
Interest Income		
From placements	2,087,311	3,967,637
From treasury bill	97,479	458,261
From deposit current accounts	89,379	226,679
	2,274,169	4,652,577
Interest expense		
Due to current accounts	215,084	218,822
Due to commercial banks	70,468	154,807
Fix term deposits	1,338,176	2,783,143
	1,623,728	3,156,771
Net interest income	650,441	1,495,806

21. Net fee and commission income

	30 June 2012	30 June 2011
Net fee and commission income		
From cash deposits	214,378	156,136
From incoming transfer	15,300	39,460
From outgoing transfers	99,297	78,174
From domestic transfers (Domestic payment system))	127,810	116,292
From credit registry system	64,837	66,065
From asset management	375,000	750,000
Other fees	17,846	11,879
	914,467	1,218,005
Fee and commission expense		
From cash transportation	88,098	94,274
From correspondent bank transactions	59,334	152,470
	147,432	246,744
Net fee and commission position	767,036	971,261

22. Grant revenue

	30 June 2012	30 June 2011
Grant revenue	13,871	20,657

23. Other operational incomes

	30 June 2012	30 June 2011
Income from CBK regulatory activity	751,171	760,642
Other income	14,292	985
Total	765,464	761,627

24. Personnel expenses

	30 June 2012	30 June 2011
Wages and salary expenses	885,518	732,162
Social security and health insurance	193,312	168,189
Staff training costs	19,692	40,085
Board expenses	64,860	63,537
Other	8,094	8,094
Total	1,171,476	1,012,067

Total number of employees on June 30, 2012 is 177. (June 30, 2011: 170).

25. General and administrative expenses

	30 June 2012	30 June 2011
Insurance expenses	99,990	119,101
Repairs and maintenance	25,935	22,186
Application maintenance	85,342	110,946
Communication expenses (telephone, fax, and internet)	29,038	31,449
Public utility expenses	38,388	35,530
Audit and consulting expenses	-	-
Security (guard and transportation)	24,500	28,100
Travel and transportation	41,524	46,025
Vehicle operating expenses	8,666	10,226
Consumable administrative material	13,983	15,799
Cafeteria expenses	8,423	8,173
Consumable expenses (IT and non-IT equipment supply)	18,650	18,655
Publishing and literature	14,533	19,879
Representation expenses	9,177	7,053
Membership to professional institutions	14,281	7,304
Other	6,224	8,215
Total	438,655	488,641

26. Net result of changes in exchange rates

	31 June 2012	30 June 2011
Net unrealized profit/loss from exchange rate	3,292,609	(349,207)

27. Cash and cash equivalents

	Note	30 June 2012	30 June 2011
Cash in hand	5	43,417,840	13,455,713
Cash accounts with non-resident banks	6	49,994,962	39,204,695
Treasury bill with maturity up to three months		39,204,695	24,988,353
Placements with non-resident banks with maturity up to three months		748,202,443	727,473,968
Total		880,819,939	805,122,729

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.