



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 2014/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the second quarter 2014

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 for the second quarter is June 30, 2014.

Abbreviations used in this Report:

CBK – Central Bank of the Republic of Kosovo

IMF – International Monetary Found

SDR – Special Drawing Rights

IT – Information Technology

ICS –Interbank Clearing and Settlement

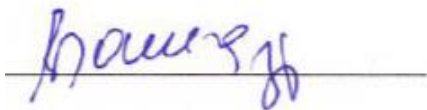
Statement of financial position

as per

	Note	30 June 2014	31 December 2013
Assets			
Cash on hand	5	32,986,427	27,383,930
Current accounts with non-resident banks	6	126,588,329	61,082,895
Treasury Bill	7	560,921,350	560,827,834
Placements in money market	8	600,277,226	729,472,273
Deposit accounts with IMF	9	228,911,167	231,459,193
Properties and equipment's	10	1,957,408	1,906,755
Intangible assets	11	1,313,364	1,311,315
Other assets	12	1,175,093	976,357
Total assets		1,554,130,363	1,614,420,553
Liabilities			
Due to domestic commercial banks	13	242,850,124	333,173,026
Due to IMF related accounts	14	231,983,182	234,011,065
Due to Governmental Institutions	15	793,895,759	757,445,609
Due to public and commercial entities	16	231,323,257	236,597,584
Other domestic liabilities	17	3,153,549	3,243,854
Total liabilities		1,503,205,871	1,564,471,139
Capital and reserves			
Authorized capital	18	30,000,000	30,000,000
Reserve fund	19	19,949,414	19,762,813
Net result of the period		975,078	186,601
Total capital and reserve		50,924,492	49,949,414
Total liability capital and reserve		1,554,130,363	1,614,420,553

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 July 31, 2014 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of financial Planning and
Reporting Directorate

Statement of comprehensive income

	Note	30 June 2014	30 June 2013
Net interest income			
Interest income		1,099,952	377,016
Interest expense		(166,958)	(100,566)
Net interest income	20	932,994	276,450
Fee and commission income			
Fee and commission income		807,413	639,497
Fee and commission expenses		(97,181)	(107,825)
Net fee and commission income	21	710,232	531,672
Other operating Income			
Grant revenues	22	33,310	33,310
Other operating Income	23	1,583,326	903,308
Total Operating Income		3,259,861	1,744,740
Administrative (operative) expenses			
Personnel expenses	24	(1,647,018)	(1,284,003)
Depreciation and amortization	10,11	(243,136)	(241,423)
General and administrative expenses	25	(465,076)	(428,218)
Total administrative (operative) expenses		(2,355,230)	(1,953,644)
Net result without exchange rate effect		904,631	(208,905)
Net gain/loss on exchange rate	26	70,447	(185,077)
Net result of the period		975,078	(393,982)

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 2013</i>	30,000,000	19,434,398	328,414	49,762,813
<i>Profit for the period</i>	-	-	186,601	186,601
<i>Transfer to reserve fund</i>	-	328,414	(328,414)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 December 2013</i>	30,000,000	19,762,813	186,601	49,949,414
<i>Balance at 01 January 2014</i>	30,000,000	19,762,813	186,601	49,949,414
<i>Profit for the period</i>	-	-	975,078	975,078
<i>Transfer to reserve fund</i>	-	186,601	(186,601)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 June 2014</i>	30,000,000	19,949,414	975,078	50,924,492

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 till – A-2u / P-1 till P-2).

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 2014						
Assets						
Cash on hand	5	32,986,427	32,986,427	-	-	-
Current accounts with non-resident banks	6	126,588,329	126,588,329	-	-	-
Treasury bills	7	560,921,350	560,921,350	-	-	-
Deposit accounts with non-resident banks	8	600,277,226	570,240,378	30,036,847	-	-
Assets related to IMF	9	228,911,167	127,087,440	-	-	101,823,727
		1,549,684,498	1,417,823,924	30,036,847	-	101,823,727
Liabilities						
Due to domestic banks	13	-242,850,124	-242,850,124	-	-	-
Due to accounts related to IMF	14	-231,983,182	-130,159,455	-	-	-101,823,727
Due to local governmental institutions	15	-793,895,759	-763,873,009	-30,022,750	-	-
Due to public and commercial entities	16	-231,323,257	-231,323,257	-	-	-
Other domestic liabilities	17	-3,153,549	-3,153,549	-	-	-
		-1,503,205,871	-1,371,359,394	-30,022,750	-	-101,823,727
		46,478,627	46,464,530	14,097	-	-
31 December 2013						
Assets						
Cash on hand	5	27,383,930	27,383,930	-	-	-
Current accounts with non-resident banks	6	61,082,895	61,082,895	-	-	-
Treasury bills	7	560,827,834	495,861,142	64,966,692	-	-
Deposit accounts with non-resident banks	8	729,472,273	674,454,800	55,017,473	-	-
Deposits with IMF	9	231,459,193	125,726,232	-	-	105,732,961
		1,610,226,126	1,384,508,999	119,984,165	-	105,732,961
Liabilities						
Due to domestic banks	13	-333,173,026	-333,173,026	-	-	-
Due to accounts related to IMF	14	-231,459,193	-125,726,232	-	-	-105,732,961
Due to local governmental institutions	15	-757,445,609	-757,445,609	0	0	0
Due to public and commercial entities	16	-236,597,584	-236,597,584	0	-	-
Other domestic liabilities	17	-3,243,854	-3,243,854	0	-	-
		-1,561,919,267	-1,456,186,306	0	0	-105,732,961
		48,306,859	-71,677,307	119,984,165	0	0

5. Cash on hand

	30 June 2014	31 December 2013
Cash on hand	32,986,427	27,383,930
Total	32,986,427	27,383,930

6. Current accounts with non-resident banks

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

	30 June 2014	31 December 2013
Deutsche Bundesbank	-	39,336,538
Raiffeisen Zentralbank	72,725,305	5,358,108
Banque De France	-	91
Deutsche Bank London AG	54,163,024	16,388,158
Total	126,588,329	61,082,895

7. Securities (Treasury Bill)

Securities issued by governments of European Union (France, Belgium and Italy) with contractual maturity from one to seven month. Interest rate (yield) ranges from 0.009% – 0.370% (in 2013: 0.0051% - 0.6114%).

	30 June 2014	31 December 2013
Germany	45,983,736	-
France	119,997,295	244,953,112
Netherlands	49,993,310	215,900,468
Italy	149,960,202	-
Belgium	194,986,807	99,974,254
Total	560,921,350	560,827,834

8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 0.113% minimum 0.010% and max 0.370%, while in 2013: min. 0.005%, max. 0.300% , and an average of 0.0675%), mostly with a maturity up to one year. Analytically, according to the banks as below:

Placements in money markets	30 June 2014	31 December 2013
Raiffeisen Zentralbank	70,005,717	109,400,686
Svenska Handelsbanken	120,059,443	150,960,899
Deutsche Bundesbank	-	130,003,111
Rabobank	80,056,595	30,026,838
Danske Bank	90,000,722	30,022,500
Swedbank AB	90,079,794	120,018,389
Pohjola Bank Plc	45,008,433	-
DNB Bank ASA	105,066,522	-
Banque Centrale du Luxembourg	-	159,039,850
	600,277,226	729,472,273

9. Assets related to IMF

	30 June 2014	31 December 2013
IMF Quota	66,945,721	65,921,788
SDR holdings	59,935,302	59,597,112
Accrued Interest	206,417	207,333
Use of IMF funds (SBA)	101,823,727	105,732,961
Total	228,911,167	231,459,193

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 0.10% on average 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 2013	Total Depreciation/ Amortization for period 30 June 2014	Total Depreciation/ Amortization accumulated till 30 June 2014	Net Value as of 30 June 2014
Property, plant and equipment	4,901,449	2,802,021	142,021	2,944,043	1,957,408
Equipment's, offices and other	1,664,883	1,305,575	36,207	1,341,782	323,101
Vehicles	243,451	222,441	14,089	236,530	6,921
Premises	2,045,505	471,475	51,138	522,613	1,522,892
Computer hardware	927,410	802,530	40,587	843,117	84,293
Work in process	20,200	-	-	-	20,200
Intangible assets	2,228,001	813,521	101,115	914,636	1,313,364
Intangible assets	2,161,758	813,521	101,115	914,636	1,247,121
Intangible assets – work in process	66,243	-	-	-	66,243
Total	7,129,450	3,615,542	243,136	3,858,679	3,270,772

12. Other assets

Other assets are as below:

	30 June 2014	31 December 2012
Accruals income	877,750	898,437
Prepayment	296,858	77,920
Total	1,174,608	976,357

13. Due to domestic banks

	30 June 2014	31 December 2013
ProCredit Bank - Kosovë	64,654,415	53,159,017
Raiffeisen Bank - Kosovë	45,036,298	35,042,472
NLB Prishtina	41,103,554	76,582,486
Komercijalna Banka - Mitrovica branch	4,446,083	4,188,905
Banka Ekonomike	8,735,177	37,565,452
Banka për Biznes	12,904,070	22,302,557
Banka Kombëtare Tregtare e Shqipërisë	16,793,754	36,173,126
TEB - Turk Ekonomi Bankasi sh.a.	46,822,159	61,508,582
Türkiye Is Bankasi a.s.	2,350,399	6,645,255
Banka Kreditore e Prishtinës	4,213	5,173
Total	242,850,124	333,173,026

In this group are disclosed balances of commercial banks operating within Kosovo and have on the CBK the required Liquidity account. The commercial banks that operate in Kosovo in CBK hold the liquidity reserve account based on liquidity reserve regulation, in total the amount as of 30 June 2014 is for 2.2 times higher than required amount.

16. Due to accounts related to IMF

	30 June 2014	31 December 2013
Current account FMN No. 1	166,988	164,804
Expenses account FMN No. 2	5,661	5,587
Account in trust of IMF	152,415,202	155,663,128
Part paid of IMF quota	16,363,401	16,107,699
IMF SDR allocated by IMF	62,825,056	61,864,149
Accrued Interest	206,874	205,697
Total	231,983,182	234,011,065

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 2014	31 December 2013
Treasury – Ministry of Economy and Finance	67,893,052	12,887,506
Privatization Agency of Kosovo	469,795,785	530,328,298
Interim Administrative Institutions	202,851	259,597
Total	537,891,688	543,475,402
Term Deposits		
Treasury – Ministry of Economy and Finance	180,986,554	193,963,606
Privatization Agency of Kosovo	75,017,517	40,006,600
Total Term Deposits	256,004,071	233,970,206
Total	793,895,759	757,445,609

Deposits in current accounts have an interest rate 0.00% while for time deposits the interest rate ranges from 0.001% up to 0.370%.

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 2014	31 December 2013
Insurance Companies	4,056,466	4,198,621
Public utility corporations	227,196,653	232,328,771
Pension Funds	68,353	68,377
Other	1,791	1,815
Total	231,323,263	236,597,584

17. Other liabilities

	30 June 2014	31 December 2013
Escrow account	2,428,038	2,428,050
Deferred income	495,197	534,881
Payable accounts	214,063	131,302
Accrued expenses	16,245	149,620
Total	3,153,543	3,243,854

18, 19 Regulatory capital and reserves

	30 June 2014	31 December 2013
Capital and general reserve		
Authorised capital	30,000,000	30,000,000
Reserve fund	19,949,414	19,762,813
Net result for the period	975,078	186,601
Total	50,924,492	49,949,414

20. Net interest income

	30 June 2014	30 June 2013
Interest Income		
From placements	539,787	249,806
From treasury bill	521,815	103,091
From deposit current accounts	38,350	24,119
	1,099,952	377,016
Interest expense		
Due to current accounts	36,522	24,537
Due to commercial banks	5	-
Fix term deposits	130,308	76,029
Net interest income	933,118	276,450

21. Net fee and commission income

	30 June 2014	30 June 2013
Net fee and commission income		
From cash deposits	224,761	195,385
From incoming transfer	19,513	20,686
From outgoing transfers	118,900	89,783
From domestic transfers (Domestic payment system))	221,402	194,112
From credit registry system	58,682	60,866
From Treasury asset management	150,000	60,000
Other fees	14,156	18,666
	807,413	639,497
Fee and commission expense		
From cash transportation	95,779	98,674
From correspondent bank transactions	1,402	9,151
Net fee and commission position	710,232	531,672

22. Grant revenue

	30 June 2014	30 June 2013
Grant revenue	33,310	33,310

23. Other operational incomes

	30 June 2014	30 June 2013
Income from CBK regulatory activity	1,582,359	903,297
Other income	967	12
Total	1,583,326	903,308

24. Personnel expenses

	30 June 2014	30 June 2013
Wages and salary expenses	1,264,011	939,916
Social security and health insurance	297,222	241,888
Staff training costs	23,047	25,873
Board expenses	55,169	68,232
Other	7,568	8,094
Total	1,647,018	1,284,003

Total number of employees on June 30, 2014 is 201. (while in June 30, 2013: 183).

25. General and administrative expenses

	30 June 2014	30 June 2013
Insurance expenses	85,680	86,000
Repairs and maintenance	16,169	27,113
Application maintenance	117,819	100,970
Communication expenses (telephone, fax, and internet)	21,752	16,397
Public utility expenses	41,623	38,156
Audit and consulting expenses	1	-
Security (guard and transportation)	22,090	14,380
Travel and transportation	58,001	52,028
Vehicle operating expenses	15,088	11,380
Consumable administrative material	12,652	19,799
Cafeteria expenses	11,671	9,609
Consumable expenses (IT and non-IT equipment supply)	5,093	20,735
Publishing and literature	13,999	7,721
Representation expenses	20,789	8,140
Membership to professional institutions	13,526	8,757
Other	9,122	7,034
Total	465,076	428,218

26. Net result of changes in exchange rates

	30 June 2014	30 June 2013
Net unrealized profit/loss from exchange rate	70,447	(185,077)

27. Cash and cash equivalents

	Note	30 June 2014	31 December 2013
Cash in hand	5	32,986,427	27,383,930
Cash accounts with non-resident banks	6	126,588,329	61,082,895
Treasury bill with maturity up to three months		244,959,720	189,965,169
Placements with non-resident banks with maturity up to three months		485,187,697	553,492,114
Total		889,722,173	831,924,109

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) this part of admission fee that is around 645,152 euro (as of 31 December 2013 this was 645,152 euro). The reduction has resulted as they requested the encashment of one of the promissory note. The CBK has the financial intermediary role (guarantee bank) and assets shall be held in a safe custody account. The amount changed due to payment of one of the payable security (promissory note) was paid by the Treasury – Ministry of Finance of Kosovo after IBRD request.