



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

THE CBK FINANCIAL STATEMENT
/for the first quarter 2016/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK's Financial Statements for the first quarter 2016

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 first quarter is March 31, 2015.

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

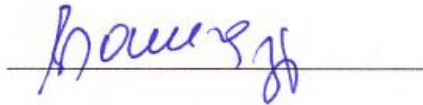
Statement of financial position

as per

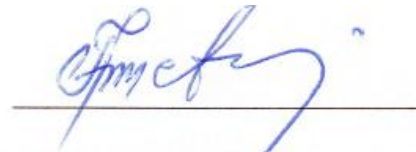
	Note	31 March 2016	31 December 2015
Assets			
Cash on hand	5	32,444,234.46	15,281,539.78
Current accounts with non-resident banks	6	171,887,792.43	241,187,046.29
Securities	7	341,189,554.17	127,318,651.52
Placements in money market	8	710,450,443.58	805,309,147.18
In accounts related with IMF	9	306,801,556.49	268,277,311.19
Properties and equipment's	10	2,440,091.92	2,372,019.28
Intangible assets	11	1,496,912.30	1,552,339.99
Other assets	12	1,102,106.81	896,746.06
Total assets		1,567,812,692.16	1,462,194,801.29
Liabilities			
Due to domestic commercial banks	13	288,871,059.81	316,405,868.73
Due to IMF related accounts	14	311,905,510.45	273,894,284.53
Due to Governmental Institutions	15	785,805,954.22	735,743,858.63
Due to public and commercial entities	16	126,595,158.52	82,648,973.70
Borrowing	17	668,766.33	680,116.58
Other domestic liabilities	18	1,635,815.30	1,799,115.31
Total liabilities		1,515,482,264.63	1,411,172,217.48
Capital and reserves			
Authorized capital	19	30,000,000.00	30,000,000.00
Reserve fund	20	21,022,583.81	20,334,791.90
Net result of the period		1,307,843.72	687,791.91
Total capital and reserve		52,330,427.53	51,022,583.81
Total liability capital and reserve		1,567,812,692.16	1,462,194,801.29

Notes from page 6 up to 18 are integral parts of these financial statements

Financial Statements set out on pages below were approved by management of CBK on June 06, 2016 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of Financial Planning
and Reporting

Statement of comprehensive income

	Note	31 March 2016	31 March 2015
Net interest income			
Interest income		397,487.08	91,353.80
Interest expense		(10,568.00)	(18,069.16)
Net interest income	21	386,919.08	73,284.64
Fee and commission income			
Fee and commission income		427,606.03	314,103.80
Fee and commission expenses		(96,686.40)	(44,407.92)
Net fee and commission income	22	330,919.63	269,695.88
Other operating Income			
Income from regulatory activity	23	849,050.00	722,550.10
Grant revenues	24	16,654.83	16,654.83
Other operating Income	25	1,969.40	310.83
Total Operating Income		1,585,512.94	1,082,496.28
Administrative (operative) expenses			
Personnel expenses	26	(893,024.10)	(820,060.88)
Depreciation and amortization	10,11	(157,409.18)	(119,283.84)
General and administrative expenses	27	(212,026.30)	(200,212.31)
Total administrative (operative) expenses		(1,262,459.58)	(1,139,557.03)
Net result without exchange rate effect		323,053.36	(57,060.75)
Net gain/loss on exchange rate	28	984,790.36	778,070.22
Net result of the period		1,307,843.72	721,009.47

Notes from page 6 up to 18 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 2015</i>	30,000,000.00	19,949,414.03	385,377.87	50,334,791.90
<i>Profit for the period</i>	-	-	687,791.91	687,791.91
<i>Transfer to reserve fund</i>	-	385,377.87	(385,377.87)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 December 2015</i>	30,000,000.00	20,334,791.90	687,791.91	51,022,583.81
<i>Balance at 01 January 2016</i>	30,000,000.00	20,334,791.90	687,791.91	51,022,583.81
<i>Profit for the period</i>	-	-	1,307,843.72	1,307,843.72
<i>Transfer to reserve fund</i>	-	687,791.91	(687,791.91)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 March 2016</i>	30,000,000.00	21,022,583.81	1,307,843.72	52,330,427.53

Notes from page 6 up to 18 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-3 / 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	1-7 years
31 March 2016						
Assets						
Cash on hand	5	32,444,234	32,444,234	-	-	-
Current accounts with non-resident banks	6	171,887,792	171,887,792	-	-	-
Treasury bills	7	341,189,554	9,783,916	1,126,927	15,054,755	315,223,956
Deposit accounts with non-resident banks	8	710,450,444	115,038,545	345,338,794	250,073,104	-
In accounts related with IMF	9	306,801,556	197,890,806	9,777,000	19,554,000	79,579,750
		1,562,773,581	527,045,295	356,242,721	284,681,859	394,803,706
Liabilities						
Due to domestic banks	13	(288,871,060)	(288,871,060)	-	-	-
Due to accounts related to IMF	14	(311,905,510)	(202,994,760)	(9,777,000)	(19,554,000)	(79,579,750)
Due to local governmental institutions	15	(785,805,954)	(785,805,954)	-	-	-
Due to public and commercial entities	16	(126,595,159)	(126,595,159)	-	-	-
Borrowing's	17	(668,766)	(668,766)	-	-	-
Other domestic liabilities	18	(1,635,815)	(1,635,815)	-	-	-
		(1,515,482,265)	(1,406,571,515)	(9,777,000)	(19,554,000)	(79,579,750)
		47,291,317	(879,526,220)	346,465,721	265,127,859	315,223,956
31 December 2015						
Assets						
Cash on hand	5	15,281,540	15,281,540	-	-	-
Current accounts with non-resident banks	6	241,187,046	241,187,046	-	-	-
Treasury bills	7	127,318,652	56,399,153	5,135,137	6,114,202	59,670,160
Deposit accounts with non-resident banks	8	805,309,147	185,060,440	95,026,608	525,222,099	-
In accounts related with IMF	9	268,277,311	149,589,561	9,777,000	29,331,000	79,579,750
		1,457,373,696	647,517,740	109,938,744	560,667,302	139,249,910
Liabilities						
Due to domestic banks	13	(316,405,869)	(316,405,869)	-	-	-
Due to accounts related to IMF	14	(268,277,311)	(149,589,561)	(9,777,000)	(29,331,000)	(79,579,750)
Due to local governmental institutions	15	(735,743,859)	(735,743,859)	-	-	-
Due to public and commercial entities	16	(82,648,974)	(82,648,974)	-	-	-
Borrowing's	17	(680,117)	(680,117)	-	-	-
Other domestic liabilities	18	(1,799,115)	(1,799,115)	-	-	-
		(1,405,555,244)	(1,286,867,494)	(9,777,000)	(29,331,000)	(79,579,750)
		51,818,452	(639,349,754)	100,161,744	531,336,302	59,670,160

5. Cash on hand

	31 March 2016	31 March 2015
Cash on hand	32,444,234.46	15,281,539.78
Total	32,444,234.46	15,281,539.78

6. Current accounts with non-resident banks

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

	31 March 2016	31 December 2015
Deutsche Bundesbank	10.00	68.10
Raiffeisen Zentralbank	32,560,000.00	152,006,000.43
Deutsche Bank London AG	34,522,312.51	79,161,507.42
Nostro Acc.Pohjola Bank Plc	9,996,940.34	9,996,970.34
Nostro Acc. Commerzbank AG	94,808,529.58	22,500.00
Total	171,887,792.43	241,187,046.29

We have a decrease in the position of accounts compared with December 31, 2015. However, if we look at the position of securities easily observe that we have an increase in the within the note 7 (please see note 7). These changes are normal activity flow management portfolio tools (i.e. notes 6, 7 and 8 that are closely linked to each other in terms of reference asset management).

7. Securities (Treasury Bills and Bonds)

Both categories fall within the cluster with note 7 are debt securities issued by the government as listed in the following countries (in the table by countries). Treasury bills have maturities disclosed below one year. While those government bonds have maturities of up to three years. All are in Euro and have and have effective interest rates that range from 0.008% to 2696% annually in 2016 (2015: 0.016% to 2696% annual).

By country:

	31 March 2016	31 December 2015
Netherlands	50,492,129.82	50,490,215.35
Italy	228,611,966.87	49,996,275.02
Kosovo	62,085,457.48	26,832,161.63
Total	341,189,554.17	127,318,652.01

Securities (continued)**According to type:**

	31 March 2016	31 December 2015
Treasury Bills	318,976,749.28	64,513,565.02
Bonds	22,212,804.89	62,804,971.99
Total	341,189,554.17	127,318,537.01

8. Deposits with non-residential banks

Within this group includes placements in the money market in non-domestic banks. The interest rate for these placements until the first quarter of 2016 average is around 0.115% (min. 0.020% and max. 0.420%), whereas in 2015: min. 0.010% to 0.260% with an average of 0.0661%). These placements mainly contracted maturity up to one year. Analytics by banks is disclosed in the table as bellow:

Placements in money markets	31 March 2016	31 December 2015
Raiffeisen Zentralbank	270,253,386.13	200,131,408.34
ING Bank	120,036,355.56	185,031,462.50
Rabobank	90,055,066.60	90,043,688.49
Danske Bank	100,024,994.98	140,027,696.18
Deutsche Bank	80,069,875.00	160,072,725.00
Pohjola	30,003,683.33	30,002,166.67
Raiffeisen Zentralbank USD	20,007,081.99	-
Total	710,450,443.58	805,309,147.18

9. Assets related to IMF

	31 March 2016	31 December 2015
IMF Quota	103,381,164.85	75,096,957.81
SDR holdings	56,192,355.30	65,127,150.61
Accrued Interest	285,269.70	230,352.64
Use of IMF funds (SBA)	146,868,422.32	127,747,244.04
Commitment Fee	74,344.32	75,606.09
Total	306,801,556.49	268,277,311.19

Above items arise from Kosovo membership in IMF. Second 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 0.047% on average for the reporting period.

Use of IMF funds item represents IMF funds according the agreement for use of credit line by Kosovo Government (SBA). Increase is derived mainly from new disbursement on July 2015 and partially from changes on foreign exchange. While commitment fee is related to funds that are available but not yet withdrawn.

10, 11 Tangible and Intangible Assets

Category of main assets	Historical cost	Depreciation/ Amortization accumulated up to 31 December 2015	Total Depreciation/ Amortization for period 31 March 2015	Total Depreciation/ Amortization accumulated till 31 March 2015	Net Value as 31 March 2015
Property, plant and equipment	5,915,220.92	3,371,760.28	105,668.72	3,475,129.00	2,440,091.92
Equipment's, offices and other	1,801,154.36	1,469,398.20	26,581.89	1,493,680.07	307,474.29
Vehicles	320,149.16	203,714.34	7,239.93	210,954.27	109,194.89
Premises	2,064,867.02	677,197.88	25,810.86	703,008.74	1,361,858.28
Computer hardware	1,398,411.04	1,021,449.86	46,036.04	1,067,485.92	330,925.12
Work in process	330,639.34	-	-	-	330,639.34
Intangible assets	2,770,738.38	1,222,085.62	51,740.46	1,273,826.08	1,496,912.30
Intangible assets	2,291,162.37	1,222,085.62	51,740.46	1,273,826.08	1,017,336.29
Intangible assets– work in process	479,576.01	-	-	-	479,576.01
Total	8,685,959.30	4,593,845.90	157,409.18	4,748,955.08	3,937,004.22

12. Other assets

Other assets are as below:

	31 March 2016	31 December 2015
Accrual income	840,092.51	807,667.97
Prepayment	261,914.30	89,078.09
Total	1,102,006.81	896,746.06

13. Due to domestic banks

	31 March 2016	31 December 2015
ProCredit Bank - Kosovë	56,948,590.88	77,224,643.600
Raiffeisen Bank - Kosovë	54,048,120.87	51,931,582.280
NLB Prishtina	38,404,875.27	39,208,782.600
Komercijalna Banka - Dega Mitrovicë	5,085,959.36	4,935,843.910
Banka Ekonomike e Prishtinës	23,589,467.99	17,572,209.960
Banka për Biznes	19,597,755.58	22,576,060.010
Banka Kombëtare Tregtare e Shqipërisë	35,140,599.76	39,733,174.370
Turk Ekonomi Bankasi Sh.A	42,201,604.30	51,008,722.510
Turkiye Is Bankasi A.S.	9,249,780.15	6,305,204.130
T.C. Zirat Bankasi A.S.Dega Kosove	4,416,132.48	5,850,515.150
Banka Kreditore e Prishtinës	188,173.17	59,130.210
Total	288,871,059.81	316,405,868.730

In this group are disclosed balances current accounts of commercial banks operating within Kosovo that have an account on the CBK. Commercial banks that operate in Kosovo are obliged to hold liquidity reserve money in CBK, in total amount as of march 31, 2016 above disclosed is around 2.4 times higher the required amount.

14. Due to accounts related to IMF

	31 March 2016	31 December 2015
Current account FMN No. 1	255,530.41	187,742.39 €
Expenses account FMN No. 2	6,187.18	6,364.15
Account in trust of IMF	223,995,914.02	184,626,825.40
Part paid of IMF quota	18,063,105.07	18,367,989.10
IMF SDR allocated by IMF	69,298,438.64	70,474,565.68
Accrued Interest	286,335.13	230,797.81
Total	311,905,510.45	273,894,284.53

The above items represent positions of accounts related to IMF following Kosovo's membership in this institution.

Three Second 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

	31 March 2016	31 December 2016
Treasury – Ministry of Economy and Finance	306,602,966.56	248,780,264.54
Privatization Agency of Kosovo	479,102,039.70	486,819,224.92
Interim Administrative Institutions	100,947.96	144,369.17
Total	785,805,954.22	735,743,858.63

Deposits in current account interest rate advantage of 0.00% (as of the reporting period, as well as the comparative period). Active time deposits in the reporting period there, as well as for 2015 no active time deposits at 31 December.

16. Due to Public and Commercial Entities

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

	31 March 2016	31 December 2015
Insurance Companies	4,522,028.99	4,528,394.93
Public Institutions	122,071,313.70	78,118,756.94
Pension Funds and other	1,815.83	1,821.83
Total	126,595,158.52	82,648,973.70

The increase mainly attributed to the increase in current account balance of the Kosovo Pension Savings Trust, as part of this group account.

17. Borrowing's

	31 March 2016	31 December 2015
Borrowing's from World Bank	668,766.33	680,116.58
Total	668,766.33	680,116.58

Two projects are under way and financed by the World Bank, the project for the Business Continuity plan and project for the real time payment system (RTGS).

18. Other liabilities

	31 March 2016	31 December 2015
Escrow account	756,036.51	756,036.51
Deferred income	610,113.22	631,532.05
Payables and Accrued expenses	269,665.57	411,546.75
Total	1,635,815.30	1,799,115.31

Within the group is a slight reduction in the total balance of the group compared with 31 December 2015. Mainly influenced by the reduction of accounts payable balance to 31 March 2016, compared to 31 December 2015.

19,20 Regulatory capital and reserves

	31 March 2016	31 December 2015
Capital and general reserve		
Authorised capital	30,000,000.00	30,000,000.00
Reserve fund	21,022,583.81	19,949,414.03
Net result for the period	1,307,843.72	385,377.87
Total	52,330,427.53	50,334,791.90

The positive financial result is influenced by three dominant factors: i) higher revenues of interest, ii) higher revenues from fees on services and regulatory activity, iii) income from the revaluation of foreign currency at the reporting date. The first two elements are a factor to be taken to the consideration at the same time as they constitute the real figures of the financial position at the reporting date. The third element is a temporary condition and is presented as revenue unrealized (just as revaluation) at the reporting date and as such may vary depending on the change in the exchange rate EUR / SDR.

21. Net interest income

	31 March 2016	31 March 2015
Interest Income		
From placements	214,035.27	77,924.02
From securities	176,164.80	4,954.62
From deposit current accounts	7,287.01	8,475.16
	397,487.08	91,353.80
Interest expense		
From current accounts	10,567.95	8,989.15
From correspondent banks	0.05	-
From fix term deposits	-	8,001.38
From Borrowing	1,993.53	1,078.63
	10,568.00	18,069.16
Net interest income	386,919.08	73,284.64

As you can be seen from the table under note 21, revenues from interest rates are about 5.2 times higher compared with the same period of last year. This has been one of the main factors that have a positive result for the reporting date (without foreign exchange revaluation). Average interest rates on net interest revenues (taking into consideration only committed portfolio) brought in about 0.147% (in the same period of 2015 0.035%). If we consider the total portfolio have average rate of 0.126% of the realized net interest.

22. Net fee and commission income

	31 March 2016	31 March 2015
Net fee and commission income		
From cash deposits	90,946.74	81,070.83
From incoming transfer	12,059.71	12,258.69
From outgoing transfers	74,484.21	57,147.15
From domestic transfers (Domestic payment system))	208,654.37	102,128.83
From credit registry system	32,532.00	29,557.30
From Treasury asset management	-	25,000.00
Other fees	8,929.00	6,941.00
	427,606.03	314,103.80
Fee and commission expense		
From cash transportation	79,903.37	43,858.52
From correspondent bank transactions	2,786.48	549.40
From payment services (IPS)	13,996.55	-
	96,686.40	44,407.92
Net fee and commission position	330,919.63	269,695.88

An increase compared to December 31, 2015, it derived from increased tariffs on services by 01 January 2016. Raising fees is indorsed in law and in the CBK cost analysis for the respective services. Also we estimates that the increase does not affect the financial services market (i.e if you look at the basic tariff for normal transactions and normal mass through interbank payment system it is on average 12 cents while the average commercial bank is 1.36 euro).

23. Incomes from regulatory activity

	31 Mars 2016	31 Mars 2015
Banks licenses renewal fees	509,000.00	419,000.00
Bank licenses fees	5,900.00	6,100.00
Insurance Companies licenses renewal fees	240,000.00	226,000.00
Insurance Companies licenses fees	42,550.00	34,600.00
Pension funds renewal fees	5,000.00	2,900.00
Other financial institution fees	46,600.00	33,950.10
Total	849,050.00	722,550.10

Here we have an increase of about 18% in the total group. This growth is mainly based on changes in revenue tariffs effective from 01 January 2016 and is mainly derived from the first item of the group.

24. Grant revenue

	31 Mars 2016	31 Mars 2015
Grant revenue	16,654.83	16,654.83

Two are the grants that effect note 24 grant revenues. They are grant for application of management of whole process of *issuing the government securities* (which in fact the complete application was granted to us) and partial financing from grant for the application of *credit registry*.

25. Other operational incomes

	31 Mars 2016	31 Mars 2015
Other income	1,969.40	310.83

Incomes from other activity are note regular ones and which could not be part of any regular items of incomes listed in previous notes.

26. Personnel expenses

	31 Mars 2016	31 Mars 2015
Wages and salary expences	699,736.74	638,277.46
Social security and health insurance	157,492.74	151,876.39
Staff training costs	10,052.20	8,558.02
Board expenses	22,143.53	17,750.12
Other	3,598.89	3,598.89
Total	893,024.10	820,060.88

Total number of employees on january-march,2016 is 215. (while in march,31 2015: 203). On the category of other expenses are also the compensations for additional pension fund that CBK pay for its employees and for some of them was not able to transfer this obligation to licensed pension funds because they have been already retired when the management decided to transfer these fund to licensed pension funds and financial support for living accommodation.

27. General and administrative expenses

	31 Mars 2016	31 Mars 2015
Insurance expenses	45,267.25	44,500.03
Repairs and maintenance	8,503.71	5,976.75
Application maintenance	70,155.56	59,268.98
Communication expenses (telephone, fax, and internet)	2,960.80	9,242.97
Public utility expenses	19,423.55	21,632.92
Consulting and auditing expenses	-	2,760.28
Security (guard and transportation)	5,580.00	3,720.00
Travel and transportation	19,349.38	11,077.46
Vehicle operating expenses	3,244.50	6,387.90
Consumable administrative material	5,274.04	9,683.14
Cafeteria expenses	7,288.22	6,731.43
Consumable expenses (IT and non-IT equipment supply)	1,377.77	3,816.00
Publishing and literature	3,097.18	2,538.38
Representation expenses	5,251.90	5,287.76
Membership to professional institutions	2,455.30	5,766.44
Other*	12,797.14	1,821.87
Total	212,026.30	200,212.31

28. Net result of changes in exchange rates

	31 Mars 2016	31 Mars 2015
Net unrealized profit/loss from exchange rate	984,790.36	778,070.22

The result presented above is temporary (specifically only to date) and can move depending on the movement of exchange rates EUR / SDR.

29. Cash and cash equivalents

	Note	31 Mars 2016	31 December 2015
Cash in hand	5	32,444,234.46	15,281,539.78
Cash accounts with non-resident banks	6	171,887,792.43	241,187,046.29
Treasury bill with maturity up to three months		10,734,491.19	2,864,220.69
Placements with non-resident banks with maturity up to three months		20,006,431.49	0.00
Total		235,072,949.57	259,332,806.76

30. 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 2015 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.