



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

THE CBK FINANCIAL STATEMENT
/for the third quarter 2014/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the third 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 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 for the third quarter is September 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

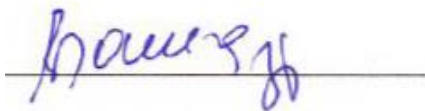
Statement of financial position

as per

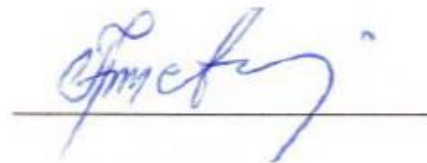
	Note	30 Septembertember 2014	31 December 2013
Assets			
Cash on hand	5	40,895,144	27,383,930
Current accounts with non-resident banks	6	126,020,179	61,082,895
Treasury Bill	7	325,983,706	560,827,834
Placements in money market	8	705,202,753	729,472,273
Deposit accounts with IMF	9	231,717,836	231,459,193
Properties and equipment's	10	2,010,205	1,906,755
Intangible assets	11	1,297,907	1,311,315
Other assets	12	1,014,984	976,357
Total assets		1,434,142,713	1,614,420,553
Liabilities			
Due to domestic commercial banks	13	291,237,240	333,173,026
Due to IMF related accounts	14	234,414,989	234,011,065
Due to Governmental Institutions	15	795,375,044	757,445,609
Due to public and commercial entities	16	58,300,784	236,597,584
From Borrowing's	17	31,849	
Other domestic liabilities	18	3,038,426	3,243,854
Total liabilities		1,382,398,981	1,564,471,139
Capital and reserves			
Authorized capital	19	30,000,000	30,000,000
Reserve fund	20	19,949,414	19,762,813
Net result of the period		1,794,318	186,601
Total capital and reserve		51,744,189	49,949,414
Total liability capital and reserve		1,434,142,713	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 October 30, 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 September 2014	30 September 2013
Net interest income			
Interest income		1,375,741	616,501
Interest expense		(221,141)	(140,217)
Net interest income	21	1,154,600	476,284
Fee and commission income			
Fee and commission income		1,243,747	1,052,641
Fee and commission expenses		(181,729)	(212,357)
Net fee and commission income	22	1,062,018	840,283
Te hyrat nga aktiviteti rregullativ dhe t'hyra tjera operative			
Te hyrat nga aktiviteti rregullativ	23	2,424,302	1,378,644
Grant revenues	24	49,965	49,965
Other operating Income	25	1,219	7,890
Total Operating Income		4,692,103	2,753,066
Administrative (operative) expenses			
Personnel expenses	26	(2,484,772)	(1,959,793)
Depreciation and amortization	10,11	(365,147)	(359,582)
General and administrative expenses	27	(778,339)	(710,165)
Total administrative (operative) expenses		(3,628,259)	(3,029,540)
Net result without exchange rate effect		1,063,845	(276,474)
Net gain/loss on exchange rate	28	730,473	(941,382)
Net result of the period		1,794,318	(1,217,857)

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>	-	-	1,794,318	1,794,318
<i>Transfer to reserve fund</i>	-	186,601	(186,601)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 September 2014</i>	30,000,000	19,949,414	1,794,318	51,743,732

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	1-7 years
30 September 2014						
Assets						
Cash on hand	5	40,895,144	40,895,144	-	-	-
Current accounts with non-resident banks	6	126,020,179	126,020,179	-	-	-
Treasury bills	7	325,983,706	89,995,842	165,993,573	69,994,291	-
Deposit accounts with non-resident banks	8	705,202,753	585,197,181	110,005,239	10,000,333	-
Assets related to IMF	9	231,717,836	130,865,270	-	-	100,852,565
		1,429,819,618	972,973,616	275,998,812	79,994,624	100,852,565
Liabilities						
Due to domestic banks	13	-291,237,890	-291,237,890	-	-	-
Due to accounts related to IMF	14	-234,414,989	-133,562,423	-	-	-100,852,565
Due to local governmental institutions	15	-795,375,044	-830,387,964	35,012,921	-	-
Due to public and commercial entities	16	-58,300,784	-58,300,784	-	-	-
From Borrowing's	17	-31,849	-31,849	-	-	-
Other domestic liabilities	18	-3,038,426	-3,038,426	-	-	-
		-1,382,398,981	-1,316,559,337	35,012,921	-	-100,852,565
		47,420,636	-343,585,720	311,011,732	79,994,624.14	-
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 September 2014	31 December 2013
Cash on hand	40,895,144	27,383,930
Total	40,895,144	27,383,930

6. Current accounts with non-resident banks

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

	30 September 2014	31 December 2013
Deutsche Bundesbank	8	39,336,538
Raiffeisen Zentralbank	87,76,327	5,358,108
Banque De France	-	91
Deutsche Bank London AG	38,843,844	16,388,158
Total	126,020,179	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: 0.005% - 0.611%).

	30 September 2014	31 December 2013
Germany	45,997,857	-
France	49,999,034	244,953,112
Netherlands	-	215,900,468
Italy	109,993,913	-
Belgium	119,992,904	99,974,254
Total	325,983,706	560,827,834

8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 0.105% minimum 0.005% and max 0.370%, while in 2013: min. 0.005%, max. 0.270% , and an average of 0.048%), mostly with a maturity up to one year. Analytically, according to the banks as below:

Placements in money markets	30 September 2014	31 December 2013
Raiffeisen Zentralbank	70,002,608	109,400,686
Svenska Handelsbanken	120,079,647	150,960,899
Internationale Nederlanden Group	90,002,681	
Deutsche Bundesbank	-	130,003,111
Rabobank	120,031,340	30,026,838
Danske Bank	105,007,345	30,022,500
Swedbank AB	110,065,916	120,018,389
Pohjola Bank Plc	50,005,817	-
DNB Bank ASA	40,007,400	-
Banque Centrale du Luxembourg	-	159,039,850
	705,202,753	729,472,273

9. Assets related to IMF

	30 September 2014	31 December 2013
IMF Quota	69,091,263	65,921,788
SDR holdings	61,567,591	59,597,112
Accrued Interest	206,417	207,333
Use of IMF funds (SBA)	100,852,565	105,732,961
Total	231,717,836	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 0.11% 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 September 2014	Total Depreciation/ Amortization accumulated till 30 September 2014	Net Value as of 30 September 2014
Property, plant and equipment	5,021,789	2,802,021	209,562	3,011,584	2,010,205
Equipment's, offices and other	1,664,883	1,305,575	56,766	1,362,338	302,545
Vehicles	243,451	222,441	17,982	240,423	3,028
Premises	2,057,395	471,475	76,855	548,330	1,509,065
Computer hardware	1,026,400	802,530	57,959	860,493	165,907
Work in process	29,660	-	-	-	29,660
Intangible assets	2,267,012	813,521	155,585	969,106	1,297,907
Intangible assets	2,209,736	813,521	155,585	969,106	1,240,630
Intangible assets –work in process	57,276	-	-	-	57,276
Total	7,288,801	3,615,542	365,147	3,980,690	3,308,112

12. Other assets

Other assets are as below:

	30 September 2014	31 December 2012
Accruals income	729,550	898,437
Prepayment	285,433	77,920
Total	1,014,984	976,357

13. Due to domestic banks

	30 September 2014	31 December 2013
ProCredit Bank - Kosovë	75,472,837	53,159,017
Raiffeisen Bank - Kosovë	49,573,061	35,042,472
NLB Prishtina	49,717,642	76,582,486
Komercijalna Banka - Mitrovica branch	4,574,348	4,188,905
Banka Ekonomike	19,885,208	37,565,452
Banka për Biznes	18,852,388	22,302,557
Banka Kombëtare Tregtare e Shqipërisë	20,120,463	36,173,126
TEB - Turk Ekonomi Bankasi sh.a.	50,143,206	61,508,582
Turkiye Is Bankasi a.s.	2,896,140	6,645,255
Banka Kreditore e Prishtinës	1,947	5,173
Total	291,237,240	333,173,026

In this group are disclosed balances of commercial banks operating within Kosovo that 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 Septembertember 2014 is for 2.25 times higher than required amount.

14. Due to accounts related to IMF

	30 September 2014	31 December 2013
Current account FMN No. 1	169,823	164,804
Expenses account FMN No. 2	5,757	5,587
Account in trust of IMF	152,302,963	155,663,128
Part paid of IMF quota	16,891,036	16,107,699
IMF SDR allocated by IMF	64,838,535	61,864,149
Accrued Interest	206,874	205,697
Total	234,414,989	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 Septembertember 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 September 2014	31 December 2013
Treasury – Ministry of Economy and Finance	88,513,050	12,887,506
Privatization Agency of Kosovo	510,707,696	530,328,298
Interim Administrative Institutions	127,127	259,597
Total	599,347,873	543,475,402
Term Deposits		
Treasury – Ministry of Economy and Finance	166,005,921	193,963,606
Privatization Agency of Kosovo	30,021,250	40,006,600
Total Term Deposits	196,027,171	233,970,206
Total	795,375,044	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% (on the average 0.0731%)

16. Due to Public and Commercial Entities

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

	30 September 2014	31 December 2013
Insurance Companies	4,056,314	4,198,621
Public utility corporations	54,174,349	232,328,771
Pension Funds	68,341	68,377
Other	1,779	1,815
Total	58,300,784	236,597,584

17. Liabilities from Borrowing

	30 September 2014	31 December 2013
Borrowing from the World Bank	31,849	-
Gjithsej	31,849	-

18. Other liabilities

	30 September 2014	31 December 2013
Escrow account	2,428,032	2,428,050
Deferred income	479,636	534,881
Payable accounts	114,513	131,302
Accrued expenses	16,245	149,620
Total	3,038,426	3,243,854

19,20. Regulatory capital and reserves

	30 September 2014	31 December 2013
Capital and general reserve		
Authorized capital	30,000,000	30,000,000
Reserve fund	19,949,414	19,762,813
Net result for the period	1,794,318	186,601
Total	51,743,732	49,949,414

21. Net interest income

	30 September 2014	30 September 2013
Interest Income		
From placements	720,544	350,290
From treasury bill	602,728	231,420
From deposit current accounts	52,469	34,791
	1,375,741	616,501
Interest expense		
Due to current accounts	50,966	35,510
Due to commercial banks	5	-
Fix term deposits	169,926	104,706
From Borrowing	245	-
	221,141	140,217
Net interest income	1,154,600	476,284

22. Net fee and commission income

	30 September 2014	30 September 2013
Net fee and commission income		
From cash deposits	354,961	330,896
From incoming transfer	30,187	33,412
From outgoing transfers	219,984	136,893
From domestic transfers (Domestic payment system))	348,566	299,295
From credit registry system	90,965	85,626
From Treasury asset management	178,322	142,000
Other fees	20,762	24,518
	1,243,747	1,052,641
Fee and commission expense		
From cash transportation	178,855	198,806
From correspondent bank transactions	2,874	13,551
	181,729	212,357
Net fee and commission position	1,062,018	840,283

23. Income from CBK regulatory activity

	30 September 2014	30 September 2013
From maintenance of the bank licenses	1,388,892	413,331
From the licenses of banking institutions	29,800	34,800
From maintenance of the licenses on Insurance Companies	750,964	764,413
From the licenses of insurance companies	85,500	60,500
Revenues from regulatory activity on pension funds	9,273	20,653
Regulatory activity on other financial institutions	159,874	84,947
Total	2,424,302	1,378,644

24. Grant revenue

	30 September 2014	30 September 2013
Grant revenue	49,965	49,965

25. Other operational incomes

	30 September 2014	30 September 2013
Other income	1,219	7,890
Total	1,219	7,890

26. Personnel expenses

	30 September 2014	30 September 2013
Wages and salary expenses	1,914,799	1,442,842
Social security and health insurance	447,436	367,911
Staff training costs	30,158	34,703
Board expenses	81,213	102,196
Other	11,166	12,141
Total	2,484,772	1,959,793

Total number of employees on September 30, 2014 is 200 (while in September 30, 2013: 187).

27. General and administrative expenses

	30 September 2014	30 September 2013
Insurance expenses	135,244	129,000
Repairs and maintenance	27,339	44,935
Application maintenance	182,280	156,319
Communication expenses (telephone, fax, and internet)	31,922	45,903
Public utility expenses	55,589	56,743
Security (guard and transportation)	86,764	32,720
Travel and transportation	73,958	74,571
Vehicle operating expenses	21,975	21,077
Consumable administrative material	15,764	23,389
Cafeteria expenses	19,531	15,942
Consumable expenses (IT and non-IT equipment supply)	44,277	31,845
Publishing and literature	22,041	15,447
Representation expenses	25,668	19,202
Membership to professional institutions	22,792	16,514
Other	13,195	26,558
Total	778,339	710,165

28. Net result of changes in exchange rates

	30 September 2014	30 September 2013
Net unrealized profit/loss from exchange rate	730,473	(941,382)

29. Cash and cash equivalents

	Note	30 September 2014	31 December 2013
Cash in hand	5	40,895,144	27,383,930
Cash accounts with non-resident banks	6	126,020,179	61,082,895
Treasury bill with maturity up to three months		89,995,842	189,965,169
Placements with non-resident banks with maturity up to three months		545,136,320	553,492,114
Total		802,047,486	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.