



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 2015/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the third quarter 2015

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 Second 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, 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

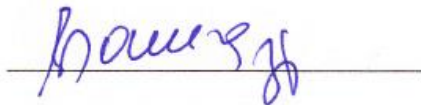
Statement of financial position

as per

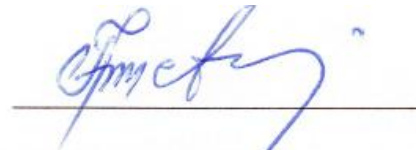
	Note	30 September 2015	31 December 2014
Assets			
Cash on hand	5	29,999,127.42	29,178,285.63
Current accounts with non-resident banks	6	241,194,959.15	323,400,905.01
Securities	7	154,192,854.21	120,788,731.58
Placements in money market	8	820,185,403.95	660,123,184.26
Deposit accounts with IMF	9	271,268,042.30	234,785,343.51
Properties and equipment's	10	2,180,771.82	1,956,247.32
Intangible assets	11	1,325,992.33	1,251,508.54
Other assets	12	994,805.48	885,498.18
Total assets		1,521,341,956.66	1,372,369,704.03
Liabilities			
Due to domestic commercial banks	13	294,912,386.63	315,932,136.46
Due to IMF related accounts	14	276,304,566.32	238,712,958.68
Due to Governmental Institutions	15	823,431,673.51	713,567,379.44
Due to public and commercial entities	16	72,911,925.60	50,608,227.84
Borrowing	17	367,427.02	33,549.33
Other domestic liabilities	18	3,234,911.21	3,180,660.38
Total liabilities		1,471,162,890.29	1,322,034,912.13
Capital and reserves			
Authorized capital	19	30,000,000.00	30,000,000.00
Reserve fund	20	20,334,791.90	19,949,414.03
Net result of the period		(155,725.53)	385,377.87
Total capital and reserve		50,179,066.37	50,334,791.90
Total liability capital and reserve		1,521,341,956.66	1,372,369,704.03

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 November 26, 2015 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of Financial Planning
and Reporting

Statement of comprehensive income

	Note	30 September 2015	30 September 2014
Net interest income			
Interest income		353,948.09	1,099,951.71
Interest expense		(38,087.42)	(166,958.06)
Net interest income	21	315,860.67	932,993.65
Fee and commission income			
Fee and commission income		1,041,880.41	807,413.33
Fee and commission expenses		(290,364.03)	(97,181.12)
Net fee and commission income	22	751,516.38	710,232.21
Other operating Income			
Income from regulatory activity	23	2,493,846.13	1,582,358.56
Grant revenues	24	49,964.52	33,309.68
Other operating Income	25	1,176.17	967.05
Total Operating Income		3,612,363.87	3,259,861.15
Administrative (operative) expenses			
Personnel expenses	26	(2,501,246.96)	(1,647,018.04)
Depreciation and amortization	10,11	(408,609.15)	(243,136.35)
General and administrative expenses	27	(735,316.20)	(465,075.87)
Total administrative (operative) expenses		(3,645,172.31)	(2,355,230.26)
Net result without exchange rate effect		(32,808.44)	904,630.89
Net gain/loss on exchange rate	28	(122,917.09)	70,447.00
Net result of the period		(155,725.53)	975,077.89

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 2014</i>	30,000,000.00	19,762,812.73	186,601.30	49,949,414.03
<i>Profit for the period</i>	-	-	385,377.87	385,377.87
<i>Transfer to reserve fund</i>	-	186,601.30	(186,601.30)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 31 December 2014</i>	30,000,000.00	19,949,414.03	385,377.87	50,334,791.90
<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>	-	-	(155,725.53)	(155,725.53)
<i>Transfer to reserve fund</i>	-	385,377.87	(385,377.87)	-
<i>Transfer to statutory fund</i>	-	-	-	-
<i>Balance at 30 September 2015</i>	30,000,000.00	20,334,791.90	(155,725.53)	50,179,066.37

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
30 September 2015						
Assets						
Cash on hand	5	29,999,127.42	29,999,127.42	-	-	-
Current accounts with non-resident banks	6	241,194,959.15	241,194,959.15	-	-	-
Treasury bills	7	154,192,854.21	45,548,520.87	52,862,578.02	3,616,108.14	52,165,647.17
Deposit accounts with non-resident banks	8	820,185,403.95	210,078,635.11	185,028,879.17	425,077,889.68	-
Assets related to IMF	9	271,268,042.30	138,855,690.60	-	-	132,412,351.70
		1,516,840,387.03	665,676,933.15	237,891,457.19	428,693,997.83	184,577,998.87
Liabilities						
Due to domestic banks	13	(294,912,386.63)	(294,912,386.63)	-	-	-
Due to accounts related to IMF	14	(276,304,566.32)	(143,892,214.62)	-	-	(132,412,351.70)
Due to local governmental institutions	15	(823,431,673.51)	(823,431,673.51)	-	-	-
Due to public and commercial entities	16	(72,911,925.60)	(72,911,925.60)	-	-	-
Borrowing's	17	(367,427.02)	(367,427.02)	-	-	-
Other domestic liabilities	18	(3,234,911.21)	(3,234,911.21)	-	-	-
		(1,471,162,890.29)	(1,338,750,538.59)	-	-	(132,412,351.70)
		45,677,496.74	(673,073,605.44)	237,891,457.19	428,693,997.83	52,165,647.17
31 December 2014						
Assets						
Cash on hand	5	29,178,286	29,178,286	-	-	-
Current accounts with non-resident banks	6	323,400,905	323,400,905	-	-	-
Treasury bills	7	120,788,732	-	-	70,235,998	50,492,864
Deposit accounts with non-resident banks	8	660,123,184	550,047,814	110,075,370	-	-
Deposits with IMF	9	234,785,344	133,053,961	-	-	101,731,382
		1,368,276,450	1,035,680,966	110,075,370	70,235,998	152,224,247
Liabilities						
Due to domestic banks	13	-315,932,136	-315,932,136	-	-	-
Due to accounts related to IMF	14	-234,785,344	-133,053,961	-	-	-101,731,382
Due to local governmental institutions	15	-713,567,379	-713,567,379	-	-	-
Due to public and commercial entities	16	-50,608,228	-50,608,228	-	-	-
Borrowing's	17	-33,549	-33,549	-	-	-
Other domestic liabilities	18	-3,180,660	-3,180,660	-	-	-
		1,318,107,297	1,216,375,915	-	-	101,731,382
		50,169,153	-180,694,948	110,075,370	70,235,998	50,492,864

	30 September 2015	31 December 2014
Cash on hand	29,999,127.42	29,178,285.63
Total	29,999,127.42	29,178,285.63

6. Current accounts with non-resident banks

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

	30 September 2015	31 December 2014
Deutsche Bundesbank	72.15	120.53
Raiffeisen Zentralbank	148,692,397.53	145,496,728.93
Svenska Handelsbanken	-	10,004,033.33
Deutsche Bank London AG	82,505,509.13	104,900,000.00
Nostro Acc.Pohjola Bank Plc	9,996,980.34	63,000,022.22
Total	241,194,959.15	323,400,905.01

7. Securities (Treasury Bills and Bonds)

Both categories of Securities which are part of note 7, are debt securities issued by governments of European Union (France, Belgium and Italy) with contractual maturity for Treasury Bills till one year, and for Bonds till two and half year. Interest rate (yield) ranges from 0.00942% – 0.01978% (in 2014: 0.009% - 0.370%).

	30 September 2015	31 December 2014
Netherlands	50,488,208.20	50,791,774.61
Belgium	-	69,996,956.97
Italy	89,992,056.47	-
Kosova	13,712,589.54	-
Total	154,192,854.21	120,788,731.58

Securities (continued)

According to type:

	30 September 2015	31 December 2014
Treasury Bills	101,472,579.31	69,996,956.97
Bonds	52,720,274.90	50,791,774.61
Total	154,192,854.21	120,788,731.58

8. Deposits with non-residential banks

Deposits with non-residential banks usually bear an average interest rate of 0.103% minimum 0.02% and max 0.300%, while in 2014: 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 September 2015	31 December 2014
Raiffeisen Zentralbank	140,031,444.44	20,000,833.33
Svenska Handelsbanken	-	80,070,392.14
Internationale Nederlanden Group	140,012,423.61	50,000,597.22
Rabobank	110,051,396.47	110,012,619.92
Danske Bank	160,034,658.88	100,018,200.00
Swedbank AB	-	50,012,250.00
Pohjola Bank Plc	30,000,633.33	100,007,069.44
Deutsche Bank	240,054,847.22	-
Banque Centrale du Luxembourg	-	150,001,222.22
Total	820,185,403.95	660,123,184.26

9. Assets related to IMF

	30 September 2015	31 December 2014
IMF Quota	73,973,956.15	70,405,643.91
SDR holdings	64,501,909.53	62,461,468.42
Accrued Interest	252,501.95	186,849.00
Use of IMF funds (SBA)	132,412,351.70	101,731,382.18
Commitment Fee	127,322.97	-
Total	271,268,042.30	234,785,343.51

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 0.11% 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 2014	Total Depreciation/ Amortization for period 30 September 2015	Total Depreciation/ Amortization accumulated till 30 September 2015	Net Value as of 30 September 2015
Property, plant and equipment	5,451,748.42	3,012,708.98	258,269.37	3,270,976.60	2,180,771.82
Equipment's, offices and other	1,680,150.65	1,383,232.95	63,168.83	1,446,403.59	233,747.06
Vehicles	320,149.16	175,350.68	21,124.08	196,474.41	123,674.75
Premises	2,064,867.02	574,047.83	77,339.19	651,387.02	1,413,480.00
Computer hardware	1,351,643.59	880,077.52	96,637.27	976,711.58	374,932.01
Work in process	34,938.00	-	-	-	34,938.00
Intangible assets	2,496,337.49	1,020,005.29	150,339.78	1,170,345.16	1,325,992.33
Intangible assets	2,291,162.37	1,020,005.29	150,339.78	1,170,345.16	1,120,817.21
Intangible assets – work in process	205,175.12	-	-	-	205,175.12
Total	7,948,085.91	4,032,714.27	408,609.15	4,441,321.76	3,506,764.15

12. Other assets

Other assets are as below:

	30 September 2015	31 December 2014
Accrual income	810,608.02	770,153.23
Prepayment	184,197.46	115,344.95
Total	994,805.48	885,498.18

13. Due to domestic banks

	30 September 2015	31 December 2014
ProCredit Bank - Kosovë	75,907,373.57	111,811,924.71
Raiffeisen Bank - Kosovë	55,341,855.38	46,132,586.20
NLB Prishtina	47,189,167.19	42,823,661.92
Komercijalna Banka - Dega Mitrovicë	4,908,457.57	4,756,632.45
Banka Ekonomike e Prishtinës	18,240,523.50	10,914,868.06
Banka për Biznes	19,400,998.70	20,891,486.96
Banka Kombëtare Tregtare e Shqipërisë	21,822,999.39	23,838,778.55
Turk Ekonomi Bankasi Sh.A	38,506,219.53	46,685,632.99
Turkiye Is Bankasi A.S.	5,371,253.92	8,056,244.31
T.C. Zirat Bankasi A.S.Dega Kosove	8,218,934.06	-
Banka Kreditore e Prishtinës	4,603.82	20,320.31
Total	294,912,386.63	315,932,136.46

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, 2015 above disclosed is around 2.6 times higher the required amount.

16. Due to accounts related to IMF

	30 September 2015	31 December 2014
Current account FMN No. 1	184,628.17	176,014.11
Expenses account FMN No. 2	6,258.58	5,966.58
Account in trust of IMF	188,348,429.03	155,057,690.86
Part paid of IMF quota	18,091,649.97	17,214,125.05
IMF SDR allocated by IMF	69,420,687.38	66,072,013.04
Accrued Interest	252,913.19	187,149.04
Total	276,304,566.32	238,712,958.68

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

	30 September 2015	31 December 2014
Treasury – Ministry of Economy and Finance	274,118,161.92	90,481,430.08
Privatization Agency of Kosovo	549,146,306.45	557,800,769.13
Interim Administrative Institutions	167,205.14	268,244.12
Total	823,431,673.51	648,550,443.33

Term Deposits

Treasury – Ministry of Economy and Finance	-	65,016,936.11
Privatization Agency of Kosovo	-	-
Total Term Deposits	-	65,016,936.11
Total	823,431,673.51	713,567,379.44

Deposits in current accounts have an interest rate 0.00% (for the reporting and comparing period). Time deposits for reportin period are none, while as of December 31, 2014 the interest rate ranges from 0.010% up to 0.370% (on average 0.0686%).

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 2015	31 December 2014
Insurance Companies	5,041,275.13	4,982,003.64
Public utility corporations	67,868,835.64	45,556,127.93
Pension Funds and other	1,814.83	70,120.27
Total	72,911,925.60	50,608,227.84

17. Borrowing's

	30 September 2015	31 December 2014
Borrowing's from World Bank	367,427.02	33,549.33
Total	367,427.02	33,549.33

The increase between reporting dates are as a result of revaluation of position which is held on SDR (because the obligation is on SDR). The amount above has to do with the RTGS (Real Time Gross Settlement) project which is on its development phase.

17. Other liabilities

	30 September 2015	31 December 2014
Escrow account	2,427,999.48	2,428,026.48
Deferred income	553,575.81	461,977.27
Payables and Accrued expenses	253,335.92	290,656.63
Total	3,234,911.21	3,180,660.38

As you can see from table note 17 we have an increase for deferred income from grant receiving cash for the project application for *financial supervision and statistics data reporting*, which world bank grant. This project is on implementation process and expected to be finalized till end of year 2015.

18, 19 Regulatory capital and reserves

	30 September 2015	31 December 2014
Capital and general reserve		
Authorised capital	30,000,000.00	30,000,000.00
Reserve fund	20,334,791.90	19,949,414.03
Net result for the period	(155,725.53)	385,377.87
Total	50,179,066.37	50,334,791.90

Three are the reason why the financial result is below zero. I. The first is that we have had very low return from incomes investment portfolio on *placements and securities* (due to low interest rates on euro financial markets, and we have our portfolio entirely on euro currency). II. Low performance on fees and charges. III. The second is from revaluation of positions with currency other than euro (currently we have only SDRs), but this is temporary position and it is estimated that will be not with so much effect at the end of the year.

20. Net interest income

	30 September 2015	30 September 2014
Interest Income		
From placements	305,205.79	720,543.82
From securities	23,900.03	602,728.09
From deposit current accounts	24,842.27	52,469.37
	353,948.09	1,375,741.28
Interest expense		
From current accounts	27,574.29	50,970.97
From correspondent banks	2.04	-
From fix term deposits	8,001.38	169,925.64
From Borrowing	2,509.71	244.56
	38,087.42	221,141.17
Net interest income	315,860.67	1,154,600.11

As you can see the interest incomes are around 4 times lower then same comparing period of the previous year. The average interest for net interest income (taken into consideration only the portfolio invested/engaged) are 0.043% (for the same comparing period in 2014 were 0.161%). And if we take the total portfolio that we have in disposition the average interest rates is around 0.029% of net realized interest income.

21. Net fee and commission income

	30 September 2015	30 September 2014
Net fee and commission income		
From cash deposits	317,070.94	354,960.84
From incoming transfer	38,010.75	30,186.50
From outgoing transfers	192,872.90	219,983.68
From domestic transfers (Domestic payment system))	361,194.92	348,566.38
From credit registry system	87,288.90	90,964.90
From Treasury asset management	25,000.00	178,322.48
Other fees	20,442.00	20,762.00
	1,041,880.41	1,243,746.78
Fee and commission expense		
From cash transportation	287,335.70	178,854.78
From correspondent bank transactions	3,028.33	2,874.03
	290,364.03	181,728.81
Net fee and commission position	751,516.38	1,062,017.97

Mainly the decrease in comparison with 2014 is due to the decrease in volume of cash money activity (related directly to cash deposits) and from Treasury asset management income. The second item is related from interest income on Treasury account which they have with us and this then is related to interest rates which we as mentioned above that were very low.

23. Incomes from regulatory activity

	31 Mars 2015	31 Mars 2015
Banks licenses renewal fees	949,249.76	935,058.44
Bank licenses fees	10,600.00	33,100.00
Insurance Companies licenses renewal fees	469,033.90	447,489.00
Insurance Companies licenses fees	79,000.00	73,450.00
Pension funds renewal fees	6,265.44	9,034.23
Other financial institution fees	73,506.30	84,226.89
Total	1,587,655.40	1,582,358.56

The increase around 3% of the group note 23, is representing the normal trend of changes of this category which related to the financial sector regulated by CBK, based on which are determined /calculated the incomes from regulatory activity (i.e. total assets and net written premiums as of two main factors).

24. Grant revenue

	30 September 2015	30 September 2014
Grant revenue	49,964.52	49,964.52

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

	30 September 2015	30 September 2014
Other income	1,176.17	1,219.05
Total	1,176.17	1,219.05

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

24. Personnel expenses

	30 September 2015	30 September 2014
Wages and salary expences	1,926,719.58	1,914,799.37
Social security and health insurance	455,725.13	447,436.32
Staff training costs	34,171.56	30,157.50
Board expenses	73,834.02	81,212.58
Other	10,796.67	11,166.49
Total	2,501,246.96	2,484,772.26

Total number of employees on September 30, 2015 is 210. (while in September 30, 2014: 207). 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

	30 September 2015	30 September 2014
Insurance expenses	133,500.01	124,484.26
Repairs and maintenance	21,345.15	27,338.95
Application maintenance	206,909.65	182,280.41
Communication expenses (telephone, fax, and internet)	21,005.23	31,921.51
Public utility expenses	58,838.25	55,588.60
Security (guard and transportation)	26,023.75	61,365.79
Travel and transportation	34,600.00	25,400.00
Vehicle operating expenses	89,140.47	73,958.09
Consumable administrative material	17,195.67	21,974.95
Cafeteria expenses	25,100.76	26,523.40
Consumable expenses (IT and non-IT equipment supply)	15,934.41	19,531.25
Publishing and literature	15,348.64	44,277.10
Representation expenses	8,934.31	22,040.89
Membership to professional institutions	31,547.79	25,667.61
Other	22,276.92	22,791.63
	7,615.19	13,194.94
Total	735,316.20	778,339.38

28. Net result of changes in exchange rates

	30 September 2015	30 September 2014
Net unrealized profit/loss from exchange rate	(122,917.09)	730,473.13

29. Cash and cash equivalents

	Note	30 September 2015	31 December 2014
Cash in hand	5	29,999,127.42	29,178,285.63
Cash accounts with non-resident banks	6	241,194,959.15	323,400,905.01
Treasury bill with maturity up to three months		5,564,536.95	-
Placements with non-resident banks with maturity up to three months		-	410,019,936.59
Total		276,758,623.52	762,599,127.23

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 2014 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.