



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 2017/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the second quarter 2017

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 second quarter is June 30, 2017.

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

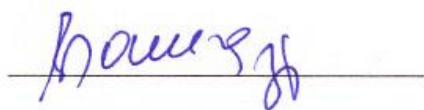
Statement of financial position

as per

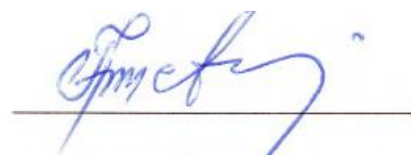
| | Note | 30 June 2017 | 31 December 2016 |
|--|------|-------------------------|-------------------------|
| Assets | | | |
| Cash on hand | 5 | 196,160,278.14 | 154,800,143.92 |
| Current accounts with non-resident banks | 6 | 393,785,122.71 | 207,742,023.04 |
| Securities | 7 | 575,547,181.19 | 572,375,111.49 |
| Placements in money market | 8 | 199,255,442.39 | 195,049,006.93 |
| In accounts related with IMF | 9 | 351,848,452.72 | 275,560,613.30 |
| Properties and equipment's | 10 | 4,998,560.78 | 4,483,418.51 |
| Intangible assets | 11 | 2,142,904.88 | 2,271,391.31 |
| Other assets | 12 | 1,251,168.89 | 1,283,839.84 |
| Total assets | | 1,724,989,111.70 | 1,413,565,548.34 |
| Liabilities | | | |
| Due to domestic commercial banks | 13 | 281,877,594.43 | 296,398,919.68 |
| Due to IMF related accounts | 14 | 343,101,247.67 | 283,009,428.41 |
| Due to Governmental Institutions | 15 | 828,946,889.00 | 718,434,919.83 |
| Due to public and commercial entities | 16 | 214,125,146.17 | 58,867,305.74 |
| Borrowing | 17 | 2,266,259.07 | 2,133,133.87 |
| Other domestic liabilities | 18 | 1,713,732.20 | 2,039,252.12 |
| Total liabilities | | 1,672,030,868.54 | 1,360,882,959.65 |
| Capital and reserves | | | |
| Authorized capital | 19 | 30,000,000.00 | 30,000,000.00 |
| Reserve fund | 20 | 22,682,588.69 | 21,022,583.81 |
| Net result of the period | | 275,654.47 | 1,660,004.88 |
| Total capital and reserve | | 52,958,243.16 | 52,682,588.69 |
| Total liability capital and reserve | | 1,724,989,111.70 | 1,413,565,548.34 |

Notes from page 6 up to 17 are integral parts of these financial statements

Financial Statements set out on pages below were approved by management of CBK on 31 August 2017 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of Financial Planning
and Reporting

Statement of comprehensive income

| | Note | 30 June 2017 | 30 June 2016 |
|--|-------|-----------------------|-----------------------|
| Net interest income | | | |
| Interest income | | 930,987.93 | 872,419.60 |
| Interest expense | | (354,289.74) | (22,064.87) |
| Net interest income | 21 | 576,698.19 | 850,354.73 |
| Fee and commission income | | | |
| Fee and commission income | | 997,009.70 | 871,804.35 |
| Fee and commission expenses | | (123,492.54) | (147,172.79) |
| Net fee and commission income | 22 | 873,517.16 | 724,631.56 |
| Other operating Income | | | |
| Income from regulatory activity | 23 | 1,959,794.54 | 1,922,891.12 |
| Grant revenues | 24 | 50,856.97 | 33,309.68 |
| Other operating Income | 25 | 1,468.41 | 3,169.60 |
| Total Operating Income | | 3,462,335.27 | 3,534,356.69 |
| Administrative (operative) expenses | | | |
| Personnel expenses | 26 | (2,038,943.42) | (1,830,631.30) |
| Depreciation and amortization | 10,11 | (484,928.57) | (319,142.64) |
| General and administrative expenses | 27 | (521,736.17) | (542,885.21) |
| Total administrative (operative) expenses | | (3,045,608.16) | (2,692,659.15) |
| Net result without exchange rate effect | | 416,727.11 | 841,697.54 |
| Net gain/loss on exchange rate | 28 | (141,072.64) | 50,594.77 |
| Net result of the period | | 275,654.47 | 892,292.31 |

Notes from page 6 up to 17 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 2016</i> | 30,000,000.00 | 20,334,791.90 | 687,791.91 | 51,022,583.81 |
| <i>Profit for the period</i> | - | - | 1,660,004.88 | 1,660,004.88 |
| <i>Transfer to reserve fund</i> | - | 687,791.91 | (687,791.91) | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 31 December 2016</i> | 30,000,000.00 | 21,022,583.81 | 1,660,004.88 | 52,682,588.69 |
| <i>Balance at 01 January 2017</i> | 30,000,000.00 | 21,022,583.81 | 1,660,004.88 | 52,682,588.69 |
| <i>Profit for the period</i> | - | - | 275,654.47 | 275,654.47 |
| <i>Transfer to reserve fund</i> | - | 1,660,004.88 | (1,660,004.88) | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 30 June 2017</i> | 30,000,000.00 | 22,682,588.69 | 275,654.47 | 52,958,243.16 |

Notes from page 6 up to 17 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-3u/ 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 | more than 5 years |
|--|------|---------------------------|---------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| 30 June 2017 | | | | | | | |
| Assets | | | | | | | |
| Cash on hand | 5 | 196,160,278.14 | 196,160,278.14 | - | - | - | - |
| Current accounts with non-resident banks | 6 | 393,785,122.71 | 393,785,122.71 | - | - | - | - |
| Treasury bills | 7 | 575,547,181.19 | 14,308,292.64 | 7,779,215.75 | 143,986,254.85 | 409,473,417.95 | - |
| Deposit accounts with non-resident banks | 8 | 199,255,442.39 | 39,232,820.19 | 50,012,341.67 | 110,010,280.54 | - | - |
| In accounts related with IMF | 9 | 351,848,452.72 | 212,091,327.72 | 4,357,125.00 | - | 135,400,000 | - |
| | | 1,716,596,477.15 | 855,577,841.40 | 62,148,682.41 | 253,996,535.39 | 544,873,417.95 | - |
| Liabilities | | | | | | | |
| Due to domestic banks | 13 | (281,877,594.43) | (281,877,594.43) | - | - | - | - |
| Due to accounts related to IMF | 14 | (343,101,247.67) | (203,344,122.67) | (4,357,125.00) | - | (135,400,000.00) | - |
| Due to local governmental institutions | 15 | (828,946,889.00) | (828,946,889.00) | - | - | - | - |
| Due to public and commercial entities | 16 | (214,125,146.17) | (214,125,146.17) | - | - | - | - |
| Borrowing's | 17 | (2,266,259.07) | - | - | - | (339,938.86) | (1,926,320.21) |
| Other domestic liabilities | 18 | (1,713,732.20) | (1,713,732.20) | - | - | - | - |
| | | (1,672,030,868.54) | (1,530,007,484.47) | (4,357,125.00) | - | (135,739,938.86) | (1,926,320.21) |
| | | 44,565,608.61 | (674,429,643.07) | 57,791,557.41 | 253,996,535.39 | 409,133,479.09 | (1,926,320.21) |
| 31 December 2016 | | | | | | | |
| Assets | | | | | | | |
| Cash on hand | 5 | 154,800,143.92 | 154,800,143.92 | - | - | - | - |
| Current accounts with non-resident banks | 6 | 207,742,023.04 | 207,742,023.04 | - | - | - | - |
| Treasury bills | 7 | 572,375,111.49 | 10,537,912.38 | 76,048,911.69 | 20,463,211.00 | 465,325,076.43 | - |
| Deposit accounts with non-resident banks | 8 | 195,049,006.93 | 40,034,555.56 | 25,004,220.83 | 130,010,230.55 | - | - |
| In accounts related with IMF | 9 | 275,560,613.30 | 195,980,863.30 | 9,777,000.00 | 13,602,750.00 | 56,200,000.00 | - |
| | | 1,405,526,898.68 | 609,095,498.19 | 110,830,132.53 | 164,076,191.54 | 521,525,076.42 | - |
| Liabilities | | | | | | | |
| Due to domestic banks | 13 | (296,398,919.68) | (296,398,919.68) | - | - | - | - |
| Due to accounts related to IMF | 14 | (275,560,613.30) | (195,980,863.30) | (9,777,000.00) | (13,602,750.00) | (56,200,000.00) | - |
| Due to local governmental institutions | 15 | (718,434,919.83) | (718,434,919.83) | - | - | - | - |
| Due to public and commercial entities | 16 | (58,867,305.74) | (58,867,305.74) | - | - | - | - |
| Borrowing's | 17 | (2,133,133.87) | - | - | - | (319,970.08) | (1,813,163.79) |
| Other domestic liabilities | 18 | (2,039,252.12) | (2,039,252.12) | - | - | - | - |
| | | (1,353,434,144.54) | (1,271,721,260.67) | (9,777,000.00) | (13,602,750.00) | (56,519,970.08) | (1,813,163.79) |
| | | 52,092,754.14 | (662,625,762.48) | 101,053,132.53 | 150,473,441.54 | 465,005,106.34 | (1,813,163.79) |

5. Cash on hand

| | 30 June 2017 | 31 December 2016 |
|--------------|-----------------------|-------------------------|
| Cash on hand | 196,160,278.14 | 154,800,143.92 |
| Total | 196,160,278.14 | 154,800,143.92 |

It noted considerable growth of an equity June 30, 2017. This stems from the impossibility of placing (term deposit) of funds in the financial markets as a result of very low rates and negative. So it was decided that more funds are held as cash on the left you negative rates that banks correspondent upload us over certain limits.

6. Current accounts with non-resident banks

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

| | 30 June 2017 | 31 December 2016 |
|-----------------------------------|-----------------------|-------------------------|
| Deutsche Bundesbank | 55,830,072.31 | 10.73 |
| Raiffeisen Zentralbank | 29,898,743.18 | 29,420,956.42 |
| Deutsche Bank London AG | 149,999,935.79 | 97,408,364.91 |
| Nostro Acc. Commerzbank AG | 49,999,834.00 | 79,912,698.48 |
| Nostro Acc. Bayerische Landesbank | 108,056,537.43 | 999,992.50 |
| Total | 393,785,122.71 | 207,742,023.04 |

The current account position compared to December 31, 2016 has increased, the change being the normal course of the activity of these accounts and the asset portfolio management (i.e. notes 6, 7 and 8 that are closely related to each other referred to asset management). Deposit growth has also contributed to the growth of the items in this group (note).

7. Securities (Treasury Bills and Bonds)

The two categories that fall within the group under note 7 are debt securities, they have geographical distribution according to the list below (in the table by country). Treasury bills shown on table according to type have a maturity of up to one year. While bonds mature for up to five years. All are in Euro and have effective interest rates moving from 0.008% to 2.696% in 2017 (in 2016: 0.008% to 2.696% per annum).

Securities according to geographic distribution and type (continued):

| Disclosure by countries: | | |
|---------------------------------|-----------------------|-------------------------|
| | 30 June 2017 | 31 December 2016 |
| Netherlands | - | 50,247,618.30 |
| Italy | 364,197,464.50 | 368,853,286.47 |
| Sloveni | 22,821,620.64 | 23,541,537.04 |
| EuroFima-Switzerland | 6,467,404.37 | - |
| Kosovo | 182,060,691.69 | 129,732,669.69 |
| Total | 575,547,181.19 | 572,375,111.49 |

According to type:

| | 30 June 2017 | 31 December 2016 |
|----------------|-----------------------|-------------------------|
| Treasury Bills | 30,442,516.00 | 40,452,267.84 |
| Bonds | 545,104,665.19 | 531,922,843.65 |
| Total | 575,547,181.19 | 572,375,111.49 |

To this group there was a higher position compare to the period ended December 31, 2016 which is the normal flow of portfolio management, mainly based on the optimal rate of return.

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 second quarter of 2017 average is around 0.0496% (min. 0.005% and max. 1.25%), whereas in 2016: min. 0.005% to 0.10% with an average of 0.033%). These placements mainly contracted maturity up to one year. Analytics by banks is disclosed in the table as bellow:

| Money market placements | 30 June 2017 | 31 December 2016 |
|--------------------------------|-----------------------|-------------------------|
| Raiffeisen Zentralbank | 199,255,442.39 | 195,049,006.93 |
| Total | 199,255,442.39 | 195,049,006.93 |

Just as it is easy to see if we compare 31 December 2016 and 30 June 2017 it can be seen that there is a slight increase in the position (i.e. item) in the group under note 8. Of these, on June 30, 2017 about 9.2 million are timely in USD (while on 31 December 2016 there were no active time deposits in other currencies).

9. Assets related to IMF

| | 30 June 2017 | 31 December 2016 |
|------------------------|-----------------------|-------------------------|
| IMF Quota | 100,644,563.85 | 105,342,765.72 |
| SDR holdings | 69,394,105.10 | 56,000,536.92 |
| Accrued Interest | 256,311.76 | 257,417.44 |
| Use of IMF funds (SBA) | 181,553,472.01 | 113,959,893.22 |
| Total | 351,848,452.72 | 275,560,613.30 |

Above items arise from Kosovo membership in IMF. Second item represents the value of the mandatory quota (86,000,000 SDR form February 2016, where at the beginning has been 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 0.051% on average for the reporting period.

Item use of IMF funds, represents use of IMF funds according the agreement for use of credit line by Kosovo Government (SBA). Changes are derived mainly from new disbursement and payments for all active SBA 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 2016 | Total Depreciation/ Amortization for period 30 Jun 2017 | Total Depreciation/ Amortization accumulated till 30 Jun 2017 | Net Value as 30 Jun 2017 |
|--------------------------------------|----------------------|--|---|---|-----------------------------|
| Property, plant and equipment | 9,134,546.81 | 3,833,014.05 | 302,972.76 | 4,135,986.81 | 4,998,560.00 |
| Equipment's, offices and other | 2,108,195.46 | 1,577,957.31 | 73,536.50 | 1,651,493.81 | 456,701.65 |
| Vehicles | 320,149.16 | 232,674.06 | 14,479.86 | 247,153.92 | 72,995.24 |
| Premises | 2,419,936.02 | 790,313.72 | 60,498.42 | 850,812.14 | 1,569,123.88 |
| Computer hardware | 2,129,162.18 | 1,232,068.96 | 154,457.98 | 1,386,526.94 | 742,635.24 |
| Work in process | 2,157,103.99 | - | - | - | 2,157,103.99 |
| Intangible assets | 3,770,467.98 | 1,445,606.51 | 181,955.81 | 1,627,562.32 | 2,142,905.66 |
| Intangible assets | 3,731,527.98 | 1,445,606.51 | 181,955.81 | 1,627,562.32 | 2,103,965.66 |
| Intangible assets– work in process | 38,940.00 | - | - | - | 38,940.00 |
| Total | 12,905,014.79 | 5,278,620.56 | 484,928.57 | 5,763,549.13 | 7,141,465.66 |

12. Other assets

Other assets are as below:

| | 30 June 2017 | 31 December 2016 |
|--------------------------|---------------------|-------------------------|
| Accrued income | 1,027,353.92 | 1,059,096.54 |
| Prepayment | 224,314.97 | 87,543.30 |
| Payment in process (SNP) | (500.00) | - |
| Total | 1,251,168.89 | 1,146,639.84 |

13. Due to domestic banks

| | 30 June 2017 | 31 December 2016 |
|---------------------------------------|-----------------------|-------------------------|
| ProCredit Bank - Kosovë | 47,944,239.72 | 44,918,207.43 |
| Raiffeisen Bank - Kosovë | 60,085,383.07 | 69,643,798.37 |
| NLB Prishtina | 35,808,262.69 | 41,858,837.37 |
| Komercijalna Banka - Dega Mitrovicë | 5,363,367.63 | 5,193,347.27 |
| Banka Ekonomike e Prishtinës | 34,180,114.27 | 36,867,456.44 |
| Banka për Biznes | 30,026,091.78 | 27,247,759.60 |
| Banka Kombëtare Tregtare e Shqipërisë | 18,889,250.11 | 26,045,562.14 |
| Turk Ekonomi Bankasi Sh.A | 36,167,072.29 | 31,987,685.65 |
| Turkiye Is Bankasi A.S. | 12,238,712.22 | 11,355,178.03 |
| T.C. Zirat Bankasi A.S.Dega Kosove | 1,150,228.05 | 1,105,548.65 |
| Banka Kreditore e Prishtinës | 24,872.60 | 175,538.73 |
| Total | 281,877,594.43 | 296,398,919.68 |

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 June 30, 2016 above disclosed is around 2.1 times higher the required amount.

14. Due to accounts related to IMF

| | 30 June 2017 | 31 December 2016 |
|----------------------------|-----------------------|-------------------------|
| Current account FMN No. 1 | 251,611.41 | 263,356.91 |
| Expenses account FMN No. 2 | 6,092.29 | 6,376.68 |
| IMF securities account | 257,498,080.94 | 193,449,682.23 |
| Part paid of IMF quota | 17,626,897.44 | 18,414,943.37 |
| IMF SDR allocated by IMF | 67,464,040.89 | 70,613,338.49 |
| Accrued Interest | 254,524.70 | 261,730.73 |
| Total | 343,101,247.67 | 283,009,428.41 |

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.

The paid quota is held in SDR (SDR 14,160,000), which in the table above is expressed in euro.

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 2017 | 31 December 2016 |
|--|-----------------------|-----------------------|
| Treasury – Ministry of Economy and Finance | 362,715,531.63 | 257,393,116.03 |
| Privatization Agency of Kosovo | 466,131,348.66 | 460,961,350.11 |
| Interim Administrative Institutions | 100,008.71 | 80,453.69 |
| Total | 828,946,889.00 | 718,434,919.83 |

Deposits on current accounts benefit interest of 0.00% (both for the reporting period and the comparative period). There are no active term deposits in the reporting period, as well as for 2016 and 31 December 2016 there were no term deposits. Change is the flow of the operational activity of the institutions that make up the group.

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 2017 | 31 December 2016 |
|-------------------------|-----------------------|----------------------|
| Insurance Companies | 4,947,890.01 | 4,651,685.93 |
| Public Institutions | 209,175,470.33 | 54,213,821.98 |
| Pension Funds and other | 1,785.83 | 1,797.83 |
| Total | 214,125,146.17 | 58,867,305.74 |

Mainly increase compared to 2016 is attributable to the account of Kosovo Pension Saving Trust which accumulates funds in accordance with regulations of the fund and safe custody account of Korporata Energjetike e Kosovës (KEK). In both accounts change derive from normal operating activity.

17. Borrowing's

| | 30 June 2017 | 31 December 2016 |
|-----------------------------|---------------------|-------------------------|
| Borrowing's from World Bank | 2,266,259.07 | 2,133,133.87 |
| Total | 2,266,259.07 | 2,133,133.87 |

We have two projects that have been financed by the World Bank through the loan: the project for the Business Continuity and the project for the real-time payments system (RTGS). The Real Time Payment System Project is in operation since July 2016, while the Business Continuity has been inaugurated at the end of 2016.

18. Other liabilities

| | 30 June 2017 | 31 December 2016 |
|-------------------------------|---------------------|-------------------------|
| Escrow account | 756,036.51 | 756,036.51 |
| Deferred income | 643,746.82 | 695,741.19 |
| Payables and Accrued expenses | 313,948.87 | 587,474.42 |
| | - | - |
| Total | 1,713,732.20 | 2,039,252.12 |

Within the group is a slight reduction in the total balance of the group compared with 31 December 2016. Mainly influenced by the reduction of accounts payable balance to June 30, 2017, compared to 31 December 2016.

19,20 Regulatory capital and reserves**Capital and general reserve**

| | 30 June 2017 | 31 December 2016 |
|---------------------------|----------------------|-------------------------|
| Authorized capital | 30,000,000.00 | 30,000,000.00 |
| Reserve fund | 22,682,588.69 | 21,022,583.81 |
| Net result for the period | 275,654.47 | 1,660,004.88 |
| Total | 52,958,243.16 | 52,682,588.69 |

The positive financial result is influenced by three dominant factors:

- i) net interest income realized on expectations over them,
- ii) satisfactory level of benefits from tariffs in services and regulatory activity, and
- iii) keeping at operational planning level.

21. Net interest income

| | 30 June 2017 | 30 June 2016 |
|--|---------------------|---------------------|
| Interest Income | | |
| From placements | 46,650.37 | 435,703.42 |
| From securities | 492,545.02 | 421,902.85 |
| From deposit current accounts | 132,712.23 | 14,813.33 |
| From negative rates on deposits ¹ | 259,080.31 | - |
| | 930,987.93 | 872,419.60 |
| Interest expense | | |
| From current accounts | 151,440.00 | 20,071.34 |
| From correspondent banks | 197,757.72 | - |
| From fix term deposits | - | - |
| From Borrowing | 5,092.02 | 1,993.53 |
| | 354,289.74 | 22,064.87 |
| Net interest income | 576,698.19 | 850,354.73 |

As you can be seen from the table under note 21, revenues from interest rates are higher compared with the same period of last year. But net interest revenues are lower.

Average interest rates on net interest revenues (taking into consideration only committed portfolio) brought in about 0.149% (in the same period of 2016 0.149%).

22. Net fee and commission income

| | 30 June 2017 | 30 June 2016 |
|--|---------------------|---------------------|
| Net fee and commission income | | |
| From cash deposits | 289,638.94 | 182,050.40 |
| From incoming transfer | 33,504.58 | 31,666.23 |
| From outgoing transfers | 136,342.60 | 156,139.21 |
| From domestic transfers (Domestic payment system)) | 454,468.78 | 418,482.71 |
| From credit registry system | 67,308.80 | 65,843.10 |
| Other fees | 15,746.00 | 17,622.70 |
| | 997,009.70 | 871,804.35 |
| Fee and commission expense | | |
| From cash transportation | 118,738.31 | 141,318.42 |
| From correspondent bank transactions | 4,754.23 | 5,854.37 |
| From payment services (IPS) | - | - |
| | 123,492.54 | 147,172.79 |
| Net fee and commission position | 873,517.16 | 724,631.56 |

An increase compared to September 30, 2015, it derived from increased volume of activities, especially for the first item.

¹ Referring to the negative rates that are being followed by the financial markets of the euro currency, based also on ECB reference rates, the CBK has set negative rates on some of its depositors since September 2016.

23. Incomes from regulatory activity

| | 30 June 2017 | 30 June 2016 |
|---|---------------------|---------------------|
| Banks licenses renewal fees | 1,245,423.09 | 1,180,868.54 |
| Bank licenses fees | 3,500.00 | 12,100.00 |
| Insurance Companies licenses renewal fees | 528,479.26 | 522,411.04 |
| Insurance Companies licenses fees | 69,450.00 | 119,300.00 |
| Pension funds renewal fees | 12,358.95 | 10,713.82 |
| Other financial institution fees | 92,883.24 | 77,497.72 |
| Total | 1,952,094.54 | 1,922,891.12 |

The change as a rise is mainly based on the growth of the base (volume of activity) compared with the same period 2016.

24. Grant revenue

| | 30 June 2017 | 30 June 2016 |
|---------------|---------------------|---------------------|
| Grant revenue | 50,856.97 | 33,309.68 |

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*. The effect on revenue from these two grants is disclosed within this note.

25. Other operational incomes

| | 30 June 2017 | 30 June 2016 |
|--------------|---------------------|---------------------|
| Other income | 1,468.41 | 3,169.60 |

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

26. Personnel expenses

| | 30 June 2017 | 30 June 2016 |
|--------------------------------------|---------------------|---------------------|
| Wages and salary expenses | 1,554,441.74 | 1,356,157.45 |
| Social security and health insurance | 338,008.01 | 310,346.71 |
| Staff training costs | 26,914.83 | 37,204.75 |
| Board expenses | 41,308.44 | 47,887.67 |
| Daily meal | 64,975.50 | 65,727.00 |
| Other | 13,294.90 | 13,307.72 |
| Total | 2,038,943.42 | 1,830,631.30 |

During the first half of 2017, there were no changes in the total number of staff in addition to the same period of 2016. Total number of employees who were active on the payroll during January-June 2017 is 217 (217 in January-June 2016).

In the other category, the staff costs include additional pension compensation (2017, 7,197.78 euro; 2016, 7,197.78 euro), fees for the internship program for students (2017, 400.00 euro; 2016, 230.00 euro) and financial support for housing (2017, 5,697.12 euro; 2016, 5,879.94 euro). Additional Pension Compensation is a result of earlier decisions, from which some former employees are compensated directly by the CBK, and was unable to transfer this liability to them in the pension funds when the CBK has transferred the management of the additional Pension Fund.

27. General and administrative expenses

| | 30 June 2017 | 30 June 2016 |
|---|---------------------|---------------------|
| Insurance expenses | 120,099.76 | 90,534.49 |
| Repairs and maintenance | 20,551.93 | 20,227.08 |
| Application maintenance | 128,635.43 | 134,043.19 |
| Communication expenses (telephone, fax, and internet) | 11,469.67 | 8,861.49 |
| Public utility expenses | 53,920.50 | 39,986.60 |
| Consulting and auditing expenses | 2,260.20 | - |
| Security (guard and transportation) | 21,580.00 | 21,760.00 |
| Travel and transportation | 69,001.41 | 71,107.44 |
| Vehicle operating expenses | 7,216.78 | 11,159.18 |
| Consumable administrative material | 4,748.82 | 8,651.33 |
| Cafeteria expenses | 17,476.64 | 16,183.77 |
| Consumable expenses (IT and non-IT equipment supply) | 10,463.47 | 9,925.03 |
| Publishing and literature | 4,441.42 | 5,024.57 |
| Representation expenses | 17,360.39 | 79,725.63 |
| Membership to professional institutions | 17,809.46 | 11,433.87 |
| Other | 14,700.29 | 14,260.94 |
| Total | 521,736.17 | 542,884.61 |

The change is mainly by the functionalization of the Center for Business Continuity in Prizren and any activity that did not have the same periodicity in comparative periods.

28. Net result of changes in exchange rates

| | 30 June 2017 | 30 June 2016 |
|---|---------------------|---------------------|
| Net unrealized profit/loss from exchange rate | (141,072.64) | 50,594.77 |

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

29. Cash and cash equivalents

| | Note | 30 June 2017 | 31 December 2016 |
|---|-------------|-----------------------|-------------------------|
| Cash in hand | 5 | 196,160,278.14 | 154,800,143.92 |
| Cash accounts with non-resident banks | 6 | 393,785,122.71 | 207,742,023.04 |
| Treasury bill with maturity up to three months | | - | 9,405,964.75 |
| Placements with non-resident banks with maturity up to three months | | 9,224,920.19 | - |
| Total | | 599,170,321.04 | 371,948,131.71 |

30. Commitment and contingencies**Membership in the World Bank**

After the accession of the Republic of Kosovo in the World Bank and its sub-agencies Kosovo Government has issued notes payable (upon request), pledging that it will pay at the request of the World Bank (her sub-agencies) for the membership fee. The value of their June 30, 2017 is approximately 645.152 euros (December 31, 2016, this liability was expected 645.152 euro), CBK acts as financial intermediary (bank guarantee) and funds held in safe-custody account.