



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 2017/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the first 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 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, 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

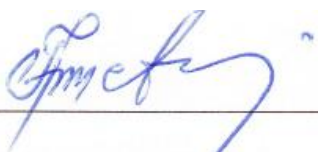
| | Note | 31 March 2017 | 31 December 2016 |
|--|------|-------------------------|-------------------------|
| Assets | | | |
| Cash on hand | 5 | 210,082,152.81 | 154,800,143.92 |
| Current accounts with non-resident banks | 6 | 212,635,429.95 | 207,742,023.04 |
| Securities | 7 | 588,499,493.87 | 572,375,111.49 |
| Placements in money market | 8 | 215,026,254.16 | 195,049,006.93 |
| In accounts related with IMF | 9 | 361,002,335.12 | 275,560,613.30 |
| Properties and equipment's | 10 | 4,597,001.65 | 4,483,418.51 |
| Intangible assets | 11 | 2,195,200.15 | 2,271,391.31 |
| Other assets | 12 | 1,342,281.31 | 1,283,839.84 |
| Total assets | | 1,595,380,149.02 | 1,413,565,548.34 |
| Liabilities | | | |
| Due to domestic commercial banks | 13 | 302,281,783.50 | 296,398,919.68 |
| Due to IMF related accounts | 14 | 369,088,223.21 | 283,009,428.41 |
| Due to Governmental Institutions | 15 | 814,144,268.79 | 718,434,919.83 |
| Due to public and commercial entities | 16 | 52,945,361.28 | 58,867,305.74 |
| Borrowing | 17 | 2,266,259.07 | 2,133,133.87 |
| Other domestic liabilities | 18 | 1,721,292.68 | 2,039,252.12 |
| Total liabilities | | 1,542,447,188.53 | 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 | | 250,371.80 | 1,660,004.88 |
| Total capital and reserve | | 52,932,960.49 | 52,682,588.69 |
| Total liability capital and reserve | | 1,595,380,149.02 | 1,413,565,548.34 |

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 27 May 2017 and signed on its behalf by:



Bedri Hamza
Governor



Faton Ahmetaj
Director of Financial Planning
and Reporting

Statement of comprehensive income

| | Note | 31 March 2017 | 31 March 2016 |
|--|-------|-----------------------|-----------------------|
| Net interest income | | | |
| Interest income | | 447,618.47 | 397,487.08 |
| Interest expense | | (135,265.34) | (10,568.00) |
| Net interest income | 21 | 312,353.13 | 386,919.08 |
| Fee and commission income | | | |
| Fee and commission income | | 454,566.49 | 427,606.03 |
| Fee and commission expenses | | (38,802.91) | (96,686.40) |
| Net fee and commission income | 22 | 415,763.58 | 330,919.63 |
| Other operating Income | | | |
| Income from regulatory activity | 23 | 932,400.00 | 849,050.00 |
| Grant revenues | 24 | 25,428.47 | 16,654.83 |
| Other operating Income | 25 | - | 1,969.40 |
| Total Operating Income | | 1,685,945.18 | 1,585,512.94 |
| Administrative (operative) expenses | | | |
| Personnel expenses | 26 | (1,018,552.40) | (893,024.10) |
| Depreciation and amortization | 10,11 | (240,960.84) | (157,409.18) |
| General and administrative expenses | 27 | (228,360.81) | (212,026.30) |
| Total administrative (operative) expenses | | (1,487,874.05) | (1,262,459.58) |
| Net result without exchange rate effect | | 198,071.13 | 323,053.36 |
| Net gain/loss on exchange rate | 28 | 52,300.67 | 984,790.36 |
| Net result of the period | | 250,371.80 | 1,307,843.72 |

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 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 | 51,022,583.81 |
| <i>Balance at 01 January 2017</i> | 30,000,000.00 | 21,022,583.81 | 1,660,004.88 | 51,022,583.81 |
| <i>Profit for the period</i> | - | - | 250,371.80 | 250,371.80 |
| <i>Transfer to reserve fund</i> | - | 1,660,004.88 | (1,660,004.88) | - |
| <i>Transfer to statutory fund</i> | - | - | - | - |
| <i>Balance at 31 March 2017</i> | 30,000,000.00 | 22,682,588.69 | 250,371.80 | 52,932,960.49 |

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 | 1-5 years | Over 5 years |
|--|------|---------------------------|---------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| 30 September 2017 | | | | | | | |
| Assets | | | | | | | |
| Cash on hand | 5 | 210,082,152.81 | 210,082,152.81 | - | - | - | - |
| Current accounts with non-resident banks | 6 | 212,635,429.95 | 212,635,429.95 | - | - | - | - |
| Treasury bills | 7 | 588,499,493.87 | 85,118,451.15 | 12,538,298.35 | 124,398,606.85 | 366,444,137.51 | - |
| Deposit accounts with non-resident banks | 8 | 215,026,254.16 | 25,006,095.83 | 80,014,175.00 | 110,005,983.32 | - | - |
| In accounts related with IMF | 9 | 361,002,335.12 | 211,999,585.12 | 9,245,625.00 | 4,357,125.00 | 135,400,000 | - |
| | | 1,587,245,665.91 | 744,841,714.87 | 101,798,098.35 | 238,761,715.17 | 501,844,137.51 | - |
| Liabilities | | | | | | | |
| Due to domestic banks | 13 | (302,281,783.50) | (302,281,783.50) | - | - | - | - |
| Due to accounts related to IMF | 14 | (369,088,223.21) | (220,085,473.21) | (9,245,625.00) | (4,357,125.00) | (135,400,000.00) | - |
| Due to local governmental institutions | 15 | (814,144,268.79) | (814,144,268.79) | - | - | - | - |
| Due to public and commercial entities | 16 | (52,945,361.28) | (52,945,361.28) | - | - | - | - |
| Borrowing's | 17 | (2,266,259.07) | - | - | - | (339,938.86) | (1,926,320.21) |
| Other domestic liabilities | 18 | (1,721,292.68) | (1,721,292.68) | - | - | - | - |
| | | (1,542,447,188.53) | (1,391,178,179.46) | (9,245,625.00) | (4,357,125.00) | (135,739,938.86) | (1,926,320.21) |
| | | 44,798,477.38 | (646,336,464.59) | 92,552,473.35 | 234,404,590.17 | 366,104,198.65 | (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

| | 31 March 2017 | 31 December 2016 |
|--------------|-----------------------|-------------------------|
| Cash on hand | 210,082,152.81 | 154,800,143.92 |
| Total | 210,082,152.81 | 154,800,143.92 |

The increase of the balance on March 31, 2017 is observed as compared to 31 December 2016. This is due to the impossibility of placing funds on the financial markets due to very low and negative rates. As of this, it is estimated to keep more money in cash to escape the negative rates that our correspondent banks charge over certain limits.

6. Current accounts with non-resident banks

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

| | 31 March 2017 | 31 December 2016 |
|-----------------------------------|-------------------------|-------------------------|
| Deutsche Bundesbank | 83.70 | 10.73 |
| Raiffeisen Zentralbank | 29,499,996.63 | 29,420,956.42 |
| Deutsche Bank London AG | 98,576,222.34 | 97,408,364.91 |
| Nostro Acc. Commerzbank AG | 83,559,152.78 | 79,912,698.48 |
| Nostro Acc. Bayerische Landesbank | 999,974.50 | 999,992.50 |
| Total | 212,635,429.95 € | 207,742,023.04 |

The current account position compared to December 31, 2016 has not changed much, and the change is the normal course of the activity of these accounts and the management of the asset portfolio (i.e. notes 6, 7 and 8 that are closely related to one another referred to by aspect of 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 disclosed below, have maturities till 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 2.696% annually in 2017 (2016: 0.008% to 2.696% annual).

Securities (continued)**Disclosure by countries:**

| | 31 March 2017 | 31 December 2016 |
|--------------|-----------------------|-------------------------|
| Netherlands | 50,249,679.39 | 50,247,618.30 |
| Italy | 365,367,718.83 | 368,853,287.55 |
| Slovenia | 23,112,752.27 | 23,541,537.04 |
| Kosovo | 149,769,344.21 | 129,732,669.69 |
| Total | 588,499,494.87 | 572,375,112.57 |

According to type:

| | 31 March 2017 | 31 December 2016 |
|----------------|-----------------------|-------------------------|
| Treasury Bills | 45,360,538.58 | 40,452,267.84 |
| Bonds | 543,138,955.29 | 531,922,844.73 |
| Total | 588,499,493.87 | 572,375,112.57 |

To this group there is a small higher value 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 first quarter of 2017 average is around 0.033% (min. 0.005% and max. 0.10%), 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 | 31 March 2017 | 31 December 2016 |
|--------------------------------|-----------------------|-------------------------|
| Raiffeisen Zentralbank | 215,026,254.16 | 195,049,006.93 |
| Total | 215,026,254.16 | 195,049,006.93 |

If we compare to December 31, 2016 it is very easily seen that we have higher position at the reporting period March 31, 2017, under this note.

9. Assets related to IMF

| | 31 March 2017 | 31 December 2016 |
|------------------------|-----------------------|-------------------------|
| IMF Quota | 104,618,541.29 | 105,342,765.72 |
| SDR holdings | 54,945,106.93 | 56,000,536.92 |
| Accrued Interest | 333,289.40 | 257,417.44 |
| Use of IMF funds (SBA) | 201,105,397.50 | 113,959,893.22 |
| Total | 361,002,335.12 | 275,560,613.30 |

Above items arise from Kosovo membership in IMF. Second item represents the value of the mandatory quota (82,600,000 SDR, where at the beginning it was 59,000,000 SDR) set to Kosovo by IMF and express in Euro in table under note 9. 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 0.31% 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 March,31 2017 | Total Depreciation/ Amortization accumulated till March ,31 2017 | Net Value as March 31 2017 |
|--|----------------------|--|--|---|-------------------------------|
| Property, plant and equipment | 8,580,255.22 | 3,833,012.00 | 150,240.88 | 3,983,253.57 | 4,597,001.65 |
| Equipment's, offices and other | 2,087,309.51 | 1,577,957.31 | 35,422.44 | 1,613,379.75 | 473,929.76 |
| Vehicles | 320,149.16 | 232,674.06 | 7,239.93 | 239,913.99 | 80,235.17 |
| Premises | 2,419,936.02 | 790,313.72 | 30,249.21 | 820,562.93 | 1,599,373.09 |
| Computer hardware | 2,065,635.33 | 1,232,066.91 | 77,329.30 | 1,309,396.90 | 756,238.43 |
| Work in process | 1,687,225.20 | | - | | 1,687,225.20 |
| Intangible assets | 3,731,527.98 | 1,445,608.56 | 90,720.09 | 1,536,327.83 | 2,195,200.15 |
| Intangible assets | 3,731,527.98 | 1,445,608.56 | 90,720.09 | 1,536,327.83 | 2,195,200.15 |
| Intangible assets– work in process | - | - | - | - | - |
| Total ;Tangible and Intangible Assets | 12,311,783.20 | 5,278,620.56 | 240,960.97 | 5,519,581.40 | 6,792,201.80 |

12. Other assets

Other assets are as below:

| | 31 March 2017 | 31 December 2016 |
|----------------|----------------------|-------------------------|
| Accrued income | 1,000,340.63 | 1,059,096.54 |
| Prepayment | 341,940.68 | 87,543.30 |
| Total | 1,342,281.31 | 1,146,639.84 |

13. Due to domestic banks

| | 31 March 2017 | 31 December 2016 |
|-------------------------------------|-----------------------|-------------------------|
| ProCredit Bank - Kosovë | 61,934,796.60 | 44,918,207.43 |
| Raiffeisen Bank - Kosovë | 67,635,255.21 | 69,643,798.37 |
| NLB Prishtina | 43,688,205.05 | 41,858,837.37 |
| Komercijalna Banka - Dega Mitrovicë | 5,256,585.45 | 5,193,347.27 |
| Banka Ekonomike e Prishtinës | 33,703,287.49 | 36,867,456.44 |
| Banka për Biznes | 14,946,718.82 | 27,247,759.60 |
| Banka Kombëtare Tregtare | 24,354,014.21 | 26,045,562.14 |
| Turk Ekonomi Bankasi Sh.A | 34,155,405.44 | 31,987,685.65 |
| Turkiye Is Bankasi A.S. | 14,632,032.62 | 11,355,178.03 |
| T.C. Zirat Bankasi A.S.Dega Kosove | 1,913,055.82 | 1,105,548.65 |
| Banka Kreditore e Prishtinës | 62,426.79 | 175,538.73 |
| Total | 302,281,783.50 | 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 March 31, 2017 above disclosed is around 2.32 times higher the required amount.

14. Due to accounts related to IMF

| | 31 March 2017 | 31 December 2016 |
|----------------------------|-----------------------|-------------------------|
| Current account FMN No. 1 | 261,546.35 | 263,356.91 |
| Expenses account FMN No. 2 | 6,332.84 | 6,376.68 |
| IMF securities account | 280,048,699.56 | 193,449,682.23 |
| Part paid of IMF quota | 18,302,213.32 | 18,414,943.37 |
| IMF SDR allocated by IMF | 70,127,876.53 | 70,613,338.49 |
| Accrued Interest | 341,554.61 | 261,730.73 |
| Total | 369,088,223.21 | 283,009,428.41 |

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

The first three items represent opened accounts according to IMF regulation: two operational accounts and one custody account 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 | 31 March 2017 | 31 December 2016 |
|--|-----------------------|-------------------------|
| Treasury – Ministry of Economy and Finance | 354,931,901.27 | 257,393,116.03 |
| Privatization Agency of Kosovo | 459,156,584.79 | 460,961,350.11 |
| Interim Administrative Institutions | 55,782.73 | 80,453.69 |
| Total | 814,144,268.79 | 718,434,919.83 |

Deposits on those 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 compose 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:

| | 31 March 2017 | 31 December 2016 |
|-------------------------|----------------------|-------------------------|
| Insurance Companies | 4,971,567.95 | 4,651,685.93 |
| Public Institutions | 47,972,001.50 | 54,213,821.98 |
| Pension Funds and other | 1,791.83 | 1,797.83 |
| Total | 52,945,361.28 | 58,867,305.74 |

We have a slight reduction compared to 2016, attributable to the account of Kosovo Credit Trust Fund (KFK) and the Kosovo Pension Savings Trust account. It should also be noted here that the change derives from the operational activity of the institutions / accounts composing the group.

17. Borrowing's

| | 31 March 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 center 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 center has been inaugurated at the end of 2016.

18. Other liabilities

| | 31 March 2017 | 31 December 2016 |
|-------------------------------|----------------------|-------------------------|
| Escrow account | 756,036.51 | 756,036.51 |
| Deferred income | 670,274.91 | 695,741.19 |
| Payables and Accrued expenses | 294,981.26 | 587,474.42 |
| | - | - |
| Total | 1,721,292.68 | 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 March, 31 2017, compared to 31 December 2016.

19, 20 Regulatory capital and reserves

Capital and general reserves

| | 31 March 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 | 250,371.80 | 1,660,004.88 |
| Total | 52,932,960.49 | 52,682,588.69 |

The positive financial result is influenced by three dominant factors:

- i) higher revenues of interest,
- ii) satisfactory level from tariffs in services and regulatory activity, and

21. Net interest income

| | 31 March 2017 | 31 March 2016 |
|----------------------------------|----------------------|----------------------|
| Interest Income | | |
| From placements | 17,969.45 | 214,035.27 |
| From securities | 241,858.75 | 176,164.80 |
| From deposit current accounts | 47,762.89 | 7,287.01 |
| From negative rates on deposits* | 140,027.38 | - |
| | 447,618.47 | 397,487.08 |
| Interest expense | | |
| From current accounts | 65,773.45 | 10,567.95 |
| From correspondent banks | 69,491.89 | - |
| From fix term deposits | - | - |
| From Borrowing | 5,092.02 | 1,993.53 |
| | 135,265.34 | 10,568.00 |
| Net interest income | 312,353.13 | 386,919.08 |

As you can be seen from the table under note 21, revenues from interest rates are about 13% 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 0.223% (in the same period of 2016, 0.170%). If we consider the total portfolio have average rate of 0.155% of the realized net interest.

*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.

22. Net fee and commission income

| | 31 March 2017 | 31 March 2016 |
|--|----------------------|----------------------|
| Net fee and commission income | | |
| From cash deposits | 139,499.43 | 90,946.74 |
| From incoming transfer | 9,257.00 | 12,059.71 |
| From outgoing transfers | 63,585.04 | 74,484.21 |
| From domestic transfers (Domestic payment system)) | 199,813.32 | 208,654.37 |
| From credit registry system | 34,263.70 | 32,532.00 |
| Other fees | 8,148.00 | 8,929.00 |
| | 454,566.49 | 427,606.03 |
| Fee and commission expense | | |
| From cash transportation | 37,000.00 | 79,903.37 |
| From correspondent bank transactions | 1,802.91 | 2,786.48 |
| From payment services (IPS) | - | 13,996.55 |
| | 38,802.91 | 96,686.40 |
| Net fee and commission position | 415,763.58 | 330,919.63 |

We have an Increase compared to March 31, 2016, due to the volume growth, especially from the first item of the group.

23. Incomes from regulatory activity

| | 31 March 2017 | 31 March 2016 |
|---|----------------------|----------------------|
| Banks licenses renewal fees | 590,000.00 | 509,000.00 |
| Bank licenses fees | 1,000.00 | 5,900.00 |
| Insurance Companies licenses renewal fees | 254,000.00 | 240,000.00 |
| Insurance Companies licenses fees | 27,950.00 | 42,550.00 |
| Pension funds renewal fees | 6,000.00 | 5,000.00 |
| Other financial institution fees | 51,650.00 | 46,600.00 |
| Total | 930,600.00 | 849,050.00 |

The change rises mainly as per growth of the base (i.e. volume of activity) compared with the same period 2016.

24. Grant revenue

| | 31 March 2017 | 31 March 2016 |
|---------------|----------------------|----------------------|
| Grant revenue | 25,428.47 | 16,654.83 |

Three 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 application as whole was granted to us) and partial financing from grant for the application of *credit registry*. The effect on revenue from these three grants is disclosed within this note.

25. Other operational incomes

| | 31 March 2017 | 31 March 2016 |
|--------------|----------------------|----------------------|
| Other income | - | 1,969.40 |

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 March 2017 | 31 March 2016 |
|--------------------------------------|--------------------------|--------------------------|
| Wages and salary expenses | 780,691.20 | 666,500.24 |
| Social security and health insurance | 170,142.81 | 154,430.25 |
| Staff training costs | 8,505.01 | 10,052.20 |
| Board expenses | 19,524.27 | 22,143.53 |
| Daily meal | 32,979.00 | 33,196.50 |
| Other | 6,710.11 | 6,701.38 |
| Total | 1,018,552.40 | 893,024.10 |

The total number of employees who were active on the payroll during January-March 2017 is 215 (215 in January-March 2016). In the other item of the staff costs include additional pension compensation (2017, 3,598.89 euro; 2016, 3,598.89 euro), fees for the internship program for students (2017, 160.00 euro; 2016, 40.00 euro) and financial support for housing (2017, 2,951.22 euro; 2016, 3,062.49).

Additional pension compensation is the result of earlier decisions, from which some former employees are directly compensated by the CBK, unable to transfer this liability to them in the pension funds at the time the CBK has transferred the management of the Pension Fund.

27. General and administrative expenses

| | 31 March 2017 | 31 March 2016 |
|---|--------------------------|--------------------------|
| Insurance expenses | 48,030.52 | 45,267.25 |
| Repairs and maintenance | 7,741.35 | 8,503.71 |
| Application maintenance | 60,974.67 | 70,155.56 |
| Communication expenses (telephone, fax, and internet) | 4,605.62 | 2,960.80 |
| Public utility expenses | 31,608.70 | 19,423.55 |
| Consulting and auditing expenses | 1,628.40 | - |
| Security (guard and transportation) | 5,580.00 | 5,580.00 |
| Travel and transportation | 25,262.49 | 19,349.38 |
| Vehicle operating expenses | 2,106.74 | 3,244.50 |
| Consumable administrative material | 1,263.13 | 5,274.04 |
| Cafeteria expenses | 7,463.19 | 7,288.22 |
| Consumable expenses (IT and non-IT equipment supply) | 2,512.69 | 1,377.77 |
| Publishing and literature | 2,492.40 | 3,097.18 |
| Representation expenses | 9,116.50 | 5,251.90 |
| Membership to professional institutions | 9,870.55 | 2,455.30 |
| Other | 8,103.86 | 12,797.14 |
| Total | 228,360.81 | 212,026.30 |

The change is mainly 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 March 2017 | 30 March 2016 |
|---|--------------------------|--------------------------|
| Net unrealized profit/loss from exchange rate | 48,030.52 | 45,267.25 |

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

29. Cash and cash equivalents

| | Note | 31 March 2017 | 31 December 2016 |
|---|------|--------------------------|-----------------------------|
| Cash in hand | 5 | 210,082,152.81 | 154,800,143.92 |
| Cash accounts with non-resident banks | 6 | 212,635,429.95 | 207,742,023.04 |
| Treasury bill with maturity up to three months | | 9,059,775.53 | 9,405,964.75 |
| Placements with non-resident banks with maturity up to three months | | - | - |
| Total | | 431,777,358.29 | 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 March 31, 2017 is approximately 645.152 euros (December 31, 2016, this liability was expected 645.152 euro), CBK acts as financial intermediary (bank of guarantee) and funds held in safe-custody account.