



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 2020/
-unaudited interim report-

Department of Financial Planning and Reporting

CBK’s Financial Statements for the third quarter 2020

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, 2020.

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

ECB – European Central Bank

USD – American Dollar

Statement of financial position

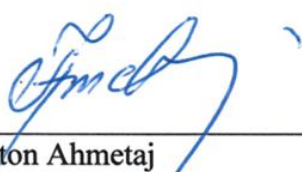
as per

| | Note | 30 September 2020 | 31 December 2019 |
|--|------|-------------------------|-------------------------|
| Assets | | | |
| Cash on hand | 5 | 274,797,205.58 | 302,165,654.19 |
| Current accounts with non-resident banks | 6 | 189,025,105.74 | 108,863,319.55 |
| Securities | 7 | 598,085,104.02 | 576,616,063.03 |
| Placements in money market | 8 | 197,998,403.48 | 248,863,945.56 |
| In accounts related with IMF | 9 | 288,884,665.46 | 298,344,638.07 |
| Properties and equipment's | 10 | 4,843,477.22 | 4,966,830.97 |
| Intangible assets | 11 | 1,764,999.68 | 1,945,259.86 |
| Other assets | 12 | 1,457,720.28 | 1,699,894.95 |
| Total assets | | 1,556,856,681.46 | 1,543,465,606.18 |
| Liabilities | | | |
| Due to domestic commercial banks | 13 | 457,502,917.27 | 414,941,602.21 |
| Due to IMF related accounts | 14 | 289,468,652.54 | 297,235,801.64 |
| Due to Governmental Institutions | 15 | 651,268,004.13 | 719,819,361.54 |
| Due to public and commercial entities | 16 | 97,902,846.40 | 52,166,681.06 |
| Borrowings | 17 | 2,266,259.07 | 2,266,259.07 |
| Other domestic liabilities | 18 | 1,405,959.95 | 1,778,735.30 |
| Total liabilities | | 1,499,814,639.36 | 1,488,208,440.82 |
| Capital and reserves | | | |
| Authorized capital | 19 | 30,000,000.00 | 30,000,000.00 |
| Reserve fund | 20 | 25,257,165.36 | 23,148,464.17 |
| Net result of the period | | 1,784,876.74 | 2,108,701.19 |
| Total capital and reserve | | 57,042,042.10 | 55,257,165.36 |
| Total liability capital and reserve | | 1,556,856,681.46 | 1,543,465,606.18 |

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

These financial statements are only a draft report for preliminary publication, as such they are in the process of approval by the Central Bank Board. These draft financial statements will be republished after approval by the CBK Board.


 Fehmi Mehmeti
 Governor


 Faton Ahmetaj
 Director of Financial Planning
 and Reporting Directorate

Statement of comprehensive income

| | Note | 30 September 2020 | 30 September 2019 |
|--|-------|-----------------------|-----------------------|
| Net interest income | | | |
| Interest income | | 2,786,969.38 | 2,539,436.43 |
| Interest expense | | (650,674.18) | (1,075,799.53) |
| Net interest income | 21 | 2,136,295.20 | 1,463,636.90 |
| Fee and commission income | | | |
| Fee and commission income | | 1,878,391.27 | 2,032,056.35 |
| Fee and commission expenses | | (248,749.77) | (367,724.39) |
| Net fee and commission income | 22 | 1,629,641.50 | 1,664,331.96 |
| Other operating Income | | | |
| Income from regulatory activity | 23 | 3,582,961.69 | 3,357,184.16 |
| Grant revenues | 24 | 94,206.93 | 86,356.87 |
| Other operating Income | 25 | 6,450.26 | 2,927.55 |
| Total Operating Income | | 7,449,555.58 | 6,574,437.44 |
| Administrative (operative) expenses | | | |
| Personnel expenses | 26 | (3,312,790.30) | (3,286,820.91) |
| Depreciation and amortization | 10,11 | (768,796.21) | (771,498.58) |
| General and administrative expenses | 27 | (849,798.48) | (911,237.20) |
| Total administrative (operative) expenses | | (4,931,384.99) | (4,969,556.69) |
| Net result without exchange rate effect | | 2,518,170.59 | 1,604,880.75 |
| Net profit/loss on exchange rate | 28 | (358,820.85) | 563,412.75 |
| Provision for expected credit losses (net increase / decrease) | | (374,473.00) | - |
| Net result of the period | | 1,784,876.74 | 2,168,293.50 |

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 | Revaluation reserves | Retained earnings | Net result | Total |
|--|----------------------|----------------------|----------------------|-----------------------|---------------------|----------------------|
| Balance at 01 January 2019 | 30,000,000.00 | 21,213,678.78 | - | 1,934,785.39 | - | 53,148,464.17 |
| Transfer to reserve fund | - | 1,407,889.59 | 526,895.80 | (1,934,785.39) | - | - |
| Total transactions required by law | - | 1,407,889.59 | 526,895.80 | (1,934,785.39) | - | - |
| Profit for the period | - | - | - | - | 2,108,701.19 | 2,108,701.19 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 2,108,701.19 | 2,108,701.19 |
| Balance at 31 December 2019 | 30,000,000.00 | 22,621,568.37 | 526,895.80 | - | 2,108,701.19 | 55,257,165.36 |
| Balance at 01 January 2020 | 30,000,000.00 | 22,621,568.37 | 526,895.80 | 2,108,701.19 | - | 55,257,165.36 |
| Transfer to reserve fund | - | - | - | - | - | - |
| Total transactions required by law | - | - | - | - | - | - |
| Profit for the period | - | - | - | - | 1,784,876.74 | 1,784,876.74 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 1,784,876.74 | 1,784,876.74 |
| Balance at 30 September 2020 | 30,000,000.00 | 22,621,568.37 | 526,895.80 | 2,108,701.19 | 1,784,876.74 | 57,042,042.10 |

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 AAA till BBB + / Aaa till Baa1).

Liquidity risk management (continued)**Carried amounts according to maturity left**

| | Note | Net carried amount | < 3 months | 3-6 months | 6-12 months | 1-5 years | more than 5 years |
|--|------|---------------------------|---------------------------|------------------------|------------------------|------------------------|-----------------------|
| 30 September 2020 | | | | | | | |
| Assets | | | | | | | |
| Cash on hand | 5 | 274,797,205.58 | 274,797,205.58 | - | - | - | - |
| Current accounts with non-resident banks | 6 | 189,025,105.74 | 189,025,105.74 | - | - | - | - |
| Treasury bills | 7 | 598,085,104.02 | 9,706,531.90 | 19,693,335.54 | 43,994,397.20 | 524,690,839.37 | - |
| Deposit accounts with non-resident banks | 8 | 197,998,403.48 | 148,168,403.48 | - | 49,830,000.00 | - | - |
| In accounts related with IMF | 9 | 288,884,665.46 | 175,498,995.46 | 16,124,960.00 | 23,804,228.00 | 73,456,482.00 | - |
| | | 1,548,790,484.28 | 797,196,242.16 | 35,818,295.54 | 117,628,625.20 | 598,147,321.37 | - |
| Liabilities | | | | | | | |
| Due to domestic banks | 13 | (457,502,917.27) | (457,502,917.27) | - | - | - | - |
| Due to accounts related to IMF | 14 | (289,468,652.54) | (176,082,982.54) | (16,124,960.00) | (23,804,228.00) | (73,456,482.00) | - |
| Due to local governmental institutions | 15 | (651,268,004.13) | (651,268,004.13) | - | - | - | - |
| Due to public and commercial entities | 16 | (97,902,846.40) | (97,902,846.40) | - | - | - | - |
| Borrowings | 17 | (2,266,259.07) | - | - | - | (1,019,816.58) | (1,246,442.49) |
| Other domestic liabilities | 18 | (1,405,959.95) | (1,405,959.95) | - | - | - | - |
| | | (1,499,814,639.36) | (1,384,162,710.29) | (16,124,960.00) | (23,804,228.00) | (74,476,298.58) | (1,246,442.49) |
| | | 48,975,844.92 | (586,966,468.13) | 19,693,335.54 | 93,824,397.20 | 523,671,022.79 | (1,246,442.49) |
| 31 December 2019 | | | | | | | |
| Assets | | | | | | | |
| Cash on hand | 5 | 302,165,654.19 | 302,165,654.19 | - | - | - | - |
| Current accounts with non-resident banks | 6 | 108,863,319.55 | 108,863,319.55 | - | - | - | - |
| Treasury bills | 7 | 576,616,063.03 | 100,349.13 | 16,351,350.90 | 15,092,118.50 | 542,405,182.97 | 2,667,061.54 |
| Deposit accounts with non-resident banks | 8 | 248,863,945.56 | 9,079,945.56 | 20,000,000.00 | 219,784,000.00 | - | - |
| In accounts related with IMF | 9 | 298,344,638.07 | 174,416,764.07 | 20,917,270.00 | 37,493,512.00 | 65,517,092.00 | - |
| | | 1,534,853,620.40 | 594,626,032.50 | 57,268,620.90 | 272,369,630.50 | 607,922,274.97 | 2,667,061.54 |
| Liabilities | | | | | | | |
| Due to domestic banks | 13 | (414,941,602.21) | (414,941,602.21) | - | - | - | - |
| Due to accounts related to IMF | 14 | (297,235,801.64) | (173,307,927.64) | (20,917,270.00) | (37,493,512.00) | (65,517,092.00) | - |
| Due to local governmental institutions | 15 | (719,819,361.54) | (719,819,361.54) | - | - | - | - |
| Due to public and commercial entities | 16 | (52,166,681.06) | (52,166,681.06) | - | - | - | - |
| Borrowings | 17 | (2,266,259.07) | - | - | - | (906,503.63) | (1,359,755.44) |
| Other domestic liabilities | 18 | (1,778,735.30) | (1,778,735.30) | - | - | - | - |
| | | (1,488,208,440.82) | (1,362,014,307.75) | (20,917,270.00) | (37,493,512.00) | (66,423,595.63) | (1,359,755.44) |
| | | 46,645,179.58 | (767,388,275.25) | 36,351,350.90 | 234,876,118.50 | 541,498,679.34 | 1,307,306.10 |

5. Cash on hand

| | 30 September 2020 | 31 December 2019 |
|--------------|--------------------------|-------------------------|
| Cash on hand | 274,797,205.58 | 302,165,654.19 |
| Total | 274,797,205.58 | 302,165,654.19 |

There is a decrease in the balance on September 30, 2020 compared to December 31, 2019. It is mainly derived from daily cash operations but which is within the scope of activity.

6. Current accounts with non-resident banks

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

| | 30 September 2020 | 31 December 2019 |
|-----------------------------------|--------------------------|-------------------------|
| Deutsche Bundesbank | 104,155,981.53 | 71,229,677.64 |
| Raiffeisen Zentralbank | 9,929,528.68 | 9,899,653.64 |
| Banque centrale du Luxembourg | 49,683,538.14 | 1,827,093.20 |
| Deutsche Bank | 24,607,747.04 | 24,169,294.02 |
| Nostro Acc. Commerzbank AG | 459,903.97 | 499,454.00 |
| Nostro Acc. Bayerische Landesbank | 9,912.76 | 989,992.72 |
| Nostro acc. with FED | 178,493.62 | 248,154.33 |
| Total | 189,025,105.74 | 108,863,319.55 |

The position of current accounts (nostro) compared to December 31, 2019 has increased, the change is as a result of the maturity of one placement in the form of deposit with the possibility of call / withdrawal (Call Deposits) in the amount of 80 million euros in Deutsche Bank. While the change in other current accounts is a result of the activity of these accounts and the management of the asset portfolio also affected by the negative rates in the financial markets (respectively notes 5, 6, 7 and 8, which are very closely related to each other referred to from the aspect of asset management). The increase in this group may have an effect on the increase of interest expenses from the negative rates that the correspondent banks (excluding the Fed - Federal Reserve account) apply to the accounts disclosed above.

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 0.019% to 3.021% in 2020 (in 2019: 0.019% to 3.021% per annum).

Securities according to geographic distribution and type (continued):**Disclosure by countries:**

| | Net carried amount 30 September 2020 | Net carried amount 31 December 2019 |
|-----------------------|---|--|
| Germany | 66,154,803.20 | 66,591,593.86 |
| France | 10,010,350.32 | 10,014,287.15 |
| The Netherland | 12,342,257.21 | 12,544,329.74 |
| Slovenia | 20,687,852.05 | 21,415,801.24 |
| Luxemburg | 88,346,971.97 | 89,232,638.17 |
| EuroFima-Switzerland | 5,823,530.50 | 5,821,687.15 |
| KommuneKredit-Denmark | 6,038,564.44 | 6,046,542.85 |
| Austria | 77,096,228.28 | 77,029,414.23 |
| Ireland | 103,198,349.55 | 104,240,670.70 |
| Kosovo | 208,386,196.49 | 183,679,097.94 |
| Total | 598,085,104.02 | 576,616,063.03 |

According to type:

| | Net carried amount 30 September 2020 | Net carried amount 31 December 2019 |
|----------------|---|--|
| Treasury Bills | - | 149,932.98 |
| Bonds | 598,085,104.02 | 576,466,130.06 |
| Total | 598,085,104.02 | 576,616,063.03 |

To this group there was a higher position compare to the period ended December 31, 2019 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 third quarter of 2020 average is around 0.138% (min. -0.590% and max. 1.500%), whereas in 2019: min. 0% to 5.37% with an average of 0.366%). These placements mainly contracted maturity up to one year. Analytics by banks is disclosed in the table as bellow:

| Money market placements | Net carried amount 30 September 2020 | Net carried amount 31 December 2019 |
|----------------------------------|---|--|
| Deutsche Bank | 139,440,000.00 | 239,784,000.00 |
| Raiffeisen Bank International AG | 49,830,000.00 | - |
| FED New York | 8,728,403.48 | 9,079,945.56 |
| Total | 197,998,403.48 | 248,863,945.56 |

If we look at September 30, 2020, there is a decrease compared to December 31, 2019 and it mainly stems from the maturity of one placement in the form of a deposit with the possibility of call / withdrawal (Call Deposits) in the amount of 80 million euros in Deutsche Bank and the exchange rate change. EUR / USD exchange. Active placements in euro at the reporting date are 189 million, of which 139 million in Deutsche Bank are placements in the form of deposit

deposits / Call Deposits with indefinite maturity, but for which the call option is used and the same mature in October this year, while in RBI 50 million euros have a maturity of one year. We also have a placement of 10.3 million in USD (with FED New York) matured on the reporting date (in the placement table) is expressed in euro equivalent.

9. Assets related to IMF

| | 30 September 2020 | 31 December 2019 |
|------------------------|-----------------------|-----------------------|
| IMF Quota | 99,304,507.78 | 102,083,693.80 |
| SDR holdings | 59,792,086.90 | 63,116,223.40 |
| Accrued Interest | 277,440.01 | 534,789.34 |
| Use of IMF funds (SBA) | 129,510,630.77 | 132,609,931.53 |
| Total | 288,884,665.46 | 298,344,638.07 |

Above items arise from Kosovo membership in IMF. Item IMF Quota represents the value of the mandatory quota (86,000,000 SDR from February 2016, where at the beginning has been 59,000,000 SDR) set to Kosovo by IMF in Euros.

Item SDR Holdings 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 0.240% on average for the reporting period.

The item on the use of IMF funds represents the funds borrowed from the IMF under the active credit line utilization (SBA) agreements and the emergency assistance agreement under the Rapid Financing Instrument (RFI) in the amount of SDR 41.3 million April 10 2020.

10, 11 Tangible and Intangible Assets

| Category of main assets | Historical cost | Depreciation/ Amortization accumulated up to 31 December 2019 | Total Depreciation/ Amortization for period 30 September 2020 | Total Depreciation/ Amortization accumulated till 30 September 2020 | Net Value as 30 September 2020 |
|--------------------------------------|----------------------|--|--|--|-----------------------------------|
| Property, plant and equipment | 11,056,154.78 | 5,747,393.12 | 467,215.53 | 6,212,677.56 | 4,843,477.22 |
| Equipment's, offices and other | 2,656,598.13 | 2,078,728.53 | 126,950.68 | 2,206,003.40 | 450,594.73 |
| Vehicles | 389,349.16 | 324,166.54 | 10,976.15 | 335,142.45 | 54,206.71 |
| Premises | 5,314,296.44 | 1,417,800.90 | 202,979.61 | 1,620,780.51 | 3,693,515.93 |
| Computer hardware | 2,303,476.49 | 1,926,697.15 | 126,309.09 | 2,050,751.20 | 252,725.29 |
| Work in process | 392,434.56 | - | - | - | 392,434.56 |
| Intangible assets | 4,643,210.49 | 2,576,633.44 | 301,580.68 | 2,878,210.81 | 1,764,999.68 |
| Intangible assets | 4,079,055.49 | 2,576,631.88 | 301,580.68 | 2,878,210.81 | 1,200,844.68 |
| Intangible assets– work in process | 564,155.00 | - | - | - | 564,155.00 |
| Total | 15,699,365.27 | 8,324,025.00 | 768,796.21 | 9,090,888.37 | 6,608,476.90 |

12. Other assets

Other assets are as below:

| | 30 September 2020 | 31 December 2019 |
|---------------------------------|--------------------------|-------------------------|
| Accrued income | 1,211,109.09 | 1,557,794.18 |
| Prepayment | 247,057.09 | 142,100.77 |
| Payments in process (SNP/DepoX) | (445.90) | - |
| Total | 1,457,720.28 | 1,699,894.95 |

Payments in the process will be cleared as the DepoX system executes the payments on the first working day if their settlement date is not a working day, for example, weekend, as the case may be.

13. Due to domestic banks

| | 30 September 2020 | 31 December 2019 |
|---------------------------------------|--------------------------|-------------------------|
| ProCredit Bank - Kosovë | 53,112,034.47 | 55,951,663.45 |
| Raiffeisen Bank - Kosovë | 82,039,386.39 | 60,931,328.15 |
| NLB Prishtina | 85,768,906.93 | 81,661,777.01 |
| Komercijalna Banka - Mitrovica Branch | 8,546,179.69 | 7,623,490.77 |
| Banka Ekonomike e Prishtinës | 21,593,417.69 | 41,843,659.37 |
| Banka për Biznes | 52,966,004.83 | 42,068,526.87 |
| Banka Kombëtare Tregtare e Shqipërisë | 59,810,066.58 | 40,778,607.06 |
| Turk Ekonomi Bankasi Sh.A | 60,196,522.75 | 54,878,104.66 |
| Turkiye Is Bankasi A.S. | 18,725,728.77 | 19,307,459.16 |
| T.C. Zirat Bankasi A.S.Kosovo Branch | 6,744,402 | 9,896,928.39 |
| Banka Kreditore e Prishtinës | 267.76 | 57.32 |
| Banka Credins Kosove | 8,000,000.00 | - |
| Total | 457,502,917.27 | 414,941,602.21 |

Disclosed in this group are the balances of commercial banks operating in the country (Kosovo). This year, the Executive Board of the CBK has approved the request from the entity "Credins Bank Kosovo" for licensing as a bank in the Republic of Kosovo. According to the legislation, commercial banks must keep the funds for the liquidity reserve in the CBK. In total, the amount disclosed above for the reporting period 30 September 2020 is about 2.56 times higher than the minimum required reserve to be maintained at the CBK.

14. Due to accounts related to IMF

| | 30 September 2020 | 31 December 2019 |
|----------------------------|--------------------------|-------------------------|
| Current account FMN No. 1 | 254,272.44 | 255,209.23 |
| Expenses account FMN No. 2 | 6,011.17 | 6,179.40 |
| IMF securities account | 204,438,045.90 | 209,640,482.49 |
| Part paid of IMF quota | 17,926,152.79 | 18,363,463.67 |
| IMF SDR allocated by IMF | 66,565,774.81 | 68,428,718.15 |
| Accrued Interest | 278,395.43 | 541,748.70 |
| Total | 289,468,652.54 | 297,235,801.64 |

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 September 2020 | 31 December 2019 |
|--|------------------------------|-------------------------|
| Treasury – Ministry of Economy and Finance | 433,887,250.97 | 444,301,083.98 |
| Privatization Agency of Kosovo | 217,147,286.35 | 275,159,950.46 |
| Interim Administrative Institutions | 233,466.81 | 358,327.10 |
| Total | 651,268,004.13 | 719,819,361.54 |

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 31 December 2019 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 September 2020 | 31 December 2019 |
|-------------------------|--------------------------|-------------------------|
| Insurance Companies | 4,772,917.94 | 4,717,094.16 |
| Public Institutions | 93,128,218.63 | 47,447,861.07 |
| Pension Funds and other | 1,709.83 | 1,725.83 |
| Total | 97,902,846.40 | 52,166,681.06 |

There is an increase compared to 2019, which is attributed entirely to the group of public institutions.

17. Borrowings

| | 30 September 2020 | 31 December 2019 |
|----------------------------|--------------------------|-------------------------|
| Borrowings from World Bank | 2,266,259.07 | 2,266,259.07 |
| Total | 2,266,259.07 | 2,266,259.07 |

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 September 2020 | 31 December 2019 |
|-------------------------------|--------------------------|-------------------------|
| Escrow account | 756,036.51 | 756,036.51 |
| Deferred income | 330,459.65 | 404,396.62 |
| Payables and Accrued expenses | 319,463.79 | 618,302.17 |
| Total | 1,405,959.95 | 1,778,735.30 |

Within the group is a slight reduction in the total balance of the group compared with 31 December 2019. Mainly influenced by the reduction of accounts payable balance to September 30, 2020, compared to 31 December 2019.

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

| | 30 September 2020 | 31 December 2019 |
|---------------------------|--------------------------|-------------------------|
| Authorized capital | 30,000,000.00 | 30,000,000.00 |
| Reserve funds | 25,257,165.36 | 23,148,464.17 |
| Net result for the period | 1,784,876.74 | 2,108,701.19 |
| Total | 57,042,042.10 | 55,257,165.36 |

The financial result of the period is positive by about 1.785 million euros, mainly influenced by the satisfactory realization of revenues and maintenance of expenditures according to the budget planning for the reporting period. The item of foreign exchange revaluation at the reporting date is in the amount of about 359 thousand euros (as unrealized loss), the item of provisions for expected credit losses (net increase / (decrease) is in the amount of 374 thousand euros (as unrealized loss) and if we exclude these two items the financial result remains positive of about 2,518 million euros.

21. Net interest income

| | 30 September 2020 | 30 September 2019 |
|--|---------------------|---------------------|
| Interest Income | | |
| From placements | 26,866.54 | 159,312.83 |
| From securities | 1,901,633.17 | 1,398,483.53 |
| From deposit current accounts | 110,909.47 | 516,721.91 |
| From negative rates on deposits ¹ | 747,560.20 | 464,918.16 |
| | 2,786,969.38 | 2,539,436.43 |
| Interest expense | | |
| From IMF Account (SDR Allocation) | 121,990.95 | 547,476.67 |
| From correspondent banks | 513,706.35 | 516,644.42 |
| From placements | 2,294.44 | - |
| From Borrowing | 12,682.44 | 11,678.44 |
| | 650,674.18 | 1,075,799.53 |
| Net interest income | 2,136,295.20 | 1,463,636.90 |

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. As well interest expenses are lower compared with the same period of last year. This has resulted in net interest revenues are higher than the same period of last year.

Average interest rates on net interest revenues (taking into consideration only committed portfolio) brought in about 0.358% (in the same period of 2019 0.231%).

22. Net fee and commission income

| | 30 September 2020 | 30 September 2019 |
|---|---------------------|---------------------|
| Net fee and commission income | | |
| From cash deposits | 692,280.78 | 659,844.44 |
| From incoming transfer | 57,607.03 | 58,115.32 |
| From outgoing transfers | 219,512.48 | 248,235.14 |
| From domestic transfers (Domestic payment system) | 801,643.08 | 894,029.15 |
| From credit registry system | 92,838.90 | 150,877.30 |
| Other fees | 14,509.00 | 20,955.00 |
| | 1,878,391.27 | 2,032,056.35 |
| Fee and commission expense | | |
| From cash transportation | 240,049.91 | 357,443.59 |
| From correspondent bank transactions | 8,699.86 | 10,280.80 |
| From payment services (IPS) | - | - |
| | 248,749.77 | 367,724.39 |
| Net fee and commission position | 1,629,641.50 | 1,664,331.96 |

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.

The net position for revenues from tariffs and prohibitions shows a slight decrease (as both revenues and expenditures fell in parallel) compared to September 30, 2019. It derives mainly from changes in the volume of activity for items disclosed within the group.

23. Incomes from regulatory activity

| | 30 September 2020 | 30 September 2019 |
|---|----------------------|----------------------|
| Banks licenses renewal fees | 2,392,943.40 | 2,120,307.55 |
| Bank licenses fees | 9,900.00 | 31,700.00 |
| Insurance Companies licenses renewal fees | 933,610.64 | 918,744.87 |
| Insurance Companies licenses fees | 24,650.00 | 69,200.00 |
| Pension funds renewal fees | 20,063.44 | 19,442.25 |
| Other financial institution fees | 201,794.21 | 197,789.49 |
| Total | 3,582,961.69 | 3,357,184.16 |

The change as a reduction is mainly based on the reduction of the base (volume of activity) compared to the same period of 2019.

24. Grant revenue

| | 30 September 2020 | 30 September 2019 |
|---------------|-------------------|----------------------|
| Grant revenue | 94,206.93 | 86,356.87 |

There are two 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 also the grant on supervision financial reporting application*.

25. Other operational incomes

| | 30 September 2020 | 30 September 2019 |
|--------------|----------------------|-------------------|
| Other income | 6,450.26 | 2,927.55 |

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 September 2020 | 30 September 2019 |
|--------------------------------------|--------------------------|--------------------------|
| Wages and salary expenses | 2,534,825.37 | 2,459,657.97 |
| Social security and health insurance | 567,239.06 | 541,825.95 |
| Staff training costs | 24,396.37 | 80,775.35 |
| Board expenses | 62,656.33 | 85,047.96 |
| Daily meal | 110,313.00 | 101,059.50 |
| Other | 13,360.17 | 18,454.18 |
| Total | 3,312,790.30 | 3,286,820.91 |

The total number of employees who have been active in the payroll during the period January-September 2020 is: 229 (in the period January - September 2019, 229).

Other categories of staff costs include additional pension compensation (2020, 8,100.37 euros; 2019, 8,100.39 euros), financial support for housing (2020, 5,259.80 euros; 2019, 5,782.29 euros) and the student internship program (2020, 0.00 euros; 2019, 4,571.50 euros). Additional pension compensation is a consequence of previous decisions, from where some former employees are compensated directly by the CBK, unable to transfer this obligation to them to pension funds at the moment when the CBK has transferred the management of the supplementary pension fund.

27. General and administrative expenses

| | 30 September 2020 | 30 September 2019 |
|---|------------------------------|------------------------------|
| Insurance expenses | 226,241.00 | 234,361.49 |
| Repairs and maintenance | 46,722.15 | 49,198.70 |
| Application maintenance | 287,588.15 | 241,865.67 |
| Communication expenses (telephone, fax, and internet) | 16,533.62 | 18,036.97 |
| Public utility expenses | 51,591.46 | 54,086.06 |
| Consulting and auditing expenses | 9,663.33 | 9,379.80 |
| Security (guard and transportation) | 65,354.40 | 55,310.40 |
| Travel and transportation | 13,363.22 | 108,359.82 |
| Vehicle operating expenses | 10,842.86 | 11,865.20 |
| Consumable administrative material | 17,582.55 | 15,762.85 |
| Cafeteria expenses | 21,399.42 | 27,812.31 |
| Consumable expenses (IT and non-IT equipment supply) | 10,208.52 | 14,789.97 |
| Publishing and literature | 4,534.56 | 8,483.06 |
| Representation expenses | 9,920.88 | 23,124.91 |
| Membership to professional institutions | 19,995.43 | 20,811.88 |
| Other | 38,256.93 ² | 17,988.11 |
| Total | 849,798.48 | 911,237.20 |

Changes in general administrative expenses are the result of operational activities and decisions as well as in part from any activity that did not have the same periodicity in comparative periods.

² As noted, we have a significant increase in the "Other" category, but that almost entirely the increase is attributed to the extraordinary expenditures that fall within this category and that stem from the approved expenditures for COVID 19 (safeguards).

But that viewed as a whole are within their usual / planned trend. Exceptions here are two categories those of applications and others. We explained the latter to the disclosure with reference (7), while the increase in application costs stems from an underestimation of the maintenance voice of an application in 2019 and consequently has increased costs in 2020.

28. Net result of changes in exchange rates

| Exchange Rate Revaluation | 30 September 2020 | 30 September 2019 |
|--|---------------------|-------------------|
| From USD Position | (533,030.99) | 467,224.71 |
| From SDR Position | 174,210.14 | 96,188.04 |
| Net unrealized profit/loss from exchange rate | (358,820.85) | 563,412.75 |

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

29. Cash and cash equivalents

| | Note | 30 September 2020 | 31 December 2019 |
|---|------|-----------------------|-----------------------|
| Cash in hand | 5 | 274,797,205.58 | 302,165,654.19 |
| Cash accounts with non-resident banks | 6 | 189,025,105.74 | 108,863,319.55 |
| Placements with non-resident banks with maturity up to three months | | 8,728,403.48 | 9,079,945.56 |
| Total | | 472,550,714.80 | 420,108,919.30 |

Cash and its equivalents are held for the purpose of meeting mainly short-term liquidity liabilities. An investment qualifies as the cash equivalent when it has matured in the short term, less than three months from the date of purchase.

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 September 30, 2020 is approximately 645,152 euros (December 31, 2019, this liability was expected 645,152 euro), CBK acts as financial intermediary (bank guarantee) and funds held in safe-custody account.