

# **BANKING PERIODIC**

**OVERVIEW OF THE FINANCIAL  
SECTOR IN KOSOVO**

## **DEPOSIT INSURANCE FUND OF KOSOVO**



# BANKING PERIODIC



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

 **Banka Ekonomike**



 **BPB**

**iŞBANK**

 **NLB Banka**

 **ProCredit Bank**

 **Raiffeisen  
BANK**

 **TEB**  
BNP PARIBAS JOINT VENTURE

 **ZiraatBank**

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# DEPOSIT INSURANCE FUND OF KOSOVO

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# I. INTRODUCTION TO DEPOSIT INSURANCE

## INTRODUCTION TO DEPOSIT INSURANCE

**D**eposit insurance system is one of the four interactive pillars of financial stability safety-net, along with prudential regulation and effective supervision, lender of last resort and effective banking resolution.

### DEFINITIONS OF KEY TERMS

“Deposit insurance system” refers to the deposit insurer and its relationships with the financial safety-net participants that support deposit insurance functions and resolution processes.

**Source:** *Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS)*  
<http://www.iadi.org/en/assets/File/Core%20Principles/cprevised2014nov.pdf>

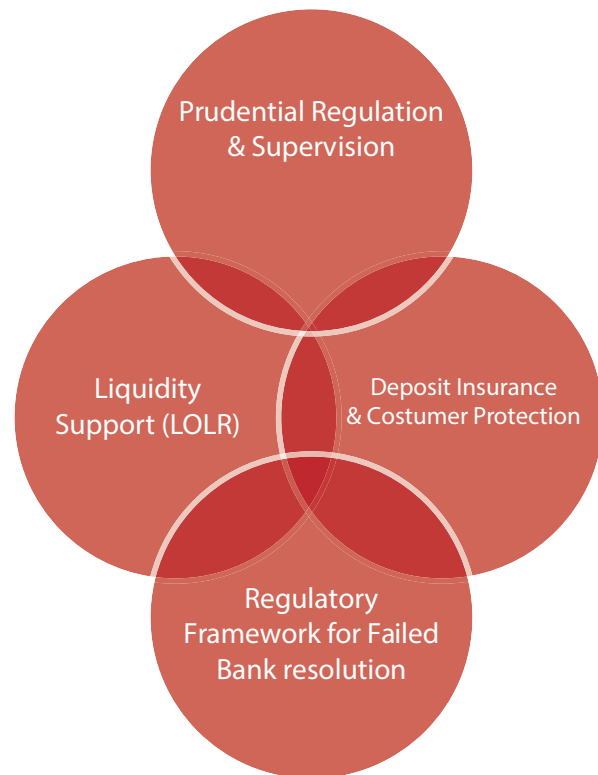


Figure 1: Four Pillars of Financial Stability Safety Net

## THE DEPOSIT INSURANCE SYSTEM IN KOSOVO

The Deposit Insurance System (DIS) in Kosovo has the Public Policy Objective to protect small depositors and contribute to financial stability.

Initiated by Central Bank and made effective in May 2011, the DIS was established as a development project under bilateral cooperation between Kosovo and Germany with an initial capital of € 17.5 million.

Copyright statement: The first part of this publication is an article from Deposit Insurance Fund of Kosovo. Findings, interpretations and the conclusions expressed in this publication represent the point of view and the data of this institution.

KEY FEATURES AND CHARACTERISTICS	
Institutional set-up of deposit insurer	Independent public institution with operational and administrative autonomy from government structure and civil service
Membership	Mandatory membership for banks licensed to take deposits (and foreign branches where home country does not provide insurance or provides but with lower coverage than applicable in Kosovo)
Mandate	Narrow mandate “pay-box” – compensation of insured deposits
Coverage limit	EUR 4,000 (currently) EUR 5,000 (01.01.2018)
Scope of coverage	Natural persons (private individuals) and Legal persons (registered companies etc.)
Deposit insurance rule	Insurance is per depositor, per member bank
Types of insured deposits	Current accounts, savings and time deposits Deposits in euro and non-euro are insured however compensation is made in euros
Exclusions	Deposits of banks and financial institutions, insurance and collective undertaking, pension and retirement funds, local and central government and administrative authorities, deposits kept at foreign branches of kosovo banks, etc.
Funding mechanism	Ex-ante funded system, mainly through on-going premiums collected from member banks
Premium system	Differential premium system based on CBK examination ratings
Target fund size	9% of total insured deposits

## DEPOSIT INSURANCE FUND OF KOSOVO

The Deposit Insurance Fund of Kosovo “DIFK” is an independent public institution established in 2011 by the Law on the Establishment of the Deposit Insurance System for Financial Institutions in Kosovo to protect small depositors and support financial stability.

DIFK reports to the Central Bank of the Republic of Kosovo “CBK” and is governed by the Management Board.

The DIFK has the authority to:

1. set and collect insurance premiums;
2. invest Deposit Insurance Fund;
3. cooperate with the Central Bank of Kosovo in exchange of information;
4. in collaboration with CBK, participate with funds, in the resolution of a member bank in case of transfer of insured liabilities; and coordinate with foreign deposit insurers;
5. borrow in case of insufficiency of funds;
6. pass secondary legislation and administrative sanctions

In ensuring efficient fulfilment of the mandate, the DIFK cooperates closely with the CBK, as regulator, supervisor and resolution authority. The cooperation between DIFK and CBK is detailed in the Memorandum of Understanding, providing information exchange framework and cooperation.

### DEFINITIONS OF KEY TERMS

“Mandate” of the deposit insurer refers to the set of official instructions describing its roles and responsibilities

- A “pay box” mandate, where the deposit insurer is only responsible for the reimbursement of insured deposits;
- A “pay box plus” mandate, where the deposit insurer has additional responsibilities, such as certain resolution functions (e.g. financial support);
- A “loss minimiser” mandate, where the insurer actively engages in a selection from a range of least-cost resolution strategies; and
- A “risk minimiser” mandate, where the insurer has comprehensive risk minimisation functions that include risk assessment/management, a full suite of early intervention and resolution powers, and in some cases prudential oversight responsibilities.

*Source: Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS)  
<http://www.iadi.org/en/assets/File/Core%20Principles/cprevised-2014nov.pdf>*

## Members

As at 30 June 2016, DIFK's membership include 9 banks licensed to take deposit in Kosovo. The membership in DIFK is automatic upon license issuance by the CBK and is mandatory in line with the law. A branch of a foreign bank licensed to take deposits in Kosovo, is only obliged to become a member of DIFK if the home country provides deposit insurance with lower coverage than prescribed by law.

**TABLE 1. DIFK MEMBERS**

No.	DIFK member banks (as at 30 June 2016)
1.	Banka Ekonomike, Sh.A.
2.	Banka Kombëtare Tregtare, Kosovo branch
3.	Banka për Biznes, Sh.A.
4.	NLB Pristina Sh.A.
5.	ProCredit Bank Kosovo J.S.C.
6.	Raiffeisen Bank Kosovo J.S.C.
7.	TEB Sh.A.
8.	Turkiye Is Bankasi, Kosovo branch
9.	T.C. Ziraat Bankasi A.Ş. Kosovo branch

## Deposit insurance limit

Currently, the deposit insurance limit is EUR 4,000 which increased over the past five years from EUR 2,000,. The coverage limit will increase to EUR 5,000 effective from 1st January 2018.

**TABLE 2. COVERAGE LIMIT INCREASE**

Deposit insurance limit	Amount in EUR
2011	2,000
2012	2,000
2013	2,000
2014	3,000
2015	3,000
2016	4,000
2018	5,000

## KEY DATA AND FIGURES

### Insured deposits

The number of insured depositors up to insurance limit to total number of depositors stood at 97.3% at the end of second quarter 2016, which has shown an improvement by 33 basis points from 97.0% at the end of same period last year (Table 3). Total volume of insured deposits amounted to €587 million at the end of second quarter in 2016 or 22.3% of the total amount of the deposits of member banks compared to 18.5% at the end of second quarter last year. The amount of insured deposits grew by 25% or by €118.6 million compared to the end of same period last year.

**TABLE 3. KEY DEPOSIT INSURANCE INDICATORS**

<b>Aggregated Figures for all member banks</b>			
Deposit Insurance Limit EUR 4,000	30/06/2016	30/06/2015	% Change
Total depositors (number)	908,101	840,653	+8.0%
Insured depositors (number)	883,500	815,130	+8.4%
in (%) of total	97.3%	97.0%	33bp
Total deposits (volume)	2,635,968	2,533,343	+4.1%
Insured deposits (volume)	587,428	468,826	+25.3%
in (%) of total	22.3%	18.5%	378bp

The number of insured depositors whose deposits are fully covered up to insurance limit stood at around 87.9 % (Table 4), which means that 798 thousands of insured depositors have deposits up to 4,000 euros (accounting for around 42% of total insured volume, Chart 2). While remaining, 9.3%, or 84 thousands of insured depositors have deposits or net claims more than 4,000 euros (accounting for 58% of insured volume, Chart 2). The number of eligible depositors which have overdue liabilities towards member bank greater than total gross deposits were 23 thousand or 2.6%.

**TABLE 4. INSURED DEPOSITORS VS. UNINSURED (STRUCTURE)**

<b>Aggregated Figures for all member banks</b>		
Deposit Insurance Limit EUR 4,000	30/06/2016	
Insured depositors with net claims up to insurance limit: net claims <= 4,000 EUR	798,866	87.97%
Insured depositors with net claims over insurance limit: net claims > 4,000 EUR	84,634	9.32%
Excluded depositors	610	0.07%
Eligible depositors with overdue liabilities greater than gross deposits	23,991	2.64%
<b>Total number of depositors</b>	<b>908,101</b>	<b>100%</b>

The amount of the deposits that are excluded by law from the deposit insurance coverage totalled €119 million as of 30 June 2016 which is 5 % of the total deposits of member banks (Chart 1).

<sup>1</sup> Article 5 of the LDI as amended in Article 3 paragraph 1; subparagraph 1.3, netting is applied where the amount of the eligible deposits is reduced by any amounts owed by the insured depositor to the member institution that are overdue, and the remaining amount is to be reimbursed up to the maximum insured amount (i.e. insurance limit).

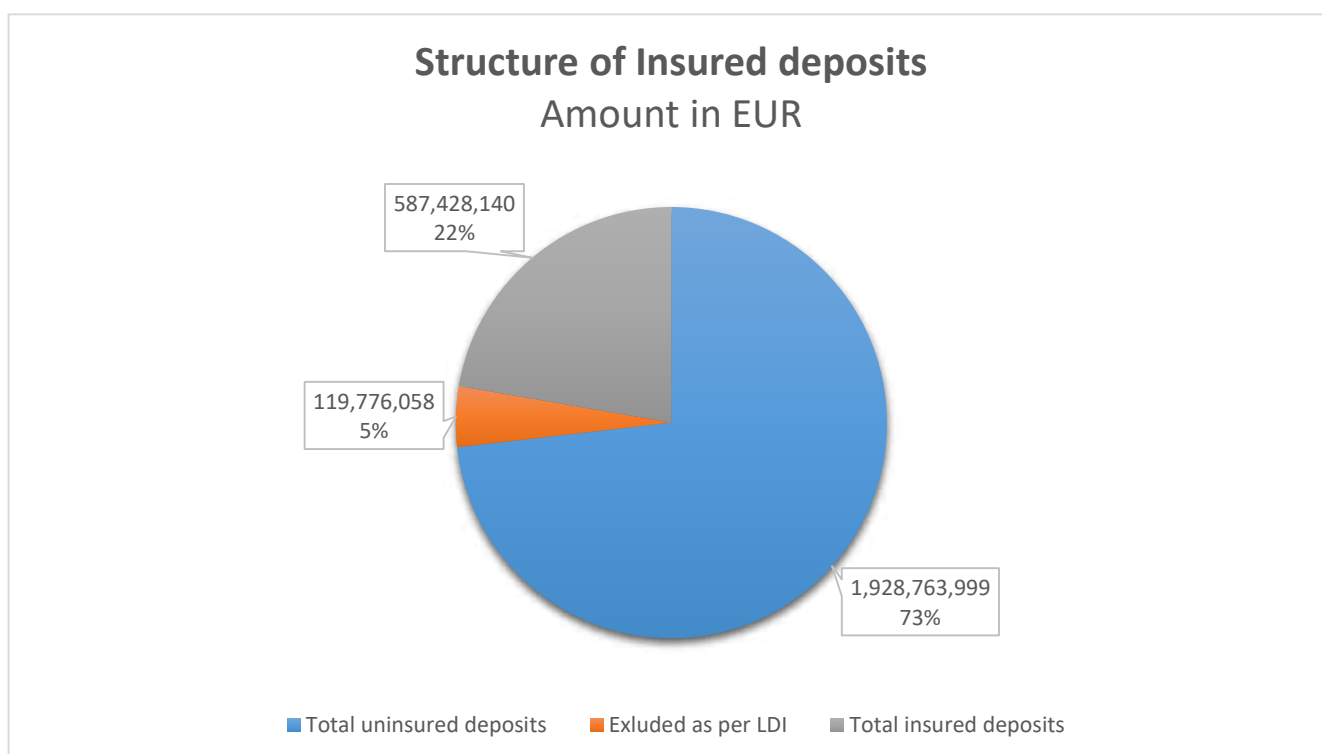


Figure 2: Structure of deposits

Table 5 shows the structure of insured depositors by natural and legal persons. The percentage of natural persons with net claims less than or equal to insurance limit of 4,000 euros is 94.2 % with net claim amounted to €234 million which are fully insured while 5.8 % are legal entities with net claim amounted to €14.4 million which are fully insured as well. The percentage of natural persons with net claims greater than insurance limit is 78.9 % with net claim amounted to €1.7 billion which are insured up to insurance limit 4,000 euros while 21.1% of depositors in this category are legal entities with the amount of net claims amounted to €476 million. The total amount of net claims above insurance limit of both natural and legal persons amounted to €2.2 billion of which €339 million insured (Chart 2).

TABLE 5. STRUCTURE OF INSURED DEPOSITORS, BY ENTITY				
Aggregated Figures for all member banks Insurance limit EUR 4,000	No of depositors	in %	Net claims in ' 000 EUR	in %
<b>Total insured &lt;= 4,000 EUR, of which</b>	<b>798,866</b>	<b>100%</b>	<b>248,892</b>	<b>100%</b>
Total natural persons'	760,166	95.2%	234,394	94.2%
Total legal persons	38,700	4.8%	14,498	5.8%
<b>Total insured &gt; 4,000 EUR, of which</b>	<b>84,634</b>	<b>100%</b>	<b>2,258,456</b>	<b>100%</b>
Total natural persons	77,182	91.2%	1,781,593	78.9%
Total legal persons	7,452	8.8%	476,863	21.1%
<b>Total</b>	<b>883,500</b>			



### Structure of Insured deposits (Insurance limit EUR 4,000) Amount in EUR



Figure 3: Structure of Insured Deposits

## FUNDING MECHANISM

The DIS is ex-ante funded, where deposit insurance fund (DIF) is financed mainly through collection of on-going premiums paid by member banks and any returns on the investment generated from the investment activities.

### Initial capitalization of DIF

The initial capitalization of DIF was provided by capital contributions from the Government of Republic of Kosovo, through Ministry of Finance (MoF) and the German Federal Government (through KfW).

#### DEFINITIONS OF KEY TERMS

“Ex ante funding” refers to the regular collection of premiums, with the aim of accumulating a fund to meet future obligations (e.g. reimbursing depositors) and cover the operational and related costs of the deposit insurer.

“Ex post funding” refers to systems in which funds to cover deposit insurance obligations are only collected from surviving banks after a bank failure.

Source: Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS)  
<http://www.iadi.org/en/assets/File/Core%20Principles/cprevised-2014nov.pdf>

TABLE 6. CAPITAL CONTRIBUTION TO DIF BY YEAR

Capital contribution to DIF by year	Government of the Republic of Kosovo (through Ministry of Finance)	Financed by IDA (through the World Bank)	German Government (through KfW)
2011	3,300,000		4,500,000
2012	3,300,000		0
2012	2,957,511	Financed 3rd tranche	0
2013	1,442,489		2,000,000
Total	11,000,000		6,500,000
Total in %	22.3%	18.5%	378bp

### Differential premium system

DIFK assess differential premiums among member banks, differing levels of risk based on the CBK examination ratings that are assigned to banks. Member banks pay insurance premiums proportionate to their relative risk that pose to the deposit insurance fund—i.e., higher premium for riskier profile of member bank.

The premium is calculated based on the average of the beginning and ending balance of insured deposits for the quarterly accounting period, to ensure the seasonal effect is reduced.

### Annual Premiums rates

Table 7 shows the level of ongoing premium rates. The highest graded member banks (Grade 1) based on CBK examination ratings (representing lower risk) had to pay 0.45% per annum of the total amount of insured deposits, whereas banks with the lowest rating grade, (representing higher risk), would have to pay 1.50% per annum on the total amount of insured deposits.

#### MORE INFORMATION

The differential or risk-adjusted premium systems contribute to mitigate moral hazard by providing financial incentives for member banks to be more prudent in risk management and minimizing cross-subsidization among member banks, which is consistent with Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS). Also, the new EU Commission's European Directive on deposit guarantee schemes adopted by European Parliament in April 2014, has made mandatory the harmonisation of the funding mechanisms of DGSs, and implementation of risk-based contributions by banks.

Source: Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS)

<http://www.iadi.org/en/assets/File/Core%20Principles/cprevised2014nov.pdf>

DIRECTIVE 2014/49/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on deposit guarantee schemes (recast), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0049&from=EN>

**TABLE 7. ANNUAL PREMIUM RATES**

PREMIUM CATEGORY (CBK EXAMINATION)	Premium nominal rates p.a. (2011-2015)	Premium nominal rates p.a. 2016 Onwards
Grade 1	0.30%	0.45%
Grade 2	0.50%	0.65%
Grade 3	0.75%	0.90%
Grade 4	1.00%	1.15%
Grade 5	1.50%	1.50%

### DIF balance and structure

As of 30 June, 2016 total DIF balance amounted to €28.7 from which capital contribution of €17.5 and €11.2 of accumulated surpluses (Table 8). The share of member bank contributions in total balance of DIF has reached the level of 39 percent (see Chart 3).

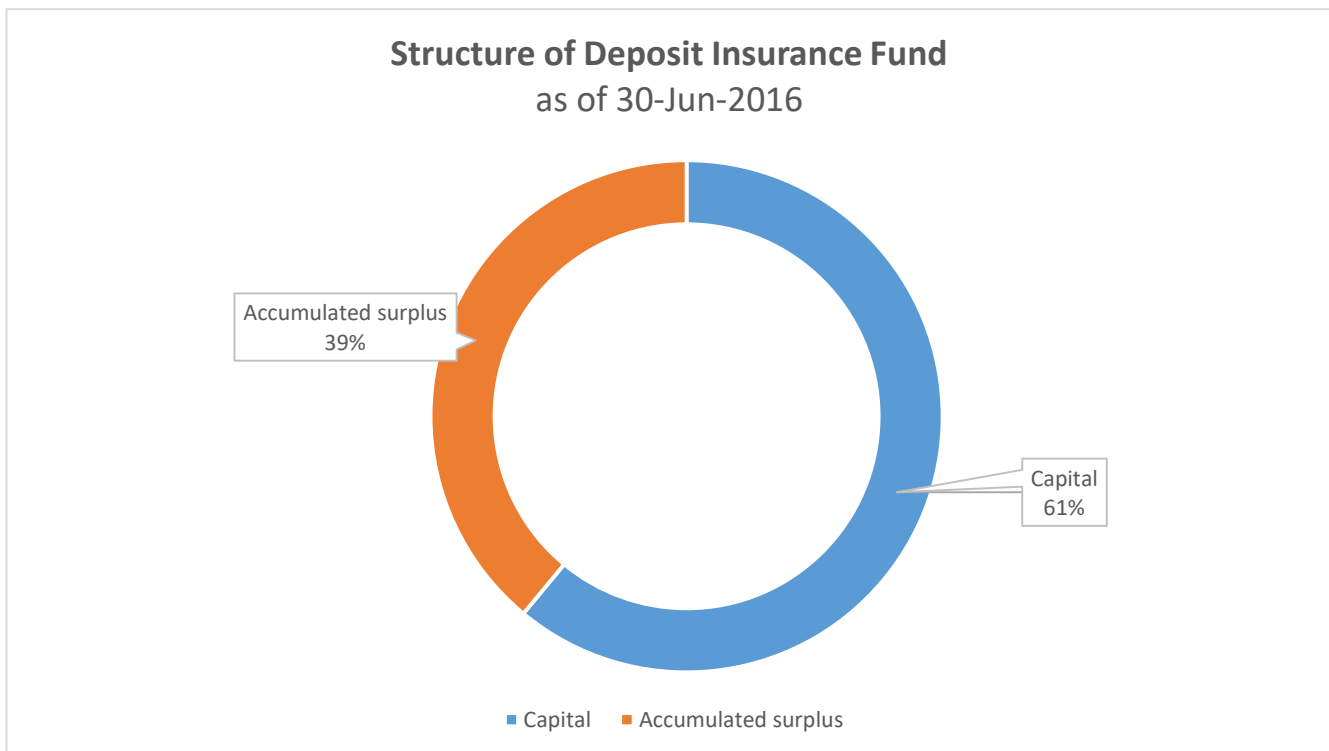


Figure 4: Structure of DIF sources

### DIF Target size

In 2013, DIFK established a framework to determine the targeted reserve levels of DIF aimed to be accumulated over the timeframe to enable the fulfilment of the mandate. The DIF Target Size is set as a working range between 8 to 9% (lower and upper ranges) and it is represented as a percentage of total insured deposits (TID). The coverage ratio of DIF as percentage of TID stood at 4.89% as of 30 June of 2016, compared to 5.27% percent at second quarter-end 2015.

### Sources of funding for liquidity requirements

In the event the deposit insurance fund is depleted or lacks funds to fulfill its mandate, DIFK can impose emergency premiums on the banks, up to 2 times the regular premium level, and limited to one year. DIFK may also borrow for emergency purposes. Additionally, law permits DIFK to borrow from the market, but not from member banks, also with government guarantee, and to issue bonds.

As of 30 June of 2016, total liquid funds available which consist of DIF balance of €28.7 and €10 of credit line with EBRD reached to €38.7 million (Table 8). The liquidity ratio stood at 6.60% as of 30 June of 2016, compared to 7.41% percent at second quarter-end 2015.

TABLE 8. TOTAL FUNDS AND COVERAGE RATIO

Amounts in '000 EUR	30/06/2016	30/06/2015	Change in %
Total Insured Deposits (TID)	587,428	468,826	25.3%
Deposit Insurance Fund (DIF)	28,749	24,717	16.3%
Standby Credit line	10,000	10,000	0.0%
Total funds	38,749	34,717	11.6%
Coverage ratio (DIF/TID)	4.89%	5.27%	-38bp
Liquidity ratio (Total funds/TID)	6.60%	7.41%	-81bp
Target Size	9.00%	9.00%	

## Management of investments

The legal investment framework of DIF is strictly regulated by law, emphasizing the principles of safety and liquidity over return to ensure the fulfilment of the mandate in compensating the insured depositors promptly. The Investment Guidelines sets the investment policy and criteria's for investments of DIF to be pursued in each business year approved by the Management Board.

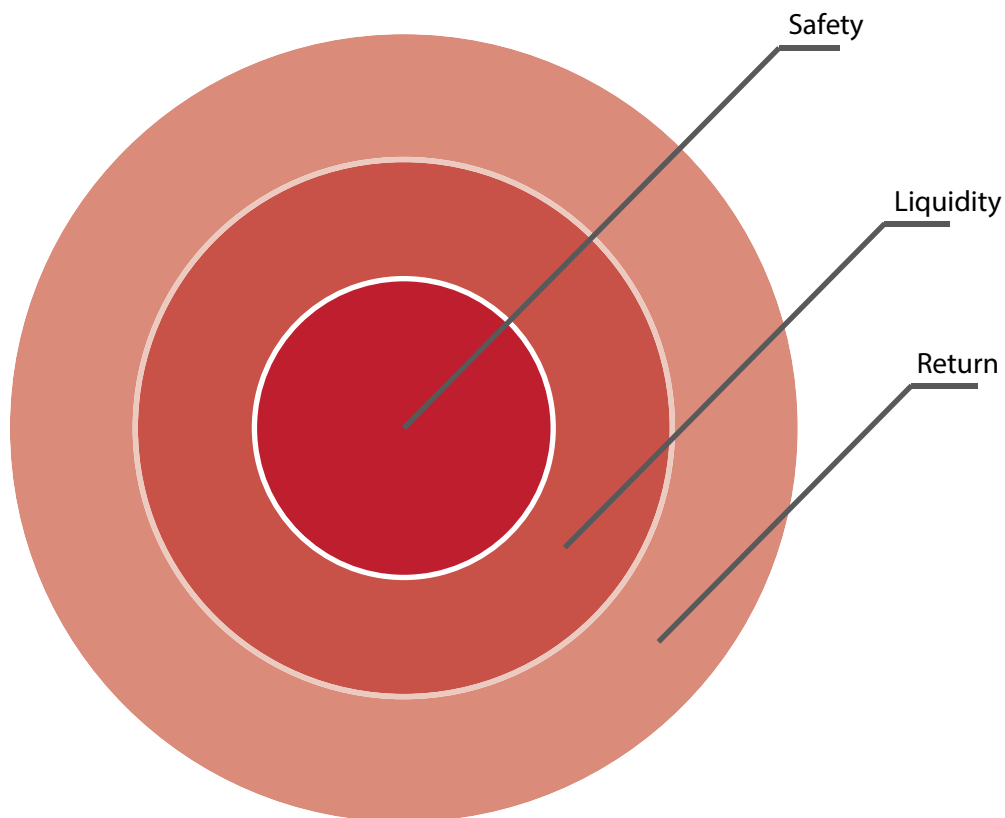


Figure 5: Investment principle

## 2011-2015 five-year key deposit insurance indicators

TABLE 9.

KEY METRICS AS AT 31 DECEMBER	2015	2014	2013	2012	2011
	(Amount denoted in '000 EUR, except for insurance limit)				
TOTAL MEMBERS	9	8	8	8	7
INSURANCE LIMIT	3,000	3,000	2,000	2,000	2,000
INSURED DEPOSITS	494,712	452,263	423,810	321,462	299,993
DEPOSIT INSURANCE FUND	26,920	24,717	22,688	17,391	9,097
COVERAGE RATIO	5.4%	5.5%	5.4%	5.4%	3.0%
TARGET RATIO	9.0%	9.0%	9.0%	5.0%	5.0%

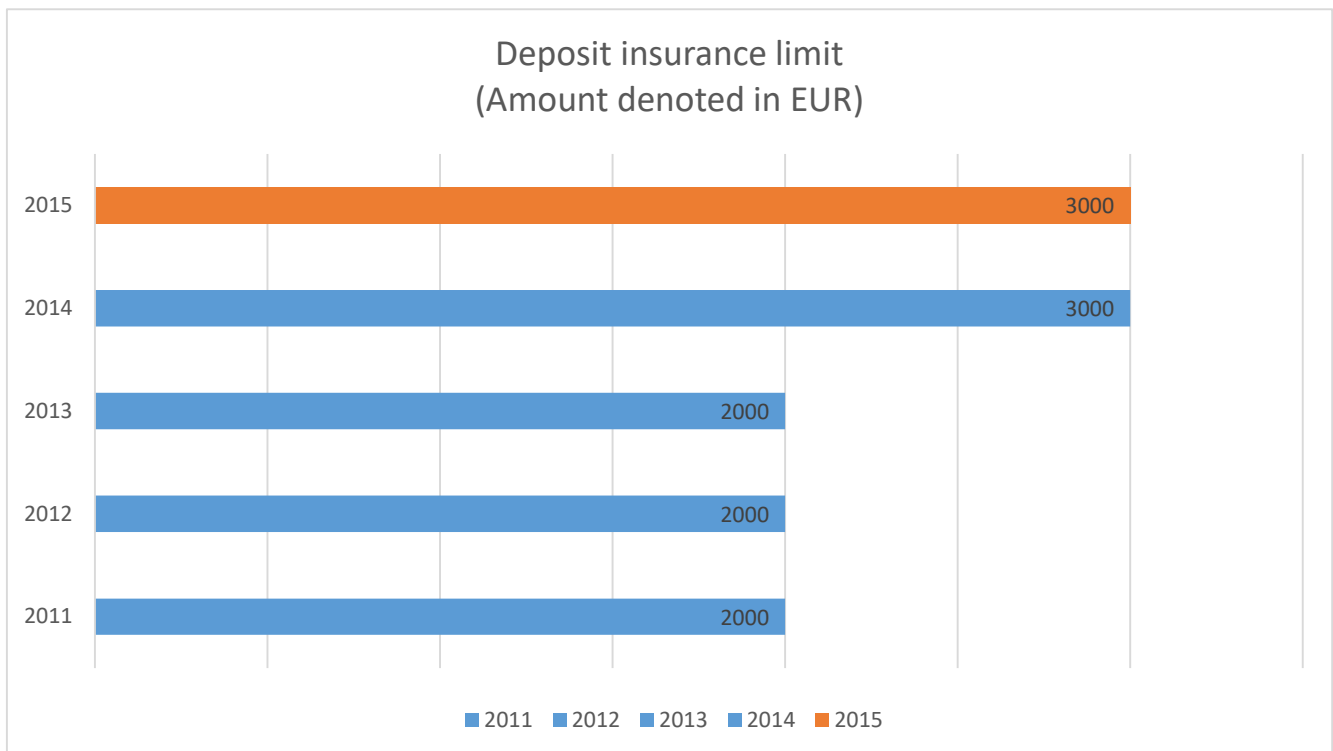


Figure 6: Deposit insurance limit

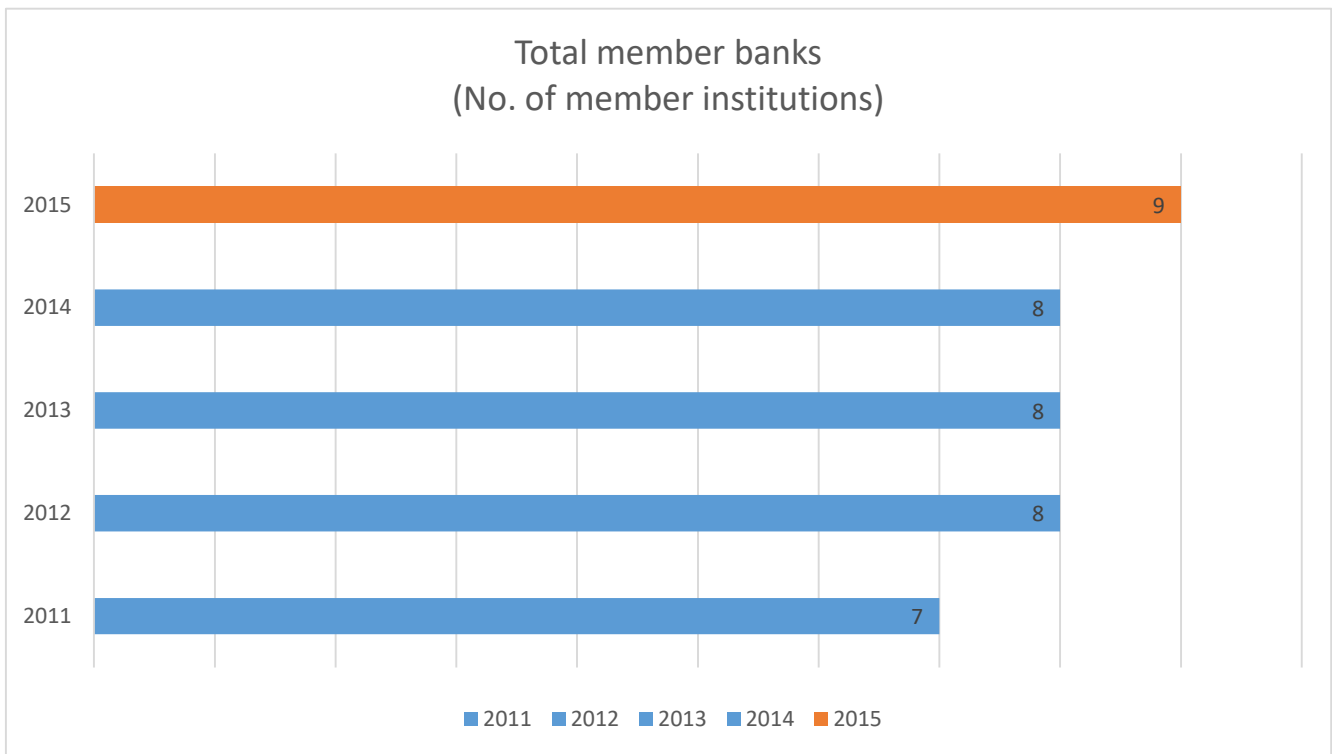


Figure 7: Total member banks

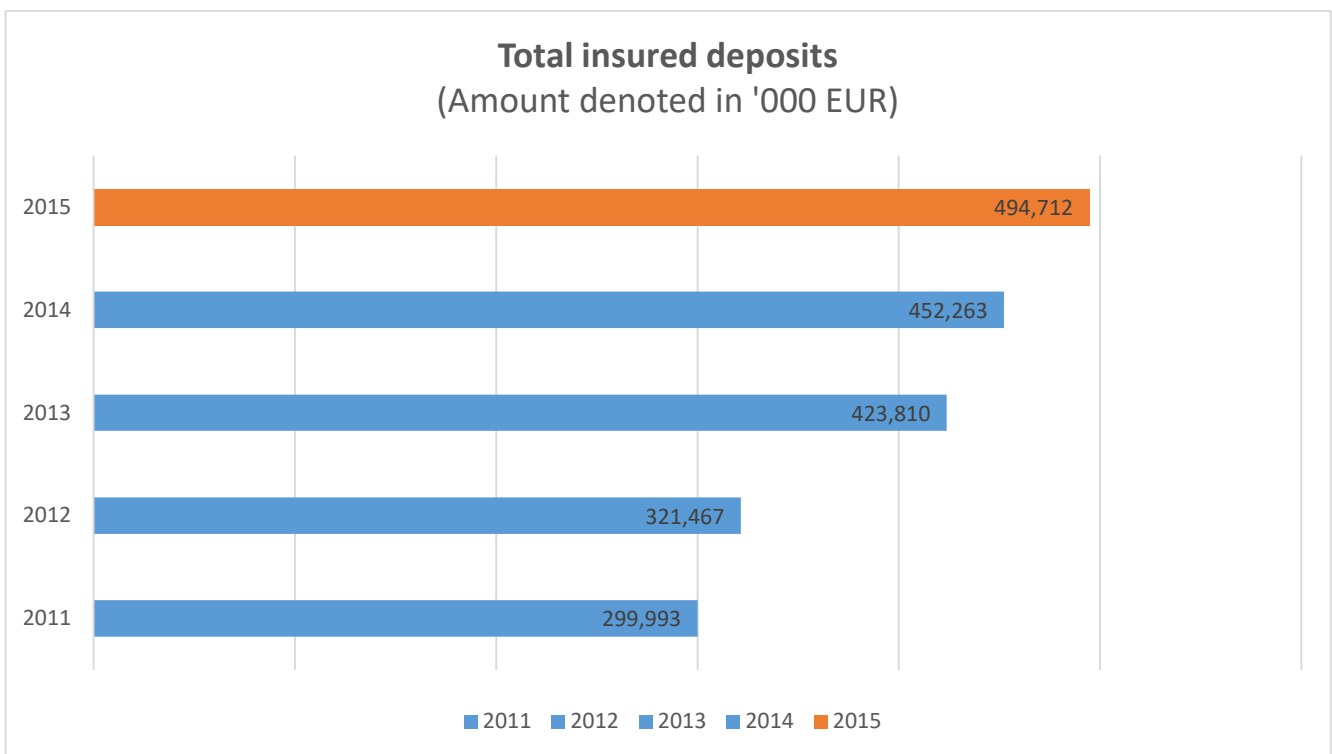


Figure 8: Total Insured deposits

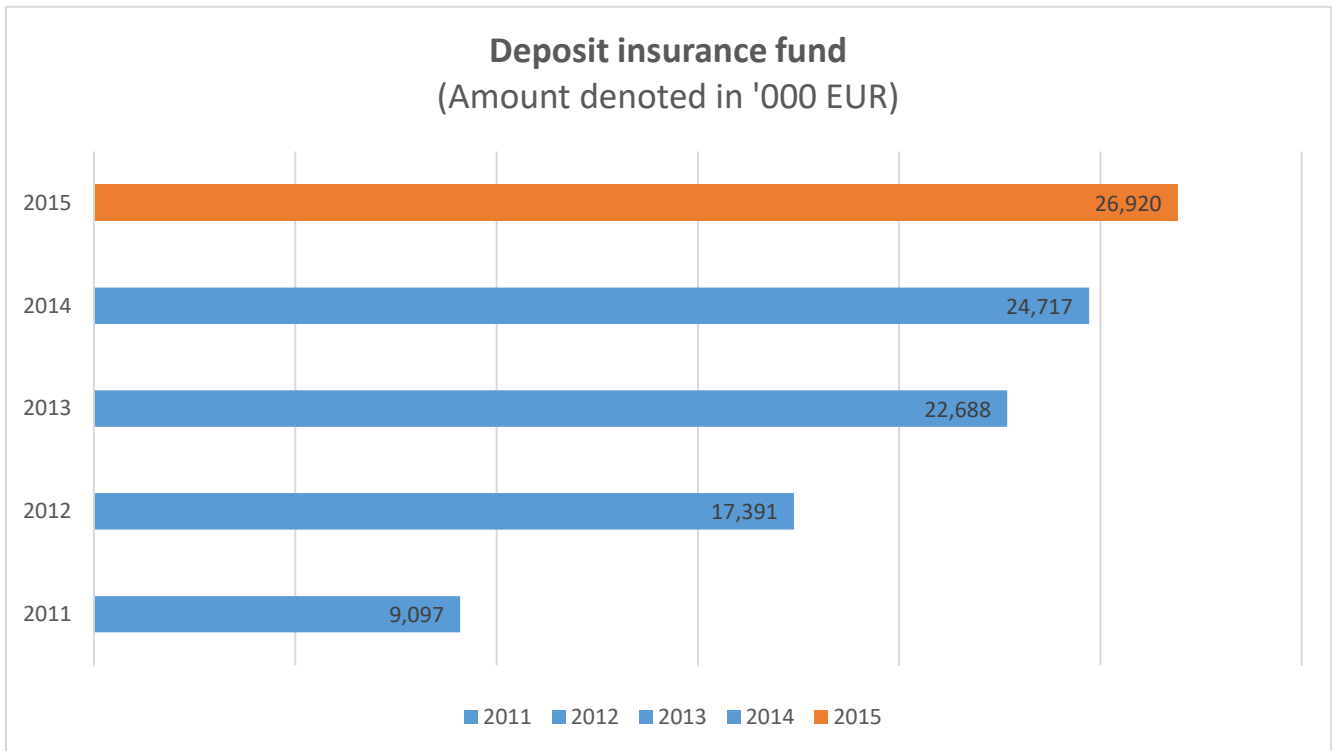


Figure 9: Deposit insurance fund

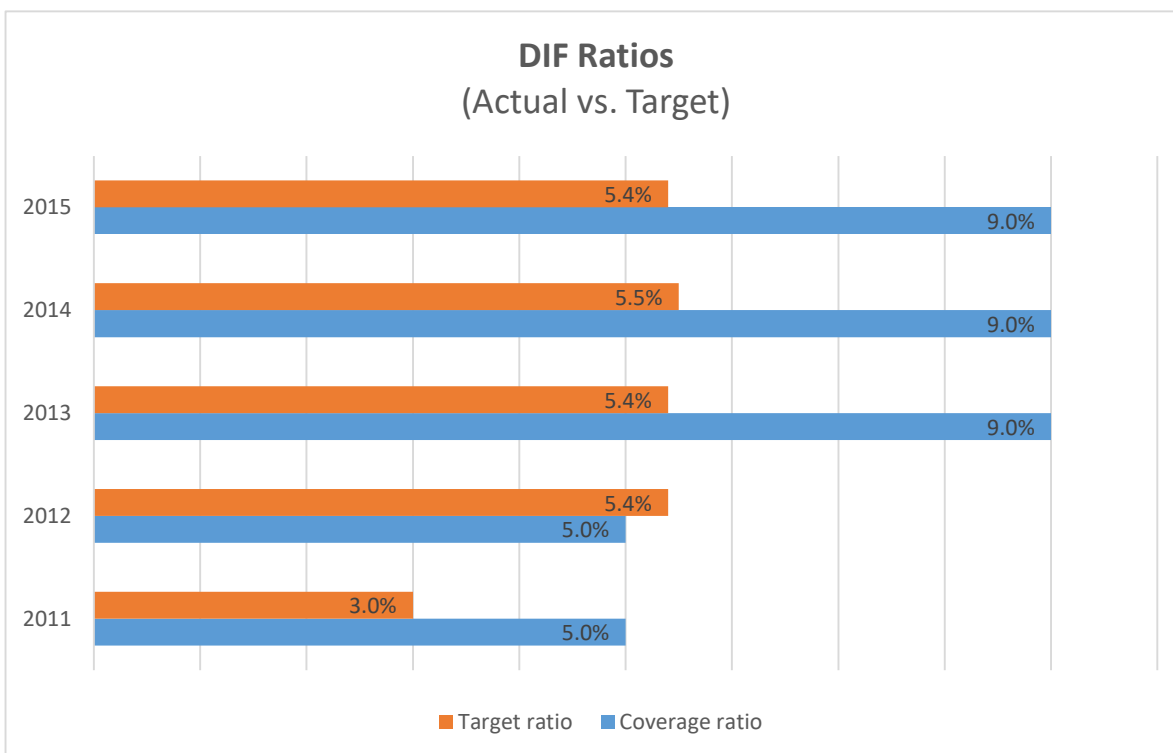


Figure 10: DIF Ratios

## II. KEY INDICATORS OF THE BANKING INDUSTRY

### Structure of assets

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY (2010-2016) (million euro)							
Description	2010	2011	2012	2013	2014	2015	Jun-16
Cash and balances with CBK	307.0	331.5	425.7	463.3	447.1	491.2	433.2
Balance with commercial banks	439.1	329.5	287.9	339.9	390.7	316.0	285.7
Securities	173.4	202.0	256.6	354.5	383.8	473.5	453.1
Loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	2,019.4	2,173.5
Fixed assets	44.0	47.4	57.7	55.5	53.7	57.3	56.5
Other assets	32.9	41.3	38.1	40.3	27.9	29.8	30.0
<b>Total assets</b>	<b>2,455.1</b>	<b>2,649.7</b>	<b>2,829.3</b>	<b>3,059.3</b>	<b>3,185.6</b>	<b>3,387.3</b>	<b>3,432.1</b>

Tab. 10| Source: CBK – Balance sheet of other depository corporations

COMPOSITION OF THE ASSET STRUCTURE OF THE BANKING INDUSTRY (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Jun-16
Cash and balances with CBK	12.5%	12.5%	15.0%	15.1%	14.0%	14.5%	12.6%
Balance with commercial banks	17.9%	12.4%	10.2%	11.1%	12.3%	9.3%	8.3%
Securities	7.1%	7.6%	9.1%	11.6%	12.0%	14.0%	13.2%
Loans and leasing	59.4%	64.1%	62.3%	59.0%	59.1%	59.6%	63.3%
Fixed assets	1.8%	1.8%	2.0%	1.8%	1.7%	1.7%	1.6%
Other assets	1.3%	1.6%	1.3%	1.3%	0.9%	0.9%	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Tab. 11| Source: CBK – Balance sheet of other depository corporations

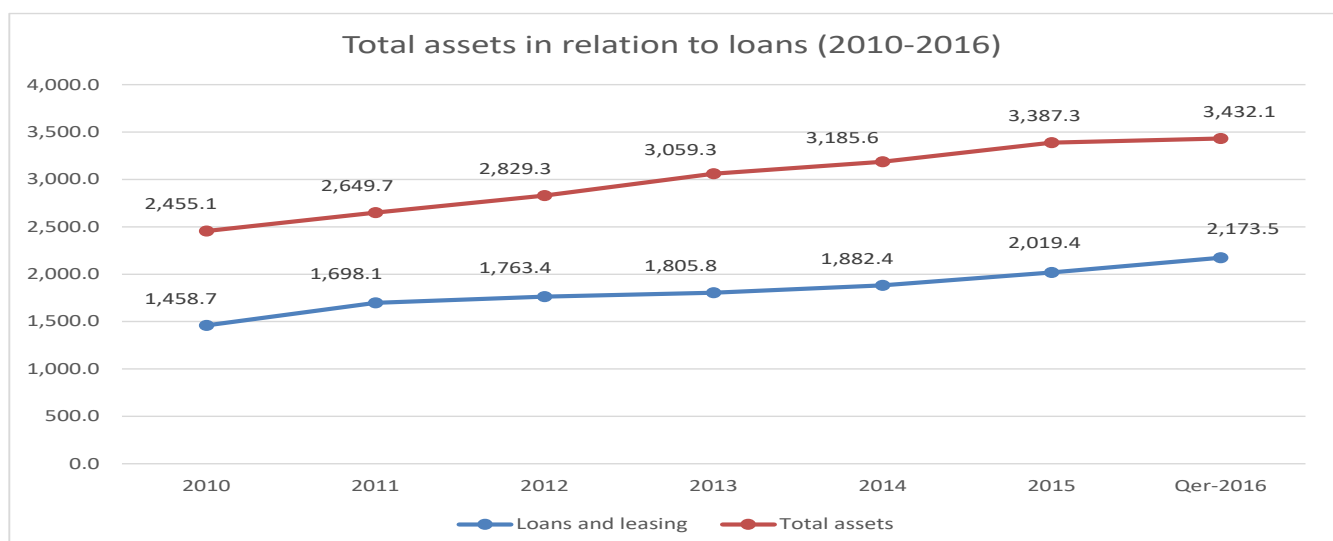


Fig. 11| Source: CBK – Balance sheet of other depository corporations



LOANS BY ECONOMIC ACTIVITY (2010 - 2016)											
(million euro)											
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Financial services	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	22.0	113.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	55.0	99.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	54.5	108.8	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	68.8	102.6	1,217.4
2014	49.8	19.7	153.0	20.3	107.0	674.5	51.4	18.1	60.6	102.0	1,256.4
2015	59.9	19.2	164.1	17.8	99.5	683.0	50.7	21.3	94.0	123.8	1,333.4
Jun-2016	56.4	27.8	167.6	21.7	101.3	731.1	47.5	22.0	101.1	132.0	1,408.5

Tab. 12| Source: CBK – Loans of other depository corporations by economic activity

COMPOSITION OF LOANS BY ECONOMIC ACTIVITY (2010-2016)											
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Financial services	Other services	Total
2010	3.7%	1.4%	12.5%	1.8%	10.7%	51.0%	3.9%	1.9%	2.2%	11.1%	100.0%
2011	3.5%	1.5%	11.9%	1.3%	10.1%	52.7%	3.5%	2.0%	4.8%	8.7%	100.0%
2012	3.7%	1.4%	11.1%	1.3%	10.5%	53.2%	3.2%	1.9%	4.6%	9.1%	100.0%
2013	3.8%	1.7%	10.8%	1.7%	9.8%	52.6%	4.0%	1.6%	5.6%	8.4%	100.0%
2014	4.0%	1.6%	12.2%	1.6%	8.5%	53.7%	4.1%	1.4%	4.8%	8.1%	100.0%
2015	4.5%	1.4%	12.3%	1.3%	7.5%	51.2%	3.8%	1.6%	7.1%	9.3%	100.0%
Jun-2016	4.0%	2.0%	11.9%	1.5%	7.2%	51.9%	3.4%	1.6%	7.2%	9.4%	100.0%

Tab. 13| Source: CBK – Loans of other depository corporations by economic activity

## Structure of liabilities

STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (2010-2016)							
(million euro)							
Description	2010	2011	2012	2013	2014	2015	Jun-16
Balance from other banks	70.7	40.0	6.0	16.5	31.6	43.4	90.7
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,701.4	2,692.8
Other borrowings	23.4	30.4	18.9	13.4	14.1	17.6	18.7
Written down provisions	0.1	0.2	1.7	2.0	2.9	3.1	3.4
Other liabilities	160.1	191.3	221.4	244.1	229.2	191.2	185.7
Subordinated debt	33.5	31.0	31.0	56.3	47.3	36.8	38.1
Bank's liabilities on acceptances outstanding	-	-	0.5	0.1	-	-	-
Own resources	230.4	252.8	270.7	277.8	323.0	394.0	402.6
<b>Total liabilities</b>	<b>2,455.1</b>	<b>2,649.7</b>	<b>2,829.3</b>	<b>3,059.3</b>	<b>3,185.6</b>	<b>3,387.3</b>	<b>3,432.1</b>

Tab. 14| Source: CBK – Balance sheet of other depository corporations

## COMPOSITION OF THE STRUCTURE OF LIABILITIES OF THE BANKING INDUSTRY (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Jun-16
Balance from other banks	2.9%	1.5%	0.2%	0.5%	1.0%	1.3%	2.6%
Deposits	78.9%	79.4%	80.6%	80.1%	79.7%	79.8%	78.5%
Other borrowings	1.0%	1.1%	0.7%	0.4%	0.4%	0.5%	0.5%
Written down provisions	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Other liabilities	6.5%	7.2%	7.8%	8.0%	7.2%	5.6%	5.4%
Subordinated debt	1.4%	1.2%	1.1%	1.8%	1.5%	1.1%	1.1%
Bank's liabilities on acceptances outstanding	-	-	0.0%	0.0%	-	-	-
Own resources	9.4%	9.5%	9.6%	9.1%	10.1%	11.6%	11.7%
<b>Total liabilities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Tab. 15| Source: CBK – Balance sheet of other depository corporations

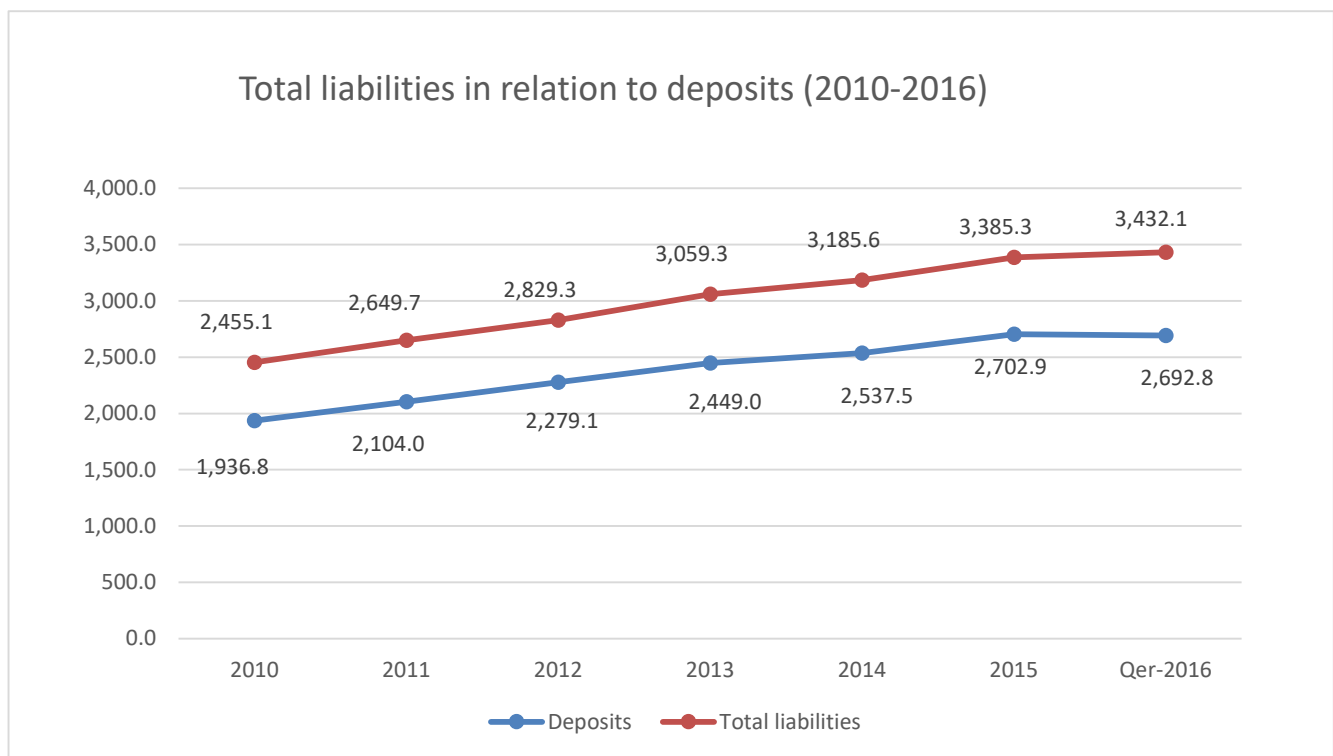


Fig. 12: Source: CBK – Balance sheet of other depository corporations

## Revenues and expenses

REVENUES OF THE BANKING INDUSTRY (2010-2015) (million euro)								
Period	Interest income				Non-interest income		Income from revaluation	Total
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
2010	169.6	2.7	3.1	-	37.5	3.9	0.3	217.1
2011	186.3	4.1	4.2	-	41.7	3.3	0.0	239.6
2012	194.9	2.0	2.3	-	44.9	2.4	0.7	247.1
2013	192.5	1.4	2.3	2.0	45.6	3.9	1.2	249.0
2014	189.5	1.1	2.9	-	44.5	3.3	2.9	244.2
2015	180.4	0.5	4.4	0.7	47.1	4.0	1.1	238.2

Tab. 16| Source: CBK – Income statement of other depository corporations

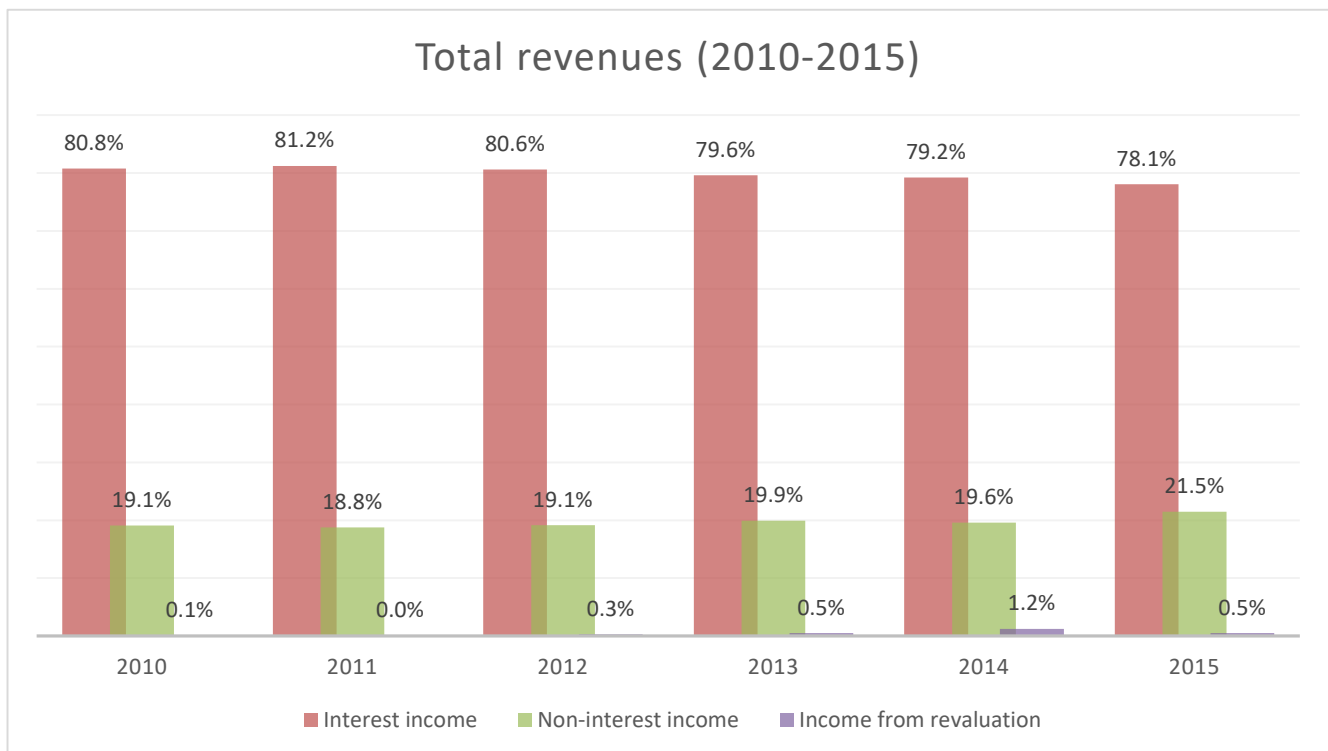


Fig. 13 | Source: CBK – Income statement of other depository corporations

**EXPENSES OF THE BANKING INDUSTRY (2010-2015)**  
 (million euro)

Period	Interest expense			Non-interest expense		General and administrative expenses			Tax provisions	Total
	Deposits	Borrowings	Other	Fees and commissions	Loan loss provisions	Personnel expenses	General expenses	Other non-interest expenses		
2010	49.4	4.8	1.0	7.7	28.3	37.8	37.6	12.6	5.0	184.3
2011	51.3	5.6	1.5	8.5	34.8	40.7	33.5	22.9	5.3	204.1
2012	57.6	3.2	2.3	8.7	50.3	42.3	35.5	24.5	4.0	228.6
2013	58.0	2.6	3.2	9.4	46.1	42.3	35.6	22.5	3.2	223.0
2014	36.4	3.1	4.5	11.1	20.5	42.4	34.8	24.5	6.8	184.2
2015	16.7	3.8	2.1	12.0	-8.4	44.0	35.7	27.8	9.7	143.5

Tab. 17 | Source: CBK – Income statement of other depository corporations

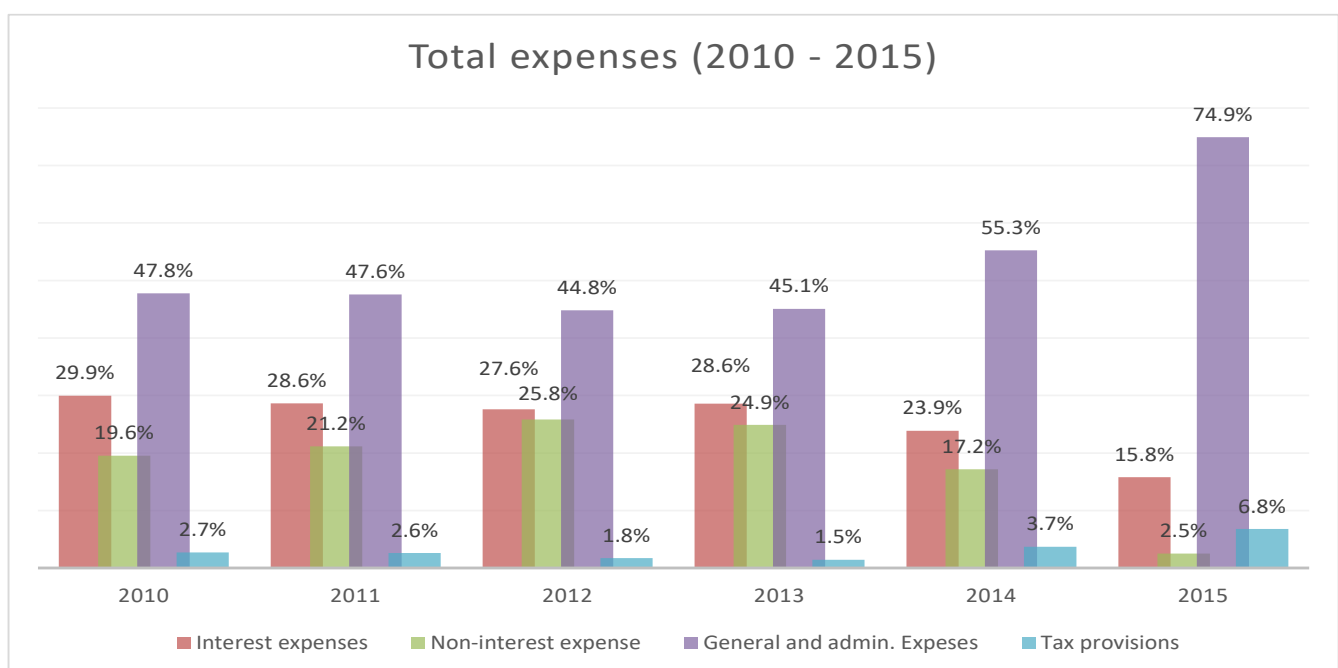


Fig. 14 | Source: CBK – Income statement of other depository corporations

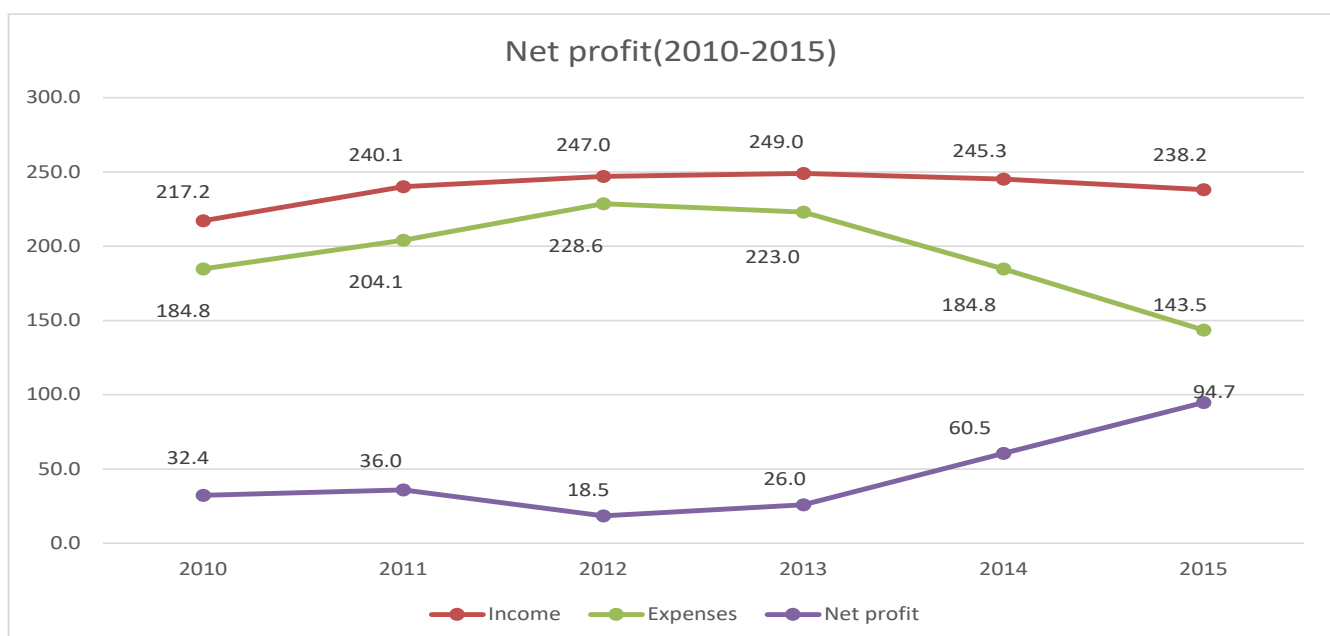


Fig. 15 | Source: CBK – Income statement of other depository corporations

REVENUES OF THE BANKING INDUSTRY (million euro)								
Period	Interest income				Non-interest income		Income from revaluation	Total
	Loans	Bank placements	Securities	Other	Fees and commissions	Other operating income		
Jun-2015	91.6	0.3	2.1	0.2	22.4	2.2	0.7	119.6
Jun-2016	89.4	-	-	-	22.7	1.7	-	113.7

Tab. 18| Source: CBK – Income statement of other depository corporations

EXPENSES OF THE BANKING INDUSTRY (million euro)										
Period	Interest expense			Non-interest expense		General and admin expenses			Tax provisions	Total
	Deposits	Borrowings	Other	Fees and commissions	Loan loss provision	Personnel expenses	General expenses	Non-interest expenses		
Jun-2015	9.1	1.9	1.1	5.5	3.1	20.9	16.1	12.5	4.6	74.8
Jun-2016	9.5	-	-	7.9	6.3	20.9	21.2	6.1	4.2	76.0

Tab. 19| Source: CBK – Income statement of other depository corporations

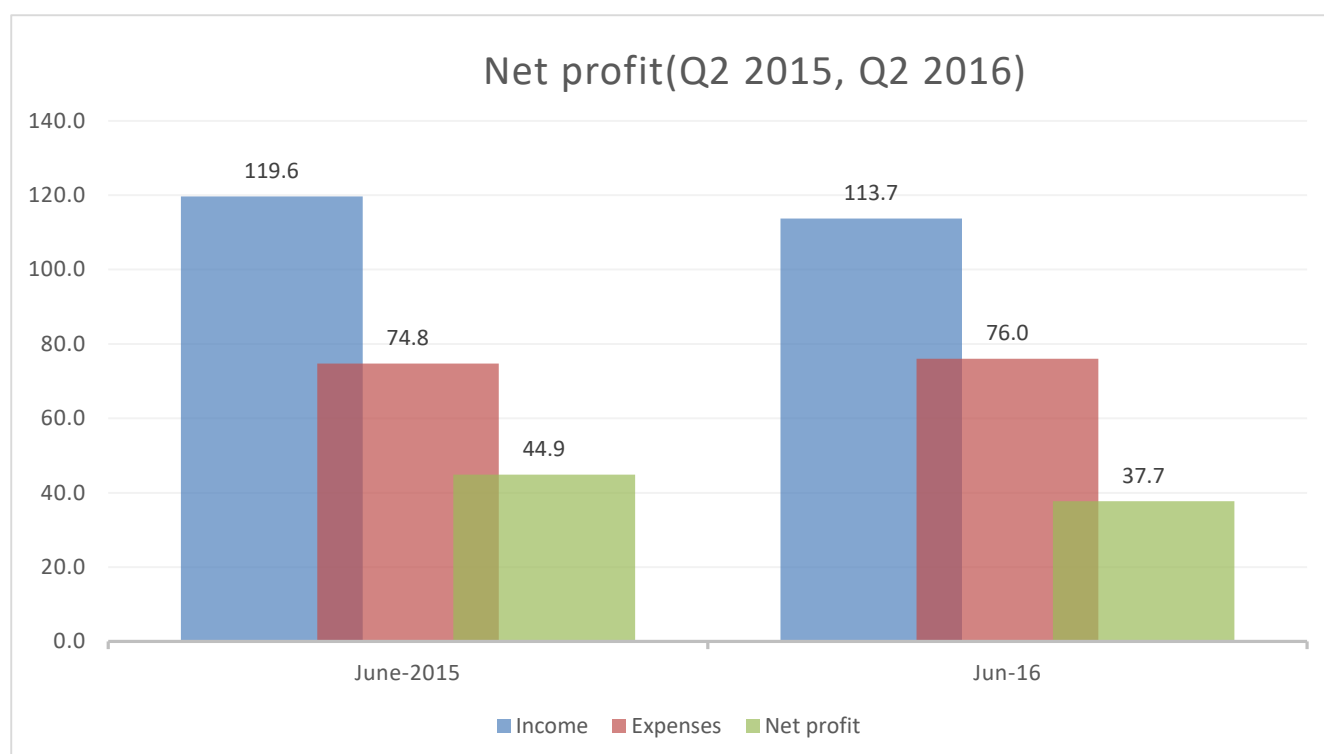


Fig. 16 | Source: CBK – Income statement of other depository corporations

## Effective interest rates on loans

### EFFECTIVE INTEREST RATES ON LOANS (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Jun-16
Effective rates on new loans	13.97%	13.30%	12.24%	10.90%	9.29%	7.69%	7.21%
Effective rates on non-financial corporations	14.11%	13.04%	12.34%	10.75%	9.56%	7.39%	6.75%
Effective rates on households	13.77%	13.85%	12.00%	11.33%	8.88%	8.39%	7.75%

Tab. 20 | Source: CBK – Interest rates on loans for the banking sector

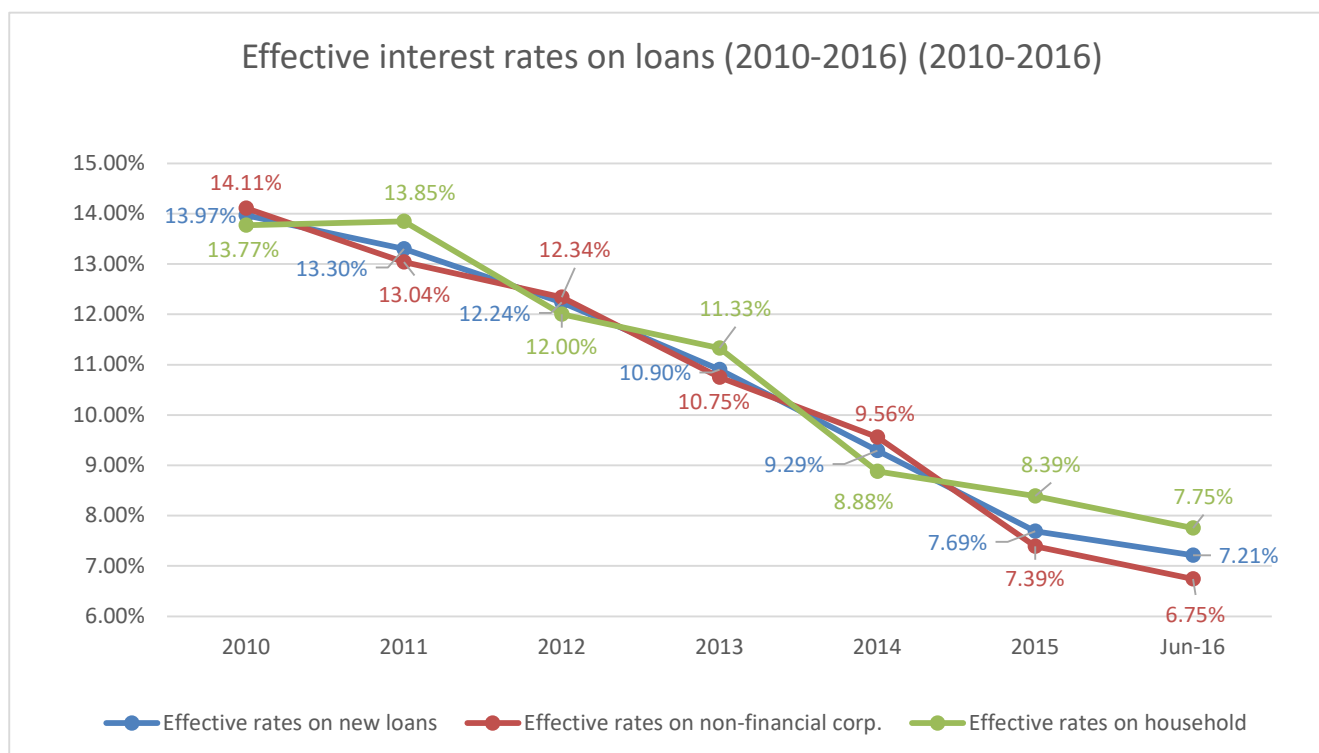


Fig. 17 | Source: CBK – Interest rates on loans for the banking sector

## Effective interest rates on deposits

### DIFFERENCE BETWEEN THE INTEREST RATES ON LOANS AND DEPOSITS (2010-2016)

Description	2010	2011	2012	2013	2014	2015	Jun-16
Effective rates on total new loans	13.97%	13.30%	12.24%	10.90%	9.29%	7.69%	7.21%
Effective rates on total new deposits	3.38%	3.62%	3.72%	2.40%	1.11%	1.15%	1.03%
<b>Difference</b>	<b>10.59%</b>	<b>9.68%</b>	<b>8.52%</b>	<b>8.50%</b>	<b>8.18%</b>	<b>6.54%</b>	<b>6.18%</b>

Tab. 21 | Source: CBK – Interest rates on loans for the banking sector

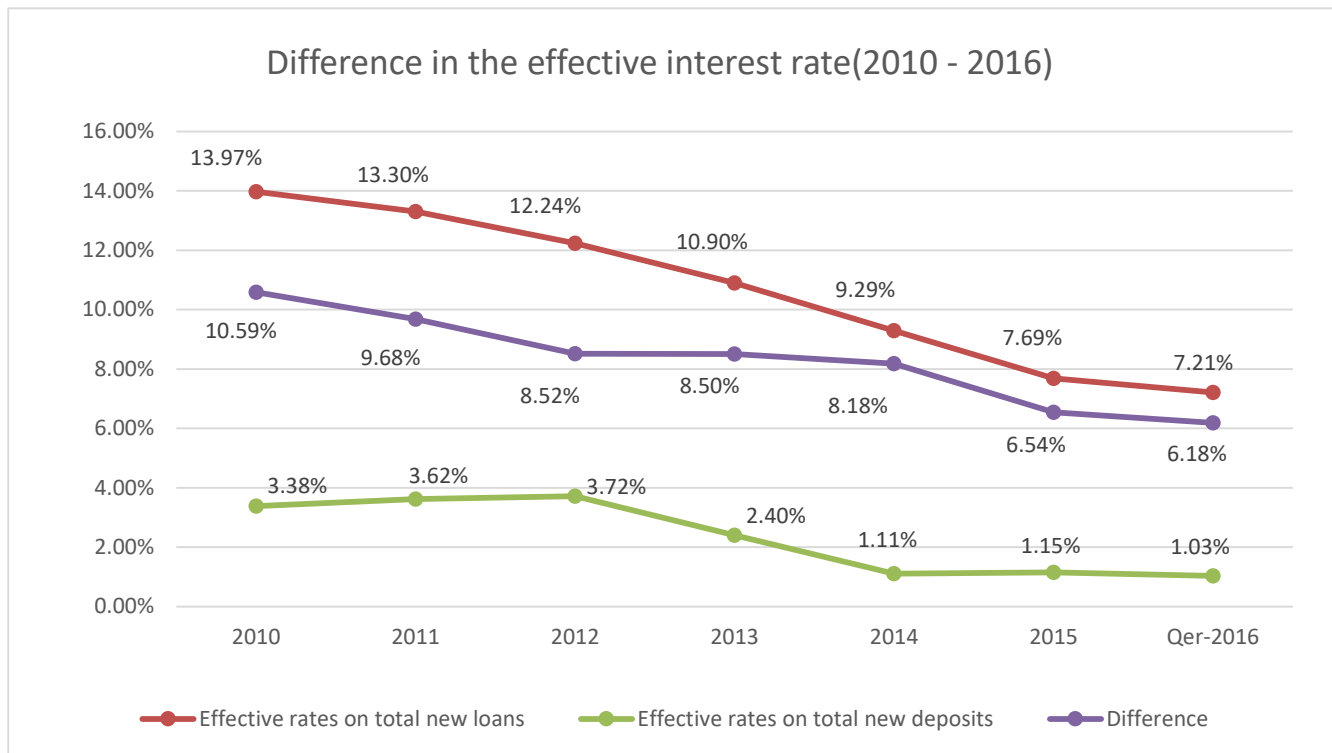


Fig. 18 | Source: CBK – Interest rates on loans for the banking sector

## Non-performing loans

NON-PERFORMING LOANS (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Jun-16
Value of non-performing loans	86.1	96.8	132.3	157.1	154.4	125.2	115.2
Loan loss provision	115.0%	116.7%	112.7%	110.5%	114.4%	115.1%	119.9%

Tab. 22 | Source: CBK – Annual report 2013, 2014, and monthly information report

NON-PERFORMING LOANS (2010-2016)							
Description	2010	2011	2012	2013	2014	2015	Jun-16
Non-performing loans (%)	5.90%	5.80%	7.50%	8.70%	8.30%	6.20%	5.3%
NPL growth/ decline (%)	51.70%	12.50%	36.60%	18.80%	-1.70%	-18.90%	-8.0%
Percentage growth of loans	13.20%	16.40%	3.80%	2.40%	4.20%	7.30%	7.6%

Tab. 23 | Source: CBK – Annual report 2013, 2014, and monthly information report

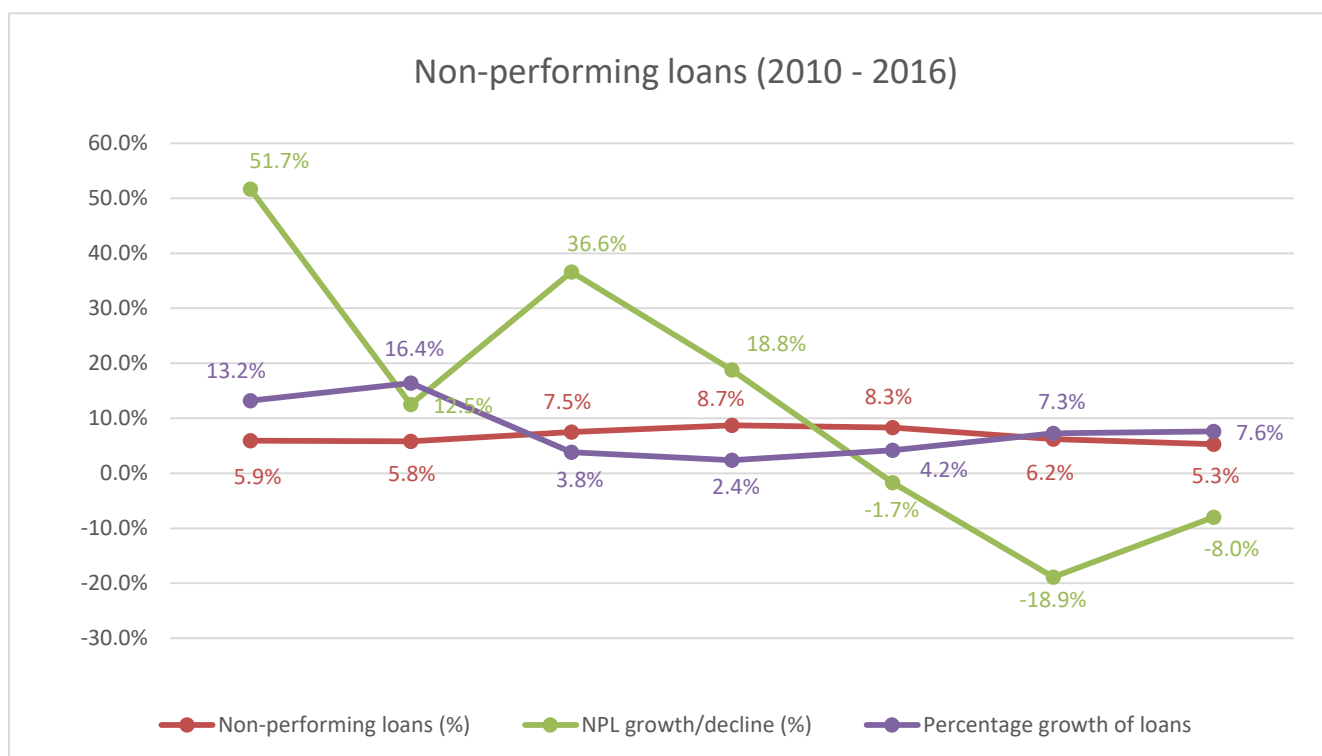


Fig. 19 | Source: CBK – Annual report 2013, 2014, and monthly information report

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## **PART III**

# **BANKING INDUSTRY AND ECONOMY NEWS THAT MARKED THE MONTH OF AUGUST**

## RAIFFEISEN BANK SIGNED THE GUARANTEE AGREEMENT WITH KCGF



Pristina, August 10th, 2016 - Raiffeisen Bank in Kosovo today signed a guarantee agreement with the Kosovo Credit Guarantee Fund (KCGF), that will enable the Bank to obtain additional collateral security for loans issued to micro, small, and medium enterprises (MSMEs) registered in Kosovo. The agreement should provide easier access to finance for Kosovar companies.

The agreement aims to increase lending for Kosovar businesses, contribute to the job creation,

## BPB SIGNS THE GUARANTEE AGREEMENT FOR KOSOVO CREDIT GUARANTEE FUND (KCGF)



Today, on August 24 2016 Bank for Business signed the guarantee agreement with the Kosovo Credit Guarantee Fund. The KCGF guarantee enables the bank an increase in lending to micro, small and medium enterprises (MSMEs) in Kosovo and thus facilitates access to finances for all MSMEs which require loans to meet investments needs so as to increase their business or for the purpose of having working capital. Through this agreement, the BPB will get more collateral security for loans issued to

economic growth, as well as enhance opportunities for underserved economic sectors and populations including women, minorities, farmers, entrepreneurs, and youth.

Loans - for which the guarantees will be provided- will be issued to meet the needs of enterprises for working capital and implementation of investment plans/ projects.

What is the procedure to benefit from this fund? Businesses will apply for a loan at a bank as usual, going through the bank's procedures. If the value of the prospective borrower's mortgage/collateral is not sufficient or other terms are not fully met, the bank may decide to qualify the business and issue the loan, using the KCGF guarantee. Businesses will not approach the KCGF to request the guarantee.

The signing ceremony took place at the KCGF offices located at Anton Cetta Str. 5A in Pristina.

these enterprises.

The agreement reflects cooperation where the beneficiaries are Kosovar businesses which are a very important factor for the country's economy. By financing these businesses we will not just support growth in this sector, but also the overall economic development. The development of these businesses will increase the number of employees and will create larger businesses, which will result in regional development.

Application procedure for a guarantee: All businesses apply for loans in accordance with the Bank's standard procedures. In cases the client does not meet all the conditions of borrowing, such as collateral value, mortgage or other conditions; the Bank will issue a loan using the KCGF guarantee.

Businesses are not eligible to apply for guarantees directly with the KCGF.

## KOSOVO IMPORTS 2.6 BILLION, WHILE EXPORTS ONLY 325 MILLION EUROS



Despite all the efforts of the competent authorities to support the private sector, but also the signed

agreements with the European Union on trade facilitations, the Kosovo market continues to be dominated by foreign products. According to official figures, the value of imports in Kosovo, in 2015, amounted to 2.6 billion Euros, which represents an annual increase of 3.8 percent. However, the value of exports of Kosovo products in various countries of Europe and the world has reached the value of 325.3 million Euros, corresponding to a weak annual growth of 0.2 percent. (Telegrafi, August 1st, 2016)

## KOSOVARS HAVE ABOUT 204 THOUSAND CREDIT CARDS



The Central Bank of Kosovo (CBK) has announced that the structure of non-resident accounts is dominated by individual accounts, 91.3 percent

in 2015, while business accounts have a share of 8.7 percent. "The total number of cards (debit and credit) that provide services for cash withdrawals and various payments recorded an annual growth of 28.1 percent in 2015. The number of cards with debit function in 2015 amounted to 837,747, while the ones with a credit function to 203,845. The number of debit cards was characterized by an annual growth of 23.5 percent, while credit cards with an annual growth of 67.6 percent in 2015. (Epoka e Re, August 1st, 2016)

## DIASPORA, 752 MILLION EUROS IN REMITTANCES



Our compatriots living in different countries of the world, during the past year sent no less than 752 million Euros in Kosovo. In relation to the previous year, there is an increase of 8.5% in deliveries. However, most of the funds that actually came from the diaspora in Kosovo are estimated to be much higher, since a large part of the funds they bring to Kosovo themselves are not declared at all when entering the border customs. (Zeri, August 4th, 2016)

## THE PENSION CONTRIBUTOR'S FUNDS INCREASE IN VALUE

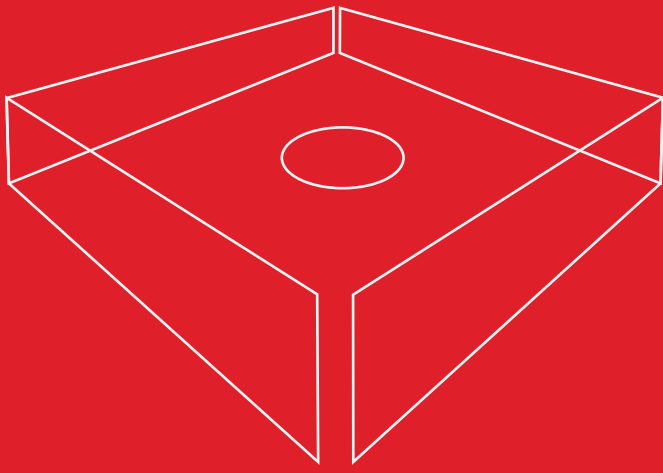


The Chairman of the Board of Pension Savings Trust, Ymer Havolli, said that since the establishment of the Kosovo Pension Savings Trust until August 16th, 2016, the gross return on investment has been around 304 million Euros. "Over 300 million Euros is the value added to the funds of pension contributors from their investment in financial markets", said Havolli for "Epoka e Re". (Epoka e Re, August 23rd, 2016)

## PUBLICATIONS OF THE KOSOVO BANKING ASSOCIATION

“Banking Periodic” is a monthly publication of the Kosovo Banking Association starting with its first publication in January of 2014. Monthly publications are comprised of data and general overview of the financial system in Kosovo. Each monthly publications will address specific issues of the financial system where the main focus is on the banking sector in Kosovo.  
[www.bankassos-kos.com](http://www.bankassos-kos.com).





# Training Center for Banking

## TRAININGS PLANNED FOR 2016:

EFCB International Certification

Fundamentals of Compliance

Leadership and Team Building

Operational Risk Management

Credit Risk Portfolio Management

IFRS

From IT Officer to IT Auditor

Supervising others

Business Etiquette



For more information on registration on the programme, contact Training Center at Kosovo Banking Association at:

038 246 171

[kbtraining@bankassoc-kos.com](mailto:kbtraining@bankassoc-kos.com)

[www.bankassoc-kos.com](http://www.bankassoc-kos.com)



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

Design: Mithat Sejdiu