

BANKING PERIODIC

**OVERVIEW OF THE FINANCIAL
SECTOR IN KOSOVO**

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY

BANKING PERIODIC

OVERVIEW OF THE FINANCIAL SECTOR IN KOSOVO

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY



OVERVIEW OF FINANCIAL SECTOR IN KOSOVO



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

MONTHLY PUBLICATION - No.14 / FEBRUARY 2015

PREPARED BY:

DR.SC.PETRIT BALIJA,
Editor - in - chief

KRESHNIK KOSUMI,
Editor

MIRANDA RUGOVAJ
Coordinator

KOSOVO BANKING ASSOCIATION

DATE OF PUBLICATION,
4 March 2015

Bajram Kelmendi no.15,
Pristina, 10 000,
Republic of Kosovo
Tel. +381 38 246 171
email: contact@bankassoc-kos.com
www.bankassoc-kos.com

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY

CONTENT

Part I

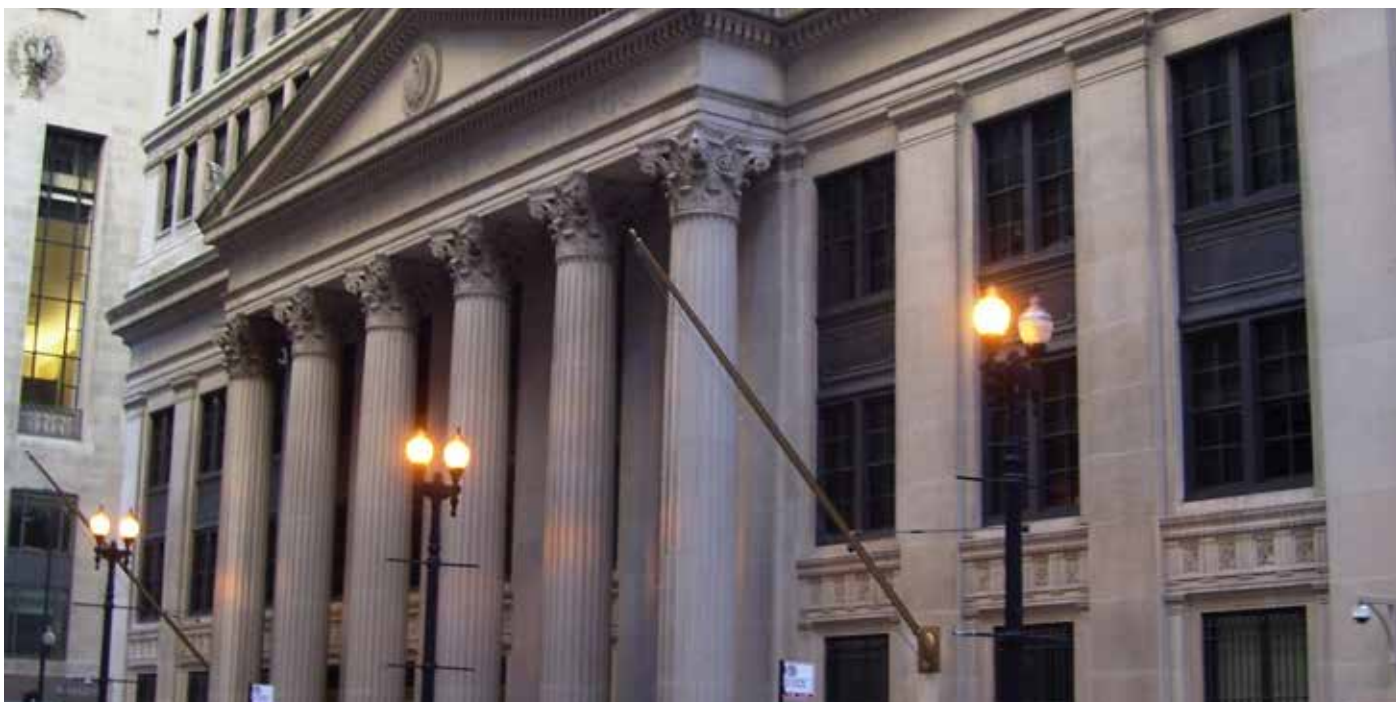
Composition of banking industry assets	1-4
Loans by economic activity	4-6
New loans	6-6

Part II

News from the banking industry	7-10
--------------------------------	------

Disclaimer: This publication is a product of the staff of the Kosovo Banking Association. The findings, interpretations and conclusions expressed in this publication do not necessarily reflect the views of the banking sector or the members of the banking association. The Kosovo Banking Association uses valid sources but it does not guarantee the accuracy of the data included in this work.

Copyright statement: The material in this publication is copyrighted. Copy or transmitting portions or all of this work without permission may be a violation of applicable law.



STRUCTURE OF ASSETS OF THE BANKING INDUSTRY

A total of ten commercial banks operate today in Kosovo, from which last year, the tenth commercial bank has received its license. The banking industry in Kosovo constitutes 70.8% of total assets of the financial system. Therefore this edition will address one of the main components of the financial system. Kosovo's economy is considered to be relatively new but characterized by a rapid development of the financial system. In this context, the banking industry has also increased consistently, whereby at the end of 2014 has reached a value of assets in the amount of 3,186.8 million Euro.

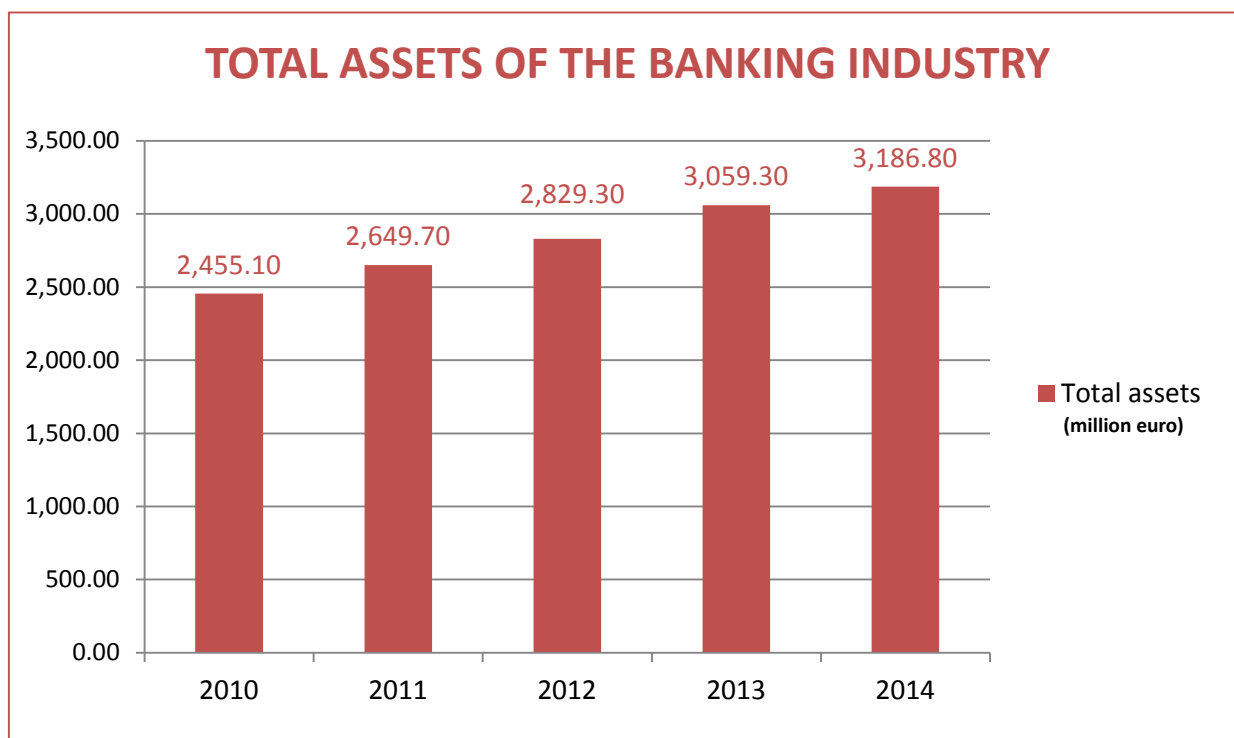


Fig. 1 | Source: CBK – Balance Sheet of Other Depository Corporations

The assets of the banking industry have increased consistently from year to year, making it the bearer of economic development in the country. If viewed in a longer term, i.e. within a period of four years (2010-2014), the assets of this industry have increased by 29.8%.

STRUCTURE OF ASSETS OF THE BANKING INDUSTRY					
					Million Euro
Description	2010	2011	2012	2013	2014
Cash and balances with CBK	307.0	331.5	425.7	463.3	454.2
Balance with commercial banks	439.1	329.5	287.9	339.9	383.8
Securities	173.4	202.0	256.6	354.5	383.8
Loans and leasing	1,458.7	1,698.1	1,763.4	1,805.8	1,882.5
Fixed assets	44.0	47.4	57.7	55.5	53.7
Other assets	32.9	41.3	38.1	40.3	28.7
Total assets	2,455.1	2,649.7	2,829.3	3,059.3	3,186.8

Tab. 1 | Source:CBK – Balance Sheet of Other Depository Corporations

The structure of assets of the banking industry as shown in Table 1 is dominated by loans and leasing, followed by cash and balances with CBK, balance with commercial banks and securities.

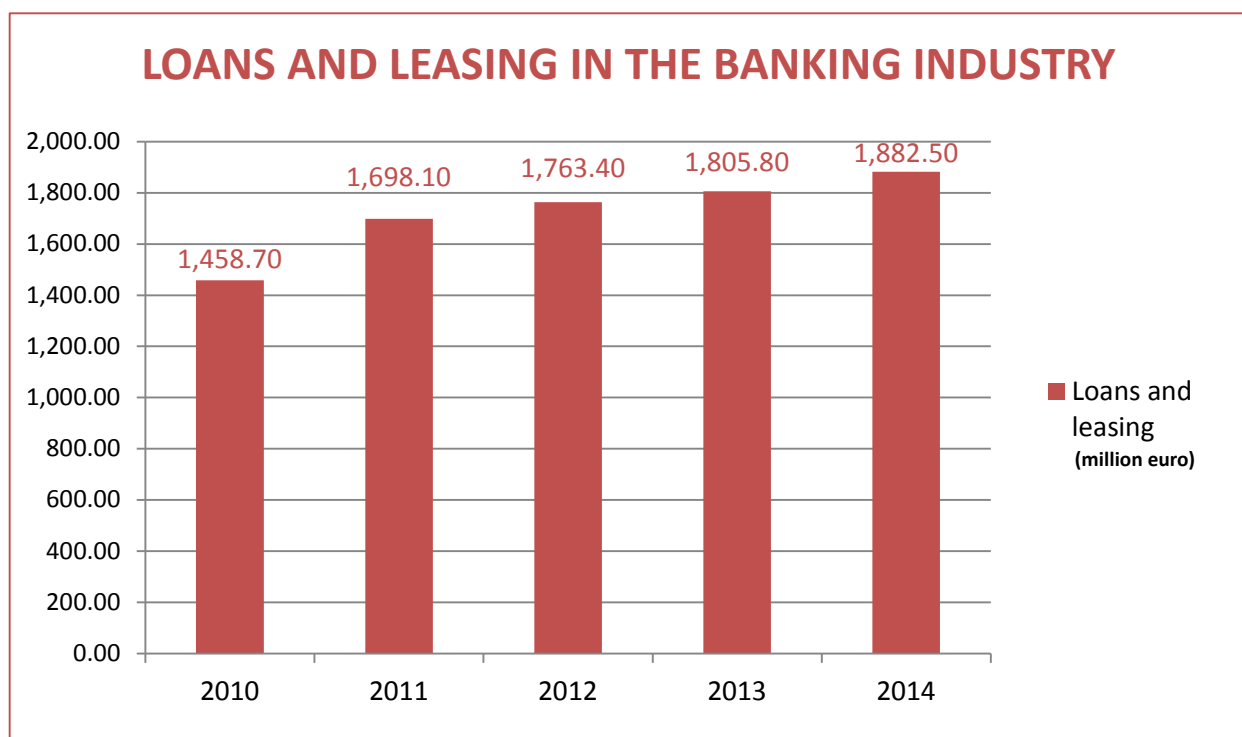


Fig. 2 | Source: CBK – Balance Sheet of Other Depository Corporations

In Figure 2 we can see that the value of loans and leasing at the end of 2010 was 1,458.7 million euro, which means that within a period of four years the value of loans and leasing have increased by 29% if comparing the periods 2010-2014. This illustrates that their value was increased in the same proportion with the increase in total assets of the banking industry, which means that loans and leasing were the main component of this growth.

Securities also recorded significant increases within this asset structure, in which case within a period of four years it ranked third in the components of assets along with the balance with commercial banks within the total assets of the industry.

The second component by value of the asset structure of the banking industry was cash and balances with

Central Bank of Kosovo, which also marked an increase in the structure of assets, except in 2014 when this amount was reduced to 14.3%. Following this, securities, balance with commercial banks, fixed assets and other assets are ranked in the respective order.

PARTICIPATION IN STRUCTURE OF ASSETS OF THE BANKING INDUSTRY					
Participation	2010	2011	2012	2013	2014
Cash and balances with CBK	12.5%	12.5%	15.0%	15.1%	14.3%
Balance with commercial banks	17.9%	12.4%	10.2%	11.1%	12.0%
Securities	7.1%	7.6%	9.1%	11.6%	12.0%
Loan and leasing	59.4%	64.1%	62.3%	59.0%	59.1%
Fixed assets	1.8%	1.8%	2.0%	1.8%	1.7%
Other assets	1.3%	1.6%	1.3%	1.3%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Tab. 2 | Source: CBK – Balance Sheet of Other Depository Corporations

As seen in Table 2, it can be noted that the structure of total assets of the banking industry was dominated by loans and leasing, although in the past three years, there has been a slight tendency to decrease in the context of total assets. Growth was recorded in cash, with the exception of last year, the balance with commercial banks in the past two years and especially securities during the comparative period.

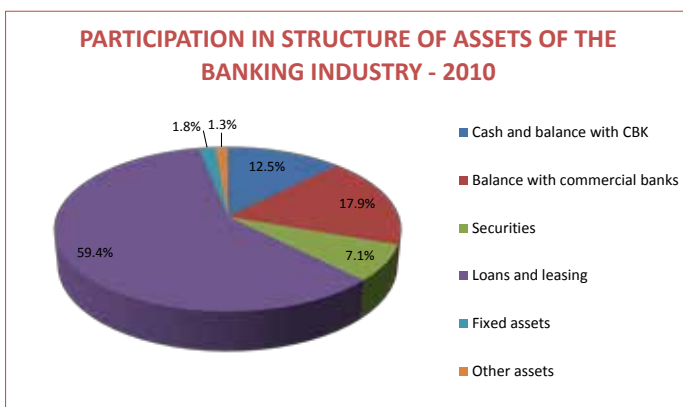


Fig. 3 | Source: CBK – Balance Sheet of Other Depository Corporations

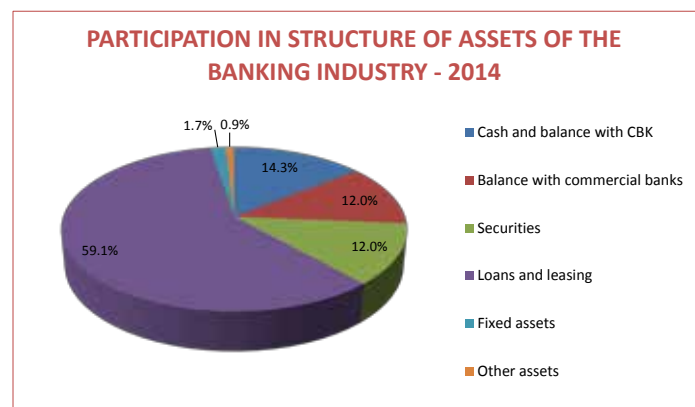


Fig. 4 | Source: CBK – Balance Sheet of Other Depository Corporations

If we compare the data between 2010 and 2014, as presented in Figure 3 and 4, we can observe that loans and leasing expressed as a percentage of assets within the banking industry remained roughly the same within the total assets' structure, while the balance with commercial banks declined. Securities recorded significant increases in this composition. So, analyzing generally, within the comparative period, the composition of assets of the banking industry has not changed considerably and has been dominated by loans and leasing that banks have issued to their customers; and small movements of other components of assets, mainly securities.

ANNUAL INCREASE/ DECREASE OF THE STRUCTURE OF ASSETS OF THE BANKING INDUSTRY				
Description	2011	2012	2013	2014
Cash and balances with CBK	8.0%	28.4%	8.8%	-2.0%
Balance with commercial banks	-25.0%	-12.6%	18.1%	12.9%
Securities	16.4%	27.0%	38.2%	8.3%
Loans and leasing	16.4%	3.8%	2.4%	4.2%
Fixed assets	7.6%	21.7%	-3.7%	-3.2%
Other assets	25.8%	-7.8%	5.6%	-28.6%
Total assets	7.9%	6.8%	8.1%	4.2%

Tab. 3 | Source: CBK – Balance Sheet of Other Depository Corporations

Table 3 shows the movement as a percentage increase or decrease from year to year of total assets and other components within the assets of the banking industry. Total assets of the banking industry had increased continuously, while in 2014 this increase was smaller compared to previous years.

Loans and leasing as the largest component of the structure of assets had also increased in all comparative years, although this increase in the last year was smaller compared with other periods similar to total assets. Fixed assets, other assets and cash were reduced in 2014 compared to 2013. One of the reasons of this occurrence is last year's banking industry was oriented to the advancement and increased use of services and electronic products, which has led to the need for physical presence or even cash to be lower in comparison to previous periods, while other key values of the structure of assets (such as loans) have increased continuously. This strategy followed by the banking industry towards the development and advancement of electronic technology is also in line with the national strategy of payments compiled by the Central Bank of Kosovo.

LOANS BY ECONOMIC ACTIVITY

Within the banking industry assets, loans constitute the majority of them. Loans issued to the economic operators constitute the majority of total loans.

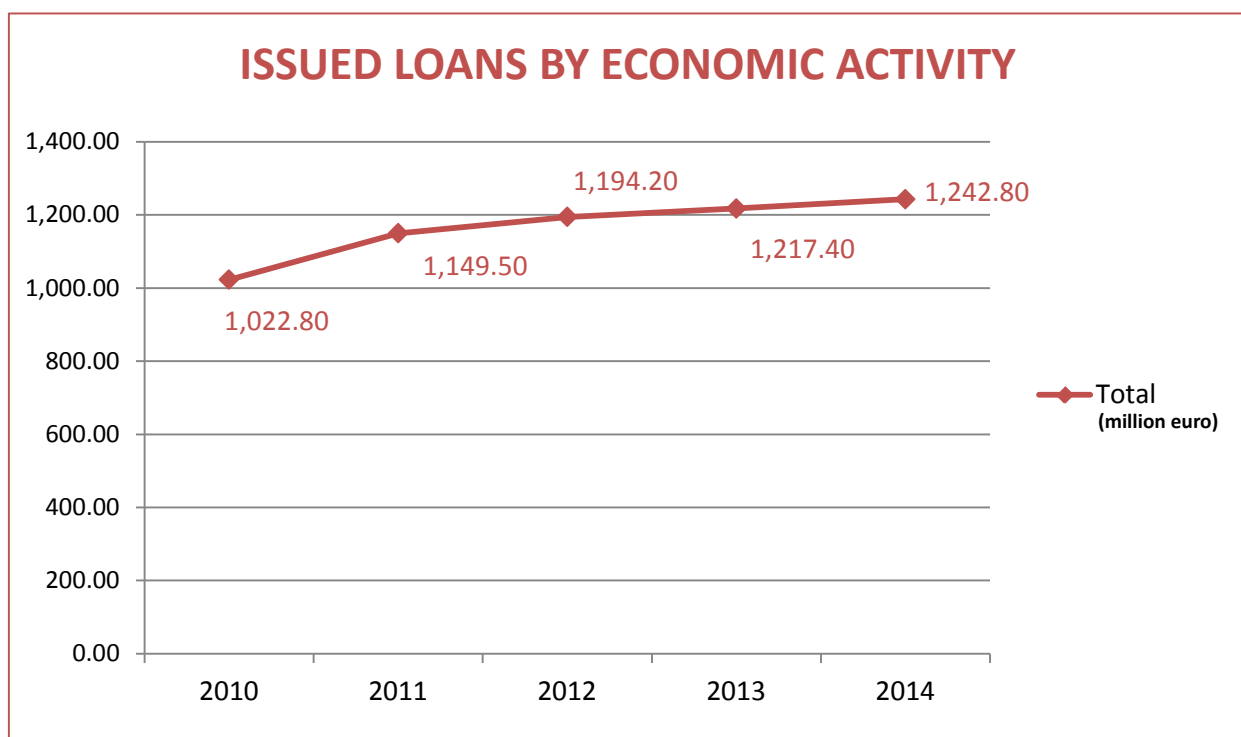


Fig. 5 | Source: CBK – Other depository corporations loans by economic activity

Figure 5 shows that the value of loans issued for economic activities at the end of 2014 had grown by 25.4 million Euro compared to 2013, while in comparison with 2010, this represents an increase of 220 million Euro or 21.5%.

LOANS BY ECONOMIC ACTIVITY										
										Milion euro
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
2010	38.2	14.6	127.6	18.0	109.1	521.2	39.5	18.9	135.6	1,022.8
2011	40.5	17.2	136.7	14.5	116.3	606.2	39.9	23.4	154.9	1,149.5
2012	43.6	16.2	133.1	15.9	125.2	635.3	38.8	22.7	163.3	1,194.2
2013	45.8	20.1	131.7	20.8	118.7	640.6	49.2	19.1	171.3	1,217.4
2014	49.4	19.7	148.9	17.1	104.2	664.0	49.7	17.1	172.6	1,242.8

Tab. 4 | Source: CBK – Other depository corporations loans by economic activity

Within total loans by economic activity, the majority consisted of loans issued for trade. As seen in Table 4 loans issued to the trade sector had grown steadily during this comparative period, thereby increasing its share within total loans. This is followed by loans issued for other services, manufacturing purposes, construction and others.

PARTICIPATION OF LOANS BY ECONOMIC ACTIVITY										
Description	Agriculture	Mining	Manufacturing	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
2010	3.7%	1.4%	12.5%	1.8%	10.7%	51.0%	3.9%	1.9%	13.3%	100.0%
2011	3.5%	1.5%	11.9%	1.3%	10.1%	52.7%	3.5%	2.0%	13.5%	100.0%
2012	3.7%	1.4%	11.1%	1.3%	10.5%	53.2%	3.2%	1.9%	13.7%	100.0%
2013	3.8%	1.7%	10.8%	1.7%	9.8%	52.6%	4.0%	1.6%	14.1%	100.0%
2014	4.0%	1.6%	12.0%	1.4%	8.4%	53.4%	4.0%	1.4%	13.9%	100.0%

Tab. 5 | Source: CBK – Other depository corporations loans by economic activity

Table 5 shows that trade in all comparative years comprises more than half of the loans by economic activity, followed by loans to other services, loans for manufacturing, construction, agriculture, etc.

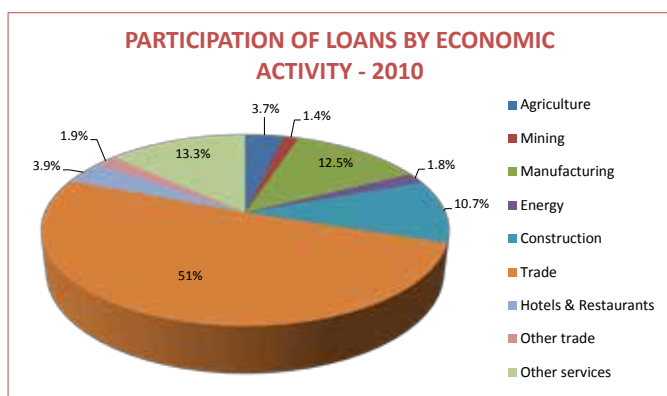


Fig. 6 | Source: CBK – Other depository corporations loans by economic activity

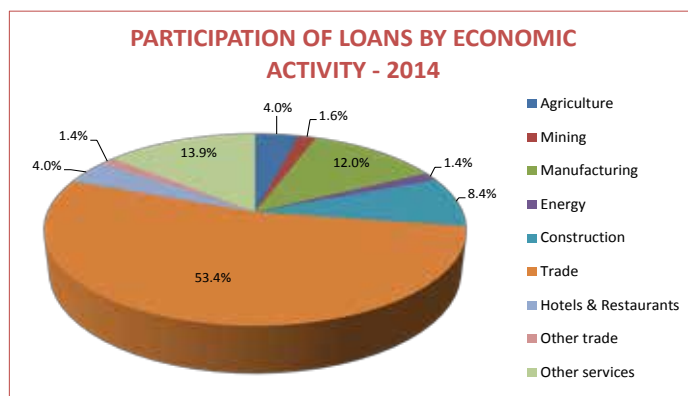


Fig. 7 | Source: CBK – Other depository corporations loans by economic activity

Loans issued by economic activity have not changed much in their composition, when compared over the years. This can be seen through the presented figures 6 and 7, where it's visible that this composition was dominated by loans issued for trade with 51% (2010), respectively 53.4% (2014), followed by manufacturing with 12.5% (2010), respectively 12% (2014), then construction and other economic sectors.

NEW LOANS

New loans in the banking industry were dominated by loans issued to non-financial corporations compared to loans issued to households. In all the comparative periods throughout the years, an increase in new loans for both categories can be observed.

NEW LOANS IN THE BANKING INDUSTRY			
			Million euro
Description	Non-financial corporations	Households	Total
2010	491.3	240.5	731.8
2011	508.4	293.7	802.1
2012	468.4	275.9	744.3
2013	467.9	294.1	761.9
2014	615.4	378.5	993.9

Tab. 6 | CBK –Other Depository Corporations New Loans

As seen in Table 6, in relation to 2010, total new loans in 2014 grew by 35.8%. The year 2014 also marked a record value of new issued loans by the banking industry within a year.

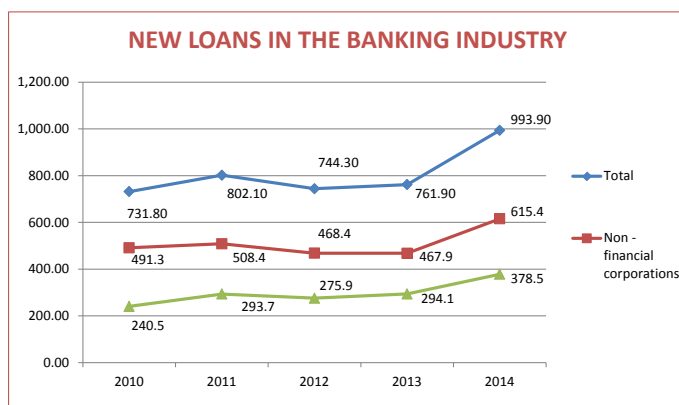


Fig. 8 | Source: CBK –Other Depository Corporations New Loans

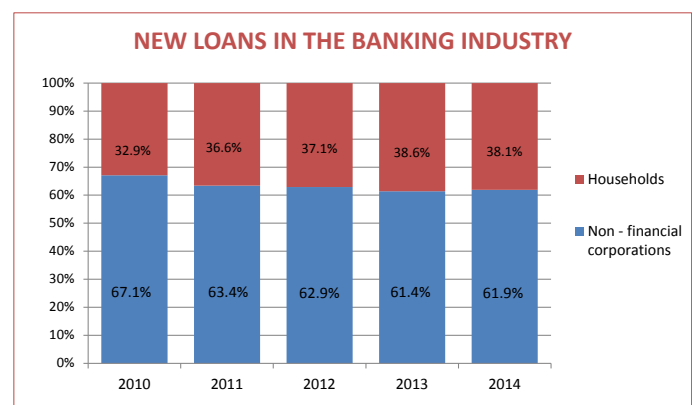


Fig. 9 | Source: CBK – Other Depository Corporations New Loans

Figure 8 and 9 presented show that the distribution of loans to non-financial corporations and households over the years has been roughly the same, without major changes, even though there is a slight increase in the participation of loans to households with the exception of last year (2014) when their share was reduced within the total new loans.

REFERENCES

Central Bank of the Republic of Kosovo, Balance Sheet of Other Depository Corporations (December 2014), <http://bqk-kos.org/?id=55>;

Central Bank of the Republic of Kosovo, Other depository corporations loans by economic sectors (December 2014), <http://bqk-kos.org/?id=55>;

Central Bank of the Republic of Kosovo, Other Depository Corporations New Loans (December 2014), <http://bqk-kos.org/?id=55>;

PART II

BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF FEBRUARY

JOB FAIR ORGANIZED BY KBA AND EUICC

Approximately 200 young people whom are currently attending or have obtained Bachelor or Master degrees in relevant study fields, used the opportunity provided by the Job Fair with commercial banks held at the EU Information and Cultural Centre in Prishtina to find out more about employment or internship prospects in the banking industry.

The Fair was held at the EU Information and Cultural Centre (EUICC) in Prishtina in co-operation with the Kosovo Banking Association (KBA) and was attended by five commercial banks: Raiffeisen Bank, Pro Credit Bank, NLB Prishtina, National Commercial Bank and İşBank.

The representatives of the participating banks presented their professional internship and employment opportunities to all interested individuals, while collecting CV's from those who expressed interest for employment in the banking sector.

Job Fair gave students and graduates a chance for one-on-one meetings with bank representatives tasked with recruiting successful candidates. In addition, the Fair provided a more realistic overview of the labour market in the banking industry, which is particularly attractive for young people. This way, the students had the opportunity to learn that this is a very competitive market and that they should develop good professional competences for a career in the banking sector.

The Executive Director of the Kosovo Banking Association, Petrit Balijs, underlined the importance of uniting efforts as key for alleviating unemployment in Kosovo.

“Jobs are the solution to a vast array of issues that our young country is facing. Therefore, it is paramount that not only the Government of Kosovo, but the private sector, nongovernmental organization and civil society, universities and colleges, and media get in motion so that all of us can contribute to reducing the unemployment rate and improve employment prospects for the young people of Kosovo” stated Mr. Balijs. The Job Fair with commercial banks is a part of the EU Information and Cultural Centre’s campaign for economic development. (Zeri, Kosova Sot, Telegrafi, 27 February, 2015)



TURKEY REQUIRES IMPROVEMENT OF THE BUSINESS ENVIRONMENT

Kosovo should further improve the business environment in order to attract foreign investors. In terms of attracting foreign investments, Kosovo is not in good standing, mainly because investors send their capital to countries that offer business incentives. These concerns were discussed during the meeting of members of the Kosovo-Turkey Chamber of Commerce (KTCC) with the Minister of Economic Development, Blerand Stavileci, who discussed the business climate in the country. Topics of recent changes in Kosovo were also addressed, illegal exodus in Europe, the reforms envisaged by the Government, sectors of potential for investment in Kosovo, as well as the investment environment and cooperation. (Kosova Sot, February 5, 2015).



NEW 1 AND 2 EURO COINS LAUNCHED

Since yesterday, Spain has launched new coins of 1 and 2 euro denomination, featuring the face of King Felipe VI, which will gradually replace the previous coins with the image of his father, Juan Carlos. In a statement released today, the Ministry of Economy in Spain, informed that it is projected to release in circulation four million coins per year. New coins will gradually replace the old ones. The changing image of the monarchy features only one side of the coin, while the other one will still show the value of either 1 or 2 Euro. (Zeri, Telegrafi, February 5, 2015)



KEEPING THE FRANC TO THE MINIMUM



The Swiss National Bank, seems that after its decision to remove the fixed exchange rate of the franc towards euro, decided to impose the minimum exchange rate against the euro, a decision which will cost to the state. The article of the Swiss newspaper "Schweiz am Sonntag" which quotes an anonymous source at the Swiss National Bank, pretend to keep it at the minimum between 1.05 – 1.10 francs. The objective which is not made public would cost the Swiss National Bank 10 billion francs. (Zeri, February 4, 2015).

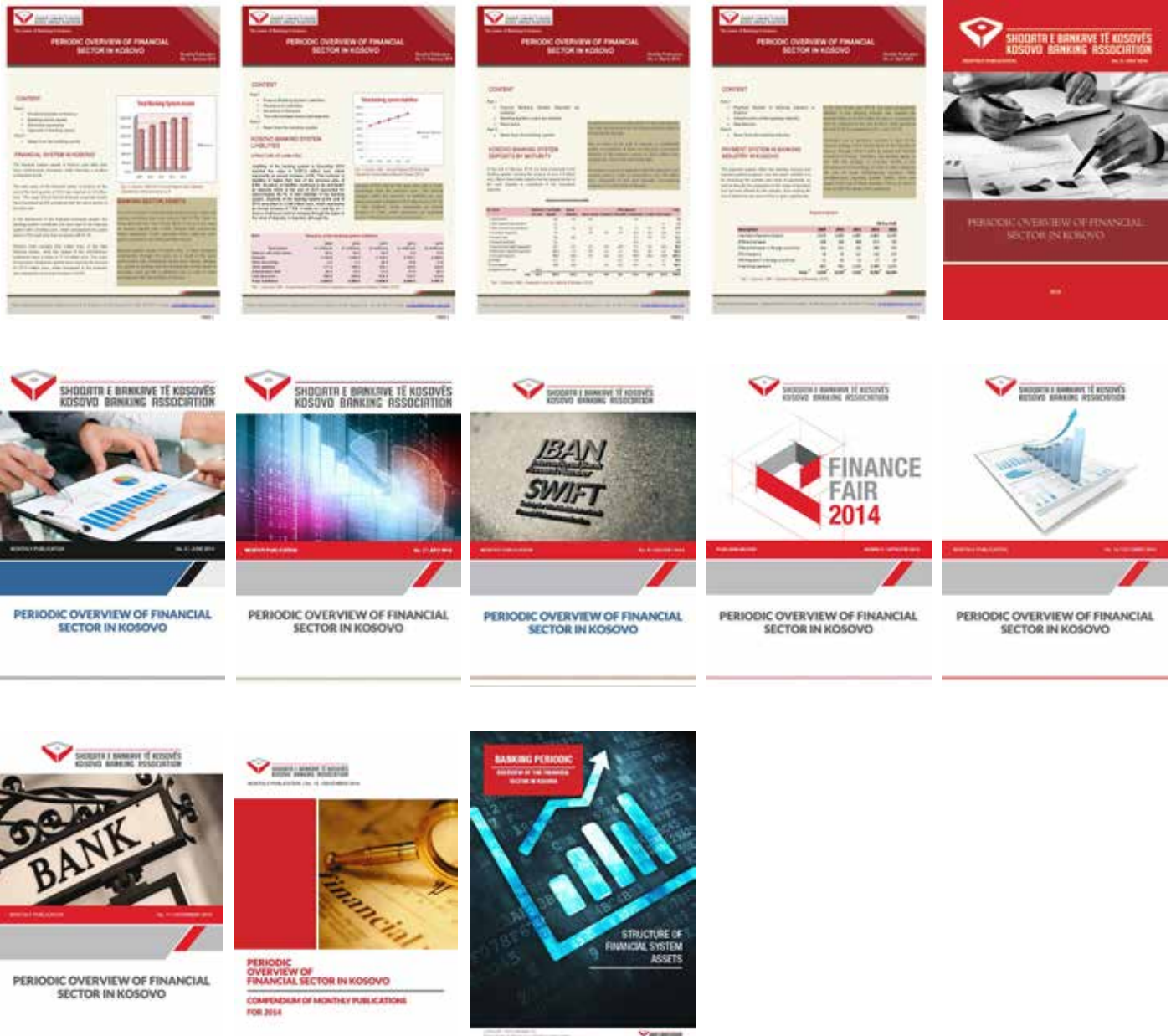
EU PREDICTS ECONOMIC GROWTH OF 1.3 PERCENT IN 2015

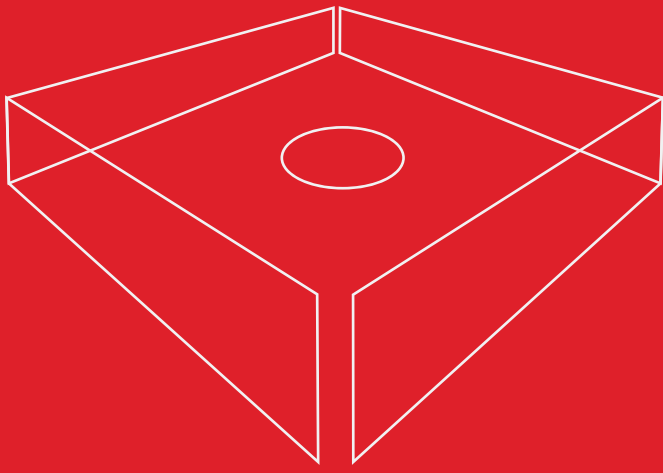
The European Union published its latest report on the economic situation, forecasting a modest increase in 19 eurozone countries, despite the recent decline in oil prices and the euro. EU economic officials forecast that this year's economic growth in the eurozone will be 1.3%, marking an increase of 1.1% from last November's assessment. At the same time, the forecast for the 28 member countries of the EU estimate the first economic growth of 1.7% after 8 years, combined with the expansion. (News Agency Ekonomia, February 6, 2015).



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.





Training Center for Banking

TRAININGS PLANNED FOR 2015:

Assets and Liability Management | 19 – 21 January

Basic Banking Products | 26 – 28 January

Train the Trainers –Project for Customer Education
23 -24 February

Train the Counsels – Project for Customer Education
25 -27 February

Project Management | 16 -18 March

Advanced Negotiations tactics | 29 -31 March

EFCB certification | starts on April 6th

Improving Service, Communication and Sales | May

Internal Audit and Control | 18 -20 May

Managing Technological Risks

Serving clients on social media

Business documentary –Letters of credit and guarantees

Project Financing



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

038 246 171

kbtraining@bankassoc-kos.com

www.bankassoc-kos.com



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION