

# BANKING PERIODIC

## OVERVIEW OF THE FINANCIAL SECTOR IN KOSOVO

## LOAN TO DEPOSIT RATIO

# BANKING PERIODIC



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

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The views and opinions expressed in this publication are a summary of the discussions by panels of the Finance Fair 2015. These views and opinions do not necessarily reflect the views of the Kosovo Banking Association. This review will serve as a reflection on what has been concluded from the discussions at the two-day conferences and opening of the Finance Fair 2015 so that the relevant institutions can take respective measures to improve the business environment in Kosovo.

# LOAN TO DEPOSIT RATIO

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## RATIO OF GROSS LOANS AND LEASES TO DEPOSITS

The banking industry in Kosovo has continuously recorded growing values for its two main indicators that are deposits and loans of the industry. These indicators represent two very important factors that represent security, stability and sustainability for the banking industry. The stability and sustainability of the banking industry are of particular importance to the citizens of Kosovo to have credibility towards this industry, trusting their funds/ deposits to this sector to develop its commercial lending activity, but also to develop other related products.

The banking industry in Kosovo has not only recorded increasing values for both these indicators, but it has also managed deposits and loans better, always, by not exceeding the 80% relation of loans issued compared to deposits.

GROSS LOANS IN RELATION TO DEPOSITS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Deposits	1,936.8	2,104.0	2,279.1	2,449.0	2,537.5	2,628.3
Gross loans and lease	1,458.7	1,698.1	1,763.4	1,805.8	1,882.4	2,015.3
Ratio	75.3%	80.7%	77.4%	73.7%	74.2%	76.7%

Tab. 1 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As seen in Table 1, the banking industry in Kosovo has reached the highest value of loans ever recorded of 2,015 million Euros issued by November 2015, while deposits amounted to 2,628 million Euros by the end of November 2015. Like every other business operating in Kosovo, the banking industry has also faced difficulties and different challenges during its activity, which has made the level of market risk in which they operate to be considered higher. However, in recent years, significant improvements have been marked in this respect and despite these challenges, as seen in Figure 1; trends show that deposits and loans are growing continuously.

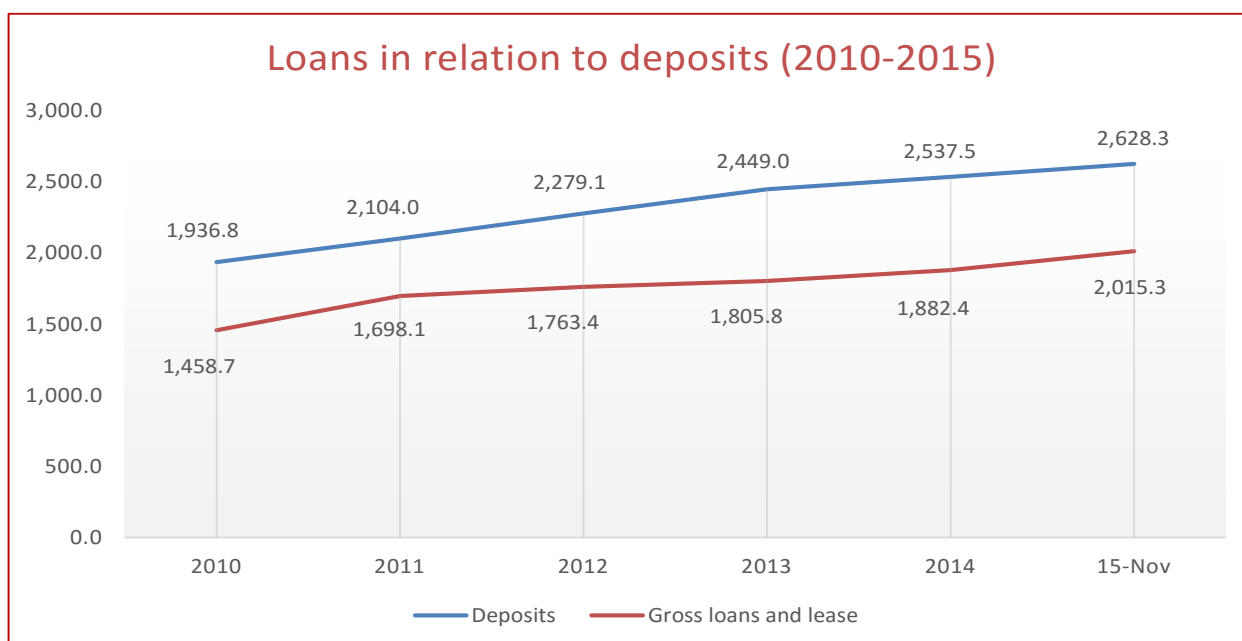


Fig. 1 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Maintaining the 76.7% ratio between loans issued and deposits that the banking industry has in its possession, shows that this industry is liquid and is able to cover all its obligations to the citizens at any time. However, the data and figures presented in the table above represent the gross data for both indicators, while next we will present the data and their ratio in sub-categories.



## RATIO OF LOANS TO DEPOSITS OF OTHER FINANCIAL CORPORATIONS, OTHER PUBLIC CORPORATIONS AND OTHER NON-FINANCIAL CORPORATIONS

The ratio of loan and deposit indicators for sub-categories differs significantly compared to gross loans and deposits, since some sectors of the economy have more liquid assets available, while others need more liquid assets, requesting loans from the banking industry, which actually represents the essence of lending, namely the intermediary role that the banking industry performs between these different sectors.

LOANS IN RELATION TO DEPOSITS FOR OTHER FINANCIAL CORPORATION'S (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Other financial corporation deposits	98.0	107.6	116.6	86.4	102.0	80.6
Other financial corporation loans	9.9	17.3	19.8	20.4	7.1	8.1
Ratio	10.1%	16.1%	17.0%	23.7%	7.0%	10.0%

Tab. 2 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As shown in Table 2, only 10% of other financial corporation deposits are credited to this economic sector, while the rest of deposits are used for lending to other sectors.

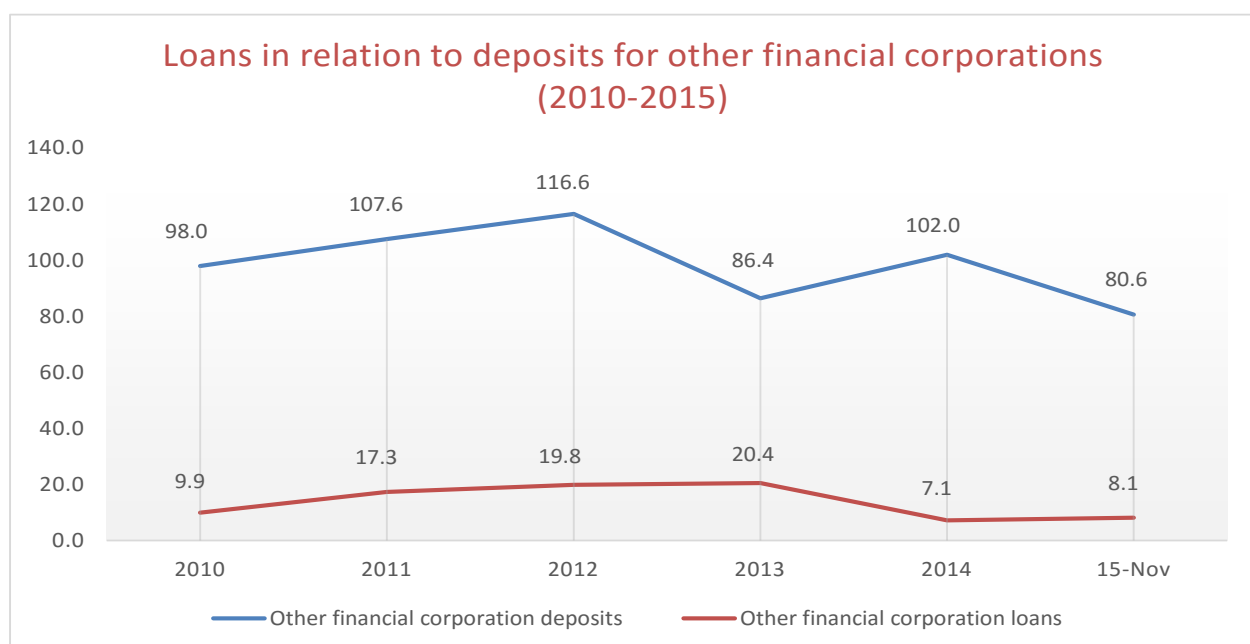
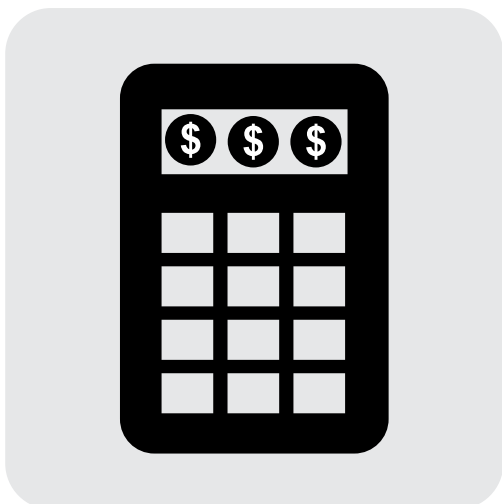


Fig. 2 | Source: CBK – Balance sheet of other depository corporations (January 2016)



Just like deposits, the value of loans has had a fluctuating trend over the years, which doesn't show a very sustainable stability of other financial corporations in the economy of Kosovo; although, the deposit values ranges between 80 to 116 million Euros between the comparative years.

The deposits and loans of other public corporations have an even smaller ratio of loans relative to deposits of the same sector, which can be seen in Table 3 below.

LOANS IN RELATION TO DEPOSITS FOR OTHER PUBLIC CORPORATIONS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Other public corporation deposits	126.6	128.6	75.6	72.1	61.8	36.2
Other public corporation loans	6.3	1.5	1.4	0.2	0.6	0.1
Ratio	4.9%	1.2%	1.9%	0.3%	1.0%	0.3%

Tab. 3 | Source: CBK – Balance sheet of other depository corporations (January 2016)

The ratio between these two indicators was only 0.3% in November 2015.

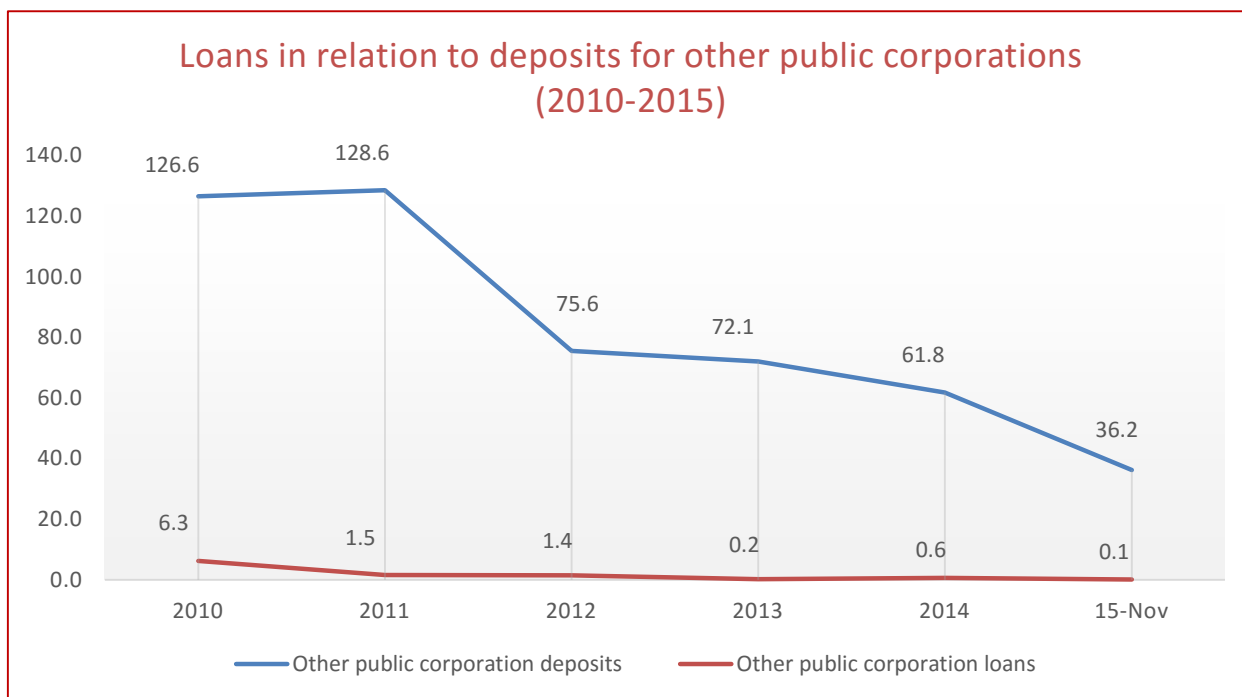


Fig. 3 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits, but also loans have decreased significantly for public corporations which mean that this sector's liquid assets in the banking industry have been reduced. This trend is shown in Figure 3.

The largest part of loans issued by the banking

industry to the citizens of Kosovo consists of loans to non-financial corporations, which includes the main part of Kosovo's businesses. Table 4 presents the values of deposits and loans of this sector.

LOANS IN RELATION TO DEPOSITS FOR NON-FINANCIAL CORPORATION'S (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Non-financial corporation deposits	301.9	287.8	335.7	397.7	396.5	440.3
Non-financial corporation loans	1,004.1	1,127.0	1,169.8	1,194.5	1,246.4	1,326.8
Ratio	332.6%	391.6%	348.5%	300.3%	314.4%	301.3%

Tab. 4 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Loans issued to this sector have exceeded the value of 1 billion Euros, while deposits have recorded a value of 440 million Euros. It is important to note that both indicators of this sector have continuously increased over the years, a trend which is seen in Figure 4.

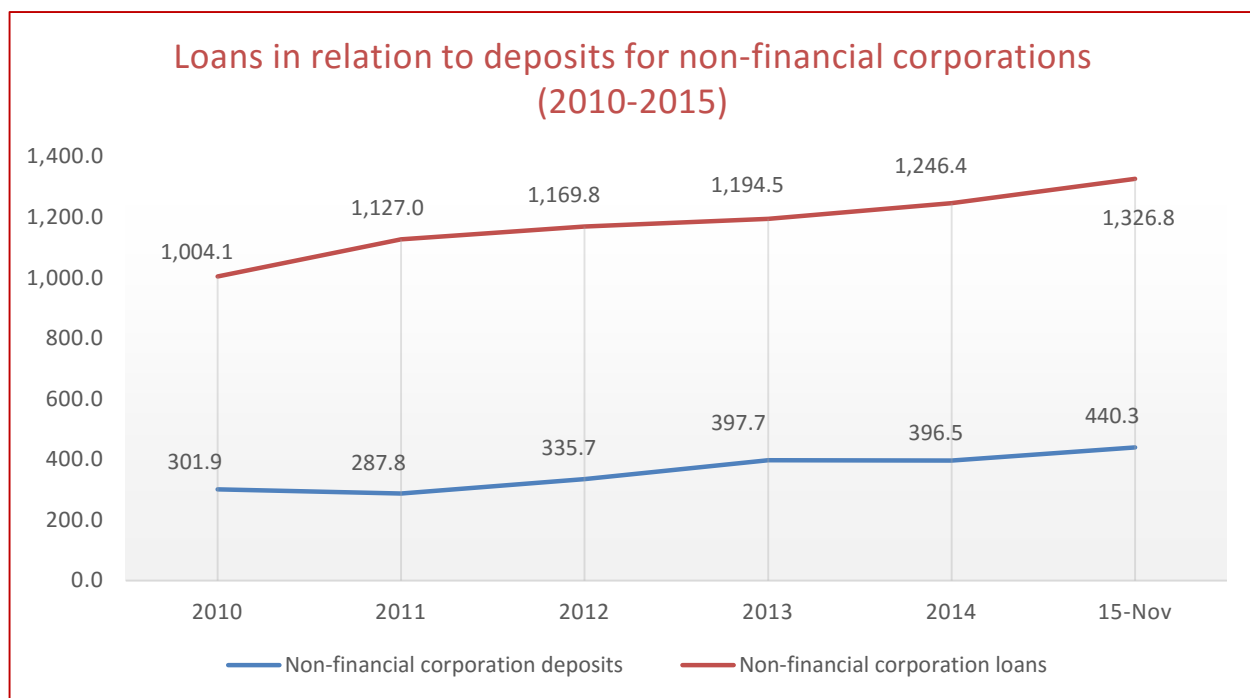


Fig. 4 | Source: CBK – Balance sheet of other depository corporations (January 2016)

As can be seen from Table 4, loans issued in relation to deposits of other depository corporations in November 2015 recorded a rate of 301.3%, which indicates that the banking industry utilizes the deposits of other sectors to credit this sector; mainly, household deposits which will also be addressed below. By November 2015, loans issued to this sector had increased by 6.4% compared to the end of 2014, while 4.3% was the increase in 2014 compared to 2013.

## RATIO BETWEEN DEPOSITS AND LOANS TO HOUSEHOLDS, NON FOR PROFIT ORGANIZATIONS, AND NON-RESIDENTS

While non-financial corporation's accounted for the majority of loans in the banking industry, households constitute the main part of the banking industry deposits. This indicates that a significant proportion of household deposits are used for lending to non-financial corporations, i.e. businesses. Data presented in Table 5 show the values of deposits and loans issued to households.

LOANS IN RELATION TO DEPOSITS FOR HOUSEHOLDS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
Household deposits	1,299.3	1,490.5	1,640.1	1,775.0	1,848.3	1,928.4
Household loans	434.2	510.9	542.6	563.9	621.6	673.5
Ratio	33.4%	34.3%	33.1%	31.8%	33.6%	34.9%

Tab. 5 | Source: CBK – Balance sheet of other depository corporations (January 2016)

In November 2015, the ratio between loans and deposits of households was 34.9%, which means that not all household deposits are used for lending to this category, but a substantial part is used to lend to other sectors. This ratio has been roughly the same over the years under comparison.

The two indicators of this sub-category have increased through the years which are taken into comparison basis. Their upward trend can be seen in Figure 5.

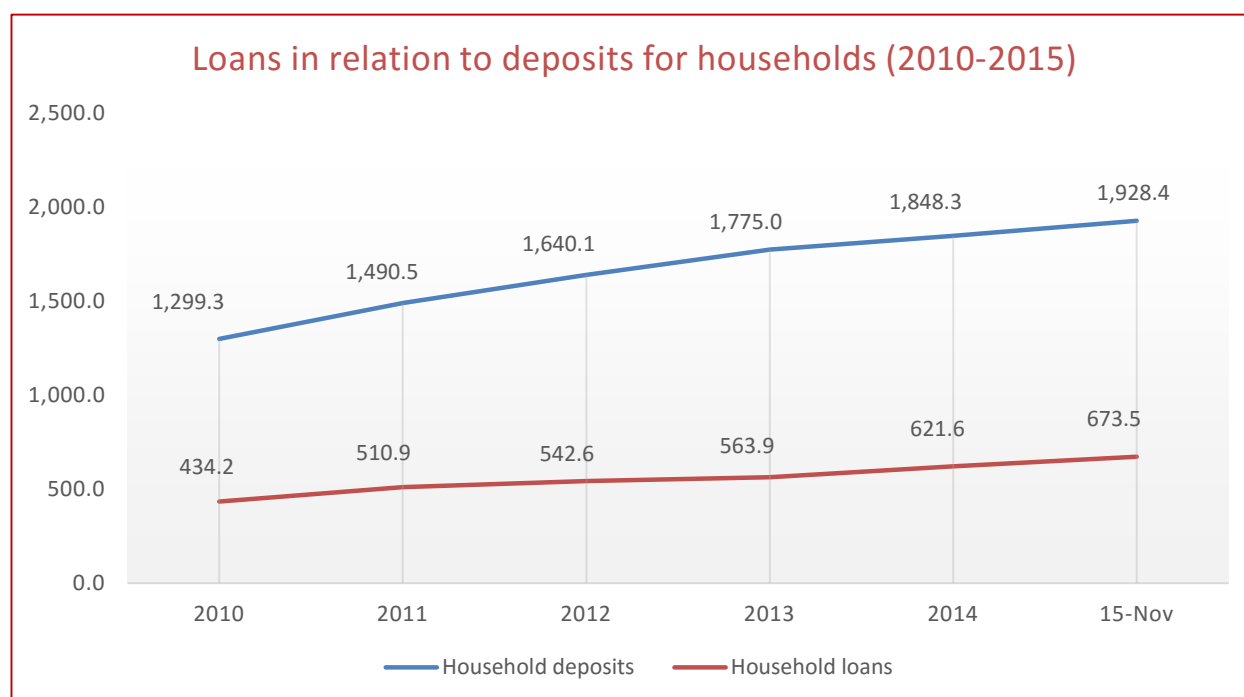


Fig. 5 | Source: CBK – Balance sheet of other depository corporations (January 2016)



It is important to note that household deposits increased by 4.3% in November 2015 compared to the end of 2014, while loans issued to this sub-category grew by 8.3% during the same period.

Deposits and loans to non for profit organizations make up a relatively small portion of these two indicators within the banking industry. Table 6 shows these values.



LOANS IN RELATION TO DEPOSITS FOR NOT FOR PROFIT ORGANIZATIONS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
NFP deposits	14.5	22.6	23.3	26.9	31.1	35.4
NFP loans	0.1	1.5	0.4	0.9	0.1	0.1
Ratio	1.0%	6.7%	1.7%	3.2%	0.5%	0.4%

Tab. 6 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits of non for profit organizations have increased over the years; nonetheless, their value has no significant weight in the total deposits of the banking industry. Yet, their upward trend, which can be seen in Figure 6, shows the upward trend of the activities of these organizations. Lending to this sector is very small, which can be observed not only by the value of loans issued, but also by the ratio between loans issued and deposits of these organizations.

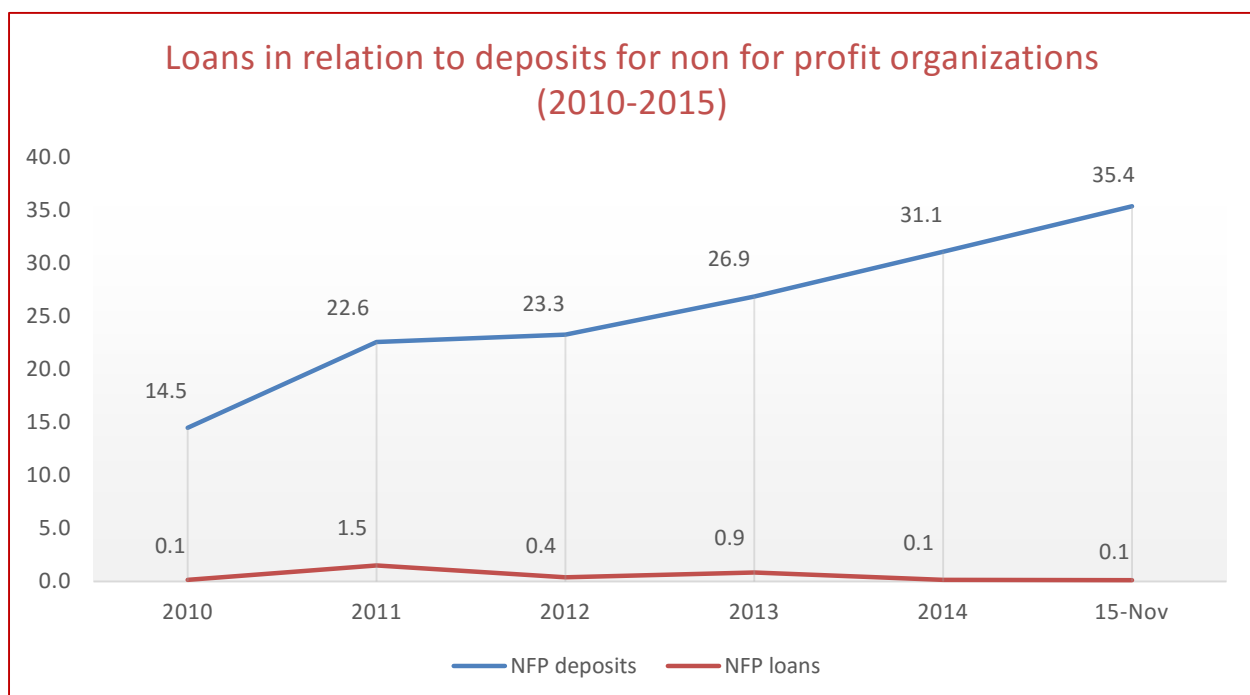


Fig. 6 | Source: CBK – Balance sheet of other depository corporations (January 2016)

In the banking industry, an important part of deposits is also comprised of those of non-residents. Table 7 presents data for this sub-category for the two indicators taken for comparison.

LOANS IN RELATION TO DEPOSITS FOR NON-RESIDENTS (2010-2015)						Million euro
Description	2010	2011	2012	2013	2014	15-Nov
NR Deposits	84.8	64.2	86.9	89.1	88.9	97.9
NR Loans	1.6	32.4	22.5	19.9	0.5	0.4
Ratio	1.9%	50.5%	25.9%	22.3%	0.5%	0.4%

Tab. 7 | Source: CBK – Balance sheet of other depository corporations (January 2016)

Deposits have marked a continuous growth in all the years taken for comparison, while loans issued for this sub-category have dropped significantly, especially in the past two years. This moving trend for both the indicators can be seen in Figure 7.

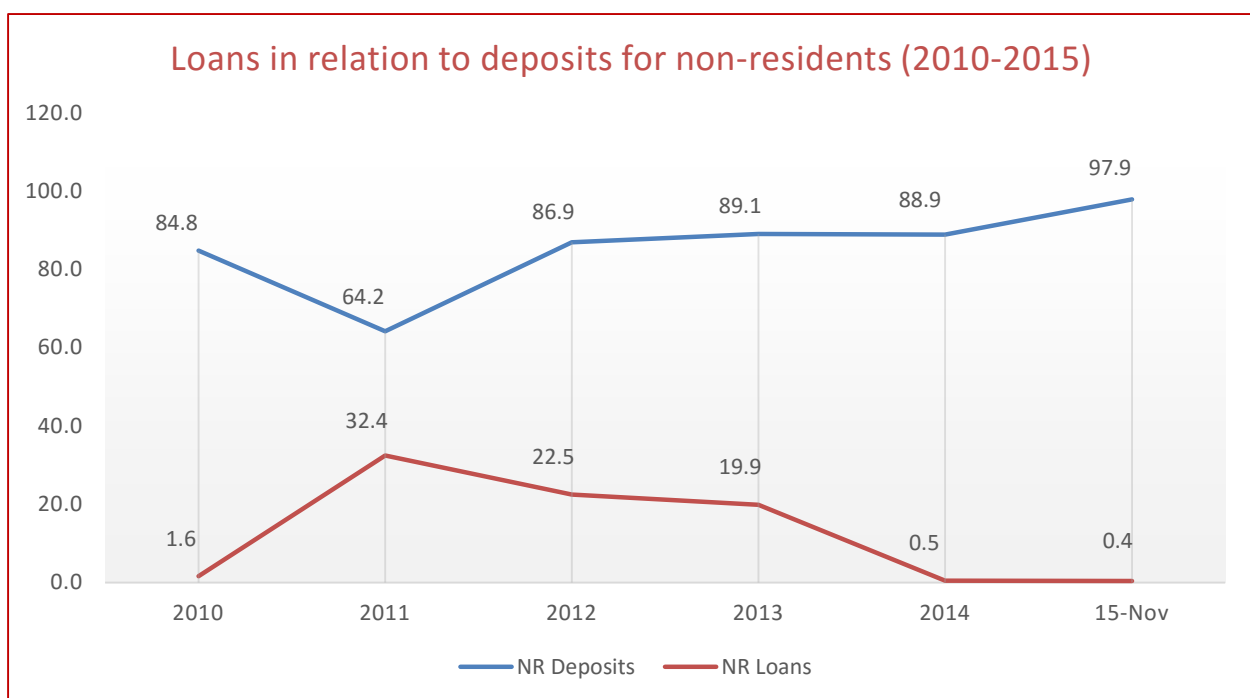


Fig. 7 | Source: CBK – Balance sheet of other depository corporations (January 2016)

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Central Bank of the Republic of Kosovo, Balance sheet of other depository corporations by maturity, January 2016, <http://bqk-kos.org/?id=55>;

## **PART II**

# **BANKING INDUSTRY NEWS THAT MARKED THE MONTH OF NOVEMBER**

## SAFE BANKS IN KOSOVO AND ALBANIA



Kosovo Banking Association is participating at the National Forum on Banking Security in Tirana. The official opening was conducted by the leaders of the Bank associations, respectively Mr. Petrit Balijs from Kosovo, and Mrs. Endrita Xhaferi from Albania. On this occasion, Mr. Balijs said that the safety of bank clients is one of the key objectives in the development of the banking sector in Kosovo. He stressed the importance of providing fast, easy and above all safe services to bank customers. Invited to the conference are representatives of state security institutions. (Kosovo Banking Association, Bota Sot, RTKlive, Lajmi.net, Ekonomia Online, 30 November 2015)

## LECTURE ON FINANCIAL LITERACY BY THE KOSOVO BANKING ASSOCIATION AS PART OF GLOBAL ENTREPRENEURSHIP WEEK

On November 21st, 2015, the 8th elective Assembly of the Student Council in Kosovo organized by the Kosovo Youth Council (NGO) was held as part of the Global Entrepreneurship Week. Valon Shehu – certified trainer for Financial Literacy through the Banking Customer Financial Education Project undertaken by Kosovo Banking Association and IFC, participated as a presenter at this event. Mr.

## KOSOVO'S FINANCIAL SECTOR REPRESENTED IN BERLIN

The annual meeting of the European Fund for Southeast Europe (EFSE) was held in Berlin, with the participation of leaders of the financial sectors for Southeast Europe. The executive director of the Kosovo Banking Association, Mr. Petrit Balijs was invited to the panel to represent Kosovo. The panel was also attended by the Governor of the Central Bank of Croatia Mr. Boris Vujcic, former Governor of the Bank of Serbia Mr. Radovan Jelasic, and other representatives from the Netherlands and the United Kingdom who discussed regarding many developments in global financial area.

The Governor and Deputy Governor of the Central Bank of Kosovo, representatives of banks and microfinance institutions, as well as representatives of EFSE office in Kosovo were also part of the Kosovo delegation. (Kosovo Banking Association, Zeri, RTKlive, Botapress, News Agency Ekonomia, Telegrafi, 23 November 2015)



Shehu gave a presentation about savings to 100 participants, mainly high school students.



## GLOBAL ENTREPRENEURSHIP WEEK IS BEING HELD



The Global Entrepreneurship Week is being celebrated in more than 160 countries simultaneously, from November 16th to 22nd. Global Entrepreneurship Week that started on Monday has brought together its supporting partners, who are increasing every year, from 12 in 2013 to 28 partners this year. Innovation Centre Kosovo (ICK), as the host of this week in Kosovo, along with its partners, are offering numerous events aimed at the promotion of entrepreneurship and innovation. Only in 2015, 10 million people are expected to directly participate in various activities throughout the world. (Kosova Sot, 19 November 2015)

## SAA IS RATIFIED BY 86 VOTES

As a continuance, in the absence of the opposition, voting was conducted for the approval of the SAA, Koha.net reports. 87 MPs were present in the hall. MPs approved the amendment to the addition of the word "Republic" preceding the name of the state - Kosovo, where 85 were pro. As a result of counting the votes, it was apparent that 86 MPs voted pro the SAA. The opposition MPs of Vetevendosje, AAK and Nisma had abandoned the Assembly hall earlier. (Koha Ditore, 3 November 2015)

## GROSS DOMESTIC PRODUCT PUBLISHED

Kosovo Agency of Statistics (KAS) is holding a conference organized on the occasion of the publication of "Gross Domestic Product" (GDP) for 2014, with expenditure and production approach, with current and constant prices. The introductory remarks will be held by the Chief Executive Officer of KAS, Isa Krasniqi, while the international guests that will also attend are: the General Director of Statistics in Sweden, Stefan Lundgren, and the representative of Eurostat, Marius Andersen. This is the first time that a CEO of an EU country visits KAS. Lundgren will speak on SCB's cooperation and joint projects between Statistics of Sweden and the Kosovo

# GDP

Agency of Statistics. Furthermore, Andersen will talk about the support of Eurostat for the GDP in Kosovo and other regional countries. Mr. Lundgren will speak with the KAS staff in the presence of media, during the time scheduled for the seminar, where discussions and questions and answers will take place. (Kosova Sot, 10 November 2015)



## UNESCO DIPLOMATIC FAILURE



The nearly one year long campaign of the Government of Kosovo to join the country in the United Nations Educational, Scientific, and Cultural Organization, UNESCO, has failed on Monday in Paris, where in the General Assembly of this UN organization, Kosovo was only three votes away from reaching the goal, writes Koha Ditore today. There were 92 countries that voted in favor of Kosovo's membership in UNESCO, 50 were against, and 29 countries abstained. The two-thirds majority necessary - 95 votes - was not reached by three votes. As soon as the results were announced by the Chairman of the Assembly, the hall erupted in applause from supporters of Serbia. Kosovo Serbs also celebrated Kosovo's denial for membership in UNESCO with flags and sirens.

Kosovo government officials involved in lobbying, who long before voting began boasted on having obtained the votes against the "rampageous" campaign of Serbia, refused to take responsibility for the failure. They are comforted by the fact that Kosovo was very close to being admitted, and that they will try again their membership in UNESCO in 2017, in the next General Assembly, which, as a rule, meets every two years. (Koha Ditore, 10 November 2015)

## DRAFT LAW THAT PREVENTS MONEY LAUNDERING IN 2016

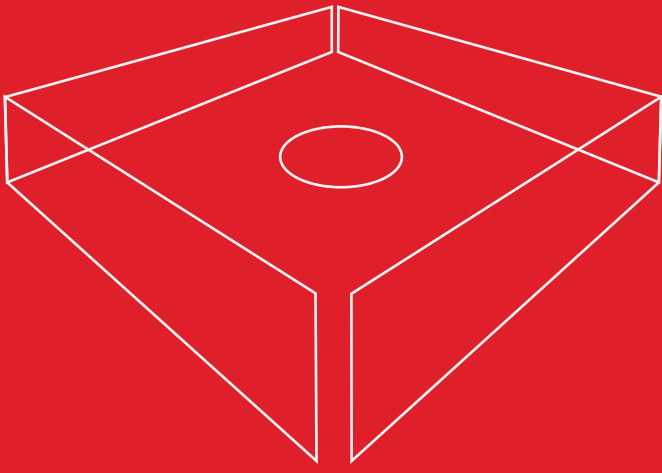
Kosovo's government failed to pass many important bills to the Assembly this year as well. One of them was the Amendment of the Law on the Prevention of Money Laundering and Terrorist Financing. Although this draft law was stipulated to be proceeded in Parliament in May this year, such a thing is not expected to be completed this year either. Muharrem Shahini, director of public relations office of the Ministry of Finance, told Tribuna Channel via email that this law will be carried forward to 2016. (Telegrafi, 16 November 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](http://www.bankassos-kos.com).





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Fundamentals of Compliance

Financial Security - International Sanctions and OFAC

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

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