



# PERIODIC OVERVIEW OF FINANCIAL SECTOR IN KOSOVO

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## KOSOVO BANKING SYSTEM DEPOSITS BY MATURITY

At the end of February 2014, the total of deposits in the banking system reached the amount of over 2.4 billion euro. Below listed table depicts that the largest portion of the total deposits is comprised of the household deposits.

Household deposits comprise 68.9% of the total deposits. The main income source for the Kosovo banking system is the household deposits.

Also, in terms of the total of deposits, a considerable portion is comprised of other non-financial corporations. Deposits of this category amount to 323.2 million euro, respectively 7.54% of the total of deposits.

An important source of deposits is also the deposit of non-resident persons, which is amounted to over 102 million euro. Compared to the total deposits, non-residents comprise 4.1% of the total of deposits.

Deposit by maturity (February 2014)

No. Sector	Deposits in non-euro	Transferrable deposits	Saving Deposits	Other deposits						Total
				Up to 1 month	1-3 month	3-6 months	6-12 months	1-2 years	Over 2 years	
1 Government		0.6	0.1	0.1	-	-	1.0	-	-	1.8
2 Other Depositing Corporation		5.1	-	-	-	-	-	-	0.7	5.8
3 Other Financial Intermediaries		1.9	0.8	1.0	-	1.6	7.1	0.1	0.4	12.9
4 Insurance Companies		5.9	-	1.9	0.4	4.9	33.7	13.1	12.0	71.7
5 Pension Fund		0.8	10.5	-	-	-	4.2	0.2	0.3	16.1
6 Financial auxiliaries		0.2	-	-	-	-	0.3	-	-	0.4
7 Non-Financial Public Corporation		10.7	0.2	4.4	6.5	22.0	1.3	1.0	12.2	58.4
8 Other Non-Financial Corporation		243.4	7.0	8.0	1.3	2.1	48.5	6.9	6.0	323.2
9 Consumer Deposits		466.6	365.3	6.4	15.6	23.3	440.0	191.5	173.8	1682.5
10 NPHSO		25.1	0.1	-	-	0.1	1.9	-	1.7	28.9
11 Non-resident		59.0	13.6	-	0.2	0.2	16.7	5.2	7.1	102.1
12 Deposits in non-euro	135.0	-	-	-	-	-	-	-	-	0.0
<b>Total</b>	<b>135.0</b>	<b>819.4</b>	<b>397.7</b>	<b>21.6</b>	<b>24.0</b>	<b>54.1</b>	<b>554.7</b>	<b>218.0</b>	<b>214.2</b>	<b>2438.8</b>

Tab. 1 | Source: CBK – Deposits in euro by maturity (February, 2014)

Insurance companies and other non-financial public corporations also comprise an important value of the total of deposits, respectively with insurance companies comprising 2.9% of total deposits, while 2.3% are derived from non-financial public corporations.

Out of the total deposits of the banking system, 33.5% are transferable deposits, 16.3% are saving deposits, while 44.5% are termed deposits. Non-euro currency deposits comprise 5.5% of their total. The largest portion of termed deposits is comprised of 6-12 months termed deposits or 22.7% of the total deposits. Deposits with maturity period from 1 – 2 years comprise 8.9% of the total of deposits, whereas those with maturity period of over five (5) years comprise 8.7%.

The banking system in Kosovo, at this level and this structure of deposits, where the main part of the deposits are transferable, adding the saving deposits and those termed deposits from 6-12 months, indicates that banking system can't issue loans in long term bases.

*“Out of the total deposits of the banking system, 33.5% are transferable deposits, 16.3% are saving deposits, while 44.5% are termed deposits. The largest portion of termed deposits is comprised of 6-12 months termed deposits or 22.7% of the total deposits.”*

## LOANS BY MATURITY

### Loans by maturity (February 2014)

No. Sector	Loans in non-euro	Loans by maturity					Total
		Up to 1 year	1-2 years	2-5 years	5-10 years	Over 10 years	
1 Other Financial Intermediaries	-	3.8	0.1	12.9	-	-	16.7
2 Insurance Companies	-	2.0	0.3	-	-	-	2.4
3 Non-Financial Public Corporation	-	0.1	-	-	0.1	-	0.2
4 Non-Financial Corporation	-	366.5	90.5	474.9	243.1	15.1	1,190.0
5 Consumer Loans	-	60.1	32.7	216.3	212.7	37.6	559.3
6 NPHSO	-	-	0.1	0.3	0.2	-	0.6
7 Other Non-Depositing Corporation	-	-	0.1	2.2	16.7	0.1	19.1
8 Other Non-Financial Corporation	5.9	-	-	-	-	-	5.9
<b>Total</b>	<b>5.9</b>	<b>432.4</b>	<b>123.7</b>	<b>706.6</b>	<b>472.9</b>	<b>52.8</b>	<b>1,794.2</b>

Tab. 2 | Source: CBK – Loans in euro by maturity (February, 2014)

In February of 2014, the total value of loans issued by the banking sector amounted to 1.79 billion euro.

Most of the loans issued by the banking sector have maturities of 2 to 5 years, which comprise 39.3 % of the total issued loans.

Loans issued with maturity of 5 to 10 years account for 26.3 % of total loans issued, while 24 % are loans with maturity of up to one year.

Within loans granted to households, most of the loans have a maturity of 2 to 5 years, which constitute 38.6 % of total loans issued to households, while 38% are loans with maturity of 5 to 10 years.

Even in non-financial corporations, loans issued with maturities of 2 to 5 years constitute the majority with 39.9 % of total loans issued to these corporations, while 30.7 % are loans of maturity of up to one year.

### NEW LOANS

During the month of February 2014, 57.8 million euro of new loans were issued, of which 36 were issued to non-financial corporations, while 21.8 were issued to household. Of the total new loans issued during this period, 27 % have a maturity of 1 to 5 years.

### New Loans (February 2014)

Description	Investing Loans			Non-investing Loans			Loans with favorable terms	Total
	Up to 1 year	1-5 years	Over 5 years	Up to 1 year	1-5 years	Over 5 years		
Non-Financial Corporation	0.7	13.6	3.0	2.6	8.6	1.2	6.3	36.0

Description	Consumer Loans	Mortgages			Loans with favorable terms		Other loans	Total
		Up to 1 year	1-5 years	Over 5 years				
Consumer Loans	15.4	-	2.1	1.6	1.8	0.9	21.8	

Tab. 3 | Source: CBK – New Loans (February, 2014)

## LOANS BY ECONOMIC ACTIVITY

### Loans by economic sectors

Year	Agriculture	Mines	Production	Energy	Construction	Trade	Hotels & Restaurants	Other trade	Other services	Total
Feb-14	45.3	20.7	135.1	16.7	114.0	643.5	47.8	19.5	169.0	1211.5
Feb-13	44.7	15.6	135.5	14.3	126.3	640.3	40.3	22.8	159.4	1199.2
Feb-12	39.4	17.8	131.7	14.1	126.5	605.5	39.6	25.6	147.7	1147.9
Feb-11	37.6	12.5	128.4	12.3	115.3	542.2	38.9	21.7	137.4	1046.2
Feb-10	38.1	13.5	132.9	9.2	98.8	456.7	37.4	24.8	107.6	918.9

Tab. 4 | Source: CBK – Loans by economic activity (February, 2014)

According to their economic activity, 1.2 billion euro were issued in loans by the end of February 2014. Of the total loans issued, most loans comprise loans issued for trade, respectively 53.1%. 3.7% of total loans issued as per economic activity consist of those that have been issued for the agricultural sector.

It is important to affirm that agricultural loans at fair value have been steadily increasing, albeit gradually, while their share in total loans issued as per economic activity has remained roughly the same.

Productivity is another important sector for economic development in the country and also in the composition of loans issued within the banking sector.

### LOANS BY SECTORS

Regarding the loans issued by the banking sector until February 2014, 66.3 % cover the loans issued to non-financial corporations. It is important to note that the composition of these loans within the frame of total loans has been approximately the same in the past years.

Households continue to represent substantial part of total issued loans with a percentage of 31.1% in 2014. Even to this type of loan issued, the composition has been approximately the same in the context of total loans compared with previous years.



### Loans by sectors 2010-2014

No. Sector	Feb-14	Feb-13	Feb-12	Feb-11	Feb-10
1 Other Financial Intermediaries	16.7	16.1	14.6	7.6	1.5
2 Insurance Companies	2.4	3.0	1.5	2.9	0.8
3 Non-Financial Public Corporation	0.2	0.4	1.3	0.3	7.5
4 Non-Financial Corporation	1,190.0	1,176.9	1,130.7	1,032.6	907.6
5 Consumer Loans	559.3	540.9	504.6	436.0	377.4
6 NPHSO	0.6	0.4	0.8	0.1	0.2
7 Other Depositing Corporation	-	-	1.0	1.0	1.0
8 Other Non-Depositing Corporation	19.1	20.9	31.1	0.7	-
9 Other Non-Financial Corporation	5.9	7.0	6.6	2.7	1.5
<b>Total</b>	<b>1,794.2</b>	<b>1,765.6</b>	<b>1,692.2</b>	<b>1,483.9</b>	<b>1,297.5</b>

Tab. 5 | Source: CBK – Loans by economic sectors (February, 2014)

Such a trend of credit growth in the financial sector over the years shows sustainability and financial stability, which is one of the most important factors on the safety and efficiency of an economy.

## PART II HIGHLIGHTED MARCH NEWS FROM THE BANKING SYSTEM

### The Kosovo Banking Association met with the IMF mission

As a part of the ongoing meetings of the International Monetary Fund (IMF) mission in Kosovo, on March 27 2014, a meeting was held between the Kosovo Banking Association (KBA)

and its members, commercial banks in Kosovo and the IMF mission that is visiting Kosovo these days. The Executive Director of the Kosovo Banking Association, Mr. Petrit Balija, said that 'at this meeting, important issues for the banking industry were discussed where it was concluded that the banking industry is stable and has sufficient liquidity, but, at the same time, we have also raised our concerns regarding the stagnation of the judicial in treating the banking cases and the execution of contracts which are related to the high risk in Kosovo where there are over 10,000 unfinished cases'. The International Monetary Fund (IMF) at this meeting was represented by the IMF Resident Representative for Kosovo, Mr. Jose Sulemane, Mrs. Pamela Madrid, Senior Economist at the European Department, and

Mr. Jacques Miniane, Chief of the IMF Mission in Kosovo, the European Department. Mr. Petrit Balijs, added by saying that this meeting is very significant for the banking industry and that such meetings and discussions are always fruitful and give good results in the future. Chief Executive Directors of commercial banks that operate in Kosovo, members of the Kosovo Banking Association, were also present at this meeting. (Kosovo Banking Association - March 27th, 2014)

### Kosovo risks the new program with the IMF

Representatives of the International Monetary Fund (IMF) have expressed their concerns regarding the recent decisions taken by the Government of Kosovo. During yesterday's meeting with the Assembly chairman, Jakup Krasniqi, they have reacted regarding these decisions that were taken on the verge of national elections. "IMF representatives have expressed their concerns regarding three issues, the Governments' decision for the salary increase, which according to them is not in compliance with the economic growth, also for the approval of the Law for war veterans, with their objection on how the law has been approved without knowing the exact number of beneficiaries, and regarding the construction of the Prishtina - Skopje highway, they said that the project risks the financial stability of the country", says the source of "Kosova SOT". (Kosova Sot - March 26<sup>th</sup>, 2014)

### The collective contract is signed

The Prime Minister of Kosovo, Hashim Thaçi, and representatives of the KCC (Kosovo Chamber of Commerce), AKB (Kosovo Business Alliance), and KES (Economic and Social Council), have signed a general collective contract, which determines the rights, obligations and responsibilities of the employer and the employee. Prime Minister Thaçi, after signing this contract claimed that this agreement is of a special importance as it increases the stability of employees in their workplaces. He also added that the Government of Kosovo will be a guarantor of the implementation of this agreement, transmits Kosovapress. 'From this agreement which has a huge positive impact, employers and employees will benefit from it and it will improve the market environment in the country', declared the Prime Minister. (Koha Ditore, Telegrafi, Zëri, Tribuna – March 19<sup>th</sup>, 2014)

### The European Bank, interested to help businesses

The conference 'Better financing for businesses', organized by the European Investment Bank, has gathered a big number of local and foreign investors, and business representatives. It was discussed on the support of projects, attracting



investors and other details for the improvement of the business environment. Besim Beqaj, Minister of Finance, says that Kosovo as a new country, does not stand very badly, especially in infrastructure investments. The deputy president of the European Investment Bank, Dario Scannapico, said that in this conference it will be shown how to use and to promote together the best financing for businesses in Kosovo. The Prime Minister of Kosovo, Hashim Thaçi, said in the meantime that the Government of Kosovo has improved the business environment and has increased the legal norms of economic growth up to 4.5 per cent. (Telegrafi - March 18th, 2014)

### Commercial banks in Kosovo will transmit the loans of the European Investment Bank

The European Investment Bank is expected to support Kosovo with loans, which according to the Minister of Finance, Besim Beqaj, are loans with very favorable conditions. Loans of the bank will not be given directly to private businesses, but will go through commercial banks operating in Kosovo and which are interested to cooperate with European Investment Bank. Until now agreements of cooperation have been signed with only one bank in Kosovo, but according to Beqaj, this could be done by all the banks that are interested. Beqaj said that banks will be required to respect the agreement with the European Investment Bank and loans will be transmitted

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based on that agreement. This kind of cooperation is a continuity of the agreement framework signed between the European Investment Bank and Kosovo in June of last year. In the meantime, this is expected to push forward the construction of the railroad and Prishtina-Peja road. The Vice President of the European Investment Bank, Dario Scannapico, said that the European Investment Bank is committed to support the economy of Kosovo. (Koha Ditore, Tribuna – March 18th, 2014)

### The European Banking Union is at risk

The plans of Europe for the creation of the banking union are at risk because of the disagreements related to the closing system of banks that may bankrupt. Germany is opposing the pressure of the European Parliament and seeks a modernization of the decision making of the only supervisor and a strengthening of the fund that will finance the cost of bank closure. While working inside the limits determined by Berlin, the ministers of finance of the European Union have agreed for new concessions towards the European Parliament members, but, some disagreements have returned the fear that the ambitious plan for the creation of the banking union may be postponed for one year or more. Senior officials included in the talks expressed their skepticism to get over the gap between the parties and to reach an agreement until the end of this month. Even the European Parliament is showing few signals that it may withdraw from the main requests. (Kosova Sot, Telegrafi - March 13th, 2014)