

Dear journalists, media representatives,

In the range of our traditional meeting with you, it is my pleasure to meet you today to jointly mark the end of a successful year for the Central Bank of the Republic of Kosovo and for the country's financial system in which effective media communication has been important part of this success.

The CBK has continuously paid special attention to transparency, being open to the media about the developments in the financial system and the economy as well as the CBK internal developments. We will continue to cultivate and further advance the culture of transparency as we consider it as a very important mechanism for accountability and building a sustainable relationship between us and the public.

We strongly believe that the effective cooperation we have had with you and your willingness to correctly follow and transmit developments related to the CBK and the country's financial system, have made a very important contribution to building public confidence in this very important sector of the country's economy.

Now, please allow me to present to you a summary of the developments that characterized the country's financial system and economy during 2017, taking into account the latest available data.

During this year, the banking sector strengthened further its role in supporting the development and stability of the domestic economy by increasing lending and improving financing conditions by reducing interest rates.

The total value of active loans in Kosovo's banking sector in November 2017 (preliminary data) amounted to 2.4 billion euros, representing an annual growth of

11.0 percent. Credit growth resulted from the eased conditions of lending by banks as well as the increase of loans demand. It is worth mentioning that one of the sectors with the highest lending growth during this period was the construction sector, which recorded an annual growth of 23.6 percent, followed by credit growth for the mining sector (15.3 percent) and of manufacturing (11.5 percent). This indicates an increase in the banking sector's support to the sectors with the highest potential for generating a greater economic development of the country.

The lending activity of the Kosovo banking sector continues to be financed by the steady growth of deposits, mainly collected within the country, which are continuing to grow at a steady pace. The total value of deposits in the banking sector amounted to 3.05 billion euros in November 2017, marking an annual growth of 8.2 percent.

During 2017, the banking sector continued to improve the terms of credit financing, further reducing interest rates on loans. The average interest rate on loans in October 2017 was 6.8 percent, compared to the rate of 7.3 percent in the same period last year. This interest rate reduce reflects the stable and efficient development of the banking system, the continued growth of competition, and the measures taken to improve the overall business environment in the country, including the contract enforcement efficiency.

During 2017, the banking sector further strengthened sustainability indicators. The non-performing loans ratio, which was very low, continued to mark further drop in 2017. The non-performing loans ratio in November 2017 dropped to 3.5 percent compared to 4.8 percent as it was in November 2016. This non-performing loans ratio represents the lowest recorded rate since 2008 and continues to maintain

Kosovo as the country with the lowest rate of non-performing loans in the region and at similar levels with many developed countries.

The banking sector also, continues to have a high level of capitalization, with capital adequacy ratios of 18.7 percent, which is significantly higher than the required regulatory minimum. The position of liquidity continues to be satisfactory as well. The liquidity indicator in November 2017 was 37.2 percent, which is significantly higher than the required regulatory minimum of 25 percent.

Financial performance of the banking sector continued to be satisfactory during 2017. The sector's profit during January-November, 2017 amounted to euro 85.4 million. Sustainable profit represents a very important pillar for the overall sustainability of this sector.

Other sectors as a part of the financial system, were characterized by increased activity as well. Pension sector assets in September 2017 amounted to 1.58 billion euros, marking an annual growth of 14.2 percent as well as a positive rate of return on investment.

Insurance sector assets have increased by 4.3 percent, reaching 173.1 million euros in September 2017. It is worth pointing out that the insurance sector in 2017 marked positive performance, recording a net profit of 3.2 million euros by September 2017. The positive performance of the insurance sector significantly reflects the measures taken by the CBK to improve the situation of this sector.

The microfinance sector during 2017 was characterized by an expansion of its activity, with total assets of this sector reaching 188.1 million euros in October 2017. Total financial sector loans in October 2017 amounted to 137.7 million,

marking an annual growth of 31.3 percent, which represents a very high intensity of lending activity of this sector. The credit portfolio of this sector continues to be characterized by very good quality, where non-performing loans represent only 2.5 percent of total loans.

In terms of macroeconomic performance of the country's economy, 2017 is estimated to be characterized by an accelerated pace of economic growth. The CBK estimates that the real economic growth in 2017 is 4.4 percent, which represents the highest rate compared with 4.1 percent growth in 2016.

The growth of bank lending has continued to be one of the main sources of financing economic growth in the country. Significant contribution to economic growth during this year were the positive developments that have characterized the external sector of the economy. The balance of payments current account has improved, mainly as a result of the more significant growth of exports of goods and services and the growth of remittances. Remittances received in Kosovo until September 2017 have reached the value of EUR 560.7 million, representing an annual growth of 11.1 percent. Exports of goods, during this period, marked an annual growth of 25.8 percent and amounted to euro 318.4 million, while imports of goods increased by 9.0 percent and reached the value of about 2.5 billion euros. In October 2017, the coverage rate of imports by exports stood at 12.8 percent compared to 11.1 percent as it was in October 2016. However, the trade deficit continues to be a major challenge for the country's economy. By October 2017, the trade deficit of goods increased by 6.9 percent to reach the level of 2.17 billion euros.

The most significant contribution to economic growth during 2017 is attributed to investment growth. Public investments up to October 2017 have reached the value of 319.3 million euros, which is for 9.4 percent higher compared to the same period of last year. Similar growth rate was marked in private investments, where it is worth mentioning foreign direct investments amounting to 201.5 million euros, marking an annual growth of 10.5 percent by September 2017.

Regarding developments at the general level of prices, the average inflation rate during January-November 2017 was 1.6 percent, which is higher than the same period of the previous year, when the inflation rate was 0.2 percent. The highest inflation rate during this year mainly reflects price developments in international markets, which were reflected in Kosovo through rising prices of imported goods.

The year 2017 was a successful year for CBK's own development. Due to the high commitment of all CBK employees and managers as well as our local and international partners, we have managed to continue the advancement of all CBK functions during this year.

A more detailed disclosure on economic and financial developments as well as the CBK activities during 2017 can be found in the CBK Annual Report, which will be published in the first half of next year.

Without prolonging, let me cordially thank you for your ongoing cooperation and correctness towards the CBK, also during the year that we are leaving behind, and wish you and your family a healthy, prosperous and happy new year with great

achievements. May it be a year in which the positive developments and the spirit of cooperation will prevail among us all!