BANKING AND PAYMENTS AUTHORITY OF KOSOVO
AUTORITETI BANKAR DHE I PAGESAVE TË KOSOVËS
BANKARSKI I PLATNI AUTORITET KOSOVA

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Pristina, April 2005

2004 Annual Report

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ANNUAL REPORT 2004

PRISTINA, APRIL 2005

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April, 2005

Honorable Special Representative of the Secretary General of the United Nations

Over the past five years, Kosovo has achieved remarkable progress on its way toward a market driven economy. These great strides forward have been strongly backed by the international community, which has provided peace, stability, as well as a continuous and effective technical assistance. Without this support, and the involvement of actors from Kosovo itself, the disruptive effects of conflicts could not have been overcome.

A regulatory framework, set according to the best international standards, has been put in place by UNMIK and the BPK, in order to promote the development of an effective, stable and sound financial environment. Such regulatory bases give the BPK, as a supervisory authority, the appropriate means to encourage the development of a modern financial sector, and to enforce measures which are required to ensure its stability. Thanks to this statutory environment, and above all thanks to the initiatives of all participants, from Kosovo, from the neighboring countries and more generally from international origin, the financial sector has developed many capacities. They provide the consumers with the basic financial services, with a level of security which could be assessed as high, considering the economic situation of the territory in a post war context.

Nevertheless, there is still a long way to go before achieving a modern and stable financial system, which will provide all necessary services for the development of an efficient market driven economy.

Where are the obstacles? They are neither the regulatory constraints, nor the reluctance of the intermediaries to supply the necessary funding or services. Presently, the uncertainty of the future status of Kosovo does not encourage foreign investments and the integration of the territory into international financial networks. In this respect, not being a member of the Green Card insurance scheme, or of the international payments system, in the absence of an accepted Swift code, increase the marginalization of Kosovo. Moreover, the economic integration of Kosovo into a regional “ensemble” is still in limbo. Furthermore, and more concretely, weaknesses in some of the basic needs of a financial system, such as reliable statements of accounts, secure status of

ownership, ability to recover debts through effective commercial and judicial proceedings, do increase the cost of uncertainty for the providers of financial services. Uncertainty could bring either a cost increase, or a restriction of supply. Lastly, the weight of former habits in decision-making in some parts of the society, and the modest growth of households' consumption bring constraints to the entrepreneurial initiatives and, consequently, do not encourage the financial sector in its risk taking.

The consolidation of the stability of the financial sector has been one of the main objectives of the BPK. This objective has been implemented, if we consider the main prudential standards. This is not to say that these achievements must not be confirmed and sustained. Namely, the reduction of the use of cash in transactions, the increase of deposits and savings and the enlargement of the own funds of the financial intermediaries are to be encouraged.

If we mention the use of cash, the BPK actively supports its reduction, for example by promoting the use of "accept giro". Some additional measures, such as the increased use of banking transfers in commercial activities, could be elaborated by the competent authorities. Among other considerations, the provisions of the prudential regulations also encourage the collection of deposits and savings; not to mention that the capital requirements for banks and insurance companies which have been progressively increased.

Since the stability of the economic environment is still an on-going process, any suggestion or project which could impact the financial sector should be analyzed by considering its effects –positive or negative- on the behavior of both the internal and external investors and more generally, its ability to strengthen the confidence in the financial system of Kosovo. Enlarging internal and external confidence in the financial sector is essential. In that field, the BPK is supporting all efforts that could foster the supply of financial services. Bringing together the interests of savers and investors on one side, and the interests of a country on the other side, does not always appear as an easy task at first sight. Foreign experiences show that the best way to attract savers and investors and, at the same time, to boost the economic development, is to push domestic and for foreign investors towards an attractive economy. This is the only way to provide Kosovo with employment and prosperity. Forced investments bring to poor performances, waste of funds and loss of confidence in the economy.

Independence and professionalism of the BPK are also key factors to enlarge the confidence of depositors and investors, as well as the stability and the safety of the whole financial sector. There is no doubt that an evolution of the status of the BPK, in line with the move towards a new status for the territory, will confirm and enlarge this main asset of the financial system of Kosovo.

Operating in close contact with UNMIK, and having increased its working relations with the PISG, the BPK has also made its best efforts to develop relationships with other financial supervisors in the Balkans area, which leads to building bridges and reducing the isolation of Kosovo. Several memoranda of understanding have been signed, which allow exchange of information between supervisors for prudential purposes. Moreover, the BPK's managers have participated in working meetings with all the supervisory authorities in the neighboring countries. Furthermore, the International Conference, organized last November for the fifth anniversary of the BPK, gave a unique opportunity to all financial supervisors in the region to meet in Pristina. Lastly, an agreement has been signed in early 2005 with the European Central Bank in order to formalize the use of Euro notes in the territory.

The BPK has made great steps in adapting its own structures and enlarging the participation of local Executives. Modern management structures have been put in place, namely through efficient committees and policies. The new organization chart is effective. It gives to Kosovars three high positions: Chief Operations Officer, Chief Supervision Officer and Inspector General. International presence is more and more dedicated to the support of the capacity building process. Consequently, a comprehensive training policy has been developed, thanks to the support provided by international organizations, such as IMF, World Bank, EU and USAID.

What we have achieved in terms of development was not a goal in itself. It was just an intermediary step. The BPK needs to go further in developing a strong and efficient financial sector, with the full support of both the financial actors and concerned Authorities. The best efforts will be made for a better international recognition of the BPK, and the full integration of Kosovo's financial actors within the region.

I am pleased to submit to you the 2004 Annual Report of the BPK

Michel Svetchine
Managing Director

At 31 December 2004 the Governing Board of the Banking and Payments Authority of Kosovo comprised the following members:

Governing Board of the BPK

Mr. Ajri Begu, Chairman of the Governing Board

Mr. Donat Branger, Managing Director of the BPK[1]

Mr. David Weatherman, Deputy Managing Director for Financial Sector Supervision

Mr. Benoit Waelkens, Deputy Managing Director for Payments System

Mr. Nikolaus Graf Lambsdorff, DSRSG, EU – Pillar IV[2]

Mr. Gazmend Luboteni, Professor, Faculty of Economics - University of Prishtina

Mr. Petraq Milo, Acting Head of Fiscal Affairs Office – EU pillar IV, UNMIK[3]

Audit Committee of the Governing Board of the BPK:

Mr. Gazmend Luboteni, Professor, Faculty of Economics - University of Prishtina

Mr. Petraq Milo, Acting Head of Fiscal Affairs Office - EU pillar IV, UNMIK[3]

Executive Committee of the BPK

Mr. Donat Branger, Managing Director of the BPK[1]

Mr. David Weatherman, Deputy Managing Director for Financial Sector Supervision

Mr. Hashim Rexhepi, Chief Supervision Officer

Mr. Benoit Waelkens, Deputy Managing Director for Payments System

Mr. Gani Gërguri, Chief Operation Officer

Mr. Agron Dida, Inspector General

[1] Replaced by Michel Svetchine as of January 2005
[2] Replaced by Joachim Rücker as of January 2005
[3] Replaced by Chiara Bronchi as of February 2005

Executive Summary

Throughout the 2004, The Banking and Payments Authority of Kosovo supported the development and promotion of a safe and efficient financial system. In our commitment to promote Kosovo's economic and financial welfare we worked with financial institutions, government agencies and financial sector participants aimed at fostering the soundness and efficiency in financial sector.

The world economy remained sound in 2004, compare to continues slowdown of the previous years. Global GDP growth in the world economy reached 4.2 percent on average, which is higher than the historical trend of 4.0 percent Inflation levels have turned up, following the fall of unusual low levels in mid-2003. Economic growth in euro area has retained its momentum, with real GDP growth reaching 1.8 percent at the third quarter of 2004 from 1.2 percent earlier in 2004. Robust economic activities have experienced the new member states, which joined the EU in May 2004.

Estimated at 3.2 percent, the GDP growth of Kosovo economy in 2004 experienced slowdown compare to the 2003, estimated at 4.7 percent. Inflation rate was down to 1.5 percent in 2004, after the two-digit inflation of 11.7 percent in 2001. Unemployment in Kosovo still remains one of the main concerns, while IMF estimated to be around 33 percent in 2004. Overall trade balance, including commercial and non-commercial imports and exports flow recorded a negative balance amounting at 45.2 percent of nominal GDP. In 2004 estimated fiscal trends evidenced deficit for the first time amounting at 44.6 million euro or 2.4 percent of nominal GDP.

The financial sector in Kosovo, especially the banking sector continued its rapid developments. The number of commercial banks remained the same as in previous year, but the total number of branches (branch, sub-branch, custom point, and technical control center), increased in 2004 and new banking products and services (MasterCard, Maestro Card, and Visa Card,) were also launched. At the end of the year, two banks were operating a total of 43 ATMs. In addition, one bank installed a number of Point of Sale (POS) terminals during 2004. New credit products introduced by banks during this year included business loans with longer terms; consumer loans and purchase of household goods; and e-banking services. Loan and deposit growth were strong and confidence in the banking sector and the intermediation role of banks in Kosovo economy has improved significantly. Upward shift of the deposits by 35.4 percent compare to the

previous year is good reflection of the expansion. Overall, the banking system remained sound, well capitalized, liquid and improved in terms of profitability.

Insurance industry followed the same trend as last year; there were 8 licensed insurance companies operating in Kosovo. Implementation of an on-line communication system and premium payments through banks was the highlight of the insurance industry in 2004. The on-line communication system platform and client-server software IRIS became operational as of June 2004. This platform includes all insurance companies, their branches and agents, IAK, vehicles registration centers and BPK.
Interbank Clearing System has been fully operational and is overseen with an eye to minimizing systemic risk. In order to develop modern means of payment and further enhance ICS operations, BPK has introduced a non-cash payments project "Kos-giro" supported by IMF.

BPK continues to strengthen mechanisms for governance and accountability. New Governance structure in the BPK led to significant improvements in the quality of internal control. Improvements in this area are closely linked with the IMF recommendations. Ongoing efforts are being made to improve our operational efficiency, to strengthen our planning and risk management, and to promote research excellence. All of this helps us meet our imperative to be effective, transparent, and accountable to the general public.

In 2004, the quality of the BPK investment portfolio improved significantly, as demonstrated by the high credit quality of the investment counterparties. During the year, a portfolio of short-term securities issued by the EU governments was established that not only enhanced the credit risk structure of the total investment portfolio but also helped improve liquidity, geographic diversification and profitability.

In the fight against counterfeiting, the BPK worked closely with its partners in law enforcement, financial institutions, and the retail sectors in order to protect Kosovo economy. This involves reducing barriers to the efficient operation of financial sector and improving the regulations under which financial institutions operate.

In 2004, BPK has played an active role in establishment of the Kosovo Bankers Association as a body of the collective banks in Kosovo. Currently BPK has established Credit Registry of Kosovo. As per commercial banks request, CRK will be operating under BPK umbrella. BPK has been a member of the Kosovo Board on Standards for Financial Reporting (KBSFR), and is participating to enhance accounting standards in the financial

sector. In addition, during 2004 BPK continued to benefit from the technical assistance received on an ongoing basis by IMF, Bearing Point-USAID and EU.

Banking and Payments Authority of Kosovo is contributing to the development of financial sector by reducing risk to the safety and stability and by drawing attention to areas where policy improvements are needed. And, in all what we do, as a workplace and as a public institution at the center of Kosovo economy, we will continue to devote our attention to the welfare of the overall Kosovo economy.

1

MACROECONOMIC DEVELOPMENTS

1.1 International Economic Outlook[4]

1.1.1 World Economy

Growth in the world economy remains sound, especially between mid- 2003 and mid-2004, with global GDP growth reaching 4.2 %, on average, which is higher than the 4.0 % historical trend. The United States and Canada contributed with 4.0 % combined increase in the real GDP growth, whereas China recorded a growth of 9.0 % of its GDP falling from 9.7 % earlier in 2004. In particular, increased oil production and the accompanying increase in oil prices have encouraged the growth in Western Asia by 5.5 % whereas the growth in the regional economic growth in South Asia is estimated at 6.3 %, or 0.4 percentage points down from 2003. The real GDP growth in Japan was only 0.1 %, whereas in Latin America it was 6.2 %. The GDP in the euro area increased by 0.3 % down from 0.5 % in the second quarter, whereas the GDP has increased by 4.5 % in Africa.

The increase in the global GDP was spurred by the significant growth of China and to a lesser extent the accelerating recovery in the U.S. The factors that contributed to the global growth during this period included the sustained accommodative macroeconomic policies, increasing corporate profitability, wealth effects from increasing equity markets and the housing prices, growing employment, and the significant growth in China.

While the growth in the first quarter of 2004 was the strongest during the past three decades, the second quarter of 2004 experienced slower growth, particularly in the United States, Japan, and China, mainly on account of a surge in oil prices. In 2004, the sharp increase in oil prices was mainly driven by the combination of the concerns of the floating demand and supply in several major oil-exporting countries. In particular, the rise in oil prices was mainly the result of the much stronger demand rather than supply

[4]Developments in the World Economy, European Union and Western Balkans are mainly drawn from: ECB "Monthly bulletin" 01/2005; United Nations - Department of Economic and Social Affairs "World economic situation" 2005; European Commission – Directorate - General for Economic and Financial Affairs "The Western Balkans in Transition", 12/2004.

concerns and the confidence of consumers which following a significant fall in early 2004, has recovered substantially. Along with the substantial volatility, in August, oil prices pointed at USD 51.5 per barrel. However, since mid-September, they have turned up once more exceeding by far their average in the first three quarters. The noted increase is 42.0 % higher than in the preceding year.

The floating total demand has led to a significant increase in commodity prices as well, which since the end of December 2003 increased by 27.0 %. Non-fuel commodity prices rose substantially early in 2004, but afterward they have experienced signs of easing, which is partly as a result of the slowing growth in China, a country that represents a substantial part of the total consumption of some commodities. In particular, the major changes were recorded for by the industrial raw material prices which in mid-November were 22.0 % up on the year.

In spite of a decline in the global growth during the second quarter, there was still a potential for further growth mainly driven by the United States, having the support from Asian countries. On the other hand, despite the fact that it has experienced a prevailing recovery, the growth in the euro area still remains weak and dependent on the external demand.

With regard to inflation levels throughout the world, following the fall to unusually low levels in mid- 2003, inflation levels have turned up, causing concerns for inflation comeback increase. As for the foreign exchange markets, the current account deficit of the U.S. was the main factor causing the international confidence in the U.S. dollar to erode. As a result, the euro grew stronger against the dollar where the euro-U.S. dollar exchange rate fluctuated between USD 1.2 and USD 1.24 against euro. In mid November the US dollar exchange rate hit the all time lows against the other leading currencies, falling to USD 1.3 against euro. Some changes were recorded for the Japanese yen as well, which has experienced a moderate depreciation whereas the pound experienced a rather small appreciation against the U.S. dollar.

United States have recorded an upturn in terms of its economic activity. As of end 2004, real GDP grew by 3.9 % on a quarterly basis, following the increase of 3.3 % in the second quarter of 2004. This growth was mainly attributed to the increase in the private consumption expenditures on durable goods. Furthermore, in spite of the fact that

exports grew faster relative to imports, the net exports contribution to the GDP growth was negative.

The U.S. current account deficit has continued to deteriorate during the course of 2004, counting to USD 166.2 billion, representing 5.7 % of GDP in the second quarter. In spite of the past depreciation of the U.S. dollar, the current account deficit is projected to remain above 4.0 % of GDP over the medium term. Along with this situation, there was deterioration in the budget deficit as well, which counted to USD 412.6 billion or 9.4 % larger relative to the previous year.

With respect to the CPI inflation, in October 2004, the annual increase of CPI was recorded to 3.2 % from 2.5 % in September. This was stemmed primarily due to the increase on energy prices (+10.4 %).

Following the weak growth witnessed in early 2004, growth in economic activity of **Japan** has slowed in the second quarter whereas it stagnated in the third quarter. This slowdown in the growth of economic activity of Japan was mainly due to the deterioration in the components of spending such as exports and non-resident investment as well as negative contributions by the foreign trade and payments. Nevertheless, during the course of 2004, the real GDP grew by 0.1 % on the quarterly basis.

The position of the Japan's economy was partly influenced by the high oil prices, which have been reflected in the increase of the domestic producer prices. Moreover, the economic activity was also influenced by the reduction in the external demand and the recent natural disasters. Following the relative changes in the food prices, which experienced a decline by 0.1 %, in October, the CPI increased by 0.5 % on a yearly basis.

Growth in the **Chinese** economy has slowed in 2004, however it continued to outperform that of the rest of the world. The annual real GDP in China grew by 9.1 % in the third quarter of this year, following the increase of 9.7 % in the first half of the year. This slowdown was mainly on account of the decrease in the growth of investment to 27.7 % relative to the first quarter when they grew by 43.0 %. In October, annual CPI inflation declined to 4.3 % from 5.2 % in September, mainly on account of the fluctuations in food prices.

Increase in the oil prices has supported the economic growth in **Russia**. Influenced by the consumption and investment spending and, especially by the negative contribution of net

exports, in the second quarter, GDP growth declined slightly compared with the first quarter, reaching 7.3 % on the annual basis. With regards to the price developments, consumer price inflation is at a high level and continues to increase further.

1.1.2 European Union

The growth in the **euro area**, according to Eurostat's estimates, slowed down by 0.3 % in the third quarter from 0.5 % in the second quarter and 0.7 % in the first quarter 2004. Nevertheless, the economic growth in the euro area has retained its momentum, with the real GDP growth reaching 1.8 % at the third quarter of 2004 from 1.2 % earlier in 2004. Specifically, the strength of the upturn varies across countries and in some countries it is heavily pulled by the external demand. The factors contributing to this growth include exports, which in the second quarter grew by 7.6 % relative to the first quarter, whereas in the third quarter their growth slowed to 6.1 %. On the other hand, imports in the euro area continued to grow in the third quarter by 8.7 % up from 6.7 % in the second quarter of 2004.

In the third quarter of 2004, consumer prices increased by 0.5 % relative to the second quarter showing a stabilization of prices from the second quarter when they were mainly driven by the increase in taxes. On contrary, the prices of unprocessed food were relatively lower due to the favourable weather conditions. As a result of the increase in the oil prices, the Harmonized Index of Consumer Prices (HICP) increased to 2.4 % in October whereas the core inflation remained unchanged at 2.0 %.

As for the individual country economic growth, in **Germany**, real GDP grew by 1.3 % in the third quarter 2004, down from 1.4 % in the second quarter, whereas it increased significantly relative to early 2004 when it grew by 0.8 %. **France** also recorded a slowdown in the real GDP growth to 2.0 % in the third quarter relative to the second quarter when it increased by 2.9 %. **Italy** have recoded a rather steady growth with average real GDP growth of 1.3 %, whereas **Belgium** have experienced an upturn with the real GDP growth of 3.0 % in the third quarter of 2004 up from 2.9 % in the second quarter. In euro area **Finland** and **Greece** recorded the highest growth in their real GDP of 3.7 % and 3.8 %, respectively.

Short-term indicators show that in **Sweden** output continued to grow, though the growth was moderate in the third quarter of 2004. Net exports represent the main part of this growth, and accompanied by the rise in investment, contributed to the quarterly growth of 1.0 % of GDP in the second quarter. The rise in the oil prices has caused transportation costs to rise and hence contributed to the annual HICP inflation to increase to 1.4 % in October from 1.2 %, on average, early in the year.

Same indicators in **Denmark** point to an increase in the growth of real GDP in the third quarter of 2004. In the second quarter, real GDP in Denmark rose by a quarterly growth of 0.2 %, with real gross fixed capital formation and private consumption being the main drivers of this output growth. The HICP inflation, on annual basis, increased to 1.6 % in October up from 0.9 % in September.

In the first half of 2004, **United Kingdom** experienced a strong output performance accompanied by a slowdown in the third quarter, with real GDP increasing by 0.4 % on a quarterly basis, following the increase of 0.9 % in the second quarter. This was mainly due to the fall of 0.1 % in the gross fixed capital which contributed strongly to the decrease in investment. Exports and imports increased by 1.9 % and 1.6 %, respectively on a quarterly basis.

Following the harmonized EU inflation index of 2.0 %, in 2004, the UK HICP inflation in annual basis stood below the target, which in September reached 1.1 %, while it increased slightly to 1.2 % in October.

A robust economic activity is experienced in the **Member States** which joined the EU in May 2004 as well. Short-term indicators point to the slowdown of real GDP in **Poland**, in the third quarter of 2004, which increased on the annual basis by 6.1 % following the increase of 6.9 % earlier in 2004. The main contributions to this growth were accounted for by the strong export performance and by a pick-up in domestic demand. Low food prices and recent appreciation of the Polish zloty contributed significantly to the increase in the annual HICP inflation during the first half of 2004 whereas it declined slightly to 4.6 % in October from 4.9 % in August when it reached its peak.

Similarly, **Czech Republic** has experienced a strong economic activity in the third quarter of 2004. The real GDP growth remained at 3.5 % earlier in 2004 and it increased further in the second quarter contributing to the annual growth of 4.1 % in the real GDP. The main driver of this growth is the gross fixed capital, which was mainly encouraged by

the developments in the supply side economy whereas the effect of net exports on the GDP growth was negative. Annual HICP inflation was 3.1 % in October 2004 compared with 2.8 % in September.

The slowdown of the annual real GDP growth was observed in **Hungary**, which in the third quarter of 2004 was 3.7 % down from 4.0 % in the second quarter, entirely on account of the influence of the domestic demand. Annual HICP inflation amounted to 6.7 % in September while it decreased to 6.4 % in October, mainly due to the developments in the consumer durable goods' prices.

1.1.3 Western Balkans

The year 2004 was marked by economic acceleration in Western Balkans, with estimated GDP growth of 4.7 % which is higher than in 2003 when it grew by 3.6 %. This growth was mainly accounted for by the increasing growth of the real GDP of Bosnia and Herzegovina (BiH) and Serbia and Montenegro (SCG), which in 2004 grew by 5.0 % up from 3.5 % and 3.0 % in 2003, respectively. On the other hand, GDP growth in Albania increased at a sustained rate of 6.0 % whereas the growth slowed in Kosovo reaching the real GDP growth of 3.2 %. Macedonia also recorded a slowdown in its real GDP growth which fell to 2.0 % in 2004 from 3.2 % in 2003, while Croatia experienced a decline in its real GDP growth from 4.3 % in 2003 to 3.8 % in 2004. Bulgaria and Romania both recorded a substantial increase in their real GDP growth, 1.4 % and 2.3 %, respectively higher than in 2003. Although the growth rates started to converge across Western Balkan countries during 2002-2003, estimates reveal that they followed an uneven growth in 2004.

Table 1. Main Economic Indicators

Western Balkans[5]		2001	2002	2003	2004
Real GDP growth	*%*	5.1	3.7	3.6	4.7
Inflation (average)	*%*	44.1	12.0	6.6	5.6
General government balance	*% of GDP*	-2.8	-3.4	-2.6	-2.7
Total revenues	*% of GDP*	35.8	38.1	37.2	37.8
Total expenditures	*% of GDP*	39.0	41.8	39.9	40.1
Trade balance with world	*Billion EUR*	-8.2	-9.7	-9.7	n/a
Trade balance with the EU-15	*Billion EUR*	-3.2	-4.1	-3.9	n/a
Current account balance	*% of GDP*	-7.1	-10.7	-10.3	-11.6
Exports	*Billion EUR*	4.6	4.7	5.0	n/a
Imports	*Billion EUR*	12.8	14.5	14.6	n/a
Foreign direct investment	*Million EUR*	1058	1042	1729	1367

Source: European Commission- Directorate-General for Economic and Financial Affairs "The western Balkans in Transition", 12/2004

According to the estimates and projections, inflation rates in 2004 have decreased to 5.6 % from 7.0 % in 2003 in the whole region. This decrease in the inflation rates can be accounted mostly for by the low rates in BiH (0.9 %), Macedonia (0.5 %), Kosovo (1.5 %) and Albania (3.4 %). The decrease in the inflation rates was also registered in Romania, which fell from 15.3 % in 2003 to 12.0 % in 2004. During the course of 2004, Croatia and Bulgaria experienced an increase in their rates by 0.4 % and 3.7 %, respectively. Although inflation rates fell to the single digit figures, in Serbia and Montenegro inflationary pressures remained still high (9.4 %) in 2004 which is mainly on account of the increase in the oil prices as well as the rise in the indirect tax rates. However, comparing with 2001 and 2002, inflation rates in the Western Balkans have decreased substantially from 44.1 % and 12.0 % in 2001 and 2002, to 5.6 % in 2004.

The year 2003 was characterized by the large trade deficit in Western Balkans, which reached 26.5 % of GDP. Total exports increased at a faster pace relative to imports, growing by 5.4 % relative to a 1.2 % increase of imports. Even though exports grew faster relative to imports, Western Balkan countries have registered low levels of exports. Trade deficit of these countries with EU amounted to 4.0 EUR billion which is 12.0 % of average GDP of the region.

[5] The data in this table do not include Bulgaria, Croatia and Romania, as they are memorandum items and they are Central and Southeast Europe candidate countries.

Fiscal trends in 2004 have shown different profiles relative to 2003 when the public deficits decreased to 2.6 % of GDP. In 2004, Western Balkans fiscal deficit increased to 2.7 % of GDP which is mainly on account of the shortfall of the foreign funding for investment projects accompanied by the large capital expenditures which in turn contributed to a significant increase in the fiscal deficit in Albania from 4.0 % of GDP in 2003 to 6.5 % in 2004. On the other hand, Bosnia and Herzegovina reduced its share of public expenditure in GDP by almost 4.0 % in 2004 and contributing as a result to the slight surplus of the government balance. After a 4.0 % deficit in 2003, in Serbia and Montenegro estimations reveal that general government balance is reduced to around 2.7 % of GDP in 2004 whereas, in Kosovo a deficit is expected for the first time this year after a continuous surpluses in the preceding years. Thus, the deficit is expected to be financed from the accumulated past surpluses.

Inflow of capital from the foreign direct investment (FDI) have increased significantly in 2003 mainly due to the privatization process in Serbia and Montenegro. However, the growth of capital inflow in Western Balkans have slowed slightly in 2004 accounting for 2.9 % of GDP while it remained at 4.4 % of GDP in 2003 which is equivalent to the 71.6 EUR in terms of per capita. In general, the external debt of Western Balkans remained at 49.0 % of GDP in 2003 and by the end of 2004 it decreased to 42.0 % of GDP.

1.2 General Characteristics of Kosovo Economy[6]

Gross Domestic Product (GDP) during the year 2004, relative to 2003 recorded a real increase of 3.2%. After the two digit inflation of 11.7% in 2001, the periods after 2001 showed a stable flow of inflation rates, 3.6%, 1.0%, and 1.5% in 2002, 2003, and 2004, respectively. Unemployment in Kosovo still remains one of the main concerns, while IMF estimated to be around 33% in 2004. Overall trade balance, including commercial and non-commercial imports and exports flow recorded a negative balance of 845 million EUR or 44.5% of nominal GDP.

The 2004 fiscal trends for the first time after 2000, evidence a deficit by euro 44.6 million or 2.4% of nominal GDP. The deficit is primarily driven from net increase in expenditure by 16.6%. Still revenues are depending on border taxes, which in 2004 accounted around 69% of total revenues compared with 89% in 2000.

Decrease in claims to nonresidents by 5.4% relative to 2003, standing at euro 687 million in 2004, caused the decrease in the total Net Foreign Assets (NFA) of the Depository Corporations (DC) by 11.4%, accounting for euro 617 million. Domestic claims in 2004 show totally different picture relative to previous year. The main alteration is that they turned positive amounting euro 162 million in 2004 from -3, -44, -172, and euro -110 million in 2000, 2001, 2002, and 2003.

Broad money liabilities recorded an amount of euro 720 million. As a variation from the previous year where transferable deposits are still accounting for a bigger share relative to other (time and saving) deposits, in 2004 other deposits ratio to total deposits included in broad money was 42.3% showing a significant decline compared to the ratio of 92.8% in 2000. Based on currency in circulation estimates, Kosovo improved concerning the cash economy, where the ratio of currency outside depository corporations (currency in circulation) to broad money liabilities at the end of 2004 recorded around 60% representing the lowest ratio since 2000.

6 The 2004 figures are based on the IMF staff estimates. Due to the changes in Government expenses as of end 2004, the estimates will be under revision.

1.2.1 Real Sector

1.2..1.1. GDP

Kosovo's economy real growth in 2004 amounted for 3.2% at constant 2002 prices. Domestic demand produced negative contribution by 2.1%, while trade balance contributed by 5.3%. Weaker domestic demand, which decreased by 1.5% compared with 2003, is aftermath of decrease in both, consumption and investments by 1.4% and 2.3%, respectively. Trade balance of 2004, including commercial and non-commercial imports and exports is negative, where the ratio of exports to imports reaches 12.9% which is increase by 1.1 percentage points relative to 2003 meanwhile including only commercial trade, the ratio accounts 3.4% at the end of 2004. Worker remittances amounted euro 238 million in 2004 or 12.8% of GDP.

Table 2. Gross Domestic Product, at constant 2002 prices
(In millions of EUR, unless otherwise indicated)

	2000	2001	2002	2003	2004
Consumption	2,654	2,749	2,630	2,616	2,579
Public	1,015	1,044	948	905	851
Central government 1/	171	187	253	315	342
UNMIK & Other donors 2/	844	857	695	591	509
Private	1,638	1,705	1,682	1,711	1,727
Investment	586	682	598	524	512
Public	298	273	222	220	206
Central government 1/	20	21	42	95	112
Donor investment 2/	279	252	180	124	94
Private (including POEs & SOEs)	288	409	376	304	306
Total domestic demand	3,240	3,432	3,228	3,139	3,091
Exports of goods and services	293	279	217	184	185
Imports of goods and services	2,169	1,995	1,710	1,535	1,430
Gross Domestic Product	1,364	1,715	1,735	1,789	1,845
GDP real growth	-	25.7%	1.2%	3.1%	3.2%
Net factor income from abroad	450	414	390	359	340
of which: workers remittances	257	225	241	239	238
Gross National Disposable Income	1,814	2,129	2,125	2,148	2,186

Source: IMF staff estimates.

1/ Data from central government are subject to change.

2/ Donor sector includes UNMIK, KFOR, and other donor spending under the umbrella of the "public investment program", and spending financed by designated donor grants (DDGs). This presentation excludes wages of KFOR personnel as well as consumption of goods imported directly by KFOR.

In 2004 consumption accounted 139.8% of GDP from 146.2% in 2003, meanwhile it also shows decrease compared consumption of 2003 by 1.4%. Private consumption in 2004 accounted 66.9% to total consumption, showing year-on-year increase of 0.9% or contributing in the total consumption by 0.6% relative to 2003. Public consumption is made from government sector and institutions under Public Investment Program (PIP) which together are showing downward trend of -5.9% contributing to total consumption by 0.8%.

Investments in Kosovo remain at low level which by the end of 2004 amounted to euro 512 million or 27.7% of GDP in 2004. This trend is followed since 2001 when it was on its peak amounting euro 682 million or 39.7% of GDP, whereas they accounted for 34.5% in 2002, and 29.3% in 2003. Public and private investments have shown a decrease by 6.4% and 0.7% at the same time as their contributions in total investments were -2.6% and 0.3%, respectively.

Private sector consumption and investments during 2004 held steady, decreasing by 0.8% compared to 2003. Concerning the sectoral structure, private sector accounts for 65.7% of total domestic demand or 93.9% of GDP in 2004. Domestic demand is mainly composed by consumption amounting euro 2.6 billion in 2004 or 83.7% of the domestic demand, which was stable since 2001 when it amounted euro 2.7 billion.

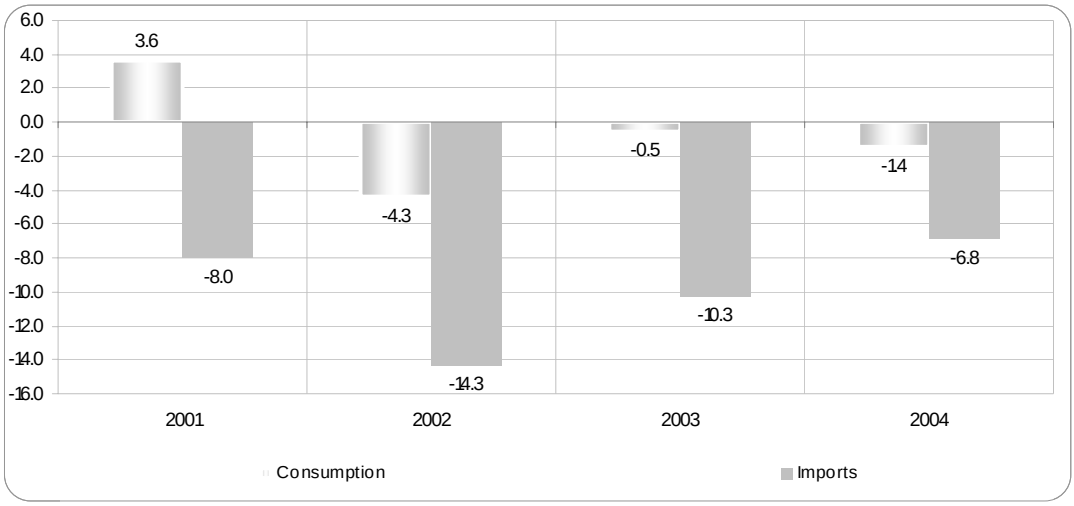
As shown in Table 2, total domestic demand has experienced a year-on-year decreasing trend since 2001 when they reached the highest growth level of 5.9%, slowed to year-on-year increase of 1.5% in 2004 compared with 2003. Because of the negative trade balance since 2000, domestic demand was higher than GDP, whereas in 2004 it showed 167% of GDP.

Foreign assistance and worker remittances are very significant in the overall picture of economy in Kosovo and in 2004 they amounted euro 628 million or 34.1% of GDP. Namely, in 2000 foreign assistance and remittances achieved the level of 1.3 billion EUR being the source of almost all GDP, accounting 93.2% of GDP of the year 2000. In 2004, the main source of foreign assistance was UNMIK which accounted for 50.5% of total foreign assistance, whereas KFOR and other donor donated grants accounted for a smaller share. Remittances as net factor income from abroad held steady during 2000-2004 period. They flowed from euro 257 million in 2000 to euro 238 million in 2004, or

12.9% of GDP. Mainly because of the mentioned flow in remittances also gap between GDP and GNDI become narrower from 133.0% in 2000 to 118.5% in 2004.

The economy since 2000 is faced with domestic dis-savings which in 2004 accounted 21.3% of GDP. The category has a decreasing trend compared with 61.5%, 36.1%, 29.0%, and 26.1% in 2000, 2001, 2002, and 2003, respectively. Given that Kosovo's economy is relying mainly on imports, each increase in imports is an outcome of the increase in consumption of private and public sector (Figure 1). Increase in GDP per capita, since 2001 shows that Kosovo is still in very low level, whereas in 2004 stood at euro 939 per capita.

Figure 1: Consumption and Imports flow
(Annual percentage change)



Main component in Kosovo trade balance are imports, where in 2004 amounted euro 1.5[7] billion. Decrease in domestic demand is followed by the decrease in imports. They declined by 10.2% compared with the previous year or by 29.2% compared with the highest level of imports in 2000. Exports are minor compared to imports. In 2004 they amounted euro 185 million or 12.9% of imports, at the same time underlying the ratio of exports to imports .

1.21.2 . Consumer Price Index

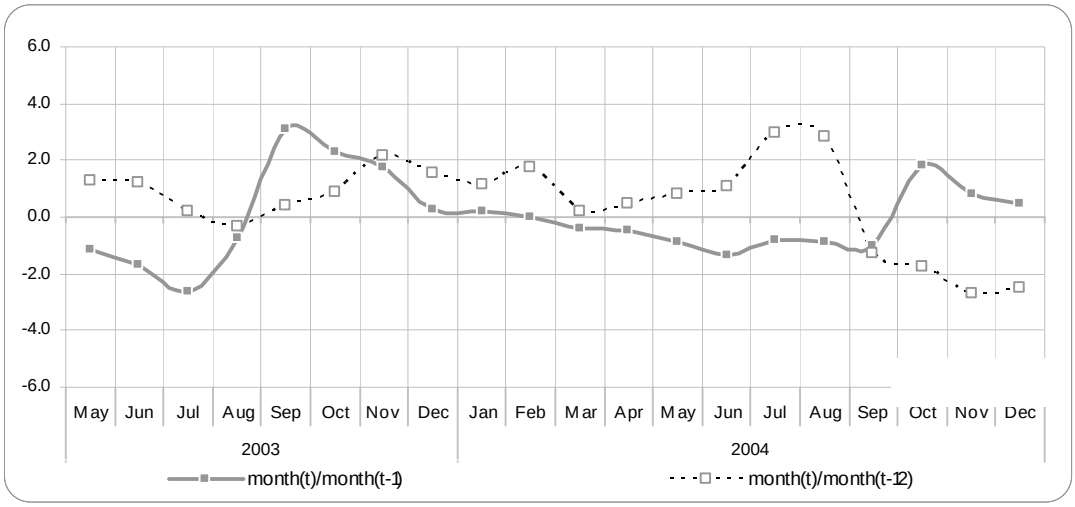
There were not any significant changes of inflation measured by CPI during 2004 confirming a steady path (Figure 2). However, month-on-month developments of the CPI

[7] Due to the differences in coverage of the imports and exports between "Gross Domestic Product" and "Balance of Payments" tables, the data for balance of trade shows different numbers.

shows that starting from January 2004, the CPI fell from 0.2% to -1.4% in June 2004, followed by increase of 0.4 percentage points in July 2004, and there is a slight increasing course achieving 1.8% in October 2004. Finally, month-on-month CPI on December 2004 was 0.5%.

Concerning 12 months (same period of the previous year) CPI shows more volatile flows, especially during the period January-February were flowed by 0.6% followed by -1.2 percentage points and stood at 0.2% on March 2004. From that period, March 2004 there is continued increase achieving 3.0% in July. September period shows significant decline to -1.3% and -2.5% in December compared with the same period of the previous year.

Figure 2: Consumer Price Index



Based on IMF staff calculations and estimates, inflation in Kosovo for the year 2004 was around 1.5% which is an increase of 0.5 percentage points relative to 2003. In previous periods, 2001 and 2002 inflation rates were higher. In 2001 inflation rate accounted 11.7%, but, year after the inflation rates decreased to 3.6% and since then there is stable year-on-year flow on a band from 0.5% to 3.6%. As a result, longer term price stability continues to be the positive attribute of Kosovo economy supporting the overall economic stability.

1.2.1.3. Registered unemployment

According to the Ministry of Labour and Social Welfare, there has been an increase of registered job seekers during 2004 for 6.9% compared to 2003. During 2004, the structure of unemployment by education and gender remains the same compared to the 2003 but with a slight difference relative to previous years. Explicitly, in 2000 ratio of female unemployed varied from 43%, 44% in 2001, while in 2002 the ratio increased substantially to 63% to be decreased again in 2003 to 45%, an finally 46% in 2004.

Table 3. Registered Unemployment

	2000	2001	2002	2003	2004
Total registered unemployment	208.074	237.958	282.305	282.305	301.982
Of which: females	43.2	44.1	63.0	45.4	45.7
Breakdown by education (in %)					
Elementary	58.1	60.4	61.5	63.0	63.4
Secondary	38.8	37.0	36.2	35.3	35.1
University	3.1	2.6	2.2	1.8	1.5

Source: Ministry of Labour and Social Welfare.

Note: Percentages are expressed against the total number of unemployed persons.

The share of unemployed persons with university degree was 1.5% in total unemployment by education in 2004 relative to 3.1%, 2.6%, 2.2%, and 1.8%, in 2000, 2001, 2002, and 2003, respectively. The share of unemployed persons with secondary education stood at 35.1% or lower by 3.7 percentage points compared to its peak in 2000. Unemployment of persons with elementary education is 63.4%.

However, in the table above are only registered unemployed. But, in reality there are persons unemployed and not registered at the respective unemployment office. Generally, according to the IMF staff estimates, unemployment in Kosovo is around 33%. Based on IMF staff scenario regarding unemployment, an annual employment growth rate of 3% over next ten year would create around 145.000 new additional jobs meanwhile the rate of unemployment would decrease to a rate of 25%. Also staff estimates recommend that informal employment in 2004 was around 150.000.

1.2.2 Fiscal Sector

Kosovo consolidation budget for the first time from 2000 recorded a budget deficit of euro 44.6 million or 2.4% of nominal GDP. This deficit is primarily due to the increase in

expenditures by 19.1% compared with previous year amounting euro 649.2 million EUR. Meanwhile revenues compared with the flow in expenditures side held steady, marking increase of 2.5% or net increase in expenditures by 16.6%.

Table 4. Kosovo Consolidated budget
(In millions of EUR, unless otherwise indicated)

	2000	2001	2002	2003	2004
Revenues	128.5	321.3	499.6	589.6	604.6
Central government	128.5	306.3	479.8	566.1	574.8
Direct taxes	6.4	28.8	48.3	63.5	72.2
Indirect taxes	113.9	256.0	389.9	462.4	464.9
Nontax revenues	8.3	21.5	41.6	40.2	37.8
Municipalities own source revenue	0.0	15.0	19.9	23.6	29.8
Expenditures	203.8	245.7	402.3	545.1	649.2
Current expenditures	186.8	225.1	360.4	448.7	534.2
Wages	92.3	109.5	131.4	145.7	170.1
Goods and services	44.1	55.4	121.3	173.7	181.9
Transfers and subsidies	50.4	60.2	107.7	127.0	167.2
Other (reserves)	0.0	0.0	0.0	2.3	15.0
Capital expenditure	17.0	20.6	41.9	96.4	115.0
Overall balance (before budgetary supports)	-75.3	75.6	97.3	44.6	-44.6
Budgetary support	120.6	41.1	9.6	0.0	0.0
Overall balance (after budgetary supports)	45.2	116.7	106.9	44.6	-44.6

Source: Central government and IMF estimations.

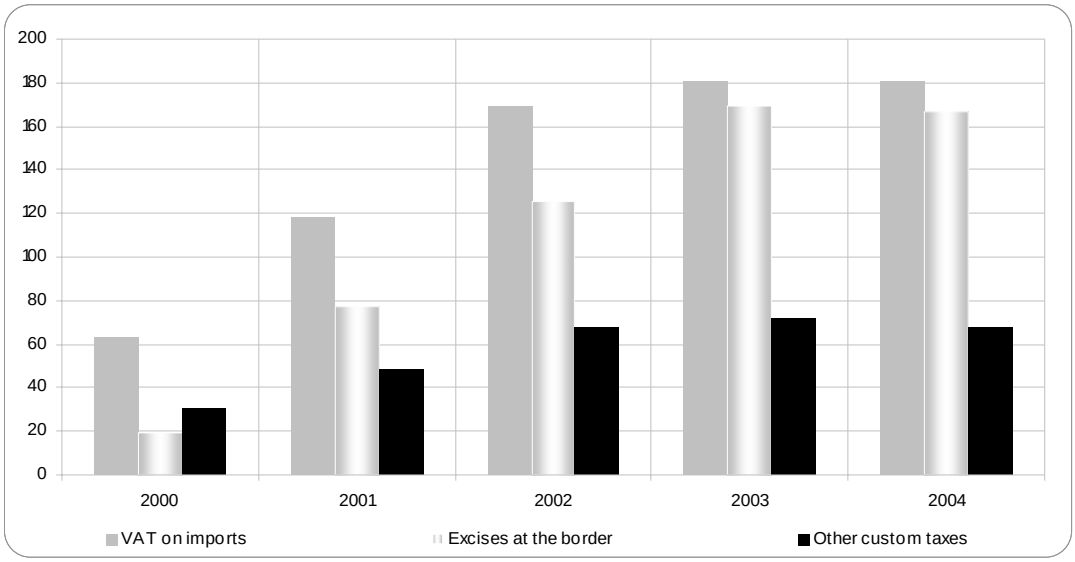
Note: The 2004 figures will change due to the changes in the expenditure side in last quarter of 2004.

Budget revenues increased compared with the previous year by 2.5%, and as a percentage of GDP reaching 31.9% in 2004 from 32.8% in 2003. As presented in Figure 3, main sources of revenues are those collected in the border, around 69% of revenues in 2004. Meanwhile the portion of border taxes in total revenues decreased compared with the previous year from 71.6% in 2003 and 88.6% 2000. The main tax in border taxes are excise taxes and VAT with a share of 74.7% in total border taxes. The tax to nominal GDP ratio at the end of 2004 was 29.9% compared to 30.3%, 27.0%, and 26.8% in 2003, 2002, and 2001, respectively.

Revenues collected on behalf of central government remains in very high level compared to those collected by local government (municipalities). In 2000 there were no collection on local government level, so, all the revenues were collected by central government. But, in the following year the structure started to change, in 2001 local government collected 4.6% of total revenues, 3.9% in 2002, 4.0% in 2003 and in 2004 the ratio was 4.9%.

Increase of expenditures by 38.6% is primarily driven by increase in current expenditures by 27.6% and capital expenditures by 89.6%, whereas their contributions in total expenditures were 22.8% and 15.8% respectively. Wages contributed to the growth in current expenditures by 8.3% while goods and services contributed by 6.8%, transfers and subsidies 12.5%. Goods and services are the main component with a share of 35.5% of total current expenditures in 2004. Capital expenditures increased by 89.6% compared with the previous year and as a share of GDP from 5.4% to 9.6%.

Figure 3: Composition of the border taxes
(In millions of EUR)



Since 2000, domestic demand in Kosovo is higher than domestic production, which means that almost each change in domestic demand is followed with the same pace of imports. This would lead in further deterioration of balance of trade and current account. The problem of twin deficit is of great concern and policies to influence it are limited.

1.2.3 Financial Sector

Although depository corporations (DC) net foreign assets (NFA) during period from 2000 to 2003 show increase, where in 2001 there was 386.3% increase, in 2002 increased by 10.7%, in 2003 by 7.4%, in 2004 there is different picture. Domestic claims as a result of decline of the central government deposits at DC by around euro 130.4 million on one hand, and increase of claims to real sector (private non-financial corporations and households) by euro 140.9 million they started to show positive value amounting to euro

161.3 million in 2004 from euro -109.9 million in 2003. Broad money liabilities also show an increase from 502 million EUR in 2003 to euro 720.2 million in 2004 which increase is contributed 0.4% from transferable deposits and 43.3% from other (time) deposits.

Table 5. Depository Corporations Survey
(In millions of EUR, unless otherwise indicated)

	2000	2001	2002	2003	2004
Net foreign assets	120,524	586,207	649,007	696,982	617,298
Claims on nonresidents	142,743	607,717	673,613	726,383	687,027
Liabilities to nonresidents	22,219	21,509	24,606	29,401	69,729
Domestic claims	-2,509	-43,895	-172,094	-109,967	161,270
Net claims on central government	-5,657	-69,811	-258,592	-342,740	-212,398
Claims on other sectors	3,148	25,916	86,498	232,773	373,668
Broad money liabilities	106,185	486,765	413,558	501,185	720,198
Deposits included in broad money *	106,185	486,765	413,558	501,185	720,198
Transferable deposits	98,572	361,976	285,278	303,721	305,621
Other deposits	7,613	124,788	128,280	197,464	414,577
Deposits excluded from broad money	2,984	13,438	25,113	32,758	3,987
Shares and other equities	11,077	25,162	43,805	61,075	55,561
Other items (net)	-2,231	16,948	-5,562	-8,003	-1,177

1/ Till May-'04 includes all non-financial corporations (only for ODC);

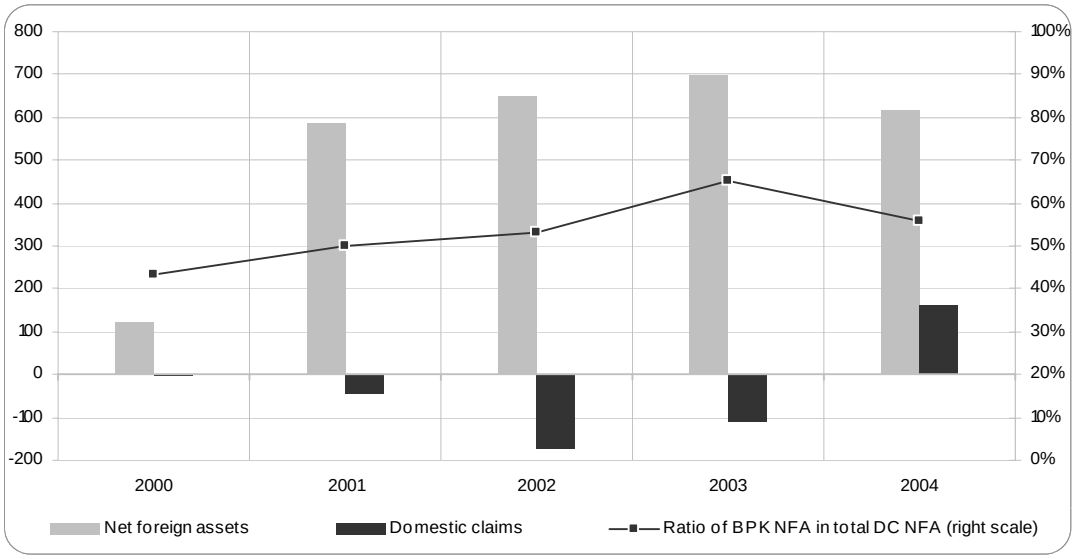
2/ Till May-'04 figure for households includes NPISH;

3/ Includes funds contributed by resident owners;

* While till May '04 the money holding sector consisted of the non financial corporations and the households, since June '04 the money holding sector has been extended with the general government excluding central government and the financial sector excluding depository corporations. Deposits belonging to broad money are transferable deposits and deposits with an original maturity of 2 year or less, while previously no maturity limit was applied. Both changes in the money definition create a definitional break in the time series.

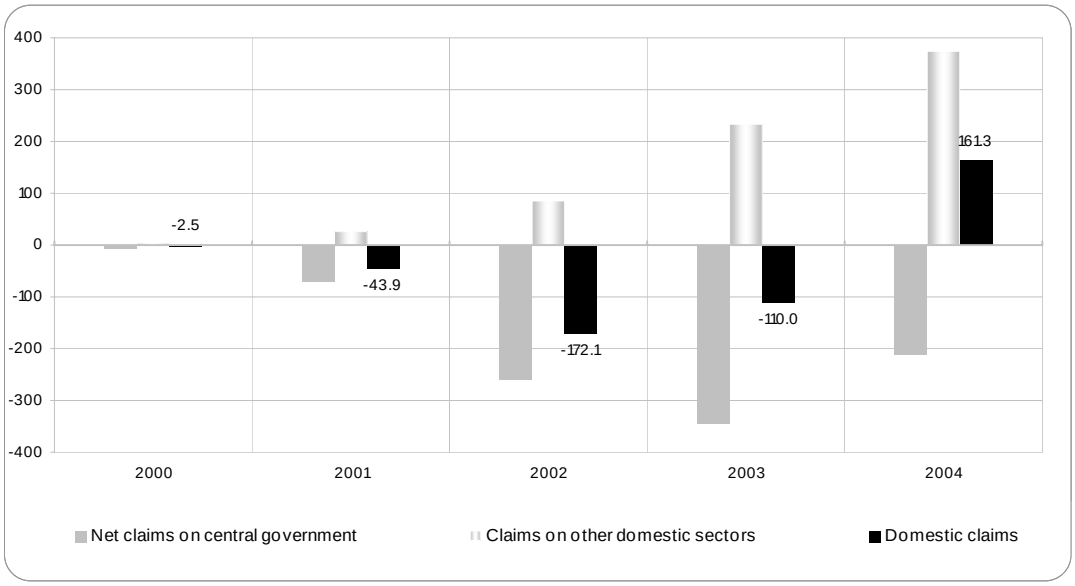
DCs claims on nonresidents, as indicated in table 5, are much higher than liabilities to nonresidents. The claims decreased by 5.6%, contributing to the decline in NFA (11.4%) by contrast with liabilities to nonresidents which increased by 137.2% although from low levels, producing negative contribution to the decrease of NFA by 5.8%. As in previous years deposits, and starting from 2003 investments in securities other than shares, both have the major share on claims to nonresidents, 91.9% in 2004 or increase compared to 89.9% in 2003. BPK ratio in deposits and investments in securities other than shares abroad in 2004 was 53.9% and 52.7% while remaining belongs to Other Depository Corporations (ODC).

Figure 4: Depository corporations NFA and domestic claims
(In millions of EUR, unless otherwise indicated)



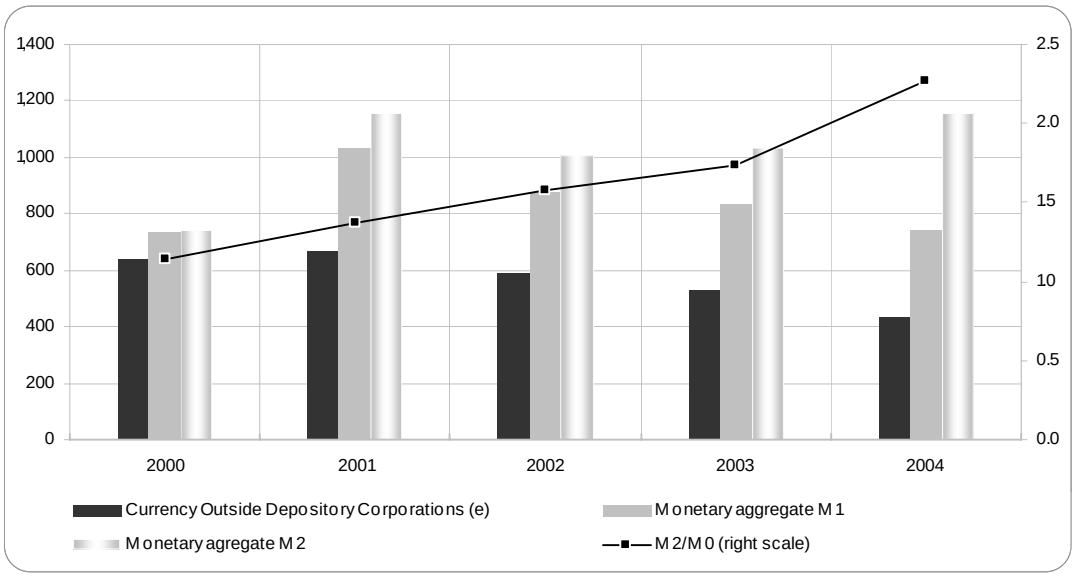
Fiscal sector or central government deposits at DC from 2000 until 2003 represented significant year-on-year increase, starting from 5.6, 69.8, 258.6, and euro 342.7 million in 2000, 2001, 2002, and 2003 respectively. The year 2004 shows different flow relative to the previous years. In 2004 the fiscal sector deposits relative to the year 2003, decreased by euro 130 million or 38%.

Figure 5: Depository corporations domestic claims by sectors
(In millions of EUR, unless otherwise indicated)



The 2004 decrease of fiscal sector deposits at DC (figure 5) and as a 'counterpart' increase in claims to other domestic sectors (loans to non-financial corporations and households) shifted financial sector from net liability position to net claim position. Financial sector claims to other domestic sectors grew significantly since 2000 while at the end of 2004 they accounted euro 373.6 million. Regarding the structure of the loans, they are given to other non-financial corporations and households. So, at end of the year 2004, other non-financial corporations accounted a share of euro 290 million or 77.6% compared to 83.3%, 91.8% in 2003, and 2002 respectively. By this flow, we can see that loans given to households representing a significant increasing trend. All the amount of euro 373.6 million represents loans given from ODC (commercial banks). [8]

Figure 6: Monetary aggregates and money multiplier
(In millions of EUR, unless otherwise indicated)



Monetary aggregate M2 (M1+other deposits) as indicated in figure 6, shows an increase by 12.1% relative to 2003 and stood at euro 1.155 billion EUR in 2004. During 2004 there was a marked increase of other (time and savings) deposits by 109%, contributing in the growth of M2 by 21.1%. On other hand monetary aggregate M1 declined from euro 832.7 million in 2003 to euro 740.6 million in 2004, contributing by -8.9% in overall M2. Currency outside depository corporations (IMF staff estimate) as one of the component of M1 represents decrease from euro 529 million in 2003 to euro 435

[8] For more details see "Developments in the banking sector".

million in 2004 contributing by -11.3% in M1. Transferable deposits share in M1 was 41.3% or increase from 36.4% in 2003 proving that there is a shift in M1 from currency outside banks to transferable deposits.

Ratio of currency outside depository corporations to broad money liabilities at end of 2004 fell to 60.4%. The ratio represents significant decrease relative to 2000, 2001, 2002, and 2003 from 599.9%, 137.2%, 142.4%, and 105.5% respectively. The trend is contributed from decline in the currency outside depository corporations from euro 637 million in 2000 to euro 435 million in 2004, and increase in the broad money liabilities from euro 106 million in 2000 to euro 720 million in 2004. The flows presented above are stressing that Kosovo economy is in transformation process from cash to non-cash economy. While in 2000 one euro was in banks, six euros were out of banking system, on the contrary in 2004 while one euro was in banks there was only 0,6 euro out of banks. As a result of the increased confidence in ODC (commercial banks) operations in Kosovo followed by significant increase in deposits at commercial banks, during the period 2000 – 2004 there was permanent decrease in the broad money to GDP ratio, meanwhile at the end of 2004 it stood at 62.6%.

1.2.3.1. Developments in the banking sector

As of end 2004, the banking sector in Kosovo consisted of seven commercial banks: ProCredit Bank (PCB), Raiffeisen Bank of Kosovo (RBKO), New Bank of Kosovo (BRK), Bank for Private Business (BPB), Economic Bank (BE), Kasa Bank (KSB) and Credit Bank of Prishtina (BKP). Although during the period 2002-2004 no new bank was granted a license by the Banking and Payments Authority of Kosovo (BPK), banks in Kosovo have expanded their network through branches accompanied with a wide range of services. Similarly, the ownership structure of banks has not seen any significant changes, as since end-2001 there are two banks with majority foreign ownership and five banks with majority domestic ownership.

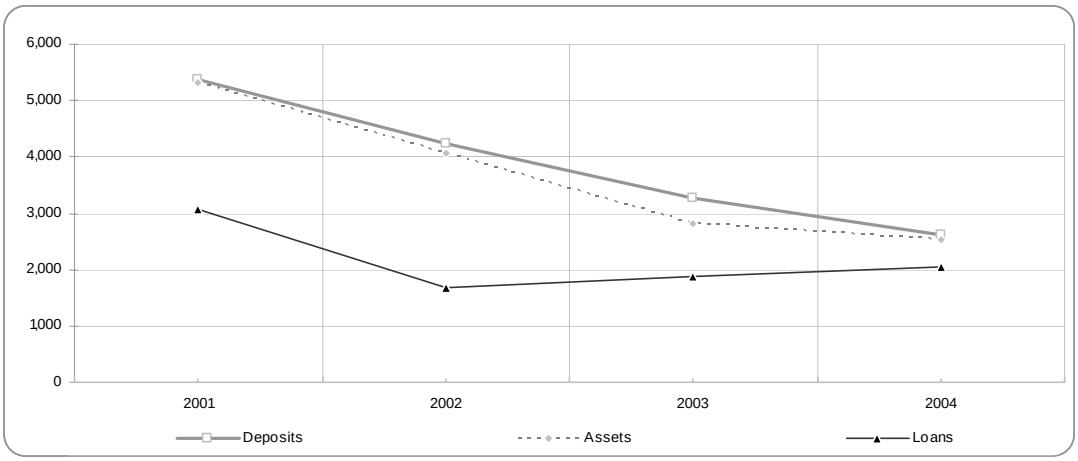
There were 217 banking units operating in Kosovo as of end 2004, which compared to 2003 increased in the number by 60 units. The increase in the number of the banking units operating in Kosovo was accompanied with the increase in the employment by commercial banks, which by the end of 2004 amounted to 2,068 full time employees.

During 2004, banks in Kosovo have optimized their banking network by utilizing new technology. The establishment of new technology has enabled banks to increase the security in providing their services, widen the range of the products they provide and cut the overhead costs. Moreover, new technology has enabled clients to use banking services directly and continuously 24 hours. As of December 2004, the number of ATMs in the banking sector reached 43. Following the trend of development of world banking, as well as, the changing behavior of population in Kosovo towards utilizing of banking services, banks have provided their clients with new products such as debit and credit cards such as Visa and MasterCard.

Total banking sector assets managed by an employee amounted to EUR 385,789, which is an increase of 10.9 % in relative terms compared with end-2003. Measuring productivity by the number of employees per banking unit, we get the trends identical to the changes in productivity measured by the assets managed by an employee. As a result, the number of employees per branch points to the decrease in the number of employees per operating unit by 12.5 % in 2004 relative to 2003.

According to the picture provided by the Herfindahl-Hirschman Index (HHI), Kosovo banking sector concentration has decreased in 2004. The value of the HHI have decreased at end-2004 to 2,536 points from 2,803 points at end-2003 while it decreased by 1,255 points compared with 2002. In addition, the decrease in the index and hence the increase of competition was seen in the deposit market as well. The value of the HHI decreased in 2004 by 621 points compared with the end 2003 and remained at 2,625 points. This trend in the development of the concentration level in the banking sector might be the result of the increase in competition in collecting deposits forcing banks to operate in a more competitive environment. In addition, the effect of large depositors, which are concentrated in only few banks, might be the reason for the higher value of the HHI in deposits. Meanwhile, as the Figure 7 indicates, the concentration of loans experienced a slight increase during 2004 to 2,053 points from 1,877 points at end-2003. These developments in the concentration levels show that banking sector is more competitive in the loan granting than in the deposit receiving.

Figure 7: Herfindahl-Hirschman Index (all banks)



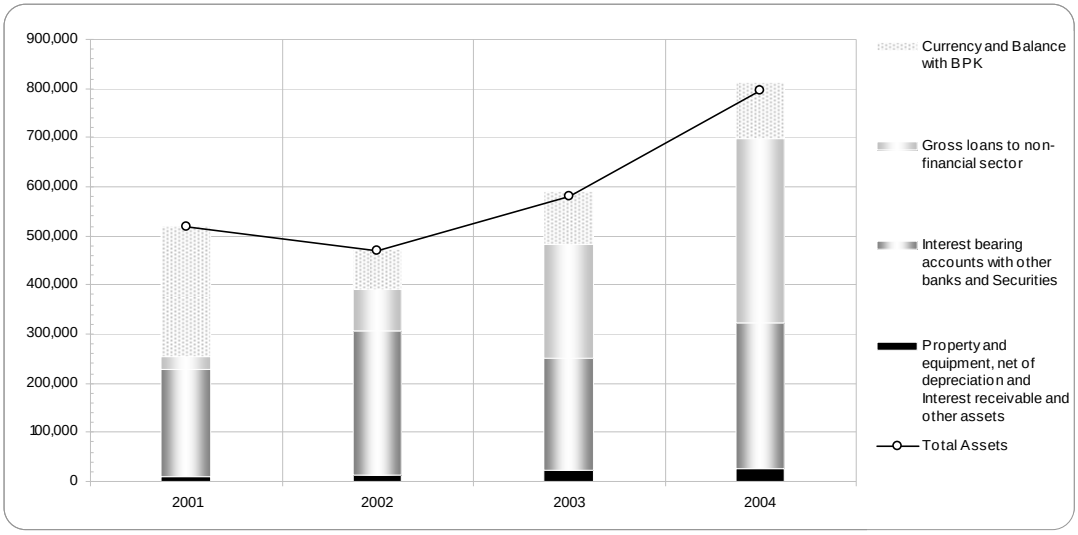
Measuring the competition level of the banking sector in Kosovo by the market share of the three largest banks (C3), we get the trends identical to the developments of the concentration measured by the HHI. As a result, the C3 within the domestic banking market is falling gradually as far as assets and deposits are concerned. As of end-2004, the concentration of the major banks' share measured as a combined participation of the three banks in total banking sector assets experienced a downward trend. In particular, as of end 2004 the share of the three largest banks assets in total assets fell by 0.5 percentage points and reached the share of 74.0 % of total banking sector assets, whereas the share of the major banks' deposits to total deposits experienced a fall by 0.4 percentage points relative to 2003 (75.0%) and accounted for 74.4 % of total banking sector deposits. With respect to loans, three largest banks have increased their share in the total banking sector loans at end-2004 accounting for 71.0 % of total loans or up by 4.0 percentage points compared with 2003.

1.2.3.2. Structure of Assets of the Banking Sector in Kosovo

Total banking sector assets stood at EUR 797.0 million at end- 2004, an increase of EUR 215.5 million relative to the end- 2003. As illustrated in the Figure 8, total assets have experienced an increasing trend since 2001. In 2002, total assets of the banking sector appear to have decelerated in terms of their relative growth by 9.2 % compared with 2001. However, they turned up again in 2003 increasing by 23.4 % compared with

2002. Similarly, total assets increased by 37.1 % in 2004 compared with the end- 2003. Banking sector assets have grown steadily in terms of their share to GDP as well. Using the IMF GDP estimates, at end 2003, total banking sector assets amounted to 39.0 % of GDP whereas their share increased to 42.0 % at end 2004.

Figure 8 : The structure of assets of the banking sector in Kosovo, in '000 EUR



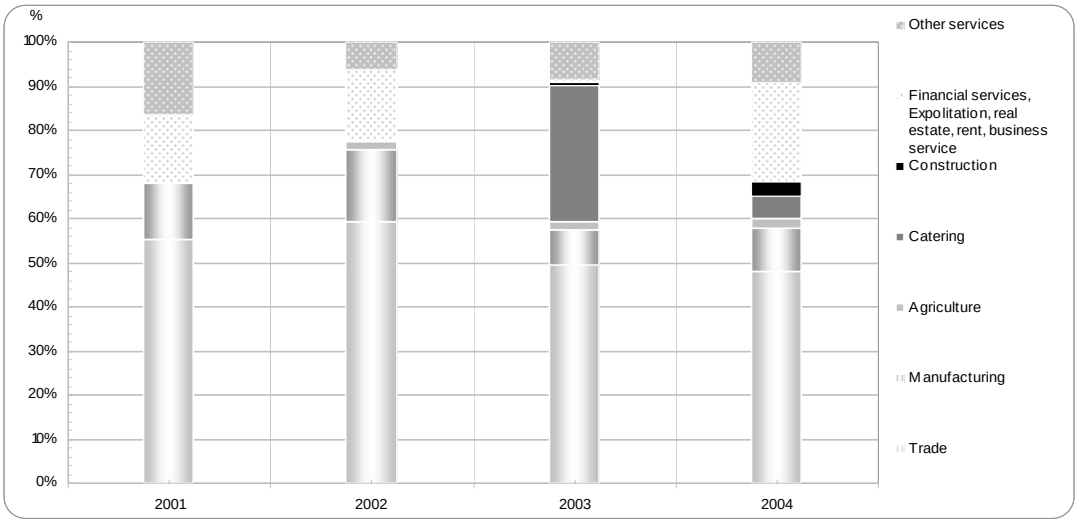
Accounting for a substantial share in total banking sector assets (37.3 %), placements abroad and investments in securities grew by 31.8 % in 2004 relative to 2003. However, during the period of 2001-2004 they experienced an uneven trend, recording a relative increase of 32.9 % in 2002 compared with 2001 whereas, they fell by 22.8 % in 2003 compared with 2002 when they amounted to EUR 292.7 million. Making up 14.0 % of total assets, securities abroad have dropped by 6.6 % in 2004 relative to 2003, amounting to EUR 111.8 million, whereas placements abroad experienced a relative increase of 75.0 % in 2004 and accounted for 23.3 % of total balance sheet.

Loans, as a decisive part of total banking sector assets, appear to have increased their share during the period under review. Representing with 18.4 % of total assets in 2002, gross loans grew in relative terms by 169.1% in 2003 increasing their share in total assets to 40.0 %. Moreover, in 2004 the relative growth of loans has decelerated slightly as they grew by 60.5 % relative to 2003. However, in 2004 loans accounted for 46.8 % of total assets amounting to EUR 373.7 million up from EUR 232.7 million in 2003. Loans have also increased in terms of their share to GDP as by the end of 2004 loans have increased their share to 19.7 % of GDP from 12.9 % in 2003.

Regarding the interest rates on loans, the rates on loans granted to non-financial corporations appear to be higher than the interest rates on loans to households. In particular, rates on longer-term business investment loans granted to non-financial corporations were 14.3 %, whereas other longer-term business loans remained at 15.9 %. On the other hand, interest rates on consumer loans were 12.3 % as of end December 2004.

The industry structure of loans is in proportion to the structure of industry of the Kosovo's economy, where trading industry has a dominant position. The share of loans granted to trade represents the most significant part of total loans granted. In 2002, they accounted for 59.3 % of total loans, which is 3.9 percentage points increase compared with 2001. The share of loans granted to trade dropped to 49.3 % of total loans when they amounted to EUR 114.7 million whereas their relative growth slowed slightly as their share dropped in 2004 to 48,2 % of total loans.

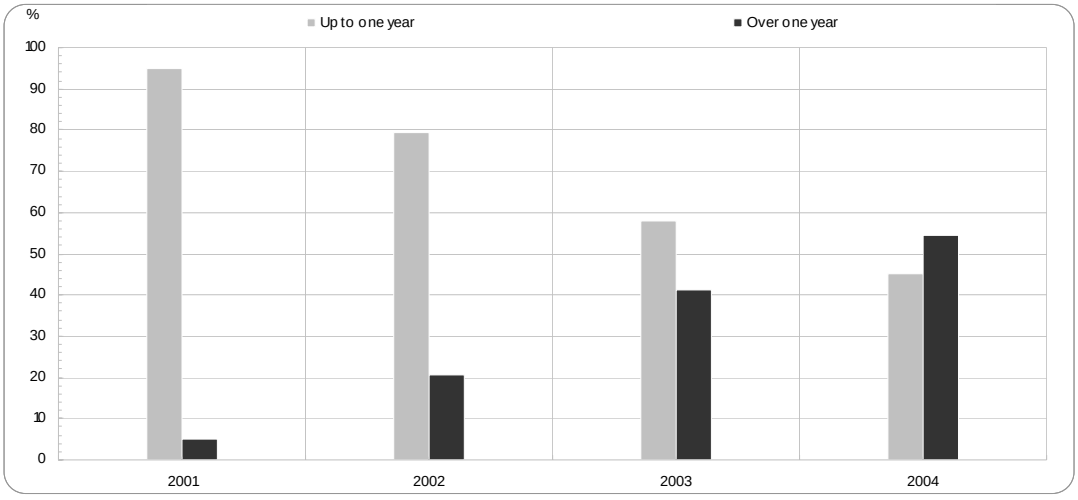
Figure 9: The industry structure of loans of the banking sector in Kosovo, in %



Following this increase, as Figure 9 illustrates, loans channeled to the manufacturing sector represented 8.1 % of total loans in 2003 whereas by the end of 2004 they accounted for 9.6 % of total loans granted. Significant shift of loans was also registered by loans granted to the agriculture sector, which by the end- 2004 reached the share of 2.1 % in total loans though they still remain negligible relative to loans granted to other sectors.

With respect to the time structure of loans, Figure 10 indicates that there is a significant shift towards longer-term loans. During the course of 2004, banks have experienced a slowdown in the relative growth of loans with maturities of up to one year which increased by 25.1 % and by the end-2004 represented 45.3 % of total loans, or 12.7 percentage points lower compared with the end-2003.

Figure 10: The maturity structure of loans of the banking sector in Kosovo, in %

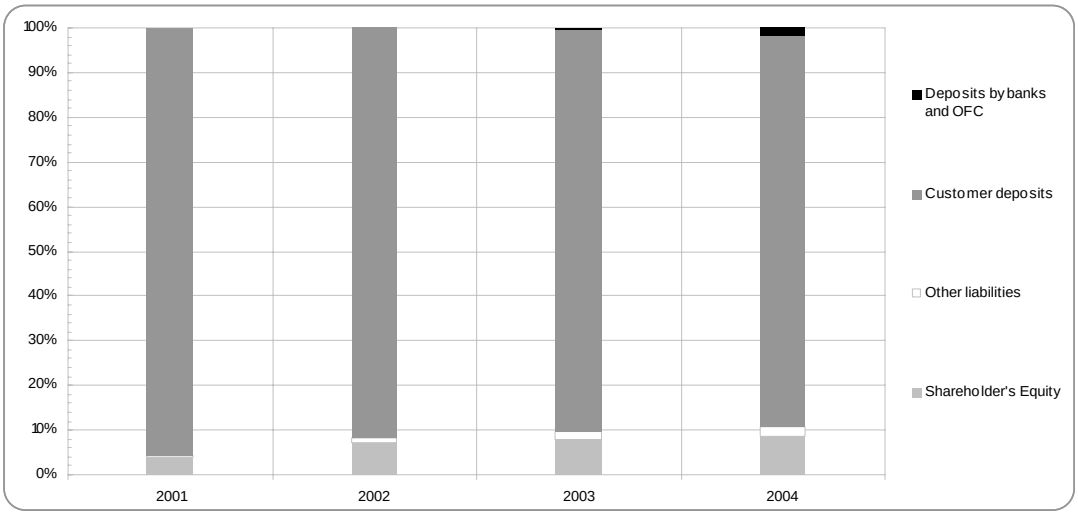


Moreover, large relative change was registered for by loans with maturities of over one year, which by the end 2004 increased by 110.7% compared with 2003 and accounted for 54.7 % of total loans. In addition, loans with maturities of over one year have increased their share to total loans by 13.0 percentage points while they stood at 41.4 % of total loans at end 2003. Apart from the increase in the intermediation role of banks, maturity structure of loans provided to economy has also improved.

1.2.3.3. Structure of Liabilities of the Banking Sector in Kosovo

The accelerated growth of loans was associated with the growth of deposits which at end-2004 amounted to EUR 692.3 million or up by 34.7 % relative to the end-2003 (Figure 11). Over the period 2001-2004 deposits experienced significant changes in their relative growth. In 2002 they fell by 13.2 % whereas they recovered in 2003 increasing by 20.3 % and amounting to EUR 515.8 million.

Figure 11: The structure of liabilities and shareholders equity of the banking sector in Kosovo, in %

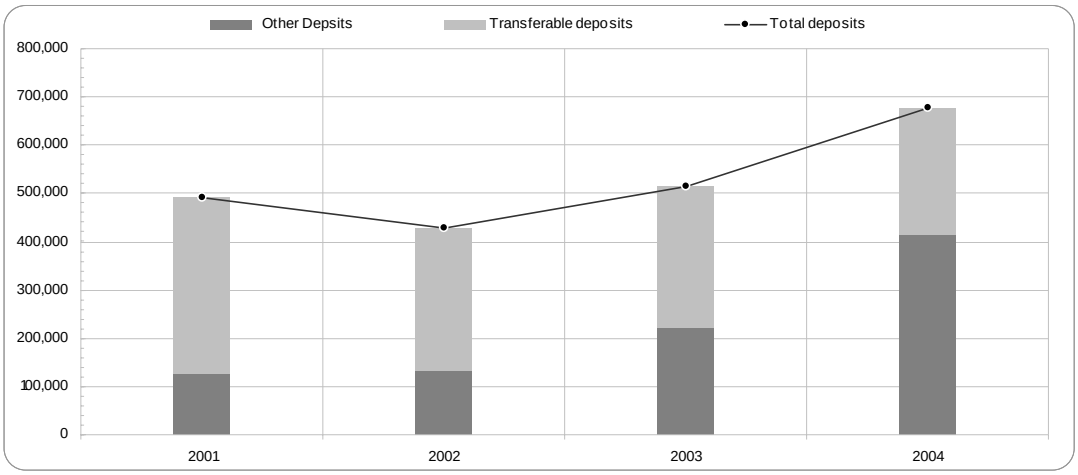


With regard to the interest rates on deposits, rates on deposits with shorter term maturities – i.e. deposits less than EUR 250,000 in less than one month, from one to three months, and from three to one year - stood at 1.7 %, 2.2 %, and 2.9 %, respectively. On the other hand interest rates on deposits with longer-term maturities - more than two years - were around 4.0 % as of end 2004.

During the course of 2001-2004, the structure of deposits has experienced several changes. In 2002, transferable deposits have experienced a decline (19.1%) in their growth whereas they recovered in 2003 reaching the share of 43.9 % from 31.3 % of total deposits in 2002. Following this trend, in 2004, transferable deposits increased by 8.9 percentage points and accounted for 52.8 % of total deposits (Figure 12).

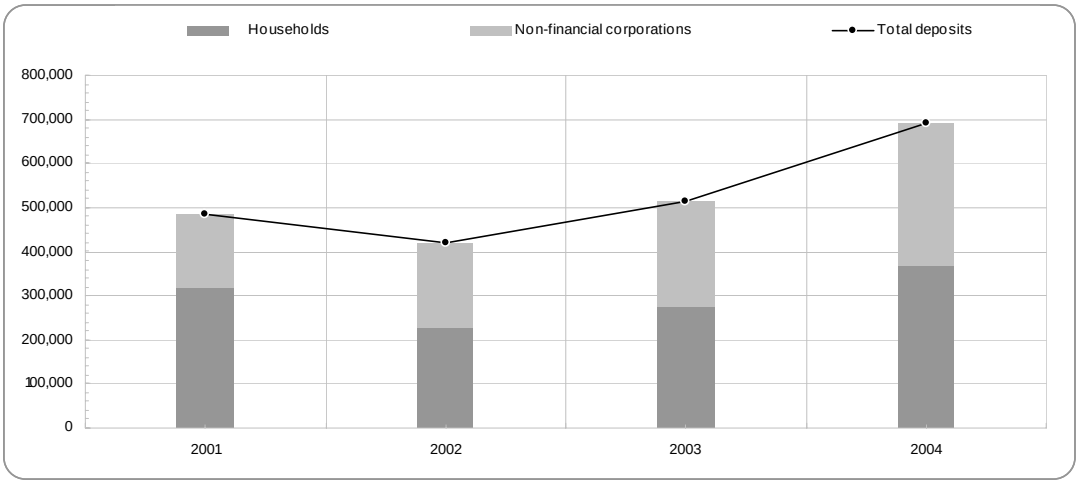
On the other hand, other deposits (time and savings deposits) fell by 0.2% in 2003 compared with 2002 and represented 56.1 % of total deposits. In 2004, they experienced an improvement in their relative growth increasing by 13.9 % when they retained their share of 47.2 % of total deposits. This growth was mainly due to the increase in deposits of non-financial corporations, which by the end of 2004 grew by 116.3 % while households' deposits increased by 66.7 % relative to 2003.

Figure 12: The maturity structure of deposits of the banking sector in Kosovo, in '000 Euro



With respect to the type of depositor structure of deposits, households' retain the dominant position, which by the end of 2004 represented a rather stable share of 53.4 % of total deposits. In 2002, households' deposits experienced a decline in their growth rate by 28.3 %. Since then, however, household deposits saw a relative growth of 20.2% in 2003 compared with 2002 and continued with the same pace in 2004 as well, when they amounted to EUR 370.9 million (Figure 13).

Figure 13: The depositor structure of deposits of the banking sector in Kosovo, in '000 Euro



On the other hand, the major counterpart to the reduction of the share of households' deposits to total deposits has been an accelerated growth of non-financial corporations deposits, which by the end of 2002 grew by 14.8% reaching the share of 45.7 % of total deposits. They continued with the same relative growth in 2003 as well, increasing by 24.7% and as a result reaching the share of 46.7 % in total deposits. In 2004 they

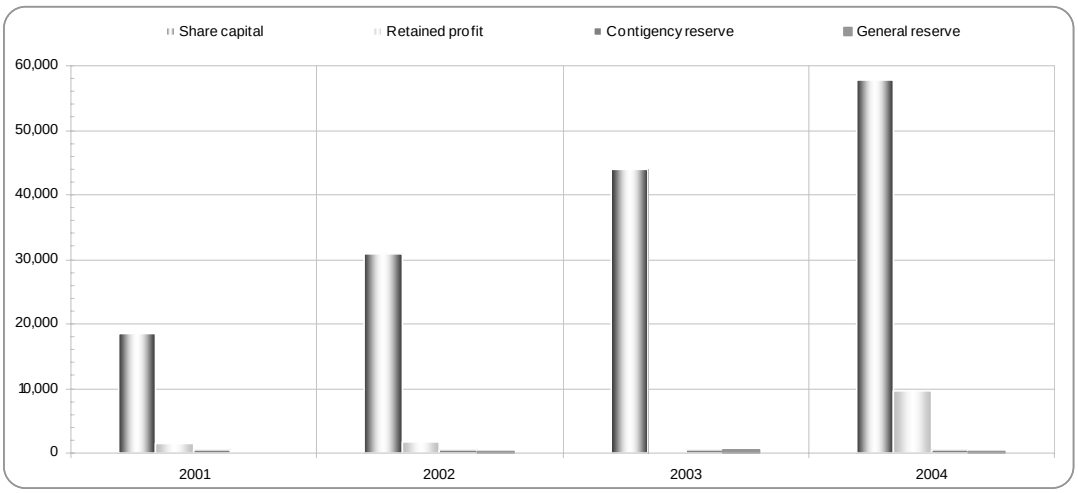
accounted for 46.6 % of total deposits experiencing the largest relative change (35.3%) during the period of 2001-2004. As of end 2004, deposits received from the public enterprises accounted for 21.9 % of total deposits received, whereas other non-financial corporations (private and socially owned enterprises) account for 18.4 % of total deposits.

1.2.3.4. Structure of Capital of the Banking Sector in Kosovo

Figure 14 illustrates the developments in the capital structure of the banking sector in Kosovo. Total banking system capital amounted to EUR 68.1 million as of end 2004, which is 51.4 % increase relative to 2003 when they remained at EUR 45.0 million. Share capital, being the main component of the total banking sector capital, retained its dominant position of around 90.0 % of total structure of capital for four years. The most pronounced relative change was experienced in 2002 when the share capital grew by 66.6 % while reaching its largest ever proportion of 97.9 % of total capital, which in turn contributed to the growth of bank capital by 62.7%.

The fluctuations were also recorded for the relative growth of the retained profit, which in 2002 went up by 24.9%, whereas by the end of 2004 it accounted for 9.1 % of total capital.

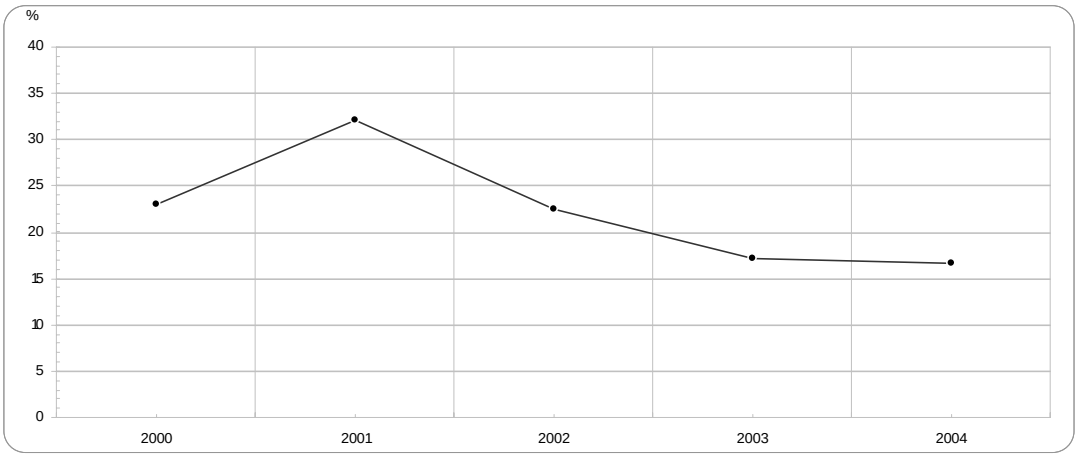
Figure 14: Structure of capital of the banking sector in Kosovo, in '000 EUR



Measuring banks capitalization, Figure 15 indicates that banks are adequately capitalized. The average capital adequacy ratio (total regulatory capital to risk weighted assets) was 17.1 % as of end 2003, which is a decrease of 23.9 % from 22.5 % in 2002. The ratio

continuously declined for the period of 2000-2003 as in 2000 it was 23.0 % whereas in 2001 it reached the highest ever ratio of 32.1 %. As of end 2004, the ratio remained at 16.7 % pointing to the decrease of 2.3 % compared with 2003.

Figure 15: Capital adequacy ratio



The reason behind this decreasing trend is the growing share of loans granted to the private sector in the banking loan portfolio which in turn contributed to the faster growth of risk weighted assets relative to the growth of regulatory capital.

1.2.3.5. Banking sector performance

According to the banks' operating results, banks ended the 2004 financial year with the pre-tax profit amounting to EUR 15.1 million and the after-tax profit of EUR 12.9 million (Table 6). In comparison with the preceding year, the after tax profit grew by 90.5 % in nominal terms or was EUR 6.2 million higher than the end 2003. However, the after-tax profit have experienced a moderating trend in 2004 as it increased by 150.4 % in nominal terms in 2003 relative to 2002 whereas its growth slowed in 2004.

Table 6. The Structure of Income Statement of the Banking Sector of Kosovo

INCOME STATEMENT	2001	2002		2003		2004	
	Amount	Amount	Change in %	Amount	Change in %	Amount	Change in %
Interest income	7,179	17,818	148.2	30,693	72.3	53,999	75.9
Loans	2,150	9,373	336.0	23,780	153.7	48,110	102.3
Placement with banks	5,029	8,257	64.2	6,090	(26.2)	2,452	(59.7)
Securities	-	188	-	823	337.8	3,437	317.6
Non-Interest income	9,402	14,034	49.3	17,984	28.1	19,449	8.1
Fees and commissions	9,212	13,194	43.2	16,750	27.0	17,522	4.6
Other operating income	190	840	342.8	1,234	46.9	1,927	56.2
TOTAL INCOME	16,581	31,852	92.1	48,677	52.8	73,448	50.9
Interest expenditures	1,312	3,470	164.4	5,279	52.1	9,978	89.0
Deposits	855	3,102	262.9	4,782	54.2	9,237	93.2
Borrowings	458	368	(19.6)	497	35.1	741	49.1
Non-Interest expenditures	1,507	5,792	284.4	10,223	76.5	14,939	46.1
Provision for losses on loans	616	3,282	433.1	7,720	135.2	11,071	43.4
Depreciation on fixed assets	891	2,510	181.6	2,503	(0.3)	3,868	54.5
General and administrative expenses	7,271	19,130	163.1	25,379	32.7	33,952	33.8
TOTAL EXPENDITURES	10,090	28,392	181.4	40,881	44.0	58,869	44.0
Net operating income before provisions for tax	6,491	3,460	(46.7)	7,798	125.4	14,579	87.0
Income from banking activities	681	562	(17.4)	915	62.8	480	(47.5)
Income tax	456	1,306	186.7	1,912	46.4	2,104	10.0
After-tax profit/loss	6,716	2,716	(59.6)	6,801	150.4	12,955	90.5

This trend in the operating results of banks was mainly driven by the growth of interest income, which by the end of 2004 amounted to EUR 54.0 million or 75.9 % higher in nominal terms relative to 2003. Interest income from loans contributed with the relative growth of 102.3 % as of end 2004 while the interest received from deposits with banks contributed negatively to this growth when they decreased by 59.7 % in nominal terms and amounted to EUR 2.5 million or EUR 3.6 million lower compared with the end 2003.

The major counterpart to the increase in interest income was a slowdown in the non-interest income growth, which by the end of 2004 experienced a relative growth of 8.1 % compared with 2003 when they grew by 28.1 %. The reason behind this moderate

growth in the non-interest income was the slowdown in the growth rates of income from fees and commissions and the accompanying moderate growth of other operating income.

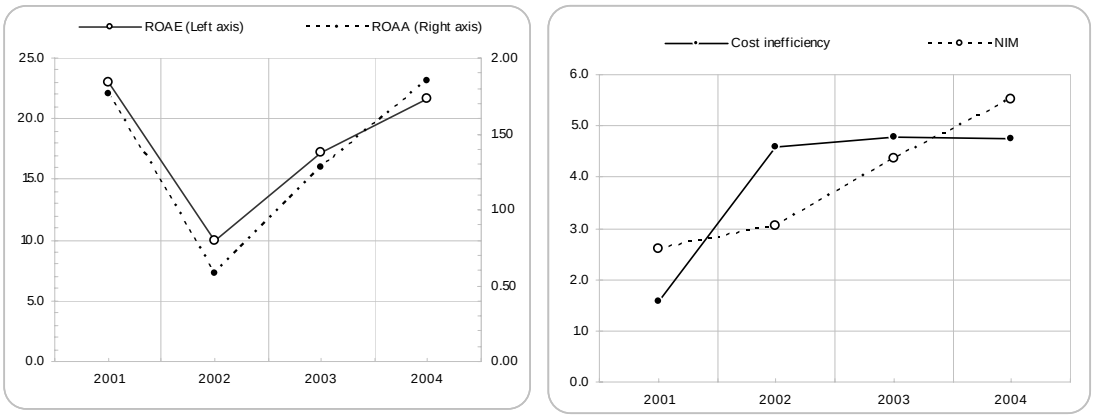
From the expenditure side of the income statement of banks, the pronounced changes were registered for by the interest expenses, with interest expenses on deposits going up by 93.2 % relative to 2003 which by the end of 2004 amounted to EUR 10.0 million. On the other hand, interest expenses in borrowing grew by 49.1 % while they accounted for a negligible share in total interest expenditures.

The relative changes in non-interest expenses appear to have decelerated, as by the end of 2004 they grew by 46.1 % in nominal terms compared with 2003 when they experienced a relative increase by 76.5 %. This moderate trend in the growth rates of non-interest expenses were mainly driven by the slowdown in the relative growth of provision for loan losses (43.4 %) which in 2003 grew by 135.2% compared with 2002. Moreover, general and administrative expenses increased at a sustained rate of 33.8% by the end of 2004 and amounted to 33.9 EUR million.

The basic indicators of the banking sector performance present a favorable picture for the end 2004. Figure 16 presents the developments of these indicators for the entire banking sector during the period of 2001-2004. The banking sector return on average equity (ROAE) ratio followed an increasing trend since 2002. As already mentioned, favorable results in the operating results of the banking sector have contributed largely to the increase in this ratio. In 2002 the ratio dropped to 9.9 % from 22.9 % in 2001. Since then, however, the ratio followed an increasing trend as in 2003 it reached 17.3 % whereas by the end of 2004 it amounted 21.7 %.

Similarly, the ratio of the Return On Average Assets (ROAA) reveals favorable position of the banking sector performance. Measuring the banking sector performance by the ROAA ratio, the trends are identical to the changes in performance measured by the ROAE. The ROAA was the lowest in 2002 when it remained at 0.6 %. Since then, it continuously increased and in 2003 it totaled 1.3 %, whereas in 2004 it marked the highest level for the 2001-2004 period and averaged 1.9 %.

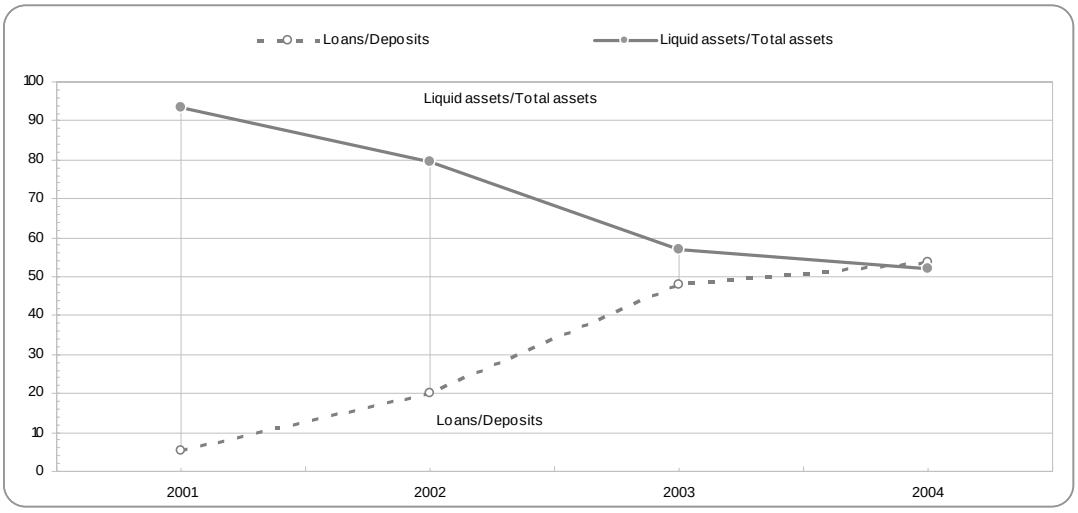
Figure 16: Return and Efficiency Indicators



Intermediation efficiency and cost inefficiency indicators also showed improvements. In particular, compared with the end 2003, the indicator of Net Interest Margin (NIM) reflects an increase from 4.4 % to 5.5 % at end 2004. On the other hand, as Figure 16 evidences, the cost inefficiency indicator experienced a slight decline in 2004 to 4.7 % relative to 2003 when it reached 4.8%, after a slowdown in its growth from 2001.

In general, banking sector in Kosovo remains liquid. Based on the picture provided by the Figure 17, the liquidity position of the banking sector in Kosovo experienced changes continuously since 2001. The ratio of loans granted to deposits received has increased in 2002 to 20.2 % from 5.3 % in 2001. Following this upward trend, the ratio increased to 47.9 % and 53.6 % in 2003 and 2004, respectively. As the figure reveals, the increasing trend started to moderate in 2004, which might be driven by the faster increase in the growth rate of deposits compared with the growth rates of loans granted which by the end 2004 slowed.

Figure 17: Liquidity Indicators



On the other hand, the ratio of liquid assets to total assets experienced a continuous decrease since 2001. In 2002, the ratio dropped to 79.4 % from 93.5 %, while in 2003 it remained at 57.1 %. Since then, however, the ratio remained stable and totaled to 51.9 % at end 2004.

1.2.4 External Sector

Current account at the end of the year 2004 before grants recorded a deficit of –euro 947.9 million or 50% of nominal GDP. Comparing to the previous periods there is substantial decrease of the current account deficit before foreign assistance as percentage of GDP. Namely, the ratio corresponds to -133.8%, -79.0%, -63.6%, -56.5%, and 50.0% in 2000, 2001, 2002, 2003, and 2004. At the same time as current account balance after grants recorded a deficit by 17.1% of GDP. As presented in the table 7 foreign inflows (remittances and foreign assistance) account still a huge share, although there is a declining trend. Explicitly, together they showed an amount of euro 868.5 million or 45.8% of GDP at end of 2004.

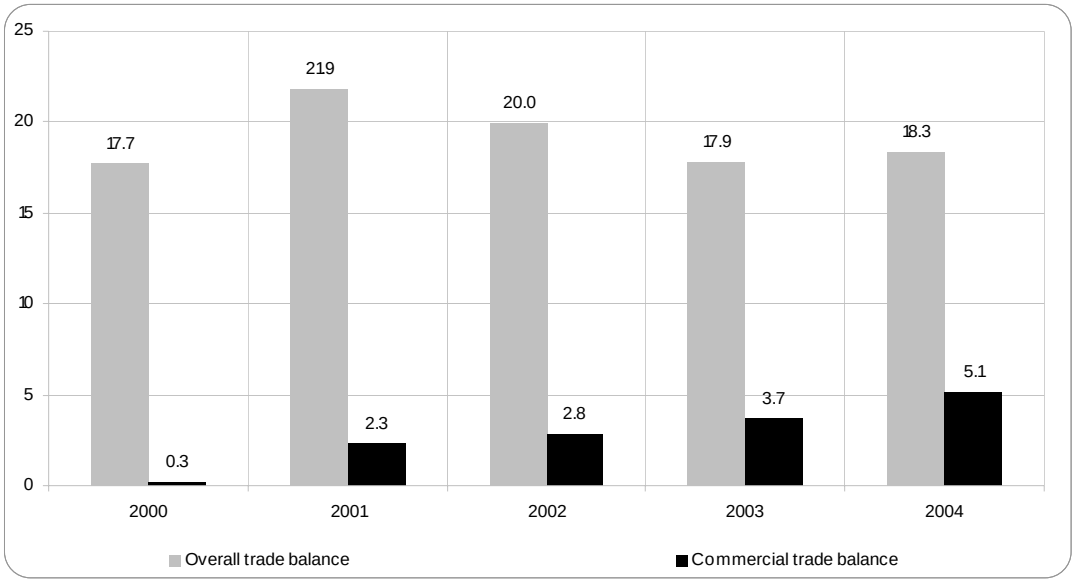
Table 7. Balance of Payments
(In millions of EUR, unless otherwise indicated)

	2000	2001	2002	2003	2004
Goods and services balance	**-1,829.4**	**-1,686.2**	**-1,492.8**	**-1,379.3**	**-1,298.5**
(in percent of GDP)	-172.1	-103.7	-86.0	-76.8	-68.5
Trade balance	**-1,178.8**	**-961.5**	**-870.6**	**-855.9**	**-845.4**
Exports	253.4	269.0	217.4	186.1	189.5
Of which: regular exports	2.5	23.0	27.0	36.2	50.7
Imports	1,432.2	1,230.5	1,087.9	1,042.0	1,034.9
Donor imports	380.5	212.6	124.4	98.9	85.7
Of which: imported directly	380.5	189.6	90.4	25.5	0.0
Imports related to humanit. Assistance	35.6	18.2	9.0	5.0	0.0
Other imports	1,016.1	999.7	954.5	938.1	949.2
Commercial imports	983.2	991.6	952.5	968.9	989.6
Non-factor services	**-650.6**	**-724.7**	**-622.2**	**-523.4**	**-453.1**
Payments	650.6	724.7	622.2	523.4	453.1
Donor related	601.3	675.8	575.6	477.7	406.8
Non-donor related	49.4	48.9	46.6	45.8	46.3
Factor income	**407.3**	**402.4**	**390.0**	**363.9**	**350.6**
Worker's remittances	222.0	217.0	241.4	241.4	244.5
Wages of local employees	185.3	185.4	148.6	122.5	106.1
Current account balance (before for. assistance)	**-1,422.1**	**-1,283.9**	**-1,102.8**	**-1,015.5**	**-947.9**
(in percent of GDP)	-133.8	-79.0	-63.6	-56.5	-50.0
Foreign assistance	1,229.1	1,144.0	901.9	731.7	624.0
Current account (after foreign assistance)	-193.0	-139.9	-200.9	-283.8	-323.9
(in percent of GDP)	-18.16	-8.607	-11.58	-15.79	-17.1
Errors and omissions	-226.0	-223.5	-221.8	-57.0	11.1
	419.0	363.4	422.7	340.8	312.9

Source: IMF estimations.

Trade balance at the end of 2004 reached amount of euro -845 million which is decrease from euro -1.179 million in 2000 where amounted 110.9% of the 2002 nominal GDP. Taking into consideration international presence of institutions in Kosovo and their activity, we can underline to types of trade balances. So, including all imports and exports (made by all institutions) during 2004, the ratio of imports to exports reached 18.3% (figure 18) while excluding it, calculating only balance between commercial imports and exports the ratio stood at 5.1%. As shown in figure 18, there is an opposite trend of these two categories. Starting from 2001 calculating 21.9%, there is decline of overall trade balance until 2003, by 1.9, and 2.1 percentage points in 2002 and 2003, respectively followed by slight increase in 2004. Contributing by 0.5% and 0.8% exports and imports respectively, trade balance at the end of 2004 accounted euro -845 million, 44.6% of GDP.

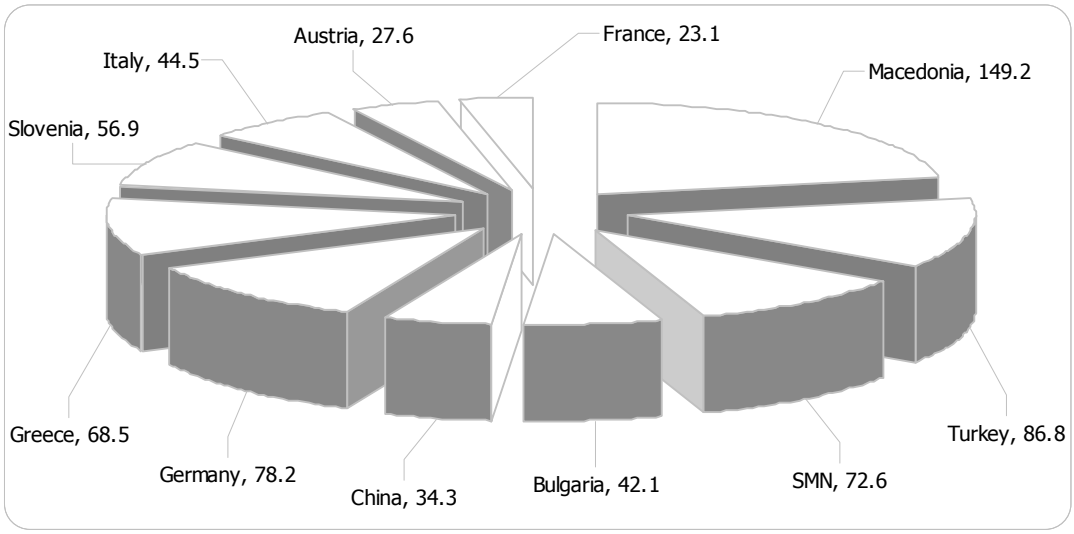
Figure 18: Ratio of Exports to imports
(In percentage)



Total imports in Kosovo during the year 2004 accounted euro 1.1 billion which is increase compared to 2003 by 9.2%, 2002 by 24.4%, and 2001 by 55.3%. European Union is still the main trading partner with a share of 26.7% in total imports of Kosovo. At the end of 2004 imports from the European Union reached 284 million EUR which is increase by 17.3% compared with previous year. Within European Union there are Germany, Italy and Greece with a share of 67.3% in total imports from European Union or amounting euro 191.2 million.

Regarding non-European Union countries, Macedonia is biggest exporter to Kosovo. At the end of 2004 imports from this country reached euro 149.2 million or 14% of total imports which is almost the same ratio for 2003 followed by Turkey, SMN, Bulgaria, and China with a portion of 8.1%, 6.8%, 3.9%, and 3.2% respectively. While other countries account for a smaller share.

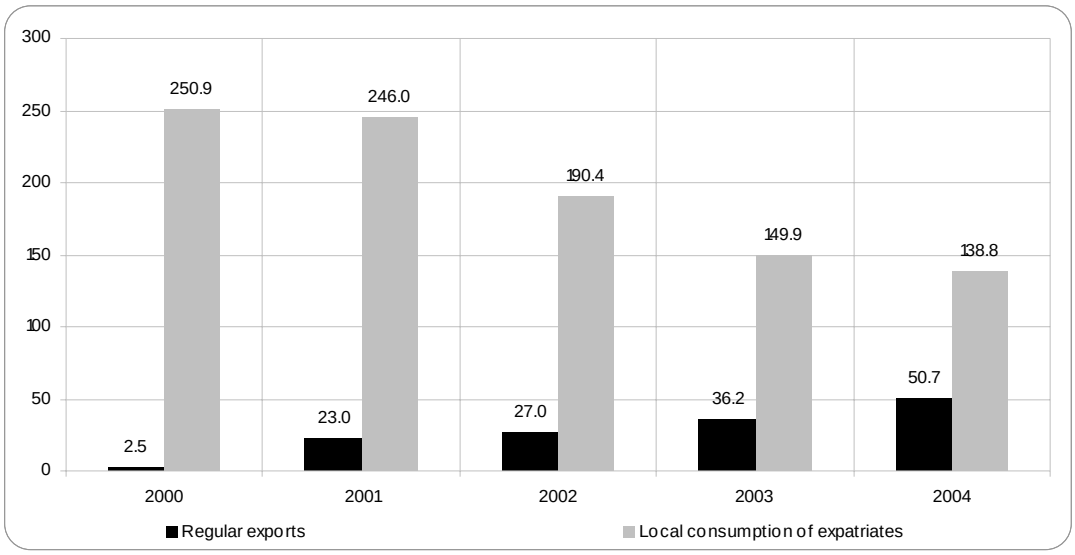
Figure 19: Kosovo Imports by Trading Partners in 2004, in millions of EUR.



Concerning the structure of imports by commodity groups, there has been a shift between mineral products and prepared foodstuffs, beverages and tobacco. Mineral products at the end of 2004 accounted a share of euro 173.1 million or 16.2% in total imports. They increased in volume from euro 138.6 million in 2003, and as also as ratio to total imports from 14.2% in 2003. Prepared foodstuffs, beverages and tobacco at the end of 2004 represents euro 165.4 million of imports relative to 203.5 million EUR in 2003. As a third category of imports by commodity group are machinery, appliances, electrical equipment and related by euro 116.8 million or 10.9% of total imports which relative to 2003 shows an increase by 10.7%.

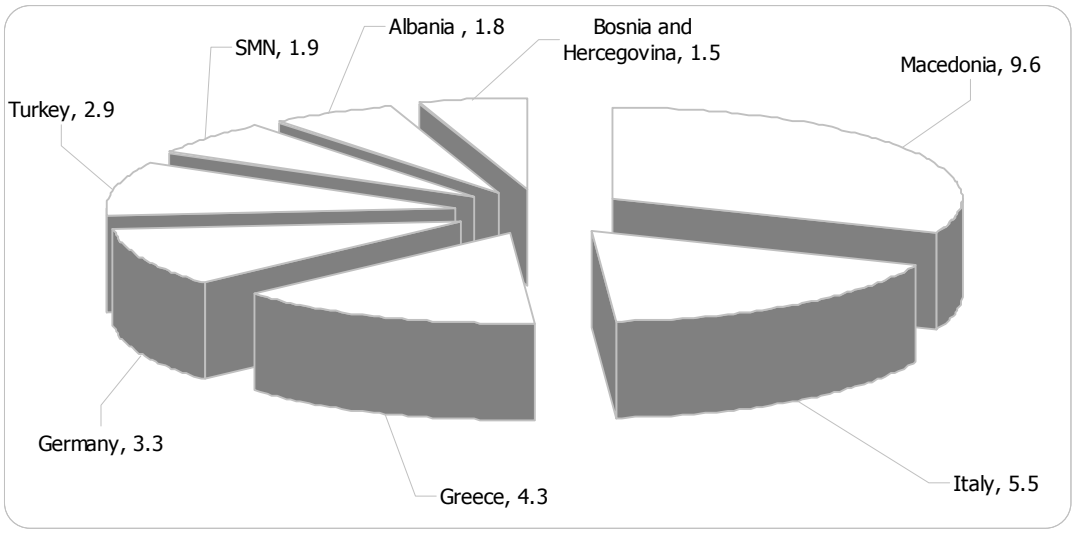
Kosovo exports at the end of 2004 recorded euro 56.5 million compared to 35.6, 27.6, and euro 10.6 million in 2003, 2002, and 2001. Kosovo exports are sum of local consumption of expatriates and regular exports. Regardless declining trend, local consumption of expatriates' accounts around 73% of total exports in 2004 from around 98% in 2000.

Figure 20: Composition of Exports
(In millions of EUR)



Similarly to imports, European Union countries absorb around euro 16.2 million or 28.7% of total exports which increased in volume but decreased as portion to total exports from 41.2% in 2003. Exports to Italy exports amounted euro 5.5 million EUR followed from Greece by euro 4.3 million and Germany with euro 3.3 million. Exports to Macedonia are in amount of euro 9.6 million or 16.9% of Kosovo exports.

Figure 21: Exports by main trading partners, in millions of EUR



Concerning exports by commodity group there are base metals and related articles with a portion of 34.8% of total exports, machinery ,appliances and electrical equipments with 16.2%, hides, skins, leather and related articles accounts for 10.4%.

2

BPK FUNCTIONS

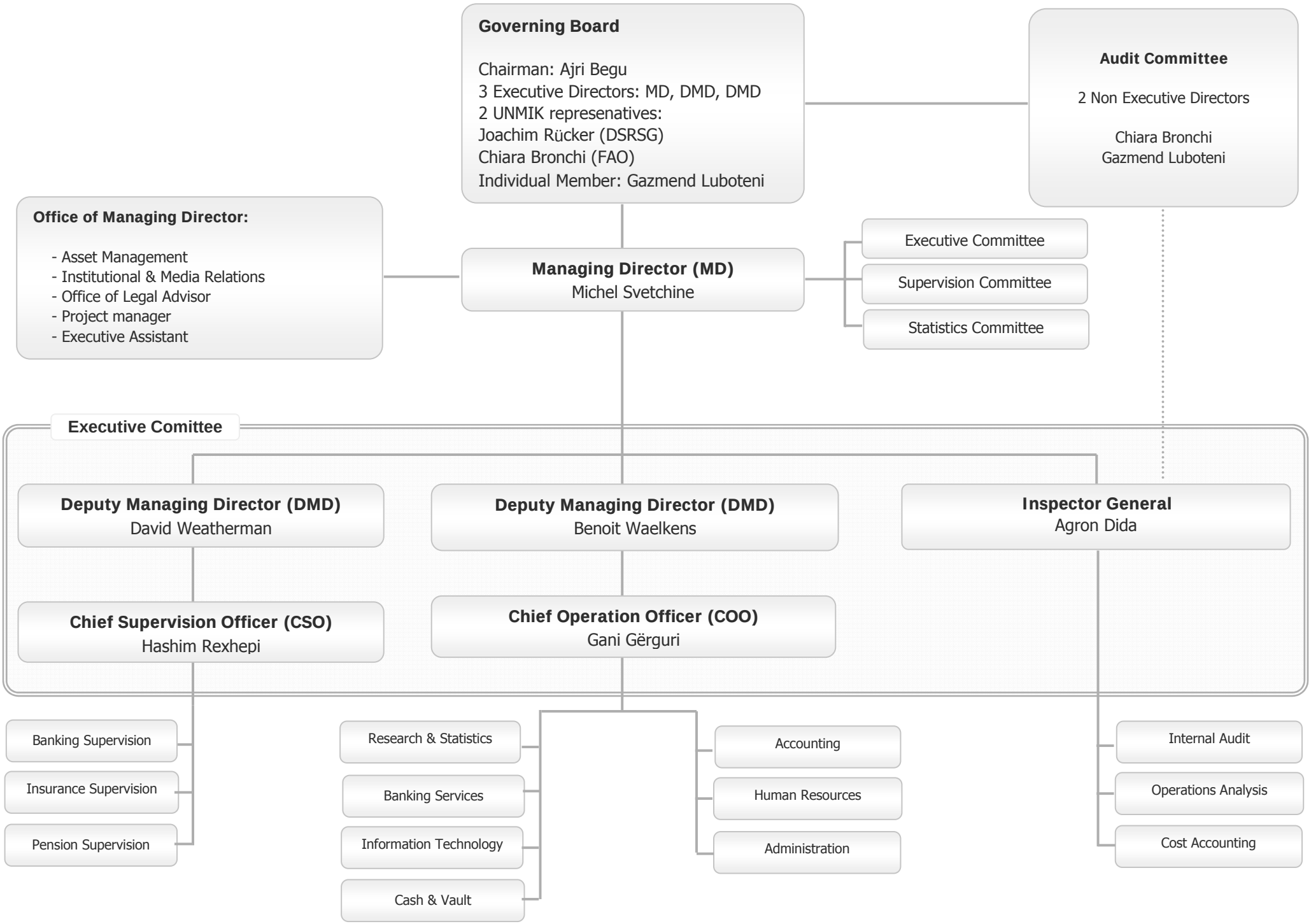
Introduction

Activities of the Banking and Payments Authority of Kosovo (BPK) fall into the following two main areas:

- BPK acts as the Financial Authority of Kosovo
- BPK performs the usual functions of a central bank (banking operations and general interest services)

On the eve of 2004, need for a new organization structure was recognized and a new organization chart (outlined below) was implemented on 1 January 2004. This formal structure aims to ensure application of "Best Practices" in the governance of the BPK as a central bank.

BPK 2005 ORGANIZATION CHART



2.1. BPK – Financial Authority of Kosovo

Introduction

BPK has regulatory and enforcement powers for all financial institutions in Kosovo and participates in developing and modernizing the financial sector, which currently covers the banking industry, insurance industry and pension funds and other financial institutions.

The BPK's goal is to have a financial supervision and regulatory process that is effective, flexible and promotes a competitive market-based financial sector, which meets the best principles of international standards in the financial sector development.

The supervisory approach adopted by the BPK is based on a risk-based system. This approach is intended to enable the BPK to appropriately allocate its supervisory resources to those areas of greatest risk, within individual financial institutions and the financial sector in general. Supervision by risk focuses on the ability of management to identify, measure, monitor and control risk.

In accordance with legislation governing its statutory functions (UNMIK Regulations 1999/21 and 2001/24), the BPK has set out detailed supervisory standards and requirements in order to achieve a well-regulated **banking sector.** In addition, the Regulations give the Governing Board of the BPK power to adopt prudential supervision rules, which establish limits, operating guidelines, procedures and reporting requirements for banks and non-bank financial institutions, and enforcement actions for non-compliance with legal requirements or for unsafe and unsound practices.

In accordance with legislation governing its statutory function (UNMIK Regulation 2001/25), the BPK has set out detailed supervisory standards and requirements in order to achieve a well-regulated **insurance sector.**

A comprehensive **pension law** (UNMIK Regulation 2001/35) was adopted in December 2001. The Regulation established the Department of Pensions Supervision within the BPK. The Department is charged with regulatory and supervisory oversight functions over the business activities of Supplementary Employer Pensions (Pension Funds) and providers of Supplementary Individual Pensions.

These functions also apply to the service providers of pension entities, including the KPST[9], asset managers and custodians of pension assets.

Financial institution regulations and prudential rules are continuously reviewed and updated to ensure that they continue to be in line with international best practices and they strike the right balance in providing a well-regulated environment while not imposing undue burdens to end-users of financial services.

2.1.1 BPK Financial Sector Regulation Activity

As a regulator, BPK participates in elaboration of related UNMIK Regulations. The full set of rules that represent the legal framework for governing these activities, according to EU standards, have been adapted to the current level of development of financial institutions in Kosovo. This legal framework has been regularly adjusted to the new evolution of the financial institutions and has been complemented by BPK rules and decisions.

During 2004, the BPK approved a new Rule on External Auditors. The purpose of this rule is to strengthen the regulatory framework related to external auditors of financial institutions and improve quality of the financial sector in Kosovo.

In order to strengthen the regulatory framework and to improve the **bank supervision functions,** the following Rules were amended or established by the Governing Board during 2004:

- Amended Rule I on Capital Adequacy. The Rule was amended to reflect counterparty risk in risk weighting assets for deposits and placements with other banks.

- Amended Rule X on Money Laundering. The Rule was amended on large currency transaction reporting, whether conducted in cash or in the form of electronic or wire transfers, involving amounts in excess of euro 10,000.

[9] KPST – Kosovo Pension Savings Trust

- Amended Rule XI on Reporting of Banks and Kosovar Branches of Foreign Banks. The Rule was amended for statistical purposes, to improve quality and coverage of financial sector statistics in accordance with IMF standards.

- Amended Rule XX on Credit Restrictions. The Rule was amended on loans to employees; total amount of credit extended to employees of a bank shall not exceed 25% of the capital of the bank. The maximum loan amount shall not exceed euro 50,000 per individual employee loan.

- Amended Rule XXI on Increase in Minimum Capital of Banks. The Rule was amended to regulate and clarify that any investment made in other financial institutions has to be netted against the bank's regulatory capital.

- Adopted Rule XXVI on Interest Rate Disclosures and Advertisements. The purpose of this Rule is to prescribe requirements for banks to provide full and accurate disclosures and advertisements on interest rates so the public can make meaningful comparisons among banks regarding interest rates on loans and deposits, and customers know the actual cost of credit and annualized rate of return on deposits.

- Adopted Rule XXVII on Minimum Security Devices and Procedures. The Rule prescribes BPK requirements for having minimum-security devices and security programs and procedures in place. It is prescribed, as well, for banks, which do not meet the minimum-security standards that the BPK will require higher capital levels to compensate for increased operational risk.

- Adopted Rule XXVIII on Credit Reporting. The purpose of this rule is to regulate credit reporting and offer credit providers the possibility to obtain credit reports on potential borrowers in accordance with terms and conditions issued by the BPK on credit reporting.

In order to strengthen the regulatory framework for **insurance companies,** the following Rules were amended by the Governing Board during 2004:

- Amended Rule 3 on Compulsory Third Party Liability Motor Vehicle Insurance. The purpose of the amendment was to enable the issuance of contracts on auto-

liability compulsory insurance in case of vehicle ownership transference for a period shorter than one year, in order to be consistent with the vehicle registration expiry date. Also, section 3.2 of Rule 3 was amended to state that vehicles registered outside of Kosovo must have valid TPL insurance coverage when entering Kosovo.

- Amended Rule 4 on the Licensing of General and Life Insurance Companies. The Rule was amended to require insurance companies which are licensed to operate as a branch in Kosovo, to submit a bank guarantee to the BPK in amount of euro 2.5 million and maintain consolidated financial reports at the parent company level.

Seven Rules governing the licensing and operations of life **insurance companies** have been drafted in cooperation with international experts, which will be recommended for approval to the BPK Governing Board during 2005.

A sound legal framework has been established for the licensing and **supervision of supplementary pension** plans, and for the oversight of KPST on requirements for mandatory pension savings contributions and reporting. In addition to the Pensions Regulation, there are 26 Rules on Pensions adopted and issued by the BPK as secondary legislation. The Rules govern licensing requirements for supplementary pension plans, reporting requirements of the KPST, custodial oversight, and investment management requirements associated with second tier defined contribution system established under the Pensions Regulation. During 2004, a draft Amendment to the Pensions Regulation was submitted to the UNMIK Legal Advisor, which will provide for the enforcement of decisions of the BPK with respect to the KPST and to supplementary pension schemes.

2.1.2 Supervisory and Enforcement Activity

2.1.2.1 Licensing and Structure

Under UNMIK Regulation 1999/21, the BPK has the authority to set criteria for a bank license and to reject applications for establishment of new banks, which do not meet these standards.

The BPK's strategy in the field of **bank licensing** is centered on attracting investors who, having a strong financial positions, fit and proper shareholders and management, are able to pursue a cautious approach to banking to protect the interest of clients, thus helping to strengthen the banking system and increase its credibility.

Commercial Banks. Licensing activity of the BPK during 2004 was primarily related to the opening of new branches, and changes in banks' ownership structures.

Since the promulgation of UNMIK Regulation 1999/20 (amended by Regulation 2001/24) on the Banking and Payments Authority of Kosovo in November 1999, the BPK has declined 11 bank license applications.

During 2003, the BPK legal requirement for minimum capital for a bank license was increased to euro 4 million. By 31 December 2003, all banks had successfully met the minimum capital requirement. No changes were made on the legal requirements for minimum capital of banks during 2004.

The number of banks during 2004 has remained the same as it was in 2003 with 7 commercial banks. The banking network with branches and sub-branches has increased by 66 branches and sub-branches including offices at customs' points, motor vehicle registration points and motor vehicle technical control centers. At the end of 2004, the network of 7 banks was operating 217 branches and sub-branches throughout Kosovo.

Exchange Bureaus and Money Transmitter Offices. Four exchange bureaus and two money transmitters were conducting their activities at the end of 2004. Another money transmitter, international money transmitter - Money Gram, through its agent in Kosovo was licensed by the BPK at the end of 2004.

Micro Finance Institutions. During 2004, one new non-bank financial institution was registered by the BPK, and five credits associations belonging to a certain micro finance institution were approved. At the end of 2004, 18 micro finance institutions were operating throughout of Kosovo.

According to the power given by Regulation 2001/25 on Licensing, Supervising and Regulation of **Insurance Companies** and Insurance Intermediaries, BPK's insurance licensing activity in 2004 is shown in the following table:

Table 9: Insurance Licensing Activity in 2004

Description	2004	Licensing Activities in 2004			
		Applications	Licensed	In process	Rejected
Insurance Companies	8	5	2	1	2
Life Insurance Companies	0	0	0	0	0
Surplus Lines Brokers	3	3	2	1	0
Licensed Agents	582	108	89	19	147
Loss Adjusters	2	2	2	0	0
Independent Complaints Adjusters	2	2	1	1	0
Voluntary Classes Insurance	41	14	3	6	0

During 2004, the BPK approved one insurance company license and one branch license for a foreign insurance company to operate in Kosovo. In addition, the BPK extended preliminary approval for a license for one insurance company.

During 2004, the BPK revoked the license of two branches of insurance companies operating in Kosovo.

No new **Supplementary Employer Pension** funds were licensed by the BPK during 2004; therefore, the number of licensed pensions plans remains at six, the same number that existed at the end of 2003.

2.1.2.2. Financial Examinations

To carry out its responsibility for the licensing and supervision of financial institutions, the BPK's Supervision Departments (Bank Supervision, Insurance Supervision, and Pension Fund Supervision) are following a supervisory approach of continuous supervision through on-site inspections and off-site monitoring.

On-Site Inspections

On-site inspection work performed by examiners is structured in a manner that provides independent verification that adequate controls exist and that information provided by financial institutions is reliable. On-site inspections are conducted in accordance with an annual inspection plan, which is adjusted as needed due to unforeseen circumstances. Standardized on-site supervision procedures have been developed, which for the banking system are based on a five-scale CAMEL (Capital Adequacy, Asset Quality, Management, Earnings and Liquidity) system for assigning bank ratings.

The Insurance Supervision Department in conducting on-site inspections of insurance companies is applying a new evaluation system that is based on the estimation of insurance companies' risk in the following fields: (1) financial strength, (2) fit and proper test, (3) systems and controls – 10 fields, (4) audit reports and, (5) fairness with policyholders. The first round of on-site inspections with this model has been completed and has helped to identify a number of industry weaknesses.

For pension funds the inspection rating system is based on the CAMERA evaluation (Contributions, Assets, Management, Employer, Regulatory Compliance, and Actuarial Reviewed).

During 2004, a full scope on-site examination was conducted in each of the seven **banks.** In addition, 10 limited scope (targeted) inspection were carried out during the year, which focused on specific supervision concerns. Targeted inspections conducted during 2004 primarily focused on the following areas: (1) credit risk; (2) overdraft lending; (3) changes in shareholders and capital structure of banks; and (4) operational risks.

Applications for opening new branches or sub-branches were followed by 66 additional pre-opening examinations. In addition, six on-site inspections in non-bank financial institutions were conducted during the year, three on-site inspections in exchange bureaus and, one on-site inspection in money transmitter offices.

Table 10. Financial Sector: On-site examinations conducted during the year 2004

	Type of examination	Number of examinations
Banking Industry	1. Full scope examination - banks	7
	2. Limited examinations – banks	10
	3. Pre-opening examinations – branches	66
	4. MFI's examinations-full scope examinations	6
	5. Money Transmitter-full scope examinations	1
	6. Exchange Bureaus-full scope examinations	3
Insurance Industry	6. Full scope examinations insurance companies	16
	7. Insurance companies – branches	18
	8. Insurance companies – agents offices	158
	9. Additional Broker Lines	4

During 2004, the Pension Supervision Department conducted 20 on-site inspections of the voluntary pension funds, whereas off-site monitoring is performed on a monthly basis. On-site inspections focused on governance of pension funds, accuracy of contributions, record keeping, pension investments, and internal controls.

Off-Site Examinations

A process for the identification and monitoring of potential problems in banks, particularly in the interval between on-site inspections, has been developed. Off-site supervision and analyses of banks include the following: (1) ongoing monthly analyses of individual banks based on standardized bank regulatory reports; and (2) an overall analyses of the banking sector to detect systemic risk. During 2004, the Bank Supervision Department completed 28 off–site analyses for the seven commercial banks. Based on off-site examinations some corrective actions against the banks have been undertaken.

Off-site monitoring represents a continuation form of the process of monitoring and supervising of insurance company activities. Through such examinations, information is gathered on insurance companies, their activities, and the level of compliance with insurance rules. Insurance companies are required to submit financial and statistics data

to the BPK on a regular basis. Such reporting covers monthly and quarterly data on premiums, expenditures, investments, cash flow, and claims. Based on these reports, the Insurance Supervision Department complies aggregated monthly insurance statistics reports, which cover the main developments within the insurance industry.

Off-site desk audits carried out by the Pension Supervision Department during 2004 focused on financial soundness of pension funds, qualifications of new participants, and reconciliation of contributors and pension payments.

2.1.2.3. Formal Powers of Supervisors (Enforcement Actions)

Commercial banks. Despite the efforts of supervisors, situations have occurred where banks failed to meet supervisory prudential requirements or used unsafe and unsound banking practice. As a result of regulatory violations or unsafe and unsound banking practice, the BPK initiated 25 enforcement actions against banks in 2004.

Enforcement actions under Regulation 1999/21 range from written warnings to revocation of license. A variety of enforcement measures were undertaken during 2004, based on the weight of violations, risk exposure, repeated violations etc. Types of enforcement actions taken included oral or written communication, restriction of certain activities, formal agreements between BPK and banks, requirement for increase of equity, capital, and monetary penalties.

Enforcement actions undertaken against banks have resulted in stronger financial situation of financial institutions and reduced risks.

Insurance Companies. During the examinations of insurance companies conducted in 2004 violations of insurance rules were found, which resulted in written warnings and monetary penalties. The following disciplinary measures were taken against insurance companies and insurance intermediaries during 2004:

- seven orders against insurance companies,
- two orders against Surplus Lines Broker

The total amount of revenues that went to the Kosovo Consolidated Budget in relation to these disciplinary measures for financial supervision sector during 2004 were euro 69,500.

2.1.3 International Cooperation

Cross-border bank supervision. In accordance with the Basle Core Principles for Effective Bank Supervision, the BPK's goal is to practice global consolidated bank supervision. A key component of consolidated supervision is establishing contact and information exchange with other supervisory authorities. An MOU on cross-border bank supervision and information sharing was signed between the BPK and Bank of Albania in 2002. In late 2003, discussions commenced with the National Bank of Serbia on establishing an MOU on mutual cooperation on bank supervision matters and sharing of information. Also, an MOU between BPK and the Bank of Slovenia is scheduled to be signed in March 2005.

Cross-border insurance supervision. During 2004, an MOU was signed with Albania Insurance Supervision Commission on Cooperation in the Insurance Supervision Field.

International Insurance MOU. Kosovo is not part of the international Green Card system; therefore, in cooperation with UNMIK, the BPK has been working aggressively to improve freedom of movement for citizens of Kosovo in order to travel in neighboring countries.

Signed MOU's with the National Bureaus of Macedonia and Albania are being successfully implemented. MOU's on Mutual Recognition of TPL insurance as well as the arrangement for claims settlement (claims coverage) has been signed with the National Bureau of Croatia. Its implementation will come into force after the protocol's signature between the Croatian Government and UNMIK. Also, negotiations with Bulgaria and Turkey on mutual recognition of TPL insurance are in the final stages.

2.1.4 Main Developments of Financial Sector

Developments in the Banking Industry. The development of the banking industry continued throughout 2004. While the number of banks remained the same as in the

previous year, most banks continued to be dynamic in expanding their branch networks throughout Kosovo. As previously discussed, the number of branch offices (branches, sub-branches and remote facilities) at the end of 2004 had reached 217, making banking services more accessible to the citizens and enterprises of Kosovo. As of the end of 2004, one branch office covered 8,756 inhabitants.

As of 31 December 2004, aggregate total assets in the banking system were euro 795.4 million compared with euro 581.0 million from the previous year, or euro 214.4 million higher. Loan growth was especially strong during 2004 with total loans outstanding for the banking sector increasing from euro 233.1 million at the end of 2003 to euro 374.2 million at the end of 2004, an increase of 60.5%. At the same time, total deposits in the banking system at year-end 2004 were euro 694.8 million, or 36.0% higher compare with the previous year. Deposits have reached their highest level since the re-establishment of the banking system in 2000, which reflects an increase in public confidence toward the banking system in Kosovo. As of the end of 2004, there was one open account per every four inhabitants.

Overall, the banking system is well capitalized. The BPK increased minimum capital requirements for banks in 2002 and again in 2003, to bring capital standards more in line with EU directives. As previously discussed, all banks successfully increased their capital to or above the minimum required euro 4 million by the end of 2003. However at the end of 2004, one bank did not meet the minimum capital requirement. Based on Basel capital adequacy standards, total capital for the banking system at the end of 31 December 2004 was equal to 16.6% of risk-weighted assets.

The ownership structure of the banking sector at 31 December 2004 measured by equity capital was 54.23% foreign capital and 45.77% domestic capital. There is no state-ownership of banks in Kosovo, and a very small percentage of equity capital in the banking system is held by socially owned enterprises.

Other developments in the banking system during 2004 included the continued expansion of the Automated Teller Machine (ATMs) networks of two banks: ProCredit Bank and Raiffeisen Bank of Kosovo, which are connected with international cards such as: MasterCard, Maestro Card, and Visa Card. At the end of the year, the two banks were operating a total of 43 ATMs. In addition, ProCredit Bank installed a number of Point of Sale (POS) terminals during 2004.

New credit products introduced by banks during this year included business loans with longer terms; consumer loans for purchase of automobiles, renovation of houses, and purchase of household goods; and e-banking services.

Three banks currently have borrowings agreements with Kreditanstalt für Wiederaufbau's (KfW) for longer periods of time (3-5 years), which provides a source of funds for longer-term loans.

Developments in the insurance industry. During 2004, there were eight licensed insurance companies operating in Kosovo. Four of the companies are incorporated in Kosovo, whereas four companies are operating as branches of insurance companies licensed under other jurisdiction (three from Albania and one from Serbia). Also, at the end of 2004, three licensed insurance intermediaries were operating as brokers of additional lines for health insurance for travel abroad, and an organization for settlement of international claims.

Premiums Written and Claims Settlement. In 2004, the eight insurance companies wrote a total of 230,198 policies, or 7.3% increase compared with 2003. Total premium income in 2004 was euro 35.6 million, which was 19.2% higher than in 2003. During 2004, 9,065 claims were settled totaling euro 7.4 million, or 21.9% higher than in 2003.

A Guarantee Fund has been established in conformity with BPK Insurance Rule 3, section 4. Insurance companies providing TPL insurance created the Fund from the paid contributions. A Governing Council, consisting of one representative from each insurance company, directs the Guarantee Fund. Appointment of members of the Governing Council must have prior approval of the BPK.

Gross earnings in the Guarantee Fund during 2004 amounted to euro 1.5 million, which represents an increase of 50.0% compared to 2003.

A special success during this year in the insurance industry was implementation of an on-line communication system and premium payments through banks.

The on-line communication system platform and client-server software IRIS started its implementation at the beginning of June 2004. This platform includes all insurance companies, their branches and agents, IAK, vehicles registration centers and BPK.

In this system the possibility of abuse in insurance has been reduced, and efficient management of insurance policy sales process has been facilitated from the insurance companies' part. The on-line communication system platform has also enabled more qualitative supervision by the BPK.

Whereas the introduction in the insurance industry of the payment system of insurance policy premium payments through banks, an innovation in the insurance industry in Kosovo, has enabled an efficient control and management of payments circulation in the banking system and has eliminated the difficulties that are usually found in handling cash.

Evolution of Pension Funds. At the end of 2004, the six licensed supplementary pension funds had a total of 4,197 participants, which represents an increase of 19.2% compared to the end of 2003. More enterprises are expected to establish pension funds for their employees as a supplement to the mandatory individual savings pensions.

Total contributions as of 31 December 2004 were euro 7.6 million, compared with 2003 representing an increase of 104.1%, whereas the remaining assets at the end of 2004 were in amount of euro 5.8 million, representing an increase of 159.1% compared with the end of 2003.

At the end of 2004, the total cumulative contributions for KPST were in amount of euro 82.9 million, representing an increase of euro 45.1 million from the end of 2003, whereas the number of participants at the end of 2004 was 145,000, representing an increase of 19.4% compared with the end of 2003.

2.2. Banking Operations

In 1999, the Deutsche Mark became the currency permitted to be used in Kosovo. The Regulation 1999/04 and the subsequent Administrative Direction 1999/02, both issued in 1999, ratified the Deutsche Mark as denomination for official accounts and payments. Under Administrative Direction 2001/24, issued in 2001, and with the changeover to euro in 2002, the euro replaced the Deutsche Mark as the currency permitted to be used in Kosovo.

The BPK does not emit any currency and does not grant credits. However, it does perform other functions that are usually associated with central banking operations. These include:

- Ensuring adequate supply of banknotes and coins
- Promoting payments system
- Acting as banker to the PISG and related agencies
- Managing financial assets
- Acting as advisor on financial matters to the public decision-makers
- Performing other services of general interest

2.2.1. Supply of Euro Banknotes and Coins

Due to the use of the euro as currency in Kosovo, the BPK's function of ensuring supply of banknotes and coins relates to euro cash. The BPK is responsible to ensure an adequate supply of euro banknotes and coins for the settlement of cash transactions in the economy.

Figure 22: Supply of euro banknotes (number of pieces)

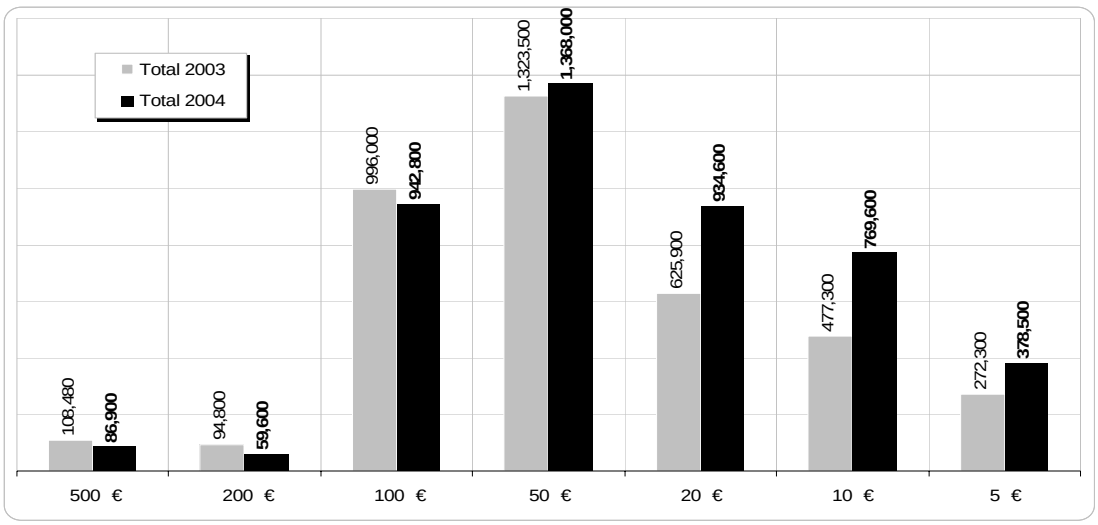
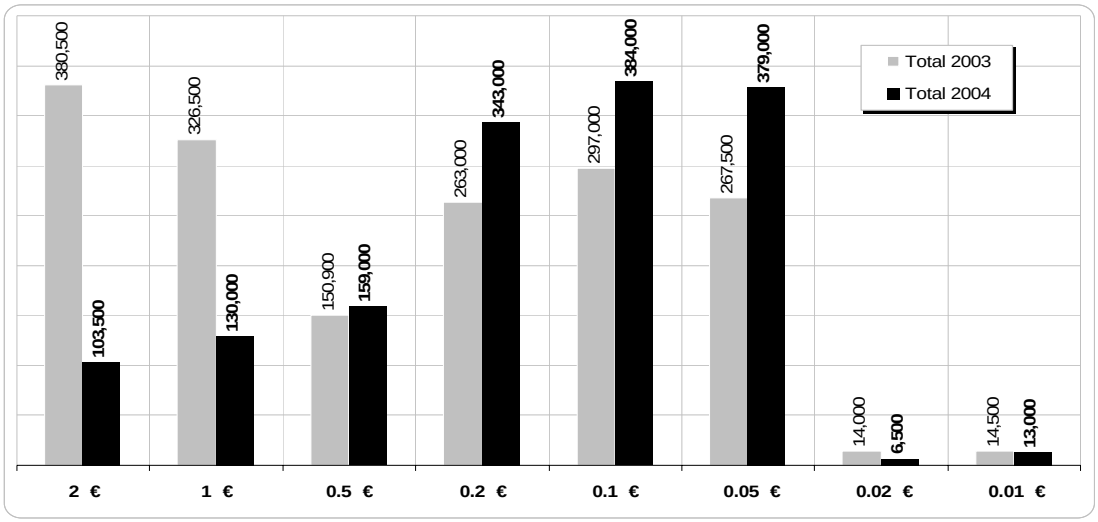


Figure 23: Supply of euro coins (number of pieces)



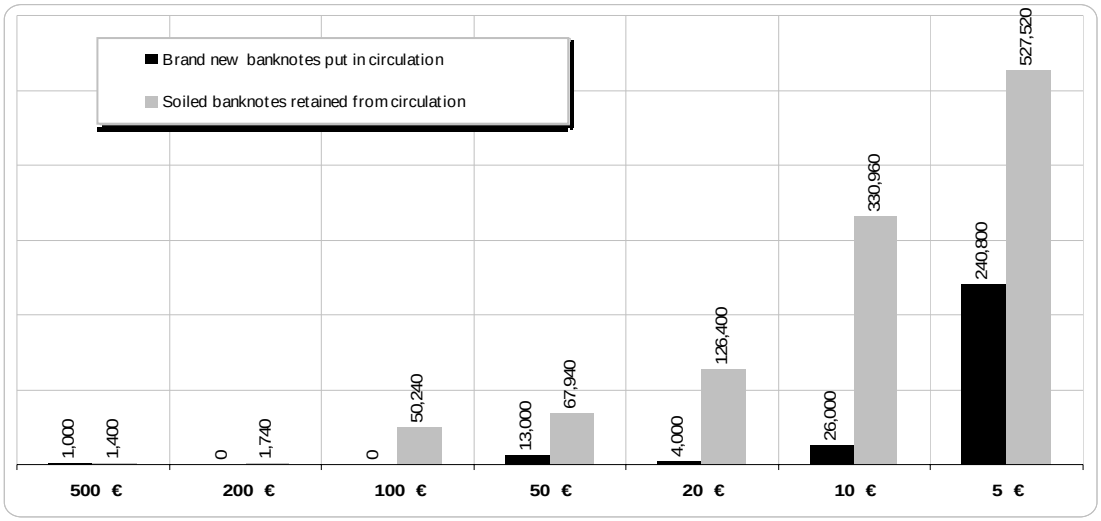
As it is shown in the figures above, during the course of 2004, the BPK supplied commercial banks and other institutions with 4,540,000 euro banknotes amounting to euro 246,330,500 and 1,518,000 euro coins amounting to euro 542,710. In terms of value, the cash supplied in 2004 decreased by nearly five percent compared to 2003, and the structure of cash supply according to denominations varied noticeably. While the supply of low denomination banknotes (5, 10, and 20-euro banknotes) increased considerably and the supply of 50-euro banknotes increased slightly, the supply of high denomination banknotes (100, 200, and 500-euro banknotes) decreased slightly. Then, the supply of lowest denomination coins (1 and 2-eurocent coins) and highest denomination coins (1 and 2-euro coins) decreased, whereas the supply of coins in other denominations increased.

On the other hand, in 2004 the BPK processed more than 7.3 million euro banknotes and more than 2.8 million euro coins that were deposited by the commercial banks and other institutions. Expressed in value, these deposits reached nearly euro 422 million and nearly euro 2 million, respectively. Similar to the annual change of the cash supplied, the total value of cash deposited with the BPK shows a slight decrease (3%) compared to the previous year.

The same annual movements of the volumes of cash supply and deposit operations resulted in an almost same development of excess cash in the BPK's vaults in 2004 relative to the previous year. In 2004, the cash deposited with the BPK was higher than the cash supplied by the BPK for nearly euro 177 million, and in 2003 this figure was just

above euro 176 million. Nevertheless, an improvement of the cash management process resulted in an increase of the cash exported during 2004. While the net cash export in 2003 reached euro 167 million, the net cash export in 2004 was euro 191 million. Given that the exported cash is transformed into interest-earning assets, its increase contributed positively to the financial performance of the BPK.

Figure 24: Soiled banknotes retained from and brand new banknotes put in circulation.



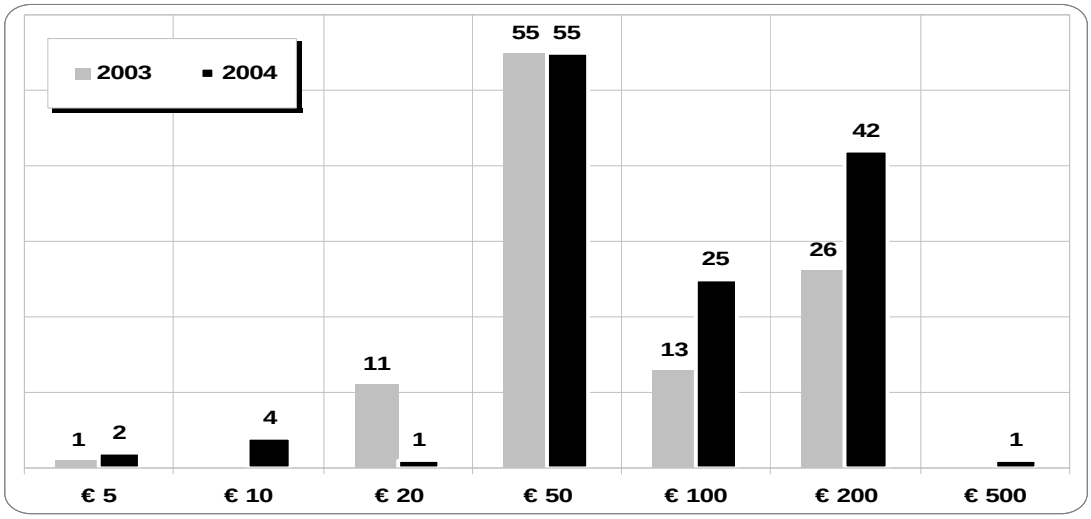
Processing of banknotes and coins deposited with the BPK continued to be carried out by modern processing equipment and according to standard rules. In the course of 2004, 1,106,200 euro banknotes (15% of euro banknotes deposited with the BPK) were classified as soiled and were retained from circulation. Nevertheless, the improvement of the quality of cash in circulation is still ongoing.

On the other hand, during 2004, the BPK supplied 284,800 brand new banknotes (6% of euro banknotes supplied). Most of new banknotes supplied were low denomination banknotes: 5-euro banknotes (240,800), 10-euro banknotes (26,000), and 50-euro banknotes (13,000).

Regarding anti-counterfeit measures, the BPK continued to examine cases of counterfeit currency throughout 2004. During the year, 130 euro banknotes identified as counterfeited were brought to the BPK. Upon confirming that these banknotes were counterfeited, the BPK handed them over to CCIU[10]. Most of the identified counterfeited banknotes were 50-euro banknotes (55), 200-euro banknotes (42), and 100-euro banknotes (25).

[10] Currency Counterfeit Investigation Unit

Figure 25: Number of identified counterfeited banknotes



In order to enhance cash circulation in the economy, in 2004, the BPK prepared three instructions and one recommendation:

- Instruction No. 2 On Retaining Counterfeited Euro Banknotes from Circulation,
- Instruction No. 3 On Minimum Standards for Fitness Sorting of Euro Banknotes by Commercial Parties,
- Instruction No. 4 On Packaging Euro Banknotes and Coins for Bulk Lodgment at the BPK, and
- Recommendation No.1 On Due Diligence Standards for Banknote Recycling by Commercial Parties

All three instructions and the recommendation were prepared in accordance with the respective ECB provisions. They will be issued at the beginning of 2005.

As of the first quarter of 2005, the BPK will also increase the delivery of brand new banknotes and will supply the financial sector with additional low denomination euro coins.

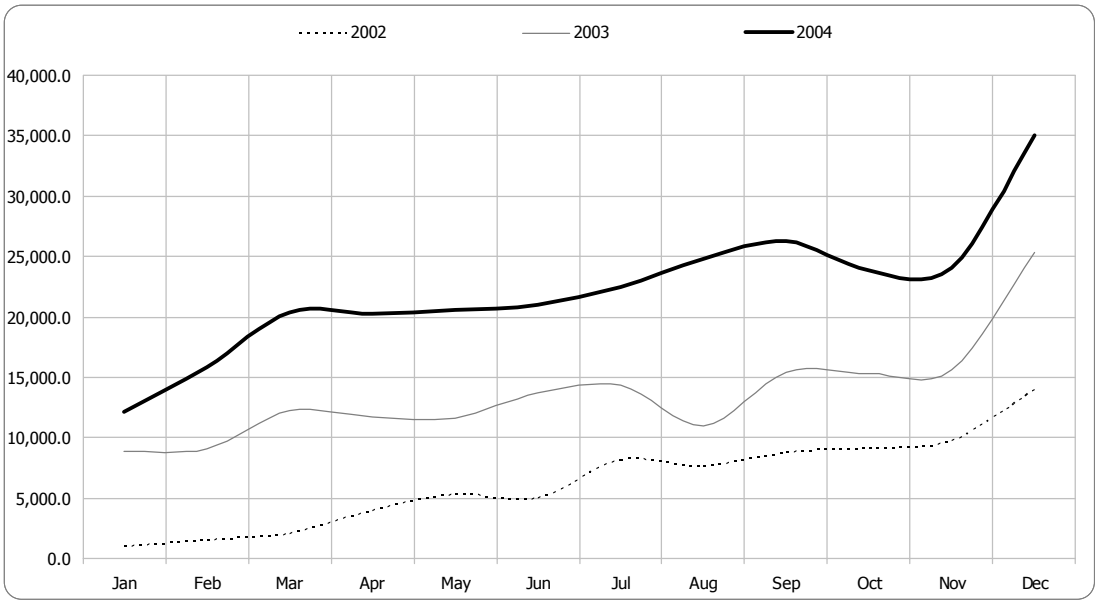
2.2.2. Payments System

One of the principal objectives of the BPK is to foster an efficient and safe system for domestic payments. Since its establishment, the BPK has actively pursued this objective, and a major milestone was achieved in May 2001, when, with the contribution of the USAID, the Interbank Clearing System (ICS) was established in order to facilitate the domestic payment operations through the banking system. The ICS has been operated by the BPK since its establishment, and its infrastructure was officially delivered to the BPK by the USAID in September 2004.

The BPK not only manages and monitors the ICS but also participates directly in its operations along with all seven commercial banks. The clearing and settlement procedures are defined based on the Regulation No. 2001/26 On Payment Transactions and the Banking Rule No. XVIII On Clearing and Operation of Settlement Accounts.

Since May 2001, the number and the value of transactions routed through the ICS have been steadily increasing, reflecting the growth of confidence in the domestic banking system. Meanwhile, ICS has undergone continuous technological development as the means of transactions have been streamlined and enriched.

Figure 26: Evolution of the ICS operations (number of transactions)

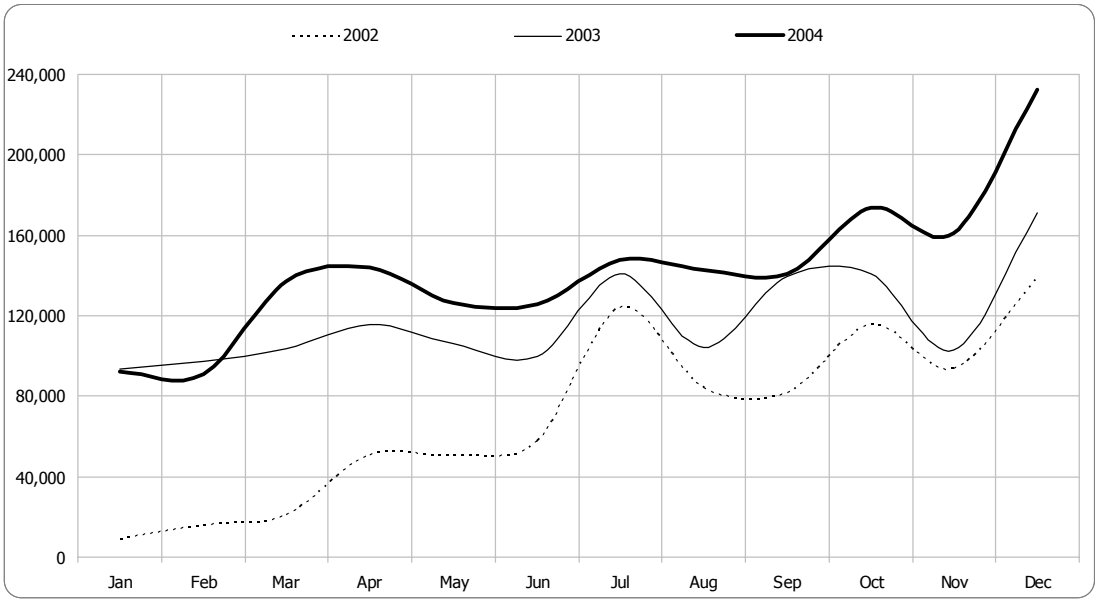


During 2004, 266,744 transactions with a total value of euro 1,714,649,837 were processed through the ICS. Compared to the ICS operations in 2003 and 2002, the number of transactions in 2004 increased over 60% and 250%, respectively. The total value of ICS transactions, in 2004, shows increases of more than 20% compared to 2003 and more than 100% compared to 2002.

The significant growth of the ICS transactions can also be seen from the daily average data. The daily value of ICS transactions in 2004 was around euro 6.7 million, compared to around euro 5.5 million in 2003 and around euro 3.3 million in 2002. Then, the daily

number of transactions in 2004 was over 1000, compared to 650 transactions in 2003 and 300 transactions in 2002.

Figure 27: Evolution of the ICS operations (value of transactions in '000 euro)



Apart from regular payments (bank-to-bank file-transfer), ICS operations also involve a number of priority payments (individual real-time payments) and a number of mass payments (single payments for the account of multiple beneficiaries). Regular and priority payments have been executed as fully electronic payments since the establishment of the ICS, while mass payments, which were introduced in 2002, were executed as semi-electronic payments until February 2004. Since then, due to an upgrade of the ICS, mass payments can also be executed as fully electronic transfers.

Further technological enhancement of the ICS is taking place with the development of a giro payment system - "Kos-giro", as a joint project of KEK, PTK, all seven commercial banks and the BPK as the coordinator. The system is designed to provide a non-cash method for the bill collection by utilities such as KEK and PTK, but it could be used by other entities, as well. The pre pilot phase started in December 2004, and the system is expected to become fully operational in the course of 2005.

As a participant in the domestic payments system, the BPK processes domestic payment/transfer orders on behalf of and for the account of its clients. During 2004, the BPK processed 93,687 domestic outgoing orders (payments/transfers on behalf of its clients) and 44,710 domestic incoming orders (payments/transfers for the account

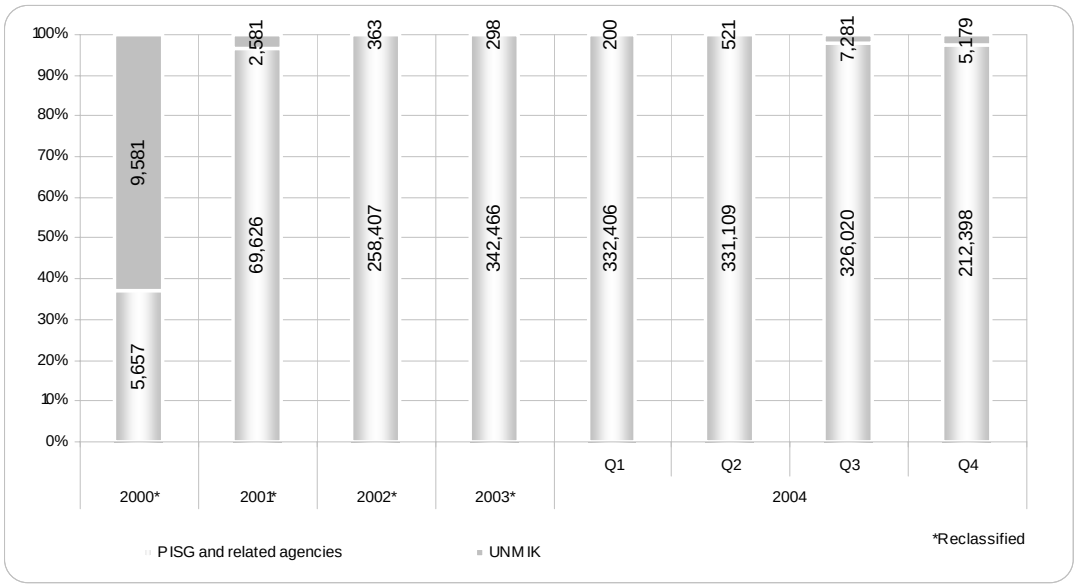
of its clients). Expressed in value, the amount of outgoing orders in 2004 was euro 738 million, while the amount of incoming orders was euro 725 million.

The BPK also conducts international payment operations on behalf of and for the account of its clients. These operations are conducted through selected foreign banks. During 2004, the BPK processed 556 international outgoing payments/transfers totaling euro 381 million and 127 international incoming payments/transfers totaling euro 93 million. Nevertheless, the lack of an appropriate SWIFT code restrains the development of international payment operations. BPK in cooperation with UNMIK is making the best effort in order to obtain a SWIFT code usable in Kosovo. Several requests have been made to the competent bodies without any success for the time being. In early 2005 a new attempt has been initiated again.

2.2.3. A Banker to the PISG and Related Agencies

The function of the banker to the central government institutions was given to the BPK based on the Regulation No. 1999/20, within the section on the specific powers of the BPK. The BPK provides banking services on behalf of and for the account of the PISG and related agencies, as well as the UNMIK. It also offers banking services to other public sector institutions, including a number of public companies. In 2004, same as in the previous years, these services mainly referred to maintaining accounts and conducting payment operations to the exclusion of any credit facility.

Figure 28: Evolution of PISG and related agencies and UNMIK deposits, amounts in '000 EUR



PISG and related agency deposits constitute the majority of the total deposits held in accounts with BPK. As of 31 December 2004, the PISG and related agency deposits on accounts with the BPK amounted at euro 212.4 million. At the same time, UNMIK deposits reached euro 5.2 million. The evolution of the levels of deposits of PISG and related agencies and UNMIK maintained in accounts with the BPK, as well as of their reciprocal proportions, is presented in the figure above.

In addition, the majority of domestic payment operations are conducted on behalf of and for the account of PISG and related agencies. Both payment operations and account maintenance activities are the responsibility of Banking Services Department.

The quality of the banking services was enhanced considerably during the year. In particular, in November 2004, the information exchange with the Treasury Department from the MFE was enriched with an electronic submission of the payment orders by the MFE to the BPK. Such an arrangement made the processing of Treasury payments by the BPK more efficient, and it also enhanced payments and control activities of the Treasury Department of the MFE.

2.2.4. Asset Management

Investment operations of the BPK are carried out through Asset Management Department (AMD). In all its operations AMD is guided by the provisions of the BPK Investment Policy. The Policy takes into consideration conservative risk restrictions, prioritising the safety of capital and adequate liquidity over income. Individual investments within the portfolio are diversified as to their type, duration, and counterparty risk in order to maintain a balanced portfolio.

Therefore, the BPK's primary investment objectives, in priority order, are:

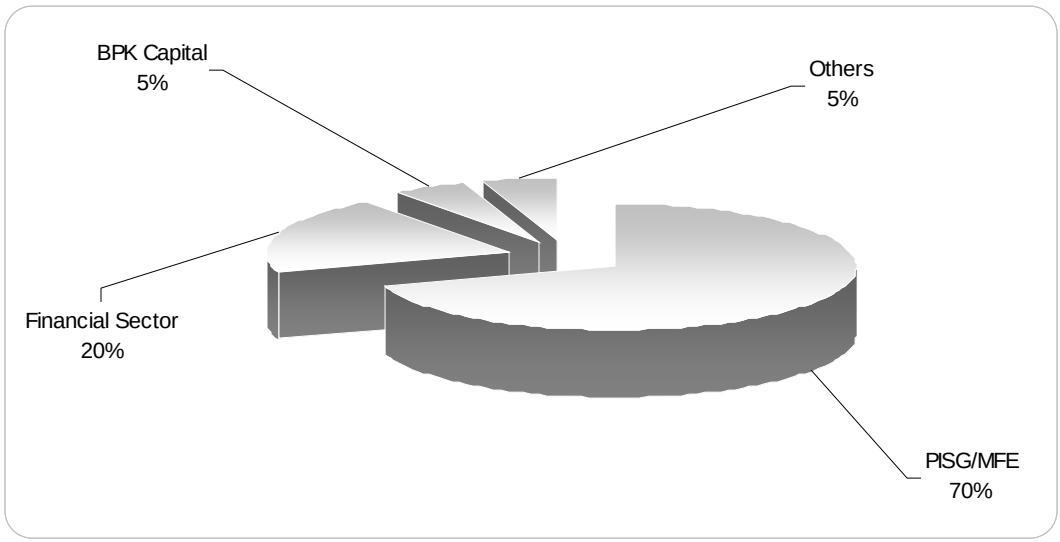
Safety - is the foremost objective of the investment programme. Investments of the BPK are undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio and guaranties that at no time the safety of the portfolio's principal is impaired or jeopardised.

Liquidity - the investment portfolio at all times remains sufficiently liquid to enable the BPK to meet its cash flow requirements. A variety of financial instruments and maturities, properly balanced, help to ensure adequate liquidity.

Return on Investment - the investment portfolio is structured with the objective of maximising return on the investments, but only after ensuring safety and liquidity.

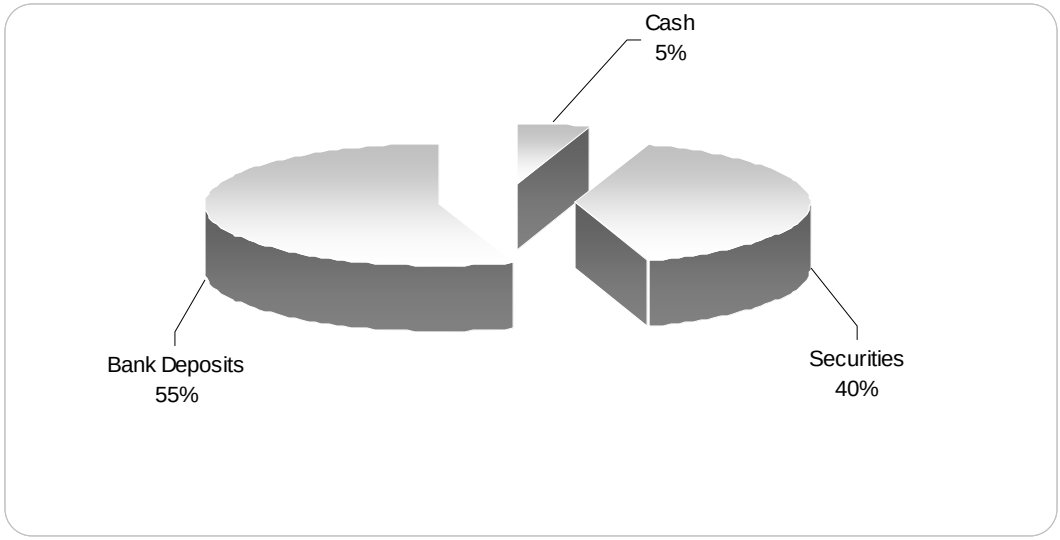
Financial resources that are under the BPK management consist primarily of the deposit of PISG/MFE (70% of total resources) and, to a lesser degree, Financial Sector Institutions (20%) and BPK own capital (5%).

Figure 29: Structure of financial resources



BPK Regulation and Investment Policy stipulate that in addition to 'banknotes and coins held in Kosovo', also 'gold', 'bank balances held abroad', and 'debt securities issued or guaranteed by States or central banks of the European Union' are suitable categories of assets for investment of BPK's financial resources. Current allocation of resources is presented in the chart below.

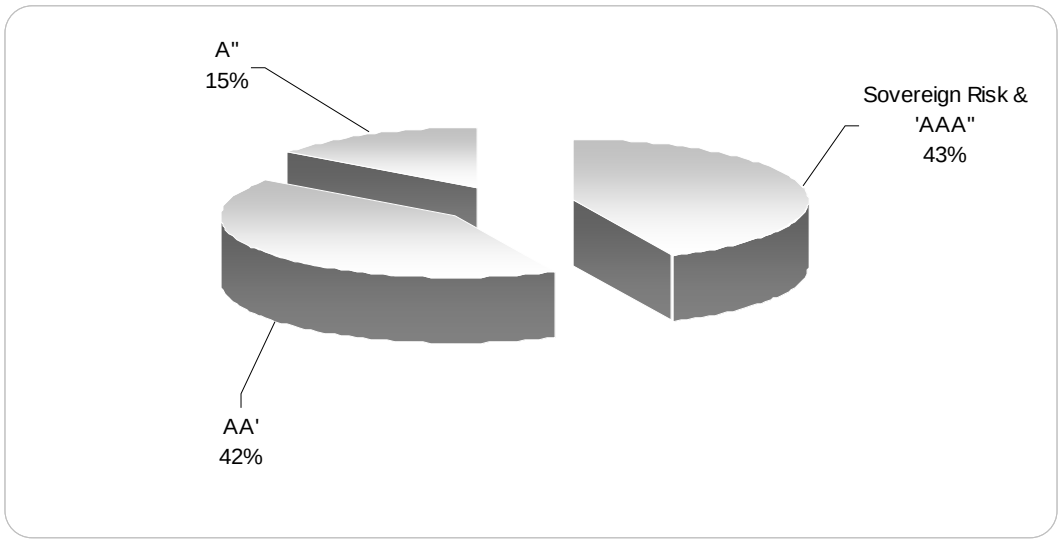
Figure 30: Structure of financial assets



BPK maintains current account deposits with one central bank and also places money market deposits with several European commercial banks whose short-term liabilities are rated in one of the two highest categories by internationally recognized credit rating agencies. Deposit accounts with central and commercial banks are maintained with view to provide day-to-day liquidity, clearing and payment facilities. Total of deposits at any one commercial bank does not exceed 15% of the BPK investment portfolio and all individual deposit limits are set and periodically reviewed in accordance with rules of the Investment Policy.

BPK also invests in treasury bills, maturing within 180 days that are denominated and payable in euros, and issued by several European Union Governments. All securities currently included in the BPK investment portfolio are characterized by deep, liquid and well-developed repurchase market. Investments in such securities are limited to 70% of total investment portfolio and no more than 25% of total investment portfolio is invested in the securities of any one European Union Member State or its Central Bank.

Figure 31: Credit quality of the investment portfolio.



Asset quality of the BPK investment portfolio further improved in 2004. As a matter of policy, the BPK continued to develop its business relationship with one of the European central banks and several highly rated commercial banks. This is demonstrated by the high credit quality of the investment portfolio, all rated single A or above, of which 43% was rated AAA or carried sovereign risk, and 42% was rated AA.

2.2.5. A Public Decision-Makers Advisor

Further to the Regulation No. 2001/24, amending the Regulation No. 1999/20, among the specific functions of the BPK is "to collect statistical information", "to conduct regular economic and monetary analysis of the Kosovo economy, make public the results", and "to recommend broad policy guidelines". The BPK has been trying to develop a research and statistics capacity and has made a significant progress in improving financial sector statistics, especially in the banking sector and also the remaining part of financial sector in order to have a consolidated picture on financial developments in Kosovo. As a result, in 2004 two statistical projects have been launched, Statistical Bank Report and Interest Rate Report. In addition, financial statistics was broadened to cover almost entire financial system and the immediate output of this process is the new version of Monthly Statistics Bulletin starting from November 2004 issue. The published data are in line

with IMF standards, especially regarding the monetary and financial statistics. Progress has been made in the direction of structuring government finance statistics based on IMF standards that requires close cooperation with MFE.

On a quarterly basis, Research and Statistics, in its Monthly Bulletin, provides an assessment of the main developments in the Kosovo economy and greater attention is paid to financial sector developments because of the better statistical coverage and dynamics that characterized this sector in 2004. Further to this, the Research and Statistics Department will launch in 2005 the new publication that will have a closer look on developments in the banking sector.

As in previous years, in 2004, the IMF continued to provide technical assistance to the statistics and research functions of the BPK. The IMF missions were devoted to upgrade the statistics function regarding the monetary and financial statistics and research function as well. Further to this, continuous assistance has been provided in compilation of balance of payments statistics (multi-sectoral IMF assistance at the SOK and the BPK). The basis for balance of payments compilation has been established and in 2005 new reporting of banks regarding the International Transactions Reporting System will be implemented.

2.2.6. Other Activities of General Interest

Because of its recognized expertise, neutrality, and independence, the BPK is not only providing the services usually performed by a central bank, but it is also engaged in other activities of general interest. In 2004, the BPK undertook the development of KCIS[11], a credit register, and it continued to be involved in the capacity building of the financial sector in general.

The KCIS is an NGO that collects data from credit providers about the credit record of borrowers in order to enhance the assessment of credit applications. It is a voluntary initiative from the credit providing institutions and the transmitting of data is on a voluntary basis as well. The credit providing institutions voiced the wish to have this credit register controlled and supervised by the BPK and to make it compulsory for all credit providing institutions.

[11] Kosovo Credit Information System

The BPK welcomed the initiative of credit providers. Specifically, the Banking Rule No. XXVII On Credit Reporting has been approved by the BPK in November 2004 to make the reporting of credit information by the credit institutions compulsory, while the respective IT system is being developed by the BPK. It is expected that in the second half of 2005, the developed credit register will become functional as a department within the BPK, and the Banking Rule will become effective.

The BPK continues to support Kosovo Bankers Association (KBA) in its further development, which is now receiving institutional development support from a recently started EAR project. KBA unites all the seven commercial banks in Kosovo. Apart from addressing issues of common interest, KBA aims to promote a positive image of the banking sector towards both the authorities and the public at large. With the support of the EAR Project the Association founded the Kosovo Bank Training Center, which is expected to cover 'coast-to-coast' bank training to the employees of the KBA members. As a supervisory body, the BPK cannot be an official member of the association. However, the BPK maintains its supports towards the further development of the KBA in an advisory capacity.

In addition, the BPK is actively involved in developing Kosovo accounting and auditing practices. The BPK has a representative on the Kosovo Board for Financial Reporting (KBSFR). This board is responsible for approving accounting and auditing standards, as well as for licensing external auditors. However, the BPK independently licenses the external auditors for financial sector institutions.

3

INTERNAL ACTIVITIES

3.1 BPK Fifth Anniversary International Conference

In November 2004 BPK celebrated its fifth anniversary. To commemorate this occasion, an international conference was organized. In addition to regional and international community, considerable number of representatives from the financial sector in Kosovo participated at this conference. The intention of the conference was to increase awareness amongst the institutions and other stakeholders about the achievements and challenges in the path of building strong financial sector.

Promotion of Modern Means of Payments, Deposit Insurance Schemes, Insurance Market Development, Deterrence of Money Laundering and Crime Financing, were treated in the light of long-term vision that will bring Kosovo one-step closer to the sustainability in this area. Presentations and panel discussions on these topics included experts from the World Bank, the International Monetary Fund, the Fonds de Garantie des Dépôts (Paris, France), central banks from the region, Financial Information Center (FIC) and the Financial Action Task Force on Money Laundering (FAFT) as well as the Statistical Office of Kosovo (SOK), Riinvest Institute and the Insurance Association of Kosovo (IAK). It is worth emphasizing that, for the first time, representatives of financial authorities from all over the region - Albania, Macedonia, Montenegro, Serbia, Bulgaria, Bosnia and Herzegovina came to Prishtina on this occasion, discussed and compared their experiences.

3.2 Human Resources Development

Apart from its administrative functions within the BPK, Human Resources Department is assigned the responsibility of organizing training activities in order to enhance the knowledge and skills of the BPK staff. Staff training and development is carried out in accordance with instructions and criteria of the BPK Training Policy. Human Resources Department has established comprehensive long-term training plans and is also well equipped to respond quickly to most unexpected needs. In cooperation with managers of all departments, the training needs and professional development of staff are continually

assessed with the overall aim of building a high quality organization that is cost effective and, through provision of tailor-made training at every level of work experience, efficient.

In addition to a structured and supervised on-the-job training, the BPK organizes in-house courses on various topics for groups of employees in similar positions. For more specialized or individual training needs, BPK employees attend seminars at other institutions, both in and outside of Kosovo.

During the course of 2004, the BPK organized four in-house training programs. In cooperation with Malta International Training Centre (MITC), two training programs were organized. One was an MITC Diploma in Banking and Finance program, which lasted 45 days and was attended by two BPK employees, and the other an insurance industry course, which lasted nine days and was attended by 11 BPK employees. Then in cooperation with American University in Kosovo (AUK), a one-month business writing skills course was organized for 26 employees. Finally, a two-day seminar on IT aspects of interbank clearing system was organized. This seminar was attended by IT and ICS staff.

With respect to training programs organized by other institutions, BPK employees attended 25 courses/seminars. Nine of them took place in Kosovo and 16 abroad. Attended training programs in Kosovo were mainly preparatory courses for earning professional designations. Two IT staff earned Microsoft Certified Professional Designations. The Society of Certified Accountants and Auditors of Kosovo (SCAAK) awarded four staff members with accounting professional designations.

Training programs abroad that were attended by BPK staff were mainly organized by respective national authorities of host countries. In addition, staff members attended four training programs organized by IMF at its headquarters in Washington DC, and three training programs organized by IMF Joint Vienna Institute, Vienna. Members of staff also gained from attending training programs arranged by other institutions, such as Dresdner Bank, Frankfurt, and Center for Excellence in Finance, Ljubljana.

Table 11: Outside Training Programs in 2004

Institution	Program / Subject	Duration	No. of participants
In Kosovo			
Cacttus	MCDBA	200 hours	1
	MCSE, MCDBA, CCN, IT Essentials II	618 hours	6
Insurance Association in Kosovo	Applied Insurance Studies Diploma	6 months	2
MFE	Development of Internal Auditing and System of Financial Public Controls in Kosovo	15 days	1
Riinvest Institute	Research Methods in Economics and Development Economics	12 days	1
Society of Certified Accountants and Auditors of Kosovo	Accounting I	4 months	3
	Auditing	5 weeks	1
UNMIK	Interpersonal Skills	2 days	4
	Public Relations	2 days	1
Abroad			
Bank of Slovenia	Prevention and Detecion of Money Laundering and Financing of Terrorism	2 days	1
Banque de France	Legal Aspects of Central Banking	5 days	1
Center for Excellence in Finance - Slovenia	Internal Audit for Central Banks	2 days	1
Croatian National Bureau	Settlement of International TPL insurance claims	2 days	1
Deutsche Bundesbank	Foreign Exchange Management	5 days	1
Dresdner Bank	Intensive Training in Treasury and Risk Management	5 days	1
European Central Bank	Payment System in the Euro Area	5 days	1
IMF Joint Vienna Institute	Central Bank Accounting	5 days	2
	Monetary and Financial Statistics	15 days	1
	Monetary and Financial Statistics (Compilation and Reporting Issues)	5 days	1
IMF Washington DC	Financial Programming and Policies	2 months	1
	Financial Programming and Policies (distance-learning mode)	10 days	1
	Monetary and Financial Statistics	1 month	1
	Safeguards Assessment of Central Bank	5 days	1
Malta Financial Supervision Authority Malta International Training Centre	Intensive Training in Insurance Industry	1 month	1
Austrian National Bank	Cash circulation and Payment Systems	5 days	3

The BPK continued to support employees' relevant advanced academic studies. In 2004, two employees graduated with master degrees in the field of finance. One graduated as Master in Banking and Finance from the University of Prishtina and the other as MBA in Finance from the Central European University in Budapest. In addition, one employee was enrolled in a PhD distance-learning program on financial development issues at the Staffordshire University, UK.

3.3 BPK Governance and Internal Control

The new organizational structure of the Banking and Payments Authority of Kosovo approved in December 2003 by the BPK Governing Board was implemented as of January 2004. It gave additional ability to the local managers and aimed to increase the efficiency of the decision making process.

Practice of appointing the BPK Managers continued over the year by enabling the designated individuals to take responsibility and face challenges of daily operations in key fields of the BPK
The purpose of implementing new organizational structure in 2004 had to main objectives:

- Further capacity building process at the BPK and
- Ensure the application of "best practices" in managing the BPK

The objectives have been significantly achieved , whereas identified and presented needs for proffesional development have been addressed through training policy and personnel capacity building.

Banking and Payments Authority of Kosovo is a reserved power and operates as a Central Bank of Kosovo. The positions of Managing Director and two Deputy Managing Directors for operations and supervision of financial institutions continue to be filled by international experts in accordance with UNMIK Regulation No.2001/24 Section 29 until necessary competencies of local managers are achieved for taking over efficiently.
In order to benefit from experience of international experts that cover these fields, and enlarge the participation of Kosovars to top management functions, two new positions have been created:
Chief Operating Officer; and Chief Supervision Officer The incumbents are benefiting from close cooperation with international experts (DMDs'), which allow them to gain the necessary knowledge accordingly to take over efficiently.

Another objective of the new organizational structure implemented in 2004, was to ensure application of "best practice" in governing the BPK as a Central Bank

To ensure the application of "best practice" in leading the BPK, furthermore, for a better governance policy that will be developed based on transparency and sound internal control, responsibility was assigned to Inspector General, whose duties are described and defined by Regulation 2001/24. Moreover, with new organizational structure was established Audit Committee.

Office of inspector General consist as follow:

- Internal Audit Department
- Operational & Analyses Control & Implementation of the budget and,
- Cost Accounting

Internal Audit at the BPK is independent and provides objective confidence and performs consultant activities; is designed to contribute for improving operations of the institution.
In Budget implementation the BPK aim to the realization of the balanced budget. Also relating to this field the BPK reached a significant progress in controlling and implementing the budget efficiently, by using the "cash flow" follow method, which shows a relief for the BPK management to successfully control implementation and realization of the budget.
Cost Accounting system enables a more accurate control of expenditures for each cost center and this afterwards serves to the management as a base for more successful planning and control of the BPK activities as well as base for taking more efficient decisions
The Audit Committee has been granted with a full independence towards the Executive Management of the BPK. It is the body with whom external auditors have special relationship and serves as a bridge between external auditors and the internal control headed by the Inspector General of the BPK. It aims at more involving the Governing Board members into accounts control. It reports directly and independently to the Governing Board.

There are a lot of different risks in the activities of the BPK, and in general in Central Banks. These risks usually are divided in three main categories; Market Risk, Credit Risk and Operational Risk.
Any of those risks have subdivisions and components, in the case of market Risk it is customary to divide between interest risk and rate of exchange Risk.

When speaking about Credit Risk there are a number of components like settlement risk, counterpart risk, etc. and in the case of Operational Risk it is normally defined as the rest of the risks associated with the activity, including, in the case of Central Banks the reputation risk.

The role of the audit was not to define the maximum risk assumed by the Management of the BPK, but to monitor how the departments in charge of conducting the operations are measuring and monitoring the risks, and to ensure to the Management that the operations are being done according to rules and regulations.

In this sense the audit focus its main activities and the riskiest areas of the BPK, and those areas are always connected with the management of the assets, and apart from that, in the case of a central bank, the handling of notes and coins is very important.

There are other areas of interest to review, which are those connected with the functions of the BPK to the community, let say, payments, supervision, etc, and in those areas it would be convenient to define the exact role that have to play the Internal Audit Department, that

would be not the same if the Department is conducting operations or is conducting research or supervisions.

Since the Market Risk and the Credit Risk are not considered as very important for the BPK, considering activities performed then Operational Risk evaluated and checked;

Risk in Terms of:

- Losing money / Asset management
- Image of the institution / Cash handling and storage
- Reliability in the institution / Financial statements
- One of the main services to the community / Interbank clearing system
- One of the main cost for the institution / The payment of interest in deposits

With the objective of achieving a clear view of all IMF recommendations on improving work quality of the internal auditing was taken immediate practical auditing in the identified department of the BPK.

In Budget implementation the BPK should aim to the realization of the balanced budget. Also relating to this field the BPK reached a significant progress in controlling and implementing the budget efficiently, by using the "cash flow" follow method, which shows a relief for the BPK management to successfully control implementation and realization of the budget.

Noticing achievements of the BPK, one of recommendations of IMF group of experts was to start implementing the project for cost accounting system.

Cost Accounting system enables a more accurate control of expenditures for each cost center and this afterwards serves to the management as a base for more successful planning and control of the BPK activities as well as base for taking more efficient decisions.

Regarding Cost Accounting implementation project during the 2004 have been completed tasks regarding the:

- Total expenditure (defining direct and indirect cost).
- Defining BPK main and secondary activities.
- Identification of expenditure centers.
- Determination of keys for expenditure delivery.
- First report of Cost accounting based on the BPK Balance sheet for 2003.
- Preparing the first draft of Cost accounting report based on source documents and expenditures occurred during the year 2004.

All these works performed relating to cost accounting, in last instance as a project, will be used for further automation and sophistication for controlling costs. Subsequent to completion of the project, the proposal for its implementation to the BPK software system will be made.

4

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)
FINANCIAL STATEMENTS
31 DECEMBER 2004

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BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK) GENERAL INFORMATION

GENERAL INFORMATION

The Banking and Payments Authority of Kosovo (the "BPK") is a distinct public entity with the authority to license, supervise and regulate financial institutions in the territory of Kosovo. The BPK was established in accordance with the provisions of the United Nations Interim Administration Mission in Kosovo ("UNMIK") regulation no. 1999/20 issued on November 15, 1999 (as amended on October 1, 2001 by Regulation 2001/24) "On the Banking and Payments Authority of Kosovo". Under this regulation the BPK's principal objectives are to:

- Foster and efficient and safe system for domestic payments, and
- Foster the liquidity, solvency and efficient functioning of a stable market based financial system, including regulating banks, insurance companies and other financial institutions.

The BPK has the following specific powers to:

- Recommend broad policy guidelines to the Special Representative of the Secretary- General of the United Nations in areas under its responsibility, under the guidance of the Deputy Special Representative for Economic Reconstruction and Development;
- Formulate and implement measures for, and supervise and regulate, payments and settlement systems for transactions in domestic and foreign currency in Kosovo;
- Own and operate one or more payments systems;
- Act as banker to the Ministry of Economy and Finance and to provide financial advice at its request;
- Act as fiscal agent to the Ministry of Economy and Finance;
- Hold foreign currency deposits of banks, the Ministry of Economy and Finance and other entities;
- Ensure an adequate supply of bank notes and coins for the settlement of cash transactions;
- Maintain a depository for safe keeping of currency and securities;
- License, supervise and regulate financial institutions;
- Supervise and regulate dealers in foreign exchange, and
- Conduct regular economic and monetary analysis of the Kosovo economy, make public the results, and submit proposals and measures to the United Nations Interim Administration Mission in Kosovo on the basis of such analysis.

The BPK operates from the head office located in Prishtina.

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK) GENERAL INFORMATION

GOVERNNING BOARD

The Governing Board determines policies for the operations of the Banking and Payments Authority of Kosovo and supervises their implementation. Under UNMIK regulations, the Board is composed of seven members appointed by the Special Representative of the Secretary-General.

At 31 December 2004 the Governing Board of the Banking and Payments Authority of Kosovo comprised the following members:

Mr. Ajri Begu, Chairman of the Governing Board
Mr. Donat Branger, Managing Director of the BPK
Mr. David Weatherman, Deputy Managing Director for Financial Sector Supervision
Mr. Benoit Waelkens, Deputy Managing Director for Payments System
Mr. Nikolaus Graf Lambsdorff
Mr. Gazmend Luboteni
Mr. Petraq Milo

Starting 1 January 2005 Michel Svetchine was appointed Managing Director.

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INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BOARD OF THE BANKING AND PAYMENTS AUTHORITY OF KOSOVO

We have audited the accompanying balance sheet of the Banking and Payments Authority of Kosovo (the "BPK") as at 31 December 2004 and the related statements of income, changes in capital and reserves and cash flows for the year then ended. These financial statements are the responsibility of the BPK's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Banking and Payments Authority of Kosovo as of 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to the fact that at present there is uncertainty in Kosovo surrounding the likely future direction of domestic economic policy, regulatory policy and political developments. We are unable to predict what changes in conditions will take place and what effect these might have on the financial position of the Banking and Payments Authority of Kosovo.

PricewaterhouseCoopers Audit SRL **Bucharest, 31 March 2005**

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)

BALANCE SHEET

AS AT 31 DECEMBER 2004
(all amounts expressed in EUR thousands, unless stated otherwise)

	Notes	31 December 2004	31 December 2003
Assets			
Cash on hand		12,064	26,590
Current accounts with non-resident banks	4	8,929	23,784
Treasury bills	5	124,418	-
Deposit accounts with non-resident banks	6	204,480	404,213
Property, plant and equipment, net	7	665	895
Other assets		111	75
Total assets		350,667	455,557
Liabilities			
Due to domestic banks	8	72,899	59,618
Due to local governmental institutions	9	225,209	351,453
Due to public and commercial entities	10	32,826	27,911
Other domestic liabilities	11	2,220	2,107
Total liabilities		333,154	441,089
Capital and reserves			
Statutory fund	12	10,000	2,556
Reserve fund	13	7,513	11,912
Total capital and reserves		17,513	14,468
Total liabilities, capital and reserves		350,667	455,557

Approved on 31 March 2005 on behalf of the Governing Board of the BPK by:

Michel Svetchine
Managing Director

Benoit Waelkens
Deputy Managing Director

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2004
(all amounts expressed in EUR thousands, unless stated otherwise)

	Notes	Year ended 31 December 2004	Year ended 31 December 2003
Interest income		8,307	8,110
Interest expense		(4,049)	(2,832)
Net interest income		4,258	5,278
Fee and commission income		570	684
Fee and commission expense		(107)	(121)
Net fee and commission income		463	563
Grant revenue	11	250	347
Loss on revaluation of treasury bills		(113)	-
Other operating income	14	380	552
Net operating income		5,238	6,740
Operating expenses			
Staff costs	15	1,015	837
Depreciation		371	512
General and administrative expenses	16	807	859
Total operating expenses		2,193	2,208
Net profit for the period		3,045	4,532

Approved on 31 March 2005 on behalf of the Governing Board of the BPK by:

Michel Svetchine
Managing Director

Benoit Waelkens
Deputy Managing Director

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2004
(all amounts expressed in EUR thousands, unless stated otherwise)

	Notes	31 December 2004	31 December 2003
Cash flows from operating activities			
Interest received		8,585	8,110
Interest paid		(4,071)	(2,832)
Fee and commission received		570	684
Fee and commission paid		(107)	(121)
Other receipts		380	552
Cash payments to employees and suppliers		(1,922)	(1,696)
Change in operating assets			
Decrease/(Increase) in term due from banks		199,733	(141,517)
Increase in other domestic assets		(15)	(39)
Change in operating liabilities			
Increase in due to domestic banks		13,287	13,383
Increase / (Decrease) in due to governmental institutions		(126,244)	82,585
Increase in due to public and commercial entities		4,887	8,585
Increase in other domestic liabilities		95	205
Net cash from operating activities		95,178	(32,102)
Cash flows from investing activities			
Purchase of property and equipment		(141)	(785)
Net cash from investing activities		(141)	(785)
Cash flows from financing activities			
Grant funds received		-	467
Net cash from financing activities		-	467
Net Increase / (Decrease) in cash and cash equivalents		95,037	(32,420)
Cash and cash equivalents at beginning of the year		50,374	82,795
Cash and equivalents at end of the year		145,411	50,374

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BANKING AND PAYMENTS AUTHORITY OF KOSOVO (BPK)

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2004
(all amounts expressed in EUR thousands, unless stated otherwise)

	Statutory fund	Reserve fund	Retained earnings	Total
Balance as at 31 December 2002	2,556	7,380	-	9,936
Net profit for the year	-	-	4,532	4,532
Transfer to reserve fund	-	4,532	(4,532)	-
Balance as at 31 December 2003	2,556	11,912	-	14,468
Transfer to capital	7,444	(7,444)	-	-
Net profit for the year	-	-	3,045	3,045
Transfer to reserve fund	-	3,045	(3,045)	-
Balance as at 31 December 2004	10,000	7,513	-	17,513

The notes set out on pages 5 to 20 form an integral part of these financial statements.

1 BASIS OF PREPARATION AND FORMAT OF PRESENTATION

These financial statements of Banking and Payments Authority of Kosovo ("BPK") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements of the Bank are prepared under the historical cost convention.

1.1 Currency of presentation

Until 31 December 2001, the financial statements of the BPK were presented in the currency of the territory of Kosovo, the German Mark ("DEM") being then the measurement and reporting currency in the territory of Kosovo. In accordance with UNMIK regulation No.1999/4 the Euro ("EUR") was adopted as one of the official currencies in Kosovo from January 1, 2002 and consequently DEM denominated amounts were converted into EUR as at January 1, 2002 using the irrevocable fixed exchange rate of EUR 1 = DEM 1.95583. From January 1, 2002 BPK's books and records are maintained in EUR, which is BPK's measurement currency. These financial statements are presented in EUR thousand unless otherwise stated.

1.2 Basis of accounting

The BPK maintains its accounting records in accordance with the generally accepted accounting practices in the United Nations administered territory of Kosovo and prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

1.3 Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

1.4 Reclassification of comparative amounts

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Interest income and expense

Interest income and expense is recognised in the income statement for all interest bearing instruments on an accruals basis, using the effective yield method based on the actual purchase price. Interest income includes accrued discount and premium on treasury bills and other discounted instruments.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.2 Fee and commission income

Fees and commission income consists of transaction fees for operating accounts and fund transfers.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

2.3 Foreign currency translation

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, current accounts with non-resident banks and treasury bills.

2.5 Treasury bills

The Bank classifies its treasury bills as available-for-sale. Management determines the classification of its investments at initial recognition. Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. All interest income and any accrued gains/losses from trading in treasury bills are included in the statement of income. The changes in fair value are also recognised in the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment when necessary.

If the fair value of an item of property, plant and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the item of property, plant and equipment is written down to its fair value.

Gains and losses on disposal of property, plant and equipment are recognized in the statement of income in the year of disposal.

Depreciation is provided on all property, plant and equipment based on historic cost. The annual charge for depreciation is computed using the straight-line method using rates specified for each depreciable asset based on estimated useful lives. The estimated useful lives applied during the year ended 31 December 2003 and the period ended 31 December 2002 are:

	Depreciation rate per annum	Useful life
Vehicles	20%	5 years
Plant, office and other equipment	20%	5 years
Computer equipment	33.3%	3 years

2.7 Grant revenue

Grants received for the purpose of acquiring property, plant and equipment, or granted property, plant and equipment, are recorded as deferred grant in the balance sheet and released to grant revenue over the same period as the useful life of the item of property, plant and equipment. Grants received to fund the BPK's expenses are credited directly to grant revenue in the statement of income in the period that the related expenditure took place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Donor financed salaries

Certain members of the management of the BPK are international experts appointed by international organisations who provide financial support to the BPK. In addition, these international organisations also appoint short term experts and consultants as the need arises. The financial support of these international organisations includes, but is not limited to, the payment of the salaries to these management and consultant appointments. As this assistance is paid directly to the appointee, the extent of the payments are not known nor are they included in these financial statements. The length of the appointment of the management personnel is not absolutely clear, though it is the objective of the international organisations to ultimately replace these appointees with local staff.

2.9 Fiduciary activities

In certain specific instances the Banking and Payments Authority of Kosovo acts as fiscal agent and paying agent of the Ministry of Finance and Economy. Assets and income arising from these activities are excluded from these financial statements where the Banking and Payments Authority of Kosovo acts in fiduciary capacity such as nominee or agent.

2.10 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The Banking and Payments Authority of Kosovo's short term assets are carried on the financial statements at cost which approximates their fair value because these instruments have short maturity terms and are convertible into cash and are settled without significant transaction costs.

Treasury bills are classified as available-for-sale and are carried at fair value. The estimated fair value is determined using market prices or broker/dealer quotations. Where this information is not available, fair value has been estimated using discounted cash flows using prevailing interest rates for instruments with similar credit risk and remaining maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Taxation and profit allocation

The Bank is exempt from income tax according to the UNMIK regulation 1999/20 issued on November 15, 1999 (as amended on October 1, 2001) "On the Banking and Payments Authority of Kosovo" and is required by law to pay any balance of its net income directly to the Ministry of Finance and Economy after allocations to replenish the levels of reserve funds directed by the Governing Board.

2.12 General reserve

In accordance with UNMIK regulation 1999/20 (as amended) each year the BPK shall allocate net income to the general reserve account until the capital and general reserve accounts amount to 5% of the aggregate, amount of the credit balances of all accounts maintained on the books of the BPK by account holders shown on the balance sheet of the BPK for the end of each financial year.

3 FINANCIAL RISK MANAGEMENT

Through its normal operations, BPK is exposed to a number of risks, the most significant of which are currency, operating, credit, interest rate and liquidity risks. The structure of the BPK's assets and liabilities is primarily determined by the nature of the BPK statutory functions rather than commercial considerations. Risk management of the BPK is regulated by its internal instructions, and is closely monitored by the Governing Board and Committees of the BPK.

Operating risk is the risk of loss arising from the breakdown of internal controls. The BPK manages this risk through the Internal Audit Department of the BPK, which exercises control over accounting policies and procedures and the effective functioning of the system of internal controls of the BPK.

Segregation of duties between the different departments of the BPK is also considered as one of the mechanisms of managing operating risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk

The BPK takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk is managed through the approval of transactions and placement funds, the establishment of limits restricting risk and constant monitoring of positions.

Counterparties are accepted only if they have top credit ratings and are subject to regular credit review.

3.2 Interest rate risk

The BPK is exposed to interest rate risk as a result of investing at fixed rates in amounts and for periods which differ from those of deposits from government and other customers.

The contractual repricing of assets and liabilities from BPK balance sheet corresponds to maturity dates as interest rates are fixed. A summary of exposure to interest rate risk could be found in the tables within liquidity risk.

The table below summarises the effective interest rates for monetary financial instruments:

	31 December 2004	31 December 2003
Current accounts non-resident banks	1.14%	1.02%
Term deposits non-resident banks	1.99%	2.04%
Treasury bills	2.07%	n/a
Due to domestic banks	1%	0.5%
Due to governmental institutions	1%	0.5%
Due to public and commercial entities	1%	0.5%
Term deposits of public and commercial entities	1.87%	1.62%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk

The BPK is exposed to daily calls on its available cash resources from current accounts. The BPK does not maintain cash resources to meet all possible needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of uncertainty. The Board sets limits on the minimum level of maturing funds available to meet such calls and on the minimum level of available cash that should be in place to cover withdrawals at unexpected level of demand.

The table below analyses the BPK's assets and liabilities into relevant maturing groups based on the remaining period at balance sheet date to the contractual maturity date:

As at 31 December 2004

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Assets					
Cash on hand	12,064	-	-	-	12,064
Current accounts non-resident banks	8,929	-	-	-	8,929
Deposit accounts with non-resident banks	27,121	174,859	2,500	-	204,480
Treasury bills	24,974	44,846	54,598	-	124,418
Property and equipment	-	-	-	665	665
Other assets	111	-	-	-	111
Total assets	73,199	219,705	57,098	665	350,667
Liabilities					
Due to domestic banks	72,899	-	-	-	72,899
Due to governmental institutions	225,209	-	-	-	225,209
Due to public and commercial entities	27,704	3,005	2,117	-	32,826
Other liabilities	2,220	-	-	-	2,220
Total liabilities	328,032	3,005	2,117	-	333,154
Net liquidity gap	(254,833)	216,700	54,981	665	17,513

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2003

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Assets					
Cash on hand	26,590	-	-	-	26,590
Current accounts non-resident banks	23,784	-	-	-	23,784
Deposit accounts with non-resident banks	357,074	46,131	1,008	-	404,213
Property and equipment	-	-	-	895	895
Other assets	75	-	-	-	75
Total assets	407,523	46,131	1,008	895	455,557
Liabilities					
Due to domestic banks	59,618	-	-	-	59,618
Due to governmental institutions	351,453	-	-	-	351,453
Due to public and commercial entities	19,224	5,480	1,006	2,201	27,911
Other liabilities	2,107	-	-	-	2,107
Total liabilities	432,402	5,480	1,006	2,201	441,089
Net liquidity gap	(24,879)	40,651	2	(1,306)	14,468

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Except negligible amounts, BPK's assets and liabilities are denominated in EUR, therefore BPK has no significant exposure to currency risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

For the purpose of cash flow statement, cash and cash equivalents comprise the following balances with less than 90 day maturity:

	31 December 2004	31 December 2003
Cash	12,094	26,590
Current accounts with non resident banks	8,929	23,784
Treasury bills	124,418	-
	145,411	50,374

4 CURRENT ACCOUNTS WITH NON-RESIDENT BANKS

	31 December 2004	31 December 2003
Deutsche Bundesbank	8,597	23,573
Raiffeisen Zentralbank Osterreich AG	90	22
Commerzbank AG	10	84
Svenska Handelsbanken	162	64
Dresdner Bank	70	41
Total	8,929	23,784

As at 31 December 2004 current accounts held with foreign banks are denominated in EUR and bear interest ranging between 1% and 1.06% (31 December 2003: between 1% and 1.04%).

5 TREASURY BILLS

Treasury bills are debt securities issued by EU countries for a term of three months, six months or one year. All bills are subject to variable interest rate, denominated in EUR and if kept to maturity have an yield ranging from 2.04% to 2.14%.

6 DEPOSIT ACCOUNTS WITH NON-RESIDENT BANKS

	31 December 2004	31 December 2003
Raiffeisen Zentralbank Osterreich AG	8,703	51,326
Commerzbank AG	1,100	3,400
Dresdner Bank	25,219	60,087
Deutsche Bundesbank	10,010	70,115
ING Bank	34,360	62,639
KBC	32,391	62,865
Rabobank	13,181	28,033
Svenska Handelsbanken	39,420	65,748
HBOS Treasury Services Plc	27,908	-
Danske Bank	12,188	-
	204,480	404,213

As at 31 December 2004 deposits placed with foreign banks are denominated in EUR and bear interest ranging between 1.92% and 2.20% (31 December 2003: between 1.87% and 2.21%).

7 PROPERTY, PLANT AND EQUIPMENT

	Equipment	Computer and software	Vehicles	Assets in course of construction	Total
At 1 January 2003	513	697	72	-	1,282
Accumulated depreciation	(160)	(483)	(18)	-	(661)
Net book amount	353	214	54	-	621
Year ended 31 December 2003					
Opening net book value	353	214	54	-	621
Additions	157	601	27	-	785
Disposals	(123)	(4)	-	-	(127)
Depreciation charge	(90)	(278)	(16)	-	(384)
Closing net book amount	297	533	65	-	895
At 31 December 2003					
Cost	457	1,016	83	-	1,556
Accumulated depreciation	(160)	(483)	(18)	-	(661)
Net book amount	297	533	65	-	895
Year ended 31 December 2004					
Opening net book value	297	533	65	-	895
Additions	12	17	-	112	141
Disposals	-	-	-	-	-
Depreciation charge	(93)	(260)	(18)	-	(371)
Closing net book amount	216	290	47	112	665
At 31 December 2004					
Cost	469	1,033	83	112	1,697
Accumulated depreciation	(253)	(743)	(36)	-	(1,032)
Net book amount	216	290	47	112	665

8 DUE TO DOMESTIC BANKS

	31 December 2004	31 December 2003
ProCredit Bank	14,916	12,470
New Bank of Kosovo	2,486	2,060
Private Business Bank	2,022	1,494
Raiffeisen Bank of Kosovo (former American Bank of Kosovo)	6,370	4,428
Economic Bank of Kosovo	1,451	1,074
Credit Bank of Pristina	2,456	1,111
Kasabank	3,590	2,295
Total required liquidity reserves	33,291	24,932
ProCredit Bank	9,238	8,344
New Bank of Kosovo	9,119	5,978
Private Business Bank	5,872	3,781
Raiffeisen Bank of Kosovo (former American Bank of Kosovo)	4,279	5,869
Economic Bank of Kosovo	3,484	3,869
Credit Bank of Pristina	3,238	2,717
Kasabank	4,378	4,128
Total current accounts	39,608	34,686
Total	72,899	59,618

Under BPK supervision regulation Rule XVII commercial banks operating in Kosovo are required to maintain liquidity reserves amounting to 10% of their respective total customer deposits. At least half of these reserve balances must be kept in accounts at the BPK.

The reserve balances in excess of 5%, up to 10%, of total customer deposits bear interest of 1% as at 31 December 2004 (0.5% at 31 December 2003). Amounts falling under 5% and over 10% are non interest bearing.

9 DUE TO LOCAL GOVERNMENTAL INSTITUTIONS

	31 December 2004	31 December 2003
UNMIK	5,179	298
Ministry of Economy and Finance		
treasury, custom and taxes	172,606	325,200
Due to local governments municipalities	674	639
Due to other governmental institutions	14,000	53
Due to Kosovo Trust Agency	32,750	25,263
Total	225,209	351,453

10 DUE TO PUBLIC AND COMMERCIAL ENTITIES

	31 December 2004	31 December 2003
Insurance Companies	17,529	20,410
Public utilities corporations	12,055	4,949
Pension funds of commercial entities including		
BPK's own pension fund	3,232	2,202
Other	10	350
Total	32,826	27,911

The interest rate applicable to current accounts as at 31 December 2004 was 1% (0.5% at 31 December 2003).

11 OTHER DOMESTIC LIABILITIES

	31 December 2004	31 December 2003
Due to Government (Note a)	1,189	795
Deferred grant revenue (Note b)	469	719
Due to the former National Bank of Kosovo (Note c)	450	450
Sundry creditors and accruals	77	108
Other domestic liabilities	35	35
Total	2,220	2,107

11 OTHER DOMESTIC LIABILITIES (CONTINUED)

Note a: As at 31 December 2004 due to Government include EUR 872 thousand rent collected for public buildings until establishment of ownership (31 December 2003: EUR 565 thousand) and EUR 313 thousand supervisory penalties collected (31 December 2003: EUR 230 thousand).

Note b:

	CFA	USAID	Other	Total
Deferred grant revenue at 31 December 2003	597	101	21	719
Transfer to grant revenue	211	26	13	250
Deferred grant revenue at 31 December 2004	386	75	8	469

Note c: The amount due to the former National Bank of Kosovo relates to cash balances in various currencies belonging to that entity which were physically on hand at the inception of the Bank. These balances were converted into DEM on 22 December 2000, physically transferred to Commerzbank AG in Frankfurt and included in the BPK's current account balance at that entity.

12 STATUTORY FUND

In accordance with UNMIK regulation 1999/20 'On the Banking and Payments Authority of Kosovo' the capital of the BPK totalling DEM 5,000 thousand (EUR 2,556 thousand) was contributed by the Central Fiscal Authority on 31 March 2000.

13 RESERVE FUND

The reserve fund was created during the period to 31 December 2004, in accordance with UNMIK regulation 1999/20 and the Governing Board of the Bank's decision. Transfer of EUR 3,045 thousand was made in year 2004 (31 December 2003: EUR 4,532 thousand).

In 2004 an amount of EUR 7,444 thousand was reallocated to the statutory fund.

14 OTHER OPERATING INCOME

	Year ended 31 December 2004	Year ended 31 December 2003
Licensing fees	353	342
Other	27	210
Total	380	552

15 STAFF COST

Staff costs consist largely of employee salaries. As at 31 December 2004, the Bank had 134 employees (31 December 2003: 124 employees).

16 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2004	Year ended 31 December 2003
Security and cash transportation expenses	262	216
Repairs and maintenance	34	83
Audit and consulting expense	41	55
Communication expenses (telephone, telex and internet)	126	102
Utilities	76	68
Travel and transportation	67	88
Vehicle operating expenses	24	35
Stores and stationery	32	46
Software maintenance	48	53
Computer consumables expenses	15	22
Food and restaurant expenses	14	35
Insurance expenses	52	22
Other	16	34
Total	807	831

17 RELATED PARTY TRANSACTIONS

Total remuneration for members of the governing board included in staff costs was EUR 16 thousand in 2004 (EUR 16 thousand in 2003).

18 COMMITMENTS AND CONTINGENCIES

General claims

From time to time and in the normal course of business, claims against the BPK are received from its partners. The Management resists such claims and considers that no material losses will be incurred.

Legal proceedings

As at 31 December 2004, the Banking and Payments Authority of Kosovo was not engaged in any material litigation proceedings.

Credit related commitments

As at 31 December 2004, BPK had commitments to place deposits in total amount of EUR 6,162 thousand.

5

STATISTICAL APPENDIX

5.1. STATISTICAL TABLES

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Table 2.

Financial Corporations Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	**658,028**	**681,880**	**602,889**
Claims on nonresidents	**720,320**	**750,187**	**691,217**
Currency	87,294	74,517	56,231
Deposits	514,461	530,837	395,472
Securities other than shares	115,713	141,520	236,198
Shares and other equities	2,850	3,313	3,313
Other	2	...	2
less : Liabilities to nonresidents	**62,292**	**68,307**	**88,328**
Deposits	12,974	16,512	29,841
Share capital	31,680	31,680	32,444
Loans	15,264	15,836	16,723
Other	2,375	4,278	9,319
Domestic claims	**26,095**	**69,262**	**205,603**
Net claims on central government	**-331,383**	**-326,020**	**-212,398**
Claims on central government	—	—	—
less: Liabilities to central government	**331,383**	**326,020**	**212,398**
Deposits	331,383	326,020	212,398
Claims on other sectors	**357,478**	**395,282**	**418,001**
Loans	**350,061**	**387,835**	**413,524**
Other nonfinancial corporations	285,327	311,210	329,811
Other resident sectors	64,734	76,625	83,714
Households	64,734	76,625	83,714
Other claims	**7,417**	**7,447**	**4,476**
Deposits	**580,725**	**629,083**	**675,512**
Transferable deposits	**295,754**	**297,288**	**276,057**
Local Government	3,066	4,441	3,212
Social security fund	1,549	113	2,968
Public nonfinancial corporations	57,351	59,410	28,932
Other nonfinancial corporations	91,448	59,787	86,052
Other resident sectors	142,340	173,538	154,893
of which: Households	127,264	157,702	144,149
of which: NPISH	13,548	14,200	9,069
Other deposits	**284,971**	**331,795**	**399,455**
Public nonfinancial corporations	83,861	94,938	133,069
Other nonfinancial corporations	24,439	36,287	41,621
Other resident sectors	176,671	200,570	224,765
Households	176,646	200,536	224,056
NPISH	25	34	709
Loans	**2,127**	**2,207**	**2,330**
Other resident sectors	**2,127**	**2,207**	**2,330**
Households	2,127	2,207	2,330
Insurance technical reserves	**21,487**	**25,419**	**21,505**
Net equity of households in life insurance reserves	—	—	—
Net equity of households in pension funds	4,274	5,005	3,655
Prepayment of premiums and reserves against outstanding claims	17,213	20,414	17,850
Shares and other equity	**92,256**	**101,217**	**108,729**
Funds contributed by owners 1/	37,548	47,315	55,846
Retained earnings	8,331	12,804	11,326
General and special reserves	22,172	14,380	10,266
Profit/Loss of the year	5,267	8,088	11,710
Grants from donors	18,938	18,629	19,581
Other items (net)	**-12,472**	**-6,784**	**415**
Other liabilities	19,832	16,550	20,793
less: Other assets	29,253	23,504	19,400
plus: Consolidation adjustment	-3,051	169	-978

1/ Includes funds contributed by resident owners.

Table 3.

Depository Corporations Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	120,524	586,207	649,007	696,982	729,491	720,074	703,964	682,531	688,829	671,256	677,887	693,446	695,393	680,447	662,609	617,298
Claims on nonresidents	142,743	607,717	673,613	726,383	762,432	754,098	734,363	729,946	721,375	716,410	720,526	742,075	745,988	743,171	722,284	687,027
Currency	27,499	239,185	53,071	73,201	70,738	75,366	75,724	86,403	86,070	86,234	94,396	98,520	73,631	70,799	71,043	55,357
Deposits	115,244	361,033	620,542	533,562	571,313	557,904	537,722	522,487	515,006	514,461	506,547	509,378	530,837	498,463	423,286	395,472
Securities other than shares	—	7,498	...	119,620	120,381	120,828	120,917	121,056	120,299	115,713	119,581	134,176	141,520	173,907	227,952	236,195
Other	—	—	—	—	—	—	—	—	—	2	2	2	...	2	2	2
less: Liabilities to nonresidents	22,219	21,509	24,606	29,401	32,941	34,023	30,399	47,415	32,546	45,154	42,639	48,629	50,595	62,274	59,675	69,729
Deposits	22,219	21,509	23,315	27,356	30,896	31,978	28,354	44,830	30,500	12,974	10,117	14,151	16,512	28,141	25,042	29,841
Share capital	.	.	.	.	.	.	.	.	.	29,805	29,805	29,805	29,805	30,305	30,355	30,569
Other	—	—	1,291	2,045	2,045	2,045	2,045	2,585	2,046	2,375	2,717	4,673	4,278	4,278	4,278	9,319
Domestic claims	-2,509	-43,895	-172,094	-109,967	-121,129	-106,532	-64,617	-52,251	-30,788	-17,699	12,217	4,956	24,073	23,016	65,075	161,270
Net claims on central government	-5,657	-69,811	-258,592	-342,740	-361,685	-359,377	-332,680	-333,222	-328,332	-331,383	-315,734	-331,028	-326,020	-341,520	-308,721	-212,398
Claims on central government	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
less: Liabilities to central govern.	5,657	69,811	258,592	342,740	361,685	359,377	332,680	333,222	328,332	331,383	315,734	331,028	326,020	341,520	308,721	212,398
Deposits	5,657	69,811	258,592	342,740	361,385	359,377	332,680	333,222	328,332	331,383	315,734	331,028	326,020	341,520	308,721	212,398
Claims on other sectors	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
Loans	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
Other nonfinancial corp. 1/	3,148	24,916	79,469	193,888	199,903	210,150	220,578	213,525	242,926	248,950	257,909	262,952	273,468	283,595	291,181	289,955
Other resident sectors	.	.	5,692	38,885	40,653	42,695	47,485	67,446	54,618	64,734	70,042	73,032	76,625	80,941	82,615	83,714
Households	.	.	5,692	38,885	40,653	42,695	47,485	67,446	54,618	64,734	70,042	73,032	76,625	80,941	82,615	83,714
Broad money liabilities	106,185	486,765	413,558	501,185	518,749	522,584	552,009	534,150	557,241	616,171	648,202	661,941	670,748	654,804	676,799	720,198
Deposits included in broad money*	106,185	486,765	413,558	501,185	518,749	522,584	552,009	534,150	557,241	616,171	648,202	661,941	670,748	654,804	676,799	720,198
Transferable deposits	98,572	361,976	285,278	303,721	287,741	283,100	314,446	295,388	304,914	323,405	333,491	331,429	325,423	301,539	318,819	305,621
Other financial corporations	.	.	.	.	.	.	.	.	.	27,651	22,562	27,189	28,134	27,490	31,840	29,564
Local government	.	.	.	.	.	.	.	.	.	3,066	3,267	4,671	4,441	4,174	3,647	3,212
Social security fund	.	.	.	.	.	.	.	.	.	1,549	2,362	327	113	877	324	2,968
Public nonfinancial corp. 1/	22,896	6,963	3,473	5,288	2,501	6,307	5,334	6,969	7,279	57,351	53,583	55,954	59,410	59,510	62,985	28,932
Other nonfinancial corp. 1/	54,487	138,519	160,306	155,139	140,847	130,992	155,958	143,219	141,490	91,448	97,710	67,497	59,787	56,846	67,704	86,052
Other resident sectors	21,189	216,495	121,498	143,294	144,393	145,801	153,154	145,200	156,145	142,340	154,007	175,792	173,538	152,643	152,319	154,893
of which: Households 2/	21,189	216,495	121,498	143,294	144,393	145,801	153,154	145,200	156,145	127,264	136,803	160,115	157,702	141,704	140,217	144,149
of which: NPISH	.	.	.	.	.	.	.	.	.	13,548	15,674	14,076	14,200	9,328	10,438	9,069
Other deposits	7,613	124,788	128,280	197,464	231,008	239,484	237,563	238,762	252,327	292,766	314,711	330,512	345,325	353,265	357,980	414,577
Other financial corporations	.	.	.	.	.	.	.	.	.	11,196	18,186	17,327	16,355	16,332	13,212	19,109
Public nonfinancial corp. 1/	.	.	.	.	.	.	.	.	.	83,861	85,664	91,528	94,938	97,518	96,817	133,069
Other nonfinancial corp. 1/	4,579	31,318	23,921	74,758	94,297	97,739	95,579	97,999	108,932	23,402	27,923	29,706	34,886	33,859	36,366	39,510
Other resident sectors	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,307	182,938	191,951	199,146	205,556	211,586	222,889
Households 2/	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,282	182,913	191,926	199,112	205,346	211,377	222,180
NPISH	.	.	.	.	.	.	.	.	.	25	25	25	34	210	209	709
Deposits excluded from broad money	2,984	13,438	25,113	32,758	36,503	34,404	34,027	36,425	36,883	3,401	3,686	2,460	2,825	3,614	3,818	3,987
Other financial corporations	—	11,087	15,999	27,989	28,113	30,961	30,305	33,158	33,130	—	—	—	—	—	—	—
Local government	2,984	2,351	494	1,714	1,720	1,785	1,790	1,796	1,801	—	—	—	—	—	—	—
Social security	—	—	8,620	3,054	6,669	1,927	1,931	1,472	1,952	—	—	—	—	—	—	—
Other non financial corporations	—	—	—	—	—	—	—	—	—	1,037	1,167	1,146	1,401	2,064	2,109	2,111
Households	—	—	—	—	—	—	—	—	—	2,364	2,519	1,314	1,424	1,550	1,709	1,876
Shares and other equity	11,077	25,162	43,805	61,075	62,325	63,753	64,182	71,073	72,537	44,990	47,191	49,553	50,742	51,582	52,331	55,561
Funds contributed by owners 3/	7,156	21,023	33,320	46,617	46,787	47,813	48,950	55,423	55,472	27,000	35,929	35,929	36,705	36,874	36,918	37,109
Retained earnings	1,552	2,590	5,418	4,512	943	1,381	1,252	1,499	2,936	-245	194	1,379	1,696	1,026	1,173	2,712
General and special reserves	.	821	4,601	8,326	12,996	12,980	12,422	12,614	12,614	13,157	5,433	5,273	5,273	5,273	5,273	5,273
Grants from donors	.	728	464	1,619	1,598	1,578	1,557	1,536	1,515	1,494	1,473	1,452	532	511	490	469
Profit/loss of the year	.	.	.	.	.	.	.	.	.	3,584	4,162	5,520	6,537	7,898	8,477	9,998
Other Items (net)	-2,231	16,948	-5,562	-8,003	-9,215	-7,198	-10,871	-11,369	-8,621	-11,005	-8,975	-15,552	-4,849	-6,537	-5,265	-1,177
Other liabilities	2,121	25,495	5,957	11,190	8,952	6,579	6,247	7,653	8,557	10,976	10,596	4,834	7,917	7,072	7,680	9,360
less: Other assets	4,352	8,547	11,519	19,193	18,167	13,777	17,117	19,021	17,178	21,990	19,481	20,724	13,566	14,647	12,058	10,535
plus: Consolidation adjustments	...	...	...	...	...	...	...	...	...	9	-90	338	800	1,038	-888	-3

1/ Till May-'04 figure for all nonfinancial corporations (only for ODC);
2/ Till May-'04 figure for households includes NPISH;
3/ From May -'04 includes funds contributed by resident owners;
* While till May '04 the money holding sector consisted of the non financial corporations and the households, since June '04 the money holding sector has been extended with the general government excluding central government and the financial sector excluding depository corporations. Deposits belonging to broad money are transferable deposits and deposits with an original maturity of 2 year or less, while previously no maturity limit was applied. Both changes in the money definition create a definitional break in the time series.

Table 4.

Monetary Aggregates

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monetary base	652,753	841,904	635,222	593,917	569,785	567,237	550,723	578,628	547,978	532,474	519,264	500,960	500,511	502,490	503,783	507,899
Currency outside DC (e)	637,000	668,000	589,000	529,000	515,000	515,000	490,000	512,000	493,000	483,000	455,000	446,000	442,000	447,000	441,000	435,000
ODC reserves	15,753	173,904	46,222	64,917	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Monetary aggregate M1	735,572	1,029,976	874,278	832,721	802,741	798,100	804,446	807,388	797,914	806,405	788,491	777,429	767,423	748,539	759,819	740,621
Currency outside DC	637,000	668,000	589,000	529,000	515,000	515,000	490,000	512,000	493,000	483,000	455,000	446,000	442,000	447,000	441,000	435,000
Transferable deposits	98,572	361,976	285,278	303,721	287,741	283,100	314,446	295,388	304,914	323,405	333,491	331,429	325,423	301,539	318,819	305,621
Other financial corporations	.	.	.	.	.	.	.	.	.	27,651	22,562	27,189	28,134	27,490	31,840	29,564
Local government	.	.	.	.	.	.	.	.	.	3,066	3,267	4,671	4,441	4,174	3,647	3,212
Social security fund	.	.	.	.	.	.	.	.	.	1,549	2,362	327	113	877	324	2,968
Public nonfinancial corp. 1/	22,896	6,963	3,743	5,288	2,501	6,307	5,334	6,969	7,279	57,351	53,583	55,954	59,410	59,510	62,985	28,932
Other nonfinancial corp. 1/	54,487	138,519	160,306	155,139	140,847	130,992	155,958	143,219	141,490	91,448	97,710	67,497	59,787	56,846	67,704	86,052
Other resident sectors	21,189	216,495	121,498	143,294	144,393	145,801	153,154	145,200	156,145	142,340	154,007	175,792	173,538	152,643	152,319	154,893
of which: Households 2/	21,189	216,495	121,498	143,294	144,393	145,801	153,154	145,200	156,145	127,264	136,803	160,115	157,702	141,704	140,217	144,149
of which: NPISH	.	.	.	.	.	.	.	.	.	13,548	15,674	14,076	14,200	9,328	10,438	9,069
Monetary aggregate M2	743,185	1,154,764	1,002,558	1,030,185	1,033,749	1,037,584	1,042,009	1,046,150	1,050,241	1,099,171	1,103,202	1,107,941	1,112,748	1,101,804	1,117,799	1,155,198
M1	735,572	1,029,976	874,278	832,721	802,741	798,100	804,446	807,388	797,914	806,405	788,491	777,429	767,423	748,539	759,819	740,621
Other deposits 3/	7,613	124,788	128,280	197,464	231,008	239,484	237,563	238,762	252,327	292,766	314,711	330,512	345,325	353,265	357,980	414,577
Other financial corporations	.	.	.	.	.	.	.	.	.	11,196	18,186	17,327	16,355	16,332	13,212	19,109
Public nonfinancial corp. 1/	.	.	.	.	.	.	.	.	.	83,861	85,664	91,528	94,938	97,518	96,817	133,069
Other nonfinancial corp. 1/	4,579	31,318	23,921	74,758	94,297	97,739	95,579	97,999	108,932	23,402	27,923	29,706	34,886	33,859	36,366	39,510
Other resident sectors	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,307	182,938	191,951	199,146	205,556	211,586	222,889
Households 2/	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,282	182,913	191,926	199,112	205,346	211,377	222,180
NPISH	.	.	.	.	.	.	.	.	.	25	25	25	34	210	209	709

1/ Till May-'04 figure for all nonfinancial corporations (only for ODC);
2/ Till May-'04 figure for households includes NPISH;
3/ Deposits with original maturity of up to 2 years.

Table 5.

BPK Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	52,116	293,654	345,410	453,691	469,327	463,900	445,265	453,588	438,334	438,237	436,558	443,592	439,068	452,085	431,508	344,505
Claims on nonresidents	61,697	296,235	345,773	453,990	469,812	464,252	445,465	454,768	439,196	438,758	437,152	450,207	446,349	458,585	435,609	349,684
Currency	15,828	150,843	17,474	26,590	26,449	27,307	26,772	42,632	36,059	33,372	36,554	42,900	22,658	22,048	21,068	12,064
Deposits	45,869	145,392	328,299	427,399	443,363	436,945	418,693	412,136	403,137	405,386	400,598	387,308	393,884	371,911	300,084	213,202
Securities other than shares	—	—	—	—	—	—	—	—	—	—	—	20,000	29,807	64,627	114,456	124,418
less: Liabilities to nonresidents	9,581	2,581	363	298	485	351	200	1,180	862	521	594	6,615	7,281	6,501	4,101	5,179
Deposits	9,581	2,581	363	298	485	351	200	1,180	862	521	594	6,615	7,281	6,501	4,101	5,179
Net claims on central government	-5,657	-69,811	-258,592	-342,740	-361,685	-359,377	-332,680	-333,222	-328,332	-331,383	-315,734	-331,028	-326,020	-341,520	-308,721	-212,398
Claims on central government	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
less: Liabilities to central gov.	5,657	69,811	258,592	342,740	361,685	359,377	332,680	333,222	328,332	331,383	315,734	331,028	326,020	341,520	308,721	212,398
Deposits	5,657	69,811	259,592	342,740	361,685	359,377	332,680	333,222	328,332	331,383	315,734	331,028	326,020	341,520	308,721	212,398
Claims on other sectors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Monetary base	38,349	182,297	50,120	64,917	58,774	59,939	67,505	75,049	63,789	91,493	105,083	96,586	96,852	93,990	105,964	115,011
Liabilities to ODC	15,753	173,904	46,222	64,917	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Transferable deposits	15,753	173,904	46,222	64,917	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
of which: Reserve deposits	.	.	26,908	31,329	30,877	33,843	35,442	34,855	36,405	37,183	37,402	38,636	41,168	41,169	41,170	45,442
Deposits included in broad money*	22,896	8,393	3,898	5,305	3,989	7,702	6,781	8,420	8,811	42,019	40,819	41,626	38,341	38,500	43,181	42,112
Transferable deposits	22,896	8,393	3,898	5,305	3,989	7,702	6,781	8,420	8,811	41,019	34,194	35,996	32,705	32,858	41,081	37,012
Other financial corporations	—	—	—	—	—	—	—	—	—	25,113	19,778	20,367	19,840	20,149	23,800	20,527
Local government	—	—	—	—	—	—	—	—	—	1,815	1,820	1,826	1,835	1,837	1,889	1,891
Social security	—	—	—	—	—	—	—	—	—	1,549	2,362	327	113	877	324	2,968
Public nonfinancial corporations	22,896	8,393	3,473	5,288	2,501	6,307	5,334	6,969	7,279	11,003	8,693	11,864	9,270	8,374	13,392	9,942
Other nonfinancial corporations	—	—	425	17	42	22	16	16	26	11	11	11	11	11	12	10
Other resident sectors	—	—	—	—	1,446	1,373	1,431	1,435	1,506	1,528	1,530	1,601	1,636	1,612	1,664	1,675
Other deposits	—	—	—	—	—	—	—	—	—	1,000	6,625	5,630	5,636	5,641	2,100	5,100
Other financial corporations	—	—	—	—	—	—	—	—	—	1,000	6,625	5,630	5,636	5,641	2,100	5,100
Deposits excluded from broad money	2,984	13,438	25,113	31,007	34,801	30,302	30,525	30,373	31,065	—	—	—	—	—	—	—
Other financial corporations	—	—	15,999	26,238	26,411	26,589	26,803	27,106	27,312	—	—	—	—	—	—	—
Local government	2,984	11,087	494	1,714	1,720	1,785	1,790	1,796	1,801	—	—	—	—	—	—	—
Social security	—	2,351	8,620	3,054	6,669	1,927	1,931	1,472	1,952	—	—	—	—	—	—	—
Shares and other equity	4,925	4,727	10,561	16,068	16,338	16,530	16,772	17,027	17,242	17,449	17,758	17,959	17,316	17,623	17,762	17,982
Funds contributed by owners	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	.	1,133	3,599	4,512	291	484	747	1,023	1,260	1,488	1,817	2,039	2,316	2,644	2,804	3,045
General and special reserves	.	309	3,940	7,380	11,892	11,911	11,911	11,911	11,911	11,911	4,468	4,468	4,468	4,468	4,468	4,468
Grants from donors	.	728	464	1,619	1,598	1,578	1,557	1,536	1,515	1,494	1,473	1,452	532	511	490	469
Other items (net)	-99	23,381	1,025	-1,040	-2,271	-2,247	-2,216	-2,083	-2,095	-2,088	-2,017	-1,981	-1,120	-1,048	-939	-885
Other liabilities	1,236	24,245	1,911	1,448	32	14	20	31	15	15	23	9	12	15	15	98
less: Other assets	1,335	864	886	2,488	2,030	2,261	2,235	2,113	2,110	2,103	2,040	1,990	1,132	1,064	955	983

- While till May '04 the money holding sector consisted of the non financial corporations and the households, since June '04 the money holding sector has been extended with the general government excluding central government and the financial sector excluding depository corporations. Deposits belonging to broad money are transferable deposits and deposits with an original maturity of 2 year or less, while previously no maturity limit was applied. Both changes in the money definition create a definitional break in the time series.

Table 6.

BPK Balance Sheet

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ASSETS																
Currency and deposits	61,697	296,235	345,773	453,990	469,812	464,252	445,465	454,768	439,196	438,757	437,152	430,207	416,542	393,959	321,152	225,266
Currency (Cash)	15,828	150,843	17,474	26,590	26,449	27,307	26,772	42,632	36,059	33,372	36,554	42,900	22,658	22,048	21,068	12,064
In EUR currency	—	—	17,288	26,323	26,187	27,047	26,512	42,373	35,804	33,122	36,554	42,899	22,658	22,047	21,068	12,064
In non-EUR currencies	15,828	150,843	186	267	262	259	260	259	255	250	...	...	...	...	...	...
Deposits in EUR (abroad)	45,869	145,392	328,299	427,399	443,363	436,945	418,693	412,136	403,138	405,386	400,598	387,308	393,884	371,911	300,084	213,202
Transferable deposits	6,755	99,378	66,249	23,784	22,510	20,148	15,064	13,859	11,435	12,152	11,287	30,289	20,672	16,078	15,514	8,929
Other deposits	39,114	46,014	262,050	403,616	420,852	416,797	403,629	398,277	391,702	393,234	389,311	357,019	373,212	355,832	284,570	204,273
Securities other than shares	—	—	—	—	—	—	—	—	—	—	—	20,000	29,807	64,627	114,456	124,418
Nonresidents	—	—	—	—	—	—	—	—	—	—	—	20,000	29,807	62,627	114,456	124,418
Other accounts receivable	489	206	264	1,587	1,435	1,424	1,430	1,339	1,356	1,380	1,349	1,298	471	414	326	318
Nonfinancial assets	846	658	622	901	868	837	805	774	754	723	691	692	661	650	628	665
TOTAL ASSETS	63,032	297,099	346,659	456,478	472,115	466,512	447,700	456,882	441,306	440,860	439,193	452,197	447,480	459,649	436,563	350,668
LIABILITIES																
Transferable deposits	56,871	268,126	334,187	432,490	449,273	443,475	424,415	433,330	423,049	422,396	414,786	428,598	424,517	436,369	416,686	327,488
In EUR currency	56,871	267,942	334,003	432,216	448,999	443,201	424,141	433,056	422,775	422,122	414,786	428,598	424,517	436,369	416,686	327,488
Other depository corporations	15,753	173,904	46,222	59,612	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Other financial corporations	—	11,087	15,999	19,766	19,939	20,095	20,308	20,611	26,312	25,112	19,778	20,367	19,840	20,149	23,800	20,527
Insurance companies	—	10,562	15,999	13,925	13,829	13,721	13,720	13,788	19,147	17,720	14,252	14,605	14,608	14,598	18,156	14,525
Pension funds	—	—	—	2,201	2,467	2,727	2,940	3,171	3,509	3,734	1,864	2,097	2,470	2,787	2,877	3,232
Other fin. intermediaries	—	525	...	3,640	3,643	3,646	3,649	3,652	3,655	3,659	3,662	3,665	2,762	2,765	2,767	2,769
Central government	5,657	69,626	258,407	342,466	361,412	359,104	332,406	332,948	328,058	331,109	315,734	331,028	326,020	341,520	308,721	212,398
of which: KTA	—	0	0	25,263	22,626	17,962	17,974	17,363	17,378	17,388	17,325	17,323	21,436	37,601	33,664	32,750
Social security fund	—	0	8,620	3,054	6,669	1,927	1,931	1,472	1,952	1,549	2,362	327	113	877	324	2,968
Local government	2,984	2,351	494	1,714	1,720	1,785	1,790	1,796	1,801	1,815	1,820	1,826	1,835	1,837	1,889	1,891
UNMIK	9,581	2,581	363	298	485	351	200	1,180	862	521	594	6,615	7,281	6,501	4,101	5,179
Public nonfinancial corporations	22,896	6,963	3,473	5,288	2,501	6,307	5,334	6,969	7,279	11,003	8,693	11,864	9,270	8,374	13,392	9,942
Other nonfinancial corporations	—	1,430	425	17	42	22	16	16	26	11	11	11	11	11	12	10
Other resident sectors	—	—	—	—	1,446	1,373	1,431	1,435	1,506	1,528	1,530	1,601	1,636	1,612	1,664	1,675
In non-EUR currencies	—	184	184	274	274	274	274	274	274	274	...	...	...	...	...	...
Central government	—	184	184	274	274	274	274	274	274	274	...	...	...	...	...	...
Other deposits	—	—	—	6,472	6,472	6,494	6,494	6,494	1,000	1,000	6,625	5,630	5,636	5,641	2,100	5,100
In EUR currency	—	—	—	6,472	6,472	6,494	6,494	6,494	1,000	1,000	6,625	5,630	5,636	5,641	2,100	5,100
Other financial corporations	—	—	—	6,472	6,472	6,494	6,494	6,494	1,000	1,000	6,625	5,630	5,636	5,641	2,100	5,100
Other accounts payable	1,236	24,245	1,911	1,448	32	14	20	31	15	15	23	9	12	15	15	98
Shares and other equity	4,925	4,727	10,561	16,068	16,338	16,530	16,772	17,027	17,243	17,450	17,759	17,959	17,315	17,623	17,762	17,982
Funds contributed by owners	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	2,556	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	—	1,133	3,599	4,512	291	484	747	1,023	1,260	1,488	1,817	2,039	2,316	2,644	2,804	3,045
General and special reserves	—	309	3,940	7,380	11,892	11,911	11,911	11,911	11,911	11,911	4,468	4,468	4,468	4,468	4,468	4,468
Grants from donors	—	728	464	1,619	1,598	1,578	1,557	1,536	1,515	1,494	1,473	1,452	532	511	490	469
TOTAL LIABILITIES	63,032	297,099	346,659	456,478	472,115	466,512	447,700	456,882	441,306	440,860	439,193	452,197	447,480	459,649	436,563	350,668

Table 7.

Other Depository Corporations Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net foreign assets	68,408	292,553	303,597	243,290	260,164	256,174	258,699	228,943	250,495	233,019	241,329	249,854	256,325	228,362	231,101	272,792
Claims on nonresidents	81,046	311,482	327,840	272,393	292,620	289,846	288,898	275,178	282,179	277,652	283,374	291,868	299,639	284,586	286,675	337,343
Currency	11,671	88,342	35,597	46,611	44,289	48,059	48,952	43,771	50,011	52,862	57,842	55,620	50,973	48,752	49,975	43,293
Deposits	69,375	215,642	292,243	106,162	127,950	120,959	119,029	110,351	111,869	109,075	105,949	122,070	136,953	126,552	123,202	182,270
Securities other than shares	—	7,498	...	...	120,381	120,828	120,917	121,056	120,299	115,713	119,581	114,176	111,713	109,280	113,496	111,778
Other	—	—	—	—	—	—	—	—	—	2	2	2	...	2	2	2
less: Liabilities to nonresidents	12,638	18,929	24,243	29,103	32,456	33,672	30,199	46,235	31,684	44,633	42,045	42,014	43,314	56,224	55,574	64,551
Deposits	12,638	18,929	22,952	27,058	30,411	31,627	28,154	43,650	29,638	12,453	9,523	7,536	9,231	21,641	20,941	24,663
Share capital	.	.	.	.	.	.	.	.	.	29,805	29,805	29,805	29,805	30,305	30,355	30,569
Other	—	—	1,291	2,045	2,045	2,045	2,045	2,585	2,046	2,375	2,717	4,673	4,278	4,278	4,278	9,319
Claims on BPK	15,753	173,904	46,222	59,612	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Deposits	15,753	173,904	46,222	59,612	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Net claims on central government	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Claims on other sectors	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
Loans	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
Other nonfin. corporations 1/	.	.	.	.	.	.	.	.	.	248,950	257,909	262,952	273,468	283,595	291,181	289,955
Other resident sectors	.	.	.	.	.	.	.	.	.	64,734	70,042	73,032	76,625	80,941	82,615	83,714
Households	.	.	.	.	.	.	.	.	.	64,734	70,042	73,032	76,625	80,941	82,615	83,714
Deposits included in broad money*	83,289	478,372	409,660	495,880	514,760	514,882	545,228	525,730	548,430	574,152	607,383	620,316	632,407	616,304	633,619	678,086
Transferable deposits	75,676	353,583	281,380	298,416	283,752	275,398	307,665	286,968	296,103	282,386	299,297	295,434	292,718	268,681	277,738	268,609
Other financial corporations	.	.	.	.	.	.	.	.	.	2,538	2,784	6,822	8,294	7,341	8,040	9,038
Local government	.	.	.	.	.	.	.	.	.	1,251	1,447	2,845	2,606	2,337	1,758	1,321
Public nonfin. corporations 1/	.	.	.	.	.	.	.	.	.	46,348	44,890	44,090	50,140	51,136	49,593	18,990
Other nonfin. corporations 1/	54,487	137,089	159,882	155,122	140,805	130,970	155,942	143,203	141,464	91,437	97,699	67,486	59,776	56,836	67,692	86,042
Other resident sectors	21,189	216,495	121,498	143,294	142,947	144,428	151,723	143,765	154,639	140,812	152,477	174,191	171,902	151,032	150,655	153,218
Households 2/	21,189	216,495	121,498	143,294	142,947	144,428	151,723	143,765	143,765	127,264	136,803	160,115	157,702	141,704	140,217	144,149
NPISH	-	-	-	-	-	-	-	-	-	13,548	15,674	14,076	14,200	9,328	10,438	9,069
Other deposits	7,613	124,788	128,280	197,464	231,008	239,484	237,563	238,762	252,327	291,766	308,086	324,882	339,689	347,623	355,880	409,477
Other financial corporations	.	.	.	.	.	.	.	.	.	10,196	11,561	11,697	10,719	10,691	11,112	14,009
Public nonfinancial corporations 1/	.	.	.	.	.	.	.	.	.	83,861	85,664	91,528	94,938	97,518	96,817	133,069
Other nonfinancial corporations 1/	4,579	31,318	23,921	74,758	94,297	97,739	95,579	97,999	108,932	23,402	27,923	29,706	34,886	33,859	36,366	39,510
Other resident sectors	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,307	182,938	191,951	199,146	205,556	211,586	222,889
Households 2/	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	174,282	182,913	191,926	199,112	205,346	211,377	222,180
NPISH	.	.	.	.	.	.	.	.	.	25	25	25	34	210	209	709
Deposits excluded from broad money	—	—	—	—	1,702	4,102	3,502	6,052	5,818	3,401	3,686	2,460	2,825	3,614	3,818	3,987
Other nonfinancial corporations	—	—	—	—	.	.	.	.	.	1,037	1,167	1,146	1,401	2,064	2,109	2,111
Households	—	—	—	—	.	.	.	.	.	2,364	2,519	1,314	1,424	1,550	1,709	1,876
Shares and other equity	6,152	20,435	33,244	45,007	45,987	47,723	47,410	54,046	55,295	27,541	29,433	31,594	33,427	33,959	34,569	37,579
Funds contributed by owners 3/	4,600	18,467	30,764	44,061	44,231	45,257	46,394	52,867	52,916	24,444	25,929	25,929	26,705	26,874	26,918	27,109
Retained earnings	1,552	1,457	1,819	...	652	897	505	476	1,676	-1,733	-1,623	-660	-620	-1,618	-1,631	-333
General and special reserves	.	512	661	946	1,104	1,069	511	703	703	1,246	965	805	805	805	805	805
Profit/loss of the year	.	.	.	.	.	.	.	.	.	3,584	4,162	5,520	6,537	7,898	8,477	9,998
Other items (net)	-2,132	-6,434	-6,587	-6,963	-6,944	-4,951	-8,655	-9,286	-6,526	-8,917	-6,958	-13,572	-3,730	-5,489	-4,326	-292
Other liabilities	885	1,249	4,046	9,742	8,920	6,565	6,227	7,622	8,542	10,961	10,573	4,825	7,905	7,056	7,665	9,262
less: Other assets	3,017	7,683	10,633	16,705	15,864	11,516	14,882	16,908	15,068	19,887	17,441	18,741	12,440	13,583	11,103	9,551
plus: Consolidation adjustment	...	...	...	...	...	...	...	...	...	9	-90	344	805	1,038	-888	-3

1/ Till May-'04 figure for all nonfinancial corporations;
2/ Till May-'04 figure for households includes NPISH;
3/ From May -'04 includes funds contributed by resident owners;
* While till May '04 the money holding sector consisted of the non financial corporations and the households, since June '04 the money holding sector has been extended with the general government excluding central government and the financial sector excluding depository corporations. Deposits belonging to broad money are transferable deposits and deposits with an original maturity of 2 year or less, while previously no maturity limit was applied. Both changes in the money definition create a definitional break in the time series.

Table 8.

Other Depository Corporations Balance Sheet - Assets

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash and balances with BPK	27,424	262,246	81,819	106,223	99,074	100,296	109,675	110,399	104,989	102,336	122,106	110,580	109,484	104,241	112,758	116,192
Cash	11,671	88,342	35,597	46,611	44,289	48,059	48,952	43,771	50,011	52,862	57,842	55,620	50,973	48,752	49,975	43,293
In EUR currency	.	.	.	.	.	.	.	.	.	46,328	52,199	48,630	44,882	41,433	43,591	36,980
In non-EUR currencies	.	.	.	.	.	.	.	.	.	6,534	5,643	6,990	6,091	7,319	6,384	6,313
Balances with BPK	15,753	173,904	46,222	59,612	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Reserve and current accounts	15,753	173,904	46,222	59,612	54,785	52,237	60,723	66,628	54,978	49,474	64,264	54,960	58,511	55,490	62,783	72,899
Balances with commercial banks	69,375	215,642	292,243	106,162	127,950	120,959	119,029	110,351	111,869	113,365	110,302	126,683	141,115	130,617	127,128	185,849
In EUR currency	69,375	215,642	292,243	106,162	127,950	120,959	119,029	110,351	111,869	100,402	95,423	112,523	124,604	115,211	109,874	169,064
Sight accounts	—	—	—	—	—	—	—	—	—	2,788	2,853	2,533	2,662	2,565	2,426	2,079
Time deposits	—	—	—	—	—	—	—	—	—	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Nonresidents	69,375	215,642	292,243	106,162	127,950	120,959	119,029	110,351	111,869	96,114	91,070	108,490	120,442	111,146	105,948	165,485
In non-EUR currencies	.	.	.	.	.	.	.	.	.	12,963	14,879	14,160	16,511	15,407	17,254	16,785
Sight accounts	.	.	.	.	.	.	.	.	.	2	...	580	...	...	...	...
Nonresidents	.	.	.	.	.	.	.	.	.	12,961	14,879	13,580	16,511	15,407	17,254	16,785
Securities	—	7,498	...	119,620	120,381	120,828	120,917	121,056	120,299	115,713	119,581	114,176	111,713	109,280	113,496	111,778
In EUR currency	—	7,498	...	119,620	120,381	120,828	120,917	121,056	120,299	115,713	119,581	114,176	111,713	109,280	113,496	111,778
Investment portfolio	—	7,498	...	119,620	120,381	120,828	120,917	121,056	120,299	31,402	31,364	31,327	31,288	31,250	31,212	31,173
Nonresidents	—	7,498	...	119,620	120,381	120,828	120,917	121,056	120,299	31,402	31,364	31,327	31,288	31,250	31,212	31,173
Trading portfolio	—	—	—	—	—	—	—	—	—	84,311	88,217	82,849	80,425	78,030	82,284	80,605
Nonresidents	—	—	—	—	—	—	—	—	—	84,311	88,217	82,849	80,425	78,030	82,284	80,605
Gross loans and lease financing	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
In EUR currency	3,148	25,916	86,498	232,773	240,556	252,845	268,063	280,971	297,544	313,684	327,951	335,984	350,093	364,536	373,796	373,668
Other non financial corporations	3,148	24,916	79,469	193,888	199,903	210,150	220,578	213,525	242,926	248,950	257,909	262,952	273,468	283,595	291,181	289,955
Households	.	.	5,692	38,885	40,653	42,695	47,485	67,446	54,618	64,734	70,042	73,032	76,625	80,941	82,615	83,714
Prov. on loans and lease financing	...	781	2,522	7,715	8,284	9,261	10,420	10,944	11,567	11,709	13,416	13,290	13,802	15,354	16,756	15,757
Net loans and lease financing	3,148	25,135	83,976	225,058	232,272	243,584	257,643	270,027	285,977	301,975	314,535	322,694	336,291	349,182	357,040	357,911
Fixed assets	441	4,544	9,498	12,265	12,056	12,008	12,102	12,033	12,275	12,650	13,340	13,426	13,986	13,717	13,648	15,056
Other assets	2,576	3,920	3,657	12,155	12,092	8,769	13,200	15,819	14,360	18,948	17,519	18,607	12,256	15,222	14,213	10,255
TOTAL ASSETS	102,964	518,985	471,193	581,483	603,825	606,444	632,566	639,685	649,769	664,987	697,383	706,160	724,840	722,261	738,282	797,040

Table 9.

Other Depository Corporations Balance Sheet - Liabilities

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Balances from other banks	.	.	.	1,751	1,702	4,102	3,502	6,052	5,818	11,866	11,555	10,175	10,721	10,870	8,557	14,174
In EUR currency	.	.	.	1,751	1,702	4,102	3,502	6,052	5,818	11,866	11,555	10,173	10,721	10,869	8,556	14,174
Sight accounts	.	.	.	1,751	1,702	4,102	3,502	6,052	5,818	2,799	342	3,449	3,462	2,333	1,536	2,074
Time deposits	.	.	.	.	.	.	.	.	.	1,500	3,921	1,500	1,500	2,769	1,500	1,500
Nonresidents	.	.	.	.	.	.	.	.	.	7,567	7,292	5,224	5,759	5,767	5,520	10,599
Debts to clients	95,927	497,300	432,612	522,938	545,171	546,509	573,382	569,380	578,068	582,439	613,300	625,091	638,704	635,792	652,858	696,137
Deposits	93,003	492,255	427,194	514,045	535,979	537,300	563,650	558,971	568,196	576,654	608,006	616,144	633,050	627,806	648,113	692,269
Transferable deposits	85,311	365,890	295,909	314,654	302,533	295,426	323,996	317,133	313,767	283,763	299,419	295,847	294,276	279,938	289,172	278,715
In EUR currency 1/	85,311	365,890	295,909	314,654	302,533	295,426	323,996	317,133	313,767	272,218	287,346	283,166	281,103	267,126	275,470	264,913
Central government	.	.	.	.	.	.	.	.	.	.	.	3	...	...	...	...
Local government	.	.	.	.	.	.	.	.	.	1,251	1,447	2,845	2,606	2,337	1,758	1,321
Other financial corporations	.	.	.	.	.	.	.	.	.	2,538	2,784	6,822	8,294	7,341	7,211	7,937
Public nonfin. corporations	.	.	.	.	.	.	.	.	.	46,348	44,890	43,320	49,363	50,384	48,671	18,529
Other nonfin. corporations	54,487	137,089	159,882	155,122	140,805	130,970	155,942	143,203	141,464	87,563	94,932	64,140	56,264	53,561	64,140	82,919
Households	21,189	216,495	121,498	143,294	142,947	144,428	151,723	143,765	154,639	120,835	127,497	151,847	149,073	133,266	132,334	135,511
NPISH	.	.	.	.	.	.	.	.	.	13,548	15,674	13,944	14,001	9,092	10,164	8,922
Nonresidents	9,635	12,307	14,529	16,238	18,781	20,028	16,331	30,165	17,664	135	122	245	1,502	11,146	11,192	9,775
In non-EUR currencies	.	.	.	.	.	.	.	.	.	11,545	12,073	12,681	13,173	12,812	13,702	13,802
Other financial corporations	.	.	.	.	.	.	.	.	.	...	...	...	...	...	829	1,101
Public nonfin. corporations	.	.	.	.	.	.	.	.	.	...	...	770	777	752	922	461
Other nonfin. corporations	.	.	.	.	.	.	.	.	.	3,874	2,767	3,346	3,512	3,275	3,552	3,124
Households	.	.	.	.	.	.	.	.	.	6,429	9,306	8,268	8,629	8,438	7,883	8,639
NPISH	.	.	.	.	.	.	.	.	.	...	...	132	199	236	274	146
Nonresidents	.	.	.	.	.	.	.	.	.	1,242	...	165	56	111	242	332
Other deposits	7,692	126,365	131,285	199,391	233,446	241,874	239,654	241,838	254,429	292,891	308,587	320,297	338,774	347,868	358,941	413,554
In EUR currency 1/	7,692	126,365	131,285	199,391	233,446	241,874	239,654	241,838	254,429	283,109	300,684	310,854	330,276	338,850	349,365	404,021
Other financial corporations	.	.	.	.	.	.	.	.	.	8,882	11,561	11,697	10,719	10,691	11,112	14,009
Public nonfin. corporations	.	.	.	.	.	.	.	.	.	83,861	85,664	91,528	94,938	97,518	96,817	133,069
Other nonfin. corporations	4,579	31,318	23,921	74,758	94,297	97,739	95,579	97,999	108,932	22,978	26,757	26,936	34,274	32,622	36,429	39,817
Households	3,034	93,471	104,359	122,706	136,711	141,745	141,984	140,763	143,395	167,363	176,527	180,668	190,311	194,807	202,348	213,886
NPISH	.	.	.	.	.	.	.	.	.	25	25	25	34	210	209	709
Nonresidents	79	1,577	3,005	1,927	2,438	2,390	2,091	3,076	2,102	...	150	...	...	3,003	2,451	2,531
In non-EUR currencies	.	.	.	.	.	.	.	.	.	9,782	7,903	9,443	8,498	9,018	9,575	9,532
Other financial corporations	.	.	.	.	.	.	.	.	.	1,314	...	...	...	...	...	...
Other nonfin. corporations	.	.	.	.	.	.	.	.	.	-	999	1,098	517	642	802	840
Households	.	.	.	.	.	.	.	.	.	7,092	6,904	8,345	7,981	8,363	8,746	8,664
Nonresidents	.	.	.	.	.	.	.	.	.	1,376	...	...	...	13	27	28
Other borrowings (incl non-neg. CD)	2,924	5,045	5,418	8,893	9,192	9,209	9,732	10,409	9,872	5,785	5,294	8,947	5,654	7,986	4,745	3,868
In EUR currency 1/	2,924	5,045	5,418	8,893	9,192	9,209	9,732	10,409	9,872	5,785	5,294	8,898	5,473	7,811	4,618	3,808
Other nonfin. corporations	.	.	.	.	.	.	.	.	.	1,461	1,334	2,818	1,496	2,484	1,243	964
Households	.	.	.	.	.	.	.	.	.	2,191	2,001	4,227	2,244	3,726	1,865	1,446
Nonresidents	2,924	5,045	5,418	8,893	9,192	9,209	9,732	10,409	9,872	2,133	1,959	1,853	1,733	1,601	1,510	1,398
In non-EUR currencies	—	—	—	—	—	—	—	—	—	—	—	49	181	175	127	60
Other nonfin. corporations	—	—	—	—	—	—	—	—	—	—	—	...	...	175	...	...
Households	—	—	—	—	—	—	—	—	—	—	—	...	...	...	127	60
Nonresidents	—	—	—	—	—	—	—	—	—	—	—	49	181	...	...	...
Other liabilities	885	1,249	4,046	9,742	8,920	6,565	6,227	7,622	8,542	11,291	11,245	5,220	7,905	7,056	7,665	9,262
Subordinated debt	—	—	1,291	2,045	2,045	2,045	2,045	2,585	2,046	2,045	2,045	4,278	4,278	4,278	4,278	9,319
In EUR currency	—	—	1,291	2,045	2,045	2,045	2,045	2,585	2,046	2,045	2,045	4,278	4,278	4,278	4,278	9,319
Nonresidents	—	—	1,291	2,045	2,045	2,045	2,045	2,585	2,046	2,045	2,045	4,278	4,278	4,278	4,278	9,319
Own resources	6,152	20,435	33,244	45,007	45,987	47,223	47,410	54,046	55,295	57,346	59,238	61,399	63,232	64,264	64,924	68,148
In EUR currency	6,152	20,435	33,244	45,007	45,987	47,223	47,410	54,046	55,295	57,346	59,238	61,399	63,232	64,264	64,924	68,148
Share capital	4,600	18,467	30,764	44,061	44,231	45,257	46,394	52,867	52,916	24,444	25,929	25,929	26,705	26,874	26,918	27,109
Contingency reserve	...	512	511	511	511	511	511	511	511	721	440	613	613	613	613	613
General and other reserves	...	...	150	435	593	558	...	192	192	525	525	192	192	192	192	192
Profit/loss of the year	...	...	...	...	...	...	...	...	...	3,584	4,162	5,520	6,537	7,898	8,477	9,998
Retained profit/loss	1,552	1,457	1,819	...	652	897	505	476	1,676	-1,733	-1,623	-660	-620	-1,618	-1,631	-333
Nonresidents	.	.	.	.	.	.	.	.	.	29,805	29,805	29,805	29,805	30,305	30,355	30,569
Share capital	.	.	.	.	.	.	.	.	.	29,805	29,805	29,805	29,805	30,305	30,355	30,569
TOTAL LIABILITIES	102,964	518,985	471,193	581,483	603,825	606,444	632,566	639,685	649,769	664,987	697,383	706,160	724,840	722,261	738,282	797,040

1/ Untill May '04 includes all currencies.

Table 10.

Other Financial Corporations Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	**-13,228**	**-13,513**	**-14,409**
Claims on nonresidents	**3,911**	**4,198**	**4,190**
Currency	1,061	885	874
Securities other than shares	—	—	3
Shares and other equity	2,850	3,313	3,313
less : Liabilities to nonresidents	**17,139**	**17,711**	**18,598**
Loans	15,264	15,836	16,723
Share capital	1,875	1,875	1,875
Claims on depository corporations	**41,907**	**45,120**	**49,648**
BPK	21,454	23,713	22,857
Transferable deposits	17,434	17,078	17,757
Other deposits	4,020	6,635	5,100
Other depository corporations	20,453	21,407	26,971
Transferable deposits	7,049	9,477	12,192
Other deposits	13,404	11,930	14,599
Net claims on central government	—	—	—
Claims on other sectors	**43,794**	**45,189**	**44,332**
Loans	**36,377**	**37,742**	**39,856**
Other nonfinancial corporations	36,377	37,742	39,856
Other claims	**7,417**	**7,447**	**4,476**
Deposits	—	—	—
Loans	**2,127**	**2,207**	**2,330**
Other resident sectors	**2,127**	**2,207**	**2,330**
Households	2,127	2,207	2,330
Insurance technical reserve	**21,487**	**25,419**	**21,505**
Net equity of households in life insurance reserves	—	—	—
Net equity of households in pension funds	4,274	5,005	3,655
Prepayment of premiums and reserves against outstanding claims	17,213	20,414	17,850
Shares and other equity	**47,266**	**50,475**	**53,168**
Funds contributed by owners 1/	10,548	10,610	18,737
Retained earnings	8,577	11,108	8,614
General and special reserves	9,014	9,107	4,993
Profit/Loss for the year	1,683	1,551	1,712
Grants from donors	17,443	18,098	19,112
Other items (net)	**1,593**	**-1,304**	**2,568**
Other liabilities	8,856	8,633	11,433
less: Other assets	7,263	9,937	8,865
plus: Consolidation adjustment	...	...	

1/ Includes funds contributed by resident owners.

Table 11.

Other Financial Intermediaries Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	**-14,685**	**-15,236**	**-16,089**
Claims on nonresidents	**579**	**600**	**634**
Currency	579	600	634
less : Liabilities to nonresidents	**15,264**	**15,836**	**16,723**
Loans	15,264	15,836	16,723
Claims on depository corporations	**9,279**	**9,627**	**10,166**
Other depository corporations	9,279	9,627	10,166
Transferable deposits	5,315	5,514	5,823
Other deposits	3,964	4,113	4,343
Net claims on central government	—	—	—
Claims on other sectors	**36,377**	**37,742**	**39,856**
Gross loans	**36,377**	**37,742**	**39,856**
Other nonfinancial corporations	36,377	37,742	39,856
Loans	**2,127**	**2,207**	**2,330**
Shares and other equity	**29,211**	**30,307**	**32,004**
Funds contributed by owners	—	—	—
Retained earnings	7,210	7,480	7,899
General and special reserves	4,557	4,728	4,993
Grants from donors	17,443	18,098	19,112
Other items (net)	**-367**	**-380**	**-402**
Other liabilities	1,625	1,686	1,871
less: Other assets	1,992	2,066	2,182
plus: Consolidation adjustment	...	...	...

Table 12.

Insurance Companies and Pension Funds Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	**1,457**	**1,723**	**1,680**
Claims on nonresidents	**3,332**	**3,598**	**3,555**
Currency	482	285	239
Securities other than shares	—	—	3
Shares and other equities	2,850	3,313	3,313
less : Liabilities to nonresidents	**1,875**	**1,875**	**1,875**
Share capital	1,875	1,875	1,875
Claims on depository corporations	**32,628**	**35,493**	**39,482**
BPK	21,454	23,713	22,857
Transferable Deposits	21,454	21,613	17,757
Other deposits	—	2,100	5,100
Other depository corporations	11,174	11,780	16,625
Transferable deposits	1,733	3,963	6,369
Other deposits	9,441	7,817	10,256
Net claims on central government	—	—	—
Claims on other sectors	**7,417**	**7,447**	**4,476**
Other claims	**7,417**	**7,447**	**4,476**
Insurance technical reserve	**21,487**	**25,419**	**21,505**
Net equity of households in life insurance reserves	—	—	—
Net equity of households in pension funds	4,274	5,005	3,655
Prepayment of premiums and reserves against outstanding claims	17,213	20,414	17,850
Shares and other equity	**18,055**	**20,168**	**21,164**
Funds contributed by owners 1/	10,548	10,610	18,737
Retained earnings	1,367	3,628	715
General and special reserves	4,457	4,379	...
Profit/Loss of the year	1,683	1,551	1,712
Other items (net)	**1,960**	**-924**	**2,970**
Other liabilities	7,231	6,947	9,652
less: Other assets	5,271	7,871	6,683
plus: Consolidation adjustment	...	...	...

1/ Includes funds contributed by resident owners.

Table 13.

Insurance Companies Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	**1,457**	**1,723**	**1,680**
Claims on nonresidents	**3,332**	**3,598**	**3,555**
Currency	482	285	239
Securities other than shares	—	—	3
Shares and other equities	2,850	3,313	3,313
less : Liabilities to nonresidents	**1,875**	**1,875**	**1,875**
Share capital	1,875	1,875	1,875
Claims on depository corporations	**28,354**	**30,488**	**35,827**
BPK	17,720	19,143	19,625
Transferable deposits	13,700	14,608	14,525
Other deposits	4,020	4,535	5,100
Other depository corporations	10,634	11,345	16,202
Transferable deposits	1,193	3,528	5,946
Other deposits	9,441	7,817	10,256
Claims on other sectors	**7,417**	**7,447**	**4,476**
Other claims	**7,417**	**7,447**	**4,476**
Insurance technical reserve	**17,213**	**20,414**	**17,850**
Net equity of households in life insurance reserves	—	—	—
Prepayment of premiums and reserves against outstanding claims	17,213	20,414	17,850
Shares and other equity	**18,055**	**20,168**	**21,164**
Funds contributed by owners 1/	10,548	10,610	18,737
Retained earnings	1,367	3,628	715
General and special reserves	4,457	4,379	...
Net profit/loss of the year	1,683	1,551	1,712
Other items (net)	**1,960**	**-924**	**2,970**
Other liabilities	7,231	6,947	9,652
less: Other assets	5,271	7,871	6,683
plus: Consolidation adjustment	...	...	...

1/ Includes funds contributed by resident owners.

Table 14.

Pension Funds Survey

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004		
	Jun	Sep	Dec
Net foreign assets	—	—	—
Claims on depository corporations	**4,274**	**5,005**	**3,655**
BPK	3,734	4,570	3,232
Transferable Deposits	3,734	2,470	3,232
Other deposits	...	2,100	...
Other depository corporations	540	435	436
Transferable Deposits	540	435	...
Other Deposits	...	...	436
Insurance technical reserve	**4,274**	**5,005**	**3,655**
Net equity of households in life insurance reserves	—	—	—
Net equity of households in pension funds	4,274	5,005	3,655

Table 15.

EUR – Deposits at ODC, by Original Maturity 1/

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Government	**1,251**	**1,447**	**2,848**	**2,606**	**2,337**	**1,758**	**1,321**
Transferable deposits	1,251	1,447	2,848	2,606	2,337	1,758	1,321
Financial corporations	**15,720**	**18,608**	**23,467**	**23,973**	**21,866**	**21,883**	**25,621**
Other depository corporations	4,299	4,263	4,947	4,960	3,826	3,554	3,675
Transferable deposits	2,799	2,763	3,447	3,460	2,326	2,054	2,175
Other deposits	1,500	1,500	1,500	1,500	1,500	1,500	1,500
over 3 months and up to 1 year	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Other financial intermediaries	1,301	1,653	3,595	5,351	3,698	3,557	3,510
Transferable deposits	668	920	1,788	4,231	3,145	1,954	2,507
Other deposits	633	733	1,807	1,120	553	1,603	1,003
up to 1 month	550	650	1,654	967	...	150	...
over 1 month and up to 3 months	50	50	50	50	50	350	300
over 3 months and up to 1 year	33	33	103	103	503	1,103	703
Insurance companies and pension funds	9,732	12,378	13,115	13,312	13,812	14,517	15,524
Transferable deposits	1,733	1,800	3,475	3,963	4,124	5,257	5,268
Other deposits	7,999	10,578	9,640	9,349	9,688	9,260	10,255
up to 1 month	525	2,540	1,633	1,907	1,468	1,468	2,142
over 1 month and up to 3 months	950	721	630	935	2,160	1,511	1,035
over 3 months and up to 1 year	3,424	5,797	6,857	5,987	5,010	6,281	7,078
over 1 year and up to 2 years	3,100	1,520	520	520	1,050	...	...
Financial auxiliaries	388	314	1,809	350	522	250	2,912
Transferable deposits	138	64	1,559	100	72	...	162
Other deposits	250	250	250	250	450	250	2,750
over 1 month and up to 3 months	...	...	...	250	450	...	...
over 3 months and up to 1 year	250	250	250	...	...	250	2,750
Nonfinancial corporations	**242,211**	**253,578**	**228,743**	**236,335**	**236,568**	**247,301**	**275,298**
Public nonfinancial corporations	129,966	130,554	134,848	144,301	147,901	145,488	151,598
Transferable deposits	46,348	44,890	43,320	49,363	50,384	48,671	18,529
Other deposits	83,618	85,664	91,528	94,938	97,517	96,817	133,069
up to 1 month	—	—	14,000	14,000	14,000	...	34,000
over 1 month and up to 3 months	14,726	14,529	2,066	2,066	5	205	4
over 3 months and up to 1 year	68,892	71,135	75,462	78,872	83,512	96,612	99,065
Other nonfinancial corporations	112,245	123,024	93,895	92,034	88,666	101,813	123,700
Transferable deposits	87,563	94,932	64,140	56,264	53,561	64,140	82,919
Other deposits	24,682	28,092	29,755	35,770	35,105	37,672	40,781
up to 1 month	3,455	4,267	6,193	9,029	9,966	10,665	10,001
over 1 month and up to 3 months	2,094	2,824	3,035	4,017	4,923	5,525	6,028
over 3 months and up to 1 year	16,342	19,132	19,078	21,026	17,799	18,932	22,482
over 1 year and up to 2 years	1,754	759	314	308	365	452	169
over 2 years	1,037	1,110	1,134	1,390	2,052	2,098	2,101
Other domestic sectors	**305,213**	**321,724**	**350,712**	**355,662**	**341,100**	**346,919**	**360,474**
Transferable deposits	135,634	143,171	165,791	163,074	142,358	142,498	144,433
Other deposits	169,579	178,553	184,920	192,589	198,743	204,422	216,041
up to 1 month	44,862	51,121	55,608	55,393	58,582	60,879	65,325
over 1 month and up to 3 months	37,203	37,954	43,638	44,818	37,255	42,584	42,652
over 3 months and up to 1 year	67,513	67,541	73,995	79,672	88,412	85,890	91,978
over 1 year and up to 2 years	17,648	19,447	10,383	11,301	12,963	13,378	14,229
over 2 years	2,353	2,489	1,295	1,405	1,531	1,691	1,857
Nonresidents	**11,880**	**11,418**	**11,601**	**13,273**	**25,795**	**24,951**	**33,622**
Transferable deposits	135	122	245	1,502	11,146	11,192	9,775
Other deposits	11,745	11,296	11,355	11,770	14,650	13,759	23,847
up to 1 month	...	...	18	...	1,270	897	944
over 1 month and up to 3 months	...	...	...	...	156	217	217
over 3 months and up to 1 year	...	...	...	...	1,422	1,238	1,258
over 1 year and up to 2 years	...	3,014	3,031	3,714	3,836	3,532	3,624
over 2 years	11,745	8,282	8,306	8,056	7,966	7,874	17,804
TOTAL	**576,275**	**606,775**	**617,371**	**631,849**	**627,666**	**642,812**	**696,336**

1/ Included also 'Other borrowings', 'Subordinated debt' and 'Other liabilities' from Table 9.

Table 16.

Non-EUR – Deposits at ODC, by Original Maturity

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Government	—	—	—	—	—	—	—
Financial corporations	**1,314**	**2**	**432**	**407**	**462**	**1,262**	**1,102**
Other depository corporations	—	1	2	1	1	1	1
Transferable deposits	—	1	2	1	1	1	1
Other financial intermediaries	1,314	—	429	405	460	432	...
Transferable deposits	—	—	275	258	278	263	...
Other deposits	1,314	—	154	147	182	169	...
up to 1 month	—	—	8	24	38	36	...
over 1 month and up to 3 months	1,314	—	59	39	59	55	...
over 3 months and up to 1 year	—	—	75	73	73	67	...
over 1 year and up to 2 years	—	—	—	—	—	—	—
over 2 years	—	—	12	11	12	11	...
Insurance companies and pension funds	—	—	1	1	1	829	1,101
Transferable deposits	—	—	1	1	1	829	1,101
Nonfinancial corporations	**3,874**	**3,766**	**5,214**	**4,806**	**4,669**	**5,276**	**4,425**
Public nonfinancial corporations	—	—	770	777	752	922	461
Transferable deposits	—	—	770	777	752	922	461
Other nonfinancial corporations	3,874	3,766	4,444	4,029	3,917	4,354	3,964
Transferable deposits	2,777	2,767	3,346	3,512	3,275	3,552	3,124
Other deposits	1,096	999	1,098	517	642	802	840
up to 1 month	340	453	845	231	339	365	340
over 1 month and up to 3 months	743	414	61	98	117	111	188
over 3 months and up to 1 year	13	75	180	177	174	316	302
over 2 years	—	57	12	11	12	11	10
Other domestic sectors	**13,135**	**16,210**	**16,745**	**16,810**	**17,036**	**17,030**	**17,509**
Transferable deposits	6,043	9,306	8,400	8,828	8,673	8,157	8,785
Other deposits	7,092	6,904	8,345	7,981	8,363	8,873	8,724
up to 1 month	1,333	572	2,271	2,171	2,102	3,254	2,851
over 1 month and up to 3 months	1,056	1,187	2,128	2,031	1,968	1,933	2,190
over 3 months and up to 1 year	3,936	4,373	2,995	3,033	3,542	2,998	3,001
over 1 year and up to 2 years	756	743	932	727	732	670	664
over 2 years	11	30	19	19	19	18	19
Nonresidents	**2,618**	**150**	**214**	**237**	**123**	**269**	**360**
Transferable deposits	1,242	150	165	56	110	242	332
Other deposits	1,376	...	49	181	13	27	28
up to 1 month	...	...	49	181	4	19	18
over 1 month and up to 3 months	164	...	...	...	...	...	...
over 3 months and up to 1 year	733	...	...	...	9	8	10
over 1 year and up to 2 years	448	...	...	...	...	...	...
over 2 years	31	...	...	...	...	...	...
TOTAL	**20,941**	**20,128**	**22,605**	**22,260**	**22,290**	**23,837**	**23,396**

Table 17.

ODC Loans, by Original Maturity 1/

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Government	—	—	—	—	—	—	—
Financial corporations	**53,797**	**66,350**	**58,913**	**62,820**	**58,286**	**67,232**	**76,579**
Nonfinancial corporations	**248,950**	**257,908**	**262,952**	**273,468**	**283,595**	**291,181**	**289,955**
Public nonfinancial corporations	—	—	—	—	—	—	—
Other nonfinancial corporations	248,950	257,908	262,952	273,468	282,595	291,181	289,955
Up to 1 year	94,317	97,773	104,529	108,789	115,005	119,675	111,498
Over 1 year and up to 2 years	85,362	89,493	104,762	106,843	105,157	108,170	111,259
Over 2 years	69,271	70,643	53,661	57,836	63,433	63,336	67,198
Other domestic sectors 2/	**64,734**	**70,042**	**73,032**	**76,625**	**80,941**	**82,615**	**83,714**
Up to 1 year	14,235	15,378	16,013	16,626	16,814	16,545	15,906
Over 1 year and up to 2 years	12,657	14,055	13,095	13,902	14,397	14,896	15,244
Over 2 years	37,843	40,609	43,925	46,098	49,730	51,174	52,563
TOTAL	**367,481**	**394,300**	**394,897**	**412,913**	**422,822**	**441,028**	**450,248**

1/ All loans are in EUR currency;
2/ Mainly households.

Table 18.

ODC Loans, by Industry

(Outstanding amounts, end of period, in thousands of EUR)

Description	2004						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Agriculture	**6,145**	**6,936**	**6,693**	**7,262**	**7,488**	**7,360**	**7,563**
Up to 1 year	3,477	3,709	3,826	3,821	3,844	3,638	3,673
Over 1 year	2,668	3,227	2,867	3,441	3,644	3,722	3,890
Industry, energy and construction	**37,352**	**40,375**	**42,503**	**43,305**	**44,556**	**46,521**	**45,558**
Mining	**9**	...	**8**	**3,588**	**7**	**6**	**6**
Up to 1 year	—	—	—	864	...	...	...
Over 1 year	9	...	...	2,724	7	6	6
Industry	**29,356**	**31,247**	**33,620**	**30,067**	**34,416**	**35,665**	**33,913**
Up to 1 year	13,151	14,771	19,198	15,209	16,659	18,398	15,324
Over 1 year	16,205	16,475	14,422	14,858	17,757	17,267	18,588
Manufacturing (Food, Textile, Leather, Lumber, Paper)	**22,495**	**25,642**	**26,688**	**23,347**	**28,193**	**29,348**	**28,389**
Up to 1 year	9,134	10,970	14,907	11,128	12,704	14,008	12,038
Over 1 year	13,361	14,671	11,781	12,219	15,489	15,340	16,351
Manufacturing (Oil,Chem.,Synthetic and other)	**6,850**	**5,582**	**6,910**	**6,699**	**6,203**	**6,275**	**5,458**
Up to 1 year	4,017	3,801	4,269	4,060	3,955	4,391	3,282
Over 1 year	2,833	1,781	2,641	2,639	2,248	1,884	2,177
Electricity, gas and water	**11**	**23**	**22**	**21**	**20**	**43**	**66**
Up to 1 year	—	—	22	21	...	...	5
Over 1 year	11	23	...	...	20	43	61
Construction	**7,987**	**9,128**	**8,875**	**9,650**	**10,133**	**10,850**	**11,640**
Up to 1 year	3,518	4,301	5,643	4,925	5,454	6,194	6,104
Over 1 year	4,470	4,827	3,232	4,725	4,679	4,656	5,535
Services	**248,772**	**265,101**	**261,421**	**273,540**	**276,629**	**290,089**	**299,973**
Trade	**167,695**	**169,881**	**173,333**	**179,971**	**184,559**	**188,272**	**188,100**
Up to 1 year	68,331	66,378	97,926	75,212	79,070	87,679	74,897
Over 1 year	99,364	103,503	75,407	104,759	105,488	100,593	113,203
Wholesale and retail trade	**149,583**	**151,280**	**152,657**	**158,409**	**161,830**	**165,413**	**164,832**
Up to 1 year	60,613	58,797	86,029	65,133	68,561	76,598	63,254
Over 1 year	88,970	92,483	66,628	93,276	93,269	88,815	101,579
Hotel and restaurants	**13,425**	**13,797**	**16,015**	**17,228**	**17,684**	**17,853**	**18,071**
Up to 1 year	5,505	5,421	9,195	7,603	7,890	8,187	8,944
Over 1 year	7,920	8,376	6,820	9,625	9,794	9,666	9,127
Other trade	**4,687**	**4,805**	**4,661**	**4,334**	**5,044**	**5,006**	**5,197**
Up to 1 year	2,212	2,161	2,702	2,476	2,619	2,894	2,699
Over 1 year	2,474	2,644	1,959	1,858	2,425	2,112	2,498
Financial services, expolitation real estate, rent, busine	**56,687**	**69,183**	**61,997**	**64,870**	**63,109**	**70,527**	**79,639**
Up to 1 year	54,251	66,766	59,650	62,975	58,401	67,310	76,644
Over 1 year	2,436	2,417	2,347	1,895	4,708	3,217	2,995
Other services	**24,390**	**26,037**	**26,091**	**28,699**	**28,961**	**31,290**	**32,234**
Up to 1 year	7,435	8,868	9,744	9,902	10,054	13,176	10,366
Over 1 year	16,956	17,169	16,347	18,797	18,907	18,114	21,868
TOTAL	**292,269**	**312,412**	**310,617**	**324,107**	**328,673**	**343,970**	**353,094**

Table 19.

ODC Effective Interest Rates

(Average period for transferable, outstanding for other than transferable)

Description	2004						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec
DEPOSITS							
Nonfinancial corporations							
Transferable deposits							
Interest rate	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
Standardized variance	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Other deposits 1/							
Up to 250.000 EUR							
<= 1 month							
Interest rate	**1.61**	**1.72**	**1.54**	**1.70**	**1.64**	**1.73**	**1.71**
Standardized variance	0.16	0.11	0.12	0.13	0.16	0.13	0.14
> 1 month and <= 3 months							
Interest rate	**2.21**	**2.24**	**2.17**	**2.23**	**2.32**	**2.34**	**2.19**
standardized variance	0.06	0.04	0.04	0.05	0.02	0.02	0.06
> 3 months and <= 1 year							
Interest rate	**2.69**	**2.90**	**2.80**	**3.00**	**3.04**	**2.85**	**2.95**
standardized variance	0.13	0.08	0.01	0.07	0.09	0.02	0.10
Equal or more than 250.000 EUR							
> 3 months and <= 1 year							
Interest rate	**3.64**	**3.52**	**3.53**	**3.28**	. *	**3.52**	. *
standardized variance	0.06	0.02	0.03	0.10	. *	0.05	. *
Households							
Transferable deposits							
Interest rate	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
Standardized variance	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Other deposits 1/							
<= 1 month							
Interest rate	**1.66**	**1.69**	**1.68**	**1.69**	**1.69**	**1.71**	**1.70**
standardized variance	0.12	0.09	0.10	0.10	0.10	0.10	0.10
> 1 month and <= to 3 months							
Interest rate	**2.19**	**2.19**	**2.24**	**2.25**	**2.26**	**2.25**	**2.25**
standardized variance	0.05	0.04	0.03	0.03	0.04	0.04	0.04
> 3 months and <= 1 year							
Interest rate	**2.97**	**3.01**	**2.99**	**3.02**	**3.04**	**3.02**	**3.00**
standardized variance	0.07	0.06	0.06	0.06	0.06	0.04	0.06
> 1 year and <= 2 years							
Interest rate	**3.72**	**3.70**	**3.80**	**3.82**	**3.84**	**3.84**	**3.82**
standardized variance	0.02	0.02	0.01	0.02	0.02	0.02	0.02
> 2 years							
Interest rate	. *	. *	**4.08**	**4.11**	. *	**4.15**	. *
standardized variance	. *	. *	0.07	0.05	. *	0.07	. *
LOANS							
Nonfinancial corporations							
Investment business loans							
<= 1 month							
Interest rate	**15.67**	**16.39**	. *	**16.27**	. *	. *	. *
standardized variance	0.17	0.43	. *	0.34	. *	. *	. *
> 1 year and <= 2 years							
Interest rate	**14.26**	**14.76**	**15.10**	**14.96**	**14.10**	**15.05**	**14.31**
standardized variance	0.12	0.13	0.18	0.12	0.41	0.29	0.18
Other business loans							
<= 1 month							
Interest rate	**16.19**	. *	. *	**14.98**	. *	. *	. *
standardized variance	0.20	. *	. *	0.41	. *	. *	. *
> 3 months and <= 1 year							
Interest rate	**15.45**	**15.41**	**15.75**	**15.68**	**15.88**	**15.78**	**15.89**
standardized variance	0.19	0.13	0.11	0.24	0.32	0.29	0.30
> 1 year							
Interest rate	**14.95**	**14.41**	**14.89**	**14.47**	**14.72**	**14.81**	**14.85**
standardized variance	0.13	0.32	0.20	0.33	0.31	0.24	0.19
Credit lines							
Interest rate	**15.35**	**14.61**	**14.99**	**15.55**	**15.82**	**15.60**	**15.61**
standardized variance	0.01	0.15	0.22	0.03	0.02	0.00	0.08
Households							
Consumer Loans							
Interest rate	**12.97**	**13.06**	**13.10**	**12.68**	**12.69**	**12.29**	**12.31**
standardized variance	0.20	0.16	0.17	0.15	0.15	0.16	0.19

* At least one of the conditions for publication (i.e. minimum 3 answers with new business and a standardized variance of maximum 0,20 - for deposits- and 0,45 - for loans) is not fulfilled.
1/ Nontransferable (time) deposits.

Table 20.

ODC Income Statement

(Cumulative within the calendar year, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
INCOME																
Interest income	**1,829**	**7,179**	**17,818**	**30,695**	**3,544**	**7,015**	**11,168**	**15,344**	**19,623**	**24,311**	**29,110**	**33,863**	**38,468**	**43,908**	**49,049**	**53,999**
Loans	.	2,150	9,373	23,780	3,013	5,955	9,528	13,194	16,931	21,126	25,420	29,607	33,708	38,622	43,241	48,110
Placement with banks	.	5,029	8,257	6,090	245	499	799	1,032	1,280	1,465	1,664	1,934	2,158	2,404	2,650	2,452
Securities	—	—	188	823	286	561	841	1,118	1,412	1,720	2,026	2,322	2,602	2,882	3,158	3,437
Non-Interest income	**5,274**	**9,402**	**14,034**	**17,984**	**1,364**	**2,187**	**3,725**	**5,235**	**6,680**	**8,471**	**10,272**	**12,276**	**13,788**	**15,570**	**16,969**	**19,449**
Fees and commissions	5,274	9,212	13,194	16,750	1,113	2,068	3,507	4,549	5,859	7,535	9,189	10,782	12,107	13,852	15,213	17,522
Other operating income	0	190	840	1,234	251	119	218	686	821	936	1,083	1,494	1,681	1,718	1,756	1,927
TOTAL INCOME	**7,104**	**16,581**	**31,852**	**48,679**	**4,908**	**9,202**	**14,893**	**20,579**	**26,303**	**32,782**	**39,382**	**46,139**	**52,256**	**59,478**	**66,018**	**73,448**
EXPENDITURES																
Interest expenditures	**207**	**1,312**	**3,470**	**5,279**	**756**	**1,160**	**1,883**	**2,638**	**3,332**	**4,277**	**5,160**	**5,929**	**6,745**	**7,603**	**8,537**	**9,978**
Deposits	207	855	3,102	4,782	687	1,054	1,698	2,387	3,036	3,897	4,648	5,369	6,126	6,947	7,843	9,237
Borrowings	—	458	368	497	69	106	185	251	296	380	512	560	619	656	694	741
Non-Interest expenditures	**338**	**1,507**	**5,792**	**10,223**	**926**	**2,277**	**3,194**	**4,103**	**5,178**	**6,822**	**9,284**	**9,920**	**11,303**	**13,941**	**15,758**	**14,939**
Provisions for loan losses	166	616	3,282	7,720	512	1,635	2,242	2,908	3,757	5,005	7,102	7,437	8,501	10,823	12,293	11,071
Depreciation on fixed assets	172	891	2,510	2,503	414	642	952	1,195	1,421	1,817	2,182	2,483	2,802	3,118	3,465	3,868
General and administrative expenses	**2,707**	**7,271**	**19,130**	**25,379**	**2,261**	**4,633**	**7,282**	**9,895**	**12,411**	**15,214**	**17,950**	**20,796**	**23,624**	**26,873**	**30,101**	**33,952**
TOTAL EXPENDITURES	**3,252**	**10,090**	**28,392**	**40,881**	**3,943**	**8,070**	**12,359**	**16,636**	**20,921**	**26,313**	**32,394**	**36,645**	**41,672**	**48,417**	**54,396**	**58,869**
NET INCOME																
Net operating income	3,852	6,491	3,460	7,798	965	1,132	2,534	3,943	5,382	6,469	6,989	9,494	10,584	11,061	11,622	14,579
Net gains/losses from dealing securities	...	...	...	...	-14	-20	-43	-102	-148	-201	-253	-269	-338	-378	-418	-441
Net gains/losses from dealing in foreign ex.	577	699	509	658	10	48	40	26	19	40	74	-9	36	83	165	328
Net gains/losses from exchange rate variations	33	-19	53	-85	38	126	104	218	235	331	381	41	360	382	378	593
Net income from ban. activ.before tax	**4,462**	**7,172**	**4,022**	**8,713**	**999**	**1,286**	**2,635**	**4,085**	**5,488**	**6,612**	**7,191**	**9,257**	**10,642**	**11,148**	**11,746**	**15,059**
Provision for taxes	610	456	1,306	1,912	193	234	647	833	955	981	1,100	1,540	1,551	1,502	1,537	2,104
Net profit / loss for period	**3,852**	**6,716**	**2,716**	**6,801**	**806**	**1,052**	**1,988**	**3,252**	**4,533**	**5,631**	**6,091**	**7,717**	**9,091**	**9,646**	**10,209**	**12,955**
less: dividend paid	2,300	5,260	2,118	...	...	...	...	...	...	...	...	...	...	...	...	...
Retained profit	**1,552**	**1,457**	**598**	**6,801**	**806**	**1,052**	**1,988**	**3,252**	**4,533**	**5,631**	**6,091**	**7,717**	**9,091**	**9,646**	**10,209**	**12,955**

Table 21.

BPK International Transfers

(Cumulative within the calendar year, in thousands of EUR)

Description	2004										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Other depository corporations	-21,822	-22,032	-27,063	-30,179	-38,295	-45,710	-55,129	-95,373	-111,391	-114,403	-122,431
Incoming	...	4,995	17,982	24,676	28,672	32,668	37,163	39,461	40,460	44,956	54,946
Outgoing	-21,822	-27,027	-45,045	-54,855	-66,967	-78,378	-92,292	-134,834	-151,851	-159,359	-177,377
Other financial corporations	...	...	...	...	...	...	...	...	...	...	...
Incoming	...	...	...	...	...	...	...	...	...	...	...
Outgoing	...	...	...	...	...	...	...	...	...	...	...
Central government	5	-10,896	-20,867	-30,865	-40,865	-40,865	-50,852	-50,852	-60,811	-56,918	-66,918
Incoming	10	10	47	49	49	49	67	67	108	4,196	4,196
Outgoing	-5	-10,906	-20,914	-30,914	-40,914	-40,914	-50,919	-50,919	-60,919	-61,114	-71,114
Local government	...	...	...	...	...	...	...	...	...	...	...
Incoming	...	...	...	...	...	...	...	...	...	...	...
Outgoing	...	...	...	...	...	...	...	...	...	...	...
Public nonfinancial corporations	-65	-319	-1,062	-1,228	-1,517	-1,767	-1,961	-2,315	-3,840	-7,812	-7,947
Incoming	13	13	13	13	13	13	13	13	13	13	13
Outgoing	-78	-332	-1,075	-1,241	-1,530	-1,780	-1,974	-2,328	-3,853	-7,825	-7,960
Other nonfinancial corporations	...	...	...	...	...	...	...	...	...	...	...
Incoming	...	...	...	...	...	...	...	...	...	...	...
Outgoing	...	...	...	...	...	...	...	...	...	...	...
Other resident sectors	...	...	...	...	...	...	...	...	...	...	...
Incoming	...	...	...	...	...	...	...	...	...	...	...
Outgoing	...	...	...	...	...	...	...	...	...	...	...
TOTAL	**-21,882**	**-33,247**	**-48,992**	**-62,272**	**-80,677**	**-88,342**	**-107,942**	**-148,540**	**-176,042**	**-179,133**	**-197,296**
Incoming	23	5,018	18,042	24,738	28,734	32,730	37,243	39,541	40,581	49,165	59,155
Outgoing	-21,905	-38,265	-67,034	-87,010	-109,411	-121,072	-145,185	-188,081	-216,623	-228,298	-256,451

Table 22.

BPK - Interbank Clearing System

(Cumulative within the calendar year, in thousands of EUR)

Description	2001	2002	2003	2004											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Transactions															
Value	79,535	840,605	1,416,109	92,140	183,018	319,897	463,780	590,015	715,834	863,634	1,006,470	1,147,248	1,321,961	1,483,100	1,715,646
Number (Unity)	4,888	75,763	164,207	12,094	27,903	48,262	68,475	89,089	110,106	132,636	157,417	183,740	207,625	231,699	266,743

Table 23.

Foreign Transfers

(Cumulative within the calendar year, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
OUTGOING																
BPK	8,553	77,295	241,718	275,412	21,926	44,926	78,460	102,829	128,361	142,813	171,376	218,570	250,726	266,098	299,388	369,087
Commercial banks	173,463	500,522	754,473	1,014,780	75,088	215,470	325,912	412,645	506,005	591,932	690,718	785,166	909,624	1,047,535	1,139,529	1,282,860
Financial auxiliaries	1,746	10,094	14,484	13,032	1,110	3,259	4,443	5,493	6,547	7,690	8,891	10,141	11,442	12,759	14,051	15,358
TOTAL	183,762	587,911	1,010,675	1,303,224	98,124	263,655	408,815	520,967	640,913	742,435	870,985	1,013,877	1,171,792	1,326,392	1,452,968	1,667,305
INCOMING																
BPK	117,213	226,980	239,706	220,929	7,264	13,464	28,030	45,093	50,838	56,785	62,593	65,999	67,606	77,802	88,467	92,607
Commercial banks	286,096	588,229	779,899	916,724	81,696	229,274	325,822	384,971	480,052	553,960	633,452	703,439	813,793	932,182	1,010,111	1,154,931
Financial auxiliaries	6,370	41,841	106,524	137,232	11,723	32,953	45,217	56,970	69,615	81,950	93,350	105,644	119,949	134,920	149,962	162,258
TOTAL	409,679	857,050	1,126,129	1,274,885	100,683	275,691	399,069	487,034	600,505	692,695	789,395	875,082	1,001,348	1,144,904	1,248,540	1,409,796

Table 24.

Insurance Companies Activity

(Cumulative within the calendar year, in thousands of EUR)

Description	2001	2002	2003	2004											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Amount of premiums received															
TPL	31,161	27,231	29,163	2,445	4,572	7,211	9,532	11,750	14,119	16,377	19,103	21,854	24,197	26,316	28,739
Border policies	.	3,686	6,557	738	1,282	1,749	2,302	2,877	3,485	4,945	6,436	7,146	7,577	7,947	8,604
Other	.	66	1,340	68	226	445	690	827	932	1,071	1,228	1,380	1,474	1,572	1,747
TOTAL	**31,161**	**30,983**	**37,060**	**3,251**	**6,080**	**9,405**	**12,524**	**15,454**	**18,536**	**22,393**	**26,767**	**30,380**	**33,248**	**35,835**	**39,090**
Number of policies sold															
TPL	179,864	175,008	199,223	19,522	15,783	17,506	17,553	17,008	19,588	19,298	20,731	21,876	18,765	17,145	37,126
Border policies	.	72,358	62,073	5,367	4,928	6,485	7,247	6,788	7,556	25,240	14,702	7,276	8,326	8,134	18,560
Other	.	67	3,827	290	221	933	1,015	262	536	196	242	434	737	1,188	2,369
TOTAL	**179,864**	**247,433**	**265,123**	**25,179**	**20,932**	**24,924**	**25,815**	**24,058**	**27,680**	**44,734**	**35,675**	**29,586**	**27,828**	**26,467**	**58,055**
Amount of claims paid															
TPL 1/	2,655	3,540	5,576	448	1,099	1,476	2,006	2,449	3,125	3,404	3,710	4,335	4,971	5,548	6,163
Border policies	.	395	272	64	156	176	233	249	317	362	413	479	511	553	580
TOTAL	**2,655**	**3,935**	**5,848**	**512**	**1,255**	**1,652**	**2,239**	**2,698**	**3,442**	**3,766**	**4,123**	**4,814**	**5,482**	**6,101**	**6,743**

1/ Included the claims paid by the Kosovo Guarantee Fund.

Table 25.

Other Financial Intermediaries Activity

(Outstanding amounts, end of period, in thousands of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Amount of loans	**2,661**	**19,718**	**33,089**	**33,874**	**33,244**	**32,985**	**33,723**	**34,853**	**36,035**	**36,377**	**37,220**	**37,312**	**37,742**	**38,196**	**39,107**	**39,856**
Number of loans	2,722	11,423	16,170	19,061	18,964	18,824	19,390	19,673	20,142	20,757	21,176	21,356	21,544	21,829	21,907	22,286

Table 26.

Financial Corporations – Geographical Distribution, as of December 2004

Description	Prishtina	Prizren	Peja	Gjilani	Gjakova	Mitrovica	Ferizaj	Podujevë	Lipjan	Vitia	Rahovec	Dardanë	Kaçanik	Dragash	Shtime	Klinë	Shtërpce	Fushë Kosovë	Gllogovcë	Graçanicë	Deçan	Vushtrri	Theranda	Skenderaj	Drenas	Istog	Malishevë	Zubin Potok	Obiliq
OTHER DEPOSITORY CORPORATIONS																													
PCB	HQ+ 5SB	BR+ SB	BR+ SB	BR	BR	BR +3SB	BR											2SB		SB			SB						
BRK	HQ+ 4SB	BR+ 2SB	BR+ SB	BR+ SB	BR	BR+ SB	BR	SB		SB	SB	SB				SB			SB			SB	SB	SB					
BPB	HQ+ 7SB	BR+ 2SB	BR+ SB	BR+ 2SB	BR	BR+ SB	BR+ 4SB	2SB	SB	SB	3SB	SB	2SB	SB	SB	2SB	SB			SB		2SB	SB			SB	SB		
BE	HQ+ 3SB	BR+ SB	BR+ SB	BR	BR+ SB	BR+ SB	BR				SB	SB														SB			
KSB	HQ+ 3SB	BR+ 3SB	BR+ 3SB	BR+ 2SB	BR+ SB	BR+ 3SB	BR	BR+ 3SB	SB	2SB		SB	SB			SB	SB	3SB	SB		3SB	SB	SB			2SB		SB	2SB
RBKO	HQ+ 3SB	BR	BR	BR	BR	BR+ SB	BR				SB	SB	SB				SB			SB		SB	2SB				SB		
BKP	HQ+ 3SB	BR	BR+ SB	BR+ 3SB	BR	4SB	BR+ 2SB		SB		2SB	2SB			SB			SB	2SB			SB		SB	SB		SB		
HQ	**7**																												
Branches		**7**	**7**	**7**	**7**	**6**	**7**	**1**																					
Sub - branches	**28**	**9**	**8**	**8**	**2**	**14**	**6**	**6**	**3**	**4**	**8**	**7**	**4**	**1**	**2**	**4**	**3**	**6**	**4**	**3**	**3**	**6**	**6**	**2**	**1**	**4**	**3**	**1**	**2**
FINANCIAL AUXILIARIES																													
ABD	HQ+ BR																												
Euro_Cufa	HQ																												
EURO B	HQ																												
NBS	HQ																		BR										
Unioni Financiar Tirana	HQ																												
MEB Western-Union	BR	BR	BR	BR	BR																								

Note :

PCB = ProCredit Bank, BRK = New Bank of Kosovo, BPB = Bank for Private Business, BE = Economic Bank, KSB = Kasa Banka, BKP= Credit Bank of Prishtina, RBKO =Raiffeisen Bank Kosovo.

HQ= Headquarter, BR = Branches, SB = Sub - branches, MU = Mobile Unit.

Table 26.
(Continued)

Description	Prishtinë	Prizren	Pejë	Gjakovë	Klinë	Mitrovicë	Vushtrri	Ferizaj	Skënderaj	Gjilan	Graçanica	Dragash	Suharekë	Shtërpc	Zveçan	Shtime
OTHER FINANCIAL INTERMEDIARIES																
FINCA Kosovo		√	√	√				√		√						
Kosovo Enterprise Program (KEP)	√	√	√	√	√	√				√						
Gramen Trust	√		√													
Mercy Corps Intenational SED Program			√													
Cordaid				√												
Besëlidhja Micro Finance (W. Relief)	√										√					
Kreditimi Rural i Kosovës	√				√		√									
Kosinvest / World Vision		√														
Mështekna (Society for Farmers and Individual Producers)												√				
Centro Laici Italiani per le Mission (Ce.L.I.M.)				√												
IOM (International Organization for Migration)	√										√			√	√	
START NGO (Islamic Relief in Kosovo)	√								√							
Ballkanactie																√
Perspektiva 4					√											
Vllesa Co.													√			
German Investment and Development Co (DEG)	√															
EAR AgroBusinees Development Unit	√															

√ = Predominant representation.

Table 27.

Depository Corporations – No. of Employees and Branches

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
BPK																
Number of branches 1/	7	7	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Number of sub-branches	15	15	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Number of full-time equivalent employees	338	339	132	124	124	125	124	124	124	123	129	129	129	123	132	133
Other depository corporations																
Number of branches 1/	7	22	46	47	47	49	47	48	49	49	49	49	49	49	49	49
Number of sub-branches	1	6	64	100	100	102	106	111	113	130	149	150	156	155	157	158
Number of full-time equivalent employees	139	637	1,393	1,676	1,657	1,726	1,740	1,752	1,752	1,802	1,916	1,950	1,950	2,006	2,021	2,068

1/ Head office is counted as branch.

Table 28.

Central Government Operations

(Cumulative within the calendar year, in millions of EUR)

Description	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Tax Revenues	**121.7**	**249.7**	**444.4**	**536.4**	**39.6**	**73.6**	**113.9**	**164.1**	**208.4**	**250.3**	**302.9**	**354.1**	**400.2**	**446.3**	**491.7**	**540.0**
Border taxes	115.2	208.7	364.5	428.3	26.1	55.0	88.7	121.4	158.7	195.0	232.1	277.3	316.9	356.5	395.7	435.8
Domestic taxes	6.6	41.0	79.9	108.1	13.5	18.6	25.3	42.7	49.7	55.3	70.7	76.8	83.2	89.7	96.0	104.2
Non tax revenues	**4.9**	**20.7**	**31.7**	**41.7**	**2.8**	**5.9**	**10.3**	**13.5**	**17.2**	**20.9**	**23.9**	**26.7**	**30.8**	**34.6**	**37.8**	**40.7**
Municipal own source revenues	...	**15.8**	**17.0**	**23.6**	**1.1**	**3.0**	**4.6**	**6.7**	**8.4**	**10.1**	**12.2**	**14.3**	**16.6**	**18.8**	**20.6**	**23.3**
Donor grants	**160.9**	**83.8**	**38.9**	**29.1**	**5.0**	**5.2**	**6.2**	**6.7**	**8.2**	**8.7**	**9.8**	**12.2**	**13.4**	**15.5**	**15.7**	**18.9**
Budget support grants	120.8	42.8	18.1	...	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Designated grants	40.1	41.0	20.8	29.1	0.7	0.9	1.9	2.4	3.9	4.4	5.5	7.9	9.1	11.2	11.3	14.6
Interest	**1.1**	**2.0**	**3.7**	**3.0**	**0.3**	**0.6**	**0.9**	**1.2**	**1.5**	**1.7**	**2.0**	**2.2**	**2.5**	**2.8**	**3.0**	**3.4**
Commerzbank	1.1	2.0	1.5	0.4	...	...	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
BPK	...	...	2.2	2.7	0.3	0.6	0.8	1.1	1.4	1.6	1.9	2.2	2.4	2.7	2.9	3.3
TOTAL	**288.6**	**372.0**	**535.7**	**633.8**	**48.8**	**88.3**	**135.9**	**192.2**	**243.7**	**291.7**	**350.7**	**409.5**	**463.4**	**517.9**	**568.8**	**626.2**
Wages and salaries	**92.24**	**109.56**	**131.4**	**145.71**	**13.34**	**14.07**	**44.47**	**60.01**	**75.35**	**77.04**	**105.42**	**107.57**	**121.33**	**135.09**	**153.34**	**182.63**
Goods and services	**73.56**	**96.81**	**148.23**	**194.25**	**1.87**	**13.17**	**38.02**	**52.87**	**66.93**	**86.69**	**102.38**	**116.26**	**130.25**	**144.24**	**160.27**	**203.56**
Subsidies and transfers	**68.1**	**62.23**	**87.49**	**127.14**	**10.32**	**25.78**	**39.94**	**52.36**	**63.18**	**75.55**	**85.99**	**110.98**	**125.66**	**140.34**	**159.29**	**182.88**
Social transfers (paym. to households)	30.72	33.93	58.98	81.59	4.26	12.04	19.89	27.43	35.06	43.13	50.88	61.38	70.1	78.82	89.05	98.84
Subsidies to enterprises	34.13	27.64	18.01	36.4	5.92	13.19	18.22	21.46	23.77	26.82	28.54	35.49	38.7	41.91	49.51	56.86
Other transfer	3.25	0.66	10.5	9.15	0.14	0.55	1.83	3.47	4.35	5.6	6.57	14.11	16.86	19.61	20.73	27.18
Capital outlays	...	**6.18**	**61.44**	**97.81**	**0.95**	**3.01**	**9.70**	**17.81**	**25.29**	**38.35**	**51.29**	**64.70**	**81.31**	**97.92**	**121.73**	**182.82**
Capital outlays to enterprises	...	0.05	46.13	57.51	0.65	0.89	1.25	3.8	4.95	5.95	6.94	8.22	9.68	11.14	13.04	17.27
Other capital outlays	...	6.13	15.31	40.3	0.3	2.12	8.45	14.01	20.34	32.4	44.35	56.48	71.63	86.78	108.69	165.55
Reserves	**1.02**	...	...	**2.36**	**0.03**	**0.2**	**0.53**	**0.64**	**3.27**	**3.45**	**3.52**	**3.54**	**3.59**	**3.64**	**3.66**	**3.89**
TOTAL	**234.9**	**274.8**	**428.6**	**567.3**	**26.5**	**56.2**	**132.7**	**183.7**	**234.0**	**281.1**	**348.6**	**403.1**	**462.1**	**521.2**	**598.3**	**755.8**
BALANCE (Rev-Exp)	**53.7**	**97.2**	**107.2**	**66.6**	**22.3**	**32.0**	**3.3**	**8.5**	**9.7**	**10.6**	**2.1**	**6.5**	**1.2**	**-3.4**	**-29.5**	**-129.5**

Source: Ministry of Finance and Economy.

Table 29.

Consumer Price Index

(May 2002 = 100)

Description	Index			Percentage change			
	Monthly	Quarterly, Yearly		Monthly	Same period previous year	Quarterly, Yearly	
		End Period	Average	(t-1)	(t-12)	End Period	Average
2002		**102.1**	**99.3**				
May	100.0			.	.		
Jun	98.4	98.4	-	-1.6	.	.	.
Jul	96.8			-1.6	.		
Aug	96.6			-0.2	.		
Sep	98.9	98.9	97.4	2.4	.	0.5	.
Oct	100.7			1.8	.		
Nov	101.2			0.5	.		
Dec	102.1	102.1	101.3	0.9	.	3.2	4.0
2003		**103.7**	**101.1**			**1.6**	**1.7**
Jan	102.7			0.6	.		
Feb	102.1			-0.6	.		
Mar	103.3	103.3	102.7	1.2	.	1.2	1.3
Apr	102.5			-0.8	.		
May	101.3			-1.2	1.3		
Jun	99.6	99.6	101.1	-1.7	1.2	-3.6	-1.5
Jul	97.0			-2.6	0.2		
Aug	96.3			-0.7	-0.3		
Sep	99.3	99.3	97.5	3.1	0.4	-0.3	-3.6
Oct	101.6			2.3	0.9		
Nov	103.4			1.8	2.2		
Dec	103.7	103.7	102.9	0.3	1.6	4.4	5.5
2004		**101.1**	**101.3**			**-2.5**	**0.2**
Jan	103.9	103.9	103.9	0.2	1.2		
Feb	103.9			0.0	1.8		
Mar	103.5	103.5	103.8	-0.4	0.2	-0.2	0.8
Apr	103.0			-0.5	0.5		
May	102.1			-0.9	0.8		
Jun	100.7	100.7	101.9	-1.4	1.1	-2.7	-1.8
Jul	99.9			-0.8	3.0		
Aug	99.0			-0.9	2.8		
Sep	98.0	98.0	99.0	-1.0	-1.3	-2.7	-2.9
Oct	99.8			1.8	-1.8		
Nov	100.6			0.8	-2.7		
Dec	101.1	101.1	100.5	0.5	-2.5	3.2	1.5

Source: Statistical Office of Kosovo.

Table 30.

Registered Unemployment

(End of period)

Dsecription	2000	2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total	208,074	237,958	282,305	282,305	284,149	287,265	289,771	291,409	293,100	293,981	295,396	297,240	298,851	300,309	300,967	301,982
of which: Females (in %)	43.2	44.1	63.0	45.4	45.4	45.5	45.4	45.5	45.5	45.6	45.6	45.6	45.7	45.7	45.7	45.7
Education																
Elementary (in %)	58.1	60.4	61.5	63.0	63.1	63.0	63.1	63.2	63.2	63.3	63.3	63.3	63.2	63.2	63.3	63.4
Secondary (in %)	38.8	37.0	36.2	35.3	35.2	35.3	35.2	35.2	35.2	35.1	35.1	35.1	35.2	35.2	35.2	35.1
University (in %)	3.1	2.6	2.2	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5

Source: Kosovo Employment Office.
Percentages are expressed against the total number of unemployed persons.

Table 31.

EUR Exchange Rate

(Average by period)

Description		Albanian Lek (**ALL**)	Croatian Kuna (**HRK**)	Slovenian Tolar (**SIT**)	Swiss Franc (**CHF**)	Turkish Lira (**TRL**) (millions)	US Dollar (**USD**)	Pound Sterling (**GBP**)	Serbia and Montenegro Dinar (**CSD**)
2000	Q4	133.72	7.66	207.44	1.56	0.58	0.92	0.62	10.74
2001	Q4	130.60	7.53	219.03	1.51	1.11	0.90	0.62	42.12
2002	Q4	142.85	7.74	237.18	1.46	1.65	1.02	0.64	61.89
2003	Q1	145.29	7.97	236.16	1.46	1.82	1.07	0.68	62.14
	Q2	143.70	7.83	237.11	1.54	1.70	1.17	0.70	67.26
	Q3	140.98	7.84	239.83	1.54	1.57	1.12	0.69	63.65
	Q4	138.74	7.98	240.98	1.55	1.79	1.22	0.70	70.83
2004	Jan	133.99	7.69	237.31	1.56	1.70	1.26	0.69	68.74
	Feb	133.04	7.65	237.51	1.57	1.68	1.26	0.67	69.41
	Mar	130.46	7.50	238.06	1.56	1.62	1.22	0.67	69.55
	Apr	128.15	7.50	238.45	1.55	1.63	1.19	0.66	75.55
	May	127.63	7.42	238.74	1.54	1.81	1.20	0.67	70.75
	Jun	124.84	7.37	239.35	1.51	1.81	1.21	0.66	71.60
	Jul	124.23	7.37	239.90	1.52	1.78	1.22	0.66	72.65
	Aug	124.96	7.36	239.99	1.53	1.79	1.21	0.66	75.55
	Sep	125.07	7.41	239.96	1.54	1.83	1.22	0.68	74.87
	Oct	125.64	7.54	239.90	1.54	1.86	1.24	0.69	75.55
	Nov	127.28	7.55	239.78	1.52	1.88	1.29	0.69	77.18
	Dec	126.74	7.55	239.79	1.54	1.87	1.33	0.69	78.47

Source: European Central Bank and respective central banks.

Table 32.

Exports and Imports, by Trading Partners

(Cumulative within the calendar year, in millions of EUR)

Description		2001	2002	2003	2004											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Export		10.6	27.6	35.6	2.5	5.6	9.2	13.5	17.8	21.2	24.3	28.4	33.7	39.1	50.8	56.5
Import		684.5	854.8	973.1	60.0	126.9	200.9	288.8	379.3	456.2	529.5	611.6	726.2	838.4	950.9	1,063.2
Trade balance		-673.9	-827.2	-937.5	-57.4	-121.3	-191.8	-275.3	-361.5	-434.9	-505.1	-583.2	-692.5	-799.3	-900.1	-1,006.7
Albania	Export	.	.	1.88	0.1	0.2	0.4	0.6	0.7	1.0	1.0	1.0	1.1	1.2	1.4	1.8
	Import	.	.	7.90	0.3	1.2	2.4	4.3	5.6	7.0	9.7	12.6	15.6	17.9	19.3	20.2
Bulgaria	Export	.	.	0.40	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4
	Import	.	.	41.82	4.1	7.5	11.3	14.6	17.5	20.7	22.7	25.1	28.6	34.8	39.3	42.1
Bosnia and Herzegovina	Export	.	.	0.61	0.0	0.1	0.2	0.4	0.7	0.9	0.9	0.9	1.1	1.2	1.3	1.5
	Import	.	.	18.62	0.6	1.5	2.7	4.3	5.4	6.4	7.9	8.9	9.8	10.9	11.8	12.8
Croatia	Export	.	.	1.83	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	0.5
	Import	.	.	35.38	1.7	3.3	5.5	8.7	10.8	12.0	13.9	15.5	17.3	20.8	22.7	25.1
European Union	Export	.	.	14.69	1.3	2.4	3.9	5.5	6.8	8.3	8.7	9.2	11.0	12.4	14.4	16.2
	Import	.	.	341.11	17.3	41.0	67.3	96.5	129.9	157.1	185.6	212.8	249.8	285.4	329.4	377.4
EU 15	*Export*	.	.	*13.69*	0.9	2.1	3.5	4.9	6.2	7.6	8.0	8.4	10.2	11.4	13.3	15.0
	Import	.	.	*242.96*	12.3	30.7	50.9	72.8	98.9	119.1	139.2	159.8	186.8	212.4	247.0	284.0
of which:																
Austria	*Export*	.	.	*1.35*	0.0	0.0	0.2	0.3	0.4	0.7	0.7	0.7	0.8	0.8	0.9	0.9
	Import	.	.	*30.78*	0.8	2.4	5.2	7.6	9.8	11.9	14.4	16.1	18.5	20.6	23.5	27.6
France	*Export*	.	.	*0.01*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2
	Import	.	.	*15.11*	1.4	3.3	5.6	7.8	8.8	9.4	10.4	11.1	12.1	13.2	14.3	23.1
Germany	*Export*	.	.	*3.79*	0.4	0.9	1.3	1.5	1.7	1.9	2.0	2.0	2.3	2.7	3.0	3.3
	Import	.	.	*54.57*	3.5	8.0	12.6	18.0	24.5	28.6	35.4	41.8	52.3	60.4	68.5	78.2
Greece	*Export*	.	.	*1.78*	0.2	0.5	0.9	1.4	1.8	2.1	2.3	2.5	2.9	3.4	3.9	4.3
	Import	.	.	*72.04*	4.2	8.9	13.3	18.2	28.1	33.7	37.9	43.1	48.5	53.6	63.3	68.5
Italy	*Export*	.	.	*6.25*	0.3	0.7	1.0	1.6	2.1	2.7	2.9	3.1	4.0	4.3	5.0	5.5
	Import	.	.	*36.02*	1.3	3.7	6.4	9.4	12.8	16.6	19.9	22.7	25.7	31.4	40.1	44.5
Netherlands	*Export*	.	.	*0.18*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
	Import	.	.	*8.01*	0.3	1.8	2.9	3.5	4.2	5.6	6.1	7.0	8.2	8.9	9.5	10.1
United Kingdom	*Export*	.	.	*0.15*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.6
	Import	.	.	*6.26*	0.3	0.8	1.3	2.9	3.3	4.4	4.7	5.7	6.7	7.4	8.9	11.1
EU new 10	*Export*	.	.	*1.00*	0.3	0.3	0.4	0.5	0.6	0.7	0.7	0.8	0.9	0.9	1.1	1.2
	Import	.	.	*98.14*	5.0	10.3	16.4	23.7	31.0	38.0	46.4	53.0	63.0	73.0	82.3	93.4
of which:		.	.													
Hungary	*Export*	.	.	*0.05*	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Import	.	.	*27.18*	1.1	2.3	3.7	5.5	7.7	9.9	11.5	12.8	13.9	15.6	17.6	19.7
Slovenia	*Export*	.	.	*0.66*	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.6	0.7	0.7	0.8	1.0
	Import	.	.	*58.68*	2.1	5.3	9.0	13.4	17.6	21.0	27.0	31.3	37.8	44.4	49.9	56.9
Switzerland	Export	.	.	0.09	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Import	.	.	13.13	0.6	1.8	3.1	5.2	6.1	6.7	8.1	9.4	10.6	12.1	14.2	16.2
Macedonia	Export	.	.	6.94	0.4	1.3	2.1	3.2	4.6	5.4	5.6	6.1	6.7	7.3	8.5	9.6
	Import	.	.	139.75	6.9	15.1	24.3	35.7	46.9	59.0	69.8	84.9	100.1	116.9	134.0	149.2
Serbia and Montenegro	Export	.	.	6.75	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.4	0.6	1.2	1.9
	Import	.	.	155.50	7.0	15.8	25.5	39.2	53.3	64.2	66.9	69.7	71.0	71.9	72.2	72.6
Turkey	Export	.	.	1.73	0.2	0.7	1.1	1.7	2.2	2.4	2.4	2.5	2.5	2.6	2.7	2.9
	Import	.	.	92.34	6.7	12.9	19.3	27.2	35.5	43.0	45.1	48.9	55.3	65.2	77.6	86.8
China	Export	.	.	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import	.	.	17.11	1.8	4.0	6.2	8.0	10.3	12.7	13.8	15.8	18.7	24.1	29.2	34.3
Ukraine	Export	.	.	0.02	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import	.	.	8.72	0.2	0.5	1.3	2.8	4.2	4.2	5.1	7.2	8.7	9.8	10.5	10.9
Brazil	Export	.	.	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import	.	.	8.42	1.7	3.0	4.1	5.1	6.5	7.6	8.5	10.3	12.6	15.5	18.2	21.5
United States	Export	.	.	0.05	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import	.	.	14.44	1.9	2.8	3.5	4.0	5.1	6.3	7.6	9.5	11.8	13.8	15.2	17.0
Other	Export	.	.	0.61	0.4	0.8	1.2	1.7	2.3	2.8	5.0	7.9	10.3	13.1	20.4	21.5
	Import	.	.	78.91	9.0	16.4	24.4	33.1	42.2	49.2	64.7	81.2	116.3	139.5	157.3	177.0

NOTE: Exports data are by destination country. Imports data are by country of origin of goods. Breakdown for 2001 and 2002 is in process.

Table 33.

Exports, by Commodity Group

(Cumulative within the calendar year, in millions of EUR)

Description	2001	2002	2003	2004											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total	10.6	27.6	35.6	2.4	5.6	9.1	13.5	17.7	21.2	24.3	28.4	33.8	39.2	50.9	56.5
I Live animals and animal products		0.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...
II Vegetable products		2.4	2.4	0.1	0.1	0.2	0.2	0.2	0.5	0.5	0.7	1.5	2.1	2.5	2.6
III Animal or vegetable fats and oils - edible		0.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...
IV Prepared foodstuffs, beverages and tobacco		1.3	4.1	0.6	1.0	1.2	1.5	1.7	1.9	2.0	2.3	2.8	3.4	3.6	3.8
V Mineral products		0.3	0.5	...	...	0.1	0.2	0.2	0.4	0.4	0.4	0.5	0.6	1.3	2.4
VI Products of the chemical or allied industries		0.3	0.5	...	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.7	0.8	0.9	1.0
VII Plastics, rubber and articles thereof		2.7	2.7	0.2	0.3	0.6	0.9	1.1	1.4	1.7	1.9	2.4	2.7	3.2	3.7
VIII Hides, skins, leather and articles thereof		6.0	4.5	0.3	0.9	1.6	2.5	3.4	3.9	4.1	4.2	4.8	5.2	5.4	5.9
IX Wood and articles of wood		0.3	0.6	...	...	...	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.4
X Cellulosic material, paper and articles thereof		...	0.4	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.4
XI Textiles and textile articles		0.6	1.1	0.1	0.2	0.3	0.3	0.4	0.5	0.7	0.8	0.9	1.1	1.2	1.4
XII Footwear		0.1	0.1	...	...	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1
XIII Articles of stone, plaster, ceramic and glass		0.6	0.8	0.1	0.2	0.2	0.4	0.5	0.6	0.8	1.0	1.2	1.4	1.6	1.8
XIV Pearls, precious, stones, metals, jewelry, etc.		...	...	...	...	...	...	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
XV Base metals and articles of base metal		6.6	12.0	0.8	2.0	3.6	5.9	8.1	9.5	10.6	12.0	13.9	16.0	17.9	19.7
XVI Machinery, appliances, electrical equipment, etc		3.4	3.0	...	0.4	0.4	0.5	0.6	0.7	1.5	1.9	2.1	2.5	8.9	9.2
XVII Transport means		1.9	1.2	...	0.2	0.2	0.4	0.5	0.6	0.6	0.9	1.1	1.2	1.8	2.0
XVII Optical, medical and musical instruments		0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.8	0.9	1.0	1.0	1.1
XIX Arms and ammunition		...	...	...	...	...	...	...	...	...	...	...	...	...	...
XX Miscellaneous manufactured articles		0.7	1.4	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.6	0.7
XXI Other		0.1	0.1	...	...	...	...	...	...	...	...	...	...	0.1	0.1

Source: Customs statistics and SOK publications. Data for 2003 and 2004 are processed by BPK.

Data for 2003 and 2004 are processed by BPK.

Table 34.

Imports, by Commodity Group

(Cumulative within the calendar year, in millions of EUR)

Description	2001	2002	2003	2004											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total	684.5	854.7	973.1	60.0	126.9	200.9	288.8	379.3	456.1	529.5	611.7	726.3	838.5	950.9	1,063.2
I Live animals and animal products		51.0	50.4	4.0	7.3	10.9	14.3	17.8	21.1	24.9	30.2	35.5	42.0	47.2	52.4
II Vegetable products		47.1	66.7	5.4	11.4	17.3	23.7	30.7	37.9	41.4	46.0	51.5	57.8	62.7	68.1
III Animal or vegetable fats and oils - edible		7.9	8.3	0.5	1.0	1.5	2.1	2.6	3.3	3.7	4.5	5.1	5.9	6.6	7.3
IV Prepared foodstuffs, beverages and tobacco		174.9	203.5	10.1	22.2	34.8	49.6	62.1	75.5	87.9	102.0	117.0	131.9	145.9	165.4
V Mineral products		123.5	138.6	13.9	24.1	35.8	48.6	61.4	72.6	85.1	100.0	117.8	135.4	158.0	173.1
VI Products of the chemical or allied industries		52.7	70.9	4.6	11.3	17.5	25.0	32.2	37.5	41.6	47.1	61.7	70.8	80.1	98.0
VII Plastics, rubber and articles thereof		25.3	32.7	1.7	3.6	6.2	9.4	12.6	15.5	18.5	22.3	27.9	33.6	38.1	42.5
VIII Hides, skins, leather and articles thereof		1.3	0.4	0.0	0.0	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.6	0.9	1.0
IX Wood and articles of wood		29.9	33.2	1.0	2.0	3.5	6.2	9.0	11.5	14.9	17.6	21.3	24.9	27.6	29.9
X Cellulosic material, paper and articles thereof		9.9	16.6	3.0	4.7	7.6	11.5	20.7	22.5	23.7	25.5	27.5	29.8	31.5	33.4
XI Textiles and textile articles		16.4	28.8	1.5	3.5	5.1	7.0	8.9	11.6	12.2	13.1	15.4	20.0	26.6	31.2
XII Footwear		6.2	7.5	0.6	1.5	2.5	3.1	3.8	4.3	4.6	5.2	6.1	7.4	9.2	10.4
XIII Articles of stone, plaster, ceramic and glass		72.5	60.5	1.2	3.5	6.9	12.1	18.5	23.7	28.3	34.3	41.1	47.6	51.9	54.9
XIV Pearls, precious, stones, metals, jewelry, etc.		...	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3
XV Base metals and articles of base metal		53.6	58.0	2.0	6.2	11.0	18.6	24.8	30.9	37.2	44.4	53.2	63.3	70.7	77.5
XVI Machinery, appliances, electrical equipment, etc		97.5	105.5	5.4	12.2	20.3	29.3	38.0	44.8	53.1	59.4	75.9	89.1	104.6	116.8
XVII Transport means		10.3	27.8	2.5	5.4	8.1	11.3	14.3	16.9	23.5	28.3	34.0	39.3	43.9	50.2
XVII Optical, medical and musical instruments		8.1	8.5	0.2	1.2	2.5	3.6	4.9	5.8	6.4	7.1	7.9	9.7	12.5	15.1
XIX Arms and ammunition		...	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.4	0.5
XX Miscellaneous manufactured articles		66.5	54.6	2.3	5.7	9.4	13.2	16.7	20.4	22.0	24.1	26.4	29.1	32.2	35.4
XXI Other		...	0.1	...	...	...	...	...	...	...	...	...	...	...	...

Source: Customs statistics and SOK publications. Data for 2003 and 2004 are processed by BPK.

Data for 2003 and 2004 are processed by BPK.