



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

Annual Report 2015

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LIST OF ABBREVIATIONS

ATM	Automated Teller Machine
BEC	Broad Economic Categories
BEEP	Business Environment Enhancement Project
BIC	Business Identifier Code
BIS	Bank for International Settlements
BKT	Banka Kombëtare Tregtare
BPB	Banka për Biznes
CAR	Capital Adequacy Ratio
CBK	Central Bank of the Republic of Kosovo
CEFTA	Central European Free Trade Agreement
CPI	Consumer Price Index
CRK	Credit Registry of Kosovo
DFSAE	Department of Financial Stability and Economic Analyses
DJI	Dow Jones Industrial Average
DLE	Department of Labour and Employment
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EFSE	European Fund for Southeastern Europe
ESQB	European System of Central Banks
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
EUROSTAT	General Directorate of European Statistics
FDI	Foreign Direct Investments
GBR	Great Britain Pound
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IAIS	International Association for Insurance Supervisors
IECS	Interbank Electronic Clearing System
IIP	International Investment Position
IMF	International Monetary Fund
IPI	Imports Price Index
KAS	Kosovo Agency of Statistics
KEK	Kosovo Energy Corporation
KIB	Kosovo Insurance Bureau
KMB	Komercijalna Banka
KPST	Kosovo Pension Savings Trust
MI	Microfinance Institutions
MLSW	Ministry of Labour and Social Welfare
MoF	Ministry of Finance
MTA	Money Transfer Agencies

MTPL	Motor Third Party Liability Insurance
NFA	Net Foreign Assets
NLB	Nova Ljubljanska Banka
NPC	National Payment Council
NPHSO	Non-profitable Household Service Organizations
NPL	Non-Performing Loans
ODP	Other Depositing Corporations
PAK	Privatization Agency of Kosovo
PCB	Procredit Bank
POS	Point of Sale
pp	Percentage point
PPI	Producer Price Index
PPP	Purchasing Power Parity
PTK	Post and Telecom of Kosovo
RBK	Raiffeisen Bank of Kosovo
REER	Real Effective Exchange Rate
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RTGS	Real Time Gross Settlement
RWA	Risk Weighted Assets
SDP	Special Drawing Rights
SEE	Southeast Europe
SEPA	Single Euro Payment Area
SFR	Swiss Franc
SKPF	Slovenian-Kosovo Pension Fund
SRK	Accountancy Registry System
SWIFT	Society for Worldwide International Financial Telecommunication
TAK	Tax Administration of Kosovo
TEB	Türk Ekonomi Bankasi
TPL	Third Party Liability
TVSH	Value Added Tax
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
USD	United States Dollar
VPN	Virtual Encryption and Network Technology
WB	World Bank

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Foreword of the Chairman of the Board

Dear readers,

I am pleased to present, on behalf of the Central Bank Board of the Republic of Kosovo, through the Annual Report 2015, the major economic progress trends during 2015 and CBK activities towards promoting and maintaining the sustainability of the financial sector. The Central Bank of the Republic of Kosovo considers the publication of its Annual Report more than a fulfilment of a legal and institutional obligation, presenting an essential element of transparency that contributes to the advancement of communication with readers of all profiles such as the broad public, civil society institutions, analysts, financial market participants, property interest bearer or potential investors. In this context, I believe that the content of this Report will give you a full view of the work and achievements of the Central Bank of the Republic of Kosovo during 2015.

The activities of the Central Bank Board were focused towards successful implementation of competencies and duties set out by the Law on Central Bank of the Republic of Kosovo. In this context, the Central Bank Board of the Republic of Kosovo in 2015 worked toward the overall advancement of many important processes, which ensures an effective function, supervision and compliance with CBK's strategic objectives. The main focus was the review of the current legal framework as well as supplementing this regulation with the new required acts. Within the year, the Central Bank Board of the Republic of Kosovo has approved 18 new regulations in the field of regulating the financial sector, as well as the pension, payment and central banking sectors. These developments resulted in an increased performance of financial institutions, increasing the quality of risk management, maintaining capital adequacy, liquidity, emergency support for liquidity, the overall quality of the loan portfolio, investments and above all, rationalizing the cost of financial intermediation. The advancement of regulatory framework aimed at supporting the European integration as well as the legal and regulatory approximation with the *Acquis Communautaire* of European Union in the central banking domain.

The Board of the CBK has, in the view of advancing to a professional and comprehensive approach of all governance and accounting mechanisms, continuously supervised the implementation of policies and compliance of duties by the Central Bank in order to ensure that the same is being done in an adequate manner and in compliance with legal requirements, standards and best practices of central banking. The Board of the CBK has further enriched the CBK's general governing framework by supporting it with sufficient budget, continuously supervising its execution, and by maintaining CBK's financial and operational independence.

Advancement of the CBK's internal regulatory framework was directed toward the establishment of an efficient and effective internal control environment. The main focus was in fulfilling responsibilities in terms of institutions risk management. In this regard was approved the Risk Management Policy, which determines the necessary principles and guidelines for risk management, whereas the internal rules are foreseen to address specific risks.

During 2015, progress was marked with regard to increasing CBK's financial reporting, analysis, statistics and other publications in the function of a more comprehensive transparency.

CBK during 2015 continued with a close cooperation with key international mechanisms such as: U.S Treasury and USAID, Central European Bank, World Bank, International Monetary Fund, etc., hence increasing CBK's credibility in the international arena. The Board of the CBK has paid particular importance to address and fulfil these recommendation and advice received by these mechanisms in an efficient and proper manner.

The maintenance of financial stability in the country remains the most important issue in the agenda of the CBK activities. In 2015, financial sector of Kosovo reflected significant growth and sustainability. The financial sector stability is evident in all components of capital, profitability, liquidity and risk management quality. Total assets amounted to euro 4.9 billion, or an annual growth of 8.1 %. This increase reflects mainly the growth of commercial banks assets that coincides with an annual growth of 6.3 percent, while the total assets in the pension sector marked a growth of 13.1 percent. Banking sector continued to reduce interest rates on both loans and deposits. The average interest rate during December 2015 was 7.7 percent, whereas the average interest rate on deposits was 1.2 percent. The banking sector continues to have a good loan portfolio quality, with a non-performing loans rate of 6.2 percent in December 2014, which was lower than the rate of 8.3 percent in December 2014.

The professional work and engagement by the local personnel during 2015 and the consistent support of international partners were easily synchronized with the framework set by a clear vision of constant development and promotion of the country's financial sector. Therefore, all the dynamic activity expressed through this report is a reflection of the high commitment of the CBK employees and its decision-making bodies and the assistance of international partners towards continuous enhancement of the CBK quality. I would like to conclude my foreword of this Annual Report of the CBK for 2015, by expressing deep gratitude for all employees of the CBK and the financial institutions for their ongoing support and contribution provided to the CBK, such as: US Treasury, International Monetary Fund, World Bank, German Development Fund, European Central Bank and Regional Central Banks.

Prof. Dr. Bedri Peci



Chairman of the Central Bank Board
of the Republic of Kosovo

Foreword of the Governor

During 2015, global economy was characterized by favorable developments, whereby the recovery of the euro area economy made an important contribution. Quantitative easing measures undertaken by the Central European Bank has strengthened the domestic demand which represented the main incentive of the economic growth. Developments in the euro area reflected positively into Western Balkan economies which in general accelerated the pace of the economic growth. Deflation pressure in the euro area continued to be present during 2015, thus necessitating the continuation of quantitative facilitation measures. Developments of the markets in the euro area also continued to reflect in Western Balkans economies, whereby the lower interest rates were marked.

Kosovo's economy during 2015, similar to developments in the euro area and countries of the region, accelerated the growth pace. The consumption increase and investments in the private sector represents the main contributor to the economic growth, whereas the high rate of trade deficit continued to have a negative impact in the growth of country's economy. High economic support in imports continues to dictate to a significant extent the overall price level, which in 2015 was characterized with deflation. The increase of budget expenditures in line with the limits set by the fiscal rules, in addition to the stable growth of budget revenues, continues to keep the budget deficit and public debt at low level, reflecting the stability of public finances in the country's economy. Kosovo continues to have a sound financial system, which represents a very important source of the economic growth and stability for the country.

The banking sector marked an acceleration of lending growth especially for enterprises, thus serving as an important source of financing the growth of the private investments during 2015. Among the sectors with the highest growth of loans received were the agriculture and manufacturing sector, which shows an orientation of bank lending toward funding of potentially more productive sectors of the economy. Acceleration of credit growth pace reflects the improvement of crediting conditions by the banks and the increase of demand by enterprises and households. Improvement of lending conditions for borrowers is conducted through a significant decrease in the interest rate on loans, which reduced to a level close to the average interest rates of other countries in the region. Acceleration of loans growth and improved lending conditions for borrowers shows that Kosovo has made significant progress in facilitating access to finance, which is one of the most important preconditions for having a higher economic development. In addition to such developments, the banking sector has managed to further strengthen its sustainability, by further reducing the already low rate of non-performing loans, and increasing the capital level.

With regard to developments in other components of financial system, investments of pension funds marked a positive return during 2015, but lower than the previous year as a result of developments in the global financial markets. Microfinance institutions continued to expand their lending activity, therefore serving as an important source of funding, particularly for individuals and small enterprises. The insurance sector was characterized by less favorable developments, which during 2015 marked a slight decline in the value of written premiums, while the sector's financial performance continued to be fragile.

During 2015, the Central Bank of the Republic of Kosovo has accomplished its objectives derived from the Law on Central Bank, including its primary objective for maintaining the stability of the financial system. During the year, the CBK started implementing the Strategic Plan 2015-2019, which clearly defines the path of building the capacities of this institution in all its fields of

operation. During 2015, within its special activities, the CBK issued a final license to a foreign bank enabling its operation with a branch in Kosovo, and licensed two new insurance companies, therefore creating the conditions for further developments of competition in the financial system. With the view of ensuring financial stability, the CBK has conducted the examination of commercial banks based on a risk-based supervision. This represents the fulfilment of one of the main criteria emerging by the program signed between the Republic of Kosovo and International Monetary Fund. Fulfilment and development of the regulatory framework of the financial system continued to be an important activity of the CBK, which defines the rules for ensuring a developed and stable financial system, and the requirements arising from the country's integration process in the European Union. Moreover, in accordance with the European Union membership criteria, the CBK has started for the first time to report the balance of payments statistics to Eurostat. During 2015, the CBK continued to successfully to conduct its other functions, thus contributing to the development of an efficient and sustainable financial sector which is able to support the further developments of the country's economy.

Bedri Hamza



Governor of the Central Bank
of the Republic of Kosovo

Central Bank Board, Executive Board and Audit Committee

Central Bank Board

The activities of the Central Bank Board were focused towards successful implementation of competencies and duties set out by the Law on Central Bank of the Republic of Kosovo. Therefore, the Central Bank Board held continuous meetings, whereby it was informed and it discussed the overall developments of the financial system in Kosovo. Central Bank Board held a total of 16 meetings.

The Board reviewed and approved the issuance and amending/supplementing the regulations in the field of financial system, according to the requests and proposals by the Executive Board, as follows:

- Regulation on Residential Mortgages Lending
- Regulation on of Real Estate Assessment
- Regulation on Capital Adequacy
- Regulation on Clearing and operating of Settlement Accounts
- Regulation on Minimum Security Requirements
- Regulation on Procedures for Imposing Administrative Penalties
- Regulation on Deposit of Asset as Guaranty, Capital Adequacy, Financial Reporting, Risk Management, Investment and Liquidity
- Regulation on Vaults
- Regulation on Individual Accounts of Participants
- Regulation on Registration, Supervision and Activities of NBFIs
- Regulation on Determination of Premium's Structure for Compulsory Motor Liability Insurance
- Regulation on Defining The Conditions And Criteria For Withdrawal of Funds From KPST by Participants who permanently emigrated.
- Regulation on emergency liquidity assistance
- Regulation on Bank Capital Adequacy
- Regulation on Residential Mortgage Lending
- Regulation on Account Standard Numbering System
- Regulation on distribution of credit fund to banks
- Regulation distribution of credit funds to MFI and NBFIs

The Board of the Central Bank also approved the following

- Partial change in the organizational structure
- Annual Plan of the Internal Audit for 2015
- Appointed "Deloitte Kosova JSC" as the External Auditor of the CBK

- Annual report of the Internal Audit for 2014
- CBK annual report for 2014
- Financial Statements of the CBK for 2014 and Independent Auditor's Report
- CBK budget for 2016
- The decision on the custodial accounts
- Annual Plan of the Internal Audit for 2016
- Reports and periodic statements of financial statement of the CBK

In order to fulfil the competences defined by law, the Board has performed on time all the tasks related to:

- Implementation of the process of nominations and appointments within the competences defined by the Law on the CBK;
- Reviewing of all the reports and recommendations of the Executive Board and Governor, with the purpose of safeguarding financial stability; and
- Other issues that are within the competence of the Board of the Central Bank ;

On 31 December 2015, the Board of the Central Bank of the Republic of Kosovo was composed of the following members:

Bedri Peci, Chairman of the Central Bank Board

Bedri Hamza, Governor and member of the Central Bank Board

Behxhet Brajshori, member

Nuhi Ahmeti, member

A vacant position of a non-executive member of the Central Bank Board.

Executive Board

Pursuant to the Law no. 03 / L-209 on Central Bank of the Republic of Kosovo, respectively Article 34 paragraph 3, the Executive Board is composed of the Governor (Chairman of the Executive Board) and Deputy Governors.

On 31 December 2015, the Executive Board was composed of the following members: Bedri Hamza (Governor / Chairman of the Executive Board), Lulzim Ismajli (Deputy Governor for Banking Operations), Fatmir Gashi (Deputy Governor for General Functions) and Fehmi Mehmeti (Deputy Governor for Financial Supervision).

During 2015, the Executive Board of the Central Bank of the Republic of Kosovo held 25 meetings.

Within its competences, the Executive Board during 2015 has recommended the following to the Board of the CBK:

- Issuing and amending/supplementing 18 regulations;
- Approval of the Financial Statements and the Annual Report of the CBK for 2014;

- Approval of periodic Financial Statements for 2015;
- Partial change in the organizational structure of the CBK;
- Approval of the Decision on the custodial accounts; and
- Approval of the CBK Budget for 2016.

During 2015, the Executive Board besides the abovementioned, in accordance with the legislation in force has also taken actions/decisions as follows:

- It approved the license for one bank and the extension of the operation deadline of a representative office of a foreign bank;
- It approved the license for two insurance companies and for two insurance mediators, has approved the request for change of the name of two insurance companies and the request to change the owner of 1 insurance company and has rejected an application for license for insurance mediator;
- It approved the license (registration) for two non-bank financial institutions;
- It approved the amending/supplementing of the Strategic Plan 2015-2019 CBK in compliance with the recommendations of the cooperation program between the CBK and the European Central Bank;
- Has issued/amended and supplemented 14 internal legal acts involving domestic policies and regulations, manuals, procedures, etc.;
- Has issued two guidelines for financial institutions;
- Has imposed administrative measures against sixteen financial institutions;
- It approved the change of tariffs for motor liability border insurance;
- It approved the change / supplement of the CBK tariffs.

The Executive Board has performed other duties in accordance with the Law on the Central Bank of the Republic of Kosovo and other applicable legislation.

The Audit Committee

The Audit Committee operates in accordance with the article 62 of Law No. 03 / L-209 on the Central Bank of the Republic of Kosovo and the Statute of the Audit Committee..

The objectives of the Audit Committee are to assist the Central Bank Board in meeting the responsibilities in relation to the operation of the internal and external audit, internal controls, business ethics and transparent governance, as well as financial reports to the CBK.

The Audit Committee is appointed by the Central Bank Board and consists of three members (two non-executive members selected among the members of the Central Bank Board and one member - external expert in the field of accounting and auditing).

On 31 December 2015, the Audit Committee consisted of the following members:

Prof. Dr. Bedri Peci, Head of the Audit Committee;

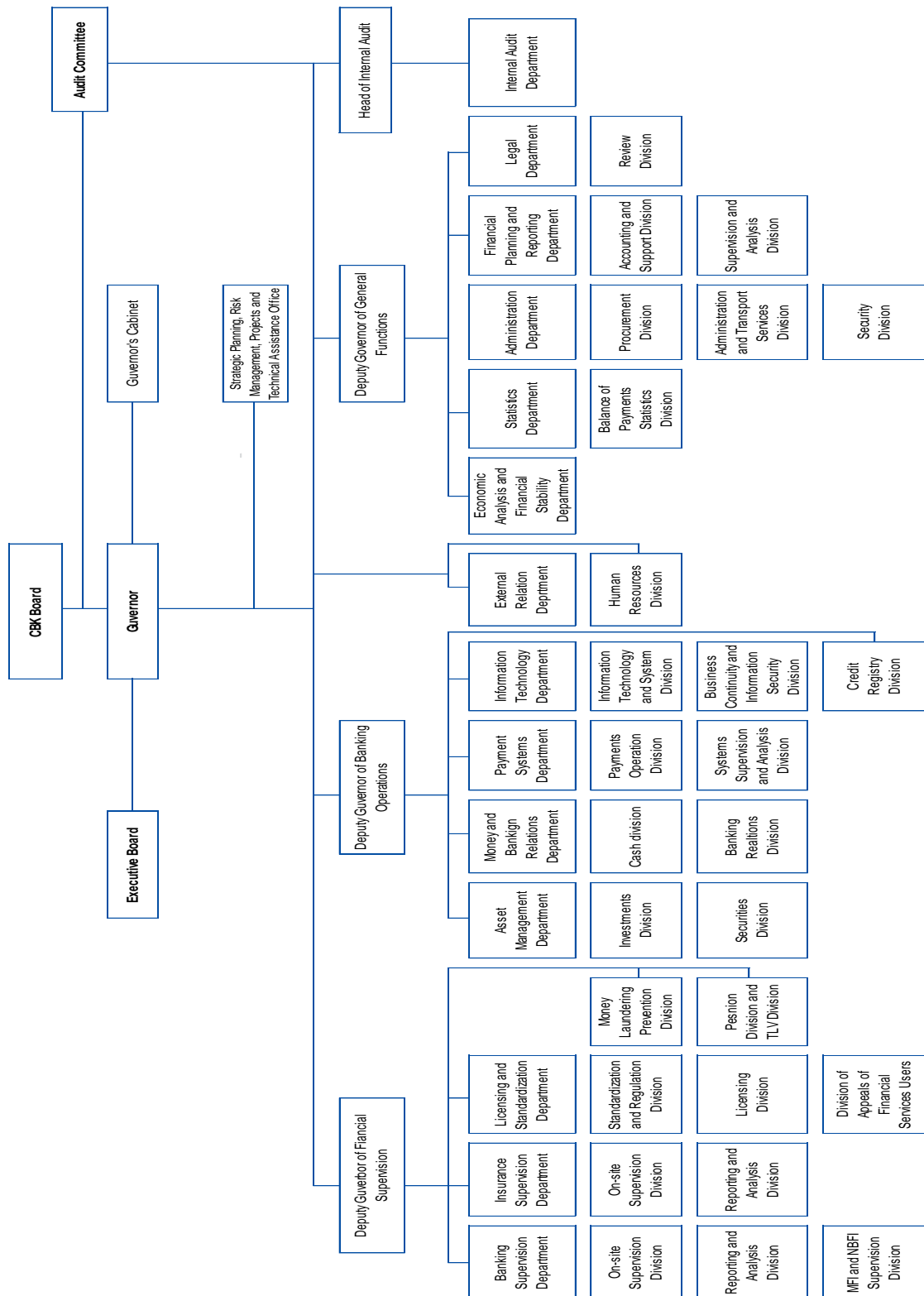
Prof. Dr. Arben Dermaku, External Member; and

Nuhi Ahmeti, Member.

The Audit Committee during 2015 has held 10 meetings. In the meetings of the Committee were addressed various issues dealing with fields that are within its scope in the context of reviewing. The Audit Committee, during 2015, has developed a number of activities, among which:

- Has reviewed the audit results presented in quarterly and annual audit reports;
- Has reviewed Annual plan of internal audit for 2015 and 2016, and proposed for its approval to the CBK Board;
- Has reviewed the results of the external audit for 2014;
- Has contributed to the process of implementing the recommendations provided by the independent external evaluators and assisted the Management in this regard;
- Has prepared and submitted to the CBK Board the annual report of the Audit Committee; and
- Has conducted other important activities that are related to its scope.

Organizational chart of CBK, 31 December 2015



1. Executive Summary

Global economic activity was recovered during 2015, albeit with significant differences between regions. Euro area was characterized with extension of economic activity, supported by increase of internal demand, which largely can be attributed to the positive impact of European Central Bank (ECB) quantitative easing program. Also, low prices of primary commodities in the international markets, which reigned throughout 2015, have been translated into increasing available income of consumers and increase the profitability of firms in certain sectors of the economy, promoting gradual increase of investments in euro area. Strengthening of internal demand in the euro area in 2015 is reflected positively on the economic development of the Western Balkan countries. During this period, economic activity in this region was characterized by growth, supported by the increase of internal demand and strengthening of external demand.

Kosovo's economy was characterized with the increase of economic activity during 2015 compared to the previous year. Preliminary statistics, prepared by Kosovo Agency of Statistics, related to quarterly GDP, indicates that Kosovo's economy marked an increase during all four quarters of 2015. For the entire 2015, the CBK estimates show that the real GDP growth rate was 3.5 percent, while CBK projections for 2016 show that the real economic growth rate will reach 3.7 percent. Economic growth in 2015 was supported by increased domestic demand, while net exports had a negative impact on the economic growth rate. In the context of internal demand, real GDP growth in 2015 is estimated to have resulted from the increase in consumption and private investments, while public consumption and public investments are estimated to have marked a decrease. Increased bank lending and increased inflows of transfers from abroad in the form of remittances and compensation of employees had significant contribution to the growth of the private consumption. Also, the increase of salaries and pensions of public sector in April 2014 had a significant impact in 2015, which resulted in growth of available income in the national economy. In the same period, FDI growth and new investment loans contributed to strengthening the position of private investments. According to the manufacturing approach, economic growth in 2015 was mainly a result of the increased value-added activity in the construction, agriculture and energy supply sectors.

In line with developments in external markets, Kosovo's economy was characterized by a decline in the price level in the first three quarters of 2015. The average annual inflation rate, expressed through the consumer price index, by September 2015 was -0.6 percent (0.5 percent by September 2014). The main contribution to the overall decline in prices in Kosovo in this period was the decline in prices of transport services, which resulted from the decline in oil prices.

During 2015, fiscal sector was characterized by an increase of budget revenues and expenditures in comparison to the previous year. Budget revenues amounted to net value of euro 1.46 billion, thus representing an annual increase of 9.3 percent, whereas, budget expenditures in 2015 amounted to euro 1.55 billion, an annual increase of 5.1 percent. Consequently, this year, Kosovo's budget registered a total deficit amounted to euro 112 million (euro 143 million in 2014). Total deficit by fiscal rule, excluding transferred expenditures from own source revenues and PAK expenditures, were around euro 78 million or -1.3 percent of GDP (-2.2 percent of GDP in 2014). In 2015, public debt amounted to euro 748.9 million (28.5 percent annual increase), whereas as a percentage to GDP reached 12.98 percent (10.63 percent in 2014).

The country's economy has continued to face imbalances against the external sector. While added value from manufacturing sectors in the country remains low, the growth in internal demand has contributed to a further increase in import. The increase of consumption and investments in the first three quarter of 2015 had an impact on the increase of imports, which is translated into increase of current account deficit. Also, within the current and capital account, the positive

balances were characterized by a decline of primary and secondary income accounts. On the other hand, they have marked an increase of their balance which continues to be positive. The current and capital account deficit amounted to euro 501.8 million in 2015 (8.8 percent of GDP), an annual increase of 20.7 percent. Remittances received in Kosovo, which at the same time represent the largest category within the secondary income account, amounted to euro 752.4 million, thus representing an annual increase of 8.5 percent. With regards to financial account, FDI received in Kosovo were characterized by a significant increase in 2015 in comparison to the previous year. Foreign Direct Investments (FDI) received in Kosovo during 2015 amounted to euro 324.4 million (euro 151.2 million in 2014).

In 2015, the financial system was characterized by increased activity, mainly as a result of the marked increase in the banking activities and pension sector. The value of total assets of the Kosovo financial system amounted to euro 4.91 billion, thus marking an annual increase of 8.1 percent. Total assets of the banking sector in 2015 amounted to euro 3.39 billion, representing an annual increase of 6.3 percent. In the context of banking sector assets, the value of total loans issued by commercial banks marked an annual increase of 7.3 percent, thus amounting to euro 2.02 billion. In the same period, the value of total deposits in the banking sector amounted to euro 2.70 billion, thus representing an annual increase of 6.5 percent. In 2015, the key indicators of the banking sector's profitability improved as a result of significant profit increase. Also, during 2015, the Capital Adequacy Ratio reached 19.0 percent from 17.8 percent in the previous year, thus indicating further strengthening of the banking sector capitalization position. The banking sector's exposure to credit risk was reduced further as a consequence of decrease of non-performing loans share to total loans to 6.2 percent, compared to 8.3 percent as it was in 2014. Also the liquidity position of the banking sector remained at a satisfactory level, continuing to remain at a strong position.

During 2015, total assets of insurance companies operating in the country amounted to euro 152.7 million, representing an annual increase of 9.1 percent. The value of total written premiums in 2015 amounted to euro 80.0 million, thus representing an annual decline of 2.6 percent, while in the same period, total claims paid by insurance companies and the Kosovo Insurance Bureau (KIB) recorded an annual increase of 13.8 percent and amounted to euro 36.8 million. The insurance sector recorded a loss in value of euro 7.7 million in 2015, compared to the loss of euro 2.5 million in the previous year.¹ Deepening of the loss was due to marked loss in non-life insurance activity, while financial performance of life insurance was positive.

Microfinance sector in 2015 marked an increase in lending activity. The value of total assets of MFIs amounted to euro 119.7 million, thus marking an annual increase of 6.0 percent. In 2015, microfinance sector ended 2015 with a profit of euro 2.5 million (euro 0.7 million in 2014), an increase which is attributed to accelerated increase in revenues, while expenditures marked a slower growth pace.

In 2015, pension funds were characterized by a positive performance. The value of total assets of Kosovo Pension Saving Fund (KPSF) amounted to euro 1.23 billion in 2015, thus marking an annual increase of 13.1 percent. By the end of 2015, the return on investments amounted to euro 29.6 million (or 2.3 percent), compared with returns of 66.7 million (or 6.3 percent) in 2014. The lowest return marked in 2015 was a result of the negative return on investments in the external sector in particular during the second and third quarter of 2015.

In the context of licensing activity of financial institutions, during 2015, the CBK approved the final license for T.C. Ziraat Bankasi A.Ş. from Turkey for opening its branch in Prishtina. Consequently, the number of banks operating in the Republic of Kosovo has increased to 10, out

¹ The data for the insurance sector are not based on non-audited financial statements.

of which 4 are subsidiaries of known bank groups with capital originating from European Union, 4 are branches of foreign banks, and two are banks with local capital. Also, in 2015 two insurance companies were licensed, i.e. Prisig and Scardian companies, thus increasing the number of insurance companies in the country to 15.

In view of a stable banking system, during 2015 the commercial banks were examined in compliance with the foreseen plan. Consistent with international practices in the relevant field, special attention was paid to credit risk, liquidity risk, market and other risks, based on the approach of risk-based supervision. During 2015, CBK was committed in adopting the best practices of insurance supervision, based on the principles of the International Association of Insurance Supervisors and risk-based supervision, thus contributing to the increase of transparency of insurance providers operations towards the public. In view of maintaining the stability of the financial sector, during 2015, CBK has examined pension funds, and other financial institutions.

Central Bank of the Republic of Kosovo, namely financial supervision plays a key role in the protection of users of financial services in Kosovo. In this context, since April 2015 it was adopted the Regulation on internal complaints handling process. During 2015, the CBK has handled 442 complaints of users of financial services (natural and legal persons), whereby 221 complaints have been filed against banks, MFIs and NBFIs, while the remaining 221 complaints were filed against insurance companies.

At the end of 2015, the Kosovo Assembly adopted the Law on Insurance, thus creating the grounds for advancing and regulating this sector. During 2015, the CBK has approved a number of new regulatory acts for banking supervision and supervision of Microfinance Institutions and Non-Bank Financial Institutions, in order to further strengthen the overall regulatory framework and harmonization with international standards. During this year, we have continued with amending and supplementing the regulatory framework for pension supervision pursuant to requirements of the Law on pension funds. In 2015, within the prevention of the money laundering (PML), it became fully operational the transactions monitoring system. The purpose of realizing this activity is to enhance the monitoring of transactions through the CBK information systems.

Similar to previous years, also during 2015, CBK provided a quantitative and qualitative supply of cash to the banking sector to enable the cash transactions in the economy. Commencement of the implementation of the new payment system was among important activities in the field of payment systems in 2015 (ATS). In 2015, in the Electronic Interbank Clearing System (EICS) were added two participating institutions, namely "Ziraat Bank" and "Kosovo Pension Savings Fund" In 2015, around 9.8 million transactions with a total value of approximately euro 7.5 billion have processed through EICS. Compared with the previous year, the volume of transactions increased by 8.7 percent, while the value of transactions increased by 9.4 percent. Also, the Credit Registry of Kosovo (CRK) made a progress during 2015, where 183 new users were registered as a result of requests submitted by member institutions, while the number of researches on the obligations and credit background of credit applicants reached to 602,642 researches.

During 2015, all the assets managed by the CBK were invested in financial instruments under the category of safe and liquid instruments. CBK had positive returns on investments, on which occasion the returns were more favourable from the investments in bank deposits compared to the investments in securities. The debt crisis in the euro area has made government securities be less favourable for investments compared to bank deposits.

In order to achieve its objectives, the CBK continued to pay particular attention to country's overall economic development analysis as well as analysis related to the assessment of the country's financial stability and financial system activities. Besides periodical publications, CBK already performs, on regular basis, macroeconomic projections, thus enriching the analysis of macroeconomic developments in the country and provides an overview of the expected developments in the country's economy. In 2015, for the first time CBK managed to publish the

Report "Indebtedness of Bank Clients in Kosovo" , which can serve as an important source of information for the CBK during the assessment of financial stability and could also serve to the banks in drafting their policies.

During 2015, significant progress has been made in the statistical function of CBK by further advancing the harmonization of statistics according to *acquis*. This year, for the first time, the CBK has started reporting data in Eurostat regarding the balance of payments and statistics of international services. In an effort to improve the quality of statistics, CBK has expanded the list of coverage, by including in the reporting process the new institutions and companies in 2015, and has enhanced in terms of periodicity and shortening the time of publication of statistics.

The CBK continued to cooperate closely with relevant international institutions, including the International Monetary Fund (IMF), World Bank (WB), as well as other international financial institutions, such as: the European Central Bank (ECB), European Bank for Reconstruction and Development (EBRD), central banks of the regional countries and other institutions with which CBK has cooperation agreements. During 2015, the program of technical cooperation of the ECB with central banks of the Western Balkans region was concluded, which aimed at preparing the central banks of the regional countries to join the European System of the Central Banks (ESCB). Another important development in the field of the foreign relations is the continuation of the program of financial education and marking of the International Money Week.

2. External Economic Environment

2.1. Euro area and Western Balkans

The real economic growth rate in the euro area in 2015 was 1.6 percent, compared with a growth rate of 0.9 percent recorded in 2014, which indicates further improvement in the economic activity compared to the previous year (table 1). During 2015, economic growth in the euro area was mainly supported by the increase of internal demand, which can be attributed to the positive impact of the quantitative easing programme measures had, which were undertaken by the European Central Bank (ECB). Also, low prices of main goods in international markets, which prevailed throughout 2015, have been translated into increasing available income of consumers and increase of profitability of enterprises, thus stimulating gradual growth of investments in euro area.

Table 1. Real annual GDP growth in selected countries of the euro area

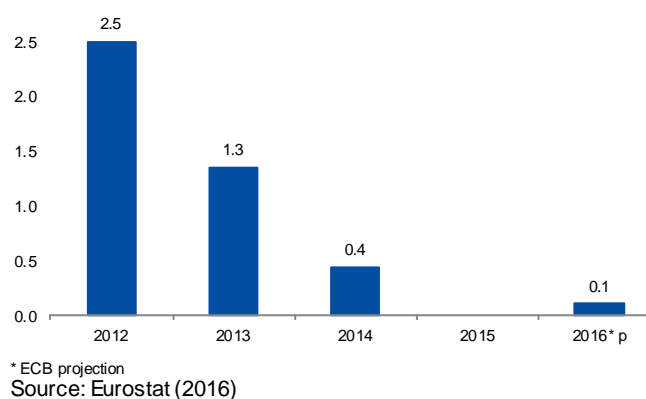
Description	2012	2013	2014	2015
Euro area	-0.9	-0.3	0.9	1.6
Germany	0.4	0.3	1.6	1.7
France	0.2	0.7	0.2	1.2
Italy	-2.8	-1.7	-0.3	0.8
Austria	0.8	0.3	0.4	0.9
Spain	-2.6	-1.7	1.4	3.2
Greece	-7.3	-3.2	0.7	-0.2

Source: Eurostat (2016)

Among the countries in the euro area, economic growth was more pronounced in Germany, France and Spain (table 1). In 2015, emerging economies such as China, Russia and Brazil faced a slowdown of the economic growth activities. Reduction of demand from these countries caused to weaken the position of the euro area net exports. However, the demand increase marked by the developed countries as well as weakening of the euro currency against other currencies has neutralized to some extent the negative impact from developing countries. For 2016, the ECB has forecasted a GDP growth rate of 1.4 percent, thus marking a slower growth compared to the initial expectations, as a result of the weakening of global economic growth and strengthening of the euro currency against other currencies.

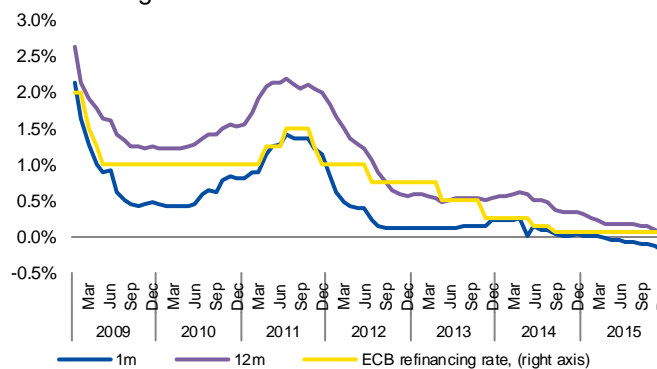
According to Eurostat, the average annual inflation rate in the euro area in 2015 was 0.0 percent. For 2016, the ECB forecasts that the average inflation rate in the euro area will be 0.1 percent (figure 1).

Figure 1. Inflation rate in euro area, in percent



ECB continued to maintain unchanged the refinancing rate during 2015. However, launching of wide stimulating programme since March 2015 has influenced the decline of 1 month and 12-month interests rates of Euribor interbank lending. In 2015, 1 month Euribor rates have declined to an average of -0.07 percent from 0.12 percent in 2014. On the other hand, average rates for 12-month period have decreased at an average of 0.17 percent in 2015, from the average of 0.48 percent in 2014 (figure 2).

Figure 2. EURIBOR interbank lending and the ECB refinancing rate



Source: Euribor (2016) and ECB (2016)

Strengthening of domestic demand in the euro area during 2015 has positively reflected on the economic developments of Western Balkan countries. During this period, the economic activity in this region was characterized by growth, which was based on the growth of domestic demand and strengthening of foreign demand. In 2015, real GDP growth in the Western Balkans was estimated to be around 2.4 percent, while for 2016, the IMF forecasts an acceleration of an average growth of GDP from 3.2 percent.

Low prices of oil, energy and food in international markets also affected the price level in the Western Balkan countries, where the average inflation rate, was estimated to be 0.9 percent in 2015. Within the countries of the region, Albania had the highest inflation rate of 2.2 percent in 2015, while only Kosovo was characterized with deflation of 0.5 percent. For Western Balkan countries, for 2016, IMF has forecasted an increase with an average inflation rate of 1.7 percent.

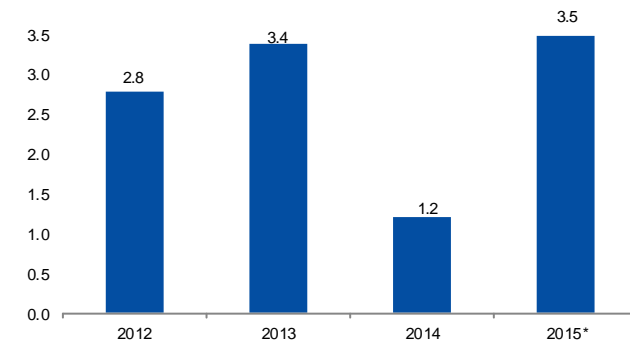
During 2015, the easing quantitative program taken by the ECB and the facilitated monetary policy were translated into a weakening of the euro currency against major currencies. The average exchange rate of the euro against the US dollar, in 2015, compared to 2014 was depreciated by 16.6 percent. Against the British pound and the Swiss franc, EUR was depreciated for 9.3 and 12.2 percent, respectively. Regarding the currencies in the region, in 2015, EUR has appreciated against the Serbian dinar with an average of 3 percent, while it depreciated against the Croatian kuna and the Albanian lek with 0.2 percent.

3. Kosovo's economy

3.1. Real sector

Kosovo's economy in 2015 followed an accelerated growth pace. According to the CBK estimates, the nominal value of GDP in 2015 was euro 5.73 billion, representing a real growth rate of 3.5 percent (1.2 percent in 2014) (figure 3). The economic growth rate during the year was a result of increased domestic demand, respectively private consumption and investments. On the other hand, net exports increased their negative impact on the economic growth rate. According to the manufacturing approach, economic growth in 2015 was mainly a result of increased value-added activity in the construction sector, electricity supply and value-added activity in the sector of hotels and restaurants.

Figure 3. Real GDP growth rate

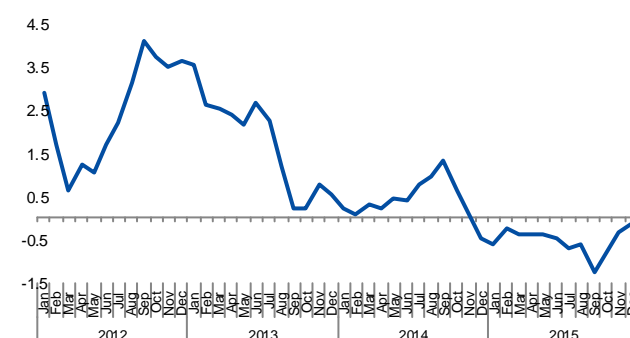


* CBK estimate
Source: KAS (2016)

According to preliminary statistics released by the Kosovo Agency of Statistics (KAS), in the first quarter of 2015, GDP recorded an annual growth of 1.7 percent, compared with the growth of 0.3 percent in the same period of the previous year. In the second quarter of 2015, Kosovo's economy was characterized by a faster annual growth rate of 4.7 percent (annual decrease of 1.7 percent in the same period of 2014), while in the third quarter of 2015 the real GDP growth rate was 4.0 percent (3.0 percent in the same quarter of 2014). Based on estimates for the growth of private consumption and the strengthening of investment position, for the fourth quarter of 2015, preliminary data from KAS suggest that the real growth of GDP was 5.0 percent.

Increased bank lending and increased inflows of transfers from abroad in the form of remittances and compensation of employees resulted in private consumption growth in 2015. Also, the increase of salaries and pensions in public sector in April 2014 had a significant impact in 2015, which resulted in the growth of disposable income in the domestic economy. In the same period, FDI growth and new investment loans contributed to strengthening the position of private investments.

Figure 4. Inflation rate, annual change in percent



Source: KAS (2016)

3.2. Prices

The general level of prices in Kosovo, expressed through the Consumer Price Index (CPI), in 2015 was characterized by deflation of 0.5 percent, compared to inflation of 0.4 percent in 2014 (figure 4).

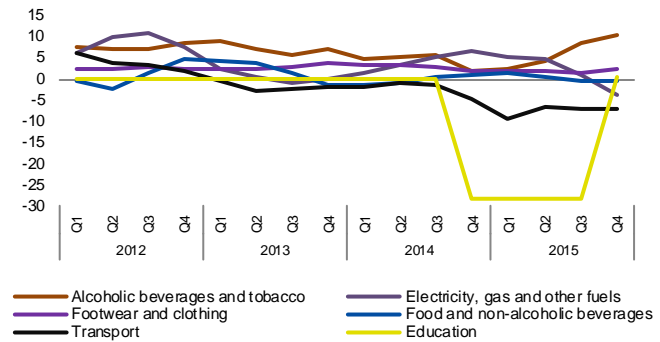
The decline of overall price level was affected by the decline of prices of educational services by 22.6 percent, transport services by 7.5 percent, restaurants and hotels services by 2.1 percent, recreation and culture by 0.6 percent and communication means by 0.2 percent. The decline of the prices of educational services is attributed to the government's decision to discount the payment to 50 percent for students of public universities, while the decline in prices of transport services was attributed to the decline in the price of oil. On the other hand, prices of alcoholic beverages and tobacco increased by 6.5 percent and the prices of housing, water, electricity, gas and other fuels marked an increase of 1.6 percent. Food and non-alcoholic prices were also characterized with an increase of prizes which were 0.4 percent higher compared to previous year. This category of product represents about 40.9 percent of the consumer basket of Kosovo (figure 5).

Movement of prices in Kosovo is similar to the movement of prices in international markets due to the high dependence of the Kosovo economy on imports. This is shown by the similar behaviour of import prices index and consumer price index in Kosovo (figure 6).

Import prices in 2015 compared to the previous year have registered an average decline of 1.0 percent. Prices of mineral products (mainly oil and its derivatives), which are the main category of the index of import prices, recorded the largest decline (15.6 percent), followed by prices of plastics (5.2 percent), basic metals (4.0 percent) and vehicles (1.7 percent). On the other hand, prices of vegetable and edible oil products recorded the highest increase in prices (25.6 percent respectively 8.2 percent), followed by machinery equipment (6.9 percent) (figure 7).

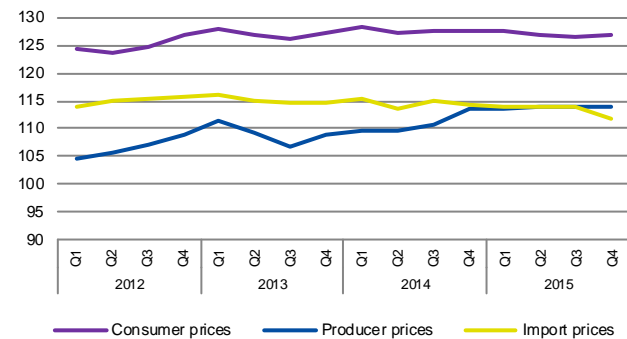
The producer price index in 2015 recorded an average annual growth of 2.7 percent. The producer price growth was more pronounced in the producer prices of chemical products, then electricity prices, gas, steam and air conditioning supply, prices of wood production and articles thereof. On the other hand, the decline in producer prices were more evident in the production of metal

Figure 5. Price movements by main components, annual change in percent



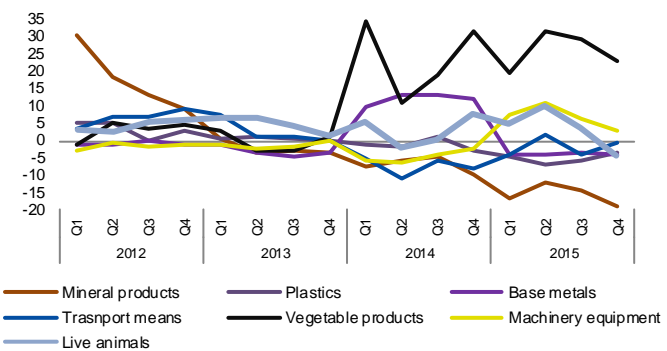
Source: KAS (2016)

Figure 6. Consumer, producer and import price indices



Source: KAS (2016)

Figure 7. Import price movements, annual change in percent



Source: KAS (2016)

products, production of leather and leather products, the decline of prices of paper production and paper products (figure 8).

3.3. Enterprise registry

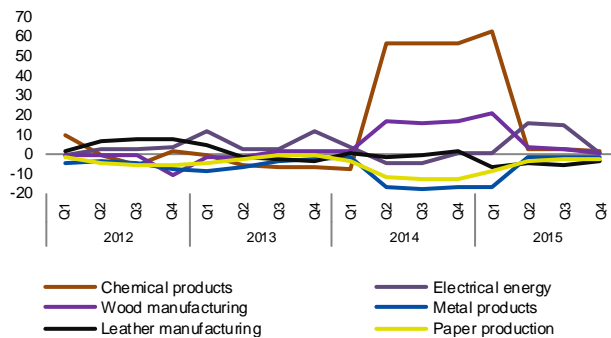
Regarding the registry of enterprises, there was marked an increase in the number of registered enterprises and also there was an increase of the number of closed enterprises. The number of new registered enterprises in 2015 was 9,833 which represents 429 enterprises more compared to the previous year, while 2,205 enterprises were closed or 534 enterprises more than in the previous year (figure 9).

Also during 2015, the largest number of registered enterprises was in trade sector with 2,903 new enterprises, followed by the manufacturing sector with 1,047 enterprises, hotels with 1,018 enterprises and agriculture with 945 enterprises (figure 10). Compared to the same period from the previous year, the agricultural sector has marked the highest growth of registered enterprises with 271 enterprises more, followed by trade, where it was marked an increase of 89 enterprises and the manufacturing sector which marked an increase of registered enterprises with 69 enterprises more than in the previous year. On the other hand, in the construction sector were marked 50 enterprises fewer compared to the previous year, in the hotel sector 16 enterprises fewer and in the transport sector 10 enterprises fewer.

3.4. Fiscal sector

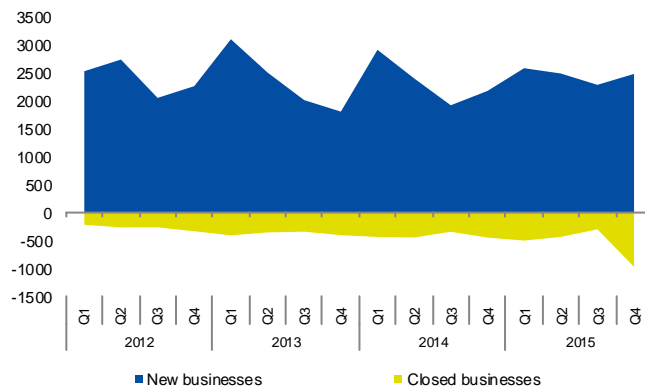
During 2015, fiscal sector was characterized by increase of revenues and budget expenditures compared to the previous year. Budget revenues² in 2015 reached a gross value of 1.49 billion EUR. If deducted the amount of EUR 35.7 million VAT returns and other taxes by Kosovo Customs and Tax Administration of Kosovo, then the budget revenues would amount to net value

Figure 8. Producer price movements, annual change in percent



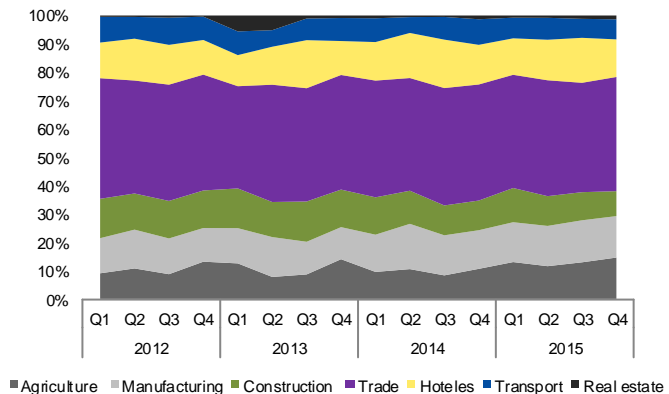
Source: KAS (2016)

Figure 9. Business registry, non-cummulative



Source: KAS (2016)

Figure 10. Structure of new enterprises



Source: KAS (2016)

² Within the budget revenues are not included revenues from loans, receipts from privatization, revenues dedicated to PAK, receipts from general grants of donors, return of loans from public enterprises and income from deposits in trust.

of EUR 1.46 billion, representing an annual increase of 9.3 percent. Budget expenditures³ in 2015 reached a value of EUR 1.55 billion, which represents an annual increase of 5.1 percent. Consequently, during this period, Kosovo's budget marked a total deficit of about EUR 112 million, compared to the deficit of around EUR 143 million marked in 2014. The overall deficit by fiscal rule, where costs are deducted from own source revenues amounting to EUR 29 million and expenditures of PAK with an amount of EUR 6 million was around EUR 78 million or -1.3 percent of GDP (-2.2 percent of GDP in 2014).

3.4.1. Budget revenues

The structure of budget revenues in Kosovo is dominated by tax revenues, which in 2015 had a share of about 87.1 percent to total budget revenues while the remainder of 12.9 percent is comprised of non-tax revenues. Tax revenues marked an increase of 9.2 percent and reached a value of EUR 1.27 billion. Regarding the structure of tax revenue, it is observed an increase of income tax collected from local taxes but also the revenues collected from border taxes. Revenues collected from local taxes reached a gross value of EUR 332.8 million. If were deducted the returns of tax administration of EUR 28.8 million then the net income from local taxes would mark an increase of 11.5 percent reaching the net value of EUR 304.0 million. Revenues collected from border taxes amounted to gross EUR 951.8 million. If excluded the customs returns of EUR 6.9 million, than net revenues collected at the border would amount to EUR 944.9 million or 8.8 percent more compared to 2014.

Also, non-tax revenues marked an increase of 9.9 percent and amounted to EUR 187.8 million. Within non-tax revenues, municipal and central own source revenues represent the main components. Own source revenues of the central level marked an increase of 35.2 percent and amounted to EUR 49.3 million, whereas municipal own source revenues, excluding the property tax of euro 19.8 million, marked a decline of 5.8 percent and amounted to EUR 38.1 million.

The realization of budget revenues marked an improvement compared to the previous year. The level of realization was 96 percent of the plan for 2015, which is 6.8 percentage points higher than the realization rate of 2014.

3.4.2. Budget expenditures

Current expenditures, which mainly consist of wages and salaries, goods and services and subsidies and transfers reached the amount of EUR 1.15 billion, corresponding to an annual increase of 9.2 percent. On the other hand, capital investments, which in 2015 represented about 26 percent of total expenditures, amounted to EUR 403.9 million which represents an annual decline of 1.8 percent.

In the context of current expenditures, wages and salaries as well as subsidies and transfers marked an increase compared to the previous year, while goods and services declined. Government expenditures on wages and salaries increased by 8.2 percent and amounted to EUR 525.0 million. Subsidies and transfers increased as well by 15.8 percent and amounted to EUR 418.1 million. On the other hand, government expenditures on goods and services declined by 0.2 percent and amounted to EUR 205.5 million.

In 2015, the execution of planned budget expenditures was around 95 percent of the plan (91 percent in 2014). Wages and salaries, as well as subsidies and transfers, marked a higher level of realization compared to the plan (98 percent for each of the category), whereas capital

³ Within budget expenditure are not included payments of debt principal, payments from donor designated grants and payments from deposits in trust.

expenditures were realized from an amount of 88 percent of the plan in comparison to the 80 percent of realization as it was in the previous year.

3.4.3. Public debt

At the end of 2015, public debt amounted to EUR 748.9 million, which is for 28.5 percent higher compared to the previous year, whereas as a percentage of GDP, reached 12.98 percent from 10.63 percent in the previous year. Despite the increase, this level of debt puts Kosovo in the position of the country with the lowest level of the public debt compared to regional countries. Based on the IMF estimates, the average of the public debt in the Western Balkans in 2015 reached the rate of 60.5 percent of GDP. Government internal debt, which is mostly debt in the form of securities to banks (67 percent of total internal debt) and pension funds (25 percent), amounted to EUR 377.8 million in 2015, an annual increase of 47.3 percent. In the same period, the government external debt marked an annual increase of 13.7 percent, amounting to EUR 371.2 million. While in the previous years the public debt was dominated by external debt, the internal debt at the end of 2015 had a higher share, representing 50.4 percent of the total public debt.

3.4.4. Market of government securities

Based on the calendar published by the Ministry of Finance, 21 auctions were held during 2015 for the issuance of securities, with a nominal amount of EUR 398.6 million. The total number of auctions was the same as in 2014, whereas the nominal amount issued was for 0.4 percent lower.

During 2015, the Government of Kosovo issued a lower number and amount of treasury bonds compared to the previous year. Until December 2015, the number of issued treasury bonds was 14 compared to 17 until December 2014. In addition to the decrease in number, the issuance of treasury bonds marked a decrease in its amount reaching EUR 278.6 million from EUR 345.0 million as it was in December 2014. On the other hand, the issuance of bonds marked an increase in the number and value during 2015 compared to the previous year. Until December 2015, 7 government bonds have been issued amounting to EUR 119.95 million compared to 4 government bonds with an amount of EUR 52.0 million until December 2014. Furthermore, during 2015, three government bonds have been issued for the first time, with 3 and 5 years maturity.

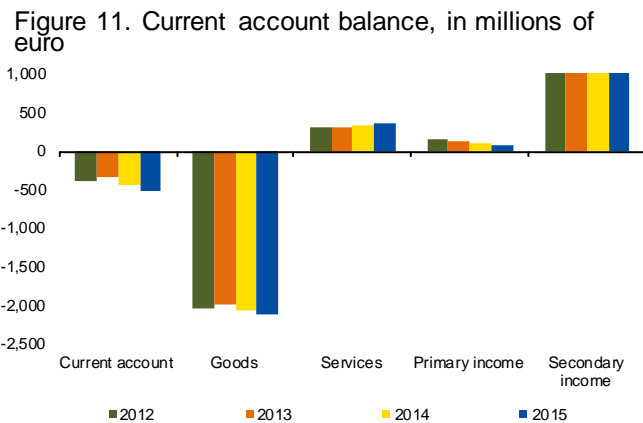
Since the establishment of the securities market in 2012, the submitted offer by participants, in most of the cases, exceeded the amount announced in auctions by the Department of Treasury within the Ministry of Finance. In December 2015, the submitted offer was for 1.55 times higher than the announced amount compared to the previous year when this ratio was 1.36 times higher. The increase of the ratio between the submitted offer and announced one was a result of the higher offer by the participants in auctions compared to the lower amount announced by the government in 2015. This ratio reflects the high interest of entities participating in the internal market in conditions when the opportunities for investments in securities of foreign governments are less attractive as a result of the low rates in these markets.

The overall average interest rate on securities during 2015 was higher (1.94 percent) compared to the previous year (1.57 percent). Also, the first issuance of the bonds with 3 and 5 years of maturity, which have higher interest rates compared to those of treasury bonds, contributed to the increase. The highest interest rate of 4.9 percent was registered in bonds with 5 years of maturity, whereas the lowest amount of 0.6 percent was registered in treasury bonds with 91 days of maturity. It is worth mentioning that during 2015, the average interest rate in treasury bonds with 182 days of maturity was characterized with an increase, whereas the average interest rate in treasury bonds with 364 days of maturity marked a slight decrease. However, the

average interest rate in treasury bonds with 91 days of maturity and those with 2 years of maturity did not change compared to the previous year.

3.5. External sector

In 2015, the external sector in Kosovo was characterized with deterioration of the current and capital account position compared to the previous year, while in the same period, the position of the financial account improved. The current and capital account in 2015 marked an increase of deficit as a result of the increased deficit in goods account and the decrease marked in the positive balance of primary and secondary income accounts. In this period, the positive balance of services was characterized with an increase.

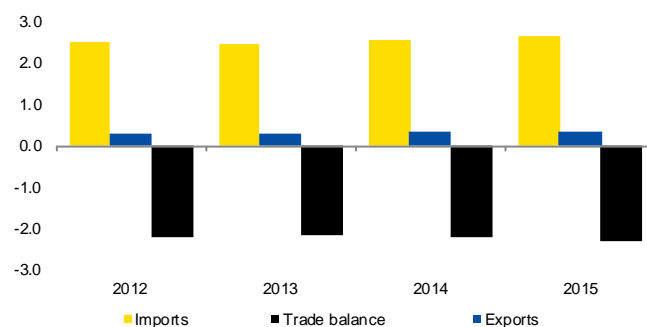


Source: CBK (2016)

The current and capital account deficit amounted to euro 501.8 million in 2015, an annual increase of 20.7 percent. The deterioration of the current account deficit is largely attributed to the increase of deficit in goods for 2.5 percent, as well as the decrease in positive balances of primary and secondary income accounts for 31.5, and 1.9 percent, respectively. In 2015, the balance of the account of trade in service was characterized with an annual increase of 5.5 percent (figure 11).

The deficit of goods account amounted to EUR 2.3 billion in 2015, which represents an increase of 4.3 percent compared to the same period in the previous year (figure 12). Total exports in 2015 amounted to EUR 325.3 million, corresponding to a weak growth of 0.2 percent. The increase of exports during this period is attributed to the increase of the amount of plastic and rubber exports, as well as exports of beverages and tobacco. However, in 2015, all large categories of goods exported by Kosovo were characterized with a decrease. The category of base metals, which at the same time has the highest share to total goods exported by Kosovo (49 percent), marked an annual decrease of 5.8 percent in 2015. Also, the category of mineral products marked an annual decrease of 6.9 percent, which have a share of around 13 percent to total exports of the country. While the decrease of the value of exports of base metals in 2015 was mostly attributed to the decrease of metal prices in the international markets, the decrease of exports of mineral products during this period was attributed to the decrease of energy export.

Figure 12. Imports, exports and trade balance, non-cummulative in billions of EUR



Source: KAS (2016)

In 2015, the value of total imports in Kosovo amounted to EUR 2.6 billion, which represents an annual increase of 3.8 percent. Within total imports, the category of machineries and electrical equipment, category of base metals, category of beverages and tobacco, chemical products and category of plastic and rubber marked an increase. In 2015, mineral products were characterized

with a decrease of the imported value. Despite the increase in the amount of oil products imports in 2015, which represent the main sub-category within the mineral products, the decrease of the imported value in this category was a result of low prices of oil in the international markets.

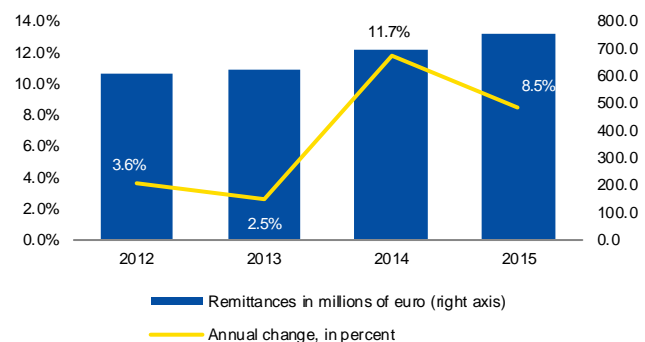
Within the structure of imports, the share of capital goods in 2015 was around 9 percent, which is a category that was characterized with an annual increase of 9.1 percent. In 2015, the value of intermediate goods increased for 2.5 percent, whereas the amount of import of consumption goods during this period increased for 4.3 percent. Intermediate goods continued to have the highest share within the structure of total imported goods (49 percent), whereas consumption goods had a share of 36 percent. The remaining share of 6 percent belongs to non-categorized goods of import. In 2015, the main commercial partners of Kosovo continued to be EU countries and Western Balkans. As a result of the more rapid increase of the imports value in 2015, the level of coverage of imports by exports decreased to 12.3 percent, from 12.8 percent in 2014.

In 2015, trade in services was characterized with an increase of the positive balance. The balance of services amounted to EUR 354.4 million, an annual increase of 5.5 percent, which was a result of the more rapid increase of exports of services against imported services. Service export marked an annual increase of 3.8 percent, amounting to EUR 796.4 million. In the same period, the amount of imported services marked an increase of 2.5 percent and amounted to EUR 442.0 million. Within the exported services, the travel services were characterized with an annual increase of 12.0 percent in 2015, while the category of computer, information and telecommunication services, as well as the category of business services was characterized with a decrease of 29.4, namely 18.8 percent. With regards to imported services, two main categories of services namely transport and travel services marked an increase of 47.3 percent and 12.2 percent, respectively.

In 2015, the primary income account had a positive balance of EUR 78.0 million, which is for 31.5 percent lower compared to the previous year. The lower balance of primary income was attributed to the higher level of payments of foreign enterprises in Kosovo to the investors, mainly in the form of the dividend. In 2015, income generated by foreign investors amounted to EUR 119.2 million from EUR 74.4 million in the previous year. The largest category within the primary income account remains the income from compensation of employees. Income from the compensation of employees, whose structure is dominated by the incomes of the seasonal employees abroad, amounted to EUR 210.3 million in 2015, representing an annual increase of 1.8 percent.

In 2015, the secondary income account amounted to euro 1.1 billion, which represents an annual decrease of 1.9 percent. The lower balance of the secondary income was attributed to the lower level of different donations and grants, as well as to the reduction of expenses by various international institutions operating in Kosovo. On the other hand, remittances received in Kosovo, which at the same time represent the largest category within the secondary income account, amounted to euro 752.4 million, which represents an annual increase of 8.5 percent (figure 13). Remittances received in Kosovo are mostly from Germany and Switzerland, which are the countries from which 37 percent, namely 22 percent of all remittances are received in

Figure 13. Remittances received



Source: CBK (2016)

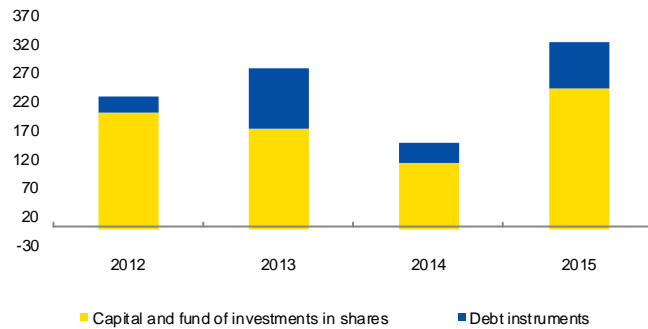
Kosovo. In 2015, a significant part of remittances were received from USA, namely 8 percent of total remittances received in Kosovo.

Another important component within the balance of payments is also the category of Foreign Direct Investments (FDIs). In 2015, the balance of FDIs was euro 287.3 million, which represents a high increase compared to the value of euro 123.8 million in the previous year. Foreign Direct Investments (FDIs) received in Kosovo during 2015 amount to euro 324.4 million (euro 151.2 million in 2014). Within the structure of FDIs, both forms of FDIs were characterized with an increase of the value, including the capital and fund of investments in shares, as well as investments in debt instruments.

The capital and the fund of investments in shares, which represent around 71.0 percent of total FDIs, amounted to euro 243.7 million or 109.1 percent more than in the previous year. Higher increase rate (133.2 percent) was marked by FDIs in the form of debt instruments, which amounted to euro 80.7 million in 2015 (figure 14).

FDIs in Kosovo are focused in the sectors as real estate (58 percent of total FDIs), financial services (20 percent), construction (14 percent), and industry (7 percent). In 2015, almost all sectors were characterized with an increase regarding the receipt of FDIs. The value of investments in real estate was higher for euro 47.5 million compared to 2014, whereas investments in the financial sector were higher for euro 22.4 million. Also investments in construction and industry, which in 2014 marked a capital withdrawal (purchase of several foreign companies by domestic owners) marked a significant increase in 2015. Regarding the origin of FDIs, the Switzerland represents the country from which most of FDIs came in 2015 (euro 72.9 million), followed by Turkey with euro 57.8 million, Germany with euro 45.3 million, Albania with euro 40.7 million, Austria with euro 33.5 million, etc.

Figure 14. Structure of foreign direct investments by components, in millions of EUR



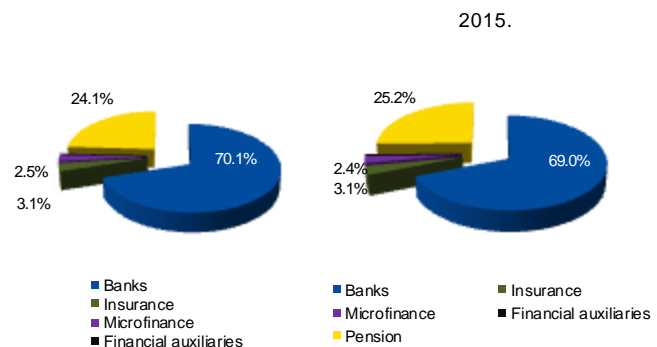
Source: CBK (2016)

3.6. Financial sector

3.6.1 General characteristics

In 2015, the value of total assets of the financial system of Kosovo amounted to euro 4.91 billion, marking an annual increase of 8.1 percent (7.3 percent in 2014). Banking sector and pension sector continue to have the main contribution in expanding the activity of financial system in the country. The insurance sector, regardless of expanding activities, had a small contribution in increasing total assets of the financial system. While the assets of the microfinance sector and financial auxiliaries had an almost neutral contribution in increasing total assets of the financial system.

Figure 15. Structure of assets of the financial system



Source: CBK (2016)

In 2015, the structure of the financial system continued to be dominated by assets of the banking sector, followed by pension funds (figure 15). With regards to the number of institutions, during 2015, in financial market of the country was added a branch of a foreign bank (to which it was granted the licence). Also, during 2015, the number of financial auxiliaries increased to 44 (42 in 2014) (table 2).

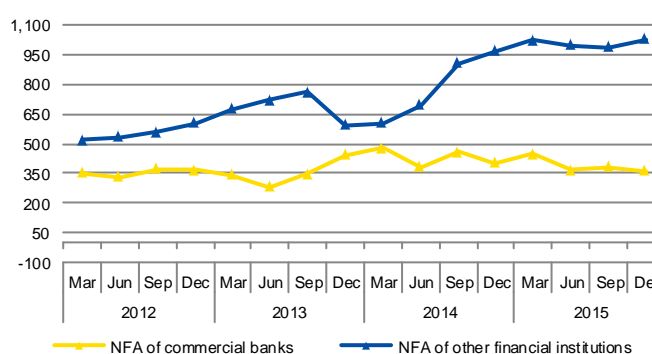
Table 2. Number of financial institutions⁴

Description	2012	2013	2014	2015
Commercial banks	9	9	10	10
Insurance companies	13	13	14	15
Pension funds	2	2	2	2
Financial auxiliaries	38	39	42	44
Micro-financial institutions	17	17	18	18

Source: CBK (2016)

In 2015, the value of Net Foreign Assets (NFA) of the financial system in Kosovo amounted to euro 1.39 billion (euro 1.37 billion in 2014), corresponding to an annual increase of 1.3 percent. This rate of increase presents a significant slowdown of NFA growth compared to 2014, when the annual growth rate was 32.3 percent (figure 16).⁵ The slowdown of the growth rate is attributed to the decline of investments in foreign markets by the banking sector. Pension funds continue to have the highest share to total NFAs (around 78 percent of NFAs), whereas the remainder is comprised of the banking sector NFAs .

Figure 16. Net foreign assets by institutions, in millions of EUR



Source: CBK (2016)

In 2015, claims on the external sector amounted to euro 1.65 billion (euro 1.61 billion in 2014), marking an annual increase of 2.6 percent, representing a significant slowdown of the growth rate compared to the annual growth of 26.8 percent⁶ in 2014. In the same period, liabilities to the external sector amounted to euro 267.0 million, marking an annual increase of 9.7 percent (2.4 percent in 2014). The highest increase of liabilities to the external sector came as a result of the rapid increase of non-resident deposits in domestic banks, which marked an annual increase of 28.0 percent in 2015 (0.2 percent in 2014).

The exposure of the financial system to the external sector continues to be more significant in the context of assets, along with lower exposure in the context of liabilities. More specifically, in 2015, foreign assets in comparison to total assets of the financial system had a share of 33.8 percent, whereas foreign liabilities to total liabilities of the financial system had a share of 5.5 percent. With regards to the banking sector, foreign assets represent 16.7 percent of total assets, while liabilities to external sector represent only 6.0 percent of total liabilities.

⁴ Number of financial institutions represents the number of institutions licensed to operate in Kosovo market.

⁵ In this context, the financial sector does not include the Central Bank.

⁶ Within the claims of financial system in Kosovo to the external sector is not included the category of "cash." This is due to the fact that euro in monetary and financial statistics is considered as an external asset (claims to non-residents); however, these assets are in Kosovo

3.6.2 Banking sector

In 2015, the structure of the banking sector in Kosovo was similar to the previous periods. According to the ownership, structure of the banking sector continued to be dominated by foreign banks, whose assets comprise 90.1 percent of total assets of the banking sector, whereas the remainder is managed by banks with domestic capital.

The rate of the market concentration in the banking sector continued its decreasing trend in assets and loans, as well as in deposits, unlike the previous year where the level of market concentration in deposits marked an increase. The decrease of concentration in assets was as a result of more rapid increase of assets of smallest banks compared to the slower growth in assets of the three largest banks (figure 17). Whereas the decrease in the level of concentration on deposits came as a result of the decrease of deposits in two largest banks, compared to the higher increase of the level of deposits in other banks.

Banking sector activity

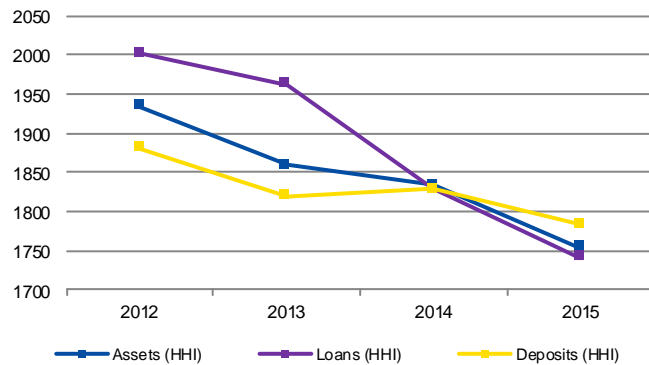
Assets

In 2015, banking sector expanded the value of assets to EUR 3.39 billion, corresponding to an annual increase of 6.3 percent (4.1 percent in 2014) (figure 18). The highest contribution to the increase of assets of the banking sector was marked by the expansion of loan portfolio, which continues to be the category that dominates the structure of assets of the banking sector. The acceleration of the increase of the banking sector activity reflects the sustainable progress of deposits, which also marked an acceleration of increasing pace.

Within assets of the banking sector, the category of securities marked the most significant annual increase of 23.4 percent (8.3 percent in 2014) (figure 19).

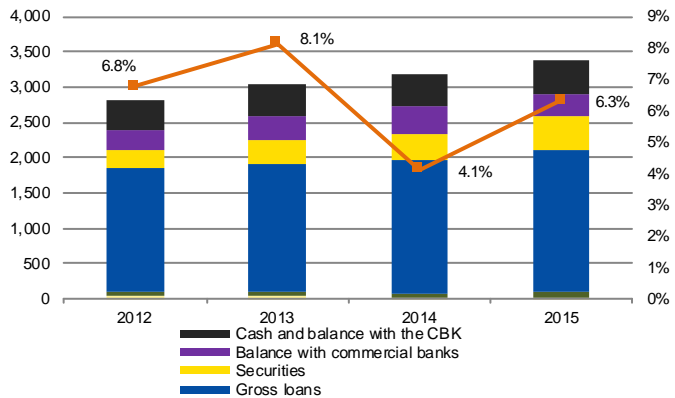
Therefore, the share of securities to total assets of the banking sector amounted to 14.0 percent from 12.0 percent in 2014. The expansion of securities during 2015 is mainly attributed to the increase of investments in foreign governments' securities, unlike the previous year when investments in securities of the Government of Kosovo had the main contribution to the increase.

Figure 17. Concentration level in the banking sector



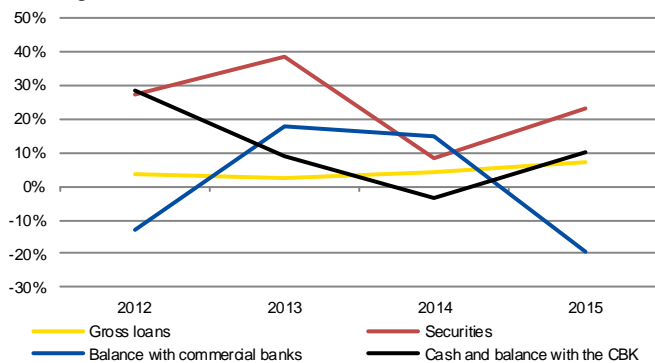
Source: CBK (2016)

Figure 18. Structure of assets of banking sector



Source: CBK (2016)

Figure 19. Assets of the banking sector, annual change



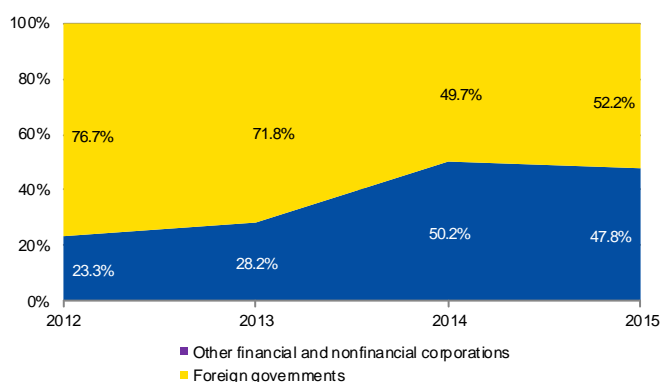
Source: CBK (2016)

In 2015, investments in securities of foreign governments were characterized with an increase of 29.4 percent compared to the decrease of 25.0 percent marked in 2014. Whereas, investments in securities of the Government of Kosovo in 2015 marked an annual increase of 17.4 percent, representing a slower increase compared to the annual increase of 92.6 percent marked in the previous year. This was reflected also in the decrease of the securities share of the Kosovo's Government to 47.8

percent, in addition to the expansion of securities of the foreign governments to 52.2 percent to the total portfolio of securities of the banking sector in 2015 (figure 20). These developments may be as a result of the lower offer of the Government of Kosovo for issuing securities compared to the previous year.

Cash and balance with the CBK marked a significant increase during 2015. In 2015, cash was characterized with an annual increase of 9.9 percent compared to the decrease of 3.5 percent marked in 2014. The increase of this category reflects the increase of deposits in the banking sector and also low interest rates, even dropping down to negative interest rates in the international markets, which have limited the opportunities of commercial banks for investments in these markets. These developments had an impact on the decrease of the balance with commercial banks, which includes deposits and credit lines in foreign banks. This category recorded an annual decrease of 19.1 percent in 2015, which resulted in the decrease of the share of this category to 9.3 percent of total assets in 2015 (table 3).

Figure 20. Structure of securities, in percent



Source: CBK (2016)

Table 3. Structure of the banking sector assets

Description	2012		2013		2014		2015	
	In millions of EUR	Share (%)	In millions of EUR	Share (%)	In millions of EUR	Share (%)	In millions of EUR	Share (%)
Cash and balance with the CBK	425.7	15.0%	463.3	15.1%	447.1	14.0%	491.2	14.5%
Balance with commercial banks	287.9	10.2%	339.9	11.1%	390.7	12.3%	316.0	9.3%
Securities	256.6	9.1%	354.5	11.6%	383.8	12.0%	473.5	14.0%
Gross loans	1763.4	62.3%	1805.8	59.0%	1882.4	59.1%	2,019.4	59.6%
Fixed assets	57.7	2.0%	55.5	1.8%	53.7	1.7%	57.3	1.7%
Other assets	38.1	1.3%	40.3	1.3%	27.9	0.9%	29.8	0.9%
Total	2,829.3	100%	3,059.3	100%	3,185.6	100%	3,387.3	100%

Source: CBK (2016)

Loans

Loans of the banking sector continued to be marked by accelerated growth since the previous year. In 2015, the total loans amounted to euro 2.02 billion, representing an annual growth of 7.3 percent (4.2 percent in 2014) (figure 21). Loans growth in 2015 was attributed to the eased conditions offered by banks, such as lowering the interest rate, extending the loan amount and maturity on loans provided, as well as to the increased demand for loans by enterprises and households. Increased demand for loans is significantly driven by the decline in interest rates on loans during the year.

Within the total loans, loans to households in 2015 marked an increase of 9.7 percent (10.2 percent in 2014). Growth in household lending is attributed to the increase of 27.7 percent of new mortgage loans and the increase of 55.8 percent of new loans with favourable conditions, along with the decline of 2.8 percent marked by the new consumer loans.

The main contribution to the accelerated total growth of lending sector was provided by loans to enterprises, which also have the major weight to total loans (65.9 percent of total loans). These loans marked an annual growth of 6.1 percent in 2015 (3.2 percent in 2014) (figure 21).

The structure of enterprise lending by economic activity remains headed by loans intended for the trade sector (with a share of 51.2 percent), followed by those for the manufacturing sector (12.3 percent) and construction sector (7.5 percent). The agricultural sector continues to have the lowest share in bank financing with 4.5 percent, which nevertheless during this period was characterized by the accelerated growth (figure 22).

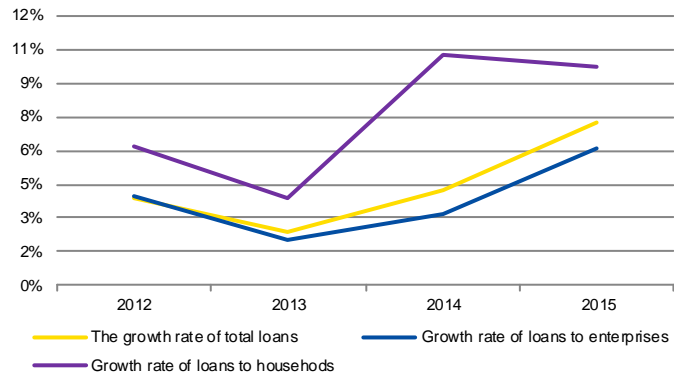
Regarding the recent lending tendencies of the economic sectors, until 2015, lending to all sectors marked an increase, excluding the construction sector which continues to be characterized by a downward trend since 2013. It should be noted that sectors which generally have lower share to

bank lending, such as agriculture and financial services, during 2015 were marked with significant growth, which represents an important development to the support of the economic developments in the country.

The most significant annual growth of 55.1 percent within loans to enterprises was marked by lending to the sector of financial services, which represents a significant improvement compared to the decline of 11.9 percent marked in 2014. This recovery, to some extent, can be attributed to the increase of registration of new enterprises with financial and insurance activity, where the year of 2015 reflects the highest number of registrations in this sector compared to all earlier periods. Specifically, by 2015, the number of new registered companies in 2015 was 95 enterprises, which represent the double rate of the number of newly registered enterprises in this sector during the previous year (43 until 2014).

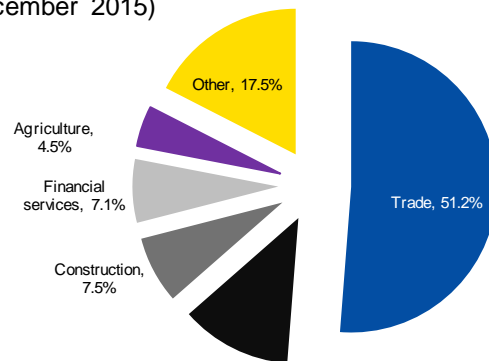
The second-highest growth rate of 20.3 percent of lending is recorded in the agriculture sector, which represents a significant improvement compared to the growth of 8.7 percent recorded in 2014 (figure 23). Improvement may be affected by the doubling of the government budget for 2015 for the program of subsidies and grants in this sector, which was reflected in increasing the number of newly registered businesses in this sector. By 2015, about 40 percent more are reported to be new businesses in the agricultural sector compared to the same period of the previous year. Simultaneously, the interest rate on new loans to the agricultural sector, in 2015, recorded the sharpest decline of 4.3 percentage point compared to other sectors. As a result of the significant reduction in 2015, the interest rate on loans for agricultural enterprises was the

Figure 21. Loans by sectors, annual change



Source: CBK (2016)

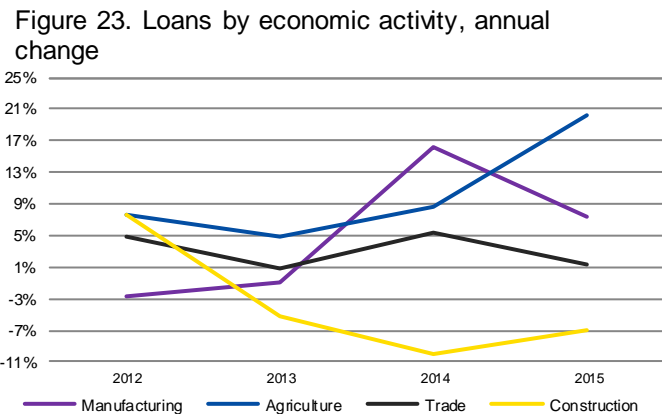
Figure 22. Loans by economic sectors, in percent (December 2015)



Source: CBK (2016)

lowest of all other sectors unlike previous years when interest rates for agricultural enterprises were the highest.

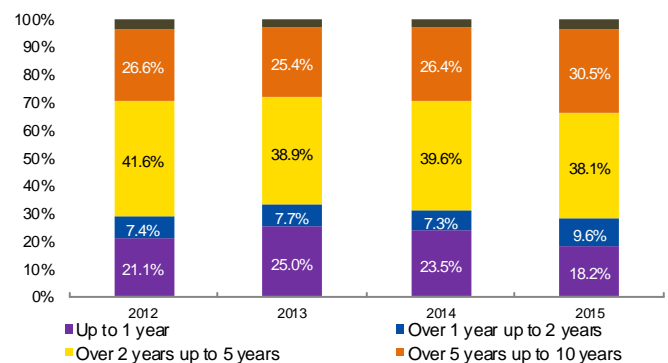
Lending to the trade sector in 2015 marked an increase of 1.3 percent, which presents a slowdown compared to the 5.3 percent increase marked in 2014 (figure 23). Slower pace of growth, among others, reflects the similar flow of trade activity of Kosovo with other countries, where can be noticed the poorer performance of exports as well as imports. Growth of received loans is recorded with the manufacturing sector as well, which although with the slower pace of growth compared with the previous year, was among the sectors with the highest growth in lending in 2015. The annual growth rate of loans for this sector in 2015 was 7.3 percent (16.2 percent in 2014) (figure 23).



Source: CBK (2016)

On the other hand, despite the decline of the interest rates and facilitation of overall lending standards by banks, lending to the construction sector continues to decline. In 2015, loans to the construction sector recorded an annual decline of 7.0 percent (down from 9.9 percent in 2014).

Figure 24. Structure of loans by maturity, in percent



Source: CBK (2016)

According to maturity, structure of total loans continues to be dominated by mid-term loans, namely loans with maturity 'over 2 years up to 5 years' (figure 24). However, compared to previous periods, it is observed a tendency of moving toward long-term lending. In 2015, short-term loans 'up to 1 year' marked a decline in the share of the structure and the category of long-term loans 'over 5 years' continued to grow at a faster pace.

Liabilities

The structure of liabilities of the banking sector is dominated by deposits, which make about 79.8 percent of total liabilities, representing the main source of funding for the banking sector. The high reliance on deposits collected within the country, and particularly in household deposits, which are considered more stable source of funding, avoids the sector exposure to movements in the foreign financial markets.

The category of balance with other banks in 2015 reached to euro 43.4 million, representing an annual growth of 37.2 percent. The category of other borrowings (including certificates of deposits) has registered an increase of 24.7 percent in 2015 reaching EUR 17.6 million (table 4).

With a significant growth was also characterized the banking sector's own resources, which are the second largest category with share of 11.6 percent to total liabilities of the sector. In 2015, the own recourses recorded a growth of 21.9 percent (16.3 percent in 2014). The growth of own recourses was mainly due to higher realized profit of the banking sector during 2015.

Table 4. Structure of the banking sector liabilities

Description	2012		2013		2014		2015	
	In millions of EUR	Share (%)	In millions of EUR	Share (%)	In millions of EUR	Share (%)	In millions of EUR	Share (%)
Balance with other banks	6.0	0.2%	16.5	0.5%	316	10%	43.4	1.3%
Deposits	2,279.0	80.6%	2,449.0	80.1%	2,537.5	79.7%	2,701.4	79.8%
Other borrowings	18.9	0.7%	13.4	0.4%	14.1	0.4%	17.6	0.5%
Other liabilities	223.6	7.9%	246.2	8.0%	232.1	7.3%	194.3	5.7%
Subordinated debt	310	1.1%	56.3	1.8%	47.3	1.5%	36.8	1.1%
Own resources	270.8	9.6%	277.8	9.1%	323.0	10.1%	394.0	11.6%
Total liabilities	2,829.3	100%	3,059.3	100%	3,185.6	100%	3,387.3	100%

Source: CBK (2016)

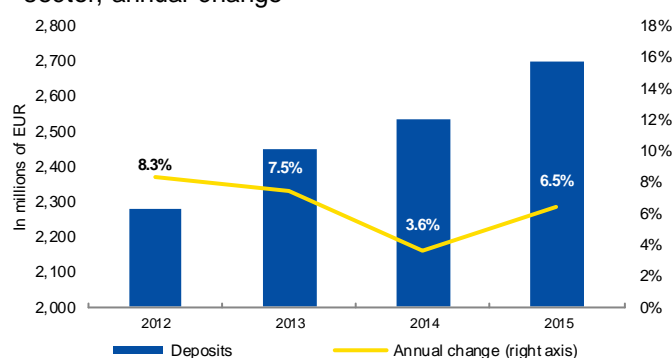
Deposits

The value of total deposits in the banking sector of Kosovo amounted to euro 2.70 billion in 2015, representing an annual growth of 6.5 percent (3.6 percent in 2014) (figure 25). This growth rate represents a recovery of the deposit trend compared to previous years, when the pace of deposit growth was slow. Deposit growth, among others, could have been contributed by interrupting the declining trend of interest rates on deposits as of the second quarter of 2015.

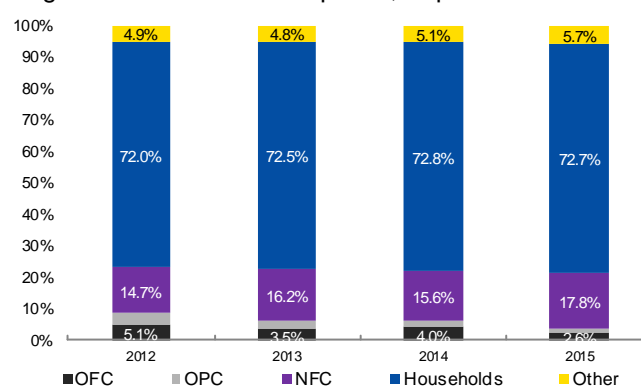
The structure of the total deposits of the sector is dominated by household deposits, which comprise 72.7 percent of total deposits. Deposits of enterprises which have a share of 21.6 percent to total deposits represent the second category according to the deposits structure. Whereas, the remainder of 5.7 percent consists of other deposits (deposits of non-residents, non-governmental organizations, central and local governments) (figure 26).

Regarding the progress of deposits, the growth pace of total deposits mostly are dictated by household deposits as the dominant category. In 2015, household deposits recorded an annual growth rate of 6.3 percent (4.1 percent in 2014).

A growth was also marked by the enterprise deposits which in 2015 for 4.2 percent higher compared to 2014 (an annual growth of 0.7 percent in 2014). Other deposits (deposits of non-residents, non-governmental organizations, central and local governments, etc.) also were characterized by an accelerated growth, marking an annual growth rate of 19.0 percent in 2015 (9.4 percent in 2014) as a result of the significant growth of non-resident deposits in banks operating in Kosovo.

Figure 25. The value of deposits in the banking sector, annual change

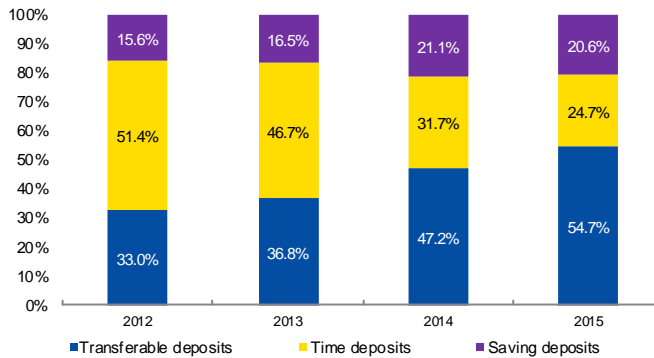
Source: CBK (2016)

Figure 26. Structure of deposits, in percent

Source: CBK (2016)

The structure of deposits according to maturity has undergone significant changes compared to previous years. Time deposits continue to restrict their share in the structure with a significant pace since 2013, which can be a result of declining interest rates during that period. In 2015, time deposits narrowed their share to 24.7 percent of total deposits (from 31.7 percent in 2014), whereas the transferable deposits expanded their share to 54.7 percent (47.2 percent in 2014). The remaining category, that of saving deposits in 2015 slightly has reduced the share to 20.6 percent to total deposits (from 21.1 percent in 2014) (figure 27).

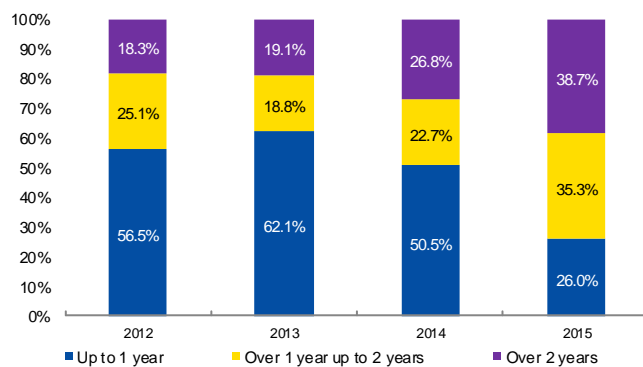
Figure 27. Structure of deposits by maturity, in percent



Source: CBK (2016)

Although the total time deposits were characterized by a decline, within their structure is noticed a significant shift towards longer terms of maturity. Deposits with longer maturity of 'over 2 years' and medium term of 'over 1 up to 2 years' increased their share in the structure, whereas short-term deposits 'up to 1 year' have reduced their share in the structure of total time deposits (figure 28). These shifts are in line with interest rates movements, which remain higher in deposits with longer maturities.

Figure 28. Time deposits

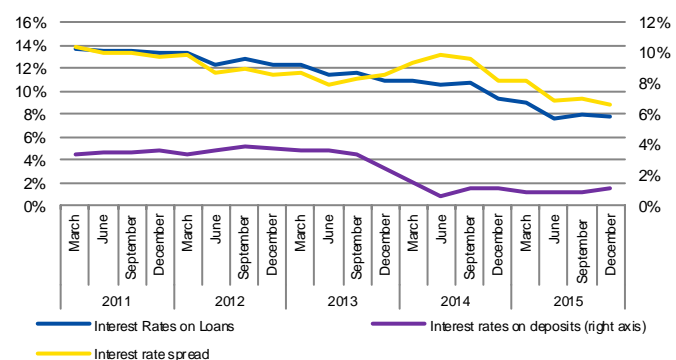


Source: CBK (2016)

Interest rates

Interest rates on loans, in 2015, marked a more significant decline. In 2015, the average interest rate on loans decreased to 7.7 percent, from 9.3 percent as it was in 2014. On the other hand, interest rates on deposits increased slightly, unlike in 2014 when they had marked a significant decrease. In 2015, the average interest rate on deposits reached 1.2 percent, from 1.1 percent as it was in 2014. The interest rate spread on loans and deposits in 2015 decreased to 6.5 percent, from 8.2 percent as it was in 2014 (figure 29).

Figure 29. Average interest rates on loans and deposits



Source: CBK (2016)

Figure 30 shows that interest rates in Kosovo, both on loans and on deposits have converged with the rates applied by other countries in the region.⁷ In 2015, the interest rate on loans in Kosovo was lower than in Albania and Montenegro, and was higher than the interest rate in Bosnia and

⁷ Interest rates of Serbia are not included due to lack of comparable data with other countries.

Herzegovina and Macedonia. As regards to deposits, Kosovo and Montenegro had the lowest interest rates among countries in the region.

Interest rate on loans

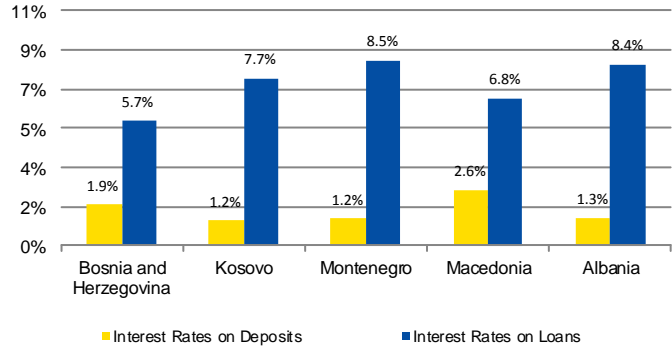
During 2015, the interest rate on loans to enterprises marked a decline, as well as on household loans. However, since the second quarter of 2015, the decline reflected more on enterprise loans, compared to household loans. In 2015, the average interest rate on enterprise loans decreased to 7.4 percent, from 9.6 percent as it was in 2014. In the context of enterprise loans, investment loans continue to be characterized by the lowest interest rates with an average of 7.2 percent in 2015, while the average interest rate for non-investment loans was 7.8 percent in 2015 (figure 31).

The lowest level of interest rates on investment loans may have had an impact on the faster growth of the new loans of this category, which marked an annual growth of 20.8 percent in 2015, compared with the new non-investment rates, which marked an annual growth of 7.1 percent in 2015. Other categories were also characterized with the decrease in interest rates, such as overdrafts and different credit lines to enterprises. Interest rates on different credit lines to enterprises marked a more significant decrease, reaching to 8.5 percent, from 11.8 percent as it was in 2014. Meanwhile, the average interest rate on enterprise overdrafts decreased to 7.1 percent, from 9.4 percent in 2014.

According to the maturity of loans, the most pronounced decrease in the interest rate of 2.8 percentage points was marked in loans with the medium-term maturity (figure 32). In 2015, the lowest interest rate of 6.9 percent was marked in loans with maturities of 'over 5 up to 10 years', which also was reflected in the high annual increase of 62.6 percent of the new loans in this category during the same period. The highest interest rate of 8.0 percent was marked in loans with maturity 'up to 1 year'.

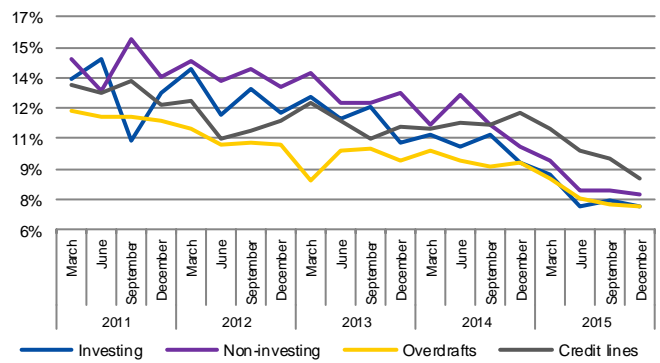
According to the economic activities, with the decrease in interest rates were characterized loans for all sectors of the economy, but the most significant decrease was marked in loans to the sector of agriculture and services sector. In 2015, the average interest rate on loans to the agricultural

Figure 30. Interest rates in Kosovo and in the region countries



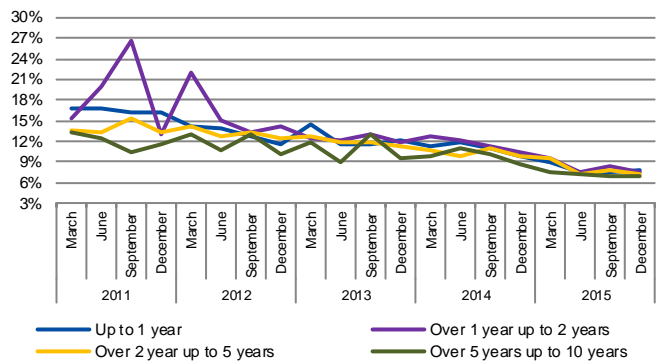
Source: CBK (2016)

Figure 31. Average interest rates on loans to enterprises



Source: CBK (2016)

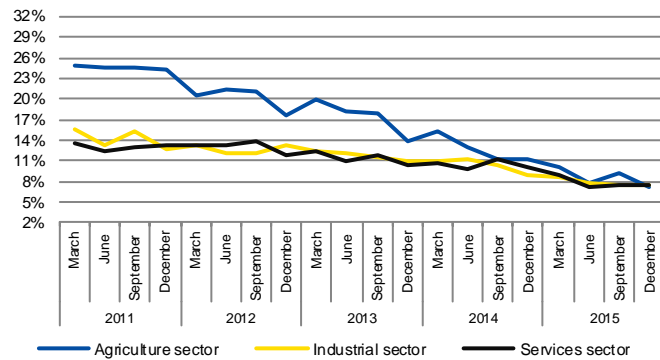
Figure 32. Average interest rates on loans to enterprises, by maturity



Source: CBK (2016)

sector decreased to 7.1 percent, from 11.3 percent as it was in 2014 (figure 33). The interest rate decline for agriculture loans was estimated to have been an important contributor in accelerating the growth of loans to this sector, which in 2015 marked the highest growth in loans. The interest rate on loans to the services sector (including trade which represents 70.2 percent of the total stock to services loans) decreased to 7.4 percent (10.0 percent in 2014), which was also reflected in accelerated growth of loans to other services (including financial services compared to previous year, while lending to trade has slowed down. A decline was also marked in interest rates on loans to industry, which decreased to 7.4 percent in 2015 (8.9 percent in 2014).

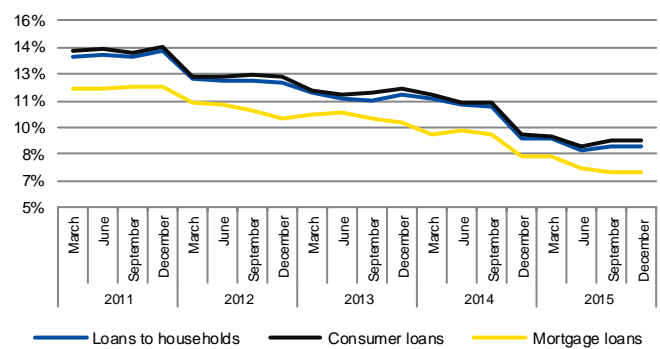
Figure 33. Average interest rates on loans, by economic sectors



Source: CBK (2016)

Regarding household loans, in 2015, the average interest rate decreased to 8.4 percent, from 8.9 percent as it was in 2014. The most significant decrease was marked in mortgage loans, where the average interest rate decreased to 7.0 percent, from 7.9 percent in 2014. Meanwhile, the average interest rate on consumer loans decreased to 8.7 percent, from 9.1 percent as it was in 2014 (figure 34).

Figure 34. Average interest rate on loans to households



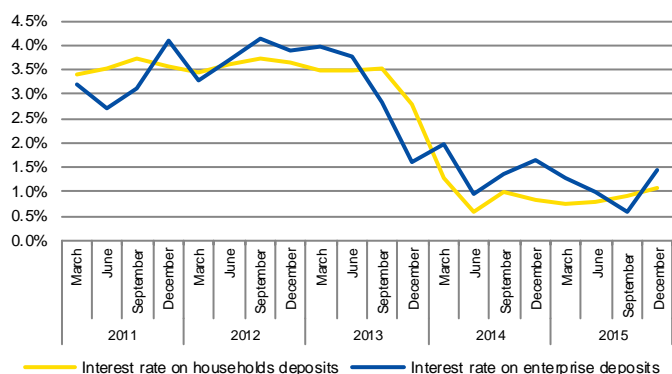
Source: CBK (2016)

In the context of mortgage loans, loans with long-term maturity had lower interest rates compared to the short-term loans. The lowest interest rate of 5.9 percent was marked in mortgage loans with maturity of 'over 10 years', while the highest interest rate of 7.4 percent was marked in loans with maturity of 'over 2 years up to 5 years'. In the context of mortgage loans, loans with a maturity of 'over 10 years' marked the most significant annual decline with an average of 1.9 percentage points.

Source: CBK (2016)

Interest rates on deposits

Figure 35. Average interest rates on deposits



Source: CBK (2016)

The growing trend of interest rate on total deposits since the second quarter of 2015 primarily reflects the growth in the interest rate on household deposits, which dominate the structure of deposits in the banking sector. Meanwhile, interest rates on enterprise deposits interrupted the declining trend only in the fourth quarter of 2015. However, it is worth mentioning that during the longest period of 2015 (excluding the third

quarter), the interest rate on enterprise deposits was higher compared to interest rates on household deposits (figure 35).

In 2015, the interest rate on enterprise deposits decreased to 1.5 percent in 2015, from 1.6 percent as it was in 2014 (figure 35). Interest rates on time deposits decreased to 1.5 percent in 2015 (1.6 percent in 2014), while interest rate on saving deposits decreased to 0.1 percent in 2015 (0.7 percent in 2014) (figure 36).

According to the maturity, the lowest interest rates were present on deposits with a maturity of 'over 1 month up to 3 months' (0.7 percent), while with the highest interest rates were characterized deposits with a maturity of 'over 2 years' (3.2 percent).

The average interest rate on household deposits, in 2015, reached 1.1 percent, from 0.9 percent as it was in 2014. The positive trend of the average interest rates on deposits largely reflects the slight increase in the interest rate on time deposits. In 2015, the interest rate on time deposits reached 1.1 percent, from 0.9 percent as it was in 2014 (figure 37).

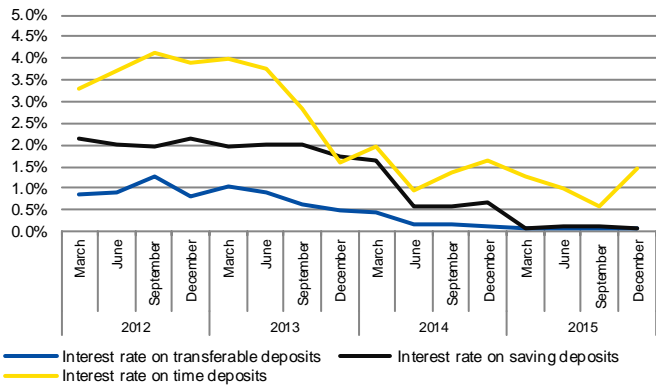
Within time deposits, the lowest interest rate of 0.2 percent was marked on deposits with maturity of "up to 1 month", while the highest interest rate of 2.2 percent was marked on deposits with maturity of 'over 2 years'. Meanwhile, a more significant annual growth of 0.6 percentage points was marked on interest rates on deposits with maturity of 'over 1 year up to 2 years'.

On the other hand the interest rate on saving household deposits in 2015 was reduced to 0.3 percent, from 0.6 percent as it was in 2014. Lower interest rates on time deposits and saving deposits in the last two years contributed to the shift of household and enterprise deposits to transferable deposits, which have managed to become the category with the largest share to total deposits.

Banking system performance

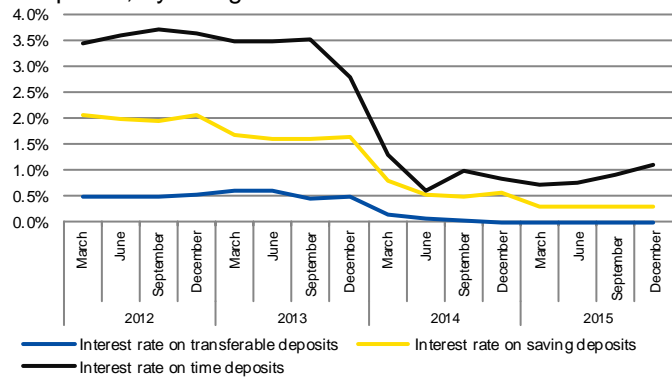
In 2015, the realized profit of the banking sector amounted to EUR 94.7

Figure 36. Average interest rates on enterprise deposits, by categories



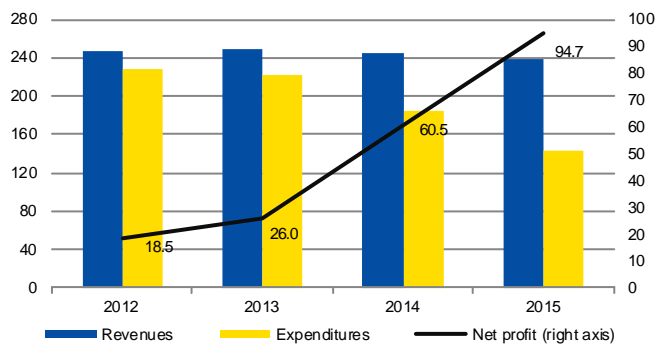
Source: CBK (2016)

Figure 37. Average interest rates on household deposits, by categories



Source: CBK (2016)

Figure 38. Financial performance of the banking sector, in millions of EUR

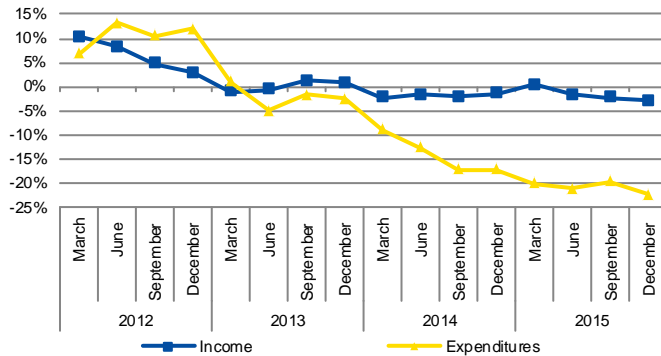


Source: CBK (2016)

million, (60.5 million euro in 2014), which shows the highest profit amount registered since the beginning of the functioning of this sector (figure 38). The increase of the profit during this year came as a result of a significant reduction of the banking sector expenditures.

In 2015, banking sector revenues amounted to EUR 238.2 million, representing an annual decline of 2.9 percent (figure 39). The main contributor to the decline of income were the interest income which, in 2015, marked a significant annual decline of 5.7 percent. This decline was mainly attributed to the decline of interest income on loans, mainly due to the decline in interest rates, despite the acceleration of lending activity during this period. In 2015, the non interest income marked an annual increase of 7.2 percent mainly as a result of increased income from fees and commissions, which among others reflects the increase of services price offered in bank branches.

Figure 39. Income and expenditures of the banking sector, annual change

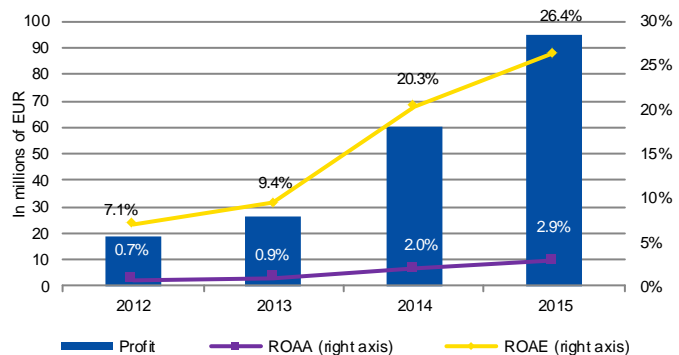


Source: CBK (2016)

In 2015, total expenses of the banking system amounted to EUR 143.5 million which is for 22.3 percent lower compared to the previous year (figure 39). Reduction of total expenses was mainly due to the reduction of non-interest expenses, which marked an annual decrease of 88.6 percent. In the context of noninterest expenses, provision expenses marked the largest decrease, reducing to 141.1 percent mainly as a result of the reduction of nonperforming loans. Also, the reduction of total expenses was influenced by the reduction of interest expenses which marked an annual decline of 48.7 percent, mainly as a result of the decrease in deposit interest expenses of 54.0 percent. Despite the slight increase in deposit interest rates during 2015, their reduction over the past two years, reflected in reduction of expenses in 2015. General and administrative expenses, which represent the majority of total expenses, were the only category which marked an increase by 5.2 percent of annual rate in 2015. This increase is mainly attributed to other noninterest expenses (marketing, legal expenses, undisclosed costs etc.), while a lower extend is attributed to increase of personnel expenses.

The expenditures to income ratio sector has marked a significant improvement compared to last year as a result of significant reduction of expenditures. In 2015, this indicator was improved to 60.3 percent compared to the previous year which was 75.3 percent. The profit realized during 2015 has had an impact on the further improvement of profitability indicators such as, the Return on Average Assets (ROAA) and the Return on Average Equity (ROAE). ROAA reached 2.9 percent, from 2.0 percent that it was in 2014, while the ROAE reached 26.4 percent, from 20.3 percent that it was in 2014 (figure 40).

Figure 40. Profitability indicators of the banking sector



Source: CBK (2016)

Risks of the banking sector

Risks exposed to the banking sector of Kosovo remained at a low level in 2015. Furthermore, the banking sector marked a reduction of exposure to credit risk and solvency.

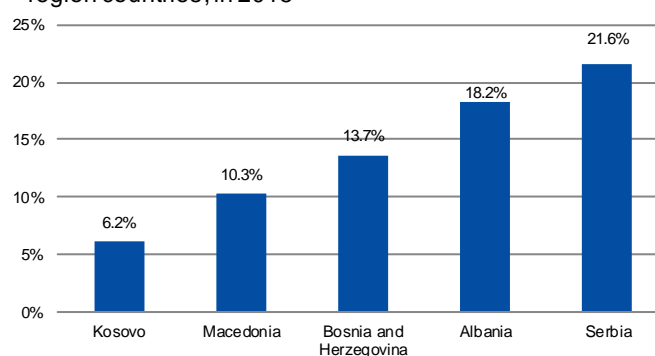
Table 5. Indicators of the banking sector risks

Description	2012	2013	2014	2015
Capital Adequacy Ratio	14.2%	16.7%	17.8%	19.0%
Nonperforming loans (NPL) ratio to total loans	7.5%	8.7%	8.3%	6.2%
NPL coverage with provisions	112.6%	110.6%	114.4%	115.1%
Loans to deposits ratio	77.4%	73.7%	74.2%	74.8%
Liquidity ratio	40.8%	48.0%	43.6%	44.9%
The level of credit exposure	93.4%	129.7%	97.1%	67.1%

Source: BQK (2016)

In 2015, the nonperforming loans ratio (NPL) to total loans decreased from 8.3 percent as it was in 2014 to 6.2 percent. This decrease was a result of the decrease of nonperforming loans value, and the accelerated growth of the stock of loans during 2015 (table 5). Kosovo continues to be the country with the best loan portfolio quality compared to other region countries, which have an average ratio of NPL to total loans of around 16 percent (figure 41).⁸

Figure 41. NPL to total loans ratio in Kosovo and in the region countries, in 2015

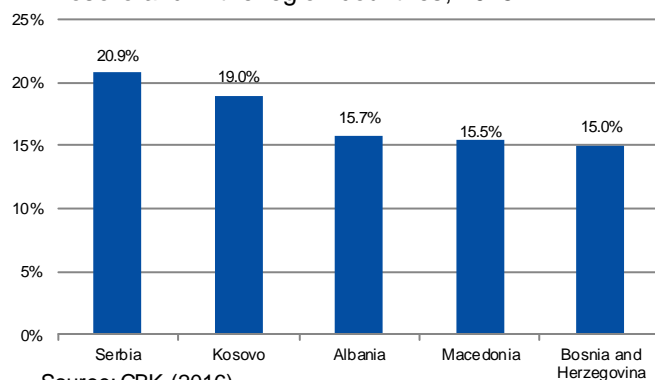


Source: CBK (2016)

Furthermore, the coverage of nonperforming loans with provisions for loan losses in 2015 has increased, which indicates a good protection of the sector from possible losses. In 2015, the coverage ratio of non-performing loans by provisions increased from 114.4 percent to 115.1 percent. The banking sector was also characterized by a decline in the trend of credit risk concentration. In 2015, the rate of credit exposure in the banking sector, which is measured as the ratio of large exposures to Tier 1 capital, decreased from 97.1 percent to 67.1 percent. The decrease is mainly attributed to the significant increase of Tier 1 capital as a result of the high profit increase in 2015, but it was also given a contribution by the decline of the large exposures value.

The exposure of the banking sector to liquidity risk remains low despite the accelerated increase in lending, mainly as a result of accelerated increase in deposits. In 2015, the loan to deposit ratio marked a slightly increase from 74.2 percent to 74.8, as a result of higher annual growth of loans compared to deposits growth. The accelerated increase of deposits has had an impact

Figure 42. Capital Adequacy Ratio in the banking sector in Kosovo and in the region countries, 2015



Source: CBK (2016)

⁸ The indicator about Montenegro was not presented due to the lack of the data.

on the slight increase of liquid assets indicator to short term liabilities, which remain well above the minimum level set by regulatory requirements. Broad liquid assets ratio to short term liabilities was increased from 43.6 percent to 44.9, and remains well above the 25 percent, as required by the minimum level set by the Central Bank.

During 2015, the capital of the banking sector marked an increase as a result of net income increase, leading to a quality increase of the capital and capitalization indicators of the sector. In 2015, the capital adequacy ratio, which represents the ratio between regulatory capital and risk weighted assets, reached 19.0 percent compared to 17.8 percent a year ago. Compared with other region countries, Kosovo remains to be among the countries with the highest rate of capital adequacy ratio (figure 42).⁹ In 2015, the average level of this indicator in other region countries was 16.8 percent.

The banking sector continues to have low exposure to market risk, considering the fact that almost all loans and deposits continue to carry fixed interest rates (91.5 percent of total loans, respectively 100.0 percent of deposits) and to the fact that the banking system balance sheet is almost entirely denominated in EUR currency (99.7 percent in 2015) and therefore has low exposure to exchange rate risk.

Even in 2015, the banking sector has continued to develop electronic service delivery to customers, with a high automation level on one side, which is coupled with an increasing level of their exposure to operational risk. However, banks were active in undertaking measures to implement the CBK recommendations, which intend to ensure the compliance with regulatory requirements and reduce operational risk in the banking sector.

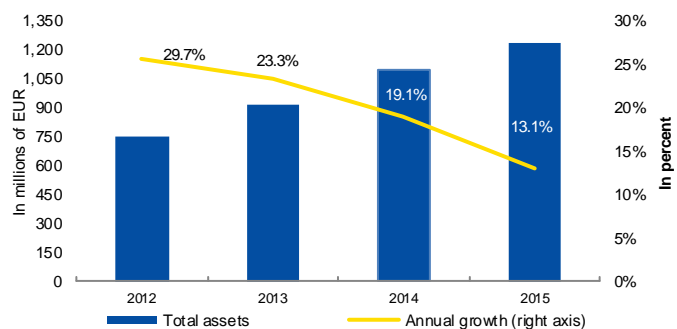
3.4.3 Pension sector

In 2015, the value of the assets of the pension sector amounted to EUR 1.24 billion, marking an annual growth of 13.1 percent (figure 43). Kosovo Pension Savings Fund (KPSF), manages the majority of the sector assets (99.4 percent), whereas the remainder (0.6 percent) continues to be managed by the Slovenian-Kosovar Pension Fund (SKPF).

In 2015, the total assets value of KPSF amounted to EUR 1.23 billion, corresponding to an annual growth of 13.1 percent, representing a slower growth compared with the annual growth of 19.1 percent reached in 2014. The slowdown in growth of KPSF assets is attributed to new collection performance and investment return performance. Until 2015, new collections amounted to EUR 137.5 million from about 508.0 thousand contributors, corresponding to an annual increase of 6.8 percent (annual increase of 8 percent in 2014).

In 2015, return of KPFS investments was positive, but at a lower value compared to the previous year. Until 2015, the return in investments amounted to EUR 29.6 million (or 2.3 percent), compared with returns of EUR 66.7 million (or 6.3 percent) by 2014. This was the result of negative investment returns in external sector during the second and third quarter of 2015. The

Figure 43. Assets of the pension sector, in millions of EUR



Source: CBK (2016)

⁹ The indicator about Montenegro was not presented due to the lack of the data.

lower investments return was affected by significant movements in global financial markets during the second and the third quarter of 2015 as a result of the economic and political developments in some euro area countries and expectations for slower growth of Chinese economy, which was reflected also in the US economy, and consequently affected the performance of foreign KPSF investments. On 31 December 2015, the KPSF stock price amounted to euro 1.317 (1.288 euro in 2014).

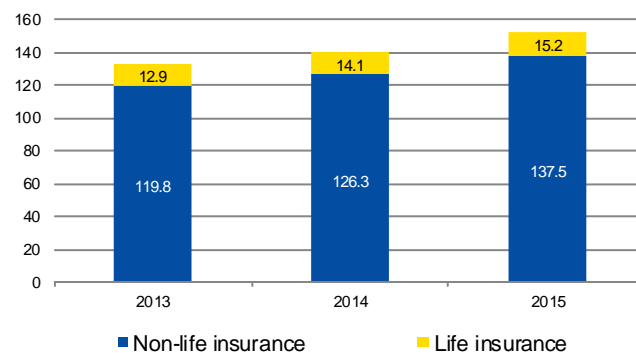
Slovenian-Kosovo Pension Fund marked an annual increase of assets and a positive return from investments. In 2015, the value of total assets of SKPF amounted to euro 6.0 million, marking an annual increase of 3.0 percent, which is also lower than the increase of 9.2 percent marked in 2014. The slowdown in value increase of the SKPF assets was the result of slower increase of new collections and also the lower increase of investments return. The value of contributions collected in 2015 amounted to euro 461.4 thousand from 4,025 contributors, corresponding to an annual increase of 1.8 percent. This represents a slight slowdown compared to 2014 when were collected EUR 453.2 thousand (2.1 percent annual growth) from 393.0 thousand contributors.

Until 2015, the gross returns from SKPF investments amounted to euro 158.7 thousand, which is significantly lower than the return of euro 371.9 thousand registered in 2014. Similarly with KPSF, the investments performance of SKPF was affected by movements in global financial markets during the second and third quarter of 2015. On the last day of 2015, the SKPF stock price amounted to EUR 145.30 (EUR 145.16 in 2014).¹⁰

3.4.4 The insurance sector¹¹

Total assets of the insurance sector in 2015 marked a growth of 9.1 percent, reaching the amount of EU 152.7 million (figure 44). Non-life insurance represent the largest sector (90.0 percent of total assets in the sector), and marked a growth of 9.2 percent, unlike the previous year when they marked an annual growth of 5.1 percent. The growth of non-life insurance assets primarily resulted from the start of operation of two new companies in this sector. Whereas, the rest of the insurance sector is represented by life insurance, which comprises 10.0 percent of total assets of the insurance sector. Life insurance assets in 2015 marked a growth of 7.7 percent (9.2 percent in 2014).

Figure 44. Assets of the insurance companies, in millions of EUR



Source: CBK (2016)

insurance sector is represented by life insurance, which comprises 10.0 percent of total assets of the insurance sector. Life insurance assets in 2015 marked a growth of 7.7 percent (9.2 percent in 2014).

Insurance sector activity

Total value of written premiums in 2015 amounted to EUR 80.0 million, which represents an annual decrease of 2.6 percent, compared to last year, when written premiums marked a growth of 3.8 percent. The structure of written premiums is lead by non-life insurance, which represents 96.6 percent of total written premiums. Consequently, the total premiums performance is dictated by the trend of non-life insurance premiums. Non-life written premiums in 2015 amounted to EUR 77.3 million, corresponding with the annual decrease of 3.0 percent, compared to the annual growth of 3.4 percent registered in 2014.

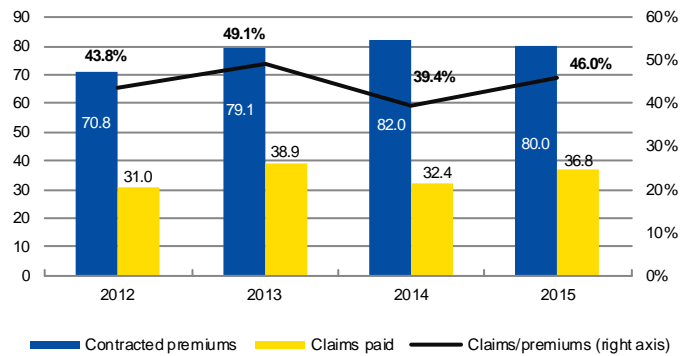
¹⁰ Base value of of action of SKPF is 100 unlike KPSF which is 1.

¹¹ The data for the insurance sector are based on non-audited financial statements.

Life insurance premiums represent only 3.4 percent of total premiums of the sector. In 2015, life insurance premiums amounted to EUR 2.7 million, which represents an annual growth of 11.1 percent (18.9 percent in 2014). The growth of non-life insurance premiums has contributed in the mitigation of the annual decrease of total written premiums.

Total claims paid by the insurance companies and Kosovo Insurance Bureau (KIB) in 2015 amounted to EUR 36.8 million, marking an annual growth of 13.8 percent, compared to the previous year when the value of claims paid marked an annual decrease of 16.8 percent. Significant impact on the increase of total claims paid has had the increase of paid claims for non-life insurance, which marked an increase of 14.6 percent, compared to the annual decrease of 16.6 percent in 2014. Payments of life insurance claims has also marked an increase, thus recording an annual increase of 38.3 percent, compared to the annual decrease of 5.0 percent marked in 2014. Claims paid by Kosovo Insurance Bureau (KIB) marked an increase as well, by registering an annual growth rate of 6.8 percent (-18.2 percent in 2014).

Figure 45. Contracted premiums and claims paid, in millions of EUR



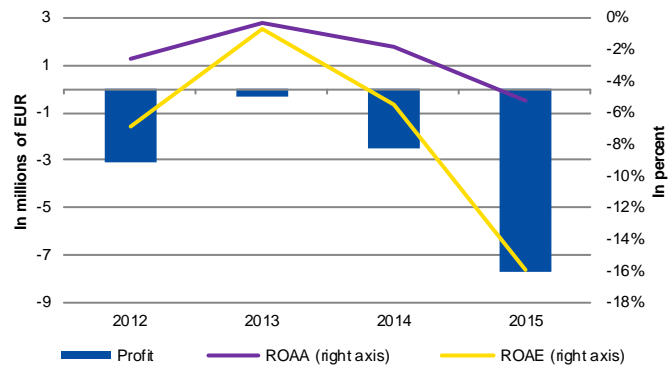
Source: CBK (2016)

The increase of paid claims and decrease of the written premiums value has resulted in an increase of the ratio of total claims paid against written premiums, which in 2015 reached 46.0 percent compared to 39.4 percent as it was in 2014 (figure 45).

Performance of insurance sector

In 2015, the insurance sector recorded a loss in an amount of EUR 7.7 million, compared to the losses of EUR 2.5 million during the previous year. Non-life insurance continues to be characterized by loss compared to life insurance that resulted in a better financial performance. During 2015, non-life insurance marked a loss of EUR 8.1 million, compared to the losses of EUR 3.0 million in the previous year. Life insurance was characterized by an increase in profits at EUR 377.9 thousand, in 2015, (EUR 487.5 thousand in 2014). The deepening of losses had an impact on profitability indicators, such as Return on Average Assets (ROAA) and Return on Average Equity (ROAE). ROAA deteriorated to -5.3 percent (-1.8 percent in 2014) while ROAE to -16.0 percent (-5.5 percent in 2014) (figure 46). The insurance sector was also characterized by a decrease of the liquidity level. The cash and its equivalents to reserves ratio decreased to 101.1 percent in 2015 (it was 119.3 percent in 2014), whereas the ratio of cash and its equivalent to total obligations decreased to 91.9 percent (it was 102.3 percent in 2014).

Figure 46. Profitability indicators of the insurance sector



Source: CBK (2016)

3.4.5 Microfinance sector¹²

Activity of the microfinance sector

The microfinance sector was characterized by an accelerated activity expansion, where the value of total assets of the sector reached EUR 119.7 million, representing an annual growth of 6.0 percent (figure 47). The structure of the microfinance sector assets was dominated by loans, which represent 68.8 percent of total assets of the sector. The second-largest category regarding the share in the structure is leasing, which represents 18.2 percent of total assets of the sector (figure 48). The activity of the microfinance sector was mainly based on loans from the external sector. In 2015, the value of total loans amounted to EUR 62.7 million, representing an annual increase of 1.4 percent (annual decrease of 1.4 percent in 2014).

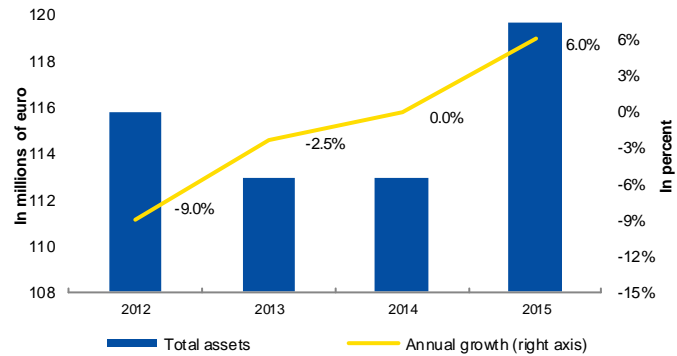
Loans

The value of total loans of the microfinance sector in 2015 amounted to EUR 82.4 million, which represents an accelerated annual increase of 10.7 percent (2.9 percent in 2014). In 2015, loans to enterprises marked a higher annual growth rate (15.6 percent) compared to loans to households (8.2 percent). However, loans to household, as the main loan category of the microfinance sector, gave the main contribution to the increase of total loans issued by this sector.

Loans to household in 2015 marked an annual increase of 8.2 percent, which represents a significant improvement compared to the annual decrease of 0.4 percent in 2014. Loans to households represented 64.5 percent of total loans of the microfinance sector in 2015.

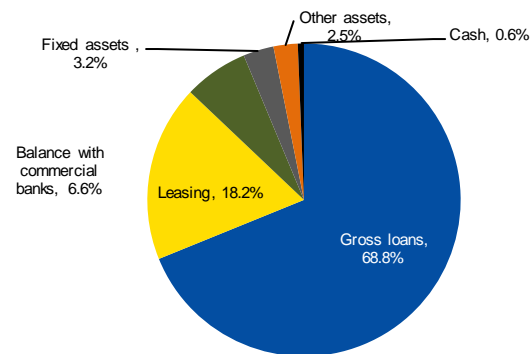
The structure of household loans in terms of the maturity period continues to be dominated by loans with a maturity period of over 1 up to 2 years, which represents 47.0 percent of total loans, followed by loans with a maturity of

Figure 47. Assets of the microfinance sector, in millions of euro



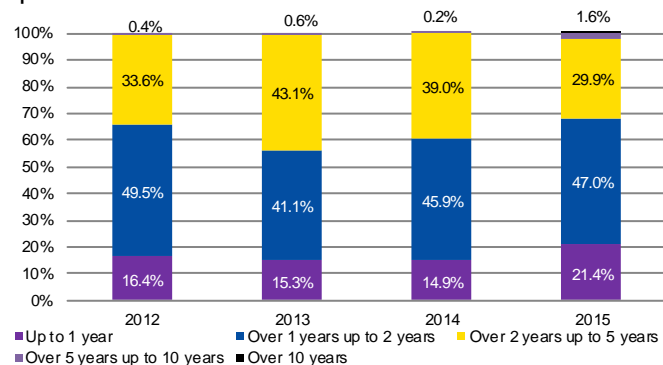
Source: CBK (2016)

Figure 48. Structure of microfinance sector assets



Source: CBK (2016)

Figure 49. Loans to households by maturity, in percent



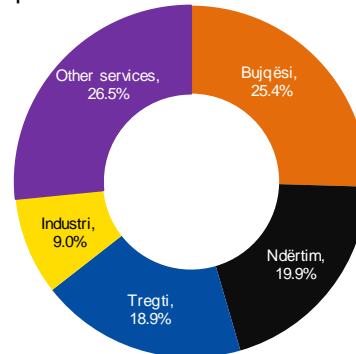
Source: CBK (2016)

¹² Within the microfinance sector it also refers to the five non-bank financial institutions that are licensed for lending activity.

over 2 up to 5 years, which represent 29.9 percent of total loans. Short-term loans of ‘up to 1 year’ represent 21.4 percent of total loans, whereas the smallest share belongs to loans to households with a maturity of over 10 years, which represent only 0.2 percent of total loans (figure 49).

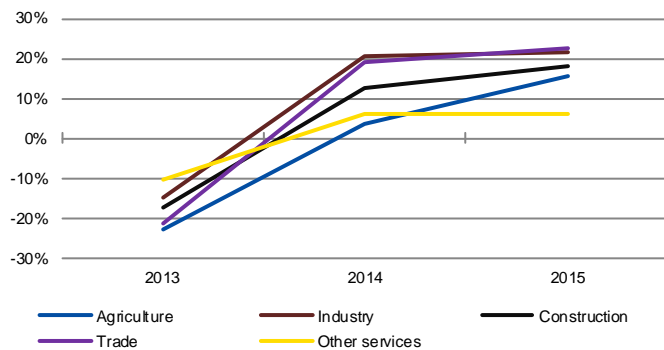
Loans enterprises, during 2015 marked an annual increase of 15.6 percent compared to the annual growth of 9.9 percent marked in 2014. The structure of loans to enterprises by economic sector remains similar to the previous periods. The main category continues to consist of loans designated for services, which in 2015 represented 26.5 percent of total loans of the microfinance sector. Unlike the banking sector, where agriculture loans represent the lowest share, microfinance institutions provide higher support to agriculture, which represents the second-largest category with 25.4 percent. Loans to construction, which represent 19.9 percent of all loans of the microfinance sector, remain the third-largest category. Loans to the trade sector represented 18.9 percent of total microfinance loans, which is different from the banking sector loans, which are dominated by the trade sector. The industry sector remains the sector with the lowest access to microfinancing, with a share of only 9.0 percent (figure 50).

Figure 50. Microfinance sector loans by economic sector, in percent



Source: CBK (2016)

Figure 51. Growth rate of the microfinance sector loans to enterprises, by economic sectors



Source: CBK (2016)

In terms of lending trend by economic sectors, loans to trade sector marked the highest annual growth of 22.7 percent in 2015 (19.1 percent in 2014) (figure 51). Loans to the industrial sector marked an annual increase of 21.7 percent (20.6 percent in 2014), whereas loans to the construction sector marked an annual increase of 18.3 percent (12.8 percent in 2014). The more significant increase of microfinance loans to the trade sector in the time of the growth slowdown of the bank loans to the trade sector, as well as the more pronounced increase of the microfinance loans to the construction sector during the time when bank loans to the same sector marked a decrease, may prove that the microfinance sector can supplement bank loans and may represent increased competitive pressure of the microfinance sector towards the bank sector.

Loans to the agriculture sector also marked an accelerated annual growth of 15.4 percent (3.6 percent in 2014). In 2015, loans to the sector of other services¹³, which dominate the structure of total loans, marked an annual increase of 6.4 percent similar to the previous year (6.0 percent in 2014).

¹³ The category of other services include: mines, energy, hospitality, other trade, financial services and real estate.

The structure of the sector's loans to enterprises according to the maturity period continues to be dominated by loans with a midterm maturity. In 2015, loans with a maturity period of 'over 1 to 2 years' comprised 42.8 percent of total loans, followed by loans with a maturity period of 'over 2 up to 5 years' which comprised 40.3 percent of total loans. The third-largest category regarding the share in the structure of total assets remain short-term loans 'up to 1 year' with 15.6 percent. The lowest share in the structure, with 1.2 percent, belongs to loans with a maturity of 'over 5 up to 10 years' (figure 52).

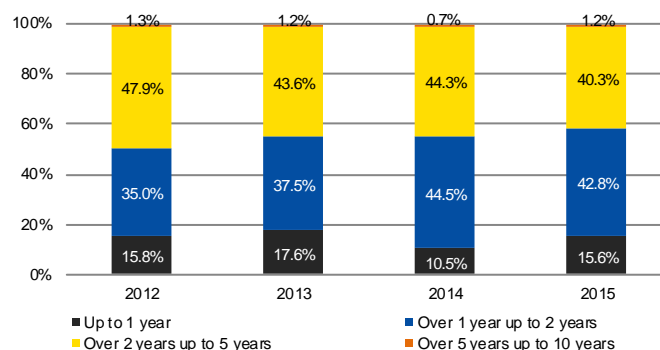
Leasing

Leasing, as the second-largest category according to the share in the structure of total assets of the microfinance sector, in 2015 amounted to EUR 21.8 million (figure 53), representing an annual decrease of 2.5 percent. The decrease of total leasing was mainly attributed to the decrease of leasing to households, which marked an annual decline of 3.7 percent in 2015. During 2015, household leasing was categorized by decrease, both in mortgage and in other leasing categories.

The decrease of leasing to households was affected by mortgage leasing, which marked an annual decrease of 3.7 percent compared to the annual increase of 110.8 that was marked in 2014. Other categories of leasing marked an annual decrease of 2.9 percent (an annual increase of 15.2 percent in 2014). Household leasing defines the flow of total leasing, since it is the dominating category with 52.8 percent of the leasing structure (figure 54). The maturity structure of leasing to households continued to be dominated by long-term leasing of 'over 10 years' which comprised 46.8 percent of the structure, followed by leasing with a maturity of 'over 5 up to 10 years' which account for 39.5 percent.

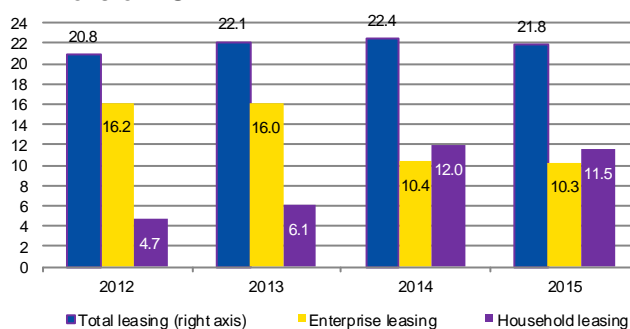
The decrease of total leasing was also affected by enterprise leasing, which were characterized by a slight annual decrease of 1.0 percent and represent 47.2 percent of total leasing of the microfinance sector. Within the enterprise leasing, it was the category of leasing for equipment which affected the decline of this category. At the same time, other types of leasing, which

Figure 52. Loans to enterprises by maturity, in percent



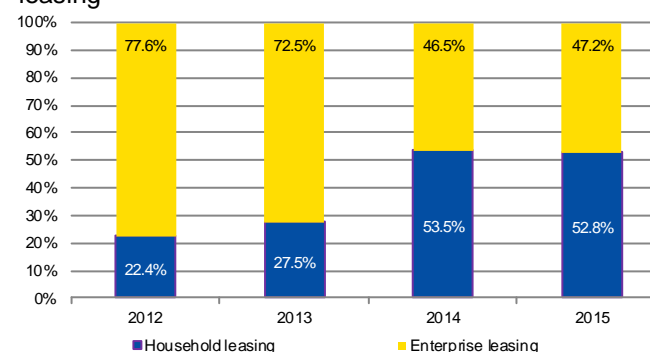
Source: CBK (2016)

Figure 53. Leasing of the microfinance sector, in millions of EUR



Source: CBK (2016)

Figure 54. Structure of the microfinance sector leasing



Source: CBK (2016)

represent the largest category in weight (with a share of 83.2 percent of the structure of total leasing), affected this decline not to be very significant for this category. Until 2015, equipment leasing marked a more significant annual decrease of 36.5 percent, followed by mortgage leasing which marked a decrease of 12.6 percent. Unlike these categories, other forms of leasing were characterized with an annual increase of 9.8 percent, thus mitigating the significant decrease of total enterprise leasing.

The maturity structure of enterprise leasing was dominated by midterm leasing similar to the same period of the previous year. More specifically, leasing with a maturity of 2 up to 5 years dominated the structure with 89.4 percent, followed by leasing with a maturity of 'over 1 up to 2 years' representing only 7.6 percent.

Interest rates

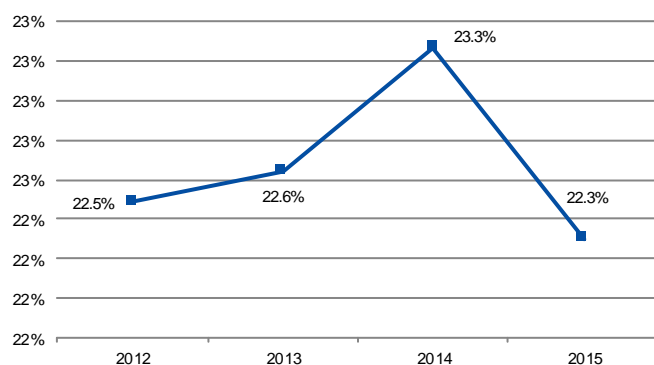
The average interest rates of microfinance sector loans during 2015 marked a decrease, thus interrupting the increasing trends of the last three years. In 2015, the average interest rate on microfinance sector loans decreased to 22.3 percent from 23.3 percent in 2014 (figure 55). This development reflects the decrease of the average interest rate on loans to enterprises, whereas the average interest rate on loans to households continues to follow the increasing trend of the last three years. The average interest rate on loans to enterprises in 2015 decreased to 19.9 percent, from 22.6 percent in 2014. On the other hand, in 2015 the average interest rates on loans to households increased to 24.4 percent, from 23.8 percent in the same period of the previous year (figure 56).

Regarding loans to enterprises, the lowest interest rate was on loans for the services sector. At the same time, this category was characterized by the most significant decrease of interest rate with 1.8 percentage points, which decreased to 19.9 percent in 2015 from 21.7 percent in 2014. The average interest rate on loans to the industrial sector also marked a decrease, dropping down to 23.6 percent in 2015 from 23.8 percent in 2014. On the other hand, the average interest rate on loans to the agriculture sector remained at a similar level with the same period of the previous year, standing at 25.5 percent (figure 56).

Performance of the microfinance sector

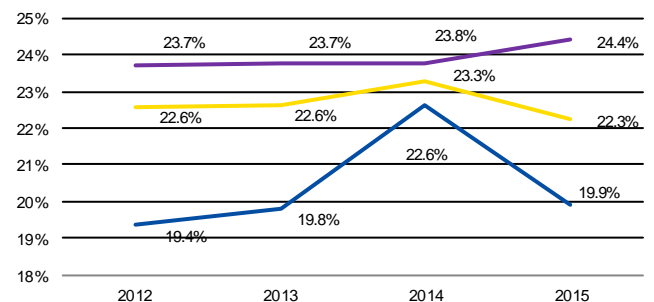
The microfinance sector was characterized by improved financial performance compared to the recent years. Until 2015, the microfinance sector realized a profit in the value of EUR 2.5 million,

Figure 55. Interest rates on MFI loans, in percent



Source: CBK (2016)

Figure 56. Average interest rate on microfinance sector loans



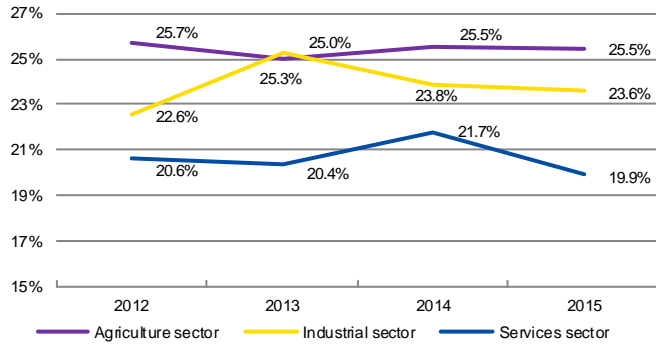
Source: CBK (2016)

compared to the profit of EUR 0.7 million that was realized in 2014. The significant growth of the profit was a result of the accelerated increase of income and the slow increase of expenditures. Until 2015, the microfinance sector realized income with an amount of EUR 21.1 million, representing a considerable annual growth of 9.4 percent compared to the increase of 0.5 percent marked until 2014. On the other hand, expenditures until 2015 reached EUR 18.7 million, representing a slight increase of 0.5 percent compared to the decrease of 4.9 percent until 2014 (figure 57).

The rapid increase of income in 2015 was a result of increased interest income, which was for 7.0 percent higher than in the previous year (annual increase of 3.3 percent in 2014), as well as non-interest income, which marked an annual increase of 21.4 percent (decrease of 11.4 percent in 2014). Within non-interest income, services income marked an annual increase of 164.9 percent compared to 11.2 percent in 2014. In 2015, administrative income marked an increase of 23.2 percent compared to the annual increase of 5.6 percent in the previous year. Other operative income marked a considerable increase of 2.0 percent compared to the decrease of 18.0 percent in 2014.

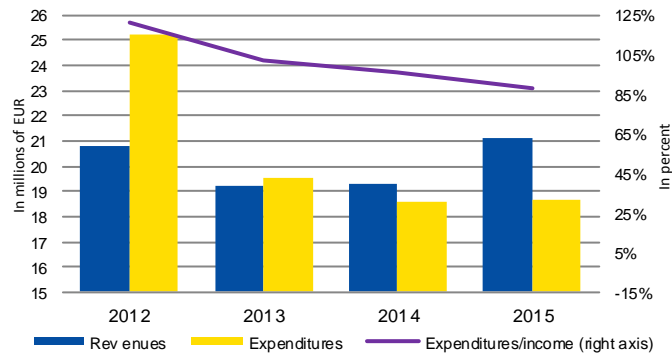
On the other hand, the increase of income was a result of increased non-interest expenses, which in 2015 reached EUR 12.3 million, representing an increase of 0.1 percent compared to the decrease of 8.5 percent in the previous year, as well as of interest expenses, which reached EUR 4.0 million, representing an increase of 5.0 percent. Within non-interest expenses, expenses for loan loss provisions marked an increase of 8.7 percent compared to the decrease of 46.7 percent in 2014. Personnel and administrative expenses were characterized by an annual decrease of 0.7 percent (decrease of 1.5 percent in 2014). Other operative expenses marked a decrease of 4.5 percent compared to the increase of 7.3 percent in the previous year. The decrease in personnel and other operational expenses contributed to slowing down the increase of total expenses of the microfinance sector.

Figure 57. Average interest rate on microfinance sector loans, by economic sectors



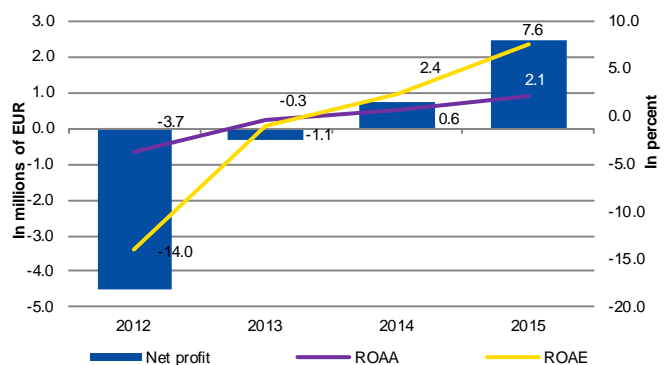
Source: CBK (2016)

Figure 58. Income and expenditures of the microfinance sector



Source: CBK (2016)

Figure 59. Profitability indicator of microfinance sector



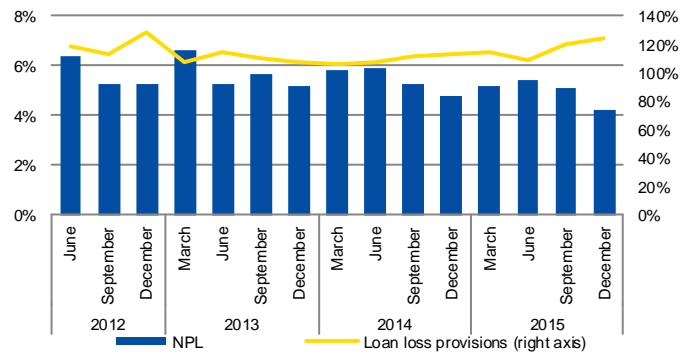
Source: CBK (2016)

Expenses to income ratio of the microfinance sector marked a significant improvement compared to the previous year. In 2015, this indicator declined to 88.4 percent, compared to 96.2 percent until 2014. This resulted from the accelerated income growth of the microfinance sector until 2015 and the slowdown of expenses during this period.

The profit realized until 2015 reflected in the improvement of profitability indicators, where Return on Average Assets (ROAA) improved to 2.1 percent (0.6 percent in 2014), whereas the Return on Average Equity (ROAE) improved to 7.6 percent (2.4 percent in 2014) (figure 59).

The microfinance sector continues to be characterized by a relatively low level of non-performing loans and satisfactory coverage level of loan loss provisions. In 2015, the non-performing loans to total loans ratio decreased to 4.2 percent compared to 4.8 percent in 2014. Also, the coverage with loan loss provisions improved to 124.7 percent in 2015, which is a considerable improvement compared to 113.1 percent in 2014 (figure 60).

Figure 60. Credit portfolio quality indicators of microfinance sector



Source: CBK (2016)

3.7. Macroeconomic projections for 2016

CBK projections for 2016 suggest that Kosovo’s economy will be characterized with a real growth of 3.7 percent. This accelerated growth is expected to be generated by domestic demand, whereas net exports are expected to continue to have a negative impact on the GDP growth rate

Consumption, as the main component of internal demand, is expected to mark a real growth of 2.3 percent, based on expectations that the private consumption would mark an increase of 2.9 percent whereas the public consumption would remain at a similar level as in the previous year. Factors that are expected to have an impact on the increased private consumption are, among others, increased remittances and increased loans. By the end of 2016, remittances are expected to mark an annual increase of around 3.0 percent, which represents a lower increase compared to 8.4 percent marked in the previous year. This decelerated increase in remittances is mainly attributed to the fact that the high increase of remittances in the previous year had an impact on the growth of the base of remittances. In addition, loans to households, which in the last two years marked a considerable increase (10.2 percent in 2014 and 9.7 percent in 2015), are expected to continue with the growing trend also in 2016.

Investments in 2016 are expected to mark a higher increase than in 2015. The real growth rate of total investments, in 2016, is expected to reach 9.7 percent compared to 9.1 percent in 2015. Unlike 2015, when public investments marked a slight decline, 2016 is expected to be characterized by a considerable increase of public investments, which is expected to mark a real increase of 11.7 percent. Moreover, private investments, which in the previous year represented 74.6 percent of total investments, are expected to mark an increase in 2016. The real growth rate of private investments is expected to be around 9.0 percent. An important contribution to the increase of the private investments will continue to be provided by bank leasing, which was characterized by a rapid increase and lower interest rates. In addition, changes in taxation policy such as VAT exemption for production and production related machinery, and VAT exemption for IT equipment, are expected to encourage private investments. The increase of FDI is also

expected to contribute to the general investments position, which was positively connected to the overall economic activity in the previous years as well.

Net exports of goods and services are expected to continue to have a negative impact on GDP growth in 2016. This negative impact of net exports is attributed to the increased domestic demand, which is expected to affect the increase of import. Within goods, current projections foresee that exports will increase by 3.4 percent in real terms, whereas imports will increase mark an increase of around 3.7 percent. Consequently, the trade deficit of goods is expected to deepen by around 3.8 percent in real terms. On the other hand, the positive trade position within services is expected to remain at a similar level to the previous year.

The trend of prices in Kosovo is mainly in line with the movements of prices in international markets, especially the prices of food and oil products. Both these categories of products, which have the largest share of 50 percent in the Kosovo consumer basket, were characterized by price decline in 2015 and are expected to remain stable in 2016. As a result, the Kosovo's economy, which was characterized by an inflation of 0.5 percent in the previous year, is expected to be characterized by a low inflation rate of 0.6 percent in 2016.

The bank lending growth rate for 2016 is expected to remain similar to the previous year, with around 7 percent. The easing of standards for approving loans by banks, decreased interest rates on loans and the overall increased demand in the country are expected to stimulate a demand increase for loans. CBK projections on increased loans are also in line with the bank reports as part of the banking lending survey, the findings of which suggest that credit activity will accelerate in the upcoming periods, whereas deposits are expected to continue with the increasing trend with which were characterized in the recent years. Households will continue to remain the main contributors of the increase of deposits. Household deposits are expected to mark an increase of 6.4 percent during 2016. The expected flow of deposits is related to national disposable income, which is expected to mark an increase of 4.1 percent in 2016.

4. Supervision, regulation and licensing of financial institutions

During 2015, financial supervision has continued with development projects to further advance financial supervision in accordance with best international standards and to create an appropriate regulatory framework, which enables adequate supervision of financial institutions in the Republic of Kosovo. These projects are part of ongoing reforms and efforts by the financial supervision to fulfil the recommendations from the Financial Sector Assessment Project (FSAP) conducted by the International Monetary Fund and World Bank in 2012. In addition, in 2015 the Central Bank has been part of working groups and ongoing discussions under the Government's activities concerning the Stabilization and Association Agreement (SAA) between the Republic of Kosovo and the European Union. After signing the agreement and identifying issues that need to be addressed for further approximation of legislation with the EU Directives, in terms of regulation of the financial sector, the Central Bank contributed to the preparation of the Action Plan in terms of activities for fulfilling the obligations arising from the SAA.

The following projects have been supported by important international institutions by adopting the most recent international practices that take into account the recent changes in the field of regulating financial institutions after the recent financial crisis of 2008. The projects implemented during 2015 are presented in more detail in the following sections.

4.1. Shifting from Basel I to Basel II

Financial supervision has chosen a gradual approach towards approximation with international standards, with special focus on relevant EU directives for the supervision of banks, which regulate the activities of credit institutions and determine the requirements for their capital. This is an ongoing process, considering that after the recent financial crisis of 2008, international standards, known as the Basel II framework, have changed in order to review issues that are considered as factors driving financial crisis, as well as considering the development and needs of the banking system in Kosovo.

In this regard, CBK, during 2014 and 2015, continued issuing existing regulations and adopting some new regulations, addressing a number of bank requirements in accordance with the Basel II standards, under standardized methods. However, the complete harmonization of the existing regulations for the supervision and regulation of banks with Basel II standards for capital requirements and European Directives, is a long-term project, which with the CBK strategy is planned to be finalized during the period 2015 - 2019.

During 2015, in relation to the Basel II framework, the regulation on adequacy of bank capital has been amended, laying down capital requirements to address requirements for residential mortgage loans. This amendments result from the adoption of the new regulation on residential mortgage loans, based on the EU Directive and Basel standards. In addition, during 2015 two important regulations have been prepared in relation to the adoption of Basel requirements – Regulation on the use of external credit assessments in order to calculate regulatory capital, which is in force after approval by CBK's Board on 28 January and Regulation on interest rate risk management in bank books, approved by the Board on 29 April 2016, after completion of all preparations and studies of its impact in the banking sector.

The lessons from the 2008 crisis highlighted the need to revise the Basel II standards, which today, in terms of a revised framework, are known as Basel III standards (or Directive IV and Regulation of Capital, known as the "Single Rule Book"). These changes mainly include the review of requirements for capital and capital constituent elements in order to increase the

quality and establishment of requirements for the purposes of liquidity risk monitoring and leverage report.

According to Banking Supervision plan for adopting of Basel II Standards and EU directives, it will be continued with the completion of the regulatory framework to adopt necessary requirements drawn by these standards also during the following years, with particular focus on complete adaptation of the first pillar and further advancement regarding adoption of the second pillar of Basel II.

With these changes is envisaged a complete adaptation of the standardized method for risk-weighted exposures, expanding the number of exposure classes to reflect developments in the banking market in Kosovo, as well as adapting more sophisticated principles and rules for calculating risk-weighted exposures for each exposure class; principles and methods of recognition of mitigating techniques (mitigating factors) of credit risk. In addition, the capital requirements for market risk coverage will be adopted and the definition of capital will be revised in accordance with the new Basel III framework.

As another important step of this project is the adaptation of the requirements of the second pillar – related to the supervisory review of the internal process of banks for assessment of capital needs of the banks. Moreover, with the entry into force of the new capital requirements, the minimum requirements for the disclosure of information by banks will be reviewed and updated, which impact the increase of the level of transparency for stakeholders and which are recognized as the requirements of Pillar III of Basel II standards, with the aim of increasing market discipline through disclosure requirements and increasing transparency.

In this regard, in September 2014, the CBK launched a specific project for the adaptation and implementation of the regulatory framework known as Basel Capital Framework. Considering the long-term objective of Kosovo for EU membership as one of the key strategic goals, CBK started this project with the strong support of the German Institution for International Cooperation (GIZ). During the first quarter, a detailed comparative study of existing legal and regulatory framework in relation to Basel II Standards was conducted in order to identify areas that are not in compliance, and which require the necessary amendments. During the next two years it will be worked with increased intensity to adopt Basel II Standards and to harmonize legal and regulatory framework with specific EU Directives on banks supervision. Given that Kosovo has a banking sector which is not so complex compared to the developed countries in terms of development of financial services and exposure to advanced financial instruments, it is estimated that within a two-years period it will be achieved the full adoption of the relevant requirements applicable to the banking sector in Kosovo, which will influence the further advancement of the regulation and supervision of banks in the Republic of Kosovo.

4.2. Emergency Liquidity Assistance

Emergency Liquidity Assistance (ELA) is related to the creation of the protective framework for the banking sector in cases where the banks are solvent but illiquid. Engagement in this field is extended in two directions, to the development of the methodology and regulation. ELA is a scheme that would consist of three financing sources, including: the Kosovo Budget, CBK and mandatory reserves of commercial banks.

On 30 September 2015, the Central Bank Board of the Republic of Kosovo approved the Regulation on Emergency Liquidity Assistance, which also includes two specific forms. In addition to the said regulation, CBK also approved the Procedure for Emergency Liquidity Assistance, which further strengthens the regulation in operational terms.

4.3. Risk-based supervision for bank institutions

For the purpose of implementing the supervisory strategy and approximating the supervisory standards and practices of the European Union, CBK during 2015 with the support of the technical assistance from IMF has finalized new supervisory methodology - risk-based supervision. This methodology aims to identify critical and potential risks faced by an institution, where through the review focused from the supervision, is assessed the management of these risks by institutions and the institution's financial ability to cope with potential negative consequences. For the purpose of implementing this methodology, the manual on risk-based supervision was drafted, and during 2014 and 2015 with exception of some banks that are small and were recently established, almost all banks were examined (full examination) in compliance with new Manual of risk-based supervision for banks.

The Manual of risk-based supervision for banks, was approved by the Executive Board of the CBK in August 2015, which simultaneously rounds up the work done in this document, and is considered a substantial advancement in the field of risk-based supervision for banks.

As a result, this supervised approach was proven to be very proactive, which enabled closer monitoring of the banks, focusing on higher risks associated with it. The manual includes a combination of risk matrix, which considers four types of bank risks such as credit risk, liquidity risk, market risk and operational risk, as well as the implementation of the bank rating system "CAMELS".

4.4. Regulatory System of External Supervision Monitoring

During 2015, Financial Supervision finalized the development of the new reporting framework for financial institutions. It initially worked on developing the new reporting framework including reporting forms and guidelines, to continue with the development of the online software for financial information reporting, processing and generation of reports. The project was finalized in the first half of 2016 including all necessary legal changes and the adoption of amendments to the Regulations on the Reporting of Banks, Microfinance Institutions and Finance Institutions to CBK.

Implementation of the Regulatory System of External Supervision Reporting for financial supervision and financial institutions in general with contribute to the approximation of reporting by financial institutions to the International Financial Reporting Standards (IFRS) and to the adoption of a prudent approach to the supervision of these institutions. It will also lead to increased data safety, their electronic processing, more effective supervision and more accurate reporting from financial institutions to CBK.

4.5. Regulatory framework and licensing process

4.5.1. Regulatory framework

Central Bank of Kosovo, since its establishment, and with the continuous support of recognized international institutions such as World Bank, International Monetary Fund, USAID, US Treasury, KfW, GIZ, European Central Bank, etc., developed a regulatory framework for regulation and supervision of financial institutions, based on international standards and best practices. CBK, in recent years, has begun a gradual process towards approximation with the Basic Principles for the Supervision of Banks issued by BIS- Bank for International Settlements, Basic Principles for the Supervision of Insurance Companies issued by the IAIS - International Association of Insurance Supervisors and European Directives addressing the regulation of financial institutions, such as best international standards and practices for financial

institutions regulation and supervision. This is a continuous and complex process as it requires the amending and supplementing of existing legal and regulatory framework, and requires an adequate approach in order to study carefully the specific circumstances of Kosovo, for a proper adaptation of these standards, for the needs of financial sector in Kosovo. This is due to the fact that these standards have undergone numerous changes in developed countries, mainly in the last decade, thus it is continuously required their review and completion.

Regulations on financial supervision (banks, microfinance institutions, non-banking financial institutions, insurance companies and pension funds) are drafted and revised by working groups consisting of representatives of respective departments, such as the department of banking supervision, licensing, insurance and pension, the legal department and other departments depending on the area that is addressed and its link to relevant departments of CBK. Working groups draft and review the regulations on financial supervision (banks, microfinance institutions, non-bank financial institutions, insurance and pension funds), with the participation of representatives of relevant departments, such as the Department for Banking Supervision, Licensing, Insurance, Pension, Legal Department, and with the support of other departments of the CBK. During preparation of regulations or any other regulatory instrument, CBK cooperates with the industry regular meetings and communication with regulated subjects, mainly through respective institutional associations, such as the Kosovo Banking Association, the Insurance Association of Kosovo and the Association of Microfinance Institutions of Kosovo, in a transparent process that enable all stakeholders to provide their comments during the preparatory process. This process has continuously facilitated clarification of specific issues regulated with regulations and their appropriate regulation, considering their impact on the stability of Kosovo's financial system and economic development.

4.5.2. New banking regulatory acts during 2015

During 2015, the following regulations were drafted for the regulation of banking institutions:

Regulation on appraisal of immovable properties (approved by the Board of CBK on 26 February 2015)

Regulation on Residential Mortgages Lending (approved by the Board of CBK on 22 December 2015)

Amendment of Regulation on Distribution of Credit Assets (approved by the Board of CBK on 22 December 2015)

Regulation on Bank Safe Deposit Boxes (approved by the Board of CBK on 30 April 2015)

Regulation on the Use of External Credit Assessment for Purposes of Calculation of Regulatory Capital (approved by the Board of CBK on 28 January 2016)

Regulation on Management of Interest Rate Risk in Banking Book (approved by the Board of CBK on 29 April 2016).

4.5.3. New regulatory acts on the supervision of MFIs and NBFIs

During 2015, the following regulations were drafted for the regulation of microfinance and non-bank finance institutions:

Regulation on Regulation on Registration, Supervision and Activities of NBFIs (approved on 28 May 2015);

Regulation on Distribution of Credit Assets for MFIs and NBFIs (approved on 22 December 2015);

4.5.4. Supplement of the regulatory framework for supervision of insurance institutions

The Law on Insurance was adopted by the Assembly on 30 November 2015 and published in the Official Gazette of the Republic of Kosovo on 24 December 2015. In addition, the Regulation on Determination of Premium's Structure for Compulsory Motor Liability Insurance was approved on 23 June 2015. The purpose of this Regulation is to determine the structure of the Premium, which the insurer should apply in determining the compulsory insurance premium.

During 2015, working groups continued their work on amending regulation on insurance supervision, in order to transform existing regulations to regulations that are based on the new Law on Insurance. These working groups have finalized the amendment of almost all insurance regulations and have made the necessary amendment/supplement depending on identified needs during the examination and supervision of respective insurance companies during this period of over ten years of their functioning.

As part of this process, the Board of CBK has finalized and approved the following regulations:

- Regulation on deposit of asset as guaranty, capital adequacy, financial reporting, risk management, investment and liquidity (30 April 2015);
- Regulation on Determination of Premium's Structure for Compulsory Motor Liability Insurance (23 June 2015);
- Regulation on calculation and retention of technical and mathematical provisions for non-life and life insurers (25 February 2016);
- Regulation on the mergers and acquisitions of banks (25 February 2015);
- Regulation on risk retention and reinsurance coverage requirements (31 March 2016);
- Regulation on the opening of representative offices by foreign insurers in the Republic of Kosovo (31 March 2016);
- Regulation on the external audit of insurers, insurance intermediaries, claim handlers and the Kosovo Insurance Bureau (28 April 2016);
- Regulation on internal controls and internal audit of the insurers (28 April 2016);
- Regulation on calculation and retention of technical and mathematical provisions for life and non-life insurers (28 April 2016);

The following regulations on insurance supervision are currently in the process of finalization:

- Regulation on Insurer Capital Adequacy;
- Regulation on Disclosure of Information;
- Regulation on Delegation of Functions;
- Regulation on Licensing of Insurance Intermediaries;
- Regulation on Licensing of Insurance Claim Handlers;
- Regulation on Insurance Contracts;
- Regulation on Arbitration;
- Regulation on Senior Directors and Managers;
- Regulation on Disclosure of Information;
- Regulation on Claim Assessment and Handling;
- Regulation on Reporting by Insurers;

- Regulation on Opening and Closing Inside and Outside the Republic of Kosovo of Branch Offices and Subsidiaries of Insurers; and
- Regulation on Consolidated Supervision of Insurer Groups.

The preparation and adoption of the amendments to these regulations has been determined as a high priority for 2016, in order to develop the necessary regulatory framework for adopting the new requirements of the new Law on Insurance.

4.5.5. Supplement of the regulatory framework for supervision of pension funds

During 2015, the amendment of the regulatory framework for supervision of pension funds continued in compliance with the requirements of the Law on Pension Funds and in order to address issues related to the supervision of pension funds, the regulation of which through secondary legislation is provided for in the Law on Pension funds.

The Division of Regulation in cooperation with the Division of Pension Funds Supervision prepared the following regulations during 2015, which were adopted by the Board of CBK:

Regulation on Individual Accounts of Participants (approved by the Board of CBK on 30 April 2015);

Regulation On Defining The Conditions And Criteria For Withdrawal Of Funds From KPST By Participants With Permanent Emigration (approved by the Board of CBK on 23 June 2015);

4.5.6. Supplement of the Regulation on PML/TF and preparation of the manual

During 2015, the Regulation on preventing money laundering and terrorism financing has been finalized by the working group consisting of members of the Division of PML/TF and the Division of Standardization and Regulation. The draft of this regulation, with new amendments, for the purpose of adapting the requirements of recent amendments to the Law on prevention of money laundering, is finalized and the comments of the industry regarding this draft were considered as well. It is expected to be approved by the Board of CBK during 2016. In addition, the underway amendments of the Law on AML, which CBK submitted to the working group assigned under the Ministry of Finance, were also reviewed.

4.6. Manual on Banks Liquidation

The review of the manual on banks liquidation continued during 2015, in order to address new legal requirements and establish a clear operational framework for addressing cases where banks may encounter difficulties, for the purpose of establishing adequate procedures for rapid and fair addressing. New changes provide a clear institutional infrastructure within the CBK and the procedures to be followed in case of taking under administration or liquidation of banks will be accurately specified. These specific procedures will facilitate and accelerate the potential activities of the CBK, in cooperation with relevant stakeholders, such as the Deposit Insurance Fund, by clarifying the way of communication among them, and the responsibilities of action for each authority. This will facilitate resolving the possible problems and fair addressing of them in the future, in cases where the CBK intervention is required to improve and solve the problems of the banks.

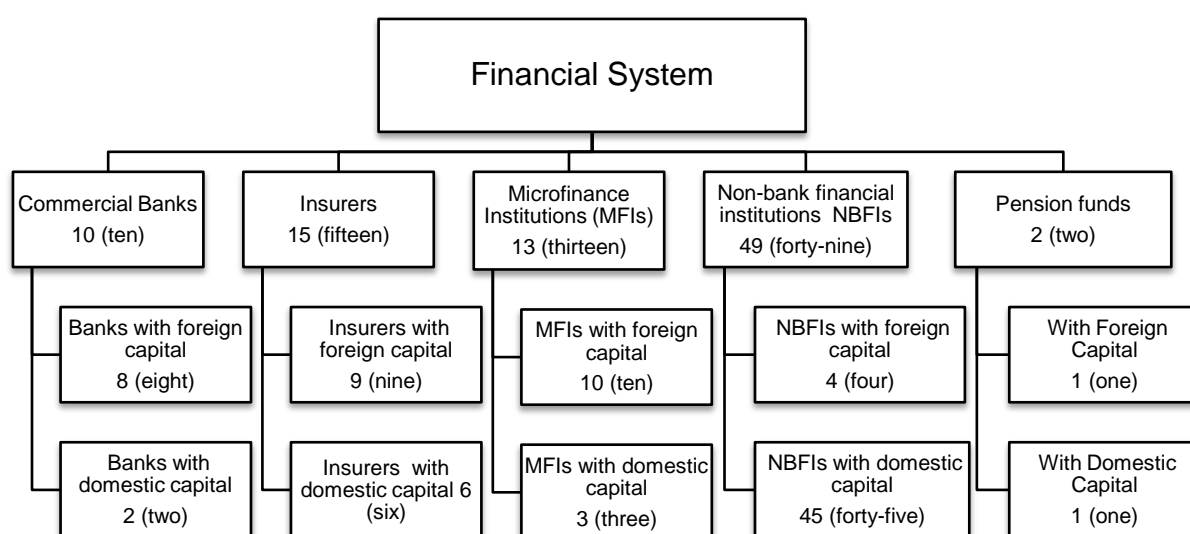
4.7. Licensing

The primary objective of the Central Bank of the Republic of Kosovo is to promote and maintain a sound and sustainable financial system. This objective is closely related to the duties and

responsibilities of the Department of Licensing and Standardization (DLS). The main responsibilities of DLS consist of licensing all financial institutions, aspects of their regulation and standardization, and protection of the clients of these institutions. The licensing criteria laid down by legislation aim to ensure a fair and regulated financial market through a process that is based on the principles of justice, honesty and equality. The licensing conditions and criteria are of a supervision nature and do not aim to put barriers to either internal or external investors. The entry of foreign investors into the Kosovo market, especially in the financial sector, demonstrates CBK's open policy to foreign investors, without prejudice to their rights and equal treatment pursuant to legal requirements in Kosovo based on EU standards.

At the end of 2015, the structure of the financial system is as follows: the number of banks operating in the Republic of Kosovo is 10, of which 4 are branches of renowned banking groups with capital originating from European Union countries, 4 are branches of foreign banks and 2 are banks with a domestic capital. Banks in Kosovo exercise their activity based on the applicable legislation in the Republic of Kosovo and under the regulatory framework of the Central Bank of the Republic of Kosovo. In addition to these ten banks, the structure of the financial system in Kosovo consists of 1 representation office of a foreign bank, 13 microfinance institutions and 49 non-bank financial institutions, divided by activity: 4 with lending/leasing activity; 1 with factoring activity; 6 with the activity of transfer and payments service; and 38 with the currency exchange activity.

Figure 61. The structure of the financial system in Kosovo



In accordance and in compliance with the requirements deriving from the Law no. 03 / L-093 on banks, microfinance institutions and non-bank financial institutions and the normal functioning of the banking activity, CBK, in 2015 has taken decisions related to:

- Issuance of final license for a foreign bank to open a branch in Prishtina;
- Approval of the extension of the operation of the representative office "Atlas Bank" in Prishtina;
- Approval for the registration of two non-bank financial institutions;
- Approval for the addition of operating lease activity for a non-bank financial institution;

- Approval for changing the name of a non-bank financial institution;
- Approval of amendments to the statutes of banks and financial institutions;
- Approval of the directors and senior managers of banks and financial institutions;
- Approval for the purchase and sale of the shares of financial institutions;
- Approval for opening, relocation, closure of branches and sub-branches of banks;
- Approval for opening, relocation of offices / MFI and NBFI's agents;
- Approval of external auditors of banks, MFIs and NBFIs and insurers;

In 2015, the licensing activity of the CBK consisted in granting the final license to T.C. Ziraat Bankasi A.Ş. Ankara, Turkey, for a branch in Prishtina, as well as approving the extension of the operation of the representative office in Prishtina of Atlas Bank AD, Montenegro, in Prishtina.

Also, registrations were approved of 2 non-banking financial institutions to conduct currency exchange activity. To the function of the expansion of activities, during this year CBK has approved the addition of operating lease activity for the non-bank financial institution Raiffeisen Leasing Kosovo.

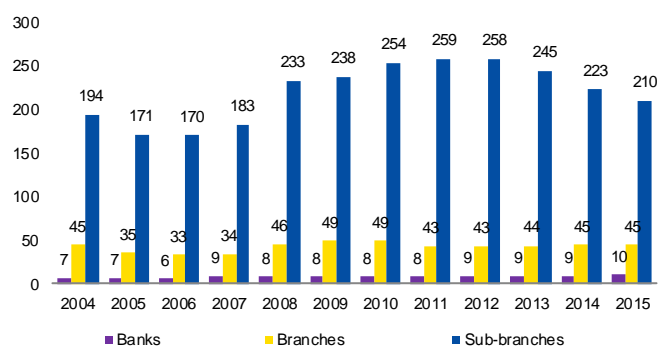
In the licensing process, the CBK has paid particular attention to the implementation of basic rules and principles for a responsible and effective stewardship of banks, assessing their organizational structures, management, and sharing of responsibilities. Based on regulations in force, the CBK has approved five new members of the Board of Directors, 1 member of the Audit Committee, 1 director of the branch of a foreign bank and 4 senior bank managers.

At the same time, the CBK has approved the directors and senior managers of microfinance and non-bank financial institutions. During this period were approved 6 new members of the Board of Directors, 4 Chief Executives and 1 senior manager. Also, it rejected a request for the appointment of the CEO as Chairman of the Board of Directors.

Banks operate with their branches / sub-branches established within the country (see Table 1). CBK in this year approved the opening of 4 sub-branches, 12 relocations of branches and sub-branches, and the closure of 16 sub-branches. Banks this year too, have continued with the closure of sub-branches, closing 13 branches, mainly small units, after the evaluation of their performance and efficiency, and because

banks have recently invested in the expansion of automated services in order to offer customers the opportunity to carry out transactions through: e-banking, ATM, sales terminals.

Figure 62. Number of banks, branches and sub-branches of the banks



Source: CBK (2016)

Table 6. The number of banks, branches and sub-branches

Years	Banks	Branches	Sub-branches
2004	7	45	194
2005	7	35	171
2006	6	33	170
2007	9	34	183
2008	8	46	233
2009	8	49	238
2010	8	49	254
2011	8	43	259
2012	9	43	258
2013	9	44	245
2014	9	45	223
2015	10	45	210

Source: CBK (2016)

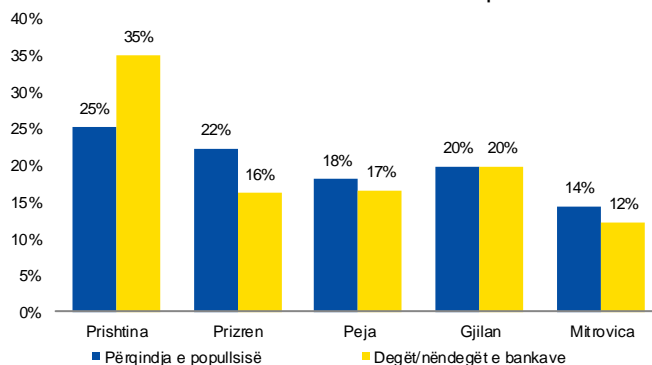
The geographical distribution of branches and sub-branches of banks includes almost the entire territory of the country. It continues to be noticed a greater concentration of bank branches and sub-branches in the Prishtina region (35%), where the population concentration is also greater (25%).

Table 7. Geographical distribution of branches and sub-branches of banks

Years	Prishtina		Prizren		Peja		Gjilan		Mitrovica		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2004	60	24%	37	15%	60	24%	59	24%	30	12%	246
2005	68	32%	39	18%	35	16%	39	18%	32	15%	213
2006	68	33%	37	18%	37	18%	41	20%	26	12%	209
2007	70	31%	39	17%	40	18%	45	20%	32	14%	226
2008	97	34%	44	15%	51	18%	59	21%	36	13%	287
2009	97	33%	46	16%	52	18%	64	22%	36	12%	295
2010	100	32%	49	16%	57	18%	66	21%	39	13%	311
2011	102	33%	50	16%	59	19%	64	21%	35	11%	310
2012	101	33%	50	16%	59	19%	67	22%	33	11%	310
2013	102	34%	47	16%	52	17%	62	21%	35	12%	298
2014	97	35%	45	16%	46	17%	55	20%	34	12%	277
2015	93	35.1%	40	15.1%	45	17.0%	52	19.6%	35	13.2%	265

Source: CBK (2016)

Whereas, in terms of activity of the insurance industry, in 2015, were received a total of 488 applications for approval of various types of activities ranging from applications for insurers, intermediation (brokerage company, agent services, handling of claims and insurance agents), dividend distribution and company name change and purchase and sale of the company stock and for decisions of their transfer or of their charter capital, approval of statutes and their change and decisions, approval of

Figure 63. Geographical distribution of population and the network of branches of insurance companies

Source: CBK (2016)

chairmen / members of the board and senior management (Deputy Chief Executive Officers and directors of relevant departments), internal and external auditors, individual brokers, internal

and external agents, approval of opening (relocations) of offices and the licensing and approval of new products and changing of requirements and tariffs for the products.

In the context of approvals and rejections (reversals of applications from the institutions dealing with insurance and annulments by the CBK for not fulfilling the criteria for approval), are processed as follows:

Licenses were granted for two insurance companies, the insurance Company Scardian and Prisig and for two insurance intermediaries, "L.I.F.E Kosova" LLC (life insurance agency) TEB - insurance intermediary (additional activity) and was rejected an application for licensing of an insurance intermediary.

2 board members (insurance companies) and 8 board members have been approved, and one rejected;

It was approved the change of the name and the acquisition of shares of Insurance Company Dardania JSC by the insurance company EUROSIG JSC; approval of a change of the name of the insurance company "SIGMA" JSC to "SIGMA Interlbanian Vienna Insurance Group" JSC .; approval of the dividend distribution of the insurance company " SIGMA Interlbanian Insurance Vienna Group " JSC and was approved the change of the statute of the insurance company Croatia Insurance.

A total of 26 external auditors were approved, 15 of which belong to the insurance companies, 8 to the insurance mediators and the remaining 3, to the KIB, the Kosovo Pension Savings Trust and Slovenian-Kosovo Pension Fund, while regarding internal auditors, are approved 6 auditors, all of whom are of insurance companies.

At the same time were approved 2 independent brokers for insurance mediation.

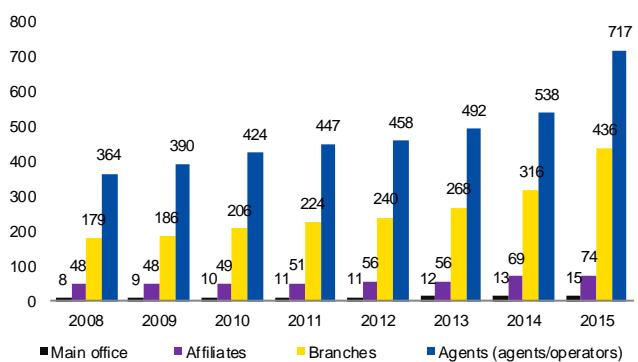
Also, are approved 171 internal insurance agents (rejected one (1)

internal insurance agent and for other 9 agents the procedure was cancelled by the companies themselves or the CBK for lack of documentation and failure to meet the criteria), and are also approved 53 external insurance agents of insurance companies.

During 2015, were approved the opening of 91 new offices (head office, branches and new office), and 20 relocations of the current offices.

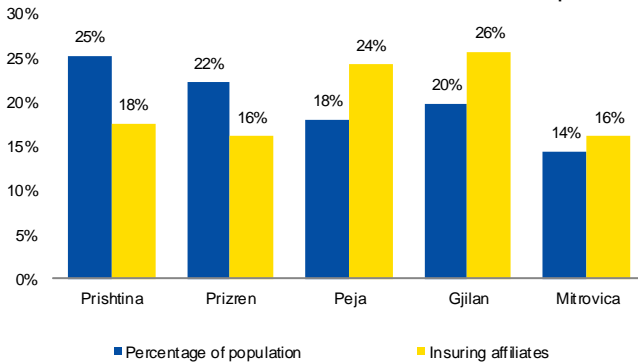
In view of approvals for new products, were approved 29 new voluntary products, change of existing terms and tariffs, as well as TPL was approved for two new insurance companies, "Scardian" and "Prisig".

Figure 64. Number of insurers, affiliates, branches, and insurance agents



Source: CBK (2016)

Figure 65. Geographical distribution of population and the network of branches of insurance companies



Source: CBK (2016)

Table 8. The number of insurers, subsidiaries, branches and insurer agents

Years	Main office	Affiliates	Branches	Agents (agents/operators)	Of which external agents
2008	8	48	179	364	na
2009	9	48	186	390	na
2010	10	49	206	424	na
2011	11	51	224	447	na
2012	11	56	240	458	na
2013	12	56	268	492	na
2014	13	69	316	538	20
2015	15	74	436	717	71

Source: CBK (2016)

Table 9. Geographical distribution of insurers' subsidiaries

Years	Prishtina		Prizren		Peja		Gjilan		Mitrovica		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	
2008	7	14%	9	18%	14	28%	14	28%	7	14%	51
2009	7	14%	9	18%	14	28%	14	28%	7	14%	51
2010	9	17%	9	17%	13	25%	14	27%	7	14%	52
2011	10	19%	9	17%	14	26%	14	26%	7	13%	54
2012	10	17%	10	17%	15	25%	15	25%	9	15%	59
2013	10	17%	10	17%	15	25%	15	25%	9	15%	59
2014	10	16%	10	16%	16	25%	17	27%	10	16%	63
2015	13	18%	12	16%	18	24%	19	26%	12	16%	74

Source: CBK (2016)

As regards other financial institutions, 13 microfinance institutions operated at the end of 2015¹⁴, throughout the territory of the Republic of Kosovo.

MFIs, at the end of 2015, exercised their activity in 100 branches / sub-branches distributed within the country. During 2015 was approved the opening of 4 sub-branches, 2 sub-branches were closed and 12 MFIs branches and sub-branches were relocated.

Table 10. The number of microfinance institutions and their geographical distribution by regions

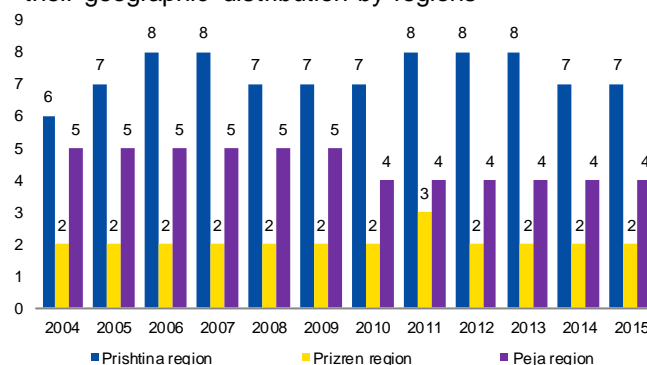
Years	Prishtina region	Prizren region	Peja region	Total
2004	6	2	5	13
2005	7	2	5	14
2006	8	2	5	15
2007	8	2	5	15
2008	7	2	5	14
2009	7	2	5	14
2010	7	2	4	13
2011	8	3	4	15
2012	8	2	4	14
2013	8	2	4	14
2014	7	2	4	13
2015	7	2	4	13

Source: CBK (2016)

¹⁴ The registration of a microfinance institution is suspended.

At the end of 2015, the number of non-bank financial institutions operating in Kosovo reached 49, of which 4 with foreign capital and 45 with domestic capital. According to the activities they carry out these institutions are divided as follows: 2 institutions perform lending activities, 2 institutions perform leasing activities, 1 institution performs factoring activities, 6 institutions perform money and payment transfer services¹⁵ and 38 institutions perform currency exchange activities.

Figure 66. Number of microfinance institutions and their geographic distribution by regions



Source: CBK (2016)

Table 11. The number of non-bank financial institutions and their geographical distribution by regions

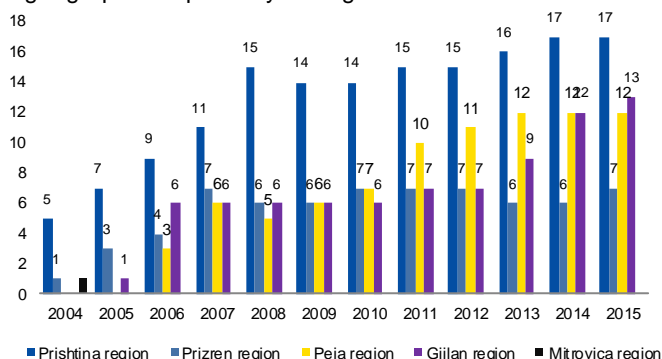
Years	Prishtina region	Prizren region	Peja region	Gjilan region	Mitrovica region	Total
2004	5	1	0	0	1	7
2005	7	3	0	1	0	11
2006	9	4	3	6	0	22
2007	11	7	6	6	0	30
2008	15	6	5	6	0	32
2009	14	6	6	6	0	32
2010	14	7	7	6	0	34
2011	15	7	10	7	0	39
2012	15	7	11	7	0	40
2013	16	6	12	9	0	43
2014	17	6	12	12	0	47
2015	17	7	12	13	0	49

Source: CBK (2016)

Registration of non-bank financial institutions that perform foreign exchange activity continued in 2015, albeit at a slower pace of growth compared to the previous year. Specifically, 2 new foreign exchange activity institutions were licensed. At the end of 2015, 38 registered foreign exchange bureaus carry out their activities in the foreign exchange market.

As regards the geographical distribution of foreign exchange bureaus, they are domestic and operate almost throughout the country, with

Figure 67. Number of microfinance institutions and their geographical spread by the regions

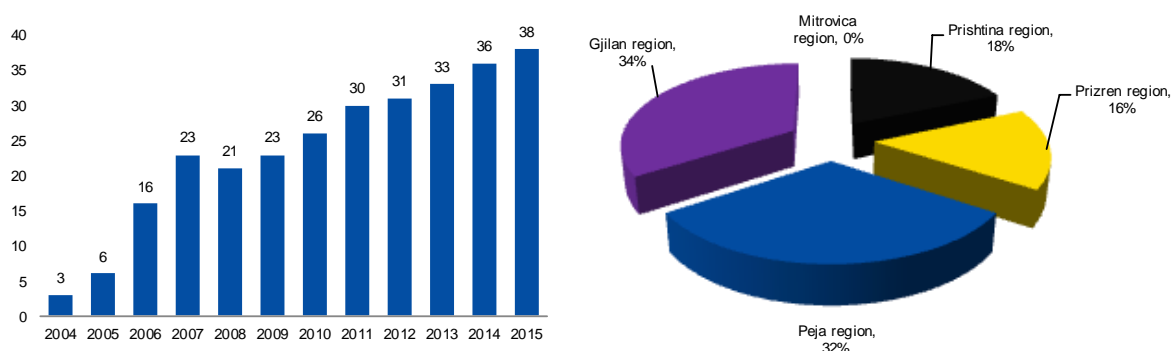


Source: CBK (2016)

¹⁵ Four institutions perform payment and transfer activities, 1 institution performs only transfer activity and 1 institution performs only payment activity;

the exception of Mitrovica region. The largest concentration of them is in the region of Gjilan and Peja.

Figure 68. The number of exchange bureaus over the years and their geographical distribution in 2015, by regions



Source: CBK(2016)

Source: CBK(2016)

4.7.1 Complaints of the users of financial services

As licensing, regulating and supervising authority of financial institutions, the Central Bank of the Republic of Kosovo, namely financial supervision, has a key role in protecting the rights of the users of financial services in Kosovo.

In the frame of financial supervision, operates the Division which receives, collates and reviews complaints related to the compliance of the activities of financial institutions with applicable laws and regulations, and standards that guide financial supervision by observing and monitoring their behaviour in the market.

The objective of the Division is to establish proper grounds for adequate disclosure to consumers and protection of consumers of services and products of financial institutions in Kosovo. This division investigates complaints addressed by policyholders, depositors / borrowers and users of all services and products of financial institutions supervised by the CBK, and provide the supervision and regulation with concrete recommendations for practices identified as unfavourable for consumers to address them with future actions.

Table 12. The number of complaints by years

Financial industry	Number of complaints			
	2015	2014	2013	2012
Commercial banks/MF, NFBI, pension funds	221	158	74	36
Insurance companies	221	195	153	70
Total	442	353	227	106

Source: CBK (2016)

The activity of financial supervision in respect of handling complaints of users of financial services in 2015 includes:

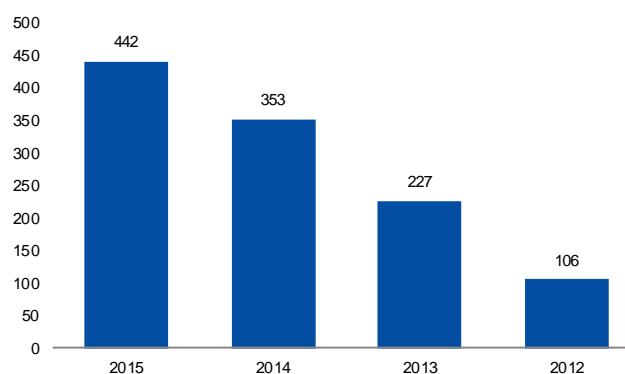
Continued implementation of the project in close collaboration with the team of experts of the World Bank on the protection of consumers of financial services, which for 2015 includes:

- a) Implementation of the Regulation on the internal process of handling complaints - this Regulation was adopted in 2014 and entered into force in April 2015. With the entry into force of this Regulation, the Division has monitored the implementation of the regulation process in coordination with financial institutions.

b) Publication of an article on how to lodge complaints - in CBK official website, specifically in the Financial Education section was published an article that explains how to lodge a complaint to the users of financial services.

c) Review of the complaints of users of financial services received on a daily basis. All complaints are reviewed in time depending on their specificity. Review of complaints has led to examinations held under the financial supervision in financial institutions, which have resulted in the imposition of administrative sanctions against financial institutions and affected the regulation of service delivery practices / financial products.

Figure 69. The number of complaints of financial institutions



Source: CBK (2016)

d) Participation of staff in activities related to consumer protection, as a result of the memorandum of understanding with the Ministry of Trade and Industry, participating in a roundtable organized by the Kosovo Advocacy and Development Centre (KADC) on the topic: "The road towards the realization of consumer rights " as well as participation of staff in the public discussion organized by MTI," "Consumer protection program for the period 2016 - 2020 ".

Around 442 complaints of users of financial services (physical and legal persons) were reviewed:

- Total complaints on banks, MFIs and NBFIs addressed to the CBK for 2015 was 221, while the most frequent complaints were: categorization in the credit registry (27%) and various issues related to credit (32%).
- Total complaints against insurance companies addressed to the CBK for 2015 was 221. The most common complaints were: non-compensation on time of material and immaterial damages from TPL (46% of total complaints), the non-compensation of medical expenses from health insurance (21% of total complaints) and application of Malus (17% of total complaints).

Table 13. The number of complaints by institution

Institutions	Number of complaints	Share
Commercial banks	191	43%
Insurance companies	221	50%
Micro-financial institutions	27	6%
Insurance companies	0	0%
Non-bank financial institutions	3	1%
Money transferring agencies	0	0%
Exchange bureaus	0	0%
Pension funds	0	0%
Number of complaints	442	100%

Source: CBK (2016)

The data above show that the complaints against insurance companies (50% of total complaints) are relatively greater in number compared with those against the commercial banks or other microfinance institutions and non-bank financial institutions. The application of the Regulation on the Implementation of the System Bonus - Malus continues to have an impact on the number of complaints against insurance companies, especially the implementation applying to private persons, who have made the purchase and sale of the vehicle, but have not completed administrative procedures laid down by the Law on compulsory motor liability insurance.

As regards complaints on commercial banks, MFIs and NBFIs note that the greater number are complaints about the categorization in the credit registry, as the parties continue to complain directly to the CBK, being unaware that reporting on the credit registry is carried out by financial institutions .

The table below shows the number of complaints handled by the Appeals Division of users of financial services over the years, where we can notice an increased number of complaints over the years. Compared with 2014, in 2015, there is an increase of 20% in the number of complaints handled.

At the same time, the increase in the number of complaints continues as a result of customer financial awareness on their right to lodge a complaint.

4.8. Banking Supervision

During 2015 we continued with the examination of banks, according to the annual examination plan for 2015, applying the approach of risk-based supervision, as well as determining the type of examination as: complete examinations and focused examinations.

On site examinations, as a very important part of the process of supervising banks were aimed at close assessment of the risk profile of banks, as well as monitoring of fulfilment of recommendations and decisions arising from past examinations.

During 2015, a total of 9 examinations were carried out, of which 5 complete examinations and 4 focused examinations. The examinations were performed by addressing a series of findings, some of which have been accompanied by decisions on administrative measures. All this, with the aim of the implementation of legislation in the field of banking. Examination reports were prepared based on the types of banking risks: credit risk, liquidity risk, market risk and operational risk. So far, apart from some small banks that have been established recently, almost all banks were examined (complete examinations) in conformity with Supervision Manual based on Risk to the Bank.

Also, examinations included an assessment of internal controls, compliance with the applicable legal framework of the CBK, respectively compliance with banking regulations, best banking practices, capital evaluation, evaluation of policies and procedures, management, earnings and examination of the field of information technology. The main risk within the banking sector in 2015 remains the credit risk. During examinations was also assessed the operational risk of banks, ways of management, as well as relevant recommendations were given for implementation. It has been proved that the banks have taken measures to address the recommendations of the examination, in order to ensure compliance with the regulatory requirements of CBK and towards reducing operational risk.

Also, during examinations at banks was examined the field of information technology, focusing on the risk assessment of the bank in this field, the overall security of information technology systems, and the creation and fulfilment of security measures for information technology systems

. Based on estimates derived from the examination, appropriate recommendations for implementation were given, which were proven to have been met by the banks.

Based on the examinations, we can conclude that banks are sound and stable, and generally were in compliance with the legal framework of the CBK.

Completion of examinations within designated time limits is a structural criteria under the Stand-By Arrangement with the International Monetary Fund. This applies to examinations that were carried out after the entrance of the Kosovo Government into Stand-By Arrangement with the International Monetary Fund. Until now all examinations part of the structural criteria are completed before the deadlines set by the International Monetary Fund.

4.9. Insurance supervision

In accordance with the objectives of CBK, namely ensuring the sustainability of the insurance market and the protection of policyholders, the CBK during 2015 has continued its activities by consistently conducting on-site examinations of insurers such as complete and focused examinations as well as ad-hoc examinations of insurance companies and insurance intermediaries.

The classification of insurers for being a subject to examination, is based on several factors ranging from the analysis of financial indicators of the regular report to the CBK, the opinion of the financial statements by the external auditor, claims of policyholders in CBK and prior periods of conducted examinations. This has affected the application of selective approach to prioritization of riskier institutions to be subject to examination by the CBK and thus increasing the level of effective oversight.

As a result, in 2015, a total of 11 examinations were conducted, of which six were complete examinations whereas four were focused examinations, while one institution as a result of the examination at the end of 2014, was subject to counselling for a period of five months during 2015.

The purpose of complete examinations included assessing the general state of the company, including assessing the effectiveness of the functioning of internal controls, implementation of recommendations from past examinations, assessing compliance with CBK laws and regulations, evaluation of management and supervision of the company by governing bodies, practices of the insurers, evaluation of policies and procedures for risk management, all in order to protect the policyholders and maintain the financial stability of insurers.

On-site examinations of insurers have, in some cases, identified non-compliance with the CBK legal framework as well as unsound practices such as: lack of active governing role of the companies' governing board, lack of an effective system of internal control, poor level of internal audit, delays in treatment and payment of damages and the high number of pending damages, violation of IFRS standards for several positions in the financial statements, not good and sound practises of company's assets management, weakness and not good practices of transactions with related parties, underestimation of technical reserves, engaging in the sale of unlicensed products and the sale of products through unlicensed intermediaries. Also, based on regular reports of insurers to the CBK were identified cases of non-compliance with legal requirements in relation to the minimum level of capital, solvency and insurance risk.

For all conducted examinations were prepared reports, wherein were raised and addressed issues identified during the examination, along with the relevant recommendations. The companies in question have reported and continue to report on a monthly basis to the CBK for the necessary actions undertaken to eliminate/improve them.

Also, as a result of findings from conducted examinations and not good financial performance, CBK issued decisions imposing fines and other legal measures provided by the applicable legislation: increasing the funds for completion of regulatory requirements for the minimum required capital, solvency and insurance risk level, monetary fines and dismissal of insurer's official persons.

4.10. Supervision of microfinance and non-bank financial institutions

Supervision of non-bank microfinance institutions, has been focused on raising awareness of such institutions towards the implementation of adequate operating practices. In this regard, in 2015, continued the performance of a risk-based supervision of microfinance institutions, by conducting direct on-site examination, focusing on the adequacy of management capacities for the sector risks, especially credit risk, which has been the benchmark of supervisory activity, compliance of these institutions with CBK legislation and internal institutional policies, as well as the continuation of external monitoring against this sector.

Based on the designated space given to the examination of microfinance institutions and non-banking financial institutions during 2015 were examined ten (10) institutions, namely seven (7) of them microfinance institutions and three (3) nonbank financial institutions. From these examinations is identified that microfinance institutions and non-bank financial institutions, despite the need for further developments, these institutions have continued the advancement of the infrastructure necessary to their management, such as: policies, procedures and systems for the identification, recognition and monitoring of relevant risks in relation to their complexity. However, in cases of identification of serious non-implementation of the legal requirements, administrative and corrective measures have been taken according to applicable legislation. In general, the concerned measures resulted to be remedial for institutions in question and microfinance and non-bank sector in general.

Regardless regular examinations, this department has continued to follow the fulfilment of recommendations for microfinance institutions and non-banking institutions as well as the methodologies for assessment of general provisions on loan losses for some of these institutions.

Furthermore, a presentation was delivered for the currency exchange offices on preliminary findings of examinations in order to further their awareness and realize proper functioning and in compliance with the applicable regulatory framework.

4.11. Supervision of pensions and securities market

In view of maintaining the stability of the financial sector, during 2015 were conducted examinations of pension funds in compliance with the annual plan. Pension supervision has been consistent with international practices in the respective field, based on a risk-based approach. A special attention has been paid to funds administration, investment strategy, effectiveness of internal controls, maintaining adequate liquidity and other risks.

Pension supervision also during 2015 conducted complete and focused examinations on pension funds in order to apply closer supervision of funds. Moreover, last year were conducted a total of 5 examinations on pension funds, of which two were complete examinations and three were focused examinations.

Complete and focused examinations were conducted in accordance with the annual plan of 2015, which aimed at assessing the overall state of the pension funds, namely assessing the funds governance, policies and procedures, management, investment performance, efficiency of operation of internal controls and compliance with laws and regulations of the CBK.

Whereas, focused examinations on pension funds aimed at following the fulfilment of recommendations from CBK previous examinations.

4.12. Prevention of money laundering

During 2015, the Division for Prevention of Money Laundering (PML), regarding its operation and performance of activities in fulfilling its operational mandate, had as a referral point for its activity the Strategic Plan of the Central Bank of the Republic of Kosovo, the annual plan for financial supervision, the annual plan and the strategy and action plan of the Division for Prevention of Money Laundering.

During 2015, the transaction monitoring system has become operational. The purpose of this activity is to increase the monitoring of transactions through the information systems of the Central Bank of the Republic of Kosovo. Implementation of this objective involved increased cooperation with other divisions and departments outside financial supervision function, as well as the adaptation of information technology systems. During 2015, DPML was given access to FIN Inform system¹⁶ (SWIFT), which enabled to an extent the monitoring of international transfers within and outside the country, in different periods of time.

The Division also participated actively in inter-institutional working group regarding the drafting of concept document for amending the Law on Preventing and Combating Money Laundering and Terrorist Financing, wherein the draft law with assistance of experts from the Office of Council of Europe in Kosovo is in the public consultation stage, pending to be submitted to the Kosovo Assembly.

4.12.1 Supervision of financial institutions for the Prevention of Money Laundering and Financing of Terrorism

The on-site supervision of financial institutions was focused in protecting their systems through the implementation of standards and legislation to prevent and combat money laundering and terrorism financing. Within this reporting period, the main focus of the Division was in carrying out the examination of banks and financial institutions in the field of PML/TF.

Division's examination plan for 2015 consisted in total of 15 examinations, with a focus on commercial banks and microfinance institutions and non-banking financial institutions. As a result of this plan, in the field of prevention of money laundering were conducted a total of 13 examinations, of which 7 in commercial banks, 3 in microfinance institutions, 2 other were conducted in non-banking financial institutions and 1 focused examination in an insurance company. Practical reference document of these examinations was the ML/TF examination manual, drafted by Division and approved by the executive board in 2014.

In addition to examinations planned and specified in the annual plan, DPML has also conducted focused examinations, mainly as a result of random situations and based on risk. In this regard, the Division has conducted one (1) joint examination with the banking supervision department and 1 (one) with the insurance supervision department. The examination focused on main areas, which are considered with high-risk for determining the level of adequacy and compliance with legislation and international best practices¹⁷ for the protection of financial system from the possibility of the entry and use of funds of doubtful origin.

Key evaluation points during certain examinations in financial institutions, were the legal and regulatory obligations and responsibilities of financial institutions, aimed at preventing of money

¹⁶ The electronic international payment system SWIFT, which is managed and maintained by the Department of payments within the CBK operations, wherein banks through this code identify and track international financial transactions more easily.

¹⁷ International standards of Financial Action Task Force FATF and European Union Directives 3 and 4 for the "protection of financial systems from the possibility of money laundering or terrorism financing"

laundering and financing of terrorist activities according to standards and best practices of the field. Banks drafted policies and procedures that create opportunities for effective measures in PML/TF. Foreign-owned banks have created these policies and procedures with the help of parent banks, which were approved by the governing board. In general, policies and procedures are clear, appropriate and in accordance with applicable legislation and international practices and guides for PML/TF.

Consumer identification is one of the main aspects that require special treatment with care and special attention is paid also by the international standards, which require the implementation of measures for effective combating against money laundering and terrorism financing. Division for PML of the Central Bank, during on-site examinations, addressed the aspect of client identification and determination of the beneficial owner under applicable legislation and best practices. From the examinations conducted in banks it results that the identification of the clients is at a good level.

Examined financial institutions have continued to undertake measures in terms of adding human and technical capacities within the institution, by recruiting special staff for compliance with PML/TF and by significantly becoming independent from the internal control function. Measures and activities undertaken, this year, the Division has received them in proactive form from banks in continuous basis.

Also, financial institutions have undertaken significant measures to increase the efficiency of monitoring, procedure for identification of clients and opening of the new accounts and determining the beneficial owner.

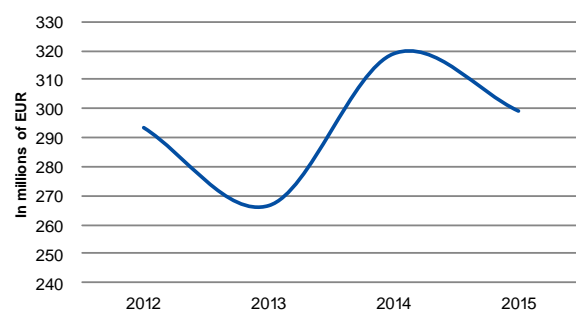
5. Services provided to Authorities, Financial Community and Public

5.1. Operations and cash management

The Central Bank of the Republic of Kosovo (CBK) is responsible for providing an adequate supply of the domestic economy with euro banknotes and coins. CBK performs this function indirectly through the banking sector which is directly linked to businesses and citizens. CBK responsibilities related to operations and cash management during 2015 just as in previous years were related to euro currency since this is the official currency used in Kosovo.

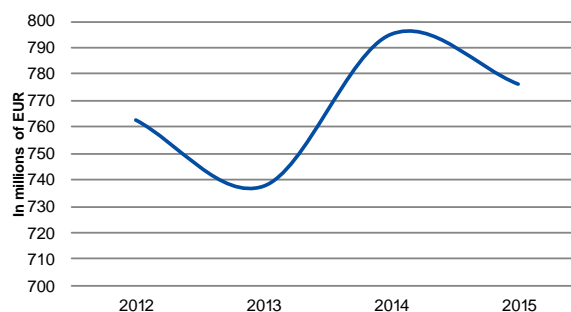
During 2015, CBK supplied a quantitative and qualitative offer of euro banknotes and coins the banking sector for the purpose of transactions settlements in cash of economy and citizens. Consequently, the function and purpose to provide an adequate supply of banknotes and coins for the cash transactions in the economy has been successfully met by the CBK.

Figure 70. Supply with cash (value), in millions of EUR



Source: CBK (2016)

Figure 71. Cash admission (value), in millions of EUR

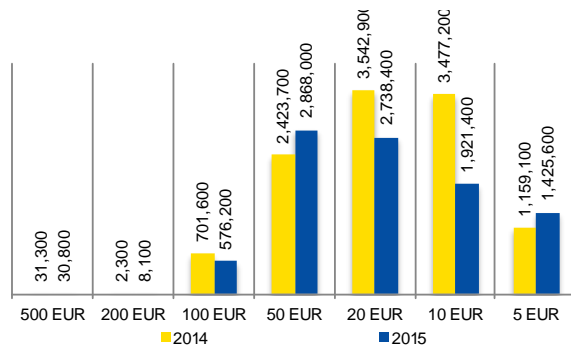


Source: CBK (2016)

The total value of the cash supply in 2015 marked a slight decline by 6.19 percent compared to 2014. Structure of cash supplied by denominations, which primarily is determined by requirements of the banking sector, did not have significant changes from previous year. Denomination supplies continued to dominate euro banknotes - 10, 20 and 50 Euros, while requirements for denomination volumes of 5, 100, 200 and 500 Euros remained significantly lower. During 2015, volumes of small denominations in the value of 50 and 5 Euros increased slightly compared to the previous year, while the denomination volume in value of 20 and 10 Euros had a slight decline.

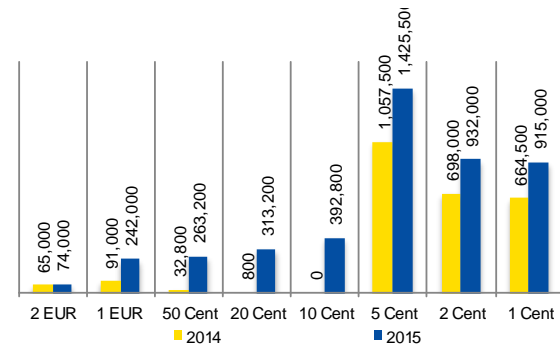
As shown in the following figures, in 2015, CBK supplied the banking sector with more than 9.5 million euro banknotes (with an amount of over euro 299.1 million) and over 4.5 million pieces of euro coins (with an approximate amount of euro 0.72 million).

Figure 72. Supply with EUR banknotes, by denominations



Source: CBK (2016)

Figure 73. Supply with EUR coins, by denominations

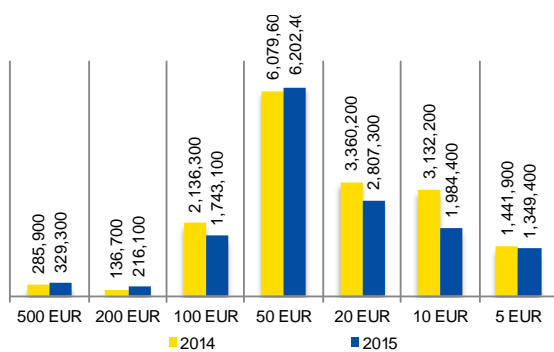


Source: CBK (2016)

Volumes of requests for supply of coins in 2015 marked an increase of over 74.6 percent compared to 2014. Requests for the supply of euro coins, in 2015, was mainly dominated by small-value coins from 1 to 5 cents. The volumes of requests for supply with small denominations in the value of 5 cent, 2 cent and 1 cent, during 2015, marked a group increase of 35.2 percent representing a significant increase compared to the previous year. Volumes of request for supply with denomination of 10 euro cent up to 2 euro compared to the previous year marked a group increase of 577 percent representing a significant increase compared to the previous year.

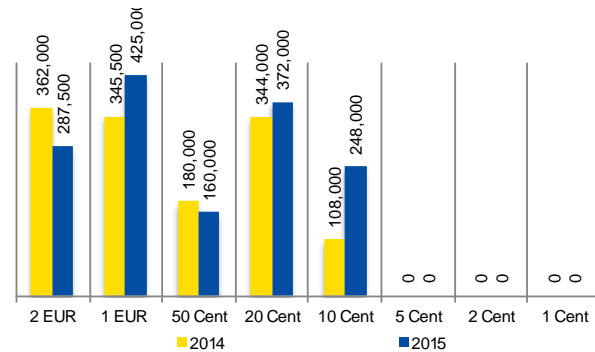
The total value of cash received as deposits marked a slight decline of 2.4 percent in 2015, compared to the previous year. CBK received around 14.6 million pieces of euro banknotes (about 58,000 pieces of banknotes per day) and about 1.5 million pieces of euro coins (about 6,000 pieces of coins per day) as cash deposits from the banking sector. When expressed in amounts, these deposits reached approximately the amounts of 775 million euro banknotes and 1.2 million euro coins. The structure of euro banknotes received during 2015, as seen in the below figure, did not have any major difference from the previous year, while the structure of received currencies during 2015, i.e. denominations of coins of 1 euro, 20 euro cent and 10 euro cent marked an increased deposits volume compared to other coins which marked a slight decline.

Figure 74. Supply with EUR banknotes, by denominations (number of pieces)



Source: CBK (2016)

Figure 75. Supply with EUR banknotes, by denominations (number of pieces)



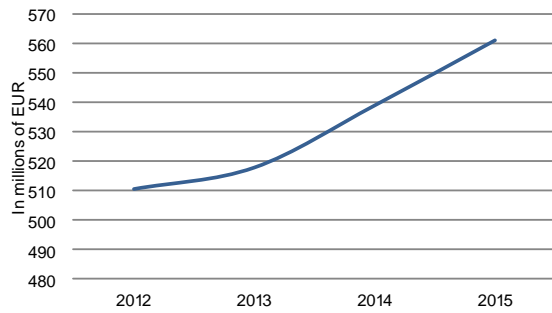
Source: CBK (2016)

During 2015, net¹⁸ deposited cash were in a higher value than the supplied cash. In fact, reaching about 477 million Euro, such a change was slightly higher than in the previous year which was approximately 476 million Euro. This increase was mainly due to the decrease of request of the banking sector for the supply with euro banknotes.

¹⁸ Deposits minus Withdrawals.

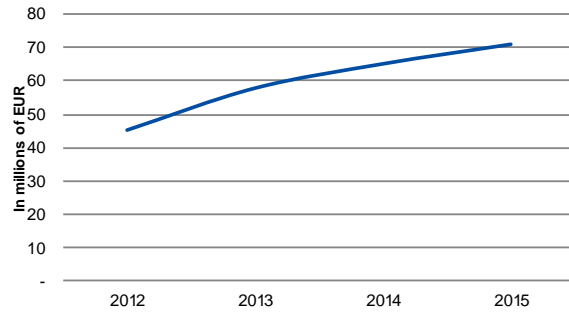
Since CBK keeps only the minimum required level of cash, the surpluses are sent in the Euro area, which then are used for international payments, and through investments are returned to interest-earning assets. Cash net remittances abroad in 2015 amounted to euro 490.2 million, being higher than the previous year when they were euro 473.9 million. This increase in net remittances in 2015 was as a result of the decrease of the request for euro banknotes from the banking sector. Trends of cash exports and imports in the recent years are presented in the following two figures.

Figure 76. Export of cash (value), in millions of EUR



Source: CBK (2016)

Figure 77. Import of cash (value), in millions of EUR

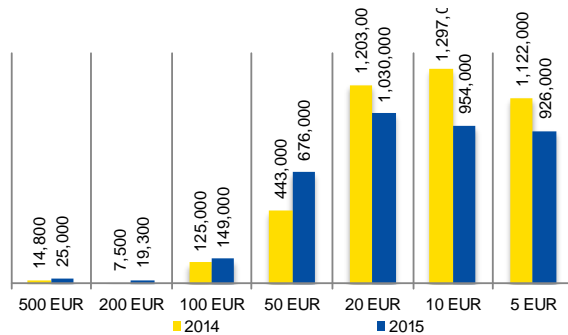


Source: CBK (2016)

Cash operations continued to be carried out through modern processing equipment and in accordance with the CBK standard rules and procedures. During 2015, CBK was equipped with sophisticated processing machinery of the latest technology, which was tested by the European Central Bank (ECB) regarding the conformity with the ECB rules. All cash received by the commercial banks and other institutions were processed (nearly 14.6 million euro pieces in banknotes and 1.5 million euro pieces in coins) and were classified according to the level of adequacy.

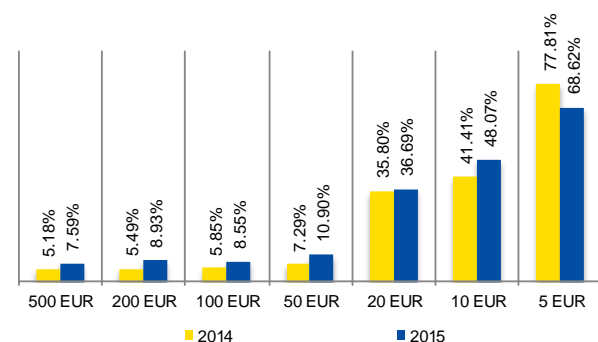
Approximately 3.8 million pieces of euro banknotes (25.8 percent of total euro banknotes deposited by the banking sector) during 2015 were classified as unfit for recirculation (highly outdated/damaged) and were removed from circulation and sent to euro area banks. Such a considerable volume of unfit euro banknotes removed from circulation contributed significantly in improving the quality of cash in circulation in the Republic of Kosovo. Banknotes which were mostly classified as highly outdated/damaged and were removed from circulation were those of denominations of euro 20, 10 and 5. They represented about 77 percent of unfit banknotes received due to their higher circulation in the economy.

Figure 78. Number of outdated banknotes withdrawn from circulation



Source: CBK (2016)

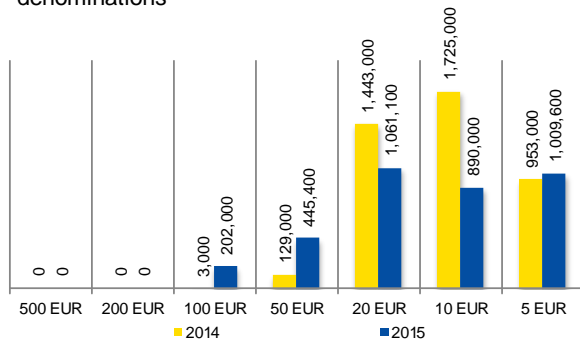
Figure 79. Proportion of banknotes withdrawn from circulation from the total received



Source: CBK (2016)

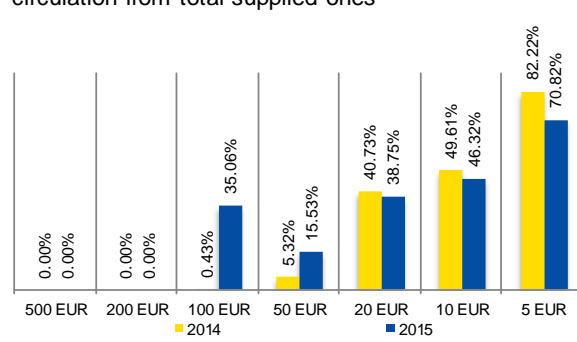
Quality of cash in circulation was also improved through the supply of banking sector with completely new euro banknotes, which were brought from the euro area. During 2015, CBK supplied the banking sector with more than 3.6 million pieces of new euro banknotes (37.7 percent of the total supplied euro banknotes). Around 82 percent of new banknotes supplied during 2015 were low denomination banknotes (20, 10 and 5 euro), with which were mainly supplied to commercial banks for the purpose of equipping their ATMs. Then, also all used supplied euro banknotes were of a high quality standard (appropriate quality for ATMs- standard ATM).

Figure 80. Supply with new EUR banknotes, by denominations



Source: CBK (2016)

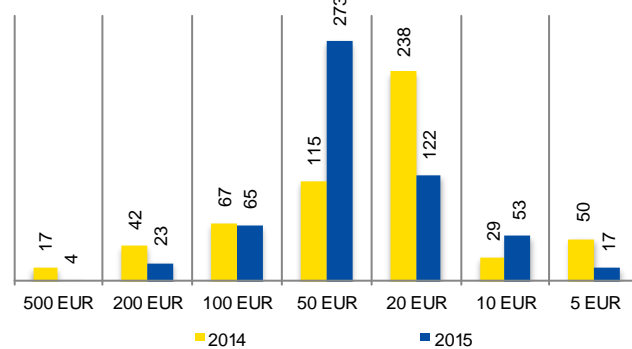
Figure 81. Proportion of new banknotes induced into circulation from total supplied ones



Source: CBK (2016)

Regarding measures against counterfeiting, Money and Banking Relations Department has followed the cases of counterfeit money. In particular, continued to cooperate with the authorities to advance reporting of cash suspected as counterfeited. Money and Banking Relations Department together with Forensic Laboratory published on the website¹⁹ of the CBK statistics on counterfeited money in the Republic of Kosovo. Furthermore, educational materials were published with the aim to inform the public about the security features of Europa series of banknotes.

Figure 82. Counterfited EUR seized in Kosovo (number of pieces)



Source: Forensic Agency of Kosovo (2016)

Maintenance and transactions of accounts

CBK provides banking services for the Ministry of Finance, Privatization Agency of Kosovo (PAK) and other institutions such as banks and other financial institutions, public entities, foreign banks, central banks, international financial institutions (International Monetary Fund, World Bank), and international organizations, as specified in Article 9 of the Law no. 03/L-209 of CBK. In 2015, similar with the previous years, these services consisted primarily on maintenance of accounts and payments, excluding any form of lending.

CBK supported the advancement of transaction processes and agreements of the Ministry of Finance and Privatization Agency of Kosovo. Forms of payment and ways of communication are adapted to their requirements. It is worth mentioning the full digitalization of international

¹⁹ <http://bqk-kos.org/?id=31>

order transfers of the Ministry of Finance. During 2015 all international payments were realized through SWIFT network, shortening time and increasing processing efficiency.

Table 14. Transaction amount by the main types of payment (in thousands of Euros)

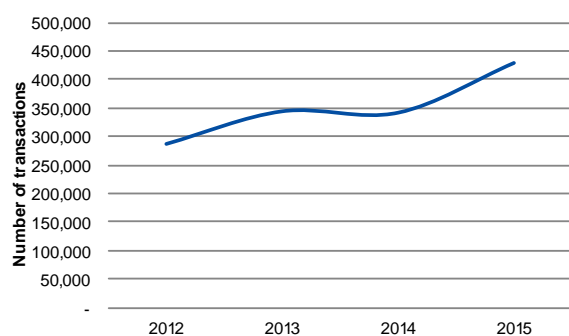
Type of transactions	2011	2012	2013	2014	2015
Transactions with cash	+535,190	+468,755	+470,786	+475,752	+476,310
Deposits with cash	760,082	762,596	737,524	794,989	776,195
Cash withdrawals	224,892	293,841	266,738	319,237	299,885
Domestic transfers	+462,867	+335,267	+581,797	+839,345	+942,520
Incoming domestic transfers	1,615,232	1,568,574	1,554,535	1,615,753	1,677,024
Outgoing domestic transfers	1,152,365	1,233,308	972,738	776,408	734,504
International transfers	-558,778	-366,873	-321,676	-714,099	-441,312
Incoming international transfers	266,706	372,967	653,710	404,473	538,375
Outgoing international transfers	825,483	739,840	975,386	1,118,572	979,687

Source: CBK (2016)

While most of cash operations of the CBK were carried on behalf and on benefits of commercial banks, most of domestic payments of the CBK are conducted on behalf and on the benefit of the Treasury – Ministry of Finance.

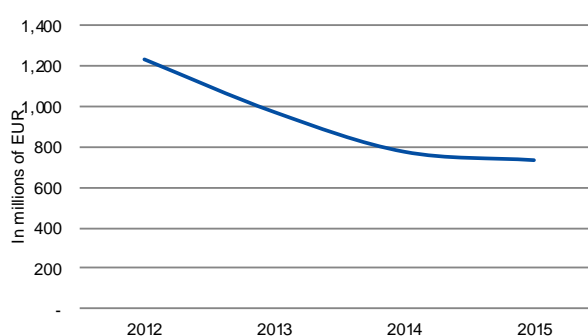
On behalf of its clients, CBK processed about 430 thousand domestic outgoing payment orders (an increase of 26% compared to previous year), and received to their accounts about 129 thousand incoming payment orders (an increase of 10% compared to the previous year). Expressed in value, domestic outgoing payment orders amounted to 734.5 million euro (a decrease of 5.4% compared to the previous year) and domestic incoming payment orders amounted over euro 1.68 billion (an increase of 3.8 percent compared to the previous year).

Figure 83. Volume of domestic outgoing transactions, number



Source: CBK (2016)

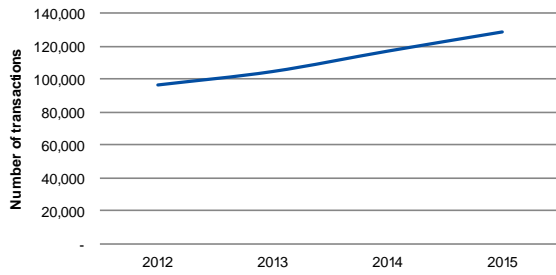
Figure 84. Value of domestic outgoing transactions, in millions of EUR



Source: CBK (2016)

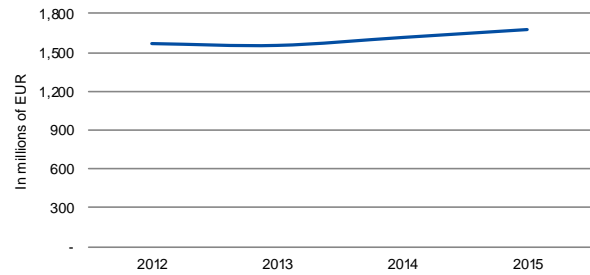
The largest number and amount of domestic transactions was conducted by the CBK by order and for Treasury.

Figure 85. Volume of domestic incoming transactions, number



Source: CBK (2016)

Figure 86. Value of domestic incoming transactions, in millions of EUR

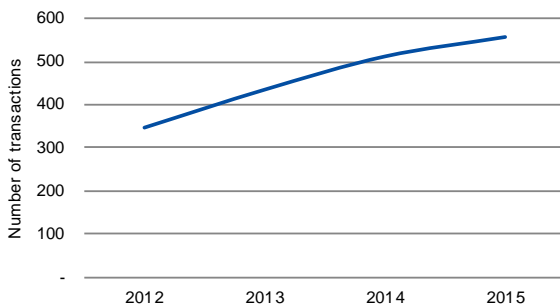


Source: CBK (2016)

Regarding the outgoing domestic payments, it should be noted that all commercial banks generate them themselves, whereas insurance institutions process the largest number of payments through commercial banks. In fact, all other accountholders of CBK use payment services provided by the CBK in a limited way, since all of them have accounts in commercial banks.

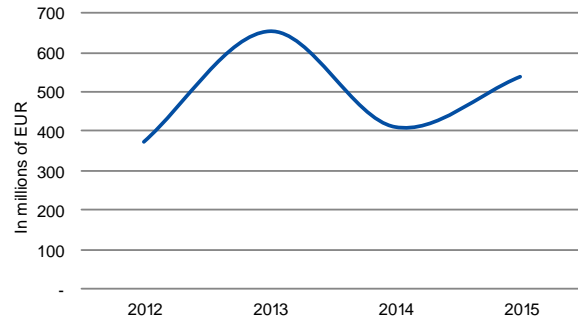
Regarding international transactions, the largest number of such transaction was performed by CBK with the order of the Treasury. On the other hand, considering their value, most of international transactions conducted by the CBK are related to the transfers of commercial banks funds. Annual data on international transactions for the last five years are presented in the following figures.

Figure 87. Volume of international incoming transactions, number



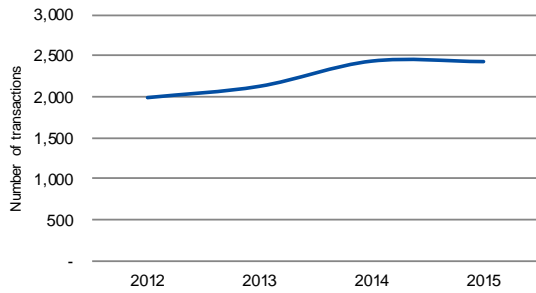
Source: CBK (2016)

Figure 88. Value of international incoming transactions, in millions of EUR



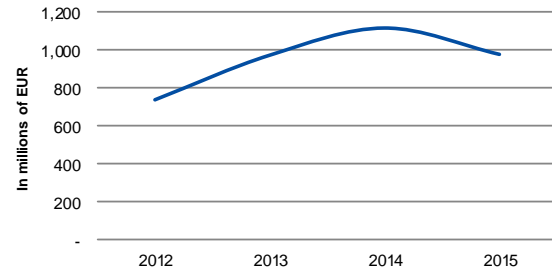
Source: CBK (2016)

Figure 89. Volume of international outgoing transactions, number



Source: CBK (2016)

Figure 90. Value of international outgoing transactions, in millions of EUR



Source: CBK (2016)

On 31 December 2015, deposits of the institutions of the Republic of Kosovo amounted to euro 248.8 million, whereas those of the PAK amounted to euro 486.8 million.

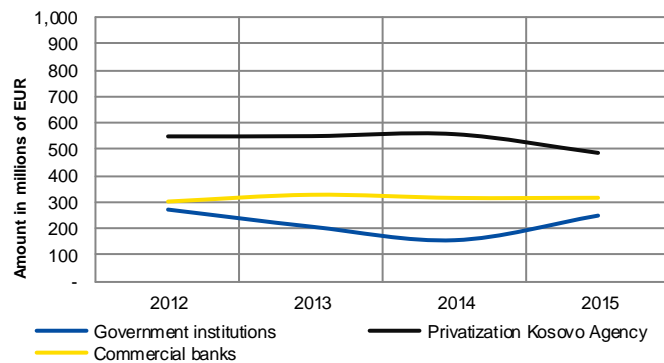
Table 15. Level of deposits of key clients (in thousands of euro)

Account statement	2011	2012	2013	2014	2015
Total	1,103,395	1,344,440	1,480,775	1,238,404	1,321,025
Government institutions	194,326	271,692	206,838	155,481	248,780
Privatization Kosovo Agency	585,763	549,403	550,328	557,801	486,819
Commercial banks	209,700	302,147	327,843	315,932	316,406
Other	113,607	221,198	395,765	209,190	269,019

Source: CBK (2016)

Commercial banks and insurance institutions, among other account holders, are the most important regarding the level of deposits held in the CBK. Commercial banks and insurance institutions deposits held at CBK are mainly related to the legal obligations and requests. They comprised 24.3 percent of total deposits held at CBK by the end of 2015. On 31 December 2015, commercial banks and insurance companies deposits amounted to euro 320.9 million.

Figure 91. The trend of the main CBK clients



Source: CBK (2016)

Table 16. Level of deposits by type of accounts (in thousands of euro)

Types of accounts	2011	2012	2013	2014	2015
I. Current accounts	677,943	1,146,445	1,266,824	1,173,404	1,321,025
Privatization Kosovo Agency	265,310	549,403	530,328	557,801	486,819
Government institutions	89,326	73,697	12,888	90,481	248,780
Commercial banks	209,700	302,147	327,843	315,932	316,406
International Institutions (IMF, WB)	73,393	169,341	156,479	155,885	185,466
KPSF + Public institutions (PTK, KEK, etc.)	20,953	27,339	209,655	20,845	51,212
DPK + Other	10,770	19,060	24,349	26,385	27,669
Insurance companies	7,693	4,983	4,955	5,738	4,528
International Institutions (EULEX, etc)	729	406	260	268	144
Supplementary pension funds	68	68	68	68	0
II. Time deposits	425,453	152,000	133,000	65,000	0
Privatization Kosovo Agency	320,453	0	20,000	0	0
Government institutions	105,000	152,000	113,000	65,000	0
Commercial banks	0	0	0	0	0
International Institutions (IMF, WB)	0	0	0	0	0
KPSF + Public institutions (PTK, KEK, etc.)	0	0	0	0	0
DPK + Other	0	0	0	0	0
Insurance companies	0	0	0	0	0
International Institutions (EULEX, etc)	0	0	0	0	0
Supplementary pension funds	0	0	0	0	0
III. Government Securities	0.00	45,995.19	80,950.60	0.00	0.00
Government institutions	0	45,995	80,951	0	0
Total	1,103,395	1,344,440	1,480,775	1,238,404	1,321,025

Source: CBK (2016)

5.3. Payment system

One of the primary functions of the CBK is the functioning of an efficient, safe and sustainable payment system in the country as a key pillar of the financial infrastructure and the economy of a country.

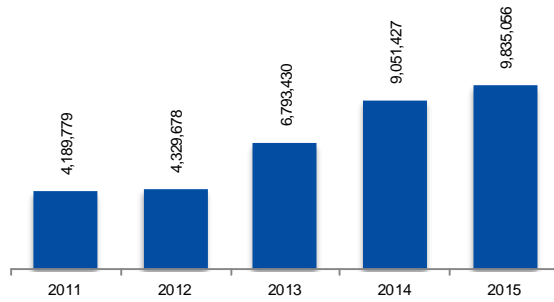
During 2015, Interbank Payments System was characterized by sustainability, security and interoperable efficiency, ensuring timely clearing and settlement in compliance with the relevant standards and procedures. Also, Registry of the Bank Account Holders has functioned well and it has been marked an increase in users' access, as a result of review and alignment of RBA Regulation. This registry is being subject to changes and corrections in order to automatize the processes and enable the electronic communication.

Among the important activities in the area of payment systems during 2015 were: inception of implementation of the new payment system (ATS/RTGS+ACH).

5.3.1 Electronic interbank Clearing System Operation

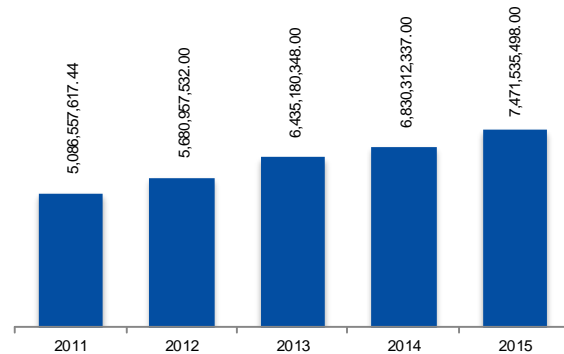
Electronic Interbank Clearing System (EICS) operates as a system which enables the interbank processing of a number of payments' instruments, interbank clearing as well as settlement of securities.

Figure 92. IECS transactions number



Source: CBK (2016)

Figure 93. IECS transactions Value



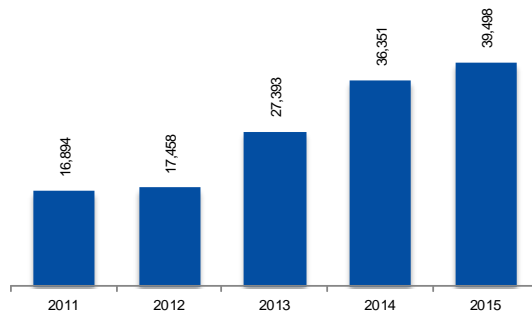
Source: CBK (2016)

During 2015, two more participating institutions “Ziraat Bank” and “Kosovo Pension Savings Trust”, were added in the Electronic Interbank Clearing System thus making the number of participants amount to 13.

Statistical indicators of EICS activity reflected an increase in the volume and the value of transactions, as presented below:

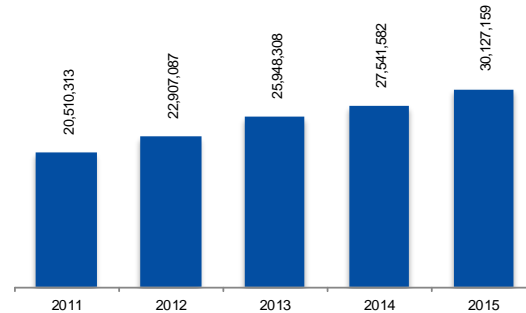
Around 9.8 million of transactions were processed with a total amount of nearly euro 7.5 billion.

Figure 94. Daily average of IECS transactions number



Source: CBK (2016)

Figure 95. Daily average of IECS transactions Value



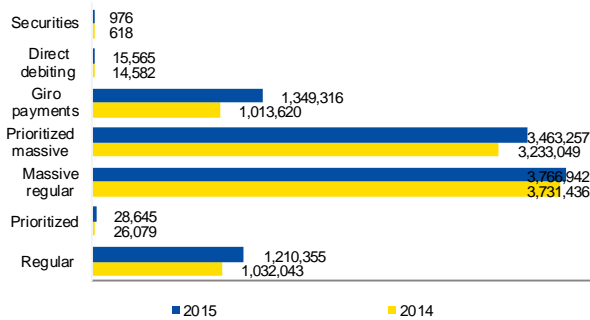
Source: CBK (2016)

Compared to EICS transactions in the previous year, the volume of transactions increased for 8.66% and the value of transactions increased for 9.39 %.

Continued increase in volume and value of interbank transactions of EICS reflects the relative increase of non-cash payments and increase of the confidence to the banking system.

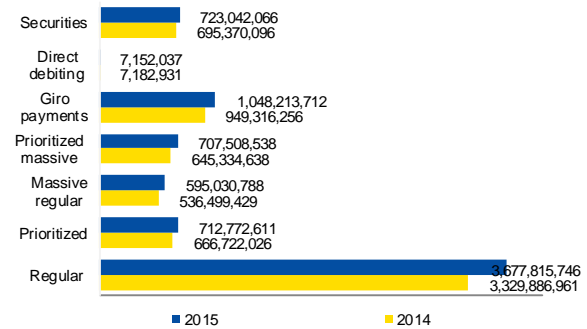
Within EICS are processed some specific categories of payments, such as: regular payments (individual and massive), priority payments (individual and massive), Kos-Giro, Direct Debit and settlement of securities. Levels of increase in both volumes and values of these categories of payments for 2014 and 2015 are presented in the following figures:

Figure 96. Annual transaction volume of IECS, by their type



Source: CBK (2016)

Figure 97. Annual transaction value of IECS, by their type



Source: CBK (2016)

Regular payments (individual and massive) constitute around 50.6 percent of the volume and around 57.2 percent of the value of the transactions of EICS.

Kos-Giro transactions represent a specific type of regular transactions which are also processed through clearing sessions and are settled on net basis. Kos-Giro transactions are intended for the collection of standardized and automated large billing entities. During the 2015, Kos-Giro number of payments increased for 33.1%, while their value increased by approximately 10.4%. Priority (urgent) transactions are immediately processed and settled during working hours on a gross basis. Similar to regular transactions, prior transactions are channeled through EICS either as individual or as massive transactions. They still represent a small part of the overall EICS transactions.

In 2015, in terms of volume, they represented less than 1% of transactions, while in terms of value they represented over 9.5% of the transactions.

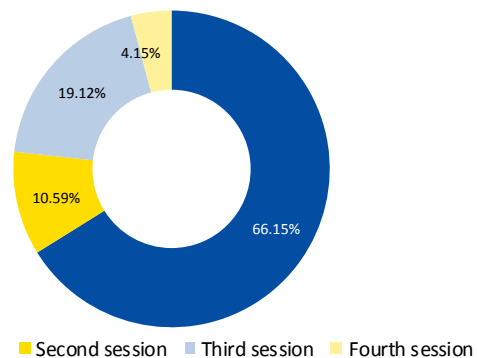
Direct Debit as an instrument and new payment scheme in Kosovo is being used to a small extent compared to other payment instruments. Thus, during 2015, this type of transactions, in total, represented less than 1% of the volume and the value of EICS transactions.

Reflection of payments processed through EICS system by sessions in 2015, shows a more pronounced concentration in the first clearing session, compared with two other sessions. Avoiding overload payment flows over the last clearing session minimizes additional risks within the functioning of the payment system.

Number and value of transactions by sessions:

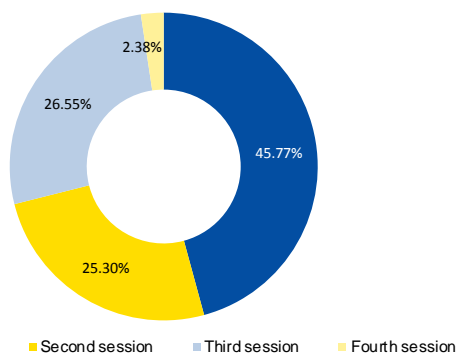
The total value of transactions settled in EICS was euro 7,475,585,326, where three first institutions with larger value of initiated transfers comprise 61.16 % of the total value, while all

Figure 98. Number of transactions by IECS sessions



Source: CBK (2016)

Figure 99. Value of transactions by IECS sessions



Source: CBK (2016)

other institutions comprise 38.34%. Regarding the number of initiated transfers, by their total number of 9,837,977, three first institutions with the largest number of initiated transfers comprise 66.19% of the total number, while all other institutions comprise 33.81%.

Regarding transfers received, three institutions with a higher value of transfers received comprise 65.84% of the total amount, while all the other institutions comprise 34.16 percent. On the other hand, out of total numbers of received transfers, the first three institutions comprise 60.03% of total number, while all the other institutions comprise 39.97%.

A detailed overview of concentration indicators of the participation of more active institutions in EICS during 2015 against the total activity in the system is presented in the table below:

Table 17. Indicators of concentration for initiated/delivered transactions in EICS

IECS system	Volume	Value
Three banks	66.19%	61.16%
Seven other banks	33.81%	38.84%
Total	9,837,977	7,475,585,326

Source: CBK (2016)

5.3.2 Payment System Supervision, Analysis and Developments

Law on Payment System in Kosovo authorizes CBK to supervise the payment systems in order to ensure efficiency and reliability of the system and its compliance with the legal provisions, maintaining the public confidence in the payment system and instruments and promotion of free competition in the payment services market.

Within the payments system supervision, several activities have been undertaken and the relevant function has been increased and developed in line with international principles and standards.

Also, during this year regular inspections at banks have been conducted in order to monitor the processing of payments under the procedures established by legal provisions.

We conducted the regular publishing of analysis indicators for payment instruments in Kosovo. It continued the publishing of regular analysis on developments of payments systems and other financial information material with financial education character of the public. During this year, the following analyses have been published:

- Analysis on the use of payments instruments in Kosovo (on a quarterly basis);
- Analysis of Kos-Giro payments scheme developments and the Direct Debit;
- Analysis for the reduction of transactions in cash;

Until the end of 2015 several phases of the ATS project concluded such as: basic study; hardware installation; software and documentation development.

Also, in order to advance the knowledge and preparation of participants for the implementation of the new payment system, a seminar was organized in CBK in cooperation with SWIFT. The topic of this seminar was "ISO 20022 Real Time Gross Settlement (RTGS) System Standards".

Aiming at approximation with the best international standards and CBK recommendations in the area of payment systems, the following regulations and instructions have been reviewed, corrected and adapted:

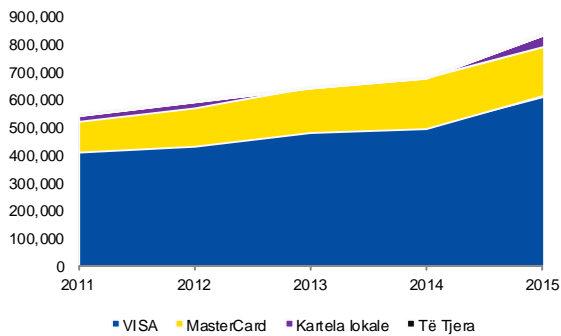
- a) Regulation on Bank Account Standard Numbering System,
- b) Regulation for Clearing and operating of Settlement Accounts and

c) Instruction for Identification of International Outgoing Payment Orders.

5.3.3 Payments instruments and banking infrastructure for payment services,

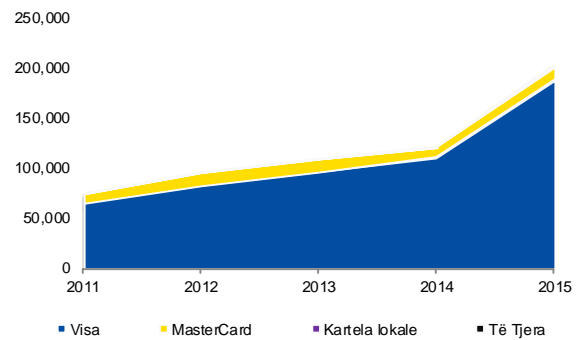
Regarding payments instruments and bank infrastructure of the payments services, it is worth mentioning that it is observed a sustainable development, inclined with growth and expansion both in the application of innovative technologies as well as in the use of electronic instruments.

Figure 100. Number of debit card accounts, by their type



Source: CBK (2016)

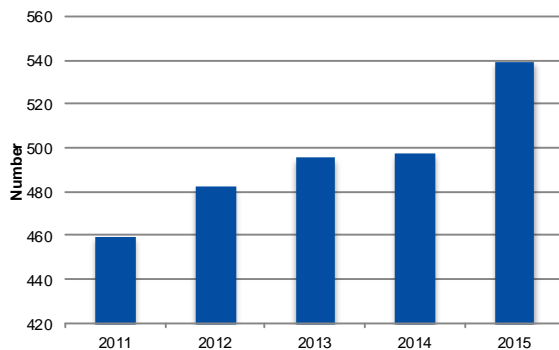
Figure 101. Number of credit cards, by credit type



Source: CBK (2016)

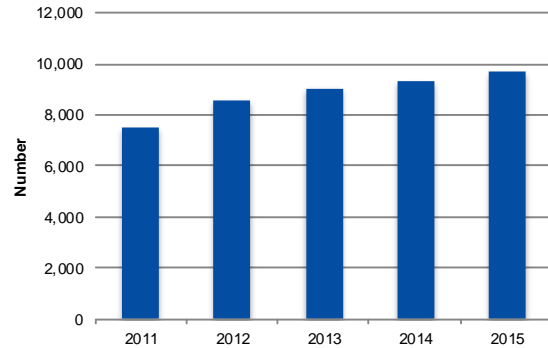
Based on the methodology for reporting of payments instruments, commercial banks have continued regular reporting of statistics on payments instruments to the Payments System Department at the CBK.

Figure 102. Number of ATM



Source: CBK (2016)

Figure 103. Number of POS



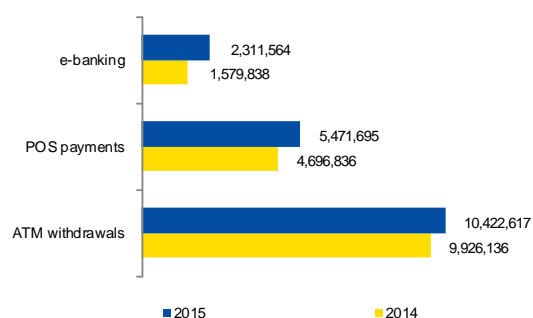
Source: CBK (2016)

A broad overview on development of the national payments system has been generated from the data collected, processed and analyzed during 2015.

The number of cards with the payment function has constantly increased. The network of bank terminals in Kosovo is also increasing. In December of 2015, 837,747 debit cards and around 203,845 credit cards have been reported. These cards could be used in 540 ATM (Automated Teller Machine) terminals and in 9,705 POS (Point of Sales) terminals located throughout Kosovo.

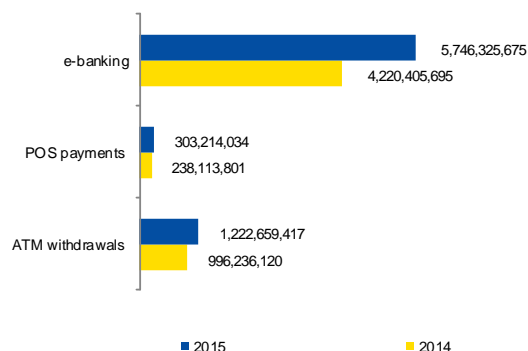
In comparison to the previous year, the number of ATM terminals has increased by 8.4% and the number of POS terminals has increased by 3.8%.

Figure 104. Annual transaction volume of electronic payment instruments



Source: CBK (2016)

Figure 105. Annual transaction value of electronic payment instruments



Source: CBK (2016)

The year 2015 was characterized by a growing tendency to use electronic payment instruments. The number of e-banking payments in the country increased by 46.3%, while their value increased by 36.2%.

The number of payments via POS terminals increased by 16.5%, while their value increased by 27.3%. Also, withdrawals at ATM terminals were characterized with increase. The number of ATM withdrawals during 2015 is increased by 5 %, while the value of withdrawals is increased by 22.7 %.

From the bank reports, it results that the total number of clients' bank accounts by the end of 2015, was around 1.89 million, representing a decrease of 1.6% compared to the end of 2014. Around 98.52% of them are resident accounts, whereas around 1.48% percent non-resident accounts.

Out of the total accounts by the end of 2015, around 187.3 thousand accounts had "online" access to make payments or check account balance, recording an increase of 18.7% compared to 2014.

Table 18. Number of accounts

Description of accounts	Total of client accounts			Accessible from the internet		
	2013	2014	2015	2013	2014	2015
Clients account (1+2)	1,855,383	1,917,513	1,886,644	131,365	157,761	187,297
1-Resident accounts (a+b)(%)	98.62%	98.37%	98.52%	97.10%	97.22%	97.64%
a-Individual (%)	93.25%	93.18%	93.21%	80.11%	79.66%	79.43%
b-Company (%)	6.75%	6.82%	6.79%	19.89%	20.34%	20.57%
2-Nonresident accounts (c+d) (%)	1.38%	1.63%	1.48%	2.90%	2.78%	2.36%
c-Individual (%)	96.35%	96.60%	96.84%	92.50%	91.99%	91.27%
d-Company (%)	3.95%	3.40%	3.16%	7.50%	8.01%	8.73%

Source: CBK (2016), Bank reporting according to the "Payments Instruments Reporting Methodology"

Based on statistical data, the infrastructure's development has a faster trend compared to other regional countries. The rapid growth in using electronic payments instruments remains encouraging.

Regarding the comparison of Kosovo to regional countries, it is noted that the rapid trend of development in recent years has impacted Kosovo in improving its position compared to neighboring countries.

Table 19. Comparative table of payment instruments and terminals²⁰

Description	Inhabitants	ATM per millions of inhabitants	POS per millions of inhabitants	Credit accounts per millions of inhabitants	Debit accounts per millions of inhabitants	E-Banking per millions of inhabitants
Kosovo	1.82	274	5,137	66,842	372,577	86,681
Albania	2.89	281	2,276	29,351	268,926	50,246
Czech Republic	10.51	423	9,618	150,795	894,314	-
Turkey	76.67	594	31,163	743,523	1,376,202	-
Slovenia	2.06	821	15,962	56,465	1,158,719	-
Bulgaria	7.24	776	10,532	129,549	868,282	-
Hungary	9.88	494	10,617	140,928	756,474	-
Bosnja	3.83	372	6,004	-	-	55,760
Montenegro	0.62	560	20,619	78,813	573,292	101,598
Croatia	4.25	993	23,415	50,100	1,588,397	-
Macedonia	2.06	466	18,945	154,344	597,812	273,203

Source: CBK (2016) and central banks or supervisory authorities of the respective countries

5.3.4. Reduction of cash payment

Despite that in Kosovo, the main payment form is still cash, in recent years there is an increasing rapid use of electronic payment instruments.

From the statistical data for 2015, it is observed an increase in the number and value of credit transfers, which represent an alternative to non-cash payments. Significant increase was marked at payments through electronic instruments such as: transactions through debit card, credit card and e-banking thus influencing on the reduction of payments in cash.

In order to efficiently increase the execution of transactions with cards, CBK has envisaged implementing an interbank payment card system to provide interoperable functionality between card issuing operators.

During this year, the agreement for assistance from program Government – for Government (program G2G) was signed as partnership by the USAID for the development of local capacities in feasibility study for the establishment of interbank transactions system with POS and ATM.

5.4. Asset Management

The Central Bank of the Republic of Kosovo (CBK) is in charge of placing the financial means under their management and operating depository system and electronic platform for trading the securities of the Government of Kosovo. In particular, the managing task of international reserves is specified under the Law on Central Bank of the Government of Republic of Kosovo.

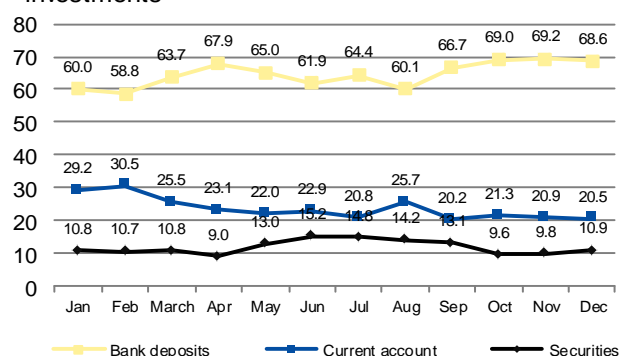
5.4.1. Managing the investments

According to the Investment Policy approved by CBK Executive Board, main objectives during the asset management are: security, liquidity and return on investment.

During 2015, all assets were invested in financial instruments which are considered as a category of safe and liquid instruments and superior credit rating.

Categories of financial instruments where assets were invested are:

Figure 106. Ratio spread of CBK portfolio investments



Source: CBK (2016)

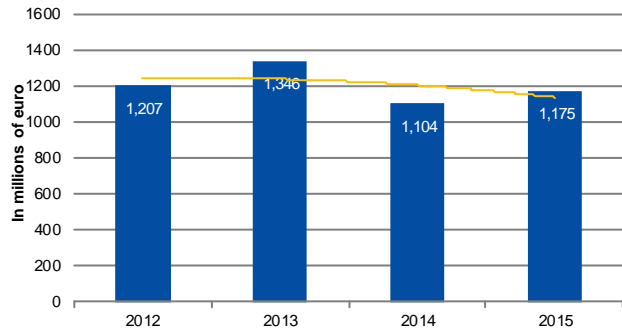
²⁰ The data in the table are from 2014 since most of the countries in the region have not published yet the data for 2015.

- bank time deposits with maturity up to one year, namely euro time deposits in commercial and central banks of the credible euro area countries;
- treasury bills of the euro area countries, with maturity up to one year;
- government bonds of the euro area countries, with maturity up to three years, and;
- government bonds of the Republic of Kosovo traded in the secondary market of securities, with a maturity up to three years.

Central Bank of Kosovo has maintained an adequate distribution of portfolio in relation to the euro area market also helping the trading activity with financial instruments in the internal domestic market. The difficult situation in financial markets, especially, in euro area market made the investment strategy to be focused in the investment of the means in longer term, as well as stimulating the internal market by buying debt instruments in the secondary market issued by the Government of the Republic of Kosovo. Consequently, despite the unfavorable rates in financial markets, we have achieved positive returns of interest while respecting the primary objectives of Investment Policy.

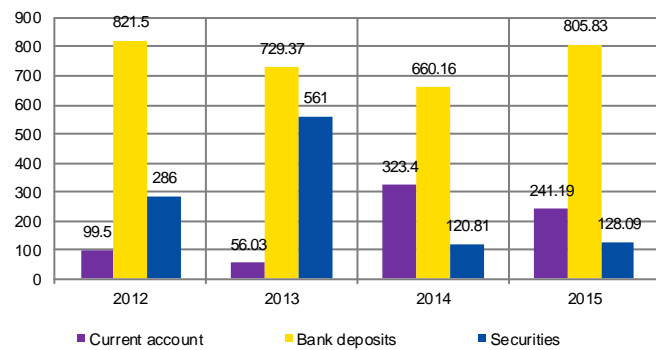
The distribution of CBK portfolio in main categories of financial instruments presented in figure 106 shows a higher focus of investment in bank deposits as instruments with higher return on investment. During the whole year, bank deposits in average remain concentrated on over 60 percent in total of portfolio. Due to longer term placement, the time limit of depositing the means is balanced of keeping a higher level of liquidity in current account. Consequently, keeping the cash during the entire year in average exceeds 20 percent of the total portfolio.

Figure 107. Final return rate of funds invested by the CBK as of 31 December of the respective years



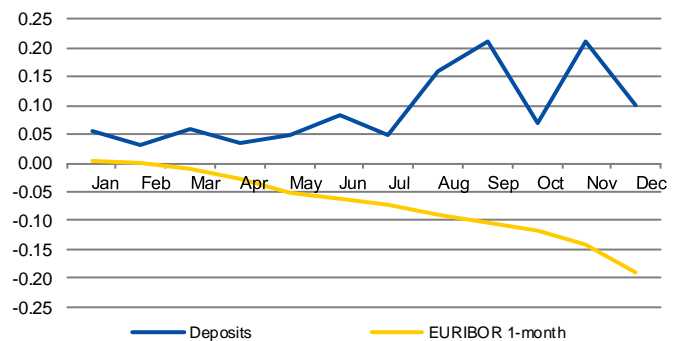
Source: CBK (2016)

Figure 108. Distribution of portfolio investments, end of the year



Source: CBK (2016)

Figure 109. Return rate in deposits invested by the CBK and EURIBOR 1-month rate



Source: CBK (2016)

Securities issued by the euro area countries comprise the instrument with lower participation in total portfolio due to unfavourable investment return for sovereign debt instruments. Investment in Securities issued by the Government of the Republic of Kosovo helped to keeping an adequate level of investment with participation of 11 percent of total portfolio.

The level of total portfolio assets reflected in Figure 107 shows a relatively small increase asset over the past five years. Compared to the previous year, there is an increase of total amount as a result of withdrawal of funds from outside in the internal market of contributors of CBK portfolio such as commercial banks and pension funds.

Higher participation in bank deposits is shown in figure 108 reflecting investment portfolio by categories of financial instruments for 2015 compared to previous years.

5.4.1.2. Portfolio performance for 2015

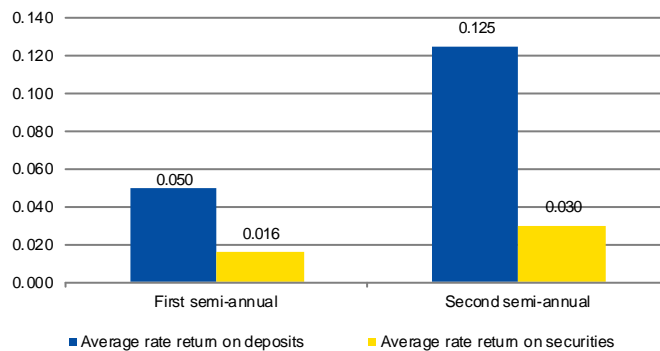
The year 2015 was characterized as turbulent year of financial markets and with continuation of debt crises in the euro area. As in 2014, also in 2015, European Central Bank continued to reduce the interest rate, where in December 2015 decreased the deposit rate at a historic record level from (-0.30%). Most of the commercial banks in euro area followed the ECB practice by applying negative rates for liquid assets. Thus, during 2015 difficulties were created in keeping the liquidity with the commercial banks.

Figure 109 presents the fluctuation in return rates from investments in the CBK portfolio in comparison to the euro interbank market rate, namely 1-month EURIBOR rate (Average Interbank lending rate for euro currency) which is considered a benchmark rate for time deposits of the CBK in central and commercial banks of euro area countries. The benchmark is determined against the data from average time horizon of investment portfolio. Figure 109 shows that despite historical low rates of interbank trade, CBK has performed better than EURIBOR average rate realizing positive returns from the invested funds.

Figure 110 presents the most favourable return realized in investments of bank deposits compared to securities. The debt crisis in euro countries made the government securities to be less favourable for investment compared to bank deposits.

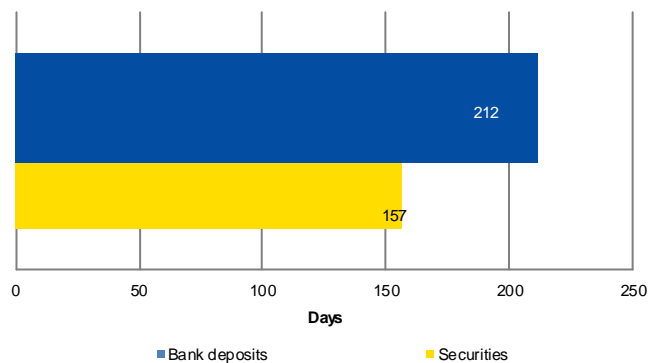
The time horizon structure also changes for bank deposits compared to securities as presented in figure 111.

Figure 110. Rate of investing returns in portfolio and the risk for two semi annual periods of 2015



Source: CBK (2016)

Figure 111. Time horizont average expressed by days up to maturity for two placements categories



Source: CBK (2016)

5.4.2. Risk management

Assets are invested in securities issued by most credible euro area countries and in banking institutions with superior credit rating, according to the ratings of International Credit Rating Agencies such as Standard & Poor's and Moody's.

Financial risks that are managed during the investments of financial assets by the CBK are: credit risk, interest rate risk, liquidity risk and operational risk.

Credit risk - Investment portfolio is distributed in order to keep the credit risk at a low level. All investments are conducted in relation to the criteria of short-term credit ranking, as defined in the Investment Policy P-2/A-2 (Moody's/S&P), and in exceptional cases on the market, as in the case of negative interest rates with P-3/A-3.

Interest rate risk - is measured by comparing the return rate from investments in the CBK portfolio with 1-month EURIBOR rate (Average rate of interbank lending for Euro currency) as comparative rate.

Liquidity risk - Investments were mainly conducted in compliance with time horizon determined in Investment Policy. Instruments in which were invested are mainly short-term instruments, such as bank deposits, treasury bills and state bonds.

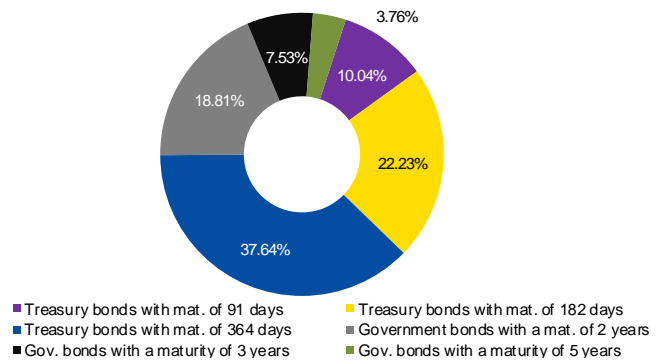
Operational risk - - this risk exists in all activities and to minimize operational risk, investments are carried out accurately by being subject to the effective control of any transaction.

5.4.3 Government Securities

Pursuant to the Law on Public Debts, the CBK acts as a fiscal agent for the MoF).

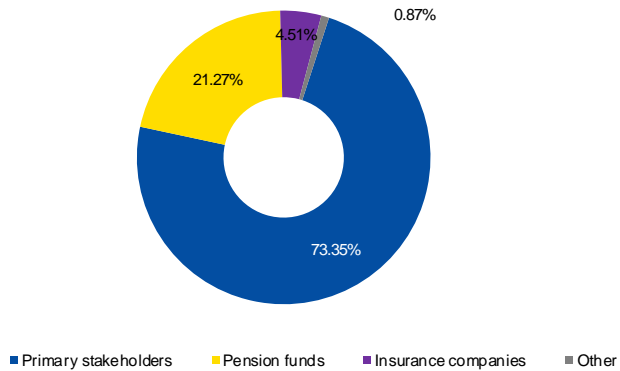
In accordance with the Government Securities' Issuance Calendar for 2015, CBK has conducted 21 auctions through electronic platform, 4 auctions for Treasury Bills with 91 days of maturity, 4 auctions for Treasury Bills with 182 days of maturity, 6 auctions for Treasury Bills with 364 days of maturity, 4 auctions for government treasury bills with a maturity of two years, 2 auctions for government treasury bills with a maturity of three years (one of them was reopened) and 1 auction for government treasury bills with a maturity of five years. Figure 112 shows the structure of securities by maturity expressed in percentage.

Figure 112. Structure of securities by maturity



Source: CBK (2016)

Figure 113. Structure of auction participants



Source: CBK (2016)

Figure 113 shows the structure of institutions participating in auctions of the Kosovo Government securities.²¹

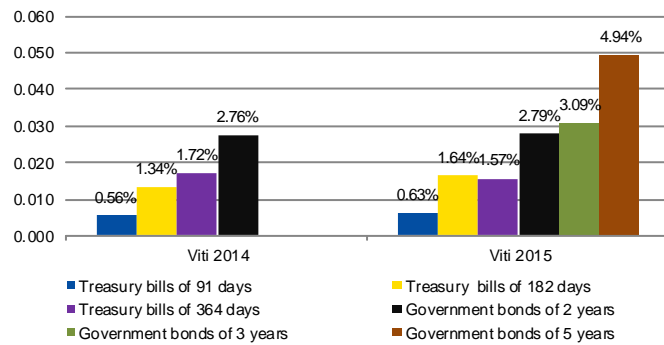
The year 2015 is characterized with the issuances for the first time of the government bonds with a maturity of three and five years.

Compared to the previous year, the average annual rate of return with 91 days of maturity increased for 12.50 %, the treasury bonds with maturity of 182 days increased for 22.39 %, Treasury bonds with a maturity of 364 days marked a decrease for 8.72 %, as shows the figure 114. In 2015, the average annual return rate for all government bonds was higher for 2.32% compared to 2014. The average return rate for government bonds with a maturity of 2 years in 2015 has increased for 1.09 %. The average return rate for government bonds with a maturity of 3 years in 2015 was 3.09%, while for government bonds with a maturity of 5 years was 4.94%.

The figure 115 shows all auctions where it is noted that the highest demand was for one-year treasury bills and for government bonds of two and three years of maturity.

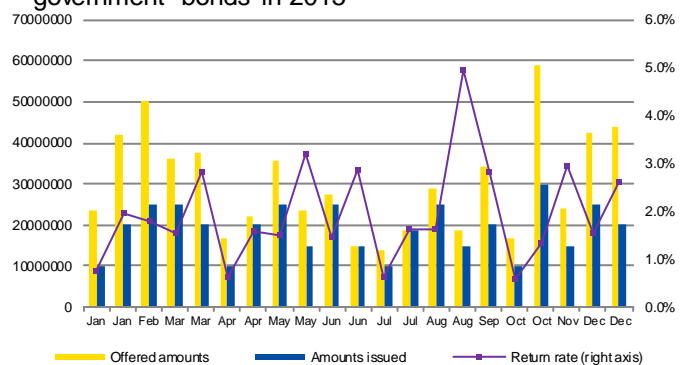
Activities in the secondary market of Government of the Republic of Kosovo Securities have continued with increased intensity. It is marked a significant progress and increasing interest in the purchase of Government of Kosovo Securities.

Figure 114. Annual average rate returns by maturity for 2014 and 2015, in percent



Source: CBK (2016)

Figure 115. Auctions of treasury bonds and government bonds in 2015



Source: CBK (2016)

²¹ Participants in the market of Government Securities have been all Primary Stakeholders, Kosovo Pensions Savings Trust as a primary participant, insurance companies and other participants through Primary Stakeholders.

5.5. Credit Registry of Kosovo

Member of Credit Registry of Kosovo (CRK) system are all financial institutions designated by the Central Bank as providers of loans, including all licensed banks and microfinance institutions as well as those non-banking institutions and insurance companies licensed to engage in special lending activities.

During 2015, CRK registered 183 new users based on the requests submitted by lending institutions.

Currently, there are 1309 active users from lending institutions registered in CRK. The figure 116 shows the number of new users registered in CRK system for the years 2012, 2013, 2014 and 2015.

The lending institutions access the CRK system in order to search the creditor applicants' liabilities and credit background where according to statistics deriving from the CRK, the number of searches during 2015 was 602,642.

An overview for this activity on annual basis is shown in figure 117.

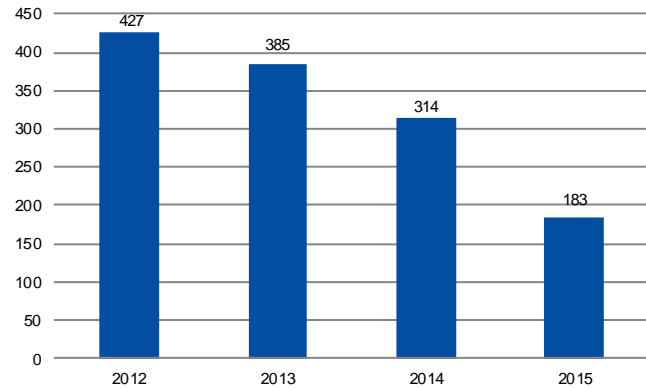
All lending institutions are required to report to the Credit Registry on all loans applications and loans approved to their clients, in accordance with the terms of the relevant guidance issued by the Central Bank, this information must be accurate, complete and in time.

Lending institutions should include a consent clause in their forms of the application for loans and contracts to their loans and they should receive the written or electronic signature of clients, authorizing the submission of information of their loans to the Credit Registry.

During 2015, lending institutions reported 173,796 new loans in the credit registry system.

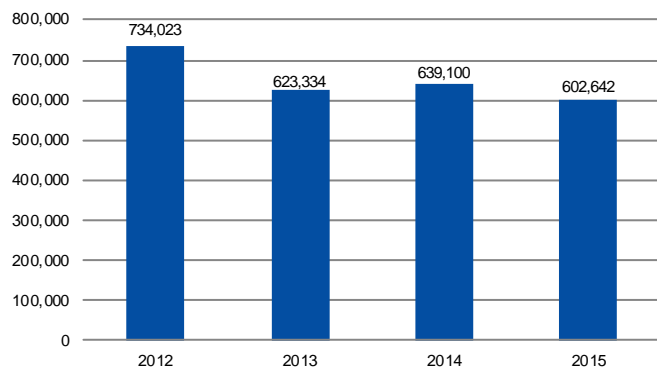
Loans reported by member institutions in the CRK system are classified according to the Regulation on Credit Risk Management.

Figure 116. Number of registered users



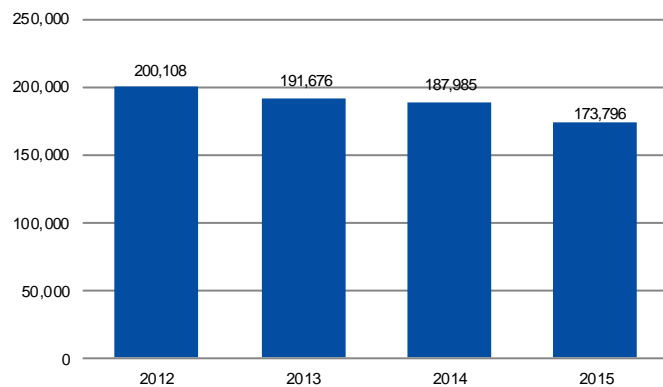
Source: CBK (2016)

Figure 117. The number of surveys in CRK system



Source: CBK (2016)

Figure 118. Number of new loans



Source: CBK (2016)

Furthermore, based on the Guideline for Credit Registry, lending institutions must update the status of any active loan on a monthly basis according to the state of the last calendar day of each month.

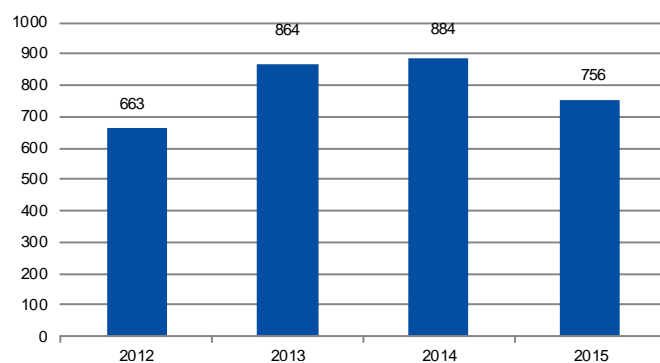
In figures 118 and 119 are presented credit exposures based on classifications reported in CRK system for 2012, 2013, 2014 and 2015.

In the CRK system, as a data subject is presented any natural and legal person who undertakes a credit obligation. Credit obligation shall mean any loan, credit card, guarantee, leasing or any other credit product.

In addition to the role as borrower, data subject may appear as a co-debtor, guarantor or even as shareholder and director of a legal entity to whom the credit obligation is issued.

Based on the Regulation on Credit Registry and the Law for Protection of Personal Data, in order to control their own information, data subjects have the right to be provided with their individual credit report. This is provided by any bank or even directly in the Central Bank of Kosovo.

Figure 119. Number of requests for credit reports



Source: CBK (2016)

The following figure presents the number of requests for individual report of creditors (natural/legal).

In 2015, just like in the previous years, the Credit Registry has contributed directly to the data collected of the World Bank for the purpose of the Doing Business 2016 report.

According to the 'Doing Business' report published by the World Bank, the area which belongs to the Credit Registry, "getting credit", compared to region countries is evaluated to be in the 28th position.

With this assessment, the "getting credit" indicator is still evaluated to be as more positive than any other indicator in the Doing Business report for the Republic of Kosovo.

5.6. Activity in the Economic Analysis and Financial Stability Area

In order to achieve its objectives, the CBK has continued to pay a special attention to the analyses of general economic developments in the country and analyses related to the assessment of financial stability and the activity of the country's financial system. Much of these analyzes are published on a periodic basis within CBK publications, thereby serving as an important source of information for policy making authorities, the business sector (including the financial industry itself), and the general public.

One of the most important periodic publications is the Financial Stability Report, which started to be published twice a year since 2014. Financial Stability Report reflects stability of the financial system by analysing general economic developments along with other activity developments, performance and stability of all components of financial system in country.

Besides the Financial Stability Report, on a periodic basis is also published the Macroeconomic Development Report which presents a comprehensive overview of macroeconomic developments in the country. The Macroeconomic Development Report, as the central part of the

macroeconomic projections, thus enriching the analysis of macroeconomic developments in the country and providing an overview of the expected developments in the country's economy. To provide the public with a faster access on information about developments in the country's economy, the CBK has continued to publish on a regular basis the Quarterly Economic Assessment. Moreover, CBK continues to publish Monthly Financial Sector Information Report, which presents a summary of key indicators for all components of Kosovo financial system and which is published every month.

The CBK continued to conduct Bank Lending Survey with commercial banks, whereby collecting important information for factors affecting the lending activity of banks in Kosovo as well as expectations for future lending activity. Information obtained from this survey, which is conducted twice a year, apart from assisting in better understanding of the banking sector development, serve as a significant input for forecasting economic growth and other macroeconomic aggregates. Moreover, during 2015 was conducted the harmonization of the Bank Lending Survey with the similar survey of European Investment Bank (EIB), which enables the comparison of the results of this survey for Kosovo with the results of surveys for other countries.

In 2015, we managed to publish for the first time the Over-indebtedness Report which is based on the credit registry data and in the additional data required from banks. This report reflects in detail the factors affecting the quality of loans and evaluates borrowers' indebtedness level. This report will provide the CBK with important information source in assessment process of financial stability as it will also help the banks in their policy drafting process. In addition to analysis, this report will provide a range of recommendations aimed at addressing the identified weaknesses by the report.

During 2015, aiming to help the risk-based supervision of banking institutions, we compiled specific analyses reflecting macroeconomic developments and those related to financial stability, as well as potential macroeconomic risks which could face the financial stability in the country. During this year, the frequency of compiling the internal analysis on the financial system was also increased, especially the compilation of banking sector analyses, such as the analysis of banking risks, the performance of non-performing loans. In the same period was done the advancement of the methodology for identifying systemically important banks, whereas a lot of work has been carried out in advancing the methodology for compiling the stress test model. Significant progress has been made also towards macro prudential policy formulation and finalization of the Regulation on Emergency Liquidity Assistance.

5.7. The main activities in statistics area in 2015

During 2015, great progress has been made in the statistical function of the CBK by advancing further the harmonization of statistics according to the *acquis*, and for the first time, we started to report to the Eurostat; by expanding the range of new statistics; by increasing the coverage; by disseminating statistics to Eurostat, the World Bank and IMF. The statistical system is also advanced with the development of new software for collecting and processing of data. During 2015, for the first time, CBK sent for publication to Eurostat the data on the balance of payments and international services statistics.

Full convergence and harmonization of external sector statistics according to the methodology the EU countries are using (*acquis*) has been advanced and highly aligned. During 2015, the CBK started for the first time reporting to Eurostat on statistics of the balance of payments. These statistics have a wide compatibility with those reported by EU countries. *Annual data* for the balance of Kosovo payments for the last ten years have been sent to Eurostat. In Eurostat started also reporting of *statistics of foreign trade in services*, with data for 2014. Previously, the CBK defined and structured the data in the required formats, and installed the software package

called Statistical Data Metadata eXchange (SDMX), which is needed to make the conversion of data to SDMX format through the eDAMIS platform. During 2016, more statistics will be sent and we will start with a regular annual, quarterly and monthly report at Eurostat on statistics of balance of payments, international investment position, statistics of international trade in services and direct investment statistics

Moreover, in the framework of cooperation with Eurostat, the CBK has drafted the draft methodology for compiling the ESS and draft methodology for statistics on international trade in services. The draft on ESS is in the process of finalizing and by the end of June is expected to be published on the website. The draft methodology for statistics of external services is drafted in a same format with that of the EU countries and it is sent to Eurostat for comments. Both of these materials will be published on the CBK's website.

In its effort to improve the quality of statistics, the CBK has extended the list of coverage by including new non-financial corporation's into the reporting process and improved statistics on external services. New companies have been included in reporting, mostly foreign-owned corporations, since their data are required to compile statistics of foreign direct investment in Kosovo and external debt. During 2015, Department of Statistics won a grant under the "IPA 2012 Multi-Beneficiary Programme on Statistical Cooperation" by the European Commission in the amount of 10,000 Euro for improving the quality of statistics on services abroad and harmonization of external statistics sector with Eurostat requirements. The objective of improving the quality of trade on services has been achieved. This has been also estimated by the expert of GOPA, a consulting company implementing IPA 2012 projects.

In addition, a significant improvement of periodicity and shortening of the publication time has been achieved. During 2015, we started to publish on monthly basis for the first time the data on balance of payments. At the same time we managed to improve the publication time from 90 days to 60 days after the end of the referring period.

With increasing demand for new information, CBK has expanded its statistical product range by producing more information on interest rates, foreign direct investment, trade balance and external debt statistics. New tables have been prepared and published on a monthly basis on interest rates on loans and deposits of commercial banks, as well as on values of loans approved and deposits received. The new published tables provide detailed information on interest rates on loans and deposits classified by institutional sectors (enterprises and households), economic sectors (agriculture, manufacturing, services and other sectors), for lending (investment loans or loans for consumption), for deadlines, etc. These statistics are in full compliance with international statistical standards.

CBK has developed new statistical software for receiving statistical information from financial institutions and for data processing. The purpose of implementing this software is the unification of the reports received from financial institutions, advancement of the way of collecting the reports, as well as the more efficient processing of the data received. Since this software will be used by many departments within CBK, it will boost the efficiency to control data consistency in financial sector.

Data on a periodic basis are sent to the IMF for publication purposes. In the framework of cooperation with Eurostat and the European Central Bank (ECB), CBK has participated in regular meetings of the *Committee on Monetary, Financial and Balance of Payments Statistics*, organized by Eurostat and the ECB. Moreover, CBK has cooperated with central banks of countries in the region, other international organizations and other relevant institutions in the field of statistics. CBK is a member of the Kosovo Statistical Council and is the country's coordinator for the General Data Dissemination System - GDDS of the IMF. Data on leading

indicators of Kosovo have been published according to deadlines (monthly, quarterly, and annually) within the CBK website.

5.8. Review of the requests of financial institutions

From January 2015 until December this year, a total of ten (10) requests have been submitted for review from the financial institutions supervised by the CBK.

In conformity with legal competences, every request has been reviewed and after being analysed, recommendations for each case have been prepared for the Executive Board of the CBK.

6. Internal Developments

6.1. Internal Audit

The function of Internal Audit in the Central Bank of the Republic of Kosovo is regulated and operates in accordance with the Law no.03/L-209 on CBK (Articles 60 and 61) and the Statute of Internal Audit approved by the CBK Board.

During this year, the main scope of the Internal Audit was focused in the field of Finances, Compliance, Operational and Information Technology.

Throughout 2015, the Office of the Head of Internal Audit of CBK has carried out regular audits according to the Annual Plan 2015, approved by the CBK Board, as well as continued with other activities related to the audit function. The focus of IA is oriented as much as possible on the key issues that need to be addressed and which will be in function of facilitating the Management.

The Internal Audit during this period, in addition to audit commitments by the Plan, has also conducted activities aimed to increase the quality of audit work and affect the efficiency and effectiveness of IA.

In 2015, the Internal Audit function was subject of two external assessments, one from the International Monetary Fund and the other from USAID. Their opinions and recommendations including also those of the World Bank and European Central Bank carried out in 2014, are serving as a valuable guidance for IA for the improvement and advancement of all processes of this function. Within a short time limit, a number of important recommendations of external assessments were implemented, such as: review and update of the Manual of the work of IA and adoption of the Methodology for risk assessment.

The current manual of IA is updated according to the best practices of the Framework of International Professional Standards of Internal Auditing and the model of European Central Bank. Risk assessment methodology is based largely on the methodology used by the European Central Bank and other central banks. Through this methodology is assessed each function/process or activity of the CBK, potential risks and the adequacy and propriety of internal controls.

Based on this methodology it is prepared the Annual Plan of Internal Audit which has been adopted by the CBK Board. The Annual Audit Plan was preceded by the preparation of the Audit Universe for three year period 2016-2018. The Universe presents the inclusion of all audit activities, Departments/Divisions and fields that will be auditing within three year period. The plan comprises of the processes which could expose higher risk and priority, in particular those associated to maintenance of the CBK assets and reputation.

In compliance with the Law on CBK and the Statute of the Internal Audit, the Head of IA, during this year reported on a regular quarterly and annual periods to the Audit Committee and the CBK Board regarding the findings of the auditor, recommendations and the actions undertaken to address them. The reports have been discussed previously in the Audit Committee and the CBK Board and then the issues for further addressing were submitted to the Executive Management. The IA, through these, has at the same time reported about the follow-up and level of implementation of recommendations provided in the previous periods.

Within the annual plan for 2015, in addition to other audits, upon the request by the agreement between the Government of Kosovo, CBK and the International Monetary Fund, on quarterly basis were carried out independent audits of the reconciliation of accounts of the Government. The concluded reports were submitted on time to the International Monetary Fund.

In September 2015, the project for technical assistance regarding IA function commenced by the Bank of Slovenia. The agreement is signed by the Governors of the two banks, the CBK and the Bank of Slovenia. Currently, a significant number of activities defined by the Action Plan are performed.

The IA was focused on meeting the strategic objectives of the CBK. The implementation report of the Strategic Plan 2015-2019 on function of IA is updated.

In order to advance the knowledge for Governance and Risk Management and to design the commitments in a higher level, the IA conducted consultations with the Management at the earlier stage of the process of risk assessment and planning.

The system of documentation of audit work continued with further advancement, followed by the Package of work papers which is the main request of the professional standards and practices of audit. A new certified auditor in the field of audit was recruited during this period. A three-year certification plan for a part of the staff is approved by the Governor, whereas the IA staff during 2015 as well continued with the fulfilment of the standard for continuous professional development, by participating in several important events in this field.

6.2. Human resources

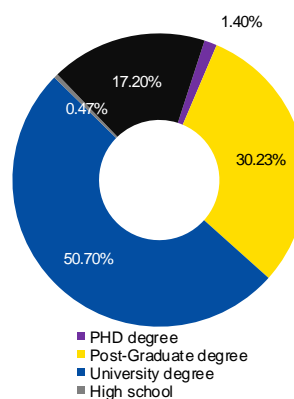
At the end of 2015, total number of employees in CBK was 215 employees. From the total number of employees, 49.3 % are women and 50.7% are men.

Central Bank of the Republic of Kosovo considers its staff as one of the most important resources, and continuously engages to provide them with the appropriate knowledge, adequate skills and expertise to fulfil the duties and responsibilities with the highest standards in achieving their full potential through courses, seminars, trainings, etc.

During 2015, 42% of employees have participated in professional training mainly organized by the Joint Vienna Institute IMF, CEF, Bundesbank, Bank of Holland, and Central Bank of Poland etc.

Moreover, CBK has provided opportunities for students from universities/institutions of higher education from the country and from abroad for internship in order to provide them the unique opportunity to gain practical experience in various fields of the functions and operations of the CBK. In 2015 a total of 45 students attended the internship program at the CBK.

Figure 120. Structure by education



Source: CBK (2016)

6.3. CBK legal activity

In order to fulfil the duties and responsibilities prescribed by law, CBK in 2015 has developed legal activity in terms of implementation and improvement of legal infrastructure, in order to upgrade and harmonize the regulation in the area of financial sector in accordance with basic principles of EU directives and international standards.

By focusing on the advancement of legal infrastructure in step with the latest developments of the financial market, in order to fulfil the objectives and tasks set forth by law, the decision-making bodies of the CBK approved a number of sublegal acts during this year, which prior to proceedings for adoption, were reviewed and confirmed in legal terms.

Significant achievement this year has been made towards improving the legal framework of insurance. The Law no. 05/L-045 on Insurances was approved by the Assembly of Kosovo at the end of 2015. This law defines the basic principles and rules for licensing, regulating and supervising insurers, reinsurers, insurance intermediaries and other entities as provided by the law, in order for the insurance industry in the Republic of Kosovo to operate in secure, stable and transparent manner, for protection of the rights and interests of policyholders.

Central Bank of the Republic of Kosovo will continually focus on the maintenance of a regulatory framework in alignment with the legislation in force, EU legislation, best international standards and practices in order to continue with safe and effective function of the financial sector in Kosovo.

6.4. Information Technology

During 2015, for all users of information systems, CBK has implemented dual authentication project which represents an enhancement in terms of security of system usage. CBK has started with the creation of a team of developers of the systems, which will help in establishment of new applications within the CBK, considering that the demands of the customers and the financial sector are increasing.

Moreover, it was implemented the financial reporting software for financial and statistic supervision departments. The purpose of this software is to integrate the information of financial institutions on a single platform, which enables more accurate, safer and efficient reporting.

6.5. Risk Management Function

The completion of the regulatory framework and the development of models of recognition, measurement and monitoring of risks, were among the most significant activities of the Risk Management Function.

In accordance with the scope and principles set by the Risk Management Policy during the reporting period was developed the Regulation on Operational Risk Management.

The scope of this Regulation is the operational risk management from the internal systems and processes, personnel and external events. The Operational Risk Management is implemented within the standards defined of the process of recognition of potential losses, to mitigate the effects of adverse events that may hinder the achievement of the strategic objectives of the CBK.

The current regulatory framework embodies the standards and best practices in the field of risk management in financial institutions. The regulatory framework is designed to be integrated into all internal processes and systems.

7. External relations and international cooperation

7.1. International cooperation

The Central Bank of the Republic of Kosovo (CBK) in compliance with its responsibilities continued to develop functional relations and cooperation with the main financial international institutions such as: International Monetary Fund (IMF) and World Bank (WB). Moreover, it had special communications and interactions with the European Central Bank, regional counterpart institutions and other institutions with which we have bilateral agreements.

In 2015, CBK continued its cooperation with the IMF with bilateral programs of technical assistance. Moreover, the CBK also had proper communication and cooperation throughout the year with the World Bank (WB). The CBK and institutions of Kosovo hosted Mr. Min Zhu, Deputy Managing Director of IMF, and met the Governor and other senior officials of CBK. During 2015, the Governor has represented Kosovo at the annual meeting of the spring session of the IMF and World Bank in Washington and at the autumn session in Lima, Peru.

Regarding the activities and major events held during 2015, we can mention the completion of the technical cooperation program of the ECB with the central banks of the Western Balkans which began a year ago. This program aimed to provide mutual technical cooperation and preparation of central banks of countries in the region to join the European System of Central Banks (ESCB). Specifically, through this program were identified development needs of the region's central banks in particular activities in order to determine changes within the preparations to join the ESCB when countries in the region become members of the European Union. At the closing ceremony of the program, where CBK was the host and co-organizer with ECB, participated senior representatives of ECB, EU, central banks of the region and central banks of the EU members involved as partners in the program.

During the year, the CBK has further developed the cooperation with central banks and supervisory authorities with which it has bilateral relations. There were exchanges of information and experiences within the relevant frameworks. There were conducted also working visits in these central banks and supervisory authorities. The Governor participated in the Conference on the topic: "Do the crises change the economic foundations in the countries of Southeast Europe?" organized by the Bank of Albania in cooperation with the South East European Study Centre at the University of Oxford held in Tirana. Moreover, the Governor Hamza participated in the summit "The financial future of the region", held in Beçiq of Montenegro. The main topics of this summit were the current challenges, the financial future of the region and opportunities for economic growth. The Governor participated in the 6th Conference of the European Central Bank on the countries of Central, Eastern and South Eastern Europe, which conducted works in Frankfurt, Germany. The main topics of this conference are related to monetary policies of the countries of Central, Eastern and South-eastern Europe, experiences gained and the current challenges, structural policies to support the fulfilment of the convergence criteria and supervisory policies after the functioning of the union bank.

The year of 2015 continued with regular meetings of the Vienna Initiative 2.0. The entire forum was held in Warsaw, where was discussed the issues in the field of micro and macro stability.

Draft agreements between central banks/supervisory authorities of the Western Balkans on one hand with the European Banking Authority (EBA) were signed in October 2015. The CBK is in the process of being assessed by EBA regarding the equivalence of confidentiality requirements as a prerequisite which they have passed through other countries that have already signed the

agreement. It is foreseen that the agreement between the CBK and the EBA to be signed during 2016.

7.2. Financial Education Activities

During 2015 were held activities with the purpose to increase the financial knowledge of the children and youth. It is worth mentioning the development of the financial education established within the website of the CBK. At the corner of the Financial Education are included articles, brochures and different publications on CBK, its activity and the financial system of the country.

During the month of March, just as throughout the world, in Kosovo as well was marked the event called International Week of Money. Educational activities were held in several educational institutions throughout Kosovo. The Governor and other senior officials of CBK participated in these activities.

The Governor, deputy governor and managerial staff of CBK, during this year have participated actively in the sphere of education activities within the various organizations and institutions. Besides the lectures and discussions with the students in auditoriums of higher education institutions, the representatives of the CBK participated also in workshops with economy journalists, officials of commercial banks and representatives of civil society.

The CBK enabled numerous visits of students and pupils and continued to be open to provide assistance for their study works in the field of economy and finances. Moreover, in 2015, the CBK awarded the price for young economists. This award aims to encourage research and works of the student or young graduates regarding the economic development and financial system.

7.3. Technical assistance

During 2015, CBK continued to benefit from technical assistance provided by international financial institutions and various donors with both existing projects as well as new initiatives. The assistance was mainly provided by the U.S. Treasury, International Monetary Fund, World Bank, USAID, German Development Fund and European Central Bank.

These institutions supported capacity building of CBK in the following fields; supervision of financial institutions, advancement of legal framework for risk-based supervision, institutionalization of internal practices and human capacity building for proper implementation of the legal framework.

During 2015, continued the implementation of the project *financial sector strengthening and market infrastructure*, financed by the loan of International Development Agency (IDA). This project has a special focus in: (i) financing the costs associated with the implementation of the CBK strategy, Development of Payment System in a real time, (ii) Establishment of the Centre for Business succession for CBK and (iii) provision of initial capital funding for Deposit Insurance Fund of Kosovo (DIFK) in order to collect the reserve in the form of initial capital. US Treasury continued to support the Central Bank with advisory expertise to advance the Framework for Corporate Governance, preparation of Operational Framework for the institutionalization of the function of macro prudence, and other areas of development policy. CBK during 2015 made considerable progress in the implementation of Risk-based Bank Supervision, and functioning of the Operational framework for Supporting Emergent Liquidity, with assistance provided by the International Monetary Fund. The German Development Fund (GIZ) supported CBK in advancing and implementing the legal framework in compliance with the requirements of Basel and international practices.

Moreover, during 2015, it is worth mentioning the one-year technical cooperation program of the European Central Bank (ECB) designed for CBK, Bank of Albania and Bank of the Republic of Macedonia, in partnership with the national central banks of the European System of Central Banks (ESCB). This project has resulted in concrete recommendations for specific functions of the central banks of the region and compliance with the contemporary principles and practices, focusing on the advancement of the compatibility with such functions of the central banks of EU member states.

Furthermore, CBK continued to advance the practices for consumer protection and financial education as an essential element for building and maintaining an efficient competitive and fair financial sector. Therefore, in order to advance this function, CBK with the support of the European Fund for South-eastern Europe (EFSE) has further advanced the financial education. The abovementioned projects shall contribute to further enhance the effective and efficient cross-institutional cooperation.

CBK remains devoted and grateful for all support which is provided by international financial institutions and various donors, and the advancements made during this period are true reflection of the proper use of this support.

8. Financial statements of the CBK



Central Bank of the Republic of Kosovo
Independent Auditor's Report and Financial Statements
as at and for the year ended 31 December 2015

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INDEPENDENT AUDITOR'S REPORT

To the Management of Central Bank of Republic of Kosovo

We have audited the accompanying financial statements of Central Bank of Republic of Kosovo ("CBK"), which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Republic of Kosovo as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Prishtina, Kosovo
May 19, 2016

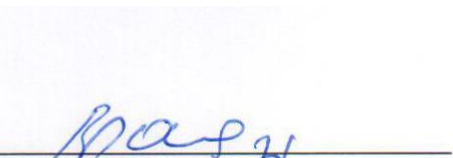
Central Bank of the Republic of Kosovo

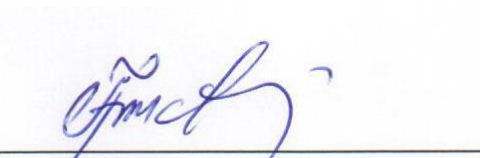
Statement of financial position

At 31 December 2015

<i>In thousands of EUR</i>	Note	2015	2014
Assets			
Cash on hand	7	15,282	29,178
Current accounts with non-resident banks	8	241,187	323,401
Treasury bills	9	127,319	120,789
Deposit accounts with non-resident banks	10	805,309	660,123
Assets related with IMF	11	268,277	234,786
Property and equipment	12	2,372	1,956
Intangible assets	13	1,552	1,251
Other assets	14	897	886
Total assets		1,462,195	1,372,370
Liabilities			
Due to domestic banks	15	316,406	315,932
Due to IMF related accounts	16	273,894	238,713
Due to governmental institutions	17	735,744	713,567
Due to public and commercial entities	18	82,649	50,608
Due to borrowings	19	680	34
Other domestic liabilities	20	1,799	3,181
Total liabilities		1,411,172	1,322,035
Capital and reserves			
Authorized capital	21	30,000	30,000
Reserve fund	21a	20,171	19,561
Revaluation reserve		164	389
Retained earnings		688	385
Total capital		51,023	50,335
Total liabilities, capital and reserves		1,462,195	1,372,370

These financial statements set out on pages 4 to 41 were approved by the management of CBK on 19.May.2016 and signed on its behalf by:


Bedri Hamza
Governor


Faton Ahmetaj
Director of Financial, Planning and
Reporting

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

<i>In thousands of EUR</i>	Note	2015	2014
Interest income			
Interest income		642	1,504
Interest expense		(48)	(246)
Net interest income	22	594	1,258
Fees and commission income			
Fee and commission income		1,442	1,640
Fee and commission expense		(376)	(318)
Net fee and commission income	23	1,066	1,322
Regulatory and other operating activities revenue			
Regulatory activity revenue	24	3,410	3,310
Grant revenue	25	77	77
Other operating income	26	1,139	18
Foreign exchange net gain / loss	29	(298)	(225)
Operating income		5,988	5,760
Operating expenses			
Personnel expenses	27	(3,625)	(3,571)
Depreciation and amortization	12,13	(561)	(485)
General and administrative expenses	28	(1,114)	(1,319)
Operating expenses		(5,300)	(5,375)
Profit for the year		688	385
Other comprehensive income		-	
Total comprehensive income for the year		688	385

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo

Statement of changes in equity

For the year ended 31 December 2015

	Capital	Reserve fund	Revaluation fund	Retained Earnings	Total
<i>In thousands of EUR</i>					
Balance at 1 January 2015	30,000	19,561	389	385	50,335
Transfer to reserve fund	-	610	(225)	(385)	-
Total transactions required by law	-	610	(225)	(385)	-
Profit for the year	-	-	-	688	688
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	688	688
Balance at 31 December 2015	30,000	20,171	164	688	51,023
Balance at 1 January 2014	30,000	19,462	301	187	49,950
Transfer to reserve fund	-	99	88	(187)	-
Total transactions required by law	-	99	88	(187)	-
Profit for the year	-	-	-	385	385
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	385	385
Balance at 31 December 2014	30,000	19,561	389	385	50,335

The accompanying notes from 1 to 33 are an integral part of the financial statements

Central Bank of the Republic of Kosovo

Statement of cash flows

For the year ended 31 December 2015

<i>In thousands of EUR</i>	Note	2015	2014
Cash flows from operating activities			
Profit for the year		688	385
<i>Adjustments for:</i>			
Depreciation	12	359	279
Amortization	13	202	206
Grant revenue	25	(77)	(77)
Gain on sale of equipment		-	(18)
Interest income	22	(642)	(1,504)
Interest expense	22	48	246
		578	(483)
Change in treasury bills		(3,493)	250,048
Change in deposit accounts with nonresident banks		(554,965)	(74,139)
Change in assets with IMF		(33,449)	(3,348)
Change in other assets		(11)	91
Change in due to domestic banks		474	(17,242)
Change in due to IMF related accounts		35,138	4,720
Change in due to governmental institutions		22,193	(43,876)
		32,041	(185,989)
Change in due to public and commercial entities			
Change in borrowings		647	34
Change in other domestic liabilities		(1,547)	3
		(502,394)	(70,181)
Interest received		197	1,597
Interest paid		(21)	(263)
Net cash generated from/used in operating activities		(502,218)	(68,847)
Cash flows from investing activities			
Proceeds from sale of equipment		-	18
Purchase of equipment	12	(775)	(351)
Purchase of intangible assets	13	(503)	(123)
Net cash used in investing activities		(1,278)	(456)
Cash flows from financing activities			
Proceeds from grants		243	10
Net cash generated from financing activities		243	10
Net increase / decrease in cash and cash equivalents		(503,253)	(69,293)
Effect of exchange rate		-	-
Cash and cash equivalents at 1 January		762,586	831,879
Cash and cash equivalents at 31 December	30	259,333	762,586

The accompanying notes from 1 to 33 are an integral part of these financial statements

Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended 31 December 2015

(in thousands of EUR, unless otherwise stated)

1. Reporting entity

The Central Bank of the Republic of Kosovo (hereinafter "CBK" or "the Bank"), the successor to the Central Banking Authority of Kosovo, is an independent juridical entity with full capacity as a legal person under the law applicable in the Republic of Kosovo. CBK is a distinct public entity with the authority to license, supervise and regulate financial institutions in the Republic of Kosovo. The Bank acts in accordance with Law No.03/L-209 "Law on Central Bank of the Republic of Kosovo" hereafter referred to as ("the CBK Law"). As per this law, the principal objectives of CBK are to:

- Foster and maintain a stable financial system, including a safe, sound and efficient payment system.
- Contribute to achieving and maintaining domestic price stability.
- Support the general economic policies of the Government.

As prescribed in the Law, CBK shall act in accordance with the principles of an open market economy with free competition, favoring an efficient allocation of resources.

CBK operates from its premises located in Pristina. The address of the registered office of CBK is as follows:

33 Garibaldi Street

Pristina, Kosovo.

Central Bank Board, Executive Board and Governor

The decision-making bodies of CBK are the Central Bank Board, the Executive Board, and the Governor. As per Article 79, paragraph 2 of the CBK Law, the Central Bank Board comprises of the Governor, the General Director of Treasury¹ and three non-executive members and is charged with the supervision of the implementation of the policies, and the supervision of the administration and the operations of CBK.

As at 31 December 2015, the Board of the Central Bank of Kosovo comprised of the following members:

- Bedri Peci Chairman
- Bedri Hamza – Governor
- Behxhet Brajshori – Member
- Nuhi Ahmeti – Member

The Executive Board shall comprise the Governor, who shall be the Chairperson, and three Deputy Governors, and shall be charged with the implementation of the Central Bank's policies, and its operations.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in note 3 below.

¹ Since it fulfills the requirement of paragraph 2 of Article 79, the Director General of Treasury since August 2015 is not a member of the Board of CBK.

Central Bank of the Republic of Kosovo

Notes to the financial statement for the year ended 31 December 2015

(in thousands of EUR, unless otherwise stated)

2. Basis of preparation (continued)

c) Functional and presentation currency

These financial statements are presented in Euro (“EUR”), which is CBK’s functional currency. Except as indicated, financial information that is presented in Euro has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

3. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

b) Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commission paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the profit or loss includes interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

3. Significant accounting policies (continued)

c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including transaction fees for operating accounts, fund transfers and licensing fees are recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

d) Employee benefits

CBK makes compulsory social security contributions that provide pension benefits for employees upon retirement. These contributions are classified under defined contribution plans based on Kosovo legislation. CBK's contributions are charged to profit or loss as incurred.

e) Taxation and profit allocation

CBK is exempt from income tax according to Law No. 03/L-209 issued on 22 July 2010. See note 4 (f) on how CBK allocates its profit.

f) Financial assets and liabilities

The Bank classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the "financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Bank intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms. The bank has no assets classified in this category.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Bank's management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Bank will not be able to collect all amounts due according to their original terms.

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Bank has no assets classified in this category.

i. Recognition

CBK initially recognizes deposits on the date they originate. All other financial assets and liabilities are initially recognized on the trade date at which CBK becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue

ii. Derecognition

CBK derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by CBK is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

CBK derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii. Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, CBK has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

iv. Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction of impairment.

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

v. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, CBK measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, CBK establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to CBK, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. CBK calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

vi. Identification and measurement of impairment

At each reporting date CBK assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a placement or advance by CBK on terms that CBK would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in CBK, or economic conditions that correlate with defaults in CBK.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset if applicable, continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

g) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash balance on hand, demand deposits with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by CBK in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3. Significant accounting policies (continued)

h) Investment securities

Investment securities, consisting of Treasury Bills, are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for as held-to-maturity investment.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that CBK has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss. Held-to-maturity investments include treasury bills.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent CBK from classifying investment securities as held-to-maturity for the current and the following two financial years.

i) Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to CBK and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are derecognized in profit and loss as incurred.

3. Significant accounting policies (continued)

iii. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

	2015	2014
Leasehold improvements	20 years	20 years
Equipment	5 years	5 years
Computers	3 years	3 years
Vehicles	5 years	5 years

The other equipment useful life is assessed on case by case basis. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

j) Intangible assets

Software acquired by CBK is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of each software is based on assessment of the use of that software without any large need of upgrade, currently from 3 to 10 years.

k) Impairment of non-financial assets

The carrying amounts of CBK's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued)

l) Financial liabilities

CBK's sources of funding are from international, governmental, public, banking and other financial institutions. Financial liabilities are measured at their amortized cost using the effective interest rate method.

m) Grant revenue

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that CBK will comply with the conditions associated with the grant. Grants that compensate CBK for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate CBK for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

n) Donor financed salaries

Certain individuals engaged at CBK are international experts appointed and funded for a short term by international organizations. The funding from these international organizations includes, but it is not limited to, the payment of salaries to these international experts. As this assistance is paid by the international organizations directly to the appointee, the extent of the payments are not known nor are they included in these financial statements.

o) Provisions

A provision is recognized if, as a result of a past event, CBK has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by CBK from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, CBK recognizes any impairment loss on the assets associated with that contract.

3. Significant accounting policies (continued)

p) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the CBK’s accounting policies.

q) Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 “Income Taxes”** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),

3. Significant accounting policies (continued)

q) Standards and Interpretations in issue not yet adopted (continued)

- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture”** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- **Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Central Bank of Kosovo has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Central Bank of Kosovo anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the CBK in the period of initial application.

4. Financial risk management

a) Introduction and overview

CBK has exposure to the following risks from its use of financial instruments::

- Credit risk
- Operational risk
- Liquidity risk
- Market risk

This note presents information about CBK’s exposure to each of the above risks, CBK’s objectives, policies and processes for measuring and managing risk and CBK’s management of capital. Further qualitative and quantitative disclosures are included throughout these financial statements.

Risk management framework

The Central Bank Board has overall responsibility for the establishment and oversight of CBK’s risk management. CBK management reports regularly through CBK’s Executive Board to the Central Bank Board on risk management practices. The Executive Board and Investment Committee have obligations for developing and monitoring CBK risk management policies. These policies are implemented by the respective organizational units.

CBK’s risk management policies are established to identify and analyze the risks that CBK which has to deal with, and to set appropriate risk controls and limits, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. CBK, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

CBK’s Audit Committee is responsible for review and monitoring compliance with CBK’s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks handled by CBK. CBK’s Audit Committee is assisted in these functions by the Internal Audit Department. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported through the chief Internal Audit to the Audit Committee.

4. Financial risk management (continued)

b) Credit risk

Credit risk is the risk of financial loss to CBK if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from CBK's investments in debt securities and deposits (in money markets or current account) in other banks.

Management of Credit Risk

i. Investment and exposure of other banks

CBK limits its exposure to credit risk by investing only in debt securities issued by the governments of EU countries and having deposits with foreign banks whose short term liabilities are rated in one of the two highest categories by internationally recognized credit rating agencies. Given the high credit ratings, management does not expect any counterparty to fail to meet its obligations.

ii. Exposure to credit risk

The maximum exposure to credit risk as at 31 December 2015 and 31 December 2014 is presented by the carrying amount of its: current accounts with non-resident banks, treasury bills and money market placements with non-resident banks. For details on the exposures please see Notes 8, 9 and 10.

None of CBK's exposures are past due or impaired. There are no changes in the credit risk management policies from previous years. CBK does not hold any collateral or other credit enhancements against its exposure to credit risk.

c) Liquidity risk

Liquidity risk is the risk that CBK will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

CBK's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to CBK's reputation.

Policies to monitor and address liquidity risk are set by the Bank Executive Board. CBK manages its liquidity risk by investing in short term deposits with nonresident banks and holding adequate quantity of cash in its vaults. Liquidity management policies are set to ensure that even under adverse conditions, CBK is in a position to meet its obligations.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by CBK management. Monthly reports covering the liquidity position of CBK are regularly submitted to the Investment Committee members by the Asset Management Department.

4. Financial risk management (continued)

c) Liquidity risk (continued)

Exposure to liquidity risk

Residual contractual maturities of financial liabilities, excluding future interest payments

31 December 2015	Note	Carrying amount	Less than 1 month	1-3 months	3 months to 1 year	1 year to 7 years
<i>Non-derivative liabilities</i>						
Due to domestic banks	15	316,406	316,406	-	-	-
Due to IMF related accounts	16	273,894	178,949	4,357	29,331	61,257
Due to governmental institutions	17	735,744	735,744	-	-	-
Due to public and commercial entities	18	82,649	82,649	-	-	-
Due to borrowings	19	680	680	-	-	-
Other domestic liabilities	20	756	756	-	-	-
		1,410,129	1,315,184	4,357	29,331	61,257
31 December 2014						
<i>Non-derivative liabilities</i>						
Due to domestic banks	15	315,932	315,932	-	-	-
Due to IMF related accounts	16	238,713	136,982	2,798	5,596	93,337
Due to governmental institutions	17	713,567	683,561	30,006	-	-
Due to public and commercial entities	18	50,608	50,608	-	-	-
Due to borrowings	19	34	34	-	-	-
Other domestic liabilities	20	2,428	2,428	-	-	-
		1,321,282	1,189,545	32,804	5,596	93,337

The previous table shows the undiscounted cash flows of CBK's financial liabilities on the basis of their earliest possible contractual maturity. To manage the liquidity risk arising from financial liabilities, CBK holds liquid assets comprising cash and cash equivalents, current accounts, deposit accounts and treasury bills for which there is an active and liquid market.

d) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect CBK's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

4. Financial risk management (continued)

d) Market risk (continued)

Management of market risks

CBK's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities, there is exposure to basis risk, which is the difference in reprising characteristics of the various floating rate indices.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with CBK's operations strategies. CBK's exposure to market risk is related only to non-trading portfolios.

Exposure to interest rate risk – non-trading portfolios

One of the principal risks to which non-trading portfolios are exposed is a change in market interest rates causing a reduction in future cash flows for variable-rate financial assets or a decline in the fair values of fixed-rate financial assets. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Investment Committee is the monitoring body for compliance with these limits. A summary of CBK's interest rate gap position on non-trading portfolios is as follows:

4. Financial risk management (continued)

(d) Market risks (continued)

Exposure to interest rate risk – non-trading portfolios

	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-7 years
31 December 2015						
Current accounts with non-resident banks	8	241,187	241,187	-	-	-
Treasury bills	9	127,3198	3,109	53,773	8,187	62,249
Deposit accounts with non-resident banks	10	805,309	-	-	805,309	-
Assets related with IMF	11	211,318	125,619	4,889	19,554	61,257
Total		1,385,133	369,915	58,662	833,050	123,506
Due to domestic banks	15	(316,406)	(316,406)	-	-	-
Due to IMF related accounts	16	(216,666)	(130,966)	(4,889)	(19,554)	(61,257)
Due to governmental institutions	17	(735,744)	(735,744)	-	-	-
Due to public and commercial entities	18	(82,649)	(82,649)	-	-	-
Due to borrowings	19	(680)	(680)	-	-	-
Due to other domestic liabilities	20	(756)	(756)	-	-	-
Total		(1,352,901)	(1,267,202)	(4,889)	(19,554)	(61,257)
Gap		32,232	(897,287)	53,773	813,496	62,249
31 December 2014						
Current accounts with non-resident banks	8	323,401	323,401	-	-	-
Treasury bills	9	120,789	-	-	69,997	50,792
Deposit accounts with non-resident banks	10	660,123	410,020	240,101	10,002	-
Assets related with IMF	11	164,193	62,462	-	-	101,731
Total		1,268,506	795,883	240,101	79,999	152,523
Due to domestic banks	15	(315,932)	(315,932)	-	-	-
Due to IMF related accounts	16	(167,803)	(66,072)	-	-	(101,731)
Due to governmental institutions	17	(713,567)	(648,550)	(65,017)	-	-
Due to public and commercial entities	18	(50,608)	(50,608)	-	-	-
Due to borrowings	19	(34)	(34)	-	-	-
Due to other domestic liabilities	20	(2,428)	(2,428)	-	-	-
Total		(1,250,372)	(1,083,624)	(65,017)	-	(101,731)
Gap		18,134	(287,741)	175,084	79,999	50,792

Non-interest bearing financial assets and liabilities has not been included in the table above.

4. Financial risk management (continued)

(d) Market risks (continued)

Overall non-trading interest rate risk positions are managed by the Asset Management Department, which uses investment securities and placements with banks to manage the overall position arising from CBK's non-trading activities.

Management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and nonstandard interest rate scenarios. Standard scenarios that are considered on a regular basis include a 100 basis point ("bp") parallel fall or rise in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position) is as follows:

2015

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	322	(322)

2014

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	181	(181)

Exposure to other market risks/currency risks non-trading portfolios

CBK has an exposure to SDR related to its IMF assets and liabilities, which they monitor on an ongoing basis. CBK's exposure to foreign currency risk is as follows:

2015

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	53	(53)

2014

	100 pb Increase	100 pb Decrease
Estimated profit (loss) effect	36	(36)

4. Financial risk management (continued)

(d) Market risks (continued)

31 December 2015	EUR	SDR (EUR equivalent)	Total
Assets			
Cash on hand	15,281	-	15,281
Current accounts with non-resident banks	241,187	-	241,187
Treasury bills	127,319	-	127,319
Deposit accounts with non-resident banks	805,309	-	805,309
Assets related with IMF	127,747	140,454	268,201
Other assets	897	-	897
Total	1,317,740	140,454	1,458,194
Liabilities			
Due to domestic banks	316,406	-	316,406
Due to IMF related accounts	184,821	89,304	274,125
Due to governmental institutions	735,744	-	735,744
Due to public and commercial entities	82,649	-	82,649
Due to borrowings	680	-	680
Other domestic liabilities	1,799	-	1,799
Total	1,322,099	89,304	1,411,403
Net foreign currency position	(4,359)	51,150	46,791
<hr/>			
31 December 2014	EUR	SDR(EUR equivalent)	Total
Assets			
Cash on hand	29,178	-	29,178
Current accounts with non-resident banks	323,401	-	323,401
Treasury bills	120,789	-	120,789
Deposit accounts with non-resident banks	660,123	-	660,123
Assets related with IMF	101,731	133,055	234,786
Other assets	886	-	886
Total	1,236,108	133,055	1,369,163
Liabilities			
Due to domestic banks	315,932	-	315,932
Due to IMF related accounts	155,240	83,660	238,900
Due to governmental institutions	713,567	-	713,567
Due to public and commercial entities	50,608	-	50,608
Due to borrowings	34	-	34
Other domestic liabilities	3,181	-	3,181
Total	1,238,562	83,660	1,322,222
Net foreign currency position	(2,454)	49,395	46,941

4. Financial risk management (continued)

(d) Market risks (continued)

CBK deals predominantly in EUR, while the foreign currencies CBK deals with are predominantly Special Drawing Rights (“SDRs”). The exchange rates used for translation at 31 December 2015 and 2014 were as follows:

	2015	2014
	EUR	EUR
1 SDR	1.27283	1.1933

SDRs are supplementary foreign exchange reserve assets defined and maintained by the international Monetary Fund (IMF). Although SDRs are not a currency itself, they represent a potential claim on the currencies of IMF member states for which they may be exchanged. SDRs were created in 1969 to alleviate a shortage of preferred foreign exchange reserve assets, namely the US dollar and gold, the value of the SDR is defined by a weighted currency basket of four major currencies, the Euro, the US dollar, the British pound, and the Japanese yen.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with CBK’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of CBK’s operations and are faced by all of the organization’s units.

CBK’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to CBK’s reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to managerial staff within each organizational unit. This responsibility is supported by the development of overall CBK policies and procedures for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and code of conduct policy; and
- Risk mitigation, including insurance, where this is effective.

Compliance with CBK policies and procedures is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the organizational unit to which they relate, with summaries submitted to the Audit Committee and CBK management.

4. Financial risk management (continued)

(f) Capital management

In accordance with the Law, CBK shall establish and maintain a general reserve. The general reserve may not be used except for the purposes of covering losses sustained by the CBK. In addition, CBK shall establish unrealized revaluation reserve accounts to account for unrealized gains and losses owing to its positions with SDR.

As per Law no. 03/L-209, the net income or the net loss of CBK is calculated in accordance with International Financial Reporting Standards (IFRS).

The earnings available for distributions shall be determined:

- by deducting from the net profits the total amount of unrealized revaluation gains, and by allocating an equivalent amount to the respective unrealized revaluation reserve account, and
- By deducting from the appropriate unrealized revaluation reserve account and adding to the distributable earnings the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.

Unrealized revaluation losses will be transferred to the respective unrealized revaluation reserve accounts until such time as these revaluation reserve accounts have a zero balance, after which these losses shall be covered by the current year's profit, then by the general reserve account and subsequently by the authorized capital account.

All distributable earnings will first be applied to the general reserve fund until the aggregate amount of initial capital and general reserves equals five percent (5%) of the Central Bank's monetary liabilities.

The 50% of the distributable earnings remaining after fulfilling the 5% criteria mentioned above is required to be transferred to the Ministry of Finance. The remaining 50% of the distributable earnings is required to be allocated to the general reserve account of CBK.

(g) Asset management

In accordance with the Law 03/L-209 and Law 03/L-048 the CBK is assigned the responsibility for making and managing authorized investments on behalf of the Ministry of Finance

5. Use of estimates and judgments

Management discusses with the Central Bank Board the development, selection and disclosure of CBK's critical accounting policies and estimates, and the application of these policies and estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on a basis described in accounting policy 3(f) (VI). The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

5. Use of estimates and judgments (continued)

Critical accounting judgments in applying CBK's accounting policies

Critical accounting judgments made in applying CBK's accounting policies include:

Financial asset and liability classification

CBK's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets as held-to-maturity, CBK has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3(h).

Central Bank of the Republic of Kosovo

Note to the financial statement for the year ended 31 December 2015

(in thousands of EUR, unless otherwise stated)

6. Financial assets and liabilities (Accounting classifications and fair values)

The table below sets out CBK's classification of each class of financial assets and liabilities, and their fair values.

<i>In thousands of EUR</i>	Note	Loans and receivables	Held-to-maturity	Other amortized cost	Total carrying amount	Fair value
31 December 2015						
Cash on hand	7	15,282	-	-	15,282	15,282
Current accounts with non-resident banks	8	241,187	-	-	241,187	241,187
Treasury bills	9	-	127,319	-	127,319	127,319
Deposit accounts with non-resident banks	10	-	805,309	-	805,309	805,309
Assets related with IMF	11	268,277	-	-	268,277	268,277
		524,746	932,628	-	1,457,374	1,457,374
Due to domestic banks	15	-	-	316,406	316,406	316,406
Due to IMF related accounts	16	-	-	273,894	273,894	273,894
Due to governmental institutions	17	-	-	735,744	735,744	735,744
Due to public and commercial entities	18	-	-	82,649	82,649	82,649
Due to borrowings	19	-	-	-	-	-
Other domestic liabilities	20	-	-	756	756	756
		-	-	1,409,449	1,409,449	1,409,449
31 December 2014						
Cash on hand	7	29,178	-	-	29,178	29,178
Current accounts with non-resident banks	8	323,401	-	-	323,401	323,401
Treasury bills	9	-	120,789	-	120,789	120,789
Deposit accounts with non-resident banks	10	-	660,123	-	660,123	660,123
Assets related with IMF	11	234,786	-	-	234,786	234,786
		587,365	780,912	-	1,368,277	1,368,277
Due to domestic banks	15	-	-	315,932	315,932	315,932
Due to IMF related accounts	16	-	-	238,713	238,713	238,713
Due to governmental institutions	17	-	-	713,567	713,567	713,567
Due to public and commercial entities	18	-	-	50,608	50,608	50,608
Due to borrowings	19	-	-	34	34	34
Other domestic liabilities	20	-	-	2,428	2,428	2,428
		-	-	1,321,282	1,321,282	1,321,282

Central Bank of the Republic of Kosovo

Note to the financial statement for the year ended 31 December 2015

(in thousands of EUR, unless otherwise stated)

7. Cash on hand

Cash on hand is all denominated in EUR.

8. Current accounts with non-resident banks

These accounts were held at the following banks:

	2015	2014
Deutsche Bundesbank	-	-
Raiffeisen Zentralbank	152,006	145,497
Svenska Handelsbanken	-	10,004
Deutsche Bank	79,162	104,900
Pohjola Bank Plc	9,996	63,000
Commerzbank AG	23	-
Total	241,187	323,401

All current accounts of the above banks have credit ratings of A-2/P-2 as per 2015 rankings by Standard & Poor's/Moody's ratings. The decrease compared to the 2015 it's a normal flow of daily activities, and at the same time the decrease in current accounts is related with increase in notes 9 and 10 (securities and deposit accounts with non-residential banks).

9. Securities (treasury bills and government bonds)

Both categories are debt securities issued by governments of European Union countries. Treasury bills disclosed below have maturity up to one year. Government bonds have maturity up to two and a half year. All bills are denominated in EUR and have effective interest rates ranging from 0.016% to 2.696% p.a. in 2015 (2014: 0.009% to 0.370% p.a.).

Treasury bills are issued by governments of European Union countries as follows:

As per state:

	2015	2014
France	50,490	-
Netherlands	49,996	50,792
Belgium	-	69,997
Kosovo	26,833	-
Total	127,319	120,789

As per type:

	2015	2014
Treasury bills	64,514	69,997
Government bonds	62,805	50,792
Total	127,319	120,789

Central Bank of the Republic of Kosovo

Note to the financial statement for the year ended 31 December 2015

(in thousands of EUR, unless otherwise stated)

9. Securities (treasury bills and government bonds) (continued)

Credit rating for financial instruments that CBK has invested for the year ended December 31, 2015 was A-3/P-2, according to Standard& Poor's/Moody's. Increase compared to 2014 is affected from the increase in the total portfolio (affected from the increase in the balance of liabilities, see note 16, 17 and 18) and the transfer between categories i.e. Note 8 has decreased and balances in Note 9 and 10 have increased.

10. Deposit accounts with non-resident banks

Deposit accounts with nonresident banks are composed from:

	2015	2014
Term deposits		
Raiffeisen Zentralbank	200,000	20,000
Svenska Handelsbanken	-	80,062
ING Bank	185,000	50,000
Rabobank	90,023	-
Danske Bank	140,004	110,007
Swedbank	-	100,000
Banque Centrale du Luxembourg	-	50,000
Deutsche Bank	160,000	150,000
Pohjola Bank Plc	30,000	100,000
	805,027	660,069
Interest accrued on term deposits		
Raiffeisen Zentralbank	131	1
Svenska Handelsbanken	-	8
ING Bank	31	1
Rabobank	21	-
Danske Bank	24	6
Swedbank	-	18
Banque Centrale du Luxembourg	-	12
Deutsche Bank	73	1
Pohjola Bank Plc	2	7
	282	54
Total	805,309	660,123

Deposits placed with non-resident banks are denominated in EUR and earn interest at effective interest rates ranging from 0.010% to 0.260% p.a. (2014: 0.005% to 0.370% p.a.) and have original maturities from 3 to 367 days (2014: from 1 to 273 days). All deposits have minimum credit ratings A-2/P-2, as per December 2015 ranking by Standard & Poors/Moody's ratings. Comparing to the year 2014 there is an increase in 2015, which is affected from the Notes 8 and 9 related to the increase in the portfolio and due to the movements between the categories disclosed in Notes 8, 9 and 10.

11. Assets related with IMF

	2015	2014
IMF quota	75,097	70,406
SDR Holdings	65,127	62,462
Accrued interest	230	187
IMF	140,454	133,055
Government		
Due from the Government for the use of IMF funds (SBA)	127,823	101,731
Total	268,277	234,786

The assets listed above are related to the admission of Kosovo to the IMF in June 2009. CBK acts as depository and fiscal agent in relation to Kosovo's membership in the IMF. This is in accordance with the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and Law No. 03-L-152 on Membership of the Republic of Kosovo in the International Monetary Fund and World Bank Group Organizations.

IMF Quota represents a subscription amount determined at the time of admission of Kosovo into IMF and is expressed in SDR (above disclosed in euro equivalent) and its amount is determined based on IMF rules and regulations.

SDR Holdings represents assets approved by the IMF Board of Governors as per allocations of SDRs to IMF's member countries (decisions made on 28 August 2009 and 9 September 2009). SDR holding assets bear annual average interest rates in 2015 ranging from 0.044% to 0.050% p.a. (2014: 0.05% to 0.12% p.a.).

Due from the Government for the use of IMF funds, represents an amount due from the Government as per IMF and Kosovo Stand-by Arrangement signed in July 2010, April 2012 and July 2015 through which the Government of Kosovo obtained from IMF a line for use of funds in accordance with Stand-by Arrangements, while the outstanding as of 31 December 2015 is SDR 100.4 million (EUR: 127.8 million). The interest rate of this arrangement is tied to IMF's market-related interest rate, known as basic rate of charge, which is itself linked to the SDRs interest rate. The interest rate for the period 2015 fluctuated in quarterly basis annually in average of 1.044% - 1.050% p.a., (on 2014 fluctuated from 1.05% - 1.12% p.a.).

To regulate the Stand-By Arrangement with IMF, CBK and the Government of Kosovo entered into an agreement for each Stand-by Arrangement "on the Procedure for Request, Acceptance, Service and Repurchase of the Funds from the IMF in terms of the Stand -By Arrangement". Based on this arrangement CBK withdraws the SDRs from IMF, on behalf of the Government and credits them to the Government's account.

12. Property and equipment

Property and equipment is composed as follows:

	Leasehold improvements	Equipment	Computers	Vehicles	Assets in process of capitalization	Total
Cost						
At 1 January 2014	2,045	1,484	881	242	55	4,707
Acquisitions	2	174	145	-	30	351
Transfer from/to	10	22	-	-	(32)	-
Transfer from / to (adjustment)	-	-	-	-	(23)	(23)
Disposals	-	-	-	(67)	-	(67)
At 31 December 2014	2,057	1,680	1,026	175	30	4,968
At 1 January 2015	2,057	1,680	1,026	175	30	4,968
Acquisitions	7	124	372	145	127	775
Transfer from/to	-	-	-	-	-	-
Transfer from / to (adjustment)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2015	2,064	1,804	1,398	320	157	5,743
Depreciation						
At 1 January 2014	471	1,296	812	221	-	2,800
Charge for the year	103	78	77	21	-	279
Transfer from / to (adjustment)	-	10	(10)	-	-	-
Disposals	-	-	-	(67)	-	(67)
At 31 December 2014	574	1,384	879	175	-	3,012
At 1 January 2015	574	1,384	879	175	-	3,012
Charge for the year	103	86	142	28	-	359
Transfer from / to (adjustment)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2015	677	1,470	1,021	203	-	3,371
Carrying amounts						
At 1 January 2014	1,574	188	69	21	55	1,907
At 31 December 2014	1,483	296	147	-	30	1,956
At 31 December 2015	1,387	334	377	117	157	2,372

There are no assets pledged as collateral as at 31 December 2015 (31 December 2014: nil).

13. Intangible assets

Intangible assets are composed as follows:

	Software under development	Software	Total
Cost			
Balance at 1 January 2014	113	2,012	2,125
Acquisitions	34	89	123
Transfers from / to	(88)	88	-
Transfers from / to (adjustments)	-	23	23
Disposals	-	-	-
Balance at 31 December 2014	59	2,212	2,271
Balance at 1 January 2015	59	2,212	2,271
Acquisitions	424	79	503
Transfers from / to	-	-	-
Transfers from / to (adjustments)	-	-	-
Disposals	-	-	-
Balance at 31 December 2015	483	2,291	2,774
Amortization			
Balance at 1 January 2014	-	814	814
Amortization for the year	-	206	206
Disposals / write offs	-	-	-
Balance at 31 December 2014	-	1,020	1,020
Balance at 1 January 2015	-	1,020	1,020
Amortization for the year	-	202	202
Disposals / write offs	-	-	-
Balance at 31 December 2015	-	1,222	1,222
Carrying amounts			
Balance at 1 January 2014	113	1,198	1,311
Balance at 31 December 2014	59	1,192	1,251
Balance at 31 December 2015	483	1,069	1,552

14. Other assets

Other assets are composed as follows:

	2015	2014
Accrued fee income	808	771
Accounts receivables and prepayments	89	115
Total	897	886

Accrued fee income represents the estimated license renewal fees and other fees for the fourth quarter for local financial institutions.

15. Due to domestic banks

Under CBK supervision Banking Rule XVII, commercial banks operating in Kosovo are required to maintain a liquidity reserve amounting to 10% of their qualifying customer deposits. At least half of these reserve balances must be kept in accounts at CBK.

Due to domestic banks	2015	2014
ProCredit Bank Kosovo	31,592	29,511
Raiffeisen Bank Kosovo	32,682	30,023
NLB Prishtina	15,955	16,984
Banka Ekonomike	6,754	5,910
Banka për Biznes	4,522	3,989
Banka Kombëtare Tregtare (Pristina branch)	8,774	8,740
Banka Ekonimike Turke (TEB)	15,230	14,401
Komercijalna Banka – Dega në Mitrovicë	2,501	2,407
Turkiye is Bankasi a.s.	1,305	1,449
T.C. Ziraat Bankasi A.S. – Kosovo Branch	63	-
Banka Kreditore e Prishtinës	-	-
Total required reserve	119,378	113,414
Additional amount above required reserve		
ProCredit Bank Kosovo	45,633	82,301
Raiffeisen Bank Kosovo	19,250	16,110
NLB Prishtina	23,254	25,840
Banka Ekonomike	10,818	5,005
Banka për Biznes	18,054	16,902
Banka Kombëtare Tregtare (Pristina branch)	30,958	15,098
Banka Ekonimike Turke (TEB)	35,779	32,285
Komercijalna Banka – Dega në Mitrovicë	2,436	2,350
Turkiye is Bankasi a.s.	4,999	6,607
T.C. Ziraat Bankasi A.S. – Kosovo Branch	5,788	-
Banka Kreditore e Prishtinës	59	20
Total addition on current account	197,028	202,518
Total amount on current account	316,406	315,932

16. Due to IMF related liabilities

	2015	2014
IMF Account no. 1	188	176
IMF Account no. 1	6	6
IMF Security Account	184,627	155,058
IMF SDR Allocation	70,475	66,072
Accrued interest	230	187
Total due to IMF	255,526	221,499
Due to Government		
IMF – Paid proportion of Government quota	18,368	17,214
Total due to Government	18,368	17,214
Total	273,894	238,713

These positions are related to the admission of Kosovo to the IMF in June 2009.

Accounts No.1 and No.2 are IMF accounts with CBK opened according to IMF's rules and regulations.

IMF Security Account represents a promissory notes which Kosovo Government, have to pay upon IMF's request. This amount represents a liability of CBK to IMF and is matched by a corresponding claim of CBK to the Government of Kosovo.

IMF paid portion of Government quota represents the amount paid by the Government to the IMF regarding the IMF quota.

SDR Allocation represents allocations of SDRs to IMF's member countries as approved by IMF Board of Governors on 28 August 2009 and 9 September 2009.

SDR Allocations and Paid portion of quota are interest-bearing with annual interest rates for quarterly averages ranging from 0.044% - 0.050% p.a. for 2015 (2014: 0.05% - 0.12% p.a.).

17. Due to Governmental institutions

Due to Governmental institutions includes current accounts from the following:

Current accounts	2015	2014
Treasury – Ministry of Finance	248,780	90,481
Privatization Agency of Kosovo	486,819	557,801
Interim administration institutions	145	268
Total current accounts	735,744	648,550
Term deposits		
Treasury – Ministry of Finance	-	65,017
Privatization Agency of Kosovo	-	-
Total term deposits	-	65,017
Total	735,744	713,567

The effective annual interest rate for current accounts for the year ended 31 December 2015 is zero (for the year ended 31 December 2014: zero). For time deposits the effective interest rates for the year 2015 is not applicable. (2014: 0.010% - 0.370% p.a.)

18. Due to public and commercial entities

	2015	2014
Current accounts		
Insurance companies	4,528	4,982
Other public institutions	78,119	45,556
Licensed Pension Funds	-	68
Other	2	2
Total	82,649	50,608

The effective interest for current accounts as at 31 December 2015 and 2014 is zero. The change in the group comes from the withdrawal of assets held in the current account of one public institution based on their operating goals in their own account in CBK.

19. Due to Borrowings

	2015	2014
Borrowings	680	34
Total	680	34

The amount shown above is from borrowings from the World Bank. The Bank has used the possibility of borrowing under favorable conditions (low rate and the principal non-payment period of about 10 years). Borrowing is mainly associated with the project for the development of domestic payments in direction of processing of them in the real time basis.

20. Other domestic liabilities

	2015	2014
Safe custody accounts	756	2,428
Deferred grant income	622	456
Other deferred income	9	6
The reserve fund	168	146
Sundry creditors	244	145
	1,799	3,181

The change comes from the normal flow of activities in the group in the report with the disclosure dates.

The Safe custody balance represents these types of account and amounts.

Amounts EUR 1,134 rents collected by the CBK until 5 January 2004 on behalf of the Kosovo Government for the offices of the former National Bank of Kosovo, which were rented out to various entities/individuals. This amount also included interest earned on these rent payments until 31 December 2014. This amount during 2015 is transferred to extraordinary revenues.

Included in the safe custody accounts are also certain amount of cash in various currencies and other assets, that CBK inherited upon inception, from the former National Bank of Kosovo and the interest earned over the years which as of 31 December 2014 amounts as 538 thousand euro. This amounts are transferred to the Kosovo consolidated budget during 2015 and the account is closed.

As of 31 December 2015 in the safe custody accounts are also included EUR 756 thousand related to the current accounts of the Kosovo Insurance Company which was liquidated on April 2010. Only this account is safe custody account as of 31 December 2015.

The movement in deferred grant revenue was as follows:

	Ministry of Finance (ICU Portfolio)	World Bank	Total
Deferred grant revenue at 1 January 2014	495	28	523
Grants received during the year	10	-	10
Grants recognized as revenue for the year	(70)	(7)	(77)
Deferred grant revenue at 31 December 2014	435	21	456
Deferred grant revenue at 1 January 2015	435	21	456
Grants received during the year	10	233	243
Grants recognized as revenue for the year	(70)	(7)	(77)
	-	-	-
Deferred grant revenue at 31 December 2015	375	247	622

21. Authorized capital

The CBK statutory fund as at 31 December 2015 and 2014 is EUR 30,000 thousand as per Law no. 03/L-209 approved on 22 July 2010.

CBK reports to the Assembly of Kosovo. CBK capital is not subject to encumbrances.

21a. Reserve fund and revaluation reserve

The reserve fund and revaluation reserve is regulated by Law no. 03/L-209 on the Central Bank of the Republic of Kosovo. The profit of each financial year is allocated as described in note 4 (f) in accordance with this law.

22. Net interest income

Net interest income is composed as follows:

	2015	2014
Interest income		
From deposit accounts	528	812
From treasury bills	81	636
From current accounts	33	56
	642	1,504
Interest expense		
On current accounts from non-banking entities	37	54
On current accounts from bank entities	8	-
On term deposits	3	192
	48	246
Net interest income	594	1,258

23. Net fees and commission income

Net fee and commission income is composed as follows:

	2015	2014
Fee income		
From cash deposits	438	459
From foreign incoming transfers	51	40
From foreign outgoing transfers	258	290
From the inter-bank clearing system	520	477
From the credit registry system	116	121
From management of treasury fund	25	224
Other fees	34	29
	1,442	1,640
Fee expenses		
For cash transportation	360	273
For correspondent bank transactions	16	45
	376	318
Net fee and commission income	1,066	1,322

23. Net fees and commission income (continued)

Income from management of treasury fund results from asset management services provided to the Treasury of the Ministry of Finance by CBK. Those services are in accordance with the CBK law.

24. Revenues from the regulatory activity

Other operating income mainly comprises of fees charged to financial institutions in Kosovo as part of issuing or renewing licenses, as well as other statutory fees related to their activities.

Revenues from regulatory activity:

	2015	2014
Fees charged from commercial banks	2,056	1,958
Fees charged to insurance companies	1,196	1,144
Fees from non-bank financial institutions	146	196
Pension renewal fees	12	13
Total	3,410	3,311

25. Grant revenue

Grant revenue is composed as follows:

	2015	2014
Treasury – Ministry of Finance (ICU portfolio)	70	70
World Bank	7	7
Total	77	77

26. Other Income

Other income:

	2015	2014
Other income	1,139	18
Total	1,139	18

Within other income are included extraordinary income related to Note 20 and other income, which were not related with the ordinary activity of the Bank and any other balance disclosed in as separate Note.

27. Personnel expenses

Personnel expenses are composed as follows:

	2015	2014
Wages and salaries	2,812	2,779
Pension contributions	449	439
Health insurance costs	175	178
Staff training	63	43
Central Bank Board expenses	101	107
Other	25	25
Total	3,625	3,571

The number of employees at CBK as at 31 December 2015 was 215 (31 December 2014: 201). As it can be seen from the Note above personnel expenses have increased in 2015 compared to 2014 and this is affected from the increase in number of personnel.

28. General and administrative expenses

General and administrative expenses are as follows:

	2015	2014
Insurance expenses	203	185
Repairs and maintenance	36	44
Software maintenance	286	240
Communication expense (telephone, telex and internet)	36	51
Utilities	91	97
Audit and consulting expense	17	18
Security and guard services	62	44
Travel and transportation	134	107
Vehicle operating expenses	29	33
Stores and stationery	6	21
Representation expenses	37	36
Other representation expenses	12	11
Cafeteria expenses	28	28
Computer and other consumables expense	12	10
Consumable expenses for equipment	8	40
Publication and literature expenses	24	38
Technical professional assistance and other external services	30	121
Membership in professional organizations*	27	29
Provisional expenses**	23	145
Other	13	21
Total	1,114	1,319

* Representation Expenses (other) are mainly representative lunches / dinners of institution,

Other representation expenses consist conferences during 2015, the program of financial education, representation in sports competitions regional, picnic, children's gifts for year end, ceremonies and gifts for staff retirement, gifts for March 8 and similar ones.

** Memberships in professional organizations relates to the expenses for memberships fees for insurance supervisions, pension supervisions, credit registry, internal audit and financial reporting standard regulatory.

*** Provisions for legal cases those are ongoing as at 31 December 2015.

29. Foreign exchange net income gain / loss

Foreign exchange net income loss EUR 298 thousand for the year ended 31 December 2015 (2014: gain of 225 thousand) represents unrealized foreign exchange gains and losses in relation to foreign exchange differences resulting upon translation of SDR assets and liabilities on the CBK books.

30. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

	Note	2015	2014
Cash on hand	7	15,282	29,178
Current accounts with non-resident banks	8	241,187	323,401
Treasury bills with maturity up to three-months	9	2,864	-
Deposit accounts with non-resident banks with maturity up to three months	10	-	410,007
Total		259,333	762,586

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. An investment qualifies as a cash equivalent when it has a short maturity, three months or less from the date of acquisition.

31. Commitments and contingencies

Legal cases

There are several open legal cases against CBK as at the reporting date. It is the management's opinion that the final outcome of these cases will not have a significant effect on the financial statements of the CBK and for the year ending December 31, 2015; however due to professional care CBK has estimated and recorded a provision disclosed under other liabilities.

Credit related commitments

As at 31 December 2015, CBK had commitments to place deposits in total amount of EUR 0 (zero) million (31 December 2014, CBK had commitments to place deposits in total amount of 149 EUR nil).

Other commitments

Other commitments are composed as follows:

	2015	2014
Service contract	79	17
Contract for renovation of building	2,041	-
Equipment contracts	61	145
Total	2,181	162

In 2009, Kosovo became member of the World Bank Group organizations - International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (MIGA). In relation to this membership, CBK acts as depository. This is in accordance with the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and Law No. 03-L-152 on Membership of the Republic of Kosovo in the International Monetary Fund and World Bank Group Organizations.

31. Commitments and contingencies (continued)

Other commitments (continued)

In June 2009, the Government of Kosovo issued promissory notes to make payments concerning membership subscription to the World Bank sub-agencies above mentioned upon their requests and payment instructions. The total balance at 31 December 2015 amounts 645 thousands and in 2014 total amounts of these promissory notes was EUR 645 thousand.

32. Related party transactions

Related parties include Key Management and the Central Bank Board. Their compensations are presented below:

	2015	2014
Compensation to Central Bank Board members	80	81
Compensation to Audit Committee	7	7
Compensation to Key Management Personnel	184	216
Total	271	304

33. Subsequent events

There are no events after the reporting date that would require either adjustments or additional disclosures in the financial statements.

9. Statistical Appendix

1.1. Financial Corporation survey - assets

(In million of Euros: End of the Period)

Description	Net foreign assets								Domestic claims							
	Claims on non residents							Liabilities to non-residents	Net claims on central government			Claims on other sectors	Of which :			
	Moneta-ry gold and SDR holdings	Deposits	Securities other than shares	Of which:			Claims on central government		Liabilities to central government	Loans						
				IMF Quota	Shares and other equity	Other nonfinancial corp.				Households						
2005	827.3	890.9	—	422.6	242.4	—	145.3	63.6	348.9	-225.7	—	225.7	574.6	565.6	439.6	126.0
2006	1,173.6	1,245.7	—	660.0	341.3	—	170.8	72.1	231.7	-475.0	—	475.0	706.6	694.3	548.2	146.1
2007	1,622.4	1,704.6	—	955.0	408.9	—	175.4	82.3	124.5	-853.3	—	853.3	977.8	965.9	765.1	200.6
2008	1,593.1	1,726.7	—	795.1	661.6	—	128.2	133.6	419.6	-871.8	—	871.8	1,291.5	1,276.8	995.7	281.0
2009	1,700.5	2,036.2	60.3	910.1	724.5	64.3	144.3	335.7	571.5	-846.3	—	846.3	1,417.8	1,396.1	1,052.3	343.5
2010	1,957.5	2,387.7	64.0	1,257.8	525.2	68.5	269.3	430.2	766.8	-824.8	—	824.8	1,591.6	1,568.3	1,127.7	434.2
2011	2,067.8	2,446.0	65.1	1,359.4	230.0	70.1	533.1	378.2	987.5	-798.4	—	798.4	1,785.8	1,785.8	1,242.1	514.6
2012	2,337.1	2,773.4	63.3	1,260.7	486.0	68.8	666.5	436.3	1,079.9	-764.7	73.8	838.5	1,847.2	1,819.4	1,271.3	546.3
2013	2,558.5	3,014.1	59.6	1,143.6	818.7	65.9	651.2	455.6	1,263.4	-620.8	153.2	774.0	1,884.2	1,859.9	1,291.1	567.7
2014	2,648.4	3,113.3	62.5	1,414.7	315.7	70.4	1,024.4	465.0	1,507.3	-488.5	247.4	735.9	1,995.8	1,971.5	1,345.5	625.3
2015	2,765.1	3,288.2	65.1	1,399.4	378.2	75.1	1,086.3	523.1	1,710.1	-432.8	326.8	759.6	2,142.9	2,114.6	1,428.3	685.6

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls

1.2. Financial corporation survey – liabilities

(In million of Euros: End of the Period)

Description	Deposits								Loans	Insurance technical reserves			Assets and other equities	Other items (net)	
	Transferable deposits	Of which:				Other deposits	Of which:			Net equity of households in pension funds	Prepayment of premiums & reserves against outstanding claims				
		Public nonfinancial corporations	Other nonfinancial corporations	Households	Public nonfinancial corporations		Other nonfinancial corporations	Households							
2005	830.6	315.0	67.6	76.8	155.5	515.6	181.3	33.7	298.9	3.0	174.5	152.4	22.1	165.8	2.2
2006	886.4	300.5	34.8	96.4	156.2	586.0	193.3	27.6	359.5	3.4	251.4	223.9	27.5	209.3	54.7
2007	1,110.9	386.1	49.6	133.5	187.5	724.8	188.4	43.8	489.3	...	316.1	286.2	29.9	273.8	46.0
2008	1,351.9	390.9	15.4	176.0	186.2	961.0	250.1	51.4	656.7	...	288.6	256.3	32.3	311.1	61.1
2009	1,444.3	483.2	50.1	184.0	237.7	961.0	73.9	82.9	801.9	...	422.3	380.8	41.5	326.1	79.3
2010	1,744.2	621.2	83.8	218.6	303.5	1,123.1	42.8	83.4	995.9	...	540.5	493.7	46.8	361.0	78.6
2011	1,933.6	658.4	68.1	208.1	360.9	1,275.1	60.8	79.7	1,129.6	...	647.8	593.3	54.5	389.7	75.0
2012	2,076.6	700.2	13.8	257.5	407.2	1,376.5	61.8	78.2	1,232.9	...	814.9	745.1	69.8	399.2	128.9
2013	2,275.3	848.0	16.4	299.6	506.6	1,427.3	55.7	98.2	1,268.4	...	990.3	919.0	71.3	403.9	152.4
2014	2,354.4	1,134.6	21.1	338.4	743.5	1,219.8	51.6	58.0	1,104.8	...	1,173.8	1,094.1	79.7	453.2	175.8
2015	2,513.3	1,378.6	11.2	413.8	919.1	1,134.7	20.6	68.2	1,045.4	...	1,329.5	1,237.3	92.1	531.6	100.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/01%20Financial%20Corporations%20Survey.xls

2.1. DC survey– net foreign assets and domestic claims

(In million of Euros: End of the Period)

Description	Net foreign assets							Domestic claims							
	Claims on non residents						Less: liabilities to non residents	Net claims on central government				Claims on other sectors			
	Currency	Deposits	Securities other than shares	IMF Quota	Net claims on central government			Claims on other sectors		Loans		Of which:			
					Claims on central gov.	Less: Liabilities to central gov.	Other nonfinancial corpor.	Households							
2001	583.3	604.8	239.2	358.1	7.5	—	21.5	-44.2	-70.3	—	70.3	26.1	25.9	25.9	—
2002	649.5	674.1	53.1	621.0	...	—	24.6	-171.8	-258.6	—	258.6	86.8	86.5	80.8	5.7
2003	695.8	727.0	73.2	533.6	119.6	—	31.2	-112.6	-346.4	—	346.4	233.8	232.8	193.5	39.0
2004	648.7	687.9	55.3	384.0	236.7	—	39.2	156.9	-216.8	—	216.8	373.8	373.7	289.9	83.7
2005	695.1	744.5	74.6	422.6	242.4	—	49.3	289.0	-225.7	—	225.7	514.6	513.9	387.9	126.0
2006	975.4	1,035.6	63.4	660.0	303.1	—	60.2	162.2	-475.0	—	475.0	637.1	636.6	490.5	146.1
2007	1,377.5	1,426.1	145.3	955.0	308.2	—	48.6	39.1	-853.3	—	853.3	892.4	892.1	691.3	200.6
2008	1,436.1	1,512.0	121.1	794.9	581.8	—	75.9	311.9	-871.8	—	871.8	1,183.8	1,183.4	901.7	281.0
2009	1,531.6	1,782.2	111.4	910.0	626.4	64.3	250.6	442.9	-846.3	—	846.3	1,289.2	1,289.0	942.9	343.5
2010	1,616.2	1,957.1	164.3	1,257.8	372.7	68.5	340.9	632.8	-824.8	—	824.8	1,457.5	1,457.1	1,006.6	434.2
2011	1,603.8	1,900.3	124.9	1,359.3	227.0	70.1	296.6	867.7	-798.4	—	798.4	1,666.1	1,665.6	1,130.6	514.6
2012	1,729.7	2,102.8	141.4	1,260.7	482.7	68.8	373.1	962.9	-778.7	59.8	838.5	1,741.6	1,740.9	1,172.9	546.3
2013	1,965.4	2,358.3	157.9	1,143.5	815.3	65.9	392.9	1,113.3	-673.9	100.1	774.0	1,787.2	1,786.0	1,196.7	567.7
2014	1,680.8	2,083.9	160.4	1,414.6	311.6	70.4	403.1	1,339.8	-543.2	192.7	735.9	1,883.1	1,881.9	1,235.0	639.0
2015	1,736.7	2,197.1	190.8	1,399.3	374.3	75.1	460.4	1,486.9	-533.3	226.3	759.6	2,020.1	2,019.0	1,324.1	685.4

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls

2.2. DC survey – liabilities

(In million of Euros: End of the Period)

Description	Deposits included in broad money											Deposits excluded from broad money	Shares and other equities	Other items (net)
	Transferable deposits						Other deposits							
	prej të cilave:						Of which:							
	Other finan. corporations	Public nonfinancial corporations	Other nonfinancial corporations	House holds	Other financial corporations	Public nonfinancial corporations	Other nonfinancial corporations	House holds						
2001	486.8	361.5	.	7.0	135.3	219.2	125.2	.	.	31.3	93.9	12.9	25.2	14.3
2002	413.6	285.3	.	3.5	160.1	121.7	128.3	.	.	23.9	104.4	25.1	43.8	-4.8
2003	499.3	278.7	.	5.3	139.0	134.4	220.6	.	.	87.1	133.5	29.2	61.1	-6.4
2004	719.5	303.5	29.8	34.6	81.3	145.5	416.0	19.1	149.3	24.4	222.5	—	87.1	-1.0
2005	865.4	345.6	30.5	67.6	76.8	155.5	519.9	24.3	181.3	33.1	279.6	19.9	94.4	4.3
2006	912.8	336.4	35.9	34.8	96.4	156.2	576.3	30.5	193.3	24.6	322.4	40.6	128.8	55.4
2007	1,126.6	413.7	27.7	49.6	133.5	187.5	712.8	40.3	188.4	41.8	439.0	53.7	186.5	49.8
2008	1,393.0	454.6	63.7	15.4	176.0	186.2	938.3	47.6	250.1	44.2	593.8	74.9	233.8	46.4
2009	1,548.5	621.4	138.2	50.1	184.0	237.7	927.0	60.7	73.9	71.7	718.5	98.1	249.0	79.0
2010	1,747.9	674.3	53.1	83.8	218.6	303.5	1,073.6	85.2	30.2	73.5	883.7	138.2	278.5	84.4
2011	1,902.2	705.3	37.8	77.2	208.1	360.9	1,196.9	91.0	49.2	71.7	979.9	175.8	302.9	90.6
2012	2,036.8	759.5	41.9	31.2	257.5	407.2	1,277.3	100.4	49.8	70.5	1,053.1	206.2	321.1	128.5
2013	2,388.5	1,096.3	226.5	39.1	299.6	506.6	1,292.1	62.2	43.7	92.3	1,088.9	209.7	329.0	151.5
2014	2,287.4	1,194.7	60.8	21.1	338.4	743.5	1,092.7	67.2	39.4	50.2	930.6	208.7	373.8	150.6
2015	2,433.0	1,474.7	96.9	0.4	413.8	919.1	957.5	37.6	12.8	54.3	852.3	232.7	445.4	112.4

Note: For more detailed information about this table please visit the link:

http://www.bqk-kos.org/repository/docs/time_series/02%20Depository%20Corporations%20Survey.xls

Table 3.1. CBK survey - net foreign assets and domestic claims

(In million of Euros: End of the Period)

Description	Net foreign assets										Net claims on central government	Claims on other sectors	Liabilities to ODC
	Claims on nonresidents							Less: liabilities to nonresidents	prej të cilave:				
	Monetary gold and SDR	Currency	Deposits	Securities other than shares	IMF quota	SDR allocations	IMF account						
2001	293.7	296.2	—	150.8	145.4	—	—	2.6	—	—	-70.3	0.2	173.9
2002	345.4	345.8	—	17.5	328.3	—	—	0.4	—	—	-258.6	0.3	46.2
2003	454.3	454.6	—	26.6	427.4	—	—	0.3	—	—	-346.4	1.0	59.6
2004	344.7	349.9	—	12.1	213.2	124.4	—	5.2	—	—	-216.8	0.1	72.9
2005	394.4	397.5	—	24.5	213.4	159.5	—	3.1	—	—	-225.7	0.8	82.5
2006	641.1	641.2	—	11.1	424.9	203.6	—	0.1	—	—	-472.9	0.5	94.5
2007	1,057.6	1,057.6	—	63.8	759.0	229.3	—	...	—	—	-849.4	0.3	113.6
2008	1,110.7	1,110.7	—	39.7	529.0	541.3	—	...	...	—	-870.5	0.3	137.2
2009	1,088.3	1,198.5	60.3	21.8	522.3	529.7	64.3	110.2	60.3	49.1	-681.5	0.2	233.2
2010	1,108.0	1,246.9	64.0	60.2	854.4	199.2	68.5	138.9	64.2	73.0	-813.1	0.5	203.6
2011	1,094.5	1,234.6	65.1	13.5	1,059.3	25.0	70.1	135.8	65.7	69.4	-797.2	0.5	209.7
2012	1,238.8	1,469.1	63.3	16.8	1,034.1	286.0	68.8	230.3	64.6	165.3	-837.9	0.7	302.1
2013	1,392.1	1,610.0	59.6	27.4	896.2	560.8	65.9	218.0	61.9	155.8	-773.3	1.2	333.2
2014	1,146.5	1,368.1	62.5	29.2	1,085.2	120.5	70.4	221.6	66.1	155.2	-730.5	1.2	315.9
2015	1,201.0	1,457.1	65.1	15.3	1,174.0	127.1	75.1	256.1	70.5	184.8	-754.0	1.1	316.4

Note: For more detailed information about this table please visit the link: http://www.bok-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

Table 3.2. CBK Statements - Liabilities

(In million of Euros: End of the Period)

Description	Deposits included in broad money								Deposits excluded from broad money			Capital and other			Other items (net)
	Transferable deposits		of which:				Other deposits		Other nonfinancial corporations	Local government	Capital	Profit loss of the year			
			Other financial corporations	Local government	Public nonfinancial corpor.	Other financial corpor.									
2006	49.9	41.9	31.0	0.4	10.5	...	8.0	8.0	—	—	—	25.5	10.0	6.4	-1.2
2007	57.2	46.7	22.4	3.2	21.1	...	10.6	10.6	—	—	—	33.8	20.0	9.2	3.9
2008	63.9	56.7	49.9	5.3	1.5	...	7.2	7.2	—	—	—	41.4	30.0	7.5	-2.0
2009	130.8	130.8	129.7	...	1.1	...	...	...	—	—	—	44.9	30.0	3.7	-2.0
2010	45.6	45.6	43.9	...	0.0	...	...	...	—	—	—	47.9	30.0	3.0	-1.8
2011	39.5	39.5	36.8	...	0.2	...	...	...	—	—	—	54.3	30.0	5.8	-1.3
2012	51.5	51.5	49.8	...	0.0	...	...	...	—	—	—	50.4	30.0	1.8	-2.4
2013	239.0	239.0	236.6	...	0.0	...	—	—	—	—	—	50.5	30.0	0.2	-2.7
2014	53.0	53.0	39.7	...	10.9	...	—	—	—	—	—	51.0	30.0	0.6	-2.8
2015	83.4	83.4	82.3	...	0.3	...	—	—	—	—	—	51.6	30.0	0.7	-3.3

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

Table 4.1. ODC Statement – Net Foreign Assets and Internal Requirements

(In million of Euro: End of the Period)

Description	Net foreign assets								Claims on CBK	Net claims on central government	Claims on other sectors				
	Claims on nonresidents			Less: Liabilities to non-residents			Of which:				Loans	prej të cilave:			
	Currency	Deposits	Securities other than shares	Deposits	Loans	Public nonfinancial corp.	Other nonfinancial corpor.	Households							
2006	334.4	394.5	52.3	235.1	99.4	60.1	21.4	38.7	88.8	(2.1)	636.6	636.6	—	490.5	146.1
2007	319.9	368.5	81.5	196.0	78.9	48.6	17.9	30.7	107.5	(3.9)	892.1	892.1	0.2	691.3	200.6
2008	325.4	401.3	81.4	265.9	40.5	75.9	42.0	33.7	136.8	(1.3)	1,183.4	1,183.4	0.1	901.7	281.0
2009	443.6	583.9	89.6	387.7	97.0	140.3	65.5	74.5	233.1	(164.9)	1,289.0	1,289.0	0.3	942.9	343.5
2010	507.6	709.8	103.5	403.5	173.4	202.2	85.5	116.7	203.4	(11.6)	1,457.1	1,457.1	6.3	1,006.6	434.3
2011	509.2	665.7	111.5	300.0	202.0	156.5	64.8	90.5	220.0	(1.2)	1,665.6	1,665.6	1.5	1,130.6	516.1
2012	490.9	633.7	124.6	226.6	196.7	142.8	87.6	50.3	301.1	59.2	1,740.9	1,740.9	1.4	1,172.9	546.7
2013	573.4	748.3	130.6	247.3	254.4	174.9	90.4	82.4	331.8	99.4	1,786.0	1,786.0	0.2	1,196.7	568.6
2014	534.3	715.8	131.2	329.4	191.1	181.5	90.6	87.8	315.9	187.3	1,881.9	1,881.9	0.6	1,248.7	625.3
2015	535.7	740.0	175.5	225.2	247.2	204.3	116.0	85.9	315.7	220.7	2,019.0	2,019.0	0.6	1,324.1	685.6

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/03%20CBK%20Survey.xls

Table 4.2. ODC survey- Liabilities

(In million of Euros: End of the Period)

Description	Deposits included in broad money										Deposits excluded from broad money	of which:		Shares and other equity	Other items (net)	
	Transferable deposits				Other deposits							Other nonfinancial corporations	House holds			
	Other financ. corpor.	Public financ. corpor.	of which:		Other financ. corpor.	Public nonfinancial corporatio.	prej të cilave:		Other nonfinancial corpor.	House holds						
Other nonfinancial corpor.			House holds	Other financ. corpor.			House holds									
2001	478.4	353.1	.	.	133.9	219.2	125.2	.	.	31.3	93.9	.	.	.	20.4	-6.4
2002	409.7	281.4	.	.	159.7	121.7	128.3	.	.	23.9	104.4	.	.	.	33.2	-6.6
2003	494.0	273.4	.	.	139.0	134.4	220.6	.	.	87.1	133.5	1.8	1.8	.	45.0	-7.0
2004	681.9	270.9	9.0	24.7	81.3	145.5	410.9	14.0	149.3	24.4	222.5	0.0	0.0	0.0	69.1	-0.1
2005	798.8	283.0	7.2	30.0	76.8	155.5	515.8	20.2	181.3	33.1	279.6	19.9	0.7	19.3	74.0	3.4
2006	862.9	294.5	4.9	24.3	96.4	156.2	568.4	22.5	193.3	24.6	322.4	40.6	3.0	37.1	103.3	50.9
2007	1,069.3	367.1	5.3	28.5	133.5	187.5	702.3	29.8	188.4	41.8	439.0	53.7	2.0	50.3	152.7	39.8
2008	1,329.0	397.9	13.8	13.8	176.0	186.2	931.1	40.4	250.1	44.2	593.8	74.9	7.3	63.0	192.3	48.1
2009	1,417.8	490.6	8.5	48.9	184.0	237.7	927.2	60.8	73.9	71.7	718.5	97.9	11.2	83.5	204.2	81.0
2010	1,702.2	628.6	9.2	83.8	218.6	303.5	1,073.6	85.2	30.2	73.5	883.7	138.2	9.9	112.2	230.4	85.7
2011	1,862.8	665.9	10.1	67.9	208.1	360.9	1,196.9	91.0	49.2	71.7	979.9	175.8	8.0	149.7	252.8	102.2
2012	1,985.3	708.0	9.6	13.8	257.5	407.2	1,277.3	100.4	49.8	70.5	1,053.1	206.2	7.8	179.8	270.7	129.8
2013	2,149.4	857.3	11.8	16.4	299.6	506.6	1,292.1	62.2	43.7	92.3	1,088.9	209.7	5.9	179.4	278.5	152.8
2014	2,234.4	1,141.7	20.4	10.2	338.4	743.5	1,092.7	67.2	39.4	50.2	930.6	208.7	7.8	174.2	323.0	153.3
2015	2,349.6	1,392.0	14.5	10.9	413.8	919.1	957.5	37.6	12.8	54.3	852.3	232.7	13.9	193.1	393.8	115.0

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/04%20Other%20Depository%20Corporations%20Survey.xls

Table 5.1. OFC survey– net foreign assets and domestic claims

(In million of Euros: End of the Period)

Description	Net foreign assets						Claims on depository corporations							Net claims on central govern.	Claims on other sectors	Loans
	Claims on non-residents	of which:		Less: liabilities to non-residents	Loans	CBK			Other depository corporations							
		Securities other than shares	Shares and other equity			Transferable deposits	Other deposits	Transferable deposits	Other deposits							
2005	132.1	146.4	—	145.3	14.3	14.3	54.8	27.4	23.3	4.1	27.4	7.2	20.2	—	60.0	51.7
2006	198.1	210.0	38.3	170.8	11.9	11.9	66.9	39.0	31.0	8.0	28.0	4.9	23.0	—	69.5	57.7
2007	244.9	278.5	100.7	175.4	33.6	33.6	72.8	32.9	22.4	10.6	39.8	6.2	33.6	—	85.4	73.8
2008	157.0	214.7	79.8	128.2	57.7	57.7	113.0	57.1	49.9	7.2	55.9	7.9	48.0	—	108.3	94.0
2009	168.6	253.8	97.9	144.3	85.1	85.1	200.0	129.7	129.7	...	70.3	7.4	62.9	—	130.8	109.4
2010	341.3	430.5	152.5	269.3	89.2	89.2	142.8	43.9	43.9	...	98.8	8.2	90.6	—	139.7	116.9
2011	464.0	545.7	3.2	533.1	81.7	81.7	138.1	27.7	27.7	...	110.4	7.3	103.1	—	128.1	102.5
2012	607.6	670.8	3.3	666.5	63.2	63.2	154.0	32.4	32.4	...	121.6	9.7	111.9	13.9	125.5	98.3
2013	593.0	655.8	3.5	651.2	62.7	62.7	313.0	213.9	213.9	...	99.1	14.6	84.5	53.1	117.5	94.4
2014	967.6	1,029.4	4.0	1,024.4	61.8	61.8	119.5	15.7	15.7	...	103.7	13.6	90.1	54.7	119.9	96.8
2015	1,028.4	1,091.1	3.9	1,086.3	62.7	62.7	163.0	55.4	55.4	...	107.3	20.6	86.8	100.5	131.4	104.2

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls**Table 5.2. OFC survey– liabilities**

(In million of Euros: End of the Period)

Description	Loans	Insurance technical reserves				Shares and other equity				Other items				
		Net equity of households in life insur.	Net equity for households in pension funds	Prepayment of premiums and reserves	Funds contributed by owners	Retained earnings	General and special reserves	Profit/Loss for the year	Other liabilities	Less: other assets	Plus: consolidation adjustments			
2004	2.3	106.5	...	88.7	17.9	58.0	42.6	8.6	5.0	1.7	1.7	9.3	7.6	—
2005	3.0	174.5	—	152.4	22.1	71.4	47.7	12.9	6.7	4.0	-2.1	4.4	6.5	—
2006	3.4	251.4	—	223.9	27.5	80.5	55.2	15.8	7.9	1.6	-0.7	7.4	8.2	—
2007	...	316.1	—	286.2	29.9	87.4	62.1	20.1	1.7	3.5	-0.4	9.6	10.0	—
2008	1.0	288.6	—	256.3	32.3	77.4	54.0	12.7	7.4	3.4	11.3	24.2	12.9	—
2009	2.9	422.3	...	380.8	41.5	77.0	53.4	19.4	7.2	-3.1	-2.7	13.1	15.8	—
2010	2.9	540.5	...	493.7	46.8	82.5	59.7	13.6	7.2	2.0	-2.1	20.9	23.1	—
2011	3.3	647.8	...	593.3	54.5	85.4	60.4	13.3	10.8	0.9	-6.3	16.1	22.4	—
2012	7.2	814.9	...	745.1	69.8	78.1	63.5	9.8	10.7	-6.4	0.7	29.0	28.4	—
2013	6.8	990.3	...	919.0	71.3	75.6	64.2	1.3	11.1	-1.0	3.9	29.8	25.9	—
2014	3.2	1,173.8	...	1,094.1	79.7	78.5	64.3	-0.5	14.4	0.3	6.1	30.9	24.8	—
2015	1.0	1,329.5	...	1,237.3	92.1	86.2	76.9	0.6	14.0	-5.3	6.4	31.2	24.8	—

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/05a%20Other%20Financial%20Intermediaries%20Survey.xls

Table 6.1. ODC deposits – euro deposits

(In million of Euros: End of the Period)

Description	Total deposits in euro														
	Government	Financial corporations							Non financial corporations		Other domestic sectors			Nonresidents	
		Other depository corporations	Other financial intermediaries	Insurance companies	Pension funds	Financial auxiliaries	Public nonfinancial corporations	Other nonfinancial corporations	Households	NPISH					
2001	492.3	—	—	—	—	—	.	—	165.2	—	165.2	313.1	313.1	—	13.9
2002	427.2	—	—	—	—	—	.	—	183.6	—	183.6	226.1	226.1	—	17.5
2003	515.8	—	1.8	1.8	—	—	.	—	226.1	—	226.1	267.9	267.9	—	20.0
2004	674.9	1.3	25.6	3.7	3.5	15.5	.	2.9	275.3	173.5	101.8	360.3	350.7	9.6	12.3
2005	815.3	2.9	35.4	8.1	5.8	18.8	.	2.8	319.0	211.3	107.7	440.7	428.7	12.0	17.3
2006	890.4	7.0	28.1	0.1	2.4	24.7	0.4	0.5	337.8	217.4	120.5	499.2	486.1	13.1	18.2
2007	1,092.0	4.1	39.1	3.1	5.6	28.3	0.4	1.7	386.2	215.5	170.7	647.0	631.9	15.2	15.6
2008	1,366.9	1.4	62.9	5.0	6.5	31.5	19.4	0.4	479.7	263.8	215.9	785.0	774.5	10.5	37.9
2009	1,640.1	165.0	78.2	6.1	5.9	43.1	22.6	0.4	371.5	121.6	249.9	962.2	948.8	13.4	63.2
2010	1,831.1	11.7	105.0	7.3	7.9	47.6	41.6	0.6	414.9	122.3	292.6	1,220.1	1,206.1	14.0	79.4
2011	1,982.4	2.7	117.5	9.9	6.8	57.2	43.1	0.5	406.6	128.5	278.1	1,395.6	1,373.4	22.2	60.0
2012	2,162.8	0.7	120.0	3.8	6.2	64.3	45.3	0.4	401.7	75.6	326.1	1,558.6	1,535.4	23.2	81.7
2013	2,314.1	1.8	88.2	2.5	7.4	72.3	5.7	0.3	455.6	72.1	383.5	1,685.1	1,658.7	26.4	83.4
2014	2,426.6	8.8	104.4	2.6	5.1	79.3	17.1	0.3	449.7	61.8	388.0	1,781.6	1,751.1	30.6	82.1
2015	2,580.0	5.9	73.3	3.3	5.1	59.0	4.9	1.1	499.9	31.5	468.5	1,895.5	1,862.3	33.2	105.3

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/06%20Deposits%20at%20ODC%20-%20deposits%20in%20euro.xls

Table 6.2. Non euro deposits

(In million of Euros: End of the Period)

Description	Non-euro deposits															
	Financial corporations						Nonfinancial corporations				Other domestic sectors					Non residents
	CBK	of which:			Insurance companies	Public nonfinancial corporations	of which:		Households	of which:			NPISH			
		Other depository corporations	Other financial intermediaries	Other nonfinancial corporations			Transferrable deposits	Saving account		Other deposits						
2005	29.4	...	—	...	...	...	2.8	—	2.8	26.0	25.7	10.8	—	14.9	0.3	0.5
2006	34.3	...	—	...	...	...	3.7	0.3	3.5	29.8	29.6	12.4	—	17.2	0.2	0.5
2007	53.3	0.5	—	...	0.1	0.4	8.1	1.5	6.6	44.3	44.2	16.2	—	28.0	0.1	0.4
2008	81.9	0.9	—	...	...	0.9	11.6	0.1	11.5	68.4	68.2	22.9	—	45.2	0.3	1.0
2009	112.1	2.1	—	1.2	...	0.9	18.3	1.3	17.0	91.1	90.9	29.7	—	61.1	0.2	0.7
2010	113.8	3.1	—	2.9	—	—	13.7	4.3	9.4	93.8	93.3	33.1	25.9	34.3	0.5	3.1
2011	131.5	0.3	—	0.3	—	—	9.8	0.1	9.7	117.5	117.0	46.5	31.7	38.9	0.4	3.8
2012	120.9	1.6	—	1.2	0.2	—	9.6	—	9.6	104.9	104.7	45.7	27.0	32.0	0.2	4.8
2013	136.9	0.7	—	—	0.4	—	14.3	—	14.3	116.7	116.2	59.6	29.6	27.0	0.5	5.2
2014	113	0.27	...	...	0.2	—	8.49	—	8.49	97.8	97.3	63.2	21.5	12.6	0.6	6.49
2015	124.5	0.2	—	0.2	...	—	13.5	—	13.5	102.8	102.2	76.6	19.3	6.2	0.6	7.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/09%20Deposits%20at%20ODC%20-%20deposits%20in%20non-euro.xls

Table 6.3. ODC Loans – main institutional sectors

(In million of Euros: End of the Period)

Description	Total																		
	Financial corporations			of which:		Nonfinancial corporations		of which:					Other domestic corporations		Of which:			Nonresidents	Loans in Non Euro Currency
				Other financial intermediaries	Insurance companies	Public nonfinancial corporations	Other nonfinancial corporations			Households				Up to 1 year	Over 1 year up to 2 years	Over 2 years			
							Up to 1 year	Over 1 year up to 2 years	Over 2 years										
2001	25.9	—	—	—	25.9	—	25.9	24.6	1.3	—	—	—	—	—	—	—	—		
2002	86.5	—	—	—	80.8	—	80.8	67.3	13.5	—	5.7	5.7	1.4	4.3	—	—	—		
2003	232.8	—	—	—	193.7	0.2	193.5	124.7	68.7	0.2	39.0	39.0	11.4	16.0	11.6	—	—		
2004	373.7	—	—	—	289.9	...	289.9	111.5	111.3	67.2	83.7	83.7	15.9	15.2	52.6	—	—		
2005	513.9	—	—	—	387.9	...	387.9	117.9	125.2	144.7	126.0	126.0	19.5	21.0	85.4	—	—		
2006	636.6	—	—	—	490.5	...	490.5	128.7	127.7	234.1	146.1	146.1	19.7	24.7	101.7	—	—		
2007	892.1	—	—	—	691.5	0.2	691.3	174.0	122.6	394.6	200.6	200.6	24.0	29.6	147.1	—	—		
2008	1,183.4	0.6	—	0.6	901.8	0.1	901.7	191.0	132.3	578.4	281.0	281.0	20.9	30.9	229.2	—	—		
2009	1,289.0	2.3	1.2	1.1	943.2	0.3	942.9	215.7	113.0	614.2	343.5	343.5	27.0	32.1	284.5	—	—		
2010	1,458.7	5.7	2.6	3.0	1,014.5	6.3	1,008.3	259.4	64.3	684.5	434.3	434.2	26.5	30.7	377.0	1.6	2.5		
2011	1,698.1	17.3	15.6	1.7	1,128.6	1.5	1,127.0	298.8	83.4	744.8	512.4	510.9	44.0	38.1	428.8	32.5	7.3		
2012	1,763.4	19.8	16.3	3.5	1,171.2	1.4	1,169.8	313.4	91.7	764.8	543.0	542.6	52.2	37.3	453.0	22.5	6.9		
2013	1,805.8	20.4	17.3	3.1	1,194.7	0.2	1,194.5	378.0	97.4	719.1	564.7	563.9	65.4	41.1	457.3	19.9	6.1		
2014	1,881.9	7.1	5.8	1.3	1,247.0	0.6	1,246.4	380.7	93.6	772.1	621.8	621.6	55.9	42.6	523.1	0.5	6.3		
2015	2,019.0	8.7	7.4	1.1	1,322.2	0.6	1,321.6	306.9	150.5	864.2	682.2	682.0	58.2	623.8	584.6	0.4	5.9		

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls

Table 6.4. ODC Loans – main economic sectors

(In million of Euros: End of the Period)

Description	Total									
	Agriculture			Industry, energy and construction				Services		
		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year		Up to 1 year	Over 1 year	
2001	25.9	...	...	—	3.8	3.8	...	22.2	22.2	...
2002	86.5	1.5	1.5	—	13.6	13.6	...	71.4	71.4	...
2003	232.8	4.7	3.9	0.8	22.2	12.6	9.7	205.8	119.7	86.1
2004	289.9	7.9	3.9	4.1	47.8	22.5	25.3	234.2	89.5	144.8
2005	387.9	12.5	4.1	8.4	74.2	24.5	49.7	301.1	92.4	208.8
2006	490.5	16.4	3.4	13.0	97.7	28.0	69.7	376.4	120.6	255.8
2007	691.5	29.0	4.1	24.9	144.5	32.8	111.7	518.0	149.5	368.5
2008	902.4	37.4	4.1	33.3	160.2	28.9	131.2	704.8	126.4	578.4
2009	945.5	38.2	3.8	34.4	236.7	54.8	181.9	670.5	113.2	557.3
2010	1,022.8	38.2	1.7	36.5	269.3	77.1	192.2	715.3	188.5	526.8
2011	1,149.5	40.5	2.7	37.8	284.7	82.3	202.4	824.4	220.5	603.8
2012	1,194.2	43.6	3.0	40.6	290.4	74.1	216.2	860.2	232.3	627.9
2013	1,217.4	45.8	3.3	42.5	291.4	95.8	195.6	880.2	286.2	594.0
2014	1,256.4	49.8	4.1	45.7	300.0	19.7	154.4	167.2	906.6	288.8
2015	1,333.4	59.9	4.6	55.3	300.6	76.0	205.4	972.9	220.8	652.6

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/12%20ODC%20loans%20-%20by%20economic%20sectors.xls

Table 6.5. ODC effective interest rates

(Annual average interest rates on deposits, in percentage)

Description	Annual average interest rates on new time deposits						Transferable deposits	Saving deposits	
	Up to 1 month	Over 1 month up to 3 months	Over 3 up to 6 months	Over 6 months up to 1 year	Over 1 year up to 2 years	Over 2 years			
NONFINANCIAL CORPORATIONS AND HOUSEHOLDS									
2004	2.8	1.7	2.2	3.8	2.9	1.9	2.0	0.1	1.6
2005	2.9	1.8	2.2	3.6	3.0	2.1	2.1	0.1	1.7
2006	3.0	2.0	2.4	3.8	3.4	2.9	2.4	0.1	1.7
2007	3.3	2.4	2.8	4.2	3.5	2.3	2.7	0.2	1.9
2008	4.2	3.1	3.7	5.2	4.3	3.2	3.0	0.3	2.5
2009	4.3	3.3	3.7	5.6	4.7	2.4	3.2	0.5	2.8
2010	3.7	2.8	3.0	2.7	4.8	2.3	3.9	0.6	2.3
2011	3.5	2.4	2.8	3.0	4.5	3.6	3.2	0.7	2.1
2012	3.6	2.3	3.2	3.0	4.3	4.5	5.2	0.7	2.0
2013	3.4	2.0	2.7	2.7	3.7	4.4	4.8	0.6	1.7
2014	1.1	0.5	0.6	0.5	1.2	1.4	1.9	0.1	0.7
2015	0.9	0.4	0.8	0.4	0.7	1.0	1.9	0.0	0.3
2016	0.9	0.4	0.6	0.5	0.9	1.0	2.0	0.0	0.3
NONFINANCIAL CORPORATIONS									
2004	.	1.8	2.3	3.8	2.9	...	...	0.1	1.6
2005	.	1.9	2.2	3.6	3.0	3.7	...	0.1	1.7
2006	.	2.1	2.5	3.8	3.7	4.6	5.8	0.4	1.6
2007	.	2.6	3.0	4.2	3.6	4.4	4.6	0.5	1.9
2008	.	3.3	3.9	5.2	4.4	5.0	5.2	0.5	2.7
2009	.	3.3	3.9	5.6	5.0	...	5.7	0.8	2.9
2010	.	2.9	3.1	3.8	5.1	...	5.2	1.1	2.4
2011	.	2.3	3.4	3.3	4.9	5.3	5.2	1.0	2.2
2012	3.5	2.1	3.8	3.7	5.0	4.9	5.3	0.9	2.1
2013	3.5	1.5	2.8	2.7	3.7	4.6	4.8	0.7	2.0
2014	1.3	0.6	0.8	0.5	1.4	1.2	1.9	0.2	0.8
2015	1.1	0.7	1.0	0.3	1.0	1.0	1.9	0.1	0.1
2016	1.3	0.5	0.5	...	1.4	1.0	1.3	0.1	0.1
HOUSEHOLDS									
2004	.	1.6	2.1	...	2.8	3.8	4.0	...	1.7
2005	.	1.7	2.2	...	3.0	3.9	4.1	...	1.7
2006	.	1.9	2.3	...	3.2	4.2	4.4	...	1.7
2007	.	2.1	2.5	...	3.3	4.3	4.6	...	2.0
2008	.	2.9	3.4	...	4.2	4.7	5.1	0.1	2.4
2009	.	3.2	3.5	...	4.4	4.8	5.4	0.2	2.6
2010	.	2.8	2.9	3.4	4.4	4.6	5.3	0.3	2.3
2011	.	2.5	2.6	2.9	4.2	4.5	5.1	0.4	2.1
2012	3.6	2.4	2.5	2.8	4.2	4.5	5.2	0.5	2.0
2013	3.5	2.1	2.3	2.6	3.7	4.3	4.8	0.6	1.6
2014	1.1	0.5	0.6	0.4	1.0	1.3	1.9	0.1	0.7
2015	0.9	0.4	0.6	0.4	0.7	0.9	1.9	...	0.3
2016	0.9	0.4	0.6	0.5	0.7	1.0	2.1	...	0.3

Note: For more detailed information about this table please visit the link: http://www.bgk-kos.org/repository/docs/time_series/13a%20ODC%20effective%20interest%20rates%20on%20deposits.xls

Table 6.6. ODC effective interest rates – Rates on Loans

((Annual average interest rates on loans, in percentage))

	Annual average interest rates on new loans									Overdrafts	Credit lines
	Consumer loans	Mortgage loans	Loans with favourable conditions	Other loans (classified by economic sectors)							
				Agricultural	Industrial	Services	Other sectors				
NONFINANCIAL CORPORATIONS AND HOUSEHOLDS											
2004	15.0	12.8	.	.	.	.	.	.	.	.	.
2005	14.9	12.4	.	.	.	.	.	.	.	.	.
2006	14.7	12.5	13.1	.	.	.	.	.	.	.	.
2007	14.6	13.0	12.6	.	.	.	.	.	.	.	.
2008	14.7	14.1	11.7	.	.	.	.	.	.	.	.
2009	14.3	13.1	10.6	.	.	.	.	.	.	.	.
2010	14.4	13.9	11.8	6.6	.	.	.	.	.	.	.
2011	13.8	13.9	11.5	7.9	14.5	23.7	13.9	13.9	16.1	12.0	13.2
2012	12.7	12.4	10.6	7.4	13.2	20.6	12.5	13.2	16.0	10.7	11.6
2013	11.8	11.6	10.1	7.6	12.3	17.4	12.3	11.9	13.7	9.3	11.4
2014	10.6	10.9	9.1	4.6	10.6	13.2	10.4	10.7	10.9	9.5	11.3
2015	8.3	9.0	7.4	4.7	8.2	9.8	8.0	8.1	8.9	8.2	9.5
2016	7.8	8.6	7.0	4.8	7.4	9.8	7.1	7.5	7.2	7.4	8.7
NONFINANCIAL CORPORATIONS											
2004	.	.	.	.	.	.	.	.	.	15.3	12.8
2005	.	.	.	.	.	.	.	.	.	15.3	12.4
2006	.	.	.	.	.	.	.	.	.	15.4	12.5
2007	.	.	.	.	.	.	.	.	.	14.8	13.0
2008	.	.	.	.	.	.	.	.	.	13.9	14.1
2009	.	.	.	.	.	.	.	.	.	14.6	14.6
2010	.	.	.	.	.	.	.	.	.	12.5	14.0
2011	14.4	.	.	7.6	14.4	24.2	13.9	13.9	16.1	11.8	13.2
2012	13.2	.	.	7.5	13.2	21.1	12.5	13.2	16.0	10.5	11.6
2013	12.3	.	.	7.0	12.3	17.6	12.3	11.9	13.7	9.1	11.4
2014	10.6	.	.	5.5	10.6	13.2	10.4	10.7	10.9	9.3	11.3
2015	8.1	.	.	2.9	8.1	9.3	8.0	8.1	8.9	7.9	9.5
2016	7.3	.	.	2.4	7.3	8.7	7.1	7.5	7.2	7.1	8.7
HOUSEHOLDS											
2004	.	12.8	.	.	.	.	—	—	—	.	—
2005	.	12.4	.	.	.	.	—	—	—	.	—
2006	.	12.5	13.1	.	.	.	—	—	—	.	—
2007	.	13.0	12.6	.	.	.	—	—	—	.	—
2008	.	14.1	11.7	.	.	.	—	—	—	19.2	—
2009	.	13.1	10.6	.	.	.	—	—	—	17.7	—
2010	.	13.9	11.8	.	.	.	—	—	—	.	—
2011	13.4	13.9	11.5	8.2	22.4	22.4	—	—	—	17.5	—
2012	12.2	12.4	10.6	7.0	19.8	19.8	—	—	—	15.2	—
2013	11.3	11.6	10.1	6.8	16.4	16.4	—	—	—	14.6	—
2014	10.6	10.9	9.1	3.9	15.4	15.4	—	—	—	13.6	—
2015	8.7	9.0	7.4	5.1	13.3	13.3	—	—	—	13.1	—
2016	8.3	8.6	7.0	5.1	11.9	11.9	—	—	—	13.2	—

Note: For more detailed information about this table please visit the link: http://www.bsk-kos.org/repository/docs/time_series/13%20ODC%20effective%20interest%20rates%20on%20loans.xls

Table 7.1 Balance of Payments of Kosovo – main components

(In million of Euros)

Description	Balance from current and capital account							Balance from financial account					Errors and omission
	Current account						Capital account	Direct investment	Portfolio investment	Other investment	Reserve assets		
		Goods	Services	Primary income	Secondary income								
2005	-228.7	-247.6	-1,078.5	-8.5	139.1	700.3	18.9	53.8	107.6	-17.5	-68.7	32.4	174.8
2006	-205.2	-226.1	-1,173.1	29.0	158.8	759.2	20.8	-35.7	289.2	-65.4	-181.7	-77.9	240.9
2007	-197.5	-214.0	-1,354.4	112.0	186.3	842.0	16.5	5.8	-431.0	34.5	108.0	294.3	203.3
2008	-450.5	-460.9	-1,644.7	146.6	164.0	873.2	10.5	-288.4	-341.5	109.9	-75.1	18.2	162.1
2009	-273.9	-374.2	-1,646.3	227.8	60.9	983.4	100.3	-113.1	-280.9	124.8	137.8	-94.8	160.9
2010	-494.4	-515.7	-1,741.6	176.4	67.0	982.5	21.3	-275.8	-331.1	48.6	-46.7	53.4	218.5
2011	-616.4	-658.4	-2,047.1	256.3	111.3	1,021.1	42.0	-377.5	-378.9	57.8	4.8	-61.2	238.9
2012	-367.2	-380.2	-2,050.1	323.8	153.6	1,192.5	12.9	-141.0	-213.3	185.7	-374.9	261.4	226.2
2013	-304.7	-339.4	-1,995.6	312.2	121.5	1,222.4	34.7	-132.2	-250.2	139.3	14.4	-35.7	172.5
2014	-415.8	-437.0	-2,058.6	335.9	113.8	1,171.9	21.2	-145.0	-123.8	13.3	22.6	-57.0	270.8
2015	-501.8	-527.7	-2,109.3	354.4	78.0	1,149.3	25.8	-255.0	-287.3	48.8	-128.2	111.8	246.9

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/26%20Balance%20of%20payments%20-%20main%20components.xls

7.2. Current Accounts

(In million of Euros)

Description	Balance					Credit					Debit				
		Goods	Services	Primary income	Secondary income		Goods	Services	Primary income	Secondary income		Goods	Services	Primary income	Secondary income
2005	-247.6	-1,078.5	-8.5	139.1	700.3	1,356.5	67.8	265.0	164.7	859.0	-1,604.1	-1,146.3	-273.5	-25.6	-158.7
2006	-226.1	-1,173.1	29.0	158.8	759.2	1,514.3	122.5	319.0	187.7	885.1	-1,740.4	-1,295.6	-289.9	-28.9	-125.9
2007	-214.0	-1,354.4	112.0	186.3	842.0	1,720.9	164.1	382.5	239.2	935.2	1,935.0	1,518.5	270.4	52.9	93.1
2008	-460.9	-1,644.7	146.6	164.0	873.2	1,813.7	211.3	396.9	233.3	972.3	2,274.7	1,856.0	250.3	69.3	99.1
2009	-374.2	-1,646.3	227.8	60.9	983.4	1,982.4	172.5	521.5	181.7	1,106.8	2,356.6	1,818.8	293.7	120.7	123.4
2010	-515.7	-1,741.6	176.4	67.0	982.5	2,147.2	299.2	574.3	186.3	1,087.4	2,662.9	2,040.8	397.8	119.2	105.0
2011	-658.4	-2,047.1	256.3	111.3	1,021.1	2,314.4	316.5	625.2	239.1	1,133.6	2,972.8	2,363.7	368.9	127.8	112.5
2012	-380.2	-2,050.1	323.8	153.6	1,192.5	2,449.4	281.9	641.0	230.0	1,296.4	2,829.6	2,332.0	317.2	76.4	103.9
2013	-339.4	-1,995.6	312.2	121.5	1,222.4	2,455.5	291.5	632.5	227.5	1,304.0	2,794.9	2,287.0	320.3	106.0	81.6
2014	-437.0	-2,058.6	335.9	113.8	1,171.9	2,577.6	324.3	767.2	215.8	1,270.3	3,014.6	2,382.9	431.3	102.0	98.4
2015	-527.7	-2,109.3	354.4	78.0	205.7	-126.7	-1.0	1,149.3	202.9	946.4	2,560.0	322.5	796.4	221.7	210.3

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/26a%20Current%20account.xls

7.3.1 Primary income

(In million of Euros)

Description	Balance			Credit			Debit					
	Compensation of employees	Investment income	Other primary income	Compensation of employees	Investment income	Other primary income	Compensation of employees	Investment income	Other primary income			
2005	139.1	145.2	-6.1	...	170.5	145.9	24.5	...	31.4	0.7	30.7	...
2006	158.8	146.5	12.2	...	187.8	147.3	40.5	...	29.0	0.7	28.3	...
2007	186.3	154.9	31.5	...	239.2	155.6	83.6	...	52.9	0.8	52.2	...
2008	164.0	175.4	-11.4	...	233.3	176.2	57.1	...	69.3	0.8	68.5	...
2009	60.9	168.7	-107.8	...	181.7	169.7	12.0	...	120.7	0.9	119.8	...
2010	67.0	171.6	-104.6	...	186.3	176.1	10.1	...	119.2	4.5	114.7	...
2011	111.3	208.2	-96.9	...	239.1	221.3	17.8	...	127.8	13.1	114.7	...
2012	153.6	214.3	-60.6	...	230.0	219.9	10.1	...	76.4	5.6	70.8	...
2013	121.5	218.9	-97.4	...	227.5	223.2	4.3	...	106.0	4.3	101.6	...
2014	113.8	200.4	-85.9	-0.7	215.8	206.5	8.0	1.3	102.0	6.1	93.9	2.0
2015	78.0	205.7	-126.7	-1.0	221.7	210.3	9.6	1.8	143.7	4.6	136.3	2.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/28%20Primary%20Income.xls

7.3.2 Secondary income

(In million of Euros)

Description	Secondary income		Credit		Debit				
	General government	Financial corporations, nonfinancial corporations, households, and NPISHs	General government	Financial corporations, nonfinancial corporations, households, and NPISHs	General government	Financial corporations, nonfinancial corporations, households, and NPISHs			
2005	700.3	347.9	352.4	859.0	354.1	504.9	158.7	6.2	152.4
2006	759.3	319.9	439.4	885.1	327.4	557.7	125.9	7.5	118.4
2007	842.0	245.1	596.9	935.2	251.4	683.8	93.1	6.3	86.8
2008	873.2	223.5	649.7	972.3	223.5	748.8	99.1	...	99.1
2009	983.4	322.9	660.5	1,106.8	322.9	783.9	123.4	...	123.4
2010	982.5	319.5	662.9	1,087.4	319.5	767.9	105.0	...	105.0
2011	1,021.1	322.2	698.9	1,133.6	322.2	811.4	112.5	...	112.5
2012	1,192.5	401.6	791.0	1,296.4	401.6	894.9	103.9	...	103.9
2013	1,222.4	341.9	880.5	1,304.0	341.9	962.0	81.6	...	81.6
2014	1,171.9	291.9	880.0	1,270.3	291.9	978.4	98.4	...	98.4
2015	1,149.3	202.9	946.4	1,219.5	202.9	1,016.5	70.2	-	70.2

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/29%20Secondary%20Income.xls

7.4 Remittances- by countries

(In percentage)

Description	Germany	Switzerland	Italy	Austria	Belgium	USA	Sweden	France	Norway	Canada	England	Denmark	Finland	Holland	Slovenia	Other
2008	37.7	15.9	13.1	6.2	2.8	2.8	3.7	3.9	1.9	2.2	1.5	1.9	1.1	1.2	1.4	2.6
2009 Q1	34.9	21.4	10.5	5.3	3.7	3.5	3.3	3.4	2.6	1.7	1.6	1.0	1.1	1.1	1.0	4.2
Q2	39.4	19.7	11.3	6.1	2.9	2.6	2.9	4.0	2.4	1.8	1.3	0.9	0.9	1.3	1.4	1.5
Q3	37.4	21.2	9.8	6.0	2.8	2.6	3.5	3.8	2.8	2.1	1.3	0.9	1.1	1.0	1.5	2.2
Q4	38.1	22.0	9.8	5.5	2.8	2.3	3.2	3.9	3.2	1.9	1.3	0.8	1.1	1.2	1.3	1.7
2010 Q1	34.8	21.0	8.8	5.7	2.6	3.9	3.1	3.5	2.8	1.3	1.5	0.9	1.1	1.2	3.4	4.4
Q2	34.7	20.7	7.9	3.9	2.9	4.7	3.1	3.6	3.1	2.0	1.7	0.7	0.7	1.0	3.7	5.9
Q3	33.2	21.4	7.0	6.5	2.5	4.8	3.4	4.0	2.5	2.3	1.6	0.6	0.9	1.0	5.6	2.7
Q4	34.1	21.6	7.2	5.5	2.9	3.1	3.7	4.1	2.6	1.9	1.3	0.6	0.7	1.0	4.5	5.3
2011 Q1	32.7	23.7	7.5	5.6	2.8	4.6	3.9	3.8	2.8	1.5	1.5	0.7	0.8	1.2	3.9	3.0
Q2	32.8	23.0	7.0	5.5	2.0	4.0	3.1	3.7	2.8	2.1	1.3	0.9	1.0	1.0	3.9	6.1
Q3	33.8	23.4	6.2	5.5	2.9	2.3	3.6	4.2	2.6	2.0	1.2	0.6	0.8	1.0	3.3	6.7
Q4	33.7	22.1	7.4	5.5	2.7	3.9	3.4	3.8	2.8	1.9	1.4	0.7	0.9	1.1	4.0	4.9
2012 Q1	30.9	23.7	4.8	6.0	1.1	6.3	3.6	2.8	4.9	0.7	3.2	0.8	0.7	0.5	5.0	5.0
Q2	37.4	26.3	8.4	6.4	6.6	3.9	0.8	0.4	1.3	0.1	1.9	0.1	0.1	0.1	5.4	0.8
Q3	34.6	22.6	7.9	5.9	3.2	3.9	3.1	3.2	2.8	1.5	1.8	0.7	0.8	0.8	3.6	3.7
Q4	34.5	21.0	8.5	6.2	2.6	3.8	3.3	3.3	2.3	1.9	1.8	0.5	0.8	...	3.7	5.9
2013 Q1	33.6	22.5	7.5	5.8	2.7	4.2	3.4	3.5	3.0	1.6	1.8	0.7	0.9	1.0	3.7	4.3
Q2	33.3	25.5	5.9	5.7	2.5	4.6	2.5	1.4	2.3	1.3	4.0	0.8	0.9	1.0	5.3	3.1
Q3	33.6	24.4	6.6	7.8	2.5	4.3	3.5	4.5	2.3	0.4	1.9	0.7	0.8	0.9	4.9	1.1
Q4	35.3	22.7	10.6	4.6	1.6	4.4	2.1	5.0	2.7	1.8	1.7	0.5	0.6	1.5	0.5	4.2
2014 Q1	36.7	21.4	5.9	3.8	2.3	6.0	3.1	4.1	2.3	1.5	3.1	0.4	0.6	1.1	0.8	7.0
Q2	36.6	23.7	5.4	4.5	2.1	6.4	2.7	3.2	2.4	1.3	3.3	0.4	0.6	0.6	1.5	5.6
Q3	35.5	23.9	4.6	3.6	2.1	6.5	3.4	3.5	2.6	1.9	3.0	0.5	0.7	0.7	1.1	6.5
Q4	36.8	21.1	3.8	3.1	4.0	6.1	2.4	2.4	5.5	0.7	3.1	1.0	0.3	0.1	2.2	7.3
2015 Q1	35.2	21.8	5.0	3.9	3.3	8.1	2.9	3.6	3.1	1.6	1.6	0.4	0.7	0.9	0.8	7.2
Q2	36.9	21.6	3.6	3.5	2.3	8.2	2.5	1.6	4.0	3.5	3.7	0.2	0.6	0.7	0.5	6.6
Q3	35.9	23.8	5.6	3.4	2.1	7.4	3.2	3.7	2.1	1.5	3.3	0.3	0.6	0.6	0.7	5.8
Q4	38.8	22.2	5.1	3.3	2.2	8.4	2.9	3.3	1.8	1.5	3.0	0.4	0.6	0.7	1.3	4.4

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/32%20Remittances-by%20country.xls

8.1. Direct Investments – by geographic criteria

(In million of Euros: State on 31 December 2015)

Country	Total incoming direct Investments		Total outgoing direct investments			
		Equity	Other capital transactions		Equity	Other capital transactions
European Union	1,101.6	834.6	267.0	84.8	73.4	11.4
AT Austria	183.4	152.3	31.1	4.1	3.8	0.3
BE Belgium	16.1	12.8	3.3	2.8	2.8	...
BG Bulgaria	33.2	4.6	28.6	0.6	0.6	...
CY Cyprus	6.8	2.0	4.8	3.7	3.7	...
FR France	17.0	17.1	0.0	3.4	3.4	...
DE Germany	299.5	284.3	15.2	26.4	26.4	...
GR Greece	9.3	8.6	0.7	1.9	1.9	...
IT Italy	22.6	22.5	0.1	3.9	3.9	...
NL Holland	162.6	124.1	38.5	15.2	4.1	11.1
RO Rumania	4.0	3.9	0.1	0.3	0.3	...
SI Slovenia	222.3	92.8	129.5	8.7	8.7	...
SE Sweden	26.1	25.8	0.3	1.7	1.7	...
GB Great Britain	64.5	52.5	12.0	7.5	7.5	...
Other EU countries	34.0	31.1	2.9	4.5	4.5	...
Other European countries	815.3	599.5	215.7	108.7	107.3	1.4
AL Albania	142.3	86.2	56.1	46.8	46.0	0.8
HR Croatia	11.2	9.5	1.7	4.0	4.0	...
MK Macedonia	22.7	12.9	9.8	18.9	18.7	0.3
NO Norway	18.9	17.7	1.2	0.6	0.6	...
RS Serbia	15.1	11.0	4.0	6.7	6.7	...
CH Switzerland	239.5	224.4	15.1	12.8	12.5	0.3
TR Turkey	351.4	225.4	126.0	4.6	4.6	0.0
Other European countries	14.3	12.5	1.8	14.3	14.3	...
Other countries	154.7	122.5	32.3	18.0	17.8	0.2
US United States	89.0	65.0	24.0	9.8	9.6	0.2
AE United Arab Emirates	38.9	33.7	5.1	1.5	1.5	...
Other countries	26.9	23.7	3.2	6.7	6.7	...
Other countries (not allocated)	1,198.5	935.7	262.8	...	...	...
ZZ Not-specified	1,198.5	935.7	262.8	...	...	...
Total	3,270.1	2,492.3	777.8	211.5	198.6	13.0

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/34a%20Direct%20investment%20in%20Kosovo%20by%20geographical%20breakdown.xls

9.1. Assets in form of portfolio investments by countries

(In million of Euros: State on 31 December 2015)

Description	Country	Equity	Total debt securities		Total	
			Long-term debt securities	Short-term debt securities		
AT	Austria	-	24.0	-	24.0	
BE	Belgium	-	0.1	-	0.1	
DE	Germany	0.2	73.5	-	73.7	
FI	Finland	-	22.1	-	22.1	
FR	France	35.2	16.0	-	51.3	
GB	Great Britain	-	0.1	0.1	0.1	
IE	Ireland	578.1	0.2	0.2	578.4	
IT	Italy	-	25.7	-	25.7	
LU	Luxemburg	471.6	38.4	0.1	510.0	
NL	Holland	-	41.3	0.1	41.3	
PL	Poland	-	7.9	-	7.9	
PT	Portugal	-	0.1	0.1	0.1	
SE	Sweden	-	15.2	0.2	15.2	
SI	Slovenia	-	2.0	1.0	2.0	
US	United States	0.7	26.6	0.5	27.3	
HU	Hungary	-	0.1	0.1	0.1	
GR	Greece	-	0.0	0.0	0.0	
TR	Turkey	-	0.1	0.1	0.1	
LV	Latonia	-	0.1	0.1	0.1	
CZ	Czech Republic	-	0.1	0.1	0.1	
RO	Romania	-	0.2	0.2	0.2	
AE	United Arab Emirates	-	0.1	0.1	0.1	
BR	Brazil	-	0.2	0.2	0.2	
BG	Bulgaria	-	8.2	0.1	8.2	
Total portfolio investments		1,085.9	302.3	3.3	299.1	1,388.2

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34f%20Portfolio%20Investments%20Position.xls

10.1. International Investment Position – main components

(In million of Euros: End of the Period)

Description	Net	Assets										Reserve assets
		Direct investments abroad	Portfolio investments			Other investments				Other sectors		
			Capital land shares of investing funds	Debt instruments	Central Bank	Government	DC excluding the Central bank					
2007	1,254.2	2,397.2	15.2	444.4	158.9	285.5	1,285.6	317.7	...	289.6	678.3	652.0
2008	912.4	2,537.1	43.8	463.9	112.5	351.4	1,359.1	225.8	...	360.8	772.5	670.3
2009	484.2	2,816.9	59.1	622.0	140.1	481.9	1,559.4	290.4	...	486.9	782.1	576.5
2010	428.8	3,256.9	96.6	693.8	194.2	499.6	1,832.0	460.2	...	536.4	835.5	634.5
2011	133.9	3,325.1	102.0	740.2	296.0	444.3	1,908.2	592.8	...	473.5	841.9	574.7
2012	248.8	3,705.1	117.8	986.6	666.3	320.3	1,760.6	453.4	...	436.8	870.4	840.0
2013	363.7	4,102.6	147.5	1,192.6	650.8	541.7	1,963.2	472.9	...	493.9	996.5	799.3
2012	248.8	3,705.1	117.8	986.6	666.3	320.3	1,760.6	453.4	...	436.8	870.4	840.0
2013	363.7	4,102.6	147.5	1,192.6	650.8	541.7	1,963.2	472.9	...	493.9	996.5	799.3
2014	297.3	4,276.6	174.6	1,274.7	1,024.4	250.3	2,081.5	512.4	...	524.8	1,044.3	745.9
2015	94.6	4,519.2	211.5	1,388.8	1,086.3	302.4	2,057.9	485.8	...	492.8	1,079.3	861.0

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34b%20International%20Investments%20Position.xls

10.2. International Investment Position – by sectors

(In million of Euros: End of the Period)

Description	Net international investments												
	Total	The Central Bank of the Republic of Kosovo			Banks			Government			Other sectors		
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities	
2007	1,254.2	1,057.6	1,057.6	...	319.9	368.5	48.6	...	...	...	-123.3	971.1	1,094.4
2008	912.4	1,110.7	1,110.7	...	318.1	401.3	83.2	...	...	...	-516.4	1,025.0	1,541.4
2009	484.2	1,089.3	1,149.6	60.3	427.3	583.9	156.7	-249.0	...	249.0	-783.3	1,083.4	1,866.7
2010	428.8	1,129.0	1,194.8	65.9	488.0	709.8	221.8	-260.0	...	260.0	-928.1	1,352.2	2,280.3
2011	133.9	1,114.8	1,181.3	66.4	479.1	675.5	196.4	-253.6	...	253.6	-1,206.4	1,468.4	2,674.8
2012	248.8	1,351.9	1,416.8	65.0	458.0	633.6	175.6	-336.5	...	336.5	-1,224.5	1,654.7	2,879.3
2013	363.7	1,497.2	1,559.3	62.1	540.2	748.3	208.1	-321.8	...	321.8	-1,351.9	1,794.9	3,146.9
2012	248.8	1,351.9	1,416.8	65.0	458.0	633.6	175.6	-336.5	...	336.5	-1,224.5	1,654.7	2,879.3
2013	363.7	1,497.2	1,559.3	62.1	540.2	748.3	208.1	-321.8	...	321.8	-1,351.9	1,794.9	3,146.9
2014	297.3	1,247.3	1,313.7	66.3	481.6	715.8	234.2	-326.4	...	326.4	1,105.2	2,247.1	3,352.3
2015	94.6	1,328.1	1,398.7	70.6	480.9	740.0	259.1	-371.2	...	371.2	-1,343.3	2,380.5	3,723.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34c%20International%20Investment%20Position%20-%20by%20sectors.xls

10.3.1 International Investment Position – Assets

(In million of Euros: End of the Period)

Description	Net IIP	Kosovo's international assets								
		International equity				International debt				
		Direct investments Abroad	Equity securities	Direct investments Abroad	Debt securities	Other investments	Reserve Assets			
2007	1,254.2	2,397.2	174.1	15.2	158.9	2,223.1	0.0	285.5	1,285.6	652.0
2008	912.4	2,537.1	152.9	40.4	112.5	2,384.2	3.4	351.4	1,359.1	670.3
2009	484.2	2,816.9	191.7	51.6	140.1	2,625.2	7.4	481.9	1,559.4	576.5
2010	428.8	3,256.9	280.6	86.4	194.2	2,976.3	10.2	499.6	1,832.0	634.5
2011	133.9	3,325.1	398.0	102.0	296.0	2,927.1	...	444.3	1,908.2	574.7
2012	248.8	3,705.1	784.2	117.8	666.3	2,920.9	...	320.3	1,760.6	840.0
2013	363.7	4,102.6	786.2	135.4	650.8	3,316.4	12.1	541.7	1,963.2	799.3
2012	248.8	3,705.1	784.2	117.8	666.3	2,920.9	...	320.3	1,760.6	840.0
2013	363.7	4,102.6	786.2	135.4	650.8	3,316.4	12.1	541.7	1,963.2	799.3
2014	297.3	4,276.6	1,186.3	161.9	1,024.4	3,090.3	12.6	250.3	2,081.5	745.9
2015	94.6	4,519.2	1,284.9	198.6	1,086.3	3,234.3	13.0	302.4	2,057.9	861.0

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/34e%20IIP%20Assets%20and%20Liabilities.xls

10.3.1 International Investment Position – Liabilities

(In million of Euros: End of the Period)

Description	Net IIP	Liabilities							
		International equity				International debt			
		Direct investments	Equity and investment fund	Direct investments	Debt securities	Other investments			
2007	1,254.2	1,143.0	621.2	621.2	...	521.8	303.2	...	218.6
2008	912.4	1,624.6	886.5	886.5	...	738.1	407.8	...	330.3
2009	484.2	2,332.7	1,139.4	1,139.4	...	1,193.3	450.4	...	742.9
2010	428.8	2,828.0	1,455.3	1,455.3	...	1,372.8	515.8	...	857.0
2011	133.9	3,191.2	1,760.7	1,760.7	...	1,430.5	565.4	...	865.1
2012	248.8	3,456.3	1,938.4	1,938.4	...	1,517.8	585.9	...	931.9
2013	363.7	3,738.8	2,129.9	2,129.9	...	1,608.9	686.5	...	922.4
2012	248.8	3,456.3	1,938.4	1,938.4	...	1,517.8	585.9	...	931.9
2013	363.7	3,738.8	2,129.9	2,129.9	...	1,608.9	686.5	...	922.4
2014	297.3	3,979.3	2,241.4	2,241.4	...	1,737.9	720.0	...	1,017.9
2015	94.6	4,424.7	2,492.3	2,492.3	...	1,932.4	777.8	...	1,154.6

Note: For more detailed information about this table please visit the link: http://www.bkg-kos.org/repository/docs/time_series/34e%20IIP%20Assets%20and%20Liabilities.xls

11.1. Gross external debt position

(In millions of Euro: end of period – December 2015)

Description	Total gross external debt															
	Public and publicly guaranteed external debt								Private sector external debt not publicly guaranteed							Direct investments: crediting between companies
	Government				Central Bank of the Republic of Kosovo				Deposit-taking Corporations, except the Central Bank			Other sectors				
	Short-term		Long-term		Short-term		Long-term		Short-term		Long-term		Short-term		Long-term	
2007	520.6	-	-	-	-	-	-	-	520.6	48.6	48.6	-	168.8	141.1	27.7		303.2
2008	736.6	-	-	-	-	-	-	-	736.6	83.2	83.2	-	245.6	194.5	51.1	407.8
2009	1,191.4	309.3	249.0	-	249.0	60.3	0.8	59.5	882.1	156.7	156.7	-	275.0	221.2	53.8	450.4
2010	1,371.5	325.9	260.0	-	260.0	65.9	1.7	64.2	1,045.6	221.8	221.8	-	308.0	232.7	75.4	515.8
2011	1,428.4	320.0	253.6	-	253.6	66.4	0.7	65.7	1,108.4	196.4	196.4	-	346.6	259.8	86.8	565.4
2012	1,517.3	401.4	336.5	-	336.5	65.0	0.4	64.6	1,115.9	175.6	175.6	-	354.4	321.0	33.5	585.9
2013	1,608.2	383.9	321.8	-	321.8	62.1	0.3	61.9	1,224.3	208.1	208.1	-	329.7	281.1	48.5	686.5
2014	1,737.1	392.8	326.4	-	326.4	66.3	0.3	66.1	1,344.3	234.2	234.2	-	390.1	294.8	95.3	720.0
2015	1,931.5	441.8	371.2	-	371.2	70.6	0.1	70.5	1,489.7	259.1	259.1	-	452.8	313.8	139.0	777.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34/%20Gross%20External%20Debt%20Position.xls

11.2. Public sector debt service payment schedule

(In million of Euros: As at end - December 2015)

Description	One year or less (several months)						Over one year up to two years			The 3-rd year	The 4-th year	The 5-fth year	Over 5 up to 10 years	Over 10 up to 15 years	Over 15 years
	Immediate	0 - 3	4-6	7 - 9	10 - 12	13 - 18	19 - 24								
External debt of public sector	71.0	-	22.5	12.7	23.1	12.7	63.3	31.7	31.6	24.9	37.9	33.3	99.5	78.9	90.6
Principal	63.3	-	18.8	12.4	19.6	12.4	56.5	28.2	28.2	18.8	32.3	28.3	81.3	71.1	90.2
Interest	7.7	-	3.6	0.3	3.5	0.3	6.8	3.4	3.3	6.1	5.6	5.0	18.2	7.8	0.3
External debt of private sector guaranteed by the Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	71.0	-	22.5	12.7	23.1	12.7	63.3	31.7	31.6	24.9	37.9	33.3	99.5	78.9	90.6
Principal	63.3	-	18.8	12.4	19.6	12.4	56.5	28.2	28.2	18.8	32.3	28.3	81.3	71.1	90.2
Interest	7.7	-	3.6	0.3	3.5	0.3	6.8	3.4	3.3	6.1	5.6	5.0	18.2	7.8	0.3

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34/%20Public%20Sector%20Debt%20Service%20Payment.xls

11.3. Gross Foreign Debt – By Creditors

(In million of Euros: As at end - December 2015)

Description	Total gross external debt						
		Gross external debt excluding direct investments					Direct investments: crediting between companies
		Government	Central Bank of the Republic of Kosovo	Deposit-taking Corporations, except the Central Bank	Other sectors		
International Monetary Fund	198.2	198.2	127.7	70.5	-	-	-
World Bank	209.8	209.8	209.8	-	-	-	-
IBRD	181.0	181.0	181.0	-	-	-	-
IDA	28.9	28.9	28.9	-	-	-	-
Other creditors	1,523.4	745.6	33.6	0.1	259.1	452.8	777.8
Total debt	1,931.5	1,153.7	371.2	70.6	259.1	452.8	777.8

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/lime_series/34h%20Gross%20External%20Debt%20Statistics%20-%20by%20creditors.xls

11.4. Net external debt position

(In million of Euros: State on 31 December 2015)

Description	Gross external debt (1)	External assets in debt instruments (2)	Net external debt (3)=(1)-(2)
General Government	371.2	0.0	371.2
Short-term	...	...	...
Long-term	371.2	0.0	371.2
Special Drawing Rights (SDRs), allocations	...	...	...
Currency and deposits	...	...	...
Debt securities	...	...	...
Loans	371.2	0.0	371.2
Trade credits and advances	...	...	...
Other debt liabilities	...	...	...
Central Bank	70.6	1,398.7	-1,328.1
Short-term	0.1	1,316.9	-1,316.8
Currency and deposits	0.1	1,189.8	-1,189.7
Debt securities	0.0	127.1	-127.1
Loans	...	...	...
Trade credits and advances	...	...	...
Other debt instruments	...	...	...
Long-term	70.5	81.8	-11.3
SDR allocations	70.5	81.8	-11.3
Currency and deposits	...	...	...
Debt securities	...	...	...
Loans	...	...	...
Trade credit and advances	...	...	...
Other debt instruments	...	...	...
Depository corporations except the Central Bank	259.1	740.0	-480.9
Short-term	259.1	740.0	-480.9
Currency	170.7	400.8	-230.1
Debt securities	0.0	247.2	-247.2
Loans	85.9	88.6	-2.7
Trade credit and advances	0.0	0.0	0.0
Other debt instruments	2.4	3.4	-1.0
Long-term	...	...	...
Other sectors	452.8	1,082.7	-629.9
Short-term	313.8	12.6	301.2
Currency and deposits	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0
Loans	146.0	0.0	146.0
Trade credit and advances	167.8	12.6	155.2
Other debt instruments	0.0	0.0	0.0
Long-term, of which:	139.0	1,070.1	-931.0
Currency and deposits	0.0	1,066.7	-1,066.7
Debt securities	0.0	3.4	-3.4
Loans	139.0	0.0	139.0
Direct investments: Intercompany lending	777.8	0.0	777.8
Debt liabilities of direct investment enterprises to direct investors	...	...	...
Debt liabilities of direct investors to direct investments enterprises	777.8	0.0	777.8
Debt liabilities to fellow enterprises	...	...	...
NEt external debt (3)	1,931.5	3,221.4	-1,289.9

Note: For more detailed information about this table please visit the link: http://www.bqk-kos.org/repository/docs/time_series/34g%20Net%20External%20Debt%20Position.xls.

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