

## **Interview of the Governor Fehmi Mehmeti for Epoka e Re**

**“Epoka e re”:** What was the amount of credit from March of last year until now, at the time of the pandemic?

**Governor Mehmeti:** The banking sector has continued to support the economy through further credit growth, despite risk-level increase. During the period January-December 2020, the value of new loans from the banking sector amounted to EUR 1.47 billion, whereas from March 2020 to February 2021 the value of new loans from the banking sector amounted to EUR 1.43 billion.

**“Epoka e re”:** What is the current deposit amount?

**Governor Mehmeti:** The banking sector continues to enjoy high level of public trust, which is also translated into continuous growth of deposits. In February 2021, the total value of deposits amounted to EUR 4.351 billion, representing an annual growth of 11.4 percent. The growth rate of total deposits is mainly dictated by household deposits, a category that dominates the structure of total deposits in the banking sector with a share of 68 percent in total deposits, which in February 2021 recorded an increase of 11.6 percent.

**“Epoka e re”:** Regarding the case of IuteCredit, are you optimistic that Kosovo will win this case?

**Governor Mehmeti:** The Central Bank of the Republic of Kosovo, through its licensing policy, continuously aims to provide the best possible conditions for access to finance in Kosovo, thus enabling operation in our financial market of those institutions which contribute to the stability and development of financial system and as such the sustainable economic development of the country. However, during the operation of this institution in our financial system, the CBK identified its non-compliance with the applicable legal and regulatory requirements, and constant deviation from the business plan under which it was licensed to operate in Kosovo. The CBK continuously sought to push this institution through the foreseen administrative measures to address the findings and legal requirements, but to no avail due to the unwillingness of this institution to undertake the necessary corrections. Based on this, strictly complying with the requirements arising from the applicable legislation, the CBK revoked the registration of this institution.

**“Epoka e re”:** In case we have a lockdown again due to Covid-19, how liquid is the financial system and can we talk about another loan suspension?

**Governor Mehmeti:** Despite the situation created as a result of the pandemic, the liquidity position of the banking sector continues to remain high. The ratio of liquid assets to short-term liabilities at the end of 2020 was 39.8 percent, which is significantly above the required regulatory minimum of 25.0 percent. Since the outbreak of the pandemic, the Central Bank of the Republic of Kosovo has been very active in taking measures to help borrowers cope with the financial hardship caused by the pandemic crisis. This involved deferment of repayment of loan instalments and maintenance of their liquidity during the period of cessation of activity of numerous economic activities. In our opinion, once the restrictive measures were lifted and the economic activity in the country was restored, the emergency situation as a result of pandemic outbreak was over. However, the CBK will closely monitor economic developments including those in the financial sector in order to make our contribution, but always prioritising the maintenance of financial stability which is also the primary task of the CBK.

**“Epoka e re”:** What is the average loan interest rate and are you expecting a decrease?

**Governor Mehmeti:** Loan interest rates continued their downward trend, declining to 6.0 percent from 6.4 percent in the same period last year, which indicates a continuous easing of access to bank financing.

**“Epoka e re”:** Also, certain commercial banks have increased their service fees at the time of pandemic, i.e. increased price of monthly account maintenance?

**Governor Mehmeti:** Setting of fees for banking services is done by the banks independently in accordance with their business policies. The Central Bank of the Republic of Kosovo (CBK) ensures that banks disclose to their customers all costs related to the specific product in order to ensure full transparency. Fee differences between different banks can be considered as an effect of competition in the banking sector, which contributes to more choices for customers to make in terms of deciding from which banks they want to use financial services. The primary objective of the CBK is the stability of the banking and financial sector. The main role of the CBK is to develop the legal and regulatory infrastructure in line with international standards and as such it does not set prices for products offered by banks (interest and non-interest). Banks publish the price list of their products on their websites as well as in their banking subsidiaries. In this context, the CBK ensures that banks disclose to their customers all costs related to the specific product in order to achieve full transparency.