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Professional Paper

FINANCIAL ANALYSIS OF COMMERCIAL BANK PROFIT - RAIFFEISEN BANK IN KOSOVO

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Abstract
In Kosovo, there are ten banks, representing 66.14 percent of the total assets in the financial sector. Their products and services include banking accounts, loans, domestic and international payments, banking cards, banking guarantees, letters of credit, e-banking.
Their activities are dominated by loans and the maturity can be up to 15 years, depending on the type of loan. The total of loans is 2.7 billion Euros, loans for enterprises are 63.6% while loans for individuals are 36.00%. Most of these loans are absorbed by trading enterprises sector (48.9 percent of loans to enterprises), whereas loans issued for the industrial sector (including mines, production, energy, and construction) compose 24.7% of total loans to enterprises.
The structure of banking sector liabilities is dominated by deposits, which represent 81.9% percent of total liabilities. Deposits in the banking sectors have recorded an annual growth of 8.7 percent, amounting to euro 3 billion. Deposits in the banking sector consist of household deposits, which participate in a share of 70.5% percent in total deposits, whereas the deposits of private sector enterprises compose 23.3 percent of total deposits.
Commercial banks of Kosovo have different shareholding structure. Eight of them are foreign-owned banks and two domestically owned. There are 3,299 employees of commercial banks.
This research will analyze in detail the profits of the second largest bank of Kosovo - Raiffeisen Bank. Addressing this topic is very important given that the key indicators of banks' profits are one of their main parameters.
This research puts into place some of the most important definitions and concepts associated with the analysis of commercial banks' earnings indicators. From the scientific point of viewing the topic analysis of commercial banks 'profits case study - Raiffeisen Bank', will include analysis of commercial banks' profits and indicators and their importance of the banking system.
Keywords: Financial Analysis, Earnings Analysis, Risk, Banking, Loan Deposits, Raiffeisen Bank

1. Introduction

A commercial bank may refer to a bank or a division of a large bank, which mostly deals with deposit and credit services offered to corporations, large or medium-sized businesses. Commercial banks also provide loans to small business individuals or ordinary citizens of the country. The overall role of commercial banks is to provide financial services to the general public and companies by ensuring economic, social stability and sustainable economic growth. Commercial banks accept various types of deposits from the public, especially its clients, including cash deposit accounts, savings deposit accounts and time deposits. From these deposits clients can withdraw the funds deposited whenever they request or after a certain time. Commercial banks provide loans and advances in various forms, including an overdraft scheme, cash loans, purchase of discounted receivables etc. They also provide short and long term loans to all types of clients against proper security. In this case, commercial banks will benefit from the difference between the interest rates on the loans granted and the interest rates on deposits.
The Central Bank of the Republic of Kosovo (CBK) has exclusive responsibility for the licensing, regulation and supervision of banks in the Republic of Kosovo. The applicable legal framework, inter alia, defines the CBK competent for: licensing of banks; revocation of banking licenses;

managing or supervising the formal administration procedure and initiating bankruptcy proceedings; assessing the conditions and granting approval / rejection of the transactions outlined in chapter four (4) of this manual.[39]

The bank's business plan should also include a financial analysis including disclosure of the structure of assets, liabilities and equity as well as financial projections for the first three years of operation.[40]

One of the commercial banks with foreign capital operating in Kosovo is Raiffeisen Bank, which will be the subject of this research.

2. Literature review

The banking institution is indispensable in modern society. It plays a vital role in the economic development of a country and forms money marketing in advanced country. In a stable economic system, banking activities hold remarkable role by enhancing financial resources for industrial activities which intern generate employment opportunities and overall development of the country. The financial performance of banks guides to analyses the outcomes of a firm's policies, performance, efficiency and effectiveness in monetary terms.[41]

The financial statements of banks are typically much more complicated than those of companies engaged in virtually any other type of business. While investors considering bank, stocks look at such traditional equity evaluation measures as price-to-book (P/B) ratio or price-to-earnings (P/E) ratio, they also examine industry-specific metrics to more accurately evaluate the investment potential of individual banks.[42]

The basic literature of this scientific research is the legal regulation of the Central Bank of Kosovo, which licenses and oversees the operation of commercial banks in Kosovo, such as Raiffeisen Bank, which is the subject of this research paper.

Central Bank of Kosovo performs analyses aiming at achieving its objectives on maintaining financial stability and supporting general economic policies in Kosovo. In addition, Central Bank publishes periodical and non-periodical reports related to the economic developments in the country, with special emphasis on the financial sector developments.

Before the financial analysis of Raiffeisen Bank's profit was made, these documents of the Central Bank of Kosovo were also analyzed:

- Monthly Statistics Bulletin;
- Monthly Information Report of the Financial System;
- Quarterly Assessment of Macroeconomic Developments;
- Quarterly Assessment of Financial System, Financial Stability Report;
- Macroeconomic Developments Report;
- Indebtedness of Bank Clients in Kosovo;
- CBK Annual Report and Working Papers.

[39] Central Bank of Kosovo - Banking Licensing Manual, Pristina 2017, page 4.
[40] Central Bank of Kosovo - Banking Licensing Manual, Pristina 2017, page 11.
[41] International Journal of Applied Business and Economic Research, November 2017
[42] J.B. Maverick, Key Financial Ratios to Analyze Retail Banks, Updated May 16, 2019

3. Banking system in Kosovo

The banking world is changing rapidly. The strategic priority has shifted away from growth and size alone towards a greater emphasis on profitability, performance and value creation, within the banking firm. Bank professionals now require a thorough grounding in the micro foundations of banking if they are to make important managerial decisions, or implement banking policies.[43]

Banks of Kosovo serve the citizens and businesses of Kosovo by offering a wide range of financial services. Banks of Kosovo enable businesses to launch and expand their activities, to increase employment and offer better services to their clients. In addition, banks enable households to achieve their goals by providing housing finance, through loans for education or to afford other necessary expenses.

The Bank is a special financial institution of the monetary and credit system, which deals with the receipt and issuance of credit in a professional manner, as well as the intermediation in the circulation of payments to customers.

There are ten (10) banks that are operating nowadays in the banking system in Kosovo, representing 66.14 percent of the total assets in the financial sector. Their products and services include banking accounts, loans, domestic and international payments, banking cards, banking guarantees, letter of credit, e-banking. The access to these services it is enabled through 217 branches and sub-branches, 482 ATM's, 13,319 POS and 273.752 e-banking accounts. Their activity is dominated by loans and the maturity can be up to 15 years, depending on the type of loan. The total of loans is 2.75 billion Euros; loans for enterprises are 63.6% while loans for individuals are 36.00%. Most of these loans are absorbed by trading enterprises sector (48.9 percent of loans to enterprises), whereas loans issued to the industrial sector (including mines, production, energy, and construction) compose 24.7% of total loans to enterprises. The agricultural sector represents 3.9% of total loans. The structure of banking sector liabilities is dominated by deposits, which represent 81.9% percent of total liabilities. Deposits at the banking sectors have recorded an annual growth of 8.7 percent, amounting at euro 3 billion. Deposits in the banking sector consist of household deposits, which participate with a share of 70.5% percent in total deposits, whereas the deposits of private sector enterprises compose 23.3 percent of total deposits. Commercial banks in Kosovo have different shareholding structure. Eight of them are foreign-owned banks and two domestically owned. There are 3,299 employees of commercial banks. [44]

4. Profit Analysis of Commercial Banks

Commercial banks make money by providing loans and earning interest income from those loans. The types of loans a commercial bank can issue vary and may include mortgages, auto loans, business loans, and personal loans. A commercial bank may specialize in just one or a few types of loans. The amount of money earned by a commercial bank is determined by the spread between the interest it pays on deposits and the interest it earns on loans it issues, which is known as net interest income.[45]

The approach of commercial bank profits is in full analogy to the profits of a corporation since the bank also represents a corporation in some way. As with corporations that are invested by investor shares, the bank will also be founded by investing in shares. In this analogy between corporations and banks, the Return on Equity (ROE) ratio is calculated for both corporations and banks.

[43]Shelagh Heffernan, Modern Banking in Theory and Practice
[44]Kosovo Business Association, official web page.
[45]Julia Kagan, Commercial Bank, 2019

Theoretically, the movement of corporate stock prices is the best indicator of corporate business success. However, in the banking business this indicator is often unreliable. So here it is all about the small and medium-sized banks, whose shares are quoted in stock exchanges, but their active trading is lacking. In such cases, different profitability coefficients that represent the market value of the stock should be used to measure business success.[46]

For banks whose shares are not quoted in stocks that mainly apply to countries with underdeveloped financial markets, the only opportunity to measure the success of banks' business is through profitability coefficients. Taking into account the differences of business of a bank from one country to another, we will group the factors affecting the profitability of banks into two groups:

• Factors affecting all banks in the market; and
• Changes affecting one or more banks.

4.2 Key indicators of bank profitability

The financial statements of banks are typically much more complicated than those of companies engaged in virtually any other type of business. While investors considering bank, stocks look at such traditional equity evaluation measures as price-to-book (P/B) ratio or price-to-earnings (P/E) ratio, they also examine industry-specific metrics to more accurately evaluate the investment potential of individual banks. [47]

In calculating the bank's profit, or profitability, six key indicators are used in international practice that indicate the aspect of profitability changes:

- Return on Equity (ROE);
- Return on Assets (ROA);
- Interest margin;
- Non-interest margin;
- Operating profit;
- Revenue from ordinary shares.

4.2.1 Return on Equity (ROE) It is the most important indicator for bank shareholders as it shows what return they can expect on the value of invested capital. It also shows what the bank can calculate in the future, in mobilizing capital with new equity issues how much the bank will be competitive with other banks. ROE is calculated by this formula.

$$ROE = \frac{Net\ Profit\ after\ tax}{Share\ capital}$$

4.2.2 Interest margin – It measures the difference between interest income and interest expense, and therefore demonstrates the ability of bank management to provide maximum interest-based income in various placements, while utilizing the cheapest sources of finance asset interest. This difference is known as "spread" and the higher it is the lower the level of competition and vice versa. In markets where there is a high level of competition between banks and small spreads then the pressure on the bank management to find other means of securing income first and foremost

[46] Prof. Dr. GazmendLuboteni, “Banka dheafarizëmbankar”, Prishtinë, 2013, faqe 160
[47] J.B. Maverick, Key Financial Ratios to Analyze Retail Banks, 2019

in the securities market will be greater. This automatically puts the bank in the highest risk zone. Interest margin calculate with this formula.

$$Interestmargin = \frac{Interestincome - Interestexpense}{Totalasset}$$

4.2.3 Non-interest margin –The calculation of non-interest margins uses non-interest income items such as income for depository services and provisions that the bank collects for other services, and non-interest income. Then there are the fees paid by the bank, salaries, and allowances for employees, maintenance costs of fixed assets, expenses incurred on loan losses. Generally speaking, although in recent years, the trend of increasing bank income from provisions for most banks is characteristic, it is characteristic that with the non-interest income they cannot cover non-interest income and therefore non-interest net margin has a negative value. Non-interest margin is calculated this way.

$$Non - interest\ margin = \frac{Non - interest\ income\ - Non - interest\ income}{Total\ asset}$$

4.2.4 Operating profit **-**Indicates the success of management to increase bank revenues faster, mainly loan interest, securities portfolio and provisions, as opposed to increased spending, mainly interest paid on deposits, money market loans, salaries and allowances of employees. Operating profit is calculated by this formula.

$$Operating\ Profit = \frac{Total\ Operating\ Income - Total\ Operating\ Income}{ATotal\ Assets}$$

4.2.5 Revenue from ordinary shares (EPS)– show the ratio between the net profit after tax and the number of shares. However, it is an important indicator for bank shareholders as it shows the present value of the invested shares. EPS is calculated by the following formula:

$$Revenue\ from\ ordinary\ shares\ (EPS) = \frac{Net\ profit\ after\ tax}{Number\ of\ common\ stocks}$$

4.3 Other indicators of banks' profit

In addition to these key banks' profitability indicators, they also used other indicators of bank business success such as:

The ratio between earnings on assets and total assets, calculated on the average of these items. This report tells us to what extent the bank puts the greatest emphasis on banking products that generate interest compared to products that generate non-interest income.

1. The profit per employee is calculated as the ratio of net profit and the total number of employees.
2. The ratio between non-interest income and the average amount of asset shows to what extent the bank relies on non-interest income to generate operating income.
3. The ratio of reserves and operating income calculated based on loss reserves and operating income. This report shows the extent to which the loss provisions affect the bank's net profit after tax.

4. The ratio between staff costs and operating income.
5. Profit before tax and net profit after tax.

5. The Operational Ratio Between Bank Profit and Risk

The Global Financial Crisis of 2007-2009 and the ensuing period of low interest rates have renewed interest among policy makers on the importance of bank profitability for financial stability. Despite the subsequent recovery, the return on equity of many banks remains below the cost of equity.[48]
A parallel presentation of key profit and risk indicators is essential when trying to maximize returns on equity. In practice, management aims to find the best ratio between risk and profit, therefore management must decompose the bank's profitability indicators by focusing on key components. Using the Return on Assets (ROA) indicator and the bank debt load multiplier when deriving the Return on Equity (ROE) in the following equation, it can be seen that the ROE indicator implicitly shows:

- The ability of management and employees to generate bank revenue;
- operating efficiency of the bank;
- Bank debt; and
- Bank planning, regarding the fulfillment of tax liabilities.

$$ROE = ROA \times \frac{Currentassets}{Totalsharecapital}$$

The equity multiplier presented as the ratio between total asset and total share capital shows which asset value is supported by a monetary unit of equity.
The above equation can be transformed this way if we replace ROE and ROA with the corresponding formulas:

$$\frac{NetProfitaftertax}{Totalequityaftertax} = \frac{NetProfitaftertax}{Totalassets} \times \frac{Totalassets}{Totalequity}$$

From the above equation, it can be clearly seen that the amount of profit that bank shareholders receive depends largely on the sources of funds from which the bank's placements on the asset and equity side of the financial market loan are financed. It is possible that the bank, which is mainly based on market lending and has a low capital base, may have a low ROA but a relatively high ROE.[49]

6. Raiffiesen Bank Profit Analysis

Raiffeisen Bank Kosovo is a subsidiary of Raiffeisen Bank International AG (RBI). RBI came to Kosovo by the end of 2002 by purchasing most of the shares of the American Bank of Kosovo to complete the purchase and rename the bank in June 2003. In June 2003, RBI became the owner of 100% of shares and named the Bank Raiffeisen Bank Kosovo. RBI offers corporate and investment banking for Austrian and international companies, an extensive banking and leasing network in CEE for both corporate and retail customers. Additionally, the Group comprises numerous other

[48] International Monetary Fund (IMF) Paper WP/19/5, page 4
[49] Prof. Dr. GazmendLuboteni, “Banka dheafarizëmbankar”, Prishtinë, 2013, faqe 14

financial service providers, for instance in the fields of leasing, asset management as well as mergers and acquisitions. According to the Balance Sheet as at 31 March 2019, total assets of Raiffeisen Bank Kosovo were € 922 million, total customers' deposits € 746 million whereas lending balance was € 612 million. Raiffeisen Bank has a capital of €63 million. Raiffeisen Bank offers a wide range of banking services and products for all clients: individuals, small and medium enterprises and corporate. Since its presence in the market, Raiffeisen Bank achieving continuous development in all segments including loans and deposits. To support further business activities and to offer high quality banking services to customers with cutting-edge technology, bank continued to invest in our IT and Operations. In recognition of this, became the first company in the region to be certified by Registered Quality Assurance (LRQA) for ISO 20000.[50]

6.1 Working methodology

In this research, the introductory data was obtained from an employee of Raiffeisen Bank where he was asked about the Bank's service provision over the years and the lending policies that the bank has followed. Other information was also obtained from the bank's financial reports on the online website of Raiffeisen Bank. The data we have obtained for the last six years from 2012 to 2017. It is the practice of banks that do not provide data in the last two years, as the balance may change and is not final. We then processed the data with software (Microsoft Excel) where all of Raiffeisen Bank's earnings indicators were calculated through its database. The obtained results are presented graphically from which the conclusions are drawn.

6.2 Raiffeisen Bank Financial Statements

Raiffeisen Bank's financial statements are presented in table 1 and table 2. In table 1 is presented the balance sheet of Raiffeisen Bank and in table 2 is presented the statement of income and profit of Raiffeisen Bank.

From the balance sheet, the bank for six years has an increase in the net market value of 25%, resulting from the increase in keep earnings since the bank's share capital was almost constant in the six years. In 2012 and 2013 the share capital invested by the owners of Raiffeisen Bank was €58 million whereas in 2014 another €5 million of ordinary shares were issued and by 2017 the share capital is worth €63 million of ordinary shares.

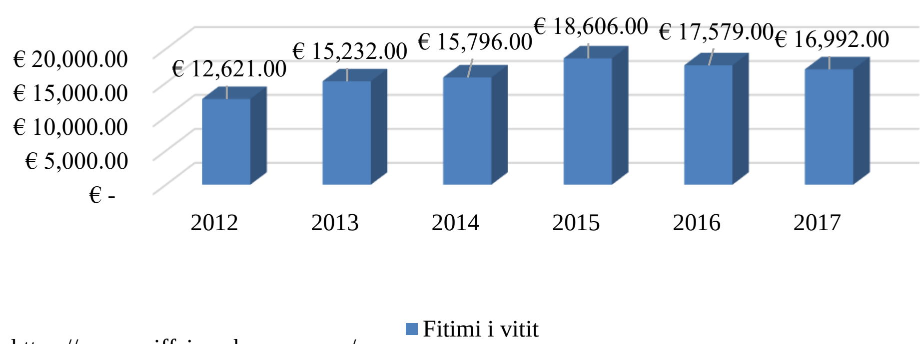
In the income statement, the bank has a net similar interest income for six years, so the bank has not pursued an expansionary lending policy. The work plan states that Raiffeisen Bank is more interested in lending to businesses than individual customers. Therefore, even net interest income varies in a small percentage over the years. Looking at the bottom line of the income statement on net operating income, for six years Raiffeisen Bank has increased operating income by some EUR 10 million, while operating expenses and personnel expenses, which are mainly salaries of employees, increased by only 2 million euros. Since Raiffeisen Bank has invested more in capacity expansion in its electronic services. This can also be seen in the balance sheet where Raiffeisen Bank has invested heavily in its subsidiaries and electronic types of equipment since 2015, in 2016, investments in electronic services increased from €0.3 million to €2.3 million, which falls eight times more than in other years.

Raiffeisen Bank's profits for 2017 were €17 million, while in 2015 it was €18.5 million which represents the highest profits in the last six years. Profit growth for the last six years for Raiffeisen Bank is presented graphically in Figure 1. Whereby 2015 Raiffeisen Bank had progressive profits

[50] Raiffeisen Bank Kosovo, official web page

year after year, all since Raiffeisen Bank was announced as the most profitable bank and business, good in Kosovo for several years now by The Banker. But over the past three years, Raiffeisen Bank has lost the lead of the leading bank, and this has reflected a decline in profits.

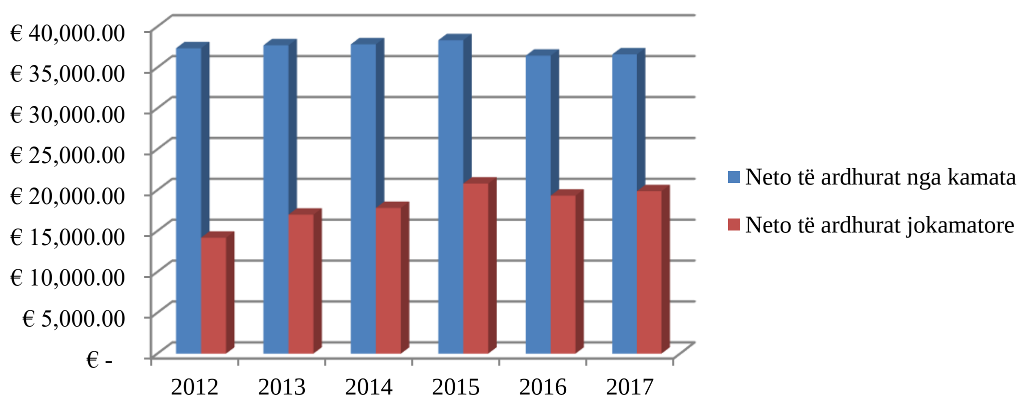
Graph.1 Raiffasen Bank Profits



Source: https://www.raiffeisen-kosovo.com/

Among the main parameters in a bank's income statement are the interest income they usually represent and the main component of commercial bank profits.

Graph. 2 Comparison between net interest income and non-interest income



Source: https://www.raiffeisen-kosovo.com/

Raiffeisen Bank has maintained almost the same net interest income, around EUR 37 million and when compared to non-interest income of the bank, they are significantly larger, as the bank is interested in earning loans, as they also represent the bank's primary operations. Figure 2 shows graphically the comparisons between interest income and non-interest income of Raiffeisen Bank. The graph shows that the bank's non-interest income has increased in recent years, as the bank has pursued a policy of increasing commissions for its services and keeping personnel costs at almost the same value for the last six years.

6.3 Raiffeisen Bank Earnings Analysis

The reported financial statements for banks are somewhat different from most companies that investors analyse. For example, there are no accounts receivables or inventory to gauge whether sales are rising or falling. On top of that, there are several unique characteristics of bank financial statements that include how the balance sheet and income statement are laid out. However, once investors have a solid understanding of how banks earn revenue and how to analyse what's driving that revenue, bank financial statements are relatively easy to grasp. [51]
To analyze Raiffeisen Bank's earnings, all the bank's earnings indicators were calculated according to the formulas presented earlier in the database formed in Microsoft Excel. A summary of the bank's key earnings indicators is presented in Table 3, and Table 4 shows the ratio between earnings and risk.

Table 3. Key earnings indicators of RAIFFEISEN BANK

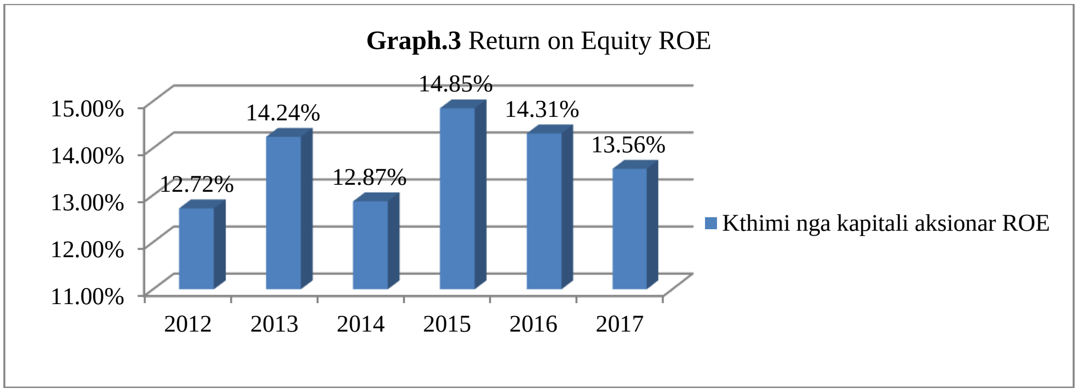
Year	2012	2013	2014	2015	2016	2017
Return on equity - ROE	12.72%	14.24%	12.87%	14.85%	14.31%	13.56%
Return on Assets - ROA	2.01%	2.18%	2.08%	2.24%	2.00%	1.89%
Net interest margin	5.94%	5.40%	4.97%	4.61%	4.14%	4.06%
Net non-interest margin	3.69%	2.97%	2.63%	2.11%	1.95%	1.86%
Operating profit	2.35%	2.45%	2.36%	2.55%	2.41%	2.35%
Earnings Per Share (ESP)	€ 126.21	€ 152.32	€ 157.96	€ 186.06	€175.79	€169.92

Table 4. RAIFFEISEN BANK earnings and risk ratio indicator

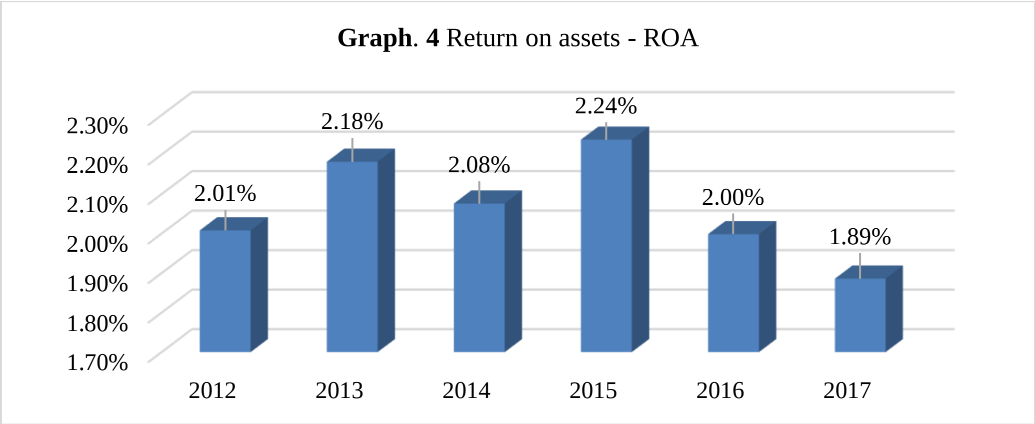
	2012	2013	2014	2015	2016	2017
Operational relationship between profit and risk	12.72%	14.24%	12.87%	14.85%	14.31%	13.56%

When analyzing Table 3, the return on equity (ROE) has had its movements over the years where it increased from 12.72% in 2012 to 14.85% in 2015, to fall in 2017 to 13.56%. But for Raiffeisen Bank, this is at an acceptable level, as every euro invested by the bank's owners has returned an average of €13 cents on profits. Under the current conditions of operation of banks, there is a high profitability of commercial banks in the Kosovo market. As commercial banks take deposits at relatively low-interest rates and invest that money in high-interest-rate loans under the justification that Kosovo is a precarious country where the economy depends heavily on external indicators. The high-interest rates on commercial bank loans are justified by the political and legal uncertainty in Kosovo. The return on equity (ROE) is shown graphically in Figure 3. From the graph, we can see that there has been little return on equity over the years and that Raiffeisen Bank has kept returns on equity almost constant for the past few years.

[51] Hans Wagner, Analyzing a bank's financial statements, 2019



The ratio between Net Profit and Asset or Return on Assets (ROA) is shown graphically in Figure 4. If we analyse the graph we note that Raiffeisen Bank until 2015 has been a leader in the Kosovo market since the return on assets year-on-year progress was recorded, while in 2015 the return on assets - ROA stood at 2.24%. After 2015, it appears that Raiffeisen Bank has lost market share from competing banks as they have seen the effects on ROA, which in 2016 decreased to 2.00% and in 2017 to 1.89%.



Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage. Return on Assets = Total Assets / Net Income.[52]
In the case of Raiffeisen Bank, ROA is taken as the indicative value for comparisons:
- From 0% to 0.50% low level of bank management efficiency;

[52] Marshall Hargrave, Return on Assets—ROA, 2019

- From 0.50% to 1.00% is a medium level of bank management efficiency;
- From 1.00% to 2.00% is a good level of bank management efficiency;
- Over 2.00% is a high level of bank management efficiency.

If the ROA value is above 2.5%, this shows that the market where the bank card is present increases the risk of the bank's business.

Given these levels of ROA, we can conclude that Raiffeisen Bank from 2012 to 2015 had a high level of management efficiency, as the bank increased year by year and this is confirmed by the financial parameters. While in 2016 and 2017, Raiffeisen Bank had a good business level as ROA was below 2.00%.

Another key indicator of the bank's earnings is the interest margin, which is the ratio between net interest income and total assets.

If we analyze the interest margin over the years, then we notice that Raiffeisen Bank has had a decrease in interest margin as competition in banking services has increased. However, the decrease in interest margin has resulted in Raiffeisen Bank's total assets growing at a much faster rate than net interest income. Figure 5 graphically shows the development of interest and non-interest margin for the six years that Raiffeisen Bank's profit analysis has been conducted.

Graph. 5 Interest margin and non-interest margin

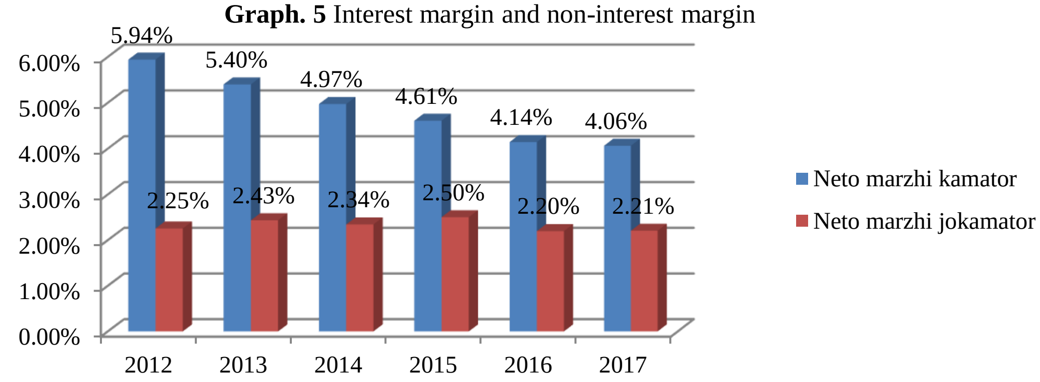
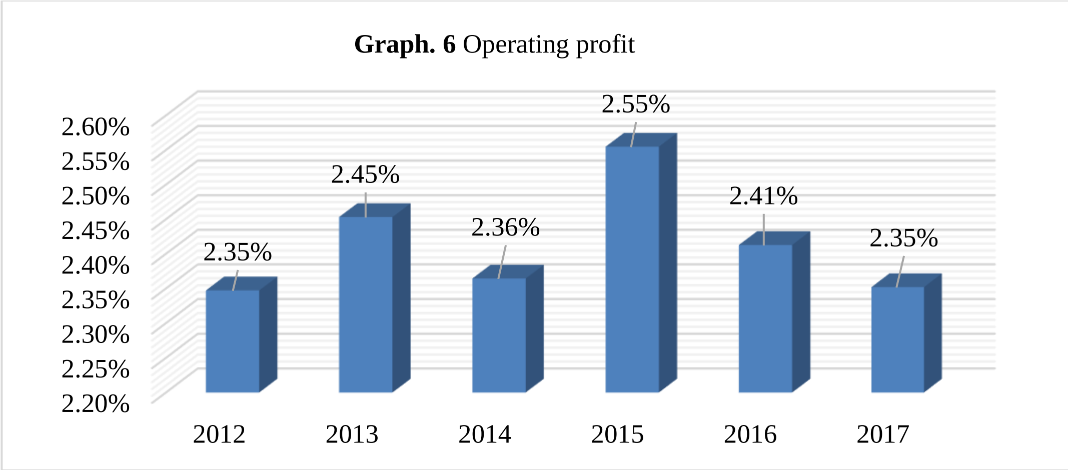
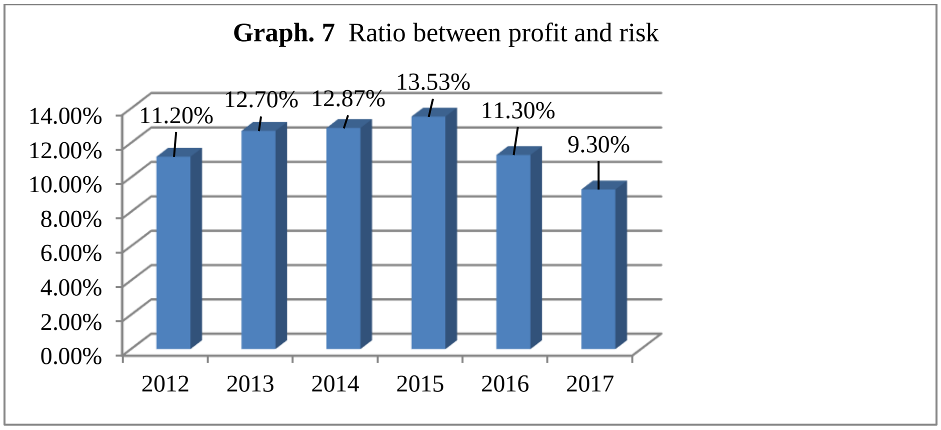


Figure 5 shows that even non-interest income was almost constant from year to year because the growth trend of the asset was proportional to the increase in non-interest income of Raiffeisen Bank. From this chart, it is clear that the bank's policy was more focused on other non-interest services. But competition in Kosovo's banking system has also had its effects. As Raiffeisen Bank is business-oriented, they offer deposits in larger amounts. Over the past two years, the bank has engaged its banking agents to deal more specifically with businesses by offering them overdrafts at affordable interest rates.

Raiffeisen Bank's operating profit had an increasing trend until 2015 where the bank was the market leader of Kosovo, while after 2015 with the loss of the position of the leading bank it also reflected in profits. The operating profit for the last six years is shown in Figure 6.



The operational ratio between earnings and risk of Raiffeisen Bank is shown in Figure 7. Where the risk will be higher in those years where the bank has a credit growth. Until in the years where it uses a tighter lending policy, the risk of returning funds will diminish.



7. Conclusion

Raiffeisen Bank has been the leading bank in the Kosovo banking system for years, this has been reflected in the bank's financial statements and profits. Until 2015 Raiffeisen Bank's reports from The Banker were valued annually as the bank of the year in Kosovo, as by that year the bank's profits were progressive. After 2015 Raiffeisen Bank has lost the position of the leading bank and this is also reflected in the bank's profits, where we have a decline in profits compared to the profits of previous years.

So, the competition factor in the banking system was one parameter that influenced the decrease of Raiffeisen Bank's profits.

The effect on Raiffeisen Bank's profits was the policy pursued by the bank, offering more favorable credit terms to businesses than ordinary citizens.

After 2012 through 2015 losses were verified because of delays or non-repayment of loans to ordinary customers. However, businesses present a more favorable customer to the bank as they circulate more money in bank transactions and can be better guarantors of loan repayment.

Return on Equity (ROE) provides Raiffeisen Bank with an average return of 13 cents on every euro invested by bank shareholders. Under the current conditions of bank operation, there is clearly high profitability of commercial banks in the Kosovo banking system.
Commercial banks take deposits at relatively low-interest rates and invest that money in high-interest-rate loans under the justification that Kosovo is an insecure country where the economy depends heavily on external indicators.
The high-interest rates on loans from commercial banks have been justified in the post-war period by the risk of political and institutional instability in Kosovo.
Like return on equity and return on assets (ROA) have been the same moves for Raiffeisen Bank in the last six years. ROA has been moving up to 2.24% by 2015 so bank management efficiency has been at a high level and after 2015 it has dropped to 2016 at 2.00% to still fall in 2017 below the value of 2.00% so the efficiency of bank management is good.
The interest margin has declined year-on-year because Raiffeisen Bank's asset growth trends have been higher than post-tax net profit growth. This means that the bank has secured sources of financing through loans and increased bank deposits.
Non-interest-bearing margin has had a trend of proportional increases with the increase of bank assets. The bank's non-interest-bearing net margin has increased in recent years, as the bank has pursued a policy of increasing commissions for its services and keeping staffing costs at almost the same value for the past six years.
Raiffeisen Bank has invested more in capacity expansion in its electronic services. This can also be seen in the balance sheet where Raiffeisen Bank has invested heavily in its subsidiaries and electronic equipment, where from 2015 to 2016 investments in electronic services increased from €0.3 million to €2.3 million.

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