

THE KOSOVO BANKER

Exclusive interview with the
Minister of Finance Mr. Avdullah Hoti

Technological innovation encourages
banks towards transformation and
modernization of banking services

Electronic Services and
mobile payments



Modernization of banking services

Increasing the efficiency
in the banking sector



THE KOSOVO BANKER



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION



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The Kosovo Banking Association

(KBA) is the voice of the banking industry in Kosovo. KBA cooperates with the Government, the Central Bank of the Republic of Kosovo, the media and public opinion to support a sound banking industry which promotes long-term economic development for Kosovo. KBA facilitates cooperation between the banks by offering a single platform for joint lobbying and to discuss new initiatives; identifies and influences the legal and regulatory initiatives; coordinates joint activities for banks and promotes banking activities to the general audience. The KBA Training Center operates within KBA and it offers trainings in banking and finance.

"The Kosovo Banker" is a publication of the Kosovo Banking Association. The magazine is published twice a year with the aim to properly inform the public on the banking industry in Kosovo. Kosovo Banking Association; St. "Bajram Kelmendi", No.15, Pristina; 10000. Republic of Kosovo; +381 38 246 171; www.bankassoc-kos.com; contact@bankassoc-kos.com;

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CONTENTS

EDITORIAL 1-2

FINANCIAL SECTOR 3-15

- The speech given by the Governor Mr. Hamza in the workshop for media
- Exclusive interview with the Minister of Finance Mr. Hoti
- Technological innovation encourages banks towards transformation and modernization of banking services
- Electronic Services and mobile payments
- Risk assessment before implementing new bank activities

EXPERT'S CORNER 16-18

- Payment Systems - Reduction of cash and electronic platform development in the banking system in Kosovo

FINANCIAL EDUCATION CORNER 19-23

- Consumer Price Index (CPI) and how the CPI is used
- Banking Clients Financial Literacy project

KBA NEWS 24-31

- Committees at Kosovo Banking Association elect the new Chairpersons
- Job Fair organized by KBA and EUICC
- The Banking Sector has improved significantly
- The training seminars within the Banking Clients Financial Literacy project

- Kosovo Banking Association meets with CBK for the implementation of the Basel standards
- Kosovo Banking Association participates at the meeting of the parliamentary committee for economic development, infrastructure, trade and industry
- The performance and challenges of the banking sector were presented at the conference 'Activating the Source of Economic Growth in Kosovo'
- President of the Parliament establishes the office for businesses at the Parliament
- EFSE DF extends support to 'The Kosovo Banker' magazine until end of 2016

NEWS FROM BANKS AND CORPORATE SOCIAL RESPONSIBILITY 32-35

- ProCredit Bank donates 150,000 cotton bags
- Banka Ekonomike gives a donation for the construction of the Community Center for Down Syndrome Kosova
- BKT is committed for society
- IFC and NLB Prishtina are working together to increase energy efficiency in Kosovo
- Raiffeisen helps Community Center
- Dielli TEB Open 2015
- BPB thinks about the children - supports One to One Children's Fund and the project "Healthy teeth, happy children"
- Ziraat Bank comes to Kosovo

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EDITORIAL



PETRIT BALIJA, PhD
EXECUTIVE DIRECTOR
KOSOVO BANKING
ASSOCIATION

Dear readers,

You are reading the seventh edition of the magazine "The Kosovo Banker". It is my pleasure to share with you this new edition, which examines the modernization of banking services and the increase of efficiency in the banking sector of the Republic of Kosovo.

Throughout the world, banking services are undergoing a significant transformation through new technological opportunities transitioning from manual services to virtual or electronic services. This transformation or modernization of banking services is also happening in Kosovo. Kosovo's commercial banks have invested significantly in advancing these services during the past 15 years by providing opportunities and access to banking services in a faster, cheaper and safer way.

For clients of the banking industry, electronic payment channels are increasingly necessary, since they enable them to make the payments whenever they need to do so, regardless of

the time and working hours, facilitating this service twenty-four hours. For this reason, their use is increasingly growing, as can be seen from official statistics. At the end of 2014, the number of bank cards reached 813,026, of which 83.4% have a debit card function, 14.9% have a credit card function, and 1.6% cards with electronic money function.

The banking industry has a very good infrastructure of terminals created and distributed throughout the territory of the Republic of Kosovo, through which transactions are performed using bank cards. Compared to 2009, at the end of 2014 the banking industry increased the number of ATMs by 46.9%. It is important to note that in addition to the cash withdrawal service, the banking industry has enabled different payments through ATMs such as giro payments for mobile phone top-ups, cash deposits, etc.

In addition to increasing the number of ATMs, the banking industry, has also increased the number of points of sale or POS that help businesses in Kosovo to further develop and enable their clients payments with cards at the points of sale. Compared to 2009, the banking industry has increased the number of points of sale by 78.0% or by 4,098 additional terminals by the end of 2014.

E-banking account openings have also marked a significant increase. Compared to 2009, the number of e-banking accounts has increased by 285% at the end of 2014 and simultaneously the value of transactions has increased by 58% from 2013 to 2014.

All data and statistics show that the banking industry in Kosovo is moving towards the increase of the use of electronic payment instruments, i.e. towards automation of services and products that do not require the physical presence of clients at bank counters.

These services are compatible with contemporary developments that offer twenty-four hour services, without interruption, regardless of working hours and time, at the same time offering safety and accuracy during their use. Moreover, these developments help fight money laundering and tax evasion that are necessary for the economic development of Kosovo. These are the main reasons why electronic payment instruments have been

supported by banks in Kosovo and have shown a significant increase in their use.

Given that not everyone is familiar with the use of electronic banking services, commercial banks together with the Kosovo Banking Association have undertaken a project on financial literacy of the banking clients in Kosovo where an important component is the use of electronic services.

On this occasion, I would like to thank the commercial banks in Kosovo and the European Fund for Southeast Europe (EFSE) for supporting this publication, as well as a deep appreciation and respect for the authors and staff who contributed to the realization of this edition, as well as our devoted readers that motivate us to continue with further publications.

Sincerely,

Petrit Bališa



WORKSHOP WITH JOURNALISTS AND COMMERCIAL BANKS

(THE SPEECH OF THE GOVERNOR HAMZA AT THE WORKSHOP ORGANIZED FOR JOURNALISTS)

It is my pleasure to be here today in this circle and I see this as a continuation of our regular communication on issues of interest to our economy. Despite being on different positions, when talking about the economy, we have a common goal which is the most efficient utilization of resources to ensure the acceleration of economic development in the country.

As it's known, in every country, the expectations of economic agents have an important impact on economic development. The optimism of economic agents leads to higher expenses and, consequently, promotes economic growth, while pessimism of agents

leads to an economic activity slowdown. The same applies to financial stability, where the positive perception of agents strengthens the financial stability, while negative perception could undermine the stability of the financial sector. For this reason, we highly appreciate fair and open communication with the media, because through you we enable the public to understand right financial development in the country and, on this basis, build rational expectations on the current status and expected developments in the financial sector and the economy in general.

Estimations and expectations of economic agents with regards to the financial sector are expressed with the degree of public trust in the sector. Public trust is a very important precondition for the sustainable development of this sector. In this context, public trust is particularly important for the banking sector, knowing that banking entrepreneurship is

largely built on trust basis. Banking institutions operate with a very high degree of leverage, which means that they develop their activity with mainly borrowed assets from various sources, such as individuals, businesses and other financial institutions.

In Kosovo, we are pleased that banks enjoy high public trust, a trust that is expressed by the steady growth of deposits since the beginning of the banking sector operation in our country. In March 2015, the total value of deposits in the banking sector of the country reached 2.57 billion Euros, recording an annual growth of 5.9%. This steady growth in deposits has enabled the continued expansion of credit, which in March 2015 reached a value of 1.9 billion Euros, representing an annual increase of 4.3%.

In this regard, let me introduce you a review of the key factors that have enabled the successful development of the banking sector, which continues to serve as the main basis the public trust is built upon in this sector.

1. The Central Bank of the Republic of Kosovo, as the financial regulatory authority, has implemented a sound licensing policy, which has made it possible for the market to have only healthy banks, whose market entry has enabled competition growth and successful banking sector development.

Despite being developed from scratch, opening the market to foreign banks has made it possible for the banking sector to quickly adopt modern banking practices, including bank risk management methods and the development of banking products. Local banks benefited from the presence of foreign banks by successfully converging towards modern banking standards.

2. Another important pillar for the development of the banking sector is the regulatory framework, within which various aspects of the banking sector operation are regulated. The main purpose of the banking regulation is to define the principles that banks must adhere in order to ensure that their behavior doesn't harm the financial stability and thus

neither the interests of depositors nor other investors.

3. To ensure that banks' behavior is in line with the regulatory framework, so as to ensure that their behavior is consistent with the principles of sound banking entrepreneurship; CBK has consistently advanced the banking supervision function, where the activity of each bank is closely monitored.

Moreover, CBK continuously monitors the state of the banking sector as a whole and compiles analysis through which aims at identifying potential risks that may threaten the banking sector, and on this basis, prepare for taking adequate measures. To be as transparent with the public, CBK regularly publishes various materials, such as the Financial Stability Report and other materials, which provide detailed information on the situation and development of the financial system and the economy in general.

4. In the development and stability of the banking sector, the development of modern financial infrastructure has had an important impact. In this regard, it is worth mentioning that CBK has developed an efficient and secure payment system, which enabled an efficient functioning of the banking sector and therefore the economy. Also, the financial infrastructure is enhanced through the credit registry, which has improved the banking capacity to better manage credit risk.

5. In addition to the prudential behavior of the banks themselves and the multidimensional engagement of CBK for to development and maintenance of the stability of the banking sector, the country's macroeconomic stability has given a significant contribution. The loan portfolio of the banking sector consists almost entirely of loans issued domestically, so any change in the macroeconomic performance of the country is reflected in borrowers' solvency and, consequently in the financial stability.

Kosovo's economy has grown during recent years, including the period of global crisis, when many countries, including regional

countries, marked economic contraction. Macroeconomic forecasts suggest that Kosovo's economy will continue to grow in upcoming years, thus creating conditions for further development and preservation of the stability of the banking sector.

6. All factors and developments I mentioned so far, have given a very important contribution in building and developing the banking sector we have today, which is among the most stable banking sectors in the region and beyond and fairly enjoys high public trust.

Going back to the numbers let me present you some of the key indicators that reflect the good health of Kosovo's banking sector. Loan portfolio of the banking sector has a very good quality, with the participation of non-performing loans to total loans of just 8.2%, while the average growth of this indicator is around 17% in the region.

Moreover, non-performing loans in our banking sector are covered by over 100% provisions for potential loan losses, which means that banks have allocated reserves in advance for dealing with potential losses that may arise from these loans.

The banking sector remains well-capitalized, maintaining a consistent Capital Adequacy Ratio of approximately 18%, which is a significantly higher level than the minimum required by the Central Bank. The high level of capitalization shows that banks have incorporated high amount of own capital, which can be used to absorb possible negative shocks without risking other investors such as depositors.

Also, the banking sector continues to have a strong liquidity position, which means that banks have high abilities to meet their short-term liabilities, such as deposit withdrawal requests. Banks' liquidity indicator remains over 40%, which is a fairly higher level than the required regulatory minimum of 25%. The high level of stability of the banking sector is also suggested by other analysis, such as the stress-test, where banks in Kosovo are able

In Kosovo's banking market, nine banking institutions operate today, 7 of which are funded with foreign capital or represent branches of foreign banks and 2 are banks established with domestic capital. Moreover, in 2014 a foreign subsidiary bank was given preliminary licensure.

to cope and hypothetic scenarios considered under very conservative assumptions.

To conclude my remarks, once again going back to the main question that I have been asked and I would like to reiterate that the banking sector should be trusted because we have a sector with very high quality banks, which have built advanced capabilities for good banking management; we have a central bank which has built advanced capabilities in all areas of its operation to successfully implement its legal objectives, where the main aim is the preservation of the financial stability; and we have an overall economic environment, which despite failing to ensure a rapid development of the country, it has provided a degree of stability that enables financial stability maintenance.

I wish you progress in this workshop and confirm that the Central Bank of the Republic of Kosovo is ready to respond positively to such organizations aimed at enhancing communication and cooperation between us in all situations.

Exclusive interview with the Minister of Finance Mr. Hoti

1. In recent years, the trend of modernizing banking services in the country, region, and the world is observed. How do you assess the modernization of banking services by banks operating in Kosovo?

Until a few years ago, it was fairly stated and concluded that the banking system in Kosovo is quite limited in terms of diversity of products and services offered to citizens. However, recent developments show that banks in Kosovo are investing enough towards extending the range of products and services and modernizing their operations. This type of investment shows the seriousness of the system in relation to the market, but at the same time, ensures that the banking system in Kosovo is on track with regional systems, and also the European ones.

In particular, I would mention the diversity of electronic services, which in recent years have contributed significantly in the way people communicate with banks. These types of services, not only reduced the operational costs for banks, but also saved citizens time in relation to the services they performed.

2. Considering that this service advancement offers citizens and businesses an easier access to finance, how do you think the modernization of services will impact the overall economic development of the Republic of Kosovo?

I would be more inclined to view the relationship between the advancement of these services to the economic development from the perspective of improving bank efficiency, which allows for a healthier banking system and consequently a system able to further support the development of the economic system. So, businesses and citizens will benefit, not only through affordable



prices for banking services, but also through the support the banking system makes to the economy, especially through the credit activity.

3. Referring to the recent developments, how do you think the banking industry impacted the economic development of the country?

As in every other place, Kosovo's economic development largely depends on the level of investments, while investments are directly related to the availability of liquidity through the banking system. And in this regard, banks have had and expect to have a role of special importance. However, there are two issues here that I would like to mention: 1) first, I think that banks, through their credit policies, will have to do more in terms of transferring lending from financing trade, to sectors and areas that add value to the economy, such as manufacturing, agriculture, etc. and 2) second, is the basic principle in economics that the level of investment and consumption, directly depend on the cost of financing, and in Kosovo, interest rates continues to be relatively high.

I understand that there are a number of factors that determine the cost of financing, but I think that a series of reforms were undertaken to ease the banking operation in the market. However, I must say that over the past years, especially in recent months, we have seen a very qualitative decline in loan interest rates, and hope this will continue. I am convinced that a lower interest rate will stimulate more businesses to seek funding, and it will be in everyone's best interest.

4. According to recent assessments by national and international actors, Kosovo needs to work on fighting (decreasing) the informal economy and tax evasion. To what extent do you think the banking sector has contributed to the reduction of informal economy and tax evasion?

We are avoiding the word 'war', since the issue of informal economy is addressed solely through partnerships. We are convinced that the reduction of the level of informal economy doesn't pertain only to the Ministry of Finance, Police, or Tax Administration. Such an issue requires a comprehensive approach in order for:

- Public institutions to fairly grasp the concerns of businesses and citizens, and in this way to address causes of problems before working on consequences;
- Businesses and citizens to understand the benefits of formalization, including their easier access to finance; and
- Those not joining the system through formalization, to recall the consequences of their informal operation

Ministry of Finance, together with all other relevant institutions, is doing its utmost to reduce the degree of informality. Recent tax reforms; improvement of services to taxpayers; fiscalization process, including the reimbursement scheme for part of the tax to citizens; then added transparency and accountability in how public money is spent- I think that in a medium-term period the level of informality will significantly decrease.

I think that banks have a very important role in this regard. Through their daily communication

with businesses and citizens, banks should encourage everyone to join the formalization, since such an act contributes directly to a more healthy business for banks and society. I am aware that some banks already apply preferential conditions for businesses that have an adequate reporting system, but I encourage all banks to do so.

5. One of the assessment criteria of the annual report conducted by the World Bank is also access to finance for businesses. The World Bank report on doing business in 2015, ranks Kosovo as 23 for access to finance, do you think there is room for improvement in this area?

The ranking as 23 is pretty good, considering that this ranking compares our country with all countries of the world that are part of the World Bank report. However, there was a decline in the publication of 2015 compared to 2014 (in which Kosovo ranked 19). Additionally, while the ranking improvement would be good, if other countries continue with reforms while we stagnate, our ranking may deteriorate. Therefore, reforms required to ease access to finance should be ongoing, in order to preserve this ranking, or even improve it.

6. Like any other sector, the banking system has its challenges, whose addressing would positively impact in improving the quality of services and the performance of this sector. There are a number of actions that public institutions are undertaking, and I think they will affect the way banks operate. Among these actions, I would mention:

Like any other sector, the banking system has its challenges, whose addressing would positively impact in improving the quality of services and the performance of this sector. There are a number of actions that public institutions are undertaking, and I think they will affect the way banks operate. Among these actions, I would mention:

- Reforms in the justice system, which will improve the efficiency of this system, and it will impact directly in the bank business
- Fiscal reforms, which are expected to have a direct impact on the growth and expansion of

businesses, and this means that we will have a market with more potential for banks

- Initiative for establishment of credit insurance scheme, supported by USAID, which will encourage banks for an added credit activity, etc.

Here I want to add that given the level of liquidity in the banking system, which is quite high, and the effect of the reforms mentioned above, but also those not listed, it is expected that banks increase their credit activity. I mentioned above, that a more pronounced increase of lending will help businesses and citizens, but also banks, given that the main bank revenues come from interest on loans.

7. What strategy is the Ministry of Finance following, since the time your government started, to help businesses in Kosovo, particularly the banking industry, to improve the environment of doing business?

The reforms mentioned above, such as changes in tax policy, approved by the Government which will soon be approved in the Parliament; improvement of the way tax is administered; governance reforms, etc., will positively impact businesses and the economy, and consequently the banking system. Moreover, reforms in the legal system and initiatives to establish the insurance credit scheme will directly generate positive effects.

8. How is the securities market functioning in relation to the banking industry, considering that the commercial banks are the primary stakeholders buying in the primary market?

So far, this market has progressed according to plans. Keep in mind that securities issuance has started relatively late and we have a lot to do. However, a range of actions has been taken that provided for a good start and it reassures us that even in the following years, the securities market will be even more successful. We have expanded primary market actors, and further work remains for the full functioning of the secondary market. We are aware about foreign bank restrictions in relation to their exposure to investments in securities, and we will consider if in the coming years, we will be able to make a solution, so they have more room to invest in securities. Of course this kind of investment is a matter of bank strategy, but legal restrictions seem to be a challenge for the moment.

9. What are your recommendations for the banking sector and its impact in the economic development of the country?

To continue improving the quality of services they provide; further increase the diversity of products and services, and obviously, what I said above, to increase their credit activity.



Technological innovation encourages banks towards transformation and modernization of banking services

We live in the XXI century, the century of technological progress and innovation. It's a fact that today, technological developments have given another dimension to the way we live, how we are informed, how we communicate and how we perceive reality. For generations, today it is difficult to imagine everyday life and professional work without a host of electronic devices. In this context, as in every other field, the worldwide financial systems have been subject to technological advances and have rapidly adopted the most modern technologies in the field of communication and providing services to clients.

The banking system in Kosovo is no exception to this trend. It can be said with confidence that in recent years this system has adopted modern technologies, comparable to those of Western European countries with admirable intensity and speed.

What electronic services offer to clients?

It is indisputable that electronic banking services offer comfort and convenience in a reality where time is precious and no one wants to wait in line at bank counters. Throughout the world, electronic banking services are seen today as the fastest, easiest and safest way to get information



on products and simple banking transactions, as well as to have access to money and payments, 24 hours a day, 7 days a week.

As a result, today banks have remodeled and remain in constant process of remodeling their branches. The number of commercial banks throughout the world that are going through the concept of providing service to customers through multiple sale channels is growing. This means that banks are now trying to create a whole ecosystem within their own infrastructure that captures customer financial needs and through this system to offer the most appropriate and comfortable channel for every clients' need. Banks enable this only by proposing an integrated offer of multiple sale channels, intelligent information systems, and adoption of advanced technologies in the automation of internal systems. On the other hand, the consumers are increasingly seeing the value of access to their money 24/7, and appreciating the freedom of being unlimited by the working hours of bank branches. This trend is confirmed by the continuously growing number of customers that have contracts for electronic banking services and are actively using these services.

What are the multiple channels of providing banking services?

In summary, among channels used to provide electronic services with complementary functions include: Banking through bank branches, electronic banking or e-banking, banking by mobile phones, through call centers, banking through debit cards, ATMs, point of sale terminals (POS) and banking through 24/7 Zones.

What electronic services are provided by the banking market in Kosovo?

For years, the banking sector in Kosovo has been dedicated to enhancing the quality of services for clients, and has intensified investment in banking technology. Commercial banks through the adoption of new technologies have enabled access to businesses and customers in the global financial markets, and have aligned Kosovo's economy with the global economy.

In this context, ProCredit Bank, the German wholly-owned institution, has been the first bank in the country to bring new technologies in Kosovo in the banking industry and today represents a modern bank with advanced western standards and technology. Among the most outstanding achievements in the field of electronic services and modern technology of ProCredit Bank, it is worth mentioning:

1) Debit cards, ATMs and point of sale terminals (POS), have been among the first electronic sales channels offered by ProCredit Bank. In addition, the banking market in Kosovo is further

enriched and developed, and the installation of ATMs and point of sale terminals has been followed by all commercial banks. Today Kosovo is ranked among the countries with the largest coverage in the region per capita with ATMs and POS terminals. At the same time, customers are using debit /credit cards recognized internationally, that enable payments and cash withdrawals with high security. These card services can be performed 24/7 within Kosovo and abroad.

2) For several years now, commercial banks in Kosovo offer internet banking through e-Banking, banking that enables customers unlimited 24/7 access to their bank accounts. ProCredit Bank was the first bank to offer the electronic banking online platform, e-banking in Kosovo since 2005. This type of service operates completely independently of the working hours of bank branches and besides the high security, speed, flexibility and convenience, the cost of transactions executed through e-Banking is cheaper than those realized in bank branches. Customers can be easily informed about their account balances, execute payments, and transfer funds.

3) Also, the banking sector in Kosovo offers mobile phone banking services or m-banking to their customers. ProCredit Bank also offers a comprehensive banking platform to the market through mobile phones which offers all the standard services like the electronic banking platform. With the advancement of communication technology in the country, basically it means that clients can access their accounts and perform a variety of transactions at any time.



4) Last year, the banking sector offered integrated zones of electronic banking services called "24/7 Zone" as another important service channel, alongside the current network of branches. ProCredit Bank again is the first bank in the market that brings such an integrated concept of providing electronic banking services.

This development represents an important step towards the modernization and harmonization of the banking sector with newest technological changes in the market. These zones are open 24 hours a day, seven days a week, and are equipped with ATMs and cash withdrawal and deposit machines; additionally customers can perform a range of payments of monthly bills, phone services where clients can call the bank at any time for any questions during the service of many other electronic services.

These zones offer choice and flexibility to customers to use the most appropriate channel for their needs. Transactions are simple, easy and have lower tariffs than bank branches.

The future of banking in bank branches

Despite the use of multiple sales channels and electronic banking services, bank branches will remain one of the most important channels for customers. It is clear that through the branch, customers will continue to be informed about products and complex banking services, will receive the necessary information and advice for banking services, and will continue to carry out more complex and advanced transactions such as opening accounts, information on alternatives for savings, loan application for both business and mortgage loans.

Likewise, bank branches will further continue to be the main channel of raising awareness and helping customers to understand electronic services, and assisting them in their use. However, in order to dedicate to a better and closer counseling and complex product offering to clients, banks must transfer the simple routine transactions to 24/7 Zones and electronic service channels. Only this way, will the bank branch employees be able to fully dedicate to a higher quality, closer, and more advanced service for clients.

The challenge for the future

A challenge in the banking sector in Kosovo remains the use of electronic banking services by customers. Banks should improve their customer experience in the use of multiple sales channels. They should proactively encourage massive use of electronic services.

In this context, banks can use several mechanisms to encourage the behavior of customers, ranging from continuous information and education of customers on how to use the advantages of electronic banking services as well as through more favorable prices of electronic banking services.

Finally, a multi functional and integrated approach on providing electronic banking services is the future of every banking sector in a century where technological innovation knows no boundaries. Electronic banking services provide multiple benefits for the banking sector and customers in general. On the one hand banks increase their effectiveness by processing a large number of routine transactions through electronic service channels and simultaneously focus their staff in providing high quality and professional advice to clients. On the other hand, businesses, institutions, organizations and private individuals can meet their needs through a variety of service delivery channels with a lower cost, with unlimited 24/7 access to tools and highest comfort. As a result, bank customers receive prompt and quality services, cheaper transactions, and an overall benefit for all market participants.



Electronic services and mobile payments

The wave of technological development is spreading with high speed in all industries including the banking sector. The banking sector has continued the innovation of products/ services and customers are closely associated with their bank through different channels: online services, ATMs, smart phones or social networks.

The banking sector is now moving in the direction of digital channels and payments. The branch network is being reduced because banks are investing more in self-service options such as ATMs with enhanced services, smart phone applications for completing financial transactions and other electronic banking services. Many customers have now shifted from PCs to smart phones to carry out the financial services mentioned above. Payments via mobile phones will experience the largest increase yet, in 2015.

Laptops, smart phones, tablets are new tools that customers use for banking services because they want to obtain faster and more efficient responses; thus having a daily communication. That is why self-service digital channels are an important gateway to stimulate customers to engage more in the use of digital services.

Digital self-service channels are being used as operational mechanism to reduce calls and decrease the volume of work in branches. Today, the main goal is to provide customers with a better experience. For this reason, customers now

GONETA BATALLI

MANAGER

ALTERNATIVE
DISTRIBUTION
CHANNEL

BANKA KOMBËTARE
TREGTARE



expect from banks to create new service opportunities that always save time and money.

According to statistics from Deloitte, in 2015, it is expected that, not only banks, but also retail companies (for individuals) and food services will begin using mobile phones equipped with NFC (Near Field Communication) to make contactless payments in stores. Merchants also benefit from this payment method enabling customers to complete faster transactions. Mobile phones equipped with NFC reduce POS waiting lines.

And finally, by receiving payments through smart phones, security risks for merchants and consumers can be reduced. By using the NFC device, the token creates a unique code and sends it from the telephone to the POS NFC device, and card numbers cannot be transferred. Card data that were used to make the payment through the smart phone are stored in a network cloud or on the phone making it impossible for the perpetrators to obtain information. Or even if it happens only information from one transaction can be obtained, not more.

Kosovo banking sector is closely following global trends with regards to new forms of payment by

offering customers a variety of options/ services to pay online. The financial sector continues to invest in new platforms to expand the range of online services that customers can perform as many financial transactions at ATMs, smart phones and other channels to avoid direct contact with bank employees. This helps clients perform transactions in the most private and confidential way, and avoids waiting in branches.

However, Kosovo still has a small number of electronic service users in comparison to trends in developed countries. We must continue working to educate customers to use electronic banking services in order for customers to gradually shift from branches to online services, since the electronic management of cash is preferred more.

Nowadays, we as BKT have created a very easy and fast system for customers to access bank accounts through electronic services, wherever you are, domestically and abroad. Ranging from e-statements, transfer of funds, bill payments, credit card payments, etc., all these are completed online, through our e-banking services. E-banking customers can access from computers, tablets or their smart phones, enabling 24 hours access to the account, and wherever they are. Furthermore, BKT is the first bank that has signed an agreement with KEDS and RWC Pristina for payment of bills online, allowing the debt to be repaid in real time (immediately).

Moreover, we are present all around Kosovo with a significant number of ATMs, which apart from withdrawals, provide other services such as telephone pre-payments, PIN card changes, and soon transfers and credit card payments.

In general, banks are very satisfied with the services smart phones offer to their customers and believe that this will generate new clients and will increase the trust of potential clients. Payment systems via smart phones, simultaneously, provide businesses with the ability to identify new customers and collect information about their purchases. Due to payments through smart phones, industry support for further development in technology, and customers' reliance on their phones to perform transactions, statistics for payments via smart phones will increase dramatically.

Nonetheless, the online payment market carries many challenges for the financial sector. Banks need to adopt and comply with regulations that request customer data protection and strong programs for risk management. Moreover, the financial sector is in competition with other industries to be more innovative and agile to come up with products/ services.

Banks should continue to monitor closely the risks exposed by the participants in the payment system through smart phones including: equipment manufacturers, mobile operators, and third parties involved in the creation of these applications. Also, there are security risks associated with personal and financial data passing through the system.

Business and product development teams should be included in the risk management activities from the beginning to avoid late approvals or list of controls. Security risks must be identified from the initial stages.

Realizing the complexity of online payments and using an agile management approach, banks can manage risk and comply with the requirements of the regulator as well as reduce the time of launching the product in the market and remain competitive at the same time.

In conclusion, 2015 will be the year of online services and payments through smart phones.



Risk assessment before implementing new bank activities

The development of electronic services brings various long-term benefits to the bank. Applying such services brings benefits one side and opens room for new risks on the other side. Considering the concept of efficiency, providing quality and fast banking services, the bank will necessarily pass through some changing processes which can carry operational risk.

Under Basel II, operational risk of the bank “increases” when it engages in new activities such as defining /launching of new products but also when changing internal processes. In order to have the assurance that the bank considers controls and manages these risks, several steps must be taken before the implementation of such services, considering these aspects:

- Consideration of potential risks (inherent Risks) and
- Appropriate controls must be added in order to mitigate and minimize risks.

Specifically, in providing electronic banking services the bank faces a set of specific risks, such as operational, legal, reputational risk, etc.

The Bank should ensure that each product, activity, process or new system passes through a risk assessment. This would be possible by considering, as a minimum, some aspects such as the information technology aspect, legal aspect, information security and human resources before implementing changes. In assessing these

DAFINA DOBROSHI - KABASHI

HEAD OF
OPERATIONAL RISK
PROCREDIT BANK
KOSOVO



factors, some potential risks may be identified that can have an impact on internal controls in the long term process. Thus, the bank ensures that all risks have been assessed and all preparations and necessary tests have been completed prior to the implementation of new services. This way, the bank identifies and addresses the risks to some extent, before the implementation of new services.

Operational risk

According to the Basel II definition, operational risk is the risk of direct or indirect losses as a result of inadequate internal processes, human risk, external systems and events. Operational risk may increase due to client fraud or inadequate design of services. Some of the possible forms of operational risk are:

- Security risks (the adequacy and integrity in systems)
- The risks from design, implementation and maintenance of the system
- The risk of misuse of the products /services from clients

Security risks appear on the control of information the bank operates with. One of the security risks that banks may be faced with is unauthorized access to the system. This means that confidential information can be obtained by unauthorized persons. To minimize such risks, the Bank may implement measures /additional controls in order to mitigate this risk. Some of the measures that can be taken are firewall implementation, passwords, encryption and verification systems of clients, etc.

One of the risks of design, implementation and maintenance of the system is when employees accept changes with difficulty. Misuse of products and services by customers and /or fraudsters, is another source of operational risk. The risk increases as a result of lack of security measures during the use of electronic banking services. Personal information of bank customers should be stored in such transactions. It is extremely important to implement mechanisms for emergency cases such as the Business Continuity Plan to minimize reputational risk that may arise from unexpected events.

Reputational risk

Reputational risk is the negative risk from the public that may result in losses or even customer loss and eventually withdrawal of client funds

from the bank. The negative effects can have a material impact such as the long-term loss of public trust in the ability of the bank to carry on the business. The Bank can be safeguarded from reputational risk by offering continuous banking services in consistency with client expectations.

Legal risk

Legal risk results from the violation of applicable laws and regulations in the country the bank operates in. Money laundering concept is worth noting. Bank should ensure that the money laundering aspect is considered in the electronic service banking processes, i.e. electronic banking services should be implemented in accordance with the applicable laws and regulation. To avoid legal and reputational risk, banks should also implement the rules applicable to the protection of customer data.

Taking into account the advantages of electronic banking services, banks should ensure that various risk aspects are being considered so that these risks are mitigated as much as possible. Effective mechanisms to respond to incidents are very important to minimize operational, legal and reputational risk, which may occur as a result of unexpected events including internal and external attacks.



Payment Systems

- Reduction of cash and electronic platform development in the banking system in Kosovo

The burst in developments and innovations in information technology have led to unimaginable advancements of electronic instruments in the field of payment systems, infrastructure and financial services.

The Central Bank of Kosovo (CBK), in this regard has taken proactive steps consistently and for this purpose has drafted CBK's Strategic Plan and Strategy for the Development of the Payment System that constitutes the roadmap for the banking system of payments for financial and non-financial institutions, for the government sector and the general public.

So, considering that an economy with a high use of cash increases informal economy, tax evasion and crime in society, CBK and the relevant stakeholders have undertaken initiatives and actions within the payment system, such as:

- Increasing transactions without the use of cash,
- Studies and analysis on the current situation, including the volume of transactions in cash and non-cash, electronic payment services, etc.
- Analysis of bank costs, generated by treatment processes, deposits, security and transportation of cash.
- Analysis of costs and potential benefits of large institutions that generate and receive payments, public service companies, businesses, etc.

GJYLFIDANE KADRIJAJ

DIRECTOR OF
PAYMENT SYSTEMS
DEPARTMENT
CENTRAL BANK OF
THE REPUBLIC OF
KOSOVO



- Research on international experience and best practices, analysis with a clear sense of the gap between the current situation and the goal;

Central Bank has shown continuous commitment to support cash reductions through legal infrastructure, which has helped increase the security of systems and electronic instruments. This is achieved:

- By implementing a series of regulations and agreements in accordance with international standards.
- Through the establishment of electronic interbank clearing system that helped the CBK - Commercial bank- Client relationship.
- By acting directly on creating payment schemes that reduce cash transactions, such as Mass Payments scheme, Kos Giro scheme and Direct Debit schemes.
- By establishing the first connecting bridges of cooperation with international companies (Visa, MasterCard) and those operating in certain regions (Quipu, Pay Link, etc.) to help

1 <http://www.bqk-kos.org/repository/docs/2015/BQK-Plani%20Strategjik%202015-2019.pdf>;

2 <http://bqk-kos.org/index.php?id=122>;

the financial sector in Kosovo through technical assistance, organization of workshops for informing the public, for education, training, etc.).

Banks, businesses and individuals are one side of the coin to serve the reduction of cash, while the government with relevant administrative structures, has a determinant role in the regulation of this area.

Kosovo's government institutions have acted on:

- Mandatory account opening and performing bank transactions for receivables in favor of the consolidated budget of the state through the banking system
- Performing payments and liabilities of public and administrative services solely through bank accounts;

Kosovo's commercial banks in particular, have been very proactive in terms of undertaking initiative and action for development and adoption of modern technologies, comparable to those of Western Europe.

Currently, more than 1.9 million bank accounts are active, 123,978 credit cards, 704,359 debit cards that can be used at over 9,408 POS terminals, 503 ATM terminals, and 159,843 e-banking accounts. During 2014, 9.1 million transactions with a total value of about 6.8 billion Euros were processed through the Electronic Interbank Clearing System.

Statistics show the relevant figures for the past five years, where we can conclude that there is still room to work on increasing the use of electronic payment instruments.

Description	Q1 2011	Q1 2012	Q1 2013	Q1 2014	Q1 2015
Number of e-banking transactions Increase / decrease	86,102 39.2%	110,974 28.9%	200,446 80.6%	309,409 54.3%	472,813 52.8%
Value of e-banking transactions Increase / decrease	220,741,836.94 53.2%	209,803,358.24 -4.9%	471,708,437.56 124.8%	715,857,280.86 51.8%	1,055,730,086.55 47.5%
Number of DD transactions Increase / decrease	859 134.1%	2,349 173.5%	2,834 20.6%	3,981 40.5%	3,714 -6.7%
Value of DD transactions Increase / decrease	555,113 14.1%	2,409,702 334.1%	2,142,752 -11.1%	2,076,502 -3.1%	2,224,940 7.1%
Number of card transactions Increase / decrease	2,180,695 5.4%	2,725,766 24.9%	3,029,903 11.2%	3,324,599 9.7%	3,580,551 7.7%
Value of card transactions Increase / decrease	182,011,488 8.4%	211,092,545 15.9%	233,886,942 10.8%	261,206,247 11.7%	320,877,802 22.8%

Consequently, based on discussions with payment stakeholders within the project management team for the reduction of cash, where the real and social costs are analyzed to reduce the use of cash payment instruments in the economy, it is stated as follows:

- Banks and institutions, to engage in customer literacy, with direct promotion of products, marketing offered banking services (e-banking, debit cards, credit, m-banking, etc.);
- A significant portfolio of Payments System in place is providing electronic payment options for taxes, fees, etc. as well as other forms of specific card payments for pensions or other payment categories;
- Public service companies and other institutions, to place POS terminals in their booths, to enable customer payments through cards;
- Companies to offer better terms for customers who pay via electronic instruments, such as Direct Debit, e.g. have bonuses allocated to the customer who pays by direct debit or have other advantages;
- Public service companies to offer the option of payments through e-banking (Internet), mobile banking, etc.
- Commercial banks to favor the payments through electronic forms via fees, by offering lower fees for payments through bank accounts and electronic payments;

As foreseen in the Strategic Plan, CBK is in the process of;

- Implementation of the System for Real Time Gross Settlement (ATS/RTGS+ACH), in accordance with the latest international standards ISO 20022, unique for national and international payments, payments in either small or large amounts, unique for SEPA and TARGET, etc.
- Finalizing the analysis of creating the System for Interbank Card Payment Transaction Settlement with the aim of creating easier and more favorable opportunities for citizens and the economy in general, to use cards and reduce the cash in use.

The advantages of establishing a processing center for card transactions in Kosovo is considered to lie on:

- Providing a unified POS and ATM that will offer a more professional, planned, and efficient presentation for banks and would be a good reflection on the country;
- Ensuring flexibility for card usage and speed in processing card transactions;
- Ensuring a cost reduction for commercial banks, reduction of the number of terminals (ATM and POS) in one location and have a more organized and rational distribution (re-allocation);
- Ensuring a reduction of costs for traders / businesses, which means using only one device for card payments by reducing the large number of POS equipment in sales centers that currently exist;
- Enabling oversight of transactions and card payment instruments, since currently only statistics reported from commercial banks on card transactions are available to the CBK;
- Fees and taxes arising from the activities of the processing centers that commercial banks use in Kosovo, do not pass into the budget of our country since most of them are foreign, where they are also registered as legal entities.

Therefore, for the CBK, government institutions, commercial banks, businesses and public companies, there is still work to be done in terms of meeting the regulations, education-training, in order to stimulate wider use as electronic payment instruments.

In particular, commercial banks as important actors in the relationship economy - client - cash are encouraged to act more aggressively to boost competition in the banking market, to enhance the quality of banking services, to make the possible reduction of tariffs/ provisions for electronic payment services.

Consumer Price Index (CPI) and how the CPI is used

What is CPI?

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

What goods and services does the Consumer Price Index (CPI) cover?

The CPI represents all goods and services purchased for consumption by the reference population. The KSA (Kosovo Agency of Statistics) has classified all expenditure items into 83 classes of consumption further to 378 products (elementary aggregate). KAS has determined weight for each aggregated element and each month collects prices for each elementary aggregate. The expenditure arranged into 12 major groups. Major groups and examples of categories in each are as follows:

- FOOD AND NON-ALCOHOLIC BEVERAGES (Bread and cereals, Meat, Fish, Milk cheese and eggs, Oils and fats, Fruits, Vegetables, Sugar jam honey, chocolate and confectionery, Coffee, tea and cocoa, Mineral waters, soft drinks, fruit and vegetable juices);
- ALCOHOLIC BEVERAGES, TOBACCO;
- CLOTHING AND FOOTWEAR;
- HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS (Actual rentals for housing, Maintenance and repair of the dwelling, Water supply and miscellaneous services relating to the dwelling, Electricity, gas and other fuels);
- FURNISHING, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE (Furniture and furnishing, carpets and other floor coverings, Household textiles, Household appliances
- Glassware, tableware and household utensils, Tools and equipment for house and garden Goods and services for routine household maintenance);
- HEALTH (Medical products, appliances and equipment, Out-patient services, Hospital services);
- TRANSPORT (Purchase of vehicles, Equipment operations of personal transportation, Transport services);
- COMMUNICATION (Postal services, Telephone and telefax equipment and telephone and telefax services);
- RECREATION AND CULTURE (Audio-visual, photographic and information, processing equipment, Other major durables for recreation and culture, Other recreational items and equipment, gardens, Recreational and cultural services, Newspapers, books and stationery, Package Holidays);
- EDUCATION;
- RESTAURANTS AND HOTELS (Catering services. Accommodation services;

XHEMAJL GASHI

PORTFOLIO
MANAGER

RAIFFEISEN BANK
KOSOVO



Your real wage, on the other hand, takes inflation into account. An increase in real wages occurs when wages rise more quickly than inflation. On the other hand, if real wages raise more slowly than inflation, then your real wages - your purchasing power - has declined. It is important for you to know your real wage to determine if an increase in your wage is actually increasing your wealth, simply keeping pace with rising costs, or worse, falling behind rising prices.

The real wage removes the effect of rising prices, and shows us what the wage is really worth in terms of purchasing goods and services. It helps us compare wages in different years as well as wages in different cities with different costs of living. Let's go through several examples and learn how to adjust wages for inflation.

Formula for calculation of Real wage

The formula to calculate a real wage is relatively simple. Let's see how we can do it with the consumer price index (CPI), which is readily available online from the KSA (Kosovo Agency of Statistics).

The consumer price index is one of several indexes of consumer goods and services that keep track of changes in the price level. You can determine whether prices are rising or falling year over year by reviewing the numbers. You can use the following formula, along with the CPI, to calculate real wages:

$$\text{Real Wage} = (\text{Old Wage} \times \text{New CPI}) / \text{Old CPI}$$

Example

The consumer price index is one of several indexes of consumer goods and services that keep track of changes in the price level. You can determine whether prices are rising or falling year over year by reviewing the numbers. You can use the following formula, along with the CPI, to calculate real wages:

$$\text{Real Wage} = (\text{Old Wage} \times \text{New CPI}) / \text{Old CPI}$$

858.50 is your purchasing power - how much the 2011 wage (800) can buy in 2011.

To find out how much purchasing power you gained or lost during the next year:

- Subtract: Purchasing power in 2011 of the old wage minus the new wage

$$858.50 - 816 = 42.5$$

- Divide: Previous answer by purchasing power in 2010 of the old wage

$$42.50 / 858.50 = 0.04950495 = 4.95\%$$

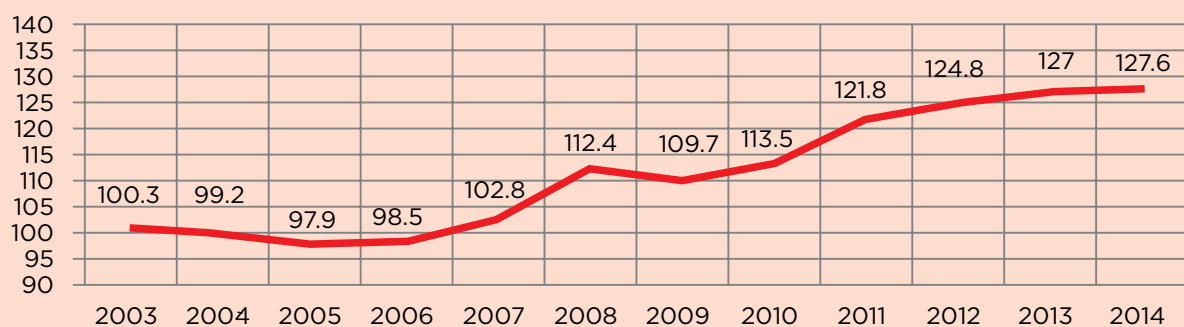
(Move the decimal point two places to the right to get a percentage.)

Is your real wage has fallen by 4.95% in 1 year. In 2011, you are earning 95.05% of what you earned 1 year ago, in terms of purchasing power.

You can calculate your real income or real wage by using the Consumer Price Index (CPI) reported monthly by the Statistical Agency of Kosovo (KAS). The CPI shows overall changes in prices of all goods and services bought by households. (The index with the most up-to-date figures is available from the KAS, at <http://ask.rks-gov.net>)

CPI development, 2003 - 2014

Source: KAS



Banking Clients Financial Literacy project



In a conference organized by the Kosovo Banking Association and IFC as part of the World Bank Group, the financial education project for banking customers was officially launched. Representatives of the World Bank, IFC, the Kosovo Banking Association, representatives of member banks and other participants attended the conference.

In her opening remarks, Mrs. Syzana Dautaj thanked the Kosovo Banking Association for the excellent cooperation in this project

On the other hand, from the Kosovo Banking Association, Mr. Petrit Balijs welcomed this project and stressed the importance of financial literacy once again. Among other things he said, by signing a cooperation agreement with IFC on July 2014, Kosovo Banking Association took the first step of this project by demonstrating commitment to clients' financial literacy. The goal of the project for banking customer financial literacy is

to help increase the skills and knowledge of existing customers and potential banking customers in Kosovo on the basics of finance.

In the framework of this project, videos raising awareness in the field of e-banking, smart borrowing and product characteristics were published. These videos are intended to increase the financial literacy of clients making them proactive customers who are well informed about personal finances, understand the characteristics of banking products and thus make smart borrowing.



Executive director of KBA Mr. Petrit Balijs during his speech in the conference

Executive Director of the Kosovo Banking Association Mr. Petrit Balija said “within the financial literacy strategy, KBA has supported the project financially; while IFC, a World Bank member has cooperated with KBA in implementing the Project for Financial Literacy, in order to improve the actual level of the financial literacy of the population, specifically targeting existing and potential banking clients in Kosovo”.

So that customers have a broader understanding of personal finances, besides the awareness campaign, the project for Banking Customer Financial Literacy predicts free training provided to bank customers in the following areas: personal finance management, smart borrowing and savings.

During the conference, IFC officially handed over the materials of the project to the Kosovo Banking Association.

On this occasion, certificates of gratitude were distributed to all commercial banks in the Republic of Kosovo for their contribution in implementing the Financial Literacy project.

This project is supported by member banks of the Kosovo Banking Association (Banka Ekonomike, Banka Kombëtare Tregtare, Bank for Business, IsBank, NLB Prishtina, ProCredit Bank, Raiffeisen Bank and TEB Bank), IFC as part of the World Bank Group, Master Card



IFC's official handover of materials for the project of financial literacy to KBA

SMART BORROWING



KEY PRODUCT FEATURES



E-BANKING



Committees at Kosovo Banking Association elect the new Chairpersons

Within Kosovo Banking Association (KBA) ten committees of different areas of the banking sector function. The committees consist of respective representatives of eight members of KBA. Committees have very important func-

tions to address specific issues affecting the better functioning of the sector. In the second half of 2014 the new Chairpersons of several active committees at KBA was elected.

The newly elected Chairpersons are are:

Committee	Elected chairman	Institution	Elected vice chairman	Institution	Date of Election
Compliance and AML committee	Ali Krasniqi	BKT	Alban Hetemi	ProCredit Bank	24 October 2014
Legal committee	Agron Krasniqi	BpB	Ilir Gaxha	TEB Bank	17 December 2014
Finance committee	Rezak Fetaj	ProCredit Bank	Rudin Lleshaj	BKT	23 October 2014
Marketing and PR committee	Antigona Bejtullahu	Raiffeisen Bank	Zana Rizvanolli	NLB Prishtina	22 September 2014
Risk committee	Gem Maloku	NLB Prishtina	Besian Mustafa	TEB Bank	17 September 2014

As it is defined by the work procedures of these committees, the mandate of the new chairpersons is for two years.

Executive Director of KBA Mr. Petrit Balijs and KBA's staff take this opportunity to thank all

representatives of all the past chairpersons for their work and contribution given during their mandate, and wishes success to the newly elected leadership.

Job Fair organized by KBA and EUICC

Approximately 200 young people whom are currently attending or have obtained Bachelor or Master degrees in relevant study fields, used the opportunity provided by the Job Fair with commercial banks held at the EU Information and Cultural Centre in Prishtina to find out more about employment or internship prospects in the banking industry.

The Fair was held at the EU Information and Cultural Centre (EUICC) in Prishtina in co-operation with the Kosovo Banking Association (KBA) and was attended by five commercial banks: Raiffeisen Bank, Pro Credit Bank, NLB Prishtina, National Commercial Bank and İşBank.

The representatives of the participating banks presented their professional internship and employment opportunities to all interested individuals, while collecting CV's from those who expressed interest for employment in the banking sector.

Job Fair gave students and graduates a chance for one-on-one meetings with bank representatives tasked with recruiting successful candidates. In addition, the Fair provided a more

realistic overview of the labour market in the banking industry, which is particularly attractive for young people. This way, the students had the opportunity to learn that this is a very competitive market and that they should develop good professional competences for a career in the banking sector.

The Executive Director of the Kosovo Banking Association, Petrit Balija, underlined the importance of uniting efforts as key for alleviating unemployment in Kosovo. "Jobs are the solution to a vast array of issues that our young country is facing. Therefore, it is paramount

that not only the Government of Kosovo, but the private sector, nongovernmental organization and civil society, universities and colleges, and media get in motion so that all of us can contribute to reducing the unemployment rate and improve employment prospects for the young people of Kosovo" stated Mr. Balija. The Job Fair with commercial banks is a part of the EU Information and Cultural Centre's campaign for economic development. (Zeri, Kosova Sot, Telegrafi, 27 February, 2015)



The banking sector has improved significantly

On Friday, the Delegation of the International Monetary Fund (IMF) Mission in Kosovo, who are visiting Kosovo these days, met with officials of the Kosovo Banking Association (KBA). Executive Director of the Kosovo Banking Association, Petrit Balijsa, has declared that at the meeting were discussed the achievements of the banking sector in Kosovo and further opportunities for improvement.

Moreover, improvements that should be made in order to have better environment for doing business in Kosovo were identified and discussed with particular emphasis on the implementation of contracts as an area that has stagnated significantly in Kosovo and that it is vital for banks and other businesses operating in Kosovo, as well as foreign direct investments. In addition, the banking sector has significantly improved both in interest rates on loans and in keeping non-performing loans at the lowest levels in the region.

This indicates a good stability of the banking industry in Kosovo and security for depositors, added Mr. Balijsa. International Monetary Fund at the meeting was represented by the IMF Resident Representative for Kosovo, Mr. Frank Lakwijk, Mr. Giuseppe Cipollone senior economist in the European Department, Mr. Jason Weiss

economist - European Department, Ms. Alexandra Zdzienicka, economist, Department of Strategy, Policy and Review, Mr. Florian Misch, economist at Fiscal Affairs Department, Mr. Selim Thaci, economist, resident representative office in Kosovo and Mr. Jacques Miniane, head of the IMF mission to Kosovo, European Department.

In this meeting, all Chief Executives of commercial banks operating in Kosovo, members of KBA were present. (*News Agency Ekonomia, Kosovo live, March 23, 2015*).



The training seminars within the Banking Clients Financial Literacy project

The training seminars planned within the Banking Customer Financial Education project have been held during February 23 – 27, a project initiated by the Kosovo Banking Association (KBA) and to be implemented by the International Financial Corporation (IFC, part of The World Bank Group). Respective officers from KBA members have successfully passed the training and were certified in two fields.

The first training lasted for two days and certified trainers from member banks on Training



of Trainers, who will then hold training and workshop sessions for their clients, on the topics of Personal (Family) Finance Management, Savings, and Smart Borrowing rules. The project foresees to have more than 3000 clients and other interested individuals trained by the end of the two year period.

The second training, Training of Counselors, lasted for 3 days and had the objective of certifying the participants to train their front office staff and client advisors specifically in properly communicating with various clients, in order to be able to comprehend the contract terms and understand how their relations with the bank function. During these two years the project has other activities planned as well, including campaigns in various media and awareness raising activities, related to banking services



Kosovo Banking Association meets with CBK for the implementation of the Basel standards

Today, on April 3rd, The Kosovo Banking Association represented by the executive director Mr. Petrit Balija and Legal Committee chairman Mr. Agron Krasniqi, hosted in a meeting the project team for the implementation of the Basel standards, chaired by Mr. Ralf Raab, Senior Advisor, Department of Banking Supervision at CBK. This meeting aimed to introduce the project for the Implementation of the Basel standards, which already is in full process and establish cooperative relations between KBA, Mr. Raab and his team which includes internal staff of CBK and external consultants.

The objectives of the project for the implementation of Basel standards were presented during the meeting as well as the forms of cooperation with KBA. The executive director of KBA Mr. Balija said for this meeting "This project has a particular value for the banking industry in Kosovo since it represents the fulfillment of international criteria for the better functioning of the banking system and further integration into the international financial arena. This project is being supported by the German organization GIZ. (Botapress, April 3rd, 2015)



Kosovo Banking Association participates at the meeting of the parliamentary committee for economic development, infrastructure, trade and industry



Prishtinë [Maj 5th, 2015] –Kosovo Banking Association (KBA) represented by the executive director Mr. Petrit Baliija attended a joint meeting of the Parliamentary Committee for Economic Development, Infrastructure, Trade and Industry and Parliamentary Committee on Legislation, mandates, and immunities, with the participation of the Kosovo Judicial Council and the Chambers of Commerce, to discuss about business disputes and the non-efficiency of the courts to

resolve their cases. KBA through an official letter addressed in advance to the Committee for Economic development, infrastructure, trade and industry has addressed some of the challenges facing the banking industry. In regards to this meeting, KBA executive director, Mr. Baliija said

“In addition to many other risk factors facing the banking system in Kosovo, the justice system is one of the important factors which significantly increase the risk environment in which this sector operates.

According to the report of Doing Business 2015, of the World Bank, Kosovo is listed in 138th place for contract enforcement out of a total 189 countries in the ranking list, and this should change in order for the banking industry to not face difficulties in the future. Parliamentary committees committed to do all what is possible to resolve these problems in the justice system that has been identified by business associations and chambers of commerce.

The performance and challenges of the banking sector were presented at the conference ‘Activating the Source of Economic Growth in Kosovo ’

Prishtinë [15 maj, 2015] – Kosovo Banking Association, represented by the Chairman of the Board of Directors Mr. Robert Wright attended the first session of the conference ‘Activating the Source of Economic Growth in Kosovo’. The

first session addressed the topic “Investment for growth –Business environment and its limitations’, where among the panelists who came from various institutions such as the Ministry of Finance, World Bank, Institutes and various

universities, Mr. Wright gave a presentation on the performance and challenges of the banking industry in Kosovo. Among other things in his presentation Mr. Wright mentioned one of the biggest challenges of the banking sector, but also of other sectors in Kosovo, which is the contract enforcement.

According to the World Bank evaluation, Kosovo is ranked in 138th place in the Doing Business-report, regarding contract enforcement, standing so noticeably in a weaker position than the region countries, and thus disabling the positive developments in Kosovo's economy. Meanwhile, the Executive Director of the Kosovo Banking Association, Mr. Petrit Balija estimates that it is very positive to support these debates and dialogue platforms on economic development because in this way we can identify the challenges and opportunities for further economic development.

This conference was organized by Riinvest Institute and powered by Kosovo Banking Association as one of the main sponsors, on the occasion of the twentieth anniversary of the establishment of this institute.



President of the Parliament establishes the office for businesses at the Parliament

Prishtinë [Maj 15th, 2015]– President of Kosovo Parliament Kadri Veseli has announced that he has decided to establish an office in the Kosovo Parliament for business community in order for businesses to have better access to the drafting and enforcement of laws for economy.

Veseli announced this during the conference organized by the Kosovo Chamber of Commerce

with the topic "Dialogue and partnership with the business community in drafting the legislation". On this occasion Veseli said that this decision is taken in order to draft the best possible laws that would push forward economic development. "I made a decision to establish an office for you at the Parliament in order to have close access to MPs in drafting legislation for the economy," said Veseli. He added that this decision was made for two important reasons which are making the best possible laws for economic development through professional advices from businesses and increasing the possibility of turning entrepreneurs' innovative ideas into the best laws for the economy.

Executive Director of the Kosovo Banking Association Mr. Balija, thanked President Veseli for the opportunity given for this meeting and for

the opening of the representative office of businesses.

He added that the banking industry is facing similar problems as other businesses in Kosovo, where contracts are not enforced, where informality is high, and where the judicial system is suffocated with unresolved cases. Business representatives present at the conference

praised the decision of the President Veseli as very important, noting that this initiative is very important for business development and the overall Kosovar economy.



EFSE DF extends support to ‘The Kosovo Banker’ magazine until end of 2016



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

Frankfurt and Prishtina, [May 15, 2015] – The Development Facility of the European Fund for Southeast Europe (EFSE DF) will extend its support of ‘The Kosovo Banker’ magazine until the end of 2016.

The EFSE DF has been supporting ‘The Kosovo Banker’, which is published by the Kosovo Banking Association (KBA), since 2013 with financial assistance as well as editorial contributions related to EFSE DF projects in Kosovo. The magazine serves as an important tool for providing reliable information on current developments in the banking industry to the general public in Kosovo. Published twice a year in Albanian and English, ‘The Kosovo Banker’ has a print run of 10,000 copies per issue and is distributed by mail and together with the national daily newspaper ‘Koha Ditore’. It is currently the only magazine of its kind in Kosovo.

In addition, the EFSE DF will provide funding for one year to the ‘Banking Periodic’, a monthly review of key financial sector indicators recently launched by the KBA. Each month, the publication addresses specific issues of the financial system with the main focus on the banking sector in Kosovo.

“Given that promoting financial literacy is high on our Responsible Finance agenda, we value this partnership highly”, said Markus Aschen-dorf, Chairperson of the EFSE DF Committee. “The KBA has proved a key partner in improving the level of financial literacy in Kosovo”.

“The banking industry in Kosovo is keen to promote financial literacy among its customers as

well as the general public. This is the first project of this nature and it is sure to play an important role in enhancing financial education in Kosovo. We hope that in future there will be other such projects in which we can partner with many other local and international organisations to further advance this cause”, added Petrit Balija, Executive Director of KBA.

About the EFSE DF

The Development Facility of the European Fund for Southeast Europe (EFSE DF) was created in 2006 to support the EFSE’s development finance mandate. Its mission is to deploy effective, targeted and innovative technical assistance to maximise the impact and outreach of the Fund’s development finance mandate in its target countries. The capacity-building services of the EFSE DF encompass capacity building and training, financial sector support as well as applied research with the aim to strengthen the internal capacities and operations of the Fund’s partner lending institutions.

The EFSE DF operates independently from the Fund in a fiduciary arrangement under Luxembourg law. The DFC (Development Facility Committee) comprising members from KfW Development Bank (KfW), the Swiss Agency for Development and Cooperation (SDC), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB) and the Netherlands Finance Company (FMO) is responsible for assessing and approving all project proposals and provides strategic guidance to the EFSE DF.

About the European Fund for Southeast Europe

The European Fund for Southeast Europe (EFSE) was initiated by KfW Development Bank (KfW) with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission. It aims to foster economic development and prosperity in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, former Yugoslav Republic of Macedonia, Kosovo, Georgia, Moldova, Montenegro, Romania, Serbia, Ukraine and Turkey.

As access to finance is a key success factor in developing the micro, small and medium enterprise segments, the EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing.

The funding the EFSE provides as long-term finance primarily for micro and small enterprises (MSEs) – but also for private households in the form of home improvement loans – is channelled to these loan customers through local partner lending institutions. Supporting the EFSE's investment activities is the EFSE Development Facility, which provides partner lending institutions with technical assistance, consulting and training services to build operational capacities and professional management.

Initiated by KfW Development Bank (KfW) on 15 December 2005 from four multi-donor programs under its management, the EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance to leverage private funding for MSE finance in the target region.

Capital is provided by donor agencies, international financial institutions and private institutional investors, including the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission (EC), the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, the Development Bank of Austria (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation (SDC), the Danish International Development Agency (Danida), KfW as Lead Investor, the International Finance Corporation

(IFC), the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), Sal. Oppenheim and Deutsche Bank.

Oppenheim Asset Management Services S.à r.l., Luxembourg, and Finance in Motion GmbH, Germany, are, respectively, the EFSE's Fund Manager and Fund Advisor.

For more information about the European Fund for Southeast Europe, please visit: <http://www.efse.lu/>

About the Kosovo Banking Association

The Kosovo Banking Association (KBA) represents the banking industry in Kosovo by cooperating with the Government, the Central Bank of the Republic of Kosovo, International organizations and civil society, the media and the public. The aim of KBA is to support a healthy banking system and open and fair competition as well as financial education and literacy for banking clients, and thus promote long-term economic development in Kosovo.

KBA facilitates the cooperation between banks while offering a single platform for discussing new initiatives. It also identifies and reviews legal and regulative initiatives, coordinates common activities for banking industry, and promotes banking activities in front of the wide audience.

Established in 2002, KBA is a main reference point related to the issues that deal with the banking sector in Kosovo. KBA represents eight commercial banks: Banka Ekonomike, Banka Kombëtare Tregtare, Banka për Biznes, IsBank, NLB Prishtina, ProCredit Bank, Raiffeisen Bank and TEB Bank. KBA is the voice of the banking industry in Kosovo.

ProCredit Bank donates 150,000 cotton bags

ProCredit Bank together with other similar banks in the region have taken an environmental initiative which aspires to raise the awareness of citizens to protect the environment by reducing the use of plastic bags.

To this end, around 600,000 bags made of 100% organic cotton have been distributed FREE of charge - where 150,000 were given to citi-

zens through our branches, shopping centers and market chains. It is worth mentioning that these bags have been produced in accordance with the highest environmental standards, proving further the very responsible approach of ProCredit Bank to the protection of the environment.

The future is in your hands!



Banka Ekonomike gives a donation for the construction of the Community Center for Down Syndrome Kosova

During the organization of charity evening organized by the Down Syndrome Kosova Association, Banka Ekonomike has given a donation for the construction of the center that will provide services for the community and children

affected with Down syndrome. This donation is part of the continued commitment of Banka Ekonomike for raising the awareness and social responsibility of our society.



BKT is committed for society

BKT carries out many environment, community and social responsibility projects in order to make a contribution to the society as well as creating value for the country by paying taxes, providing best products and services and employment opportunities. The outline of social responsibility concept of BKT is based on "Pay back to society" principle. From this point of view BKT supports various art, sports and education activities directly or indirectly. BKT's most important social responsibility instru-



ments are sponsorships activities and several charity works that reflect institution's respect to society and its employees.

Raiffeisen helps Community Center

In a solemn ceremony, Mr. Helmut Breit on behalf of charity fund H. Stepic CEE Charity Fund (supported by Raiffeisen Bank International) and Chairman of the Supervisory Board for Raiffeisen Bank in Kosovo has handed in to Ms. Elizabeth Gowing, founder of The Ideas Opposition organization the donation in the amount of 32.000 Euros. Through this donation, the Center of communities in Fushë Kosovë has opened a kinder garden for Ashkali, Egyptian and Roma children and other additional activities that will offer new opportunities for education of these children.



IFC and NLB Prishtina are working together to increase energy efficiency in Kosovo

IFC, member of the World Bank Group, and NLB Prishtina, part of the largest banking group from Slovenia are working together to invest in increased energy efficiency of small enterprises and households in Kosovo. IFC will support the bank to improve its internal capacity to find, evaluate and fund the projects on energy efficiency in the country. The advisory project with NLB Prishtina is part of the Program for Financing Sustainable Energy by IFC in Europe and Central Asia, implemented in partnership with the Federal Ministry of Finance of Austria. The program offers a wide range of advisory ser-

vices for financial institutions, their clients and other stakeholders of the market in support of investments in energy efficiency.



Dielli TEB Open 2015

TEB commitment towards Kosovo youth comes as a result of social responsibility that this institution has taken over. Since sport is a healthy and effective activity for human body and brain and considering the huge number of talents in Kosovo, TEB bank is constantly supporting also the tennis players of the country.

TEB has been supporting the "Dielli TEB Open" tennis tournament for the last six years. This tournament marked its 14th edition last year, but the incentives by the bank has boosted its value and professionalism. In this tournament, competition is taking place at two disciplines, singles and doubles. Top tennis players in Kosovo are amongst participants. The support that the bank is offering is in full line with TEB - BNP Paribas's sponsor policy to support young players towards success on the pitch, in school and life.



BPB thinks about the children - supports *One to One Children's Fund* and the project "Healthy teeth, happy children"

BPB continually reaffirms its commitment to support projects that result in increasing the welfare of the community that surrounds us. BPB has supported the organization "One to One Children's Fund" in order to allow children with disabilities to have a pleasant environment.

Through this initiative, a kitchen and other kitchen equipment were purchased for the chil-

dren's day center and painting materials supply was enabled in order to engage them and have fun in different activities. BPB also supported the implementation of the project "healthy teeth, happy children", with the aim of promoting oral health in 200 pre-school institutions and primary schools in several municipalities, for about 25,000 children - students.



Ziraat Bank comes to Kosovo

Ziraat Bank, the biggest bank of Turkey is a sovereign bank (the Bank's share capital is 100 % owned by the Turkish Undersecretariat of Treasury) was established in 1863. The Bank is a full service commercial and retail banking group and provides a broad range of products and services to more than 30 million corporate, commercial, retail and international customers across Turkey and select international markets.

The Bank offers its products and services to its customers through a strong local franchise and international branch network, which as of 31 December 2014 included 1,682 domestic branches and 25 international branches (the largest international service network of any Turkish bank³). The Bank has subsidiary, affiliate and joint venture operations in Germany, Bosnia and Herzegovina, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan and Russia. The Bank's network includes seven subsidiaries in Turkey which focus on insurance, leasing, pension, portfolio management, securities brokerage and information technology to complement its core banking business.

According to the Banks Association of Turkey, as of 31 December 2014, the Bank was the largest bank in Turkey in terms of total assets (TL 247.6 billion), the largest in terms of total deposits (TL 153.3 billion) and the largest in terms of number of branches (1,707). As of 31 December 2014, the Bank had 23,617 employees.

KOSOVO

As part of its international banking strategy, the Bank aims to continue to improve its international presence in order to integrate products and services of local units through a more customer and marketing oriented business model; increase efficiency and profitability in the countries in which it operates; contribute to the development of commercial and economic relations between Turkey and the host countries; acquire a higher share of foreign trade financing and channel trade transactions to the Bank; and ensure that the Bank's international network offers timely and efficient service to their customers. The Bank's main focus has been on the



Balkan and Central Asian regions, as these areas have strong trading and geographical ties with Turkey.

The Bank, in line with its international banking strategy, intends to provide corporate and retail banking product and services through a well structured and defined market and customer oriented business model at Kosovo.

Bank is well positioned to address the needs of its different customer groups with tailor made products and services through an efficient and focused marketing strategy, with the aim of establishing and further improving long lasting customer relationships.

The Bank aims to obtain an increasing share of foreign trade financing and maintain the advantage it has with the largest international service network of any Turkish bank, this strategy will serve our customers at Kosovo to leverage their business with any country Ziraatbank has a presence.

The Bank's principal products and services to be provided to its corporate and retail customers include cash and non cash loans, financial services related to import and export transactions, trade finance, project finance, international banking services (letters of credit confirmations, letters of credit and promissory note discounts, letters of guarantee issues, collections and remittances), financial intermediation services (provided through the Bank's subsidiaries, affiliates and joint ventures).

The Bank envisages to expand its branch network at Kosovo in due course of time.

³ According to data published by the Banks Association of Turkey

Publications of the Kosovo Banking Association

“**The Kosovo Banker**” is a publication of the Kosovo Banking Association. The magazine is published twice a year with the aim to properly inform the public on the banking industry in Kosovo. For more information, please go the the

web site of the Kosovo Banking Association www.bankassoc-kos.com.

Published magazines:



“**Periodic Overview of the Financial Sector in Kosovo**” is a monthly publication of the Kosovo Banking Association starting with its first publication in January of this year. Monthly publications are comprised by data and general overview of the financial system in Kosovo. Each

monthly publications will address specific issues of the financial system which for main focus will have the banking sector in Kosovo. www.bankassoc-kos.com.

Monthly publications published so far:



Training Center for Banking



TRAININGS DURING 2014

Operational Risk

SME: From Business Plan to Financing

European Foundation Certificate in Banking

Improving Customer Service, Sales and Negotiations

Fundamentals of Digital Marketing

IFRS

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Office Management

Relationship Management and Sales Techniques

Project Management

Fraud Detection and Prevention

Business Process Modeling

CISCO Cyber Security

FATCA

People Reading and Influencing skills

Leadership Skills and Habits

For more information on registration or the programme, contact Training Center at Kosovo Banking Association at:

038 246 171
kbtraining@bankassoc-kos.com
www.bankassoc-kos.com



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION