

THE KOSOVO BANKER

The suitability of risk management and good governance – Prerequisites for a sustainable banking system

The sustainability of the banking system & economic growth

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THE SUSTAINABILITY OF THE BANKING SYSTEM IN KOSOVO



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The Kosovo Bankers' Association (KBA) is the voice of the banking industry in Kosovo. KBA cooperates with the Government, the Central Bank

of 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

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Editorial

DEAR READERS,

As Chairman of the Board of the Kosovo Bankers' Association I am delighted to welcome you to the first edition of the Association's magazine 'The Kosovo Banker'.

In an increasingly complex, high profile and important banking environment with often misunderstood perceptions or conflicting opinions the timing is perfect to launch a magazine that will aid clarification, provide analysis and commentary from a broad cross section of stakeholders, institutions and customers and contribute to the positive growth and wellbeing of the Kosovo banking industry.

This first edition of the magazine provides an excellent example of the breadth and scope of the banking sector as we have contributions from the Governor of the Central Bank, Mr Gani Gerguri, the Central Bank Director of Banking Supervision Mr. Merdian Kukleci, Mr. Lumir Abdixhiku, Executive Director of RIINVEST Institute, Mr. Hajdar Korbi Deputy CEO at Banka per Biznes and Mrs. Violeta Afri-Krasniqi Executive Director of the Deposit Insurance Fund.

The banking sector in Kosovo has never been in such a positive and secure situation as it is today. The sector is profitable, well capitalized, carefully regulated and supervised in line with EU standards and has very limited exposure to the risks of foreign currency debt or the other threats that many Eurozone banking sectors are facing today.

From a customer perspective deposit levels are higher than ever before with more than 2bn Euros deposited in bank accounts at the end of 2011. Loans outstanding were also at record levels at the end of 2011 with almost 1.6bn Euros outstanding and total bank assets have almost doubled in four years to reach 2.4bn Euros at the end of last year.

To meet this customer demand the distribution channels of the banks continue to expand and there are now over 300 branches in Kosovo in addition to

around 350 cash dispensers, thousands of point sale terminals for card transactions and an increasing use of internet and mobile phone technology for banking services. Kosovo still lags behind other countries on the use of electronic banking channels but usage is increasing significantly and the technology is becoming more widely available and more user-friendly.

So taking all of the above points together it is quite clear that the banking sector is in a positive and

healthy situation which is good for both the economy and the country. However we must not become complacent or relaxed. The effects of the Eurozone crisis may still affect Kosovo and there are many aspects of the local economy that are fragile and may become negative influences in the short or medium term such as unemployment, inflation or a reduction in GDP growth. Therefore the



ROBERT WRIGHT
CHAIRMAN OF THE
BOARD OF THE
KOSOVO BANKERS'
ASSOCIATION

banking sector will continue its careful and prudent approach to lending, will encourage saving across all sectors of our customer base and we will also continue to improve customer service and expand our distribution networks.

The members of the Bankers' Association will also continue to work with the many stakeholders, customer groups, communities and other interested parties who are involved in banking so that we can continue to help the growth and development of the country and also continue to be the banking sector that is fast becoming the envy of many other countries in the region.

Enjoy the magazine.

The suitability of risk management and good governance - Prerequisites for a sustainable banking system

The increase of the volume and complexity of banking products and services necessarily sets the need for a parallel increase of management capacities.

IT IS WELL KNOWN THAT THE BANKING sector in Kosovo is still young and developing. Built after 1999, the banking sector continues to grow, serving as the main actor for financial intermediation while also maintaining the sustainability of integral components of liquidity, profitability and capital. Although, at a slower growth rate compared to previous years, the banking sector grew by 8.1% in total assets, during year 2011. The growth dynamics were characterized by continued consolidation of the sector, respectively, an increase in weight of the smaller banks and branches of foreign banks, and a slight decrease in shares of the larger banks. The structure of the funds continues to be financed mainly by deposits and is concentrated in lending activities. The total loan portfolio comprises about 62% of the total banking sector assets.

The increase of the volume and complexity of banking products and services necessarily sets the need for a parallel increase of management capacities. In fact, banks have a public obligation to comply with internationally accepted standards and practices for risk management and good governance. As financial institutions accepting deposits from the general public, banks have customer care obligations for many parties, including: depositors, creditors, regulators, shareholders and even other bank institutions, because the failure of a bank can affect the sustainability of the whole financial sector.

Mainly exposed to credit risk, offering traditional banking services and operating in a non supportive environment by the necessary mechanisms for creditor-debtor settlements, the banking sector has maintained



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the non-performing loans at manageable levels. The rate of 5.7% of nonperforming loans is amongst the lowest and most sustainable in the region in terms of variations over the years. Maintaining this rate has been made possible by the increase of credit risk management capacities, clear directions in selecting sectors and customers to be credited, and close and adequate supervision of the risk management by the Central Bank of the Republic of Kosovo (CBK). Furthermore, the Credit Registry of Kosovo continues to play an important role in providing information about borrowers' performance.

However, there remains considerable flexibility on the side of the banks, in terms of increasing the client performance, educating the public, thus through this supporting the stability of the banking sector itself. Amongst the alternatives that may qualify for consideration is the flexibility in the overall cost of funding, conditioned and adapted to the best performing customers, who adhere to the terms and conditions contracted with the bank. Amongst the lessons learned from the recent financial crisis is the concept of expanding the banks' missions from 'maximizing the profits' towards a vision of increasing 'accountability towards all the stakeholders'. The commitment for financial sustainability requires banks' to integrate their strategic orientations in social responsibility and re-defining the concept of risk by expanding it with responsibility towards all the stakeholders.

The key to sustainability is, without any doubt, the maintenance of the liquidity and capital. Kosovo's banking sector continues to remain well-capitalized and liquid. The rate of risk-weighted capital of about 18% remains significantly above the regulatory requirements of 12%. Furthermore, the structure of the capital is qualitative and composed of about 80% of first-class capital. The good performance in profits, 37 million Euros at the end of 2011, continues to support the sustainability of the banks' capital.

The liquidity of the banking sector continues to be satisfactory. Currently, liquid funds in total assets participate with 31% covering 37% of total deposits and 35% of total liabilities. The 'loan to deposit' ratio of 81% is within the recommended limit of 80%. The structure of deposits is also favorable, with core deposits constituting about 85% of total deposits. Moreover, the appropriateness of liquidity risk management is satisfactory. This qualification has been proven, particularly in the case of withdrawal of liquid assets from the banking sector during the last two years, with about 200 million Euros in deposits of Post and Telecom Kosovo, paid as dividends to the Republic of Kosovo.

Despite the suitability and the progress in risk management, the banks' governance should be strengthened in the composition of the boards, determining the strategic orientations, avoiding conflicts of interest, to support a more sustainable and transparent approach to customers. It is not rare when the strategies of the banks are volume based and oriented towards the growth of the market share, without counting in the combination of necessarily needed human resources and capital. The bank governing boards remain largely shareholder boards; therefore a greater participation of independent-external members is needed in governing boards to bring 'productive tensions', transparency and appropriateness in governance.

In this context, the new Law on Banks further expands the scope of the regulator towards banks and other institutions covered. Amongst the novelties pro-

moted by this law is the strengthening of the governance criteria, in particular the Composition of the Management Boards, a requirement according to which the majority of the members must be independent and non-executive members and that one of the members must be a resident. The request for resident members has been set to be in function of the local representation on boards of foreign banks and is aimed towards the better articulation of bank development strategies in accordance with the country's development strategies and market specifications; The Boards Steering Committees - establishing the risk management committee and other committees; Strengthening the criteria of 'suitability tests' for managers of financial institutions (members of governing boards and senior management); Large Exposures- the maximum threshold set by law; 15% from the previous 20%, and the concentration of single source deposits at 20% of total deposits; Exposures to persons associated with the bank- mandating the regulator to apply direct decrease from the capital of any amount above the 'set limit' thus reducing/de-motivating

concentration of exposures to one or group of clients associated with the bank.

The new Law on Banks also strengthens bank capitalization and liquidity requirements for banks. The minimum paid capital is increased to the level of 7 million Euros from 5 million as it was previously, and banks are obliged to maintain the set minimum during the entire duration of their operation in the market. Moreover, in accordance with the law, the new banking regulations provide weighting the operational risk of risk factors, respectively, capital coverage according to the basic indicators method and the standard method, and the update of risk factors in line with recent changes on the international level. The suitability of liquidity is also determined in accordance with new standards of Basel Committee for Effective Banking Supervision by re-defining the requirements for liquidity risk management and defining mandatory financial indicators for the coverage of liquidity.





The sustainability of the banking system & economic growth

That growth and economic sustainability depend on the stability of the banking system has been confirmed by the recent financial crisis.

SUSTAINABLE ECONOMIC growth is one of the main objectives of practically all Central Banks and state governments. However, a large number of countries face considerable difficulties in terms of generating economic growth and maintaining positive trends for longer periods.

Whereas theories on economic growth have historically highlighted a number of factors affecting the growth and sustainability of a country's economy, there is broad agreement that labor, capital and productivity, including changes in technology, are the main factors making an economy grow faster or slower. Moreover, there is a large number of other factors that affect the quality of the labor force, quality of the capital, productivity and technologi-



HAJDAR
KORBI

DEPUTY
DIRECTOR,
BANKA PËR
BIZNES

cal changes. Financial markets, in particular the banking sector and its sustainability, is a factor that greatly affects a country's economic development. In fact, to a large extent, the stability of one conditions the other, but above all, there cannot be a sustainable economic growth without a sustainable banking system, which is also the focus of this article.

That growth and economic sustainability depend on the stability of the banking system has been confirmed by the recent financial crisis. As a result of this crisis,



economic growth rates in many countries declined and in many others were negative; the unemployment rose to a considerable extent; the return on savings and investments significantly reduced, and there were great difficulties in access to finance.

If there is such a significant connection between the stability of the banking system and economic sustainability, then how can we ensure that we have a sustainable banking system that supports economic growth? There are a number of factors that affect the dynamics and the stability of the banking system. We must note that the banking system is quite different and much more specific from other systems, mainly due to the specific types of products and services it offers to its clients. The sensitivity of this system by the fluctuations in the market is very large, and in this regard, the regulator should pay special attention.

In general, the basis for sustainable banking is capitalization, liquidity, corporate governance and effective supervision by the regulator. One cannot do without the other. We can have an overly capitalized system but the liquidity problems jeopardize its stability, thus an ineffective oversight by the regulator could trickle serious problems in the functioning of individual banking institutions or the banking system as a whole. In fact, in many countries, one of the main reasons for failure of the normal functioning of the financial systems by the crisis which began in 2007 was precisely the lack of effective supervision by regulators.

While international initiatives, mainly driven by the 'Basel Committee on banking supervision' have brought international agreements over what is sufficient capital, what liquidity rates are acceptable, how banking system corporate governance should look like, etc, the past experience tells us that the banking regulator must be continually active and the regulatory requirements must fit with the current needs of the environment.

As far as Kosovo, its banking system is relatively new, but with a satisfactory performance. Since the establishment of the Central Bank and the licensing of commercial banks, the banking sector has consistently expanded the variety of products and services offered in the market; has improved the quality of services and performance; and, what is most important, it has contributed tremendously in the development of the country's economy.

Despite the financial crisis of many developing countries and the current budget crisis of some eurozone countries, the banking sector in Kosovo has not been affected much by the crises. Taken as a whole, it can be said that this system is sound and has all the premises to continue with its stability and contributions to the economic growth of the country. The small degree of financial integration with external markets has kept the Kosovo banking sector from not being directly affected by the recent financial crisis while the factors mentioned above, such as capitalization, liquidity, corporate governance and oversight by the regulator, have been and continue to be satisfactory. In fact, we may conclude that the effective functioning and stability of the domestic banking system, as one of the main prerequisites for a sustainable economic growth, has contributed and will continue to contribute greatly in the economic growth of Kosovo.

However, taking into account the fact that the budget crisis which has hit a number of eurozone countries, has created a confusion among investors, many of the eurozone economies are facing severe difficulties in economic growth. Despite some actions towards better management of this crisis and ideas for a fiscal union which would provide a better management of the budgets of individual states, there continues to be uncertainty among investors which directly affects the economic growth of the eurozone countries. Therefore, considering the fact that Kosovo's economy is very open to the economy of the eurozone, its performance will depend to a considerable extent on the performance of the economies of these countries, whereas the level of Kosovo's economic performance will have a direct impact in the banking system. This most probably signals the regulator for added attention, so that possible effects of the eurozone crisis in Kosovo's economy can affect the banking system as little as possible.



A look at the banking system



LUMIR
ABDIXHIKU

EXECUTIVE DIRECTOR,
RIINVEST INSTITUTE

Even though it started from scratch, Kosovo's banking system today can take pride in its foundations, although short in time, but quite stable.

STARTED FROM SCRATCH, Kosovo's banking system today can take pride in its set foundations, short in time, however, quite stable. Thirteen years ago, Kosovo's banking system was confronted with the most terrible nightmare that a system could face: the loss of trust. Kosovo's last interactions with banks resulted in the loss of the entire savings and any return on this system required a necessary statement of belief out of the ordinary. Thirteen years later, distrust in the banking system is rare. Moreover, Kosovo banks have become nests for thousands of employees; an example of modern management; attraction of career oriented bankers; and a facilitator in the creation of an entire industry in the service of the whole system. Reports

of credible international institutions indicate financial stability despite the wave of crisis, while the local analysis support a smooth and stable progression in general terms.

But before we decorate Kosovo's banking system with a success medal, we have to switch our lenses a bit. Despite years of stability, the interaction between banks and Kosovars remains, essentially, limp. The cost of financing and access to finance continues to be a substantial barrier in doing business; and taking into account the scarcity of money in the market, it becomes even more serious. Without wanting to find a culprit in this entropic discrepancy, I have to argue in three core areas that according to my opinion are the reasons for these barriers. All three areas, unfortunately, stem from interaction actors themselves: businesses, banks and the state itself.

The first - businesses, become the culprits because of the way they do business. A business style, somewhat traditional combined with evasive, leaves little room for banks to make correct assessments of the shape of the businesses. In a country where tax evasion reaches 40%, with financial statements of the businesses being 'overstated', identification of business strengths for the banking evaluators not only becomes impossible, but costly as



well. Besides this, the discipline of making transactions through the banking system marks the lowest records in Europe. Without these transactions, building good relations between two actors is impossible. A business that has history of transactions with a bank is likely to have better access to finance.

The second – banks, become guilty for the lack of competitive motives. Perhaps unintentionally, their status quo in changing the interest rates becomes everyone's handicap. Kosovo banks have accepted the comfort zone of non-competition; and in such quiet state (in the sense of competition) there is no need to lower the cost of the capital. Even less encouraging become the divergences of services and the cost of use for these different bank services for different clients. For example, rare are the practices where ATMs are in large numbers; a competitive market would have unified them, thus lowering the barriers for the unlicensed ATM's.

The third - state institutions, become guilty for their incompetence to ensure a quiet and safe business climate. With the current level of economic development, with multiple regressions on the business environment and the inability to create judicial mechanisms, the current

interest rates have full justification. In the end, they only reflect the risks taken. It must be noted that in Kosovo, a banking case is treated the same as a traffic offense case. Moreover, note that only 3% of businesses use legal services (as opposed to 38% of the average in the region); such an anarchic system, cannot provide lower costs of financing. Besides, the image it sends off externally reduces the possibility of attracting serious investors in the financial market.

In all cases, the defects of each of these actors produce an unbearable cost for Kosovo residents, their businesses, and the economy as a whole. Without free financing (in terms of the cost) for new initiatives, developments and expansions of existing businesses, agriculture and manufacturing in particular, Kosovo's economic recovery will be limited. Achieving an inexpensive cost of financing should be a priority in our policy making. This priority should include a positive approach of all the actors, which in essence, aims to create competition in the banking sector, improving business philosophy and radically changing Kosovo's economic performance. Until then, the assessment of the banking sector's role in Kosovo will be seen as a dilemma of a half full or a half empty glass.

Deposit insurance fund of Kosova

In Kosovo, deposit insurance has started on May 25th 2011, after three years of work initiated by the Central Bank of Republic of Kosovo and supported by the Federal Republic of Germany (through KfW).

DEPOSIT INSURANCE means providing the level of deposit that is guaranteed to be compensated to the insured depositor in the event of liquidation of the bank. The main purpose of the deposit insurance system is to protect depositors, thereby supporting the financial sector stability in the country as an important component of financial safety network, as well as to keep the faith in the banking sector.

The first system of deposit insurance was established in the U.S. in 1933; in Europe began in 1994, while in the region in 2000.

In Kosovo, deposit insurance has started on May 25th 2011, after three years of work initiated by the Central Bank of Republic of Kosovo and supported by the Federal Republic of Germany (through KfW). Deposit Insurance Fund in Kosovo was established under the Law on the Establishment of Deposit Insurance System for Financial Institutions, Law no.: 03/L-216, with the aim to protect small depositors from loss, in case of liquidation of a bank, and to support the Central Bank of Republic of Kosovo (CBK) in achieving its goal to increase safety, solvency and efficient functioning of a stable system which is based on the market economy. Deposit Insurance Fund in Kosovo (DIFK) is a legal entity, responsible for managing the Insurance Fund.

DIFK's primary mandate is to provide deposits of natural persons and legal entities up to 2.000 EURO and to compensate any secured depositor the amount secured by the insured within sixty (60) days in case of liquidation of any bank. DIFK other responsibilities are: determine the level of premiums and payables, invest the assets of



VIOLETA
ARIFI-KRASNIQI

DREJTORESHË
MENAXHUESE
FONDI I SIGURIMIT
TË DEPOZITAVE NË
KOSOVË

the Fund; cooperate with CBK in exchange of information and borrowing in cases of emergency.

DIFK is an independent institution which reports to the Central Bank of Republic of Kosovo and is governed by the Managing Board with the following composition: CBK Governor, Representative of the Ministry of Finance, Deposit Insurance Expert, Licensed Auditor and DIFK's Managing Director. DIFK insures 872 thousand depositor

DIFK has a total of seven (7) banks as members*:

1. Bank Ekonomike
2. Banka Kombëtare Tregtare
3. Banka për Biznes
4. NLB Prishtina
5. ProCredit Bank Kosovo
6. Raiffeisen Bank Kosovo
7. TEB JSC

*By alphabetical order

accounts with an amount of 299 million euros from a total of 2 billion and 61 million, existing in the banking system.

The accumulated fund, as at 31.12.2011, has reached over 9 million euro. Apart of the funding from member banks in the form of quarterly premiums, the fund has received a contribution of 3.3 million euros by the Government (through the Ministry of Finance), and the Government of Federal

Republic of Germany (through KfW) has given a donation of 4.5 million for the capitalization of the Fund, and 0.5 million euros in the form of technical assistance for three years, to help the institutional development of the DIFK.

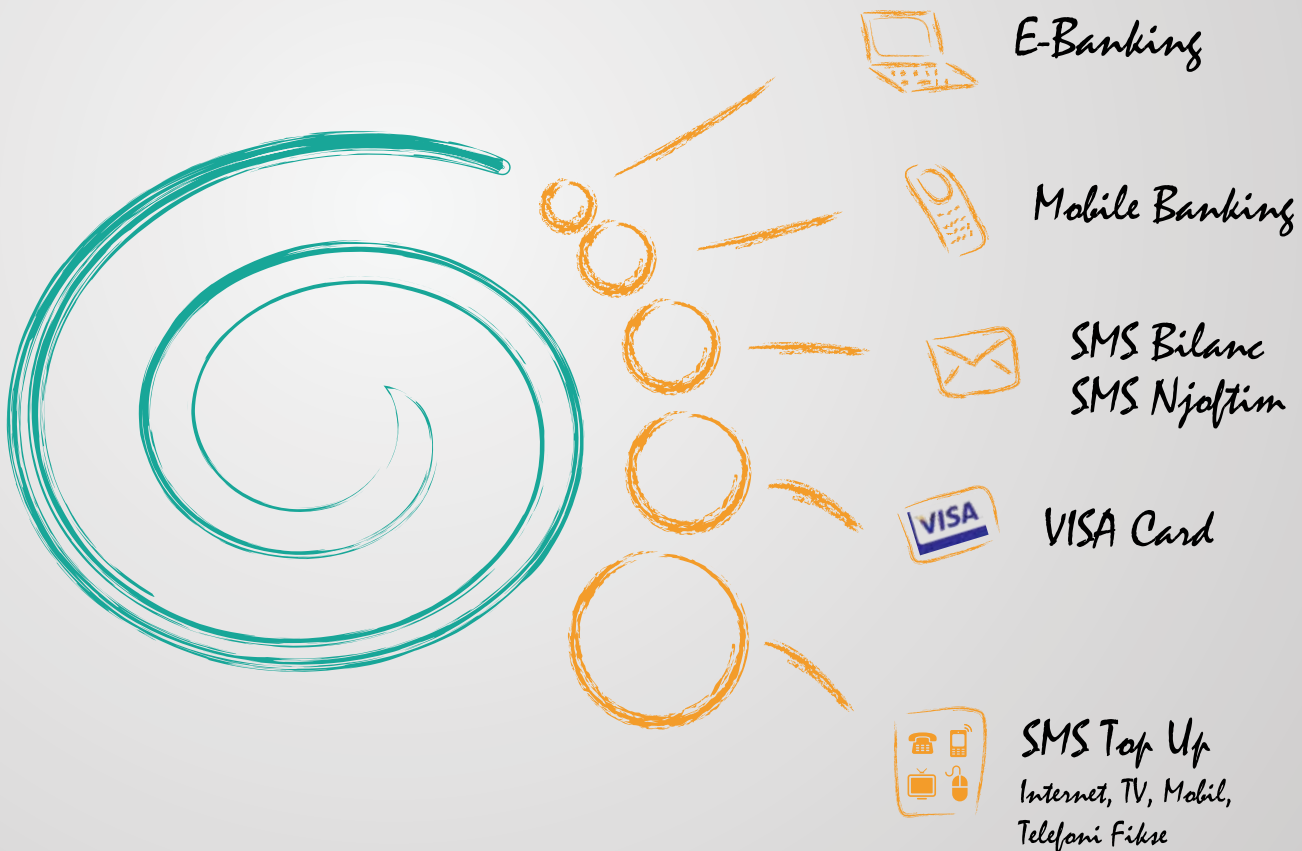
In general terms, the establishment of the Deposit Insurance Fund of Kosova, is very important and marks a progress for the Republic of Kosovo, as an important component that contributes to the stability of the banking system by strengthening the confidence of depositors.



BANKA PËR BIZNES

mundësi për më shumë...

Shërbime elektronike



Working Group Report

Within the Kosovo Banker' Association operate eight committees / working groups of various fields of the banking sector. The committees are comprised of banking sector experts from seven commercial banks, members of the association. The profile of the banking experts fits with the activities of the working groups. These committees have an advisory role for the Association and bank management for issues affecting the banking sector.

The KBA Committees collaborate and organize various meetings, depending on the subject being treated, with the Central Bank of Republic of Kosovo, the courts, judicial council, judicial institute, cadastral agency, tax administration, government ministries of the Republic of Kosovo including agencies that function within these ministries, and all other organizations whose main activities are in the financial sector in Kosovo.

The KBA Committees cooperate with other international institutions such as VISA and other similar forums in the region whose purpose is exchange of information, experience and discussions on the further developments of the banking sector. The KBA Committees organize regular meetings with VISA representatives and regularly participate in various activities such as workshops and regional conferences.

There are eight functional committees within Kosovo Bankers Association:

1. The Treasury Committee
2. The Anti-Money Laundering Committee
3. The Legal Committee
4. The Payments Committee
5. Rge Anti Fraud Card Forum
6. The Security Committee
7. The Finance Committee
8. The Marketing Committee

During 2012, the committees were engaged in government working groups and groups of the Central Bank of Republic of Kosovo for drafting and/or amending laws and regulations which are of interest to the financial sector. The draft laws and regulations for which KBA has given its contributions are:

Legal Committee

- Law on Banks, Microfinance Institutions and Non-bank Financial Institutions;
- Draftlaw on Pledge Registration in the Register for Movable Assets;
- Regulation for Registration of Bank Account Holders;

Payments Committee and the Anti Fraud Card Forum

- Draftlaw on Payment Systems;
- Draft Regulation on Special Conditions for International Payment Services;
- Draft Guideline for Unique Identification of International Payment Orders

The legal environment and the banking sector

IT CAN BE SAID THAT THE BANKING sector, as one of the most developed and sustainable sectors in Kosovo, represents one of the most successful stories in postwar Kosovo. However, despite developments and achievements of the banking sector, the main challenge that still remains is the legal environment, and law/law enforcement practices, which in one way or another regulate and affect the activity of the banking sector in Kosovo.

Regardless of all, we still have a duality of laws in Kosovo (laws that were approved by UNMIK and the new laws approved by the Parliament of Kosovo) regulating banking activity which often causes confusion among judges in applying these laws when deciding upon the proposals and bank execution claims in pledge and mortgage execution procedures.

Often, this problem becomes even greater when the municipal courts, such as courts of first instance, and the district courts, such as courts of second instance, take positions and decide differently on the same issues regarding the same legal proceedings in execution of the pledge of movable and immovable properties. Often times these different court practices in Kosovo cause major problems to the banking sector and unreasonable delays in the execution of legal rights relating to the return of loans.

Another very common challenge is the non-efficiency of the courts in handling cases of the banking sector. Very often, from the motion for pledge and mortgage up to the final execution, it takes six months up to two or three years, which causes issues in the normal functioning of the credit system and other related problems in delays of repayment of loans in arrears, which are all factors that indirectly affect the economy. Then we have the bureaucratic actions of court officials during the authentication and verification of contracts, authorizations, declarations and other bank documents, all incurring unreasonable delays and impediments in the formalization of the contracts.

Even when banks manage to execute mortgages, respectively become the owners, banks are unable to sell these mortgages and convert them into cash because of the conservative and traditional mentality that exists among the population in Kosovo, where no one prefers to buy property "with problems".



JAKUP HOTI

MANAGER OF THE
LEGAL DEPARTMENT
AT BANKA KOMBËTARE
TREGTARE

Besides the challenges with courts, as mentioned earlier, this sector often times faces significant challenges with the Municipal Cadastral Offices of Kosovo, which follow different practices with regard to the registration of the mortgages, which often times delay the processes without any reasons and make them bureaucratic processes.

Another challenge or problem facing the banking sector appears in the definition of property, lack of cadastral registers, non registration in cadastral registers of the factual situation (when the property has been bought and sold but has not been transferred / registered in the name of the new owner). All of these situations in the area of ownership often make it impossible for the banks to finance businesses or natural persons who have not yet arranged ownership documentation.

Seeing such a legal environment which constitutes a real challenge for the banking sector, the banking sector has created a mechanism within the Kosovo Bankers Association called the Legal Committee, whose members ensure direct participation in the preparation of draft laws that affect the banking sector by offering their professional expertise so that these laws provide a greater legal certainty for banking activities.

Overall, despite the efforts made by all (the government institutions, the international presence in Kosovo, interest groups and experts of different fields) to improve the legal environment and to reform the judicial system and the legal system as a whole; I consider that there is still much work to be done in order to ensure a suitable and proper legal environment for the operation and further development of the banking sector.

Advocacy for a healthy legal system for banks

Influencing the decision makers and promoting and defending the rights of the commercial banks is the foremost vision of our mission.

THE LEGAL COMMITTEE was established in February 04, 2010. Its prime role is to advocate and lobby on behalf of the commercial banks, licensed by the Central Bank to operate in Kosovo, concerning various legal issues which affect the banks in their daily business activities. It further provides professional support to the working groups which are involved in drafting legislation and also regulations. The Legal Committee comprises of eight members, namely lawyers, from each commercial bank that is a member of the Kosovo Bankers' Association. The work of the Legal Committee is a challenging endeavor, to say the least. Working in a transition economy, whereby many processes including the legal system are undergoing enormous reforms, is a very burdensome task and the Legal Committee meets its challenges in this process. The Legal Committee advocates on behalf of the commercial banks on any legal or administrative issues which are proposed by either the national institutions or by the international organizations.

Influencing the decision makers and promoting and defending the rights of the commercial banks is the foremost vision of our mission. We strive to promote and advocate for a sound, sustainable and fair legislative and regulatory system supporting the commercial banks operating in Kosovo. We engage and participate heavily in many legal initiatives which the government pursues and ensure that the banks' voice is heard. The Legal Committee meets regularly at the Kosovo Banker's Association offices, whereby a wide array of issues is discussed.

Committee's participation in all the draft legislation is crucial because the participants, who are chosen by the Legal Committee, contribute to the process by giving the first hand expertise from the commercial banking sector. Not only are the specific expertise valuable to have at hand when dealing with draft legislation but our participation usually contributes by putting forward the problems that the banks already encounter in practice or will do so with the proposed legislation. Some of the laws which we have contributed towards are banking law, law on obligations, law on executive procedures, draft



PREVEZA
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HEAD OF THE LEGAL
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ASSOCIATION

law on the filling of pledge in the registry of the movable property and draft payments law. Our comments are always valuable because the insight which is given from the know-how is crucial to the drafting process of a law. However, it has to be noted that the Legal Committee encounters many obstacles on the way too. For example, the draft laws that we receive to comment upon are sent to us at the last minute and with a very limited time within which we have to respond. Whilst analyzing laws is a long winded process because many aspects have to be taken into consideration including analyzing the implications on the complex banking activities, the short time limit which is given to the Legal Committee usually hinders our constructive input. Further, it is a frequent occurrence when the comments of the Legal Committee are disregarded and not taken into consideration at all therefore rendering the laws which are being approved to be overly burdensome and difficult to comply with. We know from our past experience that many laws or regulations that were enacted remained silent because the implementation framework was simply missing.

Moreover, the Legal Committee represents the banks at conferences, round tables and also meetings of various natures whereby the issues raised by the banks are discussed and taken forward. The input of the Legal Committee is of vital importance to the legal process which is undertaken by various institutions in Kosovo. Having a sound and sustainable legal platform in Kosovo is something which is a prerequisite to Kosovo's future in moving towards the European integration. This can benefit not only the business community in Kosovo but it would have an impact on the potential economic growth and also increase the potential foreign investments, which is much needed in Kosovo.

The Legal Committee of the KBA has a long journey ahead; however it shall remain active and shall be the main lobbying voice advocating towards ensuring a sound legal environment in Kosovo for the proper functioning of the banks.



Ku ti je në rradhë të parë!



Payments Committee

Regarding up to date developments, I would note the Direct Debit Scheme, a large and very important project related to the payments system, which was long discussed in the Payments Committee.



VALBONA
DURAKU

PAYMENTS MANAGER
AT TEB BANK.
CHAIRPERSON OF THE
PAYMENTS COMMITTEE
AT KOSOVO BANKERS'
ASSOCIATION

THE PAYMENTS Committee started its operations in 2009 and it consists of seven members, respectively, seven representatives of the commercial banks. The establishment of this committee has had a positive impact on the banking sector since new developments are followed much closer by committee members who work closely for a positive outcome. The committee members are elected and have a long experience in this field, and they all contribute in new developments in the payments system.

The committee holds four to five meetings per year without excluding ad-hoc meetings. In some committee meetings, officials from the CBK and other institutions also attend to jointly discuss about the topics that relate to the payments system. The Payments Committee has an advisory character where all members provide opinions, advice and suggestions. In all meetings, decisions are reached in agreement with all bank representatives, always having in mind that decisions brought are sound

for the overall market and positively affect the payment system, respectively, that all clients have access to better payment services. It is worth mentioning that the Payments Committee pays a great importance to the creation and development of new products that provide greater customer convenience in payments processing.

Regarding up to date developments, I would note the Direct Debit Scheme, a large and very important project related to the payments system, which was long discussed in the Payments Committee. With the development of this project, through close collaboration with the Central Bank and large

companies such as KEK (Kosovo Energy Corporation), PTK (Post & Telecom of Kosovo) and KUR (Regional Water Company), the automatic bill processing was achieved which has helped in the elimination of cash payments. The Direct Debit Scheme is a project that allows the citizens, respectively, commercial bank clients, to make monthly (electricity, telephone, water) payments electronically through their bank accounts. Initially, an agreement between the customer/client and the public company (or private) has to be reached (signed) and the rest of the process is performed automatically. Therefore, I would high-

ly encourage all employed bank customers to use the Direct Debit service to pay their bills – accurately, quickly and safely.

The committee members have also shown their commitment in regards to the payment of wages/salaries which need to be processed through the service called 'massive module'. The aim of all the members has been to have all salaries processed through the massive module, a service which is being offered by all banks. Goodwill and good work in this direction has been consistently proven.

In the last committee meeting which was held jointly with CBK officials and officials of the Ministry of Labor and Social Welfare (MPMS), discussions on the retiree payments (pensions) took place. During this meeting, all committee members requested from MPMS to allow retirees to use their accounts for other services, since the current agreement between MPMS and commercial banks allows retiree accounts to be used for receiving pensions only. After all the discussions, the request of committee members has been formally sent to MPMS and we are now awaiting their response, in hopes that all retirees will be able the use and take advantage of other banking products same as they are provided to other clients.

We should also mention the draft law on bill payments as it was a topic discussed with great care at the Payments Commit-

tee. The committee members have analyzed the draft in detail and have shared their comments on all aspects related to bill payments. Thanks to a good cooperation with the CBK, all comments were

taken into consideration and the draft law on bill payments is now being reviewed once again by the committee.

The success of this committee resulted in an increase in the use of pay-

ment instruments. I can conclude, however, that the main objective and focus of the Payments Committee is to work towards achieving better functioning of payment systems in general.

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Kosovo's card fraud forum

Fraud prevention activities are the main goal of this forum. There have been a number of activities that this forum has undertaken.

Kosovo's CARD Fraud forum has been established and functions within the Kosovo Bankers' Association for more than four years. It has members from all of the banks, most of which are issuers and acquirers of VISA and Master Card. It is worth mentioning that the VISA regional representative is often part of the meetings and developments in this forum.

Kosovo's Card Fraud forum contributes largely to the development of safeguarding the integrity of card payments by tackling card fraud, and also to the legislative and regulatory frameworks. It is important to note that the primary function is to facilitate co-operations between participating members for fighting fraud and developing best practices.

Fraud prevention activities are the main goal of this forum. There have been a number of activities that this forum has undertaken.

1. **ONE OF THE INITIATIVES WAS** the Agreement for blacklisting Merchants, and the creation of a database for sharing information for merchants with fraud ratio larger than normal or specified in the agreement. This agreement, signed in 2009 by the Acquirers and Issuers of VISA and Master Card, has the purpose of preventing fraud and blacklisting merchants who have already committed fraudulent transactions. It also regulates the acquisition of new merchants; by checking that they are not blacklisted beforehand and also regulates other contracting provisions. The database would enable the banking industry to share information on all confirmed, attempted and suspected fraud in a central, shared database and will support the industry's long-term fraud prevention strategy.

2. **CYBER CRIME DRAFT LAW.** We have had meetings with the banks and with the authors of the Draft Law for the Cyber Crime, while suggesting changes or new points in its composition, which could be added to this Law so to include the best way to handle the crimes which are committed with Bank Cards, through different kinds of fraud types.



MODEST MORINA

FRAUD MONITORING
SPECIALIST AT RAIFFEISEN
BANK. CHAIRPERSON OF
THE FRAUD COMMITTEE
AT KOSOVO BANKERS'
ASSOCIATION

3. TRAINING FOR POLICE AND JUDICIAL PERSONNEL.

The Card Fraud Forum held its first training in 2011 to promote its knowledge of the Card Fraud to the police and their unit in the fight against Cyber Crime, and also to the judges and prosecutors. The aim was to explain the card fraud types, and how they are committed and prevented. This largely contributed to the knowledge of the key factors in the fight against card fraud, and also to the introduction of the persons from different fields that are contributing to the same cause.

One other great benefit to our cause was the exchange of information between members of the police (Cyber Crime Unit) and the banks, and the reaching of an agreement to report cases related to Card Skimming and other Card Fraud. As a result there was a decrease in acquiring/issuing fraud, and the cooperation and the sharing of information continues to be beneficial for both parties.

4. ADVANCED TRANSACTION MONITORING SYSTEMS.

One of the discussions in the Card Fraud Forum has been the implementation of the Advanced Authorization Systems used for monitoring, which some of the banks have already started implementing. The system would be used to set parameters in the authorization system that would either prevent or decrease the number of fraudulent transactions.

5. **PARTICIPATION IN REGIONAL FORUMS.** The Kosovo Card Fraud Forum has been invited to and attended the Albanian National Fraud Forum held in Tirana, which covered key industry developments from both the technical and management side, and fraud prevention and investigation methods. Particular emphasis was placed on the need for stronger cooperation between banks and the authorities to foster the safe development of this industry.

NLB Kredi



NLB Kredi për Banesë, Truall apo Shtëpi

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Interviews



NLB KA NDIKUAR NË RITJEN E KONKURENCËS SË SHËNDOSHË

ALBERT LUMEZI

CHIEF EXECUTIVE DIRECTOR, NLB BANK PRISHTINA

1) How has merging of two institutions (BRK and KSB) assisted NLB Bank Prishtina?

In the last few years, the banking sector in Kosovo has continued with positive changes, further stabilization, strengthening, growth and development, and measured by the most important quantitative and qualitative indicators the improvement trends have been maintained in all segments of the business.

NLB group, as a regional leader in the financial sector and an important European bank, has influenced the dynamics with its presence, and has increased a sound competition in the banking market of Kosovo. In early July 2007 the NLB Group became the majority shareholder of the New Bank of Kosovo (Banka e Re e Kosovës - BRK). Since Kasabank was a member of NLB Group since April 2007, the integration of these two banks in Kosovo

was a logical step. Numerous factors speak in favor of the merger of these two banks, which have brought a new quality in Kosovo's banking market. By merging into one bank, a stronger financial institution is built and the following objectives are accomplished:

- Growth of assets and capital assets, which has positively impacted the rating of the joint bank in the Kosovo market,
- Greater security in business is ensured
- Greater profit realization
- Expenditure rationalization
- Larger market coverage and rationalization of the business network,
- Increase in competition
- Creating conditions for providing a greater number of credit products and financial services to a larger number of customers
- Improving risk systems management, and availability of larger

quantities of information about clients,

- Better utilization of available resources

2) What are the advantages and disadvantages of merger and acquisitions of institutions, considering your case?

The process of bank merger allows easier implementation of the strategic goals as listed above. The main advantages are: concentrated equity ownership, strengthened business security, increased liquidity, solvency and profitability, and further development and stability of the Bank in a more efficient and functional manner. While the main disadvantages are: the energy spent in the harmonization of the business and the normative acts, and inheritance of problems from the previous banks.

3) What are your bank's objectives for 2012?

The main objectives of the bank for the next

planning period are:

- To promote a good image for NLB Group
- To become a bridge between Slovenian and Kosovo economy and states where NLB Group is present.
- To maintain current participation in the market and to be accepted by the public as one of the main leaders of the banking industry
- To have greater coverage throughout the territory of Kosovo
- To maintain the customer base and achieve growth in the business volume
- To continue with an increased customer care, development and implementation of a systematic and flexible approach to customer management
- New Products / services for customers (loans, deposits, e-banking, cards, personal banking, etc.)



E KEMI TUNDUR TREGUN POZITIVISHT

ALP YILMAZ

CHIEF EXECUTIVE DIRECTOR, TEB SH.A.

1) What are the goals for TEB in 2012?

Over the last four years, I can truly say that TEB in Kosovo has become one of the key players in the financial sector. We have launched numerous new products which are quite unique for the market. For everyone at the Bank, our customer-oriented service approach is one of the most important prerequisites for keeping customers satisfied. And even after four years, we are still inspired by the same spirit as in the early days when we were just starting to make our brand name as the best service provider in the financial sector. I think you could say that we've been made very welcome here and the best indicator is our almost 150,000 clients in all segments. Our aim going forward is to maintain sustainable and solid growth by enhancing service quality in the years ahead.

2) How was the process of entering the Kosovo

market? What were the challenges?

When we decided to invest in 2007, Kosovo was not yet independent. But it was very promising in terms of aspirations. It was clear that Kosovo aimed to achieve and maintain international standards in every area. Moreover, the financial sector was not yet saturated and was dominated mainly by only two international players. At the time, we thought we could easily transfer BNP and TEB's expertise and experience to Kosovo. At the same time, there are close historical, cultural and economic ties between Turkey and Kosovo. So that was another driver for us and certainly helped to ease our integration into the financial sector. But even so, we visited frequently ahead of start-up so that we would know Kosovo and the market intimately. We had several meetings with government officials, CBK and internation-

al institutions. So there were no surprises and we were more than well-prepared to meet all the regulatory requirements. I should also say that, as a foreign investor, we received a lot of support and assistance to help us comply with regulations. So, in short, we did not face any particular difficulties to slow down our entry.

3) How did things change after four years of operating in this market?

Well, it is now almost 4.5 years since we first started operating. In that period, we have established the Bank as a reputable international financial institution with an almost 10% market share in the banking sector. Based on positive feedback from our customers, we truly believe that we have shaken up the market in a very positive way. However, from a macroeconomic point of view, there are still challenges that Kosovo should

tackle immediately. According to the study Doing Business in Kosovo progress on creating a positive entrepreneurial environment is slow. Rule of law and its enforcement is still one of the main bottlenecks that discourage further foreign direct investments. Nonetheless, we have seen considerable progress in the overall infrastructure as well as in other public investments. Against all odds, with such a significantly high unemployment rate and unfavorable per capita income, with respect to neighboring countries, GDP growth has sustained a positive trend even during the current global crisis. Given the continued support of Europe, the US and Turkey, we are as confident about Kosovo's promise and prospects as we were back in 2007.



PROCREDIT BANK ME NJË VIZION TË FUQISHËM ZHVILLIMOR

ILIR ALIU

CHIEF EXECUTIVE DIRECTOR, PROCREDIT BANK

1) Which were the greatest challenges in year 2011 for the ProCredit Bank?

Despite continuous crisis in the international financial markets, the year 2011 was a successful year for ProCredit Bank. Results achieved in the past year prove that it is possible to be commercially successful and still maintain a development-oriented approach.

In line with its mission, ProCredit Bank continued to contribute to the economic development of Kosovo by providing loans and banking services based on the needs of businesses, as well in field of deposits for citizens of Kosovo.

The year 2011 was a year of not only growth/expansion of our banking activities in Kosovo, but also a year of our contribution in informing and educating citizens about banking services. Supported by the Central Bank of Kosovo, we have undertaken awareness raising initiatives in the field of public information about banking services, since we strongly believe that

it is crucial the general public to have basic knowledge about banks and banking services.

2) Which are objectives of your bank for year 2012?

The quality of ProCredit Bank services has been proven with the success of our work, by being not only the first bank in the after war Kosovo, but also the most successful one since 2000.

The quality of our institution has been proven with the prize "Best Bank of the year 2011", awarded by the prestigious magazine "The Banker", part of the Financial Times group. Title of the best bank in Kosovo for 2011, was awarded to us by Euro Money as well, which awards excellent banking performance.

These acknowledgments for our work and banking services are the indicator about ProCredit Bank's professionalism and sustainability in the banking sector of Kosovo. It is important to bear in mind that the banking sector in Kosovo is one of the key pillars of the financial market, capital mar-

ket, and consequently the performance of each bank influences financial developments in our country's market. Therefore, we as ProCredit Bank are proud to be a good example of how an institution with strong development vision at the same time can be highly successful commercially, as well.

In this context, ProCredit Bank in 2012 is further advancing its banking services and will launch in the market the latest banking technologies. Reaching our objectives is fully in accordance with the unique values and mission of our bank, while being an example of a responsible financial institution which promotes a culture of savings and long-term partnership with clients.

Let us not forget that all of such work has been and will be done by the staff of ProCredit Bank, thus, their professionalism is one of our key assets. In 2012, we will continue with the Young Bankers Programme and other training programs by investing on staff training. Being part of the

team of ProCredit Bank means continuous advancement of skills and knowledge, with the aim for a warm and efficient working environment, and offering of competent services to our clients.

As a responsible and ecologically friendly financial institution, ProCredit Bank in 2012 will continue to initiate and support many initiatives in benefit of society, in field of education, environmental protection, disabilities, culture, sports, etc.

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ROBERT WRIGHT

CHIEF EXECUTIVE DIRECTOR, RAIFFEISEN BANK KOSOVO

1) What were the biggest challenges for Raiffeisen Bank in 2011?

The biggest challenges in 2011 were related to managing the uncertainty and unpredictability of the European and local economies. The potential consequences of the Greek crisis, the new regulations and requirements of banks in the Eurozone and the fragile Kosovo economy could have combined to create a very challenging and difficult situation. Thankfully this was not the case and the environment was relatively positive and we finished the year with excellent results.

2) What are the bank goals for 2012?

Our goals for 2012 are to continue the excellent growth and development of the bank. Year to date we are on target with all our key performance indicators and I see no reason why the rest of the year should be any different. We will also continue to invest in our branch and electronic banking services and launch new and

improved products and services in all our customer segments.

3) What is it like to manage a bank in a time of global financial crisis, especially when operating in a developing country?

As I have said in question 1, the economic environment creates challenges and uncertainties and these will continue throughout 2012. However, one of the benefits of being in a developing country is that we do not have a complicated and potentially difficult banking environment. For example the banking sector is not exposed to high government debt or foreign currency lending and the banking industry in Kosovo also has excellent levels of liquidity all of which makes it easier to manage the bank compared to our competitors in other countries.

BKT SYNON TË JETË BANKË E RËNDËSISHME RAJONALE



SUAT ALBAYRAK

CHIEF EXECUTIVE DIRECTOR, BANKA KOMBETARE TREGTARE (BKT)

1) How was the process of entering the Kosovo market? What were the challenges?

Banka Kombetare Tregtare Sh.A. (BKT) is the only Albanian Bank in Kosovo and has its history going back to the year 1925 in Albania. It was established in Albania and the current structure is more or less shaped with the merger of two state owned banks in 1993, namely the Albanian Commercial Bank and the National Bank of Albania. BKT completed its privatization process in the year 2000 with the investors IFC (20%), EBRD(20%) and Çalik Group 60%. The shares of IFC and EBRD were bought by Çalik Financial Services in 2009 and now it is the 100% shareholder of BKT. BKT - Kosovo Branch was registered in August 30 2007 within the Central Bank of the Republic of Kosovo and started to operate at the end of 2007 in the Republic of Kosovo. The main expectation was to contribute to the trade relations between Albania and Kosovo.

BKT Kosovo is the newest bank in the country and 2009 could be considered its first full year of operations with a full branch network. Kosovar citizens accepted BKT as one of their local banks and the expansion of the branch network was accompanied by a high increase in the market share in both lending and deposits. BKT Kosovo positioned itself to be the best bank in the market for new product innovation, technology, corporate and trade finance, credit cards and also to be a reasonable bank in terms of charges being applied to the clients. Till now it seems that these goals are achieved.

2) How did things change after five years of operating in this market?

BKT Kosovo invested in the branch network throughout the years. BKT Kosovo experienced a natural expansion. As the clients requested, the network and the capacities increased. Now BKT Kosovo has 23 branches and 276 employees, and it is covering all the ter-

MENAXHIMI I NJË BANKE VENDASE - PRIVILEGJ DHE PËRGJEGJËSI



**VULLNET
LATIFI**
CHIEF EXECUTIVE
DIRECTOR, BANKA
PËR BIZNES

ritory of Kosovo. It is offering all kinds of modern banking services and products. The results reached during this five year period were satisfactory.

3) What are the goals for BKT Kosovo branch in 2012?

BKT aims to be an important regional bank. BKT Kosovo is targeting to be a part of that regional network and to be the best in the quality of services offered in Kosovo. BKT is dedicated to Kosovo with its services and also with other social responsibility activities. For BKT Kosovo, the development of Kosovo both financially and economically is as important as the development of its balance sheet. The year 2012 is a historical turning point for the Republic of Kosovo in terms of economic developments. The Government issued the first Treasury bond, the government has signed the agreement with the IMF, the sovereign rating for the country is planned to take place during the second half of the year, the new

Banking Law was approved... We see such developments as critical steps for a more developed financial sector in Kosovo. With a more developed and well regulated banking sector, the banks will be more able to contribute to the growth of the Kosovo Economy and facilitate more international trade and capital movement opportunities for the country. And in such an environment, BKT Kosovo will try to bring the best service and product offering to the market.

1) What activities characterize year 2011 and what are the goals of the BpB for year 2012?

Based on leading indicators for the year 2011, we can say that the BpB performance was satisfactory. Apart from the increase in the business volume, BpB's focus was also improving the processes, continuation of employee trainings, improvement and modification of products according to market needs and requirements, as well as provision of better services and quality care for the bank customers. During 2011 the bank has continued with investments in infrastructure, renovations, as well as opening new units. In Prizren, we opened a new unit to be closer to our customers. The branches of Prishtina, Peja, Gjilan and Vushtrri have been renovated, whereas branches of Drenas and Viti have been relocated, with the sole purpose to be closer to where our clients need us the most. To be in line with technology developments in the banking system,

the implementation of new services has continued. Besides the distribution of VISA cards, E-banking and M-banking which enable payments without the need to visit the bank facilities have become very attractive products to our customers. SMS Banking is a service that started in August of 2011 which includes SMS notification, SMS and SMS Top Up Balance. The use of these banking services further helps our customers to be informed on the status of their accounts, at any time and any place. Significant changes and improvements have been made in the software modules as well to support our business and ease the access to services for our customers. An important development for BpB and for the banking sector as a whole was the signing of the agreement on capital investments between BpB and the European Bank for Reconstruction and Development (EBRD). In this agreement signed in the second half of 2011, EBRD has purchased

Interviews

CONTINUED FROM PAGE 25

10% of the BpB shares issued and thus has become part of our shareholding structure. As far as year 2012 and subsequent years, BpB is committed to continue its positive trends of growth and further improvements in the quality of products and services it offers to its clientele. BpB will continue to advance the qualities of its products and services in the marketplace by remaining faithful to its well known slogan 'Opportunities for more'. Businesses but also individuals will continue to be supported in their business ideas; and as such, BpB will continue to be a serious player in the market by staying true to its aim: to continuously support the businesses and citizens, respectively continue with its contributions to the economic growth of the country.

2) How is to manage a locally owned bank operating in Kosovo?

First, I would like to note that it is a privilege to manage a local bank. At the same time it is a huge responsibility, and

even more so when one considers that the bank is an institution of trust. This responsibility requires a careful and professional approach toward all interest groups and their reasonable expectations of the bank, respectively: ensuring a return on investment to the shareholders by increasing the value of the investment; creating a sustainable working environment for all employees; respecting the legal and regulatory requirements of the state including contributions that affect the overall economic development of Kosovo; and last but not least, returning the client trust in the bank by offering qualitative, safe and efficient products and services to them. Managing a locally owned bank entails even greater responsibilities, because local stakeholders are focused on their core business which is not related to the banking industry and therefore local banks do not benefit from the synergies of groups such as the foreign banks which are part of larger groups. Being local, however,

enables quick decisions and adaptations to current market circumstances and environment in general as you are closer to the developments taking place. Moreover, the presence of the EBRD in the structure of bank shareholders has enabled us to benefit from their expertise through technical assistance provided by them in the areas that BpB has needed.

3) How do you see Kosovo's banking sector after five years?

It can be rightfully said that the banking industry has been one of the most successful stories in the post-war Kosovo and one that had positive trends from year to year, consecutively. The fact that the regulatory and legal framework is now covering almost all activities of the industry, the continued role of CBK in further consolidating the industry through effective supervision activities and further improvements of the legal environment/ respect of contractual relations, will affect the continuous improve-

ment of financial discipline and consecutively ensure an increase in the performance of the industry and the business environment in general. All this will contribute in: continuous enhancement of the competition; easier access to funding; qualitative products and services to the customers based on their requirements and needs for financial services. Finally, I am convinced that the banking industry will continue to be a strong pillar of the overall economic development of the country in the future.

Information, when abundant, should be organized, illustrated and ordered in such hierarchy that allows everyone to accept it with much ease.

—trembelat

TYPOGRAPHY
DESIGN ARCHITECTURE
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Të reja nga bankat

BKT with a wide range of banking services

With over 85 years experience in the banking sector, Banka Kombëtare Tregtare offers a wide range of banking services and products to individual customers, small and medium enterprises, and corporations.

The '2 in 1' is the most attractive product on the market, with no commission fees, rewarding the client with 3% interest on a savings account, while at the same time allowing 24 hours access to the account through the Visa Debit or Maestro Cards



throughout 35 ATM in Kosovo.

PRIMA MasterCard and PRIMA GOLD MasterCard issued by BKT are special in that besides they enable clients to purchase products through the Internet; they also allow customers to purchase products and services by paying up to 12 installments at any place where BKT Prima logo is displayed.

The e-Banking product offers customers fast, secure, easy and free online account management. BKT's newest product is its Facebook Virtual Bank where anyone interested can apply and take advantage of banking products and services anytime and anywhere. This product is offered only by BKT. BKT's Virtual Bank objective

is to serve clients in the best and most efficient way possible by being closer to them.

BpB extends its loan maturity period to eight years

Banka për Biznes launched its newest product which provides more opportunities for its customers. Our bank has decided to increase duration of loans for physical persons from 60 months (5 years) as it has been so far, up to 96 months (8 years). Customers will be able to use this loan for various personal needs, such as: building and buying a house, buying an apartment, and purchasing land for construction. We believe this innovation will significantly support families in the realization of their basic needs.

In addition, BpB, as one of the first banks in the region that offered Mobile Banking services, now supports the service even for ANDROID as well as the IPHONE. This option is now available for all phones that have GPRS or WiFi and all other platforms. We are particularly pleased that with this service we are in a position to support the specific requirements of a large number of Kosovars with modern world standards which are now readily applicable in our country.

Mobile Banking allows easy and safe access from your device to your account: to view your bal-

ance, the amount available in the card, transfer funds between your accounts and third parties. In a nutshell, you have a full banking structure, at your fingertips. Mobile Banking is available on all mobile networks.



TEB

BNP PARIBAS JOINT VENTURE

Payment of VAT through teb e-banking

E-banking from TEB Bank now provides a unique service for online payments of Value Added Tax (VAT) which presents an enormous relief for businesses in Kosovo. The TEB e-banking service has been offered for a number of years now and through this service TEB customers can have free and speedy access to their bank directly from their computer.

TEB Bank has started offering a unique service in e-banking platform by enabling the payment of VAT from the comfort of the computer, anywhere and anytime. After the electronic filing of taxes, the customer can make VAT payments through e-banking, therefore saving time and expenses.

Through TEB e-banking customers can perform various transactions: check account balances, manage the Starcard and many other services without having to visit any of the branches.





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FINCA KOSOVË

ProCredit Bank Supports Businesses to Stimulate Economic Development

ProCredit Bank focuses on lending to small and medium size enterprises since it is convinced that these businesses create the largest number of jobs and stimulate sustainable economic development. With its aim to be closer to the businesses, ProCredit Bank provides banking services specifically designed for the needs of small and medium enterprises. In addition, the bank encourages local businesses to make long term investments.

In this context, ProCredit Bank is a leading partner in the banking market in Kosovo. This approach is based on the belief that small and medium enterprises provide vital contributions to the country's economy.

"With the financial support from ProCredit Bank, we have enhanced the machinery, while our products have increased 70%, and at the same time we have increased the number of employees. This bank is a type of an infusion for businesses", says Adem Ademi, director of the recycling company, Ex-Plast.

Therefore, the focus is to provide opportunities for businesses to be successful, by benefiting from fast and quality banking services or even expanding existing businesses to other new businesses, increasing profits or even beginning production.

In addition to contributing to the banking sector as the first bank in the market in the postwar Kosovo, ProCredit Bank has also contributed to the development of the economy. Since then, many businesses have implemented major commercial projects by taking advantage of business loans from ProCredit Bank.

A committed environmentally friendly bank - ProCredit Bank

As a responsible financial institution and ecologically friendly, ProCredit Bank has launched an awareness raising campaign in the field of environmental protection under the slogan:

IT'S OUR COUNTRY.

LET'S KEEP IT CLEAN.

Through this campaign, ProCredit Bank aims to further expand its proactive approach towards environment, by contributing for a clean and green Kosovo. ProCredit Bank believes that the quality of life is connected to the quality of the environment.

Therefore, the campaign emphasizes the importance of living in a clean environment and its impact on health, while focusing on the viewpoint that environmen-



tal protection is a responsibility of each of us. For this reason, ProCredit Bank is committed in applying environmental management policies about the impact of its operational and business activities. In this context, the bank has established its Environmental Committee, which is an important part of the social responsibility framework of this financial institution. The Environmental Committee oversees implementation of environmentally friendly policies, which continuously advance bank's environmental performance. ProCredit Bank's facilities are being built with the contemporary technology for energy efficiency, becoming an example for operation of green buildings in Kosovo. ProCredit Bank's commitment to environmental issues has been articulated a while ago - being the first bank in Kosovo to offer Eco Loans for efficient use of energy for households and businesses.

The initiative 'IT'S OUR COUNTRY. LET'S KEEP IT CLEAN' is addressed to the general public, while further expanding the comprehensive approach of ProCredit Bank in favor of environment. This initiative contemplates information/education and action elements. An important part of the campaign is investment for green spaces - more precisely investment on some public spaces cleaned during the civic initiative 'Let's do it Kosovo'. In cooperation with this initiative, several places have been identified which until the end of the campaign will become comfortable places to be used by nearby citizens. At this point, it is important through this campaign to pass the message that all of us, regardless of our job profile, shall continuously contribute for a clean and green environment in Kosovo.



Thousands of Students Take Part in ProKid Knowledge Quiz

Thirty-two elementary schools, from all regions of Kosovo, have enthusiastically competed in 11 editions of the ProCredit Bank's knowledge quiz, to receive the title and the award of the school with 'the most knowledge' in Kosovo. Students of the elementary school 'Migjeni' from Mitrovica, are leaders in their knowledge of biology, mathematics, geography and history. They demonstrated their knowledge during the educational competition with 31 other schools by winning the Final ProKid Knowledge Quiz. With this prize, ProCredit Bank will invest 4,200 euro in the needs of this school as identified by the school officials. The Knowledge Quiz is organized for the second consecutive year by ProCredit Bank and it has become a very attractive traditional education event for students in Kosovo. This initiative reflects the ProCredit Bank reputation, as a bank that invests in education.



BKT contributes in the development of sports in Kosovo

Besides its dedication to introducing innovative products, social responsibility has been and remains an ongoing priority for BKT. In line with this, the bank has consistently developed projects related to Kosovo's youth. By sponsoring Kosovo's Basketball Super League for the second consecutive year, BKT is making a major contribution to the development of sports in Kosovo. BKT has also sponsored competitions in chemistry and English for high school students, organized by primary and secondary school Mehmet Akif, for two consecutive years. Other BKT sponsorships that contribute to the society include: "Gala evening" for collecting funds to benefit ill children of Kosovo; sponsorship for the "Blind Association of Kosovo", and sponsorship to support the initiative "Let's clean up Kosovo" etc. BKT's concept for social responsibility under the motto "Contributing to society" has been met by providing quality products and services, creating employment opportunities, and providing optimal conditions for its employees to perform their duties and responsibilities.

Math Olympics

Six students from Kosovo, winners of this year's Math Olympics, will represent the country in the international math contest which will be held in Argentina during the month of July. A total of two hundred students from all regions of Kosovo have competed in the 'Olympics' supported by ProCredit Bank to be classified amongst the six best junior mathematicians.

Kosovo Bankers' Association Training Center

THE KOSOVO BANKERS' ASSOCIATION Training Center was established in 2005 and played an active role in the development of the banking sector since the early stages of its establishment, by training over one third of the overall sector employees during year 2004 - 2005. The role of trainings at KBA is to meet the educational needs of the banking sector by providing training for those who wish to gain knowledge in the field of banking and finance.

Today, thanks to our members' interest in our trainings, the KBA Training Center regularly holds trainings which are developed according to the needs of the bank members and depending from developing trends in the banking sector. The KBA Training Center, today, is an important part of the infrastructure which facilitates the development of modern financial service systems and has become the main source for practical and theoretical training for bankers in Kosovo.

Apart from improving their performance, staff training is also one of the main staff motivators, since it enables individuals to advance and develop professionally by increasing their professional expertise. The courses and trainings range from advanced level programs that address the specific needs of the experienced employees, to the beginner level programs that require basic knowledge.

KBA is currently collaborating with several local and foreign institutions in the field of training. Some of the institutions we cooperate with are the World Bank, the Central Bank of Kosovo, and the Agency for Transfer of Technology in Finance (Agence de Transfert de Technologie Financiere - ATTF) in Luxembourg. KBA is also an accredited member of the European Bank Training Network (European Bank Training Network - EBTN), headquartered in Brussels, to implement candidate certifications of the EFCB Certification Program.

Trainings are held by national and international experts with experience in the field of banking and academia, which helps to incorporate the experience and knowledge in our country with the experience and practices of developed countries.

European Foundation Certificate in Banking - EFCB

In 2012, The KBA Training Center started for the first time holding a preparatory course and certification test for the program - European Foundation Certificate in Banking (EFCB).

The EFCB is a certification program for fundamental



banking knowledge established by the European Bank Training Network - EBTN, headquartered in Brussels. In October of 2011, KBA was accredited by the EBTN to hold courses and certify candidates, thus becoming the 15th institution offering this certification program in the region. The certificates are recognized and accepted in Europe and few other countries in Africa, Asia and Australia.

Why EFCB?

Initially, the project was initiated with the aim to provide the individuals with additional knowledge and practical examples from daily work required in banks, and to create a uniform system of assessment of the qualifications and skills in the field of banking. Setting tangible results enables banks to more closely recognize the skills of individuals who apply for jobs, which helps in the selection of appropriate and qualified candidates.

Benefits

The program provides benefits in several areas. On one hand it enables the prospective employees to be better equipped with knowledge to start working in banks by learning about concrete issues that are of interest to their employer. In addition, certificates are recognized and consistent with requirements of other developed countries in Europe, and 40 other countries around the world where EFCB Certification is acceptable.

On the other hand, it enables banks to have a uniform and controllable system of banking knowledge and skills; thus making it easier to evaluate the knowledge of bank candidates.

The fact that banks have been involved in the development and establishment of the program from the beginning of the project is a strong guarantee that this program really meets the knowledge required for junior staff in banking sector.

EFCB program is addressed to all those who wish to start a career in banking, or those that already are bank employees but aspire for higher level positions.

The EFCB Certification Program includes all working aspects of a banking institution and provides basic knowledge transferred in theory and practice from lecturers that have knowledge in the relevant topics, as well as practice this knowledge in institutions where they work.

Starting from October 15, 2012 - KBA will be offering this certification for the individuals outside banks and the general public. Participants will be students and individuals interested in careers in banking. Seats are already half filled for the next group, with all students being from the field of economy or unemployed graduates.

MODULE A: THE ECONOMIC AND MONETARY ENVIRONMENT

- European Economic and Financial Structures
- European Monetary Policies

MODULE B: PRODUCT – CUSTOMER RELATIONSHIP

- Products, Customers, Distribution & Competition
- Retail customers
- Corporate customers
- Institutional customers
- Managing needs, risks and costs
- Microfinance

MODULE C: HUMAN ASPECTS

- Ethics in banks
- Marketing
- Human resources management
- General management in banks

The EFCB program includes a wide range of bank activities, starting from local as well as European systems and monetary policies; products and customers and the relationship between them; segmentation, treasury, risk and cost management; human resource aspect such as ethics; marketing; as well as human resources and general management.

All lecturers come from relevant bank departments, are experienced in the field of bank trainings, and are

experts who practice these lessons in their daily jobs.

In April, the first thirteen candidates have successfully completed trainings, all of them being existing staff of commercial banks in Kosovo. All candidates have taken the certification test on May 18th. Certificates will be issued by the European Bank Training Network, headquartered in Brussels.

Trainings in 2012

During the year 2012, a series of trainings are planned, which were derived based on the staff development needs of our members and as a result of circumstances created during important financial events in the world.

Trainings that were successfully held this year:

- Math and MS Excel in Financial Applications
- Taxes – advanced level
- IFRS Introductory
- IFRS Intermediate
- IFRS Advanced
- Leadership and Team Building
- EFCB Certification

The following courses will be offered during the Fall semester:

- Detection, Prevention and Investigation of Fraud for Internal Auditors
- Management Skills
- Marketing, Marketing Planning and Research Methods
- Operational Risk Management
- Basel II and the future of banking regulations
- Business Banking with Private Clients (Retail)
- EFCB Certification

Library

One of the activities of the KBA Training Center is the provision of literature and other educational materials for the needs of our members. Our library currently contains dozens of book titles and training manuals in the Albanian and English language.

The majorities of the titles are from world authors and recognized experts in the field of banking and finance.

The Training Center Library is open to all our members. The materials that the library contains cover topics such as Finance and Accounting, Risk Management, Economy, Marketing, Managing Operations, and Leadership.

Books can be borrowed for a period of up to 30 days after the individual is enrolled in the KBA library.

Roundtable Discussion - Mortgage Executive Procedures

Kosovo Bankers' Association (KBA) in cooperation with the Systems for Enforcing Agreements and Decisions (SEAD USAID) Program and the American Chamber of Commerce in Kosovo (AmCham) organized a roundtable discussion on mortgage as an Executive Title, on February 28 2012. Speeches were held by Mr. David Greer, Program Director, the USAID Systems for Enforcing Agreements and Decisions (SEAD) Program, who emphasized the economic and legal importance of this topic; Mr. Fejzullah Hasani, President of the Supreme Court of the Republic of Kosovo; Mr. Dastid Pallaska, General Secretary of the American Chamber of Commerce in Kosovo (AmCham); and Mr. Robert Wright, Chairman of the Board, Kosovo Bankers' Association (KBA). The discussions emphasized the importance of timely and efficient executions of contracts, which is in the interest of the society and our economy. The importance of the uniform interpretation and application of the law throughout the country was also emphasized and it was also agreed that all parties involved are in favor of treating the mortgage contracts as executive titles. Participants also talked about the next steps forward in this matter as well as the continuance of the cooperation and internal discussions between these institutions.

European Foundation Certificate in Banking (EFCB)

The European Foundation Certificate in Banking (EFCB) is a certification program in fundamental banking knowledge established by the European Bank Training Network - EBTN. Supported and managed by the banking sector



Roundtable Discussion - Mortgage Executive Procedures



KBA Exhibited at the Career Fair of the University of Prishtina

in Kosovo, the EFCB is an accredited training program which prepares and certifies individuals with fundamental banking knowledge needed for working in the banking sector. The accreditation by EBTN ensures these certificates are recognized and accepted in many European countries, some of which have already adopted the program. On March 19, 2012, the first group commenced its classes. The group consisted of bank officials from different departments: credit analysts, client advisors, cashiers, human resource specialists, card officers, corporate relations officers, asset classification officers, participants from the Young Bankers' Program etc. On April 25 2012, the first group completed the EFCB program and they were subject to the certification exam held on May 19 2012. At the end of this fifteen day program, participants ex-

pressed that this training equipped them with additional knowledge on the general duties in banks, especially on the different banking operations which normally are not related to their daily work activities, adding that they now have refreshed their knowledge with practical information.

KBA Exhibited at the Career Fair of the University of Prishtina

KBA was one of the exhibitors in the Career Fair organized for the second time by the Center for Career Development at the University of Prishtina. The fair was held at the National Library in Prishtina where a large number of students participated by expressing their interest for internship jobs in various companies and institutions. KBA presented its EFCB certification program providing information on the benefits of this program. A considerable number of participants at the fair expressed their interest in the program which will be an advantage during their job searches in the banking sector. The fair was characterized as a result due to the large number of visitors who were interested in the exhibiting companies and institutions.

Bazat e Afarizmit Bankar | EFCB

*European Foundation
Certificate in Banking*

fitoni njohuri dhe certifikatë fundamentale bankare

krijoni vetes përparësi gjatë rekrutimit në banka

përfitoni nga certifikata e njohur ndërkombëtarisht



Kursi përgatitor fillon:
15 Tetor, 2012

Afati i fundit për regjistrim:
1 Shtator, 2012

*vendet janë të kufizuara

Për më shumë informata rreth regjistrimit apo programit, kontaktoni Qendrën e Trajnimeve në Shoqatën e Bankave të Kosovës:

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



Finance Fair 2012

The Finance Fair is one of the most important events in the finance sector. This event brings together main players from the finance and banking sector, and visitors of different backgrounds who are interested in finance products. The Finance Fair provides an opportunity for the banks and the finance sector to present their products and communicate with clients, policymakers, the media, and different investors.

The main part of this fair, with the exception of exhibitions, is comprised of various conferences organized during the fair which cover important topics relating to the finance sector, and industry experts discuss on issues related to the economy in general.

This year the Finance Fair will be held in September 2012. You can express interest to participate in the fair by writing to this e-mail address: panairifinanciar@bankassoc-kos.com

We hope you will become part of this important event and contribute in the further development of this sector.



Trainings offered during Fall 2012

- Detection, Prevention and Investigation of Fraud for Internal Auditors
- Management Skills
- Marketing, Marketing Planning and Research Methods
- Operational Risk Management
- Basel II
- Business Banking with Private Clients (Retail)
- Internal Audit and Control
- Certification EFCB

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