THE KOSOVO BANKER

December 2018 · Number 14

FINANCING GROWTH

Banks for a sustainable economic development of Kosovo

THE ROLE OF BANKS IN ECONOMIC DEVELOPMENT

The Economic impact the banks had and do have in the industries and economies in which they operate is a fundamental... 6

BANKS AND ECONOMIC DEVELOPMENT – LET'S MAKE THEM FIT FOR THE FUTURE!

Banks as important economic transmission stripe... 13

THE ROLE OF FINANCIAL INSTITUTIONS FOR PRIVATE SECTOR GROWTH AND AGRICULTURAL DEVELOPMENT

Kosovo has over the years continued to develop... 26

SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

Publication of the Kosovo Banking Association

Kredi konsumuese

Plotësoni dëshirat dhe nevojat tuaja me kredi konsumuese me norma të ulëta interesi.

NLB Banka

CONTENTS

#The Kosovo Banking Association

#The Kosovo Banking Association

05 FOREWORD
– ILIR ALIU

FINANCIAL SECTOR

06-12

The Role of Banks in Economic Development – BERAT ISA

Development of human resources in banking sector – ANITA KOSUMI AJETI

EXPERTS CORNER

13-25

Banks and Economic Development – let's make them fit for the Future!
– JOHANNES ENGLES

The fast pace evolution of the Banking business model after the crisis - ELVIS ZIU

Payment practices across Europe:Delayed and defaulting payments put entrepreneurial livelihood at risk – KATERINA BOSEVSKA, EOS MACEDONIA, KOSOVO AND MONTENEGRO

26-29

The Role of Financial Institutions for Private Sector Growth and Agricultural Development – BERSANT DISHA

30-31 BANKING BY NUMBERS

32-33 FINANCIAL EDUCATION CORNER

The Deutche Bank Intern visits the Kosovo Banking Association
– TILMANN JAENKe

KBA NEWS

34-37

> The Kosovo Banking Association marks the World Savings Day

> Kosovo Banking Association organizes training for FATCA

> The Kosovo Banking Association organized the training" People Management for Team Managers"

> Regional Workshop for Western Balkan: Banking Regulation Reform and Challenges Ahead

> The Kosovo Banking Association organized the information session on the topic "Cyber and Information Security Management"

38 BANKS EMPOWERING THE COMMUNITY

> NLB Bank supports the campaign "You Are a Sunflower"

> Raiffeisen Bank supports the cultural project for children with Down syndrome

> Your blood saves life

> Banka Ekonomike in support of the sport

THE KOSOVO BANKER

EDITOR-IN-CHIEF
PETRIT BALIJA

EDITOR:
BLINA ZHUBI

THE KOSOVO BANKER IS SUPPORTED BY THE EUROPEAN FUND FOR SOUTHEAST EUROPE –DEVELOPMENT FACILITY (EFSE-DF)

SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

The Kosovo Banking Association (KBA) is the voice of the banking industry in Kosovo. KBA is a representative of Kosovo's commercial banks, KBA member, regard to the banking sector issues and cooperates with all authorities including the Assembly of the Republic of Kosovo, the Government, the Central Bank, the International Financial Institutions, the Media, etc. in order to support the stability and development of the banking sector in Kosovo.

"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 Lidhja e Pejes, n.n Zona Industriale, Prishtina; 10000. Republic of Kosovo; +381 38 246 171; www.bankassoc-kos.com; contact@bankassoc-kos.com;

Një kompani e suksesshme ka nevojë për të dyja: qetësi për të llogaritur dhe pasion për çështjen në dorë. Ky besim reflektohet në parimin tonë udhëheqës: 'EOS. Me mendje dhe zemër në financë'. Ky parim na shoqëron në punën tonë për kompaninë tuaj. Shërbimet tona minimizojnë nivelin tuaj të rrezikut ndaj mospagimit të kësteve, duke përmirësuar fluksin e të hollave tuaja. Kjo do të thotë se ju përfitoni nga rritja e sigurisë, keni më shumë burime për ide të reja dhe ruani suksesin në terma afatgjatë. Më shumë informacione mbi shërbimet tona mund të gjeni në **www.eos-solutions.com**

With head and heart in finance

EOS

FOREWORD

ILIR ALIU
CHAIRMAN OF THE BOARD OF DIRECTORS, KBA / CEO, PROCREDIT BANK KOSOVO

Foreword from the Chairman of the KBA Board

The sustainability of the financial sector remains to be one of the essential pillars that supports the economic development of the country. It is indisputable that creating a good investment environment that directly affects the development of businesses and which is based on political stability and the rule of law are the critical factors that contribute to a stable and reliable economy. However, here I will give a positive perspective of the banking system impact in this regard.

After nearly 20 years since the start of the operation of banks in Kosovo, today this sector is well developed on the basis of healthy functioning and provides the basic functions of a modern banking system. The Central Bank of Kosovo has played a key role in this aspect, which has generally applied a conservative policy, but also commercial banks that have played a constructive partner role in this field.

Through a modernized and efficient system of payments, trade finance and other domestic and international financial instruments, banks in Kosovo have influenced the development of international trade by bringing Kosovo closer to the integrations in the international payments network. Consequently, this system has ensured the free movement of capital throughout the world and above all it has contributed to the growth of the formal economy.

On the other hand, the banking sector in Kosovo has provided a broad access to finance in lieu of growth and development of small and medium enterprises; Investment loans in fixed assets and cashflow with a relatively flexible amount and maturity have provided adjustments to the financial situation of the enterprise, respectively their investment plan. Today, the banking sector has further advanced the lending conditions driven mainly by lending offers as a result of the competitive spirit for growth in the market. The average interest rate on business loans is about 6%, a significant decline from 11% as it was five years ago. According to CBK data, the total value of the banking sector loans in June 2018 was about 2.6 billion euros, which represents an annual growth of 11.3 percent. While loans issued to enterprises represent about 63.5% of the total banking sector loans in Kosovo. As a result, the total bank loans to gross domestic product in Kosovo has reached 38.7%. However, the banking sector should be focused and continue the financial support to production and agriculture, as it is considered that these two sectors give more value added to the economy of the country.

However, this would be impossible without the strategic focus of banks in mobilizing the deposits of households and businesses in Kosovo. The stable growth of deposits enabled the banking sector to have sufficient means for further lending to domestic economy, respectively to channel it into domestic investments.

Another area that I consider to have had a positive impact of the banking sector is the development of digital banking platforms that have aligned Kosovo with international banking trends but have also encouraged businesses to develop in the technological aspect. In this context, it is worth mentioning the growth of a large amount of payments realized through electronic banking accounts, which in September 2018 amounted to be around 6.4 billion euros.

In this edition of the magazine, I invite you to learn more about other developments in the banking sector that have made this sector of special importance to the economic growth of the country. Also, the authors of this edition have identified challenges which can be improved by joint and well-coordinated commitments for a greater economic growth in Kosovo. In this edition of The Kosovo Banker's magazine well-informed banking experts have contributed for which we are very thankful. We also thank commercial banks and EFSE DF for their continued support for this publication of the Kosovo Banking Association.

BERAT ISA
Berat Isa, currently serves as Head of Treasury, (including ALM and Capital Markets sales),in Raiffeisen Bank Kosovo. Berat has almost 20 years of experience in financial industry, out of which 16 years in the Banking industry.

The Role of Banks in Economic Development

The Economic impact the banks had and do have in the industries and economies in which they operate is a fundamental and existential going concern. Banks are the transformers of savings to investments and then back to Savings. However the role of the bank is much bigger than that. Payment and consumption is very often channeled through banks, and also exports, imports and government expenditure require functioning financial system. Banks and other financial institutions are known as financial intermediaries, they provide a crucial link between those whom want to save and those whom want to take funding. Financial Intermediaries have specialist knowledge to invest in areas which provide higher yield, and this again attracts deposits. Based on the specialist knowledge, they can give advice to their customers on the financial matters, on the best way to invest their funds, and also on alternative ways to obtain their financing. While channeling funds from savers to borrowers, banks perform the so called "maturity transformation". While the depositing customers want instant access to their money, the banks are able to and willing to lend a 20 year mortgage, ie lend on this money long term. This process creates a maturity mismatch, thereby in the process the banks, also transform risk or so called risk transformation. While a human maybe able to manage one

63%

OF LOANS OUTSTANDING BELONG TO NON-FINANCIAL CORPORATION'S OPERATING IN KOSOVO , AND

36%

TO HOUSEHOLD/INDIVIDUALS

or various risks, the management of financial risk may not be one of those skills. You may not be willing to lend directly to one person or to another company, because you may not know them well and they might default. Banks have the capacity to asses' risks and to absorb large losses. The banks are therefore willing to guarantee you the access to your money, while lending it someone else. The banks know their customers, more often than not. Finally, we frequently use the system to transmit payments, for consumption, utility bills etc. With these functions mentioned the banks perform a crucial role to society. With Maturity risk and Risk transformation and payments, the banks are taking considerable amount of risk, and this is their job. Those whom believe that banks should not take risks, are clearly misguided. Assessing, taking on risk, and managing risk is one of the key aspects of role of the banks.

What is the effect of Banking in Kosovo Economy?

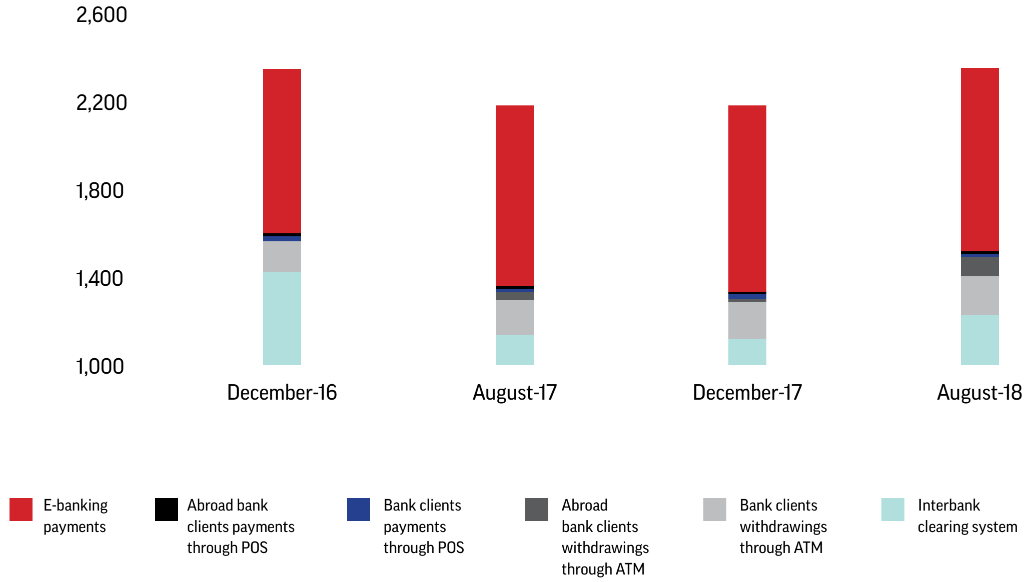
The Total Balance Sheet of the banks in Kosovo in August 2018, has reached 4 Bln Euros. The composition of Loans are 2.66 Bln Euros and Deposits from Customers 3.23 Bln Euros. Alternatively the GDP of Kosovo is expected to be around 6.4 Bln in 2018, and Consumption in Kosovo accounts for above 6 Bln per annum and Capital formation almost 1.9 Bln. A large portion of this consumption and capital formation, is financed by Credit provided by financial institutions. Also, Banks do buy local domestic debt issues by the government. This helps government to support capital spending by the government and government expenditure, which has effects in the local economic development.

Out of 2.66 Bln Euros of (credit) loans outstanding as of August 2018 in Kosovo issued by banks, 63% of loans outstanding belong to non-financial corporation's operating in Kosovo, and 36% to Household/individuals. The growth of Consumption and Capital Formation, and credit, and therefore GDP are correlated. The wellbeing of Kosovo economy and Kosovars would be jeopardized, if there were no banks to provide financial intermediation, business support, therefore the eco-

Period	GDP	Final consumption of expenditure	Final consumption of household & NPISH	Final consumption of Govermment	Gross capital formation	Net export	Export of goods and services	Import of goods and services
	1=2+5+6	2=3+4	3	4	5	6=7-8	7	8
2013	5.326,7	5.33,1	4.469,16	836.9	1470,9	(1.477,4)	1.168,1	2.645,5
2014	5.567,5	5.731,3	4.821,0	910,4	1.434,9	(1.598,7)	1.252.8	2.851,5
2015	5.807,0	5.858,0	4.964,1	893,9	1.601,3	(1.652,3)	1.274,0	2.926,2
2016	6.070,1	6.145,8	5.291,9	853,9	1.650,1	(1.725,8)	1.346,3	3.072,1
2017	6.282,2	6.146,1	5.293,0	853,1	1.819,9	(1.683,9)	1.696,9	3,380.8
2018 Q1	1.298,9	1.404,9	1.195,7	209,1	346,7	(452,7)	(452,7)	722,8
2018 Q2	1.674,6	1.686,2	1.448,9	237,3	620,5	(632,1)	(632,1)	968,0

Kosovo GDP,Expenditure approach, Kosovo Statistics Agency (ASK)

Payment Systems
(CBK data, Non Cumulative, in Mio Euros)



nomic impact of banks in the economy is fundamental.
The government collects import taxes in the border, however to large extent imports are provided through bank financing, trade finance products, payment service provided for suppliers of Kosovo businesses.

Payment Systems in Kosovo

Kosovo has a robust interbank payment system, and also large ATM/POS and Branch network, however a not well developed online payment system.
The country is adopting new technologies, however the proliferation is slow, and cash based economy is still a large portion of the payments. Kosovo citizens can literally withdraw thousands of Euros from ATM's, which reduces cross sell ability of banks.
Based on the chart below, E-banking has seen important increase to 860 Mln per month in August 2018, compared to 755 Mio in December 2016, or around 20% increase in Monthly volumes, however based on the CBK data ATM's are 6 times more used in volume compared to POS machines, which is very costly to banks and to customers.
In Kosovo, cash is still a very convenient method of payment, and it's crucial that the banking system in cooperation with the other stakeholders adopt a system whereby people use more modern and cost effective means of payments.
Once Kosovo makes more important steps in its effort for EU accession, the entire landscape of payments and credit industry will be changed. The introduction of SEPA, is likely to reduce significantly the intermediation costs. Introduction of PSD2 will also provide opportunities for the IT industry to access credit risk management & customer profile behavior and enable credit assessment, which until now is considered as key competence of the banking industry.

Challenges of Digital Transformation in t he Economic Development

To achieve its economic roles, the banks have evolved significantly and invented products which are built around customer's needs, but retooled themselves around computers and software to achieve this goal.
Invention and use of cards in the 1960 and 1970ies, and later deployment of ATM's, large distribution channel developments and multiple and remote branch networks, centralized customer account and credit control, are all bank "utilities" enabled by computers and thanks to the adoption of computers by banks. Banks have been around for centuries.

E-BANKING HAS SEEN IMPORTANT INCREASE TO

€ 860 Milion

per month in August 2018

COMPARED TO

€ 755 Milion

in December 2016

20%
increase in Monthly volumes

An industry which has coined money as we know it, as a medium of exchange, historically a key driver of innovation, mobility and resource allocation, is likely to reverse the roles, and the banking industry is on the cusp of being adopted by the IT industry as a "data service" and customer onboarding service.

Is this a retaliation of computers? or is it just the "silkworm coming out of the shell". An industry that does not take hostages, may prove a slowed down train-wreck for banks whom do not adopt the new premise: "Banks are only a service for the people, by the IT industry". One would question is there such thing as semi-adoption of technology in the banking system and whether partial retention of the existing model is even possible, at least we did not see a successful example of this neither in Retail or Music Industry. Time will tell.

Through decades, many Industries (including Financial Industry), by adopting technology and software for key and non-key processes, effectively made themselves avatars of IT industry, they were clearly oblivious to this fact, and at one point the "fly had to come out of its shell". Apps and products quickly falling out of favor from customer point of view, is the new "standard".

Most industries where being transformed into digital (deliberately or un-consciously). We already see birth of roboadvisors (like Wealthfront, Betterment, etc), electronic based payment and deposits services, (like, Square,AliPay, Stripe, Venmo, Pay Pal, Apple pay, Leupay) offering what are thought as "traditional" banking products.

As long as it takes longer to park a car than to click or press a button, we know who is a clear winner.

Investments in facelifts and technologies, and shorter shelf life will eventually limit resources if investments are not done in a way to meet customer needs and preferences.

Industries, for this precise reason are required to sprint in 2-4 weeks periods in projects, and deliver, or encouraged to fail fast, so that sunk costs born in project management are minimized, and a "move" to meeting the next customer requirement is started immediately.

> The current success of the model business is not guarantee for the future, therefore banks need to continue to progress on the New Areas to invest in technology, and to be in one constant state of improvement of products services.

Digital branches in brick and mortar facility likely risk being phased-out by a "true"-digital branch in your pocket, and banks could be left with huge sunk costs. To reduce delivery time, the services industry in IT are adopting new project management techniques to achieve this goal (various Agile Project Management frameworks like Scrum, etc).

Current business model success is no guarantee for the future, therefore banks must continue to stride in new areas and invest in technologies as a constant state of improvement for survival and remaining relevant. Clearly, most solutions and most decisions in banking, regulatory or sales related, are effectively IT resources allocation decisions.

Clear and successful examples of "true" digital transformation is the music industry, birth of online retail industry, digital transformation of most Business to Business industries. Indeed, a silent "coup d'e tat" by IT industry towards all other industries, which in turn tend to save them, after almost destroying them.

Most prolific example of this is the music and film industry from last decade, which was saved by introduction of Apple ITunes, streaming services like Spotify, Netflix,(video and audio) and online advertising, after almost being destroyed by pear to pear file sharing in the internet.

IT industry has disintermediated and increased competitiveness for the benefit of the customer, in many industries, especially for the last 25 years.

New technologies have made life easier for the customer, in many areas, including banking. The banks including banks in Kosovo, are trying to catch up to meet not only the IT industry challenge, but also to meet the increased regulatory and other environmental challenges, and doing so they must keep in mind the very important economic role of providers of several functions.

References:
Various documentation
CBK website, data series ASK Kosovo

ANITA KOSUMI AJETI
Head of the Human Resources Department
Banka për Biznes

Development of human resources in banking sector

The banking sector faces various challenges with respect to human resources trends such as proper identification of candidates, employment, retention and employees motivation. The digital transition in the banking system has obviously influenced the workforce. The level of employee competencies is required to be more advanced so that the bank develops and keeps pace with world trends in digitalization and efficiency in the banking services. In this regard, it is very important for employees to specialize in new areas and to invest in specific knowledge or specific skills in the field of technology and to be oriented towards excellent customer service.

Employment and youth development in the banking sector

Employment and development of youth in general and in the banking sector in particular are ongoing challenges in our country. Collaboration of banks with universities and identification of development needs in the banking sector are a very important factor in helping young people start their career in the sector. Their development with the spirit of bringing innovation, investing in developing the necessary competencies for the future, and enhancing Collaboration of University / Bank are just some of the benefits we have from youth employment.

In this regard, we have contributed to student identification, training and employment in their profiles for which it has been estimated that they have potential. During the process of youth integration, special attention has been paid to their training on bank work ethics and encouragement to bring innovative ideas for change, to continue then with specific trainings in professional areas of the banking sector. The experience that they

Employment and development of youth in general and in the banking sector in particular are ongoing challenges in our country

The recruitment of adequate profiles and their training and development are the key areas through which we have implemented the Bank's strategic plan

During the process of youth integration, special attention has been paid to their training on bank work ethics and encouragement to bring innovative ideas for change, to continue then with specific trainings in professional areas of the banking sector

have gained in training deliverd by Bank Management as well as from employees with long banking experience,has helped greatly in orienting students towards selecting their career in the banking sector. Among other things, through the BPB Juniors Program, we have developed a genuine corporate social responsibility program focusing on students and their development, strengthening professional co-operation with Universities.

The role of employees in our achievements

The implementation of the strategy and the growth of the last two years in our Bank has been possible thanks to the engagement and productivity of the Bank's employees, who with the increase of quality in banking services and customer care have made possible the implementation of the strategy and has given us the opportunity to aspire for further growth and development.

The career plan has contributed to the promotion and career advancement of employees with excellent performance, with the aim of motivating, developing their professional and long-term development at our Bank.

By communicating and promoting our aspirations for growth, development and innovation, we have promoted the values of the Bank that are protected and respected by every employee, such as integrity, dedication, transparency, teamwork, orientation towards development, innovation and customer care.

The recruitment of adequate profiles and their training and development are the key areas through which we have implemented the Bank's strategic plan, always providing the working environment for employees to be motivated for change and innovation.

DR. JOHANNES ENGELS
(The author is member of the VDSt Academy and Lecturer at Highschools for Applied Sciences in Mainz and in Worms. He points out in that context exclusively his private opinion)

Banks and Economic Development – Let's make them fit for the Future!

1 BANKS AS IMPORTANT ECONOMIC TRANSMISSION STRIPE

It is absolutely true, that banks play a crucial role in the economic development of countries throughout the whole world. For the local community, credit insitutions provide access to funding and financial services to both local business and citizens, as well as the money banks invest back into the community through employee payroll, business investments, and taxes.

On a larger scale, national banks offer similar access to credit and financial services to larger businesses, local governments, and in some cases international customers. Investments made by national banks are spread widely across the nation, therefore influencing economical development across an entire country or geographic region.

The specific role of banks in economic development varies, depending on scope. Primarily, the participation of banks in economic development focus around providing credit and services to generate revenues, which are then invested back into a local, national, or international community.

The specific roles banks play in the economic development of a small community differ from the role banks play in national or international economic development. Although the role can vary, factors such as access to credit and bank investment policies or practices remain constant, no matter the scope of economic development.

So, credit institutions can be important and valuable partners in the world of small and medium enterprises and as well for nature persons. In Germany, the regional banks as savings- and co-operative banks give a long running excellent example for this. On the other side, international banking influences economic development on a grand scale. A bank that does business internationally plays a much different role than local or national banks in economic development.

Providing loans and other financial services to entire countries and national governments gives such banks sweeping influence over the economic growth of a particular country or region. Both positive and negative effects are realized, depending on the actions of international banks toward governments.

2 HUMAN BEINGS WORKING IN CREDIT INSTITUTIONS – MISTAKES CAN HAPPEN

The world is, as everybody knows, not perfect. Under a lot of other financial crises‘ the last hugh crises, known as subprime crises, shows clearly that also in the banking industry mistakes can happen. The economic hardships of the early 21st century provide a prime example of the possible negative role of banks in economic development. Many countries, including the United States and countries in Europe, experienced a slowing of economic growth early in the 21st century. Numerous factors such as high unemployment, bad investment performance, and political uncertainty helped create an environment of distrust and decreased confidence between international banks and governments with formerly strong national economies. This resulted in reduced credit rankings of several countries and increased interest rates for credit extended to those governments. Such increased costs rippled, raising interest rates for government loans to businesses and individuals and reducing the funding available for socioeconomic programs like education and healthcare. 1)

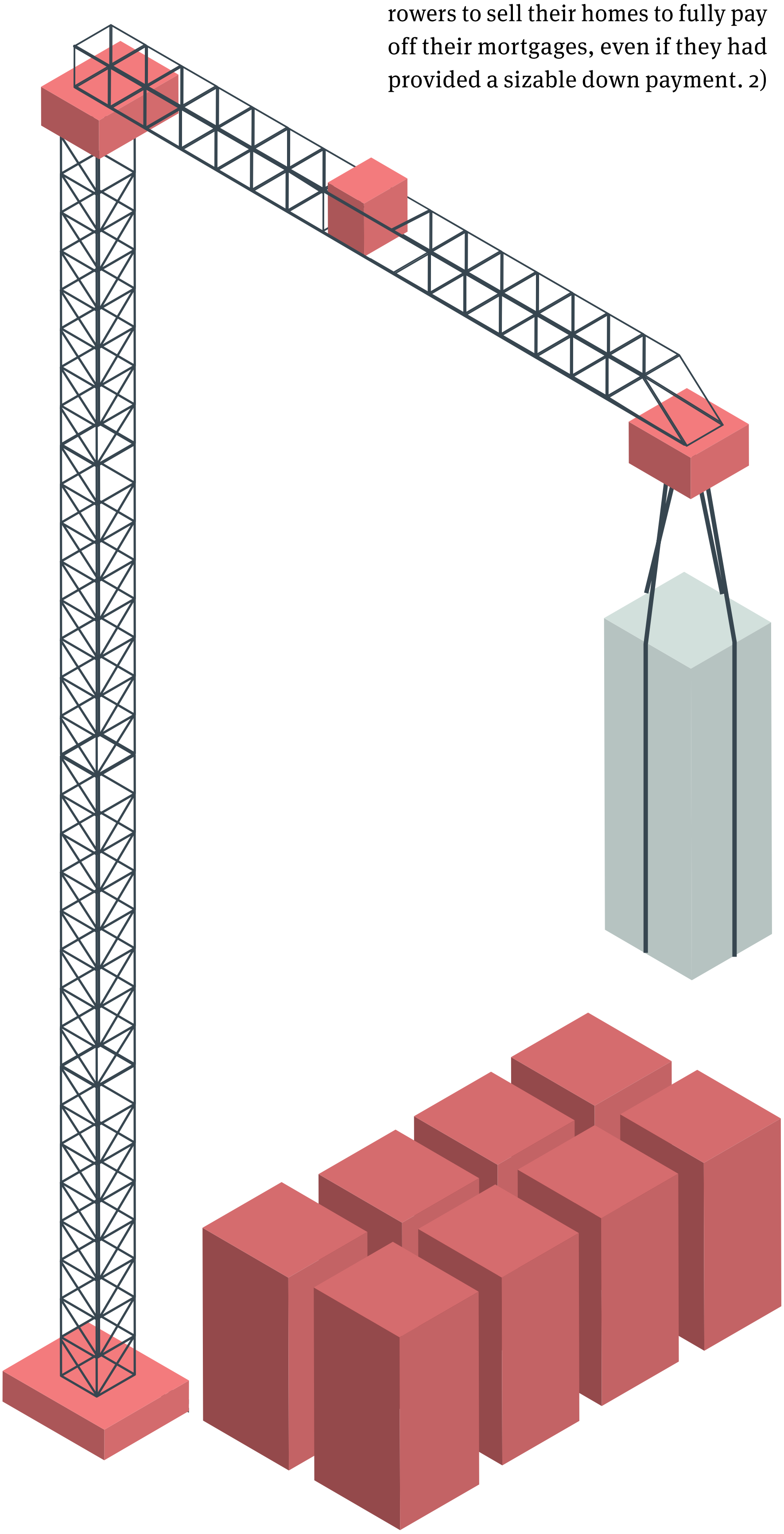
The subprime mortgage crisis, which started in 2007/ 2008, stemmed from an earlier expansion of mortgage credit, including to borrowers who previously would have had difficulty getting mortgages, which both contributed to and was facilitated by rapidly rising home prices. Historically, potential homebuyers found it difficult to obtain mortgages if they had below average

histories, provided small down payments or sought high-payment loans. Unless protected by government insurance, lenders often denied such mortgage requests. While some high-risk families could obtain small-sized mortgages backed by the Federal Housing Administration (FHA), others, facing limited credit options, rented.

In that era, homeownership fluctuated around 65 %, mortgage foreclosure rates were low, and home construction and house prices mainly reflected swings in mortgage interest rates and income.

When house prices peaked, mortgage refinancing and selling homes became less viable means of settling mortgage debt and mortgage loss rates began rising for lenders and investors. In April 2007, New Century Financial Corp., a leading subprime mortgage lender, filed for bankruptcy. Shortly thereafter, large numbers of subprime market-backed securities were downgraded to high risk, and several subprime lenders closed. Because the bond funding of subprime mortgages collapsed, lenders stopped making subprime and other nonprime risky mortgages.

This lowered the demand for housing, leading to sliding house prices that fueled expectations of still more declines, further reducing the demand for homes. Prices fell so much that it became hard for troubled borrowers to sell their homes to fully pay off their mortgages, even if they had provided a sizable down payment. 2)



3 NEW BASEL III.5 REQUIREMENTS AS QUALIFIED SAFETY BELTS IN THE ABOVE MENTIONED CONTEXT

Learning from that crises, the following under banking experts well known Basel III's rules increased as main point the amount of capital that banks must hold, and set a core tier 1 capital ratio of 6 %. In addition to that, banks have to put money into a capital converzation buffer of 2.5 % and an anti-cyclical buffer of up to 2.5 % depending from the development. Freely spoken motivated by: "Save money in good times and you will have money in bad times!" (There is highly to appllaude, that Republic of Kosovo belongs to the very number of non-EU-contries, which are up-to-date in that context – the author).

The technical implementation deadline for Basel III is just 2019, but recent developments in the banking market have suggested, that even stricter rules may be applied by a later framework, which has been dubbed "Basel III.5" (or „Basel IV").

The Basel Committee on Banking Supervision released a consultative paper, seeking out views on the Committee's plan to change how capital requirements and market risks are calculated. 3)

This named Basel III.5 is a contested term for the changes agreed in 2016 and 2017 to the international banking standards known as the Basel Accords; regulators argue that these changes are simply completing the Basel III reforms, agreed in principle in 2010-11, although most of the Basel III reforms were agreed in detail at that time.

Critics of the reform, in particular those from the banking industry, argue that Basel III.5 requires a significant increase in capital and should be treated as a distinct round of reforms. 4)

This „package" Basel III.5 introduces changes that limit the reduction in capital that can result from Banks' use of internal models under the Internal Ratings-Based approach. This includes in a short overview:

- **A standardized floor, so that the capital requirement will always be at least 72.5 % of the requirement under the Standardized approach;**
- **A simultaneous reduction in Standardized risk weights for low risk mortgage loans;**
- **Requiring banks to meet higher maximum leverage ratios (an initial leverage ratio maximum is likely to be set as part of the completion of the Basel III package);;**
- **A higher leverage ratio for Global Systemically Important Banks (G-SIBs), with the increase equal to 50 % of the risk adjusted capital ratio**
- **More detailed disclosure of reserves and other financial statistics. 5)**

There is not to forget the recommandable idea of implementing the so called step-in risk, which means to integrate non-supervised actors under the roof of supervision, when being important partners in the field of banking services („shadow banks" – the author).

It is indeed true, that credit institutions have not to face an "easy walking" in the future. Under others: just British banks alone may have to raise another £50 Bn. in capital in order to meet Basel III.5 requirements.

The average Common Equity Tier 1 capital ratio for major European banks is estimated to fall by 0.9 %, with the biggest impact on banks in Sweden and Denmark of 2.5 % - 3 %. 6)

And just this closes the circle: main topic of todays Basel III.5 is again not a bureacratic and strangulating supervision, but a target-leading supervision in accompanying the credit institutions by – in the entrance named – responsibility of playing a crucial role in the economic development of countries throughout the whole world.

References:

1)wiseGEEK: „What is the Role of Banks in Economic Development?" Internet Information. Retrieved at 8 October 2018.

2)Bernanke, Ben S., "A Century of U.S. Central Banking: Goals, Frameworks, Accountability". Speech given at "The First 100 Years of the Federal Reserve: The Policy Record, Lessons Learned, and Prospects for the Future" at 10 July 2013.

3)Moneybeat: "KPMG Warns Over £50 Billion „Basel 4" Capital Hole". Retrieved at 18 May 2014.

4) Institute of Chartered Accountants in England and Wales: "Regulators look ahead to „Basel 4". Retrieved 18 May 2014.

5)blogs.deloitte.ch: "Five things to remember about Basel III – Banking blog". Retrieved at 1 September 2018.

6) International Business Times: "KPMG: UK Banks Facing New £50bn Capital Hole as „Basel IV" Emerges", published at 12 September 2013. Retrieved at 18 May 2014

ELVIS ZIU, MBA, CA, LA

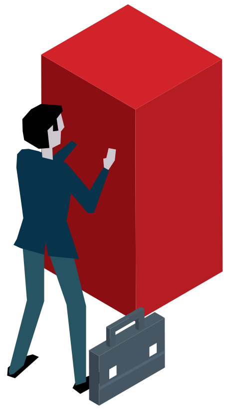
The fast pace evolution of the Banking business model after the crisis

In these 7 centuries of banking, the industry has seen constant growth and has been a crucial component of the development of economic systems. However, the last financial crisis not only shook the financial foundations of the banking system but also had multiple effects on its business model: **FIRSTLY,** after the crisis, lending slowed down. The loans to deposit ratio in Europe went from above 140% in 2008 to something above 100% in 2017:

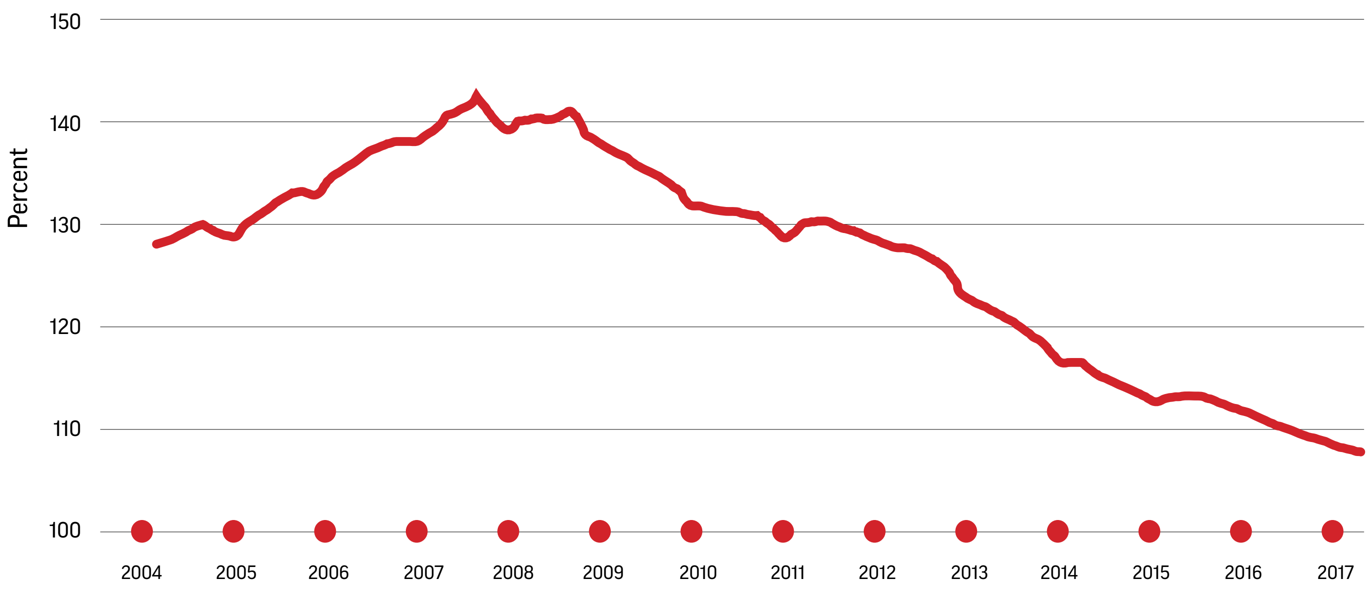
THIS SLOWDOWN HAD TWO MAIN EFFECTS

- It changed the revenue model for Banks by lowering interest income and having an increasing share in revenue from transactions (according to McKinsey that revenue is now more than 1/3)

After the crisis, lending slowed down. The loans to deposit ratio in Europe went from above 140% in 2008 to something above 100% in 2017



LOAN-TO-DEPOSIT RATIO

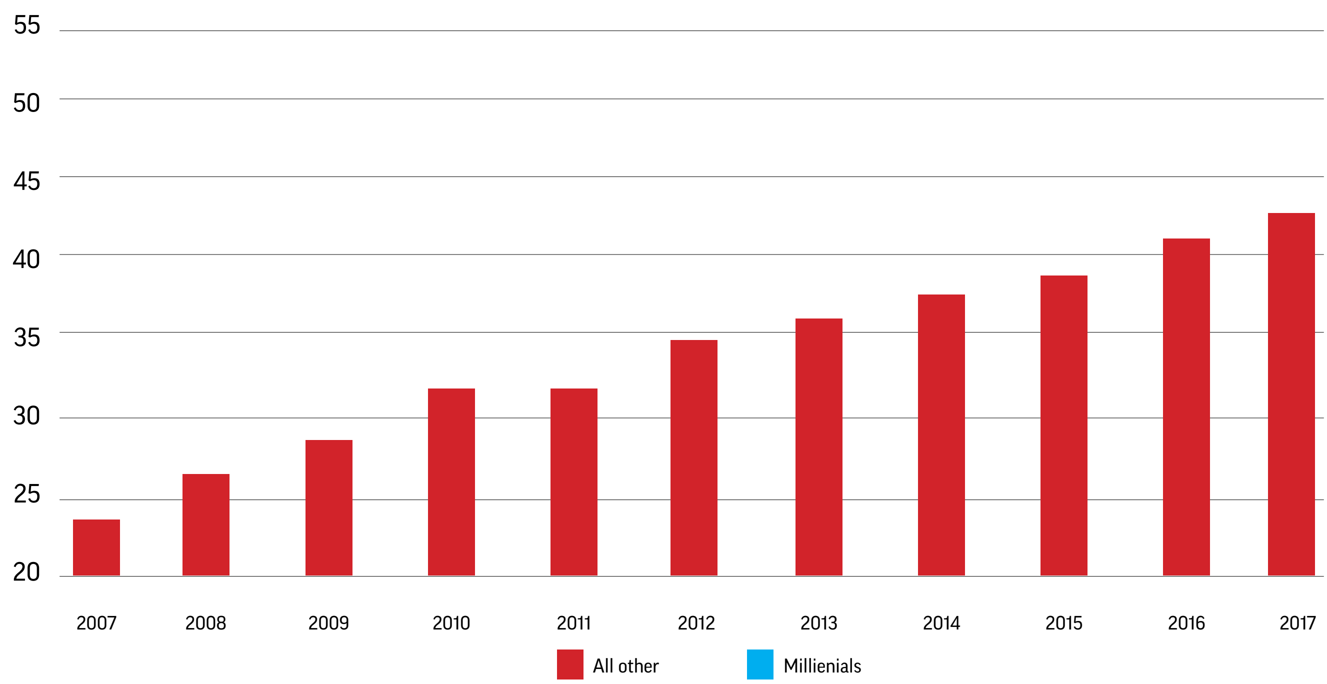


- A gap was created that was there to be filled from other market players such as: P2P schemes, cryptocurrency financing or other asset backed financial instruments.

THE SECOND EFFECT OF THE CRISIS was a significant increase in regulatory requirements. These requirements hit the Banks' performance in three ways:

- Increase in risk reserves,
- Increase of operating costs (eg. Deutche Bank incurred additional USD 1.8 billion),
- Increase in non-compliance penalties (reported as 45 times increase in the US).

% OF CLIENTS THAT UTILIZE ONLINE BANKING

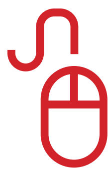


Another effect of this was taking the focus of top management out of business model advancement.

THIRDLY, following reviews of operations after the crisis many banks initiated processes of with aims to increase efficiency or improve quality. Some of the common types of projects were:

- Reorganization of managerial and operational structures,
- Re-engineering of critical processes,
- Digitalization of data and automatization of work processes,
- Enhancement of data analytics
- Improvement of CRM systems, etc.

More recently, we see added investments in new technologies, eg. 91% of banks in Europe are reported to have invested in Blockchain and 77% in AI systems.



This type of advantage transcends industry barriers. Technology and communication conglomerates such as: Amazon, Apple, Facebook etc. compete now in markets that go beyond their industry limits such as: production, financial services, consulting, advertising, transportation, information media etc.

FOURTHLY and possibly the most impactful force is the drastic increase in the last decade of technology adoption from customers.

In Europe, the number of banking clients using online banking is now more than half (with some countries such as Denmark, Netherlands etc. going as high as 90%). Online banking channels have now become a must have option offered by banks, in order to be selected as provider by bank clients.

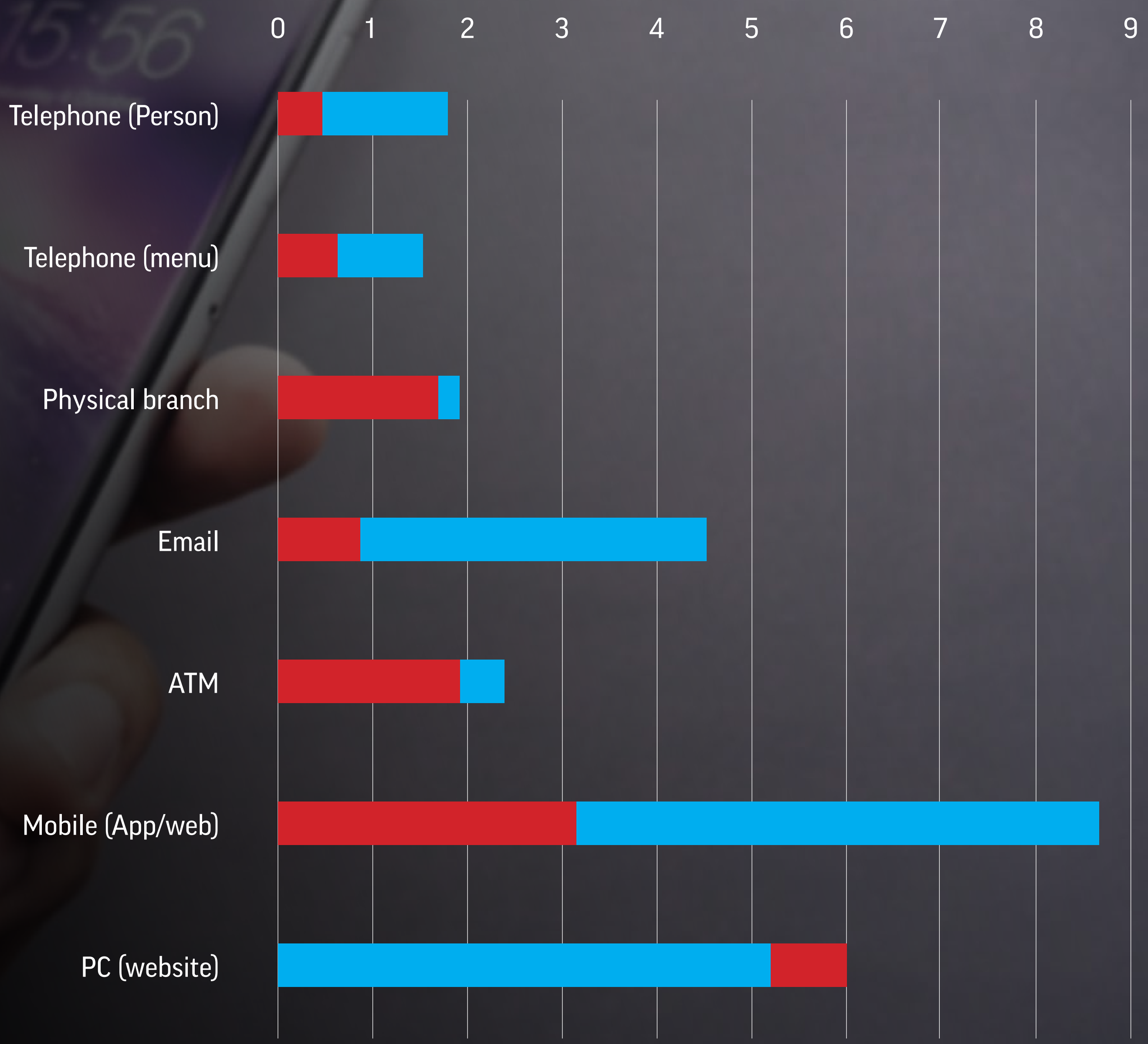
In an analysis done on the US market last year, on the frequency of monthly use of banking channels, the following resulted:

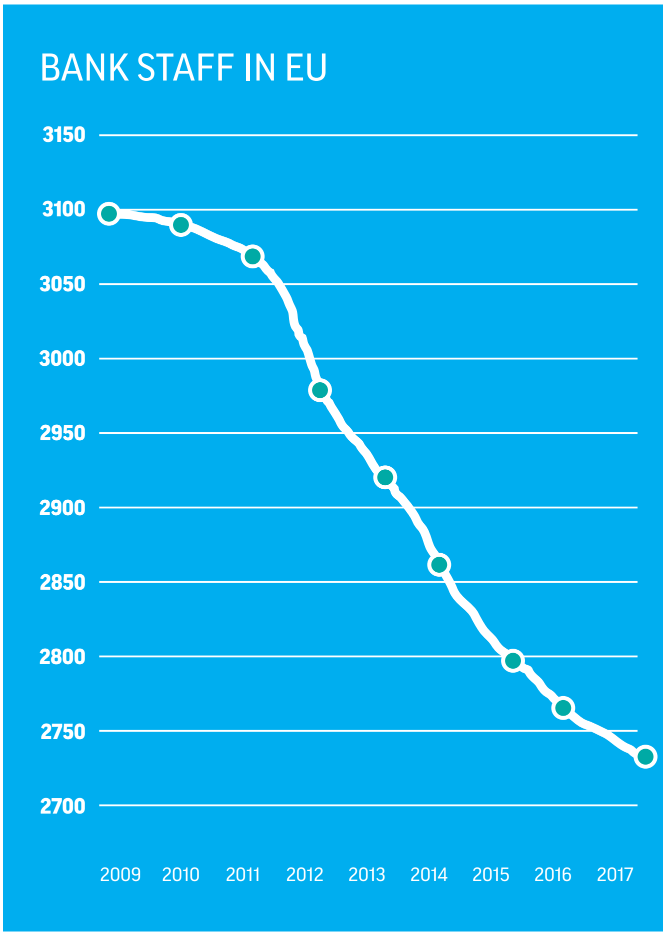
It is clear that frequency of use of branches is significantly lower as compared to online channels. Also, one can see the tendency of the new generation (millennials) in two areas:

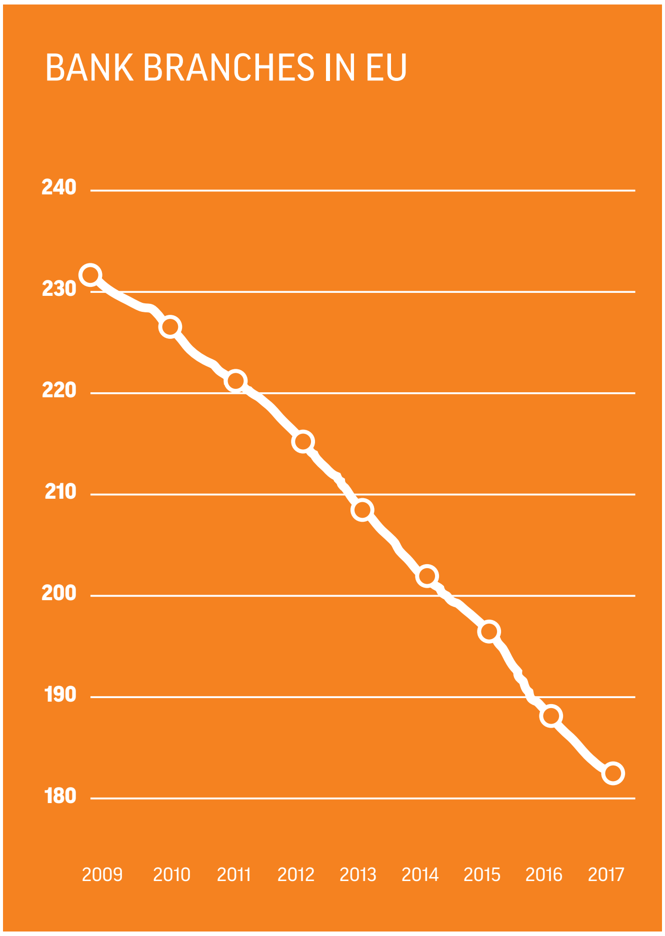
1. A further increase in online channels,
2. A preference for the mobile.

As the new generation takes over, it is also expected a decrease in bank loyalty, a characteristic very much present in older generations.

FREQUENCY OF USE OF BANKING CHANNELS (US)







THE NEED FOR AN ACCELERATED EVOLUTION

All of the above have had a major impact on the banking business pushing transformation of processes that were unchanged for decades. The Banks have surely started to evolve. You can see data that indicate just that in the latest facts and figures published by the European Banking federation which reports significant decrease in number of branches and personnel:

HOWEVER, SOME CHALLENGES SHOULD CLEARLY BE ADDRESSED IN THE SHORT TERM:

1. Competition in service quality:

In recent years Fintech companies, thanks to their technology DNA, have developed innovative products capable of outperforming banking products in terms of speed or cost.

Banks must get back to develop an innovation edge and address the lack of efficiency especially in processes that are connected to products and services offered to clients. They must become more competitive in terms of service quality.

Banks must operate under the same principle in order to be able to effectively follow clients' needs.

2. New intermediation models:

Innovative intermediation models such as: p2P, cryptocurrencies etc. have seen a fast development (cryptocurrencies estimated to have exceeded USD 500 billion). Such schemes represent a challenge for the banking sector and regulators as well as for the stability of the financial markets.

Nevertheless, these attempts demonstrate an increasing demand for new forms of. It is necessary that banks adapt to this market need and find ways to treat risk and financing under new models that are more flexible in connecting economic expectations with financial resources.

3. Consumer experience and multi-channeling:

In almost every industry nowadays we see a fundamental change in consumer behavior in two aspects:

- Increasingly so, consumers create a connection with the company or their product as a result of a positive interaction experience. This is composed also of real economic benefit that derive from the product but goes beyond to a personalized interaction.
- Consumers want freedom of choice when it comes to channels. They do not want the providers to impose or limit channels where they can acquire products and services. Moreover, channels need to be effective and constantly available.

Banks must operate under the same principle in order to be able to effectively follow clients' needs.

4. The fall of the industry competition barriers

With evolution in technology the competitive advantage is created especially through the ability to understand and to create a meaningful relationship with the customer. This type of advantage transcends industry barriers. Technology and communication conglomerates such as: Amazon, Apple, Facebook etc. compete now in markets that go beyond their industry limits such as: production, financial services, consulting, advertising, transportation, information media etc. These companies, through the data and channels they posses are starting to develop a new financial sector player, lately defined as TechFin.

TechFins are not after the exploitation of short term inefficiencies of the Banking sector. Instead they want to change the entire business model by competing with banks with assets they already possess such as:

- credibility and powerful brands,
- massive and effective distribution channels,
- ownership and control over a large number of transactions
- intermediary role they already play between buyers and sellers,
- large amount of data on consumer behavior that can be leveraged for risk profiling or pricing of financial products and services, etc.

All these challenges stand to demonstrate that the evolution of the Banking system has now entered a new and very competitive stage.

Banks, are to focus and accelerate their transformation processes with a clear vision about a future that reserves many challenges and a focus on a consumer that is evermore demanding.

KATERINA BOSEVSKA
EXECUTIVE DIRECTOR
EOS MACEDONIA, KOSOVO AND MONTENEGRO

PAYMENT PRACTICES ACROSS EUROPE:

Delayed and defaulting payments put entrepreneurial livelihood at risk

There is a positive trend in the willingness to pay on time amongst customers across Europe, but still there is a room for improvement, as every fifth issued invoice is affected by delays in payment. The delayed and defaulting payments puts some European companies at existential threat. This is what the EOS survey "European Payment Practices" 2018, reveals.

Every year for the last 11 in a row the EOS Group along with the independent market research institute Kantar TNS (formerly TNS Infratest) conducts the "European Payment Practices Survey" aimed at European companies. This year's survey (2018) shows positive trends for Europe compared to last year and confirming a five-year trend of increased willingness to pay on time. The survey shows that in 2018, 79 percent of bills are paid on time, compared to 75 percent in 2014. However, generally across Europe the payment term, although shortened compared to 2014 (37 day payments term), is still very long counting to 34 days on average after bill issuance.

Furthermore, the survey reveals that 18 percent of invoices in Europe continue to be paid late with an average time of 20 days after due date. Generally speaking, Eastern European countries are found to be more affected compared to Western European countries by the problem of delayed payments. For example in Greece and Poland only 74 percent of all bills are paid in time, compared to 85 percent in Denmark and 82 percent in Germany, Switzerland and Spain.

As every fifth invoice is not paid on time in Europe, the payment delays are still very much part of the daily routine for companies. The reasons for delayed payments, according to the survey respondents, vary from tem-

THE SURVEY REVEALS THAT

18%

OF INVOICES IN EUROPE CONTINUE TO BE PAID LATE WITH AN AVERAGE TIME OF 20 DAYS AFTER DUE DATE

porary cash flow problems (59%) to intentional nonpayment / fraud (34%) for private customers and additional factors such as capacity shortage (40%), human error (33%) or technical reasons (27%) for business customers. Additionally, 3 percent of all outstanding bills in Europe are not paid at all, with this percentage being higher for the Balkan region (4% for Bulgaria and 5% for Croatia).

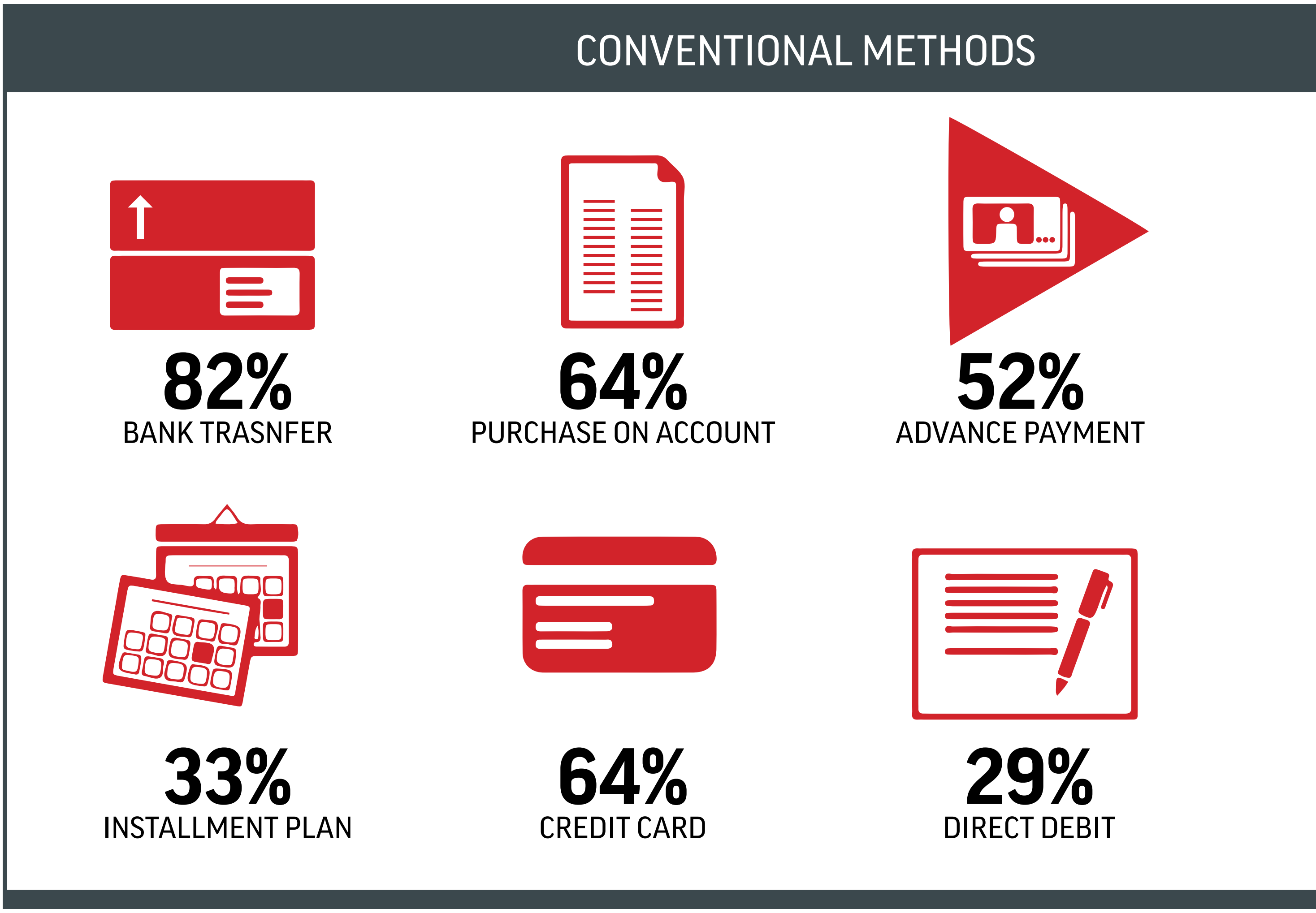
In Europe still the conventional payment methods are preferred

European companies on average offer 4.1 payment options, more of which are traditional. The EOS Survey reveals that only 29 percent of companies offer modern payment methods. Only 5 percent offer mobile payments as an option and although the world is hyped by crypto currencies only 1 percent of companies offer this as a payment option. As much as 91% of surveyed companies say that it is out of question to implement this as a payment method in the future.

The conventional methods mostly used are bank transfers (82%) and purchases on account (64%) which is very much used in Western Europe (73%), but much less used in Eastern Europe (59%) – although it is the top method in Poland (90%).

70%

PERCENT OF ALL COMPANIES IN EUROPE THAT USE EXTERNAL RECEIVABLE MANAGEMENT AGREE THAT DEBT COLLECTION COMPANIES ENCOURAGE GOOD PAYMENT PRACTICES IN SOCIETY



Cash payments are still offered by more than a third of European companies (39%), with this percent being higher amongst the Balkan region (41% in Bulgaria and 48% in Croatia).

Almost every sevent company in Europe fears for its existance

Due to delays in payments many European companies find themselves in financial difficulties.

The EOS survey reveals that profit losses and liquidity shortfalls are the most frequent effects of delayed payment amongst European companies. Namely, 42 percent of all surveyed companies reported reduction in profits and 38 percent were facing cash flow problems. Companies had to take measures internally so as to respond to the negative consequences from the delayed and defaulted payments which included: decline in investments (23%), recruitment freeze (19%) and increasing prices (18%).

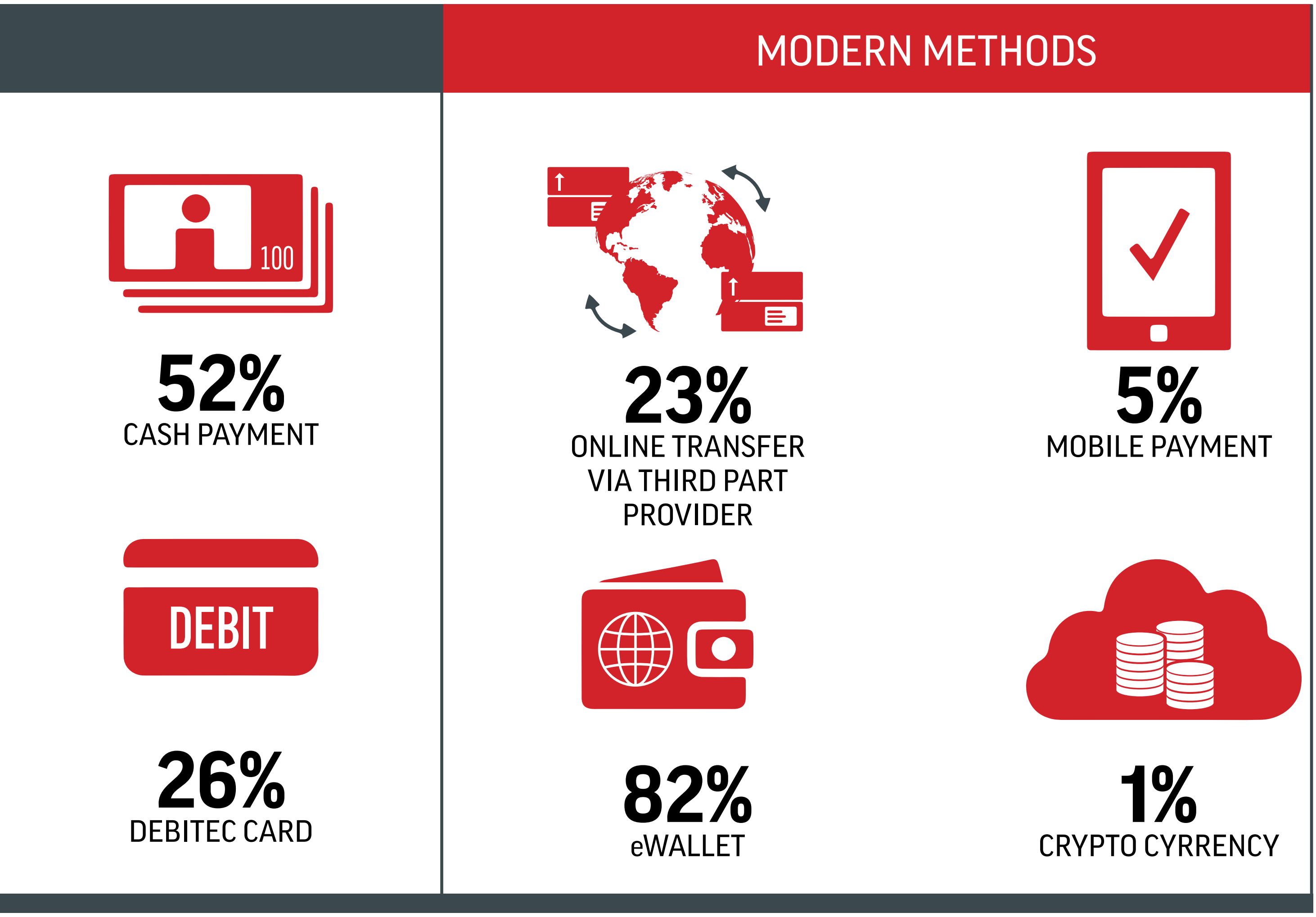
Form the pool of surveyed companies 14 percent said that they are facing existential threat. This percent dropped slightly compared to 2017 when it was 17 percent, but nevertheless still means that almost every seventh company in Europe is afraid that the payment delays may jeopardize its existence, which may have serious economic implications.

Professional debt collection agencies may help

Debt collection companies help their customers to minimize payment delays and defaults and also ensure that the firms receive outstanding payments sooner. In doing so, they make an important contribution to the entire economic cycle. By increasing the liquidity of the companies and improving innovation capacity they therefore safeguard jobs.

As a matter of fact as many as 37 percent form all European companies work with debt collection companies such as EOS, which achieve that 9% of total revenues flow back into the company's cash flow. The surveyed companies say that then they use the money for settling liabilities (61%), safeguarding/creating jobs (47%), business segment expansion (35%), research and development (27%) and investing in the financial market (25%).

As much as 70 percent of all companies in Europe that use external receivable management agree that debt collection companies encourage good payment practices in society. Professional debt



collection companies are considered to be better option compared to an internal debt collection processes, amongst other things, because they are focused only on the process of collection which means following the newest trends and challenges in receivable management.

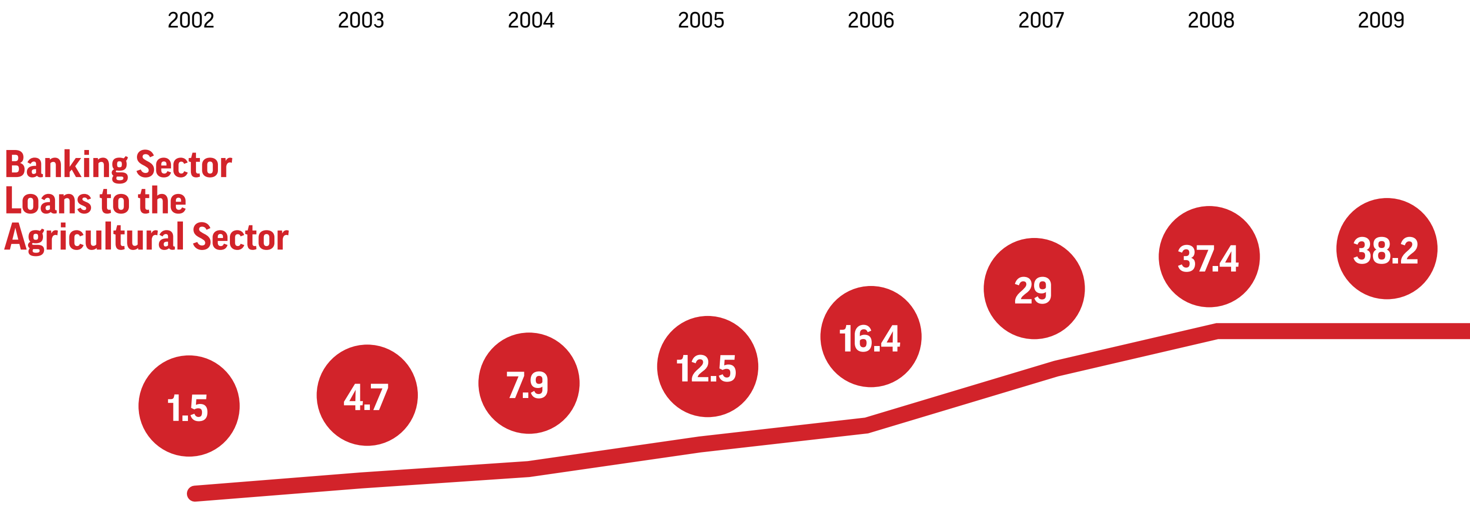
For an example as much as 45 percent from the surveyed companies see keeping pace with technological change as one of the main challenges in receivable management until 2020. Other important challenges are employee training (48%), costs reduction (49%), digitalization / automatization of processes (43%), investments in IT solutions (33%) and big data (28%). The good news is professional collection agencies have already invested and are still investing in meeting and answering to all of these challenges.

About the EOS survey 'European Payment Practices' 2018

In conjunction with independent market research institute Kantar TNS (formerly TNS Infratest), EOS conducted a telephone interview in spring 2018 with 3,400 companies in 17 European countries about the payment practices in their respective locations. 200 companies with an annual turnover of more than EUR 5 million in each of the countries Denmark, Germany, UK, Spain, France, Belgium, Switzerland, Romania, Czech Republic, Croatia, Hungary, Bulgaria, Slovakia, Slovenia, Poland, Russia and Greece answered questions about their own payment experiences, economic developments in their countries and issues relating to risk and receivables management. The survey was conducted for the 11th year in succession. For more results from the survey please go to: https://de.eos-solutions.com/surveys

The EOS Group

The EOS Group is one of the leading international providers of customized financial services. As a specialist in the evaluation and processing of receivables EOS deploys new technologies to offer its some 20,000 customers in 26 countries financial security through smart services. The company's core business is the purchase of unsecured and secured debt portfolios. Working within an international network of partner companies, the EOS Group has a workforce of around 7,500 and more than 60 subsidiaries, so it can access resources in more than 180 countries. Its key target sectors are banking, utilities, real estate and e-commerce. For more information please visit: www.eos-solutions.com

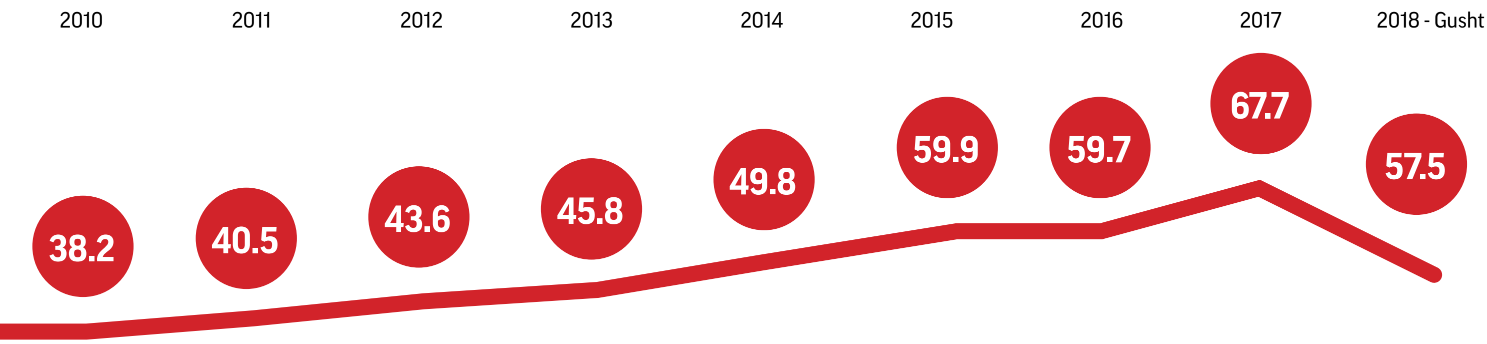


BERSANT DISHA,
EXECUTIVE DIRECTOR, RECURA FINANCIALS

The Role of Financial Institutions for Private Sector Growth and Agricultural Development

Kosovo has over the years continued to develop positively in both political, rule of law and economic terms. It has maintained political and economic stability and has recorded continuous economic growth rates of about 3-4% per annum over the last decade. Nevertheless, the economy continues to be plagued by a large trade balance deficit, with exports covering 12.6% of imports. This is considered a major problem. However, it can also be seen as an opportunity, especially in terms of growing domestic production and services through import substitution, particularly in agriculture. The financial institutions in Kosovo have over the years played a significant role in supporting the growth of the private sector. Lending was growing continuously, despite the fact that financial institutions have historically been very conservative and risk-averse in their lending decisions.

The total outstanding loans from the banking system at the end of 2017 were EUR 2.49 billion, of which 64% to businesses, representing an increase of 10.7% compared to the previous year. This is an encouraging trend, as the year on year growth has been incremental, up from 8.3% in 2016. What is interesting to note is that after a decline in new loans issued in



2016, the growth in new loans issued to businesses was about 30% in 2017. This growth has mainly been driven by investment loans, accounting for more than 50% of new loans issued. This shows positive business performance and a longer-term trust of the banking sector in the potential of the private sector

Nevertheless, the ratio of bank lending to GDP of only 41.4% shows that the financial sector in Kosovo is still under development and is an indicator of low lending levels, even when compared to the Western Balkans average of 55%. In addition, bank reserves show an over-liquid system indicating the potential for further increases in lending activity, a conclusion confirmed by Central Bank reports. . Although business loans account for the majority of the outstanding credit portfolio, the credit gap of lending to GDP shows that lending could increase by an additional 50% to come at par with the region. The cost of borrowing has been declining, with the average interest rates to businesses declining further to 6.5% overall, while higher risk perceived sectors such as agriculture being at at 7.2%. The repayment structure of business loans has also improved, with slowly growing loan maturities, with the majority being 3 years. What is interesting however is the proportion

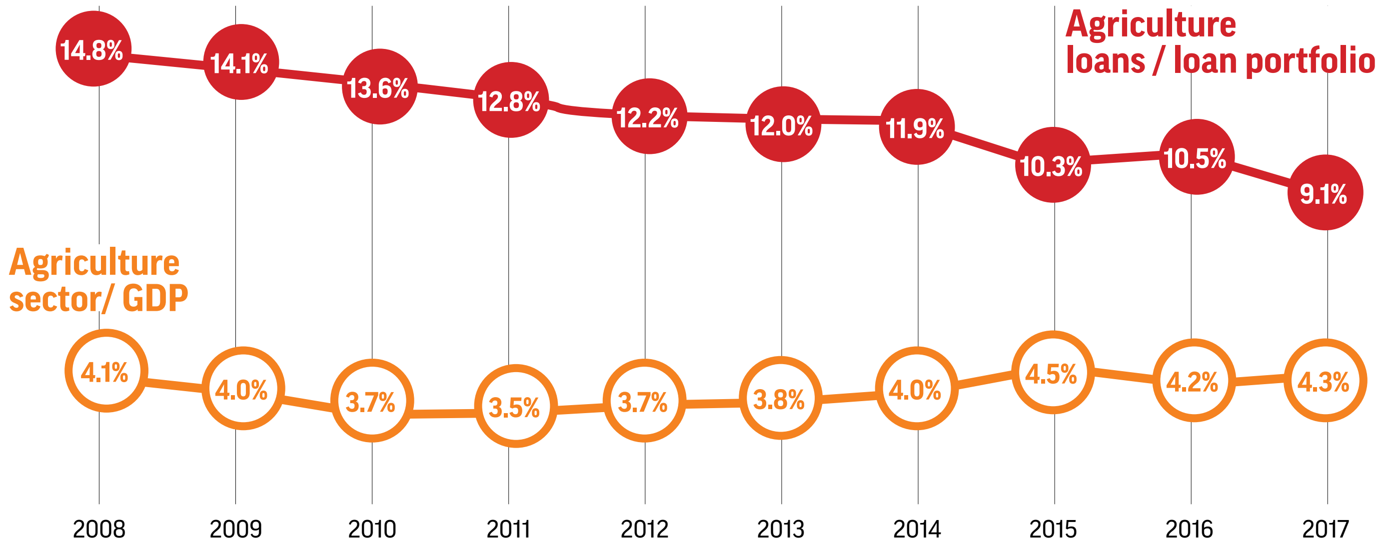
THE COST OF BORROWING HAS BEEN DECLINING, WITH THE AVERAGE INTEREST RATES TO BUSINESSES DECLINING FURTHER TO 6.5% OVERALL, WHILE HIGHER RISK PERCEIVED SECTORS SUCH AS AGRICULTURE BEING AT AT

7.2%

of longer-term loans beyond 5 years, representing over 30% of the overall loans outstanding.

If we look at the breakdown of lending to businesses by banks, most loans were issued to trading companies, accounting for about 50% of total lending. This is followed by lending to the production, construction and services sectors. However, when it comes to the agriculture sector, while accounting for about 10% of Kosovo's GDP, it only receives 3.4% of loans. Although lending to this sector has been growing steadily over the past years, with 13.4% growth in 2017, , its historically small share in the loan portfolio of 3.5 – 4.5% leaves a lot of room for improvement. According to the CBK Financial Stability Report, the increased lending activity to agriculture can be largely attributed to the effect of credit guarantees issued by the Kosovar Fund for Credit Guarantees, which is following on similar guarantee schemes such as the USAID DCA guarantees for the agriculture in the past.

This data signals there is significant room for profitable expansion in commercial loans to the agricultural sector. Despite the acceleration in lending to the agriculture sector, overall lending to this sector remains steady as a proportion of the lending portfolio, ranging historically between 3.2% to



Agricultural loans as percntage of overall loan portfolio Banks and Microfinance institution versus agriculture contribution GDP.
Source: Central Bank of Kosovo, Kosovo Statistic Agency

4.5%. This represents less than half of the agriculture contribution to GDP.

The gap in bank financing for the agriculture sector is partially covered by lending from microfinance institutions, representing about 24% of the overall financial sector lending to the agriculture in 2017. However, the low average size of MFI loans coupled with shorter maturities and a mostly non-formal client base represents a very limiting factor to MFI financing for sector growth and consolidation. Of the overall loan outstanding portfolio by MFIs of EUR 143.9 million, 46% of lending is for businesses recording a year on year growth of 44.1% in 2017, with Agriculture representing 26.6% of this portfolio.

The observed risk aversion by Banks to financing agribusinesses, and the apparent over-liquidity and underutilized lending capacity cannot be explained by the risk in the agricultural market alone. Despite perceived market risks, as well as reported problems with contract and security enforcement by banks, the Non-Performing Loans ratio has continued to be the lowest in the region and amongst the lowest in Europe, standing currently at 3.1% overall and a mere 4.1% for business loans in 2017, marking by far the lowest NPL ratio in the entire region (regional average at over 10%). Even the agriculture sector, with the higher NPL rate of 8.2% for Bank loans still is below the overall regional NPL. Smaller ticket sizes served by MFIs have an even lower NPL, which overall averages at 2.7%. The experience from MFIs, with a much lower NPL and much higher proportional exposure to the agriculture sector, including to individual farmers, is a good indicator of the potential to increase funding to the sector by Banks as well.

Banks still remain very conservative in their lending decisions and very rudimentary in the financial products offered. There are a number of reasons why Banks have not been able to channel the access liquidity to the market. The actual risk management policies and practices of Kosovo Banks rely heavily on collateral, especially immovable mortgage-based collateral. Unless banks actively work to change this approach by introducing alternative risk measurement and management practices, it will lead to continued excess liquidity in the market and un-

THE OVERALL LOAN OUTSTANDING PORTFOLIO BY MFIS OF

€143.9 million,

46%

OF LENDING IS FOR BUSINESSES RECORDING A YEAR ON YEAR GROWTH OF

44.1%

IN 2017, WITH AGRICULTURE REPRESENTING

26.6%

OF THIS PORTFOLIO

derfunding for businesses, especially in sectors outside trade. Specifically in agriculture, Banks typically are hesitant to lend due to sector irregular cash flows, including different timing between regular expense cash flows and irregular revenues, lack of sufficient bankable collateral and perceived production risks related to climate, diseases and market risks.

One avenue to explore is a combination of introducing new financial products combined with alternative risk management practices. This could include providing longer credit maturities, in particular for agribusinesses, taking into consideration the longer-term nature of the investments and different repayment structures suitable to the sector. Credit risk management practices should also be adjusted away from mortgage based securities to more dynamic structures that account for the business credit worthiness and the value chain risk. The regulatory framework could also be adjusted to also allow for the utilization of assigned receivables as security. Banks and MFIs can also improve their risk management by improving post lending monitoring of the sector and client performance and utilizing this active approach to risk management and new loan pipeline generation. Banks could also give serious consideration to the introduction of new financial products such as contract based financing, which aims at financing producers/suppliers that have a formal, ongoing relationship with their buyers within a value chain, so the bank lends to a borrower based on the supply contract with a buyer, collateralizing receivables related to the transaction and removing limits to crediting because of limited available collateral, in the process transferring part of the credit risk to other parties.

Banks should consider the production, services sectors as well as agriculture as the main growth potential for their lending activities to businesses. In particular, opportunities lie on the import substitution products and services as well as a few potential export growth sectors. Improved access to finance would improve agribusiness competitiveness both domestically as well as internationally, thus further increasing crediting possibilities. Financial institutions should also look at utilizing national policies on agriculture in the Kosovo, by syndicating opportunities provided through subsidies and grants to the sector (€100 million over 2013 –2016).

In circumstances of a low cost of funding for Financial Institutions, especially depository banks, investing in increasing crediting activities is the most profitable alternative for the use of funds.

This coupled with the high sector liquidity provide an opportunity for Banks to increase lending.

Lowering the asset-based requirement threshold combined with alternative risk management approaches and practices and new loan products will ensure the success growth for both financial institutions as well as agribusinesses.

If lending to agriculture should reflect the sector contribution to the GDP, this would mean that an additional EUR 80 Million could be potentially placed in the agriculture sector by financial institutions leading to the generation up to 10,000 new jobs in the sector, spurring further growth and additional financing opportunities in the future.

THE AVERAGE EFFECTIVE INTEREST RATE ON LOANS THROUGHOUT THE YEARS

2010
13.97%

2014
9.24%

2018
6.99%

NON-PERFORMING LOANS

2016
4.9%

2017
4.9%

2018
2.8%

LOANS FOR BUSINESSES AND HOUSEHOLDS

BUSINESSES
64%

HOUSEHOLDS
36%

An Intern from the Deuche Bank Visits the Kosovo Banking Association

"We had the great pleasure to host Mr. Tillmann Jaenke for a short visit at the Kosovo Banking Association during his internship programme that he was completing at the Central Bank of Kosovo. We considered that he had a great story to share with us about his internship programme and his experience in Kosovo which he kindly agreed to share with us in the following article. We wish him the best in his future career and we encourage other institutions to also provide such great internship opportunities for young bankers in the future."

PETRIT BALIJA,
EXECUTIVE DIRECTOR - KOSOVO BANKING ASSOCIATION

My name is Tillmann Jaenke and I am currently a student and employee of Deutsche Bundesbank, the central bank of Germany. I was grateful to have had the opportunity to do an internship at the Central Bank of Kosovo (CBK) this summer, and thereby get to know this beautiful and interesting country and its people. This enabled me to gain a new and wider perspective on banking in general, and central banking, and banking supervision, my personal field of work, in particular.

For the past three years, I have taken part in the dual study programme of Deutsche Bundesbank and finished my Bachelor of Science in Central Banking in September. The Bundesbank offers an integrated degree programme, in which students attend university while performing practical periods, during which they work in different business areas of the Bundesbank, in between semesters. The theoretical studies take place at the Bundesbank's own University of Applied Sciences in a small rural town in western Germany and consist of general business administration courses, such as accounting, corporate finance, financial mathematics, international economics, law and IT, as well as specific courses tailored towards a central bank's needs, namely banking and securities supervision, monetary policy, financial stability and payment systems operation. During the course of the study programme, these theoretical modules alternate with practical periods, in which students work in all of the Bundesbank's core business areas at the headquarters in Frankfurt and regional offices in cities all over Germany. In these practical periods, students can apply the theoretical knowledge they have gained at the university and prepare for their subsequent job at Bundesbank after their Bachelor's. In the final months of the study programme, students have the opportunity to go abroad and complete one of the practical modules as an internship period at a public financial institution or authority in Europe.

I decided to do my internship in Kosovo, because it provided an exciting opportunity to get to know a banking environment and work experience which is decidedly different from the experiences I had from Germany and the Bundesbank. I stayed in Kosovo for a total of six and a half weeks in August and September and during that time worked in different departments of the CBK. I got to know the on-site inspection division of the banking supervision department, the payment systems department, the treasury and the cash division, though I spent the bulk of my time in a team concerned with the implementation of the Basel framework in Kosovo. This fitted in neatly with my curriculum at the university, where I had chosen a specialisation on supervisory and financial stability functions during the final two semesters. One of the focus points of the specialisation was the Basel regulatory framework, so I was able to contribute to the team's work. This was very interesting to me, because I got to apply the same regulatory fundamentals to a totally different environment. The German financial industry is obviously very different and considerably more complex than the comparatively young banking sector of Kosovo, and it was refreshing to work in a straight-forward regulatory context, without the peculiarities, exemptions and all sorts of individual characteristics that have grown over time and make navigating the German regulatory environment so challenging. During my internship, I also had the opportunity to visit the offices of the Kosovo Banking Association and learn about the work this organization does, which was a very interesting experience. I was intrigued to get an in-depth look into another country's banking sector, since I only had experience with the German one so far. Germany's banking sector consists of three pillars, which have been established over the centuries: regional public savings banks owned by the towns or counties, regional co-operative banks originally founded by the local population and of course regular private banks, all together this amounts to about 1.800 banks. Therefore I was intrigued that Kosovo, being a very young country, has a highly concentrated banking sector of only 10 banks, with most of them foreign. Kosovo's banks are also very centralised in structure, as opposed to the regional banks dominating the German consumer market. This was a very different environment for me to work in, and there are of course benefits in comparison with the fragmented German banking sector, which has legacy issues dating back a long time. Since Kosovo is changing and developing so rapidly, the banking sector will probably also change considerably, and I am interested in how it will look in 20 years. At the end of my internship, I took part in a regional workshop of the western Balkan central banks in Prevalla in the beautiful mountain region of Sharri. I had taken part in the preparations for the workshop and it proved to be a great opportunity for the banking supervisors and representatives of the banking industry of Kosovo to establish contact and share experiences with their colleagues from the region, as well as representatives from Bundesbank, BaFin (the German Financial Supervision Authority) and the European institutions.

Since I have returned to Germany in September, I have finished my Bachelor's and started on my first position at the Bundesbank. I am now working in banking supervision as an on-site inspector focusing on market risk. I really enjoyed my stay in Kosovo and like to think back to the time I spent there, which definitely surpassed my expectations. The people are very forthcoming and friendly, the nature is beautiful and the country has a lot to offer. Overall, I am very grateful that I had the opportunity to visit this fascinating country, make new friends and widen my horizon.

I DECIDED TO DO MY INTERNSHIP IN KOSOVO, BECAUSE IT PROVIDED AN EXCITING OPPORTUNITY TO GET TO KNOW A BANKING ENVIRONMENT AND WORK EXPERIENCE WHICH IS DECIDEDLY DIFFERENT FROM THE EXPERIENCES I HAD FROM GERMANY AND THE BUNDESBANK.

TILLMANN JAENKE

The Kosovo Banking Association Marks the World Savings Day

By joining in the worldwide activity, the Kosovo Banking Association through its educational activities with children on october 31, 2018 marked the World Savings Day. With the motto " act wise, save today", the Kosovo Banking Association opened the World Savings Day at the primary school "Qamil Batalli" in Prishtina. The director Liridon Maliqi of the school "Qamil Batalli", in his speech addressed the students by encouraging them to save. While in his speech, the executive director of the Kosovo Banking Association Petrit Balija stressed the importance that financial education has to create well-being for the whole society. Balija encouraged children to start saving and not just money, but also the environment, school equipment, and so on. The Savings Day has started to be marked many years ago in Milan, with the purpose to increase the public's awareness of the importance of saving and managing money. The financial education is extremely important for all, regardless of age, while getting a financial education since the young age is a great advantage. By taking into consideration the importance of financial education, the Kosovo Banking Association in the framework of its activities for social responsibility organizes such activities in order to create the saving and resource culture that we have available. The main purpose is to empower younger generations to gain economic and financial knowledge from banking system experts and consequently to be accountable to their finances, while saving on their plans in the future.

The role of the banking sector to assist the financial education of younger generations is extremely important, thus contributing to the creation of a society that has good knowledge of money, money management and personal finance.

In addition to the lecture at the primary school "Qamil Batalli", the Kosovo Banking Association will distribute the Book of Financial Education and School Material for Primary School Students "Dituria" in Shkabaj and the student of organization of the "Ideas Partnership" in Fushe Kosove .

This activity was organized by the Kosovo Banking Association with the support of the member banks: Banka Ekonomike, Banka Kombëtare Tregtare, Banka për Biznes, IsBank, NLB Prishtina, ProCredit Bank, Raiffeisen Bank, TEB Bank and Ziraat Bank.

THE KOSOVO BANKING ASSOCIATION ORGANIZED THE TRAINING" PEOPLE MANAGEMENT FOR TEAM MANAGERS"

On November 6-9, 2018 the Kosovo Banking Association organized the training "People Mangement for Team Managers". The training was conducted by Mr.Gilles Ossona de Mandez from the partner organization House of Training/ATTF from Luxembourg.

Regional Workshop for Western Balkan: Banking Regulation Reform and Challenges Ahead

The Kosovo Banking Association has participated at the workshop organized by CBK and GIZ and hosted by the ProCredit Regional Training Center in Prevalle on september 7 and 8, 2018. This workshop marks the conclusion of the Basel Implementation Project which was supported by GIZ and implemented over the last three years in Kosovo.

In his opening speech, the Chairman of KBA Mr. Ilir Aliu, on behalf of the banking sector, thanked CBK and GIZ for organizing the workshop and the participants from EU institutions and the region.

He emphasized the importance of regional cooperation as well as with EU institutions in implementing Basel standards stating, "For us this is another step forward in the enhancement of the regulatory perspective, as well as in the alignment of the banking sector supervision standards with the EU standards." Mr. Aliu furthermore emphasized that all banks are making necessary progress towards full preparation for final steps in this process; both CBK and KBA are providing as-

The Kosovo Banking Association organized the information session on the topic "Cyber and Information Security Management"

The Kosovo Banking Association in cooperation with the House of Training from Luxembourg organized on September 24, 2018 half-day information session on the topic "Cyber and Information Security Management". This information session gathered in one place all relevant stakeholders from the financial sector as well as state institutions responsible for law enforcement. In the opening speech, the executive director of the Kosovo Banking Association Petrit Balija emphasized the importance of Cyber and Information Security within the new

sistance to banks to build capacities in the Kosovo banks.

Other speakers included Central Bank of the Republic of Kosovo (CBK) Governor Mr. Fehmi Mehmeti, GIZ Gesellschaft fuer Internationale Zusammenarbeit GmbH Country Director Kosovo Mr. David Oberhuber, Deutsche Bundesbank Head of Technical Assistance Mr. Martin Dinkelborg, IMF Country Representative, etc.

Kosovo Banking Association organizes training for FATCA

On October 25, 2018, the Kosovo Banking Association organized the training "Foreign Tax Compliance Act", which is in fact an agreement between the Government of United States and of the Republic of Kosovo. This agreement obliges financial institutions to report through the Tax Administration of Kosovo on the financial accounts of US citizens to the US Internal Revenue Service. The training was conducted by Mr. Nigel R. Douglas who has a great experience in the field of implementation of FATCA in international well-known banks. Participants in this training were bank employees from Kosovo and Albania as well as representatives from the Tax Administration of Kosovo.

developments on the digital banking services.

Furthermore, he mentioned one of the key factors for advancing bank-client relationship such as the trust in the banking services especially electronic services. However, banking sector in Kosovo is continuously investing in increasing the security as well as increasing human capacities in cyber and information security, as it can be evidenced by the trainings and sessions organized by the Kosovo Banking Association in cooperation with international institutions which have an extensive experience in this field such as House of Training from Luxembourg. Our primary aim as banking sector is to offer banking clients a fast and safe services in order for them to achieve their goals through the help of the bank. In order to achieve more progress in this regards, it is utmost to coordinate the actions and cooperate with relevant state institutions such as Kosovo Police, Central Bank of Kosovo and other relevant institutions.

The lecturer presented informative materials from global perspective in this topic which is attracting increased attention from financial systems from the most developed countries but also in countries under development such as Kosovo. During the discussion part, the participants had the chance to ask questions to the lecturer Hristiyan Lazarov, as well as discuss furthermore in this field. Except for the opportunity for discussion in regards to this important topic for banking sector, the participants had the opportunity to network and share ideas and thoughts in this regard. An important support to this event was also provided by Asseco company.

Banka Ekonomike in support of the sport

Businesses all over the world are increasingly looking after the success of the area they are operating to contribute to the well-being of all stakeholders, which today means the entire socio-economic environment surrounding them.

Banka Ekonomike takes this obligation with high responsibility and is committed to giving its contribution in this regard.

Therefore, the continued support of social, cultural and educational activities remains an important goal in fulfilling the bank's mission. Banka Ekonomike has built a long tradition of cooperation with local institutions aimed at improving the social environment. One of the primary goals is concrete and immediate support in solving current social problems.Thus, Bank Ekonomike, as in the previous years, continued its support for athletes and clubs inimproving infrastructure conditions, participating in international competitions. The bank has supported the women's football club KFF Hajvalia, the handball club KH Vllaznimi from Gjakova, and the football club FC Prishtina. In addition to providing support to sports clubs, the BankaEkonomike has also supported the organization of the Charity Tour organized by the American Chamber of Commerce.

Raiffeisen Bank supports the cultural project for children with Down syndrome

The Children with Down syndrome should be treated like all other children, so the project in question is aimed at raising awareness of children with Down syndrome. Through the project, awareness will be made by stimulating / encouraging children with Down's syndrome together with their peers. These children will perform to the audience skills, talent, avoidance of isolation as well as approximation to the realization of their dreams of equal opportunities and integration within society in the field of music and culture. Raiffeisen Bank is the sponsor of this project and this project will last for 6 months by the end of January 2019. The purpose of the project is to organize programs of traditional character for children with Don syndrome.

NLB Bank supports the campaign "You Are a Sunflower"

By the desire and willingness to help children and to improve the conditions they are cured and treated, NLB Bank has supported the "You Are a Sunflower" campaign by buying 500 T-shirts for all its employees. This campaign aims to help children affected by blood, leucemia and cancer. The money, which is 100% donated, will be used to buy the device in the Oncohematology clinic at the University Clinical Center of Kosovo. The contribution

of NLB Bank will continue in the future in support of important humanitarian, social, cultural and economic activities and projects.

Your blood saves life

Banka Kombëtare Tregtare SH.A in cooperation with the National Blood Transfusion Center, again organized the day of voluntary blood donation. During the day 43 blood bags were collected, an action that shows the real contribution made by Bank employees. Banka Kombëtare Tregtare SH.A hopes that this blood donation will help to motivate and increase the spirit and awareness of people about the importance of blood donation and the will to help each other. The blood donation activity organized by BKT was succeeded. This is evident from the enthusiasm shown by Bank employees who fully supported the activity. The number of blood donors will surely increase in the future, given that this activity is set in the calendar of the activities of Banka Kombëtare Tregtare SH.A.

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

Publications of the Kosovo Banking Association

THE TRAINING CENTER OF THE KOSOVO BANKING ASSOCIATION

The Banking Training Center within the Kosovo Banking Association offers training in the following areas:

- Risk Management in Banking
- Compliance and Prevention of Money Laundering
- International Financial Reporting Standards – IFRS
- Internal Control and Audit
- Asset and Liability Management
- Digital Banking
- Cyber Security and Information Management
- Credit Assessment
- Selling of Financial Services
- Trade Finance
- Personal Data Protection
- Human Resources Management
- Leadership and Management

PARTNERS:

LUXEMBOURG AID & DEVELOPMENT

HOUSE OF TRAINING

ATF LUXEMBOURG

The Banking Training Center within its training program also offers internationally recognized certifications, webinars and e-learning training in the field of banking industry.

REDUCING CASH TRANSACTIONS

A E KENI DITUR SE PËRDORIMI I KARTELËS BANKARE
SJELLË SHUMË BENEFITE

SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

038 246 171
www.bankassoc-kos.com