

THE KOSOVO BANKER

Profitable banks:
positive or negative?

What is the importance of increased funding for energy
efficiency and renewable energy?

Emergency Liquidity Assistance and the Risk-Based Bank
Supervision Manual - a significant step in the stability of
the banking sector

Profitable banks: positive or negative?





SHQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION



THE KOSOVO BANKER

IMPRESSUM

BOARD OF DIRECTORS OF KOSOVO BANKING ASSOCIATION



Mr. Ilir I. Aliu
Chairman of the
Board, ProCredit Bank



Mr. Robert Wright
Vice-Chairman of the
Board, Raiffeisen Bank
Kosovo



**Ms. Merita
Gjyshinca-Peja**
Banka Ekonomike



Mr. Abdurrahman Balkiz
Banka Kombëtare
Tregtare



Mr. Richard Beasley
Banka për Biznes



Mr. Alper Karakoç
IS Bank



Mr. Lavdim Koshutova
NLB Prishtina



Mr. Ayhan Albeyoğlu
TEB Bank



Mr. Meriton Sunduri
Ziraat Bank

EXECUTIVE DIRECTOR OF KOSOVO BANKING ASSOCIATION AND EDITOR- IN-CHIEF

Mr. Petrit Balija

EDITOR

Mrs. Miranda Rugovaj
Administration and
Communication Officer



SHQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

The Kosovo Banking Association (KBA) is the voice of the banking industry in Kosovo. KBA cooperates

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

"The Kosovo Banker" is a publication of the Kosovo Banking Association. The magazine is published twice a year with the aim to properly inform the public on the banking industry in Kosovo. Kosovo Banking Association; St Lidhja e Pejës, n.n Zona Industriale, Prishtina; 10000, Republic of Kosovo; +381 38 246 171; www.bankassoc-kos.com; contact@bankassoc-kos.com;

THE KOSOVO BANKER IS SUPPORTED
BY THE EUROPEAN FUND FOR
SOUTHEAST EUROPE



EUROPEAN FUND FOR SOUTHEAST EUROPE
DEVELOPMENT FACILITY

CONTENTS

EDITORIAL 1-2

FOREWORD FROM THE NEW CHAIRMAN OF THE KBA BOARD 3

FINANCIAL SECTOR 4-9

- Profitable banks: positive or negative?
- What is the importance of increased funding for energy efficiency and renewable energy?

EXPERT'S CORNER 10-14

- Emergency Liquidity Assistance and the Risk-Based Bank Supervision Manual – a significant step in the stability of the banking sector
- Technology and the banking system

FINANCIAL EDUCATION CORNER 15-22

- Big Mac and Purchasing Power Parity, PPP
- Lean Methodology
- One opportunity for an impressive first impression

KBA NEWS 23-30

- Kosovo financial sector is represented in Berlin
- Kosovo Banking Association signed a cooperation agreement with the Faculty of Economics of the University of Prishtina
- Finance Fair 2015
- KBA awarded the winners of the sweepstakes "Finance Fair 2015"
- Lecture on Financial Literacy by the Kosovo Banking Association as part of the Global Entrepreneurship Week
- A roundtable discussion was held with the topic "The Right of Leasehold transfer of privatized property in Kosovo for 99 years:

Implications for businesses, financial institutions and their clients"

- ZIRAAT bank welcomed at the Kosovo Banking Association
- Board of Directors of the Kosovo Banking Association elects new Chairman
- The Kosovo Banking Association awards recognition for Mr. Robert Wright
- T.C. Ziraat BANKASI A.S. - Branch in Kosovo joins the Kosovo Banking Association
- Committees at the Kosovo Banking Association elect the new Chairpersons
- Safe banks in Kosovo and Albania

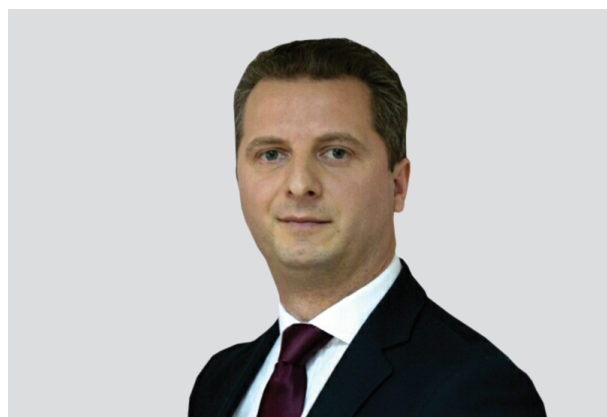
BANK NEWS AND CORPORATE SOCIAL RESPONSIBILI 31-35

- Banka Ekonomike supports the second International Congress of Ophthalmology
- Banka Kombetare Tregtare helps children affected by cancer
- BPB brings smiles to pupils of the elementary school Tefik Çanga
- Slovenian businesses interested in investing in the environmental field
- Raiffeisen Bank continues the support for the Football Federation of Kosovo
- Another year of ProCredit Bank supporting DokuFest
- e-Statement, the newest service offered by ProCredit Bank
- TEB SH.A promotes entrepreneurship and Start Up initiatives as means for personal and economic development

The views expressed in the articles of the magazine are those of the authors and do not necessarily reflect the standpoints or policies of the Kosovo Banking Association (KBA) or the European Fund for Southeast Europe (EFSE). KBA and EFSE do not have any responsibility towards the content of the articles published on the magazine "The Kosovo Banker"



EDITORIAL



Mr. PETRIT BALIJA
EXECUTIVE DIRECTOR
KOSOVO BANKING ASSOCIATION

Dear readers,

Welcome to the 8th edition of 'The Kosovo Banker' magazine. I am delighted to be able to share with you this new edition which explores a topic of great interest and much debate recently which is also the main theme of this edition titled "Profitable Banks: Positive or Negative?". The purpose of this theme is for the banking sector to continue to openly and transparently discuss all topics of interest with the banking clients, stakeholders of the financial sector and the general public.

The center of attention for the banking sector in the Republic of Kosovo are their banking clients. It is imperative that all activities undertaken, all reforms made and all solutions provided by the banking sector to meet the needs of the banking clients. It is through such a partnering

relationship with the client that the banking sector can grow and thrive, even in a difficult business environment such as the one that we are facing these days in Kosovo. The banking sector is determined to continue serving the needs of the Kosovo economy through its financing activities and payment services that are so essential to individual clients, business clients, government institutions and non-government agencies.

In this edition there is a special address from the newly elected chairman of the Kosovo Banking Association Mr. Ilir Aliu. There are also a number of very interesting articles which address additional topics of interest such as: Profitability in the Banking Sector, Financing energy efficiency



and renewable energy; Technology and the banking system; and Liquidity Management Facilities in the banking sector.

This edition also includes topics of financial education and general interest such as the concept of Purchasing Power Parity, Lean Methodology, and The importance of body language in a professional environment. Towards the very end of the magazine, you will find the main news that dominated the banking sector in the second half of the year 2015 as well as some of the corporate social responsibility activities of the banks of Kosovo.

I would like to use this opportunity to express a great thank you to the KBA member banks and the European Fund for Southeast Europe (EFSE) for sponsoring this edition and a great thanks, as well, to the authors and KBA staff who contributed in preparing this edition as well as our devoted readers for their great support.

Happy holidays and a prosperous 2016!

Sincerely,
Petrit Balija

FOREWORD FROM THE NEW CHAIRMAN OF THE KBA BOARD

Dear Readers,

In my capacity as the President of the Kosovo Banking Association, I am pleased to share with you my views about the current state of the banking sector in Kosovo as well as future expectations.

From the outset I would like to emphasize that any assessment of the current performance of the banking system must be balanced in substance, so that this year's definitely positive results are seen in the context of a macroeconomic setting that leaves much to be desired both at the global level and in Kosovo. At this moment we can congratulate the actors in the financial sector in Kosovo both on the regulatory side and in the commercial sector for their diligent and conservative work.

The banking system in Europe, but also those in other parts of the world, is facing different challenges. Therefore, the banking system in Kosovo cannot be and is not immune. Some of the challenges are low bank margins, loan portfolios in arrears, tighter banking regulations and the associated higher costs, technological changes affecting market penetration of new players, and increased demands from customers for better quality banking services.

Successful management of these challenges is a prerequisite for banks to play their role as responsible supporters of social enterprise development and economic development in general.

The above-mentioned challenges cannot be overcome successfully if the actions of key institutions in society are not coordinated. To be more precise, the low bank margins and also low interest rates can be sustainable if there is an efficient judiciary system which strengthens contract implementation on the one hand, and on the other hand, the costs for evaluating projects proposed by enterprises can be decreased if there is comprehensive institutional commitment to fully implement the requirements for financial reporting and to reduce the informal economy.

The banking sector in Kosovo is part of the Kosovar economy and shares its fate; hence, banks are interested in consistently contributing in any way to the country's economic development.

Mr. ILIR I. ALIU

CHAIRMAN OF
THE BOARD,
KOSOVO BANKING
ASSOCIATION,
CEO -PROCREDIT
BANK



Kosovo's banking sector is characterized by a high level of capitalization, which is over 19%, a satisfactory level of coverage for non-performing loans of 115%, and the net profit for 2015 is expected to be over EUR 60 million.

All of these indicators speak in favor of a strong banking system, which, under the vigilant supervision of the Central Bank of Kosovo, has exceeded and continues to successfully cope with growing demand.

Also, sector achievements derive from the commitment investors have to invest in human capacity and modern infrastructure to make the sector sustainable and profitable, and therefore I believe that the banking sector can serve as a model for the development of other sectors of the economy.

A powerful banking sector is a prerequisite for further investments through the increasing support it provides as a lender – the sector's total portfolio is expected to be over EUR 2 billion at year-end 2015 – but also as a provider of safe and reliable services to all depositors, whose total balances are expected to reach over EUR 2.7 billion by the end of 2015.

Finally, I want to commend the staff of the Banking Association, the publishers of this magazine, who consistently engage in dialogue with the main actors of the financial industry in order to propose upgrades to the system.

PROFITABLE BANKS: POSITIVE OR NEGATIVE?

“Should the profitability of the banking sector be perceived as a positive development for the economy of Kosovo? What are the assumptions that often lead to a negative perception and negative reaction towards this success story in Kosovo, namely the good performance of the banking sector, or should this be regarded as successful model which could be used as a model example for other sectors of the economy of Kosovo? What are the effects that a healthy and profitable banking sector can have in the economy vs. the destructive effects that a financial sector under distress could have?”

The society, not only in the Republic of Kosovo but throughout the world, is being challenged in many areas of life. Politics, economics, religion, education, health, environment, privacy and many other topics of importance concern our society lately more than ever before. In this context, there is a tendency to scrutinize everything and everyone. The banking sector, also, gets its share of scrutiny and criticism from the media and the general public and most of the time, without solid ground and without supported arguments. These critical opinions are often created due to lack of information but also due to a general confusion in the society about the role of the commercial banks as private for-profit institutions and at the same time as providers of very essential financial services that are often times a necessity in the lives of citizens, and in the operations of businesses and other government and non-government institutions.

Politicians are also often joining this discussion whereby, more often than not, they choose to go with populist notions, which criticize the banking sector, whereby they hope that this will translate into votes during election times. One



of these topics under scrutiny in Kosovo, in the last two years, is the profitability of the banking sector. The general public, the politicians and the media often criticize the banking sector for their “unjustifiable high profit”, as they claim is the profit in the banking sector of Kosovo. The questions that one must ask, in this case, are the following: Should the profitability of the banking sector be perceived as a positive development for the economy of Kosovo? What are the assumptions that often lead to a negative perception and negative reaction towards this success story in Kosovo, namely the good performance of the banking sector, or should this be regarded as successful model which could be used as a model example for other sectors of the economy of Kosovo? What are the effects that a healthy and profitable banking sector can have in the economy vs. the destructive effects that a financial sector under distress could have?

The banking sector in Kosovo is a relatively new sector having had only 15 years of development since the establishment of the Banking and Payment Authority of Kosovo in November of 1999. In this short period of time, this sector has grown to a total of 10 banking institutions¹

¹ ProCredit Bank Kosovo, Raiffeisen Bank Kosovo, TEB Bank, NLB Bank, Banka Ekonomike, Banka Per Biznes, Banka Kombetare Tregtare, IsBank, Ziraat Bank, Komercialna Banka

operating in Kosovo with total assets in value of approximately 3.2 billion euro which represents 69.1% of the total financial sector assets² of Kosovo. The banking sector has continuously increased its financing for businesses and individual consumers where the total loan portfolio has increased to over 2 billion Euro. Most of the banks in Kosovo are established as foreign banks mostly as subsidiaries but also as branch banks whereas there are only two banks having been established as domestic banks. In this composition, the banking sector comprises the majority of the total assets of the financial sector of Kosovo which is an indicator of its significant influence in economic development of Kosovo. This can be considered as an advantage for the banking sector in Kosovo because, besides their capital investment, foreign banks also bring along great know-how and experience to the Kosovo market while promoting best international practices.

loan interest rates in comparison to the year 2010 when the average effective loan interest rate was around 14.3%. Furthermore, the non-performing loans remain at their lowest level at 6.8% and all of the banks are well capitalized and liquid with a loan to deposit ratio of the sector being at 75%. Furthermore, the statistics of the Central Bank of Kosovo show that the interest income has remained stable over the years as well as the non-interest income (which includes service fees). These statistics are very important to answer to those who perceive incorrectly that the banking sector is earning more from high interest rates or from high service fees. It is possible that certain service fees for certain banks may have increased according to their development strategies, however, as mentioned above, the non-interest income, at sector level, has remained stable over the years as shown in the Table nr. 1 shown below.

Table 1. Income Statement: Interest and Non-interest income

INCOME STATEMENT						
	Milion Euro*					
Description	2010	2011	2012	2013	2014	July-15
Interest income	175.8	195.1	200.5	198.2	195.9	110.2
Non-interest income	41.4	45.0	46.6	49.6	47.8	29.0

The banking sector in Kosovo has always been profitable, however in the last two years 2014 and 2015 it has outperformed all of its previous levels of profit reported with 60.1 million euro net profit in 2014 and 69.3 million net profit reported at the end of September 2015. One could suppose that the reasons that made the profit possible would also be of relevance in order to address the central questions posed in this article. What makes the banking sector so profitable in these last two years? Are the banks increasing their interest rates and earning more on interest income? Are the banks increasing their service fees and earning more in non-interest income? These are some of the questions that relate to the central questions of this article. In this context, it is important to state that this profit comes at a time when the average loan interest rate has been at the lowest level with around 7.9% on average effective loan interest rate, reported at the end of September 2015. This shows a decrease of about 45 percent on the average

So, what could be the cause of increased profitability in the last two years? The answer lies with the cost of funding and provisioning levels. The cost of funding has decreased significantly due to lower deposit interest rates and lower provisioning as a result of loan recovery and lower overall NPL rates in the sector.

Another question that often arises from the media and economic analysts is with regard to the deposit interest rates and the spread between average loan interest rates and average deposit interest rates. Why are the deposit rates so low? Why is the interest spread so high? Why can't the banks pay higher interest rates to help the savers earn more on their savings? The answers to these questions lie with the liquidity position of the banking sector, respectively the loan to deposit ratio. This ratio has been staying at around 75% which means that the banking sector is relatively liquid and does not need more deposit to fund any loans because the demand for loans is not high enough to prompt a need for more deposits. In such a situation, the banking

² CBK Report, June 2015

sector would not incentivize its clients to deposit more funds; however the banking clients have the continuous need to deposit funds therefore the banks have to lower the deposit interest rates to counter-balance this cost of funding. It's worth mentioning that the low deposit interest rates are not a trend only in Kosovo but also in the region and the Eurozone as well where some of the banks in these countries are now charging negative deposit interest rates to their clients. In fact, some of the banks of Kosovo have to deposit this excess liquidity at negative interest rates in these foreign banks. Nevertheless, the interest spread has been decreasing steadily over the past years as shown in Table 2 below

In light of the information provided above, it is clear that the profitability of banking sector is not derived from an increase in loan interest rates or from increased service fees as it is often incorrectly presumed. In fact, the banks

Table 2. Interest rate spread

Description	2010	2011	2012	2013	2014	July-15
Effective interest rate for deposits	3.4%	3.6%	3.7%	2.4%	1.1%	0.8%
Effective interest rate for loans	14.3%	13.9%	12.9%	11.1%	9.2%	8.1%
Spread (Loans/deposits)	10.9%	10.2%	9.1%	8.7%	8.1%	7.2%

have no choice but to stay profitable under these circumstances because it is specifically the prudent banking measures that are leading to an increase in profitability. For the banks not to be profitable, it would mean that they would have to abandon the prudence measures and to perhaps increase non-performing loans and provisioning and to increase the cost of funding or deposit interest rates which would lead to a highly dangerous level of liquidity. This increase in deposit interest rates could only happen if the demand of loans increases whereby the demand for deposits would increase and the banks would begin incentivizing their clients towards more deposits.

Regarding the effects that a profitable banking sector has on the economy, I would highlight just some of the main effects since for the most part the benefits are obvious. A profitable banking sector increases stability of the overall financial system and lowers the chance of a financial sector crisis which means that the economy would not suffer from the negative effects of

a financial sector in crisis and the government would not have to bail-out any banking institution with taxpayers money, as we have seen to be the case in some other countries. In addition, a profitable banking sector will be able to increase its capacities to expand its lending portfolio to finance more businesses and to increase access to finance through more advanced banking services in all parts of the country. This would mean that businesses can expand and contribute to lower the unemployment and to the overall economic growth. Furthermore, a profitable banking sector can invest in advisory services that would support businesses in their financial affairs and help them with advanced financial services. A profitable banking sector can afford to also invest in their human resources, technology and product development which will benefit the clients by increasing the level of service and more suitable banking services. Most importantly, a profitable banking sector ensures stability for all

depositors and investors of the banking sector.

Therefore, it is incredibly unreasonable and reckless to say that "banking sector profits are unjustifiable" when one considers all of the arguments elaborated above which clearly show the benefits of having a profitable and stable banking sector which should serve as a model sector for other sectors of the economy which should also operate competitively to achieve a high level of performance. Only when the majority of the other sectors of the economy increase their performance to the level of the banking sector, Kosovo will have a competitive economy that will fulfill the needs of the people of Kosovo and secure a prosperous future against and alongside other competitive economies of the European Union

WHAT IS THE IMPORTANCE OF INCREASED FUNDING FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY?

High energy expenditure in Kosovo is one of the reasons why businesses and our households have high costs and bills of electric energy. Because the economy in Kosovo is constantly growing, the need for saving in energy expenditure is felt. On the other hand, with the current technology standards of production of electric energy used, Kosovo has the highest level of CO₂ (carbon dioxide) release per kilowatts spent in Europe.

Consequently, every kilowatt of energy saved directly impacts the reduction of the negative impact on the health of citizens as well as the environment. The appropriate solution to reduce this negative impact is efficient use of energy, or provision of energy from alternative renewable and not harmful sources.

To have a clearer vision on the road to saving energy we must first know who the biggest spenders of energy are in households and businesses. For both households and businesses, the highest costs result from warming/ cooling facilities, lighting system, and particularly for businesses, technology and machinery play an important role. To achieve efficiency, essential changes and investments should be made. Initially, it is important to raise awareness that efficient usage of electric energy is among the main steps that lead to savings today and benefits for tomorrow; whereas, other

Mr. GËZIM TROPOJA

HEAD OF ENVIRONMENT UNIT

PROCREDIT BANK



steps are interrelated to direct investments in private facilities as well as businesses, transportation assets and working machinery.

As for the issue of saving energy, there are some measures that can be undertaken about saving energy, ranging from maintenance of air conditioning units, estimated to be the biggest spenders, since they are in operation during the winter for heating, as well as during the summer for cooling; replacement of refrigerators or freezers with more qualitative ones, because they are more durable and more economical.

If air conditioners are used for heating, the temperature should not be set higher than 19 ° C. If air conditioners are used for cooling the settling in the summer, the temperature should not be set lower than 26 ° C - 28 ° C. Keep doors and windows closed while the heating or cooling system is on. Clean the filters and make sure that the air conditioner has good water drainage.

You can take some simple steps to reduce the cost of lighting and through this act will help yourself and the surroundings, so that others can have light as well. Do not leave lights on in spaces which you do not use. Outdoors, if not necessary, do not leave many lights on. If you use many lights, then orient yourself to the use of fluorescent lights (neon), or LED technology lights. Replace incandescent lights, warm, (ordinary light bulbs) with fluorescent lights (neon), or LED technology lights. Fluorescent lights (neon) use 75% less electric energy and last 10 times longer than regular incandescent lights, while LED lights are up to 50% more efficient than fluorescent lights.

It is also suggested, especially for businesses, to place sensors in particular rooms that activate and illuminate on movement. Depending on the use of lights, household lighting covers about 12% of the total annual expenditure. For different businesses, the main expenses can be the coolers and freezers. For this reason, it is suggested that if you decided to purchase a new refrigerator or freezer, then direct to the highest quality products of class "A", because they are more durable and more economical.

For businesses, technology and machinery that these businesses use is important. Implementation and application of machinery of latest technology affect the value and quality of production and level of services provided to consumers. Practice and data show that through the application of new technologies, enterprises have achieved an increase in productivity and at the same time a reduction on the cost of production, namely, have achieved profit maximization, which in modern times is the goal of every entrepreneur. During the manufacturing process, one of the main contributors in expenditure is the energy used. New technologies allow direct energy savings and accelerate the working process, which is also reflected in energy savings. All this energy saving represents a financial saving for businesses.

In addition, the replacement of manual labor with the latest machinery, made new and old entrepreneurs meet or reach stages provided by the concept of efficiency (relates to deriving an advantage or the maximum possible satisfaction from the use of economic resources) and welfare (refers to the satisfaction that an individual or society derive from the consumption of wealth). Providing energy from renewable sources, investments in technology that enable the conversion of natural energy into usable energy (electric or thermal) is needed. Such investments are investments in solar panels, hydropower, wind mills or investments in the use of energy from biomass (organic waste).

High energy expenditure in Kosovo is one of the reasons why businesses and our households have high costs and bills of electric energy. Because the economy in Kosovo is constantly growing, the need for saving in energy expenditure is felt.

The importance of investments in energy efficiency or renewable energy can be seen even by the standards set by the EU. EU standards require savings in energy and environmental protection to be respected in every country that is part of or intends to be part of this family. The objectives of the EU plan are called 20-20-20 for the energy sector, which require member states to reduce greenhouse gas emissions by 20%, to increase the share of renewable energy in final consumption to 20%, and to improve energy efficiency by 20% by 2020.

The European Union, namely the European Commission, allocates funds and different donations in relation to this area, not only for state institutions, but also for companies investing in the energy efficiency field. For such a thing to be accomplished by the EC, it is very possible if there is a clear and well detailed project.

Besides, commercial banks in Kosovo have lately begun to specify their loans in important fields, where fields that relate to energy efficiency are a part of. Through a loan named "eko-kredi", ProCredit Bank enables Kosovar entrepreneur's investments in the field of energy saving, or renewable energy. The purpose of this loan is to promote investment in businesses that reduce high electric energy spending.

A key component of our bank's mission is to ensure that the economic development which we support creates a stable environment in terms of environment and society. We offer loan products for investments in energy efficiency, renewable energy and activities related to

environmental protection. Benefits arising from investments from the use of efficient energy through this loan are saving money every month, gaining competitive advantage in the market, improving the reputation in the market and last but not least, contribute to environmental protection.

The objectives of the EU plan are called 20-20-20 for the energy sector, which require member states to reduce greenhouse gas emissions by 20%, to increase the share of renewable energy in final consumption to 20%, and to improve energy efficiency by 20% by 2020



EMERGENCY LIQUIDITY ASSISTANCE AND THE RISK-BASED BANK SUPERVISION MANUAL – A SIGNIFICANT STEP IN THE STABILITY OF THE BANKING SECTOR

The concept of banking stability represents a complex approach and requires a multidimensional engagement. The primary goal of each regulator is to have a stable banking system by embracing in itself a sustainable and stable development of this sector. Supervisory dialogue and the engagement approach on the prevention have a significant role in identifying and preventing the destabilization of the banking sector. To be fair, anticipation of unstable development of the banking sector is a task of paramount importance of the regulator.

Since the banking legislation primarily addresses supervision of banks when they are in a stable financial position, the Regulation on Emergency Liquidity Assistance approved by CBK in September 2015, addresses the responsibilities, actions and steps when banks have liquidity problems, when they are illiquid but solvent. Considering the sensitivity of the area to address, this regulation has been intensively discussed with the International Monetary Fund and it has also been discussed with the banks in Kosovo. The fact that the regulation has been drafted at a time when banks have no financial difficulties, it has allowed sufficient time available for its preparation.

Since the aspect of implementation measurement is a key parameter, before this regulation was approved, it had also been tested during the World Bank mission in the Central Bank of the Republic of Kosovo regarding crisis simulation. Estimates of the mission in question have been very positive including some appropriately addressed recommendations.

More specifically, this regulation sets out the conditions and criteria that must be met by banks that seek emergency liquidity assistance, acceptable types of collateral, conditions and

Mr. MENTOR GECI

DIRECTOR

BANKING
SUPERVISION
DEPARTMENT

CENTRAL BANK OF
THE REPUBLIC OF
KOSOVO



the assessment process of such a request in order to implement Article 14 of the Law on the Central Bank Republic of Kosovo (CBK), which authorizes the CBK that in exceptional circumstances and in its sole discretion to act as a last instance lender for a licensed bank, and also in accordance with Article 12, paragraph 1 of the Law on CBK authorizing CBK to temporarily change the minimum reserve of certain banks.

In cases where CBK applies its instrument of temporary change in the minimum reserve rate, banks are not required to place their collateral in CBK, but any application of the loan as an instrument associated with the emergency liquidity assistance, then the acceptable types of collateral accepted by the CBK in this case are: securities (certain kinds), gold, and any other acceptable collateral by the CBK. The Regulation also provides for the possibility of renewing the request for emergency liquidity assistance.

Besides claims arising from the Regulation on Emergency Liquidity Assistance, CBK has now compiled the Policy for Emergency Liquidity Assistance. The Policy for Emergency Liquidity Assistance addresses the requirements regarding the types and conditions of the collateral and the funds available for emergency liquidity assistance. In general, the regulation in question represents a further advancement of the banking level of financial security.

After a more than two-year test, in August 2015, CBK has approved the Risk-Based Bank Supervision Manual. Supported by the International Monetary Fund and the US Treasury, the Risk-Based Bank Supervision Manual represents a new approach to banking supervision with the main focus on the risks to which banks are exposed, such as: credit risk, liquidity, market and operational risk combined with the amount of inherent risk, risk management quality, the overall risk level and risk direction. In general, the Manual is divided into three main parts: the pre-examination process, during, and post-examination process. Additionally, the Manual addresses the issue of consolidated supervision and bank examination frequency depending on the ranking.

In accordance with international best practices, CBK has reviewed its supervision policies, procedures and practices in order to provide a dynamic, efficient, structured, and risk oriented supervisory framework. Risk-based supervision is a structured, flexible and progressive process designed to identify, assess, measure, monitor and control/ reduce the major risk factors that have been exposed to individual banks and the entire financial industry.

Using the approach of risk-based supervision, risk assessment policies and practices used by banks to control/ reduce risk are evaluated. The focus of the supervisory attention according to the risk-based supervision is in the risk areas that represent higher risk for the banks' security and welfare. Risk-based approach also supports CBK in achieving its regulatory objectives, taking into account the need to engage its resources in the most efficient and effective way.

Risk-based supervision allows the evaluation of the risk level, risk management quality and risk direction (increase, decrease and stable). This results in the development of the bank's risk profile. The Risk-Based Bank Supervision Manual facilitates ongoing supervision treatment of banks by the Banking Supervision Department within CBK and will be used by the staff as a reference manual and work guide.

According to the manual in question, it all starts with understanding (step 1) the institution that includes the profile of the institution, based on which then it is proceeded with institution risks assessment (step 2), which includes two separate components, the risk matrix and risk assessment description. The planning and allocation of

supervisory activities is performed following the risk assessment, including the quantity, its management quality, and its direction (trend); meaning the detailed supervisory plan (step 3). Once the plan is drafted, it is continued with defining the activities of the examination (step 4) by specifying the procedures of examination that may be standard (more detailed examination) and minimum (less detailed examination). This is in accordance with the risk profile of a particular institution. Step 5 has to do with the examination carried out in the country based on the assessed risks. Once that examination has been carried out and the report has been finalized and delivered, the only remaining step is to follow up through indirect supervision (off-site) and thus regular updating of the profile.

A financial institution engaged in a single activity, it is relatively straightforward to oversee. However, financial institutions expand, diversify, invest and establish subsidiaries. They also form partnerships and merge with other companies. They expand operations in other companies. With so many changes, supervisors need to collect the information needed to have a proper sight of the complex business structure. Since banks take on a variety of different business activities in different types of operating entities and in many countries, it is important that a banking group is supervised on a consolidated basis as risks may arise from any part of the group.

The scope of consolidated supervision is meant to be comprehensive and should cover non-bank entities within the group, as well as entities that are beyond the scope of accounting consolidation. In addition, it should cover the bank's parent company and subsidiaries of the parent company. Consequently, the specific addressing of consolidated supervision represents another attribute of the particular importance to the

As a conclusion, since the manual attempts to address the identification of banking sector challenges, a mandatory task is to update the manual periodically. This will enable the manual to be constantly enriched with contemporary supervisory principles correlated with the development challenges of the banking sector in Kosovo.

TECHNOLOGY AND THE BANKING SYSTEM

Analyses of the impact of technology in the banking system are not new phenomena, but their true impact on the daily lives of consumers has been more pronounced in recent years.

In general when it comes to information technology in the banking system, two main ways of how this influence is manifested are mentioned:

- 1) In general, information technology affects the reduction of costs associated with the management of information and processes by making them automatic:
 - Transaction costs (e-banking) compared to the manual mode transactions are multiple times lower, but at the same time the costs of investments in technology and qualified staff increase significantly
 - Investments in technology enable the creation of larger and organized bases of data that enable more detailed analysis for customers and increase the value of the data in bank's possession.
 - Better management of various banking risks
- 2) They change the way we approach customers of bank services and products:
 - Create easier alternatives of customers' access to banking products and services, namely the creation of 24/7 zones
 - Enable the provision of services in areas where previously was impossible to conduct bank operations because physical locations are now replaced with virtual online locations



**Mr. REZAK
FETAI**

SENIOR MANAGER
PROCREDIT BANK

- Increase competition in the banking sector, since more sophisticated customers are better able to compare prices and quality of services and have don't have an unreserved loyalty to their bank.
- Increase competition by adding non-banking players in the provision of financial services

The aforementioned changes create numerous challenges for the banking system and the need to change the profile and their business model; changes that are never easy but they are necessary. If we add a dose of dramatization and analogy, we can say that the challenge faced by bankers resembles the dilemma that jockeys faced at the time of transitioning to vehicle transportation: they can choose between being better jockeys and investing to train in the car mechanic profession.

Nonetheless, the risks that arise from embracing and implementing new technologies are as big as keeping a conservative attitude towards them. For the banking industry, which in principle is characterized with detailed planning, significant caution about embracing and implementing new technologies is even more pronounced for many reasons.

Any decision to invest in technology is high in financial terms, while the return is not always guaranteed, especially if the investment in technology as the main premise for return on investment has the change in consumer preferences. But, it is an undeniable fact that these preferences vary themselves and cause real revolutions in different sectors. In the past, such a change has been in the transportation sector, namely the shift from traditional forms of transportation to mechanical means of transportation or vehicles and the switch from classic phones to smart phones.

Changes in consumer preferences are a forecast in which even the companies with the best skills in planning and information technology leaders are not always sure about. In this regard, it is enough to recall the dramatic rise and fall of Nokia's market share or growth and decline of many global companies in the information technology industry. Very often the success of an investment in technology is determined by the proper timing of its implementation, but the question is: what is the right time? In this sense, every business leader asks themselves whether that point of change has come (Inflection Point). Failure to identify the point of change can cause many problems in the normal operation of enterprises.

In this context, if the point of change has arrived, the option of deciding in favor or against the investment in technology is only an illusion. More than a proactive decision, it's the only rational decision.

Changes in the banking system in Kosovo are not unique phenomena; on the contrary, they are phenomena following developing countries. At the end of the day, not investing in technology is reflected in the client who is unable to enjoy the comfort of modern services and an institution that works effectively and is able to offer cheaper but also better services. We must not forget that the nominal interest on loans has suffered a major decline in recent years. As an illustration, the table below shows the decline on loan interest rates (effective interest rate)

Banking Sector	De-cember 2005	De-cember 2006	De-cember 2007	De-cember 2008	De-cember 2009	De-cember 2010	De-cember 2011	De-cember 2012	De-cember 2013	De-cember 2014	De-cember 2015
Effective Interest rate*	14.50%	14.70%	14.10%	13.80%	14.10%	14.30%	13.90%	12.90%	11.10%	9.20%	7.90%

* The total cost of loan expressed as an annual rate of total loan value.

Source: Monthly Statistics Bulletin No. 169, published on November 5, from Central Bank of Kosovo

Comparing annual interest of this year (2015) with that of 2010, a decline of 6.4% in the outstanding loans can be ascertained, meaning 6.4 million Euros less from interest income in 100 million Euro loans. A simple calculation is sufficient to show that for the banking system with a total amount of loans outstanding of approximately 2 billion Euros, such a change is manifested in 128 million Euros less interest income per year; a figure that is higher than any annual profit of the banking system for the past 5 years. Obviously, these changes are partly balanced by decreasing interest rates on deposits but cannot eliminate the immediate need to review all banking processes in any way.

This change is the primary factor that determines the need to find different forms of rationalization of expenditure and finding new ways of organizing work. In this sense, everything changes except the words of the ancient philosopher Plato that necessity is the mother of invention.

When faced with a major change in the world, the only rational response should be a just as fast adaptation. As an example, the table below shows ProCredit Bank Kosovo's cut-off periods in e-banking transaction participation to total

transactions from the first moment that the e-banking service was offered (in 2005) and the tremendous transformation during the past two years, reaching an 82% participation in total transactions.

Clearly, a prerequisite for such a big change was access to internet, which has increased manifold in comparison to 2005 and also the widespread adoption of smart phones.

In fact, the high penetration of internet in Kosovo and broad adoption of smart phones are the two main indicators that show that we are dealing with a refined customer, whose requirements and expectations have evolved and are at the same level as any customer in Europe.

In this direction, it is a good opportunity but also an obligation to the banking system to follow the modern banking developments; developments that move towards the strengthening and independence of the client.

Based on what was described above, we can say that the modern banking infrastructure and investment in technology is a prerequisite rather than a luxury to communicate with customers in our market nowadays.

ProCredit Bank Kosova	2005	2010	2014	October - 2015
The participation of E-banking transactions in the total number of transactions	0%	21%	60%	82%

Resources:

1. The effects of technology on the EU banking systems (July 1999) - ECB
2. Monthly Statistical Bulletin no. 169, published on November 5th, 2015 by the Central Bank of Kosovo (<http://bqk-kos.org/?id=97>)
3. McKinsey ECompany, various articles
4. 10 Ways Technology Will Change Banking in 2015 (American Banker)

Big Mac and Purchasing Power Parity, PPP

The Big Mac is a hamburger sold by McDonald's, an international fast food restaurant chain. It is one of the company's signature products. But this is not the article about McDonalds, its history, products, neither consumption nor health benefit or obesity induced by consuming of Big-Mac. This is an attempted to highlight the value of the Big Mac as a palatable measure of PPP.

The attractive feature of the Big Mac as an indicator of PPP is its uniform composition. With few exceptions, the component ingredients of the Big Mac are the same everywhere around the globe. For that reason, the Big Mac serves as a convenient market basket of goods through which the purchasing power of different currencies can be compared.

The Big Mac index was invented by The Economist in 1986 as a lighthearted guide to whether currencies are at their "correct" level. It is based on the theory of purchasing-power parity (PPP), the notion that in the long run exchange rates should move towards the rate that would equalize the prices of an identical basket of goods and services (in this case, a burger) in any two countries. To put it simply: a dollar should buy the same everywhere. The Big Mac PPP is the exchange rate that would leave burgers costing the same as in America. Comparing the PPP with the actual rate is one test of whether a currency is undervalued or overvalued

Mr. XHEMAJL GASHI

PORTFOLIO
MANAGER

RAIFFEISEN BANK
KOSOVO



The first column of the table shows local-currency prices of a Big Mac. The second converts them into dollar. The average price of a Big Mac in America is \$4.79. The chipset burgers are in China and Russia (\$2.74, \$1.88); the dearest are in Switzerland \$6.82. In other words the most undervalued currency are Russian's ruble and Chinese yuan (-61%; -43%), the Swiss franc is most overvalued currency, 42 percent. The third column calculates Big Mac PPP. Dividing the local Russian price by the American price gives a dollar PPP of 22.34 ruble. The actual exchange rate is 56.82 ruble, implying that Russian currency is undervalued by 61 percent against dollar. Further dividing the local Chinese price by the American price gives a dollar PPP of 3.55 yuan. The actual exchange rate is 6.21 yuan, denoting that Chinese currency is undervalued by 43 percent against dollar. The average price of a Big Mac in the euro area is \$4.05. This indicate that the euro's PPP is exactly \$ 0.77, so at its current rate of \$ 0.91 the euro is 15 percent undervalued (overvalued 10 percent in 22apr2003). Most of emerging-market currencies are undervalued

The hamburger standards, Big Mac prices

Country	Big Mac in local currency	In dollars	Implied PPP of the dollar	Actual dollar exchange rate Aug.8th 2015	Under (-) over (+) valuation against the dollar, %
United States	4.79	4.79			
Argentina	28.00	3.07	5.85	9.14	-36
Australia	5.30	3.92	1.11	1.35	-18
Brazil	13.50	4.28	2.82	3.15	-11
Britain	2.89	4.51	0.60	0.64	-6
Canada	5.85	4.54	1.22	1.29	-5
Chile	2,100.00	3.27	438.41	642.45	-32
China	17.00	2.74	3.55	6.21	-43
Egypt	16.93	2.16	3.53	7.83	-55
Euro area	3.70	4.05	0.77	0.91	-15
Hong Kong	19.20	2.48	4.01	7.75	-48
India	116.25	1.83	24.27	63.43	-62
Indonesia	30,500.00	2.29	6,367.43	13,344.50	-52
Israel	17.50	4.63	3.65	3.78	-3
Japan	370.00	2.99	77.24	123.94	-38
Malaysia	7.65	2.01	1.60	3.81	-58
Mexico	49.00	3.11	10.23	15.74	-35
New Zealand	5.90	3.91	1.23	1.51	-18
Pakistan	350.00	3.44	73.07	101.70	-28
Peru	10.00	3.14	2.09	3.18	-34
Philippines	163.00	3.61	34.03	45.21	-25
Russia	107.00	1.88	22.34	56.82	-61
Saudi Arabia	12.00	3.20	2.51	3.75	-33
Singapore	4.70	3.44	0.98	1.37	-28
South Africa	26.00	2.09	5.43	12.41	-56
South Korea	4,300.00	3.76	897.70	1,143.50	-21
Sri Lanka	350.00	2.61	73.07	133.85	-45
Switzerland	6.50	6.82	1.36	0.95	42
Taiwan	79.00	2.55	16.49	31.02	-47
Thailand	108.00	3.17	22.55	34.09	-34
Turkey	10.25	3.87	2.14	2.65	-19
UAE	13.00	3.54	2.71	3.67	-26
Ukraine	34.00	1.55	7.10	21.95	-68
Uruguay	113.00	4.13	23.59	27.35	-14
Venezuela	132.00	0.67	27.56	197.00	-86
Vietnam	60,000.00	2.75	12,526.10	21,810.00	-43

against the dollar roughly 50%. The data do not show any currency which is exactly at its PPP. One exception is the South Korean won, according to the 22 of April 2003, Big Mac Index.

Over the course of a gloomy 2014, all emerging currencies corrected against the US dollar, driven by a notably stronger US currency and a sharp fall in commodity prices against the backdrop of weak global growth (and associated world trade). In reaction to falling crude oil prices and the international sanctions imposed on the country following its invasion of Ukraine, the Russian ruble felt the sharpest correction.

The purchasing-power-parity theory predicts that a country's currency will depreciate by an amount equal to the excess of domestic inflation over foreign inflation. The theory also predicts that a country's exchange rate will appreciate by an amount equal to the excess of foreign inflation over domestic inflation. The theory does not consider the impact of international capital movements, and it suffers from the choice of an appropriate price index used in price calculations.

Even of imperfection of the PPP theory the economists use it to provide better comparisons of welfare across countries than can be gleaned from simply converting wages at market exchange rates. Exchange rates should adjust so that workers making traded goods are paid according to their productivity. But firms that sell non-traded goods and services must compete with firms in the tradable-goods sector for labour. So a country with high-productivity exporting firms will have high wages across all sectors—including those, like hair-cutting, where productivity differences between rich and poor countries are small. As a result, the cost of living is higher in rich countries, and simple exchange-rate adjustments overstate real welfare differences. On an exchange-rate basis, the average American is 35 times richer than

the average Indian. On a PPP basis, however, taking account of the lower cost of living in India, American income is just 13 times higher. (The World Bank maintains a PPP database for some 180 countries.)

Workers in less productive economies earn lower wages, but their Big Macs cost less to produce. The gap in worker welfare between rich and poor countries is therefore smaller than exchange rates suggest. In China, for instance, the exchange-rate-adjusted McWage is 11% of that in America. The BMPH (Big Macs per Hours Worked) real wage shows a much smaller gap. BMPH also erases the seeming advantage conferred on workers by western Europe's minimum wages.

Is over or undervaluation good or bad? That depends on what the respective government is trying to achieve. The exchange rate is but one of the macroeconomic policy instruments available to the government to help maintain external and internal balances simultaneously. It could be an effective instrument only if it is used in coordination with other instruments and supported by requisite institutional and regulatory structures. Monetary policy is an integral part of the exchange rate system.

For example, if the Swiss franc is overvalued with respect to the dollar, then a Swiss tourist traveling to US will be very happy. In fact, the more overvalued the franc is, the better. However, for an exporter of Swiss goods to US, its price in dollar terms will be higher the more overvalued is the franc? Thus, an overvalued franc will likely reduce sales and profits for these Swiss firms.

LEAN METHODOLOGY

"Control your own Destiny or somebody else will" Jack Welch, Jack: Straight from the Gut

Substantial management within a corporate, it is necessary for a good, qualitative and consistent service, most important according to customers expectations. Today, in the world are being used different techniques on substantial management that are intended to ensure quality in processes and services, but also continuously improve processes and services. Most common of them are Lean, Six Sigma or Business Performance Management.

LEAN methodology, is one of the most modern methods which is used today in various industries to improve the quality of products and services through four (4) pillars; voice of the customer, the operating system, management infrastructure and way of thinking in a different dimension (mindset and behavior).

Lean has its roots in Toyota Production System (TPS) and has been developed by Toyota in '50s, which is concerned with bringing **efficiency and superior performance** in the work place (**Gemba**)* by continuously seeking to improve work processes through elimination of waste (**Muda**)* and processes that do not add value in the organization.

The aim of Lean methodology is to satisfy explicit and implicit customer needs

with the lowest consumption of resources and preserving the assets of bank by continuously eliminating waste, variability and rigidity which means by:

Ms. DRENUSHA SHEHU PULA

PROCESS AND
PRODUCTIVITY
MANAGEMENT
TEAM LEADER

RAIFFEISEN BANK



- less waste we have lower costs, better quality and consistent throughput
- reducing inflexibility means delivering what the client wants, when they want it and in the right quantity
- reducing variability means improving process reliability i.e lowering cost and improving quality

The basic pillar of Lean is Voice of the Customer where we identify clients needs and expectations for services, to continue with :

Operating System - the way the process is configured and optimized to create value and minimize losses.

Management Infrastructure - the formal structures and systems through which resources are managed in support of the service process.

Mindset and Behavior - the way people think, feel and conduct themselves on the shop floor, individually and collectively.

OPERATING SYSTEM



"The way a process is configured / optimized to create value"

- Predicting and managing incoming volumes (demand)
- End-to-end process design (flow)
- Staffing to meet demand (capacity)

MANAGEMENT INFRASTRUCTURE



"Structures and systems in which resources are managed"

- Performance management - transparency and visual management
- Organization and skills - aligning roles, responsibilities, and structures and giving people the right skills

MINDSET & BEHAVIOURS



"The way people conduct themselves individually and collectively"

- Understanding and commitment by all employees
- Engagement at all levels for problem solving and continuous improvement
- Role modeling by management

The pillars are frame of the Lean with the aim to ensure us that during a transformation we are tackling all involved parties : people, systems and processes.

Lean transformations differ from regular projects as for transformation management, tools / techniques used.

While with regular projects measure success factor is to achieve the objective set at the beginning of the project; however, in LEAN transformations measure of success factor is to achieve a certain objective and its impact, maintenance of change and improvement continuously .

Sustainability of change is the key of success!

ONE OPPORTUNITY FOR AN IMPRESSIVE FIRST IMPRESSION

"Good or bad, right or wrong, fair or unfair, people will judge us based on our appearance, handshake, and non-verbal signals before we even have a chance to say anything to them."

It is a competitive world we are living in. Each year we have a new breed of young, energetic, enthusiastic graduates ready to take on the challenges of professional business world and prove themselves as the best potential asset for a company or an institution. They are ready to climb the stairs of success for a career of their dream, and even more ready to do whatever it takes to reach there.

But how many can actually show that they have what it takes, in this vast sea of competition, before they prove it through their work and skills?

Ms. SHENAJ SHALA

MA INTERNATIONAL
PROTOCOL AND SOFT
DIPLOMACY SKILLS

LIAISON OFFICER FOR
BALKANS,

INTERNATIONAL SCHOOL
OF PROTOCOL AND
DIPLOMACY (ISPD,
BRUSSELS)



Kosovo, as the youngest country, with the youngest population in Europe (around 70% of population under 35 years of age), and with the high unemployment rate, for sure presents a challenging environment for any potential employee. So how do we do it? What is it that can set us apart from our competitors and bring us one step closer to our goal?



Believe it or not, studies have shown that people will have an opinion about us and create the first impression within few seconds that they meet us. Whether it is a professional meeting or an interview, social gathering, or a business negotiation, we have only got few seconds to "impress" someone before we even start talking. Good or bad, right or wrong, fair or unfair, people will judge us based on our appearance, handshake, and non-verbal signals before we even have a chance to say anything to them. It is therefore very important that we appear well presented, confident, and smile while maintaining eye contact and straight posture when we interact with people.

Further researches base the effective communication largely on body language and argue that through our postures and gestures we can reveal non-verbal signals that are 12 to 13 times more powerful than the accompanying words. What does this mean, and how does it work?

Body language makes up a significant part of our communication, through which our thoughts, intentions and feelings are expressed by gestures, mimics, touch, use of space, etc. By knowing how to read body language and how to use it well, we might be able to increase our influence, and interact with confidence. We can create closer relationships, understand people on the deeper level, and show them that we care when our job requires dealing or working with them on regular basis.



A firm and solid handshake will instantly make us credible. We need to apply the right amount of force- without being crushing and certainly not too soft either- as that is usually associated with weak character. A good handshake will always be associated with confidence and should be perfected, as it is the first contact/touch that we have with others, making it one of the most powerful gestures.

It is also important to **smile and maintain eye contact** when we are introducing ourselves (and talking to others.) This way, we indicate our sincerity and respect, while also showing interest in what others have to say. However, this is an exception for some cultures as eye contact might be considered rude and should be avoided.

Using our personal space by pulling our head and chin up, straightening our back and chest, and keeping our shoulders back will also send strong signals. This will indicate that we are confident with ourselves, the situation we are in, and the people around us.

Accompanying our words by hand gestures will also add to our self-assurance and will prevent us from looking too stiff. Our hand gestures should not be exaggerated, but only complimenting our words and speech. Movements should be relaxed and should come naturally. We should use gestures sparingly, as we don't want to distract the listener by drawing attention to hands from our speech.



There are also certain negative gestures in body language that should be avoided when we are in a professional setting.

Nobody wants to do business or cooperate with someone who is not prepared well and insecure about themselves. An insecure person will usually **cross their arms, or legs** when standing, by forming a protective barrier between them and other people. When we cross our arms or legs we are most probably uncomfortable with the situation or the environment we are in, therefore we try unconsciously to seek comfort by 'hugging' ourselves and blocking the outer world. The best way to avoid these gestures is to hold a pen or any other item that will prevent our arms from crossing, or simply relaxing the arms aside and let them free.

Another pose to be avoided is sitting with our **hands clenched, chest pulled in**, and legs closed with knees touching each other. At this position we become smaller with the intent to 'disappear' from an environment in which we feel vulnerable and uncomfortable. We are most probably feeling anxiety during these poses, and the smaller we try to become, the more anxious we are. The best way to avoid these gestures is to sit up straight, with chest pushed out and head and chin up. If we continue feeling anxiety, we can also try

controlling our breathing, by inhaling longer and holding our breath for couple of seconds before exhaling slowly, which should help us relax and feel more positive.

One thing is to be remembered and for sure: in this world of competition, we might have only one chance, and perhaps few seconds, to prove that we have what it takes by leaving a good first impression. Let's make sure it will be impressive!



Kosovo financial sector is represented in Berlin

In Berlin, the annual meeting of the European Fund for Southeast Europe (EFSE) was held with the participation of leaders of the financial sectors in Southeast Europe. The executive director of the Kosovo Banking Association Mr. Petrit Balija was invited to represent Kosovo in the panel. The panel was attended by the Governor of the Central Bank of Croatia Mr. Boris Vujcic, former Governor of the Bank of Serbia

Mr. Radovan Jelasity, and other representatives from Netherlands and the United Kingdom who discussed many developments in the global financial arena. The Kosovo delegation was comprised of the Governor and Deputy Governor of the Central Bank of Kosovo, representatives of banks and microfinance institutions as well as representatives of EFSE office in Kosovo.



Kosovo Banking Association signed a cooperation agreement with the Faculty of Economics of the University of Prishtina



Kosovo Banking Association signed a cooperation agreement with the Faculty of Economics of the University of Prishtina.

On the occasion of the establishment of the Advisory Council at the Faculty of Economics, the Kosovo Banking Association (KBA) and the Faculty of Economics in Prishtina signed a cooperation agreement which aims at creating a public-private partnership with the goal of improving study programs, developing joint

research projects and providing numerous opportunities for students to apply theoretical knowledge into practice that will contribute to increasing their employability.

The agreement was signed on one side by the Dean of the Faculty of Economics of UP Mr. Skender Ahmeti and on the other side, the Executive Director of the Kosovo Banking Association Mr. Petrit Balija

Finance Fair Kosova 2015

On September 29th, Finance Fair Kosova opened at the Palace of Youth in Prishtina. The fair began with the opening ceremony which took place in the lobby of the Palace of Youth, in which case the governor of the Central Bank Mr. Bedri Hamza stressed the importance of the Finance Fair and emphasized that the role of the financial system in support of the country's economic development has improved further in the last period, mainly due to developments within the activities of the banking sector.

The opening ceremony of the Fair was also made by the chairman of the board of Kosovo Banking Association, Mr. Ilir Aliu, who in his opening speech said that the fair is a good opportunity for dialogue between consumers and the financial sector, to see innovations of development in the banking sector. He also spoke about the innovations that this year's fair has brought.



During these two days, the Finance Fair attracted a large number of visitors who had the opportunity to get closely acquainted with offers from banks, microfinance institutions, auditing companies, accounting schools and institutes, educational institutions, as well as various programs.

Besides organizing the exhibition of companies, on the second day of the Finance Fair, the annual conference on the topic of "Financing Progress in Kosovo" was held. This conference brought together at the table of discussion relevant stakeholders to address different important issues for the financial sector but also for the economic development of the country. Among other things, the importance of agribusiness in the economic development was discussed, challenges and barriers to access to finance for this sector, and what should be undertaken by all relevant institutions to achieve synergistic effects and achieve positive results. Part of the discussion was also the Kosovo Credit Guarantee Fund. Its financing ways, main objectives of this fund, and possible effects on economic growth and unemployment were discussed.



With regards to the Finance Fair 2015, the executive director of the Kosovo Banking Association, Mr. Baliija stressed that this fair has been among the most successful we have organized so far. Visitors have had easy access to the Palace of Youth and had the opportunity to visit financial institutions that have exposed their services. We should thank the participants



of the annual financial conference, which resulted in a very constructive discussion about increased funding for agribusiness. Moreover, on this occasion, the 10th anniversary of the Training Center for Banking at the Kosovo Banking Association was celebrated, where our associates were thanked with gratitude, added director Baliija in the end.

All conclusions of the annual conferences organized within the Finance Fair 2015 will be published in the September 2015 edition of the Banking Periodic which will be available on the website of the Kosovo Banking Association.



KBA awarded the winners of the sweepstakes “Finance Fair 2015”



Kosovo Banking Association awarded the winners of the sweepstakes in Finance Fair 2015. This sweepstake was open to all visitors of the Finance Fair held on September 29th and 30th at the Youth Center in Prishtina.

The names of the winners were revealed in the show “Time for Finance” in Kohavision (<https://goo.gl/prj6W0>), where the commission was composed of representatives from the Tax Administration of Kosovo and Kosovo Banking Association.

The winners of this sweepstakes are:

1. Bahrije Maloku –Winner of the Laptop
2. Florim Berisha –Winner of the Tablet
3. Suzan Çoçaj –Winner of the Smartphone

Kosovo Banking Association thanks all the participants of the sweepstakes “Finance Fair 2015”.

Lecture on Financial Literacy by the Kosovo Banking Association as part of the Global Entrepreneurship Week

As part of the Global Entrepreneurship Week, on November 21st, 2015, the 8th elective Assembly of the Student Council in Kosovo organized by the Kosovo Youth Council (NGO) was held. Valon Shehu - certified trainer for Financial Education through the Banking Customer Financial Education Project undertaken by Kosovo Banking Association and IFC participated as a presenter at this event. Mr. Shehu gave a presentation about savings to 100 participants, mainly high school students.



A roundtable discussion was held with the topic “The Right of Leasehold transfer of privatized property in Kosovo for 99 years: Implications for businesses, financial institutions and their clients”



On July 23rd, 2015, the World Bank office in Kosovo organized a round table on the topic “The Right of Leasehold transfer of privatized property in Kosovo for 99 years: Implications for businesses, financial institutions and their clients”

In this roundtable, the right to transfer leasehold was discussed and in particular the legal interpretation made recently by the Kosovo

Cadastral Agency, under which the way of transferring the right of Leasehold for 99 years was instructed.

Participants in this discussion were representatives of the Kosovo Cadastral Agency, the Privatization Agency of Kosovo, Kosovo Banking Association, the legal representatives of the owners of privatized property.

ZIRAAT bank welcomed at the Kosovo Banking Association



During the meeting of Board of Directors at KBA, on Wednesday, July 29th, 2015, the membership certificate was issued to the newest member, ZIRAAT Bank, Kosovo branch. This was the first time that the Executive Director at ZIRAAT Bank, Mr. Meriton Sunduri, participates in board

meeting, since the membership. At the end of the meeting, Mr. Sunduri received a certificate of membership on which occasion the chairman of the board of directors welcomed the newest member at KBA.

Board of Directors of the Kosovo Banking Association elects new Chairman

A new Chairman has been elected during the last Kosovo Banking Association General Assembly meeting. With full consensus, Mr. Ilir Aliu, currently the CEO at ProCredit Bank in Kosovo has been elected as the Chairman of the Board of Directors of KBA for a mandate of 2 years.

On the occasion of his election in the function of the Chairman of the Board of Directors, Mr. Aliu said that "The banking sector in Kosovo is among the most developed and modernized sectors and also a powerful contributor of the country's economic development. Therefore being the head of the Kosovo Banking Association, which is also the voice of banking industry, is a great responsibility and a great honor. I will be thoroughly committed to the further development of this sector in order to advance the offer of the banking services in all aspects and also to improve the environment of doing business".

On the other hand, the Executive Director of the Kosovo Banking Association, Mr. Petrit Balija, on the occasion of the newly elected leadership said "The Chairman of the board of directors



carries an important role for the Kosovo Banking Association as well as the financial sector in Kosovo. On this occasion I congratulate Mr. Aliu on his election and I am very confident that Mr. Aliu will strongly contribute in the further development of the banking industry in Kosovo."

Kosovo Banking Association has been established in 2002 and represents 9 commercial banks, members at KBA

The Kosovo Banking Association awards recognition for Mr. Robert Wright

The Kosovo Banking Association has awarded recognition to Mr. Robert Wright on the occasion of the successful conclusion of his second mandate as the Chairman of the Board of the Kosovo Banking Association (KBA).

During his time as the chairman of KBA board, Mr. Wright has given a great contribution for the banking sector and KBA mission. On the occasion of handing the recognition to Mr. Wright, the executive director of KBA Mr. Balija stated "On behalf of the KBA Board and personally it is my honor to present this recognition to Mr. Wright for his extraordinary dedication and service in his position as chairman of the Board of KBA".



On the other hand, Mr. Wright was thankful for this recognition where he stated "It has been a pleasure and an honor to be Chairman of the Kosovo Banking Association for two consecutive mandates and to be involved in the many positive developments within the banking industry during this time.

I sincerely thank my fellow Board Members for all their commitment and cooperation during my time as Chairman, and I would also like to give special thanks to Mr. Petrit Baliija and his team in

the KBA office for the very professional support and guidance they have provided over the last 4 years. I wish Mr. Ilir Aliu from ProCredit Bank every success as the new Chairman of KBA".

Mr. Wright, currently the general director of Raiffeisen Bank Kosovo, has been elected by the Board to serve as the Vice Chairman of the Board for a new mandate during which the chairman will be Mr. Ilir Aliu, general director of ProCredit Bank.

T.C. Ziraat BANKASI A.S. - Branch in Kosovo joins the Kosovo Banking Association

Since July of this year, Kosovo Banking Association has added a member bank. This bank is T.C. Ziraat BANKASI A.S. - Branch in Kosovo. Ziraat Bank was founded in 1863 and is considered as one of the largest banks in Turkey. Ziraat Bank is a sovereign bank (shareholder capital of the Bank is 100% owned by the Turkish Undersecretariat of Treasury). By December 31st, 2014, the Ziraat Bank network included 1,682 local branches and 25 international branches.

In accordance with its international bank strategy, the bank aims to provide products and banking services to corporate and retail customers through a good structure and a defined market and a client oriented business model in Kosovo.

With regards to the membership of Ziraat Bank in the Kosovo Banking Association, the Kosovo branch manager Mr. Meriton Sunduri said "It is our pleasure to be members of the Kosovo Banking Association and we welcome the cooperation over the coming years of our growth in Kosovo".

Meanwhile, on behalf of the Kosovo Banking Association, Mr. Petrit Baliija, stated that "It is a great honor to have a bank and investor in



Kosovo such as Ziraat Bank. I think that Ziraat Bank will contribute positively in increasing access to finance for the Kosovo citizens and businesses in Kosovo. The bank delivers an exceptional experience considering that is one of the oldest and largest banks in the region and beyond. We, as Kosovo Banking Association will fully support the staff and management of Ziraat Bank".

Safe banks in Kosovo and Albania

On November 26th, the Kosovo Banking Association is participating at the National Forum for Bank Security in Tirana. The official opening was done by the leaders of associations of banks, respectively from Kosovo Mr. Petrit Balijs and from Albania Mrs. Endrita Xhaferi.

On this occasion Mr. Balijs said that the safety of bank clients is one of the key objectives in the development of the banking sector in Kosovo. He stressed out the importance of providing fast, easy and above all safe services to bank customers. Invited to the conference are representatives of state security institutions.



Committees at Kosovo Banking Association elect the new Chairpersons

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

to address specific issues affecting the better functioning of the sector. During 2015 the new Chairpersons of several active committees at KBA were elected. The newly elected Chairpersons are:

Committee	Elected chairman	Institution	Elected vice chairman	Institution	Date of Election
The Security Committee	Vullnet Shkodra	BEK	Agon Gashi	RBKO	February 9, 2015
The Payments Committee	Akile Cërnobregu	PCB	Boryana Mustafa	NLB	February 12, 2015
Card Fraud Prevention Committee	Modest Morina	RBKO	Arben Islami	BpB	February 19, 2015
Treasury Committee	Arianit Dehiri	TEB	Berat Isa	RBKO	March 27, 2015
Human Resource Committee	Arta Celina	RBKO	Donika Karaxha	TEB	August 18, 2015

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

Executive Director of KBA Mr. Petrit Balijs and KBA's staff take this opportunity to thank all representatives of all the past chairpersons for

their work and contribution given during their mandate, and wishes success to the newly elected chairpersons.

Banka Ekonomike supports the second International Congress of Ophthalmology



As part of the continued commitment of Banka Ekonomike to support organizations raising the level of awareness and social responsibility, with special emphasis on sectors that are directly related to the welfare of the society of our country, Banka Ekonomike supports the organization "Second International Congress of Ophthalmologists", which takes place on November 20th and 21st, 2015 at the Emerald Hotel.

This congress aims at continuing professional education and exchange of experiences with internationally known lecturers who will share

their experiences in diagnosing and modernly treating many diseases that we encounter every day in our practice, which will result in increased personal care and maintenance of visual health. Banka Ekonomike will continue to contribute on increasing the responsibility in our society and the overall professional and social development.

Banka Kombetare Tregtare helps children affected by cancer



BKT as part of Kosovo's society is consistently dedicated to help and contribute in the development of society in all spheres. BKT shows its dedication and social responsibility through sponsoring and charitable activities through which it reflects the institutional values.

Recently, BKT embarked on a project developed for population awareness regarding the early examination of cancer in children. The project organized in the form of a fashion show from the creator Venera Paqarada in Prishtina International Airport enabled fundraising for the Oncology and Hematology Department at

the Pediatric Clinic of UCCK, funds which will be used to purchase materials needed for cancer diagnosis.

BKT is committed to positively touch every live by expanding its charitable activities in various fields of society and culture.

BPB brings smiles to pupils of the elementary school Tefik Çanga



This time BPB focused on our most precious beings, the children. In particular, pupils of classes 1-9 at the elementary school Tefik Çanga in the villages of Koliq, Ballaban, and Podaj, of the municipality of Prishtina. BPB decided to surprise them with a symbolic gift that consisted of school supplies (colors, pencils, drawing

pads, erasers, etc.) to 98 pupils who commute to these school branches in these three villages.

We know that our pupils never have enough of pencils and colors... It is never a small matter to bring a smile :)



Slovenian businesses interested in investing in the environmental field

NLB  Prishtina



The conference “Slovenian environmental development projects for Kosovo” held in Prishtina was organized by the Embassy of the Republic of Slovenia in Kosovo and the Consortium for green environmental technologies of Slovene companies, with the support of the bank NLB Prishtina, the Slovenian Business Club –EAC, “Spirit Slovenia”, and the Kosovo Chamber of Commerce (KCC).

“NLB Prishtina has consistently had an emphasis on ecological projects and the environment, several times we have funded

projects for various companies and individuals for the purchase of new equipment or the construction of hydropower plants, as well as thermo insulation of houses” said Selimi, assistant to the president of the managing board for the corporate division of NLB Prishtina. Selimi said the NLB group has adopted environmental and social policies for social responsibility therefore according to him this bank is obliged to integrate these policies and implement them daily. NLB is willing to financially support these kinds of projects up to 12 million Euros.



Raiffeisen Bank continues the support for the Football Federation of Kosovo



Raiffeisen Bank in Kosovo continues its cooperation with the Football Federation of Kosovo (FFK) for another year; this is the eighth consecutive year that Raiffeisen Bank supports the Football Federation of Kosovo. In a Media Conference organized by FFK, Fadil Vokrri, President of the FFK and Robert Wright, CEO of Raiffeisen Bank Kosovo signed the sponsorship agreement for another year.



Another year of ProCredit Bank supporting DokuFest



This year, for the 11th consecutive year ProCredit Bank has confirmed its support to the International Documentary and Short Film Festival – DokuFest, as the general sponsor of this significant cultural event in the country. After 14 years of organizing this festival, DokuFest has become the greatest cultural event in the country and one of the 25 best documentary film festivals in the World. This year's edition of DokuFest showed 228 movies from 43 countries around the World in 6 competition programs. This cultural event attracted the attention of a large number of

artists, filmmakers, producers, and art lovers from the region and the World.

"As an institution that continuously supports significant events in Kosovo and especially those contributing directly to the development of culture, ProCredit Bank has believed in DokuFest since its early years, being one of its main supporters for 11 consecutive years", said Albena Çarkaxhiu, Marketing and PR Department Manager in ProCredit Bank

e-Statement, the newest service offered by ProCredit Bank

ProCredit Bank has launched its new service called "e-Statement". This service enables to check the account balance online by logging in with the username and password. While the users of e-Banking platform continue logging in using their username, password and token.

Which account balances can be checked using e-Statement?

- Current account balance
- Savings account balance
- Term-deposit account balance
- Loan balance
- Credit card balance

Meeting clients' needs and protecting the environment where we operate is our priority. ProCredit Bank is constantly improving its electronic services, which are useful and makes it easier to manage your finances while contributing to a cleaner environment.

By using e-Statement, there is no longer any need for clients to print their account statements, as they can easily be accessed at any time from their computer.

Less paper, cleaner environment.

TEB SH.A promotes entrepreneurship and Start Up initiatives as means for personal and economic development



TEB SH.A. holds entrepreneurs in high esteem, especially entrepreneurship as a concept as it perceives them as creators of new values that have multiple positive effects for the community.

This way, the bank entered into cooperation with Innovation Centre Kosova – ICK and started the mentoring of 7 entrepreneurs with the aim of developing them and adapting their business plan to the requirements of the investors. The same initiative was applied in the city of Gjakova in cooperation with Gjakova Innovation Centre where 5 entrepreneurs were incorporated in the program.

As part of the development program, the bank worked extensively on both the demand and supply side of the ecosystem. On the demand side it engaged on fostering entrepreneurship through high quality mentoring while on the supply side it promoted the program to potential investors both within Kosova and in important diaspora centers such as Switzerland and Germany. This approach signaled the banks intention on setting up an investor's society which will serve as the cornerstone of the system.

Through this event, the bank aims to promote the Entrepreneurship program to the general public and raise awareness for entrepreneurship as a career path

Publications of the Kosovo Banking Association

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

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

Published magazines:



“Periodic Overview of the Financial Sector in Kosovo” is a monthly publication of the Kosovo Banking Association starting with its first publication in January 2014. Monthly publications are comprised by data and general overview of the financial system in Kosovo. Each

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

Monthly publications published so far:

Year 2014



Year 2015



Training Center for Banking

264
TRAININGS

3022
TRAINEES

6336
HOURS OF LESSONS

2005-2015



Festojme 10 vjet sukses
Celebrating 10 years of success



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

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



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION