

THE KOSOVO BANKER

Financing Housing: An Important Factor for the Socio-Economic Development in Kosovo

A·U·K TRAINING & DEVELOPMENT INSTITUTE

Depending on your area of responsibility, you will be able to find courses and training that can help you and/or your company improve and develop professionally.



www.auk.org/tdi

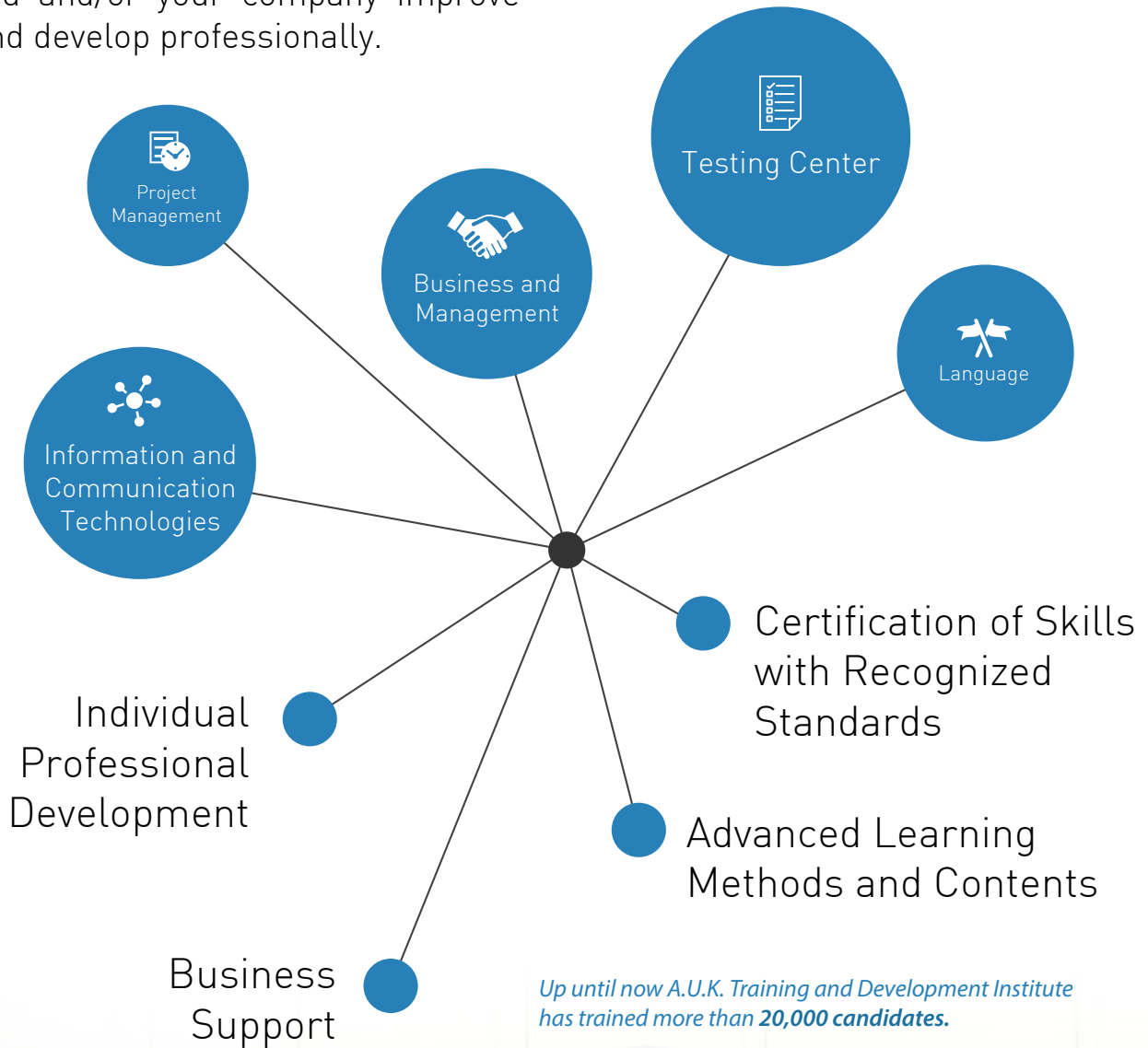


auki@auk.org

049 774 112
038 608 608 ext. 608



+386 49 774 112

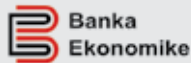


Up until now A.U.K. Training and Development Institute has trained more than 20,000 candidates.





SHOQATA 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



Mr. Abdurrahman Balkiz
Banka Kombëtare
Tregtare



Mr. Alper Karakoç
İS Bank



Mr. Arton Celina
Banka për Biznes



Mr. Ayhan Albeyoğlu
TEB Bank



Mr. Lavdim Koshutova
NLB Prishtina



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



Mr. Meriton Sunduri
Ziraat Bank

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

Mr. Petrit Balija

EDITOR

Ms. Miranda Rugovaj
Administration and
Communication Officer



SHOQATA 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 Pejes, 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

FINANCIAL SECTOR 2-15

- Interview with Mr. Robert Wright Vice-Chairman of the Board of Directors of the Kosovo Banking Association, CEO of Raiffeisen Bank
- Home ownership and socio-economic benefits -Dafina Dobroshti Kabashi -ProCredit Bank
- The role of home-financing for social development-Jehona Oruqi -Banka Kombëtare Tregtare (BKT)
- The role of banks in citizen's decision to buy residential houses - Driton Hetemi - ProCredit Bank
- Policies on risk management from new products and services - Naser Krasniqi - Banka për Biznes

FOREWORD FROM THE NEW BOARD MEMBER OF KBA AND NEW CHIEF EXECUTIVE OFFICER OF BPB 16

FINANCIAL EDUCATION CORNER 17-21

- Banknote changes presented by European Central Bank
- What is the difference between nominal and real interest rates?
- Main features of credit cards
- E-banking features

KBA NEWS 22-31

- Open Forum: Banking Sector and Contract Enforcement System in Kosovo was Held
- Kosovo's banking system is stable
- Luxembourg supports the development of the banking sector in Kosovo
- Kosovo Credit Guarantee Fund was discussed at the Kosovo Banking Association

- The Minister of Trade and Industry, Hykmete Bajrami, met with Kosovo Banking Association
- Kosovo Banking Association participates in the conference "Contract Financing and Payment Efficiency in the Kosovo Market"
- Global Money Week 2016 "Take part, save smart!"
- Kosovo Banking Association and IFC join efforts to strengthen financial institutions and encourage innovation
- Kosovo Banking Association and the Central Bank of Kosovo discussed the progress achieved in the implementation of Basel standards
- KBA participates at the regional conference "Initiative on Implementation of Basel Framework Pillar II: ICAAP/SREP Introduction and Practical Examples"

BANK NEWS AND CORPORATE SOCIAL RESPONSIBILITY 32-35

- Banka Ekonomike continues the seminars for Customer's Financial Education
- JCR Eurasia Rating reaffirms AAA (Alb) to BKT for the eighth time in a row
- BPB teaches children about saving and monetary values
- NLB Banka supports financially the renovation on two floors at the Pediatrics Hospital
- Another year of ProCredit Bank supporting DokuFest
- Euromoney: Raiffeisen, the Best Bank in Kosovo
- TEB Sh. A rewarded Best Bank in Kosovo by Global Finance



Disclaimer: 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".



PETRIT BALIJA, PhD
EXECUTIVE DIRECTOR
KOSOVO BANKING
ASSOCIATION

Dear readers,

Welcome to the 9th edition of the "The Kosovo Banker" magazine. I am pleased to share with you this new edition which examines a topic of special interest for each one of us and of high economic importance for our country, "Financing Housing: An Important Factor for the Socio-Economic Development in Kosovo".

One of the main challenges, which at the same time represents the most important investment that each one of us will make during our lives, is the investment towards comfortable and safe housing. This investment can be achieved in different ways including the use of funds from our own savings, generation of financial assets from the sale of any property owned previously, financial assistance from family members or remittances from relatives abroad. However, often we might not have these funds available or they may not suffice and as a result we need to fund housing through banking loans. One of the main banking financial products is the mortgage loan for financing housing which currently in Kosovo it is not used sufficiently for several reasons which we intend to address in this edition in order to evoke the debate on the subject to activate all relevant stakeholders towards increasing this lending, simplifying the procedures, and to improve the conditions for financing housing in Kosovo through residential mortgage loans.

Until recent years a crucial part of legislation, which is essential to enable financing housing with favorable conditions, was missing and this absence has been rectified lately with the entry into force of the Regulation on Residential Mortgage Lending on January 2016, which was drafted and approved by the Central Bank of the Republic of Kosovo. The purpose of this regulation is to establish the requirements and standards for lending to individual persons, secured by a mortgage on immovable property for residential purposes. This

regulation aims to ensure favorable residential mortgage loan conditions to individual persons who fulfill the criteria under this regulation. This includes the application, crediting, financing, and servicing processes of residential mortgage loans.

Despite this major achievement, a number of other barriers remain in the process of financing housing that are addressed in this edition of the magazine which we hope will be of interest to our readers. Furthermore, this issue presents a special interview with Mr. Robert Wright, Vice Chairman of the Board of the Kosovo Banking Association, also Chief Executive Officer of Raiffeisen Bank Kosovo who has shown a special interest in this subject for years where he will express some of his opinions regarding this issue. This number also features an announcement for the recent member of the board of the Banking Association Mr. Arton Celina, who recently became the Chief Executive Officer for Banka për Biznes-BpB. Moreover, you can also find the financial education corner in this number where you will be able to gain new information in the field of finance as well as summaries about the most important events and developments in the banking sector of Kosovo during the first half of 2016.

I take this opportunity to thank the KBA member banks and the European Fund for Southeast Europe (EFSE) for sponsoring this edition and a special thanks to the authors and KBA staff who contributed to the publication of this edition. Finally and most importantly, I thank our devoted readers for following all of our publications over the years.

Sincerely,

Petrit Balijsa

Interview with Mr. Robert Wright

Vice-Chairman of the Board of Directors of the Kosovo Banking Association, CEO of Raiffeisen Bank

KBA: *What is your opinion about the overall development of the mortgage market in Kosovo and what is the importance of this market to the economy of Kosovo?*

Mr. Wright: I prefer to talk about the development of the home ownership market in Kosovo rather than the mortgage market as mortgages are just part of the process. However to answer your specific point, I am disappointed with the development of the private individual mortgage market in Kosovo. There has been a lot of discussion, workshops, forums and plans made over the last few years but the mortgage portfolio in Kosovo remains small and has only grown from 44m to 67m euros in the last 5 years.

Home ownership is of huge importance to the economy of Kosovo. In addition to the wealth generation and borrowing opportunities created by the ownership of an appreciating asset, the purchase of a property creates value and cash flow along a substantial supply chain of building material suppliers, furniture retailers, maintenance companies, electricians, plumbers, etc.

Larry Summers the former US Secretary of the Treasury said "nobody ever washed a rented car" and I think this is very relevant to home ownership. If you own a property you care more about the quality of your living environment and you are willing to invest in the maintenance and upkeep of the property and the surrounding environment.

KBA: *What are the main challenges facing home ownership financing in Kosovo?*

Mr. Wright: There are several challenges. I think affordability is a major problem. A price of 700 – 1000 euros per square metre for an apartment in Prishtina compared to the average salary in Kosovo of around 400 euros per month makes owning property a difficult challenge. The banks are now offering mortgages for 25 years up to 90% of the property value at interest rates around 6% which helps potential borrowers but the initial deposit

MR. ROBERT WRIGHT

VICE-CHAIRMAN OF THE BOARD OF DIRECTORS OF THE KOSOVO BANKING ASSOCIATION

CEO, RAIFFEISEN BANK



on the property and the monthly payments on a mortgage are still a challenge.

Other challenges include the complicated administration processes through the Cadastral Offices, the long time taken for technical acceptance of new constructions, the registration of the mortgage pledge and the certification of ownership. The reliability and trust of the legal system in cases involving the repossession of mortgaged property and the bank's ability to recover its debts with the sale of a repossessed property at a price equal to the mortgage debt are also challenges.

KBA: *What do you think about the development of mortgage market in Kosovo in comparison to the region as well as EU countries?*

Mr. Wright: The size of the Kosovo private individual mortgage market compares poorly with neighboring countries and even more so with EU countries. Although data regarding the portfolio for residential mortgages in the region is not readily available and therefore difficult to compare, it is considered that Kosovo has a relatively small residential mortgage portfolio and households tend to have a relatively low percentage of residential mortgage debt relative to their total household debt, which is an indicator that there is significant room for growth in residential mortgage lending.

Home ownership is of huge importance to the economy of Kosovo. In addition to the wealth generation and borrowing opportunities created by the ownership of an appreciating asset, the purchase of a property creates value and cash flow along a substantial supply chain of building material suppliers, furniture retailers, maintenance companies, electricians, plumbers, etc.

KBA: *What are the main opportunities for improving home ownership in Kosovo?*

Mr. Wright: I think I have answered this question in the other questions.

KBA: *Do you see a significant demand for this type of loans in Kosovo?*

Mr. Wright: The desire to own your own home is definitely high in Kosovo but the demand for mortgages is low given the size of the mortgage required, and the affordability of the repayments. There is also no shortage of property available to purchase so the supply is not the problem, and in many ways the demand side of the equation is not a problem either in the sense that there is a high desire to own a property but the problem is the ability to satisfy that desire.

KBA: *Would you agree that interest rates for home ownership financing should be significantly lower than the average interest rate?*

Mr. Wright: Yes I would agree and in reality this is the case. The longevity and security of the loan creates a lower interest rate. The average interest

rate for all Private Individual loans in the Kosovo banking sector in May 2016 was around 7.5% whereas interest rates for mortgage loans were around 6.5%.

KBA: *Do you think that the mortgage loan portfolio could expose the banking industry to potential real-estate market risk like we have seen in some other countries?*

Mr. Wright: No I don't think there is a serious risk for several reasons. First of all the Kosovo banking industry has a long and reliable history of sensible lending and we have the lowest non performing loan ratio in the region (NPL). We will continue to take this careful and prudent approach. Secondly, a lot of the problems with mortgage lending in other countries occurred because of foreign currency lending, in particular Swiss Francs, and there is no way the banks in Kosovo will lend in any other currency but the euro. Thirdly, residential property has consistently proven to be an appreciating asset over many years so the banks can be confident that the lending is well secured and the risk is minimized.

KBA: *Do you think that Kosovo institutions have done enough to improve financing of home ownership and what are your recommendations for further improvements?*

Mr. Wright: Some good progress has been made in recent years, for example positive changes to Central Bank regulations, improvements in banks mortgage products and the alignment of property and title management with EU standards, but more still needs to be done. I think the Bank's can still improve their products, for example with loans for 30 years or more to reduce the monthly payments for borrowers and perhaps lend up to 90% or even 95% of the property value, but to do this we need greater confidence in the speed and reliability of the legal process to recover non performing loans. I also believe the government could do more to enable first time buyers to enter the market with some risk mitigation initiatives for lenders for example guarantees for 100% mortgages, and incentives for constructors such as tax benefits and revisions to some of the regulatory conditions. Another key factor for mortgage growth and increased home ownership is the point I mentioned earlier, the affordability of property and the reduction in the profit margin currently enjoyed by builders.

Home ownership and socio-economic benefits

Financing housing - ownership has positive effects not only for homeowners but consequently may have benefits for communities as well. As such, the contribution to the community may appear in several ways since owners, compared to lessees, are dedicated and connected to their properties. Firstly, owners relocate less frequently compared to lessees and settle in their properties for a longer term.

The mortgage financing sector is an integral part of economic and social development. Studies consistently show the importance of developing the housing sector in the economy and the long-term social benefits. Besides financial benefits, ownership brings substantial social benefits for families, communities, and the country as a whole. In most developing countries, housing represents a large part of household spending and takes a significant portion of the income in life.

Saving or providing a substantial amount of funds for the purchase of residential property is difficult to achieve and may be a privilege only for a certain number in the population. For this reason, financing housing is important to facilitate the purchase of residential property for a fraction of the population who meet the minimum criteria for borrowing; as such, financing of housing results in a number

DAFINA DOBROSHI-KABASHI

HEAD OF
OPERATIONAL RISK
RISK MANAGEMENT
DEPARTMENT
PROCREDIT BANK
KOSOVA



of social and economic benefits. Some of the benefits of home ownership are highlighted in literature and empirical studies, such as, but not limited to: social stability, civil society development, reduction of crime, increasing the general welfare, etc. Homeowners accumulate wealth as the value of their home appreciates, are more involved in the community, and according to various studies children of homeowners are more successful academically and are less likely to be involved in crimes¹.

Financing housing - ownership has positive effects not only for homeowners but consequently may have benefits for communities as well. As such, the contribution to the community may appear in several ways since owners, compared to lessees, are dedicated and connected to their properties. Firstly, owners relocate less frequently compared to lessees and settle in their properties for a longer term. As a result (the owners) invest more in their properties, neighborhoods, and indirectly in their communities and as such homeowners have greater financial

¹ Glaeser, E. and B. Sacerdote. 1999. "Why Is There More Crime in Cities?" Journal of Political Economy 107: pp. s225-s258.

impact in their neighborhoods compared to lessees. In addition, communities benefit from property taxes paid by homeowners and contribute to stable neighborhoods. (United States Department of Housing and Urban Development, 2000).

Owners also reap the financial benefits of any appreciation of their property – house; hence, they also tend to spend more time and money to maintain their residence, which also contributes to the overall quality of their communities.

Studies also point to an emphasized academic achievement among children of owners. Boehm and Schlottmann² show that children of homeowners are more likely to achieve a higher level of education and thus, a higher level of income which also increases the likelihood of children whose parents have properties to have the highest probability to be owners in the future.

In addition, financing housing has a positive effect as it stimulates a culture of savings and therefore minimizes the need for credit and consumer habits. Savings in the context of property financing is important because it helps with the down payments. According to Thomas Shapiro from Brandeis University, the main argument for home ownership is that it is the most important way families accumulate wealth. Besides encouraging savings, interest rates for financing housing tend to be more favorable than any other form of borrowing in the market and therefore, payments for this type of financing are more affordable and long-term for families.

Apart from the factors mentioned above, investments in the construction industry stimulate the economy and generate new jobs. Since a significant portion of revenues generated are returned/ contributed to the economy, the multiplier effect is higher in the construction industry compared to others.

Constructions, maintenance of houses, electricity, and transportation have an additional direct impact on the economy and all these also affect job generation.

Finally, residential property financing brings social and economic benefits. Ownership (home) enables individual autonomy and is the aspiration of many families. Homeownership allows families to accumulate wealth and a social status and also brings other benefits such as social, economic, and civil. Furthermore, ownership requires greater individual responsibility. Ownership is considered as one of the largest financial costs in the life of a family. Therefore, investment in property, most of the time through financing is a long-term commitment and as a result can change human behavior by assuming more individual and collective responsibilities.



² Boehm, Thomas P.; Schlottmann, Alan M. Does Home Ownership by Parents Have an Economic Impact on Their Children? Journal of Housing Economics, Sept. 1999. Vol. 8, Iss. 3, page 217-232.

The role of home-financing for social development

House financing plays a critical role in the socio-economic development as it affects households in different forms. Above all, it directly affects the creation of a better standard of living, especially for certain groups of the society that have it virtually impossible to provide the initial investments. By applying interests with special conditions for these social groups, banks will enable their integration into society.

Provision of housing is one of the essential needs of humanity and as such is reflected by the banking sector through the products and services provided. Financing of housing is of special importance for households, socio-economic developments, and the economy of the country in general. Recently in Kosovo, the demand for such a service and the banking system is responding positively by facilitating the applied standards. All this is gradually influencing the financial eco-system, the welfare of households, and different industries related to housing.

House financing plays a critical role in the socio-economic development as it affects households in different forms. Above all, it directly affects the creation of a better standard of living, especially for certain groups of the society that have it virtually impossible to provide the initial investments.

JEHONA ORUQI

DEPARTMENT MANAGER
FOR RETAIL CREDIT

RETAIL CREDIT
DEPARTMENT

BANKA KOMBËTARE
TREGTARE - BKT



By applying interests with special conditions for these social groups, banks will enable their integration into society. Among other things, it is apparent that with improving housing conditions, other preconditions are created that affect the physical and psychological factors of the potential manufacturing power of the economy. Families with improved residential environments create better opportunities for their members; thus, increasing the level of welfare and adequate education that impacts the better development of the working force.

Housing requires long term household financial planning and this also affects the growth of savings. Sometimes these savings are referred to as "forced savings" since in cases of residential financing, families are forced to save. In other circumstances these savings would probably not happen because they would go directly to short-term consumption which is not always planned rationally. Granted, savings may temporarily suspend possible consumption, but in the long term they can turn into consumption in the future that can be planned better. At the same time, residential financing affects the stabilization of

households, as can be counted as a long term investment which creates wealth and can later be used as an asset that generates income.

Moreover, the construction and housing industry has multiple effects on the economy since it connects many other complementary sectors, such as: the wood sector, housing equipment, etc. In Kosovo, this industry is currently undergoing a phase where supply is higher than demand and in these periods the banking sector can play a very important role in balancing the situation. By financing housing at special interest rates, banks can stimulate demand and this would have a bilateral effect: 1) the provision of jobs for the employees of this industry, and 2) the provision of housing or improvement of conditions for potential buyers.

If we refer to CBK reports, mortgage requirements have increased steadily compared to previous years, where in Q1 2016 the value of loans reached 2.07 billion Euros, representing an annual increase of 8.8 percent (4.3 percent in Q1 2015), this increase is mainly attributed to increased demand for credit by households as well as enterprises. Also, standards and lending conditions applied by banks had an effect, especially the reduction of interest rates and the expansion of the lending amount.

If we refer to CBK reports, mortgage requirements have increased steadily compared to previous years, where in Q1 2016 the value of loans reached 2.07 billion Euros, representing an annual increase of 8.8 percent (4.3 percent in Q1 2015), this increase is mainly attributed to increased demand for credit by households as well as enterprises. Also, standards and lending conditions applied by banks had an effect, especially the reduction of interest rates and the expansion of the lending amount. Development of the mortgage sector is still valued relatively low compared to developed countries, but also those of the region. From the latest data available, it is noted that mortgage loans relative to the gross domestic product amount to about 5.5%, while this indicator in the region and the European Union is significantly higher (around 20%).

The progress in the growth of mortgage loans, their good quality, and the progress of declining interest rates on these loans represents a positive way in this regard. These developments are expected to impact positively, having in mind that this sector has a very high capacity for further growth and development; consequently, for the creation of a sustainable financing system for mortgages. Kosovo is currently working on providing a favorable environment for residential financing and several related parties are working for this. Finally, we can say that the activities and policies that are being taken by the CBK and commercial banks to strengthen the residential financing are consistent with the socio-economic importance of this sector.





Verified by
VISA

ÇELËSI YT PERSONAL PËR TË SIGURUAR BLERJET ONLINE



Banka TEB ofron blerje të sigurtë online me 3-D Secure.

3-D Secure ju mundëson të vërtetoni origjinalitetin e kartelës dhe transaksionin e blerjes online.

Për çdo transaksion online nga kredit kartela juaj të kryer në WEB faqet çertifikuara me 'Verified by VISA', ju do të pranoni çdo herë me SMS një fjalëkalim për të autorizuar transaksionin tuaj.

Kurseni kohë duke blerë online në mënyrë të sigurtë dhe të thjeshtë.

3-D secure, çelësi yt personal për të siguruar të gjitha blerjet online.

Për t'u siguruar që transaksioni juaj të jetë i suksesshëm duhet të keni të përditësuar numrin e telefonit, në rast se nuk e keni, atëherë ju rekomandojmë që ta vizitoni degën me të afërt.

Shpenzimet për shërbimin 3D Secure mbulohen nga banka, ndërsa konfirmimin me SMS aplikohen komisionet si më poshtë:

LLOJET E KOMISIONIT	KLIENTË AFARISTË	KLIENTË PRIVAT	VALIDITETI
3D Secure kodi një-përdorimësh për Blerjet online deri në 4.99€ me kredit kartelë	Pa pagesë	Pa pagesë	Për autorizim të transaksionit
3D Secure kodi një-përdorimësh për Blerjet online prej 5.00€ e me shumë me kredit kartelë	0.10 €	0.10 €	Për autorizim të transaksionit
3D Secure kodi një-përdorimësh për Blerjet online me Debit Kartelë	0.10 €	0.10 €	Për autorizim të transaksionit



TEB

BNP PARIBAS JOINT VENTURE

teb-kos.com / 038 230 000

The role of banks in citizen's decision to buy residential houses

Prior to the decision to invest a considerable sum, customers need financial advice and guidance regarding the best and most favourable financing opportunities. In this context, the role of the bank in consulting, guidance, and clarification about contractual banking services is unquestionable. Financial education largely remains the burden of financial institutions, especially in places like Kosovo, where the banking industry is the most developed.

The decision to invest in purchasing or constructing a house to live in is certainly among the most important decisions in everyone's life. In this context, banks as one of the most developed industries in the country play an important role in these investment decisions. Prior to the decision to invest a considerable sum, customers need financial advice and guidance regarding the best and most favourable financing opportunities.

Considering the volatility of the labour market in the country, banks are naturally interested in identifying potential clients to finance and those who have a more stable monthly income. Normally, clients with stable monthly incomes will be able to repay the loan based on the payment plan, which for the bank means lower credit risk and a more stable profit at the end. However, I think that banks should be interested not only in terms of quantity and

DRITON HETEMI

HEAD OF PRIVATE
CLIENTS BUSINESS
DEPARTMENT

PROCREDIT BANK
KOSOVA



profitability in financing clients, but they must also have a special focus in terms of quality when identifying clients and their needs, because banks could strongly raise the level of financial literacy in society, which not only helps in the economic development, but also in the overall social welfare.

In historical terms of this issue, the recent economic crisis has derived precisely from the real estate market, stimulated by irresponsible banking with high appetites for the short-term profitability of banks, aided by complicated financial instruments. When I say complicated financial instruments, think in terms of technological and informational development in recent decades, giving each individual access to banking services. But access to banking services, does not mean that each customer will understand them at the right level as to make a decision to invest. In this context, the role of the bank in consulting, guidance, and clarification about contractual banking services is unquestionable. Financial education largely remains the burden of financial institutions, especially in places like Kosovo, where the banking industry is the most developed.

Therefore, when discussing with clients, the bank plays a key role not only in their financial education, but also in their decision to invest smart.

ProCredit Bank, as an institution strongly oriented towards the general development, whether economic or social, applies a special diligence in lending to private clients. This approach is strongly associated with aspects of consumer loans, which should be discouraged. Discouraging of consumer loans is not simple because they do not contribute to the development of social welfare, but such lending deteriorates it. Viewed in this regard, ProCredit Bank aims to contribute to the development of the mortgage market, with the aim of improving living conditions for the citizens of the country. Thus, it is imperative that each customer is analyzed individually about their needs, in accordance with their financial capacity to be lent due to stable and regular monthly income, while not burdening the family's budget needed for welfare over the life of the loan.

Moreover, the development of green lending remains one of the main operational focuses of ProCredit Bank. In this context, the bank's role in advising clients to make environment friendly investments is unquestionable. Such an approach applies particularly to customers who decide to invest in the construction of their home, for which advisers of the ProCredit Bank clients' are well trained to give the

advice and guidance needed. Construction of the house in accordance with environment friendly approaches, will not only affect the preservation of the environment, but will also enable the customer to reduce monthly costs in the future as a result of construction with appropriate materials and installation of efficient home appliances.

Finally, the fact that the banking industry in Kosovo is very well developed, provides various contemporary financial services for everyone, and foremost provides accessible banking services to all, shows the role that this industry has on raising awareness about client investments. In this context, ProCredit Bank plays a role in avoiding consumer loans, as a key element of an unsustainable consumer debt overload that at no time raises the quality of life. In contrast, banks should provide financial advice, so that customers can invest in improving the quality of life in their families, making decisions on whether to purchase or construct their houses. Thus, ProCredit Bank offers advice and guidance when clients make decisions regarding mortgage loan investments, provides investment advice with environmental friendly approaches, efficient investments in maintaining the family budget, and ethical application approaches in explaining transparent simple banking services before financing these investments.



Policies on risk management from new products and services

Key policy goals

The main purpose of the policy is to elaborate the potential risk assessment policies and processes that should be followed in order to manage carefully the risk associated with new or modified products and new or enhanced banking services.

Specifically, the policy describes the potential risk appetite of compliance, governance, and management that Bank's management undertakes to implement an effective risk management, followed by the approval process, monitoring, evaluation etc.

Risk management principles described in this policy apply to the introduction of traditional and non-traditional products and banking services, as well as modifications of existing products and services. Modifications include changes in terms or nature of an existing product or service that varies considerably the underlying risk characteristics of the product or service (i.e. significant changes to the standards prescribed in the agreement, the characteristics of the product or processes).

Risk of a non-existent policy

Given the fact that the provision and launch of new products or expansion of services carries with itself potential risk, practices have shown that if the bank is highly focused on expected returns, but does not have a good understanding of inherent risks from products or has poor risk management practices to effectively measure, monitor, and control potential risks in such products or services, they could potentially be at risk, even potentially fail.



NASER KRASNIQI

COMPLIANCE
MANAGER

BANKA PËR
BIZNES (BPB)

There is evidence from banking practices that banks have often not completed or haven't done the necessary up-front analysis to determine whether a new or modified product or an enhanced service provides the right profile or risk-versus-return/ profit and if it complies with the strategic direction of the bank.

In addition, there is also evidence that some banks have failed to implement appropriate controls of risk management and processes. In some cases, these failures of oversight have resulted in costly mistakes, unjustified risk exposure, and deviations from the business plan of the bank. Then, even some historically well managed banks have found themselves faced with problems due to underestimations of bank's management in conformity with its needs to analyze, monitor, and control the development and placement of a new product or an enhanced service.

Instead of an increasing net income, the launch of the new or modified product or the enhanced service caused bottlenecks in the processes and control failures resulting in

loss of credibility, increased non-compliance issues, court exposures, unfavorable returns, and reputational damage in the market.

The overall goal of compliance on new products

We are committed to providing only products and services that create value for customers and shareholders through meeting the needs of clients. Our approval processes for new or modified products, or enhanced services provide the necessary review to achieve these goals and to ensure that we can confidently offer our products and services to our customers.

Processes for new or modified products, or enhanced services apply to all new product offers, including variations of existing products. All product developments must be adopted by key control functions, including compliance. Committees for new or modified products, or enhanced services should be adopted at the central office, including new risk or business factors.

Processes for new or modified products, or enhanced services apply to all new product offers, including variations of existing products. All product developments must be adopted by key control functions, including compliance. Committees for new or modified products, or enhanced services should be adopted at the

central office, including new risk or business factors.

In addition, any feature that causes concern, such as the potential impact on the reputation of the bank, should be addressed in the relevant committees of the adoption of management, such as management board or risk committee at the Managing Board level for addressing reputational risk.

Risk Management Process

Bank's executive management and the board expect to oversee all new or modified products, and new or enhanced services through an effective risk management.

Failure to provide an effective risk management is neither a good nor an assuring banking practice.

An effective risk management includes:

1. Preliminary adequate diligence before placing a new product in the market,
2. development and implementation of controls and processes to ensure that risk is analyzed, monitored, and properly controlled, and
3. Development and implementation of appropriate performance monitoring and review systems.

The method of bank's risk management process should reflect the size and impact of the new or modified product, and new services and the complexity of the product or service offered. Depending on these factors, it may be appropriate for the bank to set up a committee under the auspices of the executive management or delegate to the Compliance Manager to oversee the development and implementation of banking products and services.

Observation/ Focused diligence

Before deciding to launch a new, expanded, or modified product, or enhance an existing or new service for bank clients, management and especially the Risk Division should carefully

ensure that they have a realistic understanding of the potential risks and benefits of the product or service under review. Management and Business Division with Clients should clearly understand the reason for offering the product or service.

The observation/ focused diligence process should include:

- Evaluate how the risk associated with new, enhanced, or modified product or service adapts to the bank's business strategy and risk profile.
- Consultation with relevant functional areas, such as credit, compliance, accounting, auditing, risk management, legal, operational, information technology, and marketing as well as the ALCO Committee to determine risk concerns and the necessary controls.
- Define the requirements for compliance with laws, regulations, and guidelines of the relevant regulators.
- Determine the required expertise to effectively manage products or services including the possible need to utilize additional expertise.
- Research product/ service content, experience, and reliability of the respective third parties.
- Develop a business plan and financial plan for the product or service that assesses a competitive position for the bank and sets goals and strategies about the way the product or service will bring to the market.
- Research on the cost of the new or modified product or the new or enhanced service.
- Alternative development, including an exit/ cancellation or interruption strategy if the product or service fails to achieve expectations.

Although the Risk Division may delegate the performance of duties on analysis and risk assessment to others, nonetheless, it has the ultimate responsibility to ensure that the bank is run safe and sound. In fulfilling its responsibilities, the Risk Division or its designee

has to ensure that the new or modified product or the new or enhanced banking service is consistent with the strategic goals of the Bank.

Risk management and control processes

After the bank decides to launch a new or modified product or a new or enhanced service and develops a business plan, the Management, Risk Division, and Compliance Department should develop and implement appropriate processes of risk management to effectively control the risk of the activity.

This should include:

- Expansion and modification of bank policies and procedures, as necessary, to ensure that the Business Division with Clients will adequately address the product or service in the market; policies and procedures should be updated, describe the accountability, and provide a special field for monitoring of exceptions.
- Develop and implement an information reporting system (MIS) needed to monitor compliance with the objectives set and to monitor properly the new, enhanced, or modified product or service.
- The report from MIS should include key indicators to enable the internal controls to effectively identify deviations, monitor process, take measures, and control risk.
- Inclusion of new or modified products or new or expanded services in the internal process of auditing and compliance to ensure the adequacy and implementation of policies, bank procedures, and customer safeguards.

Monitoring the performance of the new product or service

The Risk Division must have appropriate systems established for performance evaluation and monitoring to enable management in decision making and to assess whether the product or service has achieved the operational and strategic expectations.

Such systems should:

- Include size limitations of acceptable risk exposure that management and the board are ready to assume.
- Identification of specific objectives and performance criteria to evaluate the success of the product or service.
- Performance criteria should include qualitative and quantitative standards that will serve as a tool to assess the success of the product or service.
- Reflect a process that periodically compares the actual results to the forecasts and quality standards, to identify and address negative trends or concerns in a timely manner.
- Essential changes in the business plan, as appropriate, based on product or service performance. Such changes should include exit/ cancellation or termination of the product or service when the actual results fail to meet the forecasts or expectations.

Risk management from third parties

Unique risk is involved when a bank receives a new or modified product or new or enhanced service through service providers or third parties. Inferior performance or service from a service provider may result in a potential unforeseen risk, including costs or losses to the business of the bank and legal consequences.

Although most service providers are respected, their products can be untested, or the potential risk associated with the product or service may conflict with safety standards or safeguarding measures of internal controls or compliance requirements.

Products or services offered by service providers may not be suitable for a unique market, staff, or business environment where the bank does business. This risk can be exacerbated by the so-called "key issues", agreements that are designed to provide the bank with only minimal involvement in the management and supervision of the product or service offered by a third party. The Risk Division must ensure that it understands the risks associated with the

activity and assessment of adequate care of the service provider, including reputational risk, products, and the financial situation. The Risk Division must also implement a continuous monitoring program over the activities of the service providers and develop a contingency plan in case the service provider cannot meet the expected services. The Risk Division should not rely too much on the claims of the service provider or recommendations but must do its own analysis to ensure that the service provider and its products are a good fit for the bank.

Associated risks

Planning, supervision, and poor controls may lead to an incomplete assessment and understanding of risks including new or modified products or enhanced banking services. This section highlights the primary risk that arises during the development and launch phase.

Strategic risk

Strategic risk is the profit or capital risk arising from adverse administrative decisions or improper implementation of these decisions.

Strategic risk arises when the Bank operates with products and services which are inconsistent with the strategic objectives of the Bank or that do not provide a proper return on investments. This type of risk increases when launching a new or modified product or a new or enhanced service without performing proper preliminary observation/ focused diligence research or without the implementation of an appropriate infrastructure of risk management to oversee the operations.

The strategic risk also increases when assessment and protective measures of internal controls (credit risk, market risk, operational risk, financial control, and compliance risk) do not have the expertise and adequate experience to oversee properly the products or services offered.

Reputational Risk

Reputational risk is the profit or capital risk arising from negative public opinion.

Reputational risk occurs when the bank launches a new or modified product or an enhanced service without fully understanding its client business objectives or the economic goals of the transaction.

Reputational risk also arises when banks focus on profits by offering products or services that include practices or techniques that differ from the standards of the bank, namely, applies aggressive practices.

Reputational risk increases with poor services, recommending and providing inadequate products, or violating consumer laws, inadequate measures on the protection of personal data, inadequate measures or breaches of business confidentiality where each may result in litigation, negative marketing, and business losses towards damaging the reputation and image of the bank.

By contracting third parties to offer new products or services, or expanding the use of existing services to third parties, the Bank

Reputational risk increases with poor services, recommending and providing inadequate products, or violating consumer laws, inadequate measures on the protection of personal data, inadequate measures or breaches of business confidentiality where each may result in litigation, negative marketing, and business losses towards damaging the reputation and image of the bank.

may be exposed to reputational risk. This risk increases when the compliance function fails to ensure and monitor closely the quality and appropriateness of products or services offered, especially in cases where third party employees interact directly with bank customers, then the reputational risk is increased if interactions are inconsistent with policies, practices, and Bank standards.

Transaction Risk

The Bank is exposed to transaction risk when products or services, or service delivery channels do not fit with existing operational capacity, customer demand, or strategic objectives of the bank. Transaction risk may increase with the installation of new information technology to support a new or modified product or a new or enhanced service. Failure, faulty information technology, human errors, insufficient capacities, or fraud may result in inability to deliver products or services.

Compliance Risk

Compliance risk is the profit or capital risk arising from violations of laws, supervisory authority's regulations, non-compliance with internal policies and procedures, or business ethics standards – code of ethics.

Compliance risk arises when a new or modified product or a new or enhanced banking service is not monitored properly from the standpoint of compliance with laws, ethical standards, or policies and procedures of the bank. The potential for serious or frequent non-compliance violations stems when the compliance program and internal controls are not included in the audit plan.

Compliance Risk increases when the privacy of customer data is not protected, when conflicts of interest between the bank, respectively the bank employees, and the related third parties are not managed appropriately and when the bank or service providers have not implemented appropriate information security programs. Compliance risk also rises by inappropriate practices of accounting and financial reporting.

Foreword from the new board member of KBA and new Chief Executive Officer of BpB

Dear readers,

As a newly appointed in the role of Chief Executive Officer of BPB, as well as a recent member of Kosovo Banking Association, please accept my acknowledgement to all of you steady readers and let me share with you some views about, and also my perception of the recent developments in Kosovo banking sector and its trends in general.

Financial sector in our country has shown a consistent sustainability during periods of time, ensuring a robust progress of our country economy. The efficient cooperation between financial institutions and the Central Bank of Kosovo has played a crucial role to maintain stability, which has helped building a financial market that can serve as a model for many other countries. The macroeconomic indicators, with a few exceptions in some periods have also been in the function of economic growth creating and enabling environment for businesses to grow and create new demand for banking sector.

Over the recent years, there has been an emphasized focus of the banking sector towards operational efficiency to facilitate the banking services to users. This repositioning is both a business and reorganization consequence for the simplification of activities that are not essential to the nature of the banking business. This approach has proven to be successful in the European and Global markets, so we believe that this is the only way also for our market to bring banking products closer to customers.

Changes and challenges are persistent in the banking industry and the most recent one is the drop of interest rates, driving the sector towards elevated efficiencies. However, the declining trend of interest rates became an opportunity for clients to increase the demand for loans and to stimulate general banking transactions. Increasing the volume of loans in opposition to the decrease of the interest rate is a necessity for banks in order to achieve satisfactory financial performance. Hence, it is expected that this trend will have a direct impact on the overall economic development. While talking about the investment opportunities it goes without saying that In terms of investments in our country, securities are considered to be a good opportunity for our esteemed clients too.



Obviously, improvements occurred in terms of legislation, especially Private Bailiffs have had a rapid progress in improving legal disputes, a part impacting significantly the credit policies of banks in Kosovo. Further advancement of this process will certainly be an intense incentive to increase the offer for loans in Kosovo banking market.

Considering discussions over challenges the sector faces and the need to operationalize the banking market efficiently, it is worth mentioning the necessity of digital banking services and innovative solutions enabled by high-tech revolution. The Kosovo financial market is firmly moving beside global innovative trends and the more banks turn their resources on these trends the more the success will evolve.

In concluding of my standpoint, I would like to highlight that the industry is going through different rapid experiences and innovations and these changes can be reflected as business opportunities. A gradual change of customers' demography and their preferences represent a new opportunity for the industry to be repositioned from a traditional and consulting way to a better and quicker model of offering services.

This is very much reliant on our attitude to tackle with prospects of gaining a new structure of clients and at the same time reducing the risk of keeping existing customers in spite of competition and digital interference.

Banka për Biznes is committed to be an active part of this sector and it will work decisively to face all challenges coming from the market since we believe that our customers deserve to have unrestricted access to innovations and into advanced banking technologies.

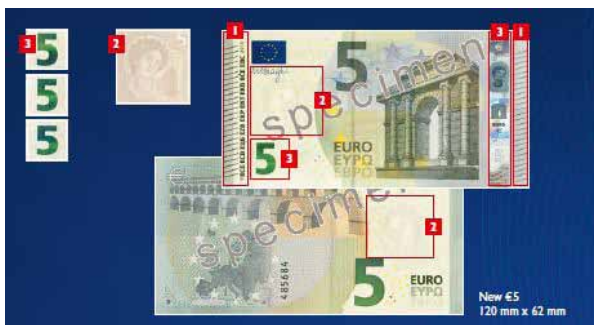
Banknote changes presented by European Central Bank

The new euro banknotes are being introduced gradually over several years. The new € 5 started circulating in 2013, the new € 10 in 2014 and the new € 20 in 2015.

On 5 July 2016 the new €50 banknote was unveiled at the ECB, in Frankfurt am Main, Germany. It is the fourth banknote of the

Europa series and follows the new €5, €10 and €20 notes that have already been issued. It is planned that the new €50 banknote will start circulating in spring 2017.

Below you can find the new look of the banknotes € 5, € 10, € 20 and € 50:



What is the difference between nominal and real interest rates?

The interest rate is the cost of credit or the return on savings. If a person borrows from a bank, then the interest rate is what they pay for their loan. When saving at a bank, interest is the return the person receives on their savings. Economists distinguish between "nominal" and "real" interest rates, but what is the difference between the two and why does it matter? The nominal rate of interest is the rate that is agreed and paid. For example, it's the rate homeowners pay on their mortgage or the return savers receive on their deposits. Borrowers pay the nominal rate and savers receive it.

However, it's not only the nominal payment that is important to both borrowers and savers, but also how many goods, services or other things they could buy with the money. Economists call this the purchasing power of money, which usually decreases over time as

prices rise due to inflation. Subtracting this loss of purchasing power from the nominal interest rate enables borrowers and savers to determine the real interest rate on their loans and savings.

Example

A saver who deposits €1,000 in an account for one year may get a nominal rate of interest of 2.5%, and thus receive €1,025 in a year's time. However, if prices increase by 3%, he or she will need €1,030 to purchase the same goods or services that, one year earlier, would have cost €1,000. This means that the real return will actually have been -0.5%. This is the real interest rate, and it is calculated by subtracting the rate of inflation (3%) from the nominal interest rate (2.5%).

Nominal and real interest rates on short-term bank deposits in euro area countries



Source: Eurostat, ECB, NCBs, ECB estimates

Source of the article: https://www.ecb.europa.eu/explainers/tell-me/html/nominal_and_real_interest_rates.en.html

Main features of credit cards

Credit cards offer many benefits to the user. However, there are some features that can help you use the credit card in the most economical way.

Grace period

The grace period means that for a number of days, you will not be charged an interest rate for the amount that you spend. Nonetheless, the grace period is the maximum periods without charge. The maximum grace period does not apply to every transaction, but has fixed dates. It means that the number of days without an interest rate depends on the date of the purchase. See example.

Accounting period date: a monthly period, after which transactions are summarized;

Maximum grace period date: the maximum period, after which you must start repaying the money spent;

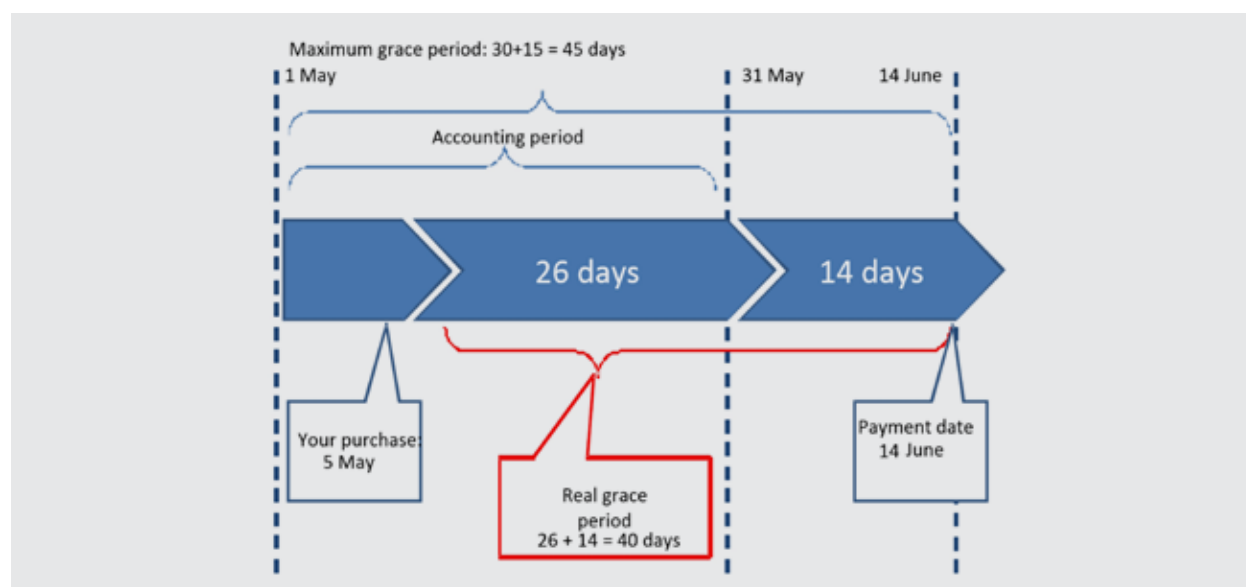
Purchase date example: suppose that on this date you purchased a refrigerator using a credit card;

Payment date: the end of the grace period, when you have to start paying;

Remaining time until the end of the accounting period: the time starting to be counted from the purchase date to the payment date;

Remaining time until the end of the grace period: the time between the purchase date and the end of the accounting period, plus the constant second part of the grace period;

Real grace period: the time between the purchase date and the day you have to start repaying the money spent. In the end, your document initially empty will look like this:



The grace period is not constant - its duration depends on the purchase date - the closer it is to the end of the month, the shorter the payment period will be.

Minimum payment amount

So now we know how long you can delay the payment - we know the grace period exactly. But there will come a day when we should start paying. Let us focus now on the payment day: how much can you pay on this date? On payment date, you can pay the entire amount, which is 100% of the amount spent within the payment period, or you can pay the minimum amount, which is set earlier in agreement with the bank. It can be 10%, 15% of the money spent in the given accounting period.

So we either pay the total amount or the amount set in the agreement, for example 10% of the amount of money spent in the given accounting period.

It is important to understand the difference here:

- If 100% of the amount spent is paid, we do not pay any fees.
- If only 10% is paid, then the interest rate is charged to the remaining 90%.

Remember that it is better to pay the entire amount before the end of the grace period, to avoid getting charged the interest rate altogether.

Cash withdrawal

Many customers use credit cards for cash withdrawals. However, these transactions charge fees for each withdrawal. For example,

you are charged 1% of the amount withdrawn from your credit card, or the minimum of 1 Euro. If you withdraw money from ATMs of other banks, these fees are higher. However, consult with your bank on the fees in case of money withdrawal.

Other charges

There is an additional rule that must be respected if you want to reduce the costs of using the credit card. When paying by credit card in a store, restaurant, or other location that accepts payments by credit card make sure that the POS machines are connected to your bank. If the POS machines belong to your bank, the transaction is free. If it belongs to another bank, you will be charged with a certain amount.

Card Limits

Your credit card has some limitations on the daily cash activities and the monthly balance. It is better to stay within the limits.

Finally, we would like to reiterate the following:

- With each passing day of the month, the grace period is shortened.
- If you pay only a fraction of the credit card balance, remember that you will be charged on the remaining balance.
- Do not delay payment in order to avoid additional charges.
- Limit cash withdrawals from ATMs to avoid additional charges.



E-banking features

E-banking has several advantages for the client and is comfortable to use.

- The main benefit is saving time - rather than spending time waiting in a branch for the staff to assist you, you spend 10 minutes on the computer and can dedicate the rest of the time to family/ leisure activities/ community, etc.
- You can quickly pay utilities, or send money to family members, without having to go to them or to the bank.
- You always have access to your account - you can check the balance, and all transactions completed, anywhere and at any time of day - you only need internet.

However, we wish to examine the disadvantages. All banks are required to ensure the safety of client funds. They maintain internet security systems. To verify whether the system is secure, you must first ensure two things:

- The address of the web page starts with https://, rather than http:// -'s' must be there because it shows that the data you send are confidential and cannot be 'seen' by the others.
- There is also a lock symbol, which also certifies to the safety of the system.



Although banks do everything to ensure access to your account, there is little accountability on your side as well – you must provide the conditions that will help the security of the system to function.

Four simple rules should be followed to ensure that the security of the system functions properly.

1. Use your computer secured with an anti-virus program installed. Avoid the use of computers in Internet cafes, airports, hotels, and public places, except for your bank.
2. Use a unique password for your system. It should not be associated with your name, address, or birthday. Change your password regularly.
3. Keep your password safe. If you must write it to remember it, write it down so that only you can understand that it is your username and password. Do not share your password with others, neither family nor friends.
4. Beware of emails in which someone asks you to give out personal information or bank details.

Finally with E-banking:

- Your money is as safe as in regular branches.
- You have access to the Internet 24 hours a day 7 days a week on e-banking services.
- You are responsible for ensuring the security of your account: secure computer, internet access, passwords, exclusion of others in activities.

Open Forum: Banking Sector and Contract Enforcement System in Kosovo was Held



June 14, 2016 – Today on June 14, Kosovo Banking Association organized the open forum with the topic Banking Sector and Contract enforcement system in Kosovo.

The forum began with opening speeches by Mr. Petrit Balija from Kosovo Banking Association, Resident Representative of the International Monetary Fund Mr. Ruud Vermeulen and Deputy Governor Mr. Fehmi Mehmeti from the Central Bank of the Republic of Kosovo.

The forum gathered experts in the field of legislation and the banking system who discussed this topic in two panels.

The panelists of the **first panel** were Mr. Fehmi Mehmeti Deputy Governor, Central Bank of Kosovo, Robert Wright – vice-chairman of the Board of Directors of the Kosovo Banking Association, CEO at Raiffeisen Bank, Mr. Fadil Hoxha –vice-chairman, Chamber of Private Enforcement Agents.

This panel discussed about contract enforcement system in Kosovo and its impact on non-performing loans. The panel was facilitated by Mr. Mentor Hajdaraj chairman of the Legal Committee at Kosovo Banking Association.



The **second panel** consists of: Ms. Feride Podvorica from the Legal Department at the Ministry of Justice, Mr. Ardi Shita Senior legal expert - USAID Contract Law Enforcement, Mr. Gjokë Radi, Board Member of the Chamber of Private Enforcement

Agents, Isa Shala –Judge, Court of Appeal, and Mr. Ilir Gaxha vice chairman of the Legal Committee at Kosovo Banking Association, also the facilitator of this panel. The panel discussed ways to improve Environment Risk and mortgage loans.



Kosovo's banking system is stable



Kosovo's banking system is stable, sustainable, and without any warning concerns. Moreover, growth rates are higher than the country's macroeconomic indicators. Commercial banks in the country have witnessed a significant impact on the overall economic growth, which last year was close to 3.6 percent.

These were some of the findings that were stated during the traditional two day workshop with a group of journalists reporting on the

economy from the twenty print and electronic media, under the motto "Making news from numbers", held on June 3rd and 4th, 2016 in Prevallë, organized by the Center for Strategic and Social Research - STRAS, supported by the Kosovo Banking Association and the European Fund for Southeast Europe - EFSE from Germany.

During the two days, the journalists had the opportunity to hear presentations and hold a



debate with representatives and experts of the Central Bank of Kosovo, the Kosovo Banking Association, the Government of Kosovo, commercial banks, and businesses. However, the primary goal was to provide data on trends in the banking system, to reflect government reforms on the sustainability of this system, to support businesses not only by financing the development, but also through advanced services, as well as the advancement of relations between the media and institutions of the banking system, with the aim of reflecting the real statements.

CBK governor Bedri Hamza introduced the current situation of the banking system, including its achievements and challenges.

"Banking sector in Kosovo has marked a continuous growth, high liquidity and stability. Loans amount nearly 2.1 billion euro, deposits are over 2.6 billion euro whereas the interest rate on loans has decreased. At the end of April the interest rate on loans was 7.9 per cent. Now, no one can say that Kosovo has the highest interest rate on loans in the region. We are on the average", said Hamza.

Further, Ilir Aliu, chairman of the Board of KBA presented an overview of the banking market and the development of the competition from within. "There are ten banks, which offer good competitiveness in the market. Without any

doubt this has been achieved due to new banks entering the market, which whom the clients has greater opportunities to select their bank", said Aliu. Furthermore, he also elaborated the impact of banks on businesses. According to him, loans are increasing, the interest rate on loan are decreasing along with the banks' income. This has impacted for businesses to have more money available.

In addition, Gjylfidane Kadriaj, Director of Payment Systems Department at CBK talked about the cash flow, the volume of transactions and payments, as well as payment instruments applicable to Kosovo.

Eriola Bibolli, deputy director at "ProCredit Bank" made an analysis of the digitization of the country's banking system, comparing it with countries in the region and some other countries of EU. "In many countries, the physical contact of the bank and the client is becoming rare. The contact is done via electronic means. Even more, there are banks, which operate with only one office, but have a wide expansion, which are enabled by the digitalization of services. This path is being followed by Kosovo as well", said Bibolli.

In addition, Debatik Hoxha, from the company "Gjirafa.com" described how this company has managed to achieve wide expansion by using information technology. Moreover, this company will soon bring a new offer, for online



purchases or providing useful information for citizens such as from the area of transport or tourism and hospitality.

Petrit Balijs, the Executive Director of KBA, spoke about the role of the Kosovo Banking Association in building the country's banking system, as well as its impact on the coordination of relations between commercial banks in the country. According to him, within this association, it is not allowed to talk about the cost of services provided by banks thereby ensuring that the association is not a place of such agreements, rather the prices of services remains an internal issue of banks.

Qemajl Marmullakaj, director of the Strategic Planning Office from the Prime Minister Office elaborated about the importance of the Credit Guarantee Fund in strengthening the position of businesses but also offering higher security for the banking system in the country.

At the end of the workshop, Hekuran Murati from the Treasury Department of the Ministry of Finance spoke about the experience so far in the treasury market and the impact in the budget stability. He also spoke about the opportunities given to banks for investments.

Luxembourg supports the development of the banking sector in Kosovo

Kosovo Banking Association was visited by the representative of the Agency for Financial Technology Transfer (ATTF) from Luxembourg Mr. Ben Lyon. Executive Director of the Kosovo Banking Association thanked Mr. Lyon and expressed gratitude of the banking sector for the Ministry of Foreign Affairs of Luxembourg and the Luxembourg Embassy in Kosovo for their support and partnership that is being built between these institutions. Mr. Balijs said that Luxembourg is one of the most important financial centers in the world and the banking system in Kosovo can benefit from this cooperation. In this meeting, the integration processes of Kosovo in the international

financial arena and the opportunities that ATTF offers to prepare capacities of the banking sector for integration, including the adoption of the Basel standards were also discussed. Mr. Lyon informed Mr. Balijs about the short-term plans of ATTF and the Luxembourg Ministry for the Western Balkans region in the medium and long term aspects. Kosovo Banking Association has already conducted a number of high-level trainings in cooperation with ATTF and has planned a training program for 2016 which will be implemented with the support of commercial banks in Kosovo. The meeting was also attended by Mr. Arben Salihu, training manager at KBA.



Kosovo Credit Guarantee Fund was discussed at the Kosovo Banking Association

On March 2nd, 2016, Kosovo Banking Association met with the Swedish International Development Cooperation Agency (SIDA) to discuss the possibility that the agency support the Kosovo Credit Guarantee Fund established by relevant laws and approved by the Assembly a few months ago. On this occasion Mr. Petrit Baliya, Executive Executive Director of KBA, expressed full support to the establishment of the Fund, which is also supported by other organizations such as USAID, the German Development Bank, the Swiss Government, and the Ministry of Trade and Industry. Mr. Baliya



FONDI KOSOVAR PËR GARANCI KREDITORE
KOSOVSKI FOND ZA KREDITNO JEMSTVO
KOSOVO CREDIT GUARANTEE FUND

said that with the help of commercial banks in Kosovo, the purpose of this fund can be implemented to give greater opportunities to Kosovo businesses for greater access to finance.

The Minister of Trade and Industry, Hykmete Bajrami, met with Kosovo Banking Association



Today, Minister Hymkete Bajrami hosted a meeting for the Board of Directors of the Kosovo Banking Association. At the start of this meeting, Minister Bajrami stressed that the Ministry of Trade and Industry is committed to cooperating with the banking sector on improving the doing business environment in the country. Minister Bajrami also highlighted the necessity for a direct communication between MTI and the Banking Association for all the challenges that may rise in different areas of this sector.

The Executive Director of the Kosovo Banking Association, Mr. Petrit Baliya, expressed eagerness to cooperate and raised some issues

related to the electronic registry of mortgages. He talked about the vast importance that this registry has for banks and asked that MTI policies regarding this registry be in accordance with the needs of banks and their clients.

The Minister promised that they are working towards solving the issues which the Association raised their concerns on and both parties agreed to continue this cooperation between the MTI and the Banking Association so that the banking system operates without obstacles, always being in the service of its citizens and businesses.

Source: Ministry of Trade and Industry

Kosovo Banking Association participates in the conference “Contract Financing and Payment Efficiency in the Kosovo Market”



KBA's executive director, Mr. Petrit Balija was part of the panel in the conference “Contract Financing and Payment Efficiency in the Kosovo Market” organized on March 31st, 2016. The conference addressed the topic of financing contracts through financial factoring and the efficiency of payments in the Kosovo market.

In this regard, citing the drastic reduction of the Interest rates on loans as well as the improvement of other borrowing conditions in Kosovo, Mr. Balija said “Financing through factoring is a quite appropriate topic for this table discussion since it has not been treated sufficiently in Kosovo and it represents an additional option for financing Kosovo businesses, in particular businesses with seasonal needs for financial support. However, in order to have a successful financial factoring, there are a number of reforms to be undertaken in the environment of doing business in Kosovo”.

Mr. Balija listed a number of factors that need to be improved, such as: insurance of agricultural products from the agribusinesses, improvement of contract enforcement and increase in the number of private enforcement agents, a better knowledge of interest in arrears by the judiciary in Kosovo and recommended that factoring in Kosovo should begin gradually where Mortgage Mix can be applied, which as he explained it is a combination of collateralization of contracts including factoring.

The Deputy/ Director of ProCredit Bank, Ms. Eriola Biboli was also present on the panel of the conference and cited several improvements that the banking system marked in recent years and also elaborated on the experiences of Procredit Bank on the topic in question.

This conference was organized by the Kosovo Manufacturing club and was attended by key stakeholders from USAID, KIESA, and representatives from the banking sector.

Source: <http://www.rrokum.tv/ekonomi/pse-ska-krediper-prodhuesit-vendore/>



Global Money Week 2016 “Take part, save smart!”



March 14, Prishtinë, Kosovo – Kosovo Banking Association will host a series of activities to mark the Global Money Week 2016 from March 14th to March 18th. Within its financial-educative activities KBA will organize lectures, classes, and other different activities for primary school and high school children and students in various locations across Kosovo (Prishtina, Gjilan, Peja and Mitrovica). This activity takes place in 124 countries around the world and is coordinated on an international level by Child Eñ Youth Finance International, a non-for-profit organization based in Amsterdam. In Kosovo, this activity is organized by the Kosovo Banking Association. Activities organized include workshop with children, youth, and students in the field of

money management, savings, and managing personal finances. The main objective of marking this week is to empower new generations and equip them with economic and financial knowledge from banking industry experts and consequently learn to save and spend money responsibly.

Activities will be carried out throughout the week in these locations:

- 14 March 2016 –lecture on savings with pupils of primary school “Model” in Prishtina
- 15 March 2016 –lecture on savings with pupils of primary school “Selami Hallaçi” in Gjilan,
- 16 March 2016 –workshop on savings, spending, investment, and money management with students of the high school “Ali Hadri” in Peja,
- 17 March 2016 –lecture on money and savings at the International School of Prishtina (ISP)
- 18 March 2016 –workshop on savings, spending, investment, and managing personal finances with the students of the International Business College in Mitrovica (IBCM).



Kosovo Banking Association and IFC join efforts to strengthen financial institutions and encourage innovation

IFC, a member of the World Bank Group, in partnership with the Kosovo Banking Association will support the local banking sector to strengthen the relevant risk management systems, assist in improving management of non-performing loans, and improve small and medium enterprise (SME) banking through trainings and workshops. Today's signing ceremony is to celebrate the beginning of this cooperation. "IFC's engagement in the financial sector of Kosovo and the broader Balkans region remains a strategic priority and includes a combination of investment and advisory services," said Thomas Lubeck, IFC Regional Manager for Western Balkans. "Under this cooperation we will bring our global knowledge and build upon local expertise of our partner Kosovo Banking Association to deliver targeted advice."

Until June 2017, IFC and the Kosovo Banking Association will hold a series of trainings and workshops covering risk management, operational risk, liquidity, resolution of distressed assets due to unpaid loans, and SME segment banking services. "Kosovo Banking

Association has had a good cooperation with IFC in several different areas, including capacity building of the banking sector. This cooperation agreement will enable the banking sector to access a number of advanced training in some of the most important topics for the sector" said Mr. Petrit Balijs, executive director of the Kosovo Banking Association. In addition to this series of specially tailored trainings, in early March, IFC is planning to organize a Conference on Innovations in banking services for the SME segment in Belgrade, Serbia, mobilizing representatives of the financial sector from across the Balkans. This will be an opportunity to showcase the most recent banking products and best practices for lending to SMEs, emphasizing a comprehensive approach that covers all key areas, from a sound business model and proper product design to wide sales channels and sound risk management. IFC's regional work to strengthen financial systems in Eastern Europe and Central Asia is supported by the funds from the Swiss State Secretariat for Economic Affairs (SECO).



Kosovo Banking Association and the Central Bank of Kosovo discussed the progress achieved in the implementation of Basel standards

On February 2nd, 2016 following the series of meetings in the framework of the Basel standard implementation, the consultative meeting between the Kosovo Banking Association (KBA) and the Central Bank of Kosovo (CBK) was held. At this meeting, the banking sector was represented by the executive director

Mr. Petrit Balijs and the chairman of the Risk Committee at KBA Mr. Gem Maloku, while from the CBK, Mr. Ralf Raab Senior Adviser in the Banking Supervision Department of the CBK and Mr. Amir Zylfiu of Banking Supervision in CBK were at the meeting.



KBA participates at the regional conference “Initiative on Implementation of Basel Framework Pillar II: ICAAP/SREP Introduction and Practical Examples”

On January 20-22, 2016, in Prishtina was held the first regional conference with the theme “Initiative for the implementation of the second pillar of the Basel regulatory framework: ICAAP / SREP Introduction and practical examples”.

The regional conference was held in the framework of the CBK project for the implementation of the Basel framework for banking supervision, supported by GIZ. These standards aims to create unified international standards for banking supervision and were prepared by the Basel Committee on Banking Supervision within the Bank for International Settlements, headquarter in Basel, Switzerland.

At the opening of the conference gave his speech the chairman of the Board of the Kosovo Banking Association Mr. Ilir Aliu. He assessed this initiative as a fundamental 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. He also said that the theme of the conference has a twofold purpose for the commercial banks: it is a call for commercial banks to reflect upon their own operating standards; as well it is an invitation to align their practices towards best practices available in the EU countries.

Mr. Aliu mentioned as a lesson learned from the financial crisis that in principle every bank should be resilient and prepared to absorb unexpected risks, not only because the regulator requires it, but because it is in inherent ethical banking standard.

Achieving the objectives of the ICAAP process and its implementation is at the interest of the banking sector. In today’s environment it is an imperative to precisely define, understand, measure and monitor risks and capital levels.



Hence, ICAAP project is welcomed and supported by the banking industry in Kosovo.

We strongly appreciate the flexibility reflected in a suggested step by step implementation approach, as we consider highly important the time given to the commercial banks to prepare their own assessment of the ICAAP implementation. Furthermore, Mr. Aliu added that the successful dialog among the CBK, the Banking Association and the commercial banks will be key to a successful ICAAP implementation. I do hope that by adopting such a fundamental tool of capital management, the banking sector will be in a much better shape to cope with whatever shocks and other scenarios, and it’s our job as bank managers to make this possible, said Mr. Aliu at the end of his speech and the beginning of the panel discussion with the experts.

At this conference were also invited other representatives from banks, where during the conference proceedings presented their practices. One of the presenters from the Banking Association was also Mr. Gem Maloku, chairman of the Risk Committee at Kosovo Banking Association.

Banka Ekonomike continues the seminars for Customer's Financial Education



Following the presentations for Customer's Financial education Banka Ekonomike held a lecture on this topic in the town of Gjilan, Ferizaj and Mitrovica, this presentation aims to increase the financial literacy of clients making them proactive customers in managing their personal finances, understand the characteristics of banking

products and therefore become smart borrowers. Banka Ekonomike will continue organizing such lectures in other centers of the country.

Banka Ekonomike
Thinking of you!

JCR Eurasia Rating reaffirms AAA (Alb) to BKT for the eighth time in a row



JCR-Eurasia Rating has evaluated Banka Kombëtare Tregtare sh.a. in a high-level investment category and affirmed for the eighth time in a row its ratings on the Long Term National Scale as 'AAA (Alb)' along with a 'Stable' outlook.

average growth and consistently rising market share have been the leading factors in the differentiation of BKT from the Sector and in the affirmation of the Bank's Long Term National Ratings.

JCR-ER has observed that BKT has dominated the market and operates on a large scale with an assets size market share of 25.90%, making it the largest player in Albania. In accordance with the previous years, above sector average profitability indicators, a highly dispersed deposit profile, above sector-

BKT's achievements have been evaluated and awarded with numerous national and international awards from prestigious institutions among which "The bank of the year in Albania", "The best bank in Albania" and "The best bank in Southeast Europe". The awards given to BKT from many prestigious institutions are a proof of its valuable strategy.

BPB teaches children about saving and monetary values

BPB on 1 June 2016, on the occasion of the International Children's Day, invited preschool children and their parents to our branches in Pristina, Gjakova, Ferizaj, Prizren, Mitrovica, Gjilan, and Peja. The purpose was entertainment, socialization and information, whereby they had the opportunity to familiarize themselves with the bank's work through a short presentation on savings. The goal was to foster among the children a sense of financial responsibility and enhance financial education among our new generations. The activities thus made the children aware of basic concepts related to money, relevant for early development when they create first ideas of

monetary values and begin their first Piggy-Bank savings. We also used the opportunity to cheer up the children with symbolic gifts.



NLB Banka supports financially the renovation on two floors at the Pediatrics Hospital

Chairman of the board of NLB Bank, Mr. Albert Lumezi, today participated in the inauguration ceremony of renovation on two floors at the Pediatrics Hospital, Psychiatric neurology ward, Hematology and Oncology ward, Genetics and Gastroenterology ward. (Chronic and acute cases).

Present at the ceremony were Deputy Health Minister, Dr. Izet Sadiku, Director of the Pediatric Clinic, Dr. Muharram Avdiu, Chairman of the Board of NLB Bank, Mr. Albert Lumezi and other participants from UCKK and NLB Bank.

“We are all witnesses and aware of the condition of the health care system in our country and the difficult work conditions, hence NLB Bank has decided to help the community where it operates, in order to contribute towards improving living



conditions in general, and health system in particular” said Chairman of the Board of NLB Bank, Mr. Albert Lumezi.

Another year of ProCredit Bank supporting DokuFest

ProCredit Bank has confirmed for the 12th consecutive year, its support to the International Documentary and Short Film Festival – DokuFest, as the general sponsor of this significant cultural event in the country.

Today, having been organized for 15 years, DokuFest has become the greatest cultural event in the country and one of the 25 best documentary film festivals in the globe.

This year’s edition of DokuFest starts on 05 August and will last until 13 August in the historic and picturesque city of Prizren, showing more than 200

films from different countries around the world in 6 competition programs and a number of special programs. This cultural event attracts 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 12 consecutive years”, Albena Çarkaxhiu, Marketing and PR Department Manager in ProCredit Bank said.



Euromoney: Raiffeisen, the Best Bank in Kosovo



Prishtina, 7 July 2016 - The British financial magazine Euromoney awarded Raiffeisen Bank Kosovo the title "Best Bank in Kosovo" for the year 2016. The award was presented at a ceremony in London on Wednesday, 6 July 2016. In addition to Raiffeisen Bank Kosovo, the other RBI network Banks in Romania, Russia, Serbia, dhe Slovakia were awarded as Best Banks for 2016 in their respective countries.

"We are very proud to have won this award and we see it as independent recognition and confirmation of our customer focused approach to doing business in Kosovo. Our core values of trust, transparency, service and reliability and have made us the best

bank in Kosovo and by being the best we have also become the biggest bank in the country and now have more loans, deposits, branches and customers than any other bank" said Robert Wright, CEO of Raiffeisen Bank Kosovo.

The Euromoney award is the second award that Raiffeisen Bank Kosovo received this year for its broad offer to private and business customers in Kosovo. In April 2016, EMEA Finance, the renowned British financial magazine - specialized in covering the finance industry in Europe, Middle East and Africa - awarded Raiffeisen Bank Kosovo in its "Europe Banking Awards 2015".

TEB Sh. A rewarded Best Bank in Kosovo by Global Finance

Each year, Global Finance selects the best financial institutions around the world. These awards are a recognized and trusted.

TEB Sh. A has built a reputation for excellence through the consistent introduction of innovative products and services and for its exemplary people. This reputation as The Best Bank in Kosovo has been recognized by a prestigious publication, Global Finance Magazine. This award is an external

industry acknowledgement of our Bank and its achievements. Such kind of Awards is important as they measure our performance, approach and reputation against acknowledged benchmarks of international standards.

TEB SH. A. would like to thank all its clients, staff, business partners and shareholders for their contribution in Banks overall performance which has resulted in that kind of prestigious reward.



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.

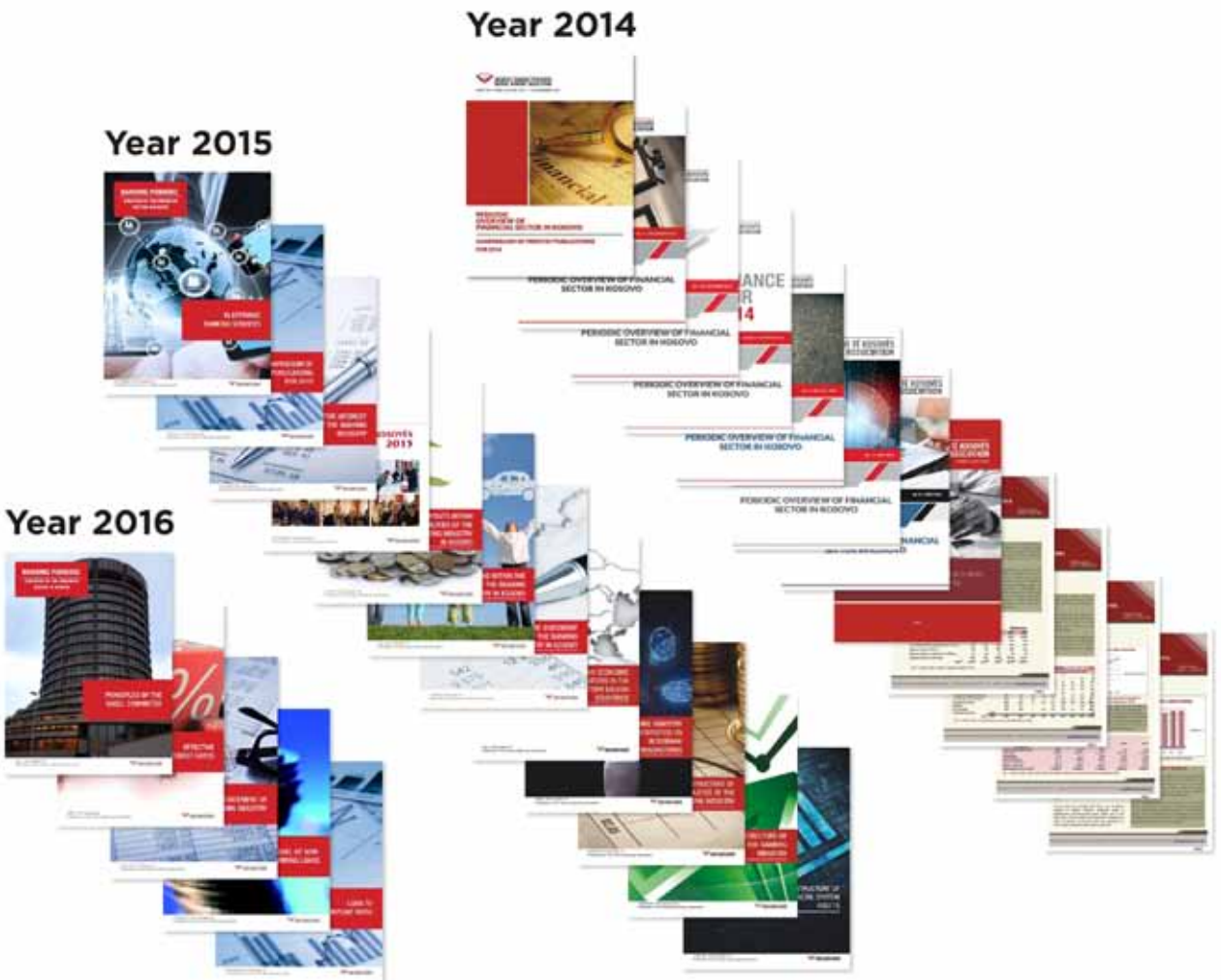
Published magazines:



“**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:





BKT MOBILE



TRANSFERTAT



LLOGARITË



KARTAT E KREDITIT



INVESTIMET



PAGESAT



FATURAT



038 666 666 | www.bkt-ks.com

ME NJË KLIK HYNË NË BOTËN E
BKT MOBILE BANKING

Ne jemi gjithmonë këtu!