

THE KOSOVO BANKER

Banking in times of COVID-19



December 2020 Number 17 Publication of Kosovo Banking Association

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

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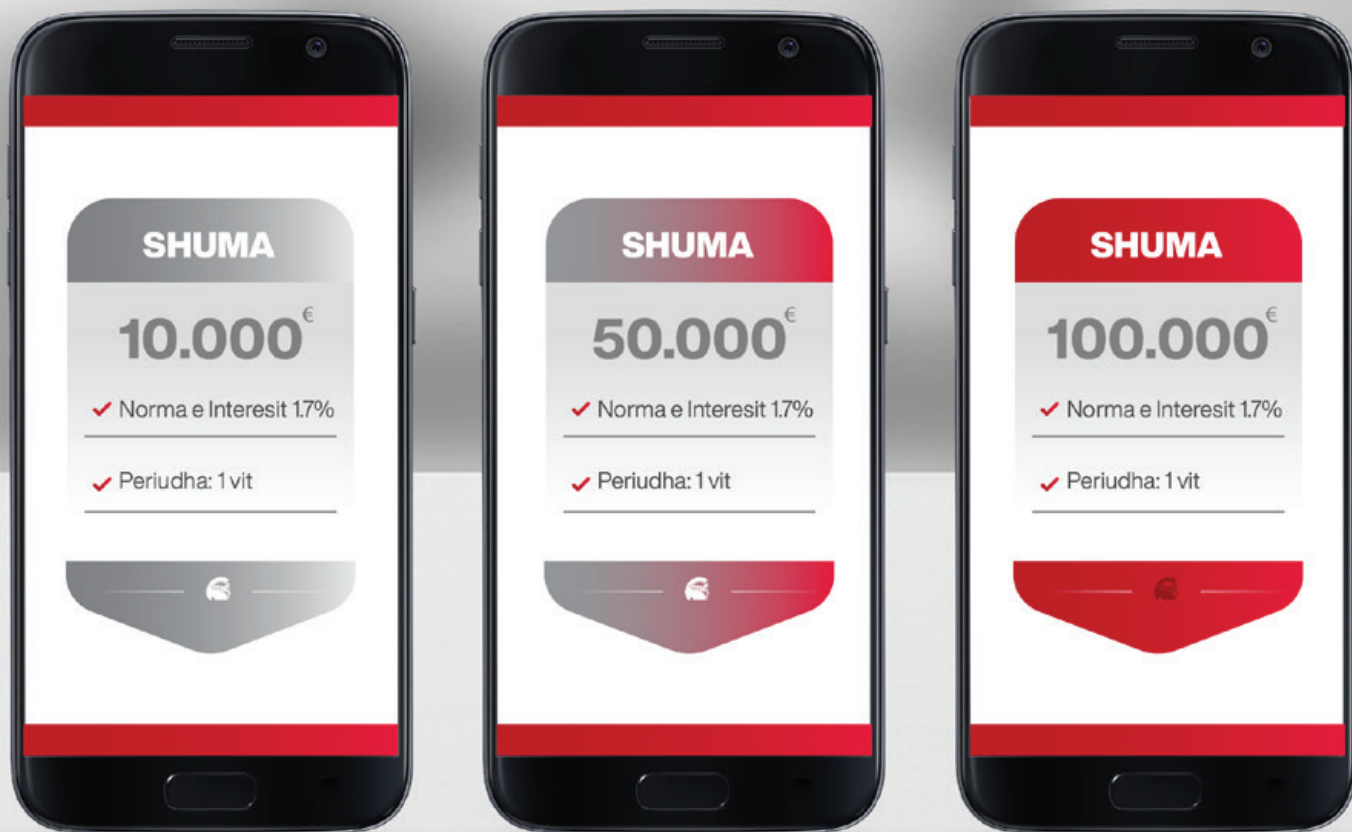
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EDITORIAL



DR. SC. PETRIT BALIJA
CHIEF EXECUTIVE OFFICER OF KOSOVO BANKING ASSOCIATION

The year we are leaving behind has been one of the most challenging years of our generation. The world has not been challenged in this way since one hundred years ago. The COVID-19 pandemic has descended upon the world without a warning and has sent shock waves across the globe and in all aspects of life. The banking sector in Kosovo rose to the challenge and undertook all necessary measures to protect its clients and to sustain a stable banking sector throughout the different stages of the economic lockdowns becoming one of the most important sectors that provided the necessary liquidity and flexibility to the economy in order to overcome this crisis.

Banks have provided a balanced response to the needs of impacted businesses and households implementing a wide scale moratorium for deferment of loan payments for certain periods of time, waiving penalty interest and preserving the credit rating of the clients. At the same time the Central Bank of Kosovo has provided regulatory relief that provided banks with the necessary regulatory space to react to this situation. The banking sector found ways to provide banking services without any interruption at all times including during the economic lockdowns and quarantine measures for certain municipalities. This was done in line with all the recommendations for protecting the lives of staff and clients. Unfortunately, the banking sector had many infected staff, and some have not been able

to overcome this infection and have lost their lives or the lives of their loved ones. As KBA we express our sincere condolences to all those who lost their loved ones during this year that we hope to leave behind in a distant past never to be repeated again.

We know that the pandemic is not over yet and there are still strict measures in place, but we are hopeful as we look towards the next year 2021 that the worst is over with the discovery of the anti COVID vaccine that will protect people worldwide so that the economy can rebound from this situation and people can once again return to a normal life. The banking sector in Kosovo will continue to have a crucial role in providing support to households and businesses as we go through this difficult period in order to come out stronger on the other side.

This edition of “The Kosovo Banker” focuses on “Banking in times of COVID-19” and we thank all authors who contributed with their articles.

May the year 2021 bring health and prosperity to all!

Sincerely,
Petrit Balija
CEO
KOSOVO BANKING ASSOCIATION



**ALBERT LUMEZI**

Chairman of the Board of Directors of KBA
Chairman of the Management Board of NLB Bank

Kosovo's Macroprudential systemic approach to the pursuit of financial stability

Kosovo has a developing economy with a constant rate of economic growth over the last decade with an average of 3.5% per year, where the main drivers of economic growth are public investment, exports of services, and consumption. One of the main drivers of Kosovo's economy remains consumption, which also relies heavily on remittances from the Kosovo diaspora. The annual inflow of remittances amounts to more than 850 million Euros or 12% of the total GDP. Local drivers of the economic growth rely heavily on public investment which over the last decade were infrastructure projects. Given such an economic structure, public investment financing for infrastructure project contractors was supported by the banking system. Despite continued economic growth, Kosovo's labor market was unable to absorb the labor force available in the market leaving the unemployment rate above 25%. The current account deficit is about 8% of GDP and the current fiscal deficit of about 2%. One of the main obstacles to Kosovo's economy remains its structure and the predominant level of informal economy which is estimated to be 30%. Such a level of informality is a constant obstacle of the economic development but also of the fair competition. In such circumstances, a more structural approach to the economic development perspective should be considered.

MACROPRUDENTIAL APPROACH AS A SYSTEMATIC ORIENTATION OF PRUDENT REGULATORY AND SUPERVISORY ARRANGEMENTS

The introduction of a macroprudential approach aims at a broader paradigm of financial stability support, avoiding the procyclical implications of the measures taken on the financial sector, which would produce negative effects in other areas of the economy, which would end in reflecting the negative effects on the banking sector too. Regarding the macroprudential approach, the Central Bank of Kosovo has advanced towards the implementation of such a policy framework.

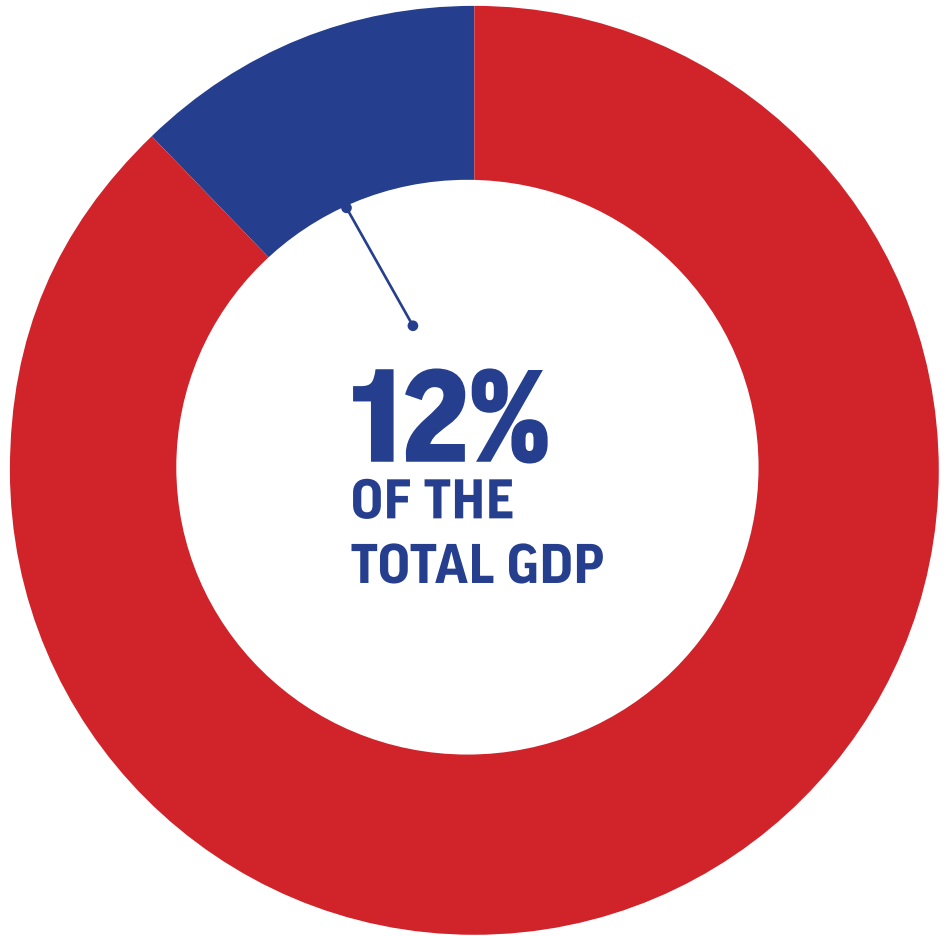
Since it also sounds like a broad and complex process with many perspectives, the macroprudential approach requires also, a more systematic approach towards addressing financial stability.

Thus, in this case, the systemic term is very important as it indicates the harmonization of the inter-institutional objectives of the policy makers. Therefore, this would translate into maintaining the stability of the financial system, with the implementation of the package for economic recovery in terms of access to finance, for effective agile response. This would really require a systematic approach which means effective inter-institutional cooperation towards economic development and meeting the goals. This is important because systemic risk is often built up over



The annual inflow of remittances amounts to more than

850 MILLION EUROS



extended periods in order to take action when necessary to avoid the excessive costs of delayed decision-making, which unfortunately is already growing in Kosovo's fragile economy.

The CBK's approach to crisis management had double-positive side effects, thus, directly affecting borrowers and lenders with moratoriums, and, through credit risk management rules enabled space to avoid pro-cyclical impact with an approach less strict lending to banks. Such a macroprudential tool also allows room for faster economic recovery through capital injection from the banking system and a good lesson learned from the 2008 financial crisis.

In terms of the pandemic developments and the growing level of uncertainty, which produced an additional barrier for Kosovo's banking sector, there has also been an agile



The CBK's approach to crisis management had double-positive side effects, thus, directly affecting borrowers and lenders.

response from commercial banks in the Kosovo market. Rapid response and adaptation in operational terms, expanding and improving financial services was a very important signal of the maturity and flexibility of Kosovo's banking system. Under unprecedented situations, commercial banks responded with readiness and responsibly in two directions, the operational direction of reorganizing banks' operations to reflect the changing external environment to protect the health and safety of our customers and staff, and also allowing

for excellence in the provision of services that was followed by the easing of measures against borrowers within the regulatory options available.



Thus, in order to implement one of the available macroprudential tools for maintaining financial stability and stability of borrowers, based on the decision of the CBK, banks have made available the moratorium measures as a reflection of the economic contraction and its impact on the

financial position of our clients. The provision of moratorium measures was the first and immediate measure offered by banks for a quarterly period. Consequently, as the situation developed with prevailing market uncertainties, a second measure taken by banks towards market developments was

the introduction of loan restructuring measures with the extension of the maturity of existing exposures to 12 months. In this way, borrowers are provided with the means to afford the contracted economic activities. To facilitate the process of coping with shrinking economic activities, commercial banks have offered customers deferred interest and principal payments, thus ensuring extended installment payments that were already contracted.

Considering the reflection of macroeconomic developments in the banking system, it should be noted that the banking system was also significantly affected by the economic effects produced by the pandemic. However, the capital stability of the banking system with the capital adequacy indicator of 17% coupled with a sound asset quality and liquidity that enables the resilience of the banking system to such stressful situations.

As part of the responsible response to COVID-19's impact on banking activities, new avenues have opened in terms of client behavior towards adapting to the new normalcy.

Such a model enabled the emergence of new opportunities for the perfection of operations in terms of digital services that bring new fruits of benefits to the clients of the banking system, a step forward towards digitization.

However, such a position of the banking system, in general, should be understood as a long-term process with prudent and responsible banking practices in the market which is supported and supervised by the Central Bank of Kosovo. As such, this financial position of the banking sector should also be one of the mechanisms or drivers of the potential economic development for Kosovo, given only a systematic approach. Such an approach will allow not only a more comprehensive and more forward-looking strategy but also will offer opportunities to change the economic structure of Kosovo, to increase the productivity of the economy in the production segment, and increase exports of goods too, thus positively affecting the country's trade deficit and helping to overcome of current supply chain stresses.

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DR. SC. FEHMI MEHMETI
Governor of the Central Bank of
the Republic of Kosovo

CBK during COVID-19 pandemic

The COVID-19 pandemic in Kosovo and globally has negatively affected all social processes in general and economic activities in particular. Consequences from the COVID-19 pandemic stretch beyond those health-related. Efforts to prevent the spread of the pandemic have negatively affected all economic activities, especially in the services sector. This pandemic has caused the biggest global recession since World War II.

Before the pandemic, the banking sector has been very stable, which helped overcome economic difficulties during the first phase of the pandemic. At the end of February 2020, banks had high levels of capital adequacy and liquidity. This stability was the result of good management and prudent oversight over the years.

At the beginning of the pandemic, the Work Continuity Team was activated. This team meets twice a week or more often depending on the need to ensure continuous operation of all work processes. At all times, the proper functioning of the payment system throughout the country is ensured, including areas which have been isolated for a longer period of time.

In order to monitor more closely the financial system, the CBK has requested reporting on a daily basis from all banks regarding their main financial positions and in particular liquid assets and depo-

sits, and has also been ready to provide liquidity in case that such a thing would be necessary.

In order to deal as effectively as possible with the created situation, we have coordinated actions with all institutions of Kosovo and remain ready to provide any assistance or advice that will be required of us. We have been in regular communication with our international partners, such as the IMF, the World Bank, the European Bank for Reconstruction and Development (EBRD), as well as with the Chambers of Commerce in Kosovo. As a result of our ongoing communications, the RFI (Rapid Financing Instrument) has been approved by the IMF in the amount of 52 million Euros to cover the urgent and temporary needs of the balance of payments as a result of the COVID-19 pandemic.

Following contacts with the central banks of the region and together under the umbrella of the Vienna Initiative and support from the EBRD, the European Central Bank has approved the CBK's request to establish a 'repo' financing line in the amount of EUR 100 million. This line of financing, which is valid until June 30, 2021, enables the CBK to borrow liquidity in Euro currency from the Eurosystem to address the potential liquidity needs of financial institutions in Kosovo in the

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event of dysfunctional markets due to the COVID-19 pandemic.

Given the negative impact on the economic activity of the country, the CBK together with the Kosovo Banking Association have decided to apply a moratorium on loan payments without any penalty for all customers who have been negatively affected by the pandemic, starting from 16 March 2020 to 30 April 2020. In the meantime this period has been extended to 3 months. This moratorium has provided liquidity to the economy of Kosovo in a very difficult period. This process has gone well so far, and the CBK is handling and will handle all customer complaints. Following the end of the moratorium period, the CBK has published a guide to

loan restructuring in order to establish the criteria on which the loan restructuring process for borrowers in financial difficulty should be based. In the current situation, the loan restructuring is in the best interest of borrowers and lending institutions and will help Kosovo's economic recovery. As a result of this decision the impact of the economic shock has been reduced and this has already been acknowledged by the International Monetary Fund.

The CBK is part of the working group on economic recovery and has made a high contribution to the design and implementation of measures aimed at economic recovery. The financial system, and in particular the banks,

will play a major role in the country's economic recovery.

According to the latest projections, the CBK forecasts an economic decline of -5.9% in the current year, mainly due to the decline in investments and exports of services. This decline is expected to be followed by the economic growth of about 5% in 2021.

At the end of August 2020, deposits were 4 billion Euros with a high annual growth of 10%. Bank liquidity also remains satisfactory, with a ratio of 37.3%. At the same time, the capital adequacy ratio was 16.5%, which means that the banking sector sufficiently meets, even exceeds, regulatory capital requirements. Given this level of capital adequacy and liquidity, banks are esti-



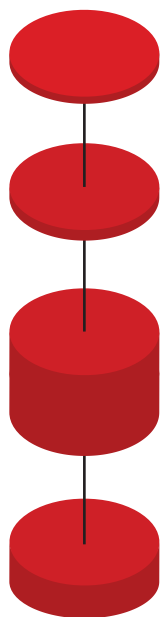
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mated to be able to continue lending to the economy, which is very necessary for its recovery and continued economic growth in 2021.

The US Department of State has published the report on the investment climate for Kosovo in 2020, which gave a high rating for the country's financial system. This report also highlights the stability of the banking sector, which remains well-capitalized and profitable, as well as with a significant improvement in recent years.

The Central Bank of the Republic of Kosovo has welcomed the conclusions drawn in the report of the European Commission (EC) for Kosovo for year 2019, which recognizes the commit-

ment and reforms undertaken in the financial sector. The report highlights the progress that the CBK has made in the area of banks' capital requirements and risk management following the entry into force of the capital adequacy regulations and the leverage ratio, which are in line with the Basel III framework. According to the EC, the capital adequacy ratio is considered stable and well above the required regulatory minimum of 12%.

The EC report has devoted a special space to developments related to the impact of the pandemic on the economy of Kosovo, highlighting the measures taken by the CBK to help borrowers overcome the financial dif-

iculties that have arisen as a consequence of the crisis. In this case, the report describes the regulatory and supervisory measures of the CBK, which have enabled the postponement of loan installment payments to borrowers, as well as created facilities for loan restructuring.

The CBK continues to monitor with great care all economic developments in the country and depending on the development of events will take the necessary measures to maintain financial stability and minimize the economic consequences of the pandemic in order to support the recovery of the economy of our country.



According to the EC, the capital adequacy ratio is considered stable and well above the required regulatory minimum of **12%.**

**ROBERT WRIGHT**

Deputy Chairman of the Board of Directors, Kosovo Banking Association
& CEO, Raiffeisen Bank Kosovo

Interview: The impact of COVID-19 on the banking sector in Kosovo

HOW HAVE BANKS FARED DURING COVID-19 PANDEMIC?

The banks have fared very well during the COVID-19 crisis. The full financial effect has still to be felt but the industry's results at the end Q2 2020 were very good and compared well with other countries in the region. However, financial results are not the only priority for the banks and it is very important that we continue to act in a socially responsible way towards our customers and our staff in these difficult times. In this context the banks have given financial support to a wide range of COVID-19 related initiatives and events and have also invested in very effective and very important measures for the protection and safety of customers and staff across all branch networks.

Another positive development during the pandemic has been the significant migration of customers to non-branch banking activities on electronic and internet banking channels. For example, the number of contactless cards has increased by 29% year on year; ATMs with cash deposit facilities have increased by 19%; and 78% of payments and transactions are now done on the internet or mobile phone.

DO YOU THINK THAT BANKS WERE EFFICIENT WITH THE LOAN DEFERMENT PROGRAM DURING THE PANDEMIC?

Yes I do. This was a unique situation and an unprecedented challenge that the banking industry had never faced before. Over the weekend of the 13th to 16th of March there was a huge exchange of e mails between the banks and an important meeting on the Sunday morning with the Central Bank. It was very important that all the banks were aligned and consistent with the terms and conditions of the moratorium program and it was agreed that no bank should seek to gain a competitive advantage from this exercise. This was a socially responsible, customer focused joint initiative that where the banks were a

vital and very early part of the solution to the macroeconomic problems caused by the pandemic crisis.

Many colleagues from all the banks across a wide range of functions worked long hours to launch the deferment program within a few weeks of agreeing the terms and by the end of April over EUR 1.2bn of loans were deferred equating to x% of the industry's total loan portfolio. What was also very customer friendly about Kosovo's moratorium scheme was that all customers were automatically included in the scheme unless they actively opted out. Many other countries in Central and Eastern Europe operated on an "opt in" basis where borrowers had to justify the suspension of loan payments

HOW DO YOU SEE THE NEW NORMAL FOR BANKS IN A POST COVID-19 WORLD?

The banks must capitalize on the opportunity and appetite for change that the pandemic has created. There has been a significant move of basic banking activities to electronic channels and we must maintain this momentum and redesign the branch network and its functions to focus on deeper and more engaging customer experiences driven by relevant and more value creating activities.

Other institutions also need to recognize and respond to these changes and facilitate the creation of a more digital economy and a more automated living environment.

From a broader perspective I think that the Kosovo banking industry has a responsibility to do everything possible to contribute to the economic recovery of the country which will take several years. We must find the right balance of risk appetite and social responsibility where the banks can be the answer to the problem, not as in the crisis of 2009 / 10 the cause of the problem.



ERIOLA BIBOLLI
CEO, PROCREDIT BANK KOSOVA

Interview: Banks as part of the solution during the pandemic

WHAT ARE THE MAIN CHALLENGES FOR THE BANKING SECTOR IN KOSOVO DURING THE COVID-19 PANDEMIC?

We have all been spectators of this unprecedented global health crisis unfolding in tremendous impactful events for the world and Kosovo. Among others, the global trade and economic activity witnessed a downward spiral of contraction under an unexpected turn of events, with global supply chains disrupted and many businesses being closed. As Kosovo enters the 10th month of this challenge we see that the scope of impact to households, small and medium enterprises is still not fully known as all of these groups are facing a cash flow volatility that can threaten economic and financial market stability. Targeted policy support directed to the private sector has been vital to ensure the functioning of the economy. What is evident is that amidst this health and economic crisis, banks are part of the solution, being an important mechanism at the front-line of the economic disruption brought about by the COVID-19 pandemic and as such, were faced with both opportunities and unprecedented challenges.

As our employees and clients are the center of our attention, ensuring their health and safety during this crisis was and continues to be our biggest priority. This required fast reorganization to



Large opt-out moratoria offered to all customers who needed and requested it posed a tremendous challenge from the organizational and technological point of view in the short-term and a challenge in the measurement of credit risk in the medium term.

enable segregation and reshuffling of internal teams, and to ensure a smooth transition to remote working. Under such circumstances, ensuring continuity of operations, reliability of platforms, the supply of cash, and uninterrupted access to banking services, was a challenge that is translated to a big stretch in IT, logistics, and back-office operations.

Due to the pandemic situation and the preventive measures taken by the authorities, we saw an increase in uncertainties as a result of total closure or contraction of activity in most of the businesses in the country. Coping with this uncertainty and the unclear len-

gth and magnitude of the pandemic, undoubtedly impacted the decision making. While the focus remained in supporting affected clients, finding the balance in serving the existing demand in a viable and targeted way is a challenge we continue to face.

Large opt-out moratoria offered to all customers who needed and requested it posed a tremendous challenge from the organizational and technological point of view in the short-term and a challenge in the measurement of credit risk in the medium term. Nevertheless, despite all challenges faced, the sector continued to lend and safely support the flow of credit in the Private sector.

In regard to deposits, as the main source of financing the banking activity, despite the global crises that also affected countries where our remittances originate from, the whole sector reflected stability and increase.

As expected, an increase in the non-performing loans was witnessed. Due to a highly volatile economic outlook, expected credit losses previously calculated needed to be revisited to account for the uncertainty and scale of the pandemic.

All of these occurrences and measures have put pressure in managing revenue and customer expectations despite compressed net interest income margins.



Last but not least, the one very big challenge for all banks during this time was the limitation of human contact that required every task and service to be delivered via online channels. This truly tested the resilience of the financial system both from the perspective of the employer and a service provider for its clients. This again brought back the discussion of business models such as direct banking that enable clients to perform all of their routine transactions via online channels.

In the case of ProCredit Bank, we are pleased to say that this was one challenge we faced without any obstacle due to our persistent work and ongoing investments in digitalization of services following global technological development through last years.

As a conclusion, in spite of all the increased risks as a result of the economic and social crisis driven by the COVID -19 pandemic in an environment with compressed margins, the banking sector in Kosovo showed resilience and continues to be stable, with good quality of loan portfolio, thus with the lowest NPL in the region, with satisfactory level of liquidity and well capitalized. Besides challenges, it is worth mentioning that as we faced this unprecedented crisis, an overarching and positive observation is that the pandemic has initialized an acceleration in digitalization, flexibility in the work-life balance, shift of priorities towards resilience and agility, emphasized the importance of staying close to the customers and to working in a symbiotic relationship with them in a vital dependency.

HOW IS THE DIGITAL REVOLUTION CONTRIBUTING TO THE CURRENT SITUATION WITH CUSTOMER RELATIONS?

The digital revolution has affected all industries worldwide and banking is not an exception. During the last decade we have seen a tremendous change in the way clients do banking via embracing the advantages offered by technology and in this regard, we also see a very positive trend in the banking sector in Kosovo. All banks who managed to adopt to newest trends and possibilities given by technologies, were much more prepared to handle the unpredictable situation that came with the pandemic. With social distancing being the new norm, customer relations were closely linked with having fully developed digital channels of distribution and communication which clients felt familiar with and did not hesitate to use.



As a conclusion, in spite of all the increased risks as a result of the economic and social crisis driven by the COVID -19 pandemic in an environment with compressed margins, the banking sector in Kosovo showed resilience and continues to be stable, with good quality of loan portfolio, thus with the lowest NPL in the region, with satisfactory level of liquidity and well capitalized.

lead to further investment from banks in their own systems, introducing new automation and digital technologies to address some of the weak points revealed during the pandemic, maintaining customer relations from the distance being one of them. With a work from home infrastructure in place, the sector will be ready for such eventualities in the future. Therefore, if last year digitization was the key to resilience in the banking industry, this year, the unprecedented challenges posed by the COVID -19 outbreak make the digitization vital for survival.

WHAT IS THE CREDIT OUTLOOK FOR 2021 CONSIDERING THE UNCERTAINTIES AHEAD?

As we can conclude, the banking sector in Kosovo has successfully navigated the immediate pressures of the COVID-19 crisis, the future still holds many uncertainties due to the development we see with the spread of the virus, where the risk of “subsequent waves” remains.

Looking beyond the immediate crisis and ongoing effects of the COVID -19 pandemic, we all agree that a strong banking sector is crucial for a strong and fast recovery. Banks need to continue to play their role in helping their clients rebuild their financial security and business productivity.

With the support that comes with the law on economic recovery, the confidence will continue to rise, positively impacting the sector while, with easing of the restrictive measures we foresee that the demand for financing from businesses will continue to increase mainly for working capital needs.

As expected, the non-performing loans will gradually increase after the end of moratorium periods, varying between industries and will be highly

dependent on the economic rebounds next year. Nevertheless, we expect that NPL will continue to be manageable and easily absorbed by the banking sector in the country.

Through 2021 banks will have to continue to work hard to maintain their operations and to support their customers, always partnering with the government and regulators to protect the economy.

Looking ahead, there are some particular areas of focus that will reshape the sector and support a stronger recovery. The sector needs to put special attention to serving customers through online channels with dynamic and relevant services, adapt to new ways of working and build more resilient and agile organizations.

“FROM THREAT COMES OPPORTUNITY”

As we were faced with the new situation, we witnessed an accelerated growth in digital transformation both from the banking sector and also from business clients, who shifted their strategies in order to survive in the new environment and also find new opportunities in the market, striving to retain and improve customer relations.

The COVID-19 situation, therefore, has the potential to become a powerful catalyst for banks and businesses to address their rejuvenation needs. Customer relations is essential for all service providers and it should be in the center of attention during this period.

As one would expect, the focus now should be in the processes which today are not sufficiently agile. The new environment and needs posed by it will



OZAN GÜLHAN, PH.D.
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Banking Industry during the COVID-19 era: Money laundering and terrorist financing risks

In the city of Wuhan, China, a pneumonia of unknown cause was first detected in December 2019. The virus is known as COVID-19 (Coronavirus Disease 2019) which continues to spread across the world. This pandemic crisis is a global challenge in the perspective of human suffering as well as negative economic impact.

According to International Monetary Fund (World Economic Outlook Report, April 2020), the shock and the loss related to virus and measures taken in order to protect people is large. Secondly, it is not clear for how long the shock will last since the effects are catastrophic for the most economies in the world. Third, under current situation there is a very different role for economic policy, when other crises appear, comparing with this pandemic crisis, policy makers use different tools and strategies to encourage economic growth and activity by stimulating aggregate demand and supply. However, this pandemic crisis and its consequences need enhanced measures and controls. Moreover, there is an immediate need to stimulate economic activities especially the most impacted economic sectors and businesses.

The COVID-19 pandemic has led to unprecedented global challenges which provides a favorable environment for financial security risks. Authorities worldwide such as Financial Actions Task Force, Bank for International Settlements, United Nations Office of Drugs and Crime have responded with statements and by providing guidance to financial institutions to manage money laundering (ML) and terrorist financing (TF) risks. In all such statements are highlighted that there is a need for

a special vigilance on new risks identified, close cooperation and sharing information between main actors.

In the COVID-19 pandemic crisis have been identified some threats and vulnerabilities which are characterized only in this period and represent emerging ML and TF risks.



The **COVID-19** pandemic has led to unprecedented global challenges which provides a favorable environment for financial security risks.

FINANCIAL SECURITY RISKS IN COVID-19 ERA

During COVID-19 several threats and vulnerabilities have appeared. According to Interpol, there is an increase in cyber threats connected with malicious domains, malware, and ransomware. Moreover, as per FATF assessment (FATF (2020b)), it is an increase in ML and TF risks arising from COVID-19-related crime, which could include but not limited to:

- (A) increased misuse of online financial services and virtual assets to move and conceal illicit funds; and
- (B) a potential for corruption related to government funds as well international financial assistance.

Supervisory authorities have to issue typologies and advise financial institutions to remain vigilant concerning cyber threats and to proactively assess and test the capacity of existing infrastructure as part of their business continuity arrangements. Working at home with remote access to financial institutions, especially in the banking industry, has increased attacks surface for cybercriminals. Criminals may take advantage of the increased need of banks to identify and onboard their customers online. In normal circumstances, cyber-attacks and money laundering schemes expose banks to several operational and reputational risks. In such circumstances of the COVID-19 Era, those risks could be further evolved and expanded.

According to FATF, some risks may appear due to the COVID-19 pandemic crisis:

- Criminals finding ways to bypass Customer Due Diligence measures;
- Increased misuse of online financial services and virtual assets to move and conceal illicit funds;
- Exploiting economic stimulus measures and insolvency schemes as a means for natural and legal persons to conceal and launder illicit proceeds;
- Increased use of the unregulated financial sector, creating additional opportunities for criminals to launder illicit funds;
- Misuse and misappropriation of domestic and international financial aid and emergency funding;
- Criminals and terrorists exploiting COVID-19 and economic downturn to move into new cash-intensive and high-liquidity lines of business in developing countries”.

Criminals may be involved in financial fraud by offering fraudulent investment options in order to engage in phishing schemes as well as malicious or fraudulent cybercrimes, fundraising for fake charities, and various medical scams targeting innocent victims, criminals attempting to profit from the pandemic by exploiting people in urgent need of care.

Moreover, as per FATF assessment (FATF (2020b)), it is an increase in ML and TF risks arising from COVID-19-related crime, which could include but not limited to:

- (A) increased misuse of online financial services and virtual assets to move and conceal illicit funds; and
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-



COVID-19
 changed criminal
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 adapt their **modus
 operandi** to disguise
 their illegal sources and
 making dirty money
 look clean.

THE CONSEQUENCES OF COVID-19 ON AML PROGRAM

The Anti-Money Laundering Program is an essential component of banks' compliance regime. The primary goal of this program is to protect banks against money laundering and to ensure that they are in full compliance with relevant laws and regulations. For that reason, designing, structuring, and implementing this program is one of the top priorities of banks. The AML Program is risk-based and is designed to mitigate the money laundering and terrorist financing risks. The main elements of the AML Program are:

- A system of internal policies and procedures (Know Your Client – Onboarding and Reviewing process, Customer Due Diligence; Enhanced Customer Due diligence, Reporting, Monitoring, Recordkeeping, etc.);
- A designated Compliance Officer and Deputy Compliance Officer with day-to-day oversight over the AML Program;
- An ongoing employee training program; and
- An independent audit function (internal and external audit) to test the AML Program.

The COVID-19 pandemic crisis is impacting public as well as private sectors' capacities to implement requirements of AML programs. This is because of measures taken due to confinement and social distancing. Many AML Officers (in some banks 100%) are now working remotely which impacts the traditional manner of working of such professionals. Some consequences of COVID-19 on AML programs may be as follows:

- COVID-19 changed criminal behavior so criminals adapt their modus operandi to disguise their illegal sources and making dirty money look clean;
- Number of online financial transactions is increased and money is moved to conceal illicit funds;
- Regulators postponed onsite inspections;
- Suspicious transaction reports (STRs) - Countries that still rely on paper-based reporting systems may face delays in reporting to their local Financial Intelligence Units (FIUs);
- Financial institutions have initiated business continuity plans and due to pandemic crisis some banks closed branches temporary;
- FIU staff were and are working remotely and lower capacities in the office.

We consider that AML/CFT policy responses have to be set to implement an effective response to new risks identified which includes, but not limited to:

- A coordination between regulators and reporting entities

to assess risks and systems because of COVID-19;

- Issuing new circulars to cover new risks identified during COVID-19;
- Use efficiently a risk-based approach for due diligence and transactions monitoring;
- Enhance the mitigation measures to the risks of ML and TF for electronic and digital payment options;
- Financial institutions have to continue to put in place and maintain an effective system and control to ensure that the financial system is not used for money laundering or terrorist financing purposes.

Based on risks identified and the statement issued from different international bodies such as FATF, EBA, UNODC, BIS, Interpol, several recommendations to the regulators and/or financial institutions may be as below:

- to remain alert to money laundering and terrorist financing techniques that might appear due to the economic downturn because of COVID-19;
- to conduct a national risk assessment on the impact of COVID-19 on ML/TF risks as well as systems;
- review/update self-ML/TF risk assessments in line with new risks identified because of COVID-19 accordingly;
- to improve collaboration between regulators and reporting subject (e.g. banks);
- to re-enforce the customer due diligence on digital banking products and services;
- supervisors of AML/CFT regimes should plan supervisory activities in a flexible, effective, and pragmatic manner which includes but not limited to offsite inspections, virtual inspections (where possible), and postponement of some onsite inspections on low-risk areas;
- FIUs to issue new ML/TF typologies identified during COVID-19 which helps financial institutions to review and re-design their own scenarios and indicators;
- Financial institutions are encouraged to use an appropriate simplified customer due diligence to accelerate the usage of government funds in response to the COVID-19.





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Banka Ekonomike SH.A

Challenges in the process of “Know Your Customer” in the banking sector at the time of COVID-19

During the professional career of any individual, including the people who work in the banking sector, have been challenged with difficult, special, or even unique cases. Undoubtedly, the current situation caused by the COVID-19 pandemic that has gripped the whole world can be considered one of these unique cases.

During March, exactly when the first cases of people affected with COVID-19 in Kosovo started, the impacts, challenges and difficulties in the implementation of the KYC (Know Your Customer) process according to the law, regulations and internal procedures of banks began to be felt. At this time, by decision of the Kosovo institutions, public and private companies were obliged to work with minimal staff in the office, while the rest were obliged to work remotely, in order to respect the protective measures according to the WHO.

IMPLEMENTING THE “KNOW YOUR CUSTOMER” PRINCIPLE IS MORE IMPORTANT THAN EVER

One of the biggest challenges for banks in this pandemic period is considered

to be the process of “Know Your Customer”, as it is impossible to realize the 3 phases of the KYC in the way they have been implemented so far: customer identification (collection/check of the original documents), risk assessment and verification of data and documents.

Identifying the client at the time of quarantine and the obligation to wear the mask is considered to be a challenge for two reasons: the first reason is that the client may not always be present in the bank for identification based on the physical appearance, and, the second challenge is the obligation to wear a

mask, which may hinder proper identification.

In addition to the two reasons mentioned above, no less important challenge is that in the absence of clients, the employees of the banking sector in many cases are forced to communicate through alternative channels, telephone or e-mail, which contain a greater risk of misuse or fraud with customer information.

“Every coin has two sides, the world sees COVID-19 as a global pandemic while for opportunists it presents a perfect opportunity to engage in illegal work”.

Since it is impossible to carry out the “Know Your Customer” process according to the procedures during this period, the banking sector faces a new opportunity, to operate with electronic documents or electronic verifications to meet the legal requirements for KYC, thus, allowing more flexibility in identity verification of the client and using other means in this area. It is also a good opportunity to invest in the digitization and further modernization of systems and platforms used in the field of Know Your Customer. The same has been re-



“Every coin has two sides, the world sees COVID-19 as a global pandemic while for opportunists it presents a perfect opportunity to engage in illegal work”.



requested by the Intergovernmental Organization for Financial Action Task Force (FATF) which through published guidelines on how to prevent illegal activities during COVID-19, encourages and puts constant pressure on the implementation of international standards regarding the use of digital platforms for customer identification and delivery of digital financial services to comply with social distancing requirements.

A new challenge in the entire banking sector is considered the training in the field of KYC at the time of COVID-19. Being mandatory and necessary, attending the training at this time in the banking sector has been limited, although some of the banks had to implement electronic or online modules so that staff is aware at all times of the changes that are occurring at the time of COVID -19.

Another challenge that can be considered as one of the most important



A new challenge in the entire banking sector is considered the training in the field of KYC at the time of COVID-19.

challenges during the pandemic is the emotional state of the staff, who deal directly with the KYC process and who are in direct contact with clients during their identification and verification, given the risk of transmitting the virus from customers to the staff. As a result, COVID-19 highlighted the need for digital services, since for many banking services clients are not able to submit

documents in-person or physically, adhering to the social distance requirement. Even if the documents could be sent by mail, there would still be a risk of transmitting the virus. At the same time sending personal documents to the client's home address or the bank branches is a major information security concern.

WHAT CAN HAPPEN TO THE KYC PROCESS AFTER COVID-19?

No one can predict the challenges, opportunities, and unplanned developments in the financial sector after the pandemic situation of COVID-19, but one thing is certain, the world will not be the same after this event and at the same time, the KYC process can be seen as a new perspective of digitization which can save time and money of businesses.



ARDIAN KADRIAJ
 Director of Legal Affairs Service
 NLB Bank

Challenges faced by the financial institutions in times of **COVID-19** pandemic



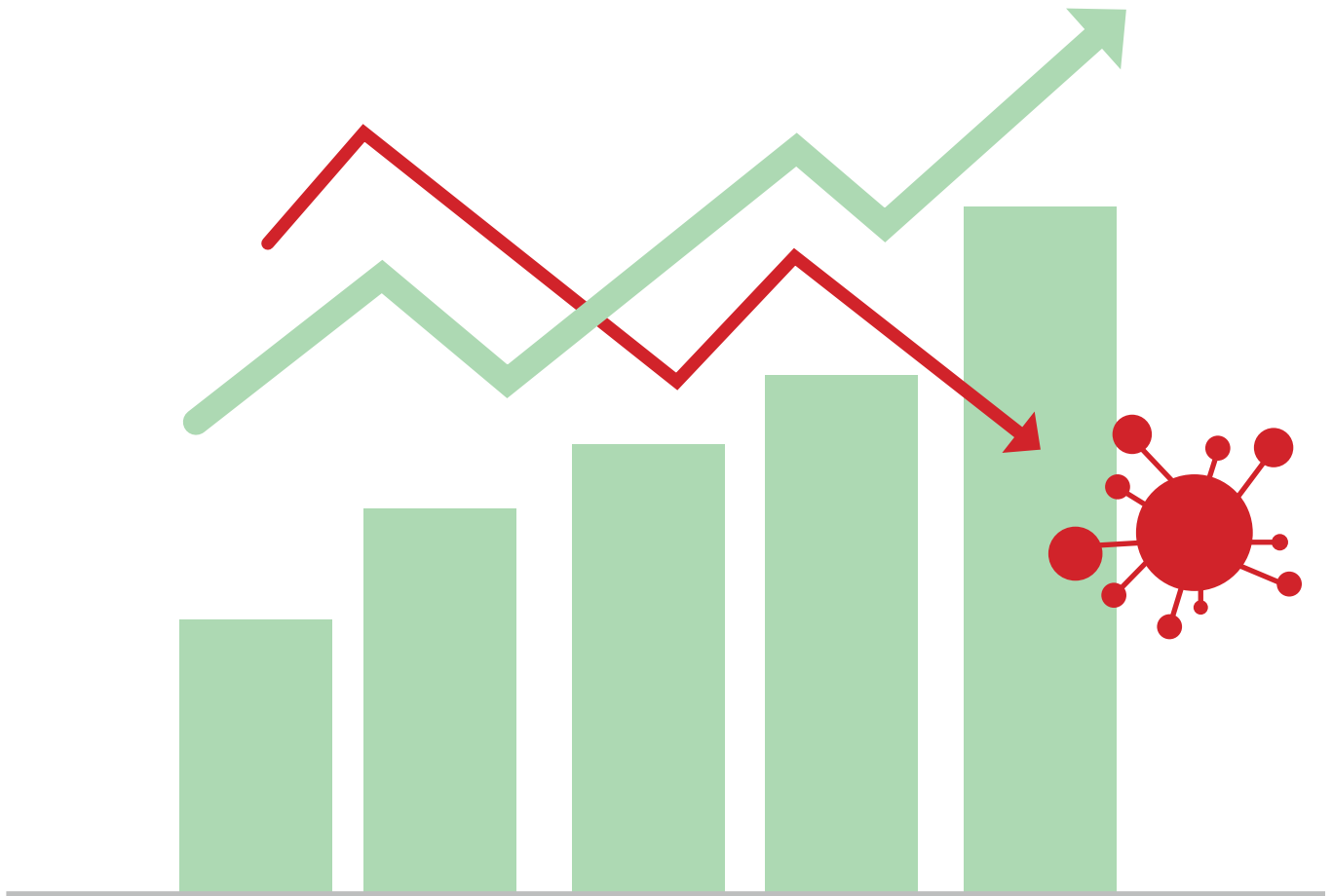
Banks and other financial institutions have accommodated the needs of their clients in the restructuring of loan installments, by not charging them with penalties or impairing the status of the borrower, as the failure to repay credit obligations came as a consequence of the difficult conditions of this situation which was and is out of the human control.

Borrowers, whether individuals or businesses, whose financial situation has been exacerbated by the situation caused by COVID-19, have benefited from two moratoriums, 3 and 12 months (depending on cash flow), or their restructuring, based on the instructions of the Central Bank of Kosovo. This process only enabled the postponement/restructuring of

borrowers' loan obligations, not their amnesty.

Borrowers whose solvency has not been affected or undermined by the declared pandemic situation have normally continued to repay their obligations.

Borrowers who have met the conditions to benefit from this offered facility have contacted the Bank online and



then the Bank has reviewed all requests separately to approve or reject them. This whole process was unified and based on the instructions of the Central Bank of Kosovo.

Despite the increased costs of this solution during this challenging period, punitive fees and client rating status remained frozen during the approved moratorium period, thus negatively affecting the efficiency and growth of banks, since no special financial package was allocated to assist the banking sector during the COVID-19 pandemic and also, taking into account the suspension of work of the judiciary and enforcement agents carrying a large number of cases representing a significant portion of the unreturned portfolio in the banks' balance sheet.

“
The declared pandemic of COVID-19 has created a path with many unknowns but found the banking market sufficiently prepared to cope with such challenges.

The mitigation measures presented above were just the first steps of emergency control, keeping the situation under control and quitting quarantine. Banking institutions themselves were part of the negative effects and losses from COVID-19, but the banking industry has tried to maintain the relationship between the individual health of society and the health of the economy, in addition to the difficulties within its institutions, enabling them to move together.

The declared pandemic of COVID-19 has created a path with many unknowns but found the banking market sufficiently prepared to cope with such challenges. The banking industry remains fully committed to providing all the necessary support in overcoming this difficult situation.



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Protection of personal data in General Data Protection Regulation (GDPR) and domestic legislation on personal data protection

Protection of personal data and privacy rights are embedded in the Constitution¹ and legislation of the Republic of Kosovo in the same way as in the Conventions and other European and international instruments,² including case law.³ However, to date the most important legal document on the protection of personal data is the General Regulation of the European Union on Data Protection, known as 'GDPR',⁴ in force since 2018.

The main goal of the Regulation that repealed the Directive on Personal Data Protection (95/46/EC), is to strengthen the protection of the personal data and

privacy rights of EU citizens. As a result of this Regulation the important changes are made regarding strengthening the protection mechanisms of personal data, protection of Children's personal data, broader definition of personal data, notifications on personal data breaches, impact assessment of processing, tougher sanctions for breaching, designation of data protection officer, requirement to increase accountability of data processors and controllers, and territorial expansion of the applicability of the Regulation.

In the year of 2019, in full compliance with this EU general Regulation

or GDPR, a new Kosovo Law on Protection of personal data was issued.⁵ This Law, clearly determined the rights, responsibilities, principles and punitive measures with respect to the protection of personal data and privacy of individuals, and determined the responsible institution supervising the legitimacy of the data processing and access to public documents.⁶ Processing of data is a growing demand for the provision of services in all sectors of the society that should be treated in full compliance with human rights and freedoms. Exceptionally, when legitimate public interest so requires,

¹ Constitution of the Republic of Kosovo, 2008, Article 36

² European Convention on the Protection of Human Rights, 1950 and International Pact on Civil and Political Rights 1966

³ Case Law of the European Court of Human Rights, on personal data, 201

⁴ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

⁵ Law No. 06/L-082, 2019

⁶ Ibid, Article 1, para 1-2



necessary 'restrictions' are allowed as for example now, in order to prevent and protect health from COVID -19, health authorities can process certain data concerning health conditions, seriousness of situation and potential risk. Regarding this, the Agency for Information and Privacy,⁷ constantly requested that the issue of protection of data and privacy of citizens, such as publication of COVID - 19 infected persons by public institutions, in particular health institutions, as a controller

of the patient's personal data, is done in full compliance with the provisions of the Law No.06/L-082, on personal data protection. While, other issues interlinked with protection and safety of data, impacted by the pandemic, are adapted by the organizations and businesses as per circumstances based on their policies and safety mechanisms.

PERSONAL DATA

E Based on the above Law 'personal data' is considered, any information

related to identifiable natural person, who can be identified directly or indirectly, particularly by reference to an identifier such as a name, number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person, while, privacy is considered respect for private and family life, inviolability of the home and the secrecy of telephone and other

⁷ For more, see <https://aip.rks-gov.net/lajmi-single/482>

WHEN AGENCY FINDS THAT THERE ARE BREACHES OF PERSONAL DATA, DEPENDING ON THE BREACH IT MAY IMPOSE A FINE, OR IF IT FINDS THERE IS A SERIOUS AND GREAT VIOLATION OF PERSONAL DATA

IT MAY IMPOSE A FINE FROM

20,000 €

TO

40,000 €

OR IN THE CASE OF A COMPANY OR AN ENTERPRISE IT MAY IMPOSE A FINE AMOUNTING

2% - 4%

OF THE GENERAL TURNOVER OF THE PREVIOUS FISCAL YEAR IN COMPLIANCE WITH THE REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 APRIL 2016 ON THE PROTECTION OF NATURAL PERSONS REGARDING THE PROCESSING OF PERSONAL DATA AND ON THE FREE MOVEMENT OF SUCH DATA.

communications correspondence, in compliance with the applicable Law.⁸

THE RIGHTS OF DATA SUBJECTS

Data subjects in relation to their personal data can exercise the following rights:

Right to be informed (Article 11) – data subjects should be provided by the Controller, with any information from the processing of personal data in a concise, transparent, intelligible and easily accessible form, using clear and plain language, as set in the Law. The information shall be provided in writing, or by other means, including, where appropriate, by electronic means. When requested by the data subject, the information may be provided orally, provided that the identity of the data subject is proven by other means.

Right to access their data (Article 14) – data subjects have the right to access their personal data and information related to purposes of processing; categories of personal data; recipients or categories of recipients; timelines envisaged; the right to rectification or erasure of personal data or restriction of the processing of personal data concerning the data subject, or to object such processing; and the right to lodge a complaint with the Agency.

Right to rectification (Article 15) – if data are inaccurate or incomplete, data subjects have a right (through supplementary statement) ask for data rectification without any undue delay.

Right of erasure ‘a right to be forgotten (Article 16) – data subjects have the right to request erasure of their personal data, and the Controller is obliged to erase personal data, without undue delay.

Right to restrict processing (Article 17) - data subjects have the right to restrict or destroy personal data based on stipulated criteria.

Right to data portability (Article 19) – data subjects have the right to transmit their personal data to another controller, safely and at any time, without any hindrance in their usage.

Right to object (Article 20) – data subjects have the right to object at any time, the way

how their data are used due to a specific personal situation, marketing purposes, sales, or other pur-

⁸ Law No.06/L-082, 2019, Article 3, para 1.1. and 1.23

poses not related to the service, except in case of a legal or official authority action, when processing necessary to fulfill a task of public interest.

BREACH OF PERSONAL DATA

Under Article 3, para 1.18 of the law, ‘breach of personal data’ means a breach of security measures leading to the accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored or otherwise processed. In case of a personal data breach, the Controller shall without undue delay and, where feasible, not later than seventy-two (72) hours after having become aware of it, notify the personal data breach to the Agency, unless the personal data breach is unlikely to result in a risk to the rights and freedoms of natural persons.⁹ The Controller shall document any personal data breaches, comprising the facts relating to the personal data breach, its effects and the remedial action taken. When Agency finds that there are breaches of personal data, depending on the breach it may impose a fine,¹⁰ or if it finds there is a serious and great violation of personal data, it may impose a fine from twenty thousand (20,000) € to forty thousand (40,000) € or in the case of a company or an enterprise it may impose a fine amounting two percent (2%) to four percent (4%) of the general turnover of the previous fiscal year in compliance with the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27

April 2016 on the protection of natural persons regarding the processing of personal data and on the free movement of such data.¹¹

AGENCY FOR INFORMATION AND PRIVACY

Based on Article 57, the Agency is an independent authority in charge of supervising the implementation of this law and other regulations for protection of personal data and access to public documents and information. Based on the above law, the Agency is fully independent in discharge of its duties and exercise of its competences. The Agency shall report to the Assembly of Kosovo. The Agency shall be led by the Commissioner,¹² who represent an independent body, appointed within the Agency by the Assembly of the Republic of Kosovo, who is responsible to assure implementation of this law and of the law on access to public documents.¹³

DATA PROTECTION OFFICER (DPO)

Data protection officer is an independent position the Controller or the processor must designate to monitor compliance with the data protection rules, to inform and advise the entity and employees carrying out the processing of their obligations, and to cooperate with the supervisory authority,¹⁴ namely the Agency and act as the contact point for the Agency on issues relating to processing, including the prior consultation on any matter.¹⁵ Therefore, the Data Protection Offi-

cers are rightly so, considered intermediaries between supervisory authorities, organizations/ businesses and data subjects.

The Controller and the processor ensure that data protection officer is involved, properly and in a timely manner, in all issues which relate to the protection of personal data; support the data protection officer in performing the tasks; provide resources necessary to carry out those tasks and access to personal data and processing operations, and to maintain his or her expert knowledge. The data protection officer directly reports to the highest management level. Data protection officer may be contacted by data subjects on all issues related to processing of their personal data and to the exercise of their rights.¹⁶

RESTRICTIONS

As stipulated in Article 22 of the Law, the rights of the subject data can be restricted in compliance with human rights and fundamental freedoms, and as a necessary and proportional measure, to guarantee, national security, defense, public security, prevention, detection and prosecution of criminal offences, general public interest (financial or economic), enforcement of civil law claims, protection of the data subject or the rights and freedoms of others, exercise of official authority in the case of national security, prevention and detection of breaches of ethics and independent judicial proceedings.

⁹ Ibid., Article 33

¹⁰ Ibid., Article 92-95

¹¹ Ibid., Article 105

¹² Ibid., Article 7 and 58

¹³ Ibid., Article, 3, 1.27

¹⁴ Handbook on European Data Protection Law, European Union Agency for Fundamental Rights and Council of Europe, 2018, p. 37

¹⁵ Ibid., Article 39

¹⁶ Ibid., Article 38



TAULANT GUTAJ
 Legal Adviser for Judicial Matters
 TEB

Banks are challenged but remain stable

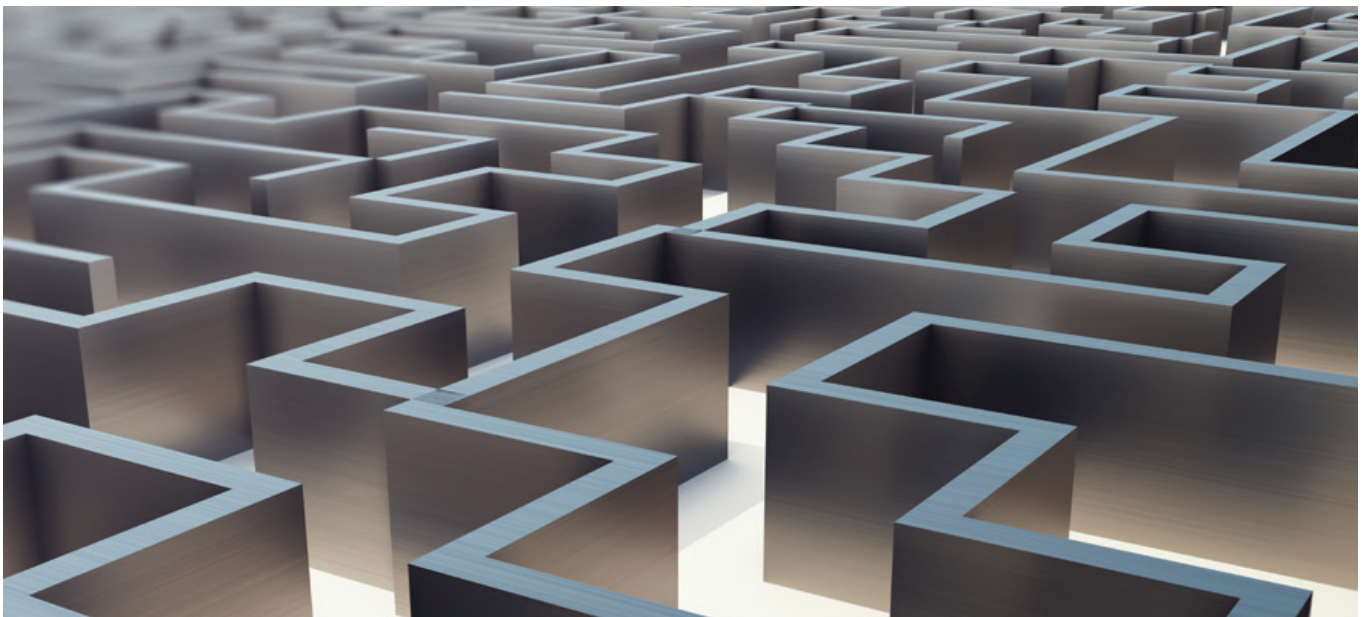
One of the most stable departments of the economic system is undoubtedly the banking sector which in Kosovo and in other countries of the world has been faced and challenged by the COVID-19 pandemic.

Lockdown and paralysis of public life due to the emergencies caused by the COVID-19 pandemic also challenged the world economic markets which were and remain the main challenge of the international legal legislation and practices of the most developed countries in the world, including also the economic/financial and banking system of the Republic of Kosovo.

The banking sector, among the problems of the economic and legislative system during the COVID-19 period, faced enormous delays in loan repayment and

conducting regular business, which overturned the development plans planned for the forecast period of 2020 or beyond, where this situation could affect the regular operation which could endanger in some way the national economy, including the banking sector, as well as challenging the normative and legislative system in regulating contractual relations in a state of emergency over economic issues fairly and legally.

Knowing the situation and history of the sustainable banking sector in Kosovo to the region, development and structural policies of banks in Kosovo, obviously under the supervision of the Central Bank of Kosovo (CBK) and the proper organization of the sector banking, also within the Kosovo Banking Association (KBA), was



BEFORE THE COVID-19 PANDEMIC ACCORDING TO RESEARCH KOSOVO WAS EXPECTED TO HAVE ECONOMIC GROWTH OF ABOUT

4%

NOW AT THE END OF 2020 IT IS EXPECTED TO DECLINE BY UP TO

-4.5%



among the key points of sustainability of the banking sector that managed to cope with social challenges, namely COVID -19, with eventual economic consequences for the country in general and with special emphasis on the banking sector in Kosovo.

Rapid and professional organization of the banking sector within the Kosovo Banking Association (KBA) through departments within the KBA, under recommendations and guidelines issued by the Central Bank of Kosovo (CBK) and the Government of Kosovo maintain economic and banking sector stability.

When we add to all this the history of business during 2018 - 2019 that marked an increase in:

- (A) corporate bank loans by 9.8%,
- (B) household loans by 10.4%, according to statistics and research from the Agency of Statistics of Kosovo 2019, and adding the low level of non-performing loans which in 2019 fell from 2.7% to 2.1%, makes us understand that the banking system in the Republic of Kosovo enjoys a stable level and stable to the countries of the region which are in a higher degree of economic strength.

While before the COVID-19 pandemic according to research Kosovo was expected to have economic growth of about 4%, now at the end of 2020 it is expected to decline by up to 4.5%, appreciating the positive aspects i.e. Kosovo's low public debt and high deposits, so this has enabled the banking sector to be stable and stable in business planning of this category.

Despite all, knowing the fact that the banking sector depends on other sectors of the economy, and since the pandemic COVID-19 has hampered the well-being of citizens with restrictions as protection measures, we understand and wish for a quick overcoming of this aggravated economic and social situation, which would help the banking sector in its developmental recovery with positive business planning.

Thus, the development plans of the banking sector would promote households and those of small, medium or even corporate businesses with possible operational and substantive facilities in providing credit products and other banking products with favorable conditions that would help and would be an economic stimulus for the country and the Republic of Kosovo in general.

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BESNIK BERISHA
 Managing Director
 Kosovo Credit Guarantee Fund

The role of Guarantee Schemes in combating economic and financial crises

The fact that the health crisis caused by the COVID-19 pandemic will have a negative impact on the real economy has already become a clear reality in almost most of the globe. Kosovo's economy is no exception to this situation and will not remain immune to the economic slowdown caused by the shocks that aggregate supply and demand from the current crisis. The decline in purchasing power and willingness, the suspension of some private investments, and the reduction of lending activity by the commercial banks, are some of the consequences of the economic crisis, which then turn out to be causes of deepening and aggravation of the situation in which we find ourselves, in the vicious circle of Kosovo's economy.

The role of the state intervention, through fiscal and monetary policy instruments, to help revive the economy after economic and financial

crises is crucial. Experience from past financial and economic crises around the world as well as in the current crisis, has shown us that the gap of



Lending is considered one of the main instruments for combating liquidity shortages in the market, promoting aggregate demand, private investment and consequently supporting economic recovery, during and after economic crises.

the economic crisis, in addition to the cause of the crisis, depends heavily on timely response and willingness of policymakers to fight the consequences of the crisis and restoring confidence in the country's economy. However, interventionist economic policy, although necessary to combat the consequences of the crisis, must be implemented with an exit strategy, so as not to create reliance and inefficiency in the economy, which would discourage new ideas and entrepreneurship, as well as promote bad practices that would undermine meritocracy, free competition and the operation of the free market forces in the economy.

Lending is considered one of the main instruments for combating liquidity shortages in the market,



promoting aggregate demand, private investment and consequently supporting economic recovery, during and after economic crises. This is vital for the recovery of the private sector, represented by MSMEs, whose only source of funding is the form of loans from commercial banks. However, judging by history, banks in periods after the economic and financial crises, are usually more prudent in lending. This somewhat rational behavior of banks, not being able to accurately judge the market absorption capacity for products and services for their clients and consequently not being able to assess the financial performance of potential borrowers, while at the same time trying to be responsible towards protecting depo-

sitors (any deterioration in the quality of banking sector assets is bad news for depositors), will inevitably result in a slowdown in lending activity in the economy, or by focusing lending within a select number of customers, which will not be enough to play a changing role in the economy, which would later help revitalize the economy as a whole.

To enable overcoming this slowdown in lending activity, there is a need to create certain instruments, which would lead to increasing supply and demand for credit. Guarantee schemes as instruments that enable financial intermediation directly affect the growth and improve-

ALMOST NO OTHER INSTRUMENT CAN PLAY A MORE ADEQUATE ROLE THAN CREDIT GUARANTEES IN SUCH SITUATIONS, FOR THREE MAIN REASONS:



As mentioned above, the character of risk sharing will enhance the trust between banks to resume lending, as it will serve as a buffer in case of losses on bad loans;



The impact of credit guarantees on the real economy, due to the multiplier effect of these schemes, is much greater than with other forms of financial instruments;



Credit guarantee schemes do not promote wrong incentives in the economy, an obvious practice for other financial instruments which by taking over the obligations from the last beneficiary (borrower) to repay the loan are dominated by the “free money” syndrome and therefore create reliance and inefficiencies.

ment of credit supply, while indirectly affect the growth of demand for credit.

Rightly, all financial packages of different countries, or international financial institutions, including the package designed by the Government of the Republic of Kosovo, in their mechanisms to fight the current crisis of COVID-19, as an important subcomponent, have provided for the creation of new schemes or the strengthening of existing ones.

Fortunately, the COVID-19 crisis finds Kosovo with a well-established and consolidated institution for providing guarantee schemes. KCGF is an institution established specifically for this purpose



To enable overcoming this slowdown in lending activity, there is a need to create certain instruments, which would lead to increasing supply and demand for credit.

and has been operating since 2016. As such, the KCGF has continued to maintain open lines of guarantee throughout the recent crisis, through two active windows - the Regular Window and the Agriculture Window. Only during the period March-September 2020, these two windows guaranteed loans to 934 businesses, in the amount of EUR 34.4 mil. As we continue to keep these guarantee windows open, the institution is awaiting the adoption of the Law on Economic Recovery and the expanding of the capital base, in order to support the implementation of the Economic Recovery Package. The role of KCGF in this package is crucial, because it



envisages the expansion of guarantee capacity, through the improvement of conditions in existing windows, as well as the creation of four new windows that will cover specific needs in four specific market segments, such as young entrepreneurs, women in business, manufacturing enterprises, and investments in energy efficiency. Increasing the risk coverage from 50% to 80% and creating the opportunity to guarantee lending to farmers will be the added value of KCGF within the Economic Recovery Package of the Government of the Republic of Kosovo.

By supporting investments in these sectors, we believe that KCGF will not only help the private sector recover from the impact of the crisis, but will also create new opportunities for certain strategic sectors, which increases

the competitiveness of our country's economy compared to the countries in the region.

Coordination of activities with the Government of the Republic of Kosovo and international donors in order to combat the adverse impact on the economy has been a priority of the KCGF throughout this period. KCGF as an institution established to help the development of private entrepreneurship, will share the effects of the crisis with the private and banking sectors, many of which are already our clients or partners. The KCGF, assisted by donors and partners, will take its share of responsibility during all stages of the economic recovery. It is a battle that KCGF governing structures said will take on gladly, with a sole goal of getting through together and come out even stronger than before the crisis.



SYZANA DAUTAJ
IFC's Debt Resolution Project
Coordinator



PROF. ASSOC. DR. GENÇ ALİMEHMETI
IFC's Consultant

COVID 19 Impact and Response - Kosovo case

HOW IS COVID-19 IMPACTING THE SOLVENCY OF FIRMS AND INDIVIDUALS?

The COVID-19 pandemic has impacted firms by reducing demand for their products and services, disrupting the supply of inputs and tightening the provision of credit. While the present situation is particularly unique, past crises have shown that sharp increases in corporate and personal insolvency typically follow these shocks. Financial

distress is already being reported in numerous sectors, particularly aviation, tourism, hospitality, retail and manufacturing. Emerging markets and developing economies (EMDEs) are particularly vulnerable in light of their shallower financial markets and vulnerability to shocks.

System-wide credit and product market disruptions affect the insolvency system's ability to direct viable firms into reorganization and non-viable ones into liquidation¹. Insol-

veny regimes are designed to save viable businesses while disposing of non-viable businesses and returning assets to productive use². In a systemic crisis, the scramble for liquidity increases the risk of pushing viable firms into liquidation, especially vulnerable micro, small and medium enterprises (MSMEs), with the unnecessary accompanying employment losses and widespread fire sale of assets. Without addressing these effects, economic recovery also suf-



¹ World Bank policy note "COVID-19 Outbreak: Implications on Corporate and Individual Insolvency"

² See World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes (2016), <http://documents.worldbank.org/curated/en/518861467086038847/Principles-for-effective-insolvency-and-creditor-and-debtor-regimes>. The World Bank is designated by the Financial Stability Board (together with UNCITRAL) as co-standard setter of the Insolvency and Creditor Rights Standard: https://www.fsb.org/2011/01/cos_051201/.

fers once the crisis recedes. Ensuring that sound firms are given a fair chance to survive the expected temporary market disruption, is therefore critical.

HOW POLICYMAKERS RESPOND TO THE KEY CHALLENGES?

Different government responses so far have been a mix of regulatory forbearance, higher barriers to entry into formal insolvency proceedings and the extension of procedural deadlines.

Several countries are putting short-term insolvency-focused measures in place to help ensure all firms and consumers have breathing space until the markets have stabilized, and business viability assessments can be made. These short-term measures adopted in countries as “quick reactions”, include establishment of a temporary moratorium on bankruptcy procedures and creditor enforcement - statutory moratorium during the COVID-19 crisis. These measures, while being a very necessary reaction to prevent the spike of bankruptcy cases, do not present a sustainable solution.

Among other measures, OECD recommends a temporary suspension of the obligation for companies to file for bankruptcy which can be considered when the difficulties faced by the company are related to the COVID-19 outbreak. This can be complemented by a temporary moratorium that prevents a ‘rush to the exit’ behavior and certain creditor actions against a company. Following this stance, the UK Government recently fast-tracked the Corporate Insolvency and Governance Act 2020 (amended on 29th September 2020), offering temporary protection from compulsory liquidation.

Looking forward there is a need for Insolvency reforms that will respond

IN A SURVEY DONE BY BUSINESS ASSOCIATIONS IN KOSOVO, WHEN ASKED WHETHER COVID-19 HAS IMPACTED THEIR ABILITY TO SURVIVE,

59.4%

OF THE ENTERPRISES HAVE EXPRESSED CONCERNS REGARDING THEIR ABILITY TO SURVIVE THE CRISIS.

WHILE

99%

OF KOSOVO'S BUSINESSES ARE CLASSIFIED AS SMES, BREAKDOWN OF RESPONSES BY ENTERPRISE SIZE INDICATES AN INVERSE CORRELATION BETWEEN SIZE AND SURVIVAL RISK WITH MICRO AND SMALL ENTERPRISES PERCEIVE THE HIGHEST RISK TO THEIR SURVIVAL

65%

DECLARED THAT THEIR SURVIVAL IS THREATENED

to the recovery phase which might be considered sequential or might have significant overlap, depending upon the respective country context. The in-

solveny system will have to respond to the increase in both the failure of firms and the increase in firms that cannot restructure their debts without an out of court workout.

Finally, the intervention will require long-term initiatives to strengthen insolvency restructuring procedures and improve the efficiency of all insolvency and enforcement procedures of the country.

CURRENT INSOLVENCY REGIME IN KOSOVO

The effectiveness of commercial insolvency and debt recovery regimes impacts the investment climate and economic growth. Effective legal and regulatory frameworks reduce credit risk, as well as incentivize creditors to lend more and at lower interest rates. A systemic approach to insolvency and debt recovery facilitates business exit after distress, suggests secure reorganization plans that build trust among creditors, debtors and employees, or effectively settles commercial disputes between debtors and creditors.

Kosovo through the Law on Bankruptcy (enacted in 2016) regulates both substantive and procedural aspects of insolvency proceedings, defining liquidation and reorganization and introducing follow-on procedures for debtors and creditors. The Law on Bankruptcy is applicable to businesses—sole-proprietors, general partnerships, limited partnerships limited liability companies and joint stock companies—as defined in the Law on Business Organizations, but the Law on Bankruptcy does not regulate insolvency proceedings for financial institutions, insurance companies, pension funds, Socially Owned Enterprises and Publicly Owned Enterprises, which are regulated by other

THE SECTORS MOST AFFECTED BY THE DRASTIC DOWNTURN ARE HOTEL-TOURISM AND FOOD SERVICES, SOME MANUFACTURING SECTORS, WHOLESALE AND SOME RETAIL AND REAL ESTATE AND BUSINESS ACTIVITIES.

ACCORDING TO THE WORLD BANK, BASED ON THE DATA AVAILABLE AND THE COURSE OF THE PANDEMIC, THE 2020 CONTRACTION IS EXPECTED TO REACH

8.8%

AND THE RECOVERY WILL BE LONGER.

laws. However, such entities can act as creditors in proceedings defined by the Law on Bankruptcy.

A novelty of the new Law is the introduction of a stand-alone chapter on expedited bankruptcy proceedings for Small and Medium-Sized Enterprises (SMEs) (Chapter 2 of the Law on Bankruptcy). Encouraging reorganization in a relatively short period of time has been introduced to address SME concerns about the effects of bankruptcy as an obstacle for entrepreneurial activity.³ Throughout SME reorganization proceedings, the court appoints a monitor among the list of bankruptcy administrators to serve as an advisor to the debtor in preparing an economically feasible reorganization plan. Upon confirmation of a reorganization plan, an SME debtor also receives a discharge, whereby pre-existing claims are replaced according to the plan.

The new law also strengthens reorganization prospects by introducing

debtor-in-possession as another principle to demonstrate trust in the debtor and downplay the stigma of business failure during bankruptcy proceedings. In that regard, the role of bankruptcy administrators in proceedings is flexible, depending on the circumstances of a reorganization case. Bankruptcy Administrators can act as an estate representative when debtors-in-possession are removed by the court or as a mentor when debtors serve as debtors-in-possession. In liquidation procedures, Bankruptcy Administrators act as estate representatives.

COVID RESPONSE IN KOSOVO

As in many other countries, after the emergence of the COVID-19 pandemic, in Kosovo there was restriction in the movement of people and substantial parts of the economy were closed for more than two months.

In a survey done by business associations in Kosovo, when asked whether COVID-19 has impacted their ability to survive, 59.4% of the enterprises have expressed concerns regarding their ability to survive the crisis. While 99% of Kosovo's businesses are classified as SMEs, breakdown of responses by enterprise size indicates an inverse correlation between size and survival risk with micro and small enterprises perceive the highest risk to their survival (65% declared that their survival is threatened)⁴.

The sectors most affected by the drastic downturn are hotel-tourism and food services, some manufacturing sectors, wholesale and some retail and real estate and business activities. According to the World Bank, based on the data available and the course of the pandemic, the 2020 contraction is expected to reach 8.8 percent, and the recovery will be longer. Growth is projected to rebound to 3.7 percent in 2021, and then accelerate to 4.9 percent in 2022⁵

To ease the financial burden after the restrictive measures there were several steps taken, including:

- The credit institutions offered the possibility of deferring loan repayments for three months, as well as the possibility of applying for loan restructuring – Central Bank of Kosovo.
- The Government of Kosovo approved the first “fiscal emergency” package worth 190 million Euro and proposed diverting certain budget expenditures from capital expenditures to salaries, transfers and subsidies.
- In December 2020, the Law on economic recovery was approved, which provides support for local companies

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Upgrading the Single Market: more opportunities for people and business (COM (2015) 550 final).

⁴ Survey on COVID-19 impact on Kosovo enterprises - April 2020 (Five Business Associations in Kosovo)

⁵ Western Balkans: Regular Economic Report No.18 | Autumn 2020- World Bank

and citizens in the amount of about 560 million Euros and is in force until December 2021.

As an effect of the coronavirus (i.e. expected crisis in its aftermath), insolvency and debt resolution systems will become even more relevant in the country. Currently, the key challenge in Kosovo is to prevent numerous viable firms and especially SMEs from prematurely being pushed into insolvency.

Insolvency-related measures represent a major complement to the fiscal and regulatory responses being enacted and, as such, increase the likelihood of their success. Therefore, there is a need for support to the governments to ensure timely and smooth functioning of the workouts and debt restructuring mechanisms by providing technical assistance to:

- provide for a moratorium for companies that are likely to become insolvent from creditors' actions. The moratorium would allow insolvent companies or companies that are likely to become insolvent to obtain a reasonable number of days in which they could seek to restructure or seek investment without creditor actions.
- enabling and encouraging e-filings, virtual court hearings and out-of-court solutions in insolvency cases;
- put a scaled informal out-of-court restructuring frameworks in place and running by providing assistance and reaching a large number of viable firms hit by consequences of the pandemic as soon as possible;
- speed up activities related to the implementation of entrepreneurs' insolvency frameworks which are still either non-existent or not properly implemented in Kosovo;
- conduct diagnostic studies on

1) the need of the introduction of the consumer bankruptcy frameworks in the country; 2) the regulatory framework regarding the payments in the commercial (non-financial) sector that substantially affects liquidity of SMEs.



An informal out-of-court for debt restructuring framework should be implemented as soon as possible, which would provide assistance and access to a large number of sustainable companies affected by the effects of the pandemic.”

IFC'S DEBT RESOLUTION AND BUSINESS EXIT PROGRAM

Regional Debt Resolution and Business Exit Project aims to improve the insolvency systems in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, and Serbia) over a 4-year period of implementation. IFC, a member of the World Bank Group, carries out this initiative in partnership with the government of Switzerland, represented by the Swiss State Secretariat for Economic Affairs (SECO). The expected impact of the full-scale implementation of the Project is to develop a flexible and efficient insolvency and pre-insolvency framework and practice that shall lead to helping preserve viable businesses as a going concern or to efficient liqui-

dation thus returning assets of unavailable businesses back into productive use, and also to a strengthened avenue for NPL resolution. In a long run, it is also expected to reduce lending risk and consequently make credit more accessible.

In Kosovo in particular, the goal is to nudge the insolvency mechanism into practice, but also to promote out of court workouts and expedited restructuring procedure, as in the entire region. This will be accomplished through targeted technical assistance aimed to:

- improve the primary and secondary legislation for the insolvency and pre-insolvency regime;
- strengthen the institutional framework for insolvency administrators;
- raise the capacity of key parties in the insolvency process; and
- build mechanisms to promote the use of the insolvency system.

ABOUT IFC



IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.



SPIRO BRUMBULLI
General Secretary of the Albanian Banking Association

Developments in the banking sector during the pandemic in Albania

If an undesirable, unexpected, but not strongly unpredictable situation were to happen, it happened early in 2020: the pandemic! COVID-19 has already gone down in history not only as a fact, with numerous casualties, but also with a serious warning about the future and the dangers that threaten the human life.

Albania, located in a region where the income from tourism predominates, felt the first-hand effect just like Croatia, Montenegro, Greece, and Italy. As a small country with a high migration rate, the effect is similar to Kosovo. Just like in the region, due to the lockdown and other restrictions, a standby of new foreign investment was also negatively affected.

But Albania, in addition to these commonalities with the countries of the region, has another disadvantage: the devastating effects of the earthquake of November 26, 2019. Two disasters in few months apart are too much for a developing country like Albania.

Seen throughout this point of view, the economic downturn is explicable and expected. In the second quarter of this year, the decline in GDP was -10.2%. The year is

expected to fall by -5 to -9 percent and public debt to 80 percent.

The banking industry has been among the few sectors that has never

ceased working. Banks focused their attention on employee protection measures, adapting logistics, taking customer protection measures and



adding online services. It should be noted that the banking industry was found to be well prepared at the moment. After completing its consolidation process during 2018-2019, where 16 banks were reduced to 12, the banking industry remains sound and able to meet the challenge of the pandemic. Moreover, the lessons from the 2008-2010 crisis were properly implemented and reorganizations, adaptations and developments towards new trends were planned years ago. The banking sector is involved in technological developments whereas 11 out of 12 banks offer e-banking today. Online payments up to 20 thousand ALL are made without commission (by decision of the Bank of Albania from July 1, 2020).

The banking industry is one of the best organized sectors in the country, the leading sector in terms of organization, corporate governance, labor standards, security and quality of service. It is characterized by the growing presence of local banks - four banks with local shareholders hold about 30 percent share of the market. The largest share of the market is taken by banks originating from the EU - 6 banks, 43% of the market. It is a mixture of the best European experiences and standards with local dynamism and momentum.

Banks have been in the process of clearing their financial statements for more than five years, removing nearly €500m in bad loans from the balance sheet. This process has resulted in the reduction of non-performing loans to 8.13%. These deep processes have been accompanied by an increasing capital and making the industry well capitalized, over 18 percent from the 12 percent of the regulatory demand. The banking industry is profitable, RoA is 1.28% and RoE is 12%.

Year 2020 also started quite well. The first quarter of this year marked an an-

nual increase in loans of about 7%. For the same period, deposits increased by over 8 percent. These very positive and welcome trends were affected by the lockdown period due to COVID-19 pandemic. The April-August period was mainly characterized by the postponement of installments of borrowers affected by COVID-19 with an effect of about €120 million left as liquidity in the hands of borrowers and the treatment of those business clients who met the conditions to benefit from two state guarantees for employees' salaries and the resumption of economic activity. The period after March is characterized by the decline in the growth rates of the first quarter and the revival of financial activity. On an annual basis, at the end of August, credit increased by 4.1% and deposits by 6.5%.

The country is currently in a situation where the economic recovery is going side by side by coping with the second wave of COVID-19. This recovery is very important for the quality of the loan portfolio. After the bad experience of the 2008-2010 crisis with bad loans, another increase in non-performing loans would be the last thing banks could expect. Although realistically the effect on the loan portfolio from COVID-19 will be noticed in the first quarter of 2021, banks have begun to make their additional calculations in provisions and to keep the situation under control. Banks are monitoring their borrowers by analyzing difficulties and offering them support and assistance. Until the end of December, banks will not record additional provisions and will not change the borrowers' classification for loan restructuring. This is a convenience to adjust the situation where is necessary to not penalize customers. Individuals are also being followed with increased caution due to the risk of losing their jobs if additional restrictive measures



ON AN ANNUAL BASIS, AT THE END OF AUGUST, CREDIT INCREASED BY

4.1%

AND DEPOSITS BY

6.5%

can be taken in the coming weeks depending on the pandemic situation.

Therefore, the two risks identified by COVID-19 are the declining GDP and the rising unemployment. The decline of the GDP means that there is a shortage of money in the market, so absence of money circulation translates into loss. The loss affects the insolvency of the entity of repaying the loan. Unemployment refers to the loss of income of individuals who have loans, which translates into a lack of financial ability to repay the loan. Both of these factors have an impact on the quality of the loan portfolio more than in a normal situation, because they have a wide impact.

It is important to avoid a second lockdown. With the restrictive measures taken, albeit with difficulty, the losses will be smaller and the recovery will start sooner.



KATERINA BOSEVSKA PH.D.
 Managing Director of EOS Matrix for Macedonia and Kosovo

One consequence that will remain after the Corona crisis is the increased volume of non-performing loans and outstanding claims

After the financial crisis of 2008 and the debt crisis of 2010/11, the Corona virus struck a new blow to the financial and banking sector, at a time when institutions in this sector are still struggling with the backward issues and problems of those times. But, the Corona virus stopped them all. Larger and smaller business entities in all sectors and branches of social life. It changed the way of living, the way of acting and being in the society in which we belong.

It is estimated that the banking sector is now better prepared to deal with such similar shocks than was the case in 2008. It is considered that banks now have a better capital structure and have a larger amount of cash as reserves compared to the situation in 2008 and this is all due to the continuous adjustment of the banks to a stricter regulation imposed over the past period. However, European banks have come under strong pressure. And, at a time when the banking sector is trying in every way to return to its market position before the 2008 crisis. When it seemed as it has almost succeeded, the corona crisis ar-

se, which further aggravated the situation. If we look at the European banking index we will notice that it decreased by more than 50% at the beginning of

2020 compared to March 2008. Intensified sales in global markets amplified

IF WE LOOK AT THE EUROPEAN BANKING INDEX WE WILL NOTICE THAT IT DECREASED BY MORE THAN

50%

AT THE BEGINNING OF 2020 COMPARED TO MARCH 2008.

INTENSIFIED SALES IN GLOBAL MARKETS AMPLIFIED BY THE CORONA CRISIS CONTRIBUTED TO THE SAME INDEX NOW BEING LOWER BY

70%

COMPARED TO MARCH 2008.

by the Corona crisis contributed to the same index now being lower by 70% compared to March 2008.

But what is left after the 2008 and 2010/11 crises (which the banking sector still has to deal with) and how is it related or what impact does the now-emerging Corona crisis have on it?

LOW INTEREST RATES

The European Central Bank (ECB) has kept interest rates at a record low since the peak of the debt crisis in 2011. Something that still lingers on as a result of the crises in 2008 and 2010/11 and to which many sources of these debts complained about because it minimized their profits. Such an approach of maintaining low interest rates to a level that was considered normal has

brought economies into a phase of continuous slow development, a phase in which demand needs constant stimulation. But, although markets expect rates to remain low, this cannot be taken for granted. For example, there is a possibility that the closure of economies and the injection of aid and subsidies in response to the Corona crisis in short term in the future will lead to higher prices, and that the deflationary pressure in economies is largely due to low oil prices, which seem to be unable to fall below today's level.

NON-PERFORMING LOANS

Non-performing loans are one of the main indicators of the financial condition of banks and are the main measure of credit risk in the banking system. Experience shows that the in-

crease in non-performing loans plays a key role in the process of banking crises. The issue of non-performing loans, their effect on the real economy is the primary concern of almost all countries in the world and resolving this issue is a prerequisite for restoring the functionality of financial markets. The main consequence of the crises of 2008 and 2010/11 were the high levels of bad loans in banks, which included non-performing loans. Consequently, a number of measures were taken to reduce these levels of bad placements in banks' balance sheets. Recent reports from the European Banking Authority (EBA) show that as of June 2019, the weighted average rate of non-performing loans stood at 3%, compared to 6% in 2015. Non-performing loans in Central, Eastern and South-Eastern Europe reach 35.2 billion euros as of June 30, 2019 for the entire region, with an average non-performing loan ratio of 4%, which is a significant improvement over the situation of 9.8% in March 2014. The volume of non-performing loans, as of June 2019, decreased by 8.4% in one year. And when it seemed that because the level of non-performing loans was declining, the focus should be on improving the data systems in banks and preventing new inflows of non-performing loans as well as identifying customer problems at an early stage, the emergence of the Corona crisis brought new challenges. This crisis is expected to make a problem in the banks' balance sheets again by increasing the level of bad loans, especially since the Corona crisis directly affects the lives of certain small and medium-sized businesses that are now forced to close or do not have the opportunity to repay their debts on a regular basis. Thus, it is expected that in most euro zone countries non-per-



forming loans will reach levels even higher than those in the 2008 crisis (although in the meantime they have managed to reduce significantly with the series of measures taken).

Usually, banks are reluctant to write off non-performing loans from their balance sheets, due to the implications of that procedure on profits and equity. They prefer to keep the full value of the

APART FROM THE FACT THAT THE CORONA CRISIS HAS ONLY ADDED TO THE EXISTING PROBLEMS IN THE FINANCIAL AND BANKING SECTOR, OTHER SEGMENTS OF THE ECONOMY ARE FACING ADDITIONAL NEW CHALLENGES.

loan in their balance sheet, or rely on the time factor as well as improving macroeconomic conditions in order to reverse the loan, or eventually restructure it. The question that needs to be asked is how legitimate this is in the face of a general uncertainty and surprises that may arise overnight, just as the Corona crisis did.

As an example, the Bank of England has initiated research into how long banks can survive this closure system, as the largest lenders have already set aside an estimated 4 3.4 billion to cover non-performing loans. The results of the research should also give feedback to the Government of England that will contribute to building a strategy

on how to reactivate the economy the fastest and most painless.

Apart from the fact that the Corona crisis has only added to the existing problems in the financial and banking sector, other segments of the economy are facing additional new challenges. It shows that companies with business contingencies and disaster recovery plans successfully and efficiently work in conditions of Coronavirus pandemic and more easily deal with the effects of the crisis in terms of their operability and functionality. It appears that investing in such platforms in the recent years, such as transferring operating systems to cloud platforms, has served very well for easy reorganization of work from another location. Despite certain operational challenges, however, most of them are able to respond in a timely manner to the requests of their clients and owners but also to the regulatory policies they face. This organization of work is very important especially for service providers. Because the users of their services want to be sure of the quality of the service they receive and that their service provider has the ability to operate successfully and be operational even in such emergencies. It is not uncommon for service users to make changes and look for a better supplier of the same service, someone who successfully handles the situation and shows better operability and has more sustainable business continuity plans or to choose an alternative to the established practice.

In terms of their financial stability, almost everywhere one thing is certain, one of the main consequences or problems that will remain after the Corona crisis is the increased volume and deteriorating quality of outstanding receivables. Calculating the effects of the Corona crisis, banks and all other business entities should seriously con-

sider how they will cope in the period ahead with the problems that this crisis will definitely bring, especially in terms of growth of the amount and volume of non-performing loans on the banks' balance sheets and the increased volume of uncollected receivables with the business entities. Is it worth calculating with so much risk in conditions when the market offers a solution?

Direct sales are one of the ways to address non-performing loans or bad claims. In direct sale, the claims are sold to interested buyers and sellers need to set a fair price for the sale to take place. During crises, sellers significantly reduce the value of assets especially for bad assets. Sellers, on the other hand, aim to keep the selling price as close to the book value of the loans as possible. However, price differences can be justified, partially because of the new data protection regulative that makes it difficult to transfer to potential buyers some input parameters and data for the claim holders which in some manner add value to the claim and partially because of the accounting perspective, according to which due to the concept of time value of money, and following the IFRS accounting principles, future cash flows are reduced with the original effective interest rate of the asset.

Getting back to "normal" after the Corona crisis is a really serious challenge that we all face. Now faced with additional challenges. Whereas, we definitely need an innovative and agile solution for establishing productive management in a now new and changed business conditions and in completely changed ways of behavior of our customers, associates, suppliers.

BANKING SECTOR IN NUMBERS

2020



214

Number of banking units



513

Number of ATM



13,175

Number of POS



347,199

Number of e-banking
accounts



1,354,940

Number of bank cards



3,381

Number of employees

Detailed plan of Risk Management a must for companies nowadays - Training on Liquidity Risk



31.01.2020, **Pristina** - Since the Financial Crisis of 2008, which is often described as a liquidity crisis, liquidity risk has become a major area of focus in risk management. Many of the changes in Basel III target liquidity risk and how

banks can protect themselves against it. This course is organized with the aim of providing the staff of banking and financial institutions with a good understanding of liquidity risk and how to manage it. The areas of focus were

understanding the various forms of liquidity risk and their sources, analyzing funding and asset liquidity risk, judge the impact of governance and organizational structure on LR, evaluate the regulatory environment, and understanding the changes in Basel III regarding liquidity risk. The program in addition to the (3) three-day training, brought new international practical experiences from the lecturer with more than 15 years of Risk Management experience on Liquidity Risk, Mr. Robert Bisticic.

This training was organized by Kosovo Banking Association, in cooperation with the House of Training/ATTF and supported by the Government of Luxembourg.

Challenges in the resolution of disputes – Commercial Justice in Kosovo



11.03.2020, **Pristina** - Kosovo Banking Association representatives welcomed in a meeting the representatives of the USAID Project for Commercial Justice. In Kosovo, one of the challenges and dif-

ficulties remains to be the enforcement of contracts, so one of the priorities of this USAID project is the establishment of the Commercial Justice Court.

Representatives of both institutions discussed in more details about the importance of this project, with a particular focus on assessing the need for commercial law training for judges and court staff who will be part of this court. USAID Commercial Justice Project representatives briefed KBA representatives on the training needs analysis as well as about their key findings. KBA representatives highly appreciated the importance of this project and provided support to the project.

Accounting rules that banks must follow IFRS 9



12.03.2020, **Pristina** - IFRS 9 is an International Financial Reporting Standard published by the International Account-

ing Standards Board. It addresses the accounting for financial instruments. Three main topics that IFRS 9 contains are classification and measurement of financial instruments, impairment of financial assets and, hedge accounting.

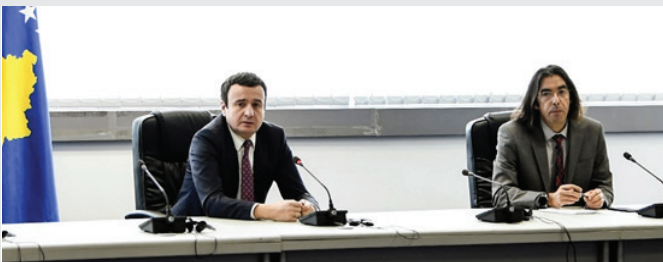
The training held at the Kosovo Banking Associations for the banking industry on IFRS 9 provided an understanding of its concepts and discussions around IFRS 9 revolving around the concept of accounting portfolios in which

these portfolios decide what accounting rules will be applied and what disclosures may be necessary.

The IFRS 9 training for accounting rules that banks must follow covered as well IFRS 5, 7, 13 and 16 which are the new accounting rules published.

The training was organized by the Kosovo Banking Association in cooperation with the House of Training / ATTF and supported by the Government of Luxembourg.

The Delegation of the Kosovo Banking Association meets with Prime Minister Albin Kurti after the emergency situation in the country



16.03.2020, **Pristina** - The Delegation of the Kosovo Bank Association, members of which are the executive directors of all the Commercial Banks in Kosovo met with Prime Minister Albin Kurti, the minister of Finance and Transfers Besnik Bislimi, Deputy Prime Minister Mr. Ilir Aliu, and the Political Advisor Mr. Milot Cakaj. Prime Minister Albin Kurti via a post on Facebook mentioned that: "The meeting was very productive and I want to thank all the participants for their contribution. I informed the representatives of the Commercial Banks in Kosovo about the current situation and we discussed the implications on the Financial System. The representatives showed maximum readiness

to help overcome this situation faster and effectively. They also informed me about the actions they have taken abide by the Government decisions". During this meeting we arose two important messages for the citizens and the business community of Kosovo:

1. The Banking System in Kosovo has sufficient liquidity. As a result, the deposits of the citizens of Kosovo are safe and there is no limit on the availability of cash in the economy. Therefore, citizens and businesses should remain calm.

2. The representatives of the Commercial Banks in Kosovo are aware that within certain sectors of the economy, a number of businesses using financial instruments

of the banking system may face difficulties in covering the monthly loan installments. Banks should address carefully every case and help businesses overcome these problems without using penalties. Thus, this will maintain the business credit rating.

3. The Ministry of Finance is working on finding a premature execution of pension schemes. Since the pension scheme goes to those layers of citizens who are above proportionally exposed to the coronavirus, it is crucial to find a way to reduce the exposure of the elderly. This way, we encourage everyone to use the electronic transfer or ATM. If possible, do try to avoid transactions in a more suitable environment.





Kosovo Banking Association discusses economic recovery plan with the Governor of the CBK and the Minister of Finance

28.05.2020, **Pristina** - The banking sector was highly appreciated for its constructiveness and for the work during the pandemic.

With the invitation of the Governor of the Central Bank of the Republic of Kosovo, Mr. Fehmi Mehmeti and the Minister of Economy and Transfers, Mr. Besnik Bislimi, a joint meeting with all heads of commercial banks operating in Kosovo, was organized at the CBK.

The purpose of this meeting was to discuss the developments and measures so far, to help the economy cope with the consequences caused by the pandemic COVID-19, as well as the discussion of the economic recovery plan for the following period.

On this occasion, the Governor of the CBK praised the constructiveness shown by the banking sector during

this period, responding positively to the needs of the economy through the facilities provided to borrowers. Governor Mehmeti expressed confidence that the banking sector, which enjoys a high degree of sustainability and potential to further increase lending to the economy, will play a key role during the economic recovery phase by serving as a reliable partner for institutions in efforts to help the country's economic recovery and further development.

Minister Bislimi also expressed high appreciation for the work of the banking sector during this period, who together with Deputy Minister Mr. Ilir Aliu presented to the bank executives the plan for economic recovery, which is being prepared by a working group that includes representatives of the Government, CBK and businesses. At the core of this plan is the credit guarantee scheme,

which aims to increase credit financing and improve financing conditions for businesses and individuals.

On the other hand, Mr. Albert Lumezi, Chairman of the Board of the Association of Banks of Kosovo, expressed his gratitude for the quick response of the CBK regarding regulatory measures in relation to the management of the situation created during the pandemic, and welcomed the initiative to create an economic recovery plan, showing the willingness of the banking sector to contribute to this process.

All parties agreed to continue close cooperation in the process of finalizing the economic recovery plan and the need to start implementing such a plan as soon as possible in order to minimize the economic consequences of the pandemic and help the recovery and economic development of the country.

Ministry of Finance invited to a meeting actors from the financial sector to discuss the economic recovery program



17.06.2020, **Pristina** - The Ministry of Finance invited representatives from the Central Bank of Kosovo, the Kosovo Banking Association, the Kosovo Pension Savings Fund, and the Tax Administration of Kosovo to a meeting to discuss the deepening of inter-institutional cooperation for the purpose of economic recovery. This meeting was held by Minister Bajrami on the economic situation in the country and the implications

caused by the COVID-19 pandemic. The main topic was the economic recovery program and the aspects related to the most efficient implementation of the economic recovery program. Both parties agreed to harmonize actions regarding the implementation of the most efficient program for economic recovery through measures that promote economic activity and maintaining fiscal stability in the Republic of Kosovo.

Kosovo Banking Association met with the Minister of Finance, Mrs. Hykmete Bajrami



07.07.2020, **Pristina** - The Minister of Finance, Mrs. Hykmete Bajrami, met with the Executive Director of Kosovo Banking Association, Mr. Petrit Baliija, with whom she discussed the economic situation in the country, specifically

about the banking sector. The Kosovo Banking Association in today's meeting stressed that the state package of economic growth should contain comprehensive measures for loan guarantees and interest subsidy for sectors that have been hit financially by the pandemic. During this meeting, it was also mentioned the importance of increasing the coverage of credit guarantees to 100%, thus including small farmers within the financial mechanism. The Minister of Finance, Mrs. Hykmete Bajrami, assured Mr. Baliija that the ministry she leads is committed to addressing the economic

and social challenges caused by the pandemic. She also said that the Ministry is committed to enhancing the cooperation between the Kosovo Banking Association and financial institutions in order to develop the private sector in Kosovo. The director of the Kosovo Banking Association, Mr. Baliija, on the other side, thanked Minister Bajrami for the cooperation with the banking sector, especially with the Kosovo Banking Association, and offered the Association's support for the Government of Kosovo to implement the Economic Recovery Program.

It is soon possible to register, modify and delete mortgage loans via the electronic platform

08.07.2020, **Pristina** - The Kosovo Banking Association in cooperation with the Kosovo Cadastral Agency (KCA), since 2018 has worked in functioning the electronic platform, which provides the registration, modification, and deletion of mortgages registered in the banking sector during the lending process.

In the framework of this cooperation, many dynamic meetings and mutual workshops were held during this month, thus resulting in the software development of the electronic platform for mutual communication between banks and the system of the Kosovo Agency. In addition, two administrative guidelines of KCA were compiled:

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The electronic platform for communication that provides registration, modification and deletion of mortgages, is now active and can be used by the banking sector. Currently, the banking sector is in the final phase of work for interconnection of their internal systems with the electronic system of KCA, and soon the banks will be connected with this platform and start with the electronic registration.

It is important to note that the functioning of the KCA electronic register is a great achievement, as the registration, modification and deletion of mortgages will be much more efficient and will have a major impact on increasing



lending through mortgages for citizens of Kosovo. In addition, the electronic communication platform also enables increased transparency and management, shortening the time of the lending process for bank customers.

Kosovo Banking Association is thankful to the Kosovo Cadastral Agency for the mutual cooperation during this process. This cooperation is expected to continue further in order to ensure the effective functioning of this system, as well as the further advancements according to the needs and developments in the future.

Electronic signature and objection issues are discussed with the Kosovo Judicial Council



07.10.2020, **Pristina** - The purpose of the meeting was to discuss the use of electronic signatures by businesses in Kosovo and the practical implementation of the Law on Information Society Services and the use of electronic signatures under this law by the banking sector and the issue of objection.

Mr. Balija informed Chairman Çoçaj about the practical problems and various issues related to the banking system in Kosovo.

Mr. Çoçaj said that, respecting the law and the independence of the judiciary, the Council in cooperation with the courts of Kosovo will begin to address this

issue in order to choose the best possible solution for the banking system. Mr. Çoçaj, expressed the readiness and support of the KJC to increase cooperation with the Kosovo Banking Association, in order to provide banking services as efficient as possible for the citizens of the Republic of Kosovo.

Kosovo Banking Association participates in the launch of the Kosovo Credit Guarantee Fund window under the law on economic recovery

14.12.2020, **Pristina** - The Kosovo Credit Guarantee Fund organized a launching conference for the loan guarantee window under the law on economic recovery. At the opening of the conference, Mr. Petrit Balija, Chief Executive Officer of the Kosovo Banking Association, stressed that he welcomes the increase of the guarantee scheme through the law of economic recovery and that Kosovo commercial banks will continue to support businesses by increasing access to finance. At the opening of the conference, speeches were given also by the Prime Minister of Kosovo, Mr. Avdullah Hoti, Minister of Finance Mrs. Hykmete Bajarami, Governor of the Central Bank of Kosovo Mr. Fehmi Mehmeti, Chairman of the Board of the Kosovo Credit Guarantee Fund Rinor Gjonbalaj and the Executive Director of the Kosovo Credit Guarantee Fund, Mr. Besnik Berisha. The event was also attended by leaders

of commercial banks and international financial institutions.

On this occasion, Mr. Balija emphasized that the banking sector has prevented a potential credit crisis which often occurs when dealing with emergencies. Thanks to a large commitment, banks have managed to approve new loans in the amount of 1.2 billion euros (according to data verified at the end of October), thus exceeding the level of lending in the previous year. This liquidity provided by banks has served businesses and households as a financial bridge to overcome the difficulties caused by the pandemic. The production and the construction sector, which together represent about 37% of the business loan portfolio, have benefited the most from this lending.

Despite the circumstances, interest rates on loans have continued to decline, marking 6.2% as the average rate



in October 2020, compared to 6.4% at the end of 2019.

Mr. Balija further emphasized that the Kosovo Banking Association has supported the Kosovo Credit Guarantee Fund since its establishment by participating in the guarantee scheme in a very dynamic way. We therefore welcome the approval of the law on economic recovery which further strengthens the fund and improves the specific conditions for guarantees. Increasing the fund and credit coverage limit will enable lending to businesses in the pandemic-affected segments in order to continue their business to ensure sustainable economic development, employment growth and a better outlook for citizens of the Republic of Kosovo.

CREDINS Bank is a member of the Kosovo Banking Association

18.12.2020, **Pristina** - The Kosovo Banking Association has announced through a press release that a new bank has been entered the Kosovo market, CREDINS Bank, which has recently been licensed by the Central Bank of Kosovo and is an official member of the Kosovo Banking Association.

The General Assembly of the Kosovo Banking Association, in its meeting held on November 25, 2020, has approved the full membership for CREDINS Bank Kosovo. Consequently, the Kosovo Banking Association now represents 10 commercial banks operating in Kosovo.

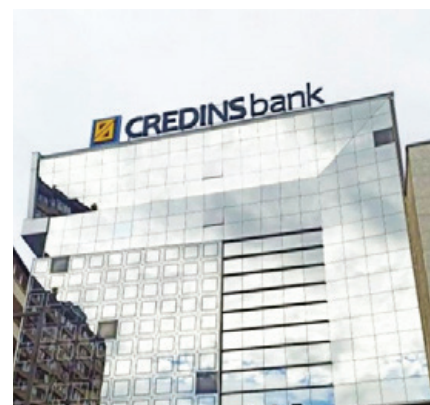
The sole shareholder of CREDINS Bank in Kosovo is CREDINS Bank in Albania, which has been operating since 2003 and is one of the leading banks in Albania. CREDINS Bank is the third largest bank in Albania holding 14.4% of the total assets of the country's banking system, according to the data from the Bank of Albania.

The Chief Executive Officer of the Kosovo Banking Association, Mr. Petrit Balijsa stated that the banking sector in Kosovo continues to be one of the main pillars of the economic development in Kosovo and that this sector has proven stability and resilience over the years by financing businesses and households. On this occasion, Mr. Balijsa said "We are honored that CREDINS Bank has chosen to expand its operations in Kosovo to serve the citizens and the economy of the country. We welcome the membership of CREDINS Bank in the Association of Banks of Kosovo and we wish them much success in the Kosovo market. CREDINS Bank will have our unstinting support in its new journey to increase the offer of financial services in the banking sector of Kosovo".

While Mr. Selman Lamaj, Managing Director of CREDINS Bank Kosovo, states that: "The vision of CREDINS Bank in Kosovo is to be part of a regional banking network that operates on the commercial principles of performance and sustainability and to be known as the most service Bank good in Kosovo. CREDINS Bank Kosovo's mission is to provide quality customer service and build a business with excellent, active people and values that improve the standard of living. CREDINS Bank in Kosovo will be an integrated bank focused on innovation. The strategic goal of the Bank is to be a leader in efficiency and to establish excellent relationships and experiences with customers. "By creating an effective sales strategy, the Bank will offer competitive products and services and create attractive marketing campaigns."

To fulfill its mission, CREDINS Bank in Kosovo has set several strategic objectives such as: building an excellent, motivating and winning culture, designing and implementing flexible procedures, to be a model bank in customer service and experience to increase the customers' perception towards a superior level of service and the creation of loyalty to the bank.

The aim of the bank will be the establishment and development of the bank which will develop its banking activity by offering various services and products dedicated to individuals and businesses in Kosovo, to launch offers dedicated to different groups of customers to be as close as possible to their needs and apply an attractive pricing policy. CREDINS Bank will address an effective sales culture through branch staffs, but also through marketing cam-



paigns focusing on products and digital marketing. CREDINS Bank in Kosovo will be an active participant in the economic and social development of Kosovo, supporting the investment plans of domestic or foreign businesses. Above all, through the addition and expansion of the branch network in Kosovo, it will create spaces for employment and development of new talents, building a corporate culture that promotes their career and potential to build a strong team with talented people.

Also, the growth and good banking practices will have the support of CREDINS Bank in Albania, which is solid in the Albanian banking market operating for 17 years and will ensure that the new bank in Kosovo has a very good adaptation to the market. CREDINS Bank in Albania has 58 branches and ranks first in the market in terms of loan portfolio size and second in total deposits, which shows the reliable relationship that over 300,000 customers have built over the years.

The Kosovo Banking Association was established in 2002 as an organization that serves the purpose of cooperation between the banking sector and state authorities by providing a single platform for joint advocacy, discussion of new initiatives, identification and review of legal and regulatory initiatives, coordination of joint activities for banks as well as capacity building of bank staff.

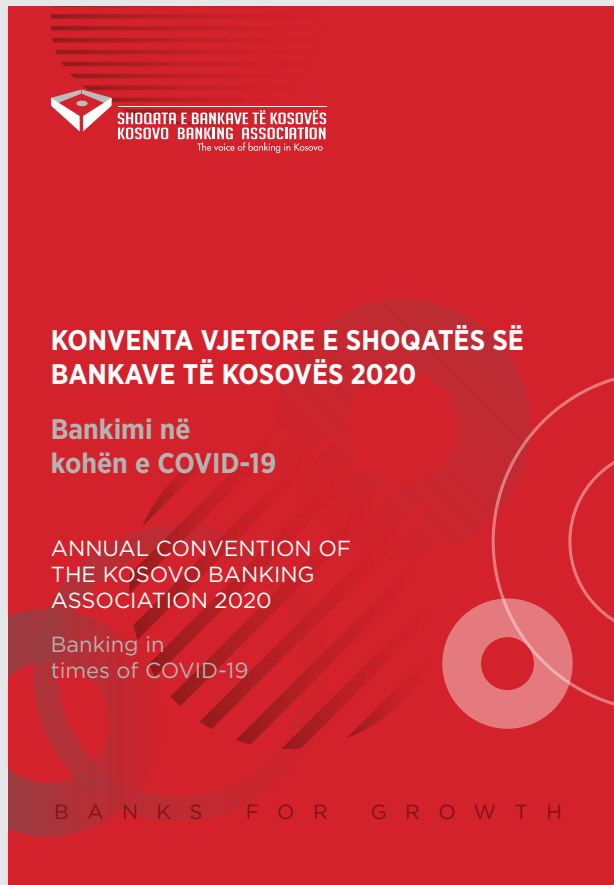
THE KOSOVO BANKING ASSOCIATION HELD THE ANNUAL CONVENTION FOR YEAR 2020

03.12.2020, **Pristina** - Kosovo Banking Association held the Annual Banking Convention with the topic “Banking in times of COVID-19”. For the first time, the Annual Convention of the Kosovo Banking Association was held without a physical presence, in a virtual forum due to the pandemic situation and restrictive measures to prevent COVID-19.

This convention brought together representatives of the banking sector, from commercial banks, state institutions and international financial institutions in order to increase the understanding of the challenges caused by the pandemic situation and to enable a discussion on important and very necessary measures for a gradual recovery.

The Chief Executive Officer of the Kosovo Banking Association, Mr. Petrit BALIJA, in his welcome speech, stressed the importance of this event for the banking sector and thanked the commercial banks, the Central Bank and international financial institutions for their support for this organization in these difficult circumstances.

The solemn opening of the convention was made by the Chairman of the Board of Directors of the Kosovo Banking Association and Chairman of the Management Board of NLB Bank, Mr. Albert LUMEZI, who stressed that: “For us, as a banking sector, this year



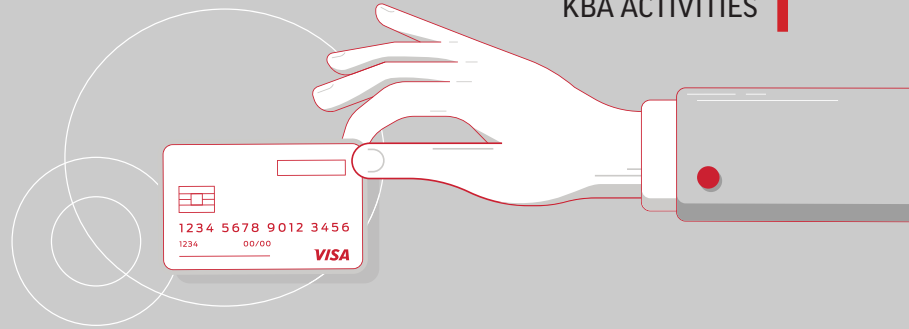
is also a year where we are committed to the best of our ability to support our banking customers and the country’s economy. “Since the first days of the announcement of the COVID-19 pandemic situation in Kosovo, the banking sector, through the Association of Banks in close coordination with the Central Bank of Kosovo, has been mobilized to respond to the situation.”

At the opening of the convention was also present the Governor of the Central Bank of Kosovo Mr. Fehmi MEHMETI who explained to the participants all the measures taken so far by the Central Bank of Kosovo to

reduce the consequences of the pandemic in the banking sector and to maintain stability, while enabling relief for businesses and households. The participants had the opportunity to see a presentation by Mr. Robert WRIGHT - Vice Chairman of the Board of Directors, Kosovo Banking Association / CEO, Raiffeisen Bank Kosova on the topic “Banking in times of COVID-19”. In this presentation was presented an optimistic perspective for the future of the banking sector but with an analysis on the uncertainties and uncertainties which may arise in the coming periods until the overcoming of the health and economic crisis caused by the pandemic. While the discussion panel on the topic “Banking in times of COVID-19” was chaired

by Mrs. Eriola BIBOLLI - Member of the Board of Directors, Kosovo Banking Association / CEO, ProCredit Bank Kosova, where panel members were Mr. Besnik BERISHA - Managing Director, Kosovo Credit Guarantee Fund; Arton CELINA - Member of the Board of Directors, Kosovo Banking Association / CEO, Bank for Business; Gabriel DI BELLA - Head of Mission for Kosovo, European Department, IMF; Mr. Sokol HAVOLLI - Deputy Governor, Central Bank of Kosovo and Mr. Massimiliano PAOLUCCI - Manager for Kosovo and Northern Macedonia, World Bank.

PAY WITH YOUR BANK CARD!



Kosovo Banking Association in cooperation with Visa launches information campaign to increase bank card payments in Kosovo and reduce CASH transactions in the economy

The banking sector in Kosovo has managed to build a fairly extensive payment infrastructure that extends throughout Kosovo. This infrastructure also includes POS points of sale where buyers can make their payments with bank cards. Given that the use of bank cards is considered one of the fastest and safest methods to make payments, the banking sector in Kosovo has also

paid special attention to it. In this regard, the Kosovo Banking Association, with the support of Kosovo commercial banks and Visa, has launched an information campaign to explain what the benefits to citizens are if they make bank card payments but also the benefits to merchants as well as the economy as a whole.

This campaign aims to increase the trust in the use of debit cards

THIS CAMPAIGN AIMS TO INCREASE THE TRUST IN THE USE OF DEBIT CARDS AND TO POSITIVELY INFLUENCE THE INCREASE OF BANK CARD PAYMENTS IN KOSOVO AND THE REDUCTION OF CASH IN THE ECONOMY.





and to positively influence the increase of bank card payments in Kosovo and the reduction of CASH in the economy. Reducing the use of CASH and increasing electronic payments would also contribute to combating the informal

economy which is often accompanied by transactions with CASH but would also increase competition in the field of payments which brings many benefits to consumers.



The benefits are numerous including the following:

The bank card offers you security and convenience in your payments, enabling contactless transactions for small and daily amounts. In this time of the pandemic, this opportunity to pay without contact also affects the prevention of the spread of the COVID-19 virus.

Bank card payment saves time as you do not need to withdraw CASH at ATMs every time and keep CASH with you.

Besides, with a bank card, you can make purchases and payments online thus saving your time.

Bank card payments are recorded in your bank account enabling better management of personal expenses and finances. Bank card payments reduce the use of CASH, which helps fight the informal economy and counterfeit money.

Bank card payments can be made on all POS equipment of Kosovo banks, without any additional cost and regardless of the amount you pay, the transaction cost for the cardholder is ZERO.

This campaign will take place during September-November 2020 and is expected to have a positive impact on the banking clients, for advancing the payments market in Kosovo and the economy as a whole.

MANAGE YOUR FINANCE BETTER, STAY HEALTHY AND SAVE TIME BY PAYING WITH YOUR BANK CARD!

Raiffeisen Bank Kosovo signs MoU with UNICEF Office in Kosovo

The dream of a 14 years old boy from the city of Prizren to become a Programmer came true. Raiffeisen Bank Kosovo donated a tablet to be used by Efe for the programming world in order to explore and learn his life dream.

Efe, is one of the 151 children that Raiffeisen Bank Kosovo provided tablets and school supplies in the region of Prizren.

Raiffeisen Bank in Kosovo signed a Memorandum of Understanding to formalize the engagement and partnership with UNICEF Office in Kosovo, in order to increase cooperation in

promoting issues of social importance such as fundamental human rights, child care and increase cooperation to create a better and more sustainable environment for issues created by the COVID-19 pandemic.

As a result of this strategic partnership, 151 tablets and 275 school bags have been donated to children in the Prizren region - the second largest municipality - with the support of the Ministry of Education and Science and local authorities and a donation from H. Stepic CEE Charity from Vienna.



Banka Ekonomike donates to the Kosovo Blind Women Committee



In the framework of social responsibility, Banka Ekonomike has continued to sup-

port various categories of our society, a mission on which we have a special focus

on. In this regard, today Banka Ekonomike has donated computer equipment necessary for the work of the committee of blind women in Kosovo. This donation will facilitate and assist the functioning of the committee, further improving the work infrastructure, and these devices will also be used for training for committee women.

Banka Ekonomike will continue with other forms of support for certain categories that need support and which directly affect the overall civic well-being.



Banka Ekonomike donates tablets to the students of the Municipality of Pristina

Seeing the need for support after the circumstances created as a result of COVID-19, Banka Ekonomike in the framework of social responsibility has decided to join the initiative of the Municipality of Pristina to help students in need who cannot be included in the lesson online with their peers. On this occasion, Banka

Ekonomike has donated a number of donation tablets to the Municipality of Pristina, which will be distributed to the students of Pristina. The Economic Bank will continue with other forms of support for certain categories, coming together to get through this difficult period for all of us as easily as possible.

Banka Ekonomike donates a disinfection tunnel to the UHCSK



In recent days we have had a significant decrease in new cases of COVID-19, as well as a record number of recovered citizens, evidence that shows that thanks

to the extraordinary work of our health professionals, institutions and our citizens, we are now in good way to defeat the COVID-19 virus. Banka Ekonomike, seeing

the constant risk that our health professionals and citizens face every day, in order to continuously contribute to the fight against COVID-19, today donated to the University Hospital and Clinical Service of Kosovo - UHCSK a "Tunnel Disinfectant", which will be located at the entrance of the Emergency Clinic, to be used by health workers and citizens. The latest results should not relax us or distract us from the full observance of all recommendations by the relevant institutions for extra care, until the complete removal of the virus among us! In the framework of social responsibility, in the coming days the Banka Ekonomike will continue with other forms of support for certain categories, coming together to easily pass this not at all good period for all of us.

TEB continues to support "Dardanët"



A cooperation that started four years ago, when the journey of Kosovo football in the international arena began, has continued with a new cooperation between TEB Bank Sh.A. and the Football Federation of Kosovo (FFK).

The sponsorship agreement was formalized in a press conference today in Pristina, according to which TEB Bank continues

to support the Kosovo representative in football for the next two years.

The Managing Director of TEB Sh.A., Mr. Orcun Ozdemir, expressed his satisfaction with the extended agreement. "We have started supporting Kosovo football since the first days of international representation and we are continuing today. We

thank the Football Federation of Kosovo and the president, Ademi, who has approved our cooperation, which we hope will continue further in the future", he said.

The FFK president, Mr. Agim Ademi expressed his gratitude to TEB Bank for the support provided. "We highly appreciate the cooperation with TEB Bank from the first days of internationalization and we hope that in addition to contractual obligations, we will reward this trust with good performance," he said.

The captain of the Kosovo team, Mr. Amir Rahmani expressed gratitude that the cooperation with TEB Bank as a sponsor, will continue also for a qualifying period, which starts with the match on 3rd September in Parma, Italy, against the host Moldova and three days later in "Fadil Vokrri" with Greece as a guest.



TEB delivered the second donation to UHCSK

TEB Bank has delivered the second donation within a period of three months to the University Hospital and Clinical Service of Kosovo (UHCSK) in Pristina.

Following the first donation, which was an emergency requirement for the protection of doctors in the Infectious Diseases Clinic during the treatment of patients with the COVID-19 virus, today was distributed the second donation with 10 electronic devices for oxygen treatments and specialized syringes for these devices.

Managing Director of TEB Sh.A., Orcun Ozdemir said that the support of the Bank will not be lacking also in the future. "At this time, we as a Bank undertake our corporate social responsibility and we think that we should all support initiatives for supporting healthcare during this extraordinary situation. The work that doctors are doing is extraordinary and we all need to stand by them. "Our support will not be lacking also in the future," he said.

The Director of UHCSK, Valbon Krasniqi thanked TEB Bank for the assistance provided. "We thank you for your help and assure you that these devices will be at the service of patients, while it is our duty to assure you that they will be used and maintained in the best way," he said.

BPB has disinfected premises of 50 Kosovar businesses

BPB has disinfected 50 Kosovo business premises to assist them in the fight against the Covid19 pandemic. "We are all aware of the difficulties that Kosovar business is going through as a result of the Covid19 pandemic. Considering that we aim to be the number 1 bank in Kosovo in supporting small businesses, and not only as a provider of financial services, this time we have selected a number of businesses to which we have sponsored the disinfection of premises where they operate to help them in the fight against Covid19." said Mr. Fisnik Bokshi, marketing manager at BPB. This is the second project of this kind undertaken by BPB, since some time ago they distributed disinfectants and



awareness panels to 500 businesses in Kosovo. Moreover, BPB has promised that it will continue to help fight the pandemic and that there are new projects in this direction that we will hear about very soon. Otherwise, BPB is known as the most successful local bank, declared for two years in a row as the best bank in the country by the prestigious The Banker, published by the Financial Times.

BPB with a donation to the Main Family Medicine Center



BPB has announced that it has recently distributed 65 Pulseoximeters to the Main Family Medicine Center in Kosovo. These devices will be distributed in family medicine centers throughout Kosovo. The donation to QKMF was made to help doctors in their fight against the pandemic and as a sign of gratitude for the unstinting contribution of the medical staff during this difficult time for all of us. "We have tried, through this donation, to facilitate the work of the medical

staff directly engaged with those affected by this pandemic. We believe that these devices affect the early detection of the virus in our compatriots, and as a result, they pass this disease more easily. This is our third project to help prevent and fight the pandemic "COVID-19", since some time ago BPB has implemented two similar projects by distributing 500 disinfectants to small businesses throughout Kosovo and by disinfected the premises of 50 Kosovar businesses' – said Anita Kosumi-Ajeti, Head of the Human Resources department at BPB. Otherwise, BPB is known as the most successful local bank, declared for two years in a row as the best bank in the country by the prestigious The Banker, published by the Financial Times.

BPB distributes 500 disinfectants to small businesses throughout Kosovo region



BPB has announced that it has recently distributed 500 disinfectants to small businesses throughout Kosovo. Along with disinfectant BPB has also provided a sticker for windows reminding customers to wear the mask, keep their

distance and disinfect their hands before entering business premises. 'We have a network of branches spread throughout the territory of Kosovo and through business advisors, we have been in constant contact with our clients, where

in addition to financial services we have also provided financial advice. Our goal is to provide comprehensive support for small and micro-businesses. Through this project we have distributed 500 disinfectants and information signs to 500 Kosovar businesses, in order to prevent the spread of the pandemic and raise awareness of citizens' – said Mr. Bujar Statovci, Head of Business Department at BPB.

This is the second project of the bank to help prevent the spread of COVID-19, since some time ago BPB has implemented a similar project with SOS Villages of Kosovo. Otherwise, BPB is known as the most successful local bank, declared two years in a row as the best bank in the country by the prestigious *The Banker*, published by the *Financial Times*.

BKT: Your blood saves lives

In honor of The Blood Donation Day, on 14.06.2020, BKT Kosovo in cooperation with the National Blood Transfusion Center continued the blood donation, which is already a tradition of the bank for several years. BKT continues to support individual-centered actions and their support in the community. The high level of participation of our employees in the blood



donation activity and their willingness to contribute to the health of others constantly proves that our focus should be on creating a positive impact on society. "Your blood saves lives" is part of our social responsibility program, based on the principle "Contribute to society", which addresses the support of the BKT Kosovo to charitable activities.

BKT: Supporting people with autism, a precious human action

Support and care for people with special needs in Kosovo has already taken the desired direction, while there are many organizations that help and care for people in need of special care. BKT Kosova has signed a Cooperation Agreement with the Association 'Autism' based in Pristina, for financial support for the treatment of children with autism in a period of 12 months.



This support has also been welcomed by the association 'Autism', which thanks BKT Kosova for the support, while they hope that the example of this bank will be taken by others, like people of goodwill and anyone else willing to support children with autism who have a need to feel comfortable and part of society.

NLB Banka supports micro and small businesses through the #HelpFrame project

Kosovo is a country with many businesses. Most citizens are employed in small and micro businesses which are an important pillar of the economy and have been affected the most by the global crisis caused by the COVID-19 pandemic.

That is why NLB Banka has implemented the #HelpFrame project to support micro and small businesses in recovering from the pandemic and in business development by giving them advertising space on TV channels, information portals, social networks, billboards and city light all over Kosovo.



From this project, 20 local businesses have benefited from all over Kosovo. These businesses are active in the production, trade, services, agriculture and they bring innovative projects for environmental protection and social welfare. #HelpFrame has been welcomed by businesses as an aid in these difficult times. The marketing realized for the beneficiary businesses, financed by the Bank, has brought a positive effect in the market return and further development.

ProCredit Bank donates protection materials against COVID-19 to health workers

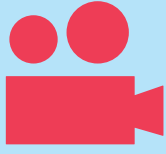
ProCredit Bank has donated protective materials for COVID-19 to the health workers of the University Clinical Center of Kosovo who work with patients. The donation includes clothing, disinfectants, masks, gloves, thermometers and other necessary materials that will serve as assistance to the citizens of Kosovo in the fight against the pandemic.

The General Director of the University Clinical Center of Kosovo, Dr. Basri Sejdiu, thanked the bank for the donation, emphasizing that this donation comes at the right time! During the submission of the donation,

ProCredit Bank emphasized that this donation with necessary materials for protection against Covid-19 also comes

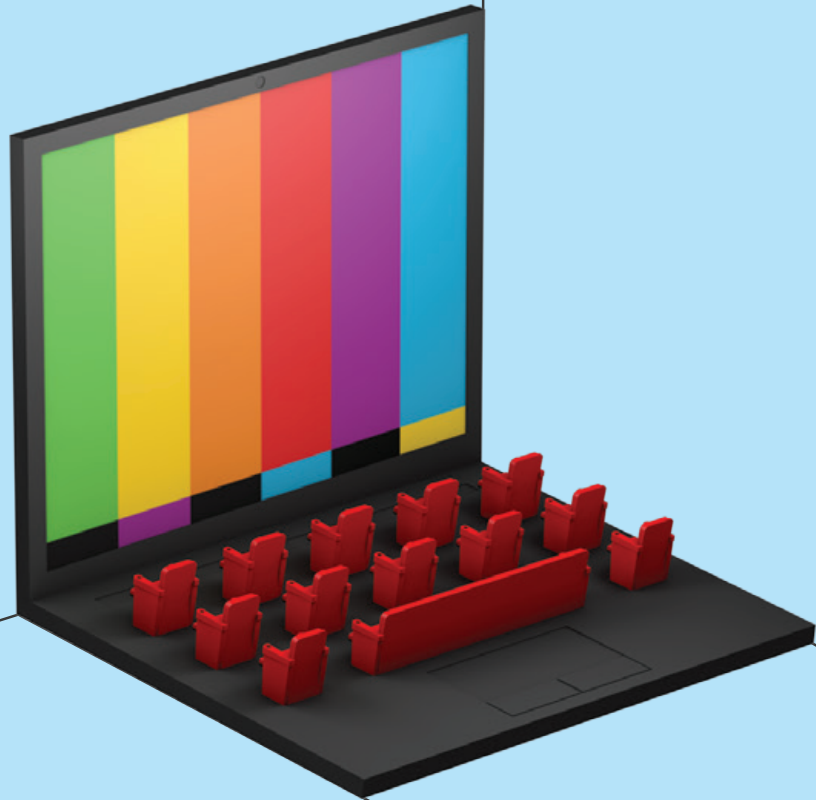
as a result of our social responsibility policies that we have been applying for 20 years now.





**QË 16 VJET I JAPIM
NGJYRË DOKUFEST-it.**

**ProCredit Bank
Sponsor gjeneral**



16 years in support of the International Documentary and Short Film Festival - DokuFest

ProCredit Bank has played an important role in supporting culture in our country for two decades by being more of a partner than a commercial supporter of cultural events. DokuFest's support as General Sponsor for 16 consecutive years shows ProCredit's commitment to supporting the development of the largest festival in Kosovo.

This year marks the 19th edition of the festival as well as the first time that Doku-

Fest comes in an online format. Founded in 2003, with the aim of revitalizing the culture of cinema in Prizren, DokuFest grew and expanded into one of the most important film and music events in Southeast Europe and from 2020 also the qualifying festival at BAFTA.

Given the impact of the pandemic in all walks of life, supporting the independent cultural scene especially this year, is extremely important especially given its effect

on social and mental health of people, not to mention the economic assistance you need to survive this global crisis.

We strongly believe that such cooperation of institutions as in this case, is necessary and of great importance given the common mission: Strengthening the cultural scene and economic growth of our country.

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 web site of the Kosovo Banking Association:





THE TRAINING CENTER OF THE KOSOVO BANKING ASSOCIATION


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

- > Risk Management Regulation for Banks
- > IFRS 9 - New accounting Rules for Financial Instruments
- > Introduction to SWIFT in the Payments Market
- > Statement Analysis of a Bank
- > Ethical Behavior in Banking
- > Credit Risk for Banks
- > Operational Risk for Banks
- > Liquidity Risk for Banks
- > Ethics in banking
- > Audit and internal Control
- > Digital banking
- > Retail banking, new distribution channels and E-banking
- > FINTECH
- > Blockchain technology for banks
- > Management of assets and liabilities
- > Personal data protection
- > BASEL banking standards
- > Digital Future of Retail Banking



SHOQATA E BANKAVE TË KOSOVËS
KOSOVO BANKING ASSOCIATION

 #KosovoBankingAssociation

 #KosovoBankingAssociation

Kosovo Banking Association
is member of the European
Banking & Financial Services
Training Association.



PARTNERS:



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