

Honoured,

It is my pleasure to be here today to discuss and take notes of this very important topic to our country's economy, and would like to express my highest consideration to the Kosovo Banking Association, who on a daily basis is advancing Kosovo's banking sector representation in all aspects.

I consider that the topic of this conference is fitting as it has been raised at a time when the banking sector has made some quite significant progress in improving conditions for a sustainable financing of the economy.

In the last few years, the Kosovo banking sector has significantly increased its role in terms of funding the country's economic growth by accelerating the pace of credit growth and considerably reducing credit interest rates. The easing of credit standard, followed by a reduction of credit interest rates, served as important incentives for increasing credit demand, thus resulting with an annual credit increase of 11.6 percent in October this year. This shows that access to finances, which has been long reported by businesses as a key barrier to the development of businesses, is now constantly improving. The same can be observed from the increased crediting of economy sectors that during previous periods had limited access to bank financing. The concrete examples of this are considered to be the sectors of agriculture and production, which have lastly been among sectors with highest increase of accepted credits. However, the total amount of credits issued to these sectors still remains low. In October 2018, the credits issued to the agriculture sector represented 3.8% of total credits to enterprises, whereas credits to the production sector represented 12.7% of total credits. Taking due account of the fact that today's topic is related to the banking sector's role in the funding of

development, I would like to emphasise that a greater support to these economic sectors, and other sectors with high potentials of generating economic growth, is fundamental for achieving a more viable economic growth.

Nonetheless, we are aware that the diversification of the banking sector credit portfolio does not strictly rest on on the supply part, but rather and to a great extent, also depends from the credit demand part. In this context, I would like to emphasize that banks have a high financial potential for further increasing crediting, they have eased credit standards, and have significantly reduced the cost of access to bank financing. In October 2018, the average credit interest rate was 6.6%, which represents a significant improvement compared to a period not so long ago. These indicators show that credit supply has significantly improved. However, in order to ensure better crediting for sectors with currently lower access to bank financing, it is not enough to only improve credit supply, it is also necessary to ensure that these sectors' credit demand is higher and of a better quality. With that I wanted to say that a more comprehensive approach is needed in terms of identifying and supporting the development of sectors that are of great importance to the country's economic growth.

We consider that the establishment of the Kosovo Credit Guarantee Fund represents an important step forward in terms of increasing support to these sectors. So far, the amount of credits guaranteed by this Fund has reached EUR 71.3 million and is distributed to some 1,836 micro, small and medium enterprises.

However, it is noted that the structure of credits, by economy sectors, which are guaranteed under this Fund is quite similar to the structure of unguaranteed credits, whereby credits for the trade sector prevail considerably. Therefore, we expect the Kosovo Credit Guarantee Fund, with the purpose of better serving its purpose of

establishment, to play an even greater role in increasing credit financing for sectors with less access to bank financing but with great importance to a higher economic development.

In order to have a banking sector that ensures sustainable financing for the country's economic development, the vital precondition is for the banking sector to be sustainable. Having said this, I would like to reconfirm that, based on all financial soundness indicators, Kosovo's banking sector remain stable. I would like to attach particular importance to the good quality of the credit portfolio, which shows the bank's good credit risk management, and could just as well serve as an important indicator of the favourable economic environment for banks operation in Kosovo. During September of this year, the rate of non-performing credits was 2.8%, which reflects a very good situation in terms of the quality of credit portfolio. The satisfactory stability of the banking sector is also reflected by other indicators, such as capital adequacy and liquidity indicators, which have consistently exceeded regulatory requirements and represent the high solvency of the banking sector.

The Central Bank of the Republic of Kosovo, with all of its capacities, is in the function of supporting sustainable development of the financial system, providing all necessary infrastructures to support the development of financial institutions and at the same time ensuring that their activity provides financial stability. In this regard, we are providing the banking sector with utmost modern standards of financial regulation and oversights, thus making banks and other financial institutions in Kosovo operate pursuant to rules that are applicable in all developed

countries. Also, the CBK provides the banking sector with a modern financial infrastructure. The interbank payment system, a modern, efficient and secure system, and the credit registry, which offer banks the most modern services in this field, are good examples to illustrate the financial infrastructure development in Kosovo.

In recent years, the CBK has increased its engagement in the function of protecting the rights of financial service consumers, thus directly serving to the protection of public interest. Financial education activities represent a very important part of this intervention aimed at providing the public with clear information regarding opportunities offered by the financial system and their rights in the use of financial services. For the purpose of protecting citizens and businesses more effectively, we have drafted a Regulation on the disclosure of information by banks, and have established the Division for dealing with complaints by users of financial services, which addresses all complaints against financial institutions.

The CBK, from the moment it became functional, has and still fully supports the development of the financial system; however I would like to emphasize that we are committed to ensuring that the financial institutions' development takes place in full compliance with the principles of protecting consumer rights. In this regard, we are determined to further increase our commitment for protecting the rights of financial services users and requests from banks to carefully consider their legal requirements and policies in order to avoid any unreasonable obstacle that would impede normal interaction between citizens and the banking sector.

We are committed and expect that the continuous development of the banking sector will create conditions for easier access and more favourable conditions for

citizens and businesses in the banking services. This is in line with the Sustainable Development Objectives, prepared by the United Nations, whereby under the objective of economic growth at global level, the requirement of improving access to financial services for ensuring sustainable and inclusive economic growth is clearly emphasized.

At the end of my speech, I would like to reiterate that Kosovo's banking sector is in a sound financial situation and with a constant increase of funding to Kosovo's sustainable economic development; however, it requires an even greater inter-institutional commitment for creating the necessary conditions so that this sector's contribution to the country's economy is even greater.

The CBK will continue to support all aspects of banking sector development, by providing the entire necessary both financial and regulatory infrastructure. The close cooperation between the CBK and the banking sector, facilitated to a great extent by the Kosovo Banking Association, has allowed us to effectively address the needs for developing and maintaining the sector's stability and we are therefore committed to further advance our constructive cooperation.