



New Bank of Kosovo



Experience with mortgage lending in Kosovo

EFSE Annual Meeting 2007

Budva, Montenegro



New Bank of Kosovo

- New Bank of Kosovo sh.a. (the "bank") obtained the license to perform banking activities on February 9, 2001
 - The bank operates as a commercial and saving bank to all categories of customers through its network of 7 branches (Prishtina, Gjakova, Peja, Ferizaj, Mitrovica, Gjilan, Prizren)and fifteen other units throughout Kosovo
 - Target groups: MSEs and private individuals
 - Number of full time equivalent employees -257
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Initial experience with housing products

Type of products:

- Home improvement loans
- Flat purchase loan

Target group: salary receivers

Main objective: retaining existing customers



Initial experience with housing products

Constrains:

- Lack of adequate funding
 - Fragile legal environment
 - High unemployment rate
 - Mainly short term working contracts
 - Lack of adequate staff competencies
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NBK's developments

-Following a very dynamic changes in banking industry as well as in entire environment, starting from January 2005 NBK has started its turn around process aiming for consolidation and image restoration.

-Due to the positive changes, NBK has succeed to establish relationships with EFSE and EBRD



Relationship with EFSE

- Funding for mortgage program (€ 3 mil.)
- Technical assistance support provided by Bank Academy



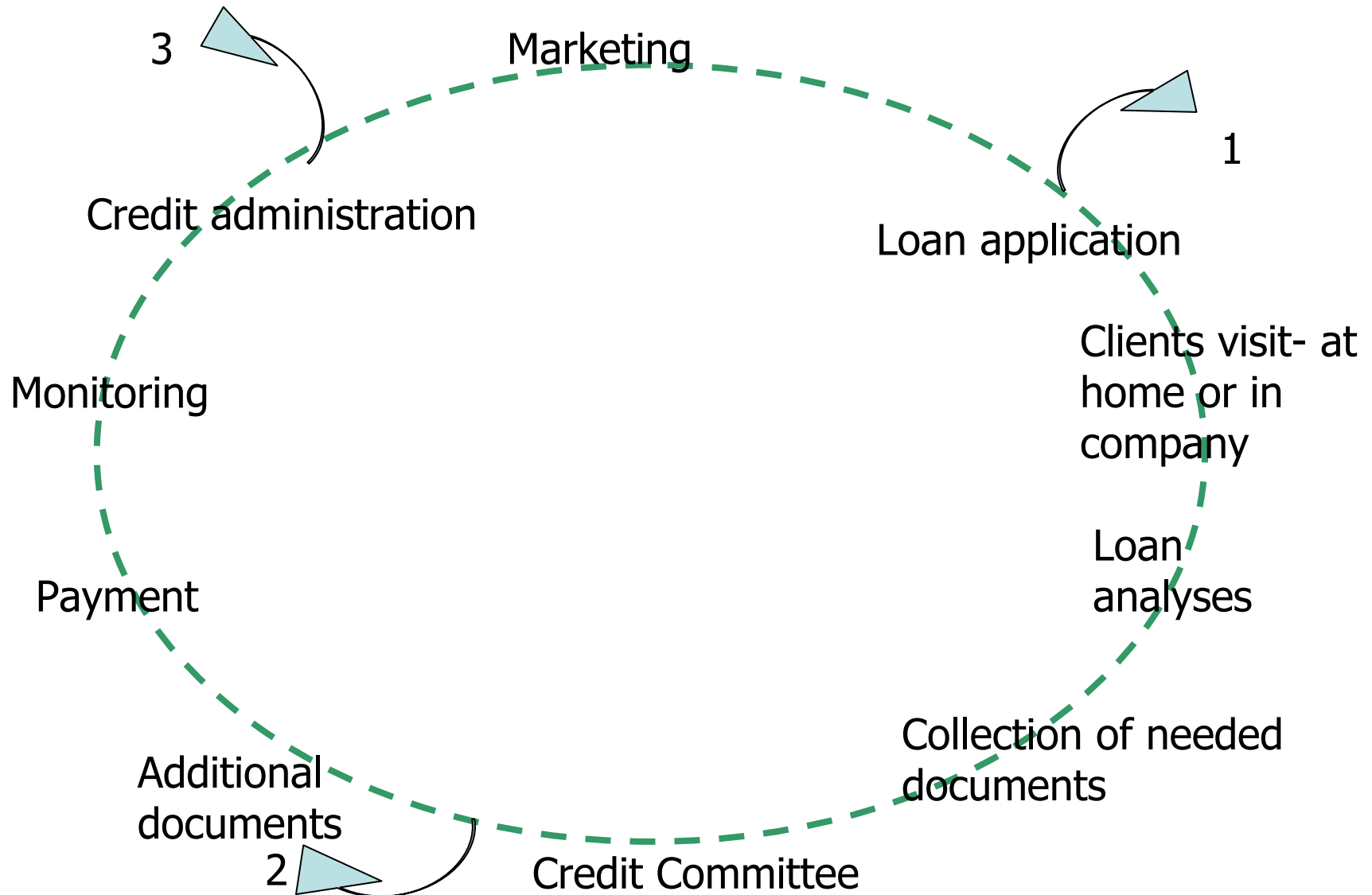
Relationship with EFSE

Benefits:

- Deep analyses of the market and legal framework related to mortgage products
 - Increase of staff competences through intensive training provided by BA1 experts
 - Better product features
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Mortgage lending process





Mortgage Lending Process

Origination:

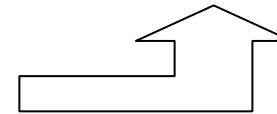
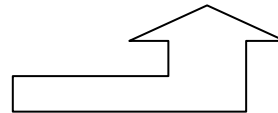
- Counseling
- Customer application
- Credit assessment
- Property valuation
- Insurances required
- Loan application assessment and approval
- Loan offer and completion

Servicing:

- File set up
- Quality control
- Payment processing
- Document control
- Customer Service

Risk Management and Funding:

- Credit policy
- Funding management
- Account management
- Arrears management





Actual constrains

- The real estate market in Kosovo is not adequately developed
 - Cadastral registry applies only to the property build on land, that is singular household properties. Apartments are not registered with the cadastral office, since they do not have "attachment" to the land.
 - House insurance in Kosovo is not a "general practice"
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Underwriting process

- Background checks on the info provided
 - Evaluate the borrower's consumer history and creditworthiness
 - Sufficient funds for down payment – LTV up to 80%
 - Confirm the validity of the collateral title documents and ask for property insurance
 - Evaluate the indications of the investment plan
 - Confirm the amount of the loan and the repayment terms and conditions
 - Evaluation and recommendation for the Credit Committee
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