

Banking on the Balkans: Integration with the EU and Financial System Developments in South Eastern Europe



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Main macroeconomic indicators

	Real GDP growth		Inflation		Fiscal balance*		Current account balance*	
	(2007)	(2001-07) ⁽¹⁾	(2007)	(2001-07) ⁽¹⁾	(2007)	(2001-07) ⁽¹⁾	(2007)	(2001-07) ⁽¹⁾
Albania	6.0	5.7	2.9	3.0	-3.8	-5.0	-9.2	-5.8
Bosnia and Herzegovina	6.8	5.1	1.5	2.4	-0.1	-0.5	-12.7	-15.0
Croatia	5.6	4.9	2.9	2.7	-2.3	-4.6	-8.6	-6.6
FYR Macedonia	5.0	2.3	2.3	2.1	0.6	-1.6	-3.0	-5.1
Montenegro	9.7	4.6	3.5	3.0	5.4	-0.3	-39.6	-17.4
Serbia	7.5	5.6	6.8	24.3	-1.0	-1.5	-15.5	-10.0
Average SEE (2)	6.5	5.1	4.1	10.2	-1.3	-2.6	-12.0	-8.9
Average EU-10 (3)	6.3	4.9	4.1	5.1	-1.9	-3.8	-6.7	-5.3

Source: IMF, national authorities and ECB.

* As percent of GDP

(1) Annual average.

(2) The aggregate include Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia.

(3) The aggregate includes new EU member states of Central and Eastern Europe.

Alignment with the *Acquis Communautaire* (1)

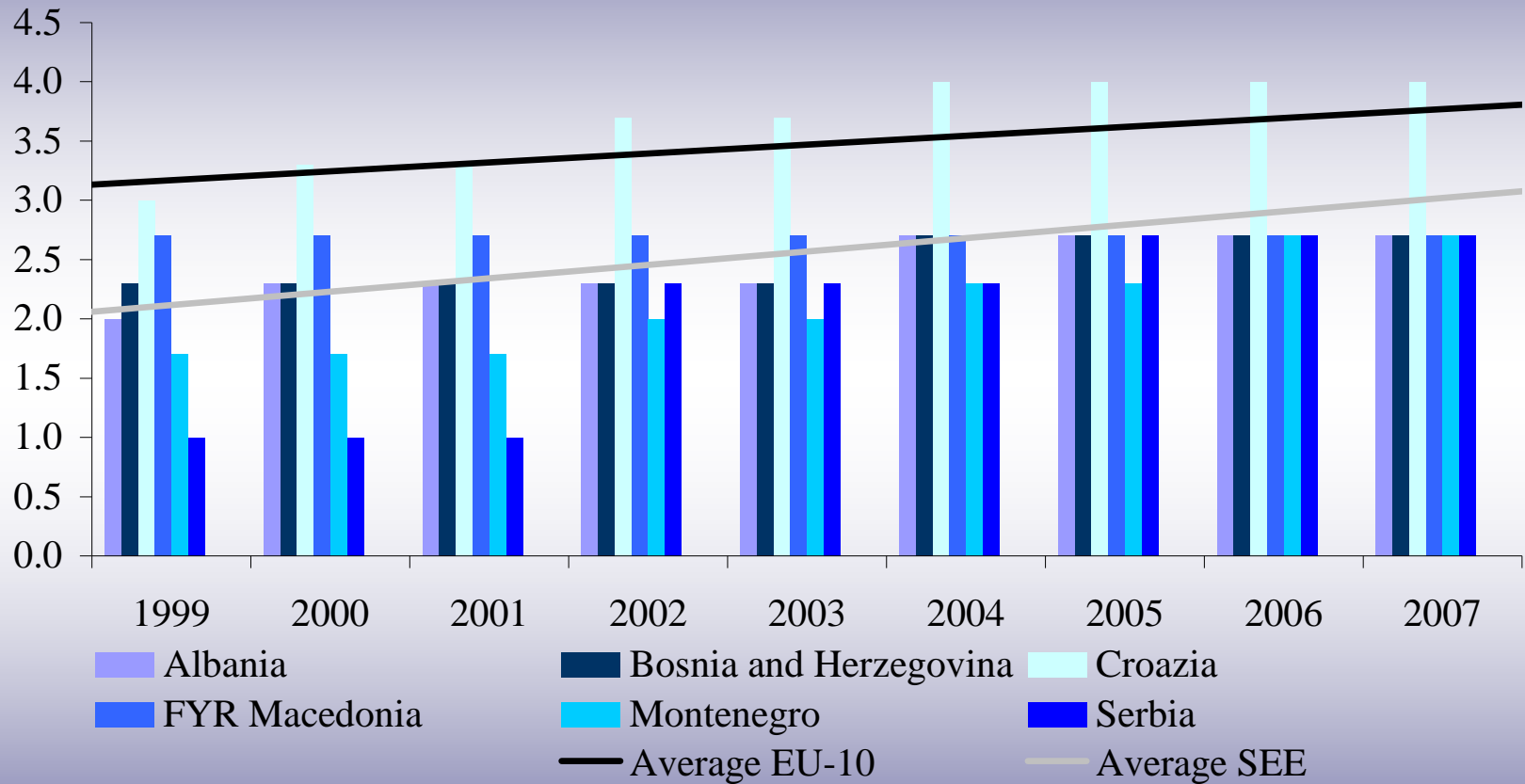
Area	Albania	Bosnia and Herzegovina	Croatia	FYR Macedonia	Montenegro	Serbia
Stability and efficiency of Institutions	●	●	●	●	●	●
Judicial system	●	●	●	●	●	●
Anti-corruption policy	●	●	●	●	●	●
Property rights	●	●	●	●	●	●
Privatisation	●	●	●	●	●	●
Market entry and exit	●	●	●	●	●	●
Banking supervision	●	●	●	●	●	●
Financial supervision	●	●	●	●	●	●
Free movement of capital	●	●	●	●	●	●
Competition	●	●	●	●	●	●

Source: European Commission, *Countries' Progress Reports 2007*.

Legend: **Red** dot indicates that the area requires fundamental improvement; **orange** dot indicates that despite some progress, the area requires significant improvement; **yellow** dot indicates that progress has been made but further interventions are needed; **green** dot indicates that alignment arrangements are proceeding efficiently.

(1) The map measures the alignment with political, institutional and economic requirements that countries will need to fulfil to join the EU. In the case of candidate countries the Reports assess the *level of compliance*, while in the case of the potential candidate countries they rather refer to the *progress achieved towards compliance*.

EBRD Index of Banking Reform

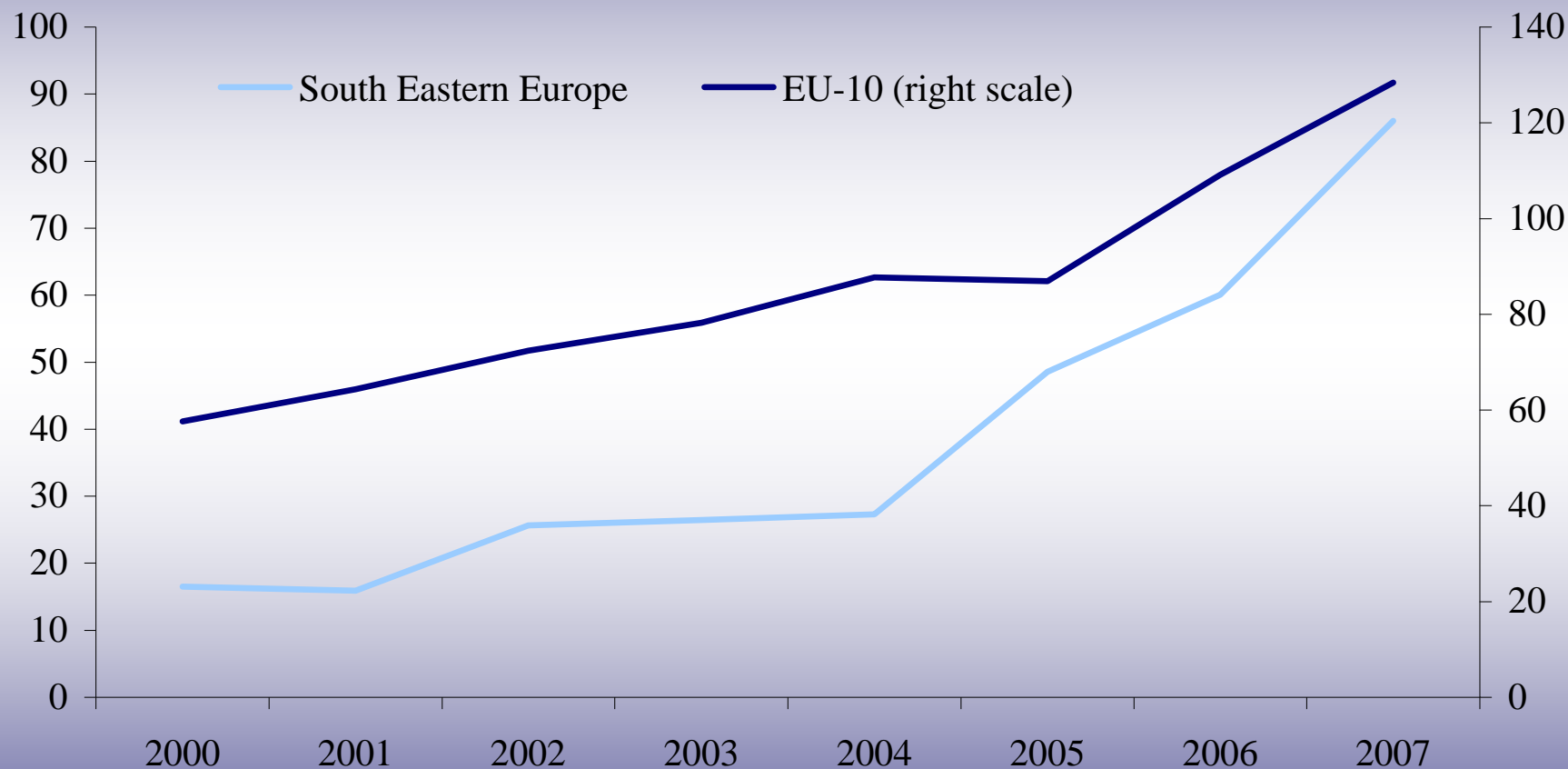


Source: EBRD, *Structural and institutional change indicators*.

Note: the index ranges from 1 to 4.5.

Foreign Bank Claims on non-Bank Domestic Borrowers

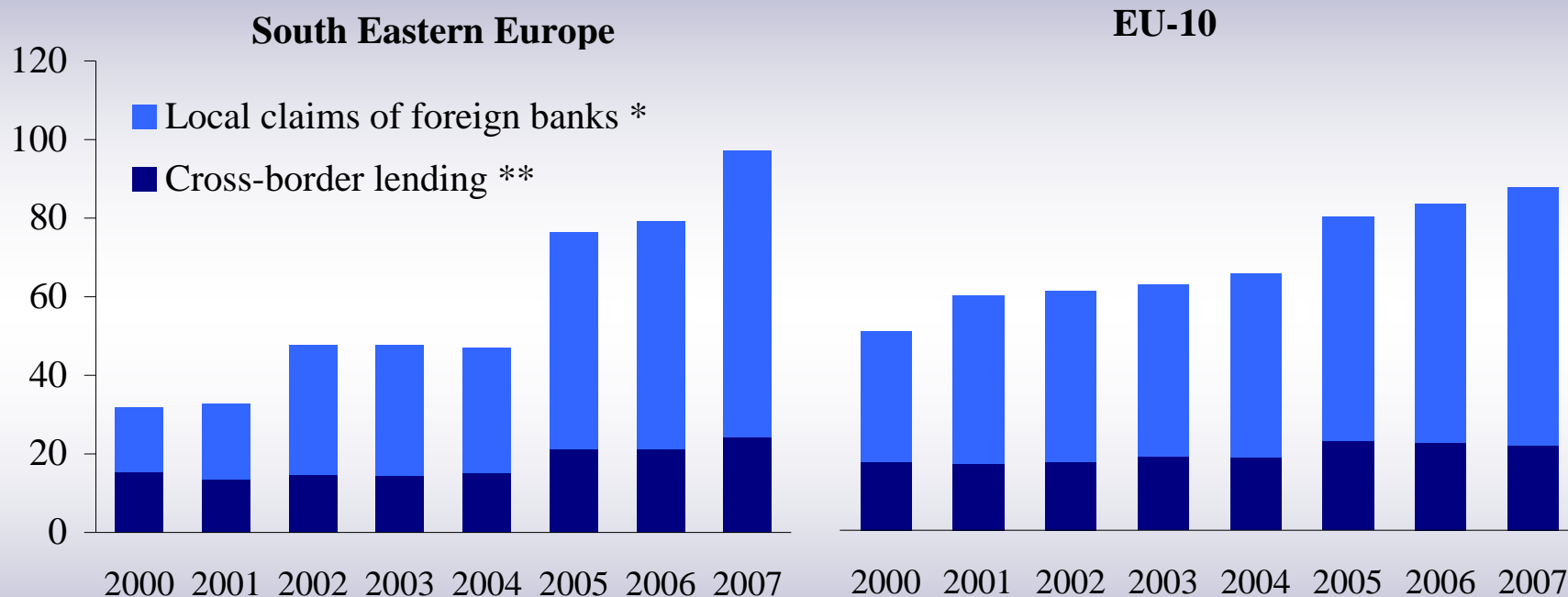
(as a percent of GDP)



Source: calculations based on data from BIS and IMF.

Foreign Bank Participation

(% of total credit to non-banks)



Source: calculations based on data from BIS and IMF.

* Local claims of foreign affiliates to non-banks as a percent of total credit to non-banks.

** Cross-border claims of foreign banks to non-banks as a percent of total credit to non-banks.

Foreign Claims by Main Creditor Countries

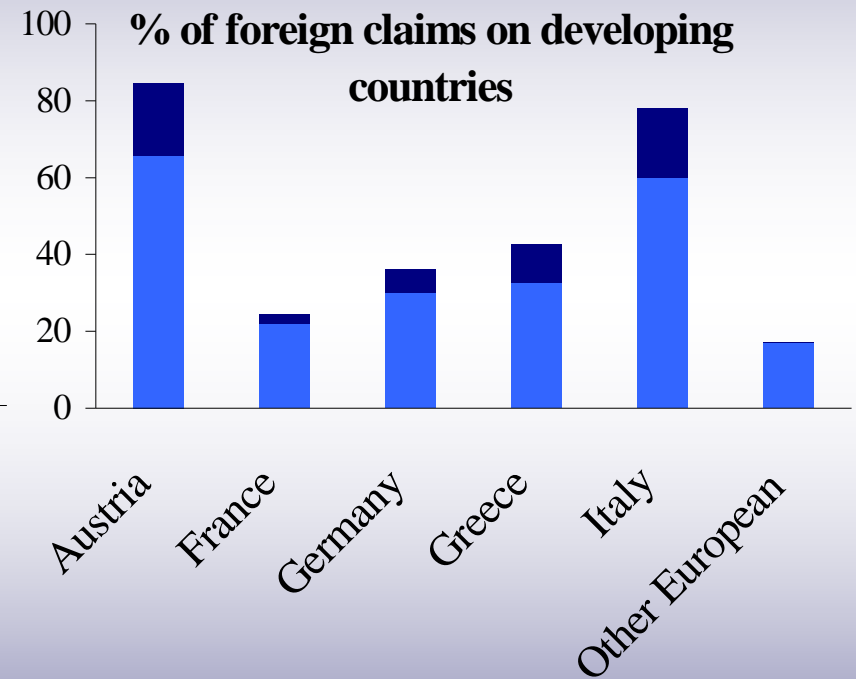
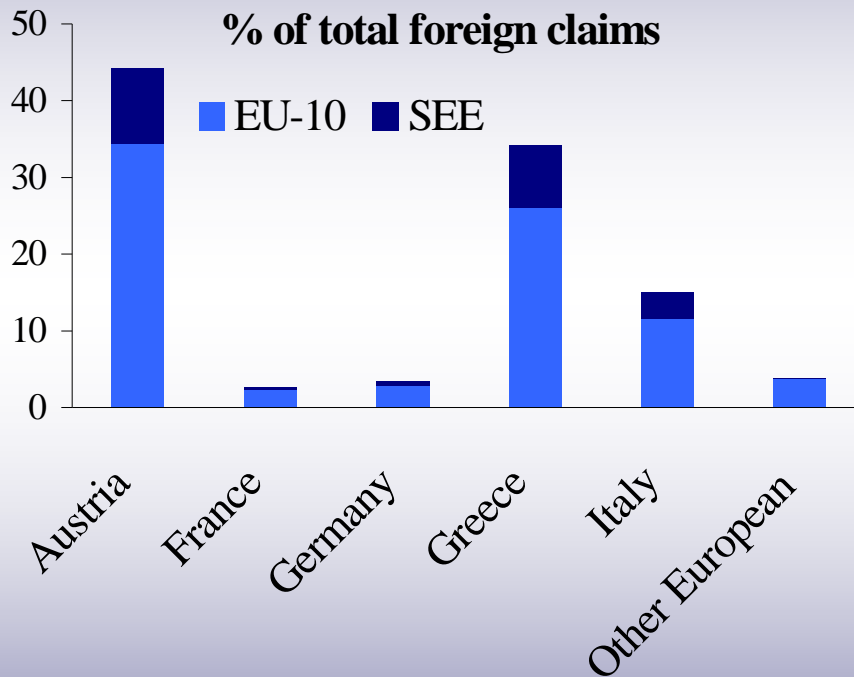
(% of total host country foreign exposure as of end December 2007)

	Austria	France	Germany	Greece	Italy	Other European
Albania	46.6	9.8	0.5	21.7	20.1	0.4
Bosnia and Herzegovina	49.9	0.1	22.5	0.0	25.7	1.4
Croatia	36.4	8.2	19.4	0.2	32.5	1.5
FYR Macedonia	6.9	0.2	5.4	79.1	1.4	3.2
Montenegro	34.1	1.5	37.6	0.0	24.5	0.9
Serbia	36.3	5.8	12.8	16.8	19.5	6.0
SEE	37.6	6.8	17.9	5.2	28.4	2.3
EU10	20.2	9.3	13.8	2.6	14.6	33.7

Source: calculation based on data from BIS.

Exposure to Host Countries

(data as of end December 2007)



Source: calculations based on data from BIS.

Growth Rate of Credit to the Private Sector

(annual averages)

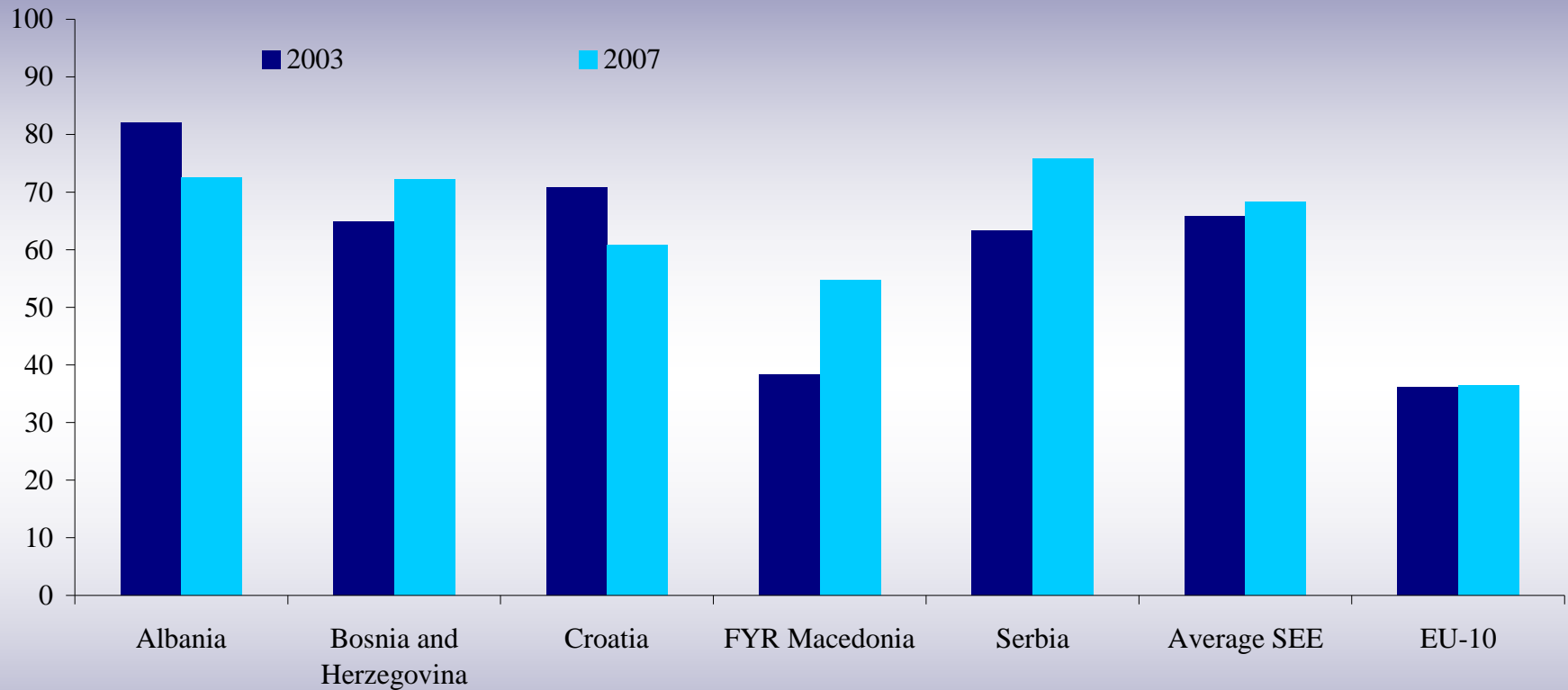
	In nominal terms		In real terms	
	(2002-04)	(2005-07)	(2002-04)	(2005-07)
Albania	35.8	60.5	33.3	58.0
Bosnia and Herzegovina	21.2	26.2	20.8	21.6
Croatia	19.7	18.4	17.6	14.6
FYR Macedonia	6.8	25.2	6.2	21.8
Montenegro*	44.7	111.3	43.2	107.0
Serbia	15.0	35.8	2.9	24.4
Average SEE	18.6	32.5	13.3	26.0
Average EU-10	17.6	29.9	13.0	25.8

Source: national authorities and ECB.

* Data of Montenegro for 2002 and 2003 are not available.

Lending in Foreign Currency

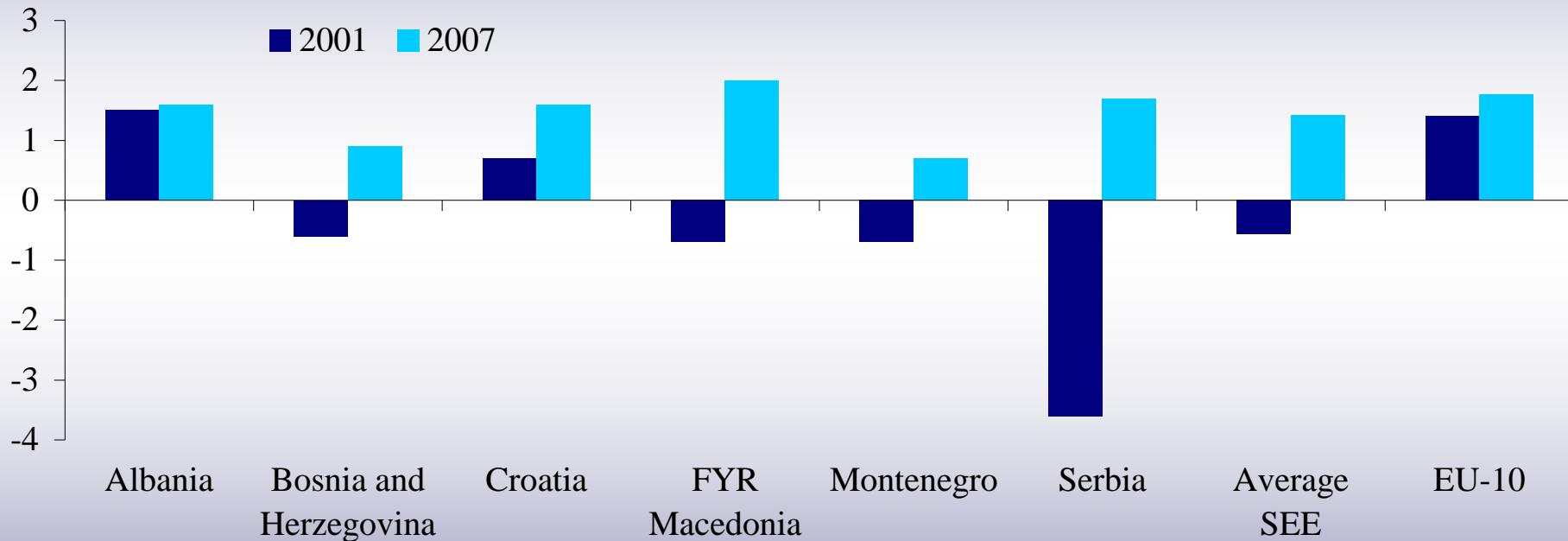
(% of total bank loans)



Source: IMF and national authorities.

SEE Banking System Performance Indicators

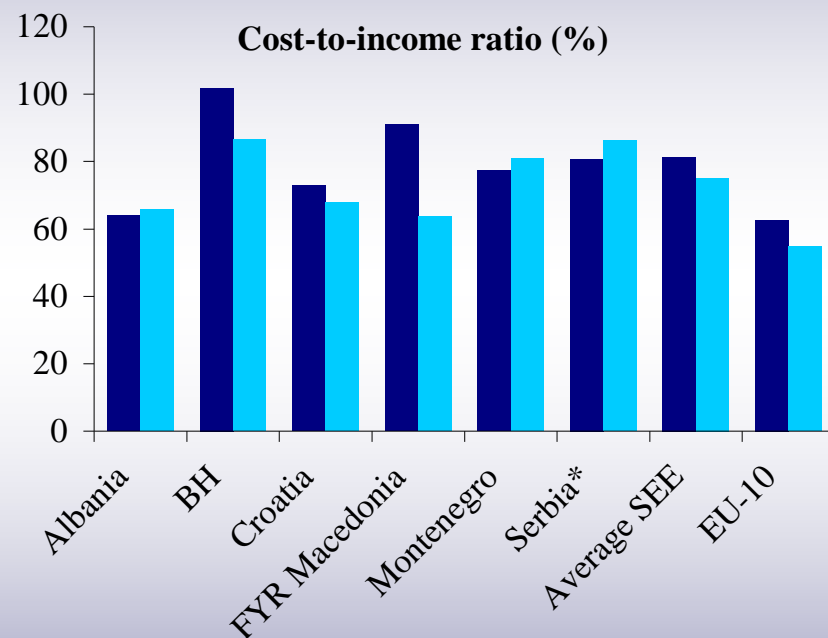
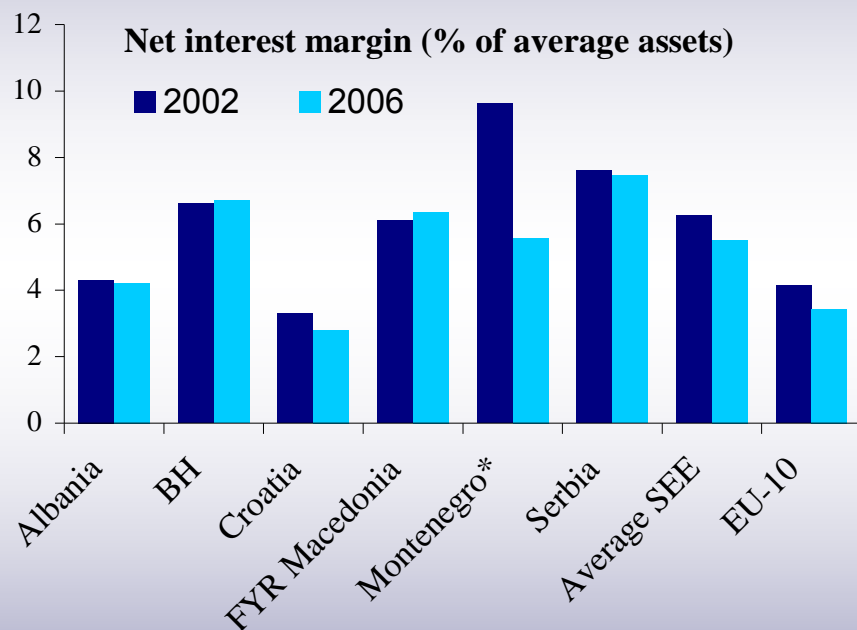
(1) Return on Assets



Source: IMF and national authorities.

SEE Banking System Performance Indicators

(2) Net Interest Margin and Cost-to-Income Ratio

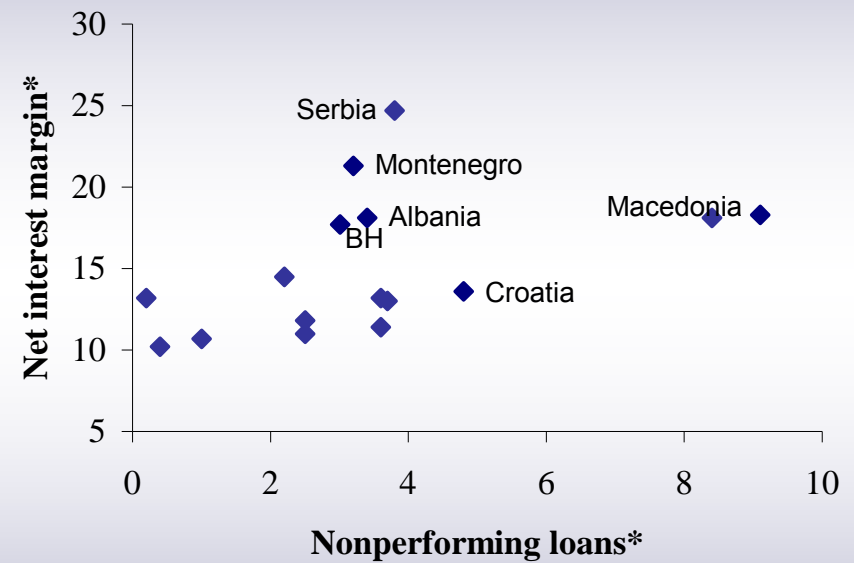
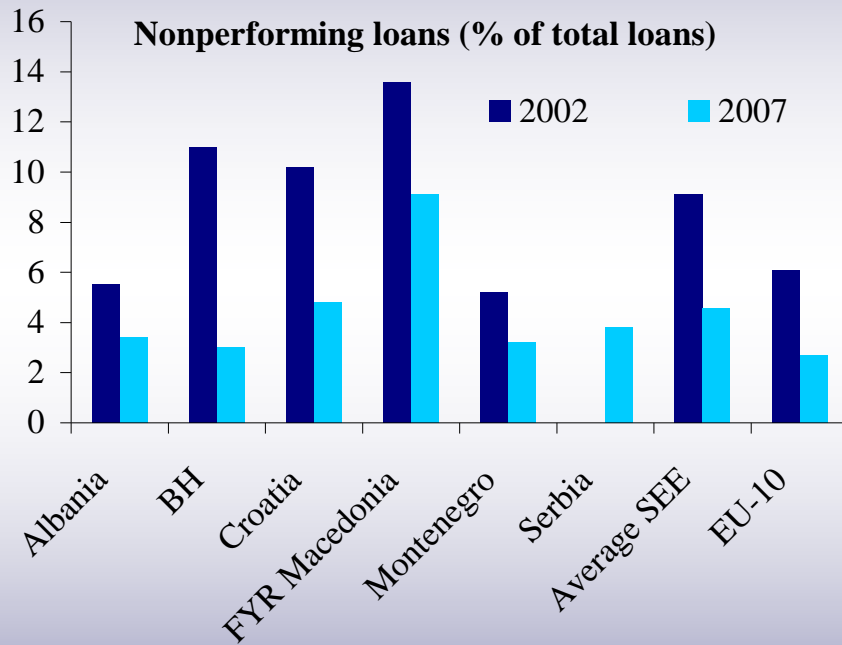


Sources: IMF, Worldbank, ECB and national authorities.

*2003 data

SEE Banking System Performance Indicators

(3) Asset quality



Source: IMF and national sources

* Data as of 2006



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Thank you