Survey on banking market in SEE

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Diversity of SEE countries

• Although the countries belong to the same region, they are hardly comparable due to different level of economic development, political and historical background and different relations to the EU (some are members, while others are in the process of accession)

• They have different monetary regimes implemented, even though the main goal of central banks in each country is monetary and financial stability

• They also differ regarding the central banks’ responsibility for the banking supervision
Banking sector in SEE

• Common characteristic of the region is that financial markets in the SEE are bank-centric and banks play a crucial role for the economic stability and development

• The size of the banking sector relative to GDP in the SEE indicates its great importance for the SEE’s economies. Therefore, it is critical to assess the stability and resilience of the banking sector and to identify the most sensitive areas

• The observed period (2012-2016) was very challenging for the banking sector due to financial crisis and countries from the region reacted differently
Size of the banking sector

Total banks' assets as % of GDP
Market share of the five largest banks (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share</th>
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</thead>
<tbody>
<tr>
<td>Albania*</td>
<td>75.0%</td>
</tr>
<tr>
<td>BiH</td>
<td>75.0%</td>
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<tr>
<td>Croatia</td>
<td>75.2%</td>
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<tr>
<td>Greece</td>
<td>97.0%</td>
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<tr>
<td>Montenegro</td>
<td>63.3%</td>
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<tr>
<td>Romania</td>
<td>59.1%</td>
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<tr>
<td>Serbia</td>
<td>54.7%</td>
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<tr>
<td>Turkey</td>
<td>56.8%</td>
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</tbody>
</table>
Share of banks with foreign ownership in total assets in 2016 (%)
Deposit structure in 2016 (%)
Loans structure in 2016 (%)
Domestic credit to private sector by banks (% of GDP)

Source: World Development Indicators
Maturity of deposits in 2016

- Albania*
- BiH
- Croatia*
- Greece*
- Montenegro
- Romania
- Serbia
- Turkey*

Short-term deposits
Long-term deposits
Maturity of loans in 2016

Albania, BiH, Croatia*, Greece*, Montenegro, Serbia, Turkey*
Currency structure of deposits in 2016

Deposits in the local currency  Deposits in Euro  Deposits in other currency
Currency structure of loans in 2016

- **Albania**: 40% Loans in the local currency, 20% Loans in Euro, 40% Loans in other currency
- **BiH**: 100% Loans in the local currency
- **Croatia**: 30% Loans in the local currency, 70% Loans in other currency
- **Greece**: 30% Loans in the local currency, 40% Loans in Euro, 30% Loans in other currency
- **Montenegro**: 20% Loans in the local currency, 50% Loans in Euro, 30% Loans in other currency
- **Romania**: 70% Loans in the local currency, 30% Loans in other currency
- **Serbia**: 80% Loans in the local currency, 20% Loans in other currency
- **Turkey**: 50% Loans in the local currency, 50% Loans in other currency
Capital adequacy rate (%)
Ratio of non-performing to total loans (%)
Bank non-performing loans to total gross loans (%)
Conclusion

• Since the financial sectors in the region is highly bank-centric the soundness of the banking sector is extremely important for financial and real sector stability and growth

• Countries in the region have had relatively high capital adequacy and liquidity

• Non-performing loans still high in the region

• In order to increase resilience of the banking sector the new standards are being introduced in the banking systems across the region (Bazel III)
Conclusion

- Although the economic growth of the observed countries is higher than the EU average the living standards in the whole region is far below the EU average.
- The region faces the refugee crisis and the problem of high unemployment, but has the high growth potential in many sectors (such as tourism, organic food production, energy sector and infrastructure investment) which could attract investors from the EU.
- To fulfil this goal political stability and further progress towards Euro Atlantic integration is needed.