

SEE INDUSTRY AT A GLANCE
Banking in Southeast Europe

August 2009

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SeeNews 2009

This industry profile is an integral part of **SEE TOP 100, Edition 2009** – a comprehensive, in-depth guide to the transition economies of Southeast Europe, published by SeeNews.

SEE TOP 100 is a unique ranking of the biggest companies in the region of Southeast Europe. This annual publication comprises:

- SEE TOP 100
- SEE TOP 50 Banks
- SEE Top 50 Per Capita
- SEE Industrial
- SEE IPOs
- SEE Corporate Management
- SEE TOP 100 CEOs List
- SEE Country Profiles
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Although 2008 was a tough year for the banking sector in Southeastern Europe, as it was everywhere else around the world, four banks in the region ended last year with assets worth more than 10 billion euro each. In 2007 the same banks also had assets above the 10-billion-euro mark.

Slovenia's largest bank, Nova Ljubljanska Banka (NLB), led the ranking with a respectable 18.9 billion euro worth of total assets at the end of 2008, followed by Romania's largest lender, Banca Comerciala Romana (BCR) with 17.3 billion euro. The Romanian unit of French banking group Societe Generale, BRD, followed with 12.8 billion euro in total assets.

BCR also was the bank with the highest net profit in the SEE region in 2008, 510.8 million euro. BRD followed with a net profit of 393.4 million euro. Third came another Romanian-based Raiffeisen Bank S.A., 99.5% owned by Austria's Raiffeisen International Bank Holding, which showed a net profit of 154.1 million euro.

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Moldova's ProCredit Bank, a unit of Germany's ProCredit Holding, was the bank showing the fastest growth of assets in SEE in 2008. It reported an annualised rise of 192.2% in its assets.

Slovenia leads the TOP 50 Banks ranking by the number of entries with 13 banks, followed by Bulgaria and Croatia with 10 lenders each. One Albanian (Raiffeisen Bank – Albania), one Montenegrin (Crnogorska komercijalna banka) and two Bosnian banks (Raiffeisen Bank dd Bosna i Hercegovina and UniCredit Zagrebacka banka dd Mostar) also qualified for the TOP 50.

Methodology

TOP 50 Banks is a ranking of the 50 largest banks in Southeastern Europe in terms of total assets shown on their balance sheets as of December 31, 2008. We have also provided net profit or loss figures for these banks. To make figures comparable, all results have been converted into euro from the respective local currencies, using the central bank' official exchange rates for the last working day of 2008 and 2007, respectively.

Company Name	Country	Total Assets 2008	Total Assets 2007	Net Profit/ Loss 2008	Net Profit/ Loss 2007
1 Nova Ljubljanska banka d.d.	Slovenia	18,918.18	18,308.14	22.84	139.79
2 Banca Comerciala Romana SA	Romania	17,334.29	17,549.96	510.80	258.54
3 BRD – Groupe Société Générale SA	Romania	12,777.18	11,074.89	393.37	282.36
4 Zagrebačka Banka d.d.	Croatia	12,204.07	10,907.23	190.36	151.43
5 Privredna Banka Zagreb d.d.	Croatia	8,791.35	8,374.24	150.22	127.20
6 Erste & Steiermärkische Bank d.d.	Croatia	6,243.03	5,536.85	107.54	81.78
7 Unicredit Bulbank AD	Bulgaria	5,631.81	4,635.24	147.61	129.72
8 Raiffeisenbank Austria d.d.	Croatia	5,512.80	5,283.65	68.38	52.90
9 Nova Kreditna banka Maribor d.d.	Slovenia	5,489.16	5,098.00	27.65	56.53
10 Raiffeisen Bank SA	Romania	4,860.25	4,562.89	154.07	88.53
11 DSK Bank EAD	Bulgaria	4,432.53	4,012.97	135.81	94.84
12 Banca Transilvania SA	Romania	4,303.11	3,901.03	90.33	85.71
13 Obedinena Balgarska Banka (OBB) AD	Bulgaria	3,960.37	3,134.01	106.70	94.56
14 Abanka Vipava d.d.	Slovenia	3,911.00	3,517.07	20.40	36.81
15 Bancpost SA	Romania	3,841.86	3,717.29	32.40	32.48

in millions of euro

	Company Name	Country	Total Assets 2008	Total Assets 2007	Net Profit/ Loss 2008	Net Profit/ Loss 2007
16	Société Générale – Splitska Banka d.d.	Croatia	3,753.95	3,515.23	37.07	39.31
17	Hypo Alpe-Adria-Bank d.d.	Croatia	3,619.44	3,605.34	20.30	20.78
18	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3,517.78	3,057.21	67.67	48.75
19	UniCredit Banka Slovenija d.d.	Slovenia	2,891.24	2,132.69	18.48	15.18
20	Banca Intesa AD Beograd	Serbia	2,815.46	2,457.94	66.31	39.85
21	Eurobank EFG Bulgaria AD	Bulgaria	2,780.34	2,238.08	49.90	25.92
22	SKB Banka d.d.	Slovenia	2,600.22	2,295.68	26.66	20.37
23	Banka Koper d.d.	Slovenia	2,539.90	2,264.25	28.07	23.91
24	Banka Celje d.d.	Slovenia	2,415.04	2,307.20	11.57	21.18
25	SID – Slovenska izvozna in razvojna banka d.d.	Slovenia	2,301.65	1,437.03	2.86	6.74
26	Hypo Alpe-Adria-Bank d.d.	Slovenia	2,268.31	1,906.20	10.95	11.30
27	Raiffeisen Bank d.d.	B and H	2,183.43	1,950.26	14.08	13.36
28	First Investment Bank AD	Bulgaria	2,176.13	2,150.02	26.04	25.60
29	Piraeus Bank Bulgaria AD	Bulgaria	2,117.89	1,823.77	29.90	18.55
30	Credit Europe Bank SA	Romania	2,094.07	1,616.16	16.24	0.662
31	Raiffeisen Bank – Albania Sh.a.	Albania	2,038.11	1,947.58	40.67	36.48
32	Hrvatska Poštanska Banka d.d.	Croatia	1,998.67	1,985.82	1.19	16.51
33	Komercijalna banka AD Beograd	Serbia	1,922.67	1,857.78	31.68	36.80
34	Gorenjska Banka d.d.	Slovenia	1,825.83	1,732.98	42.53	53.20
35	Raiffeisen banka AD Beograd	Serbia	1,810.52	1,983.19	78.35	56.99
36	OTP Banka Hrvatska d.d.	Croatia	1,757.68	1,634.60	20.28	14.30
37	UniCredit Zagrebacka banka d.d.	B and H	1,691.68	1,106.08	15.75	15.21
38	Slavonska Banka d.d.	Croatia	1,485.63	1,440.44	10.18	11.56
39	Eurobank EFG AD Beograd	Serbia	1,395.68	1,061.51	47.20	18.00
40	OTP Bank Romania SA	Romania	1,388.02	982.76	0.502	-8.33
41	Raiffeisen Banka d.d.	Slovenia	1,339.65	1,259.56	2.92	8.37
42	Hypo Alpe-Adria Bank AD Beograd	Serbia	1,287.31	1,684.31	27.82	19.27
43	Societe Generale Expressbank AD	Bulgaria	1,284.82	916.88	19.03	14.71
44	Probanka d.d.	Slovenia	1,192.22	1,041.85	3.78	8.78
45	Banka Sparkasse d.d.	Slovenia	1,184.15	886.63	2.13	2.41
46	Crnogorska komercijalna banka A.D. Podgorica	Montenegro	1,134.08	1,025.97	2.12	6.75
47	Alphabank AD	Bulgaria	1,096.54	749.39	-11.79	0.240
48	Corporate commercial bank AD	Bulgaria	1,076.72	906.07	20.60	11.85
49	Volksbank d.d.	Croatia	1,048.29	993.76	10.23	7.86
50	Unicredit Bank Srbija AD Beograd	Serbia	1,007.28	922.17	35.24	25.80

in millions of euro

The banking sector in Southeastern Europe (SEE) was faced with great challenges in the closing quarter of 2008 as the turmoil that began in the U.S. financial system spilled over into the region. The rapid switch from record-high economic growth, which in some SEE countries reached 9.3% in the second quarter of 2008, to a considerable slowdown in

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economic activity towards the end of last year delivered a painful blow to the banking sector in the region.

The volatility of global financial markets, diminishing confidence among banks adversely affected interbank trade, which decreased in dramatic proportions. In 2008, London Interbank Offered Rate (LIBOR) fell by two percentage points to an average 3.18%, as interbank lending slowed on concerns borrowers might be unable to service their loans.

With banks in SEE tightening their lending policies and raising loan interest rates, demand for funds from both companies and individuals became higher and higher. At the same time, the volume of non-performing credits extended by local banks increased throughout SEE.

Despite the global financial crisis, the 50 biggest banks in SEE registered an average growth of 13.30% of their total assets in 2008, which rose to EUR 184.5 bln at the year's end. According to 2007 forecasts of Deutsche Bank Research the assets of the banking sector in SEE were to increase by 17% on the average until 2011 but it is hard to predict whether this projection will come true.

The global economic downturn slashed 20% to 80% off the net profits of SEE banks last year, yet only a few closed 2008 with a loss. The average profit growth rate in the banking sector of Southeastern Europe was 35.26% year-on-year.

As the volume of bad loans in the SEE banking sector increased, banks in the region had to restructure their investment portfolios to pare losses.

The efforts of SEE banks in the last couple of years to bring the legal framework in the sector in their countries in compliance with EU directives and the Basel Core Principles helped the SEE banking sector go through the crisis without too much damage so far.

Merging To Stay Afloat

Striving to keep their market positions, banks operating in SEE opted for consolidation of their assets either by merging their local units or merging these units with regional peers last year.

Croatia's Hypo Alpe-Adria-Bank, wholly-owned by Austria's Hypo Alpe-Adria-Bank International, announced plans to merge with local Slavenska Banka, also part of the Austrian banking group, in 2009. Slovenia's largest bank Nova Ljubljanska Banka (NLB)

merged its two Serbian units under the brand name NLB Banka in January 2009. In 2008, Bosnia's HVB Central Profit bank merged with local peer UniCredit Zagrebacka bank to operate under the name UniCredit Bank d.d. Mostar.

Cuts in Minimum Reserves

To secure sufficient liquidity on the banking market and boost lending to the economy amidst the crisis, central banks in SEE countries cut their minimum reserves requirements. In Bulgaria, mandatory reserves were lowered to 10% from 12%, Romania's central bank cut its reserves requirements to 18% from 20%, while Moldova relaxed its reserves requirements to 10% from 14%.

To meet the requirements of the Basel Committee for Bank Supervision, banks in all SEE countries, except for Macedonia, are obliged to maintain a minimum capital adequacy ratio (CAR) above 8.0%, to secure sufficient capitalisation.

Foreign Owners

Almost all commercial banks in SEE are in private ownership with most of them in the hands of banking groups based outside the region. In Romania two banks remained state-owned – Casa de Economii si Consemnatiuni (CEC Bank) and EximBank, the Bulgarian government owns 99.9% of Bulgarian Development Bank. Slovenia also retained full ownership of its Slovenska izvozna in razvojna banka (SID).

Austrian, Italian and French banks are the biggest players in the SEE banking sector. Banking groups from Hungary and Greece also entered the unsaturated financial market of the region and quickly expanded their networks in 2006 and 2007.

Non-SEE banks controlled the banking sector of most SEE countries in 2008. In Bulgaria, some 80% of the banking market was in the hands of foreign banks. Serbia's market was 77% held by foreign banks, while in Romania 88.2% of local banks' assets were in foreign ownership. Foreign banks had a 38.2% share of the Slovenian banking market in 2008.

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Biggest Non-SEE Banks in SEE

Bank	Present in
<u>Raiffeisen Zentralbank Österreich AG (Austria)</u>	<u>Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Romania, Serbia, Slovenia</u>
<u>Erste Group Bank AG (Austria)</u>	<u>Croatia, Serbia, Romania</u>
<u>Hypo Group Alpe Adria (Austria)</u>	<u>Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Slovenia, Serbia</u>
<u>UniCredit Group (Italy)</u>	<u>Bulgaria, Bosnia and Herzegovina, Croatia, Romania, Serbia, Slovenia</u>
<u>Societe Generale (France)</u>	<u>Albania, Bulgaria, Croatia, Macedonia, Montenegro, Moldova, Romania, Serbia, Slovenia</u>
<u>National Bank of Greece (Greece)</u>	<u>Albania, Bulgaria, Macedonia, Romania, Serbia</u>
<u>EFG Group (Greece)</u>	<u>Bulgaria, Romania, Serbia</u>
<u>OTP Group (Hungary)</u>	<u>Bulgaria, Croatia, Romania, Serbia, Montenegro</u>

Source: *Company websites*

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