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**Activities of Greek banks in Balkan countries: a comparative balance sheet and
income analysis between affiliate banks in Balkan countries (*)**

Simeon Karafolas

Abstract

The paper proposes a comparative analysis of the activities and results of Greek banks in the Balkan countries (Albania, Bulgaria, FYROM, Romania and Serbia) by examining the balance sheet and the statement of income.

Greek banks have a strong presence in the Balkan countries that began the decade of 90's. Their presence took the form mainly of affiliate bank and branches. The paper examines activities of affiliate banks for which balance sheet and income data are available. Results show the importance of activities with non bank customers for most of the affiliates. They also show the importance of interest revenue for most of them. Within non interest expenses, for most of banks personnel expenses do not constitute the majority of expenses. A small number of affiliates present much better profitability and capital adequacy ratios in comparison to the rest of affiliate banks.

The results on the examined affiliates do not show a specific comportment of a Greek parent bank or a host country that could differentiate it of the rest of the group.

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Key words: Banks, Greece, Balkan countries, balance sheet, financial statement

() The paper discusses some results of a research undertaken in the TEI of Western Macedonia, Greece, and financed by the Greek State and the European Union under the program "ARCHIMEDES" of the Greek Ministry of Education and Religion. The title of the research is: "Greek banks in the Balkan countries"*

1. Introduction

Greek banking presence abroad appears the decade of 60's as a consequence of the opening of Greek economy to the world economy. Before this decade only rich Greek families, being abroad for a long time period, created banking institutions (Karafolas 1986). From the decade of 70's, Greek banks began to have a significant presence abroad that can be distinguished in two main periods (according to the reasons of banking internationalization, Karafolas, 1986):

- The first period till the end of 80's
- The second period that begins from the decade of 90's.

During the first period, the Greek case presented an exception in comparison to the autonomous internationalization of banks of industrial countries. During this period Greek banks followed the Greek immigrants to the host countries (Karafolas 1986, 1988, 1998). The main target was to serve Greek immigrants abroad: by collecting their saving and transfer it in Greece and by offering loans for small business financial needs. Greek banking presence was not related, mainly, to the trade, Greek investments abroad, and international financial markets as it is the case for multinational banks, (Karafolas 1986). National Bank of Greece (NBG) was an exception but even this bank did not have the characteristics of other multinational banks.

The second period, the Greek banking presence followed much more the reasons of presence abroad applied to multinational banks. Since the decade of 90's Greek banks have a strong presence in the Balkan countries, mainly to the ex-socialist countries. The principal characteristic is that Greek banks follow the Greek companies who invested to these countries and have important trade relations. The extension of Greek banks to Balkan countries differentiates the strategy they followed the previous period. This strategy is different in comparison to other host countries as well, mainly because reasons for banking presence are different.

Many issues can be examined with regard Greek banking presence in Balkan countries, such as reasons for this presence, banking penetration to the local banking markets. The target of this paper is to examine the structure of the balance sheet and income statement of affiliates of Greek banks in these countries. This examination can provide us of some ideas on the policy of Greek banks. Have Greek banks been interested to a particular country, have they a particular policy with regard banking activities, is there a homogenous compartment of affiliates, of Greek parent banks or host countries that can appear through banking activities?

The paper examines in the section 2 the banking network created in the Balkan countries; section 3 discusses the methodology and data, section 4 presents the results found, while section 5 offers the summary and conclusions.

2. Greek banking network in Balkan countries

Forms of banking presence abroad

Banking internationalization can be either indirect through corresponding banks in host countries or autonomous presence that takes several forms. This paper is interested to the autonomous Greek banking presence.

The autonomous banking presence abroad can be of three forms (Karafolas 1986):

Affiliate, Branch, Representative office.

- Affiliate bank is a banking institution, under the law of the host country, in which the parent bank has the majority of the stock capital or it has the whole capital. For the parent bank, the affiliate may be the result of a new institution or the acquisition of shares of an existed, already, one. The affiliate publishes data of balance sheet and income statement.
- Branch is directly related to the parent company. It depends on the home country law and the parent bank is entirely responsible for its activities. Branch's activities are registered directly to parent's bank balance sheet and income statement. Therefore the branch does not publish balance sheet and income statement data.
- Representative office is a bureau created from the parent bank in order to give information on the banking system, economic and political situation of the host and home countries to parent's company clients. Representative office can not provide banking services.

Greek banking network in Balkan countries

Six Greek banks have a network in five ex-socialist Balkan countries. These banks are, table 1:

1. Alpha Bank
2. Egnatia Bank
3. Emporiki Bank
4. Eurobank
5. National Bank of Greece
6. Pireaus Bank

Ionian Bank of Greece created a representative office in Bulgaria that was transformed to a branch after the acquisition of Ionian Bank from Alpha Bank.

Greek banks created a network in the follow ex-socialist Balkan countries, tables 2 and 1:

1. Albania
2. Bulgaria
3. FYROM
4. Romania
5. Serbia

The Greek banking presence in these countries dates since 1993, table 3. After 1993, almost every year one or more Greek banks open a branch or an affiliate. The first banking network was created in Bulgaria. In the three next years Greek banks created a network in Romania and Albania. In FYROM and Serbia the Greek banking presence appeared later at 2000 and 2001 respectively. Political problems with FYROM and political situation in Serbia may be considered as a main reason for this delay.

Greek banking presence took the form of affiliate and branch mainly. The form of affiliate bank is the most important according to the number of branches they have in the host countries. On 2005, affiliates' banking network had in total 853 branches. The banking network created under the form of branches had only 98 branches on 2005, tables 1 and 2.

Within Greek banks National Bank of Greece, Pireaus Bank, Emporiki Bank and Ionian Bank have been the pioneers of the extension to Balkan countries considering the dates on presence in the hot countries, table 3. With regard the total number of branches on 2005, Eurobank with 390 agencies has the biggest network extended in three countries, table 4. NBG has the second bigger network with 269 agencies in 5 countries. Alpha Bank and Pireaus Bank have also significant banking networks extended in 5 and 3 countries respectively, table 4.

Within host countries, Bulgaria has the biggest network of 366 agencies owned to 5 Greek banks, table 5. Romania and Serbia have two considerable networks owned to 6 and 3 Greek parent banks respectively.

3. Methodology, sample, data

A classification of balance sheet and statement of income was considered in order to distinguish the orientation of banks' activities and thus, their policy. Elements of balance sheet and income are used for a financial ratio analysis as well. Balance sheet structure is examined through assets and liabilities elements.

Assets are grouped in the following categories:

- Loans to customers
- Loans to financial institutions
- Bonds and treasury bills
- Other assets

Available funds, fixed assets and divers assets were considered as "Other assets".

Liabilities are grouped in the following categories:

- Deposits of customers
- Deposits of the financial institutions
- Capital and reserves
- Other liabilities

Income is examined on the basis of the following two categories:

- Total income by distinguishing the interest net income and other operating income, mainly due to commissions and fees.
- Non-interest expenses by distinguishing personnel expenses and other non-interest expenses.

Financial ratio analysis is examined on the basis of profitability level and capital adequacy.

Profitability is examined through the following categories

- Net income on equity
- Return on average assets
- Net income on assets
- Net interest revenue on assets

Capital adequacy is examined under two ratios:

- Equity on assets
- Equity on loans

Within the examined sample, twelve affiliates of Greek banks were considered. Two of them are Albanian banks, three are Bulgarian banks, one is in FYROM and five are in Romania. Branches created by Greek banks were not considered because they do not publish autonomous balance sheet and income statement. Furthermore, two banks in Serbia, (owned recently by Greek banks), and the Emporiki Bank in Romania were not considered.

The examination was concentrated on one year. The examined year has been 2004 and in some cases 2003. Even with one year statement we can have a sufficient image of the balance sheet and income structure because significant changes in this structure, mainly in balance sheet, are not observed within a few years period.

Data of the sample have been provided by banks' annual reports and Bankscope (2005).

4. Results

The balance sheet structure

Table 6 presents the structure of assets and liabilities of the 12 examined affiliates. For 8 banks, assets activities are concentrated on loans to non-bank customers which represent (in ever one of these banks) more than 50% of assets, arising to 70% in two cases. A more equilibrate structure of assets is presented in three affiliates (two of them in FYROM). In those three banks loans to financial institutions and bonds & treasury bills have an important part of assets.

Examples of concentration of loans to non-bank customers appear particularly to affiliate banks in Romania and Bulgaria. On the contrary this assets' element has not the same significance in the case of the two affiliate banks in FYROM.

Deposits of non-bank customers provided the main source of liabilities for 10 affiliate banks, table 6. In some cases these deposits represent more than 80% of total liabilities. Deposits from banks present almost half of liabilities in two cases and they have a significant part of liabilities in three other affiliate banks, table 6.

Capital and reserves have a significant part of liabilities only in the case of four banks, table 6.

One question was if the extended network influenced the structure, mainly of liabilities, by giving the possibility to collect deposits of non bank customers. The number of branches does not seem to have a significant role since banks with smaller network have on assets, and especially on liabilities, very significant participation of loans and deposits from non bank customers.

Considering the deposits received from non-bank customers and loans accorded to them, it seems that the group of affiliates is rather deposit dominated. For 8 banks, deposits are superior to loans. In two cases it appears equilibrium between the two balance sheet elements. In two other cases loans are superiors to deposits; the part non covered by deposits is covered mainly from the interbank market (banks' deposits), table 6.

The income statement analysis

Structure of income revenue and non-interest expenses is presented in table 7. Net interest income is the main revenue source for seven affiliate banks. For three other banks there is rather equilibrium between net interest income and other operating income (in which net interest income is lightly more important). In only one bank other operating income is the main source of bank's revenue.

Non-interest expenses are mainly due to non personnel expenses in the case of 8 banks while in two other banks personnel expenses are lightly higher than other non-interest expenses. The recent acquisition of some banks and the need of restructuring of the bank may offer an answer to this image; an other reason can be the low level of salaries on these banking markets.

A financial ratio analysis

The analysis of balance sheet and income structure allowed observing the significance of diver categories of banking activities. A financial ratio analysis will permit to have a comparative position of these banks. Two categories of financial ratios are examined, table 8:

- The capital adequacy,
- The profitability ratios.

The ratio Equity/Assets expresses the equity multiplier. A high ratio indicates an under-leveraged situation (Brigham, E. and Gapenski, L., 1997). The same indication is offered from the ratio Equity/Loans. The under-leveraged situation suggests that banks used only a part of their possibilities of growth and therefore good opportunities of growth must be expected. Four banks are distinguished as under-leveraged. These are banks of four different countries. Consequently there is no concentration of opportunities' growth only to one or two countries. From the rest of eight banks, two have a very low ratio on equity/assets while for the rest six banks this ratio is 12,5% in average, table 8.

Profitability is examined on two different parameters; the return on assets and the return on equity, table 8. Within twelve banks, one, the BancPost Romania, has negative results; the rest eleven banks have positive results.

With regard return on assets, two banks, (Alpha Bank in FYROM and United Bulgarian Bank in Bulgaria) are distinguished. The examined ratios (return on assets and net income on assets) for them are almost three and two times higher than the average of the other nine banks (excluding BancPost). Other banks have the respective ratios between almost 0% and 1,8%.

The results on asset's margins are not related exclusively to net interest revenue. As it appears on table 8, this ratio presents significant differentiations within banks including those presenting the higher return on assets.

Return on equity presents, as well, differences in comparison to return on assets since two Bulgarian banks, the United Bulgarian Bank and the Bulgarian Post Bank have a much higher ratio, 21,5% and 18,4% respectively. At least two groups can be distinguished. One, having three banks at three different countries, is characterized by a high ratio of return on equity, between 8,2% and 10,6%. The other group of four banks, three Romanian and one Bulgarian, is characterized by a ratio (return on equity) between 1,21% and 4,9%, table 8.

5. Summary and Conclusions

The scope of the paper was to examine the activities and results of Greek banks in the Balkan countries. Six Greek banks have a banking network in five ex-socialist Balkan countries, Albania, Bulgaria, FYROM, Romania and Serbia. Since 1993 they began to create this network. It took the form, mainly, of affiliate banks and branches. Affiliates constitute the bigger form of presence regarding banking agencies and activities. For the paper's scope only affiliates have been considered as having the possibility to provide balance sheet and income data. Within them, 12 affiliates in four Balkan countries were considered. The paper posed the question if these affiliates have a homogenous comportment that can characterize either host countries or the Greek parent banks, indicating a specific policy. Furthermore the paper provided a financial ratios' analysis in order to examine the profitability and capital adequacy of these banks.

The paper offers a number of conclusions:

- Results of balance sheet, income and profitability do not distinguish a Greek parent bank having her affiliates with a particular comportment. A Greek parent bank can have affiliates presenting different structures and results in several of these host countries.
- No particular results appear for countries as well, under an exception of low level of loans to non bank customers for both Greek affiliates in FYROM.
- The basis of activities for most of the Greek affiliates is "services to non bank customers" since loans and deposits to this category is the most important category of the balance sheet. Interbank market is the most important category only in two cases for assets and two for liabilities.
- Network's growth does not appear to influence the structure of balance sheet.
- For most of affiliates, interest income and non interest expenses provide the main source of revenue and expenses.
- Analysis on profitability and capital adequacy permit to distinguish a small number of affiliates with better results than the majority. A relation to a particular country or to a Greek parent bank does not appear. Excellent results on profitability are not translated automatically to excellent results on capital adequacy.

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Table 1. Banking network of Greek banks in Balkan countries, per Greek bank, end of 2005

1a. Network of affiliates of Greek banks

Bank	Country	Affiliate bank	Opening Year	Number of branches
National Bank of Greece	Bulgaria	United Bulgarian Bank AD	2000	151
	Romania	Banka Romaneasca SA	2003	46
Emporiki Bank	FYROM	Stopanska Banka AD	2000	50
	Albania	Commercial Bank of Greece (Albania) SA	1999	3
	Bulgaria	Commercial Bank of Greece (Bulgaria) SA	1994	8
Pireaus Bank	Romania	Emporiki	1996	5
	Albania	Tirana Bank	1996	30
Egnatia Bank	Romania	Piraeus Bank Romania	1995	23
	Romania	Egnatia Bank (Romania)	1998	1
Alpha Bank	Romania	Alpha Bank Romania	1995	30
	FYROM	Alpha Bank AD Skopje	2000	26
	Serbia	Jubanka	2005	90
EFG-Eurobank Ergasias	Bulgaria	Bulgarian Post Bank AD	1998	142
	Romania	Banc Post SA	2000	151
	Serbia	EFG-Eurobank AD, Beograd	2002	27
	Serbia	Nacionalna Stedionica-Banka	2005	70
Total				853

Table 1b. Network of branches

Bank	Country	Opening Year	Number of branches
National Bank of Greece	Albania	1996	4
	Bulgaria	1993	1
	Romania	1996	1
	Serbia	2001	16
Pireaus Bank	Bulgaria	1993	49
Alpha Bank	Albania	1998	9
	Bulgaria (*)	1995	15
	Serbia	2002	3
Total			98

Source: Annual reports of banks, Bankers' almanac and banks' web site

(*) Opened as Representative office by Ionian Bank, transformed to Branch on 2000 after fusion of Alpha Bank with Ionian Bank

Table 2. Banking network of Greek banks in Balkan countries, per country, end of 2005

Table 2a. Network of affiliates of Greek banks

Country	Bank	Affiliate bank	Number of branches
Albania	Emporiki Bank	Emporiki Bank (Albania)	3
Boulgaria	Pireaus Bank	Tirana Bank	30
	National Bank	United Bulgarian Bank AD	151
FYROM	Emporiki Bank	Emporiki Bank (Bulgaria)	8
	EFG-Eurobank Ergasias	Bulgarian Post Bank AD	142
Romania	Alpha Bank	Alpha Bank AD Skopje	26
	National Bank	Stopanska Banka AD	50
Romania	National Bank	Banka Romaneasca SA	46
	Pireaus Bank	Piraeus Bank Romania	23
Romania	Egnatia Bank	Egnatia Bank (Romania)	1
	Emporiki	Emporiki Bank Romania	5
Romania	Alpha Bank	Alpha Bank Romania	30
	EFG-Eurobank Ergasias	Banc Post SA	151
Serbia	EFG-Eurobank	EFG-Eurobank AD, Beograd	97
	Ergasias	Beograd	
	Alpha Bank	Jubanka	90
Total			853

Table 2b. Network of branches

Country	Bank	Number of branches
Albania	National Bank of Greece	4
	Alpha Bank	9
Bulgaria	National Bank of Greece	1
	Pireaus Bank	49
Romania	Alpha Bank	15
	National Bank of Greece	1
Serbia	Alpha Bank	3
	National Bank of Greece	16
Total		98

Source: Annual reports of banks and banks' web site, author's calculations

Table 3. Year of opening of Greek banks in Balkan countries

Year	Country	Parent bank	Parent bank	Parent bank	Number of parent banks	Number of host countries
1993	Bulgaria	NBG	Pireaus		2	1
1994	Bulgaria	Emporiki			1	1
1995	Romania	Alpha	Pireaus		3	2
1995	Bulgaria	Ionian/Al				
1996	Romania	Emporiki	Pireaus	NBG	4	2
1996	Albania	NBG				
1998	Romania	Egnatia			3	3
1998	Bulgaria	Eurobank				
1998	Albania	Alpha				
1999	Albania	Emporiki			1	1
2000	Bulgaria	NBG			1	2
2000	FYROM	NBG	Alpha			
2001	Serbia	NBG			1	1
2002	Serbia	Alpha	Eurobank		2	1
2003	Romania	NBG			1	1
2005	Serbia	Alpha	Eurobank		2	1

Source: Idem. Table 2

Table 4. Number of total of Branches and host countries, per Greek bank

Bank	Total of branches	Number of host countries
National Bank of Greece	269	5
EFG-Eurobank Ergasias	390	3
Alpha Bank	173	5
Pireaus Bank	102	3
Emporiki Bank	16	3
Egnatia Bank	1	1
Total	951	

Source: Idem. Table 2

Table 5. Number of total of Branches and Greek banks by host country

Country	Total of branches	Number of Greek banks
Bulgaria	366	5
Romania	257	6
Serbia	206	3
FYROM	76	2
Albania	46	4
Total	951	

Source: Idem. Table 2

Table 6. Structure of Balance sheet of affiliates of Greek banks in Balkan countries

	Emporiki Bank Albania	Tirana Bank Albania	United Bulgarian Bank	Emporiki Bank Bulgaria	Bulgarian Post Bank Bulgaria	Stopanska Bank FYROM	Alpha Bank FYROM	Alpha Bank Romania	Banca Romaneaska Romania	Pireaus Bank Romania	Egnatia Bank Romania	BancPost Romania
	Emporiki Bank	Pireaus Bank	NBG	Emporiki Bank	Eurobank Ergasias	NBG	Alpha Bank	Alpha Bank	NBG	Pireaus Bank	Egnatia Bank	Eurobank Ergasias
Owned by Branches on 2005 Balance sheet, end of year	3	30	151	8	142	50	26	30	46	23	1	151
	2003	2002	2004	2003	2004	2003	2003	2003	2004	2003	2003	2003
Loans to customers	56,7	23,3	66,8	77,6	63,0	30,1	33,7	69,4	52,1	62,7	59,5	46,0
Loans to financial institutions	16,8	31,9	17,1	8,6	17,1	33,7	48,1	23,3	37,2	21,1	21,5	37,1
Bons & treasury bills	18,6	36,4	7,3	1,4	14,0	21,1	10,6	2,8	1,5	13,8	15,8	5,0
Other assets	7,9	8,4	4,3	12,4	5,9	15,1	7,6	4,5	9,2	2,4	3,2	11,9
Total assets	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Deposits of customers	56,5	86,4	77,1	23,0	61,4	80,9	59,3	39,9	59,1	87,4	68,8	74,5
Financial institutions deposits	12,8	4,2	3,9	48,9	12,6	5,2	0,0	46,1	23,3	0,0	0,0	12,6
Capital & reserves	28,6	7,5	14,9	26,7	8,6	12,5	40,3	11,6	11,3	12,1	31,2	8,1
Other liabilities	2,1	1,9	4,1	1,4	17,4	1,4	0,4	2,4	6,3	0,5	0,0	4,8
Total liabilities	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Annual reports of banks and banks' web site, Bankscope, author's calculations

Table 7. Income statement analysis

	Emporiki Bank Albania	Tirana Bank Albania	United Bulgarian Bank	Emporiki Bank Bulgaria	Bulgarian Post Bank Bulgaria	Stopanska Bank FYROM	Alpha Bank FYROM	Alpha Bank Romania	Banca Romaneaska Romania	Pireaus Bank Romania	Egnatia Bank Romania	BancPost Romania
	Emporiki Bank	Pireaus Bank	NBG	Emporiki Bank	Eurobank Ergasias	NBG	Alpha Bank	Alpha Bank	NBG	Pireaus Bank	Egnatia Bank	Eurobank Ergasias
Owned by Branches on 2005 Income, end of year	3 2003	30 2002	151 2004	8 2003	142 2004	50 2003	26 2003	30 2003	46 2004	23 2003	1 2003	151 2003
1. Total income	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
11. Net interest income	78,0	68,3	69,9	73,3	74,8	22,2	51,6	65,8	51,2	64,9	44,4	54,2
12. Other operating income	22,0	31,7	30,1	26,7	25,2	77,8	48,4	34,2	48,8	35,1	55,6	45,8
2. Non interest expenses	100,0	100,0	100,0	0,0	100,0	100,0	100,0	100,0	100,0	100,0	0,0	100,0
2.1 Personnel expenses	23,7	32,0	24,6		38,4	46,5	51,2	46,3	44,9	39,2		51,9
22. Other non- interest expenses	76,3	68,0	75,4		61,6	53,5	48,8	53,7	55,1	60,8		48,1

Source: Idem. Table 6

Table 8. Financial ratio analysis

	Emporiki Bank Albania	Tirana Bank Albania	United Bulgarian Bank	Emporiki Bank Bulgaria	Bulgarian Post Bank Bulgaria	Stopanska Bank FYROM	Alpha Bank FYROM	Alpha Bank Romania	Banca Romaneaska Romania	Pireaus Bank Romania	Egnatia Bank Romania	BancPost Romania
Owned by	Emporiki Bank 2003	Pireaus Bank 2002	NBG 2004	Emporiki Bank 2003	Eurobank Ergasias 2004	NBG 2003	Alpha Bank 2003	Alpha Bank 2003	NBG 2004	Pireaus Bank 2003	Egnatia Bank 2003	Eurobank Ergasias 2003
1. Profitability level												
11. Net income/Equity	5,2	10,6	21,5	1,4	18,4	0,3	9,4	8,2	1,21	3,4	4,9	-20,5
12. Return on average assets	1,58	0,87	3,30		1,65	0,04	4,12	1,04	0,16	0,50	1,78	-2,90
13. Net income/Assets	1,6	0,9	3,3	0,3	1,7	0	4,1	1,04	0,16	0,5	1,8	-2,9
14. Net interest revenue/Assets	4,3	2,8	6,7	4,8	5,0	1,4	4,9	4,36	7,28	3,6	3,6	6,18
2. Capital adequacy												
21. Equity/Total Assets	28,60	7,50	14,90	26,70	8,60	12,50	40,30	11,58	12,22	12,10	31,20	11,98
22. Equity/Loans	50,40	32,10	22,30	34,40	13,60	41,40	119,50	16,70	23,21	19,20	52,40	28,61

Source: Idem. Table 6