GREEK BANKS IN THE BALKAN COUNTRIES: CONCLUSION DERIVED FROM THE ANALYSIS OF THEIR BALANCE SHEETS

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Abstract: *During the 1990s the Greek economy has flourished, with the help of the banking system, which, at the same period, has undergone considerable deregulation. The stock market "explosion" at the end of the decade has provided the necessary funds for the expansion of many Greek Banks in various countries and particularly those of the Balkan area. Some Greek companies had already expanded their business activities in these countries, which at the time were in the process of transition to the market economy, thus giving to the Greek Banks the incentive to follow their clientele. The expansion of Greek banks in the Balkans was such that they obtained significant market shares in some of the area's countries.*
In the current paper we make an effort to examine the feasibility of the expansion of Greek banks in these countries, focusing especially on their financial efficiency. To that end the Balance Sheets of the parent banks, as well as those of their Balkan subsidiaries and associate companies where they held an equity share were studied and analyzed.
Our main conclusion is that the activities of the Geek banks in the area were successful and had positive effects to their profitability and they reinforced their overall financial state.

Keywords: Banking System, balance sheets, financial analysis, profitability, efficiency, Balkan area.

JEL Classification Codes: M41, G21, F36

1. INTRODUCTION

There are two periods of internalization for the Greek banking system internalization. The first one ends in 1986 with the establishment and the development of a network of foreign owned banks in Greece, which obtained a relatively low market share, never surpassing 10% of the total market, in both deposits and loans, although they created forty (40) branches in the country. In contrast to this "passive" first period, the next one (after 1986) is characterized as "active" because of the internalization strategy Greek banks followed, mainly in the Balkan area (Giannitsis, 1999). This internalization expresses the dynamism of Greek banks, in the form of penetration through direct investment, the transfer of technology and the export of financial products aiming at the creation and the expansion of their market share in the area (Kouniakis S., 1997). The banking sector in Greece obtained new characteristics and was influenced by the international trends by expanding to other countries (Giannitsis, 1982).

Some years ago, the greek banking presence abroad was limited to the servicing of Greek diaspora in North America, South Africa, Germany and the international financial centres of London and Paris. As in the more developed countries of Europe and North America, the internationalization observed since in Greece reflected the dynamism of the national productive system, as it was expressed by its ability to enter foreign markets through direct investments. Greek banks, following the expansion of the Greek industry, have established subsidiaries in Romania, Moldavia, Albania, Georgia etc, obtained equity shares in existing local banks (Bulgaria) or established branches and agency offices (as in Bulgaria, Romania and Albania). The Balkans are considered a single economic area (Psiroukis, 1993) and the expansion of the Greek banks in it aimed at the improvement of their profitability, taking into account the maturity of the Greek market, especially in retail banking (Lidorikis A., 2005). There was a substantial number of Greek businesses that created logistics centers, production facilities, subsidiaries etc in the Balkans. These businesses had important reasons to expand into foreign markets, like the saturation of the domestic market, the intensification of competition, the low production cost, the abundance of cheap raw materials, the market size etc. Banks were forced to follow their clientele (Chatzidimitriou G., 1997), aware of the credit risk in Greece (Mantzounis D., 2005.)

Examples:

In Bulgaria settled some of the largest food manufacturing industries such as Delta, Chipita, Lulis Mills, textile companies and tourism companies such as the Daskalantonakis Group, the Nikas Group, Goody's, the Greek Bottling Company (Coca Cola), Intracom, the Varytinis Company, Michaelides Tobbacco, Mailis, etc. In Albania Intracom and Michailidis Tobacco. In Romania Lulis Mills, Katselis, Delta, ELGEKA, "Gregory Meals", Everest, the Greek Bottling Company (Coca Cola), Intracom, the Varytinis Company, Mailis, etc. In FYROM Elbisco with the acquisition of Zito Luks, the Delta Group, the Nikas Group, the Greek Bottling Company (Coca Cola), Michailidis Tobacco, etc.

The presence and activities in the Balkans was appropriate and easier for various reasons including:

(A) The orientation towards privatization and the reform of rural property ownership (land not belonging solely to the state anymore);

(B) The operation of market mechanisms and the development of private trade, with the abolition of state monopolies in foreign trade and the liberalization of imports and exports;

(C) The financial and banking reforms in cooperation with the International Monetary Fund and the World Bank as well as the presence of the European Bank for Reconstruction and Development and the European Investment Bank;

(D) The fact that the maturation of the Greek market and the dynamism of the banks could not be invested in expansion in countries of western Europe, because of the intense competition;

(E) The existence of growth prospects as the per capita consumption fell short of the average European levels, while there was also an increase in the marginal propensity to save;

(F) The modernization of the structure of the banking system with a central bank, commercial banks and specialized financial institutions as well as the guarantee to foreign banks of the same terms of competition (privatization of banks);

(G) The fact that Greek banks have more expertise and experience of operating in adverse conditions (high inflation, currency instability, etc.);

(H) The improvement of macroeconomic factors in the Balkans: After a period of macroeconomic restructuring they had reached a very satisfactory rate of economic growth and had overcome many problems of the past. At the same time there were made substantial investments in the productive capacity and the infrastructure. Bulgaria and Romania joined the European Union, while others were in the preparation phase;

(I) The high credit growth - Due to economic development businesses required more loans for their investments while the local capital markets were not fully developed. Alongside, because of the improvement in living conditions, households also increased their borrowing;

(J) The large privatization projects that required the inflow of foreign capital and know-how, resulting in the majority of the used funds to be controlled by foreign banks;

(K) The specific economic and cultural relations between Greece and these countries (Stergiotis, 1996).

The results of extroversion of the Greek banking system is similar to that of large international banks, since 40% of the profits of banks in developed countries come from abroad (Commercial Bank, 2006). For instance, over 50% of ABN-AMRO's total revenues come from its international operations (Pattakos G., 1996).
The banking market in these countries could be further improved, since in the mid '00s financing to GDP was 25% in the Balkans, 77% in Greece and 114% in the Eurozone. Lending to individuals as a percentage of GDP was 12% in the Balkans, 33% in Greece and 55% in the Eurozone. Furthermore, the percentage of lending to households and enterprises as a percentage of GDP was 14.5% for Albania and 44% for Bulgaria, respectively, while for Greece it was 76% and 104% for the eurozone (Mantzounis D., 2005).

However, there were a number of challenges, including:

(I). The large deficits, inflation and lack of confidence because of bank failures in the past.

(II). Although there was a high yearly growth rate of around 4-5%, these countries competed with China in attracting foreign investment by increasing labor costs as well as labor productivity.

(III). Private consumption favored the expansion of credit to households, however, it brought along the risk of the increase of bad debts, which were then at satisfactory levels. Also, the percentage of loans in foreign currency, mostly for housing loans, was large and therefore posed monetary risks.

(IV). Competition was intensified, as the 2/3 of the banks' assets in the Balkans were controlled by foreign banks. In addition to Greek banks the following banks have a significant presence in the area: Austrian Erste Bank, which after the acquisition of BCR has a 14% market share in Romania, the also Austrian Raiffeisen Zentral Bank which holds the first place in Albania and Serbia and the third in Romania, the French Societe General which is second in Romania, the Italian Unicredito which holds the first place in Bulgaria, the Hungarian OPT Bank which is the second largest bank in Bulgaria, and others.

(V). In the past acquisitions were made at a valuation of about 1-1.5 times of the book value. Later, however, valuations have increased, reaching about four times the book value (Commercial Bank, 2010), making these investments too expensive for Greek banks which turned to organic growth instead.

It should be also noted that for the period examined (2007-2009) Greek banks faced severe challenges that threatened not only their profitability but their whole existence. In mid 2007 the situation of the wholesale credit markets appeared to have deteriorated sharply, causing liquidity problems in the banking sector, leading Greek banks to be unwilling to give out new loans and to be extremely selective about the businesses they financed. The intensification of the upset in the international financial markets also proved a serious factor that influenced the Greek banking system, being far from helpful to remedy the situation. In fact the economy was quickly slipping into a recession.

To stabilize the banking sector, the government decided in October 2008 to subsidize Greek banks with public funds by offering both new capital to the banks as well as state guaranteed loans to businesses that met some criteria. However, it was observed that a considerable part of the assets of the banks was devaluating fast while, at the same time, the slowdown in the credit expansion was affecting their profitability negatively.

It was decided that the Greek banks would be subsidized with 28 billion Euros, in order for the market liquidity to be restored. However, only a small portion of these funds was actually used finding its way to the banks. The Greek finance minister at the time, Mr. Papathanasiou, admitted his disappointment concerning the rate of absorption of the subsidy funds offered. According to the Bank of Greece, only about 4 billion of public funds were exchanged with preferred equity to strengthen the capital of banks. Even worse, six months after the announcement of the subsidy plan no money was actually given to the banks yet.

All of the above resulted in a sharp decrease in the lending by banks. According to the Bank of Greece, by June 2009 business loans were down by 62,7%, home loans by 52,5% and consumer loans by 68%. To make things worse, the government decided that it was prohibited for the banks that had received any kind of subsidy to pay out dividends in cash, meaning that the greatly decreased profits could only be turned into new shares that would be distributed to the existing equity holders. They, in turn, would have to sell their shares through the stock-market in order to obtain liquidity.

It is obvious that a liquidity crisis turned into a profitability matter, driving deposit interest rates very high, as lending, the main source of profit for banks, was decreasing dramatically.

2. SUBSIDIARIES OF THE GREEK BANKING GROUPS

Since the late '90s Greek banks through the acquisition of local banks or by organic growth managed to develop a remarkable network of subsidiary banks in the Balkans. The study of the balance sheets of the banking groups, of the parent banks and of their subsidiaries operating in the Balkans provides interesting findings. For the scope of this paper only the years 2007-2009 were taken into account, in order for the conclusions not to be affected by the economic crisis. Also, it should be noted that Greek banking groups in addition to their domestic and foreign bank subsidiaries also have a large number of other businesses belonging to the financial sector in Greece and abroad, such as Leasing companies, Mutual Fund companies, Property Management Enterprises, etc.

It should also be taken into account that in the present study we have considered the Greek Banking Groups which have a significant presence in the Balkans, however, these Groups are also present in other third countries as well as in several Western European countries (UK, France, Germany, etc.) and the East (Poland, Ukraine etc.). The Groups examined are: the Group of National Bank of Greece, the Emporiki Bank of Greece Group, the Piraeus Bank Group, the Eurobank and Alphabank Groups.

The percentage of the total assets of all the Groups in the entire Balkan area in relation to the total assets of the Groups in 31.12.2009 amounted to about 10%, while the parent banks of the Groups had the remaining 90%. However, the percentage of the main banking activity, lending, in Balkan countries, is only about 80% of that of the parent banks, thus indicating a higher rate of investments in other forms (such as in shares, government and private bonds, etc.) than in Greece. The reason is that Balkan countries have adopted the market economy system only in the last two decades and their economies were in transition for a substantial period of time.

The percentage of before tax profits of the Balkan subsidiaries in comparison to those of the Groups' ones is much higher and it even increases from one year to the next. Specifically, in 2007 it was 13%, reaching 19% in 2008 and 23% in 2009, while the parent networks are less profitable proportionately and gradually decrease their share in the same period (from 64% in 2007 to 32 % in 2010). The differentiation in effectiveness and its causes will be considered in the next paragraph.

If data is broken down by banking group:

The National Bank of Greece, the oldest and largest in the country with presence in over 10 countries, owns the United Bulgarian Bank in Bulgaria, the Banca Romaneasca in Romania, Finansbank A.S.in Turkey, the Vojvodjanska Banka A.D. Novisad in Serbia and the Stopanska Banca A.D.- Skopjie in FYROM (the latter two were not included in the present study because of inadequate data). The assets of all those subsidiaries account for 17% of the group's total assets, while the parent bank's percentage is the remaining 73%. It should be noted that the Turkish subsidiary Finansbank holds about 12% of the assets of the Group by itself. The importance of this fact for the Group can be seen from the profitability (before tax) of this particular subsidiary, which accounted for 23% of total profitability and 70% of parent profitability in 2007. Because of the different taxation, in 2009 the profits (after tax) of Finansbank exceeded those of its parent National Bank of Greece.

EFG Eurobank is the second largest Greek bank and it owns the Eurobank Tefken Bank in Turkey, the Eurobank Bulgaria in Bulgaria and Bankpost in Romania. The total assets of all its subsidiaries amount to close to 6% of the Group's assets, having shown a decreasing trend over the last three years. Proportionately EFG Eurobank's strongest presence is in Bulgaria. Pre-tax profits, despite their decline, reinforce considerably the Group's profitability, since the last three years the profitability of the parent bank has been decreasing sharply, dropping to zero in 2009. Only the Romanian subsidiary Postbank seems to maintain a reasonable level of profitability.

Alphabank, third largest Greek bank and second in size in the private sector, owns Alphabank Romania in Romania with an impressive network of 167 stores, Alphabank A.D. Skopjie in FYROM, and Alphabank A.D. Srbijia in Serbia. The assets of the Group's Balkan subsidiaries amount for only 8% of the Group's total assets, a percentage that has increased considerably during the last three years. The Romania Alphabank is the most important subsidiary accounting for 7% of the Group's assets and 65% of all subsidiaries. However, it is important to note that throughout the Balkan network of the Group, loans do not appear to be supported by deposits, which severely limits the possibility of high growth of the bank in the area.

Emporiki Bank of Greece owns Albania Emporiki Bank S.A. in Albania, Bulgaria Emporiki Bank S.A. in Bulgaria and Romania Emporiki Bank S.A. in Romania. Despite the fact that the development of its Balkan network has been relatively small, with its assets amounting only for 2% of the Group's assets, its profitability (due solely to the Romanian subsidiary) improves overall profitability, since the parent Bank has been operating at a loss, with losses increasing from one year to the next. These subsidiaries profits become even more valuable considering that, as in the case of Alphabank, the loans given out are not financed by deposits, meaning that the necessary funds are obtained by other, more expensive, sources like the inter-bank market.

Finally, Piraeus Bank owns the Bulgaria Piraeus Bank in Bulgaria, the Romania Piraeus Bank in Romania, the Tirana Bank in Albania and the Serbia Beograd Piraeus Bank in Serbia. The assets of these subsidiaries amount to 10% of the total Group's assets, while the same percentages hold for the deposits and the loans. However, the profitability of the Balkan subsidiaries of the Group account for about 16% of its total profitability, with the Romanian and the Bulgarian subsidiaries making the major contributions.

3. THE EFFICIENCY OF BANK SUBSIDIARIES

Regarding the determining factors of banks' efficiency, there are several approaches that are sometimes contradictory.

According to the theory of "structure conduct performance hypothesis" there is a positive relation between profitability and concentration. R. Weiss (1974) claimed that market concentration can create collusion with competitors and thus monopoly profits. Smilrock (1985) however, in a study which included the data of 2'700 banks of the State of Kansas, has shown that it is not concentration that increases profitability, but the market share obtained.

In contrast, Berger and Hannan, (1994) according to the efficient market hypothesis, argue that companies with more efficient scales of economy, along with good management and technology, have lower cost per unit and thus higher unit profit. On the other, Ghandoldberg and Rai, (1996), having studied data on 11 European countries, did not find a strong correlation between profits and market concentration.

Kapopoulos- Siokis (2002), using data for the period 1996-1999 for all Euro-zone countries and making an econometric approach, concluded that the improvement of operational efficiency and capital adequacy has a positive impact on bank profitability, while the real interest rate has a negative effect.

Bourke (1989), based on the reported results of 90 out of the 500 largest banks in the developed countries of Europe and America for the years 1972-1981 and applying the method of regression, found a positive relation between profitability and capital adequacy, liquidity, interest rates and market concentration. In the same study he found a negative correlation of profits with personelle expenses to a lesser degree. Similar results regarding the relation between capital and profitability were shown in a study by Berger (1995), which examined the American market for the years 1983 -1989.

Demirguc-Kunt and Huisinga (1989), also applying the method of regression, found out that earnings are positively correlated with capital adequacy and the degree of inflation, indirect taxes, concentration as well as the level of per capita income. The same economists in another study (1998), while investigating the effect of the development factor in bank profitability, claimed that in countries where the financial system is less developed the banks' profit margins are higher.

Regarding interest rates Staikouras and Steliaros (1999) concluded that there is a positive relation between interest rates and bank profitability, as predicted by Samuelson. When interest rates fall profits increase and vice versa, due to the fact that deposit rates can be increased but funding rates are often fixed, thus decreasing the gap between them. The difference between short and long term interest rates increases at the end of a recession period and diminishes at the end of a development one. In countries with low inflation long term interest rates are constant (Hardouvelis, 1994).

Flannery, in two of his studies in 1981 and 1983 respectively, processed data for 15 large U.S. banks and found that long-term bank profits are not affected by changes in interest rates, since this rise affects equally the financial income and the expenses of banks, ultimately balancing profits. In contrast, in the short run the rising of interest rates reduces profits.

Perry (1992) correlating profitability and inflation argues that if inflation is rising and banks change interest rates in time, it is likely for them to increase their profitability, while, if they delay, expenses will rise faster than revenues with a negative effect on profitability. Also, most researchers associate the low profitability of the banking system with regulation, mainly because of the mandatory deposits it requires, as well as the compulsory structure of the banks' portfolios.

In a study on the Greek banking system and the deregulation of the decade 1993-2002 (Chouliaras, 2009), it was found that there is a strong correlation between bank profitability and stock market boom and the spread and the loan–deposit ratio.

As far as the issue of banking efficiency in economies in transition is concerned there are different points of view, focusing on different. One popular approach has been the comparison of the efficiency of foreign owned banks to those of domestic ownership. In this aspect Berger (Berger et al, 2000) concludes that foreign owned financial institutions are less effective than domestic ones, a finding on which Miller and Parkhe (Milles S., Parkhe A, 2002) agree after conducting a broad study considering profit efficiency in fourteen different nations. On the other hand Bonin, (Bonin J.P. et al, 2004) argues that foreign owned banks are more cost – efficient than domestic ones and that they provide better service. The same conclusion is partially reached by Glaveli (Glaveli N. et al, 2006) considering the point of the bank service quality, in a study with evidence from five Balkan countries.

It is widely accepted that economies in transition undergo considerable deregulation, providing new opportunities to international financial enterprises and banks in particular. From this point of view the Greek banking system was the first to undergo such deregulation leading to extensive mergers and acquisitions which benefited the larger banks (Mantzaris J., 2008) and in turn led to their expansion in the Balkans. This was the natural thing to do according to Morck and Yeung (Morck R.,Yeung B., 1991) who claim that operating abroad gives banks the opportunity to follow their customers. They also argue that multinational banks have the advantage of transferring intangible assets such as technology and reputation from the home country to the subsidiaries. This is consistent with Williams' (Williams B., 2002) "defensive expansion theory" which claims that such transfer is also possible; between subsidiaries. Hence, banks that operate abroad might be able to transfer resources such as technology or employees with increased skills and experience in terms of risk management, regulatory and reporting practices, gained from working in more sophisticated and advanced environments. Finally, Grigorian and Manole (Grigorian D.A., Manole V., 2002) conclude that the banking sectors in transition economies have experienced major transformations throughout the 1990s. While some countries have been successful in eliminating underlying distortions and restructuring their financial sectors, in some cases financial sectors remain underdeveloped and the rates of financial intermediation continue to be low. This was the case in the Balkan area, thus giving Greek banks the opportunity to cover that gap.

In their study of 12 Greek banks operating abroad during the period 1998 – 2001 Kosmidou and other researchers (Kosmidou et al, 2005) found that the profits of the subsidiaries operating abroad are related to the profits of the parent bank, the trade relations between Greece and the host country, the difference of the GDP growth between the two countries, the years operating in the host market and the time trend. The size of the subsidiaries was found to be related to the size of the parent bank, the trade the GDP growth, the years of operation and the time trend.

To examine the efficiency of the Balkan subsidiaries of Greek banks key ratio indicators, such as Return on Assets and Return on Equity were used. Based on the first one we concluded that efficiency (though gradually declining from 21% in 2007 to 12% in 2009) is considerably greater in the subsidiaries than in the parent banks (their ROA declined from 12% in 2007 to 2% 2009). The reasons for this change are attributed to two factors. The first factor is the greater leverage caused by the relation between loans and deposits. For the Balkan subsidiaries this relation varies from 1.13 to 1.19, while for the parent banks from 1.06 to 1.1. The second reason has to do with the differentiation in the level of interest rates. The ratio for interest income to total returns for the Balkan subsidiaries in the three years ranged from 8.8% to 10.1%, while in the parent companies it ranged from 4.6% to 6.1%. A third reason could be found in the spread between loans and deposits, but the relevant data was not available to examine. However, we conclude that the higher the level of interest rates, the greater the spread must be. Besides the ratio “financial results” (i.e. the difference between credit and debit interest) is almost double for the Balkan subsidiaries (ranging from 4.4% to 5.2%) compared to that of the parent banks (ranging from 1.8% to 2.2%). Finally, a hypothesis without supporting evidence is the opinion of efficiency differentiation because of lower level in wages and salaries in those countries.

A minor difference is observed in the ROE ratio which for all Balkan subsidiaries ranges from 11% to 19%, while for the parent banks is from 3% to 18%.

Findings by Bank Group:

- *National Bank of Greece:*

Efficiency is similar to what has been described above for all banks. The subsidiaries ROA is double (from 1.7% to 2.8%) of that of the parent bank (from 0.4% to 1.5%). Respectively the subsidiaries ROE ratio much in the same way ranges from 17.5% to 24.8% (percentages judged as too high, even without a benchmark) while the parent bank’s ratio ranges from 4.9% to 15.8%. The causes of greater efficiency are also similar to those for all banks: a higher level of interest rates (0.154 to 0.188 versus 0.063 to 0.86), an increased loan-to-deposit ratio (from 1.004 to 1.215 versus 0.811 to 1.001) and possibly larger spreads (financial result to assets ranging from 0.056 to 0.069 versus 0.024 to 0.025).

At this point it should be noted the contribution of the Turkish subsidiary Finansbank with its efficiency ranging from 1.9 to 3%, which, because of its size in relation to the total, boosts overall efficiency. The reasons lie mainly in interest rate levels (which keep increasing over time) and not in leverage, which is similar to that of the parent bank. The United Bulgarian Bank also presents a higher efficiency, which however, is due mainly to greater leverage (from 1.437 to 1.679).

- *Eurobank*

Unlike all the banks, Eurobank’s efficiency is not greater in its Balkan subsidiaries compared to that of the parent bank. However, it is interesting to see that efficiency declines faster in the parent bank than in its subsidiaries. Ceteris paribus, the reasons for this are found in the weaker link of the loans to the deposits, which for the subsidiaries ranges from 0.865 to 0.915 and from 0.917 to 0.980 for the parent bank. Furthermore, the Romanian subsidiary Bankpost presents an exception to this trend with its efficiency remaining steady.

- Alphabank

Alphabank is at the other end of the spectrum as far as the enhancing of the Group's profitability by its subsidiaries' contribution is concerned. Specifically, the Balkan subsidiaries not only do not contribute to the Group's efficiency but rather decrease it, mainly due to the operation at a loss of Srbija Alphabank and Skopje Alphabank. The performance of all subsidiaries ranged from -0.2% to 14% compared to the parent bank's that ranged from 0.6% to 11% respectively. This happens even though the relation of loans to deposits is considerably higher in the subsidiaries (1.650 to 2.141 for the subsidiaries and 1.186 to 1.511 for the parent bank). The situation appears somewhat better for the Romanian Postbank, the efficiency of which, although reduced from year to year, does not turn negative. The cause may lie in the different leverage of capital, which in this case is greater and therefore the subsidiary's ROE appears better than those of the other Balkan subsidiaries.

- Emporiki Bank of Greece

The Emporiki Group presents the opposite situation to that of Alphabank. While the profitability of the parent bank not only decreased but even became negative (from 0.2% in 2007 to -2% in 2009), the ROE of all its subsidiaries is positive and gradually increases (from 0.5% in 2007 reaches 2.1% in 2009). The satisfactory results are due solely to the Romania Emporiki Bank S.A. (it is negative for all other subsidiaries) whose ROA increased from 1.4% in 2007 to 10.1% in 2009. The greater efficiency is the result of the reasons described for all banks, meaning the better leveraging (ranging from 1.138 to 2.157 for the Romanian subsidiary as opposed to the parent bank's 1.036 to 1.402), the slightly higher interest rates (0.6 versus 0.5) and probably the improved spreads (financial results to total assets ranging from 0.027 to 0.038 for the subsidiary versus 0.018 to 0.028 for the parent bank).

- Bank of Piraeus

As in the previous case, the Balkan subsidiaries of the Group enhance its profitability. Specifically, the performance of all subsidiaries is consistently over 1% (from 1.2% to 1.8%) whereas the parent bank's performance has been reducing from 1.2% in 2007 to 0.4% in 2009. Excluding the Serbian subsidiary, all other subsidiaries are more efficient than the parent bank. The Bulgarian subsidiary's efficiency remained stable, while there was a gradual efficiency decrease for the Albanian one. However, the causes of efficiency for all banks and by bank do not hold true in the case of this particular group.

4. CONCLUSIONS

The dynamism of the deregulated Greek banking system and of the stock market boom at the end of the last decade offered the necessary funds for the expansion of Greek banks in several countries, particularly the Balkans. The expansion of Greek banks in the Balkan area has been noteworthy as they obtained significant market shares in some countries.

This paper attempts to investigate the feasibility of expansion of banks in these countries, by examining particularly their economic efficiency. To this end we have studied and analyzed the balance sheets of both the Greek parent banks as well as those of their subsidiaries and calculated the main performance indicators - ratios. The study was limited in finding the causes of differences in financial, not operational issues. The main conclusion is that, in general, and in most cases, the movements of the Greek banks were successful and that they had positive effects on their overall profitability and efficiency.

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TABLE : BALANCE-SHEETS AND RATIOS

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
ALL GROUPS														
2007	192268	287003	20082	171540	19179	10852	8328	4768	4002	0,017	0,237	1,12	0,029	0,06
2008	238502	333659	17638	202603	24405	14833	9571	3369	3597	0,010	0,191	1,17	0,029	0,07
2009	241801	349849	25342	206475	20306	10615	9689	1855	1346	0,005	0,073	1,17	0,028	0,05
ALL PARENT (GREEK)BANKS														
2007	157721	262518	16969	148329	15523	9621	5902	3058	2549	0,012	0,180	1,06	0,022	0,05
2008	194701	323491	14818	176683	19819	13454	6365	1032	676	0,003	0,070	1,10	0,020	0,06
2009	194310	335946	21095	179937	15509	9326	6193	602	215	0,002	0,029	1,08	0,018	0,04
ALL BALKAN SUBSIDIARIES														
2007	19944	29716	3357	16949	2612	1292	1437	628	553	0,021	0,187	1,17	0,048	0,08
2008	26054	38875	4019	21957	3860	2164	1697	628	549	0,016	0,156	1,18	0,044	0,09
2009	23671	36032	3768	20982	3651	1793	1869	427	370	0,012	0,113	1,12	0,052	0,10
NATIONAL BANK OF GREECE GROUP														
2007	54693	90385	6470	60530	5736	2686	3051	1902	1644	0,021	0,294	0,90	0,034	0,10
2008	69898	101323	5972	67657	6941	3361	3580	1937	1584	0,019	0,324	1,03	0,035	0,09
2009	74753	113394	8453	71194	6552	2611	3940	1252	963	0,011	0,148	1,05	0,035	0,08
PARENT (GREEK) BANK														
2007	39958	71059	6536	49259	3440	1630	1811	1032	915	0,015	0,158	0,81	0,025	0,08
2008	53440	83820	6434	56291	4066	2018	2048	633	480	0,008	0,098	0,94	0,024	0,07
2009	58129	91220	8224	58081	3677	1456	2231	403	225	0,004	0,049	1,00	0,024	0,06
TOTAL BALKAN SUBSIDIARIES														
2007	10982	15758	1796	9153	1695	819	876	445	391	0,028	0,248	1,20	0,056	0,15
2008	13929	19866	2193	11464	2232	1180	1052	389	337	0,020	0,178	1,21	0,053	0,16
2009	12534	19580	1952	12483	2358	1011	1347	342	303	0,017	0,175	1,00	0,069	0,18
UNITED BULGARIAN BANK														
2007	2508	3128	382	1745	195	54	141	105	94	0,034	0,275	1,43	0,045	0,07

2008	3434	3945	479	2045	303	125	178	111	99	0,028	0,231	1,67	0,045	0,08
2009	3318	4149	522	2165	326	130	195	46	41	0,011	0,088	1,53	0,047	0,09
						FINANSBANK A.S.								
2007	7349	10965	1283	6847	1408	716	692	328	286	0,030	0,255	1,07	0,063	0,19
2008	9061	13677	1484	8648	1761	941	820	261	222	0,019	0,176	1,04	0,060	0,19
2009	7927	13326	1194	9212	1822	759	1063	293	260	0,022	0,246	0,86	0,080	0,23
						EUROBANK GROUP								
2007	45638	68389	5359	36151	5980	3976	2004	1050	831	0,015	0,196	1,26	0,029	0,08
2008	55878	82202	4623	45656	7488	5103	2385	818	677	0,010	0,177	1,22	0,029	0,09
2009	55837	84269	6314	46808	5987	3646	2341	398	316	0,005	0,063	1,19	0,028	0,07
						PARENT (GREEK) BANK								
2007	37325	68272	3910	38939	5345	3874	1471	854	705	0,013	0,218	0,95	0,022	0,07
2008	43570	93065	3190	44467	6827	5291	1536	263	236	0,003	0,082	0,98	0,017	0,07
2009	42015	99856	3745	45807	5311	3979	1332	0	3	0,000	0,000	0,91	0,013	0,05
						TOTAL (BALKAN) SUBSIDIARIES								
2007	3058	6731	572	3484	484	261	223	84	75	0,013	0,147	0,87	0,033	0,07
2008	4474	8030	615	5169	828	533	294	95	82	0,012	0,155	0,86	0,037	0,10
2009	2750	4762	573	3007	468	304	165	22	18	0,005	0,038	0,91	0,035	0,09
						EUROBANK TEFKEN								
2007	407	1250	124	524	125	94	31	10	8	0,008	0,081	0,77	0,025	0,10
2008	505	1582	124	816	208	172	36	7	5	0,005	0,059	0,61	0,023	0,13
2009	612	1753	201	841	197	150	47	13	10	0,007	0,063	0,72	0,027	0,11
						EUROBANK BULGARIA								
2007	1375	2208	221	1668	162	62	100	42	39	0,019	0,190	0,82	0,045	0,07
2008	1858	2714	239	1924	257	130	127	51	45	0,019	0,214	0,96	0,047	0,09
2009	2138	3010	373	2166	272	154	118	9	8	0,003	0,024	0,98	0,039	0,09
						BANKPOST								
2007	1277	3273	227	1293	198	106	92	32	29	0,010	0,142	0,98	0,028	0,06
2008	2110	3734	252	2429	363	231	132	37	31	0,010	0,147	0,86	0,035	0,09

						ALPHABANK GROUP								
2007	42072	54594	4291	34665	3406	1801	1605	985	851	0,018	0,23	1,21	0,029	0,06
2008	50704	65216	3940	42546	4406	2608	1798	625	513	0,01	0,159	1,19	0,028	0,06
2009	51399	69480	5973	42916	3875	2112	1762	502	391	0,007	0,084	1,19	0,025	0,05
						PARENT (GREEK) BANK								
2007	35267	54039	2740	23334	3106	1879	1227	613	457	0,011	0,224	1,51	0,023	0,05
2008	42189	66738	2369	33816	4118	2768	1350	395	334	0,006	0,167	1,24	0,02	0,06
2009	41810	67848	4775	35258	3339	1995	1344	567	428	0,008	0,119	1,18	0,02	0,04
						TOTAL (BALKAN)SUBSIDIARIES								
2007	2540	2705	353	1546	201	118	198	37	33	0,014	0,107	1,64	0,074	0,07
2008	3114	5119	430	1888	349	218	131	43	40,7	0,008	0,1	1,65	0,026	0,06
2009	3950	5846	404	1845	362	211	162	-9	-14	-0,002	-0,02	2,14	0,028	0,06
						SRBIJA AD								
2007	223	478	93	305	32	14	18	2	2	0,005	0,023	0,73	0,038	0,06
2008	233	550	139	324	55	25	29	8	8	0,014	0,057	0,71	0,054	0,10
2009	387	691	117	80	38	25	12	-24	-26	-0,035	-0,21	4,85	0,018	0,05
						ROMANIA ALPHA BANK								
2007	2237	2113	233	1181	162	102	176	34	30	0,016	0,146	1,89	0,083	0,07
2008	2742	4380	265	1483	283	187	96	37	34	0,008	0,14	1,84	0,022	0,06
2009	3459	5011	265	1706	311	181	142	18	15	0,004	0,068	2,02	0,028	0,06
						SKOPJE ALPHA BANK								
2007	79	115	27	60	6	2	4	1	1	0,013	0,055	1,31	0,041	0,05
2008	139	189	25	80	11	6	5	-1	-1	-0,009	-0,07	1,73	0,029	0,06
2009	105	145	22	59	13	5	8	-3	-3	-0,023	-0,15	1,77	0,056	0,08
						COMMERCIAL BANK OF GREECE GROUP								
2007	19577	27208	880	18127	1395	644	751	46	25	0,002	0,052	1,08	0,028	0,05
2008	23710	30029	227	18364	1672	1023	649	-396	492	-0,013	-1,74	1,29	0,022	0,05

2009	22124	28426	1136	15494	1103	562	542	-583	-530	-0,021	-0,51	1,42	0,019	0,03
						PARENT (GREEK) BANK								
2007	18408	26805	839	17767	1311	622	688	61	49	0,002	0,073	1,03	0,026	0,04
2008	22019	29655	201	17999	1578	996	581	-396	-487	-0,013	-1,97	1,22	0,02	0,05
2009	21111	28100	1113	15061	1032	530	503	-569	-587	-0,02	-0,51	1,40	0,018	0,03
						TOTAL (BALKAN) SUBSIDIARIES								
2007	317	413	49	190	22	9	13	1	0,9	0,005	0,039	1,66	0,032	0,05
2008	475	606	84	184	37	18	18	5,	5,2	0,009	0,062	2,58	0,031	0,06
2009	509	635	71	226	42	21	20	13	13	0,021	0,189	2,25	0,032	0,06
						ALBANIA EMPORIKI BANK SA								
2007	141	171	19	75	9	4	5	1	1,1	0,008	0,074	1,88	0,033	0,05
2008	159	182	25	68	12	6	6	-0,6	-0,6	-0,004	-0,03	2,34	0,035	0,06
2009	178	211	28	79	14	7	7	-1,3	-1,5	-0,007	-0,05	2,26	0,037	0,07
						BULGARIA EMPORIKI BANK SA								
2007	102	122	12	50	4	1	3	-1,2	-1,9	-0,01	-0,1	2,04	0,025	0,03
2008	206	241	20	65	12	6	6	-1,9	-1,9	-0,008	-0,1	3,16	0,025	0,05
2009	219	242	23	69	14	7	7	-3,4	-3,7	-0,014	-0,15	3,17	0,032	0,06
						PIRAEUS BANK								
						GROUP								
2007	30288	46427	3082	22067	2662	1745	917	785	651	0,017	0,255	1,37	0,02	0,05
2008	38312	54889	2876	28380	3898	2738	1159	385	331	0,007	0,134	1,35	0,021	0,07
2009	37688	54280	3466	30063	2789	1684	1104	286	206	0,005	0,083	1,25	0,02	0,05
						PARENT (GREEK) BANK								
2007	26763	42343	2944	19030	2321	1616	705	498	423	0,012	0,169	1,40	0,017	0,05
2008	33483	50213	2624	24110	3230	2381	850	137	113	0,003	0,052	1,38	0,017	0,06

2009	31245	48922	3238	25730	2150	1366	783	201	146	0,004	0,062	1,21	0,016	0,04
						TOTAL (BALKAN) SUBSIDIARIES								
2007	3047	4109	586	2576	211	85	126	59	52	0,014	0,101	1,18	0,031	0,05
2008	4061	5253	697	3252	414	214	200	95	84	0,018	0,136	1,24	0,038	0,07
2009	3927	5208	768	3421	421	246	175	60	50	0,012	0,078	1,14	0,034	0,08
						ROMANIA PIRAEUS BANK								
2007	1001	1495	240	485	76	28	49	19	14	0,013	0,079	2,06	0,033	0,05
2008	1572	2306	282	973	212	114	98	49	41	0,021	0,172	1,61	0,043	0,09
2009	1523	2371	321	1268	228	163	65	26	19	0,011	0,081	1,20	0,027	0,09
						TIRANA BANK								
2007	292	475	50	359	32	13	19	9	6	0,018	0,174	0,81	0,041	0,06
2008	385	573	70	372	43	20	23	11	9	0,019	0,158	1,03	0,04	0,07
2009	404	596	82	398	40	19	21	13	12	0,022	0,162	1,01	0,035	0,06
						BEOGRADE PIRAEUS BANK								
2007	183	336	88	155	20	10	10	3	5	0,008	0,031	1,17	0,03	0,06
2008	248	298	107	89	28	11	18	3	2	0,01	0,028	2,78	0,06	0,09
2009	326	424	102	212	31	9	22	-6	-5	-0,013	-0,05	1,54	0,052	0,07

COLUMN CONTENT :

1	Loans	**8**	Profit before tax
2	Total assets	**9**	Profit for the year
3	Total equity	**10**	ROA
4	Deposits	**11**	ROE
5	Interest incomes	**12**	Loans/deposits
6	Interest expenses	**13**	Net interest income/total assets
7	Net interest income	**14**	Interest incomes/total assets