



# **Western European Banking Groups in East-Central Europe: A Preliminary Overview**

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# EAST-CENTRAL EUROPE

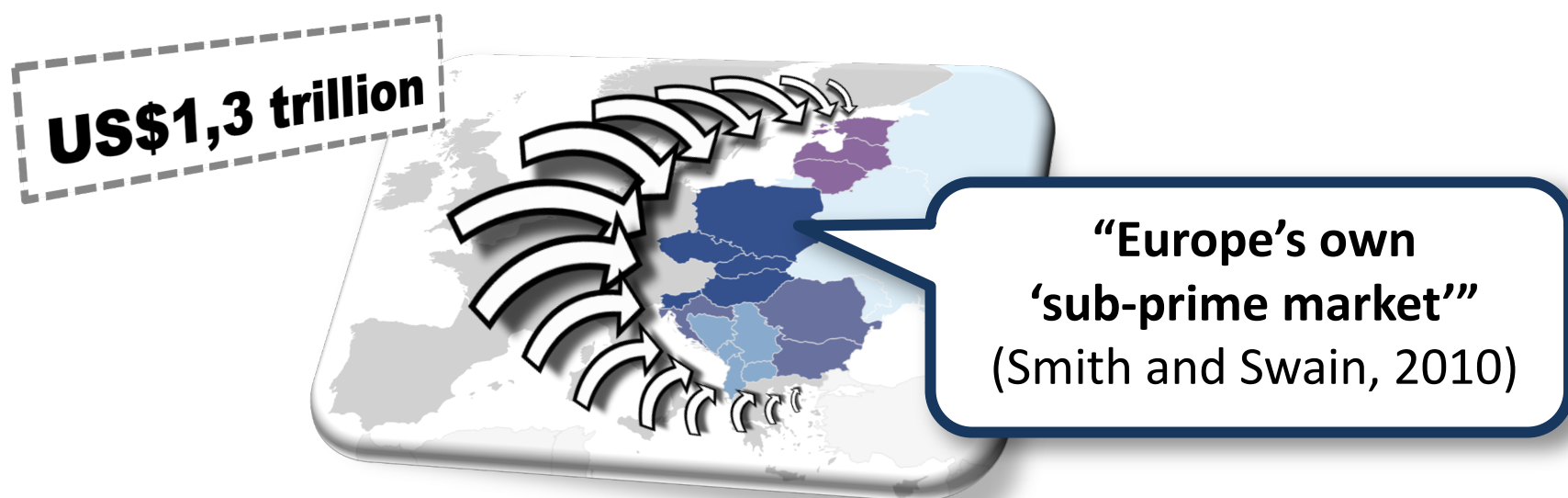
- **East-Central Europe (ECE) = unique opportunity to study financialisation**
- **Provide new perspective on the growing power finance**
- not just **another/different geographical context** (beyond Anglo-Saxon paradigm)
- not just **periphery** (semi-periphery) context
- ECE = unique terrain because:
- former **state-socialist economies**:
  - ... **opposite logics** to financialisation
- Transformation towards market economy:
  - ... turning society **upside down**
- + **speed** of financialisation  
(that followed the collapse of state-socialist regimes)



# WESTERN BANKS

## Western (West-European) banks:

- central role in financialising East-Central Europe
- unprecedented level of **foreign ownership**
- unprecedented rise/speed of (household) **debt**
- creating networks of **‘financial chains’** (Sokol, 2017)
- yet to be fully researched & understood! → **GEOFIN project**



# WESTERN BANKS

- unprecedented rise of **debt**:
  - esp. household / **housing debt**



‘mortgage revolution’



(Photos © M. Sokol)



# WESTERN BANKS

- unprecedented rise of **debt** – the case of Slovakia:



Slovakia: Household Debt (1995 – 2013)  
(Source: Bloomberg – from OECD data)

# WESTERN BANKS

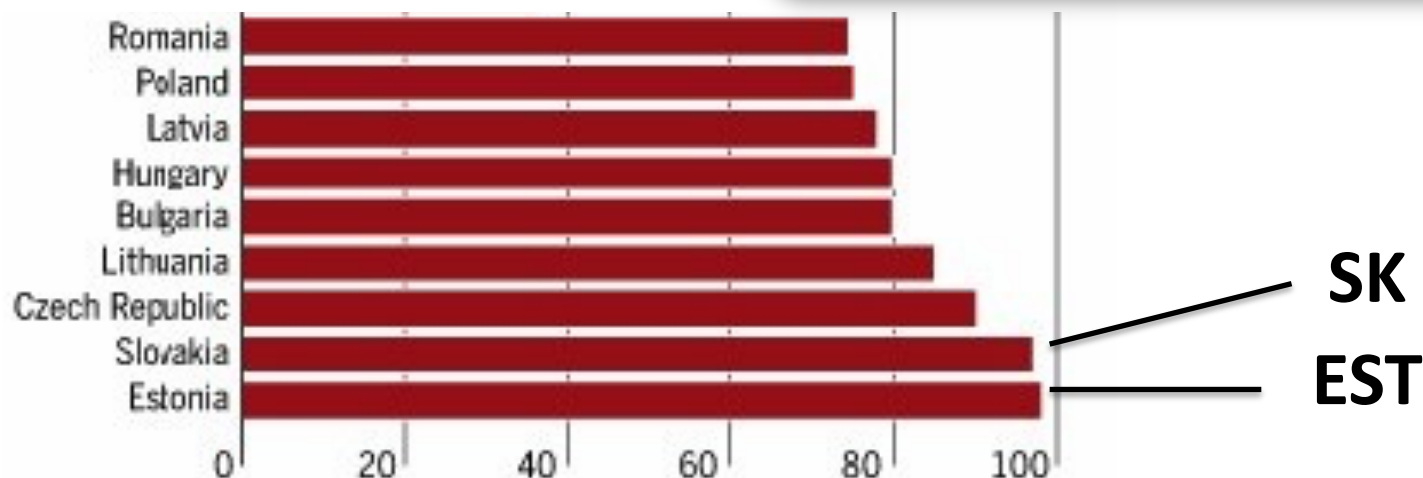
- Domination of **Western (West European) finance**

**Chart 1: Western European Ownership of Eastern European Banks**

**Eastern European banks**

% share of foreign ownership in capital

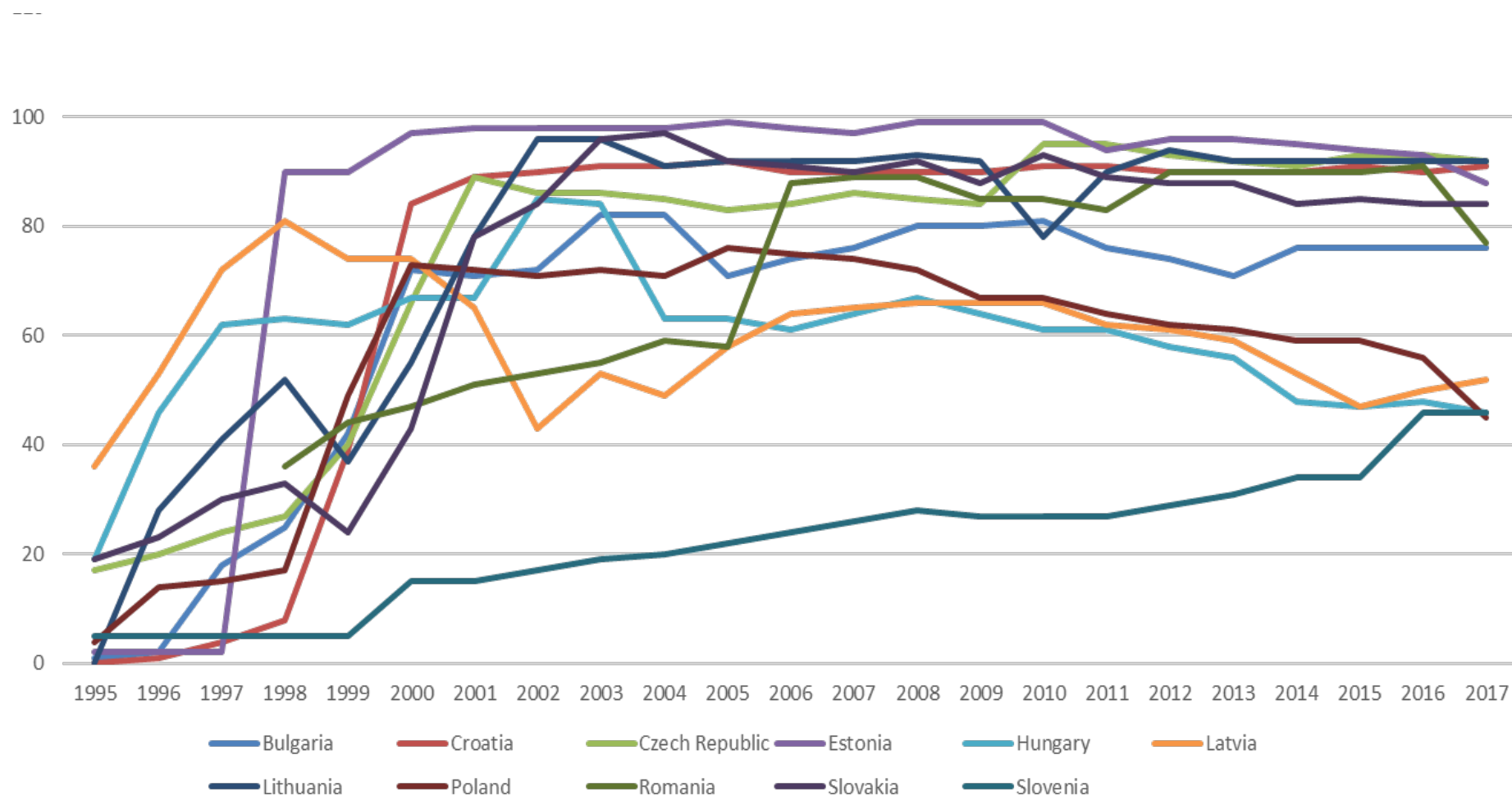
**New EU 10: 75% -100%**  
(Exception: Slovenia)



Source: Moody's

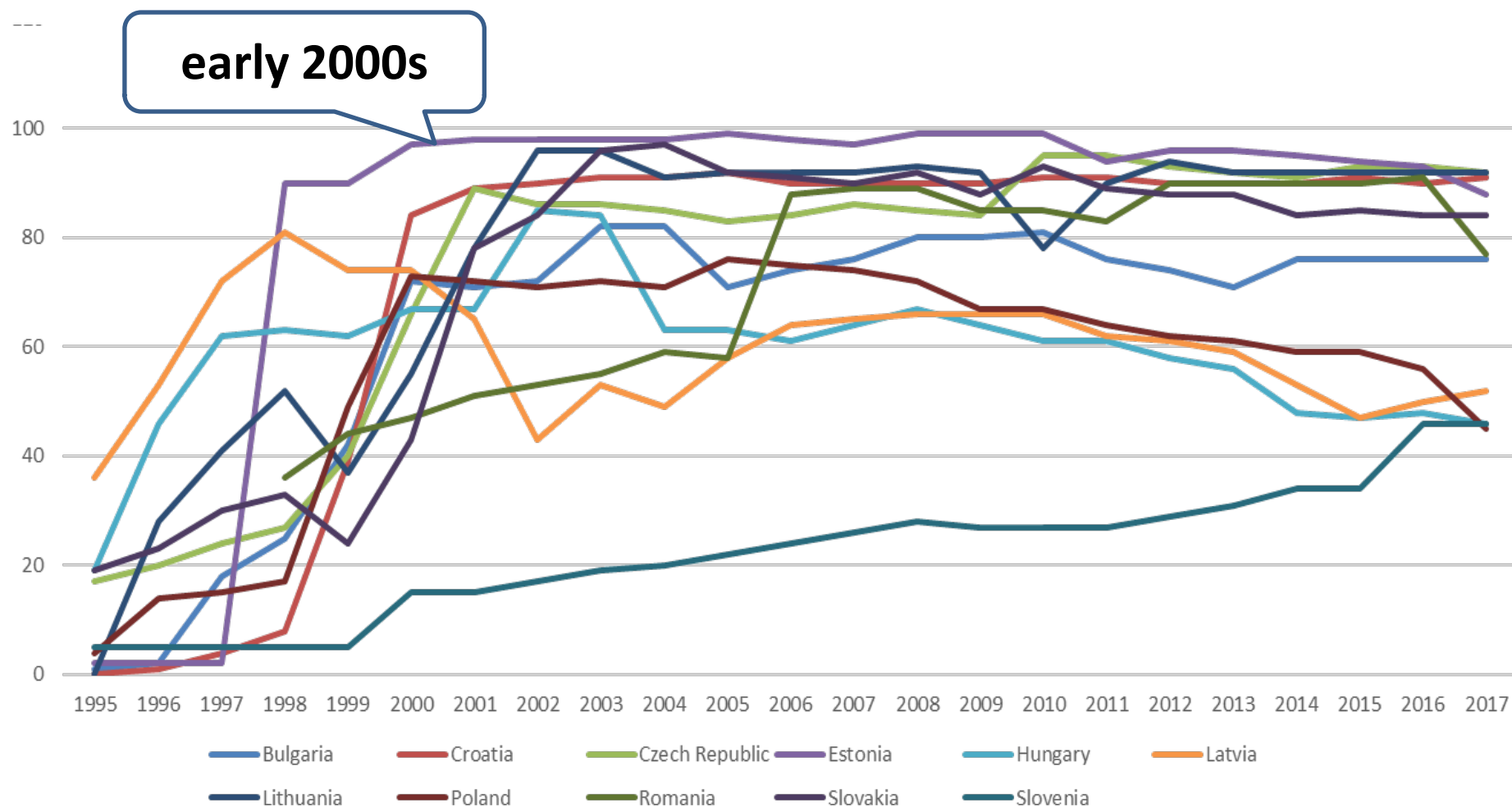
Source: FT.com

# OWNERSHIP OF FOREIGN BANK ASSETS ON TOTAL ASSETS (1995-2017)



Sources: ECB Central Bank data Warehouse and Claessens and van Horen (2014)

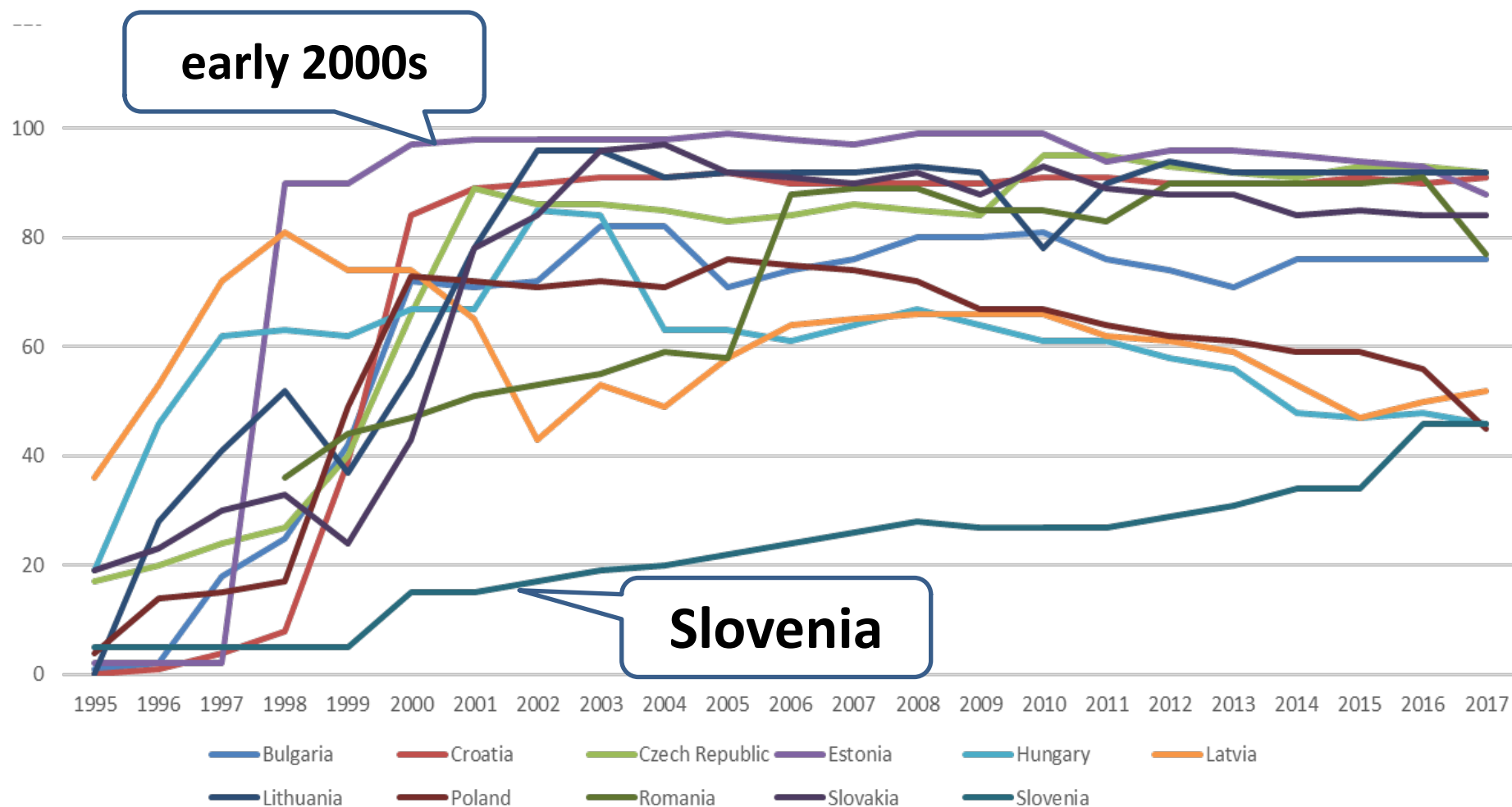
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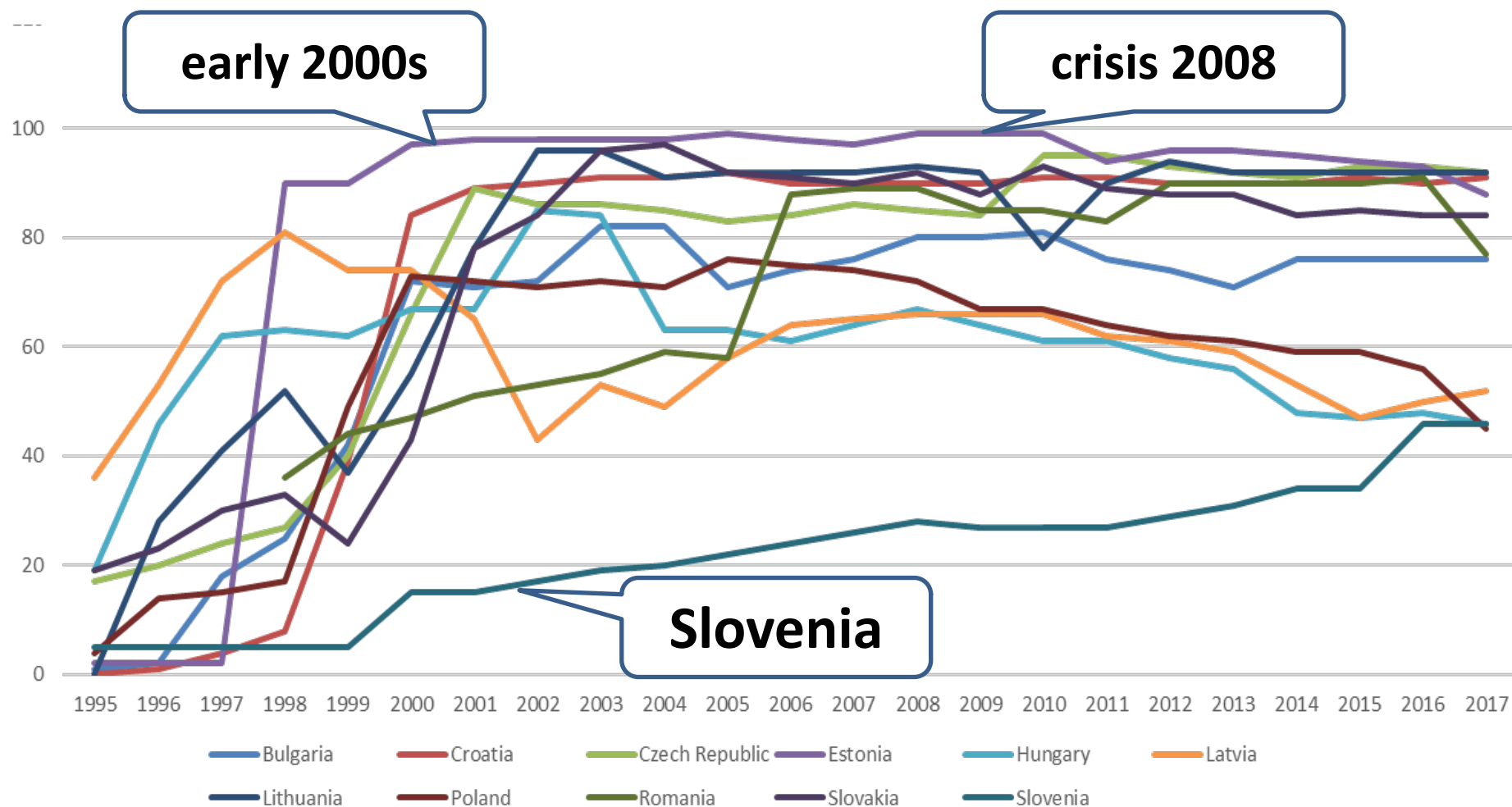


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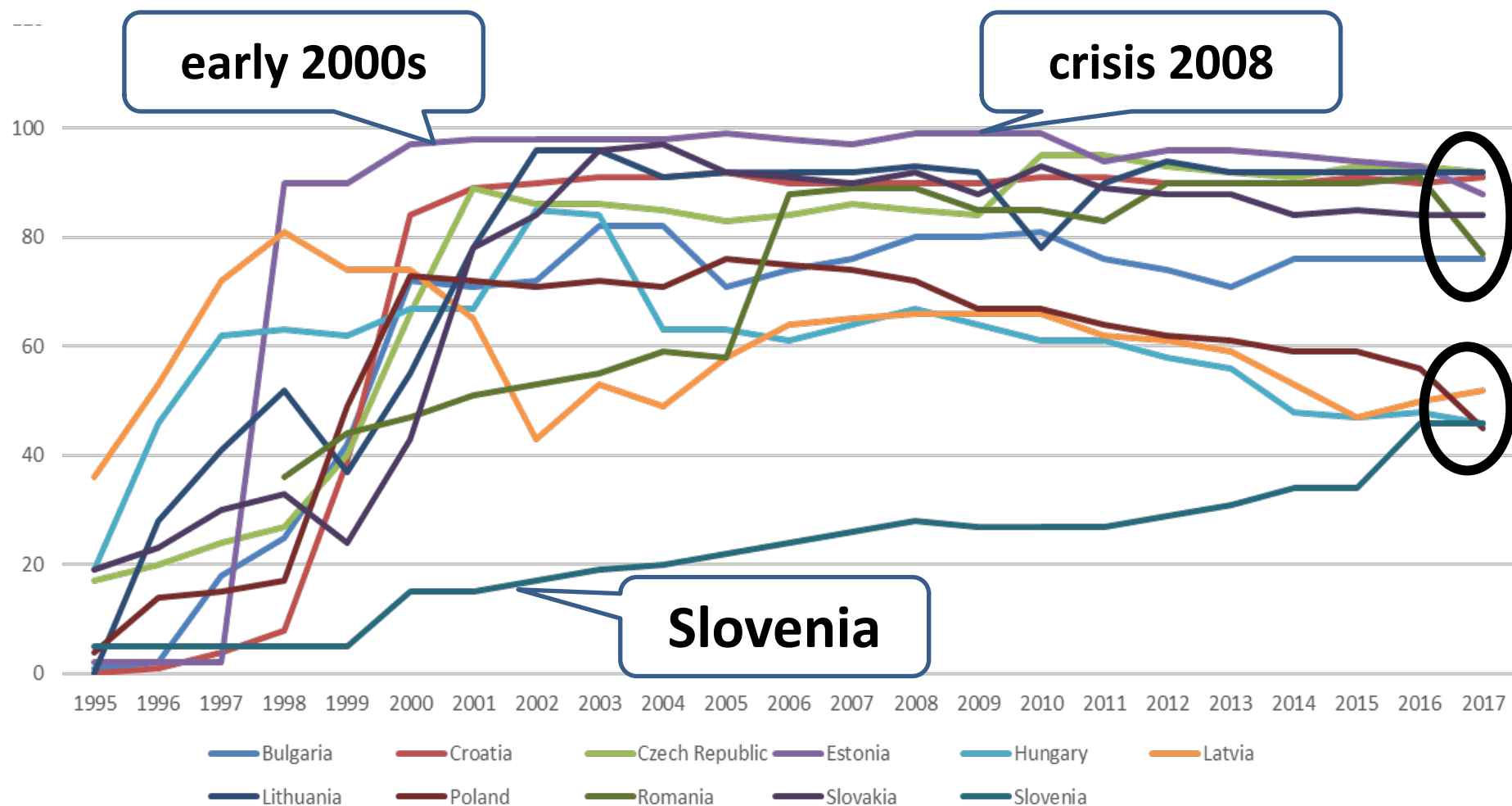
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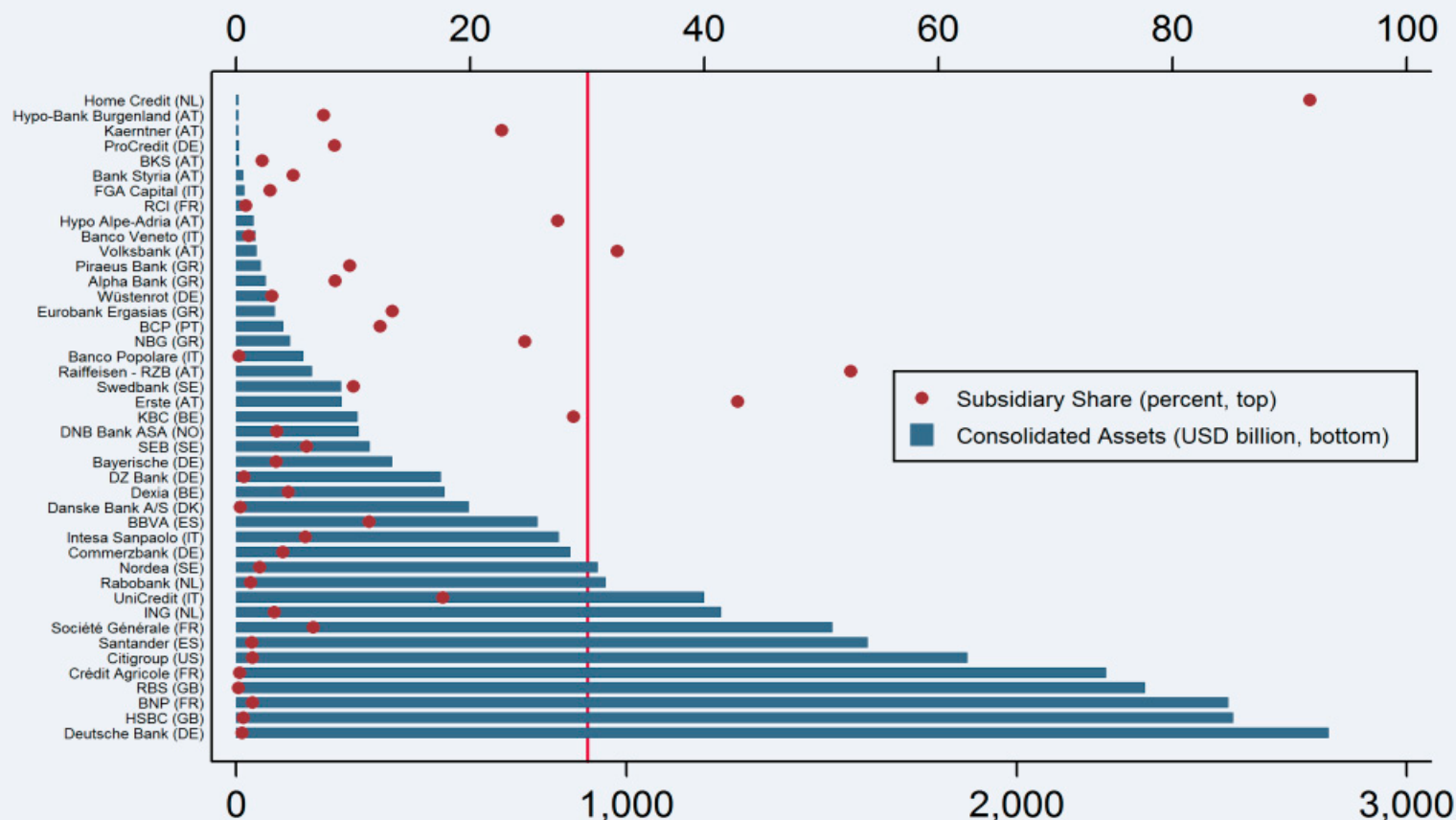
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# WESTERN BANK DEPENDENCY ON ECE (%)

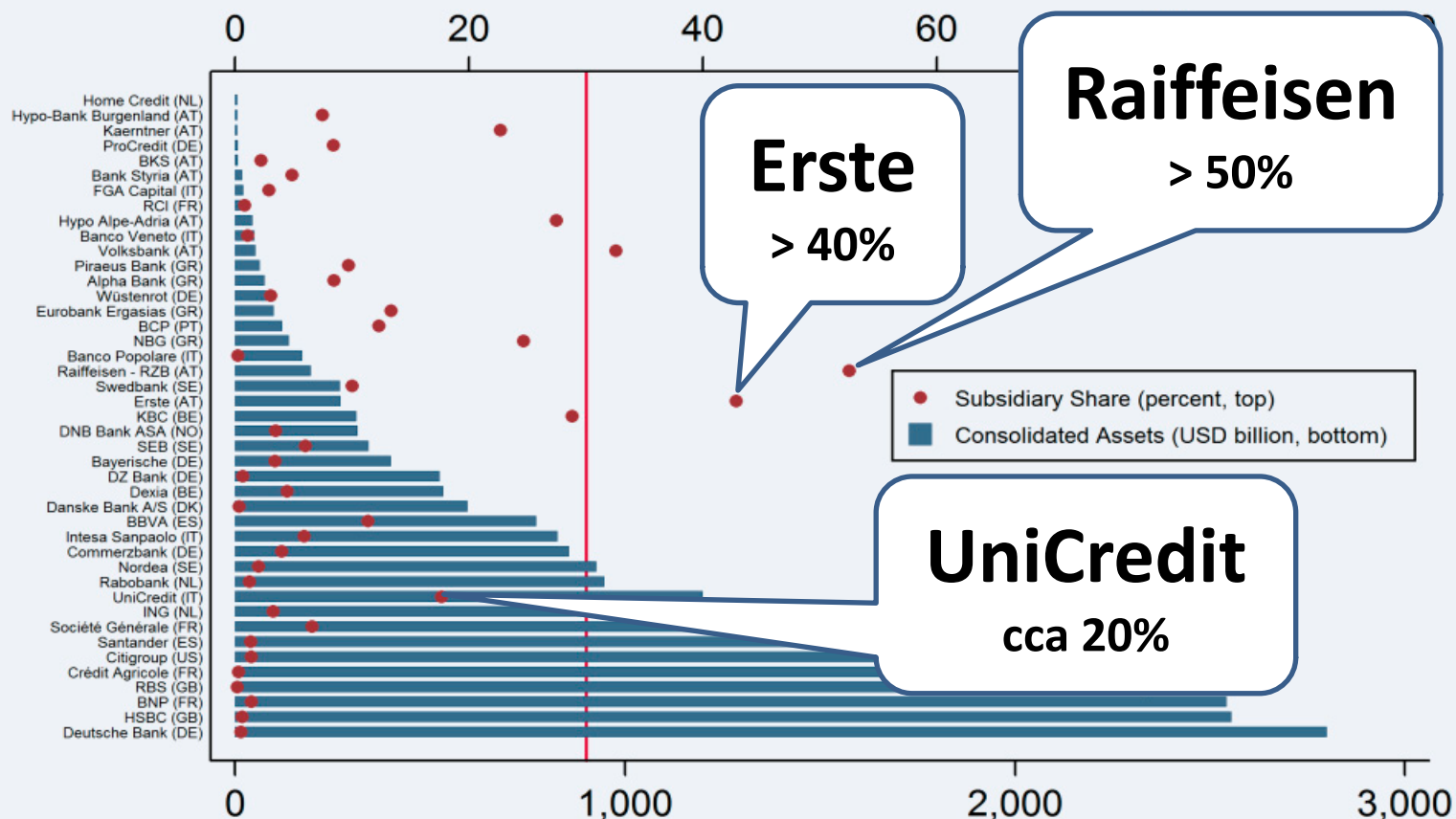
Figure 13. Share of CESEE Subsidiaries in Parent Consolidated Assets (2011)



Notes: Bankscope did not contain 2011 data for few small subsidiaries at the time of the download.  
Sources: Bankscope and authors' calculations.

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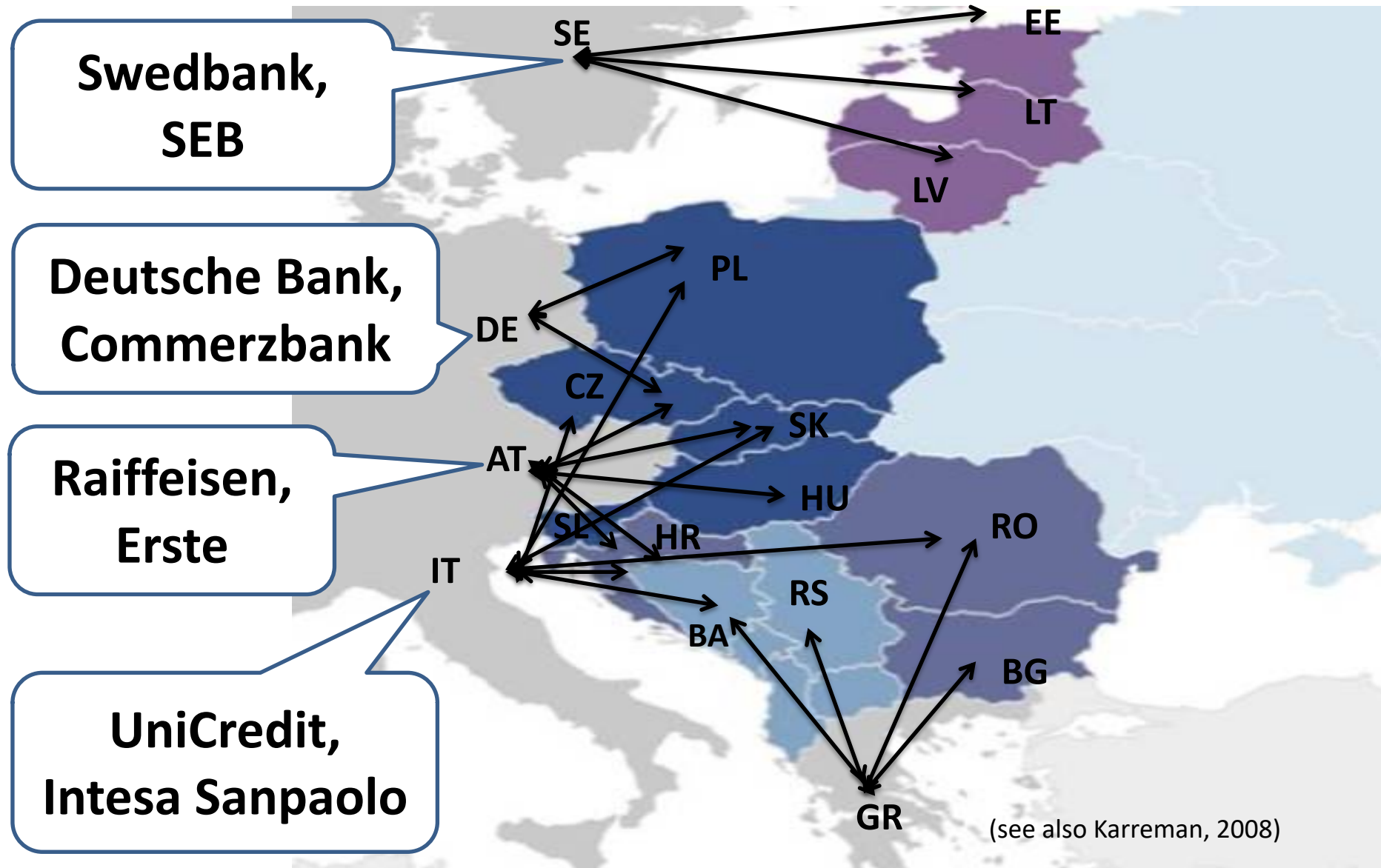
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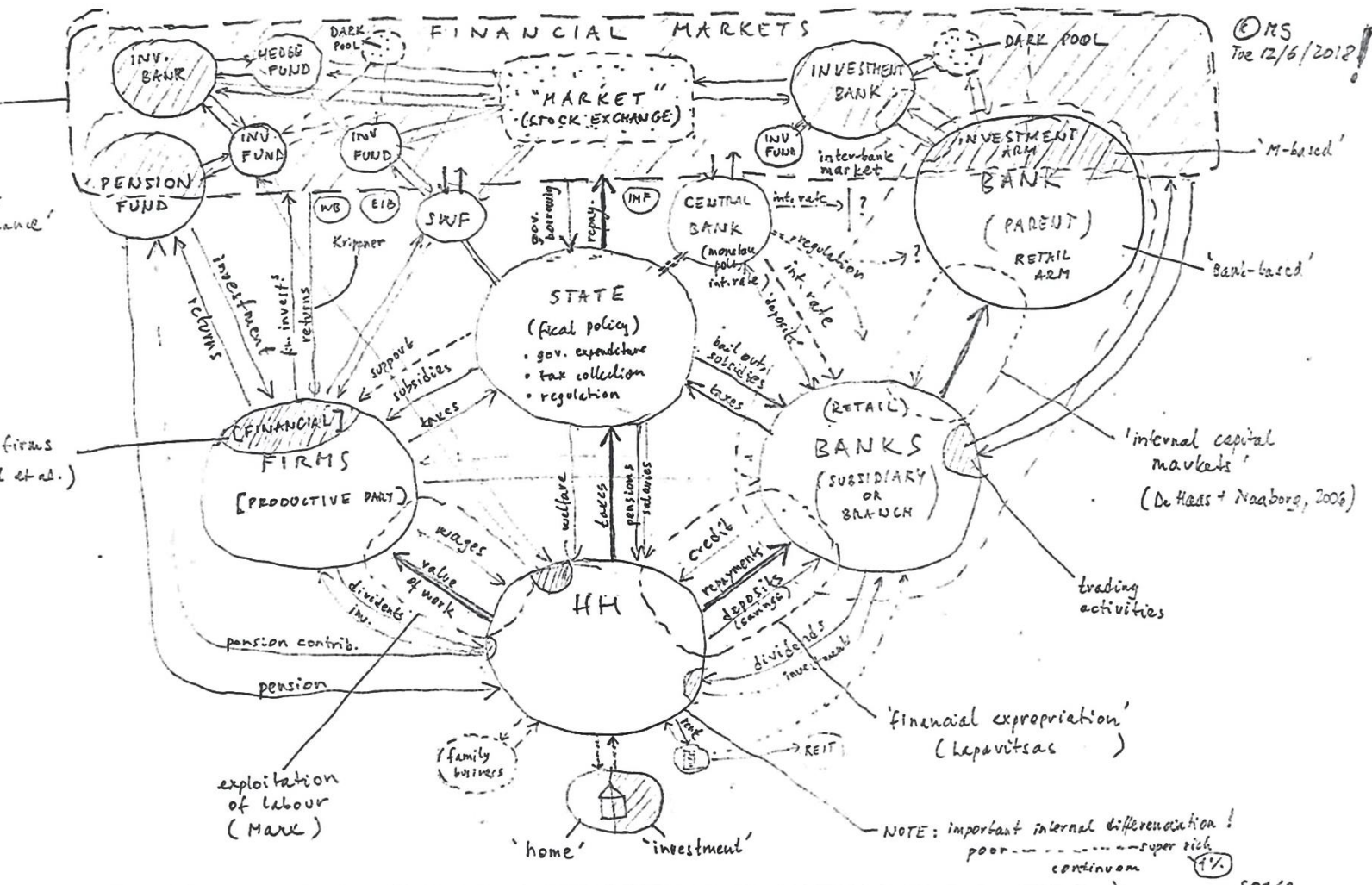
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Sources: Bankscope and authors' calculations.



# GEOGRAPHY OF WESTERN BANK PENETRATION

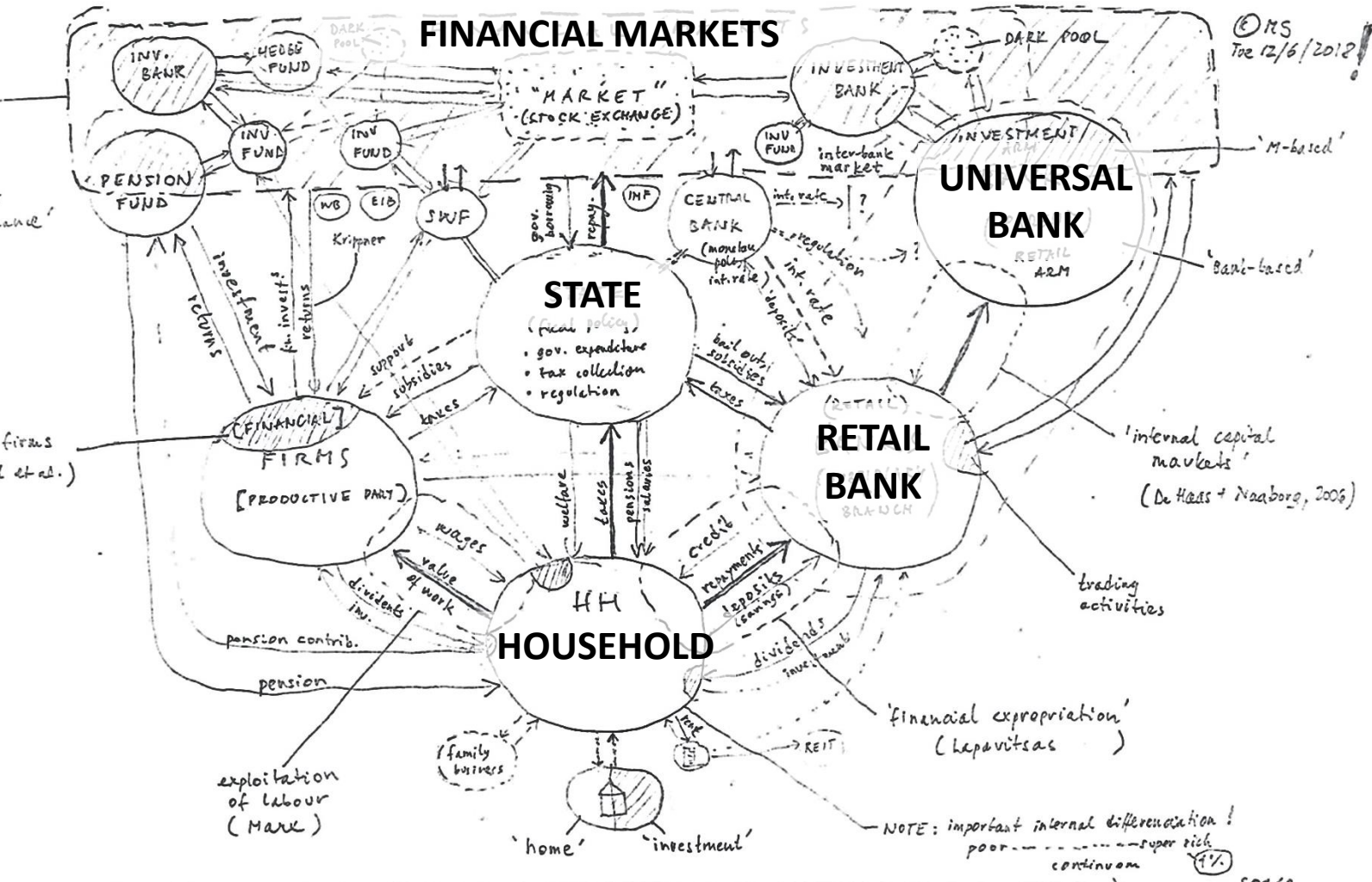


## 'FINANCIAL CHAIN' – Version 2.0\*



\*Source: Sokol, 2018

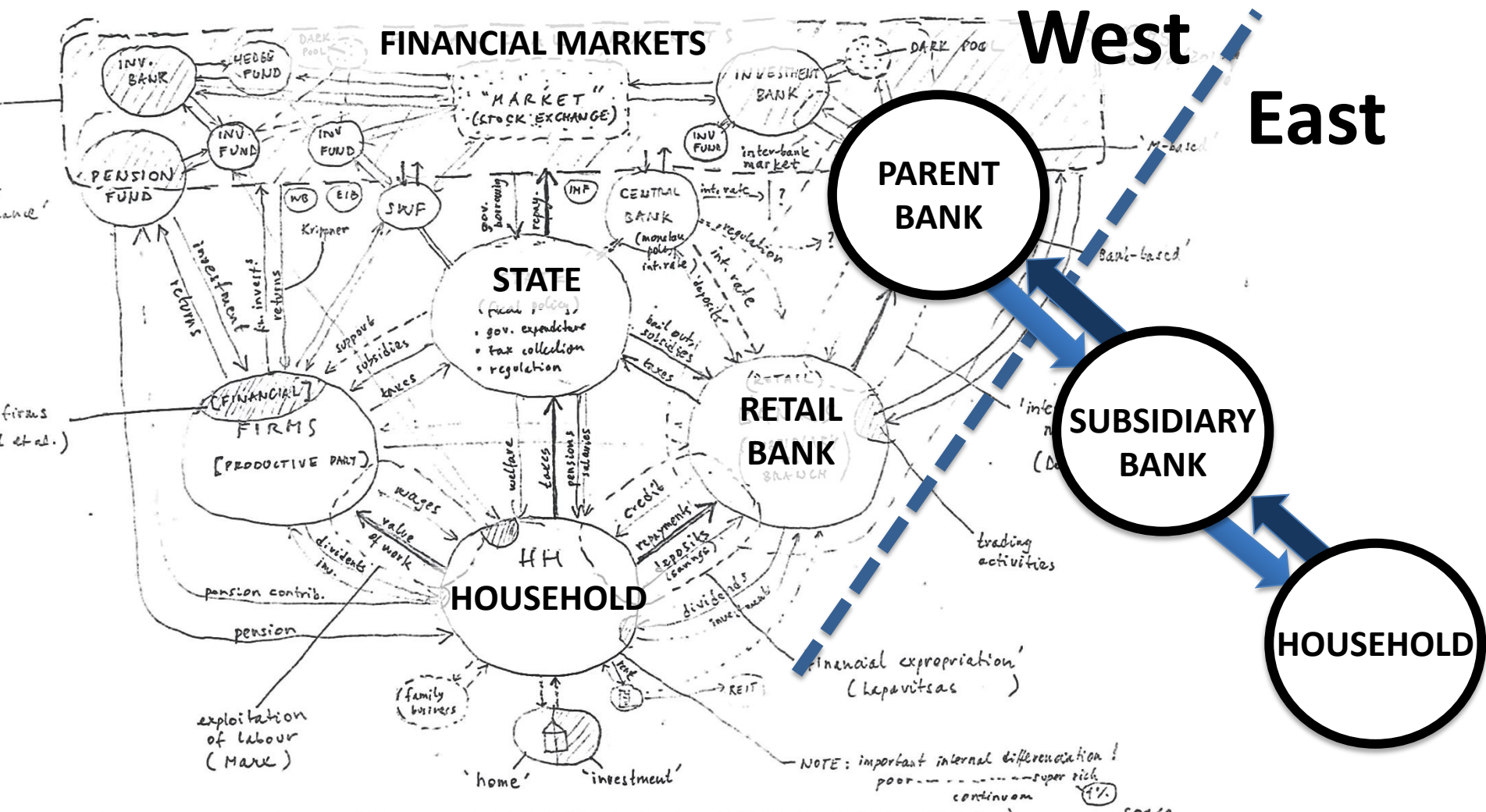
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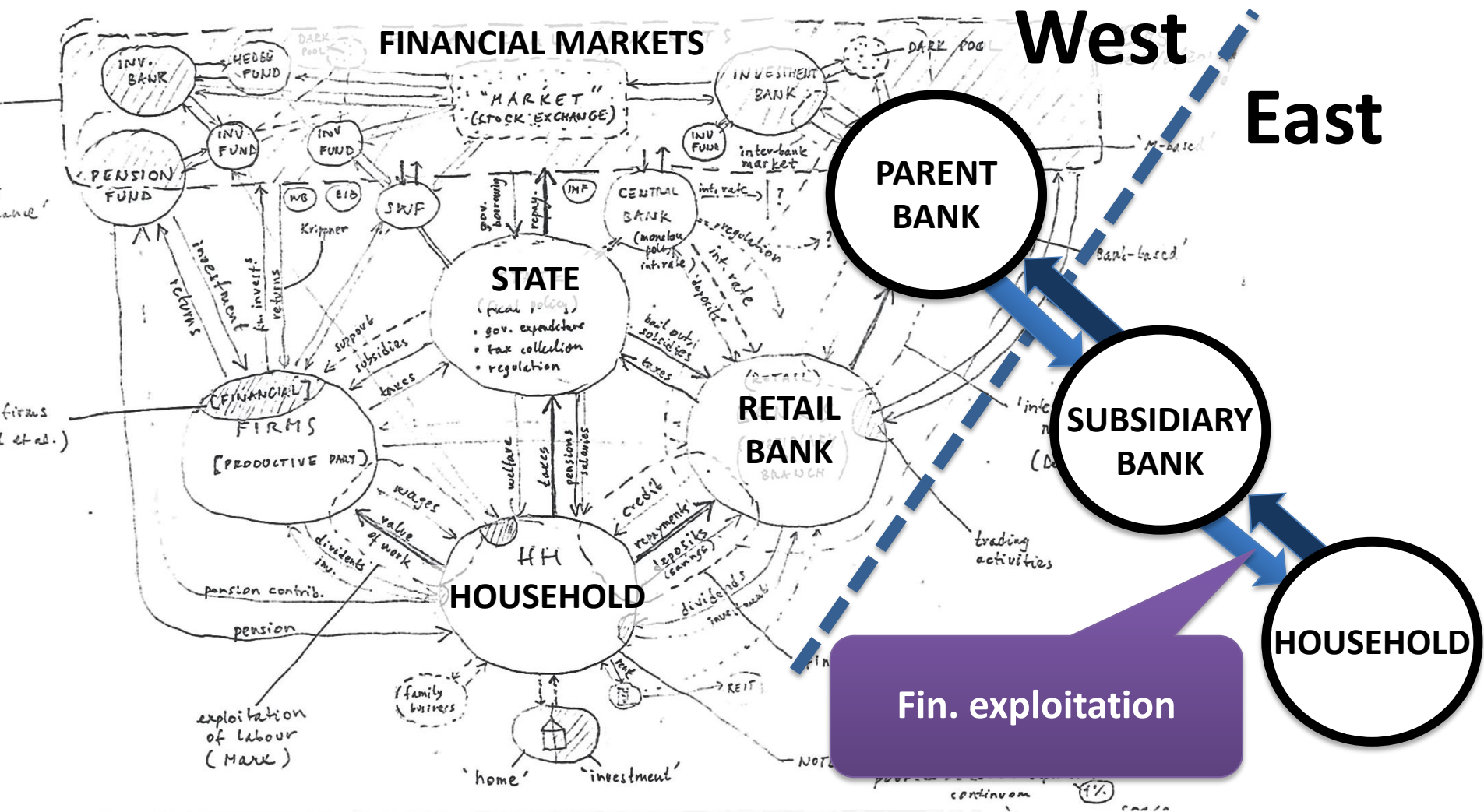


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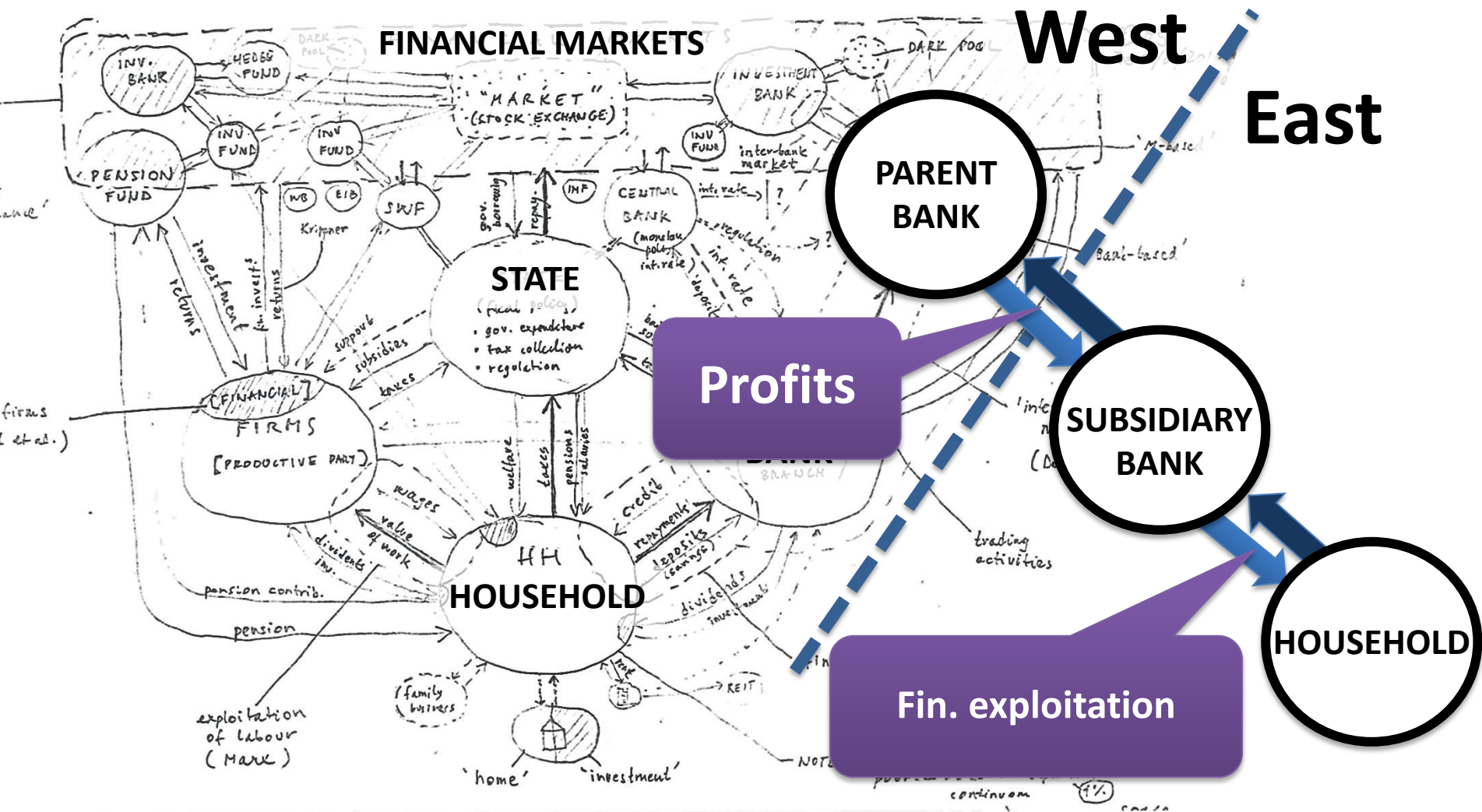
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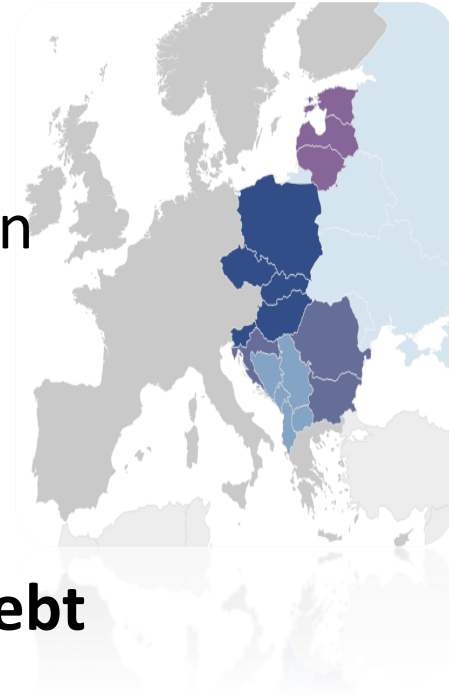
# 'FINANCIAL CHAIN' – Version 2.0\*



\*Source: Sokol, 2018

# CONCLUSION:

- **Post-socialist East-Central Europe:**
  - **unique opportunity** to study financialisation
- **Western banks:**
  - unprecedented level of **foreign ownership**
  - unprecedented rise/speed of (household) **debt**
  - networks of '**financial chains**' (Sokol, 2017)
  - **parent-subsidary** relationships key to understand operations in ECE
  - Implications for **uneven development**





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**Thank you!**