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Corporate Governance in Financial Institutions
Impact on the company’s performance

Study on the Balkan countries
(Greece, Bulgaria, Romania, Serbia, Albania)

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1. Executive Summary

The Corporate Governance in banks is one of the most important discussions overall the world, being reinforced especially after the crises period. It is related with the sensitive situation and the stage of developments of the local economy and moreover with the impact of the crises that is still ongoing. As an answer, during late 2008 and beginning 2009, it has been noticed a fast reaction and total focus from all banks on building (if missing) and improving their structures of Corporate Governance. The liquidity problems suddenly affecting the banking sector constrained Banks to enlarge their activities /operations and forced them in better evaluating their investments.

The financial sector in the Balkan countries, especially the banking sector is having gradual improvement on the last years (from 2000 onwards). An important contribution on that has the strong reform undertaken by international institutions like International Monetary Fund, WorlBank, EBRD and OEDC. The reforms imposed have as objective the Balkan countries to catch up as soon as possible the European Financial system by strengthening the financial supervision. It is noticeable that Balkan countries, being less economically advanced have higher rate of convergence than the developed countries (Catching up their Integration in the European Financial System, Fabienne Bonetto, Srdjan Redzepagic, Anna Tykhonenko, Panoeconomicus, 2009)

The importance of a strong financial sector in impacting the country’s economy growth through both level of banking development and stock market liquidity (Levine and Sara Zervos 1996, 1998) is quite evident even in the developing countries. Moreover, Peter Rousseau and Watchel (2000) findings’ confirm the positive impact of the stock market activity and the banking development. For this reason the governments in the developing countries are insisting in increasing credits of banks towards the private firms.

The Balkan countries, being in developing stage and experiencing for the last 15 years, an aggressive penetration of foreign banks in the markets (75% of establishment of new banks, or purchase of local banks from international groups, in the Balkan countries happened during the period 2000 – 2008) are still in process of improving their local financial system and establishing corporate governance structures.

Throughout the year 2008, the banking sector in the Balkan countries experienced strong growth despite the financial crises spread overall the world. The main reasons for that were the low level of integration at the international markets, low level of exposure to the international institutions, as well as the strong capitalization of the banks in the Balkans.
The regional economies and the banking structure are under frequent improvements through the new legal and institutional reforms that are obligatory in the framework of the European integration process. (F. Bonetto, S. Redzepagic, A. Tykhonenko, 2009)

The impact of the financial crises in Balkan, as for other countries of the CEE, is not having the same negative level as for the rest of the world due to relative insulation; however, the need of the local economy for further financings towards the private companies in order to stimulate the country economic growth will somehow expose these countries to possible difficulties.

The banking system in Bulgaria, Romania, Serbia and Albania has certain similarities in terms of development stage, related with the economic growth rate as well. Greece is much more advanced in these terms having a totally established and steady banking system for a long time. The banking system there is operating for more than 100 years instead of 15-20 years of development in the remaining countries. Moreover, Greek banks are the most active ones in terms of expansion in the Balkan countries (7 Greek banks have a considerable presence and market share in the 4 studied countries). One of the reasons for including Greece in the study is to examine at what level the corporate governance of the Greek groups has been propagated in the other 4 countries. It is to be mentioned that despite the long history of the banking market, the terminology of corporate governance was introduced in Greece only on the year 1999. (Principles of Corporate Governance, Standard report Greece, October 2008)

This dissertation aims to analyze the corporate governance policy and related topics in the major banks / international groups in 5 countries of the Balkan area (Greece, Bulgaria, Romania, Albania and Serbia). The research involves 45 banks out of 122 operating in the region, composing 37%

The analysis, are based on researches and evaluations of banks’ organizational structure, functions of the supervising bodies like Board of Directors and Audit Committees, implementation of internal control policies, role of independent units (i.e. risk, internal audit and compliance), role of local authorities (central banks, anti-money laundering authorities), etc.

The target is to evaluate the importance of corporate governance in banks’ performance in the region (in terms of profitability, size and expansion, as well as market positioning). In addition, it will be analyzed the impact that has the presence of international groups in the region by improving or not the corporate governance of the system.

The analysis will include even the role of the supervisory authorities and the impact of regulatory framework in the respective countries in the formulation and implementation of corporate governance.
2. Acknowledgments

Due to the sensitivities of the researches performed in the four countries and the lack of published data required for completing the study, part of this survey has been realized through interviews, especially for the Albanian banking market. A special contribution has been given from the following persons: Christian Canacaris (Head of Investments and Corporate Banking, Raiffeissen Bank, Albania); Gjergji Guri (Head of Operations (Intesa San Paolo Group, Albania); Orfea Dhuci (Head of Corporate Banking, Alpha Bank, Albania); Natasha Ahmetaj (Head of Network Division, National Commercial Bank, Albania), Priam Ramaj (Monetary Statistics Department, Central Bank of Albania) and other contributors.
3. Introduction

Corporate Governance in banks in the Balkan countries is a new concept introduced gradually in the respective banking systems. It is part of the European integration process and imposed through the OEDC and Basel Committee principles. Aiming at enhancing the local economic growth and increasing the attractiveness of the Balkan countries for foreign investments, these institutions are monitoring and recommending the compliance of the local countries with the principles of Corporate Governance.

The fast expansion of the banking system mainly performed during the last 15 years, was not associated by a fast establishment of structures to support good corporate governance. Especially after “post-socialist” period, Balkan countries are experiencing different growth trajectories. However, the growth rate differs from one country to the other and is expected for these countries that the intensive market capitalization will lead to financial market volatility.

Balkan countries, after the financial crises in the region during the period 1996-1998 and along with the initiation of the banking sector privatization, were the target of many international groups for expanding their network in the region. For the last 10 years, the strategy followed was focused in increasing market share through rapid expansion and sale of aggressive products with soft pricing policy, especially in lending activities, etc. Taking into account the necessity of the local economies for new fund injected in order to support the development and evaluating the important positioning of banks in their development prospects, the local governments become the major support for these fast expansion and growth of the banking system.

Under these circumstances, international institutions like EBRD, OEDC and Basel Committee were providing the local banking supervision and other regulatory authorities with assistance in promoting the adoption of the sound corporate governance practices in the region. Their frequent monitoring and assessment on the subject resulted that apart from the similarities of the banking systems throughout the Balkan countries there were different structural approaches to corporate governance from country to country. Therefore, their guidelines were given taking into account these differences and emphasizing the importance of the sound corporate governance in the quality of the banking supervision. (Enhancing Corporate Governance for Banking Organizations, Basel Committee, 1999)

As per the Basel Committee, the primary responsibility for good corporate governance remains with the board of directors and senior management of the banks. Since the local regulations on this subject differ from country to country, Basel Committee principles assists and guides the supervisory authorities in enhancing and standardizing the local corporate governance. They give a detailed guide on the
respective responsibilities of the board of directors and management in terms of setting bank strategies for operations and defining clearly the accountability and responsibilities. Transparency of information regarding decisions and actions, current conditions or other disclosures given to the public is considered as other important issue for which board of directors and senior management should be responsible. The above items complete the sound framework of the corporate governance structure contributing as well to the enhancement of the banking sector.

Therefore, especially after the crises started, early 2008, a stronger presence of central banks towards second tier banks in terms of increasing the internal control levels was evidenced. The advisory role of the central banks shifted immediately to the imposing one through new instruction and regulations especially on the following subjects:

- Segregation of duties and improvement of control levels
- Related parties with banks, including executives and administrators
- Detailed monitoring of liquidity position of banks and analyzing of funds movements from/to mother companies
- Definition of basic requirements for BOD and Audit Committees functioning

In addition, there was an enhancement in the frequency of reporting of banks towards the supervision and the items monitored were enlarged and detailed. The monitoring process requests as well for banks to provide the banking supervision with several stress tests for capital and liquidity position, provisioning policy and impairment funds, loans to deposits ratio, etc.

The study has been focused in the major banks in the area, taking into consideration their market share in terms of assets. It is to be emphasized that these banks are subsidiaries or branches of big international groups and just a few of them are owned by local shareholders. The objective of the research is to analyze on details how important is the role of corporate governance in the banks' performance especially in terms of sizing, expansion and profitability, as well as the role of international groups in improving the corporate governance of the banking system.

The research consists on a detailed oversight of the:

- Organizational structures, Board of Directors and Audit Committee composition and functioning,
- Evolution in the local markets (expansion, market share) and the interdependencies from the corporate governance
- Possible impact of the corporate governance policy of big groups in the local markets

- Impact of the local regulatory authorities in the improvement of corporate governance structures.

Under the circumstances of a fast expansion, the central banks though increase continuously their recommendations and follow up on sensitive issues like capital enforcement and liquidity position, concentration of credit exposures to a single customer or group of counterparties, assets quality and loans provisioning, etc.

The presence in the country of international monitoring institutions is enhancing the compliance of the corporate governance in Balkan countries with the OEDC corporate governance policy. Due to that it was noticed a correlation between banks’ organizational charts and local regulations on corporate governance. The organizational charts of groups were adopted as per the local requirements despite the fact of strategy propagation at subsidiary level.

The final target is recommendations to serve as guidelines for building the proper corporate governance structure for a bank, taking into account needs of this institution.
3.1. Literature review

The research on the subject for the Balkan area is limited enough and there are only a few working papers performing several analyses. OEDC, Organization for Economic Co-Operation and Development has been the most active in publishing frequently topics and raising discussions through different panels considering as very important the role of Banks in corporate governance system; however such studies are in general for all companies and do not focus on the Corporate Governance of banks specifically. (OEDC publications, 2004, Corporate Governance – A survey of OEDC countries)

There are other reviews in the field regarding Basel II implementation as a strong tool for enhancing corporate governance in banks. The Basel Committee on Banking Supervision though their meeting on Sept’1999 took important decision in order to support government, especially the ones of developing countries like Balkan Countries, to improve the regulatory environment for corporate governance. Such guidelines were addressed to different fields like suggestions for stock exchanges operations, investors, corporations, and other parties that have a role in the process of developing good corporate governance (Enhancing Corporate Governance for Banking Organizations, Basel Committee, Basel, September 1999)

The recommendations of the Basel Committee towards the supervisory authorities of banks as well as to second tier banks concern to establishment of proper accountability and clear definition of reporting lines. This will improve at a great extent the internal controls of banks and moreover the banking supervision itself. The recommendations of Basel Committee include as well general guidelines on the structure of the bank in terms of board of directors and senior management, considering them as two decision making authorities separated from each other. (Enhancing Corporate Governance for Banking Organizations, Basel Committee, Basel, September 1999)

In February 2006, the Basel Committee on Banking Supervision published the principles for a sound corporate governance (Enhancing corporate governance for banking organizations, February 2006) giving emphasis mainly to the important role of the board of directors in the decision making process regarding bank’s strategies, in the proper implementation of the corporate governance policy, oversight of the daily bank’s management, transparency, defining the proper operational structure of the banks, etc.

Another working paper, referring to corporate governance in banks in developing countries emphasizes the importance of corporate governance implementation in banks of the developing countries for the following reasons:
- The important role of banks in financing the local economy through the lending activity to the private companies but even through the soft term loans given to the government for the public works.

- Banks plays a decisive role in decreasing the informal economy and increasing the transparent operations of the companies through bank accounts.

- Banks serves as saving institutions by collecting the deposits of the market and by increasing the confidentiality of the consumer. However, the foreign banks supports the economy by injecting funds borrowed by the mother companies as well; however, such phenomenon was limited during the last year derived from the liquidity problems in general banks faced. Banks in the Balkan were forced to limit the lending activity since the source of funding from both sides consumer (though deposits) and group (through borrowings) was limited.

- From the other side, the fact that the regulatory framework in the Balkan countries is not at the proper levels, the internal control levels should be enhanced through the corporate governance policy. The tendency of top managers of banks in these countries is to act in a more free way in governing the banks’ activities. Therefore, the government role should be strong in the way of restricting bank managers' behavior.

(Corporate Governance of Banks in Developing Economies: Concepts and Issues, Arun & Turner)

In the same paper, it is mentioned that in the empirical studies performed by Demirguc-Kunt (1998) and Levine (1999) is suggested that the presence of foreign banks reduces the likelihood of banking crises and may result in banks becoming more prudentially sound.

Another paper by Fabienne Bonetto, Srdjan Redžepagić, Anna Tykhonenko on “Balkan Countries: Catching Up and their Integration in the European Financial System” published on June 2009 mention the growth of the banking system on 2008 despite of the crises on the overall world due to the week integration and low exposure to international financial institutions. In addition, new legal and regulatory reforms should be obligatory implemented in the regional economies and banks structure as well.

EBRD is another source of working papers, reports on Balkan countries regarding corporate governance practices, assessments of the practice implementation, different seminars and conferences organized on the subject. In their publication “Corporate Governance of Banks in Euroasia – Policy Brief” it is stated clearly the necessity of the reformulation of boards of direction in this countries aiming at
increasing the participation of the independent directors. Moreover, this paper elaborates on how important it is for banks in these countries to comply with the Basel CG Guidance in the following terms:

- The existence of the audit committee is a must for all banks and the composition should be the adequate one, with at least one member with thorough knowledge on financials and accountings. The financial independence of the members is of much importance as well.

- The establishment of other committees in the bank providing for risk prevention and compliance with internal and external regulations is becoming the issue of the day for banks in developing countries.

Moreover, this paper reinforces the importance of the board of directors in over-viewing the banks’ strategy and the oversight of the senior management and internal control functions. In addition, the board of directors should ensure the proper definition of clear lines of responsibilities and accountabilities in order to avoid the creation of vacuum in which nobody is in charge of the decisions made. (Corporate Governance of Banks in Euroasia - A policy brief)

The yearly assessments that EBRD performs on evaluating improvements of the corporate governance legislation were strong basis for the dissertation since involve all countries of the Central Eastern Europe. The assessment is based comparing the improvements on the subject per country to the OEDC corporate governance principles and Basel Committee CG guidelines. (Corporate Governance Legislation Assessment Project for Albania, Serbia, Romania, Bulgaria, year 2007)

The literature used gives an overall view of the importance of the corporate governance in the banks’ performance as well as the important role of international groups in improving the corporate governance of the banking systems in the Balkan countries. The above analysis combined with the desk research of the annual reports of the 45 banks, the evaluation of their structures, interviews with the contributors in this research, completed in the main part the results of the analysis. There is a positive correlation between strong corporate governance and banks’ market share and expansion. In addition, there are grounds to support the thesis that the entrance of international groups in the Balkan countries improved the performance of the banking system in terms of corporate governance.

As stated in the EBRD reports, one of the factors for economic support of EBRD towards the countries in Balkan is the sound corporate governance practice, especially in the banking system.

Another source of information used for the research are the publications in the EBRD website about Law in transition on yearly basis, specifying not only the developments
and current situation of each country, but even the prospects on the corporate governance.

Considerable information has been downloaded from the websites of the central banks in the studied countries (Albania, Bulgaria, Romania, Greece and Serbia) regarding banking system situation and development. The information published in the sites contains data on the banking system history, financial data of the system, market researches for different periods, monetary policies of the central bank, time series and stress tests, as well as banking supervision.

The websites of the 45 banks studies are used as well during the research; however, no available data on certain issues were found. In such cases, personal interviews and open dialogues with banks representatives are used to complete the research (this phenomenon is faced mainly in the Albanian market).
3.2. **Methodology**

The research methodology used is mainly empirical through researches in the annual reports and websites of the banks, information published in the websites of the central banks in the 5 studied countries, press releases and other available information in the respective sites. The lack of updated information in several cases and the non-availability of important information in certain cases created limitations in having a full view of the banking system and on the banks themselves.

In addition, interviews with bank officers, mainly in the Albanian banks, but even in Bulgaria (3 banks) and Greece (3 banks) are performed in order to have a better view on their organizational charts and supervisory authorities (i.e. board of directors, audit committees, remuneration committees, executive management committees, etc.). It was noticed that despite the structured organizational charts, in many cases were difficulties in the tasks and responsibilities allocated to different managers.

Finally, a deep review on the different working papers mentioned above, as well as the different publications in the EBRD and OEDC websites, was performed in order to complete the research and analysis. The limitations of researches were noticed in this case as well especially for the countries of the Balkan area. Moreover, the existing researches were dated long time ago, preventing for a recent update of the analysis.
4. **Analysis and findings**

Due to limited researches performed on the specific issues treated in the dissertation, the data found was limited and basically from empirical research. Not all banks are obliged to publish data on their organizational structures and the composition or functioning of their committees. There were only a few banks having corporate governance policy published in sites (mainly in Greece and Bulgaria) and/or in their annual reports.

Out of the 45 banks studied in the region, it is noticed the concentration of 6 big groups as follows:

- Raiffeisen Bank is present in 4 countries, except Greece
- Alpha Bank, National Bank of Greece, and Societe Generale are present in 4 countries
- Emporiki Bank is present in 4 countries, but if we consider it as part of the Credit Agricole Group it is present in the 5 countries (Credit Agricole has a subsidiary in Sebia)
- Intesa San Paolo has presence in 3 countries.

During the analysis of their organizational charts, it was noticed that the general framework of internal organization was propagated by the group. However, in all cases, such structure was individually adopted according to the local regulatory framework in terms of proper corporate governance.

Continuous changes in the organizational charts are performed for the last 5 years in the banks subject of the study, especially during 2008 – 2009. Such changes were driven by the need of a fast expansion and the increased requirement for better internal control structures. Based on the organizational structure of the banks (attachment no.3), the main changes performed after the crises, at a high level are as follows:

- Separation of business activities from control activities and centralization of back office operations from sales points to Head Office under a separated unit not under the supervision of the business units. Basically the structure of banks is organized in two main divisions: Business Development (retail and corporate) and Banking Operations (centralization of banks’ activities).
- Creation independence of the control functions under the direct responsibility of the CEO (i.e. compliance, risk, audit, etc.). Moreover, the latest in case of group presence reports directly to the group respective division (i.e. risk to risk.
division of the mother company). Meanwhile, the internal auditor is directly accountable to the Audit Committee not to the CEO.

- Separation of the tasks for the CEO and Chairman of the Board of Directors. This action, apart from being imposed by the internal policies of the groups, was addressed as recommendation in the different regulations of the central banks related to the administration of banks and administrators functionalities.

- Creation of several committees (i.e. Executive Management Committee, Risk management Committee, Management Remuneration Committee, Sensitive Affairs Committee, etc.) in order to increase the level of control and improve the decision making process.

Based on the research, 27 (60%) out of 45 banks being subject of research, performed changes in their organizational structures adopting them as below presented:

![Organizational Chart](image)

*Fig 1. Sample of the high level organizational chart for the majority of the banks taking into consideration the segregation of tasks*

Furthermore, 15 banks (33%) separated the tasks of the CEO and Chairman of the Board of Directors during the last years, based on the factors above. These actions were mainly noticed in the countries like Albania, Romania and Bulgaria. In Greece, the corporate governance structure is more established and the practice is at a better situation rather than in the a/m countries.

The majority of the studied banks have in the composition of their Board of Directors both executive and non-executive directors. The survey shows for an important role
of the Board of Directors in the banks through their composition, the frequency of meetings and the type of decisions taken. In most of the cases but not in absolute, the composition of the Board of Directors is from non-executive directors apart from the executive ones; having a long experience and capable to cover the strategic decisions taken.

We found data only on 21 banks that have an established Executive Committees; for the remaining banks no data were available on the subject.

With reference to the Audit Committee and other internal committees of the bank, there were lack of data at the point that no research can be performed; no results can be achieved providing for missing of recommendations on this aspect. However, based on the central banks regulations, the presence of the audit committed in the banking sector is obligatory for all banks. No data of frequency of meting and either on committee composition are available.

From the interviews performed, it was stated that especially after the initiation of crises in 2008, the role of the audit committee is becoming more active by paying a special focus to the banks’ impairment funds and provisioning methodology, capital adequacy and other regulatory liquidity ratios. Moreover, their role in controlling the adequate functioning of the operational activity of the banks along with detailed analysis of the reporting lines and accountability issues is increasing.

Since the expectations are that the current market situation will start to have significant implications for the region, especially for banking system, the above issues are having a great attention from all the above controlling and decision-making bodies.

Apart from the compliance with the OEDC principles from the banking system itself, Basel Committee suggest that in the countries where the government plays a positive role in ensuring a supportive environment for sound corporate governance, the whole system works in a better way. The introduction of laws covering the regulatory framework in the country is an important factor.

From our survey 4 countries (Greece, Bulgaria, Romania and Serbia) have a Corporate Governance code; 3 of them compliant in the major part with OEDC principles and only Serbia is not taking such principles into account. In Albania the situation is even worse since no Code of Corporate Governance is developed; there is no obligation to comply with Basel Committee instructions and the corporate governance issue in the banking system has become a known terminology only during the last three years. The best practice of the international groups is not always applicable in all cases. The central bank is trying to impose certain principles of corporate governance through regulations; however, for the rest of the sectors such issue is at initial stage still.
4.2. Greece

As shown from the research, Greece, being a country with long experience in banking (more than 100 years) has a well established corporate governance practice since 1999 by fully complying with the OEDC principles of corporate governance. Frequent revisions aiming at improving the corporate governance practices are applied and the last revision was done on 2007.

As stated in the standard report for Greece (2008), the one-tier board system is mainly applicable, combining supervisory and management functions and by delegating daily management to executive managers. The boards is obligatory to held once per month and to have at least three members. The respective law No. 3556 of 2007 for corporate governance defines in details the composition of the board and specifies that in case of listed companies at least one third of board members should be non-executive directors, out of which two to be independent.

According to the Financial System Stability Assessment in January 2006, conducted by the IMF, the supervisory banking system is sound despite certain weaknesses in the areas of provisioning, monitoring of risk management methodology, etc. The study concentrates in 8 banks, having 64% market share in terms of assets.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Establishment</th>
<th>Assets (in 000 Euro)</th>
<th>BOD members</th>
<th>Separate CEO and Chairman of BOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Bank</td>
<td>1879</td>
<td>65,270,000</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>EFG Eurobank-Ergasias</td>
<td>1990</td>
<td>82,202,000</td>
<td>4</td>
<td>5*</td>
</tr>
<tr>
<td>Emporiki Bank</td>
<td>1899</td>
<td>28,715,824</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>1841</td>
<td>84,286,000</td>
<td>2</td>
<td>24**</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>1916</td>
<td>52,252,000</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>ATEbank</td>
<td>1929</td>
<td>29,334,000</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>1982</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*) Including one consultant  
***) One state representative

Figure 2. Data on banks in Greece

The board of directors of Alpha Bank is composed by 16 members, out of which 11 are non executive ones; Emporiki Bank has 19 members, out of which 14 are non executive ones; National Bank of Greece has 26 members, out of which 23 are non executives and 1 state representative considering that is still partially state-owned; Piraeus has 16 members in the board, out of which 11 are non executive members.
From the research result that the Audit Committees of the Banks in Greece are composed by at least 3 members and increasing their presence and control especially after the recent happenings in the market. Despite the fact that banks in Greece are obliged to publish the composition of their committees, there was not enough data available referring to the Executive Committees.

It was evident that the majority of banks, especially after 2000 have separated the chairs of the BOD Chairman and CEO/G of the Bank. This action was propagated even in the subsidiaries of the Greek Bank in Balkan area (Emporiki, Alpha, National Bank of Greece, Piraeus Group, etc.)

4.3. Bulgaria

The banking system in Bulgaria has passed through several changes during the last years, especially after the financial crises of 1996-1997. Until that period the banking system was mainly composed by state owned banks, which were privatized and acquired by international groups immediately after this period. The establishment of the Currency Code on 1997 was followed by several introductions of laws and regulations in the field of banking and capital markets until the recent membership of the National Bulgarian Bank in the European Union (2007).

The banking system is mainly oriented towards the two-tier system, with a supervisory board appointed by the shareholders’ assembly and the board of directors appointed by the supervisory board members. (EBRD, Law in transition 2009, Corporate Governance in banking, Bistra Boeva)

As common in the other countries in Balkan, most of the assets are owned by foreign banks which had a fast penetration in the local market either by acquiring local banks, or establishing new ones. The banks subject of the research own 75% of the total assets of the banking system.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Establishment</th>
<th>Assets (in 000 BGN)</th>
<th>BOD members</th>
<th>ExCo Members</th>
<th>Separate CEO and Chairman of BOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>UniCredit Bulbank</td>
<td>2007</td>
<td>7,126,815</td>
<td>7</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>DSK Bank</td>
<td>1998</td>
<td>3,315,643</td>
<td>4</td>
<td>6</td>
<td>YES</td>
</tr>
<tr>
<td>United Bulgarian Bank</td>
<td>1992</td>
<td>4,290,756</td>
<td>5</td>
<td>NA</td>
<td>YES</td>
</tr>
<tr>
<td>Raiffeisenbank Bulgaria</td>
<td>1994</td>
<td>4,786,982</td>
<td>3</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>Eurobank EFG</td>
<td>2007</td>
<td>2,635,598</td>
<td>9</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>First Investment Bank</td>
<td>1993</td>
<td>2,544,985</td>
<td>5</td>
<td>7</td>
<td>YES</td>
</tr>
<tr>
<td>Piraeus Bank Bulgaria</td>
<td>1993</td>
<td>2,603,064</td>
<td>10</td>
<td>2</td>
<td>YES</td>
</tr>
<tr>
<td>Societe Generale Expressbank</td>
<td>1993</td>
<td>1,405,942</td>
<td>6</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Emporiki Bank</td>
<td>1999</td>
<td>305,918</td>
<td>3</td>
<td>4</td>
<td>YES</td>
</tr>
</tbody>
</table>

*Figure 3. Data on banks in Bulgaria*
According to the EBRD analysis, Bulgaria corporate governance system is compliant with the OEDC principles. From the research results that no clear requirements regarding the board of directors members’ composition are stated in the regulatory framework; however, foreign banks apply the group policy by involving non executive directors in the board apart from the executive ones. The board of directors’ membership varies from 3 to 10 members.

As stated in the table above and based on the local requirements, the majority of Banks in Bulgaria are complying with the OEDC principles of corporate governance. The board of directors or supervisory board is chosen by the Shareholders’ Assembly; meanwhile the Executive of Management Committee members are appointed by the Supervisory board. The existence of the two-tier system is considered to better regulate the corporate governance structure of the banks.

The Audit Committee role is well defined and regulated by the central bank regulation, with a composition of 3 to 5 members. The last two years it was noticed an increase of the meetings frequency and increase of the subjects of monitoring by the Committee.

4.4. Romania

The banking system in Bulgaria, as for the other Balkan countries started its fast development after the year 1994. The penetration of big international groups was aggressive and currently they hold more than 65% of the total market share of the Romanian banking system in terms of assets. The banks selected for the research are 43% of the total banking system in terms of assets. (total banks in Romania are 33).

The corporate governance in Romania is regulated by the Corporate Governance Code that includes main of the principles of OEDC (EBRD Assessment Project for Romania, 2007). The banking system is mainly on-tier system (the duality is optional but not required); however recent changes are performed in this aspect by defining the necessity of the board compositions in terms of executive and non-executive directors.

From the data found for the Romanian market (refer to attachment no.1), 7 banks, out of 10 have separated the functions of the Chairman of the Board of Directors and the CEO/GM of the Bank. In addition, only six Banks appear to have Executive committees established. For the other ones no data were available. This is related with the duality requirements in the country, which is not obligatory. The composition of Board of Directors is regulated according to OEDC principles.
The board of directors’ composition is composed by 5-19 members with participation of non-executive directors (they should be the majority compared to the executives). The fact that the duality is optional, special focus had been given to the participation of the non–executive directors.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Establishment</th>
<th>Assets (in 000 RON)</th>
<th>BOD members</th>
<th>ExCo Members</th>
<th>Separate CEO and Chairman of BOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABN AMRO Bank</td>
<td>1995</td>
<td>9,145,000</td>
<td>5</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>1994</td>
<td>17,441,000</td>
<td>9</td>
<td>6</td>
<td>YES</td>
</tr>
<tr>
<td>Raiffeisen Bank</td>
<td>1998</td>
<td>18,879,000</td>
<td>6</td>
<td>6</td>
<td>YES</td>
</tr>
<tr>
<td>Bancpost - EFG Eurobank-Ergasias Group</td>
<td>2000</td>
<td>14,989,000</td>
<td>13</td>
<td>11</td>
<td>YES</td>
</tr>
<tr>
<td>Banca Romana pentru Dezvoltare (BRD) - Société Générale Group</td>
<td>1990</td>
<td>49,239,600</td>
<td>11</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>Emporiki Bank Romania</td>
<td>1996</td>
<td>743,300</td>
<td>5</td>
<td></td>
<td>NO</td>
</tr>
<tr>
<td>Intesa San Paolo</td>
<td>1996</td>
<td>2,774,800</td>
<td>7</td>
<td>2</td>
<td>YES</td>
</tr>
<tr>
<td>OTP Romania</td>
<td>2004</td>
<td>3,450,200</td>
<td>6</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>1993</td>
<td>9,164,100</td>
<td>8</td>
<td>NA</td>
<td>NO</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>2000</td>
<td>9,265,900</td>
<td>9</td>
<td>NA</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Figure 4. Data on banks in Romania**

As noticed in the above table, despite the compulsory of the two tier system, the banking system has already reacted according to the Basel Committee principles by applying the two-tier system. This is a result even of the group principles applied by banks in the different countries since it is noticed the majority of international groups’ presence.

From the research performed, several banks have a weekly meeting (i.e. Societe Generale and Emporiki Bank) of the Management Committee mainly with subject on the daily operations of the banks and decision making functionalities before validation and approval from the board of directors / supervisory board.

The Audit Committee functionality and composition is regulated properly through the respective regulation; however, difficulties were faced in accessing required data for the research in terms of membership, frequency of meetings and subjects of evaluation by the respective Committee for the local banking system.
4.5. Albania

The banking system in Albania is one of the newest in the area, being established on the last 15 years, starting with the privatization of one of the first state owned banks in 1994. Two years later, the two foreign banks, Piraeus Group and National bank of Greece entered in Albania by establishing the Tirana Bank and the National Bank of Greece, Albania Branch. It was followed by the opening of 8 other banks during the period 1998 - 2000. It was the start of the banking system for Albania that currently is composed by 16 Banks. The selected banks compose 92% of the banking system in terms of assets and are all owned by international groups (refer to the attachment no.1). As common characteristic of the selected banks, the Board of Directors is composed by the managers of the group (from different areas of the entity such as finance, treasury, products development and marketing, etc.) and only two or three members are executive directors of the subsidiary. The presence of the local management though is quite invisible since mainly the top management of subsidiaries of foreign groups is not local staff, but expatriates.

In this framework, there are efforts from the central bank recommending in increasing the presence of the local staff in the Top Management level of banks, as well as in the Board of Directors composition. The target is to increase the efficiency of the decision making process by involving the local management, that is in charge of daily running the bank, and to have the proper expertise in evaluating the local market.

The Board of Directors is convoked on frequent basis (usually on monthly basis) according to a preliminary approved schedule depending on the size of the bank and according to the development stage of it.

The members of the Audit Committee are mainly 3 and the frequency of meetings is at least on monthly basis, as required by the local regulation of the central bank.

The above data, as well as the data included in the Attachment No.1, are taken through interviews with banks’ representatives and not through official publications. The lack of the Corporate Governance code and the stock exchange missing does not oblige companies, including banks to comply with related principles and transparency requirements. There is recently the regulation about disclosure and transparency of banks issue by the Central Bank of Albania during the second semester of 2009; however, improvements in terms of clear definition of requirements and way of publishing are needed.

From the other side, referring to the subject, a total indifference from the local government side is noticed despite the efforts performed in the framework of joining the European Union. The legal environment is not covering important issues for building the grounds of the corporate governance structure in the country. Issues like...
shareholders’ right protection, agreements’ enforceability, managers’ and employees’
rights are lacking in the system by not providing for a healthy business in the proper
corporate governance environment.

The interests of stakeholders as well (depositors for banks) are not protected through
specific principles, but it is limited to a law for the deposits security which still is not
complete and clear for the stakeholders and banks. Moreover the frequent reports of
deposits insurance is not compulsory for all banks, it is requested in specific cases
and mainly during the yearly inspection by the respective Agency for Deposits’
Insurance.

It is recently noticed an active role of the Association of Banks in collaboration with
the central bank by organizing common workshops with second tier banks with focus
on corporate governance

4.6. Serbia

The banking system in Serbia is established since 1991; however a fast growth is
noticed during the period 2002 onwards with the entering of 18 foreign banks in the
local market. The market is expected to continue to develop by further consolidation
(EBRD strategy report for Serbia, 2007).

With reference to corporate governance, based on the assessment performed by the
EBRD on November 2007, there is noticed not compliance with the OEDC principles
despite frequent revision of the regulatory framework on the subject. There is
compulsory the two-tier system by defining the existence of a supervisory board and
management board. However there are no specifications regarding the composition
of these bodies in terms of executive and non-executive directors.

The banks, subject of the research, have 47% of the marker share in terms of assets.
All the banks studied, were listed companies, with Supervisory Boards having from 5
to 10 members, Audit Committees with 3 to 5 members (no availability for full data)
and management / executive committees with 4 to 6 member. In all cases the chair of
the Board of Directors Chairman is separated from the CEO / GM of the Bank.

From the research results that Serbia, according to the yearly assessment of the
EBRD report for 2007, has not taken into consideration the principles of OEDC for
corporate governance during the Code of CG formulation. However, the local code is
based on the principle of the two-tier system, by having compulsory the following
bodies established: Assembly of shareholders, Supervisory Board, Managing Board,
General Manager and Executive Board.
<table>
<thead>
<tr>
<th>Banks</th>
<th>Establishment</th>
<th>Assets (in 000 Dinars)</th>
<th>BOD members</th>
<th>ExCo Members</th>
<th>Separate CEO and Chairman of BOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALPHA BANK</td>
<td>2005</td>
<td>64,596,042</td>
<td>6</td>
<td>4</td>
<td>YES</td>
</tr>
<tr>
<td>CRÉDIT AGRICOLE</td>
<td>2001</td>
<td>33,265,403</td>
<td>9</td>
<td>4</td>
<td>YES</td>
</tr>
<tr>
<td>EUROBANK EFG</td>
<td>2003</td>
<td>119,288,466</td>
<td>8</td>
<td>7</td>
<td>YES</td>
</tr>
<tr>
<td>OTP BANKA Srbija a.d.</td>
<td>2007</td>
<td>46,279,685</td>
<td>5</td>
<td>6</td>
<td>YES</td>
</tr>
<tr>
<td>PIRAEUS BANK</td>
<td>2005</td>
<td>38,143,102</td>
<td>10</td>
<td>4</td>
<td>YES</td>
</tr>
<tr>
<td>ProCredit BANK</td>
<td></td>
<td>62,239,063</td>
<td>7</td>
<td>3</td>
<td>YES</td>
</tr>
<tr>
<td>RAIFFEISEN BANKA A.D</td>
<td>2001</td>
<td>183,665,710</td>
<td>5</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>Intesa Bank</td>
<td>1991</td>
<td>291,099,087</td>
<td>6</td>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>SOCIÉTÉ GÉNÉRALE BANKA S</td>
<td>1977</td>
<td>88,365,172</td>
<td>5</td>
<td>6</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Figure 5. Data on banks in Serbia**

The banking system is following the same lines and it is evident from the research performed (refer to table above). The banks have complete structures with separation of chairs of the Board of Directors and CEO / GM. Moreover, brief CVs of the members of these bodies are published in the websites of banks apart from the other obligatory information.

### 4.2. Corporate governance and banks’ performance

It is a fact that in the Balkan countries the Banks, especially the penetration of foreign groups was very aggressive during the last 10 years. The research shows at a great extend that along with the expansion in the local markets, banks were giving importance to the internal control policies as well and the establishment of corporate governance policies. The structures were accompanied by clear definition of tasks and responsibilities and moreover by a review of reporting lines and segregation of duties. The flow of operations is revised in order to be split between front line (business development) and back office by avoiding having the closed circle of operation within the same authority.

It was noticed that the expansion of the bigger banks, having well established structures and strong corporate governance was strongly related with the growth rate of this banks in the Balkan region. The existence of fixed organizational structures and clear definition of reporting lines and accountability provides for an improvement of the internal control, as well as a very efficient operational activity with clearly defined roles and responsibilities.

From the analysis performed in the annual reports of banks, banks having proper corporate governance structures were the better performing in the local market in terms of profitability as well. They used to have a gradual but controllable increase of
profitability after the first years of establishment. Banks like Raiffeisen, Alpha Bank, and National Bank of Greece followed a fast expansion during the first years of their establishment in the Balkan countries and gradually increased their respective market share. Currently, they have the majority of the respective markets in terms not only of assets but profitability and number of clientele. (reference is made to Annual Reports of the banks for the year 2008; no full data were available for year 2009).

The sound corporate governance policy supported the fast expansion and the increase of efficiency of these banks; in the respective markets they are market makers and very efficient in market innovations.

### Assets held by banks and non-bank financial institutions (2005)

<table>
<thead>
<tr>
<th>Total assets (in Euro billion)</th>
<th>Share of total assets in GDP %</th>
<th>Share of bank assets in total assets %</th>
<th>Branches /000 000 inhabitants</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>4.2</td>
<td>62.3</td>
<td>78.6</td>
<td>3</td>
<td>1.3</td>
</tr>
<tr>
<td>Serbia</td>
<td>10.5</td>
<td>57.9</td>
<td>88.6</td>
<td>4</td>
<td>0.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>19.6</td>
<td>91.3</td>
<td>85.8</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Romania</td>
<td>42.1</td>
<td>53.2</td>
<td>84.1</td>
<td>14</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Sources: ECB (for EU countries’ banking sector data), EBRD, IMF and national sources.

From the data presented in the table, it is easily verified what we have stated during our analysis per country, that the majority of the country assets in all the Balkan countries is owned by the financial institution (banks and non-banks). For this reason of the high capitalization of the local markets, the financial crises had less impact in the region rather than in the rest of the world. (data taken from the ECB Monthly Bulleting 2006)

It is evident that even the expansion of the banks in the region has similarities; the concentration is more or less at the same levels except Romania. As pointed above the banking sector in Romania is the largest one compared to the remaining countries.

The average ROE for the 17 countries of the Central and Eastern Europe that were subject of study from the ECB report (2005) is 15.27%; meanwhile the ROE of the countries in Balkan areas is higher than the average (excluding Serbia), showing for a higher return of banks in these countries compared to the remaining ones. Until the year 2008 the profitability ratios continued to increase for the banking sector in Balkan and this can be demonstrated by the Financial Statements of each bank and increasing trend of the yearly profits.

Even the ROA indicator for these countries is better than the average one of the 17 countries which stands at the level 1.4%. Therefore the commercial performance of banks in the Balkan countries despite the short period of expansion is at very satisfactory levels.
In such way, it is supported the fact that a sound corporate governance structure is positively impacting the banking sector performance in the Balkan countries. A special case remains Albania that has no corporate governance structure and still the performance of the banking sector is one of the best in the region. One explanation may be the fact that 15 out of 16 banks in Albania belong to foreign banking groups and their corporate governance policy is propagated in the country’s subsidiaries as well. Another explanation is that apart from the good performance of the banking system, the size of it compared to the other countries remains still as low level due to the current potential of the local market.

Moreover, if we analyze the statistics in the table below we can see that there are considerable differences in the level of credits in the private sector and no similarities regarding the interest rates for loans. The level of credits for private sector in Bulgaria is the highest one, approximately the sum of the three remaining countries (Albania, Serbia and Romania), by maintaining a very low balance of bad loans at the same time. From the other side, Albania by applying high rates for lending towards private sector has the lowest level of financing and with the highest bad loans balance.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>Private sector loans / GDP</th>
<th>Deposits Int. rates</th>
<th>Loans Int. Rates</th>
<th>Bad Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>26.1</td>
<td>4</td>
<td>14.23</td>
<td>3.7</td>
</tr>
<tr>
<td>Serbia</td>
<td>47.5</td>
<td>4.1</td>
<td>11</td>
<td>na</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>89.8</td>
<td>4.74</td>
<td>10.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Romania</td>
<td>29.5</td>
<td>3</td>
<td>11</td>
<td>1.46</td>
</tr>
<tr>
<td>Greece</td>
<td>na</td>
<td>0.9</td>
<td>8</td>
<td>na</td>
</tr>
</tbody>
</table>

Source: EBRD Transition Report 2008

In Albania, Raiffeisen Bank is the leader of the market in all aspects, followed by Intesa San Paolo and Alpha Bank (in terms of assets and profitability).

In Greece, National Bank of Greece, Eurobank and Alpha Bank are the market leaders in the same framework. In Bulgaria Unicredit and Raiffeisen are the leaders; in Romania the market is headed by Societe Generale, Eurobank, Raiffeisen and Alpha Bank. Similar situation is happening in Serbia where the market is shared between Intesa San Paolo, Raiffeisen and Eurobank. By the end, in Albania the market is headed by raiffeisen, Intesa and other banks with Greek interest. The steady structure of the above banks seems to be autocratic in most of the cases but it fully complies with the principles of the good corporate governance. (see organizational charts attached)

As mentioned above, the fact that these banks are European groups, it is compulsory for them to apply in their branches or subsidiaries the same principles of the corporate governance of the group. Therefore the policy and best practice has been
propagated in the Balkan countries by improving even the overall banking system. The application of such sound principles in the major banks is the most important factor for their good financial performance.

4.3. Corporate governance and supervisory authorities

It is a fact that banking supervision and the local government play an important role in building and maintaining a sound corporate governance structure. International institutions like EBRD, OEDC and IMF are frequently assisting the supervision in establishing and improving a proper regulatory framework for corporate governance. Bulgaria and Romania, being part of the European Union are obliged to comply and as shown by the results of the research are countries with established regulations and laws, as well as with good practices in corporate governance, especially in the banking sector. Central Banks have been very active in introducing frequently regulations regarding portfolio risk management; capital markets and banking transparency; management principles of banks and branches of foreign banks and the criteria on the approval of their administrators, etc. (refer to attachment No.2)

The issuance of such regulations is imposing banks to comply and to enhance their internal control environment. The frequent inspections from central banks in order to control the correct application of such instructions verify the importance they are giving to the corporate governance principles.
5. Conclusions and Recommendations

The overall research has been performed having as target to analyze the corporate governance structure in the 5 Balkan countries and moreover to measure the impact the quality of such structure has on the performance of the banking system. The analysis was performed taking into consideration the general regulatory framework on the countries and its level of application. The research were performed for the main banks in the Balkan countries; however by covering about 40% in terms of numbering but always covering the major market share in each country in terms of assets. Therefore, we can say that at a certain extent the research covers a considerable part of the banking system for the Balkan countries.

Due to the limitations of data for the respective countries or the non updated data, the results of the research may not be accurate on a large level; however in general they give an approximate idea to answer to the question of the research.

From the analysis, it was seen that a strong corporate governance structure has a positive impact on the banking system performance (profitability ratios table); however, there were limitation on the analysis per bank. In addition, it is not possible to identify in what term corporate governance can impact more the banks; profitability, expansion or market share?

Another result of the research was the intensification of efforts from the local governments and the central banks with reference to corporate governance subject, especially after the world wide crises in 2008. However, even for this conclusion the data found was limited and no complete accuracy can be guaranteed.

In terms of recommendations, the most important one is addressed to the enhancement of the corporate governance principles in the Balkan countries complying fully with the OEDC and Basel Committee principles and instructions. In addition, frequent monitoring tools for controlling the application of such principles in the countries should be in place. The fact that these countries are developing countries and with a fast banking system growth for the last years make them more sensitive and difficult to be monitored.

Moreover, banks themselves must be more careful on certain issues like duality and internal control functions. A better definition of reporting and accountability is needed and as well the transparency is required.

Especially for Albania, where there is lack of appropriate framework, an important recommendation is to build as soon as possible the local corporate governance Code under the circumstances that the country is applying for joining the EU.
The application of the corporate governance principles will ensure a better economical environment for companies and especially for banks. This is necessary taking into account the difficulties of the current situation in the country, where banks are reluctant in supporting the private companies with financings. If such situation will continue, the local economy will start to face serious problems and companies will suffer the lack of liquidity. One of the major reasons why banks reduced the lending activity is the loss of confidence in the local government to protect their contract rights and to speed up the execution process of properties for defaulted customers. In both directions the government is not proceeding by creating grounds to banks not to support the local economy. From the other side, taking into consideration that the lending activity is the most profitable activity of banks in the country, this issue is becoming more serious since banks will start to decrease their profit margins.

Another reason why banks are losing the confidence towards the government is the fact that even the public financings given recently to the government are experiencing difficulties in repayment due to the difficulties of the government.

Therefore, the enhancement of the local corporate governance framework will serve as a good support for banks and will reverse the current situation in favor of the economic market.
Central Bank of Albania Regulations ruling Corporate Governance of the Banking System

Regulation no 71 "On liquidity risk management"

The purpose of this Regulation is to set out the minimum requirements and standards to effectively manage risk liquidity, by the subjects of this Regulation. This regulation shall apply on banks and branches of foreign banks exercising banking and financial activity in the Repu...

Approved by Supervisory Council Entered into force 07.12.2009

Regulation on 38 "On the Operation of the Credit Registry in the Bank of Albania"

The purpose of this Regulation is to lay down the general rules on the organisation and operation of the Credit Registry at the Bank of Albania....

Approved by Supervisory Council Entered into force 15.08.2009

Regulation no 44 "On prevention of money laundering and terrorist financing"

This Regulation lays down the procedures and documentation for the identification of customer, regulations for record-keeping, preservation of data and their reporting to the responsible authority from the subjects of this Regulation. Its purpose is the prevention of the use of t...

Approved by Supervisory Council Entered into force 02.08.2009

Regulation no 52 "On credit risk management"

The purpose of this regulation is to provide guidance to credit risk management in order for the Bank to minimize possible losses from loans and other comparable assets, susceptible to interest rate fluctuations....

Approved by Supervisory Council Entered into force 02.08.2009

Regulation no 31 "On risk management arising from the large exposures of Banks"

The purpose of this Regulation is to set out the rules and criteria on the calculation, supervision and reporting of the bank’s large exposures against a counterparty or group of related counterparties, for the purpose to manage the risk arising from the concentrated exposu...

Approved by Supervisory Council Entered into force 02.08.2009
Regulation no 40 "On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators"

The purpose of this Regulation is: a.to set out the core principles and regulations for a responsible and efficient management of banks and branches of foreign banks; b.to set out the criteria the administrators of banks and branches of foreign banks should meet, and the needed d...

Approved by Supervisory Council Entered into force 10.07.2009

Regulation no 5 "On the consumer credit and the mortgage credit for households"

This Regulation aims to set out the requirements on the content and way of providing the pre - contractual and contractual information to the borrower, prior to the contract conclusion and during the exercise of the consumer credit and the mortgage credit for the household and th...

Approved by Supervisory Council Entered into force 03.04.2009

Rules no 24 "On the Internal Audit System of banks and foreign banks' branches"

The scope of this regulatory policy is to determine a set of rules on the organization and the operation of the internal audit system of the bank and foreign banks' branches, on the audit system's structures and components, as well as on the supervisory procedures conducted on th...

Approved by Supervisory Council Entered into force 26.04.2008

Regulation no 60 "For the minimum requirements of disclosing information from banks and foreign bank branches"

The purpose of this Regulation is to set out the minimum requirements, the methods and timelines associated with the information that needs to be published in the periodical reports of banks and foreign bank branches with the view to enhancing transparency and promoting disciplin...

Approved by Supervisory Council Entered into force 01.10.2008

Regulation no 59 "On the transparency for banking and financial products and services"

The purpose of this regulation is to set out the requirements concerning the way and form of providing information to the client about banking and financial products and services offered by the entities of this regulation with the intention to insure transparency and the client's...

Approved by Supervisory Council Entered into force 01.10.2008

Regulation no 68 "On consolidated supervision"

Subject to this regulation, are all entities licensed by the Bank of Albania, hereafter referred to as “company”, having under ownership subsidiaries and/or significant interest in other licensed companies by the Bank of Albania or not, within and/or out of the terr...

Approved by Supervisory Council Entered into force 18.08.2005
Regulation no 43 "On supervision of savings and credit associations and their unions"

The purpose of this regulation is the establishment of the rules relating to the supervision of savings and credit associations....

Aproved by Supervisory Council Entered into force 30.06.2005

Regulation on the authorized chartered auditors of banks

In this regulation there are defined the criteria and procedures on the approval of authorized chartered auditors being appointed from banks...

Aproved by Supervisory Council Entered into force 22.02.2003

Guideline on Certificate of Deposits

Certificate of deposits (CD) represents a special form of time deposits. They can be issued either as nominal CDs or bearer CDs....

Aproved by Supervisory Council Entered into force 16.11.2001

Guideline on management of interest rate risk

The purpose of this Guideline is to provide recommendations regarding risk management, which risk derives from bank's position in securities, financial instruments trading portfolio, and interest rate fluctuations, as well as to evaluate bank's adequacy and effectiveness in the m...

Aproved by Supervisory Council Entered into force 15.08.2000
Central bank of Serbia Regulations on Corporate Governance issues

Decision on Risk Management by Banks

Decision on Liquidity Risk Management

Decision on Capital Adequacy of Banks

Reporting Guidelines for Banks in Relation to Capital Adequacy Ratio, Capital Requirements and Trading Book

Decision on Detailed Conditions and Manner of Conducting Bank Supervision by the National Bank of Serbia

Decision on Implementing Provisions of the Law on Banks Relating to Consolidated Supervision of a Banking Group

Decision on Implementing the Provisions of the Law on Banks Relating to Granting of a Provisional Bank Founding Permit and Subsequent Issuing of a Full Operating Licence to a Bank, as Well as on Implementing Specific Provisions Relating to Granting Approvals of the National Bank of Serbia

Decision on the Uniform Manner of Calculating and Disclosing the Effective Interest Rate on Loans and Deposits

Guidelines for Implementing the Decision on the Uniform Method of Calculating and Disclosing the Level of Effective Interest Rates on Loans and Deposits

Decision on External Bank Audit

Decision on the Manner and Conditions of Identification, Monitoring and Management of Bank Compliance Risk

Decision on Temporary Measures for Preserving Financial Stability in the Republic of Serbia

Decision on Special Facilities Supporting the Country’s Financial Stability

Decision on the Supervision of Exchange Transactions

NEW
Central bank of Bulgaria Regulations on Corporate Governance issues

Laws

Law on the Bulgarian National Bank
Law on Credit Institutions
Law on Bank Bankruptcy
Law on Bank Deposit Guarantee

Financial Supervision Commission Act [BG EN] (0KB)

Ordinances

Ordinance No. 2 of the BNB on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank According to the Law on Credit Institutions
Ordinance No. 7 of the BNB on the Large Exposures of Banks
Ordinance No. 8 of the BNB on Capital Adequacy of Credit Institutions
Ordinance No. 9 of the BNB on the Evaluation and Classification of Risk Exposures of Banks and the Allocation of Specific Provisions for Credit Risk
Ordinance No. 10 of the BNB on the Internal Control in Banks
Ordinance No. 11 of the BNB on Bank Liquidity Management and Supervision
Ordinance No. 12 of the BNB on the Supervision on a Consolidated Basis
Ordinance No. 20 of the BNB on the Issuance of Approvals under Article 11, Paragraph 3 of the Law on Credit Institutions
Ordinance No. 38 of the BNB on the Capital Adequacy of Banks
Guideline on Interpretation and Implementation of Art. 3, Para. 2 of Law on Credit Institutions
Guidelines on Reporting on Ordinance No 7 of the BNB on the Large Exposures of Banks
Reporting Form on Ordinance No 7 of the BNB on the Large Exposures of Banks
Reporting Forms and Accompanying Guidelines on Ordinance No 8 of the BNB [BG EN] (1296KB)
Guidelines on the Application of Article 11 of Ordinance No. 8 of the BNB

- Guidelines on the Application of the Supervisory Review Process
- Guidelines on the Management of Interest Rate Risk in the Banking Book
- Guidelines on Stress-testing under the Supervisory Review Process
- Guidelines on the Management of Concentration Risk under the Supervisory Review Process

Guidelines on Reporting on Ordinance No. 9 of the BNB on the Evaluation and Classification of Risk Exposures of Banks and the Allocation of Specific Provisions for Credit Risk [BG EN (0KB)]

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Samples of organizational charts of the banks in the Balkan area

Fig.1. Organizational chart of National Bank of Greece, Greece
Fig. 2. Organizational chart of Alpha Bank, Serbia
Fig.3. Organizational chart of Societe Generale, Albania
Fig. 4. Organizational chart of Alpha Bank, Bulgaria
Fig. 5. Organizational chart of Piraeus Bank, Greece
Fig.6. Organizational chart of Piraeus Bank, Bulgaria