

University of Groningen

## Foreign bank entry and performance with a focus on Central and Eastern Europe

Naaborg, I.

**IMPORTANT NOTE:** You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

*Document Version*

Publisher's PDF, also known as Version of record

*Publication date:*

2007

[Link to publication in University of Groningen/UMCG research database](#)

*Citation for published version (APA):*

Naaborg, I. (2007). Foreign bank entry and performance with a focus on Central and Eastern Europe s.n.

**Copyright**

Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

**Take-down policy**

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): <http://www.rug.nl/research/portal>. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

# **FOREIGN BANK ENTRY AND PERFORMANCE**

with a focus on Central and Eastern Europe





Rijksuniversiteit Groningen

# Foreign Bank Entry and Performance

## with a focus on Central and Eastern Europe

(met een samenvatting in het Nederlands)

### Proefschrift

ter verkrijging van de graad van doctor  
aan de *Rijksuniversiteit Groningen*  
op gezag van de Rector Magnificus

Prof. dr. F. Zwarts

ingevolge het besluit van het College voor Promoties  
in het openbaar te verdedigen op 22 februari 2007  
des donderdags te 14.45 uur

door

Ilko Joost Naaborg

Geboren op 7 september 1974 te Delft

**Promotores**

Prof. dr. J. De Haan

Prof. dr. B.W. Lensink

Prof. dr. L.J.R. Scholtens

**Committee**

Prof. dr. J.H. Garretsen (Utrecht University)

Prof. dr. K.H.W. Knot (University of Groningen/ DNB)

Prof. dr. R. Vander Venet (Ghent University)

© 2007 Ilko Naaborg

Uitgeverij Eburon

Printed on Biotop paper:

made entirely from wood thinnings and chippings, totally chlorine free.

Bookdesign by Donkigotte.nl

Coverphoto Karlův most, Prague. ©iStockphoto.com/Tim Starkey, 2005

ISBN 978-90-5972-170-8

# Contents

---

<b>Acknowledgements</b>	vii
<b>List of Tables, Figures and Appendices</b>	ix
<b>Abbreviations</b>	xi
<b>Introduction</b>	1
<b>I Foreign Bank Behaviour in Central and Eastern Europe</b>	11
<b>1 Foreign Bank Entry and Credit Performance</b>	13
1.1 Introduction	13
1.2 Theory	14
1.3 The importance of foreign banks in CEE	17
1.4 The origin of foreign direct investment in the banking sector	22
1.5 Intermediation and the role of foreign owned banks	27
1.6 Financial performance of foreign banks	32
1.7 Summary and conclusion	35
<b>2 Size and Operations</b>	39
2.1 Introduction	39
2.2 Methodology and data	40
2.3 Bank size	40
2.4 Assets	44
2.5 Liabilities	48
2.6 Foreign banks' balance sheets	50
2.7 Conclusion	53
<b>3 Entry Strategies</b>	57
3.1 Introduction	57
3.2 Hypothesis development	57
3.3 Methodology and data	63
3.4 Results	67
3.5 Summary and Conclusion	76

<b>II Foreign Ownership and Performance</b>	79
<b>4 Financial Performance:</b>	
<b>Foreign Banks in European transition Countries</b>	81
4.1 Introduction	81
4.2 Data and methodology	84
4.3 Empirical results	87
4.4 Conclusion	93
<b>5 Financial Performance: Foreign Banks Worldwide</b>	95
5.1 Introduction	95
5.2 The data	95
5.3 Model and estimation technique	96
5.4 Empirical results	101
5.5 Conclusion	101
<b>6 Efficiency. Do Institutions Matter?</b>	107
6.1 Introduction	107
6.2 Econometric framework	110
6.3 Data	106
6.4 Empirical results	118
6.5 Conclusion	119
<b>7 Summary and conclusion</b>	127
7.1 Introduction	127
7.2 Summary of the main findings	127
7.3 Policy implications, suggestions for further research and conclusion	130
<b>Bibliography</b>	133
<b>Appendices</b>	145
<b>Samenvatting en conclusie (Summary in Dutch)</b>	173