

Austria Banks Should Control C.Europe Lending Cbank

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VIENNA - Austrian banks need to keep in check a rapid rise in lending to Europe's emerging economies to lessen risk and make sure the growth is sustainable, Austrian central bank governor Ewald Nowotny said on Wednesday.

Regular discussions with Austrian banks, which are top lenders to the region, gave him the impression that their managements were aware of the risks, Nowotny said.

'The banking sector (in emerging Europe) still has a promising growth potential, thanks to the solid real economic growth perspectives in the region,' he said in the text of a speech.

'On the other hand, it is clear that despite this potential, growth rates need to be kept under control,' he said. 'The institutes need to apply appropriate standards in lending to minimise risks and secure the sustainability.'

UniCredit's Bank Austria, Raiffeisen International and Erste Group Bank are the three biggest lenders in emerging Europe.

UniCredit analysts predicted in July that banking asset growth in emerging Europe would be 23 percent per year until 2010. This would mark a slowdown from rates exceeding 30 percent in the previous two years but is still way above Western levels.

Banks benefit from the fact that their lending is largely covered by customer deposits. But analysts still point to the fact that loan quality is not based on long credit histories and has yet to be tested by a major economic downturn.

Apart from the overall pace of asset growth in central and eastern Europe, the popularity of lending in hard currencies in some countries has raised eyebrows among bodies including the International Monetary Fund and the European Central Bank.

Nowotny said it was key for regulators in the region to continue their close cooperation.

Source: Reuters