

The selected abstracts below alert readers to studies on CEEC topics published in other OeNB publications. For further details see [www.oenb.at](http://www.oenb.at).

### **The Croatian Banking System**

This paper provides an analysis of the stability of the Croatian banking sector. After the banking crisis of 1998, the Croatian banking system underwent a deep transformation process; foreign investors gained a dominating market share of more than 90% of total assets, with Austrian banks holding 43% thereof. Compared to other Central and Eastern European countries (CEECs), the degree of banking intermediation is relatively high in Croatia. In recent years, lending to the private sector and in particular to households has risen at the cost of lending to the general government. Foreign currencies continue to play an important role in the Croatian banking sector, in particular on the liabilities side of banks' balance sheets. While maintaining a large negative net foreign currency position on balance (with an increasing portion of net liabilities to nonresidents), Croatian banks' overall net foreign currency position seems to be marginally positive. Still, foreign currency(-indexed) lending represents a credit risk as it entails an indirect exchange rate risk. Asset quality, by contrast, has improved significantly over the past five years, the capital adequacy ratio is on a relatively high – albeit declining – level, and real return on equity (ROE) is now as high as the profitability levels observed in other CEECs.

Published in Financial Stability Report 9.

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### **Austria's EU Accession and Trade**

This contribution discusses the development of Austria's trade with the European Union. First, a descriptive analysis shows that Austrian exports to the European Union were adversely affected by trade barriers during the 1980s and in the first half of the 1990s. As a result, Austria's market shares in the European Union declined steadily until 1995. Second, a gravity model for a panel of OECD countries confirms positive trade liberalization effects after the country's accession to the EU. More recently, the introduction of the euro in 1999 seems to have given a new impetus to trade flows between Austria and the countries of the euro area.

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