

Student Research Seminars

TUESDAY 12th JULY 2011
13:00 – 14:00

Conference Room
L.Sofou Bldg – 7th floor

“Macroeconomic credit risk modelling: an empirical investigation of the Romanian and Bulgarian banking systems with reference to the Greek crisis”

by

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ABSTRACT

The financial crisis highlighted the importance of appreciating financial institutions vulnerabilities in the context of managing credit risk. This paper aims to investigate the determinants of credit risk in the Bulgarian and Romanian banking systems by means of time-series modelling approaches. It is motivated by the hypothesis that macroeconomic, monetary, financial markets and bank-specific variables play a role on non-performing loans in the banking systems. Using monthly series that span from January 2001 to December 2010, provided evidence covers both the booming period and the recent financial crisis. Given the significant presence of the Greek banks in SEE, the novelty of the paper lies in the introduction of data that proxy the Greek sovereign-debt crisis. Thus, the potential repercussion of the Greek crisis for its neighbours is investigated. Preliminary findings indicate that macroeconomic variables, monetary aggregates jointly with Greek-specific variables influence the Romanian credit risk. On the other hand the Bulgarian credit risk seems not to be adversely affected by risks arising from the Greek twin crises but solely by macroeconomic factors and financial markets variables. The results have several implications for policymakers, bank regulators and managers.

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