

Loans to Emerging Europe Rise

By [The Moscow Times](#)

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Lending by Western banks to emerging Europe rose 2 percent in the third quarter of last year, the first increase since the collapse of Lehman Brothers, the Bank for International Settlements said today.

Outstanding loans to borrowers in the former Communist part of Europe and Turkey rose \$10 billion to \$595 billion on a currency-adjusted basis, the bank said in its quarterly international banking statistics. Loans to Russia, Poland and Turkey expanded the most, while lending to Croatia, Hungary and Ukraine continued to contract.

Bank lending is a major channel for foreign capital to flow into emerging Europe, where Western banks including UniCredit, Erste Group Bank and Societe Generale dominate the banking industry. It dried up after those banks faced frozen money markets following the September 2008 collapse of Lehman Brothers.

Capital flows to emerging Europe more than doubled last year to \$173 billion, driven by a reversal of bank lending, which went from a \$69 billion outflow in 2009 to an \$18 billion

inflow last year, the Institute of International Finance said in a separate study released Jan. 24. Inflows are set to rise 38 percent this year, it predicted.

Austrian banks remained the biggest lenders to emerging European borrowers, with total claims of \$240 billion. Italy and France follow next, with claims of \$192 billion and \$170 billion, respectively, according to Bank for International Settlements statistics.

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