EURO currency implications on the Czech financial institutions sector

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Introduction

The purpose of this paper is to provide basic information on the structure of the Czech banking sector and once having done so, demonstrate main areas of changes in EU area with respect to the very same financial markets and banking industry. It is obvious that even Czech financial institutions and banks as a part of the non-EU state, along with the banks in the EU area and around the world, have been experiencing new situations, problems and development relating to euro long before the euro currency was even released in January 1999.

The purpose of this paper is to compare changes in EMU and Czech banking sectors for the last 5-10 years, trying to determine what portion of the changes can be directly or indirectly addressed to the euro currency. Subsequently, banking activities are analyzed and compared in the Czech Republic and in Euro area, with the objective to reformulate the experience and forecast what the Czech banks will look like after the EU accession - and later in EMU - takes place.

Part I Learning from the EU area's history

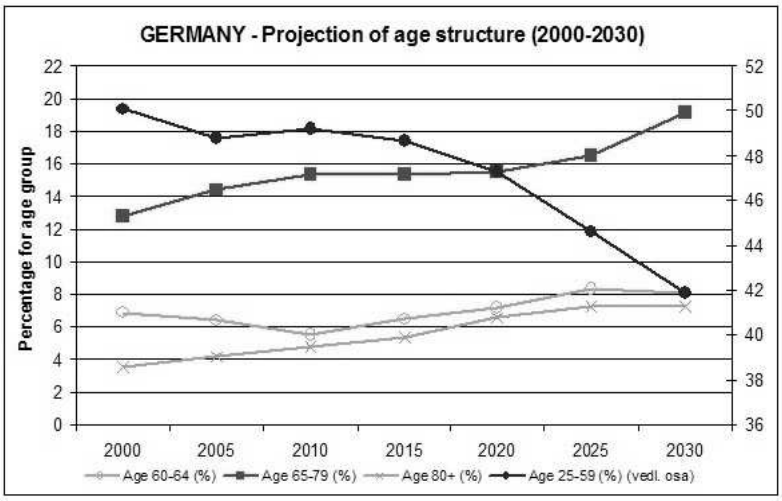
In this part of the document, we will take a look at the banking sector and markets in Euro area, trying to determine what the major implications of the euro implementation were. Having analyzed the historical development and structural changes in the markets as described below, following conclusions can be made:

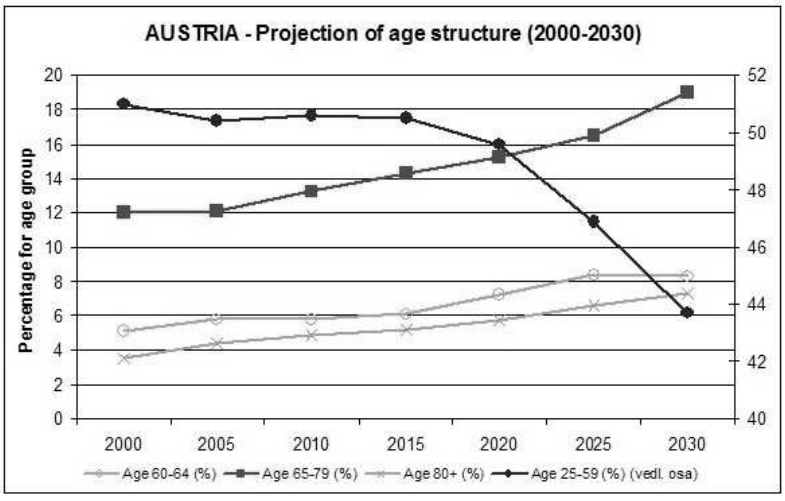
1. Markets started to change and absorb euro implications before euro was even released.
2. Hurdles of cross-border transactions were lowered.
3. Pan-European interbank deposit market and a corporate bond market emerged.
4. Better risk and return trade-offs for asset managers.
5. In equity market risks pricing, industrial sector specific effects have surpassed security specific effects in importance.
6. European companies have been able to raise funds in the bond and equity markets at unprecedented rates, signaling a reduced role for bank loans, which had been their primary source of funding in the past.
7. Diverging market practices heavily influenced by historical precedent and legal and taxation frameworks present obstacles to the development of a pan-European collateral money market. A reluctance to change local practices and rules combined with unresolved regulatory incompatibilities have been hampering the creation of a pan-European equity trading platform.
8. Arguably the single most important influence of the euro, and one that is likely to have a more lasting effect, is its impact on investors and fund raisers whose attitudes change towards capital market financing.

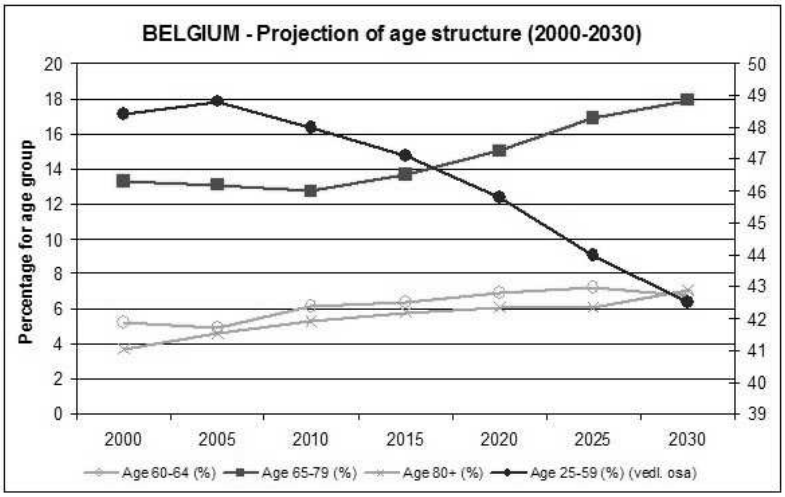
Part II Macroeconomic influences

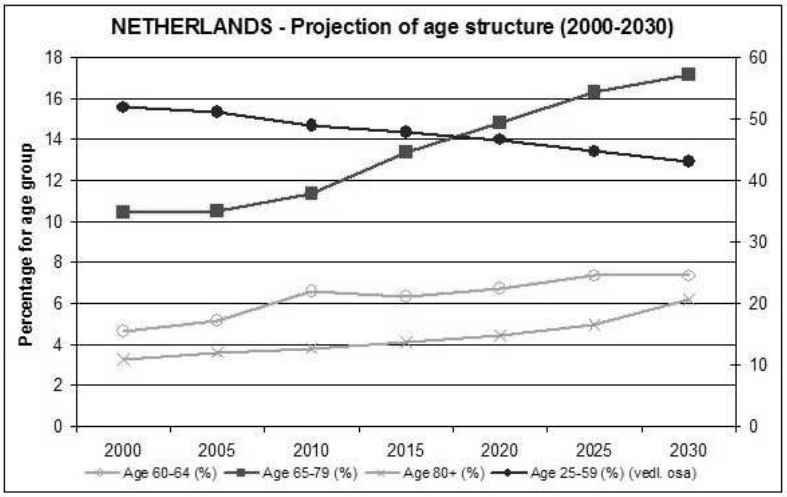
Many of the above noted conclusions have been made long before euro currency was even given a birth. In general, implications of euro currency have always been quite easy to predict as the ECB wisely supervised the changeover in small and careful steps. Financial institutions were supplied with a detailed methodology and step-by-step procedures in every single activity including the currencies trading, billing and accounting systems. This all was supported by an extensive campaign that educated the clients of those financial institutions and diminishing the risks of misunderstandings and flaws to the very minimum.

There are many macroeconomic issues that will clearly affect the economics and shape of the banking business in Europe in much bigger extend than we can expect from sort of a technical and formal change of the currency in the payment system.
One of the very important factors that will affect the development of Czech banking sector after joining EU and development of European banks in general, is change of the demographic structure of those areas. From the pictures below it is obvious that major changes in the population and substantial rise of an average age for the countries will have not only problems with public finance, health care systems and other. Banking will have to recognize the effects as well, by changing their product portfolios, client management, investment preferences etc.









Part III Integration issues

Among demographic issues, cheap labor forces in joining countries and political challenges, bank will also experience integration influences and tendencies. Indicators of integration can be reviewed for three product areas: wholesale, capital market related and retail. The evidence points to the emergence of a strongly integrated market in wholesale banking services as far as the predominant unsecured instruments are concerned. Integration is clearly less complete in the repo segment, mainly because of clearing and settlement obstacles in cross-border collateral transactions. The “two-tier” structure, based on major banks dominating cross-border transactions and smaller institutions trading with domestic banks only, does not appear to be hampering the equalization of market conditions throughout the euro area, as banks can take advantage of any pricing anomalies in local markets.

As regards capital market-related services (corporate finance services, and asset management and trading), a transformation of previously segmented national currency-based markets into a significantly integrated area wide market can be observed, in particular in the case of intermediating bond issues. This may be concluded from the replacement of the leading role of domestic intermediaries by international ones. US investment banks, in particular, have significantly increased

their share of the euro area market. Even though a similar increase in integration was observed for equity issuance and syndicated loans, these two segments present clear differences. Intermediating equity issuance and large-scale lending have remained more local, probably because of the greater need for local information and risk assessment than in the case of bonds.

From the perspective of asset management and trading, the fragmentation of the European clearing and settlement structure still significantly complicates post-trade processing of cross-border securities transactions relative to domestic ones. Complications arise because of the need to access many national systems, with differences in technical requirements, market practices and fiscal regulations acting as additional barriers to an efficient delivery of clearing and settlement services. These factors constitute major impediments, notwithstanding the fact that portfolio diversification across borders seems to have significantly increased according to the data presented in this study.

Market segmentation remains strongest in the retail area. For instance, discrepancies in lending and deposit margins across the euro area indicate that integrated retail banking markets are not yet in place. Such segmentation results from the fact that closeness to customers is still important in dealings with retail counterparties (households and small and medium-sized firms). Nevertheless, some convergence in margins can be observed, in particular in household lending.

Thus, the general picture is that integration has progressed fastest in the areas where professional market participants have the resources to overcome or circumvent the existing obstacles to integration (i.e. in the wholesale and capital market area). By contrast, retail clients do not usually have such resources, the outcome being a slower pace of integration.

Description of Czech Banking Sector

Table 1: Key figures of financial institutions

	Number of institutions	Total assets (EUR billion)	Total assets (% of GDP)	Relative share in total assets (%)
Deposit money banks	38	87.0	132	85
Insurance companies	43	6.4	10	6
Investment funds [1]	136	2.5	4	2
Pension funds	14	1.7	3	2
Credit unions [2]	52	...	...	...
Leasing companies	115	4.4	7	4

Sources: CNB, MoF, CSC
[1] Members of the UNIS (Union of Investment Companies)
[2] Relative share in total assets at the end of 2001 was 0.05%.

Table 2: Key figures of the financial sector
(4Q2001)

	Value (EUR billion)	% of GDP
Value added in financial services [1]	2	3
Domestic credit to private sector	26	39
Bond market capitalization	11	16
Stock market capitalization	11	16
Market share of top 5 companies	**Value (EUR billion)**	**% of assets/premiums**
Commercial banks	59	68
Stock market	7	67
Insurance	2	76

Source: CNB
[1] Employment in financial services accounted for around 2% of total employment.

Table 3: Number of banks
(end of period)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Banks, total of which:	52	55	55	53	50	45	42	40	38
Large banks	5	5	5	5	5	5	5	4	3
Medium-sized banks	2	5	10	9	13	12	12	11	10
Small banks	32	30	24	19	13	12	9	8	8
Foreign bank branches	7	8	10	9	9	10	10	10	10
Building societies	5	6	6	6	6	6	6	6	6
Banks under conservatorship	1	1	0	5	4	0	0	1	1
Banks without licences	0	1	4	6	10	18	21	23	23

Source: CNB

Table 4: Banking sector structure
(end of period)

	1996	1997	1998	1999	2000	2001 [1]
Total assets						
Large banks	72	67	64	62	59	58
Medium-sized banks	14	17	18	19	22	22
Small banks	3	3	3	2	2	3
Foreign bank branches	9	10	10	12	12	12
Building societies	2	3	4	5	5	5
Total credits (gross)						
Large banks	79	75	71	66	59	59
Medium-sized banks	10	13	15	18	23	23
Small banks	3	3	3	3	3	3
Foreign bank branches	7	9	9	11	11	11
Building societies	0	1	2	3	4	4
Total clients' deposits						
Large banks	82	78	73	72	72	69
Medium-sized banks	8	11	14	15	14	17
Small banks	3	2	2	1	1	2
Foreign bank branches	3	4	4	4	4	4
Building societies	4	5	7	7	9	8

Source: CNB
[1] Q3 – Reference period of latest data.

Table 5: Banking sector balance sheet

	EUR billion			% of total		
	1999	2000	2001	1999	2000	2001
Assets						
Cash	1.0	1.0	1.2	1.6	1.4	1.5
Deposits / credits with CNB	7.3	8.0	9.2	11.7	11.4	11.3
Deposits / credits with banks	15.3	15.9	16.5	24.4	22.5	20.2
T-bills	2.2	3.1	4.2	3.5	4.4	5.2
CNB bills	5.6	6.8	8.0	9.0	9.6	9.8
Credits	21.9	22.7	27.1	34.9	32.2	33.1
Tradable securities	2.0	2.6	1.5	3.2	3.7	1.9
Long-term financial investments	1.6	4.6	4.8	2.5	6.6	5.9
Tangible and intangible assets	1.7	1.7	1.7	2.7	2.4	2.1
Other assets	4.2	4.1	7.4	6.7	5.9	9.1
Total assets / liabilities	**62.8**	**70.5**	**81.7**	**100**	**100**	**100**
Liabilities						
Resources from CNB	0.1	0.2	0.1	0.2	0.2	0.2
Deposits / credits from banks	10.0	10.0	10.8	16.0	14.2	13.2
Deposits received	32.8	35.5	43.3	52.2	50.4	53.0
Bond issues	5.5	6.7	6.1	8.8	9.5	7.5
Reserves	1.0	1.5	1.3	1.6	2.1	1.6
Reserve funds	1.0	0.8	0.9	1.5	1.2	1.1
Capital funds	0.4	0.2	0.3	0.6	0.3	0.3
Initial capital	2.2	2.3	2.4	3.5	3.3	3.0
Other liabilities	9.8	13.3	16.4	15.6	18.8	20.0

Source: CNB

Description of Euro Banking Sector

Table 1: Different indicators of financial development in 1980

Bank loan to the private sector is the ratio of claims on private sector of deposit money banks (line 22d International Financial Statistics) and GDP. Deposits to GDP is the ratio of commercial and savings bank deposits (lines 24 and 25 of International Financial Statistics) and GDP. Stock market Cap to GDP is the aggregate market value of equity of domestic companies divided by GDP. Number of companies to population is the ratio of number of domestic companies whose equity is publicly traded in a domestic stock exchange and the country's population in millions. Equity issues to GFCF is the ratio of funds raised through public equity offerings (both initial public offerings and seasoned equity issues) by domestic companies to gross fixed capital formation.

Country	Bank Loan to Private Sector	Deposits	Stock Market Cap.	Equity issues	N. of companies
Austria	0.742	0.682	0.030	0.000	8.740
Belgium	0.272	0.299	0.090	0.030	22.850
Denmark	0.244	0.276	0.090	0.010	42.540
Finland	0.462	0.391	NA	0.012	NA
France	0.731	0.679	0.090	0.060	13.990
Germany	0.864	0.564	0.090	0.010	7.460
Greece	0.520	0.507	0.085	NA	NA
Ireland	0.315	0.577	NA	NA	NA
Italy	0.555	0.676	0.070	0.040	2.360
Luxembourg	1.210	1.626	0.001	0.016	205.556
Netherlands	0.632	0.602	0.190	0.010	15.120
Portugal	0.855	0.946	0.006	NA	NA
Spain	NA	0.723	0.087	0.028	13.213
Sweden	0.415	0.510	0.110	0.000	12.390
Average Cont. Europe	0.601	0.647	0.078	0.020	34.422
United Kingdom	0.276	0.280	0.380	0.040	47.220
United States	0.354	0.540	0.460	0.040	23.110
Average Anglo-American	0.315	0.410	0.420	0.040	35.165

Source: IMF and Rajan and Zingales (2003a). NA = not available.

Table 2: Different indicators of financial development in 2000

Bank loan to the private sector is the ratio of claims on private sector of deposit money banks (line 22d International Financial Statistics) and GDP. Deposits to GDP is the ratio of commercial and savings bank deposits (lines 24 and 25 of International Financial Statistics) and GDP. Stock market Cap to GDP is the aggregate market value of equity of domestic companies divided by GDP. Number of companies to population is the ratio of number of domestic companies whose equity is publicly traded in a domestic stock exchange and the country's population in millions. Equity issues to gross fixed capital formation (GFCF) is the ratio of a three year average (1999-2001) of funds raised through public equity offerings (both initial public offerings and seasoned equity issues) and domestic companies to GFCF.

Country	Bank Loan to Private Sector	Deposits	Stock Market Cap.	Equity issues	N. of companies
Austria	1.040	0.819	0.156	0.051	11.975
Belgium	0.792	0.837	0.783	0.138	15.707
Denmark	NA	NA	0.686	0.192	42.135
Finland	0.534	0.464	2.383	0.497	29.730
France	0.864	0.636	1.087	0.145	13.720
Germany	1.207	0.925	0.668	0.065	9.071
Greece	0.526	0.566	0.942	0.430	30.869
Ireland	1.069	0.793	0.843	0.172	20.053
Italy	0.770	0.514	0.703	0.041	5.058
Luxembourg	1.099	3.367	1.771	0.494	122.727
Netherlands	1.398	0.963	1.701	0.629	14.754
Portugal	1.408	0.997	0.567	0.502	10.889
Spain	1.012	0.816	0.882	0.866	25.817
Sweden	0.457	0.391	1.476	0.289	32.920
Average Cont. Europe	0.937	0.930	1.046	0.322	27.530
United Kingdom	1.320	1.069	1.840	0.149	32.370
United States	0.493	0.379	1.549	0.207	25.847
Average Anglo-American	0.907	0.724	1.694	0.178	29.109

Source: FIBV, IMF, and Rajan and Zingales (2003a). NA = not available.

Table 3: Evolution of bank debt

Bank loan to the private sector is the ratio of claims on private sector of deposit money banks (line 22d International Financial Statistics) and GDP.

	1980	1985	1990	1995	1998	1999	2000	2001
Austria	0.742	0.841	0.928	0.940	NA	1.002	1.040	1.062
Belgium	0.272	0.248	0.353	0.747	NA	0.817	0.792	0.771
Denmark	0.244	0.300	0.520	0.310	0.351	0.347	NA	NA
Finland	0.462	0.601	0.860	0.620	0.520	0.539	0.534	0.576
France	0.731	0.764	0.960	0.869	NA	0.821	0.864	0.898
Germany	0.864	0.953	1.006	1.031	1.186	1.178	1.207	1.210
Greece	0.520	0.517	0.367	0.336	0.381	0.461	0.526	0.633
Ireland	0.315	0.456	0.476	0.703	0.892	1.031	1.069	1.118
Italy	0.555	0.506	0.565	0.575	0.589	0.711	0.770	0.795
Luxembourg	1.210	0.978	1.243	0.976	NA	1.075	1.099	1.373
Netherlands	0.632	0.611	0.794	0.941	NA	1.296	1.398	1.426
Portugal	0.855	0.815	0.506	0.705	1.024	1.209	1.408	1.460
Spain	NA	NA	0.831	0.770	0.925	0.923	1.012	1.059
Sweden	0.415	0.393	0.582	0.348	0.405	0.423	0.457	NA
United Kingdom	0.276	0.472	1.158	1.153	1.183	1.212	1.320	1.385
Euro area average	0.651	0.663	0.741	0.768	0.788	0.922	0.977	1.032
EU average	0.578	0.604	0.743	0.735	0.746	0.870	0.964	1.059
United States	0.354	0.371	0.430	0.436	0.470	0.474	0.493	0.503

Source: IMF Financial Statistics. NA = not available.

Table 4: Increased importance of corporate debt

Domestic corporate debt outstanding divided by GDP.

	1989	1990	1991	1992	1993	1994	1995
Austria	0.018	0.017	0.016	0.014	0.017	0.019	0.021
Belgium	0.078	0.073	0.070	0.067	0.065	0.065	0.065
Denmark	0.925	0.910	0.905	0.876	1.062	0.912	0.896
Finland	0.099	0.103	0.103	0.092	0.094	0.074	0.057
France	0.038	0.043	0.044	0.044	0.042	0.042	0.039
Germany	0.001	0.001	0.004	0.006	0.005	0.003	0.002
Greece	0.052	0.054	0.043	0.048	0.042	0.042	0.025
Ireland	0.020	0.026	0.033	0.047	0.058	0.041	0.033
Italy	0.005	0.004	0.003	0.002	0.002	0.004	0.004
Luxembourg							
Netherlands	0.031	0.033	0.031	0.031	0.031	0.033	0.033
Portugal	0.038	0.047	0.045	0.044	0.046	0.057	0.074
Spain	0.081	0.105	0.090	0.092	0.093	0.077	0.063
Sweden	0.450	0.483	0.504	0.558	0.592	0.524	0.493
United Kingdom	0.035	0.032	0.030	0.032	0.039	0.041	0.044
Euro area average	0.042	0.046	0.044	0.044	0.045	0.041	0.038
EU average	0.134	0.138	0.137	0.139	0.156	0.138	0.132
United States	0.222	0.222	0.229	0.233	0.236	0.227	0.229

	1996	1997	1998	1999	2000	2001
Austria	0.017	0.019	0.020	0.019	0.017	0.016
Belgium	0.066	0.065	0.064	0.075	0.072	0.080
Denmark	0.893	0.912	0.951	0.940	0.957	1.007
Finland	0.056	0.047	0.048	0.061	0.060	0.056
France	0.053	0.051	0.055	0.075	0.093	0.088
Germany	0.003	0.004	0.004	0.007	0.013	0.020
Greece	0.008	0.008	0.008	0.003	0.002	NA
Ireland	0.021	0.050	0.060	0.074	0.097	0.105
Italy	0.004	0.005	0.005	0.010	0.024	0.061
Luxembourg						
Netherlands	0.036	0.038	0.043	0.067	0.125	0.136
Portugal	0.090	0.089	0.099	0.099	0.096	0.090
Spain	0.057	0.052	0.056	0.067	0.058	0.072
Sweden	0.511	0.458	0.437	0.407	0.333	0.283
United Kingdom	0.046	0.057	0.081	0.102	0.130	0.154
Euro area average	0.037	0.039	0.042	0.051	0.060	0.073
EU average	0.133	0.132	0.138	0.143	0.148	0.167
United States	0.229	0.226	0.236	0.241	0.240	0.241

Source: BIS for the debt and IMF Financial Statistics for the GDP. NA = not available.

Table 6: Introduction and enforcement of the insider trading law

The first column reports the year legislation to curb insider trading was introduced, the second one the year the first case of prosecution took place. „No" means there has been no case of prosecution.

Country	Year insider trading law introduced	First time it was enforced
Austria	1993	No
Belgium	1990	1994
Denmark	1991	1996
Finland	1989	1993
France	1967	1975
Germany	1994	1995
Greece	1988	1996
Ireland	1990	No
Italy	1991	1996
Luxembourg	1991	No
Netherlands	1989	1994
Portugal	1986	No
Spain	1994	1998
Sweden	1971	1990
United Kingdom	1980	1981
United States	1934	1961

Source: Bhattacharya and Daouk (2002)

Table 8: Corporate debt before and after the euro

Net bond issues are computed as difference of the level of bond outstanding as reported by the BIS. We sum domestic corporate bonds and international corporate bonds issues by firms domiciled in the country and normalized by a country GDP.

Panel A: Summary Statistics

Variable	Mean	Median	St. Dev.	Min.	Max.	N
Net issues of domestic corporate debt	0.004	0.001	0.013	-0.037	0.105	411
Net issues of int. corporate debt	0.004	0.001	0.010	-0.025	0.072	292
Net issues of total corporate debt	0.009	0.004	0.020	-0.034	0.129	258

Panel B: Regression Analysis

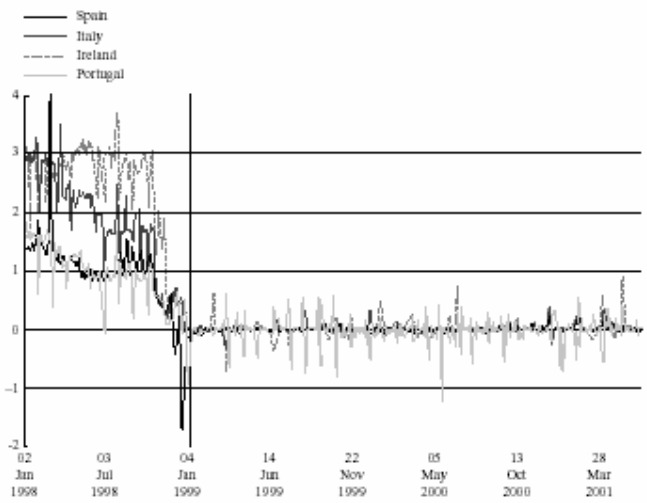
Dependent variable:	Net issues of domestic corp. debt	Net issues of intern. corp. debt	Net issues of total debt
Euro dummy	0.006	0.007	0.018
	(0.003)	(0.003)	(0.005)
Year fixed effects	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes
R-squared	0.3608	0.2357	0.4741
N	411	292	258

Source: BIS

Chart 1

Differences in average overnight rates vs. average German rates

(%-points)



Source: The ECB.

Table 7

Issuance of securities in euro (or euro legacy currencies) by euro area resident firms

(value in EUR billions and number of transactions)

	Bonds		Equities		Syndicated loans	
	Value	Transactions	Value	Transactions	Value	Transactions
1995	5.3	53	20.6	56	22.9	111
1998	18.8	109	51.5	219	45.1	178
1999	37.0	123	76.1	301	107.5	296
2000	56.4	134	111.4	347	197.8	313
2001	83.5	161	44.7	119	159.3	312

Source: Dealogic (Bondware and Loanware).

Table 8

Gross fees on securities issues and commitment fees on syndicated loans in euro (or euro legacy currencies) taken-up by euro area resident firms

(% of face value or basis points)

	Bonds		Equities		Syndicated loans[1]	
	Upper quintile	Median quintile	Upper quintile	Median quintile	Upper quintile	Median quintile
1995	1.9	2.1	2.8	3.8	26.2	35.5
1998	2.1	1.7	2.2	4.0	12.3	13.5
1999	1.3	1.7	2.6	4.5	21.0	42.6
2000	0.6	1.1	2.4	3.0	17.9	54.0

Source: Dealogic (Bondware and Loanware).
1) Gross fees in basis points.

Table 9

Distribution of top 20 bookrunners in bonds in euro (or in euro legacy currencies) issued by euro area resident firms and grouped according to bookrunner's nationality

(% of total)

		1995	2000	2001
euro-area		95.8	43.2	46.4
of which	DE	9.0	11.6	12.9
	FR	53.6	23.6	26.2
	NL	25.7	5.7	4.8
other europe		1.0	10.6	14.2
of which	UK	0.0	4.1	6.1
	CH	1.0	6.5	8.1
rest of the world		2.1	40.6	32.0
of which	US	2.1	40.6	32.0
	JP	0.0	0.0	0.0
Total top 20		98.9	94.4	92.6

Source: Dealogic (Bondware).

Table 10

Top 20 bookrunners in 2001 of bonds in euro issued by euro area resident firms

Rank	Nat.	Bookrunner	Amount (EUR millions)	Nr. of Issues	%-Share	Cumulative %-share
1	FR	BNP Paribas	10,445.4	33	12.5	12.5
2	US	Salomon Smith Barney	8,319.7	25	10.0	22.5
3	DE	Deutsche Bank	8,181.2	20	9.8	32.2
4	US	Morgan Stanley	6,891.6	18	8.2	40.5
5	FR	Societe Generale	6,741.6	17	8.1	48.6
6	CH	Credit Suisse First Boston	5,989.8	16	7.2	55.7
7	US	JP Morgan	5,099.6	22	6.1	61.8
8	NL	ABN AMRO	4,043.1	11	4.8	66.7
9	UK	HSBC	3,034.3	13	3.6	70.3
10	FR	Credit Agricole Indosuez	3,013.0	14	3.6	73.9
11	DE	Dresdner Kleinwort Wasserstein	2,562.1	11	3.1	77.0
12	US	Merrill Lynch & Co	2,293.6	13	2.7	79.7
13	US	Goldman Sachs & Co	2,187.5	5	2.6	82.3
14	UK	Barclays Capital	2,066.7	5	2.5	84.8
15	US	Lehman Brothers	1,977.5	10	2.4	87.2
16	IT	UniCredito Italiano SpA	1,537.6	8	1.8	89.0
17	FR	Natexis Banques Populaires	816.7	6	1.0	90.0
18	FR	Lazard	813.0	4	1.0	91.0
19	CH	UBS Warburg	750.0	2	0.9	91.9
20	IT	Mediobanca - Banca di Credito Finanziario SpA	618.6	6	0.7	92.6

Source: Dealogic (Bondware).

Table 11

Distribution of top 20 bookrunners in equities in euro (or euro legacy currencies) issued by euro area resident firms and grouped according to bookrunner's nationality

(% of total)

		1995	2000	2001
euro-area		64.2	41.4	45.6
of which	DE	14.5	20.1	15.8
	FR	20.7	6.3	12.4
	NL	9.5	6.1	7.9
other europe		20.3	10.6	15.1
of which	UK	0.0	0.0	0.0
	CH	20.3	10.6	14.0
rest of the world		11.5	35.7	36.6
of which	US	10.8	35.7	36.6
	JP	0.7	0.0	0.0
Total top 20		96.0	87.7	97.3

Source: Dealogic (Bondware).

Table 12

Top 20 bookrunners in 2001 of equities in euro issued by euro area resident firms

Rank	Nat.	Bookrunner	Amount (EUR millions)	Nr. of Issues	%-Share	Cumulative %-share
1	US	Morgan Stanley	5,119.9	9	11.5	11.5
2	US	Goldman Sachs & Co	4,630.5	10	10.4	21.8
3	CH	Credit Suisse First Boston	4,441.3	8	9.9	31.7
4	US	Merrill Lynch & Co	4,431.7	10	9.9	41.7
5	FR	Societe Generale	4,373.3	8	9.8	51.4
6	NL	ABN AMRO	3,534.9	12	7.9	59.3
7	DE	Deutsche Bank	3,513.1	15	7.9	67.2
8	DE	Dresdner Kleinwort Wasserstein	3,364.4	7	7.5	74.7
9	US	Salomon Smith Barney	1,898.4	13	4.2	79.0
10	CH	UBS Warburg	1,822.9	9	4.1	83.0
11	IT	Banca IMI SpA	1,527.2	4	3.4	86.5
12	FR	BNP Paribas	1,163.4	6	2.6	89.1
13	ES	Banco Santander Central Hispano SA	1,063.2	4	2.4	91.4
14	ES	Banco Bilbao Vizcaya Argentaria SA - BBVA	649.2	2	1.5	92.9
15	IE	J & E Davy	623.0	3	1.4	94.3
16	SE	SEB	479.0	2	1.1	95.4
17	US	Lehman Brothers	271.1	2	0.6	96.0
18	IT	Mediobanca - Banca di Credito Finanziario SpA	214.5	3	0.5	96.4
19	DE	Commerzbank Securities	199.1	2	0.4	96.9
20	ES	Caja de Madrid	162.8	1	0.4	97.2

Source: Dealogic (Bondware).

Table 13

Distribution of top 20 mandated arrangers in syndicated loans in euro (euro legacy currencies) taken up by euro area resident firms and grouped according to arranger's nationality

(% of total)

		1995	2000	2001
euro-area		61.0	47.2	53.3
of which	DE	26.2	10.0	25.0
	FR	10.8	18.6	15.4
	NL	7.6	13.7	5.7
other europe		13.2	9.9	7.8
of which	UK	8.1	6.3	7.8
	CH	5.1	3.6	0.0
rest of the world		10.7	29.6	21.4
of which	US	10.7	29.6	21.4
	JP	0.0	0.0	0.0
Total top 20		84.9	86.7	82.5

Source: Dealogic (Loanware).

Table 14

Top 20 mandated arrangers in 2001 of syndicated loans in euro taken up by euro area resident firms

Rank	Nat.	Bookrunner	Amount (EUR millions)	Nr. of Issues	%-Share	Cumulative %-share
1	US	JP Morgan	16,963.9	32	10.6	10.6
2	DE	Deutsche Bank AG	15,849.2	35	9.9	20.6
3	US	Citigroup Inc	13,512.6	38	8.5	29.1
4	FR	BNP Paribas	12,748.5	46	8.0	37.1
5	FR	SG	7,965.7	21	5.0	42.1
6	DE	Dresdner Kleinwort Wasserstein	6,921.6	16	4.3	46.4
7	DE	Credit Agricole Indosuez	6,457.6	22	4.1	50.5
8	NL	ABN-AMRO Bank NV	6,219.3	21	3.9	54.4
9	IT	Mediobanca SpA	5,632.6	8	3.5	57.9
10	UK	Barclays	4,784.6	24	3.0	60.9
11	UK	HSBC	4,413.8	16	2.8	63.7
12	FR	Credit Lyonnais SA	3,899.7	40	2.4	66.1
13	US	Goldman Sachs & Co	3,707.4	8	2.3	68.4
14	DE	Commerzbank AG	3,659.5	14	2.3	70.7
15	DE	HVB Group	3,550.4	14	2.2	73.0
16	DE	WestLB	3,524.0	11	2.2	75.2
17	IT	IntesaBci SpA	3,523.7	8	2.2	77.4
18	UK	Royal Bank of Scotland	3,247.1	19	2.0	79.4
19	NL	ING Barings	2,815.6	17	1.8	81.2
20	IT	UniCredito Italiano SpA	2,339.5	4	1.5	82.7

Source: Dealogic (Loanware).

Table 16

Number of credit institutions

(end of year figures)

	1990	1995	1998	1999	2000	2001	June 2002
Belgium	157	145	123	117	118	112	110
Germany	4,720	3,785	3,238	2,992	2,742	2,526	2,485
Greece	39	53	59	57	57	61	62
Spain	696	506	402	387	368	367	364
France	2,027	1,469	1,226	1,159	1,099	1,050	1,024
Ireland	48	56	78	81	81	88	86
Italy	1,156	970	934	890	861	843	839
Luxembourg	177	220	212	211	202	194	185
The Netherlands	111	102	634	616	586	561	543
Austria	1,210	1,041	898	875	848	836	834
Portugal	260	233	227	224	218	212	207
Finland	529	381	348	346	341	369	370
Euro area	**11,130**	**8,961**	**8,379**	**7,955**	**7,521**	**7,219**	**7,109**
Denmark	124	122	212	210	210	203	198
Sweden	704	249	148	148	146	149	214
The United Kingdom	624	564	521	496	491	452	447
EU	**12,582**	**9,896**	**9,260**	**8,809**	**8,368**	**8,023**	**7,968**

Source: 1990, 1995 figures: ECB (1999a); 1998 to 2002 figures: The ECB.
The Netherlands: figures from 1998 onwards include credit institutions affiliated to a central credit institution.

Table 17

Lending retail interest rates and margins

(%-points)

	Household lending rates				Corporate lending rates			
	Average (May 98-May 99)		Average (May 01-May 02)		Average (May 98-May 99)		Average (May 01-May 02)	
	Rate	Lending margin	Rate	Lending margin	Rate	Lending margin	Rate	Lending margin
Austria	6.33	2.35	6.42	1.70	6.11	2.69	6.07	2.21
Belgium	5.36	1.38	6.37	1.65	4.98	1.57	5.64	1.78
Germany	6.25	2.27	6.74	2.03	6.23	2.83	7.05	3.19
Finland	5.24	1.25	5.24	0.53	4.31	0.89	4.71	0.85
France	7.16	3.18	7.23	2.52	4.52	1.12	5.31	1.45
Greece	12.56 1)	6.55 1)	7.65	2.94	16.44	5.61	8.09	4.23
Ireland	7.49	3.43	6.84	2.12	8.68	5.28	8.67	4.81
Italy	6.71	2.67	6.31	1.60	6.13	2.50	5.64	1.77
Luxembourg	5.18	1.19	5.12	0.40	N.A.	N.A.	N.A.	N.A.
The Netherlands	5.29	1.31	5.81	1.09	3.67	0.29	4.35	0.49
Portugal	6.36	2.34	6.09	1.38	6.36	2.83	5.51	1.65
Spain	5.85	1.83	5.78	1.06	6.06	2.53	6.20	2.34
Euro area	**6.65**	**2.48**	**6.30**	**1.58**	**6.68**	**2.56**	**6.11**	**2.25**
Std. dev.	**2.01**	**1.48**	**0.76**	**0.76**	**3.50**	**1.67**	**1.34**	**1.34**

Source: The ECB and Datastream. Retail interest rates should be used with caution since national interest rates are not harmonized in terms of their coverage, the nature of the data (nominal or effective) or the compilation method. Margins are calculated as the difference between average retail interest rates (using ECB monthly adjusted country weights) and a reference market rate (obtained from Datastream), corresponding to the maturity distribution of the recorded retail business. Reported averages are unweighted.

1) Jan 99-May 99.

Table 18

Deposit retail interest rates and margins

(%-points)

	Average (May 1998-May 1999)			Average (May 2001-May 2002)		
	Rate	Deposit margin	Overall margin	Rate	Deposit margin	Overall margin
Austria	2.18	1.24	4.04	2.17	1.69	4.09
Belgium	2.31	1.10	2.81	2.37	1.49	3.57
Germany	2.46	0.94	3.78	2.49	1.37	4.39
Finland	1.20	2.21	3.60	1.59	2.27	3.40
France	2.65	0.75	3.04	2.68	1.18	3.48
Greece	8.48	2.35	7.77	2.06	1.80	5.89
Italy	2.26	1.37	3.94	1.72	2.14	4.02
Luxembourg	2.50	0.91	2.67	2.54	1.32	2.58
The Netherlands	2.33	1.06	2.55	2.32	1.55	3.18
Portugal	2.44	1.08	3.91	2.45	1.41	3.33
Spain	2.08	1.46	3.89	2.32	1.54	3.68
Euro area	**2.81**	**1.32**	**3.82**	**2.25**	**1.61**	**3.78**
Std. dev.	**1.92**	**0.52**	**1.42**	**0.34**	**0.34**	**0.85**

Source: The ECB and Datastream. Retail interest rates should be used with caution since national interest rates are not harmonized in terms of their coverage, the nature of the data (nominal or effective) or the compilation method. Deposit margins are calculated as a difference between average retail interest rates (using ECB monthly adjusted country weights) and a reference market rate (obtained from Datastream), corresponding to the maturity distribution of the recorded retail business. The overall margin is the difference between average lending and deposit rates. Ireland is excluded due to the very small coverage of the provided deposit rate. Reported averages are unweighted.

Table 19

Domestic and cross-border on-balance-sheet activities of euro area banks

(EUR billions)

	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Mar. 2002
Total interbank assets [1]	*4,649*	*4,979*	*5,369*	*5,719*	*6,274*	*6,308*
Loans to MFIs	3,859	4,079	4,298	4,478	4,880	4,835
domestic business (%)	60.1	61.4	62.5	61.2	59.3	59.2
business with other euro area countries (%)	15.3	16.7	17.7	17.9	18.3	18.6
business with the rest of the world (%)	24.6	21.9	19.8	20.9	22.4	22.2
Other claims on MFIs (securities, money market paper)	790	900	1,071	1,241	1,395	1,474
domestic business (%)	80.5	77.6	71.4	67.4	63.8	62.5
business with other euro area countries (%)	12.7	14.5	18.2	19.2	19.5	20.2
business with the rest of the world (%)	6.8	7.9	10.4	13.4	16.7	17.3
Total loans to non-banks [2]	*5,905*	*6,349*	*6,867*	*7,491*	*7,952*	*8,046*
domestic business (%)	91.6	91.6	90.4	89.9	88.9	88.7
business with other euro area countries (%)	2.2	2.6	3.0	3.2	3.4	3.6
business with the rest of the world (%)	6.2	5.8	6.6	6.9	7.7	7.7
Fixed income securities issued by non-banks [3]	*1,380*	*1,522*	*1,592*	*1,550*	1,686	1,745
domestic business (%)	72.5	68.0	62.1	57.0	53.0	52.6
business with other euro area countries (%)	15.6	18.9	23.7	25.7	29.3	30.5
business with the rest of the world (%)	11.9	13.1	14.2	17.3	17.7	16.9
Equity holdings	*380*	*588*	*753*	*903*	*972*	*984*
Other assets	*1,069*	*953*	*1,120*	*1,234*	*1,332*	*1,231*
Total assets	**13,383**	**14,390**	**15,700**	**16,898**	**18,217**	**18,314**
Total interbank deposits	*4,057*	*4,468*	*4,909*	*5,232*	*5,521*	*5,534*
domestic business (%)	59.5	58.3	57.3	55.0	52.9	52.6
business with other euro area countries (%)	14.6	15.9	16.1	15.5	16.4	16.4
business with the rest of the world (%)	25.9	25.8	26.6	29.5	30.7	31.0
Total deposits from non-banks [2]	*5,104*	*5,444*	*5,740*	*6,090*	*6,576*	*6,586*
domestic business (%)	88.0	87.8	86.2	85.1	84.3	83.7
business with other euro area countries (%)	5.4	5.5	5.3	5.2	5.0	5.2
business with the rest of the world (%)	6.6	6.7	8.5	9.7	10.7	11.1
Fixed income securities [3]	*2,064*	*2,262*	*2,604*	*2,826*	*3,030*	*3,117*
Capital and reserves	*688*	*765*	*867*	*960*	*1,043*	*1,054*
Other liabilities	*1,470*	*1,450*	*1,579*	*1,790*	*2,047*	*2,022*
Total liabilities	**13,383**	**14,390**	**15,700**	**16,898**	**18,217**	**18,314**

Source: The ECB. Data refer to monetary financial institutions (MFI) (excluding the Eurosystem).

1) These items do not include shares.

2) Including general government.

3) The item includes money market paper.

Table 20

Inward branching of banks from EU countries into euro area

	Number of branches from				Assets of foreign branches as a % of total unconsolidated assets of host country			
	Euro area		EU		Euro area		EU	
Host country	1997	2000	1997	2000	1997	2000	1997	2000
Austria	4	12	6	15	0.6	N.A.	0.7	0.8
Belgium	23	28	25	34	N.A.	N.A.	*8.5*	5.7
Finland	1	0	9	0	0	N.A.	0	*7.3*
France	36	73	52	93	N.A.	N.A.	*2.6*	*3.3*
Germany	90	113	118	145	0.7	1.0	1.0	1.3
Greece	9	9	14	13	5.3	4.2	9.0	6.4
Ireland	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	*13.5*
Italy	27	32	34	41	3.0	3.0	3.4	3.5
Luxembourg	55	47	62	55	N.A.	N.A.	*17.9*	*16.6*
Netherlands	6	0	9	0	N.A.	N.A.	*2.1*	*2.7*
Portugal	13	18	15	22	N.A.	N.A.	*4.0*	*4.2*
Spain	28	33	34	41	4.0	2.8	4.7	3.4
Euro area average	**27**	**33**	**34**	**42**	**2.3**	**2.8**	**4.9**	**5.7**

Source: Eurostat and the ECB. Data in italics refer to branches from EEA countries and were calculated based on comparable figures from the ECB (2002).

Table 21

Outward branching of banks from euro area countries into EU

	Number of foreign branches from				Assets of foreign branches as % of total consolidated assets of home country [1]			
	Euro area		EU		Euro area		EU	
Home country	1997	2000	1997	2000	1997	2000	1997	2000
Austria	9	14	13	17	0.2	0.3	0.2	3.5
Belgium	19	23	24	28	0.6	0.4	0.6	5.0
Finland	0	1	4	2	0	0	0.4	0
France	61	68	72	83	2.5	2.0	2.6	7.4
Germany	64	83	78	109	0.2	0.4	0.2	15.1
Greece	3	6	7	11	0.2	0.3	0.2	9.9
Ireland	1	7	10	16	0.9	0.2	0.9	9.0
Italy	35	41	48	57	1.0	0.9	1.0	5.6
Luxembourg	35	39	38	40	0.1	0.0	0.1	0.0
Netherlands	24	35	29	44	2.6	1.6	2.9	16.6
Portugal	10	12	14	16	0.9	0.4	0.9	3.0
Spain	31	36	37	42	1.9	2.2	1.9	4.3
Euro area average	**24**	**30**	**31**	**39**	**0.9**	**0.7**	**1.0**	**6.6**

Source: Eurostat and the ECB.

1) Data only cover the assets of branches in: AT, BE, DE, GR, IT, ES, SE, UK.

Table 22

Value of M&A's involving banks in the euro area

(EUR billions or % of total)

			Within-industry		Cross-industry	
	Total value	Total	Domestic	Cross-border	Domestic	Cross-border
1990	15.4	5	45	7	45	3
1991	8.7	3	76	2	10	12
1992	5.2	2	17	4	19	60
1993	12.0	4	22	3	17	58
1994	6.1	2	73	5	22	0
1995	11.0	3	39	26	32	3
1996	6.4	2	74	1	6	19
1997	27.9	9	74	2	5	19
1998	72.4	23	70	3	17	10
1999	70.9	22	79	13	3	5
2000	49.7	16	38	42	12	8
2001 (August)	31.3	10	31	1	67	1
1990-2001	**316.9**	**100**	**60**	**11**	**18**	**11**

Source: Thomson Financial. The value of a M&A transaction is defined as the total value paid by the acquiror within six months of the announcement date.

Table 23

Average size of M&A deals in the euro area

(EUR millions)

	1990-1997	1998-2001 (August)	1990-2001 (August)
Average size	273.5	1116.9	549.6
of which: Domestic/Within-industry	315.4	1279.5	648.8
Domestic/Cross-industry	205.8	1075.3	413.5
Cross-border/Within-industry	163.6	1011.7	456.8
Cross-border/Cross-industry	38.5	575.2	429.5

Source: Thomson Financial.

Table 24

Origin of acquirers in cross-border bank mergers in the euro area

(% of total)

	Within-industry			Cross-industry		
	1990-1997	1998-2001	1990-2001	1990-1997	1998-2001	1990-2001
Euro area	53	59	58	50	47	48
Other EU countries	9	38	31	1	0	1
USA	21	2	7	2	13	8
Rest of the world	17	1	4	47	40	43

Source: Thomson Financial.

Table 25

Capital of euro area banks owned by foreign residents

(end – 2000, % of total equity capital)

	Country of the owners															
Country of the participations	BE	DK	DE	GR	ES	FR	IT	LU	NL	PT	SE	UK	JP	US	Other	Total
BE		0.00	1.11	0.00	0.23	0.47	0.00	0.04	27.04	0.00	0.00	0.00	0.00	0.24	0.37	**29.5**
DE	0.00	0.00		0.00	0.66	0.38	0.86	0.06	1.98	0.00	0.03	0.00	0.02	0.49	0.68	**5.2**
GR	0.00	0.00	0.00		0.00	1.16	0.00	0.00	0.00	0.00	0.00	0.96	0.00	1.25	2.72	**6.1**
ES	0.00	0.00	2.87	0.00		1.26	1.92	0.00	0.00	1.18	0.00	2.29	0.00	0.00	0.00	**9.5**
FR	6.17	0.00	2.54	0.00	1.44		1.09	0.19	0.58	0.02	0.00	1.56	0.67	0.00	0.00	**14.3**
FI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.64	0.00	0.00	2.81	0.22	**40.7**
IE	2.88	0.00	26.30	0.00	0.00	0.00	2.79	0.91	5.82	0.00	0.00	1.14	0.00	0.01	0.38	**40.2**
IT	0.09	0.00	1.74	0.00	1.12	2.59		0.28	0.67	0.00	0.00	0.11	0.00	0.00	3.68	**10.3**
LU	18.40	2.17	47.30	0.32	0.00	9.80	4.28		1.49	0.00	0.27	0.79	0.00	0.00	1.02	**85.8**
NL	1.23	0.00	1.65	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.59	3.10	0.10	**6.7**
AT	1.01	0.00	9.03	0.00	0.00	0.02	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**10.2**
PT	0.86	0.00	2.02	0.73	0.99	0.78	3.19	2.82	1.83		0.00	0.25	0.00	3.10	0.10	**16.7**
Average	**2.79**	**0.18**	**8.60**	**0.10**	**0.40**	**1.50**	**1.29**	**0.39**	**3.58**	**0.11**	**3.16**	**0.59**	**0.11**	**0.92**	**0.77**	**22.9**

Source: Fitch IBCA Bankscope. Includes 570 euro area banks for which data are available. Includes all types of owners and participations (also minority holdings). The columns include the countries that appear as owners. Columns of Ireland and Finland were excluded given that there are no reported participations abroad.

Table 26

Assets of five largest credit institutions (CR5)

(as % of total local banking assets)

	1990	1995	1999	2000	2001
Belgium	48	54	76	75	78
Germany	14	17	19	20	20
Greece	83	76	67	65	66
Spain	35	46	52	54	53
France	42	41	43	47	47
Ireland	44	44	41	41	43
Italy	19	26	26	23	29
Luxembourg	N.A.	21	26	26	28
The Netherlands	73	76	82	81	82
Austria	35	39	41	43	45
Portugal	58	74	44	59	60
Finland	53	69	86	87	80
Euro area average	**46**	**49**	**50**	**52**	**53**
Denmark	76	74	71	60	68
Sweden	70	86	88	88	N.A.
The United Kingdom	N.A.	27	29	30	30
EU average	**50**	**51**	**53**	**53**	**52**

Source: 1990, 1995 figures: ECB (1999a); 1999 to 2001 figures: ECB (2002). Averages are unweighted and ignore missing values. CR5 is reported on a non-consolidated basis from 1999 onwards.

Table 27

Number of bank branches

(per 1,000 inhabitants)

	1990	1995	1999	2000	2001	%-change 1990-2001
Belgium	0.90	0.76	0.68	0.64	0.60	–33
Germany	0.63	0.59	0.71	0.69	0.66	5
Greece	0.19	0.23	0.26	0.27	0.28	47
Spain	0.83	0.93	0.99	0.98	0.97	17
France	0.45	0.44	0.43	0.43	0.44	–2
Ireland	0.27	0.29	0.29	0.26	N.A.	–4
Italy	0.31	0.41	0.47	0.49	0.51	65
Luxembourg	0.78	0.85	0.71	0.68	N.A.	–13
The Netherlands	0.54	0.44	0.39	0.37	0.33	–39
Austria	0.58	0.58	0.57	0.56	0.56	–3
Portugal	0.20	0.35	0.53	0.55	0.69	245
Finland	0.58	0.38	0.24	0.23	0.23	–60
Euro area average	**0.53**	**0.54**	**0.59**	**0.59**	**N.A.**	**11**
Denmark	0.58	0.42	0.43	0.44	0.44	–24
Sweden	0.38	0.30	0.24	N.A.	N.A.	–37
The United Kingdom	0.35	0.33	0.26	0.24	N.A.	–31
EU average	**0.50**	**0.50**	**0.53**	**0.49**	**N.A.**	**–2**

Source: 1990, 1995 figures: ECB (1999a); 1999 to 2001 figures: ECB (2002). Weighted averages. Changes calculated using the latest available figure.

Table 28

Number of bank employees

(per 1,000 inhabitants)

	1990	1995	1999	2000	2001	%-change 1990-2001
Belgium	7.94	7.56	7.45	7.44	7.41	–7
Germany	11.10	9.28	9.83	9.85	9.77	–12
Greece	4.61	5.07	5.55	5.69	5.65	23
Spain	6.22	6.35	6.47	6.46	6.5	5
France	7.63	7.05	7.06	N.A.	N.A.	–7
Ireland	4.99	6.40	N.A.	N.A.	N.A.	28
Italy	5.92	6.23	5.90	5.95	N.A.	1
Luxembourg	41.78	44.90	48.65	52.20	54.14	30
The Netherlands	7.86	7.13	7.84	8.09	7.96	1
Austria	9.86	9.78	9.07	9.07	9.19	–7
Portugal	6.20	6.09	6.02	5.67	5.47	–12
Finland	10.15	6.31	4.66	4.86	N.A.	–52
Euro area average	**8.04**	**7.43**	**7.42**	**N.A.**	**N.A.**	**–8**
Denmark	10.60	8.90	9.00	9.07	9.07	–14
Sweden	5.32	4.91	4.88	N.A.	N.A.	–8
The United Kingdom	8.98	7.98	8.07	7.44	N.A.	–17
EU average	**8.16**	**7.48**	**7.49**	**N.A.**	**N.A.**	**–8**

Source: 1990, 1995 figures: ECB (1999a); 1999 to 2001 figures: ECB (2002). Weighted averages. Changes are calculated using the latest available figure.

Table 29

Ownership structure of 50 major banks operating in the euro area

(end-2000)

% of capital owned by	>50%	10%-50%	<10%
Other banks	6	11	21
Other financial institutions	2	18	13
Employees & pensioners	0	2	3
Public sector	7	4	6
Other owners	26	21	18

Source: Fitch IBCA Bankscope.