

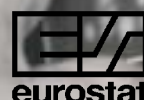
Special feature on banking



4



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COMMISSION



THEME 4
Industry,
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This publication was prepared under the responsibility of:

Bernard Langevin,

Head of Unit D2 "Structural Business Statistics" – Eurostat

Consultants

Laurent Parisse, Anne-Elisabeth Petit, Sabrina Schmitt

Publication Editor

August Götzfried, Eurostat

Petra Sneijers, Eurostat

For further information please contact Eurostat:

August Götzfried, Eurostat

Tel (352) 4301 – 34432

Fax (352) 4301 – 32600

E-mail august.goetzfried@cec.eu.int

Petra Sneijers, Eurostat

Tel (352) 4301 – 35024

Fax (352) 4301 – 32600

E-mail petra.sneijers@cec.eu.int

The views expressed in this publication do not necessarily reflect the official opinion of the European Commission

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Contributors:

National Central Banks/Financial Supervisory Authorities:

B	Banque Nationale de Belgique
DK	Finanstilsynet
D	Deutsche Bundesbank
EL	Bank of Greece
E	Banco de España
F	Banque de France
IRL	Central Bank of Ireland
I	Banca d'Italia
L	Banque Centrale du Luxembourg
NL	De Nederlandsche Bank
A	Österreichische Nationalbank
P	Banco de Portugal
FIN	Bank of Finland
S	Riksbank
UK	Bank of England
IS	Central Bank of Iceland
N	Bank of Norway
CH	Banque Nationale Suisse

National Statistical Institutes:

Institut National de Statistique
Danmarks Statistik
Statistisches Bundesamt
National Statistical Service of Greece (NSSG)
Instituto Nacional de Estadística (INE)
Institut National de la Statistique et des Etudes Economiques (INSEE)
Central Statistics Office (CSO)
Istituto Nazionale di Statistica (ISTAT)
Service Central de la Statistique et des Etudes Economiques (STATEC)
Centraal Bureau voor de Statistiek (CBS)
Statistik Österreich
Instituto Nacional de Estadística (INE)
Statistics Finland
Statistics Sweden
Office for National Statistics (ONS)
Statistics Iceland
Statistics Norway
Office Fédéral de la Statistique

FOREWORD

The European banking industry has become progressively concentrated, more diverse in scope and international in orientation. The ongoing market liberalisation as well as the anticipation of the implementation of the Euro has led to changes in the competitive environment and the structure of the European financial markets.

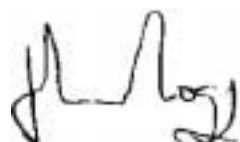
The continuing development of the European single market for financial services has already resulted in a wave of mergers of credit institutions. Such consolidation did not only affect small local and regional enterprises, but involved cross-border mergers between major players within the European Union. The internationalisation of the banking industry is expected to continue in the future, but it will not be limited to Europe. As the competition is increasing and enterprises become larger, some credit institutions are likely to look for new markets and opportunities.

Developments in Community monetary and economic integration require statistics on the structure, activity, competitiveness and performance of credit institutions. Eurostat started to collect structural business statistics on credit institutions for the reference year 1997. As Member States participated on a voluntary base, the statistics collected are not yet completely harmonised. In order to improve the quality and the comparability of the statistics on credit institutions and to integrate them in the European Statistical System, Eurostat drafted a European Parliament and Council Regulation amending the Council Regulation No 58/97 concerning structural business statistics. This Regulation will add a sector specific annex on credit institutions to the Council Regulation No 58/97. Moreover, a methodological manual was developed providing a common framework for anyone working on the collection, transmission or analysis of data on credit institutions.

In its effort to supply users with the most complete information possible, Eurostat will integrate balance sheet data on credit institutions collected indirectly through the ECB in its CREDSTAT database in the second half of this year.

The present publication on the reference year 1998 is mainly an update of the 1999 edition of Banking in Europe. In the first part, the European credit institutions are set in the international context by comparing them with the US and Japan banking industry. This year's edition also reports briefly on the credit institutions in the Czech Republic, Hungary and Poland. Part 2 provides a thematic analysis with regard to the structure, performance and competitiveness, internationalisation and employment of the European credit institutions. Part 3 contains a contribution on the structure of the European mortgage markets of the European Mortgage Federation.

Work on statistics on credit institutions is carried out on the initiative of Eurostat, in co-operation with DG Internal Market. Eurostat collects the data from national central banks, financial supervisory authorities and national statistical institutes which are compiling the national results.



John Mogg
Director General
DG Internal Market



Yves Franchet
Director General
Eurostat

INTRODUCTION

'Special Feature on Banking', edition 2000 is the second comprehensive publication on European credit institutions edited by Eurostat. This 'Detailed Tables' issue on the European banking sector is an updated version of 'Banking in Europe' published in 1999 in the 'Panorama of the European Union' collection.

The new version provides 1998 figures on credit institutions and follows mainly the same structure as the first issue. However, it does not present country chapters anymore. Moreover, the first part which proposes an overview of the world banking sector has been enhanced with data on commercial banks for three pre-accession countries: the Czech Republic, Hungary and Poland. Finally, the European Mortgage Federation has also contributed to this issue with a review on the structure of the European mortgage markets.

The present publication provides statistics on credit institutions in Europe for the 1994-1998 period. In addition to the information on the structure, performance and competitiveness, internationalisation and employment of European credit institutions, the publication presents complementary data on US and Japanese commercial banks. Main indicators on commercial banks in the Czech Republic, Hungary and Poland are also presented in a separate chapter. These limited complementary data on commercial banks are based on the OECD statistics (1997 data for Japan, the Czech Republic and Hungary, and, provisional 1998 data for USA and Poland). Due to different definitions and data sources, the international comparisons and larger context provided by the complementary data are only indicative. Indeed these data cover a more limited population of enterprises (which primarily take deposits from the public at large and provide finance services for a wide range of purposes).

The report written by the European Mortgage Federation highlights a number of structural differences and the common trends that shape Europe's mortgage markets. The Federation is the voice of the European mortgage lending industry. It is a trade association belonging to the credit sector which groups together at European level institutions whose main business consists in granting mortgage loans. It was founded in 1967 on the initiative of Dutch and Belgian bankers. Reflecting the wide variety of mortgage markets in Europe, the Federation brings together mortgage banks, saving banks, building societies, commercial banks and insurance companies. Together they grant nearly 80 % of the outstanding mortgage loans in Europe.

Concerning the **coverage of countries**, information on credit institutions is published for 16 out of the 18 countries (EEA and Switzerland excluding Liechtenstein) and is the result of a voluntary data collection. Ireland and Iceland did not participate in the 1998 data collection. As the availability of statistics on credit institutions differs from country to country, information on individual variables may be missing for one or some countries.

Whenever possible, and throughout the publication, aggregates are given for the European Union. (**EU-15**= Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden, the United Kingdom), the Euro-zone (**EUR-11**= Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland) and the European Economic Area (**EEA** = **EU-15**, plus Iceland and Norway).

As some countries have not sent data for all the reference years, growth rates and ratios for the aggregates (EU-15, EUR-11, EEA) have been calculated based only on countries that have provided the data needed for calculations.

The **coverage of the data collection** on annual statistics on European credit institutions is based on about 50 variables. These variables provide information on credit institutions with regard to e.g. demography (structure), profit and loss account, balance sheet, internationalisation and employment. Since the variables are collected on a voluntary base, the contents of the variables may still differ owing to differences in implementation and national legislation. Eurostat has drafted a European Parliament and Council Regulation amending Council Regulation No 58/97 concerning structural business statistics which will add a sector specific annex regarding credit institutions to this Regulation in order to harmonize the statistics on credit institutions in the Member States. The publication provides no information on credit institutions' risks, products and off-balance sheet business in order to avoid burden on business and cost of collection.

However, in the future the European Central Bank will provide Eurostat with additional data on the balance sheet of credit institutions it collects from the National Central Banks. These data, which will supplement the draft Annex 6 data collection, will be provided for the members of the Economic and Monetary Union. Partial data will however be available for the remaining countries. The data will be provided according to the host country principle and cover the population of credit institutions falling under the scope of Nace Rev.1 classes 65.12 and 65.22.

All data used for this publication are extracted from New Cronos, theme 4, domain 'sbs', collection 'Credstat' (database status: 1st July 2000), except otherwise indicated.

The **coverage of enterprises** included in the statistics on credit institutions is limited to 'undertakings whose business is to receive deposits or other repayable funds from the public and to grant credit for own account' according to the definition of credit institutions given in Directive 77/780/EEC. This concerns mostly enterprises classified within Nace Rev. 1 class 65.12, which are enterprises active in Other monetary intermediation, i.e. services provided by credit granting and deposit taking institutions other than central banks. However, in some Member States, credit institutions also comprise a small number of enterprises whose main activity is classified under Nace Rev.1 class 65.22 (Other credit granting), which covers all kinds of credit granting services (with the exception of financial leasing) provided by financial intermediaries other than those offered by credit granting and deposit taking institutions. Germany, Spain, France, Austria, Finland, Sweden, Norway and Switzerland have credit institutions classified under Nace Rev.1 class 65.22.

Concerning the treatment of information relating to the **branches of credit institutions**, Belgium, Denmark, Germany, France, Austria, Finland and Switzerland use the home country approach to report data for the reference year 1998, whereas Greece, Spain, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom and Norway provide data according to the host country approach. Sweden uses a mixed approach. Full comparability between Member States using different approaches is therefore not possible (for more information, see Methodological Notes).

In the publication, data with financial values are expressed in European currency units (ECU) as the statistics are based on reference years prior to the introduction of the Euro. **ECU annual average exchange rates** as well as country and currency codes are given for information in the table below.

ECU exchange rates, annual average (1994-1998):

Country	Currency code	1994	1995	1996	1997	1998
B	BEF	39.6565	38.5519	39.2986	40.5332	40.6207
DK	DKK	7.54328	7.32804	7.35934	7.48361	7.49930
D	DEM	1.92453	1.87375	1.90954	1.96438	1.96913
EL	GRD	288.026	302.989	305.546	309.355	330.731
E	ESP	158.918	163.000	160.748	165.887	167.184
F	FRF	6.58262	6.52506	6.49300	6.61260	6.60141
IRL	IEP	0.79362	0.81553	0.79345	0.74752	0.78625
I	ITL	1,915.06	2,130.14	1,958.96	1,929.30	1,943.65
L	LUF	39.6565	38.5519	39.2986	40.5332	40.6207
NL	NLG	2.15827	2.09891	2.13973	2.21081	2.21967
A	ATS	13.5396	13.1824	13.4345	13.8240	13.8545
P	PTE	196.896	196.105	195.761	198.589	201.695
FIN	FIM	6.19077	5.70855	5.82817	5.88064	5.98251
S	SEK	9.16308	9.33192	8.51472	8.65117	8.91593
UK	GBP	0.77590	0.82879	0.81380	0.69230	0.67643
IS	ISK	83.1063	84.6853	80.4391	84.6558	79.6976
N	NOK	8.37420	8.28575	8.01861	8.19659	8.46587
CH	CHF	1.62128	1.54574	1.64400	1.56790	1.62203
US	USD	1.18952	1.30801	1.26975	1.13404	1.12109
JP	JPY	121.322	123.012	138.084	137.077	146.415
CZ	CZK	34.1509	34.6960	35.9304	34.4572	36.3196
HU	HUF	125.030	164.545	211.654	193.741	240.573
PL	PLZ	2.70153	3.17049	3.71545	3.42232	3.91784

Source: Eurostat/Eurostatistics/Financial statistics.

Signs and symbols

The sign '-' stands for not applicable throughout the publication.

Two signs stand for not available: ':' in Tables and 'n/a' in Figures.

The sign '**' stands for an estimation.

The sign '[']' stands for a break in the series.

The abbreviation 'bn' (billion) means a thousand million.

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1. European credit institutions within the world banking sector

This part is divided into three chapters. The first two chapters aim at setting the European credit institutions in an international context by comparing the European banking industry with that of the USA and Japan.

In the first chapter, entitled 'Concentration of the banking sector', the phenomenon of consolidation experienced by these three markets in the recent years is analysed. The increasingly fast liberalisation of banking and financial markets has led to more competition between enterprises. In order to stay competitive, firms have merged (mergers of national enterprises, but also development of cross-border mergers) resulting in the creation of enterprises groups with large distribution networks and wide ranges of services and products (universal banks). At the same time, a globalisation of financial markets due to technological progress and financial innovation has been observed.

The performance and profitability of these three markets are studied in the second chapter, 'Europe: a major financial area'.

Due to different legal and economic traditions in savings and consumption habits, as well as in culture and geography, financial markets in Europe, the USA and Japan vary in several ways. Whilst markets are becoming more integrated and some converging trends can be observed in certain areas, the banking structures of these three economies still show clear differences. The European market is made up of commercial banks, cooperative banks, savings banks, and other credit institutions (such as mortgage banks or building societies, municipal banks, postbanks and specialised credit institutions). The US banking sector comprises commercial banks, savings institutions and other financial institutions. The Japanese market is dominated by large commercial banks, long term credit banks and cooperative banks.

In this report, banks and other credit institutions are covered for EEA countries (excluding Liechtenstein) and Switzerland, whereas statistics only concern commercial banks for the USA and Japan. Therefore, data have to be handled very cautiously when compared.

The third chapter, 'Credit institutions in the Czech republic, Hungary and Poland', is an overview of the activity of credit institutions (commercial banks) in these three countries.

1.1 Concentration of the banking sector

1.1.1 Structure of the markets

Europe, the USA and Japan are the major markets for banking services. In 1998, the European Union registers 8 618 credit institutions, as compared to 8 817 commercial banks in the USA and 136 in Japan (1997 data).

As shown in Table 1, which provides the evolution of the total number of credit institutions in these three markets over the past few years, the number of enterprises has declined in the European Union, in the USA and in Japan between 1994 and 1998.

Table 1: Evolution of the total number of credit institutions, 1994-1998

	1994	1995	1996	1997	1998
EU-15 ¹	9 938	9 620	9 348	8 997	8 618
EUR-11 ¹	8 886	8 578	8 304	8 009	7 639
EEA ¹	10 268	9 948	9 564	9 214	8 838
Switzerland	428	418	408	399	381
USA ²	10 488	9 983	9 575	9 187	8 817
Japan ³	140	139	136	136	:

1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. Source : OECD.

Source: Eurostat/SBS/Credstat.

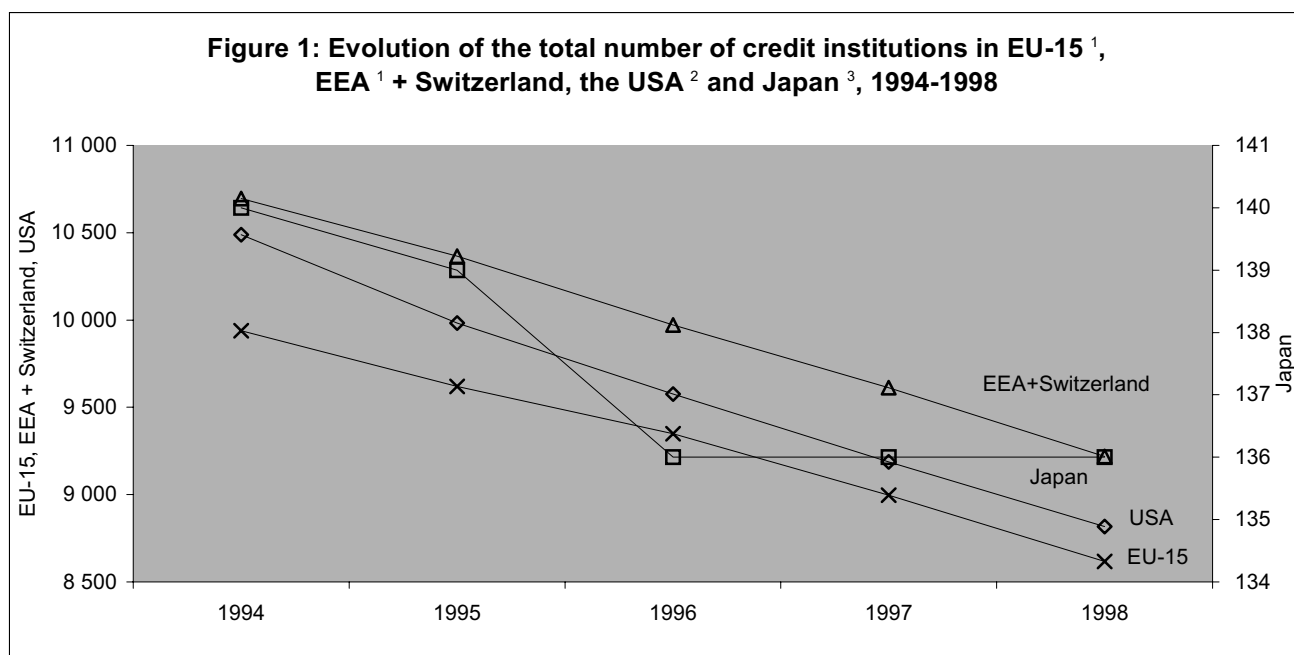
The most dramatic decrease is observed in the USA where the number of enterprises has fallen by 15.9 % between 1994 and 1998. During the same period, the number of credit institutions has decreased by 12.9 % in the European Union (excluding Ireland), whereas Japan experienced a slight decrease (- 2.9 % between 1994 and 1997).

Reasons for the consolidation of the industry are somewhat different in each market although the trend is common. The Single Market and the introduction of the Euro have led to the consolidation of credit institutions in Europe. In the anticipation of the single currency, the number of credit institutions in the Euro-zone has fallen from 8 886 in 1994 to 7 639 in 1998 mainly due to merges of smaller entities. Whilst the creation and consolidation of the Single Market for financial services stands prominently in the concentration of European banks, other factors have contributed to the consolidation in the USA and Japan.

The merger waves in the USA in the 1990s have consolidated the fragmented banking system and created nation-wide enterprises. The number of commercial banks in the USA has declined from 10 488 in 1994 to 8 817 in 1998.

In Japan, the banking system has been adversely affected by the decade long economic recession. Falling share prices have reduced the capital base of the banks. The accumulation of non-performing loans in the balance sheets has squeezed their interest income. These problems have gradually triggered actions aimed at restructuring the banking sector and at further reducing the already limited number of financial institutions.

Figure 1 shows the downward trend in the number of credit institutions in the major markets over the past few years.



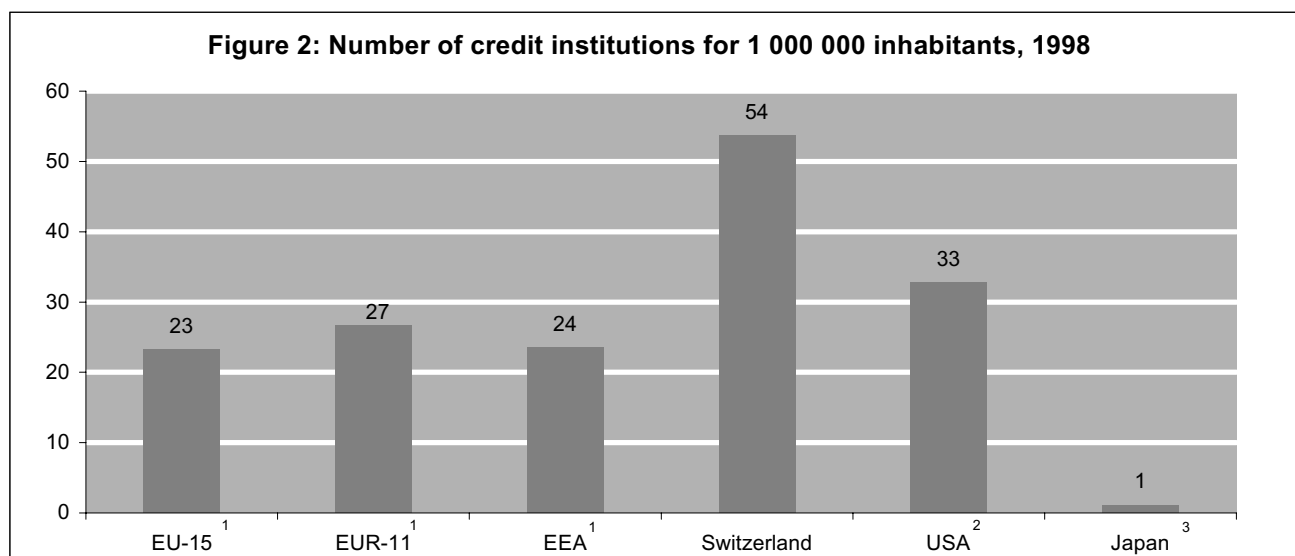
1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. Estimated data for 1998. Source : OECD.

Source: Eurostat/SBS/Credstat.

The number of credit institutions in relation to the population shows clear differences in the density of enterprises between Europe and the USA on the one hand, and Japan on the other hand. There are about 23 credit institutions for 1 000 000 inhabitants in EU-15 (or 27 in EUR-11) and about 33 in the USA, but only one commercial bank for 1 000 000 persons in Japan. This fact reflects the relatively fragmented structure of the banking industry in Europe and in the USA compared to Japan. There is still a large number of local and regional enterprises operating in these markets.



1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. 1997 data. Source: OECD.

Source: Eurostat/SBS/Credstat.

Table 2 indicates that the number of credit institutions for 1 000 000 inhabitants has fallen between 1994 and 1998 in EU-15 (from 27 to 23), in Switzerland (from 61 to 54) and in the USA (from 40 to 33).

Table 2 : Evolution of the number of credit institutions for 1 000 000 inhabitants, 1994-1998

	1994	1995	1996	1997	1998
EU-15 ¹	27	26	25	24	23
EUR-11 ¹	31	30	29	28	27
EEA ¹	27	26	25	24	24
Switzerland	61	60	58	56	54
USA ²	40	38	36	34	33
Japan ³	1	1	1	1	:

1) For available data only.

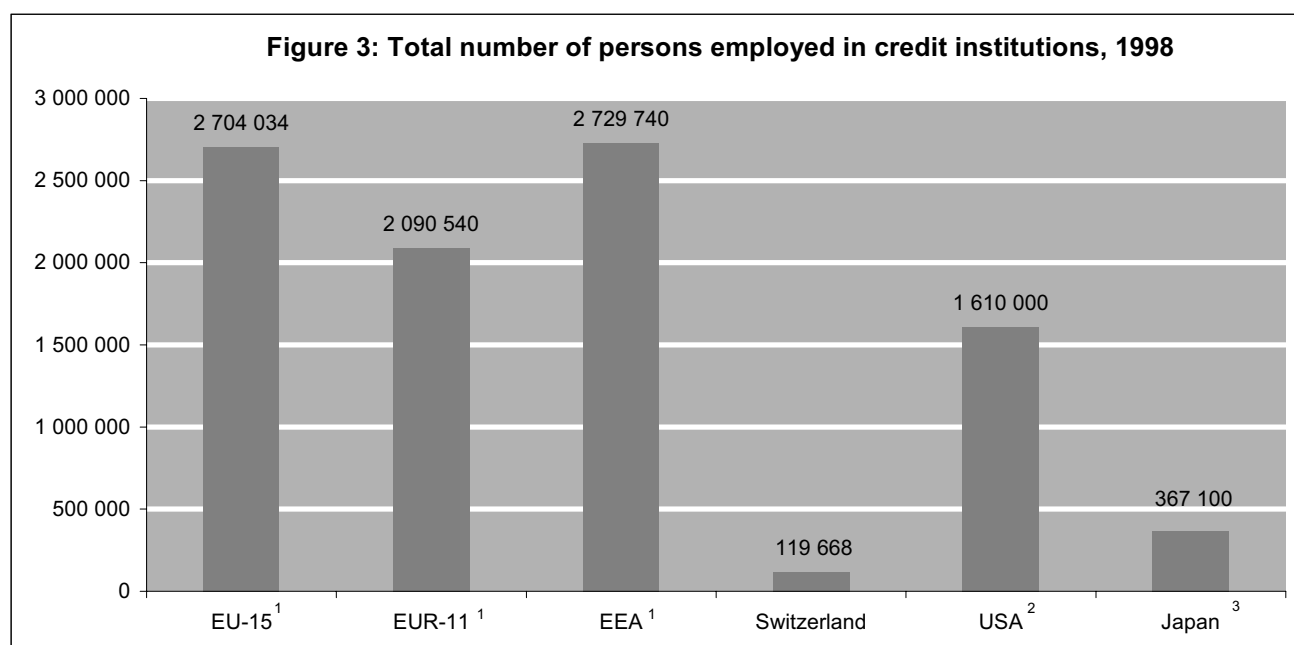
2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. Source : OECD.

Source: Eurostat/SBS/Credstat.

1.1.2 Concentration and employment

Credit institutions play a limited role in employment in Europe, in the USA and in Japan. Compared to the total of over 152 million persons occupied in the European Union in 1998, of about 127 million in the USA and of 66 million in Japan in 1997, the number of persons employed by credit institutions in EU-15 (2 704 034), in the USA (1 610 000) and in Japan (367 100 in 1997) accounts for only a small share of the labour force.



1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. 1997 data. Source: OECD.

Source: Eurostat/SBS/Credstat.

Table 3 provides the evolution of the number of persons employed in these markets between 1994 and 1998. During the period, the number of persons employed has experienced an evolution somewhat different according to the banking market considered. While the number of persons employed remained stable in the EUR-11 (- 0.7 % excluding Ireland), this figure decreased by - 11.3 % in Japan between 1994 and 1997. On the contrary, the employment in US commercial banks has risen by 8.6 %.

This may reflect the balance between forces that reduce employment, like consolidation of banking sector and development of electronic banking facilities, and the growing demand for financial services, which leads to an increase in the number of jobs in this sector, with notably the creation of high-qualified jobs.

Table 3 : Evolution of the total number of persons employed in credit institutions, 1994-1998

	1994	1995	1996	1997	1998
EU-15 ¹	2 273 145	2 274 056	2 692 253	2 700 501	2 704 034
EUR-11 ¹	2 127 623	2 128 139	2 105 037	2 097 090	2 090 540
EEA ¹	2 301 125	2 302 991	2 720 934	2 726 558	2 729 740
Switzerland	121 344	120 692	120 582	120 565	119 668
USA ²	1 483 000	1 479 000	1 484 000	1 530 000	1 610 000
Japan ³	414 000	399 600	383 000	367 100	:

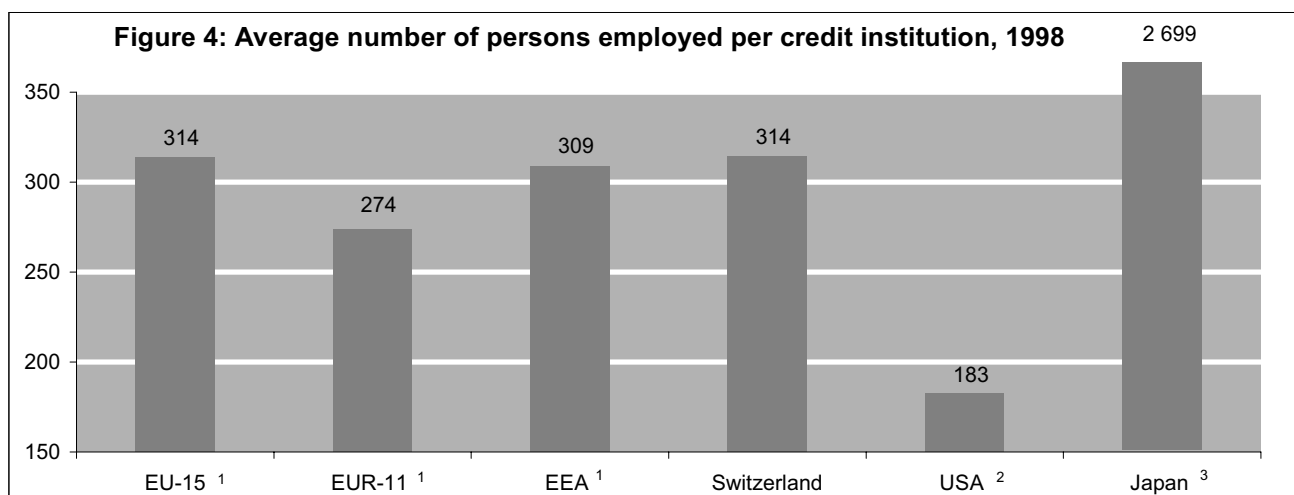
1) For available data only. Excluding the United Kingdom for 1994 and 1995.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. Source : OECD.

Source: Eurostat/SBS/Credstat.

The average number of persons employed per enterprise provides an indication on the size and concentration of credit institutions. In terms of employment, European credit institutions and the US commercial banks are roughly of similar size, employing on average 314 and 183 persons respectively. In contrast, the Japanese commercial banks which employ 2 699 persons on average, are clearly larger entities. Outnumbered by credit institutions in the USA and Europe, the Japanese commercial banks are few but big. Figure 4 gives the average number of persons employed (employees) per enterprise in Europe, in the USA in 1998 and in Japan in 1997.



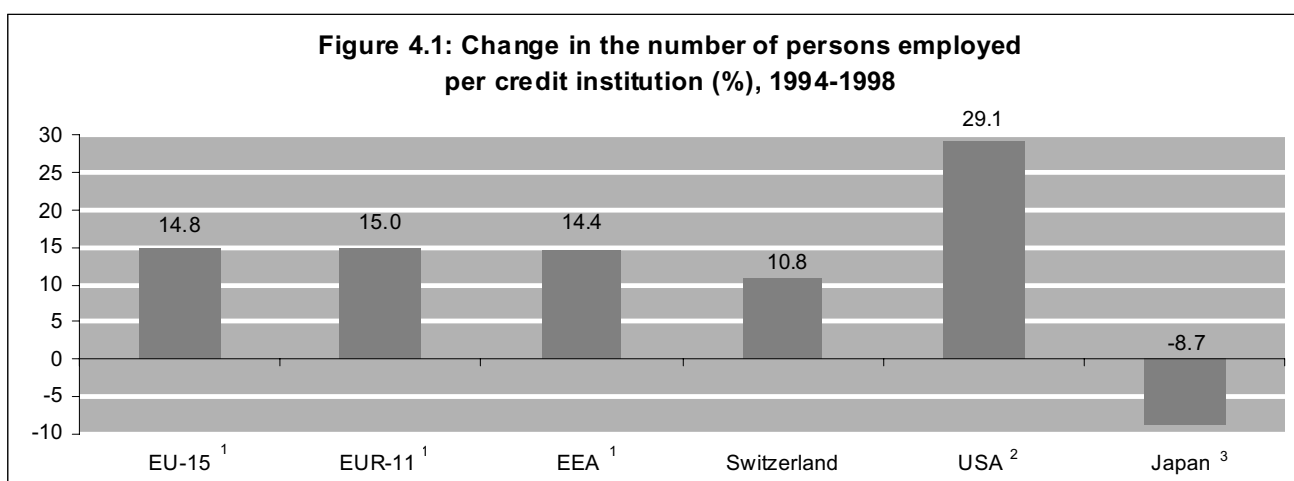
1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. 1997 data. Source: OECD.

Source: Eurostat/SBS/Credstat.

The evolution of the average number of persons employed per enterprise also makes it possible to assess the degree of concentration in the sector. Between 1994 and 1998, the number of persons employed per enterprise has increased in the different markets save in Japan (- 8.7 %). Its growth ranges from 10.8 % in Switzerland and 15 % in EUR-11 (excluding Ireland) to 29.1 % in the USA.



1) For available data only.

2) Commercial banks. Provisional data for 1998. Source : OECD.

3) Commercial banks. 1997 data. Source: OECD.

Source: Eurostat/SBS/Credstat.

1.2 Europe: a major financial area

1.2.1 Credit institutions in the economy

In contrast to the USA where the disintermediation process has progressed faster, enterprises in Europe and Japan have traditionally relied on financial intermediaries as the main source of financing, rather than directly raising funds from capital markets. As a result the role of banking sector in the economy is more reduced in the USA than in Europe and Japan. It remains to be seen whether the disintermediation will progress further in Europe and Japan at the expense of credit institutions and their traditional products.

However, several factors may spell the end of the trend towards increasing disintermediation. Whilst the growth of investment funds and pension funds has been rapid in the recent past, banks still control a considerable amount of assets in these economies. Moreover, in addition to their traditional products related to loan granting and deposit taking, banks are increasingly active in businesses with faster growth rates like life insurance, mutual funds and other financial services. Particularly in Europe, banks control a substantial number of UCITS (undertakings for collective investments in transferable securities).

Table 4 offers an international comparison of the contribution of credit institutions to the economy in terms of assets and employment.

The importance of banking in Europe, the USA and Japan is based on the fact that whilst credit institutions play a minor role in employment (less than 2 %), their contribution to total value added is large and they control a major share of assets in these economies.

Table 4 : Credit institutions in the economy (%), in 1997 and in 1998

	1997			1998		
	Balance sheet total / GDP ¹	Persons employed / Total employment ²	Persons employed / Employment in services ³	Balance sheet total / GDP ¹	Persons employed / Total employment ²	Persons employed / Employment in services ³
EU-15 ⁴	246.7	1.9	4.0	257.1	1.8	3.2
EUR-11 ⁴	238.2	2.0	4.5	245.7	1.8	3.4
EEA ⁴	244.4	:	:	254.9	:	:
Switzerland	493.9	:	:	554.2	:	:
USA ⁵	64.0	1.2	2.2	66.0	:	:
Japan ⁶	140.9	0.6	1.1	:	:	:

1) Source: Eurostat/National Accounts/ESA 95.

2) Source: Eurostat/Eurostatistics/Employment (Total civilian employment).

3) Source: Eurostat/Eurostatistics/Employment (Total employment in market services).

4) For available data only.

5) Commercial banks. Provisional data for 1998. Source : OECD.

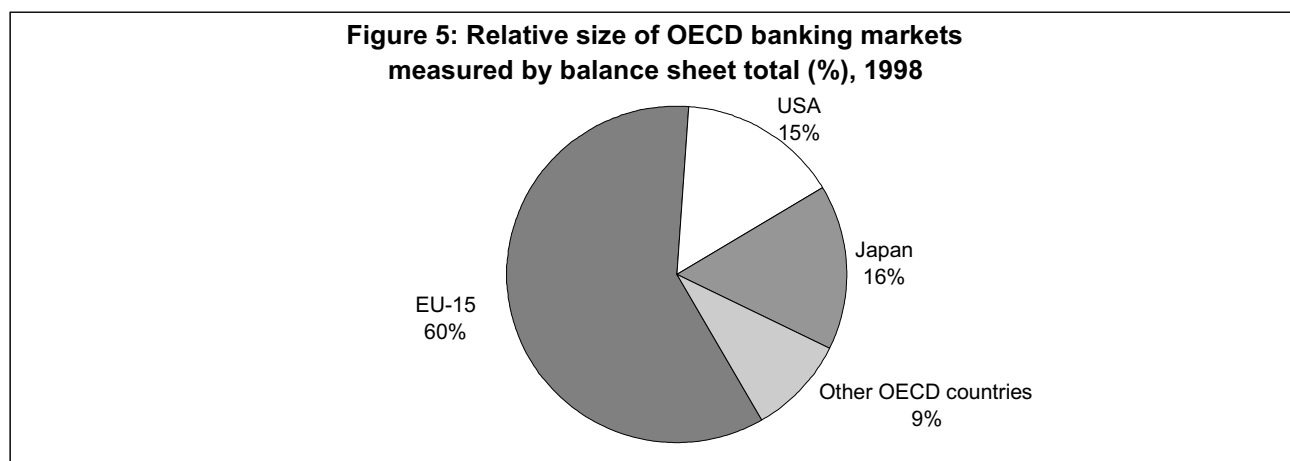
6) Commercial banks. Source : OECD.

Source: Eurostat/SBS/Credstat.

The ratio Balance sheet total on Gross domestic product (GDP) is an indication of the importance of the credit institutions activity in the different economies. This share has risen in Europe and in the USA between 1997 and 1998; the rates ranges from 66 % in the USA to more than 550 % in Switzerland in 1998. In 1997, employment in credit institutions accounts for about 1.9 % of total employment in EU-15, 1.2 % in the USA and 0.6 % in Japan, while it represents 4.0 % of employment in services in EU-15, 2.2 % in the USA and 1.1 % in Japan.

1.2.2 Performance and competitiveness of the European, US and Japanese banking sectors

The comparison of assets (balance sheet total) held by European credit institutions with those of the US and Japanese commercial banks and of the other OECD countries show the prominence of the European banking sector. According to Figure 5, in 1998, the balance sheet total of EU-15 credit institutions represents about 60 % of the balance sheet total of banks active in OECD countries (44 % for the Euro-zone), followed by Japanese (16 % in 1997) and US commercial banks (15 %).



EU-15: 1998 data. For available data only.

USA: Commercial banks. Provisional data for 1998. Source : OECD.

Japan: Commercial banks. 1997 data. Source : OECD.

Other OECD countries: 1997 data. Including Iceland, Norway and Switzerland. For Iceland, Source: OECD.

Source: Eurostat/SBS/Credstat.

As shown in Table 5, the comparison of the main financial indicators reveals notable differences between the European credit institutions and the US and Japanese commercial banks even at an aggregated level. The EU-15 balance sheet total is about 4 times as higher as the one of US commercial banks. On the contrary, the 136 Japanese commercial banks report a slightly higher balance sheet total than the balance sheet total of their 8 817 US rivals.

Table 5 : Main financial indicators, 1998

(Mio ECU)

	Balance sheet total	Interest and commission receivable ¹	Net interest income	Net commission income	Profit or loss for the financial year
EU-15 ²	19 008 217	1 189 030	224 989	88 603	72 736
EUR-11 ²	14 037 373	852 236	172 996	67 700	55 037
EEA ²	19 182 861	1 200 603	228 216	89 349	73 837
Switzerland	1 302 809	57 459	42 653 ³	13 469	8 861
USA ⁴	4 798 862	320 542	161 710	82 484	54 917
Japan ⁵	5 081 020	164 427	66 763	6 876	- 29 319

1) For the USA, Interest receivable only.

2) For available data only.

3) Interest receivable and similar income.

4) Commercial banks. Provisional data for 1998. Source : OECD.

5) Commercial banks. 1997 data. Source : OECD.

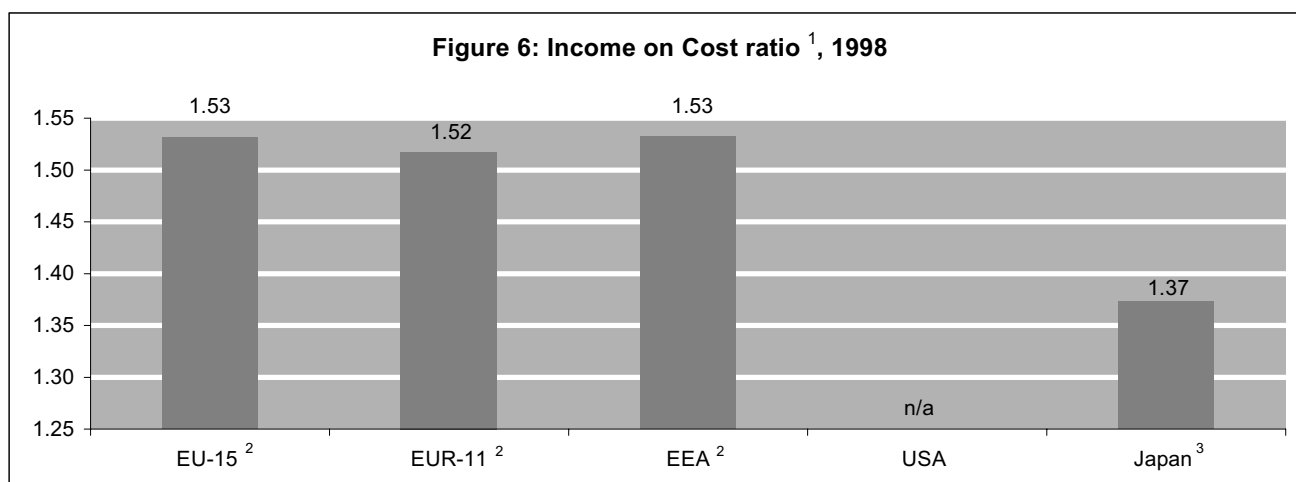
Source: Eurostat/SBS/Credstat.

Despite the important discrepancy observed between the balance sheet totals of European and US banks, in absolute figures, they report comparable performances, on the amount of net commission income as well as their profitability; the profitability of US banks is notably due to the boom of the US economy. In contrast, Japanese banks have been adversely affected by the economic recession in the country. Their losses amount to ECU 29 319 million in 1997.

Net interest income is calculated by subtracting interest payable and similar charges from interest receivable and similar income. Interest receivable includes income from interest bearing assets like loans, debt securities, etc. Apart from the amount of interest bearing-assets, the indicator is affected by changes in new lending and amortisation rate, duration of the loan and fixed income portfolio, interest margins, general fluctuations in interest rate level as well as reference rates and other contractual specificities. It also reflects the choice between lending business and fee-based services and products, national accounting conventions, ...

Net commission income refers to commissions receivable minus commissions payable. Commissions receivable include fees and charges for services rendered in loans administration, securities transactions, brokerage services etc. Whilst net interest income is largely dependant on factors beyond the control of individual banks, net commission income is to a larger extent determined by the choice of banks with regard to their pricing policy and product mix.

According to Figure 6, the income on cost ratio of the EU-15 credit institutions amounts to 1.53 in 1998, whereas the rate is of 1.37 in Japan (1997 data), showing that the European banking sector as a whole covers its operating expenses more largely that its Japanese rivals.



1) See Methodological Notes for definition.

2) For available data only.

3) Commercial banks. 1997 data. Source : OECD.

Source: Eurostat/SBS/Credstat.

With the financial ratios provided in Table 6 it is possible to compare the performance and profitability of the various markets studied. As an indicator of profitability, the return on equity ratios for USA and Japan support the observation that the rapid growth of the US economy has also boosted the profitability of commercial banks, while the stagnating economy in Japan has made the business environment difficult for commercial banks in the country. Compared with the return on equity for US commercial banks (14.2 %), EU-15 credit institutions lag behind in profitability (about 7.6 %), which is still better than the negative return on equity gained by the Japanese commercial banks. The return on assets ratios confirm these discrepancies in profitability between EU-15 (0.49 %), US (1.19 %) and Japanese banks (- 0.57 %).

Another assessment of the profitability is the ratio Profit or loss for the financial year on Net interest income plus Net commission income. This ratio shows comparable performances in Europe and the USA.

Whilst net interest income is about 2.5 times as higher as net commission income in Europe, and about twice as important in the USA, in Japan, it is around ten times as large.

Table 6: Financial ratios, 1998

	Return on equity ¹ (%)	Return on assets ² (%)	Profit or loss for the financial year / (Net interest + Net commission income) (%)	Net interest / Net commission income	Net interest income as a % of Balance sheet total	Net commission income as a % of Balance sheet total
EU-15 ³	7.6	0.49	23.2	2.5	1.2	0.47
EUR-11 ³	7.3	0.46	22.9	2.6	1.2	0.48
EEA ³	7.6	0.49	23.3	2.6	1.2	0.47
Switzerland ⁴	25.9	1.04	15.8	3.2	3.3	1.03
USA ⁵	14.2	1.19	22.5	2.0	3.4	1.72
Japan ⁶	-18.5	-0.57	-39.8	9.7	1.3	0.14

1) For the USA and Japan, Profit after tax divided by Capital and reserves (average total).

2) For the USA and Japan, Profit after tax divided by Balance sheet total (average total).

3) For available data only.

4) Interest receivable and similar income.

5) Commercial banks. Provisional data for 1998. Source : OECD.

6) Commercial banks. 1997 data. Source : OECD.

Source: Eurostat/SBS/Credstat.

Net interest income as a percentage of balance sheet total provides a perspective with which it is possible to explain differences in the profitability of credit institutions. The figures show that the ratio for the US commercial banks (3.4 %) is more than twice as high as that relating to EU-15 credit institutions (1.2 %) and to Japanese commercial banks (1.3 %). While the reduced balance sheet total of the US banks explains part of the difference, wider interest margins gained in an economy with higher interest rate levels may also contribute to their solid net interest income in comparison to their European and Japanese counterparts. The profits of the US banks are also boosted by their relatively high net commission income, which represented 1.72 % of the balance sheet total in 1998, compared to 0.47 % in EU-15 and 0.14 % in Japan.

Table 6.1 presents some ratios derived from the balance sheet of credit institutions. Such ratios inform on the structure of banking activity in the countries/group of countries studied. In 1998 Europe, loans and advances to customers represent a more important share of the balance sheet total than the amounts owed to customers. The opposite is observed in the USA and Japan. For the ratio Total capital and reserves on Balance sheet total, discrepancies also exist between the EU (5.1 %), the USA (8.4 %) and Japan (2.8 %) on the other hand. The ratio Loans and advances to customers divided by Amounts owed to customers can give information about the maturity transformation of the banking industry. As a result, in 1998, European credit institutions grant more loans than they receive deposits (1.11). The coefficient is of 0.95 in the USA and 0.87 in Japan.

Table 6.1: Ratios on Balance sheet, 1998

	Loans and advances to customers ¹ / Balance sheet total (%)	Amounts owed to customers ² / Balance sheet total (%)	Loans and advances to customers / Amounts owed to customers	Total capital and reserves / Balance sheet total (%)
EU-15 ³	54.1	48.8	1.11	5.1
EUR-11 ³	45.7	38.8	1.18	4.8
EEA ³	54.3	48.8	1.11	5.2
Switzerland	43.0	42.6	1.01	4.1
USA ⁴	63.6	66.9	0.95	8.4
Japan ⁵	65.5	75.0	0.87	2.8

1) For the USA and Japan, Loans.

2) For the USA and Japan, Non-bank deposits.

3) For available data only.

4) Commercial banks. Provisional data for 1998. Source : OECD.

5) Commercial banks. 1997 data. Source : OECD.

Source: Eurostat/SBS/Credstat.

1.2.3 Indicators and ratios on employment

Table 7 provides indicators and ratios on employment in credit institutions. Personnel costs are defined as the total remuneration in cash or in kind payable by an employer to an employee in return for work done. They include wages and salaries (e.g. regular salaries, performance bonuses, cost of living and family allowances) as well as social security costs (e.g. compulsory and voluntary social contributions and taxes). Other expenses include other administrative expenses, not included in personnel costs, and other operating charges, not included in other headings.

Table 7: Indicators and ratios on employment, 1998

	Personnel costs (Mio ECU)	Personnel costs / Persons employed (ECU)	Personnel costs / (Net interest + net commission income) (%)	Personnel costs / Other expenses (%)	(Net interest + net commission income) / Persons employed (ECU)	Production value ¹ / Persons employed (ECU)	Balance sheet total / Persons employed (ECU)
EU-15 ²	132 318	48 934	42.2	116.0	115 972	175 900	7 029 578
EUR-11 ²	108 708	52 000	45.2	114.7	115 136	167 769	6 714 711
EEA ²	133 611	48 946	42.1	116.3	116 335	175 992	7 027 358
Switzerland ³	10 240	85 567	18.2	-	468 978	259 401	10 886 861
USA ⁴	70 923	44 052	29.0	69.6	151 673	171 130	2 980 660
Japan ⁵	25 451	69 331	34.6	101.2	200 598	204 764	13 840 970

1) See Methodological Notes for definition. For the USA, using net commission income.

2) For available data only.

3) Interest receivable and similar income.

4) Commercial banks. Provisional data for 1998. Source : OECD.

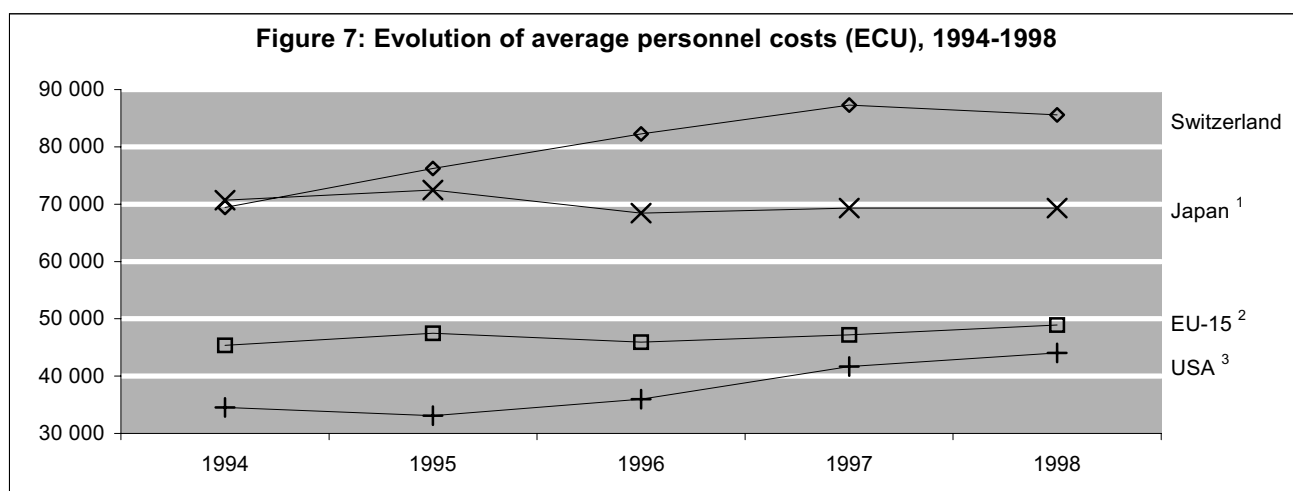
5) Commercial banks. 1997 data. Source : OECD.

Source: Eurostat/SBS/Credstat.

About 40 % of net income (net interest plus net commission income) is needed to cover personnel costs in European credit institutions, as compared to over 50 % in 1997. For the US and Japanese commercial banks, the figures are substantially lower (29.0 % in the USA and 34.6 % in Japan). There are also discrepancies in the cost structure of the European credit institutions on the one hand and of the US and Japanese commercial banks on the other hand. Whilst personnel costs are heavier than other expenses in European credit institutions, the opposite is true for commercial banks in the USA (around 70 %). In Japan, personnel costs are slightly higher than other expenses.

Average personnel costs in credit institutions provide an indication on labour costs in the banking industry. However, the figures have to be interpreted very cautiously as they also reflect differences in the types of credit institutions, of purchasing power standards between the countries as well as other factors that have not been taken into account. The results of this ratio are therefore not fully comparable between the countries/group of countries considered.

However, looking at Figure 7, average personnel costs have increased over the 1994-1998 period, + 14.7 % in EU-15 (excluding Greece, Ireland and the United Kingdom), + 23.3 % in Switzerland, and + 27.6 % in the USA, while Japan records a slight 1.9 % drop.



1) Commercial banks. Estimated data for 1998. Source : OECD.

2) For available data only.

3) Commercial banks. Provisional data for 1998. Source : OECD.

Source: Eurostat/SBS/Credstat

The average production value per person employed experiences some discrepancies according to the countries considered. In 1998, the average amount is rather similar in European credit institutions and in US commercial banks, with ECU 175 900 and ECU 171 130 respectively. With ECU 259 401 per person employed, Switzerland registers the highest result.

1.2.4 Internationalisation

Table 8 informs on the development of the international cross-border activities of European credit institutions. In 1998, there are 707 branches of EU credit institutions located in non-EEA countries, mostly in other third countries (596), but also 75 in USA, and 27 in Japan. This shows rather slight increase compared to 1997 year in which 697 branches were registered.

Table 8: Number and location of European branches in non-EEA countries, 1998

	Total	Switzerland	USA	Japan	In other third countries (rest of the world)
EU-15 ¹	707	9	75	27	596
EUR-11 ¹	262	6	53	18	185
EEA ¹	713	9	77	27	600
Switzerland	93	-	10	2	81 ²

1) For available data only.

2) Including 24 branches of Swiss credit institutions located in EU countries.

Source: Eurostat/SBS/Credstat.

1.3 Credit institutions in the Czech Republic, Hungary and Poland

This chapter is a brief report on credit institutions (commercial banks) in the Czech republic, Hungary and Poland in 1997. Some 1998 provisional data are available for Polish commercial banks. Demographic data for Czech banks cover commercial banks only, whereas main financial data concern all banks.

According to the figures presented in Table 9, the number of enterprises has remained stable in Hungary between 1994 and 1997 and in Poland between 1994 and 1998. On the contrary, the number of Czech commercial banks has dropped from 28 in 1995 to 20 (- 28.6 %) in 1997.

Table 9: Evolution of the total number of credit institutions, 1994-1998

	1994	1995	1996	1997	1998
Czech Republic ¹	:	28	24	20	:
Hungary ¹	44	43	42	43	:
Poland ²	82	81	81	83	83

1) Commercial banks. Source : OECD.

2) Commercial banks. Provisional data for 1998. Source : OECD.

As shown in Table 10, which provides the evolution of the total number of persons employed in recent years, Czech and Hungarian commercial banks register a decrease of their total employment, respectively – 15.9 % and – 11.1 %. On the contrary, the number of persons employed by Polish commercial banks has risen by about 16 % between 1994 and 1998.

Table 10: Evolution of the total number of persons employed in credit institutions, 1994-1998

	1994	1995	1996	1997	1998
Czech Republic ¹	:	57 292	54 175	48 184	:
Hungary ¹	36 000	36 000	33 000	32 000	:
Poland ²	128 700	136 100	144 200	147 000	149 000

1) Commercial banks. Source : OECD.

2) Commercial banks. Provisional data for 1998. Source : OECD.

Table 11 presents the main balances of the banks production accounts of these three countries as well as ratios of profitability. While the Czech banking industry is not profitable in 1997, Hungary and Poland report Return on equity ratios of 11.2 % and 13.0 % respectively, equivalent to that found in the USA and higher than the EU-15 ratio in 1998.

Table 11: Financial indicators and ratios, 1997

	Production value ¹ (Mio ECU)	Profit or loss for the financial year (Mio ECU)	Return on equity ² (%)	Return on assets ³ (%)	Income on Cost ratio ¹
Czech Republic ⁴	7 972	-179	-3.1	-0.29	1.08
Hungary ⁵	1 204	288	11.2	1.20	1.21
Poland ⁶	4 624	746	13.0	1.08	1.63

1) See Methodological Notes for definition.

2) Profit after tax divided by Capital and reserves (average total).

3) Profit after tax divided by Balance sheet total (average total).

4) All banks, i.e. 51 banks employing 54 000 persons and with a balance sheet total of ECU 64 871 Mio. Source : OECD.

5) Commercial banks. Source : OECD.

6) Commercial banks. Provisional data for 1998. Source : OECD.

Concerning the weight of credit institutions in the global economy, the balance sheet total of Czech commercial banks represents 105.2 % of the Czech Gross domestic product (GDP) in 1997, compared to 66.5 % in Hungary, and about 56 % in Poland in 1998.

Table 11.1: Indicators and ratios on Balance sheet, 1997

	Balance sheet total (Mio ECU)	Capital and reserves / Balance sheet total (%)	Balance sheet total / GDP ¹ (%)
Czech Republic ²	48 306	9.0 ³	105.2
Hungary ⁴	26 841	11.3	66.5
Poland ⁵	78 354	8.4	55.9

1) Source: Eurostat/Eurostatistics/National Accounts.

2) Commercial banks. Source: OECD.

3) All banks, i.e. 51 banks employing 54 000 persons and with a balance sheet total of ECU 64 871 Mio. Source : OECD.

4) Commercial banks. Source : OECD.

5) Commercial banks. Provisional data for 1998. Source : OECD.

The following table makes it possible to assess the performance and competitiveness of the banking sector of the three pre-accession countries under consideration.

Table 12: Indicators and ratios on employment, 1997

	Persons employed / Credit institutions	Personnel costs (Mio ECU)	Personnel costs / Persons employed (ECU)	(Net interest + Net commission income) / Persons employed (ECU)	Production value ¹ / Persons employed (ECU)	Balance sheet total / Persons employed (ECU)
Czech Republic	2 409 ²	509 ³	9 425 ³	30 313 ³	147 636 ³	1 002 537 ²
Hungary ⁴	744	382	11 932	38 676	37 636	838 790
Poland ⁵	1 795	1 363	9 146	25 977	31 032	525 863

1) See 'Methodological notes' for definition.

2) Commercial banks. Source OECD.

3) All banks, i.e. 51 banks employing 54 000 persons and with a balance sheet total of ECU 64 871 Mio. Source : OECD.

4) Commercial banks. Source : OECD.

5) Commercial banks. Provisional data for 1998. Source : OECD.

2. European credit institutions – Thematic analysis

After showing the weight in the economy of credit institutions as compared to direct insurance and specialist reinsurance enterprises (chapter 2.1), this second part provides a detailed analysis of the structure (chapter 2.2), performance and competitiveness (chapter 2.3), internationalisation (chapter 2.4) and employment (chapter 2.5) of the European credit institutions in 1998 by country.

The analysis of the structure of the European banking sector reveals on the one hand that, the number of credit institutions has declined during the 1994-1998 period. This drop is mainly due to the increasing competition which arose from the completion of the Single Market and which results in many cases in the closing down of less competitive enterprises and in the mergers of others. As in other sectors (e.g. the pharmaceutical, car or oil industries, ...), there has been a process of concentration in the European banking sector in order to reach critical mass and realise economies of scale in a competitive international environment. These mergers are e.g. a defensive reaction to the consolidation of the US banking system, to the prevailing position of American investment banks in Europe, to the creation of transnational groups, or an offensive reaction which aims at penetrating new markets. On the other hand, the prominence of credit institutions with a legal status of cooperative enterprises is another characteristic of the European banking sector. These institutions however do not contribute much to the consolidated European balance sheet total. Nevertheless, Europe counts 30 banks with a balance sheet total reaching over ECU 100 bn.

Concerning the performance and the competitiveness of the European credit institutions, a detailed presentation of the European profit and loss account as well as figures on some items of the balance sheet are provided. The main financial ratios and an assessment of the profitability of the various national banking markets are also presented. Despite significant discrepancies, both return on equity and return on assets are positive in all Member States in 1998. Moreover, net interest income is far higher than net commission income in the European banking industry.

According to the chapter dealing with the internationalisation of European credit institutions, there are 438 branches of EU credit institutions distributed across the EU markets in 1998 showing the good development of the Internal banking Market. However, almost half of these branches are made up of branches of German, French and British credit institutions.

Finally, the analysis of employment in the European credit institutions indicates that whereas the number of enterprises has dropped between 1994 and 1998, the number of persons employed in the EUR-11 credit institutions has remained stable (- 0.7 % excluding Ireland). On the contrary, average personnel costs have risen by 14.7. % in EU-15 (excluding Greece, Ireland and the United Kingdom) during the period.

2.1 Credit institutions in the economy

Table 1 shows the contribution of credit institutions to the European economy in terms of balance sheet total and employment. To complete this analysis, it offers a comparison with direct insurance and specialist reinsurance enterprises, as the two activities have a similar statistical structure.

In 1998, the persons employed in EU-15 credit institutions account for about 1.80 % of total employment and 3.22 % of employment in services. Employment in direct insurance and specialist reinsurance enterprises is comparatively low, accounting for less than 0.30 % of total employment and 0.52 % of employment in services. At country level, the ratio on total employment shows differences, ranging from as little as 1.20 % of total employment in Sweden to as much as 11.66 % in Luxembourg.

Table 1: Credit institutions and Direct insurance and specialist reinsurance enterprises in the economy (%), 1998

	Credit institutions			Direct insurance and specialist reinsurance enterprises		
	Balance sheet total / GDP ¹	Persons employed / Total employment ²	Persons employed / Employment in services ³	Balance sheet total / GDP ¹	Persons employed / Total employment ^{2,1}	Persons employed / Employment in services ³
EU-15 ⁴	257.1	1.80	3.22	39.9	0.49	0.99
EUR-11 ⁴	245.7	1.85	3.42	35.8	0.49	0.97
B	304.1	2.01 ⁵	3.47 ⁵	33.3	1.54	2.67
DK	237.1	1.78 ⁶	2.77 ⁶	69.7	0.56	0.88
D	309.2	2.11	3.81	40.5	0.60	1.09
EL	100.9	1.38	3.48	-	-	-
E	178.1	1.88	3.90	13.0	0.33	0.68
F	216.6	1.63	2.61	49.7	-	-
IRL	-	-	-	-	-	-
I	153.3	1.70	3.90	16.4	0.21	0.49
L	3 457.4	11.66	16.94	155.7	1.04	1.50
NL	227.7	1.72	2.57	65.7	-	-
A	248.7	2.04 *	3.55 *	22.7	0.72	1.26
P	297.6	1.28	3.25	16.3	0.28	0.70
FIN	109.3	1.21	2.07	16.3	0.44	0.75
S	221.5	1.20 ⁷	1.87 ⁷	79.9	0.42	0.65
UK	332.3	1.73	2.73	48.9	-	-
IS	-	-	-	-	-	-
N	134.3 ⁸	-	-	-	-	-
EEA ⁴	254.9	-	-	-	-	-
CH	554.2	-	-	-	-	-

1) Source: Eurostat/National Accounts/ESA 95.

2) Source: Eurostat/Eurostatistics/Employment (Total civilian employment).

3) Source: Eurostat/Eurostatistics/Employment (Total employment in market services).

4) For available data only.

5) Including persons employed in local units of Belgian credit institutions and non-EU branches established in Belgium as well as persons employed in local units of Belgian credit institutions established abroad.

6) The number of persons employed covers, on the one hand, the number of employees for licensed banks, and, on the other hand, the number of employees in full-time equivalent units for specialised credit granting institutions and for a few other institutions.

7) The number of persons employed do not cover all the credit institutions active in Sweden.

Some small entities do not report data on the number of persons they employ.

8) Provisional.

Source: Eurostat/SBS/Credstat.

The ratio balance sheet total on Gross domestic product (GDP) shows the prominence of credit institutions in the various economies; in 1998 the rate ranges from 100.9 % in Greece to more than 3 400 % in Luxembourg. On the contrary, concerning direct insurance and specialist reinsurance enterprises, every European country registers a share of balance sheet total on GDP below 100 % - with the exception of Luxembourg (155.7 %) - ranging from 13.0 % in Spain to 79.9 % in Sweden.

2.2 Structure

2.2.1 Trend in the number of enterprises

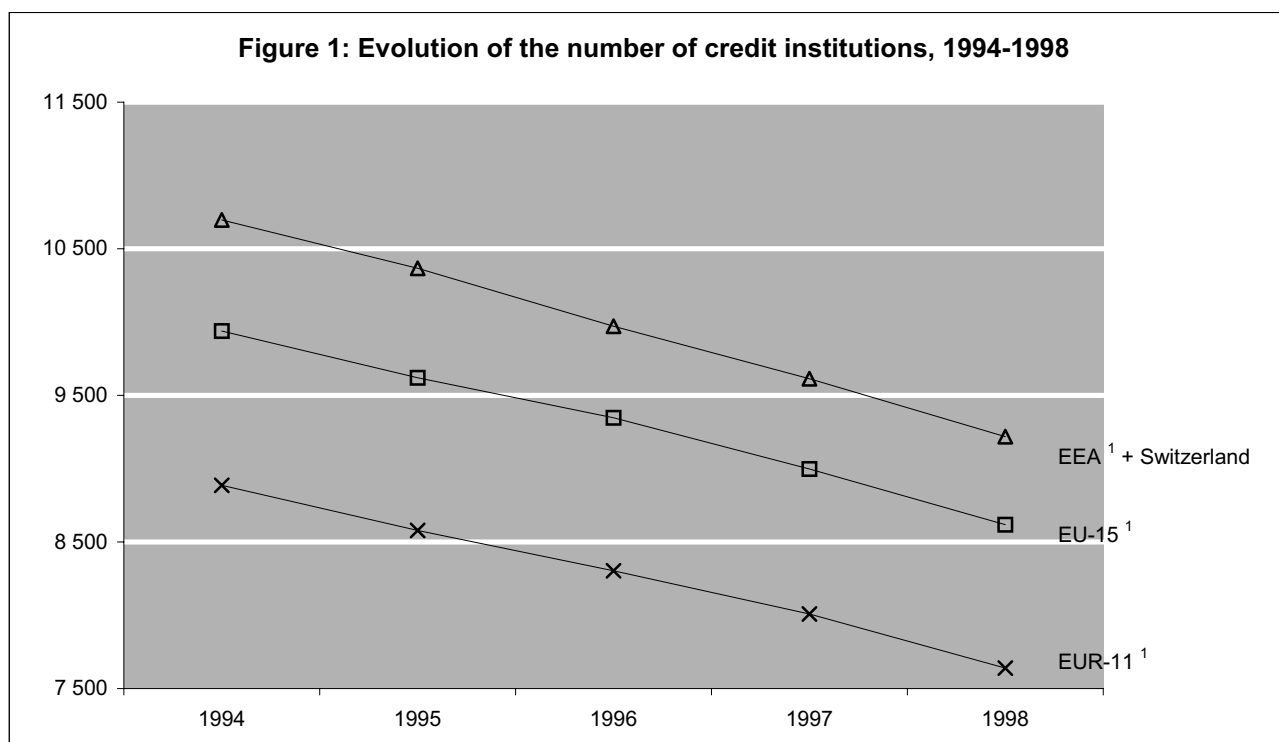
The total number of credit institutions has declined steadily during the 1994-1998 period.

Several reasons can explain this phenomenon. These past years, just like other sectors, the banking industry has experienced waves of mergers and acquisitions, which has resulted in bigger credit institutions. The market, where companies have to be more competitive, becomes more concentrated. The first step of consolidation has mainly affected small and medium size local and regional enterprises and has resulted in the creation of some national champions. Nordic markets have consolidated subsequent banking crises in the early 1990s. As a second step, cross-border mergers have taken place between major players in Europe.

European enterprises search for partners that will help them reach critical mass and thus remain competitive on a market of over 300 million people that has become more open and integrated by an economic and monetary union.

Moreover, the 1997 Asian crisis has also had an impact on the financial markets and the European credit institutions that have been net lenders to Asian economies and enterprises operating there.

Figure 1 shows the evolution of the total number of credit institutions in the EEA Member States and Switzerland for the years 1994 to 1998.



1) For available data only.

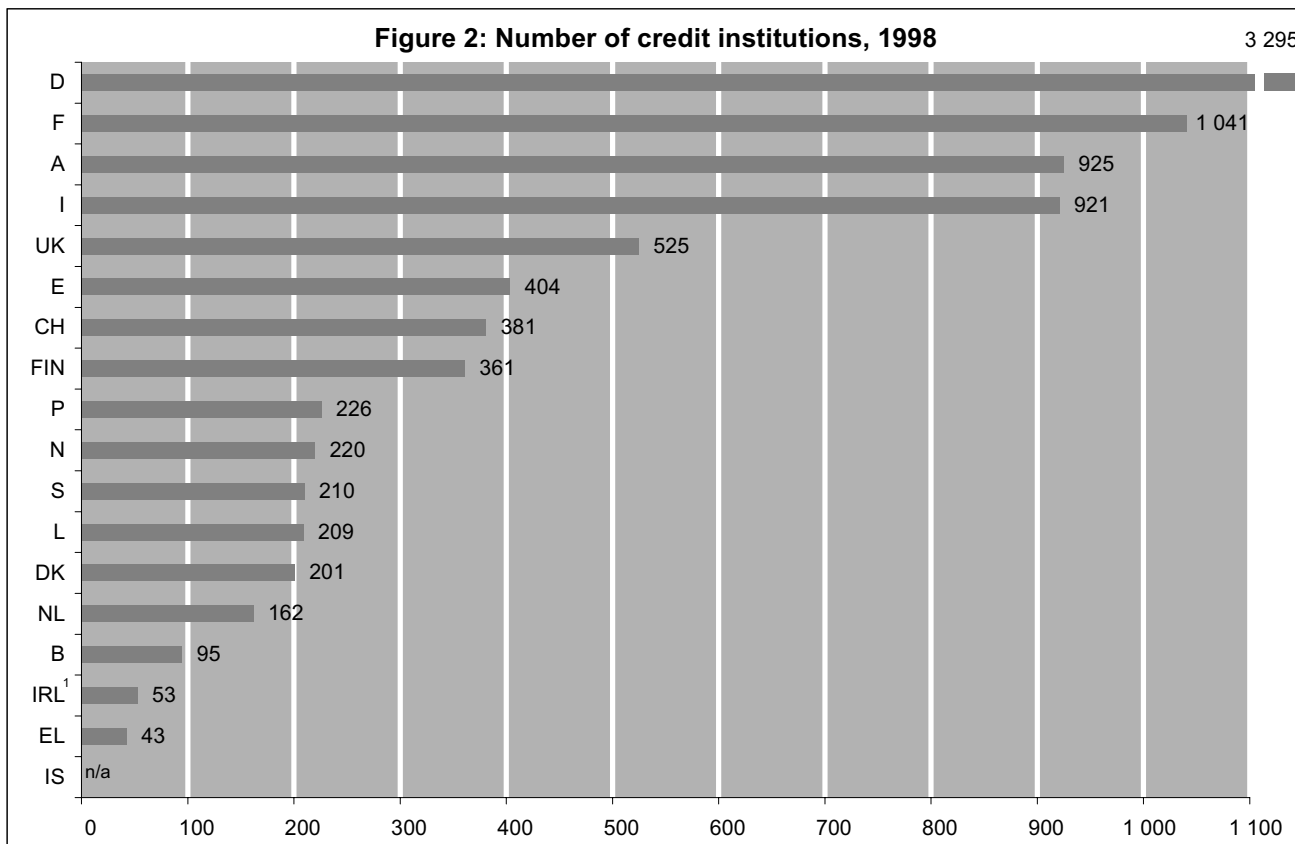
Source: Eurostat/SBS/Credstat.

According to Table 2.1, in 1998, the total number of credit institutions reaches 8 618 in EU-15 and 7 639 in EUR-11. Since 1994, it has decreased by 12.9 % in EU-15, while the decline reaches 13.7 % in the Euro-zone.

The number of enterprises has decreased in most countries. Belgium, France, Germany, Portugal, Spain and Sweden all register reductions. The highest relative drop is recorded in France (- 25.9 %).

Denmark, Italy, Luxembourg, the Netherlands, Austria and the UK have experienced slightly smaller declines. On the contrary, Greece registers a significant increase (+ 10.3 %), while the number of enterprises has remained stable in Finland and Norway. In Ireland, the number of credit institutions has risen by 35.9 % between 1994 and 1997.

2.2.2 Structure of the markets



1) 1997 data.

Source: Eurostat/SBS/Credstat.

According to Figure 2, Germany registers the highest number of credit institutions in 1998 (3 295), 89.3 % of which are savings banks and small size cooperative enterprises. This is over three times as high as France, Austria and Italy figures, which come next as far as the number of credit institutions is concerned.

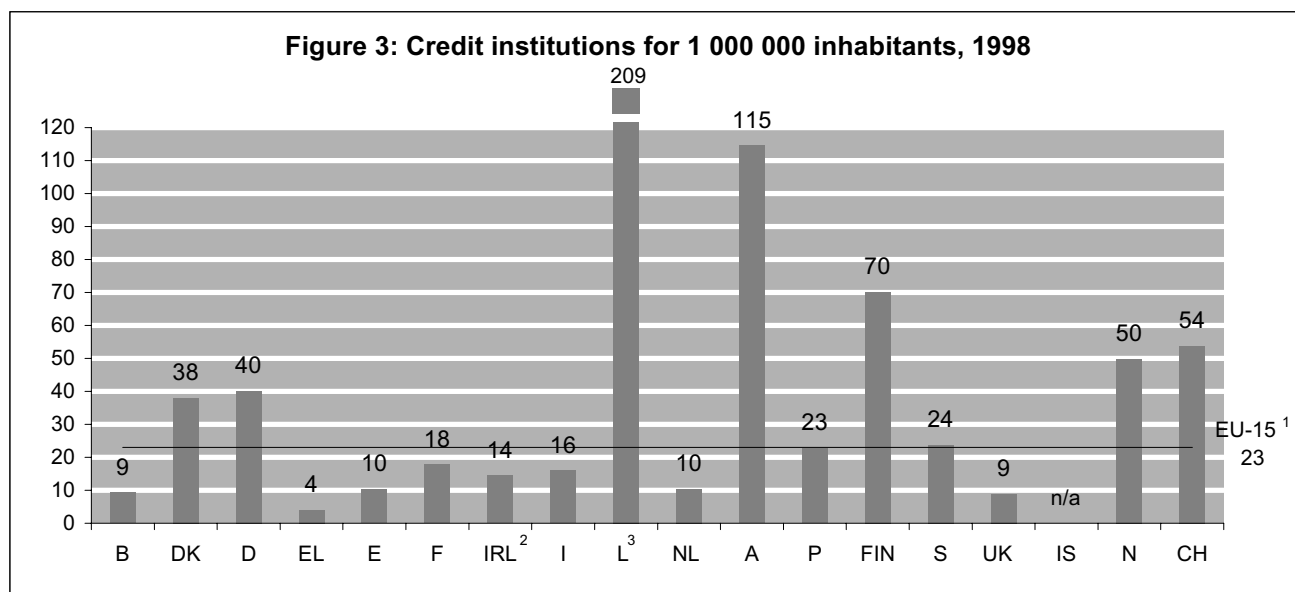
The countries where the smallest amount of enterprises is to be found are Greece and Ireland, which register 43 and 53 credit institutions respectively (1997 data for Ireland).

As shown in Figure 3, the number of credit institutions figures can be compared to the population in each country. There are almost 23 credit institutions for 1 000 000 inhabitants in EU-15.

Luxembourg, with a total of 209 enterprises out of a population of around 400 000 inhabitants, is the European country where the density of credit institutions is the highest.

Then come Austria (115), Finland (70), Switzerland (54), Norway (50), Germany (40), Denmark (38), Sweden (24) and Portugal (23). In the other countries, the proportion is under 20, revealing more concentrated or less developed markets.

Greece registers four credit institutions for 1 000 000 inhabitants.



1) For available data only.

2) 1997 data.

3) Total number.

Source: Eurostat/SBS/Credstat.

Although the number of enterprises has decreased in most countries between 1994 and 1998, Table 2.2 shows that the total number of local units has increased from 189 688 in 1994 to 203 192 in 1998 in the EU (+ 7.9 % excluding Ireland).

In 1998, the most important number of local units (63 208) is to be found in Germany; then come Spain (39 039), Italy (26 260), France (26 192) and the United Kingdom (15 873). Luxembourg reports the smallest number of local units (533).

Several countries have experienced significant increases in the number of local units: Greece (+ 49,1 %), Portugal (+ 28.8 %), Germany (+ 20.5 %), Italy (+ 13.6 %) and Norway (+ 12.1 %), while Sweden (- 18.3 %), Switzerland (- 16.9 %), Luxembourg (- 15.4 %), the UK (- 11.7 %), Belgium (- 11.3 %) and Finland (- 10.2 %) registered notable decreases.

On average, per credit institution, there are 24 local units in 1998 EU-15. However, high discrepancies can be observed from country to the other: the number of local units per credit institution ranges from 3 in Luxembourg and 5 in Finland to 97 in Spain. In most cases, the number of local units per enterprise has increased between 1994 and 1998, this increase ranging from 0.7 % in the Netherlands and in Denmark to 72.2 % in Portugal. Finland, Luxembourg, the UK and Switzerland all register reductions.

Comparing the evolution of the number of local units with the evolution of the number of credit institutions in each country between 1994 and 1998, it appears that both have simultaneously dropped in Austria, Belgium, Denmark, Luxembourg, the Netherlands, Sweden, the UK and Switzerland. Moreover, the decrease in the number of local units has been steeper than that of the number of enterprises in Luxembourg, Sweden, the UK and Switzerland.

On the contrary, in Ireland, the number of credit institutions has grown whereas that of local units has gone down.

In Germany, Spain, France, Italy and Portugal, the number of credit institutions has decreased while the number of local units has grown.

Finally, in Greece and Norway, the number of enterprises has risen less than the number of local units during the 1994-1998 period.

Table 2.1: Number of credit institutions, 1994-1998

	1994	1995	1996	1997	1998	Growth (%) 94-98
EU-15 ¹	9 938	9 620	9 348	8 997	8 618	-12.9
EUR-11 ¹	8 886	8 578	8 304	8 009	7 639	-13.7
B	122 *	120	116	109	95	-22.1
DK	208	204	203	204	201	-3.4
D	3 736	3 651	3 542	3 471	3 295	-11.8
EL	39	39	41	39	43	10.3
E	510	506	458	416	404	-20.8
F	1 404	1 254	1 207	1 089	1 041	-25.9
IRL	39	48	49	53	:	35.9 ²
I	1 002	970	937	935	921	-8.1
L	222	220	221	215	209	-5.9
NL	173 ³	174 ³	172 ³	169 ³	162	-6.4
A	1 018	1 001	979	954	925	-9.1
P	302	285	276	232	226	-25.2
FIN	358	349	347	366	361	0.8
S	238	239	246	210	210	-11.8
UK	567	560	554	535	525	-7.4
IS	111	112	:	:	:	-
N	219	216	216	217	220	0.5
EEA ¹	10 268	9 948	9 564	9 214	8 838	-12.7
CH	428	418	408	399	381	-11.0

1) For available data only.

2) Growth (%) 94-97.

3) Concerns enterprises groups.

Source: Eurostat/SBS/Credstat.

Table 2.2: Number of local units, 1994-1998

	1994	1995	1996	1997	1998	Growth (%) 94-98
EU-15 ¹	189 688	208 910	208 460	206 692	203 192	7.9
EUR-11 ¹	165 166	185 085	185 450	183 440	180 536	10.2
B	6 689 *	6 543	6 424 ²	6 123 ²	5 932 ²	-11.3
DK	2 245	2 215	2 203	2 178	2 185	-2.7
D	52 443] [71 564	70 187	66 642	63 208	20.5
EL	1 610	1 900	1 985	2 208	2 401	49.1
E	36 165	36 790	37 485	38 039	39 039	7.9
F	25 675	26 196	25 936	25 990	26 192	2.0
IRL	1 327	1 300	1 517	943	:	-28.9 ³
I	23 120	23 440	24 406	25 245	26 260	13.6
L	630	611	605	564	533	-15.4
NL	7 269 *	6 729 *	6 822 *	7 161	6 854	-5.7
A	5 736	5 727	5 713	5 644	5 498	-4.1
P	3 924	4 307	4 580	4 862	5 056	28.8
FIN	2 188	1 878 ⁴	1 775 ⁴	2 227 ⁴	1 964	-10.2
S	2 690 ⁵	2 601 ⁵	2 530 ⁵	2 522 ⁵	2 197 ⁵	-18.3
UK	17 977	17 109	16 292	16 344	15 873	-11.7
IS	112	113	:	:	:	-
N	1 610	1 593	1 718	1 842 ⁶	1 805 ⁶	12.1
EEA ¹	191 410	210 616	210 178	208 534	204 997	7.9
CH	3 854	3 776	3 650	3 444	3 204	-16.9

1) For available data only.

2) Including local units of Belgian credit institutions and non-EU branches established in Belgium as well as local units of Belgian credit institutions established abroad.

3) Growth (%) 94-97.

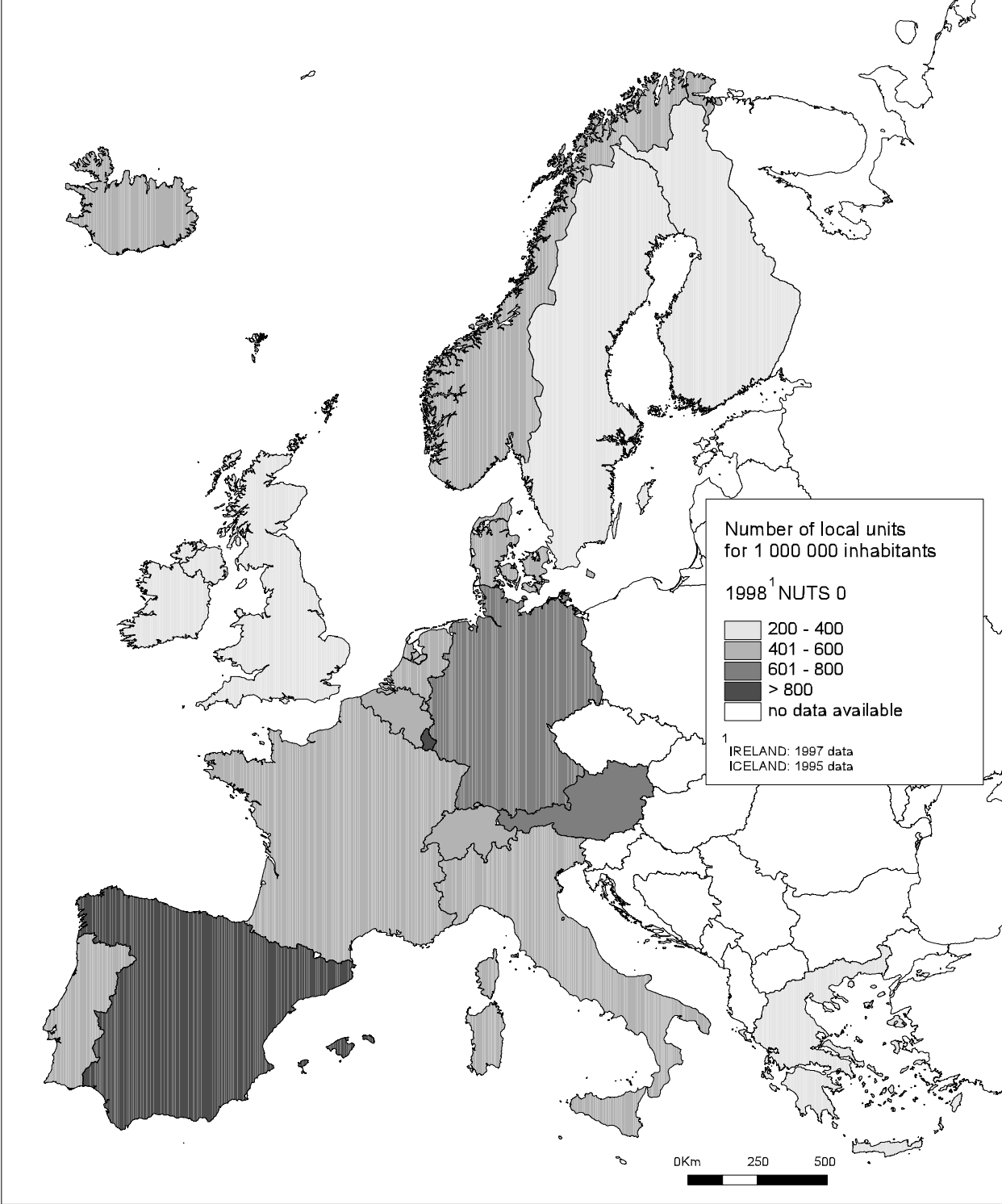
4) Including representative offices abroad.

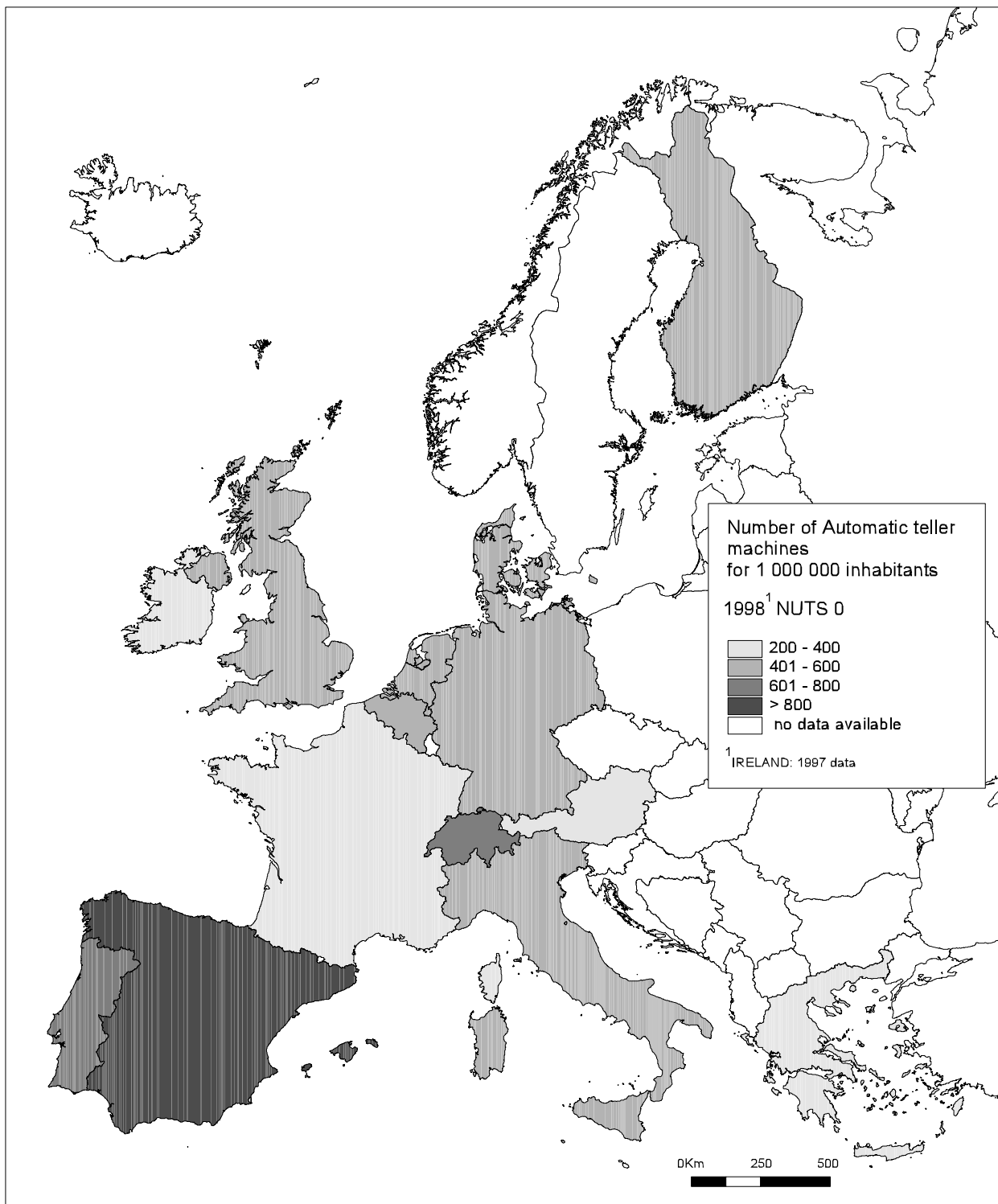
5) Local units only refer to licensed banks.

6) Mortgage companies and finance companies only.

Source: Eurostat/SBS/Credstat.

The following maps illustrate the number of local units for 1 000 000 inhabitants as well as the number of Automatic Teller Machines (ATMs) for 1 000 000 inhabitants in Europe in 1998. On average, there are 548 local units of credit institutions for 1 000 000 inhabitants in EU-15 (excluding Ireland), this density ranging from 228 in Greece to 1 258 in Luxembourg. High discrepancies are also observed concerning the density of ATMs, Greece registering the lowest with 206 ATMs for 1 000 000 inhabitants, and Spain the highest (956).





2.2.3 Credit institutions by legal status, Nace classes, categories and size classes of balance sheet total

With regard to the breakdown of credit institutions by legal status, the following forms can be found in most Member States: incorporated enterprises limited by shares, cooperative enterprises and savings banks as well as branches of enterprises of non-EEA countries and others, such as mortgage banks, post banks, specialised credit institutions, etc. The definition of each status is found in the Glossary.

In 1998, over 50 % of European credit institutions are cooperative enterprises. In Austria, Finland, Germany, Italy and Portugal, the cooperative enterprise is the most common legal status; their high number, however, does not reflect their economic weight. As a matter of fact, cooperatives are often small enterprises which operate only locally or on a regional level and do not therefore contribute much to the consolidated balance sheet total of the banking industry.

Table 3: Number of enterprises broken down by legal status, 1998

	Total	Incorporated enterprises limited by shares	Cooperative enterprises	Savings banks	Branches of non-EEA enterprises	Others
EU-15 ¹	8 760	2 547	4 471	990	377	375
EUR-11 ¹	7 781	2 037	4 432	802	228	282
B	95	62	18	1	14	0
DK	201	73	25	103	0	0
D	3 295	191	2 348	595	31	130
EL	43	22	12	0	9	0
E	404	202	97	51	53 ²	1
F ³	1 183	849	165	34	90	45
IRL	:	:	:	:	:	:
I	921	283	619	0	15	4
L	209	141	2	0	8	58
NL	162	123	2	24	11	2
A	925	117	729	51	2	26
P	226	42	160	6	3	15
FIN	361	27	292	40	1	1
S	210	101	2	85	0	22
UK	525	314	0	0	140	71
IS	:	:	:	:	:	:
N	220	61	0	133	0	26 ⁴
EEA ¹	8 980	2 608	4 471	1 123	377	401
CH	381	272	37 ⁵	0 ⁶	21	51

1) For available data only.

2) Total branches: branches of both EEA and non-EEA enterprises.

3) The scope of these data covers all establishments authorised by the Supervisory Authority and is therefore larger than the number of enterprises with a reporting requirement.

4) Including 7 foreign branches in Norway, and the Postal Bank for Nace Rev.1 65.12.

Including 12 foreign branches in Norway and 6 state lending institutions for Nace Rev.1 65.22.

5) Including Raiffeisen bank with 892 agencies.

6) Savings banks is not a legal status in Switzerland. Most banks are collecting savings deposits from their customers.

Legally savings banks can be Incorporated enterprises limited by shares, Cooperative enterprises, etc.

Source: Eurostat/SBS/Credstat.

After cooperative enterprises, the most important group of enterprises is made of incorporated enterprises limited by shares. This group holds for the major share of the industry's balance sheet total. These enterprises are normally commercial banks involved in universal banking. They offer all or most of the products and services that credit institutions are allowed to provide (e.g. acceptance of deposits and other repayable funds, lending, financial leasing, portfolio management and advice). A list of services and products offered by universal banks is given in the Glossary.

In Belgium, 65.3 % of credit institutions are incorporated enterprises limited by shares. The proportion reaches 51.2 % in Greece, 50 % in Spain, 71.8 % in France, 67.5 % in Luxembourg, 75.9 % in the Netherlands, 48.1 % in Sweden, 59.8 % in the UK and 71.4 % in Switzerland.

Savings banks make up approximately 12 % of the European banking industry (EEA + Switzerland). 51.2 % of credit institutions in Denmark are savings banks and 60.5 % in Norway. Whereas all countries register credit institutions providing savings facilities, 'savings banks' do not exist in all cases as a specific legal status.

As for branches of non-EEA enterprises, their number is rather low (398) compared to other forms of credit institutions.

Table 4: Number of enterprises broken down by Nace Rev.1 classes, 1998

	Total credit institutions	Other monetary intermediation (65.12)	Other credit granting (65.22)
EU-15 ¹	8 618	7 611	1 007
EUR-11 ¹	7 639	6 716	923
B	95	95	0
DK	201	201	0
D	3 295	3 199	96
EL	43	43	0
E	404	300	104
F	1 041	399	642
IRL	:	:	:
I	921	921	0
L	209	209	0
NL	162	162	0
A	925	864	61
P	226	226	0
FIN	361	341	20
S	210	126	84
UK	525	525	0
IS	:	:	:
N	220	154	66
EEA ¹	8 838	7 765	1 073
CH	381	378	3

1) For available data only.

Source: Eurostat/SBS/Credstat.

As Table 4 shows, most countries classify credit institutions exclusively within 'Other monetary intermediation' (Nace Rev.1 class 65.12). However, Germany, Spain, France, Austria, Finland, Sweden, Norway and Switzerland also report enterprises within Nace Rev.1 class 65.22, such as specialised lending institutions, financial holding companies, mortgage banks or even unit trusts, etc.

In Table 5, the total number of credit institutions broken down by category shows that in 1998 most enterprises active on the European market are licensed banks (almost 94.8 %, Germany, France and Ireland excluded).

Nevertheless, the number of specialised credit granting institutions reaches 103 in Spain, 25 in Sweden and 66 in Norway.

Table 5: Number of enterprises broken down by category of credit institutions, 1998

	Total	Licensed banks	Specialised credit granting institutions	Other credit institutions
EU-15 ¹	8 618	:	:	:
EUR-11 ¹	7 639	:	:	:
B	95	95	0	0
DK	201	192	9	0
D	3 295	:	:	:
EL	43	43	0	0
E	404	300	103	1
F	1 041	:	:	:
IRL	:	:	:	:
I	921	917	0	4
L	209	209	0	0
NL	162	162	0	0
A	925	925	0	0
P	226	226	0	0
FIN	361	341	0	20
S	210	126 ²	25	59
UK	525	525	0	0
IS	:	:	:	:
N	220	154	66	0
EEA ¹	8 838	:	:	:
CH	381	381	0	0

1) For available data only.

2) Including branches of foreign banks in Sweden.

Source: Eurostat/SBS/Credstat.

Tables 4 and 5 should be largely identical; some discrepancies however exist, as is the case in Italy, in which not all enterprises classified under Nace Rev.1 class 65.12 are licensed banks. Four belong to the category 'Other credit institutions'. Sweden is also an exception, since only 25 out of the 84 enterprises classified within Nace Rev.1 class 65.22 are really specialised credit granting institutions, while the remaining 59 are other credit institutions.

Table 6: Number of enterprises broken down by size classes of balance sheet total, 1998

	Total	> ECU 99 999 Mio	ECU 10 000-99 999 Mio	ECU 1 000-9 999 Mio	ECU 100-999 Mio	< ECU 100 Mio
EU-15 ¹	8 618	:	:	:	:	:
EUR-11 ¹	7 639	:	:	:	:	:
B	95	2	6	28	44	15
DK	201	0	8	10	61	122
D	3 295	8	61	457	1 675	1 094
EL	43	0	3	12	14	14
E	404	0	18	97	140	149
F	1 041	8	19	155	436	423
IRL	:	:	:	:	:	:
I	921	1	33	144	390	353
L	209	0	12	71	97	29
NL	162	:	:	:	:	:
A	925	0	8	36	280	601
P	226	0	7	24	30	165
FIN	361	0	2	9	59	291
S	210	0	12	20	66	112
UK	525	9	69	178	185	84
IS	:	:	:	:	:	:
N	220	0	4	25	75	116
EEA ¹	8 838	:	:	:	:	:
CH	381	2	10	62	185	122

1) For available data only.

Source: Eurostat/SBS/Credstat.

In 1998, the balance sheet total of almost 80 % of European credit institutions is below ECU 1 bn (excluding Ireland, the Netherlands and Iceland). This proportion is divided into two equal parts: 50 % of these enterprises have a balance sheet total below ECU 100 Mio, while the remaining 50 % are made up of institutions whose a balance sheet total is between ECU 100 Mio and ECU 999 Mio.

Most cooperatives and savings banks are of smaller importance, which explains that the following countries report many enterprises with a balance sheet total under ECU 100 Mio: Denmark (122 – 60.7 %), Spain (149 – 36.9 %), Austria (601 – 65 %), Portugal (165 – 73 %), Finland (291 – 80.6 %), Sweden (112 – 53.3 %) and Norway (116 – 52.7 %).

30 European credit institutions (including Switzerland) have a balance sheet total over ECU 100 bn (2 in Belgium, 8 in Germany, 8 in France, 1 in Italy, 9 in the UK and 2 in Switzerland). Europe registers 272 banks with a balance sheet total ranging from ECU 10 bn to ECU 99 bn. In fact, the biggest individual banks in Europe can be larger than the whole banking industry of the smallest national markets with regard to balance sheet total.

2.3 Performance and Competitiveness

The comparison of the main financial indicators shows quite a lot of differences between credit institutions within the European markets. Differences in the indicators are not only due to more or less successful results in the conduct of business in the different Member States, but also to different traditions in the banking activities.

2.3.1 Profit and loss account

Profitability in the banking industry can be assessed with several indicators. The following ratios are briefly analysed in this section: return on equity, return on assets, net interest income on net commission income, net interest income on balance sheet total, net commission income on balance sheet total as well as income on cost ratio. The definitions of these ratios are given in the Methodological Notes.

Table 7.1: Profit and loss account, net income components, 1998

(Mio ECU)

	Interest receivable and similar income	Interest payable and similar charges	Income from securities	Income from shares and other variable-yield securities	Commissions receivable	Commissions payable	Net profit or net loss on financial operations	Other operating income
EU-15 ¹	1 078 681	853 692	50 265	29 069	110 349	21 746	52 409	37 721
EUR-11 ¹	770 185	597 189	41 184	20 975	82 051	14 351	29 723	24 771
B	55 264	47 022	575	112	2 689	1 105	2 829	680
DK	20 819	15 679	99	93	1 660	333	149	315
D	300 660	235 259	11 759	11 759	24 005	4 617	3 595	6 336
EL	9 861	7 431	119	22	928	137	677	414
E	38 765	28 434	10 483	2 428	7 159	1 268	1 202	287
F	177 188	151 956	6 352	:	17 848	4 242	14 209	7 245
IRL	:	:	:	:	:	:	:	:
I	77 541	40 656	8 392	5 792	18 923	1 434	4 484	6 149
L	37 129	34 300	265	62	2 718	753	640	1 171
NL	43 255	31 820	1 215	316	3 760 ²	:	1 008	948
A	22 511	16 243	1 412	438	2 890	612	636	1 187
P	12 110	8 103	414	38	1 096	168	875	441
FIN	5 764	3 396	317	30	964	151	245	326
S	26 049	20 551	1 984	1 788	2 423	453	633	1 056
UK	251 767	212 841	6 879	6 191	23 287	6 472	21 228	11 166
IS	:	:	:	:	:	:	:	:
N ³	10 599	7 371	144	:	975	228	134	295
EEA ¹	1 089 280	861 063	50 409	29 069	111 324	21 974	52 543	38 015
CH	42 653	:	:	:	14 806	1 337	:	:

1) For available data only.

2) Net commission income.

3) Provisional.

Source: Eurostat/SBS/Credstat.

Table 7.2: Profit and loss account, cost items, 1998

(Mio ECU)

	General administrative expenses	Other administrative expenses	Other operating charges	Value adjustments and value readjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	Other value adjustments and value readjustments
EU-15 ¹	252 796	99 558	12 894	17 016	14 400
EUR-11 ¹	203 498	94 789	11 988	15 515	13 156
B	7 208	2 543	211	1 803	721
DK	4 032	1 654	60	379	491
D	60 520	23 629	3 793	-13 885	7 741
EL	2 393	671	234	503	219
E	18 036	7 185	190	1 404	2 141
F	39 993	17 245	5 850	8 990	1 723
IRL	:	:	:	:	:
I	53 224	33 005	385	14 089	347
L	2 319	1 043	191	1 035	267
NL	10 784	5 679	10	885	1 073
A	6 710	2 528	721	2 229	- 531
P	3 138	1 266	58	-1 274	- 496
FIN	1 566	666	579	239	170
S	5 114	2 443	612	618	535
UK	37 760	:	:	:	:
IS	:	:	:	:	:
N ²	2 100	808	697	276	181
EEA ¹	254 896	100 366	13 591	17 292	14 581
CH	7 090	:	:	5 189	:

1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

Table 7.3: Profit and loss account, profit and tax items, 1998

(Mio ECU)

	Profit or loss on ordinary activities	Extraordinary profit or loss	All taxes (tax on profit or loss on ordinary activities, tax on extraordinary profit or loss, other taxes)	Profit or loss for the financial year
EU-15 ¹	57 715	5 810	34 381	72 736
EUR-11 ¹	49 721	5 792	32 735	55 037
B	3 966	- 423	1 451	2 092
DK	2 853	- 8	563	2 281
D	:	4 556	16 280	18 222
EL	1 081	28	374	735
E	8 338	1 916	1 647	6 691
F	12 697	- 931	1 923	9 842
IRL	:	:	:	:
I	13 885	1 209	8 721	7 343
L	:	180	796	2 442
NL	5 590	- 1	1 124	4 465
A	2 065	- 289	264	1 512
P	1 698	121	369	1 451
FIN	1 481	- 546	159	977
S	4 061	- 2	709	2 811
UK	:	:	:	11 873
IS	:	:	:	:
N ²	1 320	10	229	1 101
EEA ¹	59 035	5 820	34 610	73 837
CH	14 445	:	926	8 861

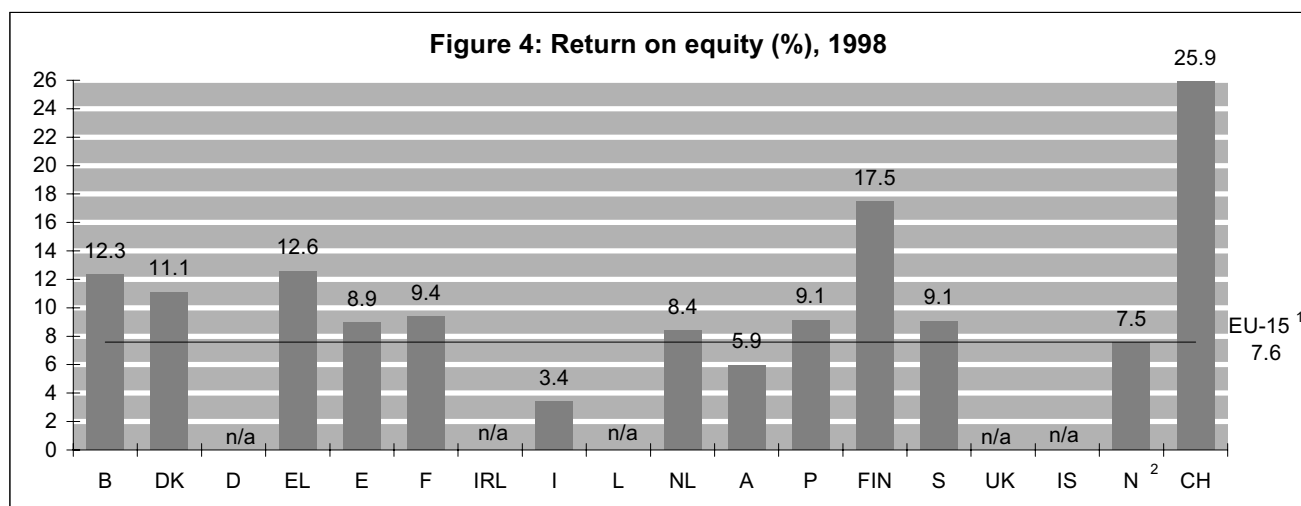
1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

Return on equity and return on assets are used as the main indicators of profitability in this publication.

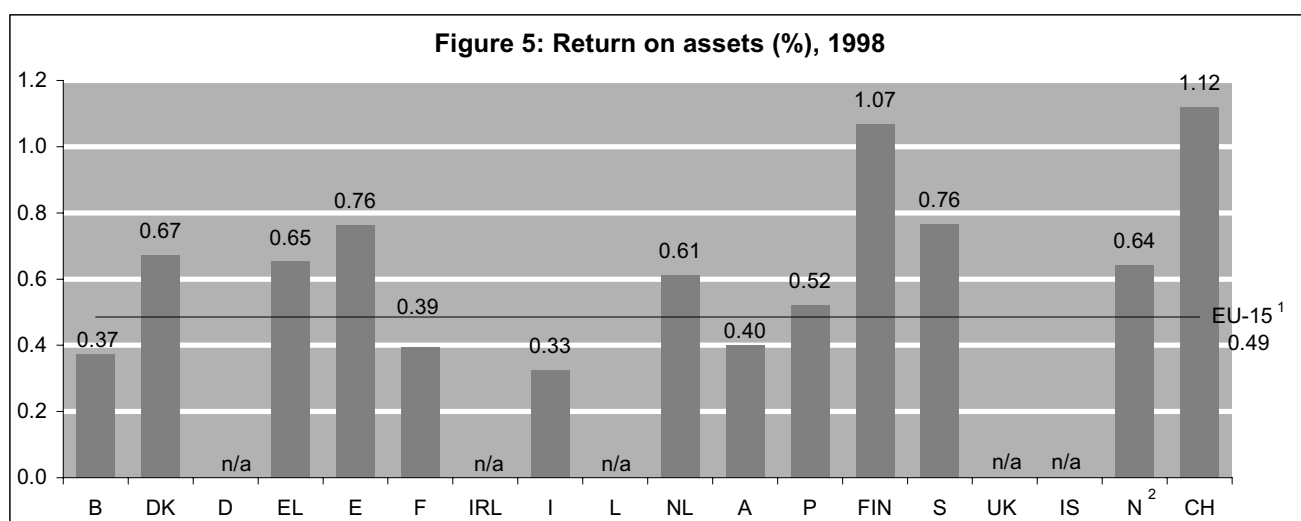
Return on equity is calculated as profit or loss on ordinary activities minus all taxes, divided by total capital and reserves (average total), while return on assets is calculated as profit or loss on ordinary activities minus all taxes, divided by balance sheet total (average total).



1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.



1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

Both return on equity and return on assets are positive in 1998 in Member States for which ratios could be calculated. Return on equity ratio displays significant differences in Europe, ranging from 3.4 % in Italy to 17.5 % in Finland. The highest return on equity is registered in Switzerland, with 25.9 %.

Return on assets is again lowest in Italy, with 0.33 % and highest in Finland, with 1.07 %.

The ratio of net interest income on balance sheet total can also be used as a measure of profitability in credit institutions. The ratio reflects the profitability of traditional banking business based on credit granting and deposit taking. Low figures may indicate keen competition in lending and funding as well as focus on fee-based business instead of interest income, whereas high figures can be explained by large interest margins, low funding costs or reduced balance sheets. The picture of European countries is mostly harmonised in 1998 with ratios ranging from 0.53 % in Luxembourg up to 3.27 % in Switzerland. In comparison, net commission income on the balance sheet total ranges from 0.23 % in Belgium to 1.09 % in Italy.

Table 8: Financial indicators of credit institutions, 1998

	Net interest income (Mio ECU)	Net commission income (Mio ECU)	Net interest income / Net commission income	Net interest income as % of Balance sheet total	Net commission income as % of Balance sheet total
EU-15 ¹	224 989	88 603	2.54	1.18	0.47
EUR-11 ¹	172 996	67 700	2.56	1.23	0.48
B	8 242	1 584	5.20	1.21	0.23
DK	5 140	1 327	3.87	1.44	0.37
D	65 401	19 388	3.37	1.11	0.33
EL	2 430	791	3.07	2.23	0.73
E	10 331	5 890	1.75	1.14	0.65
F	25 232	13 605	1.85	0.91	0.49
IRL	-	-	-	-	-
I	36 884	17 488	2.11	2.30	1.09
L	2 828	1 965	1.44	0.53	0.37
NL	11 435	3 760	3.04	1.49	0.49
A	6 268	2 278	2.75	1.33	0.48
P	4 006	928	4.32	1.41	0.33
FIN	2 368	813	2.91	1.94	0.67
S	5 498	1 970	2.79	1.23	0.44
UK	38 926	16 815	2.32	0.96	0.41
IS	-	-	-	-	-
N ²	3 227	747	4.32	1.85	0.43
EEA ¹	228 216	89 349	2.55	1.19	0.47
CH	42 653 ³	13 469	3.17	3.27	1.03

1) For available data only.

2) Provisional.

3) Interest receivable and similar income.

Source: Eurostat/SBS/Credstat.

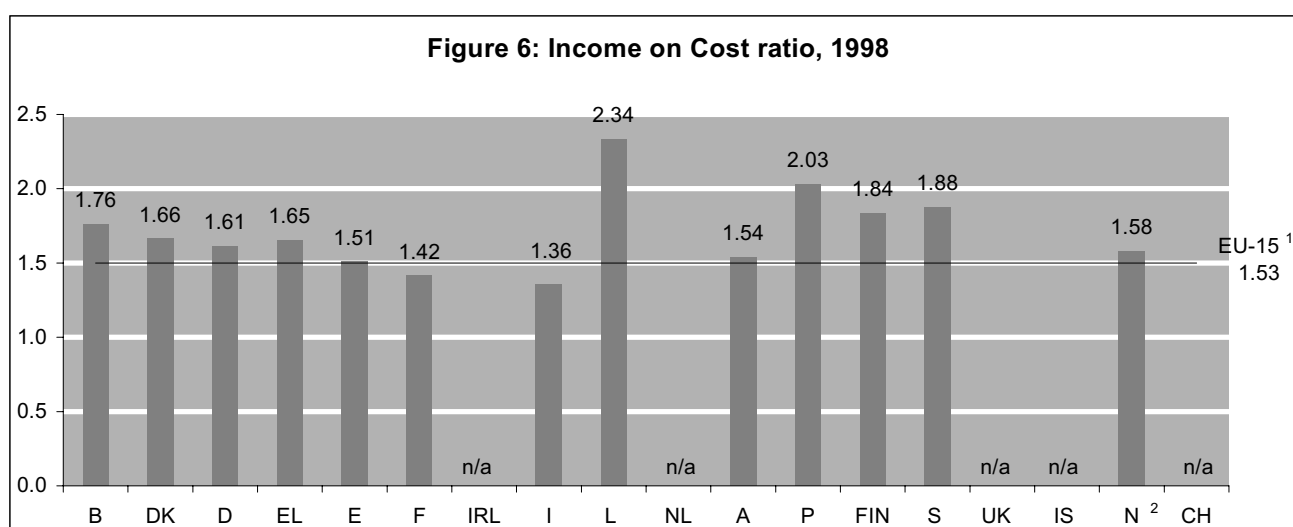
Net interest income and net commission income in the Euro-zone amount to ECU 172 996 Mio and ECU 67 700 Mio respectively. In all Member States, net interest income is far higher than net commission income; the proportion however varies from around twice as much in Spain, France, Italy and the UK, to over five times in Belgium. Net commission income is likely to gain importance in the future, as banks diversify into products and services generating fee and commission income on the one hand, and as interest income from credit granting by credit institutions decreases as a result of keener competition in the traditional banking business on the other hand.

Looking at the data available, the importance of net commission income compared with net interest income has increased in most Member States: the ratio net interest income on net commission income has decreased in 11 out of 14 countries between 1997 and 1998.

Compared to 1997, net commission income has increased in all European countries, registering a slow down for Greece and Norway only. On the contrary, net interest income decreased in Germany, France, Luxembourg, Austria and Sweden during the 1997-1998 period.

The income on cost ratio is calculated as Operating income divided by Operating expenses (on the one hand, *Operating income* is composed of Net interest income *plus* Income from securities *plus* Commissions receivable *plus* Net profit or net loss on financial operations *plus* Other operating income, and on the other hand, *Operating expenses* is made of Commissions payable *plus* General administrative expenses *plus* Other operating charges, excluding Value adjustments).

The average income on cost ratio has remained stable between 1997 and 1998 in EU-15 (excluding Ireland, the Netherlands and the United Kingdom). It ranges from 1.36 in Italy and 1.42 in France to 2.34 in Luxembourg. Compared to 1997, the 1998 ratio is higher in Belgium, Greece, France and in Italy.



1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

The merger and acquisition activities in the sector, although aiming at creating synergy in the medium or long term, will nonetheless be at first a source of additional operating expenses. Efforts are made in all Member States to reduce costs, but the changes in the structure of credit institutions and their businesses is currently leading to additional costs (i.e. the introduction of the Euro, the need for more highly qualified staff, etc.).

2.3.2 Macroeconomic variables

The following two indicators are balances of the production account of credit institutions. Their method of calculation is given in the Methodological Notes.

Between 1997 and 1998, the production value has increased in all EU countries, thereby showing the development of the European banking sector. The production value of British banks has doubled during the period.

Value added at basic prices has grown faster than the production value in Belgium, France, Italy, Luxembourg and Finland.

Table 9: Macroeconomic variables, 1997-1998

(Mio ECU)

	Production value		Growth (%)	Value added at basic prices		Growth (%)
	1997	1998	97-98	1997	1998	97-98
EU-15 ¹	397 622	475 639	19.6	268 407	293 808	9.5
EUR-11 ¹	327 758	350 728	7.0	212 863	229 599	7.9
B	13 032	15 015	15.2	9 561	11 156	16.7
DK	7 048	7 363	4.5	5 268	5 315	0.9
D	105 214	111 100	5.6	76 706	79 060	3.1
EL	4 139	4 470	8.0	3 205	3 428	7.0
E	28 587	29 462	3.1	20 393	20 819	2.1
F	66 656	70 886	6.3	40 583	43 549	7.3
IRL	:	:	-	:	:	-
I	68 740	74 831	8.9	33 468	40 007	19.5
L ²	6 456	7 622	18.1	4 722	5 635	19.3
NL	17 448	18 366	5.3	12 108	12 677	4.7
A	11 726	12 393	5.7	8 086	8 533	5.5
P	6 024	6 833	13.4	4 720	5 340	13.1
FIN	3 875	4 219	8.9	2 516	2 823	12.2
S	10 398	11 593	11.5	7 047	7 463	5.9
UK	48 280	101 486	110.2	40 025	48 003	19.9
IS	:	:	-	:	:	-
N ²	4 821	4 774	-1.0	3 059	3 041	-0.6
EEA ¹	402 444	480 413	19.4	271 466	296 849	9.4
CH	30 117	31 042	3.1	23 617	23 951	1.4

1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

2.3.3 Balance sheet items

Table 10: Balance sheet items

(Mio ECU)

	Main balance sheet items, 1998			Balance sheet total		Growth (%) 97-98
	Loans and advances to customers	Amounts owed to customers	Total of capital and reserves	1997	1998	
EU-15 ¹	10 245 468	9 230 973	971 482	17 626 458	19 008 217	8.7
EUR-11 ¹	6 412 918	5 445 834	678 931	13 230 789	14 037 373	7.2
B	235 664	274 713	22 130	664 188	680 045	2.4
DK	218 462	94 354	21 377	322 562	357 841	10.9
D	2 943 973	2 315 487	181 178	5 308 002	5 906 088	11.3
EL	42 207	81 567	6 078	107 811	108 841	1.0
E	464 813	466 527	76 456	847 346	904 262	6.7
F	1 018 735	929 165	116 353	2 720 344	2 760 194	1.5
IRL	:	:	:	134 113	:	-
I	762 475	570 117	159 649	1 572 533	1 604 178	2.0
L	97 542	190 148	12 897	514 109	537 148	4.5
NL	459 329	356 128	54 807	689 698	766 543	11.1
A	233 495	154 109	32 056	430 598	472 078	9.6
P	110 640	132 245	15 890	224 364	284 862	27.0
FIN	86 250	57 195	7 516	125 495	121 974	-2.8
S	248 715	112 488	37 392	427 645	448 754	4.9
UK	3 323 166	3 496 730	227 703	3 537 651	4 055 409	14.6
IS	:	:	:	:	:	-
N ²	136 266	88 944	14 677	165 123	174 644	5.8
EEA ¹	10 381 733	9 319 917	986 159	17 791 581	19 182 861	8.6
CH	560 323	555 291	53 187	1 113 085	1 302 809	17.0

1) For available data only.

2) Provisional.

Source: Eurostat/SBS/Credstat.

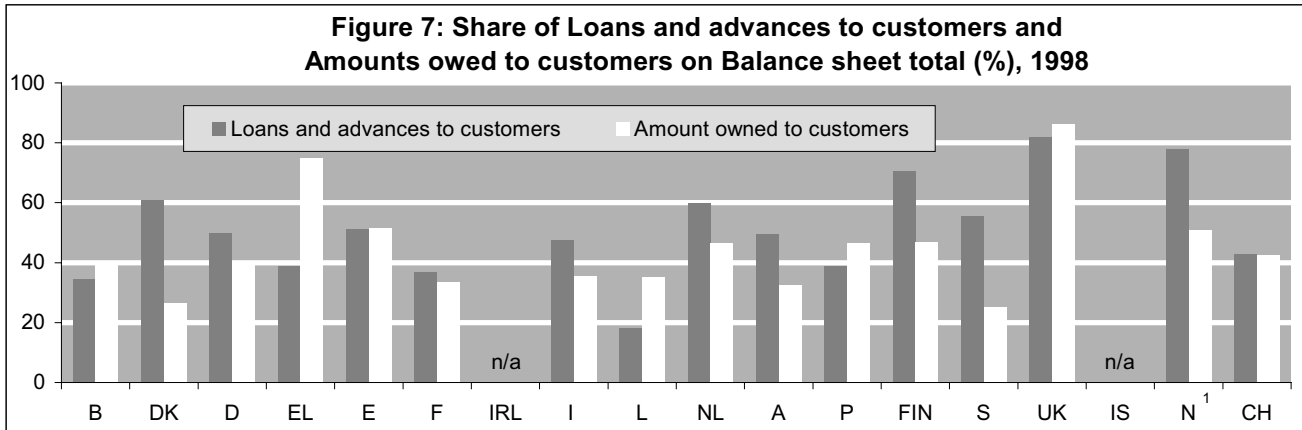
Table 10 presents the main aggregates which make up the balance sheet of a credit institution. The balance sheet total relative to Germany represents more than 30 % of the EU-15 balance sheet total, with ECU 5 906 bn. Then, come the United Kingdom (ECU 4 055 bn), France (ECU 2 760 bn) and Italy (ECU 1 604 bn). As a result, these three countries account for 44.3 % of the EU-15 balance sheet total. All other countries have a balance sheet total below ECU 1 000 bn, ranging from ECU 109 bn in Greece to ECU 904 bn in Spain. The breakdown of the balance sheet shows that amounts owed to customers plus total of capital and reserves represent more than 50 % of the European balance sheet total. The EU loans and advances to customers amount to ECU 10 245 bn. Half of the Member States register more loans and advances to customers than amounts owed to customers which in 1998 amount to ECU 9 231 bn.

Between 1997 and 1998, the EU-15 balance sheet total (excluding Ireland) has risen by 8.7 %. Portugal registers the highest growth (about + 27.0 %) and Greece the lowest (about + 1.0 %). Only Finnish banks have experienced a decrease (– 2.8 %).

The European banking industry records a total of capital and reserves on balance sheet total of 5.1 %. Although this ratio does not correspond to the risk-based capital adequacy ratio used by banking regulators, it provides an indication of solvency levels in these countries. This ratio shows big discrepancies throughout Europe. While Italy records a ratio amounting to 10 %, Belgium, Germany, France, Luxembourg and Switzerland report ratios below 5 %.

Data on loans and advances to customers and amounts owed to customers are relevant to create two other ratios presented in Figure 7. The first ratio is obtained by dividing loans and advances to customers by balance sheet total, and the second one is the share of amounts owed to customers on balance sheet total. Concerning the first indicator, the proportion ranges from 18.2 % in Luxembourg to 81.9 % in the UK. Other Member States over 50 % are: Finland (70.7 %), Denmark (61.1 %), the Netherlands (60.0 %), Sweden (55.4 %) and Spain (51.4 %). Throughout EU-15, the average ratio amounts to 53.9 %. The United Kingdom has the highest ratio amounts owed to customers divided by balance sheet total (86.2 %). The lowest figure is observed in Sweden (25.1 %).

Figure 7 shows that in 1998, loans and advances to customers represent a more important share of the balance sheet total than the amounts owed to customers in eight Member States.

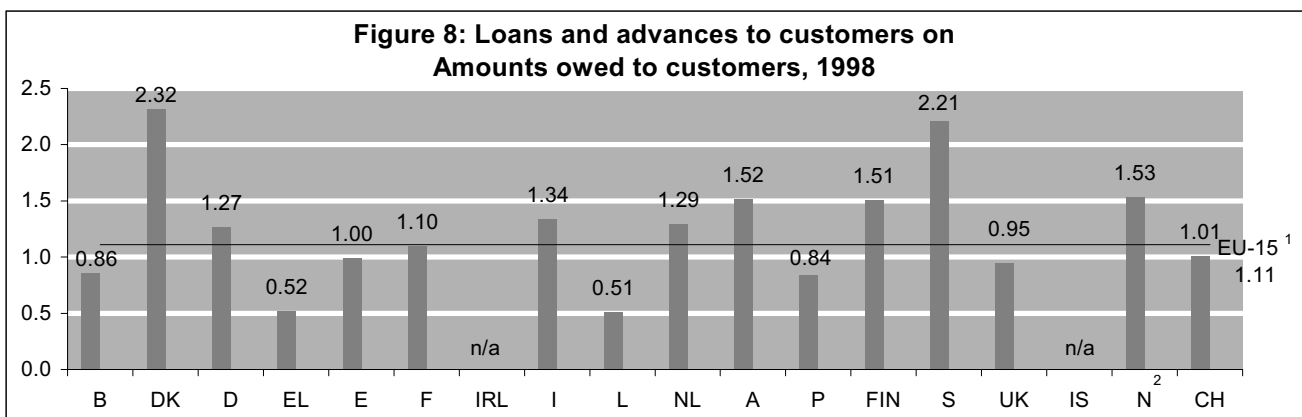


1) Provisional.
Source: Eurostat/SBS/Credstat.

The ratio of loans and advances to customers in relation to amounts owed to customers in each European country as illustrated in Figure 8, appears as an indication of the maturity transformation.

Banks are in the business of maturity transformation. They transform short-term deposits into long term loans to finance real investments. The degree of this maturity transformation can be described with loans to deposits ratio. Whilst the contractual maturity of deposits may be short, in reality a large share of deposits are held on bank accounts for a long time.

Credit institutions in Belgium, Greece, Luxembourg, Portugal, Spain and the UK report amounts owed to customers which are higher than loans and advances to customers. In Greece and Luxembourg, credit institutions have mainly a deposit activity. On the contrary, the highest ratios are observed in Scandinavian countries (2.32 in Denmark and 2.21 in Sweden). For the other countries, the ratio varies from 1.10 in France to 1.52 in Austria in 1998.



1) For available data only.
2) Provisional.
Source: Eurostat/SBS/Credstat.

2.4 Internationalisation

The degree of internationalisation of the EU banking systems may be seen from two basic perspectives, inward and outward internationalisation. In the European Union, the legal tools and the introduction of the Euro are instruments which are expected to lead to changes in the structure of the European financial markets. Cross border services are expected to increase in Europe, but not in Europe only: as competition is increasing and enterprises are growing, the latter are likely to look for new markets and opportunities.

2.4.1 Cross border activities via branches in Europe

Data on the number of EEA branches within the EEA are provided according to the 'host country principle', which means that a given country announces the number and the origin of the branches of other EEA countries which are active on its territory. When data for all Member States are available, it will be possible to draw a new picture according to the 'home country principle', which will then provide the complete breakdown of the branches each country has in the rest of the EEA.

There are 438 branches of European enterprises distributed across EU markets; this is without counting Spain, France and Ireland, as data for these are not available. Most of these branches are probably carrying out wholesale banking.

Table 11: Number and origin of EEA branches active in the host country, 1998

home country host country	Total EU-15	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	IS	N	CH
EU-15 ¹	438	18	9	80	7	29	74	11	37	37	30	15	6	3	21	61	0	9	14
EUR-11 ¹	290	13	4	55	3	20	52	1	21	34	19	10	2	0	8	48	0	2	5
B	25	-	0	6	0	2	8	0	1	0	6	0	0	0	0	2	0	0	0
DK	15	0	-	2	0	0	0	0	0	0	1	0	0	0	10	2	0	3	0
D	123	8	2	-	2	9	17	1	10	34	5	8	0	0	1	26	0	2	1
EL	14	0	0	2	-	0	4	0	1	0	2	0	0	0	0	5	0	0	0
E	:	:	:	:	:	-	:	:	:	:	:	:	:	:	:	:	:	:	:
F	:	:	:	:	:	:	-	:	:	:	:	:	:	:	:	:	:	:	:
IRL	:	:	:	:	:	:	:	-	:	:	:	:	:	:	:	:	:	:	:
I	39	2	0	10	0	3	10	0	-	0	5	2	0	0	0	7	0	0	0
L	59	1	0	34	0	0	7	0	8	-	0	0	2	0	2	5	0	0	3
NL	10	1	0	1	1	0	3	0	1	0	-	0	0	0	0	3	0	0	1
A	10	0	0	4	0	0	1	0	1	0	2	-	0	0	0	2	0	0	0
P	15	1	0	0	0	6	5	0	0	0	1	0	-	0	0	2	0	0	0
FIN	9	0	2	0	0	0	1	0	0	0	0	0	0	-	5	1	0	0	0
S	15	0	2	2	0	0	2	0	0	1	1	0	0	1	-	6	0	2	2
UK	104	5	3	19	4	9	16	10	15	2	7	5	4	2	3	-	0	2	7
IS	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	-	:	:
N	19	0	2	2	0	0	1	0	0	0	2	0	0	0	10	2	0	-	0
EEA ¹	457	18	11	82	7	29	75	11	37	37	32	15	6	3	31	63	0	9	14
CH ²	15	0	0	1	0	0	3	0	0	2	1	1	1	0	0	6	0	0	-

1) For available data only.

2) Branches (in Switzerland) of foreign banks.

Source: Eurostat/SBS/Credstat.

In 1998, Germany hosts the largest number of EU branches (123), followed by the UK (104) and Luxembourg (59). Branches are often set up in nearby or border countries. Examples for this are the 34 German and the 7 French branches out of the 59 active in Luxembourg, or the fact that 80 % of the branches present in Belgium are German, French or Dutch.

Looking at Table 11 according to the ‘home country approach’, and despite the fact that Spanish, French, Irish and Icelandic data are not available, it appears that German enterprises have the highest number of branches active in other European countries (83). France and the UK respectively rank second and third, with 78 and 69 branches.

On the contrary, Finland does not appear to be very open to cross border services via branches, either inward or outward. This weak presence of foreign branches may be due to the fact that enterprises tend to set up branches in larger markets. Small countries with an important foreign presence are usually important international financial markets, like Luxembourg.

2.4.2 International cross border activities via branches

European enterprises also set up branches in non-EEA countries, but usually not in the main financial places like Japan, Switzerland or the USA. Nearly 85 % of European branches located outside the EEA are to be found in other third countries. Most of these European branches located in non-EEA countries originate in the UK (421) and Germany (106), which are dominating financial markets. The large number of UK branches abroad is notably due to UK banks’ operations in south east Asia.

Table 12: Total number and location of branches in non-EEA countries, 1998

	Total	Switzerland	USA	Japan	In other third countries (rest of the world)
EU-15 ¹	707	9	75	27	596
EUR-11 ¹	262	6	53	18	185
B	26	0	4	0	22
DK	5	0	2	0	3
D	106	2	13	12	79
EL	9	0	1	0	8
E	35	0	14	2	19
F	:	:	:	:	:
IRL	:	:	:	:	:
I	51	0	16	3	32
L	10	3	0	0	7
NL	:	:	:	:	:
A	2	0	1	1	0
P	27	1	3	0	23
FIN	5	0	2	0	3
S	10	0	3	1	6
UK	421	3	16	8	394
IS	:	:	:	:	:
N	6	0	2	0	4
EEA ¹	713	9	77	27	600
CH	93	-	10	2	81 ²

1) For available data only.

2) Including 24 branches of Swiss credit institutions located in EU countries.

Source: Eurostat/SBS/Credstat.

2.5 Employment

The weight of the banking industry in the total employment of each country is rather similar throughout Europe, ranging from 1.20 % in Sweden to 2.11 % in Germany. Luxembourg, where the number of persons employed by credit institution reaches more than 11.66 % of its total employment, represents a notable exception.

In 1998, the sector employs 2 704 034 persons. The figure has remained relatively stable between 1994 and 1998: it shows an average 0.5 % decrease in EU-15 (excluding Ireland and the UK); which amounts to - 0.7 % in EUR-11 (excluding Ireland). The country which has registered the sharpest fall in employment is Finland (- 27.0 %). The country suffered a banking crisis in the early 1990s. Three Member States have recorded a significant increase in the number of persons employed by the banking industry between 1994 and 1998: the Netherlands (13.0 %), Luxembourg (12.3 %) and Greece (11.6 %).

Table 13: Evolution of the number of persons employed, 1994-1998

	Persons employed					Growth (%)	Persons employed per enterprise					Growth (%)
	1994	1995	1996	1997	1998	94-98	1994	1995	1996	1997	1998	94-98
EU-15 ¹	2 273 145	2 274 056	2 693 749	2 700 501	2 704 034	-0.5	243	251	288	302	314	14.8
EUR-11 ¹	2 127 623	2 128 139	2 106 593	2 097 090	2 090 540	-0.7	239	248	254	264	274	15.0
B	78 589 *	78 447	78 535 ²	78 085 ²	77 410 ²	-1.5	644	654	677	716	815	26.5
DK	48 616	46 563	43 629	46 965	47 536 ³	-2.2	234	228	215	230	236	1.2
D	758 250	757 800	750 100	751 925	751 517	-0.9	203	208	212	217	228	12.4
EL	49 090	51 525	53 025	53 587	54 787	11.6	1 259	1 321	1 293	1 374	1 274	1.2
E	251 078	249 023	246 800	247 361	247 679	-1.4	492	492	539	595	613	24.5
F	382 573	381 699	377 875	370 772	366 372	-4.2	272	304	313	340	352	29.2
IRL	22 400	33 300	32 300	:	:	-	574	694	659	-	-	-
I	338 937	337 893	331 136	350 842	345 651	2.0	338	348	353	375	375	10.9
L	17 638	18 255	18 582	19 135	19 814	12.3	79	83	84	89	95	19.3
NL	107 100	105 000	107 700 *	113 200 *	121 000 *	13.0	619	603	626	670	747	20.6
A	70 883	70 517	70 909	74 673	73 814 *	4.1	70	70	72	78	80	14.6
P	64 175	64 447	64 727	63 178	61 004	-4.9	213	226	235	272	270	27.0
FIN	36 000	31 758 ⁴	27 929 ⁴	27 919 ⁴	26 279	-27.0	101	91	80	76	73	-27.6
S ⁵	47 816	47 829	47 702	47 437	47 248	-1.2	201	200	194	226	225	12.0
UK	:	:	442 800	455 422	463 923	4.8 ⁶	-	-	799	851	884	10.6 ⁶
IS	3 923 ⁷	3 923 ⁷	:	:	:	-	35	35	-	-	-	-
N	24 057 ⁷	25 012 ⁷	30 246 ⁷	26 057 ⁷	25 706	6.9	110	116	140	120	117	6.4
EEA ¹	2 301 125	2 302 991	2 723 995	2 726 558	2 729 740	-0.4	237	245	285	298	309	15.6
CH	121 344	120 692	120 578	120 565	119 668	-1.4	284	289	296	302	314	10.8

1) For available data only.

2) Including persons employed in local units of Belgian credit institutions and non-EU branches established in Belgium as well as persons employed in local units of Belgian credit institutions established abroad.

3) The number of persons employed covers, on the one hand, the number of employees for licensed banks, and, on the other hand, the number of employees in full-time equivalent units for specialised credit granting institutions and for a few other institutions.

4) Including representative offices and subsidiaries.

5) The number of persons employed do not cover all the credit institutions active in Sweden.

Some small entities do not report data on the number of persons they employ.

6) Growth (%) 96-98.

7) Man-years.

Source: Eurostat/SBS/Credstat.

Possibly due to mergers, the number of persons employed per credit institution has increased from an average 243 in 1994 to 314 in 1998. Greece, with 1 274 and the UK with 884 persons employed, are the countries with the highest number of persons employed per enterprise. Iceland, with 35 (1995 data), Finland with 73 and Austria with 80, are at the other end of the line.

According to Table 14, in 1998, 98.9 % of the persons employed in the EU-15 banking sector work in licensed banks (Germany, France and Ireland excluded). On average, a licensed bank employs 386 persons.

Table 14: Number of persons employed by category of credit institutions, 1998

	Total	Licensed banks	Specialised credit granting institutions	Other credit institutions
EU-15 ¹	2 704 034	:	:	:
EUR-11 ¹	2 090 540	:	:	:
B ²	77 410	77 410	0	0
DK	47 536	43 212	4 324 ³	0
D	751 517	:	:	:
EL	54 787	54 787	0	0
E	247 679	242 262	5 154	263
F	366 372	:	:	:
IRL	:	:	:	:
I	345 651	344 042	0	1 609
L	19 814	19 814	0	0
NL	121 000	121 000	0	0
A	73 814 *	73 814 *	0	0
P	61 004	61 004	0	0
FIN	26 279	24 729	0	1 550
S ⁴	47 248	43 531	1 394	2 323
UK	463 923	463 923	0	0
IS	:	:	:	:
N	25 706	23 981	1 725	0
EEA ¹	2 729 740	:	:	:
CH	119 668	119 668	0	0

1) For available data only.

2) Provisional.

3) Number of employees in full-time equivalent units.

4) The number of persons employed do not cover all the credit institutions active in Sweden.

Some small entities do not report data on the number of persons they employ.

Source: Eurostat/SBS/Credstat.

As shown in Table 15, there are important differences in the number of persons employed per local unit in 1998: from as few as 6 in Spain to 37 in Luxembourg and Switzerland.

Table 15: Employment ratios of credit institutions, 1998

	Persons employed / Total employment ¹	Persons employed / Enterprises	Persons employed / Local units	Personnel costs / Persons employed (ECU)	Production Value / Persons employed (ECU)	Interests and commissions receivable / Persons employed (ECU)
EU-15 ²	1.80	314	13	48 934	175 900	320 618
EUR-11 ²	1.85	274	12	52 000	167 769	407 663
B	2.01	815	13	60 264	193 973	748 648
DK	1.78	236	22	50 019	154 884	472 879
D	2.11	228	12	49 089	147 834	432 013
EL	1.38	1 274	23	31 430	81 589	196 924
E	1.88	613	6	43 814	118 952	185 415
F	1.63	352	14	62 090	193 481	532 344
IRL	-	-	-	-	-	-
I	1.70	375	13	58 494	216 494	279 077
L	11.66	95	37	64 373	384 702	2 011 028
NL	1.72	747	18	42 189	151 787	388 551
A	2.04	80	13	56 660	167 893	344 122
P	1.28	270	12	30 684	112 003	216 468
FIN	1.21	73	13	34 227	160 551	256 020
S ³	1.20	225	20 ⁴	56 519	245 369	602 609
UK	1.73	884	29	36 299	218 756	592 888
IS	-	-	-	-	-	-
N ⁵	-	117	14	50 270	185 701	450 213
EEA ²	1.80	309	13	48 946	175 992	439 823
CH	-	314	37	85 567	259 401	480 152

1) Source: Eurostat/Eurostatistics/Employment (Total civilian employment).

2) For available data only.

3) The number of persons employed do not cover all the credit institutions active in Sweden. Some small entities do not report data on the number of persons they employ.

4) Concerns licensed banks.

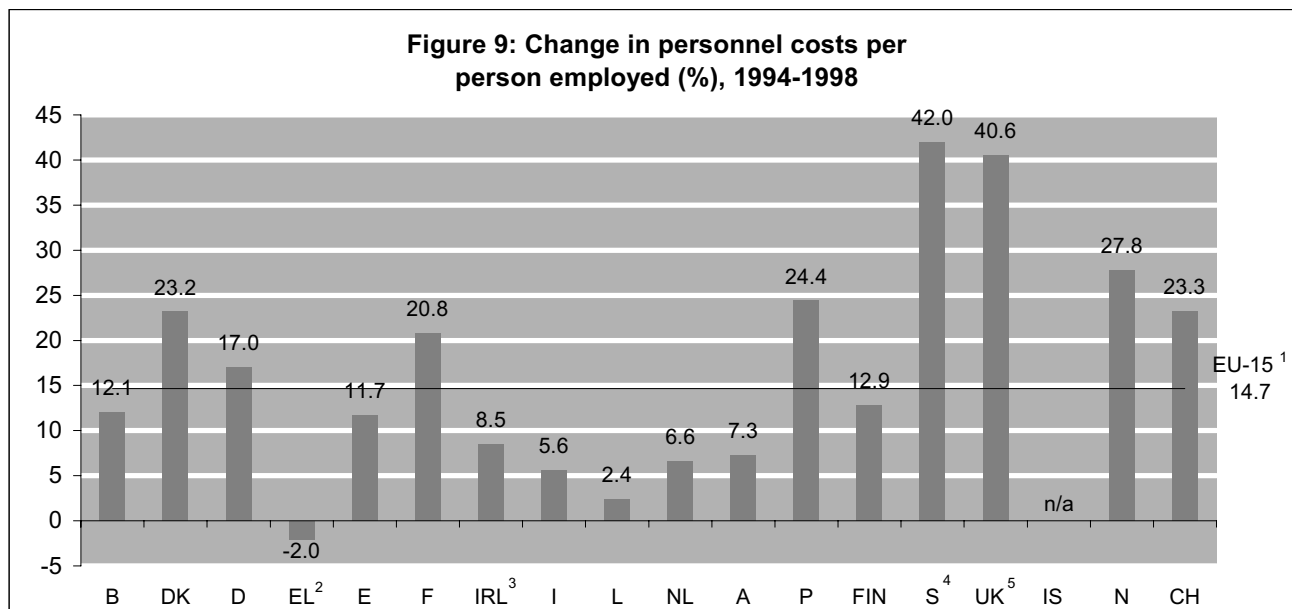
5) Provisional.

Source: Eurostat/SBS/Credstat.

Average personnel costs amount to ECU 48 934 in the EU in 1998 compared to ECU 47 206 in 1997. Personnel costs include wages and salaries as well as employer's social security costs. Across Europe, they range from ECU 30 684 in Portugal to ECU 64 373 in Luxembourg. Switzerland has by far the highest personnel costs as they amounted to ECU 85 567. These figures have to be considered cautiously as they do not take into consideration the cost of living in the different Member States.

One of the key items of accounting data in credit institutions is the production value per person employed. Luxembourg, with ECU 384 702, has the highest production value per person employed. On the contrary, Greece is at the other end of the line with ECU 81 589. Nevertheless, the figures have to be handled carefully. The differences are not only due to the level of productivity, but also to differences in standards of living and in banking business and profitability.

Average personnel costs per person employed have followed the same tendency throughout Europe between 1994 and 1998. The average cost has increased in all the countries slightly in some cases to a large extent in others. Italy, Luxembourg, the Netherlands and Austria all have gone through increases below 10 %, whereas in Denmark, France, Portugal and Sweden, it ranges between 20 % and almost 40 %.



1) For available data only.

2) Change (%) 97-98.

3) Change (%) 95-96.

4) The number of persons employed do not cover all the credit institutions active in Sweden.
Some small entities do not report data on the number of persons they employ.

5) Change (%) 96-98.

Source: Eurostat/SBS/Credstat.

Changes in the average personnel costs are probably explained by the changing structures of both the enterprises and the business. The fast changing environment, increasing competition, new products and technologies have most likely led credit institutions to changing their employment structures to more qualified staff, which might explain the larger increases in average personnel costs.

3. Structure of European mortgage markets

Mortgage lending is a growing industry and constitutes one of the main components of the European credit markets. The volume of outstanding mortgage loans in the European Union and Norway at the end of 1998 amounts to around ECU 2 700 bn which represents 33 % of Gross domestic product (GDP). Mortgage markets however retain strong national characteristics and their economic importance varies from one country to another. This report highlights a number of structural differences and the common trends that shape Europe's mortgage markets.

3.1. European mortgage markets

3.1.1 Mortgage lending has grown substantially over the past decade

Mortgage lending is a growth industry in Europe. The volume of outstanding mortgage loans in the EU and Norway has increased at a remarkable rate, more than doubling in nominal terms over the 1988-1998 period, and amounts to around ECU 2 700 bn at the end of 1998. The largest markets, in terms of outstanding volume, are Germany, the United Kingdom, France and the Netherlands. The markets that have grown most during the period are Portugal, Spain, Ireland and the Netherlands.

Table 1: Residential mortgage loans in EU-15 and Norway, 1988-1998

(Mio ECU ¹)

	Value outstanding		Growth (%)
	1988	1998	88-98
EU-15	1 354 961	2 713 152	100
EUR-11	852 092	1 855 010	118
B	24 830	55 528	124
DK ²	69 406	104 823	51
D	451 244	1 012 998	124
EL	2 673	7 037	163
E	35 951	122 637	241
F	184 765	262 121	42
IRL ²	6 783	20 888	208
I	30 719	81 449	165
L ³	3 154	3 615	15
NL	77 721	220 537	184
A ⁴	4 461	9 531	114
P	5 063	31 941	531
FIN	27 400	33 765	23
S ²	85 507	98 998	16
UK	345 284	647 284	87
N	39 082	54 332	39

1) End of year ECU exchange rates are used. See Methodological Notes.

2) Figures provided for 1988 refer to the closest available year : 1992 for Denmark, 1990 for Ireland and Sweden.

3) Figures refer to 1997 and 1994.

4) Figures refer to residential and non-residential mortgage loans.

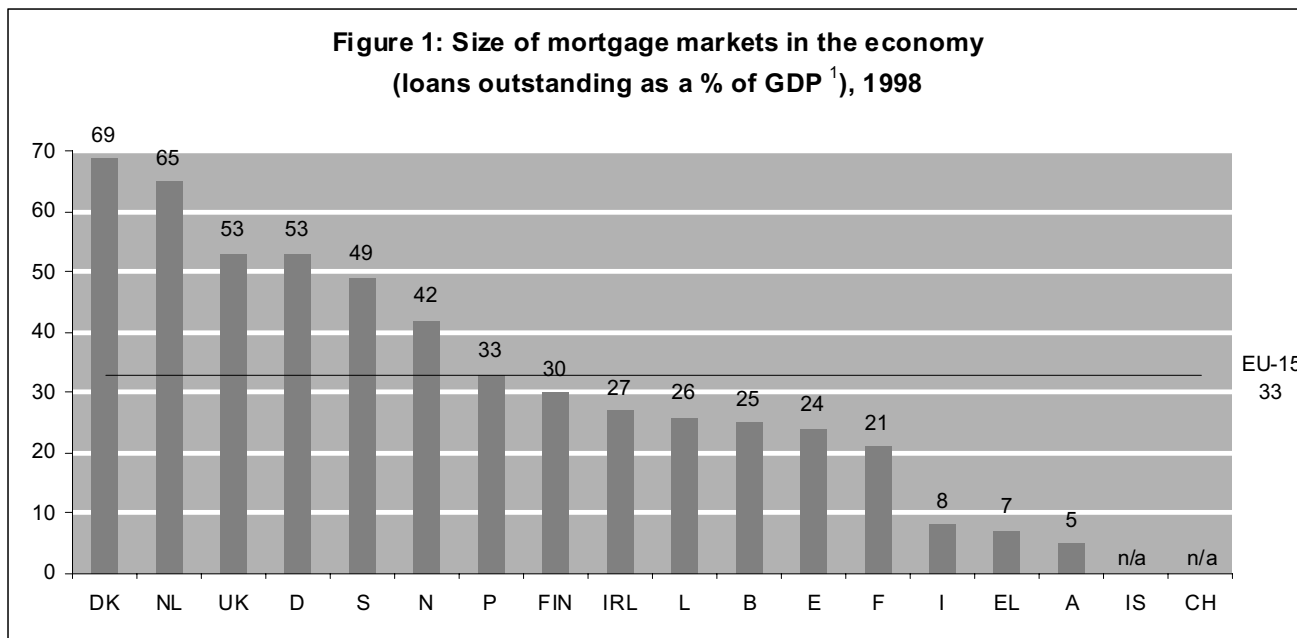
Source : European Mortgage Federation and National Sources.

The impressive expansion of European mortgage markets since the late 1980s is the result of a number of factors, of which deregulation in the financial sector and historically low interest rates (as a consequence of preparation for the introduction of the single currency) stand out in particular. This environment has led to intense competition on mortgage markets across Europe and greater affordability of housing, thereby creating favourable conditions for high demand for mortgage loans.

Higher competition, coupled with rapid technological advances, has pushed mortgage lenders to develop new financial products and new methods to market these products to the customer. Product innovation will have to continue to keep up with the needs of increasingly sophisticated and financially astute customers. As the completion of the single currency approaches, Euro-denominated mortgage products that can be sold cross border have emerged. The Internet in particular is seen as a very important distribution channel. This is more for its future potential than its current capabilities. However, as more and more customer gain access to the Internet and become comfortable using it, the growth in its use will be very rapid.

3.1.2 Mortgage markets retain strong national characteristics

The dynamic growth of mortgage markets has outpaced the growth of GDP over the same period, thereby increasing its weight in the national economies. Mortgage loans represent 33 % of GDP in the EU at the end of 1998. However, the importance of mortgage markets differs widely across the different EU Member States. In Denmark, the Netherlands, the United Kingdom and Germany, the volume of residential mortgage loans outstanding is equivalent to 50 % of GDP or more, in contrast to other countries such as Italy, Greece and Austria, where it is equivalent to less than 10 %.



1) Source: Eurostat/Eurostatistics/National Accounts.

Source : *European Mortgage Federation and National Sources.*

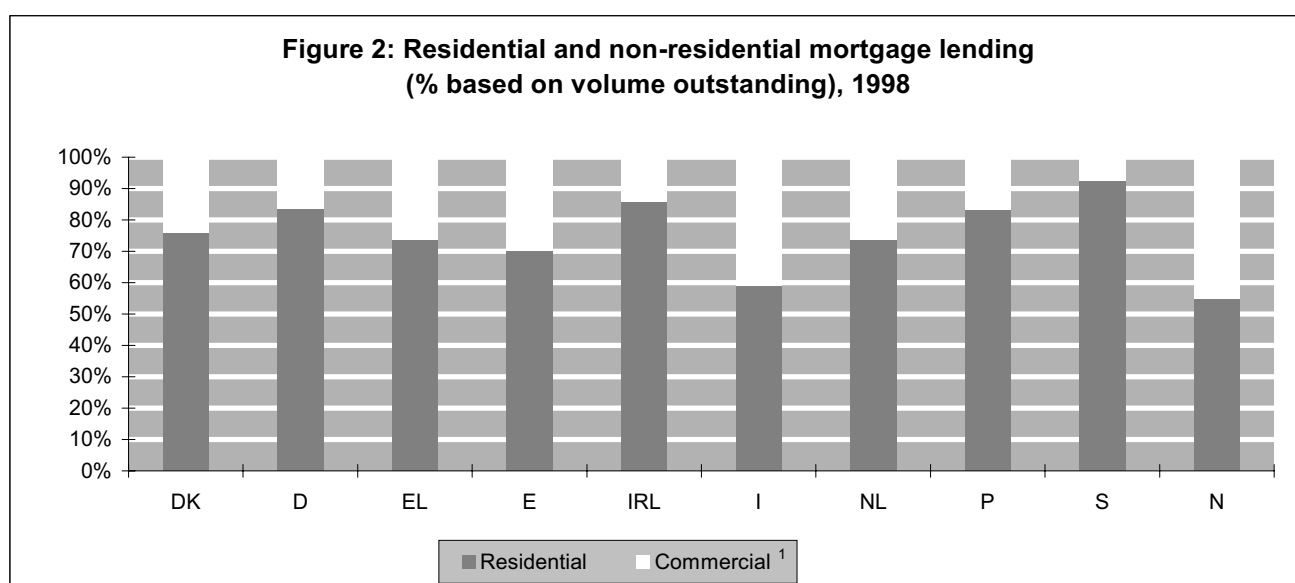
The large differences in the size of the mortgage markets in the national economy reflect the fact that mortgage markets retain, by and large, strong national characteristics. There are considerable differences across countries due to differences in the types of lenders and consequently also differences in the types of products granted such as the duration of mortgage loans, the type of mortgage interest rate and loan-to-value (LTV) ratios. These differences are mostly the result of differences in the political and historical environments and in the legal and regulatory frameworks in which the mortgage lender operates.

The differences across mortgage markets are also the result of differences in the property market (stock of dwellings, housing tenure structure, owner-occupation, private and social rental, financial instruments used to finance the housing sector, etc.) and in the construction industry (number of building permits issued, housing completions, number of transactions, etc). The general economic situation also has a direct impact on the mortgage market. When the economy is growing and employment is rising, households increase their demand for housing and for housing finance. Despite economic convergence in Europe, there remain significant differences in the fundamental macroeconomic variables (GDP, unemployment, inflation, etc.) which shape the development of the mortgage markets.

3.1.3 Mortgage lending for non-residential property

Mortgage lending also finances property investment other than residential. These include offices, retail outlets, industrial premises and, in certain countries, agricultural property. This type of activity represents a relatively important segment of the EU mortgage markets and its share is steadily increasing. The volume of non-residential mortgage loans outstanding amount to more than ECU 430 bn at the end of 1998 which represent 15 % of the total volume of outstanding mortgage loans (residential and non-residential).

The significance of non-residential mortgage loans in comparison to their residential counterpart however varies widely from one country to another. In Norway, Italy and Spain, non-residential mortgage lending represents 30 % or more of total mortgage credit activity. The largest non-residential mortgage lending market is Germany (ECU 200 bn outstanding at the end of 1998), followed by the Netherlands, Italy and Spain.



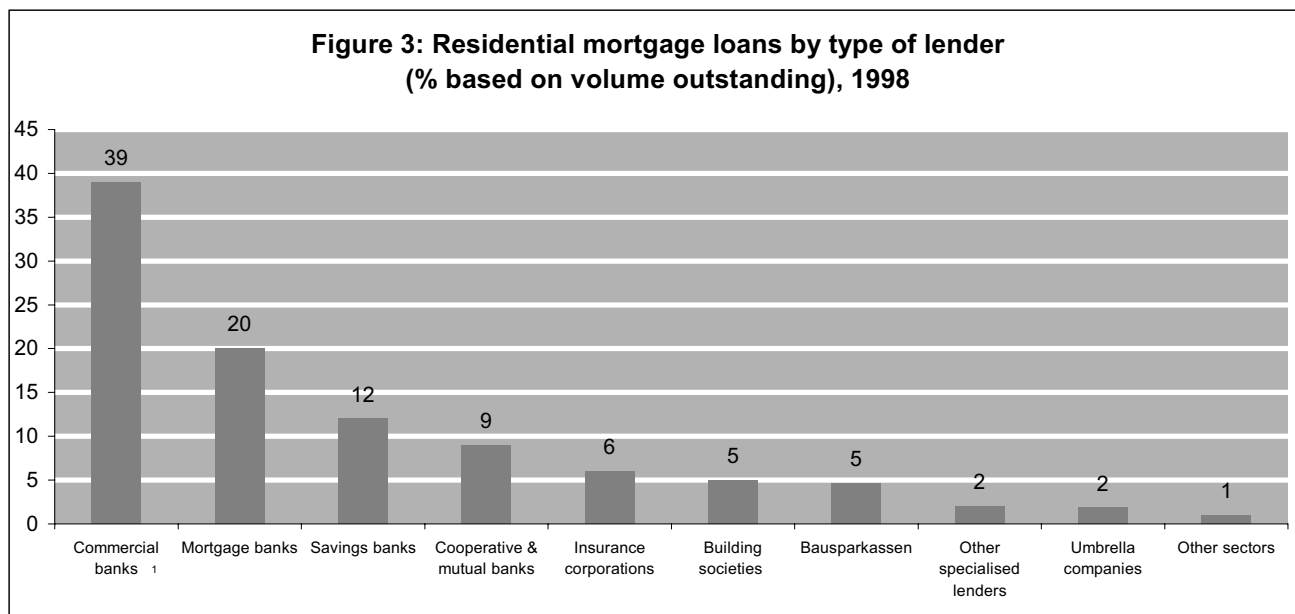
1) Non-residential .

Source : European Mortgage Federation and National Sources.

Residential mortgage lending is overall significantly more important than non-residential mortgage lending. The main reasons are threefold. First, the stock of residential dwellings is higher than the stock of non-residential properties. Second, the recourse to alternative financial instruments is more common for non-residential properties. Third, property investment companies or other private corporations purchasing non-residential properties have liquidity to invest and do not have recourse to mortgage loans.

3.2 Types of mortgage lenders

Mortgage loans are granted by a large variety of different types of mortgage lenders. They range from specialised credit institutions (mortgage banks, savings banks, mutual and cooperative banks, building societies, Bausparkassen and other specialist mortgage lenders) to universally active commercial banks. These types of lenders are Monetary Financial Institutions (MFIs) and together they grant more than 90 % of the mortgage loans in the EU¹. The remaining mortgage loans are granted by non-MFIs which include other financial intermediaries (e.g. umbrella companies established to hold securitised mortgage assets through mortgage-backed securities, generally known as special purpose vehicles), insurance corporations and other sectors.



1) Including mortgage loans funded by the issuance of mortgage bonds that are granted by the largest mixed mortgage bank in Germany.

Source : European Mortgage Federation and National Sources.

The European Mortgage Federation categorises mortgage lenders in accordance with the ESA 95 framework as follows: (i) Monetary Financial Institutions (MFIs) includes universal/commercial banks ('commercial banks'), mortgage banks/mortgage credit institutions ('mortgage banks'), savings banks, mutual and cooperative banks, building societies, Bausparkassen, other specialised mortgage lenders; (ii) Other financial intermediaries (with the exclusion of insurance companies and pension funds) refers to umbrella companies established to hold securitised mortgage assets through mortgage-backed securities, generally known as special purpose vehicles; (iii) Insurance companies and pension funds refers to insurance companies; and (iv) Other sectors.

The current composition of the mortgage market share by type of lender has been shaped by the progressive deregulation of financial industries in Europe. Until the 1980s, mortgage activity was dominated by specialist lenders such as mortgage banks and building societies. Each mortgage market tended to be tightly regulated by national authorities because of the danger of mismatching long-term finance with short-term funding. Deregulation has enabled non-specialised lenders to enter the mortgage market and has also encouraged specialised lenders to change their legal status².

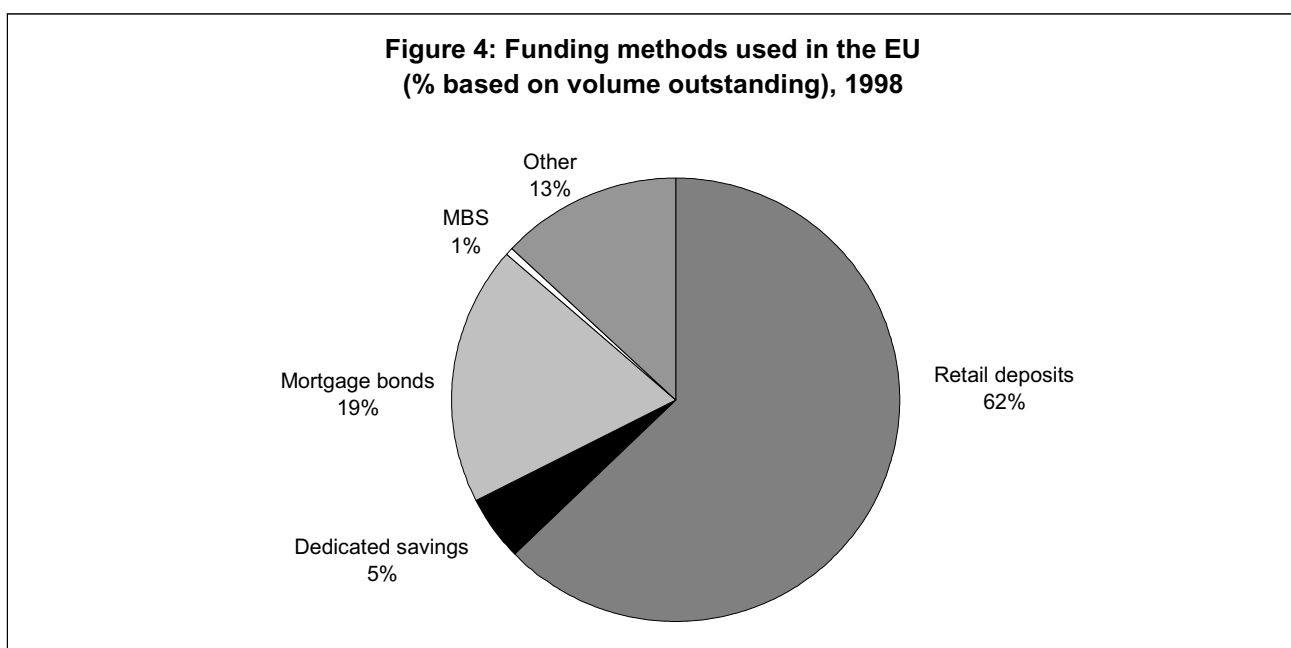
⁽¹⁾ In 1997, the European Mortgage Federation classified the different types of mortgage lenders according to the ESA 95 framework. ESA 95 is the European System of national and regional Accounts 1995 which was introduced by a Council Regulation of 25 June 1996. It provides a methodology for common standards, definitions, nomenclatures and accounting rules, intended to be used for compiling accounts and tables to be drawn up on comparable bases for the purposes of the Community. The Regulation is binding in its entirety and directly applicable in all Member States.

⁽²⁾ In the UK, for instance, balance sheet restrictions made mortgage lending unattractive to commercial banks until the 1980s. This is not the case anymore and commercial banks have now entered the mortgage market. Furthermore, regulatory changes have encouraged several building societies to convert into commercial banks while maintaining their core business in mortgage lending.

As a result of these changes, the category 'commercial banks' has been able to increase its share of European mortgage markets. Nevertheless, mortgage credit is granted predominantly by financial institutions whose main activity is the granting of such loans. The largest group within the specialised category are mortgage banks, meaning here specialised credit institutions which fund their mortgage loans portfolio mainly through the issuance of mortgage bonds. Mortgage banks dominate in Denmark and Sweden (90 % and 80 % market share respectively), and are active in Germany, France, Austria, Finland and the Netherlands. Building societies operate in the United Kingdom and Ireland. A significant volume of mortgage loans is further granted by credit institutions that, although not required to restrict their activities (and therefore shown under 'commercial banks' in Figure 4 above), have retained their core business in housing finance. This is for instance the case of the 'mixed' mortgage banks in Germany.

3.3 Funding of mortgage loans

Mortgage lenders in Europe use a large variety of methods to fund the mortgage loans they grant. The method used depends by and large on the type of mortgage lender and varies considerably from one country to another. The most common source for mortgage loans in the EU is funds obtained via retail deposits in one form or another (deposits with agreed maturity, deposits redeemable at notice or overnight deposits). The European Mortgage Federation (EMF) estimates that retail deposits fund 62 % of the volume of residential mortgage loans outstanding. Other 'general' funding instruments include loans from other MFIs (for instance, a parent company) and bank bonds. Mortgage loans also rely on the own resources (equity capital) of the lending credit institutions and insurance premiums (in the case of insurance corporations). Dedicated savings refer to deposits collected through the Bausparkassen system in Germany and Austria.



Source : Estimations based on contribution from EMF national members and own calculations.

The issuance of mortgage bonds is the second most important type of funding method after retail deposits. The volume of outstanding mortgage bonds in the EU is estimated at ECU 530 bn (end 1999) which represent around 19 % of the volume of residential mortgage loans outstanding (end 1998). At present, three countries share 88 % of the overall mortgage bond market. Germany's '*Hypotheken Pfandbriefe*' lead with 44 %, followed by Denmark (29 %) and Sweden (15 %). The German '*Hypotheken Pfandbrief*' market amounting to ECU 236 bn (volume outstanding end 1998) has developed into one of the dominant components of the European fixed-income capital market. In Denmark, mortgage lending by mortgage banks is nearly fully funded through the issue of mortgage bonds. For Sweden, mortgage bonds, representing 70 % of total funding, constitute the leading source of financing.

Table 2: European mortgage bond ¹ markets, 1999(Mio ECU ²)

	Volume outstanding	% of total
DK	153 118	28.8
D ³	235 797	44.4
E ⁴	7 771	1.5
F	35 216	6.6
L ⁴	37	0.0
NL	1 171	0.2
A ³	4 959	0.9
P ⁴	100	0.0
FIN ⁴	1 163	0.2
S ⁵	80 694	15.2
N	10 894	2.1
Total	530 920	100.0

1) The term 'mortgage bond' is used here to refer to 'Pfandbriefe' in Germany and Pfandbrief-style paper issued in EU Member States like, for instance, 'obligations foncières' in France, 'cédulas hipotecarias' in Spain and others.

2) End of year ECU exchange rates are used. See Methodological Notes.

3) Excludes öffentliche Pfandbriefe.

4) Figure for end 1998.

5) Refers to mortgage bonds issued on domestic and foreign markets.

Source : European Mortgage Federation and National Sources.

The remaining 12 % of the mortgage bond markets in Europe is shared between eight countries. Mortgage bonds are actively used in Austria. Mortgage bonds constitute the second source of financing in France and Spain but represent only 21 % and 6 % respectively of total mortgage funding well behind deposits. In the Netherlands and Norway, mortgage bonds are issued but fund a relatively small part of lending (7 % and 1 % respectively).

The relative sizes of the mortgage bond markets in Europe are however likely to change in the near future as several countries have taken measures to promote this funding instrument, largely inspired by the success of the *Pfandbrief* in Germany. This has been the case most notably for France, Luxembourg and Finland. The Spanish '*cédula hipotecaria*' was introduced in 1981 by the mortgage market law but its use started to grow only recently. Similar developments are under discussion in Belgium and Ireland.

The issuance of mortgage bonds is one of two methods used to fund mortgage loans through the capital market. The other method involves the issuance of mortgage-backed securities (MBS) which has however developed to a lesser extent, by far, than in the United States. The value of outstanding MBS in the EU and Norway is estimated at ECU 16 bn, which represents less than 1 % of total residential mortgage loans outstanding (end 1998). In a number of European countries, however, most notably in the UK (second largest residential mortgage market after Germany) and Ireland and to some extent in Spain and France, there are strong indications that the use of off-balance balance sheet securitisation to fund a mortgage loan portfolio is becoming more popular.

Mortgage bonds and MBS are instruments that meet the funding requirements of mortgage lenders in different ways. The choice depends on the needs of the lender and is strongly influenced by the history, legal and regulatory framework and mortgage market structure of the country in which the lender operates. In a number of countries mortgage bonds and MBS are considered to be alternative and complementary funding instruments, which has led to the co-existence of these two different approaches to tapping capital markets. This is the case, for instance, in Spain, Germany and France. A similar situation might develop in Ireland and Belgium if the planned legislation on mortgage bonds is introduced.

What is a mortgage bond?

Mortgage bonds are essentially secured debt securities issued by mortgage credit institutions and other credit institutions and backed by certain types of assets, usually residential or non-residential mortgage loans, that remain on the balance sheet of the issuer. In a number of EU Member States, most notably in Germany and Austria, mortgage bonds are also secured against loans to the public-sector ('öffentlicher Pfandbrief').

Mortgage bonds were first issued during the 18th century. Despite their long European tradition there is today no common definition. Plans for a draft Directive governing the issuance of securities guaranteed by mortgage at a EU level were abandoned by the European Commission in 1985, following the publication of the White Paper on the Internal Market which put forward the principle of mutual recognition as an alternative to harmonisation. Nevertheless the special character of mortgage bonds has since been enshrined in the 1988 Directive on Undertakings for Collective Investments in Transferable Securities (UCITS). Article 22, paragraph 4 of this Directive recognises that the different types of mortgage bond share certain common characteristics. They must: (1) be issued by credit institutions; (2) be subject to special supervision by public authorities; (3) have sufficient cover for the liabilities deriving from the bonds; (4) have a privilege for bond holders in the event of the bankruptcy of the issue.

Mortgage bonds that fulfil these common characteristics must be notified by EU Member States to the European Commission (Article 20). This has been done by Germany, Denmark, Austria, France, Spain and Luxembourg. The same applies to Italian mortgage bonds outstanding. The Italian mortgage bond, 'obbligazione fondiaria', was eliminated in September 1993, without having been replaced by any other specific funding instrument for mortgages. Mortgage bonds issued in Portugal, the Netherlands, Sweden and Norway do not follow these common characteristics. A mortgage bond law exists in Germany, Denmark, Austria, France, Spain, Luxembourg and Finland and is currently under discussion in Ireland and Belgium. In Greece, mortgage bonds were issued only once in 1989 by the National Bank of Greece that matured in February 1997. Mortgage bonds do not exist in the United Kingdom.

Methodological Notes

'Special Feature on Banking', edition 2000 presents statistics on credit institutions for the reference year 1998, which are the results of the second voluntary data collection of sector specific statistics listed in draft Annex 6 of Council Regulation No 58/97 concerning structural business statistics. Data on basic indicators and time series going from 1994 to 1998 based on the obligatory data collection of structural business statistics according to Annex 1 of Council Regulation 58/97 are also published.

These methodological notes aim at facilitating the interpretation and analysis of the statistics published in this volume.

In the first part of this publication, data on European credit institutions come from Eurostat data collection, while data for the USA, Japan, the Czech Republic, Hungary and Poland come from OECD' banking statistics and only cover commercial banks. As a result, these data have to be used cautiously for comparative purposes.

Moreover, as the sector specific data collection on credit institutions is voluntary and relatively new, the data coverage and the comparability of variables may vary between the European countries. The quality of the data will keep on improving in the future.

1. Data coverage

This item deals with on the one hand the coverage of countries, and on the other hand the population of enterprises covered in this publication.

The **coverage of countries** faces two difficulties: (1) Missing countries. (2) Different approaches to collect statistics at national level (Home or Host country approach). Definitions of each concept are given in Item 2.

(1) In October 1999, 18 countries (EEA and Switzerland, excluding Liechtenstein) received questionnaires asking for statistics on credit institutions for the reference year 1998 as well as revised data for the reference year 1997, whenever necessary. This data collection was carried out on a voluntary basis. For specific reasons, Ireland and Iceland did not participate at all in the data collection.

(2) The following table indicates the Nace Rev.1 categories included in the national legislation and/or covered by the data published, as well as the principle used to report information on the EEA branches established in other EEA Member States, and this, for each country participating in the 1998 data collection.

	Data coverage: inclusion of branches	Nace categories included in national legislation and/or data published
B	Home country approach	All credit institutions are defined in Nace class 65.12
DK	Home country approach	All credit institutions are defined in Nace class 65.12
D	Home country approach	Nace 65.12, 65.22
EL	Host country approach	All credit institutions are defined in Nace class 65.12
E	Host country approach	Nace 65.12, 65.22
F	Home country approach	Nace 65.12, 65.22
I	Host country approach	Nace 65.12
L	Host country approach	All credit institutions are defined in Nace class 65.12
NL	Host country approach	All credit institutions are defined in Nace class 65.12
A	Home country approach	Nace 65.12, 65.22
P	Host country approach	Nace 65.12
FIN	Home country approach	Nace 65.12, 65.22
S	Mixed approach	Nace 65.12, 65.22
UK	Host country approach	Nace 65.12
N	Host country approach	Nace 65.12, 65.22
CH	Home country approach	Nace 65.12, 65.22

In addition to some information on credit institutions in the EEA countries, limited data on commercial banks are provided up to the year 1997 concerning Japan, the Czech Republic, Hungary, and up to the year 1998 concerning the USA and Poland. This complementary information comes from the OECD's statistics and covers a more limited population of enterprises and different definitions of variables. The source of these data is clearly mentioned in the publication.

The **population of enterprises** comes up against two difficulties: (1) The definition of credit institutions is not identical in every EU Member State. (2) Complementary data refers to enterprises other than credit institutions.

(1) Directive 77/780/EEC defines a credit institution as an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credit for its own account, but the implementation of the Directive into national legislation varies from country to country. As presented in the table above, some countries include all credit institutions in Nace Rev.1 class 65.12 only (Other monetary intermediation), whereas other countries may report credit institutions also in Nace Rev. 1 class 65.22 (Other credit granting).

(2) Concerning complementary data, OECD's statistics on commercial banks refer to a more limited population of enterprises (which primarily take deposits from the public at large and provide finance services for a wide range of purposes) than credit institutions. In the absence of comparable statistics on credit institutions in the USA, Japan, the Czech Republic, Hungary and Poland, commercial banks were chosen to be presented in the publication so as to make the population of enterprises even in these countries as comparable as the OECD data allow, while recognising the differences of the population in comparison to European credit institutions.

Moreover, statistics on insurance enterprises, presented in Table 1 of the second part, refer to the activities classified within the scope of Nace Rev. 1 classes 66.01 and 66.03, including all activities of direct insurance enterprises (life insurance, non-life insurance and composite insurance enterprises) and all activities of specialist reinsurance enterprises.

The publication provides very limited or no information whatsoever on credit institutions' risks, products, balance sheet items and off-balance sheet business because of low availability of data or to avoid burden on business and cost of collection.

Eurostat aims to become the main provider of harmonised business statistics. However, additional and complementary information on banking statistics, on methodological differences and on European mortgage markets, can be obtained from e.g.

➤ The ECB (European Central Bank)

Kaiserstrasse 29,
D-60311 Frankfurt am Main
Germany
Internet: <http://www.ecb.int>

➤ The OECD (Organisation for Economic Co-operation and Development)

2, rue André-Pascal,
75775 Paris Cedex 16,
France
Internet: <http://www.oecd.org>

➤ The European Mortgage Federation

Avenue de la Joyeuse Entrée 14/2,
B – 1040 Brussels,
Belgium
Internet: <http://www.hypo.org>

2. Home and Host country approaches

Concerning the treatment of EEA branches established in other EEA Member States, countries have the possibilities to use either the *'home country principle'* or the *'host country principle'*. For the reference year 1998, only one country uses a *'mixed approach'*, whereas half of the contributing countries provide data according to the *'host country principle'*.

Countries using the **'home country approach'** report the entire banking business of resident credit institutions authorised in the reporting Member State, including the business of their branches operating abroad. The home country authority also reports data on resident branches of non-EEA countries. Because the branches of credit institutions with head offices in other EEA countries are already included in the data reported by their home country authorities, the data on these branches should be excluded from the data provided by the authorities of the countries hosting those branches.

Countries using the **'host country approach'** record the business of the branches of other EEA countries within the national territory, while branches abroad are beyond the scope of host country approach. In this case, reporting by the national authority should exclude the results of branches established in other EEA countries by domestic credit institutions.

The reconciliation between the home and host country approach has not been possible so far due to the unavailability of data needed to carry out valid estimations.

3. Calculation method of indicators/ratios used in the publication

Income on cost ratio: Operating income divided by Operating expenses.

The operating income is made of Net interest income *plus* Income from securities *plus* Commission receivable *plus* Net profit or net loss on financial operations *plus* Other operating income.

The operating expenses are the result of Commission payable *plus* General administrative expenses *plus* Other operating charges, *excluding* Value adjustments.

Net commission income: Commission receivable *minus* Commission payable.

Net commission income as a percentage of Balance sheet total: (Commission receivable *minus* Commission payable) divided by Balance sheet total.

Net interest income: Interest receivable and similar income *minus* Interest payable and similar charges.

Net interest income as a percentage of Balance sheet total: (Interest receivable and similar income *minus* Interest payable and similar charges) divided by Balance sheet total.

Net interest income / Net commission income: (Interest receivable and similar income *minus* Interest payable and similar charges) divided by (Commission receivable *minus* Commission payable).

Return on assets: (Profit or loss on ordinary activities *minus* All taxes (tax on profit or loss on ordinary activities, tax on extraordinary profit or loss, other taxes) divided by Balance sheet total (average total).

Return on equity: (Profit or loss on ordinary activities *minus* All taxes (tax on profit or loss on ordinary activities, tax on extraordinary profit or loss, other taxes)) divided by Total of capital and reserves (average total).

Production value per persons employed: (Interest receivable and similar income *minus* Interest payable and similar charges *plus* Income from securities *plus* Commissions receivable *plus* Net profit or net loss on financial operations *plus* Other operating income) divided by Number of persons employed.

Value added at basic prices: Production value *minus* Total purchases of goods and services.

4. Additional information

(1) In the second part of the publication, the number of local units for 1 000 000 inhabitants as well as the number of ATMs for 1 000 000 inhabitants are illustrated by two maps at level 0 of the NUTS which have been built up with the Arc/View® ESRI software and based on Gisco datasets Ver. 1 1999.

(2) The following four tables provide additional information extracted from the Eurostat New Cronos databases. Such information might be useful in handling and understanding the figures presented in the publication.

ECU exchange rates, end of year (December 1988 and December 1998):

	Currency code	1988	1998
B	BEF	43.5587	40.3728
DK	DKK	8.02339	7.44668
D	DEM	2.07798	1.95733
EL	GRD	172.963	328.824
E	ESP	134.584	166.539
F	FRF	7.09923	6.56385
IRL	IEP	0.77696	0.78810
I	ITL	1 532.70	1 938.15
L	LUF	43.5587	40.3728
NL	NLG	2.34524	2.20585
A	ATS	14.6198	13.7707
P	PTE	171.999	200.694
FIN	FIM	4.89136	5.95066
S	SEK	7.19827	9.45000
UK	GBP	0.64835	0.70180

Source: Eurostat/Eurostatistics/Financial statistics.

Gross domestic product at market prices (current prices), 1994-1998*(bn ECU)*

	1994	1995	1996	1997	1998
EU-15	6 211	6 451	6 781	7 144	7 470
EUR-11	4 980	5 207	5 435	5 554	5 788
B	196	209	211	214	224
DK	123	133	139	144	151
D	1 729	1 837	1 845	1 845	1 910
EL	83	89	97	106	108
E	419	440	472	482	508
F	1 117	1 168	1 205	1 222	1 275
IRL	46	50	57	68	76
I	856	832	956	1 011	1 047
L	13	13	14	14	16
NL	282	303	311	319	337
A	165	177	180	182	190
P	74	81	86	90	96
FIN	83	96	98	106	112
S	167	177	198	201	203
UK	857	846	911	1 139	1 220
IS	5	5	6	7	:
N	104	112	124	135	130
EEA	6 320	6 569	6 911	7 286	7 600
CH	220	235	233	225	235
CZ	49	46	46	40	34
HU	42	40	36	34	32
PL	140	126	113	97	83
US	7 269	6 848	5 777	5 374	5 646
JP	3 376	3 698	3 620	3 928	3 950

Source: Eurostat/National Accounts/ESA 95.

Population on 1st January of each year, 1994-1998

	1994	1995	1996	1997	1998
EU-15	370 432 698	371 589 471	372 669 894	373 716 690	374 583 990
EUR-11	287 788 419	288 614 310	289 412 688	290 205 425	290 840 951
B	10 100 631	10 130 574	10 143 047	10 170 226	10 192 264
DK	5 196 642	5 215 718	5 251 027	5 275 121	5 294 860
D	81 338 093	81 538 603	81 817 499	82 012 162	82 057 379
EL	10 409 605	10 442 863	10 465 059	10 486 595	10 510 965
E	39 121 448	39 177 377	39 241 933	39 298 600	39 347 936
F	57 779 052	58 020 080	58 258 071	58 491 634	58 728 083
IRL	3 583 154	3 597 617	3 620 065	3 652 177	3 693 999
I	57 138 489	57 268 578	57 332 996	57 460 977	57 563 354
L	400 900	406 600	412 800	418 300	423 700
NL	15 341 553	15 424 122	15 493 889	15 567 107	15 654 192
A	8 015 027	8 039 865	8 054 802	8 067 812	8 075 425
P	9 892 160	9 912 140	9 920 760	9 934 110	9 957 270
FIN	5 077 912	5 098 754	5 116 826	5 132 320	5 147 349
S	8 745 109	8 816 381	8 837 496	8 844 499	8 847 625
UK	58 292 923	58 500 199	58 703 624	58 905 050	59 089 589
IS	265 064	266 978	267 958	269 874	272 381
N	4 324 815	4 348 410	4 369 957	4 392 714	4 417 599
EEA	375 052 887	376 235 488	377 338 732	378 410 421	379 305 290
CH	6 968 570	7 019 019	7 062 354	7 081 346	7 096 465
CZ	10 334 013	10 333 161	10 321 344	10 309 137	10 299 125
HU	10 276 968	10 245 677	10 212 300	10 174 442	10 135 358
PL	38 504 707	38 580 597	38 609 399	38 639 300	38 659 979
US	259 159 000	261 687 000	264 162 207	266 490 092	269 106 300
JP	125 033 542	125 570 000	125 503 849	124 645 164	126 109 702

Source: Eurostat/Demography/Population.

Harmonized indices of consumer prices (annual average rate of change), 1996-1998

	1996	1997	1998
EU-15	2.5 *	1.7 *	1.3
EUR-11	:	1.6 *	1.1
B	1.8	1.5	0.9
DK	2.1	1.9	1.3
D	1.2	1.5	0.6
EL	7.9	5.4	4.5
E	3.6	1.9	1.8
F	:	1.3	0.7
IRL	2.2 *	1.2 *	2.1
I	4.0	1.9	2.0
L	1.2	1.4	1.0
NL	1.4	1.9	1.8
A	:	1.2	0.8
P	2.9	1.9	2.2
FIN	1.1	1.2	1.4
S	0.8	1.8	1.0
UK	:	1.8	1.6
IS	2.2	1.8	1.3
N	0.7	2.6	2.0
EEA	2.5 *	1.7 *	1.3
CH	:	:	:
CZ	9.1	8.6	10.8
HU	23.5	18.5	14.2
PL	:	15.0 *	11.6 *
US	:	:	:
JP	:	:	:

Source: Eurostat/National Accounts/ESA 95.

Glossary

-A-

Accounting variables: reference is made to Directive 86/635/EEC, on the annual accounts and consolidated accounts of banks and other financial institutions.

-B-

Branch: place of business which forms a legally dependent part of a credit institution and which carries out directly all or some of the transactions inherent in the business of credit institutions. Any number of places of business set up in the same Member State by a credit institution with headquarters in another Member State shall be regarded as a single branch.

Branch is used as in Directive 89/646/EEC and as detailed in the Commission Communication on the freedom to provide services and on the interest of general good in the second banking Directive 95/C 291/06.

-C-

Credit institutions: are normally defined as 'undertakings whose business is to receive deposits or other repayable funds from the public and to grant credits for their own account' according to Directive 77/780/EEC; or as in national law.

For some Member States, credit institutions refer to enterprises engaged in '*other monetary intermediation*' only (Nace Rev.1 class 65.12), whereas for others the coverage includes institutions classified under Nace Rev.1 class 65.22, '*other credit granting*'.

Co-operative credit institutions: normally have a special – co-operative – legal status and originally tailored their business activities primarily to the needs of local small businessmen, farmers and self-employed people.

Co-operative societies observe a number of general principles; for instance, they are only entitled to provide their services to members, profits are distributed in proportion to members' dealings with the society, etc.

-E-

Enterprise: is 'the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole local unit.'

For credit institutions the statistical unit enterprise is in general equivalent to the legal unit. The legal unit 'credit institution' is authorised and registered by the relevant national authority.

-L-

Limited liability companies: comprise joint-stock companies, limited partnerships with share capital and private limited companies.

Local unit: is 'an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which – save for certain exceptions – one or more persons work (even if only part time) for one and the same enterprise'.

Local units are normally defined as parts of credit institutions located separately and employing at least one person. Local units must be included even if they have no paid employees. This statistic should include all units active during at least a part of the reference period.

Whereas the definition excludes Automatic teller machines (ATMs), the number of local units includes credit institutions branch offices and other comparable outlets. 'ATMs' include different forms of machines which facilitate the banking business, e.g. machines that make it possible to withdraw deposits (cash dispensers), to make payments, to exchange money, to load credit cards, etc.

-N-

Number of persons employed: number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit premises, although they belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams).

It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and homeworkers on the payroll. The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service. Unpaid family workers refer to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. This is limited to those persons who are not included on the payroll of another unit as their main occupation.

-S-

Savings banks: are banks, which, at least by tradition, receive deposits primarily in the form of savings deposits from broad sections of the public.

-U-

Universal banks: offer all or most of the products and services that credit institutions are allowed to propose.

- Acceptance of deposits and other repayable funds
- Lending (consumer credit, mortgage, factoring, forfeiting)
- Financial leasing
- Money transmission services
- Issuing and administrating means of payments
- Guarantees and commitments
- Trading for own account or for account of customers
- Participation in share issues and related services
- Financial consulting and advisory services for enterprises
- Money broking
- Portfolio management and advice
- Safekeeping and administration of securities
- Credit reference services
- Safe custody services