INTEGRATION OF THE BANKING SECTOR OF TRANSITION ECONOMIES INTO THE EURO-ZONE
(SPECIAL CASE OF SLOVENIA)

Student: Mitja Sadar
Address: Pod Vinogradi 9
Enrolment number: 81602272
Redni študij
Programme: Univerzitetni
Major: Applied Economics
Mentor: dr. Mejra Festić
Lector: Eurolingua – Prevajanje

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Foreword

The investigated topic is such, that it retains its importance throughout time and its conclusions can be extrapolated on to European Union or further.

The Slovene media is full of reports about losing independence by giving foreigners wider control of Slovene financial sector. Most people believe in media, but a true Scholar should question their conclusions and try to conduct an investigation on its own.

The limitations of such investigation that I made are that I have primarily used secondary sources to obtain information and draw my own conclusions from it.

I have discovered that there have been many big mergers throughout the European Union, including a few of big banks that were taken over by foreigners, and this has not lead directly to the loss of independence.

But this has not been the main focus of my investigation. I set out to compare how Slovene banking sector compares to the banking sector of the Euro-area.

The first thing that I discovered is that there is no such thing as a banking sector of the Euro-area. It still consists of 15 individual banking markets. Those markets are, luckily for me, converging, so I was able to compare the trends.

What I have discovered is that there were 3 key periods in banking sector of Slovenia. After each of those period, Slovene banking sector was more integrated to the Euro-area than before.

The first period started with independence and lasted until 1997. It was characterised by restructuring of the banking sector and first traces of foreign banks. The second period is 1998 to 2004 when the interest of foreigners and the entry of their banks was increasing rapidly and a considerable degree of banking sector either sold to, or captured by, foreigners. With our accession to the EU, the third period begins. It is the time when hundreds of banks notified bank of Slovenia that they are interested in operating in Slovenia.

Throughout this period, interest margins were falling and quality of service was improving drastically. There was an increased concentration of banking sector up to 2002, when NLB d.d. officially took over its daughter banks, but then the foreigners have been successfully chipping market share away from it.

The accession of Slovenia into Euro-area has brought many challenges, as well as opportunities in Slovene banking sector. Unfortunately, there is not enough data available yet to enable us to judge the impact, but this would definitely be an interesting topic to consider in the future.
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1. Introduction

The media is full of reports regarding consolidation and the creation of national champions, as well as about the European Single Market and ideas about European, trans-national, champions. Just recently we have seen the conclusion of a battle for one of the leading Dutch banks, ABN-AMRO, fought between Barclays Ltd of London and a consortium led by Royal Bank of Scotland (RBS), which lists Banco Santander of Spain and Fortis bank of Belgium as its partners (BBC, 2007). ABN-AMRO has been taken over by the Consortium led by RBS. We can ask ourselves whether this action is a result of the competitive pressure of big American banks, or is it more a product of the increased efficiency of the European single market for service?

The case of ABN-AMRO, though it is the biggest, is far from being the only one. According to a recent article in the Economist (The Economist, May 26th 2007), the bank Credito Italiano, later renamed to Unicredito, that was, in 1997, 8th largest by capital in Italy and a mere 46th largest by capital in Europe, has taken over five public sector savings banks in Italy and, in 1999, started expanding in the region of Eastern Europe by taking over banks in Poland, Bulgaria, Slovakia, Croatia and Romania, as well as a bank in Turkey and, two years ago, acquiring the German HVB, thus being transformed into one of the top 10 banks globally. It just recently announced the proposed merger with Capitalia and is also connected with speculations about the takeover of the Societe Generale of France.

Besides those, there have been various smaller deals. All this leads us to the question of whether we are finally seeing the emergence of a few transnational banking champions, and, furthermore, whether this process is good or bad for the profitability of the banking sector as a whole.

Moreover, we have noticed a quite considerable increase in the number and market share of the foreign owned banks in Slovenia since 1998, as well as a consolidation among banks, including the well publicised takeover of the SKB Banka by Societe Generale, merger of Abanka and Banka Vipa to create the 3rd biggest bank by capital in Slovenia, Abanka Vipa, and the takeover of SIB Banka by Nova Ljubljanska Banka d.d., even though the latter appears to have been undertaken for other, non-commercial, reasons, since Nova Ljubljanska Banka already has approximately one third of the Slovene banking sector and is thus looking more for opportunities abroad.

Those issues have led us to wonder whether those reports are part of a wider trend, or are they merely isolated incidents. Therefore, in Part I, we have decided first to make a brief overview of the historical development of the Economic and Monetary Union and the
adoption of the Euro currency, as well as the development of the European Internal market in banking services. We will look at the specifics of the Euro-zone banking sector and the role of the European Central Bank, then follow with the theoretical drivers of consolidation, the factors that facilitate it, the obstacles of consolidation and its progress and look at the current status of consolidation. Then we will examine a few theories about the impact of consolidation on the efficiency and profitability of the banking sector.

Part II will consist of analysis of the Slovene banking sector from the independence of the Republic of Slovenia to the adoption of the Euro. We will start by looking at the situation right before independence and examine the consequences of the break-up of Yugoslavia and the restructuring. Once we have examined the starting point, we will take a look at the consolidation process, most notably the number of banks, bank assets and market share. We will try to determine what were the effects of the accession to the European Union and adoption of the Euro, see how the profitability of the banking sector changed and then take a look at the role of the Bank of Slovenia after the adoption of the Euro.

We will then try to determine the impact of the consolidation on the profitability of the Slovene banking sector.
PART I

ANALYSIS OF THE BANKING SECTOR IN THE EURO-ZONE
2. Historical development of the Economic and Monetary Union (EMU) and adoption of the EURO \(^1\)

Since a common set of rules and a currency that is accepted all over the area are seen as the defining elements of a common market, we will, in the following chapters, examine the creation of both a single currency with a common central bank, as well as a common set of rules. This will then enhance our understanding of the specifics of the European banking sector and enable us to understand its consolidation.

The idea of a Single European Currency first surfaced in 1929, the year of the great depression in the United States, when Gustav Stresemann, in the League of Nations, proposed a European Currency to battle the increasing fragmentation of the economy due to an increasing number of new nation states, each with its own currency, that appeared in post World War I Europe.

The idea lost its popularity in the wake of World War II, and was only revived at a much later date, as we shall see below.

While the creation of the Economic and Monetary Union (EMU) is not explicitly foreseen in the original Treaty of the European Economic Community (EEC) (Treaty of Rome) in 1957, the Treaty contains certain legal provisions that have enabled its creation.

Article 2 of the Treaty stated the objective to create a common market and increased convergence of the economic policies of the Member States, while the objective of Article 3 is the abolition of the obstacles to the free movement of goods, people, services and capital between member states.

Article 6 of the Treaty of Rome explicitly states that member states should coordinate their economic policies closely with the institutions of the EEC, to the extent necessary to fulfil the objectives of the Treaty as stated in Articles 2 and 3.

Articles 67-73 focus on the liberalisation of capital movements and the coordination of foreign exchange policies. The Commission of the EEC (referred to as the Commission) was given an important role in the process of liberalisation, with article 73 explicitly appointing it as a supervisor of the potential safeguard measures taken by the Member States.

The Treaty contains a whole chapter devoted to the Economic policy, notably articles 103 to 116. Member States have recognised that their short-term economic policies (Article 103), as well as their policies in the field of foreign exchange rates (Article 107) are a matter of common concern, while Article 110 has foreseen a common commercial policy.

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\(^1\) Adapted from DG ECFIN, 2007
Even though the responsibility for the economic and monetary policy stayed with the Member States, they could, by unanimity, agree to ask the Commission to take appropriate measures.

Article 105 has foreseen the Monetary Committee, which consisted of the representatives of the national ministries, the central banks and the Commission, in order to facilitate cooperation.

Article 106 provided for the liberalisation of payments and transfer of capital and labour.

Article 108 gave the Commission an obligation to investigate the position of a Member State that has run into balance of payment problems, more specifically, to investigate the corrective actions taken and recommend the required measures. If those measures were not sufficient the Commission would, after consulting the Monetary Committee, propose a mutual assistance mechanism and the appropriate measures to the Council, which would decide, by qualified majority, whether the mutual assistance should, or should not be, adopted.

Article 113 gave the Commission the power to negotiate with third parties on behalf of the Council, and within the limits set by the Council, in all matters of common commercial policy.

Article 116 gave Member States an obligation to speak before international organisations with one voice in all matters of particular interest to the Common Market.

This was the legal basis on which, in 1969, the Commission set the initiative to ensure greater coordination of economic policies and monetary cooperation, fostered by the Hague summit (December 1969), which required it to draw, by the end of 1970, a plan, stage by stage, with the view of creating an Economic and Monetary union (EMU). The Commission presented a three stage blueprint for creation of the Economic and Monetary Union, commonly nicknamed the Werner Report, in October 1970.

Due to unfortunate timing, the breakdown of the Bretton-Woods system of foreign exchange, the plan to adopt a single currency was postponed. The EMU has, nevertheless, succeeded in stabilising the foreign exchange rate relations between Member States, via the Basel agreement (commonly nicknamed the “Snake in the tunnel” system), signed in April 1972, and later, in 1973, the European Monetary Cooperation fund.

Less than 10 years after the first attempt, and after the first wave of accession, which saw the United Kingdom, Ireland and Denmark joining the EEC, and on the background of severe macroeconomic shocks that forced many countries out of the Basel agreement, in 1979 a second attempt was made, with the creation of the European Monetary System (EMS) that was meant to establish a zone of monetary stability and increase efforts to achieve economic convergence among Member States.
Again, the timing was quite unfortunate, with the oil crisis and a political focus on Internal Market, more focus was put on to the Single Market programme, and the creation of the European Monetary Union was again postponed.

A major boost to the idea of a single currency came in 1986 with the adoption of the Single European Act.

More concretely, Article 102a was added to the original Treaty of the EEC, with special reference to the EMU and the development of the European Currency Unit (ECU). It also provided for various procedures for coordination of monetary policies of Member States.

In June, 1988, at the Hannover summit, the debate to establish the EMU was fully relaunched, when the Council asked the Committee of the Central Bank governors, that was chaired by the president of the Commission, Jacques Delors, to propose a new timetable with realistic steps for creating the EMU.

The Committee could fully focus on the institutional aspects of the EMU, as the necessary directives on liberalisation of capital movement and tax harmonisation were already adopted or provided for in the Single European Act of 1986.

The Committee proposed a three stage process:

- The first stage, during which the capital movements should be liberalised and the convergence process should begin, started on 1st July 1990;

- The second stage, which was set aside for implementing the secondary legislation on the EMU and on the introduction of Euro banknotes and coins, began on 1st January 1994;

- The third stage, the final adoption of the Euro as a currency, when the Euro became a fully fledged currency and not just a basket of currencies, as before, began on 1st January 1999.

The Second revision of the Treaties, in Maastricht, in 1991, has codified the proposals of the Delors Committee. The Treaties have also set convergence criteria, which were to be used as evaluation tools. They were to be used to evaluate applications of Member States to join the common currency.

At the European Council in Madrid in 1995, it was formally agreed that the single currency, the ECU should be called “Euro” for the following reasons:

- The definition of currency has changed (from a basket of EU currencies to a single currency)
- The barrier of weak currency (in Germany, the ECU was constantly depreciating against the German Mark and was thus considered weak)
- The ease of pronunciation
• The ECU was an abbreviation for European Currency Unit and could thus be misunderstood to be a mere accounting fiction.

The final act of the story, the completion of the single currency project, happened on the 1st January 2002, when Euro bank notes and coins started replacing the national currencies.

Parallel with the Single Currency which had a considerable impact on the banking sector was also the deepening of the Internal Market, more specifically, the liberalisation of services, which enabled banks to compete in all the EU Member States using a single passport, thus, once certified in one Member State, requiring no further certification to operate in other Member States.

3. Single market in financial services

Besides the creation of a single currency, another important development has profoundly changed the conditions in which the banking sector operates. This development is the elimination of barriers to create a single market in services.

Despite the fact that the free movement of goods and services has been enshrined in the Founding Treaties from the very beginning of the European Union, significant progress in the field was not made until 1985, when the European Commission (EC) published a White Paper “Completing the Internal Market”. This White Paper identified the measures that would have to be adopted in order to achieve the goal of free circulation of goods, services, labour and capital within the EU.

The majority of the recommendations from the “White Paper 1985” were, in 1986, incorporated into the Single European Act (SEA). Among other provisions, the signatories of the Treaty (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxemburg, Portugal, Spain, the Netherlands and the UK) adopted measures guided to the progressive establishment of a Common Market over the period ending 31.12.1992. In effect, this would mean an area without any obstacles to movements of goods, services, labour and capital from 1.1.1993. In order to achieve this, the Treaty contained 282 detailed measures which were broadly implemented. This implementation, from a legal perspective, resulted in the creation of a functioning Common Market.

The act was seen as a major step forward, and is nicely summed up in the words of the then-president of the EC, Jacques Delors:

2 Adapted from DG MARKT, 2007
“The Single Act means, in a few words, the commitment of implementing simultaneously the great market without frontiers, more economic and social cohesion, a European research and technology policy, the strengthening of the European Monetary System, the beginning of a European social area and significant actions in the environment”.

Another important document that offers some hindsight into the banking sector at the time is the so called Cecchini Report, dealing exclusively with banking, which, in 1988, had found the following:

- The nations of Europe had fragmented banking systems characterised by relatively small size, high concentration, excess capacity and lack of competition;
- Gains could be achieved if the average size of banks was larger and if the number of products and services offered were expanded (through economies of scale and scope);
- Beyond achieving economies of scale and scope, banks could also achieve gains in efficiency if there were incentives for banks to adopt “best practices”;
- To ensure that gains are passed on to consumers, barriers to competition would have to be removed;
- If economies of scale and scope, as well as increased efficiency and enhanced competition were achieved, an estimated 0.7% GDP would be added to growth;

The current situation can be best described by using the excerpt from a speech by Ms. Gertrude Tumpel-Gugerell (Tumpel-Gugerell, 2005), a Member of the Executive Board of the ECB, who, on 14th October 2005 stated: “The pace of integration in the banking sector has been uneven. Integration is well advanced in wholesale and capital-related activities, while it is lagging behind in the retail markets. This partly reflects differences in the nature of competition in these segments of financial services. Proximity to clients, bank-customer relationships and access to information play a key role in retail banking, while they are less crucial for investment banking and for corporate banking aimed at large companies.

Overall, the rather modest progress in the integration of the banking sector translates into persistent cross-country differences in bank lending and deposit rates. These differences stem from differing national regulatory arrangements, practices and product characteristics; and they result in different levels of collateralisation, average maturities and periods of fixation. Especially in the retail sector, the low degree of integration causes different pass-through of changes in monetary policy rates to retail bank interest rates.”
4. **Role of the European Central Bank (ECB)**

With the creation of the single currency, there was a need to create a central bank that could control and manage that single currency and ensure the stability of the currency. The common currency, together with the Internal Market, has increased the integration and inter-connectedness of the EU banking sector, with ECB being one of the champions encouraging the integration.

The Central Bank had to function in a way that represented the voices of all the previous central banks, yet retain the ability to look over matters of national concern and act in the best interest of the Monetary Union, even when the national best interest and Monetary Union’s best interest are at odds.

The creation of the ECB was foreseen in the Treaty of Maastricht that entered into force in November 1993. In order to clear the remaining legal hurdles and do the preparatory work for the fully fledged Central Bank, the EU established the European Monetary Institute (EMI), that was replaced by the ECB on the 1st June 1998 with the former President of the Dutch Central Bank, Mr. Wim Duisberg, becoming its first President. After his mandate expired he was replaced by Jean-Claude Trichet, the current President of the ECB.

The primary objective of the ECB is to maintain price stability, which the ECB defined as an inflation level of close to, but under, 2 percent. If compatible with the primary objective, the ECB also has to support the general economic policies of the European Union in a manner that contributes to the objectives of the EU which, among others, include high level of employment and sustainable growth at a level that does not create inflationary pressures.

According to the Treaty establishing the European Community (Article 105.2), the basic tasks are the definition and implementation of monetary policy for the Euro area, the conduct of foreign exchange operations, the holding and management of the official foreign reserves of the Euro area countries (portfolio management) and the promotion of the smooth operation of payment systems.

On top of that, the ECB has the exclusive right to authorise the issuance of the Euro banknotes, has the obligation, in cooperation with the Member Central Banks, to compile the statistics it needs for its operation.

Furthermore, the ECB, together with the Euro system, has to monitor systematically cyclical and structural developments in the Euro-area banking sector and in other financial sectors.

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3 Adapted from ECB, 2007b
As was amply demonstrated during a liquidity squeeze in August 2007, the ECB also acts as a liquidity provider of last resort.

It does not, however, assume the role of bank supervisor, as responsibility for banking sector stability rests with Member States.

5. **Specifics of the banking sector of the Euro-zone**

The EU’s approach to the Single market in banking is guided by three main principles (Murphy, 1999):

- each Member State keeps its own supervisory and regulatory agencies
- there is to be minimal harmonization
- Directives are to be issued at EU level and transposed into the national legislation

This results in an area with a single currency, supervised by 15 supervisory agencies, governed by 15 different legislations and having to comply with 15 different tax systems.

The authors of the principles recognised the problem quite quickly and departed from the standard notion of national treatment, where a host country allows banks from abroad to operate in the country on the same terms as domestic banks. This is the notion that is most widely used in the international sphere.

Instead, they have implemented the notion of mutual recognition as the governing principle for the EU Member States. This principle commands that a foreign bank can offer the same services in a host country as it can in its home country. If its home country is very liberal and the host country is restrictive, this principle would mean that foreign banks would be able to provide services in a host country that its domestic banks could not, and would therefore possess an unfair advantage.

This principle resulted in the establishment of a “free market in regulation”, where the nations try to ensure that their domestic legislation would not put their banks at a competitive disadvantage.

In order to prevent a complete abolishment of control and loss of safety standards, the EU has issued the following directives (DG MARKT, 2007):

The first two directives are concerned with Capital adequacy and incorporate the BASEL Accords, while the second two deal with the supervision of the banking sector.

Together with enabling a bank to operate within the home country legislations, the notion of a Single Passport was developed, thus giving a bank that was licensed in one Member State the automatic right to operate in other Member States as well. The direct consequence of a Single Passport and home country supervision policy has been increased competitiveness of the banking sectors of Member States, even more so after the creation of a single currency.

6. Consolidation and integration of the Euro-zone banking sector

In the following chapter we will start with an overview of the theories on consolidation, trying to identify the common drivers that are usually behind an integration or consolidation of any economic sector in general and banking sector in particular. We will then examine what are the factors that are facilitating the integration, and what are those obstructing it. After that we will examine, in practice, how did the integration in the Euro-zone proceed, and where are we now.

6.1. Theoretical drivers of consolidation

Research done by the European Savings Banks Group (ESBG, 2004) has identified 4 potential drivers of banking consolidation. They range from the desire to create shareholder value and increase the market power or efficiency to copying the competition or responding to it.

Most commonly, the consolidation is justified by the additional shareholder value that it creates. In those circumstances, Managers decide to enter into a consolidation out of a sincere belief that the anticipated value of a consolidated company will exceed the sum of
the respective values of participants in the consolidation. In other words, that there will be important synergies, which can be either operational or financial.

The two main value-creating types of consolidation are, according to Ayadi (Ayadi, 2005), consolidation to create enhanced market power, where the consolidated entity will gain an important influence on the market and gain or increase its ability to influence either supply or demand prices, or both. Those types of mergers usually occur during consolidations among the banks having a common domestic market. Since they run contrary to the principles of free competition they are therefore most likely to be blocked by competition authorities.

The second value creating type of consolidation is consolidation to increase efficiency, usually by gaining cost or revenue synergies, improving X efficiency, obtaining better risk diversification, or any combination of the above.

Cost synergies can arise as a result of cost-based economies of scale or scope, while revenue synergies can arise from revenue-based economies of scale or scope. Synergies can also be a result of improved X-efficiency, where a consolidated institution can reduce the number of branches or employees, while keeping the same amount of revenues, or increase the amount of revenues with the same cost structure.

Another potential source of greater efficiency can be improved risk diversification, either by expanding geographical reach or by offering new products to their clients, the same products to new clients or a combination of both.

Dermine (1999) identifies one additional type of economies of scale, the “Safety-net” economies of scale, arguing that when a bank becomes very large it is usually qualified as “too big to fail”, thus benefitting from both lower cost of capital through perceived lower risk, and more and bigger positions that it can undertake.

According to ESCB, Managers can also proceed with, or initiate, a merger if they believe they are under-utilised and that their skills and competences will add value to the target company by improving the quality and experience of its management.

Such types of acquisitions usually occur when an international bank purchases a formerly (or still) state-owned, loss-making bank, with the intention of turning its fortunes around.

As everywhere in life, some Managers just copy the activities of their competitors, and thus initiate a merger reactively as a response to the initiation of one by their competitors, thus giving competitors the right to choose the best time and place to proceed with an acquisition.

If competition becomes fierce, and the big, strong banks start a wave of mergers, those mergers can act as a catalyst of a wave of mergers done by the smaller banks to grow and thus become too big to be taken over.
Some mergers can only be explained with the “quiet life” or hubris hypothesis, where (Dermine, 1999) higher profit driven by economies of scale or market power can be captured by management, most often through improved salary, perks and job security.

A special case in this hypothesis occurs if management overpays for a target because of its pride, arrogance or desire for prestige, without the financial benefits that would justify the achieved price.

Of the motives mentioned above, the most often cited motive is the one to create shareholder value via greater efficiency (Ayadi, 2005). Mergers that manage to achieve the stated goal can increase long-term efficiency as efficient banks take over inefficient ones, improve their efficiency and reduce industry overcapacity, thus strengthening the profitability, competitiveness and soundness of the banking sector as a whole.

The ESBG (ESBG, 2004) has found that, contrary to the publicly stated motive, there are usually some other motives of equal or higher importance that drive the consolidation, thus reducing the potential gains. ESBG thus argues that consolidation is not always beneficial and should not be encouraged at all costs.

6.2. Factors facilitating banking sector integration and consolidation

Walkner and Raes (Walkner, C., and J.P. Raes 2005) have identified three main elements that facilitate banking integration. They are globalisation, technological change and regulatory reform.

Globalisation, or, more specifically, liberalisation of capital, has had a great impact on the integration of international financial systems, as a growing number of global companies have pressured banks to offer them services in all the countries in which those companies operate, thus, in effect, pushing the banks to acquire or create banks and correspondent relations globally.

Technological change has fostered bank consolidation to the extent that advances in IT have led to declining costs for collection, storage, processing and transformation of information. It has facilitated a move from paper-based to computer-based methods, bringing significant cost savings, as well as increased portability and comparability all over the globe. New channels of distribution opened and banks had enlarged their capacity and geographical reach. These technological changes have therefore greatly increased the
optimum size of a bank and, as a result, have given a powerful incentive for banks to get involved in M&A activities, either as a suitor or as a target.

The third important factor facilitating banking integration and consolidation is regulatory reform. In the 1980’s the governments had limited their intervention in the banking sector, thus enabling banks to increase their efficiency through stronger competition and increased consolidation. In addition, efforts to create a Single Market in the European Union had intensified and regulators had allowed banks to operate in other Member States under home-country control, thus giving the banks even greater potential payoff from consolidation. The adoption of the Euro eliminated foreign currency exchange risks and increased transparency, thus creating even greater potential for increases in economies of scope and scale.

The technology increased the ability of banks to operate over great distances, the regulatory environment simplified the consolidation process, while globalisation provided the economical motive for it.

### 6.3. Obstacles to cross-border banking sector integration and consolidation

As a response to the Green Paper on Financial Services Policy, published by the European Commission, the European Banking Federation (FBE, 2005), better known by its French acronym FBE, has identified the main obstacles that prevent cross-border integration of the banking sector. They have grouped them into two distinctive groups. In one group are factors that impede the feasibility, while in the second group there are factors that impede the efficiency of the cross-border integration.

The respondents of a survey conducted by the FBE (FBE, 2005) have identified two important types of barriers which are hindering the feasibility of cross-border deals. They are called supervisory and legal barriers.

When asked to describe what they consider as a supervisory barrier, banks have most often cited lack of transparency in the use of supervisory power. Not far behind was the perceived lack of supervisory cooperation and convergence. Moreover, they have identified that certain supervisors are unfavourable towards cross-border consolidation, and have cited informal rejections by supervisors in the early stage of merger as a significant obstacle to the integration.

When asked to elaborate on legal barriers, they have referred to rules on ownership and legal structure, claiming that Member States have restricted foreign ownership in some Credit Institutions through public ownership or specific legal measures. If this is true, it
removes an important part of the national banking system from consolidation and the gains associated with it, thus limiting the benefits of integration and consolidation.

When the same respondents were asked to identify the types of barriers that have a significant impact on the efficiency of the cross-border deals, they have identified three such types, naming them as supervisory, tax and legal barriers.

Interaction between home and host banking supervisors can be a significant burden, especially when it results in duplication of supervision, disclosure requirements and inconsistency of approaches across jurisdiction. The FBE argues for an effective and efficient consolidating supervisor model to be put in place, where cooperation between supervisors is to be encouraged.

One of the main drivers for consolidation is the acquisition of cost savings from centralisation of banks’ activities. Due to the lack of legal certainty regarding VAT treatment of financial services, the banks are significantly hindered in their ability to centralise and optimise their staff, thus decreasing the efficiency gains, as banks need to retain specialists for each tax system on their payroll in order to comply with the various tax requirements of Member States. The survey indicates that the Euro area financial competitiveness can be increased by allowing banks to centralise and integrate their functions in a tax neutral way.

Furthermore, transfer pricing appears to be an issue as well, since there is no universal European treatment of it and each fiscal system treats it differently. This can result in substantially different results and double taxation which, as a consequence, has a negative effect on cross-border consolidation.

Moreover, taxation of dividends is also treated differently in different Member States, thus further complicating the matter. More than banks, this fact affects their shareholders, who, in the end, decide on the fate of the proposed merger. Since there are so called “foreign withholding taxes”, shareholders from the Euro zone may oppose a merger even if it is economically feasible, if it causes them substantial tax reporting problems and lowers their return on investment.

Since legislation on consumer protection varies greatly among Member States and affects the retail market in particular, banks must tailor their products to each national market in order to be fully compliant with the legislation. This is much more costly and inefficient than offering a pan-European product, but, as mentioned, it is currently impossible. Removal of this barrier would greatly foster consolidation and cost-efficiency and it is essential and one of the most efficient means to create a genuine European Internal Market for retail banking services.
6.4. Consolidation and Integration

The trend of consolidation of the banking sector has been uninterrupted for quite a considerable period of time. While in 2001 there were 7,213 Credit Institutions in the Euro-zone, their number has decreased to 6,899 in 2002, 6,672 in 2003, 6,490 in 2004 and 6,308 in 2005, thus declining by an aggregate 12.5% since 2001. The figures show that the integration process has been slightly faster within the Euro-zone than the EU, which, during the same period, saw a decline in the number of Credit Institutions of 10.9% between 2001 and 2005. (ECB, 2007a)

This decline was mainly driven by the sharp decrease in the number of Credit Institutions in the Netherlands (by 28.52%), France (by 18.67%), Luxemburg (by 17.99%) and Germany (by 17.30%). The only two Euro-zone countries that have shown an overall increase in the number of Credit Institutions between 2001 and 2005 are Austria (by 5.26%) and Greece (by 1.64%).

Overall, Slovenia has seen the sharpest decrease in the number of Banking Institutions (by 63.77%), but since it was not a Member of Euro-zone at that time its data are not included in the calculations. If we include the numbers of Slovene Credit Institutions in the calculations, the number of Credit Institutions in the Euro-zone has, on aggregate, declined by 13.03%, from 7,282 to 6,333.

In the past few years the integration and consolidation of the EU banking sector has been mostly domestic. Between 1993 and 2003 the number of M&A involving domestic institutions has represented a striking 80% of the total number of M&A in the sector. Except in 1992, when cross-border integration has shown a significant increase due to preparation for the establishing of the Single Market in 1993, the share in numbers of domestic mergers and acquisitions has always dominated the field.

The cross-border M&A has shown an increase in late 2005 and 2006 and its relative importance has continued to grow in terms of both numbers and value. While the cross border consolidation between 1999 and 2002 has concerned primarily the intermediaries, the recent merger wave has mostly focused on retail-oriented institutions.

Year 2005 has seen the completion of a substantial number of mergers and takeovers, including the takeover of Hypo by Unicredit, mentioned in the introduction. The beginning of 2006 has seen a takeover of the Italian group BNL by BNP Paribas, while 2007 has been marked by the takeover battle between Barclays versus a consortium of RBS, Fortis and Santander for ABN-AMRO, while Italian Unicredit has bought Capitalia and is rumoured to be interested in the Société Générale of France. Thus the ECB has noted that the large European deals tend to be cross-border. This could also be explained by the fact that big banking groups are mostly not allowed to expand considerably in their home market due to competition concerns.
7. Impact of consolidation and integration of the Euro-zone banking sector on its profitability

According to many studies, the entry of foreign owned banks usually forces domestic banks to start competing more fiercely and to improve their services. Certain studies claim that there are increasing productivity gains in the 6 years after the merger, while some economists argue that the statistically important post-merger gains cannot be established. We have prepared a summary of those studies below.

Claessens (Claessens et. al, 2001) observed, in a study where he made 7,900 observations in 80 countries during the period 1988-1995, that for most countries examined, a larger foreign ownership of banks is correlated with lower profitability and margins of domestic banks. He has also discovered that the actual number of entrants into the market is more important than their relative market share. Those results imply that domestic banks start with anticipatory measures to prevent foreign rivals from taking their market share, as soon as the entry of foreign rivals into their domestic market is announced.

Lensink and Hermes (Lensink and Hermes, 2004) have pointed out that entry of foreign banks increases competition, and amounts to technology and/or innovation spillover effects. In developed countries the competition effect is much stronger than the spillover effects, which can be seen in lower overall margins, profits and costs.

There is a strong scientific consensus that consolidation leads to welfare gains for clients. However, this consensus is missing when we start talking about efficiency gains within the banks.

Rhoades (Rhoades, 1994) had, in his analysis of 39 studies of bank consolidation and efficiency between 1980 and 1993, discovered that there is no significant improvement in bank efficiency or profitability as a result of a merger, and that there were no rising share prices in response to a merger.

In a later overview, Pilloff and Santomero (Pilloff and Santomero, 1997) have also examined the topic, but could not establish a clear link on statistically significant post-merger gains either.

Vander Vennet (Vander Vennet, 2002) points out that the typical deal is characterised by the acquisition of a poorly performing bank by a relatively efficient foreign bank. The profits usually increase, but not the efficiency, at least in the short term. Vander Vennet (Vander Vennet, 2002) goes on to say that these peculiarities can be explained by different
tax, supervisory and legal systems, which prevent the full exploitation of the synergies of consolidation. In effect, the obstacles to integration examined in the previous chapter are sabotaging the realisation of full gains from the merger.

On the other hand, Haynes and Thompson (Haynes and Thompson, 1999) have discovered, while examining the impact of acquisitions on bank productivity over the period 1981-1993, using a Cobb-Douglas production approach, that there are indeed productivity gains, which are steadily increasing over the period of six years. They went on to explain them by gradual dismissal of retained staff that were given job security assurances for the initial post-acquisition period.

Akhavein (Akhavein et. al, 1997) has investigated profit efficiency and discovered that merging banks tend to shift their output mix towards higher profit products, probably because they have improved their risk diversification and can safely sustain higher loan/asset ratio. He points out that profit efficiency in his sample improved drastically.

Based on the evidence presented by Akhavein (Akhavein et. al, 1997), the economists have gravitated towards two alternative hypotheses to explain the phenomenon. The first is called the “relative efficiency hypothesis”, where the efficient bank brings its inefficient partner to its level of efficiency. Another hypothesis is the “low efficiency hypothesis”, where the consolidation serves as an excuse for substantial restructuring in both the acquired and acquiring banks.

While banking consolidation tends to improve the efficiency and resilience of the sector, too much concentration can expose the system to fraud and monopolistic pricing, and thus decrease the positive effects of increased consolidation and integration. One area where there are obvious positive results of consolidation is the elimination of excess capacity, the elimination of relatively inefficient banks and greater economies of scale and scope, as well as better credit diversification.
PART II

ANALYSIS OF THE BANKING SECTOR IN SLOVENIA
8. Consolidation and integration of the Slovene banking sector

8.1. Slovene banking sector before independence

Until 1991, the year of the break-up of Yugoslavia, the Slovene economy operated under the socialist economic system of self-management. In this system the basic organisation of associated labour (BOAL) was nominally the main decision-making body. Banks under this system were not for profit institutions. Their role was reduced to being only a service of the BOALs. Banks did not measure their profitability, since the surplus they created was distributed directly to the constituting BOAL’s. Moreover, all the excess of convertible foreign currency the bank clients earned and deposited in the bank was sent directly to the Yugoslav National Bank in Belgrade (NBJ). Only private individuals were allowed to hold foreign currency accounts, while legal entities had to deposit foreign currencies and had them converted into Yugoslav Dinars.

BOAL’s were wholly owned by associated labour and as a result, daughter BOAL’s could be created at any time, taking part of the capital and know-how of the mother BOAL’s without maintaining a formal ownership connection to it. This had an adverse affect on the net worth of the BOAL’s that created the bank and, in turn, became a drain on bank resources, as well as a source of non-performing loans and inflation. (Horvat, 1984)

Since the Central Bank of Yugoslavia (NBJ) needed the foreign currency, banks that collected foreign currency deposits from private individuals were only allowed to hold minimal levels of foreign currency. The rest had to be deposited with the NBJ.

Although the Slovene banking system started to change in the 1980’s, the real structural changes came after the Declaration of Independence in 1991. A new banking system, headed by the completely independent Central Bank, had been created by the end of 1991. (Košak et al, 2002)

8.2. Restructuring operation

When Slovenia split from Yugoslavia, all new companies had to have known owners, thus rendering the anomalies, such as the creation of sister BOAL’s, obsolete, and the remaining BOAL’s had to be privatised.
While the banks created after the split (hereafter referred to as New banks) had known owners and no obligations arising from before the split, the banks that existed before the split (hereafter referred to as Legacy banks) did not have known owners, but rather were owned by society as a whole, and had obligations towards foreign currency account holders, both domestic and from other former Yugoslav republics, regardless of the fact that foreign currency was deposited in Belgrade and thus became inaccessible. Those banks had carried on an additional burden of non-performing loans that were issued when they were still owned by the BOALs.

The inaccessibility of foreign currency deposits, combined with non-performing loans, hyperinflation and economic recession, has significantly eroded the assets of the Slovene banking system immediately after the split. This has forced Slovenia to start a programme of bank sanation. (BaCa, 2004) The basis for sanation was the law of pre-sanation, sanation, bankruptcy and liquidation for banks and savings institutions, adopted in June 1991. (Ribnikar, 1991)

The decision to start the sanation process in an individual bank depended on an evaluation of the bank’s finances. When the decision to start the sanation process was taken, the following steps were taken (BSI, 2003):

- Write-off of the loss against bank capital
- Change of non-performing assets with Sanation bonds from the Agency for Bank and Savings Institutions Sanation, backed by a guarantee from the Republic of Slovenia
- Transfer of part of the non-performing loans, together with their liabilities to the Agency for Banks and Savings Institutions Sanation
- Re-capitalisation of banks and the transfer of ownership to the Agency for Banks and Savings Institutions Sanation


As part of the sanation process, Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM) were created in 1994. Ljubljanska Banka (LB) and Kreditna Banka Maribor (KBM) kept all receivables and liabilities connected to successor countries of the former Yugoslavia, together with the clause of solidarity responsibility. All other assets and liabilities were moved to the new entities, NLB and NKBM respectively, thus freeing the legacy banks of their legacy and enabling them to act as new banks. (Košak et al., 2002)
The economic policy of the Slovene government during the first few years of independence favoured banks in order to help them with their recovery. Active interest rates stayed 10 percentage points above inflation, while at the same time the foreign exchange rate grew at a much slower pace than inflation. This had a desired result and, by 1997, legacy banks had successfully concluded the first stage of their sanation and, as a result of public rescue, emerged as state owned enterprises. Privatisation was the next logical step.

Privatisation of the banks started in spring of 2001, when the government had prepared a programme for the privatisation of both NLB and NKBM, which had by that time taken over the Commercial bank of Nova Gorica. The goals of privatisation were (Košak et al., 2002):

- Privatisation should improve the profitability and competitiveness of privatised banks and the banking sector as a whole;
- Proceeds from the sale should lower public debt, mainly the one incurred as a result of bank sanation;

34% of NLB d.d. has been sold to KBC Bank of Belgium and 98 billion SIT (409 million EUR) that KBC paid for that share should go towards public debt. Until 2006, KBC was forbidden to increase its share in NLB d.d.

The protective clause was one of the elements of the development strategy of NLB d.d. that would enable it to become an international bank, owned predominantly by Slovene entities (Štiblar, 2001). Despite big interest in the 65% share of NKBM, the government decided to re-capitalise the bank by itself instead, in order to prevent over-concentration of foreign capital in the Slovene banking system, as the third biggest bank had already been taken over by Societe Generale of France, San Paolo Imi bank was in negotiations to purchase a majority ownership of Banka Koper, and Raiffeisen bank of Austria had started investigating the possibilities of taking over Krekova Banka.

8.3. Consolidation period

In the following chapter we will examine the number of banks, see their ownership structure, examine their assets and their growth rates for the periods 1992-1997, 1998-2006 and 1992-2006. The first period will tell us how the banking system behaved during the

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4 Adapted from BSI, 1996 to 2007
restructuring period. The second period starts with the conclusion of the first stage of restructuring and shows the effects of the run up to, and the first years of, the accession to the European Union. The third period will enable us to put both stages together and look at the broader picture.

**Table 1: NUMBER OF BANKS IN SLOVENIA BETWEEN 1992 AND 1997**

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<tbody>
<tr>
<td>Banks</td>
<td>30</td>
<td>32</td>
<td>33</td>
<td>31</td>
<td>29</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: Annual report of Bank of Slovenia for 1997

As we can conclude from Table 1, there were 30 banks registered with the Bank of Slovenia on 31st December 1992. Out of those, Bank Austria and bank Creditanstalt d.d. were the only foreign owned banks.

In 1993, two new foreign banks entered the Slovenian market, notably bank Volksbank – Ljudska banka d.d., which took over Štajerska banka Obrti in Podjetništva, and Societe Generale Ljubljana d.d. (which started operations in 1994). In this year, two new Slovenian banks, Krekova banka and Factor banka, were created as well.

In 1994 the bank Societe Generale Ljubljana d.d. started operations, bringing the total number of banks to 33, the highest number reached in the period. In this year, the Republic of Slovenia adopted a constitutional law to restructure LB and KBM and transfer most of their assets to NLB and NKBM respectively, while the old LB and KBM still kept their banking licenses, but for all practical purposes they were replaced by the new entities.

In 1995, KB Nova Gorica was taken over by NKBM d.d., while E-banka was taken over by NLB d.d. The number of foreign owned banks remained unchanged.

In 1996, LB Posavska banka was taken over by NLB d.d., while KB Triglav entered bankruptcy proceedings.

In 1997, Banka Noricum was taken over by Banka Celje d.d., while the number of foreign owned banks remained unchanged.
Graph 1: NUMBER OF BANKS BETWEEN 1992 AND 1997

Graph 1 shows us that the number of banks was increasing until 1994, when it reached its peak of 33, and then started a steady decline. The increase can be explained mostly by liberalisation of the banking sector and entry of foreign banks, while the decrease after 1994 was a result of consolidation of small banks.

Table 2: NUMBER OF FOREIGN OWNED BANKS BETWEEN 1992 AND 1997

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</thead>
<tbody>
<tr>
<td>Banks</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Annual report of Bank of Slovenia for 1997

The number of foreign owned banks has seen a steady increase, as can be concluded by consulting Table 2. The first foreign bank that entered the Slovene banking market was Bank Austria in 1991. It was joined by Creditanstalt in 1992. Volksbank – Ljudska banka d.d. had taken over Štajerska banka Obrit in Podjetnššva in 1993, to become the third foreign bank in Slovenia. Bank Societe Generale was registered in 1993, but it did not start operations until 1994. After that, no new bank, either domestic or foreign, was created for 5 years.

Poštna banka Slovenije, the first state owned bank, was created on 1.7.1992 by Post of Slovenia, which was 100% owned by the state. In 1993, as a result of bank sanation, banks LB d.d. and KBM d.d. were nationalised. In 1994, the constitutional law was adopted, moving Slovenian assets and liabilities of LB d.d. and KBM d.d. to NLB d.d. and NKBM d.d. respectively. For all practical purposes the old entities ceased to exist. Komercijalna Banka Nova Gorica was nationalised in 1994 as well, and was merged with NKBM d.d.
on 1.1. 1995, and it is not therefore counted among state owned banks. After that the state did not acquire any additional banks and the number remained stable throughout the period.

From Graph 2 we can see that we have a steadily increasing linear trend of increases of bank assets, rising from 327 to 2,022 billion Tolars in current prices. The picture becomes much less impressive if we look at the growth rates. Those show us that the growth rates have been decelerating quite rapidly, falling from 91.9% in 1992 to 16.9% in 1997.

Graph 2 Value of bank assets from 1992 to 1997 in billion SIT

![Graph 2 Value of bank assets from 1992 to 1997 in billion SIT](image)

Source: Own calculations from Annual report of Bank of Slovenia for 1997

1998 can be referred to as a year of Bank changes. Because the Austrian bank Creditanstalt was taken over by Austrian Bank Austria, the Slovenian office of Creditanstalt was merged with Bank Austria to create Bank Austria Creditanstalt. UBK was taken over by SKB Bank d.d.. Hmezad banka was taken over by Banka Celje, while Hipotekarna Banka Brežice started the process of liquidation.

In 1999 two new foreign owned banks entered the Slovenian market, notably Kaerntner Sparkasse A.G. and Hypo Alpe Adria bank. M Banka was taken over by Banka Koper. New bank legislation, introduced in February 1999, enabled foreign banks to open branches in Slovenia. Kaerntner Sparkasse A.G. was the first one to do so.

The year 2000 saw no major changes in the structure of the banking sector.
In 2001, bank Societe Generale merged its subsidiary with SKB Banka d.d., and retained a majority share in the new bank. NLB d.d. took over Dolenjska banka d.d., Banka Velenje d.d. and Pomurska banka d.d.

On the last day of 2002 banka Vipa d.d. was merged with Abanka d.d. to form Abanka Vipa d.d. and become the third biggest bank in Slovenia as measured by bank assets. On top of consolidation there were some major changes in ownership structure in the Slovene banking sector. Because of the privatisation of NLB d.d., the share of the State in the bank and the banking system as a whole decreased dramatically. The sale of a 39% share (34% to KBC and 5% to EBRD) of the State share had a direct consequence that the State became a minority owner of the bank. The share of capital owned by foreigners had more than doubled in that year, from 16% to 32%. On top of that, bank Raiffeisen bought Krekova banka and San Paolo IMI increased its share in Banka Koper. So, on the last day of 2002, out of 20 operating banks, 6 were in majority foreign ownership, 6 were 100% domestically owned, while the rest were predominately domestically owned, 4 of them with less than 1% of foreign capital.

In 2003 there were no changes in the banking sector.

2004 saw Slovenian accession to the EU, and with it, simplified procedures for the entry of banks from the EU to the Slovenian market. SIB Banka was taken over by NLB d.d. A new foreign bank entered Slovene market, Bank fuer Kaernten und Steiermark. On 1.7.2004, SZKB obtained the assets of the Savings and Loan organisation and renamed itself as Deželna Banka.

In 2005 a new bank was created, Bawag banka d.d., as well as a new branch, Zveza Bank, podružnica Ljubljana.

In 2006 the branch Kaerntner Sparkasse AG changed its status and became a subsidiary named Sparkasse d.d. We can see these dynamics in Graph 3 below:
Graph 3: NUMBER OF BANKS BETWEEN 1998 AND 2006

![Graph showing the number of banks between 1998 and 2006]


Table 3: NUMBER OF FOREIGN OWNED BANKS BETWEEN 1998 AND 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign owned banks</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>


Although the number of banks in foreign ownership between 2001 and 2002 stayed the same, as we can observe from Table 3, the share of foreign capital in the Slovene banking system has doubled, from 16% to 32.5%, mostly due to the purchase of a 34% share of NLB d.d. by KBC and 5% share of NLB d.d. by EBRD. On the last day of 2002 there were 6 banks out of 20 in majority foreign ownership, 6 were completely domestically owned, while the remaining 8 had predominately Slovene ownership, with 4 of them having less than 1% of foreign ownership.

The state kept its share in the banks until the sanation was concluded and the privatisation was foreseen for the year 2001. In 2002 the state sold a 34% share of bank NLB d.d. to KBC Bank of Belgium and 5% to EBRD, thus lowering its stake to become a minority shareholder. In 2004, Poštna banka Slovenije, while still retaining its independence, became part of the NKBM Banking group.
Quite contrary to the declining number of banking institutions in Slovenia, the amount of bank assets has been increasing almost linearly, as we can see from Graph 4. However, if we look at the annual growth rates, we can see that the bank assets were rising by far the slowest in 1999 (13.8%) and 2003, 2004 (11% and 12.7% respectively), while two years after those events, the growth rate of bank assets has peaked at around 23% (24.7% in 2001 and 23.6% in 2005). The year 1999 coincides with the first entry of a foreign bank branch in Slovenia, while the decline in 2003 can be explained by a fairly low level of bank lending to the population in 2003, which has seen an increase of 11.8% (Košak, 2006), while the year 2005 has seen an increase of 26% on an annual basis.

After examining the two key periods in the development of the Slovene banking sector, now it is time to put them together and briefly examine the big picture, taking into account the evolution of the banking sector from 1992 to 2006, and later on comparing the change in the concentration of the sector, as measured by the combined market shares of the top 3, top 5 and top 7 biggest banks in Slovenia and the Herfindahl-Hirschman Index for the period from 1996 to 2006.
Graph 5: NUMBER OF BANKS BETWEEN 1992 AND 2006


As we can see from Graph 5, the number of banks has shown a steady decline from its peak in 1994, increased a bit with the entry of the foreign banks in the period 1999-2000. It stabilised at the level of 22 in 2005, when Slovenia was already a full member of the European Union and a participant in the ERM2 program. The impact of Slovenian accession to the Euro-zone on the banking sector in Slovenia remains to be seen.

Graph 6: BANK ASSETS IN BILLION TOLARS BETWEEN 1992 AND 2006


When looking at the big picture, we can notice that the trend of growth of the bank assets has been rising linearly until 1999. After that they started accelerating. We can see that from the steepness of the curve on Graph 6.
When looking at the growth rates, and eliminating the years 1992-1994 due to the effects of a stabilization of the Slovene banking sector after the break-up of Yugoslavia, we can see that they have been confined to the span of 10% to 35%.

Graph 7 shows us that there is one dominating banking institution in Slovenia, the group NLB d.d., which controls around a third of the market share, as measured by the bank assets. In 2001 we can see a considerable increase of concentration of market share, when the NLB has acquired various affiliated banks that were granted independence from the LB after the break up of Yugoslavia, but have always maintained their affiliation with their mother bank. Those, among others, included Banka Pomurje d.d, a strong regional player in the Pomurje region, Banka Velenje d.d., which had a similar status in the surroundings of the city of Velenje and Dolenjska banka d.d., which had a very strong position in the Dolenjska region.

**Graph 7 Market shares of top 7 banks in Slovenia from 1996 to 2006**

<table>
<thead>
<tr>
<th>Year</th>
<th>Market share</th>
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<tbody>
<tr>
<td>1996</td>
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<td>1998</td>
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<td>2004</td>
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<td>2006</td>
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In general, as we can see from Graph 8, the market share of the top three, five and seven banks has been steadily decreasing since, with the exception of NLB d.d, which saw a marked jump in market share in 2001.Since 2002 the market share of all the top league banks has adopted the trend of the big three, mostly due to the aggressiveness of foreign banks, notably Austrian, which have had an increasing presence in Slovenia since the turn of the century.
Graph 8 Market share of top 3, top 5 and top 7 Slovenian banks between 1996 and 2006

Market share of top 3, top 5 and top 7 Slovenian banks between 1996 and 2006


Graph 9: HERFINDAHL-HIRSCHMAN INDEX OF TOP THREE, FIVE AND SEVEN SLOVENE BANKS BETWEEN 1996 AND 2006

Market concentration of top 3, top 5 and top 7 Slovenian banks for years 1996 to 2006


With regard to the Herfindahl-Hirschman Index, Graph 9 shows us that it has been more or less stable between 1996 and 2000. Then, in 2001, when the market leader, bank NLB d.d. considerably increased its market share, we see a jump of more than 400 points to 1,560. It has since levelled off and has been steadily declining. It has reached the level of 1109 in 2006. Since major banks are steadily losing their market share we can expect that trend to
continue and for the HHI to fall below 1000, thus making the sector unconcentrated, by 2009.

The American Department of Justice (DoJ, 1997), responsible for Merger control in the United States, defines the market where the value of the Herfindahl-Hirschman Index (HHI) is below 1000 as an unconcentrated market, the market where it stands between 1000 and 1800 as moderately concentrated, and a market where it is higher that 1800 as highly concentrated.

The glossary on the web site of the European Commission (DG COMP, 2007) dedicated to the competition policy agrees, defining the HHI as:

“The specific measurement of market concentration, that is of the extent to which a small number of firms account for a large proportion of output. The HHI is used as one possible indicator of market power or competition among firms. It measures market concentration by adding the squares of the market shares of all firms in the industry. Where, for example, in a market, five companies each have a market share of 20%, the HHI is 400 + 400 + 400 + 400 + 400 = 2000. The higher the HHI for a specific market, the more output is concentrated within a small number of firms. In general terms, with an HHI below 1000 the market concentration can be characterised as low, between 1000 and 1800 as moderate and above 1800 as high”.

According to those guidelines, we can define the Slovene banking sector as moderately concentrated.

Furthermore, the Department of Justice of the United States (DoJ, 1997) defines a proposed merger that increases the HHI by more than 100 points in a moderately concentrated market as having “significant competitive concerns”.

Guidelines on the assessment of horizontal mergers under the EC Merger Regulation (DoJ, 2004), as provided by the US Department of Justice, referring to merger control in the European Union, state that the Commission is also unlikely to identify competition concerns in a merger

- with a post-merger HHI between 1000 and 2000 and a delta below 250;
- with a post-merger HHI above 2000 and a delta below 150;

except where some special circumstances are present, which somehow invalidate the HHI as a useful proxy for the change in competitive conditions.

The HHI indices accordingly give a useful indication to the parties to the merger as to when a merger is unlikely to cause concerns. They do not give rise to a presumption of either the existence or the absence of such concerns.

According to both measures, as used by the US Department of Justice and the Directorate General for Competition of the European Commission, the merger of NLB with the banks mentioned before would have caused a considerable competitive concern, since it increased the HHI by 400, which is 4 times as much as the threshold for significant
competitive concerns, and almost 2 times higher that the equivalent measure applied by the European Commission.

9. Impact of the accession to the EU on the Slovene banking sector

The accession of Slovenia to the European Union has brought two main challenges, as well as several opportunities and some threats to Slovene banks.

They not only faced the challenge of losing active, profitable, customers who are prepared to shop around and open a bank account in another Member State if the services offered there better suit their needs, the accession to the EU also meant that any Credit Institution that has a license to do banking services anywhere in the EU has rights to provide equivalent banking services in Slovenia by merely notifying the Bank of Slovenia of its intent.

A surprising number of 142 European banks have notified Bank of Slovenia (BSI, 2007c) of their intent from the accession until the end of first quarter of 2007. This had a direct effect of increasing the number of Credit Institutions licensed to do business in Slovenia six-fold in less than three years, from 22 in 2004 to more than 160 in 2007.

With the adoption of the Euro Slovenia has in effect obtained a permanent hedge against future currency fluctuations (BSI, 2007b) for more than 60% of its exports, since most major trading partners of Slovenia already use the Euro as their currency. This enables companies in Slovenia to weather currency fluctuations and external shocks much more easily than before.

Since the Euro is also becoming the international currency of choice, Slovene exporters now have, for the first time in history, an opportunity to invoice their goods or services in domestic currency and transferring the exchange rate risk to the importer. Likewise, the Slovene importers have also gained an ability to request quotes in domestic currency, thus transferring the exchange rate risk to the exporter in a third country.

All of this increases the stability and growth of the Slovene domestic economy, thus having a positive effect on corporate creditworthiness, and in turn creating further opportunities for the banks in Slovenia.

Immediately after the accession to the EU, and despite gloomy predictions, the Slovenian banking sector has registered a 50% growth of profit, from 62 to 94 billion Tolars. Thus we can see that Slovenian banks have managed to benefit from the increased liquidity and lower interest rates that came with the accession.

On the other hand, the Bank of Slovenia has transferred its ability to set the foreign exchange rate and interest rates to the European Central Bank and has thus lost its key mechanism for shielding the domestic economy from the external shocks.
Since Slovenia has always had a very open economy, with the majority of its export going to the countries that now constitute the Euro-zone, and as a consequence, had its business cycles more or less synchronised with those of the other countries in the Euro-zone, most notably Germany and Austria, the loss of this shield may not mean much, since it has been replaced by much stronger shield of the ECB.

While for the consumers, the adoption of the Euro has increased price transparency, for banks it has meant a loss of profitable instruments provided by Bank of Slovenia in domestic currency, as well as a loss of the majority of the foreign exchange business and the margins related to it.

Since the Euro-zone payment system is still fairly fragmented (ECB, 2007c), the Euro-zone banking industry has taken the challenge and started a project called SEPA (Single European Payment System) to unify it. They took up this challenging project by creating the European Payments Council (EPC) in 2002. The EPC has defined the new schemes, frameworks, rules and standards for euro payments. The implementation of SEPA is the responsibility of European banking communities and all other stakeholders.

In order to establish a functioning SEPA, there is a need for a single currency, and the banks have to establish a single set of euro payment instruments such as credit transfer, direct debit and card payments. On top of that, the banks have to develop common technical standards and business practices in order to ensure compatibility. Efficient processing infrastructure for Euro payments has to be put in place and the legislation has to be harmonised.

SEPA thus marks an important step towards the implementation of the single currency area, as well as an important step towards the completion of the Single Market, thus deepening the European Integration.

By joining the Euro, Slovenia has agreed to participate in the SEPA system. According to the National implementation plan, all Credit Institutions have to be ready to start processing and receiving payment messages under the SEPA schemes by 1st January 2008, when the co-existence period starts. National payment systems are to be gradually phased out by the end of 2010, when SEPA will be the only settlement method for payments in Euros.

The SEPA will increase the competition in the banking sector even further, since payments from Euro-zone member countries will have the same cost and speed regardless of whether the recipient has a bank account in that same, or any other, Euro-zone Member State.

10. Impact of increased competition on the profitability of the banking sector in Slovenia during economic transition and the first years of EU membership

According to the ECB (ECB, 2007c), the entry of foreign banks strengthens the competition in the domestic market and it forces domestic banks to improve their services. Empirical analyses show that a large foreign ownership of banks is correlated to lower
margins and profitability of domestic banks. On top of that, the entry of foreign banks tends to increase customer welfare, improves service quality and spurs innovation. The opposite holds true barriers to entry, which tend to increase margins and profitability of the incumbent banks. That notwithstanding, local banks still retain a big advantage in the highly information sensitive areas, such as lending to SMEs, or if there are strong informal mechanisms for lending and obtaining information.

The entry of a foreign bank also improves the resilience of the banking sector in times of liquidity shocks, on the condition that foreign banks have wider and more diversified portfolios.

De Haas and Van Lelyveld (De Haas and Van Lelyveld, 2006) have found that in general, foreign banks increase the stability of the banking sector during liquidity shocks.

If we apply this theory to the changes in the profitability of the Slovenian sector, as we can see in Graph 10, we can conclude that there were two big shocks that have had a profound effect on the profitability of the Slovene banking sector as a whole. On top of that, we can notice a trend of the decelerating increase of profit.

**Graph 10: PROFITABILITY OF THE SLOVENE BANKING SECTOR IN MILLION SIT BETWEEN 1994 AND 2005**

![Graph showing profitability of the Slovenian banking sector](image)


Graph 10 shows us quite clearly that the biggest shocks occurred in 1999 and 2001, while the decelerating trend of profit growth rate can be seen from 2003 on.

If we take a look in the Annual Report of the Bank of Slovenia for 2001 (BSI, 2002), we can see that in the year 1999, the creation of a new bank, Hypo-Alpe-Adria bank, the first new bank after 5 years, and first subsidiary of a foreign bank, Kaerntner Sparkasse has been created, thus there is an occurrence of an entry of one foreign bank and one subsidiary of a foreign bank in the domestic market.
In 2001, the share of the Slovene banking sector owned by foreign capital has increased due to the purchase of SKB Banka d.d. by Societe Generale and the purchase of Banka Koper by Sao Paolo IMI. Further on, in 2002, Sao Paolo IMI has increased its stake in Banka Koper, while Raiffeisen Bank AG has acquired Krekova Banka.

Thus, the first shock, in 1999, has seen the entry of the first foreign subsidiary in Slovenia and the creation of a new bank, while the second shock, in 2001, coincided with the first purchase of a major Slovene bank by a foreign bank.

The Stability Report of the Bank of Slovenia (BSI, 2007c) helps to provide an explanation for the deceleration of the profit growth rate after 2003. It states that since Slovenia entered the EU, 142 European banks have notified the Bank of Slovenia that they will perform services in Slovenia. This has, naturally, acted as a dampener on the profitability.

In the year 2006 (BSI 2007c), Slovenian banks have had 393.4 Million Euro in profit before tax. Compared to 2005, the profit has increased by 50%. Net interest income has increased by 8.5%, while net non-interest (i.e. fees) income has increased by 26.3%. Despite this growth in income, banks have managed to keep their operational costs under control, allowing them to increase by 7.8%.

11. Strategies for the future for the top-3 Slovenian-owned banks

The biggest banking group in Slovenia, NLB Group, has a vision to become one of the leading bank and insurance groups in target markets.

Their mid-term strategic goals, as listed on their website (NLB, 2008), are:

**Further expansion in the target markets**
- The target markets of the NLB Group are: Slovenia, SE Europe, the existing EU markets and the territory of the former Soviet Union.
- Growth of the group, mainly organic, and to a smaller extent, through new acquisitions.

**Group consolidation**
- Continued processes of merging individual subsidiaries.
- Increasing the stakes in subsidiaries.
- Adapting the ownership structure in subsidiaries (also through the selective integration of minority owners).

**Development of corporate governance in the NLB Group**
- Transfer of know-how and best practices within the Group.
- Ensuring conditions for further growth in the volume of operations of subsidiaries.
- Improving the cost-efficiency and financial performance of the subsidiaries, including through the use of synergies inside the Group.
Target financial indicators of the Bank for the period until 2009:
- ROE before tax >19 %.
- CIR < 60 %.

In view of the relatively low level of stability of individual target markets, a great emphasis in the achievement of financial goals will be on guaranteeing the safety of operations and risk management.

The second biggest banking group in Slovenia, NKBM Group, (NKBM), plans to increase profitability in all fields of business. They plan to increase it by strengthening its position in Slovenia and development of activities in other markets in the Region, with a special emphasis on the markets of Croatia and Serbia.

To reach those goals and maximise its value to shareholders NKBM Group plans to use the offering of its dependant companies to offer existing and new clients a wide spectre of financial services.

They plan to use their wide branch coverage to offer services more efficiently, as well as use business and trade connections to expand their franchise abroad.

They have identified several competitive advantages that they believe are going to be key to successful implementation of their strategy. They are a wide spectre of financial services, a strong position in corporate banking and a considerable share of retail deposits.

The third biggest bank (GZS, 2005) in Slovenia, Abanka Vipa d.d., has a vision of continuous growth, development and modernisation with the goal of achieving high cost-efficiency.

They are building a concept that has its foundations on client satisfaction and development of financial services that are making clients a centrepiece of activity.

Parallel to this, they are building a multi-distribution system of sale based on regional centres and the use of electronic banking.

The vision of Abanka is to remain a bank with majority domestic owners, strategic connection with Zavarovalnica Triglav and a goal of building a modern financial conglomerate.

In the strategy there is no mention of expansion outside the borders of Slovenia, thus limiting the growth potential of the bank.
12. Outlook for the future

The research of the development strategies which was conducted by the Economic Faculty of Ljubljana (Košak et al., 2006) has shown that, in general, the strategies of the Slovene banks are very similar with only a few exceptions. As we can see from the previous chapter, only the two biggest banks have plans for expansion beyond the borders of Slovenia, and even those ambitions are limited within the confines of the CEE Region (Central and Eastern Europe), with the notable exception of LHB Internationale Handelsbank in Germany, owned by NLB Group.

The conditions, which the banks are facing, can be summed up as follows:

1. The Slovene banking sector still has a considerable potential and space for growth. This growth is going to define the strategies of the banks that are going to build their future on the domestic market.

2. Due to the small size of the banks on the national market, the costs of expanding in bigger markets abroad are considerable, therefore the domestic market looks even more attractive. There are only a handful of banks that are strong enough to expand to foreign markets, mostly eastern and South Eastern markets. Expansion to the growing market in China, India, Brazil or Turkey is not feasible.

3. Foreign owned Slovene banks depend on their mother banks for their strategies. For most mother banks, a Slovene market is just one of many, and they usually own banks in other markets as well. Therefore they are reluctant to allow their banks in Slovenia to compete with the ones they own in Hungary, for example.

4. The favourable banking environment the banks have had in the past can also partly explain the lack of ambition of the domestic banks, who have not felt the need to expand abroad.

The aforementioned research has shown that most of the banks put increased market share before the profitability and cost efficiency as alternative strategies. Those priorities show that there is a distinct possibility that the competition among the banks is going to intensify in the next few years, while also signifying that the weaker banks might fold or be taken over. The banks that will either specialise or diversify have better chances to survive and prosper.

Through their efficiency in processing bank transactions Slovene banks are well positioned, once the SEPA comes fully into force, to capture at least some of the consumers in the European Union which are currently not satisfied with the speed of execution in their countries.
13. Conclusion

The development of a single currency and the completion of the Single Market for banking services have provided a powerful impetus for the integration of the banking sector of the countries of the Euro-zone. Though, as measured by quantity, the integration has been mostly domestic, the biggest and best mergers and acqusitions have been cross-border.

The differences of banking regulation in the EU has shown as quite a considerable drag on the mergers and acquisition activity, not only in the realisation of the gains resulting from merger, but also on the number of mergers itself, as the research of the FEB has shown that many cross-border mergers never materialise after the suitors receive a cold response from the banking supervisor in the country of the target.

Despite those obstacles, there are many factors that act as a powerful stimulus for banking integration and those factors seems to be having a stronger effect than the obstacles, as we can see by the decrease of 12.5% in the number of banking institutions in the Euro-zone between 2001 and 2005, without hearing about any big bank or S&L failure.

After examining the Euro-zone, we have done the analysis of the Slovene banking sector, from the Independence of Slovenia in 1991 to 2005. We have discovered that the number of Credit Institutions has decreased quite rapidly, their profitability and assets have increased considerably and, in 2001, the market concentration has reached its highest point, with the NLB d.d. controlling more than 35% of the banking sector. The number has since decreased, mostly due to competitive pressures from foreign, mostly Austrian, banks.

We have noticed that the number of foreign owned banks had an increasing trend, reaching 9 in 2005. On top of that, 142 foreign banks and Credit Institutions have notified Bank of Slovenia that they intend to perform services in Slovenia. This has increased the competitive pressures on domestic banks and forced them to become leaner and more efficient.

The accession to the EU and adoption of the Euro had as an effect the lowering of their interest and foreign exchange income, and has exposed domestic banks to competition, while enabling Slovene citizens to shop around and find better deals in other Member States.

Furthermore, the development of SEPA will, when completed by 2010, facilitate cross-border Euro payments, and thus further integrate Slovene banks in the Euro area, as any Euro-zone citizen will be able to hold an account and manage all of their transactions with all Member States of the Euro-zone via it.
Summary

Integration of the European Union (EU) and the creation of a Single Market have acted as a great factors for Mergers and Acquisitions. Despite that, the banking sector of the EU remains fragmented, and is still more a union of 27 national markets, rather than one big, European Market. But, it is nevertheless much more interconnected than it was a mere 15 years ago. Sheer fragmentation of the market has presented us with a challenge when we were trying to compare Slovenian banking sector to the European one, but then, we have managed to identify that regardless of the starting point, all European markets are trending toward the same goal that we observed in Slovenia, that is, restructuring of old incumbents, entry of new, foreign participants and an increase in competitiveness and interconnectedness of European Markets.

Keywords: Banking sector, European Banking Sector, Slovenian banking sector, Integration, M&A, Mergers, Acquisitions, Takeovers, Transition, Slovene banks, Future of Slovene banks, plans of Slovene banks.
Kratek povzetek v slovenskem jeziku

Mediji so polni poročil o konsolidaciji, tvorbi nacionalnih šampijonov, tvorbi enotnega trga ter o nastajanju vseevropskih šampijonov. Pravkar smo videli zaključek prevzemne bitke za nizozemsko banko ABN-Amro; odvijala se je med britansko banko Barclays in konzorcijem bank pod vodstvom škotske banke RBS, ki sta se ji pridružili še španska banka Banco Santander in belgijska banka Fortis.


V zadnjih letih se je v Evropi odvilo mnogo manjših prevzemnih poslov. Tudi v Sloveniji smo opazili omembe vredno porast števila tuhih bank in njihovega tržnega deleža od leta 1998, pa tudi konsolidacijo med domačimi bankami. Tovrstna dejstva so sprožila vprašanje, ali so ta poročila del večjega in močnejšega trenda ali pa gre le za posamične dogodke.

Tako smo v prvem delu diplomske naloge pripravili kratek pregled zgodovinskega razvoja ekonomske in monetarne unije ter sprejema evra kot skupne valute, pa tudi pregled razvoja evropskega notranjega trga banknih storitev. Pogledali bomo specifike bančnega sektorja v evro območju ter vlogo ECB in nato opredelili teoretična gonila ter dejavnike konsolidacije, ovire zanjo, pa tudi njen razvoj in trenutno stanje. Pregledali bomo še nekaj teorij o vplivu konsolidacije na učinkovitost in dobičkonosnost bančnega sektorja.


**Analiza bančnega sektorja evro območja**

Ideja o enotni evropski valuti se je pojavila leta 1929, torej v letu velike recesije v ZDA, ko je Gustav Stressem man v Društvu narodov v boju proti naraščaju drobljenosti evropskega gospodarstva, ki je bila posledica naraščajočega števila novih držav po prvi svetovni vojni, predlagal skupno valuto.
Čeprav nastanek ekonomske in monetarne unije ni eksplicitno predviden v izvirni pogodbi o Evropski gospodarski skupnosti iz leta 1957 (Rimska pogodba), pa ta vsebuje določbe, ki so omogočile njen nastanek.


To je bila pravna osnova, na podlagi katere je leta 1969 Evropska komisija prevzela iniciativo za koordinacijo gospodarskih politik in monetarnega sodelovanja, ki ga je vrhunsko srečanje v Haagu spodbudilo z zahtevo po načrtovanju postopnega nastanka ekonomske in monetarne unije.

Evropska komisija je predstavila trostopenjski načrt za vzpostavitev ekonomske in monetarne Unije, ki so ga poimenovali Wernerjevo poročilo (Werner report). Zaradi razpada sistema fiksnih menjalnih tečajev iz Bretton Woodsa je bil načrt za prevzem enotne valute odložen za nedoločen čas. Kljub temu je ekonomska in monetarna unija uspela stabilizirati menjalne tečaje držav članic v okviru Baselskega dogovora, tako imenovani sistem »kače v tunelu«.

Manj kot desetletje po prvem poskusu in po prvem valu priključitev k Evropski skupnosti, ko so se pridružili Združeno kraljestvo, Irska in Danska, v obdobju makroekonomskih šokov in naftne krize, ki so pridelili marsikatero državo članico k izstopu iz Baselskega sporazuma, je bil leta 1979 izpeljan drugi poskus vzpostavitve evropskega monetarnega sistema, ki naj bi vzpostavil območje monetarne stabilnosti in povečal napredek in postopke za dosego gospodarske konvergence med državami članicami.

Tudi takrat je bil splet okoliščin neugoden, saj se je odvijala velika naftna kriza, vsa politična volja pa je bila usmerjena k okrepitvi enotnega notranjega trga.

Prva faza, v kateri bi se sprostilo gibanje kapitala in bi se začel proces monetarne konvergencije, naj bi se sprožila 1.7.1990.

Druga faza, kjer bi se uvažala sekundarna zakonodaja ter bili predstavljeni kovanci in bankovci skupne valute, naj bi se začela 1.1.1994.

Tretja faza kot zaključek prevzema evra kot valute (evro postane popolna valuta) se je začela 1.1.1999.

Druga revizija pogodbe v Maastrichtu leta 1991 je uzažakonila predloge Delorovega komiteja. Revizija je postavila tudi konvergenčne kriterije, ki naj bi bili uporabljeni kot pomoč pri ocenjevanju pripravljenosti določene države članice za prevzem evra.

Svet Evropske unije se je aprila 1995 tudi formalno strinjal, da se evropska valuta ECU preimenuje v EURO zaradi sledečih razlogov:

- Definicija valute se je spremenila iz košarice evropskih valut v enotno valuto.
- Percepcija ECU kot šibke valute; proti nemški marki je ECU konstantno padal, zaradi česar je tam veljal za šibko valuto.
- Enostavna izgovorjava.
- ECU je bila kratica za evropsko valutno enoto in bi lahko bila napobo razumljena kot računovodska fikcija.

Projekt enotne valute se je zaključil januarja 2002, ko so evro bankovci in kovanci začeli zamenjati nacionalne valute.

Vzporedno z uvedbo enotne valute, kar je imelo velik vpliv na bančni sektor, se je poglobil tudi notranji trg, predvsem glede sprostitve storitev, kar je omogočilo bankam konkurirati na tržiščih vseh držav članic s pomočjo enotnega potnega lista. Nastanek enotne valute je zelo vplival na delovanje bančnega sektorja, ta razvoj pa je odstranil ovire z enotnega tržišča storitev.


Posledica ta implementacije s pravnega vidika je bil nastanek delujočega skupnega trga. Ta akt je pomenil velik korak naprej, ki ga je takratni predsednik Evropske komisije Jacques Delors opisal z besedami: »Enotna evropska pogodba pomeni zavezanost simultane vzpostavitve velikega trga brez notranjih ovir ter več gospodarskega in socialnega sodelovanja.«

Pomemben dokument, ki ponuja vpogled v delovanje bančnega sektora v tistem obdobju, je tudi tako imenovano Cecchinijevo poročilo iz leta 1988, ki se je nanašalo izključno na banke in je podajalo slednje zaključke:

Evropski narodi imajo razdrobljen bančni sistem, za katerega so značilni predvsem majhnost, visoka koncentracija, odvečne kapacitete ter pomanjkanje konkurence.

Dobičekosnost bi narasla s povečanjem povprečne velikosti banke ter povečanjem števila ponujenih proizvodov in storitev, ki bi jih lahko nudile take večje banke zaradi ekonomije obsega. Banke bi lahko povečale učinkovitost tudi, če bi zanj obstajale spodbude glede sprejema najboljše prakse poslovanja.

Da bi zagotovili prenos sadov povečane učinkovitosti na potrošnika, je potrebno odpraviti ovire za konkurenco.

Učinkovit bančni sistem bi lahko BDP povečal za dodatnih 0.7 %.

V svojem govoru je članica ECB-ja 14.10.2005 izjavila:

»Tempo združevanja v bančnem sektorju je bil neenakomer en. Integracija in združevanje je zelo naprevalo v veleprodaji in dejavnostih na kapitalskem trgu, medtem ko maloprodaja zaostaja. To deloma odseva razlike v naravi konkurence na teh segmentih finančnih storitev.

Bližina klientov, odnos bank – komitent in dostop do informacij igrajo ključno vlogo v bančni maloprodaji, medtem ko so manj pomembni pri investicijskem in korporativnem bančništvu. Počasen napredek integracije v bančnem sektorju povzroča velike razlike v pasivnih in aktivnih obrestnih merah med državami.

Te razlike izvirajo iz različnih nacionalnih regulativnih dogovorov, politik in karakteristik proizvodov ter rezultirajo v različnih nivojih kolateralizacije, povprečne ročnosti in obdobji vezave. Posebej v maloprodaji je nizka stopnja integracije povzročila različno hitrost prenosa sprememb monetarne politike do maloprodajnih bank.«
Z uvedbo enotne valute je nastala potreba po enotni centralni banki, ki bo to valuto kontrolirala in z njo upravljala. Centralna banka mora predstavljati glasove vseh prejšnjih centralnih bank ter hkrati obdržati sposobnost pogleda preko meja posameznega nacionalnega trga, torej delovati v najboljšem interesu evropske monetarne unije tudi takrat, ko sta si interes nacionalnega trga in interes evropske monetarne unije različna.


Po 105.2 členu pogodbe o ustanovitvi Evropske skupnosti so osnovne naloge ECB določitev in izvajanje evropske monetarne politike za evro območje, izvajanje valutnih operacij, hranjenje in upravljanje z deviznimi rezervami držav članic evro območja in zagotavljanje likvidnosti plačilnega sistema.

Poleg tega je ECB edini izdajatelj evro bankovev ter usklajuje zbiranje in obdelavo statističnih podatkov, ki jih potrebuje pri svojem delu. ECB nima vloge bančnega nadzornika, saj je ta ostala v pristojnosti držav članic.

Evropski pristop k enotnemu trgu v bančništvu vodijo trije principi:

- Vsaka država članica ima lasten nadzorni sistem in regulatorne agencije.
- Obstaja minimalna harmonizacija.
- Direktive izdaja Evropska unija in šele nato jih države članice vključijo v svojo zakonodajo.

Rezultat vseh teh principov je področje enotne valute, ki ga nadzira 15 regulatornih agencij, 15 različnih zakonodajalcev in kjer velja 15 različnih davčnih sistemov.

Avtorji principov so kmalu prepoznali problem in odstopili od mednarodno sprejetih norm nacionalnega tretmana, kjer država gostiteljica omogoča delovati tujim bankam pod enakimi pogoji, kot jih imajo domače banke. Namesto tega so uporabili princip medsebojnega priznavanja kot vodilnega principa med državami članicami. Ta princip dovoljuje, da tuja banka ponuja enake storitve v državi gostiteljici, kot jih lahko ponuja v domači državi.

Posledica tega principa je vzpostavitev prostega trga v nadzoru, kjer države poskušajo zagotoviti bankam, da jih njihova domača regulativa ne bo postavljala v slabši konkurenčni položaj, kot ga imajo tujie banke tako doma kot v tujini.
Skupaj z uvedbo principa medsebojnega priznavanja je bil uveden tudi princip enotnega potnega lista, ki je omogočil bankam poslovanje tudi v drugih državah članicah EU samo s priglasitvijo lokalni centralni banki.

Raziskava Skupine evropskih bank (European Savings bank group) je pokazala 5 področij potencialnih dejavnikov bančne konsolidacije.

**Konsolidacija z namenom ustvarjanja dodane vrednosti za delničarje**

Kadar združevanje ustvari dodano vrednost za delničarje, se managerji odločijo vstopiti v konsolidacijo v veri, da bo predvidena vrednost združenega podjetja presegla vrednost seštevka članov v konsolidaciji.

**Konsolidacija z namenom pridobitve tržne moči**

Konsolidirana enota pridobi pomemben vpliv na trg in poveča svojo možnost vpliva na cene ponudbe, na cene povpraševanja ali oboje. Ta tip združevanja navadno poteka v nasprotju s principi proste konkurence, zato jih zavodi za zaščito konkurence ponavadi preprečijo.

**Konsolidacija z namenom povečanja učinkovitosti**

Drugi tip konsolidacije, ki ustvari dodano vrednost za delničarje, je konsolidacija, ki poveča učinkovitost s pridobitvijo stroškovnih ali prihodkovnih sinergij, izboljšanja x-uchinkovitosti, razpršitvijo rizikov ali kombinacije obojega.

Po študiji ESBG lahko direktorji vstopijo v združevanje iz dejanske želje po povečanju učinkovitosti ali zaradi boljše uporabe njihovih znanj in sposobnosti oz. služenja lastnim interesom.

**Mimikrija**

Nekateri bankirji posnemajo politiko konkurence in tako sprožajo združevanje samo zato, da kopirajo konkurenco in s tem dopuščajo, da ona odloča o tem, kdaj je najboljši čas za združevanja.

**Obrambna strategija**

Kadar postane konkurenca zelo ostra in napeta, začnjenjo močne banke z valom združevanj, ki so lahko katalizator za združevanje manjših bank; slednje lahko postanejo tako velike, da jim je to prevelik zalogaj.

Faktorji, ki spodbujajo integracijo in konsolidacijo bančnega sektorja, so globalizacija, tehnološke spremembe in regulativne reforme. Mednarodne korporacije silijo banke, s katerimi poslujejo, naj ponudijo vse svoje storitve v vseh državah, kjer te korporacije delujejo. Banke morajo torej odpirati nove poslovalnice in izboljševati globalne korespondenčne odnose.
Tehnološke spremembe spodbujajo bančno konsolidacijo (predvsem zaradi napredka v informacijski tehnologiji) v smeri zniževanja stroškov za zbiranje, shranjevanje, obdelovanje in predelavo informacij. To je pospešilo prehod na računalniško obdelavo podatkov.

Tretji faktor, ki spodbuja bančno konsolidacijo, je regulatorna reforma. V 80-ih letih so vlade omejile intervencijo v bančnem sektorju in tako omogočile bankam povečanje učinkovitosti skozi močnejšo konkurenco in povečano konsolidacijo. Dodatno so se napori za dokončanje enotnega trga v Evropski uniji povečali in regulatorji so dovolili operirati bankam v tuji državi pod kontrolo domače države; hkrati je uvedba enotne valute odstranila valutna težave.

Tehnologija je omogočila bankam delovanje na večje razdalje, regulativno okolje je poenostavilo proces konsolidacije, globalizacija pa je priskrbelo ekonomski motiv za združevanje.

Prepreke, ki vplivajo na feasibilnost čezmejne konsolidacije, delimo v dve skupini: nadzorne in pravne.

Banke, ki so sodelovale v raziskavah, so kot glavno nadzorno oviro pri čezmejni konsolidaciji navajale netransparentnost nadzora ter njegovo zlorabo. Glede pravnih ovir so našle pravila o lastništvu in predpisano pravno obliko ter trdile, da države članice omejujejo lastništvo v nekaterih kreditnih institucijah skozi javno lastništvo institucij ali s pomočjo posebnih pravnih aktov. Če je to res, potem to ščiti pomemben delež bančnega sistema pred konsolidacijo ter dobiški, ki jih ta prinaša.

Ovire, ki vplivajo na učinkovitost konsolidacije, delimo na nadzorne, davčne in pravne.

Sodelovanje med domačim in gostujočim bančnim nadzornikom je lahko pomembna ovira, zlasti kadar rezultira v podvajanju nadzora, zahtevah za poročanje in nekonsistentnem pristopu med jurisdikcijami.

Eno od glavnih gonil bančne konsolidacije je zmanjševanje stroškov bančnega poslovanja. Zaradi pomanjkanja pravne jasnosti glede davka na dodano vrednost pri finalnih storitvah je omejena sposobnost banke za centraliziranje in optimiziranje delovne sile. Te ovire zmanjšujejo dobiček z naslova učinkovitosti, ker morajo obdržati davčne specialiste iz vsake davčne jurisdikcije, kjer poslujejo. Tudi transferne cene so lahko problem, ker ni enotne evropske obravnave in jih vsak fiskalni sistem obravnava drugače. Tudi obdavčitev dividend je v vsaki državi članici tretirana drugače.

Zaradi zakonodaje za zaščito potrošnikov, ki se razlikuje od države do države, morajo banke prikrojiti svoje proizvode vsakemu trgu posebej, da ostajajo v okvirih zakonodaje.

Trend konsolidacije v bančnem sektorju se preprekinjeno nadaljuje skozi kar dolgo obdobje. Od leta 2001 se je število kreditnih institucij v evro območju zmanjšalo s 7213 na
6308, oziroma za 6.9 %. Slovenija je doživela največje zmanjšanje števila bančnih institucij, za 63,77 %, ker pa v tem obdobju ni bila članica evro območja, ti podatki niso vključeni.


Vpliv konsolidacije na profitabilnost


Manj konsenza je med znanstveniki glede povečanja učinkovitosti znotraj bank. Bančna konsolidacija teži k izboljšanju učinkovitosti in odpornosti sektorja, prevelika koncentracija pa lahko izpostavi sistem goljufijam in monopolističnemu postavljanju cen, kar zmanjša pozitivne učinke konsolidacije in integracije.

Področja, kjer so pozitivni rezultati konsolidacije najbolj vidni, so odstranitev odvečnih kapacitet, odstranitev neučinkovitih bank, povečanje ekonomij obsega in boljša razpršenost kreditnega portfelja.

Integracija in konsolidacija slovenskega bančnega sektroja


Po razpadu Jugoslavije so vsa nova podjetja dobila znanega lastnika, TOZD-i so se morali privatizirati. Medtem ko so imelo novoustanovljene banke znane lastnike in nobenih obveznosti, povezanih z razpadom Jugoslavije, pa so starim bankam ostale obveznosti do domačih in tujih vlagateljev ne glede na dejstvo, da je bila tuja valuta deponirana v Beogradu. Te banke so imelo v svojih knjigah izjemno velik delež slabih dolgov.

Nedosegljivost depozitov v tuji valuti skupaj s slabimi krediti, hiperinflacijo in gospodarsko recesijo je znatno okrnila sredstva slovenskega bančnega sistema takoj po razdružitvi. To je prisililo Slovenijo v program bančne sanacije po sledečih korakih:
• Odpis izgube v breme bančnega kapitala.

• Zamenjava slabih kreditov za obveznice Agencije za sanacijo bank.

• Prenos dela slabih kreditov z odgovarjajočimi obveznostmi na Agencijo za sanacijo bank.

• Dokapitalizacija bank in prenos njihovega lastništva na Agencijo za sanacijo bank.


Kot del sanacijskega procesa sta bili leta 1994 ustanovljeni NKB d.d. in NLB d.d. Terjatve in obveznosti, povezane z razpadom Jugoslavije z neomejeno solidarnostno odgovornostjo, so ostale v starih bankah, kar je omogočilo NLB d.d in NKB d.d. poslovati kot novima bankama, torej brez obremenjujoče zgodovine.

Gospodarska politika slovenske vlade je v prvih nekaj letih neodvisnosti favorizirala banke in jim s tem pomagala pri obnovi. Stare banke so leta 1997 uspešno zaključile sanacijo. Privatizacija bank kot zaključek procesa sanacije se je začela v začetku leta 2001, ko je belgijska banka KBC za 98 miljard SIT odkupila 34 % delež NLB d.d.

Čeprav je vlada razpisala prodajo 65 % deleža NKB d.d., je kasneje od prodaje odstopila.

**Obdobje konsolidacije**


Število državnih bank se je s 3 zmanjšalo na 2, bančna sredstva pa so narasla z 2350 mlrd SIT na 8080 mlrd SIT v letu 2006.

Priključitev k Evropski uniji je slovenskim bankam prinesla nekaj priložnosti in nekaj groženj: slovenski državljani lahko odpirajo račune kjer koli v Evropski skupnosti, poleg tega pa lahko vsaka bančna institucija z evropsko licenco ponuja ekvivalentne bančne storitve v Sloveniji in o svojem namenu le obvesti Banko Slovenije.

Do konca prvega četrтletja leta 2007 je kar 142 evropskih bank o tej nameri obvestilo banko Slovenije. To je za več kot 6-krat povečalo število bank, ki lahko poslujejo v Sloveniji; v manj kot treh letih je število naraslo z 22 v letu 2004 na več kot 160 v letu 2007.

Prezvem evra za Slovenijo pomeni trajno zaščito pred valutnimi nihanji, kajti več kot 60 % izvoza Slovenije gre v države, ki že uporabljajo evro kot svojo valuto. Slovenija je na ta način prvič dobila priložnost zahtevati uvozne ponudbe v domači valuti. S tem je prenesla valutni riziko na izvoznika v tretji državi. Vsi ti razlogi povečujejo stabilnost slovenskega domačega gospodarstva.

Na drugi strani je Slovenska centralna banka izgубila možnost določati devizni tečaj ter s tem izgубila ključni mehanizem za zaščito domačega gospodarstva pred tujimi šokmi. Ker pa je imela Slovenija že do sedaj zelo odprto gospodarstvo z večino izvoza v dežele evro območja, je imela svoj poslovni cikel v glavnem sinhroniziran s temi državami, predvsem z Nemčijo in Avstrijo, zato izguba omenjenega ščita ne pomeni veliko v primerjavi s pridobitvijo veliko večjega ščita ECB.

Banka so izgubile donosne instrumente v domači valuti ter donosne menjalne posle.

Ker je plačilni sistem evro območja razdobljen, je Evropsko združenje bančne industrije začelo s projektom SEPA, da bi poenostavilo plačilne tokove. S pridružitvijo k evru se je Slovenija strinjala sodelovati v sistemu SEPA. Slovenske banke, ki so pred kratkim spreminjale plačilne sisteme, lahko konkurirajo evropskim bankam na tem področju.

Glede na poročilo ECB vstop tujih bank poveča konkurenčnost na domačem tržišču in prisili domače banke v izboljšanje kvalitete storitev. Tudi empirični podatki kažejo, da se stopnja rasti dobičkonošnosti bank v Sloveniji znižuje. Glede na že omenjeno dejstvo, da je 142 evropskih bank obvestilo Banko Slovenije o izvajanju storitev v Sloveniji, to sploh ne preseneča.

Pogoji, pod katerimi delujejo banke v Sloveniji, so sledeči:

- Slovenski bančni sektor ima še vedno velik potencial za rast.

- Glede na majhnost bank na domačem trgu so stroški osvajanja velikih tujih trgov preveliki, zato je domači trg za razvoj bank še toliko bolj zanimiv.
• Samo peščica bank je dovolj močna za širitev na trge JV Evrope.

• Širitev na rastoče trge Indije, Kitajske, Brazilije ali Turčije ni ekonomsko upravičljiva.

Banke v tujem lastništvu so odvisne od strategije matičnih bank, ki nočejo, da bi si njihova hčerinska podjetja v različnih državah medsebojno konkurirala. Hčerinsko podjetje v Sloveniji tako ne bo konkuriralo hčerinskemu podjetju iste banke na Madžarskem.

Prijazno bančno okolje v preteklosti delno razloži pomanjkanje ambicij za širitev.

Raziskava EF v Ljubljani je nakazala možnost, da se bo konkurenca med bankami v naslednjih letih močno povečala in da šibkejše banke tega boja ne bodo zdržale.

Učinkovitost v procesiranju bančnih transakcij postavlja slovenske banke v dober položaj za pridobivanje novih strank v Evropski skupnosti, ki trenutno niso zadovoljne s hitrostjo izvrševanja transakcij v svojih državah.

Ključne besede: bančni sektor, evropski bančni sektor, slovenski bančni sektor, integracija, prevzemi, združitve, tranzicija, slovenske banke, prihodnost slovenskih bank, načrti slovenskih bank
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