Current state and future prospects for the CEE financial sector

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Current state of the CEE financial sector

- Strong potential for further development
- Comparatively small markets
- Not one model fits all
- Central and Eastern European MS
- Largely bank based
- High level of foreign participation
- Integration through - Establishment - Cross-border provision of services - EU membership
- But insurance, stock exchanges, funds developing fast
- European Commission
  Internal Market & Services DG
Comparatively small financial sectors in the new Member States

- **In terms of population:**
  16% of EU25 population

- **In terms of financial assets**
  1.3% of total assets of EU25 credit institutions
  Less than 0.5% of net assets of UCITS and investment funds

- **In terms of insurance premium:**
  1% of total EU25 life gross premium
  3% of total EU25 non-life gross premium
Not one model fits all

Bank loans

2003-figures

Source: ECB, Eurostat
Outstanding debt securities

2003-figures

Source: ECB
Market capitalisation

as a percentage of GDP

2003-figures

Source: FESE
Largely bank-based

Bar chart showing:
- Bank Loans: 30% of GDP
- Bank Assets: 60% of GDP
- Outstanding Debt Securities: 30% of GDP
- Stock Market Capitalisation: 10% of GDP
But insurance, stock exchanges and funds growing fast

Growth of insurance business
Growth rate 04/03, adjusted for inflation

Stock market capitalisation 2002-04
Integration through establishment

On average, high levels of foreign, mainly EU15, presence

+ increased level of integration
- potential risks from a financial stability perspective
  supervisory issues
Integration through establishment

Total value of intra-EU deals by geographical region, excluding domestic deals (in € billion)

<table>
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<tr>
<th>Acquirer</th>
<th>EU 15 (ex. NC/Ben)</th>
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- EU 15 (ex. NC/Ben): 64.4
- Benelux: 10.2, 5.2, 3.6
- Nordic Countries: 6.4, 6.8, 0.4, 0.5
- Central Europe: 0.1
- Baltic States: 0.1
- Malta Cyprus: 0.1
Integration through cross-border activity

- Initially modest levels of financial development
- High levels of foreign presence in domestic markets
- Cross border loans
- Listings on foreign stock exchanges
Integration through EU membership

- Participation in EU regulatory and supervisory structures
- Complying with EU convergence criteria in view of euro participation
- Transposition and implementation of EU financial services acquis
Integration through transposition of EU legislation

Last update: 7 November 2005
Future prospects: Banking potential

[Graph showing GDP per capita in '000 EUR on the x-axis and domestic credit as a % of GDP on the y-axis for various countries including EU25 and euro area with notes for domestic credit as a % of GDP and GDP per capita in '000 EUR.]
Stock exchange potential

GDP per capita in '000 EUR
Check our web-site

Web-site: http://europa.eu.int/comm/internal_market/index_en.htm

Financial Integration Monitor http://europa.eu.int/comm/internal_market/finances/fim/index_en.htm

Cross Border Mergers http://europa.eu.int/comm/internal_market/finances/cross-sector/index_en.htm

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