THE EUROPEAN BANKING SYSTEM BEFORE AND AFTER THE CRISES

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Abstract

The European banking system is not isomorphic. The differences can be traced to the differences in their local economy development, legal origin, ownership status, corporate governance system, etc. The 2008 crisis has found the banking system of Europe in a transition status. The adoption of Euro, the establishment of the European Central Bank, the Basil III initiative, the adoption of legal isomorphism as policy in E.U., and finally the crises have been creating a unique environment for the banking system.

The paper will address the issue of convergence of the banking system in Europe using a set of data from 27 countries of Europe. The analysis shows that the banks haven't changed their financial and ownership structure. Some changes in strategy are not adequate to formulate the opinion that the banking sector in Europe is different than the one before it.

Keywords: Banking System, Crisis, Europe

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1. Introduction

The paper is a first approach to a research program that emphasizes in studying the main differences of the banking system of Europe, its characteristics and particularities. The paper will present the historical evolution of the banking system and analyze the main drivers this evolution.

During the last decade a great number of events have forced the banking system in Europe to transform, to adapt to a new financial, economic, political and social environment. Two financial crisis, (2001-2002 and 2008-2009), two voluntary attempts to voluntary regulate the financial system (Basel II and III), the introduction of the Euro and the establishment of the European Central Bank, several regulation attempts to create an isomorphic legal environment (Lazarides 2011, 2010), financial scandals of 2001-2002, 2008 and the globalization of the financial sector are some the events that created a new environment for the financial sector.

Whether these changes have created enough momentum to change the basic differences that Shleifer and Vishny (1997) have noted (orientation, ownership concentration and time horizon of economic relationships) and whether these changes will lead to an isomorphic and more financially stable banking system is the research questions of the paper.

2. Data and Approach

The data were collected from Bankscope. The data cover the period from 2004 to 2011, the twenty seven (27) European Union countries and the only commercial and cooperative banks. The total number of banks collected was 4.573. After the analysis of outliers the sample was reduced to 4.536 banks (2.873 active and 1.663 inactive).

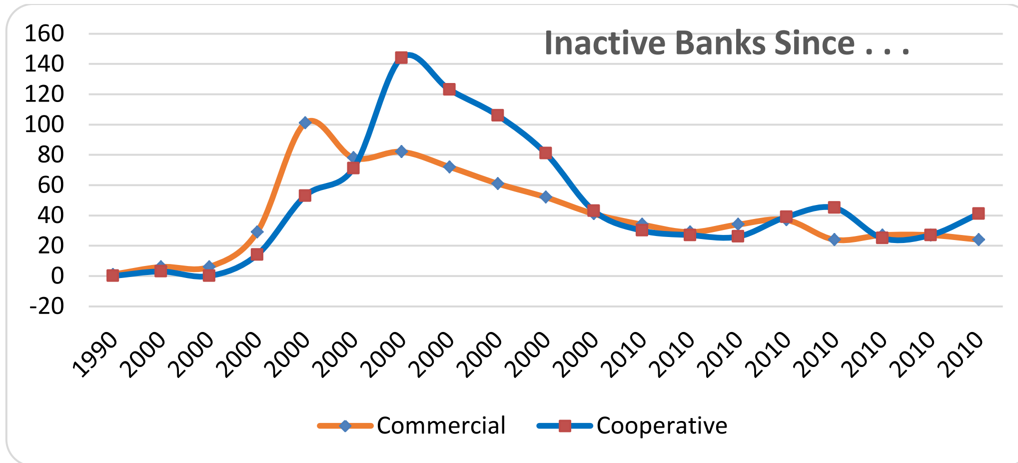
The data were compiled using two different dimensions: a) location and b) time. The location dimension was analyzed into three categories: a) PIGS (Portugal, Ireland, Greece, and Spain), b) North – South (Greece, Cyprus, Italy, Portugal, Spain, and Malta), c) corporate governance system (Anglo-Saxon system: United Kingdom, Cyprus, Malta, and Continental Europe). The time dimension was analyzed into three categories: a) last year of data (2011 or the adoption of Basel III accord), b) the average of the last three (3) years (2011-2009, the time period after the 2008 crises) and c) the average of the last eight (8) years (2011-2004 or the adoption of Basel II accord).

The selection of the categories is not arbitrary. It is based on the questions that are posed by economists, policy makers and researchers. The main questions are: a) did the Basel accord contribute to risk mitigation? b) Are there fundamental differences between the banking systems of Europe? c) Is there a convergence - divergence trend?

3. The Banking System of Europe before the crises of 2008

The banking system of Europe has gone through two decades of turbulence. Through the 1990's a wave of mergers, liquidations and bankruptcies has swept the sector. This wave was at its peak the last years of the 1990's and the 2000-2004 period. Since then the number of exits form the sector has been relatively stable (see Figure 1). It is notable that the cooperative banks suffered more than the commercials. This fact can be attributed to their smaller size, ownership structure, management efficiency, etc.

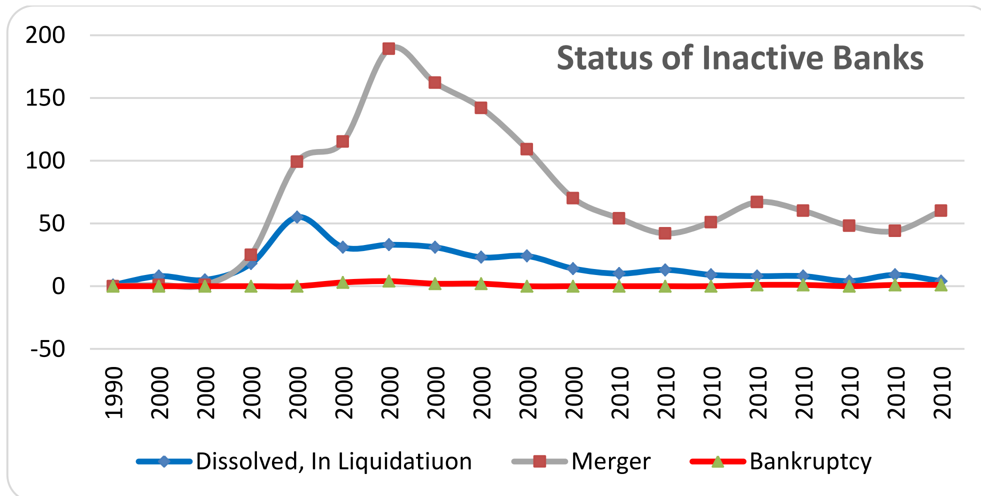
Figure 1. Inactive Banks



Source: Bankscope

The analysis of the exits form the sector (see Figure 2) shows that the majority of the exits are caused by mergers. Bankruptcies take place in three distinctive periods (1999-2002, 2008-2009 and 2011-2012). These periods are the same with the ones that scandals or crises take place, and they must be direct or indirect result of these failures (in regulation, ethics, corporate governance, risk management, financial management, etc.).

Figure 2. Status of Inactive Banks



Source: Bankscope

The explanation of the merger wave of 1998-2004 can have two separate causes. The first one (before 2001) is the consolidation of capital – assets and the acquisition of market share or achievement of competitive advantage, due to the greatest bull market ever and the continuous development of the financial sector. The second (after 2001) one can be attributed to the uncertainty of the market after the crises of 2001-2002.

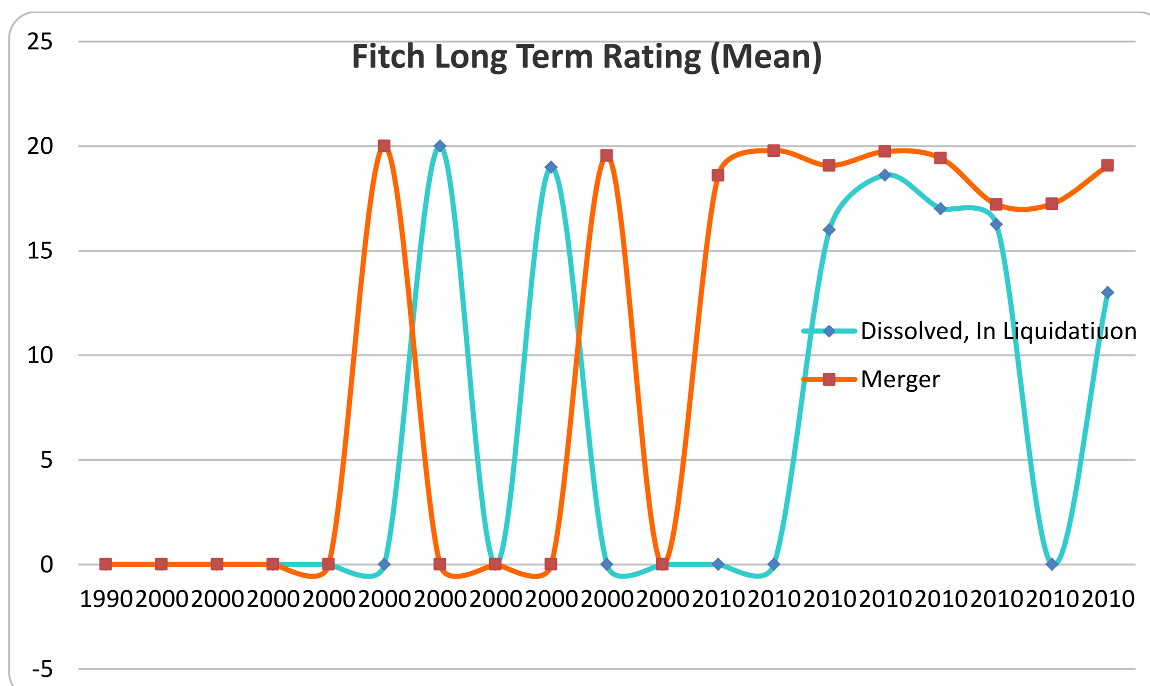
To elaborate on the climate and expectations of the market during this period a numerical ranking of the ranking scale of Fitch has been drafted (see Table 1) in order to compare the rankings and to create an overall index of the market's expectation of the banks

that were merged. As shown in Figure 3 the average of the Long Term Rating is above 16 (the average for the dissolved banks is 17,31, i.e. A- and for the merged banks is 18,85, i.e. A). In both cases the ranking is high and hence the merging banks had a relatively good bargaining position.

Table 1. Fitch Rating Scale

Fitch Ranking	Description	Numerical Rank
AAA	Investment grade rating, Highest credit quality	24
AA+	Investment grade rating, Very high credit quality	23
AA	Investment grade rating, Very high credit quality	22
AA-	Investment grade rating, Very high credit quality	21
A+	Investment grade rating, High credit quality	20
A	Investment grade rating, High credit quality	19
A-	Investment grade rating, High credit quality	18
BBB+	Investment grade rating, Good credit quality	17
BBB	Investment grade rating, Good credit quality	16
BBB-	Investment grade rating, Good credit quality	15
BB+	Speculative grade rating, Speculative	14
BB	Speculative grade rating, Speculative	13
BB-	Speculative grade rating, Speculative	12
B+	Speculative grade rating, Highly speculative	11
B	Speculative grade rating, Highly speculative	10
B-	Speculative grade rating, Highly speculative	9
CCC+	Speculative grade rating, Substantial credit risk	8
CCC	Speculative grade rating, Substantial credit risk	7
CCC-	Speculative grade rating, Substantial credit risk	6
CC	Speculative grade rating, Very high levels of credit risk	5
C	Speculative grade rating, Exceptionally high levels of credit risk	4
DDD	Default	3
DD	Default	2
D	Default	1
WD	Rating withdrawn	-1
NR	Not rated	0

Figure 3. Fitch Long Term Rating



The merger – liquidation wave of 1998-2004 has create a more concentrated market (from 4.500 banks in Europe in 1994, in 2012 have been reduced to 2.873). A third of the banks (36,73%, see Table 2)

didn't manage to adapt to the new environment or their strategy to the challenges of the market was to seek safety in size and in cooperation with other banks. This hypothesis is supported by the fact that the vast majority of the banks that were merged or dissolved, were single location banks (meaning that the smaller banks in equity and capital were the targets for mergers) (see Table 3).

The wave didn't affect at the same extend all countries. Germany, Italy France, Spain, Luxemburg and UK had the largest reduction in the number of active banks (see Table 2). Especially, in Germany and Italy the percentage of financial market restructuring is very high (16.25% and 6.07% respectively).

Although the data used per se do not reveal the nature of these mergers, Martynova and Renneboog (2006) reveal that a small portion of merger activity involves transatlantic parties (bidders or targets). Even the majority of Intra-European activity is not cross border. On the contrary the majority of the merger activity in Europe (about 80%) is observed within national borders. "Fragmented and mostly domestically-oriented European companies resorted to takeover deals as a tool to survive the tougher regional competition created by the new market" (Martynova and Renneboog, 2006). The finding of the two researchers strengthens the argument that the merger activity in Europe aimed at achieving competitive advantage, to create economies of scale and to obtain larger market share.

Table 2. Dissolves – Mergers by Country

Country	No of Dissolves - Mergers	% of Dissolves - Mergers	Reduce of No of Banks in each country
AUSTRIA	26	1,6%	0,57%
BELGIUM	42	2,5%	0,93%
BULGARIA	6	0,4%	0,13%
CYPRUS	5	0,3%	0,11%
CZECH REPUBLIC	16	1,0%	0,35%
DENMARK	25	1,5%	0,55%
ESTONIA	6	0,4%	0,13%
FINLAND	5	0,3%	0,11%
FRANCE	171	10,3%	3,78%
GERMANY	736	44,3%	16,25%
GREECE	13	0,8%	0,29%
HUNGARY	12	0,7%	0,27%
IRELAND	14	0,8%	0,31%
ITALY	275	16,5%	6,07%
LATVIA	9	0,5%	0,20%
LITHUANIA	4	0,2%	0,09%
LUXEMBOURG	71	4,3%	1,57%
MALTA	2	0,1%	0,04%
NETHERLANDS	26	1,6%	0,57%
POLAND	23	1,4%	0,51%
PORTUGAL	14	0,8%	0,31%
ROMANIA	8	0,5%	0,18%
SLOVAKIA	11	0,7%	0,24%
SLOVENIA	11	0,7%	0,24%
SPAIN	65	3,9%	1,44%
SWEDEN	7	0,4%	0,15%
UK	60	3,6%	1,33%
Total	1.663	100,0%	36,73%

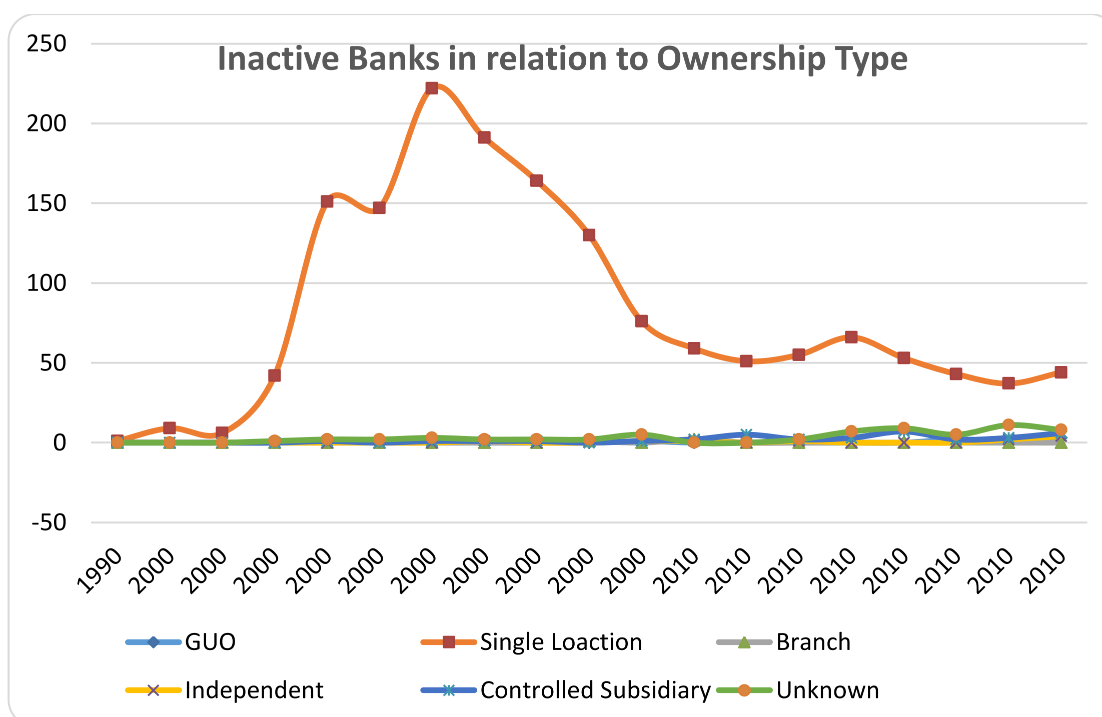
Source: Bankscope

Table 3. Entity –Ownership Status of Inactive Banks

Year	GUO*	Single Location	Branch	Independent	Controlled Subsidiary	Unknown
1994		1				
1995		9				
1996		6				
1997		42				1
1998		151			1	2
1999		147				2
2000		222			1	3
2001		191		1	1	2
2002		164			1	2
2003		130	1			2
2004	1	76		1	1	5
2005		59	2	1	2	
2006		51			5	
2007		55		1	2	2
2008		66			3	7
2009		53			7	9
2010	2	43			2	5
2011	1	37		2	3	11
2012	3	44		4	6	8
Total	7	1547	3	10	35	61

Source: Bankscope
** GUO - Global Ultimate Owner (ownership of at least 50.01%)*

Figure 3. Inactive Banks in Relation to Ownership Type



Source: Bankscope

Financially (see Table 4), the dissolved or merged banks presented a wide spectrum of values on the selected three ratios (Total Capital Ratio, Equity to Net Loans and Growth of Gross Loans). No pattern seems to present itself (eg. Low TCR values). A hypothesis is that there are market formulating factors that differ from country to country (eg. Growth of gross loans is quite different from country to country).

Table 4. Inactive Banks (Ratios)

Country	Dissolved, In Liquidation			Merger			Bankruptcy			Average of TCR	Average of ENL	Average of GGL
	TCR*	ENL*	GGL*	TCR	ENL	GGL	TCR	ENL	GGL			
Austria	9,43	56,24	89,76	13,47	26,66	22,09				12,46	38,49	53,11
Belgium	15,02	61,59	-21,00	11,25	61,03	-0,39				13,13	61,23	-8,53
Bulgaria		286,29	-36,79	13,76	24,03	106,46		85,91	-23,27	13,76	78,05	60,96
Cyprus		176,15	105,57		-18,06	-9,71					137,31	82,51
Czech Republic	10,60	107,16	-27,19	16,67	14,15	21,86				13,64	60,66	-5,73
Denmark	11,50	9,61	27,76	18,34	38,95	9,47	13,80	5,93	-8,48	16,63	30,29	10,25
Estonia	27,29	43,52	54,03	12,91	15,08	119,16	18,40	18,94	47,49	19,76	29,94	74,65
Finland	11,40	11,75	-4,04	13,03	12,83	22,48				12,70	12,62	17,18
France	10,95	69,99	-10,41	16,11	22,92	7,70				14,32	40,22	1,19
Germany	13,97	58,79	-2,37	16,11	12,73	2,69		9,20	7,04	16,05	16,05	2,31
Greece	7,48	3,53	-1,08	9,65	24,81	35,45				8,93	23,17	32,64
Hungary		35,43	35,04	14,88	53,96	37,06				14,88	48,26	36,44
Ireland		29,48	17,03	11,90	29,63	18,63				11,90	29,53	17,52
Italy	18,32	25,58	7,11	17,76	30,51	16,22				17,80	30,13	15,46
Latvia	47,02	241,75	10,41	32,05	54,81	7,31	18,13	171,43	380,00	38,61	162,86	50,44
Lithuania	16,80	8,24	38,04	16,38	25,61	174,58				16,52	16,92	106,31
Luxembourg	60,97	108,76	-8,23	55,19	101,58	-12,19				57,11	104,21	-10,74
Malta				23,40	283,15	55,78				23,40	283,15	55,78
Netherlands	22,55	116,47	-11,42	19,56	17,96	28,02	22,60	139,27	16,58	20,42	55,85	13,36
Poland		65,91	9,02	10,57	21,65	42,86		96,67	-34,48	10,57	29,08	36,26
Portugal		189,41	-77,47	11,00	11,99	10,85				11,00	24,66	4,54
Romania	51,40	52,72	291,42		-13,05	23,31	23,04	53,13	68,68	32,49	19,94	101,68
Slovakia		16,37	131,18	11,89	22,00	24,05	10,20	20,30	51,80	11,33	20,51	43,09
Slovenia		14,66	-39,85	22,85	32,89	6,59				22,85	31,06	-1,85
Spain		119,97	43,25	10,80	26,04	4,29				10,80	39,90	10,98
Sweden				25,37	84,14	-13,92				25,37	84,14	-13,92
UK	49,75	104,92	-8,28	10,10	30,55	13,29				41,82	76,32	-0,71
Total	23,22	75,93	4,42	17,69	23,61	8,14	17,42	47,70	44,51	18,36	32,86	7,79

Source: Bankscope
** TCR = Total Capital Ratio, ENL = Equity / Net loans, GGL = Growth of Gross Loans*

4. The Banking System of Europe after the Crises of 2008

The map of the financial sector in Europe after fifteen years of turbulence (positive or negative) has changed dramatically, but the factor of spatial dispersion of the sector remains the same. Germany has the largest number of banks (almost the 40% of the total number), followed by Italy (18.62%), France (7.45%), Austria (6.68), UK (4.8%) and Spain (4.18). The largest economies of the EU have the largest number of banks. In terms of total equity (TE) and interest income on loans (IIL) the European market has different variance. Using these ratios as classification factors, France (26%) has the largest banking sector in Europe, followed by Germany (14.25%). The concentration of equity capital and income from loans is different from the concentration of banks (as institutions). That means that there is a difference in size and hence a difference in importance.

Table5. Active Banks, Ratios and Specialization

Country	Specialization		Total	Com-mercial %	Coope-rative %	Total Number %	TE %	IIL %
	Com-mercial	Cooper-ative						
Austria	75	117	192	6,69%	6,68%	6,68%	2,91%	2,53%
Belgium	31	8	39	2,77%	0,46%	1,36%	4,43%	4,06%
Bulgaria	19	2	21	1,69%	0,11%	0,73%	0,26%	0,27%
Cyprus	19	2	21	1,69%	0,11%	0,73%	0,40%	0,85%
Czech Republic	19	2	21	1,69%	0,11%	0,73%	2,78%	2,45%
Denmark	42	10	52	3,75%	0,57%	1,81%	3,16%	3,97%
Estonia	7		7	0,62%	0,00%	0,24%	0,22%	0,05%
Finland	10	2	12	0,89%	0,11%	0,42%	2,19%	1,18%
France	127	87	214	11,33%	4,97%	7,45%	26,25%	25,76%
Germany	130	998	1128	11,60%	56,96%	39,26%	11,17%	14,25%
Greece	12	1	13	1,07%	0,06%	0,45%	0,33%	0,74%
Hungary	30	1	31	2,68%	0,06%	1,08%	0,78%	0,89%
Ireland	12	1	13	1,07%	0,06%	0,45%	1,72%	1,40%
Italy	92	443	535	8,21%	25,29%	18,62%	9,16%	9,19%
Latvia	22		22	1,96%	0,00%	0,77%	2,05%	1,37%
Lithuania	12		12	1,07%	0,00%	0,42%	0,54%	0,72%
Luxembourg	72	2	74	6,42%	0,11%	2,58%	2,51%	1,88%
Malta	9	1	10	0,80%	0,06%	0,35%	0,20%	0,05%
Netherlands	34	1	35	3,03%	0,06%	1,22%	6,30%	7,18%
Poland	49	2	51	4,37%	0,11%	1,78%	2,46%	2,76%
Portugal	26	2	28	2,32%	0,11%	0,97%	1,27%	1,54%
Romania	25	2	27	2,23%	0,11%	0,94%	1,05%	0,76%
Slovakia	13		13	1,16%	0,00%	0,45%	0,37%	0,31%
Slovenia	18	2	20	1,61%	0,11%	0,70%	0,24%	0,26%
Spain	55	65	120	4,91%	3,71%	4,18%	5,22%	5,32%
Sweden	23	1	24	2,05%	0,06%	0,84%	1,33%	1,30%
UK	138		138	12,31%	0,00%	4,80%	10,70%	8,97%
Total	1121	1752	2873	100,00%	100,00%	100,00%	100,00%	100,00%

Source: Bankscope

Table 6. Active Banks, Ownership status as per spatial dimensions

Entity type	Cont. Europe	Anglo-Saxon	North	South	No PIGS	PIGS	Total
GUO	18,97%	5,33%	20,13%	12,38%	18,01%	20,69%	18,17%
Single Location	21,86%	13,61%	27,03%	4,68%	22,45%	4,60%	21,37%
Branch	1,63%	1,78%	1,68%	1,51%	1,33%	6,32%	1,64%
Independent	29,84%	1,78%	16,54%	62,59%	27,94%	32,18%	28,19%
Controlled Subsidiary	27,55%	77,51%	34,44%	18,84%	30,12%	36,21%	30,49%
Unknown	0,15%	0,00%	0,19%	0,00%	0,15%	0,00%	0,14%
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Source: Bankscope

As expected, ownership is more dispersed in the Anglo-Saxon corporate governance system. Only 5,33% of the banks have ownership concentration higher than 50,01%, whereas in the Continental Europe system ownership concentration above the threshold of 50.01% is 18.97% (see Table 6). This finding is in accordance with the one that Franks et el. (2008) reported (UK ownership concentration is 18%, Germany 43% and Italy 68%). On the other hand the difference of ownership concentration between North and South is also substantial. Countries that were ranked to the Anglo-Saxon corporate governance system seem to have the majority of their banks to be controlled subsidiaries (77.51%). PIGSs' banks are very close to the average of every type of ownership[10].

Another important factor for the evolution of the financial sector is the corporate governance structure. Bankscope provides data about the committees working in every bank, through data given for the members of the board of directors. Using this information an index was constructed. The index of Good Corporate Governance Practices is calculated as the sum of the number of committees (remuneration, nomination, risk management, etc.).

Table 7 presents the average of the Good Practice Index for every dimension of the study. The highest numbers are calculated for the banks which have a major controlling shareholder or they are controlled subsidiary. One finding worth mentioning is the high average for the Continental Europe corporate governance system (mainly because some committees are legally mandatory) whereas for the Anglo-Saxon corporate governance system (voluntary adoption of good practices) the average of the index low.

In order to test the hypothesis that there was a change in financial management during the last eight (8) years, a number of ratios have been selected and calculated (see Table 8). NLTA's analysis shows that the banks of countries of the Continental Europe corporate governance system have higher average than the ratios calculated for the Anglo-Saxon countries. Continental Europe countries' are more exposed to loan risk. There was no significant change through time. Hence, the legal, events (scandals) or other initiatives didn't have significant impact in improving this ratio, but it seems that has an impact on the GGL ratio. The ratio seems to be getting smaller through time. The banks reduced their loan growth, in order to maintain the level capitalization of their business.

The ratio ETA (Equity / Total Assets) in the Anglo-Saxon, South and PIGS countries is significantly higher than in the ones of the Continental Europe. The central Europe's economies have lower levels of ETA. The same can be said for the ENL, Tier and TCR ratios. Banks with higher ENL, ETA, Tier and TCR ratios are considered to be better situated to handle risks (operational, credit risk) and have better capital adequacy and they have lower levels of leverage. These ratios do not appear to change through time in every spatial dimension used in this paper.

Finally, the return ratios (ROA and REP) reveal significant differences between Anglo-Saxon and Continental Europe countries (the difference may be attributed to higher leverage levels in central Europe banks). All ratios do not appear to change through time in every spatial dimension used in this paper.

10 Bankscope does not provide historical data for ownership. The only data given is for the last year of entry and can only be used to classify the sample and to make panels.

Table 7. Active Banks, Good Practice Index

	GUO	Single Location	Branch	Independent	Controlled Subsidiary	Unknown	Total
North	1,75	1,10	0,58	1,59	1,25	0,75	1,35
South	0,52	0,03	0,00	0,04	0,37		0,16
Cont. Europe CG	1,56	1,08	0,48	0,72	1,19	0,75	1,08
Anglo Saxon CG	0,33	0,09	0,00	0,00	0,69		0,57
Not PIGS	1,60	1,05	0,56	0,77	1,17	0,75	1,10
PIGS	0,69	0,13	0,09	0,04	0,40		0,31
Total	1,53	1,04	0,45	0,72	1,11	0,75	1,05

Source: Bankscope

Table 8. Active Banks, Ratios

Ratios*	No	Not PIGS	PIGS	North	South	Cont. Europe CG	Anglo Saxon CG
NLTA	2833	60,24	56,82	54,70	58,88	57,94	40,99
NLTA 3	2841	57,75	55,80	54,48	60,12	56,28	50,01
NLTA 8	2846	57,53	55,75	54,85	58,81	56,30	48,82
ETA	2848	10,55	13,86	10,02	12,91	10,37	16,86
ETA 3	2865	10,52	14,50	10,08	12,78	10,36	17,13
ETA 8	2865	10,50	14,21	9,85	13,30	10,35	16,58
GGL	2802	8,48	1,39	8,74	6,07	7,96	9,99
GGL 3	2813	10,35	6,84	9,69	11,51	9,28	25,17
GGL 8	2815	13,08	14,30	12,16	16,07	12,12	30,69
EL	2845	16,27	21,16	16,13	17,80	15,29	37,32
EL 3	2855	16,87	34,47	16,79	21,23	16,85	35,36
EL 8	2858	16,85	31,61	16,57	21,13	16,55	36,81
TIER	1231	15,03	11,50	13,64	16,44	14,79	18,46
TIER 3	1323	15,25	11,63	13,81	16,77	15,07	16,02
TIER 8	1380	15,46	11,16	13,55	17,67	15,18	17,71
TCR	1745	17,97	15,78	17,83	18,09	17,70	24,85
TCR 3	1745	17,77	15,45	17,37	18,42	17,53	23,16
TCR 8	1747	17,93	15,20	17,27	19,22	17,59	23,56
ENL	2781	26,45	38,14	27,43	26,24	25,35	59,57
ENL 3	2833	29,36	45,01	17,51	25,09	27,74	74,02
ENL 8	2838	29,86	40,86	16,63	26,08	28,29	68,78
ROA	2867	0,22	-0,10	0,27	0,01	0,23	-0,23
ROA 3	2873	0,27	0,01	0,20	0,19	0,22	-0,14
ROA 8	2872	0,34	0,35	0,31	0,43	0,37	-0,02
REP[11]	2867	1,06	1,04	1,13	0,88	1,09	0,69
REP 3	2872	1,04	1,04	1,07	0,93	1,05	0,74
REP 8	2872	1,08	1,14	1,09	1,08	1,11	0,69

Source: Bankscope

** NLTA = Net loans / Total Assets, ETA = Equity / Total Assets, GGL = Growth of Gross Loans, EL = Equity / Liabilities, TCR = Total Capital Ratio, ENL = Equity / Net Loans, ROA = Return on Assets, REP = Recurring Earnings Power. The number 3 indicates that it is the average of three years and the number 8 that it is the average of eight years.*

[11] Recurring Earning Power: is the ratio of Profit before Taxes plus Loan Loss Provision minus Income from Associates and minus Exceptional Income to Average Assets

The recent developments of the 2008-2009 crises have created a spatial division of Europe. The financial market handles risk by trying to detect it. Fitch is one of the main ranking agencies. Table 9 and 10 depict the way that Fitch ranked and approached the European financial market. On average the PIGS banks were ranked 14 times and ranked lower than Not PIGS banks. Furthermore, Fitch focused more on the Anglo-Saxon countries banks (15,29 average times). The fact of higher count of rankings can be explained by the interest of the market participants (due to more developed and efficient markets) and their total assets (22% of the total assets of the European banking sector). Overall, the countries that have a large banking sector (in terms of assets and equity) receive better rankings (see Table 10).

Table 9. Active Banks, Fitch ratings (average) per Corporate Governance System

	Cont. Europe		Anglo Saxon	
	Average Ranking	Average Count	Average Ranking	Average Count
Not PIGS	19,68	9,90	17,88	15,29
PIGS	17,20	14,00		
Total	19,62	10,00	17,88	15,29

Table 10. Active Banks, Fitch ratings (average) per Ownership type

Country	GUO	Single Location	Branch	Independent	Controlled Subsidiary	Unknown	Total
Austria	19,00	19,00		19,00	18,44		18,90
Belgium	16,88				20,76		20,11
Bulgaria	12,00				16,20		15,50
Cyprus	15,45				13,40		13,91
Czech Republic					18,50		18,50
Denmark	20,39				19,64		19,83
Estonia					17,15		17,15
Finland					19,90		19,90
France	19,03	19,63	20,86		19,94		19,91
Germany	19,99	19,98		19,99	19,62	20,00	19,98
Greece	16,71				14,33		15,92
Hungary					15,52		15,52
Ireland	20,43				17,95		18,45
Italy	17,44				16,74		17,17
Latvia					11,74	10,86	11,45
Lithuania	11,00	10,56			14,17		12,81
Luxembourg		21,00			19,80		19,98
Malta							
Netherlands	22,88		21,05		17,82		18,51
Poland					17,75		17,75
Portugal	18,42				15,19		16,12
Romania	12,00				15,18		14,72
Slovakia					16,25	16,21	16,23
Slovenia	14,40				17,50		15,73
Spain	18,34	15,00			16,84		17,56
Sweden	20,00		21,00				20,50
UK		18,00	21,45		18,37		18,47
Total	19,68	19,83	21,09	19,98	18,25	15,69	19,58

5. Conclusions

The paper presented a description of the banking sector using three spatial and three time dimensions. The analysis showed that there are (still) significant differences among the countries or spatial dimensions. These differences didn't change through time. So, the convergence in Europe is still a challenge for the banking sector. Legal convergence failed to have the same effect on the financial and ownership structure of the banks. One finding that is significant is the high ownership concentration. The main reason is perhaps that "ownership concentration in banks remains a desirable internal regulatory mechanism" (Sanya and Wolfe, 2011, p. 12).

Financially, capital adequacy and solvency didn't improve, despite the alarming events that took place during the last 10-12 years. Banks have become more restrained in their credit expansion (probably because they were obliged to do so, due to stricter regulation). There are no evidence of financial development or the possibility of reaching the previous levels of profitability and activity (see for example the GGL and ROA ratio).

The strategy during the last 6-8 years, although, seems to be different. The activity of mergers from 2008-2011 hasn't changed. In times of crises (whereas in the period of 1999-2002 the activity boomed) the banks chose a less riskier strategy, downsizing.

Further research

The data collected is extensive and the hypothesis too provocative to be left to a descriptive analysis. Further research, in the form of econometric panel data models, is planned in order to establish the relations between the variables discussed in the current paper.

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