



NATIONAL BANK OF SLOVAKIA

Working paper 5/2008

## **The impact of the Euro introduction on banking sector \***

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### **Abstract**

In this paper we analyse balance sheet and profit & loss account of the EU banking sector on an aggregate level. Factors of banking profit and effects of the Euro introduction are identified by means of panel regressions. Possible impacts on the Slovak banking sector resulting from the Euro adoption are quantified as well. During the whole estimation period the profits of the banking sector were a function of a share of bank assets on GDP and long term interest rate. The introduction of Euro was followed by an autonomous drop in banking profits, compensated by emerging positive effects of openness and changes in the ratio of financial investment to GDP. We have estimated positive impacts of the Euro introduction on Belgian banking sector, mixed on Netherlands and negative on the rest of analyzed countries. We expect rather positive effects for Slovakia with respect to its high degree of openness, however if openness and the ratio of financial investment to GDP evolve in unfavorable way, the introduction of Euro could have negative influence on the profit of the Slovak banking sector.

Key words: banking sector, balance sheet, profit, Euro adoption, openness

JEL classification: G21

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\* We would like to thank Štefan Rychtárik and Jarko Fidrmuc for their valuable comments and suggestions.