THE GLOBALIZATION OF THE BANKING AND FINANCIAL CRISIS ON INTERNATIONAL LEVEL

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ABSTRACT: *The very high exposure of the American banks during the past years, by investments on the real estate market and on those markets related to it, has generated the current financial crisis. Many investment banks and insurance companies have become casualties of the financial crisis, being purchased by other banks or taken over by the government in order to prevent bankruptcy. This paper presents the effects generated by the extension of the USA financial crisis into other states economies. The research consisted in presenting the assembly of the actions taken by the world states governments for saving or restructuring the financial systems. Based on country risk assessment, the paper also presents the situation of the best banks from the economies of the world countries, recently affected by this strong financial crisis.*

KEY WORDS: *globalization; financial crisis; banking; financial resources; nationalized banks*

JEL CLASSIFICATION: *M31, G21, G01*

Well known banks from the United States and Europe become one by one casualties of the financial crisis. Many of them have reached the point of being helped by the government in order to avoid bankruptcy, being practically nationalized. Others have been taken over by competitors for insignificant prices.
The financial crisis started from USA has mainly been caused by the very high exposure which the banks have undertaken during the past year on the real estate market. The impact did not remain inside the USA borders, but it extended its effects towards Europe as well.

1. THE EFFECTS OF THE FINANCIAL CRISIS IN USA

The banking and financial crisis began in the United States on September 7th, 2008 when the government took over the control of the mortgage loan companies

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Fannie Mae and Freddie Mac that were holding almost half of the mortgage loans granted to the American consumers, approximately 5,000 billion dollars. Their crashing would have caused huge problems on the financial markets all over the world.

The first negative signal has been given by Bear Stearns Bank, during the summer of 2008, before the beginning of the financial crisis. Due to the fact that the bank was facing the perspective of the bankruptcy, it was purchased by JP Morgan Chase for a price of only 2 dollars per share. A year before, the shares of the same bank were being sold on the stock exchange for a price of 158 dollars. The transaction of Bear Stearns Bank, with a total value of 240 million dollars, has been supported by the American government through a 30 million dollar loan.

During the same period, the Bank of America purchased Merrill Lynch Bank, the third American investment bank, in order to avoid bankruptcy. The transaction has been finalized at a total price of 50 billion dollars, the bank assets being heavily under-evaluated. Later on, Lehman Brothers, a big investment bank on Wall Street, went into bankruptcy because it did not succeed in finding a buyer until September 15th 2008. The USA government refused the granting of a loan for saving the bank[1].

Morgan Stanley and Goldman Sachs, the last two big investment banks remaining on Wall Street, were forced to convert themselves into commercial banks in order to attract more financial resources so that they could cover their losses.

AIG – American International Group, the biggest American insurance company, has registered problems due to the insurances related to real estate loans and it has faced the possibility of bankruptcy as well. FED intervened and granted a loan of 85 billion dollars for a 2 year period, to prevent bankruptcy, in exchange of 80% of the company shares.

By trying to protect the depositors' funds, in case of bankruptcy, Federal Deposit Insurance Corp (FDIC) shut down Washington Mutual Bank, one of the biggest American retail banks. The Washington Mutual assets have been finally taken over by JP Morgan Chase for only 1.9 billion dollars.

The branches of Wachovia bank have also been taken over by Citi. Later on, Federal Deposit Insurance Corp (FDIC) has offered protection against the possible losses generated by mortgage loans within the portfolio of Wachovia and transferred to Citi.

On September 28th 2008, the USA Congress has reached an agreement regarding Paulson plan, the "Emergency Economic Stabilization Act of 2008" giving to the USA Treasury Secretary the authority and the resources needed for the immediate release of the amount of 250 billion dollars to cover the losses from the banking and financial system and the cancellation of one of the most sensitive items of the initial version – the compensation package for the executives of the companies taken over or bankrupt. Moreover, the American government is given the right to buy the risky assets of some foreign banks with "significant operations" on the USA territory[2].

[1] *http://www.thebanker.com/news/fullstory.php/aid/6439/Caught_in_the_middle.html*

[2] *http://www.thebanker.com/news/fullstory.php/aid/3838/Final_cut__but_one__of__the_USA_ Patriot_Act.html*

It needed four old investment banks to be acquired for ridiculous amounts or to be declared bankrupt, an insurance industry giant to be taken over by the government, two old mortgage loan institutions to become bankrupt, before the federal government announced a 700 billion dollar rescue plan to diminish the crisis effects.

The carousel of subprime loans, meaning the loans “granted on ID only”, was entered by non-banking institutions, mortgage loan companies, as well as risk funds mainly formed by investment banks – the banks with the highest risk appetite in the financial system.

Today, the crisis can be “contemplated in its whole splendor”. The American real estate market has crashed, and many American and British investment banks have been taken over for insignificant amounts or they are bankrupt. To all this we should add the decrease of the big international stock exchange companies, the loss of trust in the financial system, the increase of interest rates and the increase of financing costs.

According to Top 1000 World Banks 2008 published by The Banker magazine, the financial crisis has strongly affected the economies of many countries and it has changed their position in the top compared to previous years, following the country risk assessment. The most developed countries, but also the most dependent on credit, have suddenly become the most exposed to the crisis. In order to find out which are the countries with the highest risk, The Banker magazine has gathered financial and economical information regarding the health state in 184 countries and they have formed a top based on various indicators including GDP/capita, the loan level per capita and the level of the external debt of GDP. Also, assessing the financial health state of the world countries in 2009, The Banker magazine has sanctioned the countries which counted too much on the financial leverage[3].

The results are shocking. According to the new model of financial risk realized by The Banker magazine, countries like Moldova, Chile, Peru and Bolivia are less susceptible to be affected by the current financial crisis than countries like United States, United Kingdom or Japan. These countries being poorer, they are less dependent on credit, they have just a fraction of the leverage on the developed markets and they are more financially isolated than other countries.

The best ranked countries in Top 1000, are countries like Norway, Russia, Kuwait followed by Singapore and Moldova.

These countries have high reserves of oil and gas, they have a high development level of savings, a low level of public debt and huge currency reserves.
Moldova, being a small East European country, with a gross domestic product (GDP) per capita of only 1,830 dollars, with a very low debt level of 763 dollars per capita and with a crediting level of only 17%, represents a surprise in Top 1000 occupying the 5th place.

According to the World Bank, the banks in Moldova have extended loans of only 35% of GDP compared to USA where the bank crediting level has reached 230% of GDP.

Nevertheless, a part of the American banks have succeeded to obtain significant performances also after the appearance of the financial crisis. The most

[3] *http://www.thebanker.com/news/fullstory.php/aid/5878/TOP_1OOO_WorldBanks_2008.html*

performant American banks which succeeded to enter Top 1000 World Banks 2008 published by The Banker are presented in the below table.[4]

Table 1. Top of countries with the lowest financial risk to the financial crisis

Indicators / Countries	GDP / Capita $	Loans / capita %	Estern debt GDP %
Norwey	43.673	19	9.3
Russia	5.300	22	17
Kuvait	14.760	26	45
Singapore	4.670	29	86
Moldova	1.830	35	109

Source: *http://www.thebanker.com/news/fullstory.php/aid/5878/TOP_1OOO_World_Banks_2008.html*

Table 2. The best banks in USA

Ranking	Banks	Top 1000 in SUA	Strenght Tier One Capital $ m	Size Assets $m	Soundness Capital Assets Ratio % latest	Profits Pre-Tax profit $m	Performance	
							Real Profit growth % latest	Real Profit growth % latest
1	25	Bank of America Corp	40,161	707,121	5.58	11,470	17.4	33.7
2	28	Citigroup	32,511	470,996	7.64	10,115	6.9	38.2
3	82	JP Morgan Chase	9,268	143,370	6.54	1,985	33.2	26.0
4	148	Well's Fargo & Co	4,452	35,507	12.96	461	0.9	10.6
5	177	HSBC North America Holgings	3,547	47,404	7.87	465	-34.4	12.8
6	196	U.S. Bancorp	3,153	41,585	8.38	1346	-10.3	38.6

Source: http://tinglebr.files.wordpress.com/2008/06/world-top1000-bank.pdf

2. THE GLOBALIZATION OF THE FINANCIAL CRISIS IN THE ECONOMIES OF WORLD COUNTRIES

The second half of 2008 and the beginning of 2009 have proven that the interdependences and the correlations between the financial markets and the real economies of the world are much stronger than predicted. The globalization has accelerated and facilitated the spreading of the financial crisis from the United States to all over the world.

China Despite the global crisis, Asia has registered an economical growth of 9.1% in 2007, respectively 7.5% in 2008, growth which will probably be maintained in 2009 as well, according to a recent IMF report[5].

[4] *http://tinglebr.files.wordpress.com/2008/06/world-top1000-bank.pdf*
[5] *http://www.thebanker.com/news/fullstory.php/aid/6503/Will_Asia_be_able_to_holdit_all_together_.html*

China has registered an economical growth of 11.4% and India 9.2% in 2008 which has determined a strong growth of the Asian banking sector, thus leading to the increase of banking market share at global level.

In the below table, according to Top 1000 World Banks 2008 published by The Banker, the best banks in Asia Pacific region are presented:

Table 3. The best banks in Asia Pacific region

Top 1000 By Region Asia Pacific Ranking Counrty	world		Strenght Tier One Capital $ m	Size Assets $m	Soundness Capital Assets Ratio % latest	Profits Pre-Tax profit $m	Performance: Real Profit growth % latest	Performance: Profit on Av. Capital % latest
CHINA, People's Republic of								
1	7	ICBC	59,166	961,576	6.15	9,229	19.7	20.1
2	10	Bank of China	52,518	682,262	7.70	8,700	24.4	20.5
3	23	China Construction Bank Corporation	42,286	697,740	6.06	8,416	17.0	21.4
4	62	Agricultural Bank of China	11,425	684,349	1.67	1,561	52.5	14.4
5	68	Bank of Communications	10,647	220,198	4.84	2,229	33.6	22.4
6	101	China Merchants Bank	6,803	119,622	5.69	1,291	49.8	26.2
7	162	China CITIC Bank	3,984	90,503	4.40	897,000	28.7	26.7
8	207	Shanghai Pudong Development Bank	3,002	88,277	3.40	773,000	32.1	31.6
INDIA								
1	76	State Bank of India	9,981	186,988	5.34	2,414	11.2	26.1
2	157	ICICI Bank	4,293	56,258	7.63	693,000	22.6	21.1

Source: http://tinglebr.files.wordpress.com/2008/06/world-top1000-bank.pdf

As it is shown in the situation presented in the above table, the banks from China dominate the Asian banking market, as opposed to India whose banking market has increased with only 7% compared to previous years. Shortly, China represents more than 40% of the Asian banking market, a few percentage points over the previous year and about 10% up on two years ago. Taiwan and India represent only 7% of the Asian banking market. Even though India has registered an economical growth, a high number of banks didn't succeed in achieving spectacular results, a sign of a vibrant banking sector. However, the banking sector in China is stable, in expansion and so far it doesn't seem to be affected by the crisis.

Japan The banking system in Japan has also been hit by the international financial crisis, but numerous problems were avoided thanks to a fast action by the Central Bank of Japan. The most affected by the crisis were the following banks: Yocho Bank and Sumitomo Mitsui Banking Corporation which were forced to strongly redirect their strategical trends. Nevertheless, Japan holds an important share of the global banking market, a fact which is confirmed by the presence[6] of at least 20 banks in the first 200 of Top 1000 World Banks 2008 published by The Banker in 2008. Among them are the following: Mitsubishi UFJ Financial Group, Mizuho Financial, Sumitomo Mitsui Financial Group, Norinchukin Bank and Resona Holding.

Russia The banking sector in Russia has been hit by the financial crisis, but due to the quick action by the Central Bank of Russia (CBR), it managed to avoid a banking sector collapse. However, numerous Russian banks have got into trouble and they received capital inflows from CBR. Therefore, the company Leader owned by Gazfond – the pension fund of state-owned gas giant Gazprom[7], declared that they would buy KIT Finance Bank in case of any difficulties in the future. Vnesheconombank, the state' s debt agency, took over in September 2008 Svyaz Bank and Globex Bank in quick succession, using a $2 billion capital injection from CBR. The Central Bank also put $500 million into the little known Gazenergoprombank, a subsidiary of Gazprombank, in order to bail out another commercial bank Sobinbank. On September 22nd 2008, Renaissance Bank also put out for sale a 49% stake, denying that the move was a rescue package.

In November, the crisis went into a second phase and commercial banks came into play as the lack of liquidity continued to cause casualties. Therefore, the leaders of the commercial banks in Russia announced business plans which included the acquisitions of smaller banks. In January 2009, a 71.87% stake of Soyus Bank assets was sold to GazFinance of Gazprom Group for $10 million.

Alfa-Bank bought out in December 2008 a part of Severnaya Kazna Bank shares, the second largest in the Sverdlovsk region and said they would buy the rest at the beginning of 2009. BIN Bank acquired a 76% stake in Bashinvestbank in Tatarstan and also informed it was looking at buying more banks in 2009. The lack of liquidity increased the opportunities of the top banks to buy other banks in difficulty and to consolidate their financial position. An example is the merger between the commercial bank MDM Bank, having a liquidity of close to $1.5 billion and the leading regional bank Ursa (approximately $1.3 billion), thus creating the largest lender in Russia. The commercial bank MDM Bank was forced into the deal due to an aggressive expansion strategy over the past few years, causing its dependence on the access to foreign capital which now disappeared because of the financial crisis.

In 2009 Russia wishes to restructure the banking sector. Russia currently has over 1200 banks, but at the Banking conference of Top Russian bankers in December 2008, it was said that there would be not more than 800 banks left by the end of 2009. These restructuring efforts of the Russian banking sector will be coordinated by the Deposit Insurance Agency (DIA) which belongs to the state and whose purpose is to evaluate the situation of the banks in difficulty due to the lack of liquidity and to make proposals for recovery, by state capital injections or by acquisitions and / or mergers with other financially stable companies. The quantitative criteria for the banks to be rescued refer to their deposits which must be of $41 billion for federal banks and $1 billion for regional banks.

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[6] *http://www.thebanker.com/news/fullstory.php/aid/6450/Asian_nations_cooperate_todefend_currencies.html*

[7] *http://www.thebanker.com/news/fullstory.php/aid/6536/Keeping_funds_toregions_flowing.html*

Latin America The financial crisis has normally affected the countries in Latin America as well. However, there are countries which may be less affected by the crisis, namely Chile, Bolivia and Peru thanks to the low levels of external debts.

Chile has the healthiest economy among the countries in Latin America with non-performing loans at only 0.8% and bank provisions equal to 210% of the bad loans. Although Chile's debt is rising, the levels of external debt remain extremely low compared to GDP.

Bolivia*,* which ranks second in the top of Latin American countries and the poorest country in Latin America is also likely to be one of the countries least affected by the crisis. The GDP per capita in Bolivia continues to be painfully[8] low at only 1,888 dollars, but the country's external debt is also low at only 486 dollars per capita. Bolivia has a trade surplus equal to approximately 12% of its annual GDP. By comparison, the USA has a GDP per capita of 47,002 dollars, the external debt of 40,319 dollars per capita and a current account deficit of approximately 5% of the annual GDP. Furthermore, the banking sector in USA has made loans of 230% of the United States GDP, whereas in most Latin American banks, lending remains less than 50% of the GDP.

In ***Peru***, the level of the bank loans is equal to only 15% of the GDP. Only countries like Brazil, Chile and Panama have levels of bank lending approaching the ones of developed countries at 81.7%, 83.5% and 90.8% of the GDP, respectively[9].

The strong economies of the Latin American countries like Argentina, Mexico and Brazil are more dependent on credit and therefore more heavily exposed to the banking and financial crisis. The level of the bank loans is of 40% of GDP in Argentina and for Mexico and Brazil of 69% and 77%, respectively

3. THE FINANCIAL CRISIS AFFECTS THE ECONOMIES OF EU COUNTRIES

EU could not be immune to this globalization phenomenon of the financial crisis and a part of the economies of EU countries, heavily dependent on foreign financial sources, have faced numerous problems in the banking financial system.

United Kingdom The banking sector in the United Kingdom has been lacking in transparency for too long. According to a survey conducted by the Worldwide Independent Network of Market Research (Win) at the end of 2008, the consumers' trust in the British banks before the crisis registered a very low level due to the lack of quality in the banking products and services. After the appearance of the crisis, this lack of trust has increased significantly.

The crisis has shown how fragile is the British banking system and it has proven that a reform is needed in this field. Moreover, the National Bank of England was forced to put on the market $64 billion in order to buy shares in eight banks[10] in

[8] *http://www.thebanker.com/news/fullstory.php/aid/6452/Latin_America_92s_lesson_for_abanking_world_in_crisis.html*

[9] *http://www.thebanker.com/news/fullstory.php/aid/6482/Latin_America_92s_uphillstruggle.html*

[10] *http://www.thebanker.com/news/fullstory.php/aid/5669/UK_top_six_results_defy_doomongers_92_predictions.html*

difficulty from the United Kingdom and it injected liquidities of over $260 billion on its own frozen interbank market.

The table shows the main nationalized independent banks in the United Kingdom, for the purpose of market capitalization until the end of January 2009.

The list of banks subsequently nationalized continues as follows: Northern Rock has been nationalized by the United Kingdom government, followed by Bradford & Bingley and Alliance & Leicester which was purchased by Santander Group. The British government also holds control of a 70% stake in Royal Bank of Scotland Group (RBS) and a 65% stake in Lloyds Banking Group, but nevertheless, the banks continue to be independent institutions.

Table 4. The main nationalized independent banks in the United Kingdom

Bank	**Headquarters**	**Market value (£bn)**	**Assets £bn)**	**Assets ($bn)**
HSBC Bank	London	60.84	1,319.65	2,348.98
Standard Chartered	London	13.39	184.63	328.65
Barclays Bank	London	7.23	2,050.00	
Lloyds Banking Group	London	5.57		
Royal Bank of Scotland Group	Edinburgh	4.58	1,900.00	
Co-operative Bank	Manchester	—	39.00	71.33

Source: Market values retrieved at end of 20 January 2009 from Times Online

The presence of 10 banks in the first 200 of Top 1000 published by The Banker, among which the most important being: HSBC Holding, Royal Bank of Scotland Group, Barclays Bank, HBOS, Lloyds TBS Group proves the fact that the United Kingdom holds an important share in global banking market.

Germany Also in a strong economy like the one of Germany, the decrease of the financial sources at global level has generated complex problems for the banks in the system. The German government, by Sonderfonds Finanzmarktstabilisierung (SoFFin), claims that it has sufficient financial funds to stabilize the banking market and it can offer up to €400 billion in government guarantees on bond issuance by the German banks until 2011. So far, less than €20 billion of government-guaranteed paper has been issued, mainly by Commerzbank and IKB Deusche Industriebank, but there are other banks[11] as well interested in joining this scheme.

Aareal Bank has also received from SoFFin a capital injection of €525 million in perpetual bonds in February 2009, together with issuance guarantees for up to €4 billion. CorealCredit Bank has not received yet a state funding but its sale or merger with another bank is intended in the future. Contrary to other governments that are trying to find ways to channel the governments funds into the real economy, the

[11] *http://www.thebanker.com/news/fullstory.php/aid/6472/Commerzbank_92s_new_strategyfor_retail_banking.html*

German government offers funds for financing some investments in the infrastructure and other branches of the economy, by the means of commercial banks.

So far, the loan conditions in the German economy are less severe than the ones in USA or the United Kingdom. The exports represented 47% of the gross domestic product (GDP) in 2008 and they mainly took place in countries like France, USA, United Kingdom, Netherlands and Italy, increasing perspectives existing for 2009. The German government is forecasting a GDP growth of 2.25% for 2009. However, the German government will continue to inject capital into the banks with difficulties, by SoFFin, until 2011.

Italy Although they promoted less risky products and services, the Italian banks have been indirectly touched by the crisis because they were leaning upon an industry which was entering a decline in 2008. Most of the Italian banks with foreign capital focused on corporate loans during the past years, and their survival now depends on the market resistance of the manufacturing firms. Affected by the globalization, the textile and clothing sector formed by small and medium firms has fallen by more than 11,000 firms in the past five years, but nevertheless, it continues to hold a share of 10% of the total exports for economy in assembly.

The difficulties faced in this sector will affect on long term the Italian banking system[12], by worsening the relationship of the producing companies with their banks. As a consequence of the global crisis, the Italian banks noticed a decrease in the loans of the companies acting in the automobile industry, construction industry, iron and steel extractive industry, food industry etc. Per total, a worsening of the whole business environment can be noticed.

The Italian banks admit the fact that in 2009 it is possible to face losses, but they are willing to continue to support the small and medium firms, even though, under the current crisis conditions, this has become a challenge. UBI Bank, Intesa Sanpaolo and UniCredit can absorb more than 2% of the additional loan costs and they claim that they have the capacity of overcoming the economical recession without too much trouble. The cautious policy of the Italian banks will continue to be based specially on corporate loans and generally on consumption mortgage loans, ensuring the renegotiation of the loan reimbursement for the customers facing difficulties.

Anyway, the biggest test for the Italian banks will probably come in what happens to the country's real economy and the way in which its evolution will affect the situation of the financial institutions.

France The French banks have shown a higher resistance to the crisis compared to others. They can be included in the category of universal banks, being more stable and much diversified, thus making them less vulnerable in crisis situation. The French banks are specially counting on fixed-rate mortgage loans, which makes them more stable under crisis conditions. Then, they have developed an expertise in specialized areas such as asset management, insurance and consumer loans. This expertise is supported by the marketing performed by retail banking service[13] networks, which led to a model transformation of the French banks and the creation of an innovative environment, reinforcing on long term the relationship between

[12] *http://www.thebanker.com/news/fullstory.php/aid/6475/Allegro_Con_Brio_Fades_forItaly.html*
[13] *http://www.thebanker.com/news/fullstory.php/aid/6410/The_future_of_French_banking.html*

producers and distributors. The universal banking model developed in France also benefits from corporate and investment banking operations at international level, which seem to be sufficiently resistant to the financial crisis.

Austria The Austrian banks and companies have been preferred for a long time in Central and Eastern Europe thanks to the economical growth which they registered in the past years. Following the application of macroeconomical policies and the microeconomical modernization reforms, Austria has become the country with the most diversified and competitive economy, having an economical growth of 3.4% in 2006-2007. It is predicted that during the period 2008-2011, the economical growth will be of 2.1%, in decrease compared to the previous period. Because the Austrian banking market[14] is a mature one, the Austrian banks had to extend to other markets in order to register an increase of the incomes. Therefore, the top banks such as Austria Bank, UniCredit, Erste Bank and Raiffeisen penetrated the Central and Eastern Europe and CIS. The incomes obtained by these bank groups in 2008 were in Central Europe of 27.1%, in South-East Europe of 27.6% and in CIS of 24%.

Although they have obtained good results in 2007-2008, the Austrian banks have felt tensions in the financial sector, following the globalization of the crisis in the US, the ATX index in Vienna Stock Exchange registering a decrease of at least 20% in the first quarter of 2009 compared to the last quarter of 2008. The problems which the Austrian banks may face in the future are related to the risk increase on the banking markets in Central and Eastern Europe and CIS if the effects of the financial crisis continue to spread at global level.

The IMF Report – Global Financial Stability, published in April 2009, emphasized the possibility that the Austrian and Italian banks, which strongly extended to Central and Eastern Europe and South-Eastern Europe, would face numerous problems due to the current account deficits registered in certain countries of this region, such as Bulgaria and Romania. Under the conditions of crisis globalization, the top Austrian banks continue to be interested in investing in important countries in the region, such as Russia, Czech Republic, Slovakia, Poland, Romania and Hungary, which are rich in agricultural and natural resources, continuing to attract significant flows of foreign investments in order to compensate the deficit and to improve the level of economical growth.

Spain While the Spanish banks tried to avoid the financial crisis, the government has taken actions to ensure a minimum impact of the effects of crisis globalization. Two of the actions taken by the Spanish government were: increasing the minimum deposit guaranteed level to €100,000 from €20,000 and setting-up a Financial Assistance Fund to acquire and support the assets and products of the banking institutions. Also, in December 2008, the Treasury launched a €100 billion programme to guarantee bank bonds for the Spanish banks for a five year period in order to encourage the loans. The Spanish banks[15] registered a fast increase of the loan level in the past years, following their capacity to issue debts in the neighboring capital markets, but now that the financial markets are closed, they will be forced to apply for the programme launched by the Treasury.

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[14] *http://www.thebanker.com/news/fullstory.php/aid/5805/Austria_keeps_focus_on_CEE.html*
[15] *http://www.thebanker.com/news/fullstory.php/aid/6432/Spanish_banks_hold_firm.html*

Nevertheless, banks such as Santander, BBVA Savings Bank, Banco Popular succeeded to register a profitable activity during the last semester of 2008, as well as in the beginning of 2009. In the table 5, according to Top 1000 World Banks 2008 published by The Banker, the best banks in EU are presented:

Table 5. The best banks in EU

Ranking Counrty	world	Top 1000 in EU	Strenght Tier One Capital $ m	Size Assets $m	Soundness Capital Assets Ratio % latest	Profits Pre-Tax profit $m	Performance Real Profit growth % latest	Performance Profit on Av. Capital % latest
UNITED KINGDOM								
1	4	HSBC Holdings	87,842	1,860,758	4.72	22,086	2.1	27.2
2	9	Royal Bank of Scotland	58,973	1,710,703	3.45	18,033	12.2	31.5
3	21	Barclays Bank	45,161	1,956,786	2.31	14,009	31.0	34.1
4	22	HBOS	44,030	1,160,245	3.79	1,201	15.0	26.5
GERMANY								
1	30	Deutsche Bank	32,264	1,483,248	2.18	10,701	30.7	35.0
2	33	Commerzbank	20,410	801,184	2.55	3,128	39.0	17.2
ITALY								
1	27	UniCredit	38,700	1,084,267	4.6	10,813	97.7	28.2
2	40	Banca Intesa SanPaolo IMI	16,736	384,276	4.36	5,498	-2.2	30.0
FRANCE								
1	6	Crédit Agricole Group	84,937	1,818,341	4.67	14,060	19.7	18.4
2	11	BNP Paribas	45,305	1,896,935	2.39	13,921	23.5	33.4
SPAIN								
1	17	Santander	46,805	1,098,213	3.1	1,558	10.7	25.8
2	95	Banco Popular Español	8,152	120,704	17.7	13	21.8	29.0

Source: http://tinglebr.files.wordpress.com/2008/06/world-top1000-bank.pdf

Top 1000 world banks 2009, based on tier 1 capital, presents the best five banks in the world.

Table 6. Top 5 banks as a % of tier 1 capital , assets, pre-tax profits (all $ M)

Ranting	Bank	Tier 1 Capital	Assets	Pre –tax Profits
1	JPMorgan Chase&Co	136,104	2,175,052	2773
2	Bank of America Corp	120,814	1,817,943	4428
3	Citigroup	118,758	1,933,470	- 53.055
4	Royal Bank of Scotland	101,818	3,500,950	- 59.281
5	HSBC Holdings	95,336	2,418,033	9307
	Top 5 Total	572,830	11,850,448	- 95.828
	World Total	4,275,767	96,394,600	115.120
	Top 5 as %	13.40	12.30	-83.30

Source: http://www.riholtz.com/blog/2009/06/top-1000-world-bank-for 2009-by-tier-1-capital/

4. CONCLUSION

Advanced countries such as USA, United Kingdom, Japan, which cumulate 55% of the global GDP, have entered into recession. The massive reduction of economical growth perspectives will directly affect the most performant countries: Russia, India and China. The world economies are one by one visited by the most virulent shock of the international financial crisis. For this reason, almost all world countries have prepared specific strategical plans for protection, rescue or restructuring of their financial system. These plans specially include guarantee actions for loans and deposits (commercial, institutional, interbank), bonds and debts and the setting-up of some public funds as premiums transferred by the banks to a special fund for guarantee self-financing.

The protection offered to the citizens varies from one European state to another:

- The guarantee limit of 50,000 Euros is applied or is under implementation in Bulgaria, Czech Republic, Romania (from a previous limit of 20,000 Euros), Sweden or Finland.
- We can find higher limits in: United Kingdom (50,000 pounds), Belgium, Cyprus, Finland, Lithuania, Netherlands, Spain (100,000 Euros) and Italy (103,000 Euros).
- Austria is about to adopt in parliament a similar decision for private customers, on October 28th 2008.
- On the other hand, Germany and Hungary confined themselves so far to political statements favoring the 100% guarantee of private savings and current accounts, without issuing any clear legislative proposal.

Of course, there were other actions of financial stabilization such as interbank loan guarantees, capital inflows in banks, legislative actions for the acquisitions of public bank participations or the creation of special funds to intervene in the stabilization of the financial sector.

- France revised its public finance legislation to allow a possible intervention to a bank in difficulty
- Italy proposed a guarantee system based on two instruments in order to protect the stability of the financial system: the creation of a €20 billion special fund for an emergency credit line to be accessible in case a bank in difficulty needs recapitalization; the creation of second rank guarantee fund for all bank deposits, up to the previously mentioned limit, namely 103,000 Euros.
- The Spanish prime-minister announced the creation of a temporary public fund up to 50 billion Euros for the acquisition of non-toxic assets from banks and other financial institutions.
- The British government launched an ample rescue package for the banking system, with a value of 500 billion pounds. The package is to be operated for the biggest 8 British banks in exchange for some preference shares. It seems that other banks will also be able to apply for this programme. Within the same action package, other 200 billion pounds will be offered

by the Bank of England, together with a 260 billion pound fund to guarantee the interbank loans at real market costs.

The financial crisis affected the whole global economy, causing a loss of trust in the financial system, with major repercussions on severe liquidity loss, interest rate increase and implicitly, the increase of the internal and external financing costs.

The current economical instability will test the traditional way of handling situations and will lead to the rearrangement of the economical forces and consequently, the political ones as well. Most certainly, this process will have casualties, but it will also generate opportunities and winners, considering the fact that the banks and the other financial institutions will have to face a heavier competition in order to survive.

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