



Presentation on Munich (Bavaria) as a financial centre  
in Brussels

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Ladies and Gentlemen,

Germany's federal system occasionally gives the country something of a heterogeneous appearance in its dealings with other countries and institutions. And particularly from a distant vantage point, for instance Brussels, the many voices coming from Germany's regions may inspire perplexity, or even confusion. Yet this system has the invaluable advantage that particularly intense competition has developed in Germany. For instance, Germany - unlike most of its neighbors - not only has a single, all-encompassing national finance and banking capital, but the big metropolises and the various federal states are competing for the best offers and the most compelling answers to the challenges of the international capital markets.

We are here today to present the key German financial center ranking second only to Frankfurt.

Ladies and gentlemen, please let me begin by giving you a few selected figures which will make clear the kind of clout Bavaria has as a banking location: some 530 banks, including 80 private ones, roughly as many savings banks, a Landesbank and more than 370 credit cooperatives, account for total assets amounting to almost one billion euros (to be precise: 984 million euros). The banks in Bavaria have a workforce of 126,000 employees. In Munich - Bavaria's capital - alone, more than 5 percent of all jobs - more than 30,000 - are provided by banks. Approximately one-fifth of all venture capital in Germany is invested in Bavaria, with Munich accounting for the lion's share. This makes Munich Germany's venture capital centre!

The Bavarian capital is also a leader in the mortgage banking business: the banks headquartered in Munich issue one-third of all mortgage-backed securities circulating in Germany. The total lending volume of banks in Bavaria was in the region of 730 billion euros in 2004.

And despite some structural changes, in addition to the two big banks, HypoVereinsbank and the Landesbank, Bavaria still features quite a lively scene of small-scale private banks. I stress this point because the small, flexible and nimble banks are often excellent at scouting future customer needs. In some business segments, their pioneering work benefits the entire industry. As a result, this banking center can offer a broad network extending across all banking groups and segments.



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However, even for a strong, national banking centre like Bavaria, integration into the European Union is a matter of survival. And, thankfully, the European Union – I hope Mr. Schmidt will forgive me – recently acted to ensure fairer competitive conditions between the banking groups, for a level playing field.

But in the area of European harmonization, we have also seen very constructive steps with regard to a common European banking and financial center. Having said that, though – and I would like to stress this point in particular – there certainly are developments which need to be subjected to close scrutiny, or even viewed with a great deal of suspicion: for example, the regulations in the planned EU directive in the area of European payments, which will lead to significant distortion of competition partly because it is based on expensive solutions. All parties concerned – politicians and the business community, the EU and the individual countries – should give this matter very careful consideration to avoid threatening Europe's economic strength in a global market.

Ladies and gentlemen, let me emphasize once again that we need Europe. This applies to all of us if we want to be successful.

And I know what I'm talking about, because it would be hard to find another European bank so clearly oriented toward the markets of the European Union as Hypo-Vereinsbank. With the merger under the roof of the new UniCredit Holding – one of the biggest banking mergers in Europe – we have laid the foundations for long-term success in the future. Together with UniCredit we are now represented in 19 countries, serve approximately 28 million customers throughout Europe and – in terms of market capitalization – have become Europe's fifth-largest banking group (and the third-largest in the euro zone). We are the market leader in the rapidly growing countries of central and eastern Europe and have a strong position in Germany, Austria and Italy. As a result, we have become the first bank to operate as a European bank in the true sense of the word.

Of course this event – I don't wish to deny it – has been seen by some as a sign of weakness for Munich as a banking centre. Undeniably, we have lost strategic decision-making prerogatives – that is one side of the coin. But there is also another side: through the merger, Munich – and Bavaria with it – has become a major location of a banking group operating at the European level. Through the merger of UniCredit and HypoVereinsbank, Munich has got its foot in the door, so to speak, of the intensive networking process of European banking structures that lies ahead – and this, of course, is equally true for Bavaria as a banking center. This is a claim that cannot be made for every banking location in Germany and in Europe. I am therefore confident that Munich will continue to play a major role in the future of the European banking sector!



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However, we firmly believe that we can succeed in the future only with a strong European internal market, a competitive European economy (in other words, our customers), and with modern, efficient laws and regulations.

We take the job you are doing here in Brussels very seriously and follow these issues very closely. I warmly welcome the change in recent years when European institutions began conducting an open and transparent dialog with market participants when developing legislation.

Speaking for our bank, I can also say that we always welcome further harmonization to promote competition. However, I wish to emphasize that this does not apply to directives that only lead to more bureaucracy, or in other words only create costs for companies without producing benefits for the market or the consumer. As an example, I wish to mention the Distance Selling Directive for Financial Services. After implementation in national law, customers complained vehemently about the amount of paperwork involved in product sales. It is completely nonsensical to impose this quantity of information obligations on a company that is subject to state supervision. Nevertheless I believe that we – banks and policymakers – have worked very well together in recent years. Let's work together to continue along this successful path.

And with this positive thought I'd like to hand you back to Mr. Martinsohn, who would like to give you some insights into the insurance industry as another strong point of our location.