



Convegno

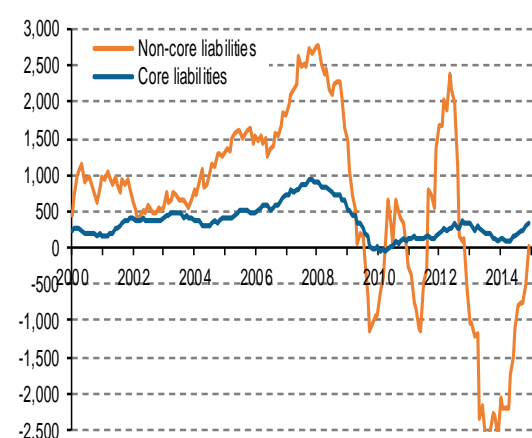
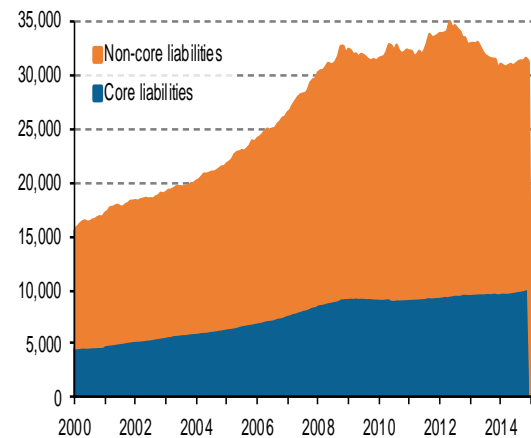
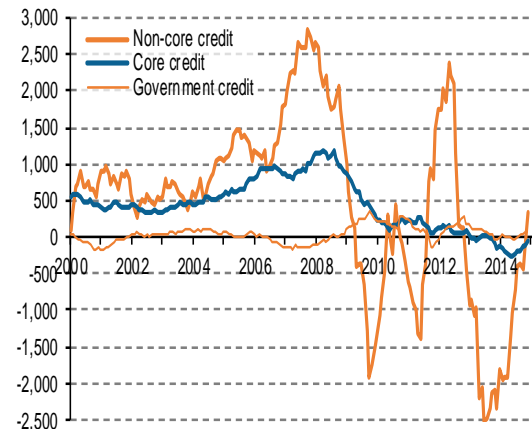
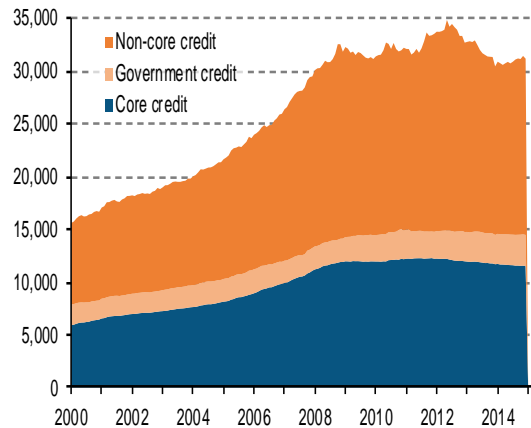
"L'Europa, le regole, le banche regionali"

Modena
12 Novembre 2016

M. Marchesi

EU Banks: safe assets?

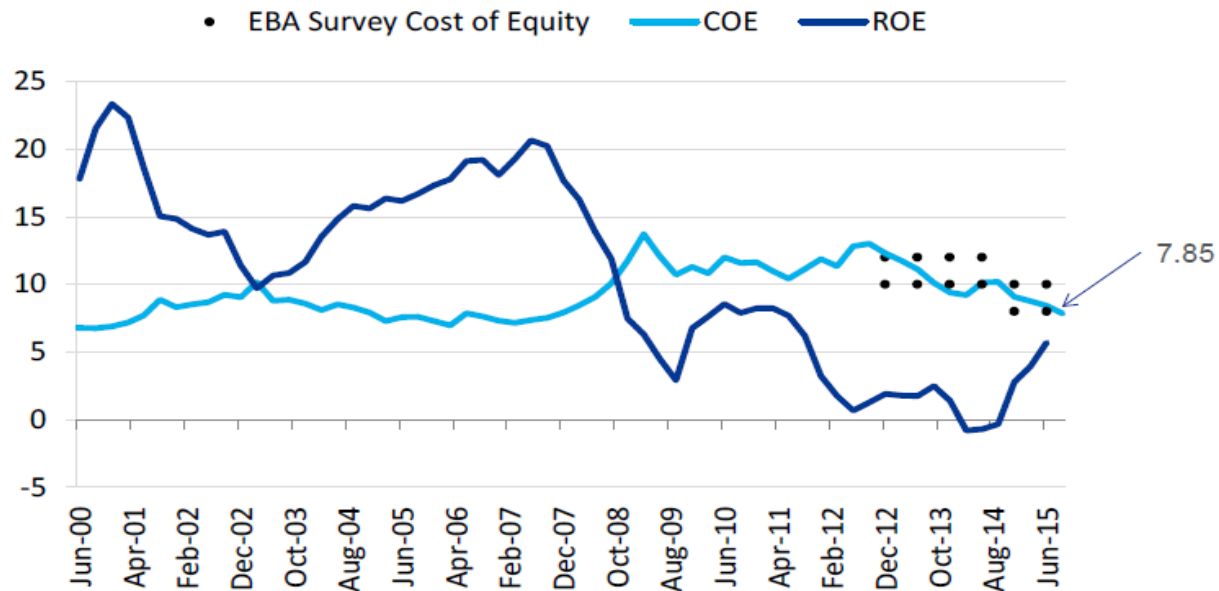
Evolution of assets and liabilities of MFIs 1998-2014 (Euro area, € billion)



ECB: COE vs ROE

Cost of equity (COE) and return on equity (ROE) for a large sample of listed euro area banks

(Q1 1999 – Q3 2015; percentage points)

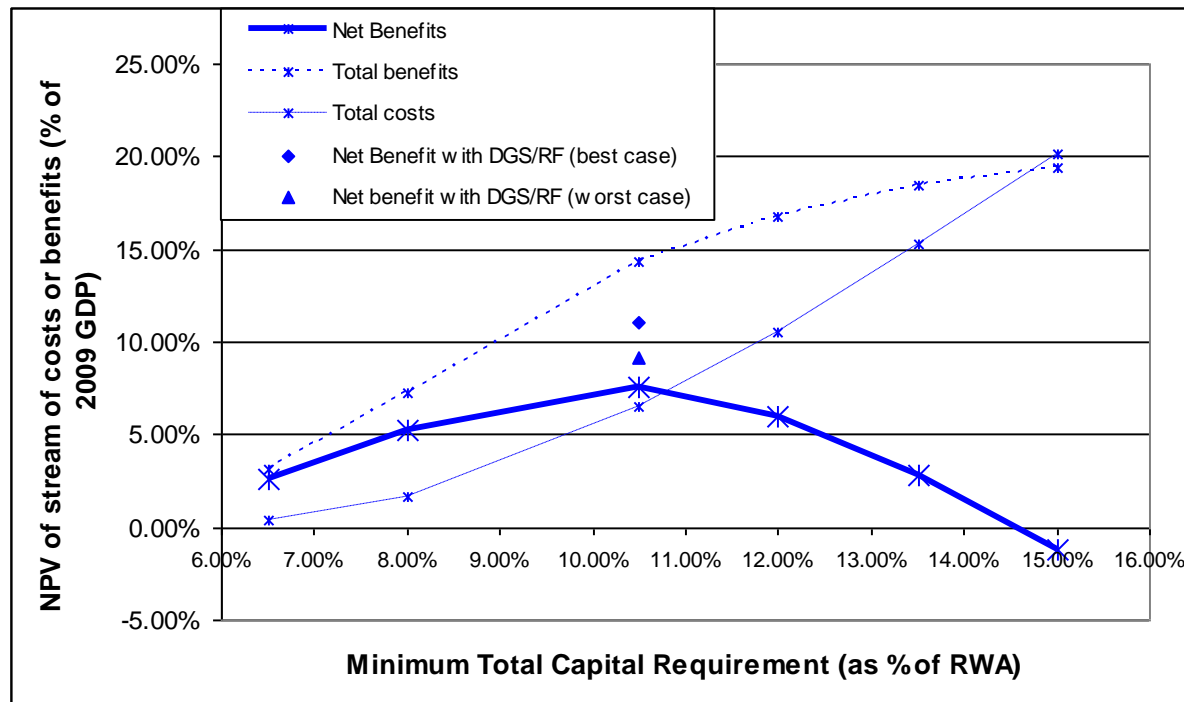


Sources: Bloomberg, Thomson Reuters Datastream, Consensus Economics and ECB calculations.

Note: Based on the weighted portfolio of 33 euro area banks in the Euro STOXX index. For further details, see Box 5 in Financial Stability Review, May 2015, ECB. The latest EBA survey on cost of equity (for EU banks) was done in June 2015.

Combined macroeconomic effects of Basel III and of BRRD

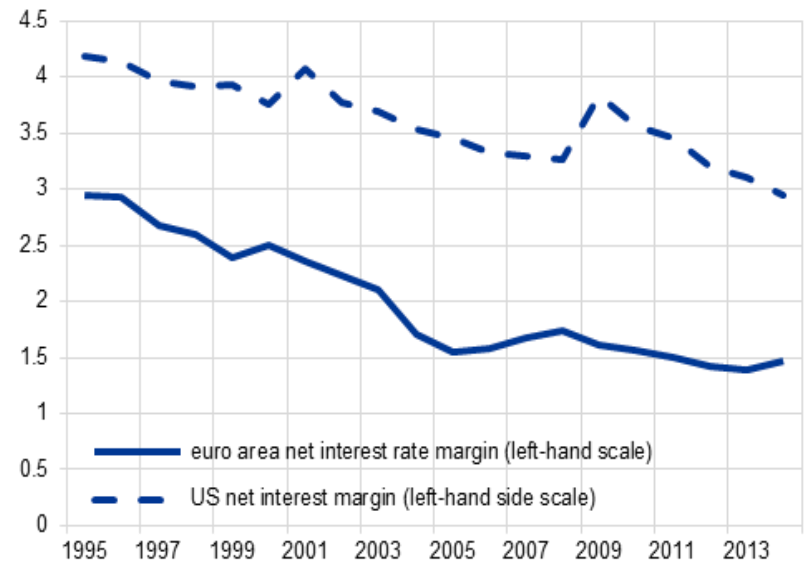
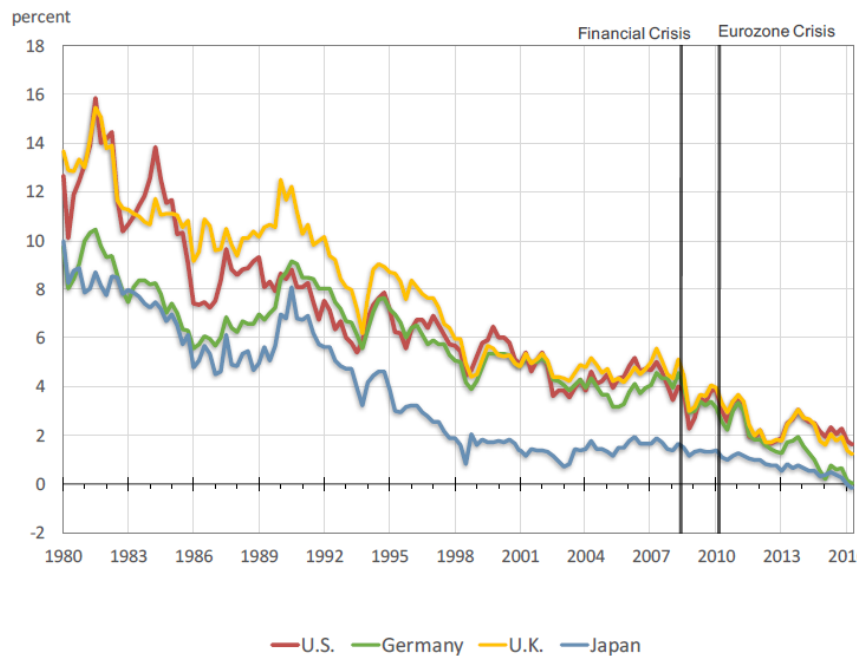
Figure 1: EU-7 weighted average of costs and benefits NPV (increased minimum capital requirements and introduction of a DGS/RF) - %GDP (e.g. 0.4 = 40% of GDP).



Basel 3+

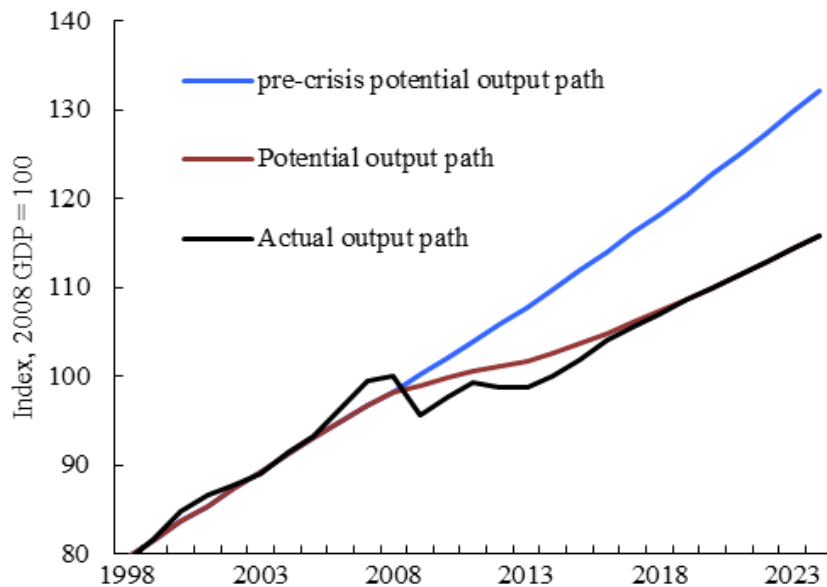
- **Leverage ratio**
- **NSFR**
- **Market risk** (Fundamental Review of the Trading Book);
- TLAC/**MREL** (Pillar 2, MDA Calculation)
- **EU proportionality** (reporting, disclosure, simplified standardised approach for counterparty credit risk and for market risk, remuneration, etc.)
- Other EU specificities (**SME supporting factor, IFRS9, etc.**)

Low interest rate environment

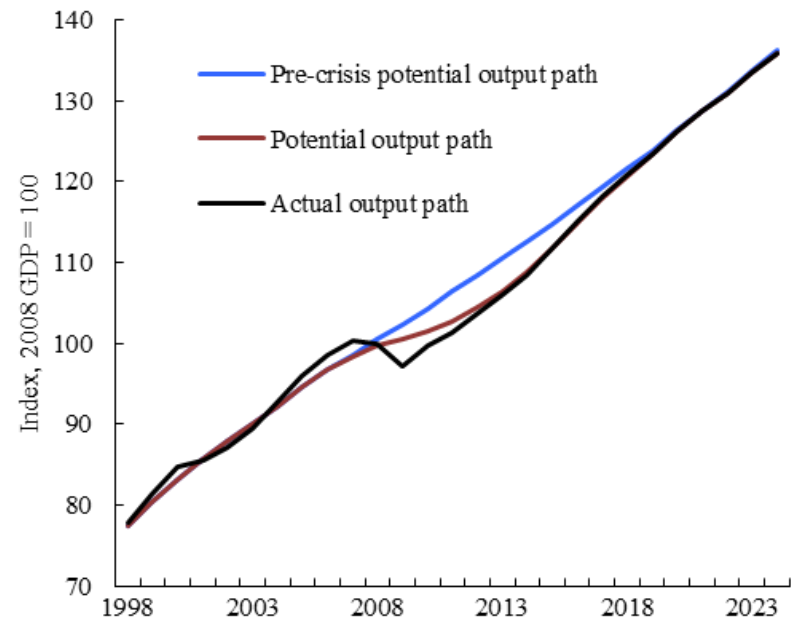


The GDP gap:

Actual and potential GDP in the EU and in the US



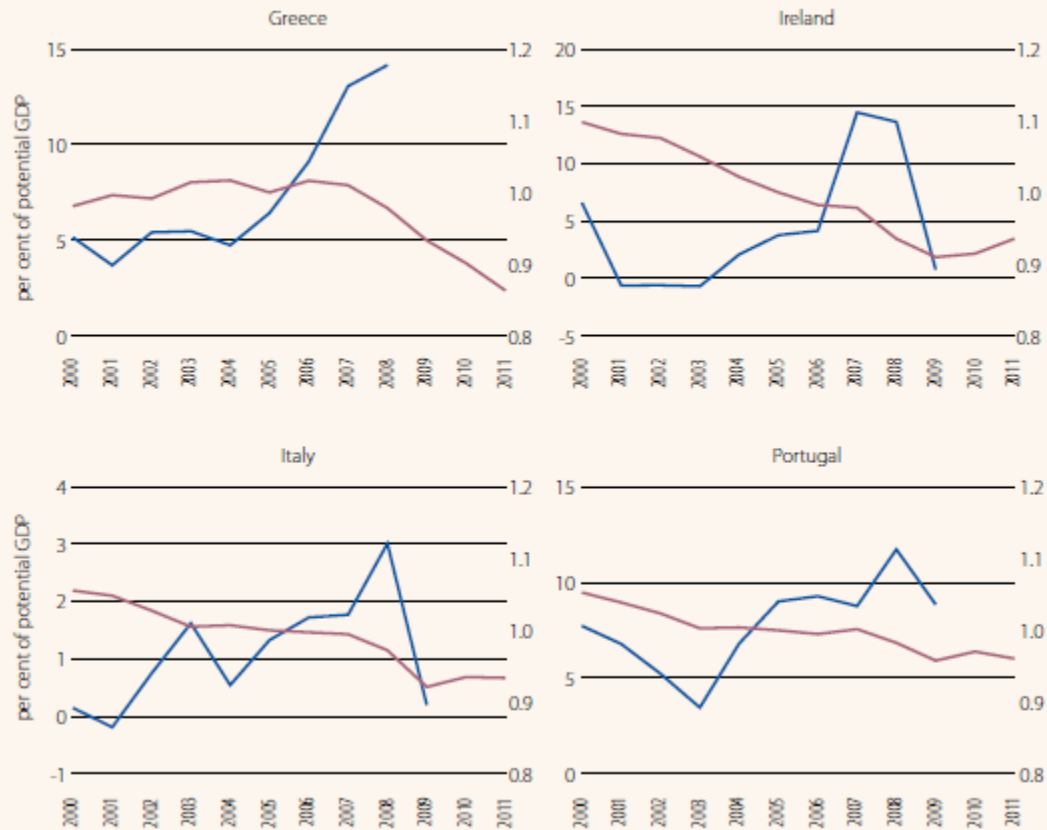
Commission estimates (spring 2015)



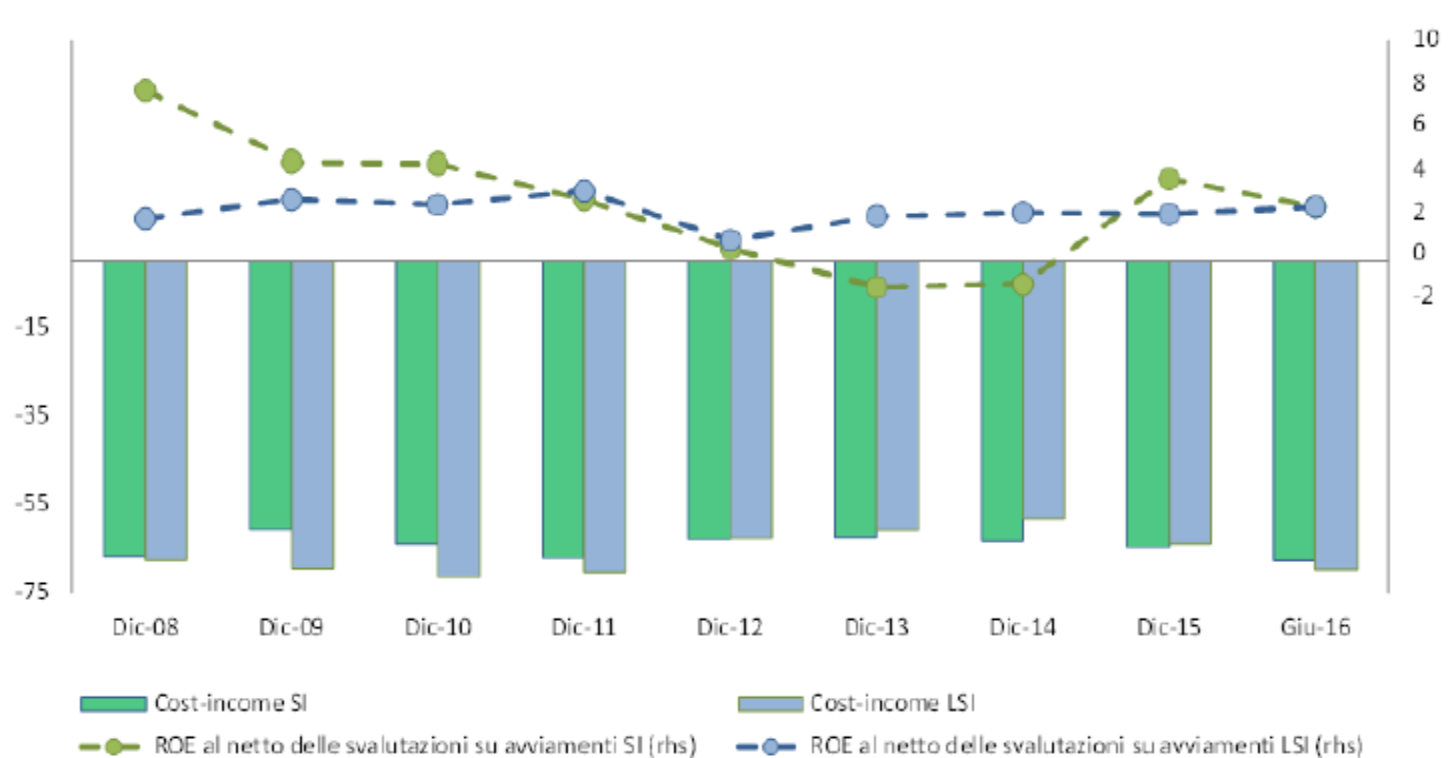
Commission estimates (spring 2015)

Eurozone Imbalances

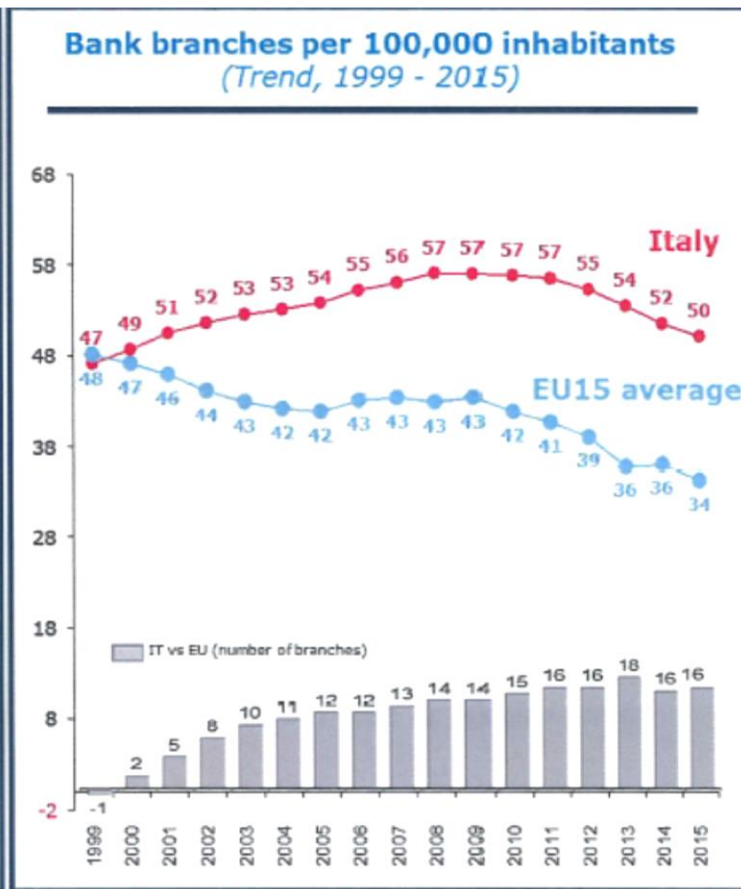
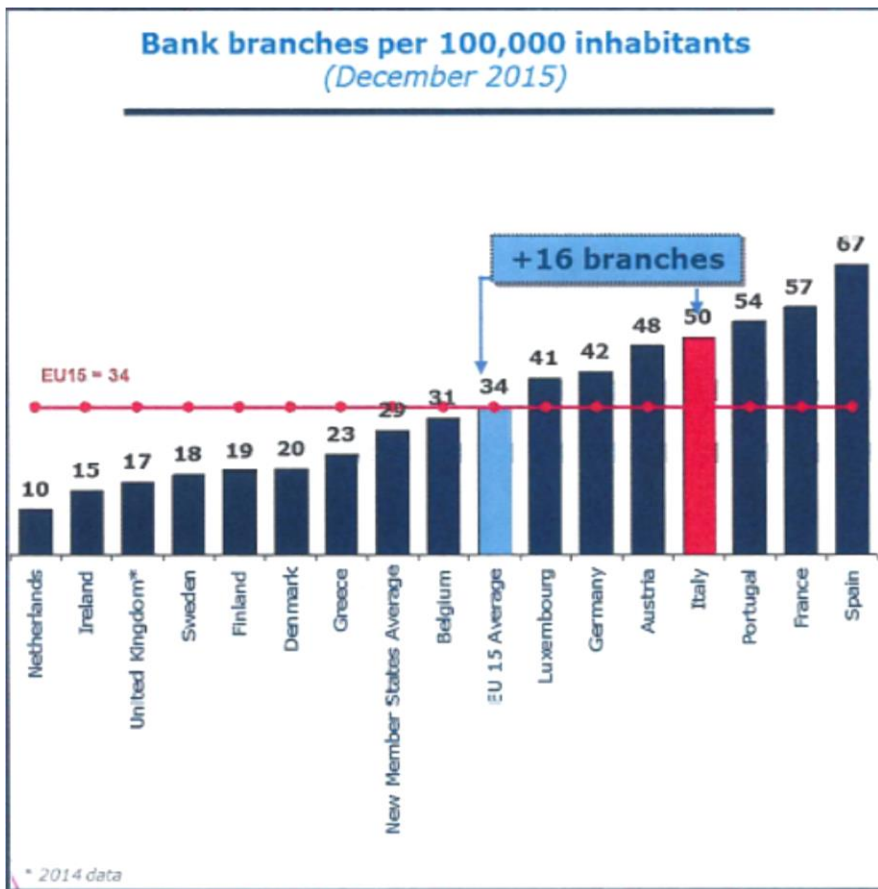
Figure 1 Co-occurrence of net capital inflows and deteriorating total factor productivity.



ROE and Cost-to-Income

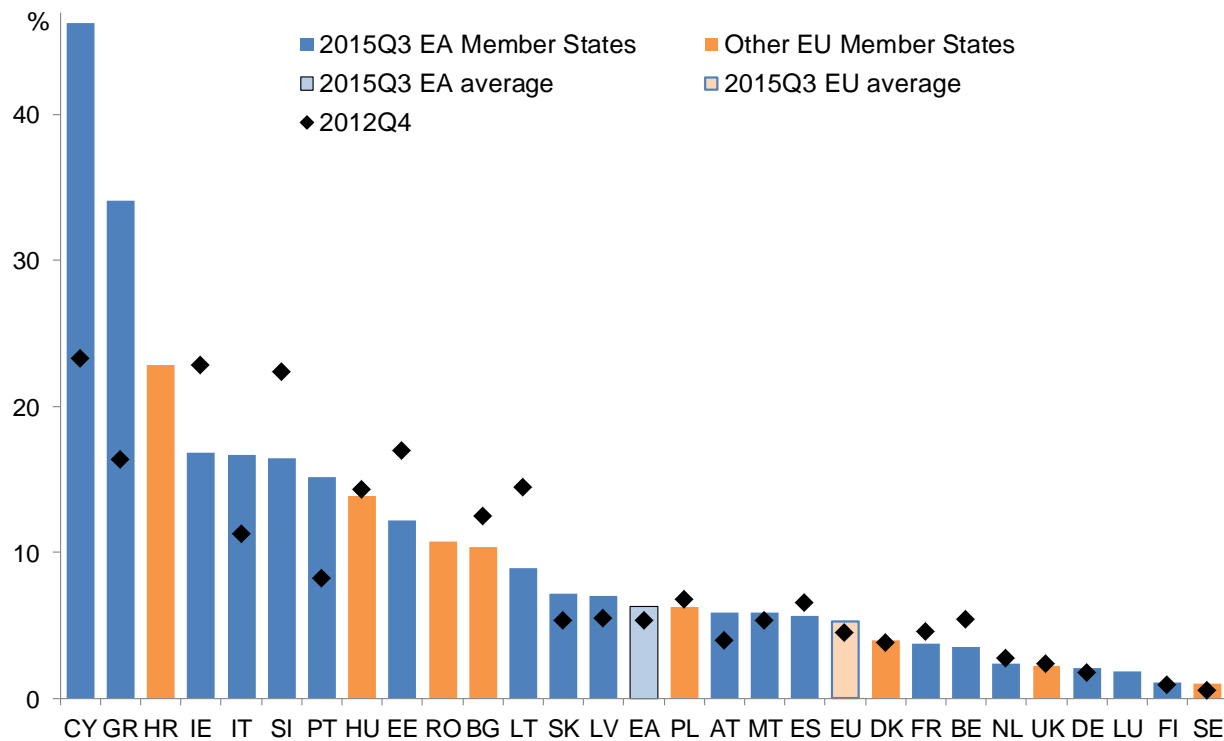


Branches



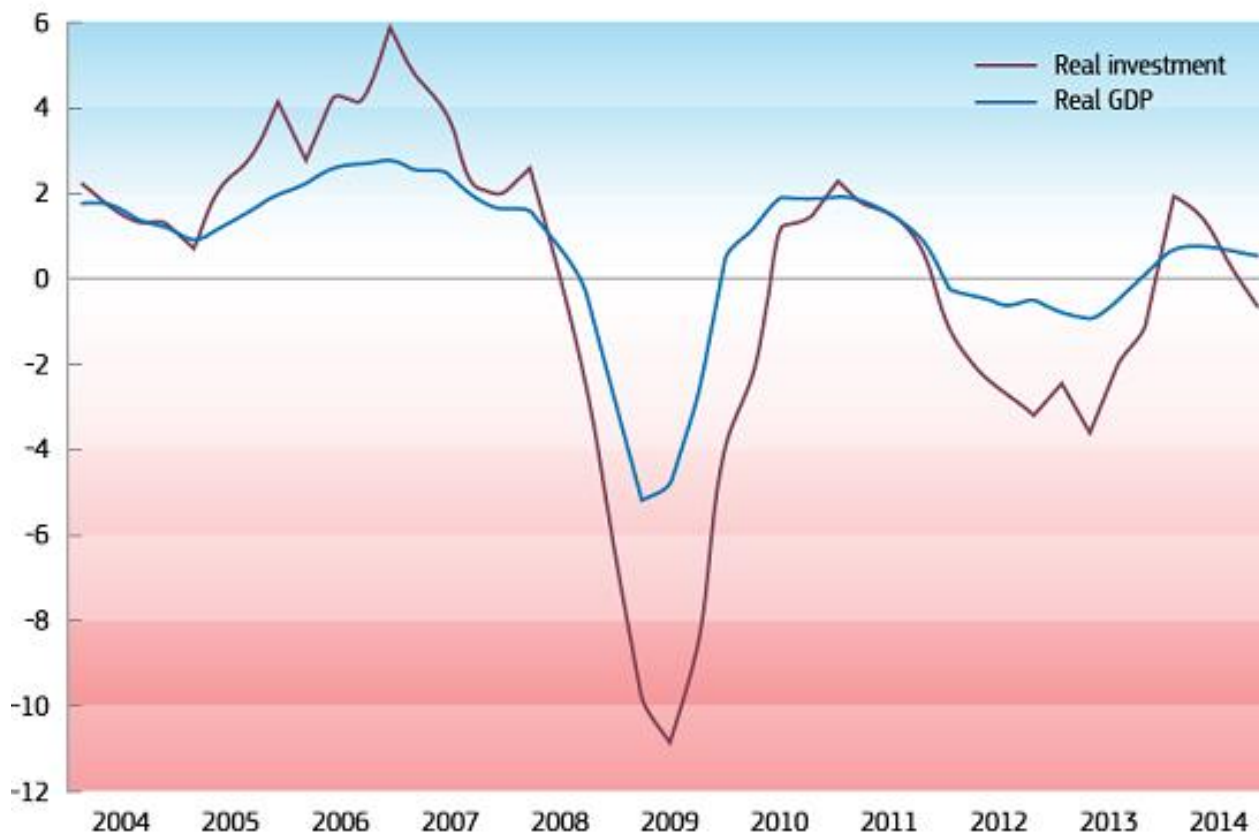
High NPLs : for all MS?

Figure 1: Gross NPLs (% of total loans)



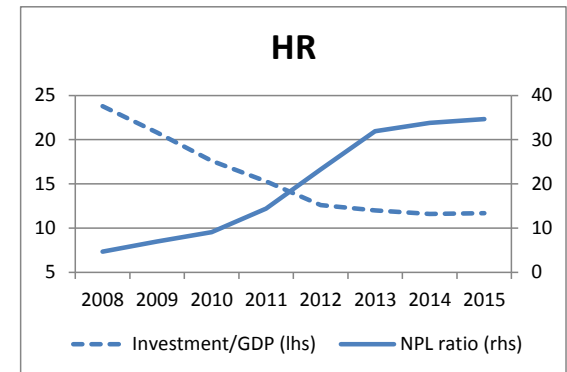
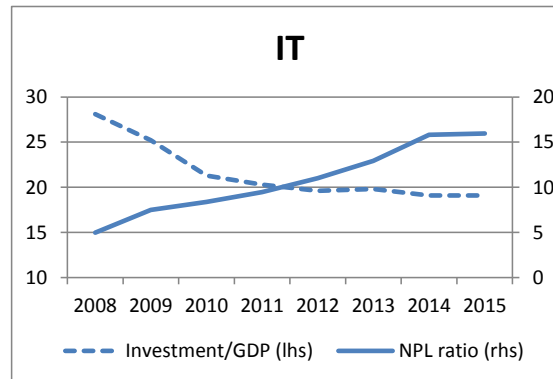
Source: ECB Consolidated banking data

EU - Change in GDP and investments

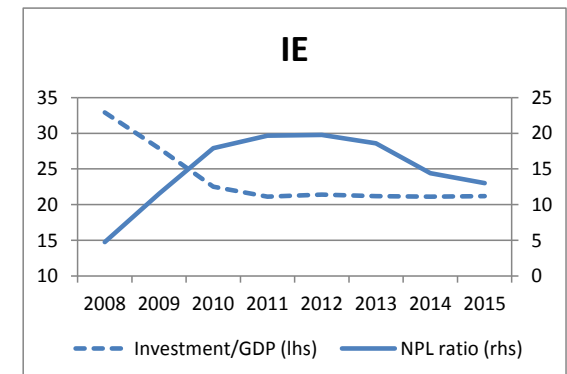
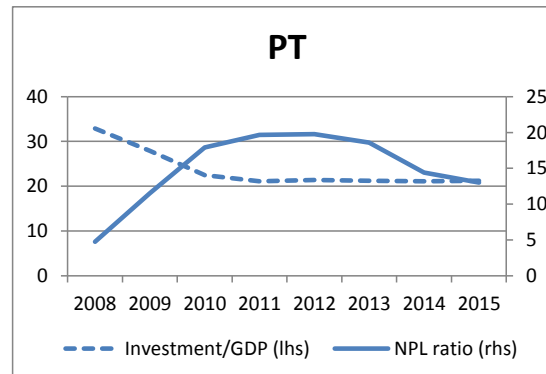


NFC NPLs and Investment

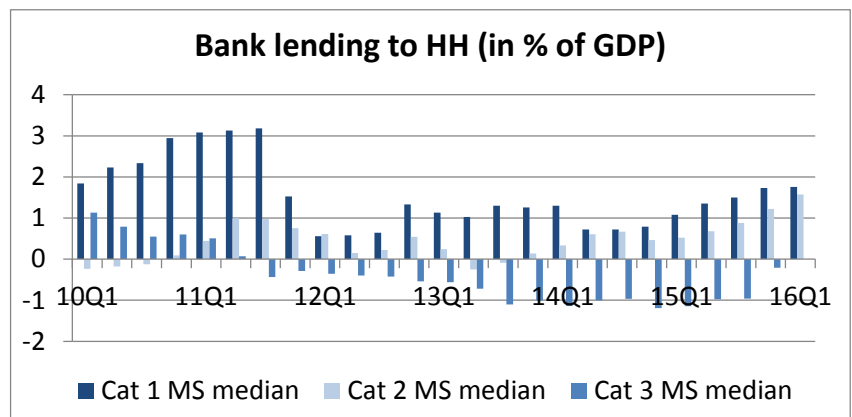
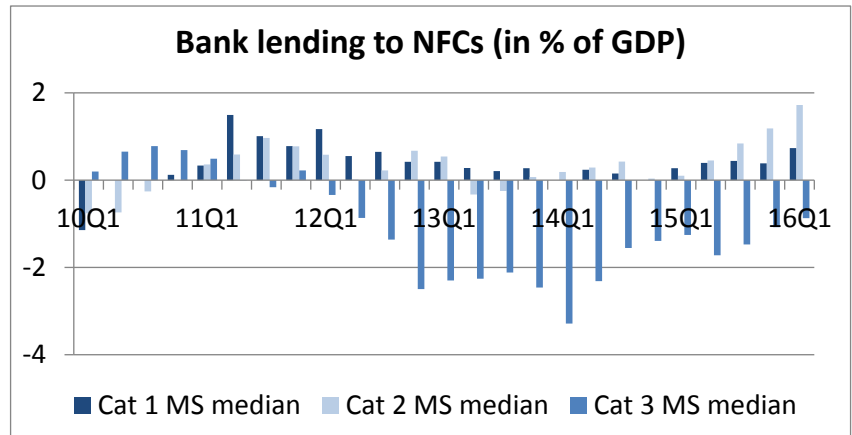
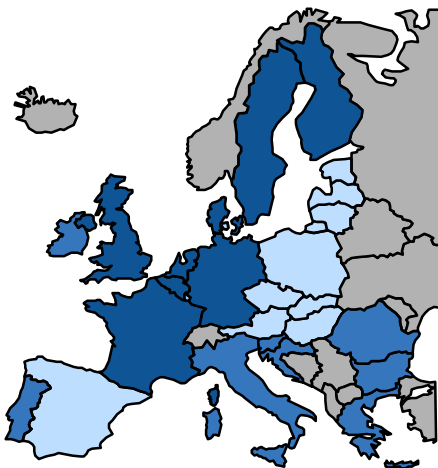
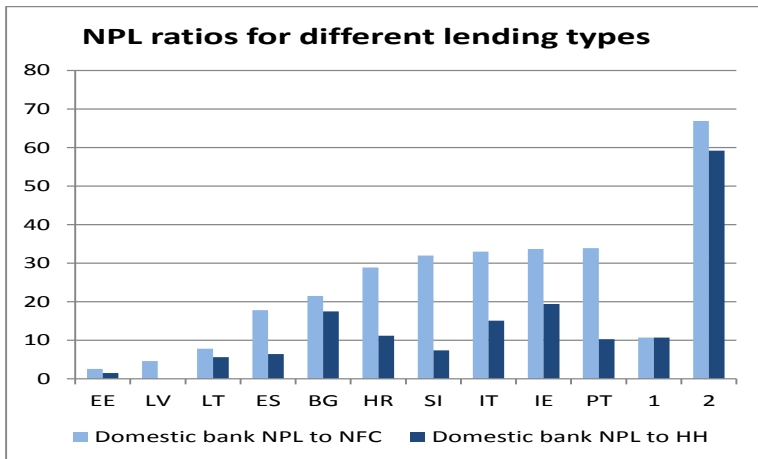
NPL build-up



NPL work-out



NPL: NFC or HH?



Italy : NPLs vs impairments

NPLs Italy

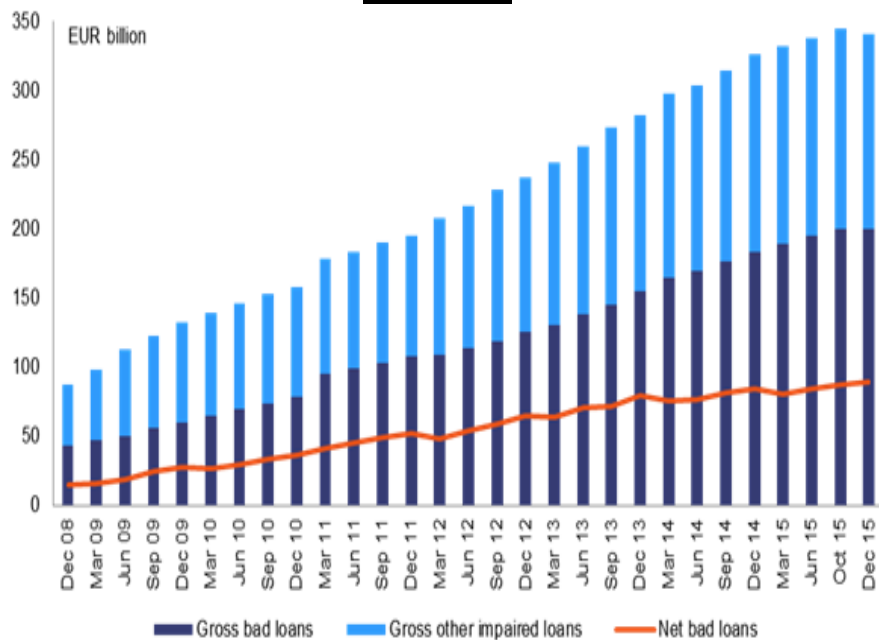
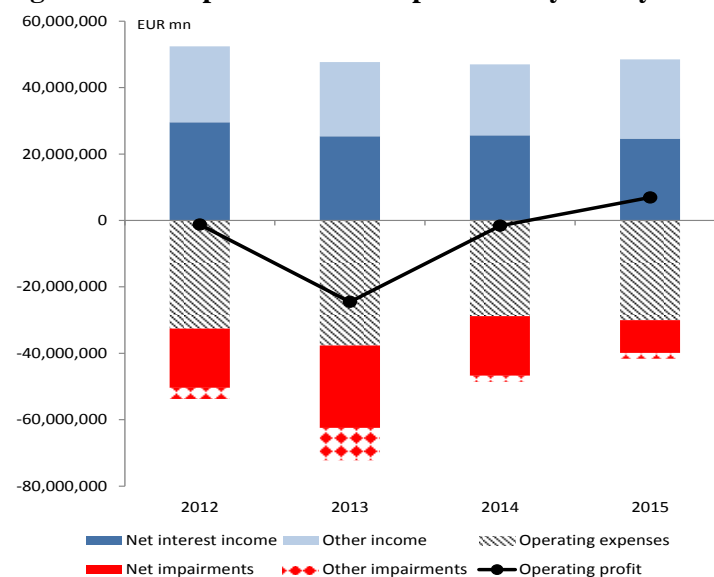


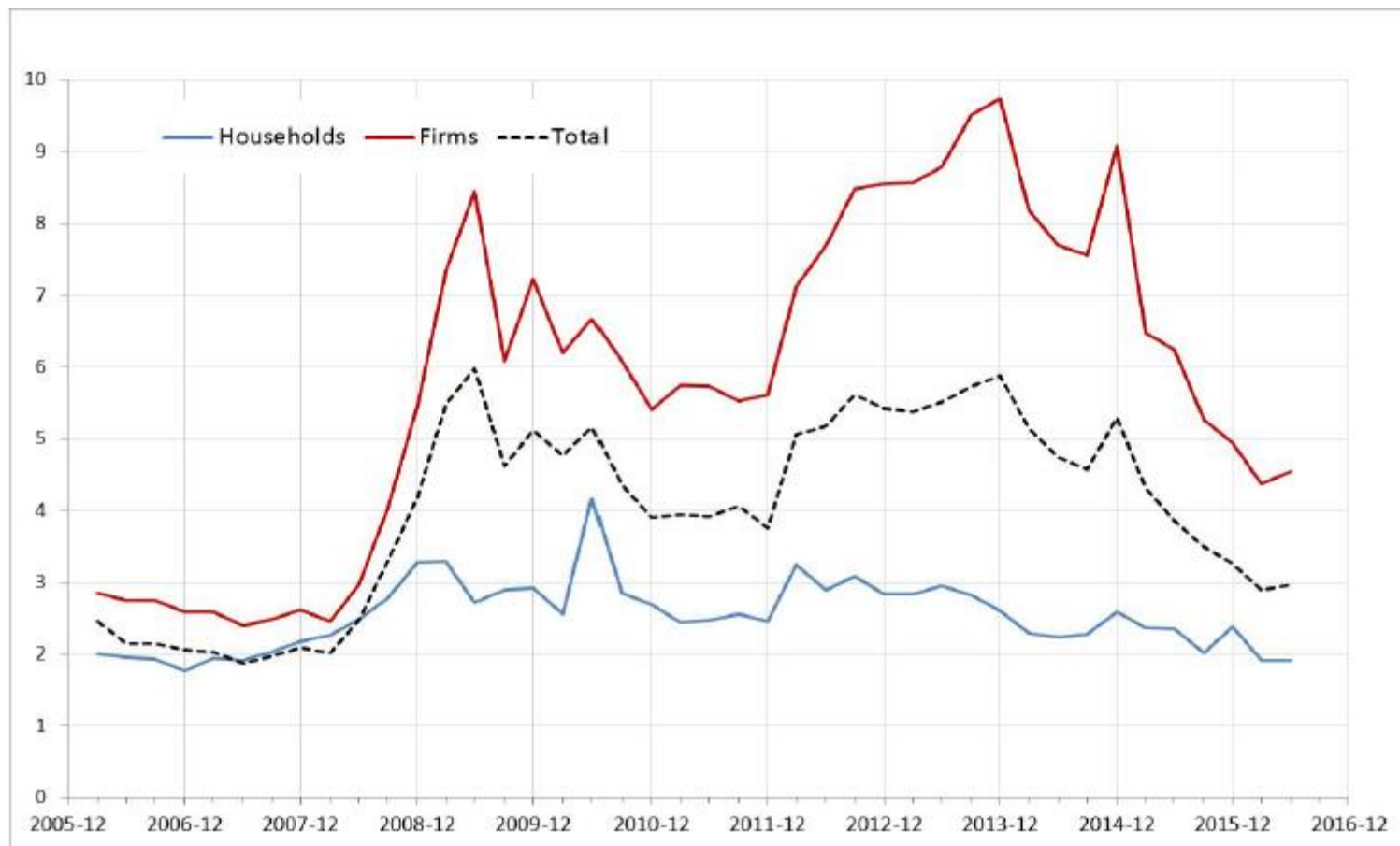
Figure 12: Components of bank profitability – Italy



Sources: SNL Financial, Commission calculations

Notes: Other expenses include restructuring costs and impairments on financial investments. The sample of banks comprises those in the scope of the EBA 2016 stress test exercise for which public data of P&L components was available.

Rate of new gross NPLs



Italy : NPLs gross rate and coverage

