



OESTERREICHISCHE NATIONALBANK

EUROSYSTEM

# Money and Banking – A European View

BCBS-BSCEE-FSI high-level meeting for Europe on Banking Supervision

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# Sharply declining business volume of European banks...

## Total assets of banks

	EUR billion			<i>In % of GDP</i>		
	2008	2012	2018	2008	2012	2018
Austria	1,060	975	845	361	306	219
Germany	7,893	8,227	7,776	308	298	230
France	7,711	8,076	8,810	387	387	375
Netherlands	2,232	2,451	2,321	345	375	300
Euro area	31,831	32,658	30,876	335	334	267

Unconsolidated, euro area: changing composition

Source: ECB.

## ... accompanied by falling numbers of employees

### Number of bank employees

	Year-end values (1000 persons)			Change in %		
	2008	2012	2017	2008-2012	2012-2017	2008-2017
Austria	79	77	72	-1.7	-7.1	-8.7
Germany	686	659	597	-3.9	-9.4	-12.9
France	425	421	399	-0.8	-5.3	-6.1
Netherlands	116	103	75	-10.8	-27.3	-35.2
Euro area	2,236	2,113	1,890	-5.5	-10.6	-15.5

Source: ECB.

# Although the efficiency of European banks has increased, there is room for further improvement

## Cost-income ratio

	In %			Change in percentage points		
	2008	2012	2018 (Q3)	2008-2012	2012-2018	2008-2018
Austria	76.7	67.9	63.6	-8.7	-4.3	-13.1
Germany	88.0	73.9	75.1	-14.1	1.2	-13.0
France	75.3	70.4	72.5	-4.9	2.0	-2.8
Netherlands	69.2	65.8	58.1	-3.4	-7.7	-11.1
Euro area	74.5	65.6	65.8	-8.9	0.3	-8.6

Domestic banking groups and stand alone banks, foreign (EU and non-EU) controlled subsidiaries and foreign (EU and non-EU) controlled branches; euro area: domestic banking groups and stand-alone banks.

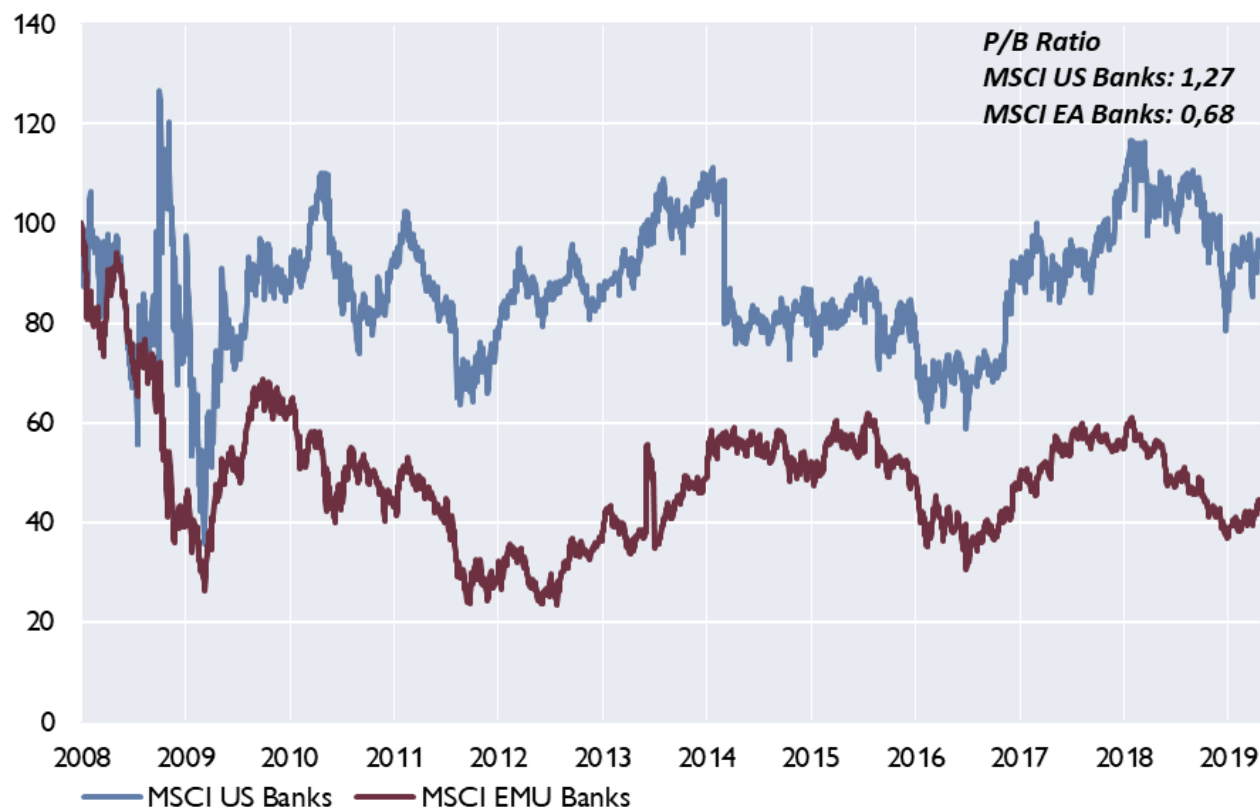
NL 2009 instead of 2008.

Source: ECB.

# Comparison: Price/Book Ratio - US Banks vs. Euro Area Banks

## Comparison: Price/Book Ratio - US Banks vs. EA Banks

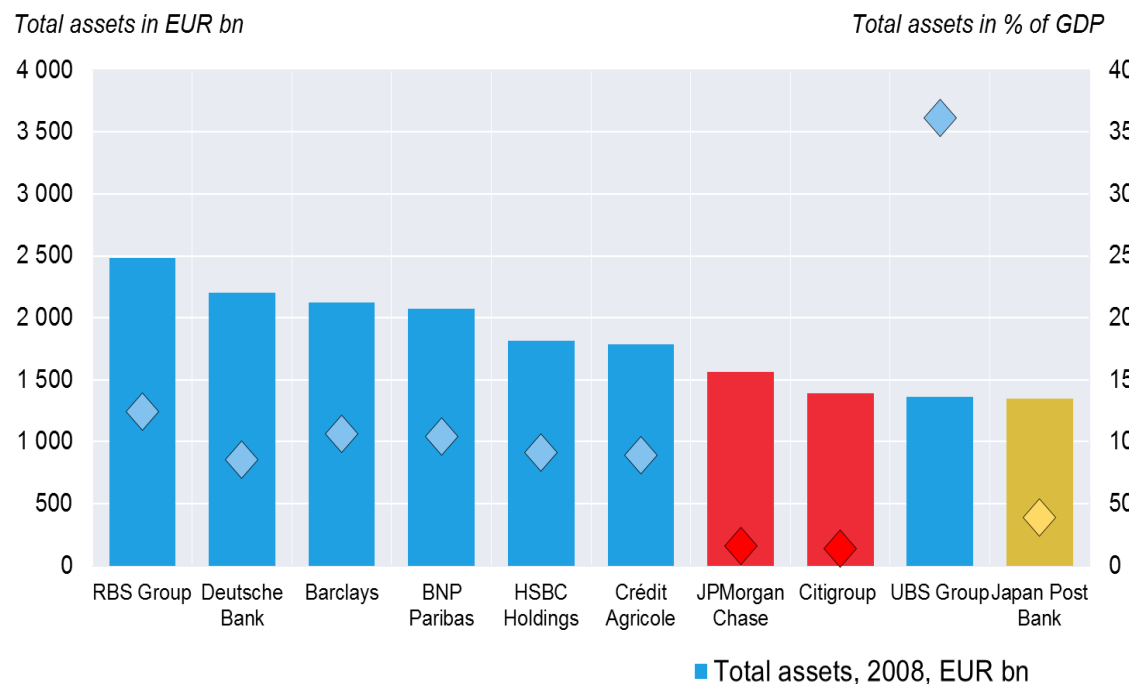
Base Date: 31.12.2007 (=100)



Source: Bloomberg.

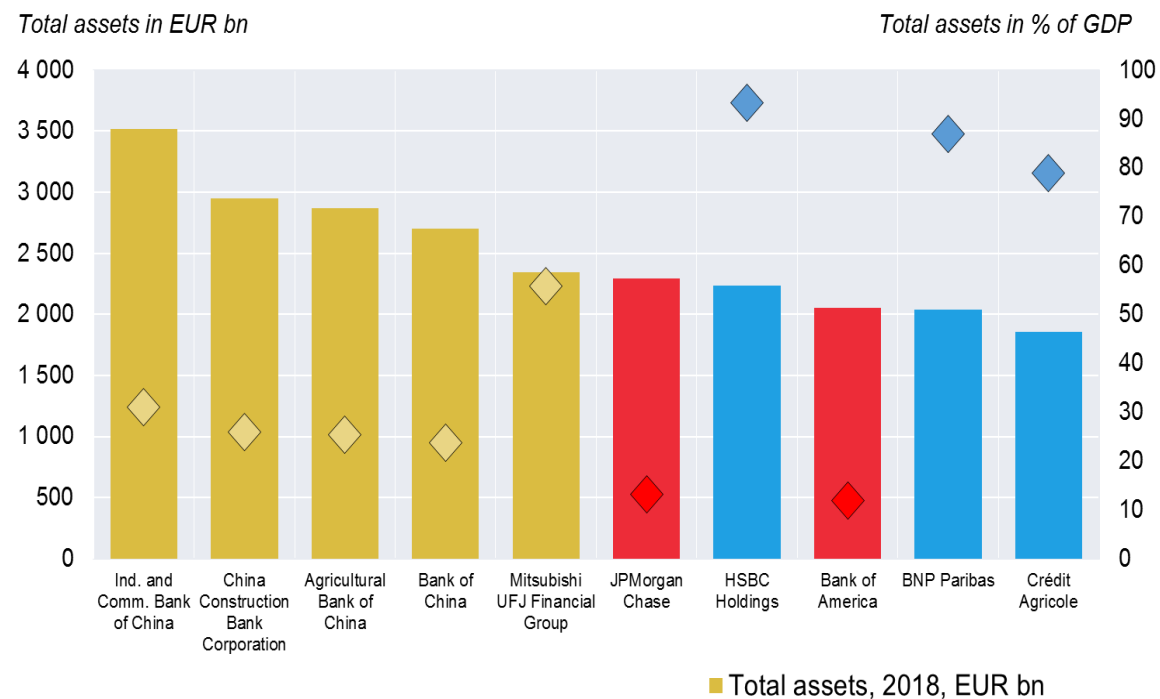
# Asian banks have been growing significantly since the crisis

## Top 10 largest banks worldwide, 2008



Note: EU banks in blue, US banks in red, Asian banks in yellow.  
Source: Market Intelligence (SNL Financial).

## Top 10 largest banks worldwide, 2018



Note: EU banks in blue, US banks in red, Asian banks in yellow.  
Source: Market Intelligence (SNL Financial).

# Banking-Union: Status Quo and Challenges

		Scope	Status	Challenges
Closer integration of domestic market	SSM	Uniform supervision of 117 significant banking groups in EEA (AT 6 SIs) 	<ul style="list-style-type: none"> <li>4 November 2014: ECB assumed responsibility for direct banking supervision in EEA</li> <li>important step to harmonise supervision (JSTs, SREP, stress test,...)</li> </ul>	<ul style="list-style-type: none"> <li>reduction of NPLs (ECB guidance and addendum)</li> <li>adoption of business models to increase profitability and adjust for new IT developments and risks</li> <li>BREXIT</li> <li>Improving incentives for other EU-countries to join SSM</li> </ul>
	SRM	Uniform rules and procedures for recovery and resolution 	<ul style="list-style-type: none"> <li>1 January 2016: SRB taking decisions and setting measures for resolution cases</li> <li>1 January 2016: SRF is being set up and financed by contributions from banks (target in 2024: EUR 55 bn)</li> </ul>	<ul style="list-style-type: none"> <li>consistent application of bail-in-rules</li> <li>determination of MREL and adaption of MREL to TLAC</li> <li>common SRF- backstop</li> </ul>
	EDIS	Cross-border depositor protection 	<ul style="list-style-type: none"> <li>EC puts forward proposal on EDIS in November 2015</li> <li>EDIS builds on DGS – under political discussion</li> </ul>	<ul style="list-style-type: none"> <li>for the time being: harmonisation of DGSs</li> <li><b>risk reduction measures</b> (e.g. reduction of NPLs)</li> </ul>

Legend: SSM: Single Supervisory Mechanism; SIs: Significant institutions; ECB: European Central Bank; EEA: European Economic Area; JST: Joint Supervisory Team; SRM: Single Resolution Mechanism; SRB: Single Resolution Board; SRF: Single Resolution Fund; MREL: Minimum Requirement for own funds and eligible liabilities; TLAC: Total loss absorbing capacity; EDIS: European Deposit Insurance Scheme; EC: European Commission; DGS: Deposit Guarantee Scheme; NPLs: non-performing loans.

# Digital innovation: The role of central banks

Current wave of technological innovation facilitates increased competition and change in business models in financial sector. Three key roles for central banks in this context:

## 1) Provide orientation for general public:

- Help members of society understand social meaning of technologies in financial context
- Technologies can support, but cannot replace currencies or financial institutions
- Money and other financial instruments = more than just tokens in limited supply
- Value of financial assets related to guarantees of the issuer underpinned by quality of their balance sheets

## 2) State-of-the-art market infrastructure:

- Digitalization increases demand for speed in payments
- TIPS - Euro: front runner in offering instant payment settlement in central bank money

## 3) Financial stability:

- Provide regulatory and supervisory frameworks for beneficial innovation



## OeNB activities on „Green Finance“

- Climate change itself and the transition towards a sustainable economy have severe economic and financial consequences
- OeNB is a member of the Network for Greening the Financial System (NGFS) of central banks and supervisors
- OeNB supports the Austrian government in its climate strategy on green finance
- Integration of social and ecological factors in the management of OeNB's own portfolios
- Raising awareness by organizing conferences and meetings with experts and stakeholders



**Thank you for your attention**

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