



“The currency union and financial integration”

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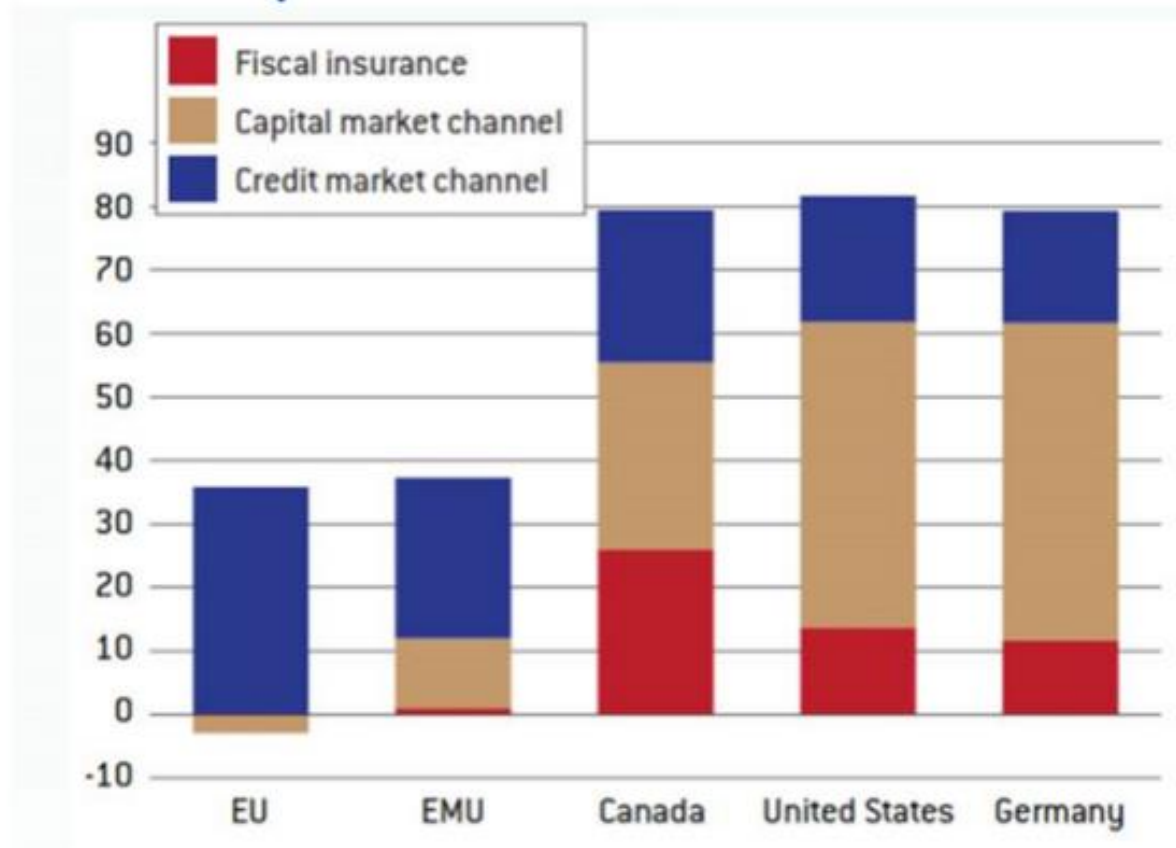
25th Luxembourg Financial Market Forum, 18 October 2016

Firewalls against the crisis: ESM and EFSF

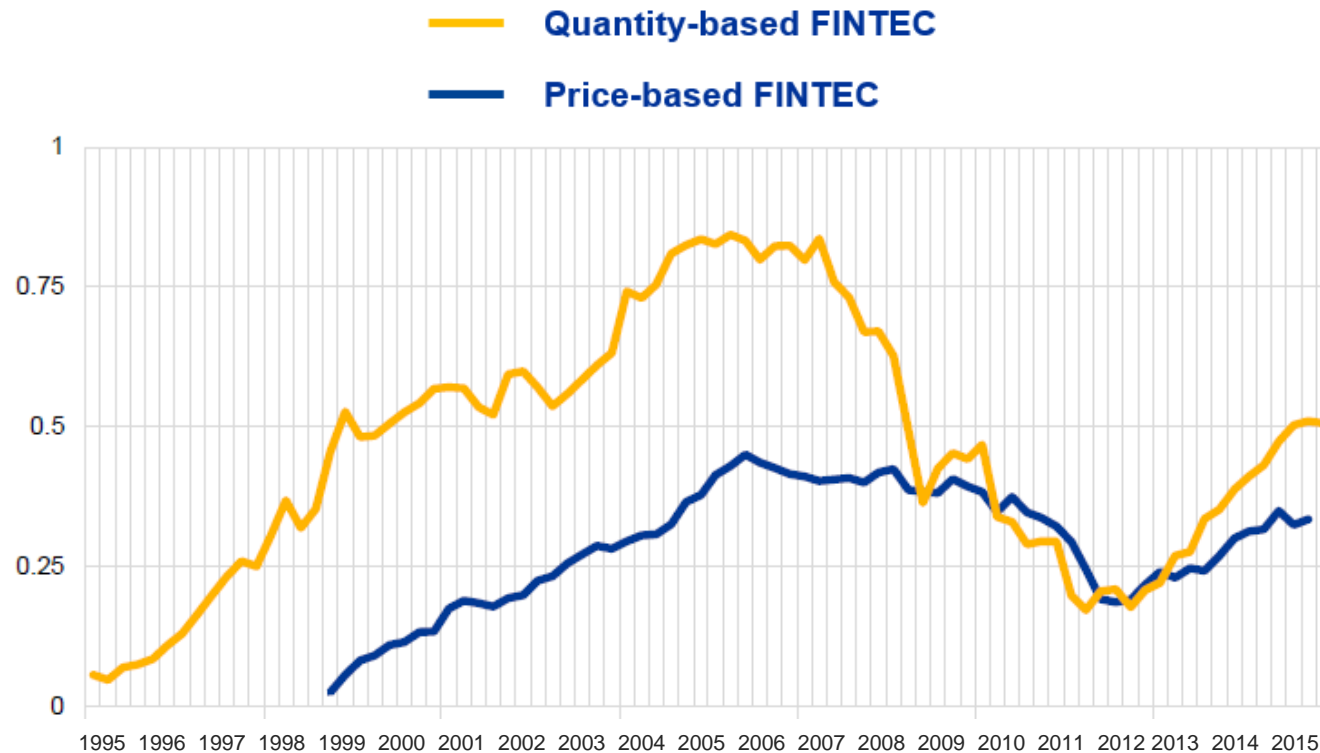
- Maximum lending capacity of €700 bn
 - Total disbursed to five countries so far: €262 bn
 - Ireland, Portugal, Spain, Cyprus, Greece
- Four success stories:
 - Ireland, Portugal, Spain and Cyprus have exited programmes
 - Greece is a special case
 - It entered a new programme of up to €86 bn last year

Insurance against income shocks in EMU remains low

Percentage of shock smoothed by different channels



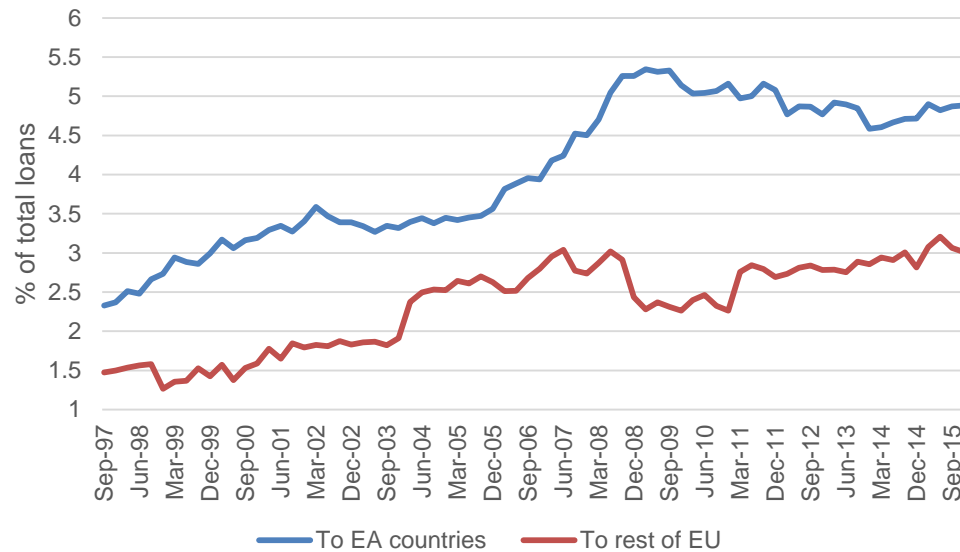
ECB indicator of financial integration in euro area



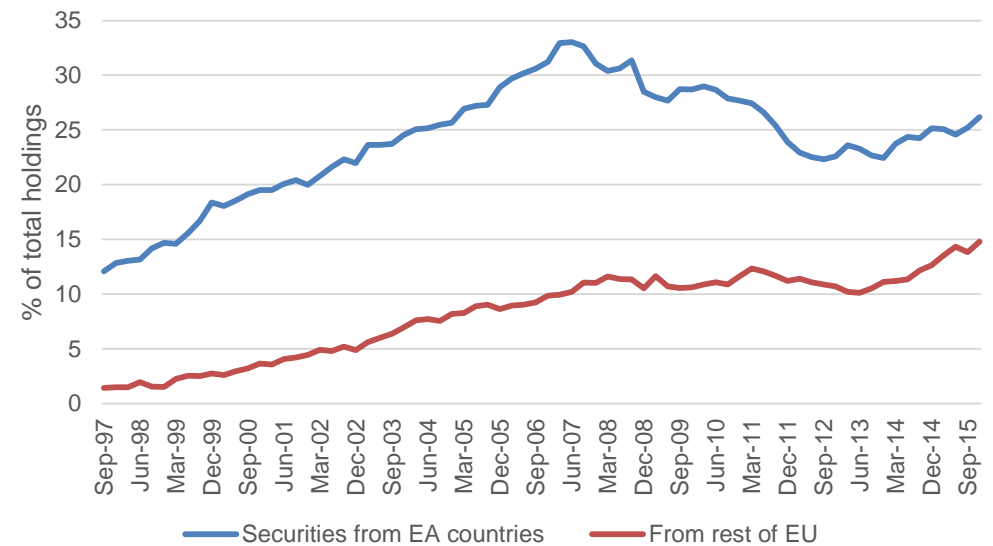
Note: The price-based FINTEC aggregates ten indicators covering the main market segments such as money, bonds, equities and banking. The input series measure price dispersion in EA countries. The quantity based FINTEC aggregates five indicators, covering intra-EA cross border holdings expressed as a % of EA total holdings. The FINTEC is bounded between zero (full fragmentation) and one (full integration). Increases in the indicators signal higher financial integration. Source: ECB

Cross-border activities of euro area banks are on the rise

Cross-border loans

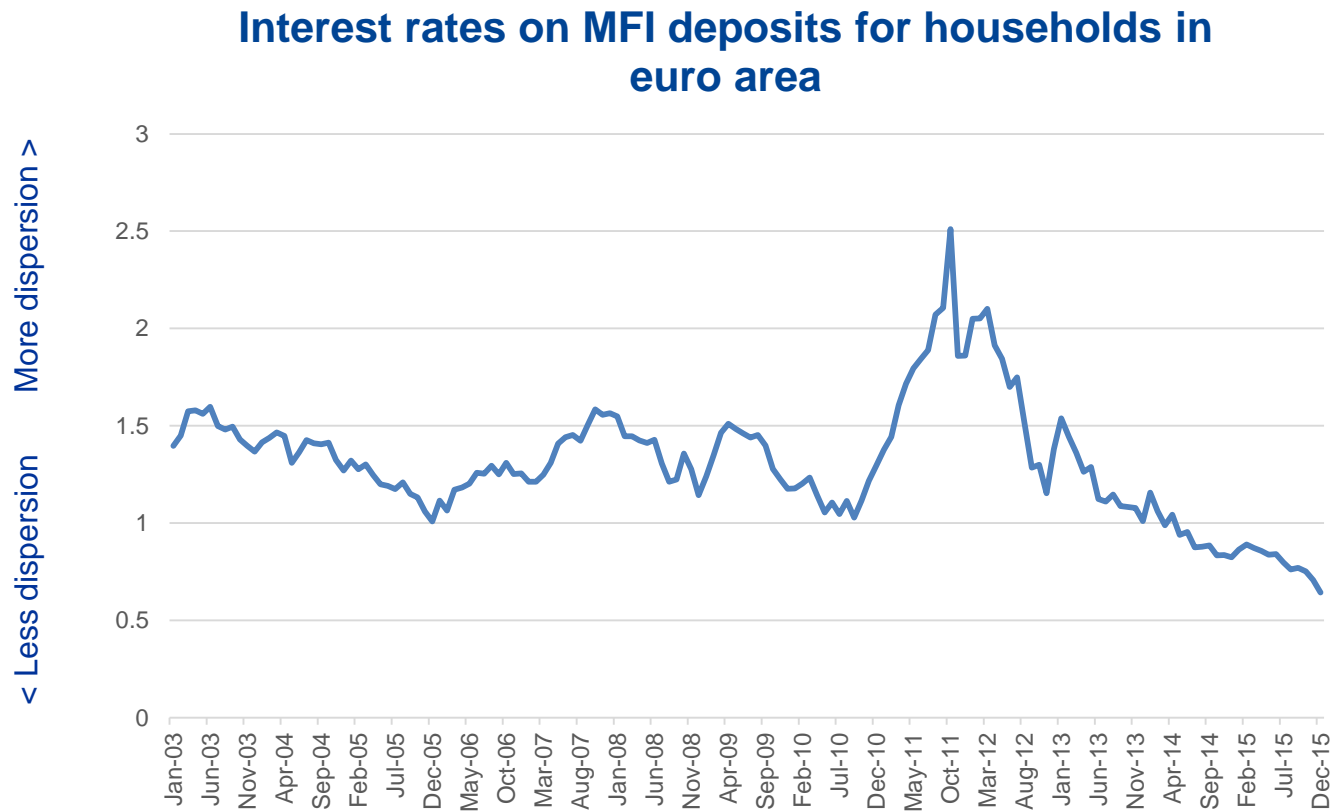


Cross-border holdings of securities



Source: ECB

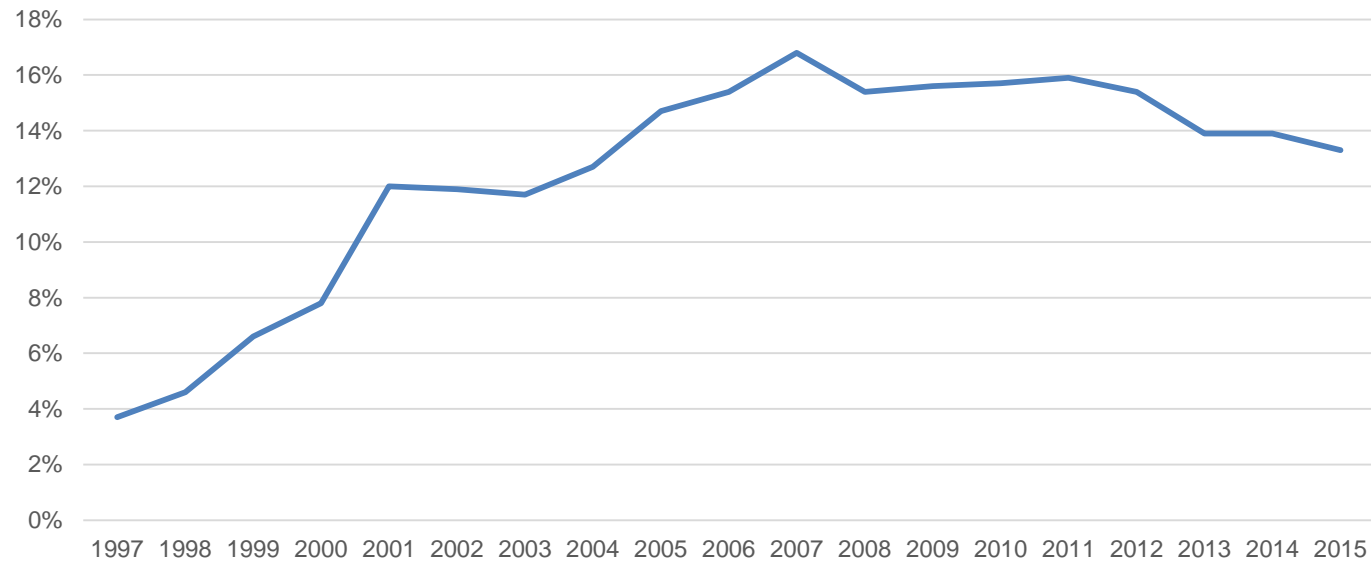
Cross-country dispersion on interest rates



Note: Chart shows standard deviation of interest rates on MFI deposits for households in euro area. Source: ECB

Cross-border banking assets are still trending down

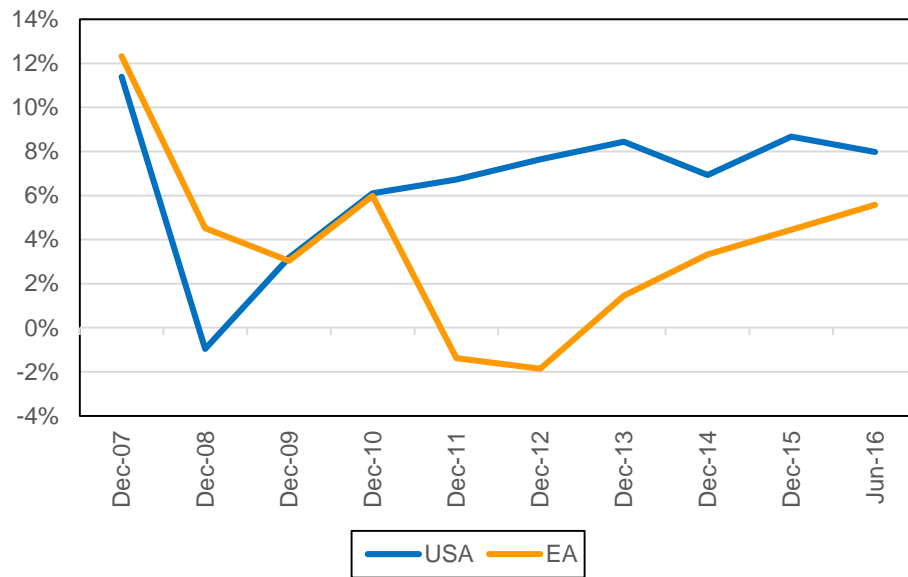
Share of EA cross-border bank assets in total EA banking sector assets



Source: ECB

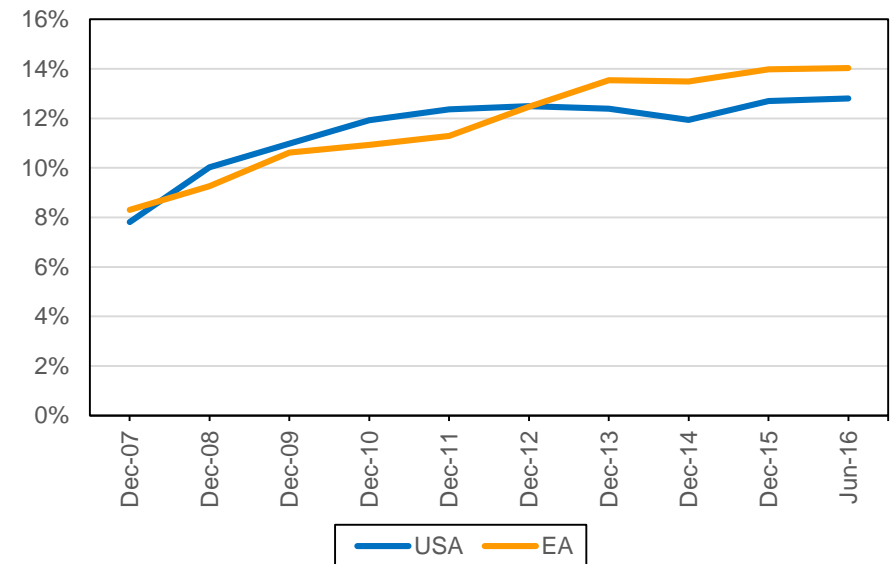
European banks are catching up with the US

Profitability is returning ...



Return on Equity. Source: Standard and Poor's (SNL Financial), banks' annual reports, ESM calculations

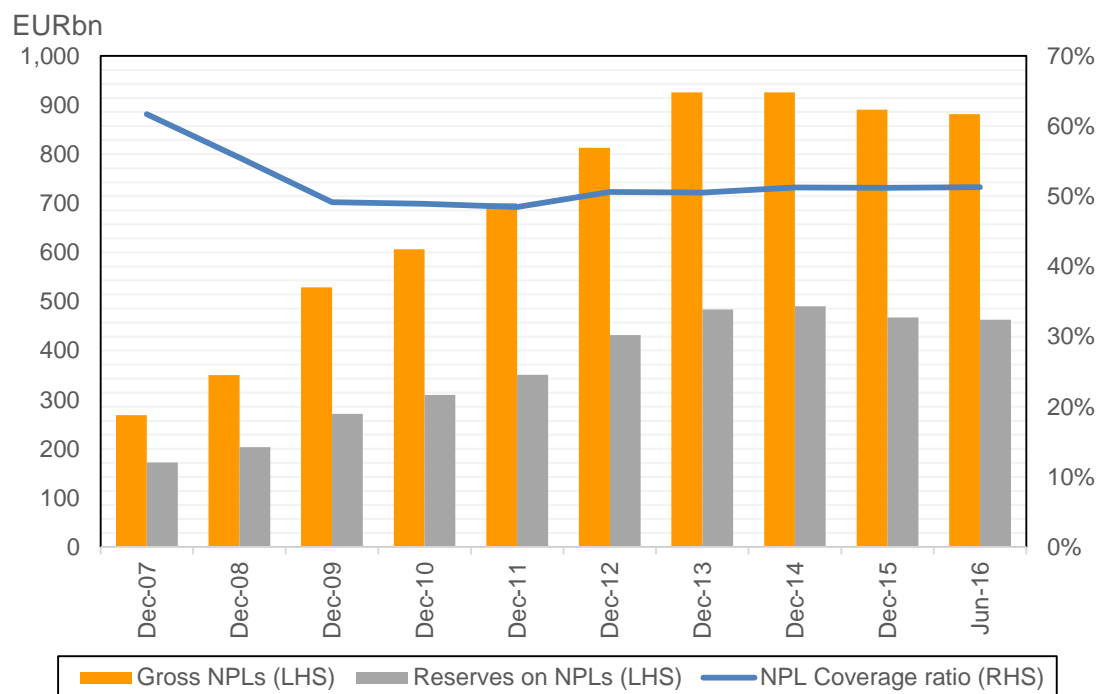
... and capital ratios have continued to increase...



Tier 1 Ratio. Source: Standard & Poor's (SNL Financial), banks' annual reports, ESM calculations

Europe: Non-Performing Loans are stalling at a high level...

... but provisions cover more than half



Source: Standard & Poor's (SNL Financial), banks' annual reports, ESM calculations