



“The currency union and financial integration”

Klaus Regling, Managing Director, ESM

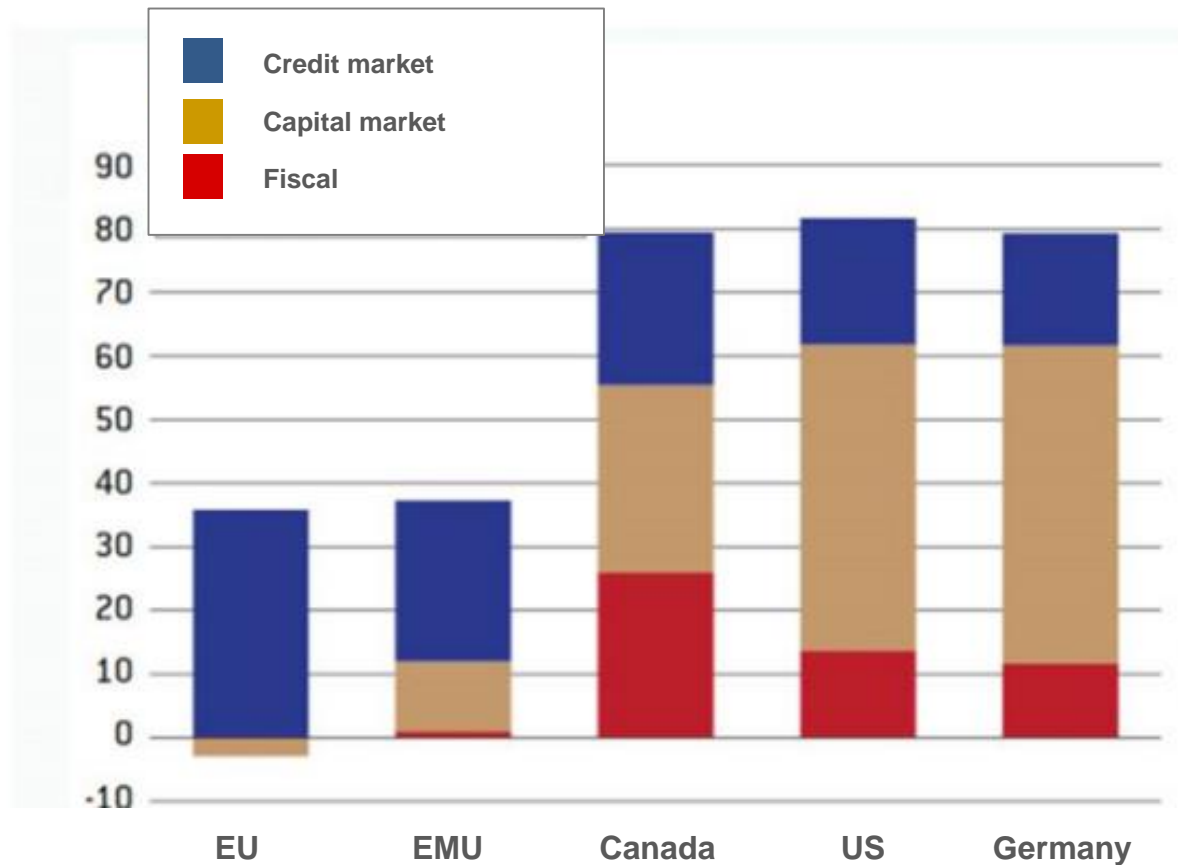
Rome, 21 November 2016

Firewalls against the crisis: ESM and EFSF

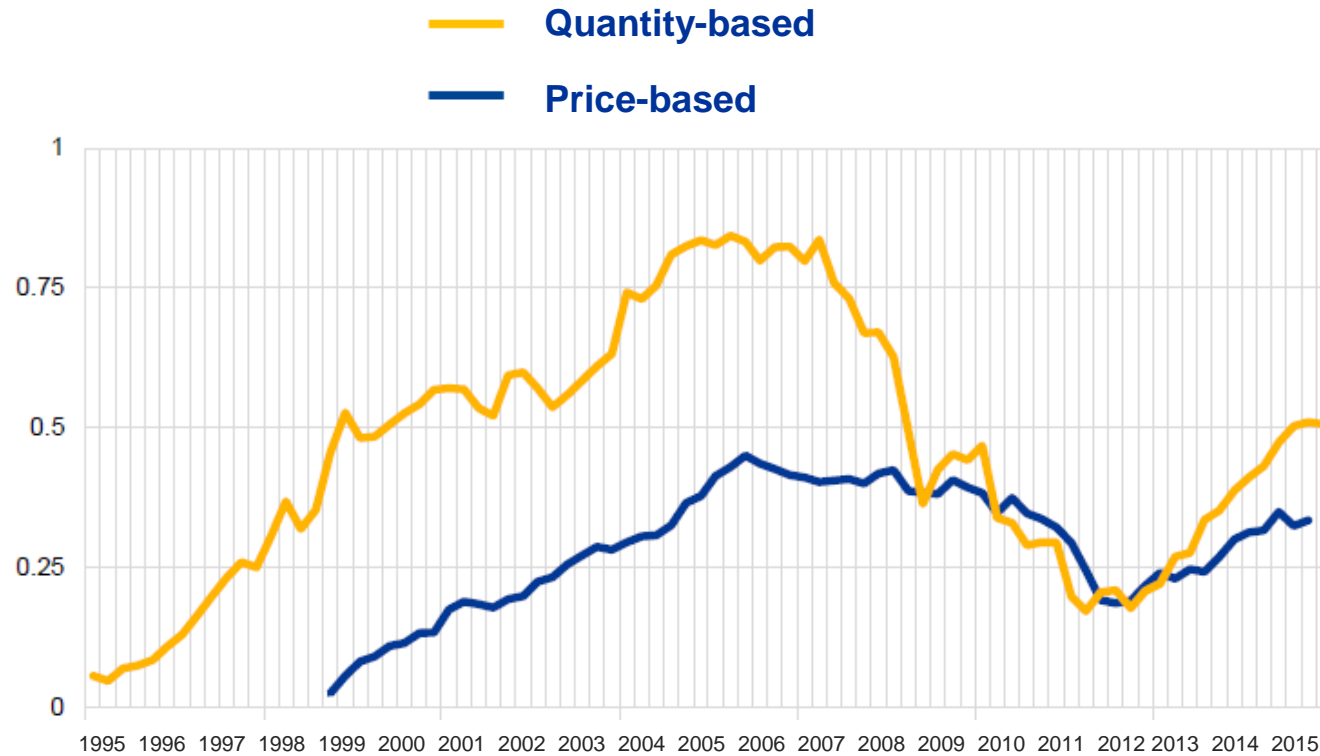
- Maximum lending capacity of €700 bn
 - Total disbursed to five countries so far: €262 bn
 - Ireland, Portugal, Spain, Cyprus, Greece
- Four success stories:
 - Ireland, Portugal, Spain and Cyprus have exited programmes
 - Greece is a special case
 - It entered a new programme of up to €86 bn last year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

Insurance against income shocks in EMU remains low

Percentage of shock smoothed by different channels



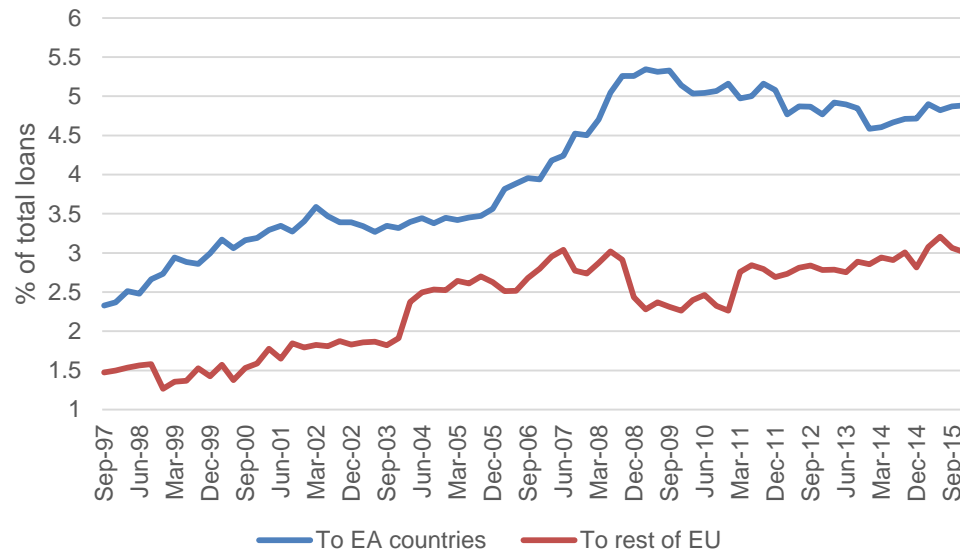
ECB indicators of financial integration in euro area



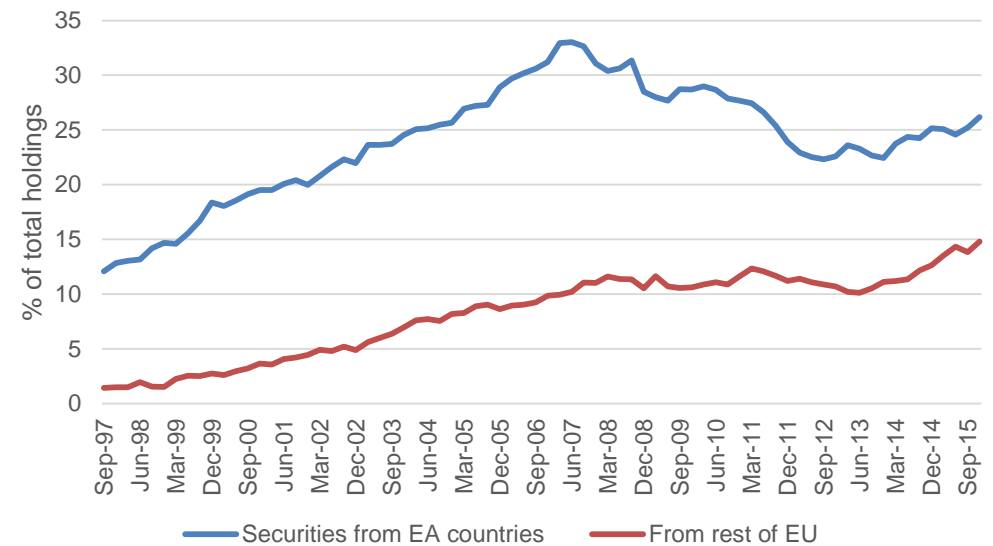
Note: The price-based indicator aggregates ten measures covering the main market segments such as money, bonds, equities and banking. The input series relate to price dispersion in EA countries. The quantity-based indicator aggregates five measures, covering intra-EA cross border holdings expressed as a % of EA total holdings. Both indicators are 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



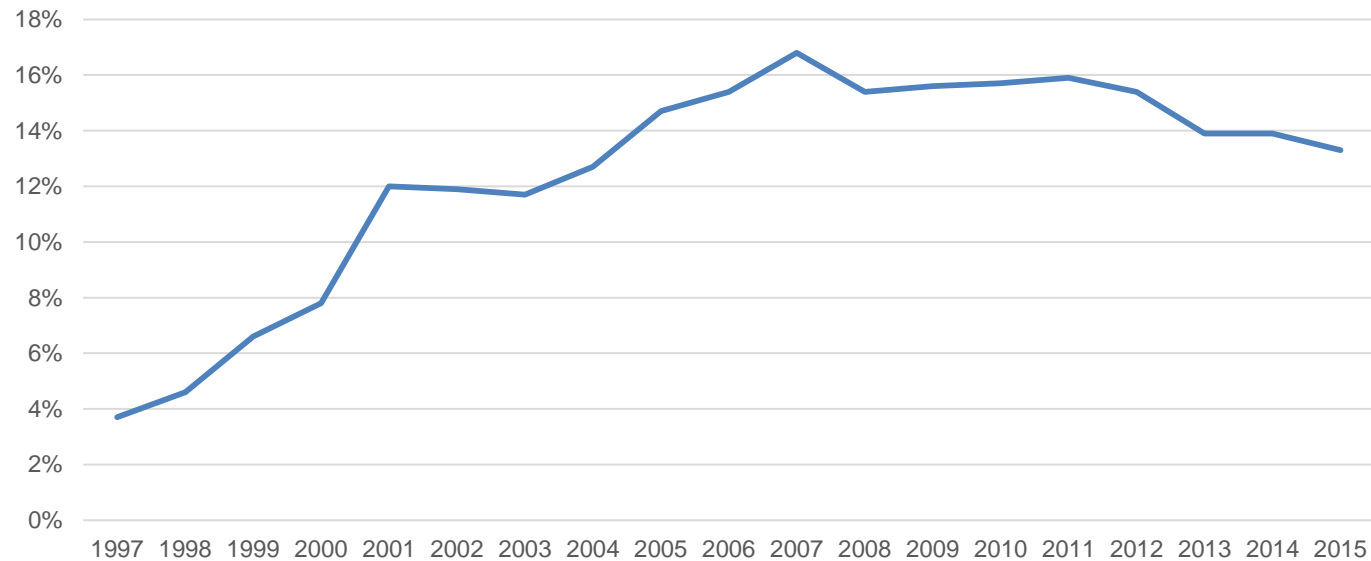
Cross-border holdings of securities



Source: ECB

Cross-border banking assets are still trending down

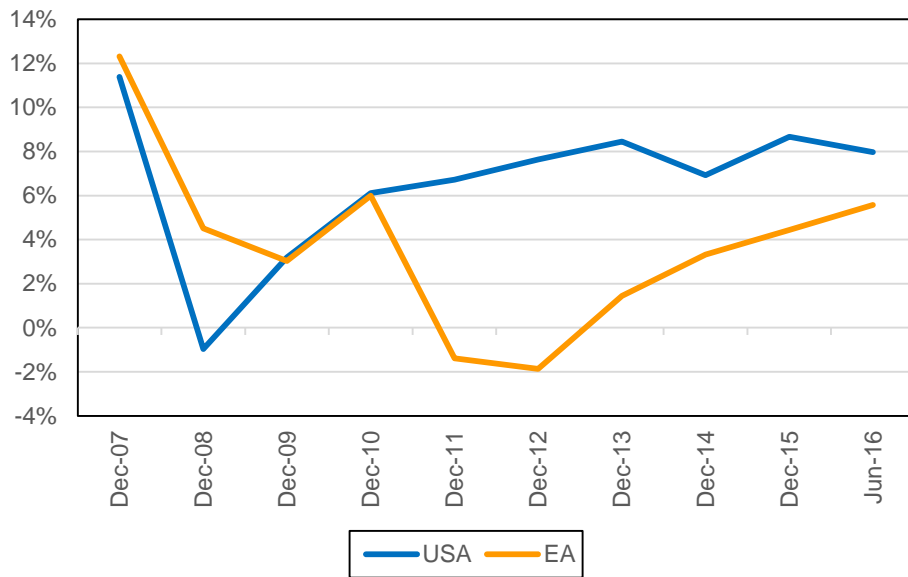
Share of EA cross-border bank assets in total EA banking sector assets



Source: ECB

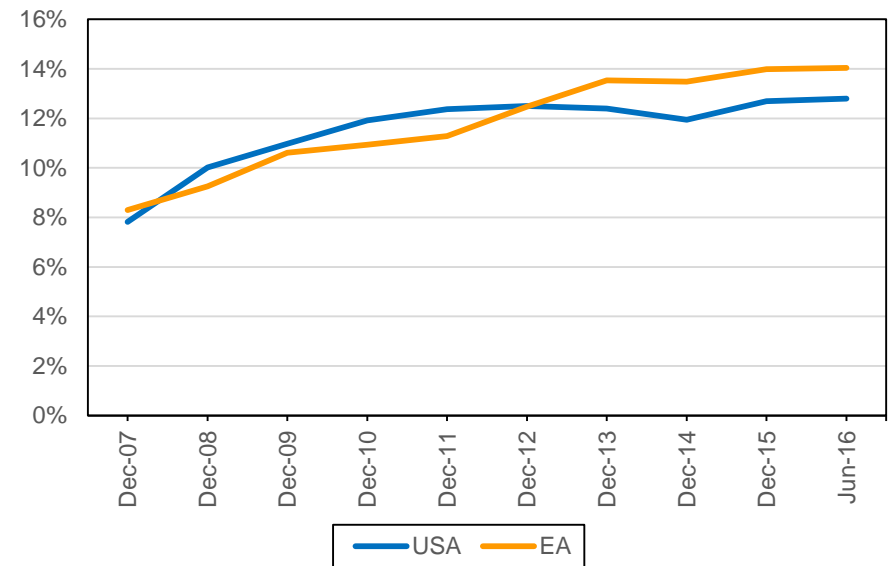
European banks are catching up with the US

Profitability is returning ...



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

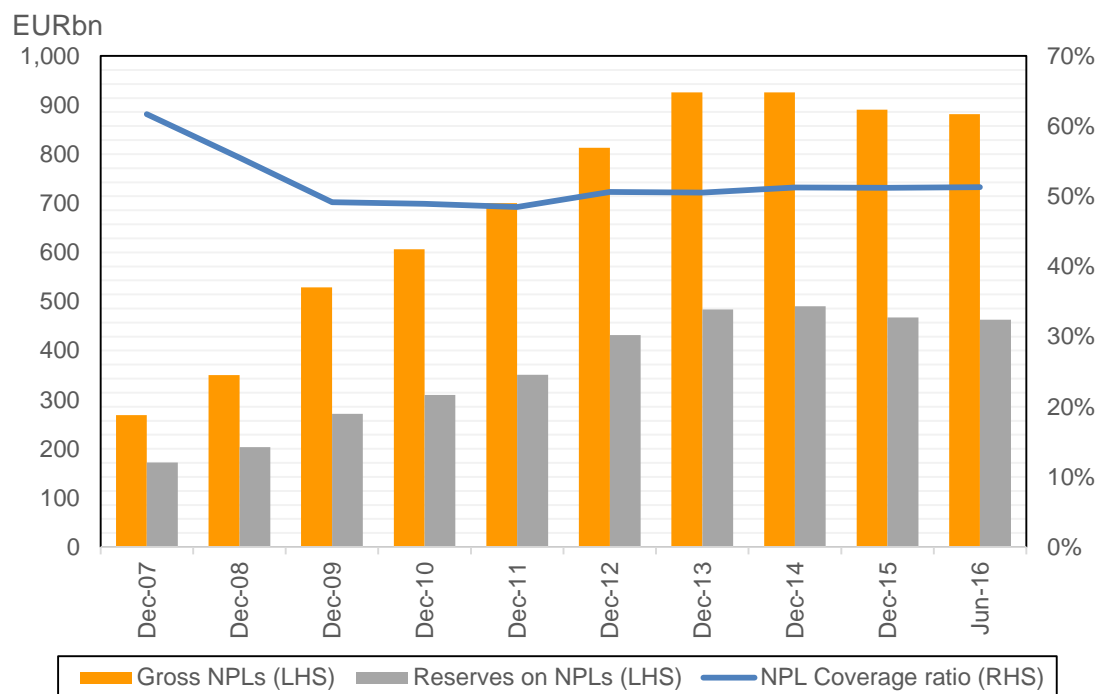
... and capital ratios have continued to increase...



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

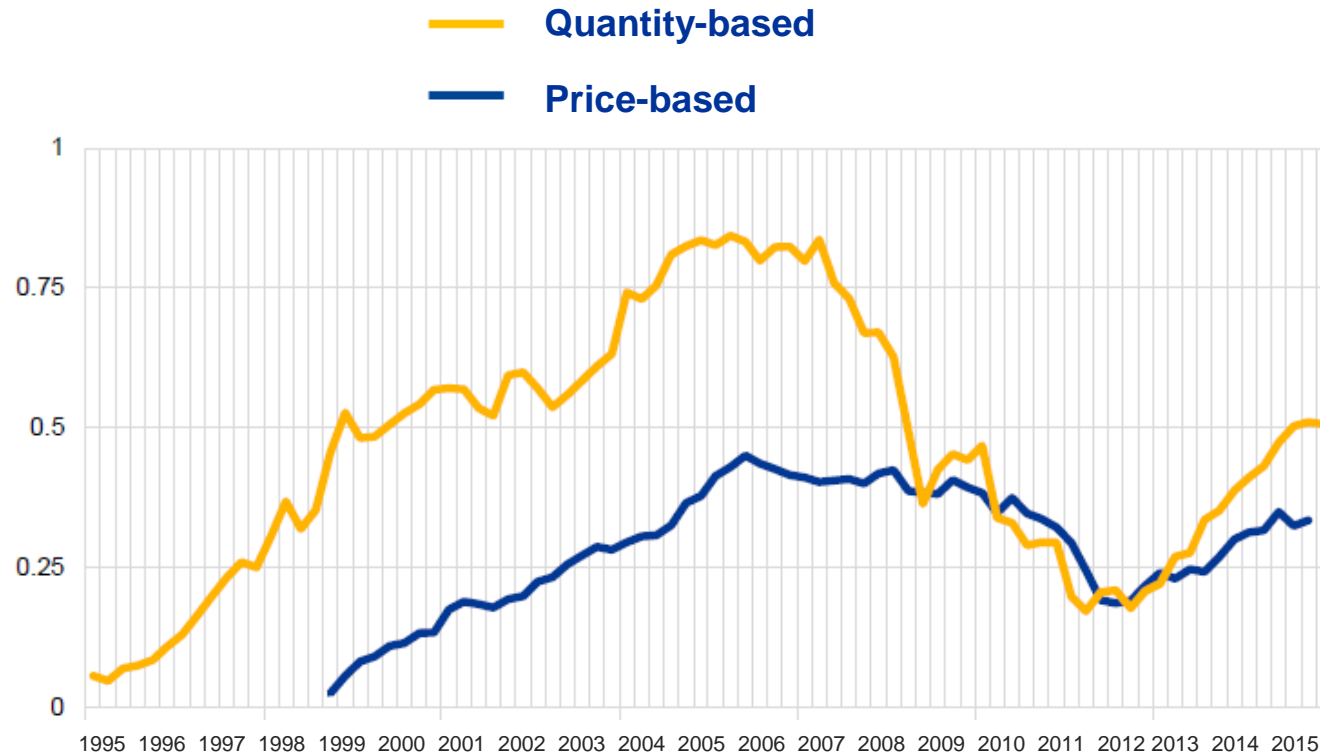
Europe: Non-Performing Loans are stalling at a high level...

... but provisions cover more than half



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

ECB indicators of financial integration in euro area



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