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Aktueller Kommentar

Europäische Banken: Die Wahrheit liegt in den nackten Zahlen – Fortschritt im Jahr 2015

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Trotz Gegenwinds in Form schwachen Wirtschaftswachstums, niedriger Zinsen und strengerer Regulierung hält die Erholung der europäischen Banken an. 2015 ist das Kerngeschäft der Banken mit dem Privatsektor auf den Wachstumspfad zurückgekehrt, sind die Erträge gestiegen und die Risikovorsorge für mögliche Kreditausfälle erneut zurückgegangen. Die Branche ist profitabler und widerstandsfähiger geworden. Die europäischen Banken stehen weiter vor vielen Herausforderungen, aber sie sind eindeutig auf dem richtigen Weg (nur auf Englisch verfügbar).

Even though the public’s and regulators’ stance towards the sector remains critical, European banks in fact continue to turn around their fortunes for the better. In 2015, the industry’s fundamentals improved on most accounts, despite an unfavourable external environment of slowing global growth, rock-bottom interest rates and stricter regulation.

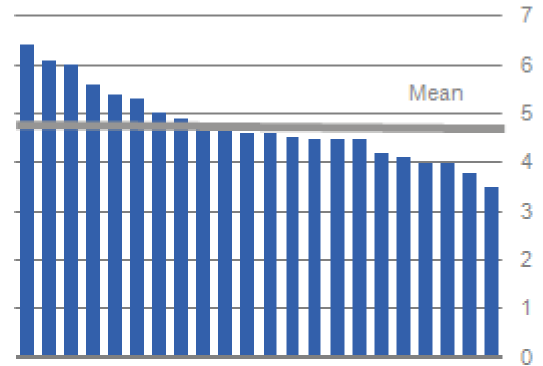
In the euro area, lending to the private sector has picked up and in 2015 expanded year-over-year for the first time since 2011 (+1.1%). Loan volumes with private households grew by 2.1%, while they stayed flat with firms (ending a three-year slump). Lending benefited from a further decline in interest rates to new record lows: on average, customers now need to pay only 2.5% for a new mortgage or 1.5% for a new business loan of more than EUR 1 m. On banks’ liability side, deposits from the private sector were even up 3.4%, similar to previous years, despite extremely low and declining deposit rates. Funding obviously continues to be not a major problem for the banking sector currently. Total assets were down 1.2% on the year.

The situation was similar at the 23 largest European banks, which account for about half of the total market – they saw their balance sheets shrink by an average of 2% yoy (however, that follows a 10% increase the year before). Renewed pressure to build more capital led the banks to raise their total equity by 6%. As a result, they were able to push up their fully loaded CET1 ratio by a full percentage point to 12.7% on average now – significantly above the level originally agreed under Basel III, but often not comfortably higher than e.g. the ECB’s new SREP requirements. The latter, together with the discussion about a higher leverage ratio and other tighter measures (such as those stemming from the “Fundamental review of the trading book” or the proposal to introduce capital requirements for interest rate risk in the banking book), have prompted another round of capital strengthening initiatives by (particularly larger) banks. The transitional CET1 ratio rose to 13.5%, hence virtually doubled compared with the end of 2008 (7%), in spite of much more generous definitions at the time. Part of the improvement last year was due to a slight reduction (-0.6%) in risk-weighted assets. The RWA intensity in terms of total assets remains almost exactly at one-third, way below the figure in America − at the 7 largest US banks it is more than twice as high. As a consequence, on the other hand, for all the fuss about European banks, they continue to be better capitalised on the fully loaded CET1 measure, which is only 11.7% on average at their US counterparts.

Progress is also visible in European banks' profit and loss accounts, admittedly from a low starting point and also due to positive exchange rate effects, i.e. the lower euro. 2015 saw broad-based revenue growth; net interest income rose 7% yoy, in part benefiting from the return of volume growth. Fees and commissions were up 5.5% and trading income even 17%, pushing total revenues a whopping 8% higher. As in 2014, operating expenses expanded even a bit more quickly, by almost 10%, though still less in absolute terms. Combined with a further fall in loan loss provisions (-18% to the lowest level since 2007), this resulted in a jump in net income by more than a third, to nearly EUR 60 bn. This is the best figure since the financial crisis, bar 2010, but at the same time less than half the pre-crisis record (in absolute terms, not with regard to ROE – the nominal equity base has also doubled since then!).

Wide range of individual banks' leverage ratio

Basel III fully loaded, largest European banks, end-2015, %



Sources: Company reports, Deutsche Bank Research

Most leading banks now publish two new indicators: the leverage ratio and the liquidity coverage ratio (LCR). The former shows a wide dispersion, which is not surprising, however, as it very much depends on a bank's business model, with capital market-intensive franchises somewhat at a disadvantage. The average leverage ratio of Europe's largest banks improved 0.5 pp yoy to 4.8%, with further increases likely in the next few years. The LCR is not yet disclosed publicly by all banks, but looks to be less of a binding constraint for banks' management: in all cases with available data it is comfortably above the official threshold of 100%, having risen a full 10 pp to currently 141% on average.

What about the outlook? There are still several challenges facing European banks. i) Profitability is not yet back to sustainable levels in most parts of the industry. The ECB's monetary policy continues to pressure interest margins and costs remain too high at many institutions. ii) New competitors – other financial intermediaries (shadow banks) as well as FinTechs – are trying to grab market share. Digitalisation has enabled low-cost, high-speed, easy-to-deal-with alternative ways to conduct finance and the incumbents have to carefully manage a balancing act between cash-cow legacy franchises and the need to adopt disruptive new technologies. iii) Policymakers have embarked on the above-mentioned new round of regulatory tightening, sometimes called Basel IV, which again might put the brakes on some banking activities. Non-traditional competitors often benefit from supervisors' lenience, i.e. arbitrage. iv) The macroeconomic environment has become more fragile in the past few months, particularly outside Europe. Global GDP is forecast to grow by only 3% this year, the least since the Great Recession in 2009 and substantially below potential. Within Europe, however, the outlook remains solid (expected growth in the EU 2016: close to 2%) which should support the banking sector.

Hence, although the industry is far from being fully back on track, it is overall clearly developing in the right direction and has tremendously ramped up its defences against another financial crisis. European banks may not be the most successful or glamorous but are probably at their most robust and resilient in decades.

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