OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

SUERF: Key takeaways from the ECB's new Financial Stability Review

Discussion and Q&A

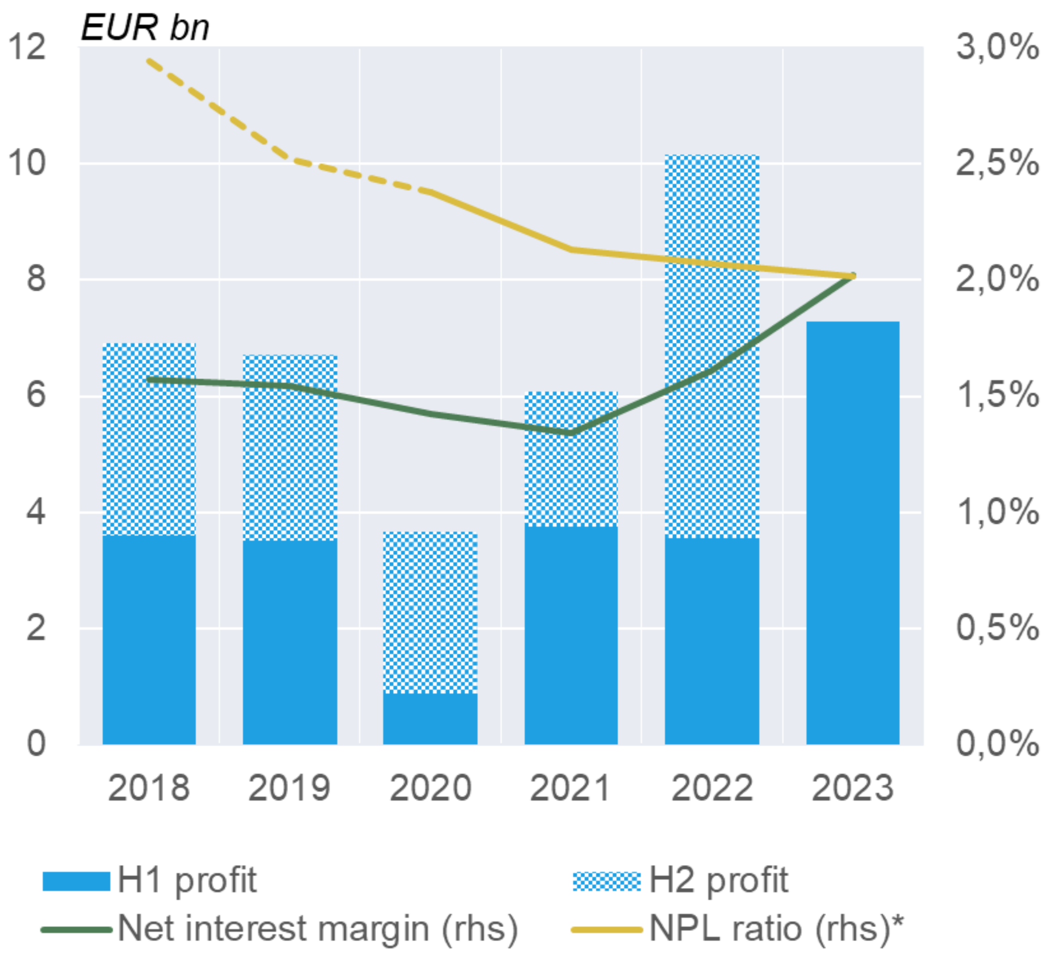
Vienna, 23 November 2023

Clemens Bonner, PhD
Head of OeNB's Financial Stability and Macroprudential Supervision Division

Disclaimer: Views are my own

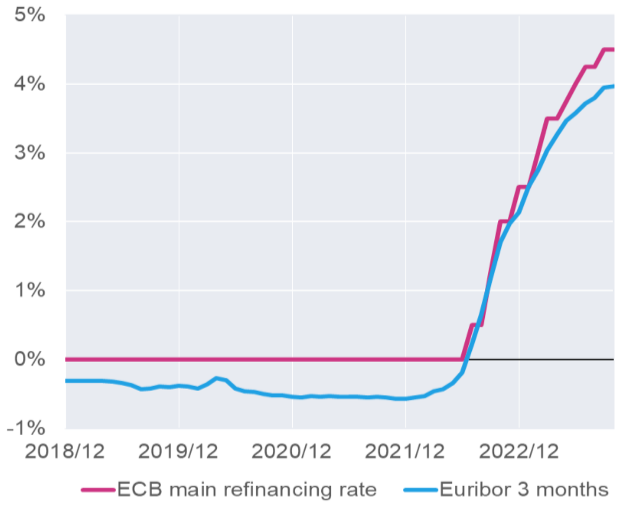
Austrian banking sector: Profits at a record high, but this might not last

Profitability of the Austrian banking sector



*Source: OeNB. * Since 2020 excl. cash balances at central banks and other demand deposits, previous to that with a respective add-on (dashed line).*

Rapid change in interest rates

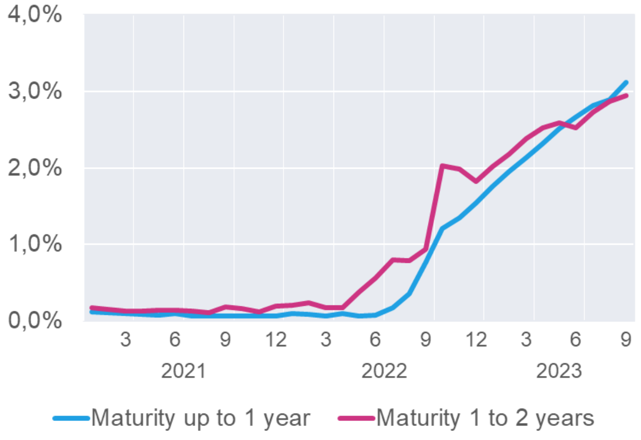


Source: Bloomberg.

Loans to nonbanks

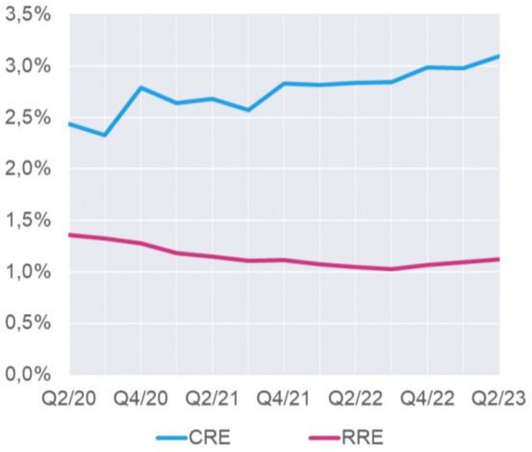
Source: OeNB, ECB.

PHH saving deposit rates in Austria



Source: OeNB.

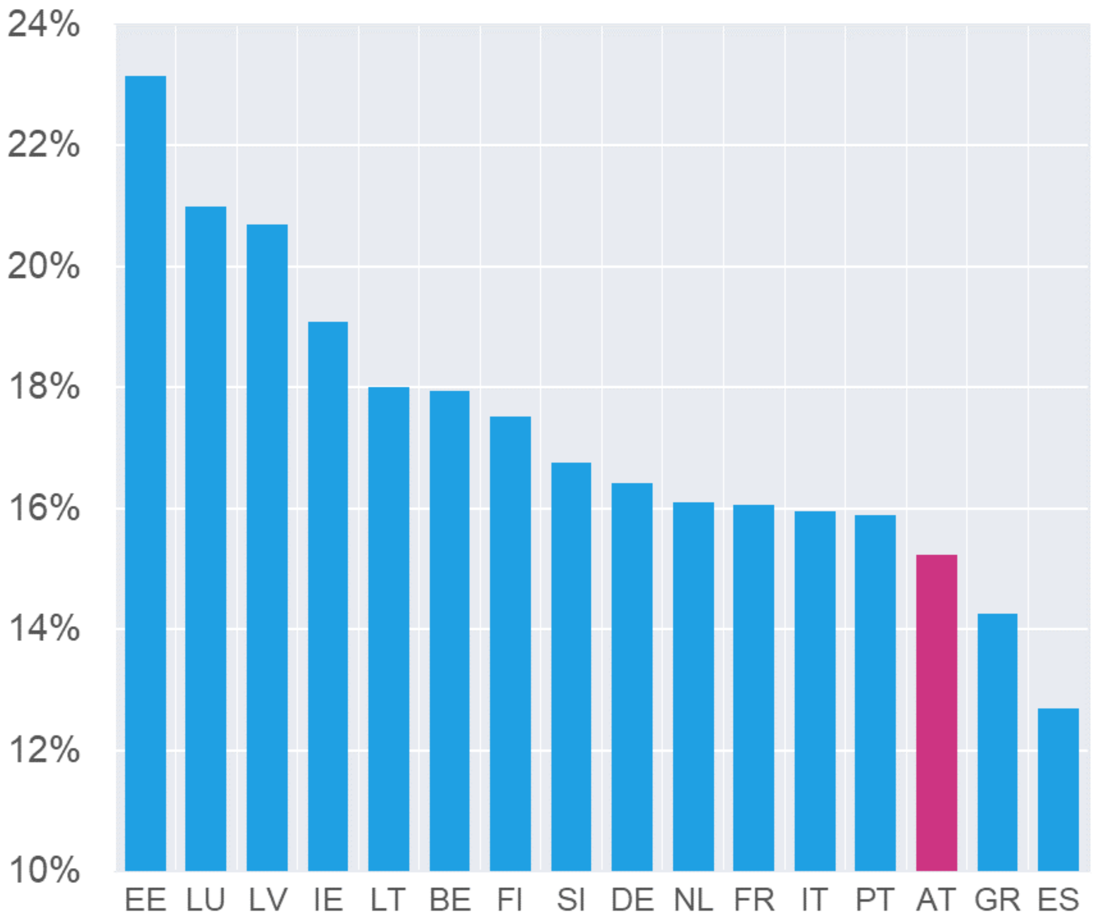
NPL ratios in Austria



Source: OeNB. Note: Sample of large banks.

OeNB FSR: Recommendations for Austrian banks

CET1-ratio of the SSM's significant institutions



Source: SSM. Data as of June 2023.

- Continue to strengthen the capital base by exercising restraint regarding profit distributions.
- Adhere to sustainable lending standards for RRE- and CRE-financing.
- Proactively provision for CRE credit risks and value collateral conservatively.
- Adequately control credit and interest rate risks in a challenging environment.
- Maintain cost efficiency improvements to ensure structurally strong profitability.

Note: For further details, please refer to the OeNB FSR.

oenb.info@oenb.at

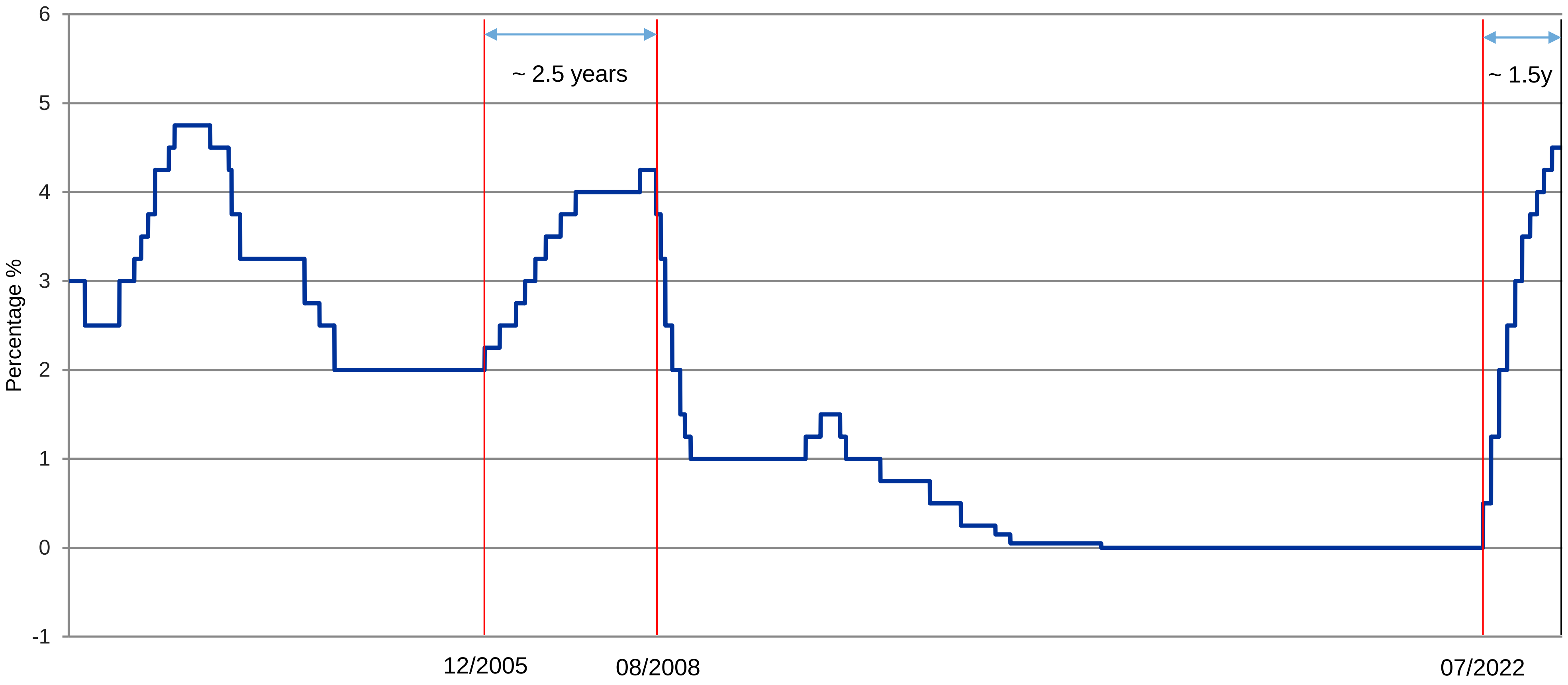
ECB key findings that we agree with and what is being done in Austria

- **Report encourages maintaining existing capital buffers**, trageted sectoral buffers, and borrower-based measures (BBMs) in the current environment.
  - ✓ In **Austria**, implemented capital measures (Systemic Risk Buffer, O-SII buffer), and BBMs are deemed to be **sufficient** and should **not be released** at this stage.

- **Preserve high level of resilience** to adverse developments.
  - ✓ Macroprudential measures in **Austria** (i) contribute to **enhanced resilience** and (ii) banks should use their currently high profits to **strengthen** their **core capital**.

- **ECB classifies BBMs** as a „**structural backstop“.**
  - ✓ Supports the **Austrian view** that **higher indebtedness cannot be the solution** for reduced affordability.

Time between last series of hikes and Lehman collapse was about 2.5 years



Source: ECB / Key ECB interest rates, Main refinancing operations

First cracks are showing …

- **Economy cooling down:** weak macro-financial environment
- **Limited capacity** to deal with unexpected shocks in the area of fiscal policy (indebtedness) and monetary policy (inflationary risks more present)
- **Real estate market turbulences in many countries:**
  - cooling real estate prices and excessive indebtedness
  - first real estate firms and funds getting into trouble
- **Spring banking crisis in the US and CH:** SVB, Credit Suisse (idiosyncratic events, but massive intervention to avoid systemic impact → moral hazard)

Where we could increase awareness

- Stronger language regarding dividend distributions
- Liquidity risk of banks and macroprudential policy
- More push for CRE macroprudential activity
- Did rising rates reach the previously identified pockets of vulnerability?

Danke für Ihre Aufmerksamkeit

Thank you for your attention

www.oenb.at

oenb.info@oenb.at

@oenb

@nationalbank_oesterreich

OeNB

Oesterreichische Nationalbank