



EUROPEAN CENTRAL BANK

EUROSYSTEM

PRESS RELEASE

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Report on financial structures shows ongoing consolidation in the banking sector

- Number of credit institutions declined further in 2016, bringing the cumulative decline since 2008 to 25%
- Euro area banks' median CET1 ratio rose to 15.4 % in 2016, from 14.4 % in 2015
- Financial sector expanded in 2016, reflecting growth in both banks' and non-banks' assets
- Assets in the investment fund sector grew by 7% in 2016

The number of credit institutions in the euro area banking sector declined by 25% between 2008 and 2016, according to the ECB's 2017 Report on financial structures (RFS) published today. On an unconsolidated basis, the number of credit institutions at the end of 2016 was 5,073, having fallen from 5,474 at the end of 2015. On a consolidated basis (i.e. entities belonging to the same group count as one), there were 2,290 credit institutions at the end of 2016, down from 2,379 at the end of 2015 and 2,904 in 2008. In 2016 alone, 6,939 bank branches were closed.

The total assets of domestic euro area banks amounted to €24.2 trillion on a consolidated basis at the end of 2016, a 0.5% increase on the previous year and a 14% decline compared with 2008. In 2016, total bank lending grew at a moderate pace of 1%. The share of debt securities in total banking sector assets continued to contract, reflecting reduced holdings of domestic government bonds in many euro area countries in the aftermath of the financial crisis and the ECB's ongoing asset purchase programme. On the liabilities side, the trend towards greater reliance on deposit funding gained traction in 2016, as the median share of customer deposits in total liabilities increased by 7 percentage points to 52%.

European Central Bank Directorate General Communications
Global Media Relations Division, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, e-mail: media@ecb.europa.eu, website: www.ecb.europa.eu

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The regulatory capital ratios of euro area banks continued to rise, mainly on account of capital increases. The median phased-in Common Equity Tier 1 (CET1) capital ratio stood at 15.4% in 2016, up from 14.4% in 2015. The profitability of the banking sector remained relatively low during the year as structural inefficiencies continued to hamper profitability in many countries. In particular, while the median non-performing loan (NPL) ratio declined further, the stock of NPLs remained persistently high in a number of countries.

The overall size of the euro area financial sector in March 2017 stood at €76.2 trillion, compared with €70.8 trillion in December 2015 and €55.0 trillion in December 2008. Between 2008 and 2016, the size of the financial sector increased from 5.3 to 6.4 times gross domestic product (GDP). While the relative importance of non-banks (insurers, pension funds, money market funds – MMFs – and other financial intermediaries) has grown steadily since the onset of the financial crisis, there appears to have been a pause in this trend recently. In terms of total assets, the share of the non-bank financial sector has grown from 43% in 2008 to 55% in early 2017. A corresponding decline initially took place in the share of monetary financial institutions (MFIs), but that trend came to a halt recently, with the share of MFI total assets (excluding MMFs) remaining broadly unchanged, at around 45%, in 2016 and early 2017.

In the current low-yield environment, insurance corporations and pensions funds (ICPFs) in some countries have shifted their portfolios towards higher-yielding assets to boost investment income. The profitability of the insurance sector has been constrained in recent years, but its solvency position is well above the requirements of the EU's Solvency II supervisory regime.

Growth in the investment fund sector, underpinning much of the expansion of the non-bank financial sector since the global financial crisis, continued its secular growth trend in 2016: total assets in the investment fund sector – excluding MMFs – rose by 7% in 2016 and have grown by approximately 160% since 2008. At the same time, total assets in the MMF sector have increased by an average of 15% per year since the end of 2013, when they reached a trough. Total assets held by euro area financial vehicle corporations (FVCs) continued to decline slightly throughout most of 2016 owing to protracted weak securitisation activity by euro area credit institutions. In the last quarter of 2016, securitisation picked up, albeit moderately.

For media queries, please contact Peter Ehrlich, tel.: +49 69 1344 8320.

Notes:

The full report is available on the [ECB's website](#).