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Questions to Daniele Nouy, Chair of the SSM Supervisory Board

Intervention during in camera meeting with the Banking Union Working Group

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1. We have seen that after the 2009 stress tests in the US, bank lending to the real economy picked up rather quickly. Following the ECB comprehensive assessment, we have seen that the interest rates which banks pay for short-term borrowing have decreased. The exercise has also signalled that Eurozone banks are solvent. Given these developments, should we expect to see a fast strengthening in bank lending to the real economy? How do you expect the comprehensive assessment will affect growth?

2. We know that one of the key objectives of the banking union project was the disconnect between banks and sovereigns. At the same time however the tests show that Eurozone banks, particularly in the periphery, still hold a large share of sovereign bonds. Can we expect a genuine disconnect anytime soon or should we still worry that fiscal uncertainty can easily trigger banking sector problems once again?

3. I understand the comprehensive assessment exercise used data as of yearend 2013. In the meantime, we have noticed worrying deflationary movements in the Eurozone. Is there a risk that continuing deflation will alter the relation between income and debt (both household as well as private sector)? Should we worry about a potential negative effect owing to an increase in the rate of toxic loans?

4. Did the ECB verify the internal models used for capital requirements calculation by the banks? Did the Bank also address the risk of potential underestimation of risk weighted assets in the internal models?