

François-Louis Michaud – keynote speech
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A sense of urgency, commitment and hope for Europe's banking sector

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Ladies and Gentlemen,

Thank you for welcoming me to beautiful Vienna today.

I am glad and honoured to take part in this 17th annual FMA Supervisory Conference.

Over the years, the FMA has been a strong partner of the EBA. I want to express my explicit gratitude to Helmut Ettl who has not only been a member of the EBA's Board of Supervisors but has also played a crucial role as the EBA Vice-Chair for three years and served as acting chairperson prior to my appointment by the Council. Other FMA colleagues are also very active in the EBA governance, and I would like to mention, in particular, Oliver Schütz and Michael Hysek who are chairing two important EBA committees. Thank you, again, Helmut, for successfully navigating the EBA through a period of internal transition and for your constant input, steer and contributions to the EBA mission and tasks!

Since I took up my current role six months ago, I have started visiting European member states to listen and to discuss how we can best advance our European project and further progress our common regulatory and supervisory agenda. Against that background, being in Vienna is important as Vienna is a very special European capital! Long before the idea of a European Union was born, Vienna was already a buoyant multinational capital city and melting pot. It showed what can be achieved when people from different cultures and backgrounds come together. Out of that mix emerged new ideas in economics, philosophy, art or medicine. This lesson matters as we are at a political and economic juncture with new risks and challenges ahead.

Today, I would like to share three things with you: a sense of urgency, EBA's commitment, and a hope.

A sense of urgency

Let me start with the sense of urgency. We are reminded of geopolitical and geoeconomic tensions every day: there is war in the Middle East and at the very borders of our Union; we have been through episodes of trade war; there is a fragmentation of global rules and the beginning of a regulatory race to the bottom in several parts of the world. All this directly impacts on macroeconomic conditions and on banks, as this reshapes the risk landscape in which they operate.

And all this happens when Europe needs to actively invest in its future as it is being faced with environmental, demographic, economic and security transitions. The EU needs a financial system which can fully mobilise savings and channel them into productive investments.

Against that background, the good news is that EU banks are currently in good shape and have proven their resilience in recent years on multiple occasions. EU banks' core equity tier 1 sits above 16% while it was 13% ten years ago. With around 430 bp of headroom above regulatory capital requirements, banks have substantial capacity to absorb shocks.

More good news: Liquidity positions are well above minimum requirements, with a Liquidity Coverage Ratio (LCR) of 158.5% and a Net Stable Funding Ratio of 125.7%. And they support the economy. On average, lending to households and non-financial corporations is increasing (6% year-on-year in the first half of 2026) while asset quality remains strong (below 2%).

EU banks' profitability has also strengthened markedly in recent years, with return on equity reaching around 11%, well above pre-pandemic levels and closing the gap vis-à-vis global competitors. EU banks' performance is now broadly comparable with or above that of their peers outside Europe. Higher interest rates have supported fee income and EU banks have seen their cost-to-income ratio decline over the last years to around 50% nowadays. And it is important to stress – these improvements did not come at the cost of higher risk taking.

All this owes a lot to 15 years of efforts from the private and public sector to build a less risky and more resilient banking sector. This included the EU single rulebook for banking activities, which the EBA has largely contributed to, and the establishment of new institutions –EBA, ESRB, SSM, SRB, AMLA. It also reflects banks' efforts to better manage their risks and adjust to this new regulatory environment.

But where do we go from here? The current situation is good and therefore a risk would be complacency.

Let me mention three threats. First, the risk landscape is changing rapidly. Interest rates may continue on an upward trajectory. This may support bank profitability but also drive up their operating expenses and credit risk costs. Asset valuations are also generally considered high, especially in the context of the increasing scale and concentration of AI-related financing activity.

Second threat: EU banks cannot reap all the benefits of a truly Single Market. Our economy, and therefore our banks, operate in a global system with fierce competition. EU banks remain important players on the world stage. However, their share of assets among the global top 50 banks by size has fallen from around 35% in 2011 to just above 20%. Third-country banks account for more than 10% of EU banking assets, a rising trend in recent years. EU banks have been ceding ground to foreign competitors in some sectors, especially in wholesale and capital market related activities. Non-bank

financial intermediaries, and those are predominantly linked to foreign jurisdictions, finance more than 50% of non-financial corporations. In retail activities, competition is less fierce, but EU banks appear to often face a genuine scale problem across the Single Market due to heterogeneous consumer protection rules, insolvency laws, and taxation.

A third threat is related to digital transformation and cyber security. In our surveys and monitoring, EU banks flag cyber and technology-related risks as the most elevated concern. This involves cyber espionage, sabotage, and ransomware attacks or disinformation campaigns – and these threats may grow in intensity and speed with AI and DLT adoption. This exposes banks to risks at higher speed than before. Operational risk scenarios such as service disruptions and restricted access to core infrastructure are no longer unthinkable, be it out of geoeconomic confrontation or infrastructure dependencies and failures. Such restrictions to financial infrastructure, such as payment systems, ICT resources, and key service providers, are increasingly relevant.

Our banks are directly affected by these risks as much as exposed to second-order risks via their counterparties. The implications of these scenarios may range from liquidity stress to operational disruption, particularly when access to critical infrastructure is curtailed due to geopolitical tensions. This highlights the importance of overseeing key ICT service providers. With the entry into force of DORA, the financial sector's reliance on these providers is better managed. National competent authorities have powers to monitor these providers. Since last year, the EBA has been the lead overseer of 19 of the so-called 'Critical' Third-Party Providers (CTPPs), working with the other ESAs there.

Taking all this together, one realises that responses are needed, and that they are urgently needed.

EBA's commitment

This brings me to my commitment. We should ask ourselves what all these developments mean for Europe's future and what we can do to strengthen the EU banking sector's ability to support Europe's future. What can be the EBA's role in such an environment and how can we contribute?

The *leitmotiv* in today's public and private sector discussions on the EU banking sector is competitiveness. EBA's view is clear: banking competitiveness is rooted in resilience. Yet resilience alone is not sufficient. A competitive banking sector must also be able to innovate, operate efficiently and compete successfully in global markets. The job is therefore to preserve the resilience we have built over past 15 years while enabling European banks to grow and compete effectively. The EU banking sector's resilience in the currently challenging risk environment is an asset. Sound risk management rules, adequate capital and effective supervision foster stability, which is a key pillar of competitiveness. And competitiveness is needed to ensure the future of our economy.

The recent EU Commission communication on bank competitiveness highlights that EU banks remain insufficiently competitive internationally because of fragmentation and complexity. The EBA is fully engaged on the Commission's side. Its communication is ambitious, and it forces a genuine reflection about what a competitive European banking sector should look like.

EU banks need to scale up, our prudential framework needs to be simplified, and our institutional setup needs to integrate further. The EBA has been at the forefront of this debate. In October last year, EBA's Task Force on Efficiency published a set of 21 recommendations to improve the prudential framework. We have been working hard to implement them. Today, we have delivered on 10 of those 21 recommendations.

Let me trace back for you some important milestones of this simplification journey.

Starting with this year's EBA Work Programme, we scrutinised our own mandates and determined how burdensome they are versus how essential they are for stability. As a result, we identified 15% of our mandates that have been deprioritised.

As next steps, we started the discussions on how to streamline and simplify existing building blocks in the Single Rulebook, such as credit risk, governance and remuneration and resolution.

A more recent example of our simplification agenda is our proposals to massively reduce reporting requirements. We plan to cut up to 50% of the reporting burden in a way that does not hamper supervision, hereby, reducing significantly the reporting burden for banks. As the European reporting is complemented by national reporting requirements, we are currently setting up an EU-wide repository of data requests and drawing up guidelines to establish a framework for national data requests.

Proportionality is already embedded in reporting: SNCIs submit only around 30% of the data required from large institutions, and more than 2/3 of templates include proportionality features. However, evidence shows that such clauses are not always fully used in practice, notably in SREP implementation, highlighting the role of supervisory discipline alongside legal design. We, therefore, are currently exploring a more systematic application of simpler rules for SNCIs within a single-bank regime and potential for expanding the SNCI category without creating a separate small-bank regime that could undermine the Single Market.

Other work is in motion: we are also looking at the framework from a holistic perspective: In these regard, we completed a significant step by publishing a comprehensive report in June on the capital stack. Our experts studied the layering of stacks resulting from microprudential, macroprudential and resolution requirements on banks, and our Board of Supervisors adopted a set of recommendations to streamline their design and interaction without weakening the resilience built over the past decade. This is the type of low-hanging fruit that can deliver simplification.

Moreover, as the complexity does not only arise from microprudential, macroprudential and resolution requirements as well as others such as anti-money laundering but also from the multitude of competent authorities supervising these requirements we are currently exploring in close coordination with these authorities how we can better measure the impact of our actions and enhance transparency and accountability.

Going forward, we hope that the EU Commission and co-legislators will make use of the input from the supervisory community for the upcoming legislative proposal on bank competitiveness.

A sense of hope

Let me now finish with my hope. This is the hope that all stakeholders in Europe fully appreciate the importance of what is at stake. What we need to develop all together is a true risk culture – a term coined by the EU Commission in its July report. A shared risk culture is shorthand to remind everyone that making EU banks more competitive requires everyone in the system to effectively approach risks, not just to rewrite rules or stop at current institutional setups or mandates. It requires cooperation, and a forward-looking mindset.

Together with the FMA and the EU-EEA/EFTA-wide supervisory community, the EBA has made concrete proposals to enhance efficiency. We are rolling them out. This shows that the supervisory community stands together and is ready to contribute.

Going forward, we will continue our reflections on what a shared risk culture means in geopolitical times for EU resilience, economic security, and strategic autonomy.

I am looking forward to these discussions with the FMA and the supervisory community.

Let me conclude by thanking again the FMA for its support and contribution to the EBA's work. Our common objective is to ensure that European banks continue to support citizens, businesses and investment across the Union and contribute to a stronger, more integrated and more prosperous Europe.