



NATIONAL BANK OF ROMANIA

Sinaia, October 2015

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# What about banks' human resources? A potential macroprudential perspective

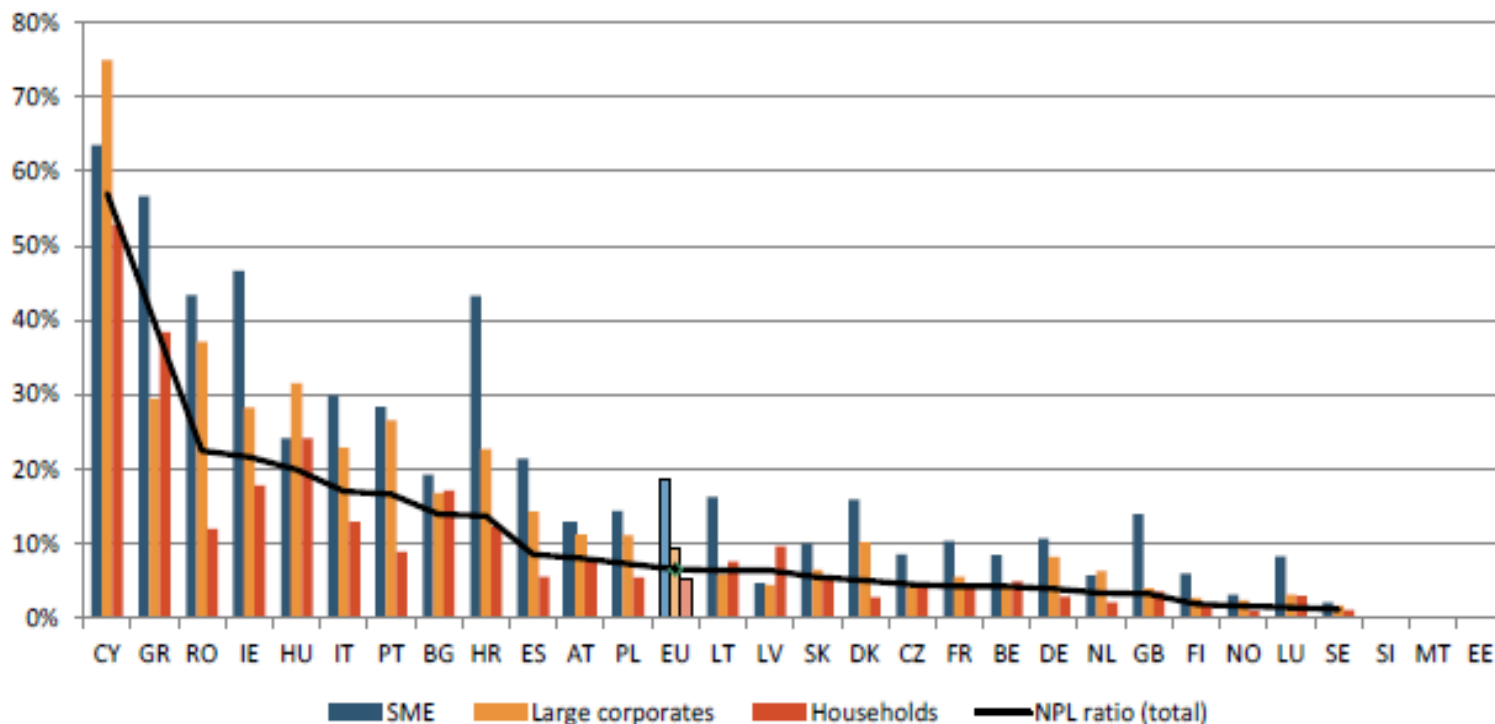
Florian Neagu, National Bank of Romania

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# Low banks' asset quality proved to be a source of systemic risk at the EU level

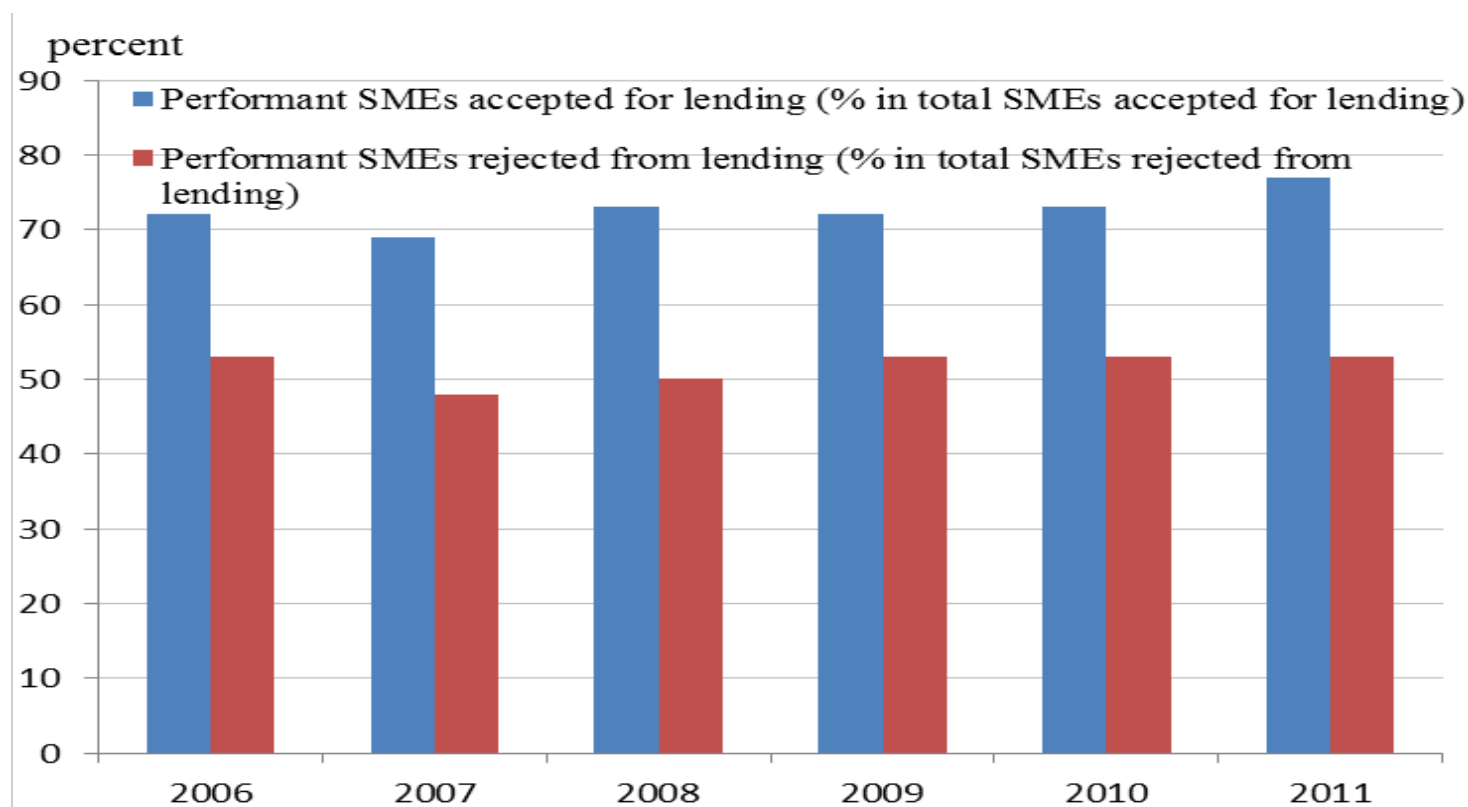
Non-performing loans ratio to NFCs and to households



Source: EBA (2015), Risk Assessment of the European Banking System, June 2015

# Are inadequate banks' human resources part of the explanations about low asset quality? (1)

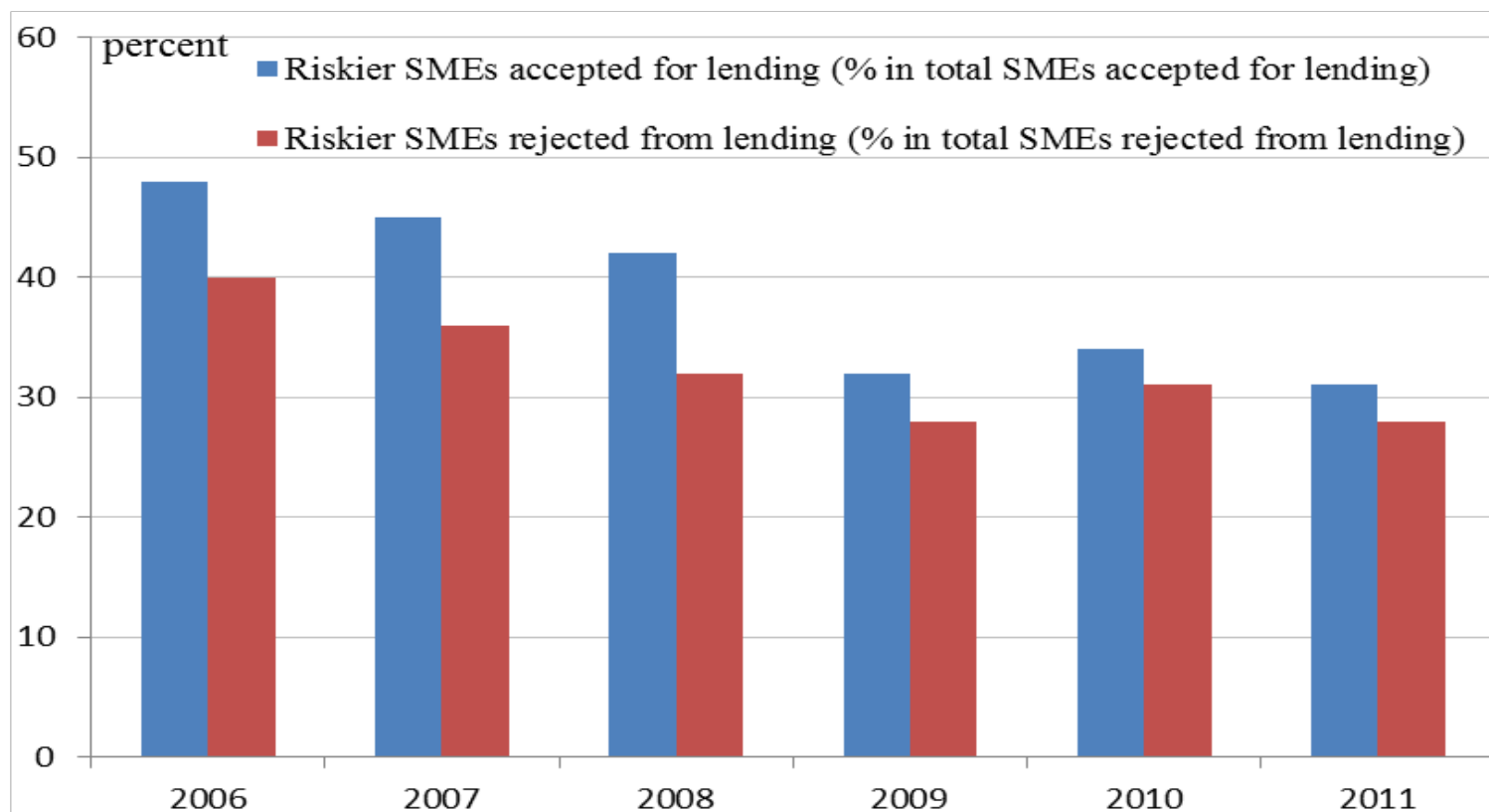
Selection of Romanian SMEs that asked for financing, by performance of the debtor



Source: NBR, Ministry of Public Finance, own computations

## Are inadequate banks' human resources part of the explanations about low asset quality? (2)

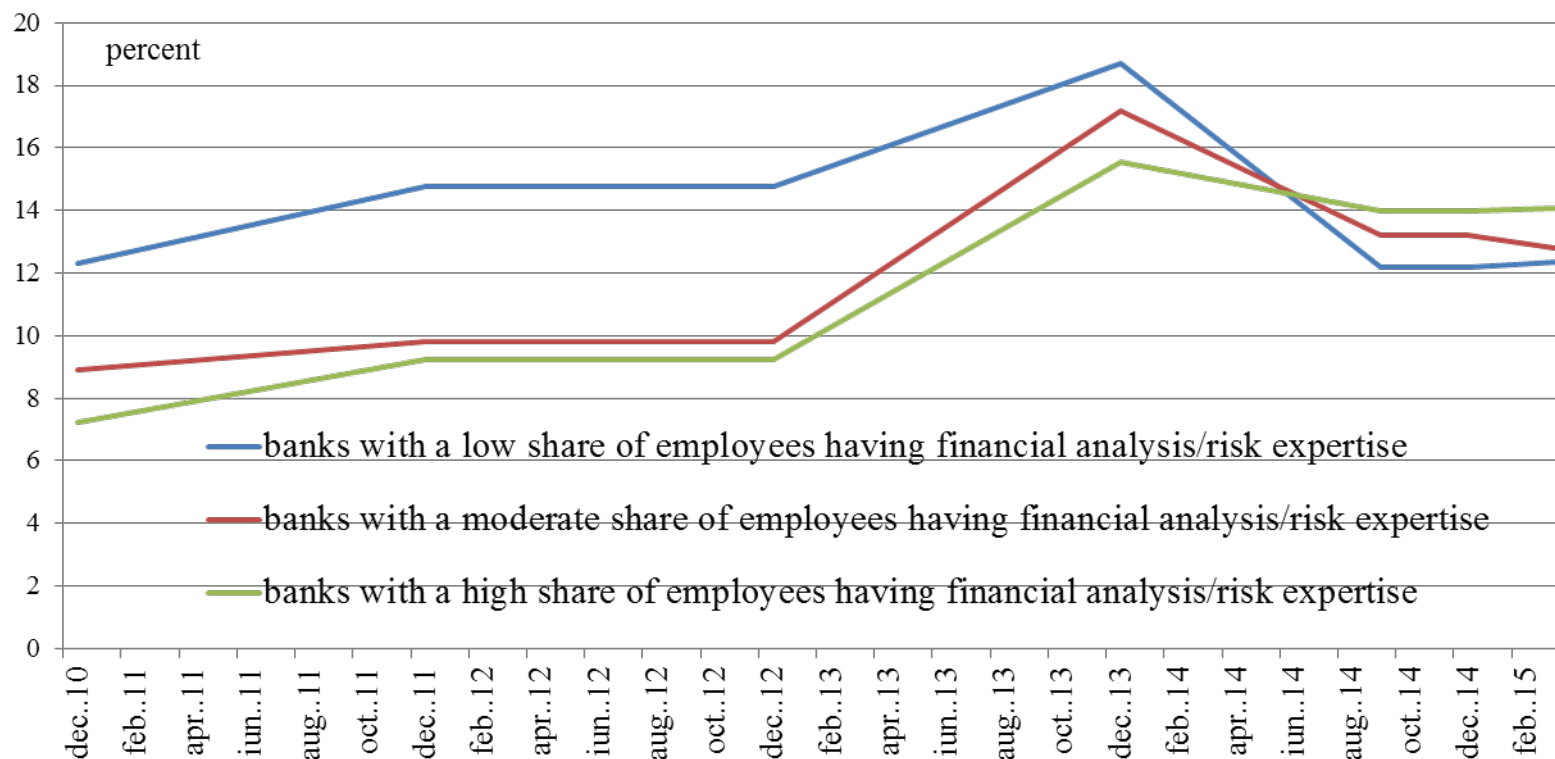
Selection of Romanian SMEs that asked for financing, by risk of the debtor



Source: NBR, Ministry of Public Finance, own computations

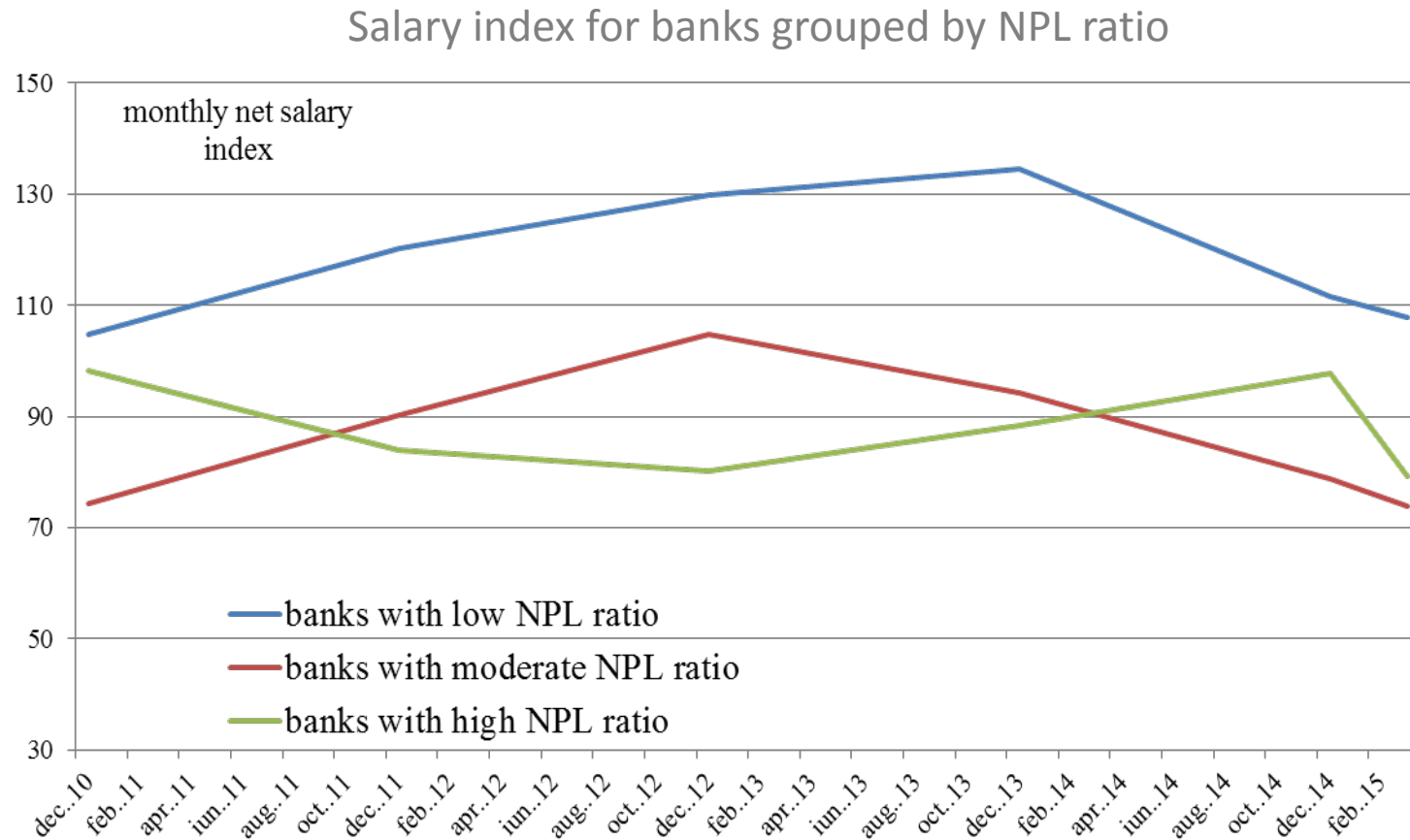
# Higher share of banks' employees having expertise in financial analysis → higher asset quality

NPL ratio by share of banks' employees with financial analysis expertise



Source: Central Credit Register, NBR Survey on banks' staff expertise

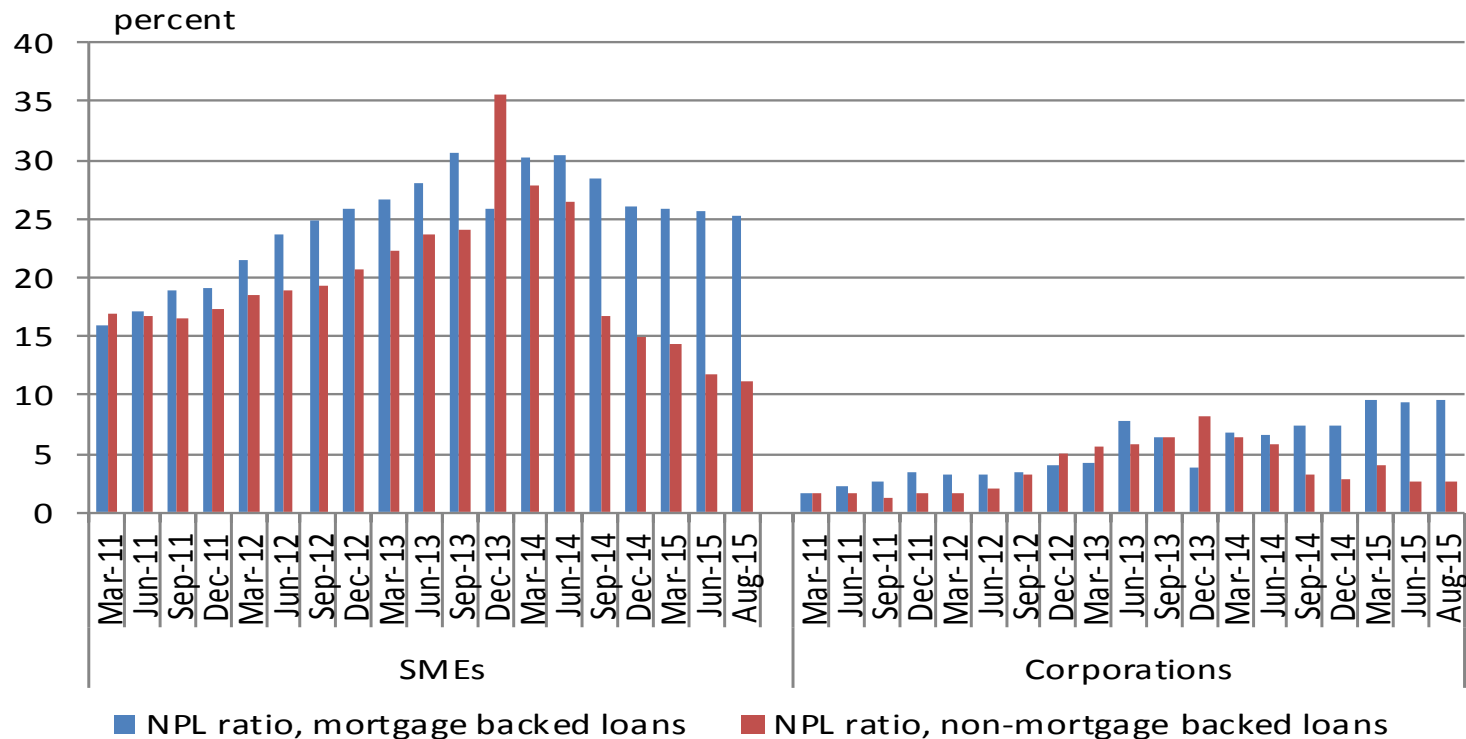
# The same relation holds for the quality of banks' employees



Source: Central Credit Register, NBR Survey on banks' staff expertise

# A mortgage-backed exposure does not necessarily delivers higher asset quality. Finding good business pays more than implementing good LTV

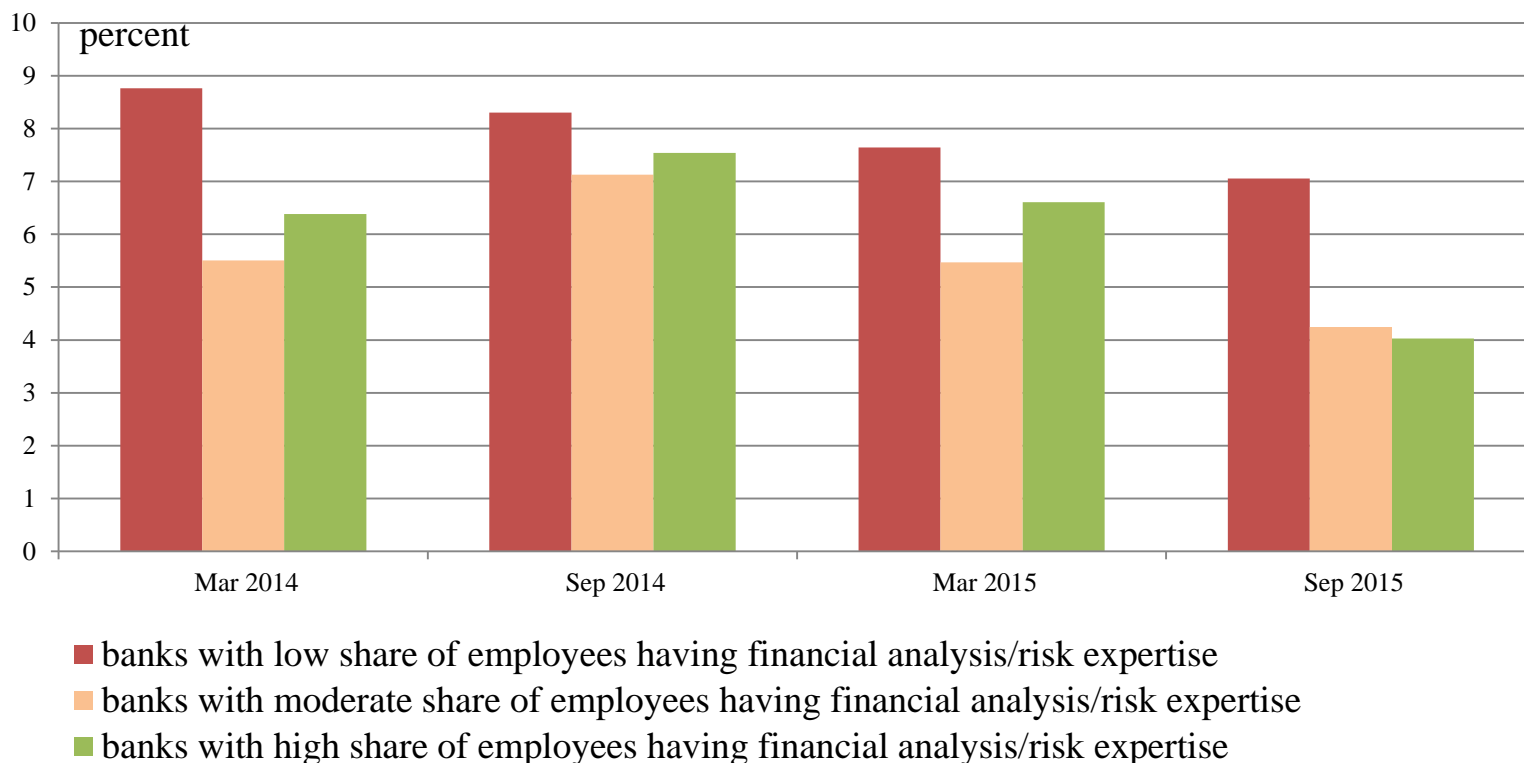
NPL ratio, by size and type of collateral



Source: NBR

# Detecting good businesses and strengthening relationship with debtors call for adequate skills of banks' employees

Share of companies complaining about inadequate skills of banks employees



Source: NBR Survey on the access to finance, NBR Survey on banks' staff expertise



# What next?

Should employees involved in lending activities be suitable for qualitative and quantitative prudential requirements?

- There is some evidence that better skilled employees in banks help alleviate systemic risk stemming from low asset quality
- Soft or hard requirements from macroprudential authorities?



Thank you!