Conversation with Fernando Vicario

Fernando Vicario - Chief Executive Officer, Bank of America Europe DAC & Country Head, Ireland
David Wright - President, EUROFI

David Wright

It is a great pleasure to welcome Fernando Vicario, Chief Executive Officer of Bank of America Europe DAC and Country Head for Ireland. He has been with the bank for 30 years and knows it inside out, having previously served as Head of Corporate Investment Banking for the EU and Head of Corporate Banking for EMEA at Bank of America Securities. Fernando, we greatly appreciate your support of Eurofi over many years, which makes it possible to organise these sessions.

Today we will focus on international competitiveness. Where does European banking profitability stand compared with the United States, given that conditions seem to be improving slightly? Why do the big differences remain, and what are the key factors?

Fernando Vicario

Thank you, David, and congratulations on bringing together over 1,200 participants at this conference – a testament to Eurofi's convening power across regulators, legislators, and financial institutions in Europe.

To start with the positive, as several speakers have already noted, the earnings capacity of European banks has improved in recent years, supported by a favourable interest rate environment. However, structural differences remain.

Consider market capitalisation. The top three European banks together have a market capitalisation of around €375 billion. By contrast, the top three US banks are valued at approximately $1.4 trillion. If we look further down the rankings, the gap widens quickly.

At the broader level, US-listed companies represent about $70 trillion in market value compared with $15 trillion in the EU. The US offers a non-fragmented market where scale drives profitability, whereas Europe remains fragmented. Greater earnings allow US banks to reinvest more, particularly in IT – a crucial area given the risks linked not only to cybersecurity but also to broader infrastructure resilience. US banks invest on average three times more in IT than their European peers.

It is worth recognising the positive role of regulatory oversight here. Recent cybersecurity stress tests have highlighted where banks are underinvested, with the objective of raising standards and making platforms safer.

Another key difference is the velocity of capital recycling. Securitisation in Europe remains underdeveloped.
The new Commission has introduced a simplification agenda, which is welcome, but the current proposals on securitisation reform do not go far enough. The ability to transfer assets off balance sheet and redeploy capital is essential. Today, around 50% of mortgages are financed via covered bonds, which remain on balance sheet. This limits profitability and weighs on returns on assets.

David Wright

On IT and artificial intelligence, we have heard from several banks. Would you agree that AI is being adopted more rapidly in the US than in Europe?

Fernando Vicario

We are moving steadily. At Bank of America, for instance, we are rolling out Microsoft Copilot to staff. The first 1,500 colleagues are already using it, and ultimately our 213,000 employees will be trained. The focus is not just on opportunities but also on risks, particularly data protection. Safeguarding client data and ensuring visibility and control of liquidity remain paramount.

Technology investments have always been a feature of banking, but scale matters. Greater scale means more potential for automation, fewer manual processes, reduced risk, and better cost-income ratios. The industry's goal is to de-risk operations while remaining a reliable provider of services.

David Wright

Let me return briefly to securitisation. You suggested that the Commission's proposal is not ambitious enough. Given that securitisation issues in Europe have historically been very safe, how important is further reform to the competitiveness of European banks?

Fernando Vicario

Securitisation is not the only liquidity pool, but it is a vital one. The current stock of securitisation in Europe is around €250 billion, compared with $1.5 trillion in the US. That represents significant untapped potential.

In the US, a coast-to-coast legal and tax framework makes it easier to structure and execute transactions. There is also a long-established investor base, including insurance companies, which value predictable, reliable, and liquid investment opportunities.

If Europe were able to replicate elements of the US, Australian or New Zealand frameworks, we could unlock an additional €150–200 billion in liquidity. These funds are urgently needed to support EU priorities in green transition, digitalisation, infrastructure, and defence. Banks have a responsibility to help identify and recycle such liquidity to fuel growth.

David Wright

Turning to regulation, some argue that European banks are overregulated compared to US peers, where prudential requirements have been eased. Do you share that view?

Fernando Vicario

We should distinguish between banks supervised under the Single Supervisory Mechanism (SSM) and others. SSM banks have operated under intensive regulation for over a decade. The framework is now well established, and supervision is shifting from examinations to workshops. However, these workshops still involve heavy data requirements and significant follow-up work.

The Supervisory Review and Evaluation Process (SREP) reform is still in its early days. The Commission is pursuing simplification, which we welcome, but compared to the US – where banks operate coast-to-coast and serve tens of millions of customers – European banks face additional complexity.

On climate risk reporting, progress has been uneven. To give an example, the 2024 annual report of Bank of America Europe DAC included 70 additional pages. I doubt many people read or fully understand them. We support transparency and are firmly committed to financing the transition – Bank of America will deploy $1.5 trillion globally in sustainable finance by 2030 – but reporting requirements must remain meaningful.

The Digital Operational Resilience Act (DORA) is another case. Its objectives are sound, but the initial lack of technical standards caused frustration, including among our vendors. This has now been addressed, which is positive. Likewise, Basel Committee standards on risk data aggregation require significant investment. My plea is for a slower, more measured pace of overlapping and transformational regulatory initiatives.

David Wright

The Commission is indeed beginning to act on simplification, but change requires time and co-decision. Another issue that directly affects competitiveness is Banking Union. Cross-border mergers remain highly sensitive, yet they are vital to building a stronger European banking system.

Fernando Vicario

There is substantial room for improvement. Take non-performing loans (NPLs): during the global financial crisis, the US was quicker to resolve them, which supported recovery. Today, NPLs in Europe are low, but the next downturn will come. Europe needs a more harmonised legal and tax framework that allows banks both to offload and to purchase NPLs efficiently.

Another difference is savings. Europeans hold about €33 trillion in savings, of which €11 trillion – one third – are in cash and deposits. In the US, the equivalent share is only 17%. US households hold around $160 trillion in total savings, with a much larger proportion invested in riskier asset classes. Europe needs to accelerate capital market development to mobilise more of its savings productively.

David Wright

Finally, may I ask for your overall sentiment. Is Europe moving in the right direction? You reminded me earlier that in 48 of the past 50 years, US GDP has outpaced Europe's. Is there reason for optimism about European banking competitiveness?

Fernando Vicario

GDP growth is closely correlated with asset growth, and slower GDP growth inevitably constrains earnings. The challenge is to re-energise the European economy so that banks can play their role in supporting it. There are reasons for optimism, but progress is gradual. The glass is half full – but not yet full.

David Wright

Fernando, thank you very much for joining us today and for your continued support. At Eurofi we like to say: once you join, you can never leave.

Fernando Vicario

Exactly. Thank you.