EUROPEAN CENTRAL BANK
EUROSYSTEM

Working Paper Series

Vivian van Breemen, Francesca Faella,
Christopher Scheins, Claudia Schwarz

The importance of the SSM's fitness and propriety work for banks' performance – evidence from 10 years of SSM work

No 3115

Abstract

In this paper, we empirically investigate how suitability concerns detected by the SSM in the fitness and propriety of management body appointees impact the performance of European banks in the period 2014-2023. We provide evidence that management body appointees where the assessment of the supervisory authorities raised concerns, had a negative impact on the bank's future performance. The negative effect can be attributed to appointees where the supervisory assessment revealed such severe concerns that ancillary measures were imposed. These results outline the importance of the SSM's work for safeguarding the quality of bank's corporate governance and suggest that the Supervisors seem to be effective in pointing out those appointees that exhibit severe concerns. In addition, we find that the designation of female appointees by supervised entities increased the bank's performance sustainably. This result indicates that stimulating diversity, in terms of gender, in the management bodies of banks positively contributed to bank performance.

Keywords: management body appointees, banking supervision, ancillary measures.

JEL classifications: G21, G28, G30, M14.

Non-technical summary

Strong and effective governance of banks is pivotal for appropriate risk management practices which ensure the soundness of banks and safeguard global financial stability. Good bank boards also exhibit better performance in terms of their profitability, which is commonly measured using the return on assets (ROA).

Supervisors and regulators have introduced rules and regulation to ensure that banks' management bodies are managed by good and suitable members, which is key to foster a healthy governance culture in banks. While banks are empowered to select their own management bodies, the ECB together with national competent authorities (NCAs) (the SSM henceforth) are responsible for assessing the fitness and propriety of banks' management bodies and approving the appointment. The SSM may request the entity or appointee to take certain remediation actions in case it has concerns regarding the appointment. In case of very severe concerns, the SSM may also reject an appointment. Therefore, Supervisors are the gatekeepers for the entrance to management boards of their supervised entities.

This raises the question whether these supervisory actions are effective and positively contributing to ensuring a safe and sound banking sector. To investigate this, we analyse 15,537 management body appointees of European banks that have been assessed by the SSM from 2014 to 2023.

We find that management body appointees with suitability concerns had a negative impact on the bank's performance. We see that this is driven mainly by concerns regarding potential conflicts of interest and experience of the appointee. Further, we show that when controlling for those appointees with severe concerns (i.e. having received an ancillary measure by the Supervisor), the effect for appointees with non-severe concerns vanishes. While we do not find a negative effect from appointees that received a legally binding measure for remediation of identified concerns, interestingly, especially appointees that have received a non-binding ancillary recommendation tend to have negative effects on the RoA of the bank. This is hinting at an effective and swift remediation when supervisors act more forcefully. It is noted that the ECB has changed its framework for ancillary measures to make use of the legally binding measures whenever possible under EU and national law.

When looking at gender diversity, we do not find any difference between female and male appointees with concerns. However, in general, female appointees tend to have a

positive significant impact on the bank's performance. Our findings highlight the importance of having diversified boards with appointees that do not have severe concerns. Additionally, we show that appointees flagged with concerns tend to reduce their bank's risk-taking, likely in response to heightened supervisory scrutiny. Nevertheless, even after accounting for this more conservative approach, their banks continue to experience a decline in profitability.

These new insights are not only relevant for banks that tend to optimise their profitability, but also for banking supervisors.

1. Introduction

Strong and effective governance of banks is pivotal for appropriate risk management practices which ensure the soundness of banks and safeguard global financial stability. Especially in nowadays fast changing environment, banks' governance plays a crucial role in shielding them against future crises and ensuring the overall health of the financial system. Hence, there is a strong link between quality of corporate governance and bank performance (see e.g. Adams & Mehran, 2012; de Haan & Vlahu, 2015). Banks with sound governance practices tend to exhibit higher profitability and lower risk levels. Good governance can lead to better decision-making and the enhancement of the overall performance metrics of banks such as return on equity and return on assets. In this respect, diversification, particularly gender diversity is important.[1] More diversified boards make better business decisions and increase bank performance.

Therefore, it is no surprise that improving corporate governance of banks including diversification is an on-going priority for regulators, politics, and supervisory authorities. For example, the European Central Bank (ECB) concludes that there is still room for improvement in the corporate governance of European banks and considers this a key supervisory priority in the years to come (ECB, 2023).

European banks are empowered by regulators and supervisors to compose their own management bodies. However, the ECB together with NCAs are mandated by regulation[2] to perform an assessment[3] on the appointees of the management body.[4] In case they encounter severe concerns that might negatively influence the bank's governance, the authorities may

[1] See e.g. the blog post by Frank Elderson Elizabeth McCaul or the interview with Patrick Montagner, Member of the Supervisory Board of the ECB.

[2] Article 4(1)(e) of the Single Supervisory Mechanism (SSM) Regulation provides that fit and proper assessments are part of the ECB's supervision of the overall governance arrangements of credit institutions. Articles 93 and 94 of the SSM Framework Regulation elaborates on compliance with fit and proper requirements.

[3] The ECB and NCAs will apply the substantive fit and proper requirements laid down in the binding national law which implements Article 91 of the Capital Requirement Directive (CRD). Some Members states have laid down requirements going beyond Article 91.

[4] For this paper, we include appointees for key function holders in the analysis, but refer to management body appointees in the text for brevity.

impose ancillary measures or even reject the appointee.[5] In this way, supervisory authorities support safeguarding the quality of bank's corporate governance and indirectly the financial stability of the banking sector as a whole.

In this paper, we investigate the effect of board appointments on bank performance of European banks. Supervisors have proprietary information in assessing the appointees and have thus a more in-depth and accurate assessment of the appointees than the general public. We make use of this supervisory assessment to specifically analyse the question whether appointees where the Supervisor has identified concerns of different severity levels affect return on assets of the respective bank. To do so, we use a unique and confidential supervisory dataset of 15,537 applications of bank management body appointees that were assessed by the ECB together with the respective NCAs (*Supervisors hereafter*) between 2014 and 2023. We look at the management body appointees that were considered adequate by the Supervisors in their risk assessment i.e. those that were not rejected to take the position, and control for appointees where concerns were identified. Further, for some of these appointees the Supervisors found some severe concerns and have therefore created ancillary measures that the appointee needs to fulfil within a tightly set timeframe. To see if the supervisory risk assessment is indeed effective, we analyse how management body appointees with and without concern and imposed ancillary measures impact their bank's performance. In addition, we assess the effects of appointing female board members with concerns on bank performance. We also analyse if, in general, female board members are positively influencing bank performance, relative to male members.

Our results are manifold. First, we show that management body appointees with concerns raised during their assessment, had a negative impact on the bank's performance. Further, we show that when controlling for those appointees with severe suitability concerns (i.e. that received ancillary measures), the effect for appointees with non-severe concerns vanishes. Second, we find that gender does not influence the relationship between appointees with concerns and the bank's performance. However, we do find that, in general, female appointees have a positive influence on the bank's RoA. Third, we find that concerns of appointees related to conflicts of interest and the lack of experience are the key drivers of the

[5] See the ECB's Guide to fit and proper assessments and the Joint ESMA and EBA Guidelines on suitability that provide guidance for interpreting fit and proper provisions under the CRD and common criteria for assessing members of the management body.

negative impact on bank's performance. Fourth and final, we show that remediation of concerns seems to be swift and effective for legally binding measures. Controlling for a condition or obligation (i.e. legally bindings measures with strict remediation timelines) shows no significant results. This could be because the concerns indeed have been swiftly remediated by the appointees/banks. However, appointees with recommendations tend to have a negative impact on performance hinting at a less effective remediation. It is noted that the ECB has moved in 2023 to use legally binding measures whenever possible under EU and national law given that it was already observed by supervisory teams that remediation is more effective with legally binding measures. Additionally, we show that appointees flagged with concerns tend to reduce their bank's risk-taking, as reflected in lower risk weighted density, likely due to heightened supervisory scrutiny. However, even after controlling for this reduced risk-taking, their banks still experience a decline in profitability.

We contribute to the literature in various ways. First, our study is unique as it is the first to analyse the impact of supervisory concerns of management body appointees on bank performance, using confidential supervisory data across all countries that are part of the Single Supervisory Mechanism (SSM).[6] Second, we provide new insights for banks, supervisors, regulators and policymakers on the concerns of banks' management body appointees that were identified during the fitness and propriety assessments done by Supervisors. We show that these specific concerns of management body appointees (i.e. conflicts of interest or imposed ancillary measures) are so impactful that they have a negative impact on the bank's performance. Our results could help banks, but also supervisors, regulators and policymakers, in coping with management body appointees that experience different type of concerns.

The remainder of our paper is structured as follows. Section 2 reviews the related literature and supervisory process on how to assess members of the management body. Section 3 provides our empirical strategy and Section 4 describes the data used. Section 5 contains our main empirical results and Section 6 presents our concluding remarks, recommendations, and suggestions for future research.

[6] Please note that the Single Supervisory Mechanism (SSM) is not a legal entity. It refers to the system of banking supervision in Europe. It comprises the ECB and the national competent authorities of the participating countries. In this paper it is loosely used to indicate the work of several or all legal entities within the SSM. Fit-and-proper decisions for significant institutions of SSM countries are legally ECB decisions.

2. **Supervision of management bodies of EU banks**

Numerous distinguished scholars, economists, regulatory bodies, and other experts have concluded that inadequate corporate governance in banks played a significant role in, or even directly caused, the downfall of a substantial number of major banks globally (see e.g., Francis et al., 2012; Pathan & Faff, 2013). Not surprisingly, the relationship between bank governance and performance is a well-explored area of research (see Fernandes et al. (2017) for a comprehensive review). In particular, bank boards have garnered significant attention due to their central role as one of the most influential corporate governance mechanisms. They perform a range of critical functions, including supervisory (oversight), managerial, and advisory roles. Specifically, boards are responsible for overseeing and evaluating management, making key strategic decisions - such as those related to human resources and business direction - and providing valuable guidance across various areas of the bank's operations.[7]

The resignation or non-re-election of several top executives on certain bank board's following events that negatively impacted the bank's performance suggests that these boards are, at least in part, being held accountable for the decline in performance. The resignations of Lehman Brothers executives and Citigroup's CEO, prompted by the events of the 2007-2008 Global Financial Crisis, serve as examples of such cases (see e.g. Wilmarth, 2014; Mofid & Karim, 2021). A more recent example showing that severe governance shortcomings can have far-reaching implications is the collapse of the Silicon Valley Bank (SVB) in March 2023. The SVB collapsed after risk management failures, inadequate oversight of the board of directors and lack of transparent communication to stakeholders, triggering a bank run (e.g., Vo & Le, 2023).

Consequently, internal governance has become a top priority for regulators and supervisory authorities as they work to enhance the resilience of the banking sector. In the European Union, one of the key priorities for banking supervisors is to strengthen the steering capabilities of management bodies, specifically: "*Banks should effectively address material*

[7] Some banks operate with a one-tier board system and others with a two-tier system. In a one-tier board system both the oversight and management responsibilities are integrated into a single body. While in a two-tier board system, the management board (or management body in its executive function) is typically responsible for managing the bank's daily operations and implementing strategy, while the supervisory board focuses on monitoring and overseeing the management board's actions.

deficiencies in the functioning, oversight and composition of their management bodies by developing and swiftly implementing sound remedial action plans, adhering to supervisory expectations" (ECB, 2024, pg. 11). The Basel Committee on Banking Supervision (BCBS, 2016, pg. 3) defines the importance of effective corporate governance as follows: *"effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks' safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health. Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole".*

During the financial crisis fundamental deficiencies in banks' corporate governance became apparent. To address these, the Basel Committee on Banking Supervision has issued a set of principles for enhancing sound corporate governance practices at banking organisations (BCBS, 2016). The ECB together with NCAs are responsible for the supervision of the fitness and propriety of members of the management body of European banks (ECB, 2021). The ECB is responsible for taking decisions on the appointment of all members of the management bodies of the significant credit institutions that fall under its direct supervision. Whereas the responsibility for regular appointments of less significant institutions lies with the NCAs. These Supervisors assess the members of the management body against five criteria set out in Article 91 of the Capital Requirements Directive (CRD)[8] as transposed into national legislation and the ECB Guide to fit and proper assessments (applicable to significant institutions):[9]

1. **Experience**: the up-to-date and sufficient knowledge, skills, and experience of members of the management body to fulfil their functions. This also includes an appropriate understanding of those areas for which an individual member is not

[8] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

[9] https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.fit_and_proper_guide_update202112~d66f230eca.en.pdf

directly responsible, but still collectively accountable together with the other members of the management body.

2. **Reputation**: the members of the management body must at all times be of sufficiently good repute. A member is considered to be of good repute if there are no objective and demonstrable grounds to suggest otherwise. For example, criminal or administrative records are taken into account for the assessment of good repute, honesty and integrity.
3. **Conflicts of interest and independence of mind**: there should be no personal, financial, political or business (professional or commercial) conflict of interest between the members of the management body. Further, one should be able to act with honesty, integrity, and independence of mind. Necessarily behavioural skills include for example: courage, critical thinking and able to resist group-thinking.
4. **Time commitment**: members of the management body must be able to commit sufficient time to their functions. The time commitment is measured for example by the number of directorships held, the size and context of the entities where directorships are held and the nature, scale and complexity of their activities, the place or country where the entities are based, and other professional or personal commitments and circumstances.
5. **Collective suitability**: the management body as a whole must possess adequate collective knowledge, skills and experience to be able to understand the institution's activities.

Based on these five criteria, the Supervisors consider a management body appointee to be either fit and proper (i.e. accepted) or not (i.e. rejected). However, the Supervisors have the power to include recommendations, obligations and/or conditions in positive decisions in order to address certain concerns. If any concern cannot be adequately addressed through these ancillary measures, a negative decision needs to be taken. In case the Supervisors have imposed an ancillary measure, they may set forth a concrete and specific requirement with a clearly delimited time frame. The time frame should be relatively short and in cases in which the appointee has already assumed their function in the management body the time frame should ideally not be longer than six months. The timing of the fit and proper assessment depends on national law, it can be either an ex-ante approval of an appointment or an ex-post notification (ECB, 2021).

One might argue that management body appointees where the SSM has identified concerns regarding their fitness and properness for the position are more likely to negatively influence the bank's corporate governance and eventually the bank's performance than those without any concerns. Although the concerns are to be resolved within a short time frame, we expect that the concerns will still have an influence on the appointees work in the beginning (i.e. both for ex-ante and ex-post assessments). To investigate this concern, we hypothesize that appointees with concerns are more likely to negatively impact the bank's performance than those appointees without concerns.

We also contribute to the literature of gender diversification and its influence on corporate performance and bank performance. Not surprisingly, the literature on board diversity is relatively new starting from the 1990s onwards (e.g. Cox & Blake, 1991; Robinson & Dechant, 1997). Especially gender diversity has received a lot of attention around the world. Many governance reforms are explicitly incorporating the diversity of gender in boards, for example via gender quota for female directors (see Adams & Ferreira, 2009; Adams & Funk, 2012). This is not only for equality reasons, but also because it is proven by a large body of literature that female board directors provide unique perspectives, experiences and work styles compared to their male peers (e.g., Daily & Dalton, 2003; Julizaerma & Sori, 2012; Bart & McQueen, 2013). Hence, female influence in boards are value enhancing and lead to better decision-making capabilities, higher rates of returns and more effective risk management. It is even proven to lower the bankruptcy rate when women are part of the corporate governance. Similarly, García-Meca et al. (2015) show that gender diversity in banks boards improve the performance of the bank. In our paper, we are interested to see if gender diversity also plays a role in the relationship between appointees' concerns and the bank's performance. In doing so, we also analyse if female appointees in general seem to be influencing the bank's performance, relative to male peers.

3. **Empirical strategy**

We use a fixed effects regressions model to estimate how the concerns and ancillary measures of management body appointees impact the banks' performance. Our model specifications are as follows:

$$Bank\ Performance_{i(t+\,k\ quarter(s))} = \beta_0 + \beta_1 Concerns_{ij(t)} + \beta_2 Ancillary\ Measures_{ij(t)} + \beta_3 Female_{ij} + \beta_4 Controls_{ij(t)} + \gamma_i + \delta_t + \varepsilon_{ij(t)} \quad (1)$$

The data vary by year (t), bank (i) and appointee (j). To assess the impact on the bank's performance over time, we examine data with time lags extending over k=1 to 7 quarters. Specifically, we analyse the effects of appointees with concerns and those subject to ancillary measures for up to two years following their appointment, as it typically takes time for an appointee to influence the bank's performance. We also control for bank-specific characteristics such as the bank size, capital ratio, deposits, and operating income. Further, we control for the gender of the appointee. Finally, we include bank and time fixed effects in our model.

All variables in equation (1) are defined in Section 4.

3.1 Identification and causal interpretation

To ease the understanding of our sample and particularly the main variables of interest, namely the supervisory *concerns* and imposed *ancillary measures*, we added Figure 1. This should facilitate the interpretation of our results. The sample is defined by a positive assessment of the banks in a first step. Logically only individuals that have applied and were selected by the bank are proposed as appointees and require a supervisory assessment. Secondly, a supervisory FAP assessment (i.e. an assessment that is exogenous to the assessment of the bank) by the SSM defines who is excluded from the sample. Appointees with a negative assessment will not have the possibility to influence the bank's profitability and are thus dropped.

Provided an appointee has a positive FAP assessment by the SSM, the appointee was accepted either with or without concerns raised. Important to understand is that the SSM typically imposes ancillary measures when concerns are severe. This means that the appointees with ancillary measures are a subset of those with concerns i.e. there are no appointees that received an ancillary measure without at least one concern.

When it comes to the interpretation of the results, one has to take into account the nature of the variables resulting from the supervisory FAP assessment i.e. concerns and ancillary measures. These assessments are naturally subject to type 1 and 2 errors. This means an appointee could have attributes that should trigger a (severe) concern, but it wasn't identified and thus no concern (measure) was issued. Or a concern (measure) was issued while it shouldn't have, which is a rather unlikely case. Given missing confounding factors, we cannot statistically assess how many (severe) concerns were missed by the SSM and thus how well the group of appointees with real concerns has been identified. We can only refer to the independent assessment and stringent quality controls in place for the FAP process of the SSM. Adding to this, the SSM conducted a so-called quality assurance review of FAP outcomes in 2018, where an internal unit, independent of the FAP unit, thoroughly reviewed the process and outcomes for 75 appointments. The review confirmed the quality of the FAP assessments done. While this signals the validity of the variables *concerns* and *ancillary measures*, identification errors for single cases cannot be excluded statistically.

< INSERT FIGURE 1 ABOUT HERE >

4. **Data**

For this study, we make use of supervisory data derived from the *European Central Bank*. This is a unique supervisory dataset created from case-specific data that is highly confidential and thus has not been analysed before. The complete universe consists of 15,537 applications of bank management body appointees that were assessed by the supervisors between December 2014 and September 2023. The cut-off date is 2014, as this is the year in which the ECB together with NCAs became responsible for the supervision of the fitness and properness of members of the management body of European banks. We focus on all appointees that led to a positive outcome as bank boardroom appointee, as we are interested to see what the impact is of the person on the bank's performance, which is naturally impossible for rejected appointees. We use parent and subsidiary-level data of the Significant Institutions in the SSM. In total, we have 756 banks in our sample that have assigned a new member in their management body over these 9 years, this is covers nearly 80% of all banking groups in the SSM.

4.1 Dependent variable

Our key dependent variable is the bank's performance. We measure banks' performance via return on assets (*RoA*), the ratio of quarterly net income to total assets. The mean quarterly RoA in our sample is 13 basis points, see Table 2. As reference date for the analysis we use the date of appointment, where available. If unavailable we approximate the date of appointment depending on the regulations prevalent in the country of appointment. For countries where there is an ex-ante assessment, we take the date the ECB issued the decision as appointment date. For countries where there is an ex-post assessment, we take the submission of the procedure to the ECB as appointment date.

4.2 Independent variables

To test our hypothesis, we start by comparing appointees that have received no concern in the supervisors' risk assessment with those that have received at least one concern. A concern exists when the supervisors have discovered reasons that might negatively influence the appointee in doing their job in an appropriate manner. There are six categories of concerns that might be assigned by the supervisors to the appointee (see Section 2.2). The categories are as follows: i) lack of experience (*Experience*), ii) reputational concerns (*Reputation*), iii) conflicts of interest and independence of mind concerns (*Conflict*), iv) time commitment concerns (*Time commitment*), v) collective suitability of the entire board concerns (*Collective suitability*), and vi) a category for concerns that are singular in nature and could not be classified in either of the above (*Other)*. In our model, *Equation (1)*, *Concerns* is our key independent variable that indicates 1 if the appointee has received at least one concern in its fit and proper assessment and 0 otherwise.

Next, we move to those appointees who have been subject to ancillary measures. In cases where an appointee faces significant challenges, Supervisors have the authority to impose ancillary measures that must be fulfilled within a specified timeframe. If the appointee fails to meet these requirements, the Supervisors may decide to withhold the appointment. Hence, in our model, *Ancillary Measures* is our second key independent variable indicating 1 if the appointee has received at least one ancillary measure and 0 otherwise.

Table 2 and figures 2 and 3 report the variable distribution. Out of the 15,537 appointees assessed, 3,777 (24%) yielded at least one concern, with an average of 1.34 concerns for these appointees. Among those appointees that yielded at least one concern,

36% of appointees had concerns related to time commitment, 38% to experience, while 34% had a potential conflict of interest. Reputational concerns were reported in 20% of the cases and, concerns related to the collective suitability of the board were reported in only 1% of the appointees with concerns.

< INSERT FIGURE 2 ABOUT HERE >

< INSERT FIGURE 3 ABOUT HERE >

To capture the corporate governance specific characteristics of the appointees, we include the gender of the appointee (*Female*). In some instances, the database created from case files was incomplete regarding the gender. In these cases, we consider an external dataset that provides the identified gender for a large selection of given names and countries. We determine the share of people identifying as female for a given name and country combination. If more than half of all people with a given name and country identify as female, we consider the person to be female. In case a given name is not that common within the respective country, we disregard the country and consider the share over the entire set of countries. Of all the appointees in our sample, 73% is male and the remaining (27%) is female. Remarkably, we observe that, relatively, as many male as female appointees (24%) have concerns, see Table 2 and Figure 4.

< INSERT FIGURE 4 ABOUT HERE >

4.3 Control variables

We include several control variables to capture bank-specific characteristics, such as the bank size, capital ratio, operating income, and deposits. Bank size is measured via the logarithm of bank total assets *(Log_total_assets)*, the mean bank size in our sample is 44 billion €. The capitalization of the bank is controlled for via the ratio of common equity tier 1 capital to risk-weighted assets (*CET1_ratio*). The mean CET1 ratio in our sample is 22%. We include the ratio of operating expenses to operating income to control for the operating income of the bank (*Cost_income*), the mean cost-to-income ratio of our sample is 64%. Finally, we control for the banks' deposits via the ratio of customer deposits to total assets (*Deposits_over_assets*), with a mean of 44% in our total sample.

Next, we include country fixed-effects as well as bank group fixed-effects (*Bank_FE*) to control for the characteristics that are coming within a banking group[10]. Finally, we control for the seasonality of intra-year returns (*Quarter_FE*) as some quarters tend to be more profitable than others.

An overview of all the variables and their definitions are provided in Table 1; the summary statistics of our variables are listed in Table 2.

5. **Results**

In this section, we empirically analyse if the concerns in the fitness and properness of banks' management bodies impact the bank's performance. In Section 5.1, we start by comparing appointees for which we have encountered some concerns (e.g. lack of experience) with those that have not. We are interested to analyse the impact of appointees' concerns on the bank's performance. We expect that those appointees for which we have identified concerns will negatively impact the bank's performance, relative to those appointees without concerns. In addition, we expect that appointee with more severe concerns (i.e. those with ancillary measures) have a negative impact on the bank's quarterly RoA, compared to those with less severe concerns. In Section 5.2, we analyse if there is a difference between female and male appointees with concerns. In Section 5.3, we dive into the specific types of concerns that impact the bank's performance. In addition, we look at the severity of ancillary measures imposed on the appointees. Finally, in Section 5.4, we provide several complementary analyses to test the robustness of our findings.

5.1 Appointees with concerns and ancillary measures

Table 3 provides the fixed effects regressions with the quarterly *ROA* as the key dependent variable and the *Concerns* of appointees as the key independent variables. One can see that the key variable, indicating that the SSM identified at least one concern regarding

[10] We do not differentiate between the business models of banks, as our dataset includes both parent and subsidiary-level data, making it challenging to apply consistent classifications. For instance, a small subsidiary of a global systemically important bank (G-SIB) may not operate as a G-SIB within its host country, thereby complicating the attribution of business model characteristics.

the respective appointee, turns significantly negative starting from three quarters after the appointment and receding at (t + 7) quarters. The magnitude indicates a lowered quarterly ROA by 1-3 bps.

< INSERT TABLE 3 ABOUT HERE >

We now add *Ancillary Measures* as independent variable i.e. indicating appointees where concerns were found to be severe. Now, we find negative significant results of *Concerns* only in 2 quarters after the appointment of the person and only at the 5% significance level. However, for *Ancillary Measure*, we find some interesting results. The *Ancillary Measure* coefficients are negative and statistically significant becoming highly significant at the 1% level after 4 quarters (see columns 4 to 7, Table 4). The effect becomes insignificant starting from quarter (t + 10).[11] This indicates that, when controlling for appointees with severe concerns, for the appointees with non-severe concerns there is only weak evidence for a negative impact on the performance of the banks. On the other hand, those with severe concerns, do negatively influence the bank's performance starting one year after the person is being appointed. These results outline the importance of the SSM's work for safeguarding the quality of bank's corporate governance and suggest that the Supervisors seem to be effective in pointing out those appointees that have severe concerns. In addition, this means that the SSM is also rightly imposing ancillary measures only on appointees with severe concerns.

< INSERT TABLE 4 ABOUT HERE >

To further deepen our analysis, we examine the number of concerns and ancillary measures associated with appointees. We introduce two key independent variables: *Single Concern* , which equal one if the appointee received exactly one concern and zero otherwise; and *Multiple Concerns* , which equal one if the appointee received more than one concern and zero otherwise. We begin with the number of concerns, as presented in Table 5. Consistent with the findings in Table 3, we observe statistically significant negative coefficients for appointees with concerns, regardless of whether they received one or multiple. Notably, the impact is more pronounced for appointees with multiple concerns. For instance, in quarter

[11] Results are available upon request.

(t+4), the coefficient for Multiple Concerns is –0.027% (significant at the 1% level), compared to –0.007% (significant at the 10% level) for Single Concern, as shown in column 4 of Table 5. These results support our expectation that appointees with multiple concerns are more likely to exert a stronger negative influence on bank performance than those with only one concern. However, it is important to interpret these findings with caution. The number of concerns is not a direct measure of severity, as concerns are context-specific and varying by individual, institution, position, and timing. Consequently, an appointee with two concerns cannot automatically be considered more problematic than one with a single concern.

< INSERT TABLE 5 ABOUT HERE >

5.2 Gender diversity and concerns

In addition, we analyse if there is a difference between male and female appointees for which the Supervisor has concerns. First, in Table 3 and 4, we find that female appointees in general seem to positively influence the bank's performance after they have been appointed for at least one quarter. We find that female appointees increase the ROA by around 0.01% per quarter i.e. 4bps per year, statistically significant at the 1% level (in most quarters else on 5% level), after being appointed. The positive effects seem to fade out after 7 quarters and after 10 quarters respectively.[12]

In Table 6, we repeat the analysis of Table 3, but now include interaction terms between our two key independent variables and Female (*'Female x Concerns'* and *'Female x Ancillary Measure'*). We do so to see if there is a difference between male and female appointees with concerns. Interestingly, we find no statistically significant results for both our interaction terms, see columns (1) to (7) in Table 6. Hence, gender does not seem to matter for the impact of appointees with concerns on the bank's performance. So one could argue that irrespective of the gender, appointees with severe concerns (i.e. the ECB having imposed ancillary measures) are equally impacting the bank's RoA. However, if we look at management body appointees in general, gender does matter as females have a positive impact on the bank's RoA. This result indicates that stimulating diversity, in terms of gender, in the management bodies of banks positively contributed to the bank's performance. The results are in line with

[12] Results are available upon request.

García-Meca et al. (2015) and Yen Hoang et al. (2021) who both provide empirical evidence on the positive influence that female board members have on the bank's performance.

< INSERT TABLE 6 ABOUT HERE >

5.3 The type of concerns and severity of measures

We now move to the specific concern type that SSM identified for the appointees. The supervisor can identify different types of concerns, such as a lack of experience or conflicts of interest, that might negatively impact the appointees capacity in doing their jobs well. A relevant question in this regard is whether some types of concern have a more severe impact on the bank's performance than others. Therefore, we perform a similar analysis as in Table 4 but now include the sub-categories of the concerns in our model (i.e. lack of experience, time commitment, conflict of interest, reputation, collective suitability, and other concerns). Table 7 provides the fixed effects regressions with *ROA* as the key dependent variable and *Type of Concerns* as the key independent variable. Interestingly, we show that *Conflict of Interest* is highly significant at the 1% level starting from the third to the sixth quarter after the person is being appointed, with negative coefficients ranging from -0.02% to -0.05%, columns (3) to (6) in Table 7. Hence, bank management body appointees with conflicts of interest have a negative impact on the bank's performance. A finding in line with García-Meca et al. (2015) who show a positive relationship between the percentage of independent directors on the board and the performance of banks. Similarly, Pathan and Skully (2010) show, using a sample of 212 US banks, that banks benefit from having independent directors. Next, in columns (4) to (6), we show that appointees who have concerns with their previous experience have a negative impact on the bank's performance, but only starting from the fourth to the sixth quarter after being appointed. This finding is in line with our expectations and with previous studies which found that strict and effective performance of the monitoring and advisory roles of institutions relies to a great extent on the experience of directors (see e.g. Han & Thum, 2009; von Meyerinck et al, 2013).

We do not find highly significant results for *Reputational, Time Commitment* or *Other* concerns. In sum, the concerns of the management body appointees that have a negative impact on the bank's performance seem to be mostly driven by the conflict of interest and somewhat by the lack of experience. One could argue that conflict of interest problems and

lack of appropriate experience are more difficult to solve than the other concerns, i.e. one could drop a task and have less time commitment concerns.

< INSERT TABLE 7 ABOUT HERE >

Similarly, we are also interested in the type of ancillary measure proposed by the Supervisors. Fit and proper assessments could include a: i) Recommendation, ii) Obligation and/or iii) Condition. If all fit and proper requirements are met, but a concern is identified that needs to be addressed, the ECB may issue recommendations within the fit and proper decision itself. Recommendations are intended to encourage best practices within the supervised entities and highlight areas for desirable improvements. (ECB, 2021). An ECB decision can also include an obligation to provide information or an obligation to take a specific action relating to fitness and propriety. An obligation is a legally binding instrument and is, consequently, a stronger supervisory measure than the recommendation. But unlike a condition, non-compliance with an obligation will not automatically affect the fitness and propriety of the appointee. This leads us to the ancillary condition, which is a requirement imposed on the supervised entity (and which may also have direct implications for the appointee) without which a negative decision would be issued. Failure to comply with a condition means that the ECB approval never becomes effective or it ceases to be effective.

In our analysis, we include dummy variables indicating whether appointees have received a recommendation, obligation or condition. Table 8 shows the fixed effects regressions with quarterly *ROA* as the key dependent variable and the *Type of Ancillary Measures* as key independent variables. Unlike what we would expect, we do not find any significant results for appointees with an obligation or condition. While for the appointees with a less stringent and non-legally binding ancillary type, the recommendation, we find a negative and highly significant and sizable impact on the ROA (with coefficients ranging from -0.03% to -0.06%) starting from the second quarter after the person is being appointed, see columns (2) to (7), Table 8.

There is a good reason for these findings. According to the ECB Guide (ECB, 2021), the time frame for the condition to be fulfilled should be relatively short and in cases in which the appointee has already assumed their function in the management body, the time frame should ideally not be longer than six months. Non-compliance would result in a rejection of the appointment by the ECB. While an obligation is not as strong as a condition, it is nevertheless

a legally binding instrument with implications in case of non-compliance. Therefore, when an appointee receives a condition or obligation from the Supervisor, it is more likely to be quickly and seriously remediated even before entering the position, as a non-compliance entails severe reputational risks for the appointee and the supervised entity. Whereas for the ancillary recommendation, which is legally not binding, the appointee may take more time to remediate the measure, and consequently it might explain why this is showing a negative impact on the performance of the appointee on the bank's RoA. As this was also observed by supervisory teams, the ECB has moved now to use legally binding measures whenever possible under EU and national law.[13]

< INSERT TABLE 8 ABOUT HERE >

5.4 Risk taking behaviour and robustness checks

To assess the robustness of our findings, we conducted several complementary analyses. First, we extended our baseline model by incorporating additional control variables, as presented in Tables I and II in the Appendix. Table I replicates the specification of Table 4 and Table II replicates Table 6 but includes two new controls: *Risk Weighted (RW) Density*, defined as the ratio of Risk Weighted Assets to Total Assets, which proxies the regulatory risk profile of the supervised entity; and the *Non-Performing Loans (NPL) Ratio*, which captures asset quality and credit risk within the bank's loan portfolio. The results remain consistent and statistically robust with the inclusion of these variables. RW density has a positive and significant coefficient, consistent with expectations that more risk taking leads to higher returns on average. NPL ratio has a negative significant coefficient, which is also intuitive, given that NPLs were associated with losses. Second, we wanted to examine the causal relationship better by checking whether appointees with concerns and measures increase risk taking of the bank. We do so by replacing the dependent variable with *RW Density*, as shown in Tables III and IV in the Appendix. This alternative specification allows us to examine whether supervisory concerns and ancillary measures are associated with the bank's overall risk-taking behaviour which would then influence profitability. We find that appointees with supervisory concerns have a statistically significant negative impact on the RW Density of the supervised entity. This

[13] It is important to note that the counterfactual cannot be tested i.e. we cannot exclude that in the absence of the recommendation the impact on ROA would have been even worse or insignificant.

result may suggest that appointees subject to supervisory scrutiny adopt more conservative risk taking behaviour following their appointment, potentially to avoid further supervisory attention or reputational risk. However, for appointees with severe concerns (i.e. ancillary measures) we find no significant relation with RW density. In essence, taking the results of Tables I and III this means that appointees with concerns decrease their bank's risk taking, but even when controlling for this, their bank's profitability suffers.

Finally, to account for potential macroeconomic, monetary, or fiscal influences, we interacted country and time fixed effects in Tables V and VI. This specification controls for country-specific shocks and cyclical variation that may affect bank performance independently of supervisory assessments. Across all robustness checks, our results remain consistent, reinforcing the validity of our main conclusions.[14]

6. **Conclusion**

In the last decade, supervisors and regulators have introduced additional rules and regulation to ensure that banks' management bodies are managed by good and suitable members, which is key to foster a healthy governance culture in banks. While banks are empowered to select their own management bodies, the ECB together with NCAs are responsible for assessing the fitness and propriety of banks' management bodies and thus act as gatekeepers for banks' management bodies. The question remains whether these supervisory actions are effective and positively contributing to ensuring a safe and sound banking sector.

To investigate this, we analyse 15,537 management body appointees of European banks that have been assessed by the ECB together with NCAs from 2014 to 2023. We find that management body appointees with severe concerns had a negative impact on the bank's performance. Interestingly, especially appointees that have received a non-binding ancillary recommendation tend to have longstanding negative effects on the RoA of the bank. This

[14] A separate regression analysis was conducted incorporating the Concerns of appointees interacted with the type of position (executive, non-executive, key function holders). However, the results didn't show significant differences regarding the effect on RoA by the different type of positions. Consequently, these findings have been excluded from the final analysis. The results are available upon request.

indicates that timely and effective remediation of identified concerns is better achieved with binding ancillary measures. When looking at gender diversity, we do not find any difference between female and male appointees with concerns. However, in general, female appointees tend to have a positive significant impact on the bank's performance. Our findings highlight the importance of having diversified boards with appointees that do not have severe concerns. These new insights are not only relevant for banks, but also for banking supervisors.

In times of a fast-changing environment and scarce supervisory resources, it is important for supervisors to focus on remediating the most important concerns, namely those that significantly negatively affect banks. The SSM seemed to have been effective in identifying the severe concerns in bank management body appointees and in remediating these concerns, when it imposed an obligation or condition, in such a timely manner that no negative effect on bank profitability can be measured. Our results support the strategy deployed by the SSM, but also hint to room for improvement given the sizable negative effect on the bank's profitability derived from appointees with recommendations. This is why in 2022 the ECB revised its FAP ancillary measures framework for application starting in January 2023. With the aim to improve the clarity and effectiveness of the framework, the Supervisory Board of the ECB decided to impose in the future only legally binding ancillary provisions with a deadline and provide for impactful measures reflecting a real corrective need related to a FAP suitability criteria.[15] At the same time, it was decided to significantly reduce the number of ancillary measures imposed, thus keeping the focus on the most important concerns detected. We leave it to future research to assess the impact of recommendations under the new ancillary measure framework which are related to diversity. Up until today, the number of cases is too small to infer statistical evidence.

Our results also show the importance of the selection of management body members for bank performance. It highlights that it should be banks' vested interest to carefully select new appointees. This is particularly important as regards the independence of the appointee (to avoid conflicts of interest), relevant experience and gender diversity.

While bank performance as measured by the ROA is an important element to contribute to the safety and soundness of banks, performance is also linked to the risk taking behaviour

[15] As an exception to this, non-legally binding ancillary measures such as recommendations may still be issued for concerns for which imposing binding ancillary measures is not possible under national law, such as for concerns related to diversity.

of banks that could potentially pay-off in the longer term. In addition, lower short-term performance can be due to longer term investments or sound strategies that may pay off over the medium term. While in this paper, we used several control variables for proxying the risks incurred and we assessed the effects of appointees on a key risk taking behaviour proxy, namely the RW density, further research is needed to better understand the effects the management board appointees had on risk taking. Lastly, the trade-off between medium/longer term profitability and short-term effects as analysed in this paper, are also left for future research.

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Table 1. Variables, definitions and sources

Variable	Description	Source
Dependent variable		
Return on Assets (*ROA*)	Ratio of the net income to total assets	Supervisory data
Independent variable		
Concerns		
Boardroom Appointee Concerns (Concerns)	Dummy variable equal to 1 if the appointee has at least 1 concern and 0 otherwise	Supervisory data
Concerns with experience (*Experience*)	Dummy variable equal to 1 if the appointee has concerns with experience and 0 otherwise	Supervisory data
Concerns with reputation (*Reputation*)	Dummy variable equal to 1 if the appointee has concerns with reputation and 0 otherwise	Supervisory data
Concerns with conflicts of interest and independence of mind (*Conflict*)	Dummy variable equal to 1 if the appointee has concerns with conflicts of interest and independence of mind and 0 otherwise	Supervisory data
Concerns with time commitment (*Time commitment*)	Dummy variable equal to 1 if the appointee has concerns with time commitment and 0 otherwise	Supervisory data
Concerns with collective suitability of the board (*Collective suitability*)	Dummy variable equal to 1 if the appointee has concerns with collective suitability of the board and 0 otherwise	Supervisory data
Ancillary Measures		
Imposed ancillary measure (*Ancillary Measure)*	Dummy variable indicating 1 if the appointee has received an ancillary measure and 0 otherwise	Supervisory data
Ancillary recommendation (*Ancillary Recommendation)*	Dummy variable indicating 1 if the appointee has received an ancillary recommendation and 0 otherwise	Supervisory data
Ancillary condition *(Ancillary Condition)*	Dummy variable indicating 1 if the appointee has received an ancillary condition and 0 otherwise	Supervisory data
Ancillary obligation *(Ancillary Obligation)*	Dummy variable indicating 1 if the appointee has received an ancillary obligation and 0 otherwise	Supervisory data
Bank-specific controls		
Bank Size (*Log_tot_assets*)	Logarithm of bank total assets	Supervisory data
Capitalisation (*CET1_ratio*)	Ratio of common equity tier1 capital to risk-weighted assets	Supervisory data
Operating income (*Cost_income*)	Ratio of operating expenses to operating income	Supervisory data
Deposits (*Deposits_over_assets*)	Ratio of customer deposits to total assets	Supervisory data
Risk Weighted Density (*RW density*)	Ratio of Risk Weighted Assets to Total Assets	Supervisory data
Non-Performing Loans Ratio (*NPL ratio*)	Ratio of bank's total loans that are classified as non-performing to total gross loans	Supervisory data
Corporate governance controls		
Gender (*Female*)	Dummy variable equal to 1 if the appointee is a female and 0 if male	Supervisory data

Table 2. Summary Statistics

This table reports the summary statistics of banks' performance and management body appointees that were assessed by the Supervisors between 2014 and 2023. Panel A provides a summary of key financial indicators for the banks in our sample: '*RoA*' represents the return on assets measured by the ratio of net income to total assets; '*Total Assets'* represents the bank's total assets in billion Euro; '*Log Total Assets'* is the natural logarithm of the bank's total assets; *'Cost to Income'* represents the ratio of operating expenses to operating income; *'CET1 Ratio'* is the bank's ratio of common equity tier 1 capital to risk-weighted assets. '*Deposits over Assets'* represents the ratio of customer deposits to total assets. Panel B presents information on the number of appointees with the different concern types; Panel C on the appointees' ancillary measure types; and Panel D on the gender distribution of the appointees in our sample.

Panel A: Bank Summary Statistics

Variable	Mean	Median	Std	P25	P75
RoA	0.134	0.115	0.218	0.039	0.235
Total Assets	44.860	5.584	115.794	0.861	32.057
Log Total Assets	22.430	22.443	2.270	20.573	24.191
Cost to Income	63.942	63.221	20.673	52.287	73.984
CET1 Ratio	22.094	18.438	13.772	14.206	24.240
Deposits over Assets	43.816	54.237	30.254	7.275	69.289

Panel B: Concern Types *(No. of Appointees)*

	Freq.	Percent
Collective Suitability	46	0
Conflicts of Interest	1,279	8
Experience	1,449	9
Reputation	768	5
Time Commitment	1,362	9
Other	158	1
No concerns	11,760	76
Total	15,537	100

Panel C: Ancillary measure Types *(No. of Appointees)*

	Freq.	Percent
Ancillary Recommendation	963	6
Ancillary Obligation	1,272	8
Ancillary Condition	345	2
No Ancillary measures	13,194	84
Total	15,537	100

Panel D: Gender distribution *(No. of Appointees)*

	Freq.	Percent
Female	4,155	27
Male	11,382	73
Total	15,537	100

Table 3. Fixed effect regressions of Appointee Concerns on Return on Assets

This table reports fixed effect regressions of the management body appointee concerns and ancillary measures with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Concerns*' is a dummy variable indicating one if the appointee has at least one concern, and zero otherwise. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Concerns	-0.006	-0.005	-0.019***	-0.013***	-0.027***	-0.029***	-0.008*
	(0.004)	(0.004)	(0.003)	(0.003)	(0.004)	(0.004)	(0.003)
Female	0.012**	0.009*	0.012***	0.019***	0.018***	0.008*	0.009**
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.007***	0.009***	0.008***	0.001	0.004**
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.402***	-0.368***	-0.364***	-0.370***	-0.312***	-0.290***	-0.251***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.118***	0.164***	0.172***	0.224***	0.099***	0.214***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.033*	0.084***	0.089***	0.038***	0.086***	0.075***	0.023*
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15542	15391	15231	15067	14894	14606	12953
R-squared	0.281	0.239	0.308	0.291	0.289	0.255	0.286
Adjusted R-squared	0.274	0.232	0.302	0.284	0.282	0.248	0.278

Table 4. Fixed effect regressions of Appointee Concerns and Ancillary Measures on Return on Assets

This table reports fixed effect regressions of the management body appointee concerns and ancillary measures with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Concerns*' is a dummy variable indicating one if the appointee has at least one concern, and zero otherwise. '*Ancillary Measure'* is a dummy variable indicating one if the appointee has received an ancillary measure, and zero if none at all. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Concerns	0.001	0.003	-0.010	-0.002	-0.013*	-0.014*	0.007
	(0.005)	(0.006)	(0.005)	(0.005)	(0.005)	(0.006)	(0.005)
Ancillary Measure	-0.010	-0.013*	-0.014*	-0.017**	-0.022***	-0.024***	-0.024***
	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)
Female	0.013***	0.009*	0.012***	0.019***	0.019***	0.009*	0.009**
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.007***	0.009***	0.008***	0.001	0.004**
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.402***	-0.368***	-0.363***	-0.369***	-0.311***	-0.290***	-0.250***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.118***	0.164***	0.171***	0.224***	0.098***	0.213***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.033*	0.084***	0.089***	0.038***	0.086***	0.075***	0.023*
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15,542	15,391	15,231	15,067	14,894	14,606	12,953
R-squared	0.28	0.24	0.31	0.29	0.29	0.26	0.29
Adjusted R-squared	0.28	0.23	0.30	0.28	0.28	0.25	0.28

Table 5. Fixed effect regressions of Number of Concerns on Return on Assets

This table reports fixed effect regressions of the management body appointee concerns with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. 'RoA' is the quarterly return of assets of the bank, in percentages. '*Single Concern'* is a dummy variable indicating one if the appointee has received 1 concern and zero otherwise. *'Multiple Concerns'* is a dummy variable indicating one if the appointee has received more than 1 concern and zero otherwise. All other control variables are defined in Tables 1-3. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Single Concern	-0.008*	-0.004	-0.019***	-0.007*	-0.026***	-0.025***	-0.006
	(0.004)	(0.005)	(0.004)	(0.004)	(0.004)	(0.005)	(0.004)
Multiple Concerns	-0.000	-0.008	-0.018***	-0.027***	-0.028***	-0.039***	-0.011**
	(0.006)	(0.007)	(0.005)	(0.005)	(0.006)	(0.007)	(0.006)
Female	0.012***	0.009**	0.012***	0.019***	0.018***	0.009**	0.009***
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.007***	0.009***	0.008***	0.002	0.004***
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.402***	-0.368***	-0.364***	-0.369***	-0.311***	-0.290***	-0.251***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.118***	0.164***	0.172***	0.224***	0.099***	0.214***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.033**	0.084***	0.089***	0.039***	0.086***	0.075***	0.023**
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15537	15386	15226	15062	14890	14604	12953
R-squared	0.281	0.239	0.308	0.291	0.289	0.255	0.286
Adjusted R-squared	0.274	0.231	0.302	0.284	0.282	0.248	0.278

Table 6. Fixed effect regressions of Appointee Gender on Return on Assets (sorted by Concerns and Ancillary Measure)

This table reports fixed effect regressions of the management body appointee gender with regard to the bank's quarterly return on assets, sorted by concern and ancillary measure and controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Female X Concerns*' is an interaction variable indicating one if the appointee is female and has at least one concern, and zero otherwise. '*Female X Ancillary Measure'* is an interaction variable indicating one if the appointee is female and has received an ancillary measure, and zero otherwise. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Female X Concerns	0.006	-0.008	-0.002	-0.000	0.015	0.013	0.016
	(0.011)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
Female X Ancillary measure	-0.016	-0.010	-0.003	-0.017	-0.016	-0.005	-0.020
	(0.013)	(0.015)	(0.014)	(0.014)	(0.014)	(0.015)	(0.014)
Concerns	-0.001	0.005	-0.009	-0.002	-0.016**	-0.017*	0.003
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Ancillary Measure	-0.006	-0.010	-0.013*	-0.013	-0.018**	-0.024**	-0.019**
	(0.007)	(0.008)	(0.007)	(0.007)	(0.007)	(0.008)	(0.007)
Female	0.013**	0.013**	0.013***	0.022***	0.018***	0.006	0.008*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.004)
Log Total Assets	0.001	0.002	0.007***	0.009***	0.008***	0.001	0.004**
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.402***	-0.368***	-0.363***	-0.369***	-0.311***	-0.290***	-0.251***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.117***	0.164***	0.171***	0.224***	0.098***	0.213***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.034**	0.084***	0.089***	0.039***	0.086***	0.075***	0.023*
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15542	15391	15231	15067	14894	14606	12953
R-squared	0.281	0.239	0.309	0.291	0.289	0.256	0.287
Adjusted R-squared	0.275	0.232	0.302	0.284	0.282	0.248	0.279

Table 7. Fixed effect regressions of Appointee Concern Types on Return on Assets

This table reports fixed effect regressions of the management body appointee concern types with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. *'Collective Suitability'* is a dummy variable equal to 1 if the appointee has concerns with collective suitability of the board and 0 otherwise. *'Conflicts of Interest'* is a dummy variable equal to 1 if the appointee has concerns with conflicts of interest and independence of mind and 0 otherwise. *'Experience'* is a dummy variable equal to 1 if the appointee has concerns with experience and 0 otherwise. *'Reputation'* is a dummy variable equal to 1 if the appointee has concerns with reputation and 0 otherwise. *'Time commitment'* is a dummy variable equal to 1 if the appointee has concerns with time commitment and 0 otherwise. *'Other concerns'*. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Collective Suitability	0.024	-0.031	-0.045	0.019	-0.030	-0.088*	-0.086*
	(0.032)	(0.032)	(0.033)	(0.036)	(0.035)	(0.041)	(0.042)
Conflicts of Interest	0.012*	-0.008	-0.021***	-0.021***	-0.036***	-0.046***	-0.005
	(0.005)	(0.006)	(0.005)	(0.005)	(0.005)	(0.006)	(0.005)
Experience	-0.001	-0.010	-0.009	-0.012*	-0.022***	-0.019**	0.001
	(0.006)	(0.006)	(0.005)	(0.005)	(0.005)	(0.006)	(0.005)
Reputation	-0.010	0.003	-0.002	-0.015*	-0.003	-0.018	-0.008
	(0.008)	(0.009)	(0.007)	(0.007)	(0.007)	(0.009)	(0.007)
Time Commitment	-0.014*	0.002	-0.009	-0.004	0.005	0.008	-0.012*
	(0.005)	(0.006)	(0.006)	(0.005)	(0.005)	(0.006)	(0.006)
Other Concerns	-0.012	-0.001	-0.001	-0.007	-0.007	-0.013	-0.009
	(0.014)	(0.014)	(0.015)	(0.011)	(0.013)	(0.015)	(0.014)
Female	0.012**	0.010*	0.012***	0.019***	0.019***	0.009*	0.008*
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.007***	0.009***	0.008***	0.001	0.004**
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.403***	-0.368***	-0.364***	-0.369***	-0.312***	-0.291***	-0.250***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.118***	0.166***	0.172***	0.225***	0.099***	0.215***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.032*	0.085***	0.090***	0.039***	0.089***	0.078***	0.022*
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15542	15391	15231	15067	14894	14606	12953
R-squared	0.282	0.239	0.309	0.292	0.290	0.257	0.287
Adjusted R-squared	0.275	0.232	0.302	0.284	0.282	0.249	0.279

Table 8. Fixed effect regressions of Appointee Ancillary Measure Types on Return on Assets

This table reports fixed effect regressions of the management body appointee concern types with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA*' is the quarterly return of assets of the bank, in percentages. '*Ancillary Recommendation/ Obligation/ Condition'* are dummy variables equal to 1 if the appointee has received an ancillary recommendation/ obligation / condition and 0 otherwise. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ancillary Recommendation	-0.010	-0.037***	-0.036***	-0.032***	-0.039***	-0.064***	-0.046***
	(0.007)	(0.009)	(0.007)	(0.007)	(0.007)	(0.009)	(0.007)
Ancillary Obligation	0.002	-0.006	0.002	-0.013	0.004	0.004	-0.008
	(0.009)	(0.010)	(0.010)	(0.009)	(0.010)	(0.009)	(0.009)
Ancillary Condition	-0.004	0.001	0.008	-0.011	0.003	0.008	-0.001
	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)
Concerns	-0.002	0.005	-0.012*	0.000	-0.017***	-0.015**	0.006
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Female	0.012**	0.009*	0.012***	0.019***	0.018***	0.009*	0.009**
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.006***	0.009***	0.008***	0.001	0.004**
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.401***	-0.366***	-0.362***	-0.368***	-0.309***	-0.286***	-0.248***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.087***	0.116***	0.163***	0.170***	0.222***	0.096***	0.212***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.033*	0.083***	0.088***	0.038***	0.085***	0.073***	0.022*
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15537	15386	15226	15062	14890	14604	12953
R-squared	0.281	0.240	0.310	0.291	0.290	0.258	0.288
Adjusted R-squared	0.274	0.232	0.303	0.284	0.283	0.251	0.280

Figure 1. Assessment sample

This figure shows how the sample used in this paper relates to the decisions by the bank and the ECB. Appointees included in the sample need to be proposed by a bank that is subject to supervision by the ECB (blue box). Furthermore, appointees being rejected by the ECB will not be part of the management body of the bank and thus will not influence the decision making and performance of the bank. Therefore, these appointees are not included in the sample (red box). The accepted candidates constitute the *full sample* used subject to data cleaning (first green box). Further green boxes below the full sample are breakdowns of the full sample (i.e. Full sample = 1a + 1b = 1a + 2a + 2b = 1a + 2a + 3a + 3b + 3c).

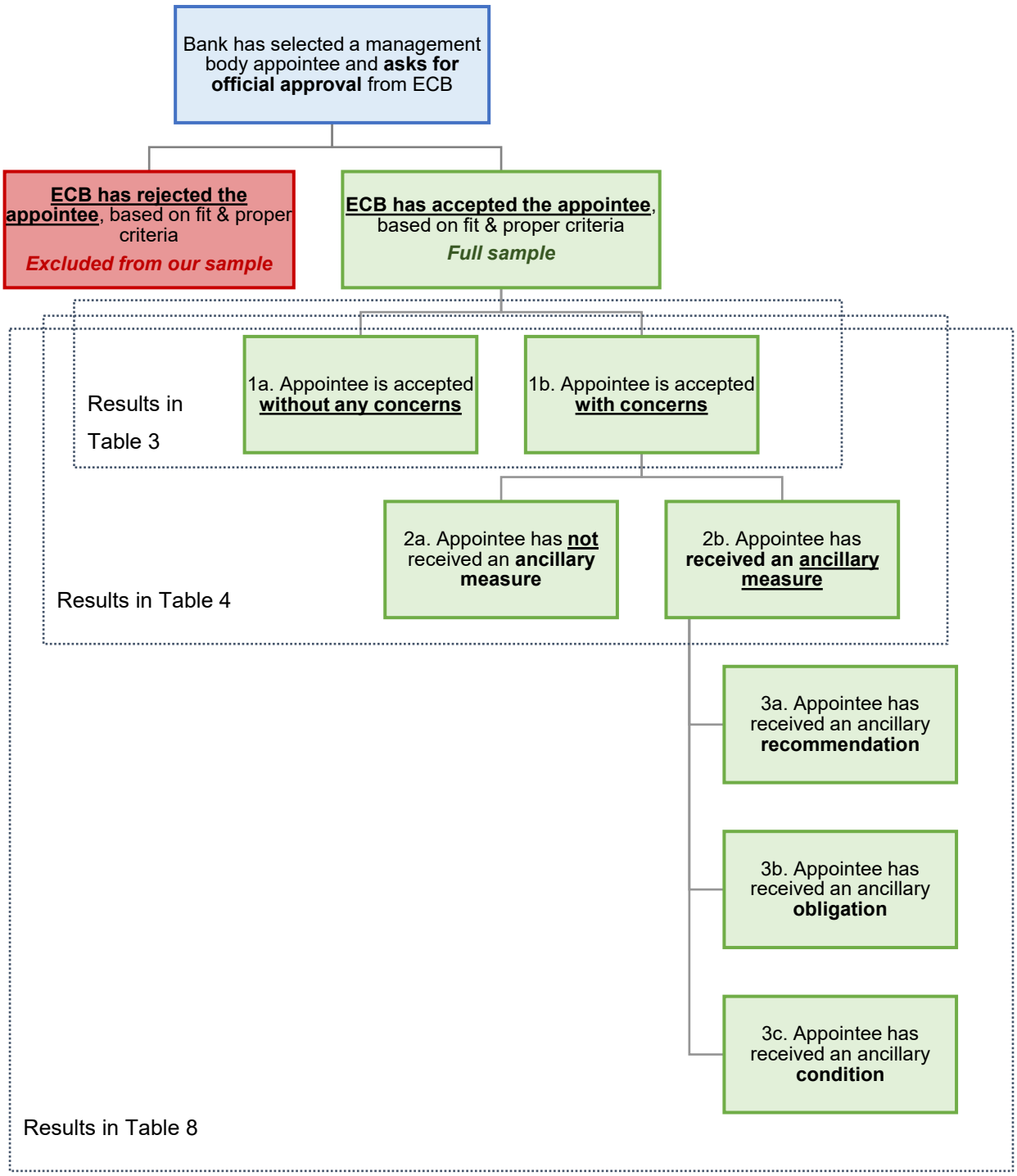


Figure 2. Concerns in appointees' assessment

This figure illustrates the number of concerns, sorted by type, that were assigned by the Supervisors when determining the fitness and propriety of members of the management body of European banks. '*Time commitment*' stands for time concerns, '*Experience*' for lack of experience, '*Conflict of interest'* for interest conflicts between board members, *'Reputation'* for reputational concerns, '*Collective suitability'* for a lack of collective knowledge, skills and experience of the board, '*Other*' stands for rare concerns that could not be classified in either of the above.

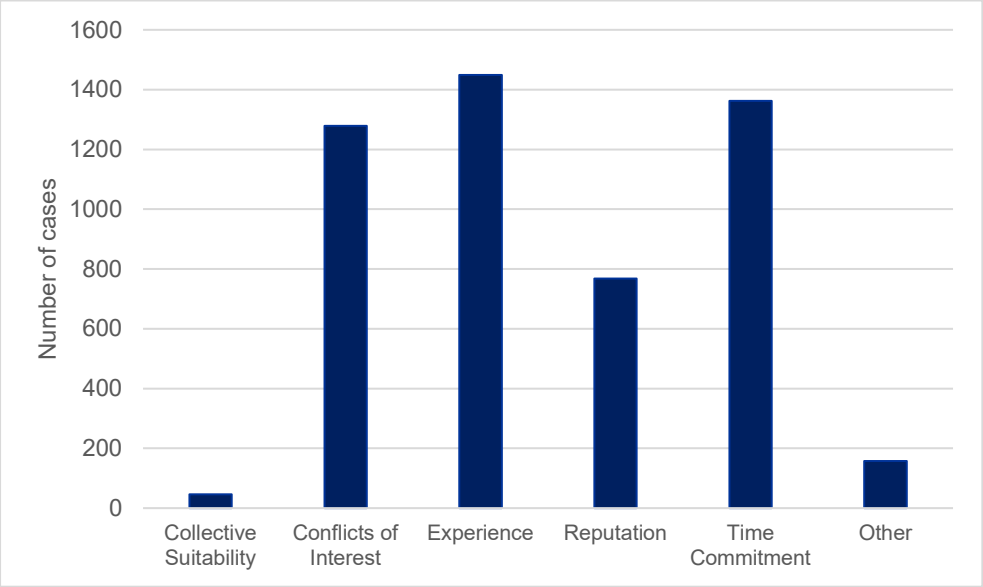


Figure 3. Ancillary measures assigned to appointees

This figure illustrates the number of ancillary measures, sorted by type, that were assigned by the Supervisors when determining the fitness and propriety of members of the management body of European banks. '*Ancillary recommendation*' stands for the appointees who have received an ancillary recommendation. '*Ancillary obligation'* refers to those appointees that have received an ancillary obligation, and '*Ancillary condition'* to those with an ancillary condition. Finally, '*No ancillary measures'* are those appointees that have not received any ancillary measure.

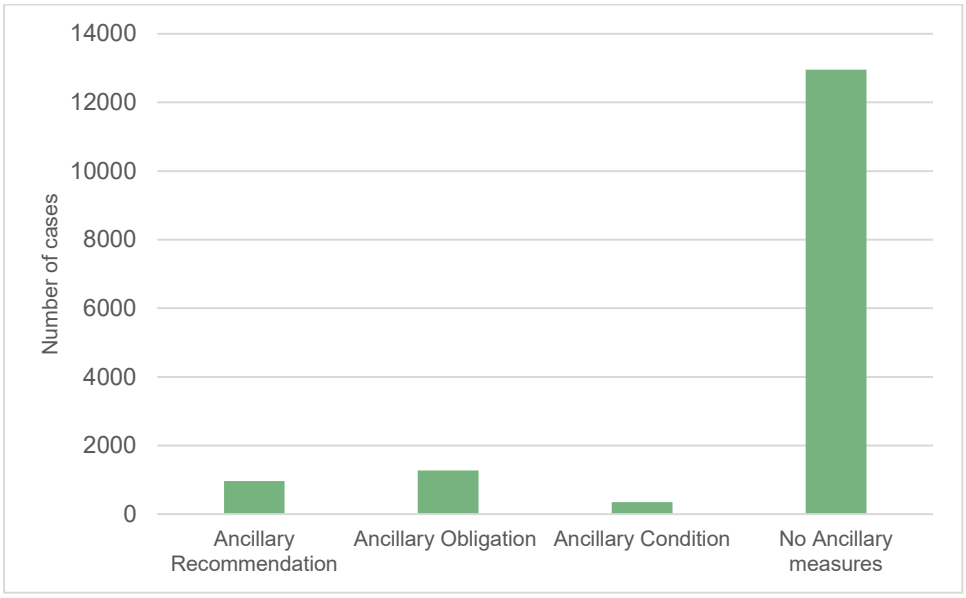
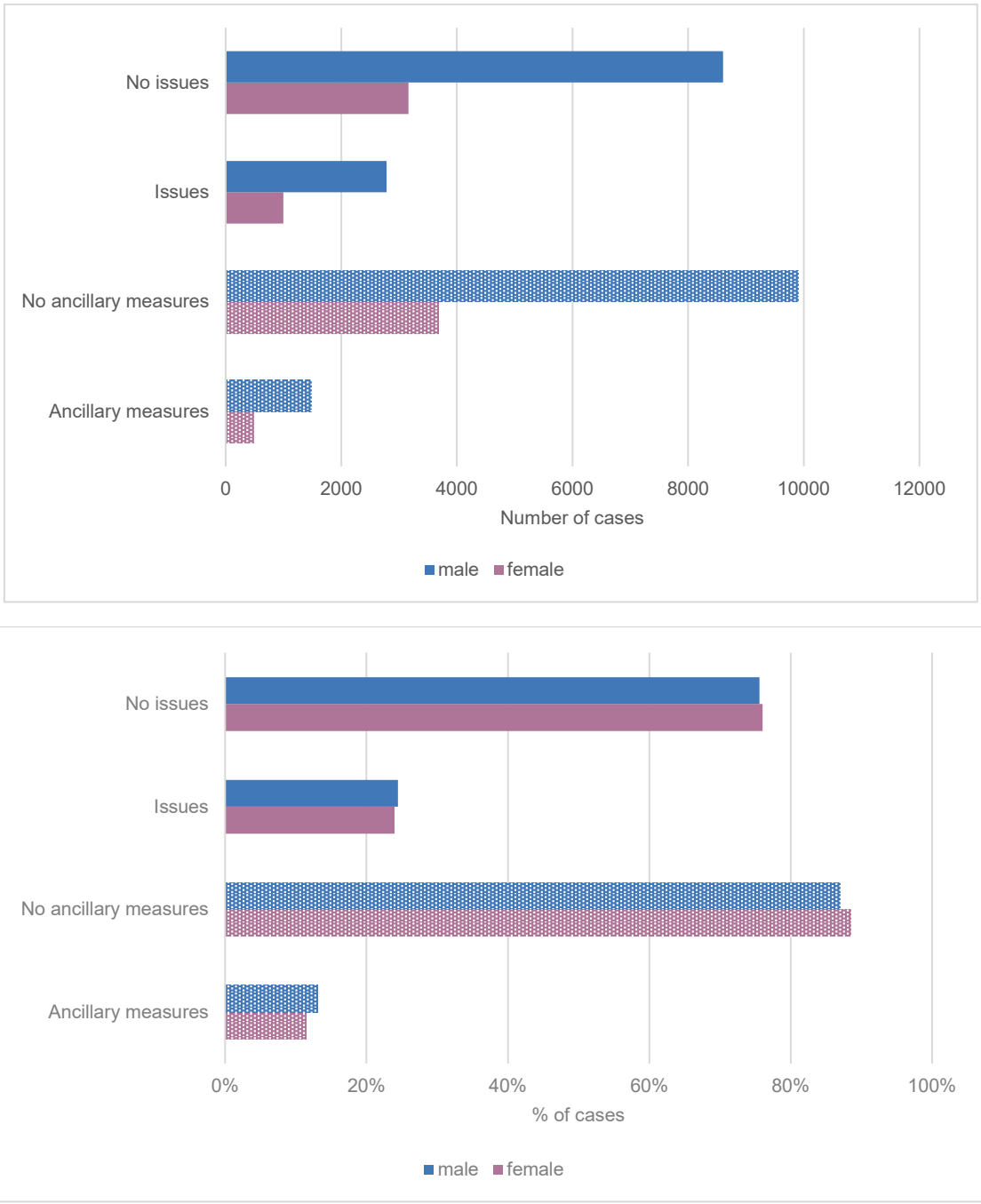


Figure 4. Gender distribution

This figure shows the gender distribution of concerns in appointees' assessments and assignment of ancillary measures.



Appendices

Table I. Robustness Analysis of Table 4 – Controlling for Risk Weighted Density and Non-Performing Loans

This table reports fixed effect regressions of the management body appointee concerns and ancillary measures with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Concerns*' is a dummy variable indicating one if the appointee has at least one concern, and zero otherwise. '*Ancillary Measure'* is a dummy variable indicating one if the appointee has received an ancillary measure, and zero if none at all. For robustness, we have added the control variable '*Risk Weighted Density'*, the ratio of Risk-Weighted Assets to Total Assets, to capture the regulatory risk profile of a bank's asset base and to proxy its risk-taking behaviour. Additionally, we include *'NPL ratio'* which stands for the proportion of a bank's total loans that are classified as non-performing expressed as a percentage of total gross loans. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Concerns	-0.012**	-0.009*	-0.021***	-0.009*	-0.025***	-0.019***	0.001
	(0.006)	(0.006)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)
Ancillary Measure	-0.004	-0.011	-0.006	-0.011*	-0.017***	-0.026***	-0.019***
	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)
Female	0.008**	0.001	0.007**	0.015***	0.015***	0.005	0.008**
	(0.004)	(0.004)	(0.003)	(0.003)	(0.004)	(0.004)	(0.003)
Log Total Assets	0.001	0.006***	0.010***	0.013***	0.010***	0.002	0.005***
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Cost to Income	-0.349***	-0.299***	-0.308***	-0.308***	-0.249***	-0.249***	-0.236***
	(0.015)	(0.018)	(0.015)	(0.014)	(0.014)	(0.015)	(0.014)
CET1 Ratio	0.022	0.014	0.101***	0.178***	0.133***	-0.041*	0.154***
	(0.031)	(0.025)	(0.024)	(0.023)	(0.025)	(0.024)	(0.022)
Deposits over assets	0.021	0.079***	0.065***	0.015	0.061***	-0.003	-0.002
	(0.013)	(0.014)	(0.012)	(0.012)	(0.012)	(0.013)	(0.012)
NPL Ratio	-0.009***	-0.016***	-0.012***	-0.013***	-0.012***	-0.014***	-0.010***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Risk Weighted Density	0.001***	0.001***	0.001***	0.002***	0.001***	0.000	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	13676	13531	13415	13288	13109	12832	11205
R-squared	0.321	0.309	0.374	0.375	0.361	0.337	0.331
Adjusted R-squared	0.314	0.302	0.367	0.368	0.354	0.329	0.323

Table II. Robustness Analysis of Table 6 – Controlling for Risk Weighted Density and Non-Performing Loans

This table reports fixed effect regressions of the management body appointee gender with regard to the bank's quarterly return on assets, sorted by concern and ancillary measure and controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Female X Concerns*' is an interaction variable indicating one if the appointee is female and has at least one concern, and zero otherwise. '*Female X Ancillary Measure'* is an interaction variable indicating one if the appointee is female and has received an ancillary measure, and zero otherwise. For robustness, we have added the control variable '*Risk Weighted Density'*, the ratio of Risk Weighted Assets to Total Assets, to capture the regulatory risk profile of a bank's asset base and to proxy its risk-taking behaviour. Additionally, we include *'NPL ratio'* which stands for the proportion of a bank's total loans that are classified as non-performing expressed as a percentage of total gross loans. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Female X Concerns	0.010	-0.003	-0.001	-0.006	0.013	0.009	0.015
	(0.012)	(0.012)	(0.013)	(0.011)	(0.012)	(0.012)	(0.013)
Female X Ancillary measure	-0.015	-0.014	-0.003	-0.012	-0.014	-0.004	-0.021
	(0.014)	(0.015)	(0.015)	(0.013)	(0.014)	(0.015)	(0.015)
Concerns	-0.014**	-0.008	-0.021***	-0.007	-0.028***	-0.021***	-0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Ancillary Measure	-0.000	-0.007	-0.006	-0.008	-0.014*	-0.025***	-0.014*
	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)	(0.008)	(0.007)
Female	0.008*	0.004	0.007*	0.018***	0.014***	0.003	0.008**
	(0.005)	(0.005)	(0.004)	(0.004)	(0.004)	(0.005)	(0.004)
Log Total Assets	0.001	0.006***	0.010***	0.013***	0.010***	0.002	0.005***
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Cost to Income	-0.350***	-0.299***	-0.308***	-0.308***	-0.250***	-0.249***	-0.236***
	(0.015)	(0.018)	(0.015)	(0.014)	(0.014)	(0.015)	(0.014)
CET1 Ratio	0.022	0.014	0.101***	0.178***	0.132***	-0.041*	0.153***
	(0.031)	(0.025)	(0.024)	(0.023)	(0.025)	(0.024)	(0.022)
Deposits over assets	0.021	0.079***	0.066***	0.015	0.061***	-0.003	-0.002
	(0.013)	(0.014)	(0.012)	(0.012)	(0.012)	(0.013)	(0.012)
NPL Ratio	-0.009***	-0.016***	-0.012***	-0.013***	-0.012***	-0.014***	-0.010***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Risk Weighted Density	0.001***	0.001***	0.001***	0.002***	0.001***	0.000	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	13676	13531	13415	13288	13109	12832	11205
R-squared	0.321	0.309	0.374	0.376	0.361	0.337	0.331
Adjusted R-squared	0.314	0.302	0.367	0.369	0.354	0.329	0.323

Table III. Fixed effect regressions of Appointee Concerns and Ancillary Measures on RW Density

This table reports fixed effect regressions of the management body appointee concerns and ancillary measures with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. 'RW Density*'* is the ratio of Risk Weighted Assets to Total Assets '*Concerns*' is a dummy variable indicating one if the appointee has at least one concern, and zero otherwise. '*Ancillary Measure'* is a dummy variable indicating one if the appointee has received an ancillary measure, and zero if none at all. *'NPL ratio'* stands for the proportion of a bank's total loans that are classified as non-performing expressed as a percentage of total gross loans. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RW Density (t+1q)	*RW Density (t+2q)*	*RW Density (t+3q)*	*RW Density (t+4q)*	*RW Density (t+5q)*	*RW Density (t+6q)*	*RW Density (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Concerns	-0.943***	-1.260***	-1.283***	-1.621***	-1.258***	-1.907***	-1.528***
	(0.360)	(0.356)	(0.352)	(0.348)	(0.347)	(0.349)	(0.361)
Ancillary Measure	0.227	0.250	-0.018	0.067	-0.257	-0.338	-0.392
	(0.426)	(0.422)	(0.418)	(0.415)	(0.412)	(0.416)	(0.422)
Female	-0.495**	-0.493**	-0.360	-0.347	-0.083	-0.142	-0.068
	(0.226)	(0.224)	(0.225)	(0.225)	(0.221)	(0.219)	(0.243)
NPL Ratio	1.037***	1.020***	0.949***	0.882***	0.848***	0.814***	0.856***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.032)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	13675	13513	13426	13286	13116	12835	11228
R-squared	0.428	0.425	0.418	0.408	0.415	0.410	0.418
Adjusted R-squared	0.422	0.419	0.412	0.402	0.409	0.403	0.411

Table IV. Fixed effect regressions of Appointee Concerns and Ancillary Measures on RW Density

This table reports fixed effect regressions of the management body appointee gender with regard to the bank's quarterly return on assets, sorted by concern and ancillary measure and controlled for bank-specific characteristics as well as country, time and bank type controls. '*RW Density'* is the ratio of Risk-Weighted Assets to Total Assets '*Female X Concerns*' is an interaction variable indicating one if the appointee is female and has at least one concern, and zero otherwise. '*Female X Ancillary Measure'* is an interaction variable indicating one if the appointee is female and has received an ancillary measure, and zero otherwise. *'NPL ratio'* stands for the proportion of a bank's total loans that are classified as non-performing expressed as a percentage of total gross loans. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RW Density (t+1q)	*RW Density (t+2q)*	*RW Density (t+3q)*	*RW Density (t+4q)*	*RW Density (t+5q)*	*RW Density (t+6q)*	*RW Density (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Female X Concerns	0.214	-0.064	-0.212	-0.116	0.090	0.117	0.002
	(0.849)	(0.821)	(0.816)	(0.813)	(0.825)	(0.823)	(0.854)
Female X Ancillary measure	-0.544	-0.075	-0.113	-0.507	-0.682	-0.192	-0.197
	(0.977)	(0.951)	(0.943)	(0.938)	(0.948)	(0.952)	(0.971)
Concerns	-0.992**	-1.245***	-1.233***	-1.592***	-1.277***	-1.933***	-1.527***
	(0.404)	(0.403)	(0.398)	(0.391)	(0.386)	(0.392)	(0.406)
Ancillary Measure	0.363	0.271	0.017	0.202	-0.083	-0.292	-0.342
	(0.490)	(0.488)	(0.484)	(0.481)	(0.472)	(0.478)	(0.484)
Female	-0.463*	-0.466*	-0.292	-0.241	0.000	-0.140	-0.034
	(0.258)	(0.256)	(0.259)	(0.259)	(0.251)	(0.248)	(0.285)
NPL Ratio	1.037***	1.020***	0.949***	0.882***	0.848***	0.814***	0.856***
	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.029)	(0.032)
Country	Y	Y	Y	Y	Y	Y	Y
Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	13675	13513	13426	13286	13116	12835	11228
R-squared	0.428	0.425	0.418	0.408	0.415	0.410	0.418
Adjusted R-squared	0.422	0.419	0.412	0.402	0.409	0.403	0.411

Table V. Robustness Analysis of Table 4 – Interacting Country with Quarter fixed effects

This table reports fixed effect regressions of the management body appointee concerns and ancillary measures with regard to the bank's quarterly return on assets, controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Concerns*' is a dummy variable indicating one if the appointee has at least one concern, and zero otherwise. '*Ancillary Measure'* is a dummy variable indicating one if the appointee has received an ancillary measure, and zero if none at all. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Concerns	0.005	0.000	-0.008*	-0.002	-0.010*	-0.018***	0.010*
	(0.005)	(0.006)	(0.005)	(0.005)	(0.005)	(0.006)	(0.005)
Ancillary Measure	-0.012*	-0.014**	-0.015***	-0.016***	-0.022***	-0.024***	-0.023***
	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.007)	(0.006)
Female	0.009**	0.012***	0.010***	0.021***	0.015***	0.010***	0.006**
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)	(0.003)
Log Total Assets	0.001	0.002	0.006***	0.008***	0.008***	0.001	0.004***
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.407***	-0.374***	-0.379***	-0.364***	-0.322***	-0.295***	-0.260***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.076***	0.139***	0.159***	0.176***	0.213***	0.110***	0.205***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.030**	0.093***	0.086***	0.032***	0.083***	0.083***	0.023**
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country X Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15537	15386	15226	15062	14890	14604	12953
R-squared	0.327	0.257	0.345	0.305	0.337	0.270	0.316
Adjusted R-squared	0.318	0.247	0.336	0.295	0.328	0.260	0.306

Table VI. Robustness Analysis of Table 6 – Interacting Country with Quarter fixed effects

This table reports fixed effect regressions of the management body appointee gender with regard to the bank's quarterly return on assets, sorted by concern and ancillary measure and controlled for bank-specific characteristics as well as country, time and bank type controls. '*RoA'* is the quarterly return of assets of the bank, in percentages. '*Female X Concerns*' is an interaction variable indicating one if the appointee is female and has at least one concern, and zero otherwise. '*Female X Ancillary Measure'* is an interaction variable indicating one if the appointee is female and has received an ancillary measure, and zero otherwise. All other control variables are defined in Tables 1 and 2. White (1980) heteroskedasticity-adjusted t-statistics are reported in parentheses, and (*), (**), (***) denote significance levels of 10%, 5%, and 1%, respectively. Column (1) shows the results for one quarter after the appointee is being appointed, column (2) for 2 quarter after the appointee is appointed, and so on.

	RoA (t+1q)	*RoA (t+2q)*	*RoA (t+3q)*	*RoA (t+4q)*	*RoA (t+5q)*	*RoA (t+6q)*	*RoA (t+7q)*
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Female X Concerns	0.006	-0.004	-0.003	-0.004	0.011	0.017	0.014
	(0.011)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
Female X Ancillary measure	-0.016	-0.015	-0.002	-0.015	-0.015	-0.011	-0.016
	(0.013)	(0.015)	(0.014)	(0.013)	(0.014)	(0.015)	(0.014)
Concerns	0.004	0.001	-0.008	-0.001	-0.013**	-0.022***	0.006
	(0.006)	(0.007)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Ancillary Measure	-0.007	-0.010	-0.015**	-0.011*	-0.018***	-0.022***	-0.020***
	(0.007)	(0.008)	(0.007)	(0.007)	(0.007)	(0.008)	(0.007)
Female	0.011**	0.015***	0.011***	0.024***	0.015***	0.008*	0.005
	(0.004)	(0.004)	(0.003)	(0.004)	(0.004)	(0.005)	(0.004)
Log Total Assets	0.001	0.002	0.006***	0.008***	0.008***	0.001	0.004***
	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Cost to Income	-0.407***	-0.374***	-0.379***	-0.364***	-0.323***	-0.295***	-0.261***
	(0.015)	(0.017)	(0.014)	(0.013)	(0.014)	(0.014)	(0.013)
CET1 Ratio	0.076***	0.139***	0.159***	0.175***	0.213***	0.110***	0.204***
	(0.025)	(0.024)	(0.020)	(0.022)	(0.021)	(0.020)	(0.019)
Deposits over assets	0.030**	0.093***	0.086***	0.032***	0.083***	0.083***	0.024**
	(0.013)	(0.013)	(0.011)	(0.010)	(0.011)	(0.012)	(0.011)
Country X Quarter	Y	Y	Y	Y	Y	Y	Y
Banking Group	Y	Y	Y	Y	Y	Y	Y
Observations	15537	15386	15226	15062	14890	14604	12953
R-squared	0.328	0.257	0.345	0.305	0.338	0.270	0.317
Adjusted R-squared	0.318	0.247	0.336	0.295	0.328	0.260	0.306

Acknowledgements

We thank Claudia Buch, Klaus Düllmann and Spyros Palligkinis for comments on a previous version of the paper. We thank Ana Campos, Cecile Meys, Paul Disveld, Christine Hauner, Elizaveta Klippert and Dimitrios Petridis for invaluable input on FAP procedures and data and comments on the paper. We also benefited from comments provided by participants of the ECB Banking Supervision Research Seminar. We also thank the Editorial Board of the European Central Bank (ECB) Working Paper Series for their review and for inviting us to publish our work in the series.
This paper should not be reported as representing the views of the European Central Bank (ECB) or De Nederlandsche Bank (DNB). The views expressed are those of the authors and do not necessarily reflect those of the ECB or DNB.

Vivian van Breemen
De Nederlandsche Bank, Amsterdam, The Netherlands; Nyenrode Business University, Breukelen, The Netherlands;
email: v.m.van.breemen@dnb.nl

Francesca Faella
European Central Bank, Frankfurt am Main, Germany; email: Francesca.Faella@ecb.europa.eu

Christopher Scheins
European Central Bank, Frankfurt am Main, Germany; email: Christopher.Scheins@ecb.europa.eu

Claudia Schwarz
European Central Bank, Frankfurt am Main, Germany; email: claudia.schwarz@ecb.europa.eu

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

PDF ISBN 978-92-899-7430-1 ISSN 1725-2806 doi:10.2866/7266156 QB-01-25-203-EN-N