

2018 Stress test results

European Banking Authority (EBA)

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Introduction

Context and objective of the document

In November 2018 the EBA published the results of the EU-wide stress test, designed to be used as an important input into the supervisory review and evaluation process (SREP)

Introduction

- The objective of the 2018 EU-wide stress test is to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to shocks and to challenge the capital position of EU banks.
- In particular this exercise is designed to **inform the supervisory review and evaluation process (SREP)** carried out by competent authorities (CAs).
- In this context, the EBA published in November the **2018 EU-wide stress test results**, including both aggregate results and granular data for each bank, which will facilitate the consistent comparison and assessment of the resilience of banks to adverse economic shocks. In particular, this document assesses the results relative to the potential impact on:
 - **Capital** (CET1 phase-in and fully loaded), taking into account the impact of the implementation of IFRS 9
 - **RWA** for credit, market and operational risk
 - **Provisions and coverage ratio**
 - **P&L** (net interest income, net fee and commission income and aggregate P&L)
 - **Leverage ratio**
- These results reflect a strong performance by the EU the banking sector due to the **increase of capital ratios**, although individual results of institutions vary significantly.

This Technical Note analyses the main 2018 stress test results, focusing on the aggregated results across the EU, as well as on the results of the countries with the highest volume of assets within the banking system.

Introduction

Bank sample




The 2018 stress test has been carried out on a sample of 48 EU banks, which represent almost 70 percent of the assets within the EU banking system

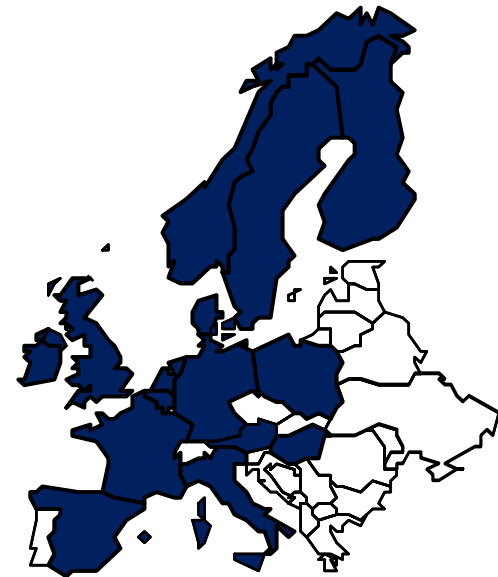
Banks sample

- **48 EU banks have participated in 2018¹** (51 banks in the ST2016), covering around 70% of the national banking sector in the EU, in terms of consolidated assets.
- The **level of consolidation** is aligned with that of the CRDIV/CRR framework.
- The banks should hold a minimum of €30 billion in assets in order to be included within the scope.

Scope of application

Number of banks per participating country:

 Germany: 8	 Belgium: 2
 France: 6	 Austria: 2
 Spain: 4	 Ireland: 2
 Italy: 4	 Poland: 2
 UK: 4	 Finland: 1
 Netherlands: 4	 Norway: 1
 Sweden: 4	 Hungary: 1
 Denmark: 3	

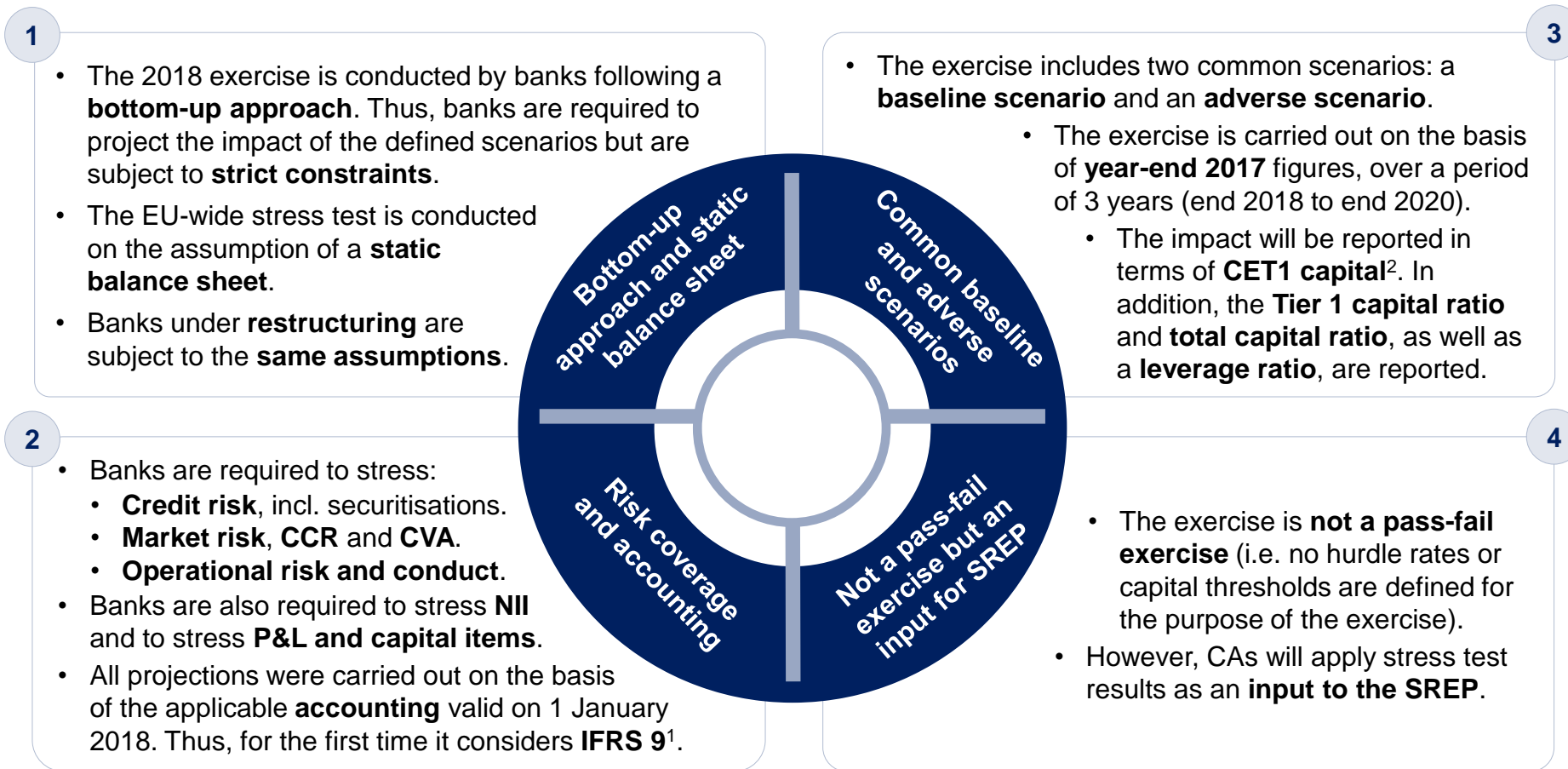


Introduction

Key aspects

As in previous years, the 2018 EU-wide stress test was conducted as a bottom-up exercise and assuming a static balance sheet. It is not a pass-fail exercise, but an input for the SREP. The methodology covers all relevant risk areas and, for the first time, considers IFRS 9

Key aspects



(1) For banks commencing to report under IFRS 9 in the first quarter of 2018.

(2) On a transitional and on a fully loaded basis.

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Aggregated results

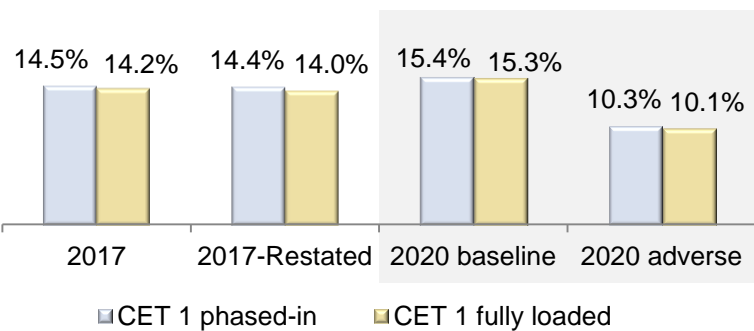
EU

The CET1 ratio moves from 14.2% fully loaded at the end of 2017, and 10.1% at the end of 2020 under the adverse scenario. The negative impact of IFRS 9' implementation on the CET1 capital ratio is -20 bps on a fully loaded basis

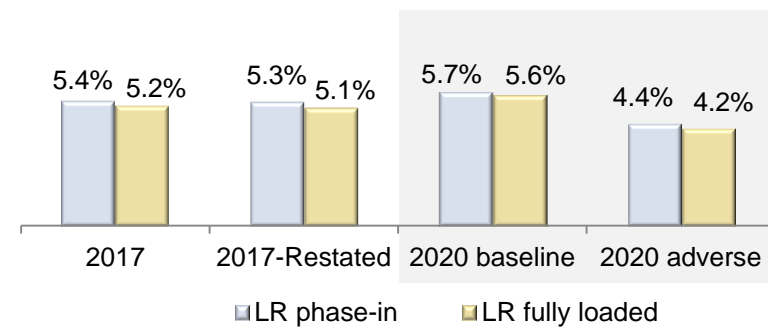


Capital and RWAs

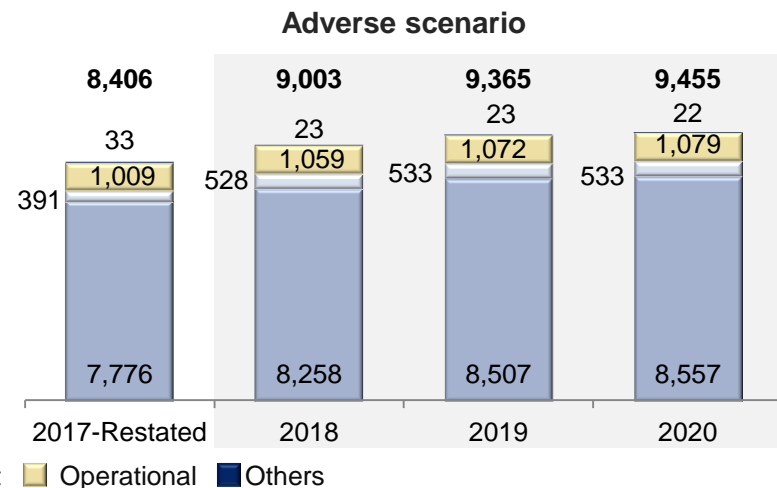
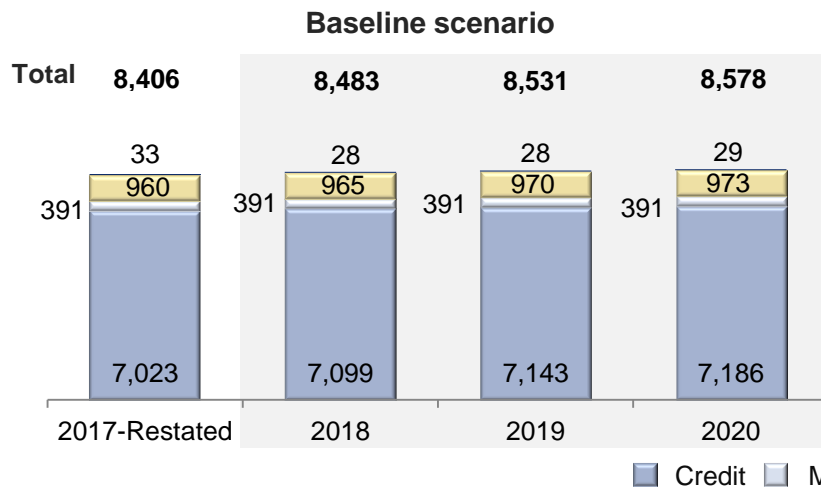
Ratio CET 1



Leverage ratio (LR)



RWAs by risk type (€ bn)



■ Credit ■ Market ■ Operational ■ Others

□ Projections from the baseline a adverse scenarios.

Aggregated results

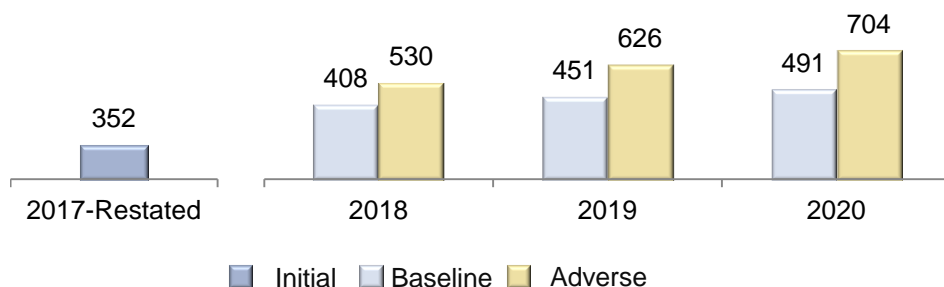
EU

Provisions across the EU increases by 100% between 2017 (restated) and 2020 (adverse scenario); and the coverage ratio decreases between 2017 (restated) and 2020 under the two scenarios



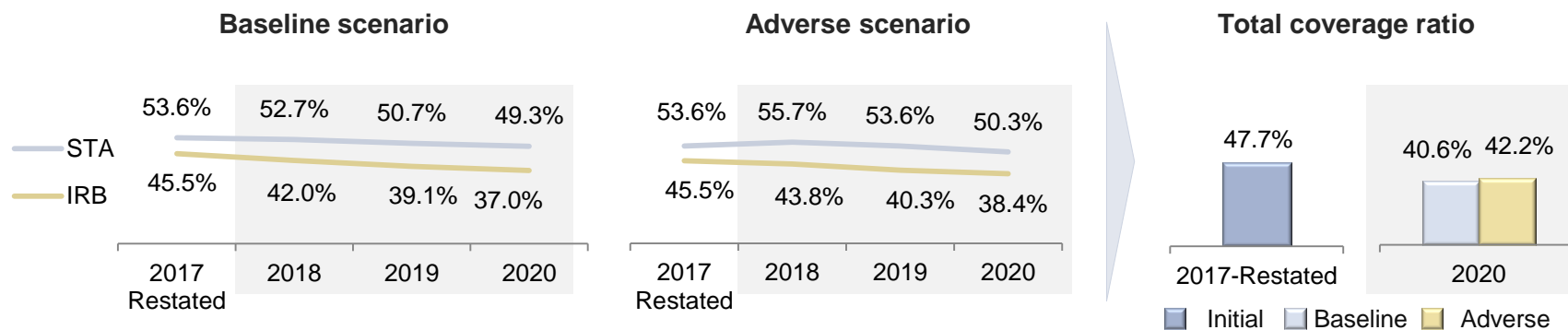
Provisions and coverage ratio

Provisions (€ bn)



- The amount of aggregate provisions under the adverse scenario as of end of 2020 is €704 bn, due to the arising losses from credit risk (€358 bn by 2020).

Coverage ratio (STA, IRB and total)



Aggregated results

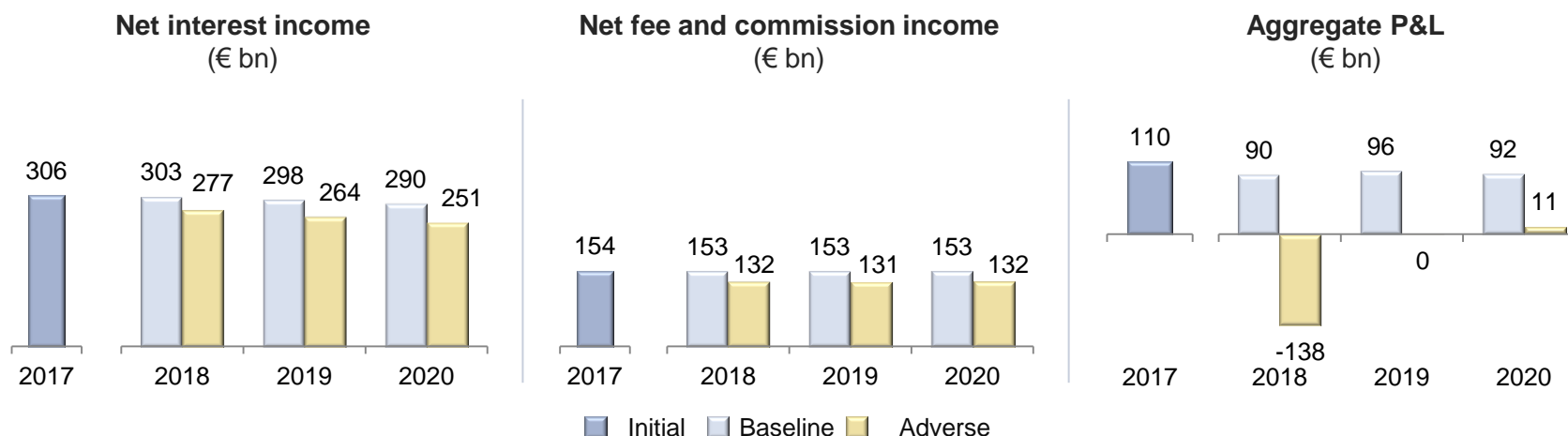
EU

Net interest income is impacted significantly due to the credit risk losses arising from the adverse scenario, which are mainly caused by exposures towards counterparties in UK, Italy, France, Spain and Germany



P&L

P&L



- The biggest positive contributors to the aggregate cumulative P&L under the adverse scenario are **net interest income** (€792 bn) and **net fee and commission income** (€395 bn).
- While the **net interest income** has a positive contribution to capital in each year of the adverse scenario, it decreases significantly relative to the starting point. In particular, the cumulative net interest income over 3 years is **€127 bn lower** than it would have been holding the starting value constant.
- The **aggregate P&L** in 2018 under the adverse scenario registers a fall of €138 bn due to a decline of €180 bn in impairments or reversal of impairment on financial assets not measured at FVTPL⁽¹⁾, and a fall of €381 in other income and expenses. In 2020, the aggregate P&L stands at €11 bn under the adverse scenario.

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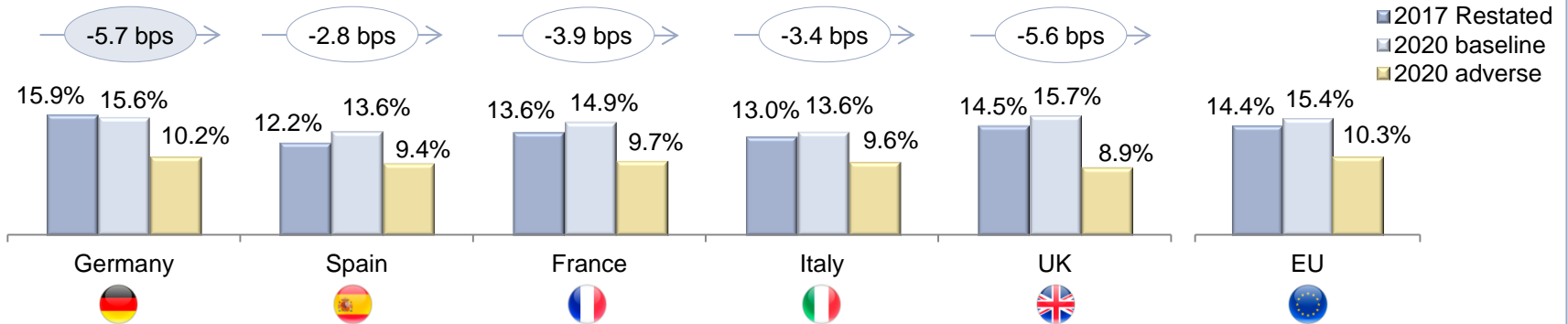
Results per country

Capital

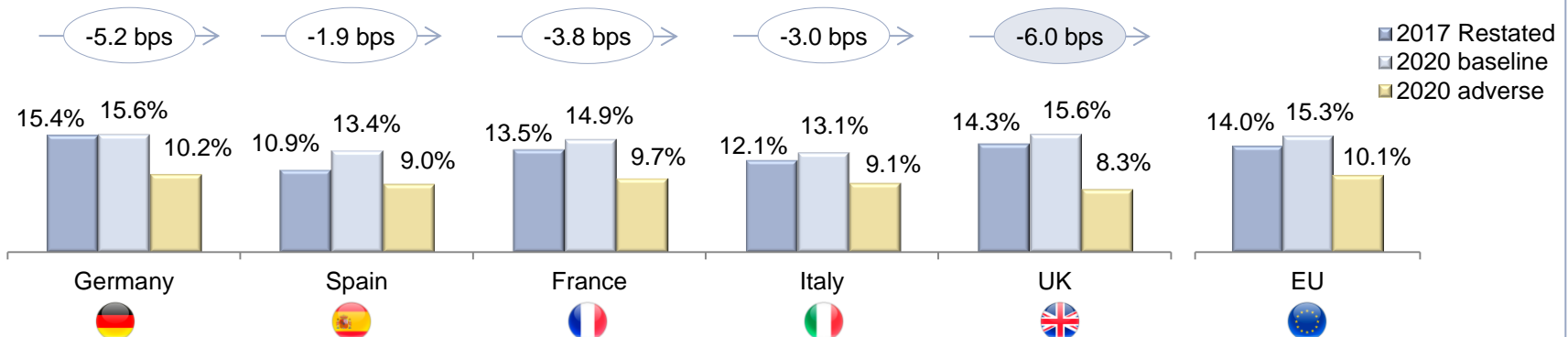
Germany experiences the greatest decrease of the CET 1 phase-in ratio under the adverse scenario from 2017 (restated) to 2020, whereas Spain the lowest. UK registers the greatest impact in terms of the CET 1 fully loaded ratio, whereas Spain the lowest

Capital

CET 1 phase-in



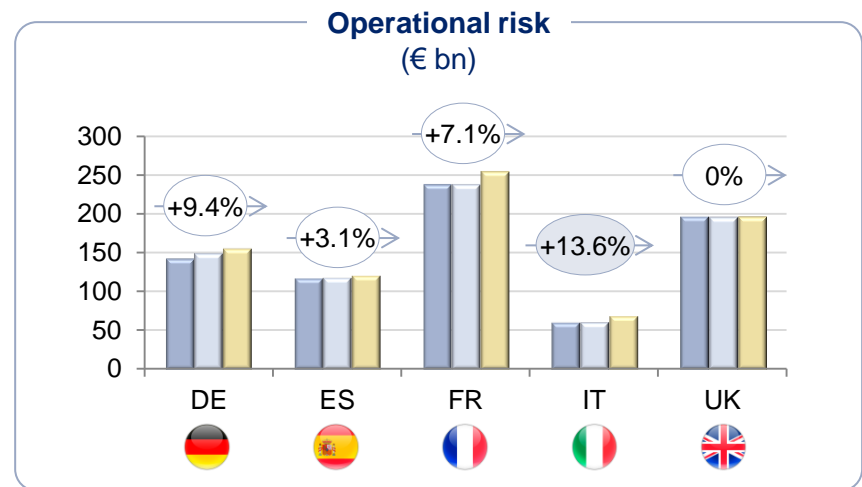
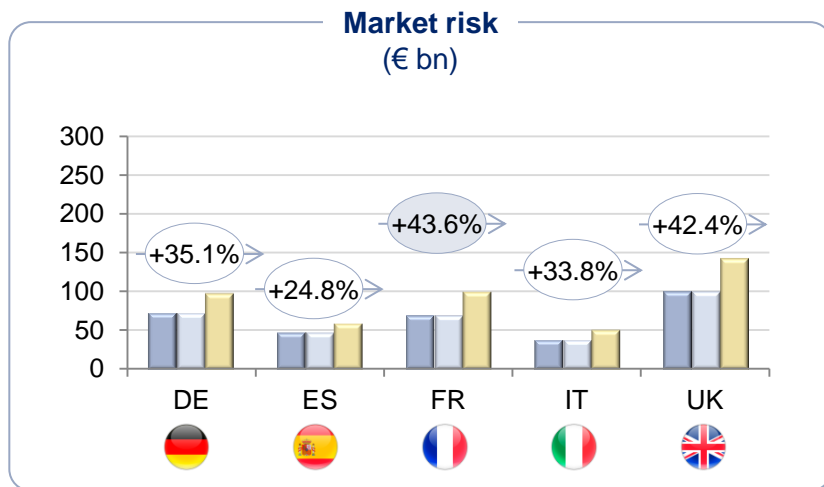
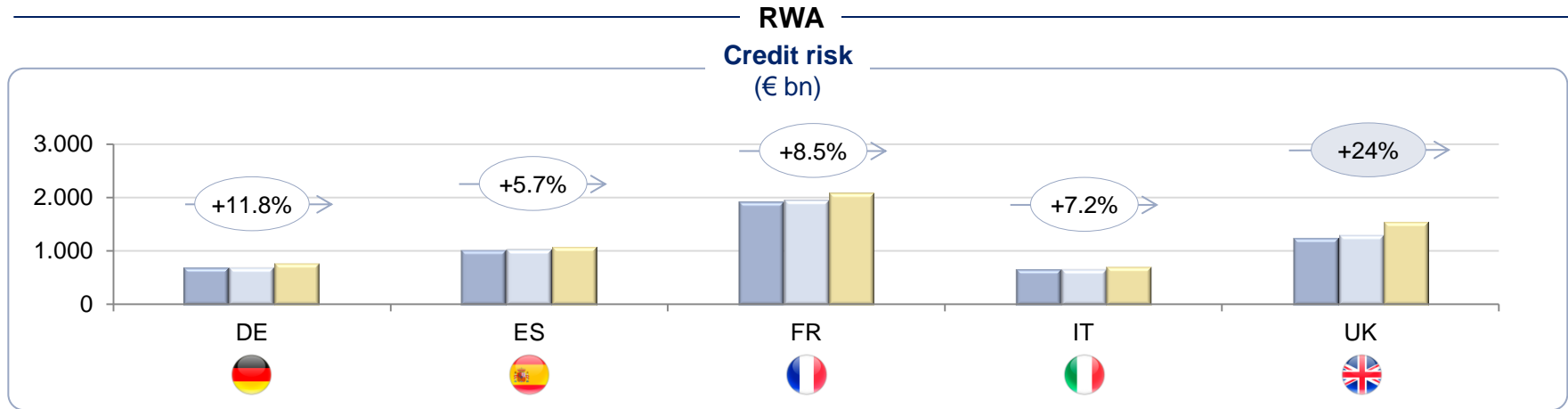
CET 1 fully loaded



Results per country

RWAs

UK records the greatest increase in credit risk RWAs between 2017 (restated) and 2020 under the adverse scenario, while Spain experiences the lowest impact for this type of risk



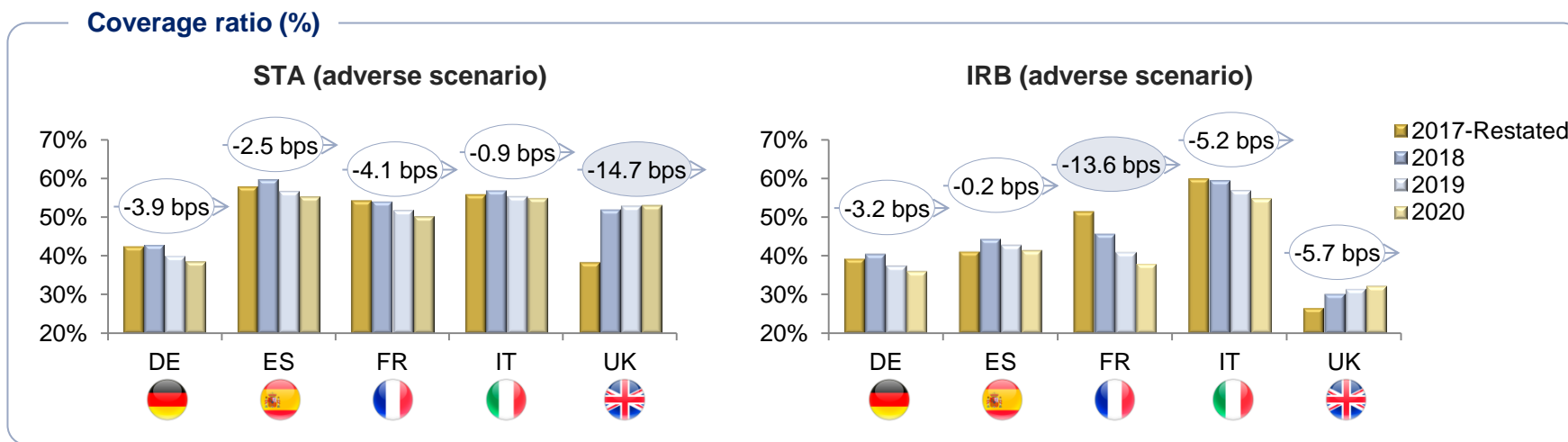
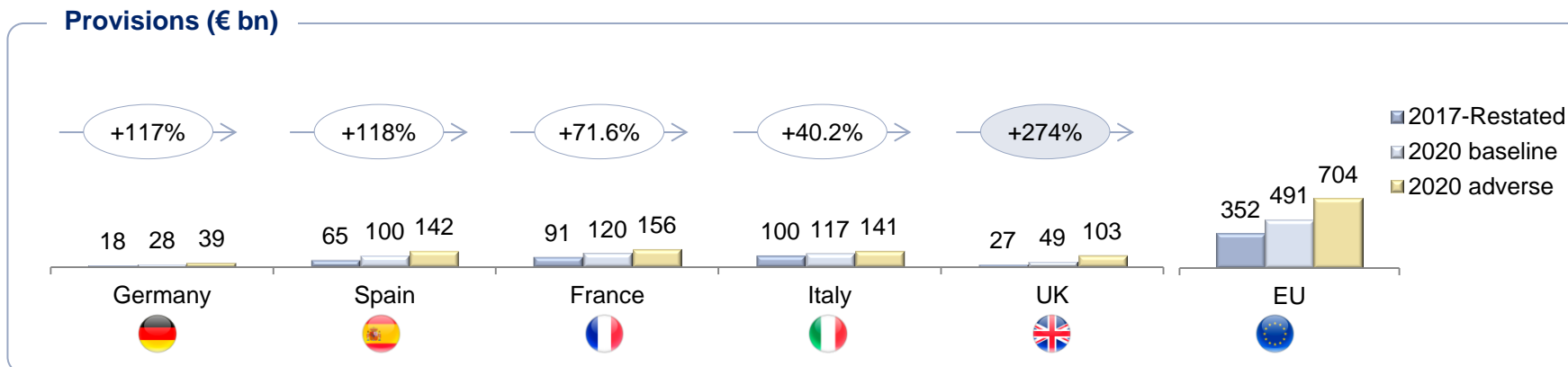
■ 2017- Restated ■ 2020 baseline ■ 2020 adverse

Results per country

Provisions and coverage ratio

**UK registers the greatest increase in provisions with a 274%.
The coverage ratio rises in the case of UK within the STA,
and regarding the IRB portfolio it increases only in Spain and UK**

Provisions and coverage ratio



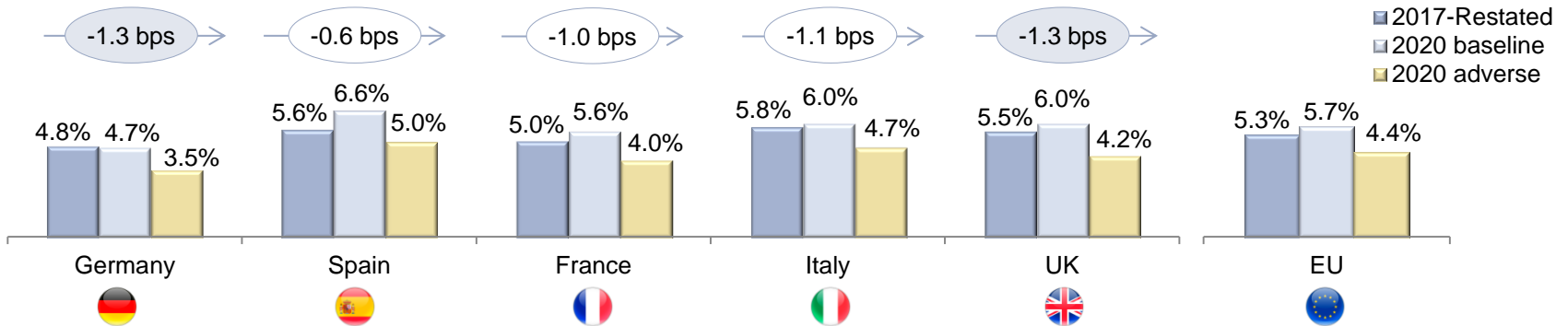
Results per country

Leverage ratio

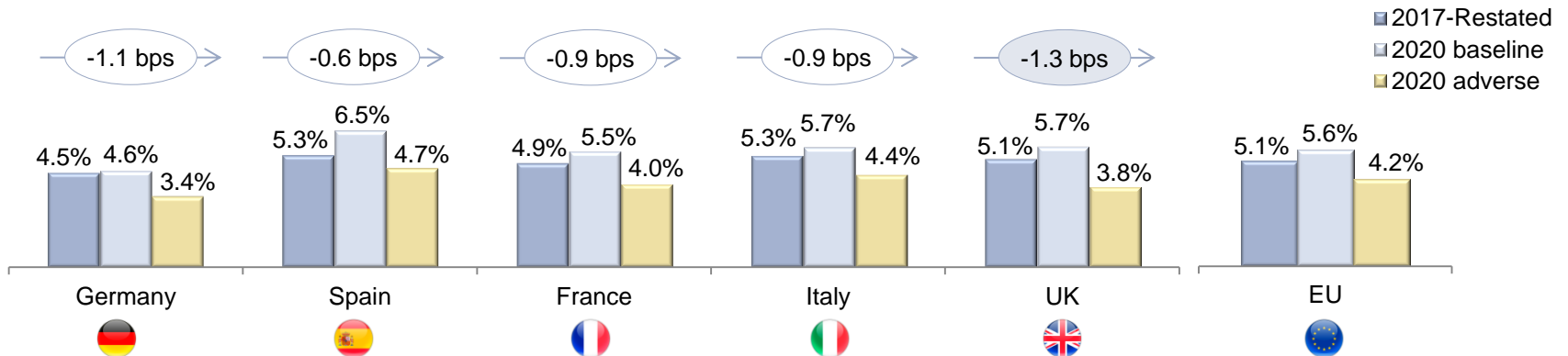
UK registers the greatest decrease regarding the fully loaded leverage ratio from 2017 (restated) to 2020 under the adverse scenario, although it should be noted that the average across these countries exceeds the requirement of 3%

Leverage ratio

Leverage ratio (phase-in)



Leverage ratio (fully loaded)








Results per country

P&L






Germany and France account for losses under the adverse scenario in 2020. Regarding the net fee and commission income, UK and France register the highest variation under this scenario

P&L

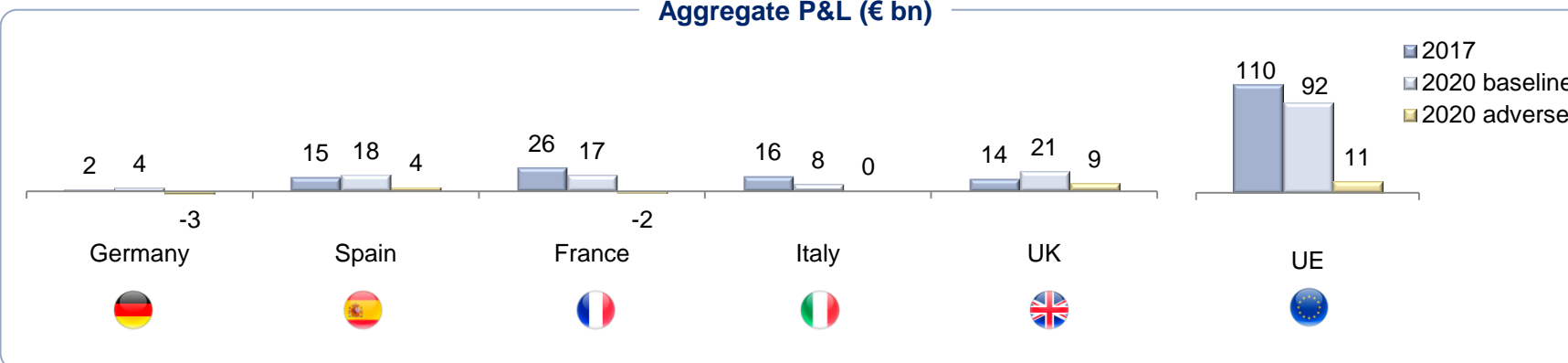
Net interest income (€ bn)

		Baseline			Adverse		
		2017	2020	Var.	2017	2020	Var.
	DE	24	26	8,3%	24	21	-12,5%
	ES	60	58	-3,3%	60	52	-13,3%
	FR	66	60	-9,1%	66	50	-24,2%
	IT	23	22	-4,3%	23	20	-13,0%
	UK	59	57	-3,4%	59	50	-15,3%

Net fee and commission income (€ bn)

		Baseline			Adverse		
		2017	2020	Var.	2017	2020	Var.
	DE	17	17	0,0%	17	15	-11,8%
	ES	20	20	0,0%	20	18	-10,0%
	FR	49	49	0,0%	49	42	-14,3%
	IT	18	18	0,0%	18	17	-5,6%
	UK	24	24	0,0%	24	20	-16,7%

Aggregate P&L (€ bn)

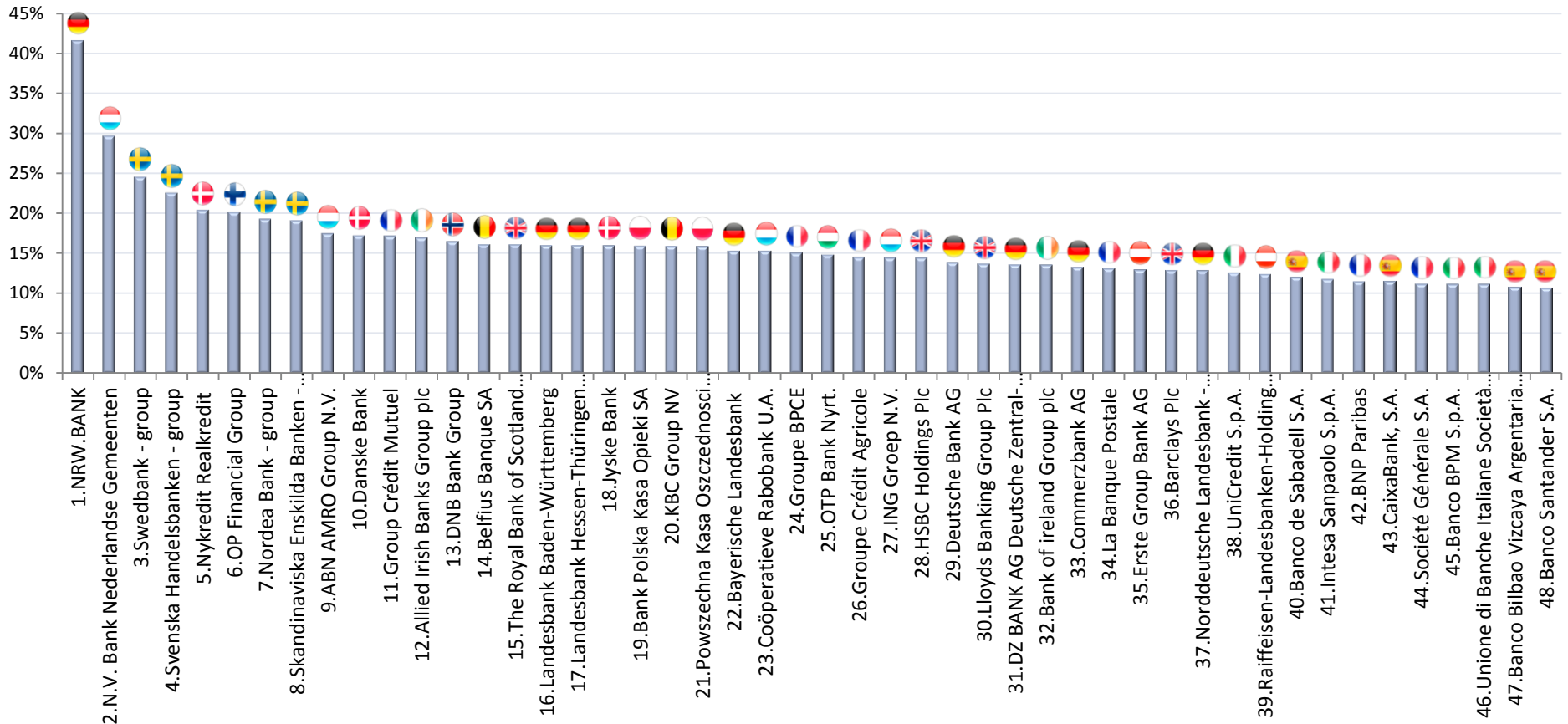


Results per banks

Capital ratios for individual banks – CET 1 (Restated)

Nordic banks are located in the top positions in relation to the fully loaded CET1 capital, while Spanish, French and Italian banks are mostly located in late positions at 2017-Restated basis

Fully loaded CET1 capital ratios (%) – 2017 (Restated)

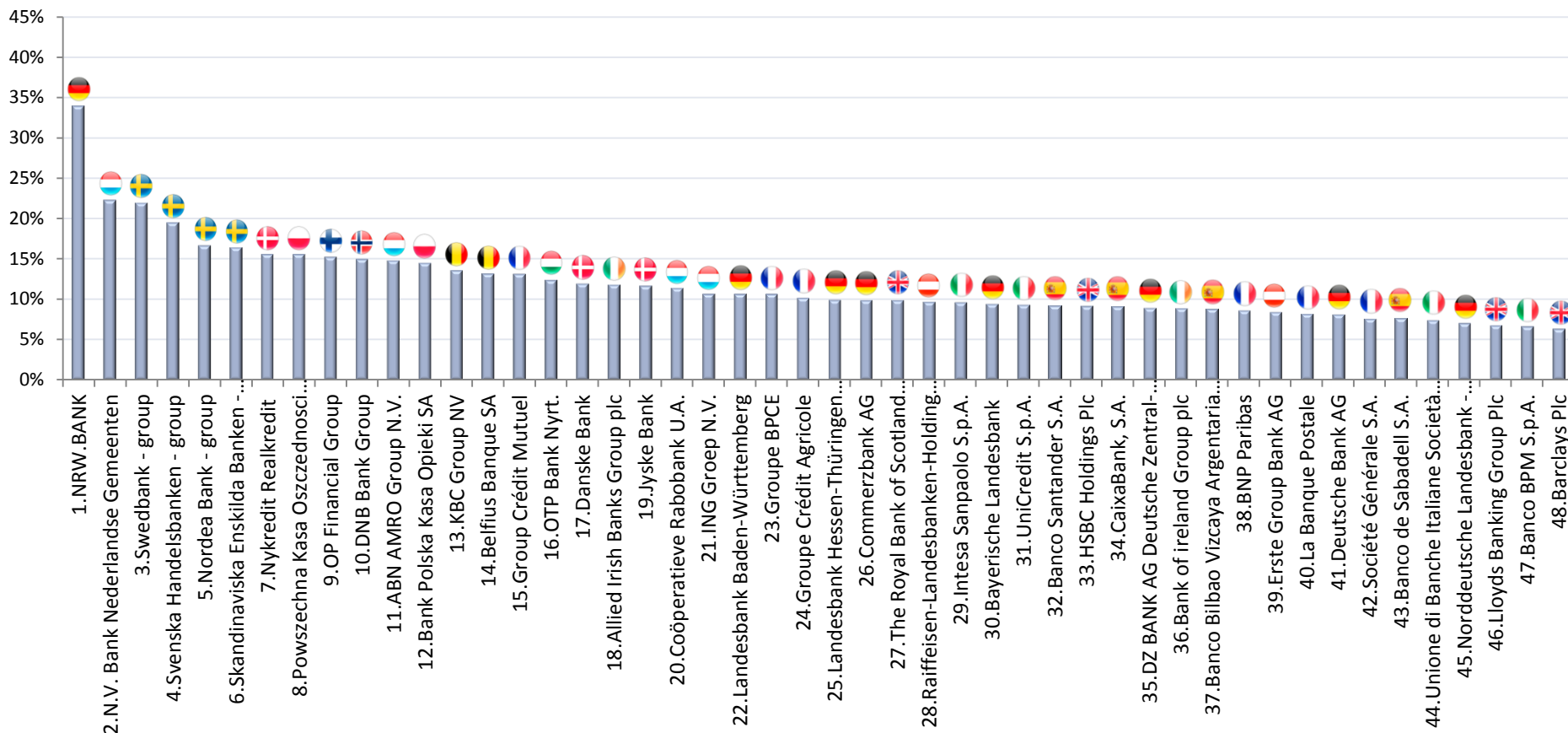


Results per bank

Capital ratios for individual banks – CET 1 (Restated)

Under the 2020 adverse scenario, UK banks fall in their capital positions whereas most of the Spanish and Italian banks enhance their capital positions as compared to other banks

Fully loaded CET1 capital ratios (%) – 2020 Adverse scenario



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Next steps

The results of the 2018 stress test will assist competent authorities (CAs) in assessing banks' ability to meet applicable prudential requirements under the stress scenario and form a solid ground for discussion between the supervisor and the individual banks

Impact on SREP



- The exercise does not include a defined pass/fail threshold. However, the 2018 EU-wide stress test is an **important source of information for the purposes of the SREP** and for setting **Pillar 2 Guidance**.
- The results of the stress test will assist CAs in assessing banks' ability to meet applicable prudential requirements under the stress scenario.
- Furthermore, the results will form a solid ground for a **discussion between supervisors and individual banks**, in order to establish relevant management actions so as to strengthen their capital planning and ensure that the banks will be above the applicable capital requirements under stress.

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Annex 1





List of participating banks

	AT Erste Group Bank AG Raiffeisen-Landesbanken-Holding GmbH
	BE KBC Group NV Belfius Banque SA
	DE DZ BANK AG Deutsche Zentral- Genossenschaftsbank Landesbank Baden-Württemberg Deutsche Bank AG Commerzbank AG Norddeutsche Landesbank Girozentrale Bayerische Landesbank Landesbank Hessen-Thüringen Girozentrale NRW.BANK
	DK Danske Bank Jyske Bank Nykredit Realkredit
	ES Banco Santander S.A. Banco Bilbao Vizcaya Argentaria S.A. CaixaBank, S.A. Banco de Sabadell S.A.
	FI OP Financial Group
	FR BNP Paribas Groupe Crédit Agricole Société Générale, S.A. Groupe Crédit Mutuel Groupe BPCE La Banque Postale
	HU OTP Bank Nyrt.
	IE Bank of Ireland Group plc Allied Irish Banks Group plc
	IT Unicredit SpA Intesa Sanpaolo SpA Banco BPM SpA Unione di Banche Italiane Società Cooperativa per Azioni
	NL N.V. Bank Nederlandse Gemeenten ABN AMRO Group N.V. ING Groep N.V. Coöperatieve Rabokank U.A.
	NO DNB Bank Group
	PL Powszechna Kasa Oszczednosci Bank Polski SA Bank Polska Kasa Opieki SA
	SE Skandinaviska Enskilda Banken - group Nordea Bank – group Swedbank - group Svenska Handelsbanken - Group
	UK Barclays Plc Lloyds Banking Group Plc HSBC Holdings Plc The Royal Bank of Scotland Group Public Limited Company









Annex 2

Individual results (1/3)

C	Bank	CET 1 fully loaded				Leverage ratio fully loaded					
		2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated	2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated
	Raiffeisen-Landesbanken-Holding GmbH	12.71%	12.47%	13.61%	9.73%	-273	6.08%	5.99%	6.66%	5.18%	-81
	Erste Group Bank AG	12.95%	13.01%	13.13%	8.45%	-456	6.58%	6.62%	6.82%	4.66%	-196
	KBC Group NV	16.35%	15.96%	18.56%	13.60%	-236	6.06%	6.01%	6.88%	5.75%	-25
	Belfius Banque SA	15.88%	16.17%	17.67%	13.21%	-296	5.52%	5.66%	6.20%	4.82%	-84
	DZ BANK AG Deutsche Zentral-Genossenschafts	13.74%	13.64%	14.33%	8.97%	-467	4.35%	4.35%	4.60%	3.33%	-102
	Landesbank Baden-Württemberg	15.67%	16.05%	16.03%	10.69%	-536	4.61%	4.72%	4.75%	3.36%	-136
	Deutsche Bank AG	14.03%	13.90%	13.45%	8.14%	-576	3.80%	3.77%	3.73%	2.61%	-115
	Commerzbank AG	14.12%	13.34%	14.36%	9.93%	-341	5.14%	4.78%	5.21%	3.98%	-80
	Norddeutsche Landesbank - Girozentrale	11.92%	12.89%	13.57%	7.07%	-582	3.08%	3.22%	3.41%	1.83%	-139
	Bayerische Landesbank	15.30%	15.36%	15.46%	9.44%	-592	4.03%	4.05%	4.09%	2.78%	-126
	Landesbank Hessen-Thüringen Girozentrale AdöR	15.19%	16.04%	16.15%	9.96%	-608	4.51%	4.78%	4.92%	3.47%	-131
	NRW.BANK	41.65%	41.65%	39.92%	33.96%	-769	11.39%	11.39%	11.51%	11.06%	-32
	Danske Bank	17.53%	17.28%	16.17%	11.97%	-532	4.40%	4.34%	4.28%	3.69%	-65
	Jyske Bank	16.35%	16.01%	16.57%	11.69%	-432	5.32%	5.22%	5.48%	4.38%	-84
	Nykredit Realkredit	20.61%	20.47%	21.96%	15.63%	-484	4.78%	4.75%	5.08%	4.45%	-30






Annex 2

Individual results (2/3)

C	Bank	CET 1 fully loaded					Leverage ratio fully loaded				
		2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated	2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated
	Banco Santander S.A.	10.84%	10.61%	13.87%	9.20%	-141	5.02%	4.90%	6.29%	4.48%	-42
	Banco Bilbao Vizcaya Argentaria S.A.	11.04%	10.73%	12.72%	8.80%	-193	6.53%	6.36%	7.53%	5.78%	-58
	CaixaBank, S.A.	11.65%	11.50%	13.60%	9.11%	-239	5.33%	5.28%	6.30%	4.54%	-74
	Banco de Sabadell S.A.	12.79%	12.03%	12.89%	7.58%	-446	4.95%	4.71%	5.07%	3.25%	-146
	OP Financial Group	20.10%	20.20%	21.25%	15.28%	-491	7.79%	7.82%	8.28%	6.32%	-150
	BNP Paribas	11.68%	11.52%	12.54%	8.64%	-288	4.65%	4.54%	4.99%	3.80%	-74
	Groupe Crédit Agricole	14.88%	14.58%	16.33%	10.21%	-437	5.50%	5.42%	6.13%	4.29%	-112
	Société Générale S.A.	11.39%	11.24%	11.83%	7.61%	-363	4.11%	4.07%	4.50%	3.33%	-74
	Group Crédit Mutuel	17.42%	17.23%	18.81%	13.18%	-405	6.41%	6.37%	7.02%	5.34%	-103
	Groupe BPCE	15.25%	15.13%	17.24%	10.68%	-445	5.00%	4.95%	5.79%	3.71%	-124
	La Banque Postale	13.41%	13.16%	13.66%	8.22%	-494	4.63%	4.57%	4.83%	3.67%	-90
	OTP Bank Nyrt.	15.21%	14.87%	15.83%	12.40%	-246	9.27%	8.89%	9.93%	8.04%	-84
	Bank of Ireland Group plc	13.82%	13.61%	15.13%	8.93%	-468	6.21%	6.12%	6.96%	4.61%	-151
	Allied Irish Banks Group plc	17.48%	17.03%	18.69%	11.83%	-520	10.30%	10.05%	11.10%	7.56%	-249
	UniCredit S.p.A.	13.61%	12.68%	13.76%	9.34%	-334	5.55%	5.22%	5.66%	4.46%	-76
	Intesa Sanpaolo S.p.A.	12.87%	11.85%	12.28%	9.66%	-219	6.12%	5.66%	5.89%	4.95%	-71
	Banco BPM S.p.A.	11.92%	11.20%	14.32%	6.67%	-453	5.26%	4.26%	5.48%	2.71%	-155
	Unione di Banche Italiane Società Per Azioni	11.43%	11.20%	12.22%	7.46%	-374	5.78%	5.14%	5.61%	3.55%	-159

Annex 2

Individual results (3/3)

C	Bank	CET 1 fully loaded					Leverage ratio fully loaded				
		2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated	2017	2017 Restated	2020 'b'	2020 'a'	2020 Delta 'a' Restated
	N.V. Bank Nederlandse Gemeenten	30.80%	29.76%	31.92%	22.33%	-742	3.53%	3.45%	3.72%	3.02%	-43
	ABN AMRO Group N.V.	17.65%	17.53%	19.70%	14.85%	-267	4.04%	4.02%	4.58%	4.03%	1
	ING Groep N.V.	14.68%	14.51%	13.99%	10.70%	-381	4.46%	4.42%	4.42%	3.85%	-57
	Coöperatieve Rabobank U.A.	15.50%	15.34%	16.03%	11.44%	-390	5.41%	5.37%	5.72%	4.67%	-69
	DNB Bank Group	16.56%	16.53%	18.51%	15.03%	-150	6.90%	6.89%	7.73%	6.77%	-12
	Powszechna Kasa Oszczednosci Bank Polski SA	16.25%	15.91%	16.89%	15.62%	-30	10.39%	10.17%	10.80%	9.99%	-18
	Bank Polska Kasa Opieki SA	16.43%	15.99%	16.14%	14.55%	-144	9.80%	9.46%	9.54%	8.62%	-84
	Skandinaviska Enskilda Banken - group	19.35%	19.18%	22.02%	16.47%	-272	5.24%	5.16%	5.89%	5.18%	2
	Nordea Bank - group	19.49%	19.34%	20.16%	16.68%	-265	5.07%	5.03%	5.17%	5.23%	19
	Swedbank - group	24.61%	24.58%	27.30%	21.98%	-260	5.20%	5.18%	5.85%	5.41%	22
	Svenska Handelsbanken - group	22.73%	22.61%	24.85%	19.53%	-307	4.49%	4.49%	5.06%	4.81%	32
	Barclays Plc	13.28%	12.94%	13.56%	6.37%	-657	4.48%	4.39%	4.66%	2.96%	-143
	Lloyds Banking Group Plc	14.06%	13.75%	15.71%	6.80%	-694	4.92%	4.84%	5.60%	3.17%	-167
	HSBC Holdings Plc	14.50%	14.51%	15.64%	9.18%	-533	5.58%	5.59%	6.24%	4.44%	-115
	The Royal Bank of Scotland Group Plc	15.91%	16.17%	18.50%	9.92%	-625	5.30%	5.37%	6.26%	4.30%	-107