Risk Assessment Questionnaire – Summary of Results

July 2018
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Summary of the main results</td>
<td>4</td>
</tr>
<tr>
<td>Banks’ questionnaire</td>
<td>8</td>
</tr>
<tr>
<td>1. Business model / strategy / profitability</td>
<td>8</td>
</tr>
<tr>
<td>2. Funding / liquidity</td>
<td>16</td>
</tr>
<tr>
<td>3. Asset volume trends</td>
<td>19</td>
</tr>
<tr>
<td>4. Asset quality</td>
<td>23</td>
</tr>
<tr>
<td>5. Conduct, reputation and operational risk</td>
<td>29</td>
</tr>
<tr>
<td>6. General open question</td>
<td>34</td>
</tr>
<tr>
<td>Market analysts’ questionnaire</td>
<td>35</td>
</tr>
<tr>
<td>1. Business model / strategy / profitability</td>
<td>35</td>
</tr>
<tr>
<td>2. Funding / liquidity</td>
<td>40</td>
</tr>
<tr>
<td>3. Asset volume trends</td>
<td>43</td>
</tr>
<tr>
<td>4. Asset quality</td>
<td>48</td>
</tr>
<tr>
<td>5. General open question</td>
<td>52</td>
</tr>
</tbody>
</table>

**Appendix I: Risk Assessment Questionnaire for banks**

**Appendix II: Risk Assessment Questionnaire for market analysts**
Introduction

The EBA conducts semi-annual Risk Assessment Questionnaires (RAQs) among banks and market analysts. This booklet presents a summary of responses to the RAQs carried out between April and May 2018. 38 banks and 21 market analysts submitted the answers. The RAQ results are published together with the EBA’s quarterly Risk Dashboard (Q1 2018).

The results of the survey are presented in an aggregated form. The charts are numbered, with numbers corresponding to the questions in the distributed questionnaires, which can be found in the Appendix. Results for the same question from former questionnaires may be presented where deemed relevant. For questions for which only one answer was permitted, any potential difference between the sum of shown responses and 100% is due to respondents answering either “n/a” or “no opinion”.

Should you wish to provide your feedback and/or comments on this booklet, please do not hesitate to do so by contacting risk.analysis@eba.europa.eu.
Summary of the main results

Against the backdrop of benign market conditions, the results of the EBA’s RAQs show that banks’ profitability remains a challenge, even though a slight improvement is expected for the near future. Volume growth is anticipated in specific portfolios like SME and retail lending. On the funding side banks are expected to continue to target mainly retail deposits and to attain more instruments eligible for MREL, even though the uncertainty on the specific MREL requirements is considered as a constraint to their issuance. Banks’ outlook on asset quality is optimistic while analysts’ views are more conservative when compared to December 2017. Cyber risk and data security are considered as the main drivers for an increase in operational risk. They are also assumed to be the main factors that might negatively influence market sentiment, along with the geopolitical uncertainties including the UK’s decision to leave the EU.

Business model / strategy / profitability

- The share of banks that agree their current earnings are covering the Cost of Equity (CoE) increased to about 55%, from about 50% in December and June 2017. 70% of the banks estimate their CoE between 8% and 10% (up from about 65% in December 2017 and 60% in June 2017), while only about 5% estimate their CoE at a level below 8% (down from 8% in December 2017 and more than 10% in June 2017). As in December 2017, half of the banks replied that they can operate on a longer-term basis with a Return on Equity (RoE) ranging between 10% and 12%; the number of banks that declare they are able to operate with a RoE above 14% increased from 0% in June 2017 and 2.5% in December 2017 to now more than 5%. (Questions 3, 7 and 8 for banks).

- Less than 15% of banks agree that their profitability will increase in the next six to twelve months, down from 20% in December 2017. Similarly, 25% of the market analysts agree that overall profitability will improve, decreasing from December 2017. Banks consider net fees and commission income as the main driver for increasing profitability (about 90% “agree” and “somewhat agree”), especially from asset management services, payment services and insurance products, followed by further costs reduction (more than 80% “agree” and “somewhat agree”). Net interest income is considered as the third most important driver (about 50% “agree” and “somewhat agree”). Banks also find that cost and riskiness of M&As are the main obstacles to initiate such transactions (agreement of 40% of them). (Questions 2, 4 and 5 for banks and Question 1 for market analysts).

- Market analysts believe that the current market sentiment is positively influenced in particular by macroeconomic fundamentals (agreement of more than 65%) and the improved risk metrics for banks (agreement of more than 60%). Geopolitical risks remain a key risk according to market analysts, with an agreement of 45% (even if down from more than 55% in December 2017 and more than 65% in June 2017). Instead, the monetary policy trends in the EU rank higher than the past, with an agreement of about 40%, along with the political uncertainties outside the EU (including resurgence of protectionism, currency tensions, and political instability), with an agreement of 30%. The risks of increasing volatility (e.g. in FX and financial markets) also rank higher in their opinion (agreement of 30% from almost 0% in the past), while a smaller number of market analysts see IT/cyber risks as drivers for negative market sentiment (at 15%, down from 25% in December 2017). Asset price bubbles also remain a common risk
in market analysts’ opinion (at almost 30% in the last two surveys) along with litigation risks (at 25% in the last two surveys). (Question 2 and 3 for market analysts)

• Only 8% of the banks see implications for their own business with regards to an inconclusive or disorderly end to the negotiations governing the exit of the UK from the EU (down from more than 10% in December 2017). Further, almost 90% declares to have in place contingency plans to deal with the consequences of a potentially inconclusive or disorderly end to the negotiations. This would include risks to the continuity of contracts, to transfer of data and to access to CCPs and other FMIs. On the other hand, more than half of market analysts expect material negative implications to EU banks’ business, should ongoing negotiations on the terms of the UK’s withdrawal from the EU end in an inconclusive or disorderly fashion. (Question 9 and 10 for banks and Question 4 for market analysts)

• The share of banks expecting a steepening yield curve to positively impact their bank’s earnings in the next 6 – 12 months has increased from 60% to 65% in June 2018. (Question 11 for banks)

**Funding / liquidity**

• The share of analysts expecting banks will be able to issue AT1 instruments during the rest of 2018 has decreased from about 60% in December to 50% in June 2018. Conversely, more than 70% of them expect that banks will be able to issue T2 instruments (up from 65% in December), while 65% of them expect that banks will be able to issue MREL/TLAC eligible debt instruments during the rest of the year, compared to 60% in December. In this respect, 90% of the analysts expect banks to attain more instruments eligible for MREL. (Question 7 and 8 for market analysts).

• The RAQ results confirm that banks will continue to focus in their funding strategy on their MREL requirements. Indeed, 65% of the banks (compared to 55% in December), intend to attain more instruments eligible for MREL, while 50% declared to rely on retail deposits (versus 35% in December). 20% of the banks plan to issue senior unsecured funding instruments (compared to 15% in December), while the share of banks expecting to attain secured funding remain stable at 25%. Few banks plan to issue CET 1 instruments in the next 12 months, even though the share of banks agreeing with the question has increased from 10% to 20%. Similarly, significantly less market analysts expect banks to issue more senior unsecured instrument (down to 15% from almost 40% in December).

• As highlighted in the last RAQ, banks still believe that the main constraint to issue subordinated instruments eligible for MREL is the uncertainty on the specific MREL requirements, in particular the required amounts that banks have to issue, although the share of banks highlighting this has decreased from 65% to 55%. Further, more banks are concerned about the eligibility of instruments for MREL requirements (60% versus 55% in December), and the pricing of these instruments remains a key issue (30% versus 20% in December). As in the previous survey, neither banks nor market analysts assume that more central bank funding will be attained (agreement of 0%). (Question 12, 13 and 14 for banks and Question 8 for market analysts)

**Asset volume trends and asset quality**

• In line with the previous surveys, and with increased positive responses, the majority of the banks plan to increase their volumes of SME financing (more than 85%). This in fact was the first time of the survey that none of the participant banks has indicated any plan to decrease exposure to SME lending. In
addition, a significant number of banks assume that they will increase their consumer credit, residential mortgage and corporate exposures. In comparison with December 2017, positive responses for increasing volumes on commercial real estate were increased the most compared to other portfolios (40% in June 2018 versus 30% in December 2017). Market analysts have aligned views with banks on the portfolios for which an increase in volumes is expected (agreement of about 75% for SME loans). They also expect consumer credit, corporate and residential mortgages portfolios volumes to increase. *(Question 16 for banks and Question 9 for market analysts)*

- The majority of banks disagree with the statement that further deleveraging is an element of their strategy (55% disagree vs 45% agree), and this is in consent with previous surveys. Of those banks expecting to deleverage they suggest that this is mainly driven through the disposal of business units and asset sales (40%), and less through regulatory pressure to deleverage (25%). *(Question 15 for banks)*

- The percentage of banks planning to decrease their exposures to Commercial Real Estate (CRE), including all types of real estate developments is more than 15%; this however decreased considerably compared to December 2017 (almost 30%). Banks responses also depict that sovereign and institutions, asset finance (shipping, aircrafts etc.) and trading portfolios will decrease in volumes. Market analysts similarly expect banks to decrease their exposures to asset finance (75%), sovereign and institutions (65%) and trading (60%) portfolios. Market analysts suggest as the main factor for banks to de-risk (reduce assets) is the regulatory pressure (more than 80%); while 50% of them agree that the reduction will be a result of disposal of business units and asset sales. About 90% of the market analysts expect these asset sales to come from NPL portfolio sales. *(Question 15 and 16 for banks and Questions 9, 10 and 11 for market analysts)*

- The majority of banks expect asset quality to improve across the board. 50% of the banks expect residential mortgage portfolio quality to develop in positive way, whereas only 5% expect quality of this portfolio to regress. More than 40% of the banks assume that quality will be better in CRE, SME, Corporate and consumer credit portfolios in the next 12 months, while on the contrary less than 10% expect deterioration in the quality of these portfolios. On the other hand, market analysts’ expectations diverge from banks’ outlook as they only see improvement in SME, Residential Mortgage and Corporate portfolios. Analysts expect the majority of portfolios (CREs, Consumer Credit, Trading, Structured Finance, and Asset Finance portfolios) to decline in quality. When compared to December 2017, banks’ outlook on the asset quality is optimistic while analysts’ views are more conservative. *(Question 17 for banks and Question 12 for market analysts)*

- Banks consider lengthy and expensive judiciary processes to resolve insolvency and to enforce the repossession of collaterals as one of the main impediments to resolve non-performing loans (NPLs) (agreement of about 60%, slightly up compared to December 2017). In addition, the lack or scarce liquidity of a market for transactions in NPLs and/or collaterals is considered another important impediment (agreement of about 50%, down from 55% in December). *(Question 19 for banks)*

**Conduct / reputation / operational risk**

- More than 60% of the banks expect an increase in operational risks in their institution (up from more than 55% in December and less than 45% in June 2017). The main drivers identified by the banks are cyber risk and data security (around 55% of banks, increasing from the 40% in December), compliance with regulatory initiatives and conduct and legal risk (less than 20%). *(Question 22 for banks)*
A significant portion of banks (more than 30%) also expect litigation costs to be heightened in the next 6-12 months. More than 40% of the banks also declare to have paid out in the form of compensation, redress, litigation and similar payments an aggregate amount of more than EUR 1bn. (Questions 20 and 21 for banks)

General open questions

In the open question about sources of risks and vulnerabilities, which are expected to increase further in the next six to twelve months, banks mainly refer to cyber, shadow banking, Fintech and Conduct risks (35%) and they identify political risk with the EU and geopolitical uncertainty as another main pocket of risk (35%). Market analysts mainly refer to regulatory risks such as MREL, TLAC prudential provisioning (25%), while they see equally risky the central bank policy, economic developments (such as protectionism) and cyber risks (20%).
Risk Assessment Questionnaire (RAQ) – Summary of Results

Banks’ questionnaire

1. Business model / strategy / profitability

Question 1: June 2018 results

- Q3: You envisage making material changes to your bank’s business model going forward.
  - If you agree:
  - 1. a) you expect material changes to your bank’s business model arising from a potential M&A transaction
  - 1 b) you expect material changes to your bank’s business model due to increasing competition arising from banking disintermediation (e.g. shadow banking, infrastructure finance by insurance companies)

Question 1: Comparison with former results

- Q1: You envisage making material changes to your bank’s business model going forward.
  - If you agree:
  - 1. a) you expect material changes to your bank’s business model arising from a potential M&A transaction
  - 1 b) you expect material changes to your bank’s business model due to increasing competition arising from banking disintermediation (e.g. shadow banking, infrastructure finance by insurance companies)
Question 2: June 2018 results (only “agree” as possible answer)

Q2 What is the main obstacle to M&A?

   i. complexity
   ii. cost and riskiness of such transactions
   iii. cultural aspect
   iv. lack of transparency on asset quality of the potential partners
   v. regulatory requirements
   vi. no opinion

Question 3: June 2018 results

Q3 Your bank can operate on a longer-term basis with a return on equity (ROE):

   a. Below 10%.
   b. Between 10% and 12%.
   c. Between 12% and 14%
   d. Above 14%

Question 3: Comparison with former results

Q3 Your bank can operate on a longer-term basis with a return on equity (ROE):

   a. Below 10%.
   b. Between 10% and 12%.
   c. Between 12% and 14%
   d. Above 14%
Question 4, 5 and 5b: June 2018 results

Q4 You expect an overall increase in your bank’s profitability in the next 6-12 months:

Q5 You primarily target this area for increasing profitability in your bank in the next months:

a. Net interest income
b. Net Fees and Commissions income
c. Other operating income
d. Operating expenses / costs reduction
e. Impairments
f. Other

Q5 b. If you agree with b. Net Fees and Commissions income

i. from payment services
ii. from asset management services
iii. From insurance products
iv. Investment banking fees
Question 4: Comparison with former results

Q4 You expect an overall increase in your bank’s profitability in the next 6-12 months:

- June 2018 Agree
- December 2017 Agree
- June 2017 Agree
- December 2016 Agree
- June 2016 Agree
- December 2015 Agree

Question 5: Comparison with former results

Q5 You primarily target this area for increasing profitability in your bank in the next months:

- June 2018
- December 2017 Agree
- June 2017 Agree
- December 2016 Agree
- June 2016 Agree
- December 2015 Agree

a. Net interest income
b. Net Fees and Commissions income
c. Other operating income
d. Operating expenses / costs reduction
f. Other
Question 6: June 2018 results (only “agree” as possible answer)

Q6 You are reducing operating expenses / costs through (please do not agree with more than 3 options):

a. Overhead reduction and staff costs reduction
b. Outsourcing
c. Off-shoring or near-shoring
d. Cutting of non-profitable units.
e. Increasing automatisation and digitalisation
f. Other

Question 6: comparison with former results (only “agree” as possible answer)

Q6 You are reducing operating expenses / costs through (please do not agree with more than 3 options):

a. Overhead reduction and staff costs reduction
b. Outsourcing
c. Off-shoring or near-shoring
d. Cutting of non-profitable units.
e. Increasing automatisation and digitalisation
f. Other

Legend:
- June 2018 Agree
- December 2017 Agree
- June 2017 Agree
- December 2016 Agree
- June 2016 Agree
- December 2015 Agree
Question 7: June 2018 results

Q7 Your current earnings are covering the cost of equity:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-Disagree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 7: comparison with former results

Q7 Your current earnings are covering the cost of equity:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2018 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2017 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 2017 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2016 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 2016 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 2015 Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Question 8: June 2018 results

<table>
<thead>
<tr>
<th>Q8 You estimate COE at:</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Below 8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Between 8% and 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Between 10% and 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Above 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 8: comparison with former results (only “agree” as possible answer)

<table>
<thead>
<tr>
<th>Q8 You estimate COE at:</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Below 8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Between 8% and 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Between 10% and 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Above 12%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Risk Assessment Questionnaire (RAQ) – Summary of Results

Question 9: June 2018 results

Q9 You expect material negative implications to your bank's business in the case of an inconclusive or disorderly end to the negotiations governing the exit of the UK from the EU or if a transition period is not agreed upon.

Question 10: June 2018 results

Q10 Your bank has in place contingency plans to deal with risks stemming from an inconclusive or disorderly end to the negotiations on the UK exit from the EU, including the continuity of contracts, transfer of data, and access to CCPs and other FMs.

Question 11: June 2018 results

Q11 Looking at your bank, you expect an observed steepening yield curve to positively impact your bank's earnings in the next 6 – 12 months?

Question 11: Comparison with former results (only “agree” as possible answer)

Q11 Looking at your bank, you expect an observed steepening yield curve to positively impact your bank's earnings in the next 6 – 12 months?
2. Funding / liquidity

Question 12: June 2018 results

Q12 Do you plan to issue CET1 instruments in the next 12 months?

Question 12: Comparison with former results

Q12 Do you plan to issue CET1 instruments in the next 12 months?

1. 21% Agree
2. 79% Disagree

1. 21% Agree
2. 79% Disagree

Comparison with former results:

- June 2018:
  - 21% Agree
  - 79% Disagree
- December 2017:
  - 21% Agree
  - 79% Disagree
- June 2017:
  - 21% Agree
  - 79% Disagree
- December 2016:
  - 21% Agree
  - 79% Disagree
- June 2016:
  - 21% Agree
  - 79% Disagree
- December 2015:
  - 21% Agree
  - 79% Disagree
### Question 13 (only “agree” as possible answer)

<table>
<thead>
<tr>
<th>Question 13: You intend to attain more (please do not agree with more than 2 options):</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Senior unsecured funding.</td>
</tr>
<tr>
<td>b. Instruments eligible for MREL.</td>
</tr>
<tr>
<td>c. Subordinated debt.</td>
</tr>
<tr>
<td>d. Secured funding (covered bonds).</td>
</tr>
<tr>
<td>e. Securitisation</td>
</tr>
<tr>
<td>f. Deposits (from wholesale clients)</td>
</tr>
<tr>
<td>g. Deposits (from retail clients)</td>
</tr>
<tr>
<td>h. Central Bank funding.</td>
</tr>
<tr>
<td>i. Short-term interbank funding.</td>
</tr>
</tbody>
</table>

### Question 13: comparison with former results

<table>
<thead>
<tr>
<th>Question 13: You intend to attain more (please do not agree with more than 2 options):</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Senior unsecured funding.</td>
</tr>
<tr>
<td>b. Instruments eligible for MREL.</td>
</tr>
<tr>
<td>c. Subordinated debt.</td>
</tr>
<tr>
<td>d. Secured funding (covered bonds).</td>
</tr>
<tr>
<td>e. Securitisation</td>
</tr>
<tr>
<td>f. Deposits (from wholesale clients)</td>
</tr>
<tr>
<td>g. Deposits (from retail clients)</td>
</tr>
<tr>
<td>h. Central Bank funding.</td>
</tr>
<tr>
<td>i. Short-term interbank funding.</td>
</tr>
</tbody>
</table>

- **June 2018 Agree**
- **December 2017 Agree**
- **June 2017 Agree**
- **December 2016 Agree**
- **June 2016 Agree**
- **December 2015 Agree**
Question 14: June 2018 results (only “agree” as possible answer)

Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (please do not agree with more than 2 options)?

- a. Pricing (the instruments’ yields are too high)
- b. No sufficient investor demand (e.g. these instruments are not attractive in risk-return considerations)
- c. No sufficient investor demand (due to regulatory and supervisory uncertainty)
- d. Uncertainty on required MREL amounts
- e. Uncertainty on eligibility of instruments for MREL

Question 14: comparison with former results (only “agree” as possible answer)

Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (please do not agree with more than 2 options)?

- a. Pricing (the instruments’ yields are too high)
- b. No sufficient investor demand (e.g. these instruments are not attractive in risk-return considerations)
- c. No sufficient investor demand (due to regulatory and supervisory uncertainty)
- d. Uncertainty on required MREL amounts
- e. Uncertainty on eligibility of instruments for MREL

Data comparison:
- June 2018 Agree
- December 2017 Agree
3. Asset volume trends

Question 15: June 2018 results

- Q15 Further asset deleverage is an element of your strategy.
  - If applicable, your deleveraging strategy is driven primarily by (please do not agree with more than 3 options):
    - a. Reduced demand for credit and transactions.
    - b. Disposal of business units and asset sales.
    - c. Funding constraints.
    - d. Regulatory pressure to de-risk

Question 15: Comparison with former results

- Q15 Further asset deleverage is an element of your strategy.
  - If applicable, your deleveraging strategy is driven primarily by (please do not agree with more than 3 options):
    - a. Reduced demand for credit and transactions.
    - b. Disposal of business units and asset sales.
    - c. Funding constraints.
    - d. Regulatory pressure to de-risk
Question 16: June 2018 results

Q16 Which portfolios do you plan to increase/decrease in volume during the next 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other

- Increase
- Decrease
- N/A
Question 16a: Comparison with former results

Q16 Which portfolios do you plan to increase in volume during the next 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other

Chart showing percentage increase for each portfolio from June 2015 to December 2017.
Question 16b: Comparison with former results

Q16 Which portfolios do you plan to decrease in volume during the next 12 months?

a. Commercial Real Estate (including all types of real estate developments)
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

b. SME
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

c. Residential Mortgage
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

d. Consumer Credit
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

e. Corporate
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

g. Structured Finance
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

h. Sovereign and institutions
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

i. Project Finance
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

j. Asset Finance (Shipping, Aircrafts etc.)
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree

k. Other
   - June 2018 Agree
   - December 2017 Agree
   - June 2017 Agree
   - December 2016 Agree
   - June 2016 Agree
   - December 2015 Agree
4. Asset quality

Question 17: June 2018 results

Q17 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other
Question 17a: Comparison with former results

Q17 Which portfolios do you expect to improve in asset quality in the next 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME.
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other

[Bar chart showing the percentage of institutions that agree with the improvement of asset quality in different portfolios for June 2018, December 2017, June 2017, December 2016, June 2016, and December 2015.]
Question 17b: Comparison with former results

Q16 Which portfolios do you expect to deteriorate in asset quality during the next 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME.
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other
Question 18 (only “agree” as possible answer)

Q18 Based on your view on future trends in credit quality and impairment levels for your bank, impairment provisions over the time horizon of the next 12-18 months:

a. Will increase.

b. Will remain at roughly the same level.

c. Will decrease.

Question 18: comparison with former results (only “agree” as possible answer)

Q18 Based on your view on future trends in credit quality and impairment levels for your bank, impairment provisions over the time horizon of the next 12-18 months:

a. Will increase.

b. Will remain at roughly the same level.

c. Will decrease.
Question 19 (only "agree" as possible answer)

Q19 What are the impediments to resolve non-performing loans (please do not agree with more than 3 options)?

a. Lack of financial resources
b. Lack of qualified human resources
c. Tax disincentives to provision and write off NPLs
d. Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral
e. Lack of out-of-court tools for settlement of minor claims
f. Lack of a market for NPLs/collaterals
g. Lack of public or industry-wide defeasance structure (bad bank) (additional option which seems to be missing)
h. Other
i. There is no impediment
Question 19: comparison with former results (only “agree” as possible answer)

Q19: What are the impediments to resolve non-performing loans (please do not agree with more than 3 options)?

- Lack of financial resources
- Lack of qualified human resources
- Tax disincentives to provision and write off NPLs
- Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral
- Lack of out-of-court tools for settlement of minor claims
- Lack of a market for NPLs/collaterals
- Lack of public or industry-wide defeasance structure (bad bank) (additional option which seems to be missing)
- Other
- There is no impediment
5. Conduct, reputation and operational risk

**Question 20: June 2018 results (only “agree” as possible answer)**

<table>
<thead>
<tr>
<th>Option</th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
<th>15%</th>
<th>20%</th>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Between EUR 0 and EUR 100m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Between EUR 100m and EUR 500m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Between EUR 500m and EUR 1bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Between EUR 1bn and EUR 5bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Between EUR 5bn and EUR 10bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Between EUR 10bn and EUR 20bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. More than 20 bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q20: Since the end of your Financial Year 2007/8, your firm has paid out in the form of compensation, redress, litigation and similar payments (converted to EUR) an aggregate amount of:
Question 20: comparison with former results (only “agree” as possible answer)

Q20 Since the end of your Financial Year 2007/8, your firm has paid out in the form of compensation, redress, litigation and similar payments (converted to EUR) an aggregate amount of:

- a. Between EUR 0 and EUR 100m
- b. Between EUR 100m and EUR 500m
- c. Between EUR 500m and EUR 1bn
- d. More than EUR 1bn

The chart shows the percentage of responses for each category.
Question 21: June 2018 results

Q21 Looking at your bank, you expect litigation costs to be heightened/elevated in the next 6-12 months.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% - 40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40% - 60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% - 80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 21: comparison with former results

Q21 Looking at your bank, you expect litigation costs to be heightened/elevated in the next 6-12 months.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>June 2018 Agree</th>
<th>December 2017 Agree</th>
<th>June 2017 Agree</th>
<th>December 2016 Agree</th>
<th>June 2016 Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% - 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% - 15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15% - 20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% - 25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% - 30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30% - 35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35% - 40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40% - 45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45% - 50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50% - 55%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55% - 60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60% - 65%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65% - 70%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70% - 75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75% - 80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80% - 85%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>85% - 90%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90% - 95%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>95% - 100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Question 22: June 2018 results

Q22 You see an increase in operational risk in your bank.

If applicable, the main driver for increasing operational risk is:

- (please do not agree with more than 3 options)

  a. Cyber risk and data security
  b. IT failures
  c. Outsourcing
  d. Regulatory initiatives
  e. Conduct and legal risk
  f. Geopolitical risk
  g. Organisational change
  h. Money laundering, terrorist financing and sanctions non...
  i. Fraud
  j. Other

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Cyber risk and data security</td>
<td>60%</td>
</tr>
<tr>
<td>b. IT failures</td>
<td>25%</td>
</tr>
<tr>
<td>c. Outsourcing</td>
<td>15%</td>
</tr>
<tr>
<td>d. Regulatory initiatives</td>
<td>10%</td>
</tr>
<tr>
<td>e. Conduct and legal risk</td>
<td>8%</td>
</tr>
<tr>
<td>f. Geopolitical risk</td>
<td>6%</td>
</tr>
<tr>
<td>g. Organisational change</td>
<td>5%</td>
</tr>
<tr>
<td>h. Money laundering, terrorist financing and sanctions non...</td>
<td>3%</td>
</tr>
<tr>
<td>i. Fraud</td>
<td>2%</td>
</tr>
<tr>
<td>j. Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Question 22a: Comparison with former results

Q22 You see an increase in operational risk in your bank.

Question 22b: Comparison with former results

If applicable, the main driver for increasing operational risk is
(please do not agree with more than 3 options)

- a. Cyber risk and data security
- b. IT failures
- c. Outsourcing
- d. Regulatory initiatives
- e. Conduct and legal risk
- f. Geopolitical risk
- g. Organisational change
- h. Money laundering, terrorist financing and sanctions non-compliance
- i. Fraud
- j. Other
6. General open question

Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities:

- Central bank policy, low interest rate environment
- Political risk within the EU and geopolitical ones (e.g. EU integration, elections, radical parties, UK leaving the EU, Russian sanctions)
- Regulatory risks (MREL, TLAC consumer protection, prudential provisioning, NPLs etc.)
- Economic developments (e.g. growth, China. Protectionism, trade wars, competition)
- Cyber risk, Fintechs, shadow banking and conduct risk
1. Business model / strategy / profitability

Question 1: June 2018 results

<table>
<thead>
<tr>
<th>Question</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Overall profitability will improve</td>
<td>A-Agree</td>
<td></td>
<td>B-Somewhat agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Overall cost efficiency will improve</td>
<td></td>
<td>B-Somewhat agree</td>
<td></td>
<td>A-Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Total revenues will increase</td>
<td></td>
<td>C-Somewhat disagree</td>
<td></td>
<td>A-Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Net interest margin will increase</td>
<td></td>
<td></td>
<td>D-Disagree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Provisions/Impairments will increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) No change expected in any of the above categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 1: Comparison with former results

<table>
<thead>
<tr>
<th>Question</th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
<th>15%</th>
<th>20%</th>
<th>25%</th>
<th>30%</th>
<th>35%</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Overall profitability will improve</td>
<td>Jun 2018 - Agree</td>
<td></td>
<td>Dec 2017 - Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Overall cost efficiency will improve</td>
<td></td>
<td>Jun 2017 - Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Total revenues will increase</td>
<td></td>
<td>Dec 2016 - Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Net interest margin will increase</td>
<td></td>
<td></td>
<td>Jun 2016 - Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Provisions/Impairments will increase</td>
<td></td>
<td></td>
<td></td>
<td>Dec 2015 - Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) No change expected in any of the above categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Question 2: June 2018 results (only “agree” as possible answer)

Q2: The current market sentiment is positively influenced by the following factors (please do not agree with more than 3 options):
- a) Adjustments in business models and strategies with expectations of effective delivery
- b) Improved risk metrics for banks (capital, funding, liquidity, asset quality).
- c) Stronger earnings
- d) Changing governance and risk culture (incl. lower risk appetite)
- e) Improved market sentiment due to regulatory and policy steps (QE, ESM, banking union, finalisation of Basel III, etc.) adjusting...
- f) Regulatory easing through competition between countries / regions?
- g) Expectation of increasing benchmark interest rates
- h) More transparency and visibility in banks' financial disclosures, such as Pillar 3
- i) Macroeconomic fundamentals

Question 2: comparison with former results (only “agree” as possible answer)

Q2: The current market sentiment is positively influenced by the following factors (please do not agree with more than 3 options):
- a) Adjustments in business models and strategies with expectations of effective delivery
- b) Improved risk metrics for banks (capital, funding, liquidity, asset quality).
- c) Stronger earnings
- d) Changing governance and risk culture (incl. lower risk appetite)
- e) Improved market sentiment due to regulatory and policy steps (QE, ESM, banking union, finalisation of Basel III, etc.) adjusting...
- f) Regulatory easing through competition between countries / regions?
- g) Expectation of increasing benchmark interest rates
- h) More transparency and visibility in banks' financial disclosures, such as Pillar 3
- i) Macroeconomic fundamentals
Question 3: June 2018 results (only “agree” as possible answer)

Q3 The current market sentiment is negatively influenced by the following factors (please do not agree with more than 4 options):

a) Monetary policy divergence between the EU and other countries

b) Monetary policy trends in the EU

c) Geopolitical risks (e.g. risks from war, terrorism etc. that have impact on other countries)

d) Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries)

e) IT/cyber risks

f) Litigation risks of banks

g) Decreasing market liquidity

h) Risks of increasing volatility, e.g. in FX and financial markets

i) Asset price bubble(s)

j) Re-emergence of the Eurozone crisis

k) Regulatory and supervisory uncertainty: risk weights (for credit, market and operational risks, TRIM and similar effects, BRDD/MREL/TLAC)

l) Regulatory easing through competition between countries / regions

m) Commodity and energy prices / markets

n) Political uncertainty in the EU (finalization of the Banking Union, elections and referendums on EU membership, regional independence etc.)

o) Political uncertainty outside the EU (incl. resurgence of protectionism, currency tensions, elections, political instability, conflicts or standstill in emerging and...

p) Uncertainties about the outcome of Brexit negotiations and the implications of the UK’s decision to leave the EU
Question 3: comparison with former results (only “agree” as possible answer)

Q3 The current market sentiment is negatively influenced by the following factors (please do not agree with more than 4 options):

a) Monetary policy divergence between the EU and other countries
b) Monetary policy trends in the EU
c) Geopolitical risks (e.g. risks from war, terrorism etc. that have impact on other countries)
d) Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries)
e) IT/cyber risks
f) Litigation risks of banks
g) Decreasing market liquidity
h) Risks of increasing volatility, e.g. in FX and financial markets
i) Asset price bubble(s)
j) Re-emergence of the Eurozone crisis
k) Regulatory and supervisory uncertainty: risk weights (for credit, market and operational risks, TRIM and similar effects, ...
l) Regulatory uncertainty: BRRD / MREL / TLAC
m) Regulatory easing through competition between countries / regions
n) Political uncertainty in the EU (finalization of the Banking Union, elections and referendums on EU membership, regional independence..
o) Political uncertainty outside the EU (incl. resurgence of protectionism, currency tensions, elections, political instability, conflicts or standstill...
p) Uncertainties about the outcome of Brexit negotiations and the implications of the UK’s decision to leave the EU
Question 4: June 2018 results

Q4 You expect material negative implications to EU bank's business should ongoing negotiations on the terms of the UK's withdrawal from the EU end inconclusive or in a disorderly fashion.

Question 5: June 2018 results

Q5 The continuity of financial contracts between banks and / or other parties from the EU 27 and the UK is an issue of concern in case of a disorderly or inconclusive conclusion of UK – EU withdrawal negotiations.

Question 6: June 2018 results

Q6 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:
## 2. Funding / liquidity

### Question 7: June 2018 results

**Q7** Do you expect that banks will be able to issue subordinated debt instruments during the rest of this year?

- **a.** Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments
- **b.** Banks will be able to issue AT1 instruments
- **c.** Banks will be able to issue T2 instruments

If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?

1. **a.** for BRRD / MREL / TLAC eligible debt instruments
2. **b.** for AT1 instruments
3. **c.** for T2 instruments

- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree
### Question 7: Comparison with former results

<table>
<thead>
<tr>
<th>Question</th>
<th>June 2018</th>
<th>December 2017</th>
<th>June 2017</th>
<th>December 2016</th>
<th>June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>b. Banks will be able to issue AT1 instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>c. Banks will be able to issue T2 instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
</tbody>
</table>

If you agree or somewhat agree with above:

Do you expect increasing costs for such issuances compared to last year?

<table>
<thead>
<tr>
<th>Item</th>
<th>June 2018</th>
<th>December 2017</th>
<th>June 2017</th>
<th>December 2016</th>
<th>June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. for BRRD / MREL / TLAC eligible debt instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>b. for AT1 instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
<tr>
<td>c. for T2 instruments</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
<td>Agree</td>
</tr>
</tbody>
</table>
Question 8: (only “agree” as possible answer)

Q8 You expect banks to attain more:

- a. Senior unsecured funding.
- b. Instruments eligible for MREL.
- c. Subordinated debt.
- d. Secured funding (covered bonds).
- e. Securitisation
- f. Deposits (from wholesale clients)
- g. Deposits (from retail clients)
- h. Central Bank funding.
- i. Short-term interbank funding.

Question 8: comparison with former results (only “agree” as possible answer)

Q8 You expect banks to attain more:

- a. Senior unsecured funding.
- b. Instruments eligible for MREL.
- c. Subordinated debt.
- d. Secured funding (covered bonds).
- e. Securitisation
- f. Deposits (from wholesale clients)
- g. Deposits (from retail clients)
- h. Central Bank funding.
- i. Short-term interbank funding.
3. Asset volume trends

Question 9: June 2018 results
Question 9a: comparison with former results

Q9A Portfolios you expect to increase in volumes (on a net basis):

a. Commercial Real Estate (including all types of real estate developments)

b. SME.

c. Residential Mortgage

d. Consumer Credit

e. Corporate

f. Trading (i.e. financial assets at Fair Value through Profit and Loss)

r. Structured Finance

h. Sovereign and institutions

i. Project Finance

j. Asset Finance (Shipping, Aircrafts etc.)

k. Other
Question 9b: comparison with former results

Q9B Portfolios you expect to decrease in volumes (on a net basis):

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other
Question 10: (only “agree” as possible answer)

Q10 Asset reduction (in a deleveraging setting, is mostly the consequence of (please do not agree with more than 2 options):

a) Reduced demand for credit and transactions
b) Disposal of business units and assets sales
c) Funding constraints
d) Regulatory pressure to de-risk

Question 10: comparison with former results (only “agree” as possible answer)

Q10 Asset reduction (in a deleveraging setting, is mostly the consequence of (please do not agree with more than 2 options):

a) Reduced demand for credit and transactions
b) Disposal of business units and assets sales
c) Funding constraints
d) Regulatory pressure to de-risk

Legend:
- Jun 2018 - Agree
- Dec 2017 - Agree
- Jun 2017 - Agree
- Dec 2016 - Agree
- Jun 2016 - Agree
- Dec 2015 - Agree
Question 11: June 2018 results

Q11 You expect more asset sales initiated by EU banks in the next 12 months:

a) Specific loan portfolios (e.g. CRE)
- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

b) NPL portfolio sales
- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

c) Specific geographies
- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

d) Across the board
- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

Question 11: Comparison with former results

Q11 You expect more asset sales initiated by EU banks in the next 12 months:

a) Specific loan portfolios (e.g. CRE)
- Jun 2018 - Agree
- Dec 2017 - Agree
- Jun 2017 - Agree
- Dec 2016 - Agree
- Jun 2016 - Agree
- Dec 2015 - Agree

b) NPL portfolio sales

- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

c) Specific geographies

- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree

d) Across the board

- A-Agree
- B-Somewhat agree
- C-Somewhat disagree
- D-Disagree
4. Asset quality

Question 12: June 2018 results

Q12 For which sectors do you expect an improvement / deterioration in asset quality in the following 12 months?

a. Commercial Real Estate (including all types of real estate developments)

b. SME.

c. Residential Mortgage

d. Consumer Credit

e. Corporate

f. Trading (i.e. financial assets at Fair Value through Profit and Loss)

g. Structured Finance

h. Sovereign and institutions

i. Project Finance

j. Asset Finance (Shipping, Aircrafts etc.)

k. Other

- [Improvement]
- [Deterioration]
- [N/A]
Question 12a: Comparison with former results

Q12a: For which sectors do you expect an improvement in asset quality in the following 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other

![Graph showing the comparison with former results for different sectors](image-url)
Question 12b: Comparison with former results

Q12b For which sectors do you expect a deterioration in asset quality in the following 12 months?

- a. Commercial Real Estate (including all types of real estate developments)
- b. SME
- c. Residential Mortgage
- d. Consumer Credit
- e. Corporate
- f. Trading (i.e. financial assets at Fair Value through Profit and Loss)
- g. Structured Finance
- h. Sovereign and institutions
- i. Project Finance
- j. Asset Finance (Shipping, Aircrafts etc.)
- k. Other
Question 13: June 2018

Q13 What are the main obstacles to M&A:

- a) Complexity
- b) Cost and riskiness of such transactions
- c) Cultural aspect
- d) Lack of transparency on asset quality of the potential partners
- e) Regulatory requirements
- f) No opinion
### 5. General open question

Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities:

<table>
<thead>
<tr>
<th>Source of Risk</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central bank policy, low interest rate environment</td>
<td>20%</td>
</tr>
<tr>
<td>Political risk within the EU and geopolitical ones (e.g., EU integration, elections, radical parties, UK leaving the EU, Russian sanctions)</td>
<td>15%</td>
</tr>
<tr>
<td>Regulatory risks (MREL, TLAC consumer protection, prudential provisioning, NPLs etc.)</td>
<td>25%</td>
</tr>
<tr>
<td>Economic developments (e.g., growth, China, Protectionism, trade wars, competition)</td>
<td>20%</td>
</tr>
<tr>
<td>Cyber risk, Fintechs, shadow banking and conduct risk</td>
<td>20%</td>
</tr>
</tbody>
</table>
Appendix I: Risk Assessment Questionnaire for banks

[added on the following pages]
Risk Assessment Questionnaire for Banks
Spring 2018

Fields marked with * are mandatory.

Respondent information

*First Name

*Last Name

*Position

*Division

*Banking institution

*Email address

Business model/strategy/profitability

For the purposes of this survey, business model relates to the business mix underpinning the capacity of a bank to preserve and grow sustainable and predictable risk-adjusted earnings in markets and sectors in which it maintains a material presence. In view of this:
Q1 You envisage making material changes to your bank’s business model going forward.
- Agree
- Disagree
- N/A

If you agree:

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a. you expect material changes to your bank’s business model arising from a potential M&amp;A transaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b. you expect material changes to your bank’s business model due to increasing competition arising from banking disintermediation (e.g. shadow banking, infrastructure finance by insurance companies)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q2 What are the main obstacles to M&A?
- i. complexity
- ii. cost and riskiness of such transactions
- iii. cultural aspect
- iv. lack of transparency on asset quality of the potential partners
- v. regulatory requirements
- vi. no opinion

Q3 Your bank can operate on a longer-term basis with a return on equity (ROE):
- a. Below 10%.
- b. Between 10% and 12%.
- c. Between 12% and 14%
- d. Above 14%

Q4 You expect an overall increase in your bank’s profitability in the next 6-12 months:
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- N/A

Q5 You primarily target this area for increasing profitability in your bank in the next months:

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Somewhat Agree</th>
<th>Somewhat Disagree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a. Net interest income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b. Net Fees and Commissions income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q6 You are reducing operating expenses / costs through (please do not agree with more than 3 options):

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* If you agree with b:

- i. From payment services
- ii. From asset management services
- iii. From insurance products
- iv. Investment banking fees

Q7 Your current earnings are covering the cost of equity:

- Agree
- Disagree
- N/A

Q8 You estimate COE at:

- a. Below 8%.
- b. Between 8% and 10%.
- c. Between 10% and 12%.
- d. Above 12%.

Q9 You expect material negative implications to your bank’s business in the case of an inconclusive or disorderly end to the negotiations governing the exit of the UK from the EU or if a transition period is not agreed upon.

- Agree
*Q10 Your bank has in place contingency plans to deal with risks stemming from a potentially inconclusive or disorderly end to the negotiations governing the exit of the UK from the EU, including risks to the continuity of contracts, to transfer of data, and to access to CCPs and other FMIs.

- Agree
- Disagree
- N/A

*Q11 Looking at your bank, you expect an observed steepening yield curve to materially impact your bank's earnings in the next 6 – 12 months.

- Agree
- Disagree
- N/A

**Funding/liquidity**

*Q12 Do you plan to issue CET1 instruments in the next 12 months?

- Agree
- Disagree

Q13 You intend to attain more (please do not agree with more than 2 options):

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a. Senior unsecured funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b. Instruments eligible for MREL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*c. Subordinated debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*d. Secured funding (covered bonds)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*e. Securitisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*f. Deposits (from wholesale clients)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*g. Deposits (from retail clients)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*h. Central Bank funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*i. Short-term interbank funding</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (please do not agree with more than 2 options)?

_at most 2 choice(s)_
a. Pricing (the instruments' yields are too high)
b. No sufficient investor demand (e.g. these instruments are not attractive in risk-return considerations)
c. No sufficient investor demand (due to regulatory and supervisory uncertainty)
d. Uncertainty on required MREL amounts
e. Uncertainty on eligibility of instruments for MREL

Asset volume trends

*Q15 Further asset deleverage is an element of your strategy.*
- Agree
- Disagree
- N/A

If applicable, your deleveraging strategy is driven primarily by (please do not agree with more than 3 options):

<table>
<thead>
<tr>
<th>Option</th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>a. Reduced demand for credit and transactions.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>b. Disposal of business units and asset sales.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>c. Funding constraints.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>d. Regulatory pressure to de-risk.</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q16a Which portfolios do you plan to increase in volume during the next 12 months?

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>a. Commercial Real Estate (including all types of real estate developments)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>b. SME</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>c. Residential Mortgage</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>d. Consumer Credit</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>e. Corporate</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>f. Trading (i.e. financial assets at Fair Value through Profit and Loss)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>g. Structured Finance</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>h. Sovereign and institutions</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>i. Project Finance</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q16b Which portfolios do you plan to decrease in volume during the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>N /A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Commercial Real Estate (including all types of real estate developments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. SME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Residential Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Consumer Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Trading (i.e. financial assets at Fair Value through Profit and Loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Structured Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Sovereign and institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Project Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j. Asset Finance (Shipping, Aircrafts etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k. Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Asset composition & quality

Q17a Which portfolios do you expect to improve in asset quality in the next 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>N /A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Commercial Real Estate (including all types of real estate developments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. SME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Residential Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Consumer Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Trading (i.e. financial assets at Fair Value through Profit and Loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Structured Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Sovereign and institutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q17b Which portfolios do you expect to deteriorate in asset quality in the next 12 months?

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Commercial Real Estate (including all types of real estate developments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. SME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Residential Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Consumer Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Corporate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Trading (i.e. financial assets at Fair Value through Profit and Loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Structured Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Sovereign and institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Project Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j. Asset Finance (Shipping, Aircrafts etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k. Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Q18 Based on your view on future trends in credit quality and impairment levels for your bank, impairment provisions over the time horizon of the next 12-18 months (excluding effects from first time application of IFRS 9):

- a. Will increase.
- b. Will remain at roughly the same level.
- c. Will decrease.

Q19 What are the impediments to resolve non-performing loans (please do not agree with more than 3 options):

<table>
<thead>
<tr>
<th>Impediment</th>
<th>Agree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Lack of financial resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Lack of qualified human resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Tax disincentives to provision and write off NPLs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
d. Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral

e. Lack of out-of-court tools for settlement of minor claims

f. Lack of a market for NPLs/collaterals

g. Lack of public or industry-wide defeasance structure (bad bank) (additional option which seems to be missing)

h. Other

i. There is no impediment

* If h: please provide the key impediments

Conduct, Reputation and Operational risk

Q20 Since the end of your Financial Year 2007/8, your firm has paid out in the form of compensation, redress, litigation and similar payments [converted to EUR] an aggregate amount of:

- a. Between EUR 0m and EUR 100m.
- b. Between EUR 100m and EUR 500m.
- c. Between EUR 500m and EUR 1bn.
- d. Between EUR 1bn and EUR 5bn.
- e. Between EUR 5bn and EUR 10bn.
- g. More than EUR 20bn

Q21 Looking at your bank, you expect litigation costs to be heightened/elevated in the next 6-12 months.

- Agree
- Disagree
- N/A

Q22 You see an increase in operational risk in your bank.

- Agree
- Disagree
- N/A

If applicable, the main driver for increasing operational risk is (please do not agree with more than 3 options):

- a. Cyber risk and data security
- b. IT failures
- c. Outsourcing
Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities.
Appendix II: Risk Assessment Questionnaire for market analysts

[added on the following pages]
Risk Assessment Questionnaire for Market Analysts
Spring 2018

Fields marked with * are mandatory.

Respondent information

*First Name

*Last Name

*Position

*Division

*Company

*Email adress

Please select your choice for every box.
Your response should reflect the degree of agreement to the statement made.

A. Business model/strategy/profitability
Q1 Short term earnings expectations for banks are:

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Overall profitability will improve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Overall cost efficiency will improve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Total revenues will increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Net interest margin will increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Provisions/Impairments will increase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f) No change expected in any of the above categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q2 The current market sentiment is positively influenced by the following factors (please do not agree with more than 3 options):

- Adjustments in business models and strategies with expectations of effective delivery
- Improved risk metrics for banks (capital, funding, liquidity, asset quality)
- Stronger earnings
- Changing governance and risk culture (incl. lower risk appetite)
- Improved market sentiment due to regulatory and policy steps (QE, ESM, banking union, finalisation of Basel III, etc.) adjusting downward tail risk.
- Regulatory easing through competition between countries / regions?
- Expectation of increasing benchmark interest rates
- More transparency and visibility in banks’ financial disclosures, such as Pillar 3
- Macroeconomic fundamentals

Q3 The current market sentiment is negatively influenced by the following factors (please do not agree with more than 4 options):

- Monetary policy divergence between the EU and other countries
- Monetary policy trends in the EU
- Geopolitical risks (e.g. risks from war, terrorism etc. that have impact on other countries)
- Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries)
- IT/cyber risks
- Litigation risks of banks
- Decreasing market liquidity
- Risks of increasing volatility, e.g. in FX and financial markets
- Asset price bubble(s)
- Re-emergence of the Eurozone crisis
- Regulatory and supervisory uncertainty: risk weights (for credit, market and operational risks, TRIM and similar effects, BRDD/MREL/TLAC)
Q4 You expect material negative implications to EU bank’s business should ongoing negotiations on the terms of the UK’s withdrawal from the EU end inconclusive or in a disorderly fashion.

- Agree
- Disagree
- N/A

Q5 The continuity of financial contracts between banks and/or other parties from the EU 27 and the UK is an issue of concern in case of a disorderly or inconclusive conclusion of UK – EU withdrawal negotiations.

- Agree
- Disagree
- N/A

Q6 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:

- Agree
- Disagree
- N/A

B. Funding/liquidity

Q7 Do you expect that banks will be able to issue subordinated debt instruments during the rest of this year?

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a) Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b) Banks will be able to issue AT1 instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*c) Banks will be able to issue T2 instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?
| Q8 You expect banks to attain more (please do not agree with more than 2 options): |
|---|---|---|---|---|
| a) Senior unsecured funding | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| b) Instruments eligible for MREL. | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| c) Subordinated debt | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| d) Secured funding (e.g. covered bonds) | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| e) Securitisation | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| f) Deposits (from wholesale clients) | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| g) Deposits (from retail clients) | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| h) Central Bank funding | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |
| i) Short-term interbank funding | Agree | Somewhat agree | Somewhat disagree | Disagree | N/A |

C. Asset composition & quality

Q9 Portfolios you expect to increase/decrease in volumes (on a net basis):

| Q9 Portfolios you expect to increase/decrease in volumes (on a net basis): |
|---|---|---|---|
| a) Commercial Real Estate (including all types of real estate developments) | Increase | Decrease | N/A |
| b) SME | Increase | Decrease | N/A |
| c) Residential Mortgage | Increase | Decrease | N/A |
| d) Consumer Credit | Increase | Decrease | N/A |
| e) Corporate | Increase | Decrease | N/A |
| f) Trading (i.e. financial assets at Fair Value through Profit and Loss) | Increase | Decrease | N/A |
| g) Structured Finance | Increase | Decrease | N/A |
| h) Sovereign and institutions | Increase | Decrease | N/A |
| i) Project Finance | Increase | Decrease | N/A |
| j) Asset Finance (Shipping, Aircrafts etc.) | Increase | Decrease | N/A |
| k) Other | Increase | Decrease | N/A |
Q10 Asset reduction (in a deleveraging setting) is mostly the consequence of (please do not agree with more than 2 options):

* a) Reduced demand for credit and transactions
* b) Disposal of business units and assets sales
* c) Funding constraints
* d) Regulatory pressure to de-risk

Q11 You expect more asset sales initiated by EU banks in the next 12 months:

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Somewhat Agree</th>
<th>Somewhat Disagree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a) Specific loan portfolios (e.g. CRE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b) NPL portfolio sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*c) Specific geographies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*d) Across the board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q12 For which sectors do you expect an improvement/deterioration in asset quality in the following 12 months?

<table>
<thead>
<tr>
<th></th>
<th>Improvement</th>
<th>Deterioration</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>*a) Commercial Real Estate (including all types of real estate developments)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*b) SME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*c) Residential Mortgage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*d) Consumer Credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*e) Corporate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*f) Trading (i.e. financial assets at Fair Value through Profit and Loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*g) Structured Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*h) Sovereign and institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*i) Project Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*j) Asset Finance (Shipping, Aircrafts etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*k) Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q13 What are the main obstacles to M&A:

- a) Complexity
- b) Cost and riskiness of such transactions
- c) Cultural aspect
- d) Lack of transparency on asset quality of the potential partners
- e) Regulatory requirements
- f) No opinion

Q14 Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities.