

Risk Assessment Questionnaire – Summary of Results

June 2017

EBA

EUROPEAN
BANKING
AUTHORITY

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Introduction

The EBA conducts **semi-annual Risk Assessment Questionnaires (RAQs) among banks and market analysts**. This booklet presents a summary of these results of the RAQs **conducted between April and May 2017**. 37 banks or their respective supervisory bodies and 21 market analysts submitted the answers. The RAQ results are published together with the EBA's quarterly Risk Dashboard.

The results are presented in an aggregated graphical form. The charts are numbered, with numbers corresponding to the questions in the distributed questionnaire, which can be found in the Appendix. In case the questions have been asked previously in a comparable form, results for the same question from former questionnaires may be presented. For questions for which only one answer was permitted, any potential difference between the sum of shown responses and 100% results from respondents answering with "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.assessment@eba.europa.eu.

Summary of the main results

The results of the EBA's RAQs conducted among banks and market analysts between April and May 2017 show that the challenge of banks' profitability is expected to slightly improve and volume growth is assumed in specific portfolios like SME and retail lending. Operational risks, including litigation related costs, are expected to remain high but with a decreasing trend when compared to former periods.

Business model / strategy / profitability

- More than half of the banks replied that they can operate on a longer-term basis with a **Return on Equity (RoE)** in a range between 10% and 12% (agreement of 60%, up from 45% in December 2016). 60% of the banks estimate their **Cost of Equity (CoE)** between 8% and 10% (up from about 50% in December 2016). The share of banks that agree that their current earnings are covering the CoE remains unchanged at about 50%. *(Questions 2, 6 and 7 for banks)*
- More positively, about 80% of banks “agree” and “somewhat agree” that their **profitability** will increase in the next six to twelve months. Similarly, more than 80% (“agree” and “somewhat agree”) of the market analysts assume that overall profitability will improve. This compares with a total of 30% (“agree” and “somewhat agree”) in December 2016. Banks consider net fees and commission income as the main driver for this positive trend (about 90% “agree” and “somewhat agree”), followed by further costs reduction (about 80% “agree” and “somewhat agree”). Net interest income is now considered as the third most important driver (about 60% “agree” and “somewhat agree”). *(Questions 3 and 4 for banks and Question 1 for market analysts)*
- Risks from **elections and referendums** rank highest in importance as drivers for negative market sentiment (agreement of 85%, question introduced in the June 2017 version of the questionnaire, without comparison) followed by **geopolitical risks** (agreement of more than 65%, up from about 30% in December 2016). The regulatory and supervisory uncertainty and the possibility of a re-emergence of the Eurozone crisis also both rank high in their opinion (agreement of about 60% and 50%, respectively), while a smaller number of market analysts see litigation risk as drivers for negative market sentiment (down from almost 70% in December 2016 to 30% in June this year). Also monetary policy trends in the EU strongly decreased in importance as drivers for negative market sentiment (down from 70% to slightly less than 30%). The majority of banks do not expect the **UK's decision to leave the EU** to materially impact their business (disagreement of 80%, with mainly UK and Irish banks agreeing). *(Question 3 for market analysts and Question 10 for banks)*
- Market analysts consider growing **technological advances** as the main trend which will affect European banks most (almost 80% vs. less than 60% in December 2016), whereas less market analysts consider **mergers and acquisitions of banks** as a main trend (about 25% vs. about 40% in December 2016). More than 60% of analysts also factor-in **increasing long-term interest rates** among the most expected trends. *(Question 5 for market analysts)*

Funding / liquidity

- Less banks than in former periods expressed their intention to issue **AT1 instruments** in the next 12 months (down from 40% in December last year to 30% in June 2017), whereas more than 60% intend to issue **T2 instruments**. From the market analyst side, about 70% and 60%, respectively, assume that banks will be able to issue such instruments, and 70% (“agree” and “somewhat agree”) of them expect that banks will be able to issue **MREL/TLAC eligible debt instruments**. (*Question 13 for banks and Question 6 for market analysts*)
- Differently from December 2016, banks intend to attain less **central bank funding** (only 5% compared to more than 15% in December 2016 and almost 20% in June 2016). The majority of banks continue to show their reliance on funding from **retail deposits** (agreement of around 55%, in line with December), and more than 40% of them intend to attain more **senior unsecured** funding. Market analysts expect a growth in senior unsecured funding (up to 55% from less than 45% in December 2016), while significantly less analysts than in December expect an increase in deposits from retail clients (down from 25% in December 2016 to 15% in June this year) as well as in central bank based funding (down to 10% from 35% in December 2016). (*Question 16 for banks and Question 7 for market analysts*)

Asset volume trends and asset quality

- Fewer banks than in December consider asset **deleverage** as an element of their strategy (agreement of 45% in June this year and 50% in December). **Disposal of business units and asset sales** remain the main drivers for deleveraging (agreement of about 40% roughly in line with December). A larger number of banks than in December plan an **increase in balance sheet volumes** (almost 70% agreement and 50% in December). More analysts agree with this expectation (agreement of about 70% vs. about 25% in December 2016). (*Questions 19 and 20 for banks and Question 8 for market analysts*)
- In line with December 2016, the majority of the banks plan to increase their volumes of **SME financing** (about 80%), even though with a decreasing trend in favor of others such as **consumer loans and structured finance**. A great focus for loan extension is also assumed for **residential mortgage and corporate loans** (about 70% agreement in line with December 2016). Market analysts show a similar opinion on the portfolios for which an increase is expected (agreement of about 80% for SME loans, residential mortgage loans and consumer credit and about 60% for corporate loans). Market analysts consider an asset increase mostly as the consequence of **growing credit demand** and less as of **cheap available funding** with respect to last December (agreement of 70% for the former and 50% for latter, compared to respectively 30% and 75% in December). (*Question 21 for banks and Questions 9 and 10 for market analysts*)
- In line with last year, **Commercial Real Estate** (CRE; incl. all types of real estate developments) is expected to be the portfolio most affected by a decrease in volume in the next 12 months (agreement of more than 25%, slightly down since December 2016). Compared to December, a smaller number of banks also expect a decrease in volumes of **corporate portfolios** (slightly more than 10%, compared to 15%) as well as in **residential mortgages** (about 15% from almost 20%). More market analysts consider CRE as a portfolio which will decrease in volume (agreement of 70%, up from 60% in December). Nearly 100% (“agree” and “somewhat agree”) of the market analysts expect more **asset sales** in specific loan portfolios (e.g. CRE) and / or in specific geographies. (*Question 22 for banks and Questions 11 and 13 for market analysts*)

- Banks assume that nearly the same portfolios which they plan to increase in volumes will **improve in terms of asset quality** (namely **SME** and **residential mortgage loans** – more than 50% agreement, and **corporate loans** – 45% agreement). Also **consumer credit** is expected to improve in terms of asset quality in the next twelve months (about 40% agreement); in December 2016 agreement was about 40% for consumer credit, about 50% for SME and residential mortgage loans, 45% for corporate loans). Market analysts' expectations are relatively similar: improvements in asset quality are mainly expected for SME financing (increasing to 70% from 50% in December 2016). However, their expectations on corporate loans and residential mortgages decrease compared to December 2016 (45% vs almost 70% and 50% vs 85% respectively). (*Question 23 for banks and Question 14a for market analysts*)
- A **deterioration in asset quality** is mainly assumed for **asset finance** (agreement of about 20% by banks, down from about 40% in December 2016; agreement of 50% by market analysts, down from 70%). More than 50% of the banks expect a stable level of **impairment provisions** in the next 12 to 18 months (higher than the agreement in December 2016, which was 40%), while almost 30% expect impairment provision to decrease. (*Questions 24 and 25 for banks and Questions 14b 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 (NPL) (agreement of about 60%, slightly down compared to December 2016). The **lack of a market for transactions in NPLs and / or collaterals** is considered as the second most important impediment (agreement of about 50% in both periods). (*Question 26 for banks*)

Conduct / reputation / operational risk

- About 25% of the banks assume **litigation costs** to be heightened in the next six to twelve months (against almost nearly 40% in December 2016), and a similar share of market analysts has a similar expectation for the EU banking sector. Moreover, nearly 60% of the banks do not expect an increase in **operational risks** in their institution (while in December half of the banks expected operational risks to increase). (*Questions 28 and 30 for banks and Question 4 for market analysts*)

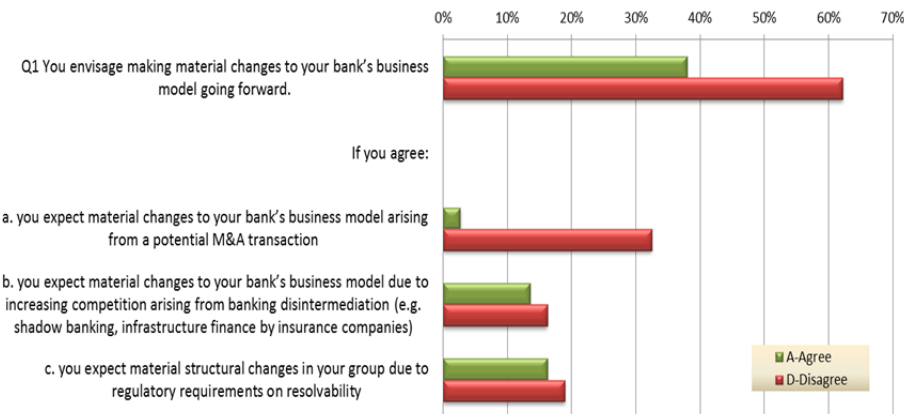
General open questions

- 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 **regulatory risks** and other types of risks (such as shadow banking, Fintech and cyber risk). Market analysts mainly refer to the consequences of the UK leaving the EU and rules on bail-in-able instruments.

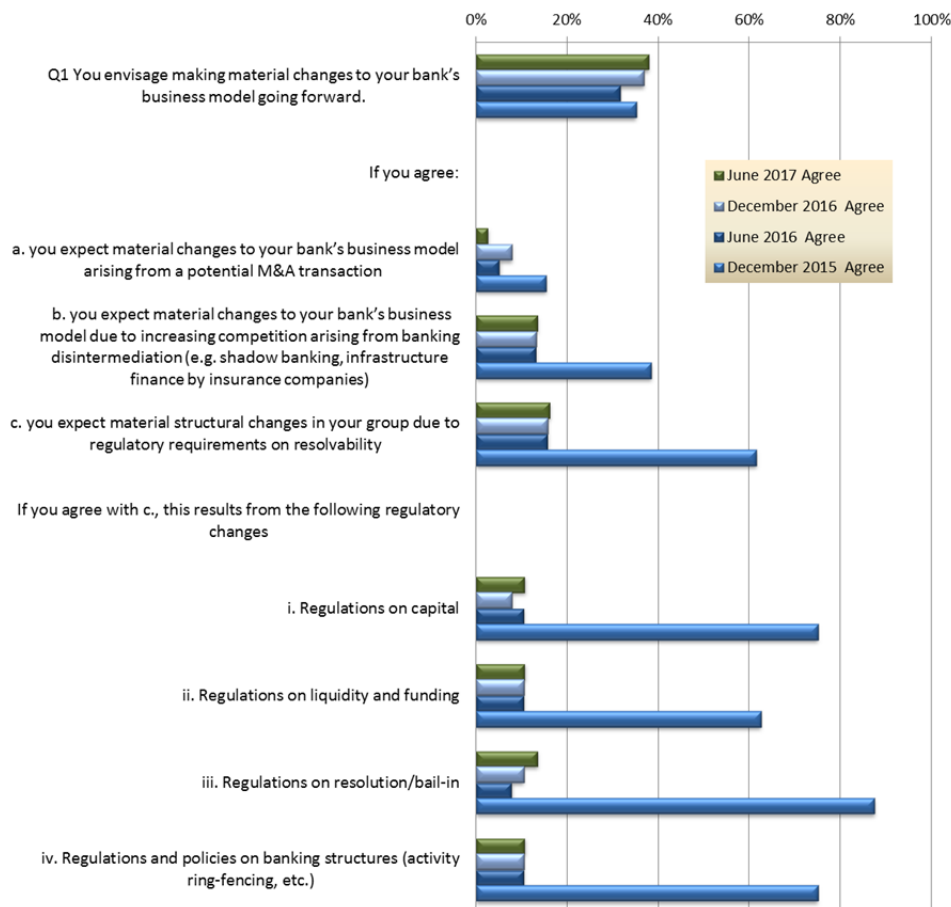
Banks' questionnaire

1. Business model / strategy / profitability

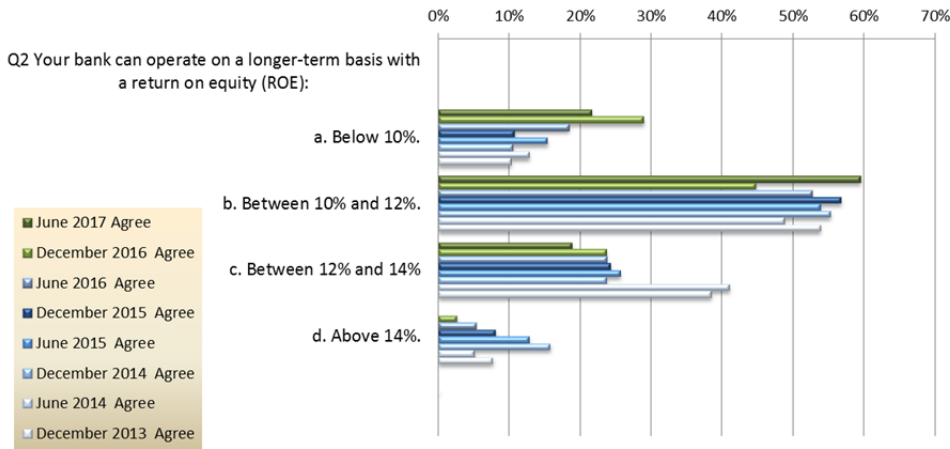
Question 1: June 2017 results



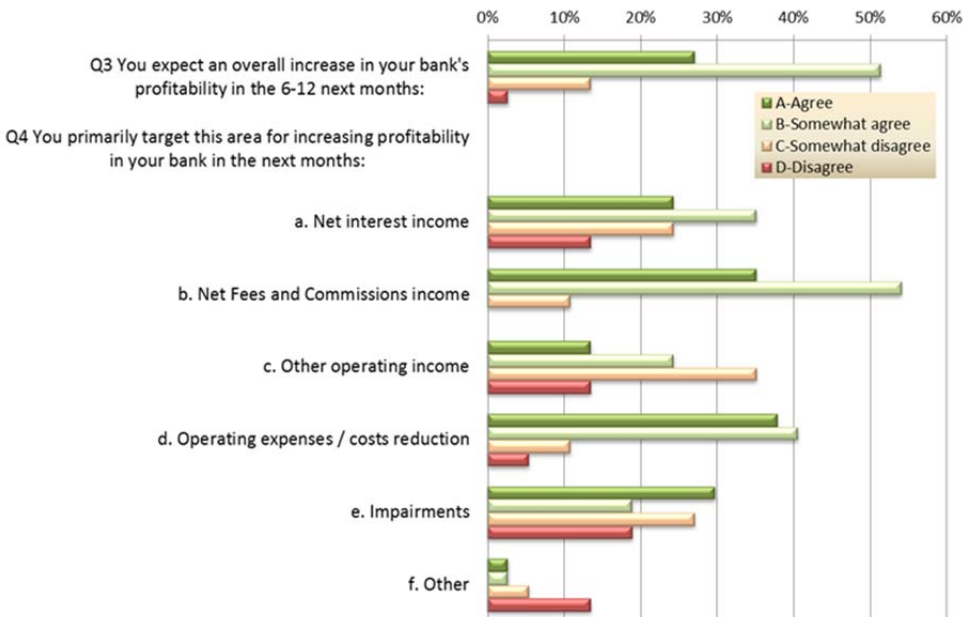
Question 1: Comparison with former results



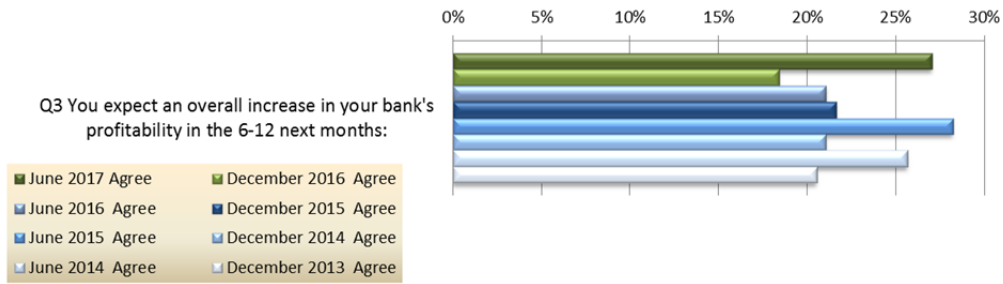
Question 2 (only “agree” as possible answer)



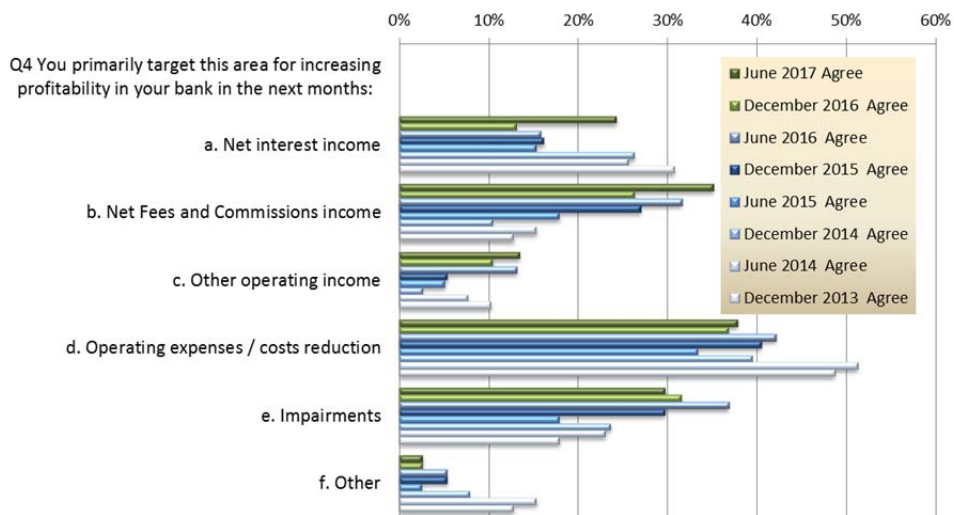
Question 3 and 4: June 2017 results



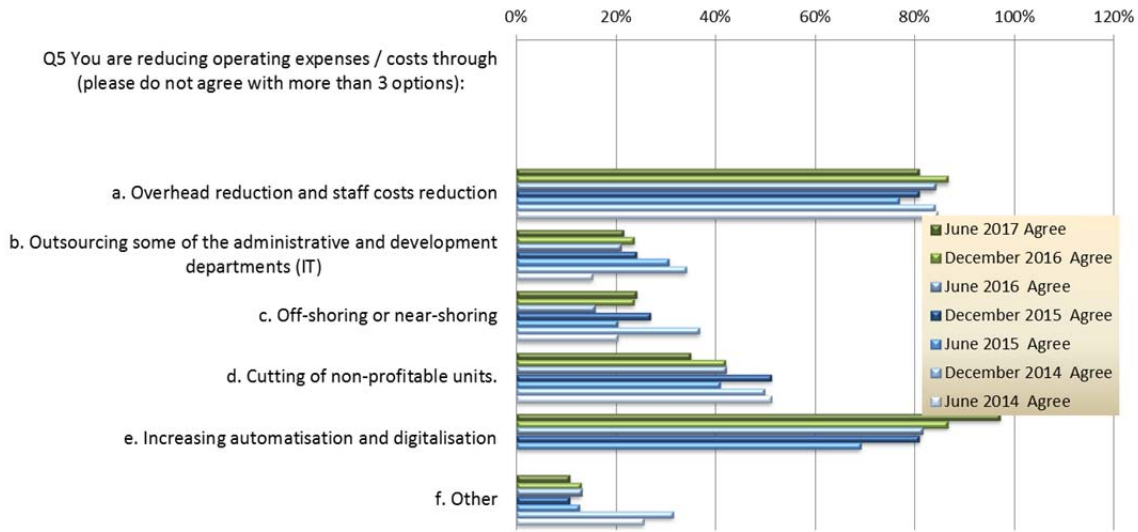
Question 3: Comparison with former results



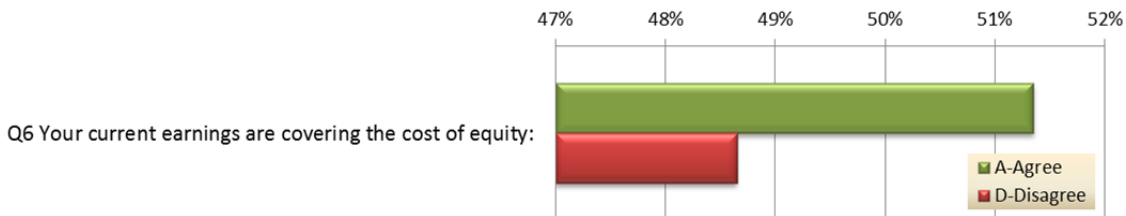
Question 4: Comparison with former results



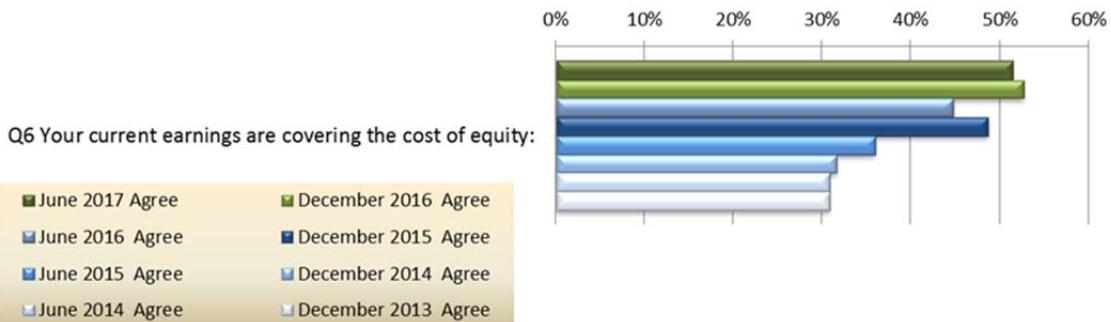
Question 5 (only “agree” as possible answer)



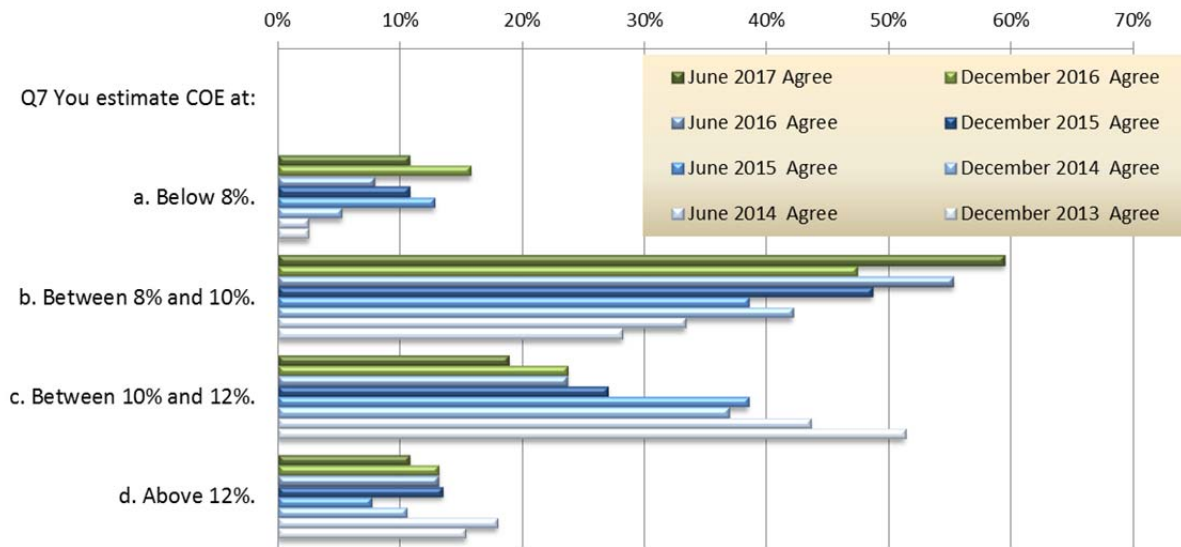
Question 6: June 2017 results



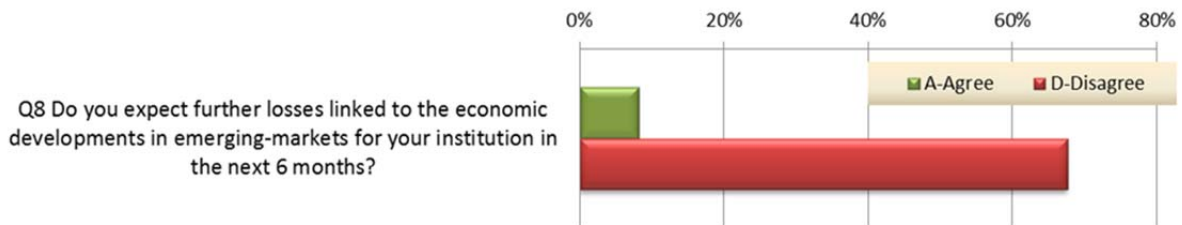
Question 6: Comparison with former results



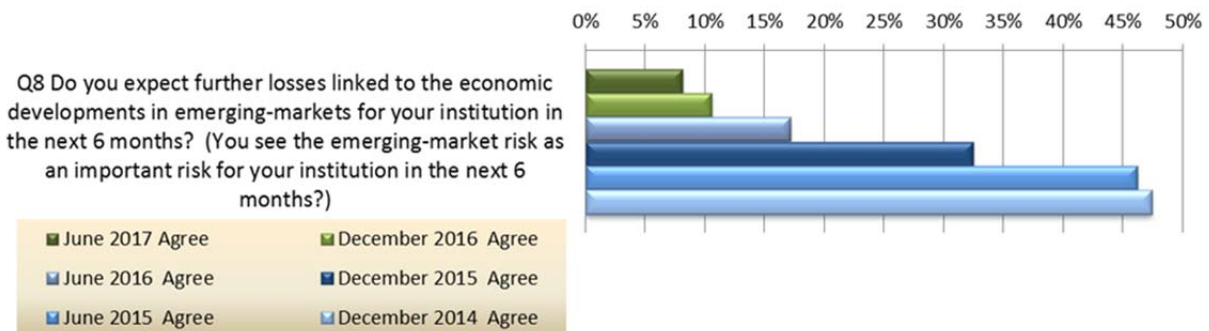
Question 7 (only “agree” as possible answer)



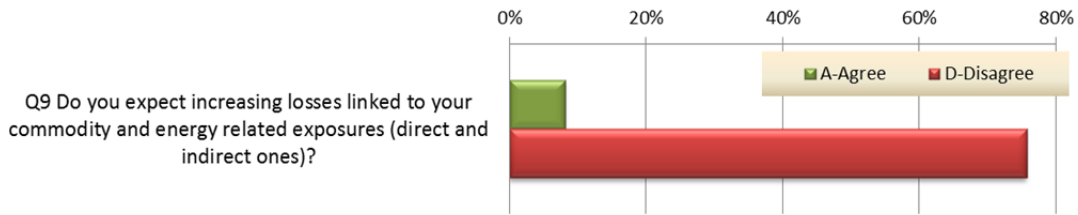
Question 8: June 2017 results



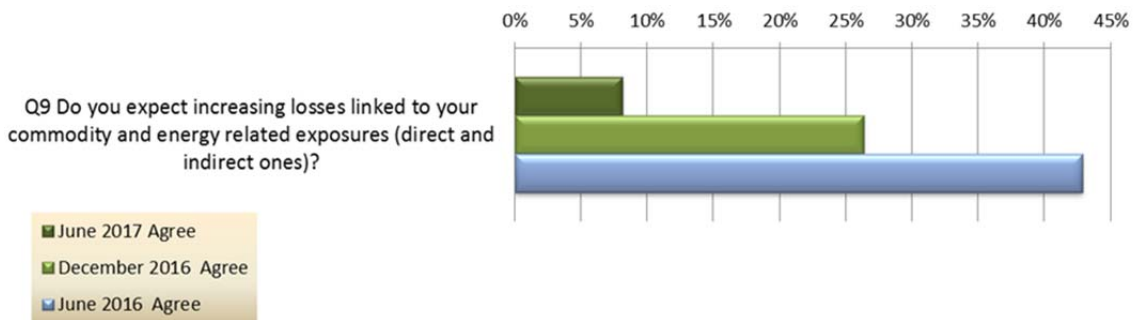
Question 8: Comparison with former results



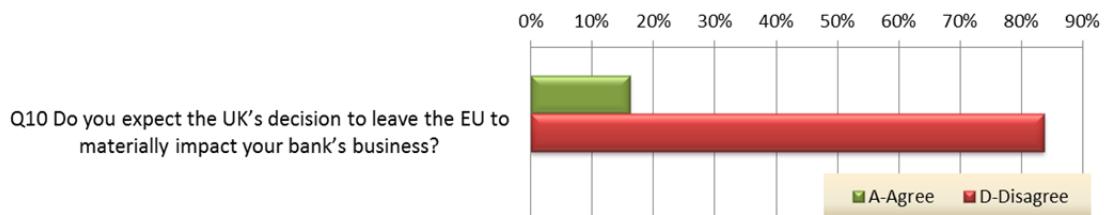
Question 9: June 2017 results



Question 9: Comparison with former results

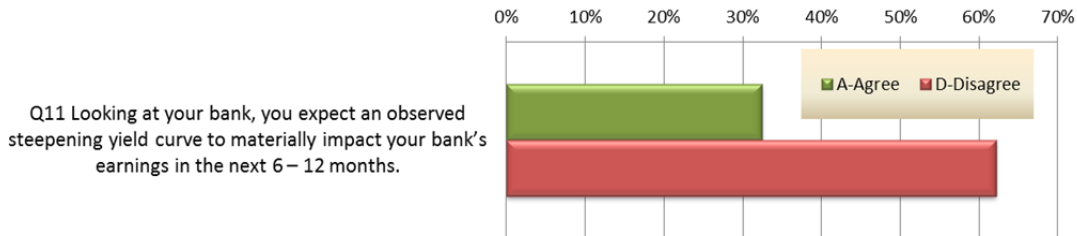


Question 10: June 2017 results

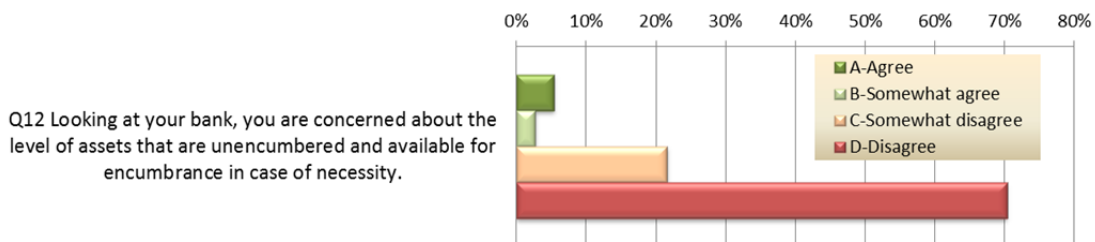


2. Funding / liquidity

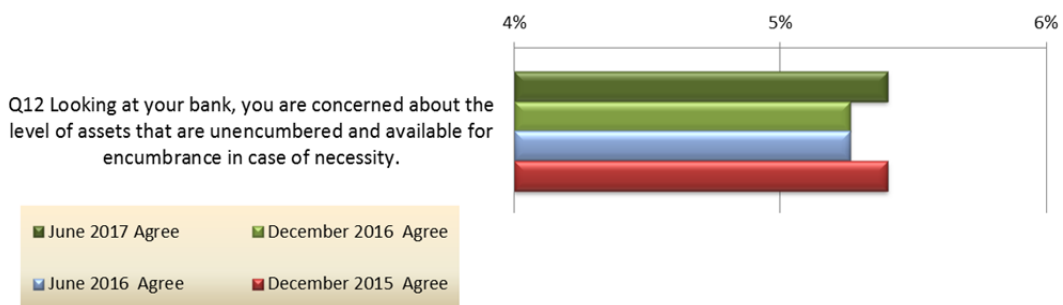
Question 11: June 2017 results



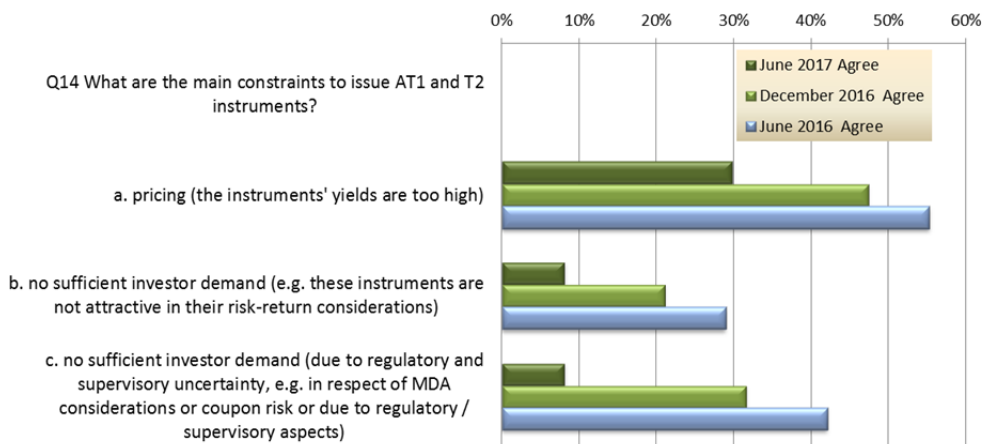
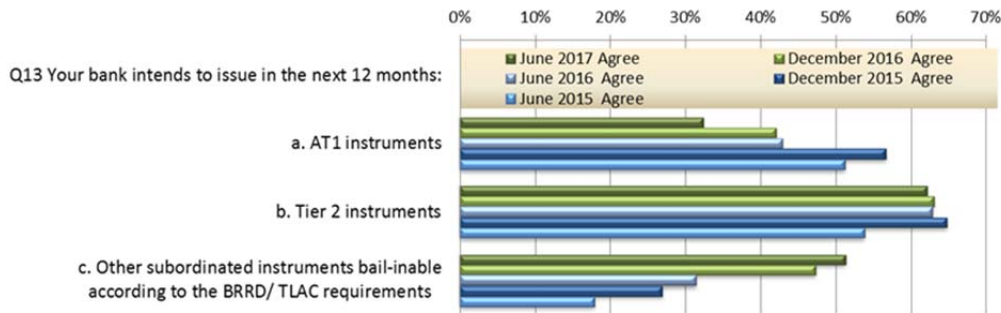
Question 12: June 2017 results



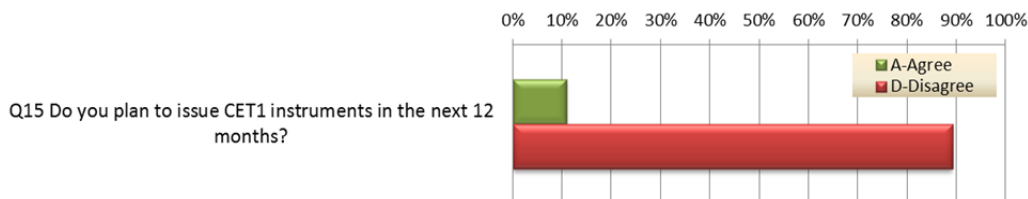
Question 12: Comparison with former results



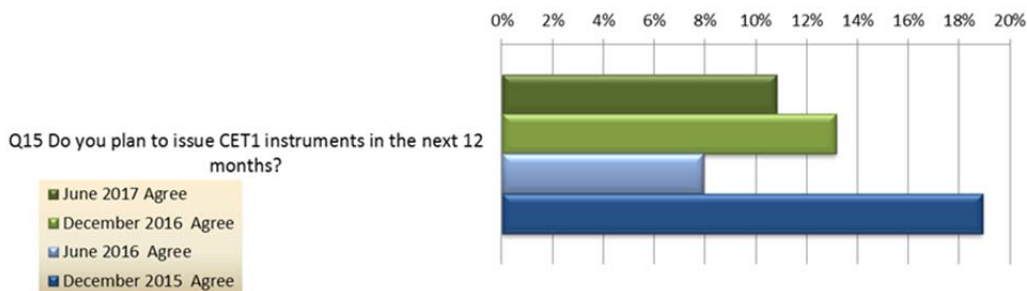
Question 13 and 14: Comparison with former results



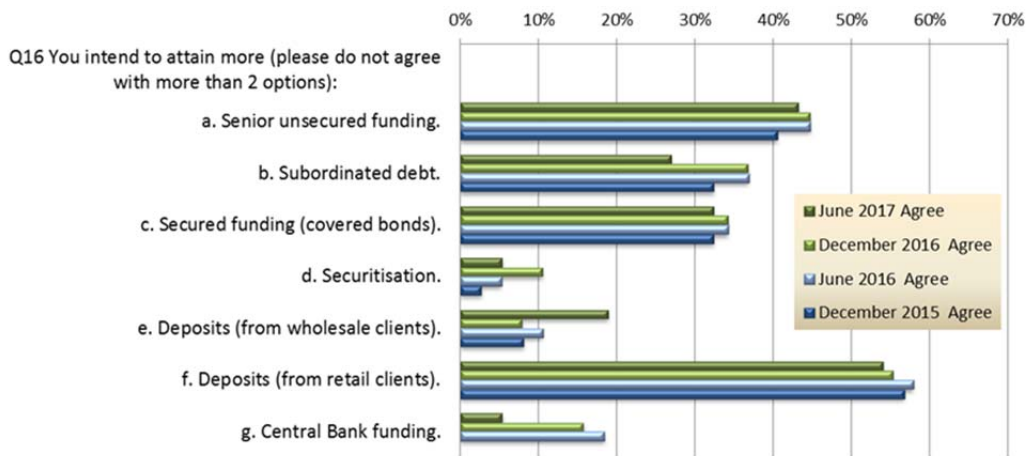
Question 15: June 2017 results



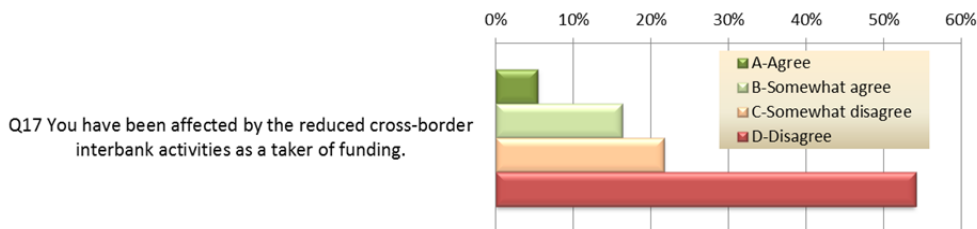
Question 15: Comparison with former results



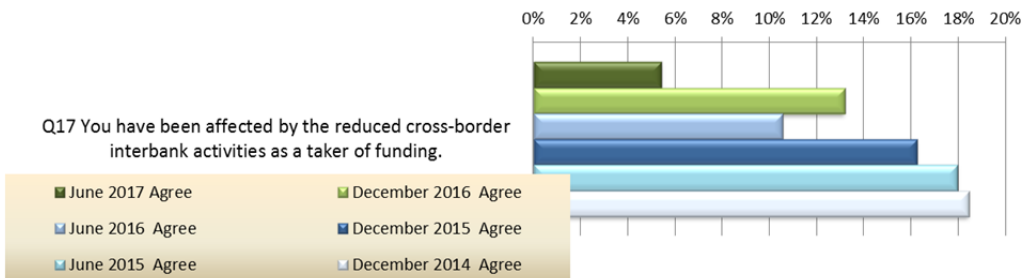
Question 16 (only “agree” as possible answer)



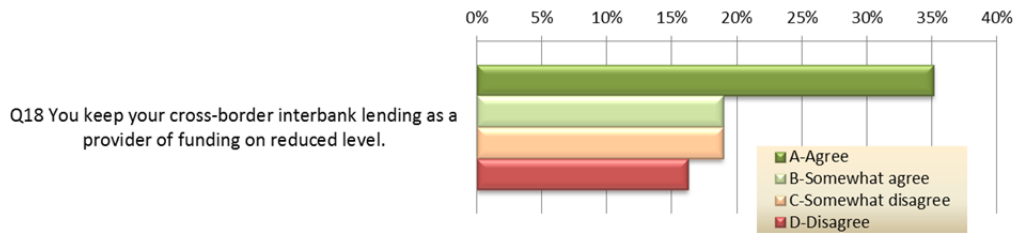
Question 17: June 2017 results



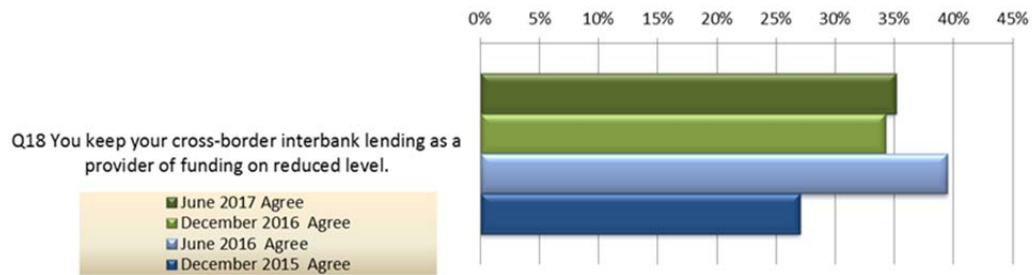
Question 17: Comparison with former results



Question 18: June 2017 results

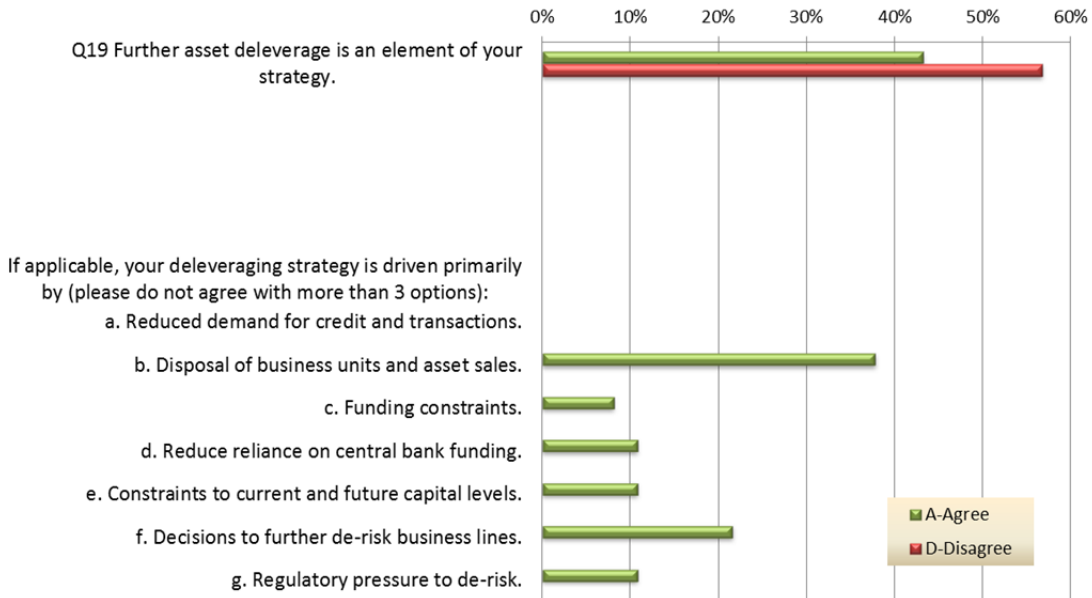


Question 18: Comparison with former results

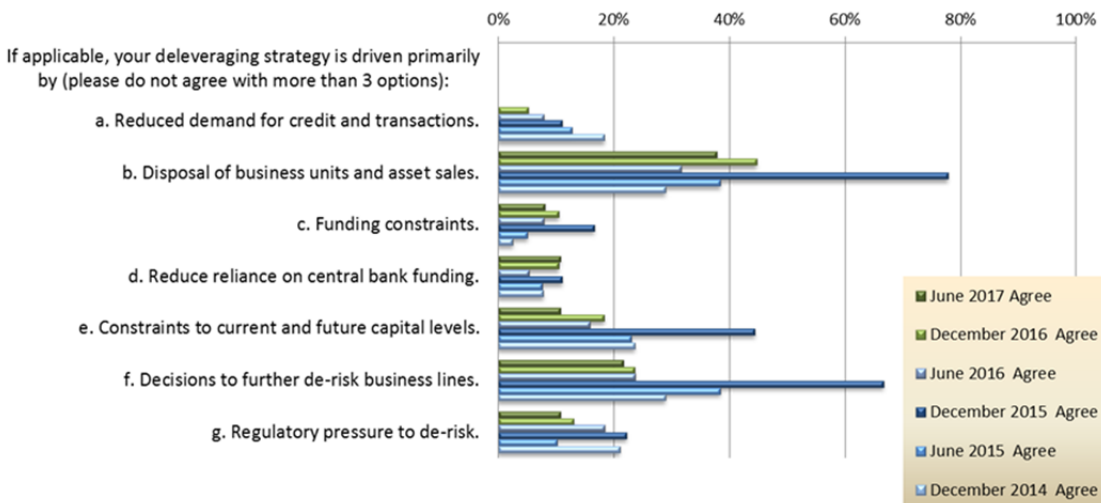
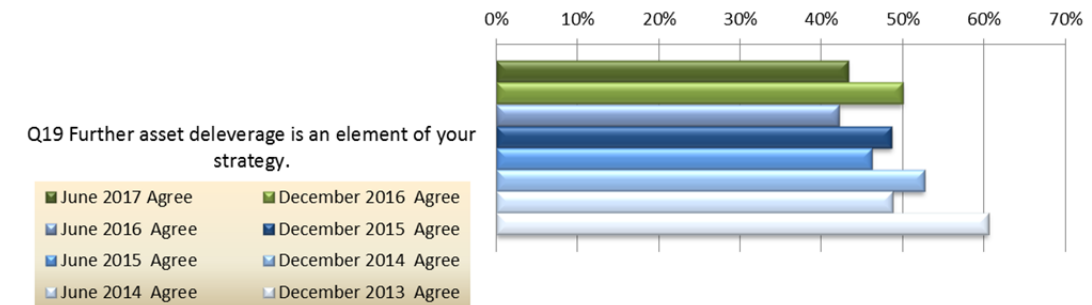


3. Asset volume trends

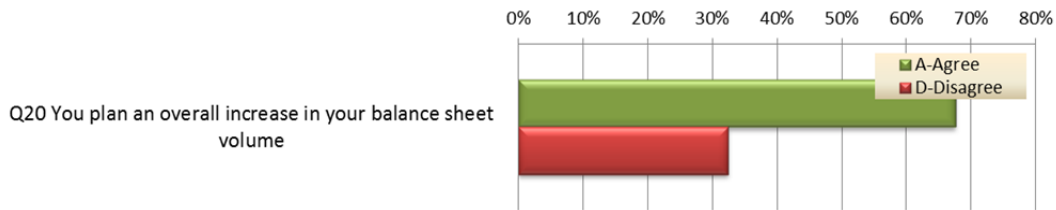
Question 19: June 2017 results



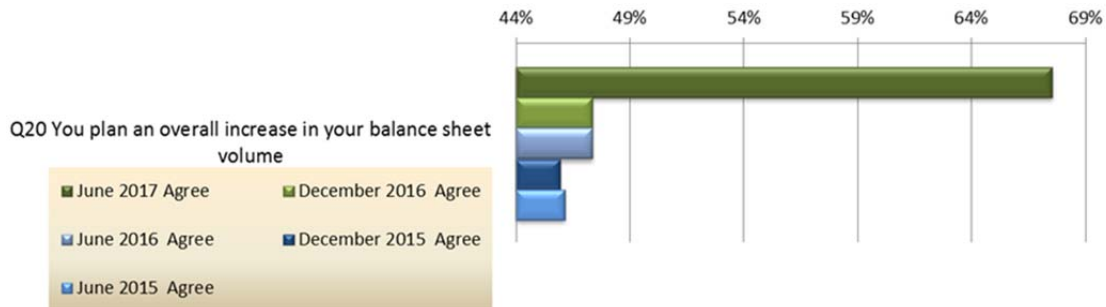
Question 19: Comparison with former results



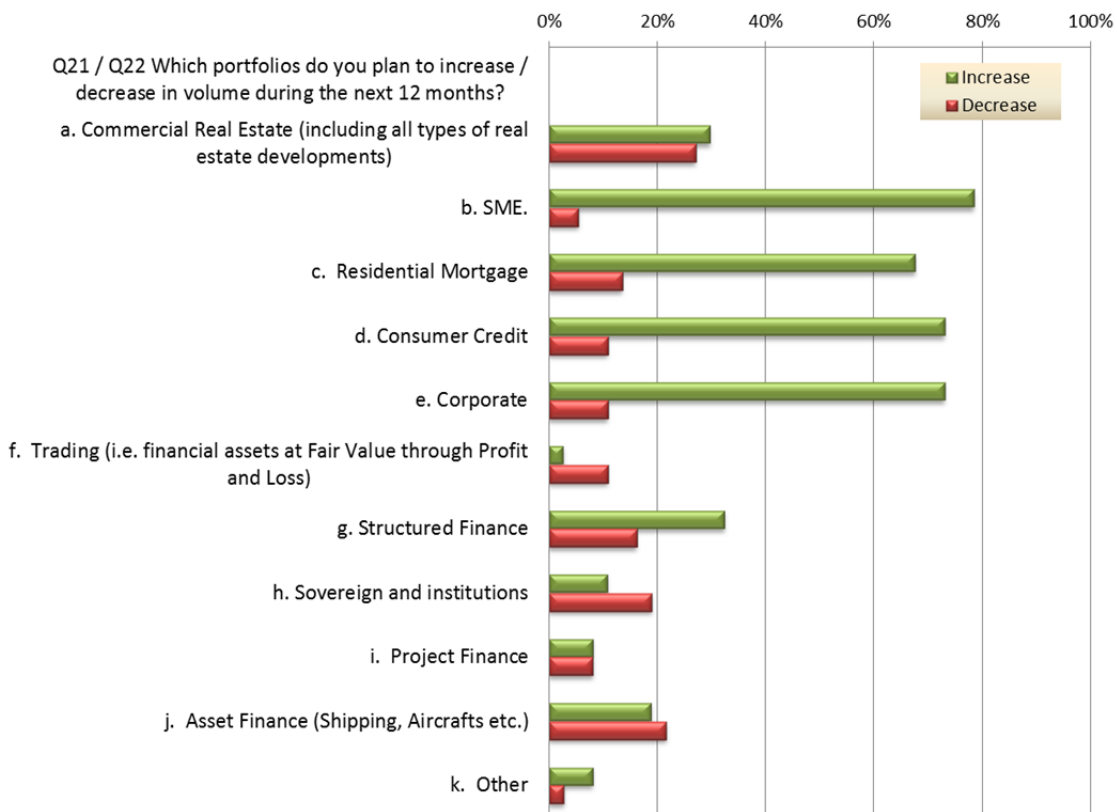
Question 20: June 2017 results



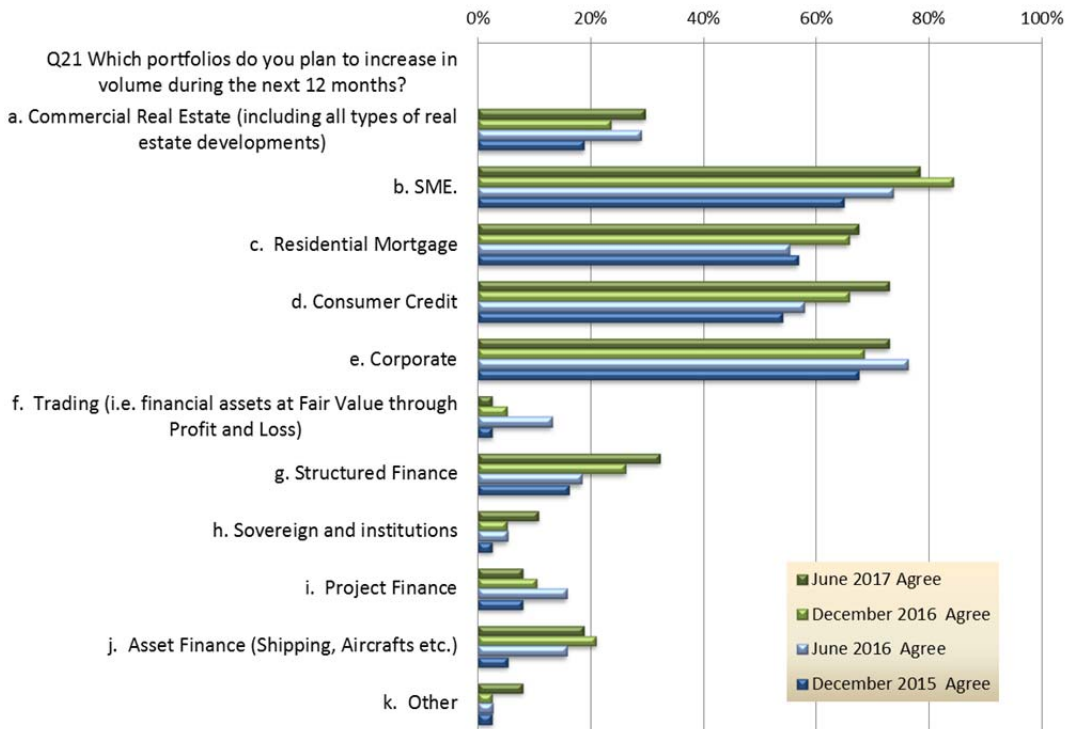
Question 20: Comparison with former results



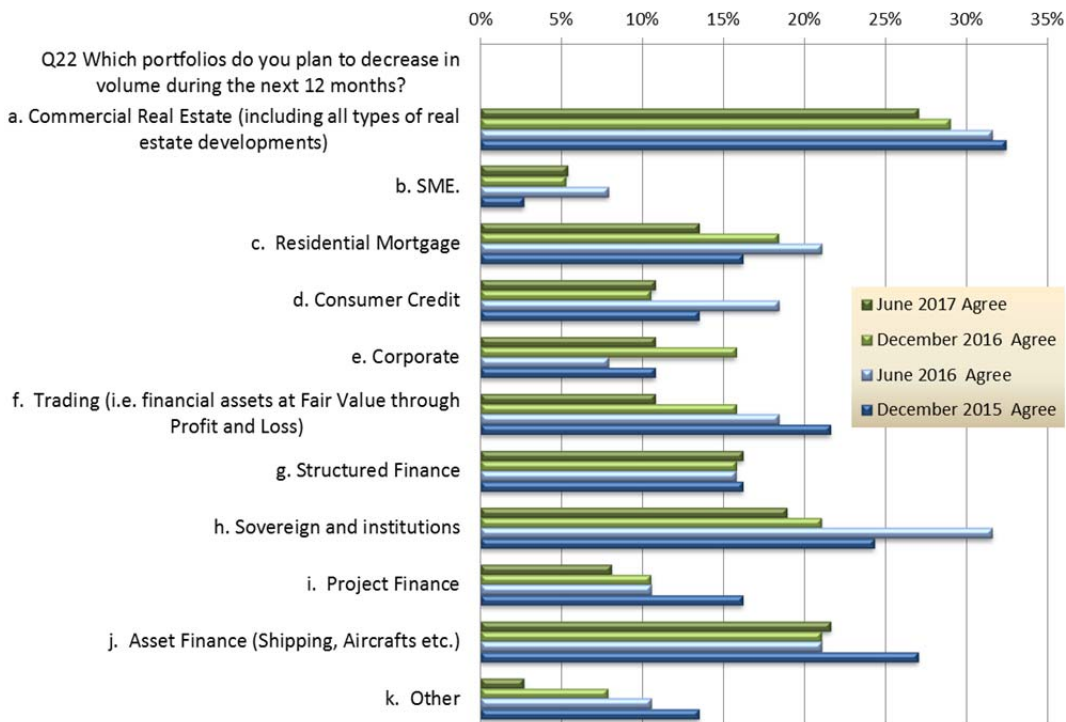
Questions 21 and 22: June 2017 results



Question 21: Comparison with former results

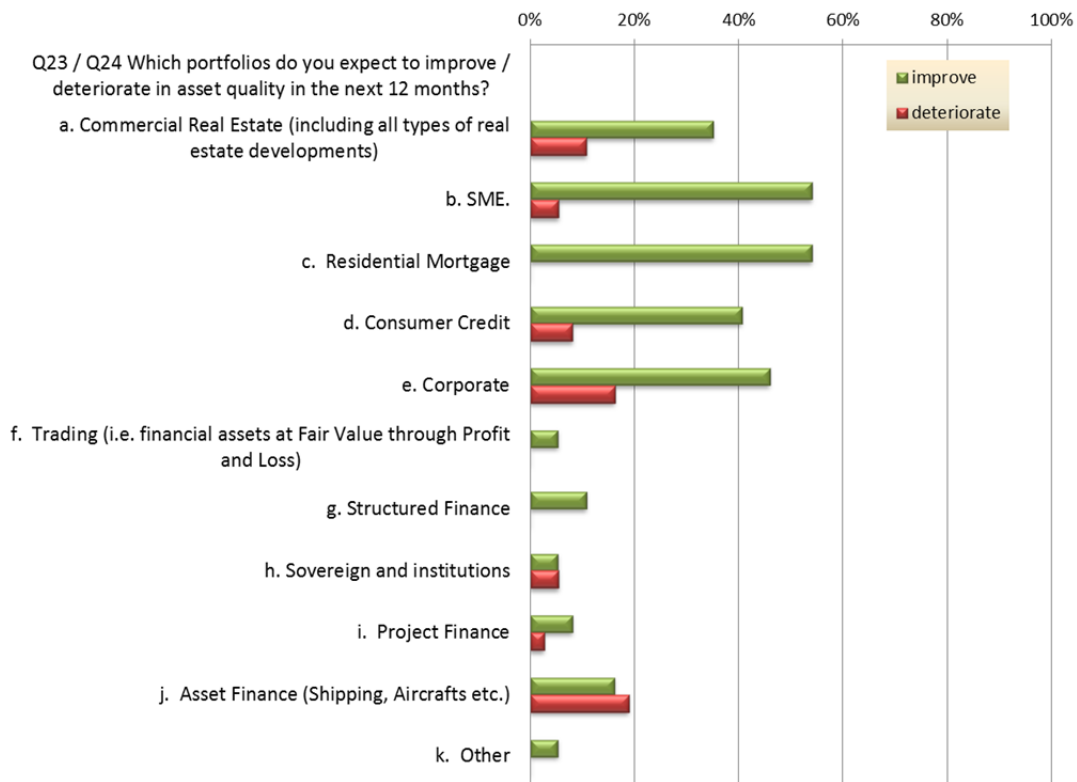


Question 22: Comparison with former results

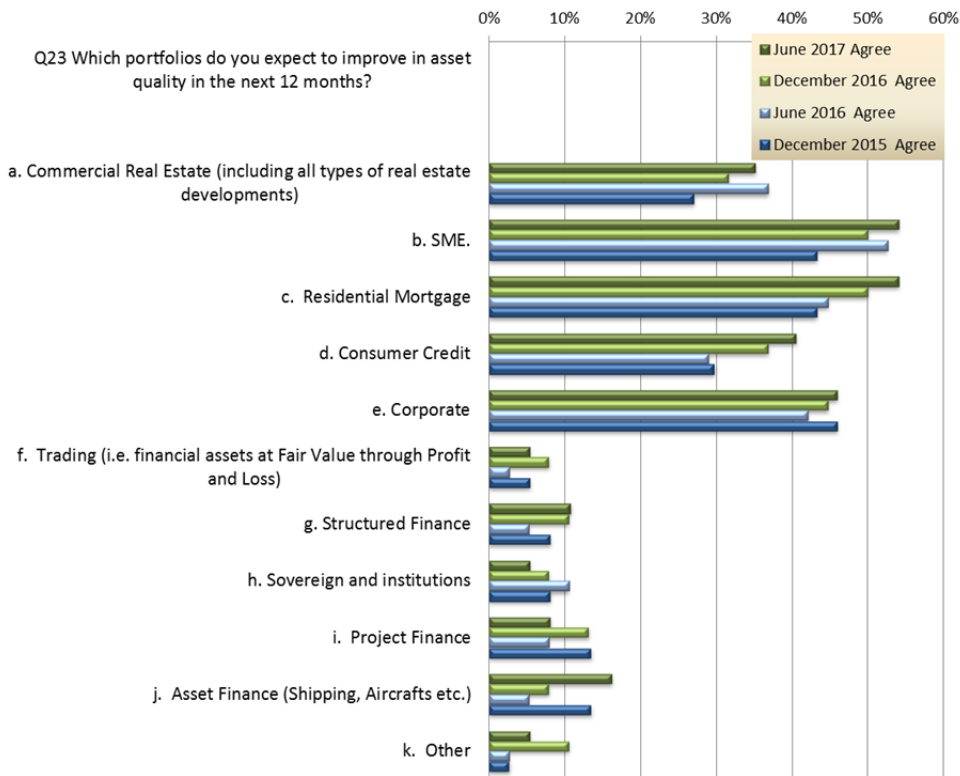


4. Asset quality

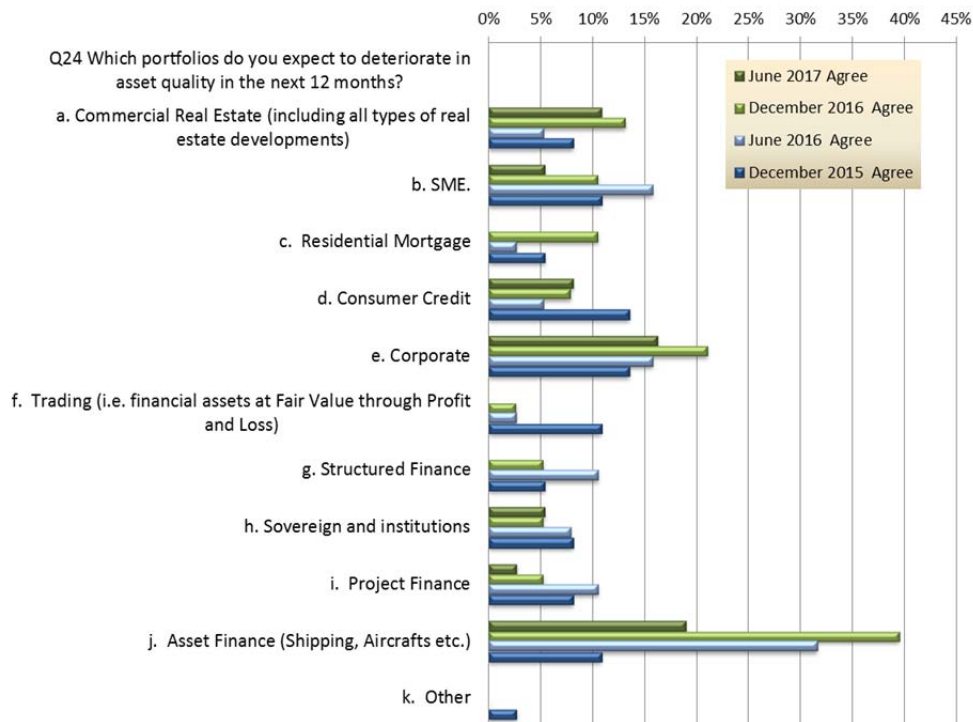
Questions 23 and 24: June 2017 results



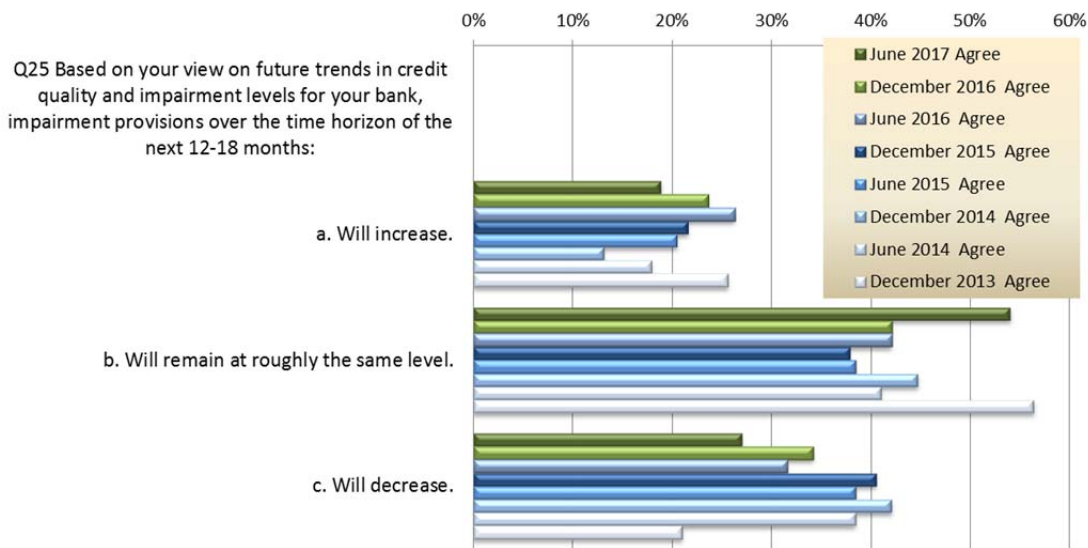
Question 23: Comparison with former results



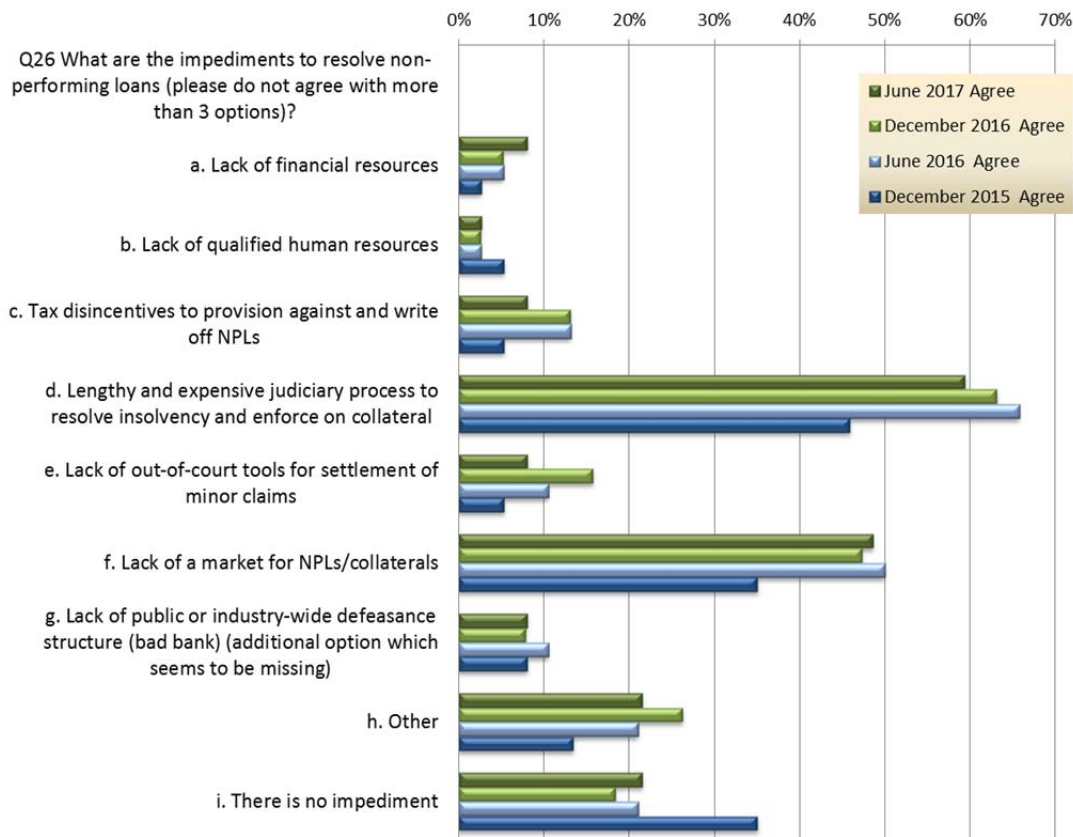
Question 24: Comparison with former results



Question 25 (only “agree” as possible answer)

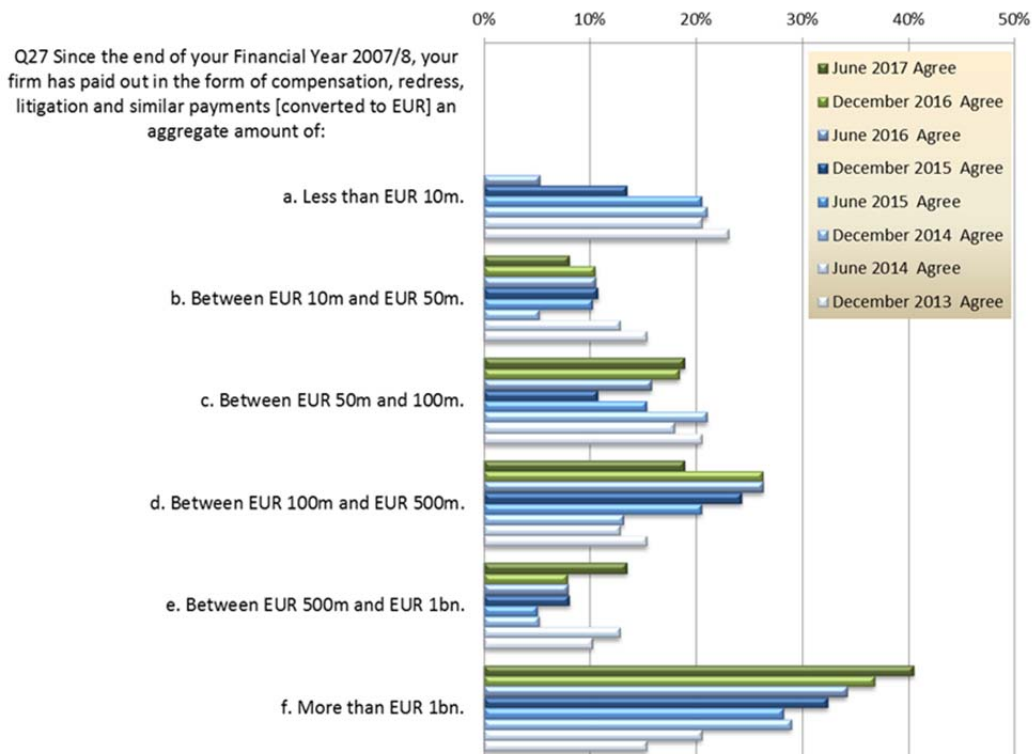


Question 26 (only “agree” as possible answer)

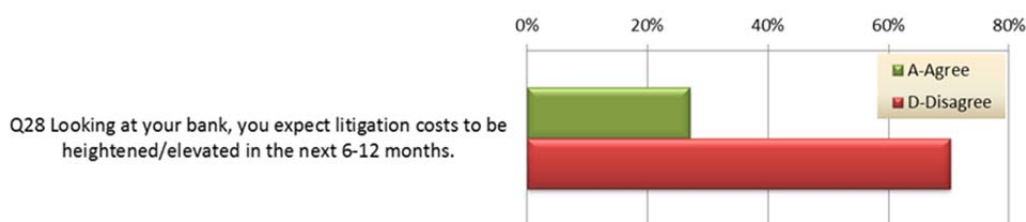


5. Conduct, reputation and operational risk

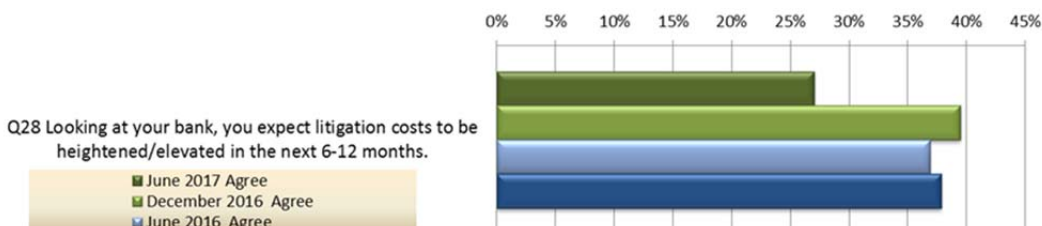
Question 27 (only “agree” as possible answer)



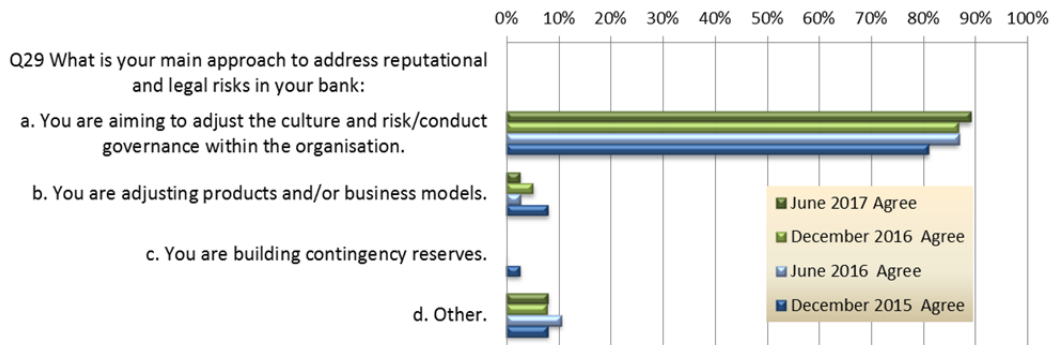
Question 28: June 2017 results



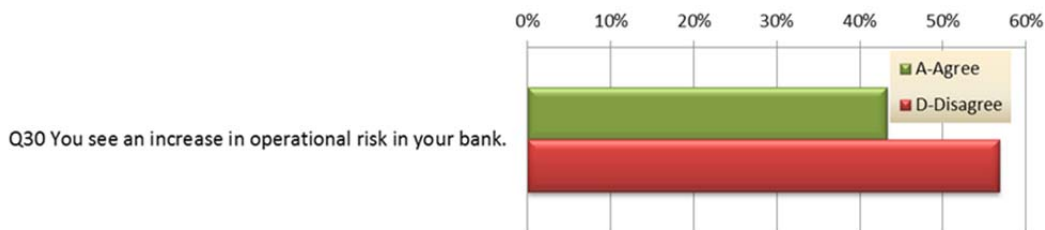
Question 28: Comparison with former results



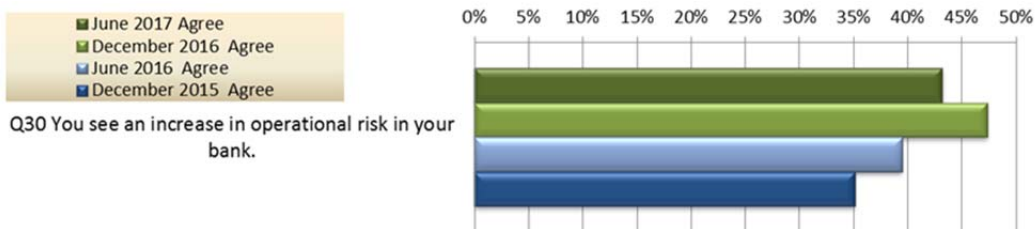
Question 29 (only “agree” as possible answer)



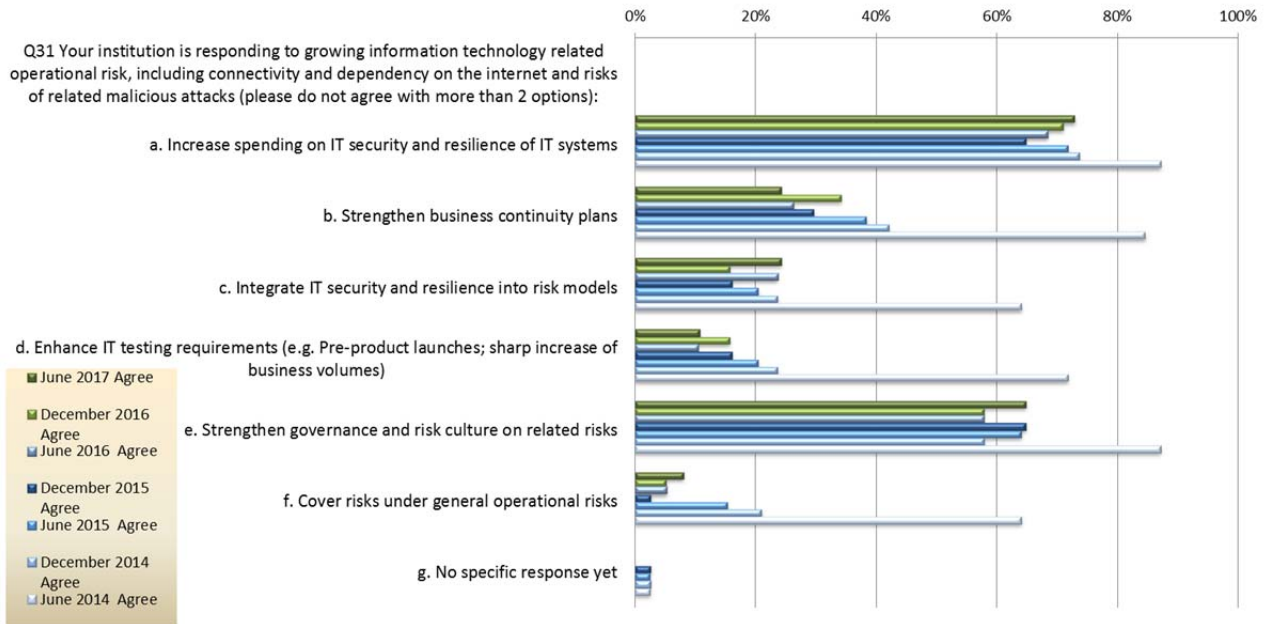
Question 30: June 2017 results



Question 30: Comparison with former results

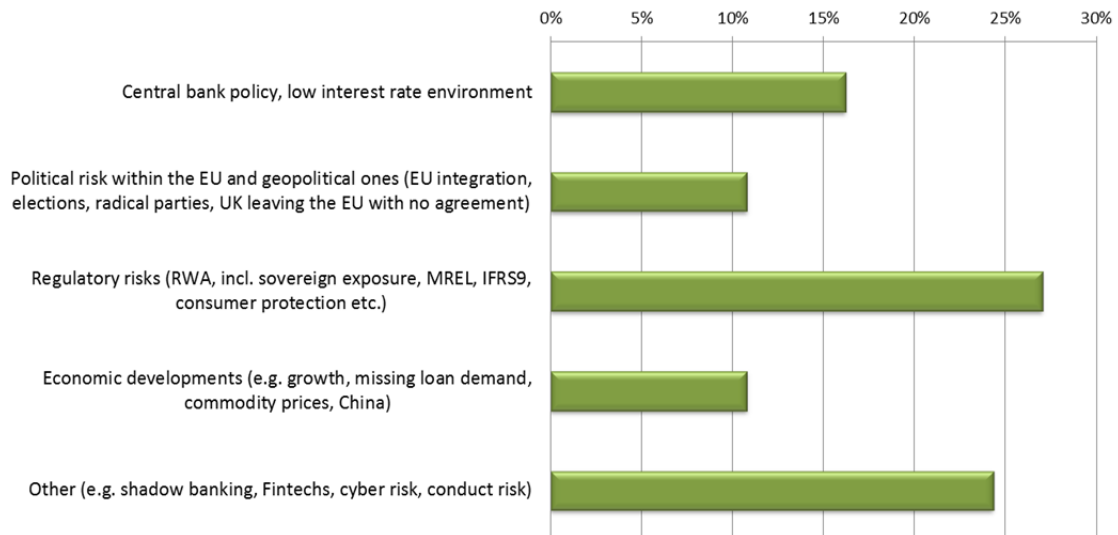


Question 31 (only “agree” as possible answer)



6. General open question

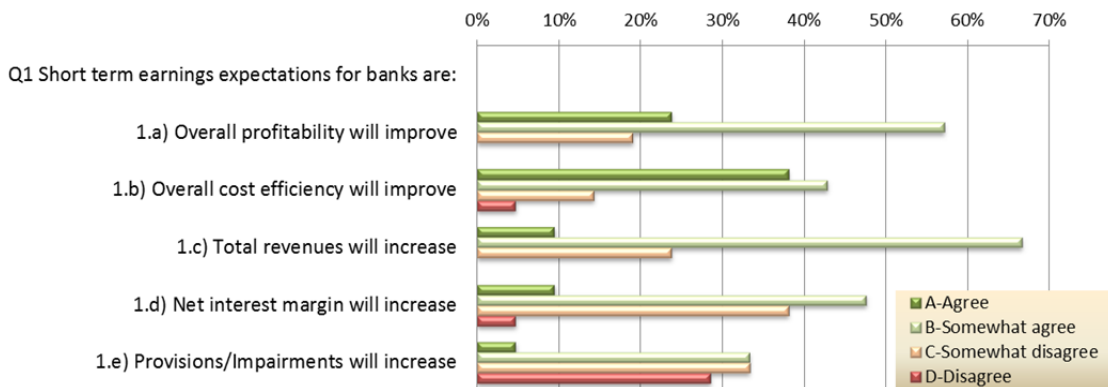
Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities:



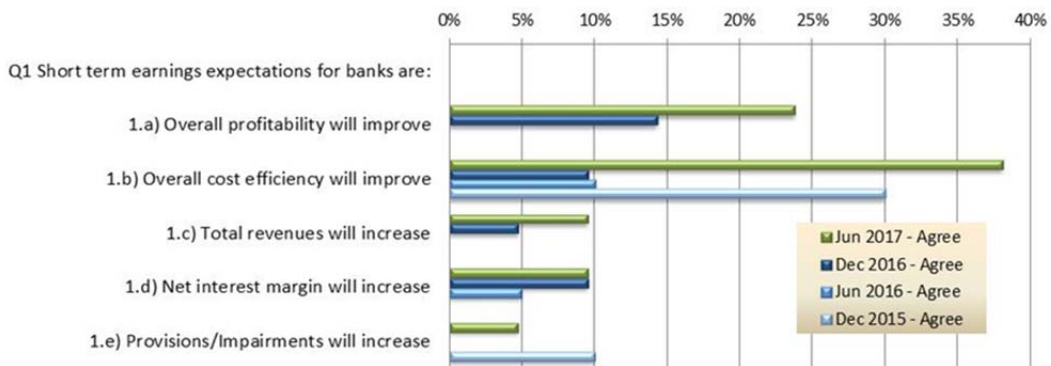
Market analysts' questionnaire

1. Business model / strategy / profitability

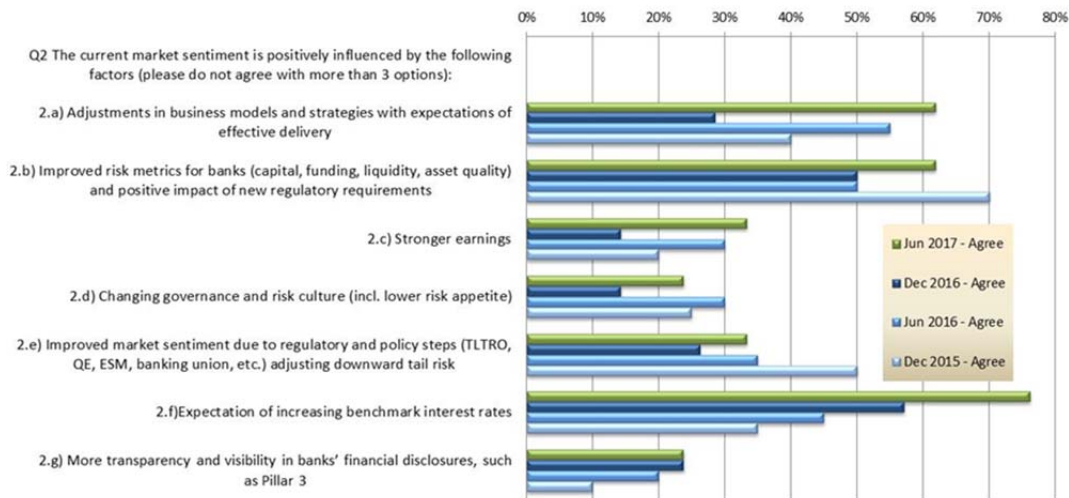
Question 1: June 2017 results



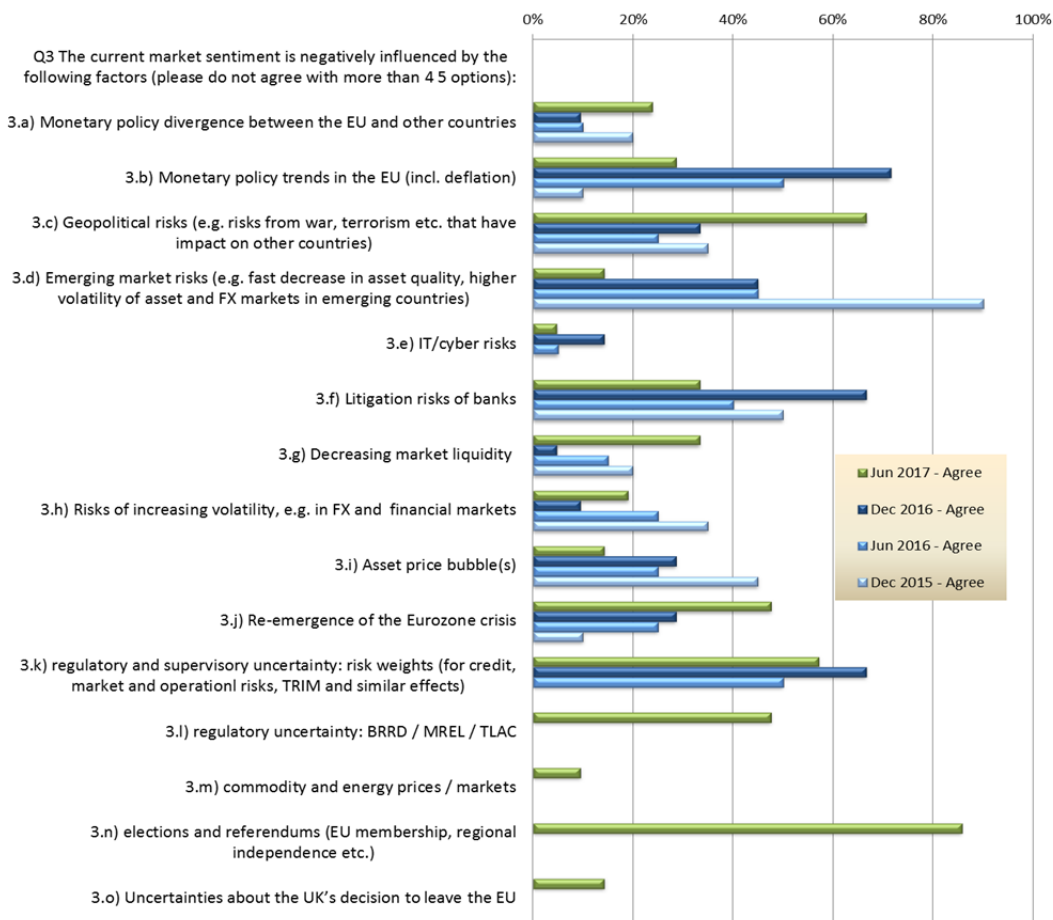
Question 1: Comparison with former results



Question 2 (only “agree” as possible answer)

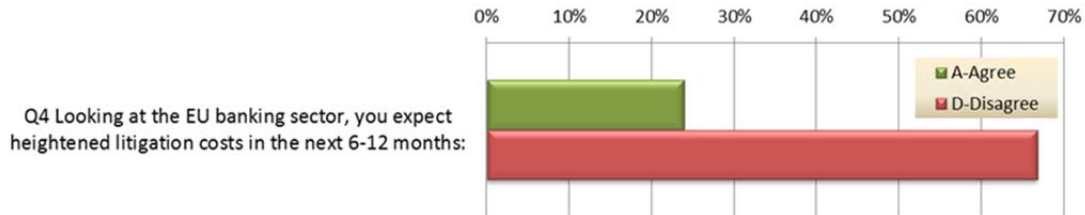


Question 3 (only “agree” as possible answer)

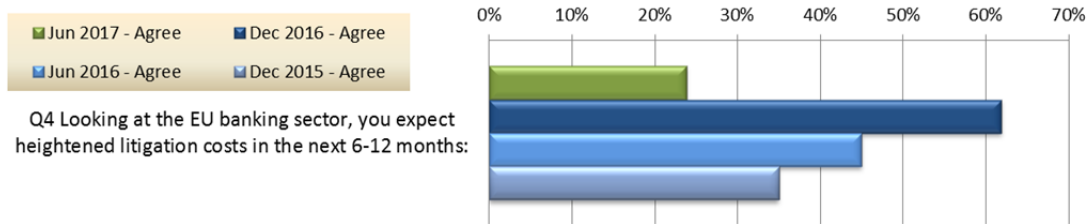


Questions without comparative data for former periods were newly added to the questionnaire in June 2017.

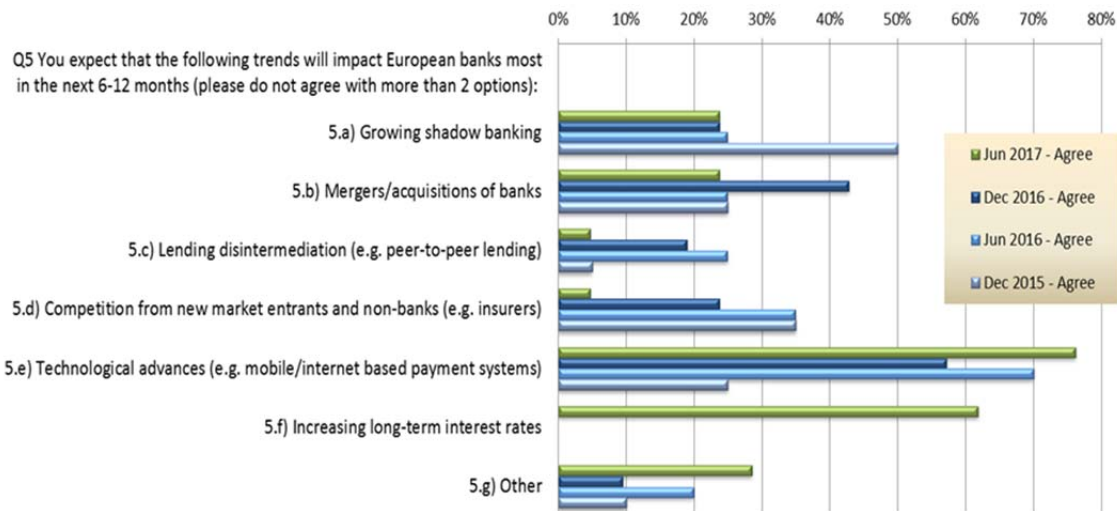
Question 4: June 2017 results



Question 4: Comparison with former results



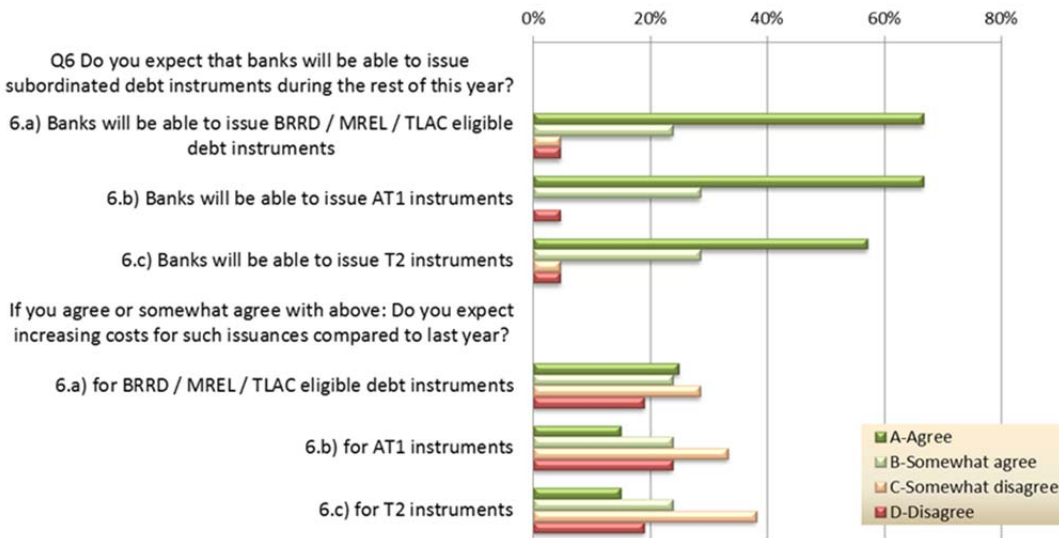
Question 5 (only “agree” as possible answer)



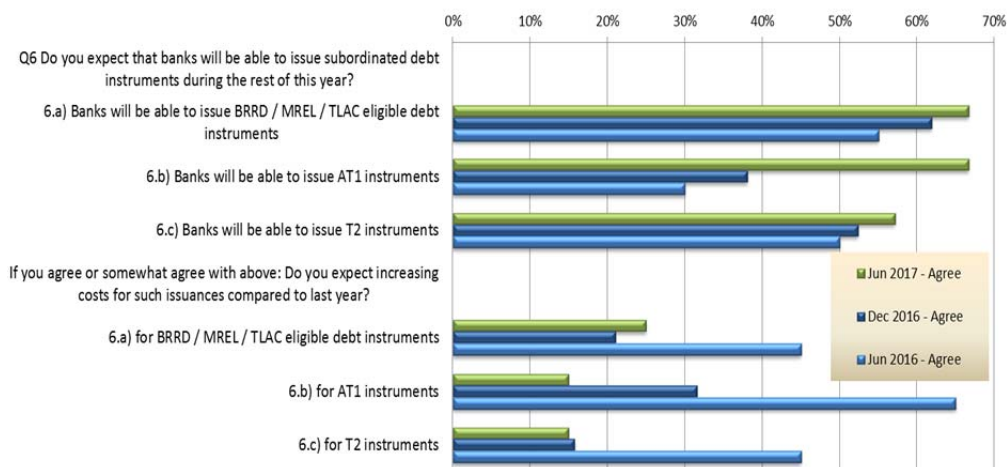
Questions without comparative data for former periods were newly added to the questionnaire in June 2017.

2. Funding / liquidity

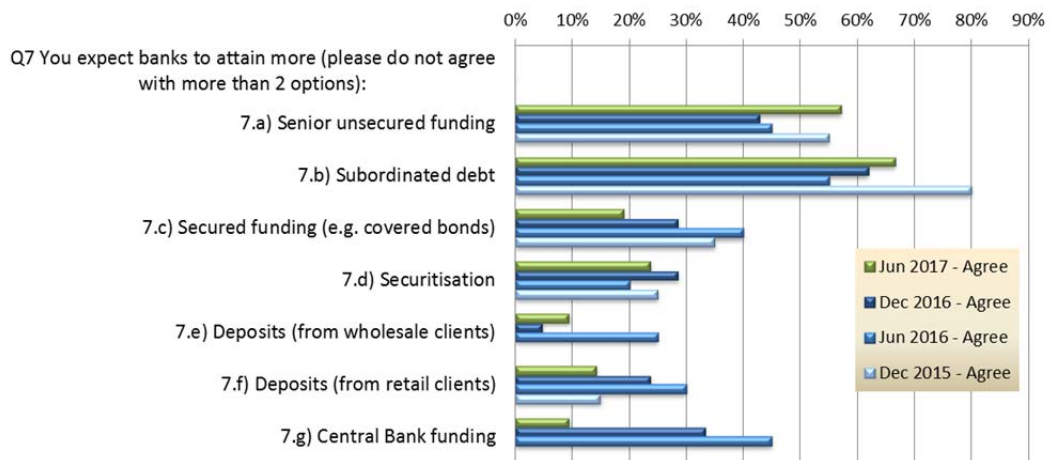
Question 6: June 2017 results



Question 6: Comparison with former results

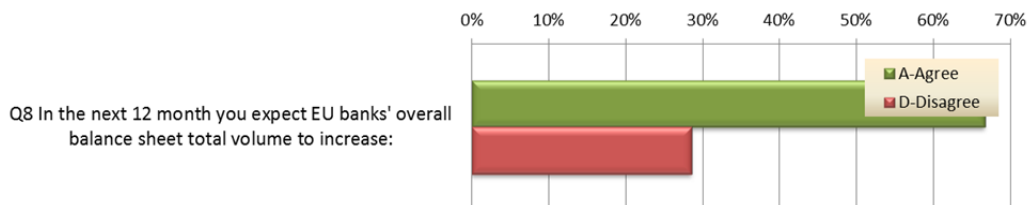


Question 7 (only “agree” as possible answer)

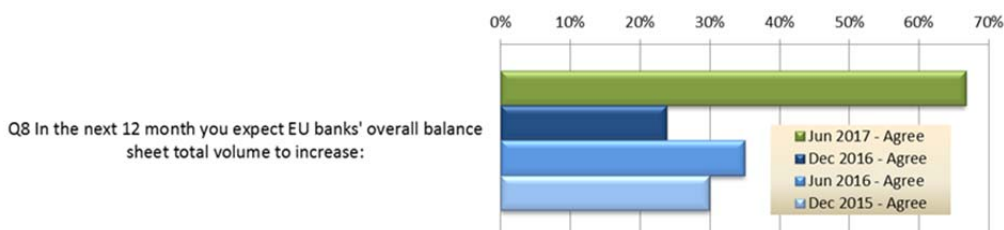


3. Asset volume trends

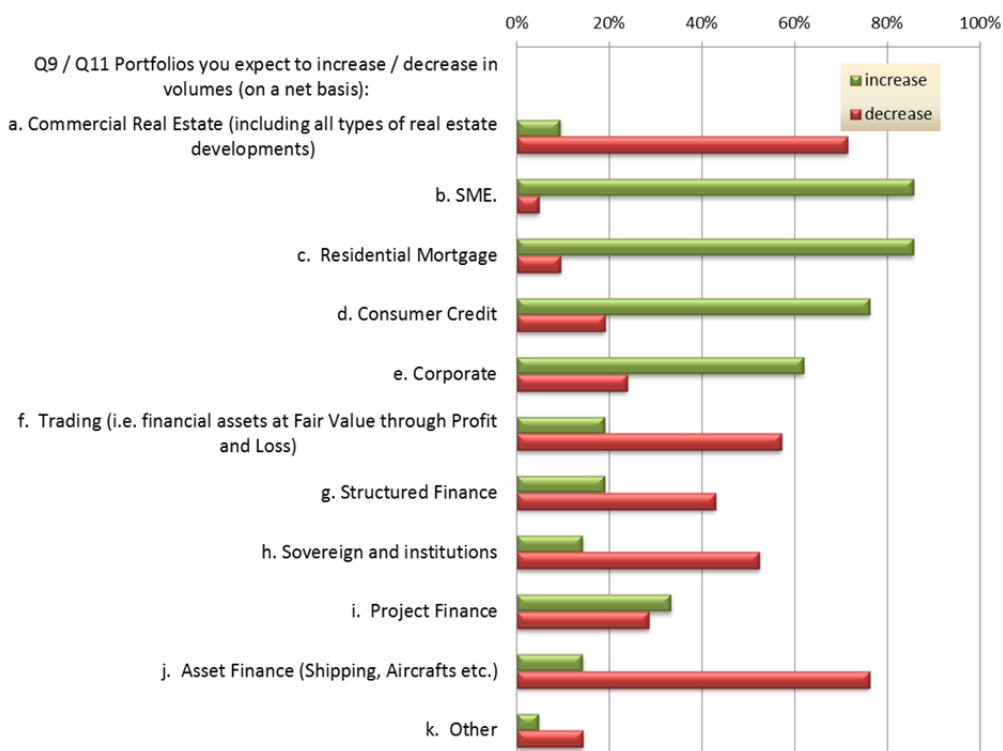
Question 8: June 2017 results



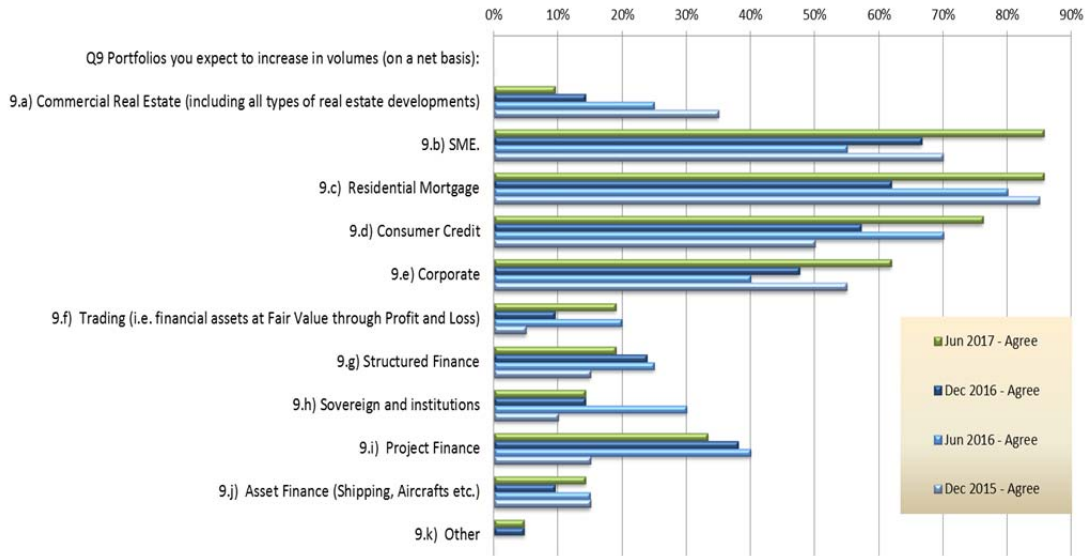
Question 8: Comparison with former results



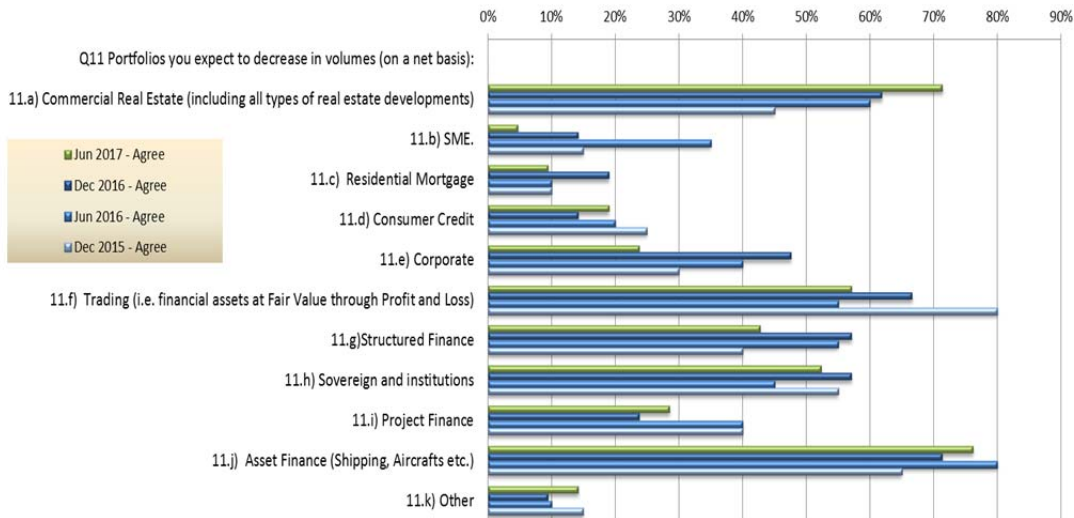
Questions 9 and 11: June 2017 results



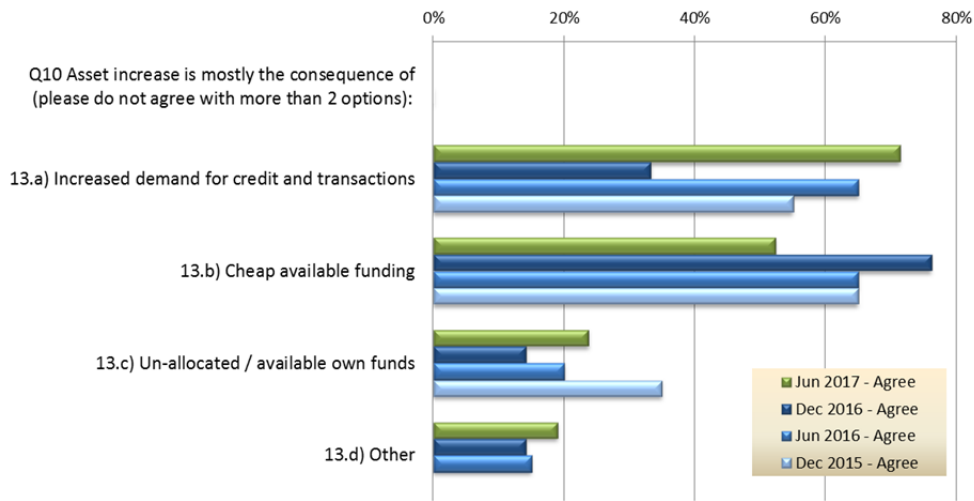
Question 9: Comparison with former results



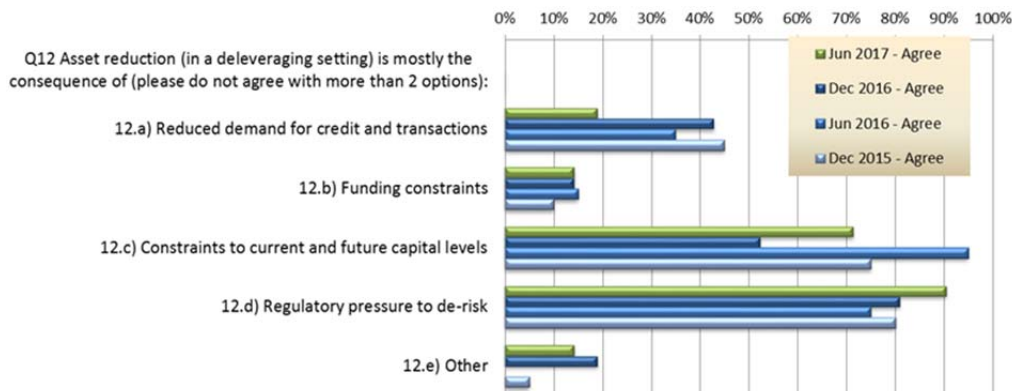
Question 11: Comparison with former results



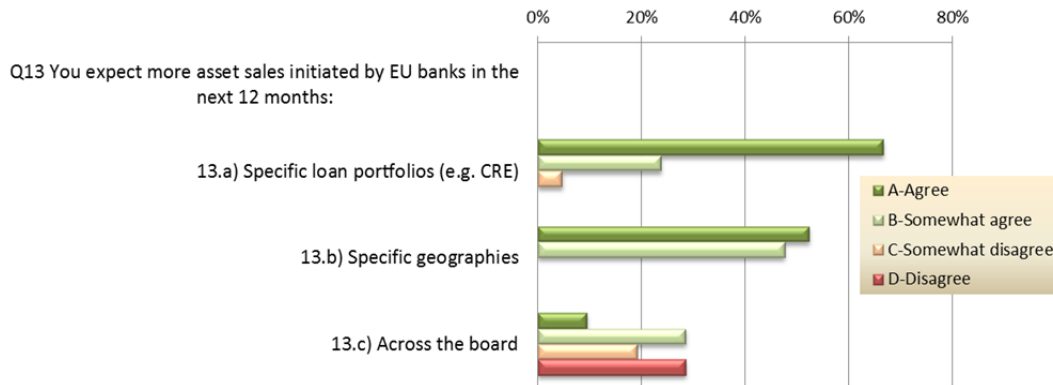
Question 10 (only “agree” as possible answer)



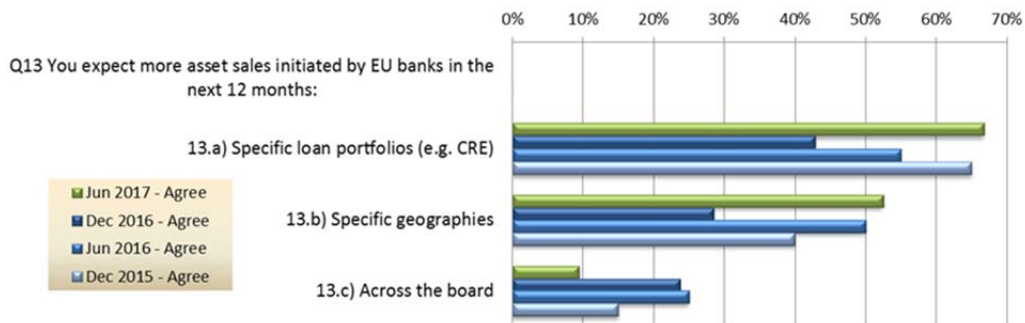
Question 12 (only “agree” as possible answer)



Question 13: June 2017 results

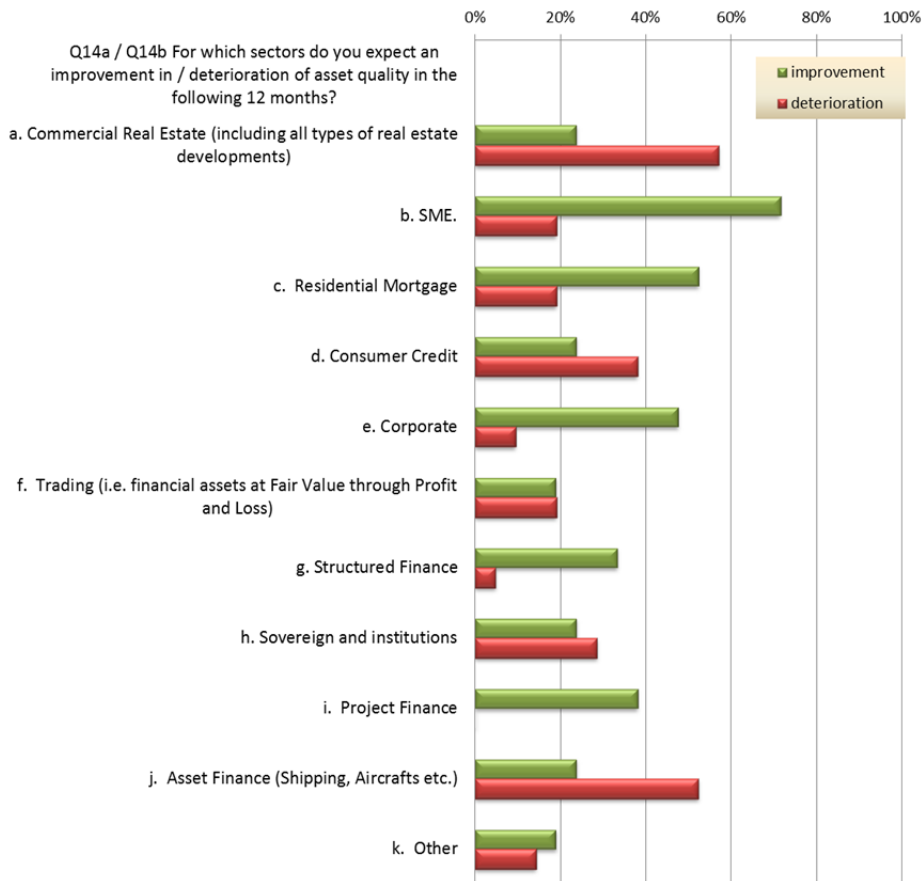


Question 13: Comparison with former results

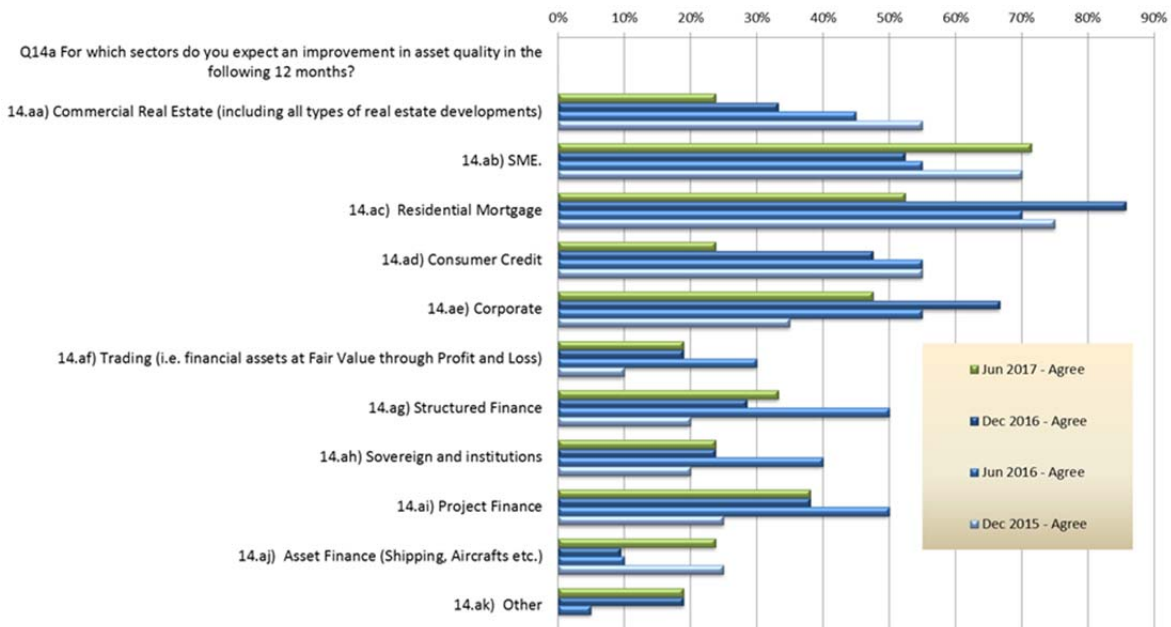


4. Asset quality

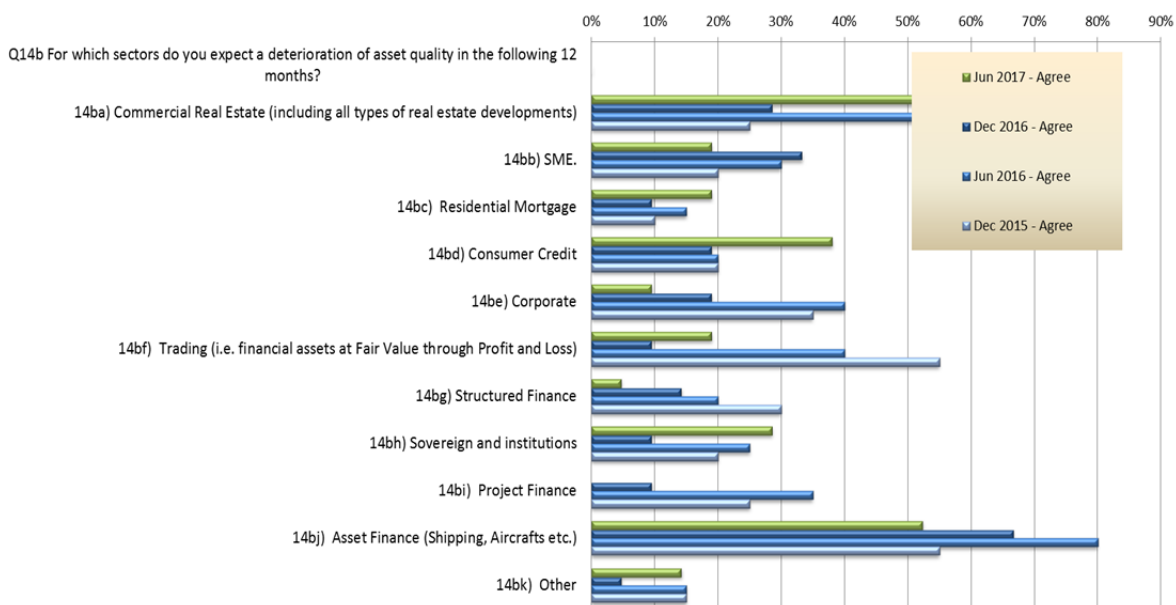
Question 14: June 2017 results



Question 14a: Comparison with former results



Question 14b: Comparison with former results



Appendix: Risk Assessment Questionnaire for banks

[added on the following pages]



Risk Assessment Questionnaire for Banks Spring 2017

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:

	Agree	Disagree	N/A
*a. you expect material changes to your bank’s business model arising from a potential M&A transaction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*c. you expect material structural changes in your group due to regulatory requirements on resolvability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

If you agree with c., this results from the following regulatory changes:

	Agree	Disagree	N/A
*i. Regulations on capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*ii. Regulations on liquidity and funding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*iii. Regulations on resolution/bail-in	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*iv. Regulations and policies on banking structures (activity ring-fencing, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

***Q2 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%.

***Q3 You expect an overall increase in your bank's profitability in the 6-12 next months:**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- N/A

Q4 You primarily target this area for increasing profitability in your bank in the next months:

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	N/A
*a. Net interest income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*b. Net Fees and Commissions income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*c. Other operating income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*d. Operating expenses / costs reduction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*e. Impairments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*f. Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5 You are reducing operating expenses / costs through (please do not agree with more than 3 options):

	Agree	N/A
*a. Overhead reduction and staff costs reduction	<input type="radio"/>	<input type="radio"/>
*b. Outsourcing some of the administrative and development departments (IT)	<input type="radio"/>	<input type="radio"/>
*c. Off-shoring or near-shoring	<input type="radio"/>	<input type="radio"/>
*d. Cutting of non-profitable units.	<input type="radio"/>	<input type="radio"/>
*e. Increasing automatisisation and digitalisation	<input type="radio"/>	<input type="radio"/>
*f. Other	<input type="radio"/>	<input type="radio"/>

***Q6 Your current earnings are covering the cost of equity:**

- Agree
- Disagree
- N/A

***Q7 You estimate COE at:**

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

***Q8 Do you expect further losses linked to the economic developments in emerging-markets for your institution in the next 6 months?**

- Agree
- Disagree
- N/A

***Q9 Do you expect increasing losses linked to your commodity and energy related exposures (direct and indirect ones)?**

- Agree
- Disagree
- N/A

***Q10 Do you expect the UK’s decision to leave the EU to materially impact your bank’s business?**

- 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 Looking at your bank, you are concerned about the level of assets that are unencumbered and available for encumbrance in case of necessity.**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- N/A

Q13 Your bank intends to issue in the next 12 months:

	Agree	N/A
*a. AT1 instruments	<input type="radio"/>	<input type="radio"/>
*b. Tier 2 instruments	<input type="radio"/>	<input type="radio"/>
*c. Other subordinated instruments bail-inable according to the BRRD/ TLAC requirements	<input type="radio"/>	<input type="radio"/>

Q14 What are the main constraints to issue AT1 and T2 instruments?

	Agree	N/A
*a. pricing (the instruments' yields are too high)	<input type="radio"/>	<input type="radio"/>
*b. no sufficient investor demand (e.g. these instruments are not attractive in their risk-return considerations)	<input type="radio"/>	<input type="radio"/>
*c. no sufficient investor demand (due to regulatory and supervisory uncertainty)	<input type="radio"/>	<input type="radio"/>

***Q15 Do you plan to issue CET1 instruments in the next 12 months?**

- Agree
- Disagree

Q16 You intend to attain more (please do not agree with more than 2 options):

	Agree	N/A
*a. Senior unsecured funding.	<input type="radio"/>	<input type="radio"/>
*b. Subordinated debt.	<input type="radio"/>	<input type="radio"/>
*c. Secured funding (covered bonds).	<input type="radio"/>	<input type="radio"/>
*d. Securitisation	<input type="radio"/>	<input type="radio"/>
*e. Deposits (from wholesale clients)	<input type="radio"/>	<input type="radio"/>
*f. Deposits (from retail clients)	<input type="radio"/>	<input type="radio"/>
*g. Central Bank funding.	<input type="radio"/>	<input type="radio"/>

***Q17 You have been affected by the reduced cross-border interbank activities as a taker of funding.**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- N/A

***Q18 You keep your cross-border interbank lending as a provider of funding on reduced level.**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- N/A

Asset volume trends

***Q19 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):

	Agree	N/A
*a. Reduced demand for credit and transactions.	<input type="radio"/>	<input type="radio"/>
*b. Disposal of business units and asset sales.	<input type="radio"/>	<input type="radio"/>
*c. Funding constraints.	<input type="radio"/>	<input type="radio"/>
*d. Reduce reliance on central bank funding.	<input type="radio"/>	<input type="radio"/>
*e. Constraints to current and future capital levels.	<input type="radio"/>	<input type="radio"/>
*f. Decisions to further de-risk business lines.	<input type="radio"/>	<input type="radio"/>
*g. Regulatory pressure to de-risk.	<input type="radio"/>	<input type="radio"/>

***Q20 You plan an overall increase in your balance sheet volume**

- Agree
- Disagree
- N/A

Q21 Which portfolios do you plan to increase in volume during the next 12 months?

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

Q22 Which portfolios do you plan to decrease in volume during the next 12 months?

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

Asset composition & quality

Q23 Which portfolios do you expect to improve in asset quality in the next 12 months?

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

Q24 Which portfolios do you expect to deteriorate in asset quality in the next 12 months?

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

***Q25 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.

Q26 What are the impediments to resolve non-performing loans (please do not agree with more than 3 options):

	Agree	N/A
*a. Lack of financial resources	<input type="radio"/>	<input type="radio"/>
*b. Lack of qualified human resources	<input type="radio"/>	<input type="radio"/>
*c. Tax disincentives to provision against and write off NPLs	<input type="radio"/>	<input type="radio"/>
*d. Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral	<input type="radio"/>	<input type="radio"/>
*e. Lack of out-of-court tools for settlement of minor claims	<input type="radio"/>	<input type="radio"/>
*f. Lack of a market for NPLs/collaterals	<input type="radio"/>	<input type="radio"/>
*g. Lack of public or industry-wide defeasance structure (bad bank) (additional option which seems to be missing)	<input type="radio"/>	<input type="radio"/>
*h. Other	<input type="radio"/>	<input type="radio"/>
*i. There is no impediment	<input type="radio"/>	<input type="radio"/>

Conduct, Reputation and Operational risk

***Q27 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. Less than EUR 10m.
- b. Between EUR 10m and EUR 50m.
- c. Between EUR 50m and 100m.
- d. Between EUR 100m and EUR 500m.
- e. Between EUR 500m and EUR 1bn.
- f. More than EUR 1bn.

***Q28 Looking at your bank, you expect litigation costs to be heightened/elevated in the next 6-12 months.**

- Agree
- Disagree
- N/A

***Q29 What is your main approach to address reputational and legal risks in your bank:**

- a. You are aiming to adjust the culture and risk/conduct governance within the organisation.
- b. You are adjusting products and/or business models.
- c. You are building contingency reserves.
- d. Other.
- e. We do not specifically address this topic.

***Q30 You see an increase in operational risk in your bank.**

- Agree
- Disagree
- N/A

Q31 Your institution is responding to growing information technology related operational risk, including connectivity and dependency on the internet and risks of related malicious attacks (please do not agree with more than 2 options):

	Agree	N/A
*a. Increase spending on IT security and resilience of IT systems	<input type="radio"/>	<input type="radio"/>
*b. Strengthen business continuity plans	<input type="radio"/>	<input type="radio"/>
*c. Integrate IT security and resilience into risk models	<input type="radio"/>	<input type="radio"/>
*d. Enhance IT testing requirements (e.g. Pre-product launches; sharp increase of business volumes)	<input type="radio"/>	<input type="radio"/>
*e. Strengthen governance and risk culture on related risks	<input type="radio"/>	<input type="radio"/>
*f. Cover risks under general operational risks	<input type="radio"/>	<input type="radio"/>
*g. No specific response yet	<input type="radio"/>	<input type="radio"/>

General issues

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: Risk Assessment Questionnaire for market analysts

[added on the following pages]



Risk Assessment Questionnaire for Market Analysts

Spring 2017

Fields marked with * are mandatory.

Respondent information

*First Name

*Last Name

*Position

*Division

*Company

*Email address

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:

	A- Agree	B- Somewhat agree	C- Somewhat disagree	D- Disagree	N/A
*1.a) Overall profitability will improve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*1.b) Overall cost efficiency will improve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*1.c) Total revenues will increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*1.d) Net interest margin will increase)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*1.e) Provisions /Impairments will increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

	Agree	N/A
*2.a) Adjustments in business models and strategies with expectations of effective delivery	<input type="radio"/>	<input type="radio"/>
*2.b) Improved risk metrics for banks (capital, funding, liquidity, asset quality) and positive impact of new regulatory requirements.	<input type="radio"/>	<input type="radio"/>
*2.c) Stronger earnings	<input type="radio"/>	<input type="radio"/>
*2.d) Changing governance and risk culture (incl. lower risk appetite)	<input type="radio"/>	<input type="radio"/>
*2.e) Improved market sentiment due to regulatory and policy steps (TLTRO, QE, ESM, banking union, etc.) adjusting downward tail risk.	<input type="radio"/>	<input type="radio"/>
*2.f) Expectation of increasing benchmark interest rates	<input type="radio"/>	<input type="radio"/>
*2.g) More transparency and visibility in banks' financial disclosures, such as Pillar 3	<input type="radio"/>	<input type="radio"/>

Q3 The current market sentiment is negatively influenced by the following factors (please do not agree with more than 4-5 options):

	Agree	N/A
*3.a) Monetary policy divergence between the EU and other countries	<input type="radio"/>	<input type="radio"/>
*3.b) Monetary policy trends in the EU (incl. deflation)	<input type="radio"/>	<input type="radio"/>
*3.c) Geopolitical risks (e.g. risks from war, terrorism etc. that have impact on other countries)	<input type="radio"/>	<input type="radio"/>
*3.d) Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries)	<input type="radio"/>	<input type="radio"/>
*3.e) IT/cyber risks	<input type="radio"/>	<input type="radio"/>
*3.f) Litigation risks of banks	<input type="radio"/>	<input type="radio"/>
*3.g) Decreasing market liquidity	<input type="radio"/>	<input type="radio"/>
*3.h) Risks of increasing volatility, e.g. in FX and financial markets	<input type="radio"/>	<input type="radio"/>
*3.i) Asset price bubble(s)	<input type="radio"/>	<input type="radio"/>
*3.j) Re-emergence of the Eurozone crisis	<input type="radio"/>	<input type="radio"/>
*3.k) Regulatory and supervisory uncertainty: risk weights (for credit, market and operational risks, TRIM and similar effects)	<input type="radio"/>	<input type="radio"/>
*3.l) Regulatory uncertainty: BRRD / MREL / TLAC	<input type="radio"/>	<input type="radio"/>
*3.m) Commodity and energy prices / markets	<input type="radio"/>	<input type="radio"/>
*3.n) Elections and referendums (EU membership, regional independence etc.)	<input type="radio"/>	<input type="radio"/>
*3.o) Uncertainties about the UK's decision to leave the EU	<input type="radio"/>	<input type="radio"/>

***Q4 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:**

- Agree
- Disagree
- N/A

Q5 You expect that the following trends will impact European banks most in the next 6-12 months (please do not agree with more than 2 options):

	Agree	N/A
*5.a) Growing shadow banking	<input type="radio"/>	<input type="radio"/>
*5.b) Mergers/acquisitions of banks	<input type="radio"/>	<input type="radio"/>
*5.c) Lending disintermediation (e.g. peer-to-peer lending)	<input type="radio"/>	<input type="radio"/>
*5.d) Competition from new market entrants and non-banks (e.g. insurers)	<input type="radio"/>	<input type="radio"/>
*5.e) Technological advances (e.g. mobile/internet based payment systems)	<input type="radio"/>	<input type="radio"/>
*5.f) Increasing long-term interest rates	<input type="radio"/>	<input type="radio"/>
*5.g) Other	<input type="radio"/>	<input type="radio"/>

B. Funding/liquidity

Q6 Do you expect that banks will be able to issue subordinated debt instruments during the rest of this year?:

	A- Agree	B- Somewhat agree	C- Somewhat disagree	D- Disagree	N/A
*6.a) Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*6.b) Banks will be able to issue AT1 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*6.c) Banks will be able to issue T2 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

	A- Agree	B- Somewhat agree	C- Somewhat disagree	D- Disagree	N/A
*6.a) for BRRD / MREL / TLAC eligible debt instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*6.b) for AT1 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*6.c) for T2 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7 You expect banks to attain more (please do not agree with more than 2 options):

	Agree	N/A
*7.a) Senior unsecured funding	<input type="radio"/>	<input type="radio"/>
*7.b) Subordinated debt	<input type="radio"/>	<input type="radio"/>
*7.c) Secured funding (e.g. covered bonds)	<input type="radio"/>	<input type="radio"/>
*7.d) Securitisation	<input type="radio"/>	<input type="radio"/>
*7.e) Deposits (from wholesale clients)	<input type="radio"/>	<input type="radio"/>
*7.f) Deposits (from retail clients)	<input type="radio"/>	<input type="radio"/>
*7.g) Central Bank funding	<input type="radio"/>	<input type="radio"/>

C. Deleverage/balance sheet changes

***Q8 In the next 12 month you expect EU banks' overall balance sheet total volume to increase:**

- Agree
- Disagree
- N/A

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

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

Q10 Asset increase is mostly the consequence of (please do not agree with more than 2 options):

	Agree	N/A
*10.a) Increased demand for credit and transactions	<input type="radio"/>	<input type="radio"/>
*10.b) Cheap available funding	<input type="radio"/>	<input type="radio"/>
*10.c) Un-allocated / available own funds	<input type="radio"/>	<input type="radio"/>
*10.d) Other	<input type="radio"/>	<input type="radio"/>

Q11 Portfolios you expect to decrease in volumes (on a net basis):

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

Q12 Asset reduction (in a deleveraging setting) is mostly the consequence of (please do not agree with more than 2 options):

	Agree	N/A
*12.a) Reduced demand for credit and transactions	<input type="radio"/>	<input type="radio"/>
*12.b) Funding constraints	<input type="radio"/>	<input type="radio"/>
*12.c) Constraints to current and future capital levels	<input type="radio"/>	<input type="radio"/>
*12.d) Regulatory pressure to de-risk	<input type="radio"/>	<input type="radio"/>
*12.e) Other	<input type="radio"/>	<input type="radio"/>

Q13 You expect more asset sales initiated by EU banks in the next 12 months:

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	N/A
*13.a) Specific loan portfolios (e.g. CRE)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*13.b) Specific geographies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*13.c) Across the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Asset quality/impairments/provisions

Q14a For which sectors do you expect an improvement in asset quality in the following 12 months?

	Agree	N/A
*14.aa) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>
*14.ab) SME	<input type="radio"/>	<input type="radio"/>
*14.ac) Residential Mortgage	<input type="radio"/>	<input type="radio"/>
*14.ad) Consumer Credit	<input type="radio"/>	<input type="radio"/>
*14.ae) Corporate	<input type="radio"/>	<input type="radio"/>
*14.af) Trading (i.e. financial assets at Fair Value through Profit and Loss)	<input type="radio"/>	<input type="radio"/>
*14.ag) Structured Finance	<input type="radio"/>	<input type="radio"/>
*14.ah) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>
*14.ai) Project Finance	<input type="radio"/>	<input type="radio"/>
*14.aj) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>
*14.ak) Other	<input type="radio"/>	<input type="radio"/>

Q14b For which sectors do you expect a deterioration of asset quality in the following 12 months?

	Agree	N/A
*14.ba) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>
*14.bb) SME	<input type="radio"/>	<input type="radio"/>
*14.bc) Residential Mortgage	<input type="radio"/>	<input type="radio"/>
*14.bd) Consumer Credit	<input type="radio"/>	<input type="radio"/>
*14.be) Corporate	<input type="radio"/>	<input type="radio"/>
*14.bf) Trading (i.e. financial assets at Fair Value through Profit and Loss)	<input type="radio"/>	<input type="radio"/>
*14.bg) Structured Finance	<input type="radio"/>	<input type="radio"/>
*14.bh) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>
*14.bi) Project Finance	<input type="radio"/>	<input type="radio"/>
*14.bj) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>
*14.bk) Other	<input type="radio"/>	<input type="radio"/>

Q15 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.



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