

# Risk Assessment Questionnaire – Summary of the Results

*June 2019*

**EBA**

EUROPEAN  
BANKING  
AUTHORITY

# Contents

---

<b>Introduction</b>	<b>3</b>
<b>Summary of the main results</b>	<b>4</b>
<b>Banks’ questionnaire</b>	<b>9</b>
1. Business model / strategy / profitability	9
2. Funding / liquidity	25
3. Asset volume trends	27
4. Asset composition & quality	29
5. Conduct, reputation and operational risk	33
6. FinTech	37
7. Sustainable Finance	39
8. General open question	42
<b>Market analysts’ questionnaire</b>	<b>43</b>
1. Business model / strategy / profitability	43
2. Funding / liquidity	50
3. Asset composition & quality	53
4. General Questions	58
5. General open question	61
<b>Appendix: Risk Assessment Questionnaire for banks</b>	
<b>Appendix: Risk Assessment Questionnaire for market analysts</b>	

# Introduction

---

The EBA conducts semi-annual Risk Assessment Questionnaires (RAQs) among banks and market analysts. This booklet presents a summary of the responses to the RAQs carried out in spring 2019. For this edition, 62 banks and 18 market analysts submitted their answers. The increase in the sample of banks participating in the questionnaire (53 banks in December 2018 edition and 38 banks in previous editions) has resulted in a more balanced sample among countries and provides more representative results across the EEA, with the inclusion of relatively smaller banks. This requires however caution in comparing results over time. The RAQ results are published together with the EBA's quarterly Risk Dashboard (Q1 2019).

The results of the survey are presented in an aggregated form. The questionnaires, for both banks and analysts, can be found in the Appendices. The charts are numbered, with numbers corresponding to the questions in the distributed questionnaires. Answers to the same questions 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". In the summary of the main results most figures are rounded.

Should you wish to provide your feedback and/or comments on this booklet, please do not hesitate to do so by contacting [rast@eba.europa.eu](mailto:rast@eba.europa.eu).

## Summary of the main results

---

The deterioration on economic growth perspectives, not least driven by growing geopolitical tensions and protectionism, together with the constantly low profitability of EU banks, entails potential risks for the EU banking sector, which are reflected in the results of the spring 2019 edition of the Risk Assessment Questionnaire (RAQ). The cost of equity (CoE) of the banks is estimated to be in the range of 8%-10%, with nearly half of them suggesting that their current earnings do not cover their CoE.

Looking forward, banks plan to expand lending only in selected portfolios, such as SME loans, corporate lending and consumer credit. They mainly aim to fund this growth by increasing MREL liabilities and retail deposits. The main difference to the previous questionnaire is related to asset quality expectations. Analysts and banks are now more pessimistic, particularly for corporate and commercial real estate exposures.

Banks identify cyber risk and data security as main drivers for an increase in operational risk. However, market analysts consider money laundering and terrorist financing as well as other conduct and legal risks as main threats. Finally, on sustainable finance, which is included in the RAQ for the first time, the answers show that the topic is gathering traction, with a huge majority of the banks having developed or planning to develop green products in their portfolios.

### Business model / strategy / profitability

- **The share of banks expecting a rise in profitability remains low.** Only about 25% of them expect an overall increase in profitability in the next 6-12 months (30% in December 2018). *(Question 4 for banks and Question 1 for market analysts)*
- **The share of banks that agree their current earnings are covering the CoE has risen slightly to 60%** (55% in June and December 2018). In parallel, the share of banks that estimate their CoE below 8% has increased to almost 20% (5% in June 2018 and 10% in December 2018). Nevertheless, the majority still considers their **CoE stands between 8% and 10%**. *(Questions 3, 7 and 8 for banks)*
- In order to increase profitability in the next months, **banks keep targeting operating costs reduction and increasing their net fee and commission income.** This reflects their efforts to diversify their income streams away from interest income, in the expectation for an extended period of low interest rate environment. However, the share of banks that consider net interest income as a high priority area to improve results has risen to 35% (20% in June 2018). Similar to previous questionnaires' results, **a large majority of banks plans to achieve its operating costs reduction targets through increasing automatisisation and digitalisation and through overhead reduction and staff cost cuts.** In relation to net fee and commission income, banks aim to

increase revenues mainly from payment services and asset management fees. (*Questions 5 and 6 for banks and Question 1 for market analysts*)

- Banks identify **cost and riskiness as the main obstacle for M&A transactions** (50% of respondents), followed by complexity, and regulatory requirements (35% of respondents for the latter two). Around 30% (45% in December 2018) of the banks that consider regulatory requirements as an obstacle refer to national waivers on liquidity and capital not being exercised. Market analysts broadly agree that regulatory requirements and complexity are the main obstacles for further consolidation in the sector. (*Question 2 for banks and Question 12 for market analysts*)
- The majority of banks do not expect material adverse implications for their business from political and economic developments. **However, from those banks that expect such adverse implications** (around a quarter), **60% point at economic and political challenges in EU countries as the events that could possibly affect adversely their business**. The resurgence of protectionism is pointed out by half of respondents, and **Brexit is highlighted by 40% of them**. Most market analysts remain cautious on the negative implications of uncertainty about future relations between the EU 27 and the UK (around 80%). In order to waive Brexit concerns, banks are opting mainly for ensuring access to EU-based financial market infrastructures, including moving derivatives clearing to EU-based CCPs, and to re-papering existing contract (including derivatives) to EU entities. (*Questions 9 and 10 for banks and Question 4 for market analysts*)

### Funding / liquidity

- **Banks intend to attain mainly more senior non-preferred and senior holdco debt** (45% of respondents), **as well as retail deposits** (40%). In comparison to previous questionnaires, the percentage of respondents that plan to increase their senior non-preferred and senior holdco liabilities has fallen significantly (65% in December 2018). This decline is compensated by a relative increase in the percentage of respondents that plan to attain more T2 and AT1 instruments (25% in June 2019, compared to 15% in December 2018 and 5% in June 2018). In contrast, and similar to previous questionnaires, no bank indicated an intention to either increase central bank or short-term interbank funding. In addition to this, less than 10% of the respondents intend to issue new CET 1 instruments. (*Question 13 for banks and Question 8 for market analysts*)
- In relation to **subordinated and other MREL-eligible instruments**, analysts are confident that banks will be able to issue more of these instruments in the upcoming period. In line with previous questionnaires, around 80% of the analysts expect banks to issue more MREL eligible instruments. Acknowledging the accommodative funding environment, analysts are also positive that banks will achieve their funding goals, either through MREL/TLAC eligible or AT1/T2 instruments. Moreover, among analysts expecting more issuances, the percentage of those that assume increasing prices for these instruments has fallen from around 35% in December 2018 to only 15%. On the contrary, the percentage of banks that see pricing as the main concern for

MREL issuance has risen to almost 60% from around 30% in June 2018. Pricing concerns are no longer accompanied by uncertainty about MREL levels and eligibility of instruments, as the share of banks concerned on these issues keeps decreasing and now stands at 40% and 35%, respectively (55% and 60% in June 2018). *(Question 14 for banks and Question 7 for market analysts)*

- Most banks responded that they are working on solutions for the **replacement of IBOR** benchmark rates (Euribor/ Eonia, Libor etc.; more than 90% agreed). As in previous questionnaires, banks see the biggest challenges related to the existing business on the asset side (more than 60% agreed), and related to existing other instruments and business, e.g. derivatives (more than 40% agreed). *(Question 12 for banks)*

### Asset volume trends and asset quality

- **Similar to previous questionnaires, a large majority of banks responded that they intend to increase the volumes of SME financing, consumer credit, residential mortgages and corporates.** On the opposite end, **banks intend to reduce mainly their commercial real estate, sovereign and asset finance exposures.** It also seems to be noteworthy that the share of respondents that plan to increase their **project finance** exposures increased by 15p.p. (45% compared to 30% in December 2018 and 25% in June 2018). Market analysts' views are similar, although the share of respondents expecting an increase in the SME portfolio has fallen from 95% to just 55%, echoing the concerns in pricing and high growth in this segment seen in the past few quarters. In contrast to the banks' view, a growing number of market analysts expect an increase in sovereign exposures, as the share of them expecting an increase has risen from 10% to 40% while the share of those who expect a fall has fallen from 90% to 30%. *(Question 15 for banks and Question 9 for market analysts)*
- **It is remarkable that market analysts provide a more pessimistic view on asset quality evolution** compared to previous questionnaires. The share of respondents expecting a deterioration in **asset quality has increased for all portfolios, except for sovereigns and asset finance exposures.** Around 60% of the analysts foresee a **deterioration** in **corporate** and **commercial real estate** exposures, up from 20% and 35%, respectively. In the same vein, the percentage of analysts expecting an improvement in asset quality has decreased for all portfolios. In the case of the two categories of exposures where analyst hold a more optimistic view (SME and residential mortgages), positive responses have decreased to 40% from 60% and 75%, respectively, in December 2018. Although banks provide a less pessimistic outlook on asset quality, they also show a change of sentiment. However, the variations are less significant than in the case of analysts. In line with their growth plans, banks expect a further improvement in their residential mortgage and corporate exposures. Notably, banks expect a deterioration in consumer credit, despite the fact they plan to increase their exposures to this segment. *(Question 16 for banks and Question 11 for analysts)*

- **Lengthy and expensive judiciary processes are again pointed out by both analysts and banks as the main impediment to resolve non-performing loans (NPLs).** 50% of the analysts also consider the lack of banks' capital as an obstacle. In contrast, less than 5% of banks consider it as an impediment. The lack of a highly liquid market for NPLs is also cited by both analysts and banks. The most commonly applied strategies by banks for managing NPLs are **hold and forbearance** (i.e. holding NPLs and applying suitable workout strategies and forbearance options), followed by **active portfolio reductions** through NPL sales, and legal **options**, e.g. insolvency proceedings and out-of-court settlement. *(Questions 17 and 18 for banks and Question 10 for analysts)*

### Conduct / reputation / operational risk

Similar to previous questionnaires, around 50% of banks and analysts expect an increase in **operational risk**. The main driver identified by banks is, by large, **cyber risk and data security** although the share of respondents pointing to this has fallen from around 90% to 50%. Analysts point at **money laundering and terrorist financing**, and at **conduct and legal risk** as the main sources of operational risk (65% of respondents in both cases). Around 20% of banks and 45% of analysts expect an increase in litigation costs in the next 6-12 months. *(Questions 19, 20, 21 for banks and Questions 5 and 6 for market analysts)*

### FinTech

- **Revenues from the payment and settlement segment still face the biggest threat from FinTech firms as reported by 55% of the banks.** This may suggest a relationship between the growth in the payments industry and the disintermediation in banking. Nevertheless, there is a slight decrease compared to December 2017 as now more banks (increase from 15% to 20%) are reporting that FinTech firms pose an opportunity to increase revenues in payments. This may evidence banks' activity in leveraging FinTech developments and relationships to compete in the area of payments. *(Question 22 for banks)*
- In comparison with December 2017, **more banks (on average 15p.p. increase) reported that FinTech firms have no impact on commercial banking, corporate finance as well as trading and sales.** In particular for corporate finance where 55% of banks see no impact, possibly indicating that competition from FinTech firms focuses mostly on retail customers. This is also supported by the increased threat on revenues from retail brokerage activities as reported by 40% of the banks (10p.p. increase compared to 2017 results). *(Question 22 for banks)*

### Sustainable Finance

- **The environmental consideration is gathering some traction amongst the participants of the questionnaire**, with 90% of the banks responding to the questionnaire having developed or planning to develop green products and/or services based on environmental consideration. 80%

also consider developing products based on social criteria. In addition, 65% of the banks are planning to develop products and services based on Governance considerations. *(Question 24 for banks)*

- Of those concentrating in green products or services, **energy-efficient mortgage loans are the most popular (75% agreement)**, while 50% of the banks have planned or are planning to develop products on green CRE loans. Further to this, 40% of banks are looking into green car loans with high fuel efficiency and 45% of banks indicated that they are considering other types of green loans for retail customers. *(Question 24a for banks)*
- **The need to strengthen client relationships is the main motivation to develop green products** (90% agreement). Moreover, 65% of the respondents highlighted their corporate and social responsibility as a main motivation. More than half of the banks believe that the development of green products will enhance long-term growth prospects for their bank. *(Question 24c for banks)*
- 65% of the banks currently invest or plan to invest in green bonds and 40% reacted positively about the engagement with green covered bonds and/or green securitisation. Similarly, 55% of them plan to invest in green project finance and 50% are looking into different green products to invest in. *(Question 24b for banks)*
- According to banks, **the main barriers to enter into the green finance market include low volumes and lack of customer's demand**. This reason was mentioned by 85% of the responding banks. Other barriers include lack of incentives (50%) and lack of understanding and research or sufficient data to develop green products (15%). *(Question 24d for banks)*
- Furthermore, around 20% of market analysts believe that the proportion of green assets and liabilities compared to the overall balance sheet of the banks will increase within the next year, while about 70% expect there will be a slight increase only. Furthermore, less than 10% of the analysts believe that the overall green assets and liabilities of banks will decline over the next year. *(Question 13 for market analysts)*

### General open question

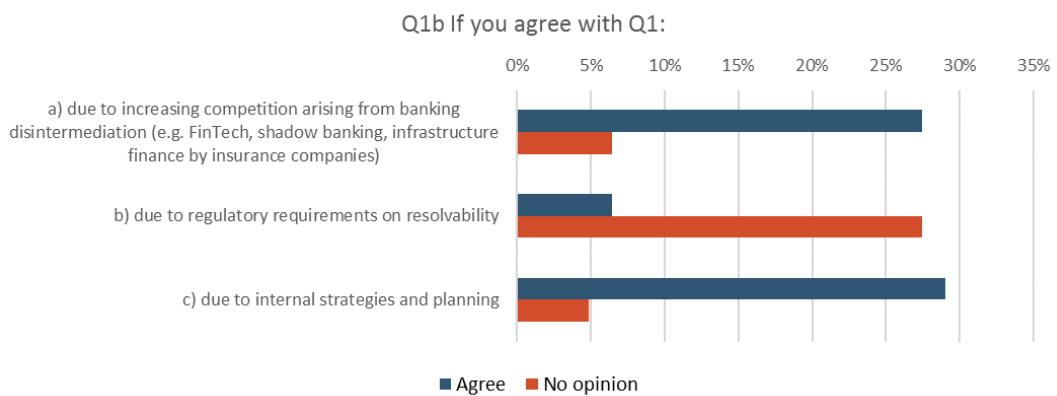
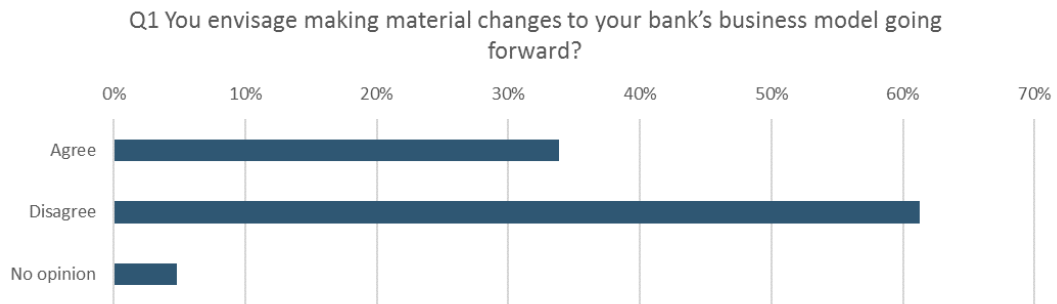
In the open question on risks looking ahead, banks see central bank policies and the low interest rate environment along with trade wars and other geopolitical risks as the main sources of vulnerability for EU banks. Market analysts highlight economic developments (e.g. growth, China, protectionism, trade wars and competition) and money laundering investigations the most prominent source of risk for the EU banking sector in the near future.



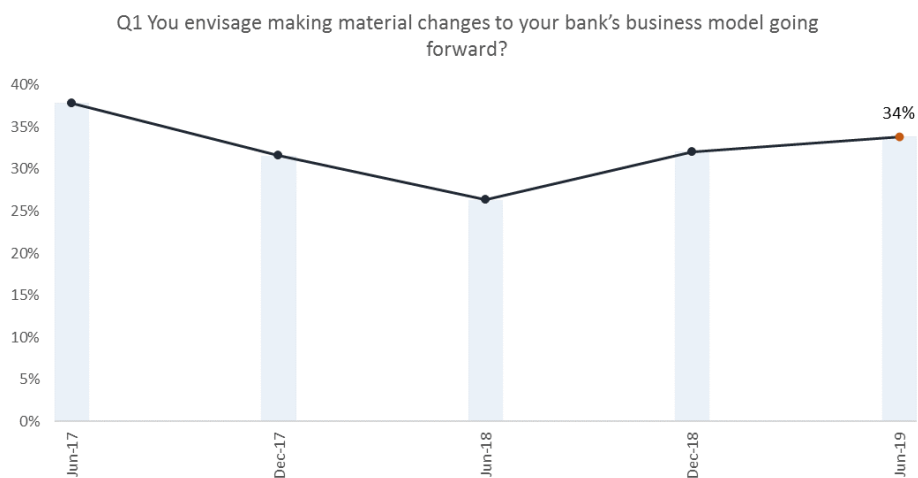
# Banks' questionnaire

## 1. Business model / strategy / profitability

### Question 1: June 2019 results

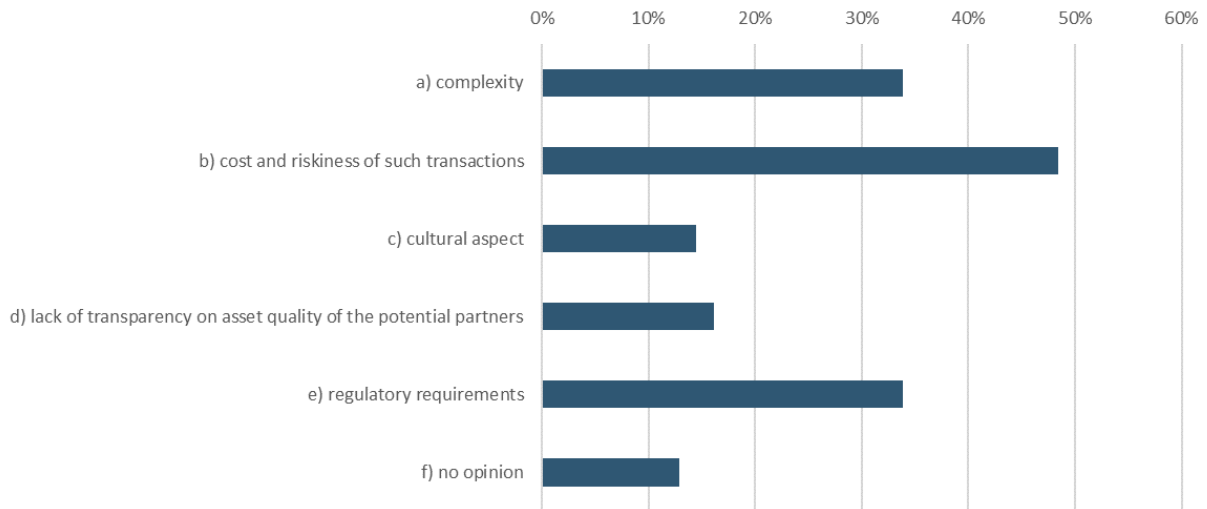


### Question 1: Comparison with earlier results

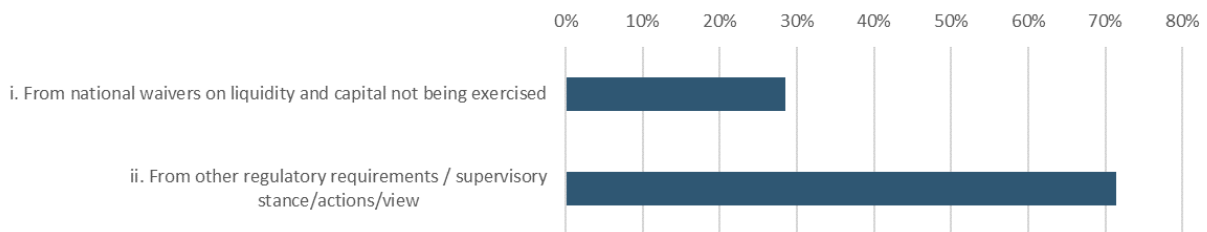


**Question 2: June 2019 results**

Q2 What are the main obstacles to M&A (multiple choice question):

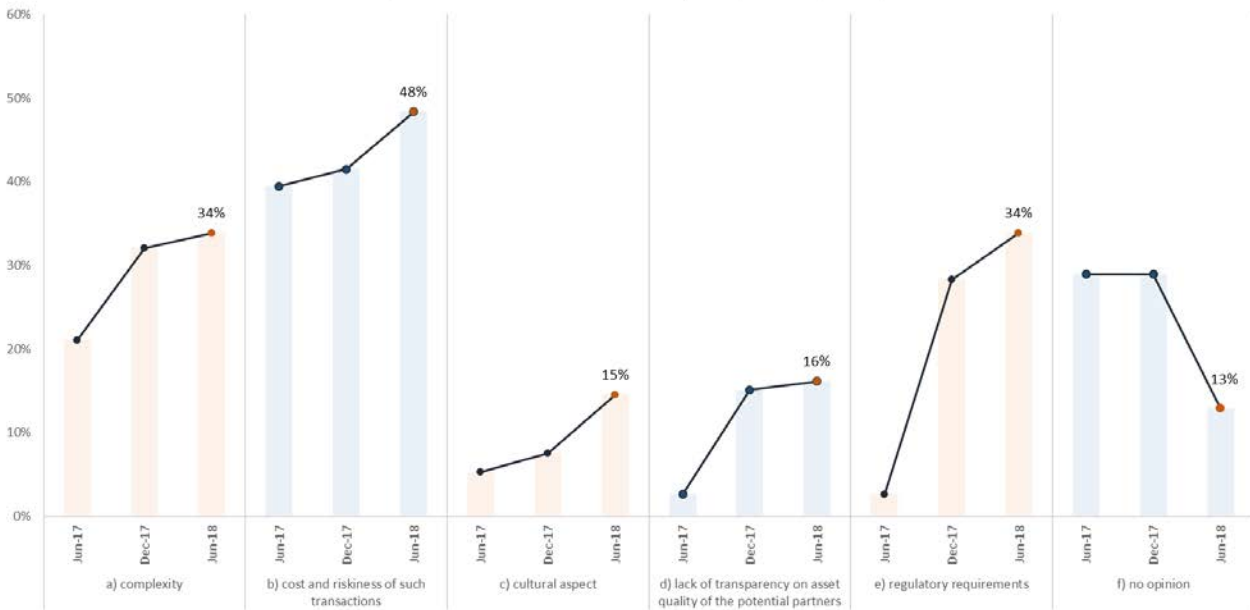


Q2b if you agree with e) regulatory requirements:



### Question 2: Comparison with earlier results

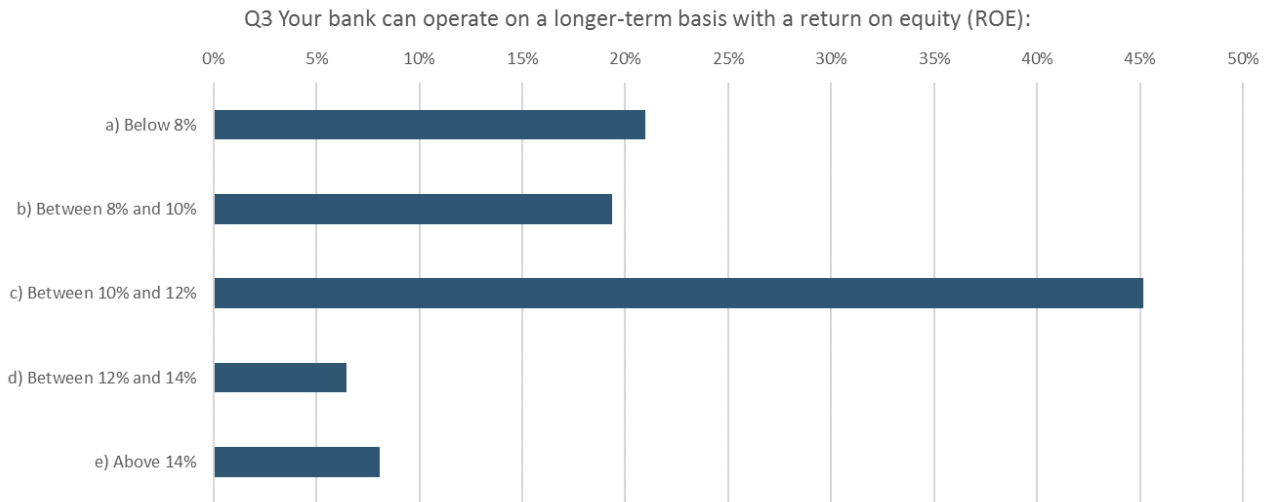
Q2 What are the main obstacles to M&A (multiple choice question):



Q2b if you agree with e) regulatory requirements:



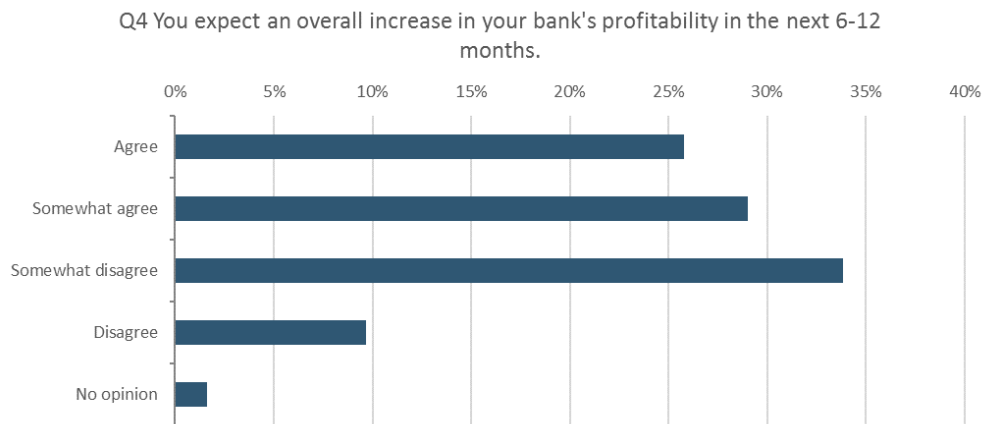
### Question 3: June 2019 results



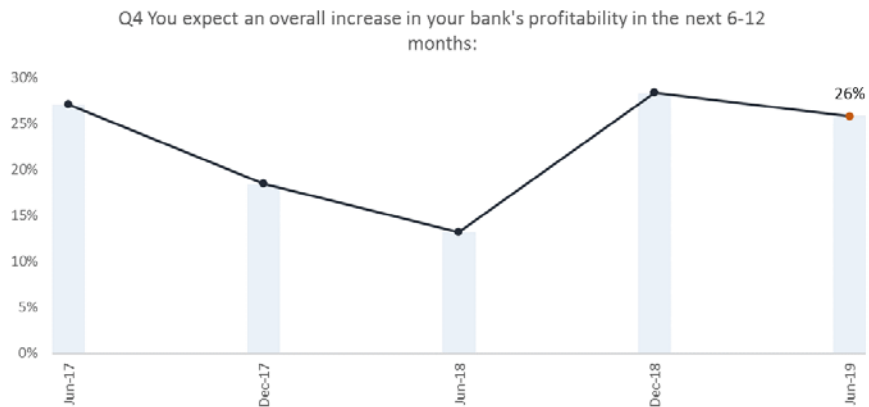
### Question 3: Comparison with earlier results



### Question 4: June 2019 results

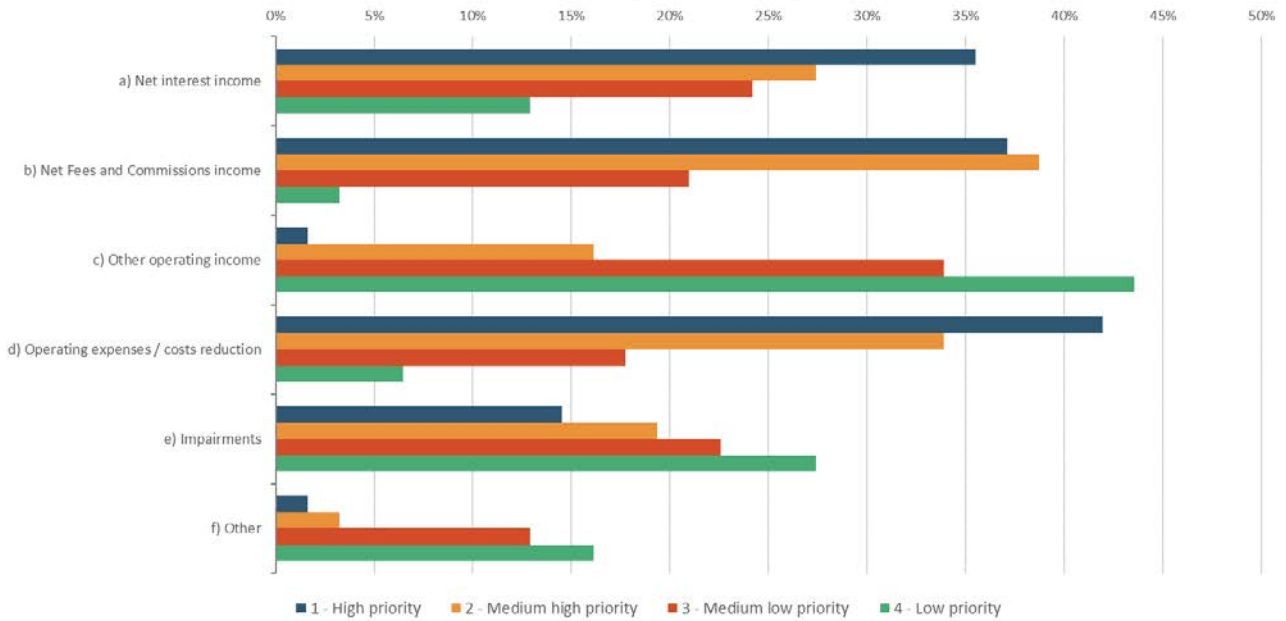


### Question 4: Comparison with earlier results

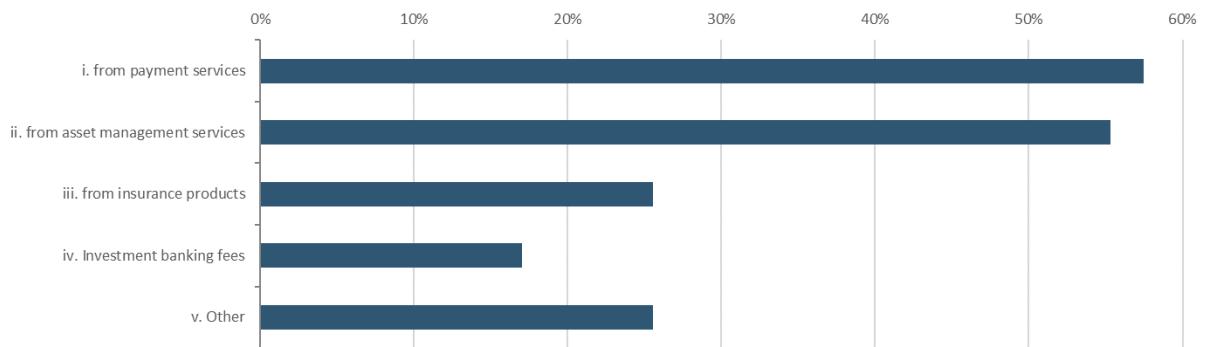


**Question 5: June 2019 results**

Q5 You primarily target this area for increasing profitability in your bank in the next months (ranking according to priority with 1-High Priority and 4-Low Priority):

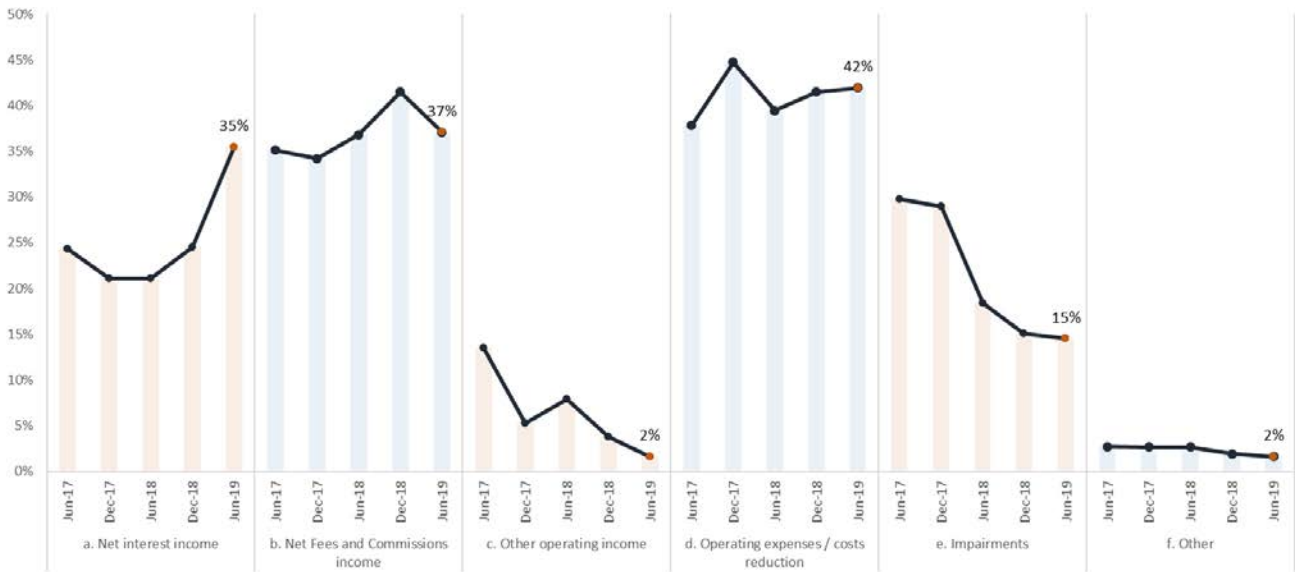


Q5b If you rank b) Net Fees and Commissions Income with (1) or (2), what is the main area to increase net fees and commission income

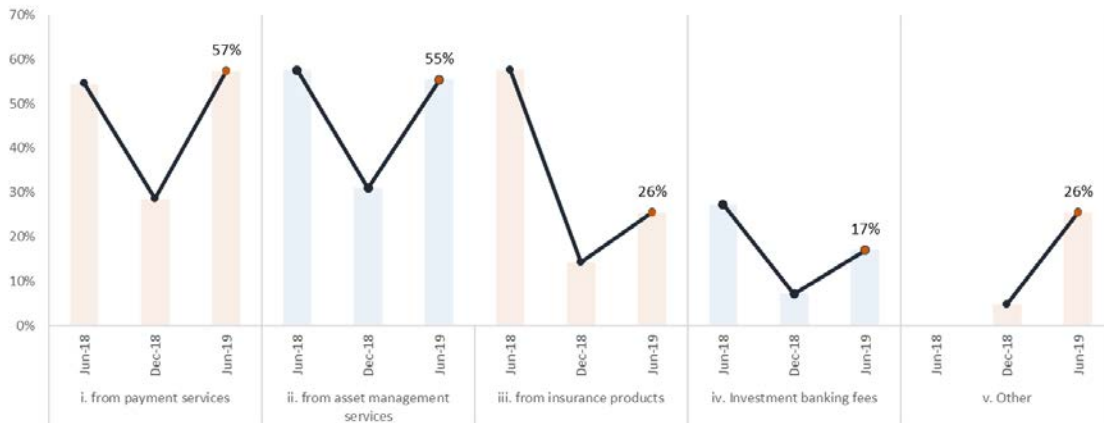


### Question 5: Comparison with earlier results

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

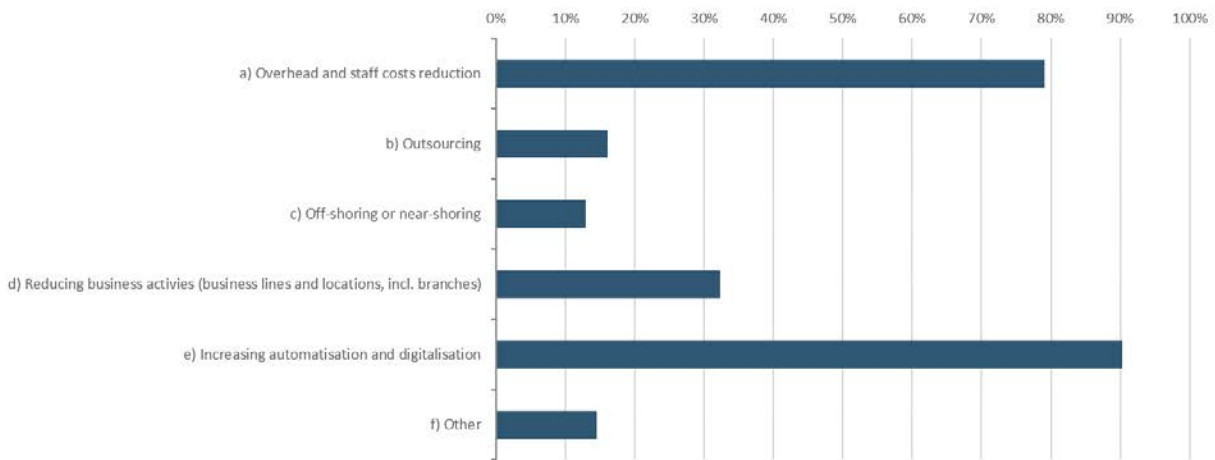


Q5b If you rank b) Net Fees and Commissions Income with (1) or (2), what is the main area to increase net fees and commission income?



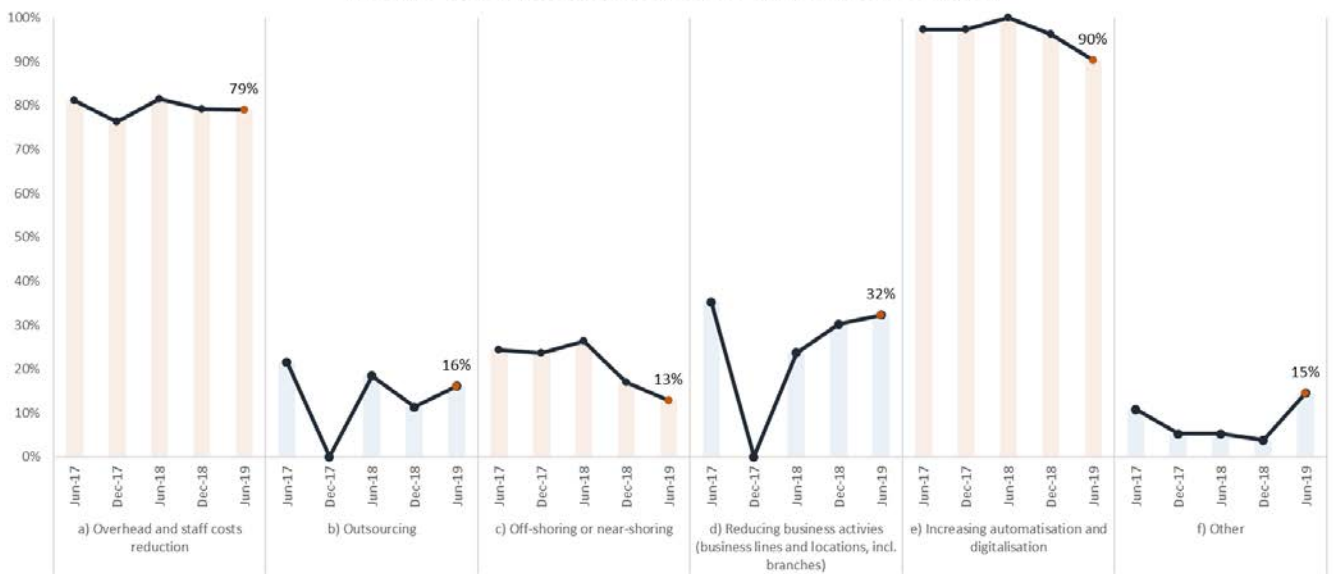
### Question 6: June 2019 results

Q6 You primarily aim to reduce operating expenses / costs through (multiple choice question)



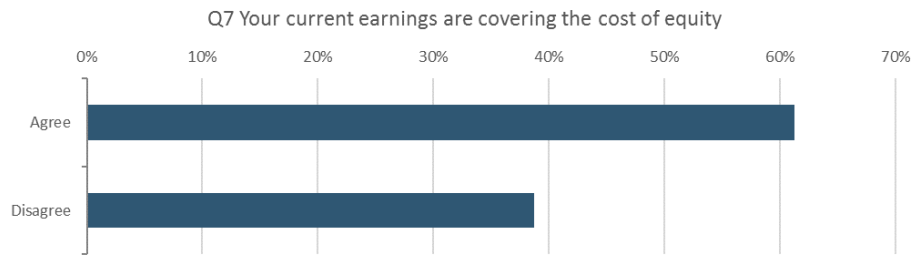
### Question 6: comparison with earlier results

Q6 You are reducing operating expenses / costs through (multiple choice question)

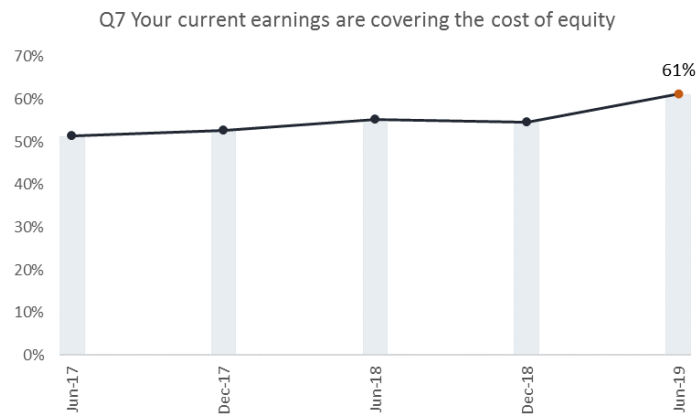




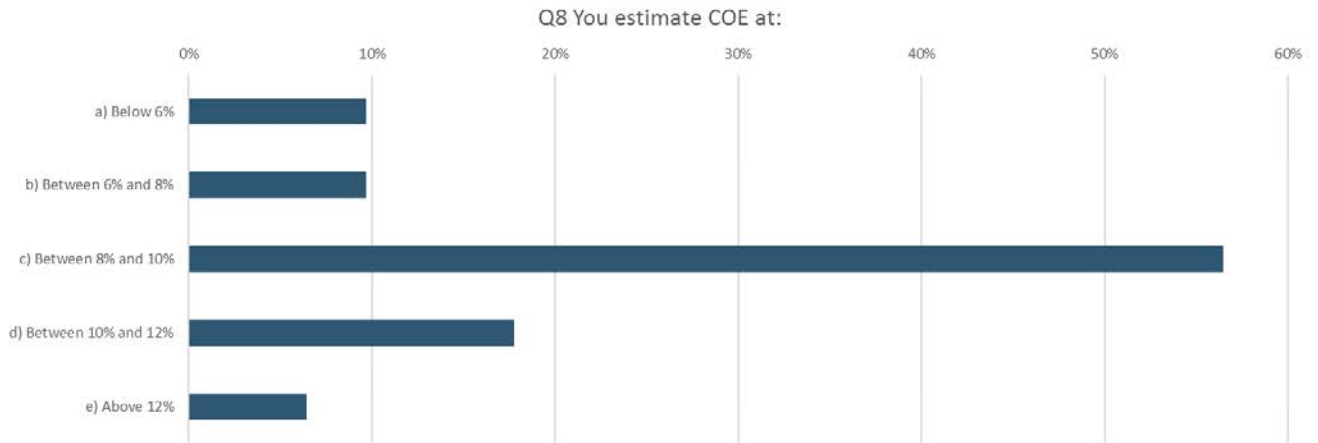
**Question 7: June 2019 results**



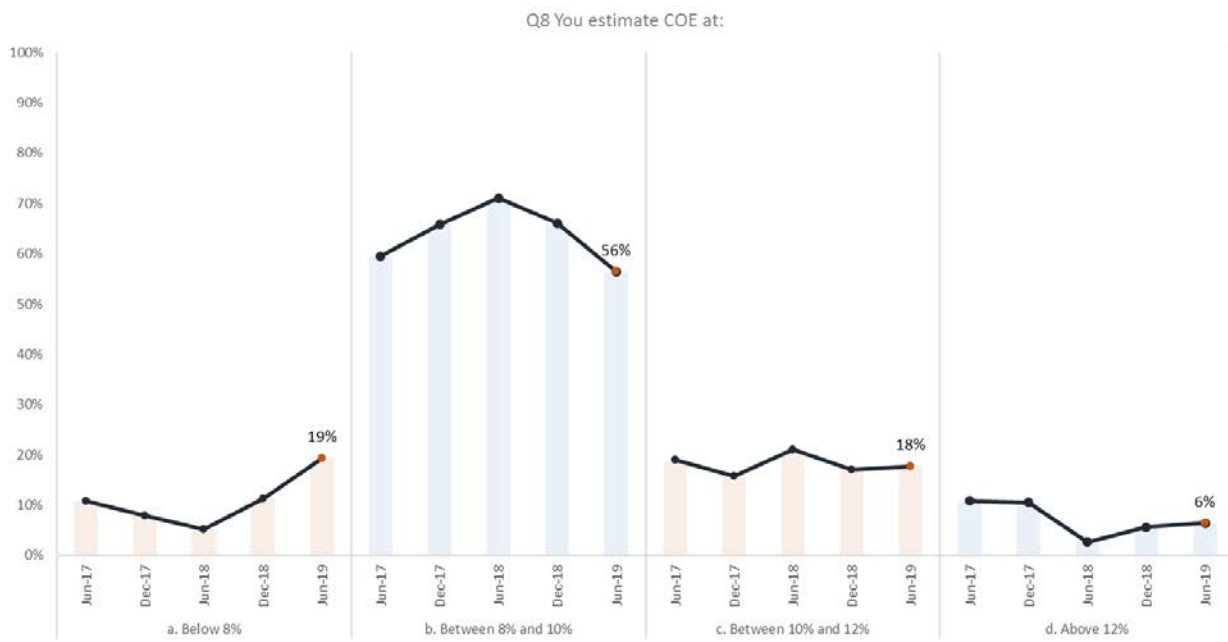
**Question 7: comparison with earlier results**



**Question 8: June 2019 results**

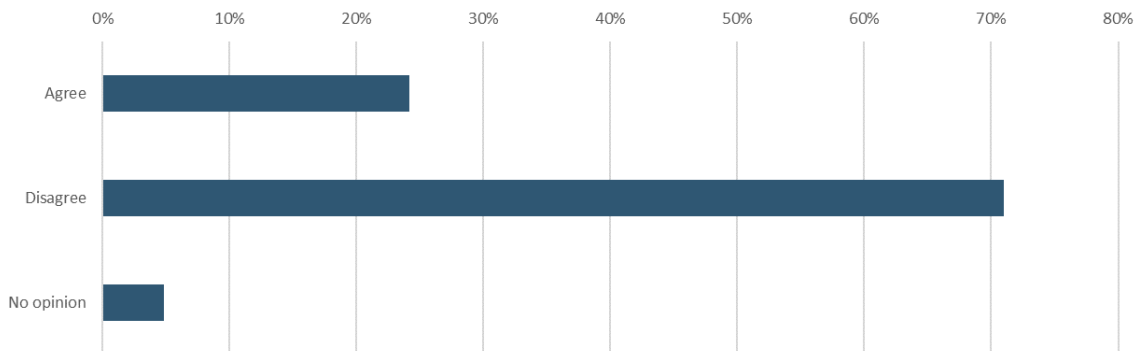


**Question 8: comparison with earlier results**

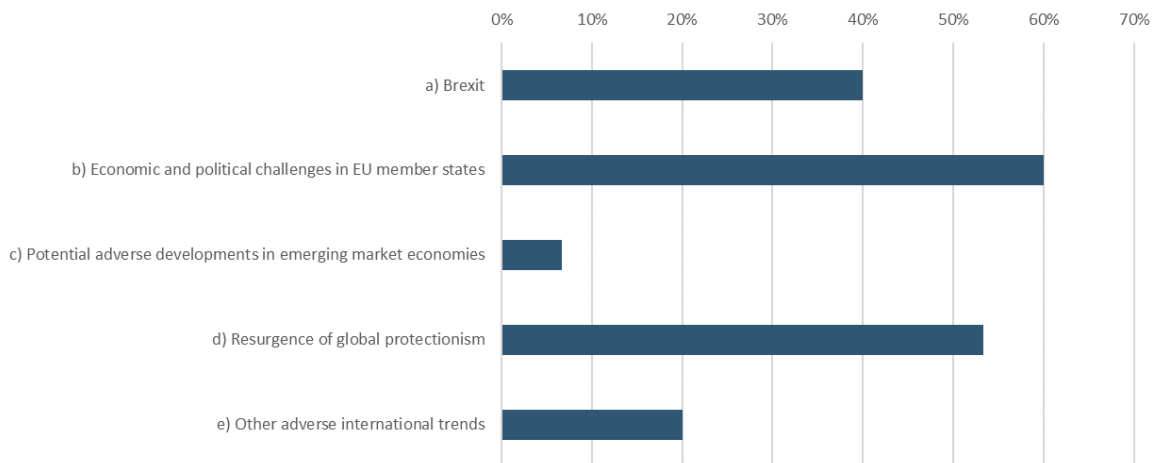


**Question 9: June 2019 results**

Q9 Do you expect material adverse implications for your bank's business from current political and economic developments?

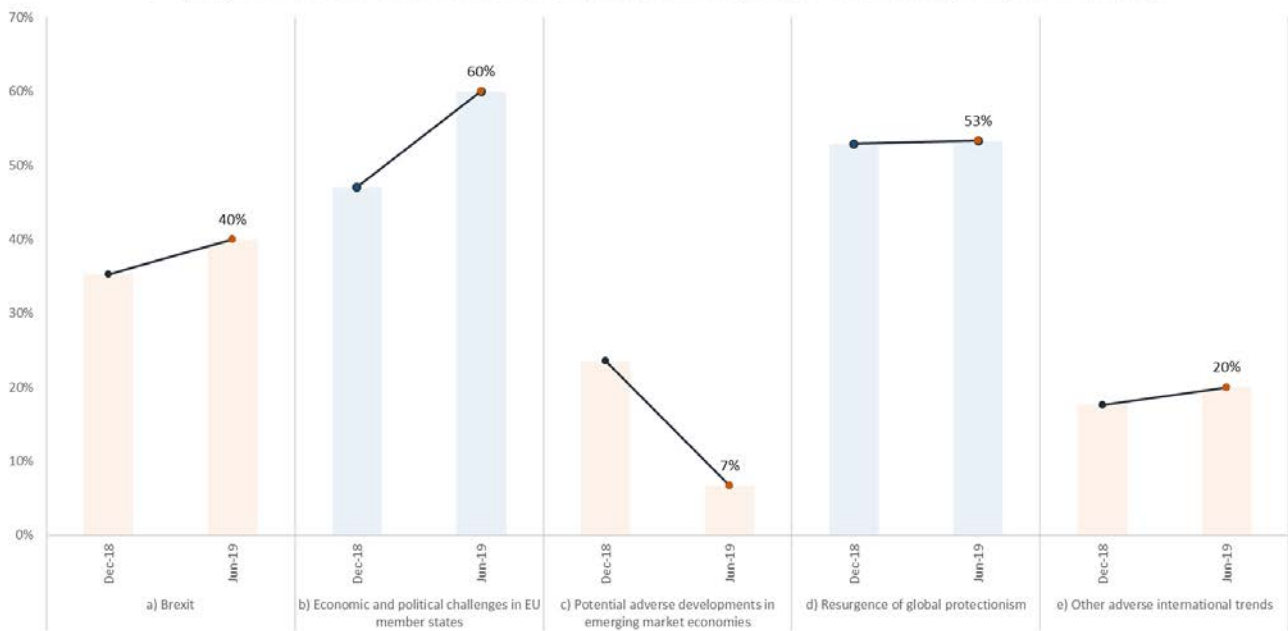


9b If you agree: which are the current international developments that mainly affect your bank's business (multiple choice question):



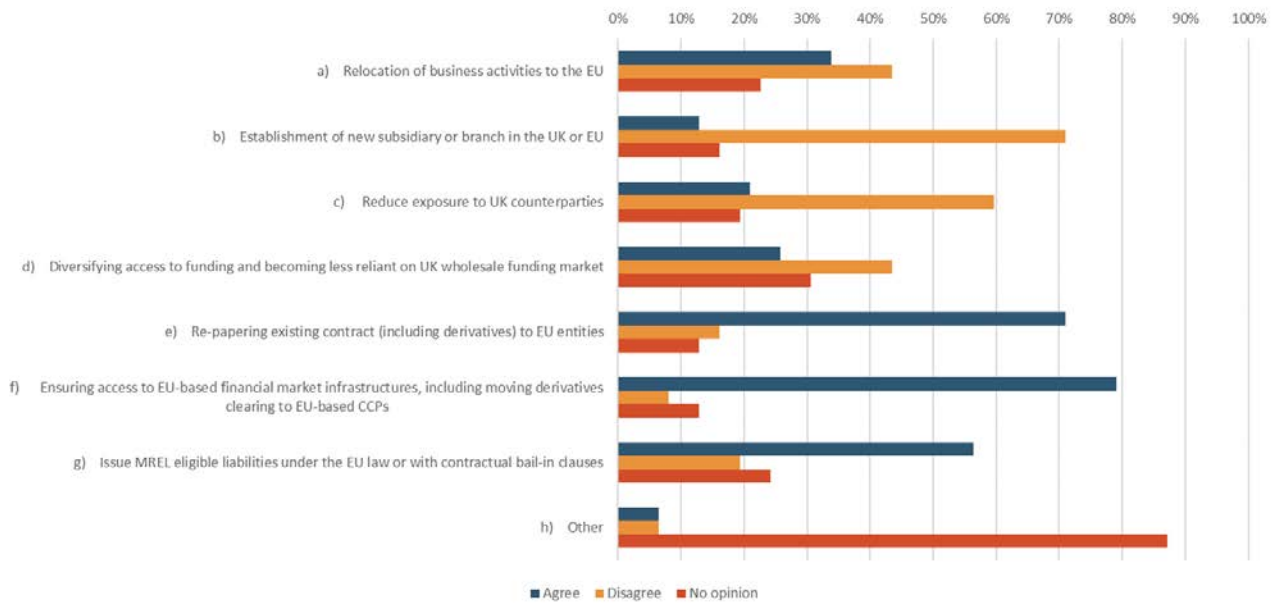
**Question 9: comparison with earlier results**

9b If you agree: which are the current international developments that mainly affect your bank's business (multiple choice question):



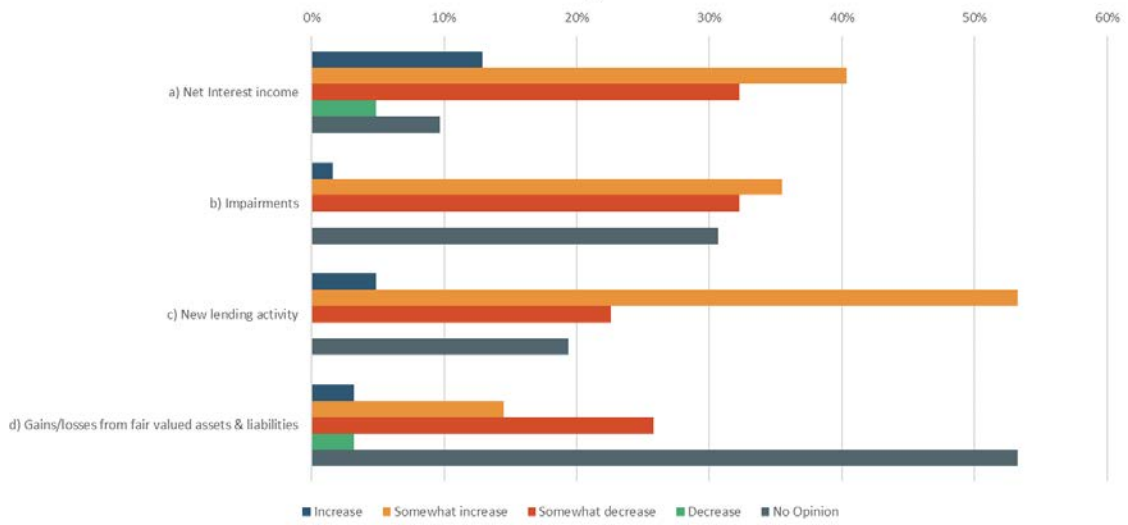
**Question 10: June 2019 results**

Q10 How have you responded/ Are you aiming to respond to current and future risks related to the UK withdrawal from the EU (Brexit)?



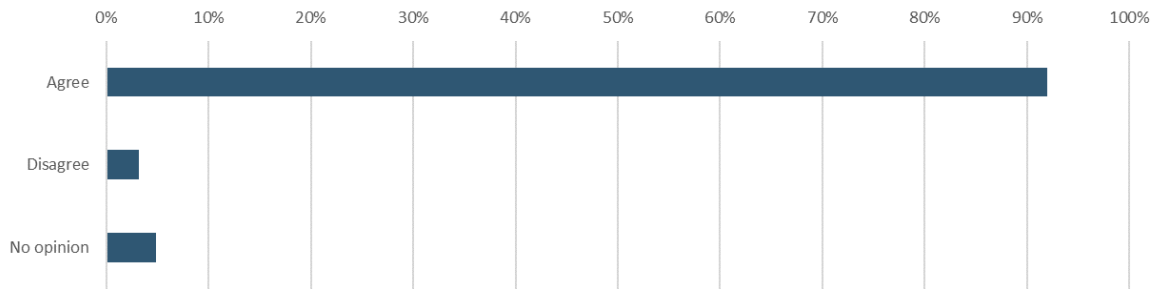
**Question 11: June 2019 results**

Q11 How would you expect interest rate levels to impact in the short/medium term your bank's earnings

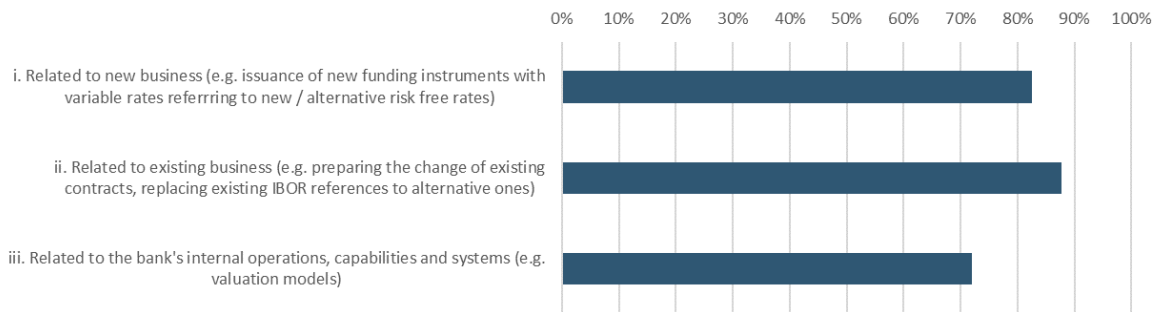


**Question 12: June 2019 results**

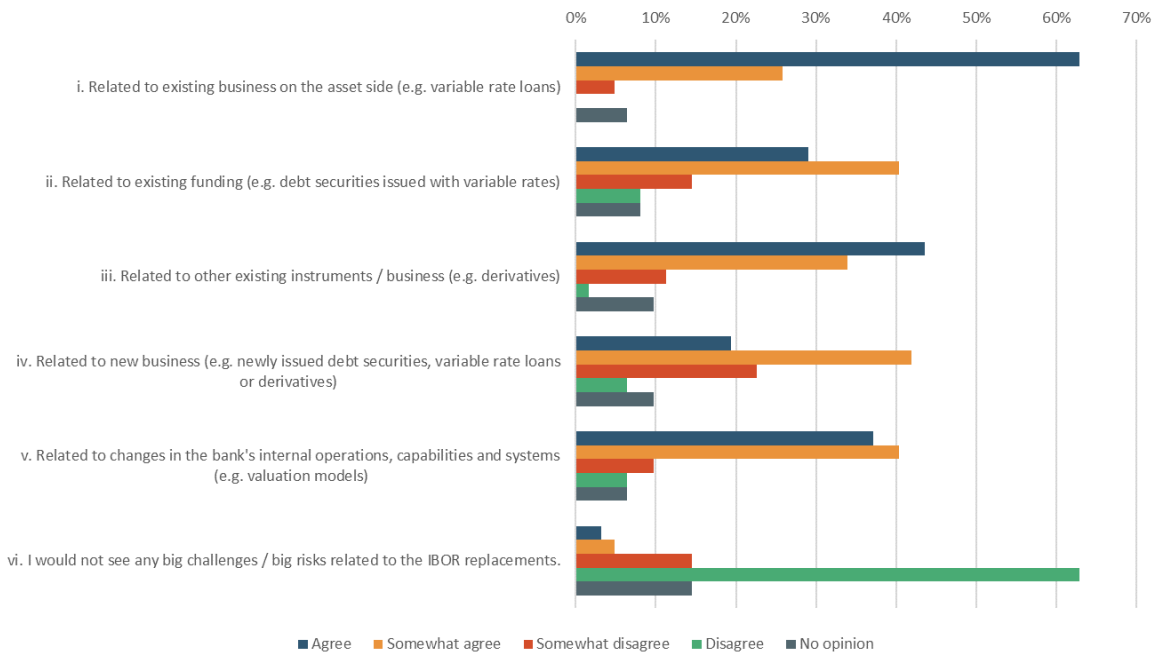
12 Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.).



12b If you agree: In which areas is your bank working on such solutions (multiple choice question):

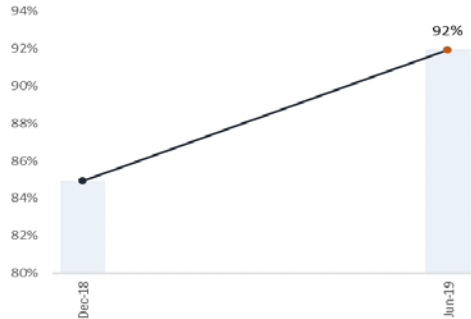


12c In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?

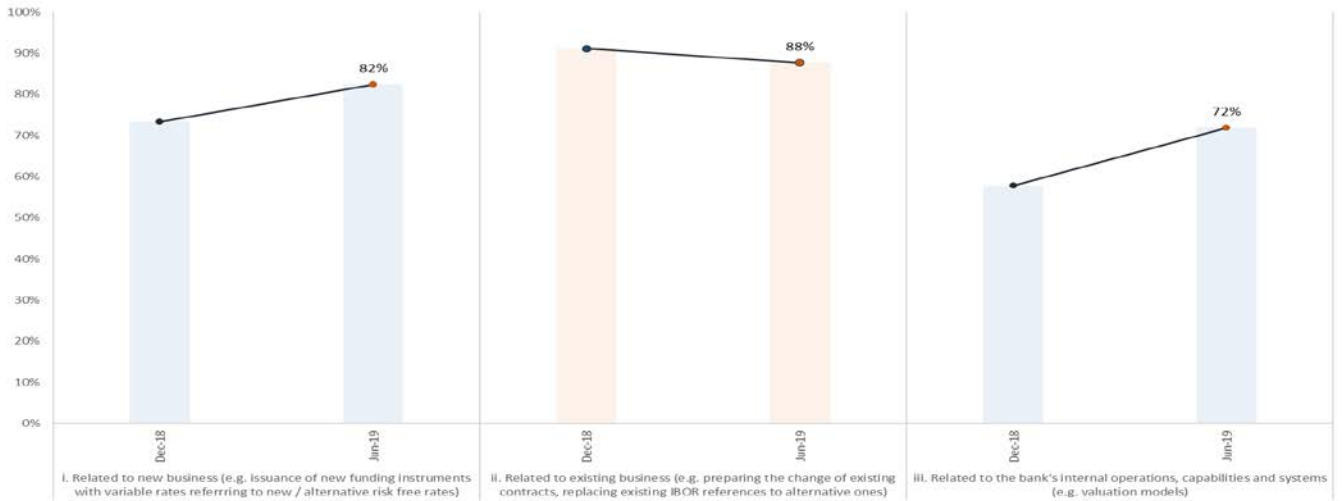


Question 12: comparison with earlier results

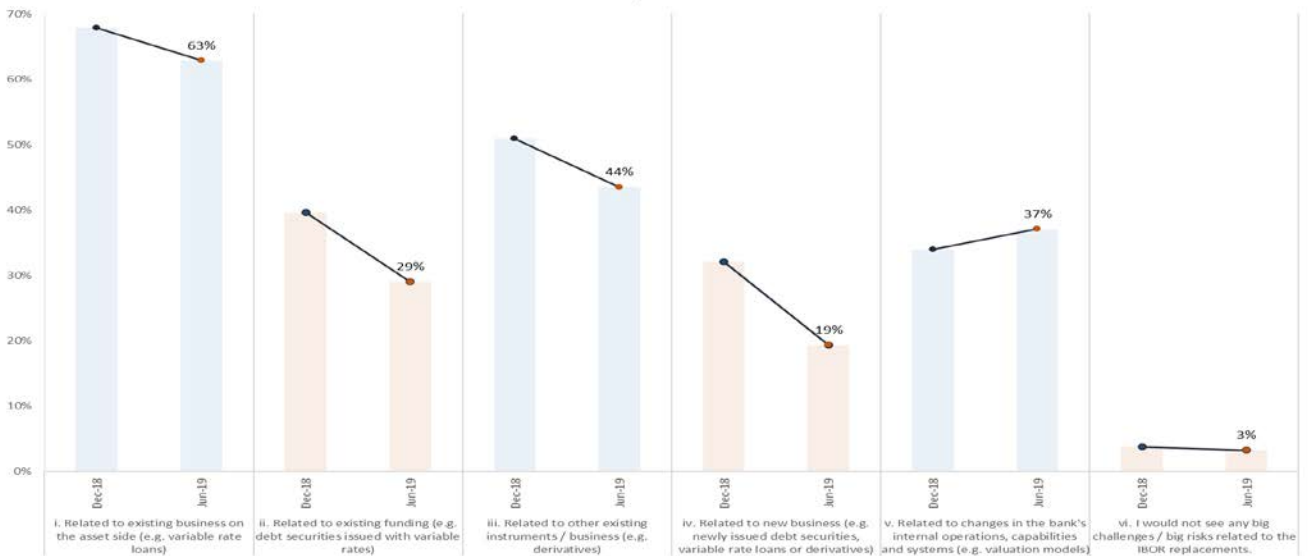
12 Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.)



12b If you agree: In which areas is your bank working on such solutions:



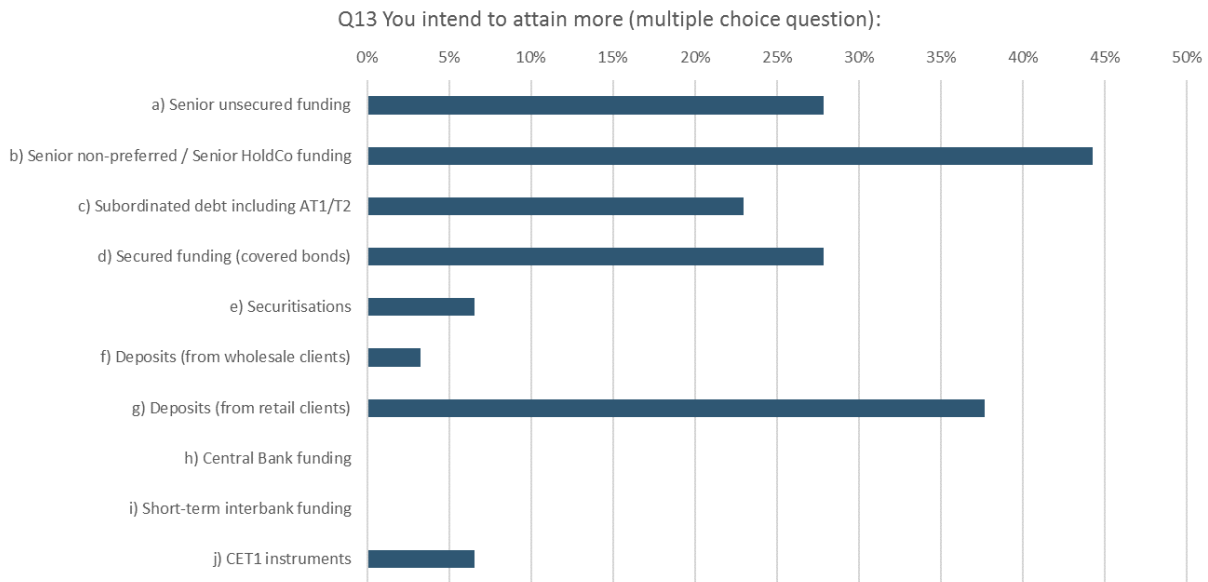
12c In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?



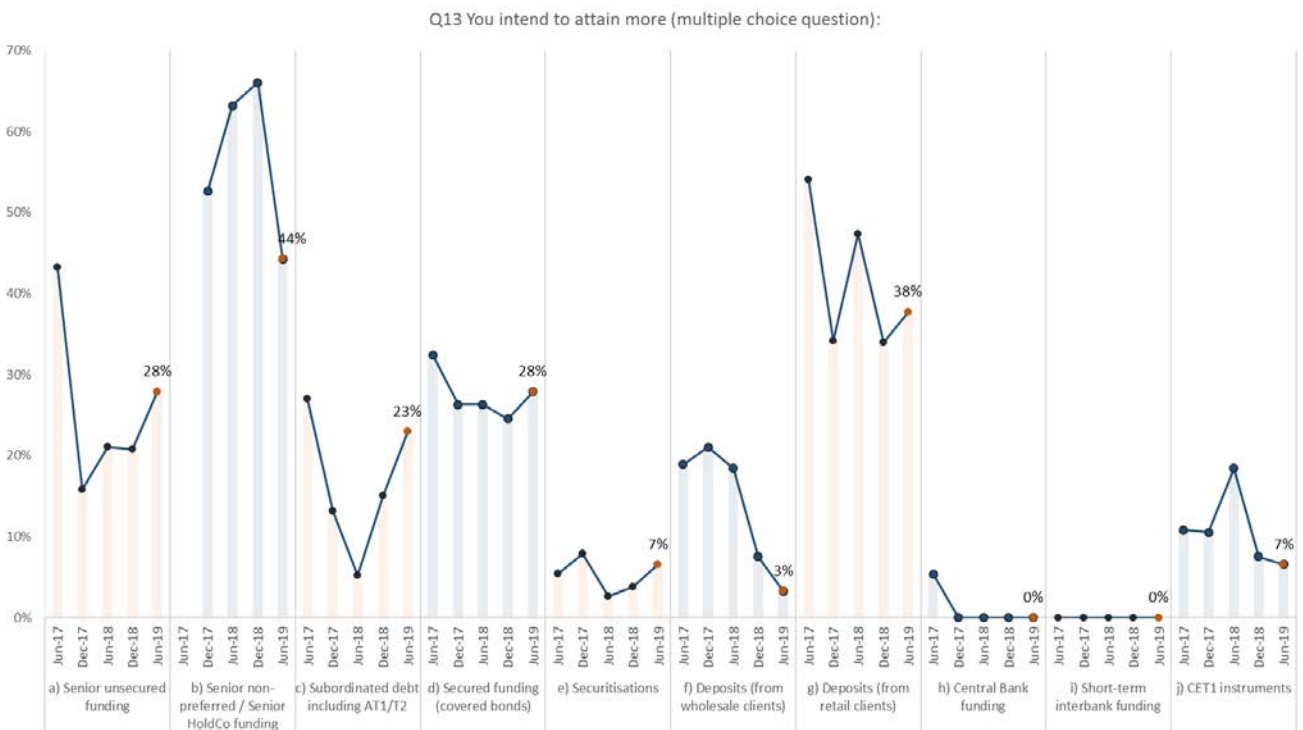


## 2. Funding / liquidity

### Question 13: June 2019 results

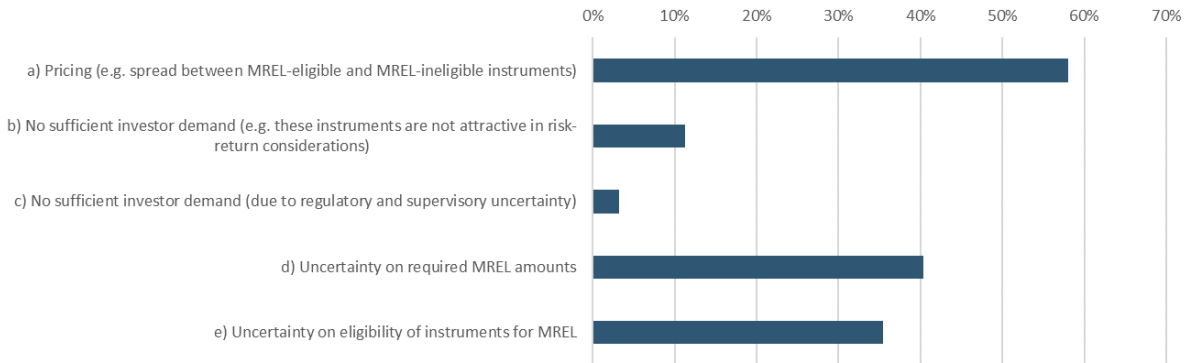


### Question 13: comparison with earlier results



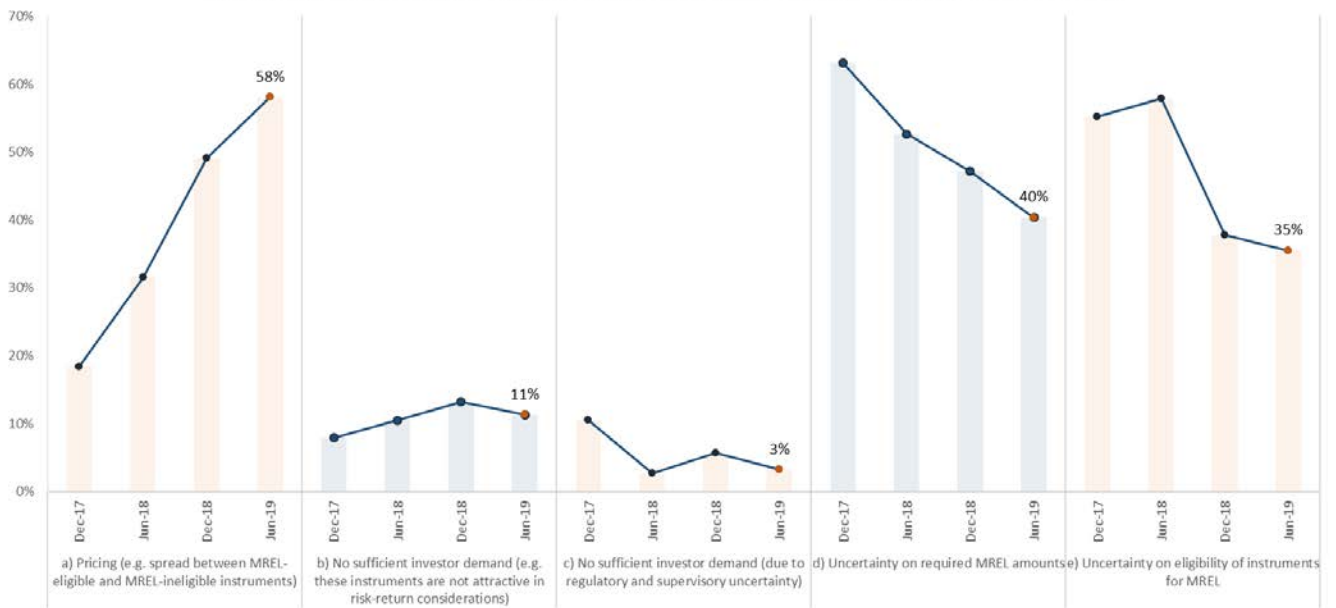
**Question 14: June 2019 results**

Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (multiple choice question)?



**Question 14: comparison with earlier results**

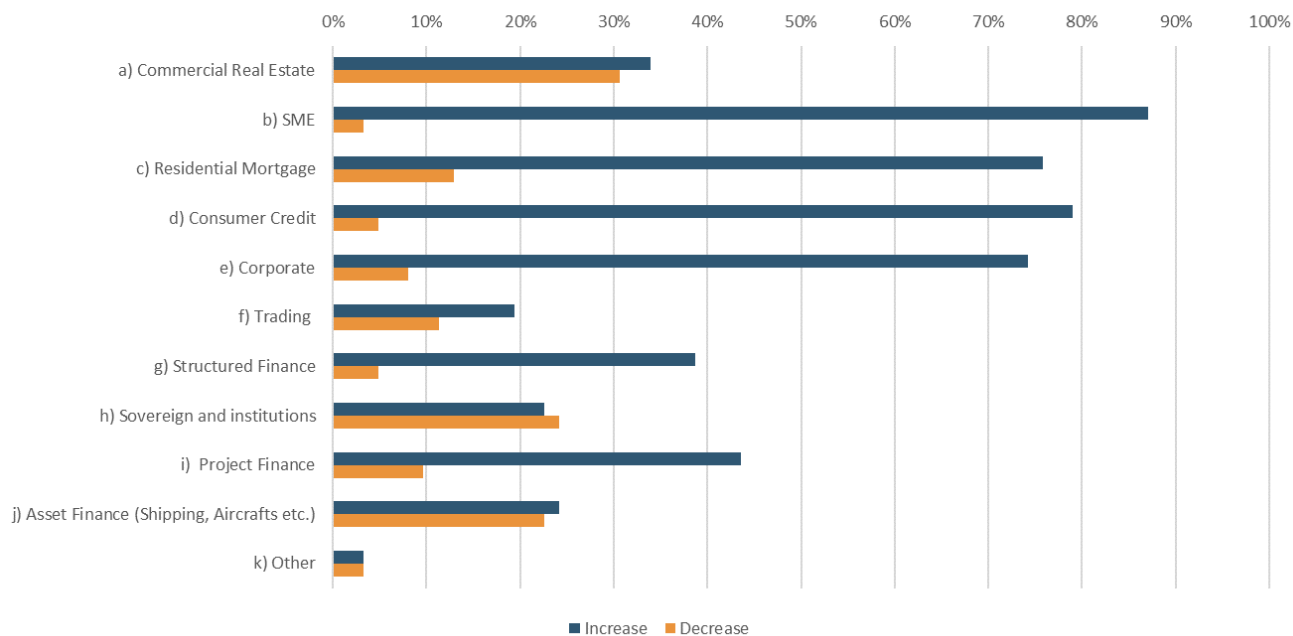
Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (multiple choice question)?



### 3. Asset volume trends

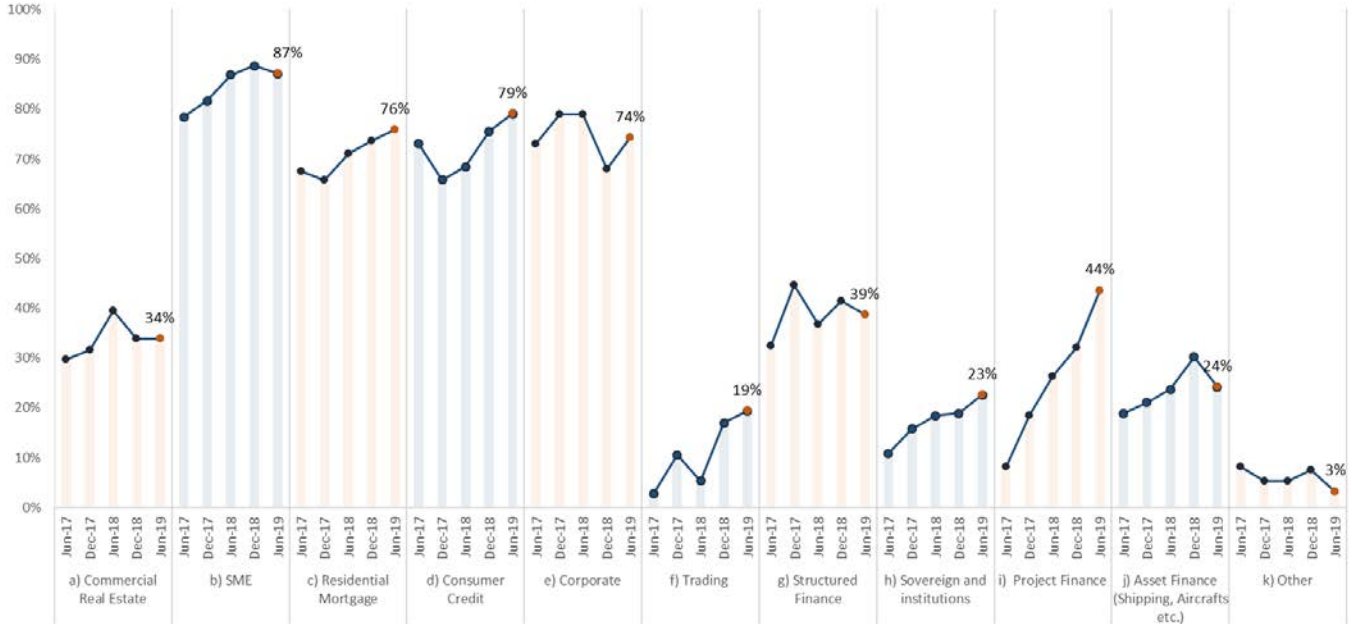
#### Question 15: June 2019 results

Q15 Which portfolios do you plan to increase/decrease in volume during the next 12 months?  
(multiple choice question)

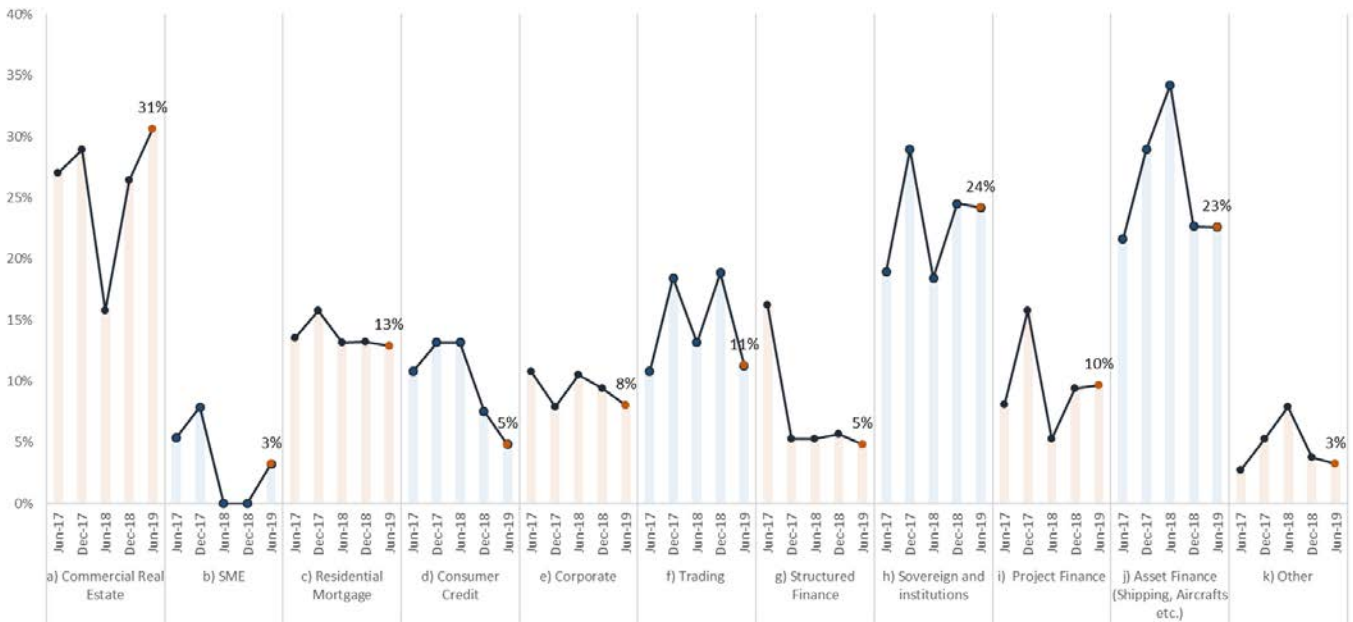


Question 15: Comparison with earlier results

Q15a Which portfolios do you plan to increase in volume during the next 12 months? (multiple choice question)



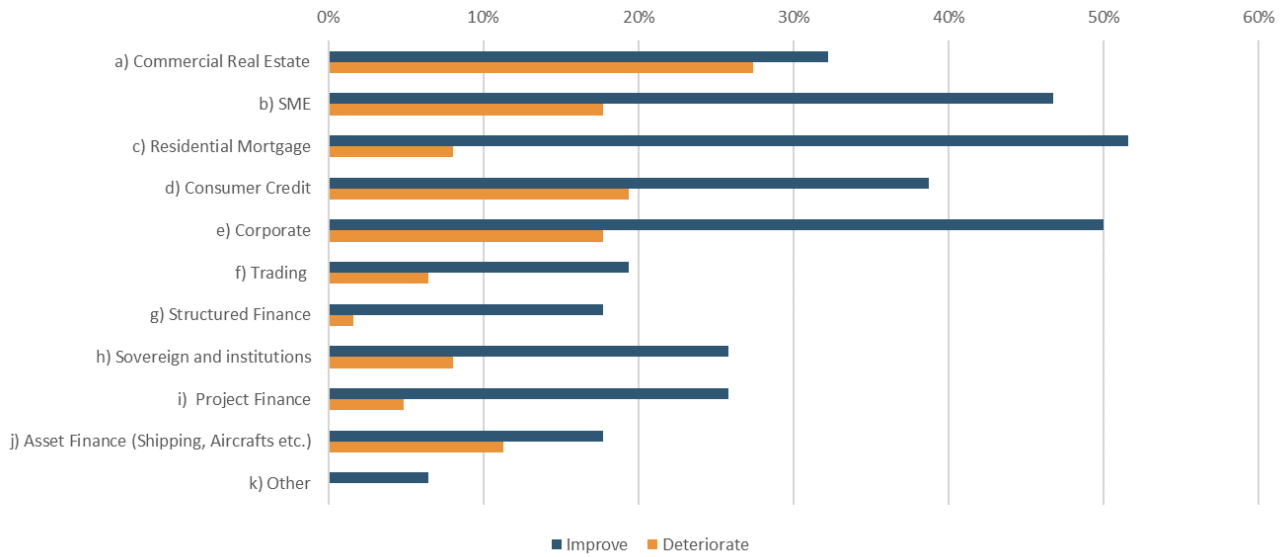
Q15b Which portfolios do you plan to decrease in volume during the next 12 months? (multiple choice question)



## 4. Asset composition & quality

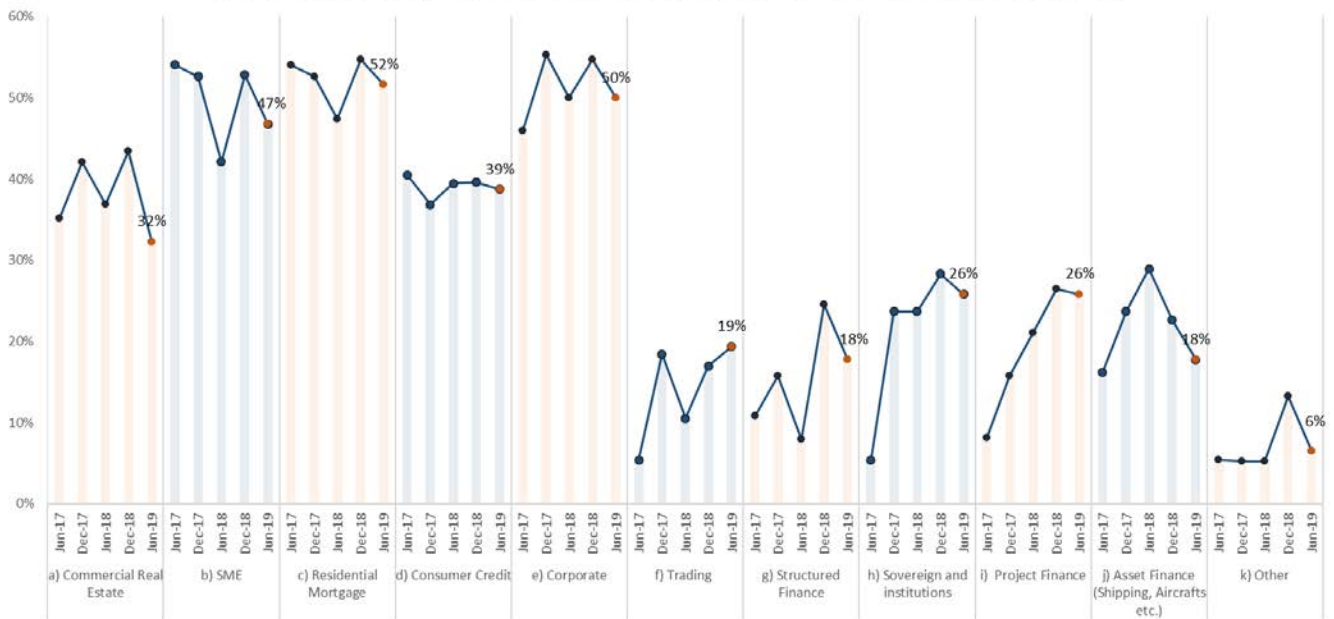
### Question 16: June 2019 results

Q16 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?  
(multiple choice question)

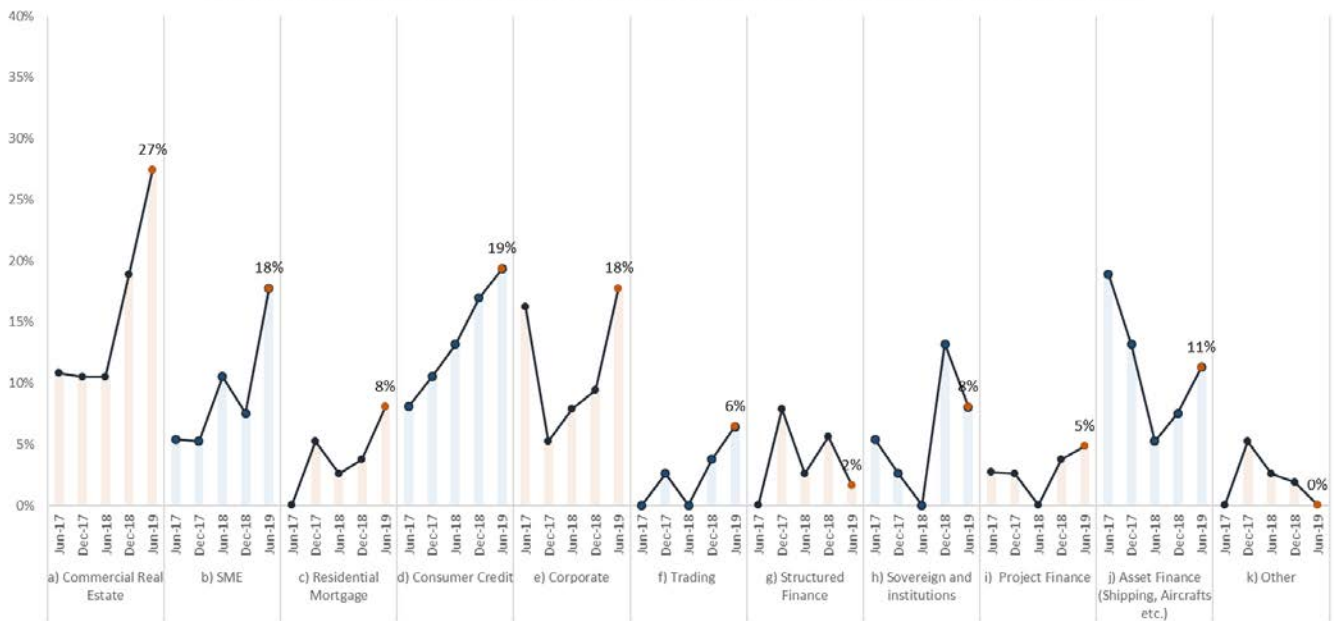


### Question 16: Comparison with earlier results

Q16a Which portfolios do you expect to improve in asset quality in the next 12 months? (multiple choice question)

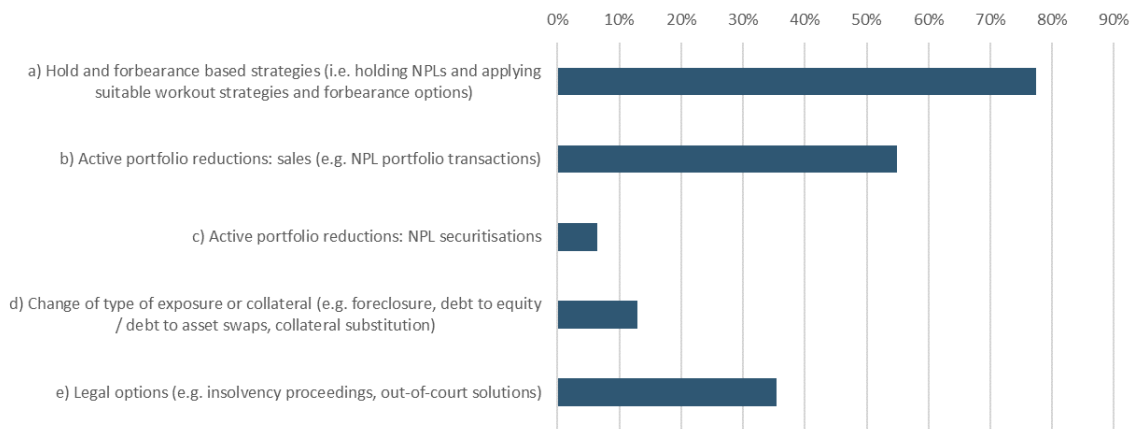


Q16b Which portfolios do you expect to deteriorate in asset quality in the next 12 months? (multiple choice question)



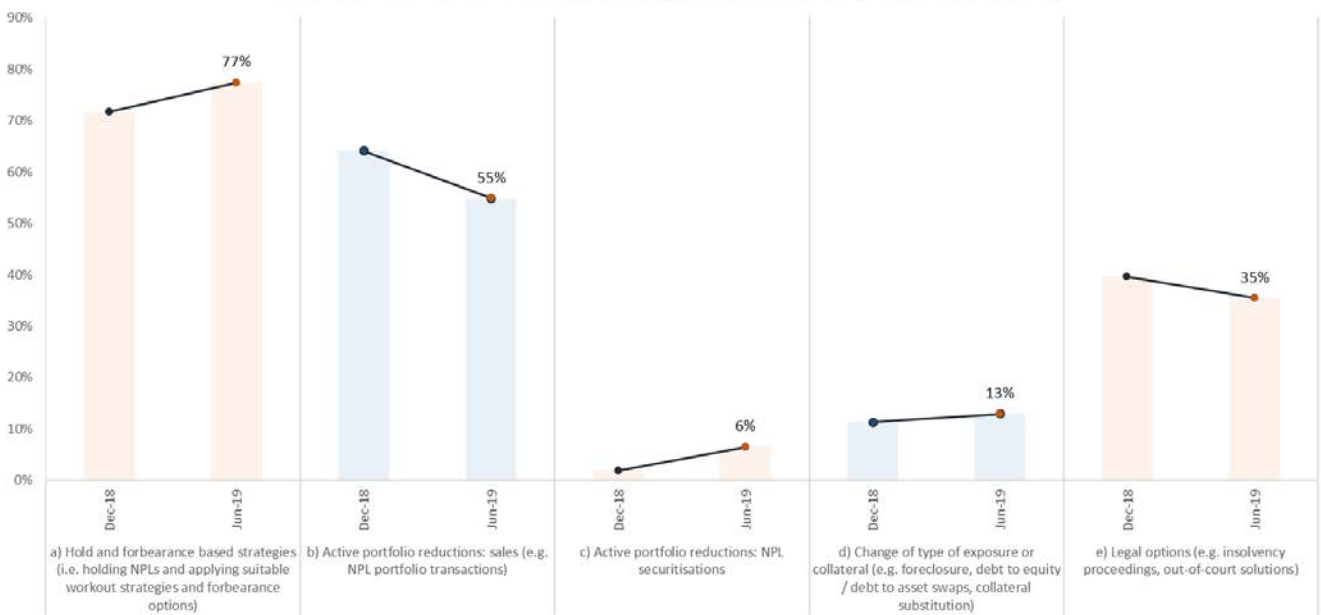
### Question 17: June 2019 results

Q17 What are your most commonly applied strategies for NPL reduction (multiple choice question)?



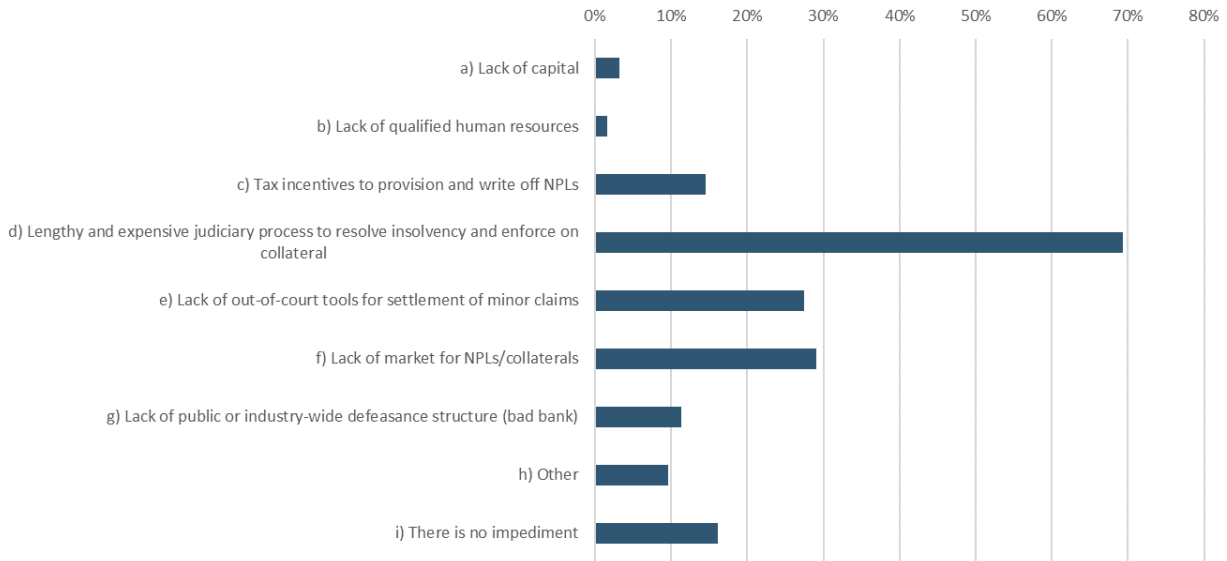
### Question 17: comparison with earlier results

Q17 What are your most commonly applied strategies for NPL reduction? (multiple choice question)



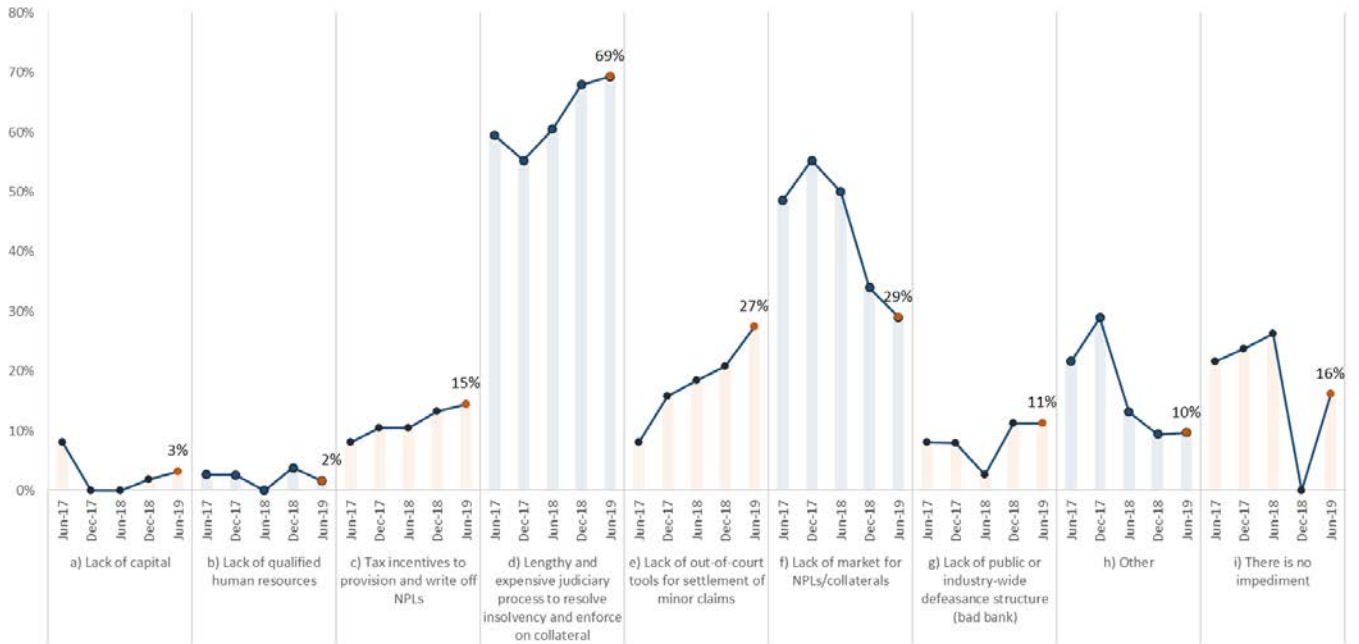
**Question 18: June 2019 results**

Q18 What are the impediments to resolve non-performing loans? (multiple choice question)



**Question 18: comparison with earlier results**

Q18 What are the impediments to resolve non-performing loans? (multiple choice question)

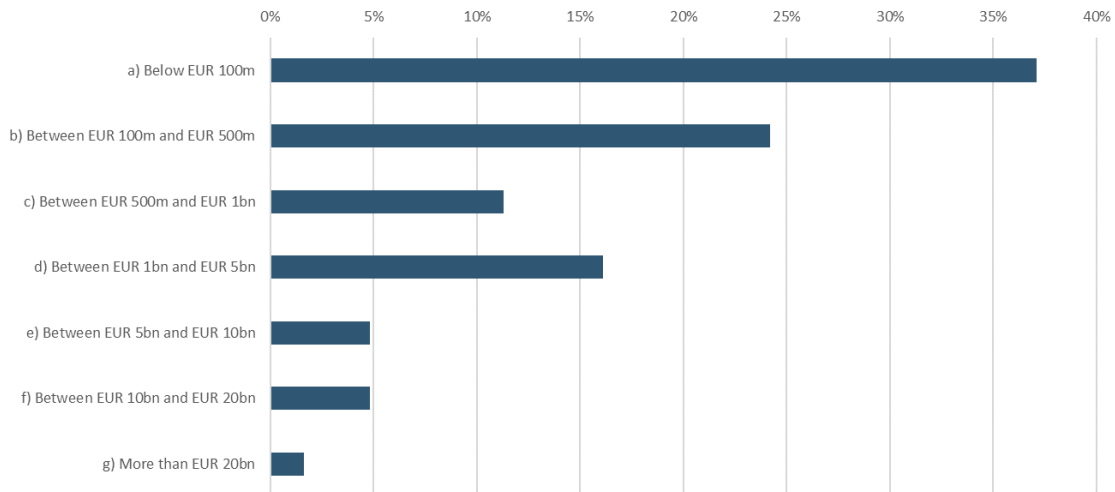




## 5. Conduct, reputation and operational risk

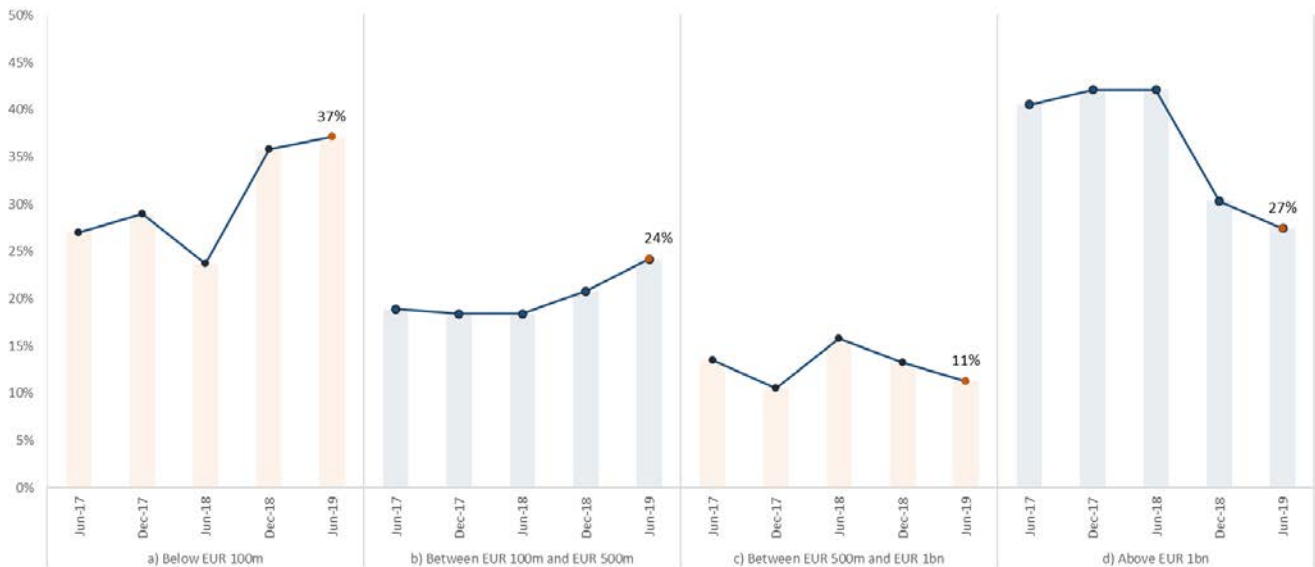
### Question 19: June 2019 results

Q19 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:

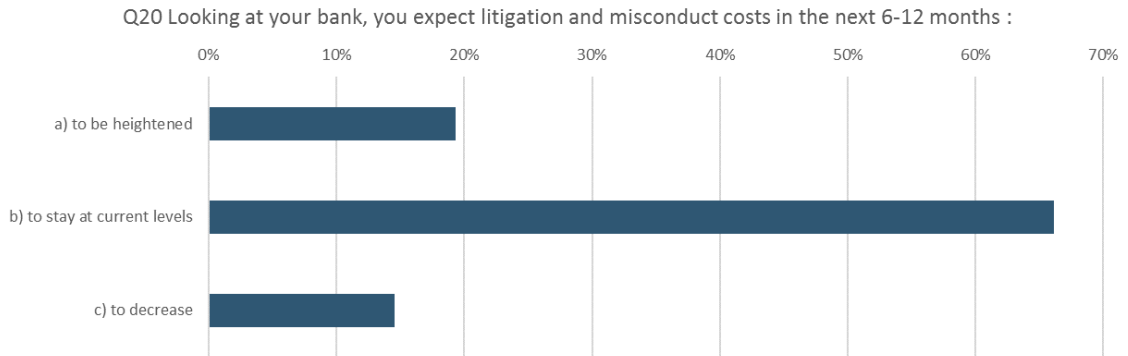


### Question 19: comparison with earlier results

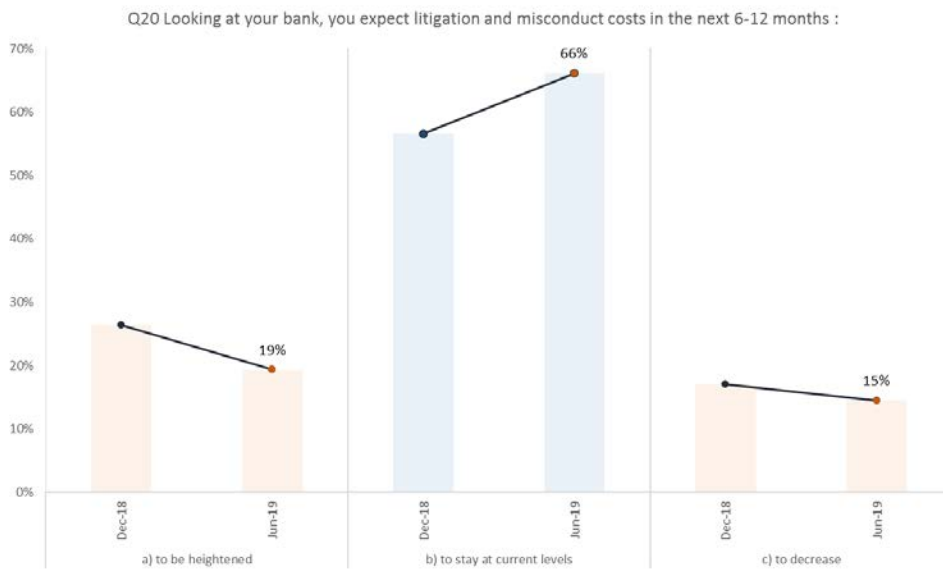
Q19 Since the end of your Financial Year 2007/8, your firm has paid out in the form of compensation, redress, litigation and similar payments (converted to EUR) an aggregate amount of:



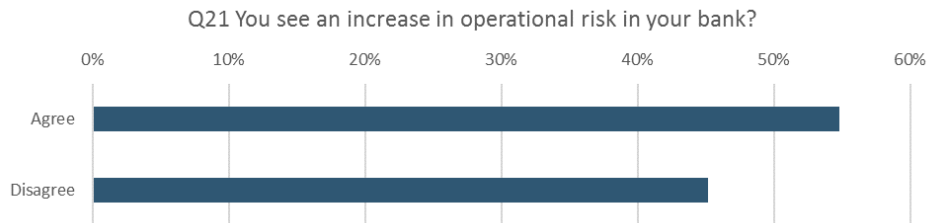
**Question 20: June 2019 results**



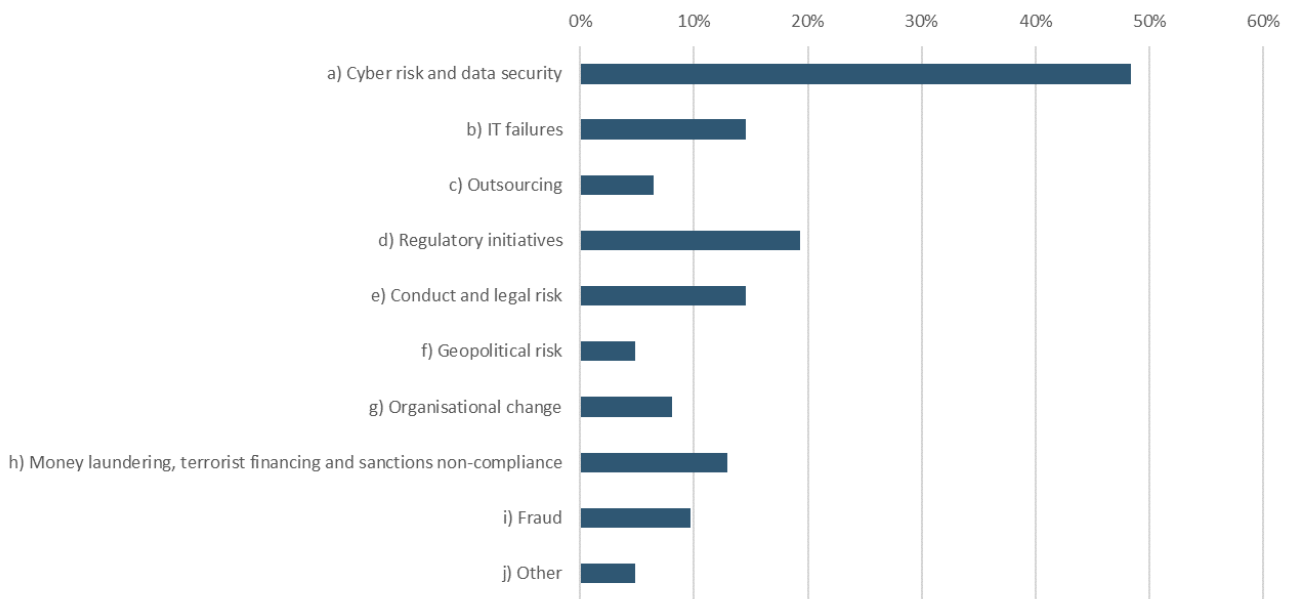
**Question 20: comparison with earlier results**



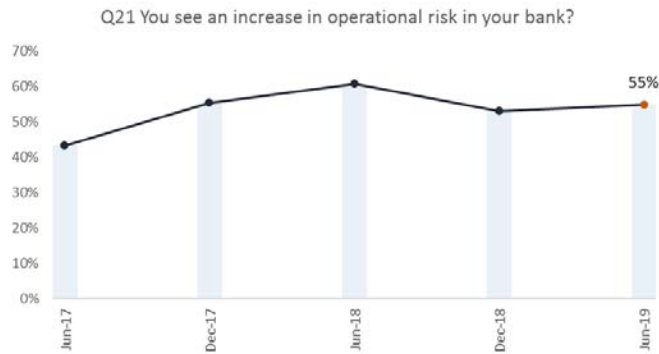
**Question 21: June 2019 results**



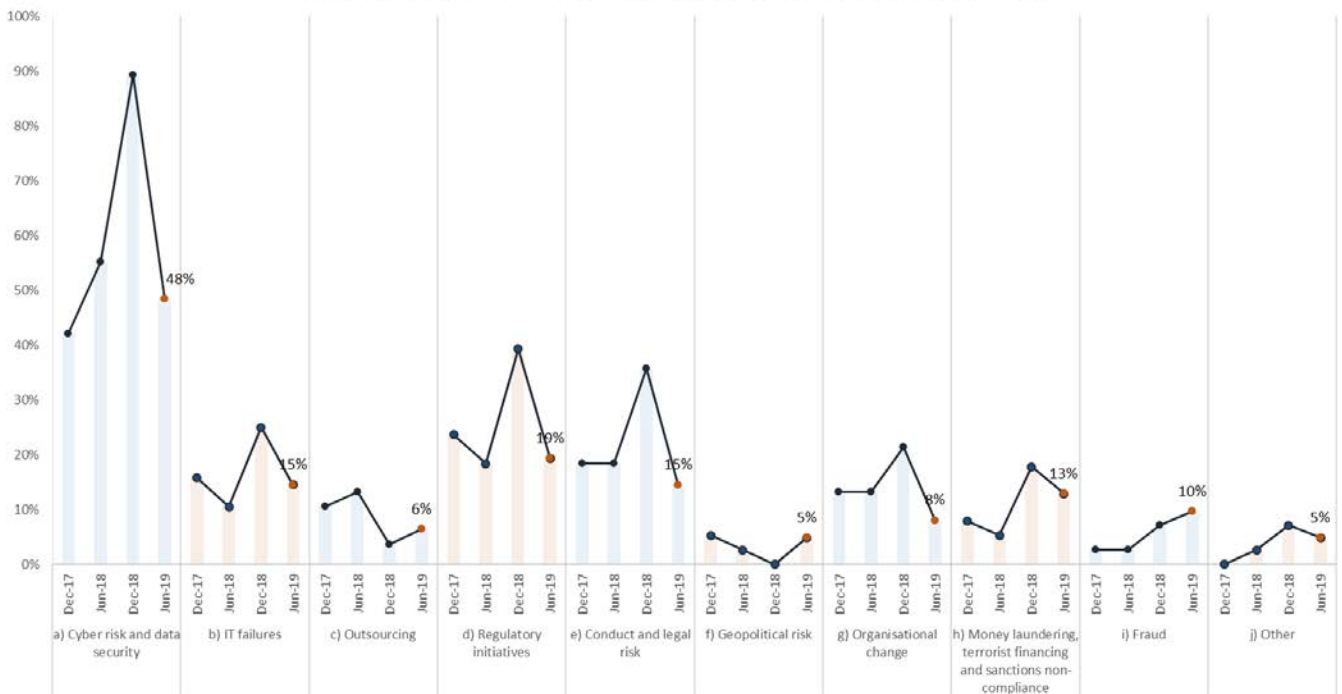
Q21b If applicable, the main driver for increasing operational risk is (multiple choice question):



**Question 21: comparison with earlier results**

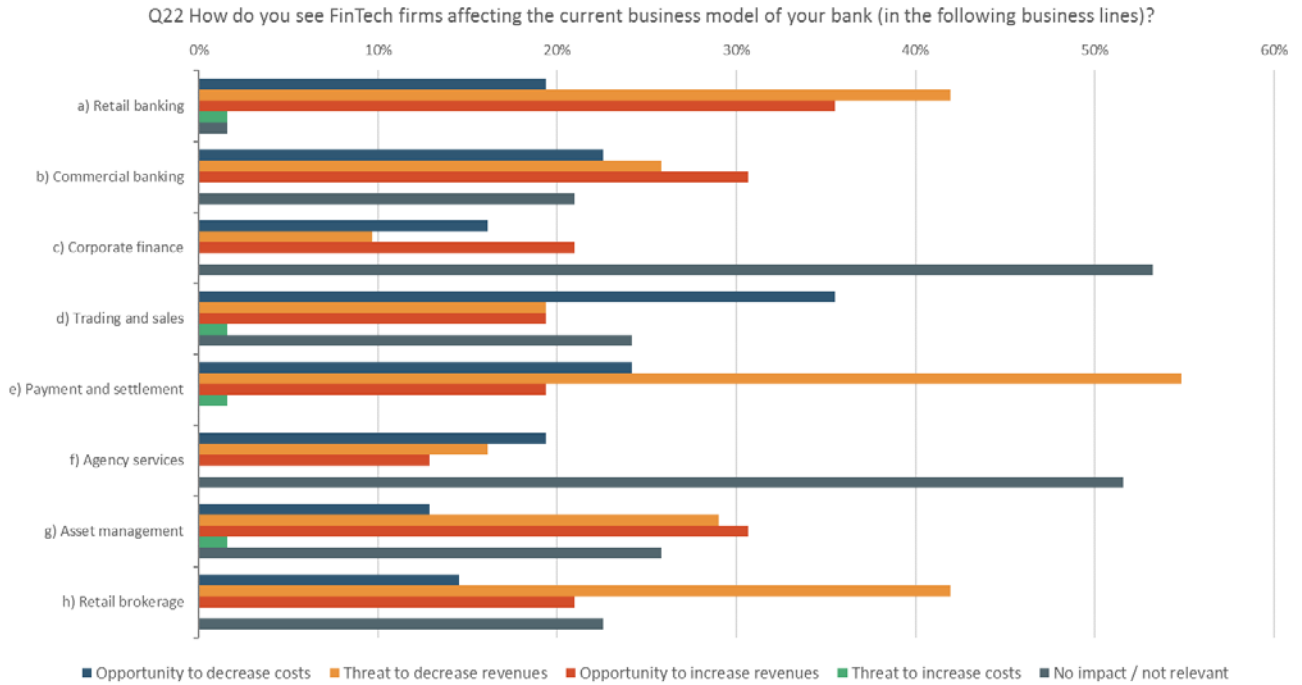


Q21b If applicable, the main driver for increasing operational risk is (multiple choice question):



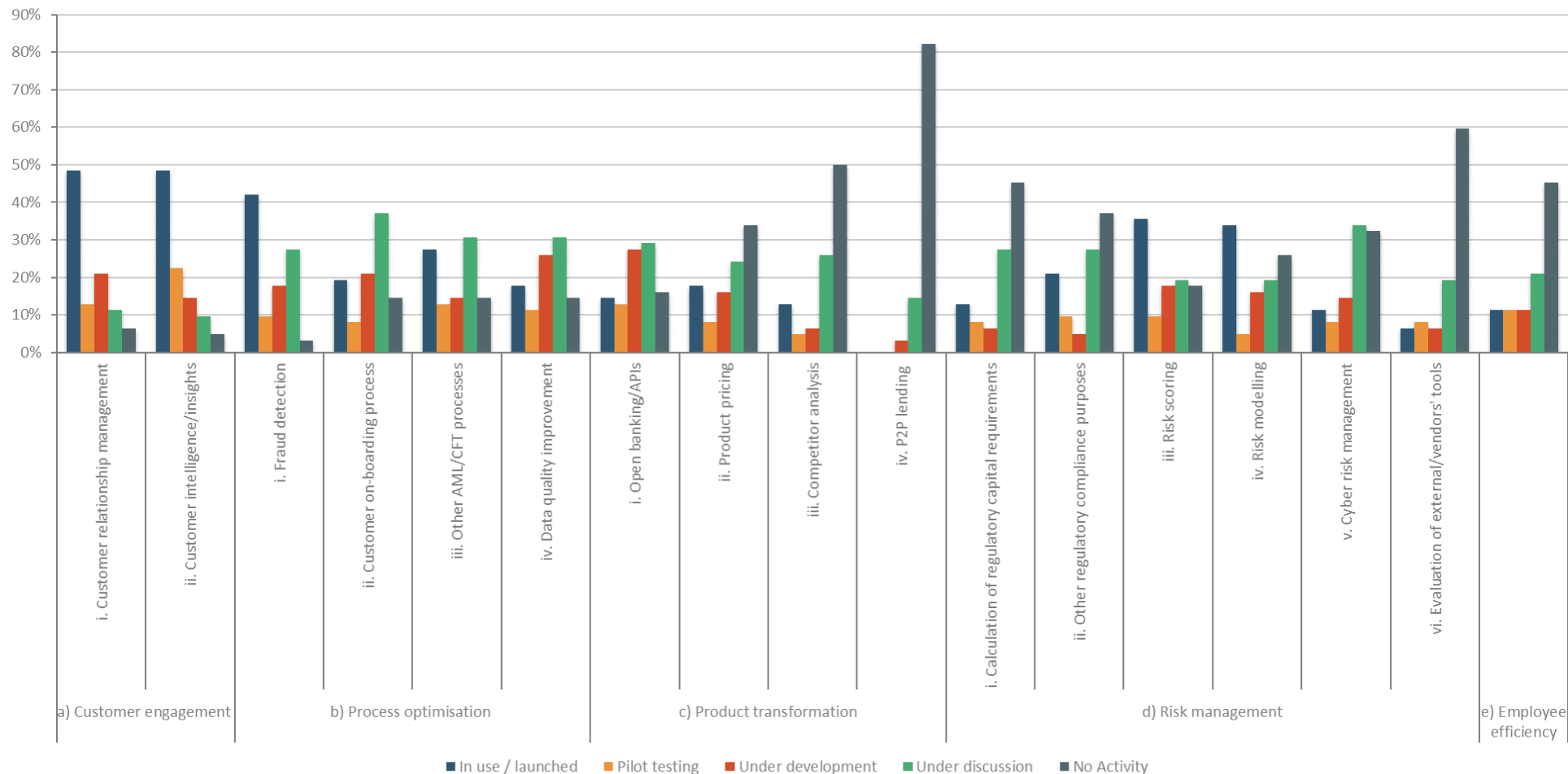
## 6. FinTech

### Question 22: June 2019 results



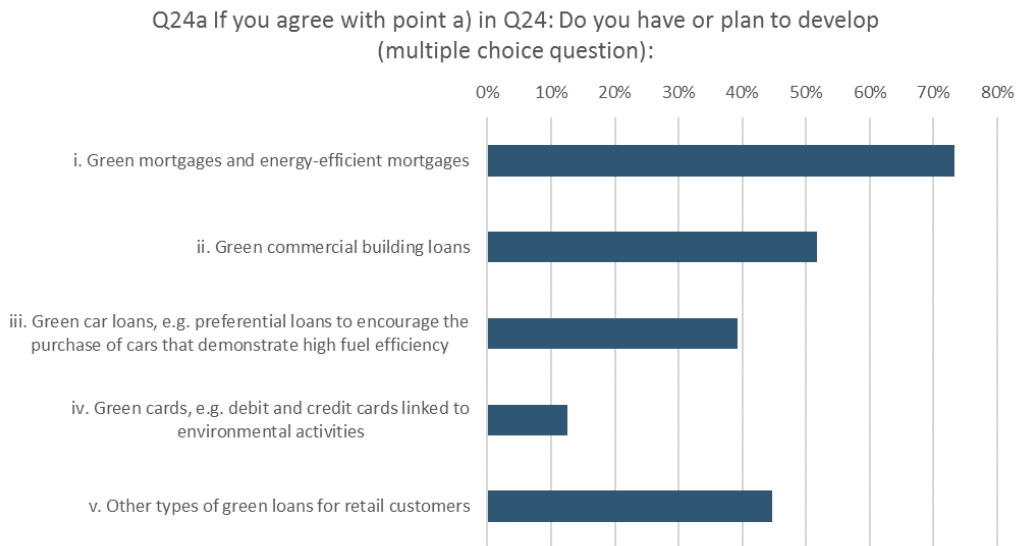
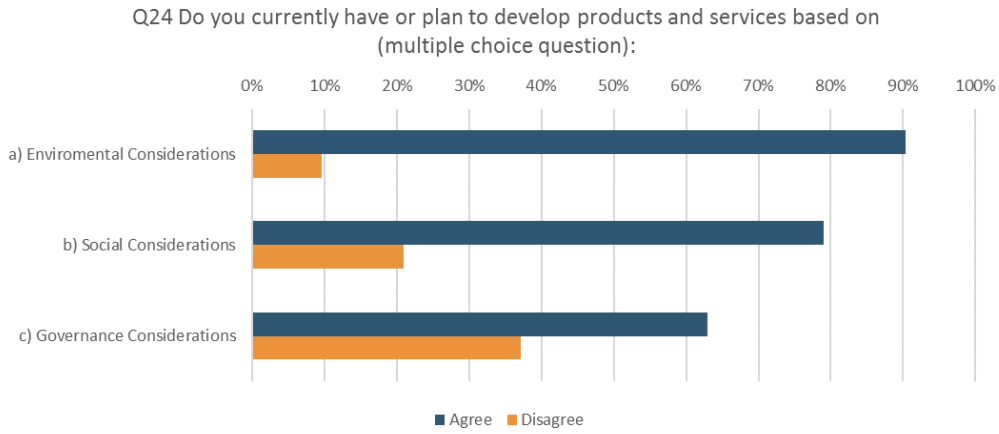
Question 23: June 2019 results

Q23 Are you currently using or planning to use in the near future Big Data Analytics for the following processes/activities?

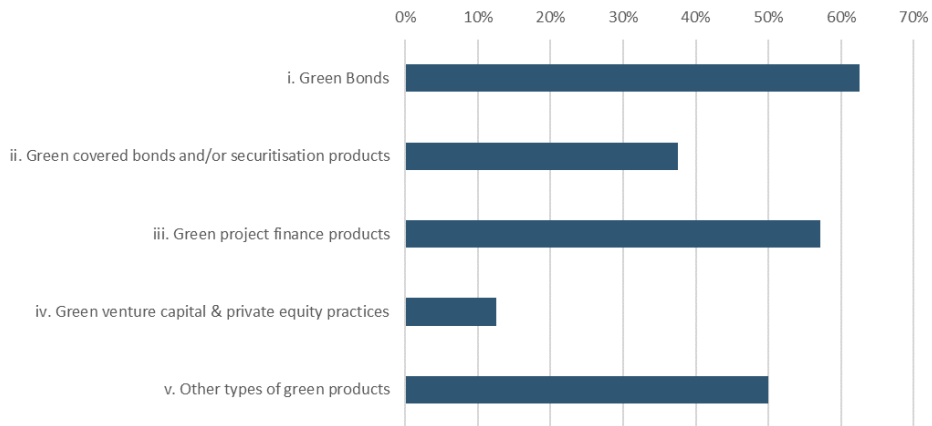


## 7. Sustainable Finance

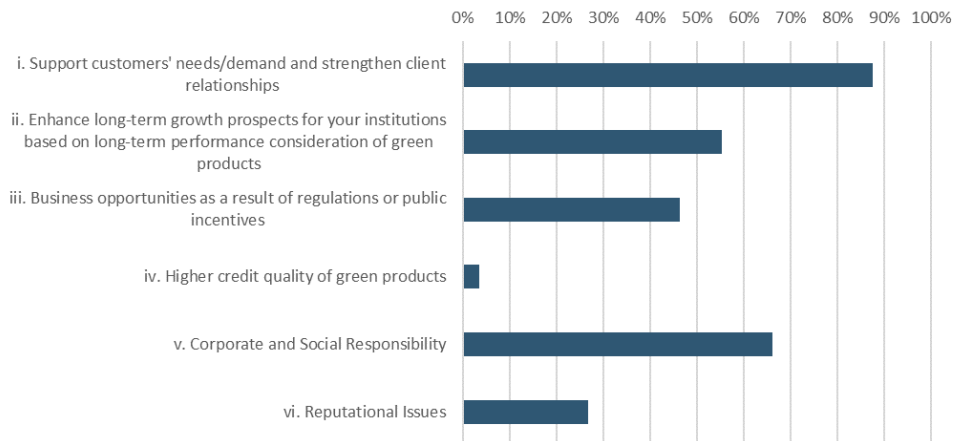
### Question 24: June 2019 results



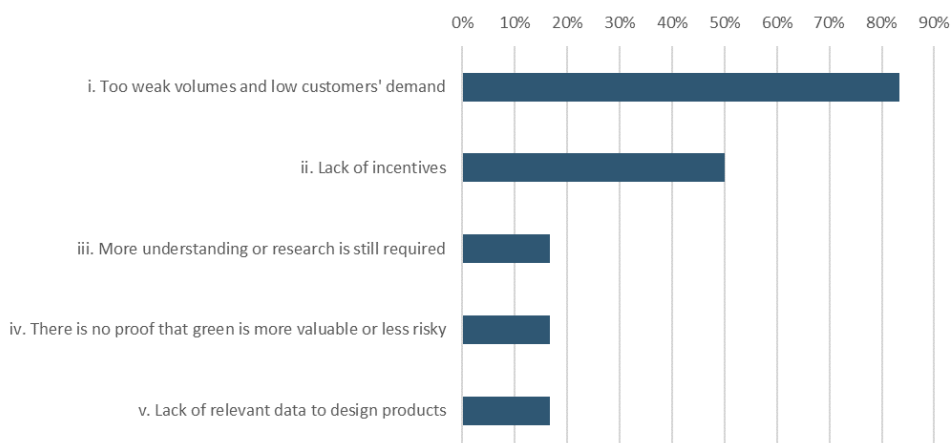
Q24b If you agree with point a) in Q24: Do you invest in or plan to invest in (multiple choice question):



Q24c If you agree with a) in Q24: What are the main motivations for developing green products and services? (multiple choice question)

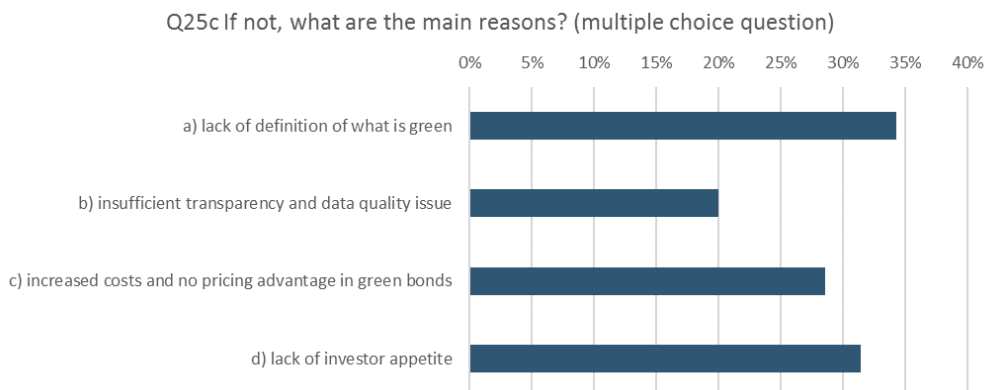
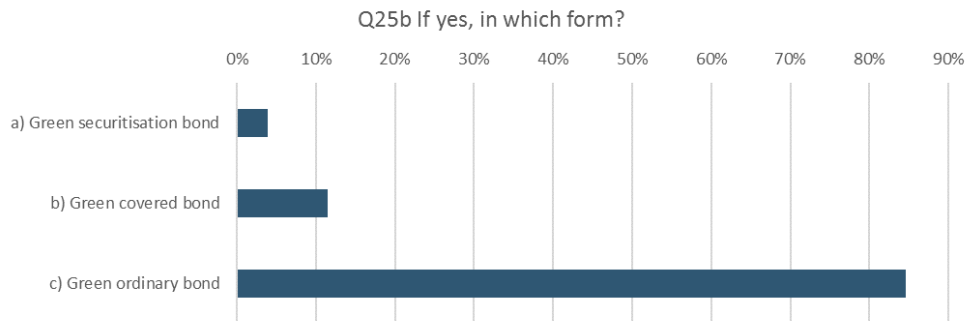
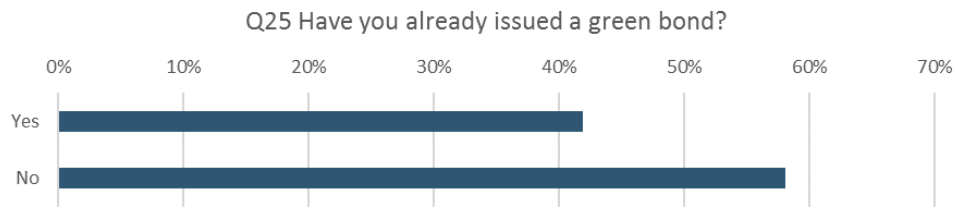


Q24d If you disagree with point a) in Q24, what are the main barriers to enter the green finance market? (multiple choice question)



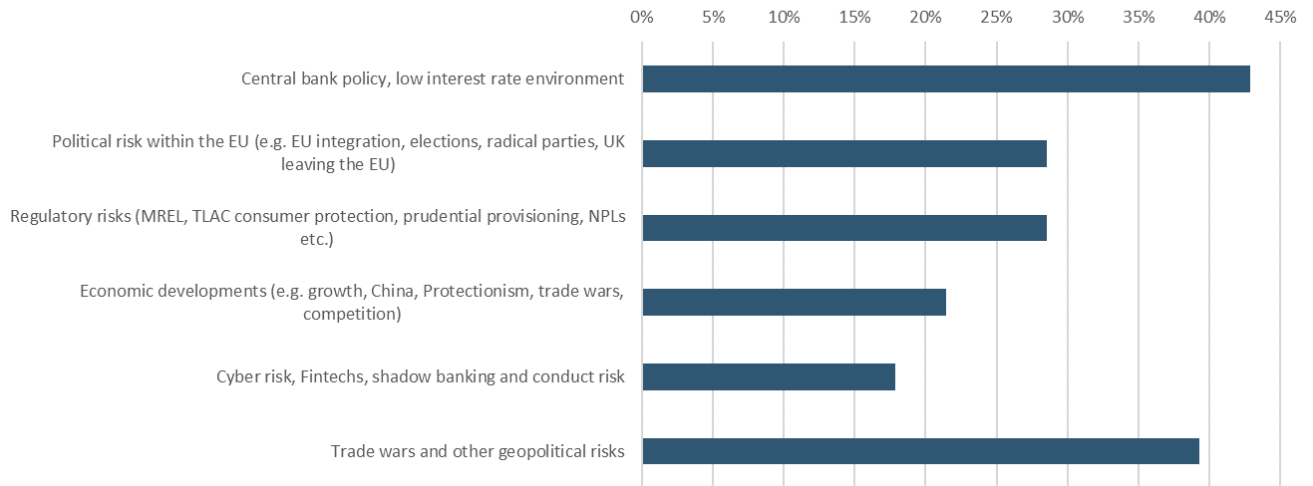


**Question 25: June 2019 results**



## 8. General open question

Q26 Looking at the EU banking sector, if you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months please indicate them.

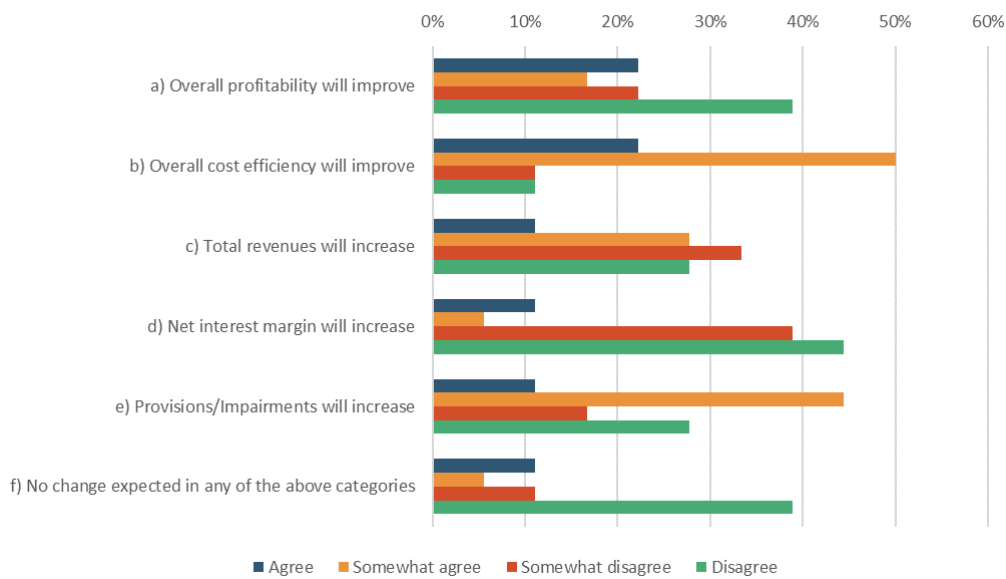


# Market analysts' questionnaire

## 1. Business model / strategy / profitability

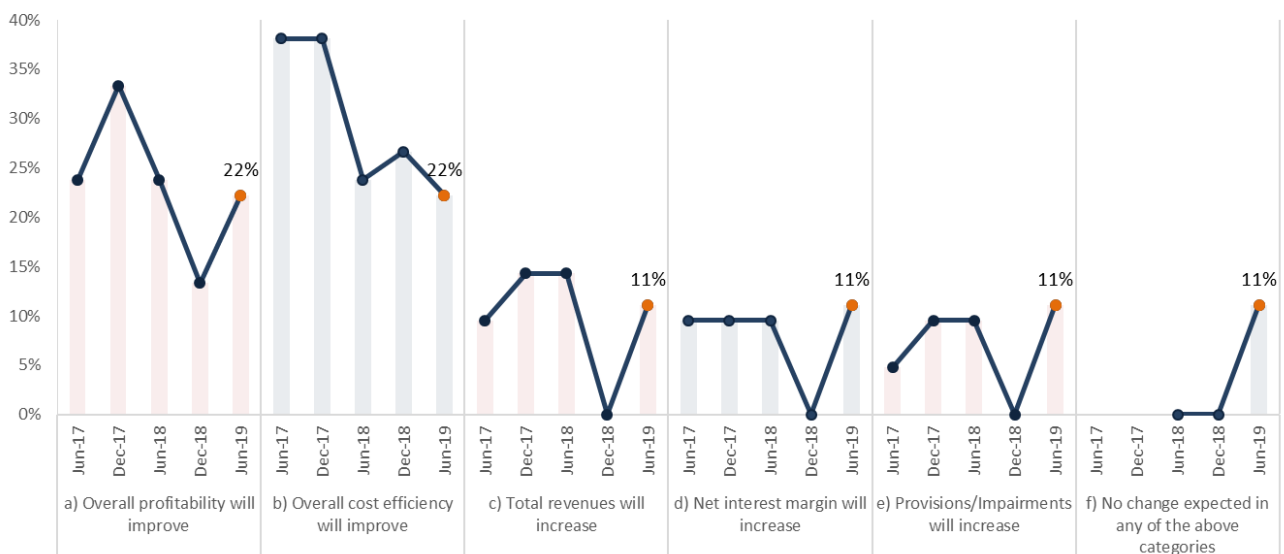
### Question 1: June 2019 results

Q1 Short term earnings expectations for banks are:



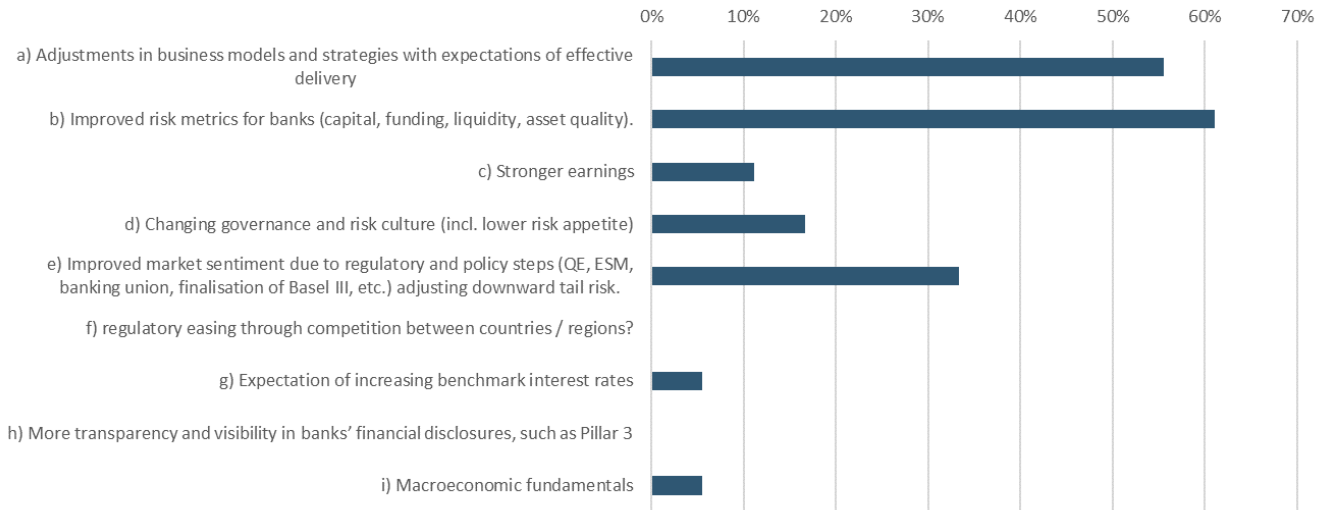
### Question 1: Comparison with earlier results

Q1 Short term earnings expectations for banks are:



### Question 2: June 2019 results

Q2 The current market sentiment is positively influenced by the following factors (multiple choice question):



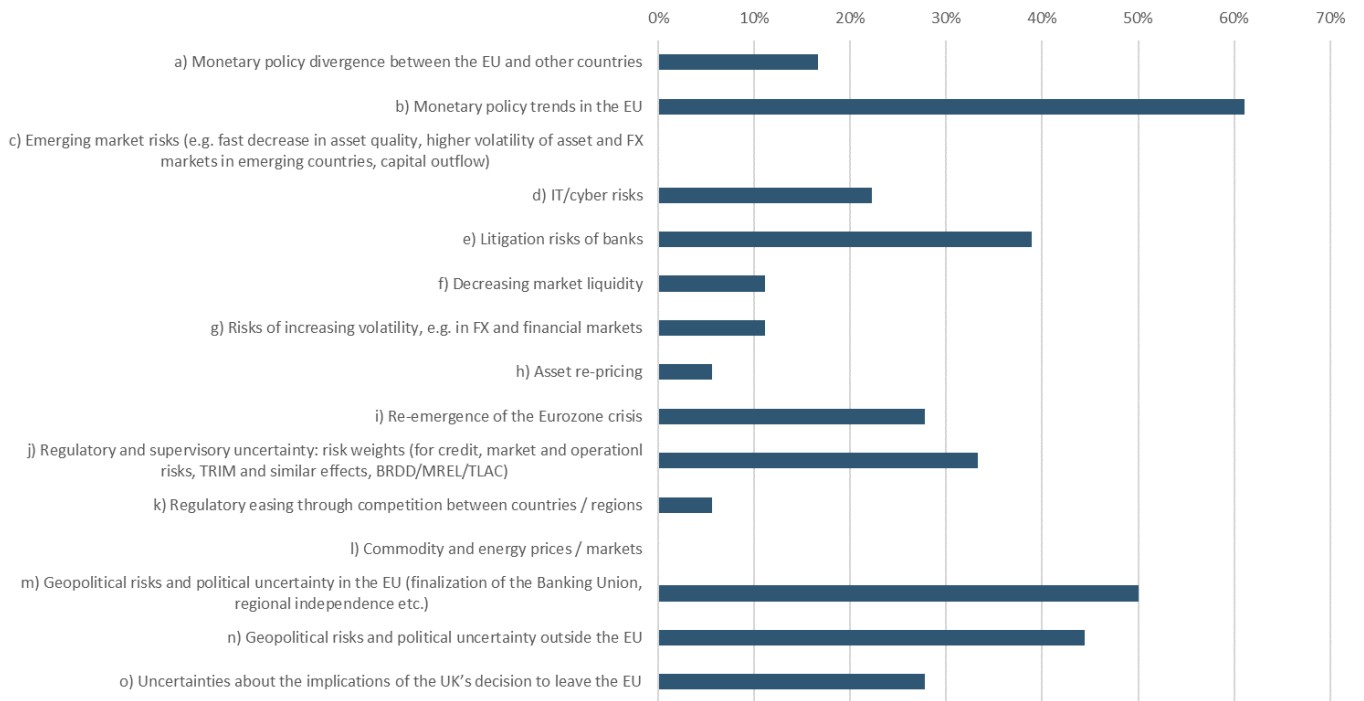
### Question 2: comparison with earlier results

Q2 The current market sentiment is positively influenced by the following factors (multiple choice question):

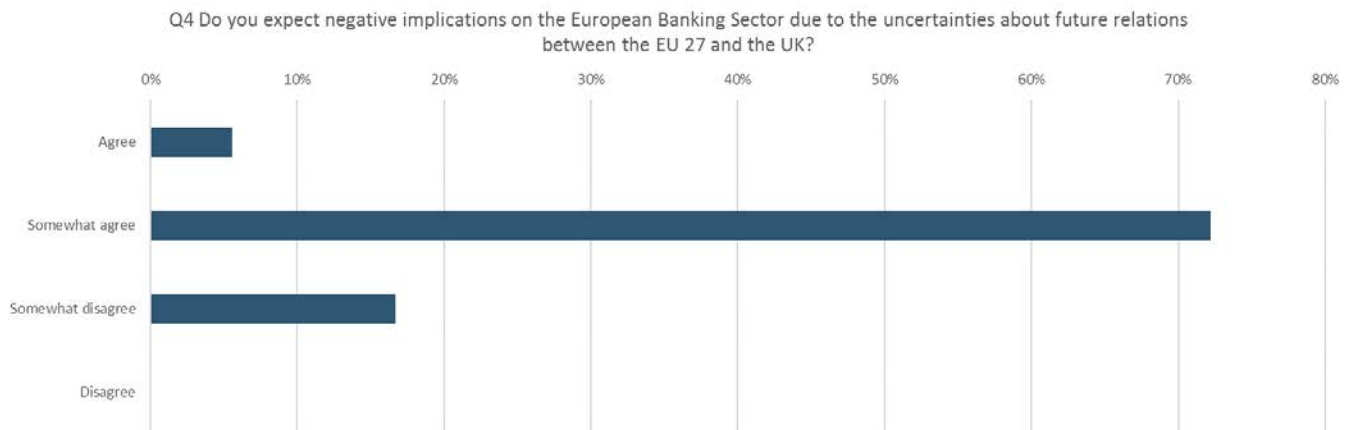


**Question 3: June 2019 results**

Q3 The current market sentiment is negatively influenced by the following factors (multiple choice question):



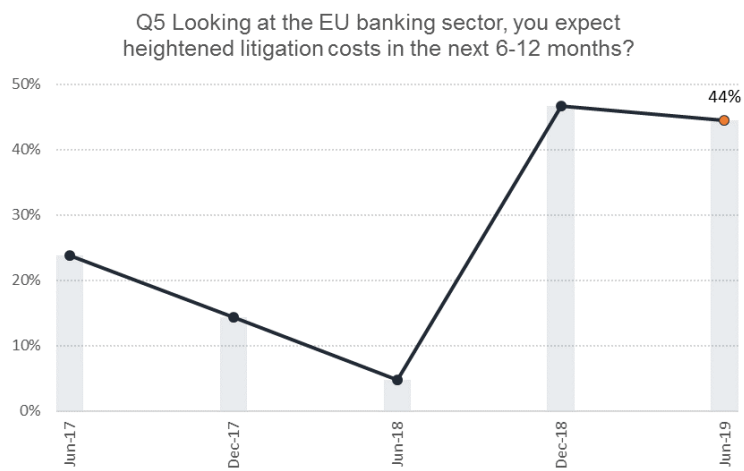
### Question 4: June 2019 results



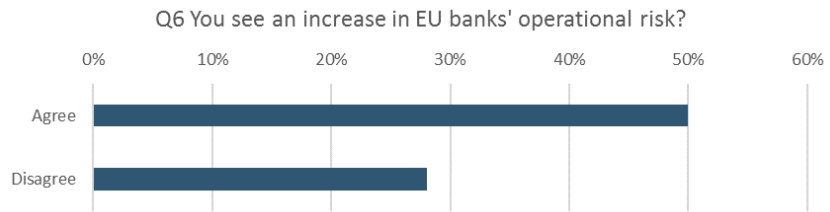
**Question 5: June 2019 results**



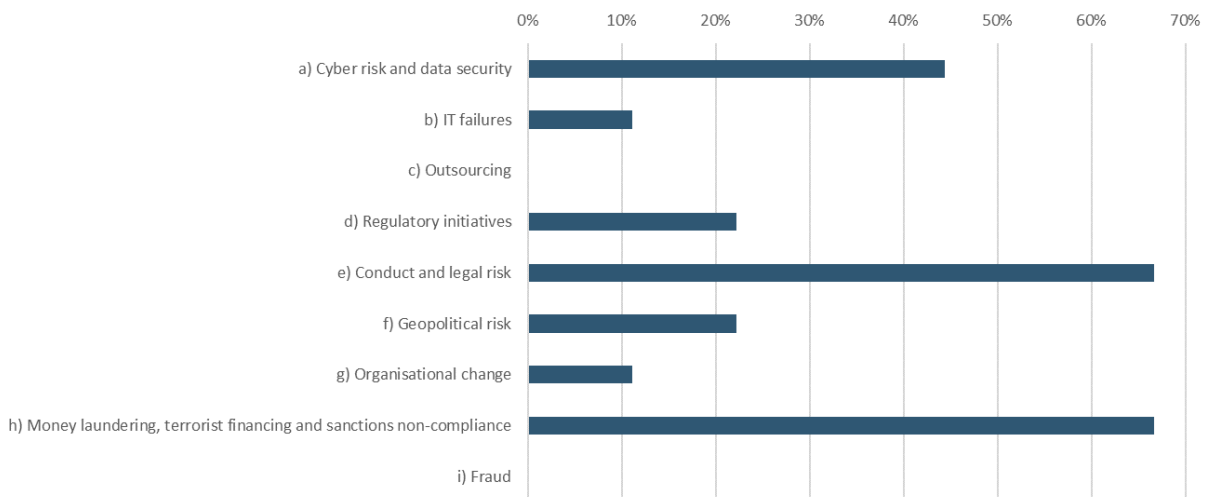
**Question 5: comparison with earlier results**



**Question 6: June 2019 results**

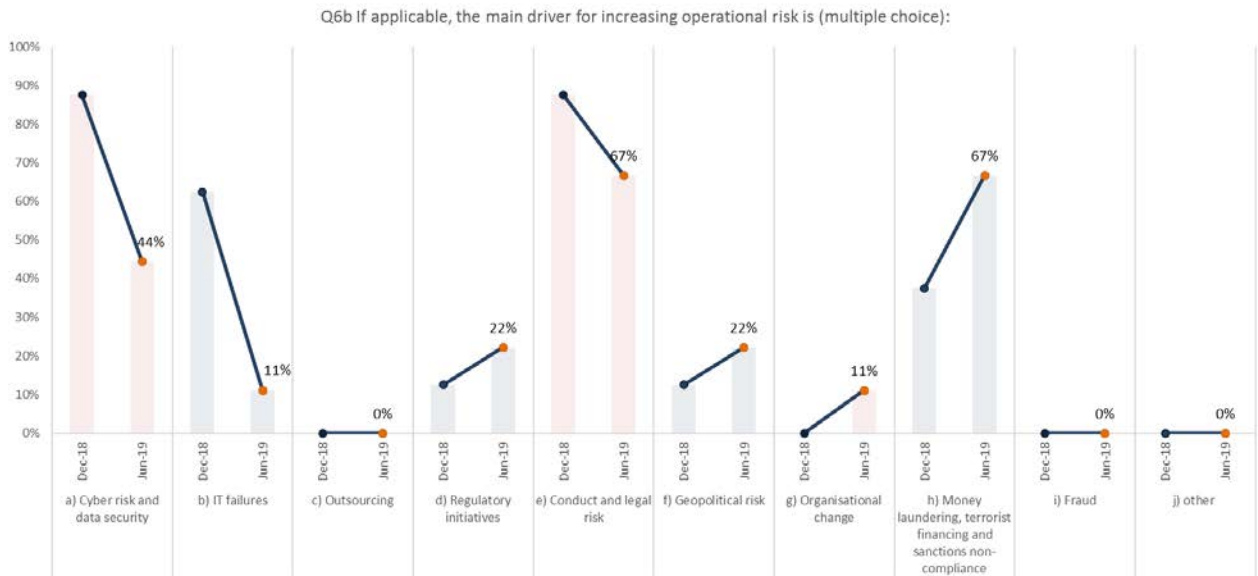
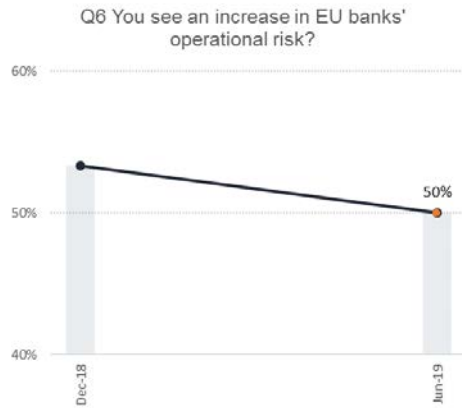


Q6b If applicable, the main driver for increasing operational risk is (multiple choice question):





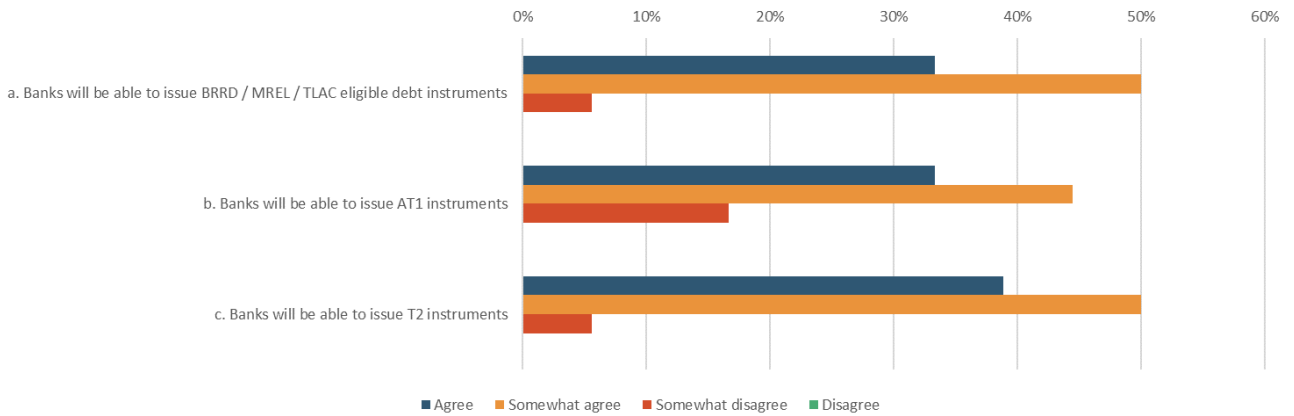
**Question 6: comparison with earlier results**



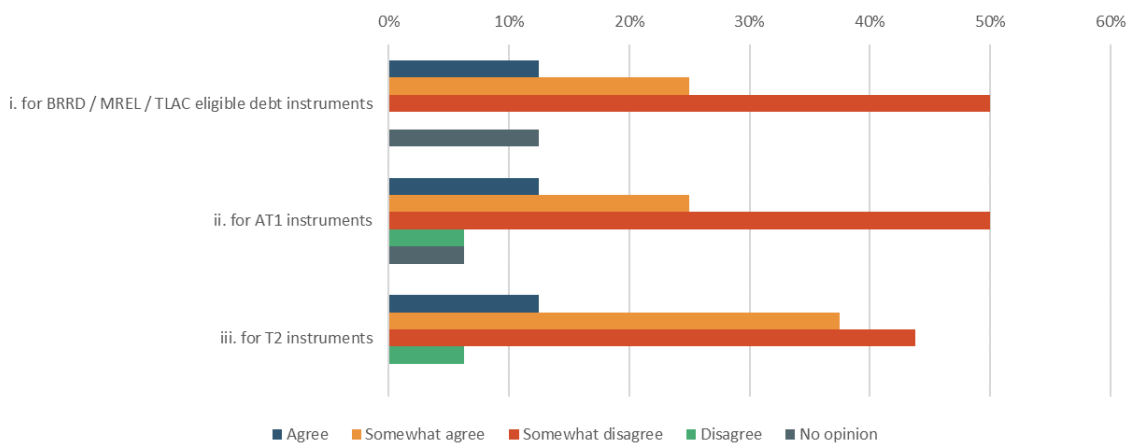
## 2. Funding / liquidity

### Question 7: June 2019 results

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

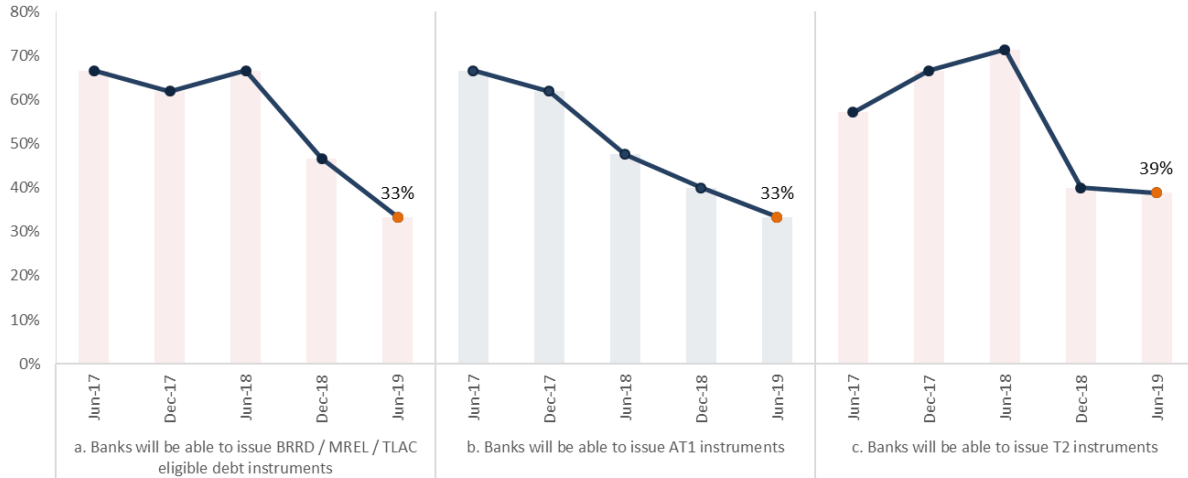


Q7b If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?

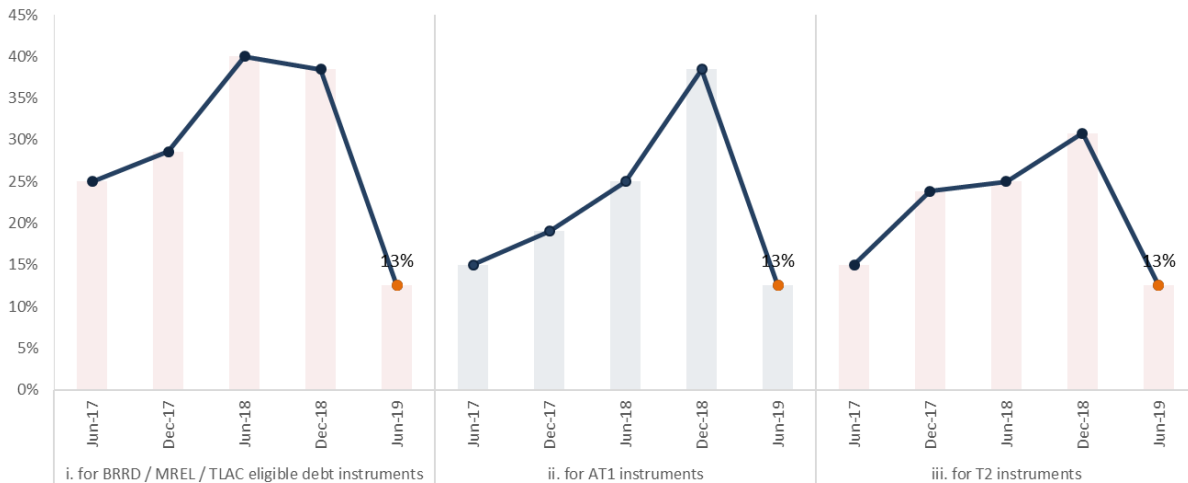


**Question 7: comparison with earlier results**

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



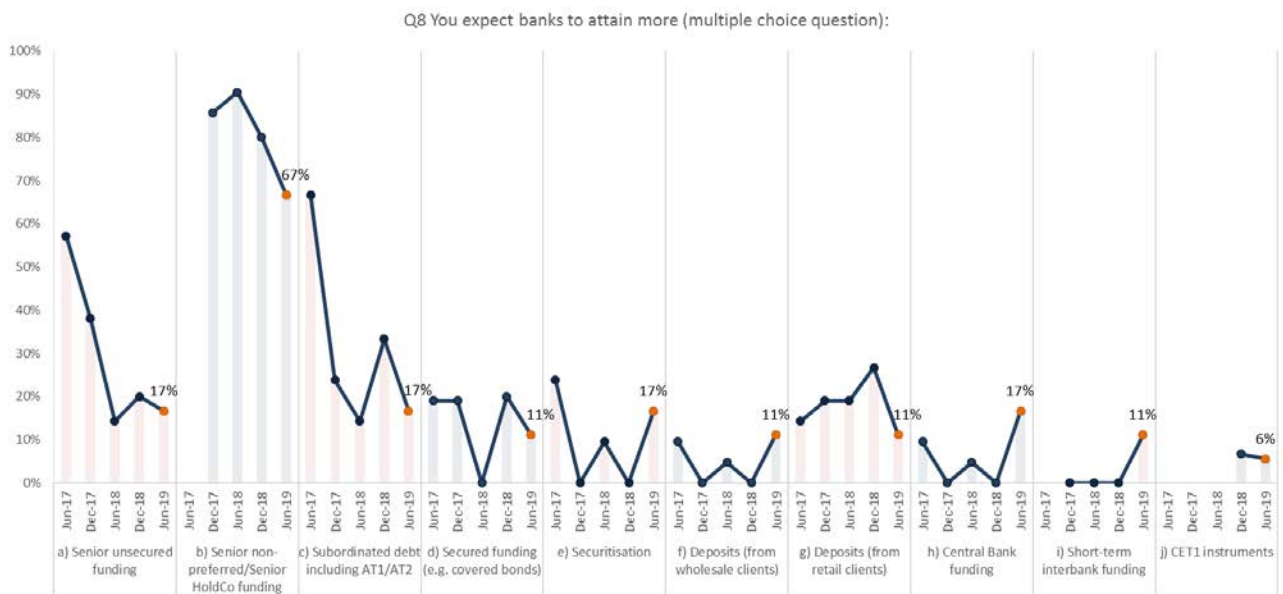
Q7b If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?



### Question 8: June 2019 results



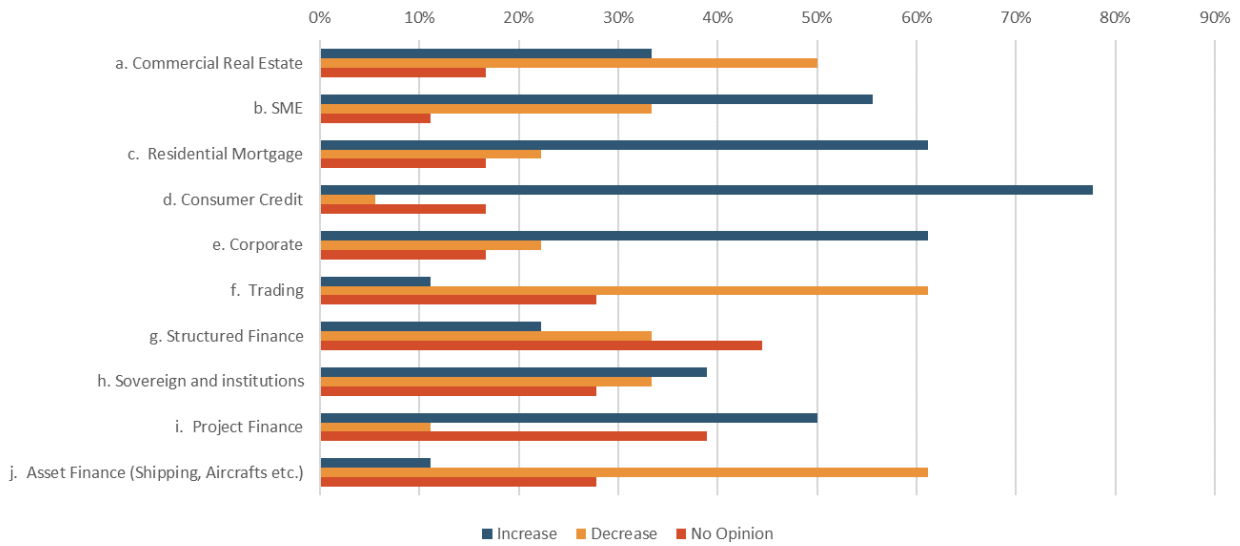
### Question 8: comparison with earlier results



### 3. Asset composition & quality

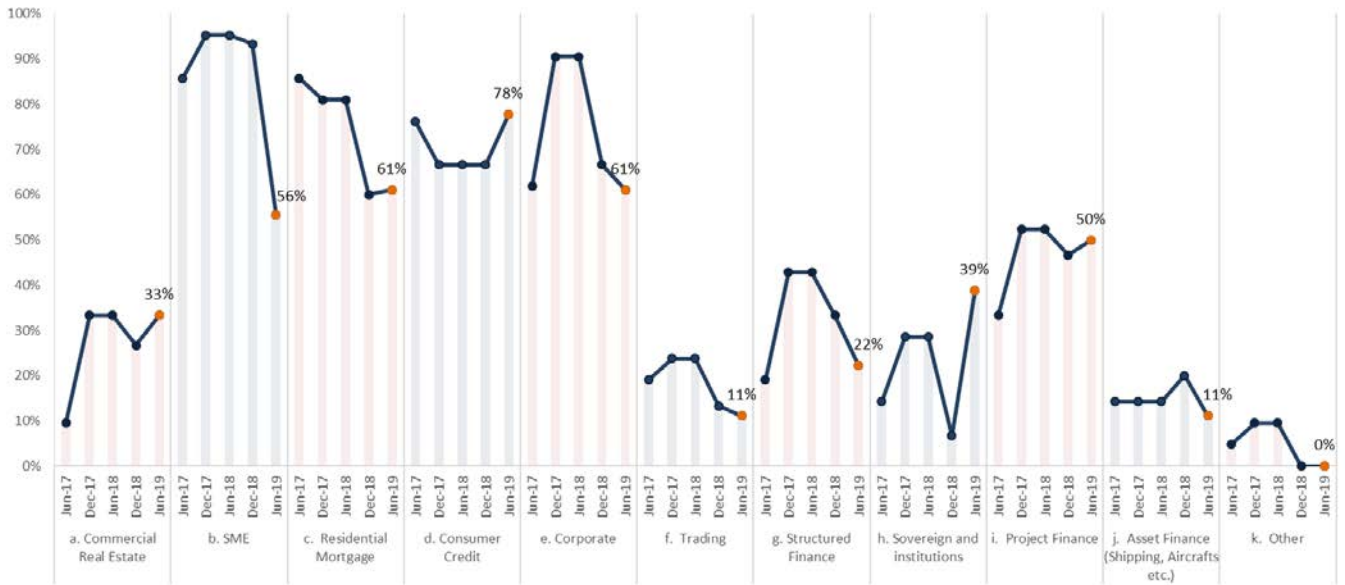
#### Question 9: June 2019 results

Q9 Portfolios you expect to increase/decrease in volumes during the next 12 months (on a net basis, multiple choice question):

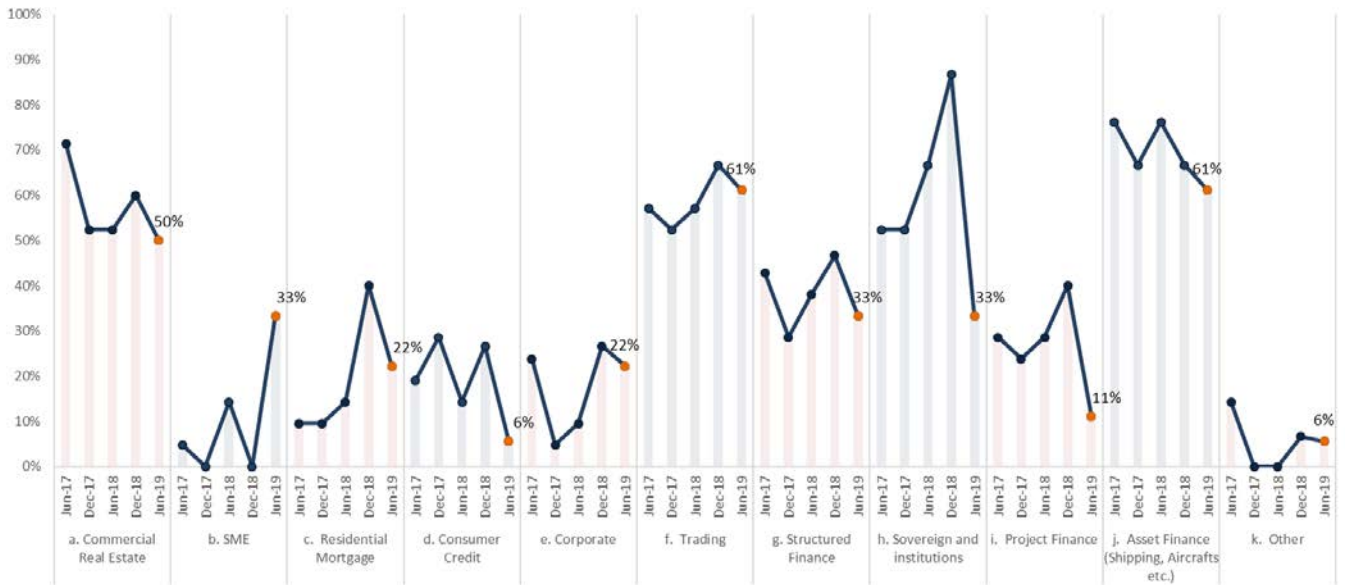


Question 9: comparison with earlier results

Q9a Portfolios you expect to increase in volumes during the next 12 months (on a net basis, multiple choice question):

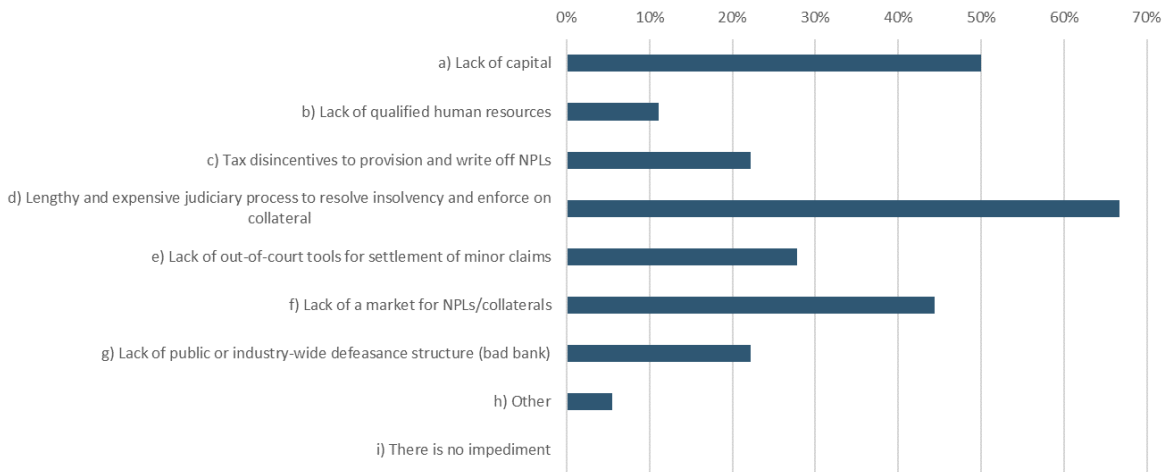


Q9b Portfolios you expect to decrease in volumes during the next 12 months (on a net basis, multiple choice question):



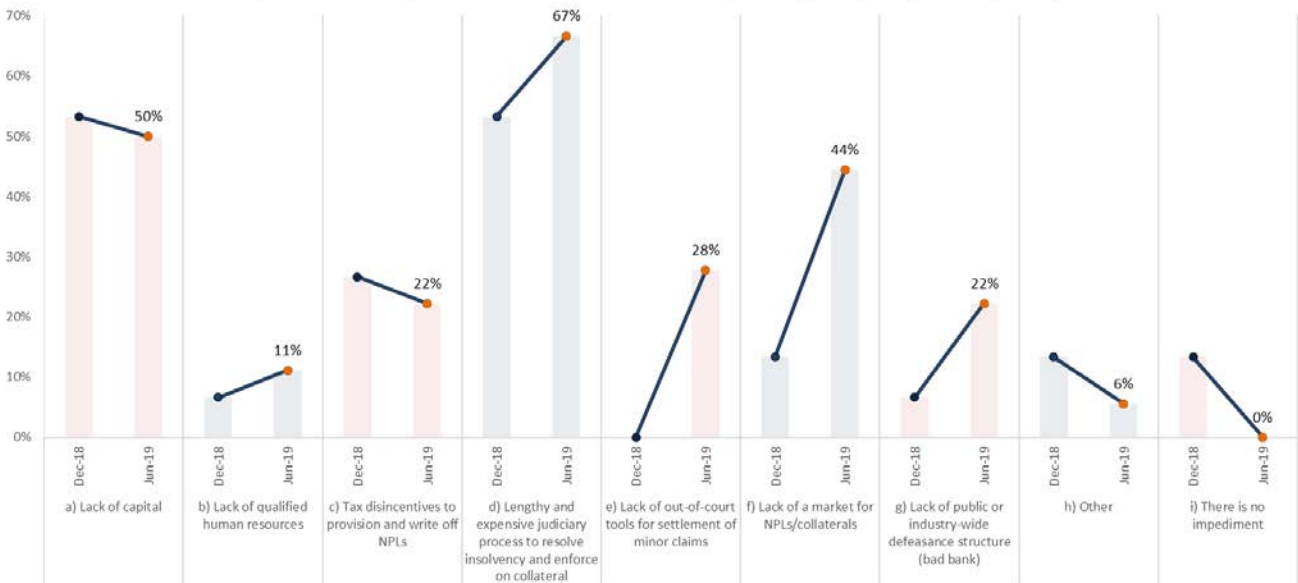
### Question 10: June 2019 results

Q10 What are the impediments for banks to resolve their non-performing loans (multiple choice question):



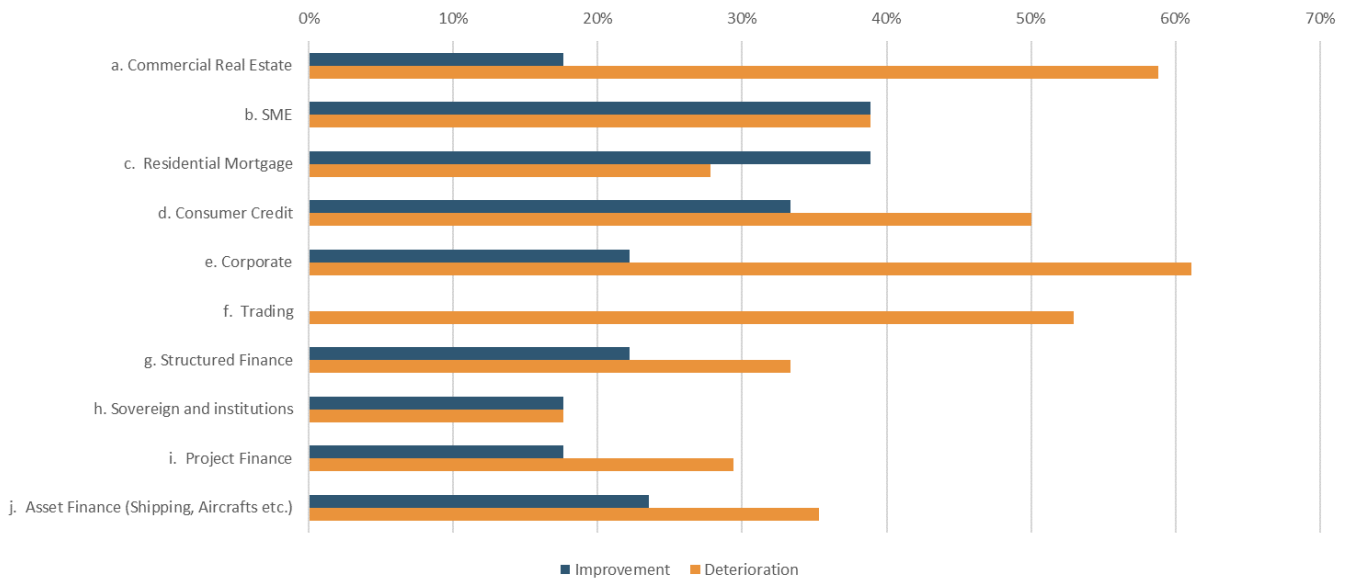
### Question 10: comparison with earlier results

Q10 What are the impediments for banks to resolve their non-performing loans (multiple choice question):



**Question 11: June 2019 results**

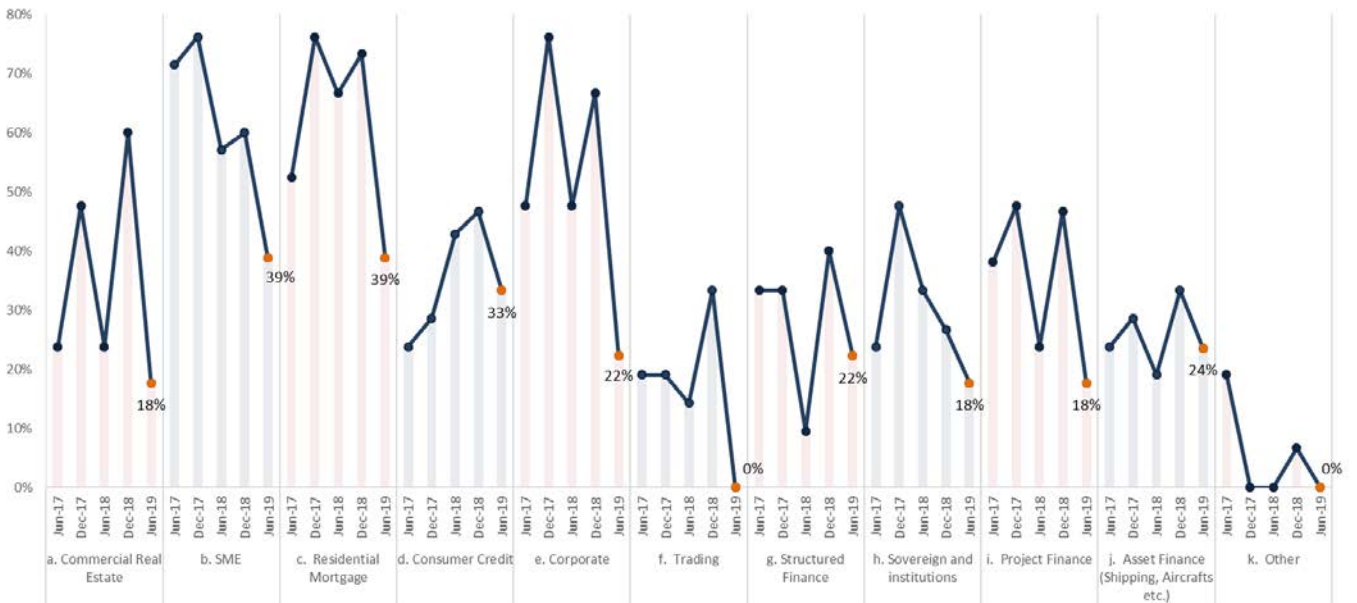
Q11 For which sectors do you expect an improvement /deterioration in asset quality in the following 12 months)?



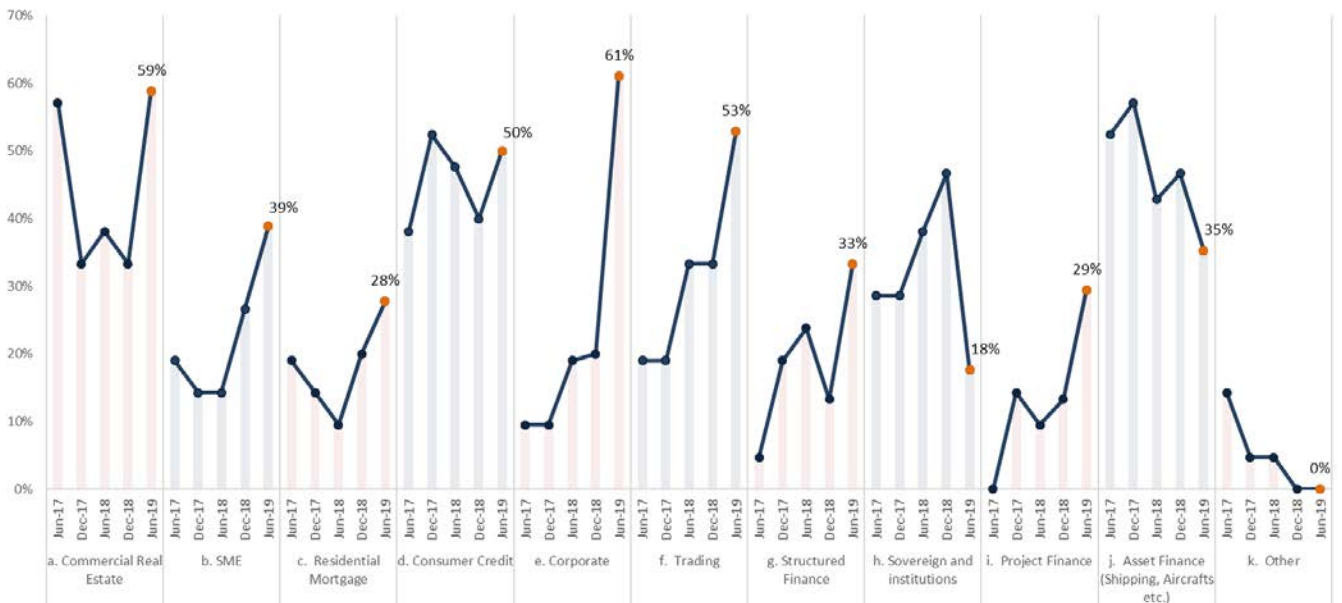


Question 11: comparison with earlier results

Q11a For which sectors do you expect an improvement in asset quality in the following 12 months?



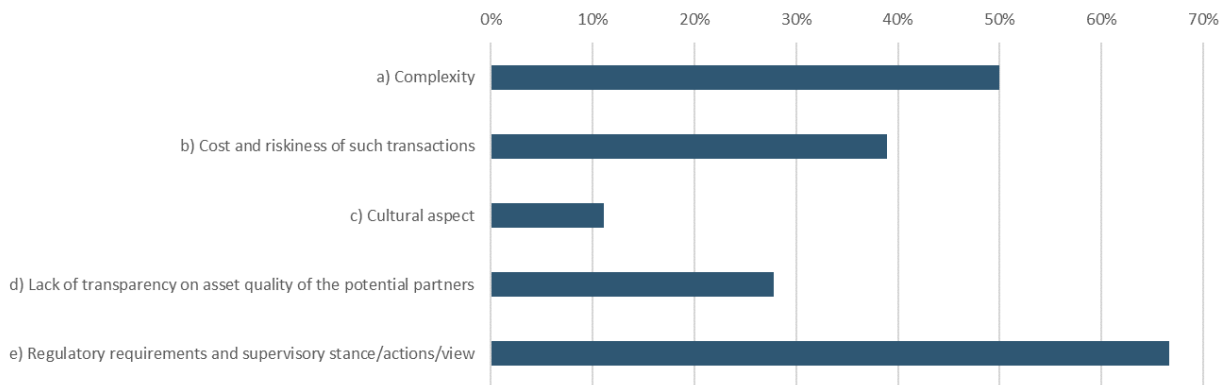
Q11b For which sectors do you expect a deterioration in asset quality in the following 12 months?



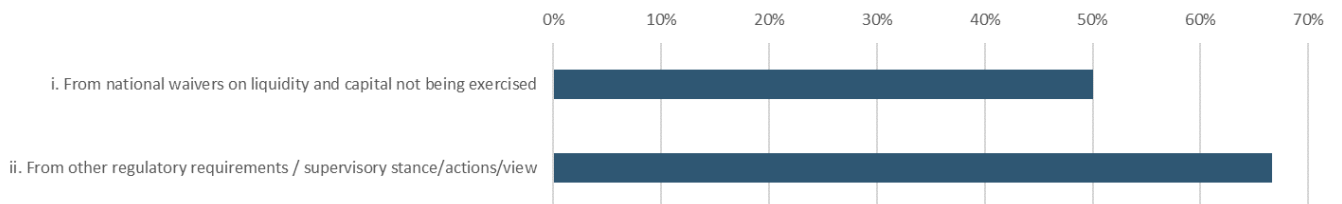
## 4. General Questions

### Question 12: June 2019 results

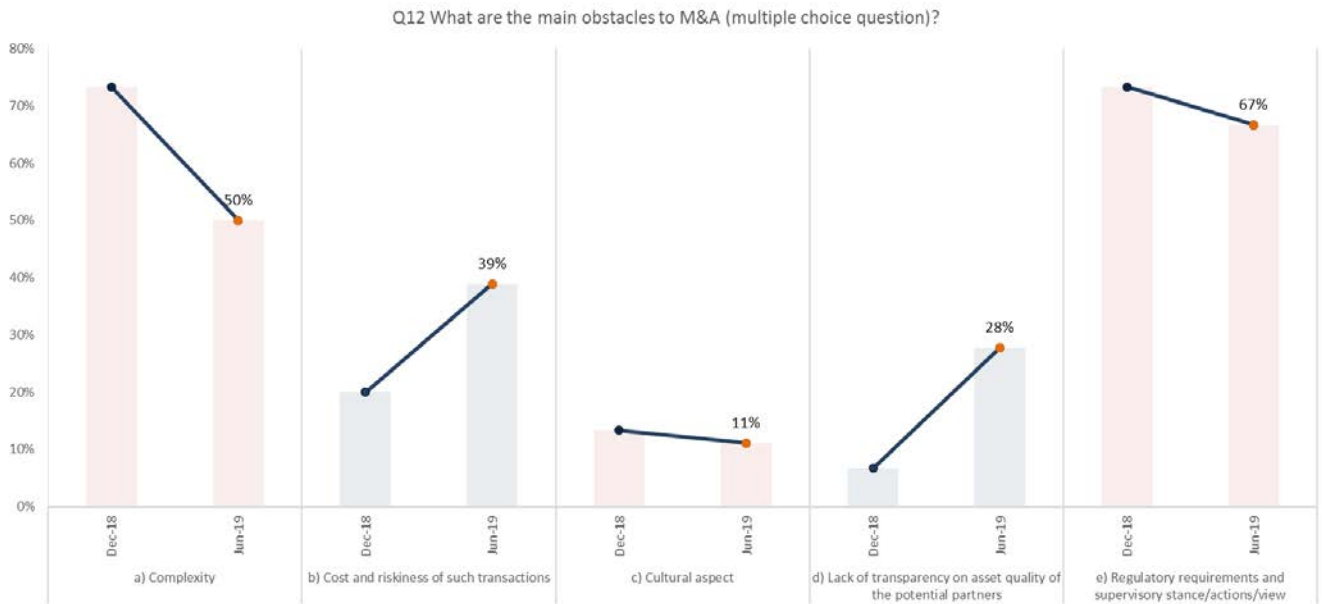
Q12 What are the main obstacles to M&A (multiple choice question)?



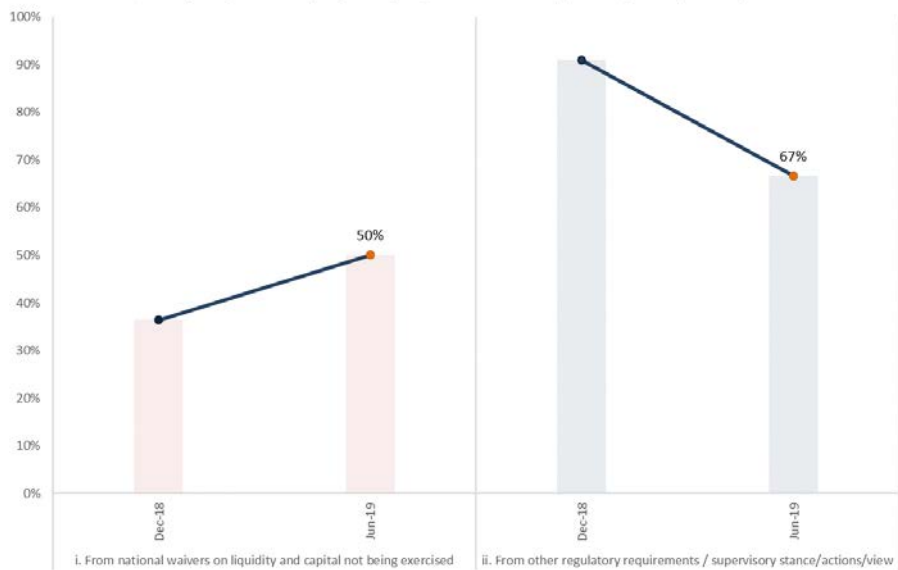
Q12b if you agree with e) Regulatory requirements and supervisory stance/actions/view



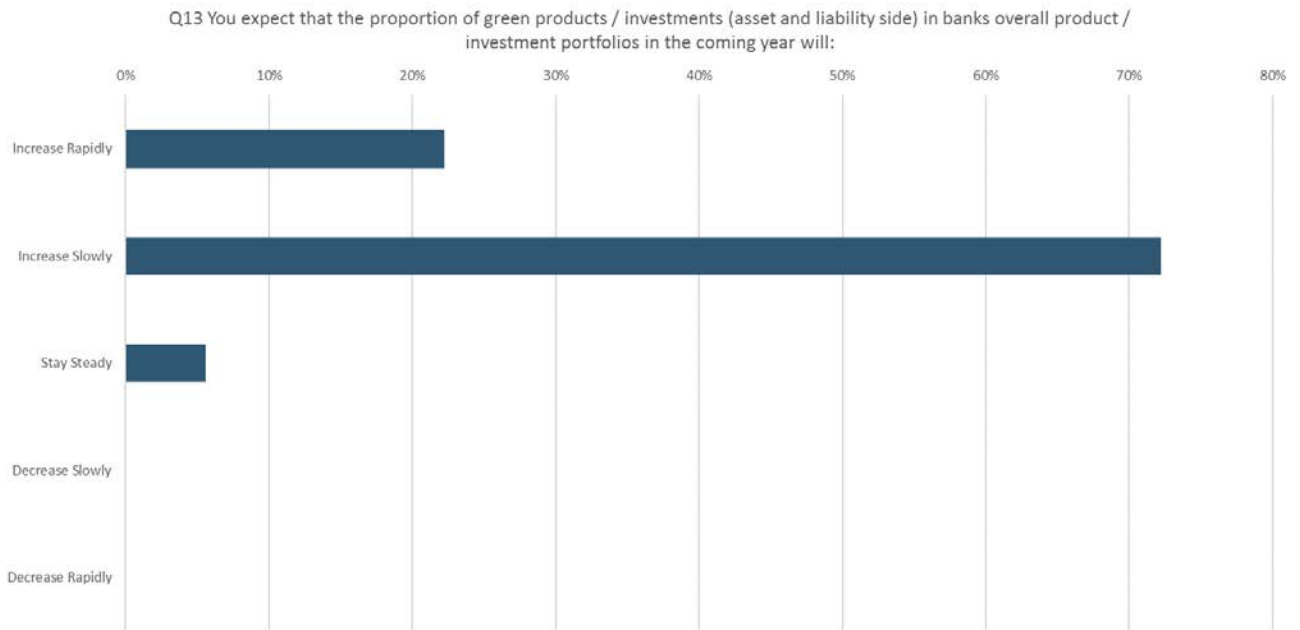
**Question 12: comparison with earlier results**



Q12b if you agree with e) Regulatory requirements and supervisory stance/actions/view

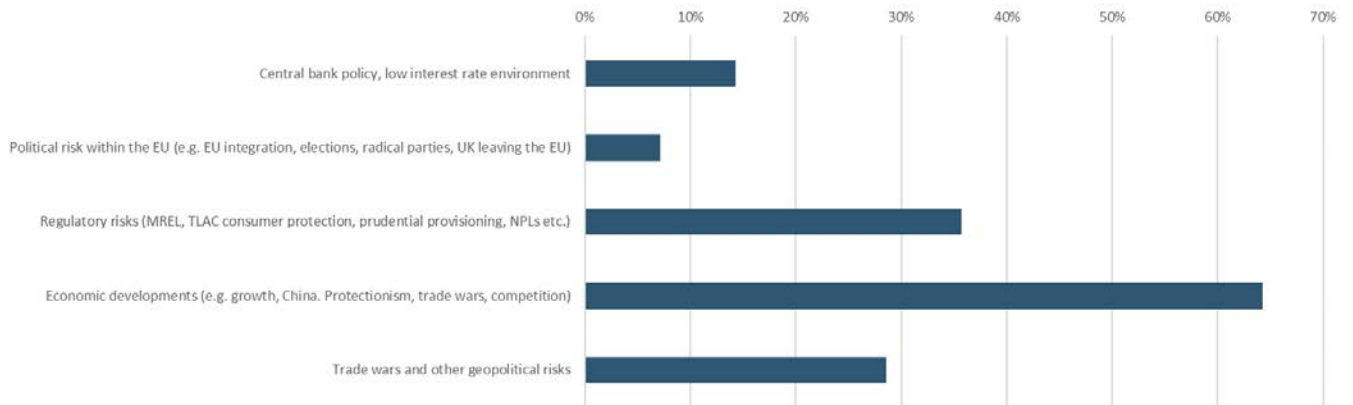


### Question 13: June 2019 results



## 5. General open question

Q14 Looking at the EU banking sector, if you expect other sources of risks or vulnerabilities to increase further in the next 6-12 months, please indicate them.



# Appendix: Risk Assessment Questionnaire for banks

---

[added on the following pages]

# Risk Assessment Questionnaire for Banks Spring 2019

Fields marked with \* are mandatory.

## Respondent information

---

\* First Name

\* Last Name

\* Position

\* Division

\* Financial Institution

\* Country

\* 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
- No Opinion

**If you agree:**

	Agree	No opinion
* a) due to increasing competition arising from banking disintermediation (e.g. FinTech, shadow banking, infrastructure finance by insurance companies)	<input type="radio"/>	<input type="radio"/>
* b) due to regulatory requirements on resolvability	<input type="radio"/>	<input type="radio"/>
* c) due to internal strategies and planning	<input type="radio"/>	<input type="radio"/>

**\* Q2 What are the main obstacles to M&A? (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- 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 and supervisory stance/actions/view
- f) No Opinion

**\* If you agree with e)**

- i. From national waivers on liquidity and capital not being exercised
- ii. From other regulatory requirements / supervisory stance/actions/view

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

- a) Below 8%.
- b) Between 8% and 10%.
- c) Between 10% and 12%
- d) Between 12% and 14%
- e) 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
- No Opinion



**Q5 You primarily target this area for increasing profitability in your bank in the next months (ranking according to priority with 1-High Priority and 4-Low Priority):**

	1	2	3	4	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"/>

**\* If you rank b) with (1) or (2), what is the main area to increase net fees and commission income? (please do not agree with more than 2 options)**

*at most 2 choice(s)*

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

**\* Q6 You primarily aim to reduce operating expenses / costs through (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Overhead and staff costs reduction
- b) Outsourcing
- c) Off-shoring or near-shoring
- d) Reducing business activities (business lines and locations, incl. branches)
- e) Increasing automatisisation and digitilisation
- f) Other

**\* Q7 Your current earnings are covering the cost of equity:**

- Agree
- Disagree
- No Opinion

**\* Q8 You estimate COE at:**

- a) Below 6%
- b) Between 6% and 8%
- c) Between 8% and 10%
- d) Between 10% and 12%
- e) Above 12%

**\* Q9 You expect material adverse implications for your bank's business from current political and economic developments?**

- Agree
- Disagree
- No Opinion

**\* If you agree: which are the current international developments that mainly affect your bank's business (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Brexit
- b) Economic and political challenges in EU member states
- c) Potential adverse developments in emerging market economies
- d) Resurgence of global protectionism
- e) Other adverse international trends

**Q10 How have you responded / are you aiming to respond to current and future risks related to the UK withdrawal from the EU (Brexit)?**

	Agree	Disagree	No opinion
* a) Relocation of business activities to the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) Establishment of new subsidiary or branch in the UK or EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Reduce exposure to UK counterparties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Diversifying access to funding and becoming less reliant on UK wholesale funding market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Re-papering existing contract (including derivatives) to EU entities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Ensuring access to EU-based financial market infrastructures, including moving derivatives clearing to EU-based CCPs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Issue MREL eligible liabilities under the EU law or with contractual bail-in clauses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* If h) please explain

**Q11 How would you expect interest rate levels to impact in the short/medium term your bank's earnings?**

	Increase	Somewhat increase	Somewhat decrease	Decrease	No Opinion

* a) Net Interest income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) Impairments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) New lending activity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Gains/losses from fair valued assets & liabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q12 Preparations in view of the replacements of IBOR based reference rates and implementation of alternative risk free reference rates:**

**\* a) Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.).**

- Agree
- Disagree
- No Opinion

**\* If you agree: In which areas is your bank working on such solutions:**

- i. Related to new business (e.g. issuance of new funding instruments with variable rates referring to new / alternative risk free rates)
- ii. Related to existing business (e.g. preparing the change of existing contracts, replacing existing IBOR references to alternative ones)
- iii. Related to the bank's internal operations, capabilities and systems (e.g. valuation models)

**b) In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?**

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	No Opinion
* i. Related to existing business on the asset side (e.g. variable rate loans)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* ii. Related to existing funding (e.g. debt securities issued with variable rates)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iii. Related to other existing instruments / business (e.g. derivatives)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iv. Related to new business (e.g. newly issued debt securities, variable rate loans or derivatives)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* v. Related to changes in the bank's internal operations, capabilities and systems (e.g. valuation models)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*vi. I would not see any big challenges / big risks related to the IBOR replacements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
---	-----------------------	-----------------------	-----------------------	-----------------------	-----------------------

## Funding/liquidity

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

*at most 2 choice(s)*

- a) Senior unsecured funding
- b) Senior non-preferred / Senior HoldCo funding
- c) Subordinated debt including AT1/T2
- d) Secured funding (covered bonds)
- e) Securitisations
- f) Deposits (from wholesale clients)
- g) Deposits (from retail clients)
- h) Central Bank funding
- i) Short-term interbank funding
- j) CET1 instruments

**\* 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 (e.g. spread between MREL-eligible and MREL-ineligible instruments)
- 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 Which portfolios do you plan to increase/decrease in volume during the next 12 months?**

	Increase	Decrease	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Asset composition & quality

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

	Improve	Deteriorate	No Opinion
*a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### \* Q17 What are your most commonly applied strategies for NPL reduction (please do not agree with more than 2 options)?

*at most 2 choice(s)*

- a) Hold and forbearance based strategies (i.e. holding NPLs and applying suitable workout strategies and forbearance options)
- b) Active portfolio reductions: sales (e.g. NPL portfolio transactions)
- c) Active portfolio reductions: NPL securitisations
- d) Change of type of exposure or collateral (e.g. foreclosure, debt to equity / debt to asset swaps, collateral substitution)
- e) Legal options (e.g. insolvency proceedings, out-of-court solutions)

### \* Q18 What are the impediments to resolve non-performing loans (please do not agree with more than 3 options):

at most 3 choice(s)

- a) Lack of capital
- b) Lack of qualified human resources
- c) Tax incentives 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 market for NPLs/collaterals
- g) Lack of public or industry-wide defeasance structure (bad bank)
- h) Other
- i) There is no impediment
- j) No Opinion

**If h: please provide the key impediments**

## Conduct, Reputational and Operational risk

---

**\* Q19 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) Below 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.
- f) Between EUR 10bn and EUR 20bn.
- g) More than EUR 20bn

**\* Q20 Looking at your bank, you expect litigation and misconduct costs in the next 6-12 months**

- a) to be heightened
- b) to stay at current levels
- c) to decrease

**\* Q21 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):**

at most 3 choice(s)

- 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

## FinTech

---

**Q22 How do you see FinTech firms affecting the current business model of your bank (in the following business lines)?**

	Opportunity to decrease costs	Threat to decrease revenues	Opportunity to increase revenues	Threat to increase costs	No impact / not relevant
* a) Retail banking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) Commercial banking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Corporate finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Trading and sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Payment and settlement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Agency services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Asset management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Retail brokerage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q23 Are you currently using or planning to use in the near future Big Data Analytics for the following processes/activities? For the purposes of this survey, 'Big data analytics' is defined as the use of advanced analytic techniques such as machine learning, against very large, diverse data sets from different sources, and in different sizes.**

**a) Customer engagement**

	In use / launched	Pilot testing	Under development	Under discussion	No activity
* i. Customer relationship management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* ii. Customer intelligence /insights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### b) Process optimisation

	In use / launched	Pilot testing	Under development	Under discussion	No activity
* i. Fraud detection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* ii. Customer on- boarding process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iii. Other AML/CFT processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iv. Data quality improvement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### c) Product transformation

	In use / launched	Pilot testing	Under development	Under discussion	No activity
* i. Open banking /APIs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* ii. Product pricing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iii. Competitor analysis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iv. P2P lending	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### d) Risk management

	In use / launched	Pilot testing	Under development	Under discussion	No activity
* i. Calculation of regulatory capital requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* ii. Other regulatory compliance purposes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iii. Risk scoring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* iv. Risk modelling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



*v. Cyber risk management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*vi. Evaluation of external /vendors' tools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* e) Employee efficiency**

- In use / launched
- Pilot testing
- Under development
- Under discussion
- No activity

**\* Q23a Please indicate and explain below whether you are using or planning to use Big Data Analytics in other processes/activities.**

## Sustainable Finance

---

**Q24 Do you currently have or plan to develop products and services based on:**

	Agree	Disagree
* i. Environmental Considerations	<input type="radio"/>	<input type="radio"/>
* ii. Social Considerations	<input type="radio"/>	<input type="radio"/>
* iii. Governance Considerations	<input type="radio"/>	<input type="radio"/>

**\* Q24a If you agree with point (i) in Q24: Do you have or plan to develop:**

- i. Green mortgages and energy-efficient mortgages
- ii. Green commercial building loans
- iii. Green car loans, e.g. preferential loans to encourage the purchase of cars that demonstrate high fuel efficiency
- iv. Green cards, e.g. debit and credit cards linked to environmental activities
- v. Other types of green loans for retail customers

**\* Q24b If you agree with point (i) in Q24: Do you invest in or plan to invest in (Corporate & Investment):**

- i. Green Bonds
- ii. Green covered bonds and/or securitisation products
- iii. Green project finance products
- iv. Green venture capital & private equity practices
- v. Other types of green products

**\* Q24c If you agree with (i) in Q24: What are the main motivations for developing green products and services (please do not select more than three options):**

*at most 3 choice(s)*

- i. Support customers' needs/demand and strengthen client relationships
- ii. Enhance long-term growth prospects for your institutions based on long-term performance consideration of green products
- iii. Business opportunities as a result of regulations or public incentives
- iv. Higher credit quality of green products
- v. Corporate and Social Responsibility
- vi. Reputational Issues

**\* Q24a If you disagree with point (i) in Q24, what are the main barriers to enter the green finance market? (please do not select more than three options):**

*at most 3 choice(s)*

- i. Too weak volumes and low customers' demand
- ii. Lack of incentives
- iii. More understanding or research is still required
- iv. There is no proof that green is more valuable or less risky
- v. Lack of relevant data to design products

**\* Q25 Have you already issued a green bond?**

- Agree
- Disagree

**\* Q25a If yes, what are the main reasons? (please do not select more than 2 options)?**

*at most 2 choice(s)*

- a) Attracting new and/or diversified investors
- b) Pricing advantage
- c) Reputational benefits
- d) Other

**\* Q25b If yes, in which form?**

- a. Green securitisation bond
- b. Green covered bond
- c. Green ordinary bond

**\* Q25a If not, what are the main reasons? (please do not agree with more than 2 options)?**

*at most 2 choice(s)*

- a) lack of definition of what is green
- b) insufficient transparency and data quality issue
- c) increased costs and no pricing advantage in green bonds
- d) lack of investor appetite

## General issues

---

**\* Q26 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 2019

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:**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
* a) Overall profitability will improve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) Overall cost efficiency will improve	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Total revenues will increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Net interest margin will increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Provisions/Impairments will increase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) No change expected in any of the above categories	<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):**

*at most 3 choice(s)*

- 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 downward tail risk.
- 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

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

*at most 4 choice(s)*

- a) Monetary policy divergence between the EU and other countries
- b) Monetary policy trends in the EU
- c) Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries, capital outflows)
- d) IT/cyber risks
- e) Litigation risks of banks
- f) Decreasing market liquidity
- g) Risks of increasing volatility, e.g. in FX and financial markets
- h) Asset re-pricing
- i) Re-emergence of the Eurozone crisis
- j) Regulatory and supervisory uncertainty: risk weights for credit, market and operational risks, TRIM and similar effects, BRDD/MREL/TLAC

- k) Regulatory easing through competition between countries / regions
- l) Commodity and energy prices / markets
- m) Geopolitical risks and political uncertainty in the EU (finalization of the Banking Union, regional independence etc.)
- n) Geopolitical risks and political uncertainty outside the EU (incl. resurgence of protectionism, currency tensions, elections, political instability, conflicts or standstill in emerging and developed countries)
- o) Uncertainties about the implications of the UK's decision to leave the EU

**\* Q4 Do you expect negative implications on the European Banking Sector due to the uncertainties about future relations between the EU 27 and the UK?**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- No Opinion

**\* Q5 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:**

- Agree
- Disagree
- No Opinion

**\* Q6 You see an increase in EU banks' operational risk.**

- Agree
- Disagree
- No Opinion

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

*at most 3 choice(s)*

- 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

## B. Funding/liquidity

---

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

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
* 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"/>
* b) Banks will be able to issue AT1 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* 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?**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
i) for BRRD / MREL / TLAC eligible debt instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ii) for AT1 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
iii) for T2 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* Q8 You expect banks to attain more (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Senior unsecured funding
- b) Senior non-preferred/Senior HoldCo funding
- c) Subordinated debt including AT1/AT2
- d) Secured funding (e.g. covered bonds)
- e) Securitisation
- f) Deposits (from wholesale clients)
- g) Deposits (from retail clients)
- h) Central Bank funding
- i) Short-term interbank funding.
- j) CET1 instruments

## C. Asset composition & quality

**Q9 Portfolios you expect to increase/decrease in volumes during the next 12 months (on a net basis):**

*at least 11 answered row(s)*

	Increase	Decrease	No Opinion



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

**\* Q10 What are the impediments for banks to resolve their non-performing loans (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Lack of capital
- 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)
- h) Other
- i) There is no impediment

**if h) Other: please provide the key impediments**

**Q11 For which sectors do you expect an improvement/deterioration in asset quality in the following 12 months?**

*at least 11 answered row(s)*

	Improvement	Deterioration	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## General Questions

---

**\* Q12 What are the main obstacles to M&A (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- 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 and supervisory stance/actions/view
- f) No opinion

**\* If you agree with e):**

- i) From national waivers on liquidity and capital not being exercised
- ii) From other regulatory requirements / supervisory stance/actions/view

**\* Q13 You expect that the proportion of green products / investments (asset and liability side) in banks overall product / investment portfolios in the coming year will:**

- Increase Rapidly
- Increase Slowly
- Stay Steady
- Decrease Slowly
- Decrease Rapidly

**\* 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.**



**EUROPEAN BANKING AUTHORITY**

Floors 24-27, 20 Avenue André Prothin,  
92927 Paris, La Défense

Tel: +33 1 86 52 7000  
E-mail: [info@eba.europa.eu](mailto:info@eba.europa.eu)

<http://www.eba.europa.eu>