EU-wide Transparency Exercise 2013
Summary Report

Cut-off date for the data in this report: 16 December 2013 – 10.00 a.m. CET

EU-wide Transparency Exercise 2013. Summary Report

Table of contents

Executive summary

According to data submitted by 64 banks in the EBA's 2013 EU-wide Transparency Exercise, the capital position of the EU banking sector continued to show a positive trend. Core Tier 1 capital, based on the EBA definition, increased by around EUR 80 bn between December 2011 and June 2013. Combined with a reduction of more EUR 800 bn of RWAs, EBA Core Tier 1 capital ratio improved by 170 bp (from 10 to 11.7%).

Data shows a reduction in the Exposure at Default by 3% between December 2012 and June 2013. EU banks are mainly exposed towards corporates (32%), retail (31%) and sovereigns (19%). The distribution of exposures across asset classes is stable over time. The ratio of total defaulted assets to total exposure is 3.8%, and corporate and retail portfolios display the highest ratios with 6.9% and 4.2% respectively.

In terms of cross-border lending, 24.7% of exposures reported for this exercise are held by non-domestic banking groups (27.9% in December 2010) [1], with significant dispersion across countries both in terms of level and dynamics of the exposures.

Total sovereign exposures towards EEA countries amount to EUR 1,647 bn. as of June 2013. The exposures declined by about 9.3% during 2011 but increased afterwards by 9.5%. Half of the sovereign exposures (48%) are held in available for sale portfolios. The share of sovereign bonds issued by sovereigns under stress held by domestic banks has increased markedly between December 2010 and June 2013.

1. Background and overview

1. In response to the crisis, the EBA has made a number of recommendations for expanding disclosures in a consistent fashion aimed at increasing transparency and fostering market and supervisory discipline more specifically. This is intended to shine a light on pockets of uncertainty that taint the banking sector more broadly and thus to reduce the likelihood of financial crises and promote financial stability more widely.

2. The EBA's key steps to enhance consistent disclosure across the EU began with the 2011 EU-wide Stress Test disclosure and were followed by the recapitalisation exercise in 2011-2012 as a complement to existing Pillar 3 disclosures[2].

3. After the announcement of the European Council's decision to establish a Single Supervisory Mechanism for the Eurozone, the EBA's Board of Supervisors decided to postpone the 2013 EU-wide stress test. However, they decided instead to undertake an EU-wide data collection and

[1] Total domestic exposures include only those of the banking groups reported in this exercise.
[2] See, the Follow up report on Pillar 3 disclosures:
http://www.eba.europa.eu/documents/10180/16145/Follow-up+report+on+Pillar+3+disclosures.pdf

disclosure exercise in order to strengthen market discipline and address residual uncertainty on EU banks' exposures, after the significant progress made on the capital side.

4. Taking into account the disclosures of previous exercises, the EBA's Board of Supervisors decided to aim for a granularity level broadly in line with the information published together with 2011 EU-wide stress test. This scope covers information on exposures broken down by asset class and country of counterparty as well as sovereign stakes. In addition, the disclosure will be enriched with information on risk-weighted-assets as part of the EBA's effort for improving the understanding of banks' internal models[3].

5. The transparency exercise discloses updated information on the European banks that were already part of the recapitalisation exercise in 2012, plus four Greek banks. Overall, data for 64 banks from 21 EEA countries are reported. The aggregate total assets account for 64% of total assets of the 21 EEA countries. The reference dates are 31st December 2012 and 30th June 2013. It is to be noted that the information does not include any stress test component.

6. This report summarises the main factual outcomes of the 2013 EU-wide transparency exercise and has been produced in real time of receiving the data. If not indicated differently, all figures and graphs shown in this report are based on weighted averages for an unbalanced[4] sample as of 30th June 2013. The breakdown analyses for exposure classes are based on non-defaulted assets unless specified otherwise. All data is available in downloadable format on the EBA website.

2. Capital ratios

7. Banks submitted their capital positions in accordance with CRD3 rules and the definition of capital provided applied in the EU Capital Exercise (EBA/REC/2011/1, EBA core tier 1 ratio).

8. In addition banks were requested to disclose some memo items relevant under the upcoming CRR/CRD4 regime. While these figures provide additional information, it is worth emphasising that they cannot be used for computing fully-loaded CRR/CRD 4 capital ratios since the granularity of the information requested does not allow to do so. Moreover those figures do not take into account any threshold mechanisms given in the CRR/CRD4 regime.

9. The analysis of the evolution of the overall capital ratios shows a consistent strengthening of capital positions. Chart 1 illustrates a 170 bp increase of Core Tier 1 capital ratio from December 2011 to June 2013, up to 11.7%. Notwithstanding the tight conditions in financial markets from June 2012 to June 2013 the ratio has improved 70 bp in this period.

[3] See the EBA reports on the consistency of risk weighted assets:
http://www.eba.europa.eu/risk-analysis-and-data/review-of-consistency-of-risk-weighted-assets

[4] Four Greek banks are missing for December 2011 and June 2012; one Cypriot bank missing for December 2012 and June 2013. For comparing capital positions, September 2011 data is used instead of December 2011 for Greek banks. When the report makes reference to a balanced sample, Greek banks and the Cypriot banks are excluded.

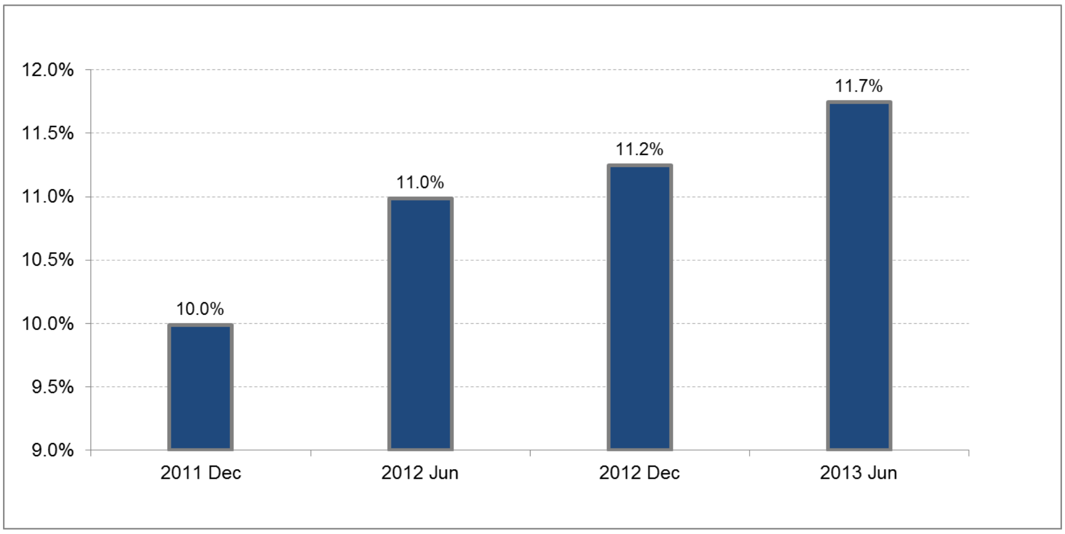

Chart 1: EBA Core Tier 1 capital ratio evolution

10. Chart 2 shows an increase of the interquartile range (after a reduction in 2012) but also the gradual improvement of Core Tier 1 capital ratios for banks in the lower quartile.

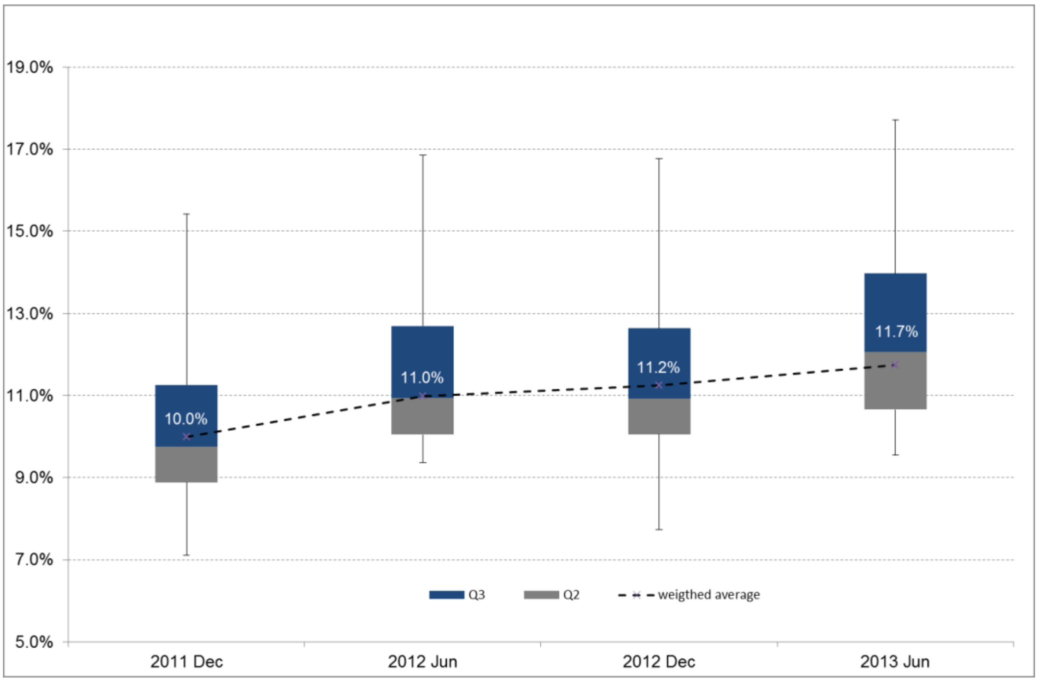

Chart 2: EBA Core Tier 1 capital ratio dispersion measures
(median, average, interquartile range, 5th and 95th percentiles)

11. The dispersion of EBA Core Tier 1 capital ratios across countries is presented in Chart 3. It should be noted that the level of the Core Tier 1 ratio is affected by the national rules on the computation

of the Basel 1 transitional floors[5]. Therefore, country by country data should to be interpreted with caution.

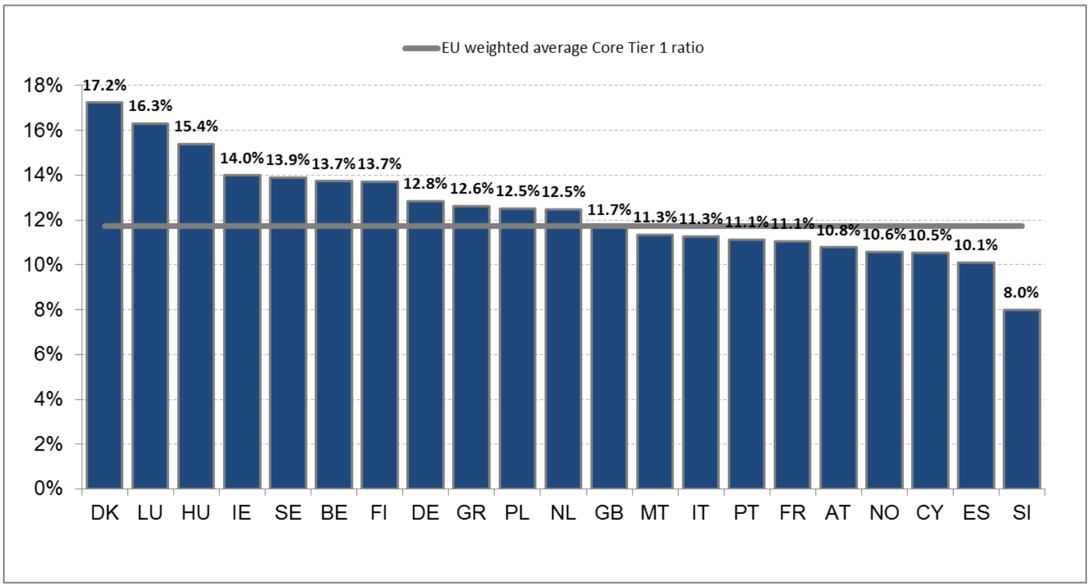

Chart 3: EBA Core Tier 1 capital ratio by country – June 2013

12. Using a balanced sample, Chart 4 displays the driver of the Core Tier 1 capital ratio, disentangling developments on the capital and on RWAs side. In this respect Core Tier 1 capital increased by 7.3% since December 2011, while RWAs decreased by 8.4%.

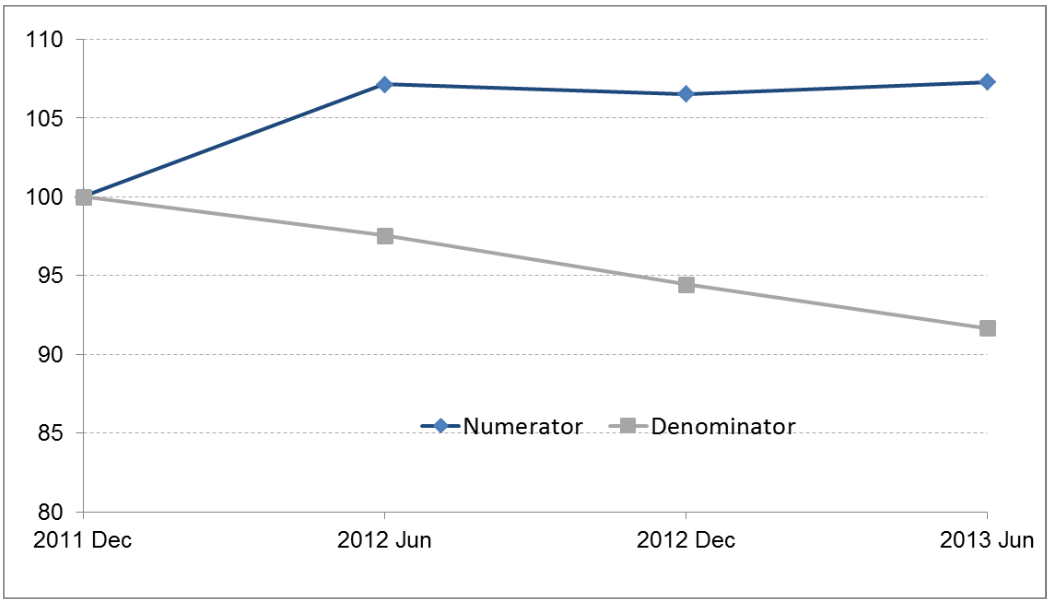

Chart 4: Evolution of EBA Core Tier 1 capital ratio components (December 2011=100)

13. An analysis[6] has been carried out to further investigate the driver of the Core Tier 1 capital ratio evolution and to decompose its variation into capital and RWA components. Chart 5 illustrates the

[5] The methodology for the computation of the floors is however disclosed as part of this exercise.

relative importance of the Core Tier 1 (numerator) and RWA (denominator) effects on the EBA Core Tier 1 ratio by jurisdiction, which helps to explain whether capital increases have been driven by injections of new capital or by de-risking and deleveraging. The main results of this analysis are:

a. The improvement of 170 bp (from 10.0 to 11.7%) recorded over the 18 months ending in June 2013 has been the result of both an increase in the EBA Core Tier 1 capital (80 bp) and a reduction of RWAs (90 bp).

b. In one country (IE, area Q4-b) there has been a reduction of EBA Core Tier 1 capital ratio, due to a decrease of capital, partially offset by a reduction of RWAs.

c. In eight countries (Q4-a and Q1-a - AT, BE, DE, DK, GB, IT, NL, SI), whose banks account for around 56% of the total, the improvement in the EBA Core Tier 1 ratio has been mainly driven by a reduction of RWAs.

d. In six countries (Q1-b – CY, ES, FR, HU, NO, PT, 35% of the total) the impact of higher EBA Core Tier 1 capital has been larger than the impact of the decline in RWAs.

e. In six countries (GR, FI, MT, PL, SE and LU – area Q2-a, 7% of the total) the increase in the EBA Core Tier 1 capital has been partially offset by an increase of RWAs.

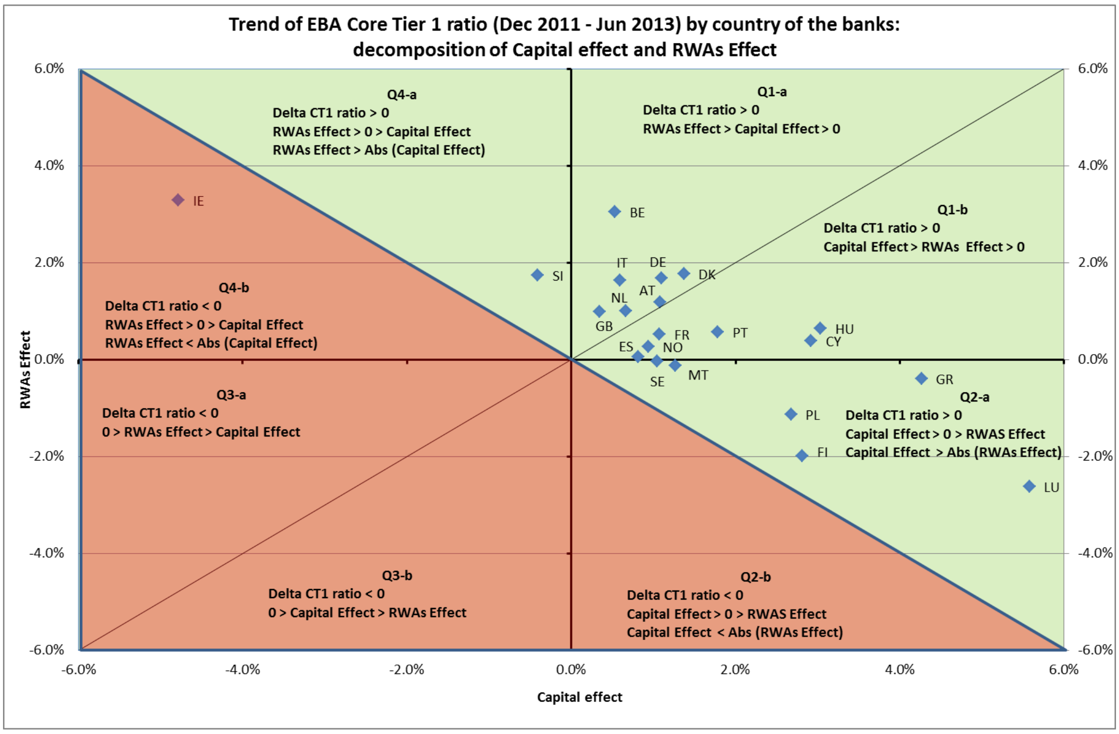

Chart 5: Decomposition of effects on EBA Core Tier 1 capital ratio evolution

[6] To this end, a shift-and-share analysis has been carried out. Basically, the variation of the CT1 ratio between June_2013 and Dec_2011= Delta_CT1_ratio= (CT1Jun_13 / RWAs Jun_13) - (CT1Dec_11 / RWAs Dec_11) = [(CT1 Jun_13- CT1 Dec_11) / RWAs Dec_11] + CT1 Dec_11* [(1/ RWAs Jun_13) – (1/ RWAs Dec_11)] + (CT1 Jun_13- CT1 Dec_11) * [(1/ RWAs Jun_13) – (1/ RWAs Dec_11)] = Capital_Effect + RWAs Effect + Combined_effect.

3. Credit risk

3.1 Risk weighted assets (RWAs)

14. The major contributions to RWA stem from credit risk (80%), operational risk (11%) and market risk (6%). However there is heterogeneity across banks with twelve institutions having market risk as the second most relevant contributor to RWA (see Chart 6).

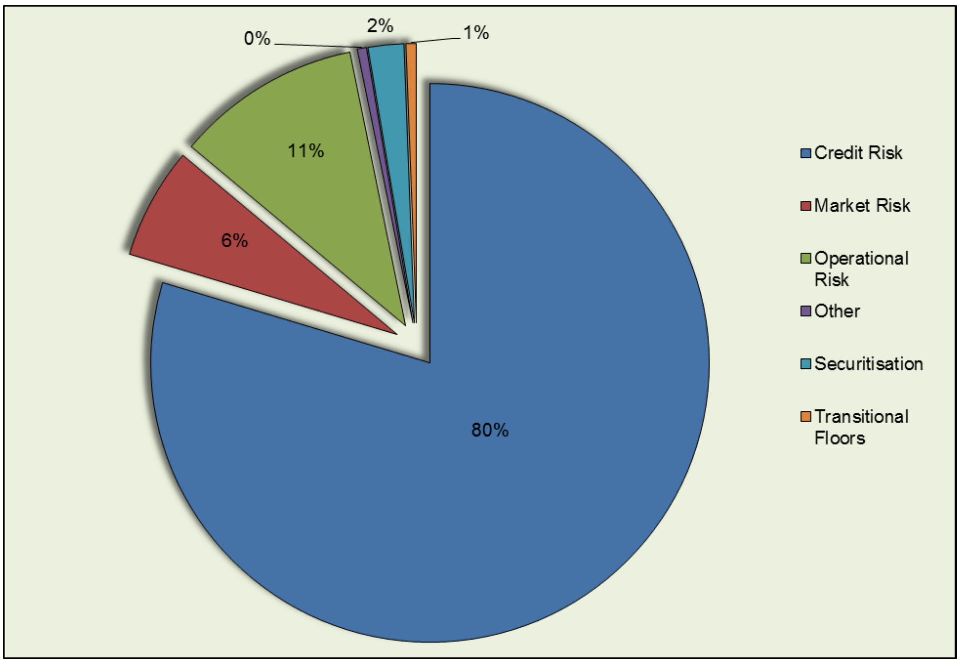

Chart 6: Total RWA by component – June 2013

15. RWA evolution over time is shown in Chart 7. Changes to banks business models are demonstrated by larger drops in RWAs for market risk and securitisation, and to a lower extent credit risk RWAs. Similar results were found in the balanced sample.

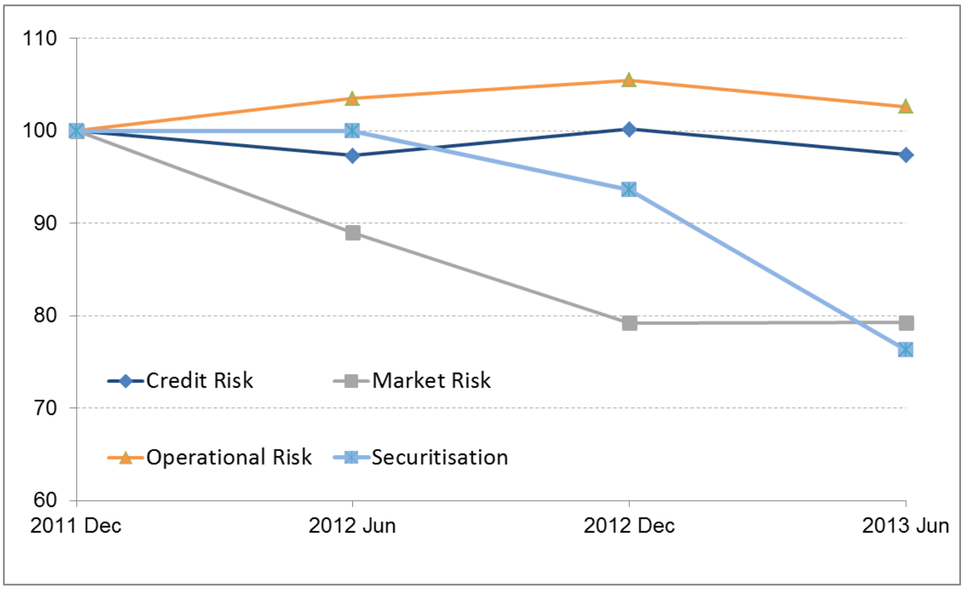

Chart 7: Evolution of total RWA by component (December 2011=100)

3.2 Exposure at default

16. The largest share of banking book credit risk exposures refers to Corporates (32%), closely followed by Retail (31%) and Sovereign assets (19%, Chart 8). Exposures to Institutions are approximately 12% of the total non-defaulted exposures. The distribution of the exposures by asset class has remained stable over time with a slight increase for retail and other assets and decrease for institutions and securitisation.

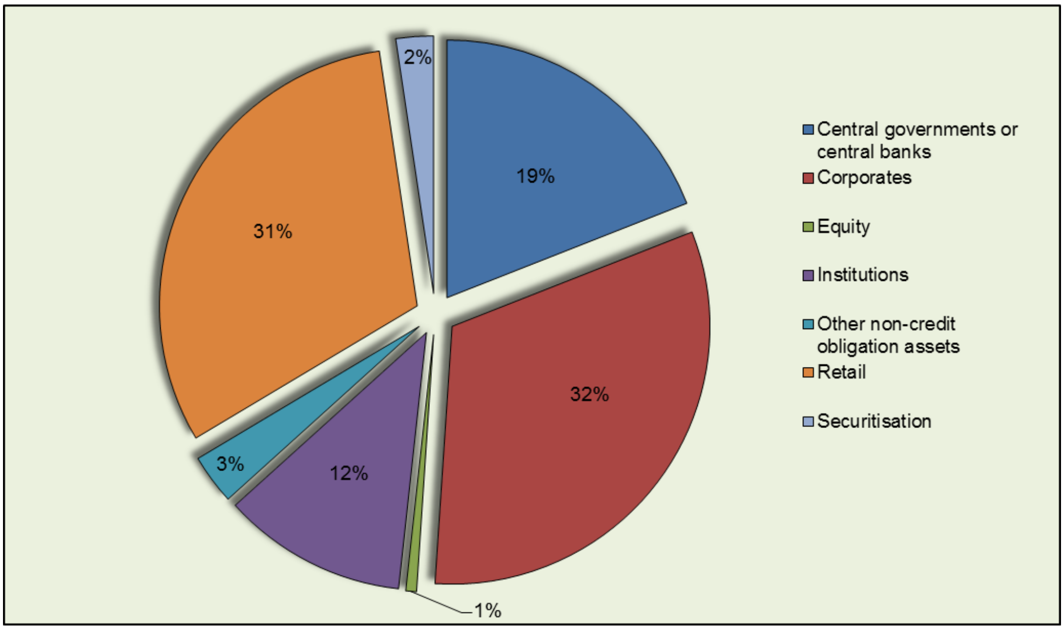

Chart 8: Credit risk breakdown by portfolio – June 2013

17. Chart 9 shows the credit risk portfolio structure by home country of banks. In accordance with the aggregated total credit risk exposure of the sample, corporate and retail exposures account in most countries for approximately 60% of the total exposure.

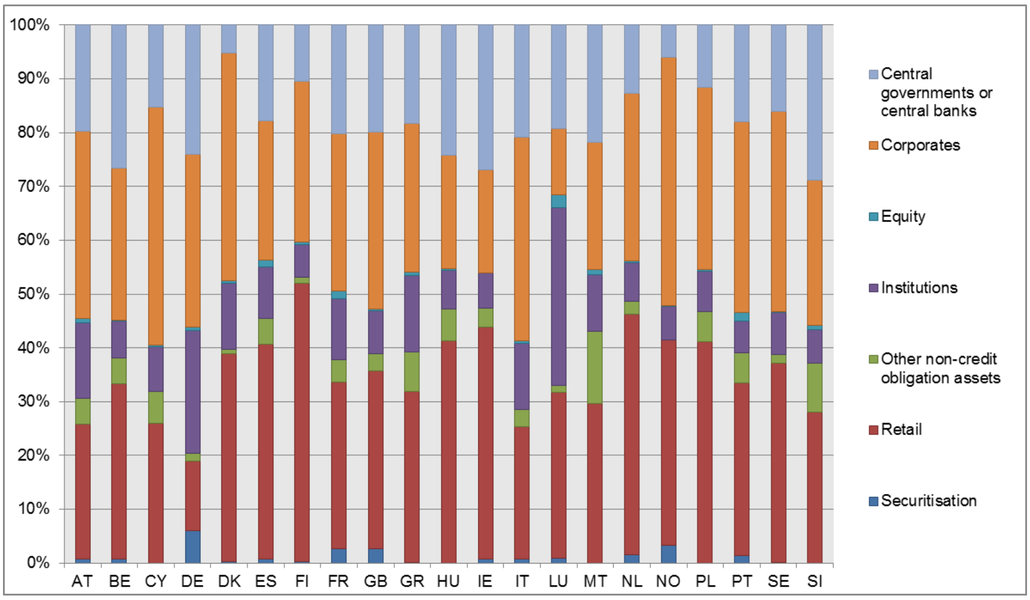

Chart 9: Credit risk exposures by portfolio and home country of the bank – June 2013

18. RWAs by portfolio provide a similar picture (Chart 10) to the EADs. The ranking order of portfolios does not change. However, the share of corporate is higher at 55% of total RWAs. In line with expectations, sovereign exposures account for only 2% of total RWAs compared to 19% EAD.

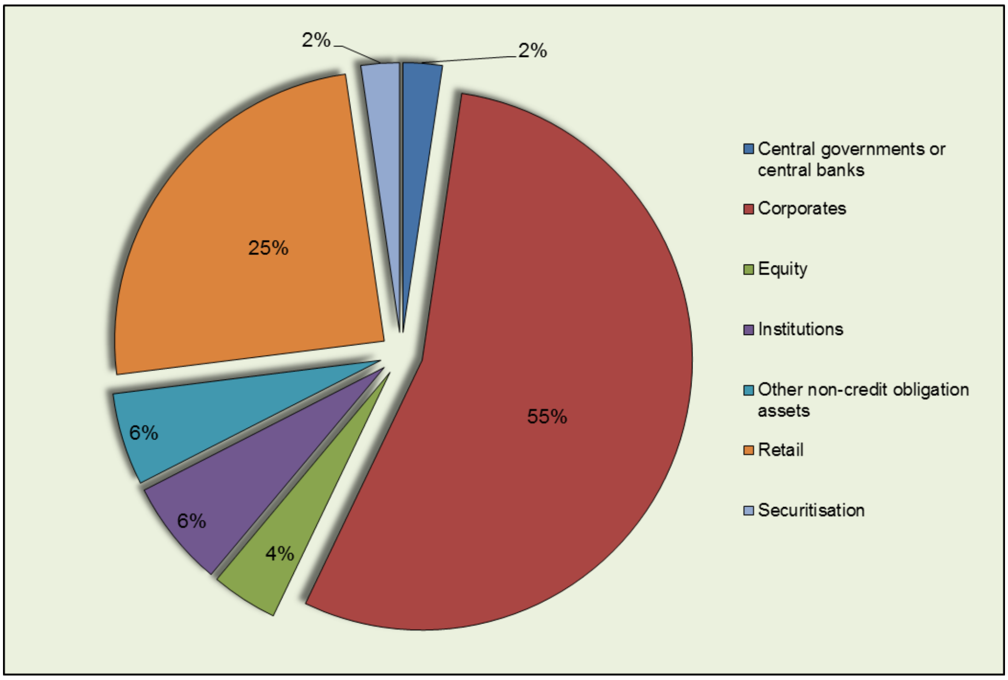

Chart 10: Credit risk RWA by portfolio – June 2013

19. Concerning regulatory approaches for the computation of capital requirements, total exposures under IRB models approximately account for two thirds of total RWAs (68%), mainly concentrated in Advanced IRB approaches (57%). Standardised approaches account for the remaining 32% (Chart 11).

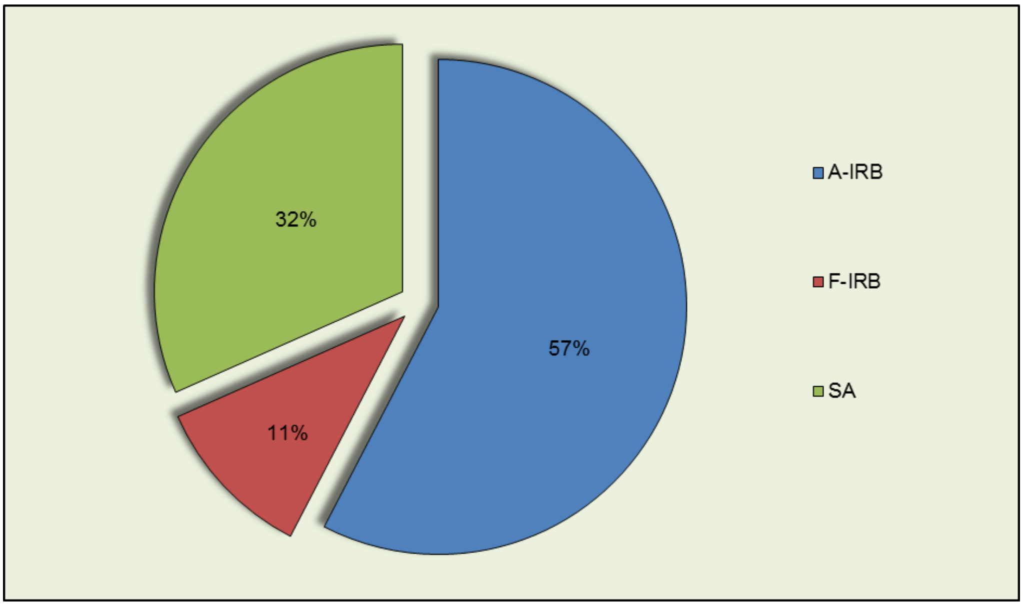

Chart 11: Total exposure by regulatory approach – June 2013

20. Table 1 shows the distribution of exposures according to the country of the counterparty and its evolution since December 2010. 24.7% of exposures reported for this exercise is held by non-domestic banking groups (27.9% in December 2010)[7], with significant dispersion across countries both in terms of level and dynamics of the exposures.

Country of the counterparty	By country of the exposures			
	Dec-10		Jun-13	
	mln euro	% of Total	mln euro	% of Total
AT	107,511	47.3%	94,587	46.7%
BE	236,297	80.4%	263,520	68.8%
CY	8,056	34.7%	4,789	18.7%
DE	576,238	25.0%	520,063	24.4%
DK	131,161	25.7%	132,452	25.3%
ES	302,152	22.0%	204,719	16.9%
FI	133,973	67.4%	179,411	68.6%
FR	382,397	16.8%	274,818	10.7%
GB	853,341	31.9%	757,275	27.7%
GR	48,873	17.5%	1,285	0.6%
HU	43,160	71.9%	31,692	65.0%
IE	128,008	43.2%	69,686	28.1%
IT	400,346	27.7%	354,640	24.9%
LU	147,046	89.2%	165,359	89.0%
MT	4,313	69.0%	-	0.0%
NL	170,397	15.4%	177,920	14.5%
NO	150,323	49.0%	148,590	45.5%
PL	92,789	70.4%	155,273	77.7%
PT	76,791	25.3%	34,179	13.6%
SE	67,819	12.4%	64,968	11.2%
SI	2,071	11.8%	-	0.0%
Total	**4,063,062**	**27.9%**	**3,635,228**	**24.7%**
Other EEA Countries	**231,680**		**246,176**	
Grand Total	**4,294,742**		**3,881,404**	

(1) Only NON defaulted positions ; (2) Balanced sample

Table 1: Non-domestic lending evolution by country of the counterparty

3.3 Defaulted assets

21. The ratio of defaulted assets to credit risk EAD is 3.8% in June 2013 (3.0% in December 2011, 3.5% in December 2012). The ratio is higher for the corporate (6.9%), followed by retail (4.2%), as shown in Chart 12. The ratio of Value adjustments and provisions to Exposure gross of provisions is approximately 43% for both corporate and retail segments.

[7] Total domestic exposures include only those of the banking groups reported in this exercise.

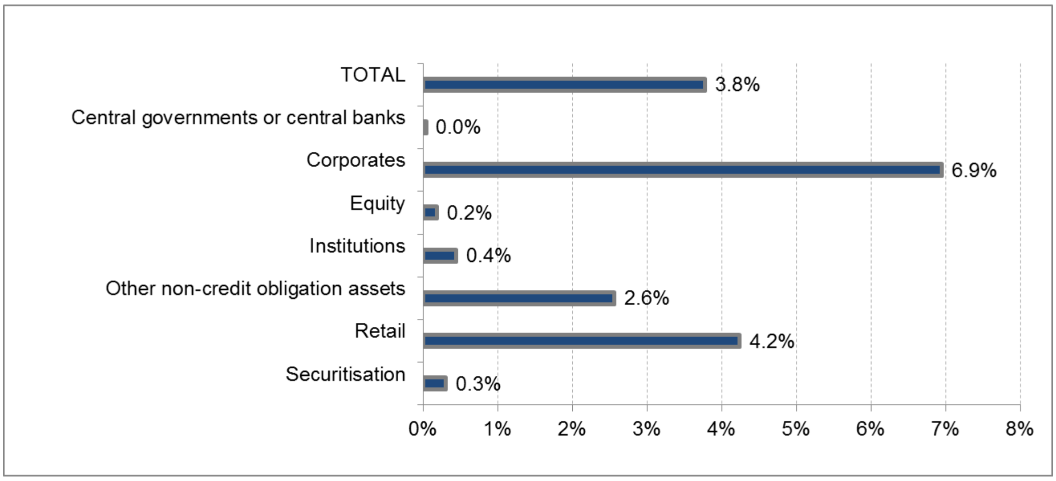

Chart 12: Default rates by asset class – June 2013

4. Sovereign exposures

22. Total sovereign exposures towards EEA countries amount to EUR 1,647 bn. as of June 2013. The exposures declined by about 9.3% during 2011 but increased afterwards by 9.5%. Chart 13 shows the distribution by accounting portfolio. 48% of Sovereign exposure is held in the available for sale portfolio, 30% in the hold to maturity; whereas 18% is booked in the held for trading and only 4% under the fair value option.

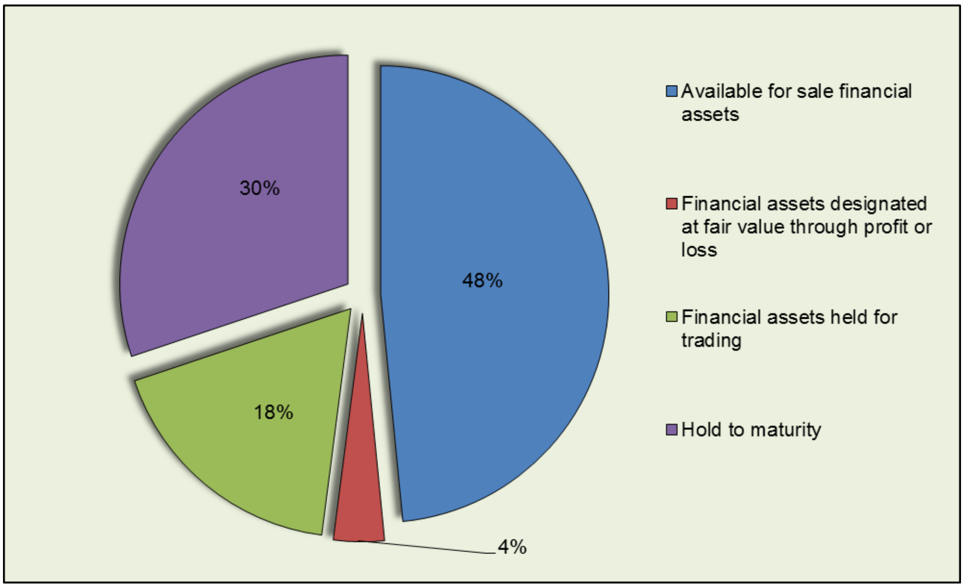

Chart 13: Total sovereign exposure by accounting classification – June 2013

23. In order to better understand the dynamics of sovereign exposures, figures are matched with the data from the 2011 stress test (dating back to December 2010). Table 2 shows the share of bank held sovereign bonds held by domestic institutions between December 2010 and June 2013. While it is difficult to identify a clear pattern for the EU as a whole, the increase is apparent for sovereigns under stress.

NET DIRECT POSITIONS

(gross of provisions and write-off exposures (long) net of cash short position of sovereign debt to other counterparties only where there is maturity matching)

Sovereign issuer	Dec-10			Dec-11			Dec-12			Jun-13		
	Total	of which: Held by domestic banks		Total	of which: Held by domestic banks		Total	of which: Held by domestic banks		Total	of which: Held by domestic banks	
	mln Eur	mln Eur	%	mln Eur	mln Eur	%	mln Eur	mln Eur	%	mln Eur	mln Eur	%
AT	34,014	13,063	38%	34,863	9,540	27%	43,774	10,065	23%	45,445	11,504	25%
BE	72,380	21,813	30%	68,681	19,345	28%	72,871	21,366	29%	77,225	20,142	26%
CY	2,105	1,243	59%	1,394	532	38%	1,294	763	59%	2,852	2,402	84%
DE	406,077	307,622	76%	405,123	294,592	73%	419,162	302,898	72%	399,128	288,614	72%
DK	12,978	5,518	43%	22,269	5,901	26%	33,064	6,423	19%	29,682	6,834	23%
ES	177,568	138,465	78%	157,410	131,286	83%	177,555	153,453	86%	199,076	176,944	89%
FI	23,141	405	2%	11,673	24	0%	35,371	1,165	3%	22,039	1,214	6%
FR	163,044	100,266	61%	125,163	73,698	59%	142,565	97,909	69%	149,992	101,114	67%
GB	109,523	90,860	83%	128,196	114,082	89%	119,904	108,504	90%	127,472	112,842	89%
GR	80,957	54,203	67%	68,975	48,401	70%	27,337	27,187	99%	23,061	22,930	99%
HU	19,476	4,207	22%	17,044	2,783	16%	16,348	3,088	19%	17,924	3,325	19%
IE	15,512	10,164	66%	16,884	12,888	76%	18,886	15,762	83%	21,716	18,248	84%
IT	262,185	154,771	59%	205,329	139,522	68%	249,698	187,622	75%	274,212	207,830	76%
LU	7,137	2,914	41%	3,502	2,218	63%	6,939	2,312	33%	5,539	2,362	43%
MT	1,516	1,167	77%	746	n.a.	n.a.	1,493	754	51%	1,544	851	55%
NL	64,867	40,797	63%	66,035	47,556	72%	69,298	47,251	68%	73,287	49,092	67%
NO	25,990	13,114	50%	9,404	7,391	79%	14,485	8,836	61%	11,745	7,165	61%
PL	43,639	6,561	15%	39,417	5,281	13%	41,852	5,431	13%	43,368	4,885	11%
PT	34,792	18,940	54%	30,369	19,077	63%	31,711	22,539	71%	34,238	24,452	71%
SE	27,824	21,790	78%	22,424	18,622	83%	16,673	15,070	90%	21,541	15,167	70%
SI	4,082	1,435	35%	4,644	1,884	41%	4,888	2,152	44%	4,412	2,083	47%
Total	**1,588,808**	**1,009,320**	**64%**	**1,439,545**	**954,623**	**66%**	**1,545,167**	**1,040,550**	**67%**	**1,585,496**	**1,079,997**	**68%**
Other EEA Countries	**59,181**			**55,230**			**62,528**			**61,877**		
Grand Total	**1,647,988**			**1,494,775**			**1,607,695**			**1,647,374**		

Table 2: Evolution of sovereign positions by country

24.As shown in Chart 14 below, banks hold sovereign exposures in all maturity buckets without a specific concentration in any specific maturity. This is confirmed also looking at past data.

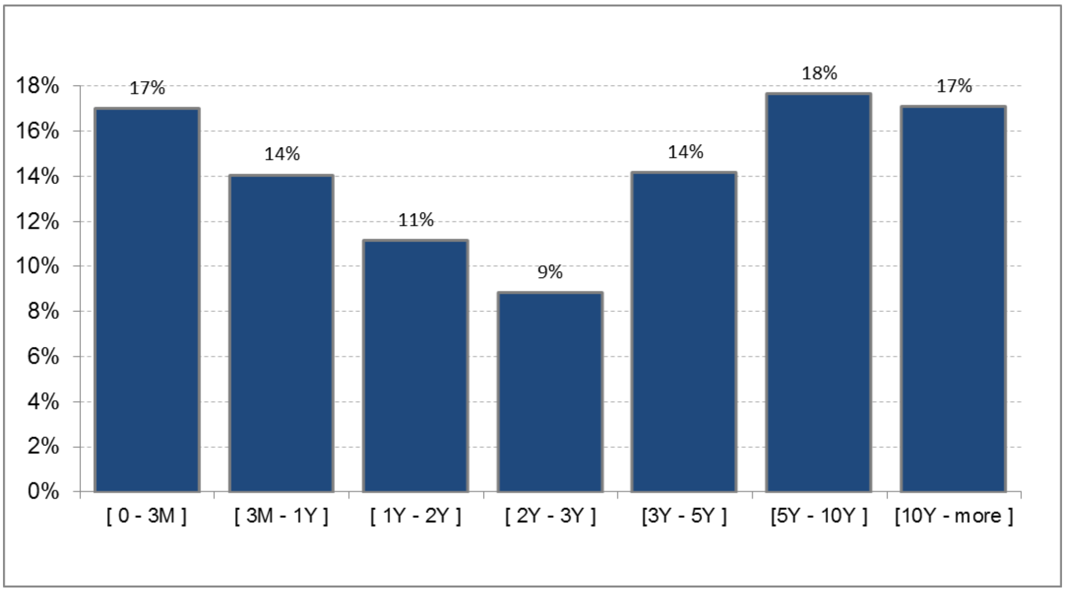

Chart 14: Net direct sovereign exposure by maturity – June 2013

Annex 1 – Participating banks

	Bank Code	Bank Name
Austria	AT001	Erste Group Bank AG
	AT002	Raiffeisen Zentralbank Österreich AG
Belgium	BE005	KBC Group NV
Cyprus	CY007	Bank of Cyprus Public Company Limited
Germany	DE017	Deutsche Bank AG
	DE018	Commerzbank AG
	DE019	Landesbank Baden-Württemberg
	DE020	DZ BANK AG Dt. Zentral-Genossenschaftsbank
	DE021	Bayerische Landesbank
	DE022	NORD LB Norddeutsche Landesbank Girozentrale
	DE023	Hypo Real Estate Holding AG
	DE025	HSH Nordbank AG
	DE026	Landesbank Hessen-Thüringen Girozentrale
	DE027	Landesbank Berlin AG
	DE028	DekaBank Deutsche Girozentrale
	DE029	Westdeutsche Genossenschafts-Zentralbank AG
Denmark	DK008	Danske Bank A/S
	DK009	Jyske Bank A/S
	DK010	Sydbank A/S
	DK011	Nykredit Realkredit A/S
Spain	ES059	Banco Santander SA
	ES060	Banco Bilbao Vizcaya Argentaria, SA
	ES062	Caja de Ahorros y Pensiones de Barcelona
	ES064	Banco Popular Español SA
Finland	FI012	OP-Pohjola Group
France	FR013	BNP Paribas
	FR014	Crédit Agricole Group
	FR015	Groupe BPCE
	FR016	Société Générale
United Kingdom	GB088	Royal Bank of Scotland Group Plc
	GB089	HSBC Holdings Plc
	GB090	Barclays Plc
	GB091	Lloyds Banking Group Plc
Greece	GR030	Eurobank Ergasias SA
	GR031	National Bank of Greece SA
	GR032	Alpha Bank AE
	GR033	Piraeus Bank SA
Hungary	HU036	OTP Bank Nyrt.
Ireland	IE037	Allied Irish Banks, Plc
	IE038	Bank of Ireland
	IE039	Permanent TSB
Italy	IT040	Intesa Sanpaolo SpA
	IT041	UniCredit SpA
	IT042	Banca Monte dei Paschi di Siena SpA
	IT043	Banco Popolare Società Cooperativa
	IT044	Unione di Banche Italiane SCpA
Luxembourg	LU045	Banque et Caisse d'Epargne de l'Etat
Malta	MT046	Bank of Valletta Plc
Netherlands	NL047	ING Bank NV
	NL048	Rabobank Group
	NL049	ABN AMRO Group NV
	NL050	SNS Bank NV
Norway	NO051	DNB Bank ASA
Poland	PL052	Powszechna Kasa Oszczędności Bank Polski SA
Portugal	PT053	Caixa Geral de Depósitos SA
	PT054	Banco Comercial Português SA
	PT055	Banco Espírito Santo SA
	PT056	Banco BPI SA
Sweden	SE084	Nordea Bank AB
	SE085	Skandinaviska Enskilda Banken AB
	SE086	Svenska Handelsbanken AB
	SE087	Swedbank AB
Slovenia	SI057	Nova Ljubljanska Banka d.d.
	SI058	Nova Kreditna banka Maribor d.d.