EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Benchmarking of Recovery Plans

Based on 2019 cycle plans,

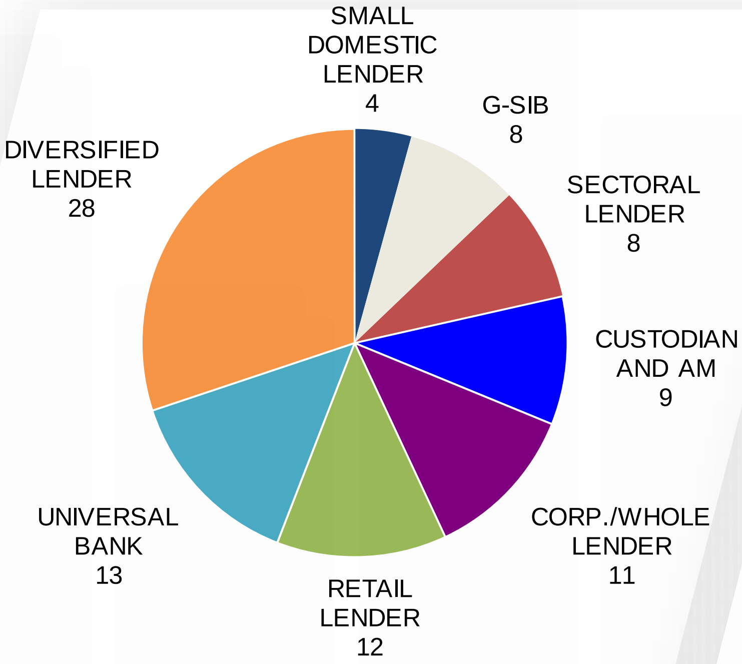
assessed by the SSM until July 2020

DGHOL/BMC

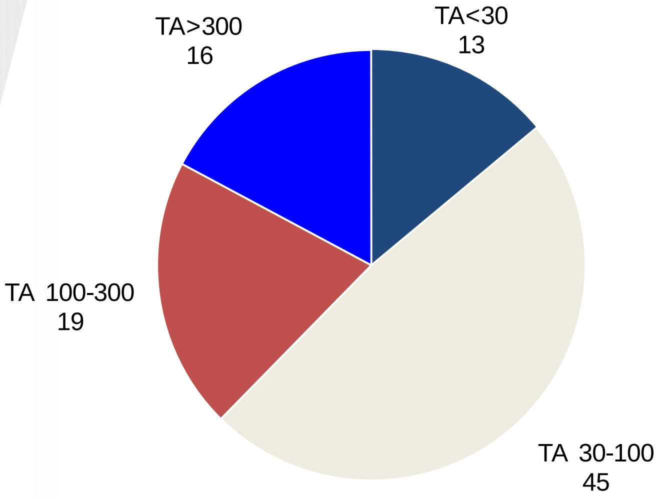
Introduction

Objective	Provide a **horizontal overview** of key characteristics of recovery plans of SIs and their assessments to facilitate identification of key focus points for improvements
Data basis	Recovery plan standardised reporting template (SRT) submitted in the 2019 cycle; FINREP/COREP
Scope	Overall **96 recovery plans of SIs** were assessed in the cycle in our role as consolidating supervisor. **93 SRTs** analysed, mismatch due to off-cycle submissions

The benchmarking sample of 93 SIs is comprised of

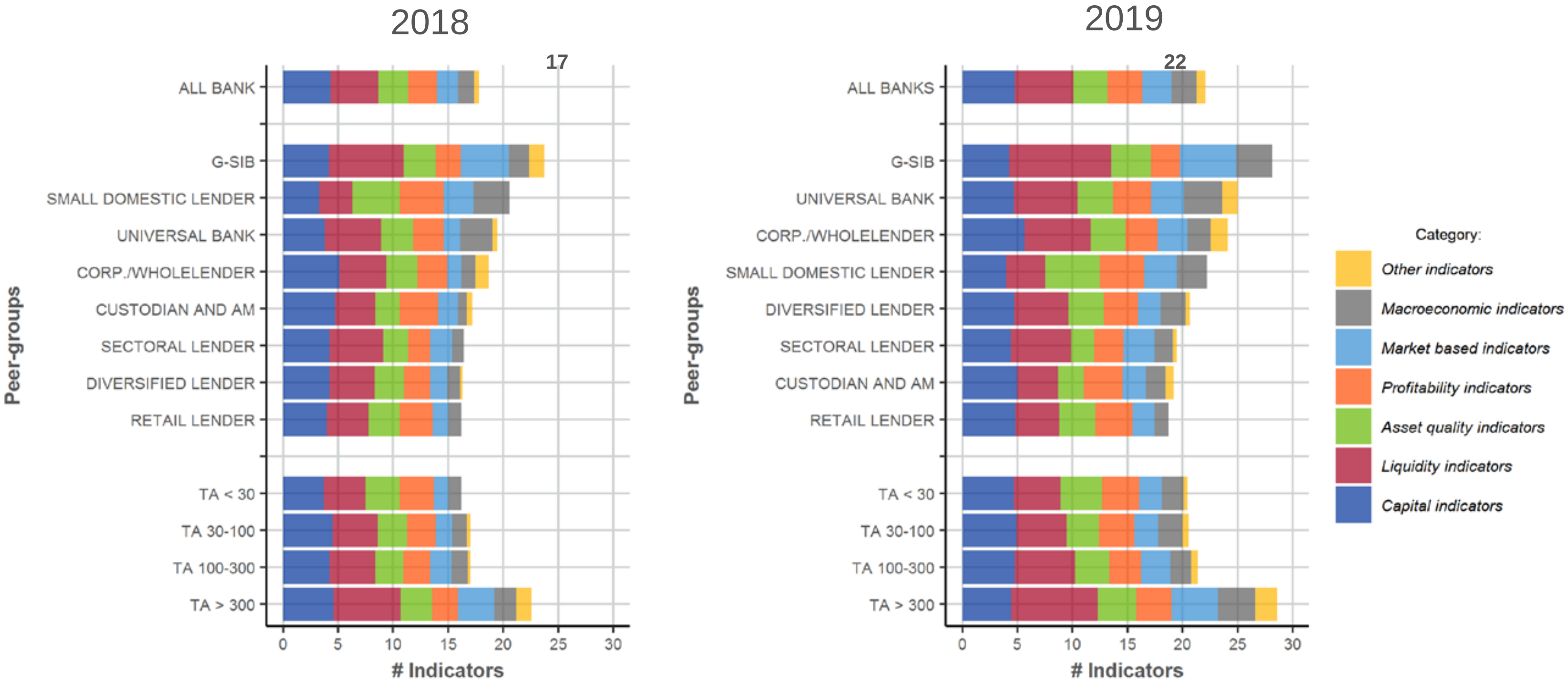


Business model



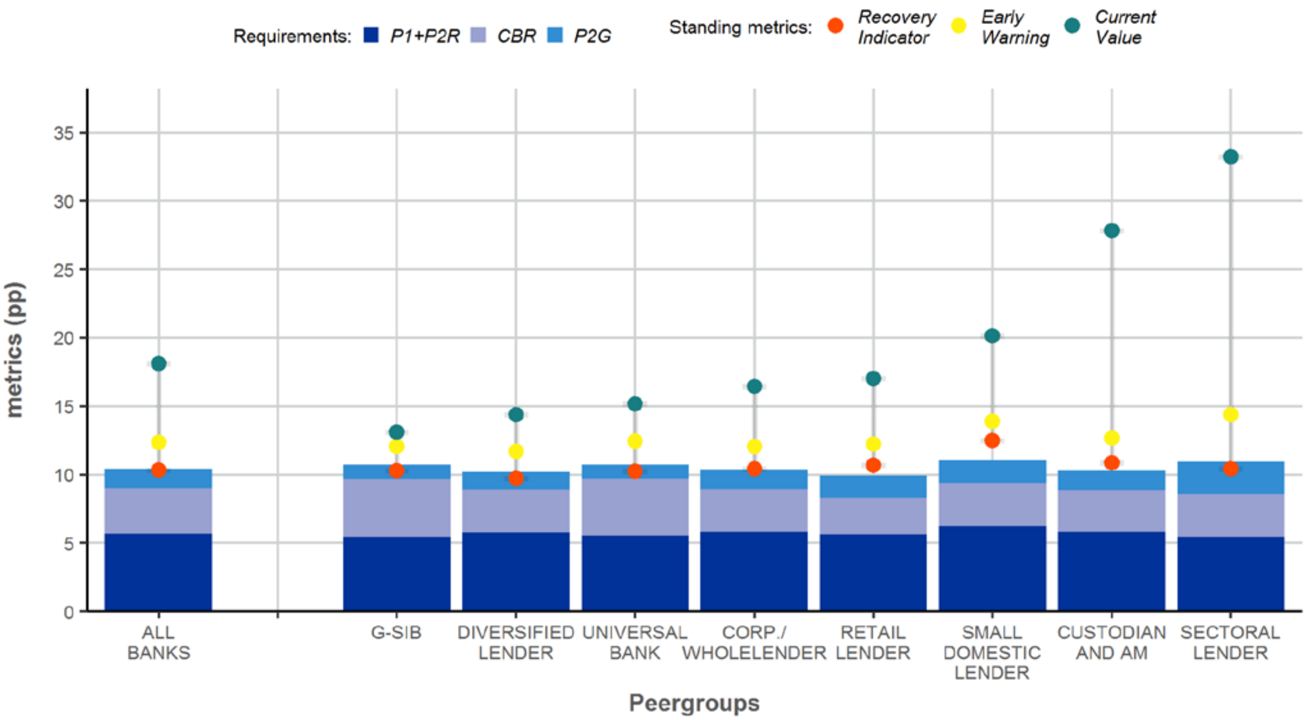
Total Assets (BN)

Banks increased number of indicators – G-SIBs and universal banks have the most – liquidity indicators are drivers



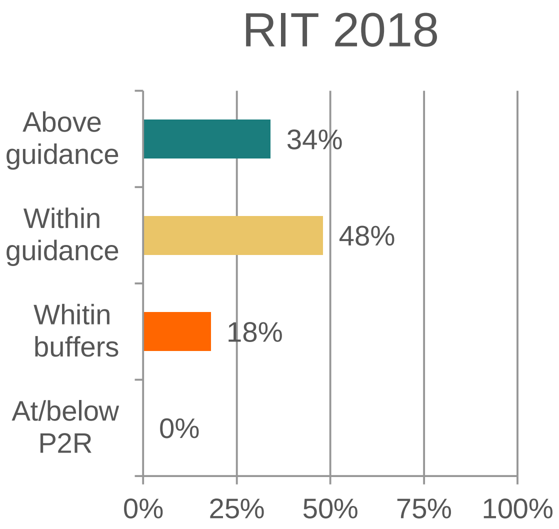
Heat map of indicator usage by category and peer-group

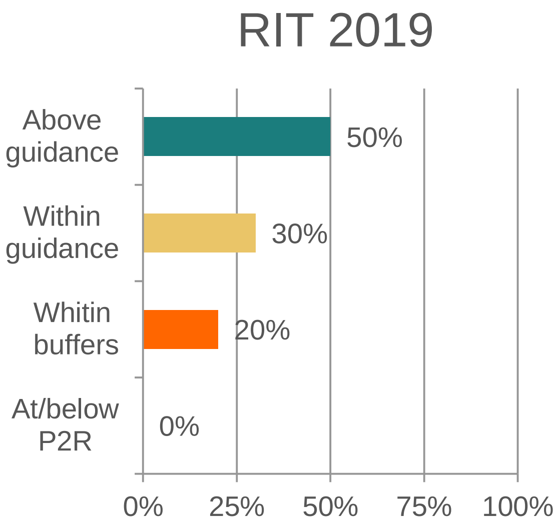
CET1R indicators calibrated very differently across business models



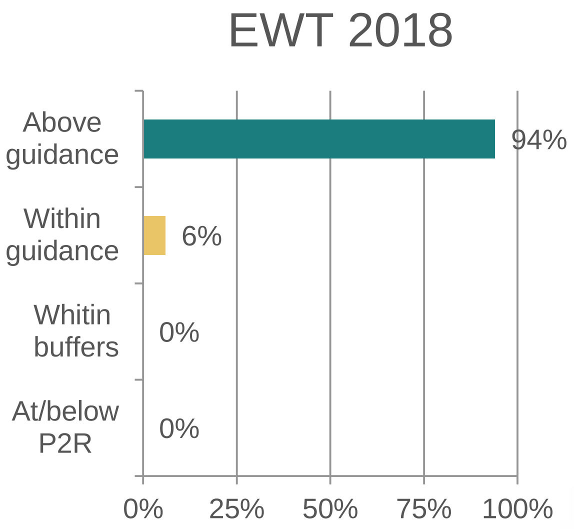
*Peer groups sorted by the distance of the current indicator value from its indicator threshold

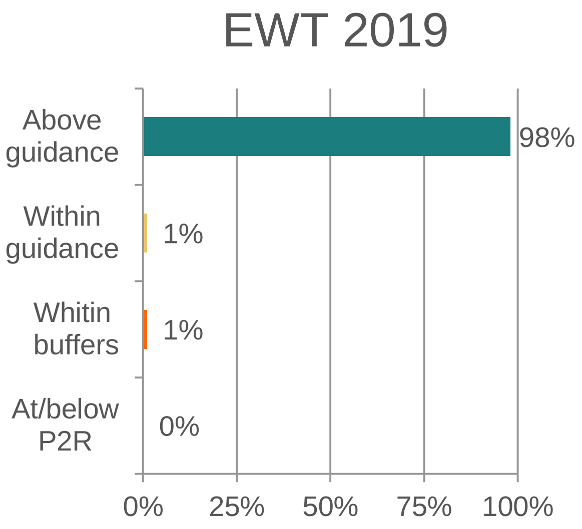
CET1 ratio indicator (RIT) calibration breakdown of levels



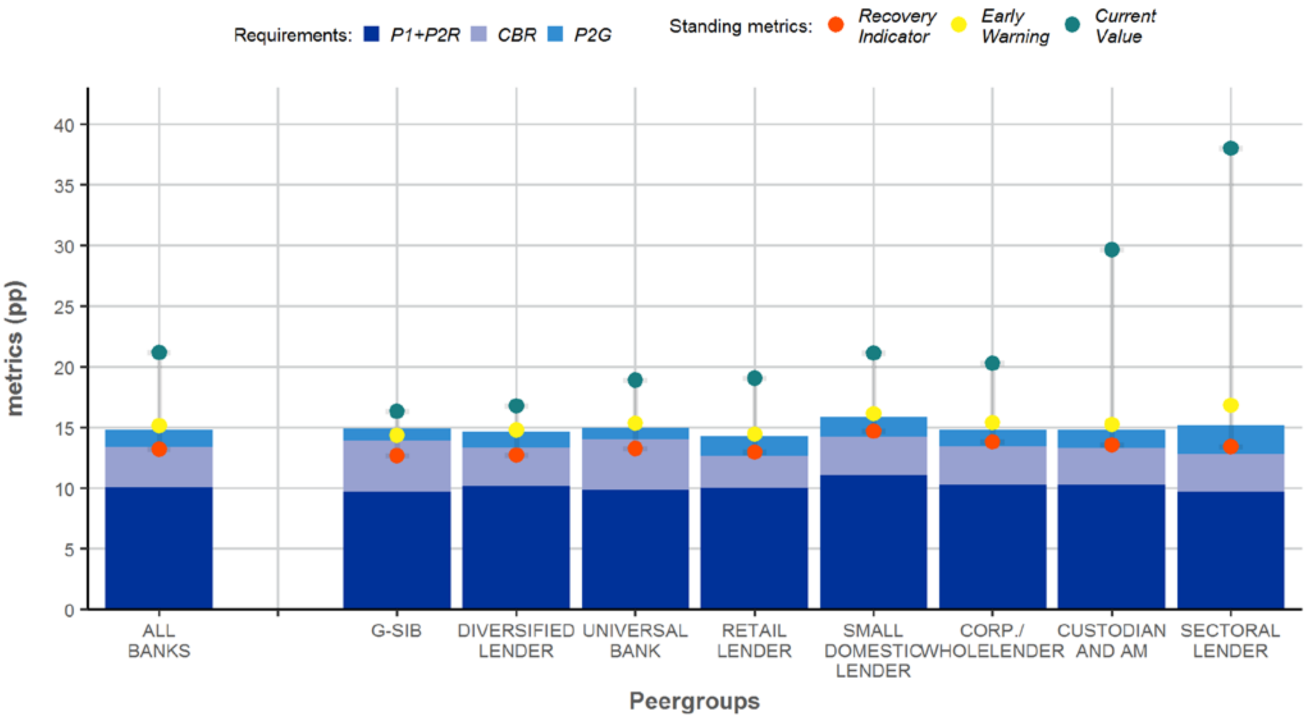


CET1 early warning (EWT) calibration breakdown of levels





TC ratio recovery indicator calibrated differently across business models



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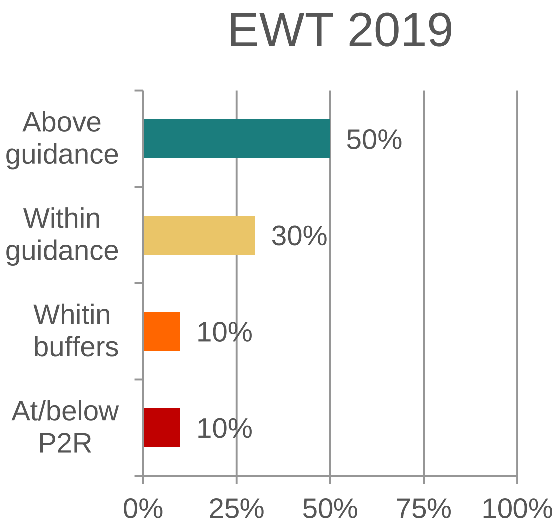
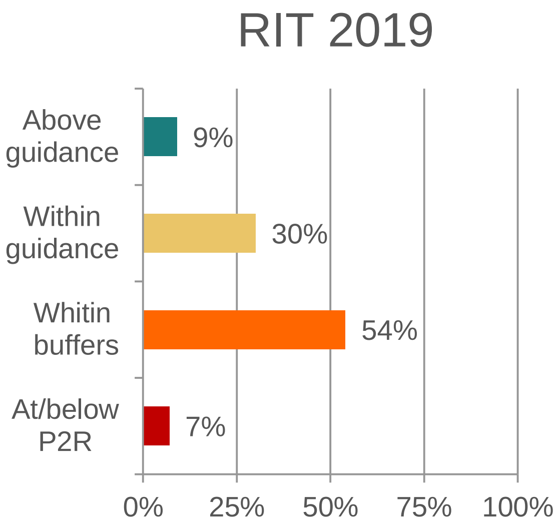
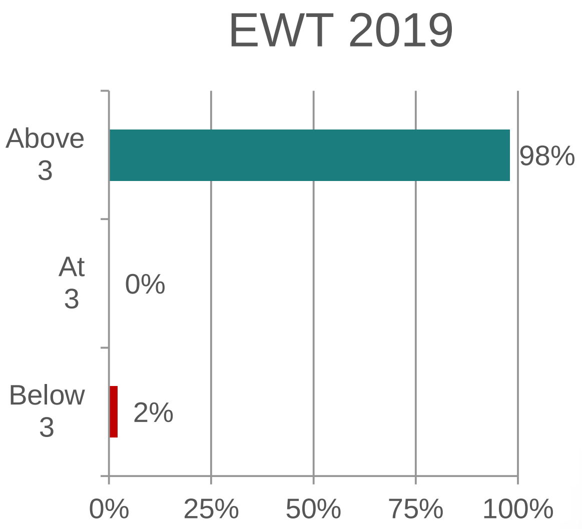
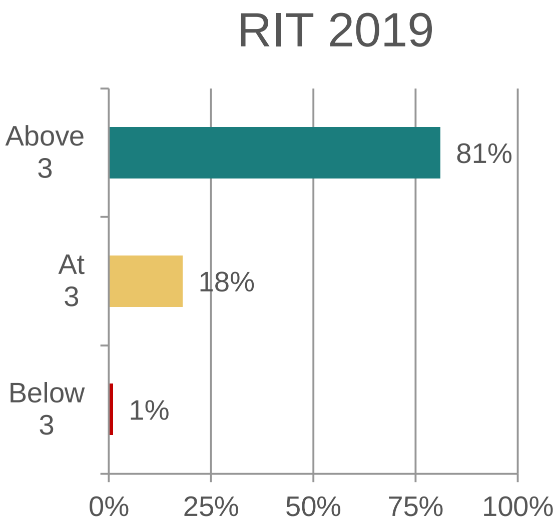
TC ratio indicator calibration breakdown of levels



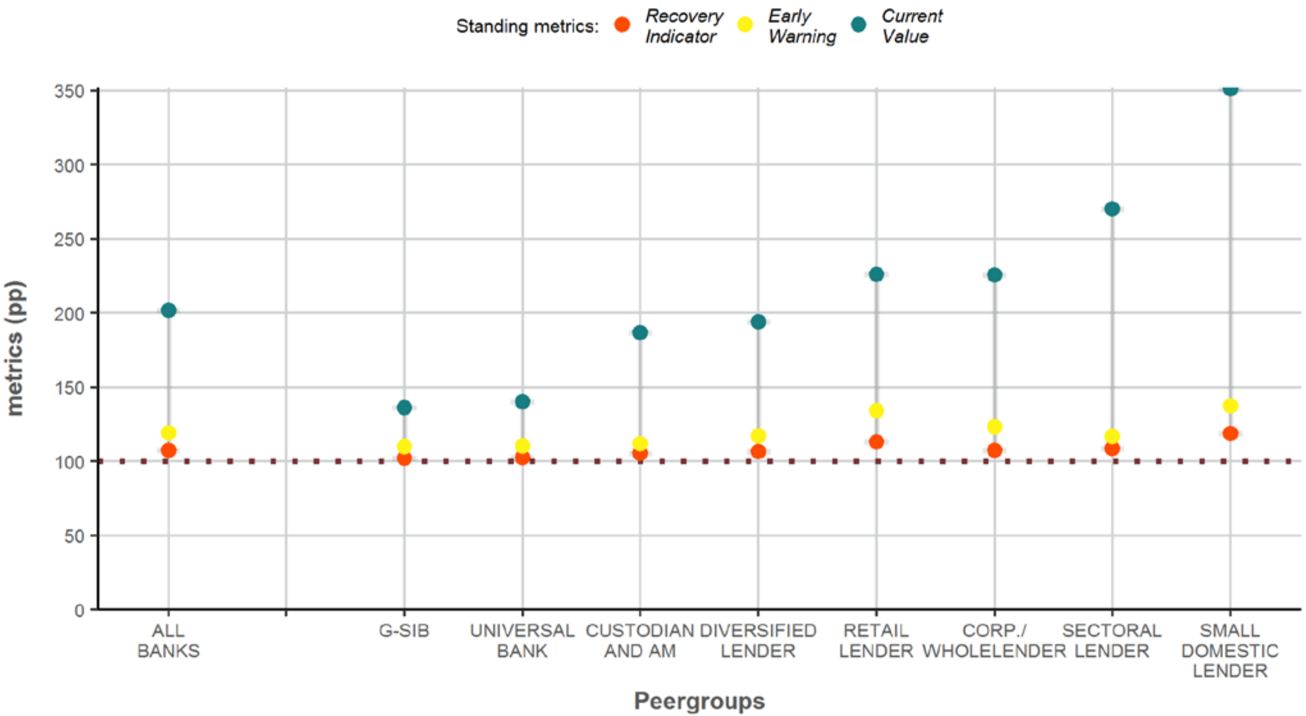


LR ratio indicator calibration breakdown of levels



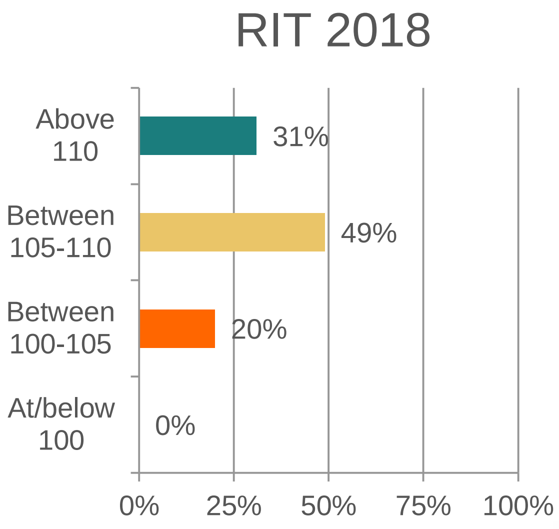


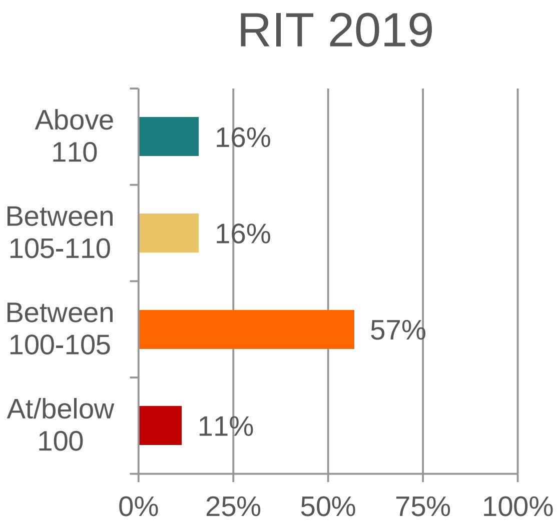
LCR indicator average by business model ranges from 102 (G-SIB) to 119 (Small lenders), while average EWT stands at or above 110.



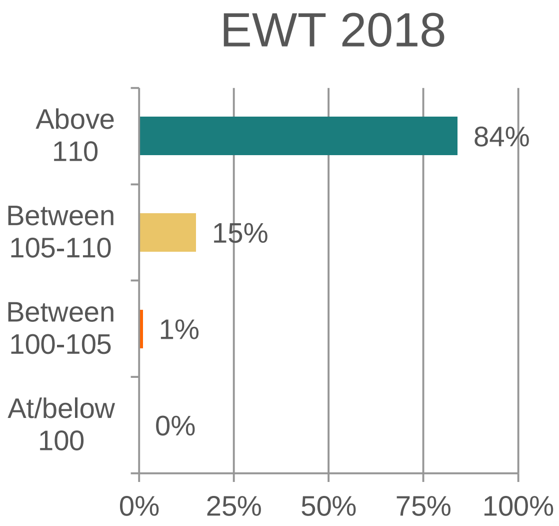
*Peer groups sorted by the distance of the current indicator value from its indicator threshold

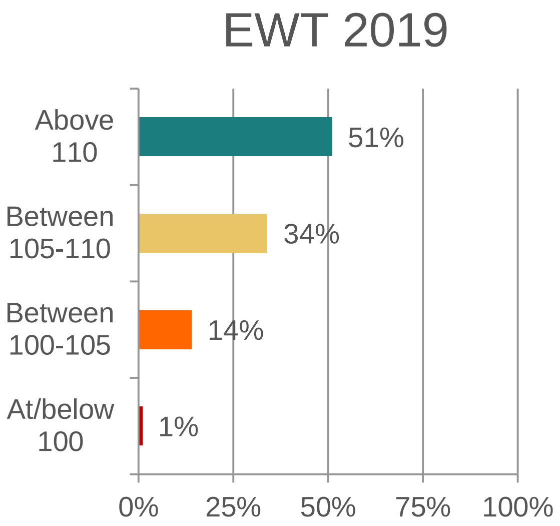
LCR ratio indicator (RIT) calibration breakdown of levels



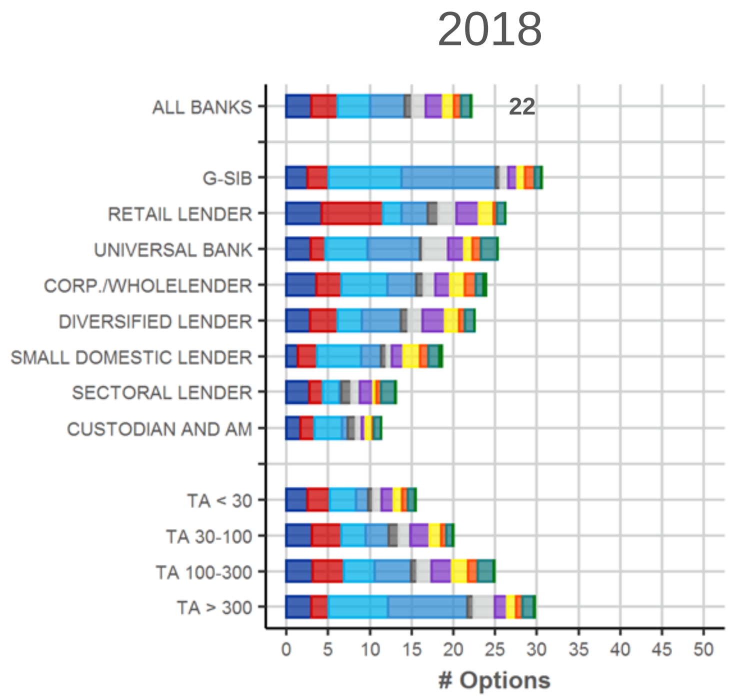


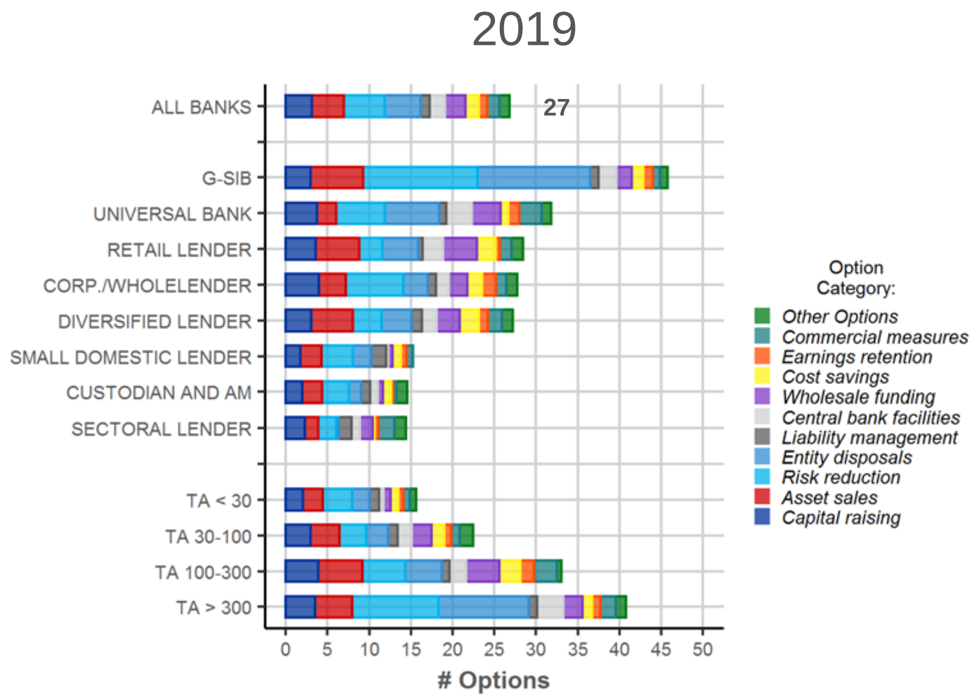
LCR ratio indicator EWT calibration breakdown of levels





Number of stand-alone options average increased substantially from 22 to 27

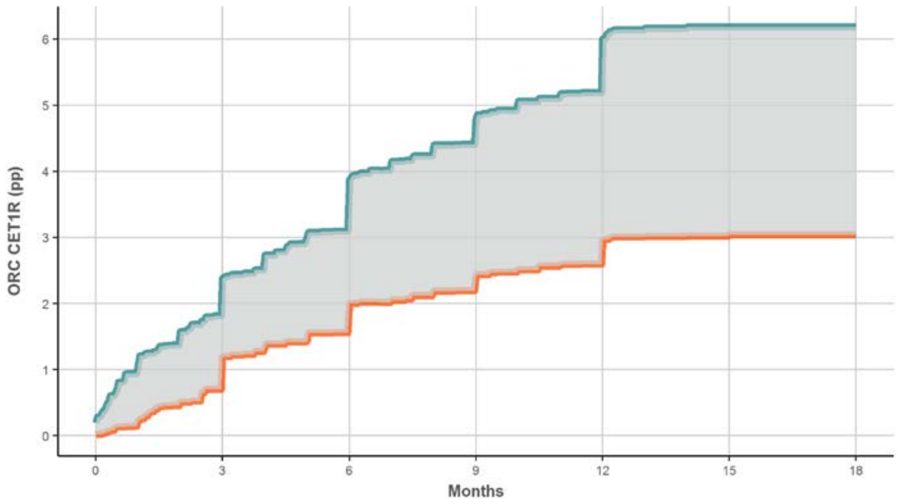




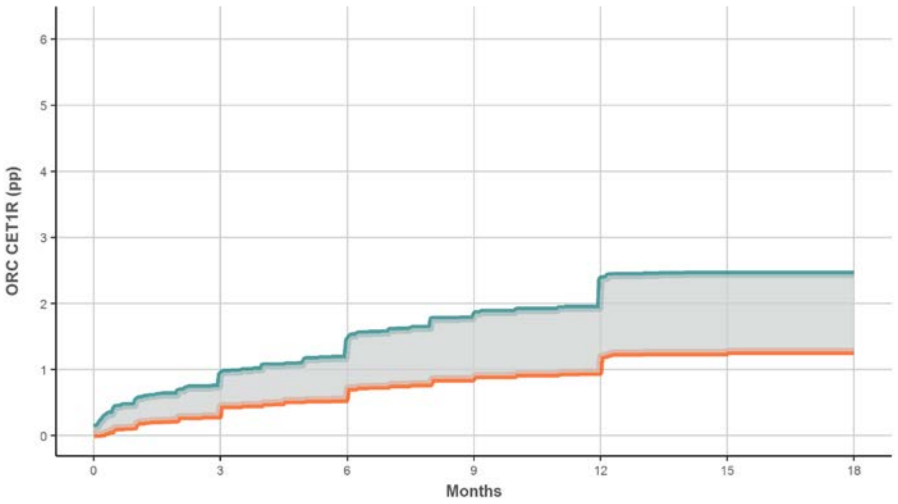
*Peer groups sorted by the total count of stand-alone options.

COVID: If issuances and entity disposals would not be available – around 60% of 12-months capital ORC would be lost on average

Full ORC range for CET1R



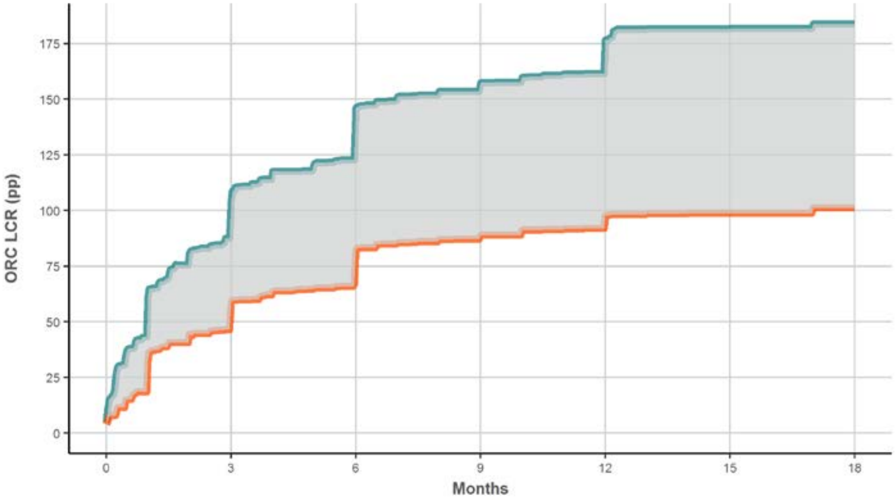
Curtailed ORC range for CET1R



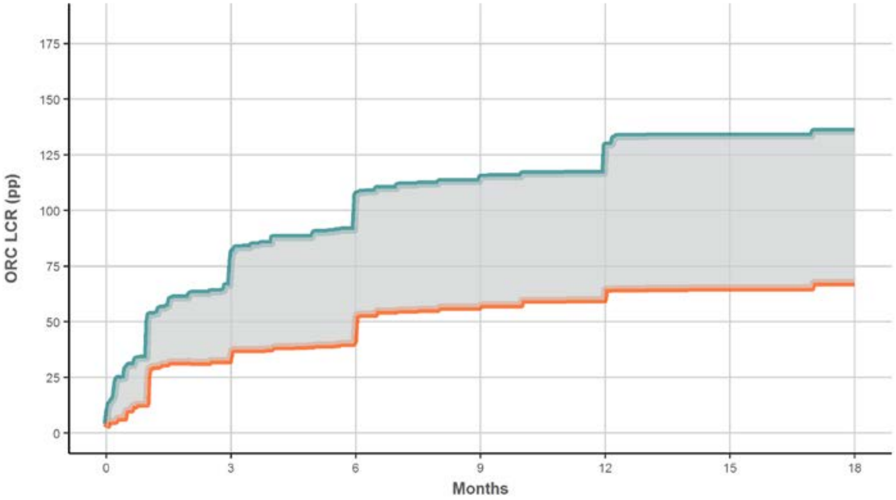
* Options which stand as statistical outliers within their category sample have been removed in favor of a clean average calculation.

COVID: If wholesale funding* would not be available – 27% to 36% of 6-months liquidity ORC would be lost on average

Full ORC range for LCR

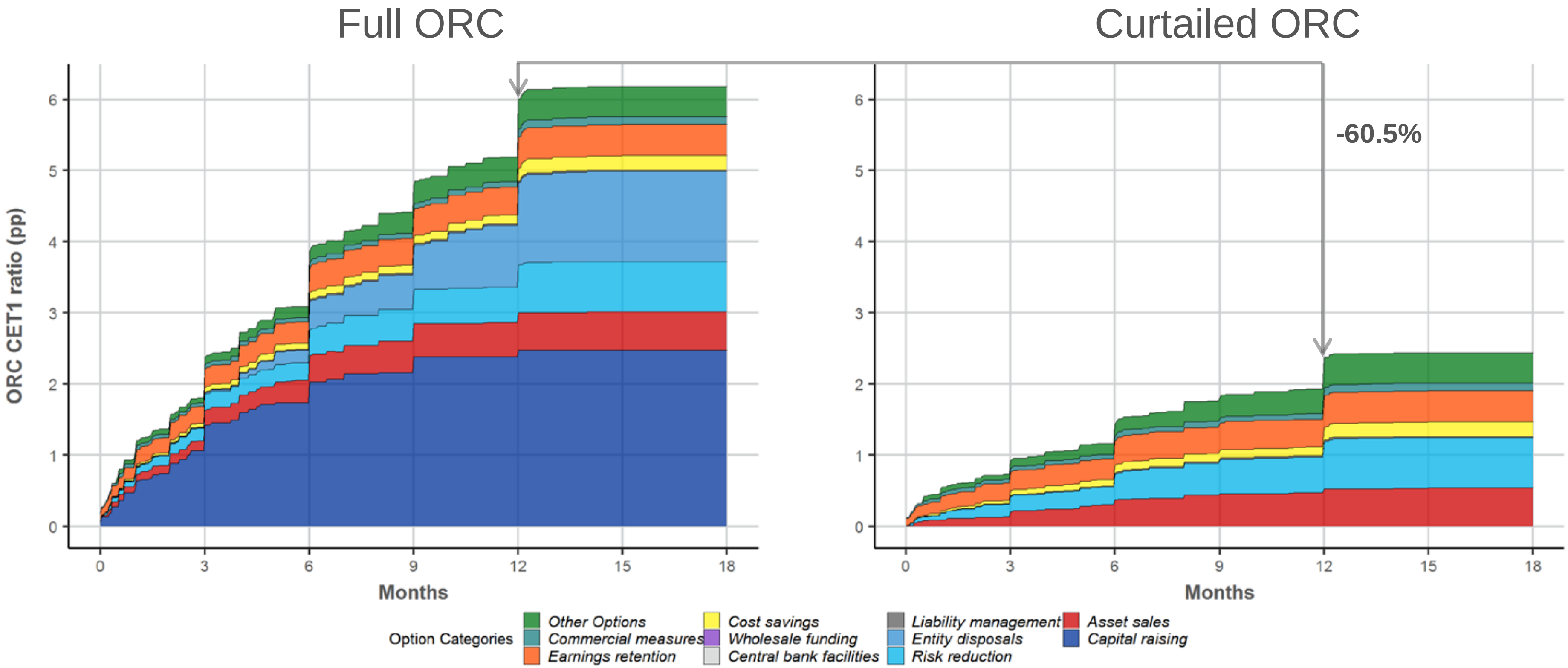


Curtailed ORC range for LCR



* Reported liquidity effect of capital issuances and disposals also eliminated but access to standard central bank facilities included

COVID: If issuances and entity disposals would not be available – then 60% of (best) capital ORC would be lost on average



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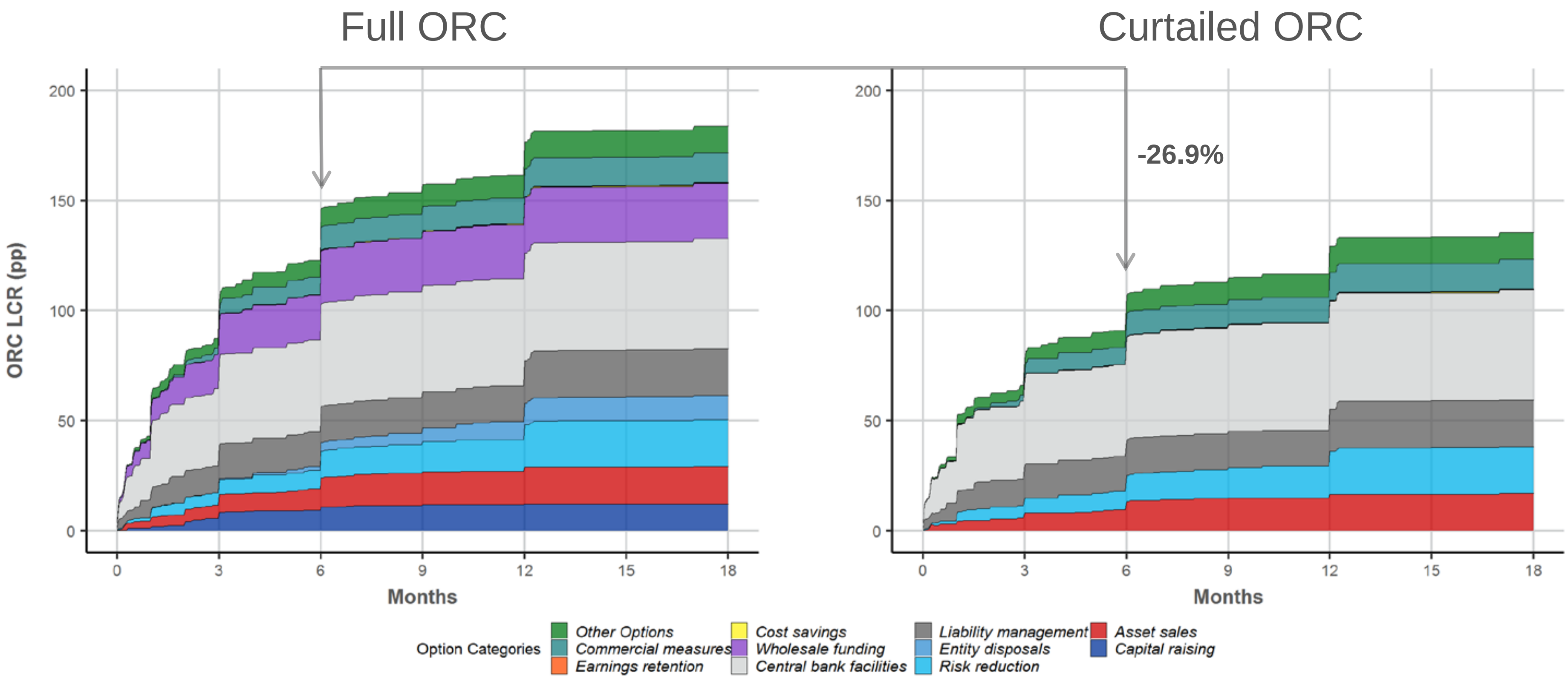
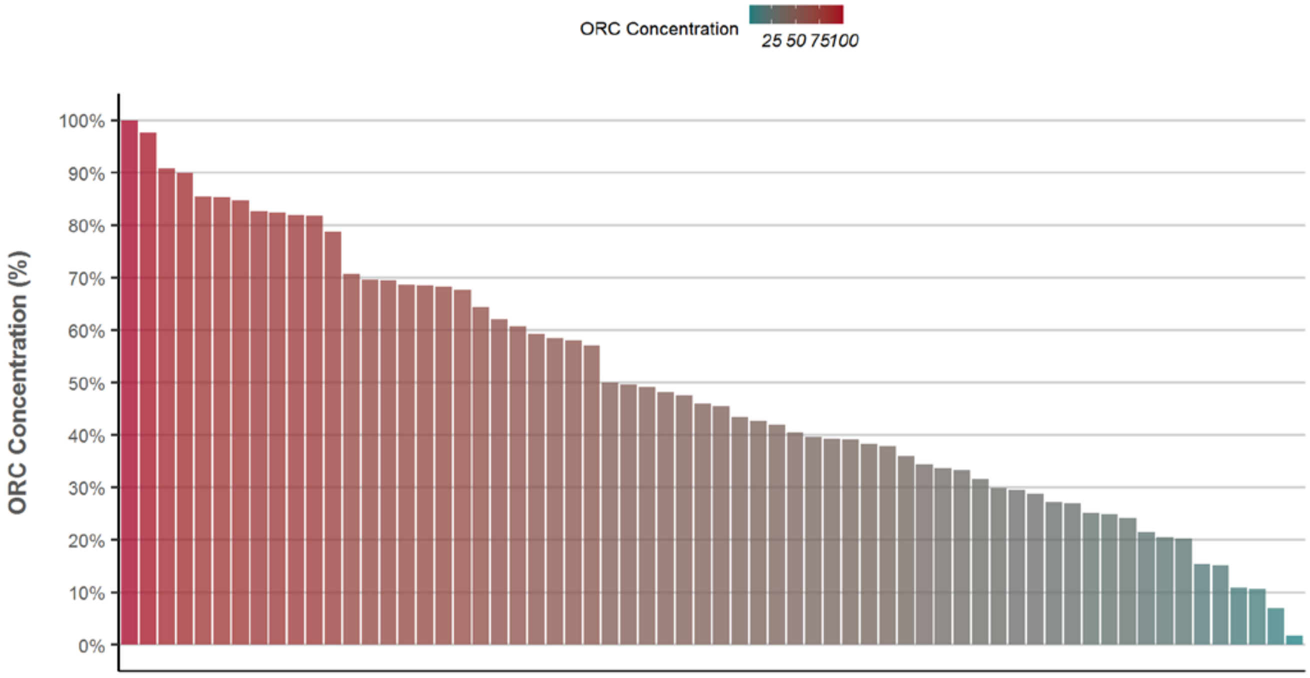
COVID: If wholesale funding* would not be available – then 27% of (best) liquidity ORC would be lost on average



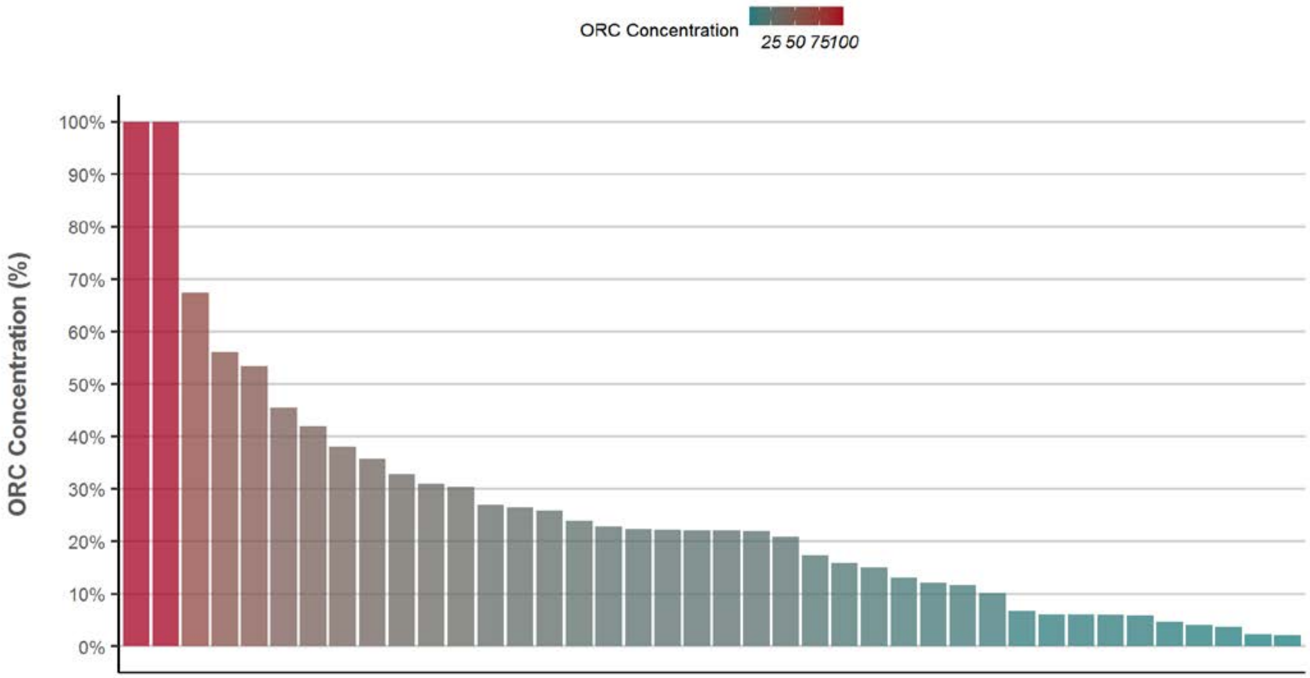
* Reported liquidity effect of capital issuances and disposals also eliminated but access to standard central bank facilities included

Capital issuances are highly relevant for Capital ORC: 26 cases of concentration beyond 50% - two banks rely solely on it



* The charts show how much ORC (as a percentage of the total) is explained by the category of capital raising options

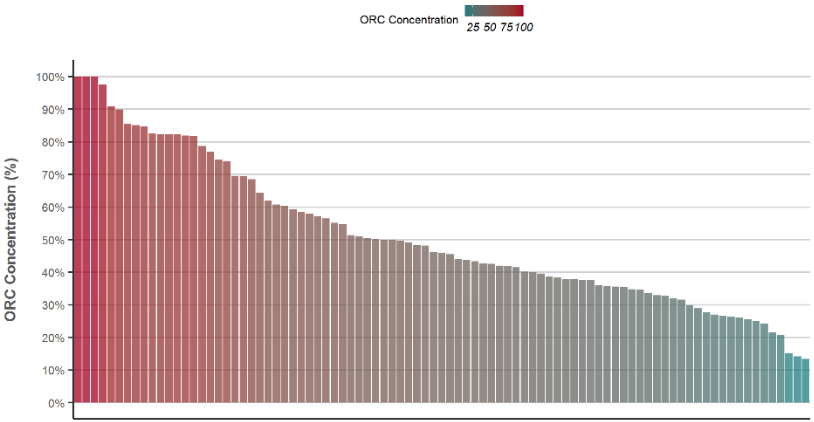
Liquidity ORC concentration for wholesale funding, five cases beyond 50% but two banks rely solely on wholesale funding



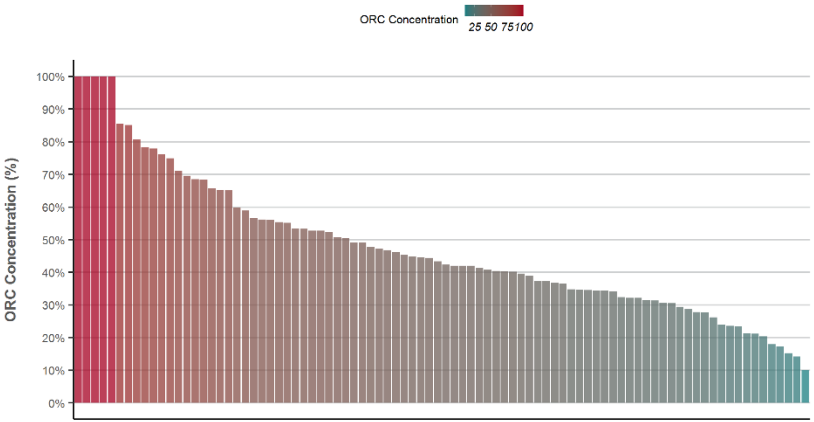
* The charts show how much ORC (as a percentage of the total) is explained by wholesale funding

Too many banks rely on just one single top option for their capital and liquidity scenario-ORC

Capital



Liquidity



- The charts show how much ORC (as a percentage of the total) is explained by the single most impactful option of the best scenario-ORC
- Capital ORC: For 16% of the banks the main option counts for 80% of more of all ORC-capital, three SIs rely on single option
- Liquidity ORC: 5 SIs rely uniquely (concentration 100%) on their single most impactful option