EUROPEAN CENTRAL BANK

EUROSYSTEM

Comprehensive Assessment

Final results press conference

Sunday 26 October 2014

1 Overall results

The Comprehensive Assessment was an exercise of unprecedented scope and depth

- The Comprehensive Assessment has **unique features**:

  1. It combines an Asset Quality Review with a macro Stress Test;
  2. It discloses very detailed methodological manuals for both components and the respective central quality control of banks reporting;
  3. Its implementation involved many thousands of experts, including about 5000 from independent private firms;
  4. More than 800 individual portfolios were in the scope of the exercise, implying the analysis of the quality of the credits of 119,000 borrowers;
  5. It provides with unprecedented transparency a vast array of data from banks balance sheets and the final results.

- The conclusion of the exercise was preceded by a **significant amount of frontloaded measures taken by the banks**.

- The success of the exercise is based on **excellent close cooperation between the network of national supervisors and the ECB.**

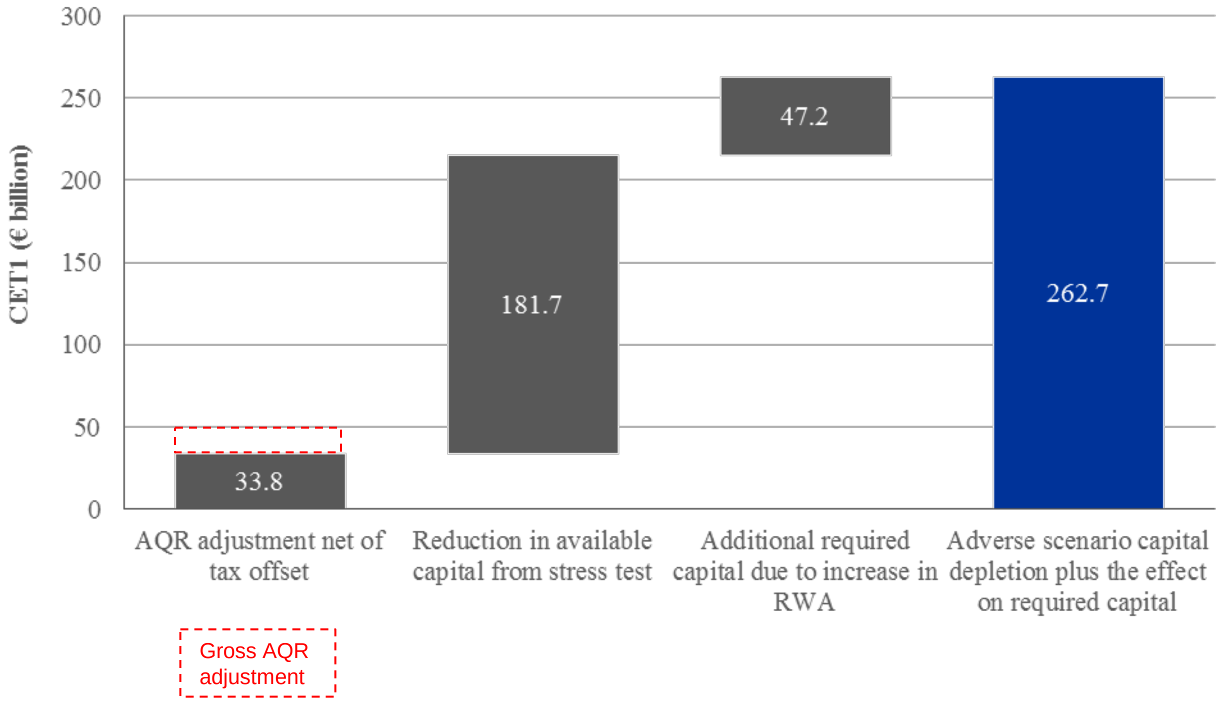
Key findings

- A total of €25 billion capital shortfall across 25 participant banks was jointly identified by the AQR and the ST.
- The AQR resulted in a gross impact on asset values in need of adjustment by €48 billion, €37 billion of which did not generate a capital shortfall.
- This means that the Comprehensive Assessment implies an overall impact on the banks of €62 billion.
- An additional amount of €136 billion in non-performing exposures was identified in the AQR, with effect on the €48 billion of identified adjustments.
- A measure of the strictness of the exercise is given by the fact that the combination of the AQR with the stress test results in:

- A reduction of 4 percentage points in the CET1 median capital ratio of the 130 banks.
- This reduction corresponds to €263 billion capital depletion over the three-year horizon of the exercise under the adverse scenario, of which €25 billion correspond to the actual capital shortfall in banks that fell below the 5.5% threshold.

Banks have a €263 billion capital depletion in the adverse scenario

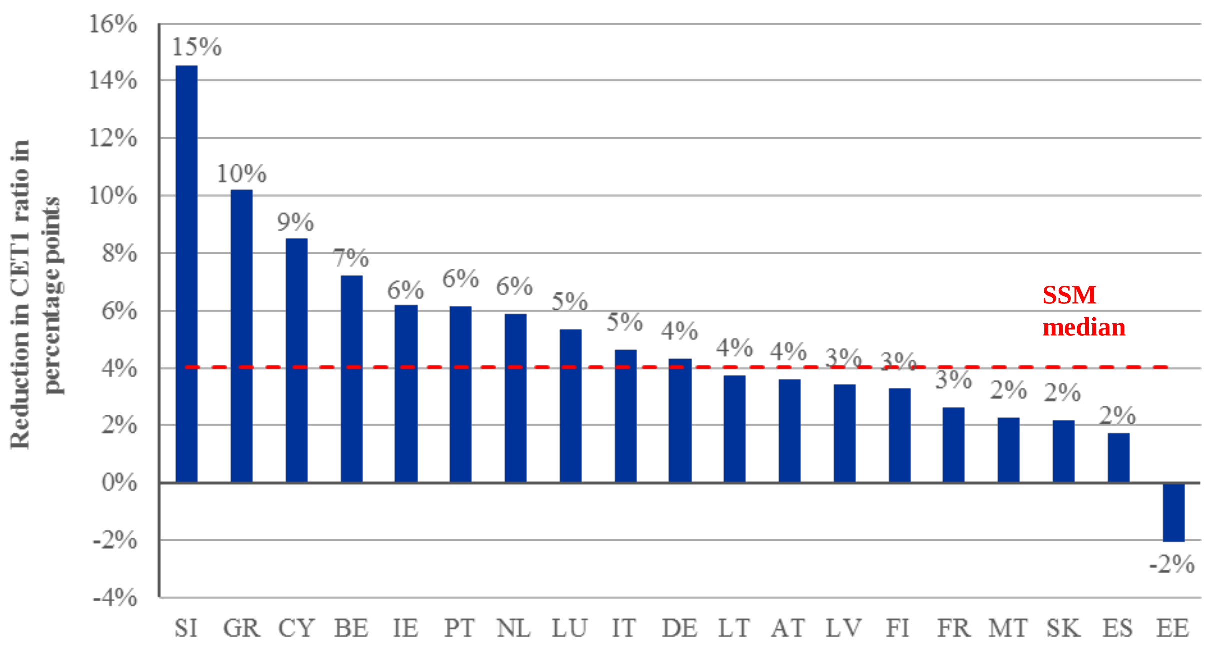
Comprehensive assessment adverse scenario capital depletion
SSM level, (€ BN)



- Total gross AQR adjustment of **€48 billion, and €34 billion net of tax offset**
- The stress test (and Join-up with AQR results) led to a capital depletion of **€182 billion in the adverse scenario**
- In addition, the increase in RWA in the adverse scenario increases capital requirements in the amount of **€47 billion**

The median bank's CET1 ratio falls by 4% in the adverse scenario

Comprehensive assessment impact on CET1 ratio under the adverse scenario
Median by country of participating bank, %

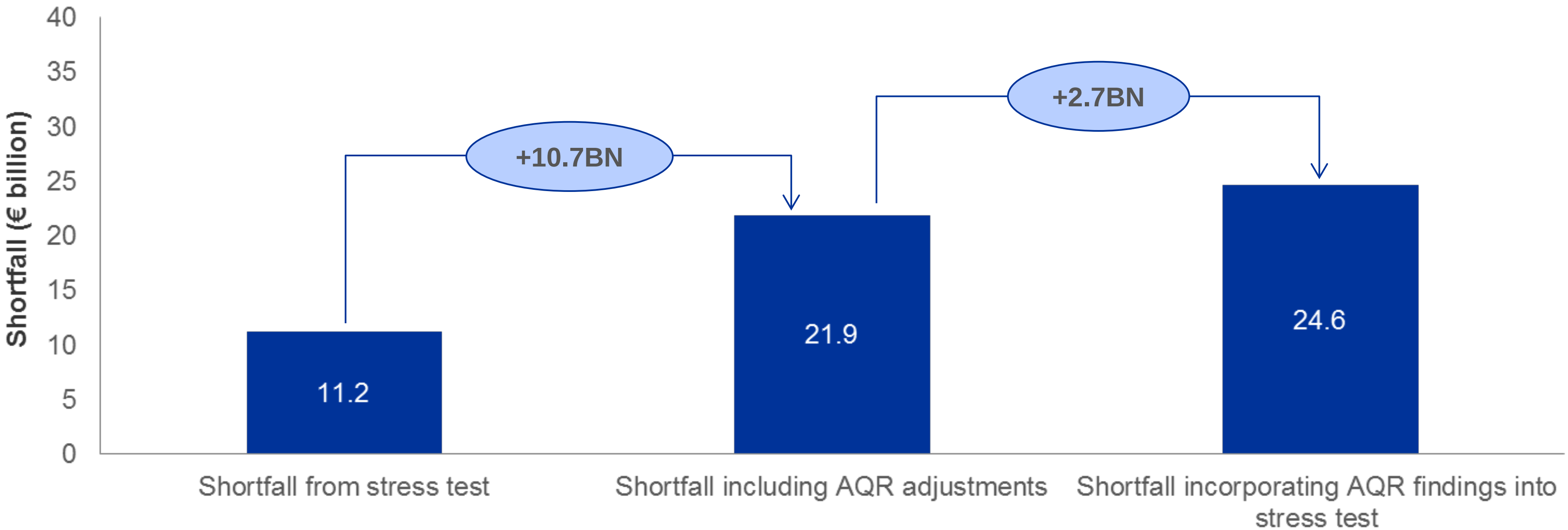


- Median bank's CET1 ratio declines from 12.4% to 8.3%
- 75% of participant banks experienced 0 to 6 percentage points impact on CET1 under the adverse scenario

Capital shortfall of €24.6 billion across 25 banks

Comprehensive assessment capital shortfall by main component

SSM level (€ BN)



Significant balance-sheet strengthening since July 2013

Balance-sheet strengthening measures by participating banks
(July 2013 – Aug. 2014)

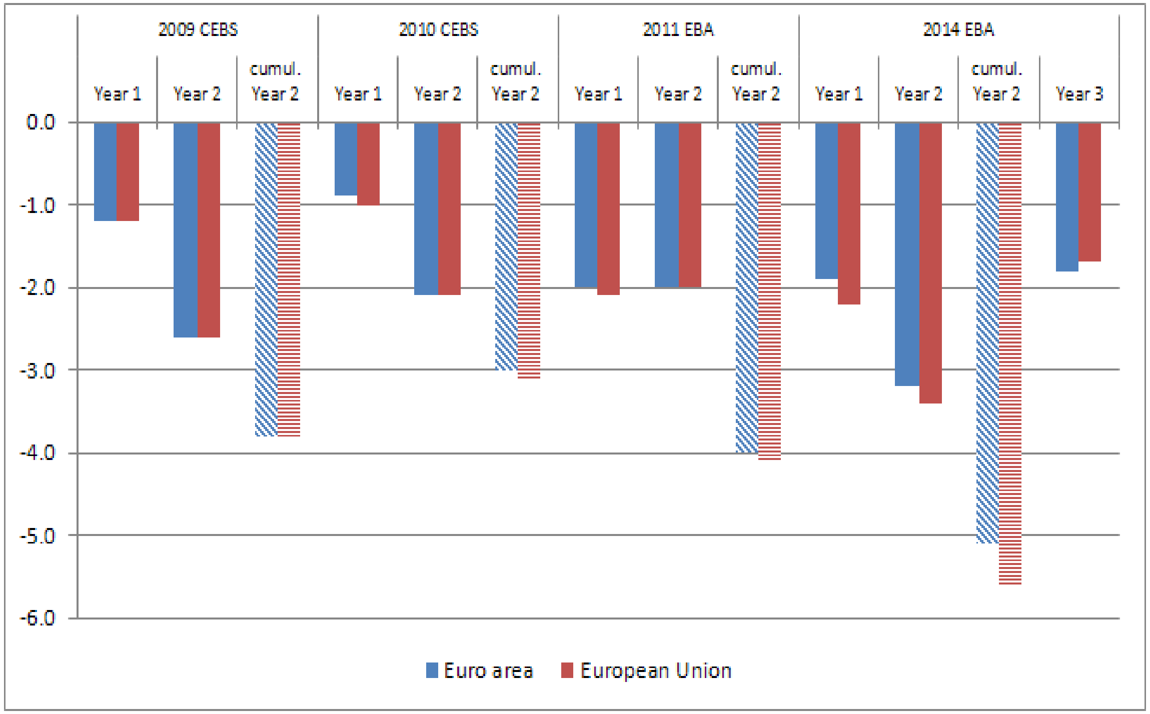
TOTAL	€ 203 BN
Of which:	
Gross Equity issuances	€ 60 BN
CoCos issuances	€ 32 BN
Internal capital generation	€ 44 BN
Asset sales and other measures	€ 67 BN

Source: National Competent Authorities (Supervisors).

2 Stress Test

Stress test scenarios more severe than in previous EU exercises

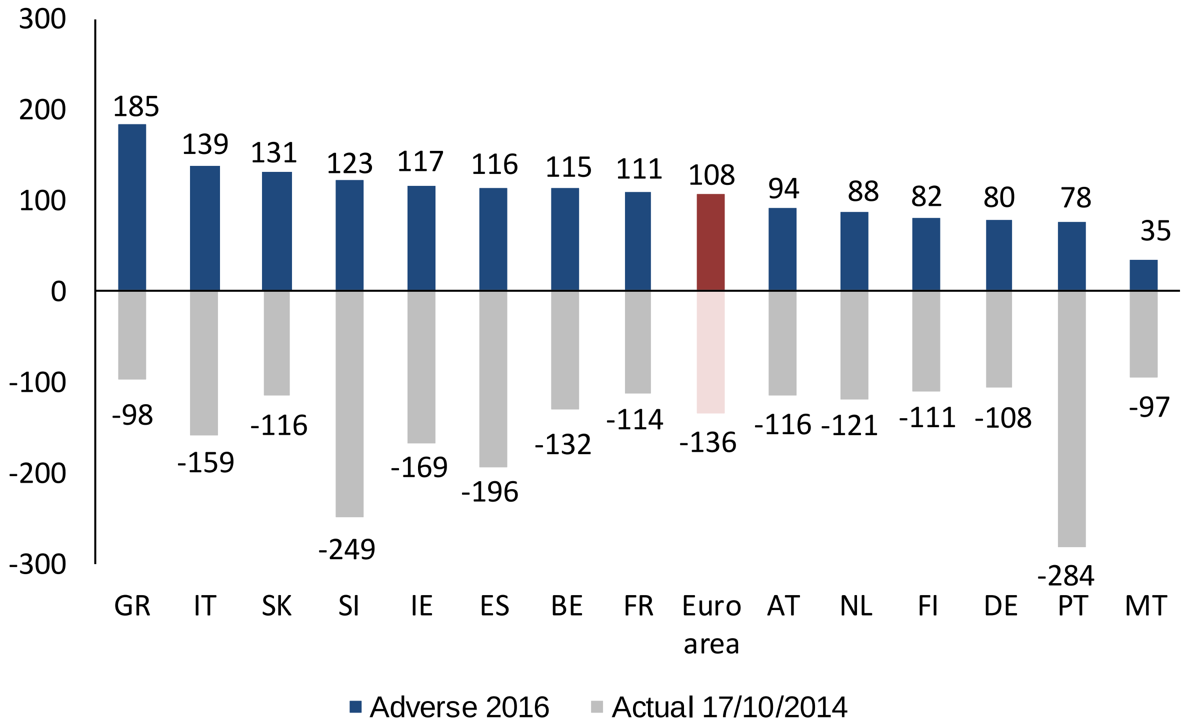
GDP impact in adverse scenarios
(Deviation between adverse and baseline growth rates in percentage points)



- **Impact on GDP** compared to the baseline more severe than in past EU-wide exercises
- Further, inclusion of **a third year projection adds to the strictness** of the 2014 exercise

Haircuts on sovereign bonds in the stress test conservative compared to market developments

Euro area sovereign bond yields
(Actual change in yields since 31/12/2013 vs. projected change in adverse scenario)



- **Yields** on long-term sovereign debt have come **down by more than 130 basis points** in the euro area since December 2013
- **Prices** of euro area long-term sovereign bonds **have increased by about 12%**

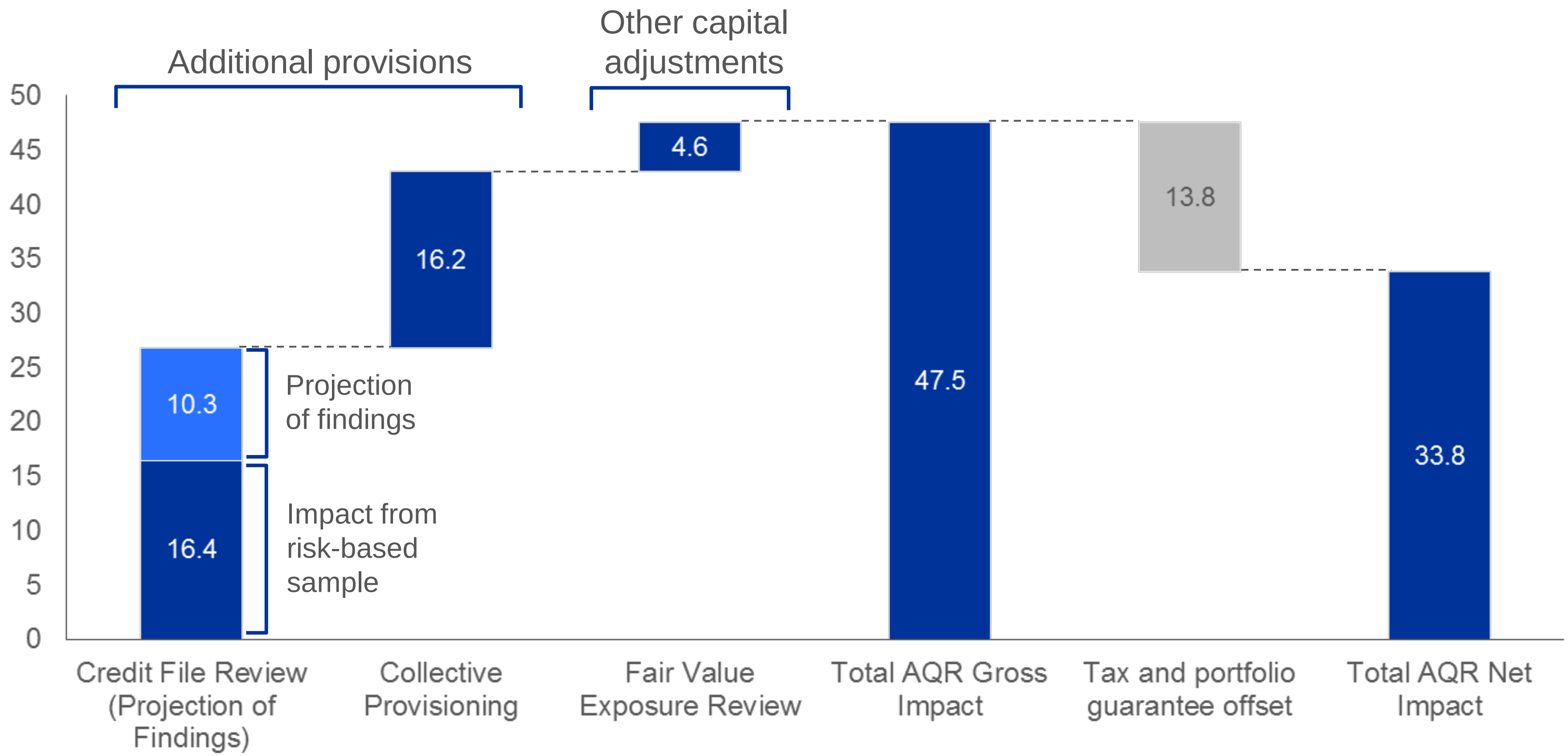
Total impact by stress test component

Stress test component	Stress test effect on CET1 (€ billion)	
	Baseline	Adverse
Net interest income (NII)	€760 billion	€686 billion
Net fee and commission income	€377 billion	€362 billion
Net trading income	€25 billion	€6 billion
Sovereign FVO/AFS	€-1 billion	€-28 billion
Admin. and other expenses	€-865 billion	€-865 billion
Loan losses	€-209 billion	€-378 billion
Taxes, dividends and other	€-45 billion	€38 billion
Total CET1 impact (€ billion)	€43 billion	€-181 billion
Total CET1 ratio change (percentage points)	0.2%	-3.0%
of which: Join-up CET1 impact (€ billion)	€-6 billion	€-12 billion

3 Asset Quality Review

AQR results in gross adjustment of €48 billion

AQR impact by component
(€ billion)



The AQR identified €136 billion in additional non-performing exposure

Change in non-performing exposure

Application of a harmonised non-performing definition across the SSM

- Applying a **harmonised definition** of non-performing exposures in the AQR was a major step forward in comparability across banks and countries
- This harmonisation of divergent bank definitions led to **€55 billion** in additional non-performing exposure

Identification of new non-performing exposures

- Following harmonisation, an increase in non-performing exposure of **€81 billion** was observed during the credit file review

Provisioning adjustments totalling €43 billion across all asset segments

Provisioning adjustments

- Total provisions increased by **€43 billion**, a 12% overall adjustment, stemming from

  - Credit file review (CFR) (€16.4 billion)

  - Projection of findings from CFR (€10.3 billion)

  - Collective provisioning (€16.2 billion)

- Shipping (28%), Large SME (16%) and Large Corporates (16%) were the asset classes that experienced **largest relative increases**

- Aggregate downward **adjustment of collateral values** by **€39 billion** (~10%) across the SSM

4 Capital planning & next steps

Banks that fell below thresholds

Bank Name	CET1 ratio starting point	CET1 ratio post AQR	CET1 ratio baseline scenario	CET1 ratio adverse scenario	Capital shortfall (€ billion)	Net eligible capital raised (€ billion)	Capital shortfall post net capital raised (€ billion)
Eurobank	10.6%	7.8%	2.0%	-6.4%	4.63	2.86	1.76
Monte dei Paschi di Siena	10.2%	7.0%	6.0%	-0.1%	4.25	2.14	2.11
National Bank of Greece	10.7%	7.5%	5.7%	-0.4%	3.43	2.50	0.93
Banca Carige	5.2%	3.9%	2.3%	-2.4%	1.83	1.02	0.81
Cooperative Central Bank	-3.7%	-3.7%	-3.2%	-8.0%	1.17	1.50	0.00
Banco Comercial Português	12.2%	10.3%	8.8%	3.0%	1.14	-0.01	1.15
Bank of Cyprus	10.4%	7.3%	7.7%	1.5%	0.92	1.00	0.00
Oesterreichischer Volksbanken-Verbund	11.5%	10.3%	7.2%	2.1%	0.86	0.00	0.86
permanent tsb	13.1%	12.8%	8.8%	1.0%	0.85	0.00	0.85
Veneto Banca	7.3%	5.7%	5.8%	2.7%	0.71	0.74	0.00
Banco Popolare	10.1%	7.9%	6.7%	4.7%	0.69	1.76	0.00
Banca Popolare di Milano	7.3%	6.9%	6.5%	4.0%	0.68	0.52	0.17
Banca Popolare di Vicenza	9.4%	7.6%	7.5%	3.2%	0.68	0.46	0.22
Piraeus Bank	13.7%	10.0%	9.0%	4.4%	0.66	1.00	0.00
Credito Valtellinese	8.8%	7.5%	6.9%	3.5%	0.38	0.42	0.00
Dexia	16.4%	15.8%	10.8%	5.0%	0.34	0.00	0.34
Banca Popolare di Sondrio	8.2%	7.4%	7.2%	4.2%	0.32	0.34	0.00
Hellenic Bank	7.6%	5.2%	6.2%	-0.5%	0.28	0.10	0.18
Münchener Hypothekenbank	6.9%	6.9%	5.8%	2.9%	0.23	0.41	0.00
AXA Bank Europe	15.2%	14.7%	12.7%	3.4%	0.20	0.20	0.00
C.R.H. - Caisse de Refinancement de l'Habitat	5.7%	5.7%	5.7%	5.5%	0.13	0.25	0.00
Banca Popolare dell'Emilia Romagna	9.2%	8.4%	8.3%	5.2%	0.13	0.76	0.00
Nova Ljubljanska banka	16.1%	14.6%	12.8%	5.0%	0.03	0.00	0.03
Liberbank	8.7%	7.8%	8.5%	5.6%	0.03	0.64	0.00
Nova Kreditna Banka Maribor	19.6%	15.7%	12.8%	4.4%	0.03	0.00	0.03
Total	**10.0%**	**8.4%**	**7.2%**	**2.1%**	**24.62**	**18.59**	**9.47**

Banks with shortfalls to submit capital plans by 10 November 2014

Capital plans

- JSTs to assess adequacy and credibility of capital plans (based on communicated principles concerning eligible measures)
- Banks to implement capital measures to cover shortfalls
  - within 6 months for shortfalls identified in AQR or stress test baseline scenario
  - within 9 months for shortfalls identified in stress test adverse scenario

Follow-up to additional findings

- JSTs to track the incorporation of further remedial actions required of each bank
- SSM to evaluate follow-up action on capital quality impact of divergence in transitional adjustments to CET1