

What are banks actual capital targets?

ECB Banking Supervision Conference



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* The views expressed are those of the author and do not necessarily reflect the views of the ECB or the Eurosystem

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Motivation

- How firms choose their target capital structure and how they adjust their balance-sheet are key questions in financial economics
- They are critical for **banks**: (i) credit suppliers and (ii) capital regulation
- The Great Financial Crisis highlighted the need for larger and countercyclical bank capitalisation to avoid credit crisis
- Target capital ratios have long been undisclosed, forcing researchers to rely on noisy estimates (partial adjustment models)
- Need for observable targets analysis to revisit how targets are formed and how they affect banks' behaviour

- Introduces a manually collected **dataset on explicit target capital** ratios European banks announce to their investors
- Assesses the determinants of those targets → regulatory requirements and procyclical behaviour affect targets
- Shows that **banks take their targets seriously** → they converge to them, and way faster when starting from below
- Exhibits banks' balance-sheet adjustments to reach their targets → 2/3 with the stock of capital, 1/3 with assets, with material impact on credit supply

Banks target announcements

- Target CET1 ratio have become commonplace in banks' investors relation
- Announced in level (e.g. 12%) or buffer above requirements (e.g. 250 bps above the MDA trigger)
- The collected dataset covers:
 - 1346 quarterly observations of 74 banks over Q1 2014 -Q4 2021
 - from all euro area countries except LT, LV & SK
 - ~66% of total assets of European banks since 2018 (~40% in 2014)

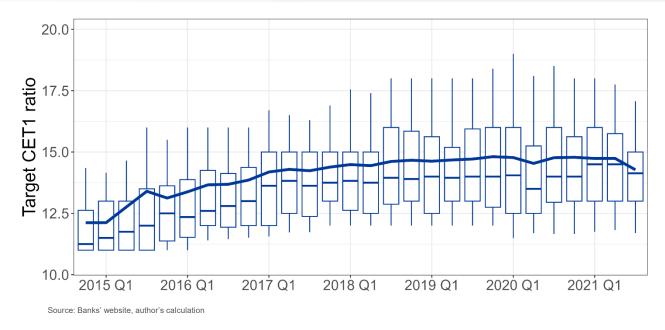
Group's 2020 Business Development Plan Financial Targets

			2020 Target
Growth	Revenue growt	h	2016-2020 CAGR ⁽¹⁾ ≥ +2.5%
Efficiency	Plan's savings tar	get	~€2.7bn in recurring cost savings starting from 2020
	Cost income ratio	2016: 66.8% ⁽²⁾	63%
Profitability	ROE	2016: 9.4%(2)	10%
	Fully loaded Basel 3 CET1 ratio	11.5% in 2016	12%(3)
Capital	Pay-out ratio	2016: 45% ⁽⁴⁾	50%(4)



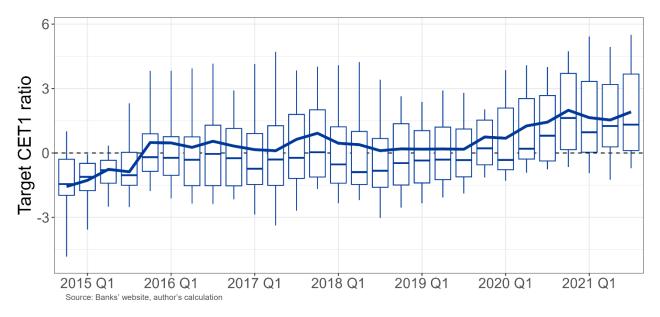


Announced targets CET1 ratios: levels



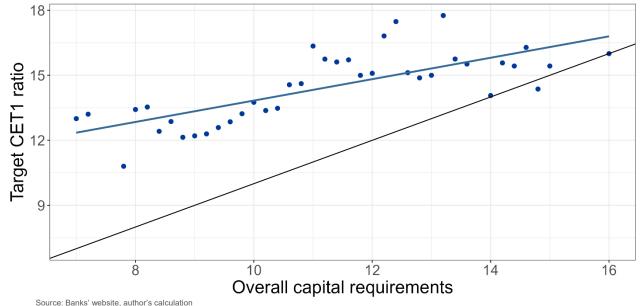
- Targets' interval has stabilized since 2018
- They are largely concentrated in a 12.5% 15% interval
- No strong reaction to the Covid-19 crisis but some adjustment is visible in the tails

Announced target CET1 ratios: distance to targets



- 2014-2016: rebuild weakened balance-sheets
- 2017-2019: stabilisation
- since 2020: above targets (policy intervention), pay-outs expected

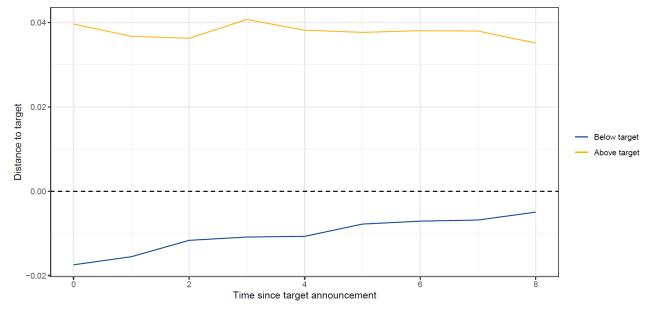
Announced targets CET1 ratios: impact of requirements



Note: bin-scatter with Target CET1 ratio averaged by bins of 20bps of overall capital requirements

- Targets increase with requirements
- Partial adjustment only

Announced targets CET1 ratios: convergence to the targets



Source: Banks' website, author's calculation

- Convergence on both sides...
- ... but much faster for banks below their targets

Specification & Data

Specification

1 Target determinants:

$$Target_{i,t+1} = \zeta X_{i,t} + \kappa_i + \eta_{i,t+1},$$

2 Speed of adjustment:

$$Gap_{i,t} = \tau Gap_{i,t-1} + u_{i,t},$$

Impact of distance to target: channels of adjustment

$$\Delta Y_{i,t} = \chi Gap_{i,t-1} + \psi Z_{i,t-1} + \iota_i + \epsilon_{i,t},$$

Impact of distance to target: credit supply during COVID

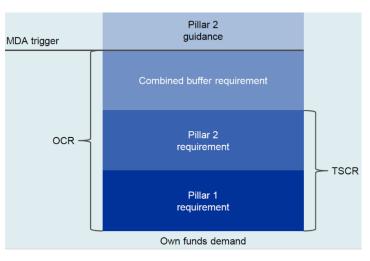
$$\Delta y_{i,j} = \vartheta \, \mathsf{Gap}_i + \varphi \, \mathsf{W}_{i,j} + \upsilon_j + \nu_{i,j},$$

Data

- Bank level data (COREP/FINREP)
 - CET1 regulatory requirement
 - Size: total asset (in log)
 - Profitability: return on asset
 - Liquidity: liquid assets ratio
 - Business model: diversification
 - Deposits: deposit ratio
 - Quality: risk weight density, impaired asset ratio, provision ratio
- Macrofinancial environment
 - Economic forecast: 1-year ahead domestic real GDP growth and inflation forecast (Consensus Forecast)
 - Monetary policy: ECB policy rate (3-month Euribor) & TLTRO over total asset
 - 10-year sovereign rate

Banks' capital requirements

- After the GFC, banks' capital requirements were reformed (Basel III)
- Composed of three blocks of diminishing stringency
 - Minimum requirements (TSCR), to be met at all times
 - Buffers (CBR), in which banks can draw at the expense of dividends
 - P2G, which is a *demand* and not a *requirement* per se
- Less stringent requirements should affect less targets, as the cost of breach is lower



Results 1: determinants of target

$Target_{i,t+1} = \zeta X_{i,t} + \kappa_i + \eta_{i,t+1}$

			nt variable:	
	(.)		rget	
	(1)	(2)	(3)	(4)
OCR w. P2G	0.5669*** (0.1205)	0.2565*** (0.0812)		
Minimum req.			0.6729 ^{***} (0.1451)	0.0386 (0.0920)
Buffers			0.7855 ^{***} (0.2269)	0.5818 ^{***} (0.1494)
P2G			-0.2537 (0.2720)	0.0110 (0.1533)
GDP growth forecast	<mark>0.584</mark> ** (0.255)	-0.834*** (0.209)	-0.402 (0.279)	- <mark>0.866</mark> *** (0.219)
Control variables Bank FE Observations	Yes No 1,071	Yes Yes 1,071	Yes No 1,071	Yes Yes 1,071



- Significant but <1 elasticity to requirement → trade-off between expected cost of breach and (perceived) costly CET1
- Banks treat buffers like strict requirements \rightarrow failure of Basel III?
- Signs of procyclical adjustment \rightarrow consistent with market pressure

Results 2: Speed of adjustment

$$Gap_{i,t} = \tau Gap_{i,t-1} + u_{i,t}$$

- Autocorrelation coef. in (0,1): banks are serious about their targets
- Adjustment occurs for CET1 ratios both below and above targets...
- ...but is much faster for banks below targets →higher market pressure

	distance	to Target
	(1)	(2)
dist. Target	0.955*** (0.013)	
dist. Target pos.		0.980*** (0.011)
dist. Target neg.		0.834*** (0.030)
Wald test dist. $= 1$	11.63***	
Wald test pos. dist. $= 1$		3.71*
Wald test neg. dist. $=1$		30.74***
Wald test pos. dist. $=$ neg. dist.		21.75***

Results 3: balance-sheet adjustment 1/2

$$\Delta Y_{i,t} = \chi Gap_{i,t-1} + \psi Z_{i,t-1} + \iota_i + \epsilon_{i,t}$$

	CET1 ratio	CET1 €	lssued capital	Retained earnings	RWA	TA	NFC loans	HH loans
Model:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target dist.	- <mark>0.2346</mark> *** (0.0220)	- <mark>0.9964</mark> *** (0.1265)	- <mark>0.1292</mark> ** (0.0618)	-1.7 <mark>163</mark> ** (0.8388)	0.4666*** (0.0922)	0.2621** (0.1089)	0.2622* (0.1425)	0.2004** (0.0932)
Control variables Fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country x Qtr	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

• CET1 ratio adj. occurs through both numerator and denominator

Full table

- 2/3 of the adjustment through the stock of capital
- 1/3 through assets, in particular corporate exposures

Results 3: balance-sheet adjustment 2/2

	CET1 ratio	CET1 €	lssued capital	Retained earnings	RWA	TA	NFC loans	HH loans
Model:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Target dist. pos	-0.1960**	-0.5968***	0.01920	-0.1347	0.4388***	0.2622*	0.0196	-0.0385
	(0.0304)	(0.1705)	(0.0866)	(1.1373)	(0.1245)	(0.1089)	(0.2121)	(0.1314)
Target dist. neg	-0.2310**	-1.2490***	-0.2061**	-2.6745**	0.3146**	0.2717*	0.4288**	0.3638***
	(0.0335)	(0.1883)	(0.0955)	(1.2617)	(0.1373)	(0.1642)	(0.1854)	(0.1449)
Control variables Fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country x Qtr	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

- Adjustment again occurs both below and above targets
- Adjustment through credit to NFCs concentrated on banks below their target

Full table

Results are robust to the following settings

- Control by the distance to the capital requirements → targets matter on their own & capture most of the effect of the requirements
- Exclude 2020 from the sample period (Covid-19 crisis)
- Add time fixed effects
- Pooled regressions w/o intercept (no permanent drift)

Results 4: Credit supply during COVID

 $\Delta y_{i,j} = \vartheta \, \mathsf{Gap}_i + \varphi \, W_{i,j} + \upsilon_j + \nu_{i,j}$

- The distance to target had a substantial impact on credit supply during COVID
- Stronger impact for banks below their target
- Confirms the impact of capital strategy on credit supply in critical times

Δ c	redit
(1)	(2)
0.0175** (0.0078)	
	-0.0050 (0.0163)
	0.0288** (0.0126)
Yes	Yes
580,725	580,725
0.65335	0.65346
	(1) 0.0175** (0.0078) Yes 580,725

Full table

Conclusion

- Target capital ratios are (increasingly) crucial in bank communication
- Targets are driven by capital requirements (trade-off, no distinction between buffers and strict requirements) and procyclical behaviour
- **Banks take their target seriously**, adjusting their balance-sheet, 2/3 through outstanding CET1 and 1/3 through assets
- The distance to target strongly affects credit supply during crisis
- Important lessons for policymakers:
 - Monitoring targets to anticipate movements in credit supply
 - Banks seem not to consider regulatory buffers usable
 - Need for credible countercyclical buffers to offset banks' procyclical behaviour

Appendix

Results 1: determinants of target – Full table

		Dependent Variable:				Target					
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	(1)	Model:	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		Variables									
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	30.30**	Constant		31.08***		27.37^{**}		28.78**		31.60^{***}	
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	(10.11)			(9.430)				(12.48)		(11.37)	
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	0.6439^{*}	OCR w. P2G	0.3174^{***}	0.5775^{***}	0.2205^{***}	0.3041**	0.3302^{***}	0.7323^{***}	0.2630^{***}		
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	(0.1288)		(0.0889)	(0.1171)	(0.0513)	(0.1275)		(0.1407)	(0.0796)		
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	-0.8208	Total Assets, log		-0.8005**		-0.7512**	3.092^{***}	-0.8973*		-0.9027**	-1.92
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	(0.3703)		(1.824)	(0.3528)	(1.098)	(0.3024)	(0.8901)	(0.4797)	(1.280)	(0.4082)	(1.842
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	-0.012	Deposit ratio	-0.0360	-0.0014	-0.0062	0.0312	0.0013	0.0027	-0.0444	-0.0092	-0.0613
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$					(0.0145)		(0.0377)	(0.0303)		(0.0272)	(0.036
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	-0.0707	RW	-0.0446^{**}	-0.0335	-0.0116	-0.0674^{**}	-0.0180	-0.0377	-0.0236	-0.0752* ^{**}	-0.0423
			(0.0211)		(0.0159)	(0.0265)	(0.0206)	(0.0311)	(0.0179)	(0.0278)	(0.021)
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $	0.6977^{*}	RoA	-0.0214	0.6160^{*}	-0.1784	0.5766	-0.5131^*	0.8067	-0.2455	0.6227^{*}	-0.016
$\begin{array}{cccccccccccccccccccccccccccccccccccc$										(0.3173)	(0.205)
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $		Impairment ratio		-0.3346^{***}		-0.3525***		-0.2373**	-0.0955*	-0.2848***	-0.109
$\begin{array}{cccccccccccccccccccccccccccccccccccc$										(0.0906)	(0.062)
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$		Liquid assets								-0.0193	-0.011
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$										(0.0343)	(0.020)
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		Diversification								0.0339*	0.014
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$						(0.0211)				(0.0184)	(0.008)
$\begin{array}{cccccccccccccccccccccccccccccccccccc$		Provisions								-0.1153	0.433
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$					(0.4950)		(0.4745)	(0.7647)	(0.3734)	(0.6447)	(0.406)
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		TLTRO	-0.0041	-0.3301^{***}	-0.1441^{***}	-0.3687^{***}			0.0080	-0.1995^{**}	0.028
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	(0.0812)			(0.0898)		(0.0867)				(0.0757)	(0.069)
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	-3.958**	EURIBOR	-2.645^{**}	-4.767^{***}	-3.458***	-5.709^{***}	-1.995	-1.798	-1.469*	-4.965^{***}	-0.895
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	(1.142)					(1.427)				(1.567)	(1.120)
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		10-year sov. yield								0.9127^{**}	0.403
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$										(0.3784)	(0.333)
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$		GDP forecast 1y	-0.1162^{**}	-1.252^{***}	-0.3847^{*}	-0.0490	-0.0475	-0.2933	-0.0855*	-0.2252**	-0.048
$\begin{array}{cccccccccccccccccccccccccccccccccccc$					(0.2244)		(0.0493)			(0.0892)	(0.059)
PER 0.0161** 0.0037 CET1 ratio 0.0071) (0.0050) 0.2645*** (0.0814) 0.0050 CBR 0.88 P2G 0.0071 0.0050 0.0050 0.0050 0.2645*** (0.0814) 0.0050 0.0050 0.0050 0.0050 0.2645*** (0.0814) 0.0050 0.0050 0.0050 0.0050 0.2645*** (0.0814) 0.0050	-0.447	CPI forecast 1y	0.1213	-0.4686	0.3310	-0.6750**	0.1634	-0.2265	0.1799	-0.2586	-0.179
(0.0071) (0.0050) 0.2645*** (0.0814) TSCR 0.67 CBR 0.81 P2G 0.0 (0.0000) 0.000000 (0.0000) 0.000000 (0.0000) 0.00000 (0.0000) 0.00000 (0.0000) 0.00000 (0.0000) 0.00000 (0.00000) 0.00000 (0.00000) 0.00000 (0.00000) 0.00000 (0.00000) 0.00000 (0.00000) 0.00000 (0.00000) 0.00000 (0.000000) 0.00000 (0.000000000000) 0.0000000 (0.00000000000000000000000000000000000	(0.3495)		(0.2797)	(0.4220)	(0.2047)			(0.5574)	(0.2263)	(0.3476)	(0.301)
CET1 ratio 0.2645*** (0.0814) TSCR 0.67 CBR 0.81 P2G 0.67 (0. (0. (0. (0. (0. (0.		PER					0.0037				
(0.0814) TSCR (0. CBR (0. P2G (0. (0. (0. (0. (0. (0. (0. (0.						(0.0071)	(0.0050)				
TSCR 0.67 (0. CBR 0.81 (0. P2G -0 (0.		CET1 ratio							0.2645^{***}		
CBR (0. 0.81 (0. 20 20 (0. (0. (0.									(0.0814)		
CBR 0.81 (0, P2G -0. (0,		TSCR								0.6745^{***}	0.063
P2G (0. -0. (0.										(0.1421)	(0.113)
P2G -0. (0.		CBR								0.8139***	0.6506^{*}
(0.										(0.2343)	(0.161)
		P2G								-0.0042	0.084
Fixed-effects										(0.3053)	(0.178)
		Fixed-effects									
Bank Yes Yes Yes Yes		Bank	Yes		Yes		Yes		Yes		Yes
Fit statistics		Fit statistics									
Observations 1,079 1,079 784 784 465 465 172 1,079 1	1,079	Observations	1,079	784	784	465	465	172	1,079	1,079	1,079
		\mathbb{R}^2								0.51151	0.8979
Within \mathbb{R}^2 0.23711 0.39277 0.42424 0.30638	0.1041			0.00010		0.1.5000		0.10042		0.01101	0.2808

Clustered (Bank) standard-errors in parentheses Signif. Codes: ***: 0.01, **: 0.05, *: 0.1

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Dependent Variables: COVID	CET1	CET1 €	RWA	RW Full sa:	TOE	HH loans	NFC loans	Cash
Model:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
wodel.	(1)	(2)	(3)	(4)	(0)	(0)	(1)	(0)
Variables								
Target dist.	-0.2069^{***}	-0.9884^{***}	0.6102^{***}	0.1966^{**}	0.1502	0.2830	0.7512^{**}	-2.982
-	(0.0593)	(0.3641)	(0.2143)	(0.0829)	(0.2445)	(0.3033)	(0.3470)	(1.868)
Total Assets, log	-1.073	-5.383	-2.407	0.6728	-6.423	-10.89*	-2.356	-31.23
	(0.6915)	(5.167)	(3.404)	(1.174)	(5.538)	(6.008)	(4.097)	(27.87)
Deposit ratio	0.0107	0.1265	0.0365	0.0155	-0.0237	-0.4873^{**}	0.0125	-0.0786
-	(0.0132)	(0.0891)	(0.0466)	(0.0205)	(0.0713)	(0.2303)	(0.0594)	(0.6277)
RW	0.0061	-0.2208***	-0.2157^{***}	-0.2614^{***}	0.4115^{***}	0.1597	-0.0785	0.4652
	(0.0088)	(0.1015)	(0.0701)	(0.0369)	(0.1210)	(0.1975)	(0.0924)	(0.5573)
RoA	-0.0339	-0.3893	-0.1279	0.0739	-0.1122	0.0800	-0.1998	-4.181
	(0.1391)	(1.120)	(0.4628)	(0.2147)	(0.6681)	(0.4227)	(0.5363)	(7.576)
Impairment ratio	-0.0328	-0.2060	0.0395	0.0617	-0.1677	-0.3163	-0.2145	-0.1397
-	(0.0480)	(0.2982)	(0.2554)	(0.1081)	(0.1976)	(0.2775)	(0.2015)	(1.681)
Liquid assets	-0.0244^{**}	-0.1320^{*}	0.0066	0.0365	-0.0756	-0.1364	-0.0806	-4.399***
•	(0.0112)	(0.0753)	(0.0598)	(0.0271)	(0.0699)	(0.0870)	(0.0804)	(1.345)
Diversification	-0.0034	-0.0166	0.0202	0.0055	0.0148	0.0347	0.0063	0.1345
	(0.0036)	(0.0235)	(0.0179)	(0.0072)	(0.0194)	(0.0298)	(0.0148)	(0.2453)
Provisions	0.1429	2.969	-0.0198	1.006*	-2.886	0.0660	0.5746	2.280
	(0.2859)	(2.800)	(0.9888)	(0.5644)	(1.797)	(2.288)	(1.444)	(13.35)
TLTRO	-0.0469	-0.2554	0.1486	0.1809^{**}	-0.2987	-0.0261	-0.2670	1.928
	(0.0371)	(0.3014)	(0.1344)	(0.0725)	(0.2078)	(0.2624)	(0.1915)	(1.497)
Excess capital	-0.0814**	-0.3944^{*}	0.0592	-0.1387**	0.3376^{*}	-0.3274	-0.3878***	-0.6682
•	(0.0377)	(0.2138)	(0.1668)	(0.0624)	(0.1697)	(0.3058)	(0.1845)	(1.972)
Fixed-effects								
Bank	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country x Quarter	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
•								
Fit statistics								
Observations	915	915	915	914	914	915	915	915
\mathbb{R}^2	0.51364	0.57402	0.47778	0.49892	0.48305	0.59596	0.47971	0.33625
Within \mathbb{R}^2	0.15444	0.09848	0.08046	0.17682	0.08695	0.06192	0.03163	0.09689

Results 3: balance-sheet adjustment 1/2 – Full table

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Dependent Variables:	CET1	CET1 €	RWA	RW	TOE	HH loans	NFC loans	Cash
COVID	0.011	00000		Full sa			111 0 100000	0.0011
Model:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variables								
Target dist., pos.	-0.1454^{*}	0.3789	0.7649^{***}	0.1881^{**}	0.1723	-0.4106	0.5386	-0.5548
0	(0.0816)	(0.4362)	(0.2743)	(0.0938)	(0.2315)	(0.5082)	(0.3376)	(2.179)
Target dist., neg.	-0.2501^{***}	-1.947^{***}	0.5017^{**}	0.2026^{*}	0.1348	0.7694^{**}	0.9003* [*]	-4.685^{**}
	(0.0521)	(0.4445)	(0.2028)	(0.1028)	(0.3214)	(0.2952)	(0.4227)	(2.006)
Total Assets, log	-1.019	-4.192	-2.272	0.6654	-6.403	-11.50^{*}	-2.542	-29.11
	(0.7194)	(5.639)	(3.381)	(1.188)	(5.570)	(6.005)	(4.043)	(27.03)
Deposit ratio	0.0110	0.1335^{*}	0.0372	0.0155	-0.0236	-0.4908 ^{**}	0.0114	-0.0662
	(0.0126)	(0.0784)	(0.0475)	(0.0204)	(0.0716)	(0.2248)	(0.0586)	(0.6171)
RW	0.0062	-0.2195^{**}	-0.2156^{***}	-0.2614^{***}	0.4115^{***}	0.1591	-0.0788	0.4675
	(0.0091)	(0.1029)	(0.0693)	(0.0370)	(0.1210)	(0.1964)	(0.0944)	(0.5599)
RoA	-0.0095	0.1528	-0.0665	0.0705	-0.1035	-0.1950	-0.2841	-3.219
	(0.1432)	(1.089)	(0.4549)	(0.2108)	(0.6490)	(0.4487)	(0.5199)	(7.695)
Impairment ratio	-0.0317	-0.1813	0.0423	0.0616	-0.1673	-0.3288	-0.2184	-0.0958
-	(0.0478)	(0.3043)	(0.2555)	(0.1084)	(0.1986)	(0.2808)	(0.2018)	(1.692)
Liquid assets	-0.0254^{**}	-0.1538^{*}	0.0041	0.0366	-0.0760	-0.1253	-0.0772	-4.438 ^{***}
	(0.0109)	(0.0793)	(0.0613)	(0.0272)	(0.0708)	(0.0823)	(0.0800)	(1.340)
Diversification	-0.0023	0.0086	0.0230	0.0053	0.0152	0.0219	0.0024	0.1793
	(0.0041)	(0.0248)	(0.0175)	(0.0074)	(0.0193)	(0.0299)	(0.0155)	(0.2662)
Provisions	0.1601	〕 3.352〔	0.0235	1.004*	-2.880	-0.1281	0.5151	2.959 ´
	(0.2811)	(2.634)	(1.000)	(0.5648)	(1.806)	(2.181)	(1.444)	(12.62)
TLTRO	-0.0418	-0.1418	0.1615	0.1802^{**}	-0.2969	-0.0837	-0.2847	2.130
	(0.0369)	(0.3337)	(0.1366)	(0.0724)	(0.2072)	(0.2516)	(0.1955)	(1.529)
Excess capital	-0.0968* [*] *	-0.7364^{***}	0.0204	-0.1365^{**}	0.3321^{*}	-0.1539	-0.3347^{*}	-1.275
	(0.0418)	(0.2096)	(0.1738)	(0.0634)	(0.1751)	(0.3272)	(0.1803)	(1.971)
Fixed-effects								
Bank	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country x Quarter	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fit statistics								
Observations	915	915	915	914	914	915	915	915
\mathbb{R}^2	0.51596	0.59386	0.47857	0.49893	0.48306	0.59898	0.48059	0.33809
Within R ²	0.15848	0.14046	0.08184	0.17684	0.08697	0.06894	0.03328	0.09939

Results 3: balance-sheet adjustment 2/2 – Full table

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Results 4: Credit supply during COVID – Full table

Dependent Variable:	$\Delta credit$					
fodel:	(1)	(2)				
/ariables						
larget dist.	2.399^{*}					
-	(1.316)					
Excess capital	0.6712	0.5446				
	(1.125)	(1.213)				
COVID guarantees	0.8979***	0.8992***				
0	(0.1162)	(0.1157)				
Moratoria	0.1946***	0.1887***				
	(0.0229)	(0.0240)				
Total Assets, log	-0.5070	-1.252				
	(2.253)	(2.207)				
Deposit ratio	-1.560***	-1.520***				
	(0.3343)	(0.3342)				
RW	-0.3224	-0.4213				
	(0.5946)	(0.5848)				
RoA	7.634	5.729				
	(7.627)	(7.865)				
mpairment ratio	2.786	3.982				
	(2.886)	(2.613)				
Liquid assets	-0.8146***	-0.8207***				
1	(0.1482)	(0.1278)				
Diversification	0.5501***	0.5975***				
	(0.1591)	(0.1630)				
rovisions	-11.24***	-9.534**				
	(4.006)	(4.001)				
FLTRO	0.8727	0.6550				
	(0.7574)	(0.7422)				
OCR release	-9.310	-7.698				
	(5.959)	(5.583)				
larget dist., pos.		-2.894				
U 71		(3.642)				
larget dist., neg.		6.971 ***				
_ , _		(2.605)				
lixed-effects						
lirm	Yes	Yes				
it statistics						
Observations	943,030	943,030				
R^2	0.44783	0.44819				
Vithin R ²	0.05646	0.05709				

