



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

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European Central Bank

The analytical use of supervisory data

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SREP Overview - Key achievements

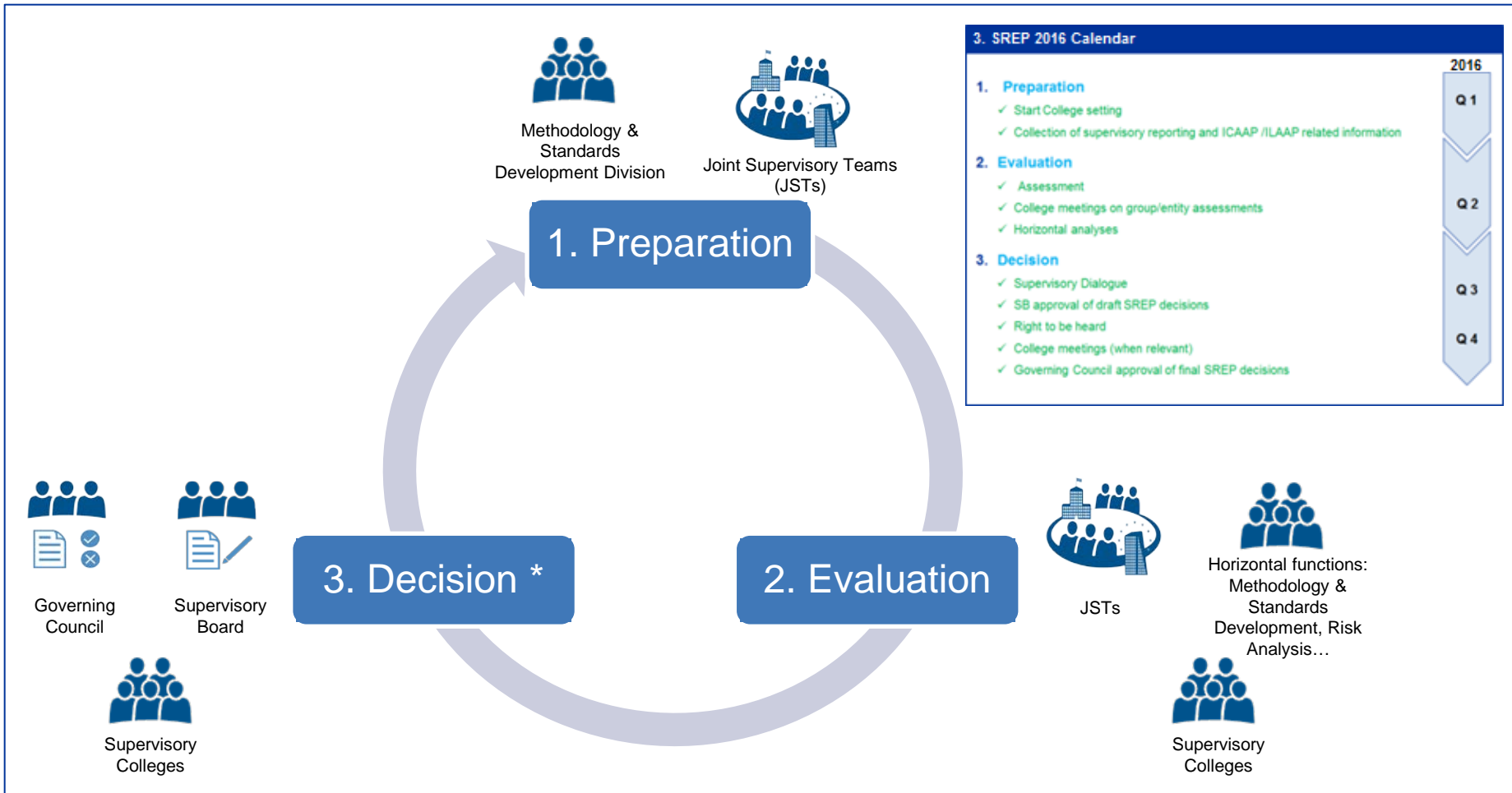
- **Level playing field:** SREP is currently being executed for the **second time** according to:
 - a **common methodology**
 - a **common decision-making process** allowing for peer comparisons and transversal analyses on a wide scale

- **High standards of supervision:**
 - Follows the **EBA guidelines on SREP** and draws on leading practices within the SSM and as recommended by international bodies
 - **Proportionality, flexibility and continuous improvement**
 - Supervisory decisions - **not only additional capital but also additional measures** tailored to banks' specific weaknesses

- **Sound risk assessment:**
 - **Combination of quantitative and qualitative elements**
 - **Holistic assessment** of institutions' viability taking into account their specificities
 - **Forward-looking perspective** e.g. stress tests performed in 2016

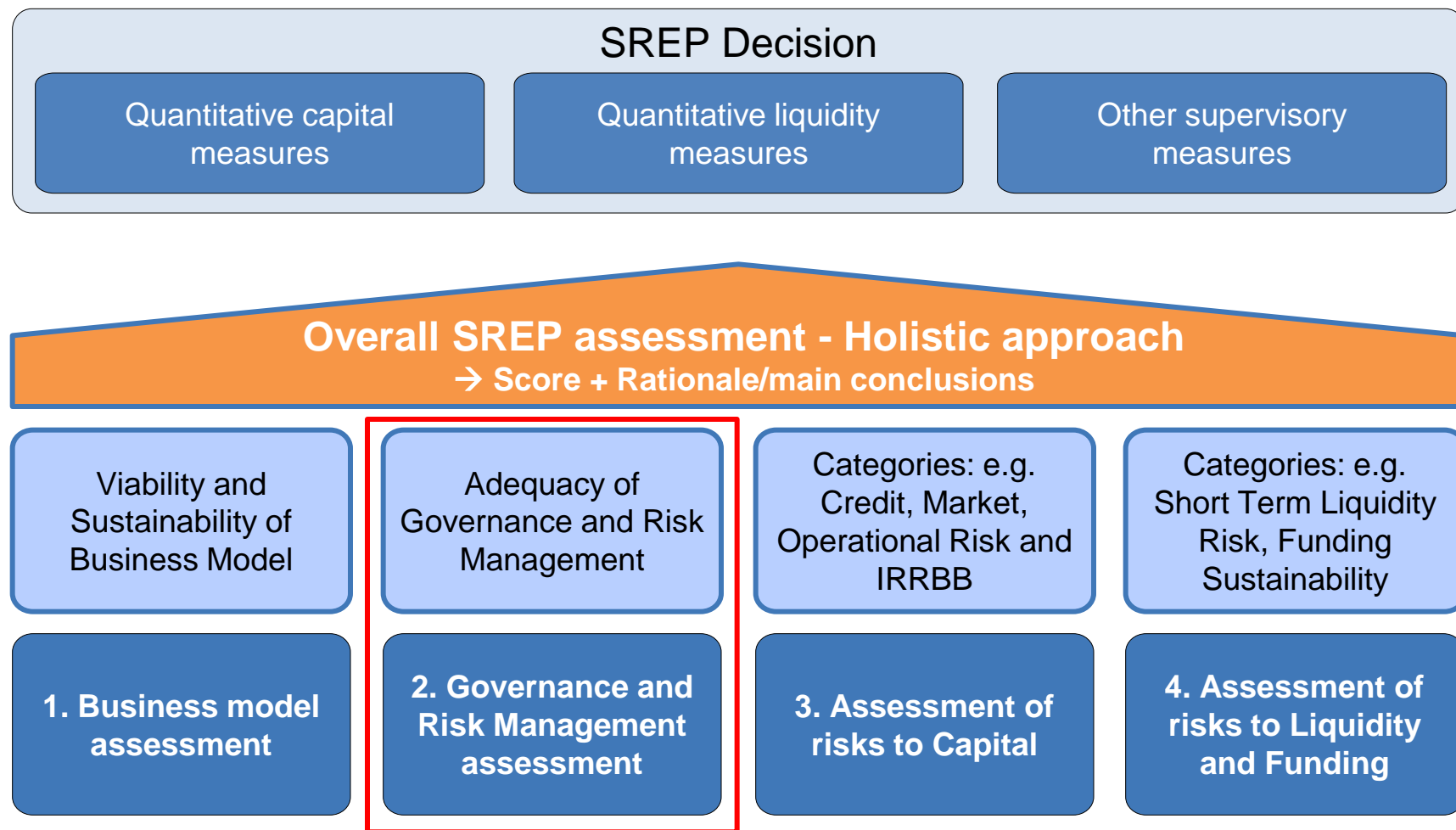
SREP Overview - SREP Cycle

Supervisors at ECB and in 19 countries jointly prepared SREP decisions for SSM Significant Institutions through a common process



* Note: decision finalised after right-to-be-heard procedure and Governing Council non-objection.

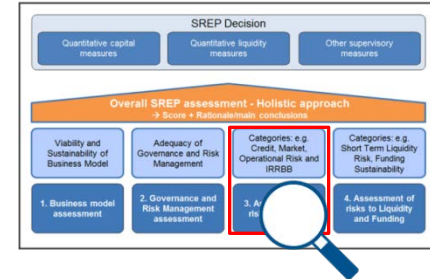
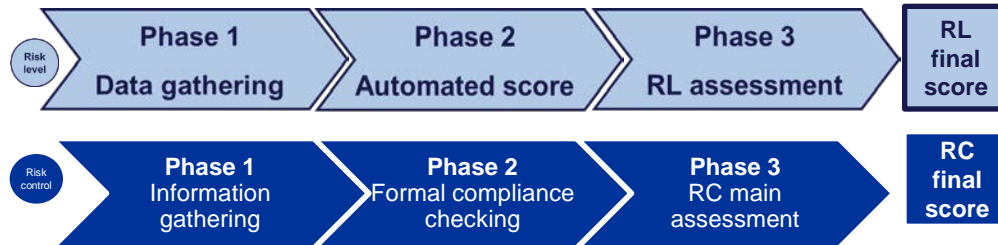
SREP methodology at a glance: four key elements



Data quality issues must be reflected in the SREP via Element 2

SREP Methodology: Supervisory data essential for all Elements

- Regulatory data is used at each step of the assessment



➔ Deep-dive into a given risk factor: **credit risk** (example)

Phase 1

- **Risk Level:**
 - Sub-set of **pre-defined indicators** calculated from **supervisory data**
- **Risk Control:**
 - Information gathering

Phase 2

- **Risk Level:**
 - Automated score given through different dimensions, such as:
 - Quality (e.g. non performing loans ratio)
 - Coverage (e.g. provisions)
- **Risk Control:**
 - Compliance checks relating to internal governance, risk appetite, risk management and internal audit of credit risk in particular

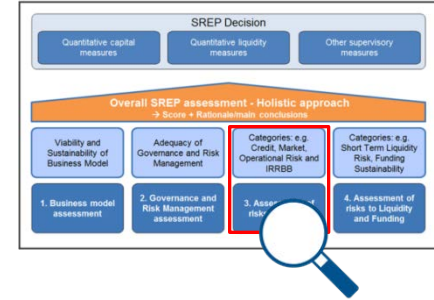
Phase 3

- **Risk Level:**
 - **Comprehensive analysis, e.g.:**
 - Current risk position and trend
 - Forward looking view
 - Peer comparison
 - **In-depth analysis of various sub-categories, e.g.:**
 - Non-financial corporate portfolios or
 - Household portfolios
- **Risk Control:**
 - Deeper analysis, notably thanks to dedicated meetings with the bank

Stress Test results are integrated in SREP

The **Stress Test** is used as a **crucial input into the SREP process**:

- **Qualitative outcome** of the Stress Test is included in the determination of the **P2R**, especially in the element of risk governance;
- **Quantitative impact** of the adverse Stress Test is one **input factor into determining the level of P2G**.



When setting P2G different elements are taken into account in a **holistic view**:

- In general the **depletion of capital** by the Stress Test in the hypothetical **adverse scenario**;
- The **specific risk profile** of the individual institution and its **sensitivity towards the stress scenarios**;
- **Interim changes in its risk profile** since the cut-off date (31.12.2015) and **measures taken by the bank** to mitigate risk sensitivities such as relevant sale of assets etc.

Thank you for your attention.

Questions?