This presentation on 2019 SREP outcomes:

1. Enhanced **transparency**

2. **Stability** CET1 capital requirements and guidance
   - A. Stable CET1 requirements and guidance
   - B. Changes in P2R for around 30% of banks
   - C. G-SIBs face lower P2G reflecting higher resilience in the stress test
   - D. Including all other buffers, G-SIBs have comparable capital requirements
     - Most banks are capitalised above all CET1 requirements, buffers and guidance

3. **Supervisory concerns** on internal governance, operational risk and profitability
   - A. Almost one third of all SREP qualitative measures show governance weakness
   - B. Internal Governance measures by area
   - C. Many banks do not earn their cost of capital

4. **Improved** asset quality
   - A. Banks have put a lot of effort into bringing down NPLs
   - B. Planned future reduction by sample of 32 banks with high levels of NPLs
Transparency allows peer analysis and informed investor decisions.

- For first time ever the ECB is publishing individual SREP results
- 108 out of 109 banks agreed to this disclosure of Pillar 2 requirements one year ahead of CRR disclosure requirements
- The ECB is publishing today a report on the SREP methodology as well as aggregated SREP results
CET1 requirements and guidance remain stable on average, but there are changes for one bank out of three.

### A. Stable CET1 requirements and guidance

<table>
<thead>
<tr>
<th>SREP</th>
<th>Pillar 1</th>
<th>Capital conservation buffer</th>
<th>Pillar 2 Requirements</th>
<th>Pillar 2 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.5%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2018</td>
<td>4.5%</td>
<td>2.1%</td>
<td>2.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2019</td>
<td>4.5%</td>
<td>2.1%</td>
<td>2.5%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

### B. Changes in P2R for around 30% of banks

<table>
<thead>
<tr>
<th>Overall SREP score</th>
<th>No P2R changes</th>
<th>P2R decreases</th>
<th>P2R increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>42%</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>8%</td>
<td>2%</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>1%</td>
<td>5%</td>
<td>24%</td>
</tr>
</tbody>
</table>
The levels of capital requirements and guidance (including buffers) are comparable across different types of banks.

C. G-SIBs face lower P2G reflecting higher resilience in the stress test

D. Including all other buffers, G-SIBs have comparable capital requirements
Most banks are capitalised above all CET1 requirements, buffers and guidance.

- **2019 CET1 requirements and guidance (Pillar 1 + P2R + P2G + all buffers)**
- **Banks with Q3 2019 capital levels below CET1 requirements and guidance (incl. buffers)**
- **Banks with CET1 Q3 2019 capital levels above CET1 requirements and guidance (incl. buffers)**
Prominent areas of supervisory concern include internal governance and operational risk...

A. Almost one third of all SREP qualitative measures show governance weakness

B. Internal Governance measures by area

- Three out of four banks scored 3 (76%, up from 67% in 2018)
- One out of five banks achieved a score 2 (18%, down from 25% in 2018)
...and low levels of profitability.

C. Many banks do not earn their cost of capital
Asset Quality has improved considerably and future NPL reductions target older vintages.

A. Banks have put a lot of effort into bringing down NPLs

B. Planned future reduction by sample of 32 banks with high levels of NPLs
Questions?