

## **RISK DASHBOARD**

**Q4 2013**

*(DATA AS OF Q3 2013)*

**EBA**

EUROPEAN  
BANKING  
AUTHORITY

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## Summary<sup>1</sup>

**EU banks' capital positions were fairly stable but declining RWAs contributed to higher capital ratios.** T1 ratio weighted average peaked at 12.9% with other dispersion measures also showing that this positive trend is widespread. The share of banks' total assets with T1 ratio above 12% increased from 58% to a peak of more than 75%. T1 ratio excluding hybrid instruments - a good proxy of the CT1 ratio - median has been rising steadily since Q4 2011 and it is now at 11.1%. In the three months ending in September 2013, these developments in the capital ratios were triggered by a drop in RWAs by more than 2%.

**Quality of banks' loan portfolios remained a concern in Q3 2013.** The ratio of impaired loans and past due (>90 days) loans to total loans remained stable (weighted average down by 0.1 p.p.). On average, around 45% of gross impaired loans are covered by specific allowances with all dispersion measures showing increases in this particular ratio. Banks with a low level of coverage ratio (below 25%) account for around 13% of total assets of the sample. Rigorous assessments of asset quality, accompanied by consistent transparency, remain key.

**Profitability levels remain low.** Return on equity (RoE) weighted average declined in Q3 2013 to 6.3%, whilst median decreased by 0.7 p.p. to 5.7%. The low interest rates environment along with declining lending volumes continue to affect net interest margins: median of net interest income bottomed at 59.1% of total operating income, down from 60.5% in the previous quarter.

**Deleveraging continues but at a slower pace.** During this last quarter, weighted average of debt-to-equity ratio fell from 17.5% to 17%, loan-to-deposit ratio remained fairly stable at around 114%, and customer deposits over total liabilities increased from 45.5% to 46%. Banks' total assets decreased by almost 1% contributing to a 9.8% reduction in the year ending in Q3 2013, as adjustments to banks' balance sheets progress and are likely to continue in the forthcoming quarters.

**Funding conditions in 2013 have markedly improved compared to the previous year.** The vast majority of banks, including banks headquartered in non-core countries is able to cover its funding needs via market funding, including unsecured and new-style debt instruments. While market funding needs have decreased, there is evidence of further moderate deposit inflows from both retail and corporate customers, including into banks located in countries with financially stressed sovereigns. Also the average cost of equity of banks in the EU has decreased. However, overall funding conditions remain susceptible to adverse trends, with many banks still substantially relying on central bank funding. Fragmentation of funding markets and uneven cost conditions remain also an issue of concern.

1) This risk dashboard is based on a sample of Key Risk Indicators (KRI) from 55 EU banks. This edition is based on Q3 2013 data. Underlying data is being compiled by the EBA since 2011 and it has served as basis for additional analyses included in EBA's Risk Assessment Report, last version being published in December 2013.

## Overview of the main risks and vulnerabilities in the EU banking sector

		Bank risk	Risk drivers	Level of risk	Forward Trend	Contributing factors/interactions
Capital	Pillar 1	Credit risk	Asset quality			Asset quality deterioration is still a major challenge, also in light of uneven economic recovery in the EU. Calculation of banks' risk weighted assets remains a shadow over seemingly healthy capital ratios. Upcoming review of assets should boost clarity on problem loans and level of impairments/provisions.
		Market risk	Hightened volatility, hedge effectiveness			Geopolitical tensions have been eased (e.g. US budget, Middle East), though some degree of uncertainty exists and banks may be susceptible to adverse developments in some emerging markets. Some hightened market volatility could be observed as well. Diverse and adjusting monetary policy stances by central banks over the world may impact European banks activity.
		Operational risk	Cost cutting			Cost cutting efforts can jeopardize internal controls efficiency or expose specific areas of activity. Risks of fraud in a downturn environment persist and IT plus internet related risks (e.g. cyber-risks) are growing whilst redress costs increase.
	Pillar 2	Concentration risk, IRRBB and other	Interest rates			Low interest rates help maintain asset quality and improve affordability of bank credit, but affects profitability by reduced interest income. Low interest rates also provide incentives for loan forbearance.
		Reputational and legal	LIBOR/Euribor investigations, mis-selling			Confidence in banks is affected due to shortcomings in some past business practices. There are also exogenous pressures from the possibility of a bail-in of non-insured deposits. Fines/redress costs can also affect profitability.
		Profitability	Margins, asset quality, provisions workout, business model changes			A weak macroeconomic environment leads to rising non-performing loans and to reduced new lending and interest income generation opportunities. Interest margins are low, cost cutting efforts and results are difficult to materialize, and legal and redress costs are rising.
Liquidity & Funding	Access to funding and Maturity distribution	Market confidence, pricing			The stock of funding still relies heavily on public funding but an increasing number of banks is returning to the market. Ring-fencing can be observed and reliance on deposit is increasing. Unsecured funding markets continue to improve and average maturity profile in 'peripheral' countries seems to be recovering.	
	Funding structure	Geographical fragmentation of funding markets. Leverage.			Business model changes, macro-economic condition, some continued fragmentation and retrenchment to home markets, ongoing de-risking, some shrinking of balance sheet and of loan book (see also fragmentation).	
Environment	Regulatory environment	Timing and scope of implementing regulatory initiatives			While more regulatory clarity has been achieved, significant implementation challenges nevertheless remain ahead, also in ensuring a convergent application of the new rules, e.g. on "bail in". The Basel Committee's decision on the definition of the leverage ratio brought light to an important topic.	
	Fragmentation	Continued lack of confidence, sovereign/bank link, national-only regulatory/policy initiatives			For some banks, home bias and requirements to match assets and liabilities at country level are being maintained; cross-border interbank markets are subdued. Rates for comparable companies divergent in different countries. Reduced cross-border lending and external bank funding. Despite some improvements, geographical fragmentation of funding conditions continues and dispersed funding condition between large cross-border banks and smaller banks in 'peripheral' countries continues (see also funding structure).	
	Sovereign risk	Fiscal policy and effectiveness, budgets imbalances			Recent developments in sovereign spreads lead to increased confidence and concerned sovereigns benefited from falling yields, although risks of re-alignments remain. Links between banks and sovereign persist but seem to be less pronounced. In the balance sheet assessment for the SSM ex-ante agreed backstops need to be in place.	
Level				The level of risk summarises, in a judgmental fashion, the probability of the materialisation of the risk factors and the likely impact on banks. The assessment takes into consideration the evolution of market and prudential indicators, NSAs and banks' own assessments as well as analysts' views.		
	High	Medium	Low			
Trend						
	Increasing	Stable	Decreasing			

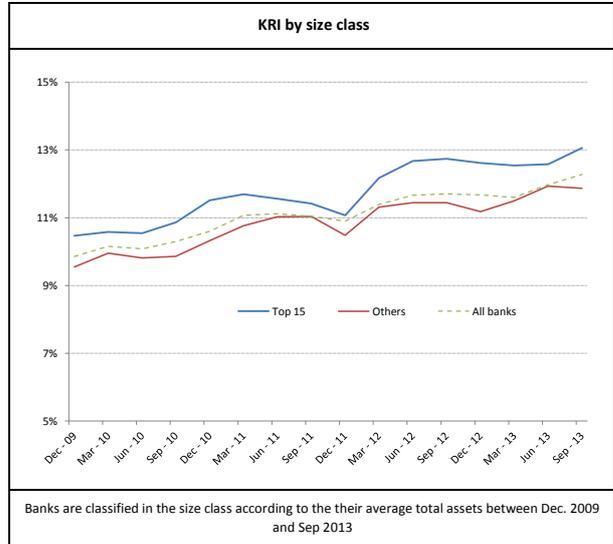
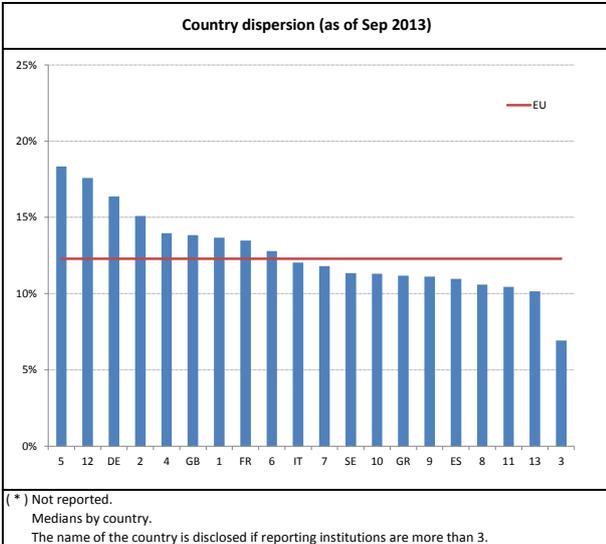
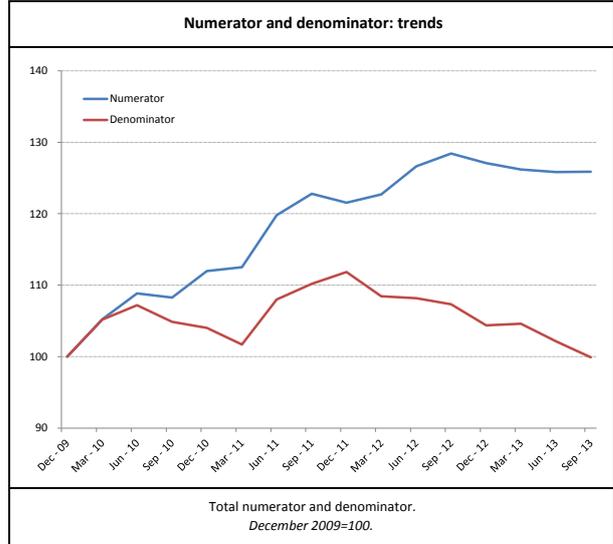
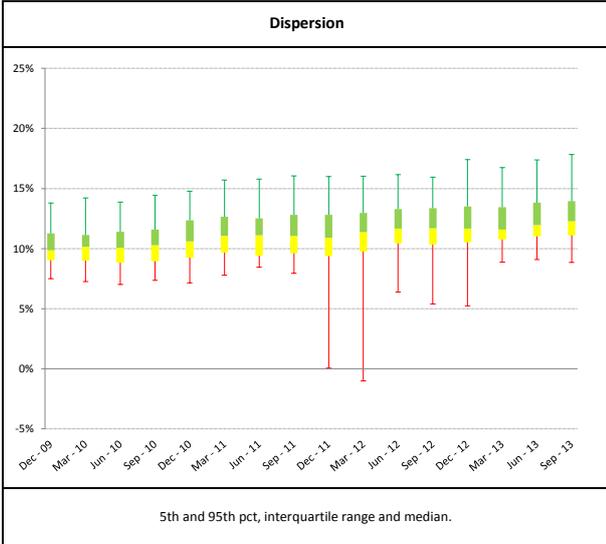
### KRIs heatmap

Area	KRI	Threshold	Traffic light	Current vs previous quarters for the worst bucket	Sample of banks															
					49	49	50	51	51	51	56	56	56	56	56	56	56	55	55	55
					200912	201003	201006	201009	201012	201103	201106	201109	201112	201203	201206	201209	201212	201303	201306	201309
Solvency	1 Tier 1 capital ratio	> 12%	●	22.0%	10.1%	20.6%	22.9%	37.2%	43.4%	36.7%	37.5%	39.0%	54.1%	62.8%	66.6%	71.3%	59.3%	58.2%	75.3%	
		[9% - 12%]		65.4%	80.1%	68.5%	65.4%	58.9%	53.8%	60.1%	59.4%	57.4%	42.4%	34.9%	31.1%	26.8%	39.4%	41.5%	24.0%	
		< 9%		12.6%	9.8%	10.9%	11.7%	3.9%	2.8%	3.1%	3.2%	3.6%	3.5%	2.3%	2.3%	1.9%	1.3%	0.2%	0.7%	
	3 Tier 1 ratio (excluding hybrid instruments)	> 10%	●	32.8%	35.5%	45.6%	53.2%	29.0%	42.2%	46.2%	45.7%	31.1%	52.9%	72.8%	78.0%	80.3%	77.1%	76.0%	91.7%	
		[5% - 10%]		67.2%	64.5%	54.4%	46.8%	69.6%	57.8%	52.6%	54.3%	66.5%	44.9%	25.0%	19.8%	18.4%	21.8%	24.0%	8.3%	
		< 5%		0.0%	0.0%	0.0%	0.0%	1.4%	0.0%	1.2%	0.0%	2.4%	2.2%	2.2%	2.2%	1.3%	1.1%	0.0%	0.0%	
Credit & Risk	13 Impaired loans and Past due (>90 days) loans to total loans	< 5%	●	62.4%	61.6%	62.2%	63.3%	49.0%	61.1%	60.2%	60.9%	61.2%	60.4%	60.9%	63.3%	59.1%	59.5%	57.3%	55.9%	
		[5% - 10%]		32.5%	30.4%	29.8%	24.6%	42.7%	30.0%	30.2%	30.1%	28.0%	27.8%	27.1%	24.8%	28.2%	28.0%	28.8%	31.3%	
		> 10%		5.0%	8.1%	8.0%	12.0%	8.3%	8.9%	9.6%	9.0%	10.9%	11.8%	12.0%	11.9%	12.7%	12.5%	13.9%	12.8%	
	14 Coverage ratio (all allowances for loans and debt instruments to total gross impaired loans and debt instruments)	> 50%	●	31.2%	34.8%	27.6%	27.4%	28.0%	24.8%	23.4%	21.8%	24.0%	24.5%	24.4%	27.8%	29.2%	38.2%	37.2%	40.9%	
		[25% - 50%]		67.1%	63.6%	70.8%	69.7%	61.0%	72.3%	73.8%	75.6%	63.0%	62.5%	62.9%	59.1%	57.9%	49.8%	49.8%	47.3%	
		< 25%		1.7%	1.6%	1.6%	2.9%	11.0%	2.9%	2.8%	2.7%	13.0%	13.3%	13.0%	13.5%	13.2%	13.2%	14.1%	13.0%	
Assets & Quality	20 Accumulated impairments on financial assets to total (gross) assets	< 1%	●	28.6%	38.2%	38.9%	37.9%	38.0%	36.7%	39.5%	41.5%	40.7%	42.4%	42.2%	41.3%	42.0%	42.2%	41.3%	39.9%	
		[1% - 2%]		58.9%	49.4%	48.8%	46.4%	50.1%	51.0%	47.6%	45.4%	41.5%	40.1%	40.6%	39.2%	36.9%	36.8%	37.6%	38.8%	
		> 2%		12.5%	12.4%	12.3%	15.8%	11.9%	12.3%	12.9%	13.1%	17.7%	17.5%	17.3%	19.5%	21.1%	21.0%	21.1%	21.2%	
	21 Impairments on financial assets to total operating income	< 5%	●	0.9%	9.4%	8.8%	9.7%	9.7%	21.3%	7.0%	2.8%	2.6%	14.0%	4.9%	5.6%	5.5%	13.8%	11.5%	4.4%	
		[5% - 20%]		19.3%	52.7%	47.2%	49.8%	48.4%	42.7%	51.6%	53.9%	52.4%	42.8%	58.5%	62.1%	60.2%	62.1%	62.2%	65.5%	
		> 20%		79.7%	37.9%	44.0%	40.5%	41.9%	36.0%	41.4%	43.3%	45.0%	43.2%	36.7%	32.3%	34.3%	24.1%	26.3%	30.1%	
Earnings	22 Return on equity	> 16%	●	6.2%	4.1%	3.5%	3.4%	0.0%	12.5%	1.1%	0.6%	0.7%	3.9%	1.1%	1.1%	1.1%	5.3%	3.9%	1.7%	
		[8% - 16%]		30.7%	46.9%	50.4%	39.5%	42.9%	52.6%	51.6%	40.1%	36.6%	34.0%	29.4%	27.5%	24.3%	33.8%	27.1%	28.6%	
		< 8%		63.1%	49.0%	46.0%	57.0%	57.1%	35.0%	47.3%	59.2%	62.8%	62.6%	69.5%	71.4%	74.6%	60.9%	69.1%	69.7%	
	24 Cost-to-income	< 33%	●	9.4%	9.5%	2.3%	2.2%	2.3%	2.1%	1.9%	2.8%	2.5%	1.6%	2.7%	2.8%	2.8%	10.8%	12.2%	11.2%	
		[33% - 66%]		68.7%	73.3%	80.7%	79.3%	68.1%	67.6%	63.5%	70.6%	65.7%	60.5%	48.9%	55.6%	46.3%	40.4%	49.5%	44.7%	
		> 66%		21.8%	17.2%	17.0%	18.5%	29.6%	30.3%	34.6%	26.6%	31.8%	37.8%	48.4%	41.6%	50.9%	48.8%	38.4%	44.1%	
Balance Sheet	34 Loan-to-deposit ratio	< 100%	●	13.8%	14.0%	13.4%	13.2%	12.5%	13.1%	13.1%	24.7%	23.8%	23.7%	24.0%	23.9%	23.5%	27.7%	28.7%	22.5%	
		[100% - 150%]		72.6%	71.7%	73.7%	72.3%	72.3%	73.1%	69.5%	56.6%	59.9%	59.0%	61.8%	59.7%	60.7%	57.5%	60.5%	67.0%	
		> 150%		13.6%	14.2%	12.9%	14.5%	15.3%	13.8%	17.4%	18.7%	16.3%	17.4%	14.2%	16.5%	15.8%	16.0%	10.8%	10.5%	
	36 Tier 1 capital to (total assets - intangible assets)	> 7%	●	2.3%	2.2%	1.7%	1.7%	1.7%	3.1%	4.4%	2.7%	4.6%	1.4%	2.0%	2.0%	2.1%	3.3%	3.4%	5.1%	
		[4% - 7%]		48.1%	55.3%	55.8%	58.0%	66.2%	66.1%	72.9%	54.0%	52.0%	55.4%	64.7%	65.4%	66.8%	65.5%	69.6%	68.8%	
		< 4%		49.7%	42.5%	42.5%	40.4%	32.1%	30.8%	22.7%	43.3%	43.4%	43.3%	33.2%	32.6%	31.1%	31.2%	27.0%	26.1%	
45 Debt-to-equity ratio	< 10x	●	3.1%	0.7%	0.8%	0.8%	3.5%	3.9%	3.0%	3.4%	1.3%	0.8%	1.0%	1.0%	1.0%	1.4%	1.2%	1.3%		
	[10x - 20x]		53.0%	51.4%	41.1%	51.6%	52.8%	59.8%	60.6%	43.0%	42.5%	56.3%	49.1%	50.1%	55.4%	54.3%	55.6%	57.9%		
	> 20x		43.9%	47.9%	58.1%	47.6%	43.7%	36.3%	36.4%	53.6%	56.2%	42.9%	49.9%	48.9%	43.6%	44.4%	43.2%	40.7%		
46 Off-balance sheet items to total assets	< 10%	●	21.0%	19.3%	19.4%	19.7%	20.5%	23.0%	21.5%	22.0%	19.5%	19.5%	19.5%	20.3%	20.1%	20.0%	19.7%	19.1%		
	[10% - 20%]		36.3%	45.5%	39.2%	37.5%	45.9%	45.0%	47.4%	60.7%	57.3%	56.6%	53.8%	56.3%	56.5%	56.5%	50.6%	41.6%		
	> 20%		42.7%	35.2%	41.4%	42.8%	33.5%	32.0%	31.1%	17.3%	23.2%	23.9%	26.7%	23.4%	23.4%	23.5%	29.6%	39.3%		

Note: Traffic lights provide the trend of the KRI given the historical time series. Data bar colour scale: green for the "best bucket", yellow for the intermediate and red for the "worst bucket".

## Solvency

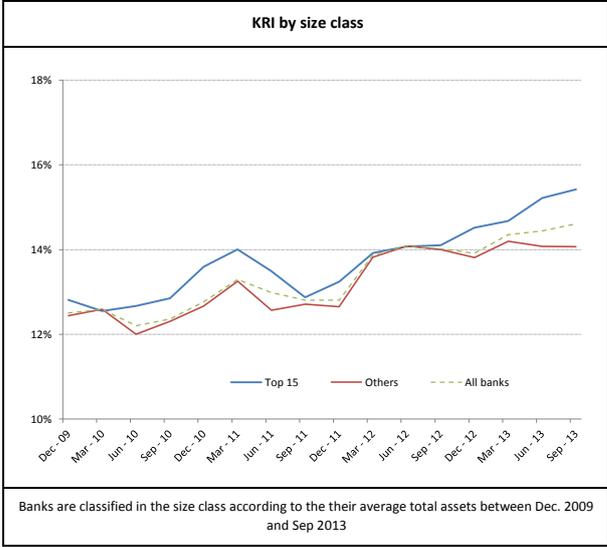
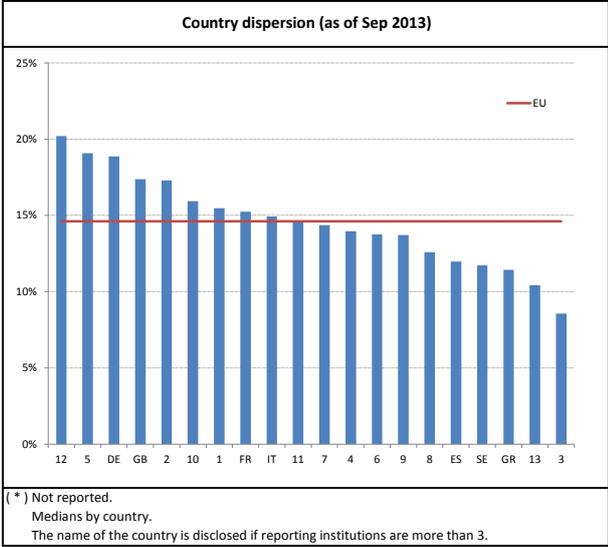
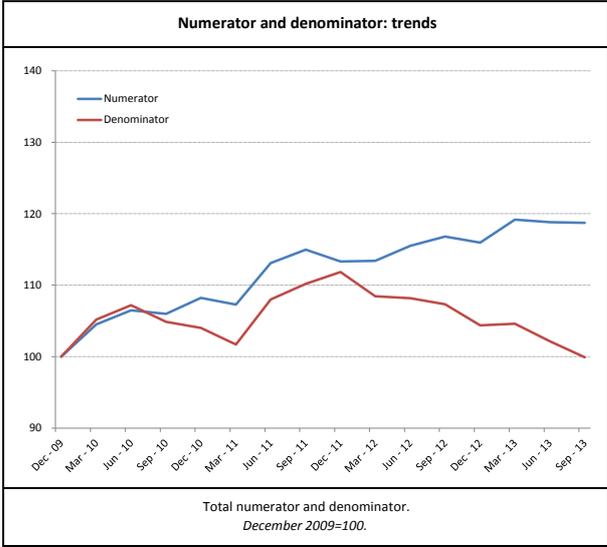
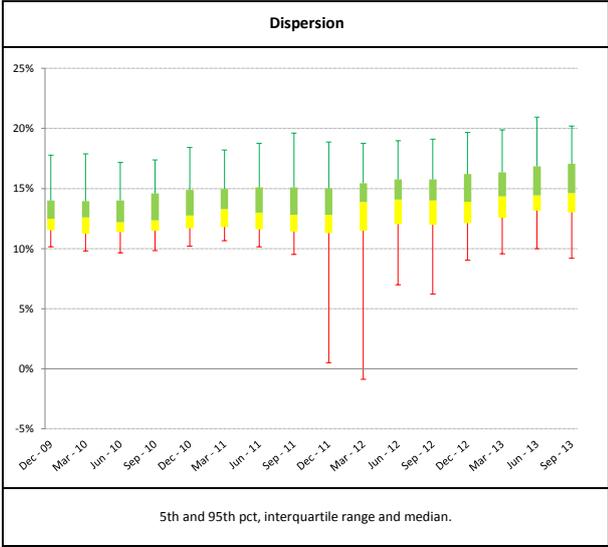
**KRI: 1 - Tier 1 capital ratio**



Period	Weighted average	25th	50th	75th
Dec - 09	10.2%	9.1%	9.9%	11.3%
Mar - 10	10.2%	9.0%	10.2%	11.1%
Jun - 10	10.4%	8.8%	10.1%	11.4%
Sep - 10	10.6%	8.9%	10.3%	11.6%
Dec - 10	11.0%	9.3%	10.6%	12.4%
Mar - 11	11.3%	9.7%	11.1%	12.7%
Jun - 11	11.4%	9.4%	11.1%	12.5%
Sep - 11	11.4%	9.6%	11.0%	12.8%
Dec - 11	11.1%	9.4%	10.9%	12.8%
Mar - 12	11.6%	9.8%	11.4%	13.0%
Jun - 12	12.0%	10.4%	11.7%	13.3%
Sep - 12	12.3%	10.3%	11.7%	13.4%
Dec - 12	12.5%	10.5%	11.7%	13.5%
Mar - 13	12.4%	10.8%	11.6%	13.4%
Jun - 13	12.6%	11.0%	12.0%	13.8%
Sep - 13	12.9%	11.1%	12.3%	13.9%

## Solvency

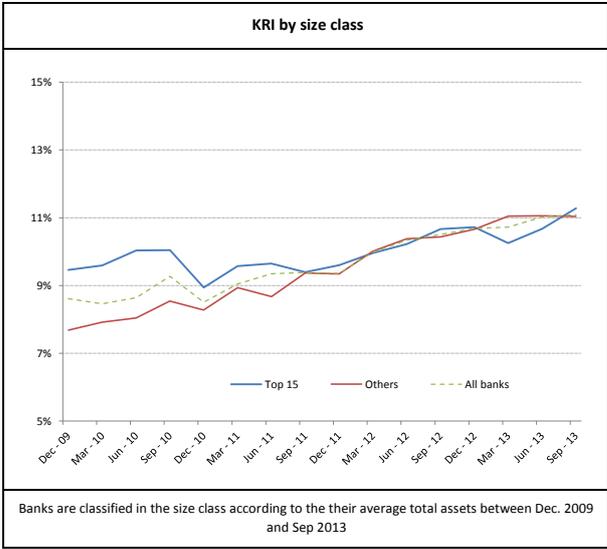
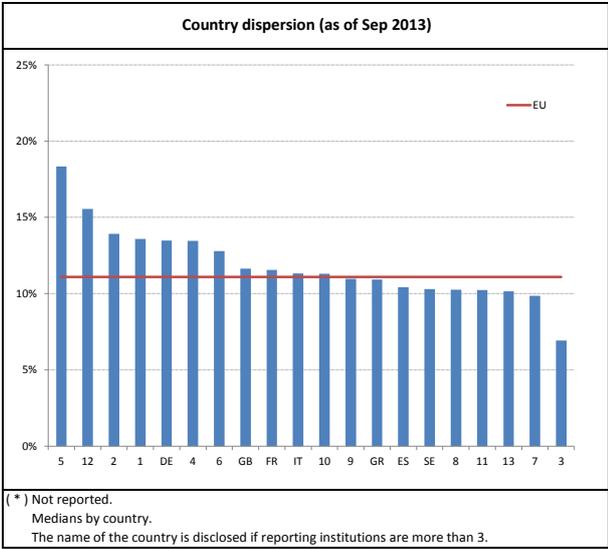
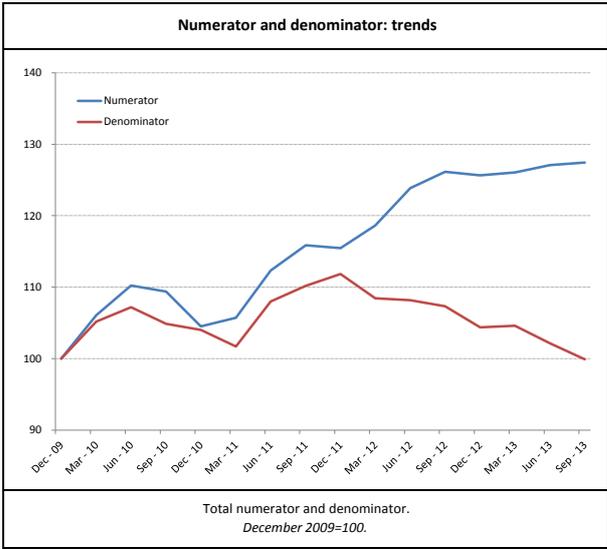
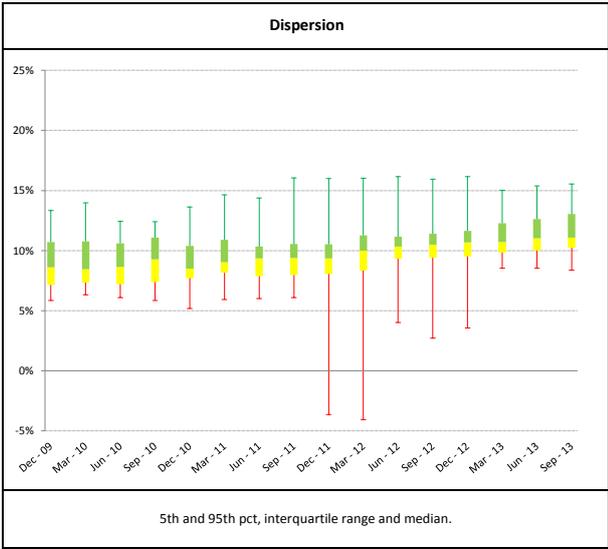
### KRI: 2 - Total capital ratio



Period	Weighted average	25th	50th	75th
Dec - 09	13.0%	11.5%	12.5%	14.0%
Mar - 10	12.9%	11.2%	12.6%	13.9%
Jun - 10	12.9%	11.4%	12.2%	14.0%
Sep - 10	13.1%	11.5%	12.4%	14.6%
Dec - 10	13.5%	11.7%	12.8%	14.9%
Mar - 11	13.7%	11.8%	13.3%	15.0%
Jun - 11	13.6%	11.6%	13.0%	15.1%
Sep - 11	13.5%	11.4%	12.8%	15.1%
Dec - 11	13.1%	11.3%	12.8%	15.0%
Mar - 12	13.6%	11.5%	13.9%	15.4%
Jun - 12	13.9%	12.0%	14.1%	15.8%
Sep - 12	14.1%	12.0%	14.0%	15.8%
Dec - 12	14.4%	12.1%	13.9%	16.2%
Mar - 13	14.8%	12.6%	14.4%	16.3%
Jun - 13	15.1%	13.1%	14.4%	16.8%
Sep - 13	15.4%	13.0%	14.6%	17.1%

## Solvency

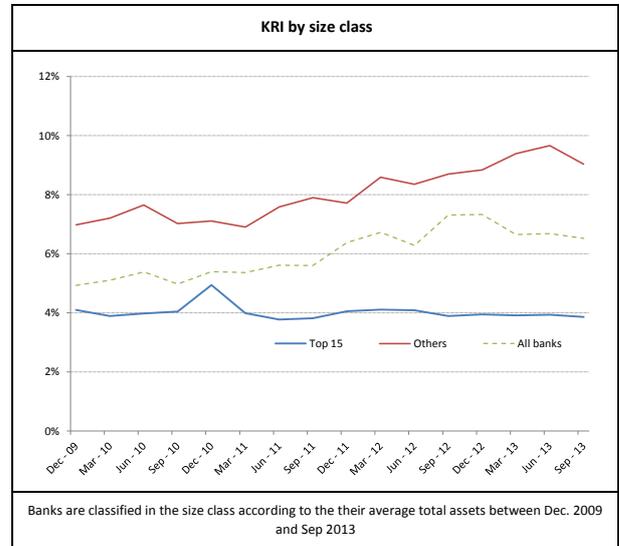
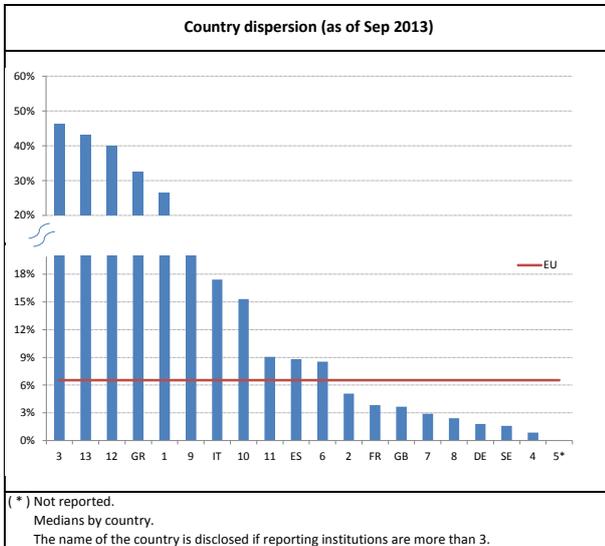
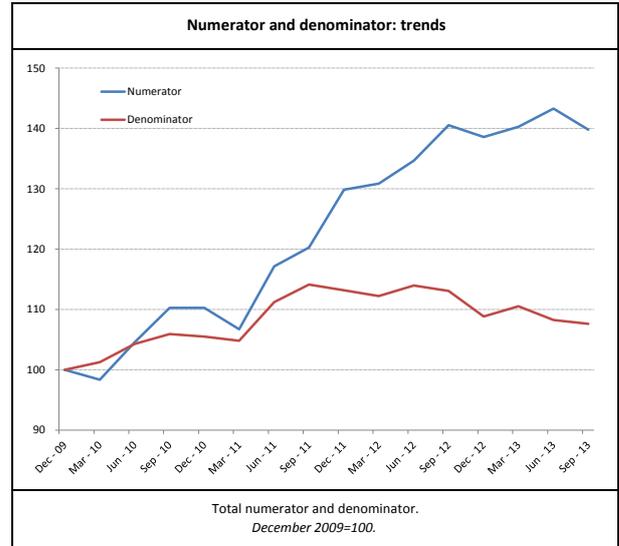
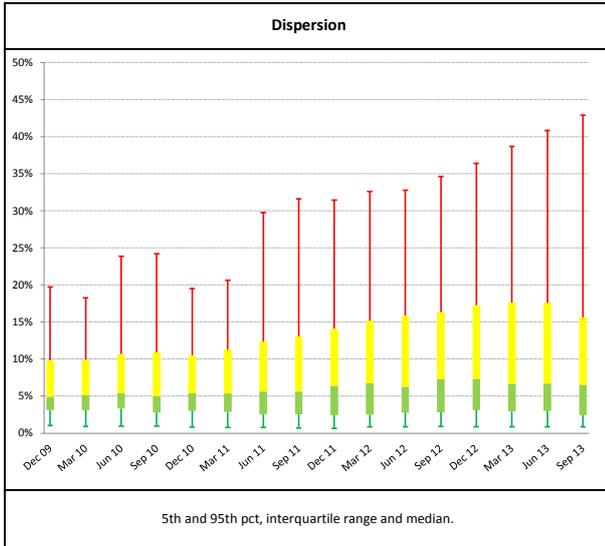
**KRI: 3 - Tier 1 ratio (excluding hybrid instruments)**



Period	Weighted average	25th	50th	75th
Dec - 09	9.0%	7.1%	8.6%	10.7%
Mar - 10	9.0%	7.3%	8.5%	10.8%
Jun - 10	9.2%	7.2%	8.6%	10.6%
Sep - 10	9.3%	7.4%	9.3%	11.1%
Dec - 10	9.0%	7.7%	8.5%	10.4%
Mar - 11	9.3%	8.2%	9.0%	10.9%
Jun - 11	9.3%	7.9%	9.3%	10.3%
Sep - 11	9.4%	8.0%	9.4%	10.6%
Dec - 11	9.2%	8.1%	9.4%	10.5%
Mar - 12	9.8%	8.3%	10.0%	11.3%
Jun - 12	10.2%	9.3%	10.3%	11.2%
Sep - 12	10.5%	9.4%	10.5%	11.4%
Dec - 12	10.8%	9.5%	10.7%	11.6%
Mar - 13	10.8%	9.8%	10.7%	12.3%
Jun - 13	11.1%	10.0%	11.0%	12.6%
Sep - 13	11.4%	10.2%	11.1%	13.1%

## Credit Risk and Asset Quality

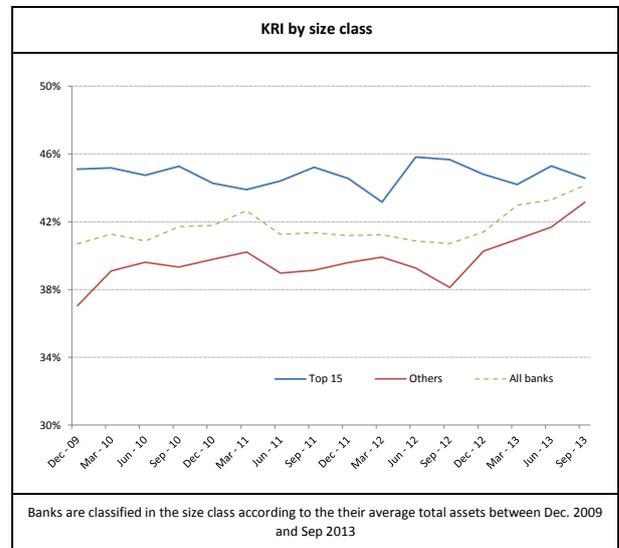
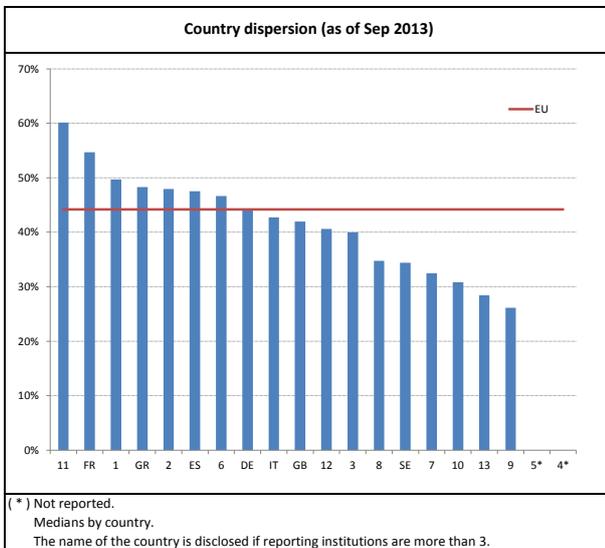
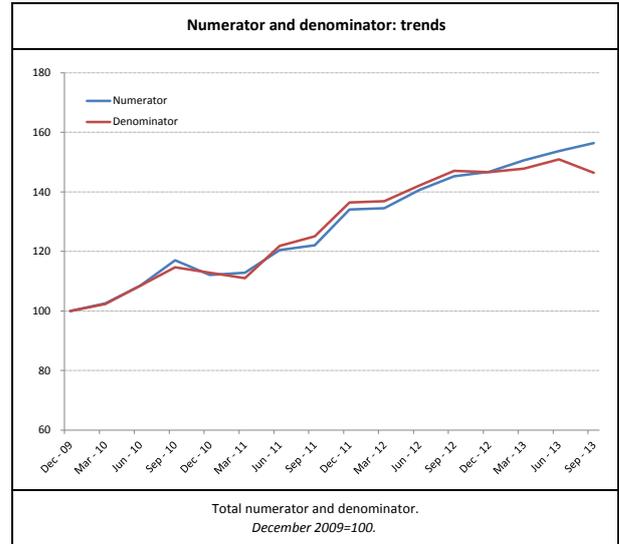
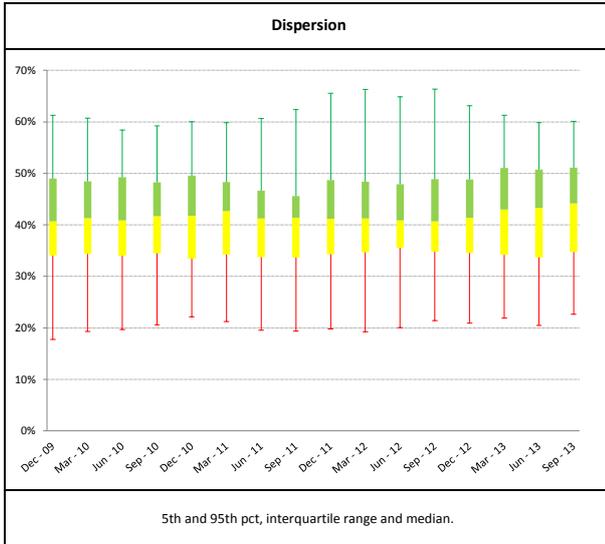
**KRI: 13 - Impaired loans and Past due (>90 days) loans to total loans**



Period	Weighted average	25th	50th	75th
Dec - 09	5.1%	3.1%	4.9%	9.8%
Mar - 10	4.9%	3.1%	5.1%	9.9%
Jun - 10	5.1%	3.3%	5.4%	10.7%
Sep - 10	5.3%	2.8%	5.0%	10.9%
Dec - 10	5.3%	3.0%	5.4%	10.5%
Mar - 11	5.2%	2.9%	5.4%	11.3%
Jun - 11	5.4%	2.5%	5.6%	12.4%
Sep - 11	5.4%	2.6%	5.6%	13.1%
Dec - 11	5.8%	2.5%	6.4%	14.1%
Mar - 12	5.9%	2.5%	6.7%	15.2%
Jun - 12	6.0%	2.8%	6.3%	15.8%
Sep - 12	6.3%	2.8%	7.3%	16.3%
Dec - 12	6.5%	3.1%	7.3%	17.3%
Mar - 13	6.5%	3.0%	6.7%	17.6%
Jun - 13	6.7%	3.0%	6.7%	17.6%
Sep - 13	6.6%	2.4%	6.5%	15.7%

## Credit Risk and Asset Quality

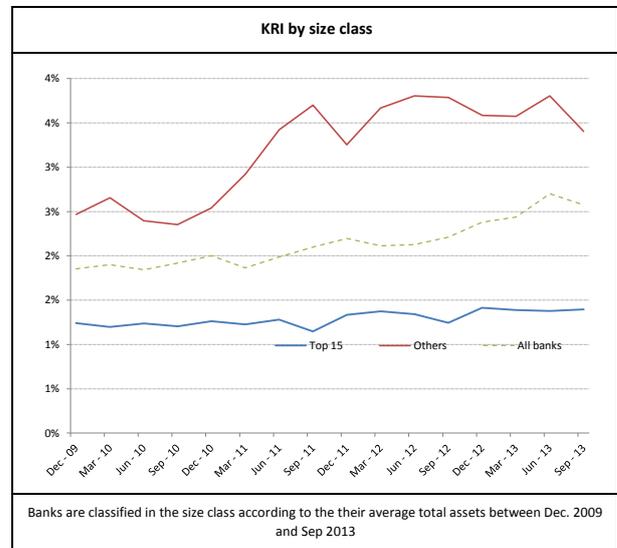
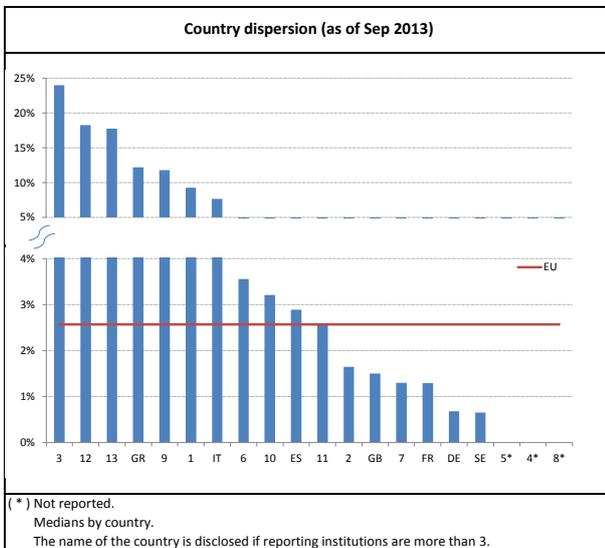
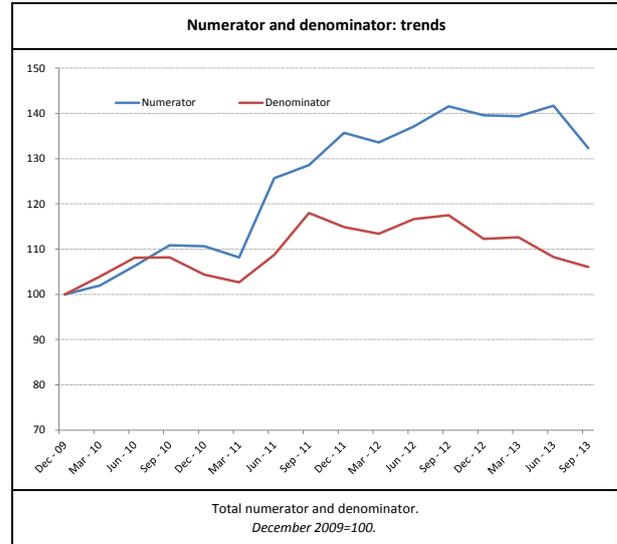
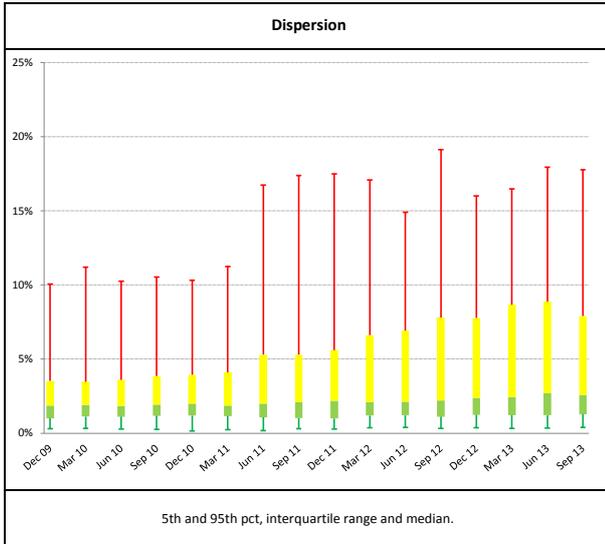
### KRI: 14 - Coverage ratio (specific allowances for loans to total gross impaired loans)



Period	Weighted average	25th	50th	75th
Dec - 09	42.0%	34.0%	40.7%	49.0%
Mar - 10	42.0%	34.4%	41.3%	48.5%
Jun - 10	42.0%	34.0%	40.9%	49.3%
Sep - 10	42.8%	34.5%	41.7%	48.3%
Dec - 10	41.7%	33.5%	41.8%	49.5%
Mar - 11	42.7%	34.2%	42.6%	48.3%
Jun - 11	41.5%	33.7%	41.2%	46.6%
Sep - 11	40.9%	33.7%	41.4%	45.6%
Dec - 11	41.2%	34.3%	41.2%	48.7%
Mar - 12	41.2%	34.7%	41.2%	48.4%
Jun - 12	41.5%	35.6%	40.9%	47.9%
Sep - 12	41.4%	34.8%	40.7%	48.9%
Dec - 12	42.0%	34.5%	41.4%	48.8%
Mar - 13	42.7%	34.2%	43.0%	51.1%
Jun - 13	42.7%	33.7%	43.3%	50.7%
Sep - 13	44.8%	34.7%	44.2%	51.1%

## Credit Risk and Asset Quality

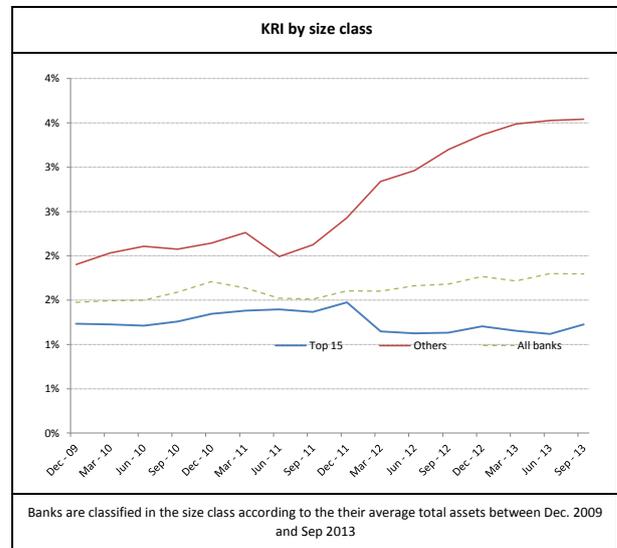
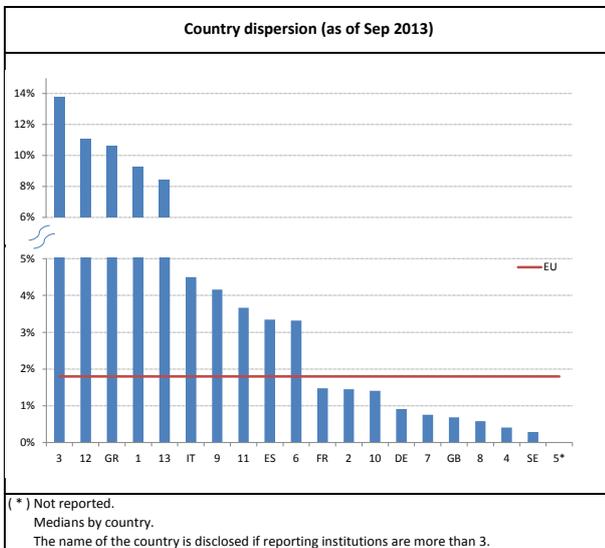
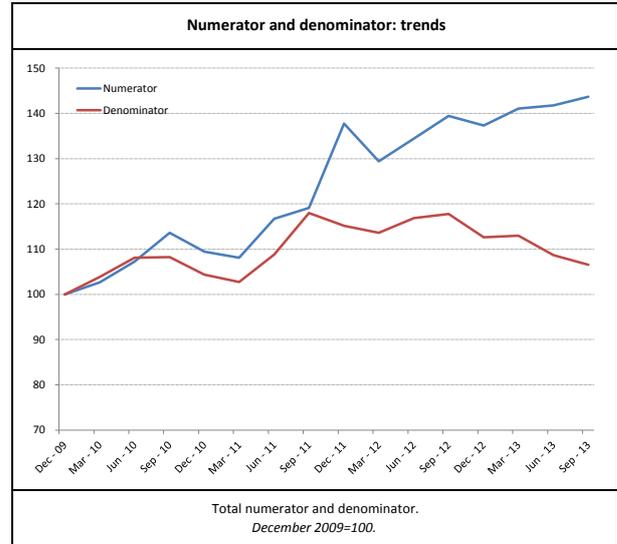
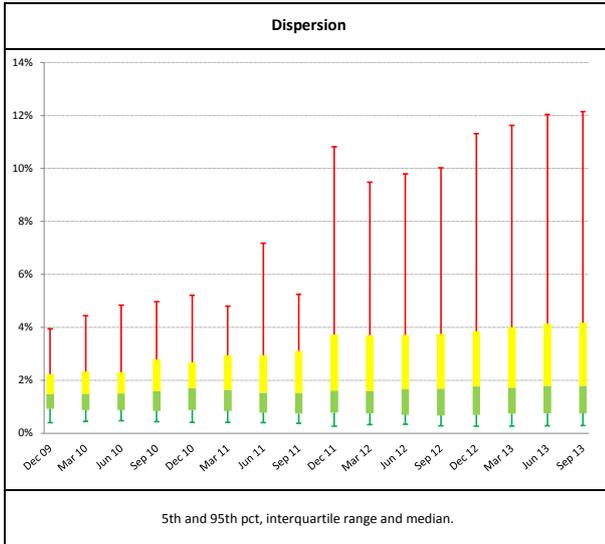
### KRI: 18 - Impaired financial assets to total assets



Period	Weighted average	25th	50th	75th
Dec - 09	1.6%	1.0%	1.9%	3.5%
Mar - 10	1.6%	1.1%	1.9%	3.5%
Jun - 10	1.6%	1.1%	1.8%	3.6%
Sep - 10	1.6%	1.2%	1.9%	3.9%
Dec - 10	1.7%	1.2%	2.0%	3.9%
Mar - 11	1.7%	1.2%	1.9%	4.1%
Jun - 11	1.8%	1.1%	2.0%	5.3%
Sep - 11	1.7%	1.0%	2.1%	5.3%
Dec - 11	1.9%	1.0%	2.2%	5.6%
Mar - 12	1.9%	1.2%	2.1%	6.6%
Jun - 12	1.9%	1.2%	2.1%	6.9%
Sep - 12	1.9%	1.1%	2.2%	7.8%
Dec - 12	2.0%	1.2%	2.4%	7.8%
Mar - 13	2.0%	1.2%	2.4%	8.7%
Jun - 13	2.1%	1.2%	2.7%	8.9%
Sep - 13	2.0%	1.3%	2.6%	7.9%

## Credit Risk and Asset Quality

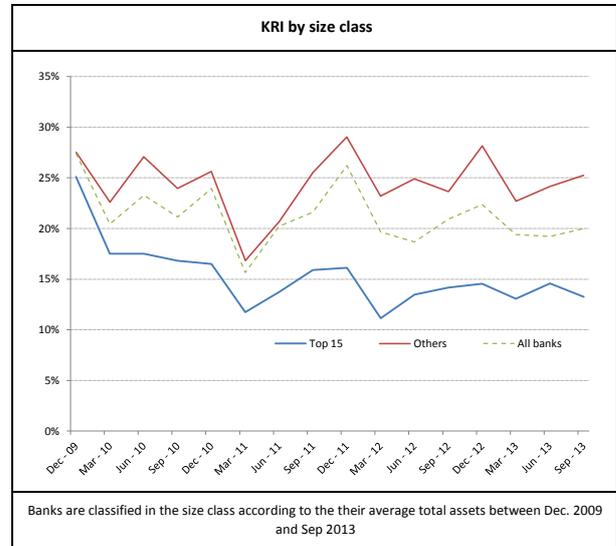
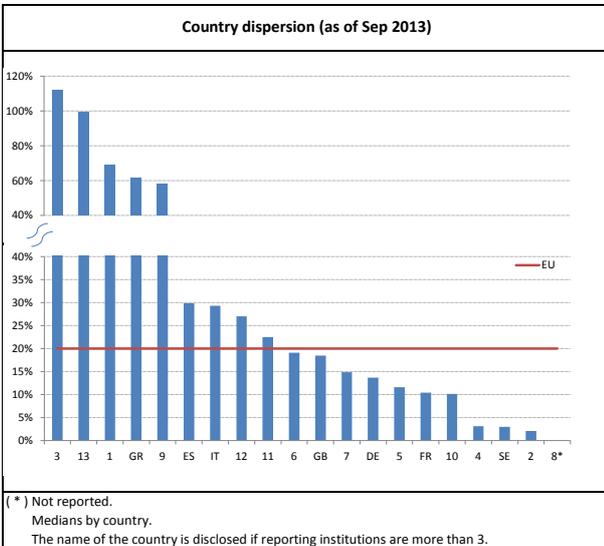
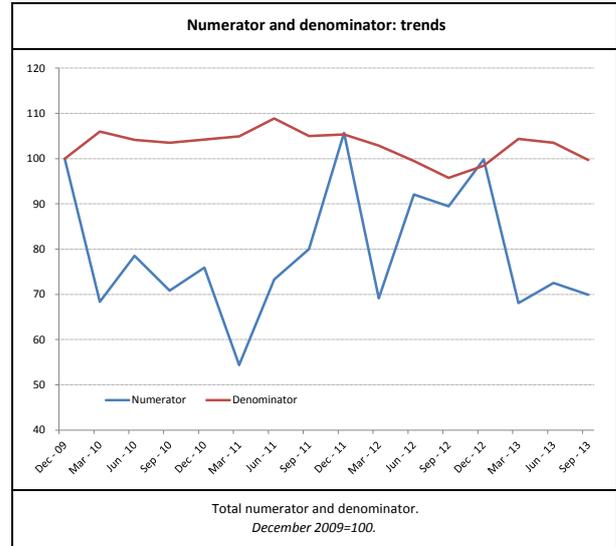
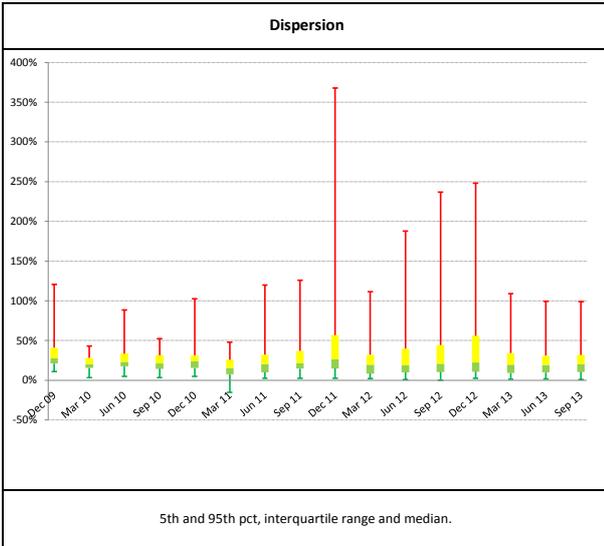
### KRI: 20 - Accumulated impairments on financial assets to total (gross) assets



Period	Weighted average	25th	50th	75th
Dec - 09	1.3%	0.9%	1.5%	2.2%
Mar - 10	1.3%	0.9%	1.5%	2.3%
Jun - 10	1.3%	0.9%	1.5%	2.3%
Sep - 10	1.4%	0.8%	1.6%	2.8%
Dec - 10	1.4%	0.9%	1.7%	2.7%
Mar - 11	1.4%	0.8%	1.6%	2.9%
Jun - 11	1.4%	0.8%	1.5%	2.9%
Sep - 11	1.3%	0.7%	1.5%	3.1%
Dec - 11	1.6%	0.8%	1.6%	3.7%
Mar - 12	1.5%	0.8%	1.6%	3.7%
Jun - 12	1.5%	0.7%	1.7%	3.7%
Sep - 12	1.5%	0.7%	1.7%	3.8%
Dec - 12	1.6%	0.7%	1.8%	3.9%
Mar - 13	1.6%	0.7%	1.7%	4.0%
Jun - 13	1.7%	0.8%	1.8%	4.1%
Sep - 13	1.8%	0.8%	1.8%	4.2%

## Credit Risk and Asset Quality

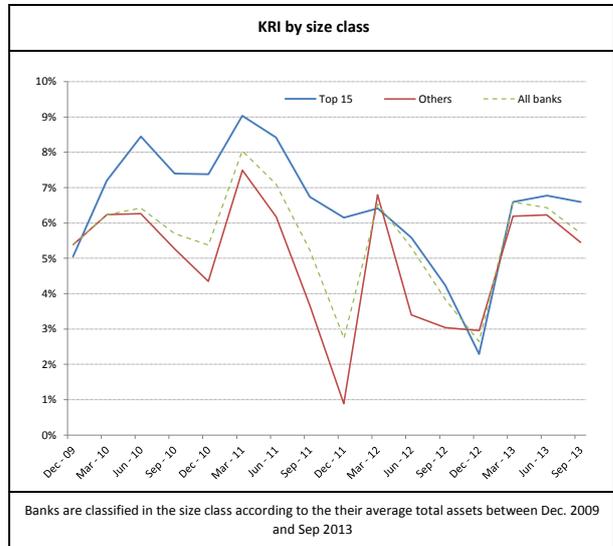
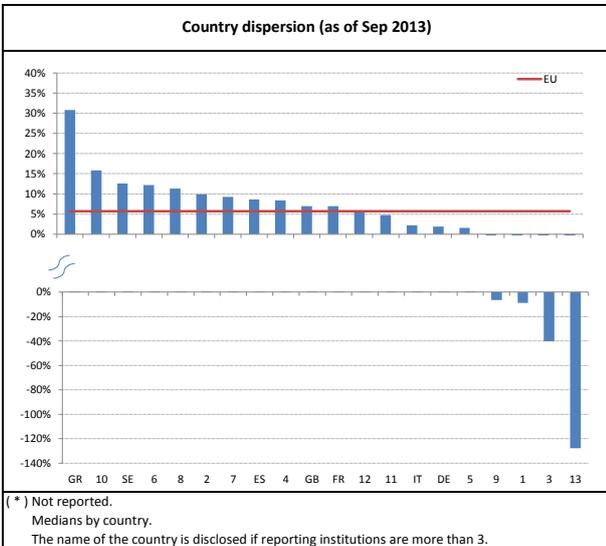
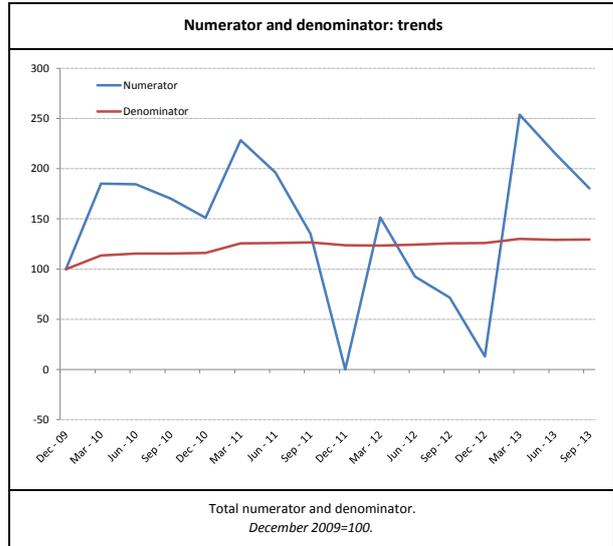
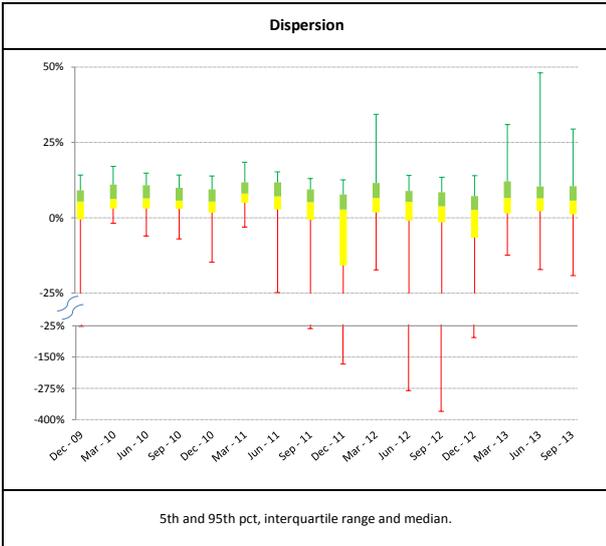
**KRI: 21 - Impairments on financial assets to total operating income**



Period	Weighted average	25th	50th	75th
Dec - 09	26.6%	21.0%	27.4%	41.0%
Mar - 10	17.2%	15.5%	20.4%	28.1%
Jun - 10	20.1%	17.5%	23.3%	33.5%
Sep - 10	18.2%	14.5%	21.1%	31.6%
Dec - 10	19.4%	15.5%	23.9%	31.3%
Mar - 11	13.8%	7.4%	15.7%	25.9%
Jun - 11	17.9%	10.0%	20.2%	32.0%
Sep - 11	20.3%	14.7%	21.6%	36.9%
Dec - 11	26.7%	14.8%	26.2%	56.8%
Mar - 12	17.9%	8.4%	19.7%	32.1%
Jun - 12	24.6%	9.9%	18.7%	39.8%
Sep - 12	24.9%	10.4%	20.9%	44.4%
Dec - 12	27.0%	10.8%	22.4%	56.0%
Mar - 13	17.4%	9.0%	19.4%	34.2%
Jun - 13	18.6%	9.8%	19.2%	30.8%
Sep - 13	18.6%	10.4%	20.0%	31.9%

## Profitability

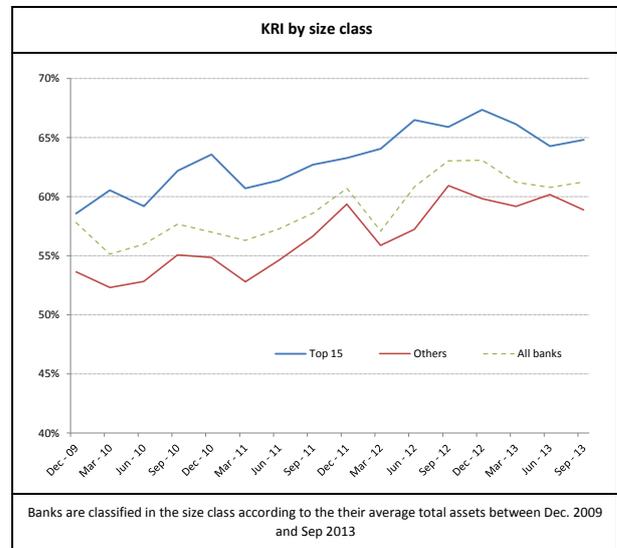
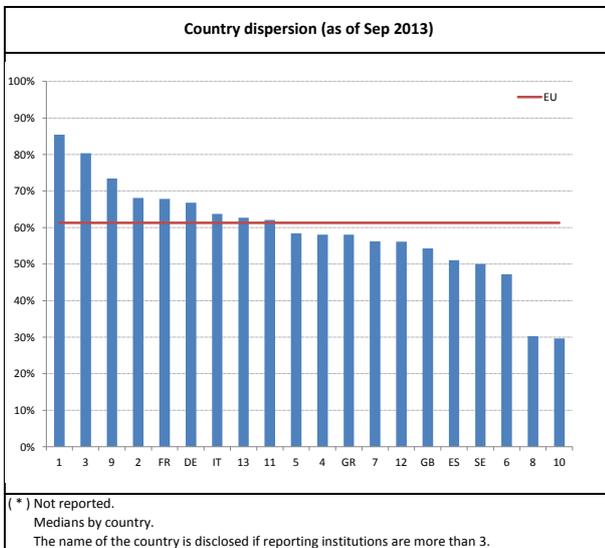
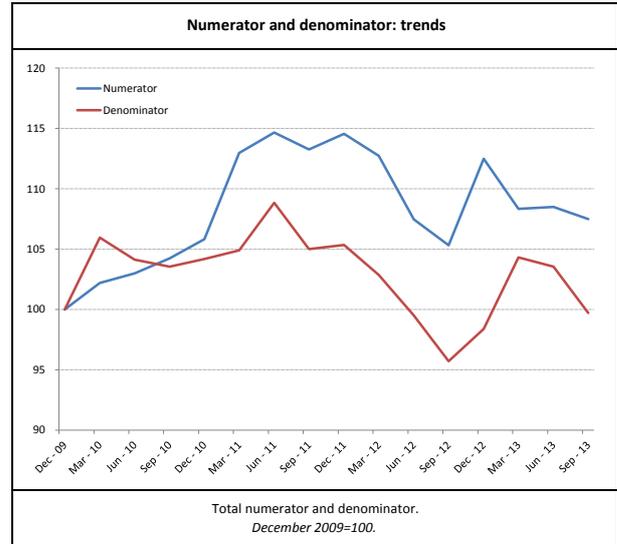
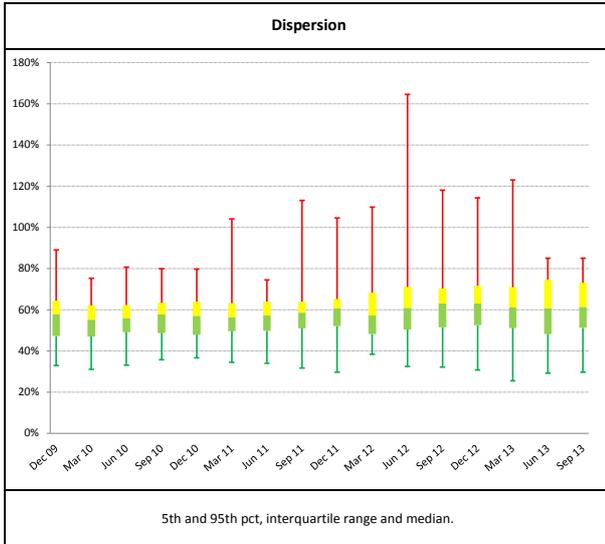
**KRI: 22 - Return on equity**



Period	Weighted average	25th	50th	75th
Dec - 09	4.5%	-0.5%	5.4%	9.1%
Mar - 10	7.4%	3.1%	6.2%	11.1%
Jun - 10	7.3%	3.1%	6.4%	10.8%
Sep - 10	6.7%	3.0%	5.7%	10.0%
Dec - 10	5.9%	1.7%	5.4%	9.5%
Mar - 11	8.3%	5.0%	8.0%	11.7%
Jun - 11	7.1%	2.8%	7.1%	11.7%
Sep - 11	4.9%	-0.7%	5.2%	9.4%
Dec - 11	0.0%	-15.7%	2.7%	7.8%
Mar - 12	5.6%	1.8%	6.5%	11.5%
Jun - 12	3.4%	-0.9%	5.3%	8.9%
Sep - 12	2.6%	-1.5%	3.8%	8.4%
Dec - 12	0.5%	-6.5%	2.6%	7.2%
Mar - 13	8.9%	1.4%	6.6%	12.0%
Jun - 13	7.6%	2.2%	6.4%	10.4%
Sep - 13	6.3%	1.2%	5.7%	10.4%

## Profitability

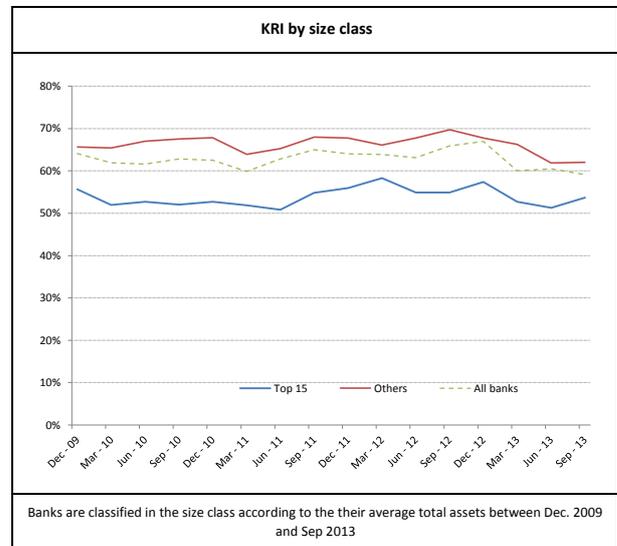
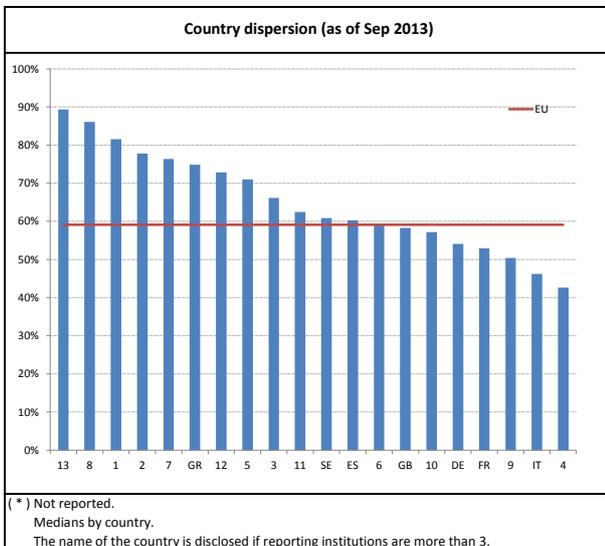
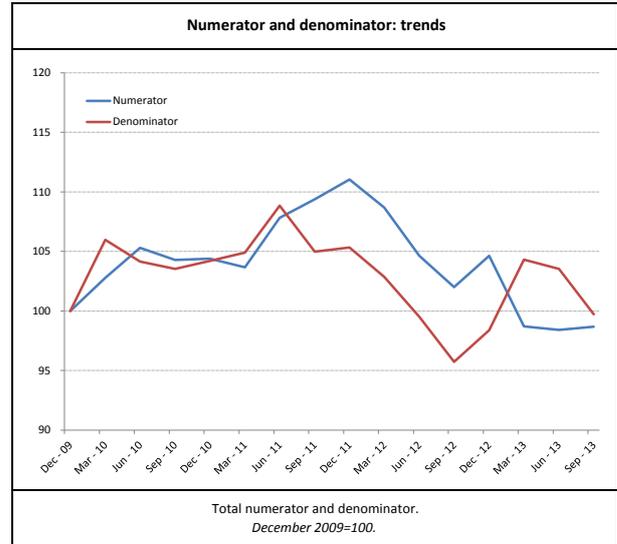
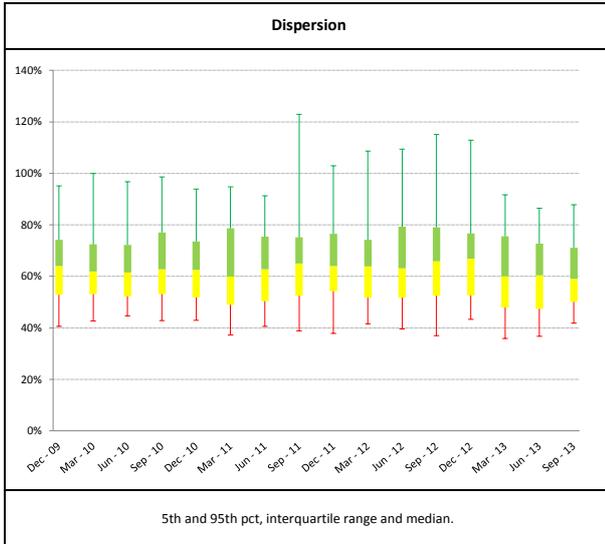
**KRI: 24 - Cost-to-income ratio**



Period	Weighted average	25th	50th	75th
Dec - 09	55.2%	47.2%	57.8%	64.3%
Mar - 10	53.3%	46.9%	55.1%	62.1%
Jun - 10	54.6%	49.1%	56.0%	62.2%
Sep - 10	55.6%	48.7%	57.7%	63.3%
Dec - 10	56.1%	47.9%	57.0%	63.8%
Mar - 11	59.5%	49.6%	56.3%	63.2%
Jun - 11	58.2%	49.7%	57.3%	63.8%
Sep - 11	59.6%	51.0%	58.6%	63.9%
Dec - 11	60.1%	52.0%	60.7%	65.2%
Mar - 12	60.6%	48.1%	57.1%	68.3%
Jun - 12	59.7%	50.4%	60.9%	71.0%
Sep - 12	60.8%	51.4%	63.0%	70.3%
Dec - 12	63.2%	52.5%	63.1%	71.6%
Mar - 13	57.4%	51.2%	61.2%	70.9%
Jun - 13	57.9%	48.2%	60.8%	74.6%
Sep - 13	59.6%	51.2%	61.3%	73.1%

## Profitability

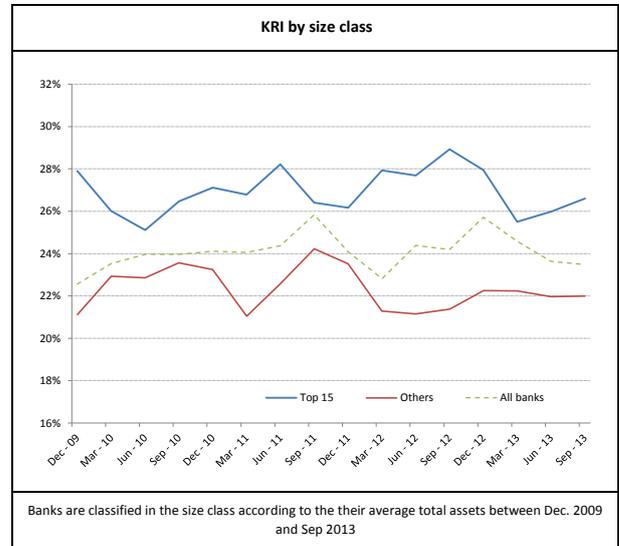
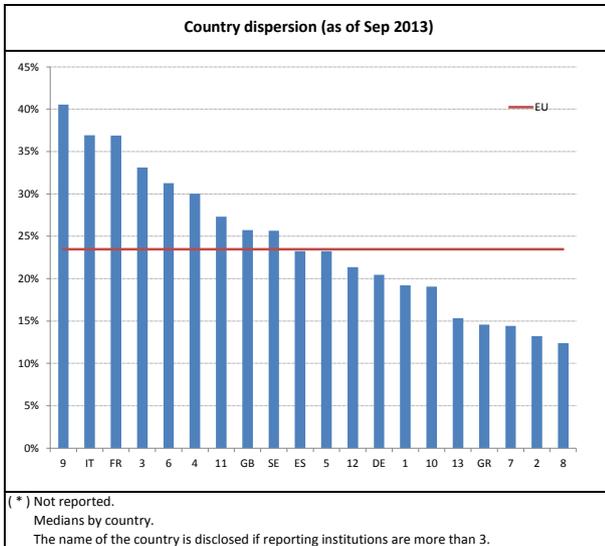
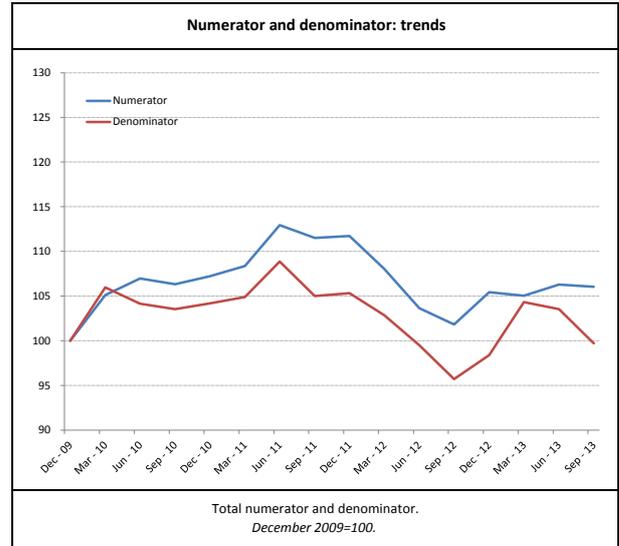
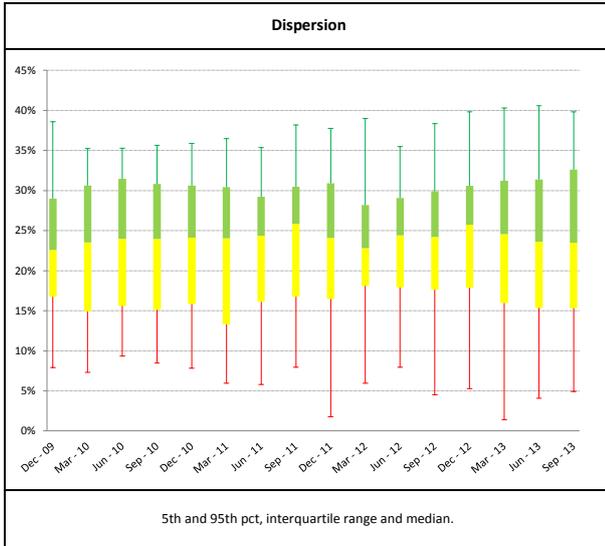
**KRI: 26 - Net interest income to total operating income**



Period	Weighted average	25th	50th	75th
Dec - 09	57.9%	52.8%	64.1%	74.1%
Mar - 10	56.2%	53.2%	61.9%	72.5%
Jun - 10	58.6%	52.3%	61.6%	72.2%
Sep - 10	58.3%	53.2%	62.8%	77.1%
Dec - 10	58.0%	51.9%	62.5%	73.6%
Mar - 11	57.2%	49.0%	59.9%	78.6%
Jun - 11	57.4%	50.4%	62.8%	75.4%
Sep - 11	60.3%	52.5%	65.0%	75.2%
Dec - 11	61.1%	54.2%	64.0%	76.6%
Mar - 12	61.2%	51.7%	63.9%	74.2%
Jun - 12	60.9%	51.8%	63.2%	79.3%
Sep - 12	61.7%	52.5%	65.9%	79.0%
Dec - 12	61.6%	52.6%	66.9%	76.7%
Mar - 13	54.8%	47.8%	60.0%	75.6%
Jun - 13	55.1%	47.4%	60.5%	72.7%
Sep - 13	57.3%	50.1%	59.1%	71.1%

## Profitability

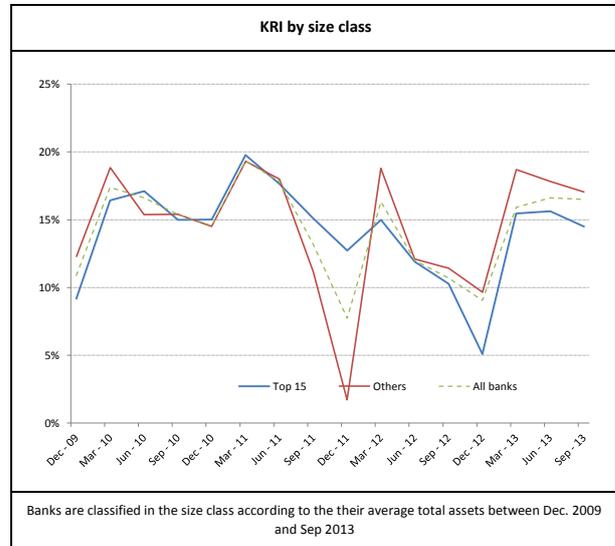
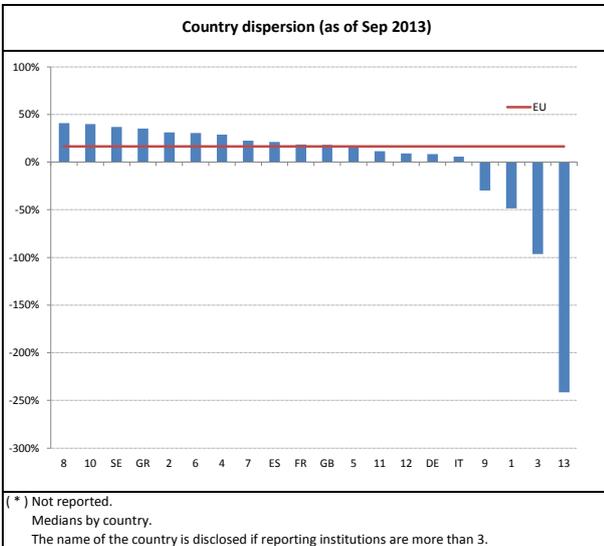
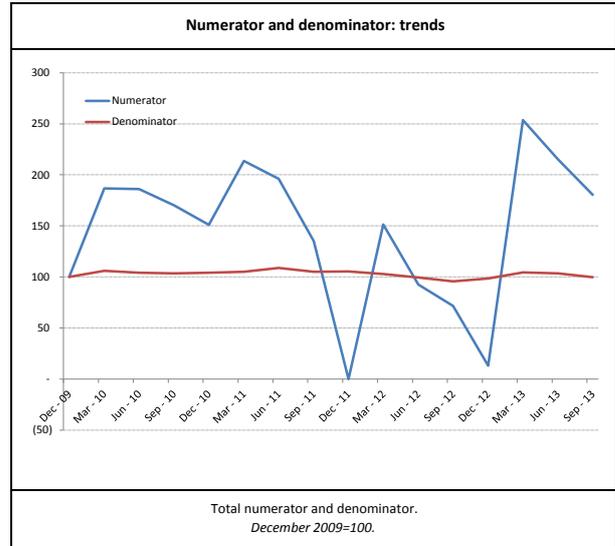
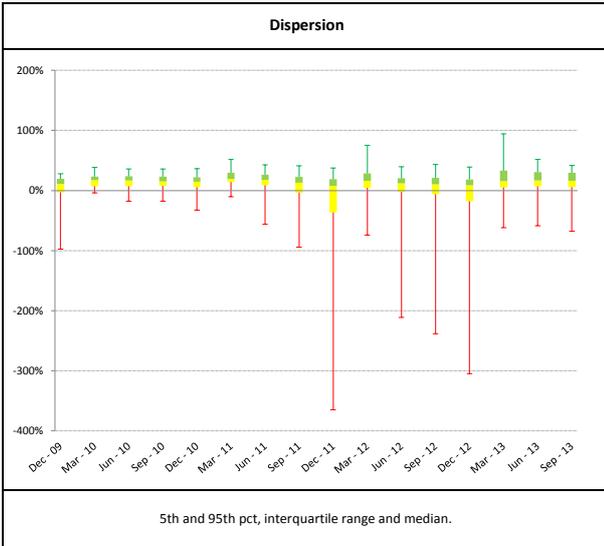
**KRI: 27 - Net fee and commission income to total operating income**



Period	Weighted average	25th	50th	75th
Dec - 09	26.0%	16.7%	22.6%	29.0%
Mar - 10	25.8%	14.9%	23.5%	30.6%
Jun - 10	26.7%	15.6%	24.0%	31.5%
Sep - 10	26.7%	15.1%	24.0%	30.8%
Dec - 10	26.8%	15.8%	24.1%	30.6%
Mar - 11	26.9%	13.3%	24.1%	30.4%
Jun - 11	27.0%	16.1%	24.4%	29.2%
Sep - 11	27.6%	16.7%	25.8%	30.5%
Dec - 11	27.6%	16.5%	24.1%	30.9%
Mar - 12	27.3%	18.1%	22.8%	28.2%
Jun - 12	27.1%	17.9%	24.4%	29.1%
Sep - 12	27.7%	17.6%	24.2%	29.9%
Dec - 12	27.9%	17.9%	25.7%	30.6%
Mar - 13	26.2%	16.0%	24.6%	31.2%
Jun - 13	26.7%	15.3%	23.6%	31.4%
Sep - 13	27.7%	15.3%	23.5%	32.6%

## Profitability

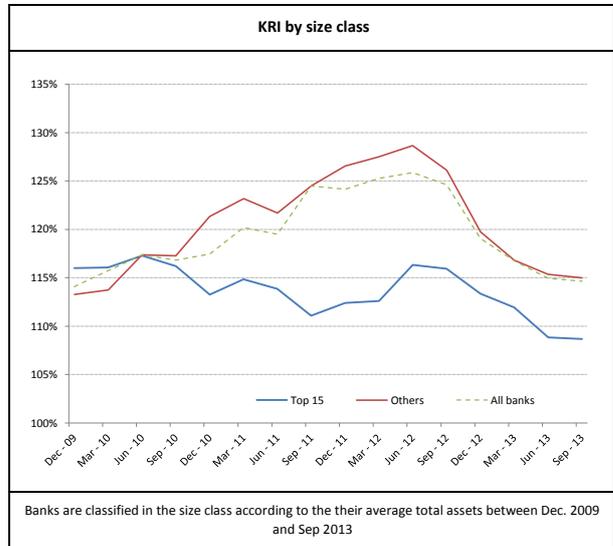
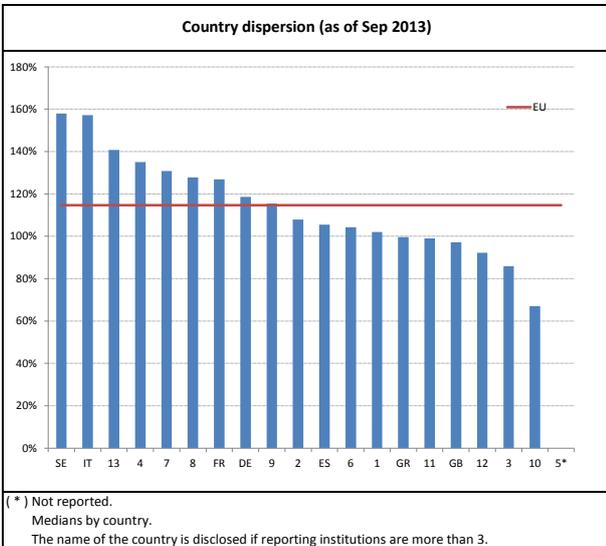
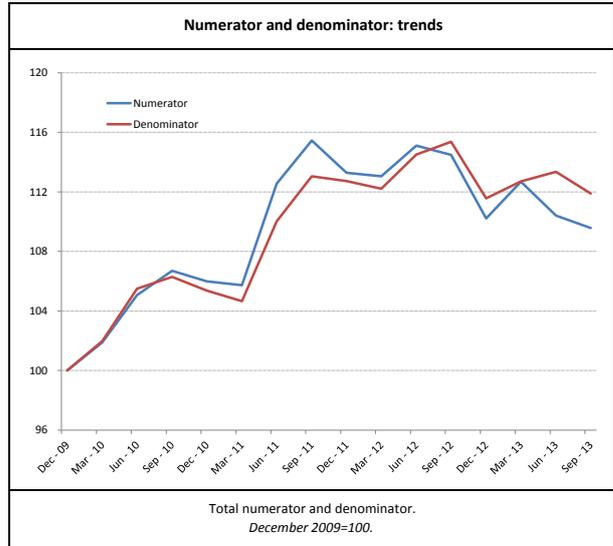
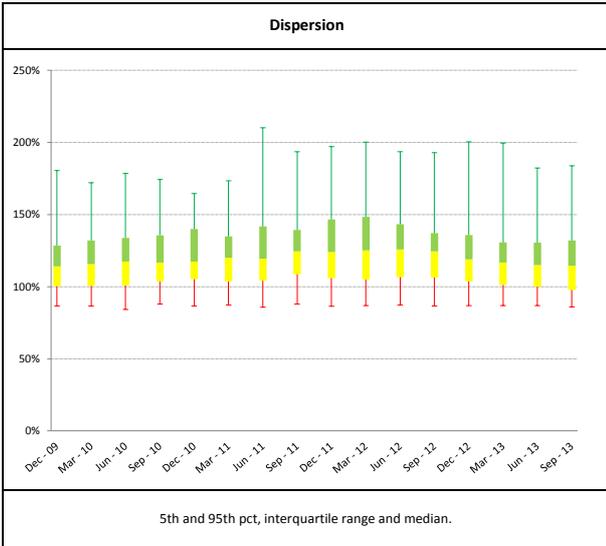
**KRI: 33 - Net income to total operating income**



Period	Weighted average	25th	50th	75th
Dec - 09	9.3%	-3.1%	10.9%	19.3%
Mar - 10	16.3%	7.3%	17.4%	23.0%
Jun - 10	16.6%	7.0%	16.6%	24.0%
Sep - 10	15.2%	7.5%	15.4%	23.4%
Dec - 10	13.4%	5.6%	14.6%	22.3%
Mar - 11	18.9%	14.0%	19.3%	29.7%
Jun - 11	16.7%	8.7%	17.8%	26.4%
Sep - 11	11.9%	-3.6%	13.2%	22.6%
Dec - 11	0.0%	-36.3%	7.7%	18.8%
Mar - 12	13.6%	4.6%	16.3%	28.6%
Jun - 12	8.6%	-2.5%	12.0%	20.5%
Sep - 12	6.9%	-6.3%	10.7%	21.1%
Dec - 12	1.2%	-17.7%	9.0%	18.5%
Mar - 13	22.5%	4.9%	15.9%	33.4%
Jun - 13	19.2%	7.1%	16.6%	30.9%
Sep - 13	16.8%	5.5%	16.5%	29.5%

## Balance Sheet Structure

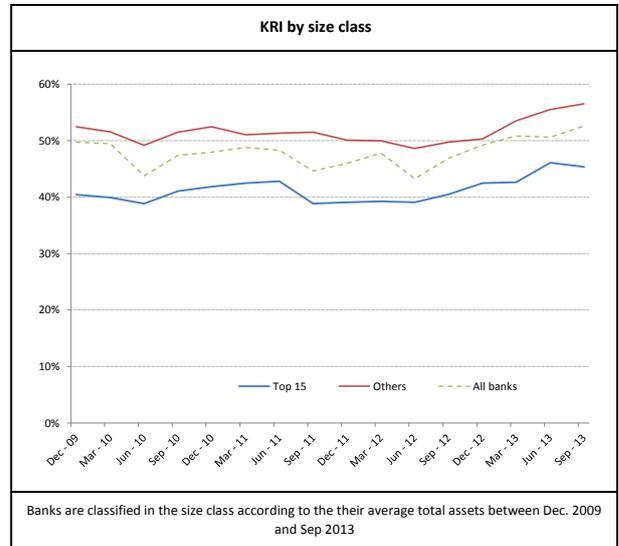
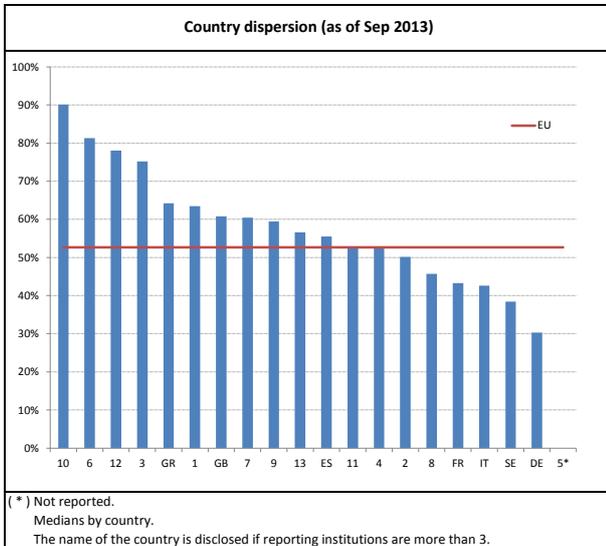
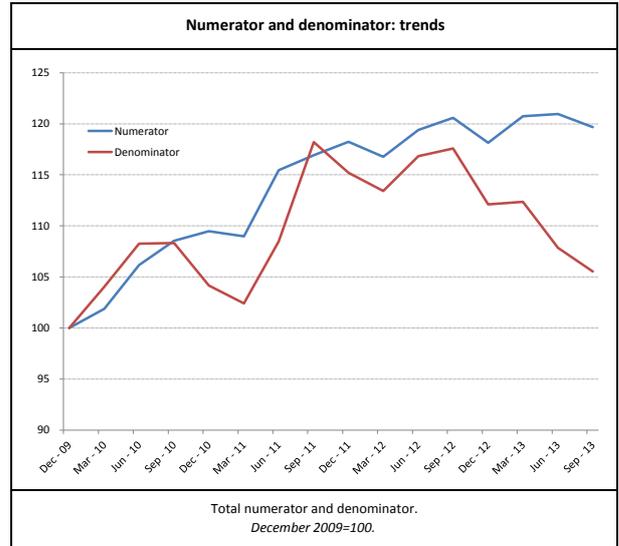
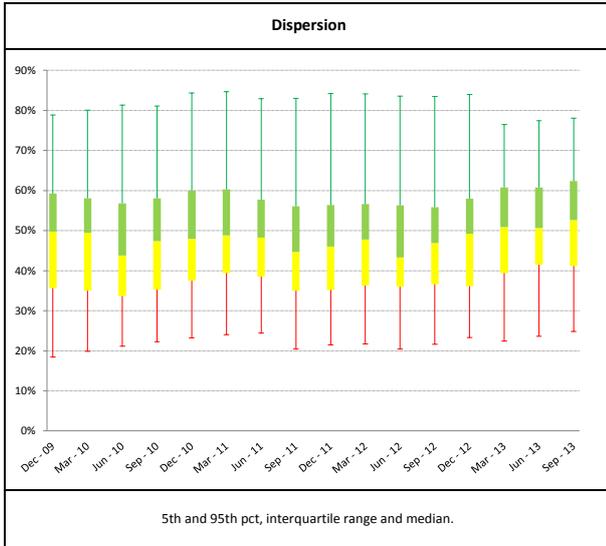
**KRI: 34 - Loan-to-deposit ratio**



Period	Weighted average	25th	50th	75th
Dec - 09	117.1%	100.3%	114.1%	128.4%
Mar - 10	117.0%	100.6%	115.7%	132.2%
Jun - 10	116.6%	100.9%	117.4%	133.9%
Sep - 10	117.6%	103.7%	116.8%	135.6%
Dec - 10	117.8%	105.3%	117.5%	140.0%
Mar - 11	118.3%	103.7%	120.2%	135.0%
Jun - 11	119.8%	104.2%	119.5%	141.7%
Sep - 11	119.6%	108.7%	124.5%	139.4%
Dec - 11	117.7%	106.0%	124.1%	146.7%
Mar - 12	118.0%	105.1%	125.3%	148.3%
Jun - 12	117.7%	106.6%	125.9%	143.4%
Sep - 12	116.2%	106.4%	124.6%	137.1%
Dec - 12	115.7%	103.6%	119.1%	135.7%
Mar - 13	117.1%	101.3%	116.8%	130.7%
Jun - 13	114.1%	99.9%	115.0%	130.5%
Sep - 13	114.7%	97.8%	114.6%	132.1%

## Balance Sheet Structure

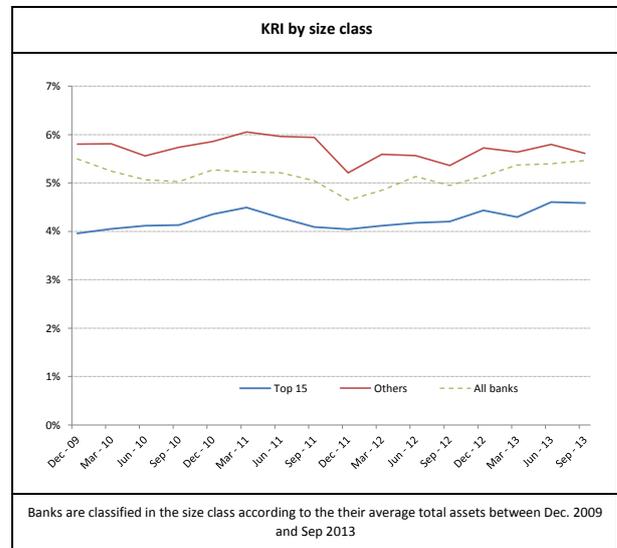
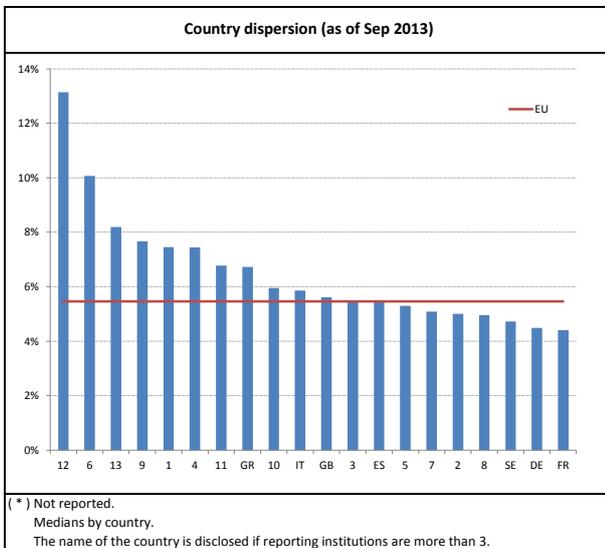
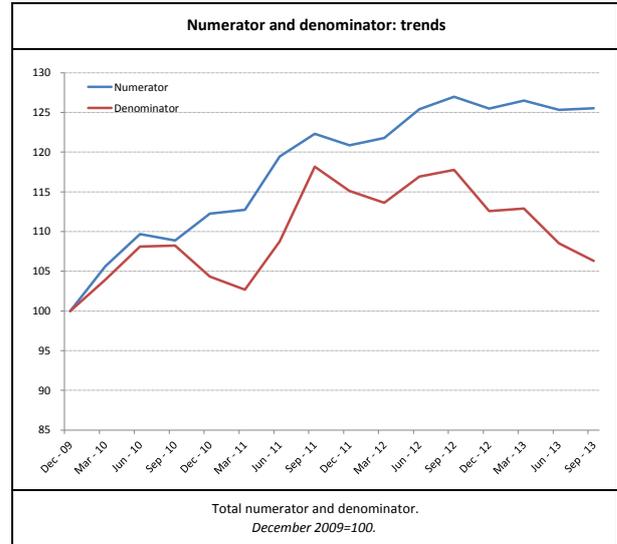
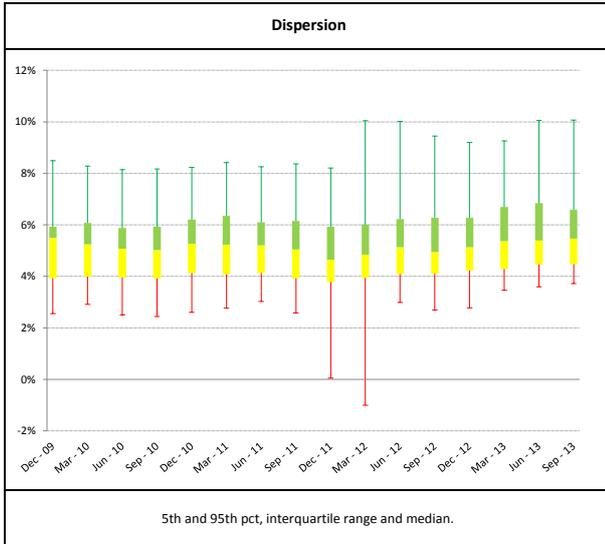
**KRI: 35 - Customer deposits to total liabilities**



Period	Weighted average	25th	50th	75th
Dec - 09	40.6%	35.6%	49.7%	59.2%
Mar - 10	39.7%	35.0%	49.5%	58.1%
Jun - 10	39.8%	33.7%	43.8%	56.8%
Sep - 10	40.6%	35.3%	47.4%	58.1%
Dec - 10	42.6%	37.5%	47.9%	59.9%
Mar - 11	43.2%	39.4%	48.8%	60.3%
Jun - 11	43.2%	38.5%	48.3%	57.7%
Sep - 11	40.1%	35.0%	44.6%	56.1%
Dec - 11	41.6%	35.2%	46.0%	56.4%
Mar - 12	41.8%	36.3%	47.8%	56.6%
Jun - 12	41.5%	36.0%	43.3%	56.3%
Sep - 12	41.6%	36.6%	46.9%	55.9%
Dec - 12	42.7%	36.1%	49.2%	57.9%
Mar - 13	43.6%	39.4%	50.9%	60.8%
Jun - 13	45.5%	41.4%	50.6%	60.8%
Sep - 13	46.0%	41.2%	52.6%	62.4%

## Balance Sheet Structure

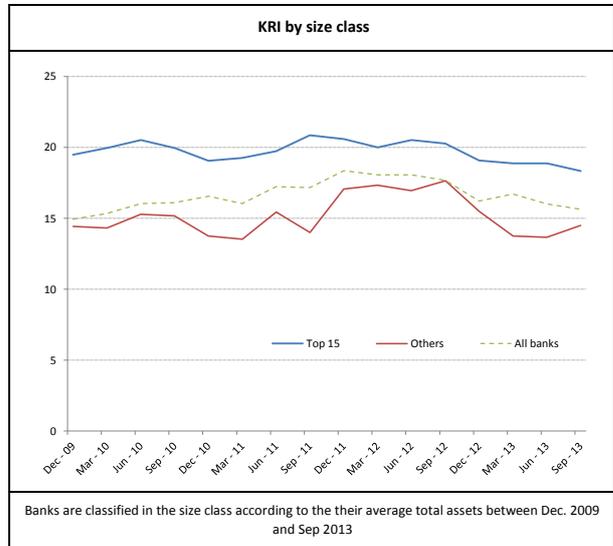
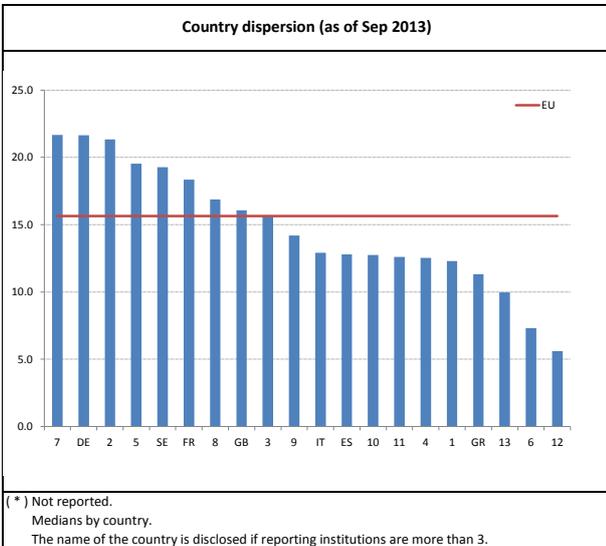
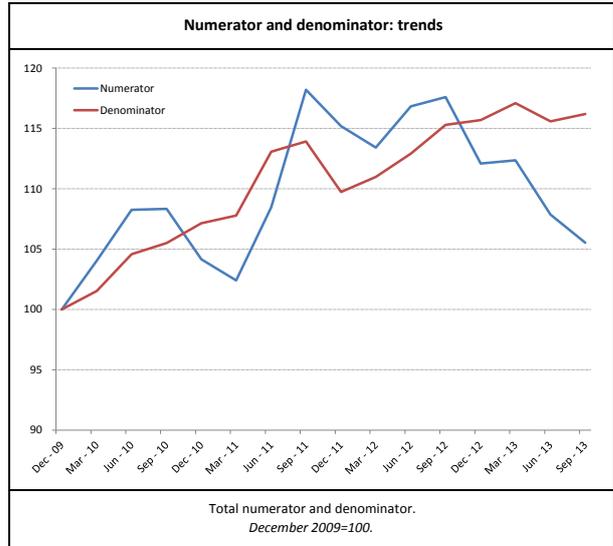
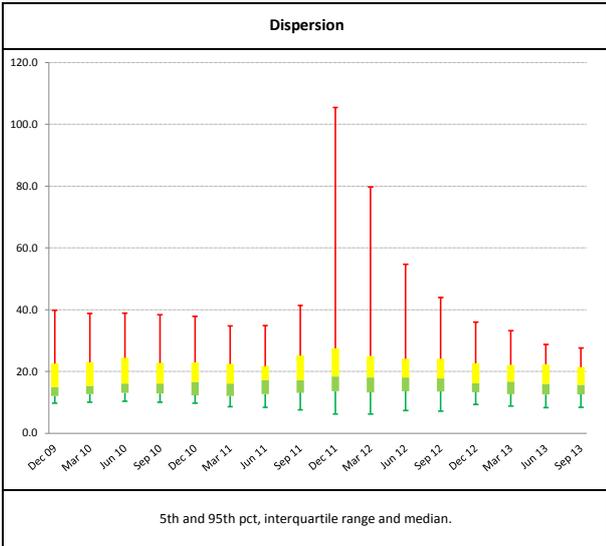
**KRI: 36 - Tier 1 capital to (total assets - intangible assets)**



Period	Weighted average	25th	50th	75th
Dec - 09	4.2%	3.9%	5.5%	5.9%
Mar - 10	4.3%	4.0%	5.2%	6.1%
Jun - 10	4.3%	4.0%	5.1%	5.9%
Sep - 10	4.2%	3.9%	5.0%	5.9%
Dec - 10	4.5%	4.1%	5.3%	6.2%
Mar - 11	4.6%	4.1%	5.2%	6.3%
Jun - 11	4.6%	4.1%	5.2%	6.1%
Sep - 11	4.4%	3.9%	5.0%	6.2%
Dec - 11	4.4%	3.8%	4.6%	5.9%
Mar - 12	4.5%	3.9%	4.8%	6.0%
Jun - 12	4.5%	4.1%	5.1%	6.2%
Sep - 12	4.5%	4.1%	4.9%	6.3%
Dec - 12	4.7%	4.2%	5.1%	6.3%
Mar - 13	4.7%	4.3%	5.4%	6.7%
Jun - 13	4.9%	4.5%	5.4%	6.8%
Sep - 13	5.0%	4.5%	5.5%	6.6%

## Balance Sheet Structure

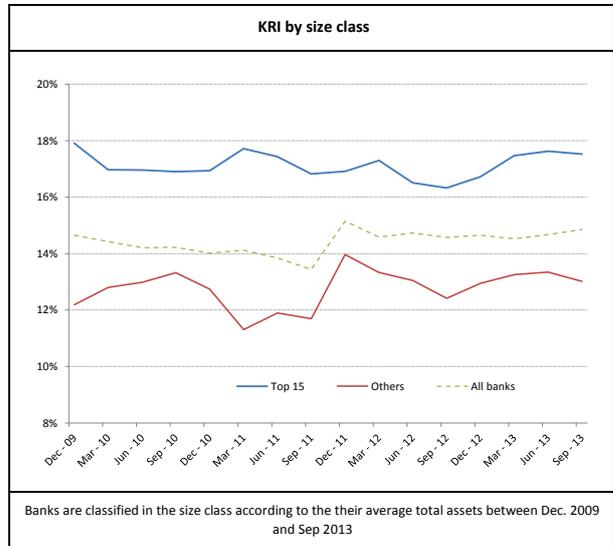
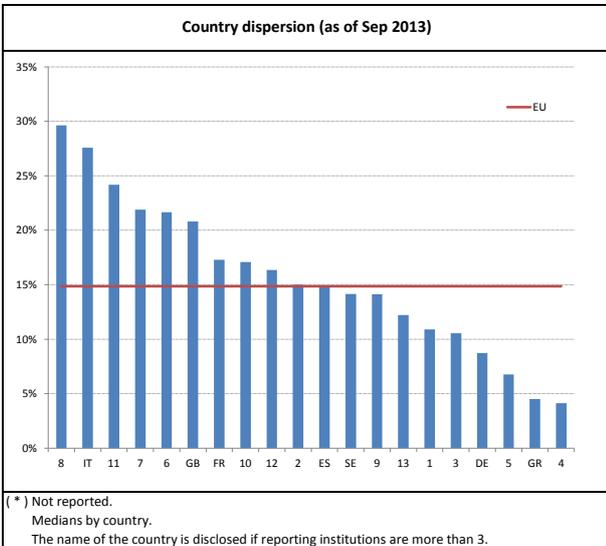
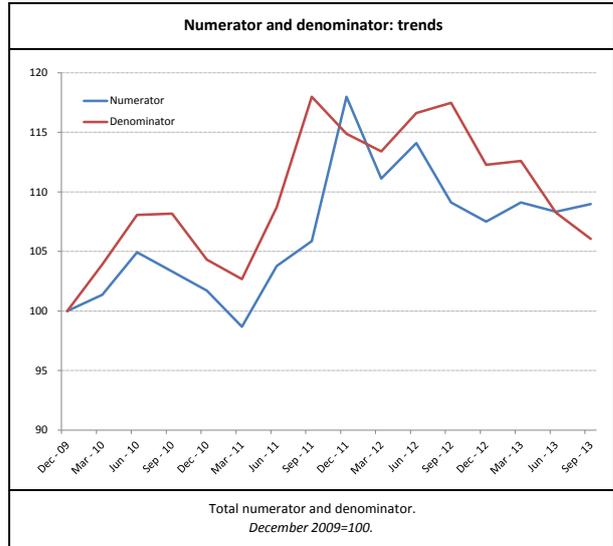
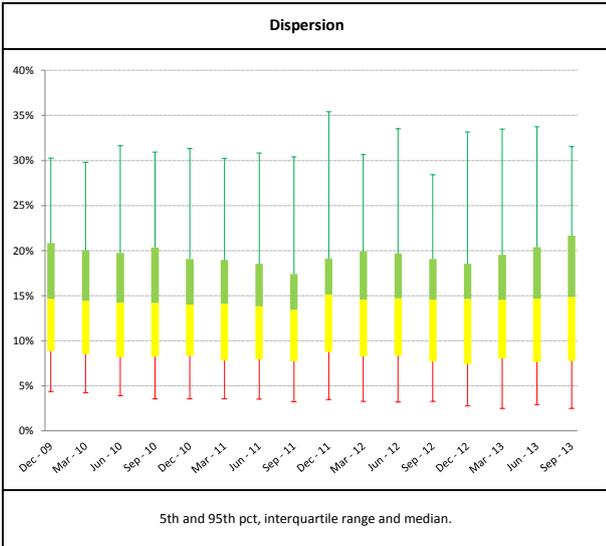
**KRI: 45 - Debt-to-equity ratio**



Period	Weighted average	25th	50th	75th
Dec - 09	18.7	12.0	14.9	22.6
Mar - 10	19.2	12.6	15.3	23.0
Jun - 10	19.4	13.1	16.0	24.4
Sep - 10	19.2	12.8	16.1	22.8
Dec - 10	18.2	12.3	16.6	22.9
Mar - 11	17.8	12.0	16.0	22.5
Jun - 11	17.9	12.7	17.2	21.7
Sep - 11	19.4	13.1	17.2	25.1
Dec - 11	19.6	13.6	18.4	27.5
Mar - 12	19.1	13.2	18.1	25.0
Jun - 12	19.4	13.6	18.1	24.1
Sep - 12	19.1	13.5	17.7	24.1
Dec - 12	18.1	13.3	16.2	22.7
Mar - 13	17.9	12.7	16.7	22.1
Jun - 13	17.5	12.5	16.0	22.3
Sep - 13	17.0	12.6	15.6	21.4

## Balance Sheet Structure

**KRI: 46 - Off-balance sheet items to total assets**



Period	Weighted average	25th	50th	75th
Dec - 09	18.1%	8.9%	14.7%	20.8%
Mar - 10	17.7%	8.5%	14.4%	20.0%
Jun - 10	17.6%	8.2%	14.2%	19.8%
Sep - 10	17.3%	8.2%	14.2%	20.3%
Dec - 10	17.7%	8.3%	14.0%	19.1%
Mar - 11	17.4%	7.8%	14.1%	19.0%
Jun - 11	17.3%	8.0%	13.8%	18.5%
Sep - 11	16.3%	7.7%	13.4%	17.4%
Dec - 11	18.6%	8.8%	15.1%	19.1%
Mar - 12	17.8%	8.3%	14.6%	19.9%
Jun - 12	17.7%	8.3%	14.7%	19.7%
Sep - 12	16.8%	7.7%	14.6%	19.1%
Dec - 12	17.4%	7.4%	14.7%	18.5%
Mar - 13	17.6%	8.0%	14.5%	19.5%
Jun - 13	18.1%	7.6%	14.7%	20.4%
Sep - 13	18.6%	7.8%	14.9%	21.7%

## Methodological note on the KRIs heatmap and Risk Assessment meter

The heatmap provides a quick outlook of the main KRIs, where is possible to find the category, number and designation of the specific KRI, its historic development and the three buckets in which each data point is assigned to across time. The “sample of reporting banks” returns the actual number of banks that submitted the expected data for that reference date.

For each of the KRIs quarterly data, the distribution across the three buckets is always computed in respect of the sum of total assets from all banks. Thus, if we observe any given bucket increasing its percentage, we immediately acknowledge that more assets are being assigned to that bucket, which does not necessarily mean that more banks are comprised within the bucket (the sum of total assets for all banks is fixed, as well as the total assets from each bank taken individually). The coloured bars illustrate how close the percentage of assets in each bucket is from 100% (green for the “best” bucket, yellow for the intermediary one and red for the “worst” bucket).

The first row of each KRI contains a traffic light in the last column that can assume three distinct colours (green, yellow and red) depending on the latest developments on the “worst” bucket of the KRI comparing to the whole time series. If the “worst” bucket is progressing positively (the same is to say that fewer assets are being assigned to it), the traffic light should be moving away from red getting closer to green. The colour is computed considering the 33rd and the 67th percentile of the time series.

To help reading the heatmap, let us consider the example of the Tier 1 capital ratio (KRI #1):

		Current vs previous for the worst bucket										Percentiles		
1	Tier 1 capital ratio	> 12%	22.9%	10.2%	20.7%	23.0%	37.7%	45.1%	38.2%	36.5%	39.0%	57.1%	33	67
		[ 9% - 12% ]	64.7%	80.1%	69.0%	65.9%	59.0%	52.7%	58.7%	60.3%	58.2%	41.3%	3.04%	9.73%
		< 9%	12.3%	9.7%	10.3%	11.1%	3.3%	2.2%	3.0%	3.3%	2.8%	1.5%		

The green traffic light for the Tier 1 capital ratio points up the good behaviour of this KRI in 201203 relating to past observations. In this specific case, the 201203 figure is actually the minimum value of the series so it would be obviously included in the 33rd percentile (low percentages of assets in the “worst” bucket are always good).

More than just declaring if the “worst” bucket has more or less percentage of assets assigned to it, this traffic light approach delivers simultaneously an insight to the latest developments in the KRI’s “worst” bucket and to the relative position of that data point comparing to all other observations in the same bucket.

## The KRI database

Number	KRI Code	KRI name	Numerator	Denominator
1	1	Tier 1 capital ratio <small>as in Basel 2.5</small>	TOTAL ORIGINAL OWN FUNDS FOR GENERAL SOLVENCY PURPOSES	TOTAL CAPITAL REQUIREMENTS *12.5
2	2	Total capital ratio <small>as in Basel 2.5</small>	TOTAL OWN FUNDS FOR SOLVENCY PURPOSES	TOTAL CAPITAL REQUIREMENTS * 12.5
3	3	Tier 1 ratio (excluding hybrid instruments) <small>as in Basel 2.5</small>	TOTAL ORIGINAL OWN FUNDS FOR GENERAL SOLVENCY PURPOSES -Hybrid instruments in Minority interests - Hybrid instruments in 1.1.4.1a Hybrid instruments - (-) Excess on the limits for hybrid instruments	TOTAL CAPITAL REQUIREMENTS * 12.5
4	13	Impaired loans and Past due (>90 days) loans to total loans	Row: Loans and advances Column: Net carrying amount of the impaired assets Row: Loan and advances Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Column: Closing balance Row: Loans & advances Columns: > 90 days ≤ 180days; > 180 days ≤ 1year; > 1year	Total loans advances (Rows: Loans and advances AFS, Loans and receivables, HTM) Row: Loan and advances Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Allowances for incurred but not reported losses on financial assets Column: Closing balance
5	14	Coverage ratio (specific allowances for loans to total gross impaired loans)	Row: Loan and advances Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Column: Closing balance	Row: Loans and advances Column: Net carrying amount of the impaired assets Row: Loan and advances Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Column: Closing balance
6	18	Impaired financial assets to total assets	Row: Total Column: Net carrying amount of the impaired assets	Total assets
7	20	Accumulated impairments on financial assets to total (gross) assets	Row: Loan and advances, Debt instruments and Equity instruments Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Allowances for incurred but not reported losses on financial assets Column: Closing balance	Total assets Row: Loan and advances, Debt instruments and Equity instruments Specific allowances for individually assessed financial assets and Specific allowances for collectively assessed financial assets Allowances for incurred but not reported losses on financial assets Column: Closing balance
8	21	Impairments on financial assets to total operating income	Impairment on financial assets not measured at fair value through profit or loss	Total operating income: rows: Interest income; Interest expenses; Expenses on Share capital repayable on Demand; Dividend income; Fee and commission income; Fee and commission expenses; Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net; Gains (losses) on financial assets and liabilities held for trading, net; Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; Gains (losses) from hedge accounting, net; Exchange differences, net; Gains (losses) on derecognition of assets other than held for sale, net; Other operating income; Other operating expenses
9	22	Return on equity	Total profit or loss after tax and discontinued operations (annualised)	Total equity (period average)
10	24	Cost-income ratio	Rows: Administration costs; Depreciation	Total operating income: rows: Interest income; Interest expenses; Expenses on Share capital repayable on Demand; Dividend income; Fee and commission income; Fee and commission expenses; Realised gains (losses) on financial assets & liabilities not measured at fair value through profit or loss, net; Gains (losses) on financial assets and liabilities held for trading, net; Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; Gains (losses) from hedge accounting, net; Exchange differences, net; Gains (losses) on derecognition of assets other than held for sale, net; Other operating income; Other operating expenses
11	26	Net interest income to total operating income	Rows: Interest income; interest expenses	Total operating income as above.
12	27	Net fee and commission income to total operating income	Rows: Fee and commission income; fee and commission expense	Total operating income as above.
13	33	Net income to total operating income	Total profit or loss after tax and discontinued operations	Total operating income as above.
14	34	Loan-to-deposit ratio	Total loans advances (Rows: Loans and advances held for trading, designated at fair value through profit or loss, AFS, Loans and receivables, HTM)	Total deposits (Rows: Deposits held for trading, designated at fair value through profit or loss, measured at amortised cost)
15	35	Customer deposits to total liabilities	Total deposits (other than from credit institutions) (Rows: deposits (other than from credit institutions) held for trading, designated fair value through profit or loss, measured at amortised cost)	Total liabilities
16	36	Tier 1 capital to (total assets - intangible assets)	Original own funds	Total assets - Intangible assets
17	45	Debt-to-equity ratio	Total liabilities	Total equity
18	46	Off-balance sheet items to total assets	Loan commitments given, financial guarantees given	Total assets

## **European Banking Authority**

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