

# Risk Assessment Questionnaire – Summary of the Results

*Autumn 2019*

**EBA**

EUROPEAN  
BANKING  
AUTHORITY

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# Introduction

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The EBA conducts semi-annual Risk Assessment Questionnaires (RAQs) among banks and market analysts. This booklet presents a summary of the responses to the RAQs carried out in Autumn 2019. The RAQ results are published together with the EBA's quarterly Risk Dashboard (Q3 2019).

For this edition, 65 banks and 13 market analysts submitted their answers. The sample increased from 53 banks in Autumn 2018 edition and 38 banks in previous editions, resulting in a more balanced sample among countries and providing more representative results across EEA, with the inclusion of relatively smaller banks. This requires however caution in comparing results over time.

The results of the survey are presented in an aggregate form. The questionnaires, for both banks and analysts, can be found in the Appendices. The charts are numbered, with numbers corresponding to the questions in the distributed questionnaires. Answers to the same questions from former questionnaires may be presented where deemed relevant. For questions for which only one answer was permitted, any potential difference between the sum of shown responses and 100% is due to respondents answering either "n/a" or "no opinion". In the summary of the main results most figures are rounded.

Should you wish to provide your feedback and/or comments on this booklet, please do not hesitate to do so by contacting [rast@eba.europa.eu](mailto:rast@eba.europa.eu).

# Summary of the main results

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Against the backdrop of a deteriorating economic outlook and the prolonged very low interest rate environment, banks and analysts' responses point to rather bleak outlook for banks' profitability. Results of the survey indicate that in order to respond to this situation, banks are targeting operating expenses and fee and commission income.

On a positive note, the low interest rate environment has reduced concerns about pricing obstacles to MREL issuance. Similarly, the recent approval of revisions to the CRD V, CRR 2 and BRRD 2 (the "Banking Package") seem to have reduced the percentage of banks citing regulatory uncertainty about MREL requirements as a concern.

Banks' search for yield is reflected in the RAQ responses as banks expect to increase among others their SME and consumer lending portfolios. At the same time, banks and analysts appear increasingly pessimistic about asset quality developments, especially for CRE and SME exposures.

Banks and analysts have divergent views on the main drivers of operational risk. While banks point to cyber risk and data security, analysts identify money laundering and terrorist financing as well as conduct and legal risk as the main drivers.

## Business model / strategy / profitability

- **The share of banks and analysts expecting a rise in profitability has further decreased.** The latest survey shows that only 20% of banks and 10% of analysts (compared to 25% and 20% in the spring RAQ, respectively) expect an overall increase in profitability in the next 6-12 months. The share of banks suggesting their current earnings are covering the cost of equity (CoE) has slightly increased (60% in Autumn 2019 compared to 55% in Spring 2019), which reflects the increasing, compared to last year, percentage of banks reporting a CoE below 8%, and those reporting an ability to operate in longer-term basis with a return on equity (RoE) of less than 10%. *(Questions 3, 4, 8 and 9 for banks and Question 1 for market analysts)*
- **Banks continue to point at operating expenses and net fee and commission income as priority areas they target to increase profitability.** Automatisation and digitalisation as well as reduction of overhead and staff cost are identified as the main means to trim operating expenses while payment and asset management services are targeted to increase fee income. *(Questions 5 and 6 for banks)*
- Less than 30% of banks consider **M&As as a way to increase profitability**. In line with previous questionnaires, banks identify **cost and riskiness of such transactions** as the main obstacle to M&As as well as the complexity of these operations. On the other hand, most of the analysts identify **regulatory requirements** as the main obstacle to such transactions. *(Question 2 and 7 for banks and Question 13 for market analysts)*

- With regards to **Brexit**, 70% of analysts responded that they expect negative implications for the banking sector (down from 80% in spring RAQ). As in previous RAQs, banks are responding or plan to respond to Brexit-related risks mainly by ensuring access to EU-based financial market infrastructures and re-papering existing contracts (80% of the banks for both) and issuances of MREL eligible liabilities under the EU law (65% of the banks). (*Question 11 for banks and Question 4 for market analysts*)

### Funding / liquidity

- Banks mainly intend to attain more **senior non-preferred and Holding Company (HoldCo) debt** (40%) as well as **retail deposits** (35%). These shares were rather stable compared to the previous survey (45% and 40%, respectively). Similarly, analysts expect more issuances of senior non-preferred and HoldCo debt. However, in contrast to banks, the percentage of analysts expecting more senior unsecured funding strongly increased to 45% (from 15% in the spring RAQ). (*Question 13 for banks and Question 8 for market analysts*)
- **Banks' concerns about MREL-eligible issuance have decreased.** The percentage of banks pointing to pricing and uncertainty on required MREL amount as constraints for MREL-eligible issuance fell to 50% and 30% respectively (60% and 40% in the previous RAQ). However, the percentage of banks pointing to uncertainties about the eligibility of instruments remain at similar levels (35%). (*Question 14 for banks*)

### Asset volume trends and asset quality

- **SME financing, consumer credit, residential mortgage and corporate lending continue to be the portfolios most banks intend to grow in volumes.** On the contrary, a heightened compared to other asset categories, albeit stable, percentage of banks plan to reduce their exposures to CRE, sovereign and asset finance. (*Question 15 for banks*)
- In comparison to the previous RAQ, **the percentage of banks expecting a deterioration in asset quality increased for all portfolios except for asset finance exposures.** The increase was the largest for SME lending (from 20% to 30%) and CRE lending (from 25% to 35%). In the same vein, the percentage of market analysts expecting a deterioration in SME lending and CRE lending significantly increased. In addition, more analysts also increasingly point to a deterioration in the quality of consumer credit. (*Question 16 for banks and Question 10 for market analysts*)
- Both banks and analysts agreed in referring to **lengthy and expensive judiciary processes as the main impediment to resolve NPLs** (60% of banks and 100% of market analysts, both around 70% in the spring RAQ). (*Question 18 for banks and Question 11 for market analysts*)

### Conduct / reputation / operational risk

- The percentage of banks and analysts expecting an increase in operational risk remained roughly unchanged (55% in both cases). However, while banks identified **cyber risk and data security as the main operational risk challenge** (90%), analysts point to **money laundering and terrorist financing**, and to **conduct and legal risk** as the main sources of operational risk (70% of respondents in both cases). *(Question 22 for banks and Question 6 for market analysts)*

### FinTech

- The most common and relevant forms of banks engagement with FinTech continue to be **(1) the development of in-house their own products/services** (85%) and **(2) the establishment of commercial partnerships with non-bank FinTech firms/start-ups** (80%). With regard to adopted technologies, 70% of banks use cloud computing, and more than 60% use digital or mobile wallets, big data analytics, biometrics and artificial intelligence. 30% of banks also responded that they are pilot-testing smart contracts and distributed ledger technology. *(Question 23 and 25 for banks)*

### Sustainable Finance

- **Energy-efficient mortgage loans are the most popular green product offered by banks.** 80% of banks offer or plan to develop this product. Moreover, 50% of banks offer or plan to offer green commercial building loans. *(Question 26 for banks)*
- As regards funding, **half of the banks responded that they had already issued green bonds** (up from 40% in the previous RAQ), mainly in the form of green senior unsecured bonds (90%). 90% of the banks indicated the main reason for issuing green bonds is attracting new and diversified investors. **Pricing advantages were only highlighted by 10% of the respondents.** *(Questions 26 and 27 for banks)*

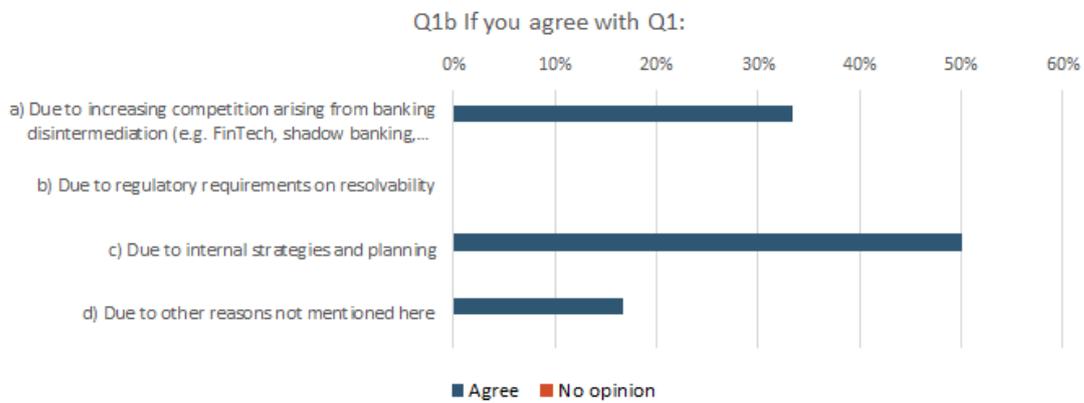
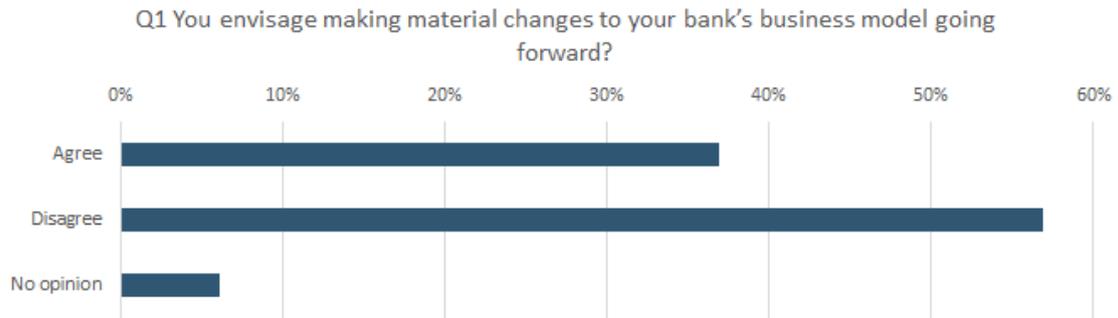
### General open question

In the open question on perspective risks, banks and market analysts continue to point to **central bank policies** and the **low interest rate environment** along with **global economic developments** such as trade tensions and the macroeconomic outlook as the main sources of vulnerability for EU banks.

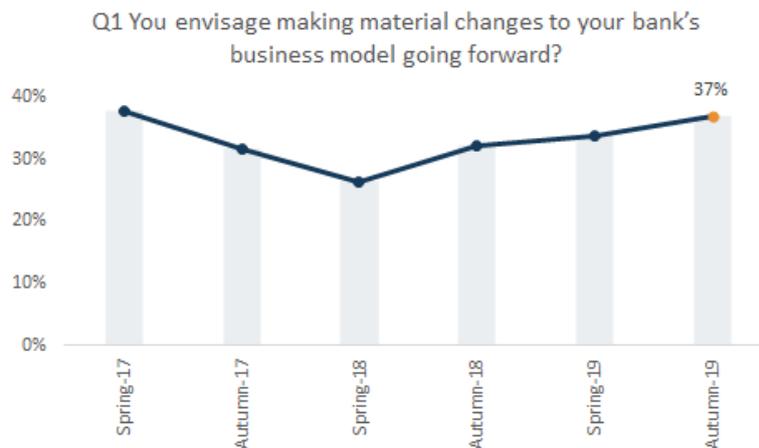
# Banks' questionnaire

## 1. Business model / strategy / profitability

### Question 1: Autumn 2019 results

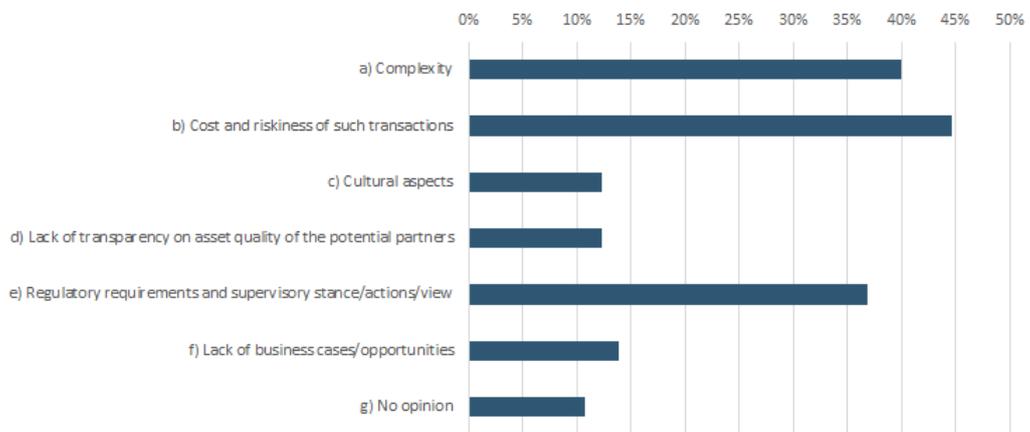


### Question 1: Comparison with earlier results

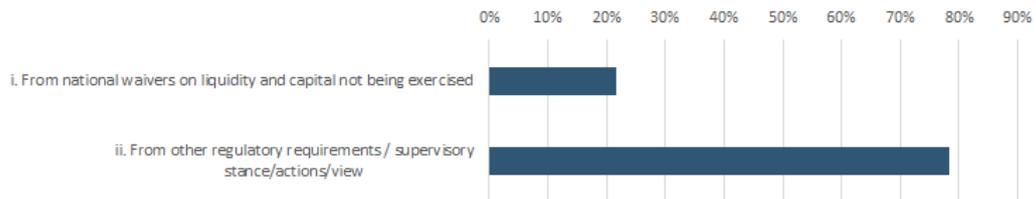


**Question 2: Autumn 2019 results**

Q2 What are the main obstacles to M&A (multiple choice question):

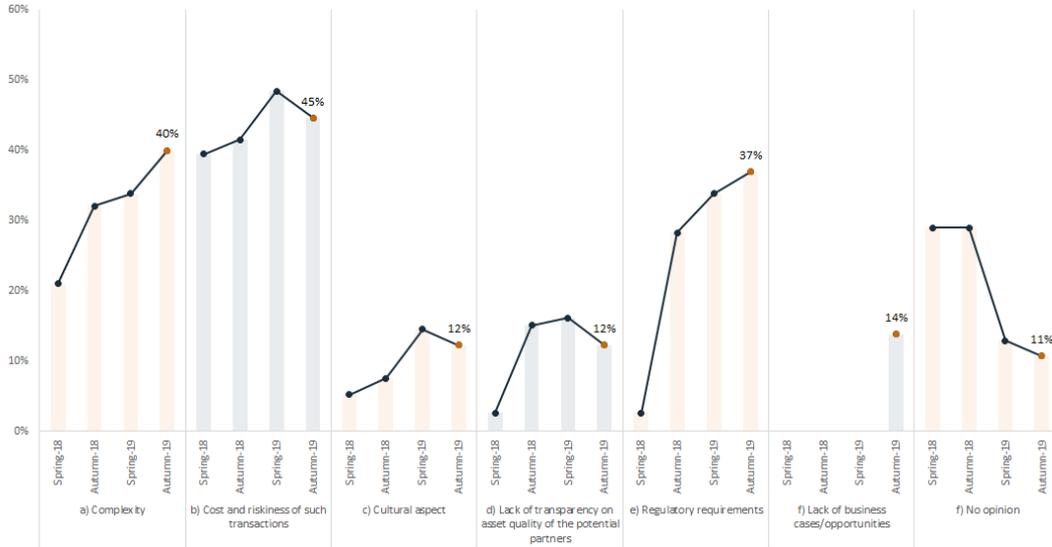


Q2b if you agree with e) regulatory requirements:



**Question 2: Comparison with earlier results**

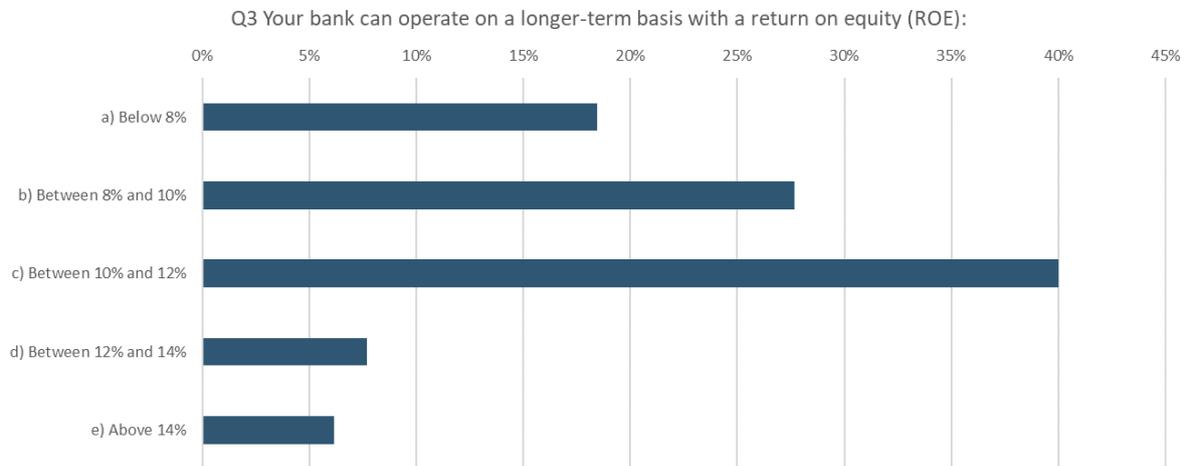
Q2 What are the main obstacles to M&A (multiple choice question):



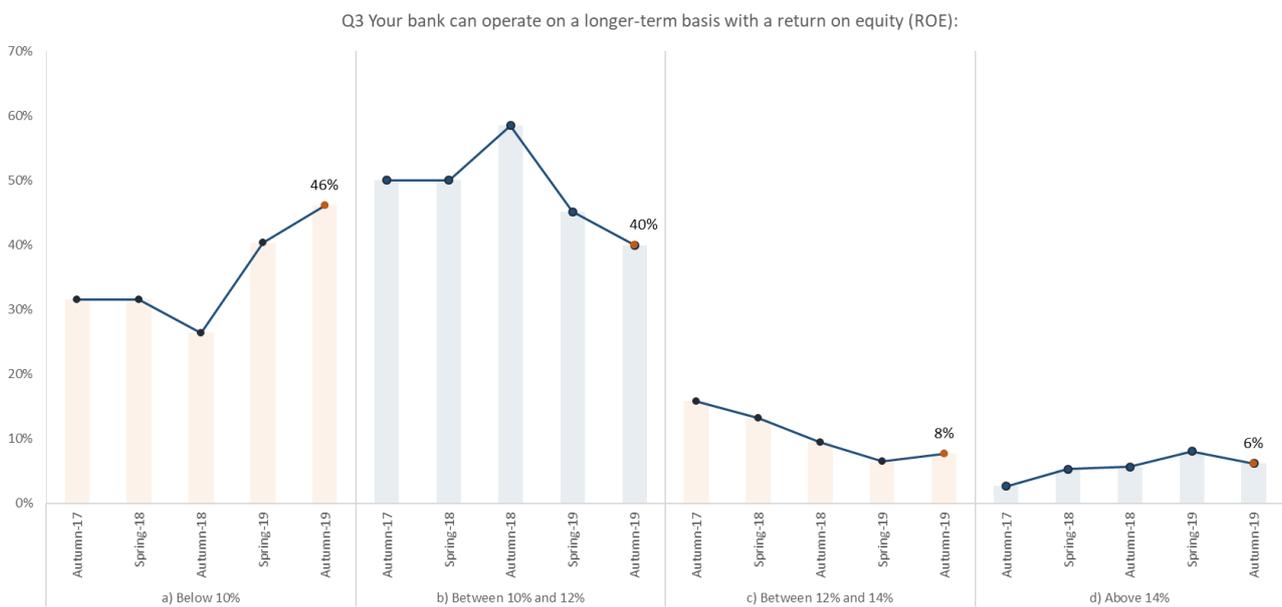
Q2b if you agree with e) regulatory requirements:



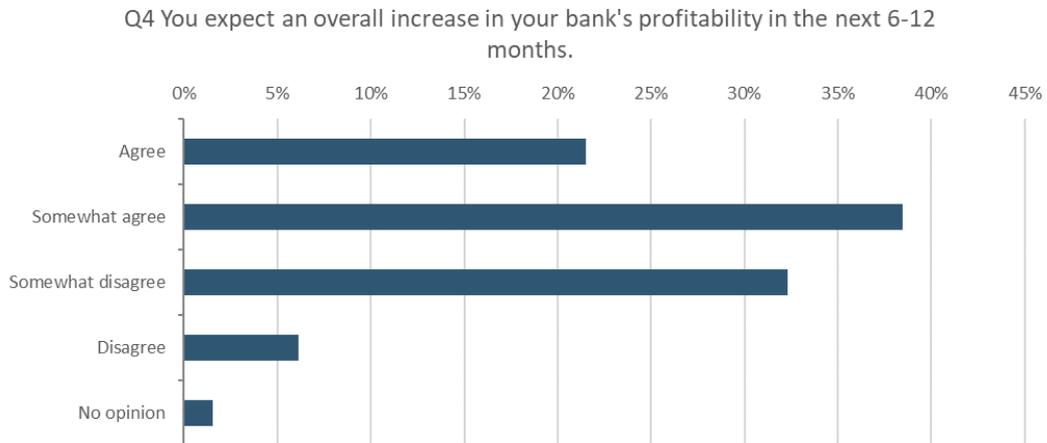
### Question 3: Autumn 2019 results



### Question 3: Comparison with earlier results



**Question 4: Autumn 2019 results**

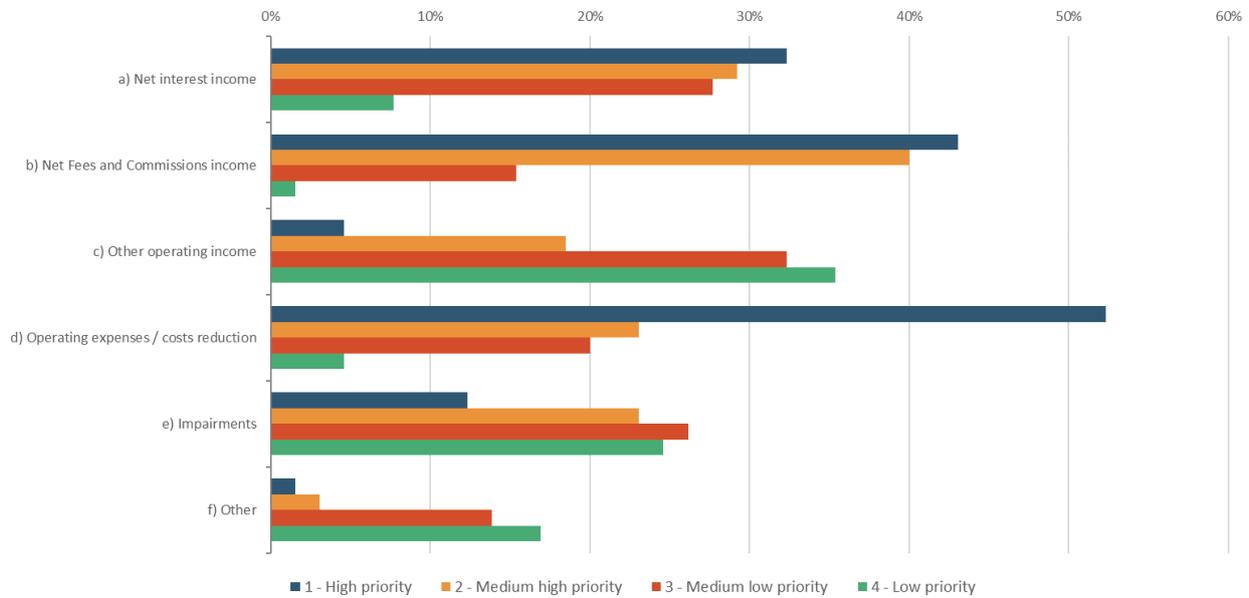


**Question 4: Comparison with earlier results**

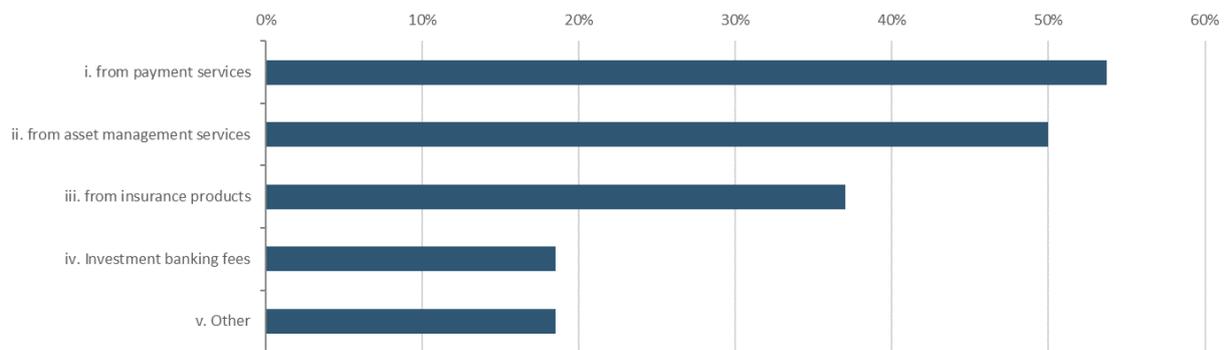


### Question 5: Autumn 2019 results

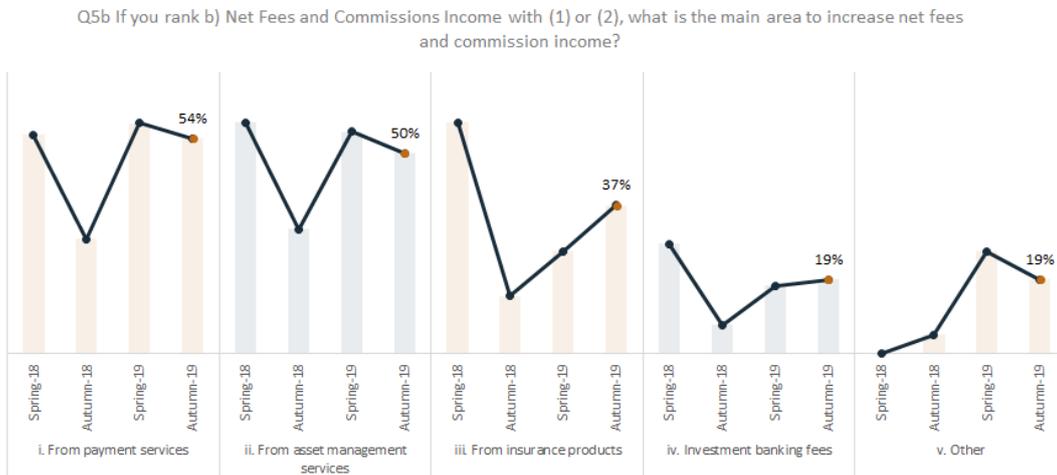
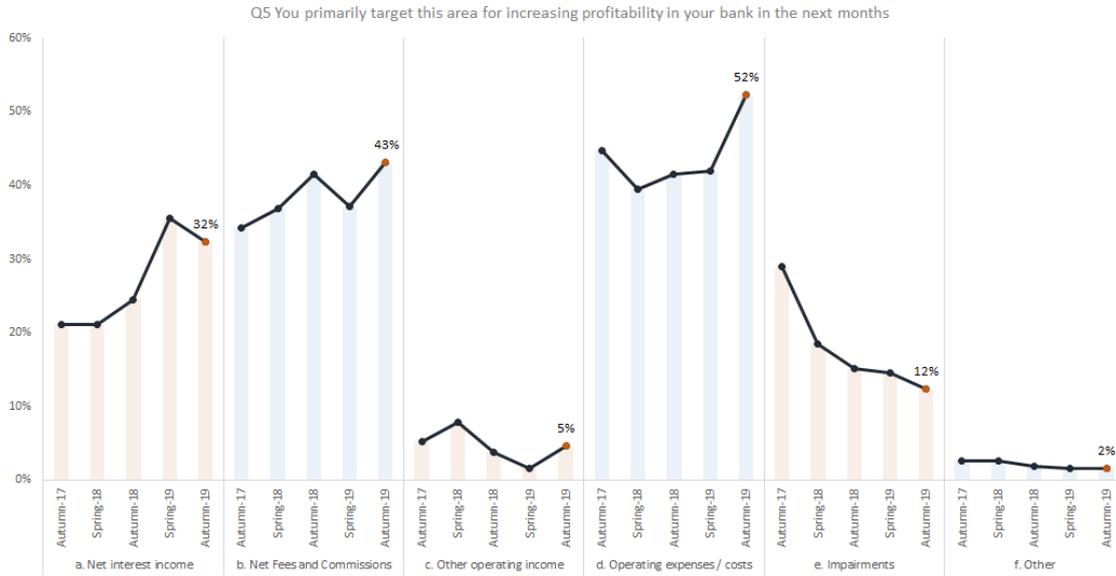
Q5 You primarily target this area for increasing profitability in your bank in the next months (ranking according to priority with 1-High Priority and 4-Low Priority):



Q5b If you rank b) Net Fees and Commissions Income with (1) or (2), what is the main area to increase net fees and commission income

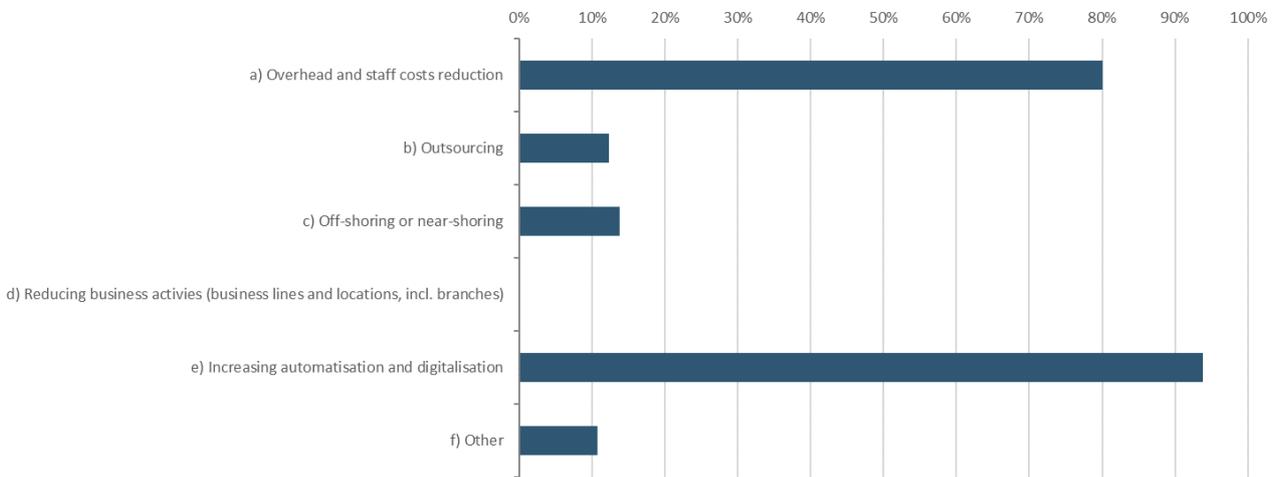


**Question 5: Comparison with earlier results**



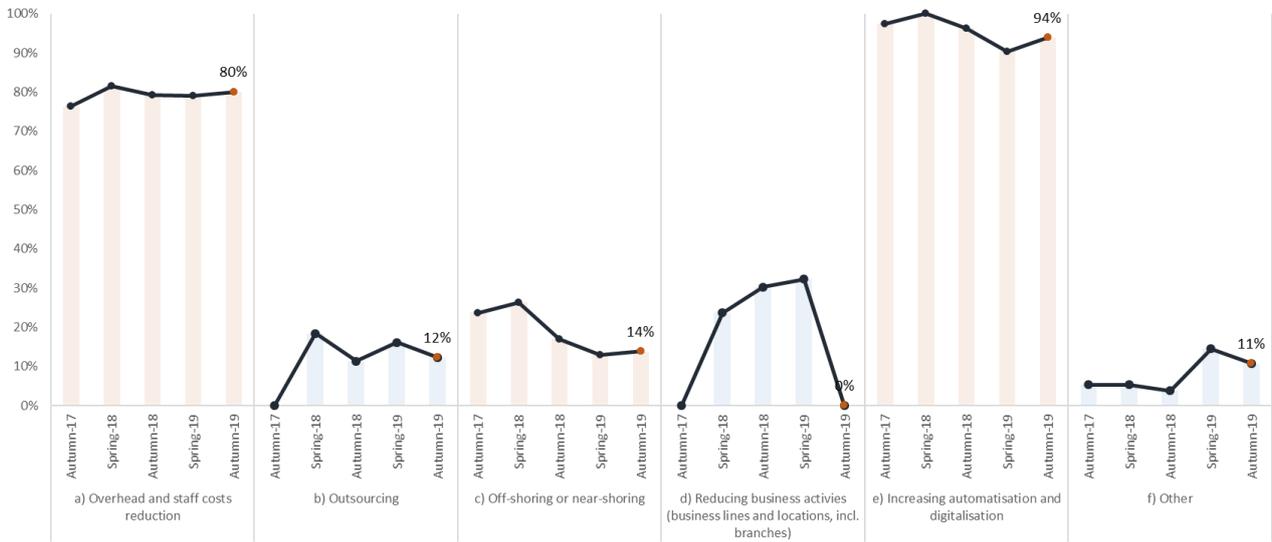
### Question 6: Autumn 2019 results

Q6 You primarily aim to reduce operating expenses / costs through (multiple choice question)

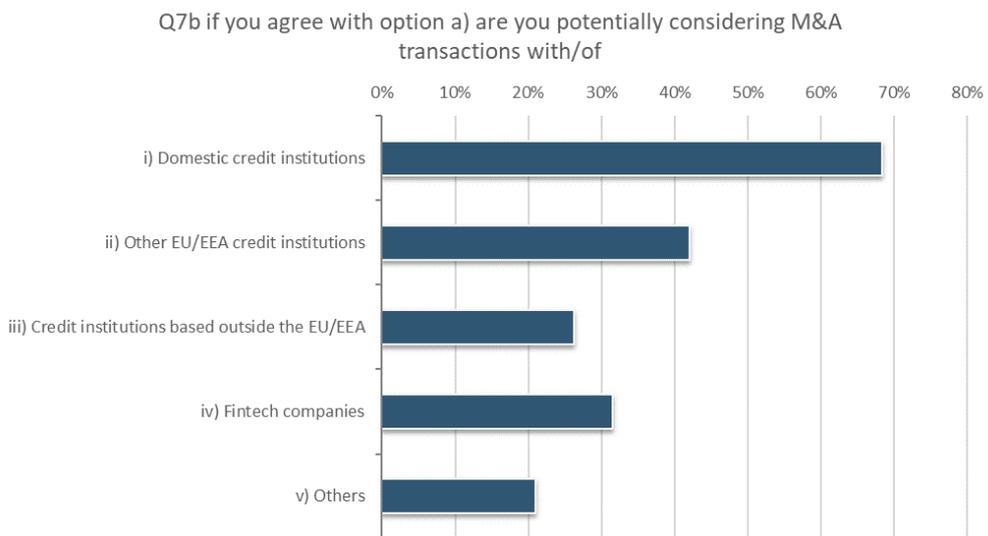
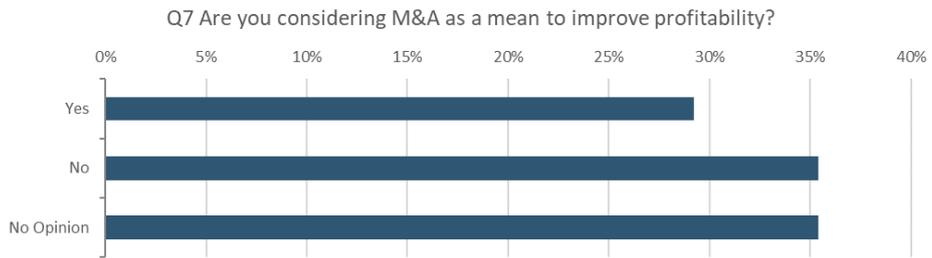


### Question 6: comparison with earlier results

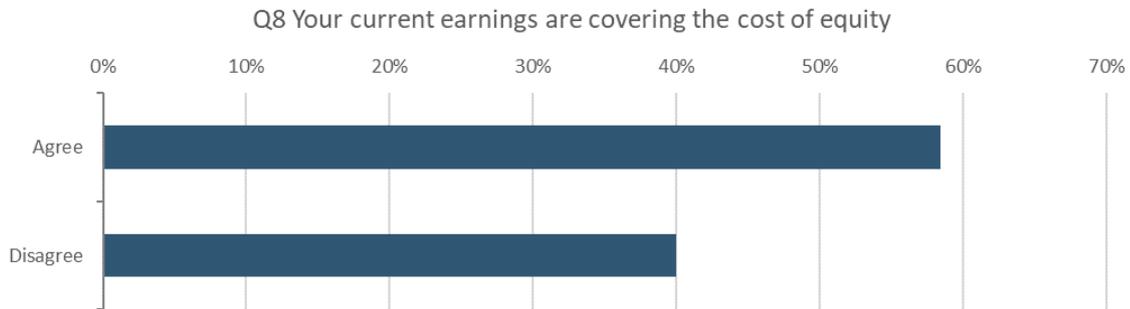
Q6 You are reducing operating expenses / costs through (multiple choice question)



**Question 7: Autumn 2019 results**



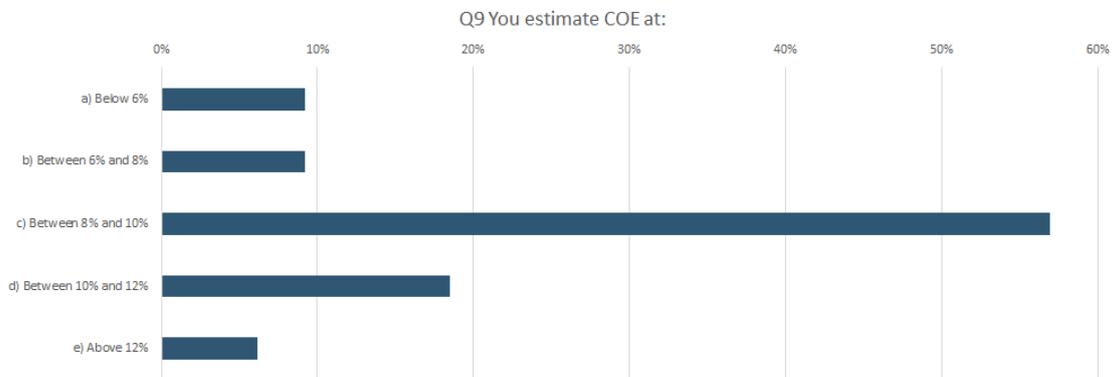
**Question 8: Autumn 2019 results**



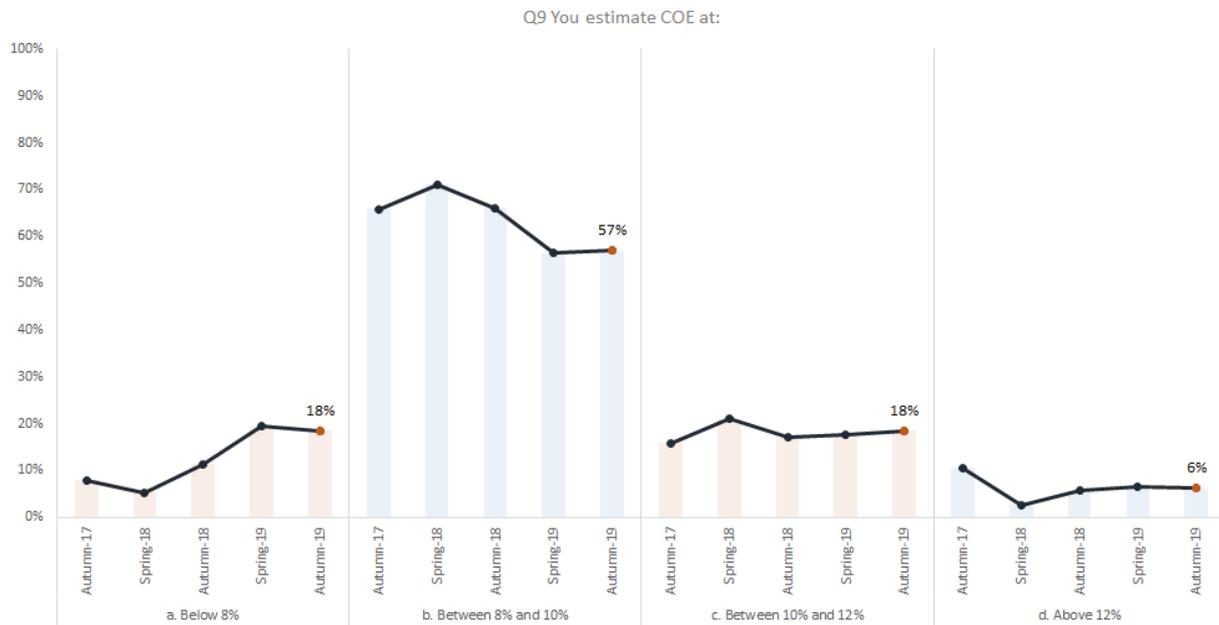
**Question 8: comparison with earlier results**



### Question 9: Autumn 2019 results

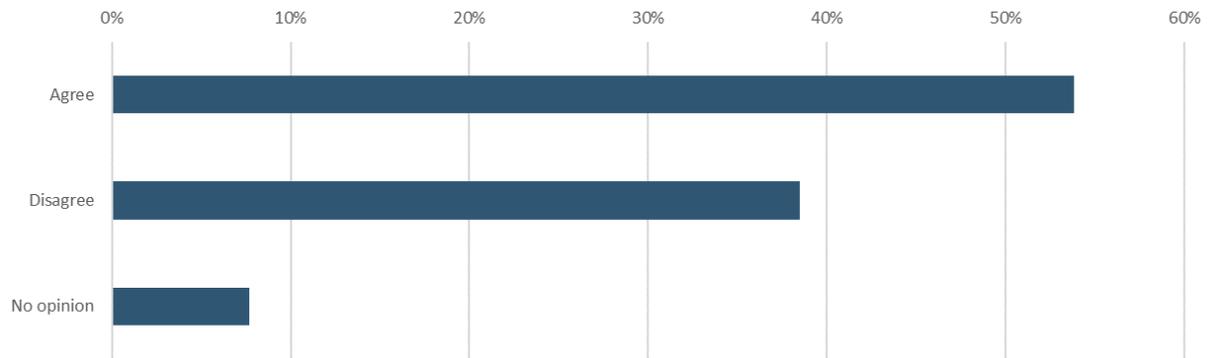


### Question 9: comparison with earlier results

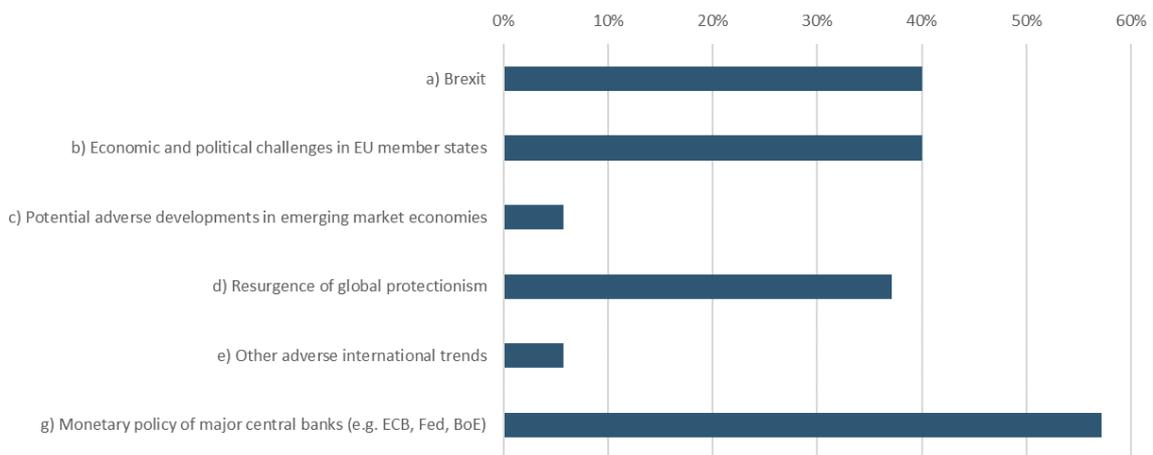


**Question 10: Autumn 2019 results**

Q10 Do you expect material adverse implications for your bank's business from current political and economic developments?

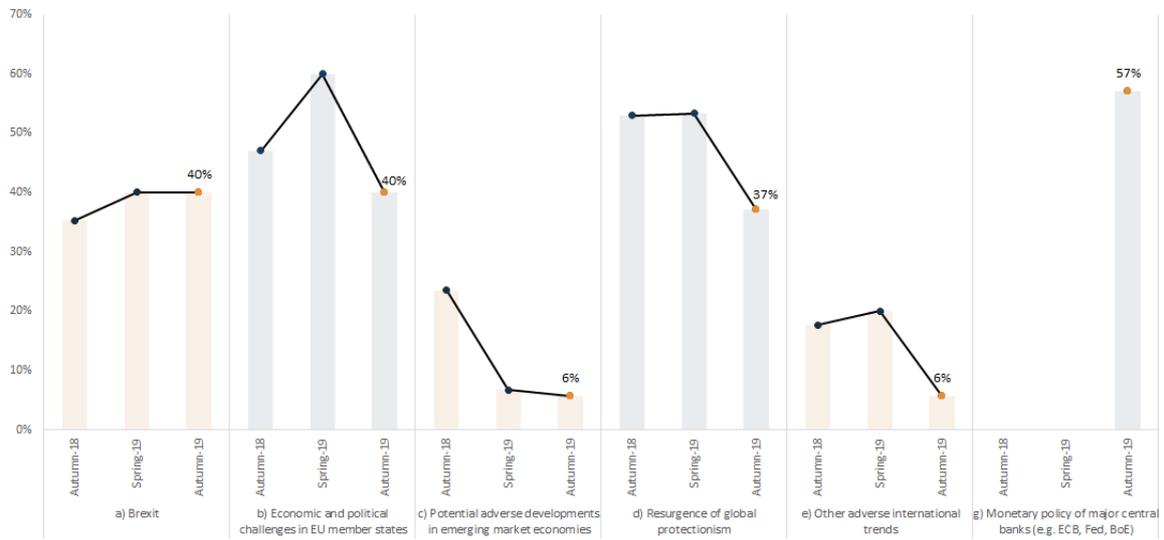


10b If you agree: which are the current international developments that mainly affect your bank's business (multiple choice question):



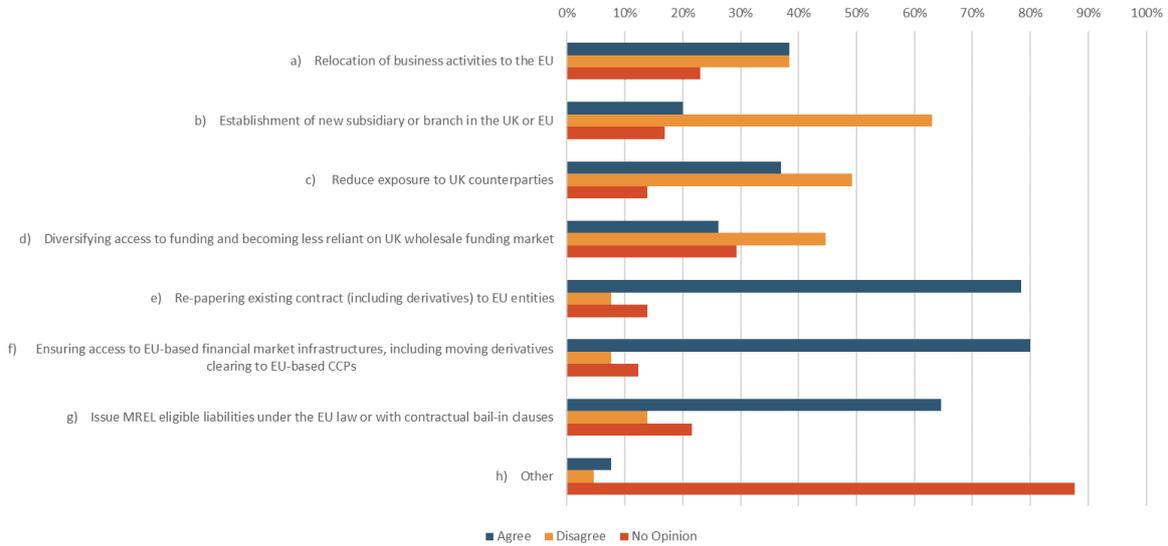
### Question 10: comparison with earlier results

10b If you agree: which are the current international developments that mainly affect your bank's business (multiple choice question):



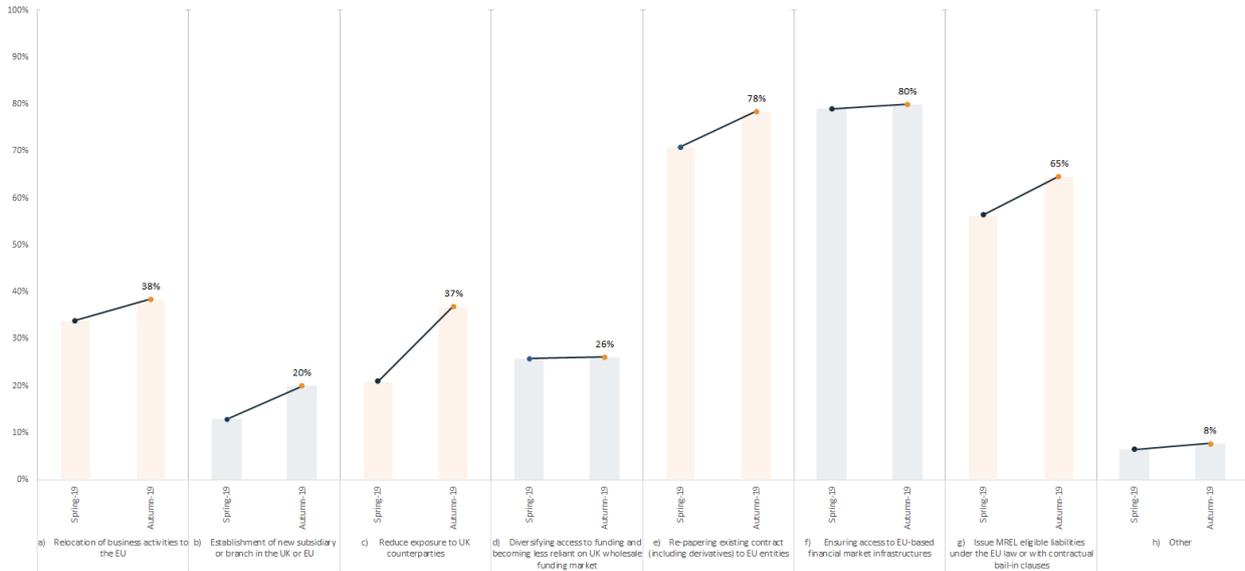
### Question 11: Autumn 2019 results

Q11 How have you responded / are you aiming to respond to current and future risks related to the UK withdrawal from the EU (Brexit)



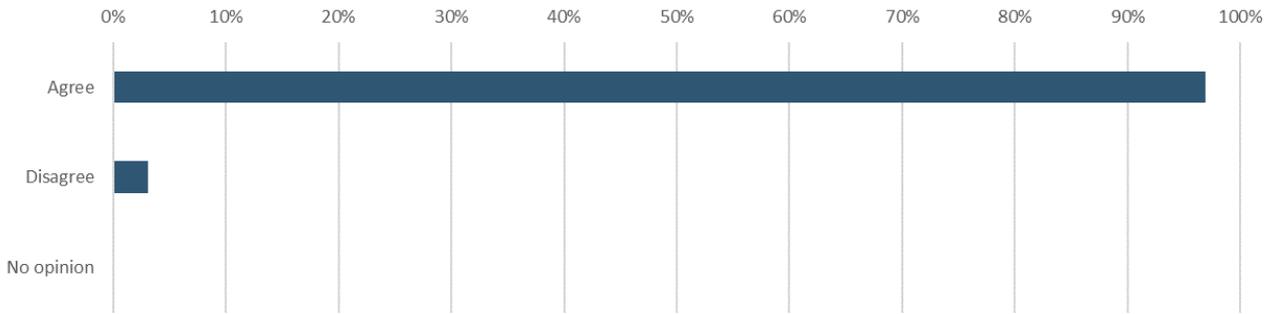
### Question 11: comparison with earlier results

Q11 How have you responded / are you aiming to respond to current and future risks related to the UK withdrawal from the EU (Brexit)

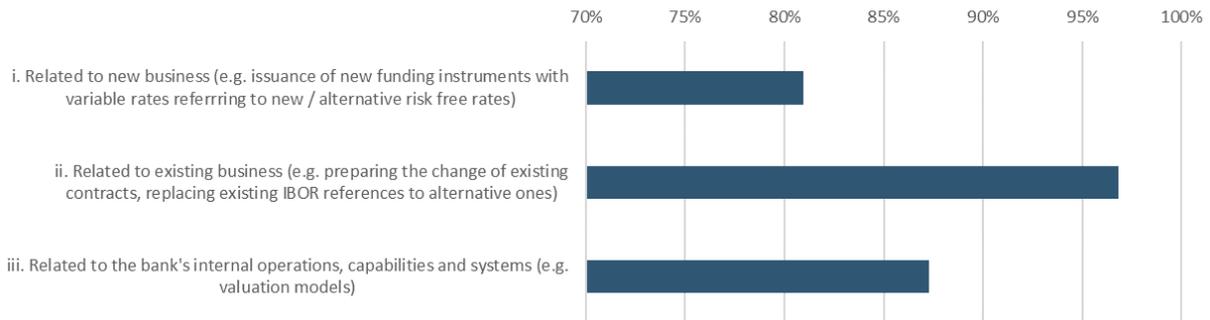


**Question 12: Autumn 2019 results**

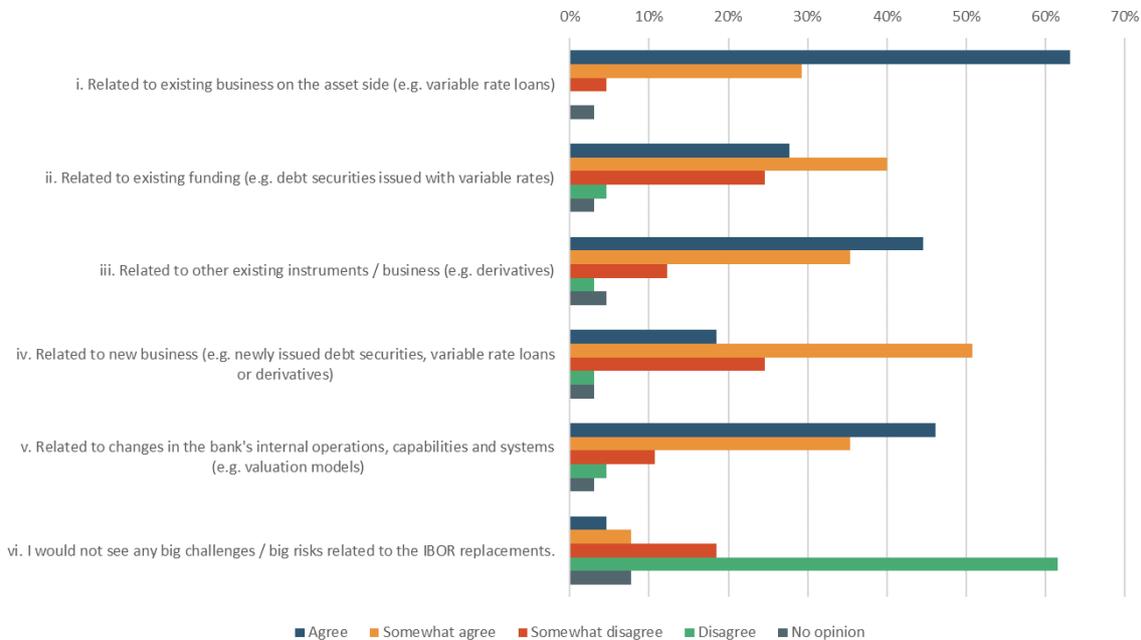
Q12 Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.).



Q12a If you agree: In which areas is your bank working on such solutions (multiple choice question):

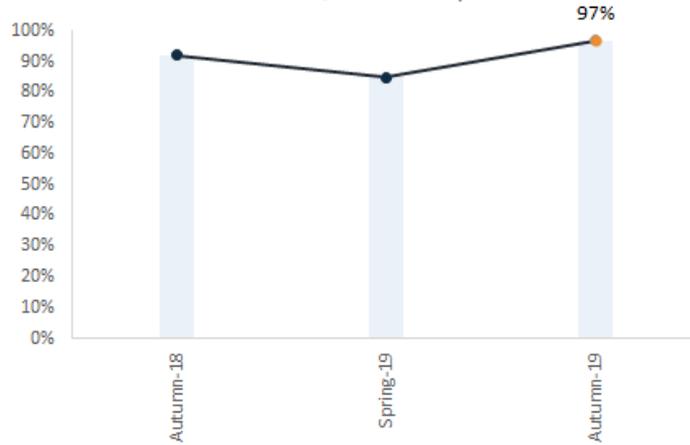


12b In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?

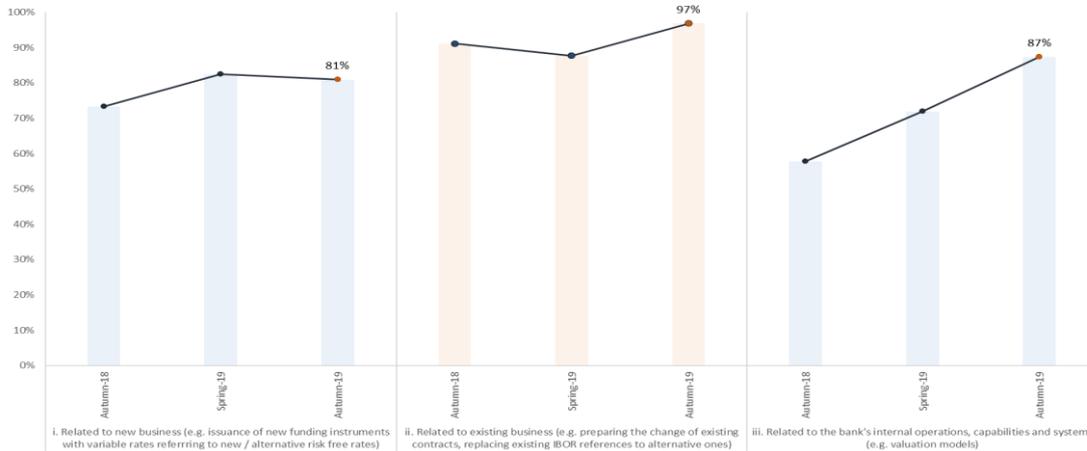


**Question 12: comparison with earlier results**

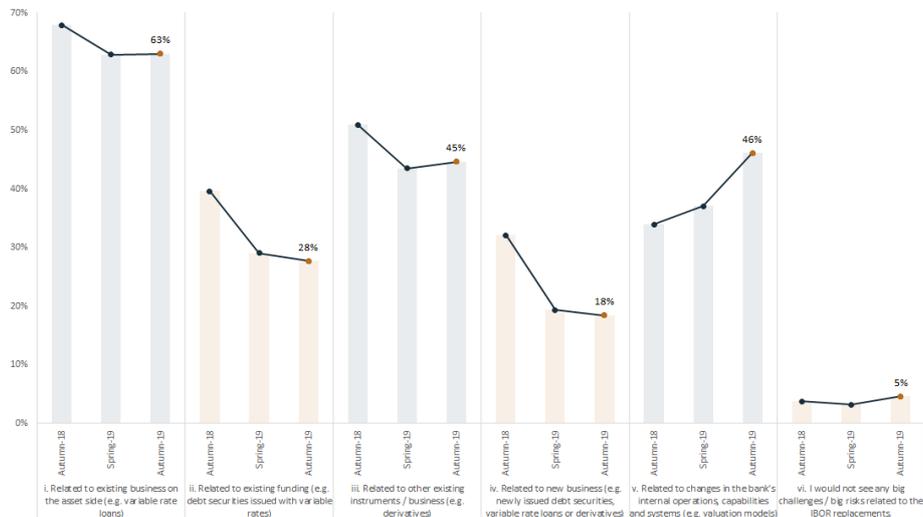
Q12 Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.)



12a If you agree: In which areas is your bank working on such solutions:

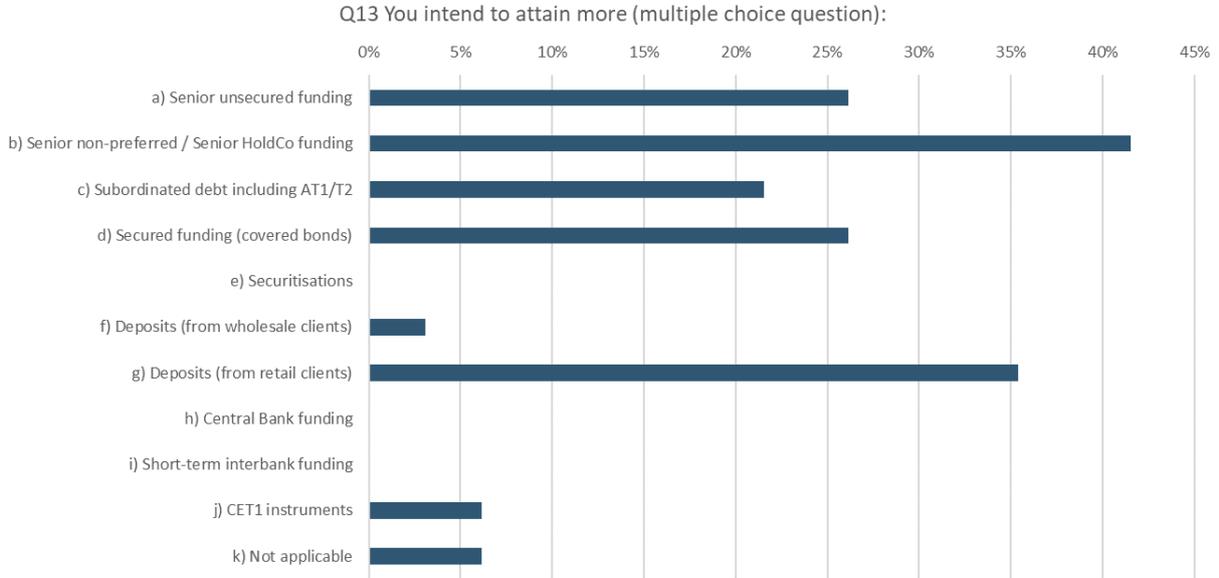


12b In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?

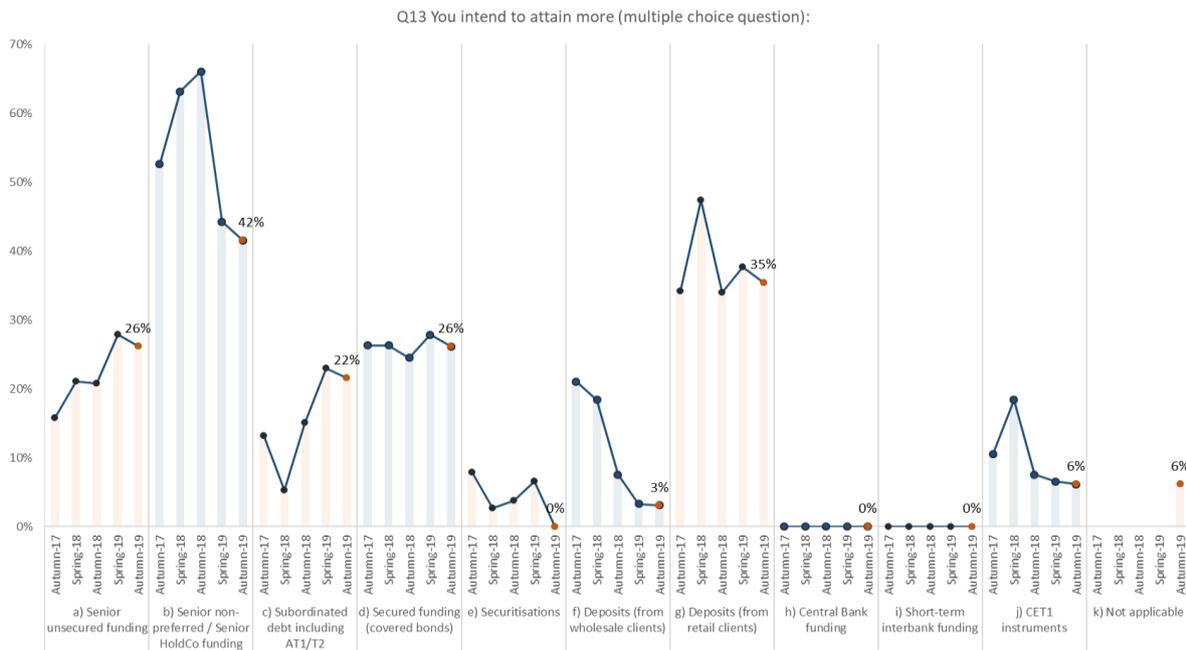


## 2. Funding / liquidity

### Question 13: Autumn 2019 result

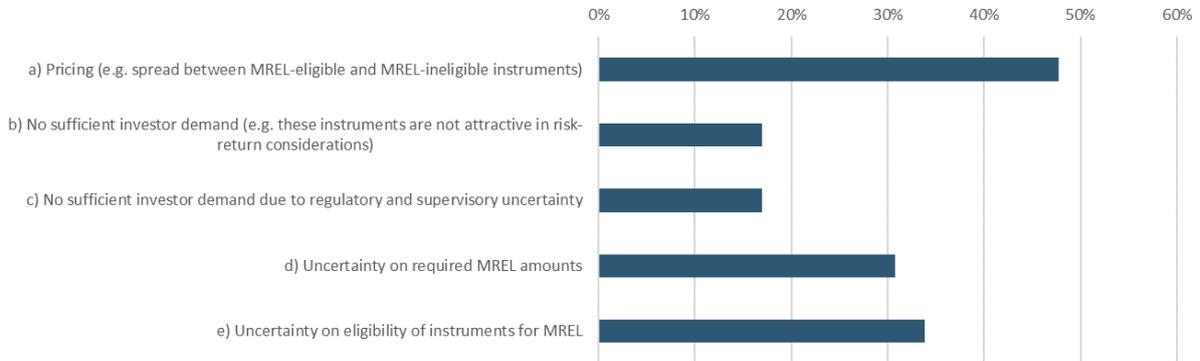


### Question 13: comparison with earlier results



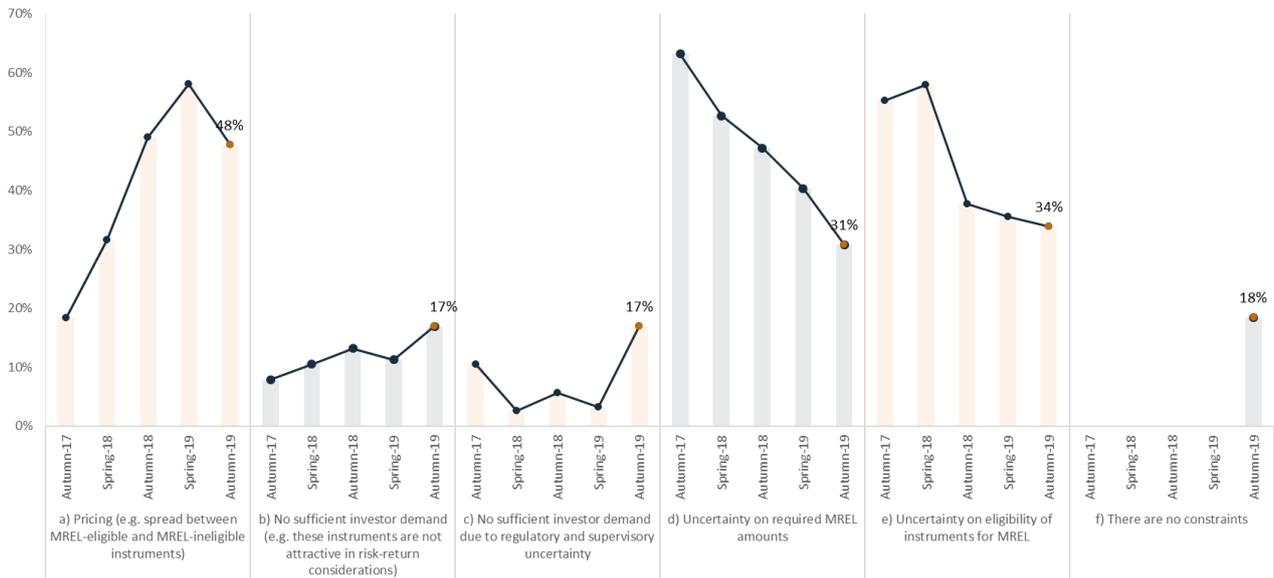
**Question 14: Autumn 2019 results**

Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (multiple choice question)?



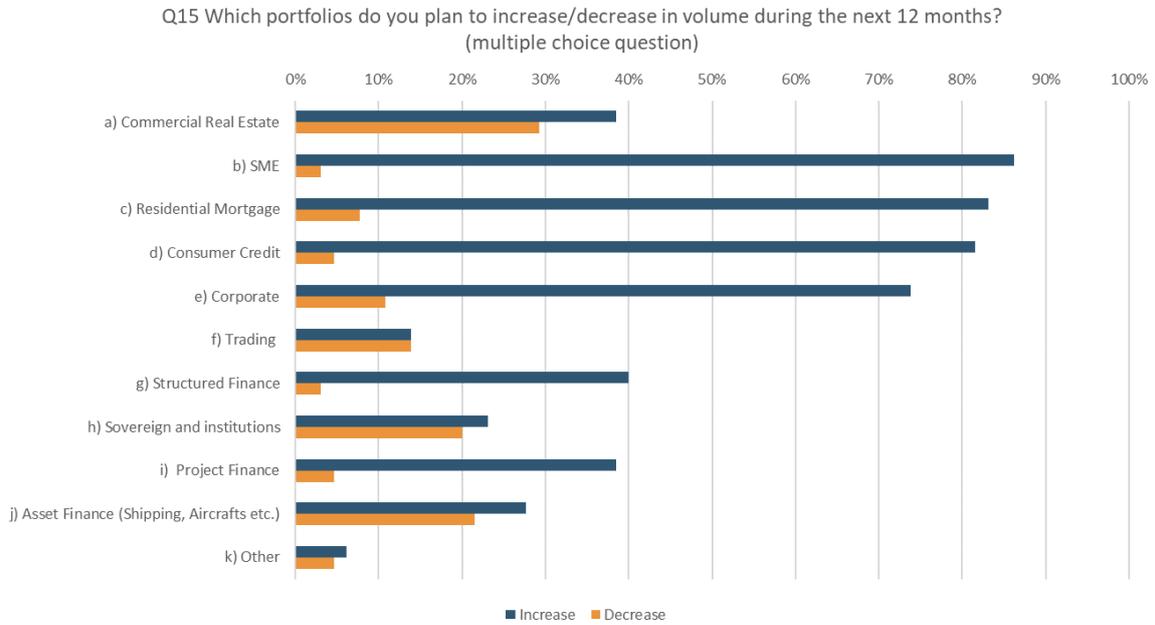
**Question 14: comparison with earlier results**

Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (multiple choice question)?



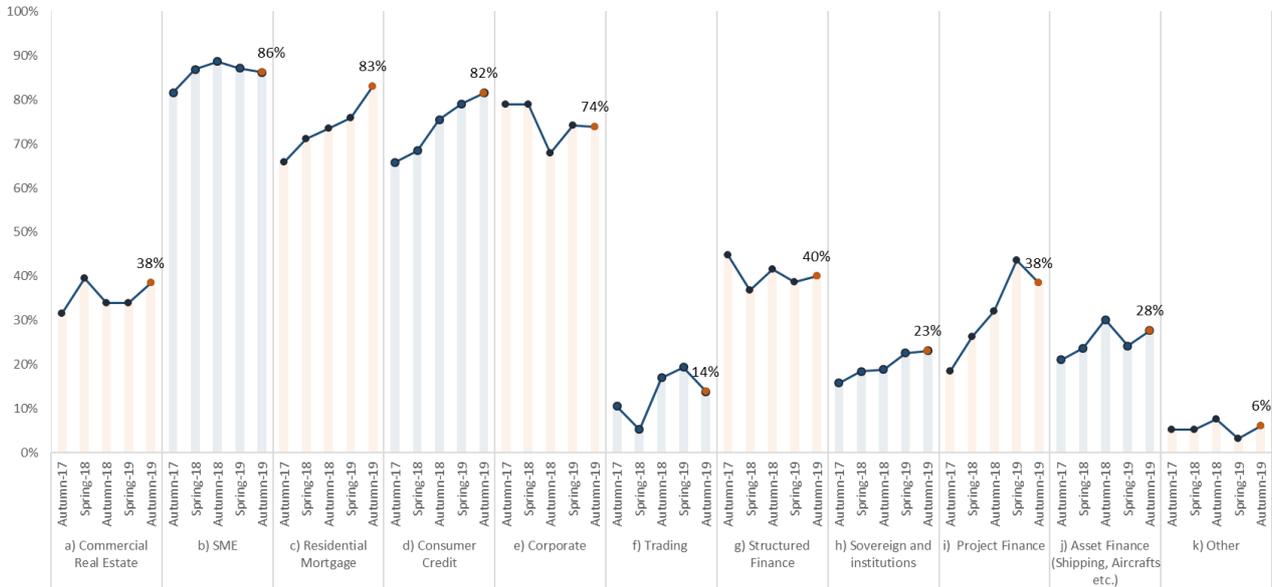
### 3. Asset volume trends

#### Question 15: Autumn 2019 results

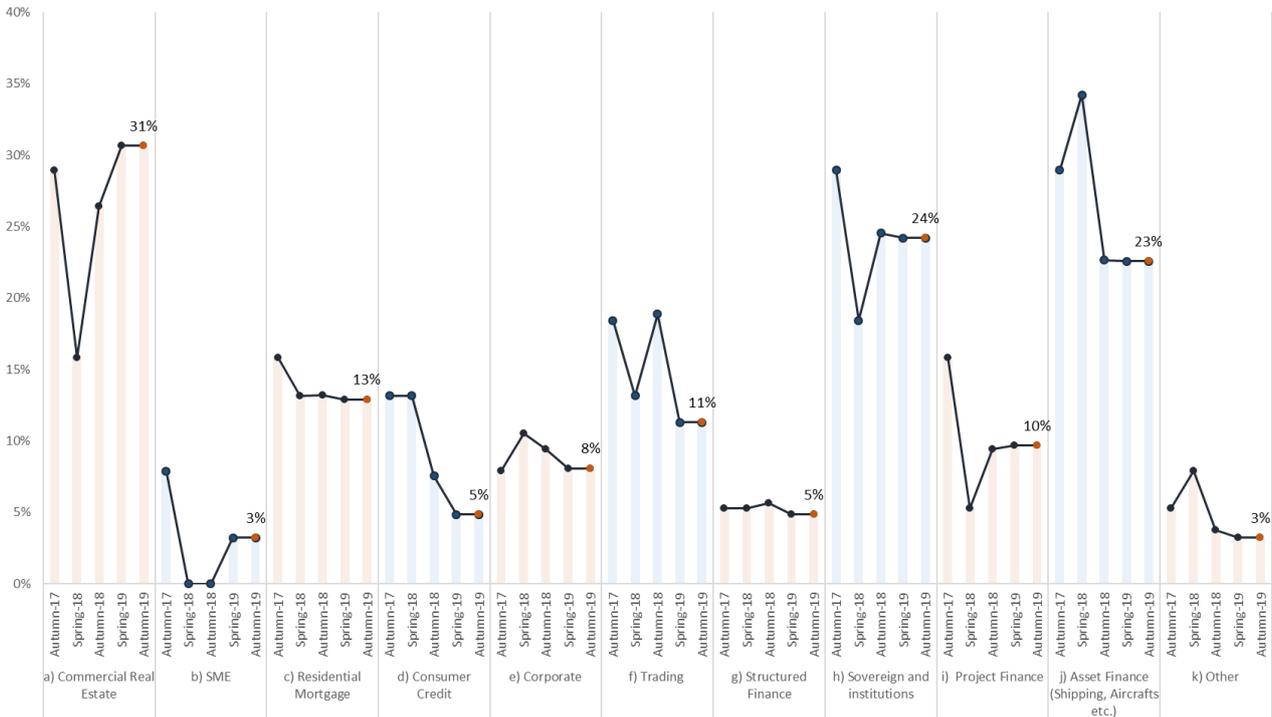


### Question 15: Comparison with earlier results

Q15a Which portfolios do you plan to increase in volume during the next 12 months? (multiple choice question)



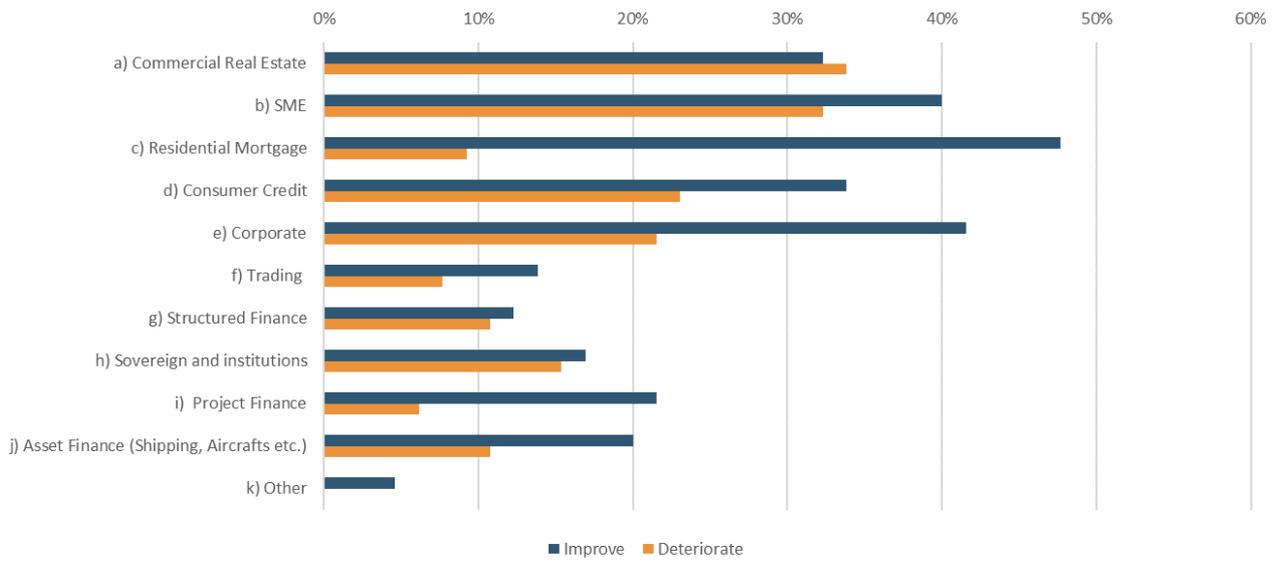
Q15b Which portfolios do you plan to decrease in volume during the next 12 months? (multiple choice question)



## 4. Asset composition & quality

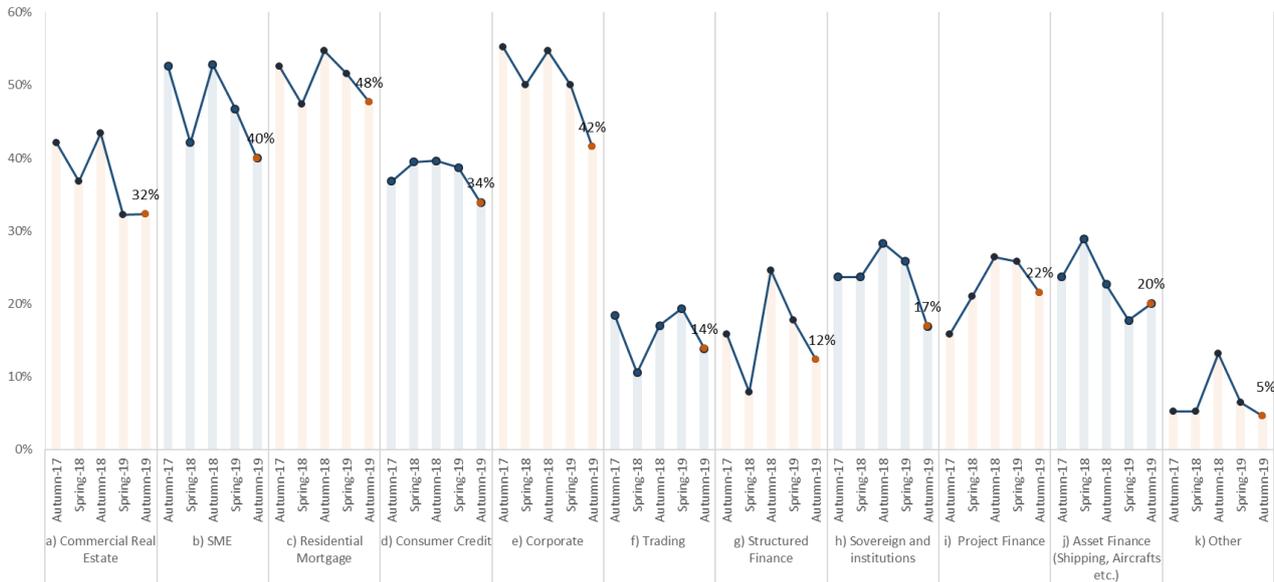
### Question 16: Autumn 2019 results

Q16 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?  
(multiple choice question)

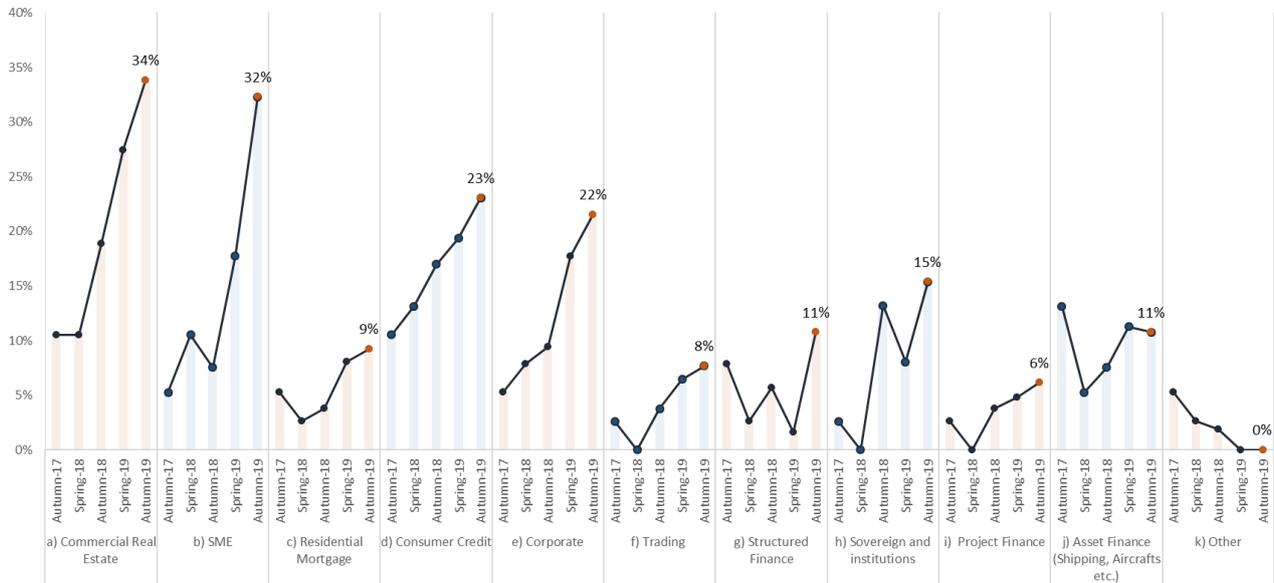


Question 16: Comparison with earlier results

Q16a Which portfolios do you expect to improve in asset quality in the next 12 months? (multiple choice question)

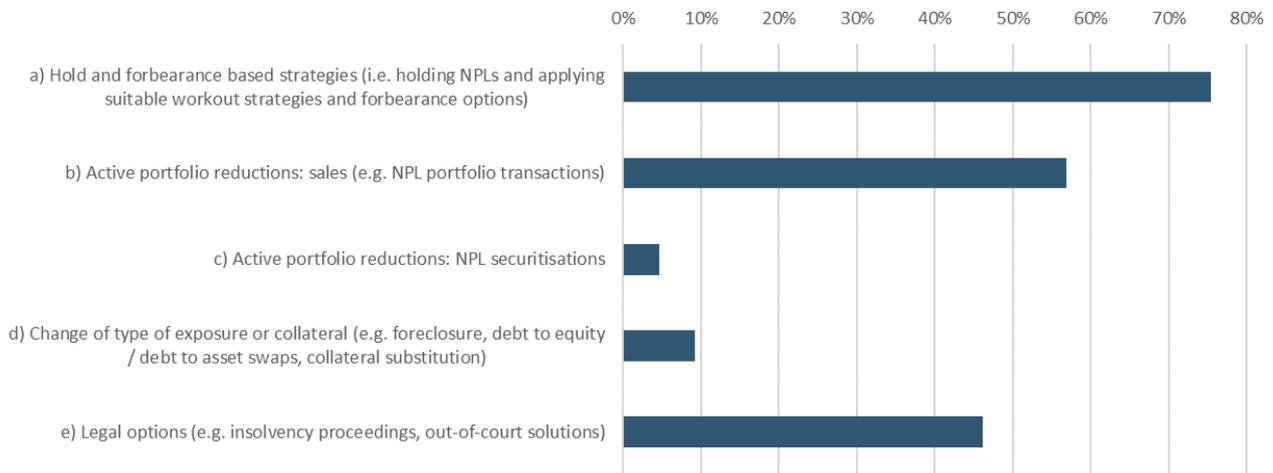


Q16b Which portfolios do you expect to deteriorate in asset quality in the next 12 months? (multiple choice question)



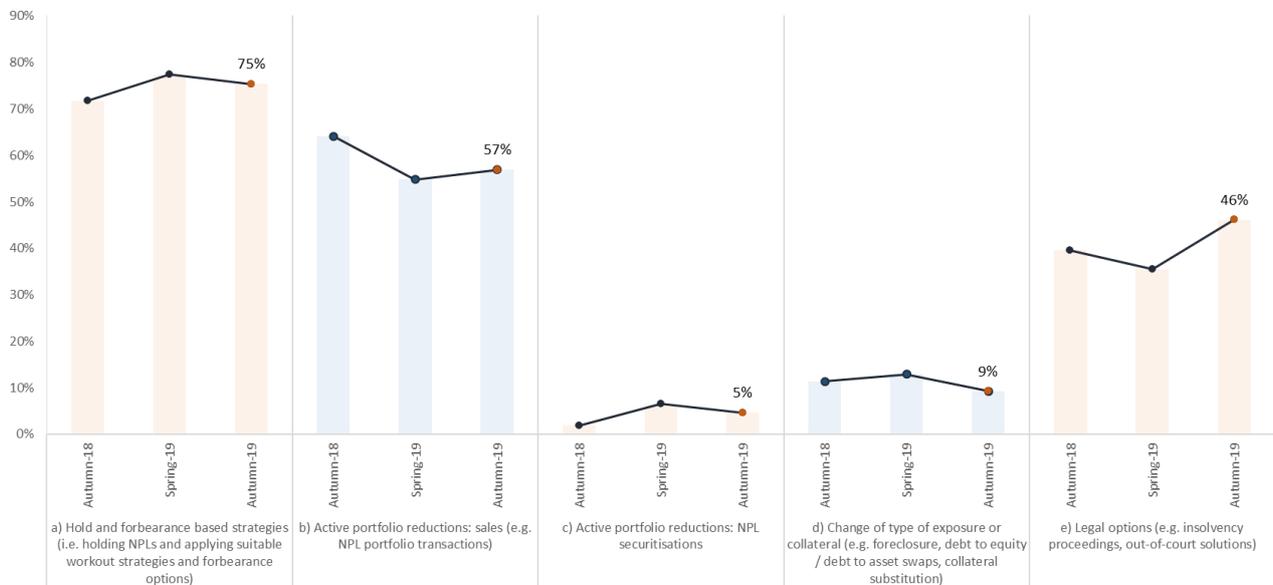
### Question 17: Autumn 2019 results

Q17 What are your most commonly applied strategies for NPL reduction? (multiple choice question)



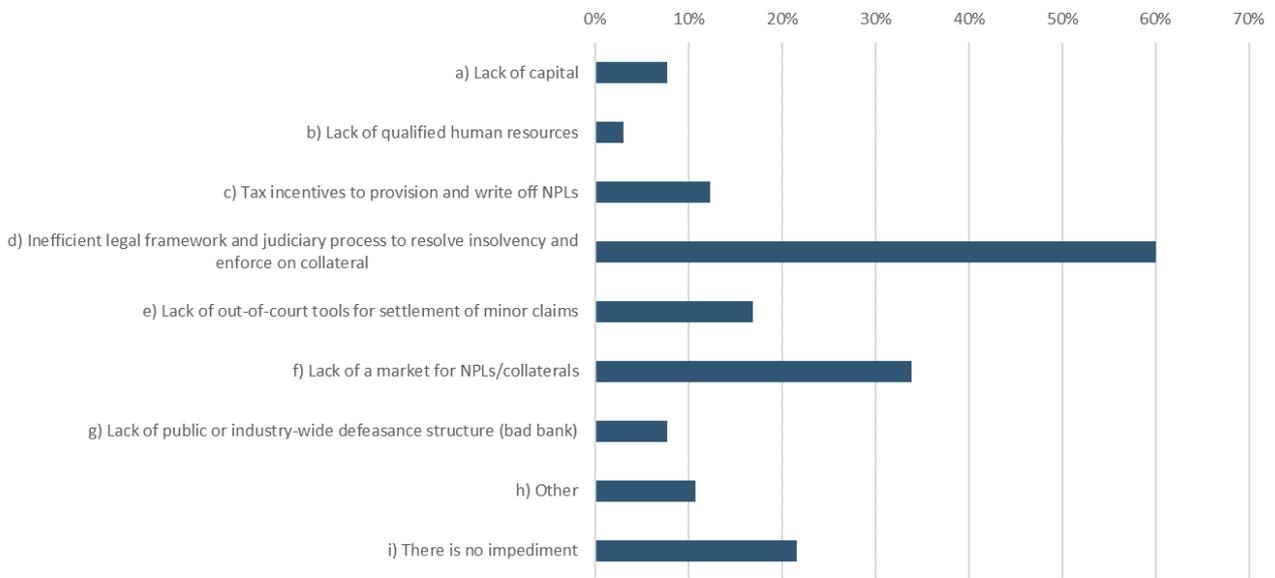
### Question 17: comparison with earlier results

Q17 What are your most commonly applied strategies for NPL reduction? (multiple choice question)

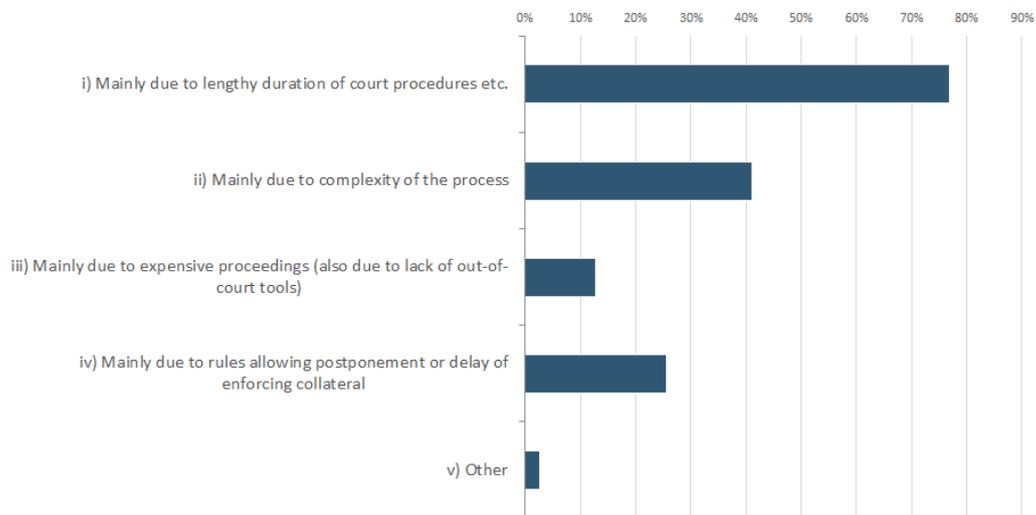


**Question 18: Autumn 2019 result**

Q18 What are the impediments to resolve non-performing loans? (multiple choice question)

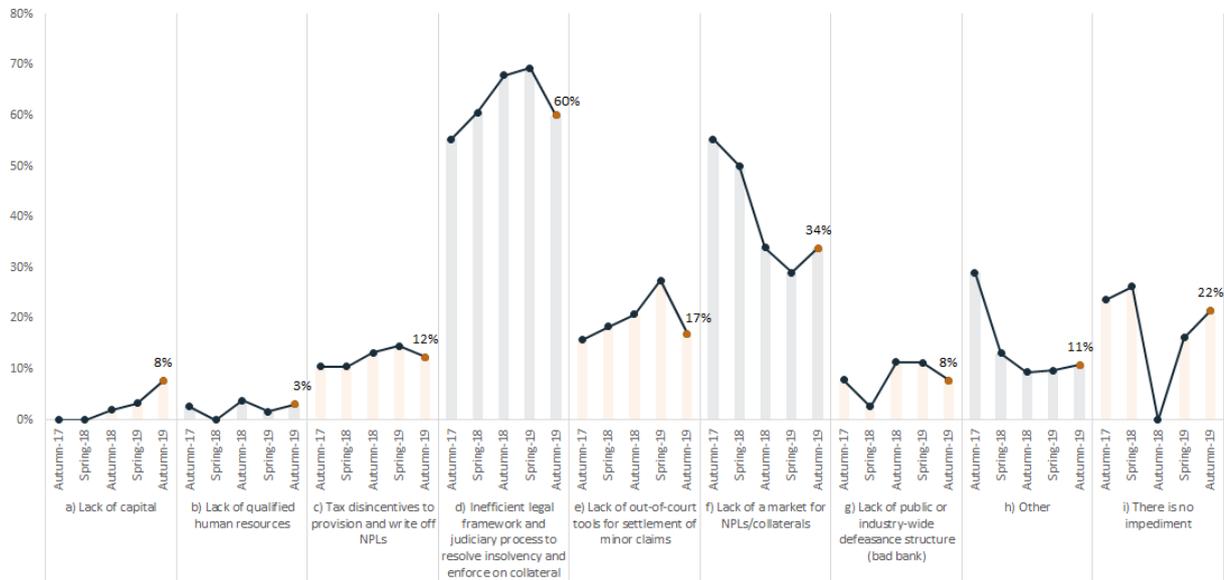


Q18b If you agree with option d)



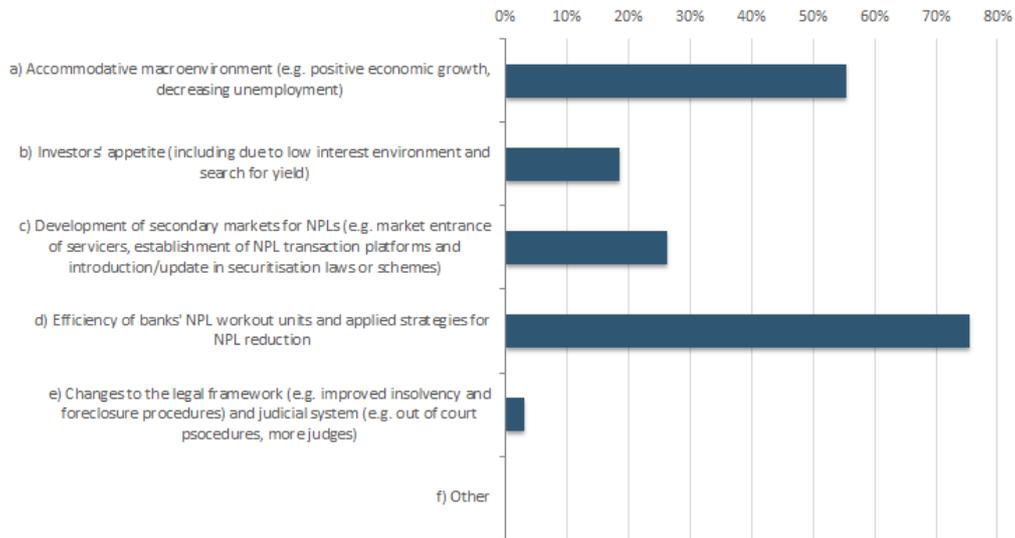
Question 18: comparison with earlier results

Q18 What are the impediments to resolve non-performing loans? (multiple choice question)



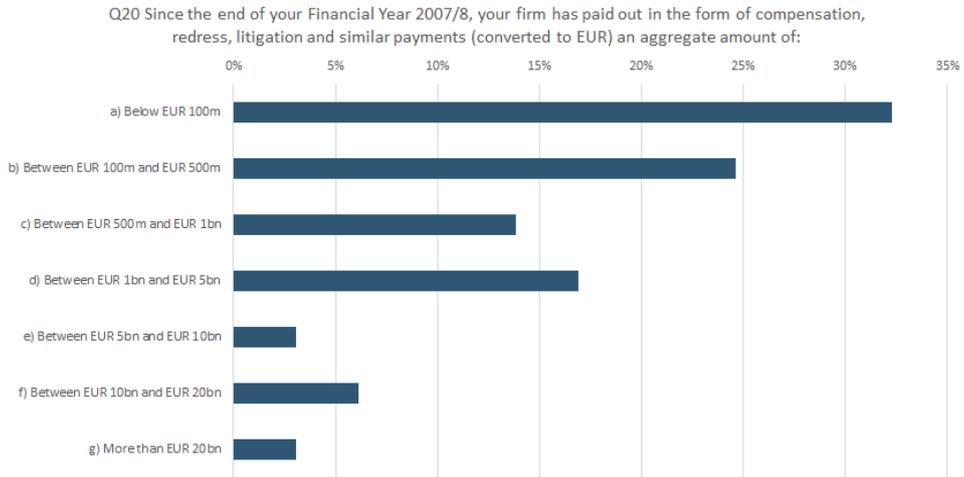
**Question 19: Autumn 2019 results**

Q19 What are the main drivers of the reduction in NPL levels during the past few years?  
 (please do not agree with more than 2 options)

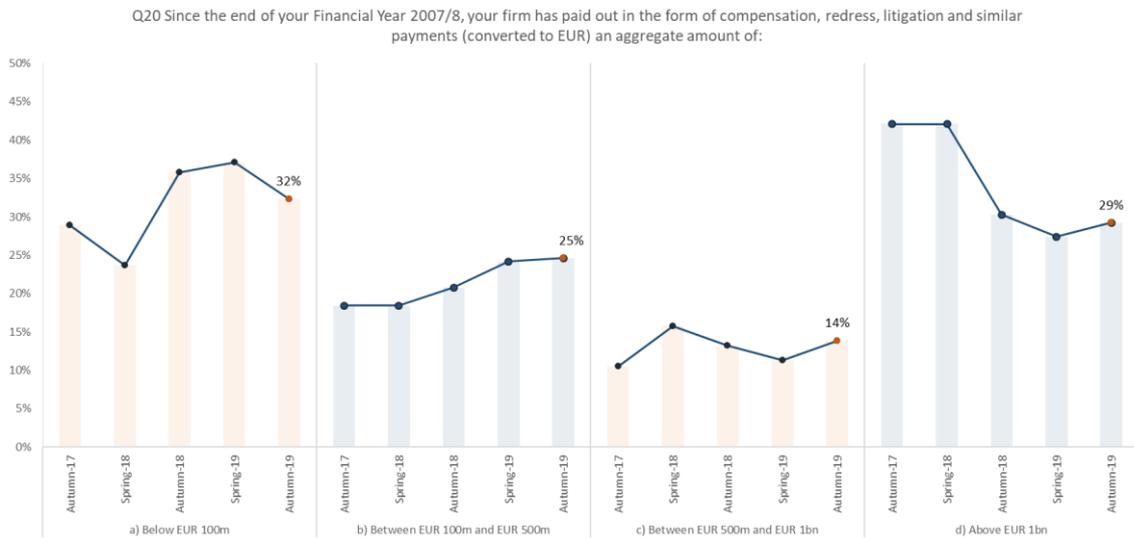


## 5. Conduct, reputation and operational risk

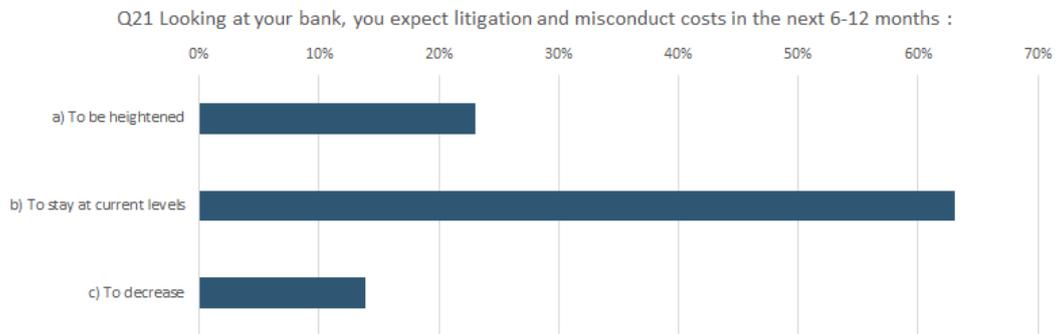
### Question 20: Autumn 2019 results



### Question 20: comparison with earlier results



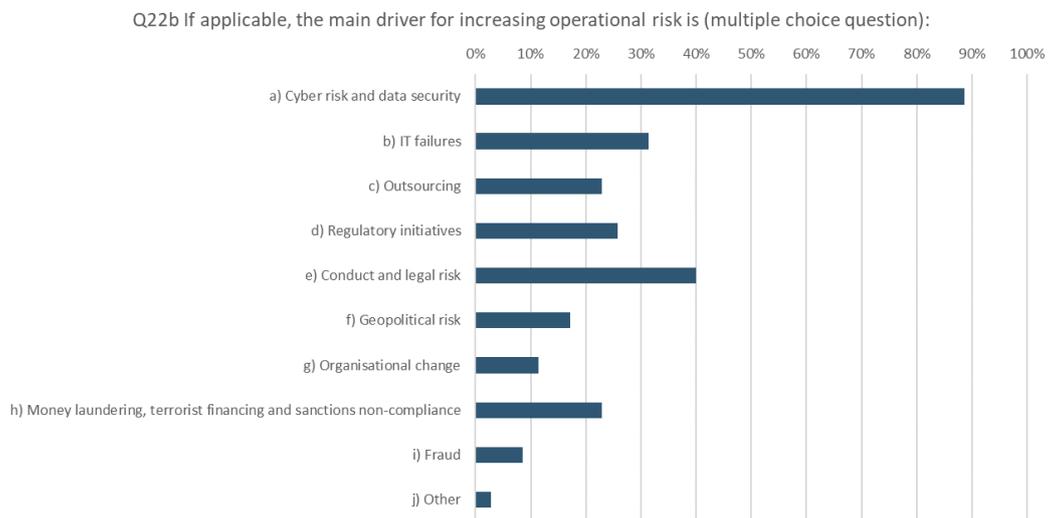
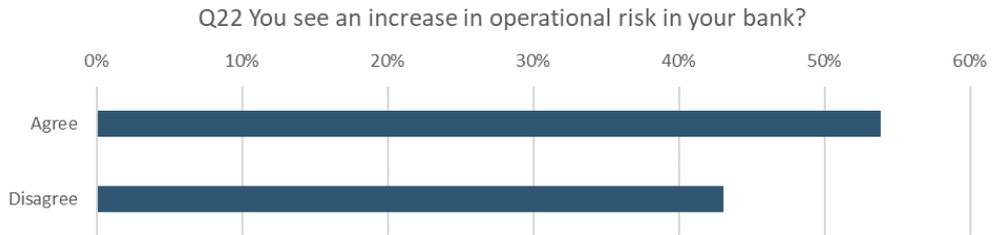
### Question 21: Autumn 2019 results



### Question 21: comparison with earlier results

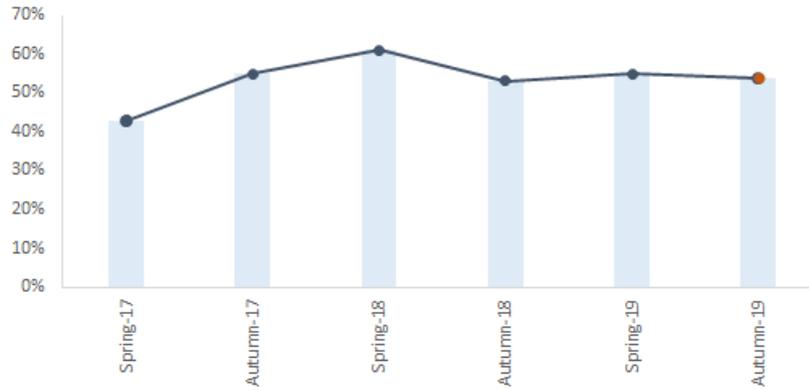


**Question 22: Autumn 2019 results**

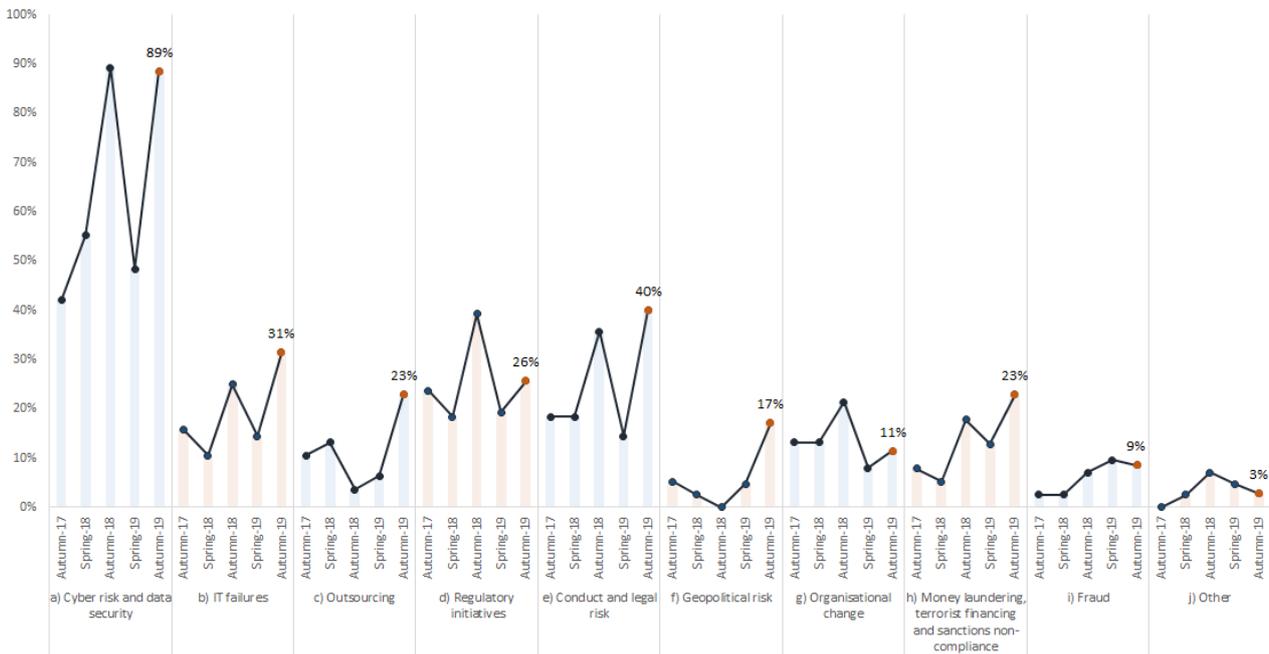


Question 22: comparison with earlier results

Q22 You see an increase in operational risk in your bank?

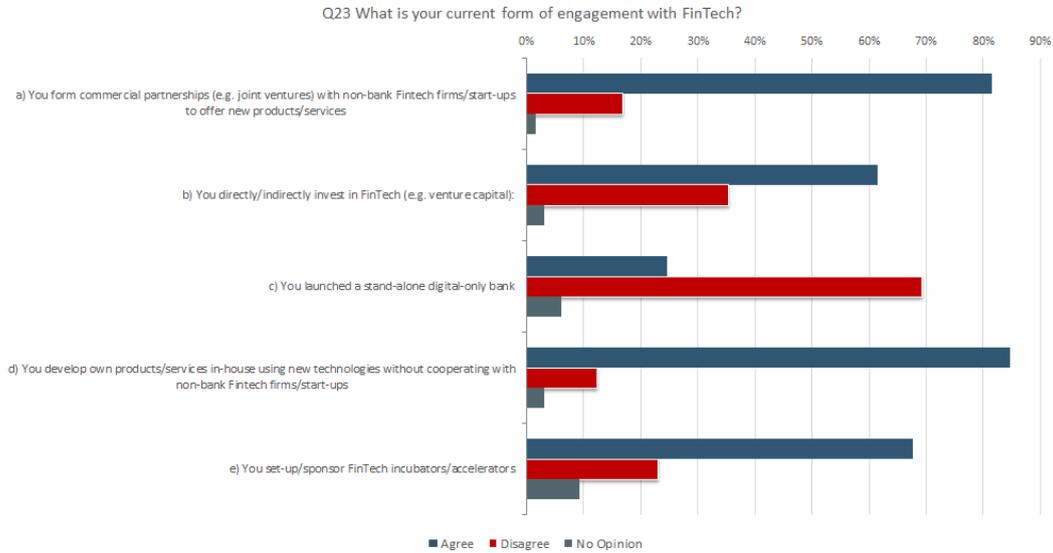


Q22b If applicable, the main driver for increasing operational risk is (multiple choice question):



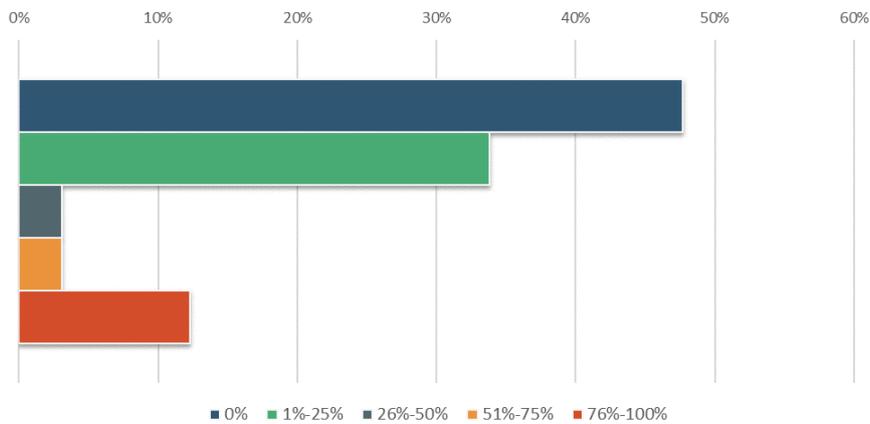
## 6. FinTech

### Question 23: Autumn 2019 results

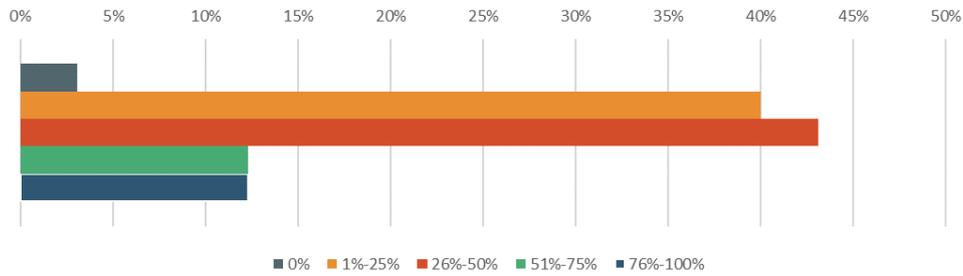


### Question 24: Autumn 2019 results

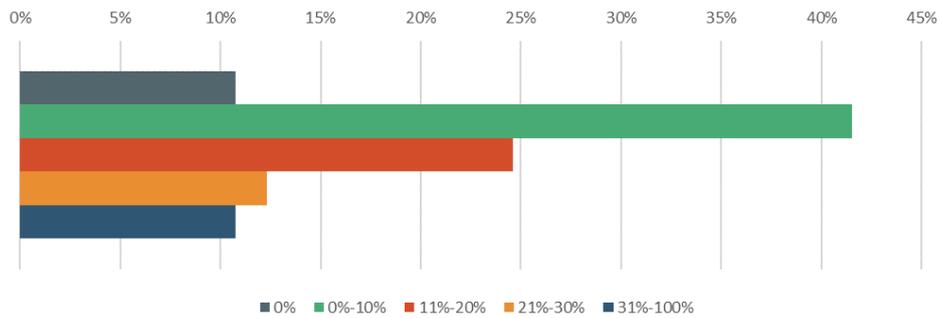
Q24 (a) Please indicate the amount spent (as %) in 2018 on the investment in non-bank FinTech firms/start-ups (e.g. acquisitions, participations, venture capital) as % of total equity investments ?



Q24 b (1) Please indicate the amount spent (as %) in 2018 on the total IT spending (e.g. IT upgrade/maintenance, automation, innovation) - as a % of "other administrative expenses" reported in FINREP 02.00

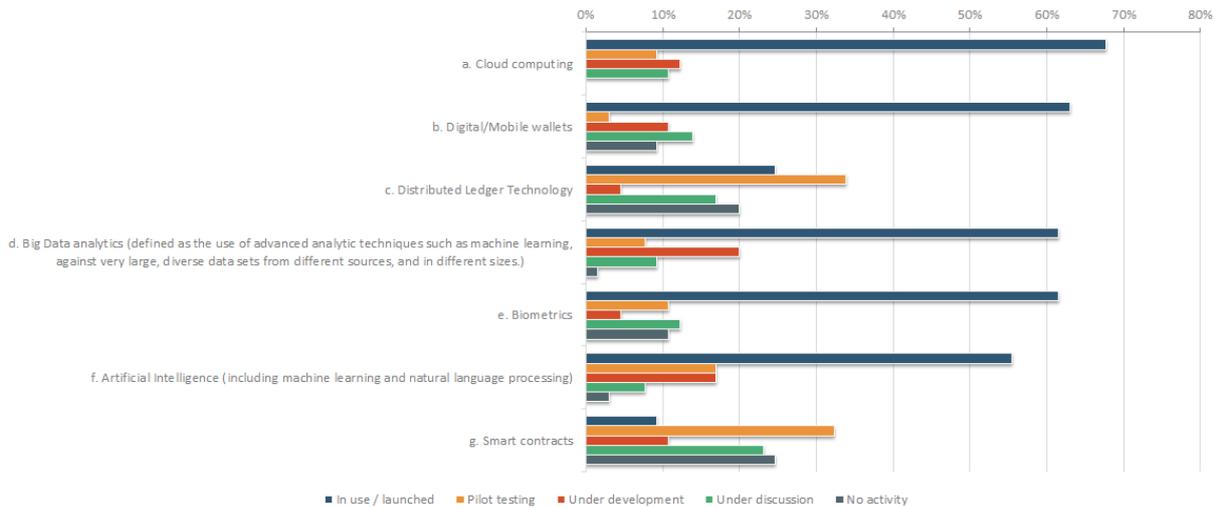


Q24 b (2) Please indicate the amount spent (as %) in 2018 on the proportion allocated to digital innovation/new technologies?



### Question 25: Autumn 2019 results

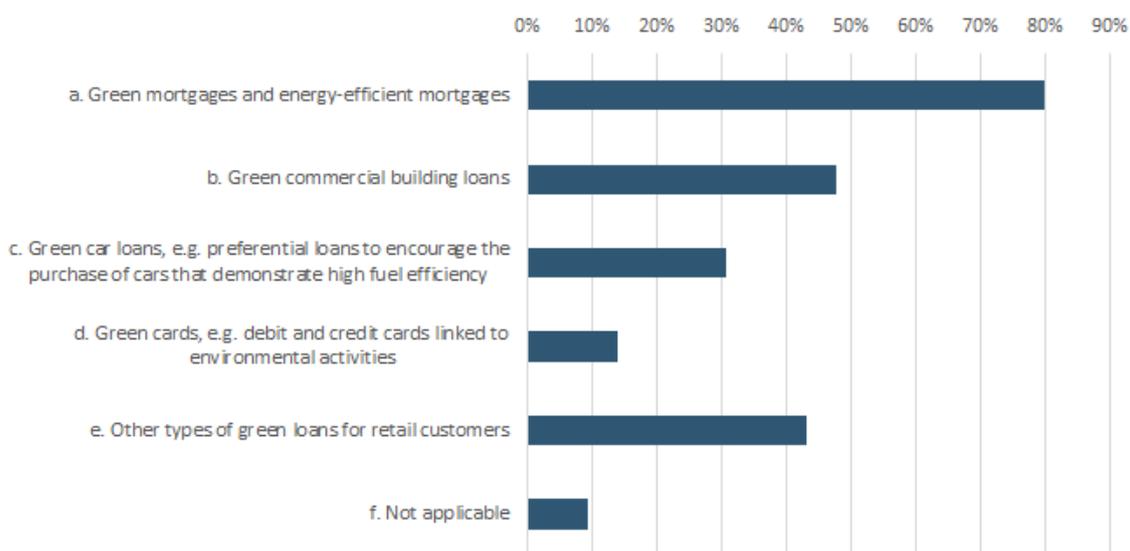
Q25 What is the level of involvement of your institution with the application of the following technologies?



## 7. Sustainable Finance

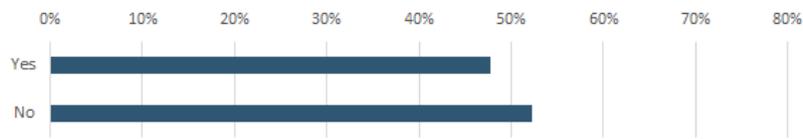
### Question 26: Autumn 2019 results

Q26 Do you currently offer or plan to develop products and services based on:

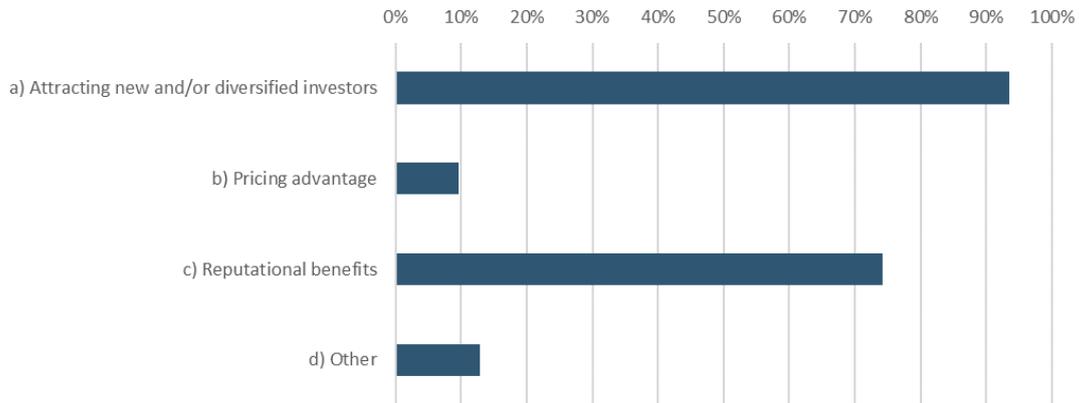


**Question 27: Autumn 2019 results**

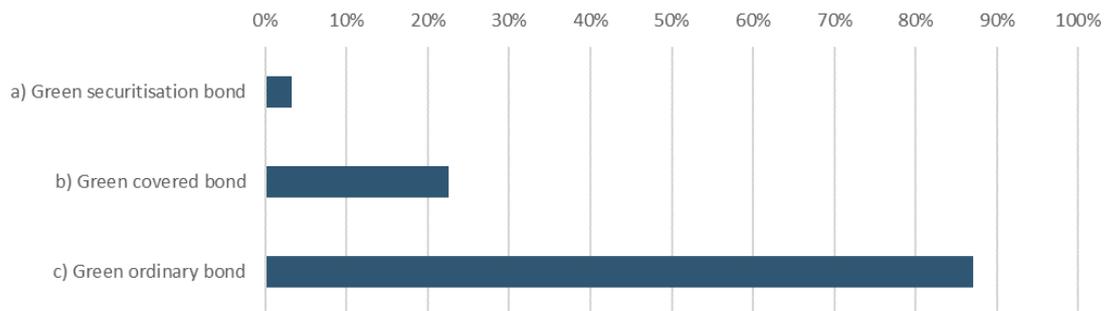
Q27 Have you already issued a green bond?



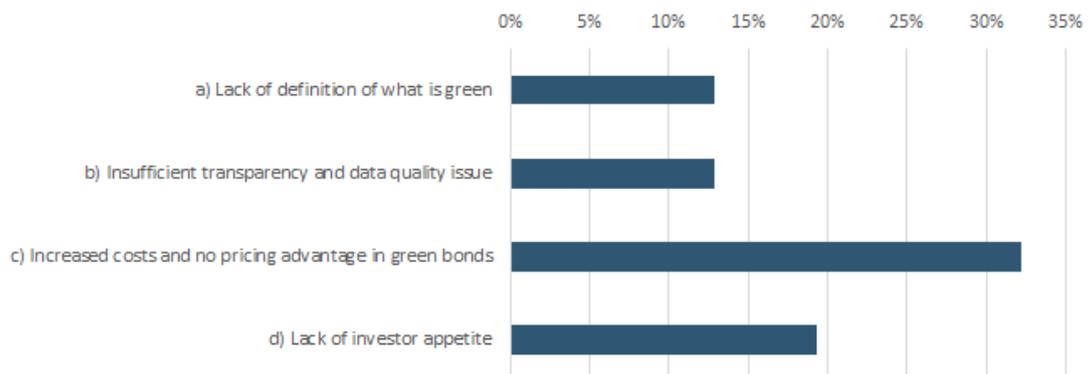
Q27a If yes, what are the main reasons? (multiple choice question)



Q27b If yes, in which form?

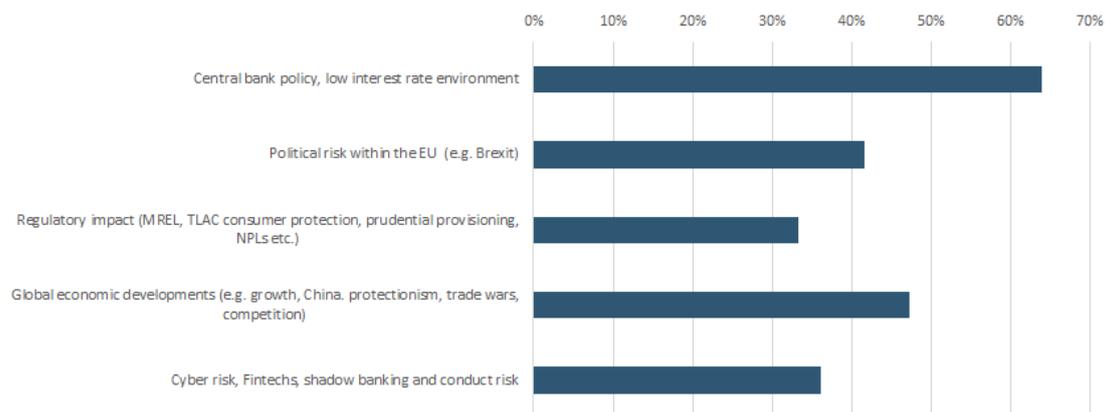


Q27c If not, what are the main reasons? (multiple choice question)



## 8. General open question

Q26 Looking at the EU banking sector, if you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months please indicate them.

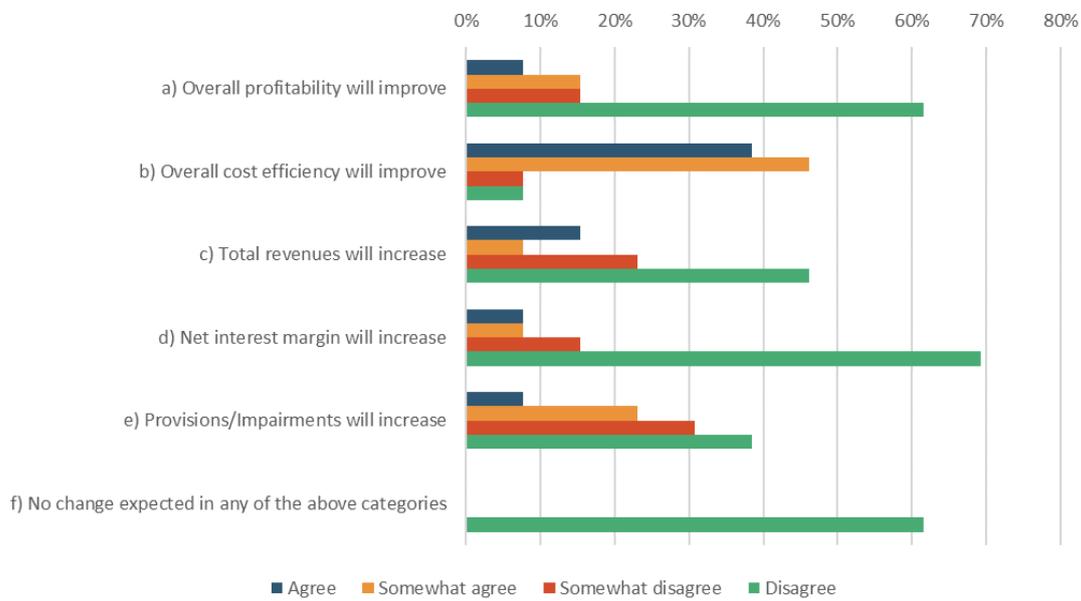


# Market analysts' questionnaire

## 1. Business model / strategy / profitability

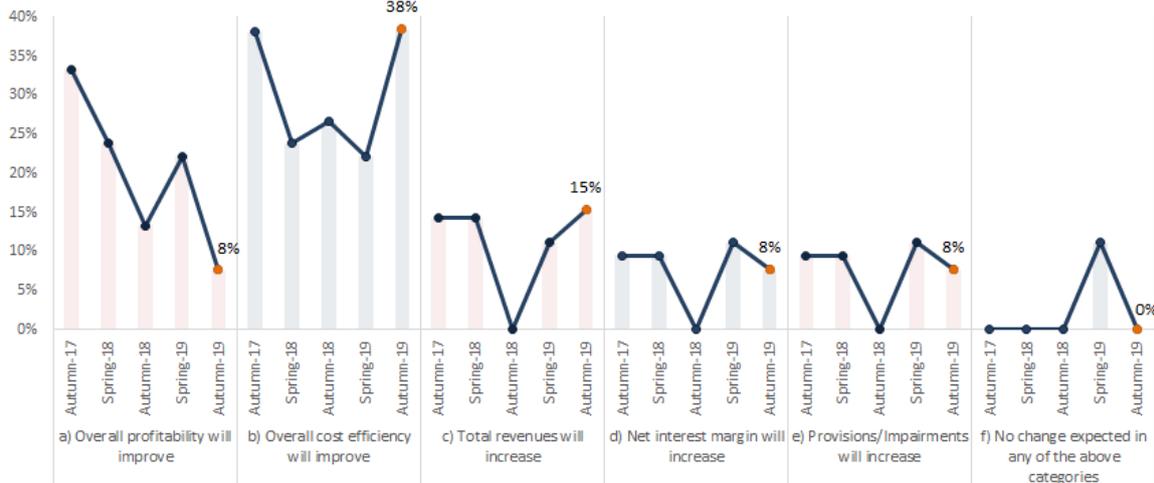
### Question 1: Autumn 2019 results

Q1 Short term earnings expectations for banks are:



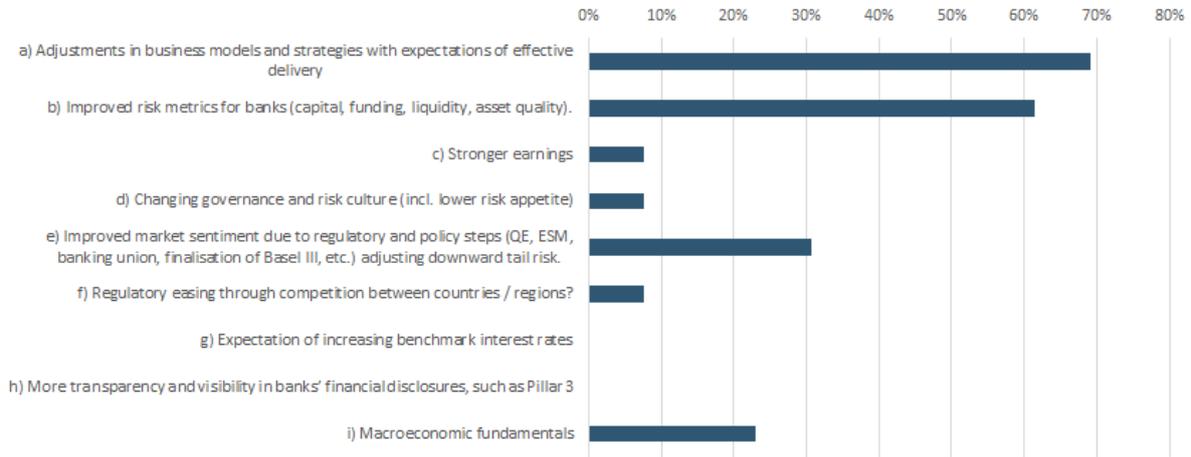
### Question 1: Comparison with earlier results

Q1 Short term earnings expectations for banks are:



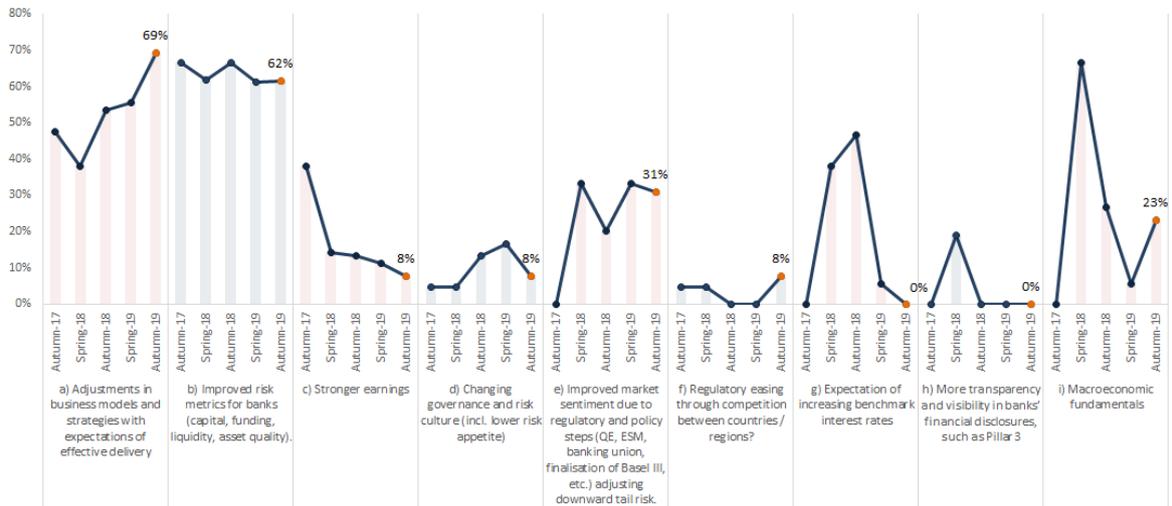
### Question 2: Autumn 2019 results

Q2 The current market sentiment is positively influenced by the following factors (multiple choice question):



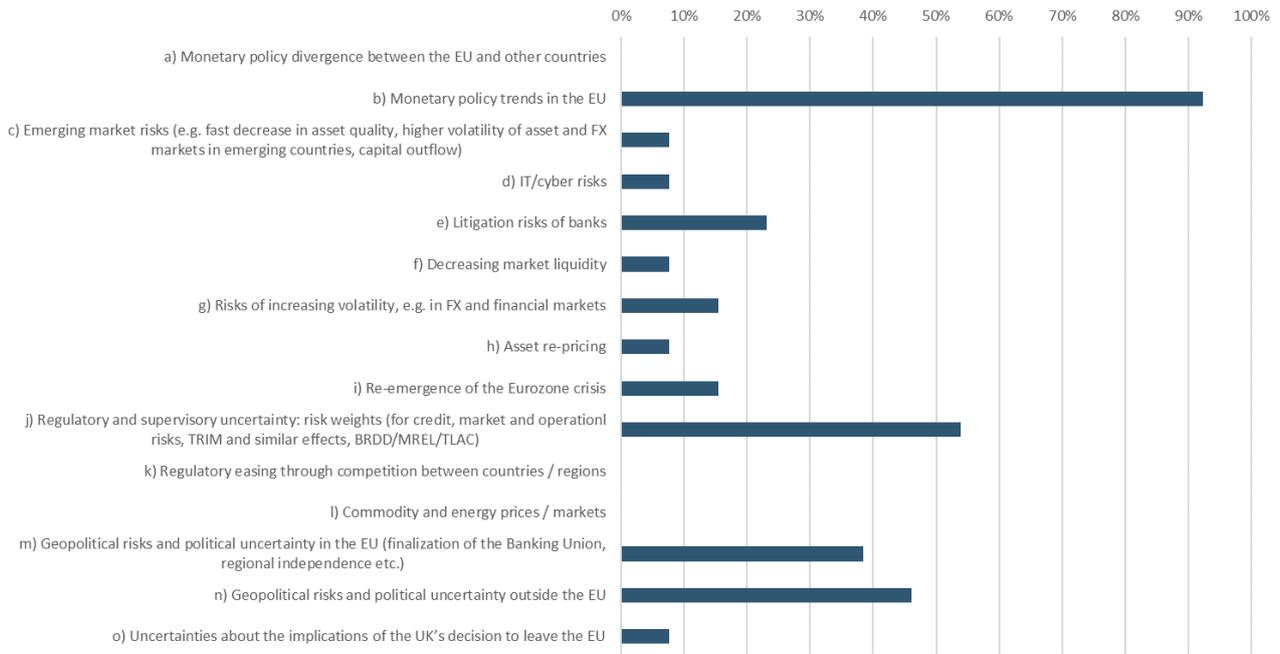
### Question 2: comparison with earlier results

Q2 The current market sentiment is positively influenced by the following factors (multiple choice question):

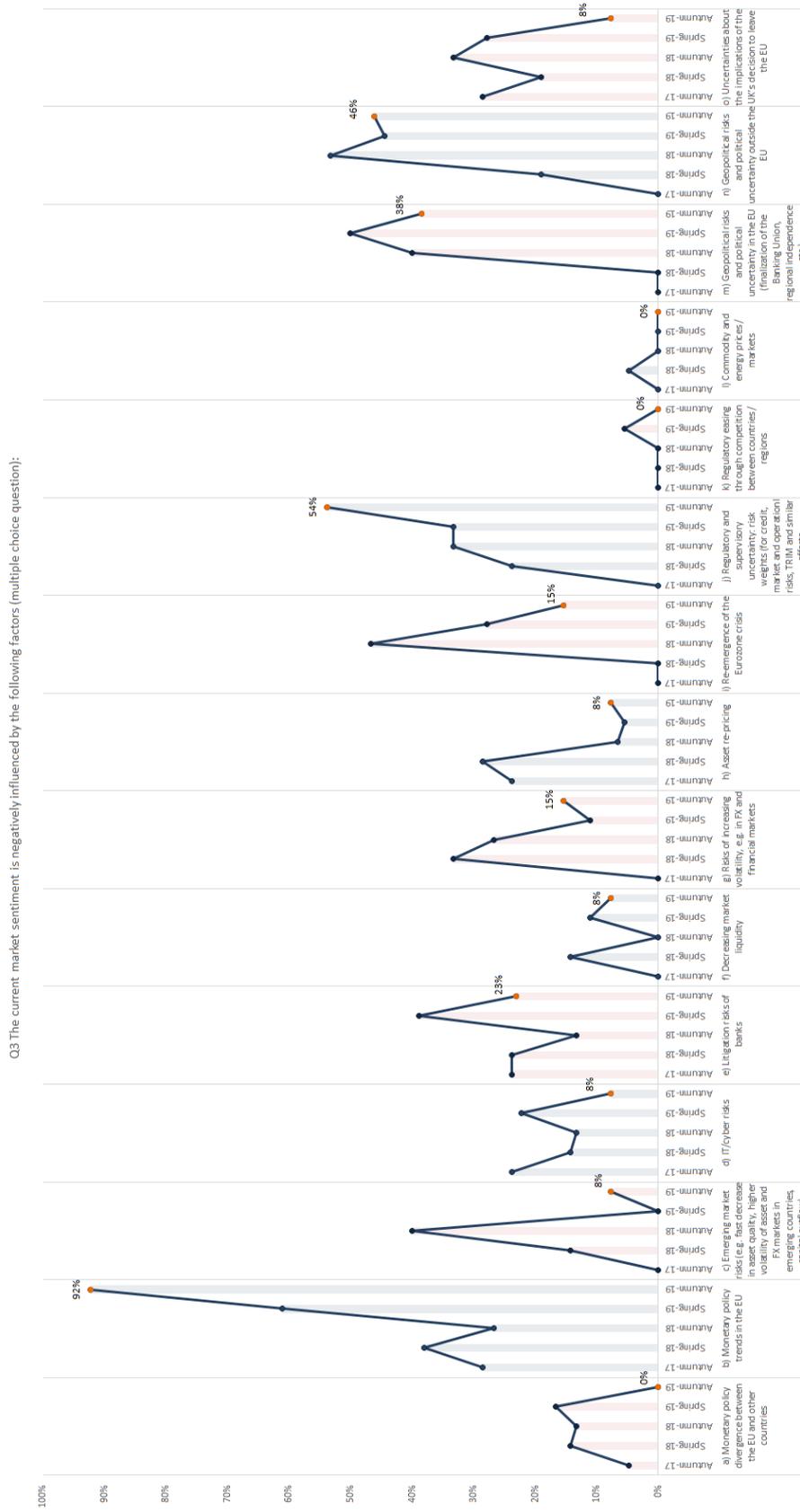


### Question 3: Autumn 2019 results

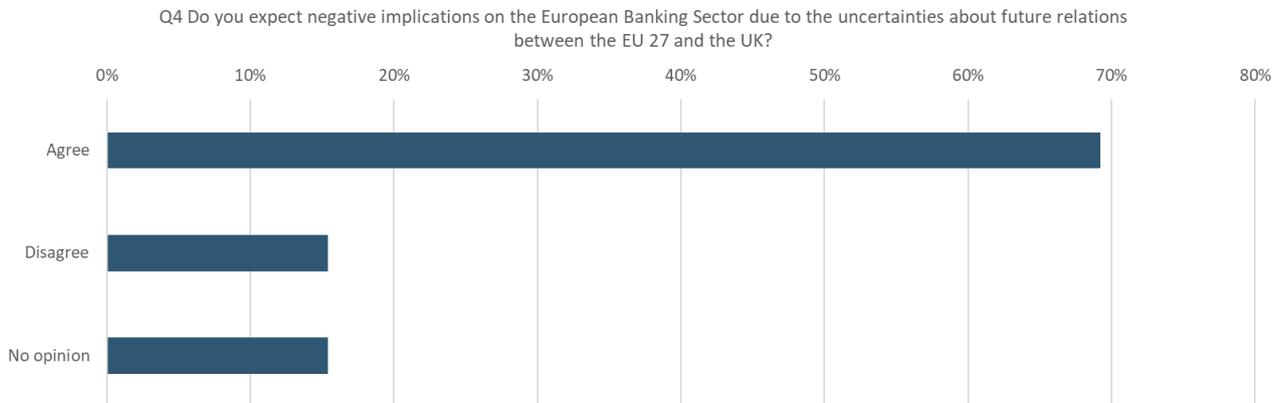
Q3 The current market sentiment is negatively influenced by the following factors (multiple choice question):



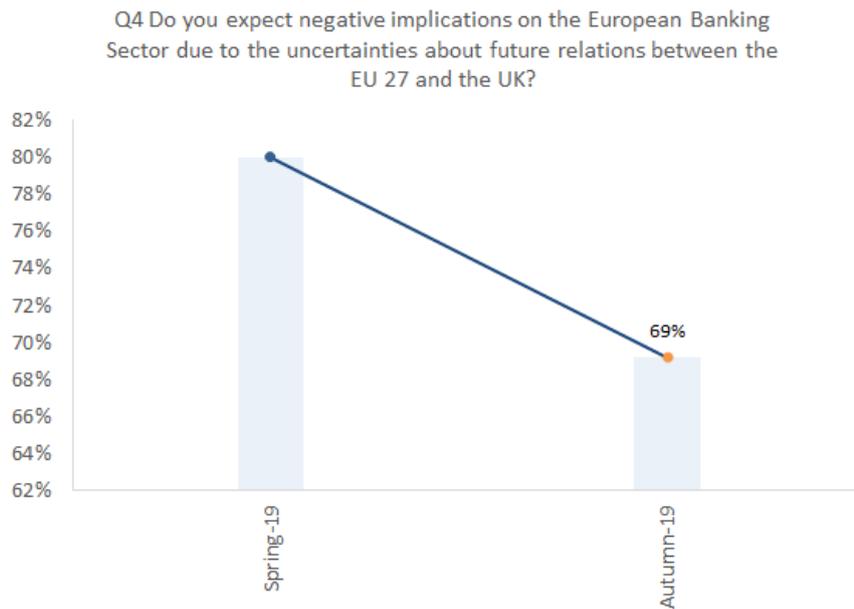
Question 3: comparison with earlier results



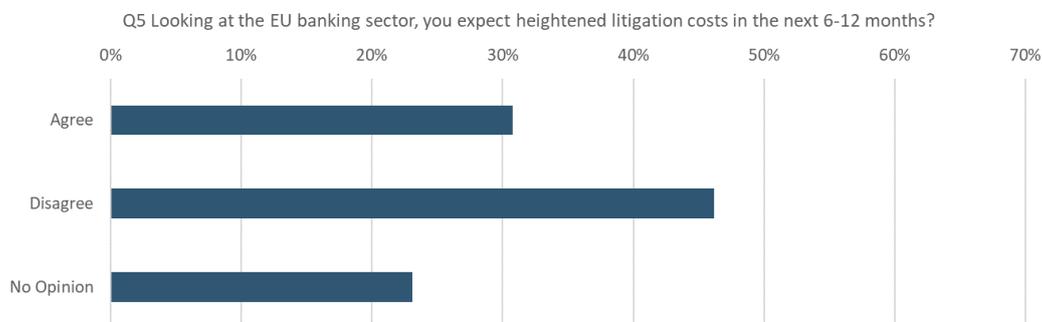
### Question 4: Autumn 2019 results



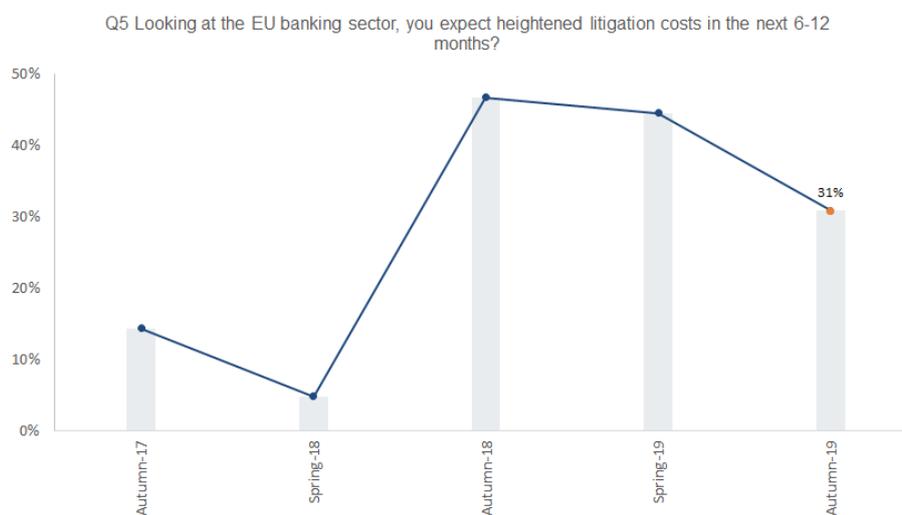
### Question 4: comparison with earlier results



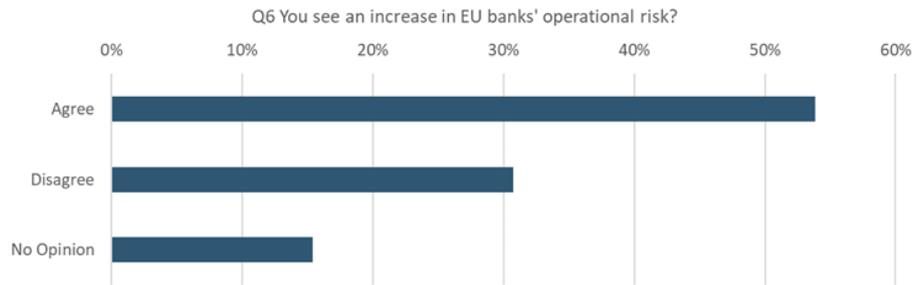
### Question 5: Autumn 2019 results



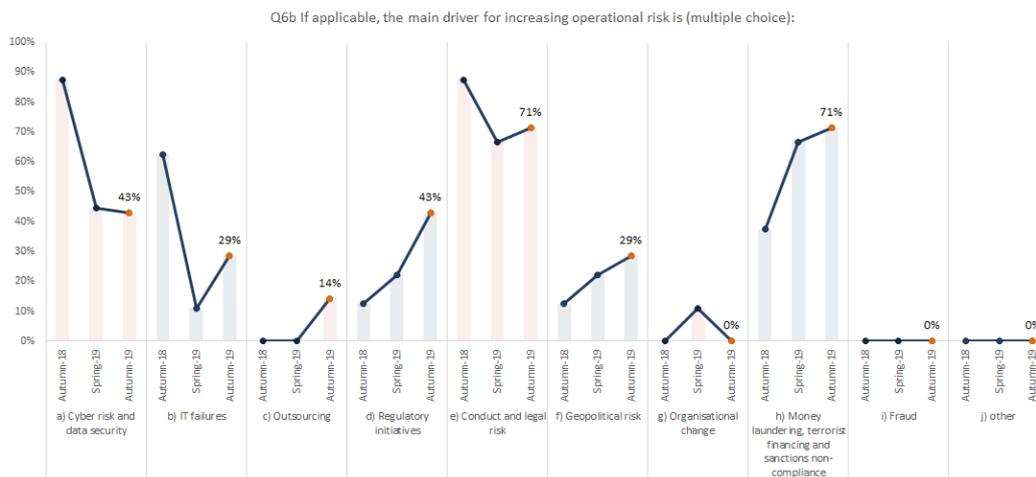
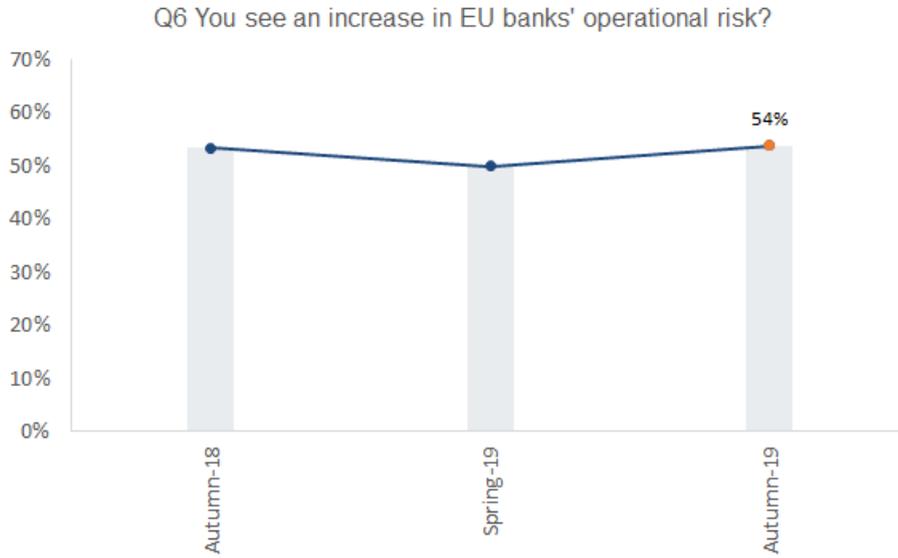
### Question 5: comparison with earlier results



**Question 6: Autumn 2019 results**



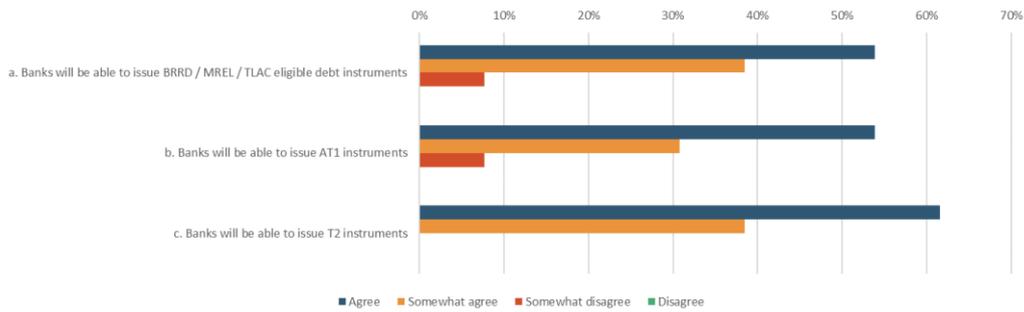
**Question 6: comparison with earlier results**



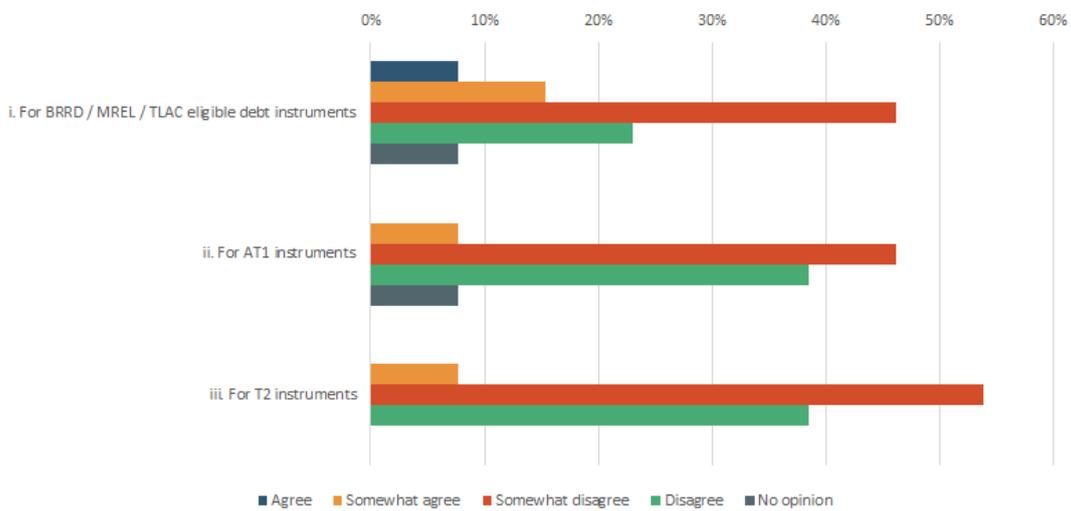
## 2. Funding / liquidity

### Question 7: Autumn 2019 results

Q7 Do you expect that banks will be able to meet their subordinated debt instruments issuance plans during the next 12 months?



Q7b If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?



**Question 7: comparison with earlier results**

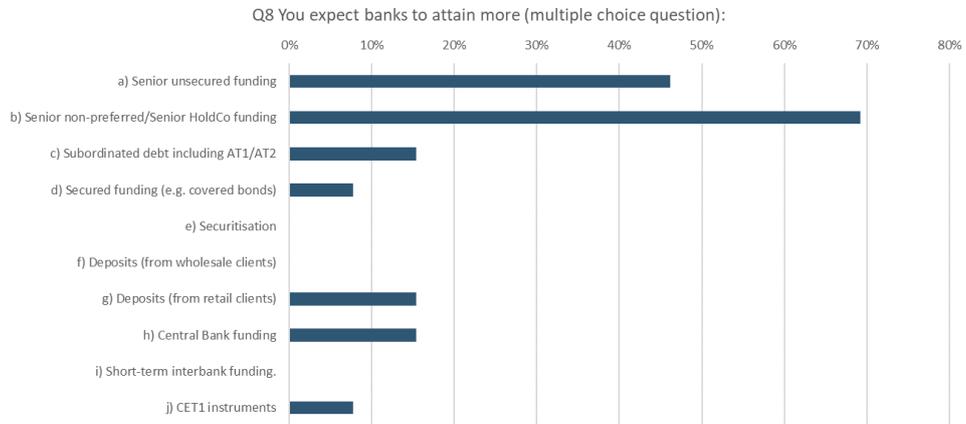
Q7 Do you expect that banks will be able to meet their subordinated debt instruments issuance plans during the next 12 months?



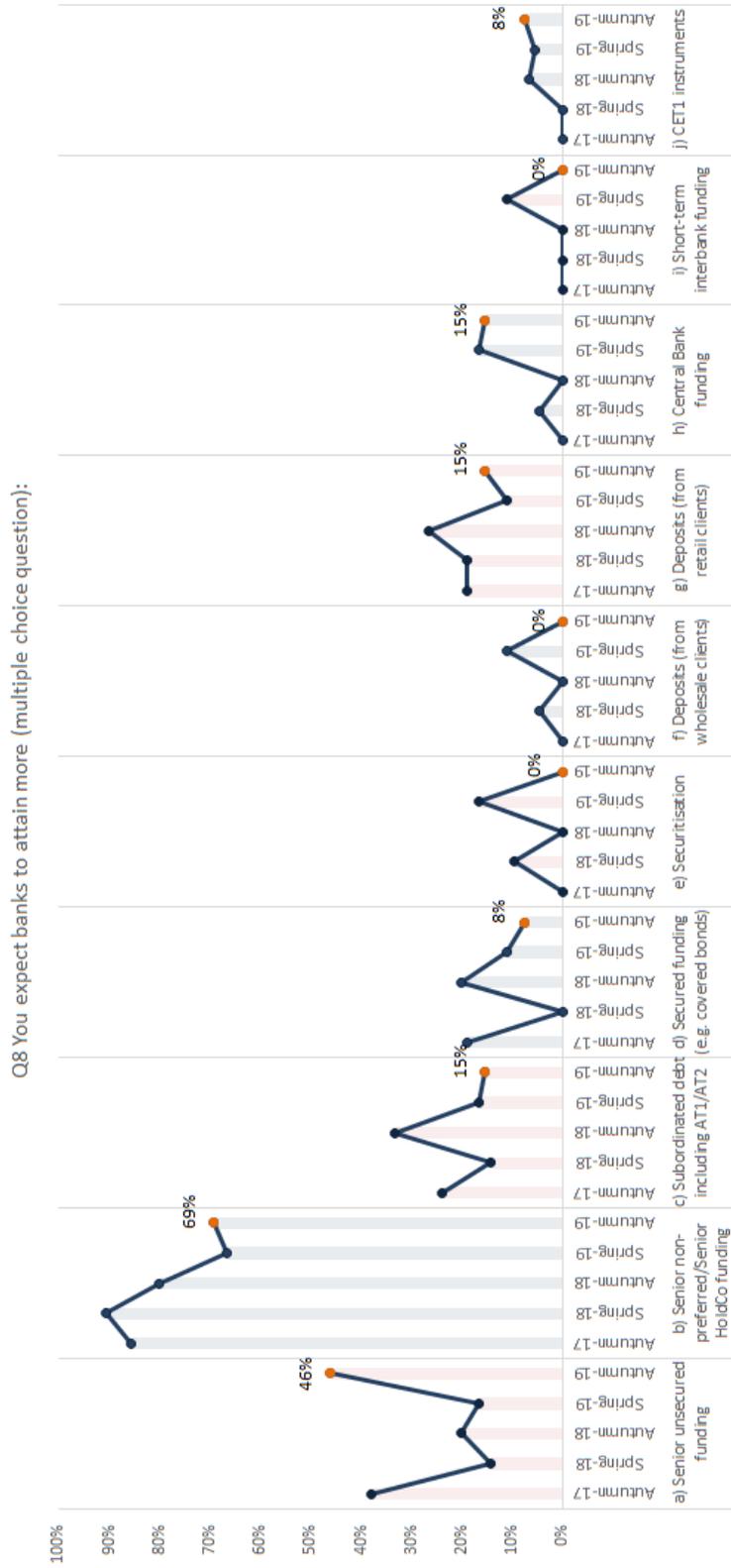
Q7b If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?



**Question 8: Autumn 2019 results**

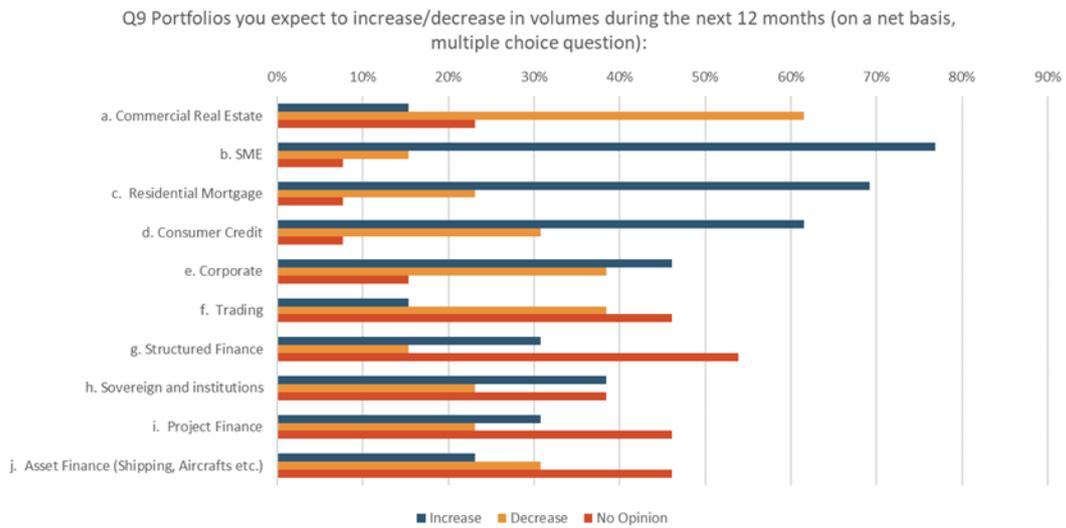


Question 8: comparison with earlier results



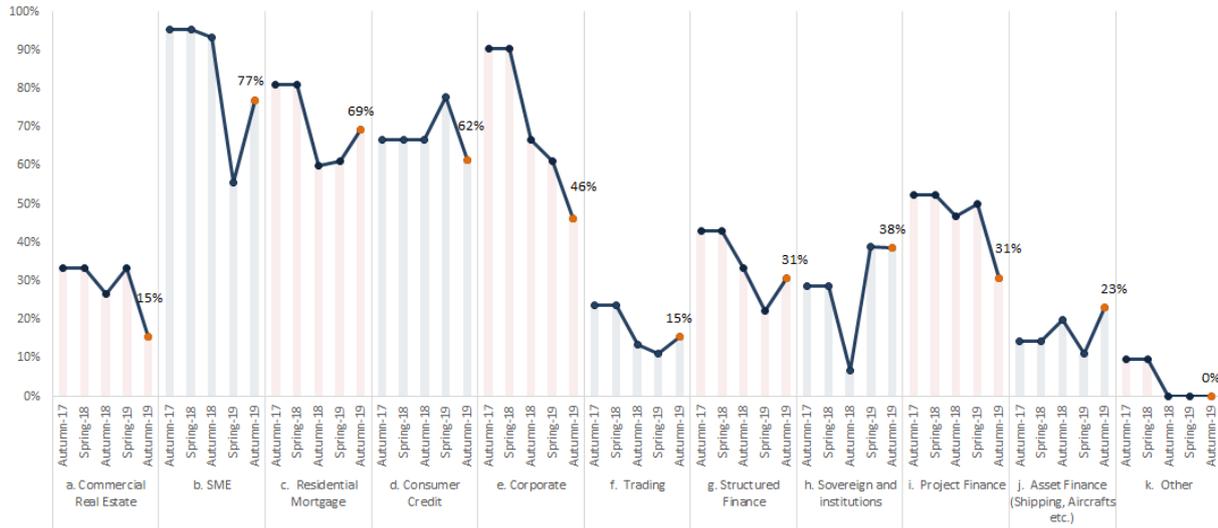
### 3. Asset composition & quality

#### Question 9: Autumn 2019 results

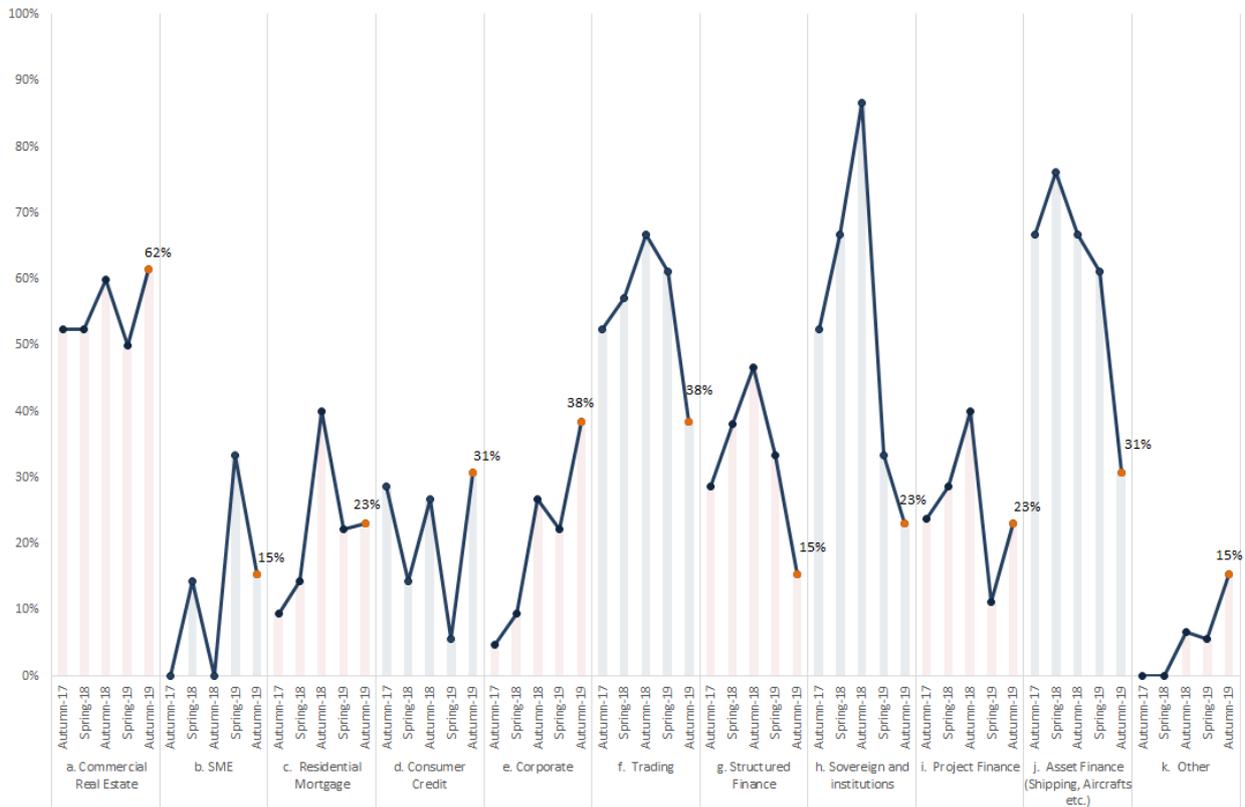


Question 9: comparison with earlier results

Q9a Portfolios you expect to increase in volumes during the next 12 months (on a net basis, multiple choice question):



Q9b Portfolios you expect to decrease in volumes during the next 12 months (on a net basis, multiple choice question):

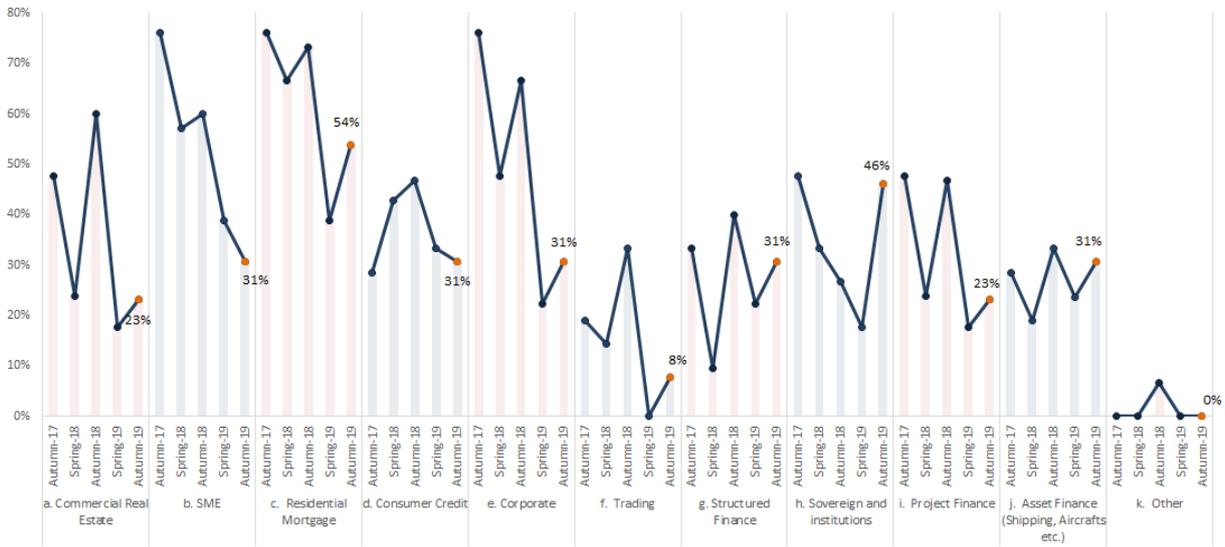


**Question 10: Autumn 2019 results**

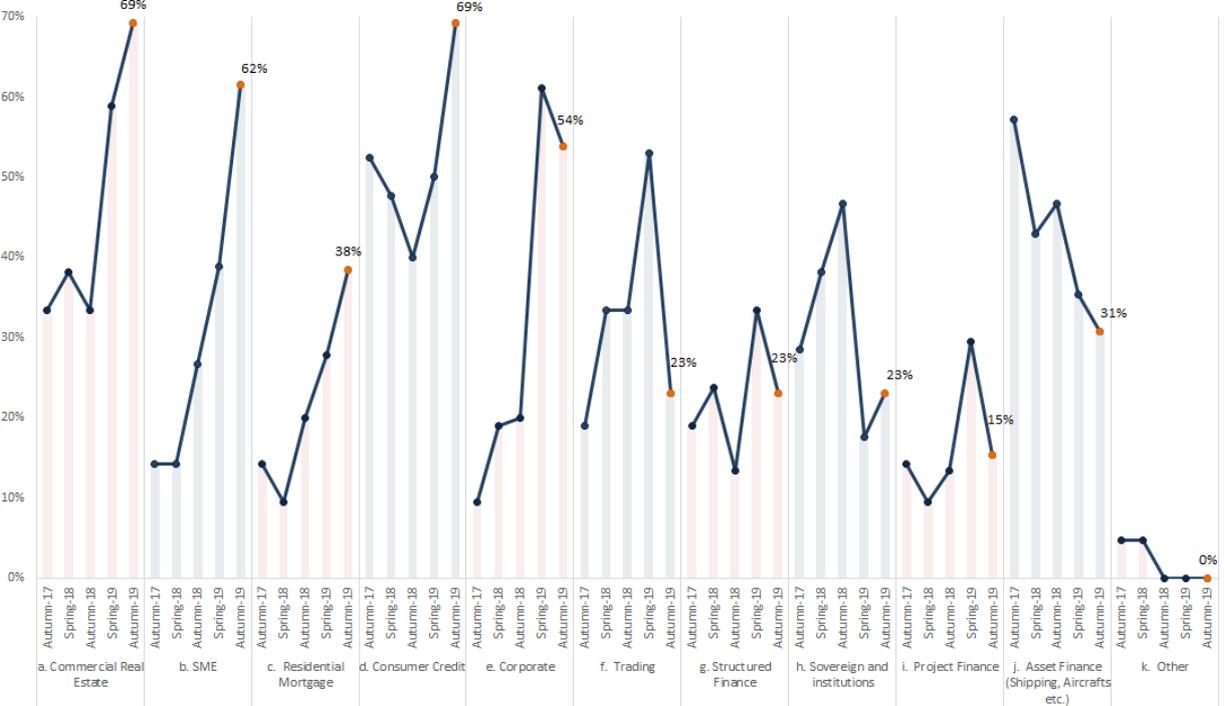


Question 10: comparison with earlier results

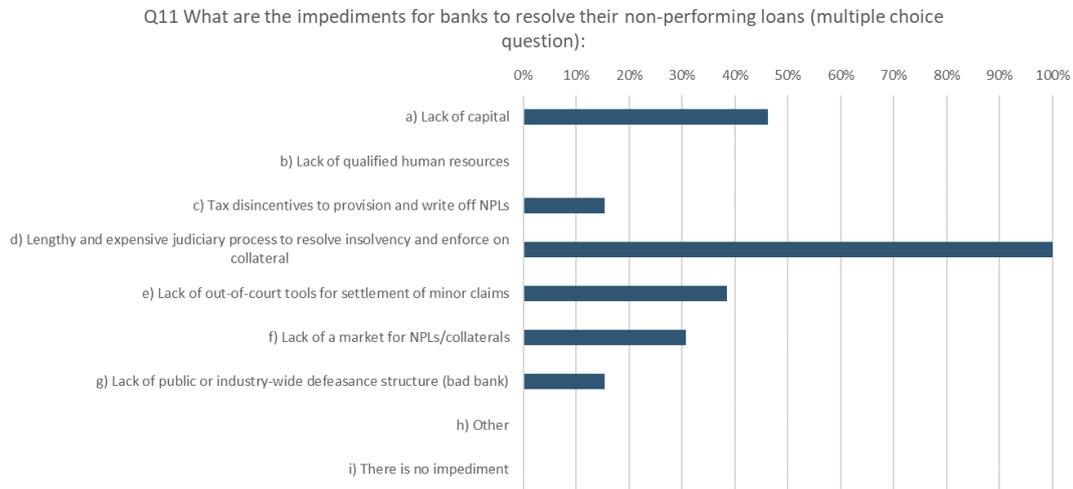
Q10a For which sectors do you expect an improvement in asset quality in the following 12 months?



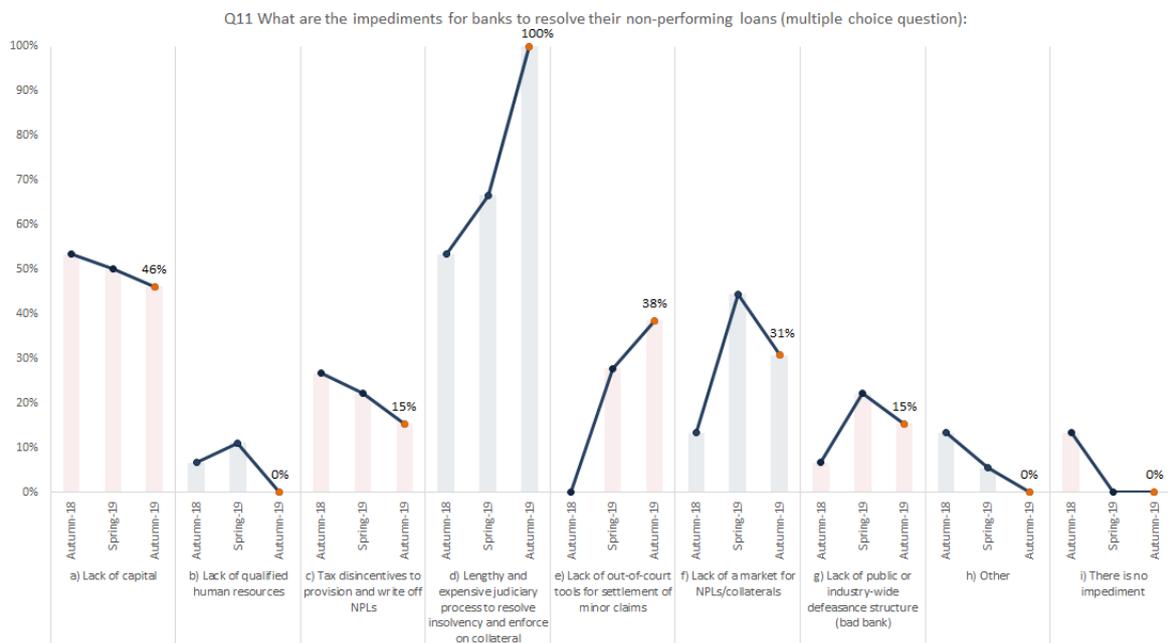
Q10b For which sectors do you expect a deterioration in asset quality in the following 12 months?



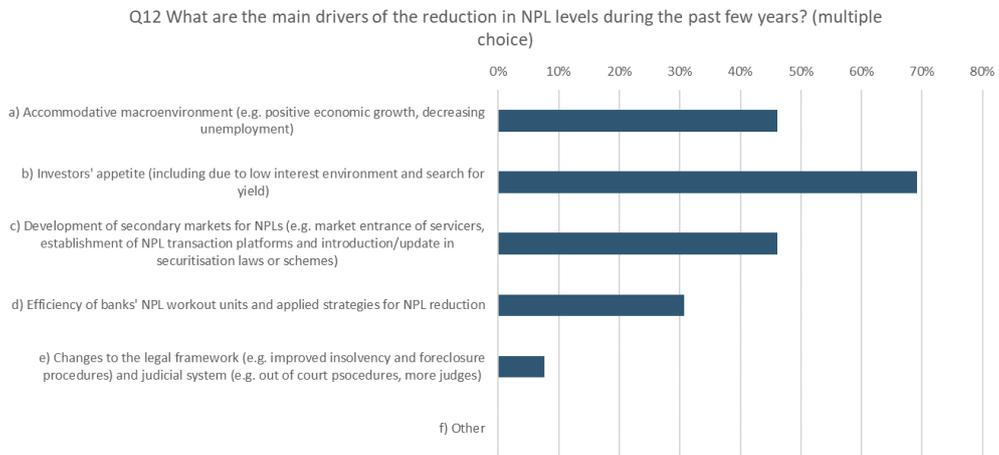
### Question 11: Autumn 2019 results



### Question 11: comparison with earlier results



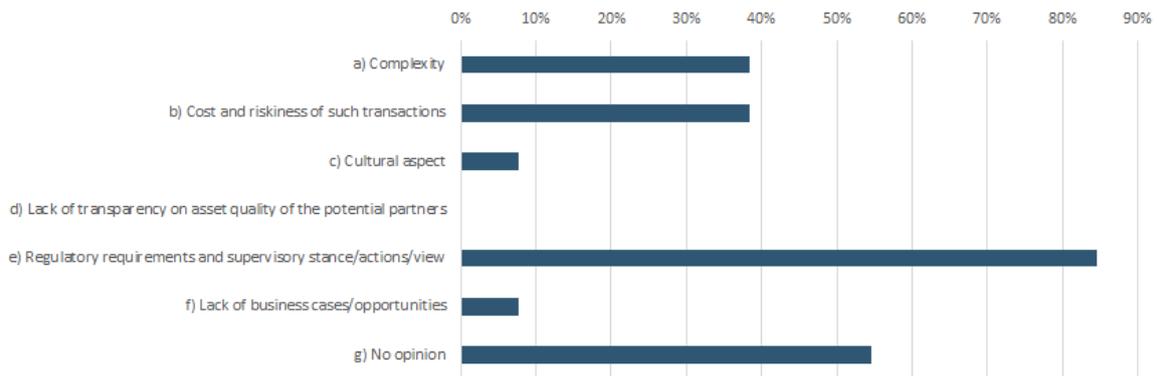
**Question 12: Autumn 2019 results**



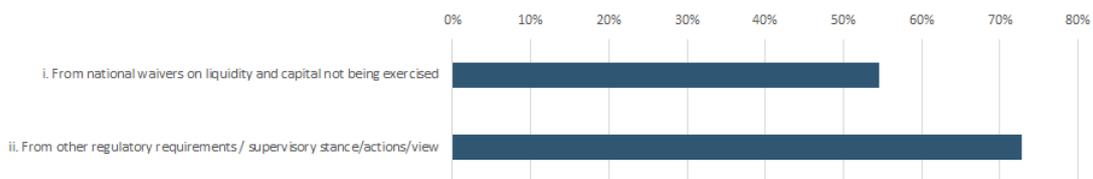
## 4. General Questions

### Question 13: Autumn 2019 results

Q13 What are the main obstacles to M&A (multiple choice question)?

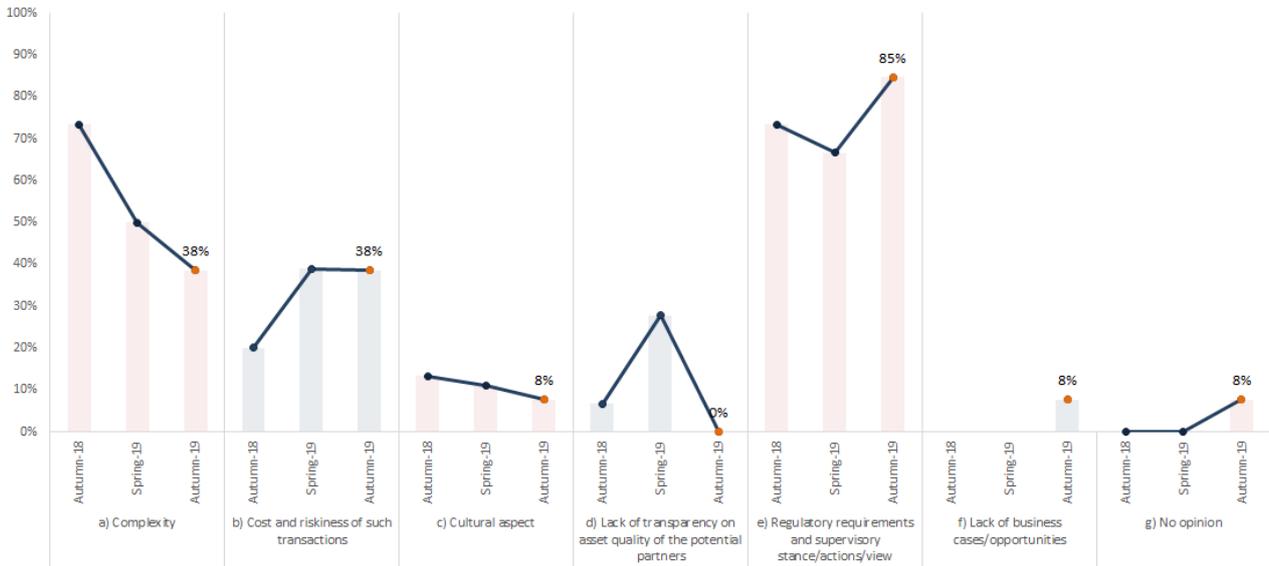


Q13b if you agree with e) Regulatory requirements and supervisory stance/actions/view

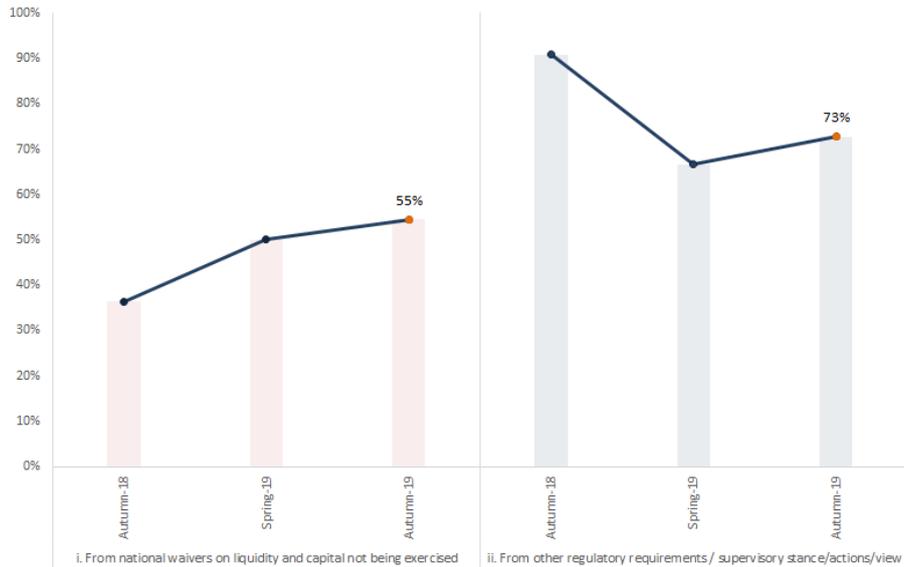


Question 13: Autumn 2019 results

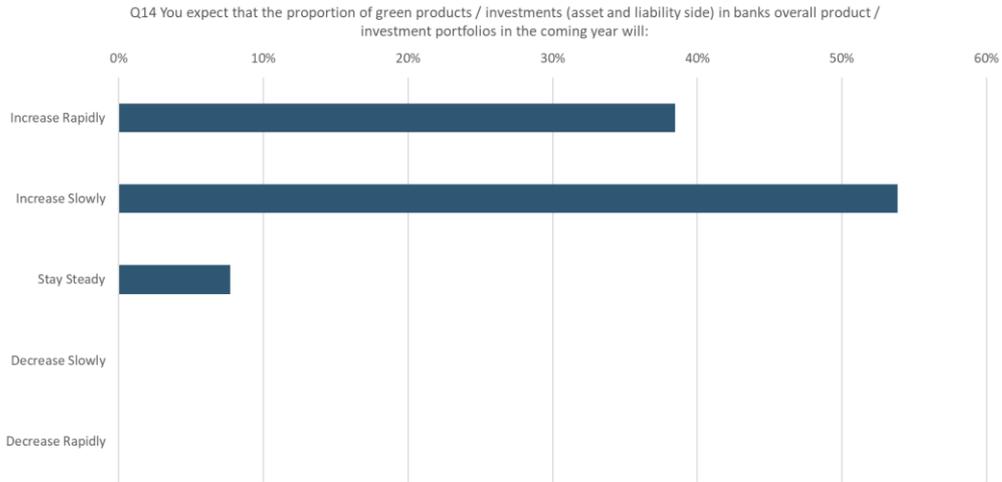
Q13 What are the main obstacles to M&A (multiple choice question)?



Q13b if you agree with e) Regulatory requirements and supervisory stance/actions/view



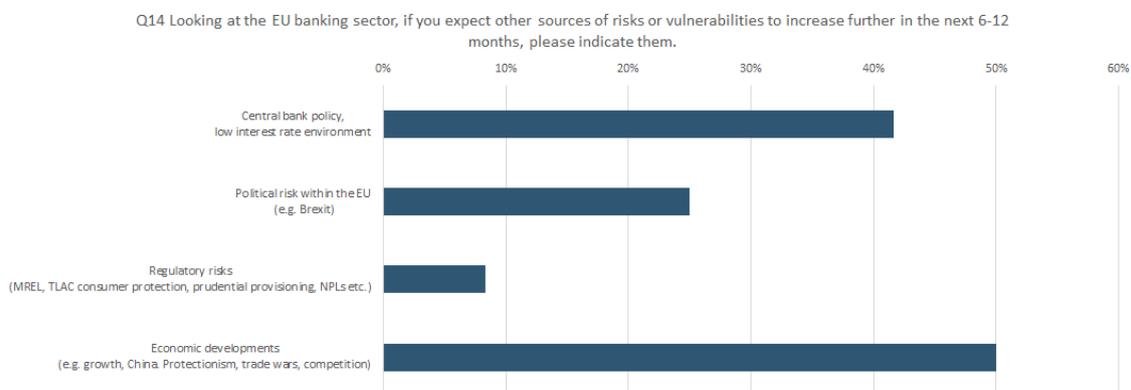
**Question 14: Autumn 2019 results**



**Question 14: comparison with earlier results**



## 5. General open question



# Appendix: Risk Assessment Questionnaire for banks

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[added on the following pages]

# Risk Assessment Questionnaire for Banks

## Autumn 2019

Fields marked with \* are mandatory.

### Respondent information

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\* First Name

\* Last Name

\* Position

\* Division

\* Financial Institution

\* Country

\* Email address

### Business model/strategy/profitability

---

**For the purposes of this survey, business model relates to the business mix underpinning the capacity of a bank to preserve and grow sustainable and predictable risk-adjusted earnings in markets and sectors in which it maintains a material presence. In view of this:**

**\* Q1 You envisage making material changes to your bank's business model going forward.**

- Agree
- Disagree
- No Opinion

If you agree:

- a) Mainly due to increasing competition arising from banking disintermediation (e.g. FinTech, shadow banking, infrastructure finance by insurance companies)
- b) Mainly due to regulatory requirements on resolvability
- c) Mainly due to internal strategies and planning
- d) Mainly due to other reasons not mentioned here

**\* Q2 What are the main obstacles to M&A? (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Complexity
- b) Cost and riskiness of such transactions
- c) Cultural aspects
- d) Lack of transparency on asset quality of the potential partners
- e) Regulatory requirements and supervisory stance/actions/view
- f) Lack of business cases/opportunities
- g) No Opinion

**\* If you agree with e)**

- i. Mainly from national waivers on liquidity and capital not being exercised
- ii. Mainly from other regulatory requirements / supervisory stance/actions/view
- iii. Other

**\* iii. Other please specify**

**\* Q3 Your bank can operate on a longer-term basis with a return on equity (ROE):**

- a) Below 8%.
- b) Between 8% and 10%.
- c) Between 10% and 12%
- d) Between 12% and 14%
- e) Above 14%

**\* Q4 You expect an overall increase in your bank's profitability in the next 6-12 months:**

- Agree
- Somewhat Agree

- Somewhat Disagree
- Disagree
- No Opinion

**Q5 You primarily target this area for increasing profitability in your bank in the next months (ranking according to priority with 1-High Priority and 4-Low Priority):**

	1	2	3	4	N/A
* a) Net interest income	<input type="radio"/>				
* b) Net Fees and Commissions income	<input type="radio"/>				
* c) Other operating income	<input type="radio"/>				
* d) Operating expenses / costs reduction	<input type="radio"/>				
* e) Impairments	<input type="radio"/>				
* f) Other	<input type="radio"/>				

**\* If you rank b) with (1) or (2), what is the main area to increase net fees and commission income? (please do not agree with more than 2 options)**

*at most 2 choice(s)*

- i. From payment services
- ii. From asset management services
- iii. From insurance products
- iv. Investment banking fees
- v. Other

**\* Q6 You primarily aim to reduce operating expenses / costs through (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Overhead and staff costs reduction
- b) Outsourcing
- c) Off-shoring or near-shoring
- d) Reducing business activities
- e) Increasing automatisisation and digitilisation
- f) Other

**\* Q7 Are you considering M&A as a mean to improve profitability?**

- a) Yes
- b) No
- c) No Opinion

**\* If you agree with option a) are you potentially considering M&A transactions with/of:**

*at least 1 choice(s)*

- i) Domestic credit institutions
- ii) Other EU/EEA credit institutions

- iii) Credit institutions based outside the EU/EEA
- iv) Fintech companies
- v) Others

**\* Q8 Your current earnings are covering the cost of equity (CoE):**

- Agree
- Disagree
- No Opinion

**\* Q9 You estimate your CoE at:**

- a) Below 6%
- b) Between 6% and 8%
- c) Between 8% and 10%
- d) Between 10% and 12%
- e) Above 12%

**\* Q10 Do you expect material adverse implications for your bank's business from current political and economic developments?**

- Agree
- Disagree
- No Opinion

**\* If you agree: which are the current international developments that mainly affect your bank's business (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Brexit
- b) Economic and political challenges in EU member states
- c) Potential adverse developments in emerging market economies
- d) Resurgence of global protectionism
- e) Other adverse international trends
- g) Monetary policy of major central banks (e.g. ECB, Fed, BoE)

**Q11 How have you responded / are you aiming to respond to current and future risks related to the UK withdrawal from the EU (Brexit)?**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
* a) Relocation of business activities to the EU	<input type="radio"/>				
* b) To establish new subsidiary or branch in the UK or EU	<input type="radio"/>				
* c) Reduce exposure to UK counterparties	<input type="radio"/>				

* d) Diversifying access to funding and becoming less reliant on UK wholesale funding market	<input type="radio"/>				
* e) Re-papering existing contract (including derivatives) to EU entities	<input type="radio"/>				
* f) Ensuring access to EU-based financial market infrastructures, including moving derivatives clearing to EU-based CCPs	<input type="radio"/>				
* g) Issue MREL eligible liabilities under the EU law or with contractual bail-in clauses	<input type="radio"/>				
* h) Other	<input type="radio"/>				

\* If h) please explain

**Q12 Preparations in view of the replacements of IBOR based reference rates and implementation of alternative risk free reference rates:**

\* a) Your bank is working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBORs etc.).

- Agree
- Disagree
- No Opinion

\* If you agree: In which areas is your bank working on such solutions:

- i. Related to new business (e.g. issuance of new funding instruments with variable rates referring to new / alternative risk free rates)
- ii. Related to existing business (e.g. preparing the change of existing contracts, replacing existing IBOR references to alternative ones)
- iii. Related to the bank's internal operations, capabilities and systems (e.g. valuation models)

**b) In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of IBOR replacements?**

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	No Opinion
* i. Related to existing business on the asset side (e.g. variable rate loans)	<input type="radio"/>				
* ii. Related to existing funding (e.g. debt securities issued with variable rates)	<input type="radio"/>				

* iii. Related to other existing instruments / business (e.g. derivatives)	<input type="radio"/>				
* iv. Related to new business (e.g. newly issued debt securities, variable rate loans or derivatives)	<input type="radio"/>				
* v. Related to changes in the bank's internal operations, capabilities and systems (e.g. valuation models)	<input type="radio"/>				
* vi. Do not see any big challenges / big risks related to the IBOR replacements.	<input type="radio"/>				

## Funding/liquidity

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**\* Q13 You intend to attain more (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Senior unsecured funding
- b) Senior non-preferred / Senior HoldCo funding
- c) Subordinated debt including AT1/T2
- d) Secured funding (covered bonds)
- e) Securitisations
- f) Deposits (from wholesale clients)
- g) Deposits (from retail clients)
- h) Central Bank funding
- i) Short-term interbank funding
- j) CET1 instruments
- k) Not applicable

**\* Q14 Which are the main constraints to issue subordinated instruments eligible for MREL (please do not agree with more than 2 options)?**

*at most 2 choice(s)*

- a) Pricing (e.g. spread between MREL-eligible and MREL-ineligible instruments)
- b) No sufficient investor demand (e.g. these instruments are not attractive in risk-return considerations)
- c) No sufficient investor demand (due to regulatory and supervisory uncertainty)
- d) Uncertainty on required MREL amounts
- e) Uncertainty on eligibility of instruments for MREL
- f) There are no constraints

## Asset volume trends

---

**Q15 Which portfolios do you plan to increase/decrease in volume during the next 12 months?**

	Increase	Decrease	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Asset composition & quality

---

**Q16 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?**

	Improve	Deteriorate	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* Q17 What are your most commonly applied strategies for NPL reduction (please do not agree with more than 2 options)?**

*at most 2 choice(s)*

- a) Hold and forbearance based strategies (i.e. holding NPLs and applying suitable workout strategies and forbearance options)
- b) Active portfolio reductions: sales (e.g. NPL portfolio transactions)
- c) Active portfolio reductions: NPL securitisations
- d) Change of type of exposure or collateral (e.g. foreclosure, debt to equity / debt to asset swaps, collateral substitution)
- e) Legal options (e.g. insolvency proceedings, out-of-court solutions)

**\* Q18 What are the main impediments to resolve non-performing loans (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Lack of capital
- b) Lack of qualified human resources
- c) Tax incentives to provision and write off NPLs
- d) Inefficient legal framework and judiciary process to resolve insolvency and enforce on collateral
- e) Lack of out-of-court tools for settlement of minor claims
- f) Lack of market for NPLs/collaterals
- g) Lack of public or industry-wide defeasance structure (bad bank)
- h) Other
- i) There is no impediment

**\* d) Inefficient legal framework and judiciary process to resolve insolvency and enforce on collateral**

*at most 2 choice(s)*

- i) Mainly due to lengthy duration (due to rules allowing postponement or delay of enforcing collateral)
- ii) Mainly due to complexity of the process
- iii) Mainly due to expensive proceedings (also due to lack of out-of-court tools)
- iv) Mainly due to rules allowing postponement or delay of enforcing collateral
- v) Other

**\* Q19 What are the main drivers of the reduction in NPL levels during the past few years? (please do not agree with more than 2 options)**

*at most 2 choice(s)*

- a) Accommodative macroenvironment (e.g. positive economic growth, decreasing unemployment)
- b) Investors' appetite (including due to low interest rate environment and search for yield)
- c) Development of secondary markets for NPLs (e.g. market entrance of servicers, establishment of NPL transaction platforms and introduction/update in securitisation laws or schemes)
- d) Efficiency of banks' NPL workout units and applied strategies for NPL reduction
- e) Changes to the legal framework (e.g. improved insolvency and foreclosure procedures) and judicial system (e.g. out of court procedures, more judges)
- f) Other

**\* Q20 Since the end of the Financial Year 2007/8, your firm has paid out in the form of compensation, redress, litigation and similar payments [converted to EUR] an aggregate amount of:**

- a) Below EUR 100m.
- b) Between EUR 100m and EUR 500m.
- c) Between EUR 500m and EUR 1bn.
- d) Between EUR 1bn and EUR 5bn.
- e) Between EUR 5bn and EUR 10bn.
- f) Between EUR 10bn and EUR 20bn.
- g) More than EUR 20bn

**\* Q21 Looking at your bank, you expect litigation and misconduct costs in the next 6-12 months**

- a) To be heightened
- b) To stay at current levels
- c) To decrease

**\* Q22 You see an increase in operational risk in your bank.**

- Agree
- Disagree
- No Opinion

**\* If applicable, the main driver for increasing operational risk is (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Cyber risk and data security
- b) IT failures
- c) Outsourcing
- d) Regulatory initiatives
- e) Conduct and legal risk
- f) Geopolitical risk
- g) Organisational change
- h) Money laundering, terrorist financing and sanctions non-compliance
- i) Fraud
- j) Other

## FinTech

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**\*Please note that for the purposes of this questionnaire FinTech is defined as ‘Technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services’ (Financial Stability Board).**

**Q23 What is your current form of engagement with FinTech\*?**

	Agree	Disagree	No opinion
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* a) You form commercial partnerships (e.g. joint ventures) with non-bank Fintech firms/start-ups to offer new products/services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) You directly/indirectly invest in FinTech (e.g. venture capital): (1) digital-only/challenger banks (2) non-bank Fintech firms/start-ups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) You launched a stand-alone digital-only bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) You develop own products/services in-house using new technologies without cooperating with non-bank Fintech firms/start-ups	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) You set-up/sponsor FinTech incubators/accelerators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q24 Please indicate the amount spent (as %) in 2018 on the following:**

- \* a) Investment in non-bank FinTech firms/start-ups (e.g. acquisitions, participations, venture capital) - as a % of total equity investments

*Only values of at least 0 are allowed*

 %

- \* b(1). Total IT spending (e.g. IT upgrade/maintenance, automation, innovation) - as a % of 'Other administrative expenses' reported in FINREP F02.00 (row 380)

 %

- \* b) 2). What proportion of b(1) was allocated to digital innovation/new technologies?

 %

**Q25 What is the level of involvement of your institution with the application of the following technologies?**

	In use / launched	Pilot testing	Under development	Under discussion	No activity
* a) Cloud computing	<input type="radio"/>				
* b) Digital/Mobile wallets	<input type="radio"/>				
* c) Distributed Ledger Technology	<input type="radio"/>				
* d) Big Data analytics (defined as the use of advanced analytic techniques such as machine learning, against very large, diverse data sets from different sources, and in different sizes.)	<input type="radio"/>				
* e) Biometrics	<input type="radio"/>				

* f) Artificial Intelligence (including machine learning and natural language processing)	<input type="radio"/>				
* g) Smart contracts	<input type="radio"/>				

## Sustainable Finance

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**\* Q26 Do you currently offer or plan to develop products and services based on:**

- a) Green mortgages and energy-efficient mortgages
- b) Green commercial building loans
- c) Green car loans, e.g. preferential loans to encourage the purchase of cars that demonstrate high fuel efficiency
- d) Green cards, e.g. debit and credit cards linked to environmental activities
- e) Other types of green loans for retail customers
- f) Not applicable

**\* Q27 Have you already issued a green bond?**

- Yes
- No

**\* Q27a If yes, what are the main reasons? (please do not select more than 2 options)?**

*at most 2 choice(s)*

- a) Attracting new and/or diversified investors
- b) Pricing advantage
- c) Reputational benefits
- d) Other

**\* Q27b If yes, in which form?**

- a. Green securitisation bond
- b. Green covered bond
- c. Ordinary Green bond

**\* Q27a If not, what are the main reasons? (please do not agree with more than 2 options)?**

*at most 2 choice(s)*

- a) lack of definition of what is green
- b) insufficient transparency and data quality issue
- c) increased costs and no pricing advantage in green bonds
- d) lack of investor appetite
- e) other

## General issues

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**Q28 Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities.**

# Appendix: Risk Assessment Questionnaire for market analysts

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[added on the following pages]

# Risk Assessment Questionnaire for Market Analysts

## Autumn 2019

Fields marked with \* are mandatory.

### Respondent information

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\* First Name

\* Last Name

\* Position

\* Division

\* Company

\* Email address

Please select your choice for every box.

Your response should reflect the degree of agreement to the statement made.

### A. Business model/strategy/profitability

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**Q1 Short term earnings expectations for banks are:**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
* a) Overall profitability will improve	<input type="radio"/>				
* b) Overall cost efficiency will improve	<input type="radio"/>				
* c) Total revenues will increase	<input type="radio"/>				
* d) Net interest margin will increase	<input type="radio"/>				
* e) Provisions/Impairments will increase	<input type="radio"/>				
* f) No change expected in any of the above categories	<input type="radio"/>				

**\* Q2 The current market sentiment for banks is positively influenced by the following factors (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Adjustments in business models and strategies with expectations of effective delivery
- b) Improved risk metrics for banks (capital, funding, liquidity, asset quality).
- c) Stronger earnings
- d) Changing governance and risk culture (incl. lower risk appetite)
- e) Improved market sentiment due to regulatory and policy steps (QE, ESM, banking union, finalisation of Basel III, etc.) adjusting downward tail risk.
- f) Regulatory easing through competition between countries / regions
- g) Expectation of increasing benchmark interest rates
- h) More transparency and visibility in banks' financial disclosures, such as Pillar 3
- i) Macroeconomic fundamentals

**\* Q3 The current market sentiment for banks is negatively influenced by the following factors (please do not agree with more than 4 options):**

*at most 4 choice(s)*

- a) Monetary policy divergence between the EU and other countries
- b) Monetary policy trends in the EU
- c) Emerging market risks (e.g. fast decrease in asset quality, higher volatility of asset and FX markets in emerging countries, capital outflows)
- d) IT/cyber risks
- e) Litigation risks of banks
- f) Decreasing market liquidity
- g) Risks of increasing volatility, e.g. in FX and financial markets
- h) Asset re-pricing
- i) Re-emergence of the Eurozone crisis
- j) Regulatory and supervisory uncertainty: risk weights for credit, market and operational risks, TRIM and similar effects, BRDD/MREL/TLAC
- k) Regulatory easing through competition between countries / regions

- l) Commodity and energy prices / markets
- m) Geopolitical risks and political uncertainty in the EU (finalisation of the Banking Union, regional independence etc.)
- n) Geopolitical risks and political uncertainty outside the EU (incl. resurgence of protectionism, currency tensions, elections, political instability, conflicts or standstill in emerging and developed countries)
- o) Uncertainties about the implications of the UK's decision to leave the EU

**\* Q4 Do you expect negative implications on the European Banking Sector due to the uncertainties about future relations between the EU 27 and the UK?**

- Yes
- No
- No Opinion

**\* Q5 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:**

- Agree
- Disagree
- No Opinion

**\* Q6 You see an increase in EU banks' operational risk.**

- Agree
- Disagree
- No Opinion

**\* If applicable, the main driver for increasing operational risk is (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Cyber risk and data security
- b) IT failures
- c) Outsourcing
- d) Regulatory initiatives
- e) Conduct and legal risk
- f) Geopolitical risk
- g) Organisational change
- h) Money laundering, terrorist financing and sanctions non-compliance
- i) Fraud
- j) Other

## B. Funding/liquidity

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**Q7 Do you expect that banks will be able to meet their subordinated debt instruments issuance plans during the next 12 months?**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
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* a) Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments	<input type="radio"/>				
* b) Banks will be able to issue AT1 instruments	<input type="radio"/>				
* c) Banks will be able to issue T2 instruments	<input type="radio"/>				

**If you agree or somewhat agree with above: Do you expect increasing costs for such issuances compared to last year?**

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
i) for BRRD / MREL / TLAC eligible debt instruments	<input type="radio"/>				
ii) for AT1 instruments	<input type="radio"/>				
iii) for T2 instruments	<input type="radio"/>				

**\* Q8 You expect banks to attain more (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Senior unsecured funding
- b) Senior non-preferred/Senior HoldCo funding
- c) Subordinated debt including AT1/AT2
- d) Secured funding (e.g. covered bonds)
- e) Securitisation
- f) Deposits (from wholesale clients)
- g) Deposits (from retail clients)
- h) Central Bank funding
- i) Short-term interbank funding.
- j) CET1 instruments
- k) Not applicable

## C. Asset composition & quality

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**Q9 Portfolios you expect to increase/decrease in volumes during the next 12 months (on a net basis):**

*at least 11 answered row(s)*

	Increase	Decrease	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Q10 For which sectors do you expect an improvement/deterioration in asset quality in the following 12 months?**

*at least 11 answered row(s)*

	Improvement	Deterioration	No Opinion
* a) Commercial Real Estate (including all types of real estate developments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* b) SME	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* c) Residential Mortgage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* d) Consumer Credit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* e) Corporate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* f) Trading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* g) Structured Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* h) Sovereign and institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* i) Project Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* j) Asset Finance (Shipping, Aircrafts etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* k) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* Q11 What are the impediments for banks to resolve their non-performing loans (please do not agree with more than 3 options):**

*at most 3 choice(s)*

- a) Lack of capital
- b) Lack of qualified human resources
- c) Tax disincentives to provision and write off NPLs
- d) Lengthy and expensive judiciary process to resolve insolvency and enforce on collateral

- e) Lack of out-of-court tools for settlement of minor claims
- f) Lack of a market for NPLs/collaterals
- g) Lack of public or industry-wide defeasance structure (bad bank)
- h) Other
- i) There is no impediment

**if h) Other: please provide the key impediments**

**\* Q12 What are the main drivers of the reduction in NPL levels during the past few years? (please do not agree with more than 2 options)**

*at most 2 choice(s)*

- a) Accommodative macroenvironment (e.g. positive economic growth, decreasing unemployment)
- b) Investors' appetite (including due to low interest environment and search for yield)
- c) Development of secondary markets for NPLs (e.g. market entrance of servicers, establishment of NPL transaction platforms and introduction/update in securitisation laws or schemes)
- d) Efficiency of banks' NPL workout units and applied strategies for NPL reduction
- e) Changes to the legal framework (e.g. improved insolvency and foreclosure procedures) and judicial system (e.g. out of court procedures more judges)
- f) No opinion

## General Questions

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**\* Q13 What are the main obstacles to M&A for banks (please do not agree with more than 2 options):**

*at most 2 choice(s)*

- a) Complexity
- b) Cost and riskiness of such transactions
- c) Cultural aspect
- d) Lack of transparency on asset quality of the potential partners
- e) Regulatory requirements and supervisory stance/actions/view
- f) Lack of business cases/opportunities
- g) No opinion

**\* If you agree with e):**

- i) Mainly from national waivers on liquidity and capital not being exercised
- ii) Mainly from other regulatory requirements / supervisory stance/actions/view
- iii) other

**\* Q14 You expect that the proportion of green products / investments (asset and liability side) in banks' overall product / investment portfolios in the coming year will:**

- Increase Rapidly
- Increase Slowly
- Stay Steady
- Decrease Slowly
- Decrease Rapidly

**\* Q15 Looking at the EU banking sector, you expect other sources of risk or vulnerabilities to increase further in the next 6-12 months. Please indicate possible additional sources of risks and vulnerabilities.**



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