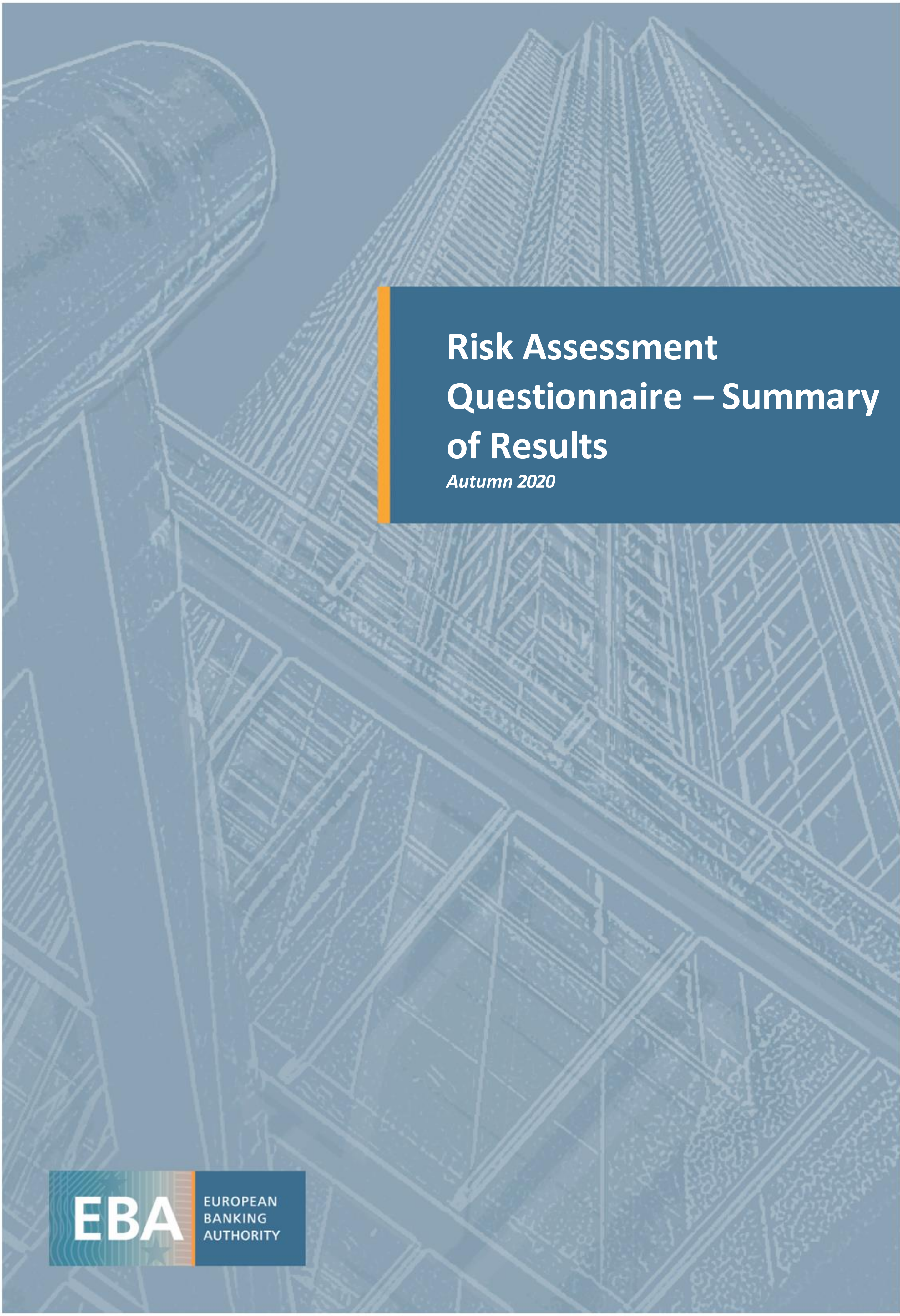


Risk Assessment Questionnaire – Summary of Results

Autumn 2020

EBA EUROPEAN BANKING AUTHORITY

Contents

Introduction

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 2020, in which 60 banks and 15 market analysts submitted their answers. Results of the survey were received in September. The RAQ results are published together with the EBA's quarterly Risk Dashboard (Q3 2020).

The results of the survey are presented in an aggregated 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

Summary of the main results

The outbreak of COVID-19 resulted in heightened uncertainty, which presumably affects the submission of responses to this survey. Therefore, the responses and their historical comparison should be interpreted with great caution.

Business model / strategy / profitability

- **Banks expect profitability to further worsen in the following months. Despite anyhow low profitability reported in the last quarters,** less than 50% of the banks **expect their profits to increase** in the next 6-12 months. Analysts expect short term earnings to be affected by both increasing provisions, as well as pressure on net interest margins (between 50 and 60% for both). *(Question 3 for banks and Question 1 for market analysts)*

- **Banks target reductions in operating expenses as a way to increase profitability.** Around 50% of the banks indicated that a reduction in costs is a high priority area to increase profitability, while less than 40% focuses on fees and commission income. In line with previous surveys, automatisation and digitalisation are identified as the main areas to achieve a reduction in operating costs (close to 100%), followed by overhead and staff reduction (more than 80%). *(Questions 4 and 5 for banks)*

- **Around 50% of the banks estimate their cost of equity is between 8-10%. Yet only 35% of the banks agree that their current earnings cover their cost of equity, significantly down from around 60% in the previous surveys.** The majority of banks responded they are considering (or have considered) mergers and acquisitions (M&A; around 55%). Of these, banks primarily consider domestic rather than cross-border transaction (nearly 80%). On the key drivers for the current market sentiment analysts particularly point to the pandemic (more than 90%), while monetary policy trends in the EU are the second most important negative factor (around 60%). *(Question 1, 6, 7 for banks and Question 3 for market analysts)*

Funding / liquidity

- **Focusing on the next 12 months, banks intend to attain mainly more senior unsecured and senior non-preferred and senior holdco debt** (close to 50% of respondents for both categories). A rising share of banks also intend to issue subordinated debt including AT1/T2 (around 30%), while banks also reported an increased reliance on central bank funding, up to nearly 20% from 0% in autumn 2019. Similarly, analysts expect banks to increase their central bank funding and subordinate debt issuances (both around 50%). (*Question 10 for banks and Question 6 for market analysts)*

- Banks identify the main constraint to issue MREL eligible instruments is the pricing (more than 50%), which is at similar levels compared to previous questionnaires. *(Question 11 for banks)*

Asset volume trends and asset quality

- **Following an already notable rise in the number of banks expecting a deterioration in asset quality in spring, their share even further increased.** In particular, more than 75% of banks expect worsening in the asset quality of corporate portfolios (including SMEs and CREs), as well as to consumer credit. These shares are substantially higher than in the previous survey (around 50% in spring 2020). However, close to 60% of the banks still plan to further increase their exposures towards SMEs and residential mortgages. Furthermore, more than 60% of the banks indicate their cost of risk estimation for the current financial year will not exceed 100bps. In contrast, most of the analysts expect banks' cost of risk to be in the range of 100-150bps. *(Question 15 and 16 for banks, Question 9 for analysts)*

Conduct, reputation and operational risk

- **Close to 60% of the banks see an increase in operational risk**. Yet, this is slightly decreased from the previous survey. Banks indicate that extension of remote working for staff (more than 90%) as well as the strengthening of related infrastructure (including the strengthening of cyber-security levels) were the key reactions to the COVID-19 crisis (slightly more than 80%). Banks also suggest that enhanced teleworking arrangements will probably remain in place in the long-term (around 80%) and they expect increased spending on digital innovation and new technologies in order to attract new business channels (around 60% planning a significant or slight increase of respective spending). Banks seem to be less willing to increase their investments in non-bank FinTechs or startups (around 15% planning a significant or slight increase of respective spending). *(Question 19, 20, 21 and 23 for banks)*

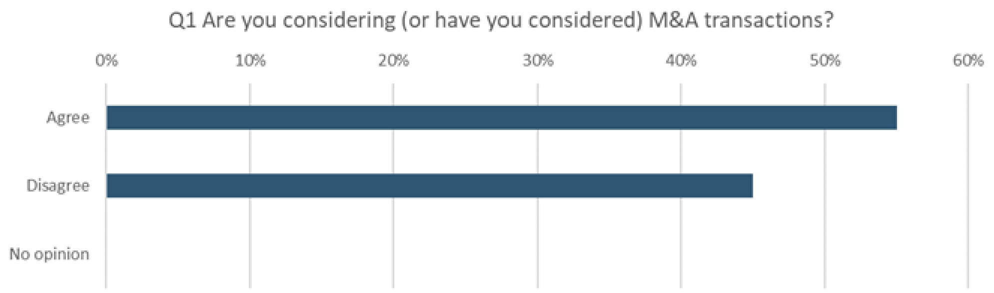
General open question

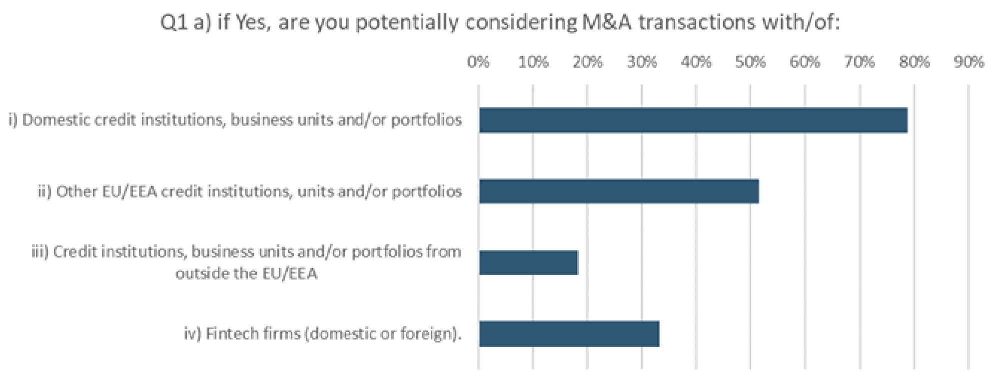
- In the open question on risks looking ahead, **banks and analysts highlight the challenges posed by the Covid-19 pandemic.** Overall, respondents are mainly concerned about the increased uncertainty and the possible slowdown of economic activity. In addition, banks are particularly concerned on the impact of COVID-19 on asset quality and cost of risk. Other factors mentioned by banks were the low interest rate environment, political risks (e.g. Brexit developments and trade tensions) as well as increasing sovereign debt. *(Question 31 for banks)*

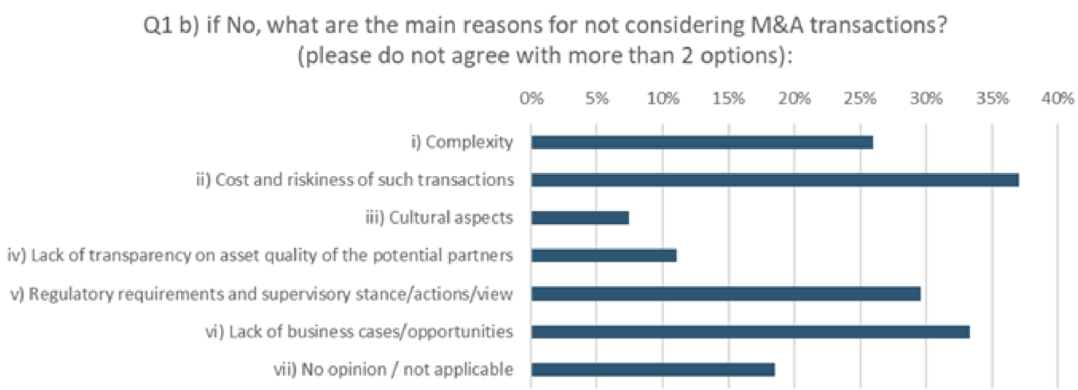
Banks' questionnaire

1. Business model / strategy / profitability

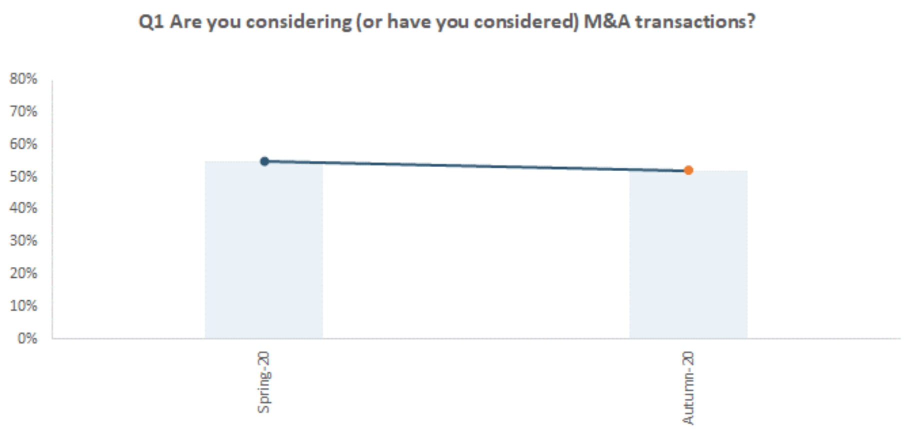
Question 1: Autumn 2020 results

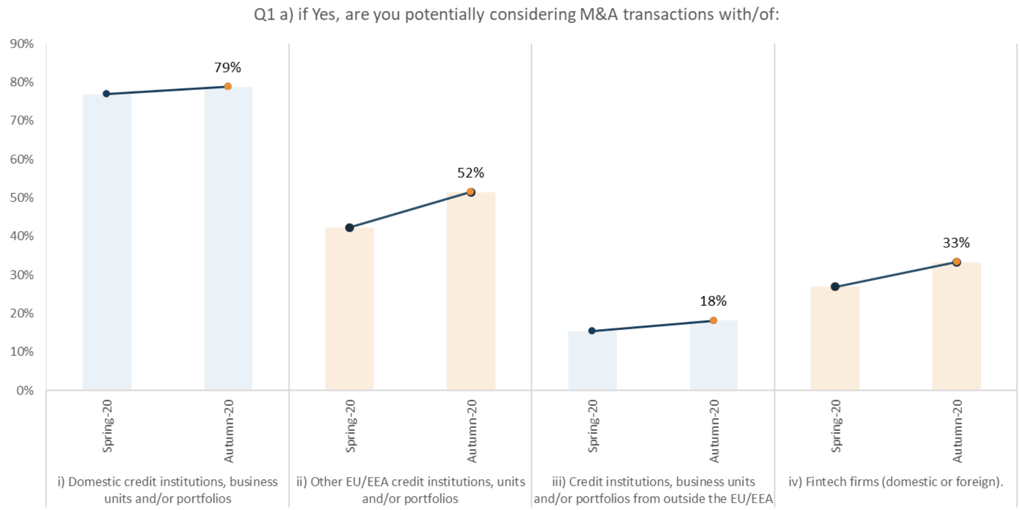


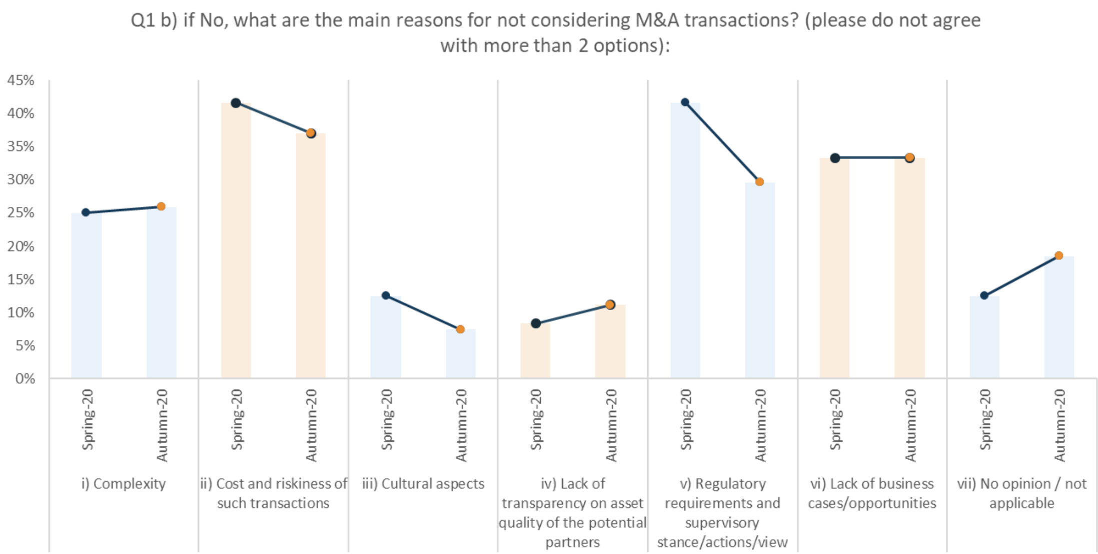




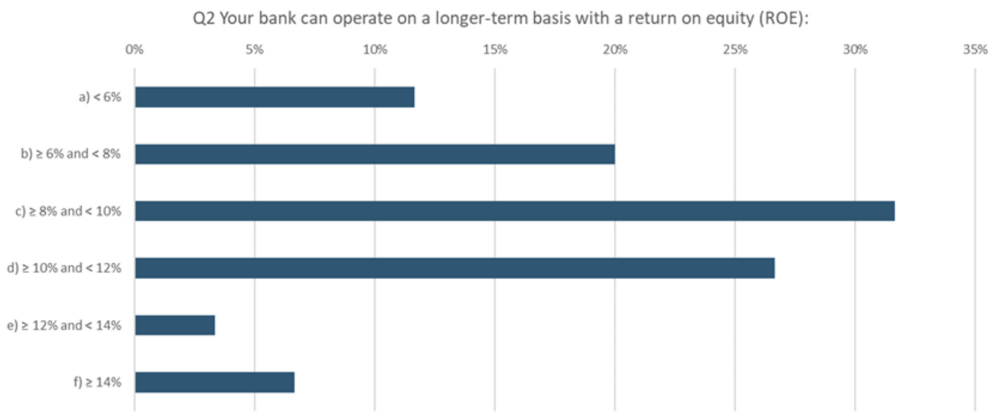
Question 1: Comparison with earlier results



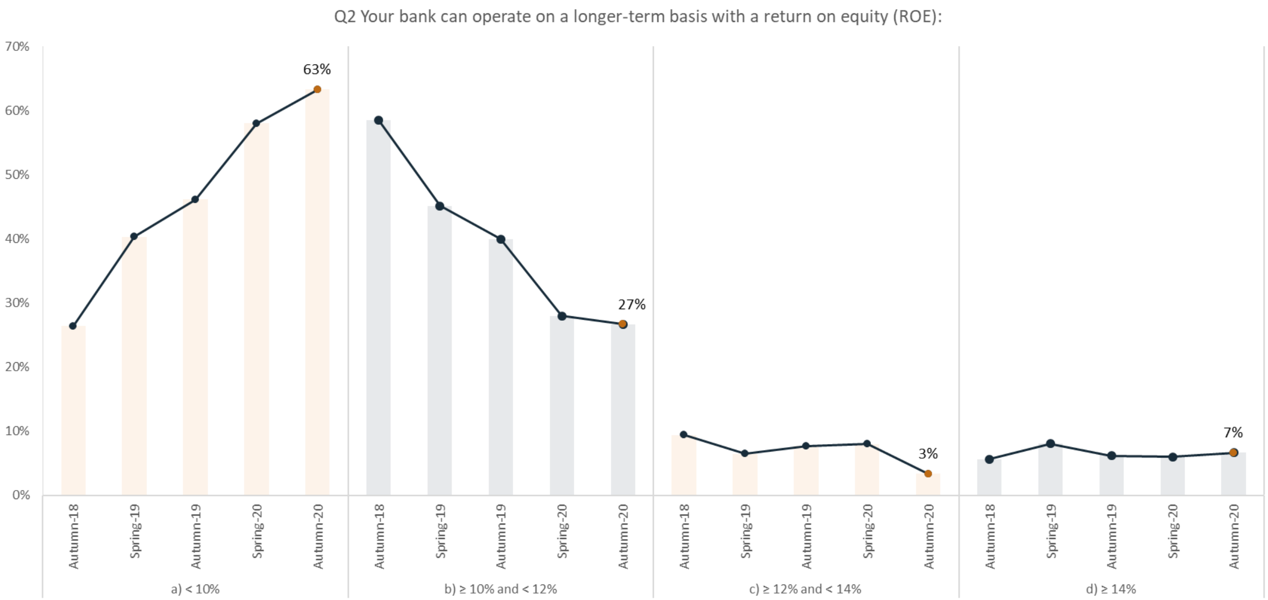




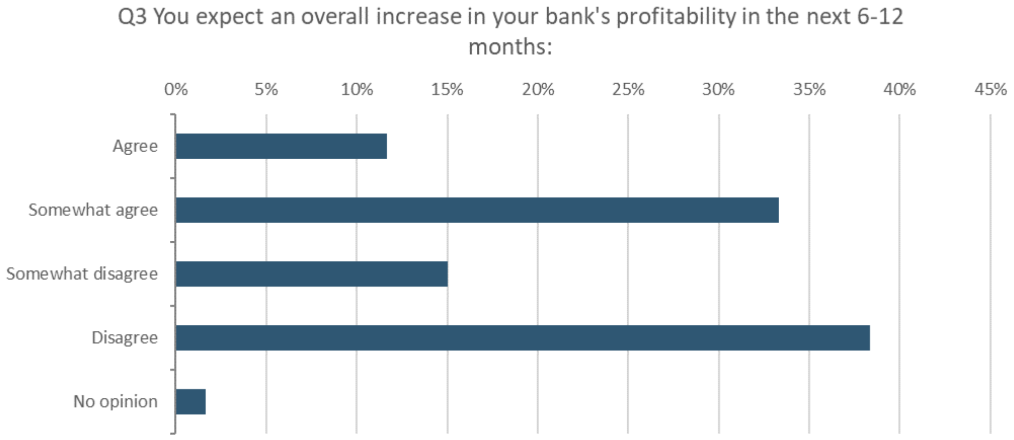
Question 2: Autumn 2020 results



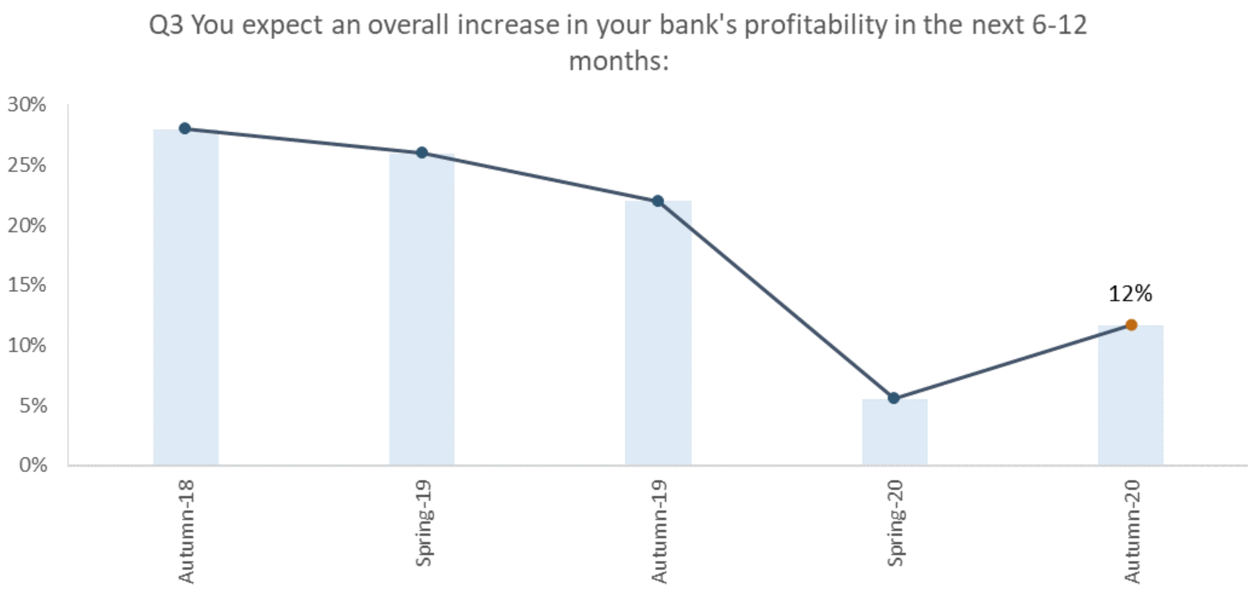
Question 2: Comparison with earlier results



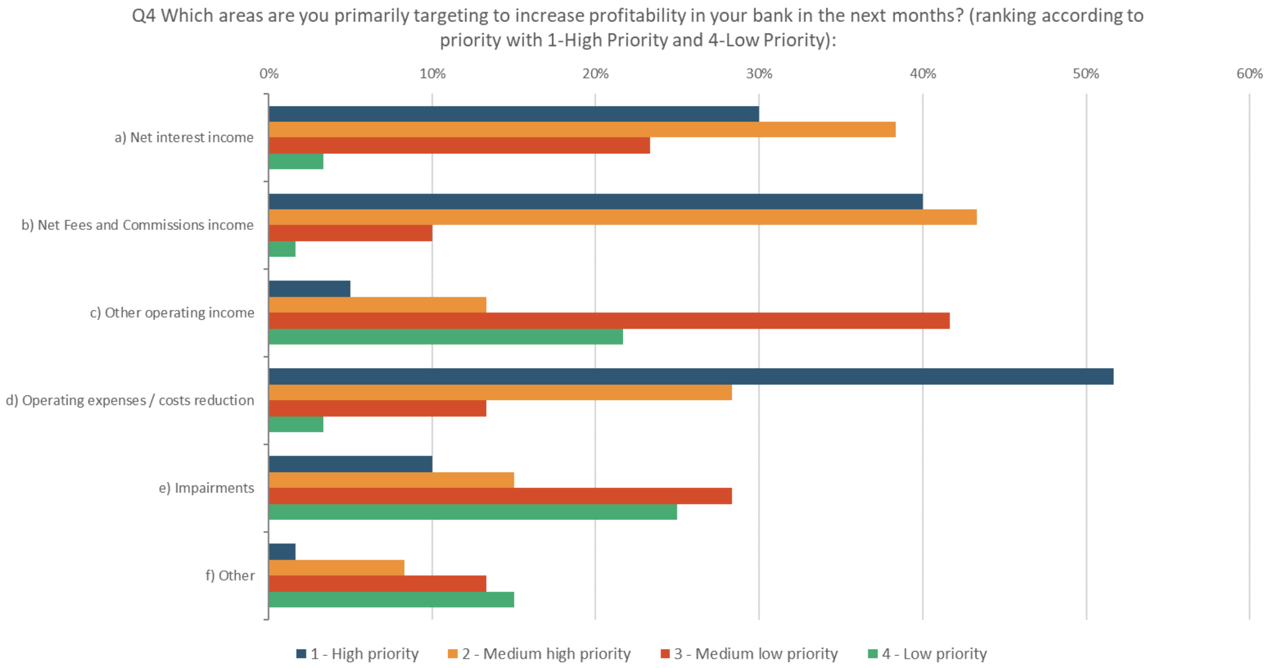
Question 3: Autumn 2020 results



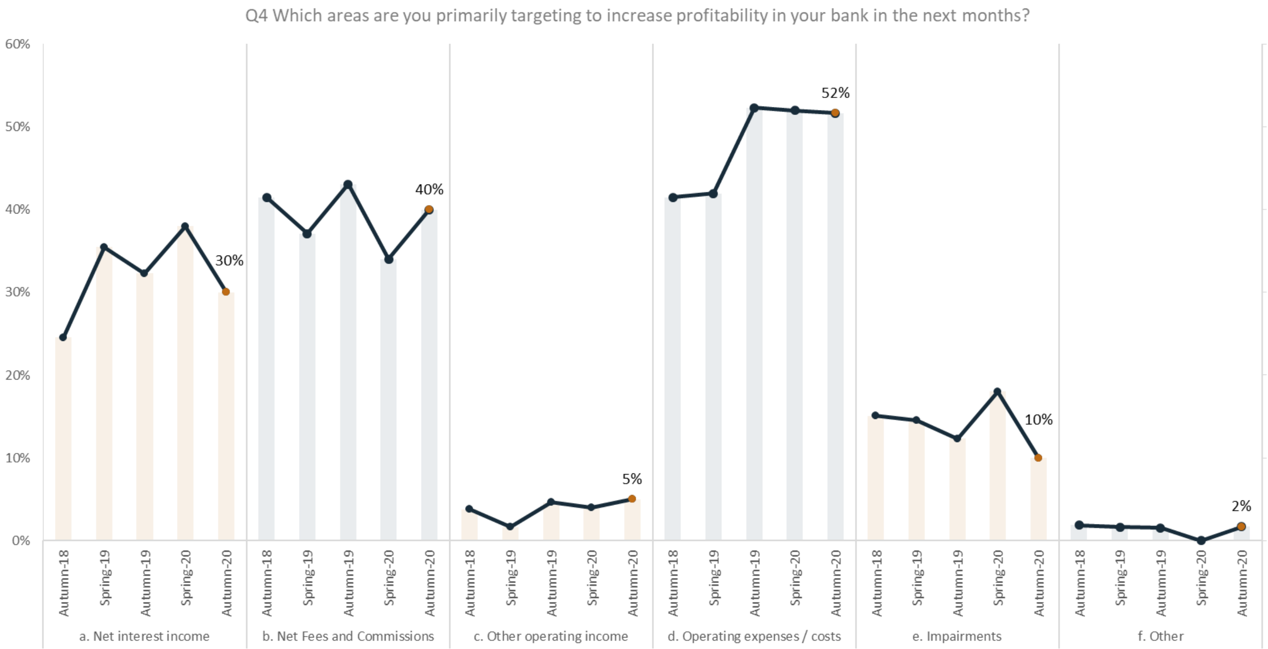
Question 3: Comparison with earlier results



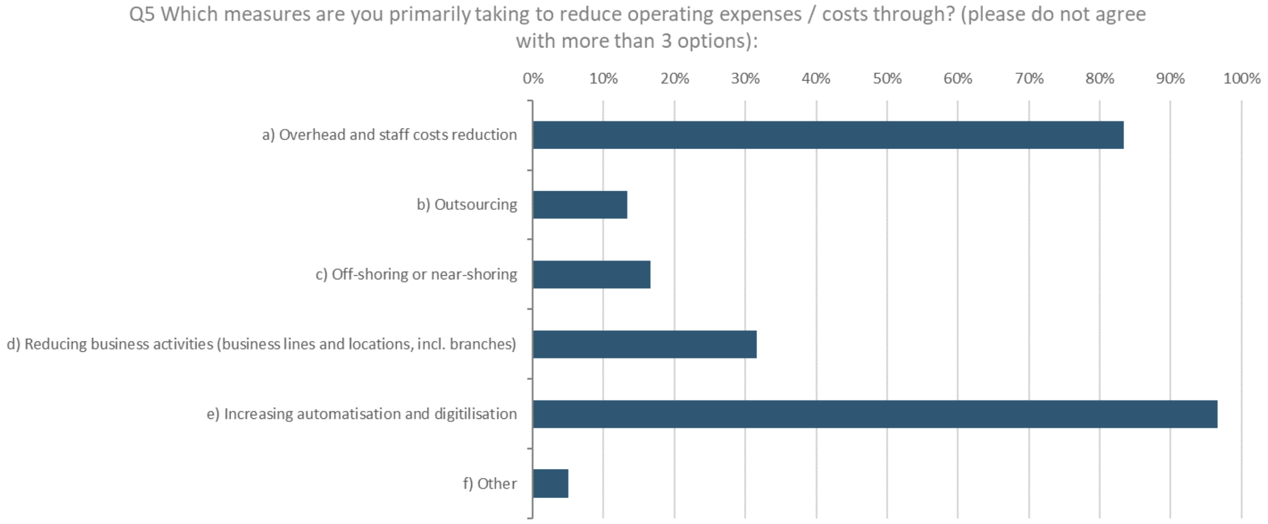
Question 4: Autumn 2020 results



Question 4: Comparison with earlier results



Question 5: Autumn 2020 results



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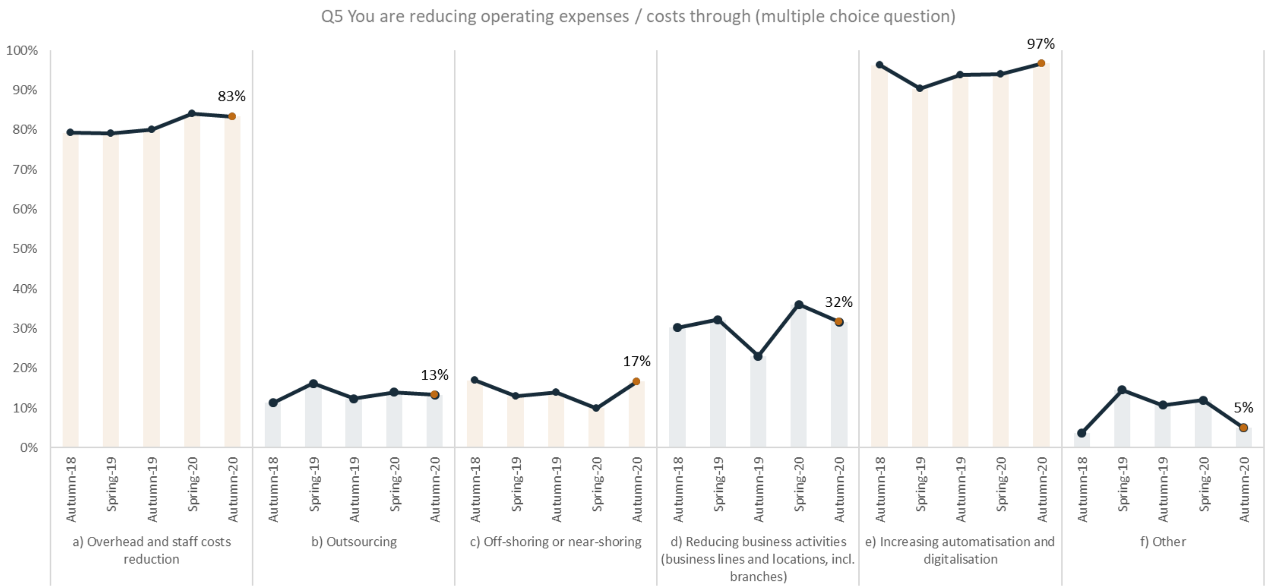
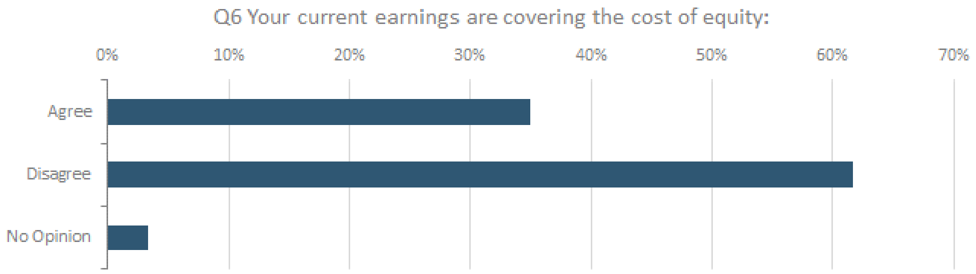
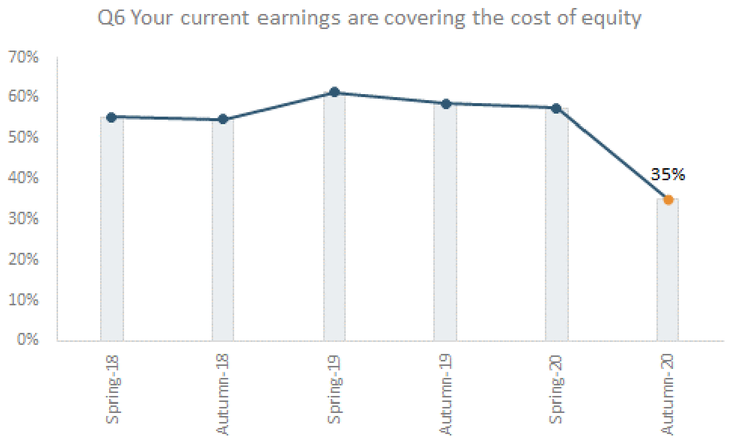


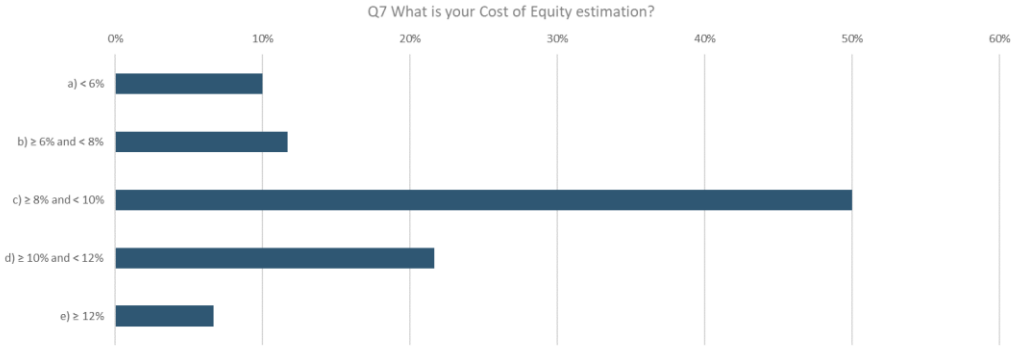
Question 6: Autumn 2020 results



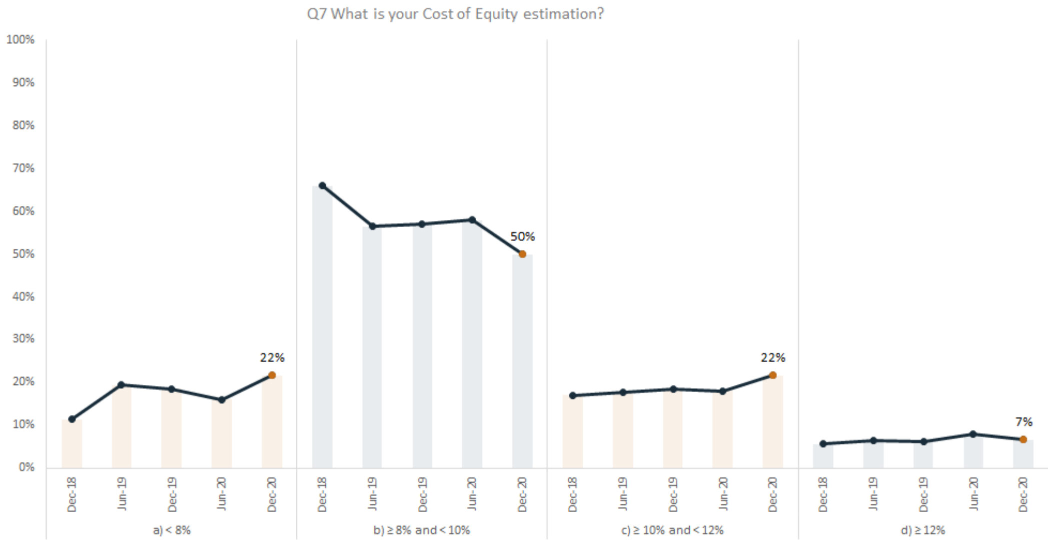
Question 6: comparison with earlier results



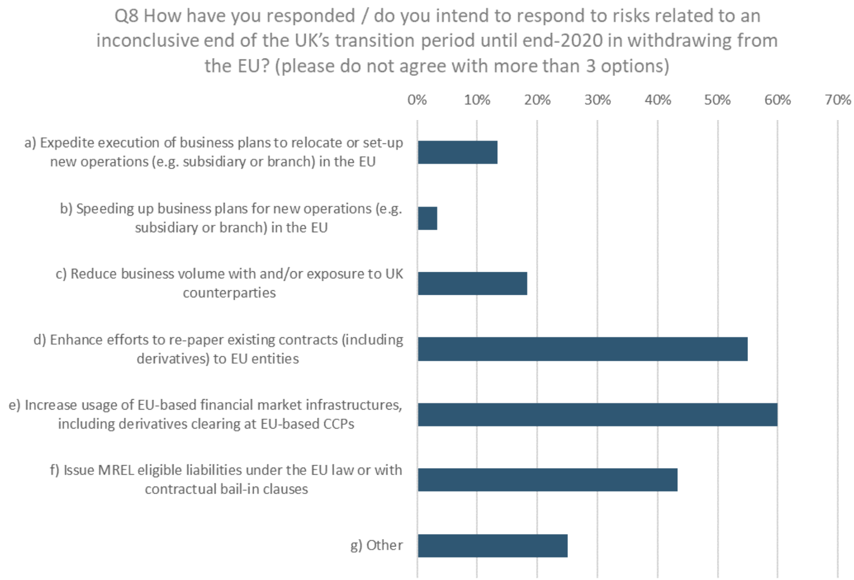
Question 7: Autumn 2020 results



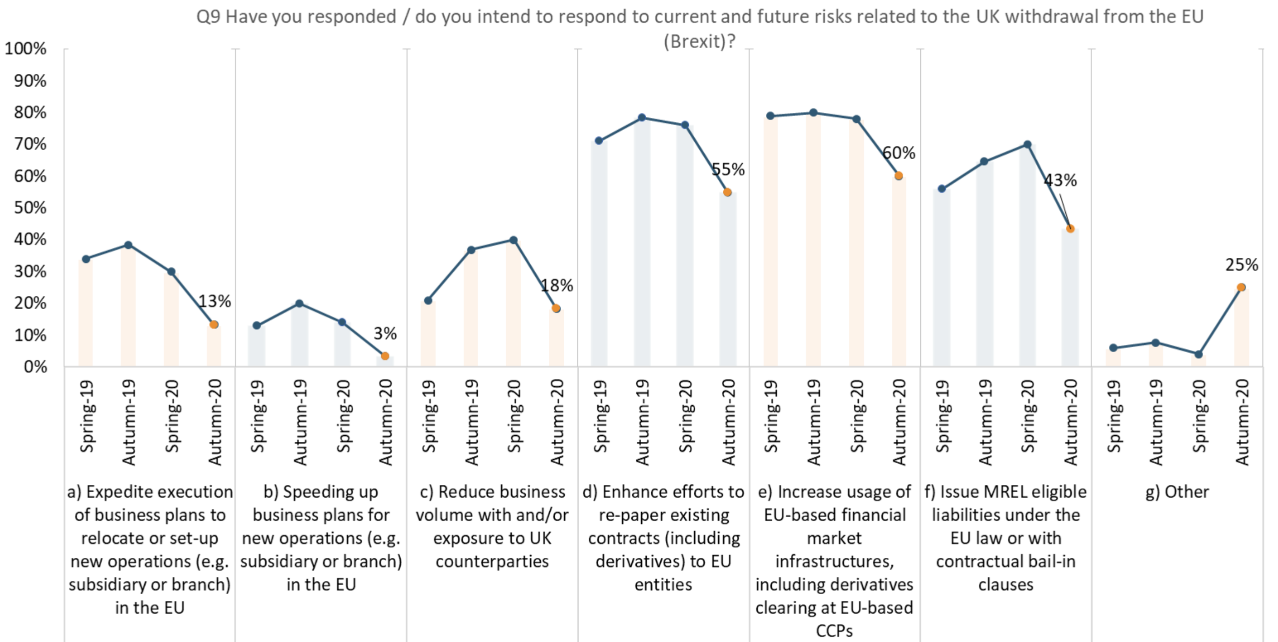
Question 7: comparison with earlier results



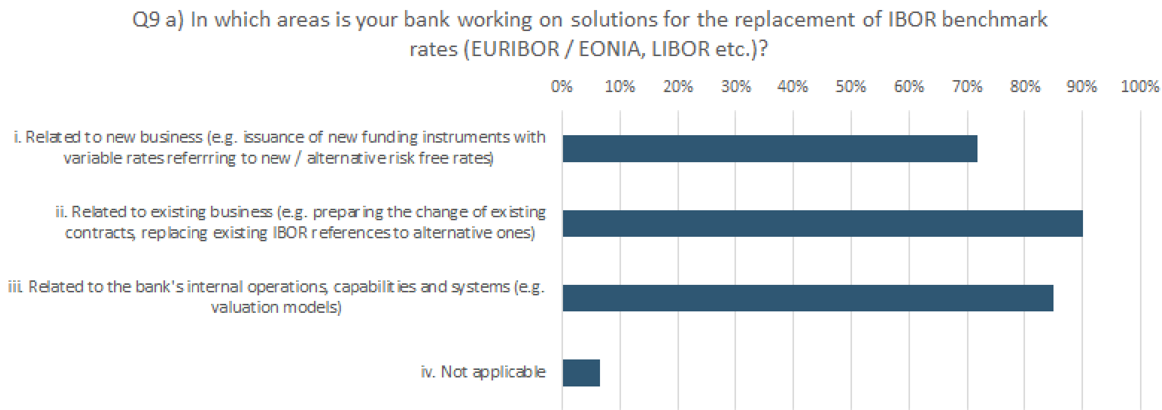
Question 8: Autumn 2020 results

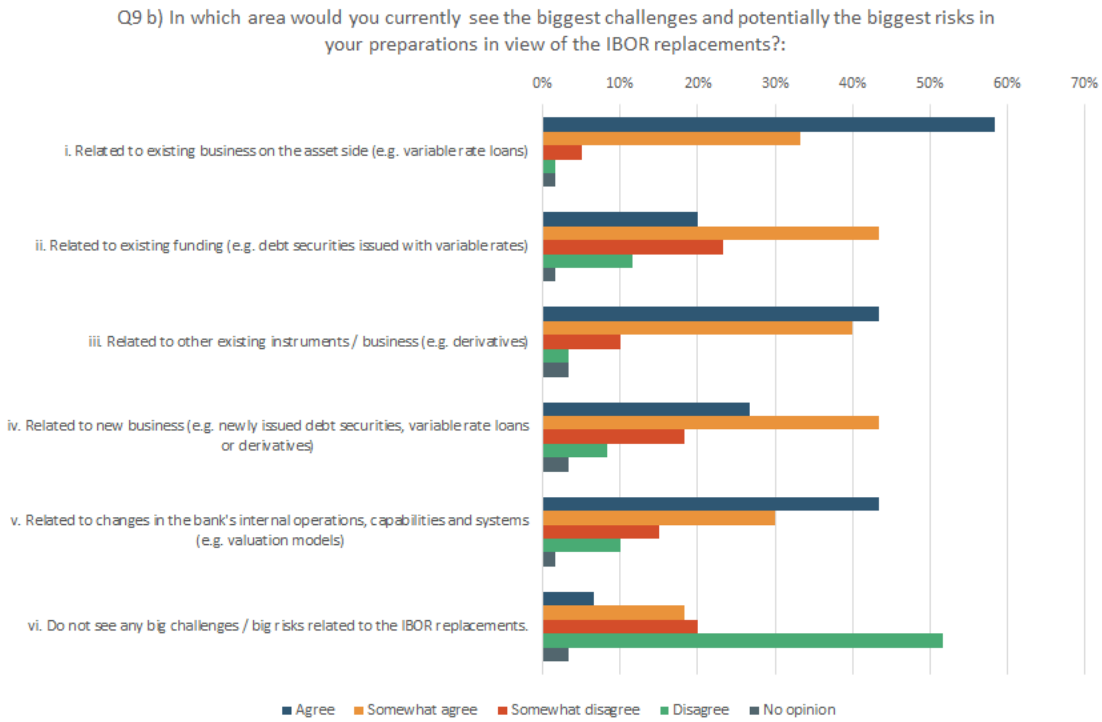


Question 8: comparison with earlier results

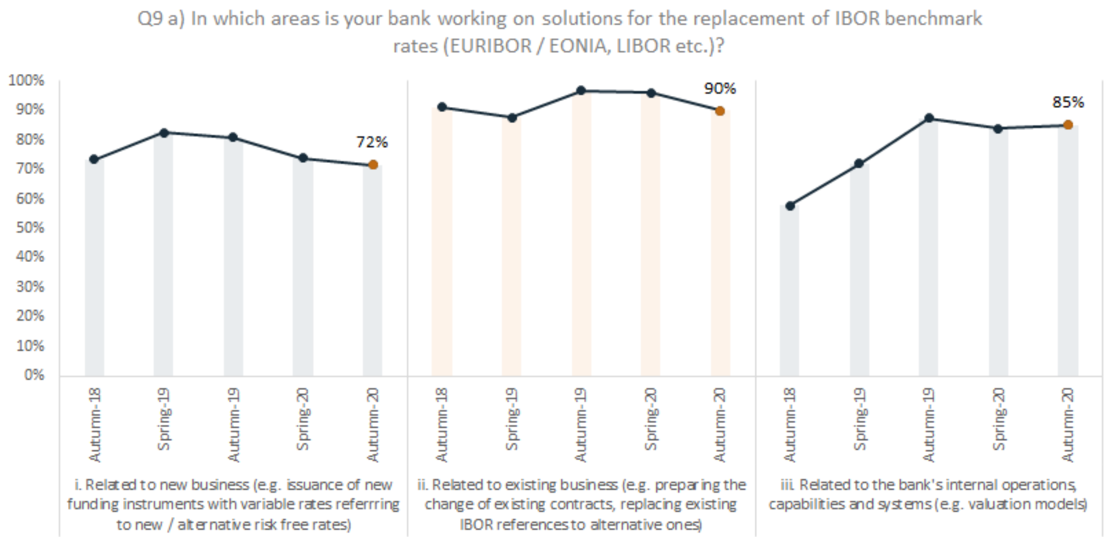


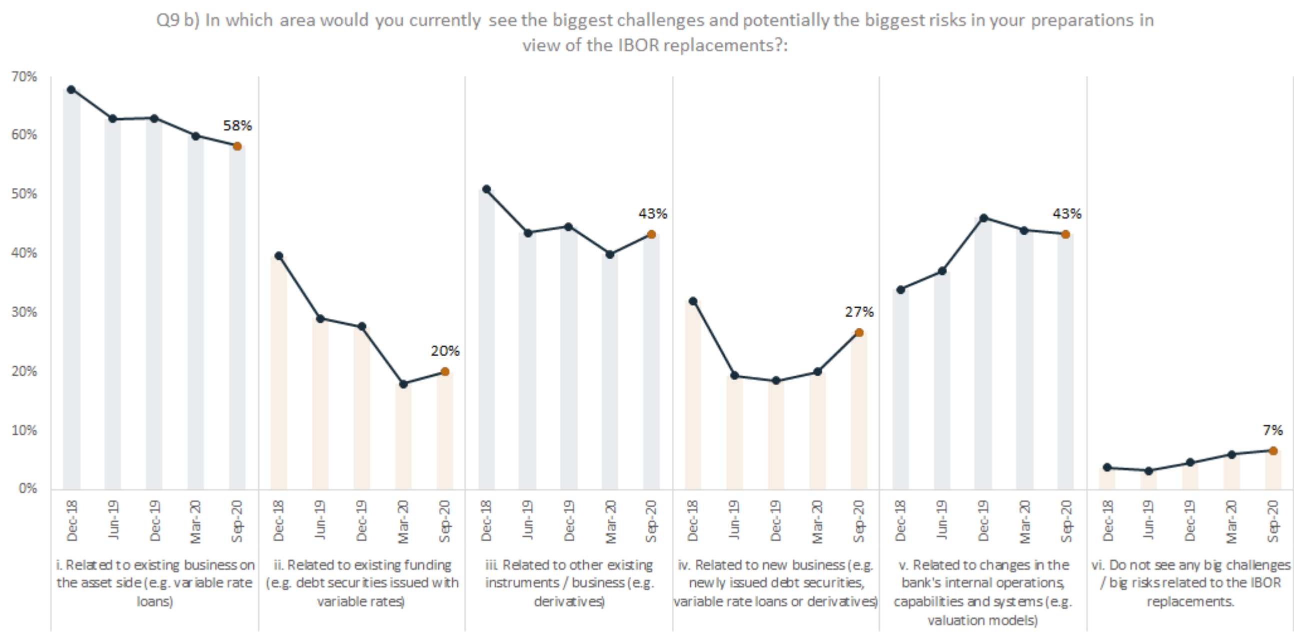
Question 9: Autumn 2020 results





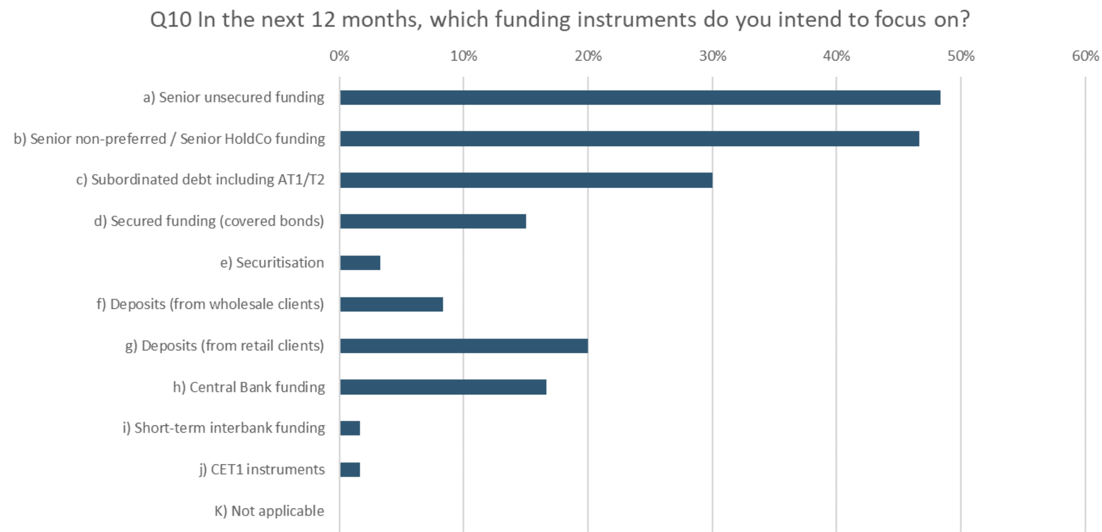
Question 9: comparison with earlier results



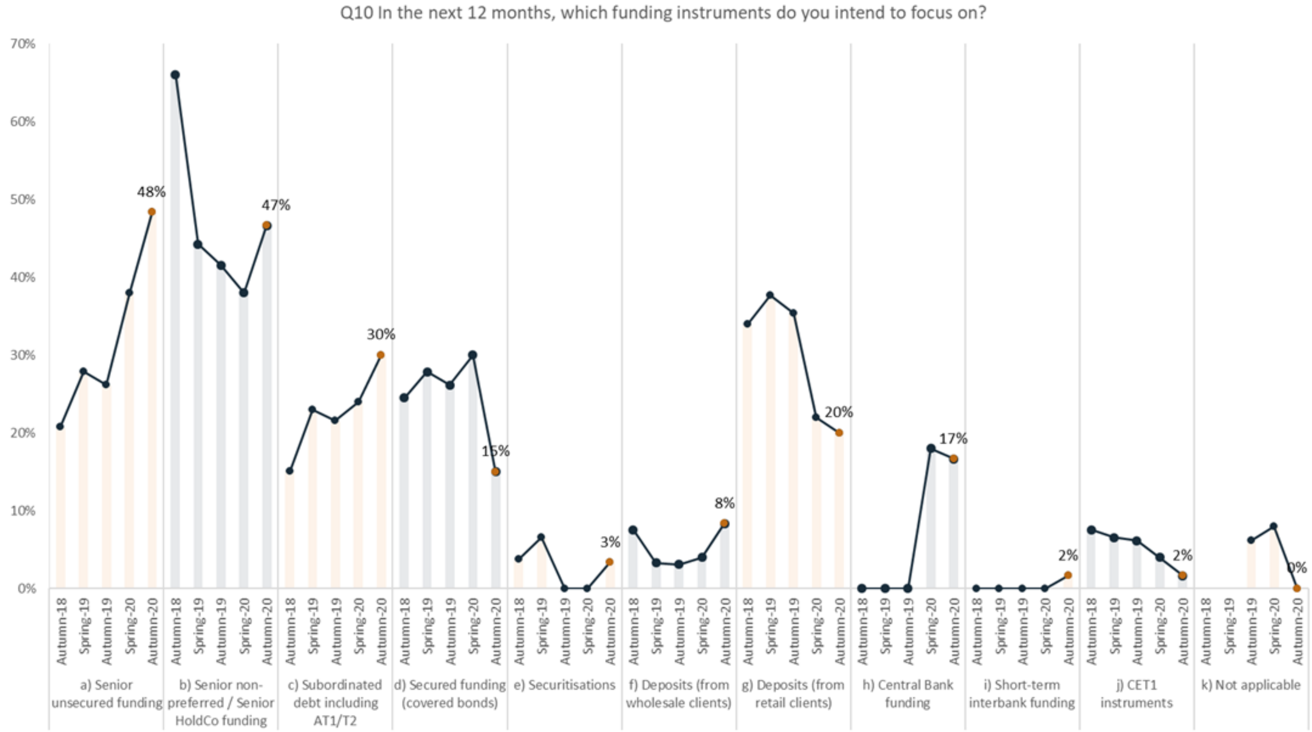


2. Funding / liquidity

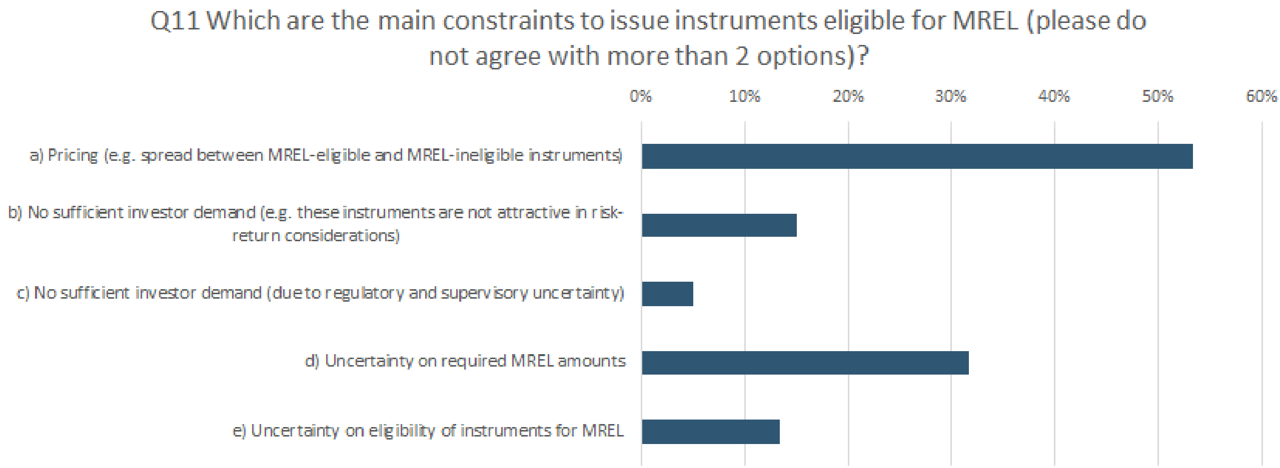
Question 10: Autumn 2020 results



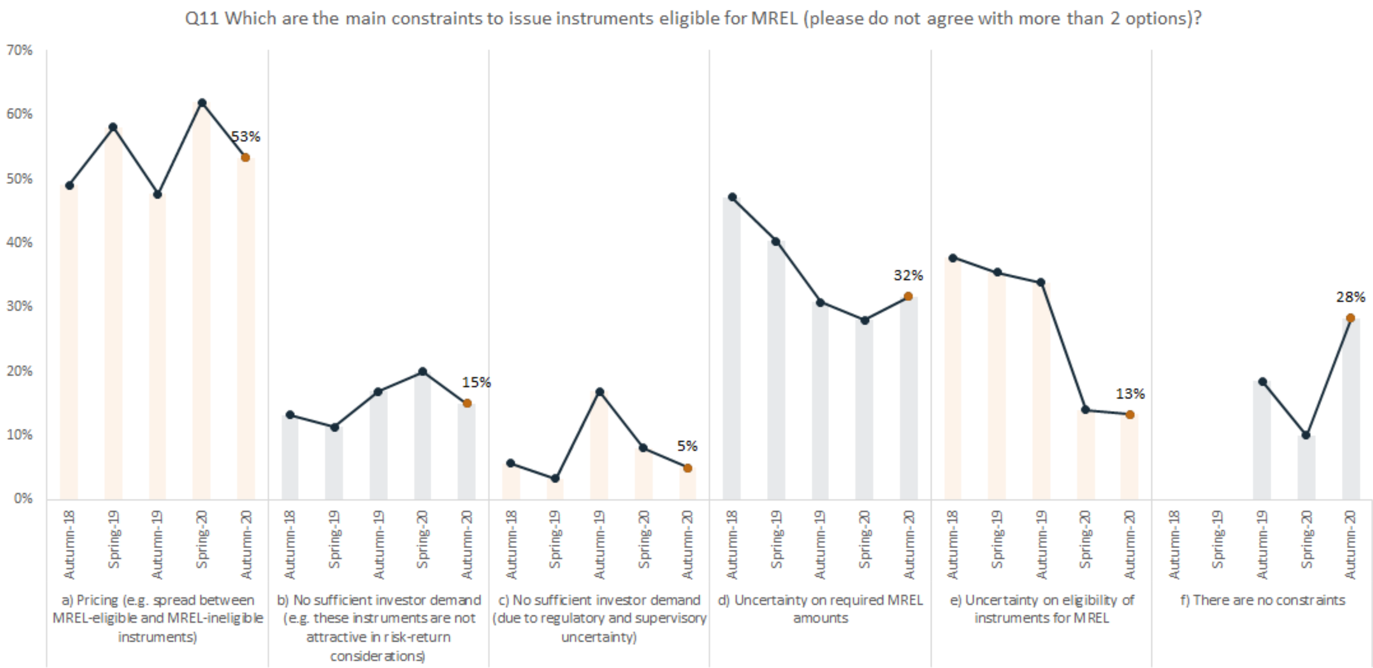
Question 10: comparison with earlier results



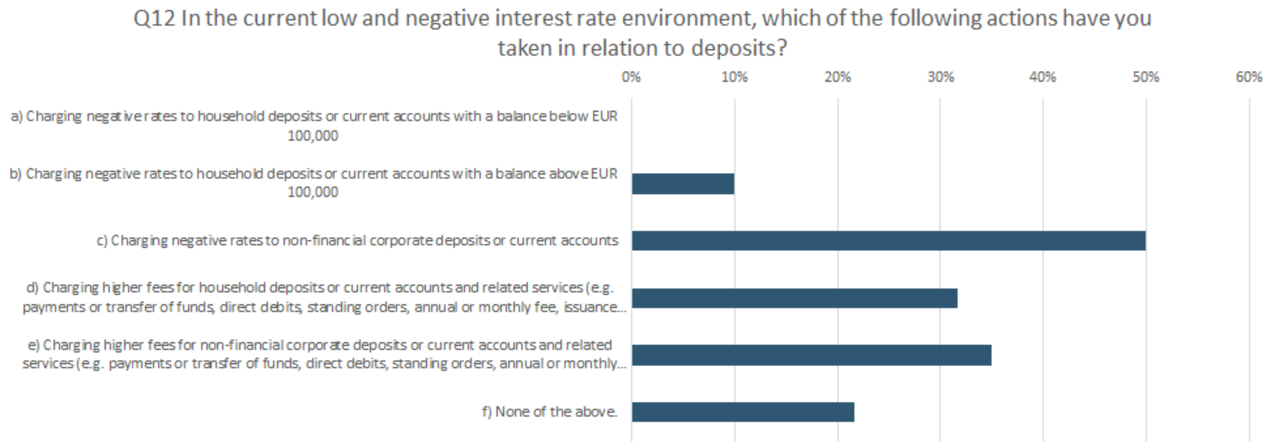
Question 11: Autumn 2020 results



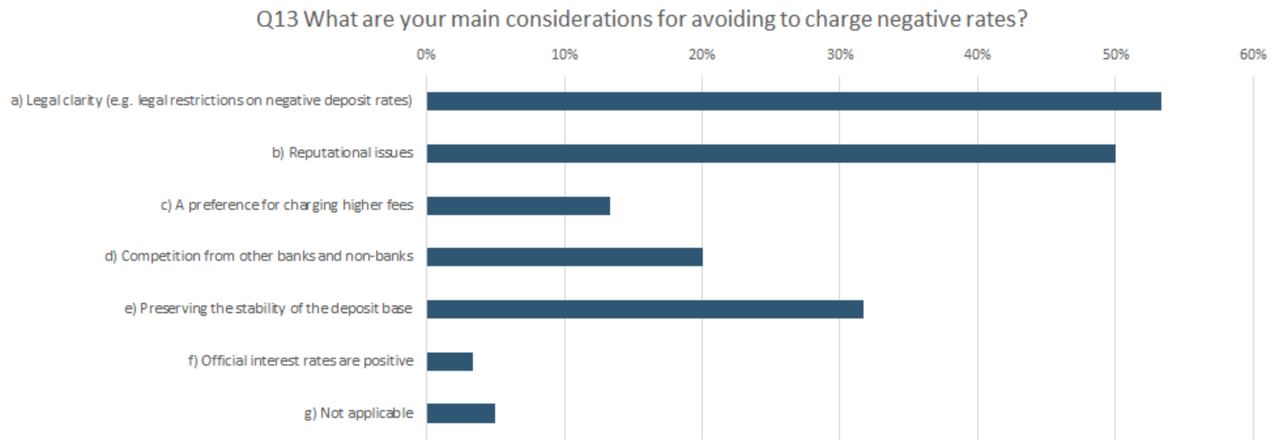
Question 11: comparison with earlier results



Question 12: Autumn 2020 results

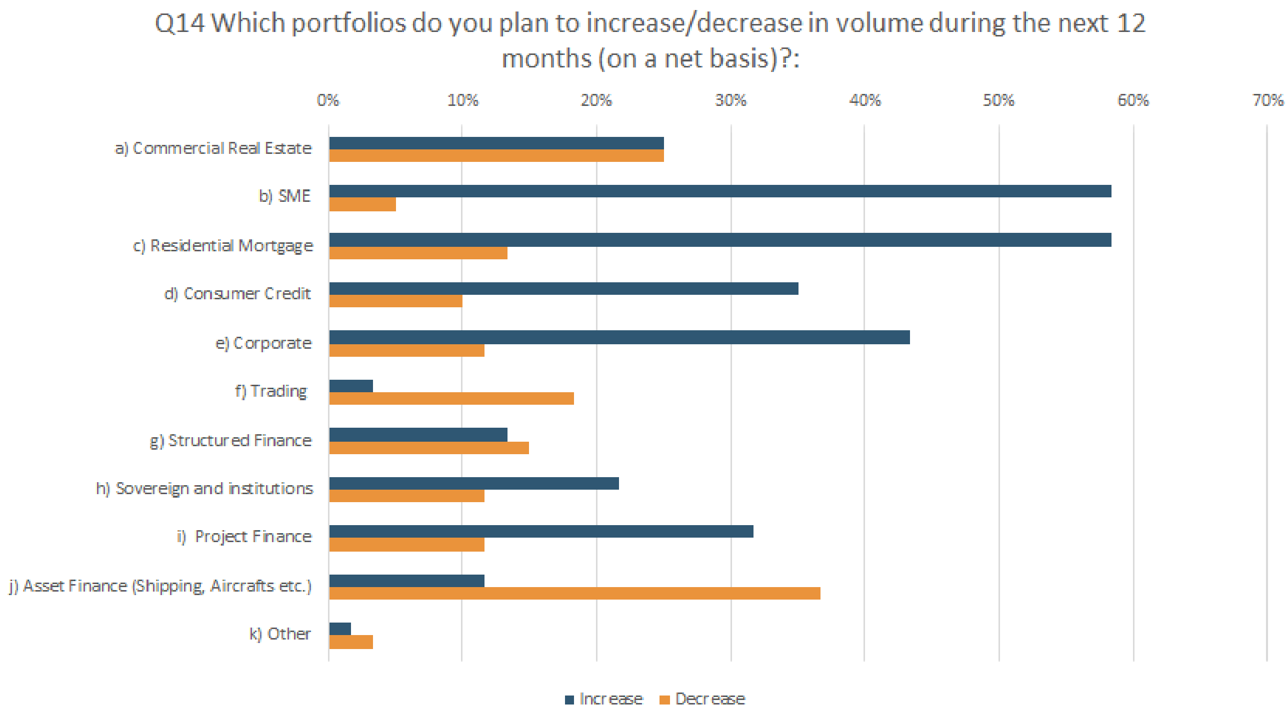


Question 13: Autumn 2020 results

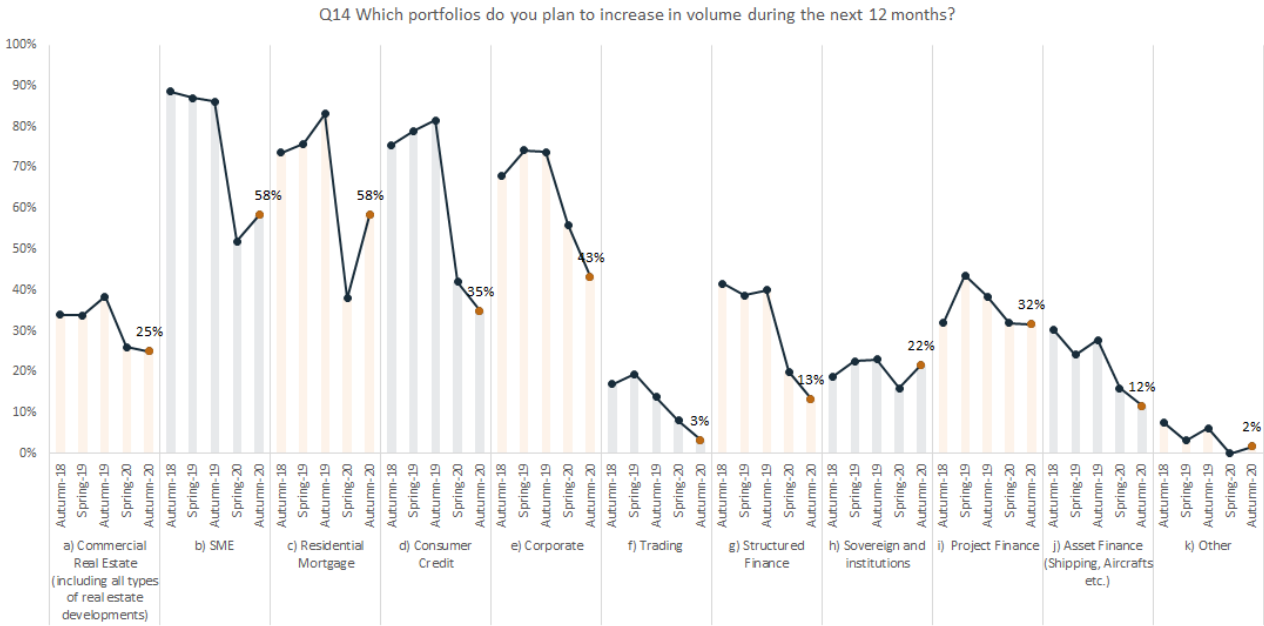


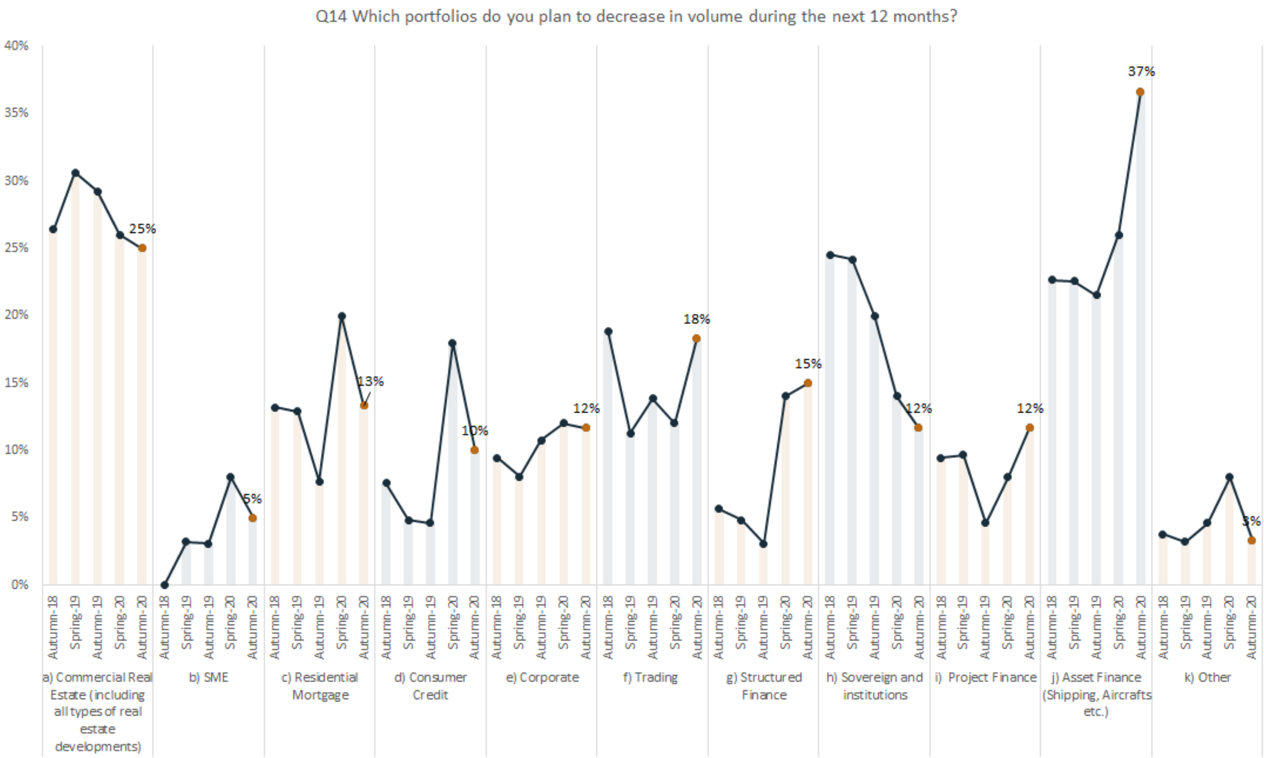
3. Asset composition & quality

Question 14: Autumn 2020 results

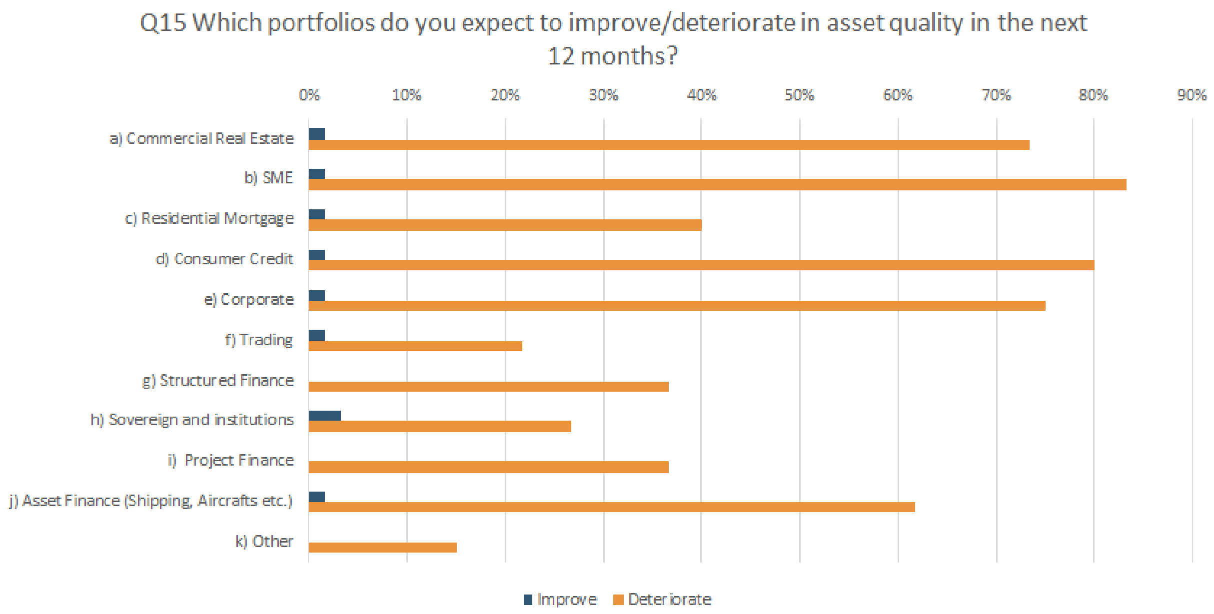


Question 14: Comparison with earlier results

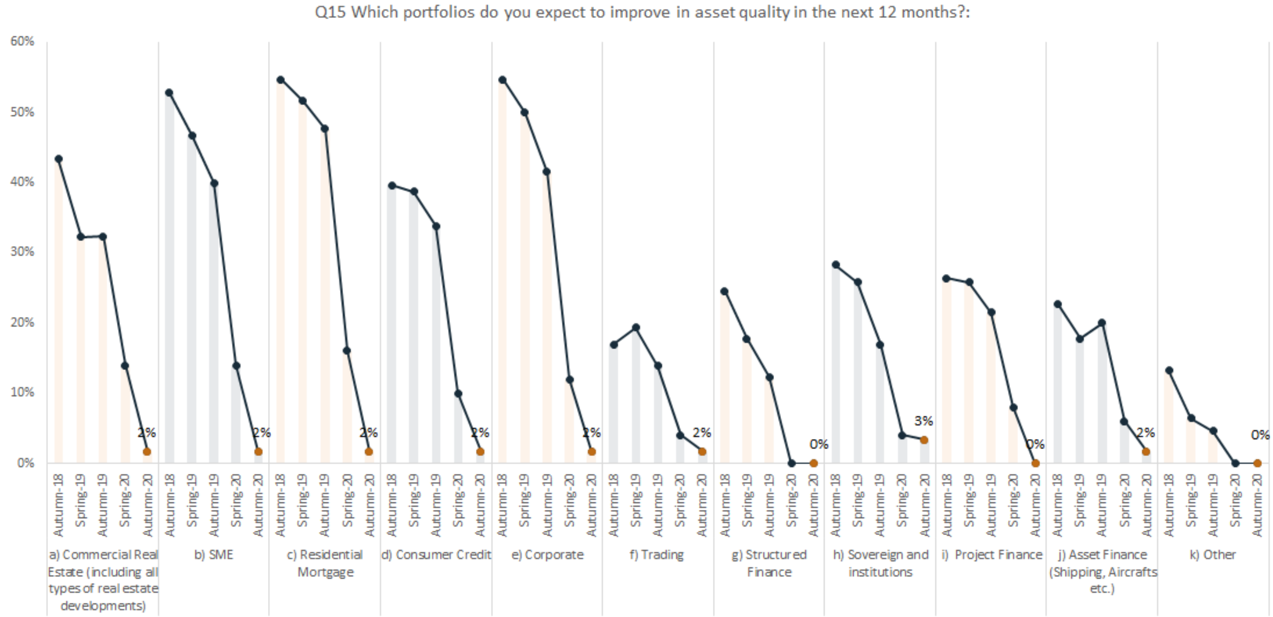


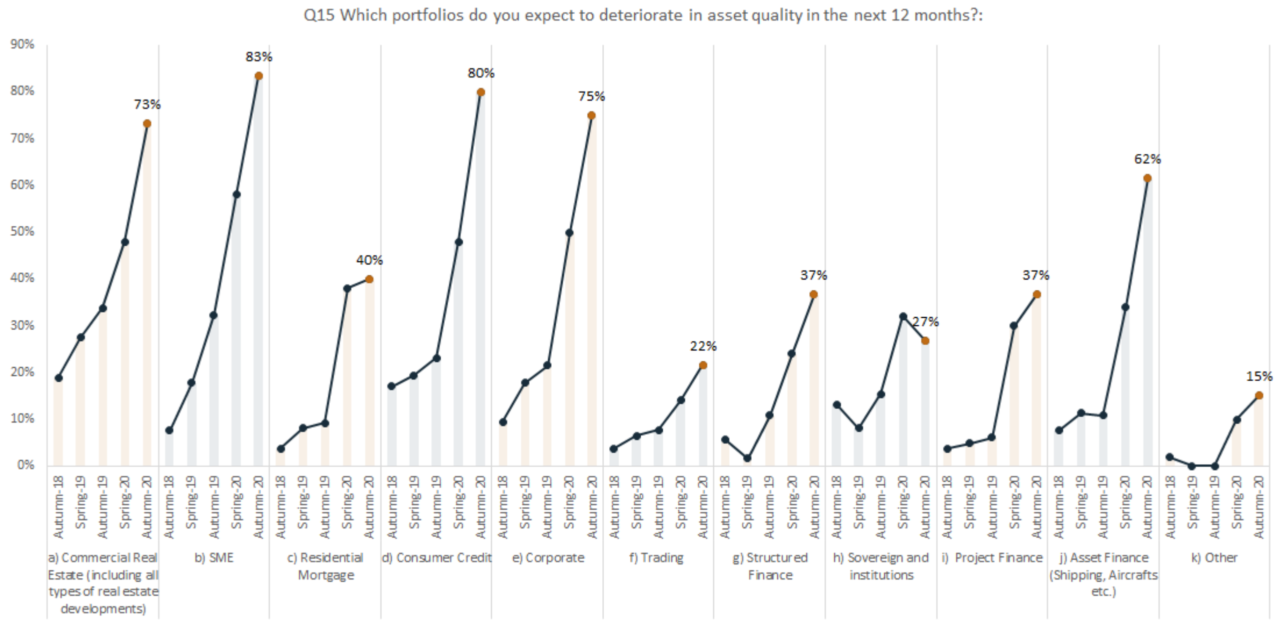


Question 15: Autumn 2020 results

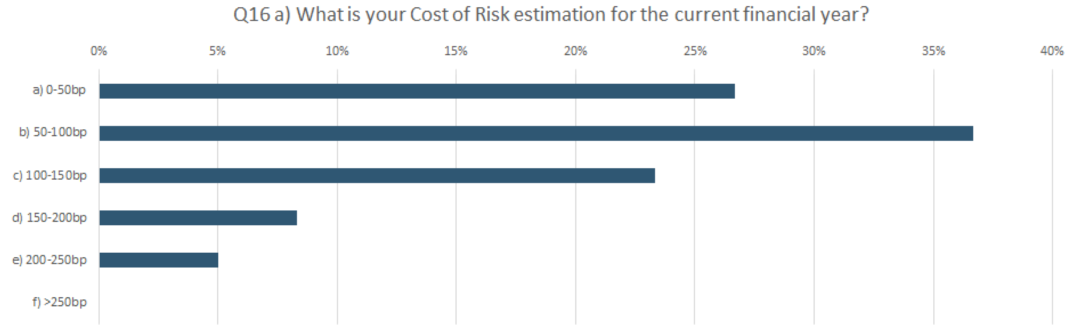


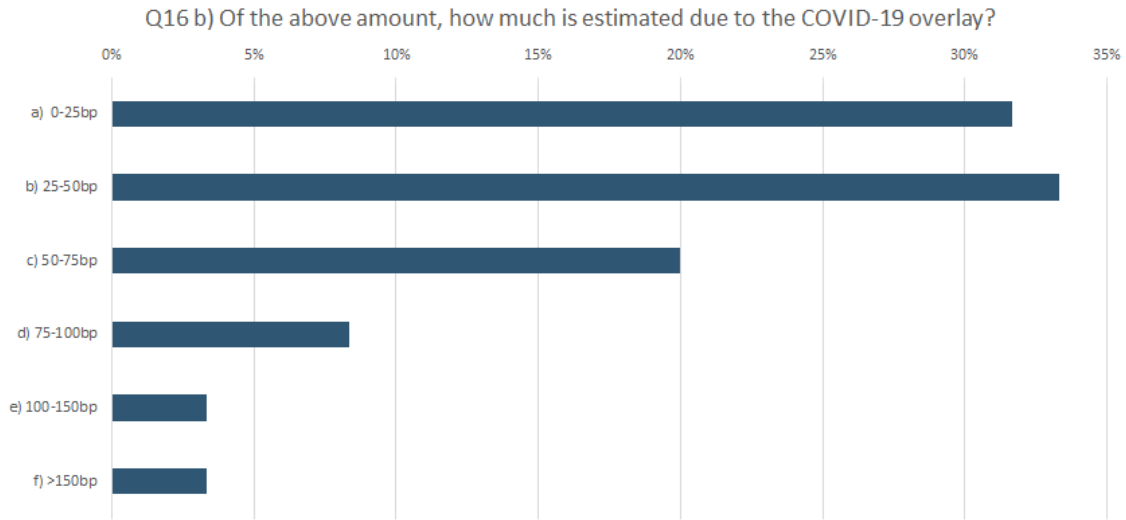
Question 15: comparison with earlier results



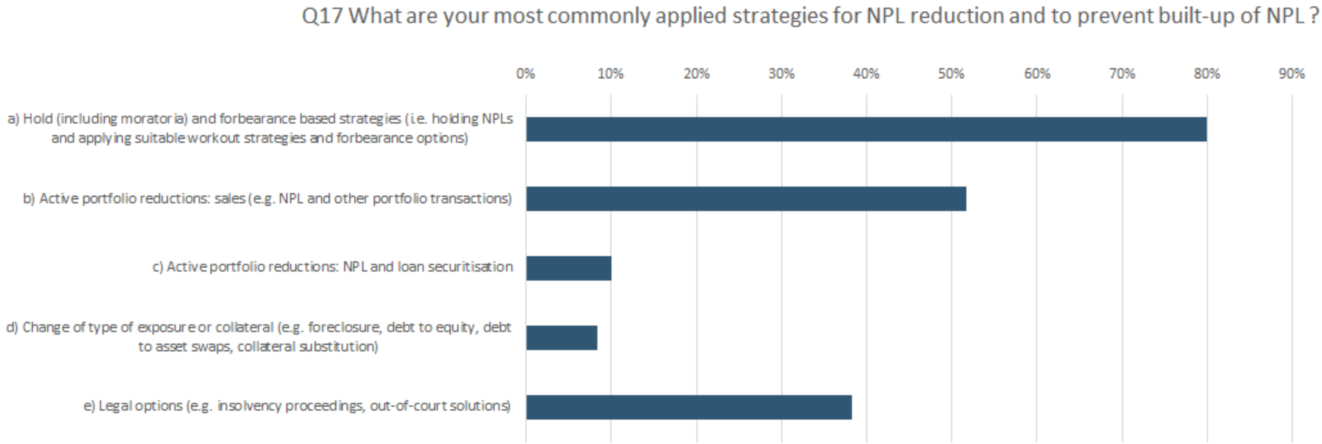


Question 16: Autumn 2020 results



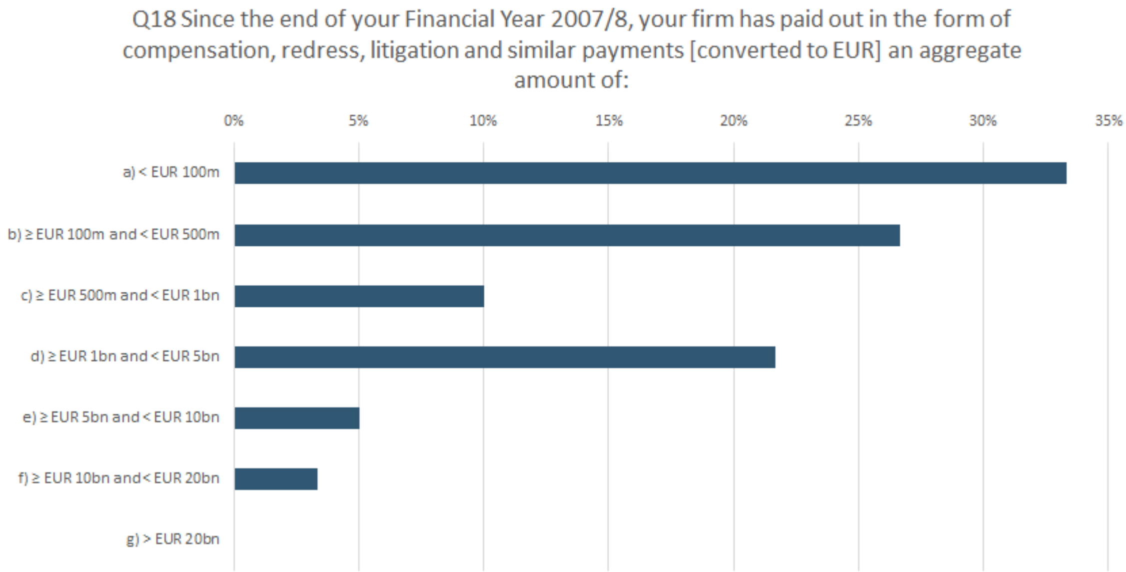


Question 17: Autumn 2020 results

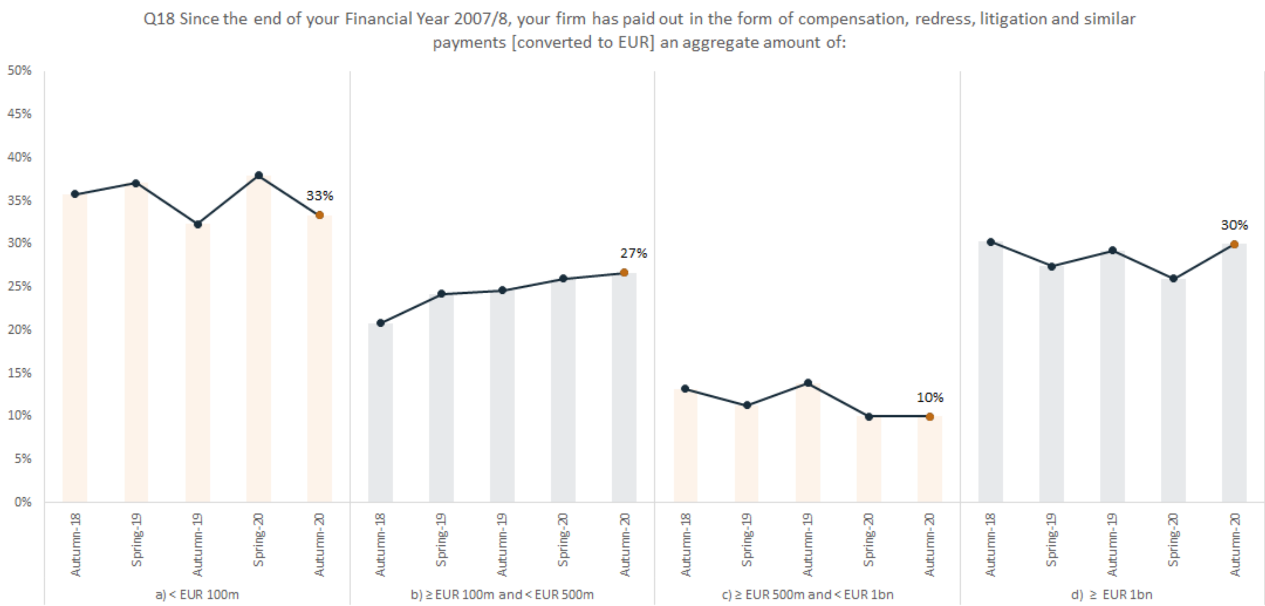


4. Conduct, reputation and operational risk

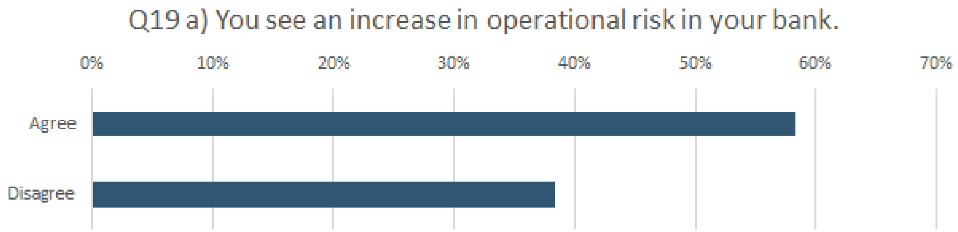
Question 18: Autumn 2020 results

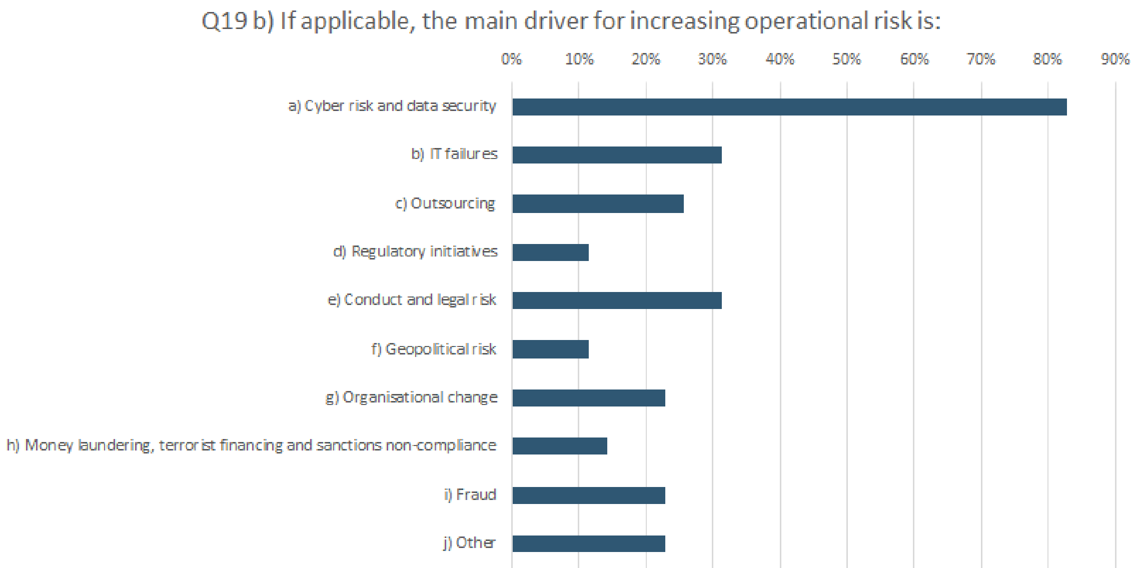


Question 18: comparison with earlier results

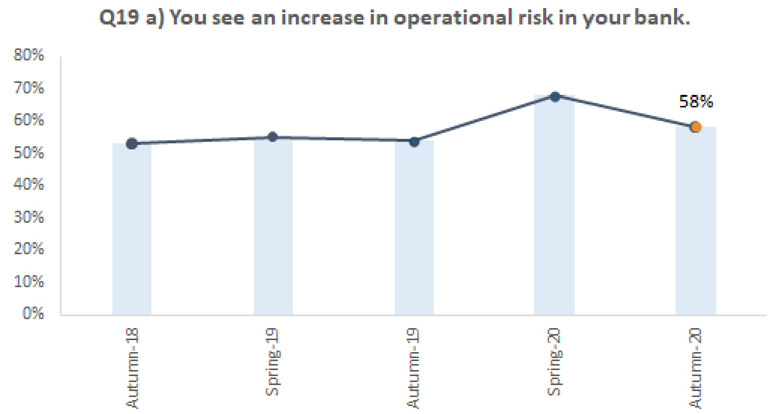


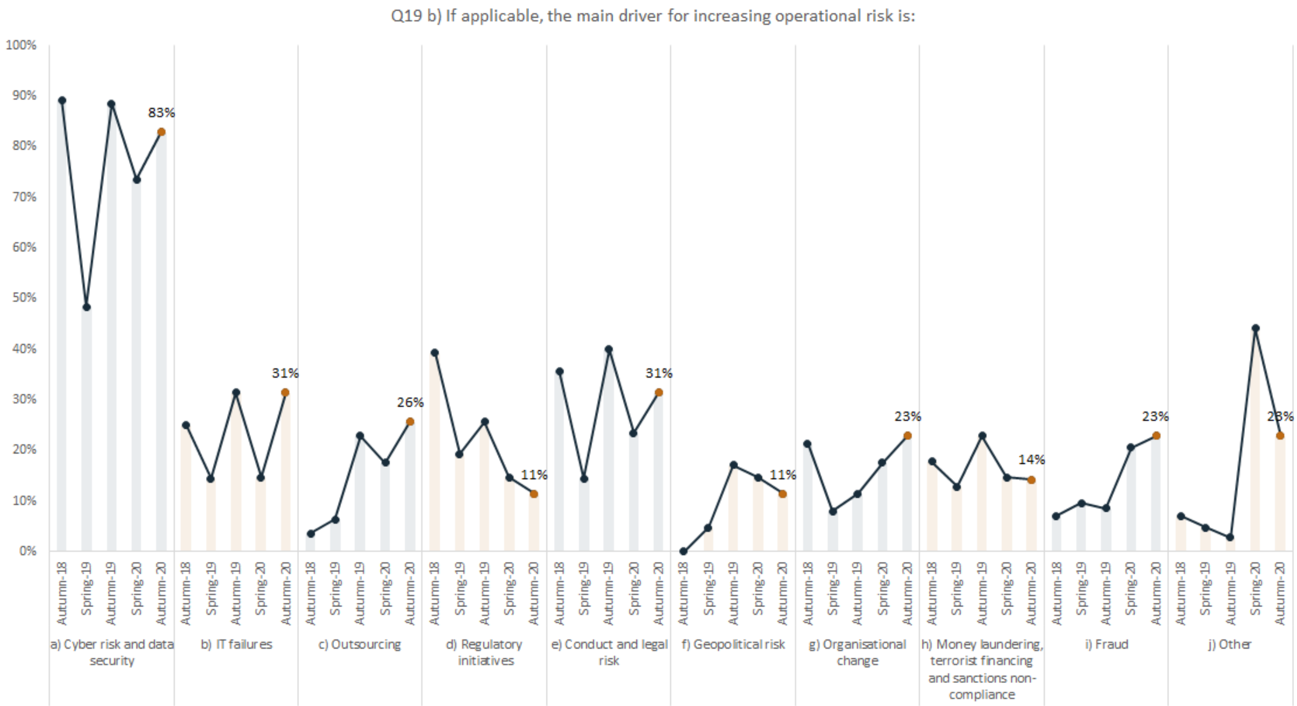
Question 19: Autumn 2020 results



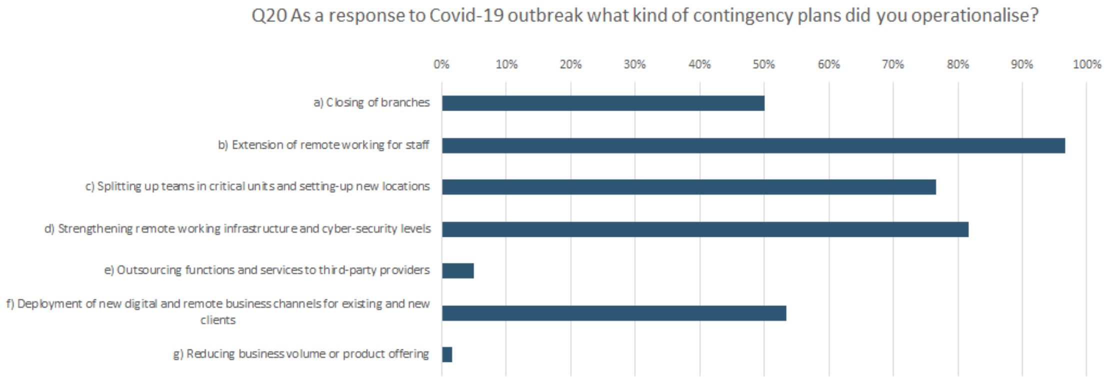


Question 19: comparison with earlier results

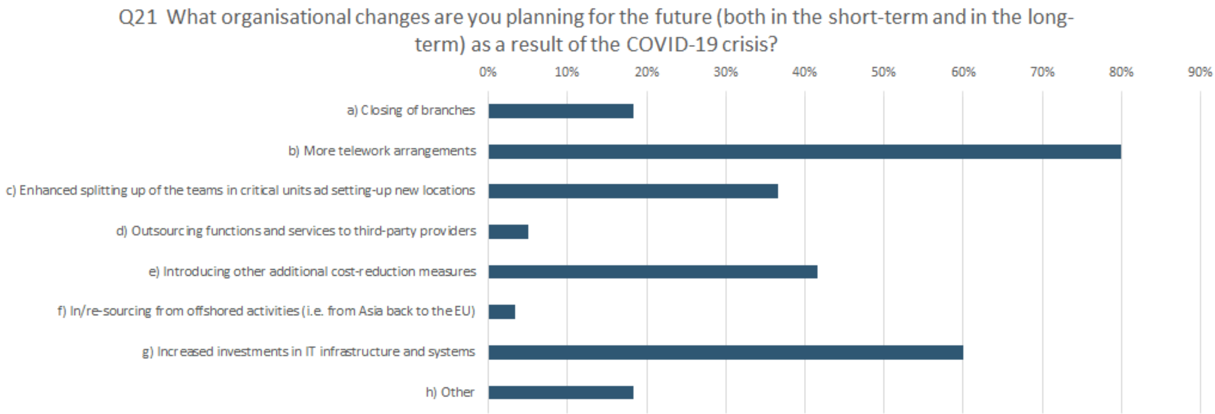




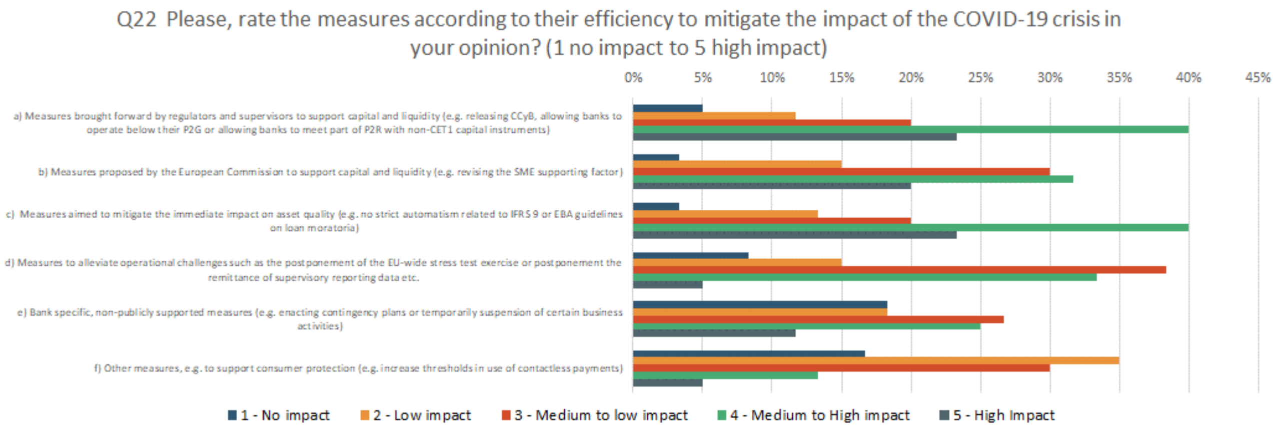
Question 20: Autumn 2020 results



Question 21: Autumn 2020 results

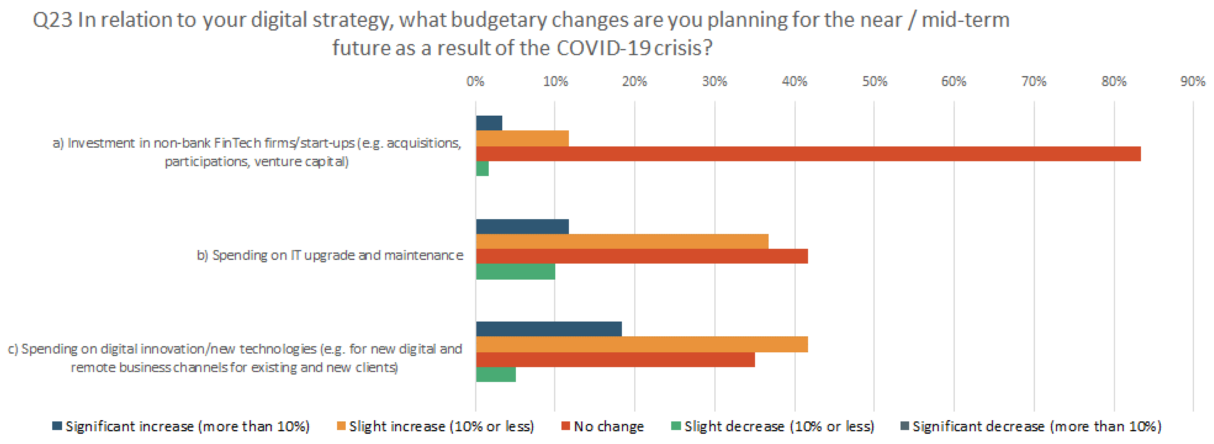


Question 22: Autumn 2020 results

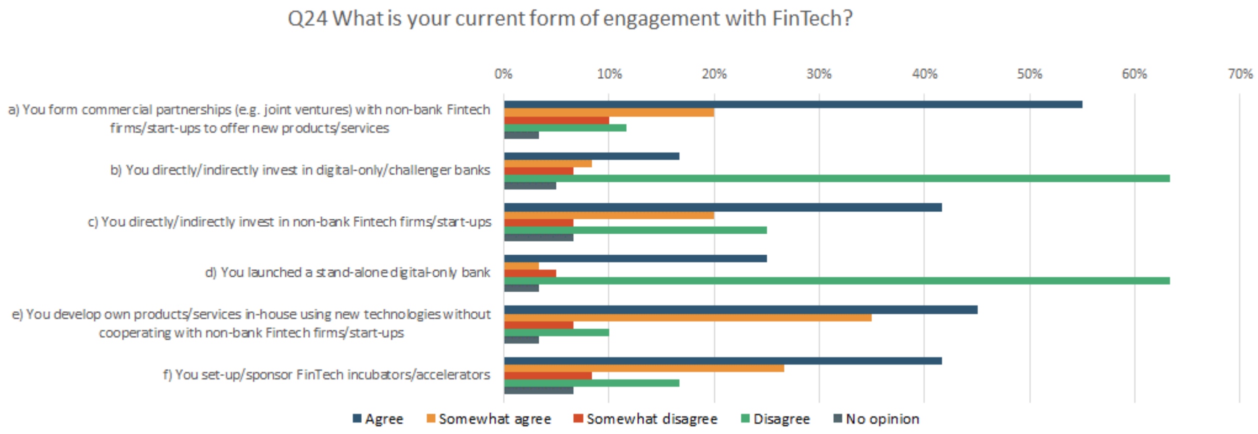


5. FinTech

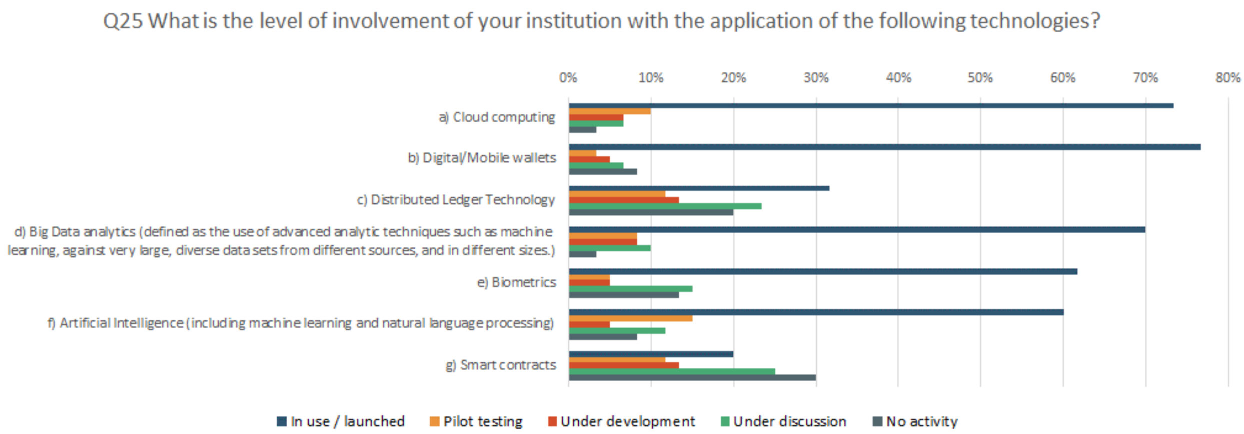
Question 23: Autumn 2020 results



Question 24: Autumn 2020 results

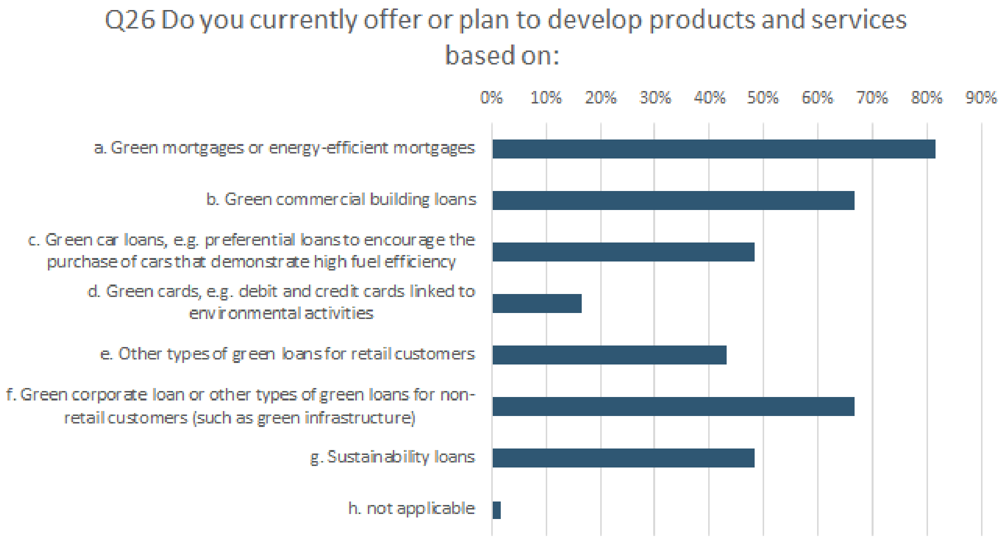


Question 25: Autumn 2020 results

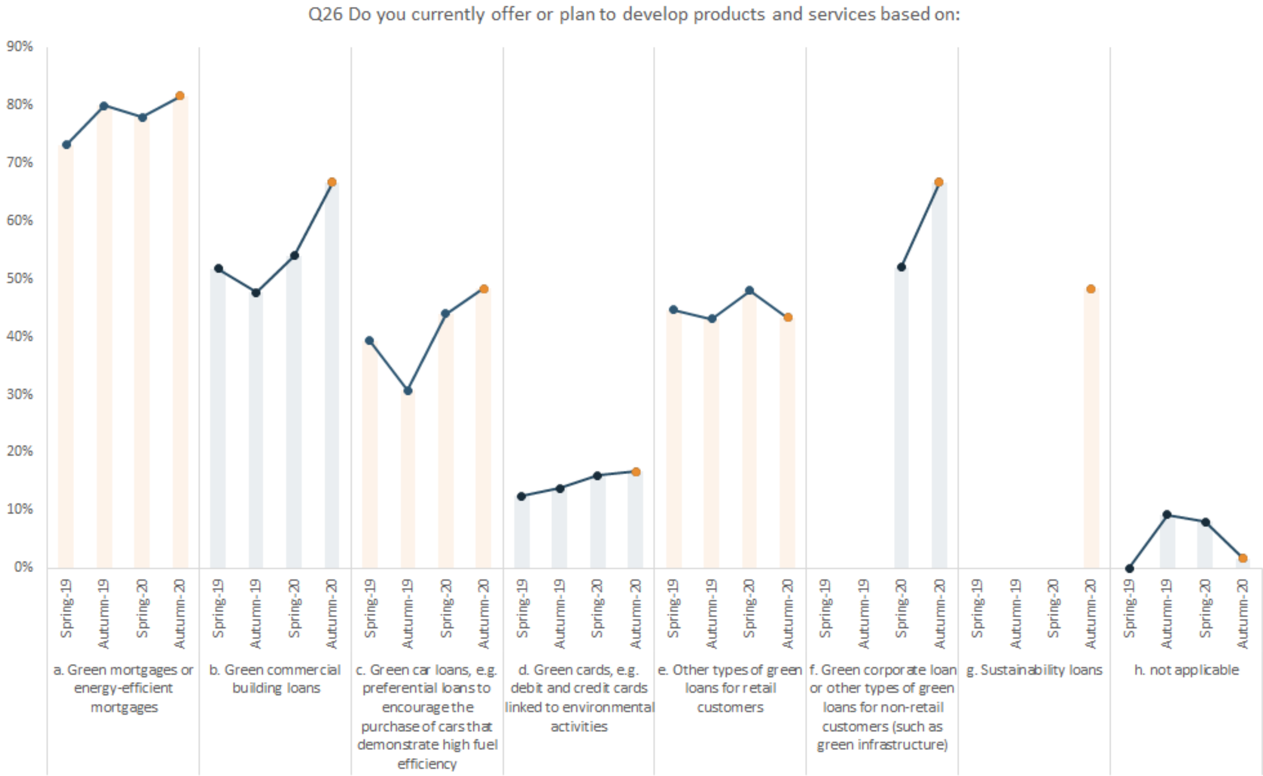


6. Sustainable Finance

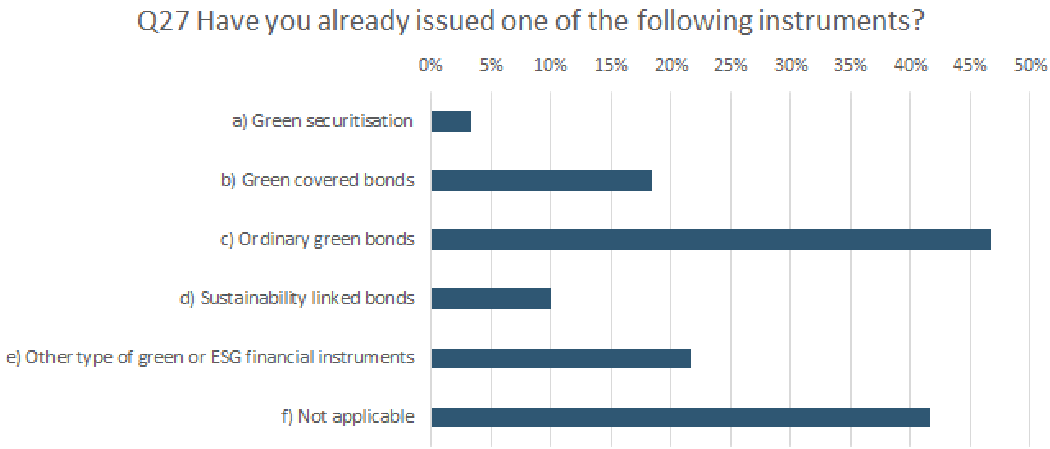
Question 26: Autumn 2020 results



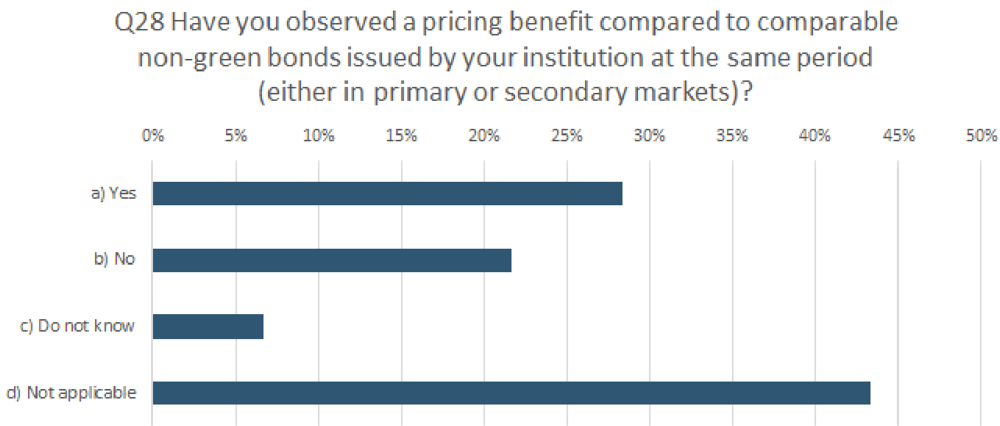
Question 26: comparison with earlier results



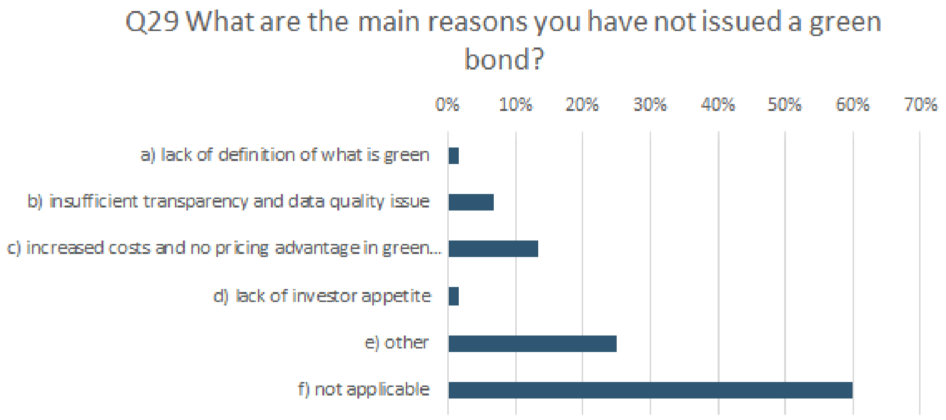
Question 27: Autumn 2020 results



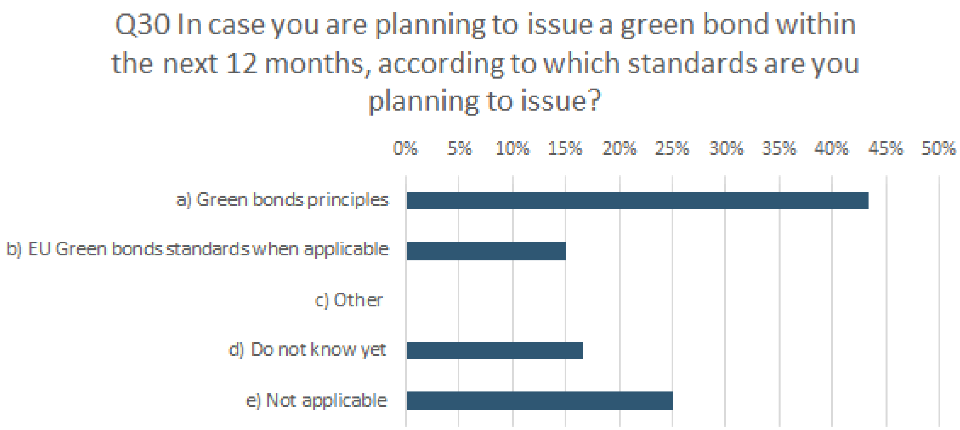
Question 28: Autumn 2020 results



Question 29: Autumn 2020 results



Question 30: Autumn 2020 results



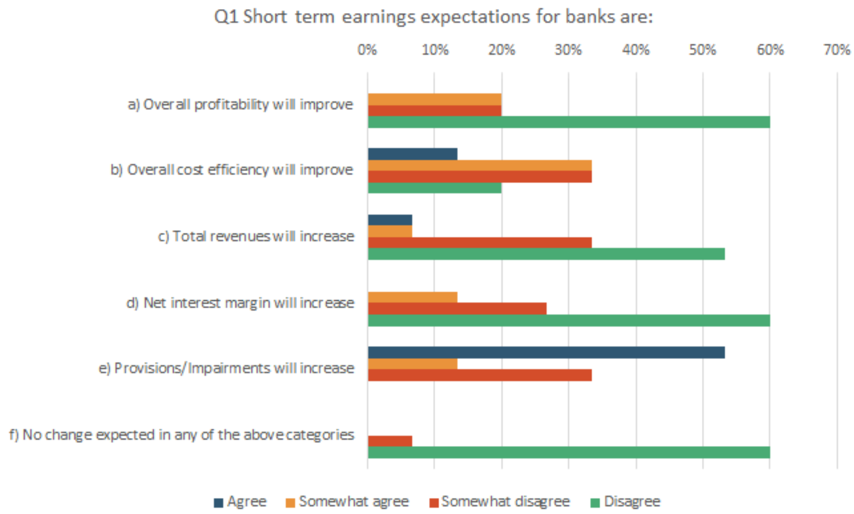
7. General open question

Question 31: Autumn 2020 results

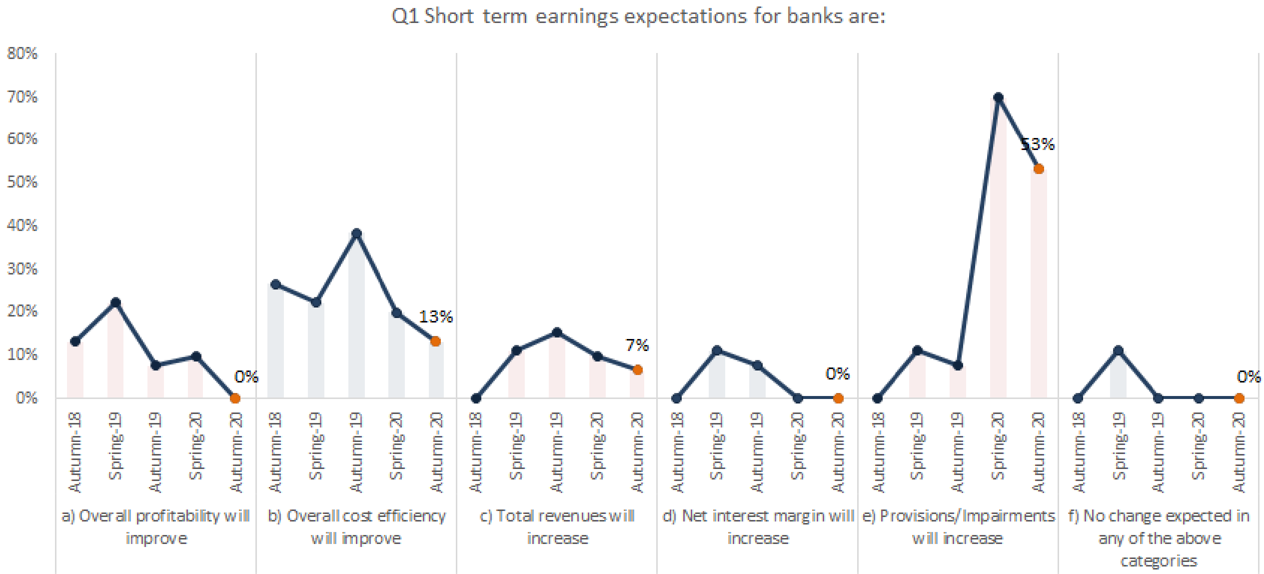
Market analysts' questionnaire

1. Business model / strategy / profitability

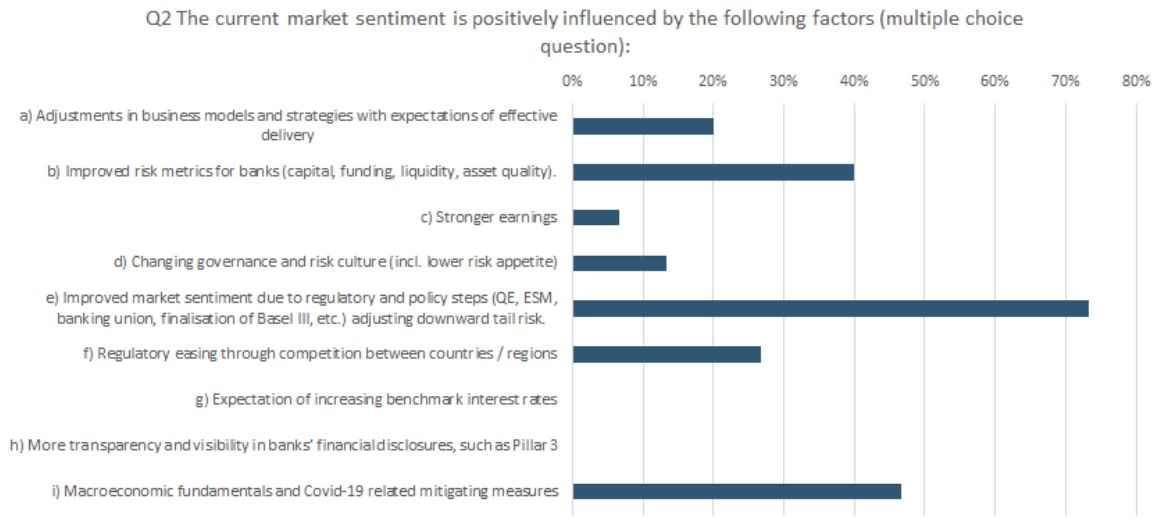
Question 1: Autumn 2020 results



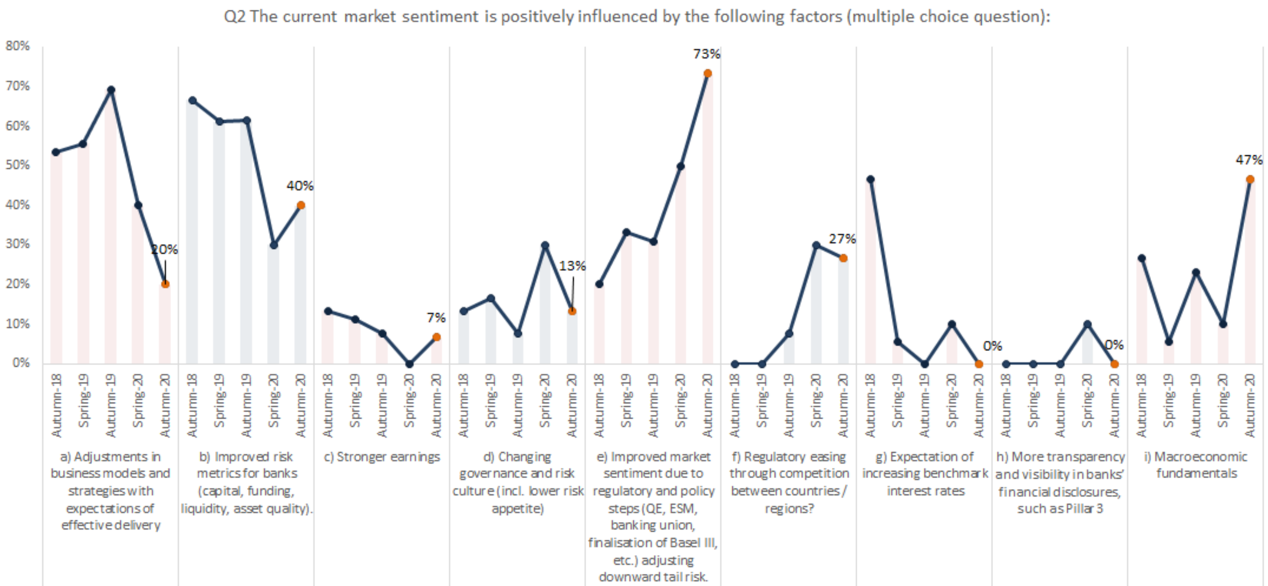
Question 1: Comparison with earlier results



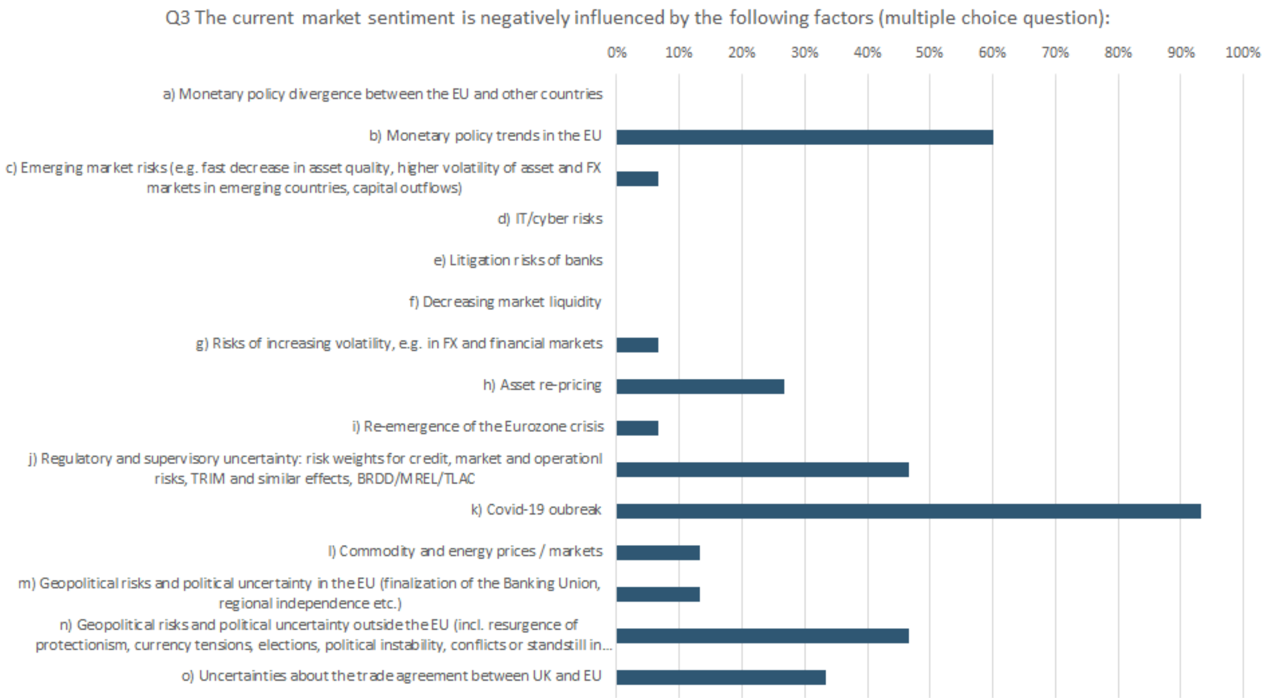
Question 2: Autumn 2020 results



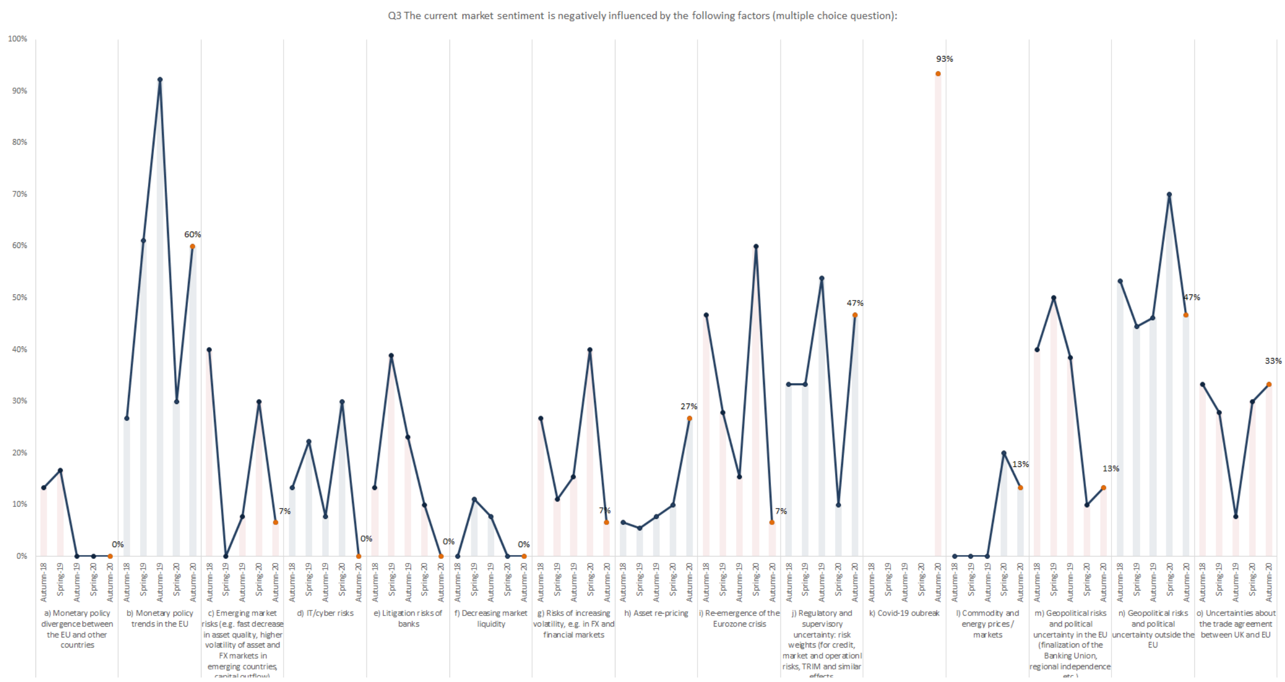
Question 2: comparison with earlier results



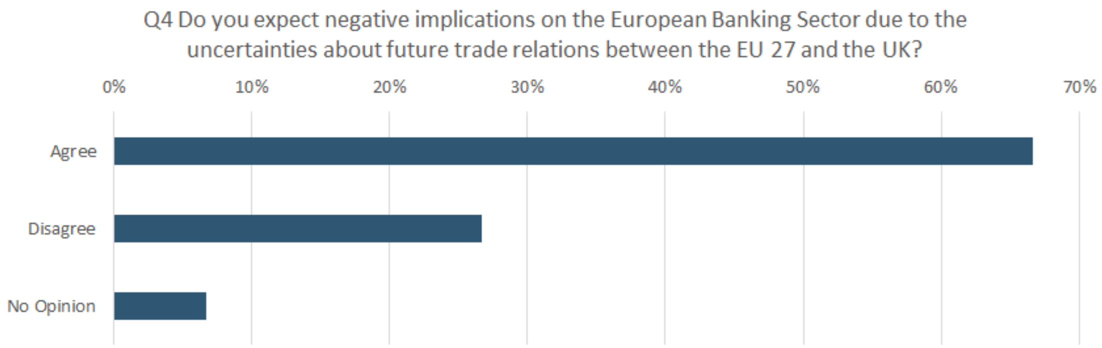
Question 3: Autumn 2020 results



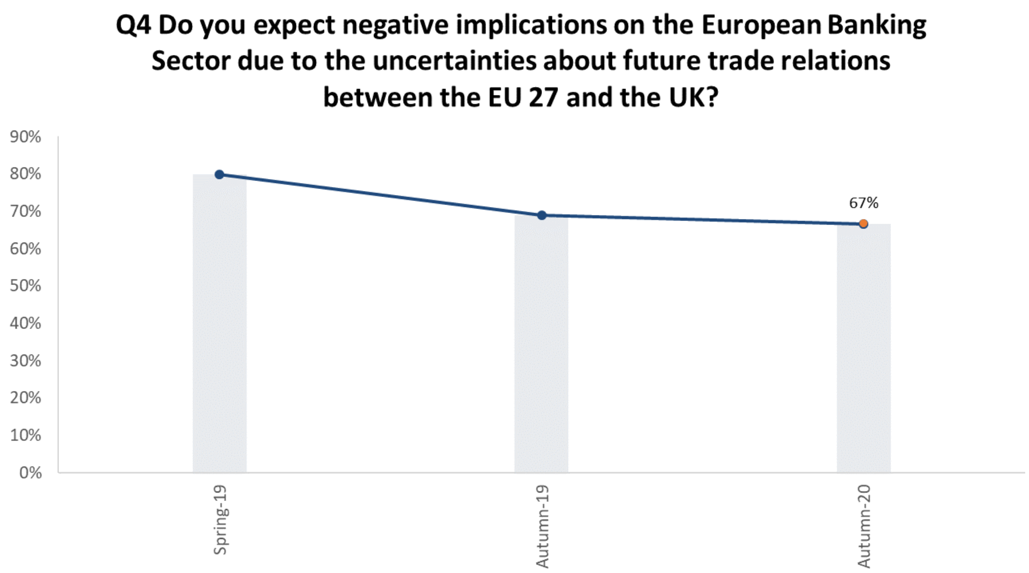
Question 3: comparison with earlier results



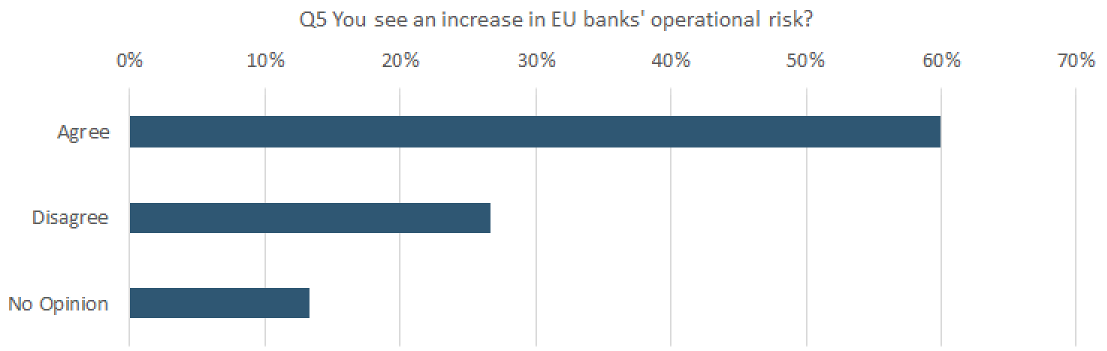
Question 4: Autumn 2020 results

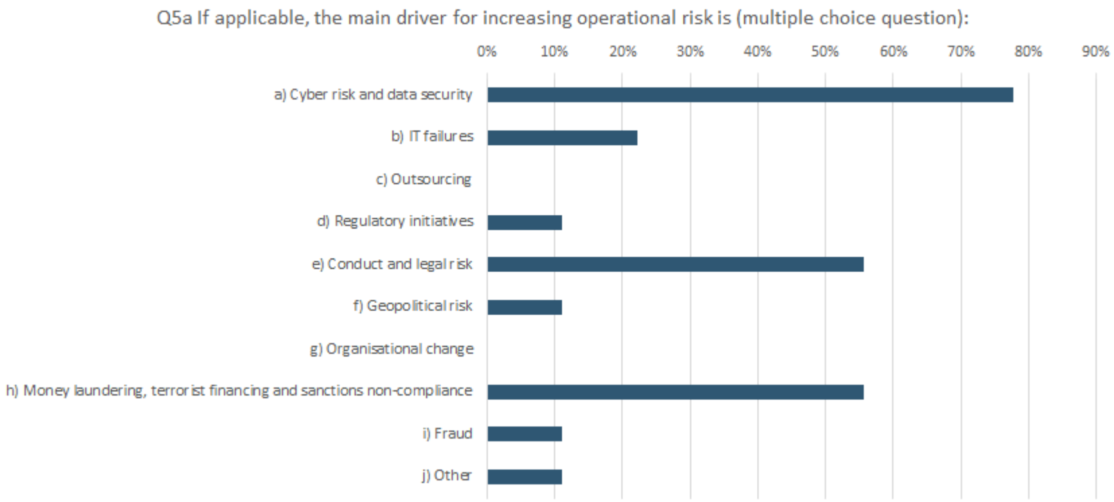


Question 4: comparison with earlier results

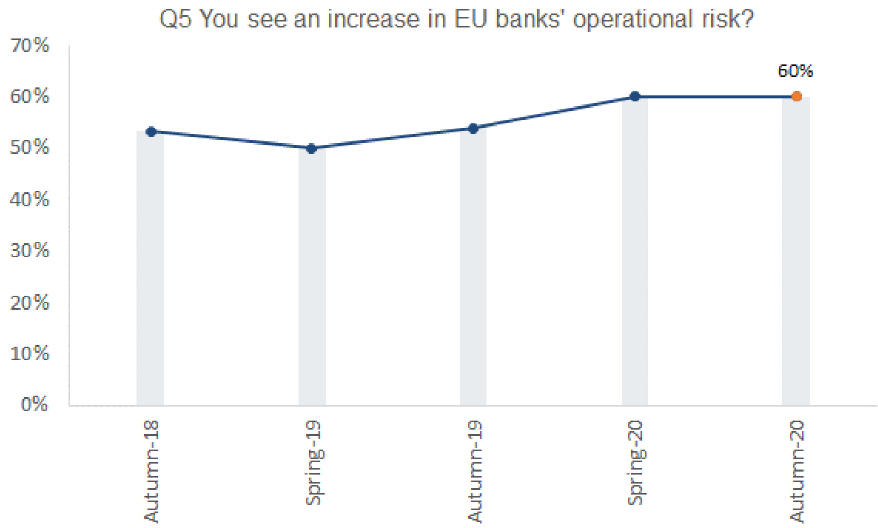


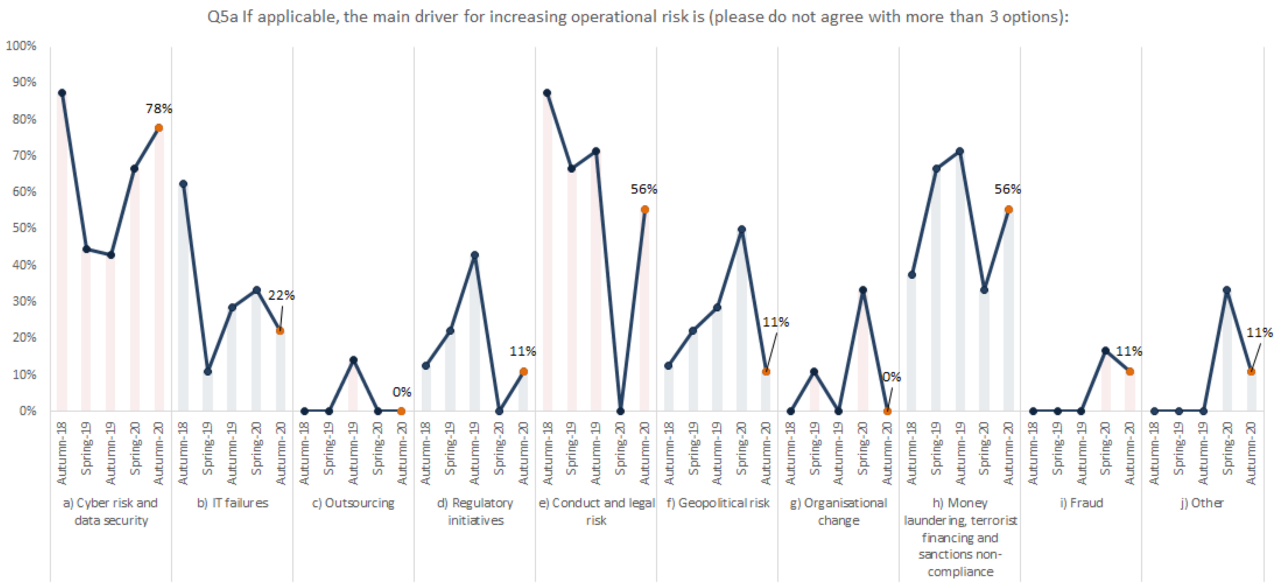
Question 5: Autumn 2020 results





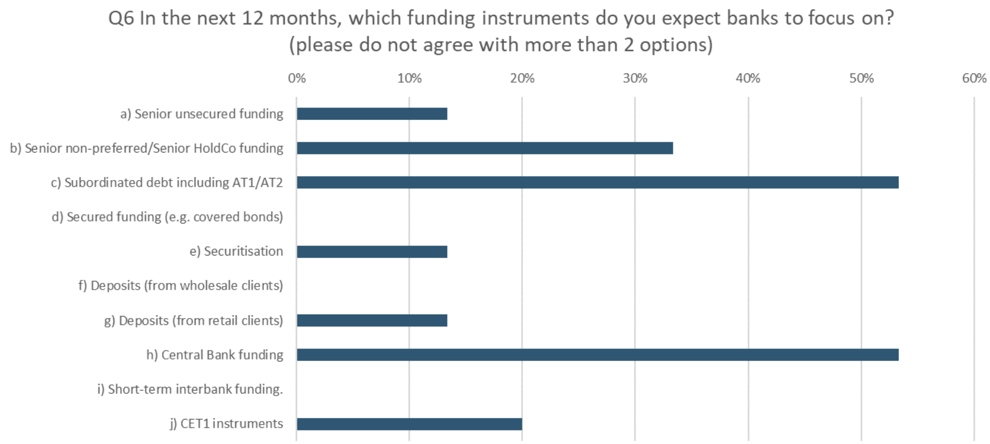
Question 5: comparison with earlier results



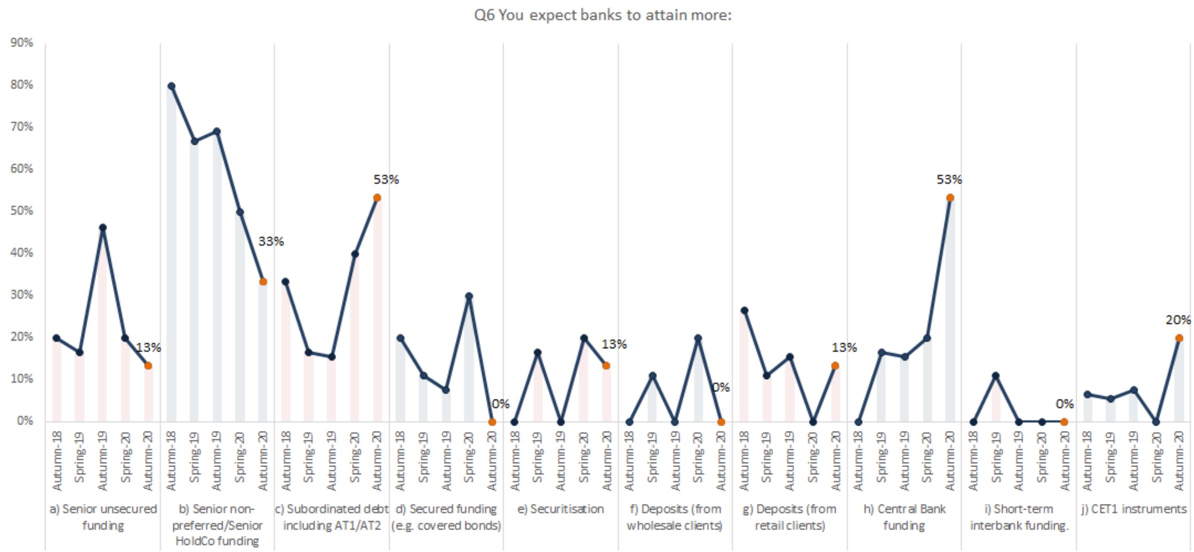


2. Funding / liquidity

Question 6: Autumn 2020 results

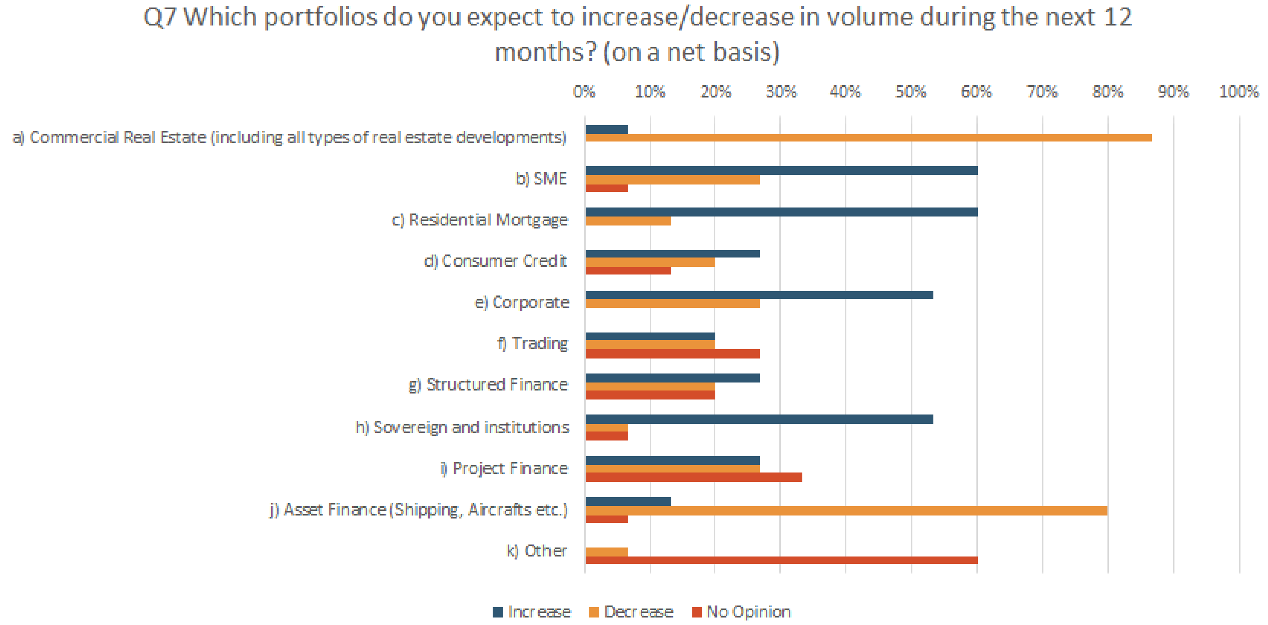


Question 6: comparison with earlier results

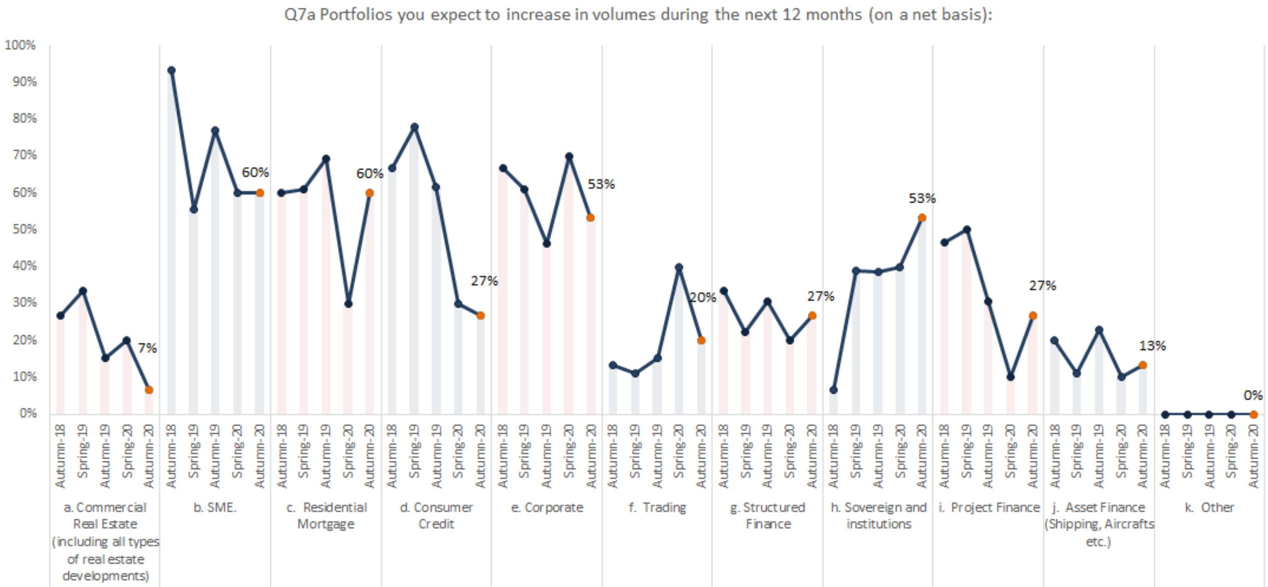


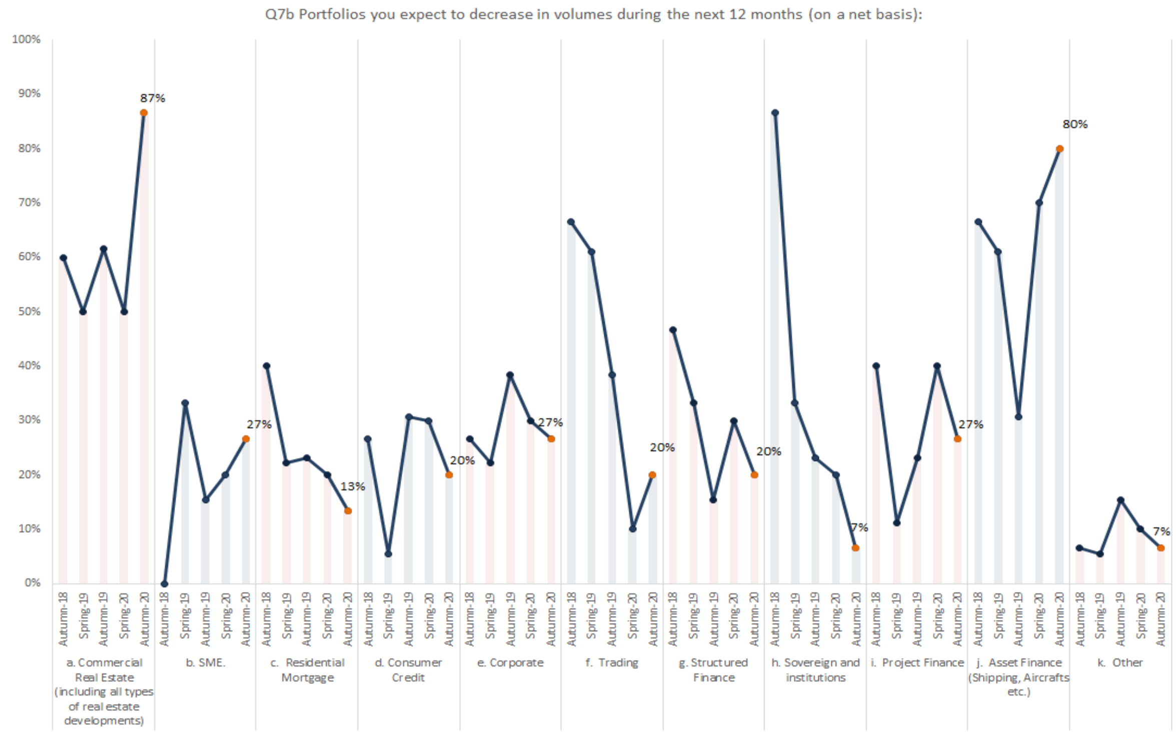
3. Asset composition & quality

Question 7: Autumn 2020 results

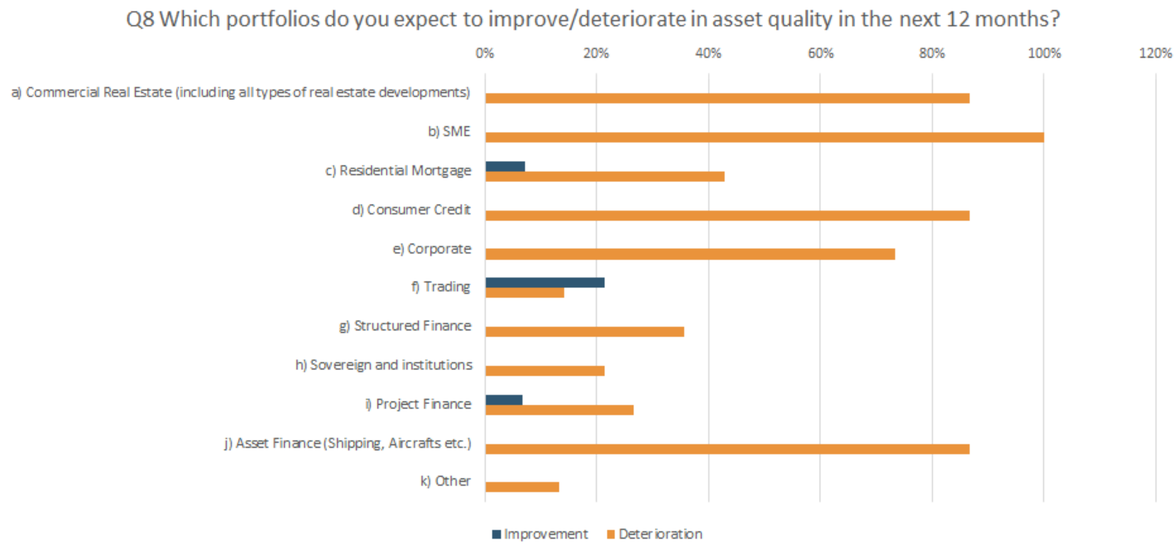


Question 7: comparison with earlier results

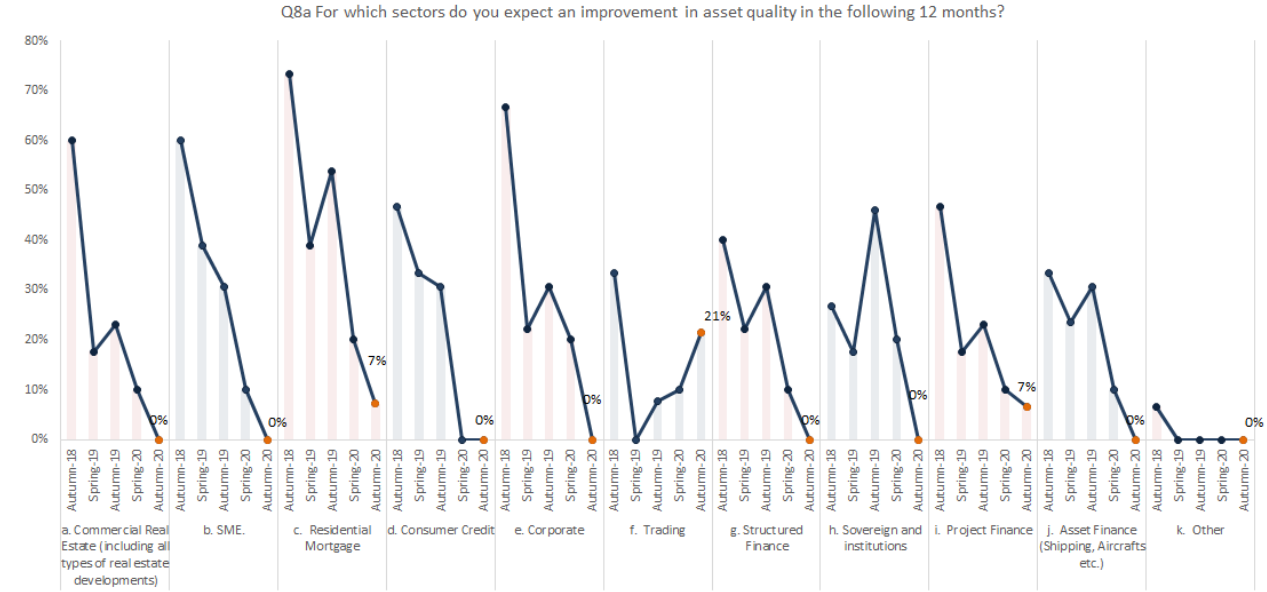


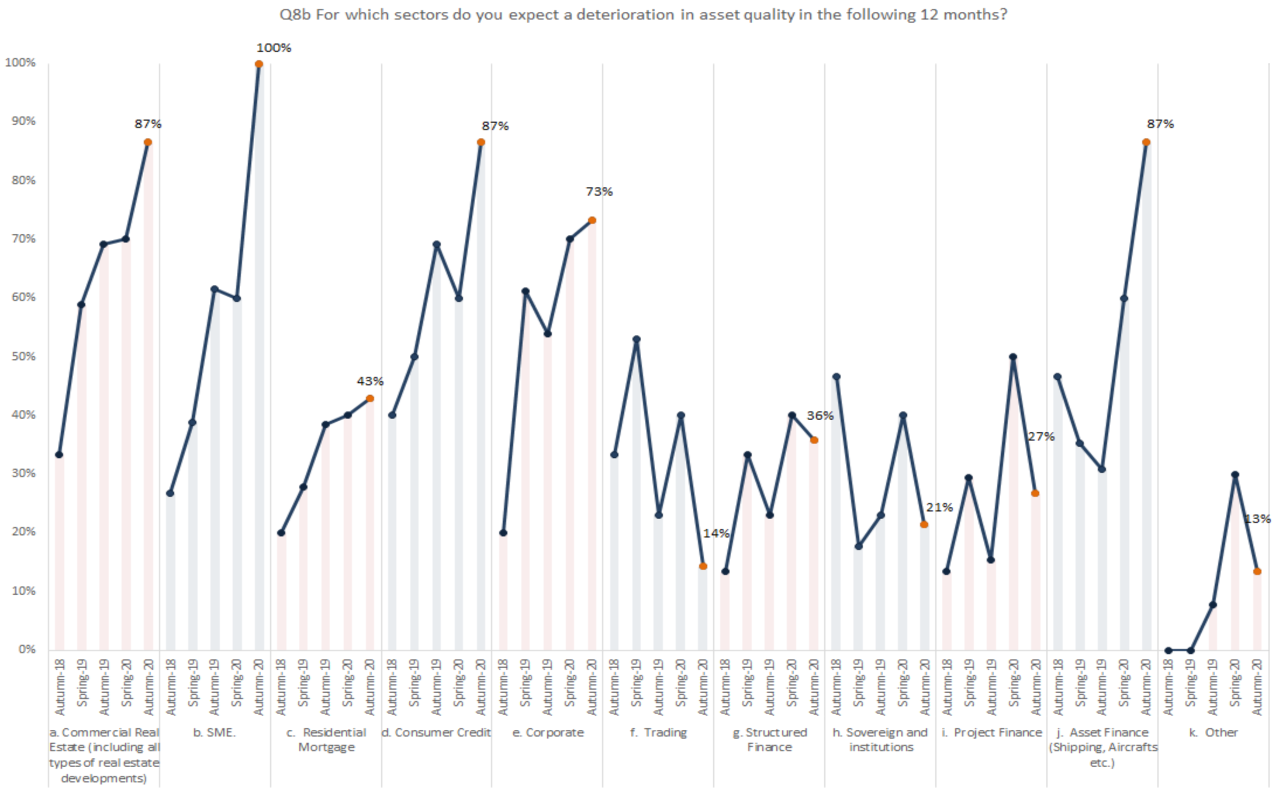


Question 8: Autumn 2020 results

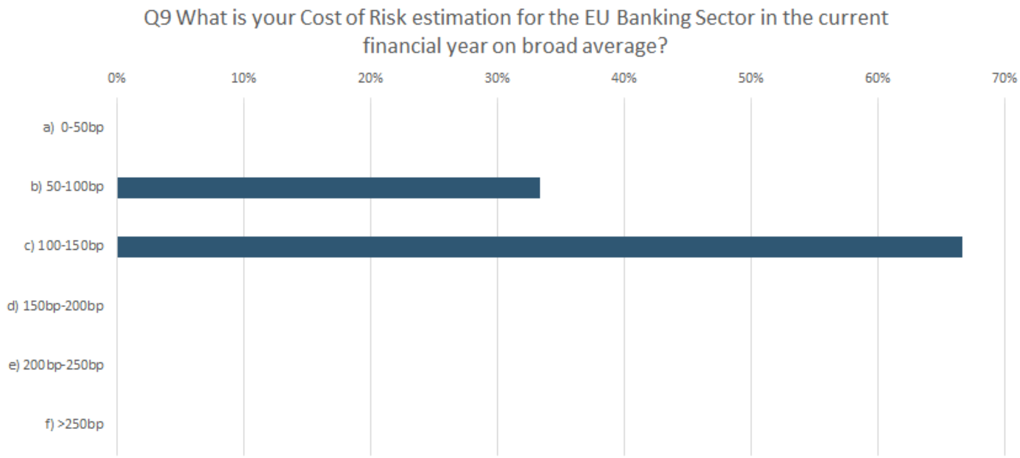


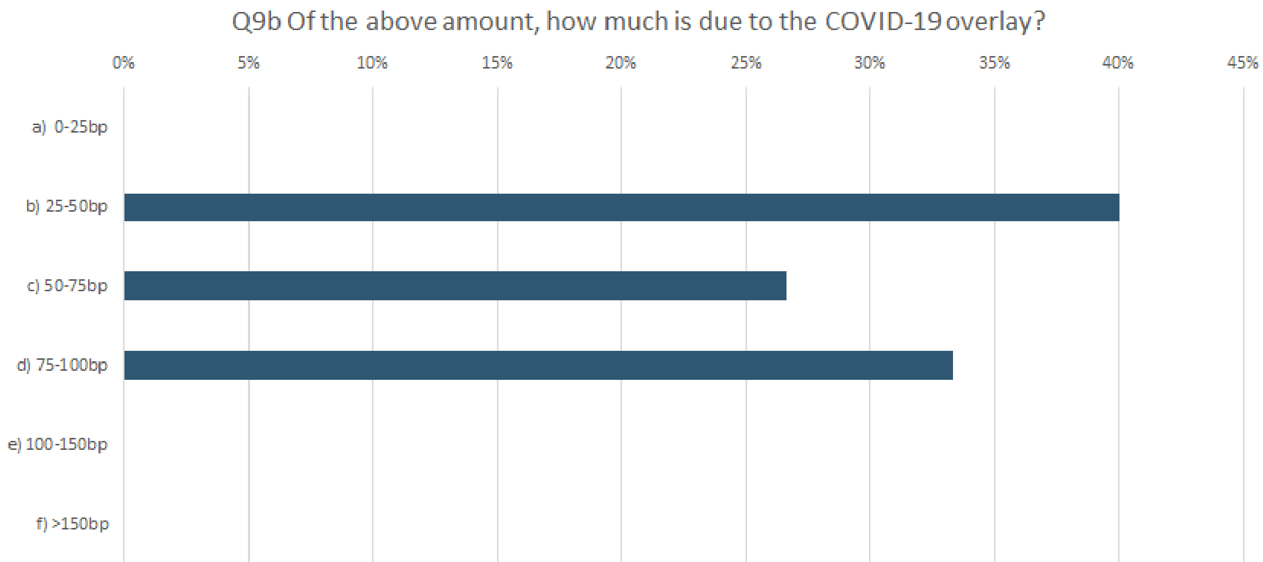
Question 8: comparison with earlier results





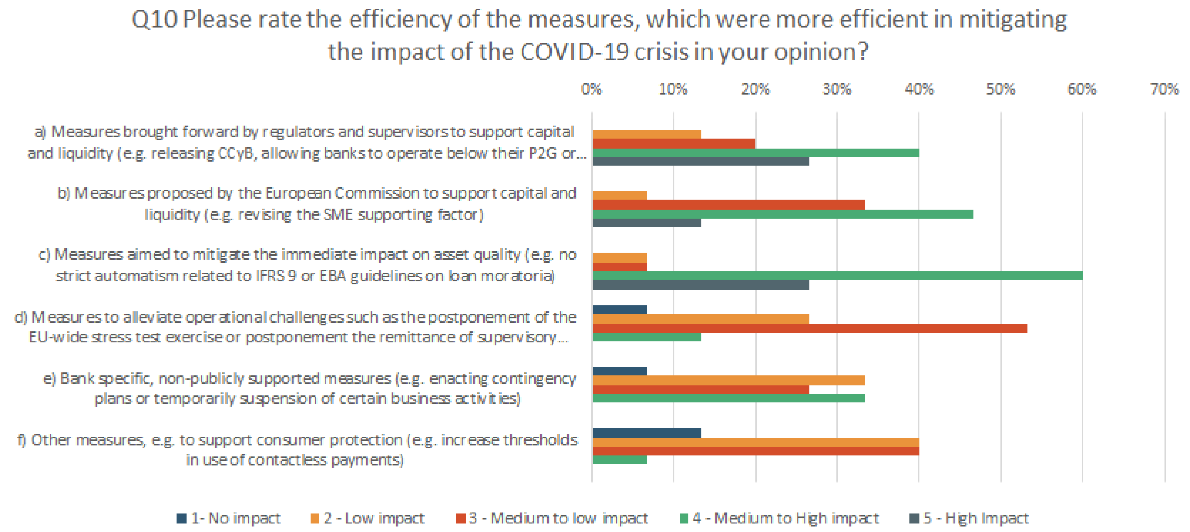
Question 9: Autumn 2020 results



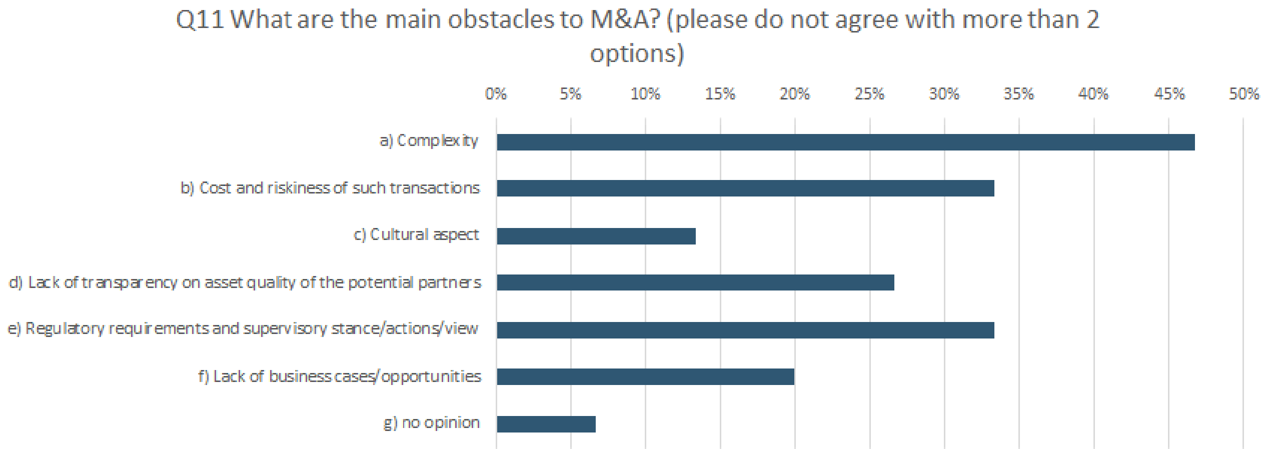


4. General Questions

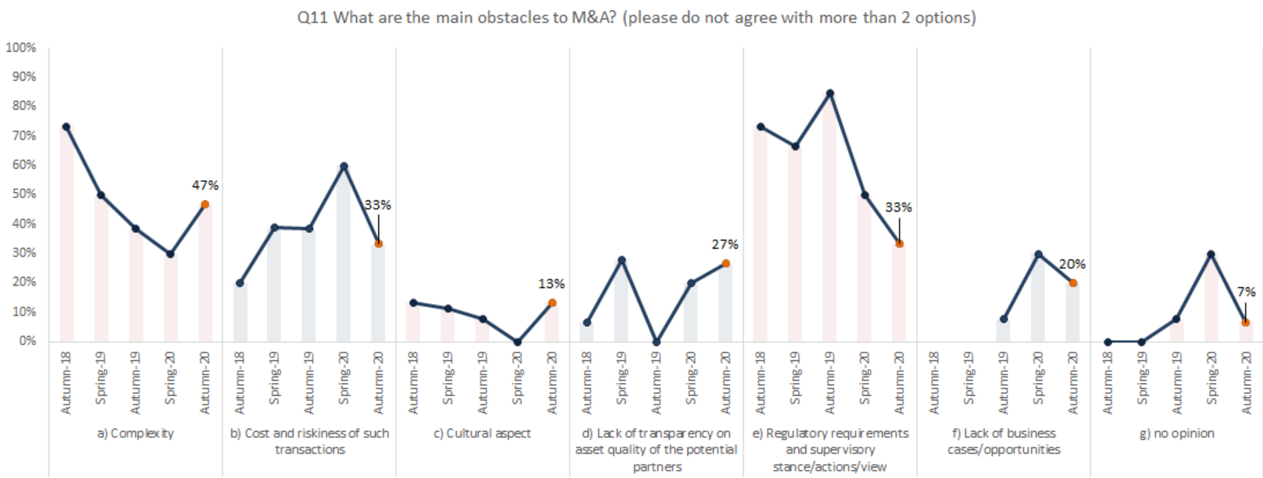
Question 10: Autumn 2020 results



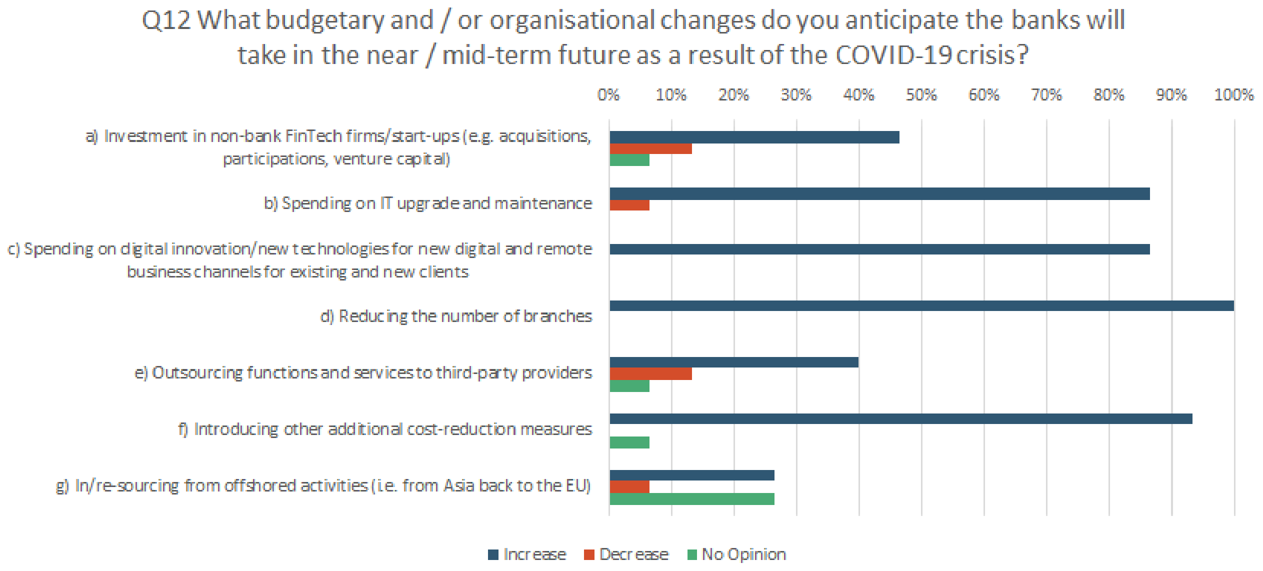
Question 11: Autumn 2020 results



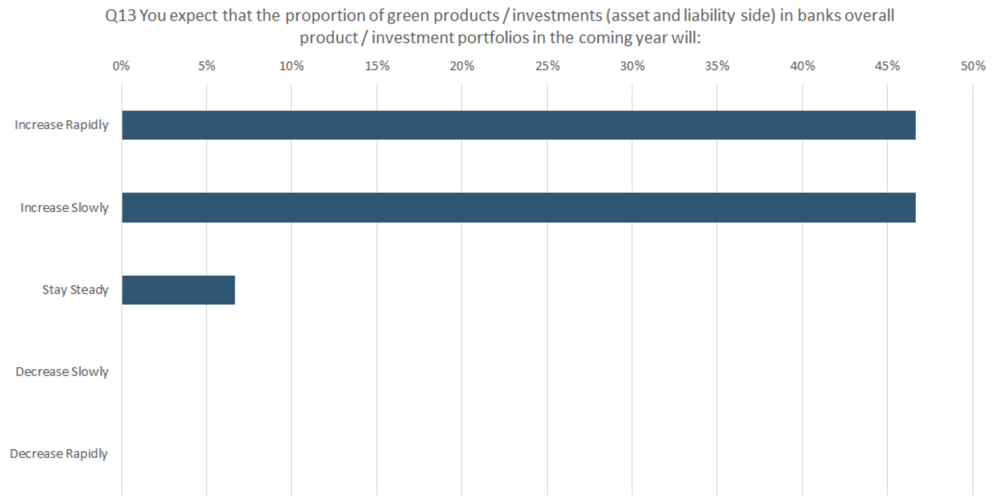
Question 11: comparison with earlier results



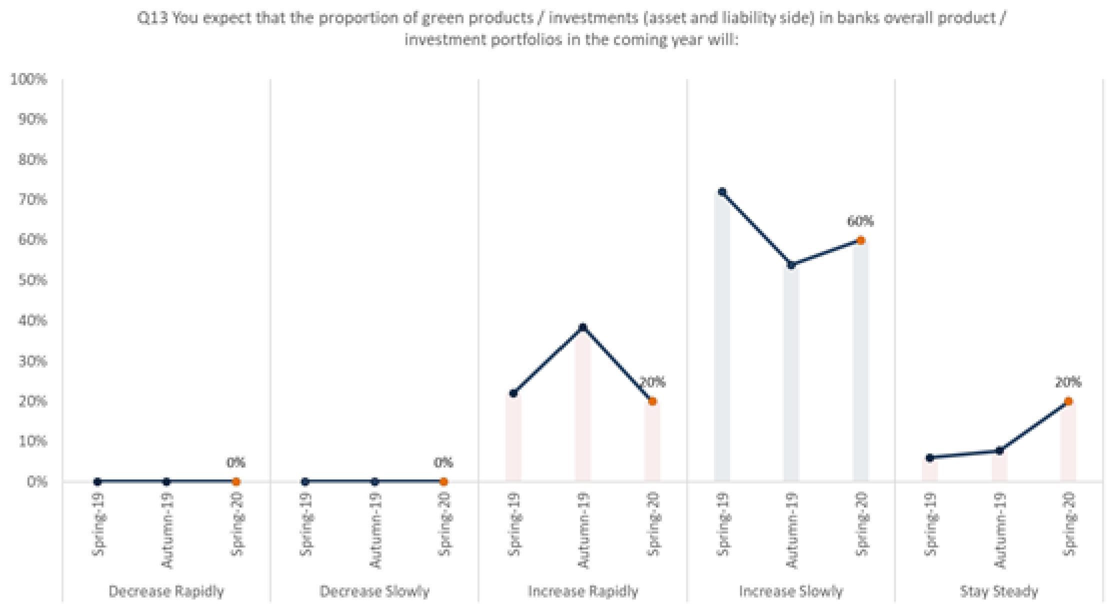
Question 12: Autumn 2020 results



Question 13: Autumn 2020 results

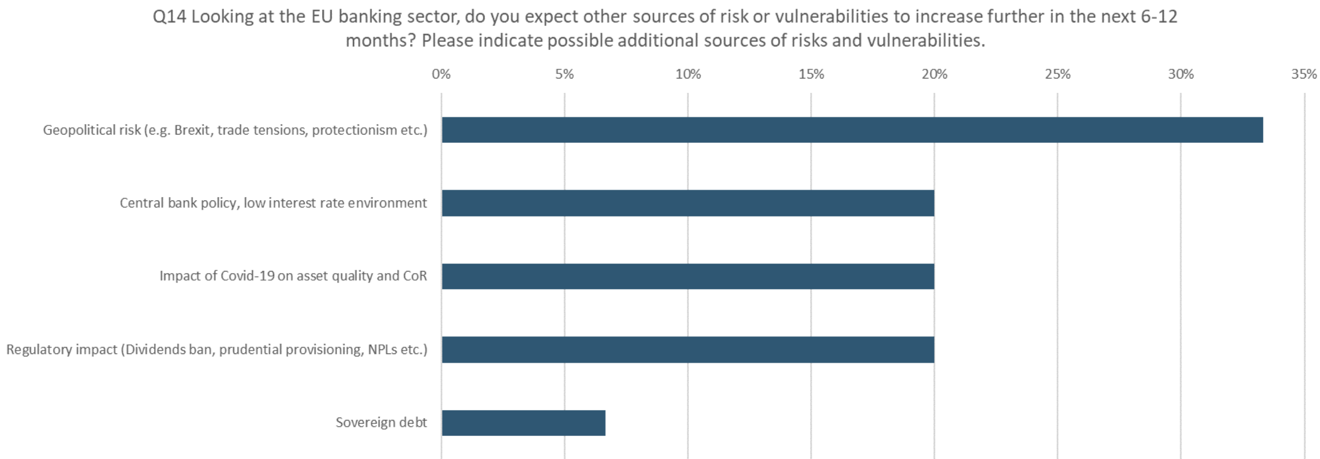


Question 13: Autumn 2020 results



5. General open question

Question 14: Autumn 2020 results



Appendix: Risk Assessment Questionnaire for banks

[added on the following pages]

EBA Risk Assessment Questionnaire for Banks - Autumn 2020

Fields marked with * are mandatory.

Respondent information

* First Name

* Last Name

* Position

* Financial Institution

* Country

LEI code of financial institution

Text of 20 to 20 characters will be accepted

* 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 Are you considering (or have you considered) M&A transactions?**

- Yes
- No

* **Q1.1 if Yes, are you potentially considering M&A transactions with/of:**

- i) Domestic credit institutions, business units and/or portfolios
- ii) Other EU/EEA credit institutions, units and/or portfolios
- iii) Credit institutions, business units and/or portfolios from outside the EU/EEA
- iv) Fintech firms (domestic or foreign).

* **Q1.2 if No, what are the main reasons for not considering M&A transactions? (please do not agree with more than 2 options):**

at most 2 choice(s)

- i) Complexity
- ii) Cost and riskiness of such transactions
- iii) Cultural aspects
- iv) Lack of transparency on asset quality of the potential partners
- v) Regulatory requirements and supervisory stance/actions/view
- vi) Lack of business cases/opportunities
- vii) No opinion / not applicable

* **Q2 Your bank can operate on a longer-term basis with a return on equity (ROE):**

- a) < 6%
- b) ≥ 6% and < 8%
- c) ≥ 8% and < 10%
- d) ≥ 10% and < 12%
- e) ≥ 12% and < 14%
- f) ≥ 14%

* **Q3 You expect an overall increase in your bank's profitability in the next 6-12 months:**

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree
- No Opinion

Q4 Which areas are you primarily targeting to increase profitability of your bank in the next months? (ranking according to priority with 1-High Priority and 4-Low Priority):

at least 6 answered row(s)

	1	2	3	4	N/A
* a) Net interest income					
* b) Net Fees and Commissions income					

* c) Other operating income	◯	◯	◯	◯	◯
* d) Operating expenses / costs reduction	◯	◯	◯	◯	◯
* e) Impairments	◯	◯	◯	◯	◯
* f) Other	◯	◯	◯	◯	◯

*** Q5 Which measures are you primarily taking to reduce operating expenses / costs? (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 (business lines and locations, incl. branches)
- ☐ e) Increasing automatisation and digitilisation
- ☐ f) Other

*** Q6 Your current earnings are covering the cost of equity:**

- ◯ Agree
- ◯ Disagree
- ◯ No Opinion

*** Q7 What is your Cost of Equity estimation?**

- ◯ a) < 6%
- ◯ b) ≥ 6% and < 8%
- ◯ c) ≥ 8% and < 10%
- ◯ d) ≥ 10% and < 12%
- ◯ e) ≥ 12%

*** Q8 How have you responded / do you intend to respond to risks related to an inconclusive end of the UK's transition period until end-2020 in withdrawing from the EU? (please do not agree with more than 3 options)**

at most 3 choice(s)

- ☐ a) Expedite execution of business plans to relocate or set-up new operations (e.g. subsidiary or branch) in the EU
- ☐ b) Speeding up business plans for new operations (e.g. subsidiary or branch) in the EU
- ☐ c) Reduce business volume with and/or exposure to UK counterparties
- ☐ d) Enhance efforts to re-paper existing contracts (including derivatives) to EU entities
- ☐ e) Increase usage of EU-based financial market infrastructures, including derivatives clearing at EU-based CCPs
- ☐ f) Issue MREL eligible liabilities under the EU law or with contractual bail-in clauses
- ☐ g) Other

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

*** Q9.1 In which areas is your bank working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBOR etc.)?**

- [ ] 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)
- [ ] iv. Not applicable

Q9.2 In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of the IBOR replacements?

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	No Opinion
* i. Related to existing business on the asset side (e.g. variable rate loans)	○	○	○	○	○
* ii. Related to existing funding (e.g. debt securities issued with variable rates)	○	○	○	○	○
* iii. Related to other existing instruments / business (e.g. derivatives)	○	○	○	○	○
* iv. Related to new business (e.g. newly issued debt securities, variable rate loans or derivatives)	○	○	○	○	○
* v. Related to changes in the bank's internal operations, capabilities and systems (e.g. valuation models)	○	○	○	○	○
* vi. Do not see any big challenges / big risks related to the IBOR replacements.	○	○	○	○	○

Funding/liquidity

* **Q10 In the next 12 months, which funding instruments do you intend to focus on? (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

*

Q11 Which are the main constraints to issue 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

* **Q12 In the current low and negative interest rate environment, which of the following actions have you taken in relation to deposits?**

- [ ] a) Charging negative rates to household deposits or current accounts with a balance below EUR 100,000
- [ ] b) Charging negative rates to household deposits or current accounts with a balance above EUR 100,000
- [ ] c) Charging negative rates to non-financial corporate deposits or current accounts
- [ ] d) Charging higher fees for household deposits or current accounts and related services (e.g. payments or transfer of funds, direct debits, standing orders, annual or monthly fee, issuance fee for debit card etc)
- [ ] e) Charging higher fees for non-financial corporate deposits or current accounts and related services (e.g. payments or transfer of funds, direct debits, standing orders, annual or monthly fee, etc)
- [ ] f) None of the above.

* **Q13 What are your main considerations for avoiding to charge negative rates? (please do not agree more than 2 options)**

at most 2 choice(s)

- [ ] a) Legal clarity (e.g. legal restrictions on negative deposit rates)
- [ ] b) Reputational issues
- [ ] c) A preference for charging higher fees
- [ ] d) Competition from other banks and non-banks
- [ ] e) Preserving the stability of the deposit base
- [ ] f) Official interest rates are positive
- [ ] g) Not applicable

Asset composition and quality

Q14 Which portfolios do you plan to increase/decrease in volume during the next 12 months (on a net basis)?

	Increase	Decrease	Stable	No Opinion

* a) Commercial Real Estate (including all types of real estate developments)	○	○	○	○
b) SME	○	○	○	○
* c) Residential Mortgage	○	○	○	○
* d) Consumer Credit	○	○	○	○
* e) Corporate	○	○	○	○
* f) Trading	○	○	○	○
* g) Structured Finance	○	○	○	○
* h) Sovereign and institutions	○	○	○	○
* i) Project Finance	○	○	○	○
* j) Asset Finance (Shipping, Aircrafts etc.)	○	○	○	○
* k) Other	○	○	○	○

Q15 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?

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

*** Q16 What is your Cost of Risk estimation for the current financial year?**

○ a) 0-50bp
○ b) 50-100bp
○ c) 100-150bp
○ d) 150-200bp
○

- e) 200-250bp
- f) >250bp

Q16.1 Of the above amount, how much is estimated due to the COVID-19 overlay?

- a) 0-25bp
- b) 25-50bp
- c) 50-75bp
- d) 75-100bp
- e) 100-150bp
- f) >150bp

* **Q17 What are your most commonly applied strategies for NPL reduction and to prevent built-up of NPL (please do not agree with more than 2 options)?**

at most 2 choice(s)

- a) Hold (including moratoria) and forbearance based strategies (i.e. holding NPLs and applying suitable workout strategies and forbearance options)
- b) Active portfolio reductions: sales (e.g. NPL and other portfolio transactions)
- c) Active portfolio reductions: NPL and loan 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)

Conduct, Reputational and Operational risk

* **Q18 Since the end of your 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) < EUR 100m
- b) ≥ EUR 100m and < EUR 500m
- c) ≥ EUR 500m and < EUR 1bn
- d) ≥ EUR 1bn and < EUR 5bn
- e) ≥ EUR 5bn and < EUR 10bn
- f) ≥ EUR 10bn and < EUR 20bn
- g) ≥ EUR 20bn

* **Q19 You see an increase in operational risk in your bank:**

- Agree
- Disagree
- No Opinion

* **Q19.1 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
- f) Geopolitical risk
- g) Organisational change
- h) Money laundering, terrorist financing and sanctions non-compliance

- d) Regulatory initiatives
- e) Conduct and legal risk
- i) Fraud
- j) Other

* **Q20 As a response to Covid-19 outbreak what kind of contingency plans did you operationalise?**

- a) Closing of branches
- b) Extension of remote working for staff
- c) Splitting up teams in critical units and setting-up new locations
- d) Strengthening remote working infrastructure and cyber-security levels
- e) Outsourcing functions and services to third-party providers
- f) Deployment of new digital and remote business channels for existing and new clients
- g) Reducing business volume or product offering

* **Q21 What organisational changes are you planning for the future (both in the short-term and in the long-term) as a result of the COVID-19 crisis?**

- a) Closing of branches
- b) More telework arrangements
- c) Enhanced splitting up of the teams in critical units and setting-up of new locations
- d) Outsourcing functions and services to third-party providers
- e) Introducing other additional cost-reduction measures
- f) In/re-sourcing from offshored activities (i.e. from Asia back to the EU)
- g) Increased investments in IT infrastructure and systems
- h) Other

Q22 Please rate the measures according to their efficiency to mitigate the impact of the COVID-19 crisis in your opinion? (1 no impact to 5 high impact)

	1 - No impact	2 - Low impact	3 - Medium to low impact	4 - Medium to High impact	5 - High Impact
* a) Measures brought forward by regulators and supervisors to support capital and liquidity (e.g. releasing CCyB, allowing banks to operate below their P2G or allowing banks to meet part of P2R with non-CET1 capital instruments)					
* b) Measures proposed by the European Commission to support capital and liquidity (e. g. revising the SME supporting factor)					
* c) Measures aimed to mitigate the immediate impact on asset quality (e.g. no strict automatism related to IFRS 9 or EBA guidelines on loan moratoria)					
* e) Bank specific, non-publicly supported measures (e.g. enacting contingency plans					

or temporarily suspension of certain business activities)					
* f) Other measures, e.g. to support consumer protection (e.g. increase thresholds in use of contactless payments)					
* d) Measures to alleviate operational challenges such as the postponement of the EU-wide stress test exercise or postponement the remittance of supervisory reporting data etc.					

FinTech

***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 In relation to your digital strategy, what budgetary changes are you planning for the near / mid-term future as a result of the COVID-19 crisis?

	Significant increase (more than 10%)	Slight increase (10% or less)	No change	Slight decrease (10% or less)	Significant decrease (more than 10%)
* a) Investment in non-bank FinTech firms/start-ups (e.g. acquisitions, participations, venture capital)					
* b) Spending on IT upgrade and maintenance					
* c) Spending on digital innovation /new technologies (e.g. for new digital and remote business channels for existing and new clients)					

Q24 What is your current form of engagement with FinTech?

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	No Opinion
* a) You form commercial partnerships (e.g. joint ventures) with non-bank Fintech firms/start-ups to offer new products/services					

* b) You directly/indirectly invest in digital-only/challenger banks					
c) You directly/indirectly invest in non-bank Fintech firms/start-ups					
* d) You launched a stand-alone digital-only bank					
* e) You develop own products /services in-house using new technologies without cooperating with non-bank Fintech firms/start-ups					
* f) You set-up/sponsor FinTech incubators/accelerators					

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					
* b) Digital/Mobile wallets					
* c) Distributed Ledger Technology					
* 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.)					
* e) Biometrics					
* f) Artificial Intelligence (including machine learning and natural language processing)					
* g) Smart contracts					

Sustainable Finance

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

- a. Green mortgages or 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. Green corporate loan or other types of green loans for non-retail customers (such as green infrastructure)
- g. Sustainability loans
- h. Not applicable

* **Q27 Have you already issued one of the following instruments?**

- a) Green securitisation
- b) Green covered bonds
- c) Ordinary green bonds
- d) Sustainability linked bonds
- e) Other type of green or ESG financial instruments
- g) Not applicable

* **Q28 Have you observed a pricing benefit compared to comparable non-green bonds issued by your institution at the same period (either in primary or secondary markets)?**

- a) Yes
- b) No
- c) Do not know
- d) Not applicable

* **Q29 What are the main reasons you have not issued a green bond?**

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
- f) Not applicable

* **Q30 In case you are planning to issue a green bond within the next 12 months, according to which standards are you planning to issue?**

- a) Green bonds principles
- b) EU Green bonds standards when applicable
- c) Other
- d) Do not know yet
- e) Not applicable

General issues

* **Q31 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

[added on the following pages]

EBA Risk Assessment Questionnaire for Market Analysts - Autumn 2020

Fields marked with * are mandatory.

Respondent information

* First Name

* Last Name

* Position

* Division

* Company

* Email adress

A. Business model/strategy/profitability

Please select your choice for every box.
Your response should reflect the degree of agreement to the statement made.

Q1 Short term earnings expectations for banks are:

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

* **Q2 The current market sentiment 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 and Covid-19 related mitigating measures

* **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 operationl risks, TRIM and similar effects, BRDD/MREL/TLAC

- k) Covid-19 oubreak
- l) Commodity and energy prices / markets
- m) Geopolitical risks and political uncertainty in the EU (finalization 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 trade agreement between UK and EU

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

- Agree
- Disagree
- No Opinion

* **Q5 You see an increase in EU banks' operational risk.**

- Agree
- Disagree
- No Opinion

* **Q5 a) 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

* **Q6 In the next 12 months, which funding instruments do you expect banks to focus on? (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) No opinion

C. Asset composition & quality

Q7 Which portfolios do you expect to increase/decrease in volume during the next 12 months? (on a net basis)

at least 11 answered row(s)

	Increase	Decrease	Remain stable	No opinion
* a) Commercial Real Estate (including all types of real estate developments)	○	○	○	○
* b) SME	○	○	○	○
* c) Residential Mortgage	○	○	○	○
* d) Consumer Credit	○	○	○	○
* e) Corporate	○	○	○	○
* f) Trading	○	○	○	○
* g) Structured Finance	○	○	○	○
* h) Sovereign and institutions	○	○	○	○
* i) Project Finance	○	○	○	○
* j) Asset Finance (Shipping, Aircrafts etc.)	○	○	○	○
* k) Other	○	○	○	○

Q8 Which portfolios do you expect to improve/deteriorate in asset quality in the next 12 months?

	Improve	Deteriorate	Remain Stable	No opinion
* a) Commercial Real Estate (including all types of real estate developments)	○	○	○	○
* b) SME	○	○	○	○
* c) Residential Mortgage	○	○	○	○
* d) Consumer Credit	○	○	○	○
* e) Corporate	○	○	○	○
* f) Trading	○	○	○	○
* g) Structured Finance	○	○	○	○
* h) Sovereign and institutions	○	○	○	○
* i) Project Finance	○	○	○	○
* j) Asset Finance (Shipping, Aircrafts etc.)	○	○	○	○

* k) Other	○	○	○	○

* **Q9 What is your Cost of Risk estimation for the EU Banking Sector in the current financial year on broad average?**

- a) 0-50bp
- b) 50-100bp
- c) 100-150bp
- d) 150-200bp
- e) 200-250bp
- f) >250bp

* **Q9.1 Of the above amount, how much is due to the COVID-19 overlay?**

- a) 0-25bp
- b) 25-50bp
- c) 50-75bp
- d) 75-100bp
- e) 100-150bp
- f) >150bp

General Questions

Q10 Please rate the efficiency of the measures, which were more efficient in mitigating the impact of the COVID-19 crisis in your opinion? (1 no impact to 5 high impact)

	1- No impact	2 - Low impact	3 - Medium to low impact	4 - Medium to High impact	5 - High Impact
* a) Measures brought forward by regulators and supervisors to support capital and liquidity (e.g. releasing CCyB, allowing banks to operate below their P2G or allowing banks to meet part of P2R with non-CET1 capital instruments)	○	○	○	○	○
* b) Measures proposed by the European Commission to support capital and liquidity (e. g. revising the SME supporting factor)	○	○	○	○	○
* c) Measures aimed to mitigate the immediate impact on asset quality (e.g. no strict automatism related to IFRS 9 or EBA guidelines on loan moratoria)	○	○	○	○	○

* d) Measures to alleviate operational challenges such as the postponement of the EU-wide stress test exercise or postponement the remittance of supervisory reporting data etc.	◯	◯	◯	◯	◯
* e) Bank specific, non-publicly supported measures (e.g. enacting contingency plans or temporarily suspension of certain business activities)	◯	◯	◯	◯	◯
* f) Other measures, e.g. to support consumer protection (e.g. increase thresholds in use of contactless payments)	◯	◯	◯	◯	◯

*** Q11 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 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

Q12 What budgetary and / or organisational changes do you anticipate the banks will take in the near / mid-term future as a result of the COVID-19 crisis?

	Increase	Decrease	Remain stable	No Opinion
* a) Investment in non-bank FinTech firms/start-ups (e.g. acquisitions, participations, venture capital)	◯	◯	◯	◯
* b) Spending on IT upgrade and maintenance	◯	◯	◯	◯
* c) Spending on digital innovation/new technologies for new digital and remote business channels for existing and new clients	◯	◯	◯	◯
* d) Reducing the number of branches	◯	◯	◯	◯
* e) Outsourcing functions and services to third-party providers	◯	◯	◯	◯
* f) Introducing other additional cost-reduction measures	◯	◯	◯	◯
* g) In/re-sourcing from offshored activities (i.e. from Asia back to the EU)	◯	◯	◯	◯

*** Q13 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

* **Q14 Looking at the EU banking sector, do you expect other sources of risks or vulnerabilities to increase further in the next 6-12 months? Please indicate possible additional sources of risks and vulnerabilities**.

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