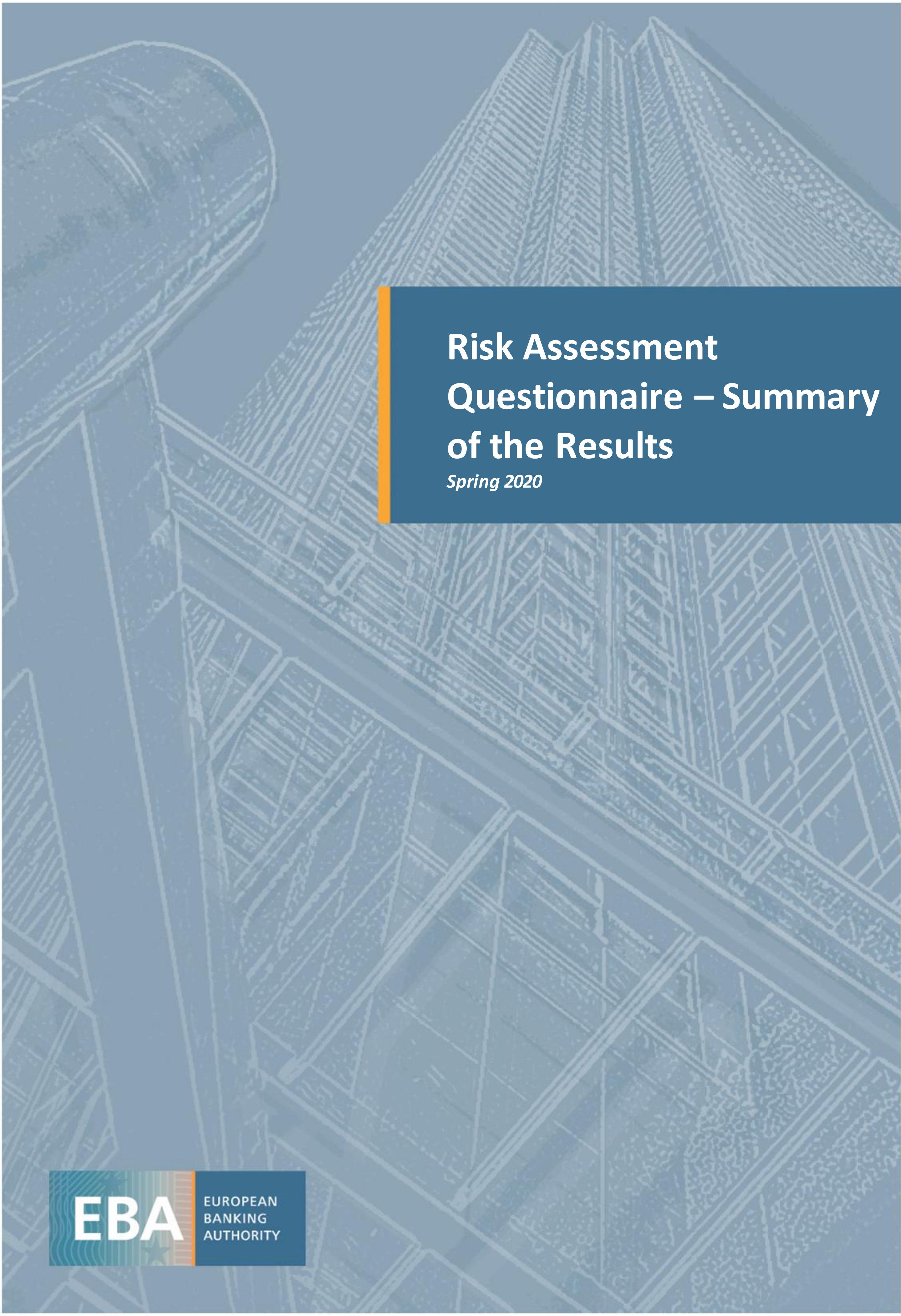


Risk Assessment Questionnaire – Summary of the Results

Spring 2020

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 spring 2020, in which 50 banks and 10 market analysts submitted their answers. The number of banks responding to the survey was lower compared to previous editions (65 banks in autumn 2019) due to the concomitance of the survey with the outbreak of Coronavirus (Covid-19) in Europe. Results of the survey were received in March and April. The uncertainty prevailing during the period covered in the current edition is reflected in the survey results. Therefore, they need to be read and interpreted with significant caution. In addition, comparability with previous periods is limited. The RAQ results are published together with the EBA's quarterly Risk Dashboard (Q1 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 results of the survey are significantly influenced by the timing of submission of the responses. In particular, some of the respondents prepared their answers at the beginning of the outbreak of Covid-19 in Europe, while others responded at a time when the outbreak was rapidly spreading across Europe. As a result, some banks have already partially considered the impact of the pandemic in their responses[1], whereas others have not yet considered the effect of economic lockdowns. Therefore, the responses should be interpreted with great caution.

Business model / strategy / profitability

- **Banks reported a significant worsening of the profitability outlook**. Despite the subdued profitability of the EU banking sector, the share of banks expecting that profitability will not rise in the next 6-12 months increased from about 5% in autumn 2019 to about 45%. 70% of the analysts also point to an increase in provisions/impairments. *(Question 3 for banks and Question 1 for market analysts)*
- **Banks primarily identify a reduction in operating costs/expenses as a way to increase profitability.** Around 50% of the banks, in line with the outcome of the previous survey, indicated that a reduction in costs is a high priority area to increase profitability. Furthermore, **banks reported that they are reducing operating costs mainly through an increase in automatization and digitalization (about 95% of the banks) and overhead and staff costs reduction (about 85% of the banks)**. *(Questions 4 and 5 for banks)*
- **A large majority of banks expect material adverse implications for their business from political and economic developments.** The share increased to 80% from about 55% in autumn 2019. The challenges that the outbreak of Covid-19 poses to banks are well reflected in the redefinition of the main areas of concern. In particular, **around 80% of the banks point to other adverse international trends (up from about 5%) and about 45% of them point to economic and political challenges in EU member states (up from 40%). In comparison, in the previous surveys Brexit, monetary policy and protectionism were the key concerns for the EU banks.** In a similar vein, a large share of analysts pointed to geopolitical risks and political uncertainty outside the EU (70% of the analysts) and to a re-emergence of the Eurozone crisis (60% of the analysts). *(Question 8 for banks and Question 3 for market analysts)*

[1] This observation only refers to the magnitude of the outbreak at the time when banks were preparing their responses to the survey. As part of their feedback, some banks commented that they prepared the questions before the outbreak of Covid-19 in Europe, while for others the magnitude of the outbreak was not clear. As such, it is reasonable to assume that banks could not fully consider the impact of the Covid-19 pandemic.

Funding / liquidity

- **Focusing on the next 12 months, banks intend to attain mainly more senior non-preferred and senior holdco debt (one single category in the survey) and senior unsecured** (around 40% of respondents for both categories). Banks also reported an increased reliance on central bank funding, up to 20% from 0% in autumn 2019, while they reported a decreased reliance on deposits, down to 20% from 35% in autumn 2019. *(Question 11 for banks)*

Asset volume trends and asset quality

- **The results show a substantial increase of banks' responses pointing to a deterioration in asset quality.** This holds for all asset classes, with around 60% of banks expecting worsening in the asset quality of SMEs followed by corporate, consumer credit and commercial real estate (around 50% of the banks). Similar expectations are reported by analysts, who also foresee a deterioration in asset quality in the next 12 months, although they had already been more pessimistic than banks in the last RAQ for nearly all asset classes. *(Question 17 for banks and Question 9 for market analysts)*

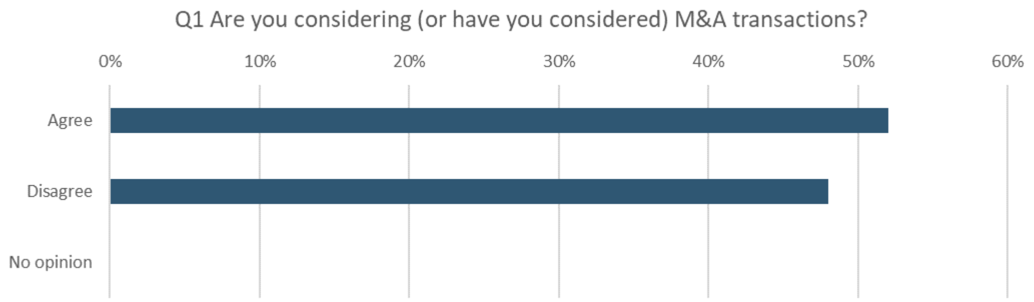
General open question

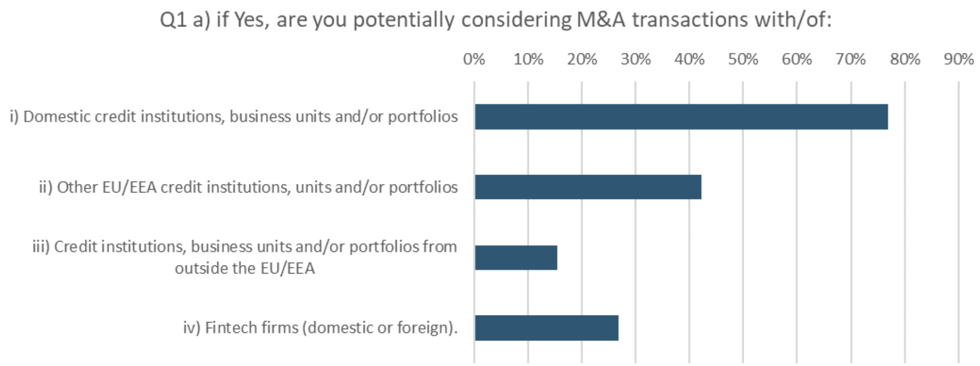
In the open question on risks looking ahead, banks and analysts highlight the challenges posed by the Covid-19 pandemic. Overall, respondents are mainly concerned about a (prolonged) slowdown in economic activity. This would in turn imply a deterioration in asset quality and banks' profitability, which is already subdued amid the low interest rate environment. Further elements of concern are possible cyberattacks, particular relevant due to large reliance on remote working, and the increased likelihood of a no-deal Brexit.

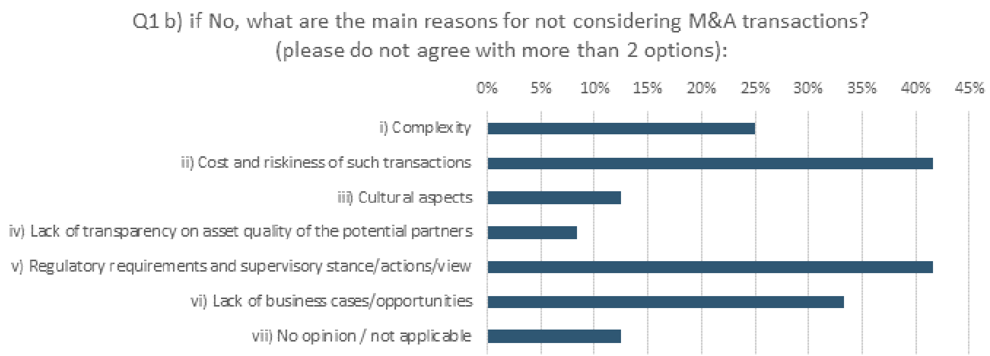
Banks' questionnaire

1. Business model / strategy / profitability

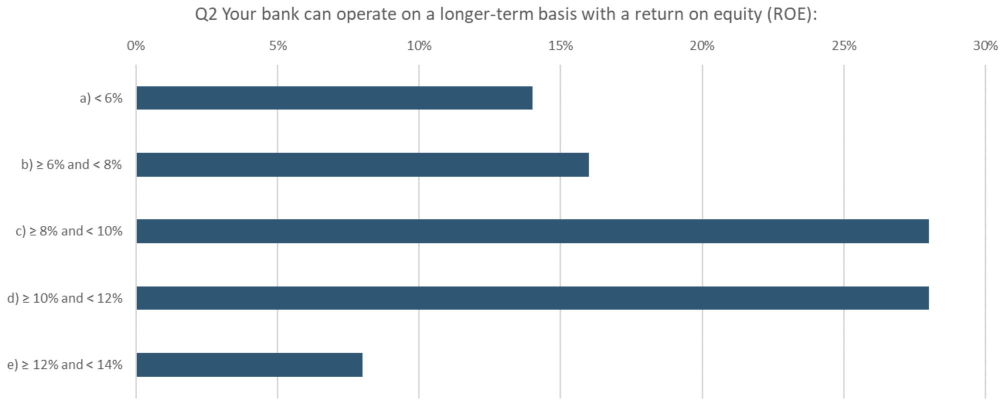
Question 1: Spring 2020 results



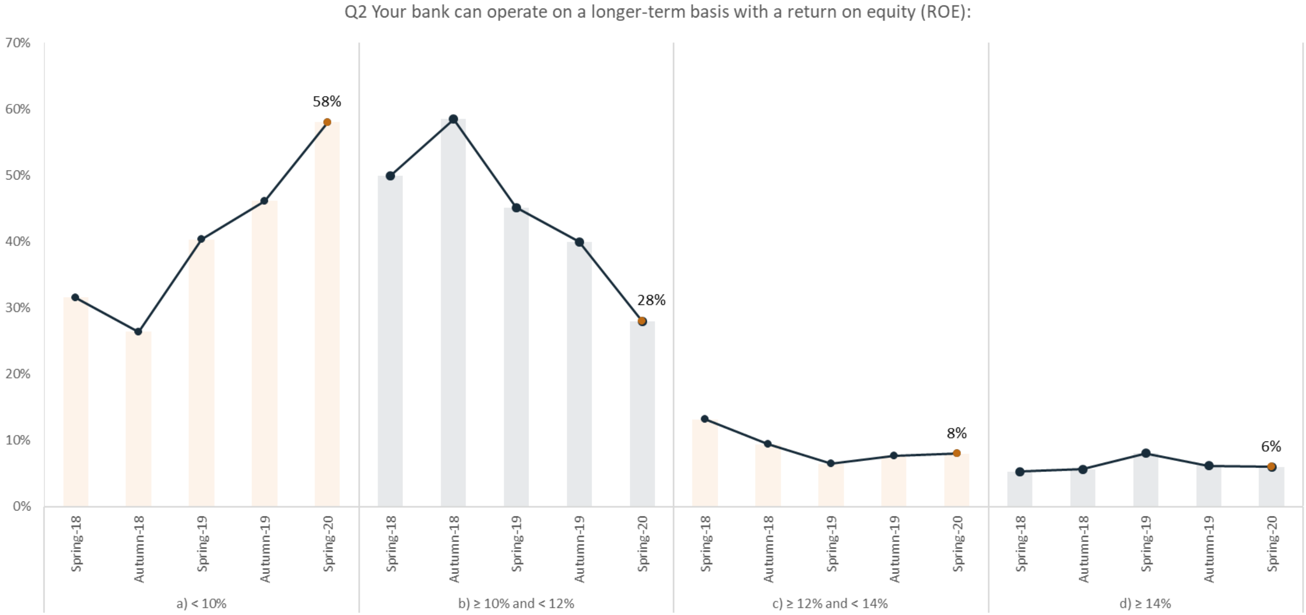




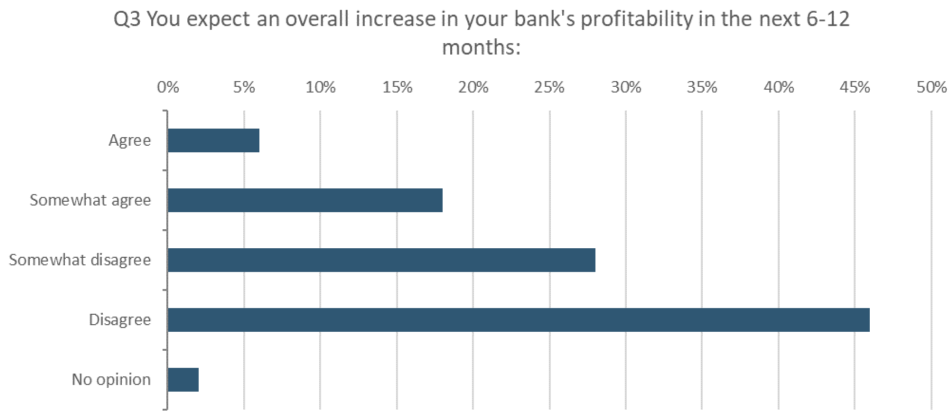
Question 2: Spring 2020 results



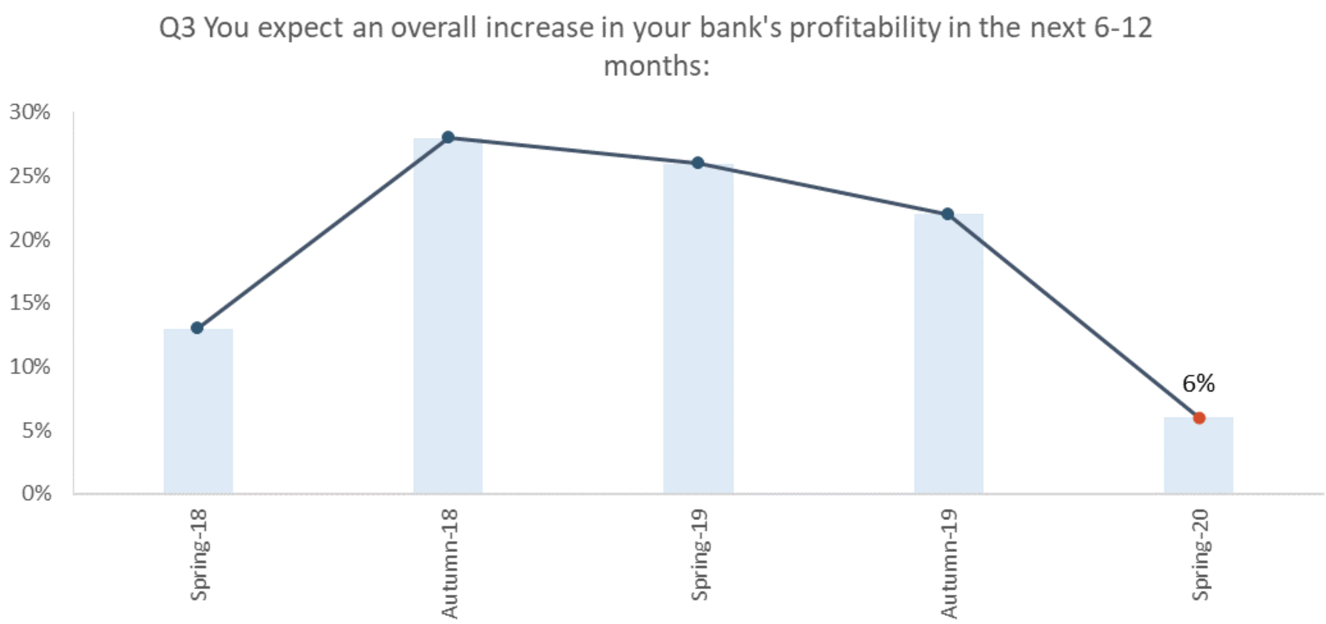
Question 2: Comparison with earlier results



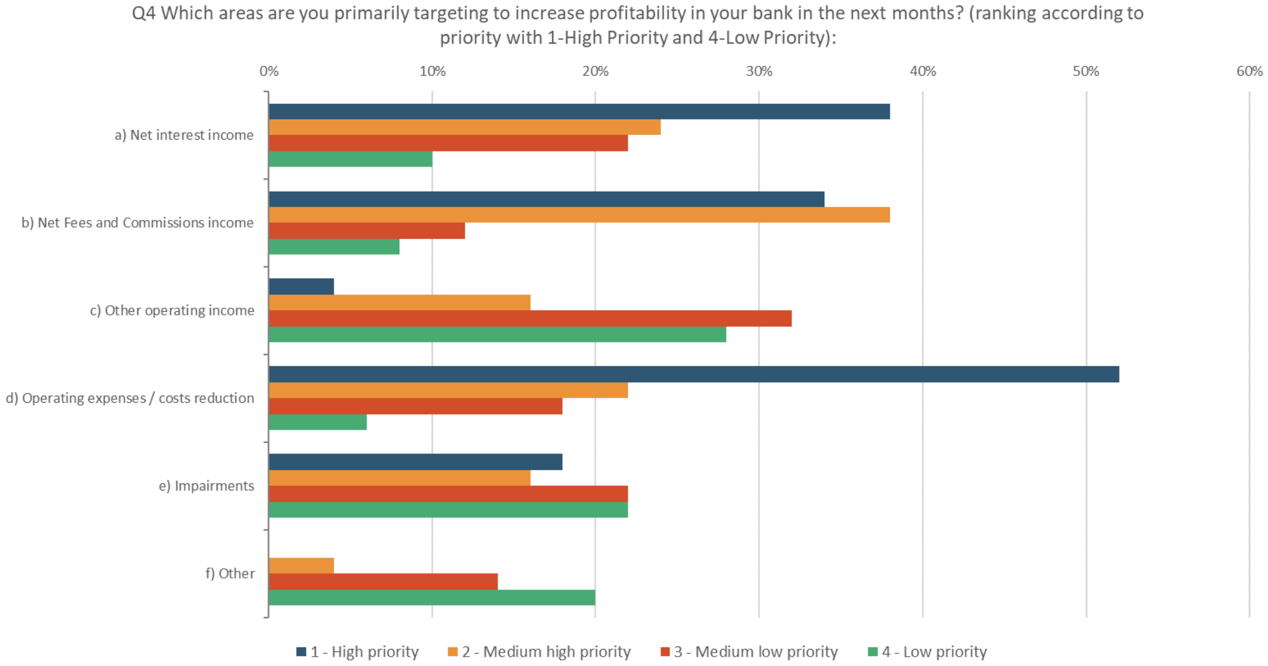
Question 3: Spring 2020 results

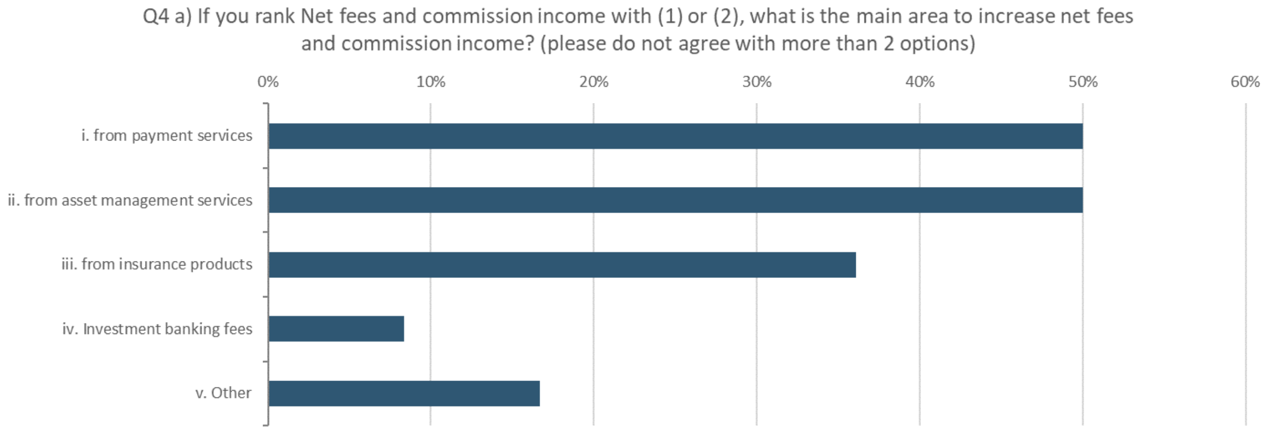


Question 3: Comparison with earlier results

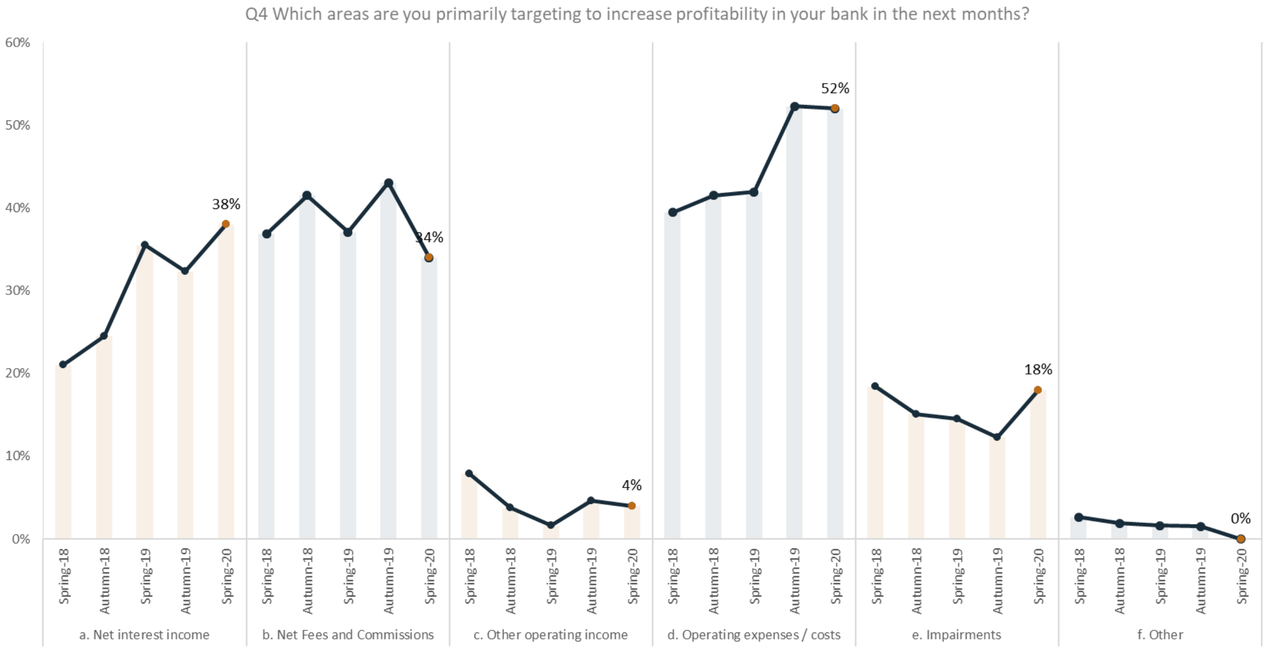


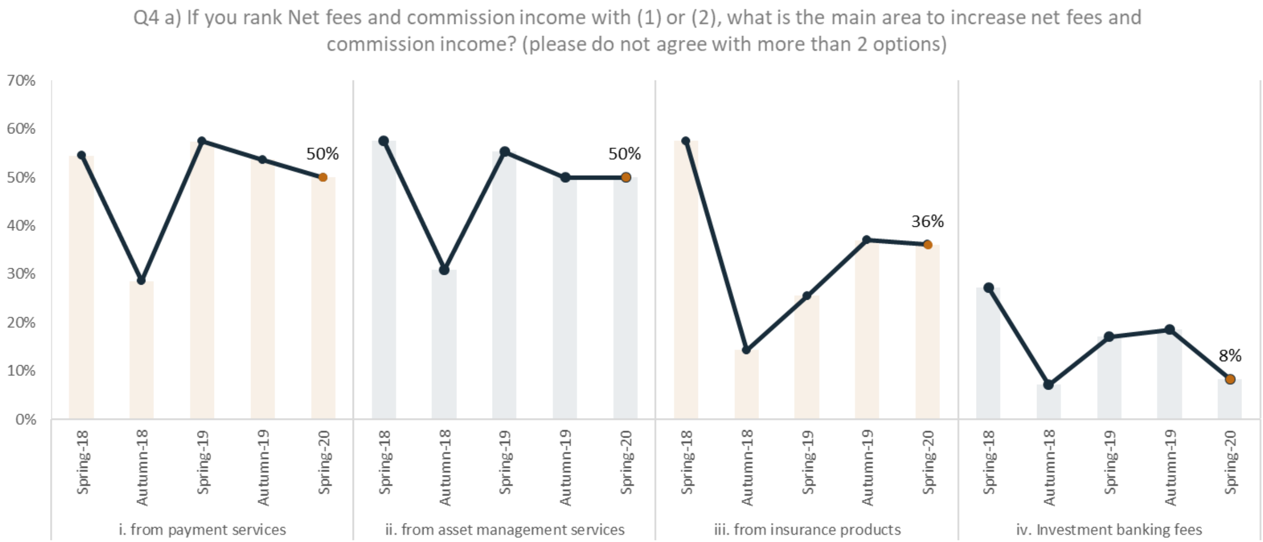
Question 4: Spring 2020 results



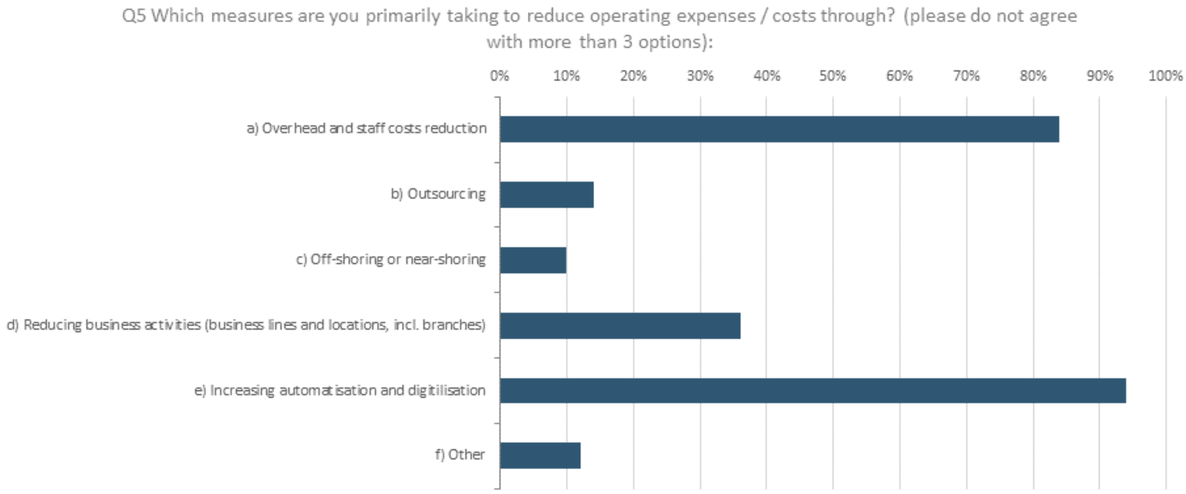


Question 4: Comparison with earlier results

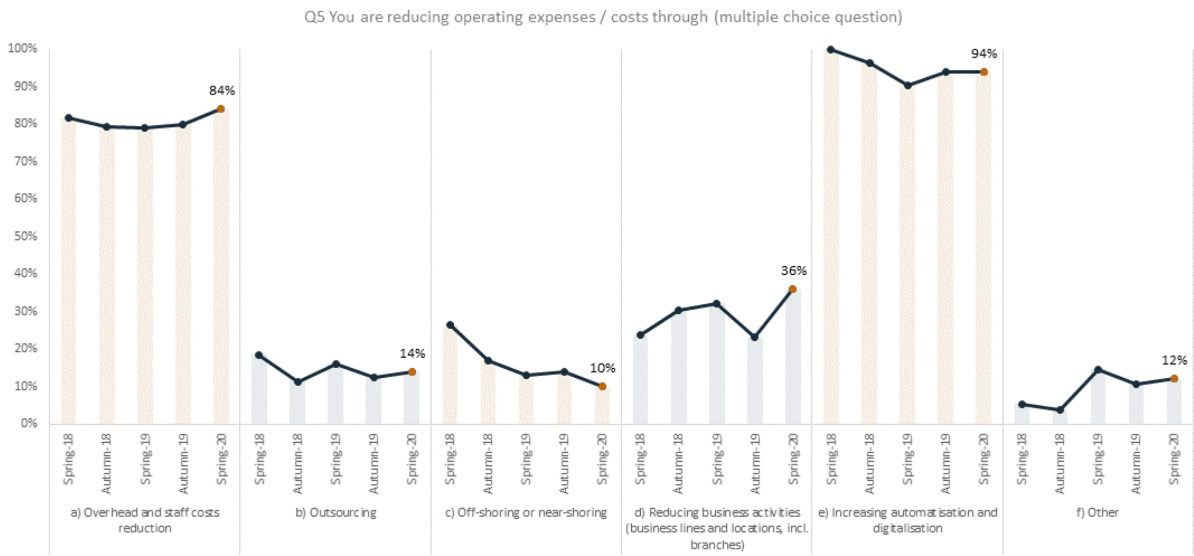




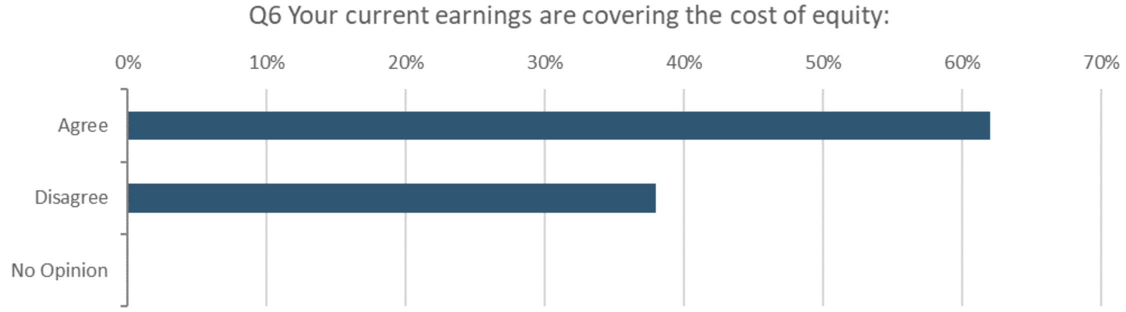
Question 5: Spring 2020 results



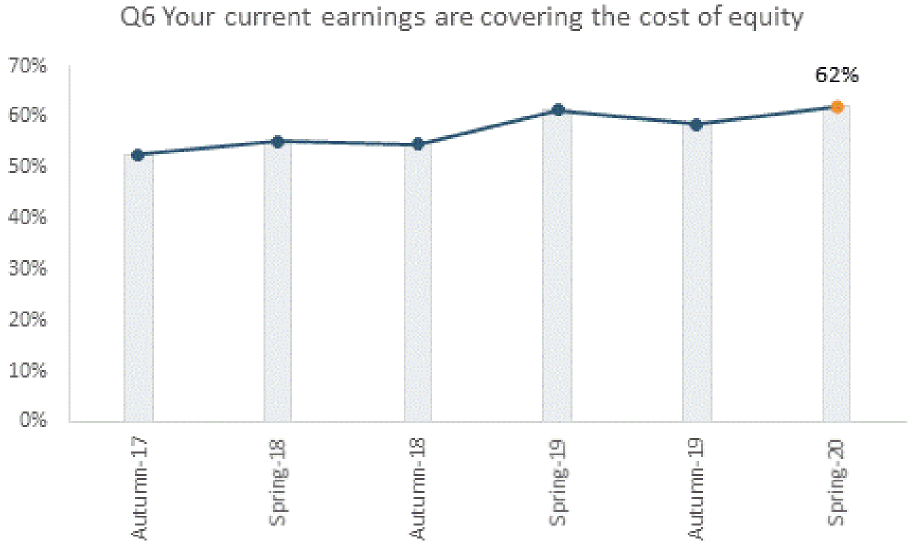
Question 5: Comparison with earlier results



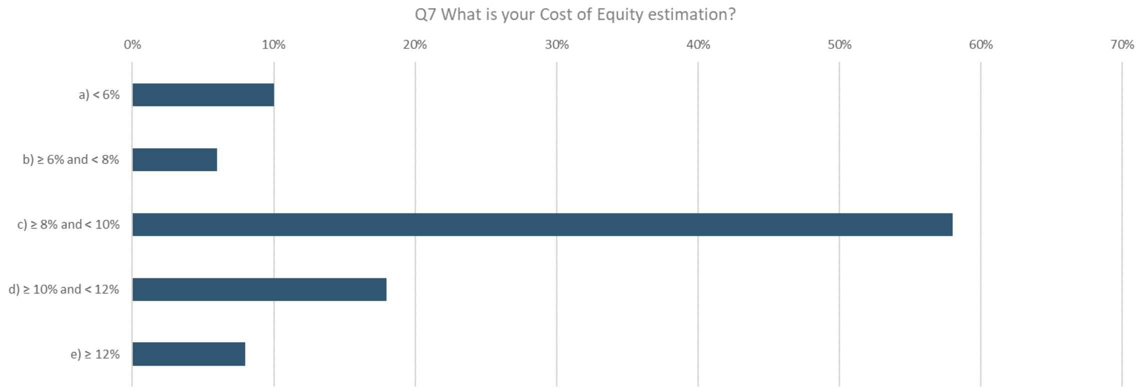
Question 6: Spring 2020 results



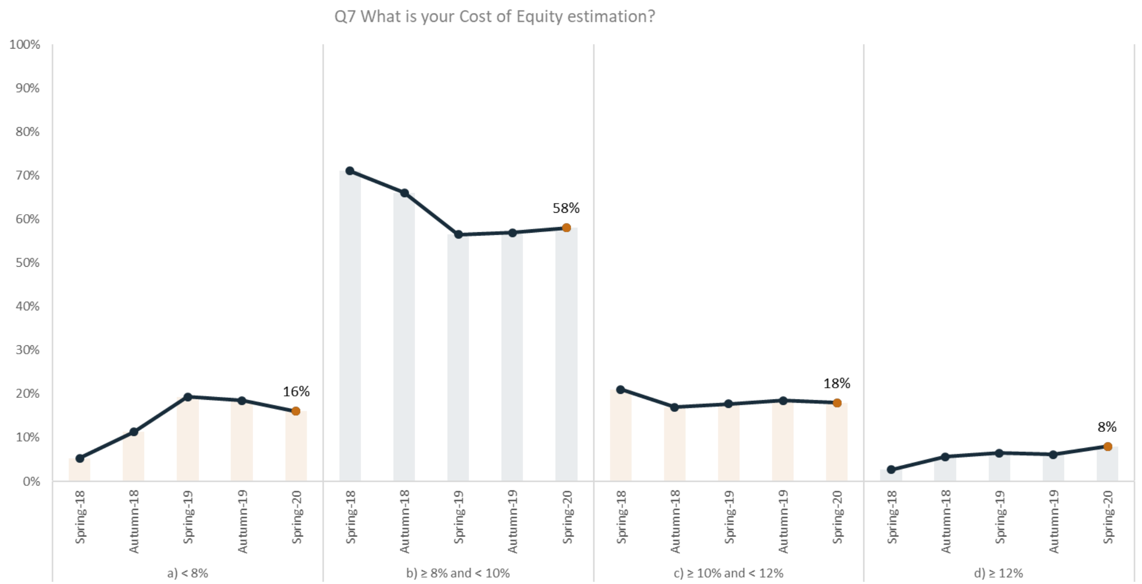
Question 6: comparison with earlier results



Question 7: Spring 2020 results

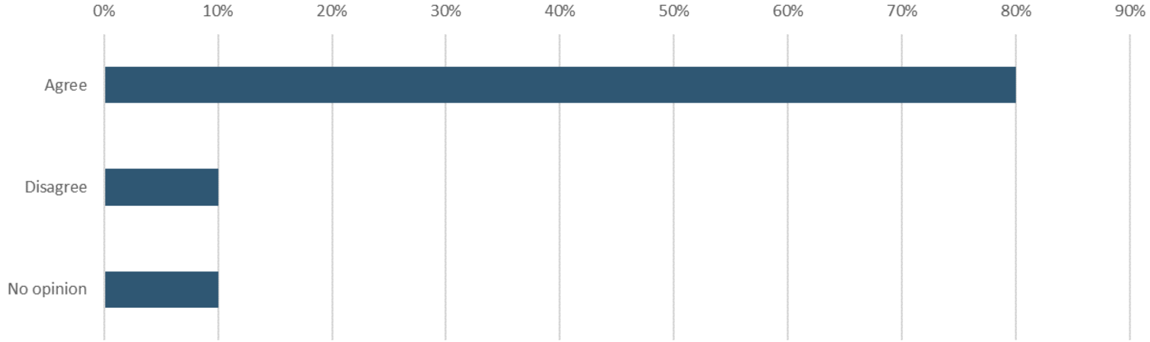


Question 7: comparison with earlier results

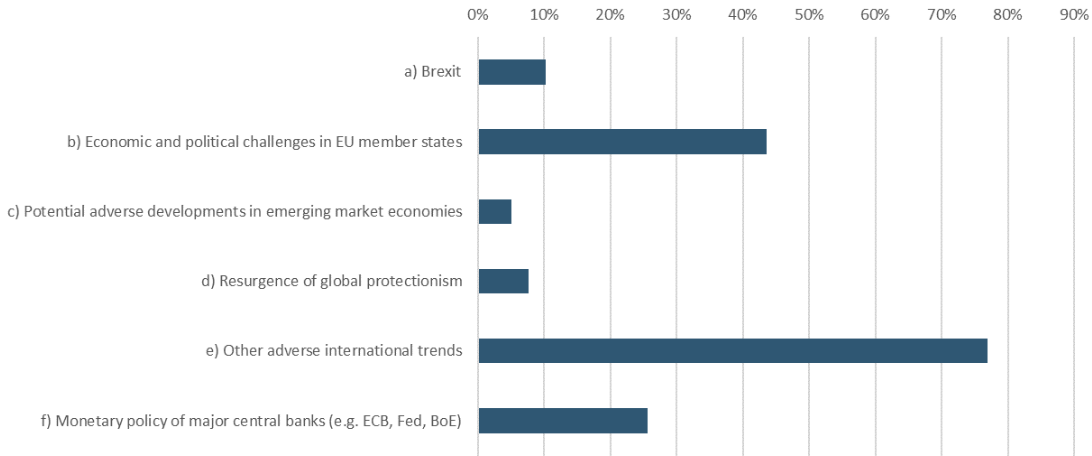


Question 8: Spring 2020 results

Q8 You expect material adverse implications for your bank's business from current political and economic developments

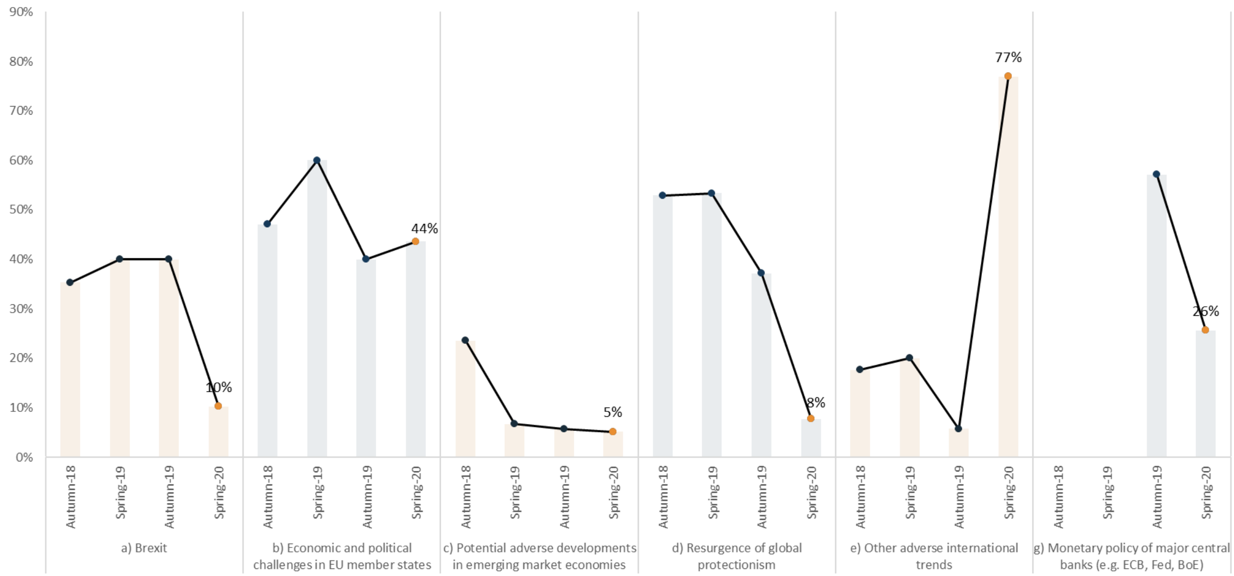


Q8 a) If you agree: which are the current international developments that mainly affect your bank's business? (please do not agree with more than 2 options):

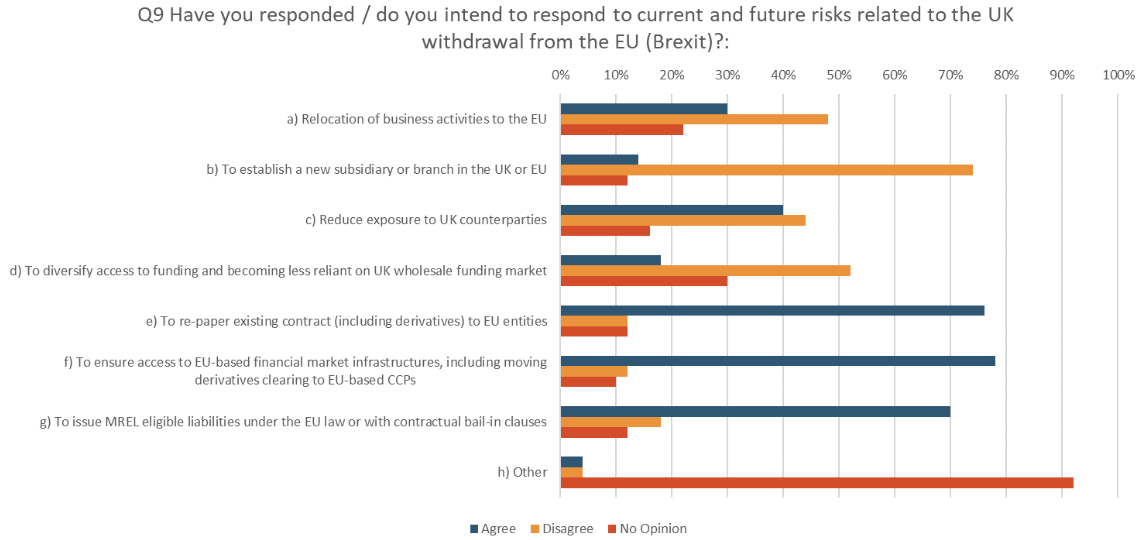


Question 8: comparison with earlier results

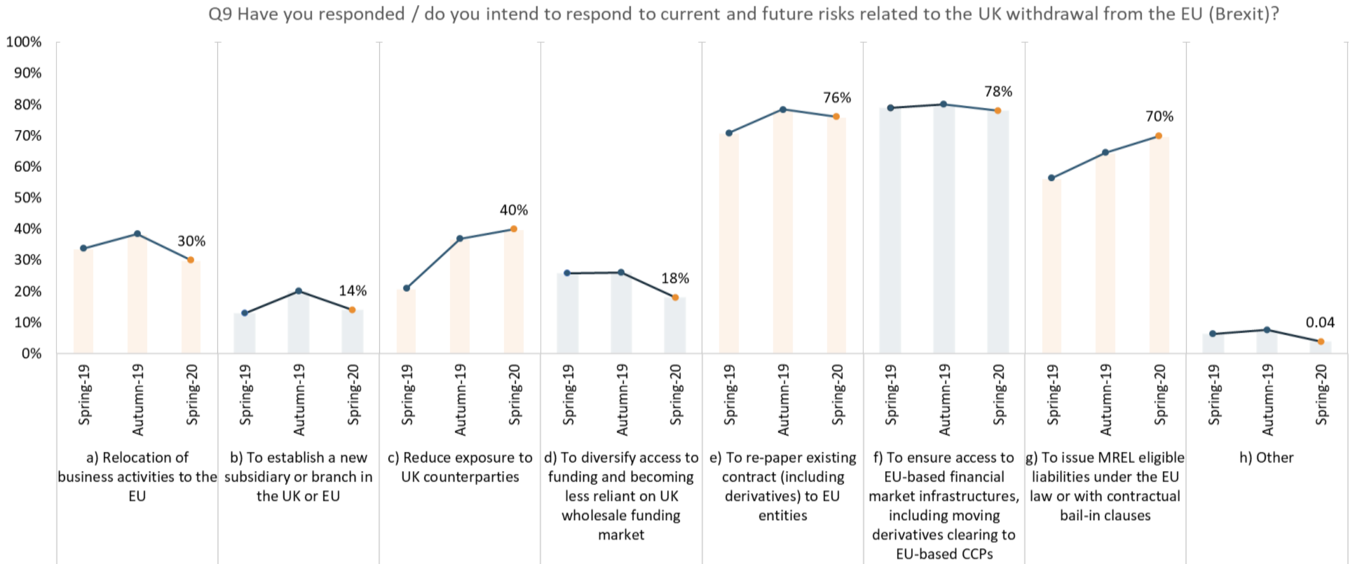
Q8 a) If you agree: which are the current international developments that mainly affect your bank's business? (please do not agree with more than 2 options):



Question 9: Spring 2020 results

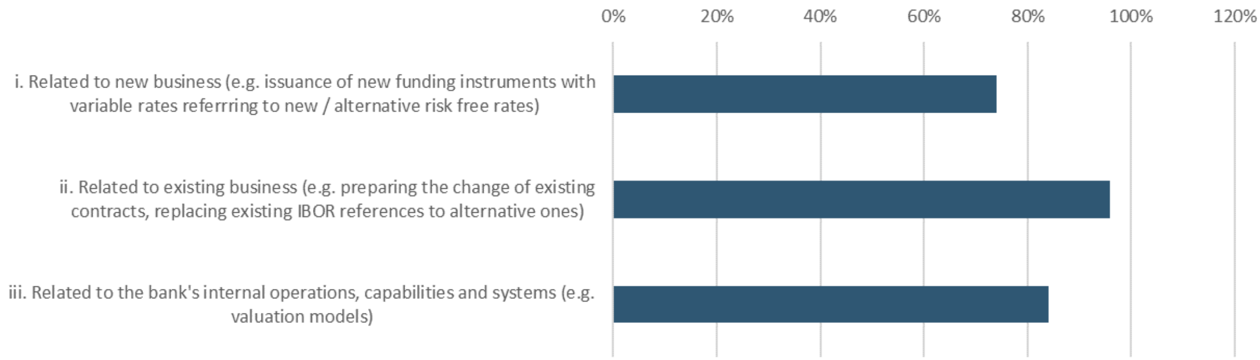


Question 9: comparison with earlier results

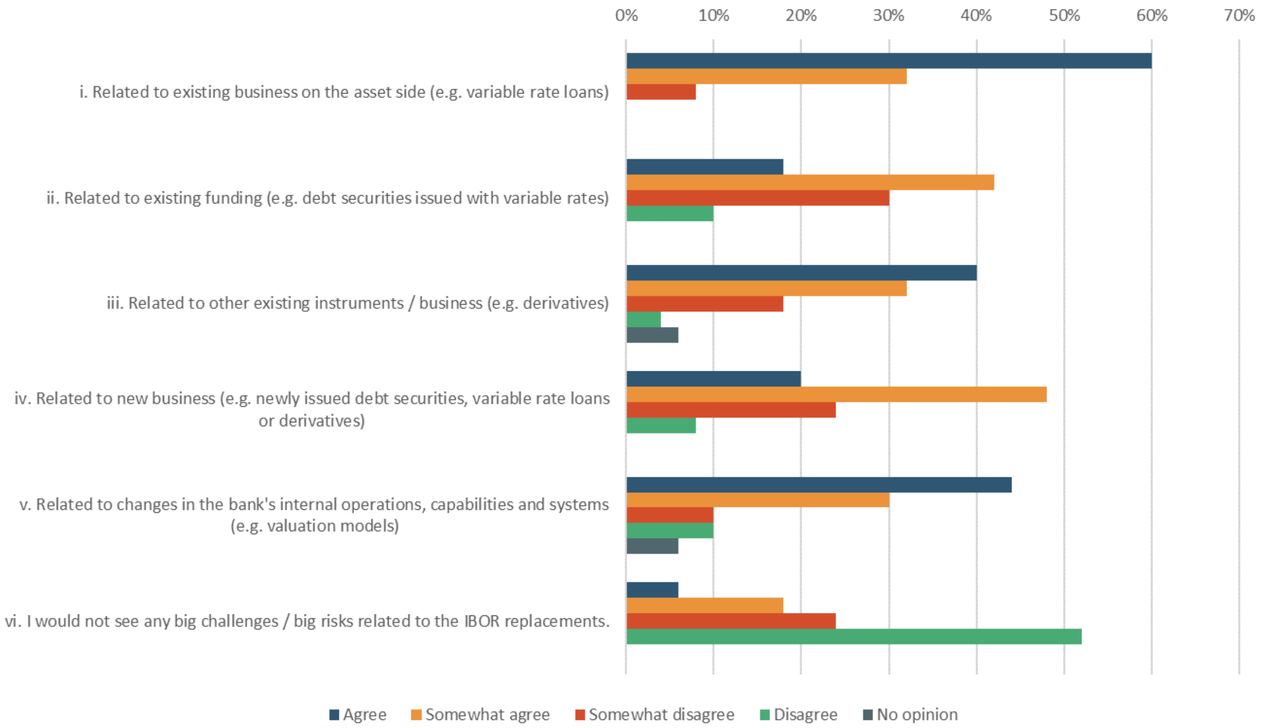


Question 10: Spring 2020 results

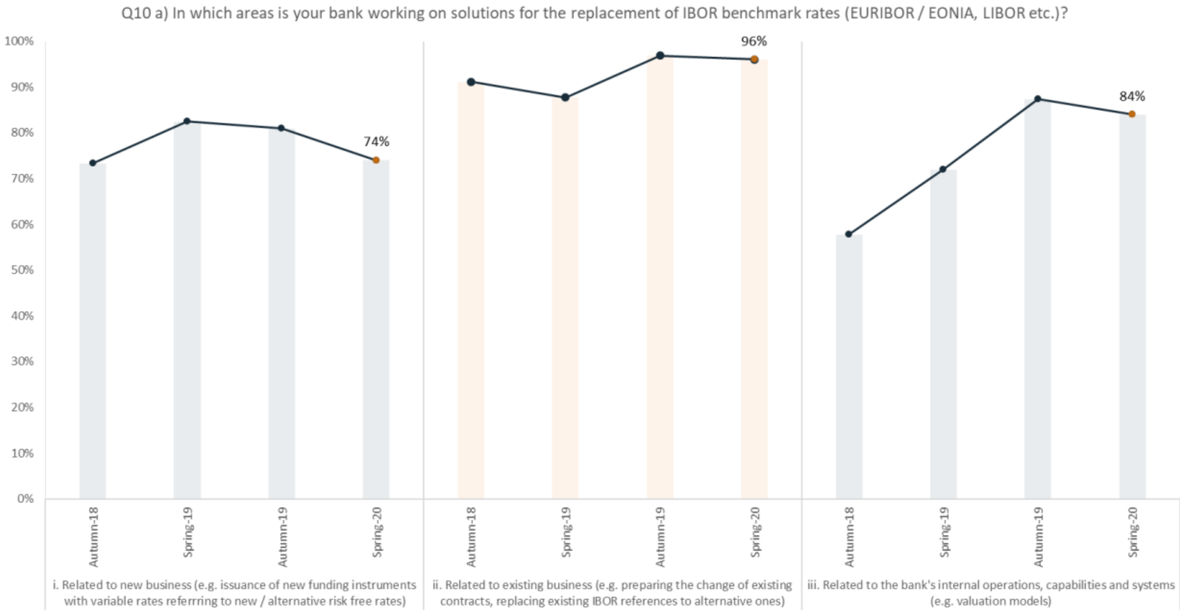
Q10 a) In which areas is your bank working on solutions for the replacement of IBOR benchmark rates (EURIBOR / EONIA, LIBOR etc.)?

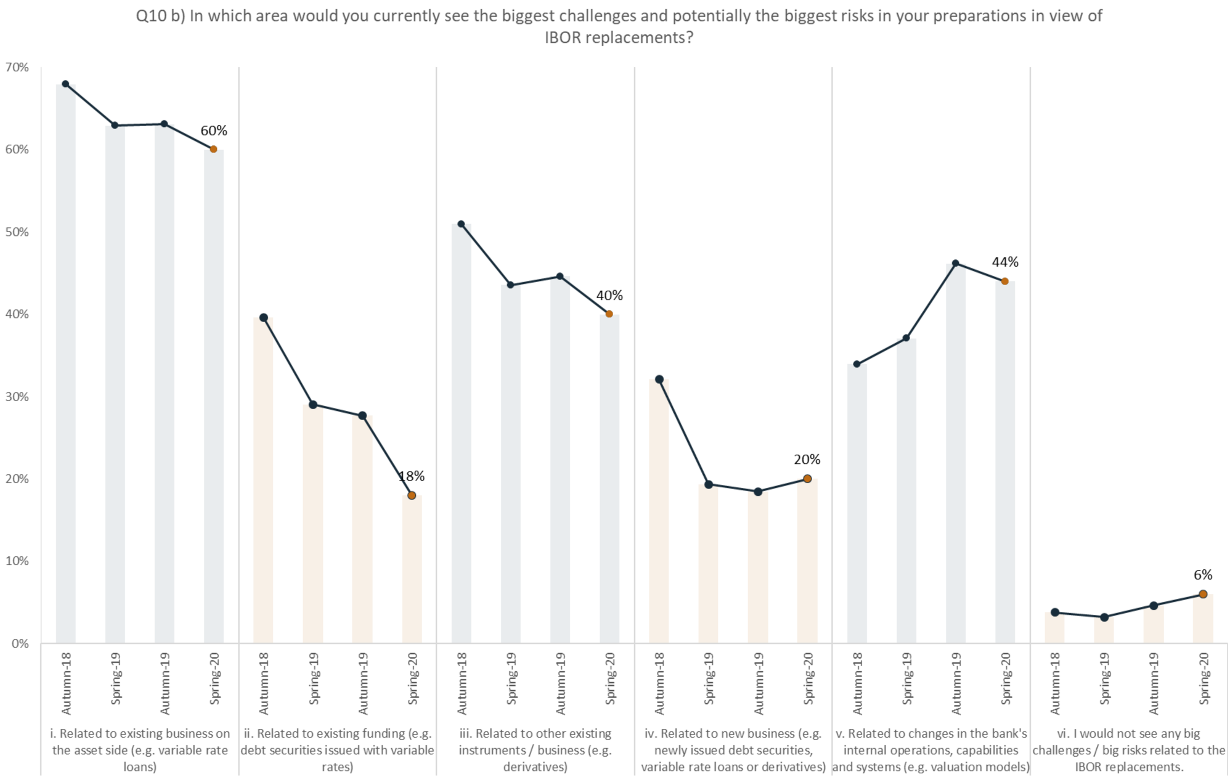


Q10 b) In which area would you currently see the biggest challenges and potentially the biggest risks in your preparations in view of IBOR replacements?



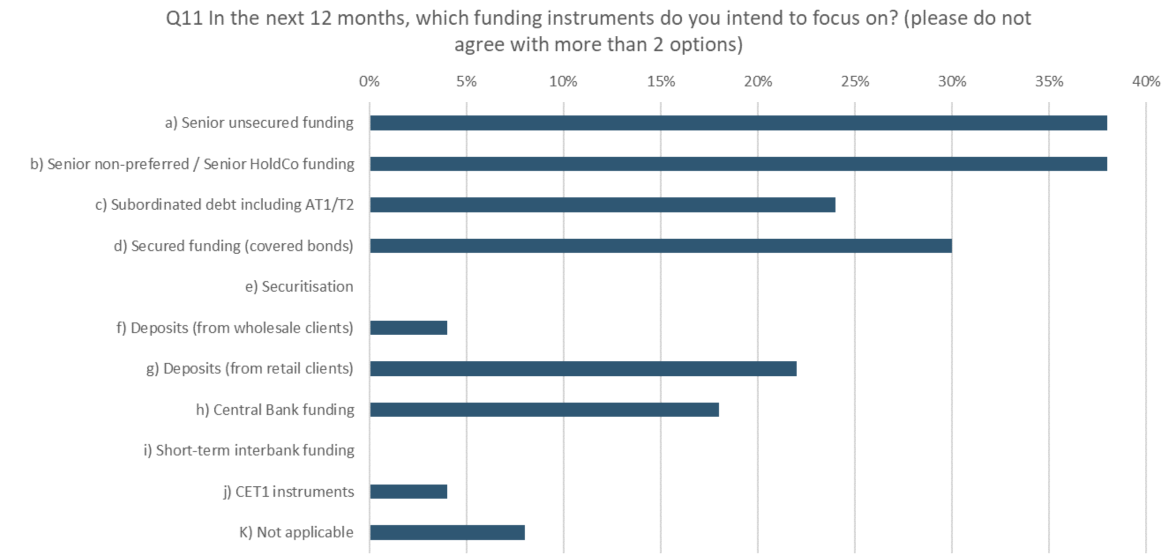
Question 10: comparison with earlier results



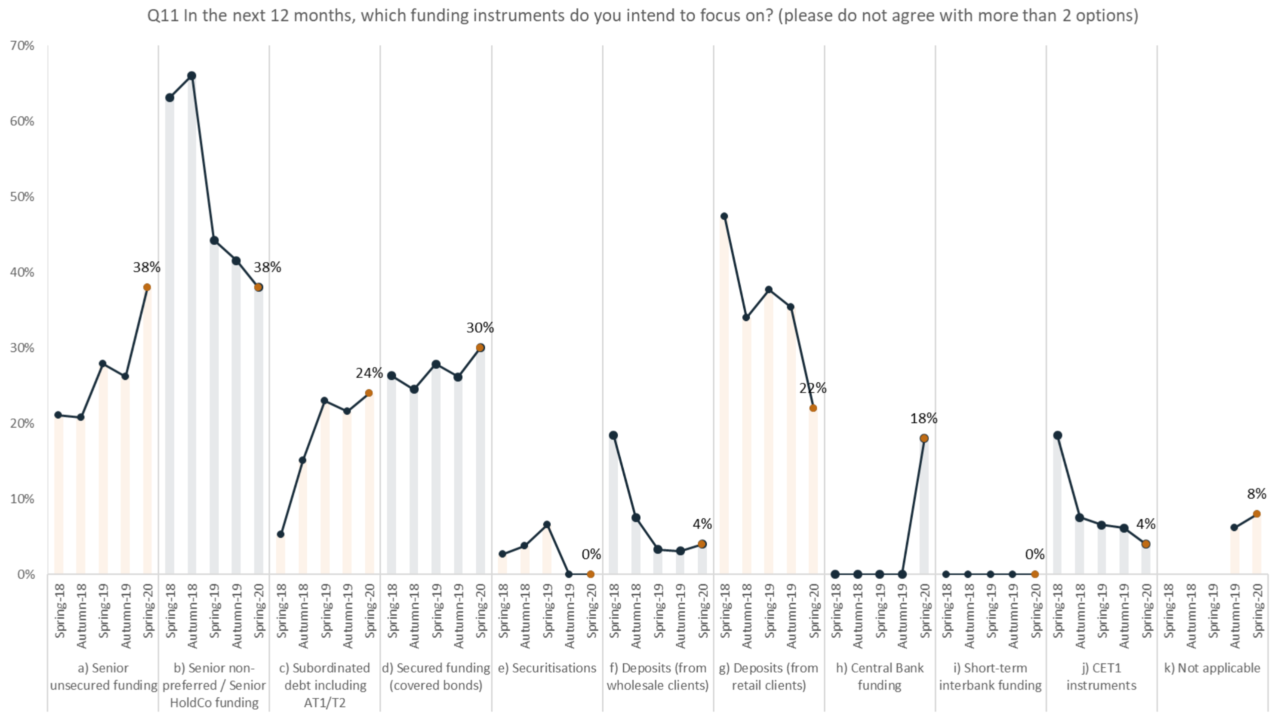


2. Funding / liquidity

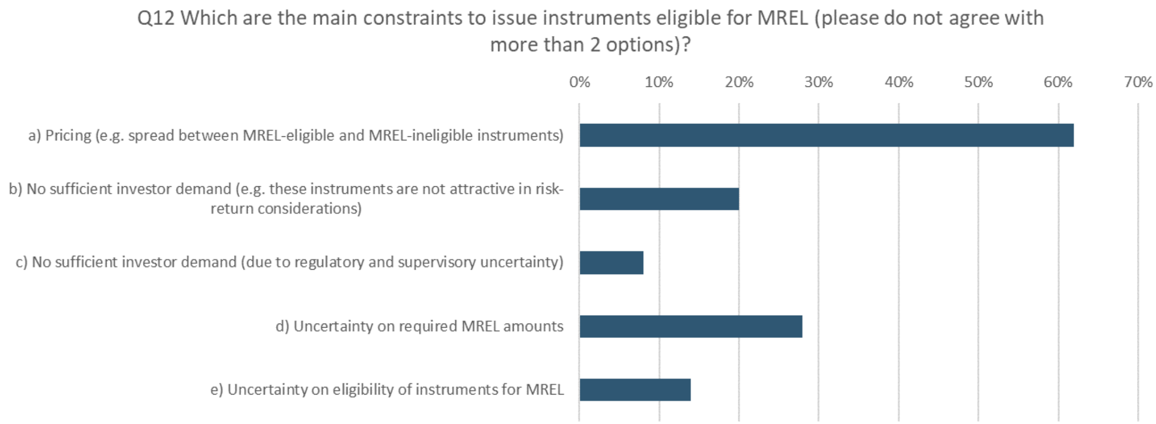
Question 11: Spring 2020 results



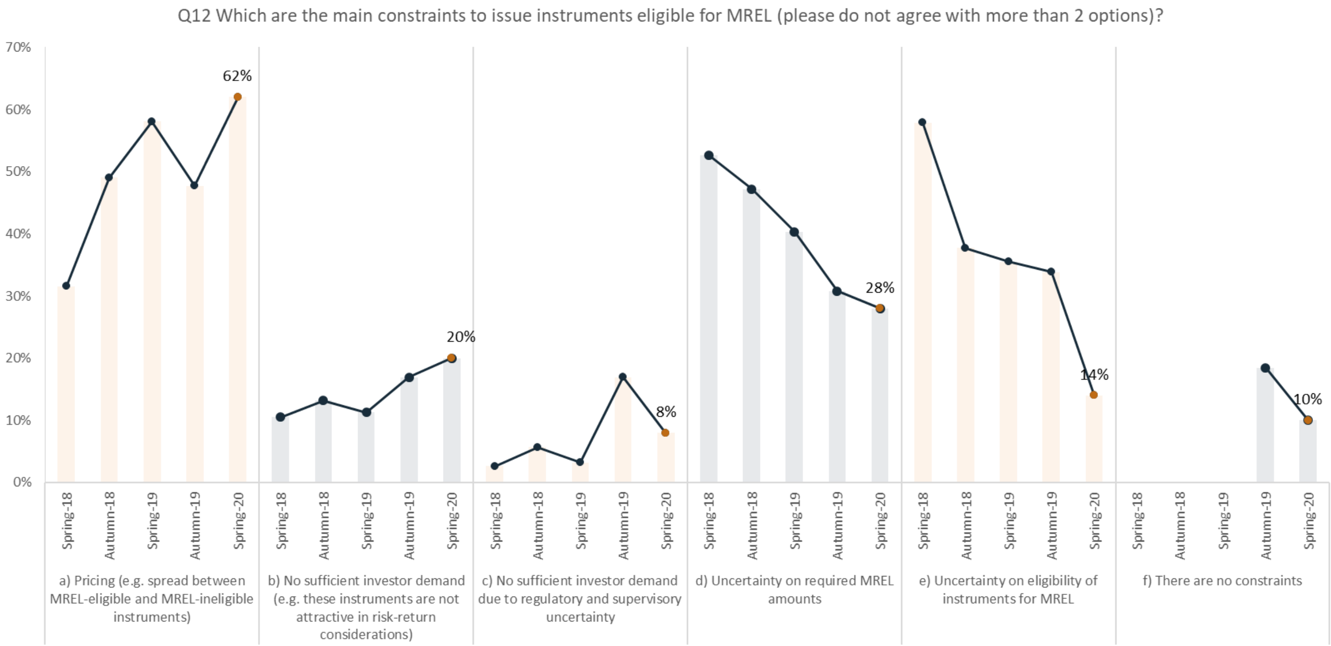
Question 11: comparison with earlier results



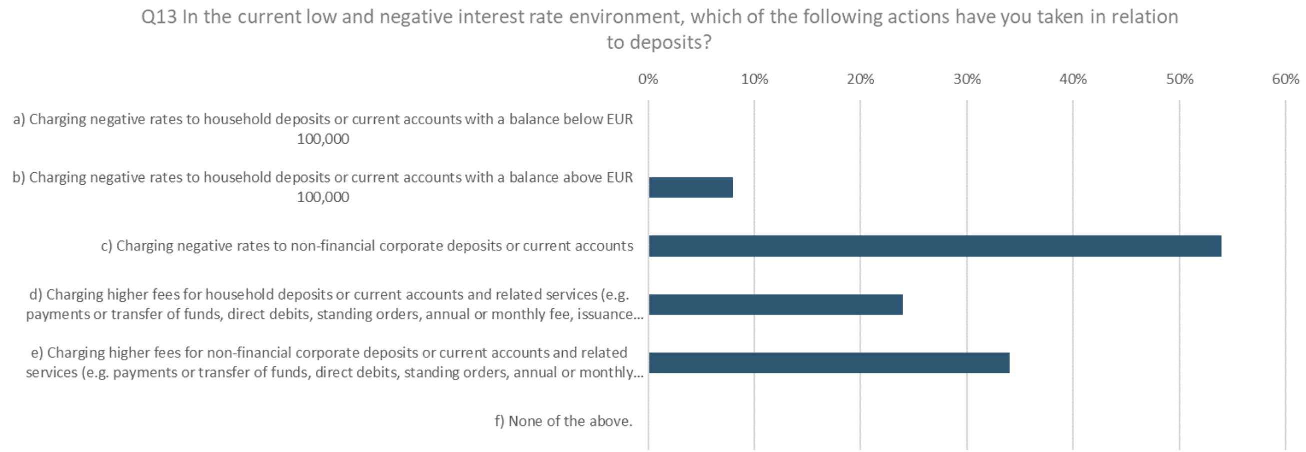
Question 12: Spring 2020 results



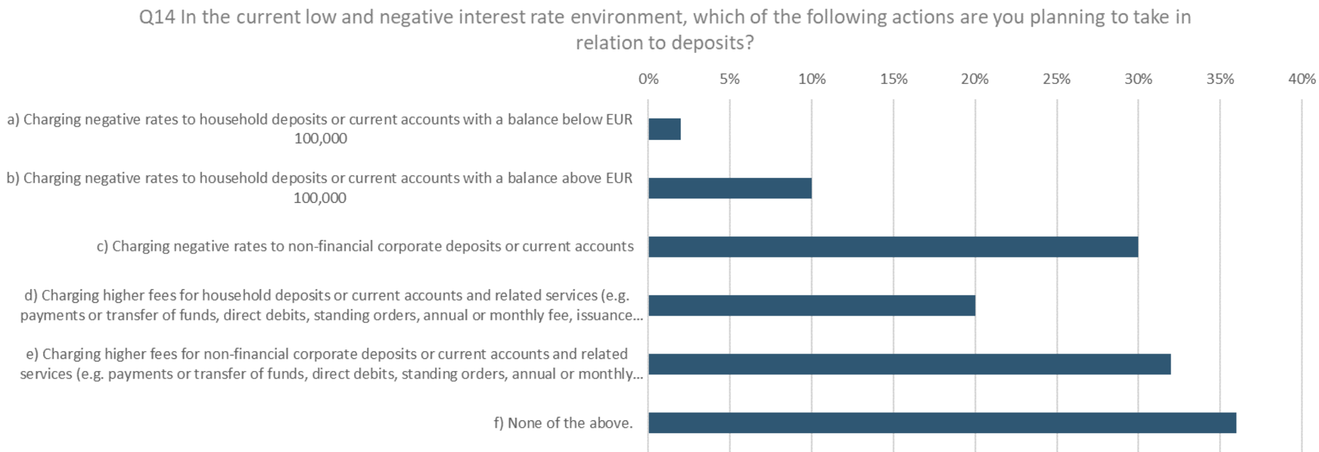
Question 12: comparison with earlier results



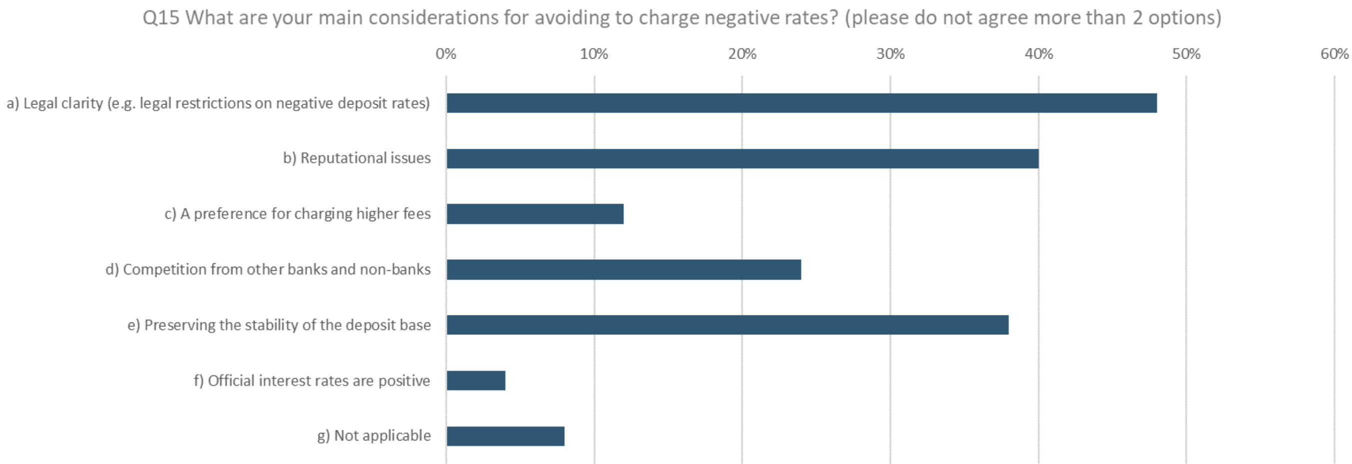
Question 13: Spring 2020 results



Question 14: Spring 2020 results

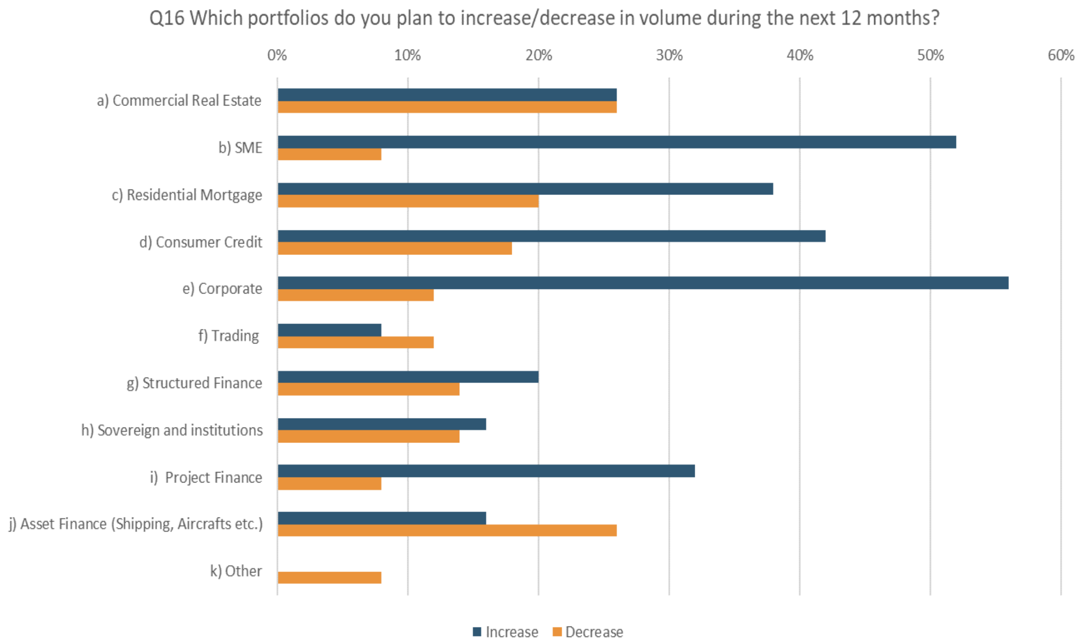


Question 15: Spring 2020 results

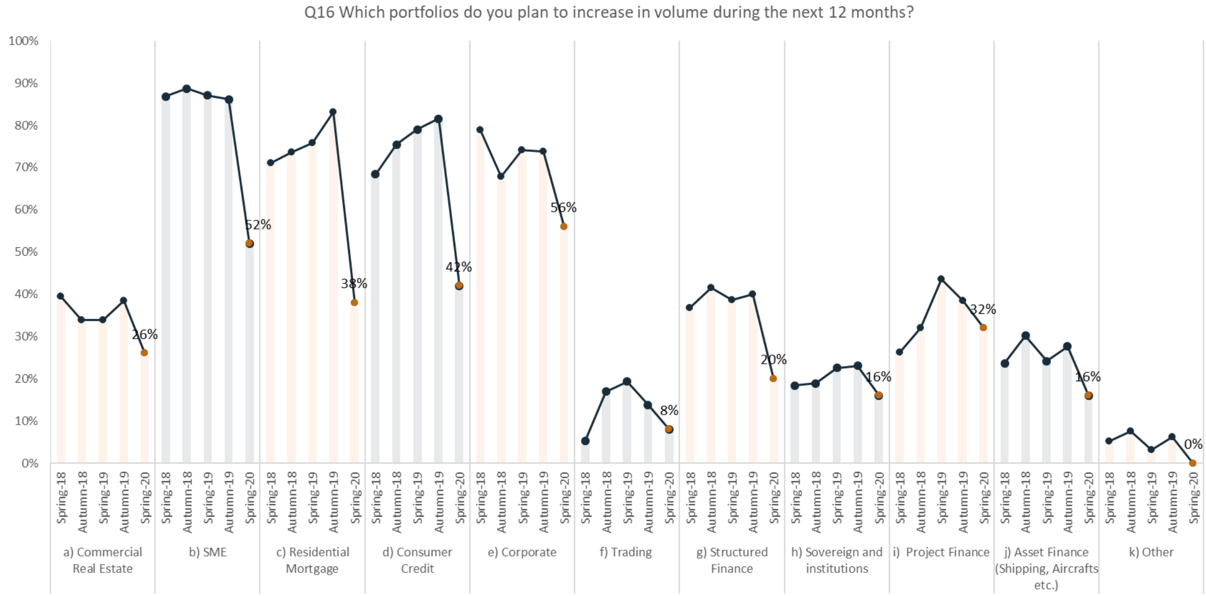


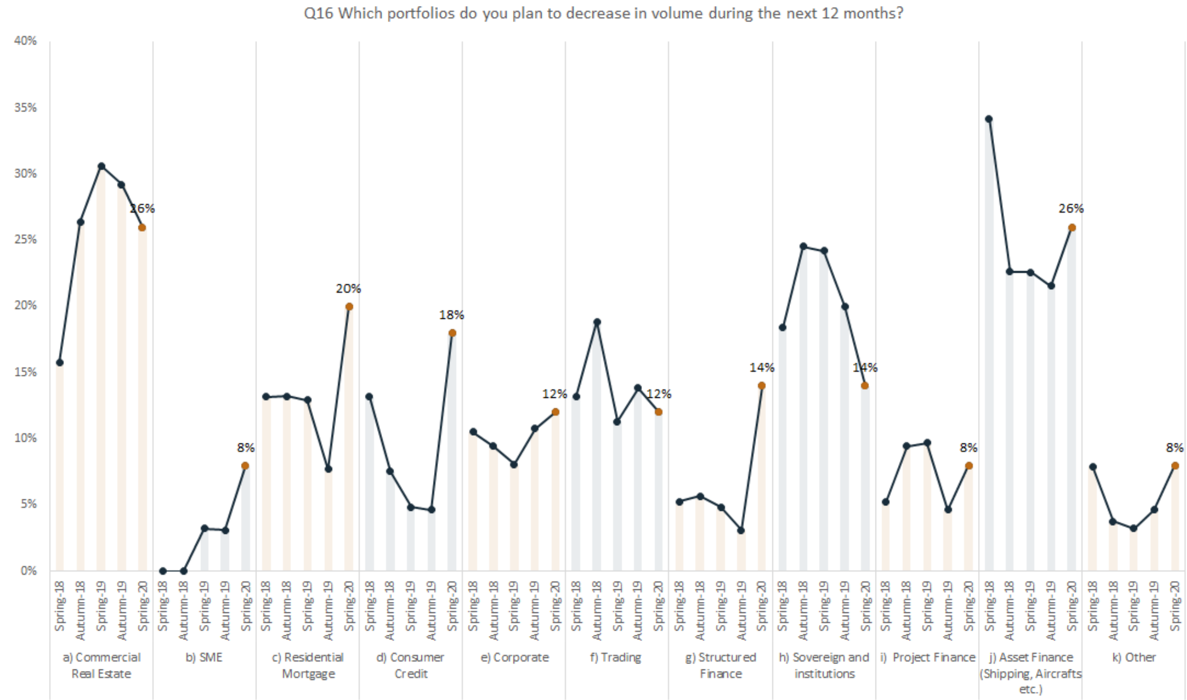
3. Asset composition & quality

Question 16: Spring 2020 results

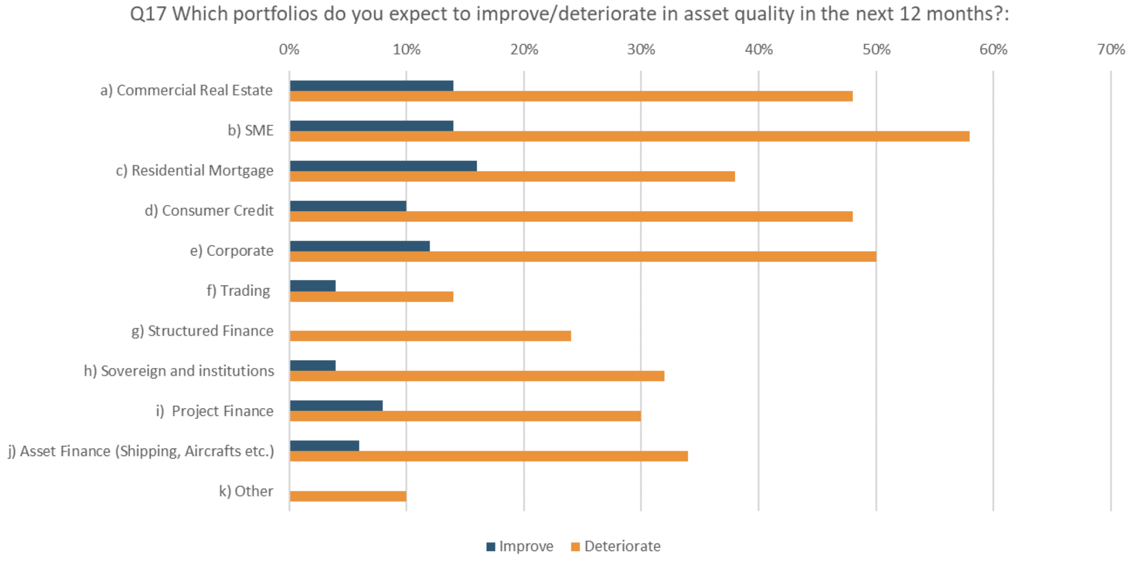


Question 16: Comparison with earlier results

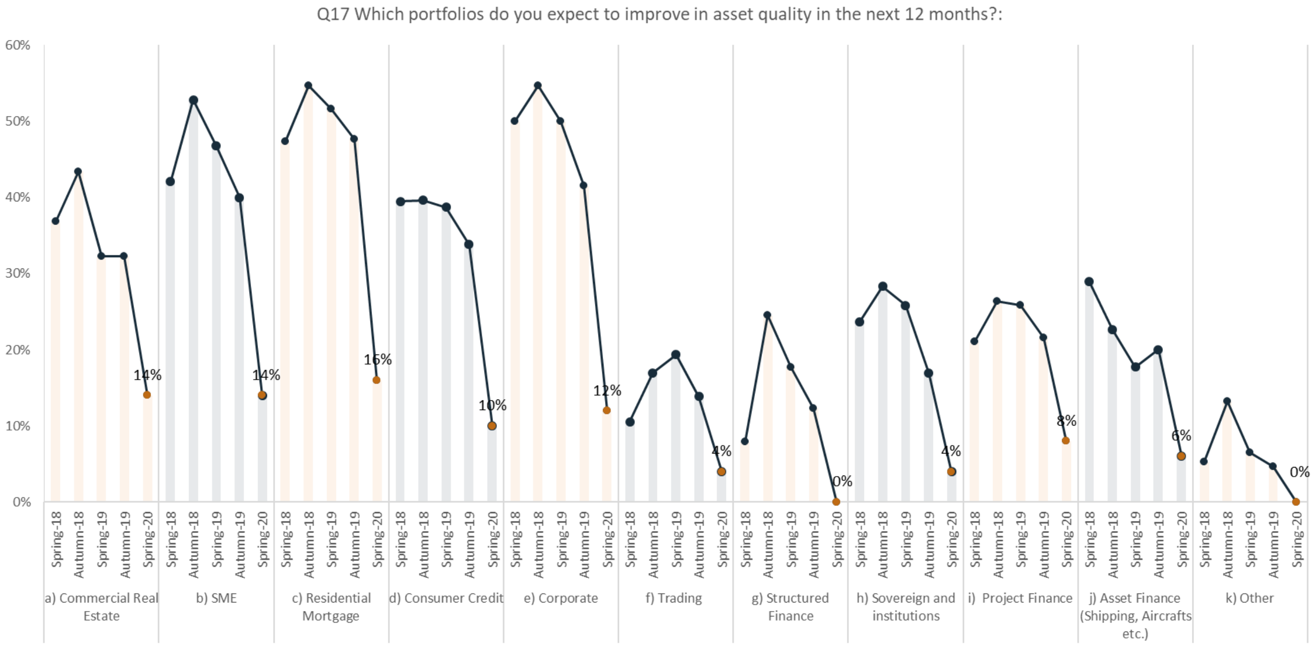


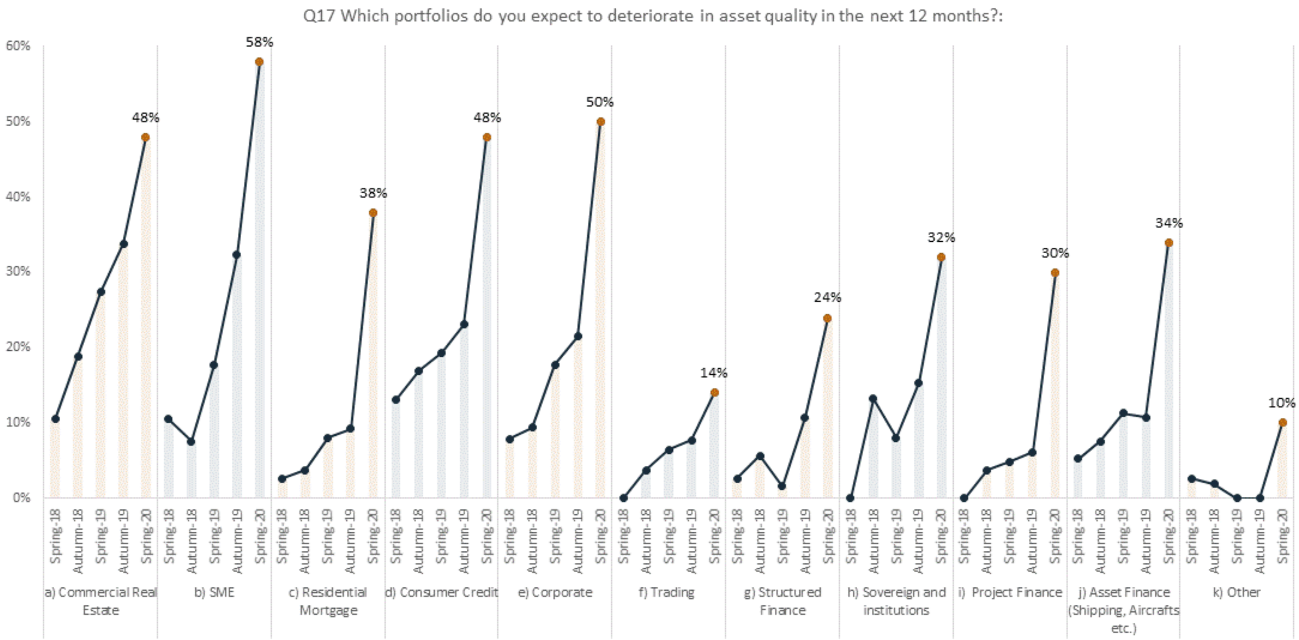


Question 17: Spring 2020 results

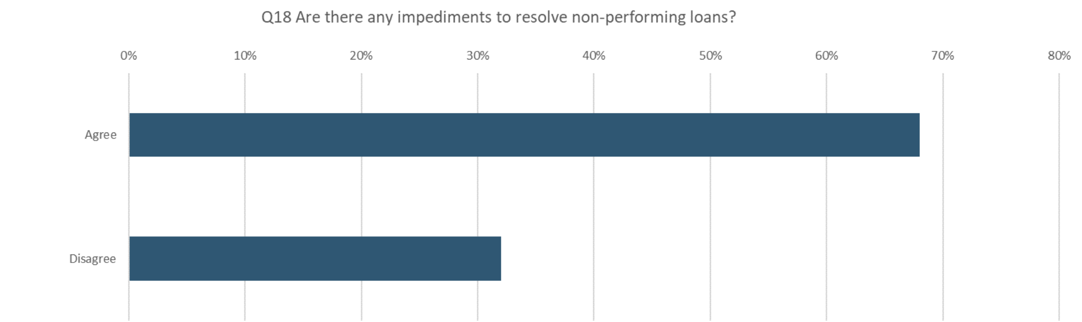


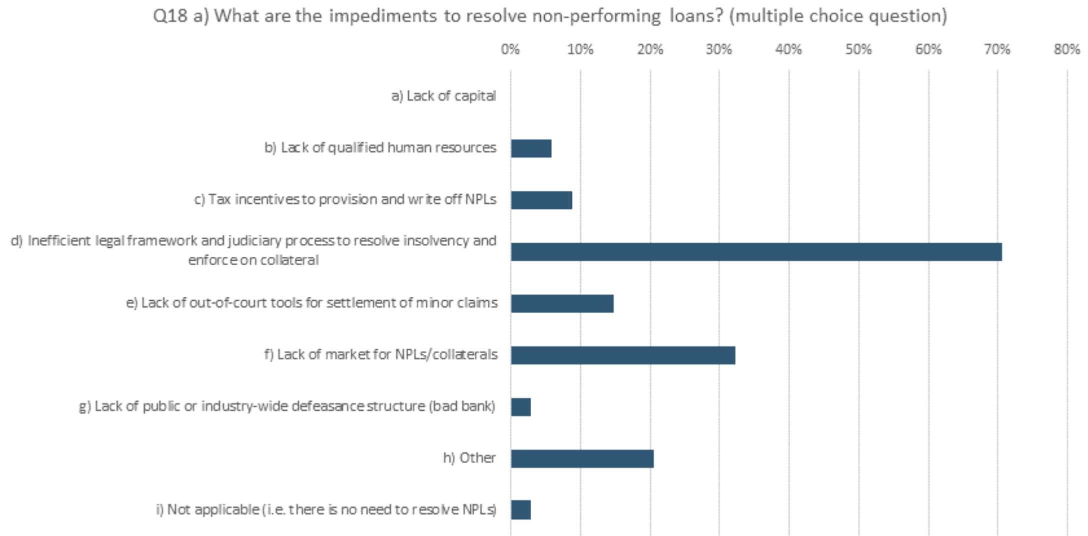
Question 17: comparison with earlier results

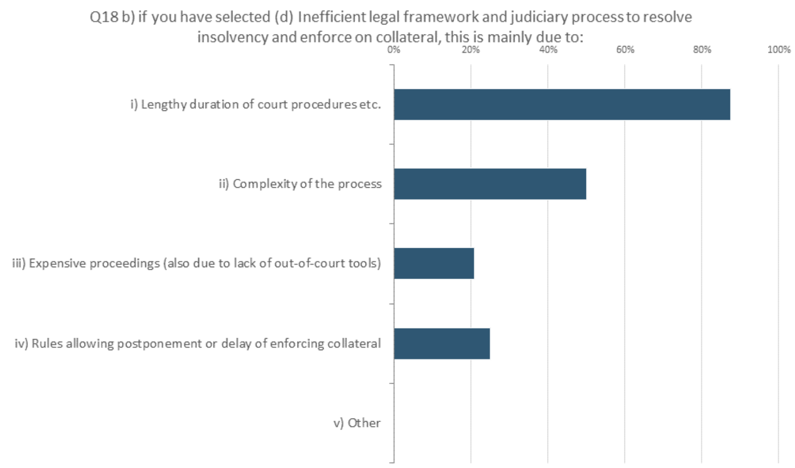




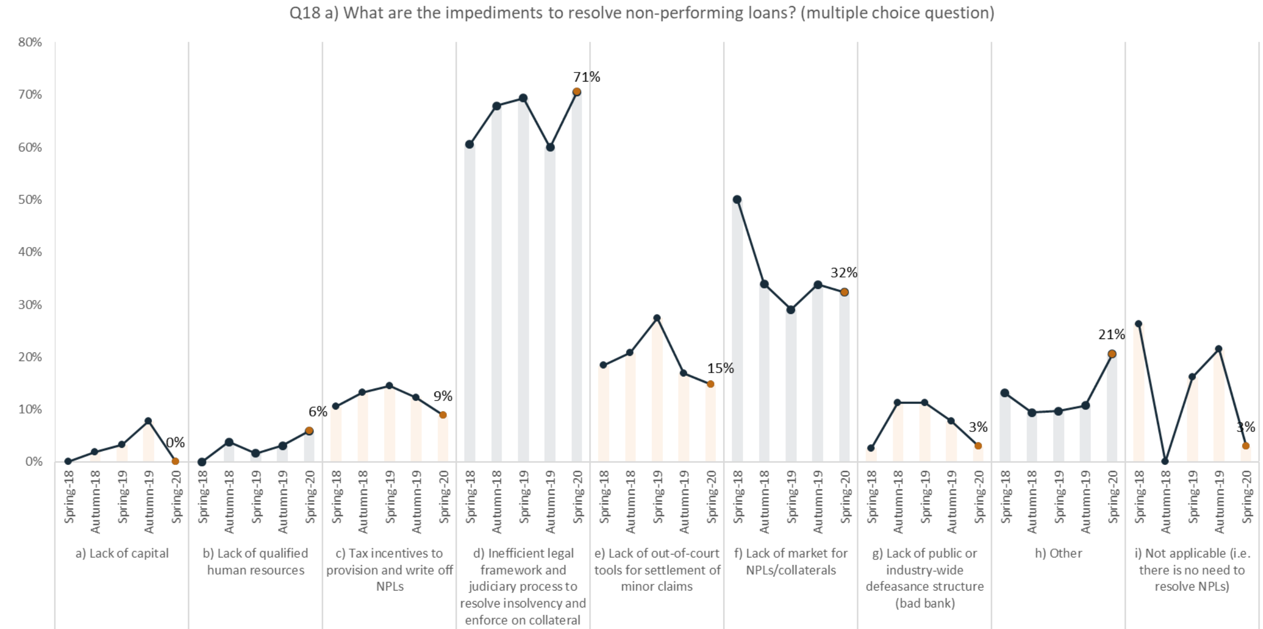
Question 18: Spring 2020 results

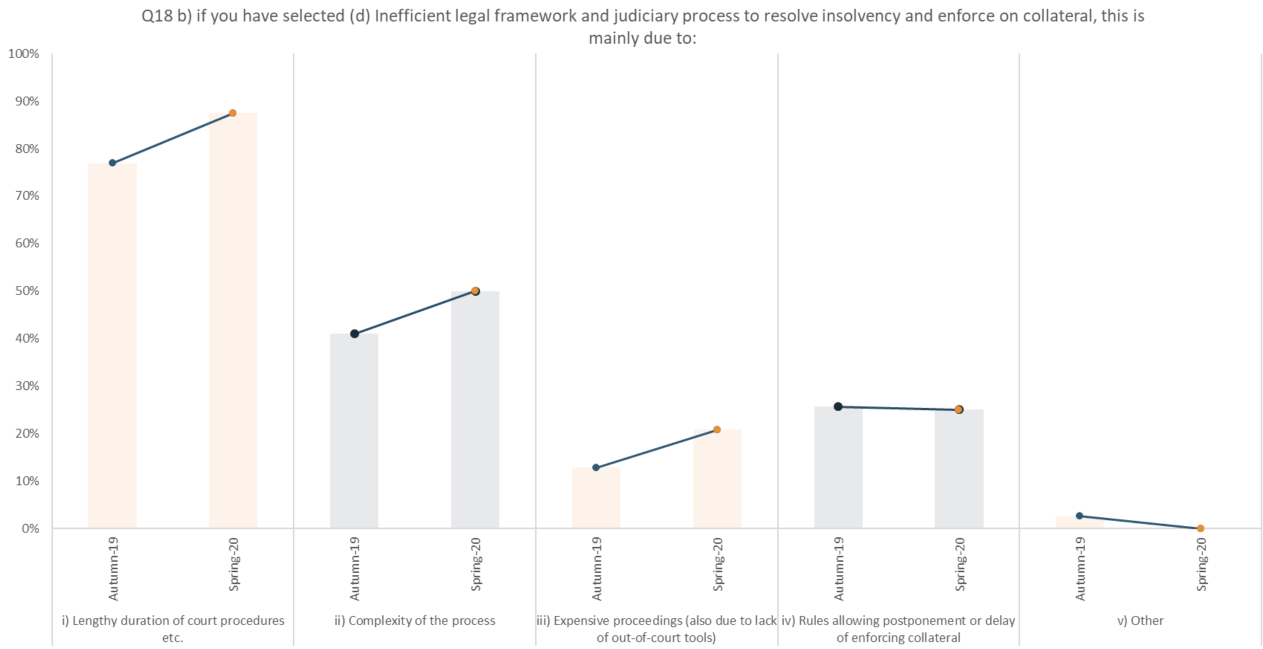






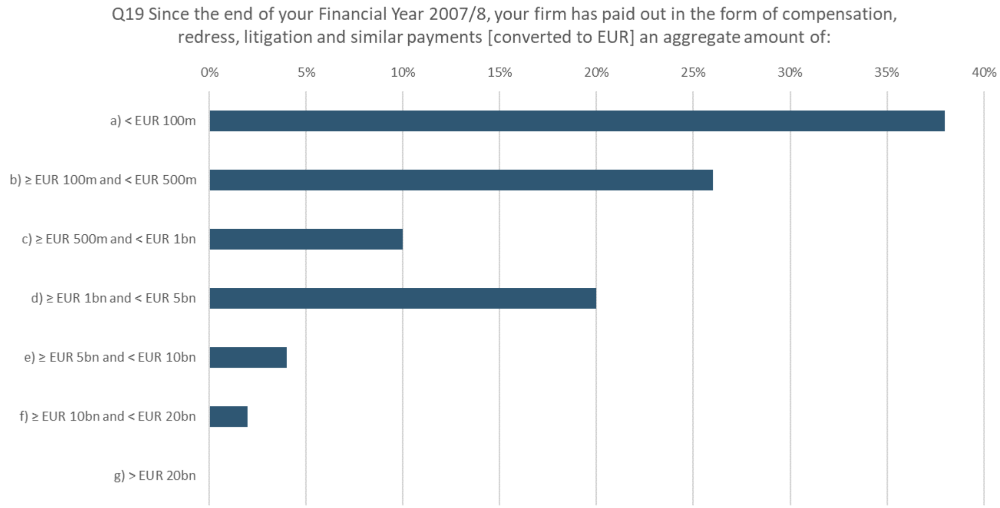
Question 18: comparison with earlier results



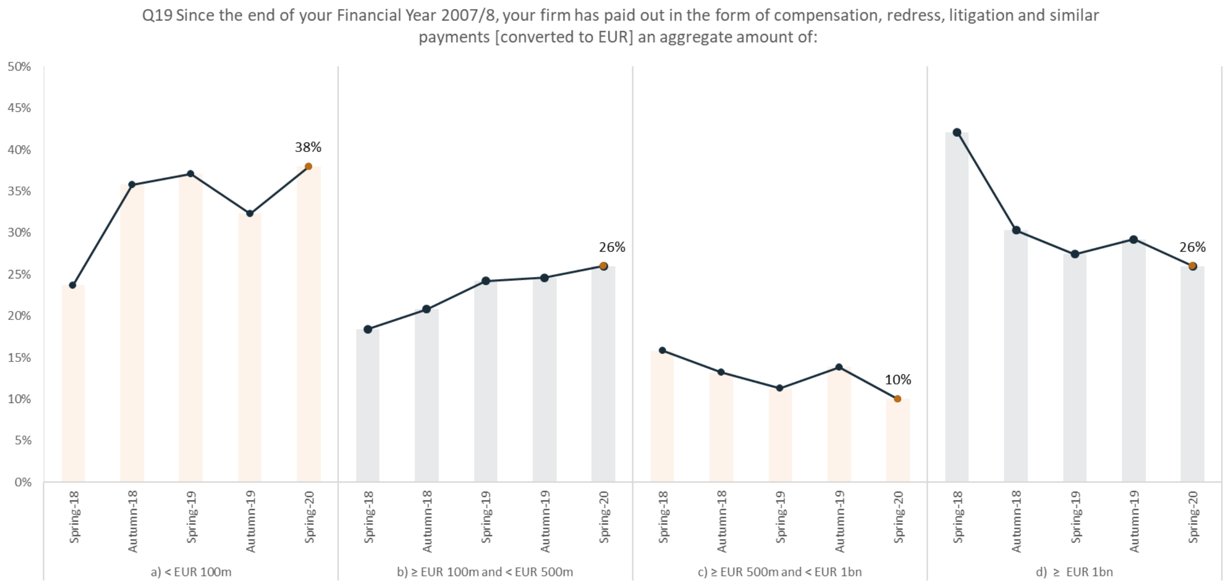


4. Conduct, reputation and operational risk

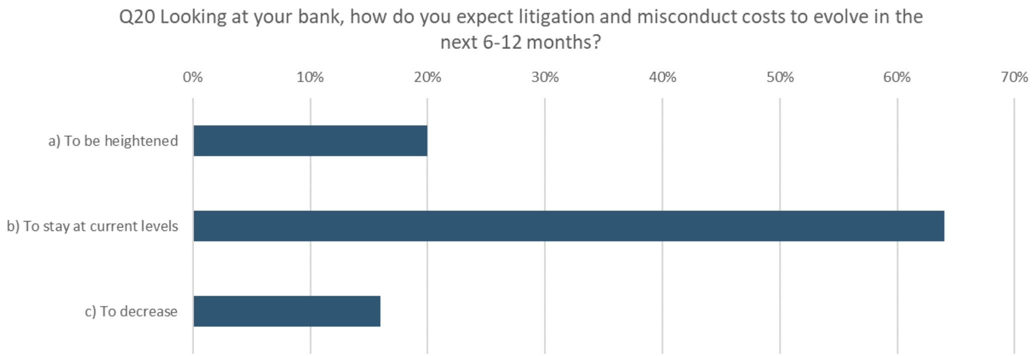
Question 19: Spring 2020 results



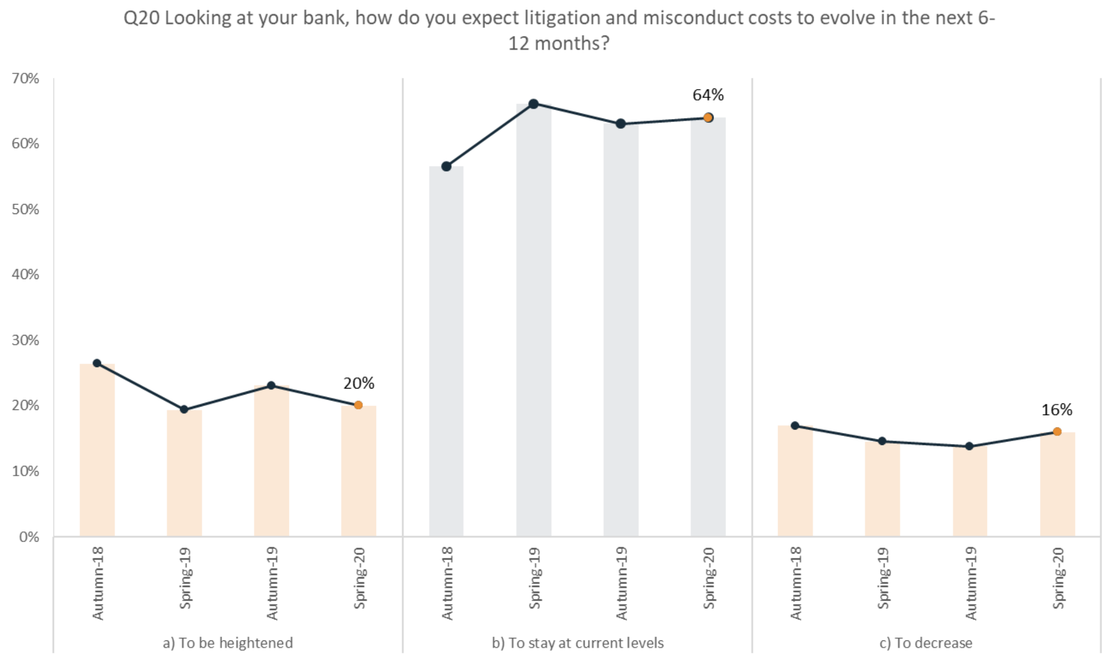
Question 19: comparison with earlier results



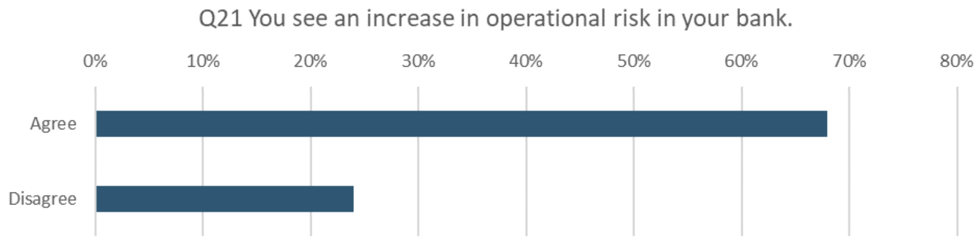
Question 20: Spring 2020 results

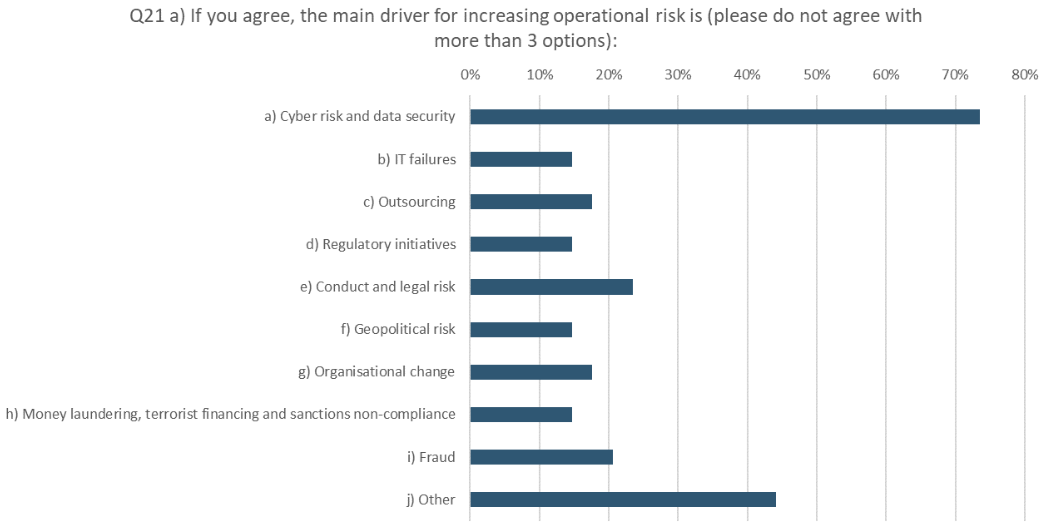


Question 20: comparison with earlier results

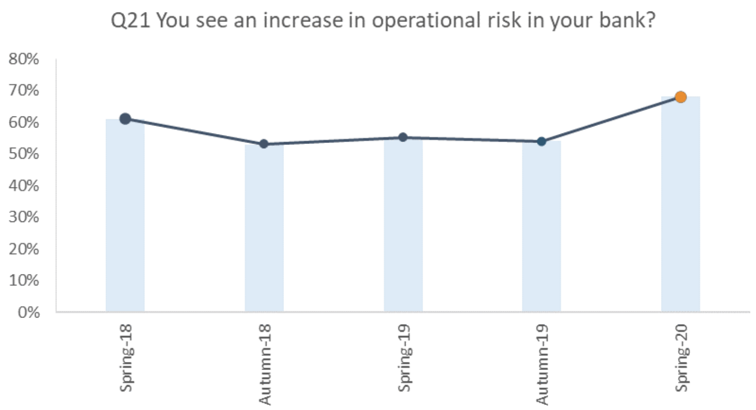


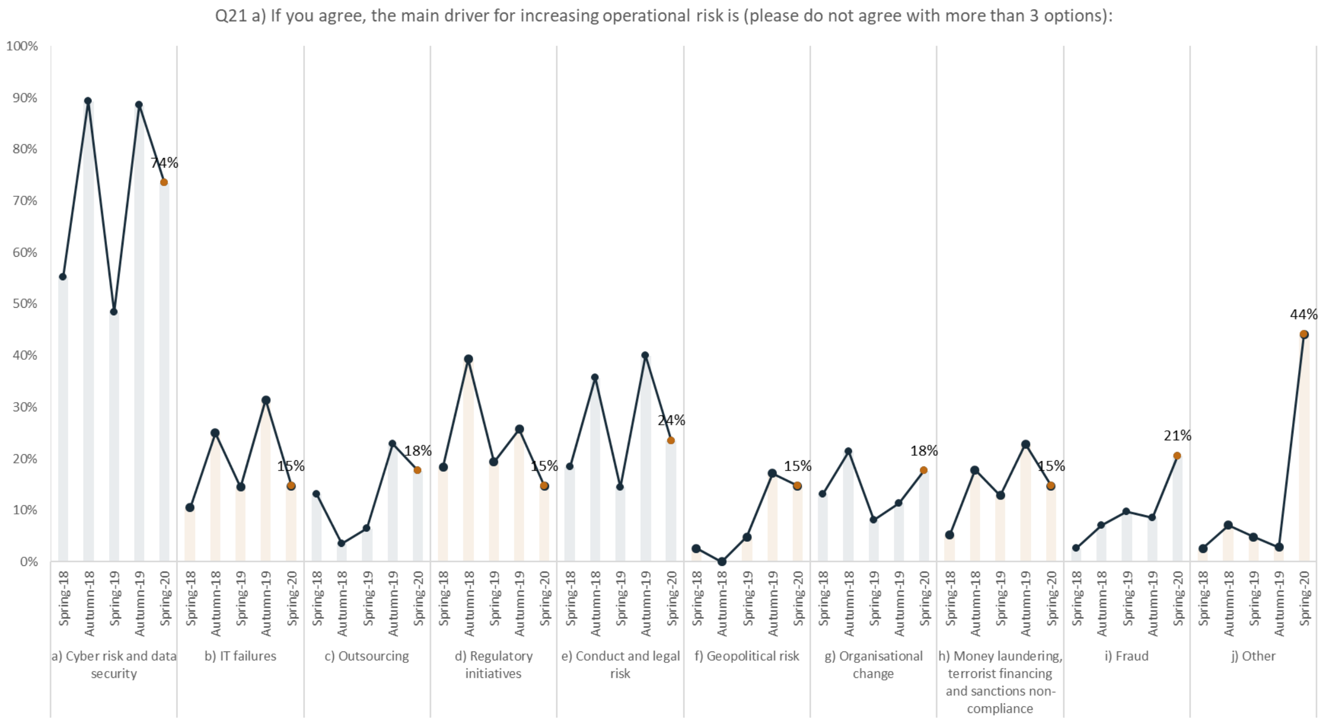
Question 21: Spring 2020 results





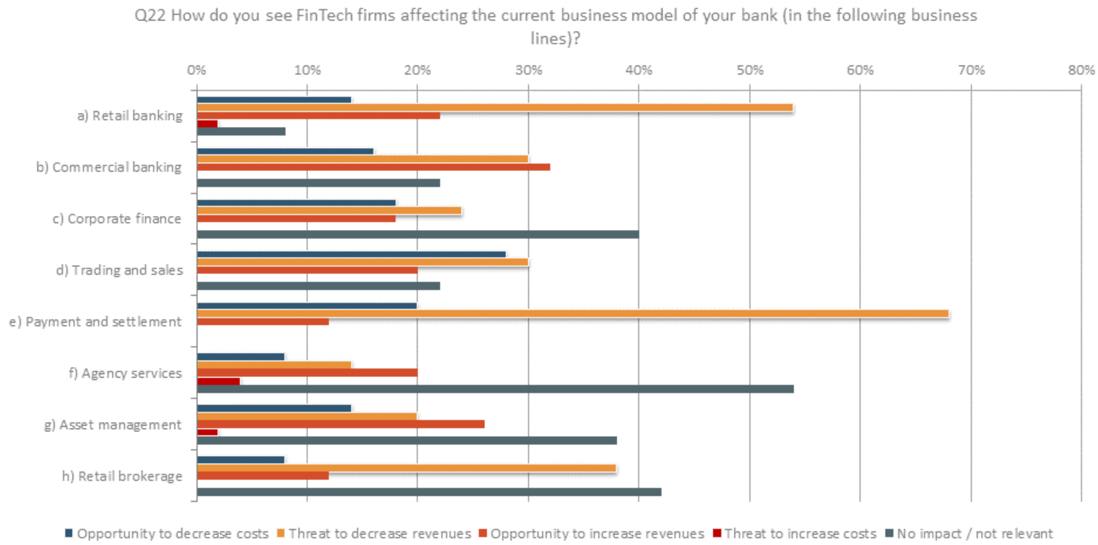
Question 21: comparison with earlier results



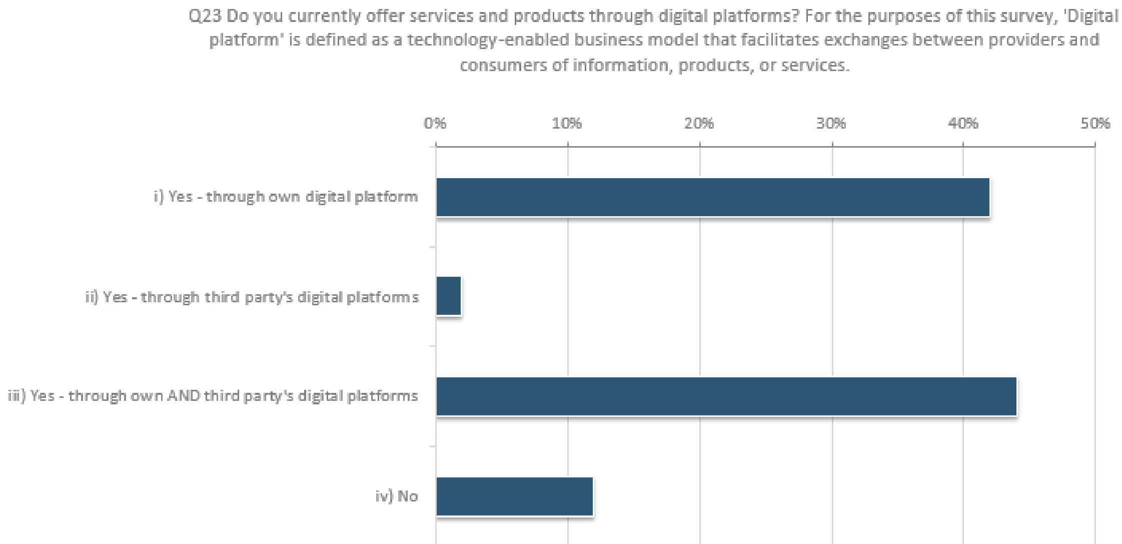


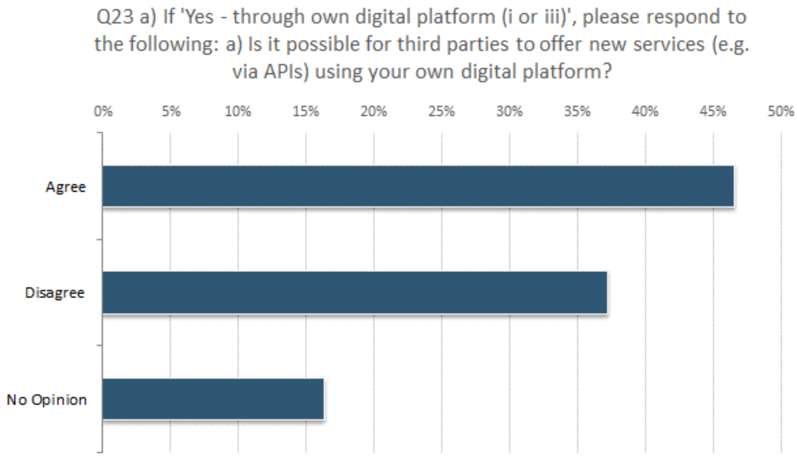
5. FinTech

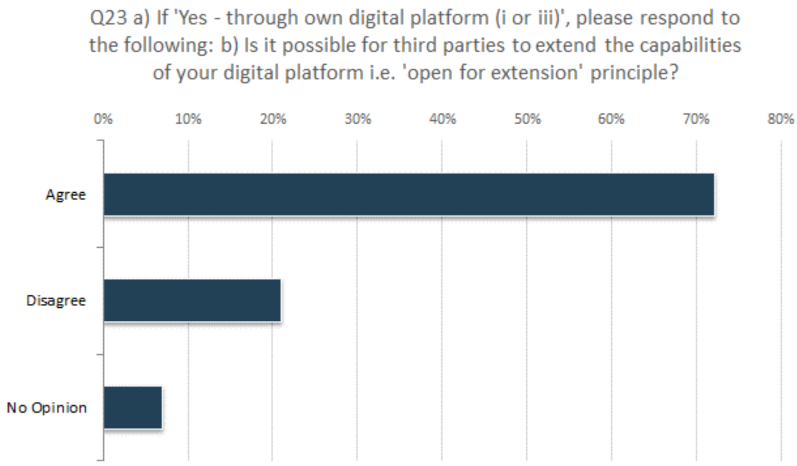
Question 22: Spring 2020 results



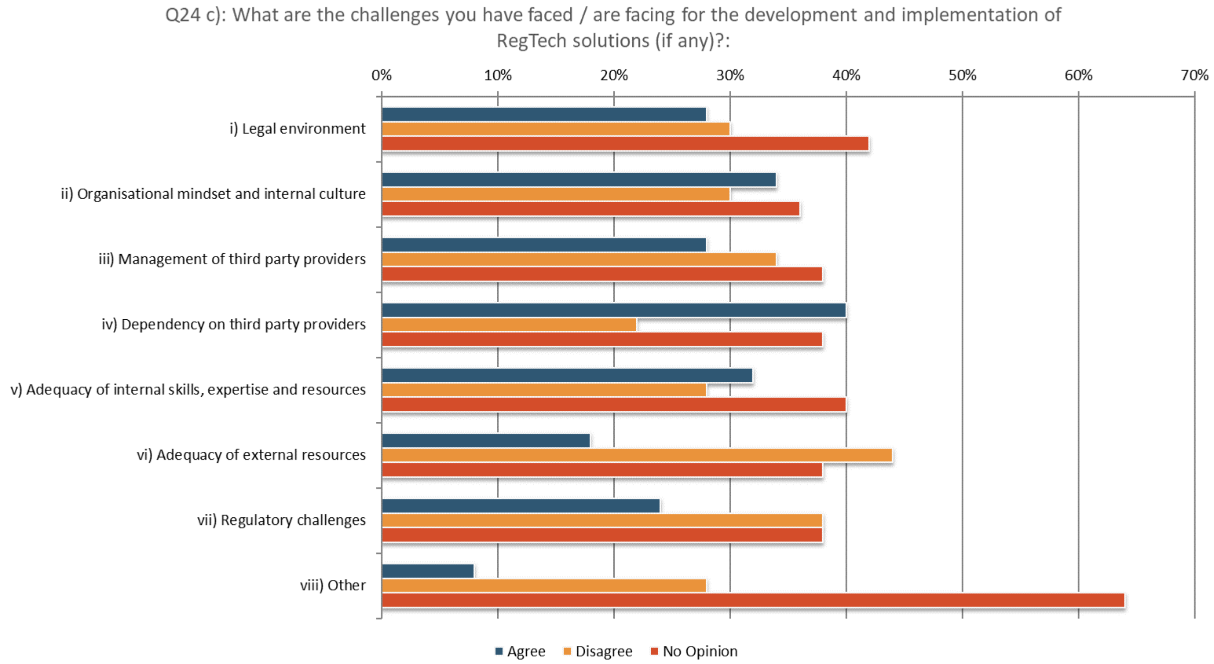
Question 23: Spring 2020 results




Q23 a) If 'Yes - through own digital platform (i or iii)', please respond to the following: a) Is it possible for third parties to offer new services (e.g. via APIs) using your own digital platform?
0%
5%
10%
15%
20%
25%
30%
35%
40%
45%
50%
Agree
Disagree
No Opinion

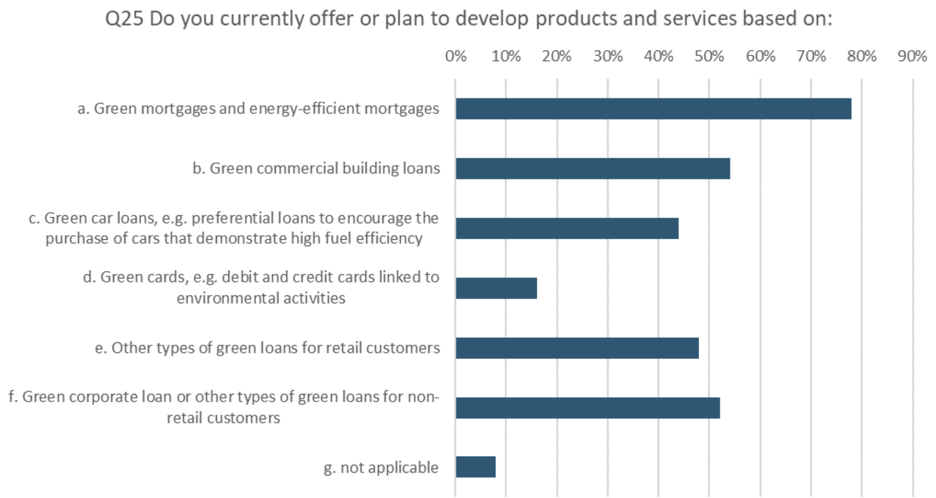

Q23 a) If 'Yes - through own digital platform (i or iii)', please respond to the following: b) Is it possible for third parties to extend the capabilities of your digital platform i.e. 'open for extension' principle?
0%
10%
20%
30%
40%
50%
60%
70%
80%
Agree
Disagree
No Opinion

Question 24: Spring 2020 results

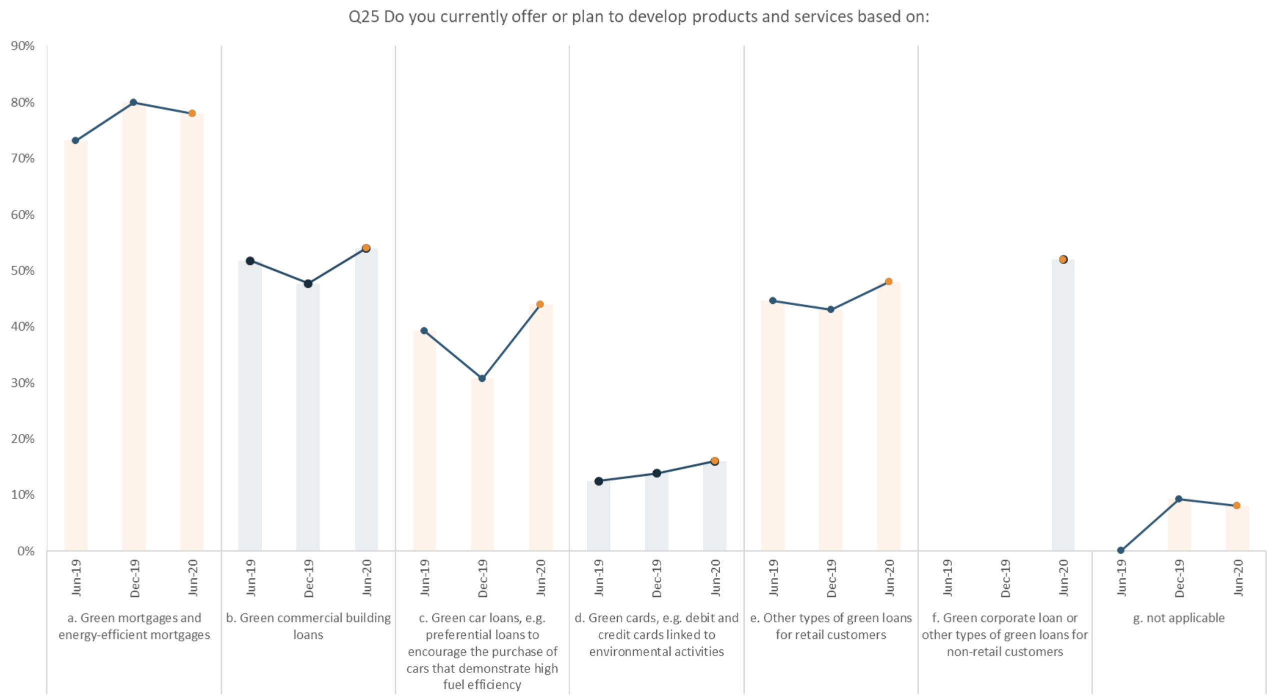


6. Sustainable Finance

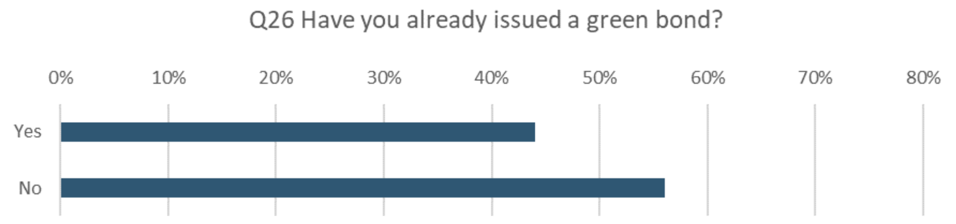
Question 25: Spring 2020 results

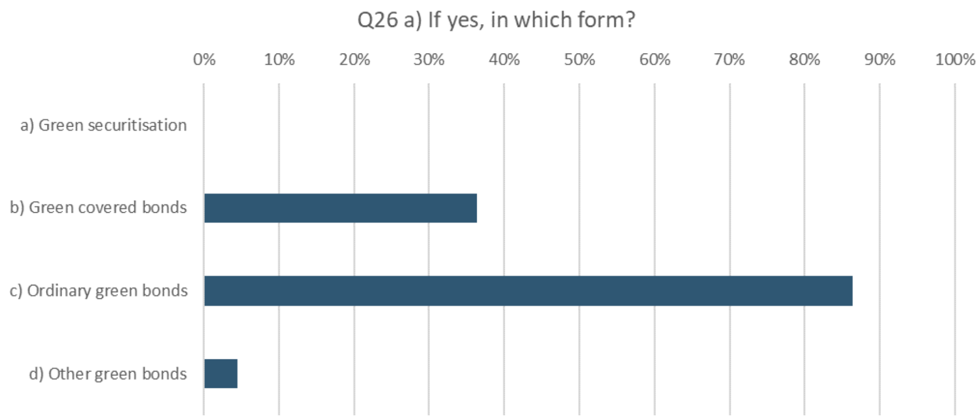


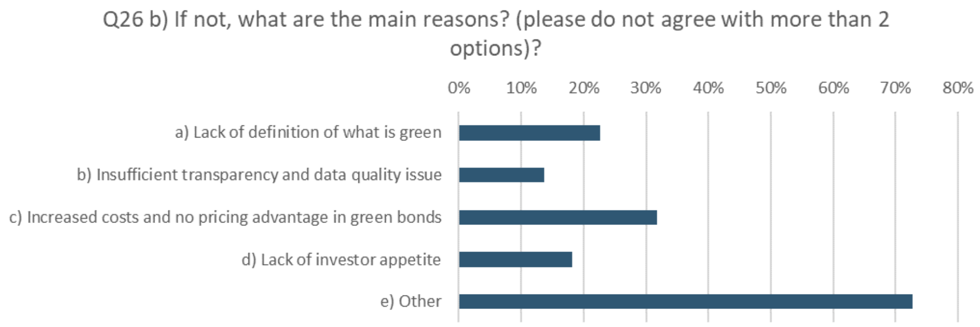
Question 25: comparison with earlier results



Question 26: Spring 2020 results

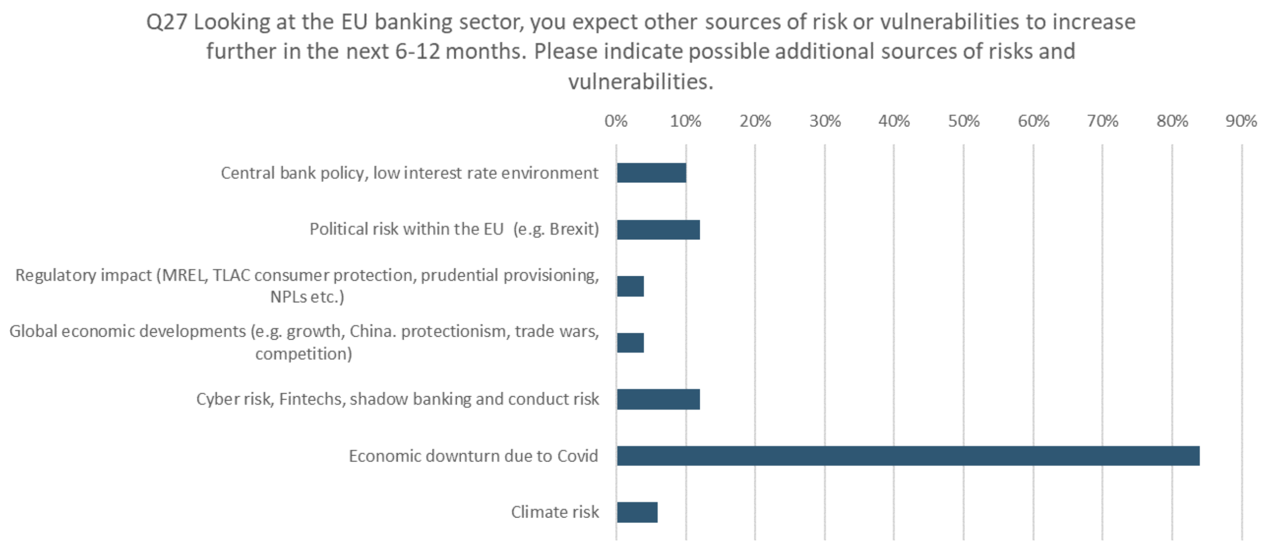






7. General open question

Question 27: Spring 2020 results

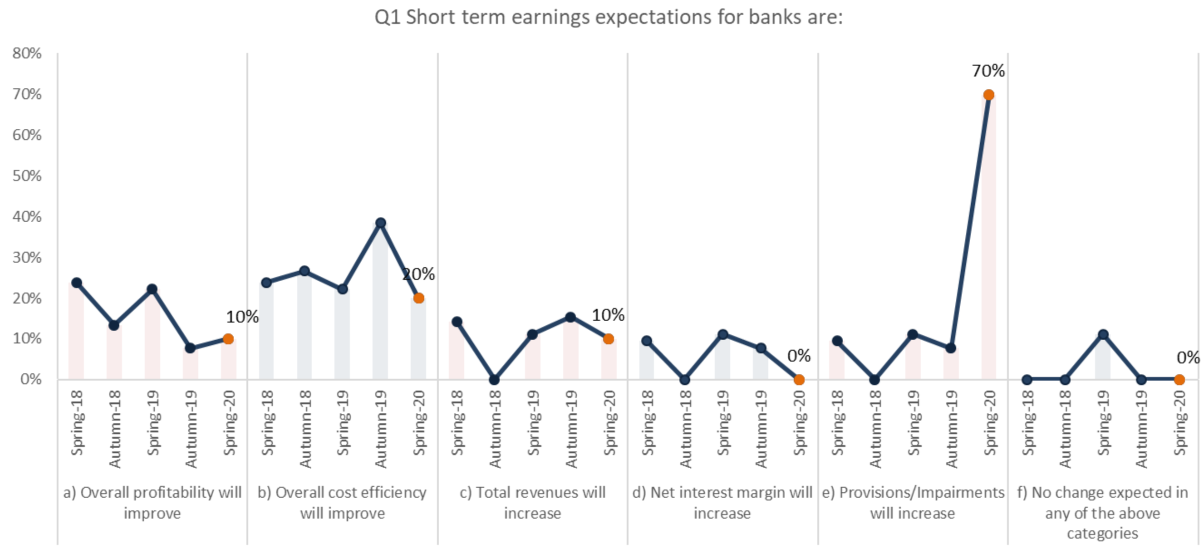


Market analysts' questionnaire

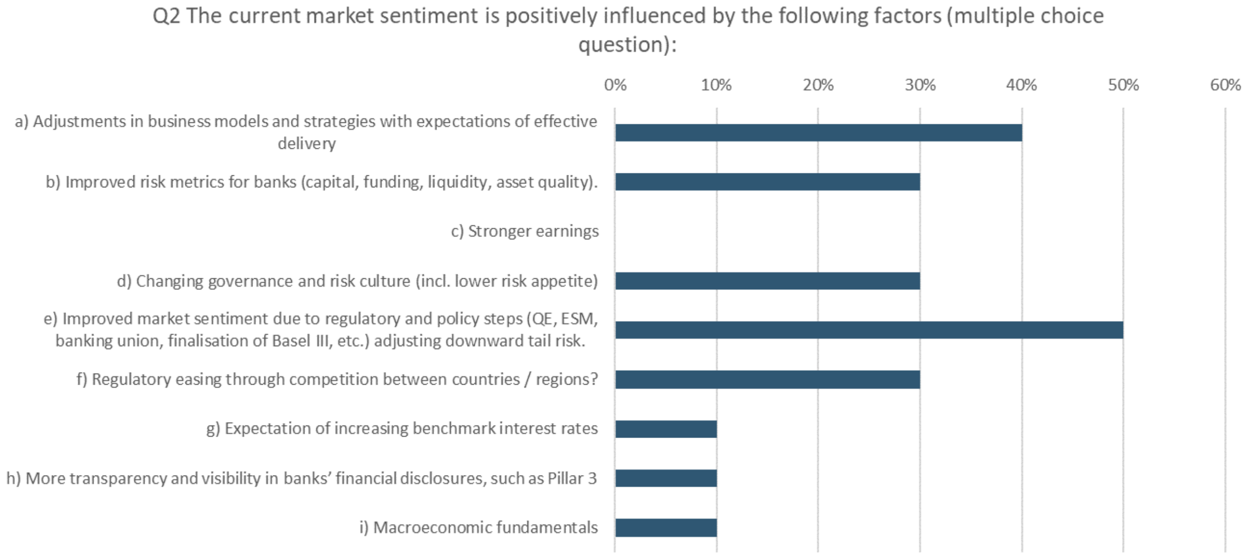
1. Business model / strategy / profitability

Question 1: Spring 2020 results

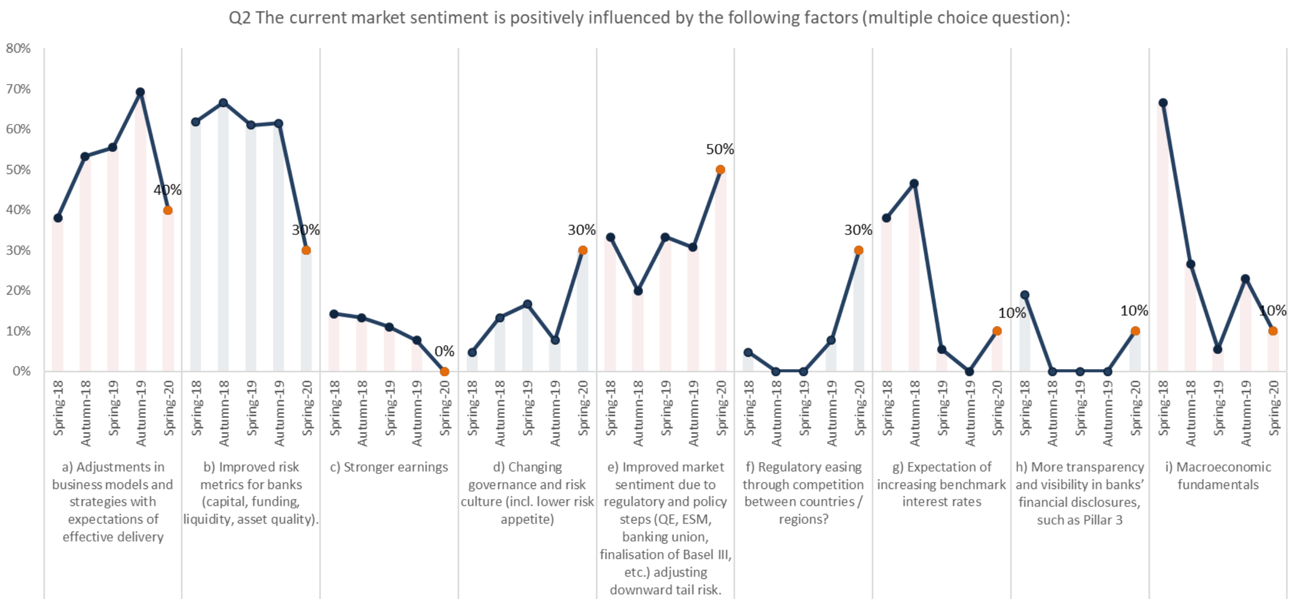
Question 1: Comparison with earlier results



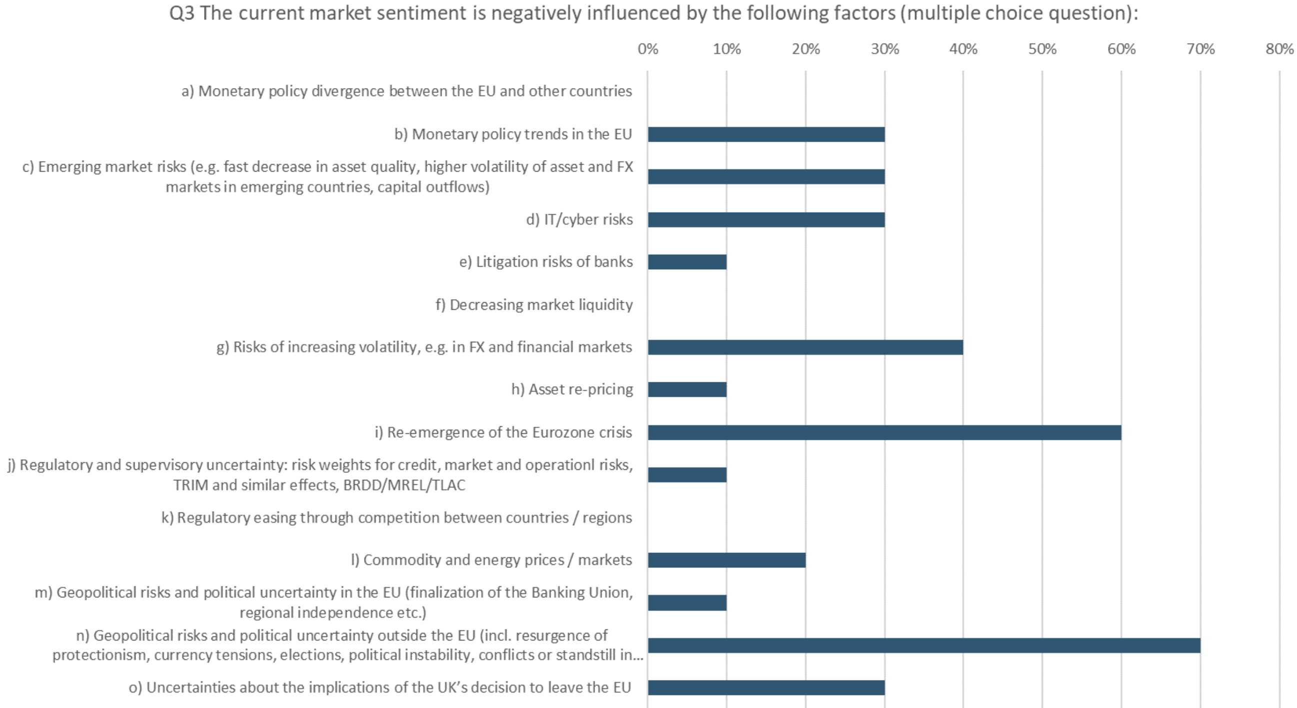
Question 2: Spring 2020 results



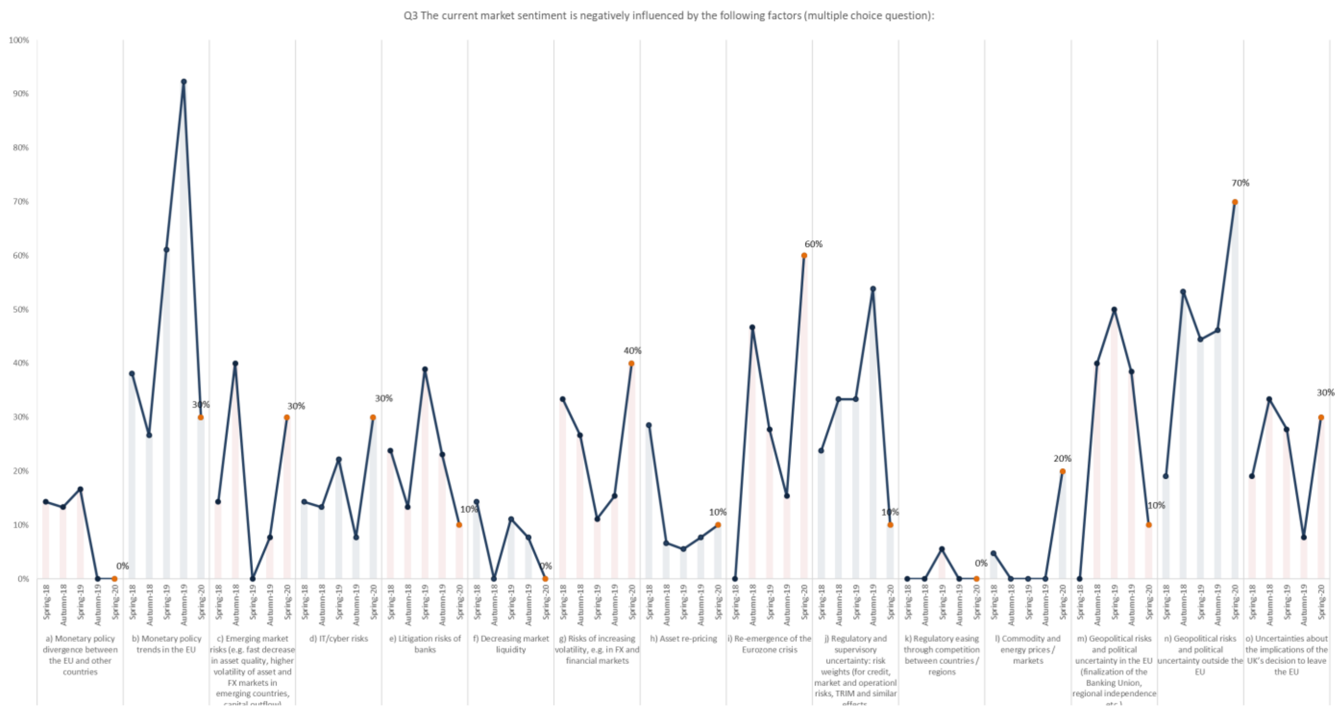
Question 2: comparison with earlier results



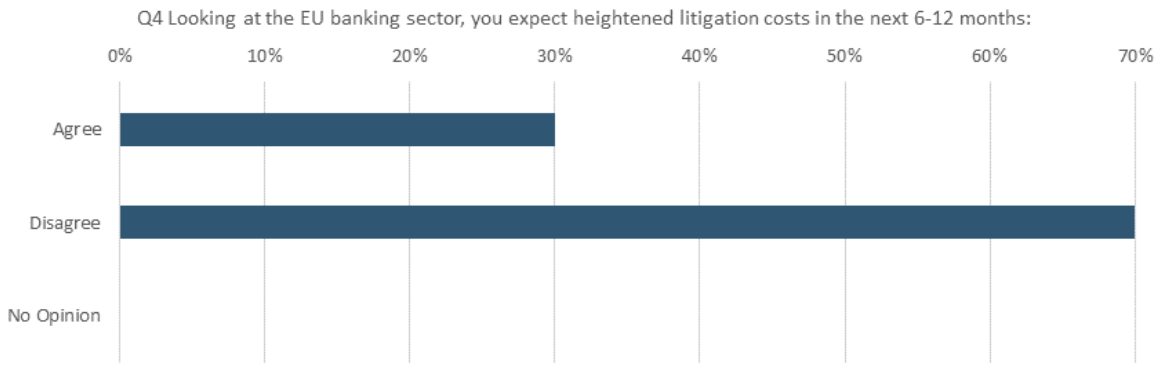
Question 3: Spring 2020 results



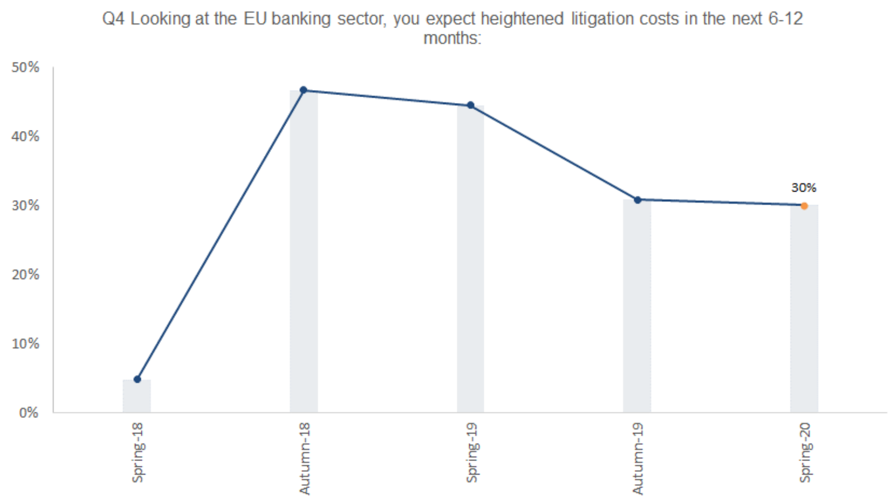
Question 3: comparison with earlier results



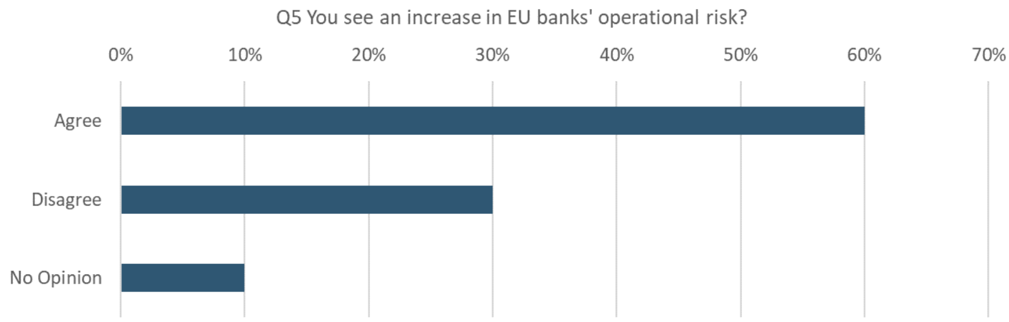
Question 4: Spring 2020 results

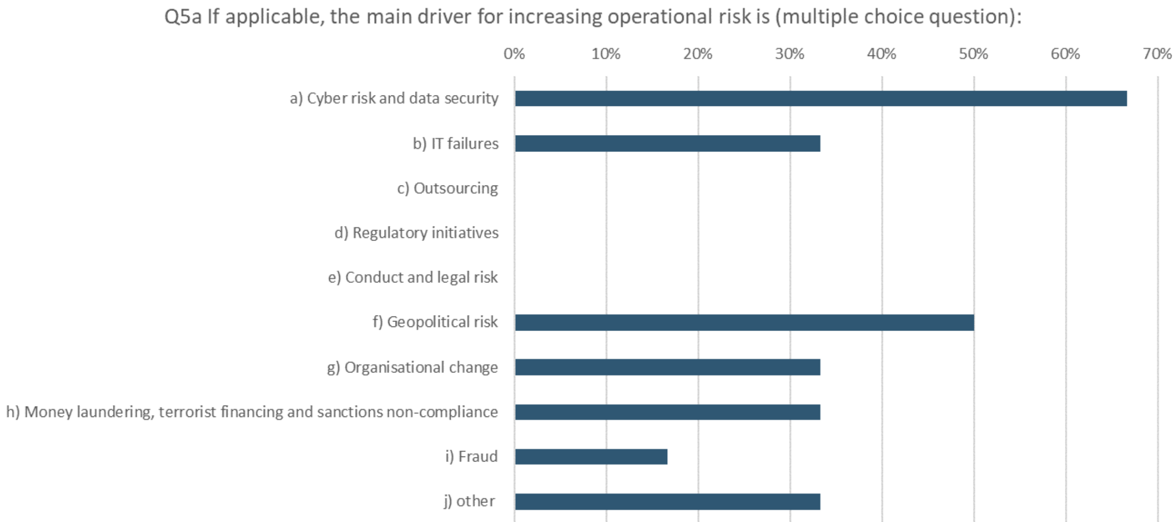


Question 4: comparison with earlier results

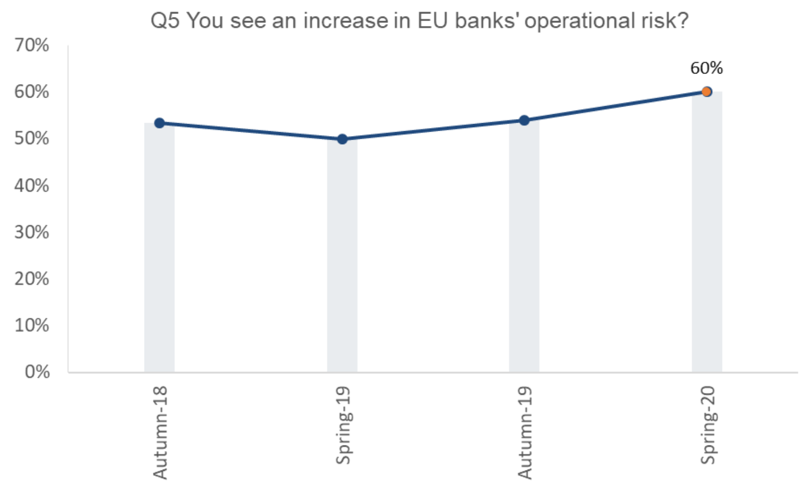


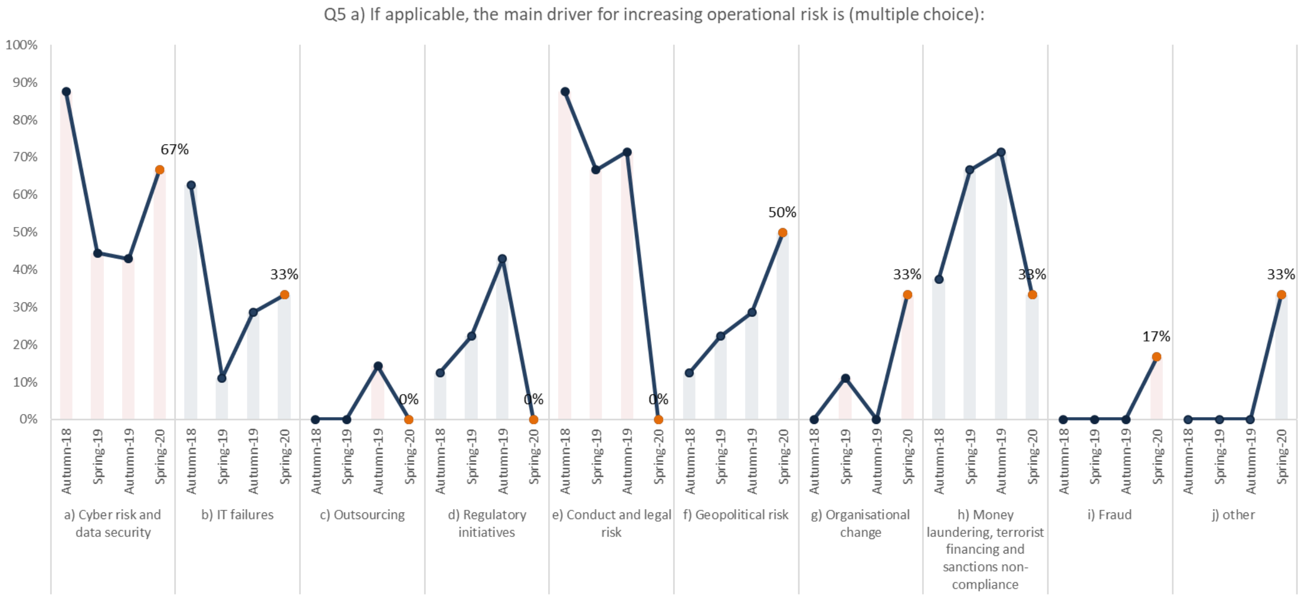
Question 5: Spring 2020 results





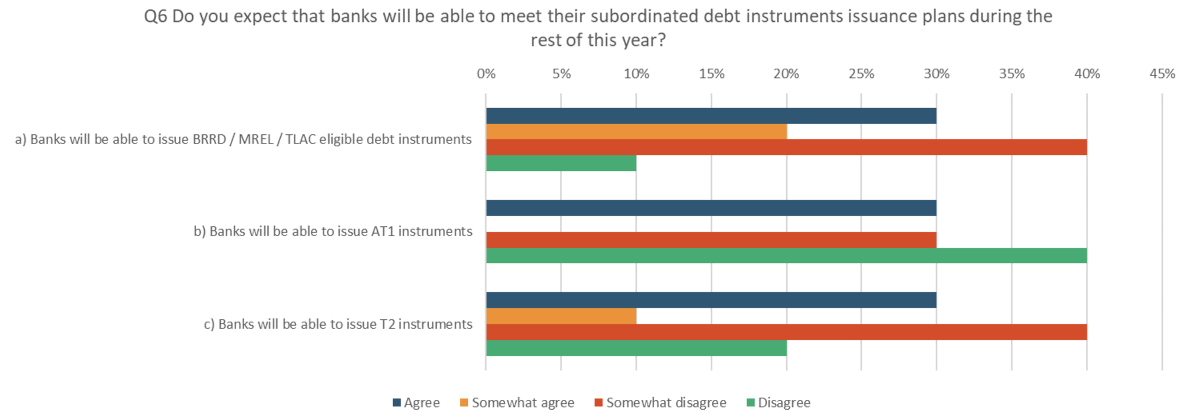
Question 5: comparison with earlier results

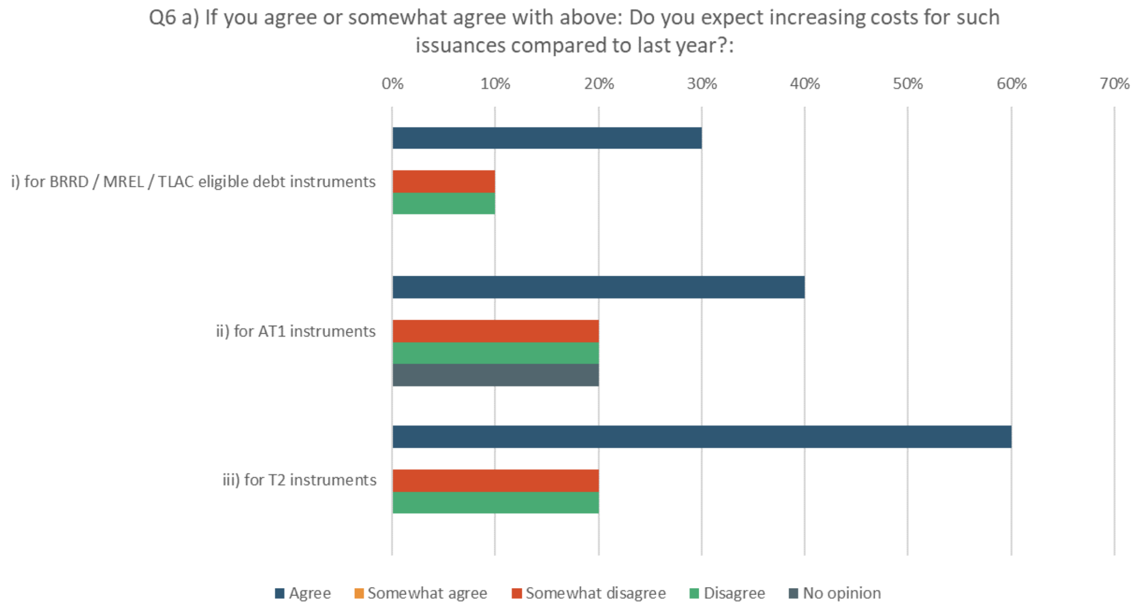




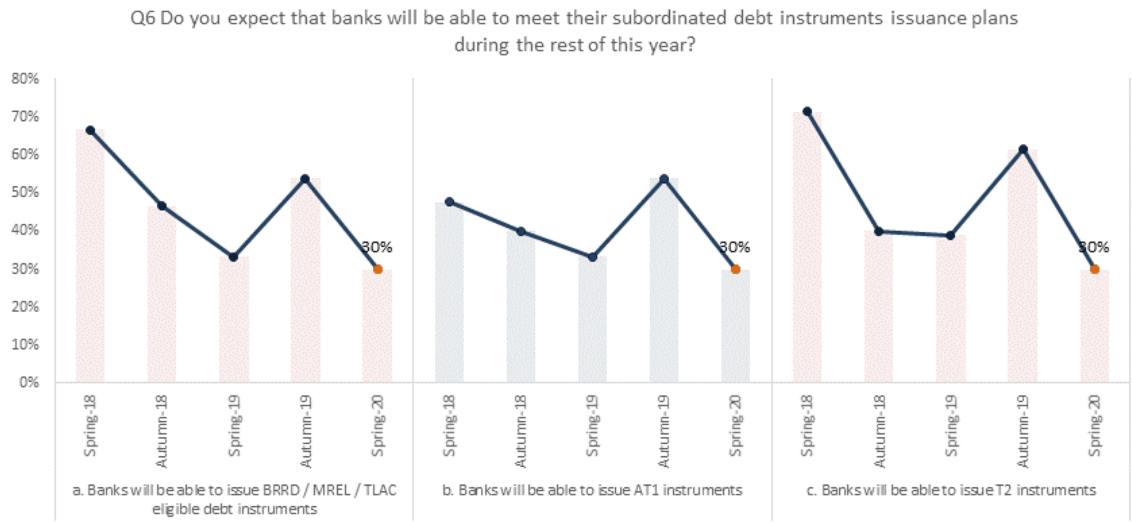
2. Funding / liquidity

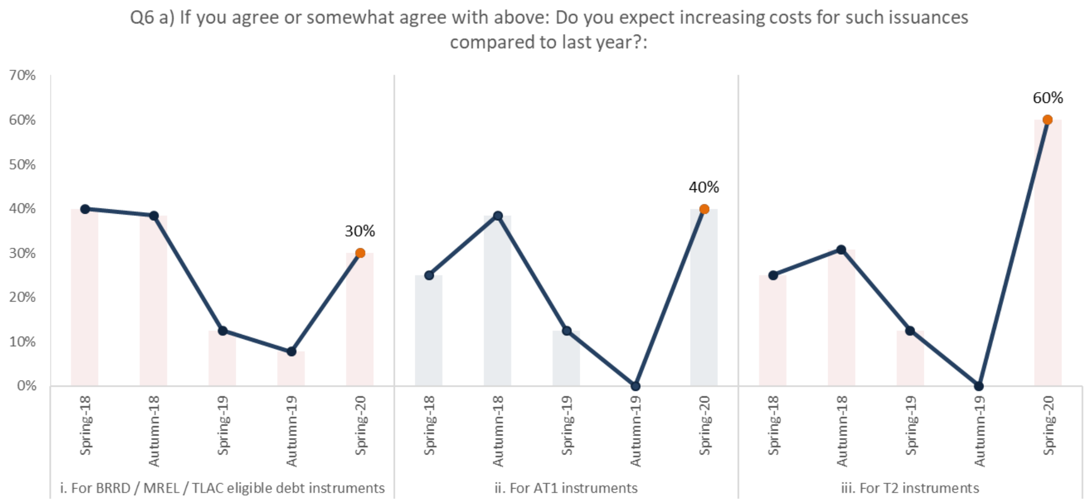
Question 6: Spring 2020 results



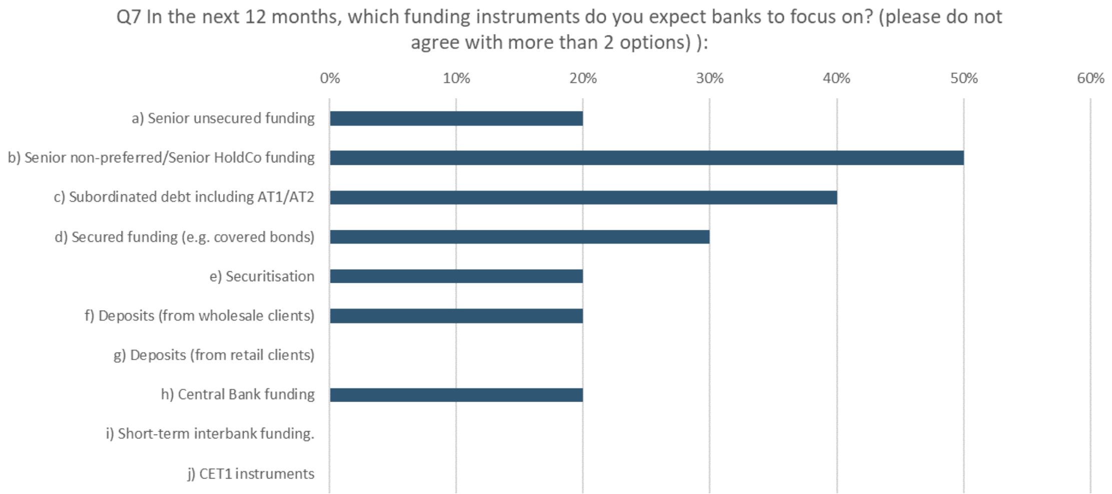


Question 6: comparison with earlier results

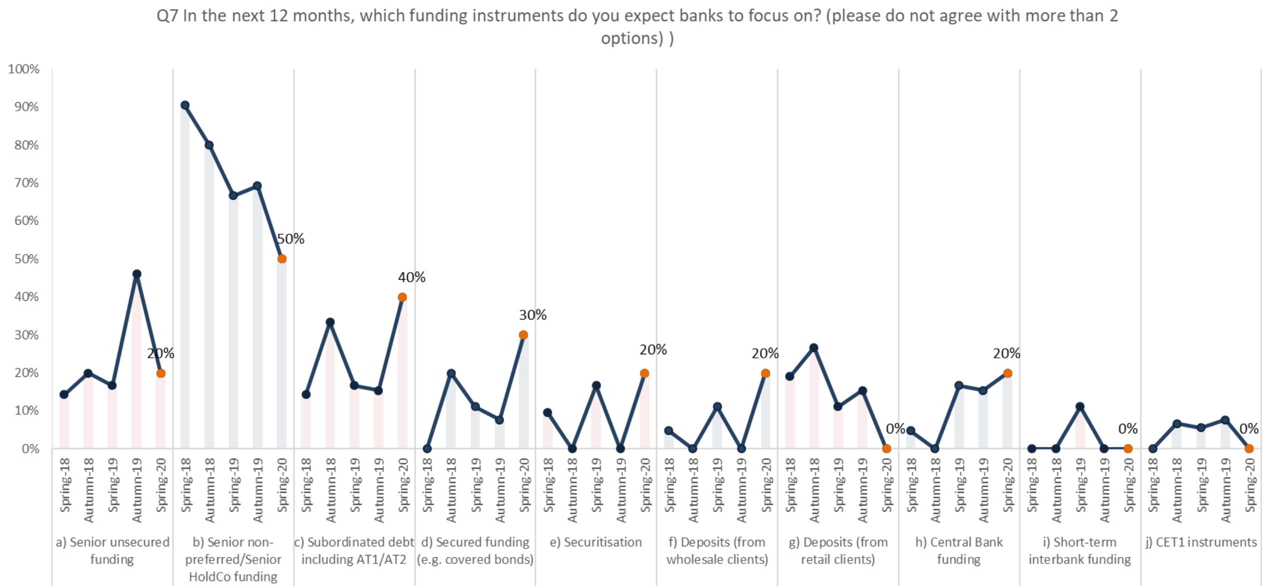




Question 7: Spring 2020 results

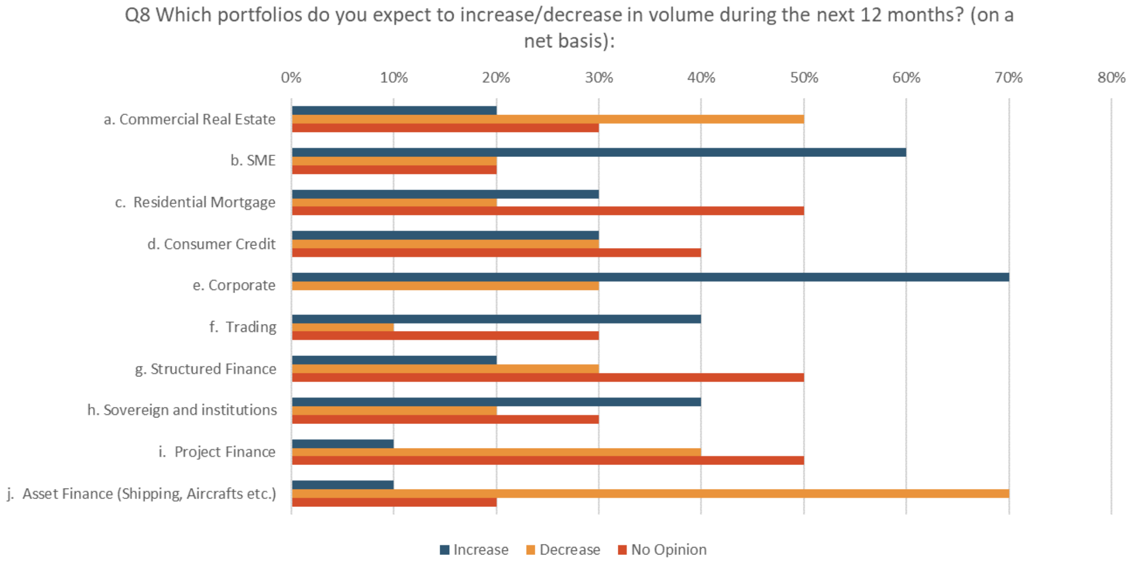


Question 7: comparison with earlier results

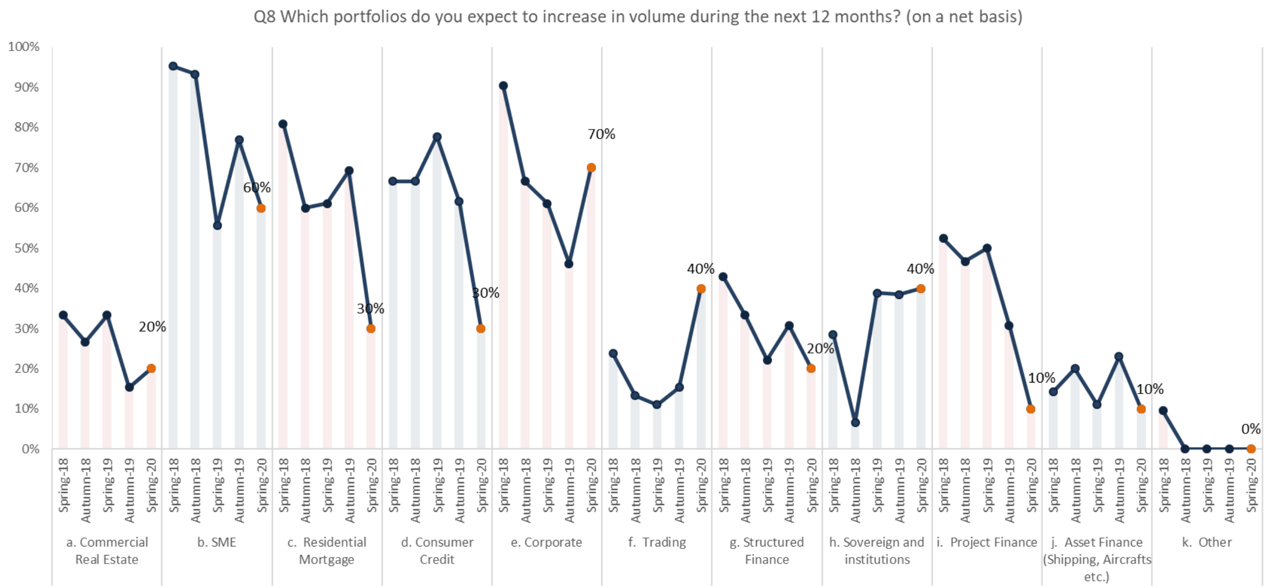


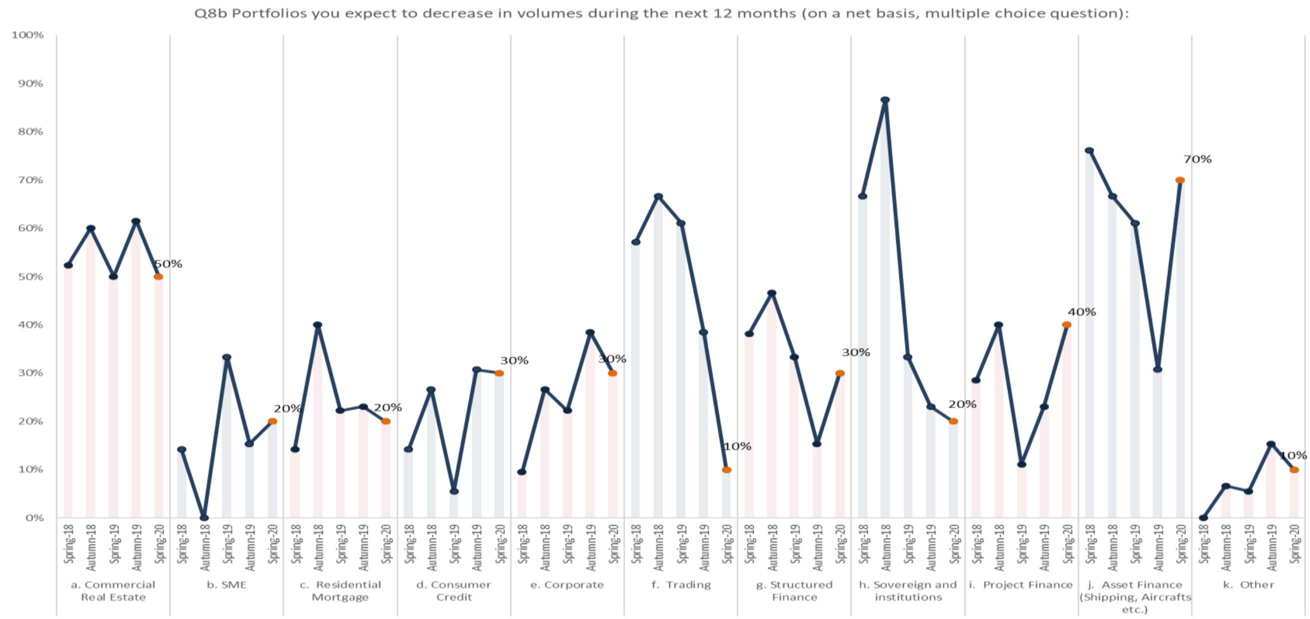
3. Asset composition & quality

Question 8: Spring 2020 results

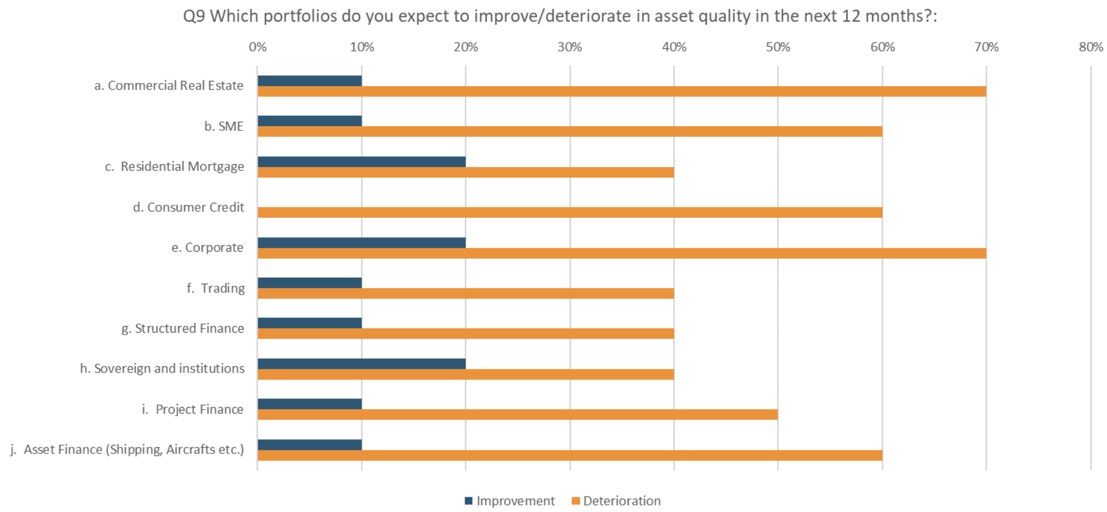


Question 8: comparison with earlier results

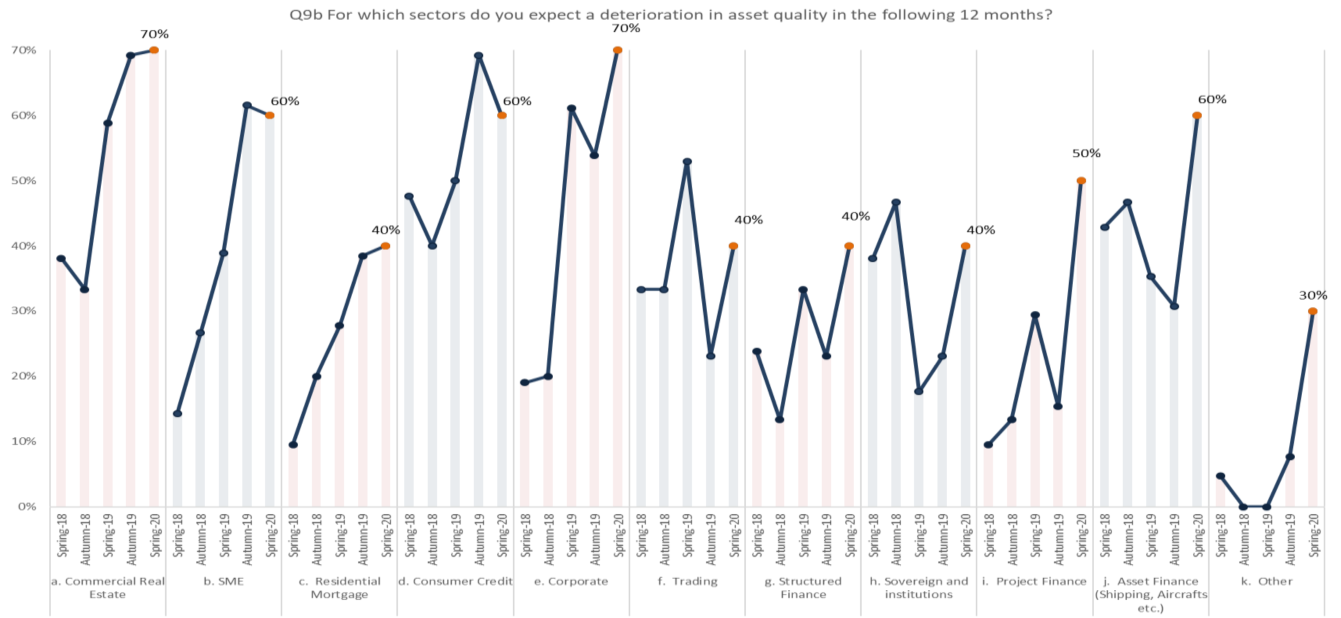




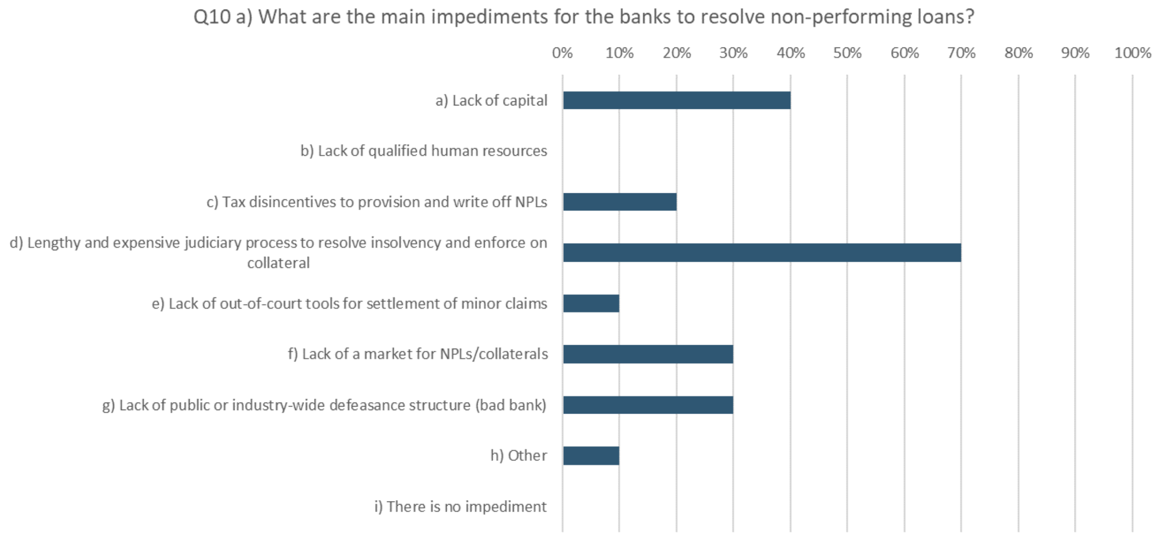
Question 9: Spring 2020 results



Question 9: comparison with earlier results

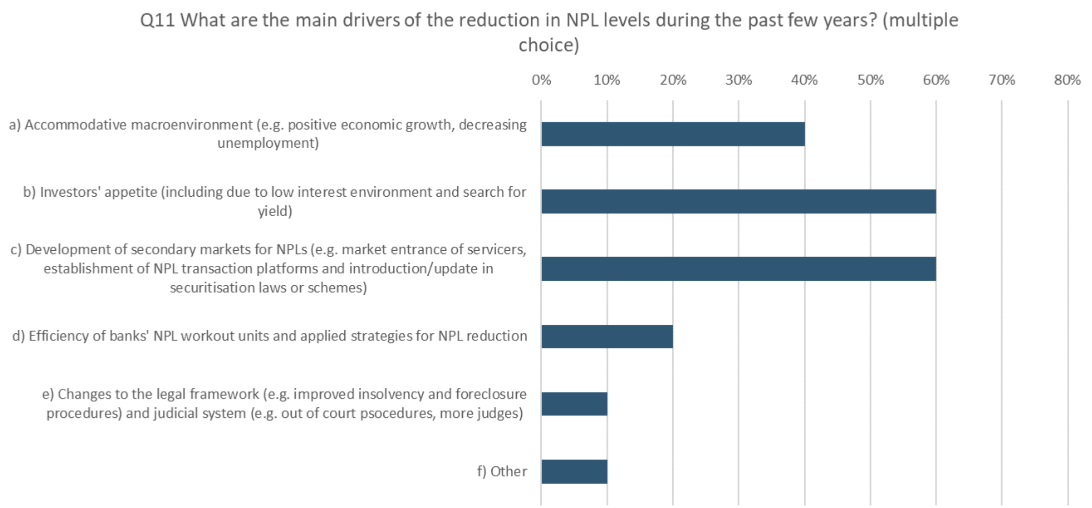


Question 10: Spring 2020 results

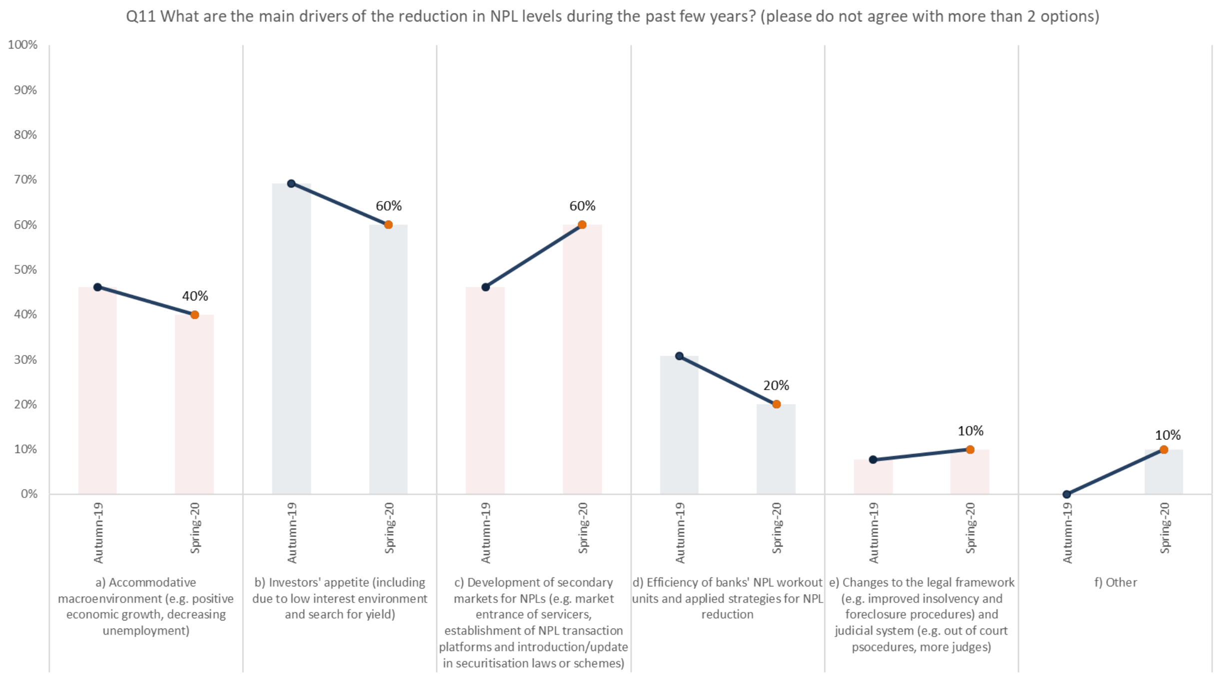


Question 10: comparison with earlier results

Question 11: Spring 2020 results

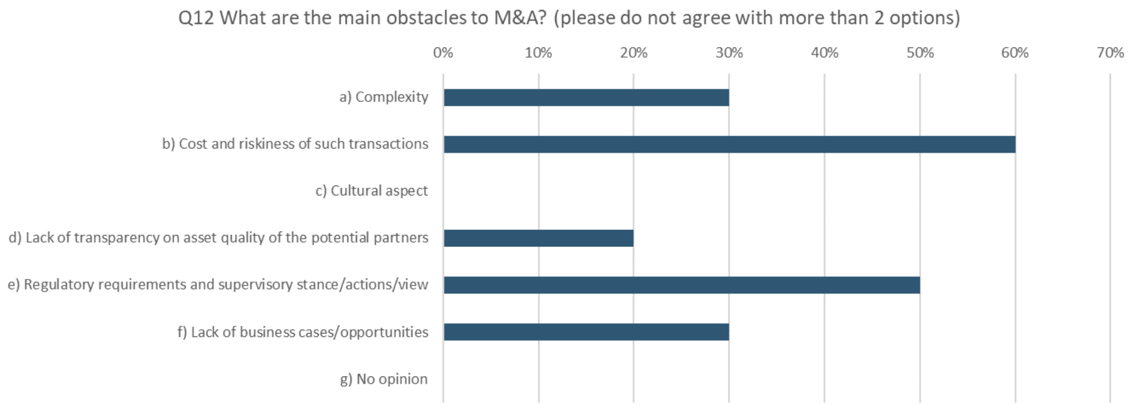


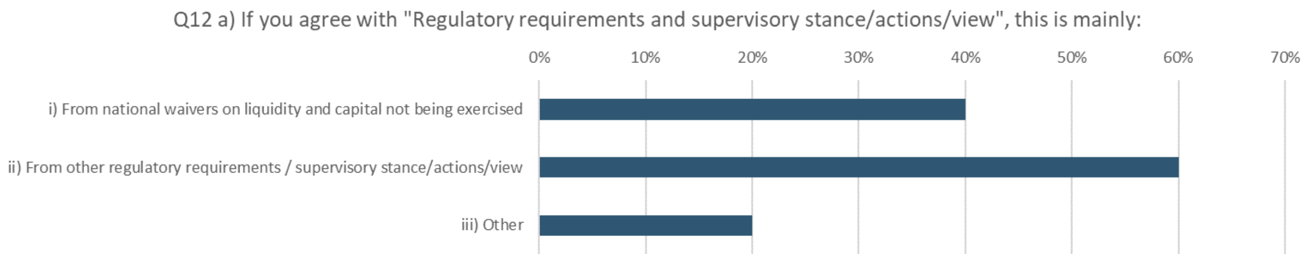
Question 11: comparison with earlier results



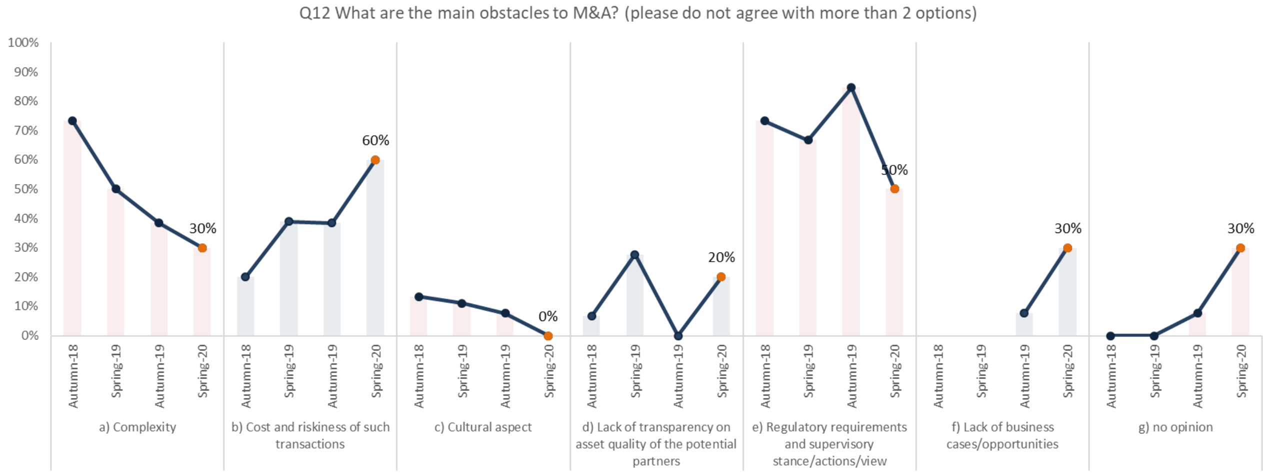
4. General Questions

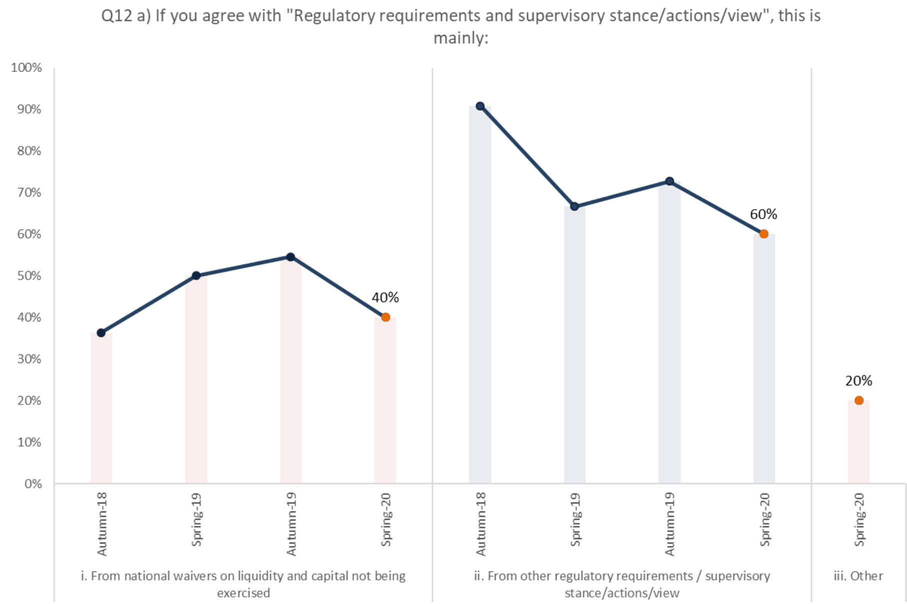
Question 12: Spring 2020 results



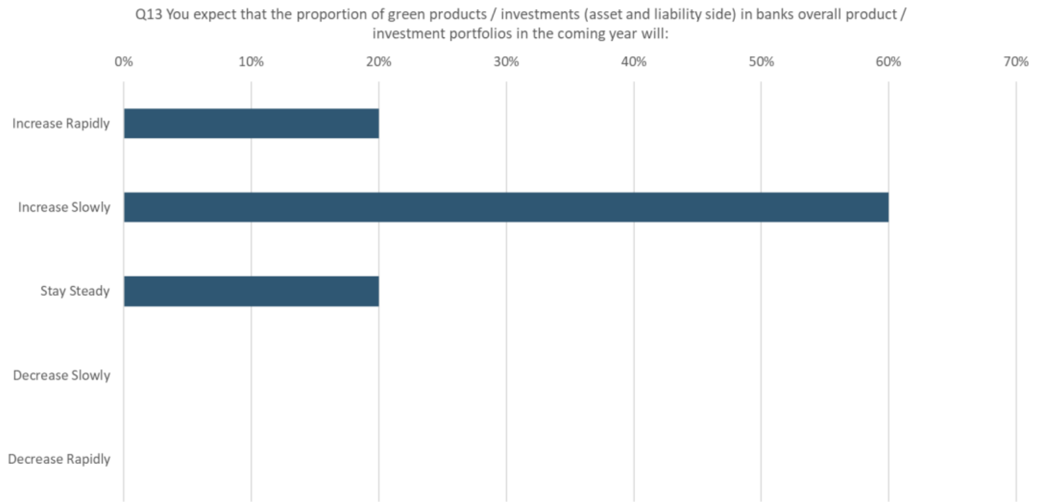


Question 12: comparison with earlier results

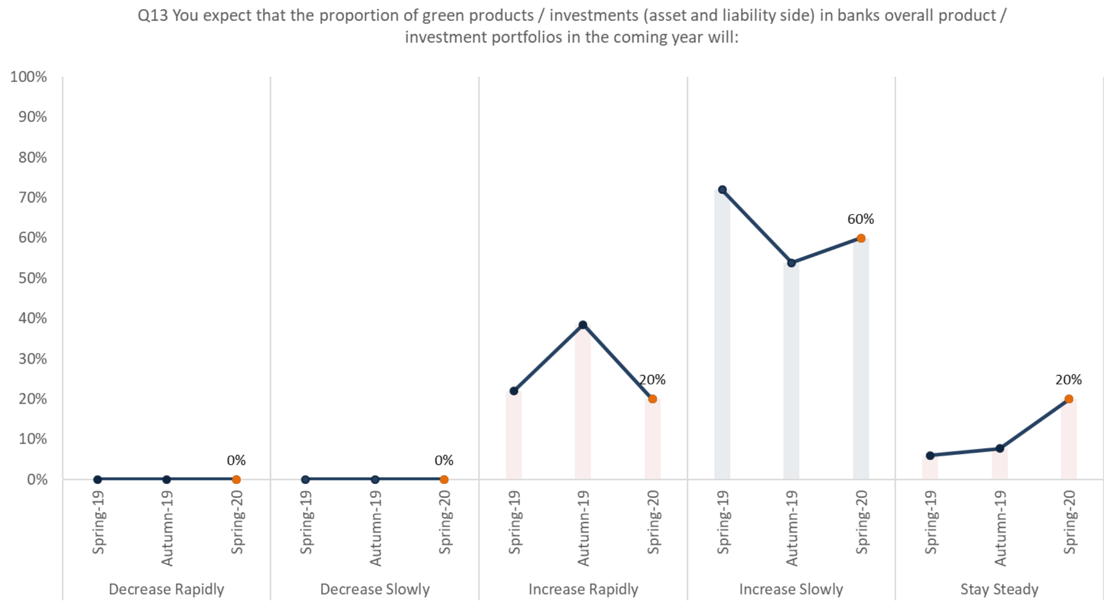




Question 13: Spring 2020 results

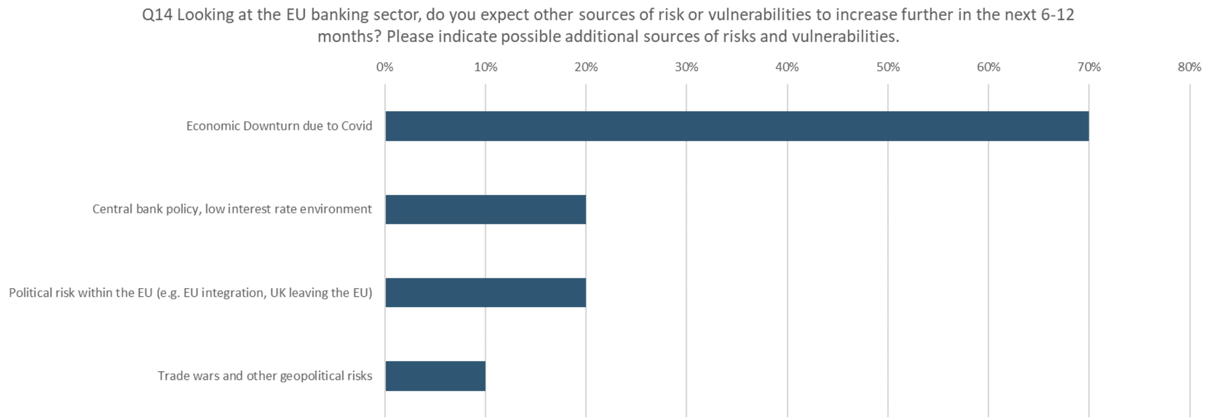


Question 13: Spring 2020 results



5. General open question

Question 14: Spring 2020 results



Appendix: Risk Assessment Questionnaire for banks

[added on the following pages]

EBA Risk Assessment Questionnaire for Banks - Spring 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 a) 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 b) 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 in 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	◯	◯	◯	◯	◯

*** Q4 a) If you rank Net fees and commission income 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

*** Q5 Which measures are you primarily taking 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 (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 You expect material adverse implications for your bank's business from current political and economic developments**

- ◯ Agree
- ◯ Disagree
- ◯ No Opinion

*** Q8 a) 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
- [ ] f) Monetary policy of major central banks (e.g. ECB, Fed, BoE)

Q9 Have you responded / do you intend 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	○	○	○	○	○
* b) To establish a new subsidiary or branch in the UK or EU	○	○	○	○	○
* c) Reduce exposure to UK counterparties	○	○	○	○	○
* d) To diversify access to funding and becoming less reliant on UK wholesale funding market	○	○	○	○	○
* e) To re-paper existing contract (including derivatives) to EU entities	○	○	○	○	○
* f) To ensure access to EU-based financial market infrastructures, including moving derivatives clearing to EU-based CCPs	○	○	○	○	○
* g) To issue MREL eligible liabilities under the EU law or with contractual bail-in clauses	○	○	○	○	○
* h) Other	○	○	○	○	○

* Q9 a) If other please explain

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

* **Q10 a) 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 referrring 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

Q10 b) In which area would you currently see the biggest challenges and potentially the biggest risks in your prepartions 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. I would not see any big challenges / big risks related to the IBOR replacements.	○	○	○	○	○

Funding/liquidity

* **Q11 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

* **Q12 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

*** Q13 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.

*** Q14 In the current low and negative interest rate environment, which of the following actions are you planning to take 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.

*** Q15 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

Q16 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				

Q17 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				

* **Q18 Are there any impediments to resolve non-performing loans?**

- Yes
- No

* **Q18 a) If Yes, what are the main impediments for your institution to resolve non-performing loans? (please do not agree with more than 2 options)**

at most 2 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) Not applicable (i.e. there is no need to resolve NPLs)

Q18 b) if you have selected (d) Inefficient legal framework and judiciary process to resolve insolvency and enforce on collateral, this is mainly due to:

- [ ] i) lengthy duration of court procedures etc.
- [ ] ii) complexity of the process
- [ ] iii) expensive proceedings (also due to lack of out-of-court tools)
- [ ] iv) rules allowing postponement or delay of enforcing collateral
- [ ] v) other

Conduct, Reputational and Operational risk

* **Q19 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

* **Q20 Looking at your bank, how do you expect litigation and misconduct costs to evolve in the next 6-12 months?**

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

* **Q21 You see an increase in operational risk in your bank:**

- ( ) Agree
- ( ) Disagree
- ( ) No Opinion

* **Q21 a) If you agree, 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

Q22 How do you see FinTech firms affecting the current business model of your bank (in the following business lines)?

	Opportunity to decrease costs	Threat to decrease revenues	Opportunity to increase revenues	Threat to increase costs	No impact / not relevant
* a) Retail banking	○	○	○	○	○
* b) Commercial banking	○	○	○	○	○
* c) Corporate finance	○	○	○	○	○
* d) Trading and sales	○	○	○	○	○
* e) Payment and settlement	○	○	○	○	○
* f) Agency services	○	○	○	○	○
* g) Asset management	○	○	○	○	○
* h) Retail brokerage	○	○	○	○	○

* **Q23 Do you currently offer services and products through digital platforms? For the purposes of this survey, 'Digital platform' is defined as a technology-enabled business model that facilitates exchanges between providers and consumers of information, products, or services.**

at most 1 choice(s)

- [ ] i) Yes - through own digital platform
- [ ] ii) Yes - through third party's digital platforms
- [ ] iii) Yes - through own AND third party's digital platforms
- [ ] iv) No

Q23 a) If 'Yes - through own digital platform (i or iii)', please respond to the following:

	Yes	No	N/A
* a) Is it possible for third parties to offer new services (e.g. via APIs) using your own digital platform?	○	○	○
* b) Is it possible for third parties to extend the capabilities of your digital platform i.e. 'open for extension' principle?	○	○	○

* **Q23 b) If 'Yes - through third party's digital platforms' (ii or iii), please provide further information e.g. type of third party and digital platform (e.g. single-product aggregators, multiple-product multi-brand/single-brand aggregators, user-matching platforms such as invoice trading platforms, peer-to-peer lending platforms, crowdfunding platforms etc.), type of services and products offered etc.**

* **Q24 a) Have you implemented/used any RegTech solution? For the purposes of this survey, 'Regtech (regulatory technology)' is defined as any range of applications of FinTech for regulatory and compliance requirements and reporting.**

- ○ Yes
- ○ No

Q24 b): If 'Yes', please enlist some of the RegTech solutions implemented (e.g. technology used, task performed etc.).

Q24 c): What are the challenges you have faced / are facing for the development and implementation of RegTech solutions (if any)?

	Yes	No	N/A
* i) Legal environment	○	○	○
* ii) Organisational mindset and internal culture	○	○	○
* iii) Management of third party providers	○	○	○
* iv) Dependency on third party providers	○	○	○
* v) Adequacy of internal skills, expertise and resources	○	○	○
* vi) Adequacy of external resources	○	○	○
* vii) Regulatory challenges	○	○	○
* viii) Other	○	○	○

* **Q24 c) if "regulatory challenges" is 'Yes', please specify:**

* Q24 c) if "other" is 'Yes', please specify:

Sustainable Finance

* **Q25 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. Green corporate loan or other types of green loans for non-retail customers
- [ ] g. Not applicable

* **Q26 Have you already issued a green bond?**

- Agree
- Disagree

* **Q26 (a): If yes, in which form?**

- [ ] a) Green securitisation
- [ ] b) Green covered bonds
- [ ] c) Ordinary green bonds
- [ ] d) Other green bonds

* **Q26 (b): 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

* **Q27 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 - Spring 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

* **Q3 The current market sentiment 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) Regulatory easing through competition between countries / regions
- 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 implications of the UK’s decision to leave the EU

* **Q4 Looking at the EU banking sector, you expect heightened litigation costs in the next 6-12 months:**

- 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 Do you expect that banks will be able to meet their subordinated debt instruments issuance plans during the rest of this year?

	Agree	Somewhat agree	Somewhat disagree	Disagree	No Opinion
* a) Banks will be able to issue BRRD / MREL / TLAC eligible debt instruments	○	○	○	○	○
* b) Banks will be able to issue AT1 instruments	○	○	○	○	○
* c) Banks will be able to issue T2 instruments	○	○	○	○	○

Q6 a) 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					
ii) for AT1 instruments					
iii) for T2 instruments					

* **Q7 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

Q8 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				

Q9 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	○	○	○	○

* **Q10 Are there any impediments for banks to resolve their non-performing loans?:**

- ○ Yes
- ○ No

* **Q10 a) If Yes, what are the main impediments for the banks 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 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

Q10 b) if "other": please provide the key impediments

* **Q11 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 psocedures, more judges)
- f) Other

General Questions

* **Q12 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 a) If you agree with "Regulatory requirements and supervisory stance/actions/view", this is mainly:**

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

* **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 risk or vulnerabilities to increase further in the next 6-12 months? Please indicate possible additional sources of risks and vulnerabilities**.

EUROPEAN BANKING AUTHORITY

Floors 24-27, 20 Avenue André Prothin,
92927 Paris, La Défense

Tel: +33 1 86 52 7000
E-mail: info@eba.europa.eu

http://www.eba.europa.eu