



**BANKING IN EUROPE:
2020 FACTS & FIGURES**

**COVID-19
Special Chapter**

Prudential Policy and Supervision



2020 Facts & Figures: COVID-19 Special Chapter

1

What happened?

- ◆ Resilience
- ◆ Policy reaction
- ◆ Support to the economy

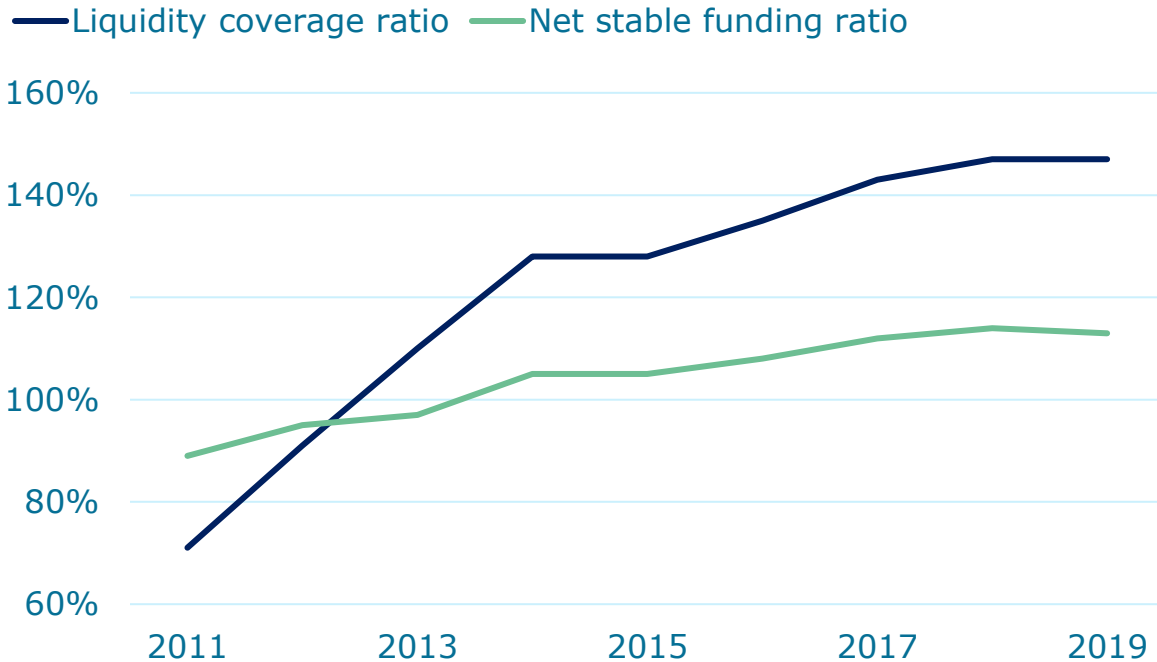
2

What is next?

- ◆ Real-life stress test: Impact on GDP
- ◆ Cost of funding
- ◆ Room for manoeuvre

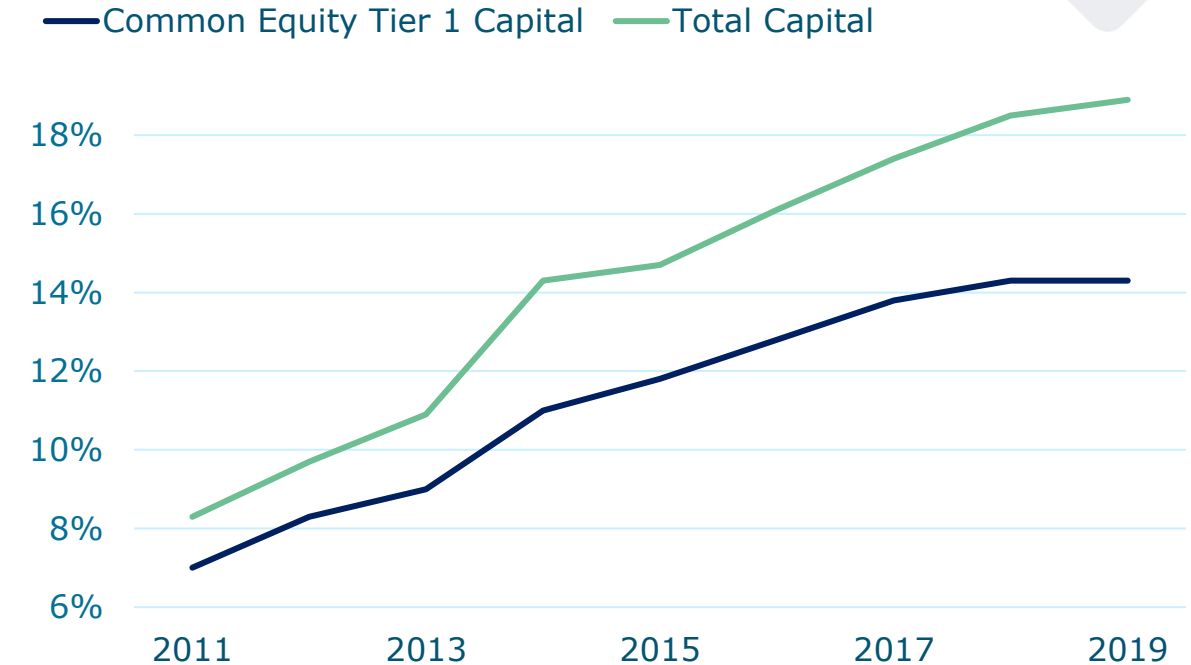
Resilience

Liquidity Ratios

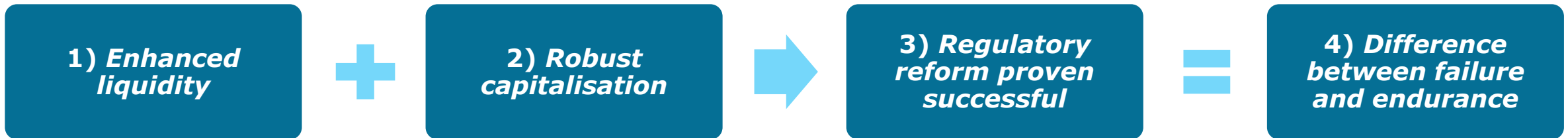


Sources: EBA

Capital ratios



Sources: EBA



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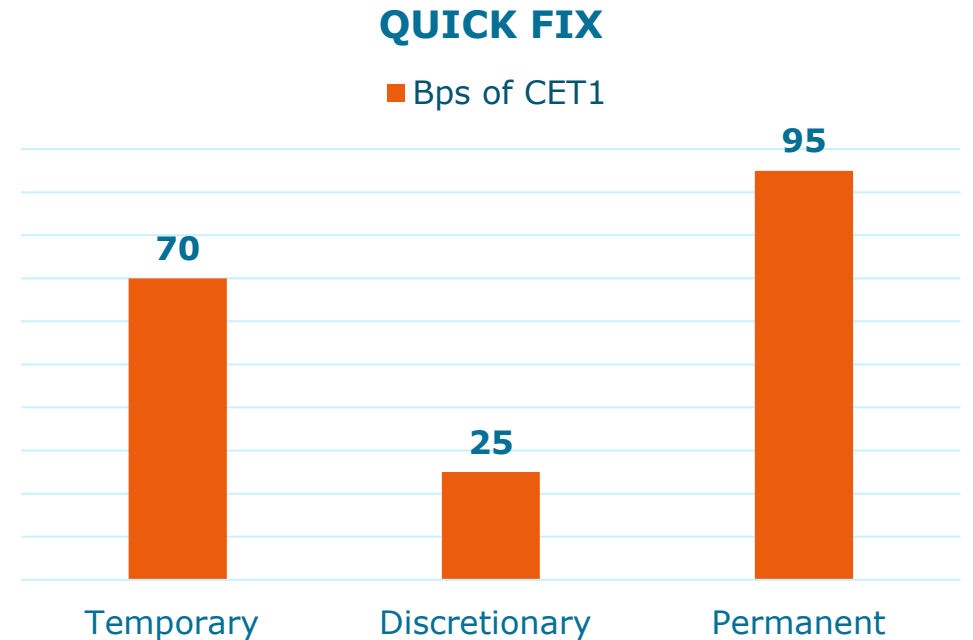
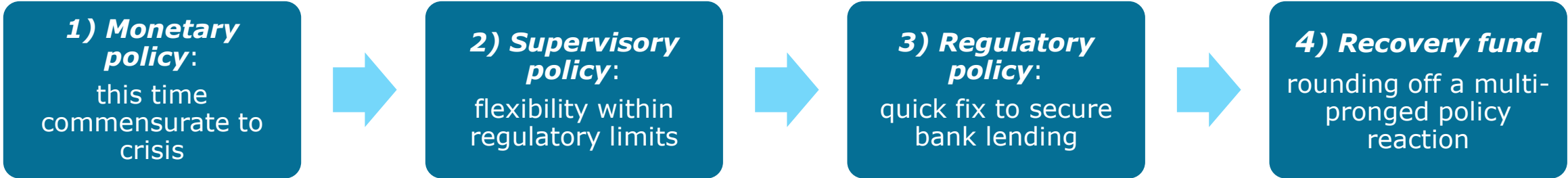
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Policy reaction



Sources: EBF estimates

Sources: Bloomberg, ECB

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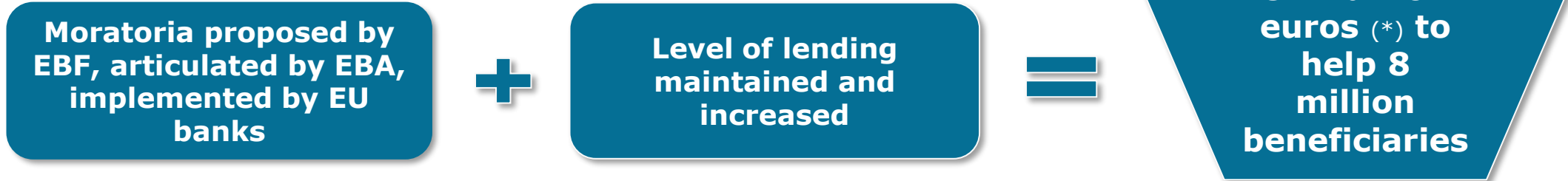
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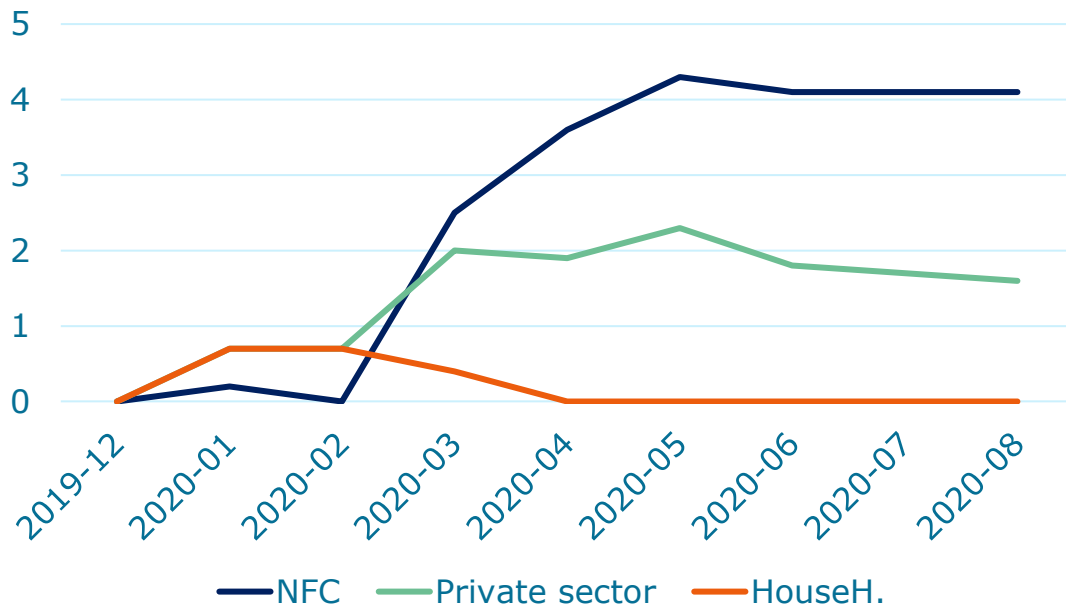
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Support to the economy



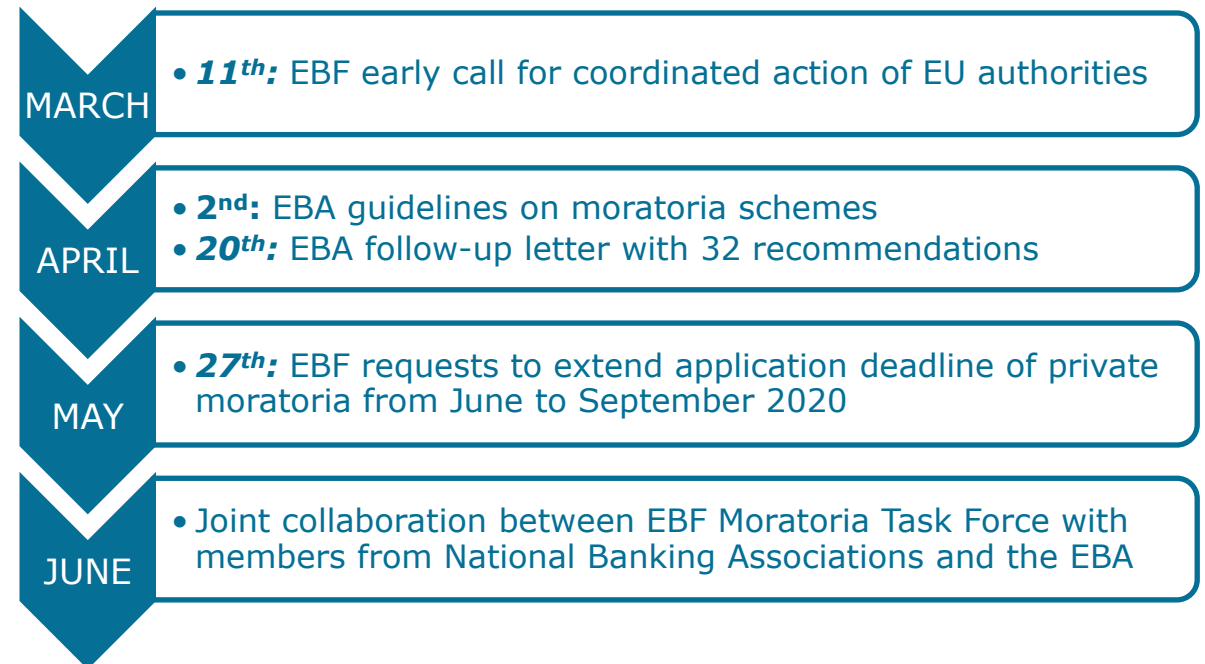
Sources: EBA as of June 2020 (*), and EBF

Loan growth during COVID-19 (% points)



Sources: ECB

MORATORIA RESPONSE TIMELINE



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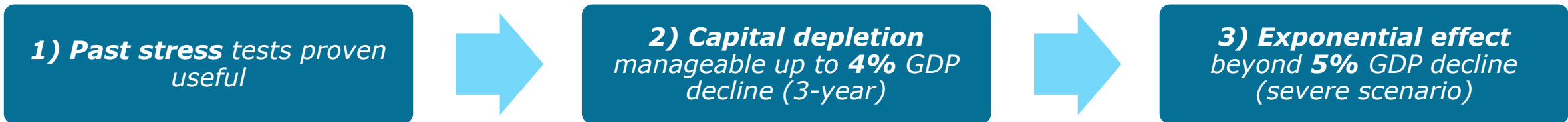
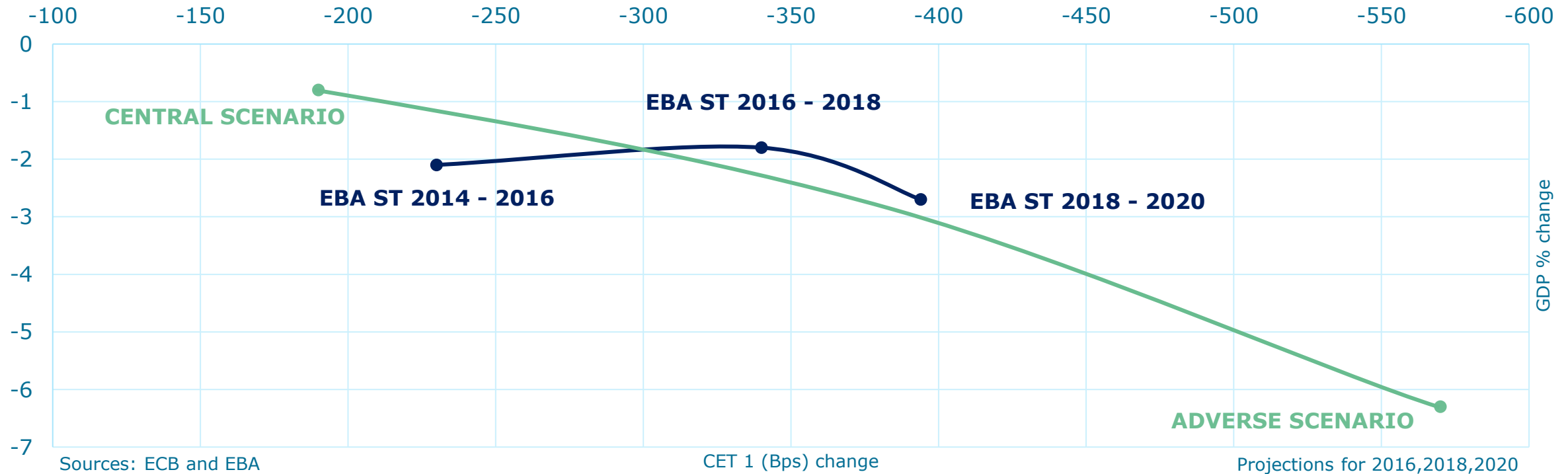
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Real-life stress test: Impact on GDP

● EBA STs Adverse Scenarios (2014,2016,2018) ● Vulnerability Analysis COVID-19 , 2020-2022 cumulative



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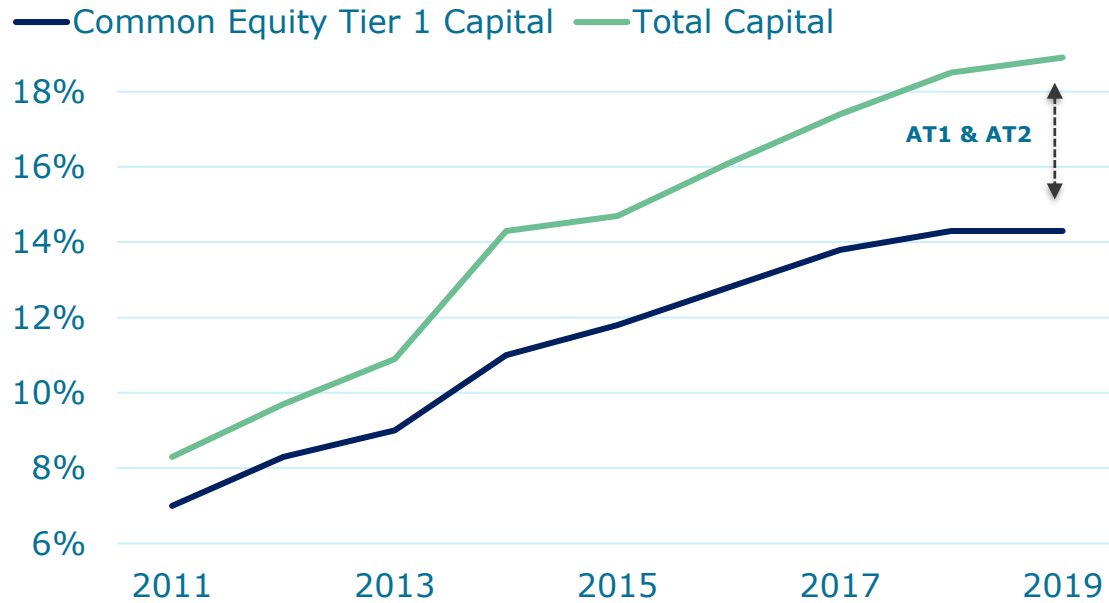
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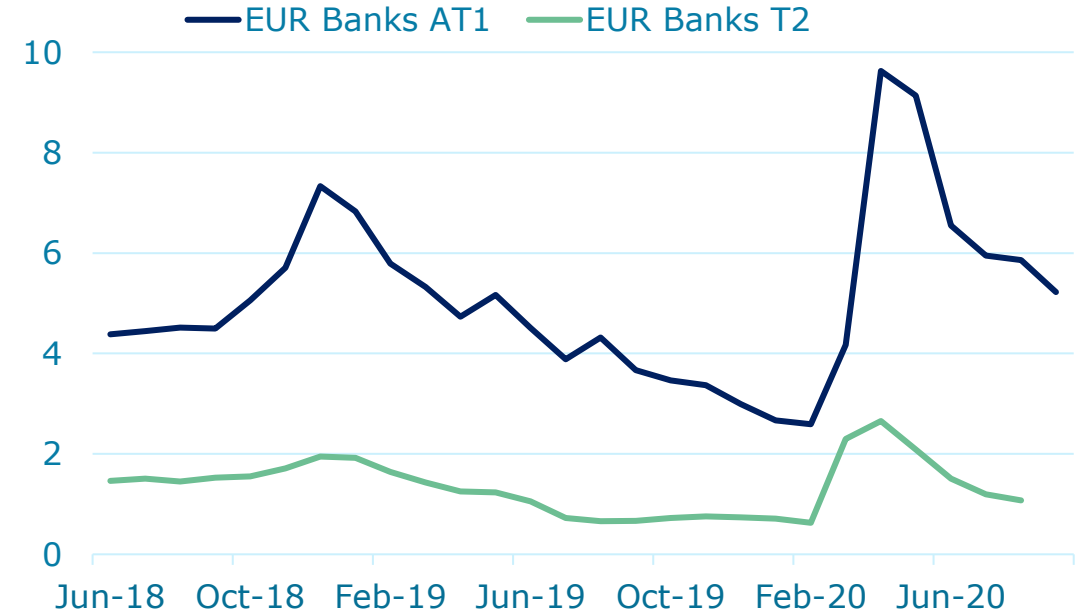
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Cost of funding



Sources: EBF and EBA

AT1 & T2 YTM % - Secondary market



1) Increased loss absorbency with a 4% cushion of AT1 and T2 built in the last 5 years



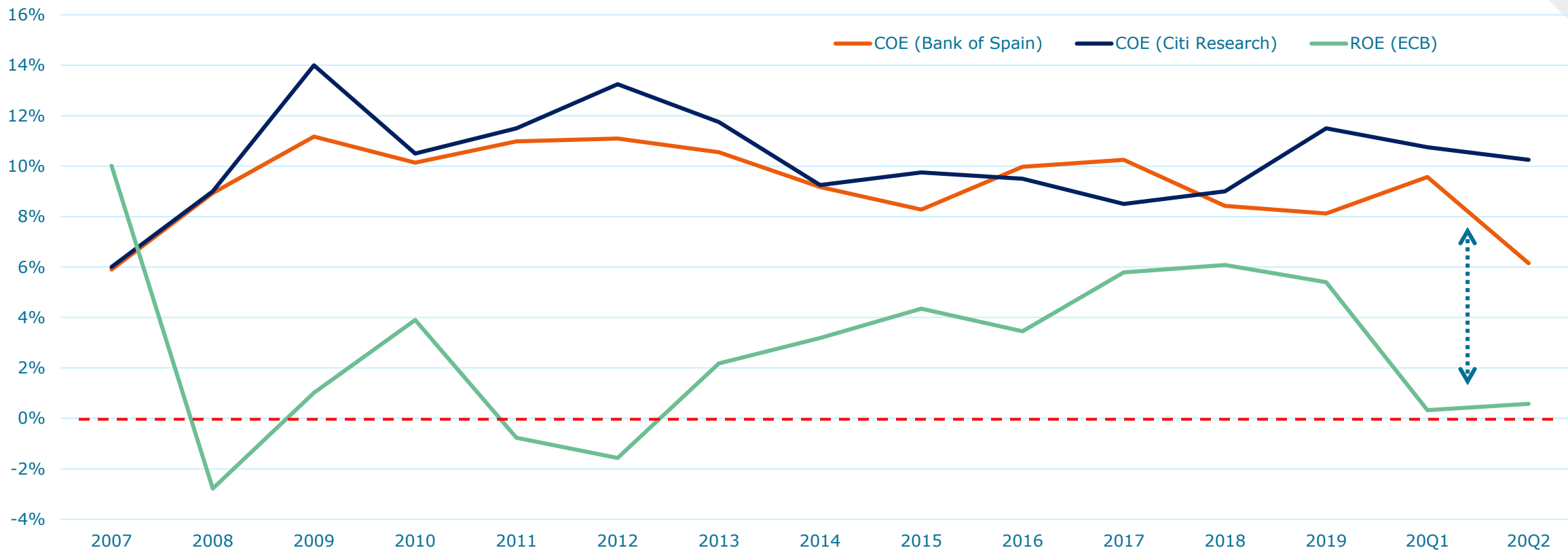
2) Extenuating circumstances shook convertible bonds market



3) Ample market liquidity attenuated volatility shock

Cost of funding

Reversal gap COE - ROE



Sources: ECB, Citi, BdE and EBF

Longstanding reversal with cost and return of equity

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Room for manoeuvre

◆ Experience

- ◆ Resilient EU banking system
- ◆ Firm and profound EU policy reaction
- ◆ Ample support to the economy

◆ Lessons learnt

- ◆ Regulatory framework sound but rigid
- ◆ Need to strike the right balance between banks' resilience and lending
- ◆ Greater room for manoeuvre may make the framework more flexible without compromising its soundness

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