

## Industry

23 July 2010 | 8 pages

# European Banks Stress Tests

Equity 

## Data Full – Not Stress Full

- **Results** – The results of the long-awaited CEBS stress test were published today. As expected, the European banking system is “sound”, with its 2011 expected Tier 1 ratio declining from 11.2% under the baseline scenario to 9.2% under the most severe scenario (this includes 1.2% of government-provided capital as of 1 July 2010).
- **Failing banks** – At the 6% Tier 1 minimum, seven out of 91 banks fail the test and will require immediate recapitalization of €3.5bn under the adverse scenario: Hypo Real Estate (€1,245m), Agricultural Bank of Greece (€243m), and five cajas (€2,043m).
- **"Near Misses"** - As well as the seven banks that "failed" the Stress test, another eight banks barely scraped passed the 6% Tier 1 ratio hurdle. This group of "near misses" includes two of our quoted banks - Piraeus Bank and Monte dei Paschi di Siena. A few notches higher but still in the bottom quartile of the sample are Deutsche Postbank and Bankinter.
- **Tiering** – Banks have provided detailed disclosure of their exposures to EU-27 sovereigns, on a country-by-country basis. We believe investors and analysts will welcome this thorough disclosure and will estimate capital needs on their own assumptions. We believe the funding, equity and debt markets will tier banks based on banks' perceived solvency position under a market-realistic stress scenario (ie, one which is harsher than the CEBS test and includes stressing the banking book).
- **Market Reaction** – The EURUSD weakened immediately preceding the stress test and strengthened following the release; it is now almost flat relative to yesterday's close. The ADRs of BBVA and SAN also strengthened into the release and are up on the day. The ADR of NBG strengthened into the release but is slightly down on the day. This early market reaction supports our view that, while the banks sector may not react excessively, there is likely to be tiering within the 91 names.
- **Methodology** – The methodology is as expected (see *European Stress Test: Not Much New News*, 8 July 2010) but more detail has been provided on the specific assumptions used for macro variables, loan losses, trading losses and sovereign haircuts. No surprises here.
- **Please refer to the main body of the note for assumptions and results.**

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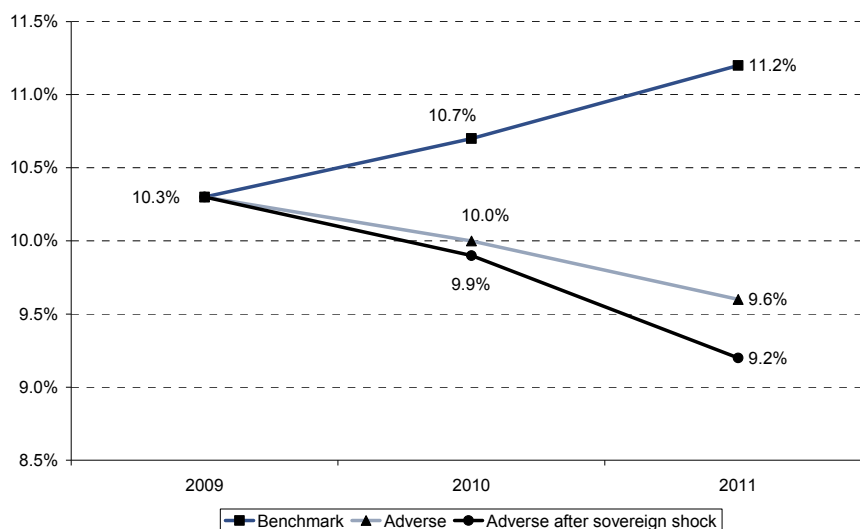
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# European Banks Stress Tests

Figure 1. Stress test – aggregate Tier 1 ratios under the three CEBS scenarios (%)



Source: CEBS

Figure 2. Stress test – macro assumptions

	Realised			2010 Exercise			
	2008	2009	2010 Q1	Benchmark	Adverse	2010	2011
<b>EU27</b>							
GDP (y-o-y)	0.7%	-4.2%	0.2%	1.0%	1.7%	0.0%	-0.4%
Unemployment (% of labour force)	7.0%	8.9%	9.6%	9.8%	9.7%	10.5%	11.0%
<b>Euro area</b>							
GDP (y-o-y)	0.6%	-4.1%	0.2%	0.7%	1.5%	-0.2%	-0.6%
Unemployment (% of labour force)	7.5%	9.4%	10.0%	10.7%	10.9%	10.8%	11.5%
<b>US</b>							
GDP (y-o-y)	0.4%	-2.4%	0.7%	2.2%	2.0%	1.5%	0.6%
Unemployment (% of labour force)	5.8%	9.3%	9.7%	10.0%	10.2%	10.2%	11.1%

Source: CEBS

Figure 3. Stress test – trading book haircut assumptions

Austria	5.6%	Latvia	11.8%
Belgium	6.9%	Lithuania	11.8%
Bulgaria	11.8%	Luxembourg	6.9%
Cyprus	6.7%	Malta	6.4%
Czech Republic	11.4%	Netherlands	5.2%
Denmark	5.2%	Poland	12.3%
Estonia	11.8%	Portugal	14.1%
Finland	6.1%	Romania	11.8%
France	6.0%	Slovakia	5.0%
Germany	4.7%	Slovenia	4.2%
Greece	23.1%	Spain	12.0%
Hungary	11.8%	Sweden	6.7%
Ireland	12.8%	United Kingdom	10.2%
Italy	7.4%		

Source: CEBS

Figure 4. Stress test results by bank – tiered by 2012 Tier 1 rating under adverse & sovereign shock scenario

Rank	Bank	Country	Tier 1 ratio (%) 2009	2011 Tier 1 ratio under:			Impact
				Benchmark scenario	Adverse scenario	Adverse scenario & sovereign shock	
1	BANCA MARCH, S.A.	Spain	19.7	20.8	19.5	19.0	-0.7
2	OTP BANK NYRT.	Hungary	13.8	18.0	16.8	16.2	2.4
3	PKO BANK POLSKI	Poland	13.3	16.5	15.7	15.4	2.1
4	BILBAO BIZKAIA KUTXA,AURREZKI KUTXA ETA BAHITETXEA	Spain	14.6	17.4	14.7	14.1	-0.5
5	BARCLAYS	UK	13.0	15.8	13.9	13.7	0.7
6	SYDBANK A/S	Denmark	13.1	14.8	13.4	13.2	0.1
7	JYSKE BANK A/S	Denmark	13.5	14.1	12.8	12.5	-1.0
8	RABOBANK GROUP	Netherlands	14.1	14.8	12.7	12.5	-1.6
9	OP-POHJOLA GROUP	Finland	12.6	13.4	12.5	12.3	-0.3
10	BANQUE ET CAISSE D'EPARGNE DE L'ETAT	Luxembourg	11.4	14.2	11.5	11.3	-0.1
11	LANDESBANK BERLIN AG	Germany	13.3	12.8	11.3	11.2	-2.1
12	ROYAL BANK OF SCOTLAND (RBS)	UK	14.4	14.1	11.7	11.2	-3.2
13	DEXIA	Belgium	12.3	13.4	11.2	10.9	-1.4
14	FHB JELZÁLOGBANK NYILVÁNOSAN MŰKÖDŐ RT	Hungary	8.6	14.1	10.8	10.6	2.0
15	GIPUZKOA (caja)	Spain	13.0	12.6	11.1	10.6	-2.4
16	SNS BANK	Netherlands	10.7	12.0	10.8	10.5	-0.2
17	SKANDINAVISKA ENSKILDA BANKEN AB (SEB)	Sweden	12.4	11.8	10.7	10.3	-2.1
18	BANCO BPI	Portugal	8.5	11.6	10.3	10.2	1.7
19	HSBC HOLDINGS PLC	UK	10.8	11.7	10.4	10.2	-0.6
20	TT HELLENIC POSTBANK S.A.	Greece	17.1	17.0	15.0	10.1	-7.0
21	NORDEA BANK	Sweden	10.2	11.3	10.2	10.1	-0.1
22	DANSKE BANK	Denmark	11.7	11.7	10.8	10.0	-1.7
23	SOCIETE GENERALE	France	10.7	11.9	10.2	10.0	-0.7
24	BANCO SANTANDER S.A.	Spain	10.0	11.0	10.2	10.0	0.0
25	ABN/ FORTIS BANK NEDERLAND (HOLDING) N.V	Netherlands	13.0	12.0	10.3	9.9	-3.1
26	SWEDBANK	Sweden	10.4	10.7	10.5	9.9	-0.5
27	DEUTSCHE BANK AG	Germany	12.6	13.2	10.3	9.7	-2.9
28	HSH NORDBANK AG	Germany	10.5	14.9	9.9	9.7	-0.8
29	BNP PARIBAS	France	10.1	11.4	9.7	9.6	-0.5
30	KBC BANK NV	Belgium	10.9	12.2	9.8	9.4	-1.5
31	BANK OF VALLETTA (BOV)	Malta	10.5	11.5	11.0	9.3	-1.2
32	BANCO BILBAO VIZCAYA ARGENTARIA S.A. (BBVA)	Spain	9.4	10.6	9.6	9.3	-0.1
33	LLOYDS BANKING GROUP	UK	9.6	10.8	9.4	9.2	-0.4
34	COMMERZBANK AG	Germany	10.5	10.5	9.3	9.1	-1.4
35	WGZ BANK AG WESTDT. GENO. ZENTRALBK	Germany	9.7	10.8	9.5	9.1	-0.6
36	CREDIT AGRICOLE	France	9.7	10.6	9.2	9.0	-0.7
37	ANTEQUERA Y JAEN (UNICAJA)	Spain	11.8	11.8	9.6	9.0	-2.8
38	SVENSKA HANDELSBANKEN	Sweden	9.1	10.2	9.1	8.9	-0.2
39	BAYERISCHE LANDESBANK	Germany	10.9	11.9	9.1	8.8	-2.1
40	ING Bank	Netherlands	10.2	11.2	9.1	8.8	-1.4
41	DZ BANK AG DT. ZENTRAL-GENOSSENSCHAFTSBANK	Germany	9.9	10.4	9.2	8.7	-1.2
42	BPCE	France	9.1	10.2	8.7	8.5	-0.6
43	DEKABANK DEUTSCHE GIROZENTRALE	Germany	9.8	11.1	9.5	8.4	-1.4
44	BANCO COMERCIAL PORTUGUÊS BANCO COMERCIAL PORTUGUÊS S.A. (BCP OR MILLENNIUM BCP)	Portugal	9.3	9.4	8.4	8.4	-0.9
45	ALPHA BANK	Greece	11.6	12.3	10.9	8.2	-3.4
46	INTESA SANPAOLO	Italy	8.3	9.8	8.8	8.2	-0.1
47	BANQUE RAIFFEISEN	Luxembourg	8.5	9.8	8.4	8.2	-0.3
48	CAIXA GERAL DE DEPÓSITOS	Portugal	8.4	9.1	8.4	8.2	-0.2
49	EFG EUROBANK ERGASIAS S.A.	Greece	11.2	11.7	10.2	8.2	-3.0
50	LANDESBANK BADEN-WÜRTTEMBERG	Germany	9.8	9.8	8.4	8.1	-1.7
51	ERSTE GROUP BANK AG	Austria	9.2	10.4	8.1	8.0	-1.2
52	BANK OF CYPRUS PUBLIC CO LTD	Cyprus	10.5	10.9	9.4	8.0	-2.5
53	RAIFFEISEN ZENTRALBANK OESTERRREICH AG (RZB)	Austria	9.3	10.6	7.9	7.8	-1.5
54	UNICREDIT	Italy	8.6	10.0	8.1	7.8	-0.8
55	CAM (CAJA DE AHORROS DEL MEDITERRÁNEO (CAM); CAJA DE AHORROS DE ASTURIAS; CAJA DE AHORROS DE SANTANDER Y CANTABRIA; CAJA DE	Spain	9.3	10.5	8.4	7.8	-1.5

## European Banks Stress Tests

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	AHORROS Y MONTE DE PIEDAD DE EXTREMADURA.)						
56	CAIXA (CAJA DE AHORROS Y PENSIONES DE BARCELONA (LA CAIXA); CAIXA DESTALVIS DE GIRONA.)	Spain	10.3	10.6	8.5	7.7	-2.6
57	NATIONAL BANK OF GREECE	Greece	11.3	11.7	9.6	7.4	-3.9
58	LANDESBANK HESSEN-THÜRINGEN GZ	Germany	8.8	8.9	7.9	7.3	-1.5
59	BANCO DE SABADELL, S.A.	Spain	9.0	9.6	7.7	7.2	-1.8
60	BREOGAN (CAJA DE AHORROS DE GALICIA; CAIXA DE AFORROS DE VIGO, OURENSE E PONTEVEDRA (CAIXANOVA).)	Spain	8.6	10.1	7.8	7.2	-1.4
61	MARFIN POPULAR BANK PUBLIC CO LTD	Cyprus	9.4	10.0	8.5	7.1	-2.3
62	WESTLB AG	Germany	14.4	12.4	8.9	7.1	-7.3
63	BANK OF IRELAND	Ireland	9.2	9.0	7.5	7.1	-2.1
64	BANCO POPOLARE - S.C.	Italy	7.7	7.8	7.4	7.0	-0.7
65	BANCO POPULAR ESPAÑOL, S.A.	Spain	9.1	9.2	7.5	7.0	-2.1
66	MARE NOSTRUM (CAJA DE AHORROS DE MURCIA; CAIXA DESTALVIS DEL PENEDES; CAJA DE AHORROS Y MONTE DE PIEDAD DE LAS BALEARES (SA NOSTRA); CAJA GENERAL DE AHORROS DE GRANADA.)	Spain	9.0	9.7	7.6	7.0	-2.0
67	CAJA DE AHORROS DE VITORIA Y ALAVA	Spain	11.3	9.5	7.5	7.0	-4.3
68	ESPÍRITO SANTO FINANCIAR GROUP S.A. (ESFG)	Portugal	7.7	9.2	7.4	6.9	-0.8
69	UNIONE DI BANCHE ITALIANE SCPA (UBI BANCA)	Italy	8.0	7.6	7.1	6.8	-1.2
70	BANKINTER, S.A.	Spain	7.5	8.4	7.6	6.8	-0.7
71	CAJA DE AHORROS Y M.P. DE ZARAGOZA, ARAGON Y RIOJA	Spain	9.4	9.1	7.3	6.7	-2.7
72	DEUTSCHE POSTBANK AG	Germany	7.1	7.9	6.7	6.6	-0.5
73	CAJA DE AHORROS Y M.P. DE ONTINYENT	Spain	8.9	8.4	6.6	6.6	-2.3
74	ALLIED IRISH BANKS PLC	Ireland	7.0	9.5	7.2	6.5	-0.5
75	NOVA LJUBLJANSKA BANKA (NLB)	Slovenia	7.5	7.0	7.4	6.3	-1.2
76	JUPITER (CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID (CAJA MADRID); CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA); CAIXA DESTALVIS LAIETANA; CAJA INSULAR DE AHORROS DE CANARIAS; CAJA DE AHORROS Y MONTE DE PIEDAD DE AVILA; CAJA DE AHORROS Y MONTE DE PIEDAD DE SEGOVIA; CAJA DE AHORROS DE LA RIOJA.)	Spain	8.6	8.8	6.8	6.3	-2.3
77	NORDDEUTSCHE LANDESBANK -GZ-	Germany	7.5	8.0	6.4	6.2	-1.3
78	MONTE DEI PASCHI DI SIENA	Italy	7.5	7.6	6.8	6.2	-1.3
79	COLONYA - CAIXA D'ESTALVIS DE POLLENSA	Spain	9.9	9.1	6.6	6.2	-3.7
80	CAI (CAJA DE AHORROS Y MONTE DE PIEDAD DEL CÍRCULO CATÓLICO DE OBREOS DE BURGOS (CAJA CÍRCULO); MONTE DE PIEDAD Y CAJA GENERAL DE AHORROS DE BADAJOZ; CAJA DE AHORROS DE LA INMACULADA DE ARAGÓN.)	Spain	9.4	8.8	6.6	6.1	-3.3
81	BANCO GUIPUZCOANO, S.A.	Spain	9.1	8.1	6.6	6.1	-3.0
82	PIRAEUS BANK GROUP	Greece	9.1	10.9	8.3	6.0	-3.1
83	BANCO PASTOR, S.A.	Spain	10.5	8.7	6.8	6.0	-4.5
84	CAJA SOL (MONTE DE PIEDAD Y CAJA DE AHORROS SAN FERNANDO DE HUELVA, JEREZ Y SEVILLA (CAJA SOL); CAJA DE AHORRO PROVINCIAL DE GUADALAJARA.)	Spain	10.3	8.7	6.6	6.0	-4.3
85	ESPIGA (CAJA DE AHORROS DE SALAMANCA Y SORIA (CAJA DUERO); CAJA DE ESPAÑA DE INVERSIONES CAJA DE AHORROS Y MONTE DE PIEDAD (CAJA ESPAÑA).)	Spain	8.6	8.2	6.1	5.6	-3.0
86	HYPO REAL ESTATE HOLDING AG	Germany	9.4	7.8	5.3	4.7	-4.7
87	BANCA CIVICA, S.A.	Spain	9.6	7.6	5.2	4.7	-4.9
88	UNNIM CAIXA DESTALVIS DE SABADELL; CAIXA DESTALVIS DE TERRASSA; CAIXA DESTALVIS COMARCAL DE MANLLEU.)	Spain	7.2	6.6	5.1	4.5	-2.7
89	AGRICULTURAL BANK OF GREECE S.A. (ATEbank)	Greece	8.4	10.7	8.9	4.4	-4.0
90	CAJA DE AHORROS Y M.P. DE CORDOBA	Spain	1.8	6.6	4.9	4.3	2.5
91	DIADA (CAIXA DESTALVIS DE CATALUNYA; CAIXA DESTALVIS DE TARRAGONA; CAIXA DESTALVIS DE MANRESA.)	Spain	6.6	6.4	4.5	3.9	-2.7

Source: CEBS

## Appendix A-1

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## European Banks Stress Tests

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