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EBA publishes outcome of 2013 EU-wide transparency exercise

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The European Banking Authority (EBA) disclosed today updated information on 64 European banks from 21 countries of the European Economic Area (EEA). The data covers the first half of 2013 and is based on 730,000 data points including capital, Risk Weighted Assets (RWAs) and sovereign exposures. Through this disclosure exercise, the EBA aims to promote greater understanding of capital positions and exposures of EU banks, thus contributing to market discipline and financial stability in the EU.



Related links:

[EU-wide Transparency exercise](#)

Main outcomes

The data released by the EBA showed a continued positive trend in EU banks' capital position: Core Tier 1 (CT1) increased by more than EUR 80 bn between December 2011 and June 2013; combined with a reduction of EUR 817 bn in RWAs, this led to an improvement of the CT1 ratio by 170 bp, from 10% to 11.7%.

Total net sovereign exposures towards EEA countries declined by about 9% during 2011, but increased afterwards by 9.3%. Half of the sovereign exposures are held in the available for sale portfolios. The share of bonds issued by sovereigns under stress held by domestic banks has increased markedly between December 2010 and June 2013.

Exposures at default showed a modest reduction (-3% between December 2012 and June 2013). EU banks are mainly exposed towards corporates (32%), retail (31%) and sovereigns (19%). The distribution of exposures across asset classes is stable over time. The ratio of total defaulted assets to total exposure is 3.8%; corporate and retail portfolios display the highest ratios - 6.9% and 4.2% respectively.

The importance of disclosure

Commenting on the results, Andrea Enria, Chairperson of the EBA, said: "This data confirms the progress made on the recapitalisation of EU banks" and added: "The EBA continues its efforts to enhance transparency in EU banking. Developing common definitions and regular disclosure are fundamental to support effective market discipline".

Enria explained that: "Reliable and comparable information on EU banks fosters the trust of investors, as well as the proper functioning of the market. It puts all market participants in a better position to understand the situation of EU banks".

Scope of the exercise

The EBA disclosure exercise provided a detailed update on composition of capital, Risk Weighted Assets (RWAs) by risk type, sovereign exposures (both direct and indirect), broken down by maturity and country, credit risk exposures (both defaulted and non-defaulted) and RWAs broken down by asset class and country of the counterparty; and also Loan to Value (LTV) per portfolio, value adjustments and provisions, market risk and securitisation exposures.

The data has all been made available on-line in an editable and user friendly readable format for ease of analysis and is accompanied by visual tools.

Background

This transparency exercise is part of the EBA's efforts to foster transparency and market discipline and is a complement to banks' own ongoing efforts to improve disclosures under to the Basel Pillar 3 requirements, as set out in the EU Capital Requirements Directive (CRD)[1]. This EU-wide transparency exercise is in line with previous disclosure actions and provides consistent information on capital positions and banks exposures.

[1] <http://www.eba.europa.eu/-/eba-publishes-follow-up-review-of-banks-transparency-in-their-2012-reports>

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