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ECONOMIC GOVERNANCE AND EMU SCRUTINY UNIT



BANKING UNION

Public hearing with Andrea Enria, Chair of the ECB Supervisory Board

ECON on 28 June 2023

This note has been prepared for a regular public hearing with the Chair of the Supervisory Board of the European Central Bank (ECB), Andrea Enria, which will take place on 28 June 2023.

The briefing addresses:

- (i) the ECB's recent Financial Stability Review,*
- (ii) the results of four asset quality reviews,*
- (iii) the ECB's progress report on the disclosure of climate and environmental risks,*
- (iv) three critical reviews of the SSM's work*
- (vii) the ECB's views on the proposed changes to the Crisis Management Framework, and*
- (viii) an update on activities of significant banks in Russia.*

Financial Stability Review: Stress resilience, rising funding cost, remaining structural problems

The ECB published its latest [Financial Stability Review](#) in May 2023. As regards the euro area banking sector, the Review sets out that the **developments in the US and Swiss banking sectors** – namely the failures of three medium-sized banks in the US, Silicon Valley Bank, Signature Bank and later First Republic, as well as the sudden takeover of Credit Suisse in Switzerland – initially triggered concerns over the health of the sector. There were in particular concerns over banks' exposure to assets with low yields, the cost and stability of deposit funding, the viability of some business models, and banks' risk management practices.

There was only a **limited impact** of those developments on the euro area, given that the causes for the stress in the US and Swiss banking sector were later considered to be rather specific for those markets and the failed banks. Euro area bank shares now trade at approximately the same level they traded a year ago, while US bank shares in comparison still trade significantly lower. Yet, the **funding costs** of banks in the euro area - specifically those linked to the issuance of senior bonds and AT1 instruments - **have since considerably risen** and remain at elevated levels (see **Figure 1**); the increase was in particular affected by



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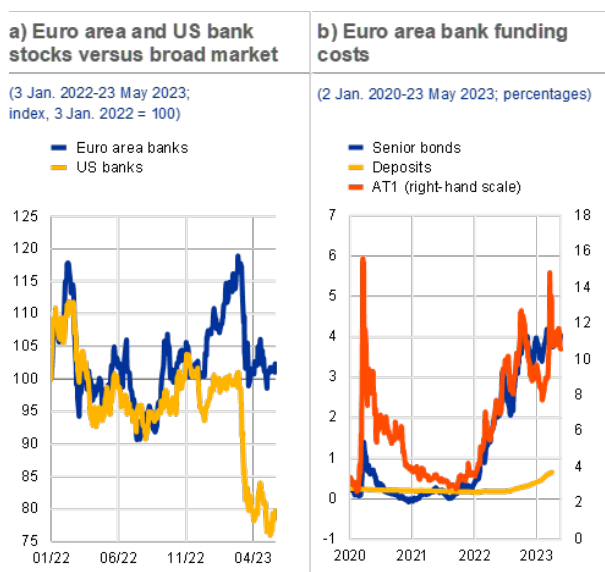
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the decision of the Swiss authorities to write down Credit Suisse Group's AT1 instruments before its equity capital had been used up.

Figure 1: Tensions in euro area bank equity and bond markets



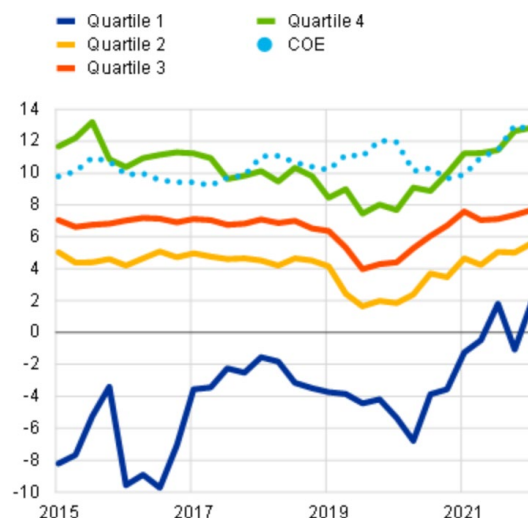
Source: [ECB Financial Stability Review](#), May 2023, chart 7

As regards the **average profitability** of banks in the euro area, the ECB's Financial Stability Review (FSR) sets out that most banks have so far benefited from rising interest margins. At the same time, uncertainties around the profitability outlook have increased, not least as **banks must cope with higher provisioning costs** related to increasing credit risk in loan portfolios that are sensitive to cyclical downturns (for example exposures to commercial real estate, SMEs and consumer loans). A particularly **noteworthy observation** by the ECB is that better-capitalised banks provision significantly more than their peers, which raises the question whether the provisions of thinly-capitalised banks are actually sufficient.

The FSR explicitly **cautions against focusing on average profitability**, stating that *"The strong profitability of euro area banks on aggregate masks substantial heterogeneity across individual banks, with the differences still driven by structural issues"*.

Looking at the **long-term performance** of banks over several years, the Review notes that a cohort of institutions found it hard to reach sustainable profitability levels (see in **Figure 2** "Quartile 1", which groups¹ low performers). It finds that the issue of weakly performing "legacy assets" has been largely addressed under the watch of the ECB, while **cost inefficiencies** that result in **pockets of weak profitability remain a structural problem** that still needs to be addressed.

Figure 2: Profitability of euro area banks (RoE in %)



Source: [ECB Financial Stability Review](#), chart 3.7a

¹ A deeper analysis would require to know the exact composition of the cohort or the group of banks representing the lower quartile, which may have changed over time.

The ECB's new approach to the "health-check" of significant banks

Since its inception as bank supervisor in the euro area in 2014, the ECB regularly carried out an **"initial health check"** for all banks that had been classified (or were likely to be classified) as significant and would hence be directly supervised by the ECB. That initial health check is called Comprehensive Assessment, and it is **composed of two parts**, the first part being an asset quality review that focuses on a bank's status quo, checking its credit risk, market risk and governance processes, and the second part being a forward-looking stress test exercise, checking a bank's ability to cope with certain adverse macroeconomic developments.

The stated **key objectives** of the Comprehensive Assessment are to:

- **Strengthen banks' balance sheets** by repairing the problems identified through the necessary remedial actions,
- **Enhance transparency** by improving the quality of information available on the condition of the banks,
- **and build confidence** by assuring all stakeholders that, on completion of the identified remedial actions, banks will be soundly capitalised.

From 2014 until 2022, the Comprehensive Assessment's **two parts used to be carried out in lockstep**, the results were combined and published at the same time. That approach was used for 166 banks in total, 130 thereof were already included in the very first exercise in 2014 (see aggregate report [here](#)). At the time, the ECB's first Comprehensive Assessment identified a capital shortfall of approximately EUR 25 billion across 25 participating banks, the majority thereof linked to stress test projections (approximately 60%), only the smaller part (approximately 40%) linked to adjustments stemming from the asset quality review.

In 2022, in any case, the ECB decided to **now split the Comprehensive Assessment** and to henceforth conduct the two parts **as independent exercises**, and to publish the results independently.

On 31 March 2023, the ECB published the [results](#) of the asset quality reviews of **Crelan, Citadele banka, Goldman Sachs and Morgan Stanley**, which, however, only form one part of the fully-fledged Comprehensive Assessment, as explained above.

The ECB writes that **no capital shortfalls were identified** (see **Table 1**), as the banks' Common Equity Tier (CET1) ratios do not fall below the 8% threshold retained from previous exercises. The asset quality reviews for Crelan, a Belgian bank, and Citadele banka, a Latvian bank, focused on credit risk, while those for Goldman Sachs Bank Europe and Morgan Stanley Europe Holding, both headquartered in Frankfurt, Germany, focused on market risk. All four banks saw minor adjustments (in case of Crelan and Citadele banka related to a review of the collective provisioning for loans to SMEs, in case of Goldman Sachs and Morgan Stanley related to a review of fair value exposures), and all four banks consented to the disclosure of the results, enabling the ECB to publish the disclosure templates at entity level (given that enhancing transparency is one of the stated key objectives of the Comprehensive Assessment, one may find it surprising that the **ECB needs the banks' consent to the disclosure of the results**;² in [2016](#), a bank in Latvia ("Rietumu Banka") did not consent to the disclosure). The ECB in any case expects those banks now assessed to follow up on the outcome of their asset quality review.

² In 2018, the Commission had proposed that the disclosure of Union-wide stress test results becomes the rule; however, this was rejected by the legislator.

Table 1: Evolution of CET1 ratios and resulting capital needs

Bank name	Initial CET1 ratio*	CET1 ratio post-AQR*	CET1 shortfall
	(%)	(%)	(EUR millions)
Crelan SA/NV	15.87%	15.67%	0
AS Citadele banka	16.31%	16.03%	0
Goldman Sachs Bank Europe SE	22.56%	22.05%	0
Morgan Stanley Europe Holding SE	16.08%	15.65%	0

Source: [ECB press release 31 March 2023](#); * as at 31 December 2021

In this context, one may also note that the ECB **sanctioned Goldman Sachs Bank Europe for misreporting capital needs**, imposing an **administrative penalty** of EUR 6.6 million (see [press release](#) dated 15 May 2023). The press release states that “In 2019, 2020 and 2021, for eight consecutive quarters, the **bank reported lower risk-weighted assets** for credit risk than it should have done. This occurred because the bank **misclassified corporate exposures** and applied a lower risk-weight to them than what banking rules prescribe. Deficiencies in internal controls prevented the bank from detecting this mistake in a timely manner. The bank reported wrongly calculated figures to the ECB, therefore preventing the ECB from having a comprehensive view of its risk profile.” (emphasis added)

The **ECB classified the observed breach as “severe”**; Goldman Sachs Bank Europe may still challenge the ECB’s decision before the Court of Justice.

Progress report: Disclosure of climate and environmental risks

In April, the ECB published its [third assessment](#) of the progress that European banks³ have made in disclosing climate and environmental risks. The report overall indicates an increasing volume of (basic) information, while the **quality of information remains low** and can often only be considered insufficient. The fact that the information often does not meet upcoming supervisory standards may be surprising, given that European banks soon have to comply with tighter EU rules on disclosures of climate and environmental risks (i.e. EBA’s [implementing technical standard](#) on Pillar 3 disclosures, first disclosures under those new rules will have to be made by end of June 2023). The ECB therefore explicitly finds that “As a result, **banks appear largely unprepared for the impending EBA standards on Pillar 3 disclosures**” (emphasis added).

The ECB’s report contains many examples that illustrate shortcomings. Some of the shortfalls might not come unexpectedly, given that meaningful and substantiated analyses of risks like “social risks”⁴, for example, are – without further concrete and detailed guidance – surely complex.

However, other **quantitative disclosure requirements** are in comparison **straightforward** and rather easy to comply with, in particular the sectoral split of the portfolios held (classified by the principal activity of the counterparty, using the well-established Nomenclature of Economic Activities (NACE) standard sector

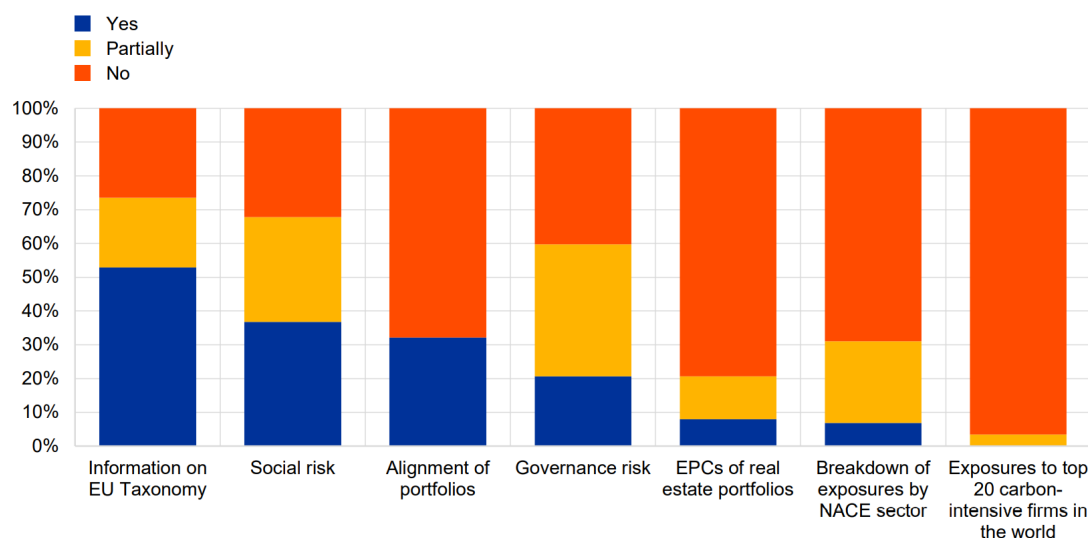
³ As regards the scope of the report, the ECB assessed 103 Significant Institutions (i.e. those under the ECB’s direct supervision) at the highest level of consolidation as per November 2022 (the full [list](#) of supervised entities comprises 110 entities as of 1 March 2023). In addition, national competent authorities assessed a comparatively small sample of 28 Less Significant Institutions from four Member States.

⁴ EBA’s implementing technical standards define ‘Social risk’ as “the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on the institution’s counterparties or invested assets”. The ECB found in its progress report that 68% of the relevant banks already disclose at least partial information on social risk, mainly focusing on the banks’ own activities, though, and lacking detail on the social risk associated with banks’ counterparties. The information was regularly found to be of high-level and selective nature.

codes), and the bank's exposures to top 20 carbon-intensive firms in the world. Yet, the ECB found that exactly those disclosure requirements that ask for substantiated quantitative information were **least often complied with** (see **Figure 3**).

Figure 3: Existence of information in the disclosures for selected categories

(Percentages of institutions)



Source: ECB report "Results of the 2022 supervisory assessment of institutions' climate-related and environmental risks disclosures".

In the wider context, one may also note that the European Banking Authority (EBA) published its first progress [report on greenwashing](#) at the end of May. That report stresses that communications can be misleading due to the **omission of information** relevant to consumers, investors or other markets participants' decisions (including but not limited to partial, selective, unclear, unintelligible, vague, oversimplistic, ambiguous or untimely information, and unsubstantiated statements).

Three critical reviews of the SSM's work

ECA special report on credit supervision

On 18 April 2023, the European Court of Auditors (ECA) adopted a [special report](#) on the SSM's **supervision of credit risk**. The audit was started in July 2021 and led by the questions:

- Was the ECB's approach to supervising credit risk efficient in ensuring a sound coverage and management of such risk by banks?
- Was the ECB efficient in addressing prudential concerns in relation to legacy NPLs (i.e. those dating before 2018)?

The ECA concludes **that there have been improvements in the area since the SSM started**. However, it considers the **SSM still needs to do more to be sufficiently sure that banks adequately manage and cover credit risk**. The ECB has [replied](#) to the ECA's findings.

- the ECA found that the **new methodology for additional capital requirements does not ensure that individual risks are adequately covered** and that the methodology was not applied consistently;
 - ➔ the ECB, by contrast, argues that its methodology covers all material risks and is consistently applied, but points out that additional capital requirements may not always be justified, in particular where other more effective supervisory measures

- the ECA criticises that in some cases, **supervisory measures have not been escalated** despite “high and sustained credit risk and persistent control weaknesses”. On this point, there is no reaction from the ECB.
- The ECA **criticises the overall length of the Supervisory Review and Evaluation Process** of 13 months, meaning that banks received final decisions for the 2021 cycle only in February 2022.
 - ➔ The ECB acknowledges that the process takes long and considers shortening it. The ECB however insists that when the decisions are issued, they reflect on events occurring after the cut-off date.
- The ECA found that supervision suffered from **national competent authorities providing fewer resources** than they had committed. The ECB does not comment on this point.
- The ECA notes that the ECB **did not systematically use specific powers to address legacy non-performing loans**. The ECA also finds that the ECB gave banks with more non-performing loans additional time for reductions.
 - ➔ The ECB responds that its approach has induced more active management of non-performing loans and argues any differences in treatment across banks were justified by the different situations of individual banks.

The ECA makes the following **recommendations** to the ECB:

- The ECB should put in place **guidance** and **benchmarking** for supervisors and a **quality assurance** aiming at completeness of risk assessments.
 - ➔ The ECB accepts that recommendation. It points in this context to ongoing efforts to strengthen methodologies and an independent “supervisory risk function” that had been put in place while the audit was ongoing.
- The ECB should ensure **staffing levels based on needs** and urge national competent authorities to meet staffing commitments.
 - ➔ The ECB rejects the idea that staffing for supervision should be planned independently of its wider commitment to limit headcount growth, which applies to the ECB as a whole. It accepts however that it should consider “escalation mechanisms” when national resources are not forthcoming, while emphasising the lack of formal powers over national authorities.
- The ECB should shorten the dialogue and approval phases of its supervisory review process and **issue final decisions within 10 months** of the reference date.
 - ➔ The ECB accepts that recommendation without further comment.
- The ECB should **ensure better coverage of risks**, quantifying risks individually and imposing and motivating additional capital requirements for individual risks.
 - ➔ The ECB partially accepts this: on the one hand, it finds a precise quantification of each risk neither necessary nor “best practice”, but, on the other hand, it points to “constant improvements” and a forthcoming more structural review of the methodology for additional capital requirements without specifying which direction this might take. In particular, the ECB accepts that it should impose adequate additional capital requirements but it does not elaborate which specific shortcomings in this regard it recognises and how they would be addressed.
- The ECB should **use the full range of its supervisory powers** where required.
 - ➔ The ECB accepts that recommendation but it emphasises that it “already uses a wide range of measures” while acknowledging its approach could be enhanced in not further specified ways.

- The ECB should **publish its methodology for additional capital requirements**.

➔ The ECB accepts that recommendation without further comment.

Follow-up to the 2016 ECA special report

In 2016, the ECA published a first [special report on the SSM](#), which concluded that the **SSM had had a good start but needed further improvements**. The 2023 special report contains an [annex](#) detailing the SSM's implementation - or absence thereof - of the **ECA's recommendations from 2016**.

At the time, there was a **total of 15 recommendations or sub-recommendations**. Of these, **only 4 have been fully implemented**, the implementation of 7 is considered delayed and pending and the remainder has been either immediately rejected by the ECB or the ECB chose later on not to implement it.

Implemented in time:

- **Delegation of certain decisions** to lower levels; further guidance in form of checklists, templates and flowcharts for each decision.
- Assessment of the **risks of shared services**, implement necessary safeguards and compliance monitoring and ensure that the needs of the supervisory functions are reflected in full
- Implementing a **training curriculum** for banking supervision. Ensuring mandatory participation is commensurate with business needs and consideration of a certification programme.
- Follow-up on **weaknesses in the IT system** for on-site inspections. Pursue efforts to increase the skills and qualifications of on-site inspectors.

Delayed:

- Assignment of **sufficient resources for the internal audit capability** to allow coverage of high- and medium-risk areas - the court appears satisfied regarding high, but less so regarding medium-risk areas.
- **Cooperation with the Court of Auditors** - the court seems satisfied with the information it obtains for recent audits since a memorandum of understanding has been concluded, but there appears to be a gap regarding one earlier audit.
- Formal arrangements to **measure and publicly disclose information on supervisory performance** and use of surveys - the court concludes that an overall picture is available, but more focus is needed on performance evaluation. Work is still underway on less significant institutions and an industry survey has not been undertaken.
- Development of role and team profiles and **methods for assessing the suitability of staff** supplied by NCAs and their subsequent performance - the court seems to see remaining shortcomings for management level staff and a lack of formal evaluations of staff from national competent authorities.
- Risk-based **methodology to determine resources are commensurate** with size, complexity and risk profile of the supervised institution - the court appears chiefly concerned that resource allocations seem to be determined taking into account wider needs of the ECB rather than independently based on the needs of supervision, and about the availability of resources from national authorities.
- Review and update of the **clustering model** - these seem to be now implemented despite a slight delay relative to target.
- Substantially **strengthening ECB presence in on-site inspections**. Increase of on-site inspections led by a non-home or non-host supervisor national competent authority - the court reports that more inspections are led by ECB staff now, but, on the whole, the share of ECB personnel participating has

decreased rather than increased. National competent authorities supplying resources is an issue, as mentioned elsewhere.

Rejected:

- Separate reporting lines for the **budgeting of specific supervisory resources** - the ECB rejected this from the beginning.
- Stronger **involvement of the supervisory board in the budgetary and related decision-making process** - the ECB rejected this from the beginning.
- Amending the SSM framework regulation to **formalise commitments of national competent authorities to contribute to the SSM's work** - no such amendment was taken forward and the ECB prefers cooperation "in good faith" with national competent authorities.
- Establish and maintain a centralised, standardised and comprehensive **database of skills and experience of (potential staff)** for joint supervisory teams - this was not pursued since national competent authorities rejected the idea. There is however a platform where staff can voluntarily post information with apparently limited take-up.

External experts' assessment of the Supervisory Review and Evaluation Process

The ECB has subjected its Supervisory Review and Evaluation Process to a **review by a panel of external experts**. The [report](#) was published on 17 April 2023. The ECB [welcomed](#) the recommendations and expects them to be one **input into the review** of the process that it plans to undertake next year.

Against the background of an **overall positive assessment**, the panel recommends to the ECB:

1. **Enhancing risk-based supervision:** the experts note useful initiatives towards making supervision more risk-based, but find they need to be further developed, integrated into day-to-day supervision and supported by a "well defined supervisory culture".
2. The Supervisory Review and Evaluation Process should better **integrate other supervisory assessments**, avoiding some inefficiencies and allowing to intensify supervision.
3. The Supervisory Review and Evaluation Process could be **streamlined and accelerated**.
4. The ECB's supervisory approach appears too focussed on capital requirements and should be refocussed on **qualitative measures to reduce and control risks**. To ensure alignment with supervisory priorities, an annual stock-take of all outstanding supervisory measures may help.
5. The ECB's current process for the determination of additional capital requirements is conceptually weak when it tries to combine an overall risk assessment with some elements of a risk-by-risk approach derived from banks' internal assessments. The experts **encourage considering a purely holistic approach** (notably different from the European Court of Auditors, see above, which we understand recommends the tractability of risk-by-risk assessments).

ECB views on the Crisis Management Framework (CMDI)

The Commission [proposed changes to the framework for bank crisis management and deposit insurance \("CMDI"\)](#) on 18 April 2023. While the proposals concern resolution authorities and deposit guarantee schemes much more than the SSM, there are nevertheless certain areas relevant to the work of the SSM. Nevertheless, the ECB submitted a [comprehensive contribution](#) to the Commission's consultation

on CMDI reform back in 2021. The ECB has so far not reacted in any detail⁵ to the proposal, so this hearing might be an **occasion to seek some initial assessment**.

As a preliminary remark: the ECB has consistently advocated that a reform of the CMDI framework should occur in parallel with the introduction of a European Deposit Insurance System. Political agreement on the latter the Commission [now calls](#) “elusive”. See our [briefing](#) on how we got to this point. At the same time, we understand that the ECB [would also support](#) certain “pragmatic steps” in the CMDI framework in isolation - namely **broadening the resolution framework** by revising the public interest assessment and **more flexible access to the Single Resolution Fund** with help from national deposit guarantee schemes. These are indeed aims of the Commission proposal and the ECB may be able to comment to what extent it thinks its desires can be attained by the proposals. The ECB has also been advocating **trying to harmonise national insolvency regimes** for banks, but the Commission has not pursued that idea, apart from proposing a uniform insolvency ranking of deposits, which chiefly serves to facilitate funding for resolution from deposit guarantee schemes.

The **Commission [proposal](#)**’s central elements are:

- Tightening of the criteria for **public support to banks outside resolution**;
- A **new phase of involvement of the resolution authority with a bank** that precedes resolution. It is triggered when the supervisor sees a “*material risk*” of the bank becoming failing or likely to fail. Please see the last section of this [briefing](#) for additional detail and some initial thoughts on possible implications;
- Modifications of the public interest assessment that are intended to **ensure resolution is chosen more often**. We consider these modifications in more detail [here](#);
- A modification of the insolvency ranking of deposits. Basically, **all deposits are supposed to enjoy a privileged ranking, which does not distinguish anymore between deposits covered by the deposit guarantee schemes directive and those that are not**. While this measure leaves the coverage by the deposit guarantee untouched, it aligns the incentives of the deposit guarantee scheme with those of uncovered depositors. By consequence, the Commission hopes that the **deposit guarantee scheme will be more likely to fund resolution** measures which then eventually eventually may (1) **avoid losses for uninsured depositors** and (2) facilitate the resolution of banks that are predominately deposit-funded;
- Some **extensions of deposit guarantee coverage in the margins**, while leaving the general limit of 100.000 Euro in place.

In addition, there are a number of other changes in the proposal that **directly concern the work of the SSM** as supervisory authority:

- A new set of Articles 13 to 13c mirrors the BRRD provisions on early intervention in order to provide the ECB with a **directly applicable legal basis for the exercise of early intervention powers**. At the same time, the proposal seeks to enhance legal certainty and flexibility for the ECB, among other things by removing the sequencing of early intervention measures and removal of managers; instead, it requires the ECB to make a proportionate choice from a range of early intervention measures once early intervention is triggered.
- Article 13c **requires the ECB to notify the SRB** when a bank should be or is subject to early intervention measures. From that point onwards, the ECB is required to monitor the bank in “close cooperation” with

⁵ Though the ECB [welcomes](#) it in general terms.

the SRB. Prior to the proposal, the ECB [requested](#) **avoiding unnecessary administrative burden** in this context, pointing to its existing memorandum of understanding with the SRB.

- Article 13c(2) introduces an **additional notification requirement** that is triggered when the ECB finds a **“material risk” of the bank becoming failing or likely to fail** (“FOLTF”).
 - While FOLTF is the trigger point where the SRB has to decide whether to resolve a bank, the new notification triggers **a new phase during which the SRB could better prepare any eventual resolution or seek to prevent it by arranging a private sector solution**.
 - The ECB is required to send an overview of **“measures which would prevent the failure”** along with the notification. The SRB in turn will inform the ECB about a timeframe for assessing the **possibility of a private sector solution** preventing resolution and can start **efforts to market the bank** to potential buyers.
 - From this notification onwards, ECB and SRB are required to **meet regularly and share “any relevant” information**.
- A new Article 128 BRRD requires several authorities, among which the ECB, to **provide information to the Commission** that the latter requests for preparing legislative proposals, impact assessments and so forth. It imposes obligations of professional secrecy on the Commission’s end.

Update on activities of significant banks in Russia

Shortly after Russia invaded Ukraine, Andrea Enria gave a [presentation](#) in March 2022 that summarised the situation of and impact on euro area banks at the time. Key messages of that presentation were that banks were resilient to that exogenous shock, and that the **banks’ direct exposures to Russia are manageable overall**. The ECB has subsequently installed a dedicated [website](#) that deals with frequently asked questions (FAQs) about Russia’s war against Ukraine and ECB Banking Supervision.

News on the current situation can in particular be derived from an interview that Andrea Enria gave in the context of the Goldman Sachs European Financials Conference on 13 June 2023, in which he said the following (our emphasis): *“**Russian exposures have been coming down pretty steeply** and I think the fourth quarter of last year was really a bit of a turning point. In 2022 we saw a 37% decline in exposures to Russian counterparties of European banks under our supervision, and a 25% decrease in the last quarter of 2022. **We have been putting a lot of pressure on banks to reduce exposures**. All banks are no longer originating credit vis-à-vis Russian counterparties and are trying to bring down their exposures. Most of those who have shops in Russia, let’s say subsidiaries or branches in Russia, are basically winding down operations, running down the books and significantly reducing. Some of them are also trying to sell. That’s difficult because the **Russian authorities are putting a lot of pressure on banks** and placing obstacles in their way to prevent them doing that. You need presidential approval and to take a significant hit on the investment to be able to do so, but I know that many banks are actively engaged in moving further.*

*That’s a process that we not only praise, but strongly encourage banks to perform, because there is a huge reputational risk in continuing to operate in Russia, in an economy that is shifting towards trying to limit the impact of sanctions and supporting the war effort. So I think that it is **important that banks remain very focused on reducing their exposures further and ideally exiting the market as soon as they can.**”*

One can complement and contrast that description with information provided by the Yale School of Management / Chief Executive Leadership Institute, which has been tracking the responses of companies all over the world since the invasion of Ukraine began, categorising the approach they seem to take into five categories for the completeness of withdrawal, ranging from “withdrawal” to “digging in”. The **Yale list** by

now comprises over 1200 companies, 18 of which are large banks (“significant institutions”) directly supervised by the ECB. While those 18 banks represent less than a fifth of all banks directly supervised by the ECB, they tend to be among the largest in the euro area. **The Yale list at least indicates that some large banks are still reluctant to withdraw from Russia** (see **Table 2**). From a methodological point of view, however, we caution that the Yale list is partially based on third party information, and that some of the information referred to seems to be rather old.

Table 2: Significant banks in the Yale list, categorized by withdrawal approach

Bank	Country	Approach
Societe Generale	France	Withdrawal
Deutsche Bank	Germany	Withdrawal
BNP Paribas	France	Suspension
Rabobank	Netherlands	Suspension
Commerzbank	Germany	Suspension
Credit Agricole	France	Suspension
KBC Group	Belgium	Suspension
OP Bank Lithuania	Lithuania	Suspension
Groupe BPCE	France	Scaling Back
SEB Skandinaviska Enskilda Banken*	Sweden	Scaling Back
Bank of Cyprus	Cyprus	Scaling Back
Citadele Bank	Latvia	Scaling Back
Nordea Bank	Finland	Scaling Back
Intesa Sanpaolo	Italy	Buying Time
ING Bank	Netherlands	Buying Time
Hellenic Bank	Cyprus	Buying Time
Raiffeisen Bank International	Austria	Digging In
UniCredit	Italy	Digging In

Source: Based on the information provided by [Yale School of Management](#) (as per 20 June 2023).

* The Swedish banking group Skandinaviska Enskilda Banken (SEB) is not directly supervised by the ECB, but its subsidiaries in Estonia (SEB Pank), Latvia (SEB banka), and Lithuania (SEB bankas) are.

As regard the activities of **Raiffeisen Bank International (RBI)**, a bank that according to the Yale list is “digging in”, we note that the rating agency S&P Global issued a [research update](#) on 30 May 2023, affirming RBI’s credit rating at ‘A-’ (outlook negative), despite material Russian risks. According to S&P, the bank **“benefited from interest margin increases across all regions but also from unsustainably high windfall profits from RBI’s Russian operations (which are locked in the Russian subsidiary).”** The rating agency explains the **negative outlook** inter alia with “potential heightened reputational, political, and financial tail risk arising from its outsized Russian operations persisting until it executes an orderly exit.”

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