

Press release

9 July 2021

ECB concludes comprehensive assessment of two Italian banks, and one Estonian and one Lithuanian bank

- Comprehensive assessment required following classification of banks as significant
- Asset quality review and stress test conducted for each bank
- Exercise did not reveal any capital shortfalls

The European Central Bank (ECB) has today published the results of a comprehensive assessment of two Italian cooperative banks, one Estonian bank and one Lithuanian bank. The four banks, Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A., Iccrea Banca S.p.A – Istituto Centrale del Credito Cooperativo, Luminor Bank AS and Akcinė bendrovė Šiaulių bankas, were classified as significant and are supervised by the ECB. All banks that become or are likely to become subject to direct ECB supervision are required to undergo a comprehensive assessment, consisting of a stress test and an asset quality review (AQR).

The comprehensive assessment shows that none of the four banks face any capital shortfalls, as they did not fall below the relevant thresholds used in the AQR and the stress test. However, the banks will be expected to follow up on the outcome of the exercise and undertake actions to address the findings of the AQR.

The AQR is a prudential rather than an accounting exercise, and provides the ECB with a point-in-time assessment of the carrying values of a bank's assets on a particular date (31 December 2019 in the case of these four banks). The AQR also determines whether there is a need to strengthen a bank's capital base. Owing to the nature of the AQR as a point-in-time exercise and given that the reference date used pre-dates the outbreak of the coronavirus (COVID-19) pandemic in Europe, the AQR results do not include the impact of the ongoing COVID-19 crisis. The AQR for the banks was carried out on the basis of the [ECB's latest version of the AQR methodology](#), which was published in June 2018.

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The AQR was complemented by a stress test exercise, which looked at how the banks' capital positions would evolve under a baseline scenario and an adverse scenario over the three-year period from end-2019 to end-2022 (separate from the 2021 EU-wide stress test). This stress test covered the period of sharp economic contraction following the outbreak of the COVID-19 pandemic in Europe and reflected the impact of a selection of related government and regulatory relief measures. The stress test was conducted using the 2020 EU-wide stress test methodology. Both scenarios were updated with the most recent projections at the start of the exercise (mainly the June 2020 Eurosystem staff macroeconomic projections for the euro area).

Against this backdrop, the ECB decided that only a shortfall in the stress test's baseline scenario (including the AQR and the impact of the join-up process) would be used to trigger the need for recapitalisation, whereas the adverse scenario results would only be used to inform the determination of Pillar 2 guidance in the SREP 2021 process. The threshold ratios applied for identifying capital shortfalls were maintained at the same levels as in previous exercises: a Common Equity Tier 1 (CET1) ratio of 8% for the AQR and the stress test's baseline scenario. The CET1 ratio is a key measure of a bank's financial soundness.

All four banks consented to the disclosure of the results.

Table 1

Evolution of CET1 ratios and resulting capital needs

| Bank name | Initial CET1 ratio ⁽¹⁾ | CET1 ratio post-AQR ⁽¹⁾ | CET1 ratio in baseline scenario ⁽²⁾ | CET1 ratio in adverse scenario ⁽²⁾ | CET1 shortfall |
|---|-----------------------------------|------------------------------------|--|---|----------------|
| | (%) | (%) | (%) | (%) | (EUR millions) |
| Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. | 19.72 | 18.30 | 17.14 | 10.59 | 0 |
| Iccrea Banca S.p.A. – Istituto Centrale del Credito Cooperativo | 15.50 | 13.88 | 12.29 | 5.67 | 0 |
| Luminor Bank AS | 20.32 | 19.79 | 17.94 | 13.99 | 0 |

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|-----------------------------------|-------|-------|-------|------|---|
| Akcinė bendrovė Šiaulių bankas | 19.95 | 17.75 | 16.48 | 7.02 | 0 |
|-----------------------------------|-------|-------|-------|------|---|

(1) CET1 ratio as at 31 December 2019.

(2) Lowest CET1 ratio over the three-year horizon of the stress test.

Detailed results and information on the outcome of this exercise can be found on the [ECB's banking supervision website](#).

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