



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

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ECB Banking Supervision publishes results of 2018 SREP

- Overall SREP CET1 demand increases slightly to 10.6% in 2018 from 10.1% in 2017
- Phase-in of capital conservation buffer main driver for higher demand

The European Central Bank (ECB) today published the aggregate outcome of its 2018 Supervisory Review and Evaluation Process (SREP). The overall SREP demand for common equity tier 1 (CET1) capital increased to 10.6% in 2018 from 10.1% in 2017, which was driven by the last step of the phase-in of the capital conservation buffer.

The overall SREP demand excludes systemic buffers and countercyclical capital buffer (CCYB). Most significant institutions already have capital levels above the CET1 levels and buffers required by the ECB and national authorities, respectively. CET1 is a bank's highest-quality capital, consisting largely of common stock, and measures a bank's capital strength.

The overall 2018 SREP outcome showed that banks' governance and risk management worsened from the previous SREP cycle, while the assessment of banks' management of liquidity and funding risks remained largely unchanged. The risk management framework of a number of banks should continue to improve.

In addition to asking banks to hold certain amounts of capital, the ECB also imposed liquidity measures as part of the SREP, which may include improving the process of assessing their liquidity needs, their funding plans and/or intraday liquidity. Furthermore, the ECB imposed qualitative measures on more than eighty banks, covering a wide range of weaknesses from internal governance and risk management to non-performing loans and data quality.

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ECB Banking Supervision prepares an individual SREP decision for each bank it supervises. This is in addition to the daily, ongoing supervision where ECB supervisors assess a bank's business model, governance and risk, as well as its capital and liquidity. The results of the stress test conducted in 2018 also informed the SREP decision.

ECB Banking Supervision has conducted four SREP exercises since 2014. Using both a common methodology and decision-making processes has allowed the ECB to compare peers and analyse banks on a broader scale.

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Notes:

- SREP capital demand consists of Pillar 1 + Pillar 2 Requirement + Capital conservation buffer + Pillar 2 Guidance. It excludes systemic buffers (G-SII, O-SII and systemic risk buffer) and countercyclical capital buffer.