

Beat: Business

ECB finds capital shortfall of €14.4 billion at four significant Greek banks

ECB finds total capital shortfall

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USPA NEWS - "€ Comprehensive assessment reveals total capital shortfall of €4.4 billion and €14.4 billion at the four significant Greek banks under the baseline and the adverse scenarios, respectively

"€ Shortfalls include AQR adjustments of €9.2 billion

"€ Banks must submit capital plans

ECB Banking Supervision conducted a comprehensive assessment of the four significant Greek banks (Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank) in line with the decision by the Euro Summit on 12 July 2015 and the Memorandum of Understanding between the European Commission, acting on behalf of the European Stability Mechanism, the Hellenic Republic and the Bank of Greece, signed on 19 August 2015.

This assessment comprised an asset quality review (AQR) and a forward-looking stress test, including a baseline and an adverse scenario, in order to assess the specific recapitalisation needs of the individual banks under the third economic adjustment programme for Greece.

The AQR resulted in aggregate adjustments of €9.2 billion to participating banks' asset carrying values as of 30 June 2015. Also, non-performing exposure (NPE) stocks were increased by €7 billion across the four banks, with the corresponding provisions already considered in the aforementioned AQR adjustments. In addition to adjustments made directly to current carrying values, the AQR result was also reflected in the projection of banks' capital adequacy under hypothetical scenarios performed in the stress test. Overall, the stress test identified a capital shortfall across the four participating banks of €4.4 billion under the baseline scenario and €14.4 billion under the adverse scenario...

... including AQR adjustments, after comparing the projected solvency ratios against the thresholds defined for the exercise.

The four banks will have to submit capital plans to ECB Banking Supervision explaining how they intend to cover their shortfalls by 6 November. This will start a recapitalisation process under the economic adjustment programme that must conclude before the end of the year. Covering the shortfalls by raising capital will result in the creation of prudential buffers at the four Greek banks, which will improve the resilience of their balance sheets and their capacity to withstand potential adverse macroeconomic shocks.

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