European Banks

Acquiring a taste for buybacks

Buybacks in Europe barely feature.
Banks returned ~57% of their profits to shareholders last year, within which dividends accounted for 94% and buybacks for 6% of the total.

BAWAG: A first...
On 18 October, BAWG received SSM's sign-off for its €400 mn buyback program. Three points: (1) for BAWG, this is a significant (11% share count decrease); (2) it marks the first meaningful buyback approval under SSM supervision; (3) a common notion among investors - that the SSM is conceptually opposed to buybacks – is now dismissed. Indeed, UCG commented (3Q results call) that the ECB is open to buybacks for banks with sufficient capital resources.

Will a large Eurozone bank follow?
For the market to integrate buybacks in its base line assessment, we believe a G-SIB Eurozone bank needs to follow BAWG's path. Valuation optics (deep TBV discounts), capital re-assurance (via incremental supervisory sign-off) and tax implications suggest this capital return tool is shareholder friendly.

Looking for candidates via EBA's test...
We screen our coverage and show 14 banks to be in a position of 'capital flexibility' if the last EBA stress test is re-run for 2019E, rising to 17 when we roll forward to our 2022E forecasts. The sample is skewed to non-€ players and includes ARION, which we upgrade to Buy. Five €-area banks feature: ABN, NDA, KBC, ISP & BAWG.

... and by following BAWG's example
Stress testing aside, we find four banks in a comparable position to BAWG. This group includes KBC, ISP & UNI in €-area and RBS outside of it. The banks share strong capitalization (vs. peers & regulatory hurdles) and above-average capital generation, among others.

Opportunity: Divis, self-help, deep value; Buy Arion
Three areas of opportunity in the sector: (1) Capital returns: BNP, ING (both CL-Buy), KBC, CNAT, ARION; (2) restructuring: UCG (CL-Buy), CS; and (3) discount valuation: all of the above and SAN (CL-Buy). We upgrade ARION (see here).

Jernej Omahen
+44(20)7774-6324 |
jernej.omahen@gs.com
Goldman Sachs International

Pawel Dziedzic
+44(20)7774-1279 |
pawel.dziedzic@gs.com
Goldman Sachs International

Anna Marshall
+44(20)7552-8394 |
anna.marshall@gs.com
Goldman Sachs International

Alexandre Dupuy
+44(20)7774-3579 |
alexandre.dupuy@gs.com
Goldman Sachs International

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Acquiring a taste for buybacks

Buybacks in Europe barely feature

European banks returned ~57% of their profits to shareholders last year, within which **dividends accounted for 94% and buybacks for 6% of the total. In the US, buybacks account for over >70% of total capital return.** Valuation optics (deep TBV discounts), capital re-assurance (via incremental supervisory sign-off) and tax implications suggest this capital return tool is shareholder friendly and could support share prices of banks that opt to adopt it.

BAWG: a(n important) first, and hopefully not the last

On 18 October, **BAWG received SSM's sign-off for its €400 mn buyback program**. Three points: **(1) for BAWG, this is significant** (11% share count decrease); **(2)** it marks thse **first meaningful buyback approval under SSM** supervision; **(3) a common notion - that the SSM is conceptually opposed to buybacks – is now dismissed**. Indeed, UCG commented (3Q results call) that the ECB is open to buybacks for banks with sufficient capital resources. For the market to integrate buybacks in its base line assessment, a G-SIB Eurozone bank needs to follow BAWG's path, in our view. **There are multiple reasons to suggest that either increasing the capital return to shareholders via buybacks or switching a portion of dividend payment into a buyback programme would be welcomed by investors**. Among key factors are: (1) valuation optics (deep discounts to 1x P/TBV); (2) capital re-assurance (as buyback programs require an incremental supervisory sign-off); (3) tax implications for select investor groups; and (4) higher flexibility in adjusting capital return above the dividend payment. The list goes on, and carries different priorities for different investor groups; this said, we believe buybacks on the whole would be welcomed.

Looking for buyback candidates: ARION up to Buy; 'Yielding list' expands to 14

We screen our coverage and find **14 banks in a position of 'capital flexibility' when we re-run the last EBA stress test for 2019E**, rising to 17 when we roll forward to our 2022E estimates. The sample is skewed to non-€ players; it also includes ARION, which we upgrade to Buy (from Neutral). Five €-area banks feature: ABN, NDA, KBC, ISP and BAWAG. Stress testing aside, we find **4 banks in a comparable position to BAWG**. This group consists of KBC, ISP & UNI in €-area and RBS outside of it. The banks share strong capitalization (vs. peers & regulatory hurdles) and above-average capital generation), among others. Lastly, as a cross check, we quantify excess capital above management targets and show that **for 17 banks, capital ratios meaningfully exceed management's ambitions**. Consequently, we update our 'Yield' framework to identify banks best positioned to deliver attractive and sustainable yield. Our **'Yielding List' expands to 14 banks**. We add **ARION** (up to Buy, see here), along **RBS** (Buy), **PEO** (Buy), **UNI** (Buy) and **MONET** (Neutral) to the group that already includes **BAWG** (CL-Buy), **AIB** (Buy), **ISP** (Sell), **ING** (CL-Buy), **BNP** (CL-Buy), **NDA** (Neutral), **KBC** (Buy), **CS** (Buy) and **SHB** (Neutral).

① Sifting through banks to identify credible yields; “Yielding list” expands to 14

In our recent research, *Search for investable yield: 10 dividend plays, in a 7% yielding sector* (Oct 2019), we highlighted banks in Europe that were, in our view, best positioned to deliver attractive and sustainable yield to investors. We update our analysis to include smaller European players (not necessarily included in the EBA stress test) and expand the scope of the analysis to capture banks in a position of capital flexibility implied by: (i) a stress test re-run, (ii) read-across from BAWG or (iii) the bank’s capital targets. Among the 56 European banks that we analyze, we identify 14 with credible and high dividend yields (previously 10). We add RBS, ARION, MONET, PEO and UNI to the group and remove UCG (given share price performance and our recent estimate revisions).

- **Unchanged framework…:** As highlighted in our previous note (see here), we believe a search for a credible dividend yield needs affirmative answers to three questions: **(1) ‘Is the bank allowed to pay a dividend?’:** Here we assess the likelihood of supervisory approval by taking a proxy of the test results. **(2) ‘Will it opt to do so?’:** We look for potential disincentives for managements to opt for capital distribution. **(3) ‘Can it afford to sustain its payout over time?’**. Among the 56 European banks that we analyze, we identify 14 which we believe offer affirmative answers to the above questions and attractive total yield: BAWG (CL-Buy), AIB (Buy), ISP (Sell), ING (CL-Buy), BNP (CL-Buy), NDA (Neutral), KBC (Buy), CS (Buy) and SHB (Neutral). The group also consist of RBS (Buy), UNI (Buy), PEO (Buy), ARION (upgraded to Buy from Neutral here) and MONET (Neutral) that we include for the first time (see below).
- **…but a broader approach:** We expand our analysis to better capture banks with surplus capital that screen well positioned to maintain and/or accelerate their capital distribution. Specifically, we look for banks where an **attractive yield is underpinned by excess capital implied either** by (i) the **EBA stress test re-run**, (ii) **read-across from BAWG** or (iii) **management targets**. We have outlined and quantified each of the three scenarios in the next part of this note. Adding the extra layer to our framework allows us to expand the analysis to smaller banks, in particular those not covered by the EBA stress test. Importantly, this **broader approach builds on, rather than overrides, our previous framework**. In particular, we continue to screen for banks where we believe management has no disincentives for capital distribution. Consequently, our **‘Yielding 14’ list excludes banks based on asset quality and AML/conduct overlay**. Similarly, **for banks where the results of the EBA stress test are available, we continue to apply a minimum hurdles** (in particular >9% ‘Stressed’ CET1).

Pricing in this report as of November 28, 2019, unless otherwise indicated.

Exhibit 1: "Safe" capital return banks: (1) allowed to distribute, (2) unlikely to keep building buffers and (3) can sustain pace of capital distribution

Starting sample includes banks that were included in the EBA stress test, Swiss banks and other banks under GS coverage

	Supervisory Sign-Off		Incentive for Capital Build-Up to Continue	Risk to pace of capital distribution			
Question	Allowed to distribute capital?		Incentivised to build-up capital further?	Can sustain pace of capital distribution?			
Rationale	Screening for banks over the existing minimum regulatory benchmarks and guidance		Focus on asset quality improvement and litigation/conduct risks may result in banks opting to restrict capital returns	Screening for banks where future capital returns to shareholders could be at risk			
Criteria: EBA Banks	Hurdle ❶ CET1 (2019) + ST Severity > 9.0%	Hurdle ❷ CET1 (2019) + ST Severity > 11.0%	Hurdle ❹ Texas Ratio < 100%	Dividend Cover (EBA banks with 'Stressed CET1' < 11% & all Swiss banks)		Excess Capital: (SSM banks with 'Stressed' CET1 > 11%)	Hurdle ❽ Excess Capital (Stress Test) > 5% of Market Cap (EBA-ST banks only)
	Hurdle ❸ T1L (2019) > 3.0% + 0.5x GSIB + 0.5% buffer		Overlay ❺ AML/KYC and Litigation Overhang and M&A Optionality	Hurdle ❻ Forecast Total Payout < 75%	Hurdle ❼ Forecast Total Payout < 50%		or Hurdle ❾ Excess Capital (BAWG) > 5% of Market Cap (all banks)
Criteria: Swiss Banks	Hurdle ① CET1 (2019) > Management Target						or Hurdle ❿ Excess Capital (Mgmt Target) > 5% of Market Cap (all banks)
	Hurdle ② T1L (2019) > 5.0% (systemic banks) or >3.0% (other banks)						
	Hurdle ③ CT1L (2019) > 3% (systemic banks)						

Banks with total yield ≥ 6% that...

... comfortably achieve regulatory sign-offs		...and have a low incentive to continue capital build...		...and are expected to have adequate dividend cover		...or screen in a position of capital flexibility	
Hurdles ❶+❸ or ①+②+③	Hurdles ❷+❸ or ①+②+③	Hurdles ❶+❸+❹+❺ or ①+②+③+❺	Hurdles ❷+❸+❹+❺ or ①+②+③+❺	Hurdles ❶+❸+❹+❺+❻ or ①+②+③+❺+❻	Hurdles ❶+❸+❹+❺+❼ or ①+②+③+❺+❼	Excess Capital ❷+❸+❹+❺ (for SSM banks only)	Excess Capital ❽ or ❾ or ❿ and (❶+❸+❹+❺ / ①+②+③+❺)
1. ARION (17.6%)	1. ARION (17.6%)	1. ARION (17.6%)	1. ARION (17.6%)	~~ARION (17.6%)~~	~~ARION (17.6%)~~	~~ARION (17.6%)~~	1. ARION (17.6%)
2. BAWG (17.0%)	2. BAWG (17.0%)	2. BAWG (17.0%)	2. BAWG (17.0%)	~~BAWG (17.0%)~~	~~BAWG (17.0%)~~	1. BAWG (17.0%)	2. BAWG (17.0%)
3. AIB (10.1%)	3. AIB (10.1%)	3. AIB (10.1%)	3. AIB (10.1%)	~~AIB (10.1%)~~	~~AIB (10.1%)~~	2. AIB (10.1%)	3. AIB (10.1%)
4. ABN (9.2%)	4. ABN (9.2%)	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~
5. RBS (8.9%)	~~RBS (8.9%)~~	4. RBS (8.9%)	~~RBS (8.9%)~~	~~RBS (8.9%)~~	~~RBS (8.9%)~~	~~RBS (8.9%)~~	4. RBS (8.9%)
6. ISP (8.4%)	5. ISP (8.4%)	5. ISP (8.4%)	4. ISP (8.4%)	~~ISP (8.4%)~~	~~ISP (8.4%)~~	3. ISP (8.4%)	5. ISP (8.4%)
7. DNB (8.4%)	6. DNB (8.4%)	6. DNB (8.4%)	5. DNB (8.4%)	~~DNB (8.4%)~~	~~DNB (8.4%)~~	~~DNB (8.4%)~~	~~DNB (8.4%)~~
8. SEB (8.2%)	7. SEB (8.2%)	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~
9. UNI (7.8%)	8. UNI (7.8%)	7. UNI (7.8%)	6. UNI (7.8%)	1. UNI (7.8%)	1. UNI (7.8%)	4. UNI (7.8%)	6. UNI (7.8%)
10. HSBC (7.3%)	~~HSBC (7.3%)~~	8. HSBC (7.3%)	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~
11. BAER (7.1%)	9. BAER (7.1%)	9. BAER (7.1%)	7. BAER (7.1%)	~~BAER (7.1%)~~	~~BAER (7.1%)~~	~~BAER (7.1%)~~	~~BAER (7.1%)~~
12. SWE (7.0%)	10. SWE (7.0%)	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~
13. MON* (6.8%)	11. MON* (6.8%)	10. MON* (6.8%)	8. MON* (6.8%)	~~MON* (6.8%)~~	~~MON* (6.8%)~~	~~MON* (6.8%)~~	7. MON* (6.8%)
14. ING (6.6%)	~~ING (6.6%)~~	11. ING (6.6%)	~~ING (6.6%)~~	2. ING (6.6%)	~~ING (6.6%)~~	~~ING (6.6%)~~	~~ING (6.6%)~~
15. DAN (6.5%)	12. DAN (6.5%)	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~
16. NDA (6.2%)	13. NDA (6.2%)	12. NDA (6.2%)	9. NDA (6.2%)	~~NDA (6.2%)~~	~~NDA (6.2%)~~	5. NDA (6.2%)	8. NDA (6.2%)
17. BNP (6.1%)	~~BNP (6.1%)~~	13. BNP (6.1%)	~~BNP (6.1%)~~	3. BNP (6.1%)	2. BNP (6.1%)	~~BNP (6.1%)~~	~~BNP (6.1%)~~
18. PEO (6.0%)	14. PEO (6.0%)	14. PEO (6.0%)	10. PEO (6.0%)	4. PEO (6.0%)	~~PEO (6.0%)~~	~~PEO (6.0%)~~	~~PEO (6.0%)~~
19. CS (5.9%)	15. CS (5.9%)	15. CS (5.9%)	11. CS (5.9%)	5. CS (5.9%)	~~CS (5.9%)~~	~~CS (5.9%)~~	~~CS (5.9%)~~
20. KBC (5.9%)	16. KBC (5.9%)	16. KBC (5.9%)	12. KBC (5.9%)	6. KBC (5.9%)	~~KBC (5.9%)~~	6. KBC (5.9%)	9. KBC (5.9%)
21. SHB (5.8%)	17. SHB (5.8%)	17. SHB (5.8%)	13. SHB (5.8%)	7. SHB (5.8%)	~~SHB (5.8%)~~	~~SHB (5.8%)~~	~~SHB (5.8%)~~

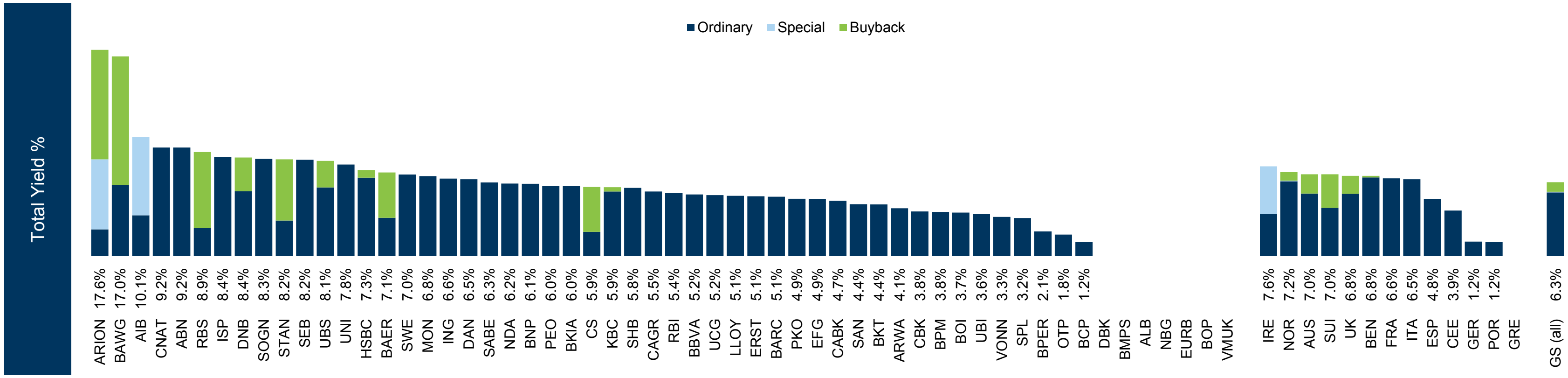
CAGR, CNAT, BMPS, BPER, SPL, ARWA, VMUK and STAN are excluded from the stress-test proxy as they were not a part of EBA's 2018 stress test. We include BAWG and BCP as the companies published the outcome of the test despite not being required to. ARION, UNI, BKIA and BKT are estimated based on outcomes for peers. For MON where the EBA stress test results are not available we approximate regulatory sign-off based on the spot capital hurdles only; we note that the bank screens in a position of capital flexibility based on the management targets and have obtained an approval from CNB for a buyback of shares.

Source: Company data, Goldman Sachs Global Investment Research

Total capital yield: All but 7 banks pay ordinary dividends; only a few rely on buybacks & special dividends to return capital.

Exhibit 2: Banks in our coverage offer attractive capital returns, in our view...

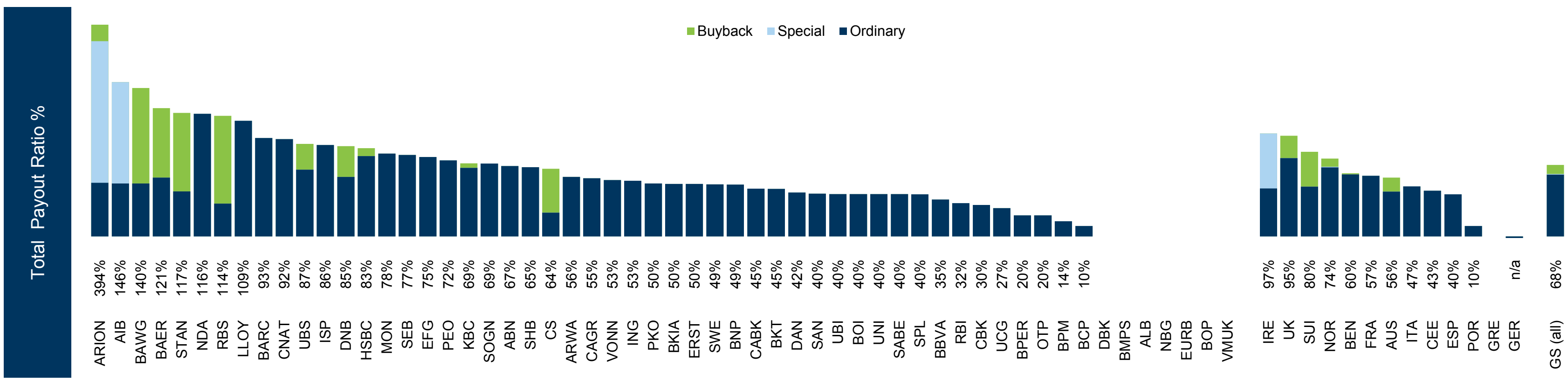
Total yield for 2020E; captures ordinary dividends declared for 2019E, special dividends and buybacks executed until the end of 2020E, expressed as % of market cap



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: ...with moderate ordinary dividend payouts

Total payout for 2020E; captures ordinary dividends declared for 2019E, special dividends and buybacks executed until the end of 2020E, expressed as % of 2019 earnings



Source: Company data, Goldman Sachs Global Investment Research

② Buybacks: Screening for banks with scope for excess capital returns

BAWG's buyback marked the first SSM approval for a major share repurchase program. We believe that other banks may choose to follow, and we attempt to identify potential candidates using different approaches in our analysis.

❶ Firstly, we show that as many as **14 banks under our coverage would screen in a position of a 'full capital flexibility'** (as per the ECB's comments; see *The ECB and Financial Stability*, Nov 2018) **should the EBA's 2018 stress test be re-run** on our estimates for 2019. **Rolling the clock forward to 2022E would further lift the number of banks to 17 and result in the increase of capital above the 'stressed' CET1 hurdle** (11%) **from €40 bn to €52 bn.** The **sample is skewed towards non-€ players** (Nordic and CEE banks) but **also captures 5 banks domiciled in the €-area** (the likes of ABN, NDA, KBC and ISP, on top of BAWG). However, **we do not expect capital flexibility to automatically translate into higher capital distribution**. Circumstances and strategic priorities vary across the banks that we have identified.

❷ Secondly, we show that **4 banks under our coverage may be in relatively similar position to BAWG** currently**.** They include **KBC**, **ISP** and **UNI** in the €-area and **RBS** outside it. **We expect those institutions to report a strong capitalization, above peers and well in excess of regulatory minimums**. Furthermore, we believe these banks **demonstrate robust** (above average) **capital generation** and their management has **no clear disincentives for returning capital** to shareholders. **Following the BAWG example, we show that quantum of excess capital across the banks stands closer to €16 bn, some 7% of their market cap on average.**

❸ Lastly, as a cross check to our analysis, we quantify the **excess capital above management targets**. This is arguably **the least demanding approach** in our framework, **yet we expect that for only 17** out of 56 **banks in our coverage capital ratios will exceed management ambitions.** In line with other parts of our analysis, we used 5% market cut-off to capture banks where surplus capital is meaningful. Consequently, **banks in our coverage have c.€24 bn of capital above their target hurdles**, some 7% of their market capitalisation on average. **Moving to our estimates for 2022, we widen the group of banks above their target capital range to >30 and aggregate capital surplus to >€75 bn.**

Exhibit 4: Buybacks are still few and far between across our European coverage but 14 banks screen in a position of "capital flexibility" on a stress test re-run for 2019E; we see 4 banks in a similar position to BAWG before it launched its €400 mn buyback offer

Excess capital implied by the EBA stress test-rerun, read-across from BAWG and management targets; € bn and %TBV (2019E) and current market capitalization

1 Stress Test Re-Run

('Stressed' CET1 > 11% based on GSe and EBA's stress test severity)

2019E

#	Bank	€mn	% TBV	% MV
1	ARION	471	34%	44%
2	ABN	5,930	31%	40%
3	PKO	3,088	34%	29%
4	DNB	6,463	31%	25%
5	SWE	2,808	25%	21%
6	SHB	3,539	25%	20%
7	NDA	4,464	17%	17%
8	SEB	2,754	20%	16%
9	PEO	909	18%	14%
10	KBC	2,971	17%	11%
11	BAWG (pre)	369	12%	10%
12	ISP	3,860	9%	10%
13	OTP	1,125	19%	9%
14	DAN	666	3%	6%
-	UNI	69	2%	5%
-	AIB	138	1%	2%
-	RBI	43	0%	1%
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Austria		412	3%	4%
Germany		-	-	-
France		-	-	-
Benelux		8,901	24%	21%
Italy		3,860	9%	10%
Spain		69	2%	5%
Greece		-	-	-
Ireland		138	1%	2%
Portugal		-	-	-
Euro Area		13,380	12%	13%
Simple average			10%	11%
Nordics		21,164	20%	19%
CEE		5,122	26%	18%
Switzerland		-	-	-
United Kingdom		-	-	-
GS Coverage		39,666	17%	16%
Simple average			18%	16%

Pro-Memoria: 2022E

#	Bank	€mn	% MV
1	ABN	6,245	42%
2	SWE	4,994	38%
3	PKO	3,721	35%
4	UNI	424	29%
5	DNB	6,362	25%
6	BAWG (pre)	856	23%
7	NDA	5,872	22%
8	SHB	3,733	21%
9	PEO	1,226	19%
10	SEB	2,978	18%
11	OTP	2,053	17%
12	RBI	1,039	15%
13	ARION	154	14%
14	KBC	3,574	13%
--	BAWG (post)	456	12%
15	DAN	1,229	12%
16	BCP	284	9%
17	ING	3,736	9%
-	BKIA	252	5%
-	SAN	2,365	4%
-	ISP	1,159	3%
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Austria		1,896	18%
Germany		-	-
France		-	-
Benelux		13,555	16%
Italy		1,159	3%
Spain		3,041	5%
Greece		-	-
Ireland		-	-
Portugal		284	9%
Euro Area		19,935	10%
Simple average			15%
Nordics		25,322	23%
CEE		7,000	24%
Switzerland		-	-
United Kingdom		-	-
GS Coverage		52,257	15%
Simple average			19%

2 Implied by BAWG

Headline CT1 > local peers and >2.5pp reg. minimum, healthy RoRWA, no disincentive due to AML / NPEs

2019E

#	Bank	€mn	% TBV	% MV
1	UNI	263	7%	18%
2	BAWG (pre)	517	17%	14%
3	RBS	4,446	11%	13%
4	ISP	5,440	13%	13%
5	KBC	2,777	16%	10%
--	PKO	422	5%	4%
--	ING	1,310	2%	3%
--	BAWG (post)	117	4%	3%
--	MON	16	2%	1%
--	OTP	111	2%	1%
--	BAER	54	2%	1%
--	HSBC	359	0%	0%
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Austria		517	17%	14%
Germany		-	-	-
France		-	-	-
Benelux		4,087	6%	6%
Italy		5,440	13%	13%
Spain		263	7%	18%
Greece		-	-	-
Ireland		-	-	-
Portugal		-	-	-
Euro Area		10,307	9%	9%
Simple average		-	11%	12%
Nordics		-	-	-
CEE		549	3%	2%
Switzerland		54	2%	1%
United Kingdom		4,806	3%	3%
GS Coverage		15,717	5%	5%
Simple average		-	7%	7%

Pro-Memoria: 2022E

#	Bank	€mn	% MV
1	BAWG (pre)	872	24%
2	BAWG (post)	472	13%
3	ING	4,882	12%
4	KBC	3,096	11%
5	VONN	306	9%
6	RBI	587	8%
7	HSBC	10,044	7%
8	BAER	574	6%
9	PKO	628	6%
--	OTP	445	4%
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Austria		1,459	14%
Germany		-	-
France		-	-
Benelux		7,978	12%
Italy		-	-
Spain		-	-
Greece		-	-
Ireland		-	-
Portugal		-	-
Euro Area		9,437	12%
Simple average		-	14%
Nordics		-	-
CEE		1,073	5%
Switzerland		880	7%
United Kingdom		10,044	7%
GS Coverage		21,434	8%
Simple average		-	10%

3 *Implied by Management Targets*

Headline CT1 > Management Target (upper bound of the target range)

2019E

#	Bank	€mn	% TBV	% MV
1	UNI	310	8%	21%
2	AIB	1,711	13%	21%
3	ARION	206	15%	19%
4	ALB	470	6%	16%
5	EFG	254	19%	16%
6	RBS	4,446	11%	13%
7	BAWG (pre)	465	16%	13%
8	ISP	4,307	10%	11%
9	PKO	1,003	11%	9%
10	BKIA	472	4%	9%
11	RBI	616	6%	9%
12	BCP	250	4%	8%
13	MON	127	14%	8%
14	KBC	1,987	12%	7%
15	BOI	335	4%	6%
16	DAN	676	4%	6%
17	CAGR	2,046	5%	6%
--	NBG	129	2%	5%
--	BAER	424	14%	4%
--	PEO	233	5%	4%
--	VMUK	89	2%	3%
--	NDA	757	3%	3%
--	BPER	57	1%	3%
--	UCG	676	1%	2%
--	SOGN	562	1%	2%
--	DBK	255	1%	2%
--	BAWG (post)	65	2%	2%
--	VONN	52	5%	2%
--	DNB	381	2%	1%
--	SEB	239	2%	1%
--	CBK	90	0%	1%
--	CNAT	118	1%	1%
--	ABN	97	1%	1%
--	BKT	31	1%	1%
--	HSBC	359	0%	0%
--	BNP	72	0%	0%
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Austria		1,081	8%	10%
Germany		345	0%	2%
France		2,798	1%	2%
Benelux		2,084	6%	5%
Italy		5,041	5%	7%
Spain		812	4%	6%
Greece		599	4%	10%
Ireland		2,046	9%	15%
Portugal		250	4%	8%
Euro Area		15,056	3%	5%
Simple average		-	5%	7%
Nordics		2,260	3%	3%
CEE		1,363	9%	7%
Switzerland		730	13%	5%
United Kingdom		4,895	3%	3%
GS Coverage		24,302	3%	4%
Simple average		-	6%	7%

Pro-Memoria: 2022E

#	Bank	€mn	% MV
1	ALB	1,656	57%
2	UNI	662	45%
3	BCP	1,157	38%
4	BKIA	1,560	29%
5	NBG	800	28%
6	CBK	1,764	27%
7	BAWG (pre)	954	26%
8	RBI	1,515	21%
9	EURB	656	18%
10	UCG	4,901	18%
11	EFG	258	16%
12	CAGR	5,524	15%
13	BAWG (post)	554	15%
14	HSBC	18,534	13%
15	PKO	1,352	13%
16	VONN	401	12%
17	BAER	1,140	12%
18	BBVA	2,980	9%
19	DAN	984	9%
20	BARC	3,260	9%
21	DBK	1,244	9%
22	KBC	2,455	9%
23	BNP	5,640	9%
24	SAN	4,668	8%
25	NDA	1,981	8%
26	SWE	950	7%
27	BOI	341	7%
28	MON	102	6%
29	PEO	369	6%
30	UBS	2,305	6%
31	SOGN	1,322	6%
32	CNAT	666	6%
--	ERST	630	5%
--	CABK	661	4%
--	BKT	225	4%
--	VMUK	63	2%
--	ISP	867	2%
--	ING	845	2%
--	RBS	654	2%
--	BPM	52	2%
--	SABE	87	2%
--	SEB	252	2%
--	ABN	184	1%
--	BPER	27	1%
--	STAN	294	1%
--	AIB	44	1%
--	DNB	94	0%
Austria		3,098	13%
Germany		3,009	15%
France		13,151	10%
Benelux		3,485	4%
Italy		5,847	8%
Spain		10,843	9%
Greece		3,111	33%
Ireland		385	3%
Portugal		1,157	38%
Euro Area		44,087	9%
Simple average		-	14%
Nordics		4,262	5%
CEE		2,222	9%
Switzerland		4,104	8%
United Kingdom		22,804	10%
GS Coverage		77,478	9%
Simple average		-	11%

BAWG's figures are pre/post €400 mn buybacks; stress test severity for BAWG based on the company dislosure, for ARION based on peer average.

Source: EBA, Company data, Goldman Sachs Global Investment Research

Stress test re-run point to 17 banks with >€50 bn of excess capital by 2022E

We identify 14 banks in a position of "capital flexibility" based on a stress test re-run for 2019E, increasing to 17 when we roll the clock forward to 2022E. The sample is skewed towards non-€ players (Nordic and CEE banks) but also captures seven banks domiciled in the €-area (including BAWG). We estimate that total excess capital above 'stressed' CET1 hurdle (11%) increases from €40 bn in 2019E to €52 bn by 2022E, corresponding on average to c.18% and 16% of the banks' current TBV (19E) and market cap, respectively. Importantly, we do not expect capital flexibility to automatically translate into higher capital distribution. Circumstances and strategic priorities vary across the sample of banks that we have identified.

- **Stress test re-run for 2019E: 14 banks with 'capital flexibility', many non-€ players.** Based on the stress test re-run for 2019E, we estimate that 14 banks under our coverage would exceed 11% CT1 under the adverse case scenario by at least >5% of market cap. The sample is skewed towards non-€ area, including Nordic (ARION, DNB, SWE, SHB, and SEB) and CEE (OTP, PKO and PEO) banks. Within the €-area the analysis identifies six banks in a position of significant 'capital flexibility', namely ABN, NDA, KBC, ISP and BAWG (pre announced €400 mn buyback). The total capital surplus identified across all banks stands at €40 bn, some 18% of TBV and 16% of their market cap on average.
- **Stress test re-run for 2022E: Wider group, higher "excess capital"**. Moving the starting point of our analysis by 3 years to 2022E increases the sample of banks that exceed our stress test re-run samples to 17 (by at least >5% of market cap). The additional banks that screen in a position of capital flexibility include RBI, BCP, UNI and ING in €-area. ISP is the only bank that falls out of the group (i.e. shows excess capital <5% market cap threshold) given capital deployment captured in our 2019-22E forecasts. The quantum of 'excess capital' rises from €40 bn to €52bn, reaching on average 19% of the banks' market cap.
- **Capital flexibility is not equivalent to capital deployment as banks' priorities vary.** Our calculations are anchored around 'stressed' capital ratios and may overlook management targets (notably for ABN) as well as other disincentives for incremental capital distribution. In our previous research (see here) we pointed out that asset quality and/or outstanding litigation/conduct risks may results in banks opting to accrue capital (this may be the case for the likes of ABN, SWE, SEB or EFG in our sample). We also note that banks might pursue other means of capital deployment, including M&A (for example OTP, where this is a stated objective).
- **Methodology: Re-run of the stress test for the EBA banks**. We follow up on the approach that we have previously outlined in our note *Search for investable yield: 10 dividend plays, in a 7% yielding sector* (Oct 2019). For EBA banks we calculate the 'stressed' CET1 level for each bank based on our CET1 forecasts for 2019 and 2022 to which we apply adverse case 'severity' as per the stress test outcome. We use an 11% hurdle to calculate the level of capital surplus, as per previous ECB's comments implying that this threshold leaves banks in a position of capital flexibility (see *The ECB and Financial Stability*, Nov 2018).

Four banks screen in a position similar to BAWG

BAWG announced on October 18 that it had received an approval to pursue a €400 mn share re-purchase (11% of market cap), marking the first SSM sign-off for a major buyback program (see here). Our analysis shows that four other banks under our coverage may be in a relatively similar position to the Austrian lender (assuming a buyback threshold >5% of market cap).

- **Four banks screen in a similar position to BAWG, with solid capital ratios & ample capital generation.** On our analysis, four banks under our coverage screen in a relatively similar position to BAWG: **KBC**, **ISP** and **UNI** in the €-area and **RBS** outside it. The quantum of excess capital identified through a read-across to the buyback approved for BAWG, stands closer to c.€16 bn on our estimates, some 7% of the four banks' market cap on average. We expect those banks to report CET1 (2019E) at not only above their peers but also at least 2.5pp above local minimum capital requirements (e.g., SREP for the €-banks). Furthermore, we believe these banks could demonstrate robust (above average) capital generation and their managements have no clear disincentive for returning capital to shareholders (e.g., ongoing AML/KYC investigation, high stock of NPEs).
- **Methodology: A set of circumstances that supported approval of buyback program at BAWG.** We screen for banks in relatively similar circumstances to BAWG in order to identify those with potential scope to buy back shares. In particular, we look for banks where (i) the spot CET1 ratio is above the peer average and (ii) remains at least 2.5pp above minimum regulatory requirements (e.g., SREP) on a post-buyback basis. The sample is also narrowed down to banks that (iii) show at least a sector average pace of capital generations, as proxied by RORWA and (iv) have no disincentive to return capital as outlined in our previous research (see here). Importantly, we don't see these as fundamental pre-conditions necessary to proceed with a buyback and recognise that read-across from BAWG to other banks may be at times limited. Rather, we see this as conditions that increase a likelihood of a buyback being approved, if requested.

We expect one-third of our coverage to exceed management capital targets this year

On our estimates, around 17 out of 56 banks in our coverage are in position to report capital ratios meaningfully above the management targets at the end of 2019. We use this screen as a cross check, recognizing that banks operating below the targeted thresholds are less likely to consider increasing their capital distribution.

- **17 banks screen in a position of capital surplus to their managements' targets in 2019.** In line with other parts of our analysis, we used 5% market cut-off to capture banks where surplus capital is meaningful. Increasing the threshold to >10% would reduce the number of banks to eight, including six that feature among our top yield recommendations ('Yielding 14'): UNI, AIB, ARION, RBS, ISP and BAWG (on a pre-buyback basis). At the end of 2019, we estimate that banks in our coverage to have some c.€24 bn of surplus capital, some 7% of their market capitalization on average.
- **Moving to our estimates for 2022, the number of banks in a position of capital flexibility rises to >30.** The amount of capital above companies' targets grows to c.€77 bn, some 11% of the market capitalization of these select banks on average. The surplus comes on top of our expectations for capital distribution over the next three years.
- **Methodology.** Our analysis is based on the headline CET1 capital targets announced by the banks within our coverage. We identify capital surplus for those banks where our forecasts exceed the target (or targeted range). For Swiss banks, we rely on banks' internal capital targets and FINMA's minimum T1L/CT1L requirements (see more here).

③ Buybacks: Few and far between in Europe, key for the US banks

Buybacks account for a vast majority (>70%) of capital distribution among the large US banks but are rarely used in Europe (<5%). This disparity is striking and, we believe, there is a case to be made for it narrow over time despite idiosyncrasies of both markets. While the form of capital distribution should not create any fundamental value for the shareholders, we see buybacks as a useful alternative with its own pros and cons.

A case for share buybacks by the European banks

From a European bank perspective, we see the following as key considerations associated with a buyback:

❶ **Signalling**. A buyback's "signalling value" comes down to additional reassurance that it may provide with respect to a bank's internal capital targets and management guidance, in our view. This is in particular relevant given remaining uncertainty around the finalization of capital requirements for the sector. Note that the European supervisors are required to review and sign off on individual buyback programs, as the share repurchases fall under capital redemption remit of the CRR. This in turn exposes a bank to an incremental level of scrutiny and more onerous process than calibration of ordinary dividend payments.

❷ **Flexibility**. Buybacks provide management with additional flexibility in managing capital distribution expectations. Ordinary dividends are often perceived as more permanent and recurring in nature than buybacks. Consequently, equity investors tend to penalize companies that cut dividends and may not give full credit to payouts that appear unsustainably high. This flexibility tends also to be relevant to credit investors and rating agencies. The fact that buybacks programs can be more easily scaled back or cancelled provides additional protection to the coupon payments, also on AT1/T2.

❸ **Tax treatment**. From an investor's perspective, buybacks and dividends could offer different tax outcomes. Dividends are typically subject to withholding tax at the time of distribution. For share buybacks, capital gains taxes tend to be deferred until the shares are sold. The tax laws vary throughout Europe with dividends and capital gains subject to different treatment, exemptions as well as tax rates. As a rule of thumb, buybacks may give investor more flexibility over managing their taxes.

❹ **Technical support & valuation optics.** Buybacks may temporarily support day-to-day trading of shares, in particular if they constitute a meaningful part of daily trading volumes. Furthermore, shifting capital distribution mix towards buybacks mechanically lowers P/E valuations and improves EPS growth dynamics. As long as purchases are made < 1x book value, the outcome is (marginally) accretive to P/TBV multiples. While this does not create any fundamental value for the shareholders, it may alter trading dynamics and valuation optics for the stock.

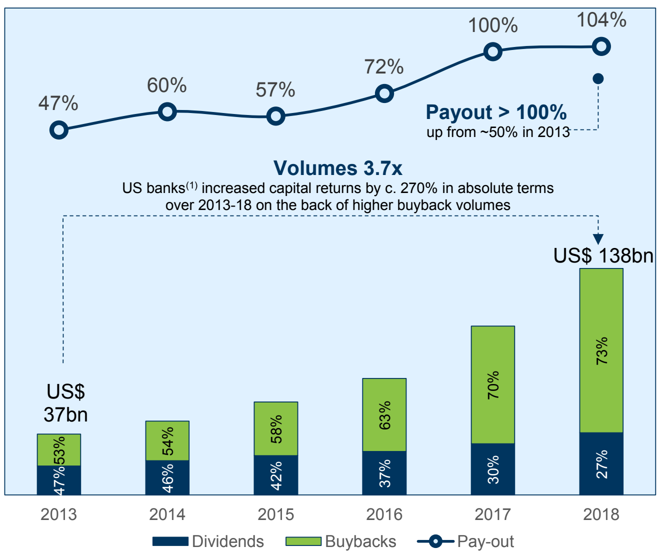
European banks lag their US peers on capital distribution

Since 2013, US banks have increased the amounts of capital returned annually by a factor of 3.7x; this has been driven by a rise in payout, notably for buybacks and a healthy capital generation. On the other hand, European banks have increased their capital returns by c. 80% over the same period, almost entirely though higher dividend payments.

❶ **Usage of buybacks still differ significantly:** Dividends accounted for c.94% of European banks' payouts in 2018 as buyback usage remains low (€4 bn vs. €57 bn of dividends for banks under our coverage). This compares to a <30% share of dividends for the US banks, which increased buybacks in the capital return mix from c.50% in 2013 to >70% in 2018.

❷ **Divergence in payout:** Payouts for US banks have risen sharply in recent years and are now close to 100%, whereas EU banks have seen payouts stay between 50-60%. We note that EU banks in the same period increased their CT1 base by ~20% as they accommodated more stringent regulatory requirements; this capital build-up over the years was then not available for potential capital returns.

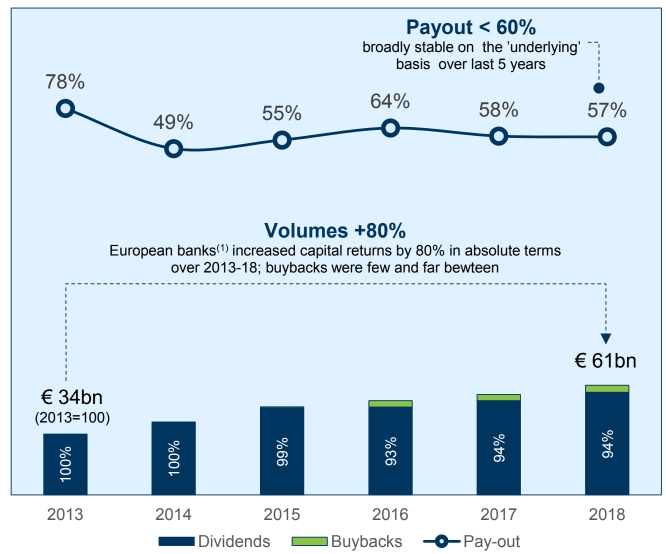
Exhibit 5: EU Banks have lagged their US peers on capital distribution...
Dividends, buybacks and total payouts for US banks over 2013-2018



Note: The sample includes BAC, C, JPM, MS, WFC, BBT, CFG, CMA, FITB, HBAN, KEY, MTB, PNC, RF, STI, USB and ZION

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: ...as payouts and the usage of buybacks has remained stale in Europe
Dividends, buybacks and total payouts for EU Banks over 2013-2018



Note: The sample includes 53 banks in our European coverage. Payout ratio includes dividend paying banks only.

Source: Company data, Goldman Sachs Global Investment Research

Share buybacks are rare in Europe. Over the past five years, the banks under our coverage repurchased ~ €17 bn worth of stock, with the average size of a program standing at c. 2% of outstanding shares. Geographically, programs have been most often implemented by non-€ area banks including Nordic and UK players (HSBC and STAN in particular). BAWG and KBC are the only €-area banks that have done so already.

Exhibit 7: Buybacks in our coverage are few and far between

Share repurchase programs for banks under GS coverage, from 2015

	Bank	Buyback size		Volume		Date		Form of Buyback	Appoving Entity
		Local (mn)	€ mn	# shares	% total	From	To		
2019 YTD									
1	MONET	CZK 990	€ 39	11	2.2%	Nov-19	Dec-20	Market	CNB
2	ARION	ISK 4,500	€ 33	59	3.3%	Oct-19	Mar-20	Market	FSA
3	BAER	SFr 400	€ 365	9	3.9%	Nov-19	Feb-20	Market	FINMA
4	BAWG	€ 400	€ 400	11	10.9%	Oct-19	Nov-19	Tender	SSM
5	DNB	NKr 2,660	€ 262	16	1.0%	Oct-19	Mar-20	Market / State	NFSA
6	HSBC	$ 1,000	€ 893	136	0.7%	Aug-19	Sep-19	Market	FCA
7	STAN	$ 1,000	€ 895	116	3.5%	May-19	Sep-19	Market	FCA
8	UBS	$ 604	€ 539	54	1.5%	Apr-19	Sep-19	Market	FINMA
9	LLOY	£ 1,150	€ 1,336	1,974	2.7%	Mar-19	Sep-19	Market	FCA
10	CS	SFr 695	€ 617	57	2.2%	Jan-19	Sep-19	Market	FINMA
Year 2018									
11	BAWG	€ 51	€ 51	1	1.3%	Jul-18	Nov-18	Market	SSM
12	DNB	NKr 3,855	€ 405	24	1.5%	Jun-18	Mar-19	Market / State	NFSA
13	KBC	€ 181	€ 181	3	0.6%	May-18	Jul-18	Market	SSM
14	HSBC	$ 2,000	€ 1,688	210	1.0%	May-18	Aug-19	Market	FCA
15	UBS	$ 758	€ 618	48	1.3%	Mar-18	Dec-18	Market	FINMA
16	DANSKE	DKr 6,930	€ 931	34	3.8%	Feb-18	Oct-18	Market	DFSA
17	DNB	NKr 1,261	€ 132	8	0.5%	Feb-18	Feb-18	Market / State	NFSA
Year 2017									
18	DNB	NKr 1,262	€ 135	8	0.5%	Sep-17	Dec-17	Market / State	NFSA
19	HSBC	$ 2,000	€ 1,695	206	1.0%	Aug-17	Nov-17	Market	FCA
20	DNB	NKr 1,237	€ 131	8	0.5%	Jul-17	Aug-17	Market / State	NFSA
21	DANSKE	DKr 10,000	€ 1,345	41	4.4%	Feb-17	Feb-18	Market	DFSA
Year 2016									
22	HSBC	$ 2,500	€ 2,247	325	1.6%	Aug-16	Dec-16	Market	FCA
23	DANSKE	DKr 9,000	€ 1,206	47	4.8%	Feb-16	Feb-17	Market	DFSA
Year 2015									
24	DANSKE	DKr 5,000	€ 670	25	2%	Apr-15	Nov-15	Market	DFSA
Summary									
... YTD		€ 5,379		3.2%					
... 2018		€ 4,005		1.4%					
... 2017		€ 3,306		1.6%					
... 2016		€ 3,452		3.2%					
... 2015		€ 670		2.5%					
Total		€ 16,812		2.4%					

Source: Company data, Reuters, Goldman Sachs Global Investment Research

④ Read-across from BAWG: A welcome precedent, especially for the €-area banks

BAWG announced on October 18 that it had received the approval from the SSM to pursue a €400 mn share re-purchase. We view the SSM's sign off as a potential milestone for the sector. Share buybacks among our €-area banks coverage are few and far between and this one marks the first approval for a transaction of such magnitude granted by the SSM. In this section, we describe the steps BAWG took and the circumstances in which the buyback was considered and approved.

While in many respects BAWG's situation is unique, we see the approval as a key precedent for all the €-area banks that wish to follow a similar process. The procedure that BAWG followed falls under the remit of 'capital redemption' within the CRR and was therefore comprehensive, in particular when compared to an ordinary dividend payout. It required an explicit approval from the SSM (i.e., competent authority) and took well over six months to coordinate and complete.

Importantly, we believe BAWG's case also demonstrates that large-scale buybacks in the €-area are possible. The SSM's approval gives the group a sign off to cancel c.11% of outstanding shares and hike the total payout to well >100% of the last year's earnings (2018). The capital impact of the proposed buyback stands at c.1.9pp of CET1, resulting in the group's CET1 dropping to 13.0% (pro forma 3Q19). This is fully on par with the company's 12-13% target but notably a cut above official SREP requirement (10.25% + 1pp P2G buffer).

A path to a buyback

BAWG announced on October 18 that it had received approval from the SSM to pursue a €400 mn share repurchase. The press release came c.6 months after the bank's AGM mandated management to pursue the buyback.

❶ **2017: IPO clearly defined capital deployment policy.** BAWG laid out its strategy and capital deployment policy during the group's IPO on the Vienna Stock Exchange in October 2017. These objectives have not been changed, with the bank currently continuing to target a 50% ordinary payout ratio and further deployment of excess capital on bolt-on M&A and/or buybacks. The bank's CET1 target has been calibrated at the 12-13% level.

❷ **2018: "Mini" buyback to address remuneration programs.** During 2H18, BAWG executed a ~€50 mn buyback of shares, standing at ~1% of the bank's market cap. The shares were purchased in the market over a ~3-month period. The transaction was structured to neutralize the issuance of shares arising under remuneration programs.

❸ **Feb-19: Large-scale buyback under 'active' evaluation.** When reporting its 2018 full-year results in February, BAWG announced it was actively evaluating share buyback options to distribute excess capital. The company also announced it had been engaged in a dialogue with regulators for some time.

❹ **Mar-19: Buyback details announced, T2 issuance completed.** In March, BAWG announced that a share buyback of up to €400 mn (11% of the group's market capitalization) would be proposed at its AGM. Separately, BAWG issued €400 mn of Tier 2 capital on March 26 in order to optimize its total capital position and fill in its Tier 2 capital bucket (2pp).

❺ **Apr-19: AGM signs off on dividends, mandates buyback.** On April 30, at the AGM a resolution was passed mandating management to proceed with a buyback of €400 mn worth of company shares, subject to regulatory approvals. The group subsequently filled regulatory applications with the SSM. Also approved at the AGM was an ordinary dividend (€215 mn, 50% payout).

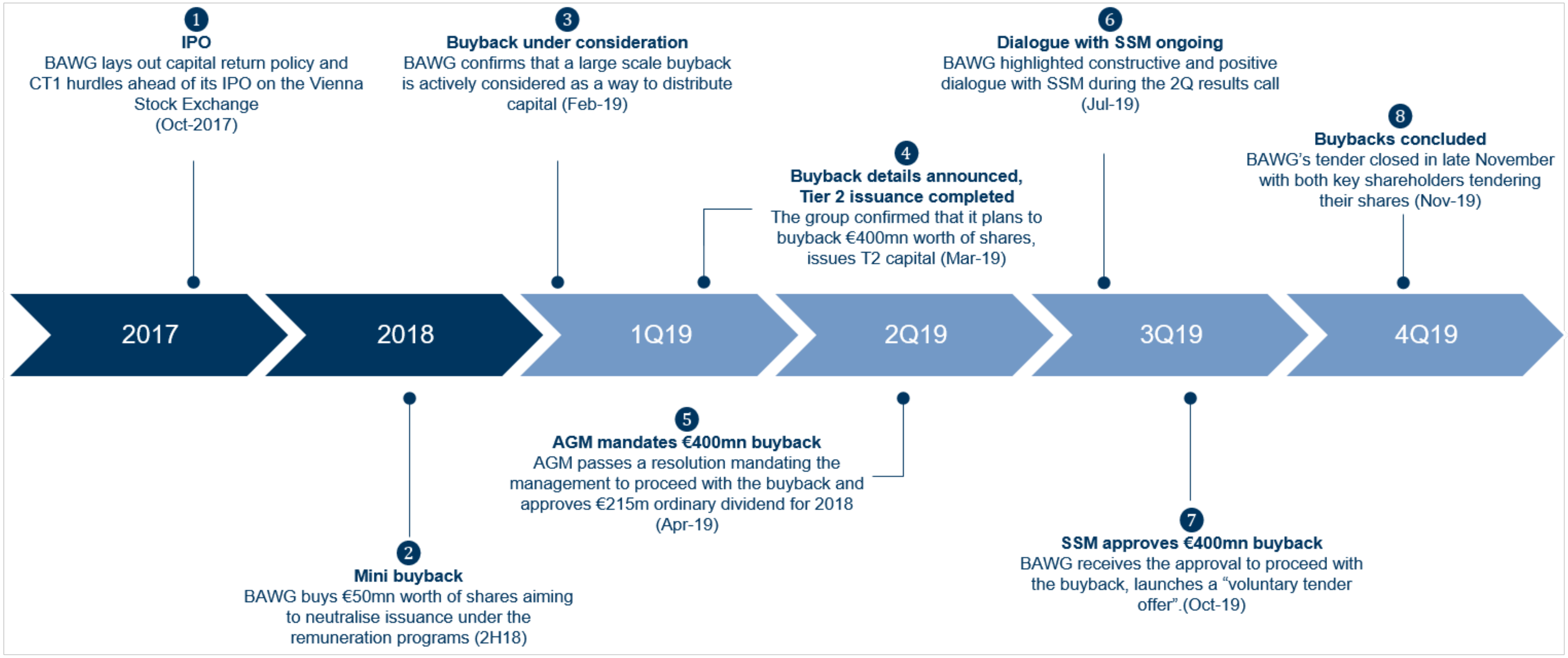
❻ **Jul-19: Constructive dialogue with SSM said to be ongoing.** In July 2019, the company, when presenting its 2Q results, highlighted a very constructive dialogue and very positive feedback from regulators. The bank reaffirmed that the buyback would take place in the second half of 2019, most likely through a large tender.

❼ **Oct-19: €400 mn buyback approved, tender offer initiated.** On October 18, BAWG announced that it had received approval from the SSM to proceed with the buyback and that it would pursue a €400 mn share repurchase through a voluntary tender offer. The company subsequently received approval from the FMA and launched the tender on the VSE.

❽ **Nov-19: Buybacks concluded.** BAWG's tender closed on November 22. A total of 31.7 mn shares were tendered, the bulk by existing two key shareholders. The repurchase was allocated on a pro-rata basis (34%). The shares bought back by BAWG will be cancelled.

Exhibit 8: SSM approved €400 mn buyback in Oct-19, > 6 months after the company first announced its details

A path to a buyback



Source: Company data, Goldman Sachs Global Investment Research

Comprehensive regulatory sign off

BAWG's approval marks the first time an SSM-supervised bank under our coverage has successfully applied for a large-scale buyback. The complexity of the process exceeds ordinary dividend payments as it falls under the 'capital redemption' remit of CRR and requires explicit supervisory approval. We highlight the key takeaways and main steps of the procedure below.

❶ **Buybacks fall under 'redemption of own funds' in CRR.** BAWG's approval marks the first time an SSM-supervised bank has successfully applied for a large-scale buyback. Under the CRR (Capital Requirements Regulation, see here), a buyback falls under 'reduction of own funds' and hence requires the prior permission of the competent authority. Notably, this differs to a (i) payment of annual dividends that can be more freely distributed from the bank's earnings rather than its capital accounts, as well as (ii) the simplified approval procedure for repurchases of shares under remuneration programs.

❷ **SSM determines a "necessary margin" for post-buyback capital ratios.** The CRR states that permission will only be granted if the institution demonstrates that, following the reduction, its own funds will exceed own funds requirements and the combined buffer requirement by a "necessary margin". The buffer is determined by a competent authority (SSM in BAWG's case) and may be determined on the basis of SREP. For BAWG, the €400 mn reduction lowered the CET1 ratio by c. 1.9pp to 13.0% on a pro-forma basis (3Q19). Post reduction, the ratio will remain comfortably above 11.25% combined SREP hurdle (10.25%) and P2G buffer (1.0pp). In connection with the buyback process, BAWG issued €400 mn of T2 capital that minimized the impact of the repurchase of total capital.

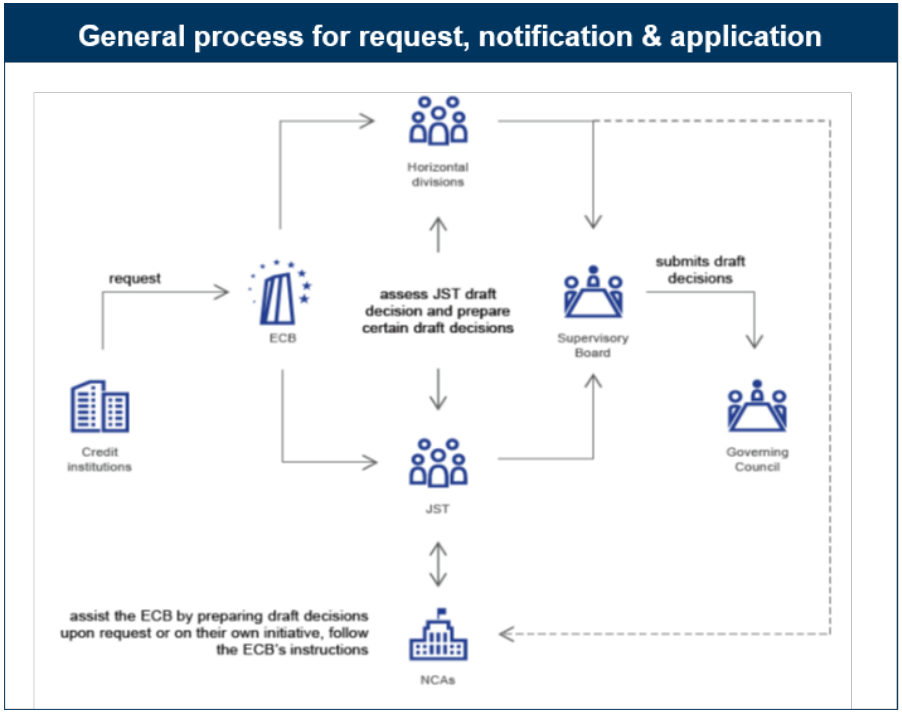
❸ **Comprehensive application; may cover stress test of key risks.** The buyback process has been outlined in more detail in the CRR supplement (see here). In particular, the application has to contain (i) a well-founded explanation of the rationale for performing the reduction, as well as (ii) information on capital requirements and capital buffers covering at least a 3-year period, including the impact of the buyback and the composition of own-funds. Moreover, a bank needs to submit (iii) an evaluation of the risks to which it might be exposed, including stress tests evidencing potential losses under different scenarios. Lastly, the application needs to include (iv) any additional information, as deemed relevant by the SSM.

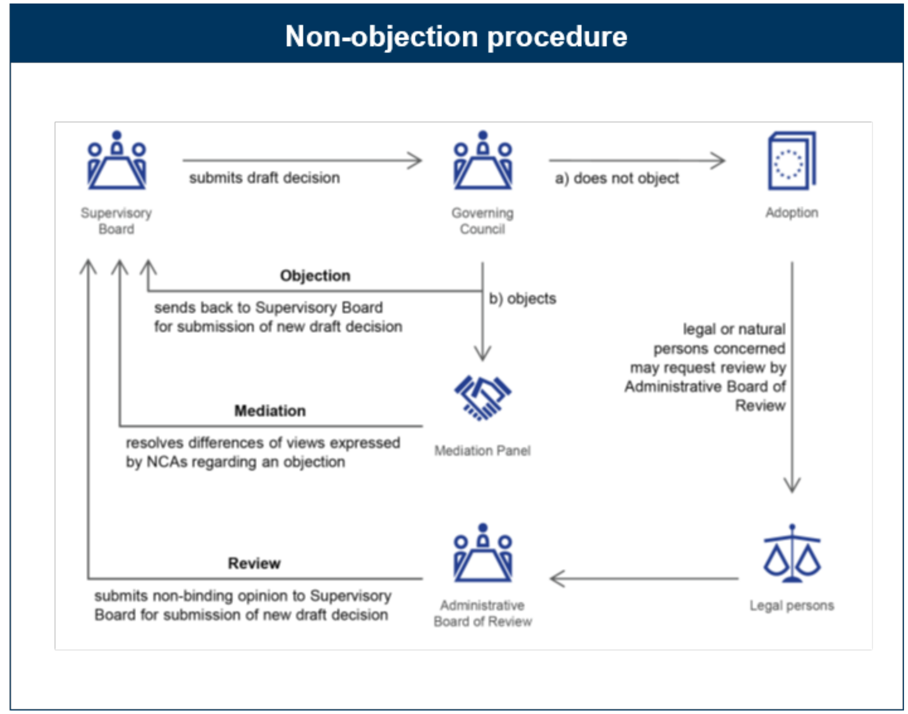
❹ **Request processed by the JST, coordinated across SSM.** The approval procedure officially starts when a bank files a "permission request". In the case of BAWG, this happened around 2Q/3Q. The process at the ECB is run by the Joint Supervisory team (JST) that includes SSM representatives, assisted by the National Competent Authority as required (e.g., FMA in Austria). The JST in particular is responsible for ensuring that (i) all relevant documentation has been submitted or supplied upon request, and that (ii) the process is coordinated with relevant horizontal and specialised divisions at the SSM.

❺ **Approval signed off by SSM's Supervisory Board, adopted by the Governing Council.** The buyback approval has to be signed off by the SSM's Supervisory Board, which is responsible for the planning and execution of supervisory tasks within the ECB. If permission is granted, the draft decision is then submitted to the Governing Council for final adoption under the non-objection procedure. The council cannot change SSM's draft decisions but can only approve or object to them.

Exhibit 9: Buybacks fall under the 'capital redemption' remit of the CRR and require explicit supervisory approval. The process is coordinated by the JST and signed off by the SSM's Supervisory Board, before being adopted by the ECB's General Council under the non-objection procedure.

Outline of the buyback approval procedures by the SSM





Source: SSM, Goldman Sachs Global Investment Research

BAWG: Buyback scale substantial, standing at c.11% of outstanding shares

The buyback stands at c.11% of BAWG's current market cap and comes on top of the ordinary dividend paid out by the group earlier this year (€215 mn, c.6% of market cap). The buyback has been structured as voluntary tender offer. Following the initial announcement and publication of the buyback offer documents, the bank confirmed that it has received an intention to tender from Cerberus, one of the main shareholders, for 10.86 mn shares, the entirety of the buyback. We highlight the following:

❶ **Buyback size: €400 mn, 11% of outstanding shares.** The SSM's approval covers a repurchase of up to €400 mn worth of shares, in line with the AGM's resolution. This is expected to allow BAWG to purchase and subsequently cancel c.11% of outstanding shares (10.9 mn). Importantly, the approval is not limited to the planned tender offer, potentially giving management the flexibility to re-purchase the shares through other means. The re-purchase price in the tender has been set at €36.84, based on the stock's closing price on October 17.

❷ **Structure: Voluntary tender offer, fully covered.** The buyback was structured as a 'voluntary partial tender offer' reflecting, inter alia, considerations around trading volumes and free float. The tender closed on November 22 with a total of 31.7 mn shares offered, implying a pro-rata allocation ratio of 34%. Two key shareholders accounted for a bulk of the offered shares, allowing the bank to increase the free float to c.70%. While the final allocation was only disclosed upon the tender's completion (November 27), the bank was informed of the planned shareholder participation shortly after the buyback was announced, effectively underwriting the tender.

❸ **Financial impact: -2pp hit, yet lower CT1 well within the 'target' range.** The buyback, when completed, will lower BAWG's CET1 ratio by 1.9pp to 13.0% (pro-forma for 3Q19). The lower capitalization is fully in line with the bank's 12-13% target and a cut above the bank's official SREP ratio (10.25%, plus 1pp P2G buffer). Given strong ongoing capital generation (RORWAs >2%), we forecast BAWG's CET1 at c.13.3% at the end of 2019. The capital redemption under the buyback stood at c. 90% of the bank's 2018 earnings, lifting the total payout ratio to 140% (including €215 mn of ordinary dividends paid out earlier this year).

High-ROE bank in a low-ROE market

BAWG, based in Austria, is one of the most profitable and capital-generative banks in our coverage (>15% capital-adjusted ROTE, 2019-23E). It has a proven restructuring track record and an ambition to deploy its low-cost business model in Germany and Switzerland via organic growth and bolt-on acquisitions. The bank aims to deploy capital that it generates excess on bolt-on M&A and/or buybacks on top of a 50% ordinary dividend payout. The buyback, when completed, will take cumulative capital distribution to >€1.0 bn since 2016 despite BAWG closing nine acquisitions over the past four years (including three in 2019).

We believe BAWG's ability to execute on its capital return plan is a result of several factors: (i) a ***strong capital position*** screening well above peers, (ii) underpinned by ***healthy recurring capital generation*** and (iii) evidenced by ***low severity of the EBA stress test.*** Furthermore, BAWG reported (iv) ***meaningful quantum of excess capital*** above SREP and 11% CT1 hurdle in the stress test's adverse scenario. Last but not least, prior to the buyback the shares traded at a (v) ***discount to historical P/TBV*** multiples.

Exhibit 10: BAWG is a well-capitalized bank, with strong capital generation and solid stress test track record

Benchmarking of BAWG pre- and post the announced buyback with the European banks under our coverage

① Spot Capitalisation

(Based on GSe for 2019E)

#	Bank	Core Tier 1 (Fully Loaded)	Tier 1 Leverage (Fully Loaded)
1	ARION	20.7%	12.8%
2	ABN	18.6%	4.4%
3	DNB	18.3%	7.2%
4	PKO	17.5%	10.8%
5	SHB	17.5%	4.6%
6	EFG	16.7%	4.2%
7	DAN	16.6%	4.5%
8	SWE	16.6%	5.4%
9	SEB	16.5%	4.7%
10	OTP	16.4%	10.7%
11	MON	16.4%	9.5%
12	AIB	16.1%	10.1%
13	KBC	16.0%	6.2%
14	RBS	16.0%	5.1%
15	ALB	16.0%	13.2%
16	NDA	15.5%	5.0%
17	NBG	15.4%	8.0%
18	BAWG (pre)	15.3%	7.0%
19	PEO	15.3%	9.9%
20	ING	14.7%	4.5%
21	ISP	14.6%	6.1%
22	SPL	14.5%	10.2%
23	HSBC	14.0%	5.3%
24	UNI	13.8%	6.6%
25	RBI	13.8%	8.0%
26	BOI	13.7%	7.0%
27	ERST	13.5%	7.0%
28	LLOY	13.5%	4.9%
29	VMUK	13.3%	4.6%
30	BAWG (post)	13.3%	6.2%
31	STAN	13.3%	5.4%
32	BARC	13.2%	4.7%
33	DBK	13.1%	4.0%
34	BAER	13.1%	4.2%
35	UBS	12.9%	5.6%
36	CBK	12.8%	4.6%
37	VONN	12.7%	3.5%
38	BPER	12.7%	5.2%
39	BKIA	12.6%	6.0%
40	BCP	12.6%	6.9%
41	UBI	12.5%	5.5%
42	UCG	12.5%	5.1%
43	CS	12.5%	5.6%
44	BPM	12.5%	4.1%
45	BMPS	12.2%	5.1%
46	SOGN	12.2%	4.4%
47	BNP	12.0%	4.6%
48	CABK	11.8%	4.9%
49	EURB	11.7%	8.5%
50	BBVA	11.7%	7.2%
51	CAGR	11.6%	4.4%
52	BKT	11.6%	5.0%
53	SABE	11.4%	5.1%
54	CNAT	11.3%	4.2%
55	SAN	11.2%	5.3%
56	BOP	7.4%	5.1%
	Austria	13.6%	7.3%
	Germany	13.0%	4.2%
	France	11.9%	4.5%
	Benelux	15.7%	4.7%
	Italy	13.2%	5.3%
	Spain	11.5%	5.7%
	Greece	12.6%	8.7%
	Ireland	14.9%	8.5%
	Portugal	12.6%	6.9%
	Euro Area	12.7%	5.1%
	Nordics	16.7%	5.2%
	CEE	16.1%	10.4%
	Switzerland	12.8%	5.5%
	United Kingdom	13.9%	5.1%
	GS Coverage	13.3%	5.2%

② Capital Generation

(Based on GSe for 2019E)

#	Bank	RoTE	RoRWA
1	OTP	19.9%	3.5%
2	VONN	19.1%	3.1%
3	SWE	16.1%	3.0%
4	MON	15.0%	2.8%
5	BAER	19.1%	2.8%
6	DNB	12.4%	2.5%
7	SEB	13.0%	2.5%
8	KBC	14.2%	2.4%
9	SHB	11.5%	2.2%
10	PKO	12.0%	2.2%
11	BAWG (pre)	13.5%	2.2%
12	BAWG (post)	15.4%	2.2%
13	ABN	10.7%	1.9%
14	PEO	10.6%	1.8%
15	BKT	12.9%	1.7%
16	RBI	11.7%	1.6%
17	DAN	8.8%	1.6%
18	ING	10.0%	1.6%
19	SPL	10.2%	1.6%
20	UBS	8.7%	1.6%
21	HSBC	9.8%	1.6%
22	ISP	9.4%	1.4%
23	UCG	10.8%	1.4%
24	BBVA	11.7%	1.3%
25	UNI	7.3%	1.2%
26	BPM	8.2%	1.2%
27	BNP	9.5%	1.2%
28	RBS	6.6%	1.2%
29	ERST	11.3%	1.2%
30	CNAT	9.2%	1.2%
31	EFG	8.1%	1.1%
32	CABK	8.1%	1.1%
33	CAGR	9.4%	1.1%
34	SABE	8.9%	1.1%
35	SAN	9.2%	1.1%
36	AIB	4.4%	1.1%
37	CS	7.7%	1.0%
38	LLOY	5.8%	1.0%
39	BOI	5.6%	1.0%
40	NDA	5.1%	0.9%
41	BCP	6.4%	0.8%
42	ARION	3.4%	0.8%
43	BKIA	5.1%	0.8%
44	STAN	5.2%	0.8%
45	BPER	5.8%	0.8%
46	SOGN	6.2%	0.8%
47	ALB	4.5%	0.7%
48	NBG	4.1%	0.7%
49	EURB	4.7%	0.6%
50	BARC	3.6%	0.5%
51	UBI	3.8%	0.5%
52	CBK	3.3%	0.5%
53	BOP	3.4%	0.4%
54	BMPS	1.6%	0.2%
55	VMUK	-9.1%	-1.2%
56	DBK	-10.3%	-1.5%
	Austria	11.8%	1.4%
	Germany	-5.8%	-0.8%
	France	8.6%	1.1%
	Benelux	10.9%	1.8%
	Italy	8.8%	1.2%
	Spain	9.4%	1.1%
	Greece	4.2%	0.6%
	Ireland	4.9%	1.0%
	Portugal	6.4%	0.8%
	Euro Area	7.4%	1.0%
	Nordics	10.1%	1.9%
	CEE	13.2%	2.2%
	Switzerland	8.7%	1.4%
	United Kingdom	7.0%	1.1%
	GS Coverage	7.7%	1.1%

③ Stress Test Resilience

(Based on GSe for 2019E and EBA ST-2018)

#	Bank	CET1 (Adverse Case)	Severity (Adverse Case)
1	ARION	19.5%	-1.2%
2	PKO	17.2%	-0.3%
3	DNB	17.0%	-1.3%
4	ABN	15.8%	-2.8%
5	SHB	15.1%	-2.4%
6	SWE	14.8%	-1.8%
7	SEB	14.2%	-2.3%
8	OTP	14.1%	-2.3%
9	PEO	13.9%	-1.3%
10	KBC	13.7%	-2.3%
11	NDA	13.4%	-2.1%
12	BAWG (pre)	12.7%	-2.6%
13	ISP	12.3%	-2.3%
14	DAN	11.5%	-5.1%
15	UNI	11.3%	-2.5%
16	AIB	11.2%	-4.9%
17	RBI	11.1%	-2.8%
18	ING	11.0%	-3.8%
19	BAWG (post)	10.7%	-2.6%
20	BKIA	10.0%	-2.5%
21	SAN	9.8%	-1.4%
22	RBS	9.7%	-6.3%
23	BBVA	9.7%	-2.0%
24	CBK	9.7%	-3.1%
25	BCP	9.6%	-3.0%
26	CABK	9.4%	-2.4%
27	BOI	9.4%	-4.3%
28	UCG	9.4%	-3.1%
29	ERST	9.3%	-4.3%
30	BNP	9.2%	-2.8%
31	HSBC	9.1%	-4.9%
32	BKT	9.0%	-2.5%
33	UBI	8.6%	-3.9%
34	SOGN	8.5%	-3.6%
35	BPM	7.8%	-4.6%
36	ALB	7.6%	-8.4%
37	DBK	7.4%	-5.7%
38	SABE	7.2%	-4.2%
39	BARC	6.8%	-6.5%
40	LLOY	6.6%	-6.9%
41	NBG	5.7%	-9.7%
42	EURB	4.6%	-7.1%
43	BOP	-1.9%	-9.3%
44	CAGR	--	--
45	CNAT	--	--
46	BMPS	--	--
47	BPER	--	--
48	MON	--	--
49	SPL	--	--
50	CS	--	--
51	UBS	--	--
52	EFG	--	--
53	BAER	--	--
54	VONN	--	--
55	STAN	--	--
56	--	--	--
	Austria	10.2%	-3.4%
	Germany	8.2%	-4.8%
	France	9.0%	-2.9%
	Benelux	12.4%	-3.3%
	Italy	10.2%	-3.0%
	Spain	9.6%	-2.0%
	Greece	4.1%	-8.5%
	Ireland	10.3%	-4.6%
	Portugal	9.6%	-3.0%
	Euro Area	9.6%	-3.1%
	Nordics	14.1%	-2.6%
	CEE	15.4%	-0.7%
	Switzerland	--	--
	United Kingdom	8.3%	-5.6%
	GS Coverage	9.7%	-3.5%

④ Excess Capital

(Based on GSe for 2019E and EBA ST-2018)

#	Bank	CT1 > Reg. Min. (2019E)	Stress CT1 >11% (ST re-run 2019E)
1	EFG	8.7%	--
2	ABN	6.6%	4.8%
3	KBC	5.3%	2.7%
4	RBS	5.3%	-1.3%
5	ISP	5.3%	1.3%
6	UNI	5.1%	0.3%
7	BAWG (pre)	5.0%	1.7%
8	ALB	5.0%	-3.4%
9	VONN	4.9%	--
10	BAER	4.9%	--
11	OTP	4.8%	3.1%
12	NBG	4.4%	-5.3%
13	ARION	3.8%	8.5%
14	BPER	3.7%	--
15	AIB	3.5%	0.2%
16	MON	3.5%	--
17	BKT	3.4%	-2.0%
18	PKO	3.4%	6.2%
19	BKIA	3.3%	-1.0%
20	UBI	3.3%	-2.4%
21	BAWG (post)	3.1%	-0.3%
22	CAGR	3.0%	--
23	CABK	3.0%	-1.6%
24	BPM	3.0%	-3.2%
25	STAN	3.0%	--
26	BCP	2.9%	-1.4%
27	ING	2.9%	-0.0%
28	UBS	2.9%	--
29	CBK	2.7%	-1.3%
30	HSBC	2.6%	-1.9%
31	CS	2.5%	--
32	NDA	2.4%	2.4%
33	UCG	2.4%	-1.6%
34	BBVA	2.4%	-1.3%
35	VMUK	2.3%	--
36	CNAT	2.3%	--
37	RBI	2.2%	0.1%
38	SOGN	2.2%	-2.5%
39	ERST	2.2%	-1.7%
40	BNP	2.2%	-1.8%
41	BMPS	2.2%	--
42	BOI	2.0%	-1.6%
43	DAN	1.8%	0.5%
44	SHB	1.8%	4.1%
45	SEB	1.8%	3.2%
46	DBK	1.8%	-3.6%
47	SABE	1.7%	-3.8%
48	PEO	1.6%	2.9%
49	SWE	1.5%	3.8%
50	SAN	1.5%	-1.2%
51	DNB	1.4%	6.0%
52	LLOY	1.3%	-4.4%
53	BARC	1.2%	-4.2%
54	SPL	0.7%	--
55	EURB	0.7%	-6.4%
56	BOP	-3.9%	-12.9%
	Austria	2.3%	-0.8%
	Germany	2.1%	-2.8%
	France	2.4%	-2.0%
	Benelux	4.1%	1.4%
	Italy	3.5%	-0.8%
	Spain	2.1%	-1.4%
	Greece	1.6%	-6.9%
	Ireland	2.8%	-0.7%
	Portugal	2.9%	-1.4%
	Euro Area	2.6%	-1.4%
	Nordics	1.9%	3.1%
	CEE	2.7%	4.4%
	Switzerland	2.9%	--
	United Kingdom	2.5%	-2.7%
	GS Coverage	2.6%	-1.3%

⑤ Valuation P/TBV

(Based on GSe for 2019E and 3yr average 1y-forward multiple)

#	Bank	P/TBV (2019E)	Discount vs. 3Yr average
1	BMPS	0.2x	-40%
2	CBK	0.3x	-38%
3	BOP	0.3x	20%
4	DBK	0.3x	-31%
5	BPM	0.3x	-15%
6	ALB	0.4x	19%
7	UNI	0.4x	-23%
8	BKIA	0.4x	-42%
9	UBI	0.5x	-6%
10	SOGN	0.5x	-23%
11	BCP	0.5x	-18%
12	UCG	0.5x	-11%
13	BPER	0.5x	-4%
14	SABE	0.5x	-24%
15	NBG	0.5x	34%
16	DAN	0.5x	-49%
17	BOI	0.6x	-29%
18	AIB	0.6x	-31%
19	BARC	0.6x	-8%
20	RBI	0.7x	-22%
21	EURB	0.7x	75%
22	VMUK	0.7x	-23%
23	STAN	0.7x	-1%
24	BNP	0.7x	-11%
25	BBVA	0.7x	-26%
26	CABK	0.8x	-25%
27	ABN	0.8x	-30%
28	ING	0.8x	-22%
29	ARION	0.8x	5%
30	CS	0.8x	-12%
31	SAN	0.8x	-24%
32	RBS	0.8x	8%
33	CAGR	0.9x	-5%
34	UBS	0.9x	-24%
35	CNAT	0.9x	-25%
36	ISP	0.9x	-4%
37	NDA	1.0x	-23%
38	ERST	1.1x	-11%
39	HSBC	1.1x	-14%
40	BAWG (pre)	1.1x	-5%
41	SWE	1.2x	-38%
42	PKO	1.2x	-13%
43	EFG	1.2x	-7%
44	LLOY	1.2x	2%
45	BAWG (post)	1.2x	8%
46	SEB	1.2x	-19%
47	SHB	1.2x	-20%
48	SPL	1.2x	-23%
49	DNB	1.2x	1%
50	PEO	1.3x	-14%
51	BKT	1.3x	-21%
52	KBC	1.6x	-1%
53	MON	1.7x	0%
54	OTP	2.1x	1%
55	VONN	2.9x	--
56	BAER	3.1x	-12%
	Austria	0.9x	-12%
	Germany	0.3x	-35%
	France	0.7x	-16%
	Benelux	0.9x	-15%
	Italy	0.6x	-10%
	Spain	0.7x	-26%
	Greece	0.5x	40%
	Ireland	0.6x	-30%
	Portugal	0.5x	-18%
	Euro Area	0.7x	-16%
	Nordics	1.0x	-22%
	CEE	1.4x	-10%
	Switzerland	1.0x	-21%
	United Kingdom	0.9x	-28%
	GS Coverage	0.8x	-20%

Source: Company data, Goldman Sachs Global Investment Research, EBA

Appendix: Search for investable yield

In our previous research, *Search for investable yield: 10 dividend plays, in a 7% yielding sector* (October 2019), we argued that a search for credible bank yield needs affirmative answers to three questions: (1) "Is the bank allowed to pay a dividend?", as capital returns require supervisory approval. (2) "Will they opt to pay a dividend?", as multiple disincentives to capital distribution persist, and (3) "Can they afford to sustain current levels of dividends?". We re-run our framework based on the updated forecasts that take into account, inter alia, the latest earnings seasons.

Exhibit 11: "Safe" capital return banks: (1) allowed to distribute, (2) unlikely to keep building buffers and (3) can sustain pace of capital distribution

Starting sample includes banks that were included in the EBA stress test, Swiss banks and other banks under GS coverage

	Supervisory Sign-Off		Incentive for Capital Build-Up to Continue	Risk to pace of capital distribution			
Question	Allowed to distribute capital?		Incentivised to build-up capital further?	Can sustain pace of capital distribution?			
Rationale	Screening for banks over the existing minimum regulatory benchmarks and guidance		Focus on asset quality improvement and litigation/conduct risks may result in banks opting to restrict capital returns	Screening for banks where future capital returns to shareholders could be at risk			
Criteria: EBA Banks	Hurdle ❶ CET1 (2019) + ST Severity > 9.0%	Hurdle ❷ CET1 (2019) + ST Severity > 11.0%	Hurdle ❹ Texas Ratio < 100%	Dividend Cover (EBA banks with 'Stressed CET1' < 11% & all Swiss banks)		Excess Capital: (SSM banks with 'Stressed' CET1 > 11%)	Hurdle ❽ Excess Capital (Stress Test) > 5% of Market Cap (EBA-ST banks only) or
	Hurdle ❸ T1L (2019) > 3.0% + 0.5x GSIB + 0.5% buffer		Overlay ❺ AML/KYC and Litigation Overhang and M&A Optionality	Hurdle ❻ Forecast Total Payout < 75%	Hurdle ❼ Forecast Total Payout < 50%		Hurdle ❾ Excess Capital (BAWG) > 5% of Market Cap (all banks) or
Criteria: Swiss Banks	Hurdle ① CET1 (2019) > Management Target						Hurdle ❿ Excess Capital (Mgmt Target) > 5% of Market Cap (all banks)
	Hurdle ② T1L (2019) > 5.0% (systemic banks) or >3.0% (other banks)						
	Hurdle ③ CT1L (2019) > 3% (systemic banks)						

Banks with total yield ≥ 6% that...	... comfortably achieve regulatory sign-offs		...and have a low incentive to continue capital build...		...and are expected to have adequate dividend cover		...or screen in a position of capital flexibility	
	Hurdles ❶+❸ or ①+②+③	Hurdles ❷+❸ or ①+②+③	Hurdles ❶+❸+❹+❺ or ①+②+③+❺	Hurdles ❷+❸+❹+❺ or ①+②+③+❺	Hurdles ❶+❸+❹+❺+❻ or ①+②+③+❺+❻	Hurdles ❶+❸+❹+❺+❼ or ①+②+③+❺+❼	Excess Capital ❷+❸+❹+❺ (for SSM banks only)	Excess Capital ❽ or ❾ or ❿ and (❶+❸+❹+❺ / ①+②+③+❺)
	1. ARION (17.6%)	1. ARION (17.6%)	1. ARION (17.6%)	1. ARION (17.6%)	~~ARION (17.6%)~~	~~ARION (17.6%)~~	~~ARION (17.6%)~~	1. ARION (17.6%)
	2. BAWG (17.0%)	2. BAWG (17.0%)	2. BAWG (17.0%)	2. BAWG (17.0%)	~~BAWG (17.0%)~~	~~BAWG (17.0%)~~	1. BAWG (17.0%)	2. BAWG (17.0%)
	3. AIB (10.1%)	3. AIB (10.1%)	3. AIB (10.1%)	3. AIB (10.1%)	~~AIB (10.1%)~~	~~AIB (10.1%)~~	2. AIB (10.1%)	3. AIB (10.1%)
	4. ABN (9.2%)	4. ABN (9.2%)	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~	~~ABN (9.2%)~~
	5. RBS (8.9%)	~~RBS (8.9%)~~	4. RBS (8.9%)	~~RBS (8.9%)~~	~~RBS (8.9%)~~	~~RBS (8.9%)~~	~~RBS (8.9%)~~	4. RBS (8.9%)
	6. ISP (8.4%)	5. ISP (8.4%)	5. ISP (8.4%)	4. ISP (8.4%)	~~ISP (8.4%)~~	~~ISP (8.4%)~~	3. ISP (8.4%)	5. ISP (8.4%)
	7. DNB (8.4%)	6. DNB (8.4%)	6. DNB (8.4%)	5. DNB (8.4%)	~~DNB (8.4%)~~	~~DNB (8.4%)~~	~~DNB (8.4%)~~	~~DNB (8.4%)~~
	8. SEB (8.2%)	7. SEB (8.2%)	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~	~~SEB (8.2%)~~
	9. UNI (7.8%)	8. UNI (7.8%)	7. UNI (7.8%)	6. UNI (7.8%)	1. UNI (7.8%)	1. UNI (7.8%)	4. UNI (7.8%)	6. UNI (7.8%)
	10. HSBC (7.3%)	~~HSBC (7.3%)~~	8. HSBC (7.3%)	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~	~~HSBC (7.3%)~~
	11. BAER (7.1%)	9. BAER (7.1%)	9. BAER (7.1%)	7. BAER (7.1%)	~~BAER (7.1%)~~	~~BAER (7.1%)~~	~~BAER (7.1%)~~	~~BAER (7.1%)~~
	12. SWE (7.0%)	10. SWE (7.0%)	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~	~~SWE (7.0%)~~
	13. MON* (6.8%)	11. MON* (6.8%)	10. MON* (6.8%)	8. MON* (6.8%)	~~MON* (6.8%)~~	~~MON* (6.8%)~~	~~MON* (6.8%)~~	7. MON* (6.8%)
	14. ING (6.6%)	~~ING (6.6%)~~	11. ING (6.6%)	~~ING (6.6%)~~	2. ING (6.6%)	~~ING (6.6%)~~	~~ING (6.6%)~~	~~ING (6.6%)~~
	15. DAN (6.5%)	12. DAN (6.5%)	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~	~~DAN (6.5%)~~
	16. NDA (6.2%)	13. NDA (6.2%)	12. NDA (6.2%)	9. NDA (6.2%)	~~NDA (6.2%)~~	~~NDA (6.2%)~~	5. NDA (6.2%)	8. NDA (6.2%)
	17. BNP (6.1%)	~~BNP (6.1%)~~	13. BNP (6.1%)	~~BNP (6.1%)~~	3. BNP (6.1%)	2. BNP (6.1%)	~~BNP (6.1%)~~	~~BNP (6.1%)~~
	18. PEO (6.0%)	14. PEO (6.0%)	14. PEO (6.0%)	10. PEO (6.0%)	4. PEO (6.0%)	~~PEO (6.0%)~~	~~PEO (6.0%)~~	~~PEO (6.0%)~~
	19. CS (5.9%)	15. CS (5.9%)	15. CS (5.9%)	11. CS (5.9%)	5. CS (5.9%)	~~CS (5.9%)~~	~~CS (5.9%)~~	~~CS (5.9%)~~
	20. KBC (5.9%)	16. KBC (5.9%)	16. KBC (5.9%)	12. KBC (5.9%)	6. KBC (5.9%)	~~KBC (5.9%)~~	6. KBC (5.9%)	9. KBC (5.9%)
	21. SHB (5.8%)	17. SHB (5.8%)	17. SHB (5.8%)	13. SHB (5.8%)	7. SHB (5.8%)	~~SHB (5.8%)~~	~~SHB (5.8%)~~	~~SHB (5.8%)~~

CAGR, CNAT, BMPS, BPER, SPL, ARWA, VMUK and STAN are excluded from the stress-test proxy as they were not a part of EBA's 2018 stress test. We include BAWG and BCP as the companies published the outcome of the test despite not being required to. ARION, UNI, BKIA and BKT are estimated based on outcomes for peers. For MON where the EBA stress test results are not available we approximate regulatory sign-off based on the spot capital hurdles only; we note that the bank screens in a position of capital flexibility based on the management targets and have obtained an approval from CNB for a buyback of shares.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: Total capital distribution and excess capital (2019/20)

Forecasted capital returns in 2019/20 (ordinary dividends, special dividends and buybacks) paid out in 2019YTD and 2020 and estimated excess capital at year-end under three methodologies.

Stress Test Re-Run (2019E)

#	Bank	Capital Distribution (GSe 2020E) € bn	Capital Distribution (GSe 2020E) % market cap	Excess CT1 > 11% € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	ARION	0.19	17.6%	0.47	0.66	61.4%
2	ABN	1.36	9.2%	5.93	7.29	49.5%
3	PKO	0.52	4.9%	3.09	3.61	33.9%
4	DNB	2.18	8.4%	6.46	8.64	33.3%
5	SWE	0.92	7.0%	2.81	3.73	28.1%
6	SHB	1.02	5.8%	3.54	4.56	26.0%
7	SEB	1.38	8.2%	2.75	4.13	24.6%
8	NDA	1.62	6.2%	4.46	6.08	23.2%
9	PEO	0.38	6.0%	0.91	1.29	20.3%
10	ISP	3.40	8.4%	3.86	7.26	18.0%
11	BAWG	0.62	17.0%	-	0.62	17.0%
12	KBC	1.62	5.9%	2.97	4.59	16.6%
13	DAN	0.69	6.5%	0.67	1.35	12.9%
14	UNI	0.11	7.8%	0.07	0.18	12.6%
15	OTP	0.22	1.8%	1.13	1.34	11.3%
16	AIB	0.83	10.1%	-	0.83	10.1%
17	CNAT	1.11	9.2%	--	1.11	9.2%
18	RBS	2.92	8.9%	-	2.92	8.9%
19	SOGN	1.95	8.3%	-	1.95	8.3%
20	STAN	2.15	8.2%	--	2.15	8.2%
21	UBS	3.26	8.1%	-	3.26	8.1%
22	HSBC	10.14	7.3%	-	10.14	7.3%
23	BAER	0.67	7.1%	-	0.67	7.1%
24	MON	0.11	6.8%	--	0.11	6.8%
25	ING	2.69	6.6%	-	2.69	6.6%
26	SABE	0.36	6.3%	-	0.36	6.3%
27	BNP	3.91	6.1%	-	3.91	6.1%
28	BKIA	0.33	6.0%	-	0.33	6.0%
29	RBI	0.38	5.4%	0.04	0.42	6.0%
30	CS	1.75	5.9%	-	1.75	5.9%
31	CAGR	1.97	5.5%	--	1.97	5.5%
32	BBVA	1.66	5.2%	-	1.66	5.2%
33	UCG	1.45	5.2%	-	1.45	5.2%
34	LLOY	2.64	5.1%	-	2.64	5.1%
35	ERST	0.69	5.1%	-	0.69	5.1%
36	BARC	1.79	5.1%	-	1.79	5.1%
37	EFG	0.08	4.9%	-	0.08	4.9%
38	CABK	0.75	4.7%	-	0.75	4.7%
39	SAN	2.61	4.4%	-	2.61	4.4%
40	BKT	0.25	4.4%	-	0.25	4.4%
41	ARWA	0.02	4.1%	--	0.02	4.1%
42	CBK	0.25	3.8%	-	0.25	3.8%
43	BPM	0.11	3.8%	-	0.11	3.8%
44	BOI	0.19	3.7%	-	0.19	3.7%
45	UBI	0.12	3.6%	-	0.12	3.6%
46	VONN	0.11	3.3%	-	0.11	3.3%
47	SPL	0.22	3.2%	-	0.22	3.2%
48	BPER	0.05	2.1%	--	0.05	2.1%
49	BCP	0.04	1.2%	-	0.04	1.2%
50	DBK	-	-	-	-	-
51	BMPS	-	-	--	-	-
52	ALB	-	-	-	-	-
53	NBG	-	-	-	-	-
54	EURB	-	-	-	-	-
55	BOP	-	-	-	-	-
56	VMUK	-	-	--	-	-
	Austria	1.69	7.0%	0.04	1.73	7.1%
	Germany	0.25	1.2%	-	0.25	1.2%
	France	8.95	6.6%	-	8.95	6.6%
	Benelux	5.67	6.8%	8.90	14.57	17.5%
	Italy	5.13	6.5%	3.86	8.99	11.4%
	Spain	6.08	4.8%	0.07	6.15	4.9%
	Greece	-	-	-	-	-
	Ireland	1.02	7.6%	-	1.02	7.6%
	Portugal	0.04	1.2%	-	0.04	1.2%
	Euro Area	28.82	5.8%	12.87	41.69	8.4%
	Nordics	7.99	7.2%	21.16	29.15	26.2%
	CEE	1.44	3.9%	5.12	6.56	17.6%
	Switzerland	5.88	7.0%	-	5.88	7.0%
	United Kingdom	19.65	6.8%	-	19.65	6.8%
	GS Coverage	63.78	6.3%	39.16	102.94	10.1%

Implied by BAWAG (2019E)

#	Bank	Capital Distribution (GSe 2020E) € bn	Capital Distribution (GSe 2020E) % market cap	Implied Excess CT1 € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	UNI	0.11	7.8%	0.26	0.38	25.9%
2	RBS	2.92	8.9%	4.45	7.36	22.4%
3	ISP	3.40	8.4%	5.44	8.84	21.9%
4	BAWG	0.62	17.0%	0.12	0.74	20.2%
5	ARION	0.19	17.6%	-	0.19	17.6%
6	KBC	1.62	5.9%	2.78	4.40	15.9%
7	AIB	0.83	10.1%	-	0.83	10.1%
8	ING	2.69	6.6%	1.31	4.00	9.8%
9	CNAT	1.11	9.2%	-	1.11	9.2%
10	ABN	1.36	9.2%	-	1.36	9.2%
11	PKO	0.52	4.9%	0.42	0.94	8.8%
12	DNB	2.18	8.4%	-	2.18	8.4%
13	SOGN	1.95	8.3%	-	1.95	8.3%
14	STAN	2.15	8.2%	-	2.15	8.2%
15	SEB	1.38	8.2%	-	1.38	8.2%
16	UBS	3.26	8.1%	-	3.26	8.1%
17	MON	0.11	6.8%	0.02	0.12	7.8%
18	BAER	0.67	7.1%	0.05	0.73	7.7%
19	HSBC	10.14	7.3%	0.36	10.50	7.6%
20	SWE	0.92	7.0%	-	0.92	7.0%
21	DAN	0.69	6.5%	-	0.69	6.5%
22	SABE	0.36	6.3%	-	0.36	6.3%
23	NDA	1.62	6.2%	-	1.62	6.2%
24	BNP	3.91	6.1%	-	3.91	6.1%
25	PEO	0.38	6.0%	-	0.38	6.0%
26	BKIA	0.33	6.0%	-	0.33	6.0%
27	CS	1.75	5.9%	-	1.75	5.9%
28	SHB	1.02	5.8%	-	1.02	5.8%
29	CAGR	1.97	5.5%	-	1.97	5.5%
30	RBI	0.38	5.4%	-	0.38	5.4%
31	BBVA	1.66	5.2%	-	1.66	5.2%
32	UCG	1.45	5.2%	-	1.45	5.2%
33	LLOY	2.64	5.1%	-	2.64	5.1%
34	ERST	0.69	5.1%	-	0.69	5.1%
35	BARC	1.79	5.1%	-	1.79	5.1%
36	EFG	0.08	4.9%	-	0.08	4.9%
37	CABK	0.75	4.7%	-	0.75	4.7%
38	SAN	2.61	4.4%	-	2.61	4.4%
39	BKT	0.25	4.4%	-	0.25	4.4%
40	ARWA	0.02	4.1%	-	0.02	4.1%
41	CBK	0.25	3.8%	-	0.25	3.8%
42	BPM	0.11	3.8%	-	0.11	3.8%
43	BOI	0.19	3.7%	-	0.19	3.7%
44	UBI	0.12	3.6%	-	0.12	3.6%
45	VONN	0.11	3.3%	-	0.11	3.3%
46	SPL	0.22	3.2%	-	0.22	3.2%
47	OTP	0.22	1.8%	0.11	0.33	2.8%
48	BPER	0.05	2.1%	-	0.05	2.1%
49	BCP	0.04	1.2%	-	0.04	1.2%
50	DBK	-	-	-	-	-
51	BMPS	-	-	-	-	-
52	ALB	-	-	-	-	-
53	NBG	-	-	-	-	-
54	EURB	-	-	-	-	-
55	BOP	-	-	-	-	-
56	VMUK	-	-	-	-	-
	Austria	1.69	7.0%	0.12	1.81	7.4%
	Germany	0.25	1.2%	-	0.25	1.2%
	France	8.95	6.6%	-	8.95	6.6%
	Benelux	5.67	6.8%	4.09	9.75	11.7%
	Italy	5.13	6.5%	5.44	10.57	13.4%
	Spain	6.08	4.8%	0.26	6.34	5.1%
	Greece	-	-	-	-	-
	Ireland	1.02	7.6%	-	1.02	7.6%
	Portugal	0.04	1.2%	-	0.04	1.2%
	Euro Area	28.82	5.8%	9.91	38.73	7.8%
	Nordics	7.99	7.2%	-	7.99	7.2%
	CEE	1.44	3.9%	0.55	1.99	5.4%
	Switzerland	5.88	7.0%	0.05	5.93	7.0%
	United Kingdom	19.65	6.8%	4.81	24.46	8.5%
	GS Coverage	63.78	6.3%	15.32	79.10	7.8%

Management Targets (2019E)

#	Bank	Capital Distribution (GSe 2020E) € bn	Capital Distribution (GSe 2020E) % market cap	Excess > Target € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	ARION	0.19	17.6%	0.21	0.39	36.8%
2	UNI	0.11	7.8%	0.31	0.42	29.1%
3	AIB	0.83	10.1%	1.17	1.99	24.4%
4	RBS	2.92	8.9%	4.45	7.36	22.4%
5	EFG	0.08	4.9%	0.25	0.33	20.7%
6	ISP	3.40	8.4%	4.31	7.71	19.1%
7	BAWG	0.62	17.0%	0.07	0.69	18.8%
8	ALB	-	-	0.47	0.47	16.0%
9	MON	0.11	6.8%	0.13	0.23	14.8%
10	BKIA	0.33	6.0%	0.47	0.80	14.6%
11	PKO	0.52	4.9%	1.00	1.52	14.3%
12	RBI	0.38	5.4%	0.62	1.00	14.0%
13	KBC	1.62	5.9%	1.99	3.61	13.1%
14	DAN	0.69	6.5%	0.68	1.36	13.0%
15	BAER	0.67	7.1%	0.42	1.10	11.6%
16	CAGR	1.97	5.5%	2.05	4.02	11.2%
17	SOGN	1.95	8.3%	0.56	2.52	10.7%
18	CNAT	1.11	9.2%	0.12	1.23	10.2%
19	BOI	0.19	3.7%	0.33	0.53	10.2%
20	ABN	1.36	9.2%	0.10	1.46	9.9%
21	DNB	2.18	8.4%	0.38	2.56	9.9%
22	PEO	0.38	6.0%	0.23	0.61	9.7%
23	SEB	1.38	8.2%	0.24	1.62	9.6%
24	BCP	0.04	1.2%	0.25	0.29	9.5%
25	NDA	1.62	6.2%	0.76	2.38	9.0%
26	STAN	2.15	8.2%	-	2.15	8.2%
27	UBS	3.26	8.1%	-	3.26	8.1%
28	UCG	1.45	5.2%	0.68	2.13	7.6%
29	HSBC	10.14	7.3%	0.36	10.50	7.6%
30	SWE	0.92	7.0%	-	0.92	7.0%
31	ING	2.69	6.6%	-	2.69	6.6%
32	SABE	0.36	6.3%	-	0.36	6.3%
33	BNP	3.91	6.1%	0.07	3.98	6.3%
34	CS	1.75	5.9%	-	1.75	5.9%
35	SHB	1.02	5.8%	-	1.02	5.8%
36	BBVA	1.66	5.2%	-	1.66	5.2%
37	CBK	0.25	3.8%	0.09	0.34	5.2%
38	LLOY	2.64	5.1%	-	2.64	5.1%
39	ERST	0.69	5.1%	-	0.69	5.1%
40	BARC	1.79	5.1%	-	1.79	5.1%
41	BKT	0.25	4.4%	0.03	0.28	4.9%
42	VONN	0.11	3.3%	0.05	0.16	4.9%
43	CABK	0.75	4.7%	-	0.75	4.7%
44	BPER	0.05	2.1%	0.06	0.10	4.6%
45	NBG	-	-	0.13	0.13	4.5%
46	SAN	2.61	4.4%	-	2.61	4.4%
47	ARWA	0.02	4.1%	--	0.02	4.1%
48	BPM	0.11	3.8%	-	0.11	3.8%
49	UBI	0.12	3.6%	-	0.12	3.6%
50	SPL	0.22	3.2%	-	0.22	3.2%
51	VMUK	-	-	0.09	0.09	3.1%
52	DBK	-	-	0.25	0.25	1.9%
53	OTP	0.22	1.8%	-	0.22	1.8%
54	BMPS	-	-	-	-	-
55	EURB	-	-	-	-	-
56	BOP	-	-	-	-	-
	Austria	1.69	7.0%	0.68	2.37	9.8%
	Germany	0.25	1.2%	0.34	0.60	2.9%
	France	8.95	6.6%	2.80	11.75	8.7%
	Benelux	5.67	6.8%	2.08	7.75	9.3%
	Italy	5.13	6.5%	5.04	10.18	12.9%
	Spain	6.08	4.8%	0.81	6.89	5.5%
	Greece	-	-	0.60	0.60	5.6%
	Ireland	1.02	7.6%	1.50	2.52	18.9%
	Portugal	0.04	1.2%	0.25	0.29	9.5%
	Euro Area	28.82	5.8%	14.11	42.93	8.7%
	Nordics	7.99	7.2%	2.26	10.25	9.2%
	CEE	1.44	3.9%	1.36	2.80	7.5%
	Switzerland	5.88	7.0%	0.73	6.60	7.8%
	United Kingdom	19.65	6.8%	4.89	24.55	8.5%
	GS Coverage	63.78	6.3%	23.36	87.14	8.6%

Source: Company data, Goldman Sachs Global Investment Research, EBA

Exhibit 13: Total capital distribution and excess capital (cumulative 2019-22E)

Forecasted capital returns over 2019/20-2022E (ordinary dividends, special dividends and buybacks) and estimated excess capital at 2022E under three methodologies.

Stress Test Re-Run (2022E)

#	Bank	Capital Distribution (GSe 2020-22E) € bn	Capital Distribution (GSe 2020-22E) % market cap	Excess CT1 > 11% € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	ABN	3.85	26.1%	6.24	10.10	68.5%
2	ARION	0.48	44.8%	0.15	0.63	59.2%
3	SWE	2.81	21.1%	4.99	7.80	58.7%
4	PKO	1.76	16.5%	3.72	5.48	51.5%
5	BAWG	1.38	37.8%	0.46	1.84	50.2%
6	DNB	6.48	25.0%	6.36	12.85	49.5%
7	UNI	0.27	18.4%	0.42	0.69	47.5%
8	SEB	4.25	25.3%	2.98	7.22	43.0%
9	NDA	5.18	19.7%	5.87	11.06	42.1%
10	AIB	3.36	41.1%	-	3.36	41.1%
11	SHB	3.34	19.1%	3.73	7.07	40.4%
12	DAN	2.74	26.0%	1.23	3.96	37.7%
13	PEO	1.08	16.9%	1.23	2.30	36.2%
14	RBI	1.39	19.6%	1.04	2.43	34.2%
15	KBC	5.10	18.5%	3.57	8.68	31.4%
16	CNAT	3.66	30.4%	--	3.66	30.4%
17	ING	8.22	20.2%	3.74	11.95	29.3%
18	UBS	10.74	26.7%	-	10.74	26.7%
19	ISP	8.94	22.1%	1.16	10.10	25.0%
20	RBS	8.02	24.3%	-	8.02	24.3%
21	OTP	0.74	6.2%	2.05	2.79	23.4%
22	STAN	5.98	22.9%	--	5.98	22.9%
23	BKIA	0.96	17.6%	0.25	1.21	22.2%
24	SOGN	5.18	21.9%	-	5.18	21.9%
25	HSBC	30.31	21.9%	-	30.31	21.9%
26	MON	0.34	21.2%	--	0.34	21.2%
27	SAN	10.12	17.1%	2.37	12.49	21.1%
28	BNP	12.61	19.8%	-	12.61	19.8%
29	CS	5.86	19.6%	-	5.86	19.6%
30	ARWA	0.08	18.2%	--	0.08	18.2%
31	BCP	0.26	8.6%	0.28	0.54	18.0%
32	UCG	4.99	17.9%	-	4.99	17.9%
33	SABE	0.98	17.3%	-	0.98	17.3%
34	EFG	0.27	17.2%	-	0.27	17.2%
35	CAGR	6.09	16.9%	--	6.09	16.9%
36	CABK	2.71	16.9%	-	2.71	16.9%
37	ERST	2.24	16.6%	-	2.24	16.6%
38	BBVA	5.12	16.1%	-	5.12	16.1%
39	LLOY	8.09	15.7%	-	8.09	15.7%
40	BARC	5.47	15.5%	-	5.47	15.5%
41	BAER	1.40	14.8%	-	1.40	14.8%
42	BKT	0.78	13.7%	-	0.78	13.7%
43	CBK	0.88	13.3%	-	0.88	13.3%
44	UBI	0.44	13.1%	-	0.44	13.1%
45	BPM	0.36	11.6%	-	0.36	11.6%
46	BPER	0.26	11.4%	--	0.26	11.4%
47	VONN	0.37	11.2%	-	0.37	11.2%
48	SPL	0.71	10.6%	--	0.71	10.6%
49	BOI	0.54	10.5%	-	0.54	10.5%
50	VMUK	0.12	4.2%	--	0.12	4.2%
51	DBK	-	-	-	-	-
52	BMPS	-	-	--	-	-
53	ALB	-	-	-	-	-
54	NBG	-	-	-	-	-
55	EURB	-	-	-	-	-
56	BOP	-	-	-	-	-
	Austria	5.01	20.7%	1.50	6.51	26.8%
	Germany	0.88	4.3%	-	0.88	4.3%
	France	27.54	20.4%	-	27.54	20.4%
	Benelux	17.18	20.7%	13.55	30.73	37.0%
	Italy	14.98	19.0%	1.16	16.14	20.5%
	Spain	20.95	16.7%	3.04	23.99	19.1%
	Greece	-	-	-	-	-
	Ireland	3.90	29.2%	-	3.90	29.2%
	Portugal	0.26	8.6%	0.28	0.54	18.0%
	Euro Area	90.69	18.4%	19.53	110.23	22.3%
	Nordics	25.27	22.7%	25.32	50.59	45.4%
	CEE	4.62	12.4%	7.00	11.62	31.2%
	Switzerland	18.64	22.1%	-	18.64	22.1%
	United Kingdom	58.07	20.2%	-	58.07	20.2%
	GS Coverage	197.29	19.4%	51.86	249.15	24.6%

Implied by BAWAG (2022E)

#	Bank	Capital Distribution (GSe 2020-22E) € bn	Capital Distribution (GSe 2020-22E) % market cap	Implied Excess CT1 € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	BAWG	1.38	37.8%	0.47	1.85	50.7%
2	ARION	0.48	44.8%	-	0.48	44.8%
3	AIB	3.36	41.1%	-	3.36	41.1%
4	ING	8.22	20.2%	4.88	13.10	32.1%
5	CNAT	3.66	30.4%	-	3.66	30.4%
6	KBC	5.10	18.5%	3.10	8.20	29.7%
7	HSBC	30.31	21.9%	10.04	40.36	29.1%
8	RBI	1.39	19.6%	0.59	1.98	27.8%
9	UBS	10.74	26.7%	-	10.74	26.7%
10	ABN	3.85	26.1%	-	3.85	26.1%
11	DAN	2.74	26.0%	-	2.74	26.0%
12	SEB	4.25	25.3%	-	4.25	25.3%
13	DNB	6.48	25.0%	-	6.48	25.0%
14	RBS	8.02	24.3%	-	8.02	24.3%
15	STAN	5.98	22.9%	-	5.98	22.9%
16	PKO	1.76	16.5%	0.63	2.39	22.4%
17	ISP	8.94	22.1%	-	8.94	22.1%
18	SOGN	5.18	21.9%	-	5.18	21.9%
19	MON	0.34	21.2%	-	0.34	21.2%
20	SWE	2.81	21.1%	-	2.81	21.1%
21	BAER	1.40	14.8%	0.57	1.97	20.8%
22	VONN	0.37	11.2%	0.31	0.67	20.6%
23	BNP	12.61	19.8%	-	12.61	19.8%
24	NDA	5.18	19.7%	-	5.18	19.7%
25	CS	5.86	19.6%	-	5.86	19.6%
26	SHB	3.34	19.1%	-	3.34	19.1%
27	UNI	0.27	18.4%	-	0.27	18.4%
28	ARWA	0.08	18.2%	-	0.08	18.2%
29	UCG	4.99	17.9%	-	4.99	17.9%
30	BKIA	0.96	17.6%	-	0.96	17.6%
31	SABE	0.98	17.3%	-	0.98	17.3%
32	EFG	0.27	17.2%	-	0.27	17.2%
33	SAN	10.12	17.1%	-	10.12	17.1%
34	CAGR	6.09	16.9%	-	6.09	16.9%
35	PEO	1.08	16.9%	-	1.08	16.9%
36	CABK	2.71	16.9%	-	2.71	16.9%
37	ERST	2.24	16.6%	-	2.24	16.6%
38	BBVA	5.12	16.1%	-	5.12	16.1%
39	LLOY	8.09	15.7%	-	8.09	15.7%
40	BARC	5.47	15.5%	-	5.47	15.5%
41	BKT	0.78	13.7%	-	0.78	13.7%
42	CBK	0.88	13.3%	-	0.88	13.3%
43	UBI	0.44	13.1%	-	0.44	13.1%
44	BPM	0.36	11.6%	-	0.36	11.6%
45	BPER	0.26	11.4%	-	0.26	11.4%
46	SPL	0.71	10.6%	-	0.71	10.6%
47	BOI	0.54	10.5%	-	0.54	10.5%
48	OTP	0.74	6.2%	0.44	1.18	9.9%
49	BCP	0.26	8.6%	-	0.26	8.6%
50	VMUK	0.12	4.2%	-	0.12	4.2%
51	DBK	-	-	-	-	-
52	BMPS	-	-	-	-	-
53	ALB	-	-	-	-	-
54	NBG	-	-	-	-	-
55	EURB	-	-	-	-	-
56	BOP	-	-	-	-	-
	Austria	5.01	20.7%	1.06	6.07	25.0%
	Germany	0.88	4.3%	-	0.88	4.3%
	France	27.54	20.4%	-	27.54	20.4%
	Benelux	17.18	20.7%	7.98	25.15	30.3%
	Italy	14.98	19.0%	-	14.98	19.0%
	Spain	20.95	16.7%	-	20.95	16.7%
	Greece	-	-	-	-	-
	Ireland	3.90	29.2%	-	3.90	29.2%
	Portugal	0.26	8.6%	-	0.26	8.6%
	Euro Area	90.69	18.4%	9.04	99.73	20.2%
	Nordics	25.27	22.7%	-	25.27	22.7%
	CEE	4.62	12.4%	1.07	5.69	15.3%
	Switzerland	18.64	22.1%	0.88	19.52	23.1%
	United Kingdom	58.07	20.2%	10.04	68.11	23.7%
	GS Coverage	197.29	19.4%	21.03	218.32	21.5%

Pro-Memoria: Management Targets (2022E)

#	Bank	Capital Distribution (GSe 2020-22E) € bn	Capital Distribution (GSe 2020-22E) % market cap	Excess > Target € bn	Total Capital Flexibility € bn	Total Capital Flexibility % market cap
1	UNI	0.27	18.4%	0.66	0.93	63.8%
2	ALB	-	-	1.66	1.66	56.5%
3	BAWG	1.38	37.8%	0.55	1.93	52.9%
4	BCP	0.26	8.6%	1.16	1.42	46.9%
5	BKIA	0.96	17.6%	1.56	2.52	46.3%
6	ARION	0.48	44.8%	-	0.48	44.8%
7	AIB	3.36	41.1%	0.04	3.40	41.7%
8	RBI	1.39	19.6%	1.51	2.91	40.9%
9	CBK	0.88	13.3%	1.76	2.64	40.0%
10	CNAT	3.66	30.4%	0.67	4.32	36.0%
11	DAN	2.74	26.0%	0.98	3.72	35.4%
12	UCG	4.99	17.9%	4.90	9.89	35.4%
13	HSBC	30.31	21.9%	18.53	48.85	35.3%
14	EFG	0.27	17.2%	0.26	0.53	33.3%
15	UBS	10.74	26.7%	2.30	13.05	32.4%
16	CAGR	6.09	16.9%	5.52	11.61	32.3%
17	PKO	1.76	16.5%	1.35	3.12	29.2%
18	BNP	12.61	19.8%	5.64	18.25	28.7%
19	SWE	2.81	21.1%	0.95	3.76	28.3%
20	NBG	-	-	0.80	0.80	28.0%
21	MON	0.34	21.2%	0.10	0.44	27.6%
22	SOGN	5.18	21.9%	1.32	6.50	27.5%
23	ABN	3.85	26.1%	0.18	4.04	27.4%
24	KBC	5.10	18.5%	2.46	7.56	27.4%
25	NDA	5.18	19.7%	1.98	7.16	27.3%
26	BAER	1.40	14.8%	1.14	2.54	26.8%
27	SEB	4.25	25.3%	0.25	4.50	26.8%
28	RBS	8.02	24.3%	0.65	8.67	26.3%
29	BBVA	5.12	16.1%	2.98	8.10	25.5%
30	DNB	6.48	25.0%	0.09	6.58	25.4%
31	SAN	10.12	17.1%	4.67	14.79	25.0%
32	BARC	5.47	15.5%	3.26	8.73	24.7%
33	ISP	8.94	22.1%	0.87	9.81	24.3%
34	STAN	5.98	22.9%	0.29	6.28	24.0%
35	VONN	0.37	11.2%	0.40	0.77	23.5%
36	PEO	1.08	16.9%	0.37	1.44	22.7%
37	ING	8.22	20.2%	0.85	9.06	22.2%
38	ERST	2.24	16.6%	0.63	2.87	21.3%
39	CABK	2.71	16.9%	0.66	3.37	21.0%
40	CS	5.86	19.6%	-	5.86	19.6%
41	SHB	3.34	19.1%	-	3.34	19.1%
42	SABE	0.98	17.3%	0.09	1.07	18.8%
43	EURB	-	-	0.66	0.66	18.4%
44	ARWA	0.08	18.2%	--	0.08	18.2%
45	BKT	0.78	13.7%	0.23	1.01	17.6%
46	BOI	0.54	10.5%	0.34	0.88	17.0%
47	SPL	0.71	10.6%	0.40	1.11	16.5%
48	LLOY	8.09	15.7%	-	8.09	15.7%
49	BPM	0.36	11.6%	0.05	0.41	13.3%
50	UBI	0.44	13.1%	-	0.44	13.1%
51	BPER	0.26	11.4%	0.03	0.28	12.6%
52	DBK	-	-	1.24	1.24	9.1%
53	VMUK	0.12	4.2%	0.06	0.18	6.4%
54	OTP	0.74	6.2%	-	0.74	6.2%
55	BMPS	-	-	-	-	-
56	BOP	-	-	-	-	-
	Austria	5.01	20.7%	2.70	7.71	31.8%
	Germany	0.88	4.3%	3.01	3.89	19.2%
	France	27.54	20.4%	13.15	40.69	30.1%
	Benelux	17.18	20.7%	3.48	20.66	24.9%
	Italy	14.98	19.0%	5.85	20.83	26.5%
	Spain	20.95	16.7%	10.84	31.79	25.4%
	Greece	-	-	3.11	3.11	29.1%
	Ireland	3.90	29.2%	0.39	4.29	32.1%
	Portugal	0.26	8.6%	1.16	1.42	46.9%
	Euro Area	90.69	18.4%	43.69	134.38	27.2%
	Nordics	25.27	22.7%	4.26	29.53	26.5%
	CEE	4.62	12.4%	2.22	6.84	18.4%
	Switzerland	18.64	22.1%	4.10	22.74	26.9%
	United Kingdom	58.07	20.2%	22.80	80.87	28.1%
	GS Coverage	197.29	19.4%	77.08	274.37	27.0%

Source: Company data, Goldman Sachs Global Investment Research, EBA

Exhibit 14: Sifting through 56 banks, to identify 14 credible yields

Starting sample includes banks that were included in the EBA stress test and Swiss Banks

		Yield		Supervisory Sign-Off (EBA)					Supervisory Sign-Off (Swiss Banks)						Incentive: Capital Build-Up			Dividend Cover			Implied Excess Capital			
		(Based on GSe for 2020E)		'Stressed' CET1 > 9% or >11%			T1L > 3.5% + 0.5 x GSIB		CET1 > Target		T1L > 5.0% or >3.0%		CT1L > 3.5% (systemic)		Texas Ratios < 100%		Risk Overlay	Payout Ratios below <75% and <50%			>5% market cap hurdle (2019E)			
#	Bank	Total Yield	Equity Yield	'Stressed' CET1	❶	❷	CET1 Leverage	❸	CET1 Ratio	①	Tier 1 Leverage	②	CET1 Leverage	③	Texas Ratio	❹	❺	Payout Ratio	❻	❼	Stress Test Re-Run	BAWG Example	Company Targets	#
1	ARION	17.6%	--	19.5%	9% ✓	11% ✓	12.8%	3.5% ✓	--	--	--	--	--	--	10%	100% ✓	✓	394%	75% ✗	50% ✗	- ✗	- ✗	19% ✓	1
2	BAWG	17.0%	12.6%	12.7%	9% ✓	11% ✓	6.2%	3.5% ✓	--	--	--	--	--	--	23%	100% ✓	✓	140%	75% ✗	50% ✗	10% ✓	14% ✓	13% ✓	2
3	AIB	10.1%	9.2%	11.2%	9% ✓	11% ✓	10.1%	3.5% ✓	--	--	--	--	--	--	56%	100% ✓	✓	146%	75% ✗	50% ✗	2% ✗	- ✗	21% ✓	3
4	ABN	9.2%	5.3%	15.8%	9% ✓	11% ✓	4.4%	3.5% ✓	--	--	--	--	--	--	25%	100% ✓	✗	67%	75% ✓	50% ✗	40% ✓	- ✗	1% ✗	4
5	RBS	8.9%	6.2%	9.7%	9% ✓	11% ✗	5.1%	4.0% ✓	--	--	--	--	--	--	24%	100% ✓	✓	114%	75% ✗	50% ✗	- ✗	13% ✓	13% ✓	5
6	ISP	8.4%	3.8%	12.3%	9% ✓	11% ✓	6.1%	3.5% ✓	--	--	--	--	--	--	47%	100% ✓	✓	86%	75% ✗	50% ✗	10% ✓	13% ✓	11% ✓	6
7	DNB	8.4%	4.2%	17.0%	9% ✓	11% ✓	7.2%	3.5% ✓	--	--	--	--	--	--	11%	100% ✓	✓	85%	75% ✗	50% ✗	- ✗	- ✗	1% ✗	7
8	SOGN	8.3%	4.3%	8.5%	9% ✗	11% ✗	4.4%	4.0% ✓	--	--	--	--	--	--	21%	100% ✓	✓	69%	75% ✓	50% ✗	- ✗	- ✗	2% ✗	8
9	SEB	8.2%	4.4%	14.2%	9% ✓	11% ✓	4.7%	3.5% ✓	--	--	--	--	--	--	6%	100% ✓	✗	77%	75% ✗	50% ✗	- ✗	- ✗	1% ✗	9
10	UBS	8.1%	5.2%	--	--	--	--	--	12.9%	13.0% ✗	5.6%	5.0% ✓	3.8%	3.5% ✓	--	--	✗	87%	75% ✗	50% ✗	- ✗	- ✗	- ✗	10
11	UNI	7.8%	--	11.3%	9% ✓	11% ✓	6.6%	3.5% ✓	--	--	--	--	--	--	39%	100% ✓	✓	40%	75% ✓	50% ✓	5% ✗	18% ✓	21% ✓	11
12	HSBC	7.3%	3.4%	9.1%	9% ✓	11% ✗	5.3%	4.5% ✓	--	--	--	--	--	--	7%	100% ✓	✓	83%	75% ✗	50% ✗	- ✗	0% ✗	0% ✗	12
13	BAER	7.1%	4.1%	--	--	--	--	--	13.1%	11.0% ✓	4.2%	3.0% ✓	2.8%	- ✓	--	--	✓	121%	75% ✗	50% ✗	- ✗	1% ✗	4% ✗	13
14	SWE	7.0%	3.5%	14.8%	9% ✓	11% ✓	5.4%	3.5% ✓	--	--	--	--	--	--	9%	100% ✓	✗	49%	75% ✓	50% ✓	- ✗	- ✗	- ✗	14
15	ING	6.6%	3.2%	11.0%	9% ✓	11% ✗	4.5%	4.0% ✓	--	--	--	--	--	--	17%	100% ✓	✓	53%	75% ✓	50% ✗	- ✗	3% ✗	- ✗	15
16	DAN	6.5%	2.2%	11.5%	9% ✓	11% ✓	4.5%	3.5% ✓	--	--	--	--	--	--	34%	100% ✓	✗	42%	75% ✓	50% ✓	- ✗	- ✗	6% ✓	16
17	SABE	6.3%	0.5%	7.2%	9% ✗	11% ✗	5.1%	3.5% ✓	--	--	--	--	--	--	47%	100% ✓	✗	40%	75% ✓	50% ✓	- ✗	- ✗	- ✗	17
18	NDA	6.2%	3.5%	13.4%	9% ✓	11% ✓	5.0%	3.5% ✓	--	--	--	--	--	--	22%	100% ✓	✓	116%	75% ✗	50% ✗	17% ✓	- ✗	3% ✗	18
19	BNP	6.1%	2.8%	9.2%	9% ✓	11% ✗	4.6%	4.3% ✓	--	--	--	--	--	--	25%	100% ✓	✓	49%	75% ✓	50% ✓	- ✗	- ✗	0% ✗	19
20	PEO	6.0%	--	13.9%	9% ✓	11% ✓	9.9%	3.5% ✓	--	--	--	--	--	--	14%	100% ✓	✓	72%	75% ✓	50% ✗	- ✗	- ✗	4% ✗	20
21	BKIA	6.0%	1.1%	10.0%	9% ✓	11% ✗	6.0%	3.5% ✓	--	--	--	--	--	--	--	100%	✗	50%	75% ✓	50% ✓	- ✗	- ✗	9% ✓	21
22	CS	5.9%	2.6%	--	--	--	--	--	12.5%	12.5% ✓	5.6%	5.0% ✓	4.2%	3.5% ✓	--	--	✓	64%	75% ✓	50% ✗	- ✗	- ✗	- ✗	22
23	KBC	5.9%	1.4%	13.7%	9% ✓	11% ✓	6.2%	3.5% ✓	--	--	--	--	--	--	31%	100% ✓	✓	69%	75% ✓	50% ✗	11% ✓	10% ✓	7% ✓	23
24	SHB	5.8%	2.5%	15.1%	9% ✓	11% ✓	4.6%	3.5% ✓	--	--	--	--	--	--	5%	100% ✓	✓	65%	75% ✓	50% ✗	- ✗	- ✗	- ✗	24
25	RBI	5.4%	-0.6%	11.1%	9% ✓	11% ✓	8.0%	3.5% ✓	--	--	--	--	--	--	16%	100% ✓	✓	32%	75% ✓	50% ✓	1% ✗	- ✗	9% ✓	25
26	BBVA	5.2%	1.1%	9.7%	9% ✓	11% ✗	7.2%	3.5% ✓	--	--	--	--	--	--	25%	100% ✓	✓	35%	75% ✓	50% ✓	- ✗	- ✗	- ✗	26
27	UCG	5.2%	0.3%	9.4%	9% ✓	11% ✗	5.1%	4.0% ✓	--	--	--	--	--	--	29%	100% ✓	✓	27%	75% ✓	50% ✓	- ✗	- ✗	2% ✗	27
28	LLOY	5.1%	0.5%	6.6%	9% ✗	11% ✗	4.9%	3.5% ✓	--	--	--	--	--	--	34%	100% ✓	✓	109%	75% ✗	50% ✗	- ✗	- ✗	- ✗	28
29	ERST	5.1%	1.6%	9.3%	9% ✓	11% ✗	7.0%	3.5% ✓	--	--	--	--	--	--	16%	100% ✓	✓	50%	75% ✓	50% ✓	- ✗	- ✗	- ✗	29
30	BARC	5.1%	0.4%	6.8%	9% ✗	11% ✗	4.7%	4.3% ✓	--	--	--	--	--	--	14%	100% ✓	✓	93%	75% ✗	50% ✗	- ✗	- ✗	- ✗	30
31	PKO	4.9%	--	17.2%	9% ✓	11% ✓	10.8%	3.5% ✓	--	--	--	--	--	--	17%	100% ✓	✓	50%	75% ✓	50% ✗	- ✗	4% ✗	9% ✓	31
32	EFG	4.9%	--	--	--	--	--	--	16.7%	14.0% ✓	4.2%	3.0% ✓	4.1%	- ✓	--	--	✗	75%	75% ✗	50% ✗	- ✗	- ✗	16% ✓	32
33	CABK	4.7%	1.5%	9.4%	9% ✓	11% ✗	4.9%	3.5% ✓	--	--	--	--	--	--	42%	100% ✓	✗	45%	75% ✓	50% ✓	- ✗	- ✗	- ✗	33
34	SAN	4.4%	-0.2%	9.8%	9% ✓	11% ✗	5.3%	4.0% ✓	--	--	--	--	--	--	32%	100% ✓	✓	40%	75% ✓	50% ✓	- ✗	- ✗	- ✗	34
35	BKT	4.4%	3.2%	9.0%	9% ✓	11% ✗	5.0%	3.5% ✓	--	--	--	--	--	--	31%	100% ✓	✓	45%	75% ✓	50% ✓	- ✗	- ✗	1% ✗	35
36	CBK	3.8%	-0.6%	9.7%	9% ✓	11% ✗	4.6%	3.5% ✓	--	--	--	--	--	--	11%	100% ✓	✓	30%	75% ✓	50% ✓	- ✗	- ✗	1% ✗	36
37	BPM	3.8%	-3.5%	7.8%	9% ✗	11% ✗	4.1%	3.5% ✓	--	--	--	--	--	--	80%	100% ✓	✓	14%	75% ✓	50% ✓	- ✗	- ✗	- ✗	37
38	BOI	3.7%	3.1%	9.4%	9% ✓	11% ✗	7.0%	3.5% ✓	--	--	--	--	--	--	63%	100% ✓	✓	40%	75% ✓	50% ✓	- ✗	- ✗	6% ✓	38
39	UBI	3.6%	--	8.6%	9% ✗	11% ✗	5.5%	3.5% ✓	--	--	--	--	--	--	77%	100% ✓	✓	40%	75% ✓	50% ✓	- ✗	- ✗	- ✗	39
40	VONN	3.3%	1.0%	--	--	--	--	--	12.7%	12.0% ✓	3.5%	3.0% ✓	3.5%	- ✓	--	--	✓	53%	75% ✓	50% ✗	- ✗	- ✗	2% ✗	40
41	OTP	1.8%	--	14.1%	9% ✓	11% ✓	10.7%	3.5% ✓	--	--	--	--	--	--	25%	100% ✓	✓	20%	75% ✓	50% ✓	- ✗	1% ✗	- ✗	41
42	DBK	-	-7.1%	7.4%	9% ✗	11% ✗	4.0%	4.3% ✗	--	--	--	--	--	--	15%	100% ✓	✓	-	75% ✓	50% ✓	- ✗	- ✗	2% ✗	42
43	ALB	-	--	7.6%	9% ✗	11% ✗	13.2%	3.5% ✓	--	--	--	--	--	--	210%	100% ✗	✓	-	75% ✓	50% ✓	- ✗	- ✗	16% ✓	43
44	NBG	-	--	5.7%	9% ✗	11% ✗	8.0%	3.5% ✓	--	--	--	--	--	--	165%	100% ✗	✓	-	75% ✓	50% ✓	- ✗	- ✗	5% ✗	44
45	EURB	-	--	4.6%	9% ✗	11% ✗	8.5%	3.5% ✓	--	--	--	--	--	--	174%	100% ✗	✓	-	75% ✓	50% ✓	- ✗	- ✗	- ✗	45
46	BOP	-	--	-1.9%	9% ✗	11% ✗	5.1%	3.5% ✓	--	--	--	--	--	--	569%	100% ✗	✓	-	75% ✓	50% ✓	- ✗	- ✗	- ✗	46
Excluded EBA banks that were not subject to the stress test in 2018																								
47	CNAT	9.2%	--	--	--	--	4.2%	--	--	--	--	--	--	--	--	--	✓	92%	--	--	- ✗	1% ✗	8% ✓	47
48	STAN	8.2%	4.4%	--	--	--	5.4%	--	--	--	--	--	--	--	10%	--	✓	117%	--	--	- ✗	- ✗	6% ✓	48
49	MON	6.8%	--	--	--	--	9.5%	--	--	--	--	--	--	--	--	--	✓	78%	--	--	- ✗	- ✗	- ✗	49
50	CAGR	5.5%	2.3%	--	--	--	4.4%	--	--	--	--	--	--	--	--	--	✓	55%	--	--	- ✗	- ✗	- ✗	50
51	ARWA	4.1%	--	--	--	--	--	--	--	--	--	--	--	--	-	--	✓	56%	--	--	- ✗	- ✗	3% ✗	51
52	SPL	3.2%	--	--	--	--	10.2%	--	--	--	--	--	--	--	--	--	✓	40%	--	--	- ✗	- ✗	8% ✓	52
53	BPER	2.1%	--	--	--	--	5.2%	--	--	--	--	--	--	--	84%	--	✓	20%	--	--	- ✗	- ✗	- ✗	53
54	BCP	1.2%	-5.5%	--	-- ✓	-- ✗	6.9%	--	--	--	--	--	--	--	75%	--	✗	10%	--	--	- ✗	- ✗	3% ✗	54
55	BMPS	-	--	--	--	--	5.1%	--	--	--	--	--	--	--	106%	--	✓	-	--	--	--	--	--	55
56	VMUK	-	-7.0%	--	--	--	4.6%	--	--	--	--	--	--	--	-	--	✓	-	--	--	--	--	--	56

Source: Company data, EBA, Goldman Sachs Global Investment Research

Moneta Money Bank: Transfer of coverage

With this note, Anna Marshall assumes primary coverage of Moneta Money Bank. Our previous investment rating, earnings estimates, and price target have not changed from those previously published.

We are Neutral rated on Moneta and value the stock using an ROTE/COE methodology to reach our 12-month price target of CZK 88. The key risks for the bank relate to competition, volume growth, lending margins and asset quality in consumer lending, with a further focus on consumer protection, regulations, M&A and politics (+/-).

Exhibit 15: Moneta - Key financials and ratios

CZK mn, except per share data

CZK mn, except per share data	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	15/14	16/15	17/16	18/17	19E/18	20E/19E	21E/20E	22E/21E	23E/22E
Per share																			
EPS, GS	8.20	8.84	7.93	7.68	6.51	6.94	7.42	7.82	7.81	7.74	8%	-10%	-3%	-15%	7%	7%	5%	-0%	-1%
EPS, Reported	8.20	8.84	7.93	7.68	8.22	7.25	7.42	7.82	7.81	7.74	8%	-10%	-3%	7%	-12%	2%	5%	-0%	-1%
DPS	--	47.37	9.80	8.00	6.15	5.44	5.57	5.87	5.47	5.42	n/a	-79%	-18%	-23%	-12%	2%	5%	-7%	-1%
TBVPS	82	53	52	48	46	46	48	50	52	54	-35%	-3%	-7%	-4%	1%	3%	4%	3%	4%
BVPS	83	54	53	50	49	50	52	55	57	59	-35%	-2%	-6%	-2%	2%	4%	4%	4%	4%
Income statement																			
Net interest income	9,385	9,310	8,305	7,364	7,409	7,901	8,538	9,100	9,618	10,043	-1%	-11%	-11%	1%	7%	8%	7%	6%	4%
Net fee & commission income	2,674	2,336	1,961	1,933	1,892	1,888	1,891	1,903	1,920	1,952	-13%	-16%	-1%	-2%	-0%	0%	1%	1%	2%
Core operating income	12,059	11,646	10,266	9,297	9,301	9,790	10,429	11,003	11,538	11,994	-3%	-12%	-9%	0%	5%	7%	6%	5%	4%
Trading & Other op. income	572	456	792	1,038	861	575	585	595	605	615	-20%	74%	31%	-17%	-33%	2%	2%	2%	2%
Total operating income	12,631	12,102	11,058	10,335	10,162	10,365	11,014	11,599	12,143	12,610	-4%	-9%	-7%	-2%	2%	6%	5%	5%	4%
Operating costs	-5,448	-5,533	-4,982	-4,947	-4,852	-4,990	-5,112	-5,222	-5,355	-5,534	2%	-10%	-1%	-2%	3%	2%	2%	3%	3%
Pre-provision profits	7,183	6,569	6,076	5,388	5,310	5,375	5,902	6,376	6,788	7,076	-9%	-8%	-11%	-1%	1%	10%	8%	6%	4%
Provision charge	-1,742	-849	-1,029	-485	-274	-742	-1,160	-1,380	-1,798	-2,130	-51%	21%	-53%	-44%	>100%	56%	19%	30%	18%
Loan impairment provision charge	-1,742	-849	-1,029	-381	-274	-742	-1,160	-1,380	-1,798	-2,130	-51%	21%	-63%	-28%	>100%	56%	19%	30%	18%
Profit before tax	5,441	5,720	5,047	4,903	5,036	4,633	4,742	4,996	4,990	4,946	5%	-12%	-3%	3%	-8%	2%	5%	-0%	-1%
Income tax	-1,261	-1,214	-993	-980	-836	-927	-948	-999	-998	-989	-4%	-18%	-1%	-15%	11%	2%	5%	-0%	-1%
Profit after tax	4,180	4,506	4,054	3,923	4,200	3,706	3,794	3,997	3,992	3,957	8%	-10%	-3%	7%	-12%	2%	5%	-0%	-1%
Minority interests	--	--	--	--	--	--	--	--	--	--	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net profit, Reported	4,180	4,506	4,054	3,923	4,200	3,706	3,794	3,997	3,992	3,957	8%	-10%	-3%	7%	-12%	2%	5%	-0%	-1%
Adjustments	--	--	--	--	-874	-160	--	--	--	--	n/a	n/a	n/a	n/a	-82%	-100%	n/a	n/a	n/a
Net profit, GS	4,180	4,506	4,054	3,923	3,326	3,546	3,794	3,997	3,992	3,957	8%	-10%	-3%	-15%	7%	7%	5%	-0%	-1%
Balance sheet																			
Gross customer loans	120,097	120,215	118,035	127,742	144,223	160,939	180,229	199,531	214,355	229,273	0%	-2%	8%	13%	12%	12%	11%	7%	7%
Net customer loans	107,197	108,437	111,860	123,680	140,123	156,497	174,928	193,150	206,475	219,563	1%	3%	11%	13%	12%	12%	10%	7%	6%
Total assets	143,403	140,037	149,379	199,734	206,932	221,235	239,317	257,813	272,335	286,739	-2%	7%	34%	4%	7%	8%	8%	6%	5%
Customer deposits	97,006	108,698	116,252	141,469	168,792	185,612	203,200	219,909	234,744	248,314	12%	7%	22%	19%	10%	9%	8%	7%	6%
Attributable equity	42,583	27,839	27,268	25,763	25,237	25,801	26,815	27,966	28,960	30,123	-35%	-2%	-6%	-2%	2%	4%	4%	4%	4%
Ratios																			
NIM, GS	6.31%	6.17%	5.52%	4.18%	3.64%	3.70%	3.71%	3.65%	3.61%	3.55%	-14bp	-66bp	-133bp	-54bp	5bp	1bp	-6bp	-5bp	-5bp
NIM, Reported	6.93%	6.72%	5.86%	4.31%	3.72%	3.77%	3.79%	3.74%	3.71%	3.67%	-22bp	-86bp	-156bp	-59bp	5bp	2bp	-5bp	-4bp	-4bp
CIR	43%	46%	45%	48%	48%	48%	46%	45%	44%	44%	3pp	-1pp	3pp	-0pp	0pp	-2pp	-1pp	-1pp	-0pp
CoR, GS	1.51%	0.71%	0.86%	0.31%	0.20%	0.49%	0.68%	0.73%	0.87%	0.96%	-80bp	16bp	-55bp	-11bp	28bp	19bp	5bp	14bp	9bp
CoR, Reported	1.70%	0.79%	0.93%	0.32%	0.21%	0.50%	0.70%	0.75%	0.90%	1.00%	-91bp	15bp	-61bp	-12bp	29bp	20bp	5bp	15bp	10bp
NPL ratio	12.9%	11.7%	6.3%	4.1%	2.8%	2.1%	2.2%	2.5%	3.0%	3.6%	-128bp	-532bp	-222bp	-128bp	-73bp	7bp	33bp	53bp	60bp
Provision coverage	83%	84%	82%	77%	100%	130%	135%	127%	121%	116%	1pp	-2pp	-5pp	23pp	30pp	4pp	-7pp	-6pp	-5pp
ROE, GS	10.4%	12.8%	14.7%	14.8%	13.0%	13.9%	14.4%	14.6%	14.0%	13.4%	243bp	192bp	8bp	-175bp	85bp	52bp	17bp	-57bp	-63bp
ROE, Reported	10.4%	12.8%	14.7%	14.8%	16.5%	14.5%	14.4%	14.6%	14.0%	13.4%	243bp	192bp	8bp	168bp	-195bp	-10bp	17bp	-57bp	-63bp
ROTE, GS	10.6%	13.0%	15.1%	15.4%	13.9%	15.0%	15.7%	15.9%	15.3%	14.7%	245bp	206bp	33bp	-153bp	114bp	68bp	23bp	-60bp	-67bp
ROTE, Reported	10.6%	13.0%	15.1%	15.4%	17.5%	15.7%	15.7%	15.9%	15.3%	14.7%	245bp	206bp	33bp	211bp	-183bp	0bp	23bp	-60bp	-67bp
ROTE, Co defined	10.0%	16.5%	15.3%	16.0%	17.9%	15.6%	15.5%	15.6%	15.1%	14.4%	651bp	-116bp	69bp	187bp	-230bp	-16bp	17bp	-54bp	-70bp
ROA, GS	3.01%	3.18%	2.80%	2.25%	1.64%	1.66%	1.65%	1.61%	1.51%	1.42%	17bp	-38bp	-55bp	-61bp	2bp	-1bp	-4bp	-10bp	-9bp
ROA, Reported	3.01%	3.18%	2.80%	2.25%	2.07%	1.73%	1.65%	1.61%	1.51%	1.42%	17bp	-38bp	-55bp	-18bp	-33bp	-8bp	-4bp	-10bp	-9bp
Gross L/D	124%	111%	102%	90%	85%	87%	89%	91%	91%	92%	-13pp	-9pp	-11pp	-5pp	1pp	2pp	2pp	1pp	1pp
Net L/D	111%	100%	96%	87%	83%	84%	86%	88%	88%	88%	-11pp	-4pp	-9pp	-4pp	1pp	2pp	2pp	0pp	0pp
Capital																			
CET1 ratio, FL	30.0%	17.7%	20.5%	17.4%	16.4%	16.4%	15.9%	15.5%	15.6%	15.7%	-1,231bp	286bp	-309bp	-100bp	-0bp	-50bp	-43bp	12bp	14bp
RWA density	87%	90%	73%	59%	59%	58%	57%	57%	56%	55%	3pp	-17pp	-14pp	-0pp	-1pp	-1pp	-0pp	-1pp	-1pp
Dividend payout ratio	--%	537%	124%	104%	75%	75%	75%	75%	70%	70%	537pp	-414pp	-19pp	-29pp	0pp	--pp	--pp	-5pp	--pp

Source: Company data, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Jernej Omahen, Pawel Dziedzic, Anna Marshall and Alexandre Dupuy, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Coverage group(s) of stocks by primary analyst(s)

Jernej Omahen: Europe-Diversified Financials, Europe-Pan-Euro Banks. Pawel Dziedzic: Europe-Pan-Euro Banks. Anna Marshall: Europe-Pan-Euro Banks.

Europe-Diversified Financials: Amundi, Anima Holding SpA, Ashmore Group, CMC Markets Plc, DWS Group, EQT AB, Man Group, Partners Group, Schroders.

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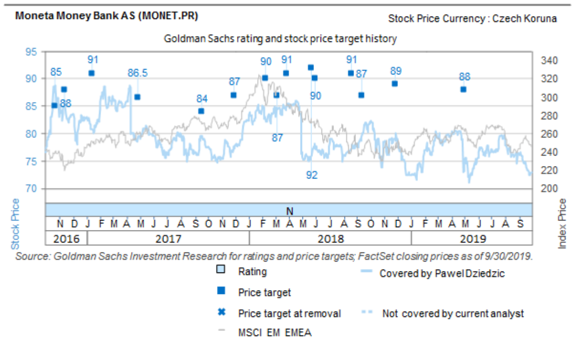

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