Financial reporting of European banks H1 2023
Renewed stability amidst a troubled macroeconomic context

Based on the interim reports provided by European banks before 1 September 2023

mazars

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1. Executive summary

The key takeaways from H1 2023 are:

- A decrease in the share of ECL charge in operating profit or loss before ECL (12% in H1 2023 vs 22% in H1 2022).

- Overall, we deduce stability in the weight of cumulative overlays in AC loans ECL allowance (13%) and the global AC loan coverage ratio (1.39%) compared to YE 2022...

- ...masking varied situations between banks with less visible geographical trends in the changes in overlays or allocations between stages in H1 2023.

- The absence of any new major event impacting ECL in H1 2023, compared with previous years (Covid-19, war in Ukraine...).

0%

median variation of the net ECL charge / profit between H1 2022 and H1 2023

(-6% H1 2022 vs. H1 2021)

13%

weight of cumulative overlays in AC loans ECL allowance H1 2023

(13% YE 2022)

12%

average share of ECL charge in operating profit or loss before ECL in H1 2023

(22% H1 2022)

36%

average weight of change in the post-model adjustments in the ECL P&L impact in H1 2023

(30% YE 2022 and 46% in H1 2022)

2. Sample and methodology

2. Sample and methodology

This study is based on information disclosed in the interim reports of participating banks, without taking into account any press releases, investor-oriented presentations or similar publications.

Each bank is represented by an alphanumeric code composed of two letters, for instance, FR for France, and a number. When the sample presents only one bank in a country, to keep it anonymous, the country code is 'O' for 'other countries'.

To increase comparability, we have chosen relevant indicators disclosed by a majority of the banks in the sample. Therefore, when a bank does not appear in a graph, it means they did not disclose data relevant to that graph.

Some figures presented, such as the ECL coverage ratio, have been calculated using input data from the interim reports. The detailed methodology for producing such figures is explained below.

The graphs using figures that required specific calculations are indicated with the 'magnifying glass' icon, as seen on the left.

It should be noted that comparisons should be treated with some care, as information provided by banks does not always follow the exact same instrumental scope. In some cases, assumptions were made to increase the comparability of the data.

The comparison of quantitative findings should be examined with caution due to the differing natures and risk profiles of bank portfolios. Usually, more granular additional information (e.g. by geographical area or by type of loan) would be required to fully understand the differences between the results of each bank.

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European banking groups published their interim reports before 1 September 2023

DNB Group

ABN AMRO
ING

Barclays
HSBC
Lloyds
NatWest
Standard Chartered

AIB
Bank of Ireland

Groupe Crédit Agricole
BNP Paribas
Societe Generale
BPCE

Nordea
Swedbank

Danske Bank

Commerzbank
Deutsche Bank

UBS

Intesa Sanpaolo
UniCredit

BBVA
BCO de Sabadell
Santander
CaixaBank

3. Key findings
3.1 ECL charge impact of H1 2023 on the profit or loss and ECL allowances
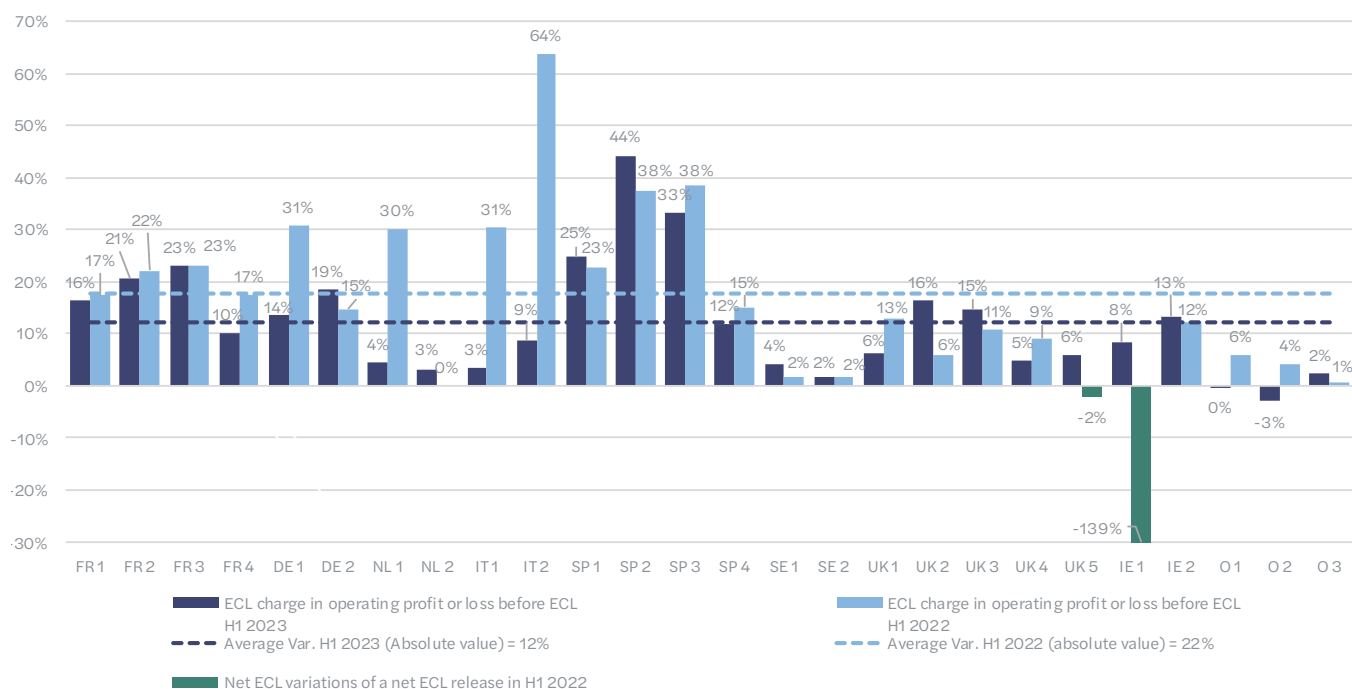
3.1 ECL charge impact of H1 2023 on the profit or loss and ECL allowances

3.1.2 Share of ECL charge in operating profit or loss before ECL

Graph 1: ECL charge as a percentage of operating P&L before ECL

Insights

- The average ratio of ECL charge divided by the operating profit or loss before the ECL charge decreased to 12% in H1 2023 (vs 22% in H1 2022).

  – It is the lowest ratio seen over the past four years. The second lowest ratio was 17%.

- In H1 2023, the median amounted to 9% (15% in H1 2022) with a range from -3% to 44%.

- In H1 2023, only O1 and O2 have a net ECL profit in operating profit or loss before ECL. Negative figures for the two banks in H1 2022 mean a net ECL release in operating profit or loss before ECL.
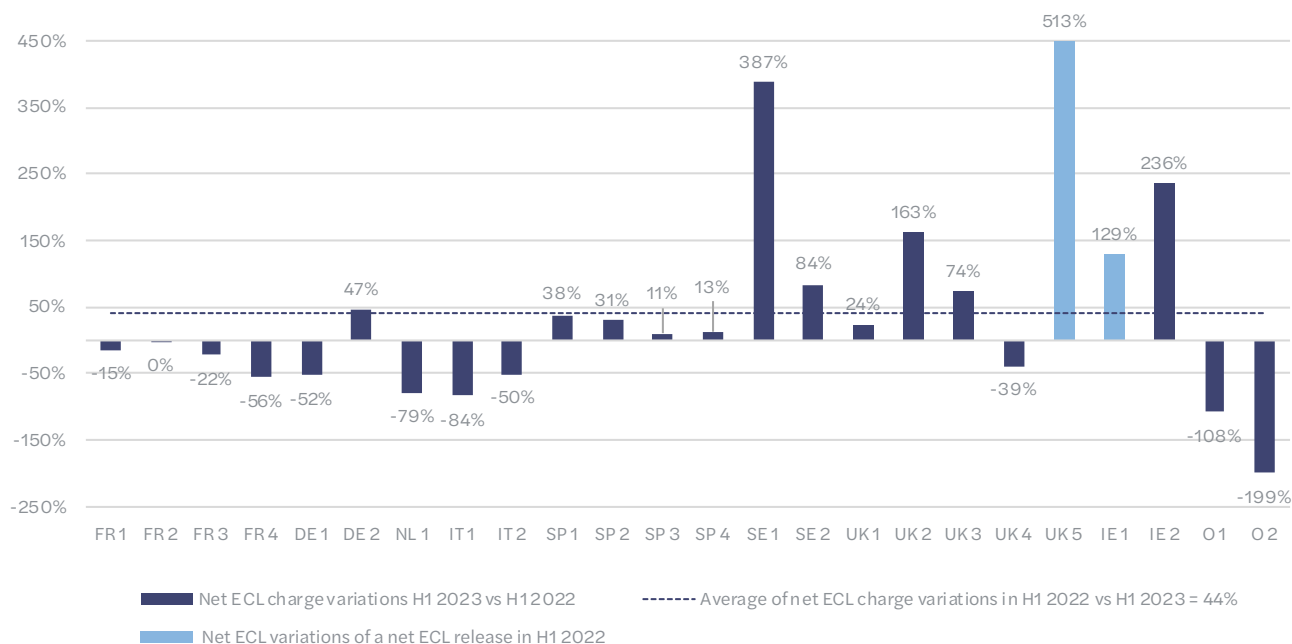
Note: The 'operating profit before ECL charge/release' indicator has been computed with data available in the income statements of the banks in our sample. It includes salaries and other operating expenses, amortisation, depreciation, and impairment charges for tangible and intangible non-financial assets (if any). It excludes 'non-operating' income or expenses such as share in the income of associates and joint ventures or profit from disposal of non-financial assets and the ECL charge for the period. Given the diversity in the presentation of different lines in the income statement by European banks, this indicator should be seen as a broad measure of net revenue of most operating expenses, rather than a universal measure of net profitability before impairment (we cannot guarantee that the scope of this indicator is exactly the same in all the banks in the sample).

3.1 ECL charge impact of H1 2023 on the profit or loss and ECL allowances

3.1.3 Changes in ECL charge/release

Graph 2: Changes in ECL charge /release - Var. H1 2023 vs H1 2022

Net ECL charge variations H1 2023 vs H1 2022

------- Average of net ECL charge variations in H1 2022 vs H1 2023 = 44%

Net ECL variations of a net ECL release in H1 2022

Insights

- Positive percentage numbers reflect an increase in the net ECL charge in H1 2023 compared to H1 2022.

- The purple bars mean the entity experienced a net ECL release in H1 2022.

  – For example regarding IE 1 the variation of 129% means that the bank changed the ECL sign of the period, and endowed a net ECL charge in H1 2023 that represents 29% of the H1 2022 release.

- The decrease of the net ECL charge/release for O1 and O2 by more than 100% meant that they switched from a net ECL charge in H1 2022 to a net ECL release in H1 2023.

- The median variation of the net ECL charge between H1 2022 and H1 2023 amounts to 0%, meaning as many banks increased their net ECL charge as decreased it.

- O 3 is not represented in this graph because of an irrelevant value (+3012%).

- NL 2 is not represented in this graph because of a net ECL charge/release of 0 in H1 2021.

Note: The data above should be interpreted with some caution. We have used data available in the profit or loss statements as banks often isolate the ECL/fin. instruments' impairment charge within a single line of P&L. However, at least one bank in our sample has included part of the ECL charge relating to off-balance sheet commitments within another line of P&L that we include in the charge for H1 2023 and H1 2022. At least two other banks have included in their ECL charge factors that do not stem directly from the IFRS 9 ECL models, such as a fair value credit risk adjustment in loans at fair value.

3.2 ECL allowances: changes in coverage ratios and allocation between stages
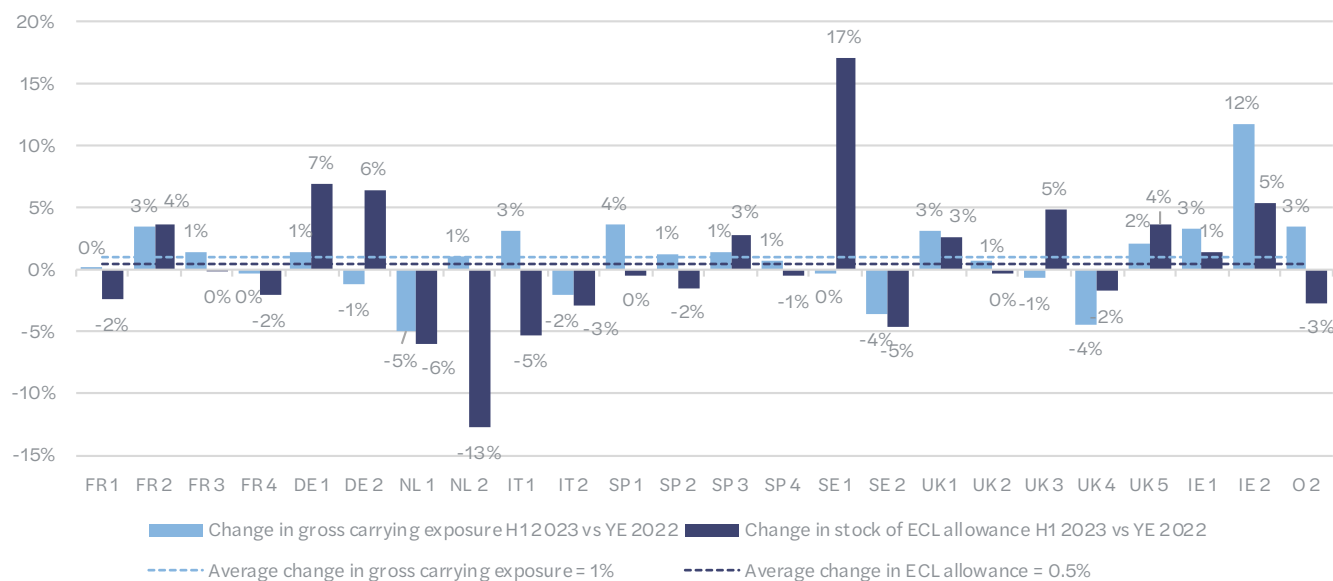
3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.1 AC loans: changes in gross credit exposures (GCE) and in ECL allowances

Graph 3: Changes in gross credit exposure of AC loans and in ECL allowance in H1 2023 compared to YE 2022

Change in gross carrying exposure H1 2023 vs YE 2022
Change in stock of ECL allowance H1 2023 vs YE 2022
Average change in gross carrying exposure = 1%
Average change in ECL allowance = 0.5%

Insights

- O 3 is not represented in the graph because of unusual values explained by a major acquisition in H1 2023. The values for O 3 are:
  - An increase in GCE by 68%
  - An increase in ECL allowances by 75%

- The average changes in GCE and ECL allowances were more moderate than in previous years :
  - GCE increased by 1% in H1 2023 (vs +3% between YE 2021 and YE 2022)
  - ECL allowances increased by 0.5% in H1 2023 (vs -5.8% between YE 2021 and YE 2022)

- Behind this average homogeneity lie varying situations between institutions, particularly regarding changes in ECL allowances (with a range of changes from -13% to +17%)

Note: The definition of the (gross) exposure is not always provided and may differ from the definition of a 'gross carrying amount' compliant with IFRS 9, which is intended to reflect the approximate notional amount before impairment (e.g. fair value rather than the gross carrying amount may be included for assets measured at FV-OCI with recycling to P&L). The figures in Graph 5 offer an approximation of the changes in the volumes of AC loans subject to the IFRS 9 impairment model.

3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.2 ECL Coverage ratios of AC loans (H1 2023 vs. YE 2022)

Graph 4.1: AC loans coverage ratio H1 2023 vs. YE 2022
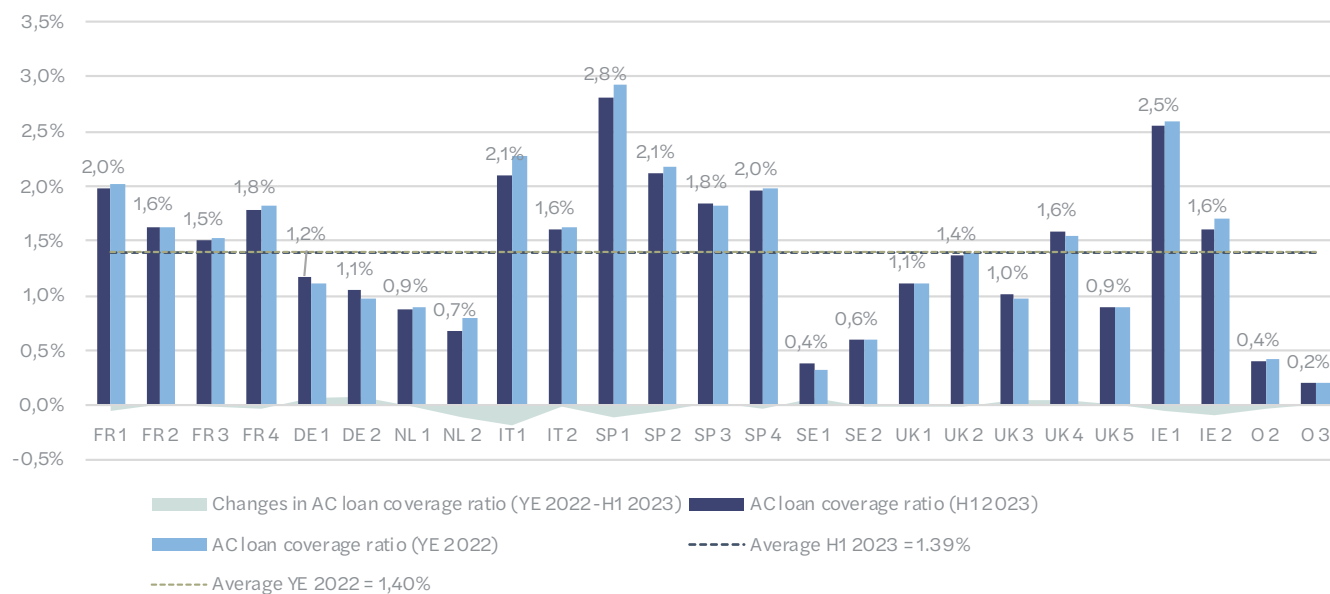
Insights

- The average ECL coverage ratio of AC loans at 1.39% is stable compared to YE 2022 (1.40%).

- The range of the ECL coverage ratio levels also remained stable compared to YE 2022 (between 0.2% and 2.8% in H1 2023 compared to 0.2% to 2.9% in YE 2022).

- Due to this stability, we continue to observe a fairly good consistency between each country compared to our previous studies: French and Italian banks are either close to the average or slightly above, while Spanish and Irish banks are above the average, and Dutch, Swedish and German are below.

Note: Loans at amortised cost encompass the loans granted to banks and public/retail customers that are accounted for at amortised cost (AC). We computed the ECL coverage ratio of AC loans for each bank by dividing the ECL allowance of AC loans by the gross credit exposure of AC loans only. We have tried to be as consistent as possible given the information disclosed.

Several banks do not disclose enough information to enable the calculation of this ratio.
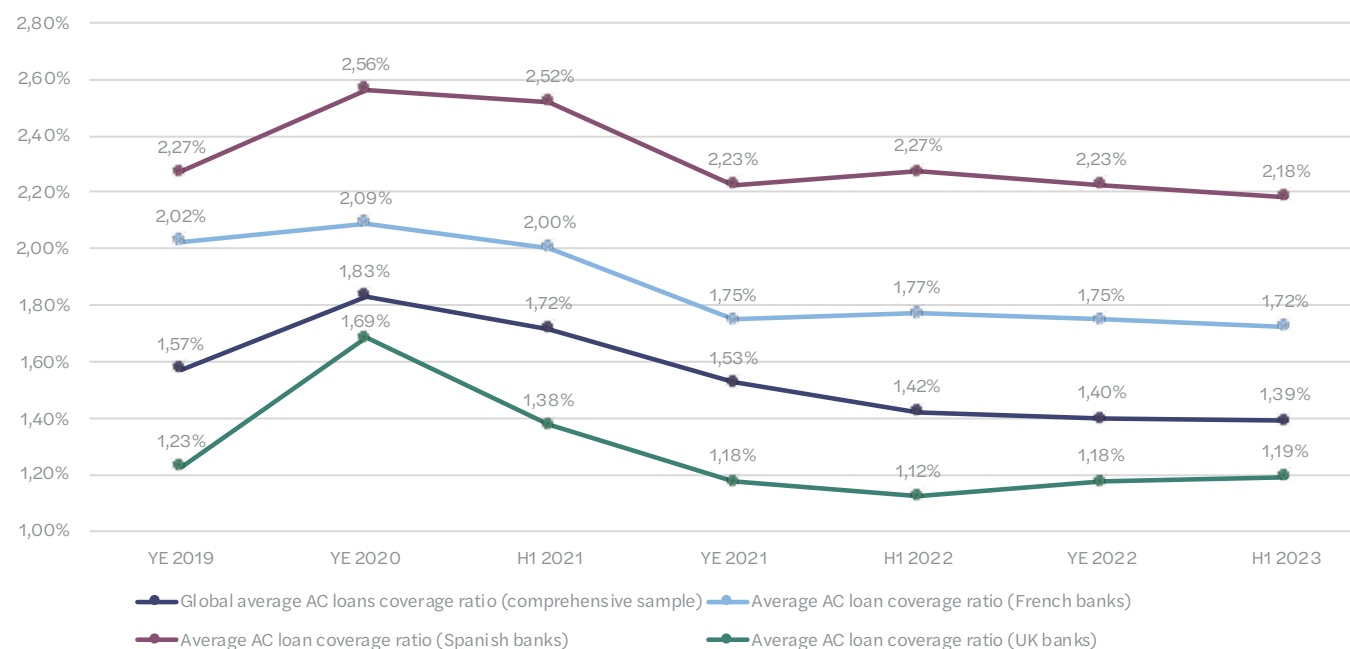
Quantitative findings should be compared with caution due to the differing natures and risk profiles of bank portfolios. It is usually the case that more granular, additional information (e.g. by geographical area or by type of loan) would be required to fully understand the differences between the results of each bank.

3. Key findings
3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.3 ECL Coverage ratios of AC loans changes since YE 2019

Graph 4.2: AC loans coverage ratio changes YE 2019 – H1 2023

Legend:
- Global average AC loans coverage ratio (comprehensive sample)
- Average AC loan coverage ratio (French banks)
- Average AC loan coverage ratio (Spanish banks)
- Average AC loan coverage ratio (UK banks)

Insights

- We have considered the changes in ECL coverage ratios for French, Spanish, and UK banks as they are the more represented ones in the panel (13 banks).

- The global average ECL coverage ratio of AC loans for all banks has decreased between YE 2019 (1.57%) and H1 2023 (1.39%).

- The trajectory observed in H1 2023 is in line with that observed at YE 2022

  – Spanish and French banks still experienced a decrease in their AC loans coverage ratios, with a slight acceleration in H1 2023

  – UK banks showed an increase in their coverage ratios, but at a slower pace compared to YE 2022.

Note: Loans at amortised cost encompass the loans granted to banks and public/retail customers that are accounted for at amortised cost (AC). We computed the ECL coverage ratio of AC loans for each bank by dividing the ECL allowance of AC loans by the gross credit exposure of AC loans only. We have tried to be as consistent as possible given the information disclosed.

Several banks do not disclose enough information to enable the calculation of this ratio.
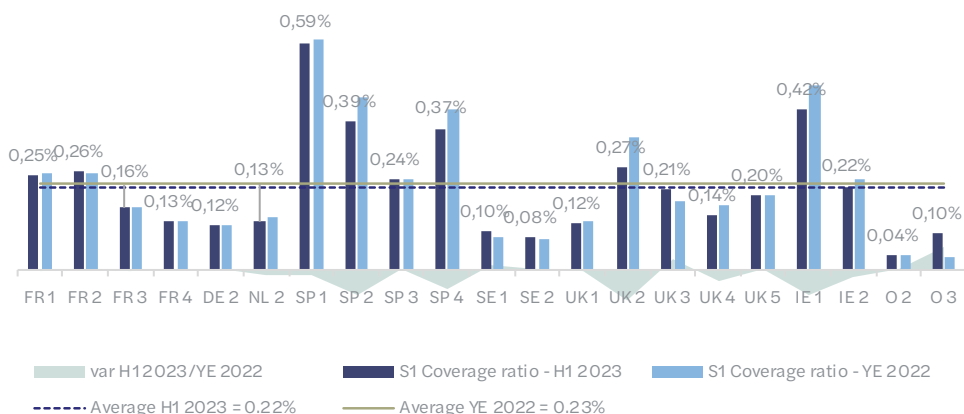
Quantitative findings should be compared with caution due to the differing natures and risk profiles of bank portfolios. It is usually the case that more granular, additional information (e.g. by geographical area or by type of loan) would be required to fully understand the differences between the results of each bank.
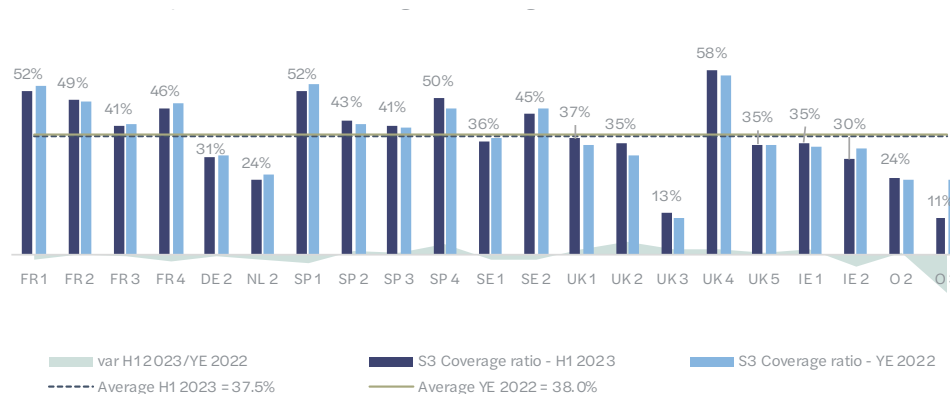
3.2 ECL allowances: changes in coverage ratios and allocation between stages

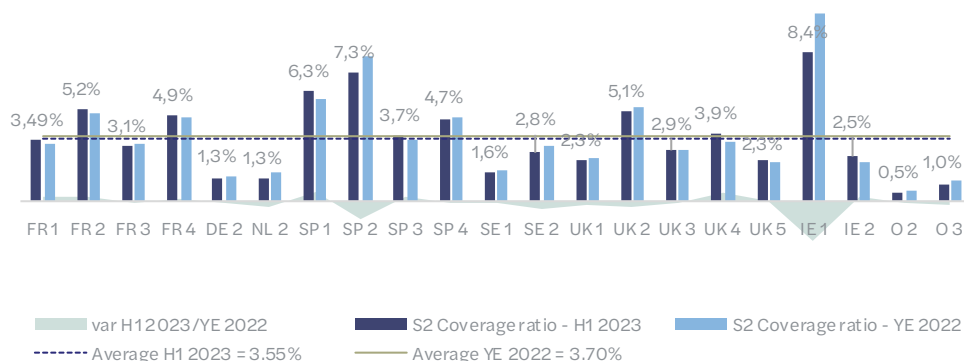### 3.2.4 AC loans: coverage ratio broken down by stage (H1 2023 vs. YE 2022)

Graph 4.3: AC loans - Stage 1 coverage ratio – H1 2023 vs. YE 2022

var H1 2023/YE 2022   ■ S1 Coverage ratio - H1 2023   ■ S1 Coverage ratio - YE 2022
---- Average H1 2023 = 0.22%   —— Average YE 2022 = 0.23%

Graph 4.5: AC loans - Stage 3 coverage ratio – H1 2023 vs. YE 2022

var H1 2023/YE 2022   ■ S3 Coverage ratio - H1 2023   ■ S3 Coverage ratio - YE 2022
---- Average H1 2023 = 37.5%   —— Average YE 2022 = 38.0%

Graph 4.4: AC loans - Stage 2 coverage ratio – H1 2023 vs. YE 2022

var H1 2023/YE 2022   ■ S2 Coverage ratio - H1 2023   ■ S2 Coverage ratio - YE 2022
---- Average H1 2023 = 3.55%   —— Average YE 2022 = 3.70%

Insights

- On average, the coverage ratios remained fairly stable for stage 1, slightly decreased for stage 3, and decreased more significantly for stage 2 in comparison with YE 2022.

- The general decrease in AC loan coverage ratios for stage 1 and stage 2 is essentially determined by a small number of banks whose ratios are decreasing significantly compared to the rest of the panel.

Note: Some banks include POCI assets in their Stage 3 figures. Additionally, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies. The same methodology described in Graph 6.1 has been used for computing the coverage ratio by stage. The limitations in relation to the data used to calculate these metrics are explained above.

3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.7 Breakdown of AC loans gross credit exposures by stage (H1 2023 vs. YE 2022)

Graph 5.1: Allocation by stage of AC loans gross carrying exposures in YE 2022

Bank	S1	S2	S3
FR 1	87%	10%	3%
FR 2	89%	9%	2%
FR 3	84%	14%	2%
DE 2	89%	9%	2%
NL 2	89%	9%	2%
SP 1	88%	9%	4%
SP 2	91%	6%	3%
SP 3	89%	8%	3%
SP 4	89%	8%	3%
SE 1	92%	7%	1%
SE 2	95%	5%	1%
UK 1	85%	14%	2%
UK 2	86%	12%	2%
UK 3	83%	13%	4%
UK 4	94%	4%	2%
UK 5	86%	12%	1%
IE 1	87%	10%	3%
IE 2	80%	17%	3%
O 2	91%	7%	1%
O 3	96%	4%	0%

Average weighting S1 88.5%
Average weighting S3 2.2%

Legend:
- AC Gross carrying exposures - S1 YE 2022
- AC gross carrying exposures - S2 YE 2022
- AC gross carrying exposures - S3 YE 2022
- Average weighting S3
- Average weighting S1

Graph 5.2: Allocation by stage of AC loans gross carrying exposures in H1 2023

Bank	S1	S2	S3
FR 1	89%	8%	3%
FR 2	89%	9%	2%
FR 3	84%	13%	2%
DE 2	87%	10%	3%
NL 2	89%	9%	2%
SP 1	88%	8%	3%
SP 2	90%	7%	3%
SP 3	89%	8%	3%
SP 4	90%	8%	3%
SE 1	90%	10%	0%
SE 2	94%	5%	1%
UK 1	85%	13%	2%
UK 2	88%	11%	2%
UK 3	83%	14%	4%
UK 4	95%	3%	2%
UK 5	87%	11%	1%
IE 1	84%	13%	3%
IE 2	80%	16%	3%
O 2	91%	7%	1%
O 3	97%	3%	1%

Average weighting S1
Average weighting S3

Legend:
- AC Gross carrying exposures - S1 H1 2023
- AC gross carrying exposures - S2 H1 2023
- AC gross carrying exposures - S3 H1 2023
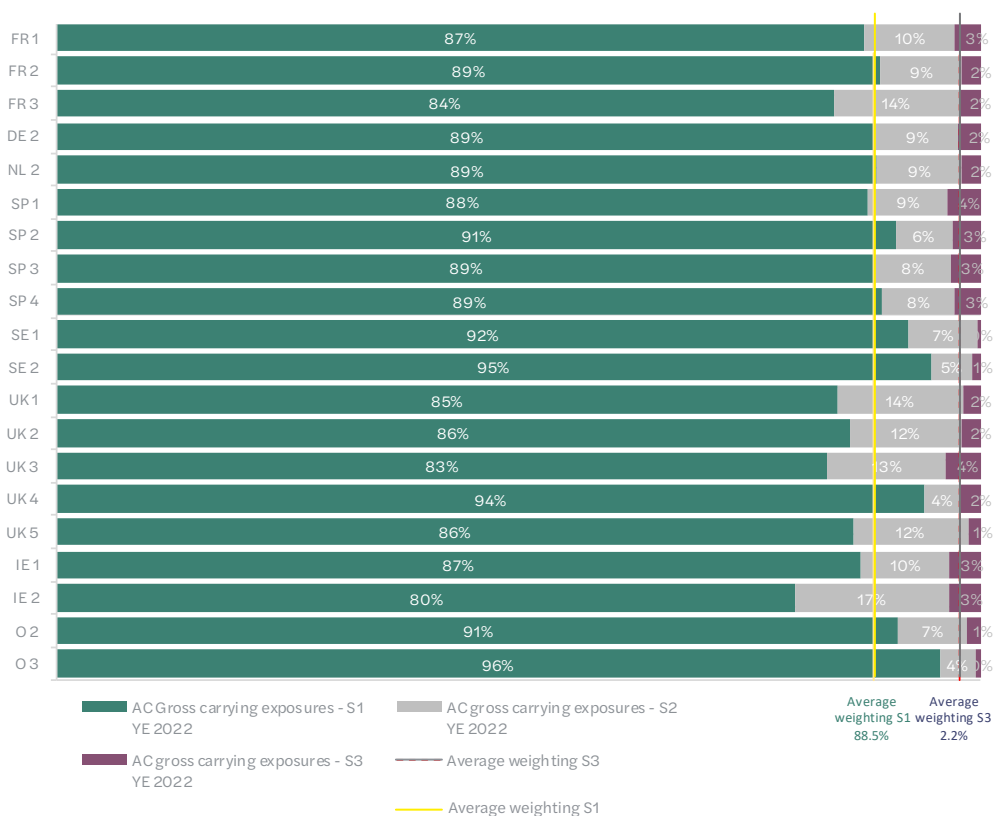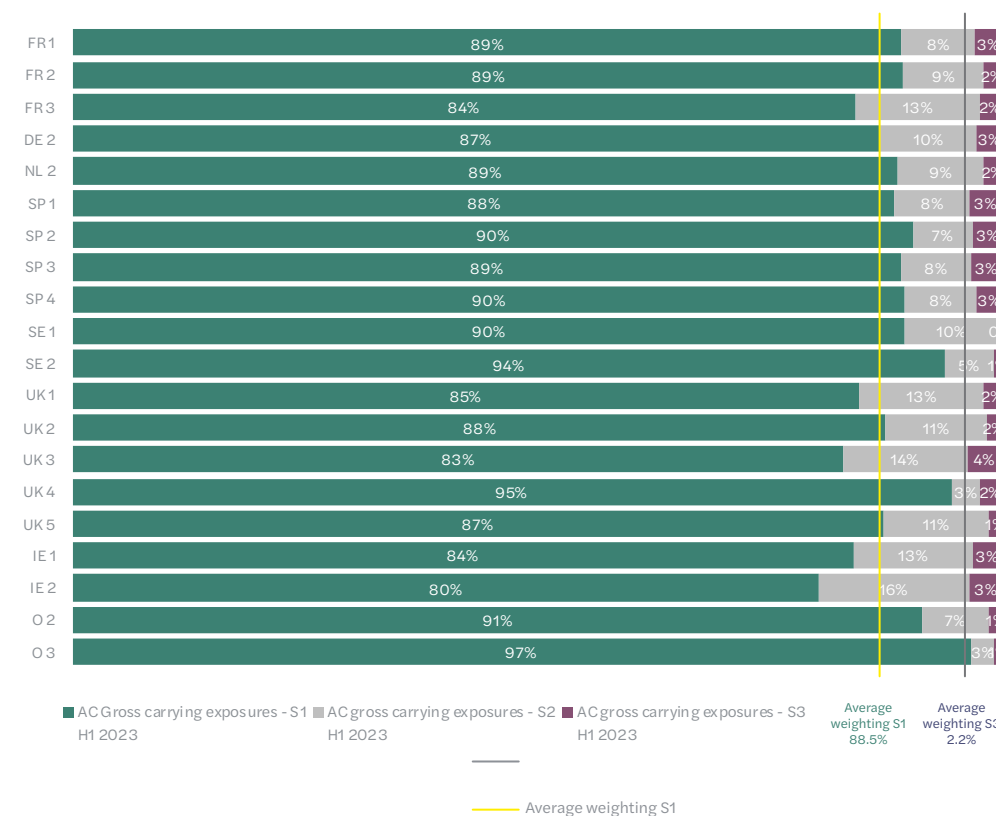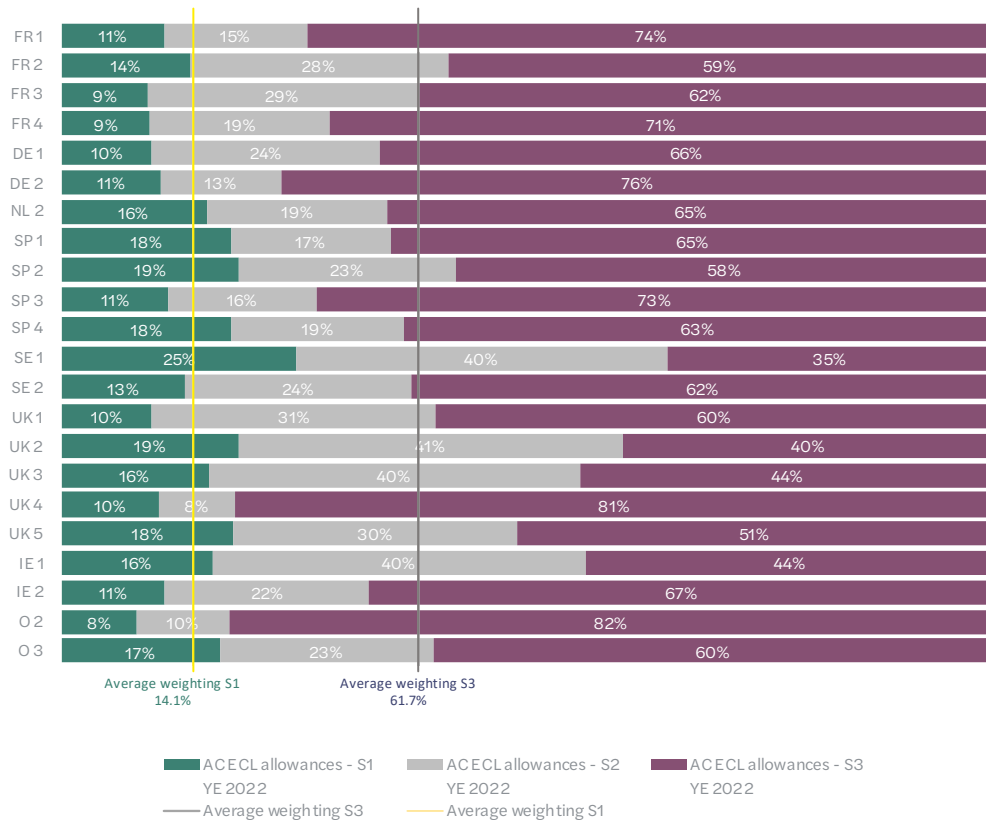- Average weighting S3
- Average weighting S1

Note: Some banks include POCI assets in their Stage 3 figures. Additionally, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The allocations by stage are therefore not directly comparable between banks. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies.
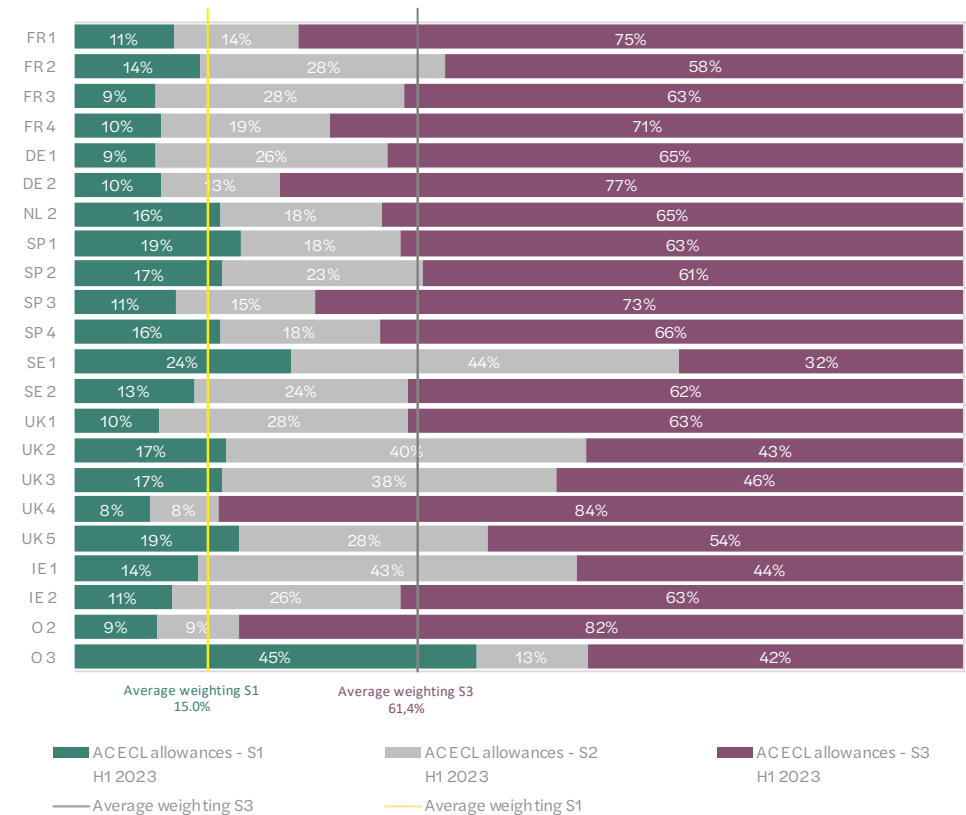
3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.8 Breakdown of AC loans ECL allowances by stage (H1 2023 vs. YE 2022)

Graph 6.1: Allocation by stage of AC loans - ECL allowances in YE 2022

Graph 6.2: Allocation by stage of AC loans - ECL allowances in H1 2023

Graph 6.1 (YE 2022):

Bank	S1	S2	S3
FR 1	11%	15%	74%
FR 2	14%	28%	59%
FR 3	9%	29%	62%
FR 4	9%	19%	71%
DE 1	10%	24%	66%
DE 2	11%	13%	76%
NL 2	16%	19%	65%
SP 1	18%	17%	65%
SP 2	19%	23%	58%
SP 3	11%	16%	73%
SP 4	18%	19%	63%
SE 1	25%	40%	35%
SE 2	13%	24%	62%
UK 1	10%	31%	60%
UK 2	19%	41%	40%
UK 3	16%	40%	44%
UK 4	10%	8%	81%
UK 5	18%	30%	51%
IE 1	16%	40%	44%
IE 2	11%	22%	67%
O 2	8%	10%	82%
O 3	17%	23%	60%

Average weighting S1 14.1%
Average weighting S3 61.7%

Graph 6.2 (H1 2023):

Bank	S1	S2	S3
FR 1	11%	14%	75%
FR 2	14%	28%	58%
FR 3	9%	28%	63%
FR 4	10%	19%	71%
DE 1	9%	26%	65%
DE 2	10%	13%	77%
NL 2	16%	18%	65%
SP 1	19%	18%	63%
SP 2	17%	23%	61%
SP 3	11%	15%	73%
SP 4	16%	18%	66%
SE 1	24%	44%	32%
SE 2	13%	24%	62%
UK 1	10%	28%	63%
UK 2	17%	40%	43%
UK 3	17%	38%	46%
UK 4	8%	8%	84%
UK 5	19%	28%	54%
IE 1	14%	43%	44%
IE 2	11%	26%	63%
O 2	9%	9%	82%
O 3	45%	13%	42%

Average weighting S1 15.0%
Average weighting S3 61,4%

Legend (left):
- AC ECL allowances - S1 YE 2022
- AC ECL allowances - S2 YE 2022
- AC ECL allowances - S3 YE 2022
- Average weighting S3
- Average weighting S1

Legend (right):
- AC ECL allowances - S1 H1 2023
- AC ECL allowances - S2 H1 2023
- AC ECL allowances - S3 H1 2023
- Average weighting S3
- Average weighting S1

Note: Some banks include POCI assets in their Stage 3 figures. Additionally, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The allocations by stage are therefore not directly comparable between banks. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies.
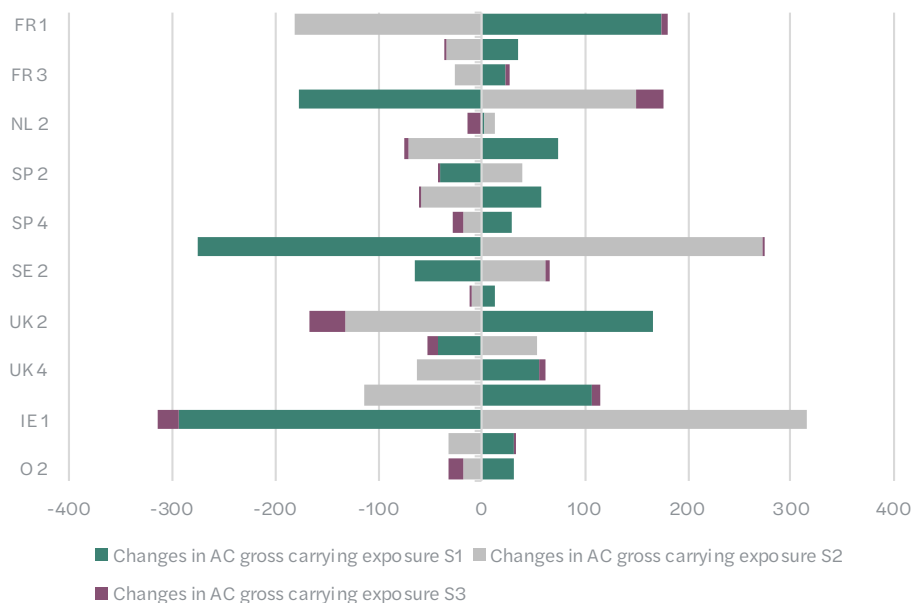
3.2 ECL allowances: changes in coverage ratios and allocation between stages

3.2.9 Breakdown of changes in AC loans gross credit exposure and ECL allowance by stage (H1 2023 vs. YE 2022)

Graph 7.1: Changes in AC loans - GCE by stage H1 2023 vs YE 2022 (bps)   Graph 7.2: Changes in ECL allowances by stage H1 2023 vs YE 2022 (bps)
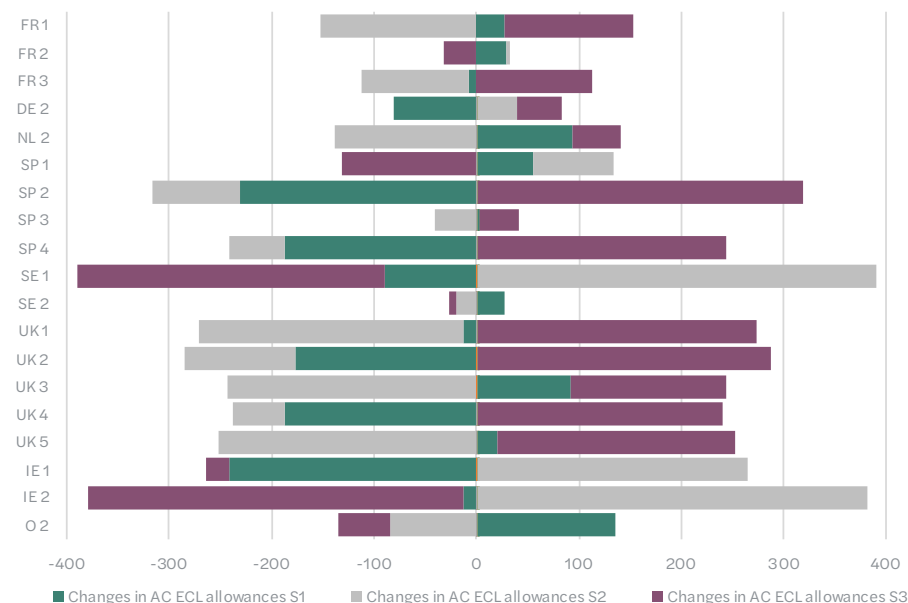
Insights

- O 3 changes are not represented in the graph as a result of unusual values explained by a major acquisition in H1 2023.

- GCE shows diverse situations that are not necessarily geographically correlated.
  - 12 banks decreased their S2/S3 GCE to the benefit of S1.
  - Seven banks increased their S2 GCE to the detriment of S1.

- ECL allowances show a general reallocation in favour of S3.
  - Seven banks did not increase their S3 ECL allowances.
  - Among those banks, four faced a relative decrease in their S3 GCE, whereas the other three faced an opposite movement in their S3 GCE (SE 1, SE 2 and IE 2).

3.3 Post-model adjustments/overlays

3.3 Post-model adjustments/overlays

3.3.1 Weight of cumulative overlays in AC loans ECL allowance

25

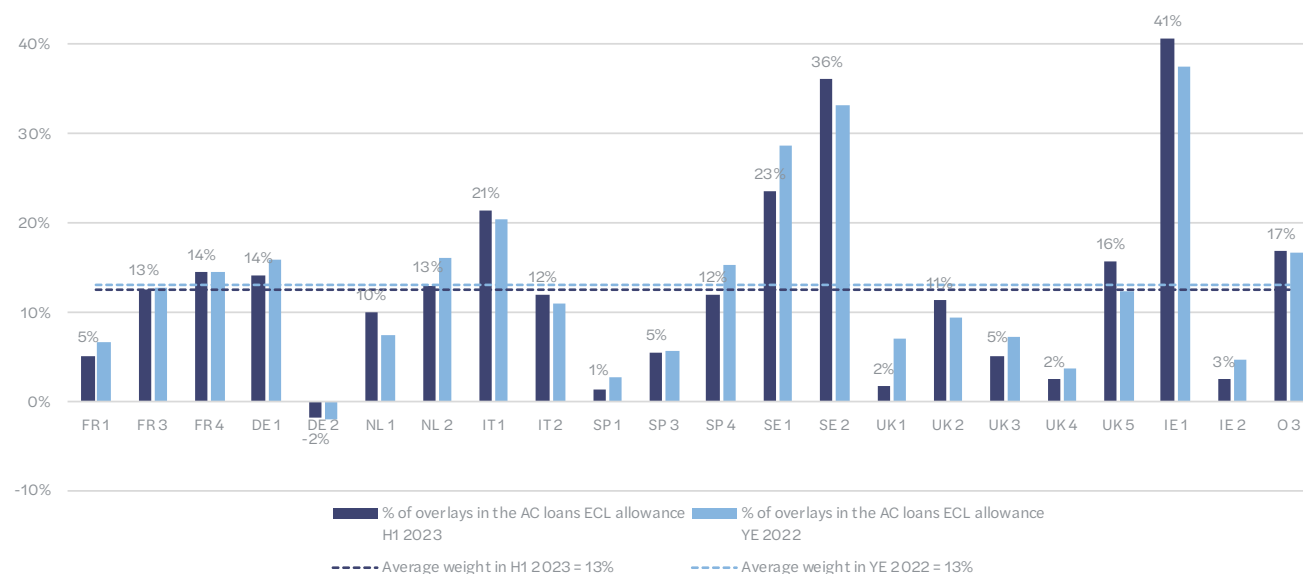banks disclosed having overlays or post-model adjustments

23

banks disclosed the amounts of their overlays or post-model adjustments in H1 2023 and YE 2022

23

out of 23 banks have a cumulative overlay that is an ECL charge

Note: A post-model adjustment is an incremental ECL that increases (or decreases) the ECL resulting from the bank's IFRS 9 impairment models.
Banks use different designations for such adjustments (management overlay, top-level adjustment, management adjustment, additional adjustment, overlay provisions, etc. Several banks disclosed having several post-model adjustments. For each bank, the sum of all its overlays in H1 2023 is referred to as H1 2023 cumulative overlays.

Graph 8.1: Weight of cumulative overlays in AC loans ECL allowance H1 2023 vs YE 2022

Legend:
- ■ % of overlays in the AC loans ECL allowance H1 2023
- ■ % of overlays in the AC loans ECL allowance YE 2022
- ‑‑‑ Average weight in H1 2023 = 13%
- ‑‑‑ Average weight in YE 2022 = 13%

Insights

- The average weight of cumulated overlays in AC loans ECL allowances remains stable at 13% on average in H1 2023 (13% in YE 2022).

- The weightings in H1 2023 range from -2% to 41% and show varying situations even within some countries: for example, UK 1, UK 3 and UK 4 decreased the weight of their overlays, whereas UK 2 and UK 5 increased it.

- Underlyings of cumulated overlays remained comparable to those observed in YE 2022. No new significant overlay had been reported in H1 2023 at a global level.

3.3 Post-model adjustments/overlays

3.3.2 Cumulative overlay changes

36%

Is the average weight of the change in overlays in ECL profit/loss before overlays (in absolute value)

Insights

- The graph means that on average, a net ECL charge of 100 would be in the case of IE 1 composed of :
  - A net ECL overlay charge of 64
  - A net ECL charge related to ECL models of 36 (ECL before overlays)

- The average weight of the change in overlays in ECL profit/loss before overlays increased from 30% in YE 2022 to 36% in YE 2022.

- The average weight increase of cumulative overlay change in the net ECL charge in H1 2023 is consistent with:
  - the stability of the cumulated overlays in the balance sheet
  - combined with a global decrease in the ECL allowances

Graph 8.2: Weight of cumulative overlay change (absolute value) in ECL charge/ release before overlays (%) H1 2023 vs YE 2022
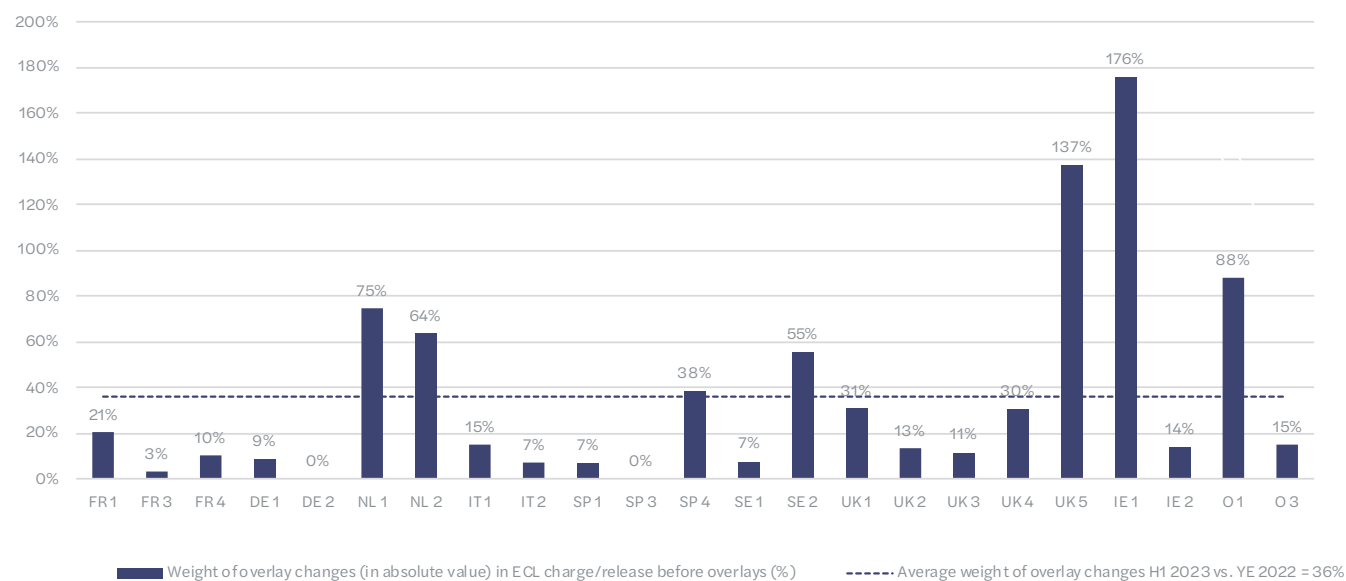
Note: A post-model adjustment is an incremental ECL that increases (or decreases) the ECL resulting from the bank's IFRS 9 impairment models.
The weight of overlays in ECL charge/profit before overlays (%) at H1 2023 has been calculated by dividing the changes in overlays in absolute value by the ECL charge/profit in P&L before overlays.
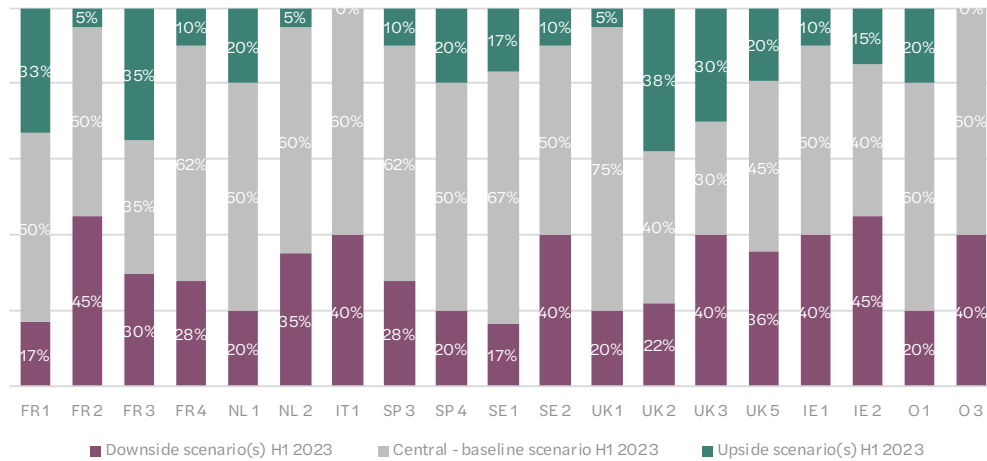
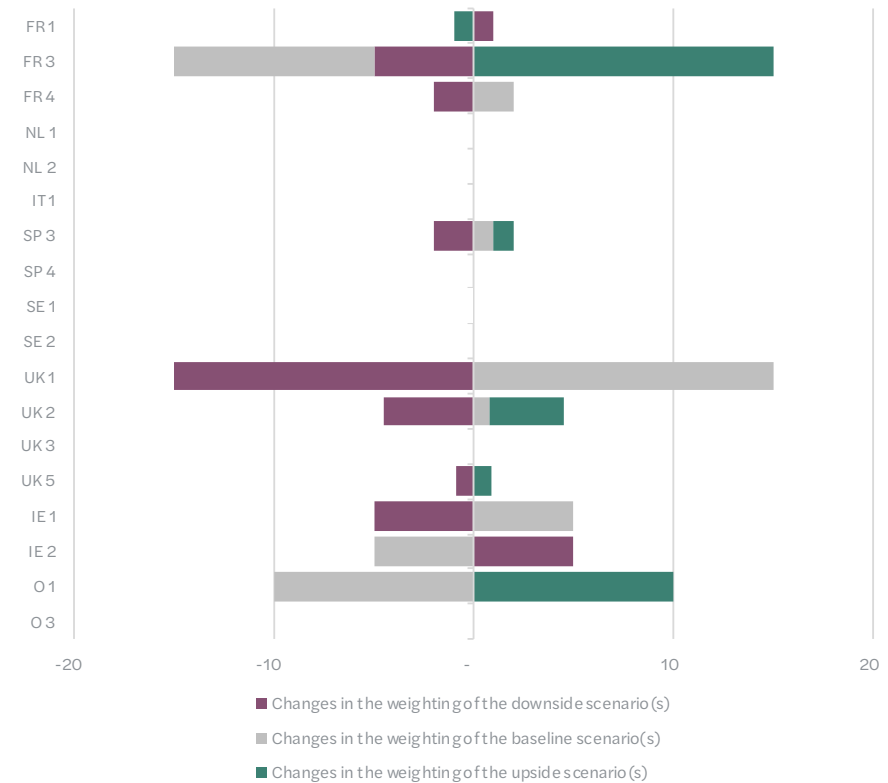# 3.4 Forward looking information

3.4.2 Weightings of macro-economic scenarios

Graph 9.1: Weightings of the scenarios
in H1 2023

Graph 9.2: Changes in the weightings of the scenarios
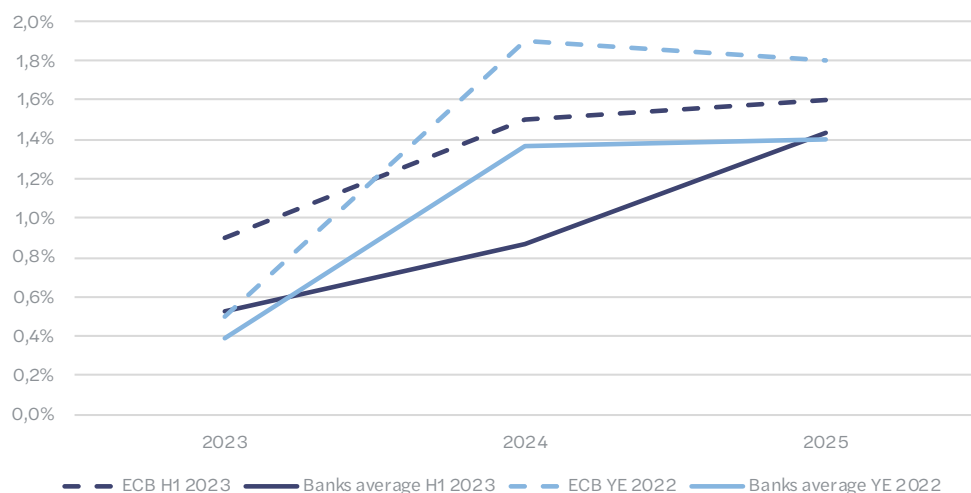H1 2023 vs YE 2022

Insights

- The sample is still rather heterogeneous regarding the weightings of each scenario (upside, baseline, and downside) in H1 2023 – even within each country.

- Ten out of 18 banks changed the weightings of their scenarios between YE 2022 and H1 2023. An empty line in graph 9.2 means that the weightings are the same as in YE 2022.

- Only two banks weighted the downside scenario(s) upwards, showing a reversal in the trend present in YE 2022.
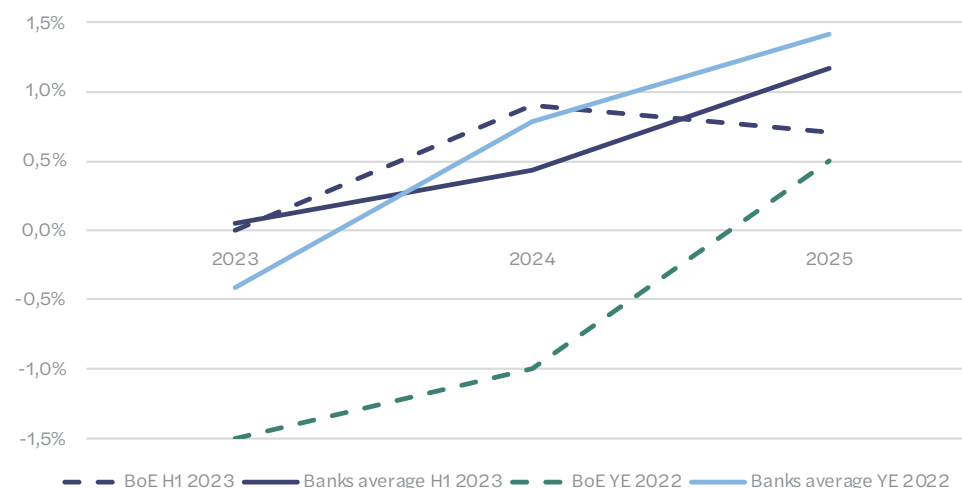
3. Key findings
3.4 Forward looking information

3.4.3 Understanding the underlying parameters of macro-economic scenarios

Graph 10.1: GDP growth rate Eurozone
Baseline scenario assumptions H1 2023 vs YE 2022

Graph 10.2: GDP growth rate UK
Baseline scenario assumptions H1 2023 vs YE 2022

Legend (Graph 10.1): ECB H1 2023 · Banks average H1 2023 · ECB YE 2022 · Banks average YE 2022

Legend (Graph 10.2): BoE H1 2023 · Banks average H1 2023 · BoE YE 2022 · Banks average YE 2022

Note: In these graphs, we compare the Eurozone and UK GDP growth rate assumptions used by the banks in H1 2023 and YE 2022 with the macro-economic projections used by the European Central Bank published in June 2023 and the Bank of England published in the Monetary Policy Report from May 2023, Table 1.A. Sources: https://www.ecb.europa.eu/mopo/strategy/ecana/html/table.en.html
https://www.bankofengland.co.uk/monetary-policy-report/2023/may-2023

The charts present the annual GDP growth rate for each year disclosed by the ECB/BoE on the one hand, and the average annual growth rate disclosed each year by the banks of the panel that use this assumption in their macroeconomic scenarios.

Banks of the panel using the Eurozone growth rates are FR 1, FR 2, FR 3, FR 4, DE 1, DE 2, IT 2, SE 1, O 3.

Banks of the panel using the UK growth rates are UK 1, UK 2, UK 3, UK 5, IE 1, IE 2.

The data should be used with caution because the basis of the analysis can vary from one bank to another: some banks disclose their assumptions for financial years whereas others show assumptions of GDP growth that are made on a Year-to-Date basis (i.e., from June 2023 to June 2024 for the year 2023. Not all banks present their basis of comparison.

3.4 Forward looking information

3.4.3 Understanding the underlying parameters of macro-economic scenarios

Graph 10.3: Eurozone GDP growth assumptions H1 2023
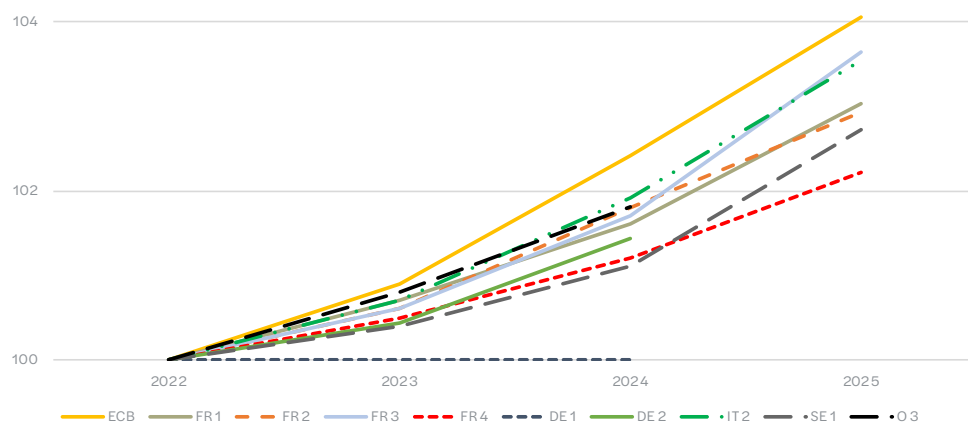
Insights

- The level of detail is rather heterogeneous among this sample, as some banks will not present their GDP growth assumptions until 2026, hindering full comparability between the banks.

- The banks are more conservative regarding ECB projections.
  - The range of assumptions is quite extensive:
  - For 2023, the range goes from 0.0% (DE 1) to 0.8% (O 3).
  - For 2024, the range goes from 0.0% (DE 1) to 1.2% (FR 2 and IT 2).

Baseline scenario: Eurozone GDP growth				
	2023	2024	2025	2026
ECB	0.9%	1.5%	1.6%	
FR 1	0.7%	0.9%	1.4%	
FR 2	0.6%	1.2%	1.1%	1.1%
FR 3	0.6%	1.1%	1.9%	
FR 4	0.5%	0.7%	1.0%	1.1%
DE 1	0.0%	0.0%		
DE 2	0.4%	1.0%		
IT 2	0.7%	1.2%	1.6%	
SE 1	0.4%	0.7%	1.6%	
O 3	0.8%	1.0%		

We compare in this graph the Eurozone GDP growth rate assumptions used by the banks with the macro-economic projections used by the European Central Bank published in June 2023 (source: https://www.ecb.europa.eu/mopo/strategy/ecana/html/table.en.html).
The chart presents the annual GDP growth rate for each year, whereas the graph represents the cumulative GDP growth rate (index base 100 = 2022).
DE 1 bank is an exception as the growth rates disclosed for 2022 and 2023 are presented as a range.
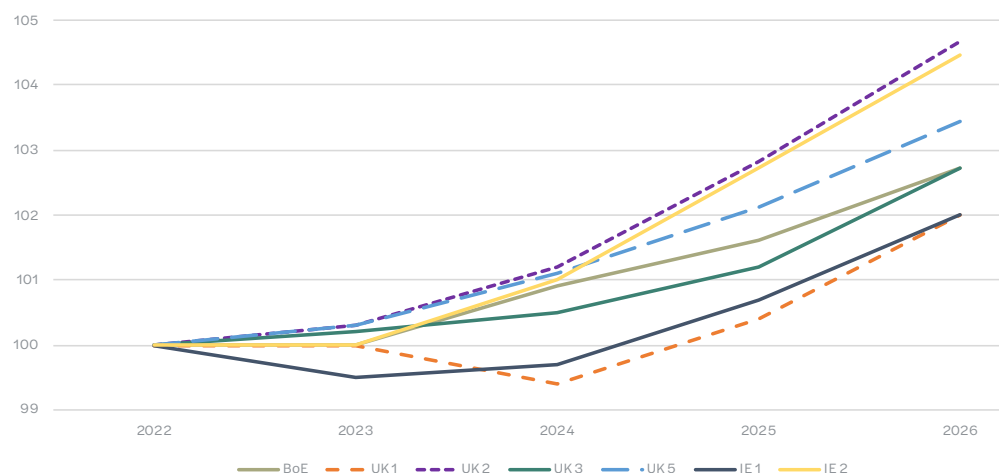We took the average GDP growth value for each year.
We left empty boxes for banks that did not disclose an updated GDP growth rate in H1 2023.

3. Key findings
3.4 Forward looking information

3.4.3 Understanding the underlying parameters of macro-economic scenarios

Graph 10.4: UK GDP growth assumptions H1 2023

Insights

- Banks show diverse forecasts for the four upcoming years compared to the Bank of England forecasts, even if the gap is narrowing for 2026 (GPD growth range from 1.3% to 1.8%) especially when compared to 2024 (from -0.6% to 1%).

- Despite unanimous optimistic forecasts for 2025 and 2026, these differences in the first two years assumptions lead to various outcomes when compared to the cumulated GDP growth of the BoE in 2027. The sample is evenly split between 'optimists' and 'pessimists'.

Baseline scenario: UK GDP growth				
	2023	2024	2025	2026
Bank of England	0.0%	0.9%	0.7%	1.1%
UK 1	0.0%	-0.6%	1.0%	1.6%
UK 2	0.3%	0.9%	1.6%	1.8%
UK 3	0.2%	0.3%	0.7%	1.5%
UK 5	0.3%	0.8%	1.0%	1.3%
IE 1	-0.5%	0.2%	1.0%	1.3%
IE 2	0.0%	1.0%	1.7%	1.7%

We compare in this graph the UK GDP growth rate assumptions used by the banks with the macro-economic projections used by the Bank of England published in the Monetary Policy Report from May 2023, Table 1.A (source: https://www.bankofengland.co.uk/monetary-policy-report/2023/may-2023).
The chart presents the annual GDP growth rate for each year, whereas the graph presents the cumulative GDP growth rate (index base 100 = 2022).
IE 2 uses a global average GDP growth rate for the period 2025-2027. We have assumed for this bank a constant annual GDP growth rate.

■ Bank assumption more optimistic than the BoE projections (i.e. higher GDP growth rate)
■ Bank assumption less optimistic than the BoE projections (i.e. lower GDP growth rate)

3. Key findings
3.5 Other topics

3.5.1 Liquidity risk

Several significant events occurred in the banking environment in H1 2023:

- The bankruptcy of several American regional banks (including Silicon Valley Bank)

- The fall of Credit Suisse and its takeover by UBS.

These events raised questions about banks' exposure to liquidity risk and the wider banking sector.

Concerning the information to be provided in interim financial statements, IAS 34 requires no mandatory specific information related to liquidity risk or credit risk.

However, that standard requires disclosure of significant events and transactions of the period

In H1 2023, there were no banks that disclosed new information relating to their exposure to liquidity risks, nor any specific information regarding the events of the first semester.

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