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PRESS RELEASE

ECB PUBLISHES COMPREHENSIVE ASSESSMENT STRESS TEST MANUAL

- Manual gives details on “join-up” of asset quality review (AQR) and stress test
- Manual outlines the stress test quality assurance process, which ensures a rigorous exercise
- Publication of the manual adds to the transparency of the comprehensive assessment and the credibility of the exercise

The European Central Bank (ECB) has today published a manual detailing how it will incorporate findings from its AQR into stress test projections. It also describes the stress test quality assurance process, which is vital to ensuring that the exercise is robust and credible.

The comprehensive assessment is a thorough check of the balance sheets and resilience of the biggest banks prior to the ECB taking on its supervisory tasks in November. The ECB’s comprehensive assessment differs from previous EU-wide stress test exercises in that it comprises a thorough asset quality review and includes a “join-up” of the AQR and stress test outcomes. This enables a more accurate assessment of bank balance sheet conditions, as well as of credit and other risks on banks’ books.

“We are dedicating considerable time and effort to making this process rigorous,” said Vítor Constâncio, the ECB’s Vice-President. “The join-up includes all the information we have gathered during the AQR, setting this exercise apart from previous ones. We are also demonstrating our commitment to transparency by publishing the manual.”

The quality assurance of the stress test focuses on delivering results that are accurate, consistent and credible. Various quality checks will be performed in cooperation with national competent authorities. The ECB will compare findings for individual banks with those of their peers and will apply its own top-down stress test model. Banks may be required to provide further evidence as part of a “comply or explain” approach, in addition to providing further analysis and, if necessary, resubmitting their stress-test projections.

The “join-up” and thereby the impact of the AQR on the stress test calculations, will work through multiple channels. Findings from the portfolios examined in the AQR will be used to determine the starting point of the stress test and, for the purpose of the exercise, may lead to an adjustment to the year-end 2013 balance sheet. Where evidence from the AQR points to a bank having insufficient provisions, this will be reflected in adjustments to the bank’s simulated

projected losses in 2014, 2015 and 2016 for both the baseline and adverse scenarios. In addition, it will have an impact on the simulated profits and losses under stress test scenarios.

The final results from the comprehensive assessment will be published in the second half of October.

For media queries, please contact Uta Harnischfeger on +49 69 1344 6321 or Ronan Sheridan on +49 69 1344 7416.

European Central Bank

Directorate General Communications & Language Services, Global Media Relations Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404

Internet: <http://www.ecb.europa.eu>

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