



PRESS RELEASE

Madrid, 02 November 2018

Spanish banks show a considerable degree of resilience in the stress test of the European Banking Authority

The European Banking Authority (EBA) has today published the results of the stress test of 48 European Union credit institutions covering approximately 70% of the banking sector assets. Of these 48 banks, 33 belong to the Single Supervisory Mechanism (SSM). The four Spanish banking groups which participated in this exercise (Santander, BBVA, Caixabank and Sabadell) have shown a considerable degree of resilience, with satisfactory levels of capital under the adverse scenario.

The aim of the stress test is to assess in a consistent manner the resilience of large European banks to a hypothetical deterioration in macroeconomic and market conditions. It also introduces levels of transparency essential to foster market discipline. As in the exercise conducted in 2016, capital thresholds have not been defined. However, the assessment of the results will be a crucial element for supervisors when determining capital requirements within the framework of the Supervisory Review and Evaluation Processes (SREP).

EU-wide stress test

The EBA coordinated the exercise and defined the methodology, while the competent authorities were responsible for quality control. In the case of euro area banks, the process was carried out by the ECB, in conjunction with the national authorities belonging to the SSM.

The banks made three-year projections of results and capital (from December 2017 to December 2020) under two macroeconomic scenarios: a baseline scenario and an adverse scenario. The ECB provided the baseline scenario, while the adverse scenario was developed by the European Systemic Risk Board (ESRB) and the ECB, in cooperation with the EBA, the competent authorities and the national central banks.

It should also be noted that the stress test was performed under the new IFRS9 accounting framework, which came into force on 1 January 2018.

Main results of the exercise

As indicated in the report published by the EBA, the solvency level at the start of this exercise is higher than that of previous years, reflecting the stronger capital position of the main European banks. Specifically, the common equity tier 1 capital (CET1) ratio of the 48 banks, without applying transitional measures (fully loaded) was 14.2% as at end-2017 (14% taking into account the effect of the initial application of IFRS 9). The aggregate impact of the adverse scenario shows a fall of 4.2 pp compared with the ratio at end-2017.

The 33 banks directly supervised by the ECB start from an initial fully loaded CET1 ratio of 13.7% and have a ratio of 9.9% under the adverse scenario, which means that the average impact is 3.8 percentage points. The starting solvency level at these banks is also higher than that of the previous stress test, which explains why banks supervised by the SSM have a more comfortable final, projected ratio than in 2016, despite the impact of the implementation of the new accounting framework and the greater severity of the scenario on this occasion.

Results of Spanish banks

Four Spanish banking groups participated in this exercise: Santander, BBVA, Caixabank and Sabadell. In January 2018, the EBA approved the exclusion of BFA Bankia, since it was undergoing a merger with Banco Mare Nostrum.

The breakdown by bank of the impact on the CET1 ratio is summarised in the following table:

Bank	Transitional CET1 ratio			Fully loaded CET1 ratio		
	31.12.2017	31.12.2020 Adverse scenario	Impact (pp)	31.12.2017	31.12.2020 Adverse scenario	Impact (pp)
BBVA	11.7%	9.3%	-2.4	11.0%	8.8%	-2.2
Caixabank	12.7%	9.1%	-3.6	11.7%	9.1%	-2.5
Sabadell	13.4%	8.4%	-5.0	12.8%	7.6%	-5.2
Santander	12.3%	9.7%	-2.5	10.8%	9.2%	-1.6

The test results for Spanish banks show a considerable degree of resilience, since they have satisfactory levels of capital under the adverse scenario. This is partly due to the improved starting position of banks, which have made progress in cleaning up their balance sheets and have increased their fully loaded CET1 ratios with respect to previous years. The average fall in capital levels under the adverse scenario is lower than that observed for the European sample as a whole.

Publication of results by banks

Information about the results of this stress test can be found on the [EBA website](#):

- Templates for disclosing the results of each participating bank.
- Aggregate report on the full results of the exercise for all the banks.

The ECB, as the competent authority for the direct supervision of 33 of the 48 banks, has published its assessment of the results of the exercise in a [press release](#).

Reproduction permitted only if the source is cited

For further information.: Phone. +34 91 338 5044 / 6097 / 5318 Fax +34 91 338 5203 www.bde.es Email: comunicacion@bde.es