Box 2.6

2021 EUROPEAN STRESS TEST

Due to the pandemic, the European Banking Authority's stress test scheduled for 2020 was postponed to 2021. 50 groups of European credit institutions, representing approximately 70% of the European Union banking sector assets, participated in this test. In the case of Spain, four institutions took part: Santander, BBVA, Sabadell and Bankinter. Caixabank did not take part since it was in the process of merging with Bankia.

These tests are intended to assess the banks' resilience to two macroeconomic scenarios —a baseline and an adverse scenario— and they represent a transparency exercise seeking to strengthen market discipline. Compared with previous years, the design of this year's adverse scenario has put further stress on bank balance sheets, following the significant fall in GDP in 2020.

Charts 1 and 2 show the stress test results in terms of phase-in and fully-loaded Common Equity Tier 1 (CET-1).

These results reflect Spanish banks' resilience to the adverse scenario, with satisfactory capital levels despite their higher severity. Spanish banks' fully-loaded CET-1 ratio fell by an average of 290 b.p., less than that of the European banks participating in the stress test taken as a whole (485 b.p.). This is due, among other factors, to the improvement that has been taking place in their balance sheet repair.

As in previous years, no minimum capital thresholds were set. However, the outcome of the adverse scenario served as the basis for determining Pillar 2 Guidance, and the supervisory review and evaluation process also took into account certain qualitative aspects of the conduct of this exercise.

Chart 1
TRANSITIONAL CET1 RATIO ADVERSE SCENARIO

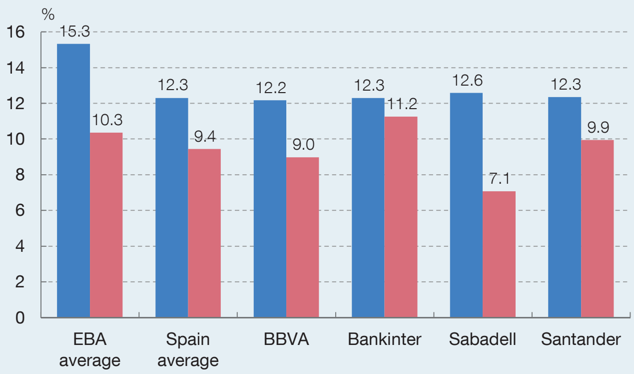
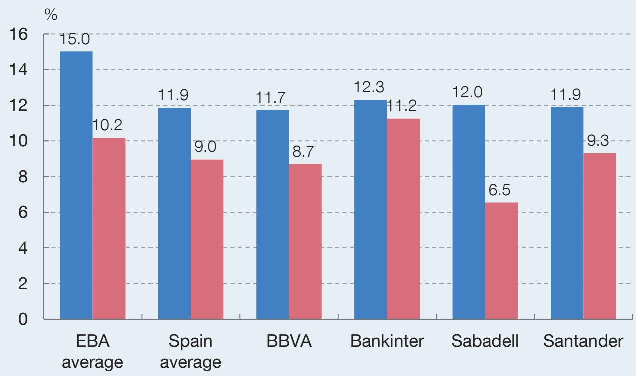


Chart 2
FULLY-LOADED CET1 RATIO ADVERSE SCENARIO



DECEMBER 2020 DECEMBER 2023 ADVERSE