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## **CEBS'S PRESS RELEASE ON THE RESULTS OF THE 2010 EU-WIDE STRESS TESTING EXERCISE**

Further to its statements issued on 18 June, 7 July and 19 July 2010, CEBS today releases its summary report on the results of the EU-wide stress test exercise.

CEBS was mandated by the ECOFIN to conduct, in cooperation with the European Central Bank (ECB), the European Commission and the EU national supervisory authorities, a second EU-wide stress testing exercise.

The overall objective of the 2010 exercise is to provide policy information for assessing the resilience of the EU banking system to possible adverse economic developments and to asses the ability of banks in the exercise to absorb possible shocks on credit and market risks, including sovereign risks.

The exercise includes a sample of 91 European banks, representing 65% of the European market in terms of total assets, in coordination with 20 national supervisory authorities. It has been conducted over a 2 years horizon, until the end of 2011, under severe assumptions. The stress test focuses mainly on credit and market risks, including the exposures to European sovereign debt. CEBS has coordinated the exercise and conducted extensive cross-checks over the results, which were submitted to a rigorous peer review process in order to ensure their consistency and comparability.

The report provides details on the scenarios, methodologies and aggregate results of the stress test exercise.

In total, aggregate impairment and trading losses under the adverse scenario and additional sovereign shock would amount to 566bn € over the years 2010-2010.

The aggregate Tier 1 ratio, used as a common measure of banks' resilience to shocks, under the adverse scenario would decrease from 10.3% in 2009 to 9.2% by the end of 2011 (compared to the regulatory minimum of 4% and to the threshold of 6% set up for this exercise). The aggregate results depend partly on the continued reliance on government support for currently 38 institutions in the exercise.

The aggregate Tier 1 ratio incorporates approximately 197bn € of government capital support provided until 1 July 2010, which represents 1.2 percentage point of the aggregate Tier 1 ratio.

As a result of the adverse scenario after a sovereign shock, 7 banks would see their Tier 1 capital ratios fall below 6%.

The threshold of 6% is used as a benchmark solely for the purpose of this stress test exercise. This threshold should by no means be interpreted as a regulatory minimum. All banks that are supervised in the EU need to have at least a regulatory minimum of 4% Tier 1 capital.

For the institutions that failed to meet the threshold for this stress test exercise, the competent national authorities are in close contact with these banks to assess the results of the test and their implications, in particular in terms of need for recapitalisation.

Results of the individual banks and statements on follow-up actions, where needed, are provided by the banks participating in the exercise and/or their national supervisory authorities.

We support, in particular, the transparency of this exercise, given the specific market circumstances under which banks currently operate. We therefore welcome the publication of banks' individual results, particularly their respective capital positions and loss estimates under an adverse scenario, as well as detailed information on banks' exposures to EU/EEA central and local government debt.

CEBS will publish a summary of the 91 individual bank results, sorted by country, under this page at 18:30 CEST (17:30 BST). Links to the webpages of the participating national supervisory authorities will be activated at the same time.