

## THE CHAIRPERSON

Martin Schulz  
The President of the European Parliament  
European Parliament  
Rue Wiertz 60  
B-1047 Brussels  
Belgium

21 December 2016

**Subject: Decision by the EBA Board of Supervisors regarding an EU-wide stress test in 2017**

Dear Mr Schulz

The EBA is required, in cooperation with the European Systemic Risk Board (ESRB), to initiate and coordinate Union-wide stress tests based on Article 32 of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council). The same regulation stipulates that the EBA shall, at least annually, consider whether it is appropriate to carry out Union-wide assessments of the resilience of financial institutions, in accordance with Article 32, and shall inform the European Parliament, the Council and the Commission of its reasoning.

The results of the 2016 EU-wide stress test were published at the end of July 2016 and demonstrated the ongoing progress EU banks are making in strengthening their capital position. Following a concerted effort to strengthen the capital base of the EU banking system since 2011, the starting point for the 2016 stress test was a weighted average CET1 capital ratio of 13.2% as of end-2015 – more than 200bps above the starting point for the 2014 and more than 400bps over the average capital level in 2011. Since December 2013, CET1 capital increased by approximately €180bn for the banks in the sample. The impact of the adverse scenario demonstrates the value of this capital strengthening as the weighted average CET1 capital ratio falls by -380bps bringing the ratio across the sample to 9.4% at the end of 2018.

The 2016 stress test has generated a vast amount of quantitative and qualitative information and previous exercises have shown that it takes some time for competent authorities as well as for market participants to analyse and use this information. Also, significant preparatory work will be required for a next stress test, e.g. taking new regulatory requirements and lessons learnt from 2016 into account. Moreover, the requirement in Article 100 CRD to undertake annual supervisory stress tests will be met by supervisors requiring banks to undertake stress tests based on supervisory guidance in accordance with the EBA's SREP Guidelines. Finally, risks and



Floor 46, One Canada Square,  
London E14 5AA UNITED KINGDOM

t: +44(0) 20 7382 1770

f: +44(0) 20 7382 1771

[www.eba.europa.eu](http://www.eba.europa.eu)

+44(0)20 7382 1765 direct

[andrea.enria@eba.europa.eu](mailto:andrea.enria@eba.europa.eu)

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vulnerabilities in the EU-banking sector will be monitored by competent authorities and the EBA as part of the regular assessment of banks.

Based on these reasons the Board of Supervisors of the EBA decided in its meeting on the 6th of December not to conduct an EU-wide stress test in 2017 but to start preparations for the next stress test in 2018. This decision is in line with the EBA Board of Supervisors' decision in June 2015 to aim for a biennial EU-wide stress test in the future. However, based on the Board of Supervisors' decision in April 2016 on a regular annual transparency exercise, this will be carried out in 2017 similar to the one in 2016.

Yours sincerely

A handwritten signature in black ink, which appears to read 'Andrea Enria', is positioned below the text 'Yours sincerely'.

Andrea Enria

CC: Roberto Gualtieri, Member of the European Parliament, Chair of the Committee on Economic and Monetary Affairs;  
Valdis Dombrovskis, Vice-President, Financial Stability Financial Services and Capital Markets Union;  
Mag. Thomas Wieser, EFC Chairman, President of the Eurogroup Working Group (EWG) and the Economic and Financial Committee (EFC)