



EBA publishes the methodology for the 2021 EU-wide stress test

13 November 2020

The European Banking Authority (EBA) published today the final methodology, draft templates and template guidance for the 2021 EU-wide stress test along with the key milestones of the exercise. The methodology and templates include some targeted changes compared to the postponed 2020 exercise, such as the recognition of FX effects for certain P&L items, and the treatment of moratoria and public guarantees in relation to the current Covid-19 crisis. The stress test exercise will be launched in January 2021 with the publication of the macroeconomic scenarios and the results published by 31 July 2021.

Like the previous ones, the 2021 EU-wide stress test is a bottom-up exercise with constraints, including a static balance sheet assumption. The exercise is primarily a diagnostic tool focused on the assessment of the impact of adverse shocks on the solvency of banks. Banks are required to estimate the evolution of a common set of risks (credit, market, counterparty and operational risk) under an adverse scenario. In addition, banks are requested to project the impact of the scenarios on the main income sources.

A draft version of the stress test templates is also published along with a template guidance. The draft version of the templates and template guidance can still be subject to minor technical adjustments before its final publication.

Along with the methodology, the sample of banks participating in the exercise is also published.

Key milestone dates of the 2021 EU-wide stress test exercise

- Launch of the exercise at the end of January 2021;
- First submission of results to the EBA at the beginning of April 2021;
- Second submission to the EBA in mid-May 2021;
- Third submission to the EBA at the end of June 2021
- Final submission to the EBA in mid-July 2021;
- Publication of results by end-July 2021.

Notes to editors

The aim of the EU-wide stress test is to assess the resilience of EU banks to a common set of adverse economic developments in order to identify potential risks, inform supervisory decisions and increase market discipline.

The EBA EU-wide stress test is conducted in a bottom-up fashion, using consistent methodologies, scenarios and key assumptions developed jointly with other authorities.

In particular, the exercise is coordinated by the EBA and carried out in cooperation with the European Central Bank (ECB), the European Systemic Risk Board (ESRB), the European Commission (EC) and the Competent Authorities (CAs) from all relevant national jurisdictions.

To give banks sufficient time to prepare for the exercise, the EBA publishes the methodology and templates well ahead of the formal launch, when the relevant macroeconomic scenarios will be released.

DOCUMENTS

- › Methodological note (PDF)
 - › Template guidance (PDF)
 - › Templates (Excel)
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LINKS

- › EU-wide stress testing

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