

PRESS RELEASE

THE EBA STRESS TEST REAFFIRMS THE RESILIENCE OF THE EU BANKING SECTOR AGAINST A SEVERE SCENARIO

28 July 2023, Brussels - The European Banking Federation (EBF) has today reacted to the results of the 2023 [EU-wide stress](#) test by the European Banking Authority (EBA). Despite a scenario combining severe recession and interest-rate rises, the results reaffirm the resilience of European banks and highlight the importance of a strong and profitable banking sector to support the economy.

“Stress testing is a key element of assessing banks’ resilience. European banks have proven to be resilient against real-life events, from the Covid pandemic, the war in Ukraine, and the recent turmoil within the US regional banking system. The 2023 results, therefore, offer an opportunity to reflect on the stress test exercise and signal the preparedness of European banks,” said EBF CEO Wim Mijs.

The stress test was coordinated by the EBA, in cooperation with the European Central Bank (ECB), the Single Supervisory Mechanism (SSM), and national competent authorities, who applied the EBA stress test [methodology](#) and templates as well as the [scenarios](#) provided by the European Systemic Risk Board (ESRB). Any interpretation will also need to take into account national market specificities and business model diversity in the EU.

This year’s exercise was based on a particularly adverse scenario depicting an unlikely-to-unfold deterioration in the overall economic outlook and financial markets in the next three years. In such a scenario, European banks emerged equipped to withstand challenges thanks to a solid prudential status.

Earlier this year, the Federal Reserve conducted an annual bank stress test of the US banking system. It is important to note that differences in methodologies and the plausibility of the assumptions followed by the US and the EU result in different outcomes of such exercises.

The EBF notes that the EBA decided to publish an additional stand-alone analysis and data on banks’ bond positions alongside the results of the stress test. As the EBA indicated, this analysis and data are published for transparency purposes only and should not be linked to the results of the stress test. European banks operate under sound risk management frameworks and apply Basel standards, including the interest rate risk in the banking book, to banks of all sizes. This is also one of the reasons behind the lack of contagion from the US regional banks’ crises in Europe.

The European banking system has stood firm in the face of various challenges due to the significant level of resilience achieved during the regulatory reform and has the highest capital ratio across all global regions. The EBF stands ready to work with the supervisory authorities to secure the competitiveness of the banking system for economic growth in Europe.

About the EBF:

The European Banking Federation is the voice of the European banking sector, bringing together national banking associations from across Europe. The federation is committed to a thriving European economy that is underpinned by a stable, secure and inclusive financial ecosystem, and to a flourishing society where financing is available to fund the dreams of citizens, businesses and innovators everywhere.

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