



**BANK OF ENGLAND**

# News release

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**Press Office**

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

29 July 2016

## **Bank of England statement on EBA stress test publication**

The Bank of England welcomes today's publication of the results of the European Banking Authority (EBA) 2016 stress test. Four UK banks – Barclays, HSBC Holdings, Lloyds Banking Group and The Royal Bank of Scotland Group – participated in the test.

The results for the four banks are consistent with those of previous Bank of England stress tests. They provide evidence that major UK banks have the resilience necessary to maintain lending to the real economy, even in a macroeconomic stress scenario.

There are important methodological differences between the EBA and Bank of England tests, notably:

- The EBA test assumes that banks' balance sheets remain static through the stress, whereas the Bank of England test is dynamic, allowing banks to dispose of assets so long as they continue to meet the projected demand for credit from the real economy.
- The EBA test places restrictions on banks' flexibility to assume they take actions to cut costs and boost income in the stress scenario. The Bank of England test does not impose the same constraints. For example, it allows banks to take actions to reduce operating costs where these are plausible.

The scenario and methodology for the Bank of England's 2016 stress test were published in March 2016. The results of the EBA test cannot be used to infer the results of that test, which will be decided and published by the Bank of England in 2016 Q4. In addition to those differences described above:

- The Bank of England's 2016 stress scenario was designed under the Annual Cyclical Scenario framework and differs from the EBA's scenario in some important respects.
- The EBA test does not allow banks to assume they would take discretionary actions to mitigate the impact of the stress, other than those that take effect automatically under European capital rules.

The Prudential Regulation Authority and the Financial Policy Committee will consider the results of the EBA stress test alongside the results of the 2016 Bank of England stress test, as part of their ongoing evaluation of the capital adequacy of both individual institutions and the overall resilience of the UK banking system.

#### **Notes to Editors**

- [EBA Press release](#)
- [2016 EBA stress test results](#)
- [Stress testing the UK banking system: key elements of the 2016 stress test](#)
- [Stress testing the UK banking system: 2015 results](#)
- [Stress testing the UK banking system: 2014 results](#)

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