



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

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Mr Petr Ježek  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 16 December 2016

**Re: Your letter (QZ100)**

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 15 November 2016.

In your letter, you enquired about why the results of the 2016 European Banking Authority (EBA) stress test for Deutsche Bank included the sale of its stake in the Chinese legal entity Hua Xia, which was agreed on 28 December 2015 and which was closed in 2016.

Stress tests are conducted, to a large extent, on the basis of historical data reported in stress test templates, for example on the administrative expenses of a bank. These data sometimes do not fully reflect relevant changes to the business of an institution that were implemented before the reference date of a stress test, which in this case was 31 December 2015. Such changes could relate, for instance, to mergers, restructuring measures or asset disposals. This is why adjustments to the starting point data, in order to take account of one-off events, are permitted by the EBA methodology for a narrow set of cases. These adjustments are designed to avoid distortion of the results of the forward-looking stress test. In this way, one-off adjustments make stress test results more realistic and, therefore, improve their usability for supervisory purposes. One-off adjustments are thus not a deviation from the published methodology<sup>1</sup> but explicitly foreseen by it.

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<sup>1</sup> <https://www.eba.europa.eu/documents/10180/1259315/2016+EU-wide+stress+test-Methodological+note.pdf>

Please note that, in the conduct of the 2016 EBA stress test, the ECB treated all banks in the same situation equally. For the approval of one-off exemptions, the ECB ensured a level playing field by applying the rules of the EBA methodology equally to all significant institutions. Each case was thoroughly assessed against the methodology's eligibility criteria for a one-off exemption. All applications for one-off exemptions that did not meet the eligibility requirements were rejected, while those which were approved were published together with the results.

The names of the institutions for which one-off adjustments were approved, as well as information regarding the impact of these adjustments on their projected profit and loss statement under the stress test, are available as part of the official publication of the results on the EBA website. According to the EBA 2016 EU-wide stress test report,<sup>2</sup> 21 out of the 51 EU banks participating in the EBA 2016 stress test were granted one-off adjustments. The 37 significant institutions participating in the EBA 2016 stress test submitted 46 requests, of which 38 were approved.<sup>3</sup>

You also enquired why CaixaBank was treated differently from Deutsche Bank in a similar situation. Let me point out first that CriteriaCaixa and not CaixaBank was the level of consolidation considered for the stress test, the first legal entity being a mixed financial holding company with a stake in the second. The claim that, regarding one-off adjustments, the ECB treated Deutsche Bank and CriteriaCaixa in different ways, although the two institutions were in a similar situation, is unfounded because the situations of the institutions were in fact very different.

First, CriteriaCaixa did not apply for its asset swap to be recognised as a one-off adjustment. According to the provisions of the public EBA methodology, such an application would have been necessary for the ECB to decide on the recognition of a one-off adjustment. Second, although this is no longer relevant in the absence of an application, at the level of consolidation relevant for the stress test, the asset swap transaction of CriteriaCaixa represented only an internal transfer of assets.

The case is thus neither from a formal nor from an economic perspective comparable to Deutsche Bank's disposal of its stake in Hua Xia Bank.

Yours sincerely,

[signed]

Danièle Nouy

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<sup>2</sup> <https://www.eba.europa.eu/documents/10180/1532819/2016-EU-wide-stress-test-Results.pdf>

<sup>3</sup> Each bank could apply for up to five one-off exemptions.