2021 EU Wide Stress Test Launch

Severe scenarios, especially for unemployment rates and real estate prices, with material differences by jurisdictions and drastic increase in baseline-adverse gap

January - 2021

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Executive Summary (1/2)

Scenario displays slightly more severe shocks except for GDP, and higher baseline drops than in ST'20. As a result of this scenario and the worsened starting point due to Covid-19 impacts, we expect an increase in capital depletion as compared to ST'18 results.

European Union Shocks	Net Shock Impact [1]			Baseline Drop Impact		
	ST 2021	ST 2020	Severity Chg.	ST 2021	ST 2020	Severity Chg.
GDP (3-year ▼)	-3.6%	-4.3%	↓	-12.9%	-8.5%	↑
Unemployment (3-year ▲)	4.7%	3.8%	↑	5.0%	3.8%	↑
Residential Property (3-year ▼)	-16.1%	-16.4%	↓	-21.9%	-24.0%	↓
Commercial Property (3-year ▼)	-32%	-20%	↑	-45%	-32%	↑
10-year Long Term Rate (1-year ▼)	-10bps	-10bps	→	-47bps	-47bps	→
Equity Prices (1-year ▼)	-25%	-25%	→	-25%	-25%	→

1. Scenario is less severe compared to ST'20 in terms of GDP, with some exceptions (Netherlands and Italy) and there is no recovery in the 3-year projection.
2. Worse unemployment rate shocks in most EU countries, with a 3-year net shock of 4.7%.
3. Residential real estate prices are slightly better at the EU level, but very heterogeneous across EU countries, with higher shocks in Portugal, Spain, Greece and Germany. Very severe impact in commercial real estate prices.
4. Interest rate scenarios display very similar levels versus Dec'20, with negative short-term levels.
5. Sovereign shocks slightly higher for southern European countries, and FX shocks present slightly higher depreciation vs. ST'20.
6. Outside EU, US and UK have less severity vs. ST'20, whereas LATAM shows higher impacts for GDP and house prices.
7. No scenario breakdown by economic sector will difficult Covid-19 specific analysis by industries

Note: (1) Net shocks reflect the total adverse effect to the macroeconomic indicator from 2020 levels (3-year shock), measured as bps

Executive Summary (2/2)

MAIN METHODOLOGY CHANGES

CREDIT RISK – Materially affected by moratoria and public guaranteed scheme (PGS)

- A restatement on 1 January 2021 is required to reflect the impact of the removal of Covid-19 moratoria (for both baseline and adverse). Payment schedule will foresee due amounts from 1 January 2021 onwards.
- Exposures and stock of provisions need to be re-allocated across IFRS9 stages in the restatement, to reflect the removal of Covid-19 moratoria. No need for reallocation of exposures or provisions at starting point.
- For projected impairments and credit REA, banks shall assume that all Covid-19 moratoria are no longer in place from January 1st. Maturing loans falling under PGS shall always be replaced with the guarantee.
- Parameters should be modelled disregarding the mitigating effect of moratoria: restated starting point parameters shall be conservatively adjusted to avoid parameters that might be lower due to the accounting and regulatory flexibility. Projected parameters shall be based on the restated distribution of exposures.

NII, NON-INTEREST INCOME, EXPENSES AND CAPITAL – Mostly FX Effects

- Covid-19 moratoria shall not be considered; that is, pre-moratoria conditions shall be applied for maturity, schedule and EIR.
- For NFCI, FX effects shall be incorporated in the projections, and the minimum reduction/cap is to be applied by currency. “Other remaining administrative expenses” shall also be adjusted for FX effects. No other P&L item is assumed to be impacted by FX effects. The additional P&L indirect impacts due to FX rate changes are (i) credit risk from foreign currency lending depreciated from local currencies and (ii) corrective factor for interest income and market risk effects.

PROCESS AND TIMELINE

- UK banks are out; exit and new entry banks due to merges leaves the sample at **50**. **Asset coverage** is broadly **70%** of the banking sector in the euro area, the non-Eurozone Member States and Norway.
  - **New entrants** Bankinter, La Banque Postale, Banca Monte dei Paschi, Mediobanca and Banco Comercial Português.
  - **Exit banks** include UK banks, Norddeutsche Landesbank, Bankia, CaixaBank and Unione di Banche Italiane Società Per Azioni.
- **Timeline remains similar to ST20 (6 month-exercise):** scenarios & template released on January 29st; calculations performed during February to end of March; resubmissions and quality assurance taking place in April to June; and final disclosures expected on July 30st.

SUMMARY OF SCENARIOS - **MACRO EU COUNTRIES**

Mixed ST'21 scenario impacts vs. ST'20: much more severe scenarios for unemployment rate in most regions and less severe shocks for GDP, except for Netherlands and Italy. House Price Index shows much more severe impacts for some countries (e.g., Portugal or Spain), but less adverse for other jurisdictions.

Southern countries (Spain, Portugal, Italy and Greece) present overall the worst scenarios compared to ST'20, whereas Ireland and Sweden show much benign ones compared to the previous exercise.

	GDP (Net shock)[1]			Unemployment (Net shock)[1]			House Price Index (Net shock)[1]		
	ST 2021	ST 2020	Difference (bps)	ST 2021	ST 2020	Difference (bps)	ST 2021	ST 2020	Difference (bps)
France	-343	-357	-15	413	243	+170	-1536	-1457	+78
Germany	-388	-500	-112	421	279	+142	-1849	-1510	+339
Greece	-357	-600	-243	560	314	+246	-987	-580	+407
Ireland	-302	-568	-266	431	536	-105	-1323	-1350	-27
Italy	-388	-369	+19	541	285	+255	-652	-902	-250
Netherlands	-427	-348	+79	596	424	+172	-1851	-2244	-393
Portugal	-445	-530	-84	415	257	+158	-2543	-1602	+941
Spain	-323	-377	-54	612	370	+242	-1697	-1186	+512
Sweden	-444	-644	-201	563	630	-67	-2756	-3185	-429
European Union	-356	-429	-72	474	377	+98	-1611	-1636	-25

Note: (1) Net shocks reflect the total adverse effect to the macroeconomic indicator from 2020 levels (3-year shock), measured as bps

SUMMARY OF SCENARIOS - **MACRO NON-EU COUNTRIES**

Mixed ST'21 scenario impacts vs. ST'20 also for non-EU countries: much more severe scenarios for House Price Index and much lower shock for Unemployment Rate.

Emerging market economies display materially higher shocks in GDP vs. ST'20, in contrast of UK, US and Turkey.

	GDP (Net shock)[1]			Unemployment (Net shock)[1]			House Price Index (Net shock)[1]		
	ST 2021	ST 2020	Difference (bps)	ST 2021	ST 2020	Difference (bps)	ST 2021	ST 2020	Difference (bps)
United Kingdom	-414	-454	-40	351	413	-62	-2328	-2443	-116
United States	-373	-484	-111	94	412	-317	-2328	-1878	+449
Turkey	-359	-589	-229	202	501	-299	-2328	-1878	+449
Norway	-326	-258	+68	215	265	-50	-2729	-2516	+213
LATAM	-503	-506	-3	187	458	-271	n.a.	n.a.	n.a.
Brazil	-457	-373	+85	246	449	-203	-2328	-1878	+449
Mexico	-455	-358	+97	250	378	-127	-2328	-1878	+449
Chile	-455	-424	+31	93	386	-293	-2328	-1878	+449

Emerging countries' FX show is higher that in ST'20 (27.1% vs. 24%), and depreciation assumed for the USD, GBP or NOK.

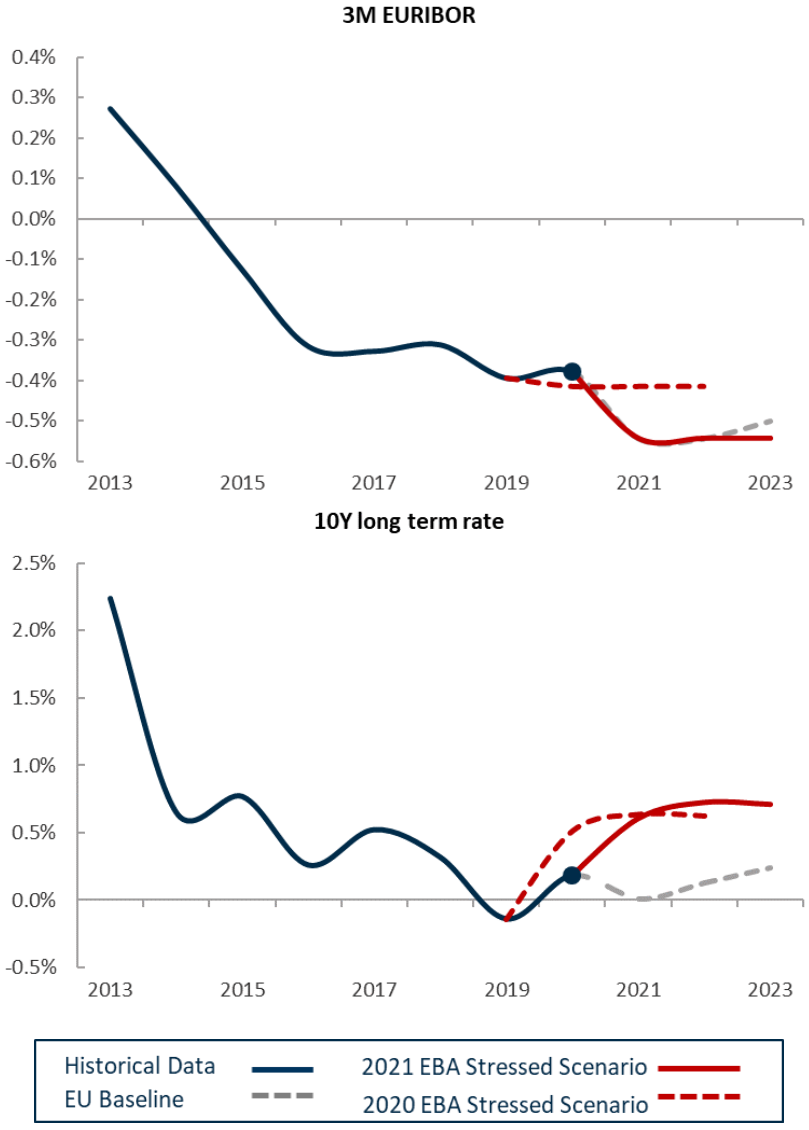
Turkey, US, UK and Norway FX shock significantly lower to the implied, whereas LATAM presents the opposite sign.

	FX (Net shock)[1]			Interest Rates Spread (implicit FX depreciation)[2]			Interest Rate Disparity
	ST 2021	ST 2020	Difference (pp)	ST 2021	ST 2020	Difference (pp)	ST 2021
United Kingdom	0.0	0.0	+0.0	2.6	3.3	-0.7	-2.6
United States	0.0	0.0	+0.0	3.7	8.5	-4.8	-3.7
Turkey	27.1	24.0	+3.1	37.2	68.7	-31.6	-10.1
Norway	0.0	0.0	+0.0	3.4	5.4	-2.0	-3.4
Brazil	27.1	24.0	+3.1	24.0	27.0	-3.0	+3.1
Mexico	27.1	24.0	+3.1	19.5	27.9	-8.4	+7.6
Chile	27.1	24.0	+3.1	4.1	7.8	-3.7	+23.0

Note: (1) Net shocks reflect the total adverse effect to the macroeconomic indicator from 2020 levels (3-year shock), measured as bps

SUMMARY OF SCENARIOS – **MARKET VARIABLES**

In the adverse scenario, 3M Euribor present a decline in 2021, that remains steady during 2022-23. Long term rate levels increase in year1, remaining flat during the Y2 and Y3 projection.



Sovereign spread shocks increase drastically in UK (+16bps) and southern EU countries (+8).

	Sov. credit spreads (Net shock)[1]		
	ST 2021	ST 2020	Difference (bps)
France	51	52	-1
Germany	51	52	-1
Greece	156	148	+8
Ireland	51	52	-1
Italy	156	148	+8
Netherlands	51	52	-1
Portugal	156	148	+8
Spain	156	148	+8
United Kingdom	104	89	+16

Note: (1) Net shocks reflect the total adverse effect to the macroeconomic indicator from 2020 levels (3-year shock), measured as bps

Scenario Analysis – Macro Economic Variables

EU COUNTRIES	
	EU
	• FRANCE
	• GERMANY
	• GREECE
	• IRELAND
	• ITALY
	• NETHERLANDS
	• PORTUGAL
	• SPAIN
	• SWEDEN

NON-EU COUNTRIES	
	• UK
	• US
	• TURKEY
	• NORWAY
	• LATAM
	• BRAZIL
	• MEXICO
	• CHILE

SCENARIO ANALYSIS – **COMPREHENSIVE GUIDE**

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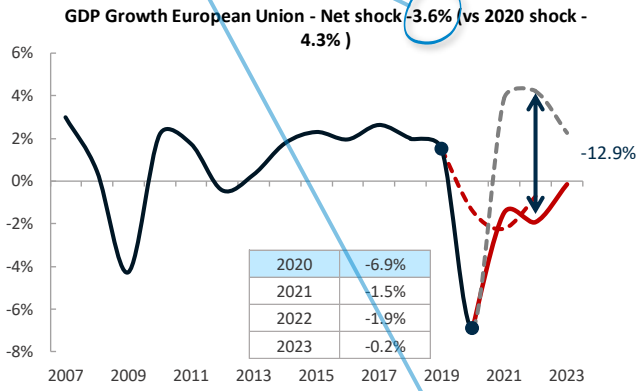
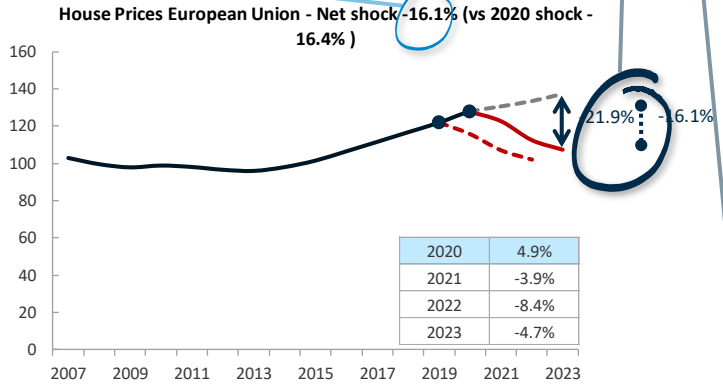
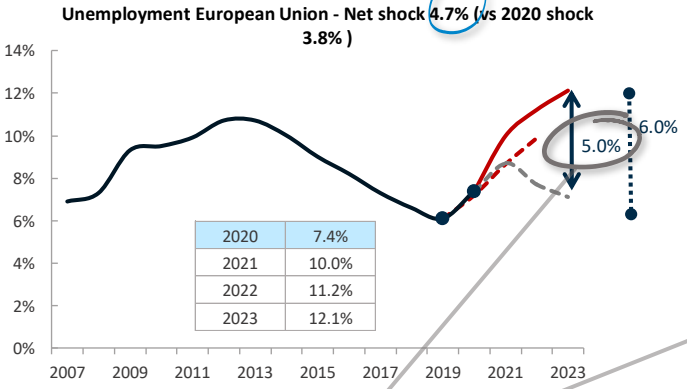
Net Shock : 2019 levels to stress
It is an indicator of the scenario severity and its impact in capital

Peak to trough: It is a through the cycle (historical) indicator of the confidence level implied in the scenario







2021 Stress Test Macro Scenarios vs 2020	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-10.2%	-4.3%	6.0%	3.8%	-16.1%	-16.4%
# St Dev.	3.62	2.26	3.85	2.36	5.36	5.50
Confidence Level	99.99%	98.80%	99.99%	99.08%	100.00%	100.00%
Baseline Drop	-12.9%	-8.5%	5.0%	3.8%	-21.9%	-24.0%
# St Dev.	4.56	4.48	3.20	2.39	7.28	8.07
Confidence Level	100.00%	100.00%	99.93%	99.15%	100.00%	100.00%

Historical Data — EU Baseline Scenario — 2021 EBA Stressed Scenario — 2020 EBA Stressed Scenario

Baseline Drop: Baseline to stress
It is a forward looking indicator of the confidence level implied in the scenario

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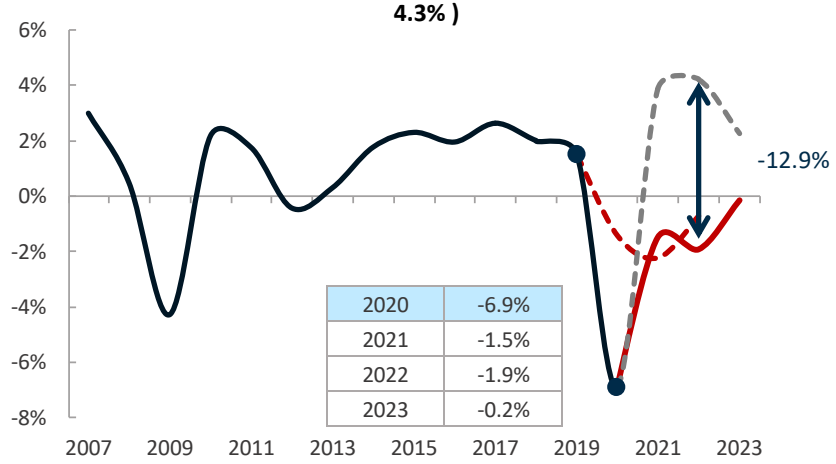
MACRO-SCENARIO ANALYSIS – **EU COUNTRIES**

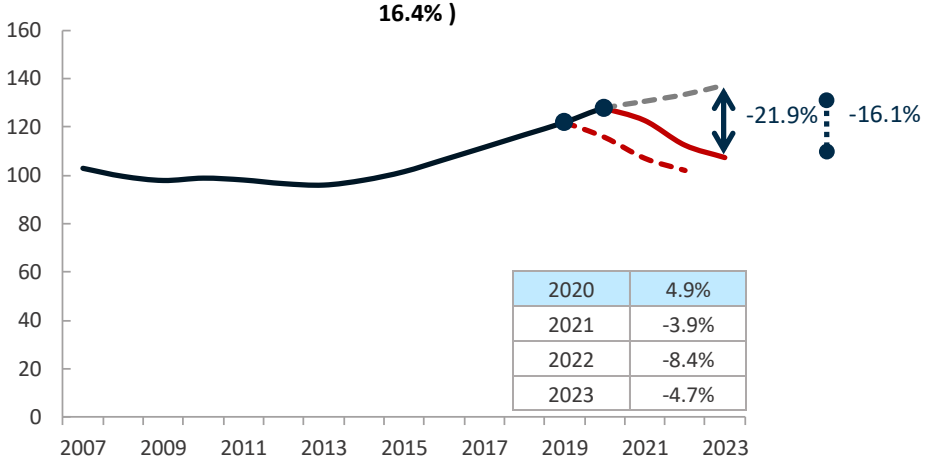
The stress scenario for EU displays lower severe shocks versus ST'20 test for GDP (net shocks of -3.6% and -4.3% respectively) similar to ST'18, while Baseline vs. Stress GAP increases significantly from -8.5% to -12.9%. Unemployment rate increases (4.7% vs. 3.8%), while HPI is similar with some differences between countries. No recovery is projected during the stressed 3-year in GDP.

GDP Growth European Union - Net shock -3.6% (vs 2020 shock -4.3%)



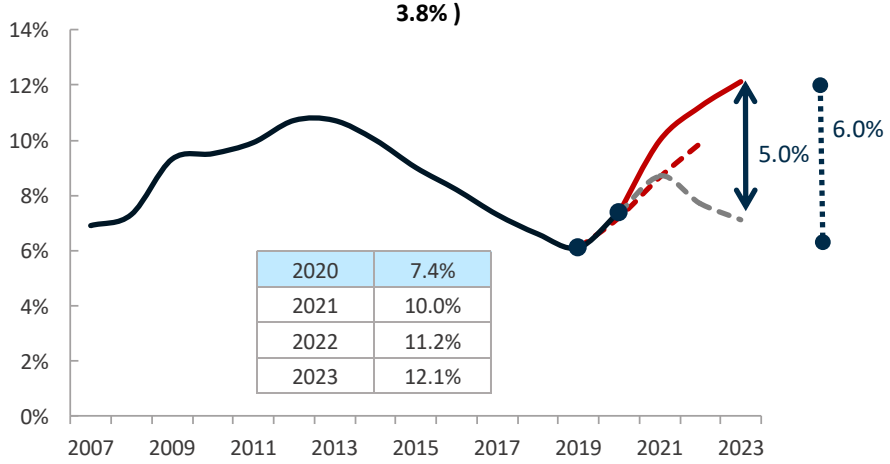
2020	-6.9%
2021	-1.5%
2022	-1.9%
2023	-0.2%

House Prices European Union - Net shock -16.1% (vs 2020 shock -16.4%)



2020	4.9%
2021	-3.9%
2022	-8.4%
2023	-4.7%

Unemployment European Union - Net shock 4.7% (vs 2020 shock 3.8%)



2020	7.4%
2021	10.0%
2022	11.2%
2023	12.1%

2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-10.2%	-4.3%	6.0%	3.8%	-16.1%	-16.4%
# St Dev.	3.62	2.26	3.85	2.36	5.36	5.50
Confidence Level	99.99%	98.80%	99.99%	99.08%	100.00%	100.00%
Baseline Drop	-12.9%	-8.5%	5.0%	3.8%	-21.9%	-24.0%
# St Dev.	4.56	4.48	3.20	2.39	7.28	8.07
Confidence Level	100.00%	100.00%	99.93%	99.15%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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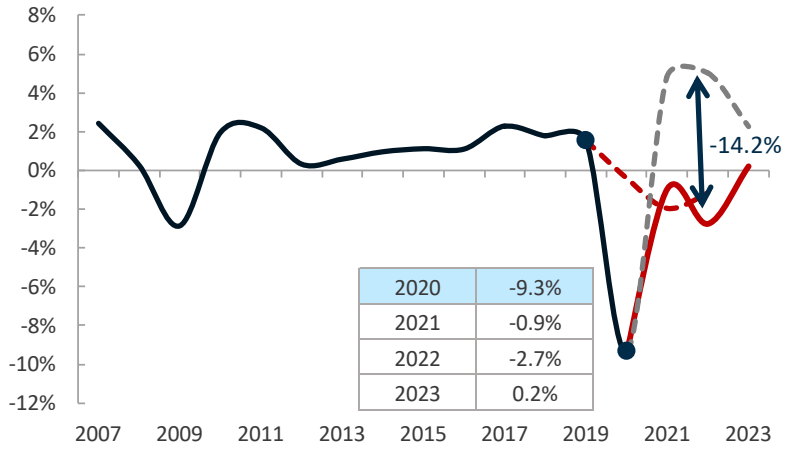
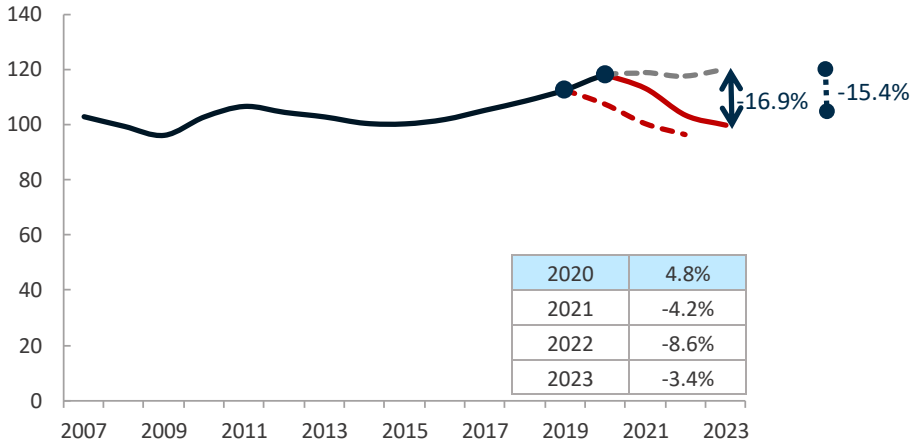
MACRO-SCENARIO ANALYSIS – **FRANCE**

GDP shock a bit better to ST'20 (-3.4% vs. -3.6%) but worse than in ST'18 (-1.5%). Unemployment rate in France show much higher net shocks than those used in ST'20 (+4.1% vs. 2.4%). HPI is a bit worse (-15.4% vs. -14.6%) but better then ST'18 -16.9%. As in general the level of acidification, Baseline vs. Stress, increases sharply from -7% to -12.7% in terms of GDP.

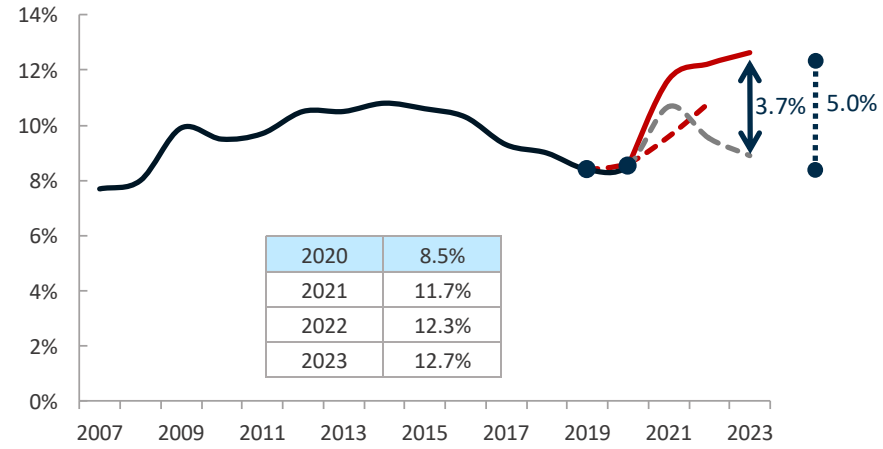
GDP Growth France - Net shock -3.4% (vs 2020 shock -3.6%)



House Prices France - Net shock -15.4% (vs 2020 shock -14.6%)



Unemployment France - Net shock 4.1% (vs 2020 shock 2.4%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-12.7%	-3.6%	5.0%	3.1%	-15.4%	-14.6%
# St Dev.	4.11	2.58	4.83	3.04	4.45	4.27
Confidence Level	100.00%	99.50%	100.00%	99.88%	100.00%	100.00%
Baseline Drop	-14.2%	-7.0%	3.7%	2.8%	-16.9%	-22.2%
# St Dev.	4.62	5.09	3.64	2.73	4.89	6.52
Confidence Level	100.00%	100.00%	99.99%	99.69%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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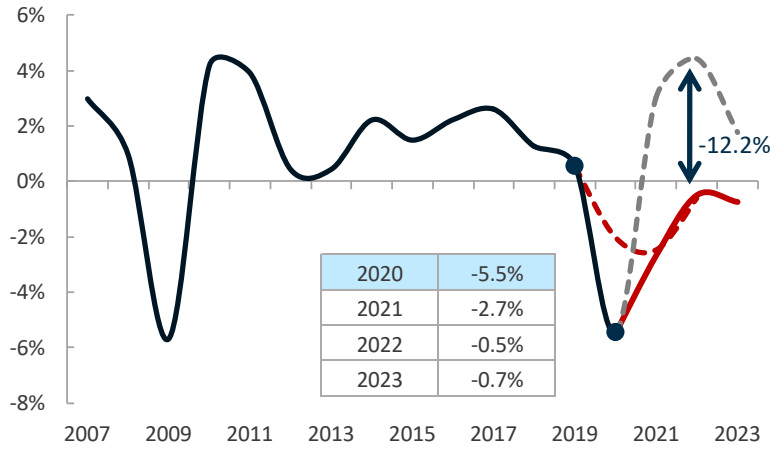
MACRO-SCENARIO ANALYSIS – **GERMANY**

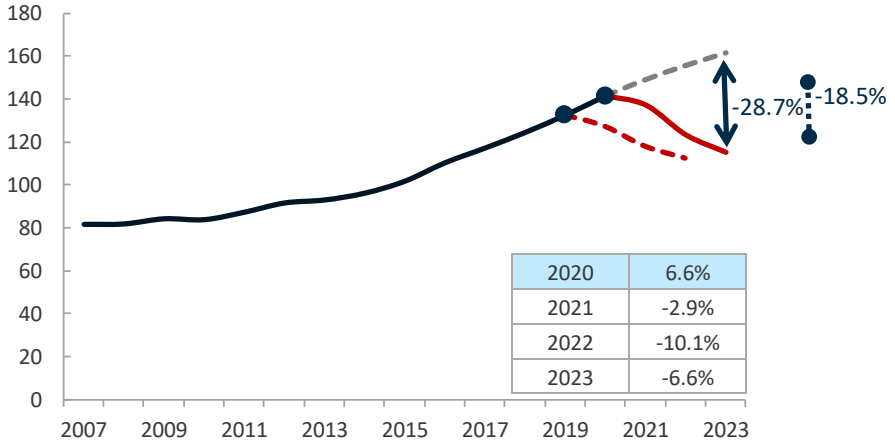
Mixed shocks displayed in Germany. While GDP net shock is less adverse vs. ST'20 (-3.9% vs. -5%), HPI presents more adverse projections (net shocks of -18.5% vs. -15.1%), and unemployment rate shows also higher impact 4.2% vs. 2.8%. In comparison to ST'18 GDP shock is similar: -3.9% vs. -3.3%. Acidification (Baseline vs. Stress) is also higher but less than other countries (-12.2% ST'21 vs. -8.1% ST'18).

GDP Growth Germany - Net shock -3.9% (vs 2020 shock -5%)



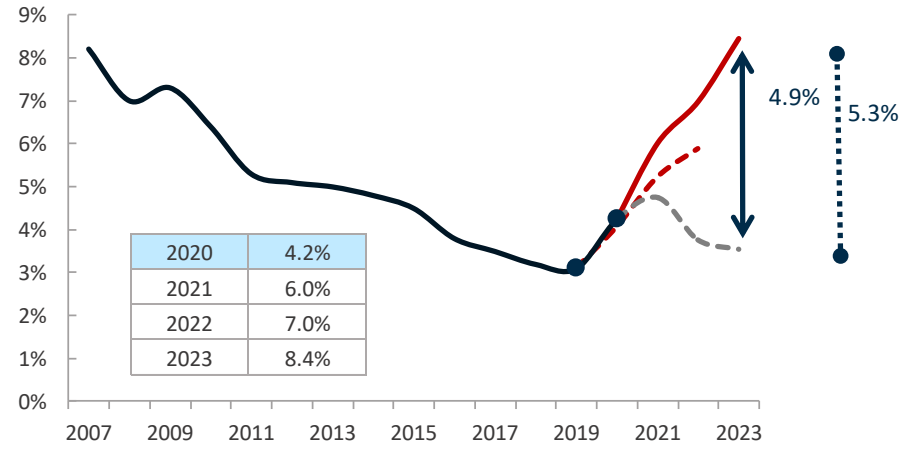
2020	-5.5%
2021	-2.7%
2022	-0.5%
2023	-0.7%

House Prices Germany - Net shock -18.5% (vs 2020 shock -15.1%)



2020	6.6%
2021	-2.9%
2022	-10.1%
2023	-6.6%

Unemployment Germany - Net shock 4.2% (vs 2020 shock 2.8%)



2020	4.2%
2021	6.0%
2022	7.0%
2023	8.4%

2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-9.1%	-5.0%	5.3%	2.8%	-18.5%	-15.1%
# St Dev.	3.06	2.03	3.36	1.71	6.86	5.54
Confidence Level	99.89%	97.90%	99.96%	95.64%	100.00%	100.00%
Baseline Drop	-12.2%	-8.1%	4.9%	2.7%	-28.7%	-25.5%
# St Dev.	4.09	3.21	3.09	1.65	10.66	9.36
Confidence Level	100.00%	99.93%	99.90%	95.04%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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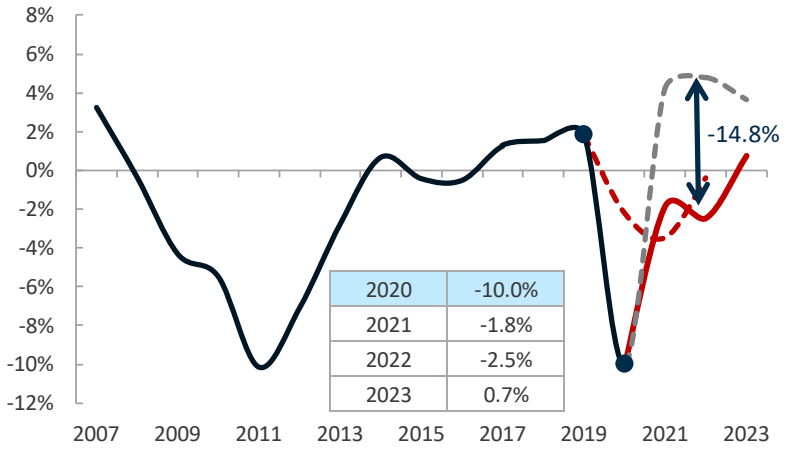
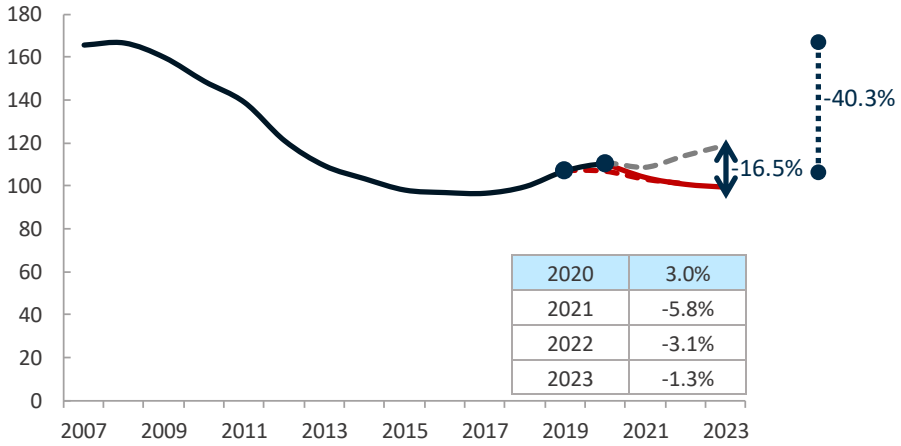
MACRO-SCENARIO ANALYSIS – **GREECE**

In Greece, GDP is less severe as compared to ST'20 (-3.6% vs. -6%). On the other side unemployment and HPI have a worse comparison (Unemployment -5.6% vs. 3.1%, and HPI -9.9% vs. -5.8%).

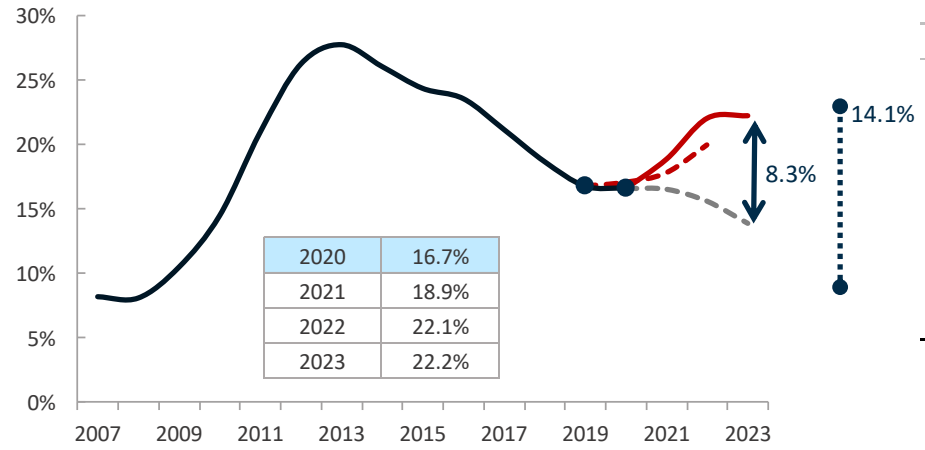
GDP Growth Greece - Net shock -3.6% (vs 2020 shock -6%)



House Prices Greece - Net shock -9.9% (vs 2020 shock -5.8%)



Unemployment Greece - Net shock 5.6% (vs 2020 shock 3.1%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-34.1%	-28.1%	14.1%	11.8%	-40.3%	-39.4%
# St Dev.	7.71	7.05	2.12	1.71	7.10	7.00
Confidence Level	100.00%	100.00%	98.30%	95.67%	100.00%	100.00%
Baseline Drop	-14.8%	-12.5%	8.3%	6.8%	-16.5%	-14.3%
# St Dev.	3.35	3.25	1.25	0.99	2.92	2.54
Confidence Level	99.96%	99.94%	89.40%	83.88%	99.82%	99.44%

Historical Data — EU Baseline Scenario — 2021 EBA Stressed Scenario — 2020 EBA Stressed Scenario

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MACRO-SCENARIO ANALYSIS – **IRELAND**

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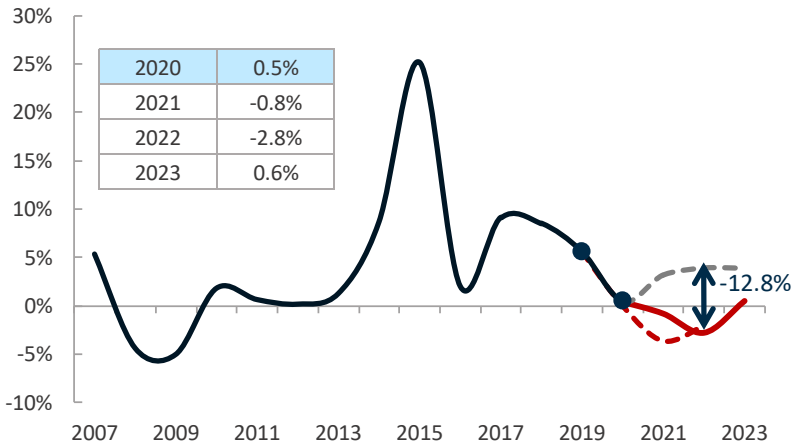
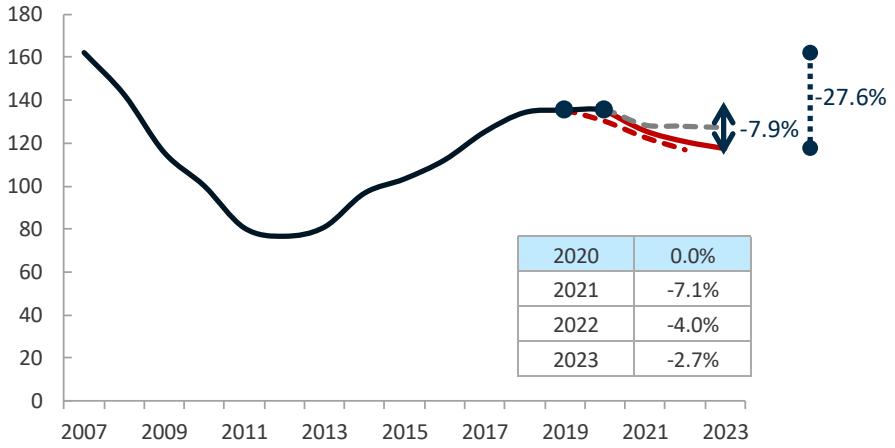
Ireland is one of the less shocked EU countries. GDP 3-year net shock decreases from –5.7% ST'20 to -3% ST'21. Unemployment stress goes from 5.4% to 4.3% and HPI shock is almost the same (-13.2% vs – 13.5%). As compared to ST'18 exercise, this exercise is much more severe (ST'21 GDP -3% vs ST'18 GDP -0.1%)

GDP Growth Ireland - Net shock -3% (vs 2020 shock -5.7%)



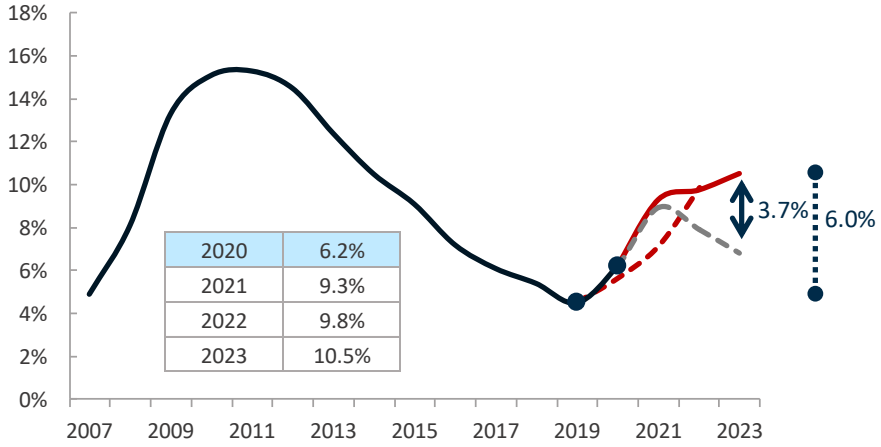
2020	0.5%
2021	-0.8%
2022	-2.8%
2023	0.6%

House Prices Ireland - Net shock -13.2% (vs 2020 shock -13.5%)



2020	0.0%
2021	-7.1%
2022	-4.0%
2023	-2.7%

Unemployment Ireland - Net shock 4.3% (vs 2020 shock 5.4%)



2020	6.2%
2021	9.3%
2022	9.8%
2023	10.5%

2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-3.6%	-5.7%	6.0%	5.4%	-27.6%	-27.8%
# St Dev.	0.48	0.74	1.52	1.33	2.24	2.17
Confidence Level	68.28%	76.92%	93.52%	90.83%	98.75%	98.49%
Baseline Drop	-12.8%	-16.2%	3.7%	5.1%	-7.9%	-10.8%
# St Dev.	1.71	2.02	0.94	1.26	0.64	0.84
Confidence Level	95.62%	97.81%	82.54%	89.55%	74.02%	80.08%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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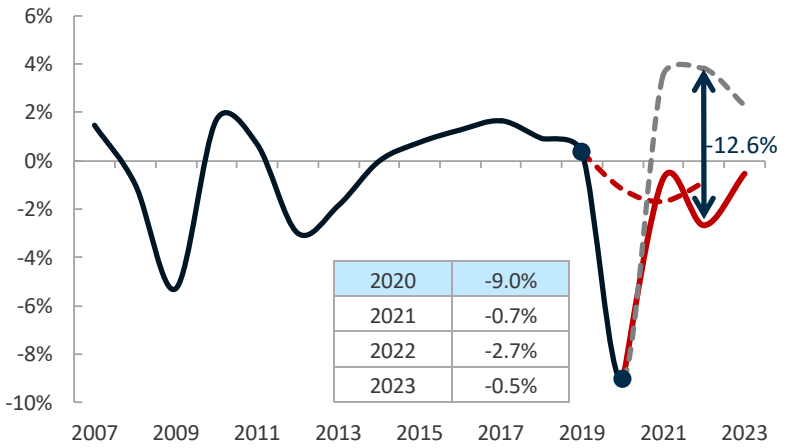
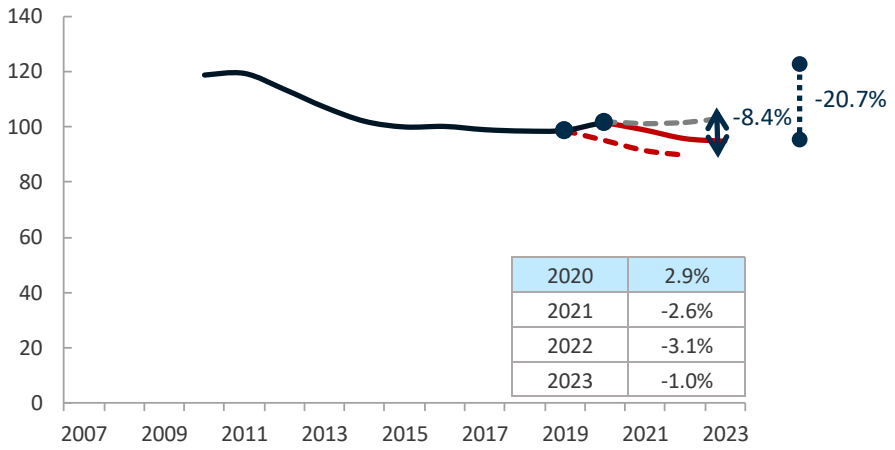
MACRO-SCENARIO ANALYSIS – **ITALY**

Slightly worse in terms of GDP net shock (-3.9% vs -3.7%), much worse in the Unemployment rate increase (5.4% vs 2.9%), and lower impact in the HPI (-6.5% vs -9%). The acidification (Stress vs Baseline) is more than double compared to the ST'20 figure (-12.6% vs -6.5%).

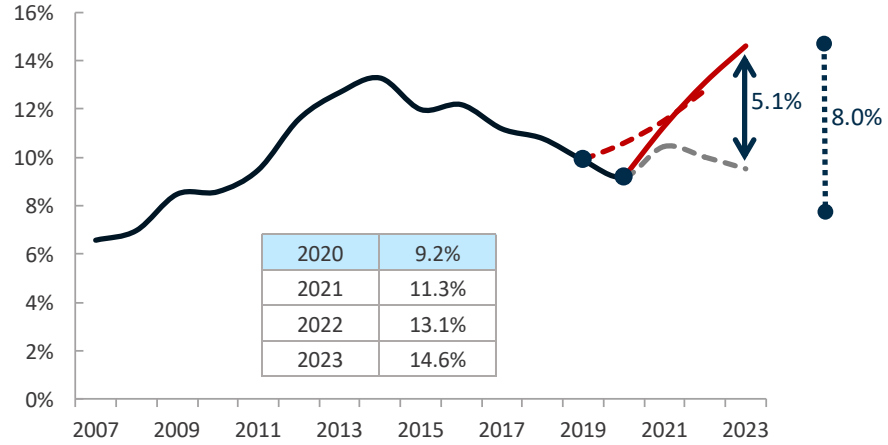
GDP Growth Italy - Net shock -3.9% (vs 2020 shock -3.7%)



House Prices Italy - Net shock -6.5% (vs 2020 shock -9%)



Unemployment Italy - Net shock 5.4% (vs 2020 shock 2.9%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-15.9%	-7.4%	8.0%	6.2%	-20.7%	-25.0%
# St Dev.	5.12	3.52	3.84	2.86	7.35	10.06
Confidence Level	100.00%	99.98%	99.99%	99.79%	100.00%	100.00%
Baseline Drop	-12.6%	-6.1%	5.1%	3.3%	-8.4%	-11.8%
# St Dev.	4.04	2.86	2.45	1.54	2.97	4.75
Confidence Level	100.00%	99.79%	99.28%	93.81%	99.85%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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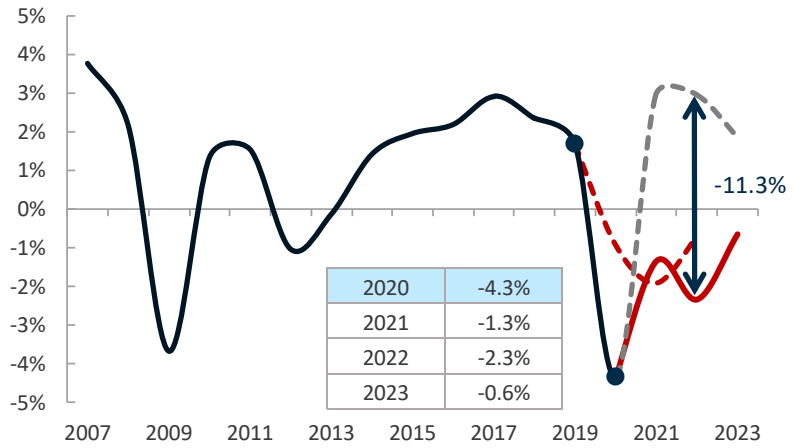
MACRO-SCENARIO ANALYSIS – **NETHERLANDS**

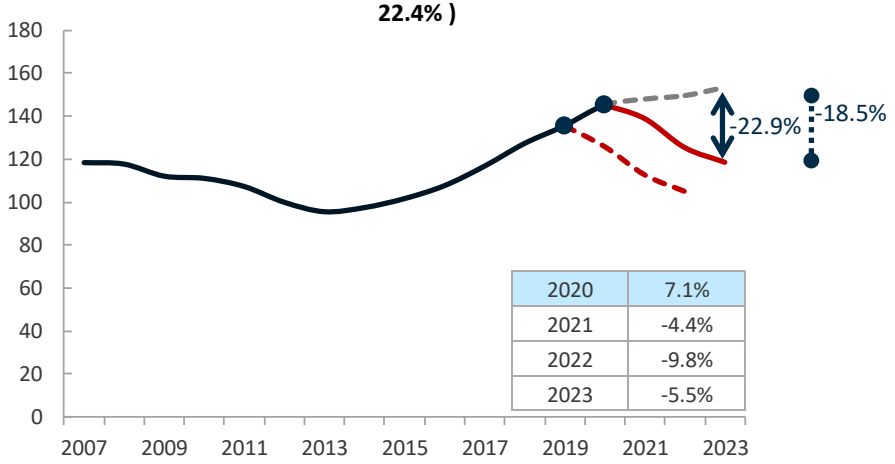
EU | FR | DE | GR | IE | IT | PT | ES | SE

As compared to ST'20, net shock for GDP and unemployment rate are much more severe (-4.3% vs. -3.5%, and 6% vs. 4.2% respectively). HPI shock is lower (-18.5% vs. -22.4%), with the worst growth rate of -9.8% in 2022.

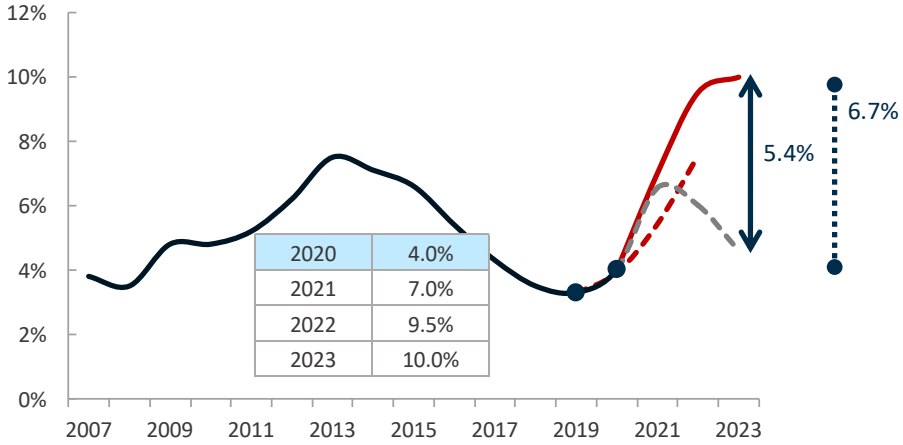
GDP Growth Netherlands - Net shock -4.3% (vs 2020 shock -3.5%)



House Prices Netherlands - Net shock -18.5% (vs 2020 shock -22.4%)



Unemployment Netherlands - Net shock 6% (vs 2020 shock 4.2%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-8.4%	-3.5%	6.7%	4.2%	-18.5%	-22.4%
# St Dev.	3.54	1.82	4.79	2.99	3.33	4.04
Confidence Level	99.98%	96.53%	100.00%	99.86%	99.96%	100.00%
Baseline Drop	-11.3%	-7.0%	5.4%	3.8%	-22.9%	-27.6%
# St Dev.	4.76	3.81	3.85	2.69	4.12	4.97
Confidence Level	100.00%	99.99%	99.99%	99.64%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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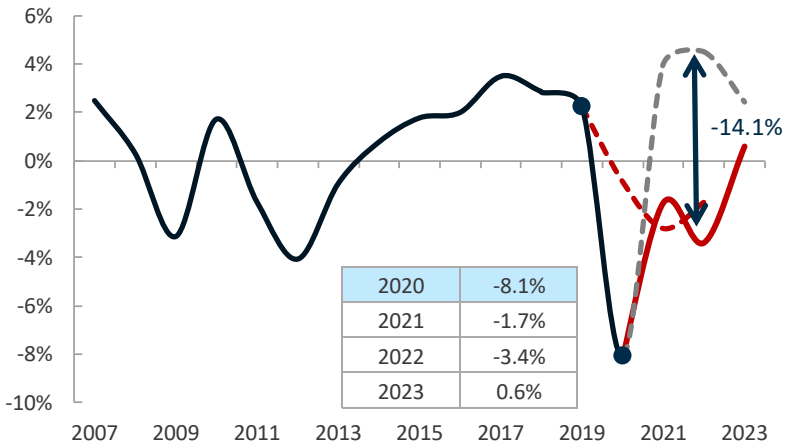
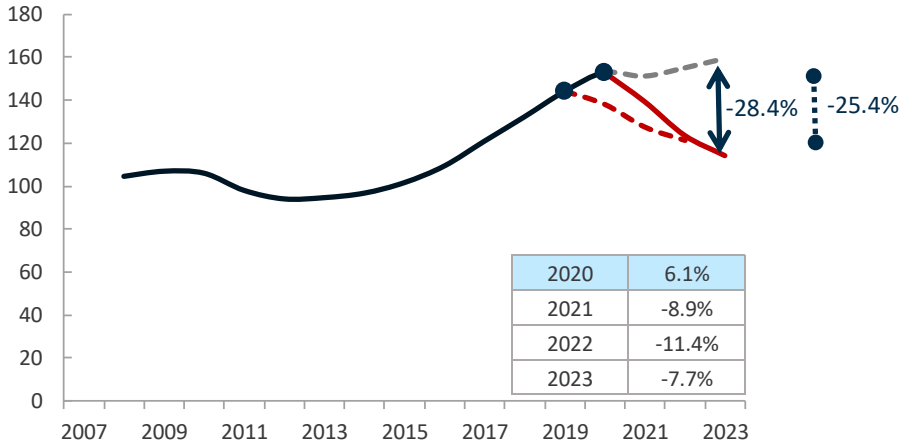
MACRO-SCENARIO ANALYSIS – **PORTUGAL**

Slightly worse and mixed projections for Portugal. While GDP net shock is less severe than ST'20 (-4.5% vs. -5.3%), HPI net shock is almost twice as severe as compared to ST'20 (-25.4% vs. -16%), and unemployment rate shock increases to 4.2%. Baseline drop for the 3 variables is more severe than that observed in ST'20.

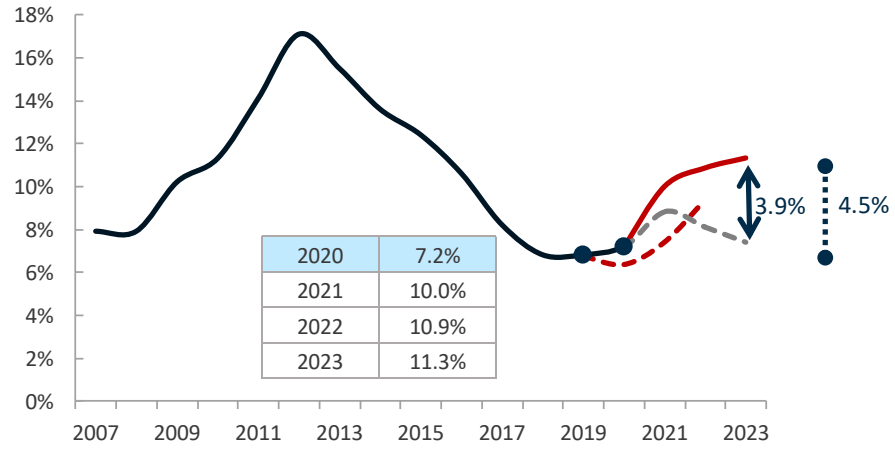
GDP Growth Portugal - Net shock -4.5% (vs 2020 shock -5.3%)



House Prices Portugal - Net shock -25.4% (vs 2020 shock -16%)



Unemployment Portugal - Net shock 4.2% (vs 2020 shock 2.6%)



2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-12.7%	-5.3%	4.5%	2.6%	-25.4%	-16.0%
# St Dev.	3.90	2.23	1.33	0.76	4.54	2.76
Confidence Level	100.00%	98.71%	90.81%	77.52%	100.00%	99.71%
Baseline Drop	-14.1%	-9.8%	3.9%	3.8%	-28.4%	-24.9%
# St Dev.	4.33	4.08	1.15	1.11	5.08	4.29
Confidence Level	100.00%	100.00%	87.58%	86.57%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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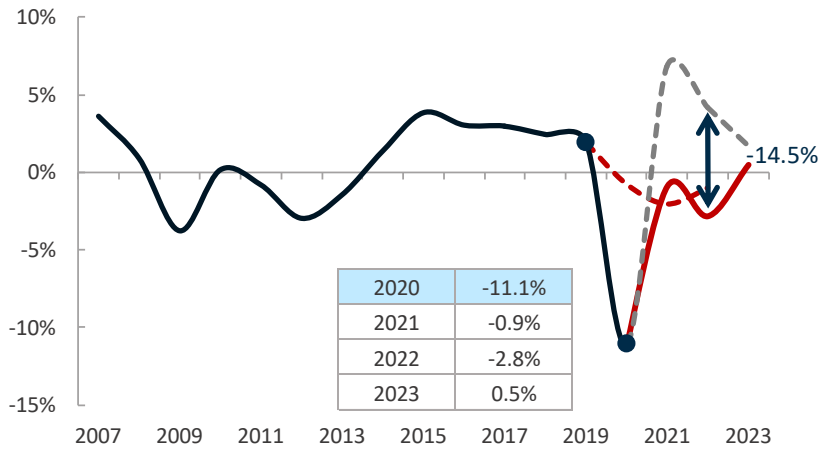
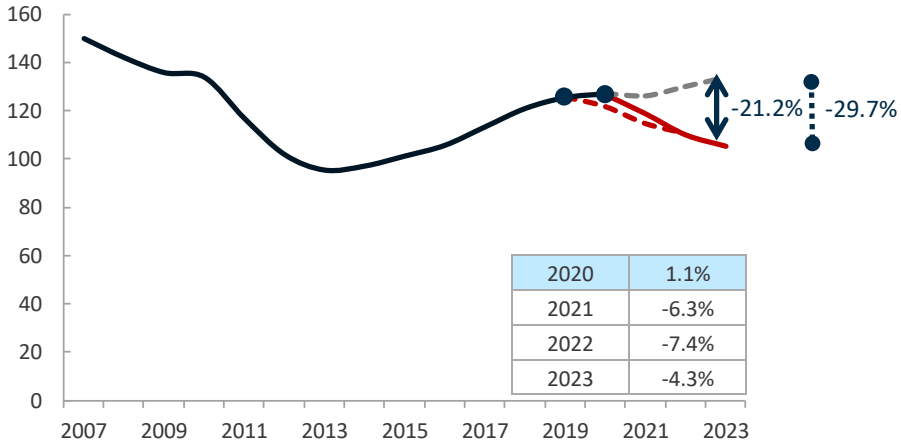
MACRO-SCENARIO ANALYSIS – **SPAIN**

Mixed shocks displayed in Spain. While GDP net shock is slightly lower vs. ST'20 (-3.2% vs. -3.8%), unemployment rate and HPI adverse projections shows a more drastic shock (unemployment rate of 6.1% vs. 3.7%; and HPI of -17% vs. -11.9%).

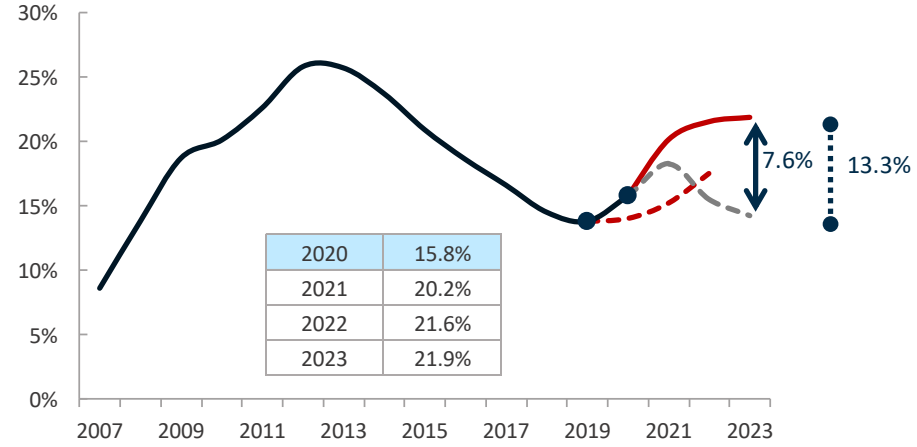
GDP Growth Spain - Net shock -3.2% (vs 2020 shock -3.8%)



House Prices Spain - Net shock -17% (vs 2020 shock -11.9%)



Unemployment Spain - Net shock 6.1% (vs 2020 shock 3.7%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-14.3%	-3.8%	13.3%	8.9%	-29.7%	-26.2%
# St Dev.	3.60	1.52	2.66	1.73	4.39	3.72
Confidence Level	99.98%	93.56%	99.60%	95.79%	100.00%	99.99%
Baseline Drop	-14.5%	-8.2%	7.6%	4.9%	-21.2%	-22.3%
# St Dev.	3.64	3.34	1.53	0.94	3.14	3.16
Confidence Level	99.99%	99.96%	93.65%	82.73%	99.91%	99.92%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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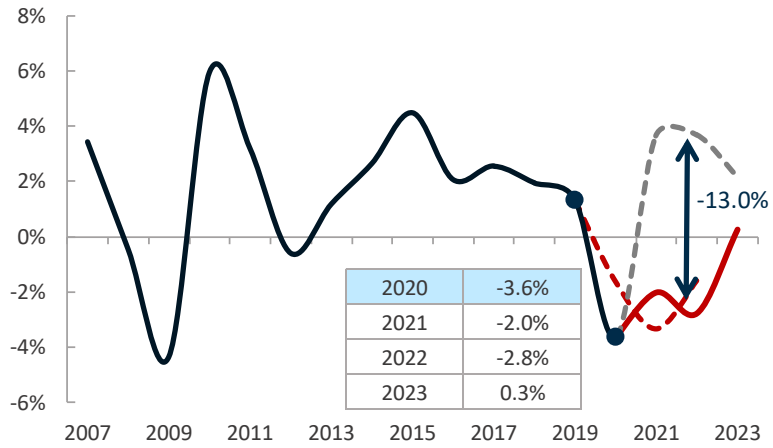
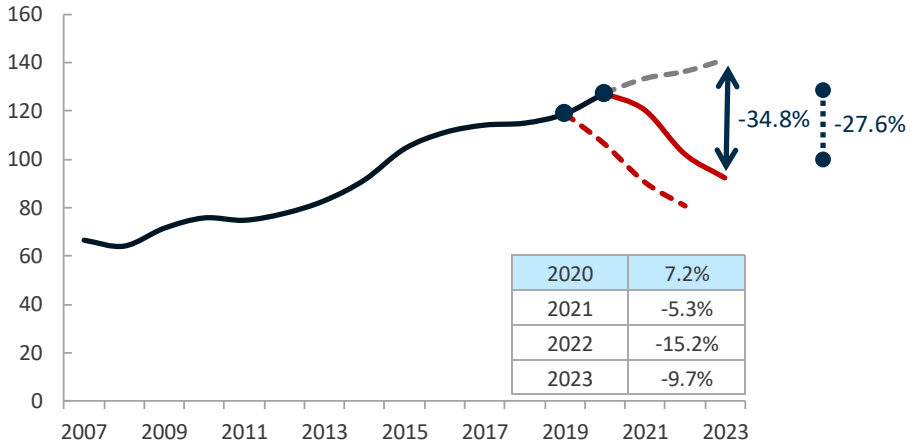
MACRO-SCENARIO ANALYSIS – **SWEDEN**

Although shocks for the main macro variables are much higher compared to EU average, adverse projections are less severe than those in ST'20. GDP and house prices reach their worse level during 2022 (growth rate of -2.8% and -15.2%), and unemployment peaks 14.3% in 2022.

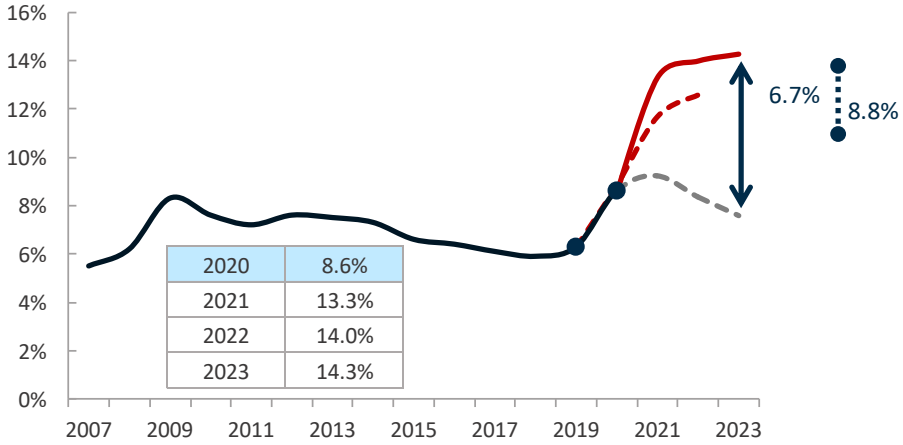
GDP Growth Sweden - Net shock -4.4% (vs 2020 shock -6.4%)



House Prices Sweden - Net shock -27.6% (vs 2020 shock -31.9%)



Unemployment Sweden - Net shock 5.6% (vs 2020 shock 6.3%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-8.1%	-6.4%	8.8%	7.1%	-27.6%	-31.9%
# St Dev.	2.84	2.50	9.40	8.57	5.43	6.05
Confidence Level	99.77%	99.38%	100.00%	100.00%	100.00%	100.00%
Baseline Drop	-13.0%	-10.6%	6.7%	5.5%	-34.8%	-36.3%
# St Dev.	4.53	4.02	7.17	6.62	6.85	6.89
Confidence Level	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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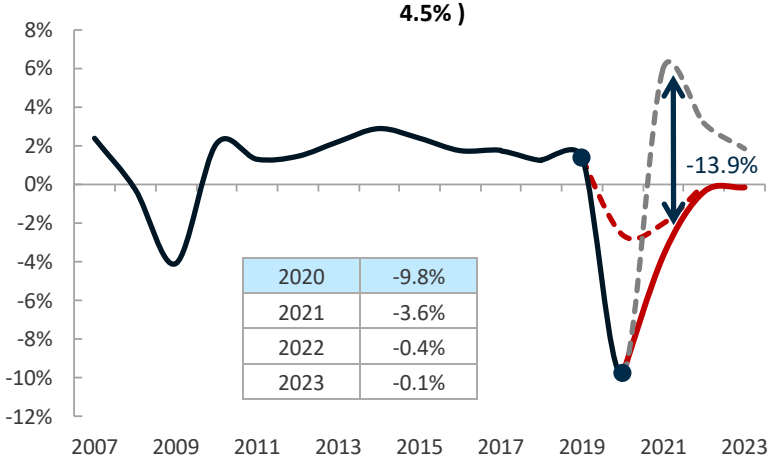
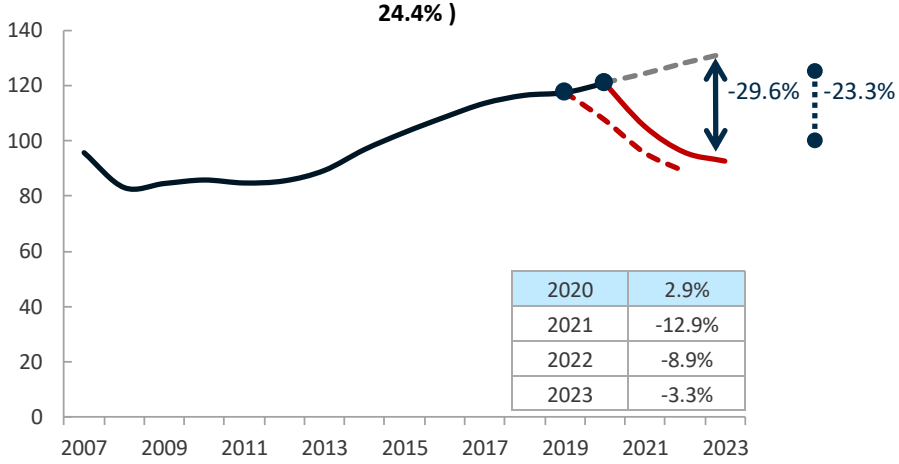
MACRO-SCENARIO ANALYSIS – **UNITED KINGDOM**

The 3 main macro variables analysed present lower net shock vs. ST'20. Compared to EU average, UK presents a more severe GDP and HPI shock (-4.1% vs. -3.6%, and -23.3% vs. -16.1%), meanwhile unemployment rate shock is lower than EU projections (3.5% vs. 4.7%).

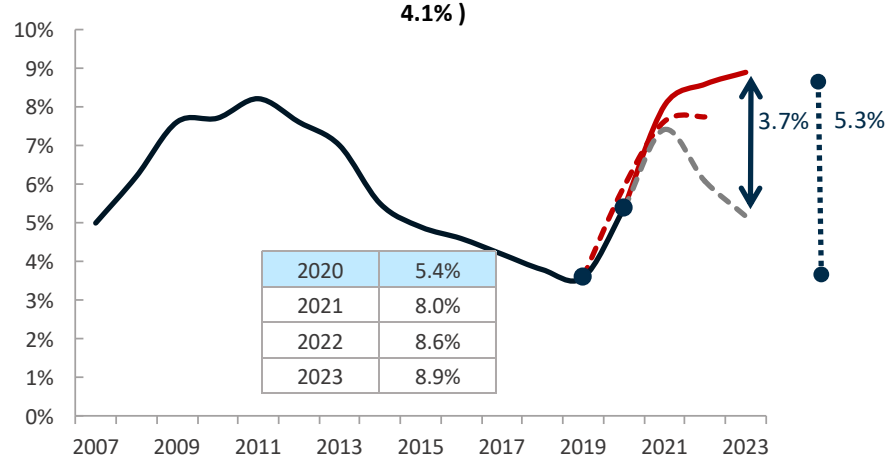
GDP Growth United Kingdom - Net shock -4.1% (vs 2020 shock -4.5%)



House Prices United Kingdom - Net shock -23.3% (vs 2020 shock -24.4%)



Unemployment United Kingdom - Net shock 3.5% (vs 2020 shock 4.1%)



2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-13.5%	-4.5%	5.3%	4.1%	-23.3%	-24.4%
# St Dev.	3.96	2.54	3.37	2.54	4.42	4.45
Confidence Level	100.00%	99.45%	99.96%	99.44%	100.00%	100.00%
Baseline Drop	-13.9%	-9.1%	3.7%	4.1%	-29.6%	-32.9%
# St Dev.	4.07	4.99	2.37	2.53	5.62	5.98
Confidence Level	100.00%	100.00%	99.11%	99.43%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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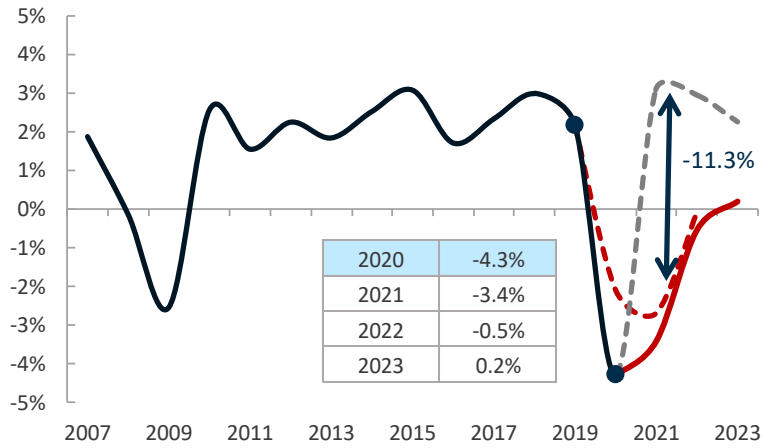
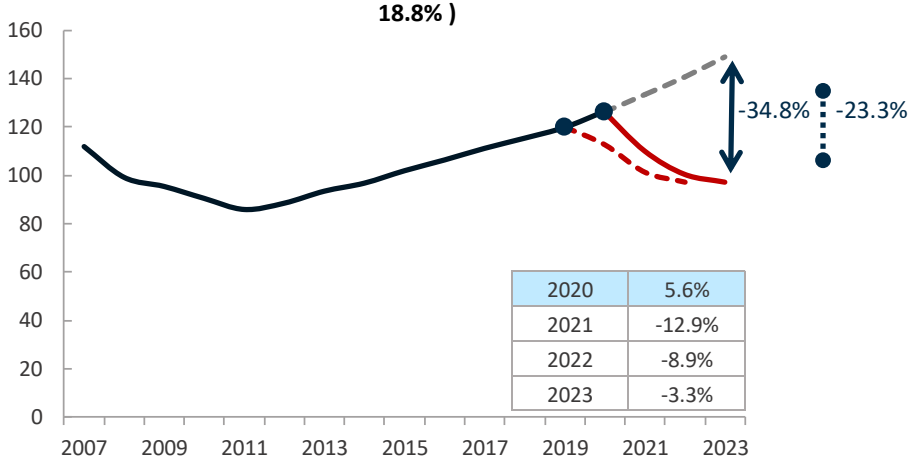
MACRO-SCENARIO ANALYSIS – **UNITED STATES**

Mixed projections for US macro variables. Compared to ST'20, a lower GDP and unemployment shock is observed, although a higher HPI impact. Similar GDP shock compared to EU average (-3.7% vs. -3.6%), higher HPI shock (-23.3% vs. -16.1%) , and significantly lower unemployment rate impact (0.9% vs. 4.7%).

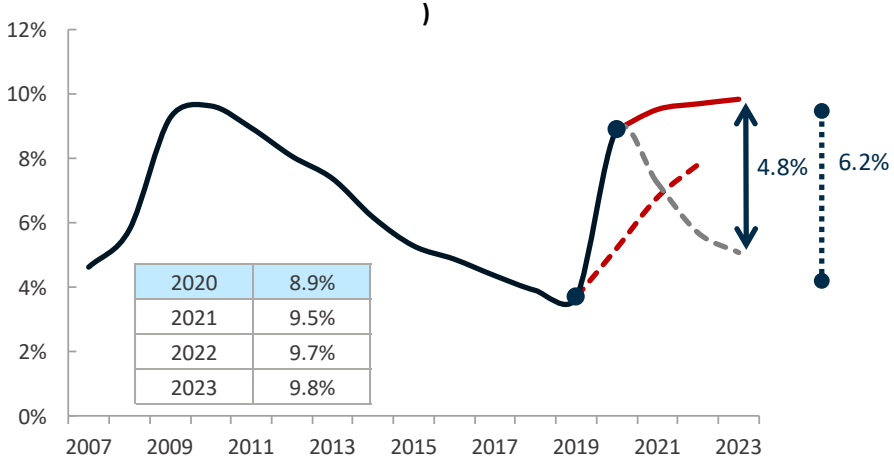
GDP Growth United States - Net shock -3.7% (vs 2020 shock -4.8%)



House Prices United States - Net shock -23.3% (vs 2020 shock -18.8%)



Unemployment United States - Net shock 0.9% (vs 2020 shock 4.1%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-8.0%	-4.8%	6.2%	4.1%	-23.3%	-18.8%
# St Dev.	3.72	3.21	2.86	1.95	4.25	3.39
Confidence Level	99.99%	99.93%	99.79%	97.42%	100.00%	99.96%
Baseline Drop	-11.3%	-9.8%	4.8%	4.2%	-34.8%	-32.0%
# St Dev.	5.23	6.22	2.21	1.99	6.35	5.77
Confidence Level	100.00%	100.00%	98.66%	97.67%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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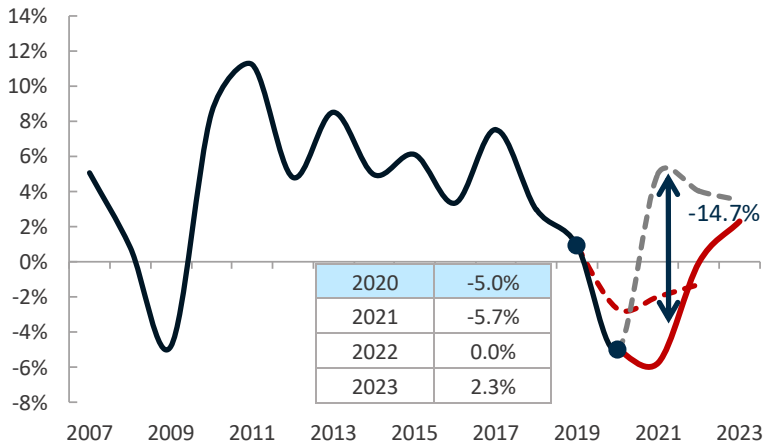
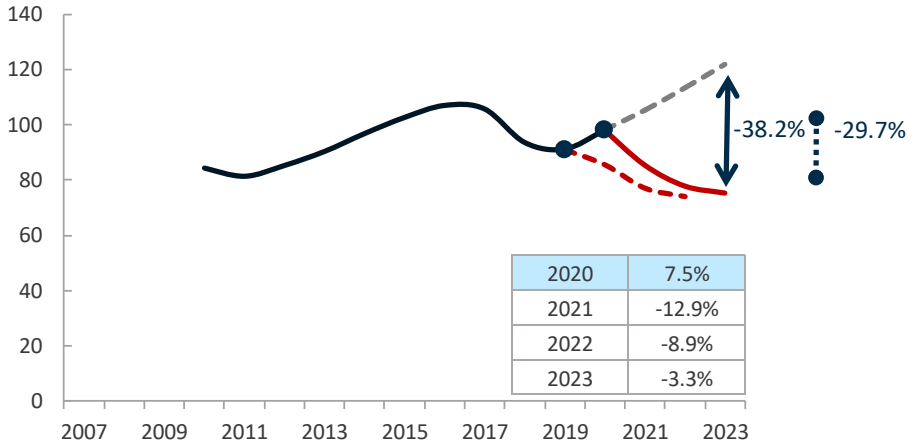
MACRO-SCENARIO ANALYSIS – **TURKEY**

The stress scenario for Turkey shows a lower impact in terms of GDP and unemployment rate vs. ST'18 (-3.6% and 2% respectively), while HPI shows a more severe shock (-23.3% vs. -18.8%). Slight increase of GDP and unemployment rate baseline drop.

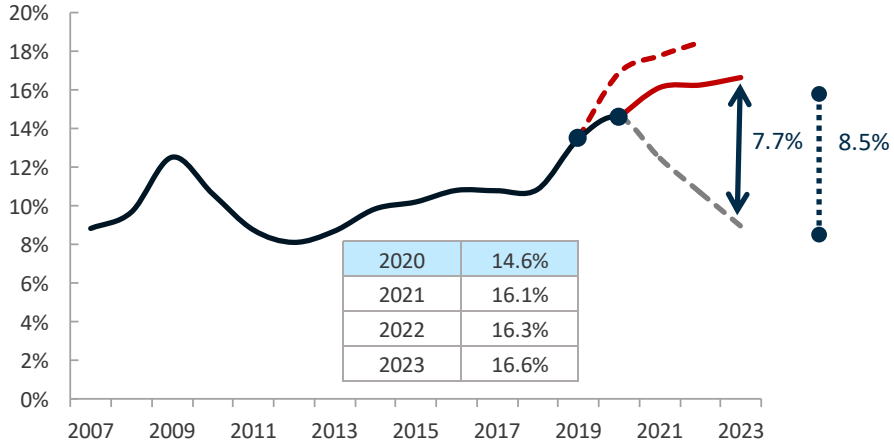
GDP Growth Turkey - Net shock -3.6% (vs 2020 shock -5.9%)



House Prices Turkey - Net shock -23.3% (vs 2020 shock -18.8%)



Unemployment Turkey - Net shock 2% (vs 2020 shock 5%)



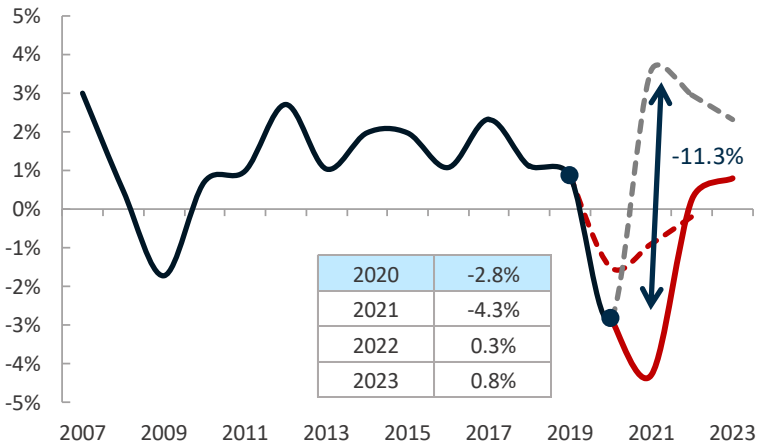
2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-10.5%	-5.9%	8.5%	10.4%	-29.7%	-30.7%
# St Dev.	2.21	1.42	4.53	6.75	4.81	4.98
Confidence Level	98.65%	92.26%	100.00%	100.00%	100.00%	100.00%
Baseline Drop	-14.7%	-13.9%	7.7%	6.2%	-38.2%	-39.8%
# St Dev.	3.12	3.22	4.10	4.06	6.20	6.45
Confidence Level	99.91%	99.93%	100.00%	100.00%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

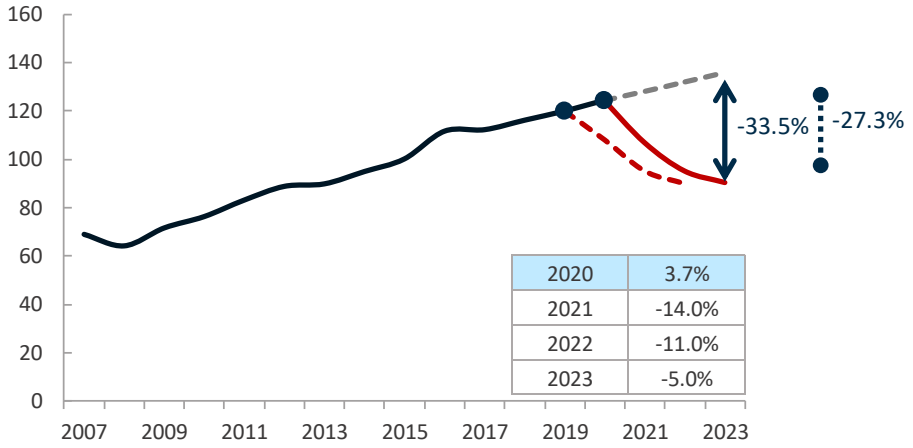
MACRO-SCENARIO ANALYSIS – **NORWAY**

The stress scenario for Norway reflects a slightly higher impact in terms of GDP and HPI, but better performance in unemployment rate figures vs. ST'20.

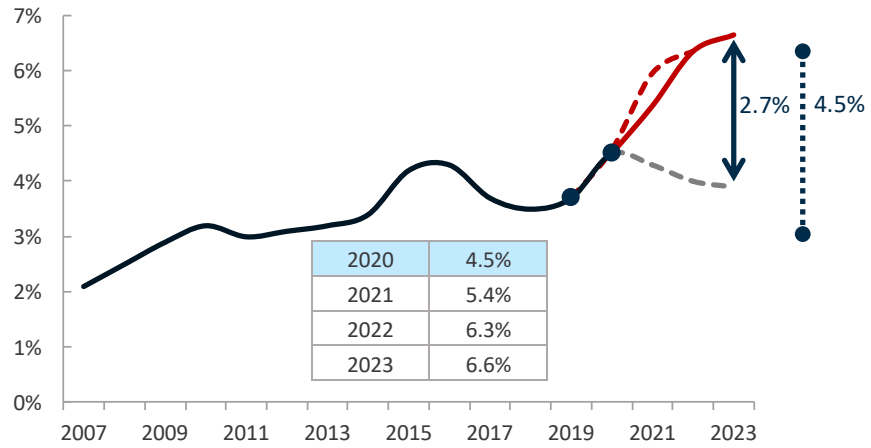
GDP Growth Norway - Net shock -3.3% (vs 2020 shock -2.6%)



House Prices Norway - Net shock -27.3% (vs 2020 shock -25.2%)



Unemployment Norway - Net shock 2.1% (vs 2020 shock 2.6%)



2021 Stress Test Macro Scenarios vs 2020						
	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	ST 2021	ST 2020	ST 2021	ST 2020
Peak-to-trough	-7.0%	-2.6%	4.5%	4.2%	-27.3%	-25.2%
# St Dev.	4.39	2.14	6.73	6.88	5.54	4.90
Confidence Level	100.00%	98.39%	100.00%	100.00%	100.00%	100.00%
Baseline Drop	-11.3%	-7.9%	2.7%	2.7%	-33.5%	-31.8%
# St Dev.	7.10	6.94	4.07	4.45	6.79	6.20
Confidence Level	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Historical Data
EU Baseline Scenario
2021 EBA Stressed Scenario
2020 EBA Stressed Scenario

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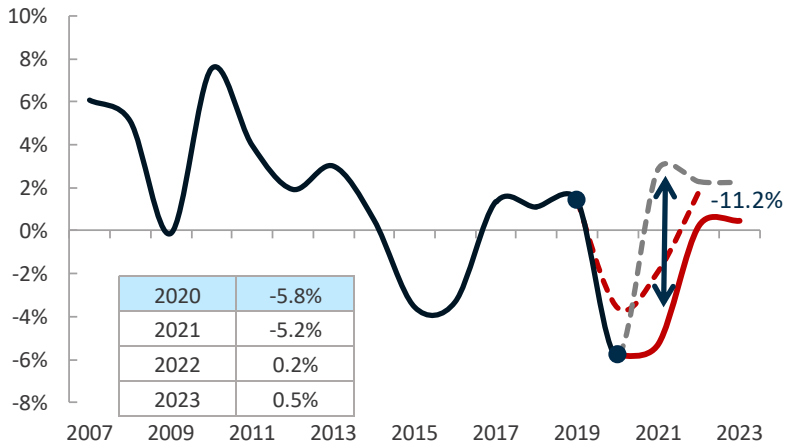
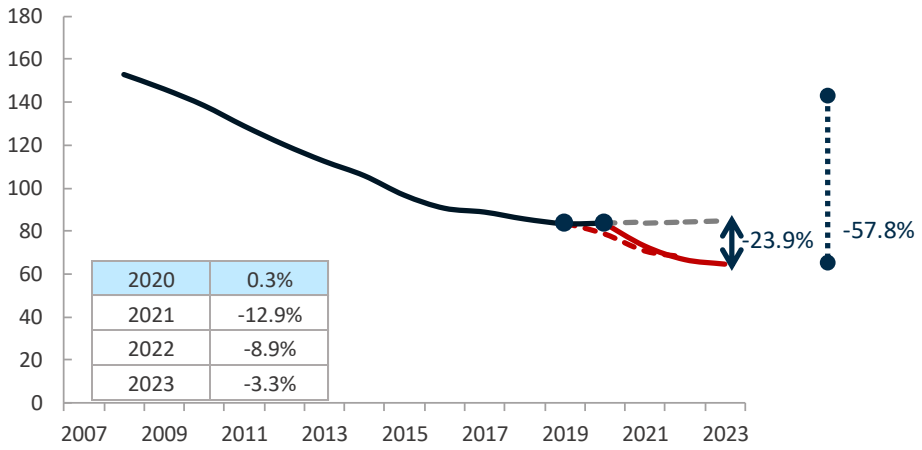
MACRO-SCENARIO ANALYSIS – **BRAZIL**

Higher ST'21 shocks for GDP (-4.6% vs. -3.7% of ST'20) and HPI (-23.3% vs. 18.8%). Unemployment shows less severe shock (2.5% vs. 4.5%), reaching a maximum level of 16.5%. Both GDP and unemployment show recovery trends during 2022 and 2023.

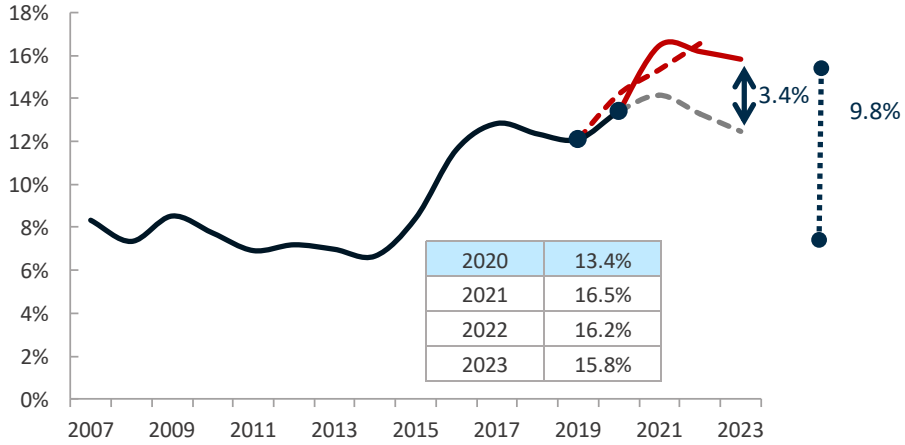
GDP Growth Brazil - Net shock -4.6% (vs 2020 shock -3.7%)



House Prices Brazil - Net shock -23.3% (vs 2020 shock -18.8%)



Unemployment Brazil - Net shock 2.5% (vs 2020 shock 4.5%)



2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-13.5%	-8.3%	9.8%	9.9%	-57.8%	-55.5%
# St Dev.	3.58	2.54	3.90	4.27	23.17	27.80
Confidence Level	99.98%	99.45%	100.00%	100.00%	100.00%	100.00%
Baseline Drop	-11.2%	-10.0%	3.4%	6.9%	-23.9%	-16.7%
# St Dev.	2.99	3.15	1.34	2.96	9.59	8.34
Confidence Level	99.86%	99.92%	91.00%	99.85%	100.00%	100.00%

Historical Data — EU Baseline Scenario — 2021 EBA Stressed Scenario — 2020 EBA Stressed Scenario

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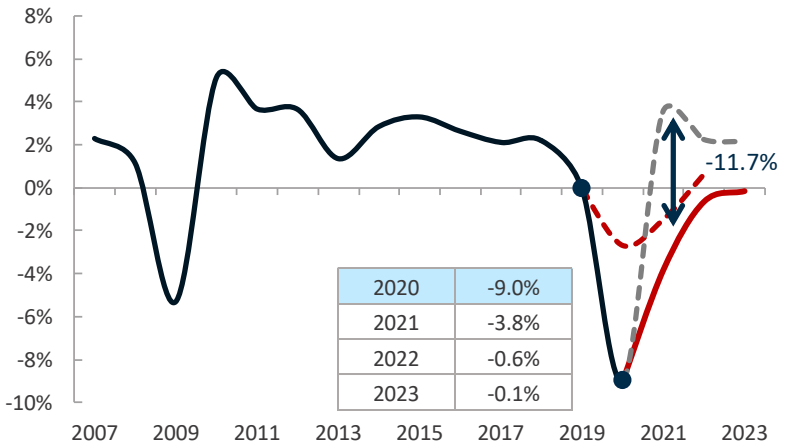
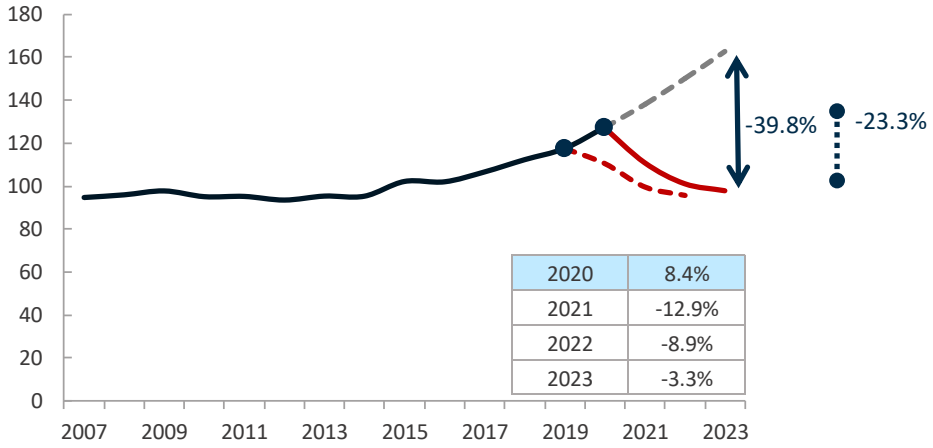
MACRO-SCENARIO ANALYSIS – **MEXICO**

Mexico shows similar shocks compared to Brazil: higher shocks for GDP (-4.6% vs. -3.6% of ST'20) and HPI (-23.3% vs. 18.8%), and lower stress for unemployment (2.5% vs. 3.8%). Baseline drop reaches 39.8% for HPI and 11.7% for GDP during ST'21.

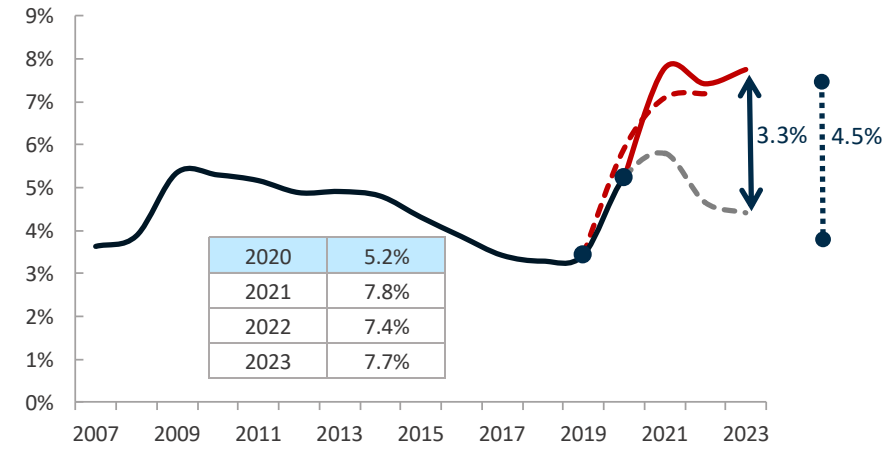
GDP Growth Mexico - Net shock -4.6% (vs 2020 shock -3.6%)



House Prices Mexico - Net shock -23.3% (vs 2020 shock -18.8%)



Unemployment Mexico - Net shock 2.5% (vs 2020 shock 3.8%)



2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-13.1%	-4.2%	4.5%	3.9%	-23.3%	-18.8%
# St Dev.	3.47	1.67	5.72	5.04	6.82	6.24
Confidence Level	99.97%	95.24%	100.00%	100.00%	100.00%	100.00%
Baseline Drop	-11.7%	-8.5%	3.3%	3.9%	-39.8%	-35.5%
# St Dev.	3.10	3.24	4.23	4.97	11.67	11.80
Confidence Level	99.90%	99.94%	100.00%	100.00%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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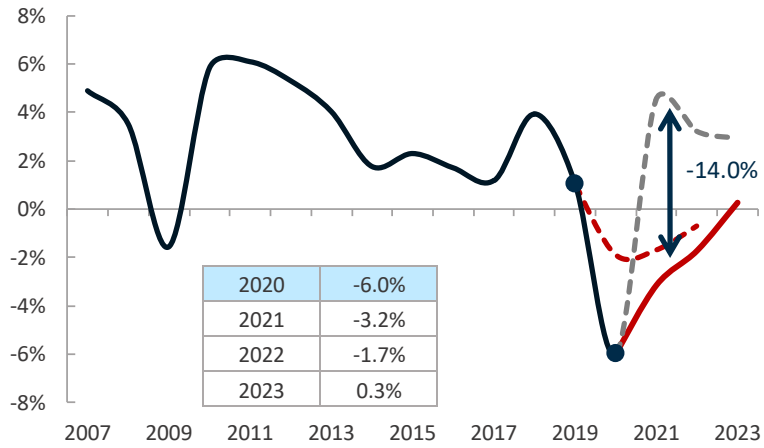
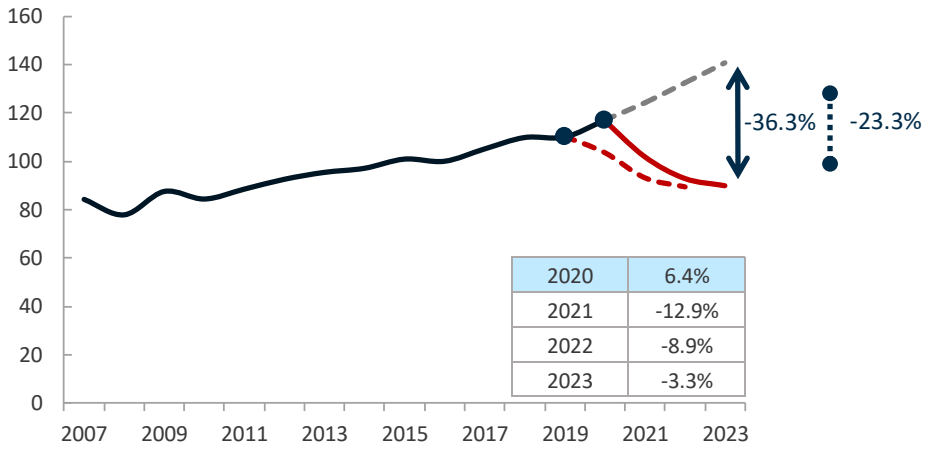
MACRO-SCENARIO ANALYSIS – **CHILE**

Slight worse ST'21 scenario compared to ST'20 for GDP and House Price Index, but better projections for unemployment rate, that reaches a maximum of 12.6% in 2022. Baseline drop increases to 36% for HPI and 14% for GDP.

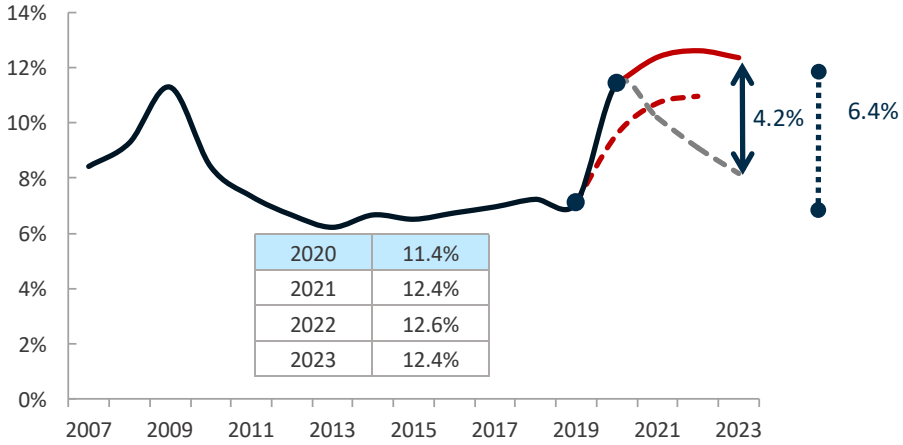
GDP Growth Chile - Net shock -4.6% (vs 2020 shock -4.2%)



House Prices Chile - Net shock -23.3% (vs 2020 shock -18.8%)



Unemployment Chile - Net shock 0.9% (vs 2020 shock 3.9%)



2021 Stress Test Macro Scenarios vs 2020

	GDP		Unemployment		House Price Index	
	ST 2021	ST 2020	**ST 2021**	ST 2020	**ST 2021**	ST 2020
Peak-to-trough	-10.5%	-4.2%	6.4%	4.7%	-23.3%	-18.8%
# St Dev.	3.24	1.89	3.74	3.32	4.68	3.71
Confidence Level	99.94%	97.06%	99.99%	99.95%	100.00%	99.99%
Baseline Drop	-14.0%	-12.8%	4.2%	4.2%	-36.3%	-29.0%
# St Dev.	4.32	5.63	2.46	2.94	7.30	5.74
Confidence Level	100.00%	100.00%	99.30%	99.84%	100.00%	100.00%

Historical Data — 2021 EBA Stressed Scenario

EU Baseline Scenario — 2020 EBA Stressed Scenario

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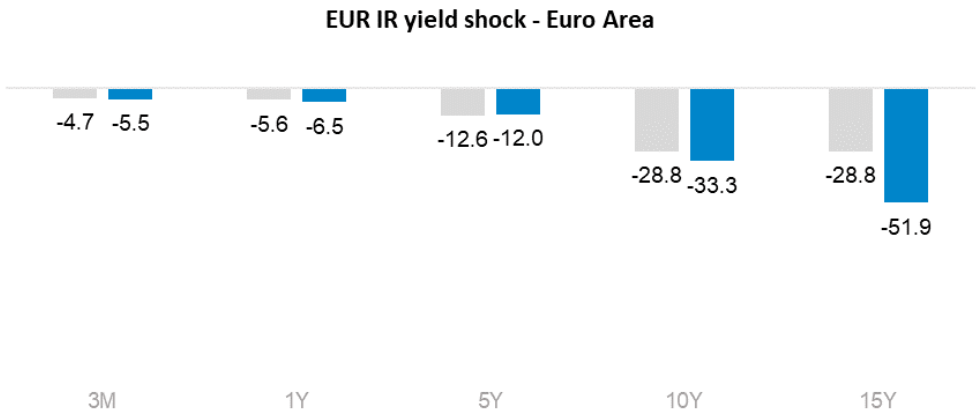
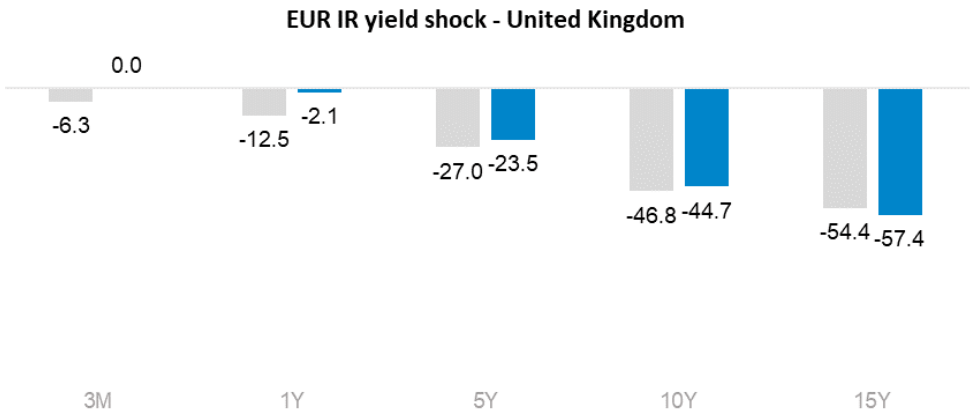
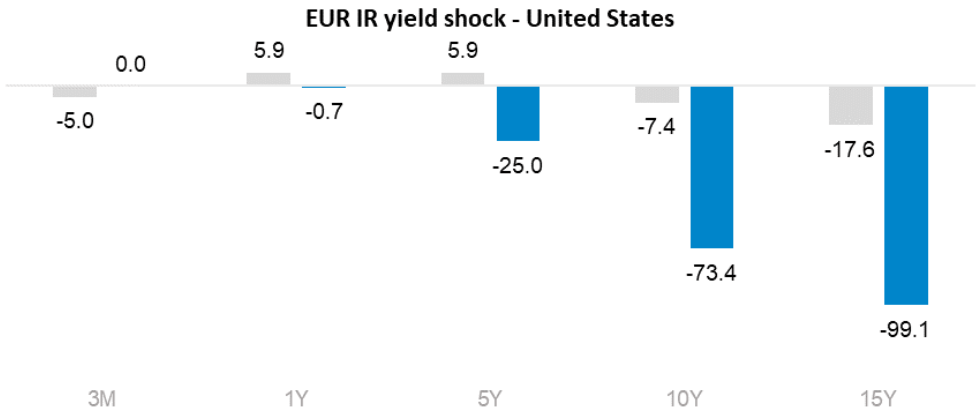
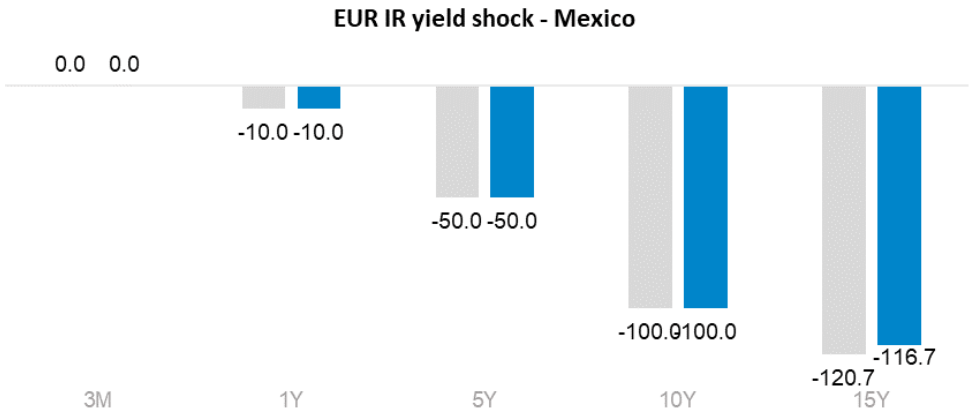
TRADING MARKET RISK ANALYSIS – **INTEREST RATES**

Interest rate scenarios display negative shocks across markets, very similar to ST'20 projections. Only US long-term yield shocks show much lower negative rates compared to previous exercises, reaching 99bp absolute change for the 15Y IR yield.







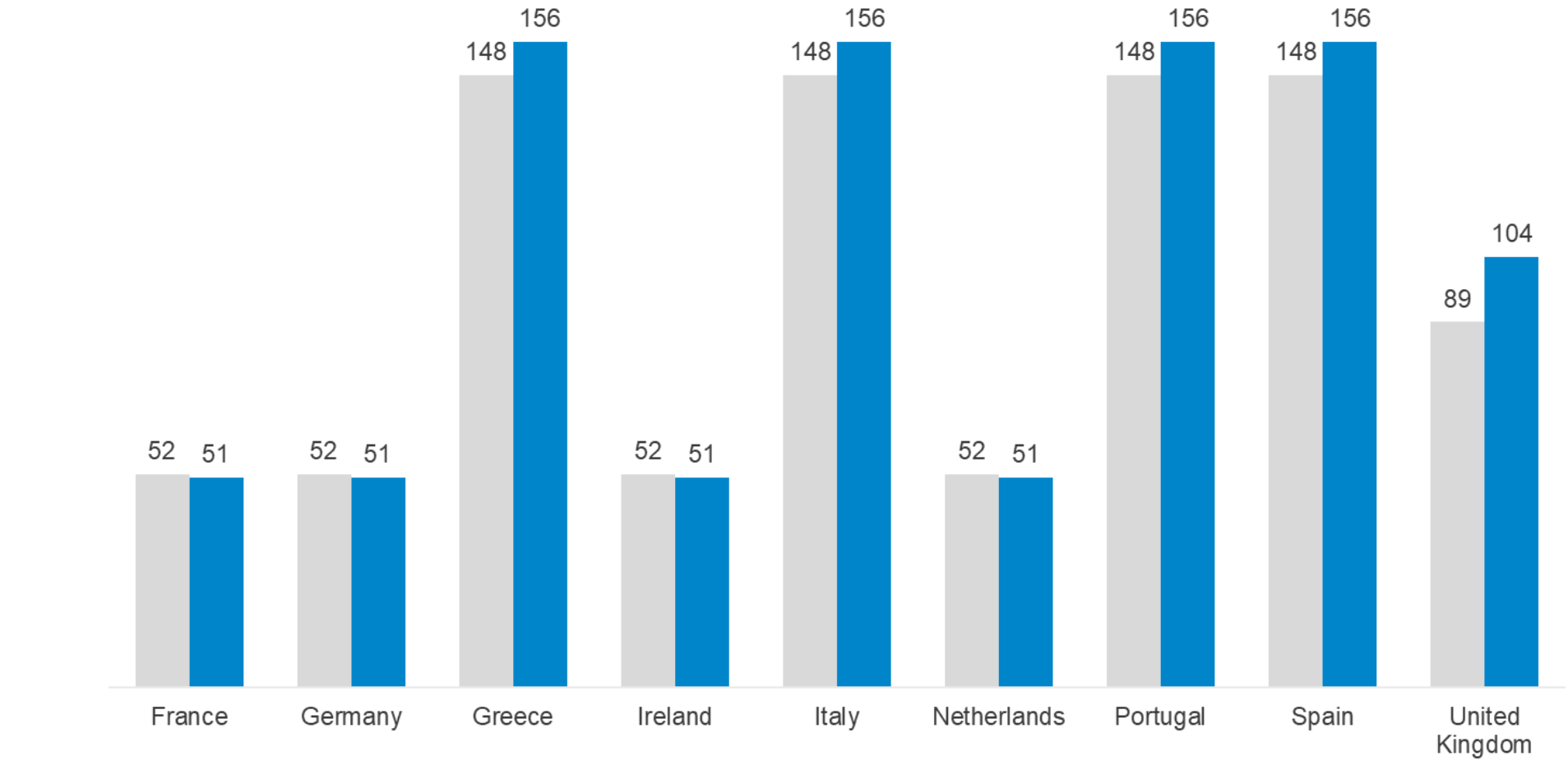


EBA ST 2021
EBA ST 2020

TRADING MARKET RISK ANALYSIS – **SOVEREIGN**

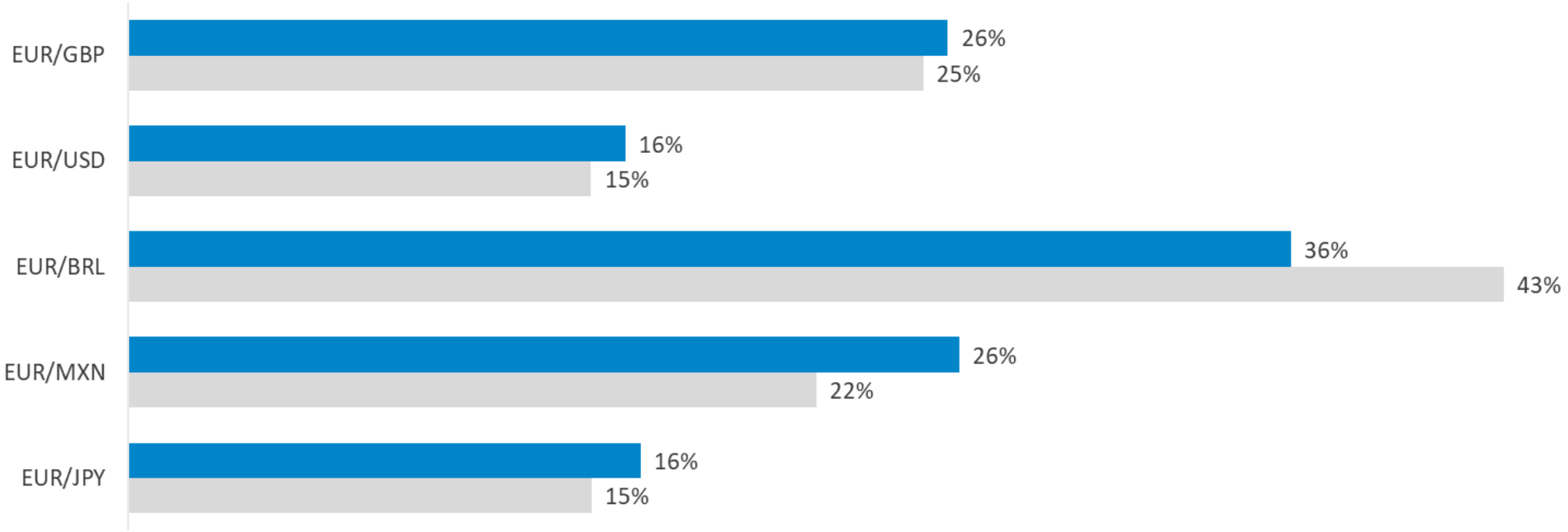
INTEREST RATES | **SOVEREIGN SHOCKS** | FX TRADING SHOCKS | EQUITY SHOCKS | CREDIT SPREADS

Proposed sovereign debt shocks are slightly higher in all southern European countries and UK compared to those in ST'20.



TRADING MARKET RISK ANALYSIS – **FX SHOCKS**

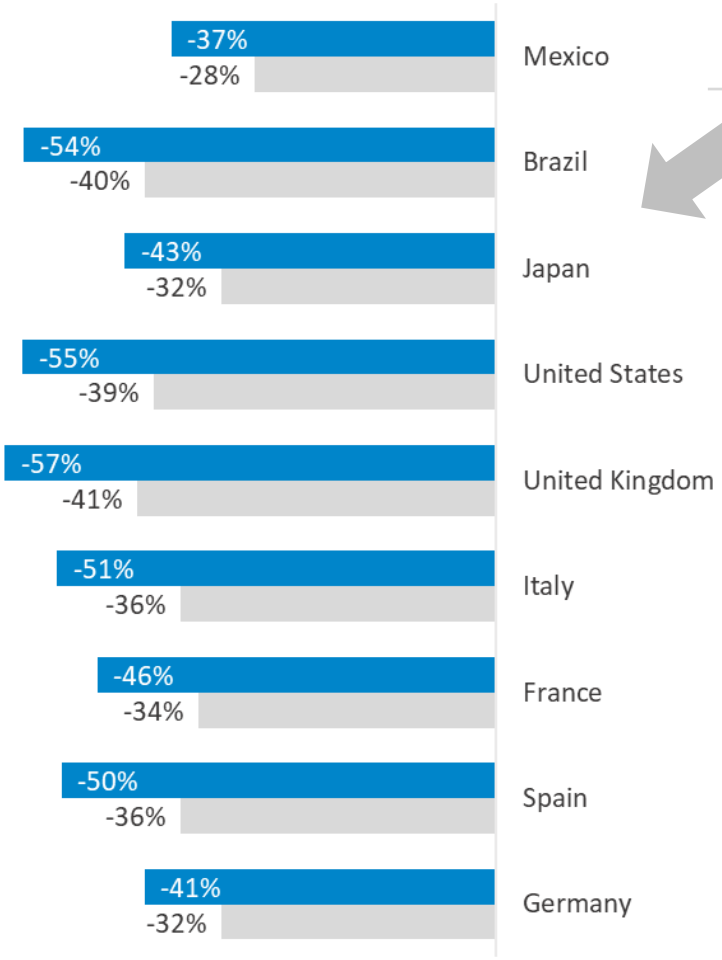
FX trading for 2021 presents slightly higher depreciation across developed economies and emerging markets, except for Brazil, where the EUR/BRL shock drops from 43% to 36%.



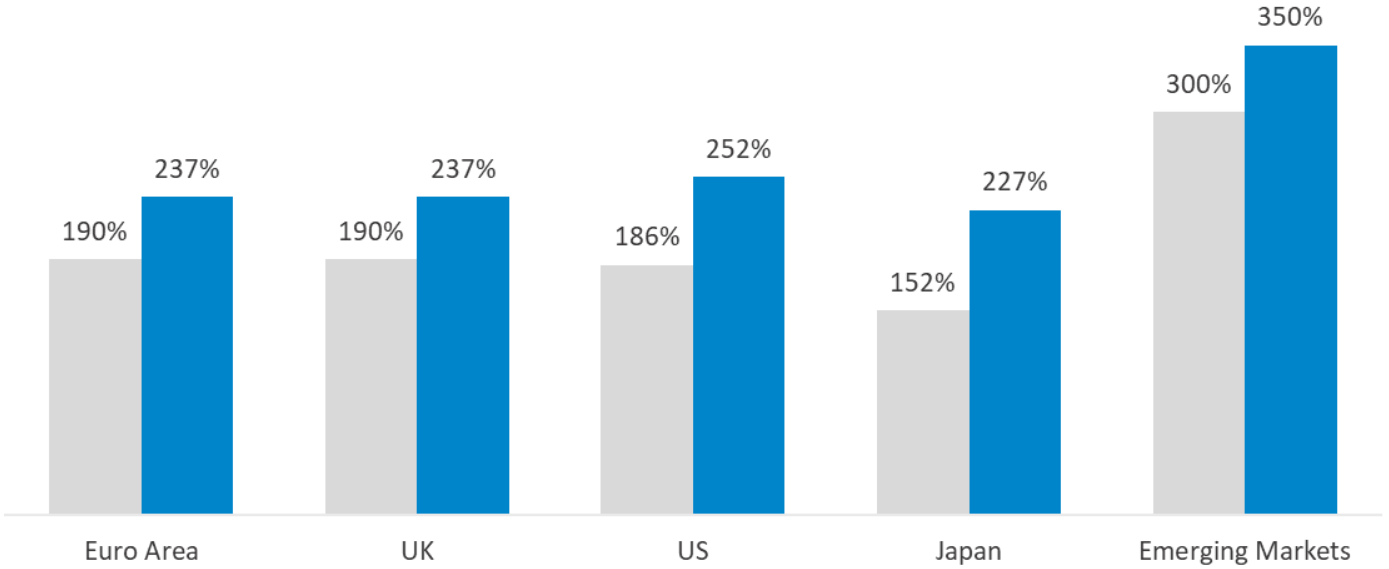
TRADING MARKET RISK ANALYSIS – **EQUITY SHOCKS**

2021 Adverse Scenario presents more severe equity index and volatility shocks in comparison to EBA 2020 ST, consistent across all countries.

Equity Index Shocks



Equity Volatility Shocks



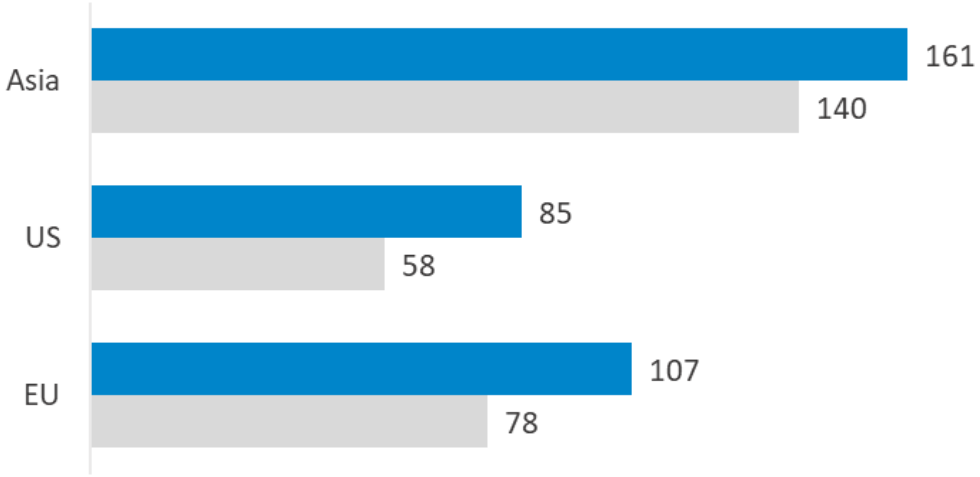
EBA ST 2021
EBA ST 2020

Note: For Equity Index Shocks, Mexico and Brazil 2016 Other EM Equity used as comparison. For Equity Volatility Shocks, Emerging Markets 2016 showing "Others"

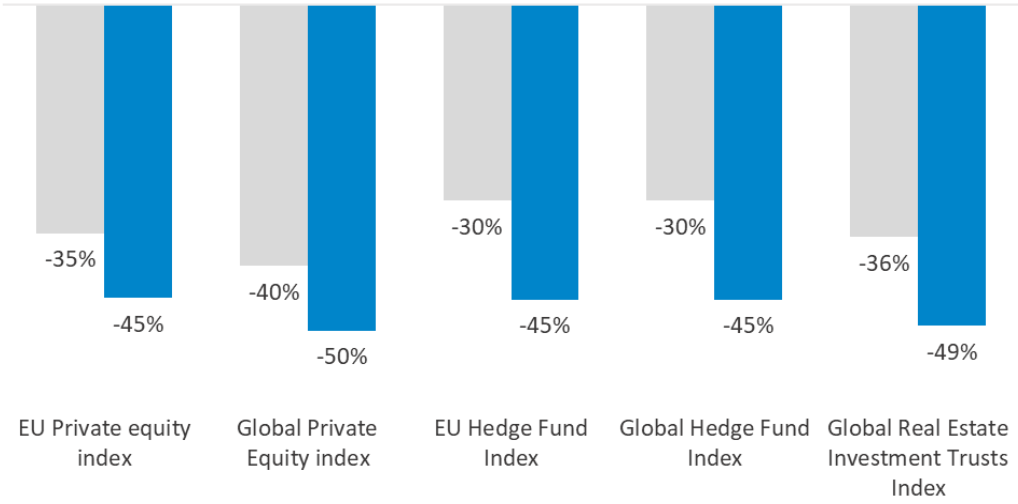
TRADING MARKET RISK ANALYSIS – **CREDIT SPREADS**

Credit spread and Hedge and Real Estate funds show higher shocks across all analyzed regions in 2021 than in previous exercise

Credit Spreads



Funds



Note: For Funds, Global Hedge Fund Index 2016 showing “Hedge Funds” and Global Real Estate Index 2016 showing Real Estate Funds EU

EBA ST 2021
EBA ST 2020

Appendix 1

Proposed Methodologies, Templates & Timeline

Main changes are highlighted in bold

Methodology - **Credit Risk (1/2)**

Topic	Main Changes	A&M Comments
1 | Scope	> P&L: amortised cost; sovereign positions included; CCR and fair value positions excluded > REA: CRR scope for credit risk including securitisations; CCR and fair value positions included	> Changes include treatment of moratoria and public guarantee schemes in a simplified manner
2 | Constrains Assumptions	> No release of accumulated provisions for S3 exposures permitted > The coverage ratio for S1 assets cannot decrease > No cures from S3 assets, i.e. no transitions from S3 to S2 or S1 > REA floored at 2020 value (separately by regulatory approach) > REA for securitisations floored at 2020 value separately for each securitisation approach	
3 | Loss Impact	> Banks' internal models based on stressed point-in-time PD and LGD parameters and grade migration reflecting the losses of initially performing exposures entering into S3 as well as the losses linked to initially S1 exposures that enter into S2 and become subject to lifetime ECL > Additional impact — for initially S3 defaulted assets based on worsening LGD > Additional impact — for initially S2 assets based on worsening LGD and lifetime PD > Prescribed loss parameters for sovereign exposures > **A restatement on 1 January 2021 is required to reflect the impact of the removal of Covid-19 moratoria (for both baseline and adverse). Payment schedule will foresee due amounts from 1 January 2021 onwards.** > **There is no automatic reclassification of IFRS9, but SICR and unlikeliness to pay criteria should be reassessed.** > **Exposures and stock of provisions need to be re-allocated across IFRS9 stages in the restatement, to reflect the removal of Covid-19 moratoria. No need for reallocation of exposures or provisions at starting point.** > **For projected impairments and credit REA, banks shall assume that all Covid-19 moratoria are no longer in place from January 1st, 2021 onwards. When maturing, replacing loans shall feature the original contract characteristics.**	

Main changes are highlighted in bold

Methodology - **Credit Risk (2/2)**

Topic	Main Changes	A&M Comments
3 | Loss Impact	> **When projecting impairments, maturing loans falling under a public guaranteed scheme (PGS) shall always be replaced with the guarantee.** > **Parameters should be modelled disregarding the mitigating effect of moratoria; that is, restated starting point parameters shall be conservatively adjusted to avoid parameters that might be lower due to the accounting and regulatory flexibility (as the model shall take into account that flexibility will not be in place after 1 January 2021). Projected parameters shall be based on the restated distribution of exposures.** > **All additional Covid-19 related support measures shall be assumed to be embedded in the macroeconomic data for 2020.**	> Changes include treatment of moratoria and public guarantee schemes in a simplified manner
4 | REA Impact	> Rating migration and stressed regulatory parameters for RWA calculation for both STA, F-IRB and A-IRM methods > **When projecting credit REA, maturing loans falling under a public guaranteed scheme (PGS) shall always be replaced with the guarantee.**	

Main changes are highlighted in bold

Methodology – **Market Risk, CCR & CVA (1/2)**

Topic	Main Changes	A&M Comments
1 | Scope	> All financial assets and liabilities assessed at partial or full fair value including held for trading (HfT), available for sale (AFS), designated at Fair Value through profit and loss (FVO), hedge accounting portfolios, sovereign positions, securitization positions held at fair value, CCR exposures and positions subject to CVA accounting > The impact in P&L or OCI stemming from a FX movement on positions measured at amortised cost which are in a hedging relationship is excluded from the scope > Explicit treatment of defined benefit pension fund. Application of relevant market risk variables	> Clarification of definitions and methodology for calculations
2 | Constrains Assumptions	> For the full revaluation under the baseline scenario, no impact is assumed > The full revaluation impact on items held with a trading intent and their related hedges is capped by a haircut of the sum of assets and liabilities under the adverse scenario > NTI starting values prescribed as the minimum of the averages across the last 2,3, and 5 years (the two-year average floored at 0) > Client revenue projections under adverse scenario capped by 75% of the starting value and 75% of the baseline > Simplified approach serves as floor for the impact of the comprehensive approach > REA for IRC and CVA floored by the increase for IRB REA	
3 | Loss Impact	> Explicit consideration of client trading revenue to offset trading losses, which will be capped under the adverse scenario at 75% of 2020 client trading revenue > Projections made based on the macro-economic scenarios (baseline and adverse) > Possibility to use the trading exemption > Introduction of modelling uncertainty for level 2 and level 3 instruments	

Main changes are highlighted in bold

Methodology – **Market Risk, CCR & CVA (2/2)**

Topic	Main Changes	A&M Comments
3 | Loss Impact	> The impact of sovereign exposures shall be divided among the breakdown by risk factors: interest rate and credit spread impact > CVA from 1 scenario plus default of the two most vulnerable counterparties within top10 largest counterparties > The overall impact on P&L and capital should be fully recognized in the first year of the stress horizon > Not all risk factors provided in the market risk scenarios are explicitly captured, therefore all banks are required to stress additional risk factors that are not included	
4 | REA Impact	> RWA increase for VaR/S-VaR (stressed capital charges for adverse) > IRC and CVA increase due to worsened risk parameters	

Main changes are highlighted in bold

Methodology – **NII (1/2)**

Topic	Main Changes	A&M Comments
1 | Scope	> All interest-earning or interest-paying positions across all accounting categories > Reporting by currency and country data up to 90% coverage and 15 country/currency couples	
2 | Constrains Assumptions	> NII cannot increase under the adverse scenario > Under the adverse scenario, NII cannot increase vs. 2020 value before considering the impact of the increase of provisions for non-performing exposures on interest income > For adverse, banks need to project income on non-performing exposures net of provisions, subject to a cap > For baseline, banks are required at a minimum to reflect a proportion of the changes in the sovereign bond spread of the country of exposure in the margin component of the EIR of their repriced liabilities > For adverse, the margin paid on liabilities cannot increase less than the highest amount between a proportion of the increase in the sovereign spread and that of an idiosyncratic component > The increase of the margin on repriced assets is capped at a proportion of the increase in sovereign spreads	> Changes on conditions for Covi-19 related loans and scenarios to use for FX effects
3 | Loss Impact	> Impact in the NII includes FX variations > Historical data on interest income from non-performing exposures shall be reported on the NII summary template > NPE flows reported in credit risk shall be considered as the increase in non-performing exposures when the bank reports the volume of non-performing exposures in each year > Income on NPE is allowed, subject to an EIR cap T0 on adverse scenario	

Main changes are highlighted in bold

Methodology – **NII (2/2)**

Topic	Main Changes	A&M Comments
3 | Loss Impact	> EIR as defined in IFRS9 standard, for instruments at amortized cost > For swaps, the reference rate and margin split of the floating leg would be defined similarly as for floating rate products, and the reference rate and margin split of the fixed leg would be defined similarly as for fixed rate products > Banks should distinguish regulated and non-regulated zero rate deposits > Banks are expected to disentangle financial instruments with structured interest coupons before applying interest rate scenarios > Calculation of the NII: After computing total interest income and expenses paid on all assets and liabilities, then the interest income related to the non-performing part of the line item is subtracted from the total. Finally, the interest income for non-performing exposures net of provisions is added back, based on the EIR applicable to NPE > **Covid-19 moratoria shall not be taken into account for starting position and projections; that is, pre-moratoria conditions shall be applied for maturity, schedule and EIR.** > **FX effects are automatically captured via a corrective factor in CSV_NII_CALC template. For currencies where no stress is provided, banks shall use the "rest of the world" currency shock.**	> Changes on conditions for Covi-19 related loans and scenarios to use for FX effects
4 | REA Impact	> N/A	

Main changes are highlighted in bold

Methodology – **Conduct & Other Operational Risks**

Topic	Main Changes	A&M Comments
1 | Scope	> P&L impact of potential future losses from conduct and other operational risks	> No changes from ST 2020
2 | Constrains Assumptions	> Losses from new conduct risk events are subject to a floor, computed in the baseline scenario as the average of the historical conduct risk losses for non-material events only – more conservative floor in the adverse scenario by applying a stress multiplier to the average > Other operational risk losses are subject to a floor computed in the baseline scenario as the average of historical losses – more conservative floor in the adverse scenario by applying a stress multiplier to the average > Losses for other operational risk in the adverse scenario cannot be less than the greatest annual loss in the historical period requested > Capital requirements for operational risk cannot fall below the 2020 value	
3 | Loss Impact	> Bank own estimations with several quantitative floors based on historical data experience > Specific approach based on qualitative estimates and reporting of material conduct events > Losses calculated as a function of gross earnings (the relevant indicator) as a fall-back approach in case banks are unable to provide historical data > Projection of losses related to material conduct events shall take into account all available information **as of 14 May 2021.**	
4 | REA Impact	> Bank own estimates for AMA, basic and standard approaches	

Methodology – **Non Interest Income, Expenses & Capital (1/2)**

Main changes are highlighted in bold

Topic	Main Changes	A&M Comments
1 | Scope	> The projections of non-interest income and expenses exclude any P&L positions and capital impacts covered in the approaches for credit risk, market risk, operational risk or NII > It includes modification gains or losses (net) and other provisions or reversal of provisions	
2 | Constrains Assumptions	> Under baseline scenario for subsidiaries, joint ventures and associates outside the scope of consolidation, total net income cannot exceed value of 2020. Under adverse scenario, a minimum reduction of net income from each item compared to 2020 is expected. **For NFCI, FX effects shall be incorporated in the projections, and the minimum reduction/cap is to be applied by currency.** > Administrative expenses and other operating expenses cannot fall below the 2020 value. **"Other remaining administrative expenses" shall also be adjusted for FX effects. No other P&L item is assumed to be impacted by FX effects.** > Only recognized one-off exceptions and exceeding the threshold of 5 bps impact will be permitted > Common tax rate of 30% applied > No impact for realized gains or losses, negative goodwill, foreign exchange effects > Other operating income capped at the 2020 value > For dividends paid: Pay-out ratio based on publicly declared dividend policies. If no policy is available the pay-out ratio in the baseline is the maximum of 30% and the median of the pay-out ratios in profitable historically requested years; in the adverse the same amount of dividends is assumed (0 accepted for loss making banks). > **The additional P&L indirect impacts due to FX rate changes are (i) credit risk from foreign currency lending depreciated from local currencies and (ii) corrective factor for interest income and market risk effects.**	> FX effects to be incorporated in NFCI and "Other remaining administrative expenses". Additional indirect P&L impacts from credit and market risk FX effects

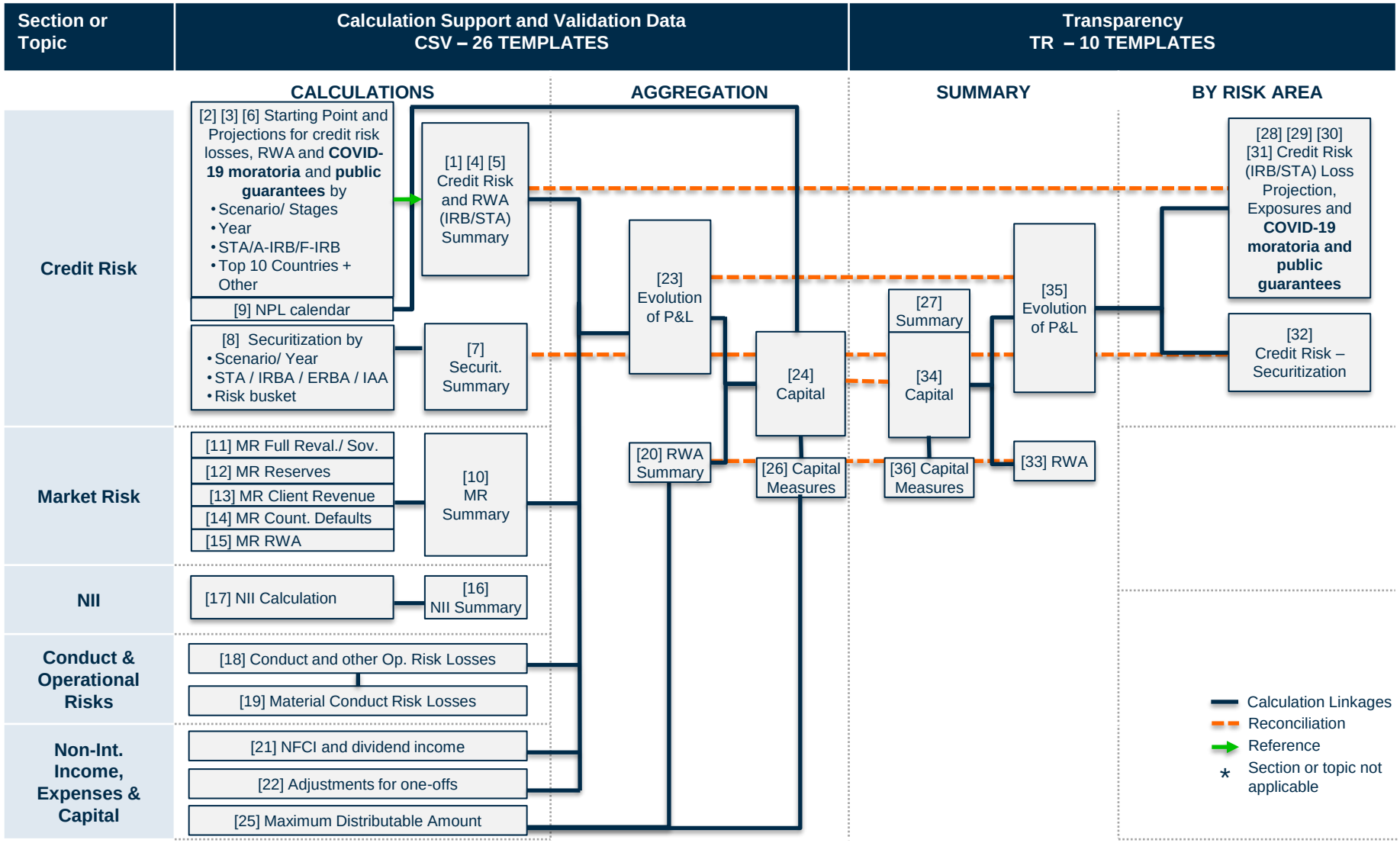
Methodology – **Non Interest Income, Expenses & Capital (2/2)**

Main changes are highlighted in bold

Topic	Main Changes	A&M Comments
3 | Loss Impact	> **With the exception of 'Other remaining administrative expenses' and 'NFCI', no further FX effects should be accounted for regarding P&L items. FX rate changes affect the P&L are an indirect credit risk from foreign currency lending, the corrective factor for interest income and market risk effects.** > Banks shall project their non-interest income and expenses items not covered by credit, market or operational risks using internal models. **Banks are furthermore required to take FX variations according to the macroeconomic scenario into account.** > Banks should follow one of three new approaches to project net fee and commission income, dividend income and the share of the profit, **with the incorporation of FX effects.** > One-off events shall be submitted using a new dedicated template. **The pre-tax projected adjustments to the P&L shall not be adjusted for FX effects in CSV_ONEOFF. In the CSV_P&L template, one-off adjustments to other remaining administrative expenses shall be adjusted for FX effects when reported in the memorandum item.** > If the projected CET1 ratio for a given period falls below the trigger point, banks shall project reductions of distributions > Distribution reductions shall be documented and justified in the explanatory note. > MDA template does not need to be completed if no restrictions are projected to occur, however banks should report the assumed unrestricted distributions under baseline and adverse scenario > Banks shall assume the value of deductions from intangible assets from CET1 capital to remain constant at the level reported for year-end 2020 > Banks shall report specific capital items for starting point (Dec'20)	> FX effects to be incorporated in NFCI and "Other remaining administrative expenses". Additional indirect P&L impacts from credit and market risk FX effects
4 | REA Impact	> N/A	

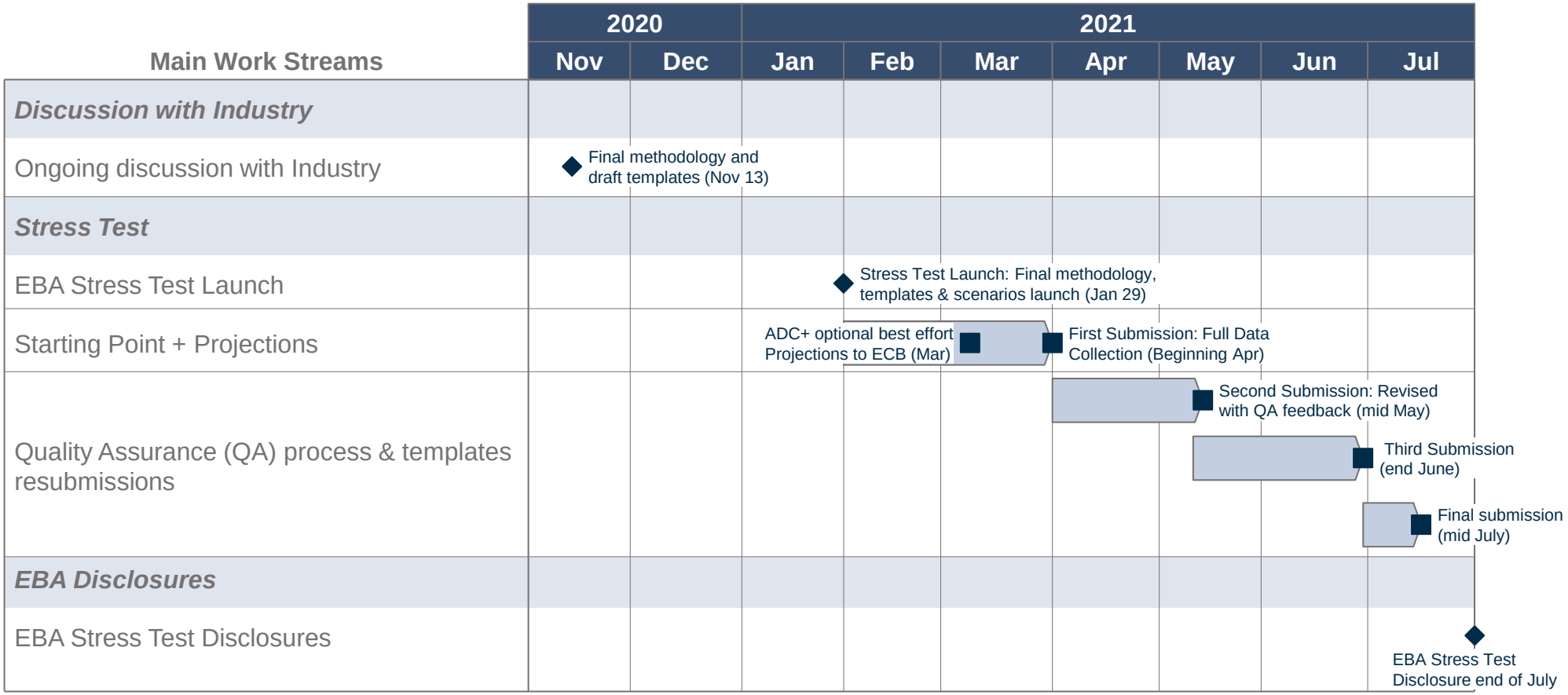
New EBA Template Architecture

Stress test proposed 36 templates that will require extensive data gathering, modeling, and data quality controls



Proposed Timeline

Scenarios & templates released at the end of January 2021; calculations performed during February to the beginning of April; resubmission and quality assurances taking place in April to mid July; and final disclosures expected at the end of July.



■ Submissions by Banks

♦ Publications by the EBA

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Alvarez & Marsal

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