LAUNCH OF 2016 EUROPEAN BANK STRESS TESTS

NOT SO STRESSFUL – WITH MILD SCENARIOS EXPECT MANAGEABLE IMPACTS

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SERIES #3

KEY MESSAGES (1 OF 2)

2016 Stress test scenarios were published by EBA / ECB on February 24th. Severity of scenario is in line with the one used in the 2014 test. While it contemplates larger emerging market shocks, we expect manageable capital impacts arising from 2016 stress tests.

1. Scenarios are comprehensive and provide detail projections for GDP, unemployment and house prices by country and imply confidence levels above 99% taking into consideration peak-to-trough economic cycle indicators
2. Macro-economic adverse shocks (changes from baseline levels) for European Union countries are consistent with those used in 2014.

European Union Shocks	ST 2014	ST 2016	Change
GDP (3-year ▲)	-7.0%	-7.1%	→
Unemployment ((3-year ▲)	+2.9%	+2.8%	→
Residential Property	-21%	-21%	→
Commercial Property	-15%	-22%	↑
10-year Bond Yield (1-year ▲)	+150bps	+71bps	↓
Equity Prices	-18%	-25%	↑

1. When analyzing macro-economic shocks by country, most economies benefit from less severe shocks than in 2014 test with some exceptions that display more severe shocks: Greece (GDP ↓5.9%), Netherlands (GDP ↓1.5% and unemployment ↑1%) or Portugal (GDP ↓1.1%).
2. The trading scenario is in line with that used in the 2014 Stress Tests

Methodology will be similar to that used in 2013 Comprehensive Assessment with continued focus on consistency and comparability of results

1. No AQR will be conducted, thus simplifying process and eliminating need of join-up of AQR and stress test results
2. Static balance sheet assumptions will continue to be used with no credit to management actions
3. Number of constraints have been expanded to create more conservative results
4. Modifications were made in the following areas: (1) Treatment of credit migration and FX lending, (2) simplification of market risk scenarios, (3) Inclusion of conduct and operational risk charges

KEY MESSAGES (2 OF 2)

Stress test results will be integrated as part of SREP – we expect stricter minimum CET1 thresholds to increase above 10% for Baseline scenario and 7% for Adverse scenario relative to the 8% and 5% used in 2014, respectively.

1. In contrast to 2014 Comprehensive Assessment, 2016 test will not be a pass or fail exercise anymore - conclusions will be integrated within SREP findings, supervisory ratings and capital actions
2. Stress test thresholds expected to be increased as part of integration with SREP – EBA has proposed a methodology to integrate stress test outcomes into SREP capital adequacy by which banks need to meet Overall Capital Requirements (OCR) in baseline scenario and Total SREP Capital Requirements in adverse scenario (TSCR)
3. We expect to see higher stressed dilution of capital for G-SIBs and more emphasis on qualitative aspects
4. Based on current CET1 levels and assuming 2014 scenario severity we do not expect material capital shortfalls but increased pressure on dividend distribution strategies.

Timeline compressed relative to 2014 Stress Test

1. Calculations to be performed in 3 cycles (March-April, May and June) with data and quality assurance taking place concurrently
2. EBA disclosures of final results expected to be done by end of July 2016

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES

EU COUNTRIES

- EU
- Germany
- France
- UK
- Italy
- Spain
- Portugal
- Ireland
- Greece
- Netherlands

NON-EU COUNTRIES

- US
- LATAM
  - Brazil
  - México
  - Chile
  - Peru

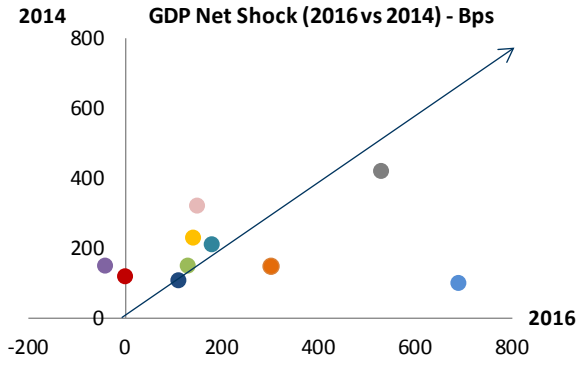
SCENARIO ANALYSIS – MACRO-ECONOMIC VARIABLES EU COUNTRIES

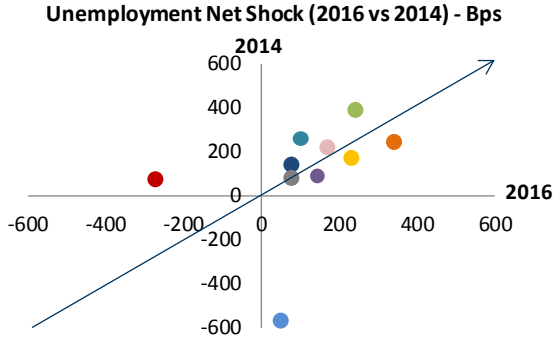
Most countries benefit from less severe shocks than in 2014 test with some exceptions that include Greece, Netherlands and Portugal

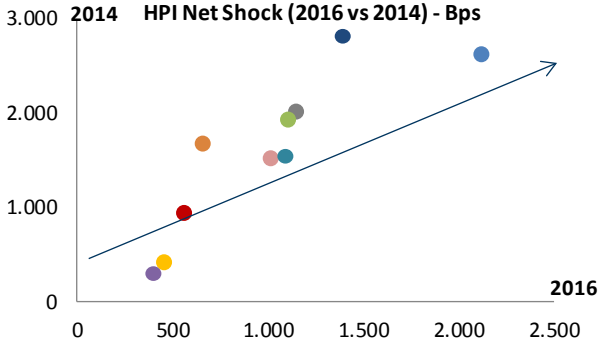
Notes: [(1)(2)(3)]Net shocks reflect the total adverse effect to the macroeconomic indicator from current levels

Adverse Scenario Changes from ST 2014 to ST 2016

	GDP (Net shock)[1]			Unemployment (Net shock)[2]			House Price Index (Net shock)[3]		
	ST 2016	ST 2014	Difference (bps)	ST 2016	ST 2014	Difference (bps)	ST 2016	ST 2014	Difference (bps)
France	110	110	-	78	140	-62	1390	2810	-1.420
Germany	140	230	-90	234	170	+64	460	410	+50
Greece	690	100	+590	50	-570	+620	2120	2620	-500
Ireland	-40	150	-190	144	90	+54	400	300	+100
Italy	150	320	-170	170	220	-50	1020	1510	-490
Netherlands	300	150	+150	341	240	+101	660	1670	-1.010
Portugal	530	420	+110	80	80	-0	1150	2000	-850
Spain	0	120	-120	-270	70	-340	560	940	-380
United Kingdom	130	150	-20	240	390	-150	1110	1920	-810
European Union	180	210	-30	100	260	-160	1090	1540	-450







France · Germany · Greece · Ireland · Italy · Netherlands · Portugal · Spain · United Kingdom · European Union

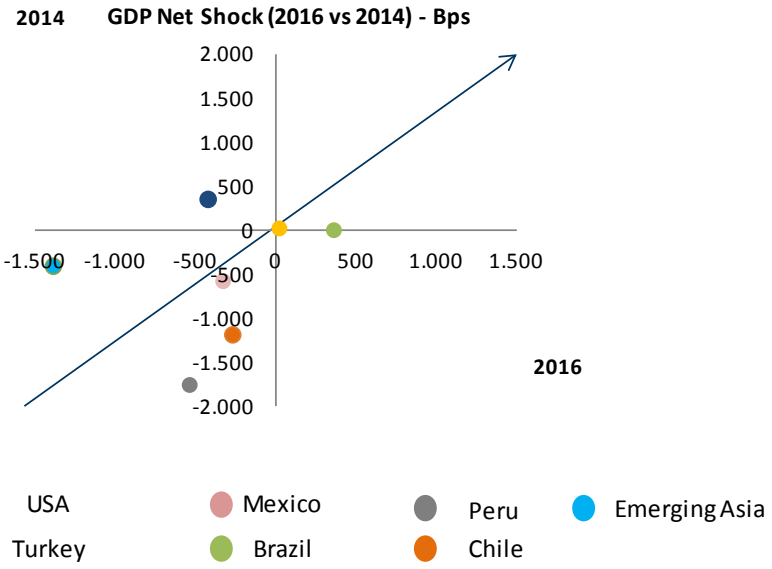
SCENARIO ANALYSIS – MACRO-ECONOMIC VARIABLES NON-EU COUNTRIES

Latam countries display larger GDP contraction than that obeserved in ST 2014. US GDP grows in adverse scenario

Notes: [(1)]Net shocks reflect the total adverse effect to the macroeconomic indicator from current levels.

Adverse Scenario Changes from ST 2014 to ST 2016

	GDP (Net shock)[1]		
	ST 2016	ST 2014	Difference (bps)
USA	-420	350	-770
Turkey	30	n.a.	-
Brazil	370	-23	+393
Mexico	-320	-604	+284
Chile	-260	-1206	+946
Peru	-530	-1770	+1.240
Emerging Asia	-1374	-425	-949



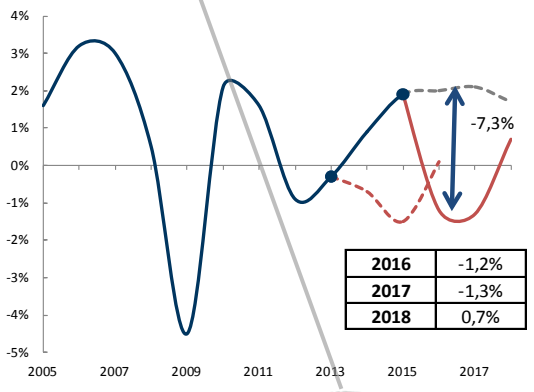
SCENARIO ANALISIS – COMPREHENSIVE GUIDE

Definitions and approach to evaluate macro-economic scenarios severity and implied probability

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

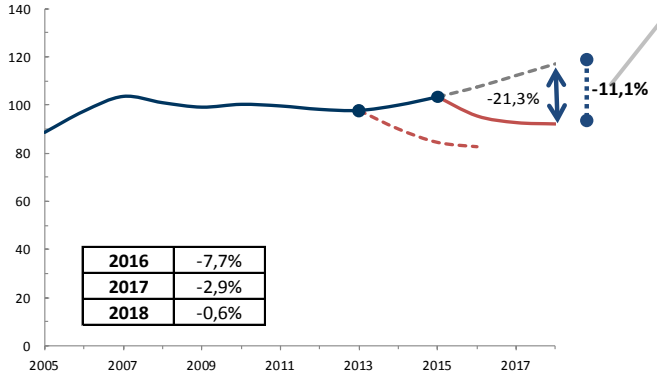
Peak to trough: It is a through the cycle (historical + forward looking) indicator of the confidence level implied in the scenario

GDP Growth European Union – Net shock -1,8% (vs 2014 shock -2,1%)



2016	-1,2%
2017	-1,3%
2018	0,7%

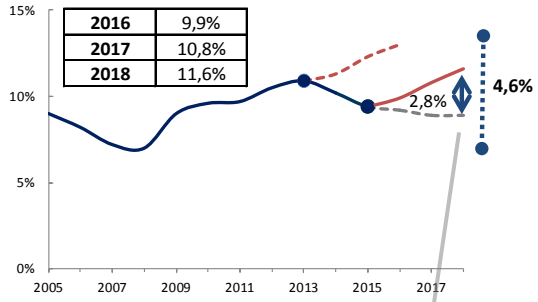
House Prices European Union – Net shock -10% (vs 2014 shock -15%)



2016	-7,7%
2017	-2,9%
2018	-0,6%

Table: Stress Scenario

Unemployment European Union – Net shock 2,2% (vs 2014 shock 2,6%)



2016	9,9%
2017	10,8%
2018	11,6%

2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-2,5%	-3,5%	4,6%	5,9%	-11,1%	-19,5%
# St Dev.	1,30	2,60	4,42	5,95	2,77	6,48
Confidence Level	90,34%	99,54%	100,00%	99,99%	99,72%	99,99%
Baseline Drop	-7,3%	-7,1%	2,8%	2,9%	-21,3%	-21,4%
# St Dev.	3,72	5,24	2,69	3,62	5,35	7,11
Confidence Level	99,99%	99,99%	99,65%	99,99%	100,00%	99,99%

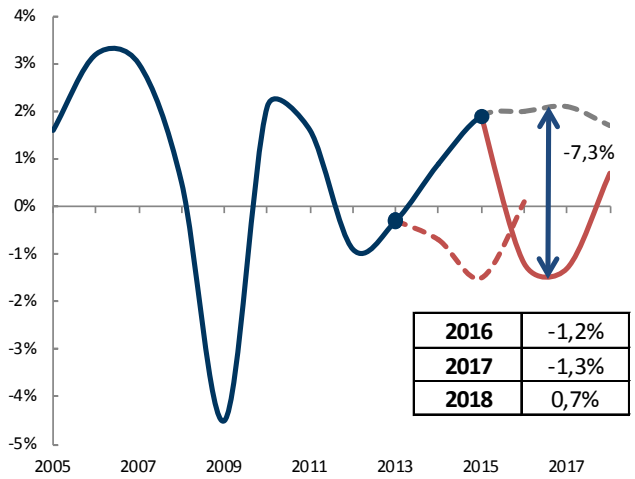
Historical Data — 2016 EBA Stressed Scenario
EU Baseline Scenario — 2014 EBA Stressed Scenario

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

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

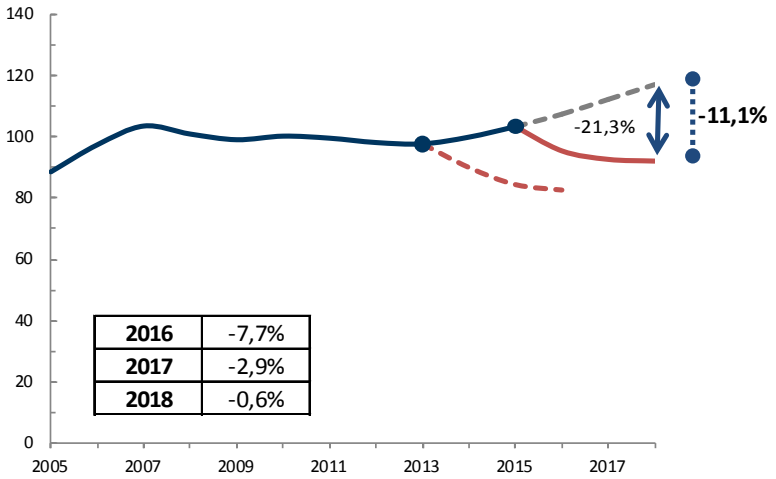
The stress scenario for EU displays slightly less severe shocks than those used in 2014 test across all key macro-economic variables

GDP Growth European Union – Net shock -1,8% (vs 2014 shock -2,1%)



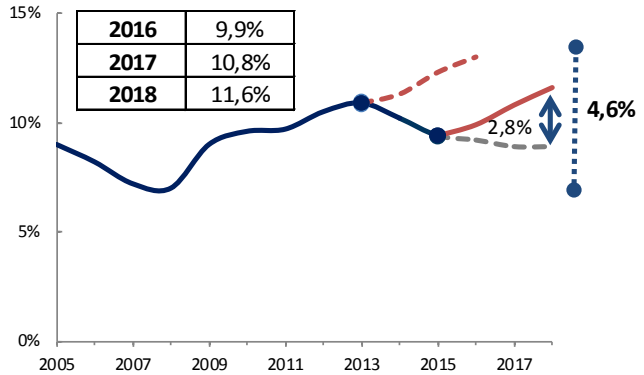
2016	-1,2%
2017	-1,3%
2018	0,7%

House Prices European Union – Net shock -10% (vs 2014 shock -15%)



2016	-7,7%
2017	-2,9%
2018	-0,6%

Unemployment European Union – Net shock 2,2% (vs 2014 shock 2,6%)



2016	9,9%
2017	10,8%
2018	11,6%

2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	**ST 2016**	ST 2014	**ST 2016**	ST 2014
Peak-to-trough	-2,5%	-3,5%	4,6%	5,9%	-11,1%	-19,5%
# St Dev.	1,30	2,60	4,42	5,95	2,77	6,48
Confidence Level	90,34%	99,54%	100,00%	99,99%	99,72%	99,99%
Baseline Drop	-7,3%	-7,1%	2,8%	2,9%	-21,3%	-21,4%
# St Dev.	3,72	5,24	2,69	3,62	5,35	7,11
Confidence Level	99,99%	99,99%	99,65%	99,99%	100,00%	99,99%

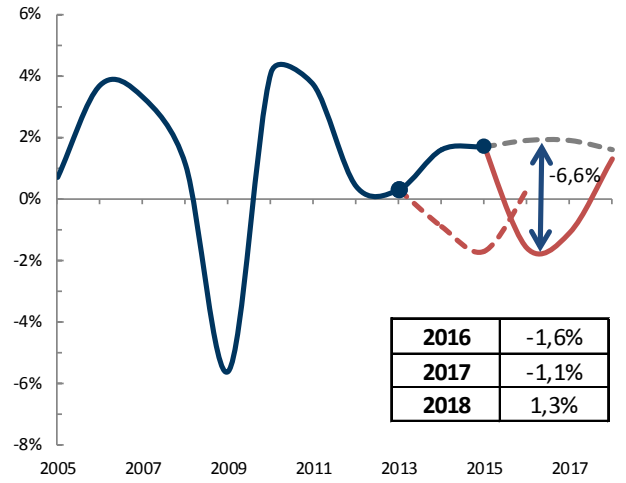
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

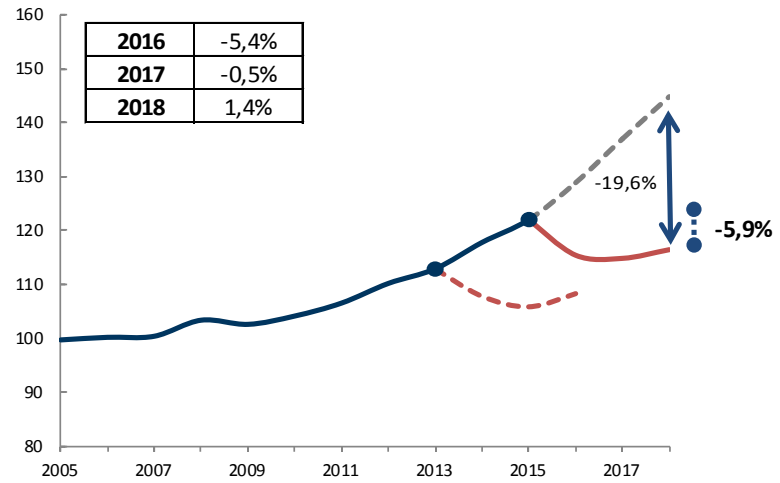
The stress scenario for Germany contemplates a GDP contraction of 1.4% vs. 2.3% in 2016 test, small decline in house prices (-4%) and unemployment of +2.3%

GDP Growth Germany – Net shock -1,4% (vs 2014 shock -2,3%)



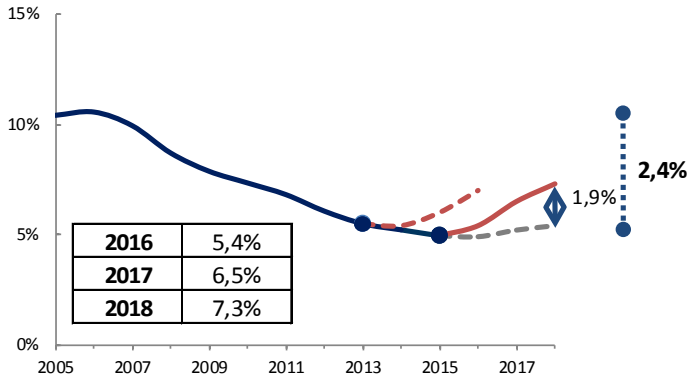
2016	-1,6%
2017	-1,1%
2018	1,3%

House Prices Germany – Net shock -4% (vs 2014 shock -4%)



2016	-5,4%
2017	-0,5%
2018	1,4%

Unemployment Germany – Net shock 2,3% (vs 2014 shock 1,7%)



2016	5,4%
2017	6,5%
2018	7,3%

2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	**ST 2016**	ST 2014	**ST 2016**	ST 2014
Peak-to-trough	-2,8%	-2,7%	2,4%	N/A	-5,9%	-6,2%
# St Dev.	1,17	1,91	1,33	0,00	3,84	2,52
Confidence Level	87,94%	97,20%	90,85%	N/A	99,99%	99,42%
Baseline Drop	-6,6%	-7,6%	1,9%	1,8%	-19,6%	-20,8%
# St Dev.	2,79	5,45	1,05	0,43	12,79	8,43
Confidence Level	99,73%	99,99%	85,40%	66,70%	100,00%	99,99%

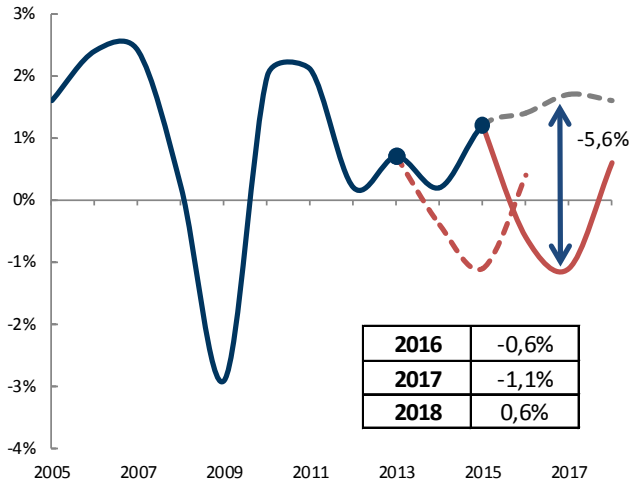
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

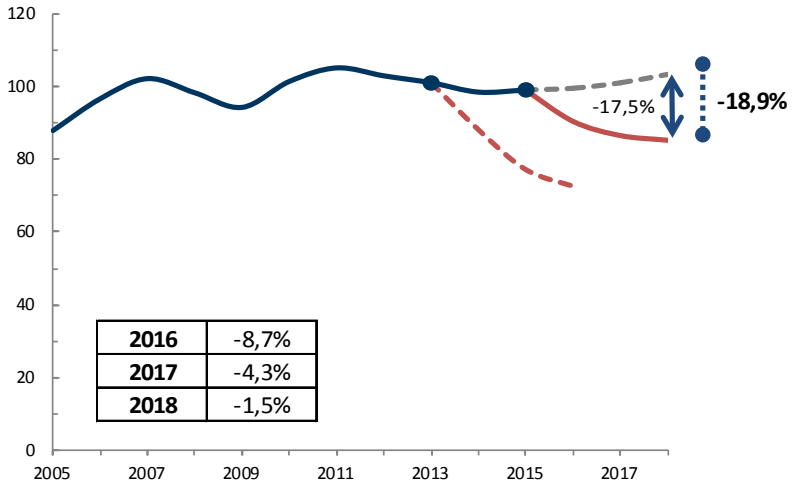
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for France displays the same GDP contraction as compared to ST 2014 with a smaller shock in house prices and unemployment

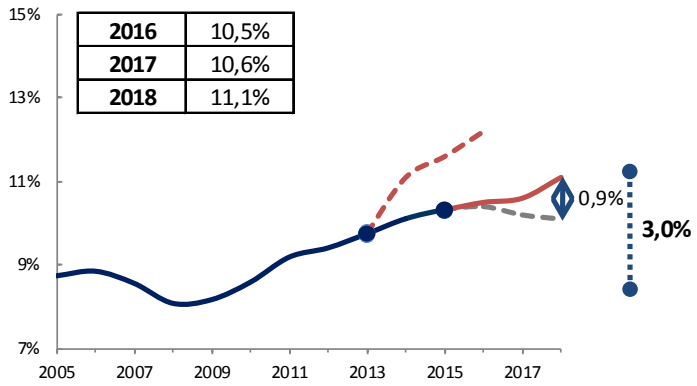
GDP Growth France – Net shock -1,1% (vs 2014 shock -1,1%)



House Prices France – Net shock -13% (vs 2014 shock -28%)



Unemployment France – Net shock 0,7% (vs 2014 shock 1,4%)



2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-1,7%	-1,5%	3,0%	4,4%	-18,9%	-30,6%
# St Dev.	1,13	0,70	4,13	1,31	2,71	4,92
Confidence Level	87,00%	75,87%	100,00%	90,49%	99,66%	99,99%
Baseline Drop	-5,6%	-5,9%	0,9%	1,3%	-17,5%	-26,6%
# St Dev.	3,67	2,72	1,23	0,39	2,51	4,27
Confidence Level	99,99%	99,67%	89,08%	65,07%	99,40%	99,99%

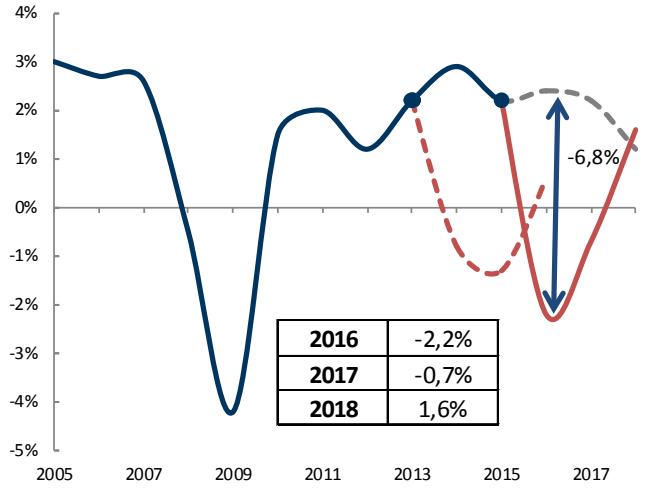
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

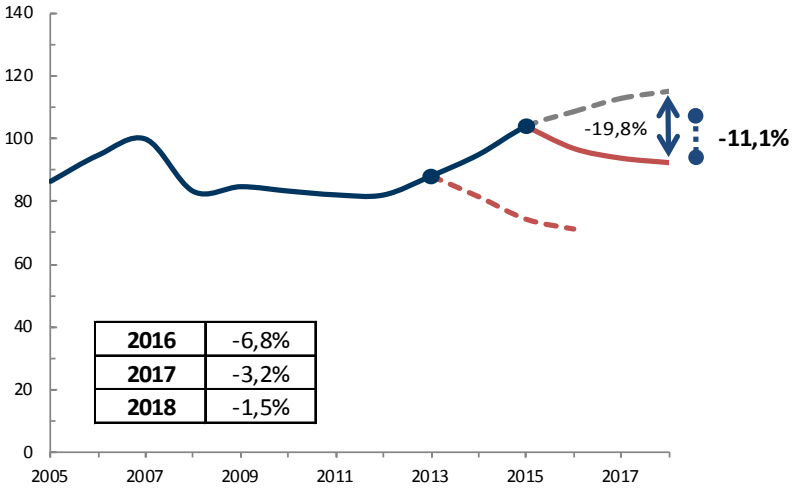
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for UK displays similar GDP contraction as compared to ST 2014 with a smaller shock in house prices (-11%) and unemployment (+2.4%)

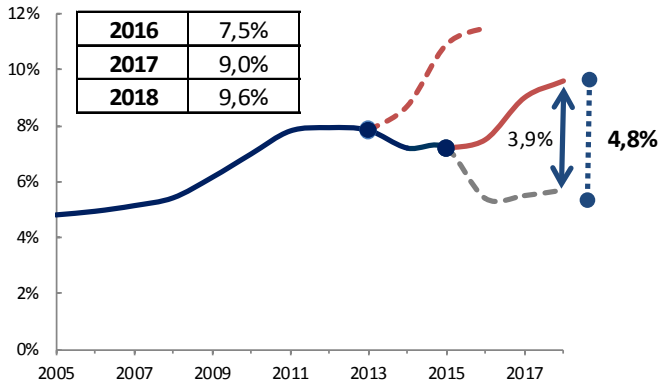
GDP Growth UK – Net shock -1,3% (vs 2014 shock -1,5%)



House Prices UK – Net shock -11% (vs 2014 shock -19%)



Unemployment UK – Net shock 2,4% (vs 2014 shock 3,9%)



2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-3,0%	-3,4%	4,8%	7,0%	-11,1%	-29,5%
# St Dev.	1,51	1,62	4,06	2,29	1,13	3,01
Confidence Level	93,48%	94,71%	100,00%	98,90%	87,04%	99,87%
Baseline Drop	-6,8%	-7,6%	3,9%	5,1%	-19,8%	-29,2%
# St Dev.	3,48	3,63	3,31	1,67	2,00	2,97
Confidence Level	99,98%	99,99%	99,95%	95,24%	97,73%	99,85%

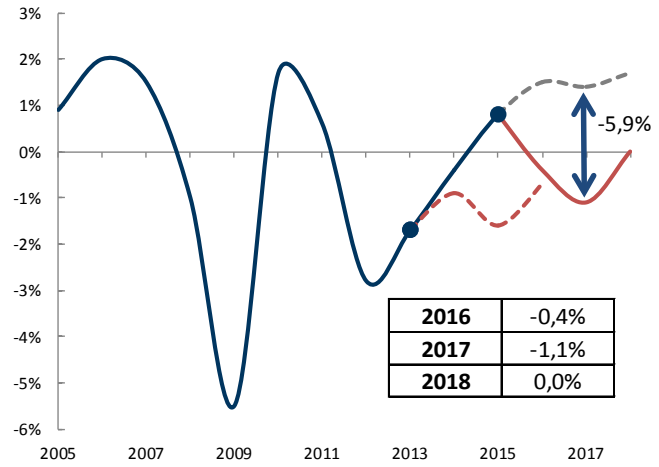
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

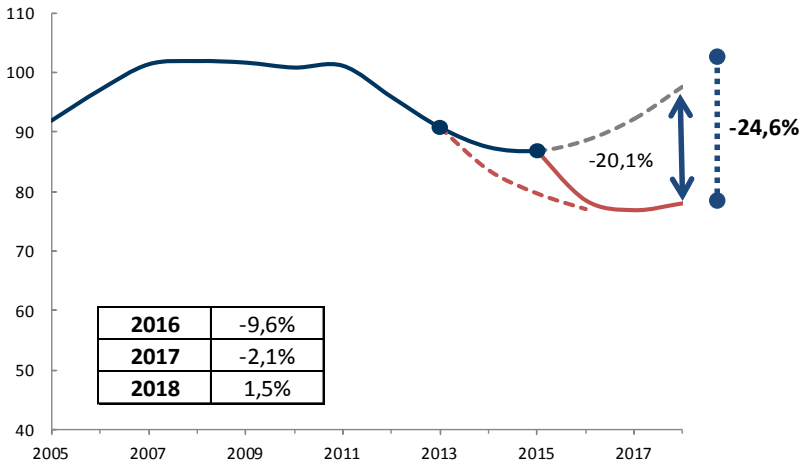
The stress scenario for Italy contemplates less severe shocks in house prices, GDP contraction and unemployment compared to those used in 2014

GDP Growth Italy – Net shock -1,4% (vs 2014 shock -3,2%)



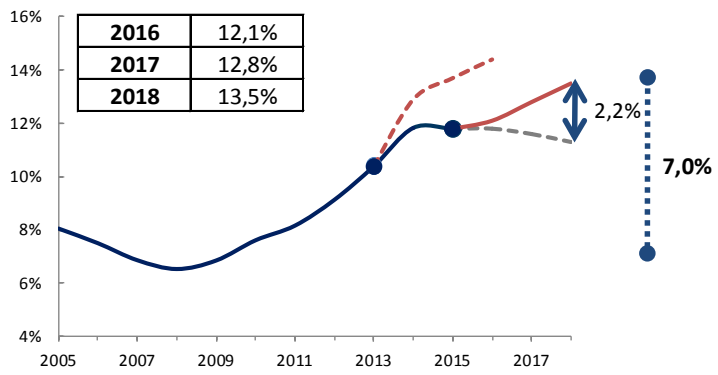
2016	-0,4%
2017	-1,1%
2018	0,0%

House Prices Italy – Net shock -10% (vs 2014 shock -15%)



2016	-9,6%
2017	-2,1%
2018	1,5%

Unemployment Italy – Net shock 1,7% (vs 2014 shock 2,2%)



2016	12,1%
2017	12,8%
2018	13,5%

2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-2,3%	-13,1%	7,0%	8,3%	-24,6%	-22,7%
# St Dev.	1,04	5,77	4,11	3,86	4,95	4,64
Confidence Level	85,04%	99,99%	100,00%	99,99%	100,00%	99,99%
Baseline Drop	-5,9%	-6,1%	2,2%	2,4%	-20,1%	-13,3%
# St Dev.	2,69	2,70	1,30	1,12	4,05	2,70
Confidence Level	99,64%	99,65%	90,29%	86,76%	100,00%	99,66%

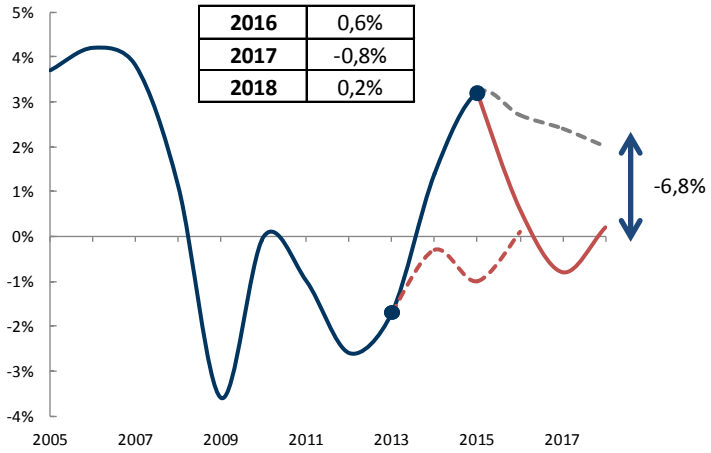
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

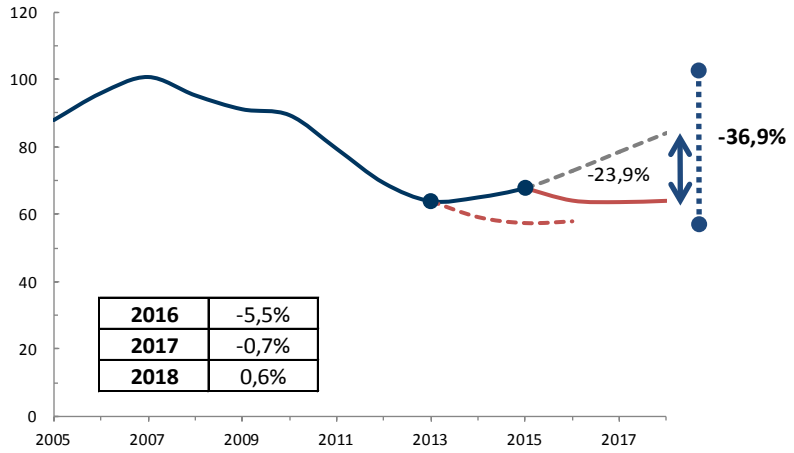
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for Spain is mild with flat GDP impact, employment gains and a small decline of 5.5% in residential house prices

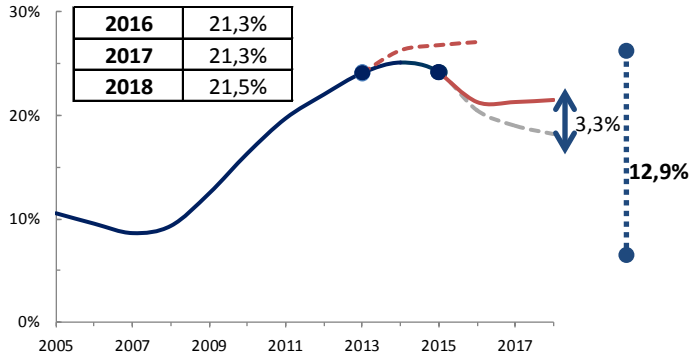
GDP Growth Spain – Net shock 0% (vs 2014 shock -1,2%)



House Prices Spain – Net shock -5,5% (vs 2014 shock -9,3%)



Unemployment Spain – Net shock -2% (vs 2014 shock 0,7%)



2016 Stress Test Macro Scenarios vs 2014

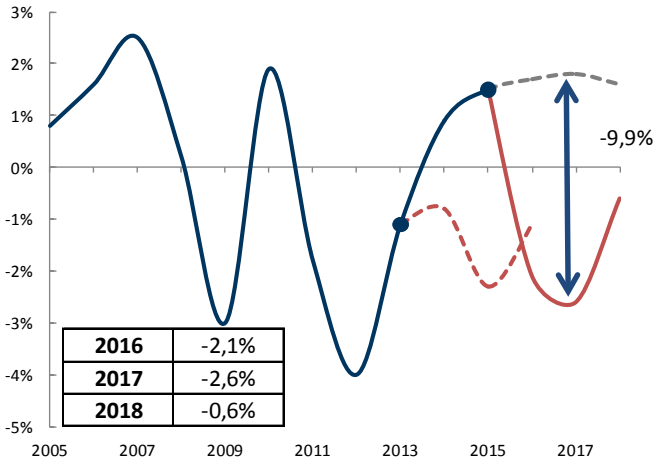
	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-4,1%	-8,6%	12,9%	18,8%	-36,9%	-43,0%
# St Dev.	1,52	2,85	2,18	2,69	3,49	4,28
Confidence Level	93,6%	99,8%	98,5%	99,6%	100,0%	100,0%
Baseline Drop	-6,8%	-5,9%	3,3%	3,9%	-23,9%	-8,9%
# St Dev.	2,52	1,95	0,56	0,56	2,27	0,88
Confidence Level	99,4%	97,4%	71,2%	71,1%	98,8%	81,1%

Historical Data — EU Baseline Scenario — 2016 EBA Stressed Scenario — 2014 EBA Stressed Scenario

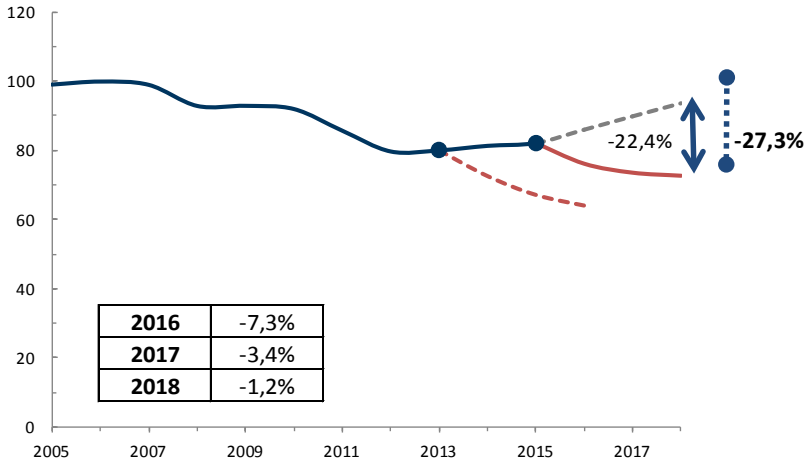
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for Portugal shows a larger decline in GDP (-5.3%) compensated by a smaller shock in real estate residential prices

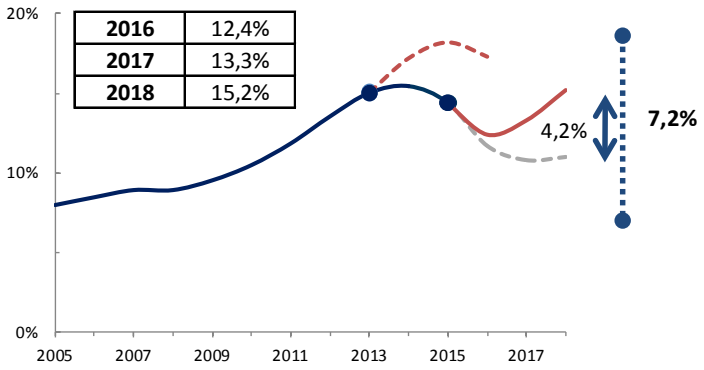
GDP Growth Portugal – Net shock -5,3% (vs 2014 shock -4,2%)



House Prices Portugal – Net shock -11% (vs 2014 shock -20%)



Unemployment Portugal – Net shock 0,79% (vs 2014 shock 0,8%)



2016 Stress Test Macro Scenarios vs 2014	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-7,8%	-12,1%	7,2%	9,7%	-27,3%	-25,1%
# St Dev.	3,75	3,51	2,07	2,89	8,16	4,32
Confidence Level	100,0%	100,0%	98,1%	99,8%	100,0%	100,0%
Baseline Drop	-9,9%	-7,9%	4,2%	2,8%	-22,4%	-10,6%
# St Dev.	4,74	2,29	1,20	0,83	6,70	1,82
Confidence Level	100,0%	98,9%	88,6%	79,8%	100,0%	96,6%

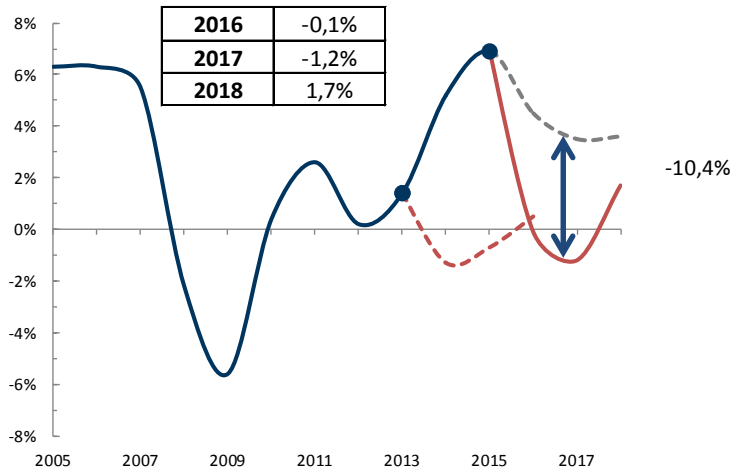
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

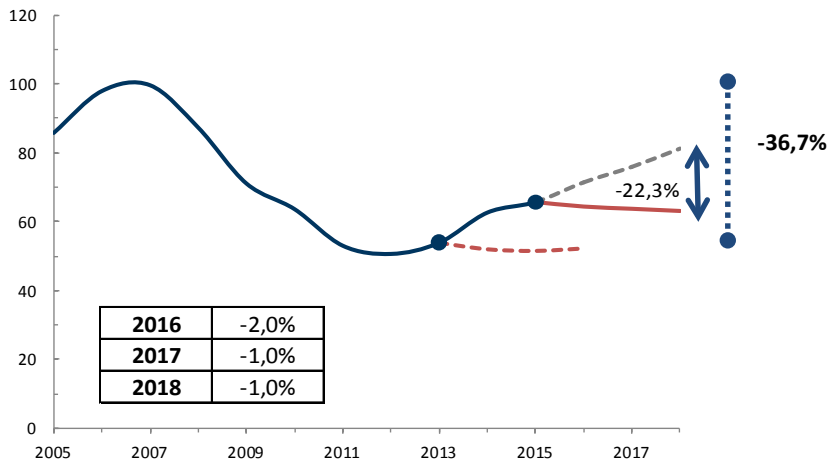
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for Ireland shows a positive GDP growth of 0.4% and a small decline in house prices of 4%

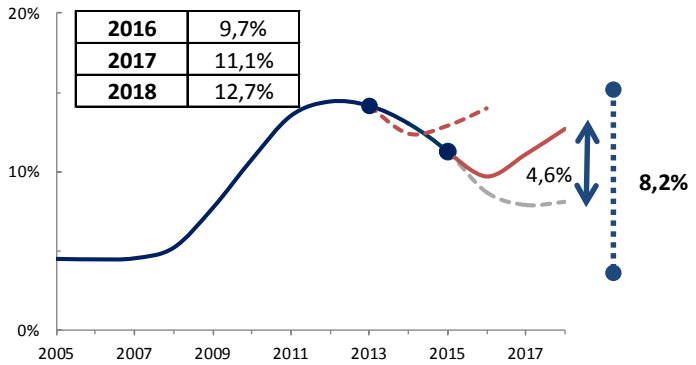
GDP Growth Ireland – Net shock 0,4% (vs 2014 shock -1,5%)



House Prices Ireland – Net shock -3,9% (vs 2014 shock -3%)



Unemployment Ireland – Net shock 1,4% (vs 2014 shock 0,9%)



2016 Stress Test Macro Scenarios vs 2014	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-1,3%	-9,7%	8,2%	10,3%	-36,7%	-48,7%
# St Dev.	0,33	2,9	2,00	2,38	3,09	1,56
Confidence Level	63,1%	99,8%	97,7%	99,1%	99,9%	94,0%
Baseline Drop	-10,4%	-8,2%	4,6%	2,6%	-22,3%	-18,9%
# St Dev.	2,65	2,43	1,12	0,60	1,88	0,60
Confidence Level	99,6%	99,3%	86,8%	72,6%	97,0%	72,7%

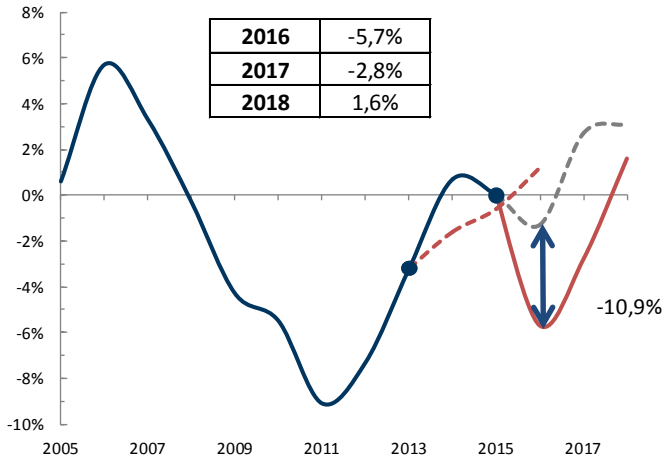
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

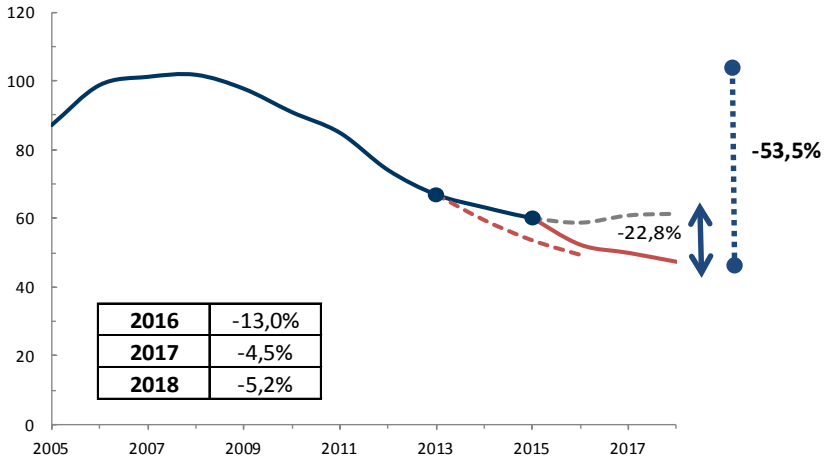
The stress scenario for Greece shows a tougher GDP decline of 6.9% and a 21% decline in residential house prices

GDP Growth Greece – Net shock -6,9% (vs 2014 shock -1%)



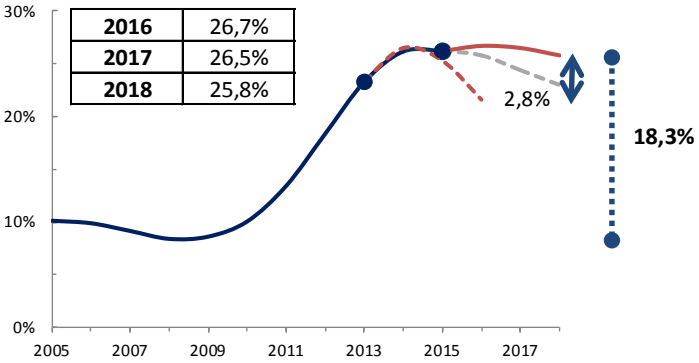
2016	-5,7%
2017	-2,8%
2018	1,6%

House Prices Greece – Net shock -21% (vs 2014 shock -26%)



2016	-13,0%
2017	-4,5%
2018	-5,2%

Unemployment Greece – Net shock 0,5% (vs 2014 shock -5%)



2016	26,7%
2017	26,5%
2018	25,8%

2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-48,7%	-32,9%	18,3%	19,6%	-53,5%	-50,9%
# St Dev.	10,10	6,99	2,93	3,87	5,92	5,68
Confidence Level	100,0%	100,0%	99,8%	100,0%	100,0%	100,0%
Baseline Drop	-10,9%	-7,8%	2,8%	2,1%	-22,8%	-16,0%
# St Dev.	2,26	1,66	0,45	0,41	2,52	1,78
Confidence Level	98,8%	95,1%	67,3%	66,1%	99,4%	96,3%

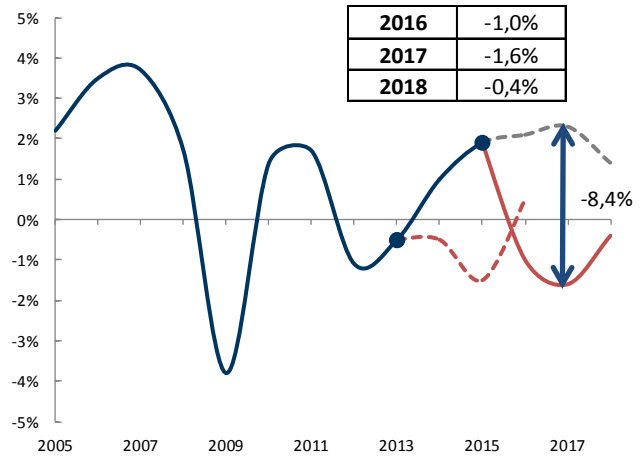
Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

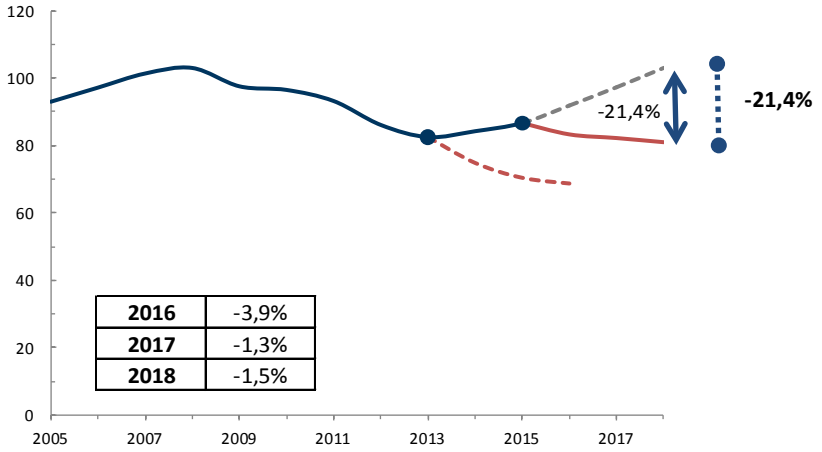
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

The stress scenario for The Netherlands shows a 3% decline in GDP larger than in 2014, compensated by a smaller shock of 6.5% in house prices

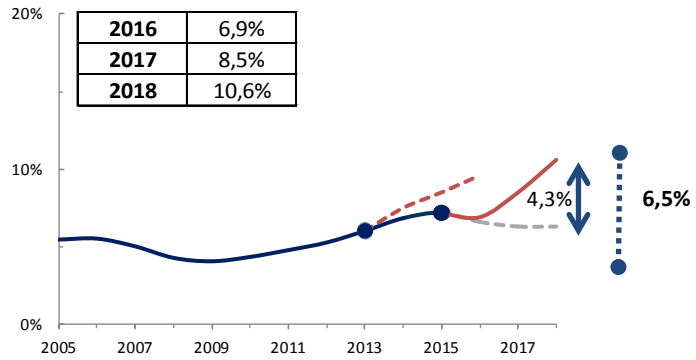
GDP Growth Netherlands – Net shock -3% (vs 2014 shock -1,5%)



House Prices Netherlands – Net shock -6,5% (vs 2014 shock -16,7%)



Unemployment Netherlands – Net shock 3,4% (vs 2014 shock 2,4%)



2016 Stress Test Macro Scenarios vs 2014

	GDP		Unemployment		House Price Index	
	ST 2016	ST 2014	ST 2016	ST 2014	ST 2016	ST 2014
Peak-to-trough	-3,1%	-5,5%	6,5%	6,5%	-21,4%	-33,3%
# St Dev.	1,54	2,53	6,05	2,73	4,67	4,62
Confidence Level	93,9%	99,4%	100,0%	99,7%	100,0%	100,0%
Baseline Drop	-8,4%	-5,3%	4,3%	2,8%	-21,4%	-20,6%
# St Dev.	4,22	2,47	3,98	1,17	4,67	2,86
Confidence Level	100,0%	99,3%	100,0%	88,0%	100,0%	99,8%

Historical Data — 2016 EBA Stressed Scenario

EU Baseline Scenario — 2014 EBA Stressed Scenario

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES EU COUNTRIES

While the scenario confidence level implied by peak to trough and baseline drop measures is high across all EU countries, the severity of the scenario measured by the shock in macro-economic variables – which will drive capital dilution – is not very harsh

GDP					
	Shock	Peak to trough	Confidence level	Baseline drop	Confidence level
Germany	-1,4%	-2,8%	87,94%	6,6%	99,73%
France	-1,1%	-1,7%	87,00%	-5,6%	99,99%
UK	-1,3%	-3,0%	93,48%	-6,8%	99,98%
Italy	-1,5%	-2,3%	85,04%	-5,9%	99,64%
Spain	0,0%	-4,1%	93,62%	-6,8%	99,42%
Portugal	-5,2%	-7,8%	99,98%	-9,9%	100,00%
Ireland	0,4%	-1,3%	63,11%	-10,4%	99,60%
Greece	-6,9%	-48,7%	100,00%	-10,9%	98,81
Netherlands	-3,0%	-3,1%	93.86%	-8,4%	100%
EU	-1,8%	-2,5%	90,34%	-7,3%	99,99%

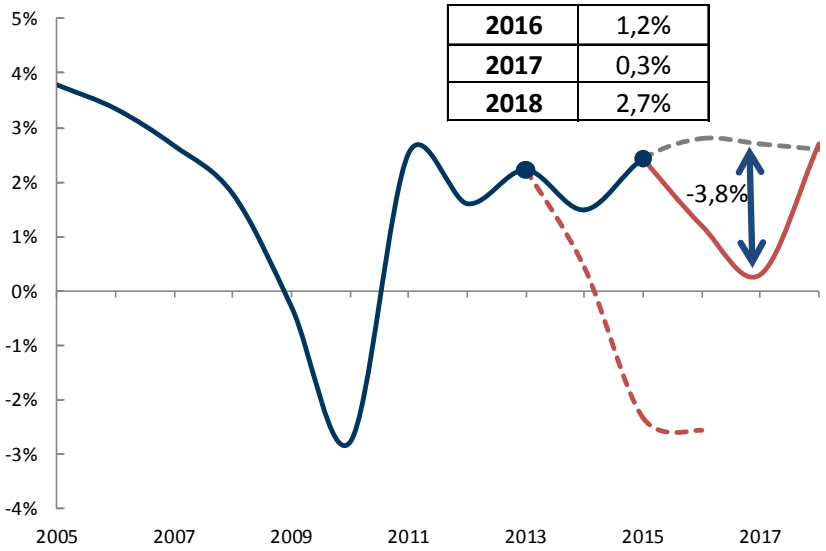
Unemployment				
Shock	Peak to trough	Confidence level	Baseline drop	Confidence level
2,3%	2,4%	90,85%	1,9%	85,40%
0,8%	3,0%	100,00%	0,9%	89,08%
2,4%	4,8%	100,00%	3,9%	99,95%
1,7%	7,0%	100,00%	2,2%	90,29%
-2,7%	12,9%	98,53%	3,3%	71,16%
0,8%	7,2%	98,07%	4,2%	88,56%
1,4%	8,2%	97,72%	4,6%	86,81%
0,5%	18,3%	99,83%	2,8%	67,31%
3,4%	6,5%	100,00%	4,3%	100%
2,2%	4,6%	100,00%	2,8%	99,65%

Residential					
	Shock	Peak to trough	Confidence level	Baseline drop	Confidence level
Germany	-4,6%	-5,9%	99,99%	-19,6%	100,00%
France	-13,9%	-18,9%	99,66%	-17,5%	99,40%
UK	-11,1%	-11,1%	87,04%	-19,8%	97,73%
Italy	-10,2%	-24,6%	100,00%	-20,1%	100,00%
Spain	-5,5%	-36,9%	99,98%	-23,9%	98,83%
Portugal	-11,5%	-27,3%	100,00%	-22,4%	100,00%
Ireland	-4,0%	-36,7%	99,90%	-22,3%	97,01%
Greece	-21,2%	-53,5%	100,00%	-22,8%	99,42%
Netherlands	-6,6%	-21,4%	100,00%	-21,4%	100,00%
EU	-10,9%	11,1%	99,72%	-21,3%	100,00%

SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES NON-EU COUNTRIES

The stress scenario contemplated for the US assumes a positive GDP impact of 4.2% compared to the shock used for CCAR

GDP Growth United States – Net shock 4,2% (vs 2014 shock -3,53%)



2016	1,2%
2017	0,3%
2018	2,7%

GDP Real Growth (%)	EBA	CCAR 2016
2016	1.2	-5.6
2017	0.3	0.6
2018	2.7	3.7

2016 Stress Test Macro Scenarios vs 2014

	GDP	
	ST 2016	ST 2014
Peak-to-trough	1,2%	-7,4%
# St Dev.	0,66	3,56
Confidence Level	74,7%	100,0%
Baseline Drop	-3,8%	-6,8%
# St Dev.	2,11	3,27
Confidence Level	98,3%	99,9%

Historical Data

EU Baseline Scenario

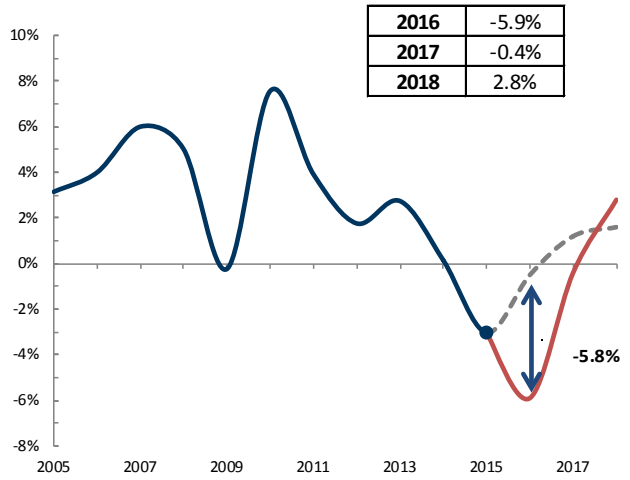
2016 EBA Stressed Scenario

2014 EBA Stressed Scenario

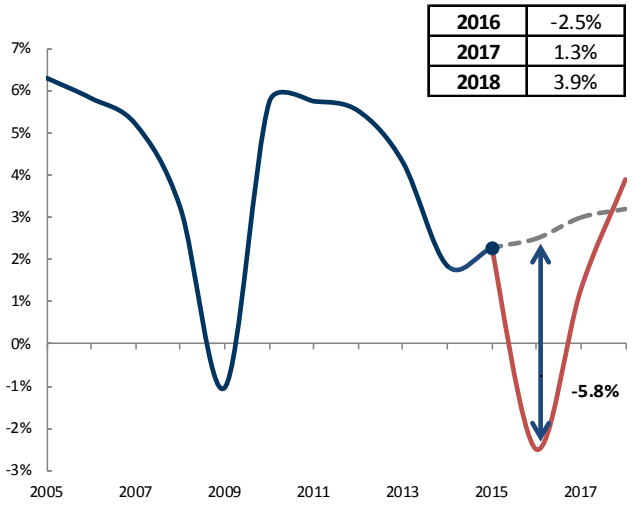
SCENARIO ANALYSIS – MACRO ECONOMIC VARIABLES NON-EU COUNTRIES

The stress scenario for LATAM assumes a more severe shocks across all countries compared to that used in 2014

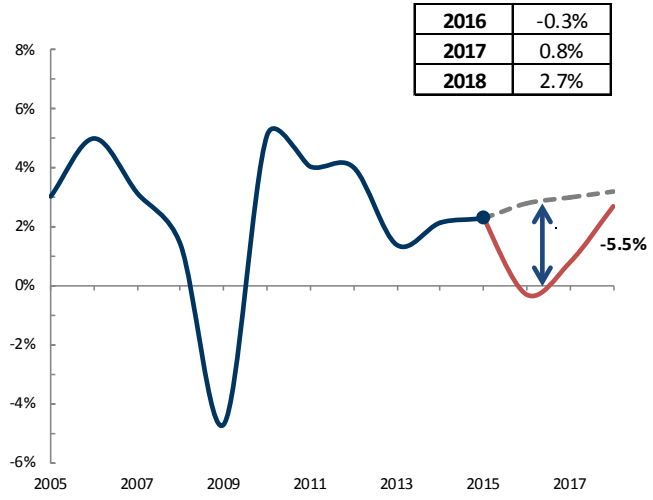
GDP Growth rate Brazil – Net shock -3.65% (vs 2014 shock 0.23%)



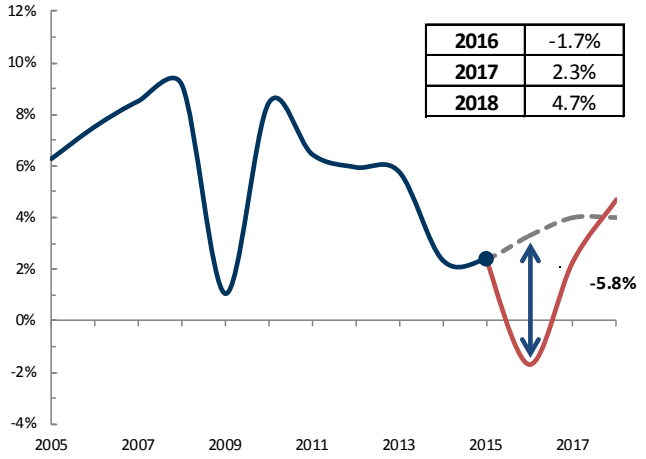
GDP Growth rate Chile – Net shock 2.61% (vs 2014 shock 12.0%)



GDP Growth rate Mexico – Net shock 3.21% (vs 2014 shock 6.4%)

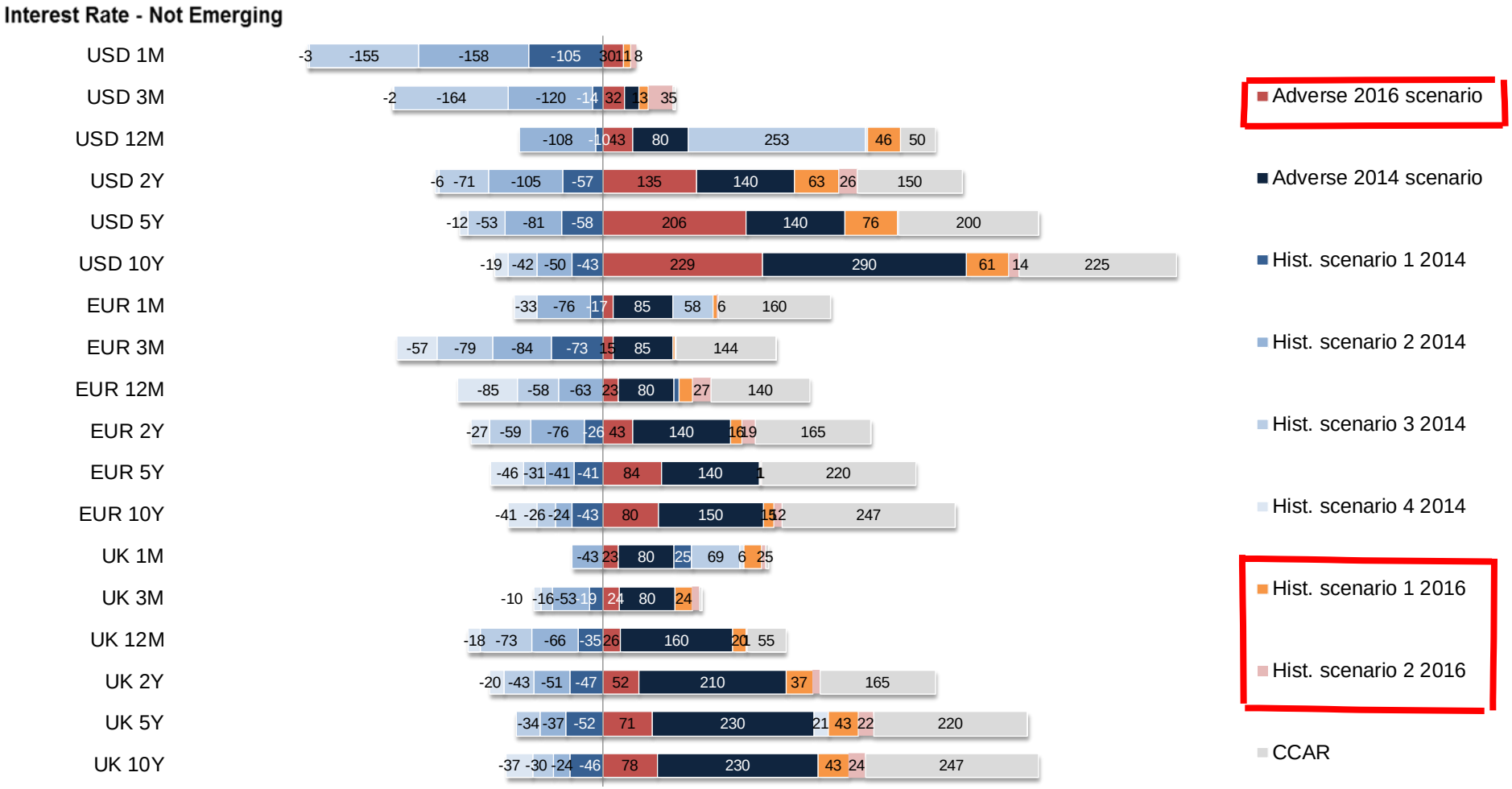


GDP Growth rate Peru – Net shock 5.28% (vs 2014 shock 17.7%)



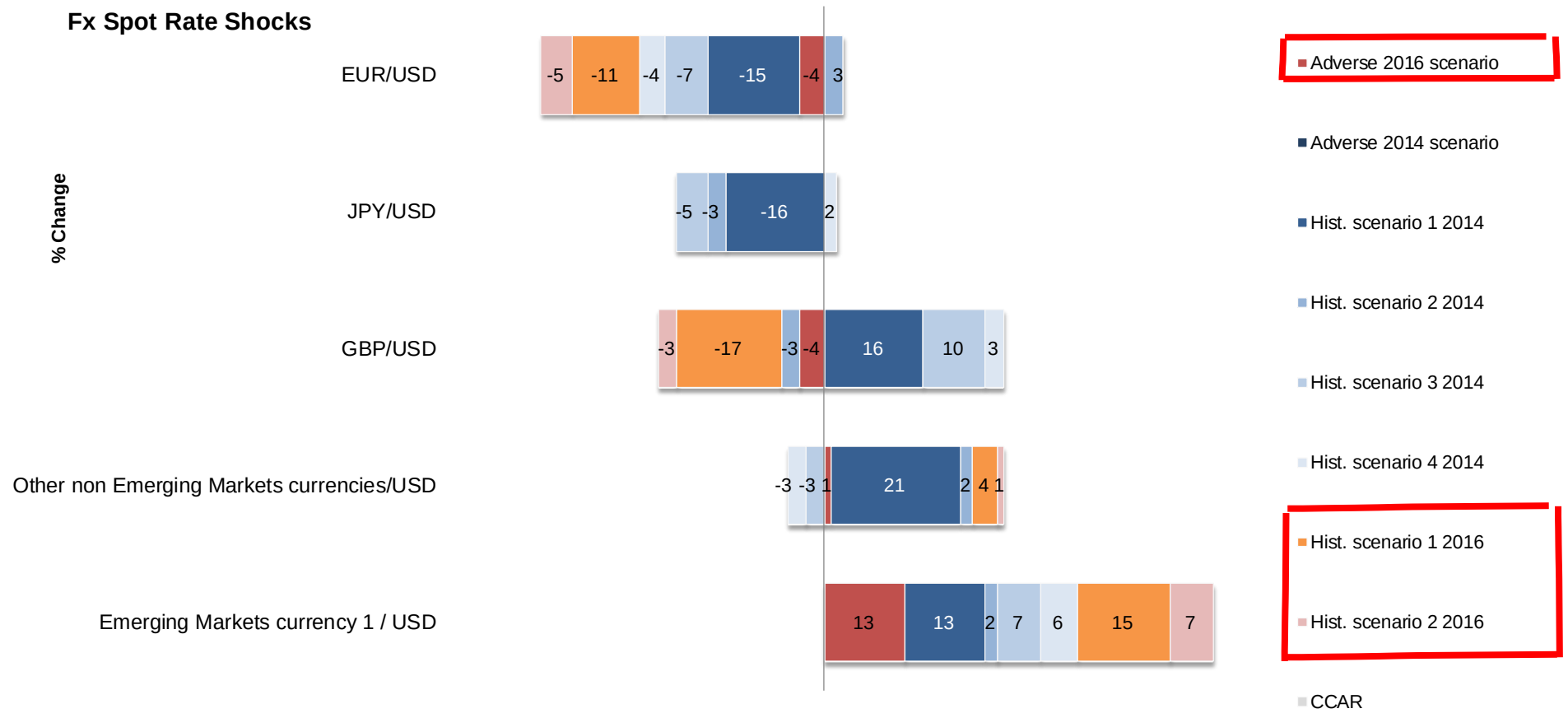
SCENARIO ANALYSIS – TRADING MARKET RISK

Trading rate scenario comparable to that used in 2014



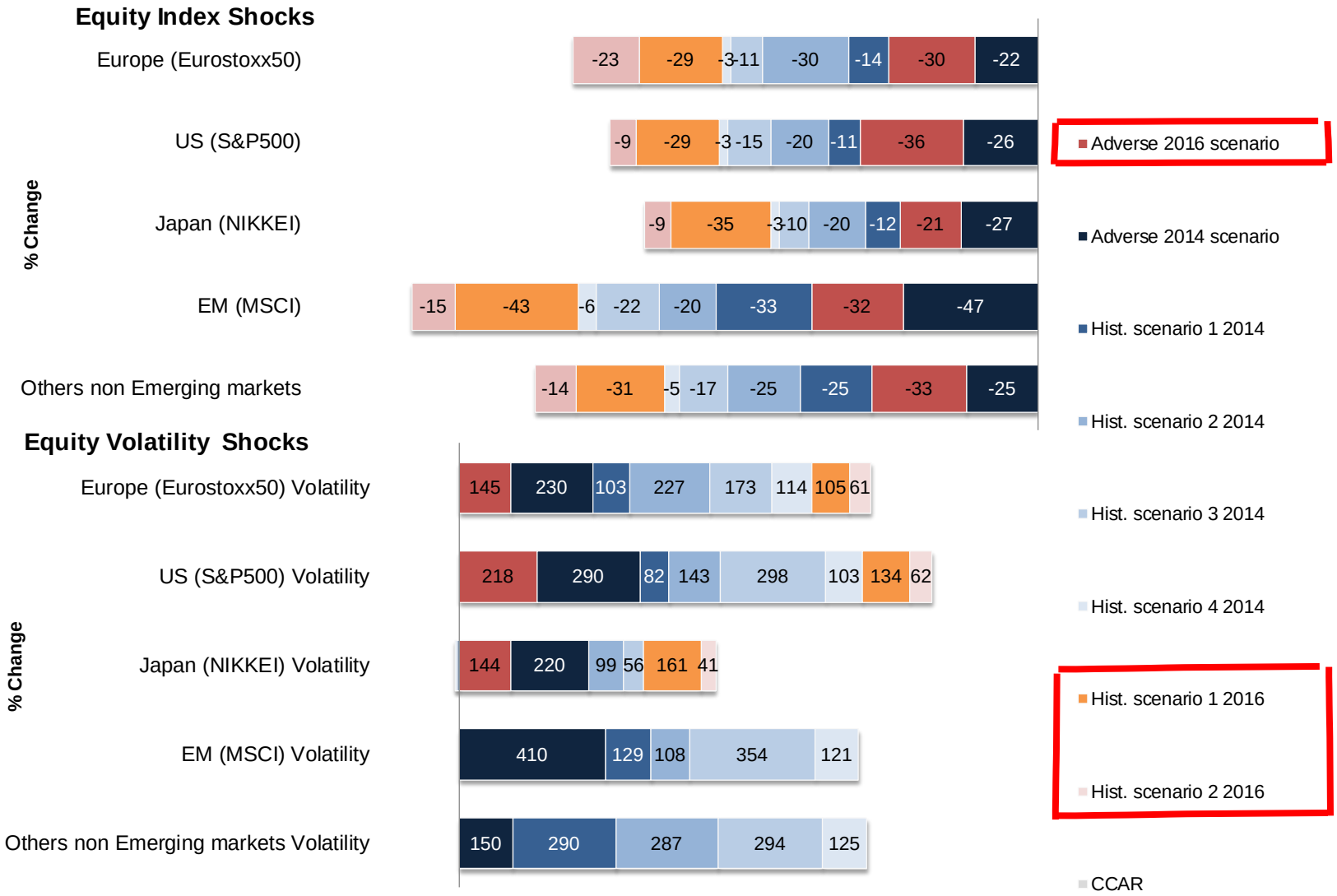
SCENARIO ANALYSIS – TRADING MARKET RISK

FX trading shocks in ST 2016 consistent with those used in 2014



SCENARIO ANALYSIS – TRADING MARKET RISK

Adverse Scenario 2016 displays larger equity shocks than in 2014 for European and US equities



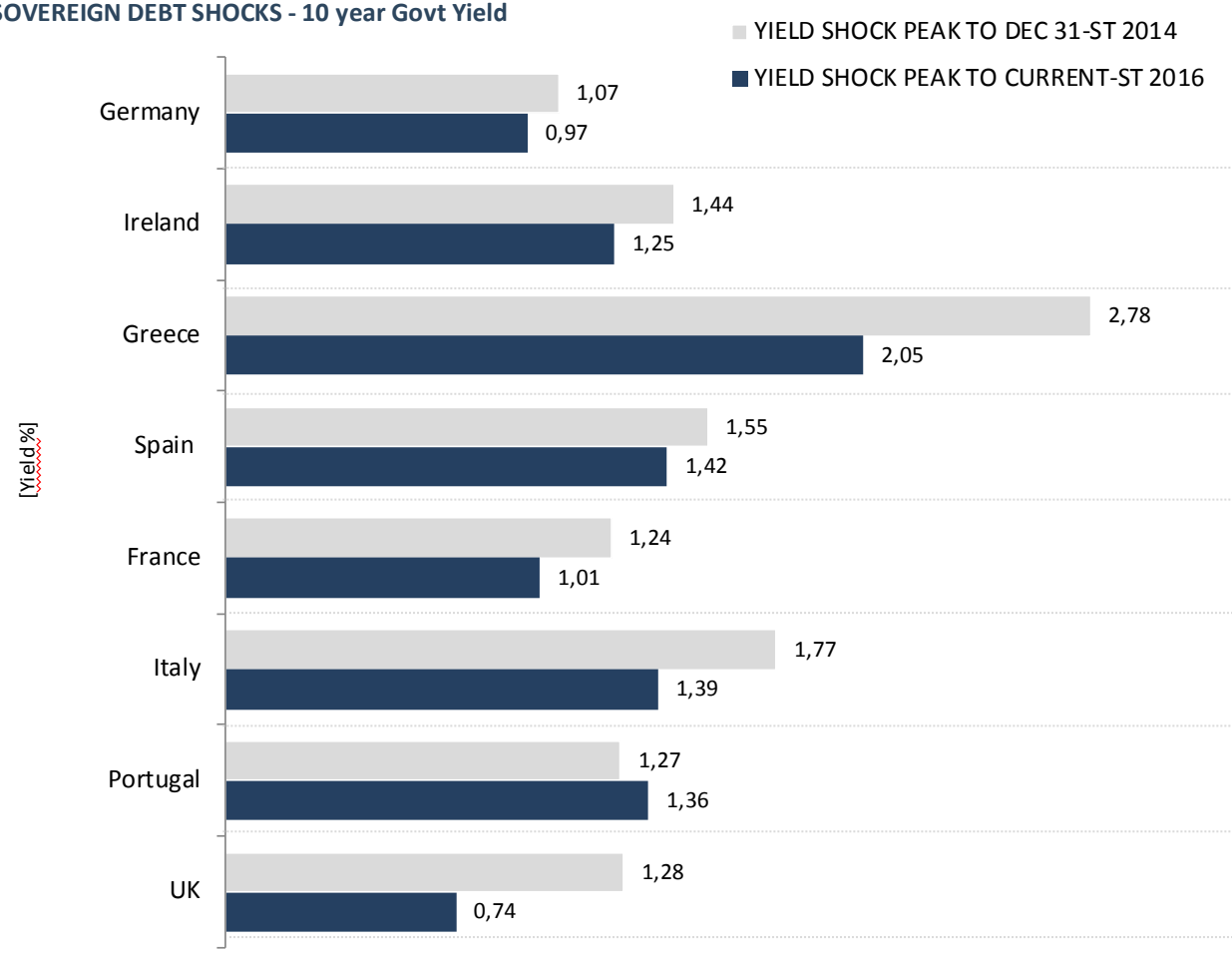
SCENARIO ANALYSIS – TRADING MARKET RISK

Credit spread shocks in 2016 adverse are more severe than in 2014 for European investment grade corporates and financials

SCENARIO ANALYSIS – SOVEREIGN

Proposed sovereign debt shocks and valuation haircuts for the banking book are slightly lower than those used in ST 2014

SOVEREIGN DEBT SHOCKS - 10 year Govt Yield



	ST 2014	ST 2016
	Proposed Haircuts 2014 5-year Haircut	Proposed Haircuts 2016 5-year Haircut
Germany	4.4%	3.6% ▼
Ireland	5.8%	4.7% ▼
Greece	10.5% (10-yr haircut / 2)	11.9% ▲
Spain	6.5%	5.8% ▼
France	6%	4.2% ▼
Italy	7.6%	6.5% ▼
Portugal	6.9%	6.9% =
UK	5.3%	3.3% ▼
	AVG. 6.6%	AVG. 5.8% ▼

DETAILED ANALYSIS OF PROPOSED METHODOLOGIES AND TEMPLATES

KEY METHODOLOGY CHANGES (HIGHLIGHTED IN BOLD)

Minor changes made in methodologies with newly added scope for conduct & operational risks

Risk Area	Scope	Loss Impact	RWA Impact
Credit Risk	Entire banking book with granularity by asset class (central govt. & central banks, institutions, corporates, retail, equity, securitization and other), country (up to 10 countries) and RWA method (STA, F-IRB or A-IRB) **Explicit treatment of FX lending** P&L: **CCR and fair value positions excluded**	• Stressed point-in-time PD and LGD for provisioning leveraging bank internal models that link macro-economic indicators to loss rates including securitisation exposures. • Additional losses on defaulted loans based on worsening LGDs. • **Use of specific provisions for old defaulted assets** • Loss haircuts for sovereign exposures • **Introduction of grade migration**	• Rating migration and stressed regulatory parameters for RWA calculation for both STA, F-IRB and A-IRM methods
Market Risk	All financial assets and liabilities assessed at 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, CCR exposures and positions subject to CVA accounting **Explicit treatment of defined benefit pension fund** and real estate assets	• Simplified approach: based on net trading income volatility (11-15 or 13-15) * 2 • Comprehensive approach: Worst case of full revaluation of exposures using **2 historical scenarios (instead of 4)** plus baseline & adverse for trading and counterparty/CVA risks • **Scaling factor to avoid end-of-year arbitrage** • **Maximum CVA from 3 scenarios plus default of the two largest counterparties from top 10** • **Impairment of AFS/FVO positions under adverse allocated to first year** • **Bank's own NTI projections before the impact of the CA shock for HFT**	• RWA increase for VaR/S-VaR (stressed capital charges for adverse) • IRC and CVA increase due to worsened risk parameters.
NII	Interest bearing assets and liabilities Reporting by currency and country data up to 90% coverage and 15 country/currency couples	• Bank's own methodology to project NII based on re-pricing characteristics of banking book • **Separate projections for reference rate (interest rate risk) and margin (credit and liquidity risk)** • **Application of pass-through of sovereign spreads on margin only** • **New idiosyncratic component for liabilities**	• NA
Conduct & Operational Risks	**P&L impact of losses from conduct and other operational risks**	• **Bank own estimations with several quantitative floors based on historical data experience** • **Specific approach based on qualitative estimates and reporting of conduct events**	• **Banks own projections for AMA**
Non-Interest Income and Expenses	Non-financial tangible assets (real estate and participations) and other	• Bank's own methodology to project fees and expenses **subject to several constraints** • **Possible adjustments of one off costs (divestitures, restructuring and lay-offs)**	• NA

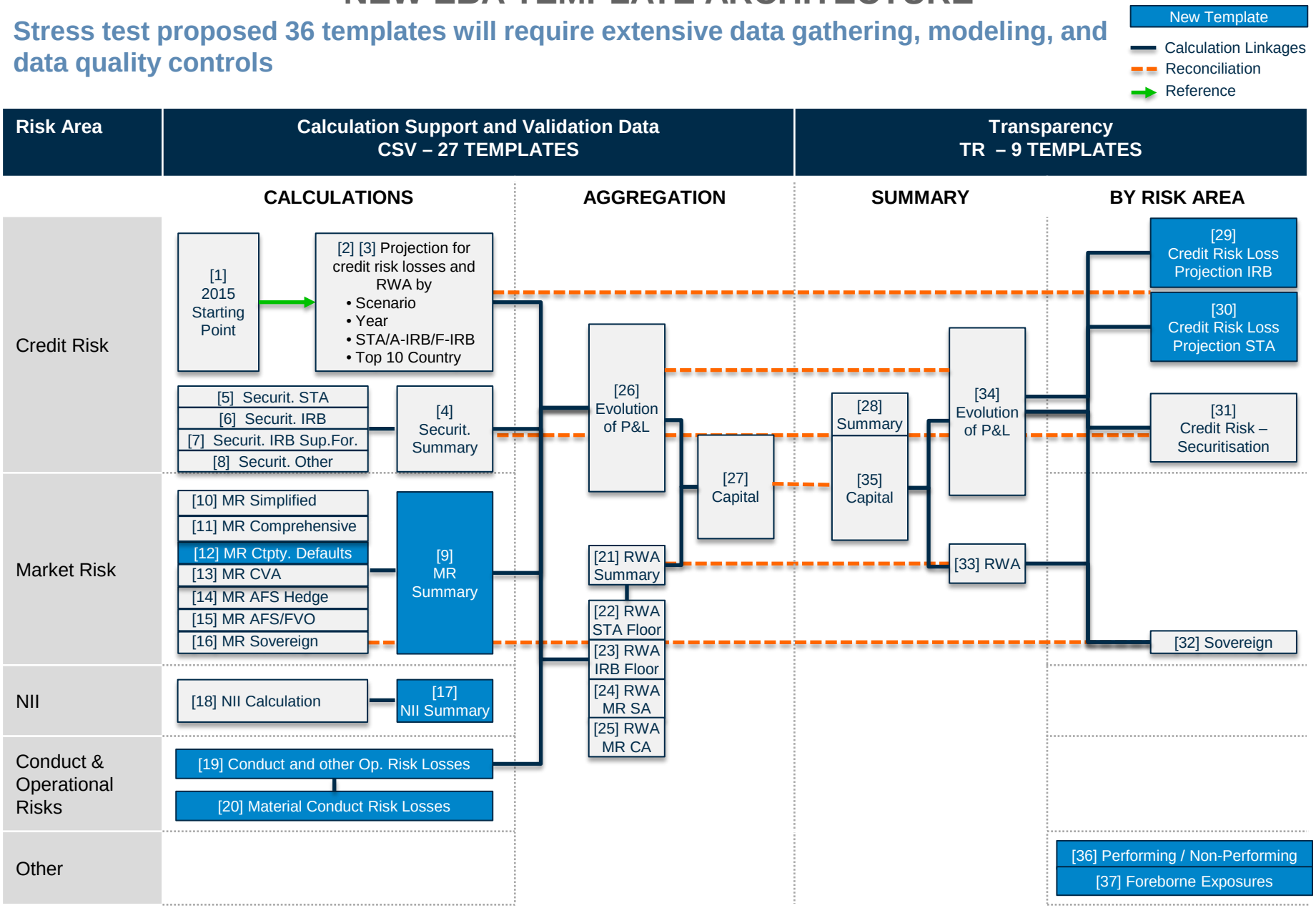
ADDITION OF MORE CONSERVATIVE CONSTRAINTS

Multiple new constraints have been added – primarily in NII, to ensure conservative estimates

Risk Area	List of Constraints
Credit Risk	• No negative impairments permitted • The coverage-ratio for non-defaulted assets cannot decrease • REA floored by 2015 value (separately by regulatory approach and defaulted, non- defaulted exposures) • Prescribed increase for securitisations and REA for securitisations floored separately for aggregate STA and IRB portfolios.
Market Risk	• Prescribed simplified approach (SA) based on historical NTI volatility for HFT • 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) • NTI projections before loss impact capped by 75% of the starting value • Simplified approach serves as floor for the impact of the comprehensive approach • Prescribed haircuts for AFS/FVO sovereign positions • REA for IRC and CVA floored by the increase for IRB REA
NII	• Interest expenses cannot decline under the adverse scenario • Neither the net interest margin nor NII can increase under the baseline or the adverse scenario • No income on defaulted assets under the adverse scenario, except income from discount unwinding (capped by the 2015 value and a constraint depending on the changes in provisions and defaulted exposure) • The margin paid cannot increase less than the highest amount between a proportion of the increase in the sovereign spread and that of an idiosyncratic component • The interest expenses of re-priced liabilities cannot decline under the adverse scenario • The increase of the margin on re-priced assets is capped by a proportion of the increase in sovereign spread
Conduct & Operational Risks	• Losses from new non-materail conduct risk events are subject to a floor, computed in the baseline scenario as the average of the historical conduct risk losses reported by the bank during the 2011-2015 period 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 the historical losses 2011-2015 period – 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 2011-2015 • Capital requirements for operational risk cannot fall below the 2015 value
Non-Interest Income and Expenses	• Dividend, fees and commission: Ratio to total assets constant in the baseline, minimum of this ratio of 2015 historical averages in the adverse • Administrative expenses and other operating expenses cannot fall below the 2015 value – unless an adjustment for one-offs is permitted • Common tax rate of 30% applied • No impact for realised gains or losses, negative goodwill, foreign exchange effects • Other operating income capped at the 2015 value • No additional DTA • For dividends paid: Pay-out ratio based on publically 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 years 2011-2015; in the adverse the same amount of dividends is assumed (0 accepted for loss making banks)

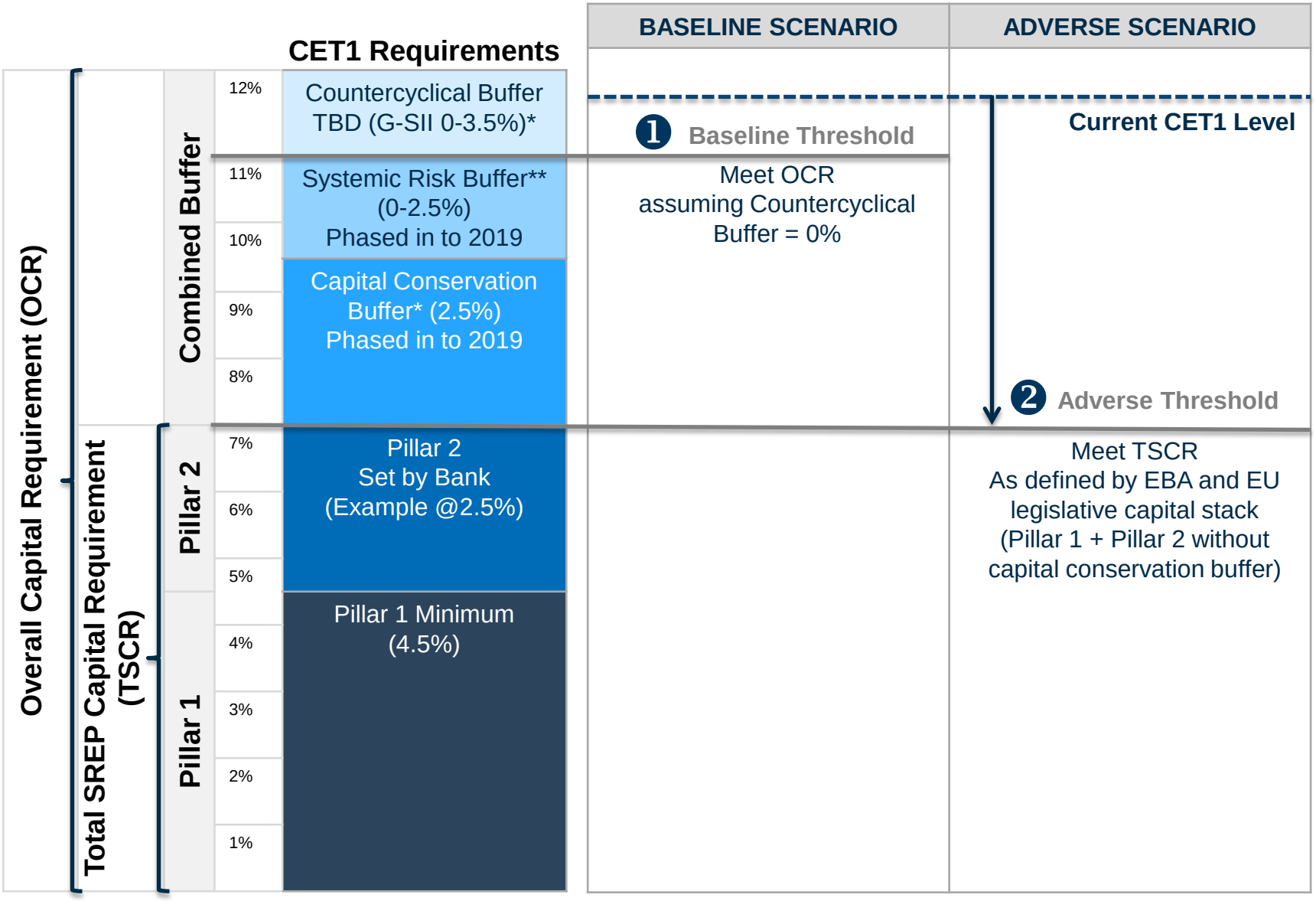
NEW EBA TEMPLATE ARCHITECTURE

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



INTEGRATION WITH SREP

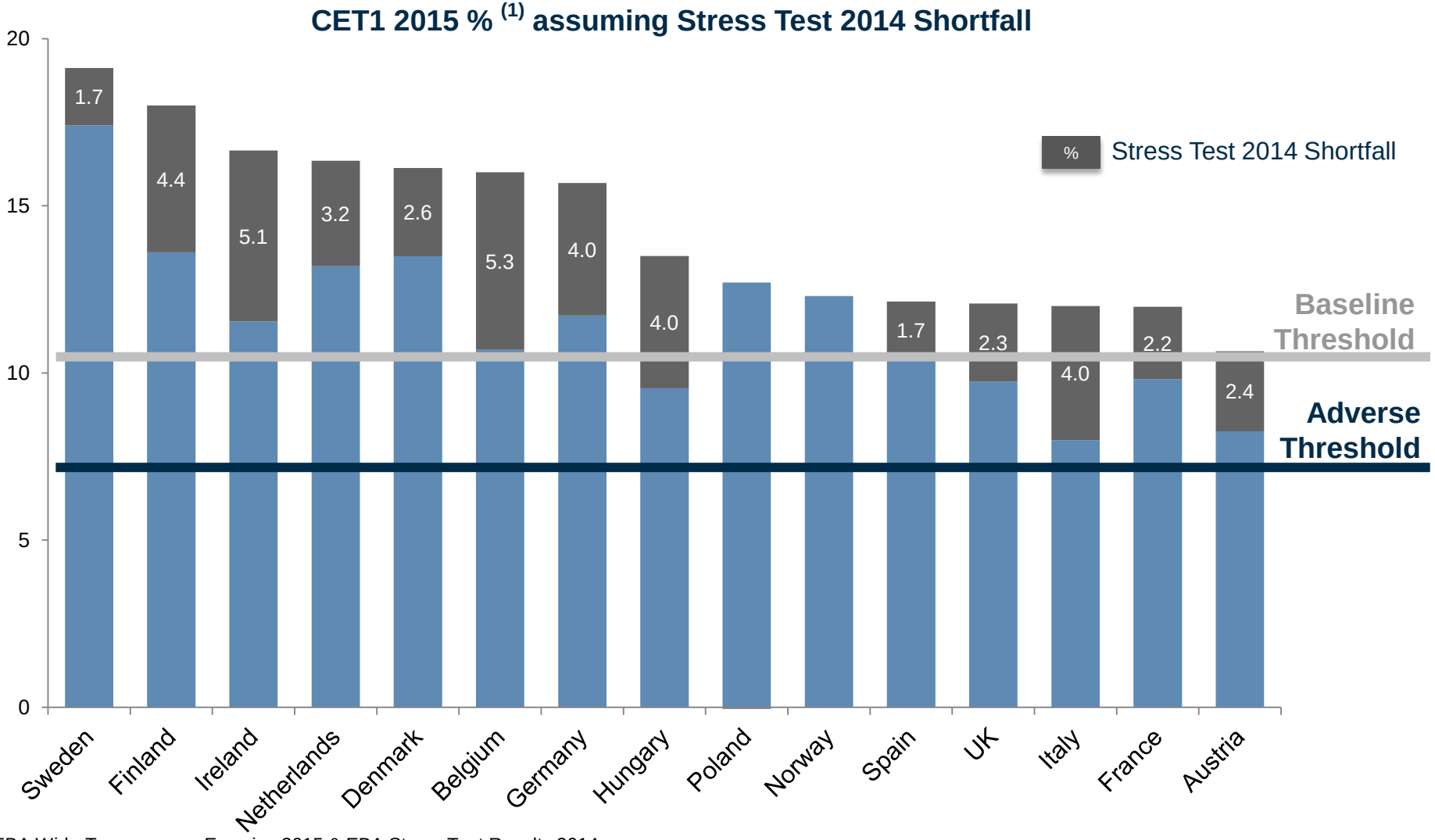
EBA has proposed a methodology to integrate stress test outcomes into SREP capital adequacy.



* Higher or sum of Systemic Risk Buffer, G-SII and O-SII
** 2016 TSCR assumed full account of Capital Conservation Buffer

INTEGRATION WITH SREP

Illustration of SREP stress test thresholds based on current CET1 levels observed at selected 53 banks subject to 2016 stress test, using shortfalls observed in 2014 stress test. Based on current CET1 levels and assuming 2014 scenario severity we do not expect material capital shortfalls.

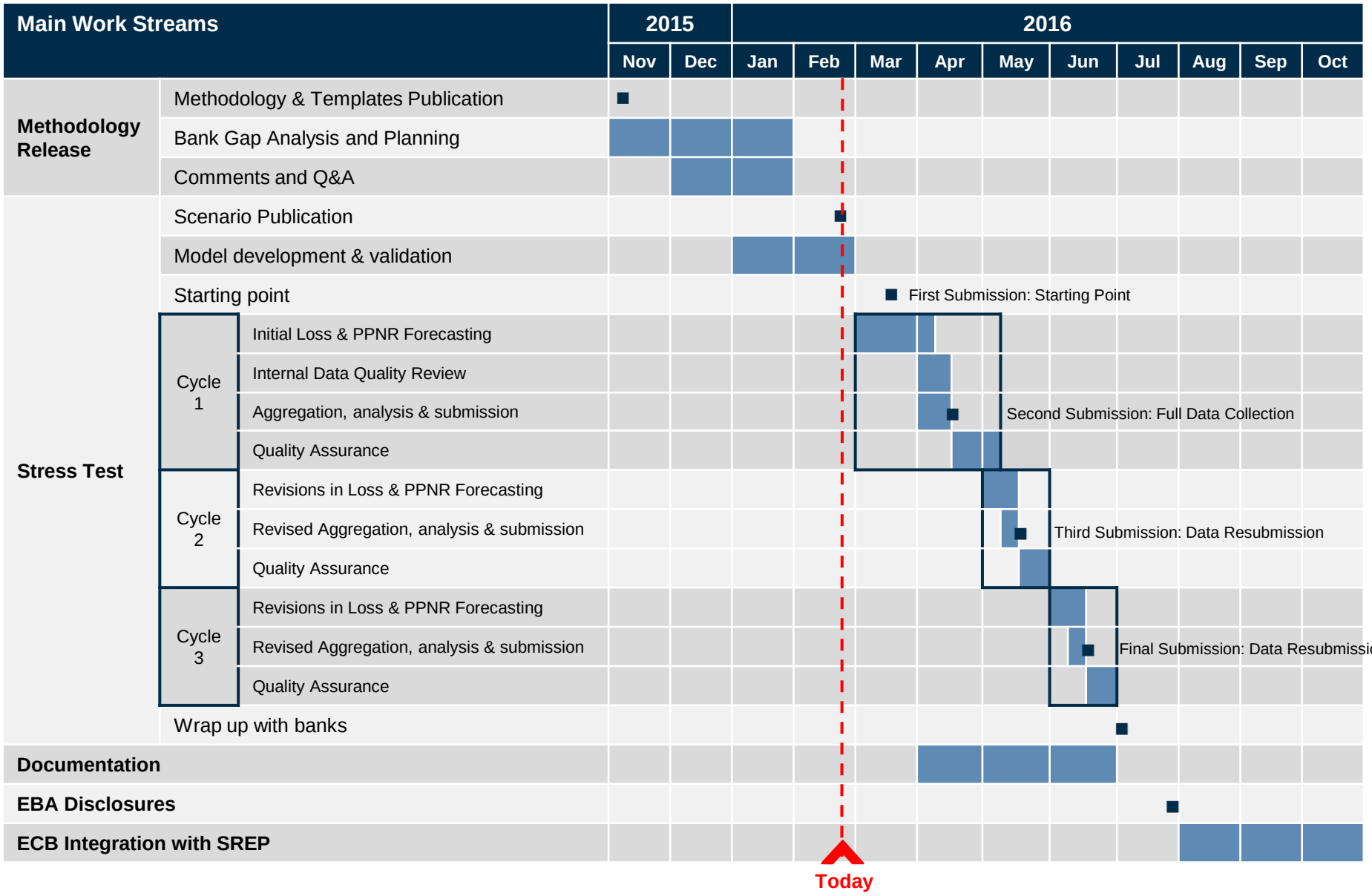


(1) EBA Wide-Transparency Exercise 2015 & EBA Stress Test Results 2014

TIMELINE

EXPECTED TIMELINE

Release of results by the end of July to allow for integration with SREP findings and actions



A&M CAPITAL PLANNING SERVICE OFFERING

Our comprehensive service offering to help meet the broad needs of banks in capital planning and stress testing

A&M SERVICES IN THE AREA OF CAPITAL PLANNING AND STRESS TESTING

Assessment and Planning

- Capabilities Assessment in relation to regulatory expectations and industry practices
  - Governance
  - Capital Planning Processes
  - Supporting Analytics and Methodologies
  - Internal Controls
  - Data and Infrastructure
- Implementation roadmap development and detailed project planning
  - Roadmap Strategy
  - Detailed project planning
  - PMO office set up
  - Ongoing PMO
- Pro-forma impact analysis

Design

- Operating model design
  - Organizational Structure
  - Committee structure
  - Staffing and skill set analysis
  - Central vs. decentralized units
  - Risk and capital framework
- Capital adequacy methodology design
  - Capital measures
  - Targets, guidelines and limits
  - Capital buffers
- Capital policies and procedures development
- Board / management awareness training
- Risk and capital reporting structure and dashboard design

Implementation

- Material risk identification and assessment
- Scenario design methodology and execution
- Business activity, balance sheet and PPNR forecasting
- Loss forecasting
  - Credit
  - Trading
  - Operational
  - Investments
  - Conduct regulatory
- Capital aggregation toolset and analytics (e.g., sensitivity analysis, benchmarking, etc.,)
- Integration with capital contingency and recovery plans
- Data sourcing, reporting template and disclosure production

Control and Sustainability

- Stress test and capital model validation and results challenge
- Documentation support
  - Capital Plan
  - Playbook
  - Models and analytics
- Support to Internal audit review of capital planning process
- Process streamlining and workflow management
- Stress testing / capital data management program
- Assistance in related MIS and analytical tools selection and implementation
- Alignment with performance measures

CONTACT US

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Alvarez & Marsal

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change. Privately-held since 1983, A&M is a leading global professional services firm that delivers business performance improvement, turnaround management and advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who leverage the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage