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Results of the 2011 stress test for Spanish commercial and savings banks

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The European Banking Authority (EBA) has published the European Union-wide stress test for a sample of 90 credit institutions from 21 countries. All the information published by the EBA can be viewed on the following website:
www.eba.europa.eu/EU-wide-stress-testing.aspx

The Banco de España has published the test figures for practically all Spanish credit institutions: the Spanish sample covers 93% of the system, compared with the EBA requirement of at least 50% coverage. Further, the Banco de España, as it did last year, has published additional information as part of its commitment to transparency. Available on the Banco de España website is the document "2011 stress test: individual results", which draws together the results for each of the 25 Spanish banking institutions using the common template for the European exercise, along with additional information on Spanish institutions that the Banco de España has decided to make public:
www.bde.es/webbde/es/secciones/prensa/info_interes/pruebas_resistencia.html.

The aim of this note is to analyse the results of the stress test for Spanish banking institutions on the basis of the figures published by the Banco de España.

1 Characteristics and broad framework of the EBA stress test

The broad objective of the stress test is to assess the resilience of the European banking system as a whole, and the capacity of individual banks to absorb potential shocks related to their credit and market risks, including sovereign debt risk. It comprises several elements: the macroeconomic scenarios, the hypothetical impairment under these scenarios and the banks' funds for absorbing it, the benchmark capital ratio that the banks should maintain under the most adverse scenario and, where appropriate, additional capital needs and the recapitalisation measures it might be necessary to adopt.

Although liquidity risk does not come within its scope, significant stressed assumptions have been incorporated into the developments in banks' income statements by means of the pass-through of a significant increase in the sovereign spread to their funding costs and the merely partial pass-through of the increase in these costs to financial revenue.

The test scenarios and methodology have been developed by the EBA, in coordination with the national supervisory authorities, the European Commission and the European Central Bank.

For the exercise, the EBA set a minimum capital level of 5% core tier 1 capital (CT1). This new ratio, used exclusively for the purposes of this test, stands above current EU requirements.

Core tier 1 capital comprises exclusively top-quality instruments included in the current definition of tier 1 (capital and reserves), and certain regulatory adjustments that are normally made to tier 1 capital are made. The inclusion of any type of hybrid instruments (except State aid) is not permitted. The ratio is more demanding than the 6% of tier 1 capital required in the 2010 European exercise.

For the sake of simplicity and consistency, the stress test is conducted under the strict assumption of a static balance sheet throughout the period considered (2011-2012), meaning that the starting data for the exercise, and those on which all calculations are made, are those of the closing balance sheet as of 31 December 2010. Accordingly, the assets and liabilities that mature during the period considered in the exercise are replaced by others with the same characteristics and maturities.

As an exception, restructuring plans that have been agreed with the European Commission, publicly announced by 30 April 2011 and taking place within the 2011-2012 horizon of the exercise may be separately included, as may capital issues carried out before 30 April 2011, provided they were paid-in or met the same requirements made of State aid, i.e. that they are legally binding and have been publicly announced.

Two macroeconomic scenarios – one baseline, the other adverse – are considered. The adverse scenario determines potential additional capital needs.

The stressed baseline scenario, although based on the macroeconomic framework provided by the European Commission in autumn 2010, incorporates significant stressed assumptions in the parameters used to calculate impairment and the funds available to absorb it; consequently, the results cannot be viewed as a plausible estimate of how the banking system may fare in the period considered.

The adverse macroeconomic scenario this year is more severe than that used last year in terms of probability of occurrence. According to the European Central Bank, the probability of the decline-in-GDP assumption considered for 2011 occurring is below 1%, compared with 7% last year.

The results of the test have been subject to an intense and rigorous quality control process, by both the Banco de España and the EBA. That has made for uniform criteria which ensure not only the reliability of the data, but also their consistency and homogeneity.

The use of uniform criteria across countries, which are therefore not always adjusted to national circumstances, provides for an overall understanding of the results at the European level. However, these criteria should be borne in mind when assessing the results country by country and bank by bank.

2 Essential characteristics of the stress test in their application to Spain

While the commitment at the European level is still that the banks participating in each country should account for at least 50% of their banking system in terms of total assets, in Spain's case, and as in 2010, the exercise covers all savings banks and listed commercial banks. The criterion is thus maintained whereby the information published for each institution includes the breakdown of gross hypothetical impairment, by portfolio, with mortgage risk and real estate developer risk (including foreclosed assets) presented separately.

Given the special circumstances of the Spanish economic and financial situation, the macroeconomic scenarios envisaged in the exercise are more severe for Spain than for other countries and for the EU on average.

The adverse scenario envisages declines in Spanish GDP of 1% for 2011 and 1.1% for 2012, assumptions that are far removed from any forecast made for the Spanish economy. The scenario for Spain has a probability of occurrence of below 0.5% in both years, while the European scenario has a probability of occurrence of close to 1% in 2011 and around 4% in 2012.

Were the total effect of the economic crisis on the level of GDP taken into account, accumulating the changes from 2009 to 2012, a decline of over 6 pp would be seen in the adverse scenario in Spain, compared to a fall of only 1.6 pp in Germany or of 0.3 pp in France.

Real estate prices are another of the components of this macroeconomic scenario. The exercise envisages respective declines in land and in housing prices in Spain in the 2011-2012 period of 46.7% and 21.9%. These percentages are far higher than both the assumptions as to the average decline in the EU as a whole and those applied to most of the countries. In the EU as a whole, these reductions are 27.8% and 13.5%, respectively. These assumptions would mean that from the peak observed in the period to 2012, housing prices in Spain would fall by 30% in nominal terms and land by 60%.

Turning to financial variables, the fall in Spanish stock market indices stands at 20.7% compared with 14.3% in the EU, and long-term rates for Spain have increased by 165 bp, compared with 66 bp on average in the European Union. That means that the stress test has been conducted assuming a scenario in which long-term rates in Spain would stand at around 6.5%.

One of the criticisms of the 2010 exercise was the scant attention paid to the cost of funding as a result of tensions on public debt markets. For this reason, the increase in sovereign spreads is an essential element of the 2011 stress test. In this year's exercise, the increase in the sovereign spread has been passed through to banks' funding costs, meaning wholesale funding for Spanish banks is an additional 130 bp dearer than market spreads. The cost of other bank financing has increased owing to the more inverted yield curve envisaged in the exercise. These higher costs have been passed through only partially to asset-side transactions.

This exercise is particularly strict in applying homogeneous criteria across countries, criteria not always adjusted to reflect the specific circumstances of each country. Spanish institutions have a number of loss-absorbing mechanisms which, for the reasons mentioned above, have not been included from the outset, but which are recognised as a second line of defence for determining any capital needs resulting from the exercise.

The first of these loss-absorbing mechanisms is the general provisions which Spanish banks have been required to set aside since 2000 under a pioneering initiative by the Banco de España.

The second is mandatory convertible bonds. The EBA's definition of core tier 1 does not include them except where they have to be converted into equity by 31 December 2012 and the conversion decision was taken before 30 April 2011. They are, in any event, paid-in issues that meet the conditions required by the supervisor to ensure their maximum loss-absorbing capacity and so as to qualify as capital under RDL 2/2011.

Finally, particularly noteworthy are the events subsequent to 31 December 2010. The assumption of a static balance sheet means that, save the exceptions already mentioned, the size and the balance sheet items of institutions cannot be changed. However, although the stress testing exercise is theoretical, it does have to address all salient events known to have occurred as of a specific date (for operating reasons this date has been set at 30 April 2011). Some Spanish institutions had carried out significant transactions of this type as of that date, basically sales of equity assets.

Changes in methodology and in how results are presented make it extremely difficult to compare the outcome of this exercise with that of the exercise conducted last summer.

3 Content of the information published by the Banco de España

The Banco de España publishes clearly and concisely exclusively those headings and sections of the disclosure templates published by the EBA that affect Spanish institutions. This information is structured as follows:

Section A of the accompanying table (**Cumulative gross impairment 2011-2012**) shows, by portfolio, the cumulative total gross impairment in each stressed scenario. This amount is obtained by multiplying the percentage loss of each portfolio under stress by the amount of that portfolio. In turn, this percentage loss is the result of multiplying the probability of default (PD) by the respective loss given default (LGD) for each scenario. The data used for this purpose are the parameters observed in 2010 and, for 2011 and 2012, the increases resulting from application of the EBA methodology are applied.

Presented separately is the impairment of the "Trading book and other equity", which includes the impact of impairment on all trading book assets (including public debt, if any) and on the equity securities in the available-for-sale and long-term investments portfolios. The impairment associated with sovereign risk exposures not forming part of the trading book is entered on a specific line within loans ("Sovereigns and financial institutions").

Section B of the accompanying table sets out the **available resources cumulative 2011-2012**, also calculated under a stressed scenario, which can be used for absorbing that gross impairment. These resources are the specific provisions in place as of December 2010 and the net operating income estimated under the stress assumptions for the period 2011-2012. Also taken into account is the tax effect which would arise in future years from recording for accounting purposes in 2011 and 2012 the results derived from the stress test.

On EBA instructions, unlike in the last summer's exercise, the unrealised gains on listed assets available for sale in the period of the exercise are not included here this year.

The difference between the hypothetical gross impairment and the resources available for absorbing it is the uncovered impairment or, where appropriate, the surplus net of taxes (B4. Net Impairment / Surplus).

Section C sets out the **impact on core tier 1** (as defined by the **EBA**) of the hypothetical impairment resulting from these two scenarios. This section is a summary of sections A, B, C and part of D of the template "Aggregate Information" published by the EBA.

The final result of this stress test is the outcome of a process involving various initial assumptions and different national specifics. The breakdown in section C is basically intended to make it easier to understand all these items. For this reason, the information is presented before and after the impact of each of them.

Starting from the level and the ratio of core tier 1 as of December 2010 (C1), the amount of "Impairment / net surplus" (C2) is deducted, and the effects of "Dividends and others" (C3) are added or substracted accordingly. This gives a first stressed core tier 1 ratio as of December 2012 (C4) which does not take into account any of the measures taken by institutions in the first four months of the year to strengthen their solvency.[1] The item "Dividends and others" includes:

a. Dividends: Estimate of the dividends to be distributed in the period 2011-2012, based on the median of the dividends paid in the past three years.

b. Others: Includes basically, for institutions using IRB approaches, the change in the provisioning shortfall to the expected loss, and, for all institutions, the estimated changes in adjustments to core tier 1 arising from intangible assets and in holdings in financial institutions, and the amount of convertible bonds which, under the conditions applied in this exercise, would be included in core tier 1 funds by end-2012.

If, to that first stressed core tier 1 ratio as of December 2012, is added the sum of the amounts committed under RDL 2/2011 or the capital increases (C5), the resulting figure is a second stressed core tier 1 ratio as of December 2012 (C6).[2] These capital increases include issues of capital and of bonds convertible into capital in 2011-2012 already launched in the first four months of 2011.[3]

This second core tier 1 ratio as of December 2012 (C6) is the benchmark used by the EBA to determine whether the 5% threshold set for the exercise is reached, or whether there is a need for

[1] This is the core tier 1 capital ratio as of December 2012 of Section A of the template "Aggregate information" of the EBA.

[2] This is Section C of those published by the EBA.

[3] Provided that the conversion decision was made before 30 April 2011.

additional capital (C7). Following is a description of the loss-absorbing elements available for Spanish institutions to reduce the hypothetical capital needs resulting from the exercise.

Section C contains the balance of general provisions (C8) which this year, unlike last year, are not included in Section B on available resources. The importance of this instrument from a prudential standpoint means it must be presented separately.

C9 sets out stressed core tier 1 as of December 2012 including the amounts committed under RDL 2/2011, capital increases and general provisions. The difference from the 5% threshold of the exercise is the additional capital discussed below (C10).

Section D of the information sets out the institutions' final situation taking into account **Other loss-absorbing elements**.

These can be divided into two broad classes:

a. The first consists of measures and funds (other than general provisions) which Spanish institutions already have but which, for the sake of the desired homogeneity, have not been included among the funds available or in core tier 1. These are:

    - Disinvestments and other business decisions up to 30 April 2011 (D1). In Spain, the transactions included in this section are basically sales of equity securities.

    - Other bonds subject to mandatory conversion (D2). These are issues of debt mandatorily convertible into ordinary shares which were included in the definition of capital in RDL 2/2011, but which do not form part of the definition of core tier 1 in this exercise.

    - Others (D3). Basically unrealised gains, net of taxes, in the portfolio of listed equities available for sale in the period 2011-2012.

    Once all of these have been applied, the figure obtained is **core tier 1 plus *other loss-absorbing*** elements (D4). This is the ratio which would trigger any additional capitalisation measures at Spanish institutions.

b. The second (D5) consists of any applicable additional support measures which, in the framework of the Ecofin commitment, may be necessary to apply so that, under the adverse scenario, all Spanish institutions met the minimum final core tier 1 ratio of 5% set in the exercise.

4 Results of the stress test on Spanish credit institutions under the adverse stressed scenario

Annex I "2011 stress test, Aggregate Tables" sets out the results for the total participating institutions, total savings banks, total internationally active banks and medium-sized commercial banks. However, it should be noted that these aggregate data arise from very different situations across institutions, as can be appreciated in the document setting out the individual results of each credit institution.

4.1 Gross impairment cumulative 2011-2012 (Section A)

In the adverse macroeconomic scenario the hypothetical cumulative gross impairment for the period 2011-2012 amounts to €168,811 million, or 5.4% of assets (6.5% for savings banks). The property development and foreclosed assets portfolio has the most significant weight, accounting for 39% of the total, with impairment of €65,900 million. In the case of savings banks, the impairment on this portfolio represents 55% of total losses (20.7% of the portfolio).

4.2 Available resources cumulative 2011-2012 (Section B)

Institutions have a sizeable volume of available funds: specific provisions of €65,459 million, which would allow them to absorb 39% of the impairment (42% in the case of savings banks) and revenue generating capacity, in the two years considered, which would absorb another 47%. The net operating income of all Spanish institutions falls on average by 19% in the period considered, with respect to 2010, although there are significant differences between institutions. The reduction for savings banks is 49% (which comes on top of the 40% decline already recorded in 2010) and for international banks 10%. These differences are reflected in the capacity of margins to absorb losses (13% for savings banks, 90% for internationally active banks). The fall in net operating income is explained by the stress applied in this exercise to the projections of net interest income (which envisage a fall of 36% for savings banks on top of the 24% decline already recorded in 2010).

After taking into account the taxation effect, internationally active banks would post a surplus of available funds over impairment losses of €14,339 million, or 21% of the total, while savings banks and other banks would post net deficits of €23,701 million and €4,237 million, respectively, which represent 30% and 21% of the gross impairment, with notable differences between institutions. The result for the system as a whole is a net impairment of €13,599 million, which is equivalent to 0.4% of assets and 8% of the gross impairment.

4.3 Impact on Core Tier 1 EBA (Section C)

In December 2010 the core tier 1 capital of all Spanish institutions (C1) amounted to €139,863 million, implying a ratio of 7.4% (7.4% for internationally active banks, 7.3% for savings banks and 7.5% for medium-sized commercial banks).

Having calculated the impairment or net surplus and the effects of “Dividends and other”, a first stressed core tier 1 ratio is obtained as of December 2012 (C4). The amount for the system as a whole is €130,063 million, implying a ratio of 6.5% (8.6% for internationally active banks, 4.2% for savings banks and 5.8% for medium-sized commercial banks).

After aggregating the €14,471 million of capital of RDL 2/2011 or the capital increases (C5), the core tier 1 capital of the system as a whole (C6) totals €144,534 million (a ratio of 7.3%; 8.6% for internationally active banks, 5.9% for savings banks and 6.1% for medium-sized commercial banks). These data confirm the effectiveness of the measures to strengthen the solvency of Spanish banks contained in RDL 2/2011.

These €14,471 million include: the €547 million of capital increases already made by commercial banks; €750 million of mandatory convertible bond issued; and €13,174 million committed in accordance with RDL 2/2011 in saving banks, whether through private capital or the FROB, which correspond to:

a. The total requirements of the four savings banks whose recapitalisation strategy to comply with the initial requirements of RDL 2/2011 is to resort to the FROB: €7,708 million.

b. Part of the requirements of those savings banks that have opted for a strategy of increasing their capital by raising private capital or through integration processes, which as a secondary measure can rely on the support of the FROB: €5,466 million.[4]

After taking into account the funds that institutions have available to cover possible impairment, the amounts that they have undertaken to raise in accordance with RDL 2/2011 and the capital increases, no Spanish institution would stand below the minimum threshold of 5% under the baseline macroeconomic scenario.

Under the adverse macroeconomic scenario, in principle five Spanish institutions or groups would not comply with this first minimum threshold of 5% capital set by the EBA. These institutions,

[4] For some of these savings banks, raising private funds would reduce their initial requirements from the initial level of 10% to 8%.

according to the EBA methodology, require additional capital of €1,563 million to reach the core tier 1 (C7) threshold of 5% (€1,247 million for four savings banks and €317 million for one medium-sized commercial bank).

However, if, in accordance with the methodological convention of the EBA, the general provisions in place in December 2010 (C8) are taken into account, only one Spanish institution (a medium-sized Spanish commercial bank) would initially be below the benchmark threshold. If, in addition, as noted in the following section, the mandatory convertible bonds (D2) were taken into account, no Spanish institution would finally be below the aforementioned core tier 1 capital ratio of 5%, which would trigger the need for additional backstop measures.

The general provisions amount to €17,573 million, which represents 10% of the gross impairment in section A. The average impact of the general provisions increases the core tier 1 ratio (C9) by 0.9 percentage points, from 7.3% to 8.1%, although with notable differences across institutions. The ratio would stand at 9.1% for internationally active banks, 7.4% for savings banks and at 6.7% for medium-sized commercial banks, and only the aforementioned Spanish institution would be below the threshold, by an amount of €143 million (C10).

4.4 Other loss-absorbing elements (Section D)

The total amount of disinvestments (D1), convertible bonds (D2) and other (D3) is €9,164 million, which implies an increase of 0.5 pp in the final ratio for all institutions, although there are large differences between institutions (the effect on the final ratio for the six institutions that have issued convertible bonds ranges from 0.5% to 1.4%).

The final capital of all institutions under the adverse scenario (D4) would amount to €171,270 million, which represents a final ratio of 8.6%. No Spanish institution is below the minimum level of 5%. The final ratio is 9.3% for international banks, 7.8% for savings banks and 8.2% for medium-sized commercial banks.

5 The individual results of the stress test

According to the results of this exercise no Spanish institution needs additional support since, as of today, the Spanish system has sufficient instruments with the capacity to absorb losses, even under highly pessimistic scenarios for future developments in the Spanish economy.

In accordance with the EBA criteria, in the most adverse macroeconomic scenario the great majority of Spanish institutions and groups analysed – 20 institutions representing 90% of the total assets of the institutions subject to this exercise – comply with the first minimum capital threshold set by the EBA (5% core tier 1) and the other five institutions have sufficient additional elements to absorb losses.

Annex I. 2011 stress test. Aggregate tables

Stress Tests 2011-2012

TOTAL SYSTEM

		Benchmark scenario		Adverse scenario	
		€ million	% assets	€ million	% assets
SECTION A Gross impairment cumulative 2011-2012	**A1. Credit assets**[1]	-118,071	-3.8%	-159,176	-5.1%
	Sovereigns and financial institutions	-685	-0.1%	-1,313	-0.2%
	Corporates	-18,947	-2.8%	-26,864	-4.0%
	Property developers and foreclosures	-46,705	-14.4%	-65,900	-20.3%
	SMEs	-17,873	-6.3%	-23,312	-8.2%
	Mortgages	-9,047	-1.0%	-13,405	-1.5%
	Other retail	-24,814	-11.2%	-28,381	-12.8%
	A2. Trading book and other equity	-3,880	-0.1%	-9,635	-0.3%
	A3. GROSS IMPAIRMENT (A1+A2)	**-121,952**	**-3.9%**	**-168,811**	**-5.4%**

1 Includes loans and receivables, non-trading book fixed income and securitisations.

		Benchmark scenario		Adverse scenario	
SECTION B Available resources cumulative 2011-2012	**B1. SPECIFIC PROVISIONS**	65,459	2.1%	65,459	2.1%
	B2. NET OPERATING INCOME AND OTHER INCOME AND EXPENSES	85,171	2.7%	79,056	2.5%
	B3. TAX IMPACT	-4,640	-0.1%	10,697	0.3%
	B4. NET IMPAIRMENT/SURPLUS (A3+B1+B2+B3)	24,038	0.8%	-13,599	-0.4%

		Benchmark scenario		Adverse scenario	
SECTION C Impact on Core Tier1 EBA	**INITIAL SITUATION 2010**	**€ million**	**% RWA 2010**	**€ million**	**% RWA 2010**
	C1. Core Tier1 Dec 2010	139,863	7.4%	139,863	7.4%
	FINAL SITUATION 2012	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	C2. Net impairment/surplus (B4)	24,038	1.2%	-13,599	-0.7%
	C3. Dividends and others	-1,160	-0.1%	3,798	0.2%
	C4. Core Tier1 Dec 2012 before RDL 2/2011 and before capital increases[2]**(C1+C2+C3)**	162,740	8.4%	130,063	6.5%
	C5. RDL 2/2011 or capital increases	14,471	0.7%	14,471	0.7%
	C6. Core Tier1 Dec 2012 (C4+C5)	177,211	9.1%	144,534	7.3%
	C7. Additional capital to reach Core Tier1 5%	0	0.0%	1,563	0.1%
	TAKING INTO ACCOUNT GENERAL PROVISIONS				
	C8. General provisions[3]	17,626	0.9%	17,573	0.9%
	C9. Core Tier1 Dec 2012 plus general provisions (C6+C8)	194,837	10.0%	162,107	8.1%
	C10. Additional capital to reach Core Tier1 5%, after including general provisions	0	0.0%	143	0.0%

2. Includes capital issuances and obligations converted during the stress test exercise in relation to which decisions were taken between 01.01.2011 and 30.04.2011.

3. For IRB institutions, the amount reported corresponds to the part of the general provision not used to cover the expected loss of loans and receivables. For all institutions, the amount of provisions is net of tax.

		Benchmark scenario		Adverse scenario	
SECTION D Other loss-absorbing elements	**FINAL SITUATION 2012 AFTER INCLUDING OTHER LOSS-ABSORBING ELEMENTS**	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	D1. Disinvestments and other business decisions up to 30.04.2011	2,481	0.1%	2,483	0.1%
	D2. Other bonds subject to mandatory conversion	5,417	0.3%	5,417	0.3%
	D3. Others	2,117	0.1%	1,264	0.1%
	D4. Core Tier1 Dec 2012 plus other loss-absorbing elements (C9+D1+D2+D3)	204,852	10.5%	171,270	8.6%
	D5. Add. capital to reach Core Tier1 5%, after including other loss-absorbing elements	0	0.0%	0	0.0%

Stress Tests 2011-2012

TOTAL SAVINGS BANKS

		Benchmark scenario		Adverse scenario	
		€ million	% assets	€ million	% assets
SECTION A Gross impairment cumulative 2011-2012	**A1. Credit assets**[1]	-55,578	-4.6%	-75,642	-6.2%
	Sovereigns and financial institutions	-431	-0.2%	-575	-0.2%
	Corporates	-7,344	-4.2%	-9,786	-5.6%
	Property developers and foreclosures	-31,389	-15.0%	-43,441	-20.7%
	SMEs	-8,119	-5.8%	-10,634	-7.6%
	Mortgages	-4,451	-1.1%	-6,498	-1.6%
	Other retail	-3,844	-7.0%	-4,708	-8.6%
	A2. Trading book and other equity	-1,480	-0.1%	-3,953	-0.3%
	A3. GROSS IMPAIRMENT (A1+A2)	**-57,058**	**-4.7%**	**-79,594**	**-6.5%**

1 Includes loans and receivables, non-trading book fixed income and securitisations.

SECTION B Available resources cumulative 2011-2012	**B1. SPECIFIC PROVISIONS**	33,651	2.8%	33,651	2.8%
	B2. NET OPERATING INCOME AND OTHER INCOME AND EXPENSES	14,350	1.2%	10,456	0.9%
	B3. TAX IMPACT	3,918	0.3%	11,787	1.0%
	B4. NET IMPAIRMENT/SURPLUS (A3+B1+B2+B3)	-5,139	-0.4%	-23,701	-1.9%

		Benchmark scenario		Adverse scenario	
SECTION C Impact on Core Tier1 EBA	**INITIAL SITUATION 2010**	**€ million**	**% RWA 2010**	**€ million**	**% RWA 2010**
	C1. Core Tier1 Dec 2010	57,288	7.3%	57,288	7.3%
	FINAL SITUATION 2012	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	C2. Net impairment/surplus (B4)	-5,139	-0.6%	-23,701	-2.9%
	C3. Dividends and others	-378	0.0%	139	0.0%
	C4. Core Tier1 Dec 2012 before RDL 2/2011 and before capital increases[2](C1+C2+C3)	51,771	6.5%	33,727	4.2%
	C5. RDL 2/2011 or capital increases	13,924	1.8%	13,924	1.7%
	C6. Core Tier1 Dec 2012 (C4+C5)	65,695	8.3%	47,651	5.9%
	C7. Additional capital to reach Core Tier1 5%	0	0.0%	1,247	0.2%
	TAKING INTO ACCOUNT GENERAL PROVISIONS				
	C8. General provisions[3]	11,492	1.5%	11,659	1.4%
	C9. Core Tier1 Dec 2012 plus general provisions (C6+C8)	77,187	9.7%	59,309	7.4%
	C10. Additional capital to reach Core Tier1 5%, after including general provisions	0	0.0%	0	0.0%

2. Includes capital issuances and obligations converted during the stress test exercise in relation to which decisions were taken between 01.01.2011 and 30.04.2011.

3. For IRB institutions, the amount reported corresponds to the part of the general provision not used to cover the expected loss of loans and receivables. For all institutions, the amount of provisions is net of tax.

		Benchmark scenario		Adverse scenario	
SECTION D Other loss-absorbing elements	**FINAL SITUATION 2012 AFTER INCLUDING OTHER LOSS-ABSORBING ELEMENTS**	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	D1. Disinvestments and other business decisions up to 30.04.2011	2,047	0.2%	2,049	0.2%
	D2. Other bonds subject to mandatory conversion	750	0.1%	750	0.1%
	D3. Others	1,501	0.2%	1,068	0.1%
	D4. Core Tier1 Dec 2012 plus other loss-absorbing elements (C9+D1+D2+D3)	81,485	10.3%	63,176	7.8%
	D5. Add. capital to reach Core Tier1 5%, after including other loss-absorbing elements	0	0.0%	0	0.0%

Stress Tests 2011-2012

TOTAL OTHER LISTED BANKS

		Benchmark scenario		Adverse scenario	
		€ million	% assets	€ million	% assets
SECTION A Gross impairment cumulative 2011-2012	**A1. Credit assets[1]**	-13,395	-4.1%	-18,977	-5.9%
	Sovereigns and financial institutions	-197	-0.3%	-339	-0.6%
	Corporates	-2,078	-2.7%	-3,147	-4.1%
	Property developers and foreclosures	-6,553	-12.8%	-9,690	-18.9%
	SMEs	-3,123	-5.1%	-4,019	-6.6%
	Mortgages	-820	-1.2%	-1,105	-1.6%
	Other retail	-623	-8.9%	-675	-9.6%
	A2. Trading book and other equity	-663	-0.2%	-1,176	-0.4%
	A3. GROSS IMPAIRMENT (A1+A2)	**-14,058**	**-4.4%**	**-20,153**	**-6.2%**

1 Includes loans and receivables, non-trading book fixed income and securitisations.

		Benchmark scenario		Adverse scenario	
SECTION B Available resources cumulative 2011-2012	**B1. SPECIFIC PROVISIONS**	7,554	2.3%	7,554	2.3%
	B2. NET OPERATING INCOME AND OTHER INCOME AND EXPENSES	7,884	2.4%	6,570	2.0%
	B3. TAX IMPACT	-402	-0.1%	1,792	0.6%
	B4. NET IMPAIRMENT/SURPLUS (A3+B1+B2+B3)	978	0.3%	-4,237	-1.3%

		Benchmark scenario		Adverse scenario	
SECTION C Impact on Core Tier1 EBA	**INITIAL SITUATION 2010**	€ million	% RWA 2010	€ million	% RWA 2010
	C1. Core Tier1 Dec 2010	15,638	7.5%	15,638	7.5%
	FINAL SITUATION 2012	€ million	% RWA 2012	€ million	% RWA 2012
	C2. Net impairment/surplus (B4)	978	0.5%	-4,237	-2.0%
	C3. Dividends and others	232	0.1%	920	0.4%
	C4. Core Tier1 Dec 2012 before RDL 2/2011 and before capital increases[2](C1+C2+C3)	16,848	8.0%	12,322	5.8%
	C5. RDL 2/2011 or capital increases	547	0.3%	547	0.3%
	C6. Core Tier1 Dec 2012 (C4+C5)	17,395	8.2%	12,869	6.1%
	C7. Additional capital to reach Core Tier1 5%	0	0.0%	317	0.1%
	TAKING INTO ACCOUNT GENERAL PROVISIONS				
	C8. General provisions[3]	1,220	0.6%	1,266	0.6%
	C9. Core Tier1 Dec 2012 plus general provisions (C6+C8)	18,616	8.8%	14,135	6.7%
	C10. Additional capital to reach Core Tier1 5%, after including general provisions	0	0.0%	143	0.1%

2. Includes capital issuances and obligations converted during the stress test exercise in relation to which decisions were taken between 01.01.2011 and 30.04.2011.

3. For IRB institutions, the amount reported corresponds to the part of the general provision not used to cover the expected loss of loans and receivables. For all institutions, the amount of provisions is net of tax.

		Benchmark scenario		Adverse scenario	
SECTION D Other loss-absorbing elements	**FINAL SITUATION 2012 AFTER INCLUDING OTHER LOSS-ABSORBING ELEMENTS**	€ million	% RWA 2012	€ million	% RWA 2012
	D1. Disinvestments and other business decisions up to 30.04.2011	434	0.2%	434	0.2%
	D2. Other bonds subject to mandatory conversion	2,667	1.3%	2,667	1.3%
	D3. Others	616	0.3%	195	0.1%
	D4. Core Tier1 Dec 2012 plus other loss-absorbing elements (C9+D1+D2+D3)	22,333	10.6%	17,431	8.2%
	D5. Add. capital to reach Core Tier1 5%, after including other loss-absorbing elements	0	0.0%	0	0.0%

Stress Tests 2011-2012

TOTAL INTERNATIONALLY ACTIVE BANKS

			Benchmark scenario		Adverse scenario	
			€ million	% assets	€ million	% assets
SECTION A Gross impairment cumulative 2011-2012	**A1. Credit assets[1]**		-49,098	-3.1%	-64,558	-4.1%
		Sovereigns and financial institutions	-58	0.0%	-398	-0.1%
		Corporates	-9,524	-2.2%	-13,931	-3.3%
		Property developers and foreclosures	-8,762	-13.7%	-12,769	-20.0%
		SMEs	-6,631	-7.9%	-8,659	-10.3%
		Mortgages	-3,777	-0.9%	-5,802	-1.3%
		Other retail	-20,346	-12.7%	-22,998	-14.4%
	A2. Trading book and other equity		-1,737	-0.1%	-4,506	-0.3%
	A3. GROSS IMPAIRMENT (A1+A2)		**-50,835**	**-3.2%**	**-69,064**	**-4.4%**

1 Includes loans and receivables, non-trading book fixed income and securitisations.

SECTION B Available resources cumulative 2011-2012	**B1. SPECIFIC PROVISIONS**	24,254	1.5%	24,254	1.5%
	B2. NET OPERATING INCOME AND OTHER INCOME AND EXPENSES	62,936	4.0%	62,030	4.0%
	B3. TAX IMPACT	-8,156	-0.5%	-2,881	-0.2%
	B4. NET IMPAIRMENT/SURPLUS (A3+B1+B2+B3)	28,199	1.8%	14,339	0.9%

		Benchmark scenario		Adverse scenario	
SECTION C Impact on Core Tier1 EBA	**INITIAL SITUATION 2010**	**€ million**	**% RWA 2010**	**€ million**	**% RWA 2010**
	C1. Core Tier1 Dec 2010	66,937	7.4%	66,937	7.4%
	FINAL SITUATION 2012	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	C2. Net impairment/surplus (B4)	28,199	3.0%	14,339	1.5%
	C3. Dividends and others	-1,015	-0.1%	2,739	0.3%
	C4. Core Tier1 Dec 2012 before RDL 2/2011 and before capital increases[2](C1+C2+C3)	94,120	10.0%	84,015	8.6%
	C5. RDL 2/2011 or capital increases	0	0.0%	0	0.0%
	C6. Core Tier1 Dec 2012 (C4+C5)	94,120	10.0%	84,015	8.6%
	C7. Additional capital to reach Core Tier1 5%	0	0.0%	0	0.0%
	TAKING INTO ACCOUNT GENERAL PROVISIONS				
	C8. General provisions[3]	4,914	0.5%	4,648	0.5%
	C9. Core Tier1 Dec 2012 plus general provisions (C6+C8)	99,034	10.5%	88,663	9.1%
	C10. Additional capital to reach Core Tier1 5%, after including general provisions	0	0.0%	0	0.0%

2. Includes capital issuances and obligations converted during the stress test exercise in relation to which decisions were taken between 01.01.2011 and 30.04.2011.

3. For IRB institutions, the amount reported corresponds to the part of the general provision not used to cover the expected loss of loans and receivables. For all institutions, the amount of provisions is net of tax.

		Benchmark scenario		Adverse scenario	
SECTION D Other loss-absorbing elements	**FINAL SITUATION 2012 AFTER INCLUDING OTHER LOSS-ABSORBING ELEMENTS**	**€ million**	**% RWA 2012**	**€ million**	**% RWA 2012**
	D1. Disinvestments and other business decisions up to 30.04.2011	0	0.0%	0	0.0%
	D2. Other bonds subject to mandatory conversion	2,000	0.2%	2,000	0.2%
	D3. Others	0	0.0%	0	0.0%
	D4. Core Tier1 Dec 2012 plus other loss-absorbing elements (C9+D1+D2+D3)	101,034	10.7%	90,663	9.3%
	D5. Add. capital to reach Core Tier1 5%, after including other loss-absorbing elements	0	0.0%	0	0.0%