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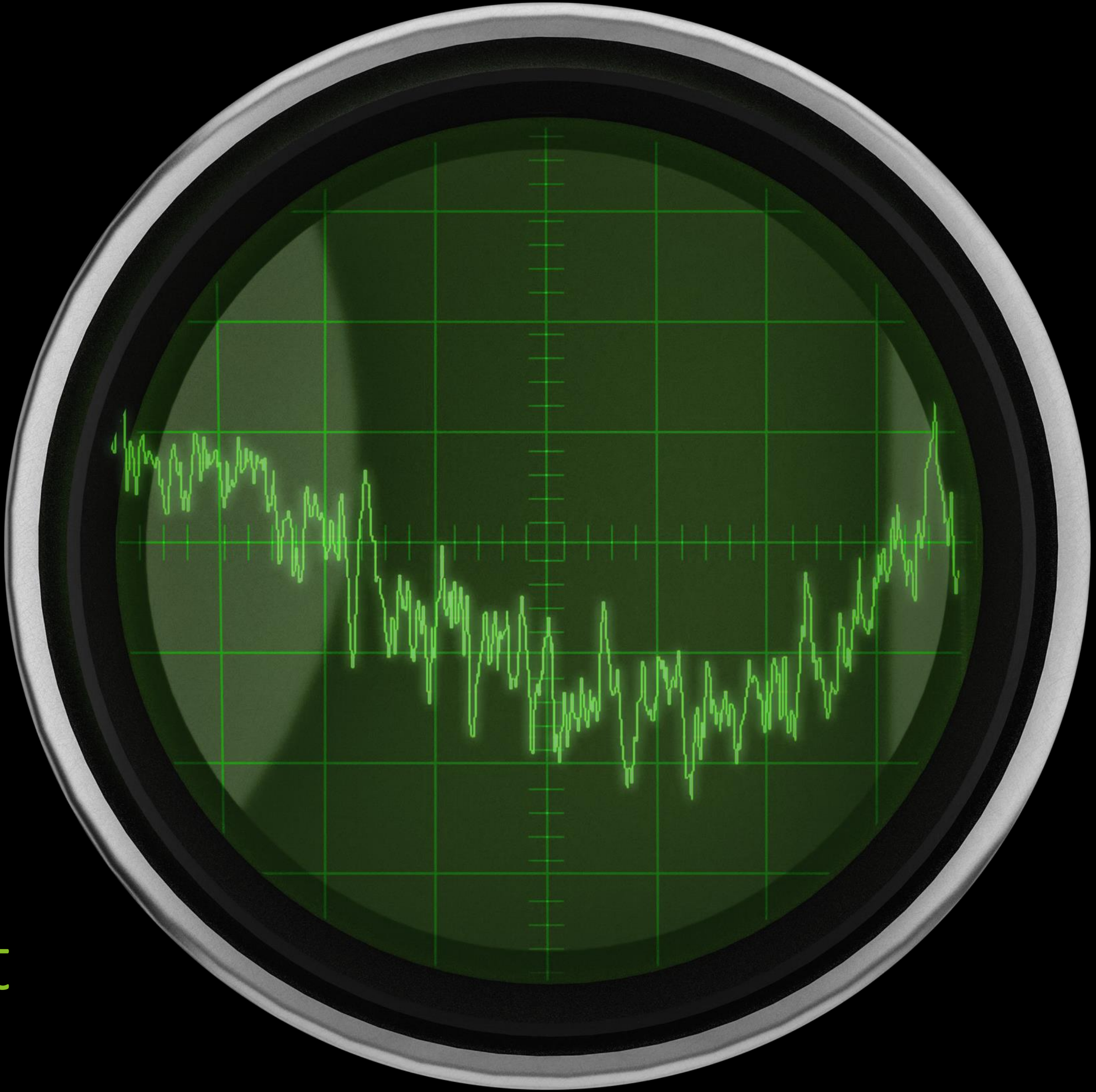

EBA Stress Test
2023 Results

INDEX

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Overview of results

EBA Stress Test 2023

EU Figures Overview

On Friday July 28 EBA published the results of its 2023 EU-wide stress test. EBA's exercise was launched in January 2023 with a sample of 70 banks (representing ~75% of total banking assets in the EU and Norway).

The challenging adverse scenario was based on a worsening of geopolitical tensions associated with a severe GDP decline, persistent inflation and high interest rates.

For 2023 exercise, top-down elements were introduced to impact Net Fees and Commission Income (NFCI) and a new sectoral template was incorporated, detailing the impact of corporate exposures.

Despite the severity of the adverse scenario, capital depletion decreased when compared to 2021 and 2018.

Following the publication of the ST results, this document presents an executive view of major ST results in Portugal benchmarked with Europe and its closest industry and country peers that participated in the exercise.

	2021	2023	
CET 1 Ratio	15,0% (Restated)	15,0 %	The starting point of the exercise remains at 15,0%, reflecting a solid capital position by EU banks.
Capital Depletion	485 bps	459 bps	The average capital depletion was 459 bps, resulting in an impact moderation when compared to the previous exercise, despite the scenario severity.
Credit Depletion	420 bps	405 bps	During 2023 exercise, better asset quality reduced credit depletion under the adverse scenario. Nevertheless, Credit Risk remains the main driver of the CET1 depletion in ST 2023.
Income Contribution	290 bps	356 bps	Income (NII and NFCI) explains the greatest difference in results between 2021 and 2023 contributing with an increase of 66 bps.

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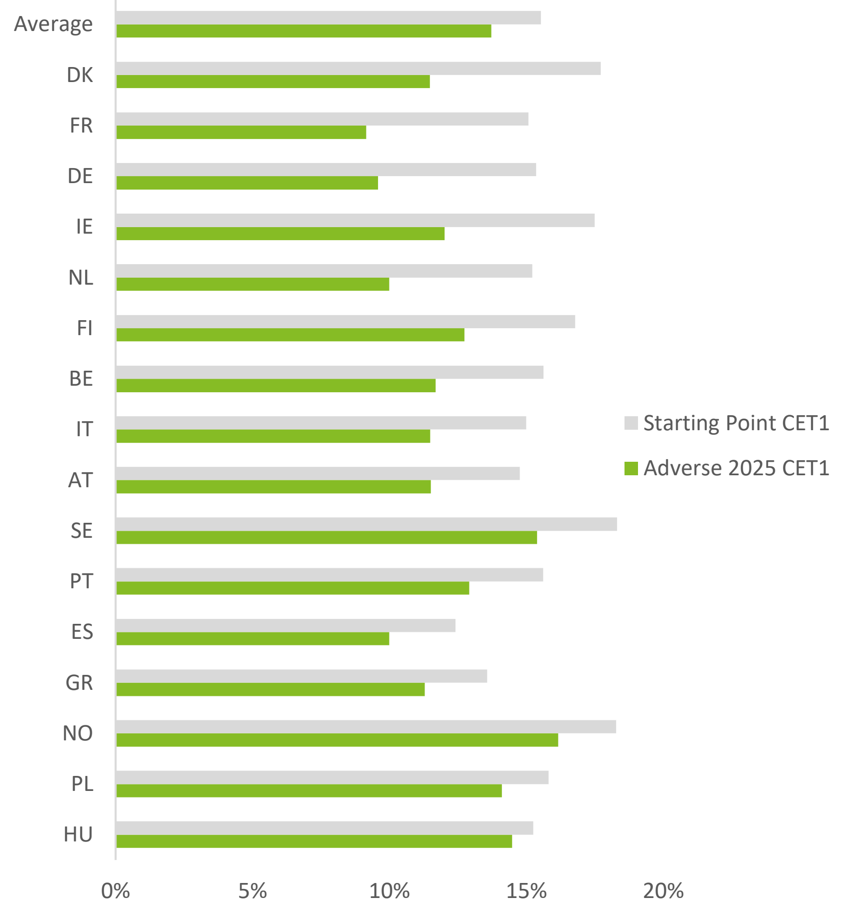
EBA Stress Test 2023

Geographical Distribution

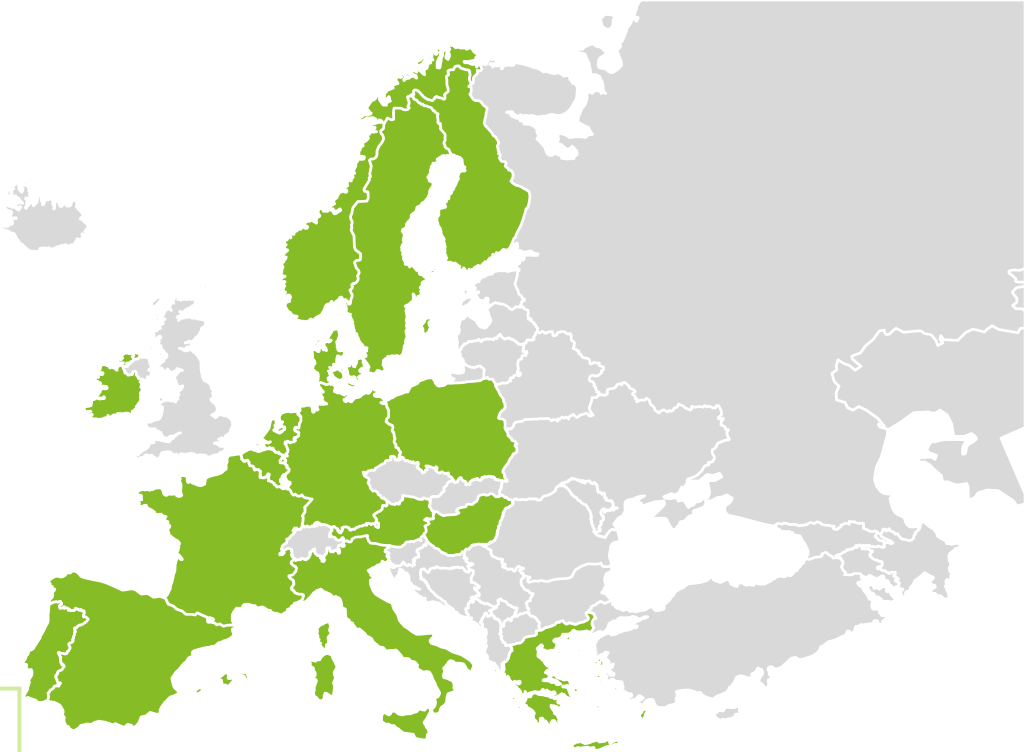
The exercise was launched with a sample of 70 banks across 15 countries of EU and Norway. Banks from Hungary had the lowest average impact (77 bps) whereas the Banks in Denmark suffered the highest average impact (625 bps). Portugal has ranked 6th in the countries with the lowest impact .



	#Banks	Overall Impact in CET 1
Average	70	**459**
DK	4	625
FR	7	592
DE	14	577
IE	4	549
NL	4	523
FI	2	403
BE	2	395
IT	8	351
AT	2	325
SE	5	292
PT	**2**	**271**
ES	8	242
GR	4	228
NO	1	212
PL	2	170
HU	1	77

7th in 2021

- Generically, banks outside Eurozone performed better
- Southern European Banks outperformed Northern



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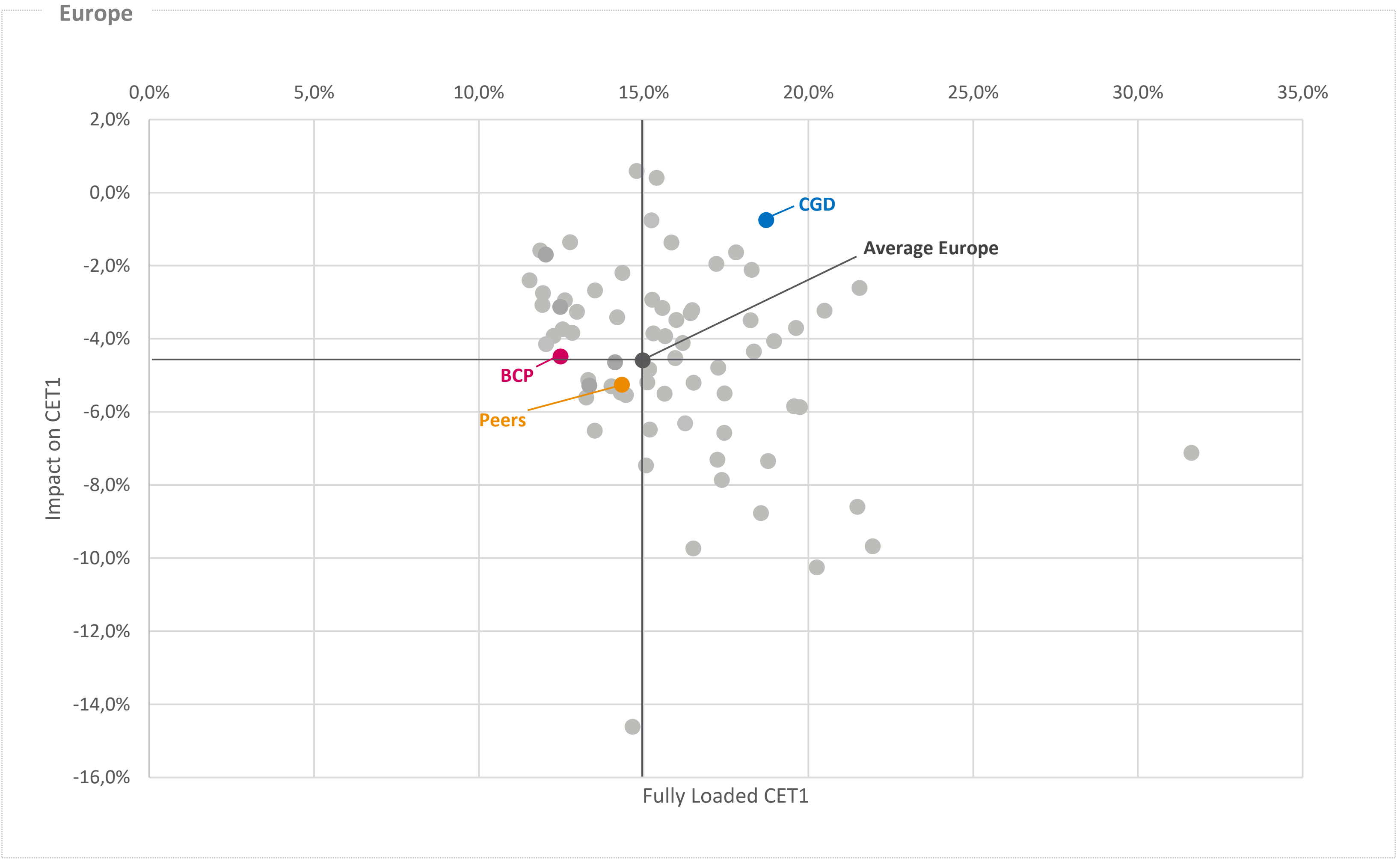
EBA Stress Test 2023

Banks' Distribution

Changes in CET1 Ratio



Comments

The majority of the banks presented similar results, except for La Banque Postale (FR) whose depletion during the exercise almost reached its total CET1 (0,1% at end of Adverse 2025).

Both Banks in Portugal have an impact on CET1 lower than the European average, which is aligned with being the top 6th country with the best average result. BCP is in line European average (4,5%) while CGD has reached a lower impact (0,8%).

Regarding the fully loaded CET 1 at the beginning of the exercise (2022), CGD's ratio is above the European average (18,7%) whilst BCP is lower than the European average (12,5%).

Overall, CGD has achieved a capital depletion of 76 bps (ranked 3rd) and BCP 449 bps (ranked 37th).

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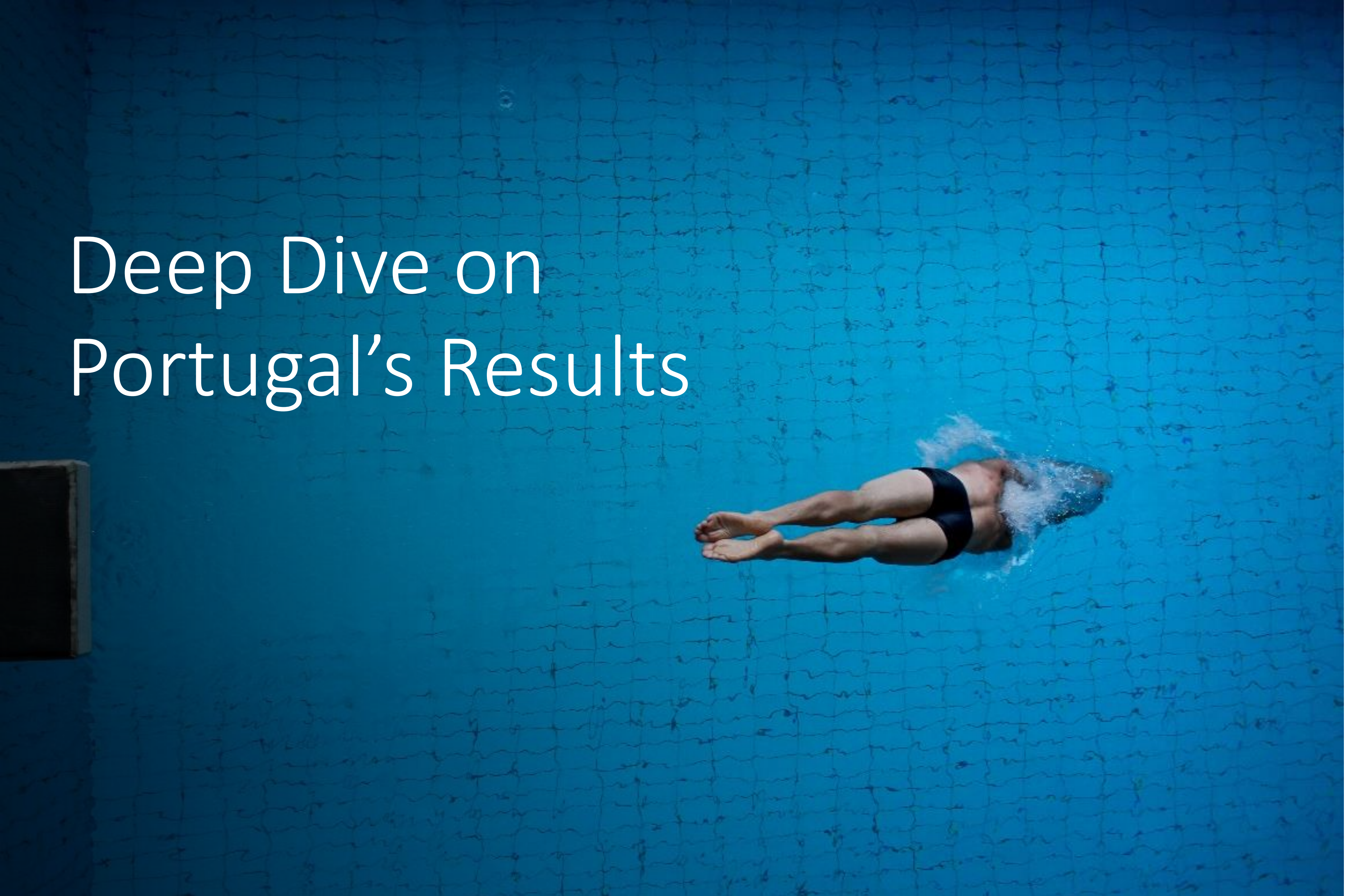
Peers: AIB, Bank of Ireland, Barclays Bank of Ireland, Banca Monte Dei Paschi Di Siena, BPER Banca, Bankinter, Unicaja Banco, Norddeutsche Landesbank

Deep Dive on Portugal’s Results



Main Drivers Impact
EBA Stress Test 2023 Results

The CET 1 Ratio results by projection driver were the following for EBA ST 2023:

	2023 EBA ST Adverse				
T0 CET1	**15,6**	**14,3**	**12,4**	**15,0**	**15,0**
NII	+10,9	+9,5	+14,8	+10,2	+9,3
NFCI	+3,9	+4,0	+4,1	+6,7	+4,5
Credit Risk	-4,6	-5,0	-6,9	-4,1	-4,1
Market Risk[1]	-2,0	-1,1	-0,8	-1,5	-0,9
Other P&L Items[2]	-8,9	-11,2	-12,0	-12,5	-11,1
Other items[3]	-1,9	-1,3	-1,7	-2,2	-2,4
3rd year CET1	**12,9**	**9,1**	**10,0**	**11,5**	**10,4**
CET 1 ratio depletion:	**- 2.71 %**	**- 5,22 %**	**- 2,42 %**	**- 3,51 %**	**- 4,59 %**

CET 1 Ratio | Income Leg | Expenses Leg

Comments

- Capital depletion in Portugal is similar to the one observed in Spain and lower that its peers, Italy and the rest of Europe;
- Portugal has a higher contribution of Net Interest Income (NII) when comparing with its Peers and Europe, benefiting from the high interest rate scenario;
- Nevertheless, Spain presents the higher NII contribution (+14,8%). This result led the country to suffer one of the lowest impacts in the exercise (5th place);
- Net Fees and Commissions Income (NFCI) has a lower contribution to Portuguese results than on its peers, Spain, Italy and the European average;
- As for losses, the main drivers of capital depletion are Credit (463 bps) and Market Risk (202 bps). For Credit Risk, Portugal performs better than its Peers and Europe. However, the Market Risk impact in Portugal is amongst the most severe;
- Other P&L impacts are related to administrative expenses but also account for operational risk losses and DTAs.

[1] Market Risk impact. excludes CCR and hedge accounting, [2] Includes Administrative Expenses, Operational Risk. [3] Includes tax, other capital, REA.

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Overview of Results

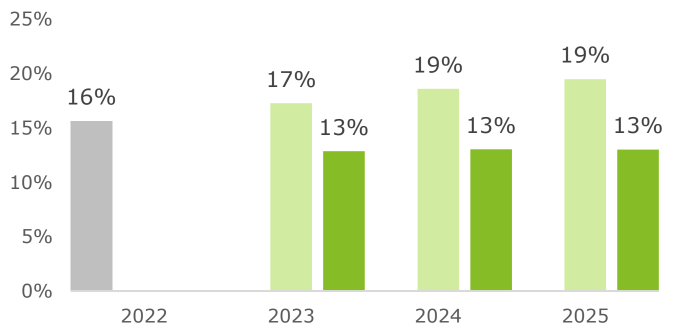
Capital Ratio CET 1 - 3-Year Projection

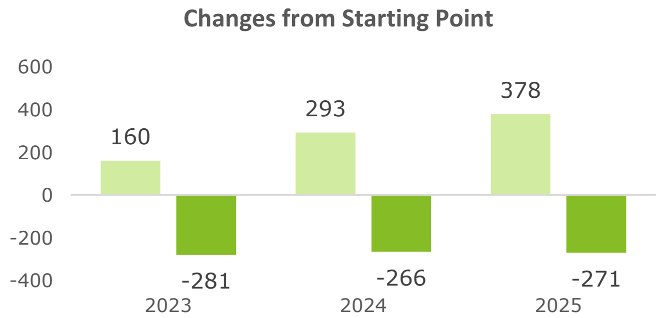
Key
Portugal has better results
Portugal has similar results
Portugal has worse results

Projection of Capital Ratios

Portugal

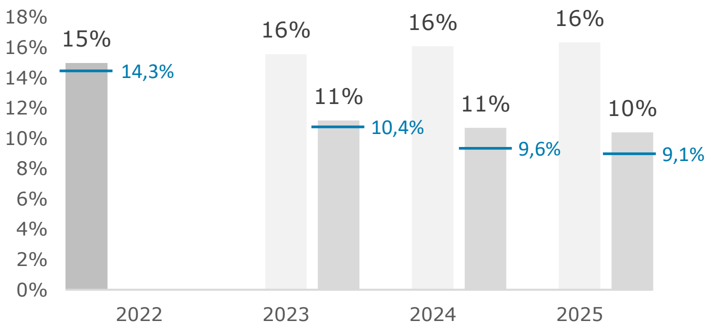
Metric	Starting 2022	Adverse 2025	Δ Adverse 2022-2025
Fully loaded CET1	15,62%	12,91%	-271 bps

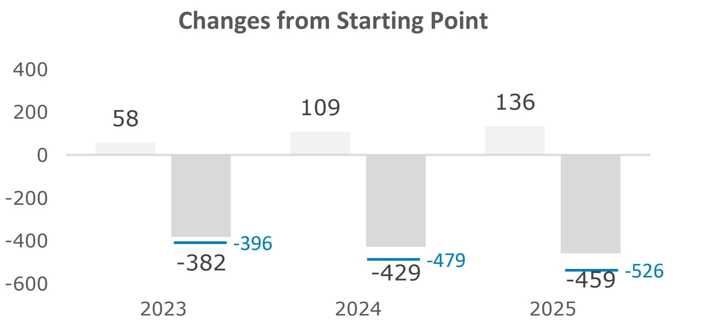




Europe

Metric	Starting 2022	Adverse 2025	Δ Adverse 2022-2025
Fully loaded CET1	14,97%	10,38%	-459 bps





2022 Baseline - Portugal Adverse - Portugal Baseline - Europe Adverse - Europe EU Medium Sized Banks

Portugal Comparison

Peers	Europe
▲	▲

Comments

Portugal's starting point is slightly higher than Europe (15,0%) and its peers – EU Medium Sized Banks (14,3%).

The average capital depletion in Europe was 459 bps, close to the results reached in the 2021 exercise (485 bps). Capital depletion in Portugal was significantly lower than average, being in the top 6 countries with the less impact.

In 2025, both European and country peers have higher depletions in the capital than Portugal (-271 bps Portugal vs -526 bps Peers vs -459 bps Europe).

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Overview of Results

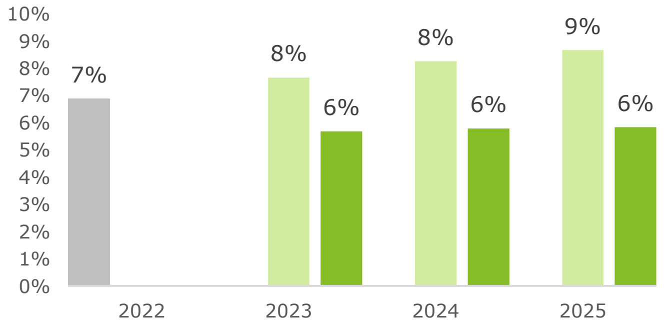
Leverage Ratio - 3-Year Projection

Key
- ▲ Portugal has better results
- ► Portugal has similar results
- ▼ Portugal has worse results

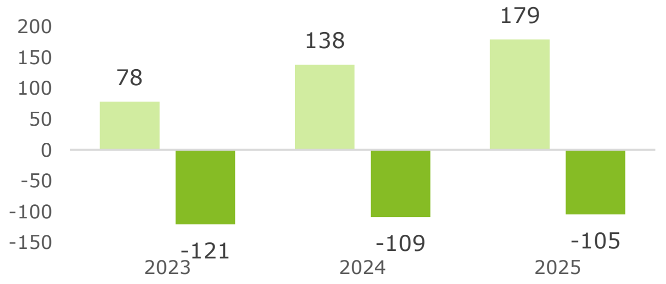
Projection of the Leverage Ratio

Portugal

Metric	Starting 2022	Adverse 2025	Δ Adverse 2022-2025
Fully loaded leverage ratio	6,88%	5,83%	-105 bps

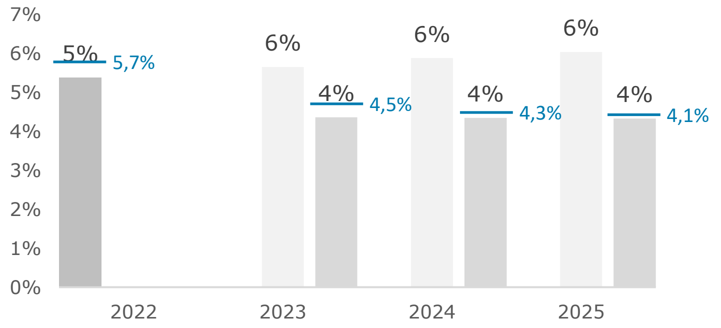


Changes from Starting Point

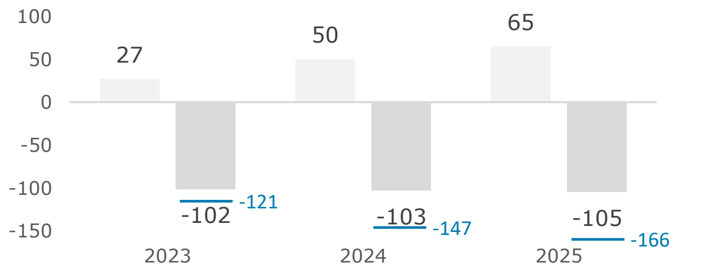


Europe

Metric	Starting 2022	Adverse 2025	Δ Adverse 2022-2025
Fully loaded leverage ratio	5,38%	4,33%	-105 bps



Changes from Starting Point



2022 | Baseline - Portugal | Adverse - Portugal | Baseline - Europe | Adverse - Europe | EU Medium Sized Banks

Portugal Comparison

Peers	Europe
▲	►

Comments

The starting point for LR is higher for Portugal (6,9%) when compared with its peers (5,7%) and European average (5,4%).

The drop is solely explained by the decrease in Tier 1 capital, as the leverage exposure remains constant according to the methodological static balance sheet assumption.

Portugal's impact in LR is lower than the one observed in its peers (-105 bps Portugal vs -166 bps Peers). However, the impact is approximately equal to the European average (105 bps).

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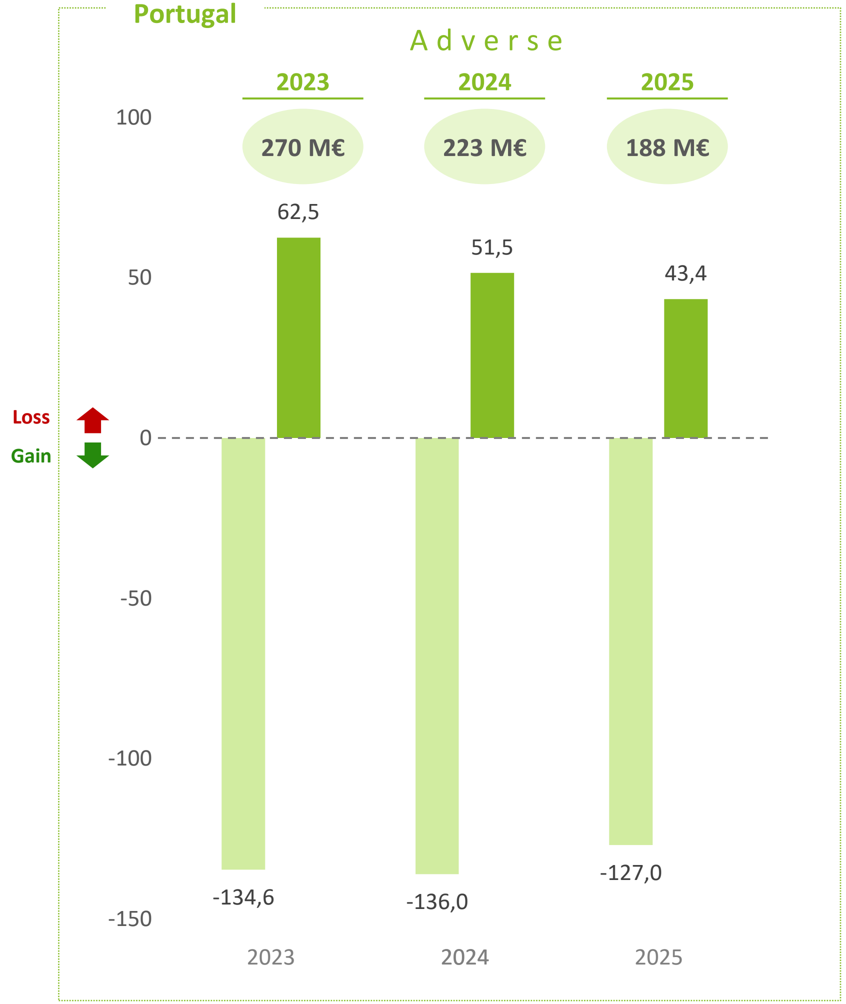
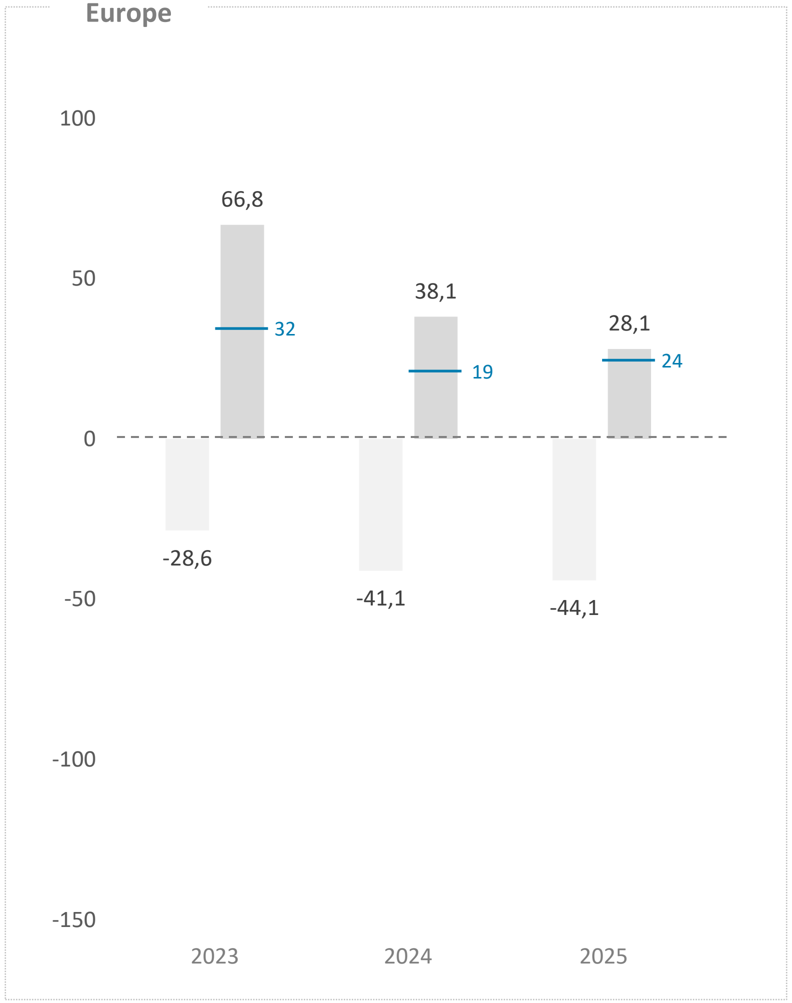
Overview of Results – Detail per Risk

Impact in CET 1 due to Net Interest Income

Key
- ▲ Portugal has better results
- ▶ Portugal has similar results
- ▼ Portugal has worse results

Loss in Net Interest Income in BPS





2022 | Baseline - Portugal | Adverse - Portugal | Baseline - Europe | Adverse - Europe | EU Medium Sized Banks

Portugal Comparison

Peers	Europe
▼	▼

Comments

The 2023 stress test scenario envisages positive projections for both short-term and long-term interest rates under the adverse scenario, in opposition to the 2021 exercise in Portugal.

Overall, the negative impact for the 3 years in the adverse scenario is 157 bps in Portugal, higher than the shock observed in peers (75 bps) and Average Europe (133 bps). Even with the decrease in Net Interest Income, it is a major contributor to capital formation.

Both Portugal and Europe exhibit a recover behavior over the stress testing horizon.

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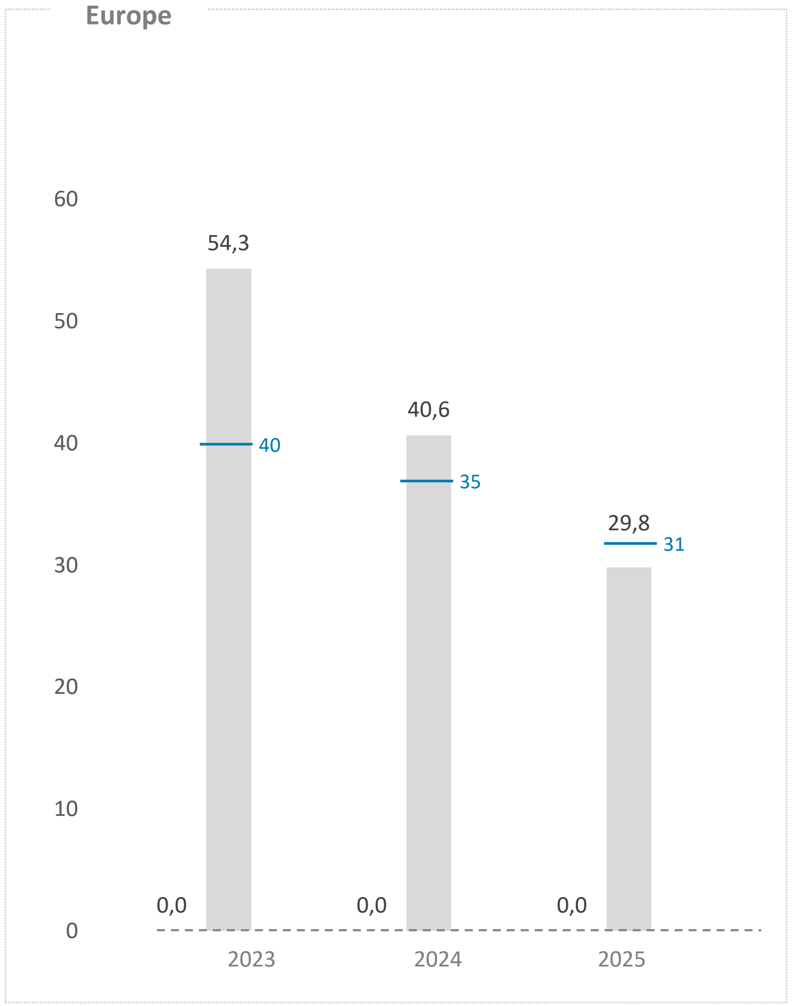
Overview of Results – Detail per Risk

Impact in CET 1 due to Net Fees and Commission Income

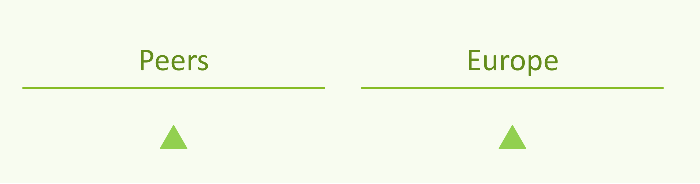
Key
- ▲ Portugal has better results
- ▶ Portugal has similar results
- ▼ Portugal has worse results

Loss in Net Fees and Commission Income in BPS



2022 | Baseline - Portugal | Adverse - Portugal | Baseline - Europe | Adverse - Europe | EU Medium Sized Banks

Portugal Comparison



Comments

In Europe, NFCI decreases on average 16% in 2025 compared with 2022, comparable to the reductions observed in 2021 and 2018 (14%). The impact under the adverse scenario is 125 bps (73 bps in 2021).

The losses observed both in Portugal, Europe and peers exhibit a decreasing trend. The loss in bps arising from the reduction of Net Fees and Commissions over the stress test horizon is lower in Portugal (98 bps) when compared with both peers (106 bps) and Europe (125 bps).

The 2023 EU-wide stress test exercise introduced a centralized top-down model, where banks received prescribed NFCI projections, which led to more homogeneous impacts and ensured a level-playing field across banks.

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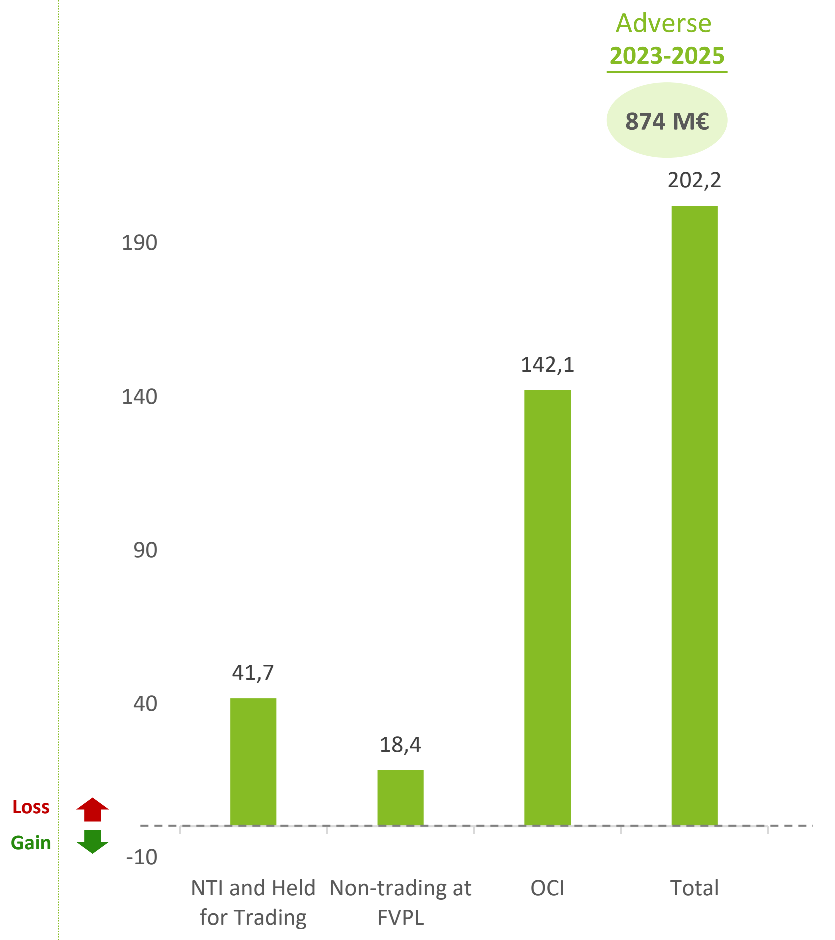
Overview of Results – Detail per Risk

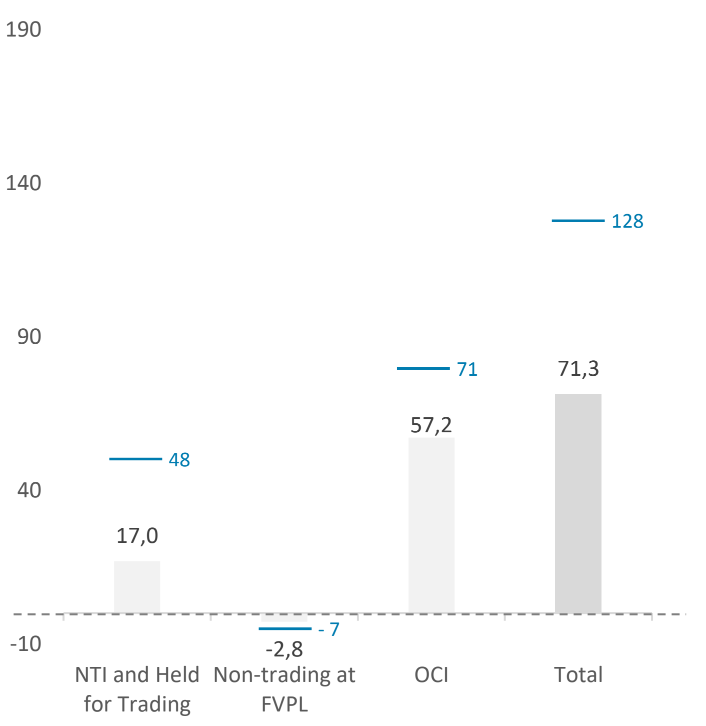
Impact in CET 1 due to Market Risk

Key
- ▲ Portugal has better results
- ▶ Portugal has similar results
- ▼ Portugal has worse results

Drivers of Market Risk Losses, BPS (One-Off Shock of 2023)



Note: the impact excludes CCR and hedge accounting.



Note: the impact excludes CCR and hedge accounting.

2022 | Baseline - Portugal | Adverse - Portugal | Baseline - Europe | Adverse - Europe | EU Medium Sized Banks

Portugal Comparison

Peers	Europe
▼	▼

Comments

In the 3 years of the adverse scenario, at the aggregate level, Market Risk losses in Portugal amount to 202 bps. This value is significantly higher than the loss in bps from both its peers, 128 bps, and Europe, 71 bps.

In relative terms, the application of the scenarios in portfolios held in OCI and non-trading FVPL carry higher losses in Portugal when compared to its peers and Europe. This impact in Portugal shows the sensitivity of these asset classes to market risk shocks when compared to European banks and peers.

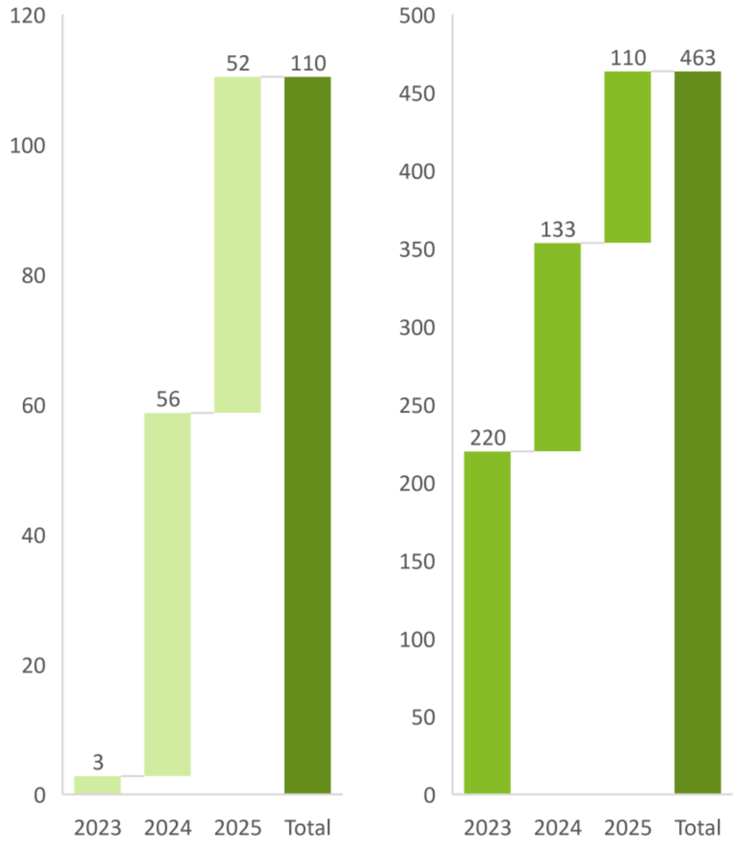
Overview of Results – Detail per Risk

Impact in CET 1 due to Credit Risk Impairment

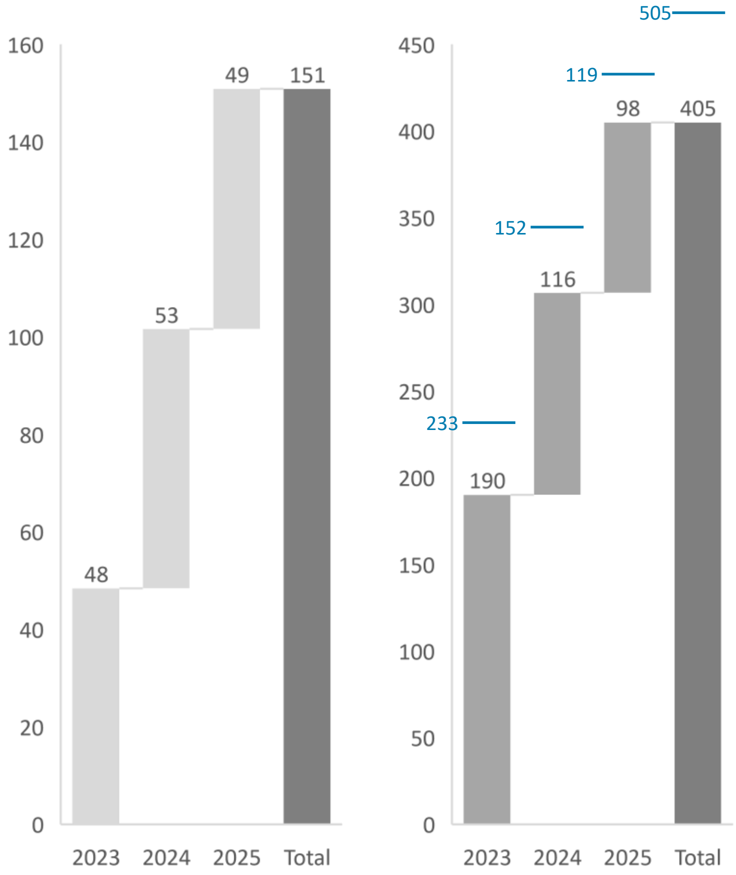
Key
▲ Portugal has better results
▶ Portugal has similar results
▼ Portugal has worse results

Credit Risk – Cumulative Impairment Charge in BPS

Portugal



Europe



■ 2022 ■ Baseline - Portugal ■ Adverse - Portugal ■ Baseline - Europe ■ Adverse - Europe — EU Medium Sized Banks

Portugal Comparison

Peers	Europe
▲	▼

Comments

The accumulated impairment impact (463 bps) in Portugal is lower than its peers (505 bps), although higher than the European average (405 bps).

The largest impact occurs during the first year of the adverse due to the time profile of the exercise scenario. This 1st year generates the largest difference between Portugal and average Europe (+30bps).

In Europe, Corporate exposures contribute the most to total losses (41%). These are followed up by retail exposures non-secured by real estate assets, which account for 36% of total credit losses.

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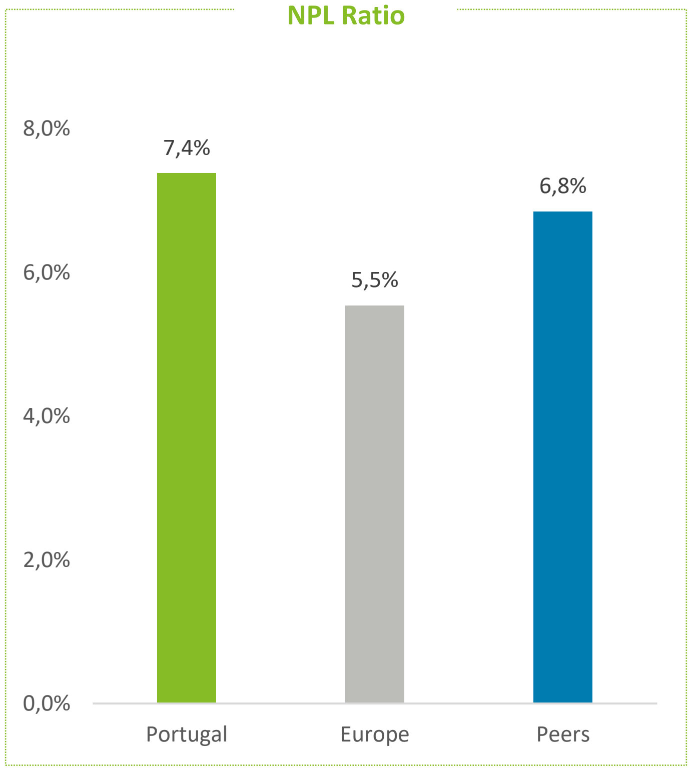
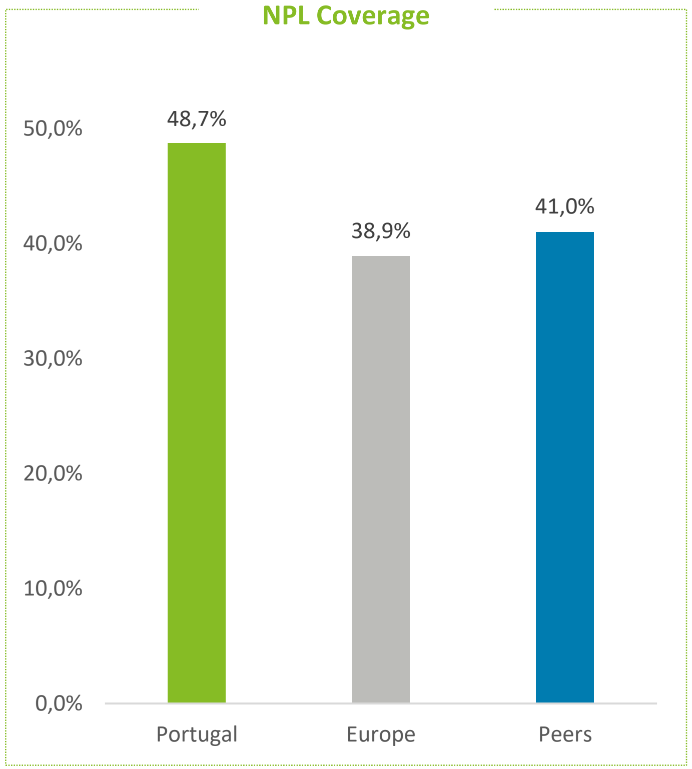
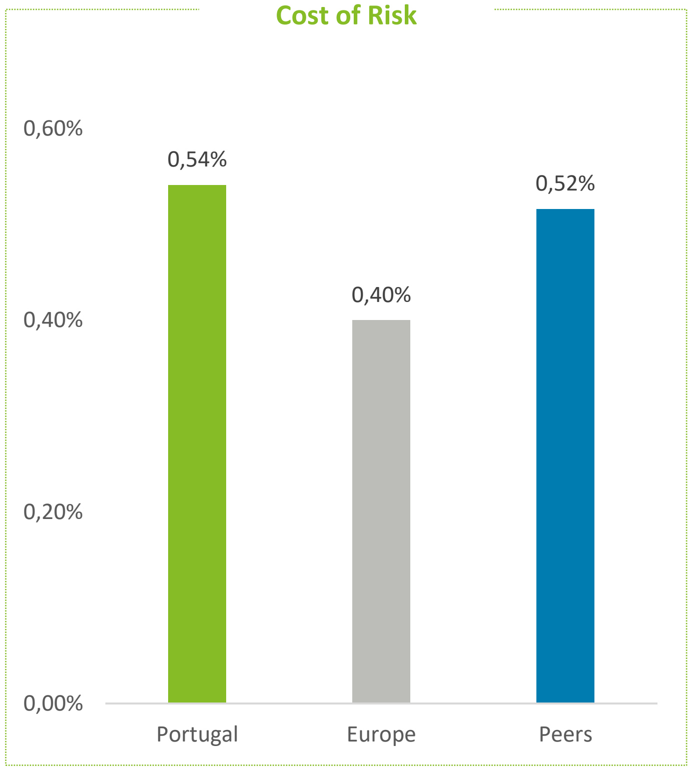
Overview of Results – Detail per Risk

Credit Risk Metrics

Credit Risk Metrics – Adverse 2025







Comments

In all three KPI’s, Portugal is underperforming the European average and peers, with a substantial difference in NPL Ratio and Cost of Risk.

Nevertheless, Portugal’s performance on other Credit risk KPI's remain consistent and solid.

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Future Stress Test Exercises

1
2
3

Future Stress Test Exercises

0. End of 2023 Exercise

- The publication of results on the 28th of July by EBA marks the completion of the 2023 exercise.

1. Thematic 2024 exercise

- The 2024 thematic exercise will focus on cyber risk.

EBA's discussion paper

According to EBA's discussion paper, the future framework may focus on:

- **Cyber risk:** Cyber Stress Testing exercises could include the establishment of mechanisms to identify common cyber vulnerabilities and risks across sectors and the development of contingency exercises to facilitate communication and coordination in case of cyber threats.
- **Climate risk:** quantification of the potential impact of climate risk and testing banks' readiness to identify, classify, evaluate and manage these risks.
- **Hybrid framework:** Introduce gradually top-down elements to be applied to different risk areas such as net interest income and credit risk. This process already started in 2021 with stressed credit risk parameters to compute losses for sovereign exposures and stressed risk weights for securitizations and, in 2023, with prescribed growth rates for NFCI projections.

2. Publication of methodology

- The methodology for the 2025 exercise is expected to be published in the summer of 2024.

3. Start of 2025 Exercise

- The 2025 exercise is expected to begin early 2025.

Will you be ready?

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