European Banking Authority

2027 EU-WIDE STRESS TEST

METHODOLOGICAL NOTE 9TH NOVEMBER 2026

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Abbreviations

A-IRB	advanced internal ratings-based (approach)
ABCP	asset-backed commercial paper
ABS	asset-backed security
ALM	asset and liability management
AMA	advanced measurement approach
APAC	Asia-Pacific
APR	all price risk
AVA	additional valuation adjustment
BIC	business indicator component
BoY	beginning of the year
bps	basis points
BRRD	Bank Recovery and Resolution Directive 2014/59/EU
CA	comprehensive approach
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CDO	collateralised debt obligation
CDS	credit default swap
CET1	Common Equity Tier 1
CMBS	commercial mortgage-backed security
COREP	common reporting framework
CoC	closed-out-costs
CQS	credit quality step
CRD	Capital Requirements Directive 2013/36/EU
CRE	Commercial real estate
CRM	credit risk mitigation
CRR	Capital Requirements Regulation (EU) No 575/2013 applicable until 31 December 2024
CRR3	Capital Requirements Regulation (EU) No 575/2013 version applicable on 1 January 2025
CSV	calculation support and validation
CVA	credit valuation adjustment
DGS	Deposit Guarantee Scheme
DGSD	Deposit Guarantee Scheme Directive 2014/49/EU
DTA	deferred tax asset
DTC	deferred tax credit
DTL	deferred tax liability
DVA	debt valuation adjustment
EaR	earnings at risk
EBA	European Banking Authority
ECAI	external credit assessment institution
ECB	European Central Bank
ECL	expected credit losses
EIR	effective interest rate
EL	expected loss
EMEA	Europe, the Middle East and Africa
EoY	end of the year
ESRB	European Systemic Risk Board
EU	European Union

F-IRB	Foundation IRB
FINREP	financial reporting framework
FRTB	Fundamental review of the trading book
FRTB-ASA	FRTB - alternative standardised approach
FRTB-AIMA	FRTB - alternative internal model approach
FTE	Full-time equivalent
FuVA	Funding valuation adjustment
FVO	fair value option (designated at fair value through profit or loss — as defined in IFRS 9)
FVOCI	fair value reported in other comprehensive income (as defined in IFRS 9)
FVPL	fair value through profit or loss (as defined in IFRS 9)
FX	Forex
GSII	Globally systemically important institutions
HFT	held for trading (as defined in IFRS 9)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMM	Internal Model Method
IPS	Institutional Protection Schemes
IRB	internal ratings-based (approach)
IRC	incremental risk charge
L1/L2/L3	level 1/level 2/level 3
LGD	loss given default
LGD_{REG}	regulatory loss given default
LR	loss rates
LTV	Loan-to-Value
MDA	Maximum Distributable Amount
MPU	Market price uncertainty
NFCI	net fee and commission income
nGAAP	national accounting framework based on EU Bank Accounts Directive (BAD) (86/635/EEC)
NIEC	Non-interest income, expenses and capital
NII	net interest income
NPE	non-performing exposure
NPL	non-performing loan
NTI	net trading income
OCI	other comprehensive income
P&L	profit and loss (account)
PD	probability of default
PGS	Public Guarantee Scheme
REA	risk exposure amount (risk-weighted exposure amount)
RF	Resolution Fund
RI	relevant indicator
RMBS	residential mortgage-backed security
RNIME	risks not in the model engine
RRAO	Residual risk add-on
RW	risk weight
S1/S2/S3	stage 1/stage 2/stage 3
SEC-ERBA	securitisation – external ratings-based approach
SEC-IAA	securitisation – internal assessment approach
SEC-IRBA	securitisation – internal ratings-based approach

SEC-SA	securitisation – standardised approach
SBA	sensitivity-based approach
SFTs	securities financing transactions
SICR	significant increase in credit risk
SMEs	small and medium-sized enterprises
SREP	supervisory review and evaluation process
SRT	significant risk transfer
SSM	Single Supervisory Mechanism
STA	standardised approach
STREA	The standardised total risk exposure amount of the entity calculated in accordance with Article 92(5) of CRR3
STS	simple, transparent and standardised
SVaR	stressed value at risk
TE	trading exemption
TI&RH	items held with a trading intent and their related hedges
TR	transition rates
TRA	Transparency
TREA	The total risk exposure amount of the institution in accordance with Article 92(3) of the CRR3
UTREA	The un-floored total risk exposure amount of the entity calculated in accordance with Article 92(4) of CRR3
VaR	value at risk

1. Introduction

1.1 Background

1. The EBA is required, in cooperation with the ESRB, to initiate and coordinate EU-wide stress tests to assess the resilience of financial institutions to adverse market developments.

2. The objective of the EU-wide stress test is to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks and the EU banking system to shocks, and to challenge the capital position of EU banks. The exercise is based on a common methodology, internally consistent and relevant scenarios, and a set of templates that capture starting point data and stress test results to allow a rigorous assessment of the banks in the sample.

3. In particular, it is designed to inform the SREP carried out by competent authorities. The disclosure of granular data on a bank-by-bank level is meant to facilitate market discipline and also serves as a common ground on which competent authorities base their assessments.

1.2 Objectives of this note

4. This document describes the common methodology that defines how banks should calculate the stress impact of the common scenarios and, at the same time, sets constraints for their bottom-up calculations. In addition to setting these requirements, it aims to provide banks with adequate guidance and support for performing the EU-wide stress test. This guidance does not cover the quality assurance process or possible supervisory measures that should be put in place following the outcome of the stress test.

5. The templates used for collecting data from the banks, as well as for publicly disclosing the outcome of the exercise, are an integral part of this document. In addition, this document should be read in conjunction with any additional guidance provided by the EBA on templates, methodology, scenarios and processes.

6. The note also lists components of banks' projections for which banks are required to provide additional information in accompanying documents (e.g. on the methods applied) as input to the quality assurance process. A summary of the minimum information requirements in this respect is provided in Annex III.

1.3 Key aspects

1.3.1 Sample of banks

7. The EU-wide stress test exercise is carried out on a sample of banks covering broadly 75% of the banking sector in the euro area, each non-euro area EU Member State and Norway, as expressed in terms of total consolidated assets as of end 2025. Since the EU-wide stress test is run at the highest level of consolidation, lower representativeness is accepted for countries with a wide presence of subsidiaries of non-domestic EU banks.

8. To be included in the sample, banks have to have a minimum of EUR 30 bn. Notwithstanding the minimum threshold, competent authorities could, at their discretion, request to include additional institutions in their jurisdiction.

9. Banks that enter the sample after broadly 70% coverage of the banking sector in the euro area, each non-euro area EU Member State and Norway is reached could apply additional proportionality elements, when interpreting the methodological note. In addition, banks with assets below EUR 50 bn could apply additional proportionality elements. The additional proportionality elements are explained in Annex VIII and could be, therefore, applied when either of the two criteria is met.

10. Banks subject to mandatory restructuring plans agreed by the European Commission could be included in the sample by competent authorities if they were assessed to be near the completion of the plans. Banks under restructuring are subject to the same methodology and assumptions as other banks in the sample.

11. Banks with specific business models could be excluded from the sample of banks, if the EU-wide stress methodology is identified as less suitable for assessing banks resilience and capital adequacy. Banks could also be excluded from the sample, in case they take part in a merger or are acquired by another bank, as long as such corporate action is confirmed before the start of the exercise and has a significant impact on bank's balance sheet structure or business operations. Such exclusions are approved by the EBA Board of Supervisors and are disclosed in Annex I.

12. The list of participating banks is given in Annex I.

1.3.2 Scope of consolidation

13. The exercise is run at the highest level of consolidation. The scope of consolidation is the perimeter of the banking group as defined by the CRR/CRD.

14. Insurance activities are therefore excluded from the balance sheet, the P&L and OCI. Institutions may be permitted to not deduct the holdings of own funds instruments of an insurance company if this has been previously agreed with their competent authority based on Article 49 of the CRR — however, this cannot be applied solely for the purpose of the EU-wide stress test. In case the contributions of insurance activities are included in the balance sheet, P&L or OCI, they need to be projected in line with the baseline and adverse scenario.

15. In case of major events having affected the scope of consolidation and/or the bank's structure before the launch of the exercise, banks may be allowed to use pro-forma data to reflect these major events in the caps and floors prescribed in the methodological note. This will be the case only for those P&L items affected by caps or floors based on historical information (i.e. end-of-year 2026 or the years before). For such constraints, banks may be allowed to use pro-forma data if the event is in line with the scope of this section.

16. Pro-forma data may be introduced for the year in which the event happened and for any preceding year, depending on the amount of years of data needed for the calculation of the constraint. The adjustment will only be allowed for single events resulting in an impact of more than 12.5% in total assets. For the purpose of identifying banks eligible for pro-forma data, an event can be defined as "single" if it takes place in the same calendar year as the strategic decision and subsequent to that decision. Pro-forma data are to be used in case of sudden and significant events, which distort annual caps and floors in the EBA Stress Test Methodology for P&L items, but not for gradual changes stretched over multiple periods through implementation in steps or happening distantly. Note that if the strategic decision is formally taken (e.g. contract is signed) in t-1 but the effects on the B/S and P&L are not realised until year t, then t is considered as the "calendar year" for any resulting events.

17. Banks are permitted to use pro-forma data only for a selected list of events that are considered affecting the banks' scope of consolidation and/or banks' structure so that the financial statements are no longer showing a representative view of the bank. The list is included below:

    - Mergers;
    - Acquisitions;
    - Spin-off of relevant business units;
    - Divestments;
    - Transfer of assets/liabilities. [1]

[1] A transfer of assets/liabilities is a legally relevant event (transfer) between two parties (transfer parties) according to which one party (transferee) replaces another counterparty (transferor) as the counterparty to a contract or a group of

18. Competent authorities will present to the EBA a list of the relevant cases above the materiality threshold before the first submission date. Only the cases in line with the scope of this section will be considered, so that the bank would be allowed to adjust the historical data for calculation of the specific constraints in its submissions.

19. If the event is recognised, the bank may be asked to submit a set of relevant information to the competent authority for the calculation of the adjustment.

20. No adjustment to historical constraints will be permitted for the cases not proposed or not recognised.

1.3.3 Macroeconomic scenarios and risk type specific shocks

21. The exercise assesses the resilience of EU banks under a common macroeconomic baseline scenario and a common adverse scenario. The scenarios cover the period of 2027-2029.

22. The application of the market risk methodology is based on a common set of stressed market parameters, calibrated from the macroeconomic scenario.

23. The credit risk methodology includes a prescribed shocks to credit risk losses for sovereign exposures.

1.3.4 Time horizon and reference date

24. The exercise is carried out on the basis of year-end 2026 figures, and the scenarios will be applied over a period of 3 years from 2027 to 2029.

1.3.5 Regulatory regime and definition of capital

25. Banks shall consider the applicable regulatory framework when reporting starting points as of end-2026. This includes decisions taken by competent authorities regarding the application of the CRR/CRD that were applicable before 1 January 2027. For the figures as of 31 December 2026 and for the projections over 2027-2029, banks shall apply the CRR3/CRD6, including decisions taken by competent authorities regarding its application announced prior to the cut-off date of the exercise (31 December 2026) that enter into force as of 1 January 2027. Buffer rates applicable over the horizon must reflect all decisions announced by

contracts where (i) there is an institution participating in the stress test (participating institution) such that either the transferor or the transferee but not both are included in the participating institution's scope of consolidation relevant for the stress test and where (ii) the transfer is reflected in the balance sheet (i.e. derecognition or recognition according to applicable accounting principles) of that participating institution as reported for the scope of consolidation relevant for the stress test.

competent authorities prior to the cut-off date of the exercise (31 December 2026).[2] Banks are required to refer to the dedicated ESRB file on applicable capital buffer rates circulated at the launch of the exercise. Banks are not required to anticipate other changes to the regulatory framework.[3]

26. The impact of the EU-wide stress test will be reported in terms of CET1 capital. In addition, the Tier 1 capital ratio and total capital ratio, as well as the leverage ratio, will be reported for every year of the exercise.

27. Capital ratios shall be calculated on a transitional basis, i.e. including transitional arrangements according to the official schedule in the CRR, and on a fully loaded basis. Capital components subject to transitional arrangements are reported separately and will be publicly disclosed.

28. The use of new internal models and modifications of existing internal models is mandatory as long as these are approved by the competent authority and effectively implemented by 31 December 2026.

29. Neither the use of new internal models nor modifications of existing internal models approved or implemented after 31 December 2026 are to be considered. Exceptionally, for banks transitioning between different regulatory treatments (e.g. from internal models to standardised approach or vice versa) following supervisory approval of the transition and its effective implementation by Q1 2027, the competent authority may grant permission to conduct the stress test under the new regulatory regime, including a restatement of starting point REA, where needed. Such permission may be granted subject to the stress test execution timelines set out by the competent authority and may give rise to additional quality assurance and/or additional data reporting requirements.

1.3.6 Hurdle rates

30. No hurdle rates or capital thresholds are defined for the purpose of the exercise. However, competent authorities will apply stress test results as an input to the SREP in line with the EBA Guidelines on common procedures and methodologies for the SREP and supervisory stress testing.[4]

[2] Decisions announced by competent authorities but not effective at the cut-off date of the exercise (31 December 2026) and applicable over the horizon should be also reflected in the buffer rates applied in the EU-wide stress test. In particular this applies in the case of any phasing-in/out of buffer rates occurring during the horizon.

[3] Accordingly, national measures aimed at addressing macroprudential or systemic risk identified at the level of a Member State based on Articles 124, 164 or 458 of Regulation (EU) No 575/2013, which are effective at the cut-off date, shall apply for the whole projection horizon regardless of their expiration dates.

[4] EBA/GL/2022/03.

1.3.7 Accounting and tax regime

31. All balance sheet and P&L projections over the years 2027-2029 shall be carried out on the basis of the applicable accounting regime valid on 31 December 2026.

32. Banks are not required to anticipate other changes to the accounting and tax regimes that come into effect after the launch of the exercise. The regimes that are valid as at the launch of the exercise should be applied during every year of the time horizon of the stress test. However, for the purpose of the EU-wide stress test, banks are asked to apply a common simplified tax rate of 30%. Historical values until end-2026 should be reported based on the regimes that were valid for the corresponding reporting dates unless banks were required to restate their public accounts.

1.3.8 Static balance sheet assumption

33. The EU-wide stress test is conducted on the assumption of a static balance sheet. This assumption applies on a solo, sub-consolidated and consolidated basis for both the baseline and the adverse scenario. Assets and liabilities that mature or amortise within the time horizon of the exercise should be replaced with similar financial instruments in terms of type, currency, credit quality at date of maturity, and original maturity as at the start of the exercise. No workout or cure of S3 assets is assumed in the exercise. In particular, no capital measures taken after the reference date 31 December 2026 are to be assumed.

34. Furthermore, in the exercise, it is assumed that banks maintain the same business mix and model (in terms of geographical range, product strategies and operations) throughout the time horizon. With respect to the P&L revenues and costs, assumptions made by banks should be in line with the constraints of zero growth and a stable business mix.

35. The static balance sheet assumption should also be assumed for assets and liabilities denominated in currencies other than the domestic (reporting) currency — i.e. assets and liabilities remain fixed in the reporting currency, except for the items where stated explicitly. If the euro is not the reporting currency, all stock projections should be translated by applying the exchange rate as of 31 December 2026. In particular, FX effects should not have an impact on the projection of REA (with the exception of the market risk methodology). Constraints regarding the impact on P&L items are defined in section 3, 4 and 6.

36. There are no exemptions from the static balance sheet assumption. In particular, it also applies to those institutions subject to mandatory restructuring plans formally agreed with the European Commission that are included in the sample at the request of the competent authority (see paragraph 10). Similarly, any divestments, capital measures or other

transactions that were not completed before 31 December 2026, even if they were agreed upon before this date, should not be taken into account in the projections.[5]

37. Selected completed capital measures, i.e. the raising, repayment or conversion of capital instruments as well as significant losses realised between 1 January and 31 March 2027 shall be reported 'below the line' on a separate template (CSV_CAPMEAS) and will be publicly disclosed. Capital measures finalised during this time may be included in this template at any of the three submission dates of the EBA stress test. If the information provided by the bank has changed after one of the first submissions, data in that template should be amended in the next submission as long as the issuance was fully completed by the 31 March 2027. However, these events will not have an impact on the stress test result in terms of capital ratios for the relevant banks.

1.3.9 Approach

38. The approach of the exercise is a constrained bottom-up stress test with some top-down elements. Banks are required to project the impact of the defined scenarios using own models but subject to strict constraints and to a thorough review by competent authorities. For the projections of net fee and commission income and the credit loss path of sovereign exposures, banks are required to make use of prescribed parameters. Projections of interest rate margin components should follow the outcome of prescribed formulas.

1.3.10 Risk coverage

39. The EU-wide stress test is primarily focused on the assessment of the impact of risk drivers on the solvency of banks. Banks are required to stress the following common set of risks:

- Credit risk, including securitisations;
- Market risk, CCR and CVA;
- Operational risk, including conduct risk.

40. In addition to the risks listed above, banks are required to project the effect of the scenarios on NII and to stress P&L and capital items not covered by other risk types.

[5] Accordingly, discontinued operations which have not been disposed by the 31 December 2026 shall be included in full in scope of the stress test exercise. For starting points, P&L associated to discontinued operations should be reported separately in CSV_P&L RowNums 62 (disposed at cutoff date) and 63 (not disposed at cutoff date) ColNum 5. For projection years, revenues and costs associated to discontinued operations that have not been disposed by the 31 December 2026 must be computed according to the respective methodology of each risk area and the aggregate shall be reported directly in CSV_P&L RowNum 63, and not within each risk area templates. Banks shall provide in the explanatory note detailed analytical information on the reported discontinued operations and a complete reconciliation to the discontinued operations as reported in ITS data as of 31 December 2026 for the assets/liabilities and for the year 2026 for the respective revenues/costs.

41. The risks arising from sovereign exposures are covered in credit risk and in market risk, depending on their accounting treatment.

1.3.11 Process

42. The process for running the EU-wide stress test involves close cooperation between the EBA, the national competent authorities and the ECB, as well as the ESRB:

- The adverse macroeconomic scenario and any risk type specific shocks linked to the scenario are developed by the ESRB and the ECB in close cooperation with competent authorities, the EBA and national central banks. In particular, the ECB supplies the macroeconomic baseline scenario.

- The EBA coordinates the exercise, defines the common methodology as well as the minimum quality assurance guidance for competent authorities, and hosts a central question and answer facility. The EBA acts as a data hub for the final dissemination of the common exercise. The EBA also provides common descriptive statistics to competent authorities for the purpose of consistency checks based on banks' submissions.

- Competent authorities are responsible for conveying to banks the instructions on how to complete the exercise and for receiving information directly from banks. Competent authorities are also responsible for the quality assurance process — e.g. for validating banks' data and stress test results based on bottom-up calculations, as well as for reviewing the models applied by banks for this purpose. Competent authorities, under their responsibilities, may also run the EU-wide stress test on samples beyond the one used for the EU-wide stress test, and may also carry out additional national stress tests. They are also responsible for the supervisory reaction function and for the incorporation of the findings from the EU-wide exercise into the SREP.

43. The results of the EU-wide stress test on a bank-by-bank basis and in the form of aggregated analyses and reports are published by the EBA using common disclosure templates.

1.3.12 Overview of the methodology by risk type

Table 1: Overview of the methodology by risk type

Section	Scope	Impact on P&L and OCI	Impact on REA	Key constraints
Credit risk	P&L: amortised cost; securitisations and sovereign positions included; CCR and fair value positions excluded REA: CRR scope for credit risk including securitisations; CCR and fair value positions included	Banks' internal models based on stressed point-in-time PD and LGD parameters and grade migration reflecting the losses of initially performing exposures entering into S3 as well as the losses linked to initially S1 exposures that enter into S2 and become subject to lifetime ECL Additional impact — for initially S3 defaulted assets based on worsening LGD Additional impact — for initially S2 assets based on worsening LGD and lifetime PD Prescribed loss parameters for sovereign exposures	CRR requirements based on stressed PD and LGD parameters Impact on output floor via the projections of credit risk STREA.	No release of accumulated provisions for S3 exposures permitted No cures from S3 assets, i.e. no transitions from S3 to S2 or S1 REA floored at 2026 value (separately by regulatory approach) REA for securitisations floored at 2026 value separately for each securitisation regulatory approach

Section	Scope	Impact on P&L and OCI	Impact on REA	Key constraints
Market risk, CCR and CVA	All position valued at fair value (FVPL, FVOCI), including amortised cost positions in hedge-accounting relations; CCR exposures, positions subject to CVA and FuVA accounting. Accounting and AVA reserves for market price uncertainty, close-out costs and model uncertainty. REA: market risk and CVA.	Banks' own projections for client revenues for their positions held with a trading intent. CA and CA-Adv banks: full revaluation to all asset categories with full or partial fair value measurement under IFRS 9. TE banks: revaluation of all assets and liabilities with a full or partial fair value behaviour except items held with a trading intent and their related hedges. Revaluation of accounting and regulatory reserves (including CVA and FuVA). Default of up to 5 most vulnerable counterparties out of the 40 largest in terms of stressed exposure net of stressed collateral.	Both CRR2 and FRTB REA are considered by the methodology. The FRTB multiplier[6] is applied to mitigate the impact of the FRTB REA effects. For FRTB: ○ Alternative Standardised Approach (ASA) and Alternative Internal Model Approach (AIMA) and Simplified Standardised Approach (SSA) REA are kept constant in the adverse scenario. ○ RRAO constant in the baseline and in the adverse scenario. For CRR2 REA: ○ VaR constant in the baseline and replaced by SVaR in the adverse. ○ Stressed IRC and SA-CVA capital requirements. BA-CVA constant in the adverse scenario ○ APR constant in the baseline and scaled in the adverse. Standardised Approach (SA) CVA is projected by banks in the adverse scenario, while Basic Approach (BA) and CVA under the simplified method are kept constant in the adverse scenario. Simplified Standardised Approach (SSA) and for STA approaches and TE banks (excluding CVA).	No impact for the baseline scenario. Prescribed simplified approach for TE banks: impact of FVPL positions held with a trading intent and their related hedges is set equal to zero. HfT Floor: for CA and CA-adv banks, the impact of the full revaluation is floored based on FRTB-ASA REA figures. NTI baseline values prescribed as the minimum of the averages across the last 2, 3, and 5 years (the 2-year average floored at 0). The number of defaulting counterparties is set at individual bank level within a fixed range of 2 to 5, depending on the overall riskiness of the bank's portfolio. Losses from CVA and FuvA reserves in the adverse scenario (after considering eligible hedges) are capped at zero. Banks' own projections for client revenues capped at 80% of average client revenues over the past three years. REA for CVA and DRC floored at the increase for IRB REA.

[6] The 3rd Delegated Act provides that institutions adversely impacted by the transition to the FRTB framework may apply the overall multiplier set out in Article 495v CRR.

Section	Scope	Impact on P&L and OCI	Impact on REA	Key constraints
NII	P&L: all interest-earning or interest-paying positions across all accounting categories. Held-for-trading positions and their related hedges are excluded from the scope of the NII methodology and are treated separately. However, Economic hedges are in scope of the NII.	Banks' NII projections based on the repricing/replacement of their portfolio. Separate projections for margin and reference rates. NII from held-for-trading instruments, except for Economic Hedges, is projected separately in line with recent historical performance. Impact in the NII includes FX variations.	N/A	NII cannot increase under the adverse scenario Under the adverse scenario, assumptions cannot lead (at group level) to an increase in the bank's NII compared with the 2026 value before considering the impact of the increase of provisions for non-performing exposures on interest income. The income on non-performing exposures is calculated net of provisions, and under the adverse scenario subject to a cap on the applicable EIR at aggregate level. Under the baseline scenario, banks are required to reflect a proportion of the changes in the sovereign bond spread of the country of exposure in the margin component of the EIR of their repriced liabilities. Under the adverse scenario, the margin paid on liabilities must increase at the highest amount between a proportion of the increase in the sovereign spread and that of an idiosyncratic component. Under both the baseline and the adverse scenario, the increase of the margin on repriced assets is equal to a proportion of the increase in sovereign spreads.

Section	Scope	Impact on P&L and OCI	Impact on REA	Key constraints
Conduct risk and other operational risks	P&L: impact of potential future losses arising from conduct risk and other operational risks REA: CRR scope for operational risk	Banks' own estimations Specific approach based on qualitative guidance and additional reporting requirements for material conduct events Losses calculated as a function of gross earnings (the business indicator component) as a fall-back approach in case banks are unable to provide historical data	Banks shall report total capital requirements for operational risk at the starting point according to the CRR3, including providing transitional capital requirements, if they apply the Alternative Standardised Approach according to CRR3 Art. 314 (3 and 4). Total capital requirements stay constant and equal to the starting point.	Losses from new conduct risk events are subject to a floor, computed in the baseline scenario as the average of the historical conduct risk losses reported by the bank during the 2022-2026 period for non-material events only. A more conservative floor in the adverse scenario is achieved 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 during the 2022-2026 period times a multiplier. A more conservative floor in the adverse scenario is achieved by applying a stress multiplier to the average Capital requirements for operational risk stay constant and equal to the starting point.

Section	Scope	Impact on P&L and OCI	Impact on REA	Key constraints
Non-interest income, expenses and capital	P&L and capital items not in scope of risk types or NII	Banks' own estimates, but subject to constraints for specific P&L items Market risk methodology and macroeconomic shocks applied for non-financial assets and defined benefit pension plans Impact on NFCI is projected using prescribed growth rate parameters Impact in NIEC includes FX variations in administrative expenses and NFCI	N/A	'Dividend income' and the 'share of the profit of investments in subsidiaries, joint ventures and associates outside the scope of consolidation' cannot exceed the 2026 level in the baseline, while a minimum reduction of net income from each item compared with 2026 is prescribed for the cumulative projections in the adverse scenario. In the baseline scenario, NFCI growth rate parameters are subject to a floor. In the adverse scenario NFCI growth rate parameters are subject to a cap and a floor. NFCI in the adverse scenario includes FX variations to the starting point. 'Administrative expenses', 'remaining other operating expenses', 'depreciation', and 'other provisions or reversals of provisions' cannot fall below the 2026 value, unless an adjustment for one-offs is permitted. 'Cash contributions to resolution funds and deposit guarantee schemes' cannot fall below the 2026 value except for the contributions to the building-up of national DGSs. One-off adjustments are subject to a threshold of 5bps of 2026 REA. Administrative expenses include FX variations. Common tax rate of 30% applied. No P&L contribution for realised gains or losses, derecognition, goodwill, FX effects other than on 'NFCI' and 'Administrative expenses'. Other operating income capped at the 2026 value. Net operating leasing income is subject to a prescribed reduction of 10% compared with 2026 in the adverse scenario. For dividends paid: pay-out ratio based on publicly declared dividend policies. If no policy is available, the pay-out ratio in the baseline is the maximum of 30% and the median of the pay-out ratios in profitable years 2022-2026; in the adverse, the same pay-out ratio as in the baseline scenario shall be assumed (0 accepted in years in which a bank is making losses).

2. Credit risk

2.1 Overview

44. Banks are required to translate the credit risk impact of the macroeconomic scenarios on both the capital available — i.e. via impairments and thus the P&L — and the REA for positions exposed to risks stemming from the potential that a bank borrower will fail to meet its obligations in accordance to agreed terms. Banks are required to make use of their models considering a number of conservative constraints.

45. The estimation of credit impairments requires the use of statistical methods and includes the following main steps: (i) estimating starting values of the risk parameters, (ii) estimating the impact of the scenarios on the risk parameters, and (iii) computing changes in the stock of provisions that will drive the P&L impact.

46. Banks are required to forecast credit impairments at cost or amortised cost resulting from the materialisation of two separate scenarios (baseline and adverse) on the basis of IFRS 9 as prescribed in the methodology laid down in this section unless they are subject to nGAAP.[7] Considering the wide range of practices used by banks for the implementation of IFRS 9, Box 1 below lists a number of key assumptions to be used in the context of the stress test exercise.

Box 1: Summary of key assumptions for projection under IFRS 9

- The projection of provisions is based on a single scenario in each macroeconomic scenario (baseline and adverse), see paragraph 128.
- Perfect foresight on macroeconomic projections is assumed, i.e. banks should assume the path of the macroeconomic variables to be known in advance, aligning with the macroeconomic scenario during the stress projection horizon (2027-2029) and referring to the specifications in paragraph 123 after the end of the stress test horizon
- For S1 and S2 exposures, and for the purpose of estimating the respective ECL after the end of the scenario horizon, the adverse scenario credit risk parameters (i.e. stage transition probabilities and the corresponding loss rates across stages) are assumed to revert to the 2029 baseline credit risk parameters, a linear 6-year reversion is assumed. For S1 and S2 exposures, the baseline credit risk parameters are assumed to stay flat after the end of the scenario horizon (paragraph 124).

[7] In this case, the requirements stated under Annex VI shall be adhered to.

- For S3 exposures, both the adverse and the baseline credit risk parameters assume a flat profile for the macroeconomic variables after the end of the scenario horizon (paragraph 123).

47. For the estimation of credit risk REA, including the standardised REA according to point (a) of paragraph 5 of Article 92 of CRR3 and securitisation exposures, banks are required to adhere to regulatory requirements based on stressed regulatory risk parameters (section 2.5).

48. For securitisation exposures, banks are required to project specific credit risk adjustments based on the risk parameters of the underlying pool.

49. Banks' projections are subject to the constraints summarised in Box 2.

Box 2: Summary of the constraints on banks' projections of credit risk

- No cures from S3 exposures are permitted (paragraph 87), i.e. the only acceptable transitions are from stage 1 to stage 2, stage 2 to stage 1, stage 1 to stage 3 or stage 2 to stage 3.
- No release of accumulated provisions for any given S3 exposure is permitted over the scenario horizon (paragraph 142).
- The end-2026 level of REA serves as a methodological floor for the total unfloored REA for non-defaulted and defaulted exposures in the baseline and adverse scenarios. This floor is applied separately to overall aggregate IRB and STA portfolios. The methodological floor does not apply to STREA (paragraph 154).
- For securitisation exposures, the end-2026 level of REA serves as a methodological floor for the total unfloored REA separately for SEC-IRBA, SEC-SA, SEC-ERBA and SEC-IAA (paragraph 179).

2.2 Scope

50. For the estimation of the P&L impact, the scope of this section covers all sectors of counterparty (i.e. sovereigns, credit institutions, financial and non-financial corporates, and households) and all positions (including on-balance and off-balance sheet positions) exposed to risks stemming from the potential that a bank borrower fails to meet its obligations in accordance to agreed terms, except for exposures at fair value positions (FVOCI and FVPL), which are subject to the market risk approach for the estimation of the P&L effect (or through capital, via OCI, for FVOCI), as stated in section 3. For the avoidance of doubt, FVOCI and FVPL positions are excluded from the estimation of credit risk losses. The accounting treatment

scope of credit risk losses is at amortised cost and shall follow the reporting conventions of FINREP. [8]

51. Hedge-accounting hedges related to positions within the scope of this section should be treated as explained in section 3.2.

52. Conversely, the estimation of REA follows the CRR/CRD scope of credit risk and shall follow the reporting conventions of COREP. Therefore, exposures subject to CCR and fair value positions (FVOCI and FVPL) are to be included. Banks shall estimate the impact of the two scenarios on the risk weighted exposure amounts for credit risk.

53. The amounts reported in the credit risk templates related to the P&L impact and REA are based on the respective scope and reporting instructions applicable to each template and may therefore not be directly reconcilable.

54. Specific requirements for securitisation positions are separately covered in section 2.7.

55. The methodology described in this section also applies to the capital charge for IRC (see section 3.8).

2.3 High-level assumptions and definitions

56. The credit risk methodology is based on the following high-level assumptions, which apply to both on-balance sheet and off-balance sheet exposures. This applies without prejudice to the provisions set out in paragraph 83, as the reporting of individual credit risk parameters for off-balance sheet exposures is not required.

- The exposure transitions between the three impairment stages defined in IFRS 9 need to be provided for each year for on-balance sheet exposures.
- For exposures in S2 and S3, banks are expected to refer to stressed lifetime expected credit losses, in accordance with IFRS 9.
- The ECL calculation for S1 and S2 is performed based on the impairment stage where the exposures are at the end of each year, incorporating forward-looking information for the next year.

[8] In the specific situation where an institution holds loans and advances measured at fair value through profit or loss, and where these exposures are, in accordance with national requirements, match-funded by covered bonds also measured at fair value through profit or loss - thereby neutralising market risk between the asset and liability sides and leaving credit risk as the primary remaining risk driver - such loans and advances are under the scope of credit risk losses. Although this approach departs from the standard IFRS 9 treatment, it ensures that institutions applying the Danish balance-principle framework, where match-funding eliminates interest rate and market value risk, correctly reflect the underlying credit-risk profile of these loans.

- The ECL calculation for S3 exposures is performed incorporating the same year's risk considerations.

- A perfect foresight approach is adopted for the calculation of LGD/LR and lifetime ECL, whereby the full macroeconomic scenarios should be treated as known when calculating expected credit losses.

2.3.1 Definitions regarding impairment stages and POCI

57. Banks are required to provide starting point values for the end of year 2025 and the end of year 2026, as well as projected figures for the scenario horizon, split between Stage 1 (S1), Stage 2 (S2), Stage 3 (S3) and purchased or originated credit-impaired financial assets (POCI), as per the IFRS 9 regulation:

    - **S1** exposures are those whose credit risk has not increased significantly since initial recognition at the reference date and for which an entity shall measure the loss allowance at an amount equal to 12-month expected credit losses, as described in IFRS 9 5.5.5.

    - **S2** exposures are those whose credit risk has increased significantly since initial recognition at the reference date and for which the entity shall measure loss allowance at an amount equal to the lifetime expected credit losses while the exposure does not meet the definition of S3. Banks are required to project significant increase in credit risk in line with their accounting approaches, i.e. apply the S2 classification criteria used in their IFRS 9 models.

    - **S3** exposures are those for which existing evidence indicates a 'detrimental impact on the estimated future cash flows' as per the definition of a credit-impaired financial asset in Appendix A of the IFRS 9 regulation.

    - **POCI** exposures are those purchased or originated financial assets that are credit-impaired on initial recognition, as defined in Appendix A of the IFRS 9 regulation. For these assets the information shall be separately reported, outside the impairment stages, in alignment with FINREP reporting.

58. For the remainder of the document, performing exposure refers to the sum of S1 and S2 exposures, and non-performing exposure refers to S3.

2.3.2 Definition of sectors of counterparty and country of counterparty

59. The following paragraphs specify the criteria for allocating exposures by country and counterparty sector on an immediate or ultimate risk basis, as applicable. The procedure to

identify which countries are to be reported in stress test templates is described in section 2.3.9.1.

60. Banks are requested to provide information by country and sector of counterparty for the CR_SCEN template, and by sector of counterparty for CR_SCEN_OFF_BS template. This is to follow FINREP reporting practices as those templates target the reporting of financial losses. In particular, the reporting of the country of the counterparty and sector of counterparty shall be based on the residence of the immediate counterparty. Unlike in the COREP framework, substitution effects arising from eligible credit risk mitigation techniques (CRM) under Part Three, Title II, Chapter 4 of Regulation (EU) No 575/2013 shall not to be considered when allocating exposures by counterparty sector or country of counterparty, in accordance with established FINREP conventions. This does not preclude the consideration of collateral and other credit enhancements in accordance with the applicable accounting framework.

61. For the reporting of data underlying the calculation of REA, COREP reporting practices are followed as these metrics align with the regulatory framework. Specifically, eligible CRM techniques are to be considered in accordance with the applicable regulatory framework. The reporting is to align with COREP, which sets out the following conventions:

- The allocation of the sector of counterparty, which is that of the protection provider.
- The allocation of the country of counterparty, which refers to an ultimate-risk basis, i.e. the country of the underlying risk, which may be different from the country of incorporation of the obligor. Please note that exposures against international organisations are to be reported under the section for 'Other countries'.

2.3.3 Definitions of variables in template CR_SCEN

62. CR_SCEN refers to on-balance sheet positions, which are to be reported broken down by debt securities and loans and advances. This presentation is in alignment with the supervisory reporting of financial information (FINREP), to which stress test participating banks are subject following the supervisory reporting requirements set out in the CRR.

63. The definitions set out in previous sections apply, it is reminded in particular that the accounting treatment refers to amortised cost.

2.3.3.1 Information required from banks (white cells)

64. Banks are requested to provide information on end-of-year stocks at the starting point for:

- Exposures broken down by impairment stage and POCI (Exp S1, Exp S2, Exp S3, Exp POCI): this refers to **gross carrying amounts** (as defined in FINREP, Annex V, Part 1,

paragraph 34(b)), broken down by impairment stage and POCI (as defined in section 2.3.1.1). The Template Guidance provides a correspondence with relevant FINREP fields.

- **Accumulated impairments** broken down by impairment stage and POCI (Prov Stock S1, Prov Stock S2, Prov Stock S3, Prov Stock POCI): this refers to accumulated impairments (as defined in FINREP, Annex V, Part 2, paragraph 401), broken down by impairment stage and POCI (as defined in section 2.3.1.1). The Template Guidance provides a correspondence with relevant FINREP fields.

- **Overlays** broken down by impairment stage and POCI (Overlays S1, Overlays S2, Overlays S3, Overlays POCI): overlays refer to adjustments performed only after the applicable accounting model is operated (post-model adjustments). Therefore, they are different from the in-model adjustments that are performed inside the applicable accounting model (either before or during the run time of the model). The in-model adjustments include, in particular, adjustments to the model input (e.g. overrides to the component of forward-looking information); adjustments to the model parameters (e.g. alteration of a PD model input parameter); ad-hoc adjustments to the model or model calibration and macro-overlays which complements existing client rating model and provides or alter credit risk parameters (e.g. PD) by incorporating forward-looking macroeconomic information. The use of the 'low credit risk exemption' of IFRS 9 and the staging transfers resulting from a collective SICR assessment shall not be reported as overlays/in-model adjustments. They shall be broken down by impairment stage and POCI (as defined in section 2.3.1.1).

65. The projections for the variables listed in paragraph 64, with the exception of POCIs, are derived based on the formulae embedded in the templates as set out in section 2.4.

66. Banks are requested to provide information at the starting point and the projection horizon for **point-in-time risk parameters**, which are the forward-looking projections of the 12-month transitions between each of the three impairment stages and the associated loss rates.

67. **Transition rates (TR)** denote the probability of moving between the stages (S1, S2 or S3) within 12 months. Suffixes indicate the applicable transition in that year (e.g. 1-3 indicates that the parameter refers to S1 to S3 transitions in year *t*). The definitions for the transition rates are as follows, where in all cases the data reported shall include any temporary model/manual adjustment or overlay that has been applied directly at the level of the PD parameter.

- **PD 12M S1** (**TR^{1-3}**) refers to the forward-looking probability of a default event by the end of year *t* for those exposures classified in Stage 1 at the beginning of the year (i.e. end of *t-1*). As an illustration, the PD 12M S1 reported in the section referring to year 2026 in the templates indicates the probability of exposures classified in Stage 1 at the end of 2025 to register a default event by the end of 2026.

- **PD 12M S2** (**TR^{2-3}**) refers to the forward-looking probability of a default event by the end of year *t* for those exposures classified in Stage 2 at the beginning of the year (i.e. end of *t-1*). As an illustration, the PD 12M S2 reported in the section referring to year 2026 in the templates indicates the probability of exposures classified in Stage 2 at the end of 2025 to register a default event by the end of 2026.

- **TR^{1-2}** refers to the forward-looking probability that exposures classified in Stage 1 at the beginning of year *t* (i.e. end of *t-1*) migrate to Stage 2 by the end of the year *t*.

- **TR^{2-1}** refers to the forward-looking probability of exposures classified in Stage 2 at the beginning of year *t* (i.e. end of *t-1*) migrate to Stage 1 by the end of the year *t*.

- **TR^{3-1}** refers to the forward-looking probability that exposures classified in Stage 3 at the beginning of year *t* (i.e. end of *t-1*) migrate to Stage 1 by the end of the year *t*. Please note that this information is only required for the starting point and that the no cure assumption holds for both for the baseline and for adverse scenario.

- **TR^{3-2}** refers to the forward-looking probability of exposures classified in Stage 3 at the beginning of year *t* (i.e. end of *t-1*) migrate to Stage 2 by the end of the year *t*. Please note that this information is only required for the starting point and that the no cure assumption holds for both for the baseline and for adverse scenario.

68. **LGD** refers to projected losses associated with possible S3 events. For the lifetime horizon (denoted by LT), loss rates (LR) refer to the expected credit losses due to S3 events expected over the lifetime of the exposures. For example, the total exposure in S2 multiplied by LRLT S2 should give the lifetime expected credit losses required. Suffixes indicate the applicable transition in that year (e.g. 1-3 indicates that the parameter refers to S1 to S3 transitions in year *t*). The related definitions are as follows, where in all cases the data reported shall include any temporary model adjustment or overlay that has been applied directly at the level of the LGD parameter.

- **LGD S1:** The weighted average LGD of the gross carrying amounts in the respective portfolio, which are classified in Stage 1 at the end of *t-1*. The LGD shall be the one associated with default events by the end of year *t* of those exposures classified in S1 at the beginning of the year *t* (i.e. end of *t-1*). The weight used to compute the weighted average LGD in the respective portfolio shall be the gross carrying amounts of S1 exposures at the end of *t-1* multiplied by the PD 12M S1 for year t.

- **LGD S2:** The weighted average LGD of the gross carrying amounts in the respective portfolio, which are classified in Stage 2 at the end of end of *t-1*. The LGD shall be the one associated with default events by the end of year *t* of those exposures classified in S2 at the beginning of the year *t* (i.e. end of *t-1*). The weight used to compute the weighted average LGD in the respective portfolio shall be the gross carrying amount of S2 exposures at the end of *t-1* multiplied by the PD 12M S2 for year t.

- LGD S3:
    - **Starting point**: LGD S3 is the weighted average LGD of the gross carrying amounts in the respective portfolio, which are classified in Stage 3 at the end of the reporting year and used to compute the final expected credit loss, i.e. the lifetime expected loss rate. The weight used to compute the weighted average LGD shall be the gross carrying amounts in the respective portfolio, classified as S3 exposures at the end of *t*. This parameter shall be reported in the 'within year' section, but will refer to and will apply to the exposure at the end of the year *t* (i.e. after transitions).
    - **Projection horizon:** LGD S3 refers to the lifetime expected loss rate associated with all exposures that are in S3 at the beginning of the exercise (i.e. "old S3"). For the avoidance of doubt, in each year t, this loss rate is applied to the same amount of S3 exposure, i.e. to the stock of S3 at 31 December 2026. Note that that S3 exposures cannot transition to another stage because of the 'no cure' constraint. This parameter shall be reported in the 'within year' section, but will refer to and will apply to the exposure at the end of the year *t.*

- **LRLT S2 is** the weighted average lifetime loss rates for stage 2 exposures at the end of the year *t*, as used to compute the final expected credit loss. The weight used to compute the weighted average LRLT S2 in the respective portfolio shall be the gross carrying amounts, classified as S2 end of the year *t.* This parameter shall be reported in the 'within year' section, but will refer to and will apply to the exposure at the end of the year *t* (i.e. after transitions). It shall be forward looking (i.e. consider macroeconomic conditions from the end of the year until the lifetime of underlying exposures).

69. The following requirements apply to TR, LGD and LR used for the projection of impairments:

- Since they are reported at a portfolio level, each TR , PD and LR shall be calculated as an exposure-weighted average, while each LGD shall be calculated as an average weighted by the corresponding PD and exposure.[9] The aggregation of LGD for impairment purposes in template CSV_CR_SCEN will therefore differ from that of LGD in template CSV_CR_REA_IRB_DET, as the latter follows the COREP instructions and is weighted solely by the exposure.

- All TR, PD, LGD and LR used for forecasting impairments are point in time (PiT) parameters which capture current trends in the business cycle. They may include portfolio improvement effects where banks calculate risk parameters at a rating class level. Banks for which projected credit risk parameters are affected by portfolio improvement effects may be asked by the competent authority to report the exposures and default probability per rating class.

[9] Exposure refers to gross carrying amounts, as previously defined in paragraph 64.

- LGDs and LRs should take collateral into account. The development of these parameters is affected by grade migrations and such an effect is to be addressed in the estimation.

70. Banks are required to report the **LTV ratio** for real estate related exposure classes [10] as the exposure-weighted average of the LTV ratio at loan level. The LTV ratio at loan level is given by the gross carrying amount of the loan divided by real estate collateral value. [11] Real estate collateral (available) is expressed as the current value of the property assessed by an independent external or internal appraiser[12] that is available to cover Exp S1, Exp S2 or Exp S3. The collateral value should reflect the evolution of real estate prices in the respective macroeconomic scenario and haircuts applied for accounting purposes as part of the calculation of provisions (if any). [13]

71. **Average maturity** refers to the performing exposure-weighted residual maturity of the exposures included in the asset class reported. This field refers to the remaining contractual period until the expiration date of the exposure, should be the same maturity used in the IFRS9 projections and should not be confused with the period of time until the loan is repriced. The calculation of this field should not consider assets that do not have a defined maturity. [14] If a specific asset class is entirely composed of assets without defined maturity, the "average maturity" field should not be filled in for those asset classes for which no credit risk benchmarks are available [15] and should be calculated on a best effort basis for the remaining. See section 2.3.2 for further detail on the treatment of residual maturity under a static balance sheet assumption.

72. Regarding the **starting points**, it is clarified that historical values for the variables listed in Table 2 shall be reported in CSV_CR_SCEN for the end of 2025 and of 2026, according to the portfolios applicable on 31 December 2026. [16] The absolute values shall be the historically observed amounts reported on the basis of the accounting standard applicable and provisions shall be net of releases, but including management overlays in accordance with IFRS9 which might be used to offset future expected losses, subject to the restriction set out in paragraph 142. The stand-alone reporting of overlays is only required for 2026 for simplicity (i.e. variables "Overlays S1", "Overlays S2", "Overlays S3" and "Overlays POCI".

73. Please note that for the reporting of the projected periods the variable "Provisions old stage 3" shall always relate to the stock of S3 on 31 December 2026.

[10] Exposures secured by commercial real estate for corporates and lending for house purchase for households.

[11] No cap is applied to the collateral value used as an input for the calculation of the LTV.

[12] If such assessment is not available, the current value of the property can be estimated using a granular real estate value index (e.g. based on the transaction data).

[13] The denominator of the LTV ratio shall include only real estate collateral.

[14] If an asset class includes products without contractual maturity, the average maturity shall be calculated without taking into consideration the assets that do not have defined maturity.

[15] No credit risk benchmarks are available for the following pivot asset classes 'Debt Securities – Central banks', 'Debt Securities – Credit institutions', 'Debt Securities – Other financial corporations', 'Debt Securities – Non financial corporations', 'Loans and advances – Central banks'.

[16] This implies that the sectorial allocation for 2025 data should be restated following NACE Rev. 2.1.

Table 2: Historical information to be provided for 2025-2026

Fields to be populated for 2025 and 2026
Performing exposure, of which: stage 1 (Exp S1)
Performing exposure, of which: stage 2 (Exp S2)
Non-performing exposure (Exp S3)
POCI exposures (Exp POCI)
Stock of provisions (Prov Stock)
Of which: stage 1 (Prov Stock S1)
Of which: stage 2 (Prov Stock S2)
Of which: non-performing assets (Prov Stock S3)
Of which: POCI (Prov Stock POCI)

74. Starting point parameter values are to be reported for 2026 as given in Table 3. These parameter values are estimates from banks' own models, which are used to compute provisions according to the relevant accounting standard 2.4.1. For the actual 2026 data, this estimation of starting point parameters shall be based on the end-2025 line-by-line decomposition of the portfolio and shall rely on the most updated information.

Table 3: Starting point parameters to be provided for 2026

Parameter	To be provided for 2026
TR	PD 12M S1, PD 12M S2, TR^{1-2}, TR^{2-1}, TR^{3-1}, TR^{3-2}
LGD	LGD S1, LGD S2 LGD S3
LR	LRLT S2

2.3.3.2 Other variables in CR_SCEN

75. Exposure and provisions flows are not reported in the starting point and are calculated directly via the template formulas over the projections horizon, as follows:

- **Stage 1 flow (S2-S1 flow)** measures the gross carrying amount of exposures that are S1 at the end of a given year out of those that were S2 at the beginning of the year (end of previous year).

- **Stage 2 flow (S1-S2 Flow)** measures the gross carrying amount that are S2 at the end of a given year out of those that were S1 at the end of the previous year.

- **Stage 3 flow (SX-S3 Flow)** measures the gross carrying amount of exposures that entered into S3 during a given year out of those that were performing (S1 or S2) at the

end of the previous year. The projected values will be computed based on the methodology stated in this section.

76. Stage 3 flow (SX-S3 Flow) is further split into **Stage 3 flow S1 to S3 (S1-S3 Flow)** and **Stage 3 flow S2 to S3 (S2-S3 Flow)** based on classification — as either S1 or S2 — of the exposure at the end of the previous year. S3 flow (SX-S3 Flow) equals the sum of S3 flow from S1 (S1-S3 Flow) and S3 flow from S2 (S2-S3 Flow).

77. Exp S3 is further split into:

- Existing S3 exposures at the beginning of the exercise (**Exp Old S3**): this is the initial stock of S3 gross carrying amounts for on-balance sheet positions.

- Cumulative New S3 gross carrying amounts for on-balance sheet positions since the beginning of the stress test horizon (Cumul New Exp S3): this is the sum of SX-S3 flows since the starting point (i.e. 31 December 2026). For example, as cures from S3 are not to be recognised for projections, the Cumulative New S3 exposures (Cumul New Exp S3) at the end of 2028 should be the sum of the SX-S3 flow during 2027 and the SX-S3 flow during 2028. The total stock of S3 exposures at the end of 2028 is therefore the sum of the existing S3 exposures at the beginning of the exercise (Exp Old S3) and the Cumulative New S3 exposures (Cumul New Exp S3) at the end of 2028.

- **Prov Stock S3** the sum of **Cumul Prov SX-S3** and **Prov old S3** in the projection horizon**.**

- **Provisions new S3 (Prov SX-S3)** are the accounting stock figures which are allocated, at the end of the year, to the S3 exposures that were S1 or S2 at the end of the previous year and are S3 at the end of the year. Provisions new S3 (**Prov SX-S3**) are the sum of Provisions S1 to S3 (**Prov S1-S3**) and Provision S2 to S3 (**Prov S2-S3**).

- Cumulative provisions new S3 (**Prov Cumul SX-S3**) are the sum of Provisions new S3 (Prov SX-S3) since the beginning of the exercise (i.e. since 31 December 2026).

- **Provisions S1 to S1** (**Prov S1-S1**) reflects the S1 provisions for assets that begin and end the year in S1. It reflects, for example, changes in ECL due to macroeconomic scenario changes or rating migrations. Like for the other provisions of performing exposures that stay within the same stage during the year *t* (Prov S2-S2), provisions are calculated based on an underlying exposure that is already adjusted for exposures that transition to other stages.

- **Provisions S1 to S2 (Prov S1-S2)** reflects the S2 provisions on exposures that begin the year as S1 assets and migrate to S2 — thus becoming subject to a lifetime ECL with perfect foresight.

- **Provisions S1 to S3 (Prov S1-S3)** reflects the S3 provisions on exposures that begin the year as S1 assets and migrate to S3 — thus becoming subject to a lifetime ECL with perfect foresight.

- **Cumulative provisions S1 to S3 (Prov Cumul S1-S3)** reflects the sum of Provisions S1 to S3 (Prov S1-S3) since the beginning of the exercise.

- **Provisions S2 to S1 (Prov S2-S1)** reflects the S1 provisions on exposures that begin the year as S2 and migrate to S1.

- **Provisions S2 to S3 (Prov S2-S3)** reflects the S3 provisions on exposures that begin the year as S2 and migrate to S3.

- **Cumulative provisions S2 to S3 (Prov Cumul S2-S3)** reflects the sum of Provisions S2 to S3 (Prov S2-S3) since the beginning of the exercise.

- **Provisions S2 to S2 (Prov S2-S2)** reflects the S2 provisions on exposures that begin and end the year in S2 (regardless of the stage they end up eventually during their lifetime). As such, provisions for exposures transitioning to another stage within the year *t* are reflected in other "Prov" items and the underlying exposure for the calculation of the Prov S2-S2 is therefore adjusted for those exposures. In line with paragraph 123, banks are required to reflect the full impact of the scenario (with perfect foresight) on the calculation of lifetime ECL on S2 exposures. ECL on S2 assets may change afterwards only if, during the stress test horizon, exposures mature, amortise or migrate to S3 or S1.

78. The projected **Provisions old S3 (Prov old S3)** reflects the provisions on S3 assets already existing at the beginning of the stress test exercise (i.e. related to Exp Old S3).

2.3.4 Definitions of variables in CR_SCEN_OFF_BS

79. Data regarding the starting points and projections of off-balance sheet positions and provisions under IFRS9 impairment and shall be reported separately from on-balance sheet exposures, in template CR_SCEN_OFF_BS.

80. The definitions and constraints set out in previous sections apply. It is noted that no information by country of counterparty is required.

81. Data are to be reported broken down by loan commitments, financial guarantees, and other commitments. This presentation is in alignment with the supervisory reporting of financial information (FINREP), to which stress test participating banks are subject following the supervisory reporting requirements set out in the CRR. The definitions shall align with those in F 09 of FINREP.

82. Banks are requested to provide information for the starting points and projections on:

- **Nominal amounts** (total nominal amount before CCF) broken down by impairment stage and POCI: as defined in FINREP, Annex V.Part 2.107-108, 118. The Template Guidance provides a correspondence with relevant FINREP fields in F 09. Only starting points are required.

- **Exposure measure from off-BS positions** (Total nominal amount after CCF) broken down by impairment stage and POCI: the nominal amount multiplied by the accounting credit conversion factor. For loan commitments, this amount shall reflect the expected proportion of the undrawn commitment that will be drawn and outstanding at default. For financial guarantee contracts, it shall reflect the exposure arising from the maximum amount of the guarantee that can be considered, in accordance with the institution's applicable accounting methodology. Where an accounting CCF is used, the reported amount shall be determined after applying that factor to the relevant nominal off-balance-sheet amount. For other commitments, this amount shall reflect the exposure expected to arise from the commitment and remain outstanding at the time of default as used in the institution's estimation of expected credit losses under the applicable accounting framework.

- **Provisions** broken down by impairment stage and POCI: as defined in FINREP, Annex V Part 2, paragraphs 106-109. The Template Guidance provides a correspondence with relevant FINREP fields.

83. Banks are required to provide impairments projections for their off-balance exposures, in line with the macro-financial scenarios. The reporting of individual credit risk parameters is not required, differently from on-balance sheet exposures. However, it is expected that the projected provisions for off-balance sheet exposures are calculated following the same methodology used for the measurement of the corresponding accounting provisions.

2.3.5 Definitions regarding the reporting of data for REA

84. Exposure value refers to the exposure serving as the basis for computation of REA, according to COREP definitions, as set out in Article 111 of the CRR (for the STA portfolio) and Articles 166-168 of the CRR (for the IRB portfolio). For the reporting of exposure values at the starting point and the projections banks shall follow the definitions applicable on 31 December 2026.

85. Regulatory risk parameters (the "PD assigned to the obligor grade or pool – for non defaulted exposures" and "Exposure weighted average LGD") refer to those parameters used for the calculation of capital requirements as prescribed by the CRR. For the reporting of regulatory risk parameters at the starting point and the projections banks shall follow the definitions applicable on 31 December 2026.

86. “ELBE - defaulted exposures” is the institution's best estimate of expected loss following the prescriptions of the CRR, please refer specifically to Article 181(1)(h). “Expected loss amount” follows COREP definition, as set out in Article 158 of the CRR. “Risk weighted exposure amount pre-supporting factors” and “Risk weighted exposure amount after supporting factors” follow COREP definitions, as set out in Article 153, paragraphs 1, 2, 3 and 4 and Article 154(1) of the CRR. For “Risk weighted exposure amount pre-supporting factors”, supporting factors laid down in Articles 501 and 501a of the CRR shall not be taken into account. “Credit risk adjustments” follow COREP definition, as set out in Article 110 of the CRR. Across all CR REA IRB templates, “defaulted exposures” refer to the exposures which have been classified as defaulted exposures in accordance with Article 178 of the CRR.

2.3.6 Static balance sheet assumption

87. According to the static balance sheet assumption, banks are not permitted to replace S3 exposures. New S3 exposures are moved into the stock of S3 exposures, reducing the stock of S1 and/or S2 and keeping the total exposure at a constant level. Furthermore, for the purpose of calculating exposures, it is assumed that no cures from S3 or de-recognitions (such as write-offs or NPL sales) should take place within the 3-year horizon of the exercise. [17] Moreover, POCI exposures are also static throughout the projected horizon and cannot migrate to other accounting stages. Only the stock of provisions for these exposures are to be projected according to the macro-financial scenario.

88. Within the credit risk framework, and for the purpose of calculating the credit REA, the initial residual maturity is kept constant for all assets. For example, a 10-year bond with residual maturity of 5 years at the start of the exercise is supposed to keep the same residual maturity of 5 years throughout the exercise — if it matures or amortises during the stress test horizon it has to be replaced with a bond having the same residual maturity and credit risk characteristics. It should be noted that the constant residual maturity applies, in particular, to the maturity factor used in A-IRB, but also the favourable risk weights for short-term exposures in STA.

89. For the purpose of calculating impairments over the 3 years of the scenario, the assumption of a constant balance sheet is also held. Thus, if assets mature or amortise during the stress horizon they have to be replaced with assets with the same credit risk characteristics (including IFRS 9 or nGAAP stage classification) and residual maturity to keep the balance sheet stable.

[17] This is not to be confused with the inclusion of assumptions on future cure rates and write-offs in the generation of LGD parameters, which are implicitly assumed, where applicable. While the impact of cures for reducing projected S3 exposures are not considered for the purpose of this exercise, assumed cure rates are an important component of the LGD estimations.

90. Consistent with the static balance sheet assumption, credit exposure changes result only from yearly S1, S2 or S3 exposure flows. [18] Market value fluctuations have no impact on the exposure and, in particular, cannot decrease the exposure. In addition, fair value effects shall have no impact on exposure and REA. This includes changes in the FX rate.

91. For the purpose of calculating impairments and credit REA during the stress test horizon, maturing loans falling under a public guarantee scheme (PGS) from the EBA list of PGS [19] as a response to the COVID-19 pandemic shall always be replaced with the guarantee, regardless of whether the particular PGS is expected to still be in place or not at the moment of replacement.

2.3.7 Asset classes

92. Banks are required to report exposures broken down by asset classes pre-defined in supervisory reporting:

- For impairments calculations for on-balance sheet exposures, see Table 4, please refer to section 2.2.2. in the Template Guidance
- For impairments calculations for off-balance sheet exposures, see Table 5, please refer to section 2.2.3. in the Template Guidance
- For credit risk REA calculations, see Table 6, Table 7 and Table 8, based on COREP.

93. The initial segmentation shall not change for the reporting of the projections (e.g. changes in the value of collateral or the increase of collateral when an exposure becomes non-performing shall not lead to reporting exposures, risk exposures or provisions in asset classes different than the initial one). However, the REA shall always reflect changes that, according to the CRR, would lead to different risk weights (e.g. a decrease in the value of the collateral shall lead to an increase of REA for STA banks driven by a lower amount of exposure under the treatment of exposures secured by mortgages on immovable property).

Table 4: Portfolios for impairments for on-balance sheet exposures reporting (CR_SCEN).

Portfolios for impairments reporting (on-balance sheet exposures)
Debt securities
Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations

[18] For the avoidance of doubt, for banks using credit conversion factors for the calculation of exposure measure of off-balance sheet positions, the accounting CCF over the projection horizon is to be fixed at the starting point value.

[19] https://eba.europa.eu/eba-publishes-overview-public-guarantee-schemes-issued-response-covid-19-pandemic.

of which: Securitisations
Loans and advances
Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations
Small and medium-sized enterprises (SME) - Commercial real estate (CRE) loans
Small and medium-sized enterprises (SME) - Other loans
Non-financial corporations other than SMEs - Commercial real estate (CRE) loans
Non-financial corporations other than SMEs - Other loans
Households
Lending for house purchase
Credit for consumption
Other households loans

Table 5: Portfolios for impairments for off-balance sheet exposures (CV_CR_SCEN_OFF_BS)

Portfolios for impairments reporting (off-balance sheet exposures)
Loan commitments given
Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations
Households
Financial guarantees given
Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations
Households
Other Commitments given
Central banks
General governments
Credit institutions
Other financial corporations
Non-financial corporations
Households

94. The following tables contain the asset classes to be used for credit risk REA, for the starting point as of 31 December 2026.

95. It is noted that under the IRB corporate exposure class as per the CRR3, the breakdown by size is to be reported with respect to the "Corporate – Other" asset class as described in COREP, which refers to exposures to corporates as per Article 147(2), point (c)(i), of the CRR. Specifically, "Corporate – Other – Large corporates" refers to Article 147(2), point (c)(i), of the CRR in conjunction with the definition of large corporate provided under CRR Article 142(5a). "Corporate – Other – SMEs" refers to Article 147(2), point (c)(i), of the CRR in conjunction with the SME definition set out in Article 5(9) of the CRR. "Corporate – Other – Other" refers to exposures under Article 147(2), point (c)(i) that do not meet neither the SME definition set out under CRR Article 5(9) nor the Large corporate definition established under CRR Article 142(5a).

Table 6: Overview of IRB asset classes for REA reporting – starting points and projections

IRB asset classes
Central governments or central banks
Regional governments or local authorities
Public sector entities
Institutions
Corporates
Specialised Lending
of which: Specialised Lending - Project Finance
of which: Specialised Lending - Object Finance
of which: Specialised Lending - Commodities Finance
of which: Specialised Lending - IPRE
Purchased receivables
Other - SME
Secured by immovable property
Not secured by immovable property
Other - Large Corporates
Secured by immovable property
Not secured by immovable property
Other - Other
Secured by immovable property
Not secured by immovable property
Retail
Secured by residential real estate
Qualifying Revolving
Purchased receivables
Other Retail
SME
Non-SME
Collective investments undertakings (CIU)
Equity

Table 7: Overview of STA asset classes for REA reporting – starting points

STA asset classes for starting points
Central governments or central banks
Regional governments or local authorities
Public sector entities
Multilateral Development Banks
International Organisations
Institutions
Corporates
of which: SME
of which: Specialised lending
Retail
of which: SME
Secured by mortgages on immovable property and ADC exposures
Secured by mortgages on residential immovable property
Secured by mortgages on commercial immovable property
Acquisition, development and construction (ADC)
of which: SME
Exposures in default
Subordinated debt exposures
Covered bonds
Claims on institutions and corporates with a short-term credit assessment
Collective investments undertakings (CIU)
Equity exposures
Other exposures

Table 8: Overview of STA asset classes for REA reporting – projections

Aggregate STA asset classes for projections
Selected low default portfolios *(Central governments or central banks, Regional governments or local authorities, Public sector entities, Multilateral Development Banks, International Organisations and Institutions)*
Corporates
Retail
All other exposures *(Secured by mortgages on immovable property and ADC exposures, Exposures in default, Subordinated debt exposures, Covered bonds, Claims on institutions and corporates with a short-term credit assessment, Collective investments undertakings (CIU), Equity exposures and Other exposures)*
Total exposures
of which: Exposures in default

2.3.8 Definitions of variables in CR_SECTOR

96. For exposures covered under the non-financial corporations portfolio, banks are required to provide an additional breakdown of these exposures in CSV_CR_SECTOR according to the Level 1 of the NACE classification system Rev 2.1 [20], plus the manufacturing NACE 2 aggregates identifying the high- and low- energy intensive manufacturing, as described in the template guidance. The allocation by economic sectors shall be based on the nature of the direct counterparty. Where the institutions' counterparty is a holding company, institutions shall consider the NACE sector of the specific obligor controlled by the holding company (if different from the holding company) which receives the funding (i.e. the specific subsidiary of the holding company in question) rather than that of the holding company, particularly in those cases where the obligor that is benefiting from the financing is a non-financial corporate. Similarly, when the direct counterparty of an institution (the obligor) is a special purpose vehicle (SPV), institutions shall disclose the relevant information under the NACE sector associated with the economic activity of the parent company of the SPV[21].

97. The classification of the exposures incurred jointly by more than one obligor shall be based on the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure. The distribution of jointly incurred exposures by NACE codes shall be driven by the characteristics of the more relevant or determinant obligor. Specifically, when the direct counterparty carries out activities across several NACE sectors, the exposure should be allocated to the sector corresponding to its principal economic activity, rather than distributed across the different sectors. In such cases for example different activities are conducted under one single entity with one single LEI. Further, when a counterparty belongs to a group operating in several economic sectors, the allocation should not automatically be based on the principal economic activity of the group as a whole, but rather on that of the direct counterparty. For example, an automotive group comprises subsidiaries operating in manufacturing, distribution and financial services, an exposure to a subsidiary whose activity is distribution should generally be allocated to the corresponding distribution sector, rather than to manufacturing simply because this is the group's predominant activity. In such cases entities would typically have different LEIs

98. Institutions shall disclose information by NACE codes with the level of granularity required in the rows of the template. Institutions shall make use of the most granular information available to ensure the most accurate allocation of exposures to the relevant NACE code

[20] Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains. Banks shall consider the regulation applicable on 31 December 2026.

[21] As an illustration, exposures towards a special-purpose vehicule or holding financing manufacturing activities will not be classified as financial activities. Instead those exposures will be allocated to the manufacturing sector.

99. The variables requested follow the same definitions and scope as in CR_SCEN, although the information is simplified, in particular 1) the individual reporting of overlays is not required and 2) information by sector is only required for on-balance sheet exposures. In alignment with CR_SCEN, the scope and definitions in previous sections apply. In particular it is reminded that the accounting scope is amortised cost and that information is to be reported by country of counterparty an immediate basis.

100. For proportionality reasons, starting point information shall be reported only when the combination of (country, sector) is deemed as material, once the geographical breakdown has been determined in accordance with paragraph 102. A sectorial exposure in a given country shall be considered material where the sectorial exposure in that country is equal to or greater than 0.5% of total exposures to NFCs. Exposures below this threshold are not to be reported. Regarding projections, the same proportionality thresholds should be followed, i.e. only material (country, sector) combinations are to be reported.

101. Due to the application of the materiality threshold, it is acknowledged that exposures, provisions, and parameters at country level might differ between CSV_CR_SECTOR and CSV_CR_SCEN, both for starting points and projections. Exposures and provisions CSV_CR_SECTOR should be subset of the NFC exposures and provisions reported in CSV_CR_SCEN.

2.3.9 Definitions of countries of counterparty

2.3.9.1 CR_SCEN and CR_SECTOR

102. The breakdown by country of the counterparty shall be reported based on the following rules:

- Where the institution exceeds the threshold laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/3117 (non-domestic banks), the geographical breakdown shall be reported. Therefore, data for the countries where exposures [22] in all non-domestic countries in all exposure classes, as reported in accordance with template C 04.00, row 0850, are equal to or higher than 10 % of total domestic [23] and non-domestic original exposures as reported in accordance with template C 04.00, row 0860 will be reported, subject to the following constraints:
  - A **maximum of 10 countries** will be reported, in the order of the materiality of exposures, as defined in Annex II of COREP instructions [24] underlying the threshold

[22] In line with Annex II of the COREP reporting instructions, the exposures refer to original exposures pre-conversion factor.

[23] Exposures shall be deemed to be domestic where they are exposures to counterparties located in the Member State where the institution is established.

[24] Instructions for reporting on own funds and own funds requirements.

laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/311. Any further exposures exceeding the top 10 countries will be reported in an aggregate manner under the geography 'Other'.

  - Only material non-domestic countries of counterparty are to be reported, defined as those for which the amount of non-domestic exposures exceeds 1% of the sum of total domestic and non-domestic exposures. Remaining non-domestic countries shall be allocated to the geography 'Other'.

- Where the institution's domestic exposure exceeds 90% of the sum of total domestic and non-domestic exposures (domestic banks), the domestic exposure is reported under the institution's country of residence, while the aggregated data for non-domestic exposures shall be reported under geography 'Other'.

103. For example, a non-domestic bank with its exposure concentrated in 6 countries, of which the exposure in 2 of the countries is (individually) less than 1% of the total exposure (non-material countries), will fill in data only for those 4 countries, which are specifically above the 1% materiality threshold. The information for the two non-material countries will be reported aggregated under geography 'Other'. In contrast, a non-domestic bank with exposures in 15 countries, of which the exposure in 4 of the countries is (individually) less than 1% of the total exposure, will fill in data only for the most material 10 countries. The information for the 4 non-material countries and the additional material country will be reported aggregated under geography 'Other'.

104. The cut-off date to define the exposures for the selection of the country breakdown is 31 December 2026. The selected countries of the counterparties and their order remain constant for the respective credit risk templates (CSV_CR_SCEN, CSV_CR_SECTOR).

105. Banks are required to report discontinued operations that were still in the balance sheet at the cut-off date as specified in paragraph 36 and footnote 5.

2.3.9.2 CR_REA_STA_DET and CR_REA_IRB_DET

106. Banks are required to provide credit risk information by asset class and regulatory approach (STA and IRB) for the total exposure, for the most relevant countries of counterparties to which the banks are exposed, and for an 'Other countries' breakdown. The cells for the whole banking group contain the overall exposure of the group towards all counterparties and are the sum of the country-by-country and 'Other countries' cells and therefore, they should not be included in the set of counterparties considered when providing the breakdown by country of the counterparty.

107. The breakdown by country of the counterparty will be reported according to proportionality criteria. Where the institution exceeds the threshold laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/3117 (non-domestic banks), the

geographical breakdown shall be reported. Therefore, data for the countries where exposures in all non-domestic countries in all exposure classes, as reported in accordance with template C 04.00, row 0850, are equal to or higher than 10 % of total domestic and non-domestic original exposures as reported in accordance with template C 04.00, row 0860 will be reported, subject to the following constraints:

- A **maximum of 5 countries** will be reported, selected in the order of the aggregated the materiality of exposures (total STA + IRB), as defined in Annex II of COREP instructions, underlying the threshold laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/311. The same set of countries will be reported in both templates CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET. Any further exposures exceeding the top 5 countries will be reported in an aggregate manner under the geography 'Other', for each regulatory approach.

- Only material non-domestic countries of counterparty are to be reported, defined as those for which the amount of non-domestic exposures **exceeds 1%** of the sum of total domestic and non-domestic exposures. Remaining non-domestic countries shall be allocated to the geography 'Other'.

108. To note that the selection of countries for the CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET is following the overall same criteria as the selection of countries for CSV_CR_SCEN and CSV_CR_SECTOR (paragraph 102), except for the number of countries. Therefore, the countries reported in CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET will be a subset of the most material countries reported in CSV_CR_SCEN and CSV_CR_SECTOR and will be reflected in the same order as in CSV_CR_SCEN and CSV_CR_SECTOR.

109. Unlike the case of CR_SCEN and CR_SECTOR country reporting, where non-domestic exposures do not exceed the threshold laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/3117, the total domestic and non-domestic exposure are to be reported under the institution's country of residence (i.e. no information will be reported under geography 'Other').

110. Starting points at the end of 2026 in CSV_CR_REA_STA_DET, CSV_CR_REA_IRB_DET and CSV_CR_REA_OF are to be reported according to the portfolios applicable on 31 December 2026, for the variables listed in Table 9.

Table 9: Starting point parameters for the REA templates

STA
Exposure value
Specific credit risk adjustments and additional value adjustments and other own funds reductions
Risk weighted exposure amount after supporting factors and after FX-mismatch

IRB
PD assigned to the obligor grade or pool – for non defaulted exposures (%)
Exposure weighted average LGD (%) (non-defaulted, defaulted)
ELBE - defaulted exposures (%)
Exposure value (non-defaulted, defaulted)
of which: under A-IRB
Risk weighted exposure amount pre-supporting factors
Risk weighted exposure amount after supporting factors (non-defaulted, defaulted)
Expected Loss amount (non-defaulted, defaulted)
Credit risk adjustments (non-defaulted, defaulted)

OF
Exposure value
(-) Value adjustments and provisions associated with the original exposure
STREA
Memorandum items: REA related to the impact of application of certain transitional provisions (only for the starting points, not for the projections)

2.4 Impact on P&L

2.4.1 Starting point-in-time risk parameters for on-balance sheet exposures

111. The following paragraphs describe a hierarchy of methods that banks are required to adhere to when they set the starting (unstressed) point-in-time risk parameters. As a general principle, banks should resort to data from models rather than from accounting approximations.

- Banks are required to extract the relevant parameters from the models they use to compute provisions according to the relevant accounting standard. Therefore, banks should rely on the internal scenarios applied to their provisions calculations for deriving the starting point credit risk parameters.[25]

- Only where parameters cannot be derived from accounting models shall banks base the estimation of starting point-in-time parameters on their approved internal models. Banks shall ensure that the estimated parameters are suitable for projecting accounting expected credit losses.

[25] For the avoidance of doubt, banks are to consider for the unstressed point-in-time risk parameters those internal scenarios used in their provisioning models, i.e. alignment is not required for the starting points with the macro-scenarios prescribed in the exercise, which are nonetheless to be mandatorily used for the stressed parameters over the projection horizon.

- For portfolios for which starting level point-in-time parameters cannot be extracted from accounting not approved internal models, banks should use non-approved models to extract point-in-time parameters, provided that those models are regularly used in internal risk management and stress testing.

- As last resort, banks are expected to approximate these values using historically observed equivalents (e.g. the S3 transition and loss rates from S1 for PD12M S1 and LGD S1). While banks are expected to present parameters reflective of both 2026 macroeconomic conditions and the credit quality of the portfolios, the overarching objective is the parameter's suitability for projection. Therefore, banks are expected to consider factors that may lead to the observed performance for 2026 being unrepresentative or unsuitable for a sufficiently conservative projection or for small portfolios in which no default has been observed. Only those adjustments of the historical values that result in a more conservative starting point are permitted.

112. Banks are required to provide in the explanatory note a description of the methodology employed for deriving point-in-time parameters for all portfolios. Banks should apply the terminology used in this note, wherever applicable.

2.4.2 Projected point-in-time parameters for on-balance sheet exposures (a hierarchy of approaches)

113. For the estimation of projected parameters, as a general principle, banks should use models rather than resort to benchmarks to determine stressed TR, LGD or LR parameters (under both the baseline scenario and the adverse scenario). However, banks' models will be assessed by competent authorities against minimum standards in terms of econometric soundness and responsiveness of the risk parameters to ensure that the model specification results in a prudent outcome.

114. Banks should rely on their sectoral models to project sector-specific risk parameters according to paragraph 96. Alternatively, banks may also apply sectoral sensitivities to portfolio-level projections. For economic sectors where no appropriate satellite models are available for estimating the sector-specific stressed TRs, LGD or LRs, banks are expected to allocate the losses reported at country level in CSV_CR_SCEN consistently across economic sectors in CSV_CR_SECTOR using a reasonable loss distribution approach. The chosen loss distribution approach should be duly described in the explanatory note. Such approaches shall rely on either i) the relative sectoral sensitivities estimated based on the correlation of the sector specific GVA to the overall macroeconomic conditions at country level or on ii) the allocation based on the size of the sectoral exposure within non-financial corporates at country level. Alternatively, banks could use other approaches to allocate losses to sectoral exposures if these lead to more accurate representation of their credit risk losses. The use of any other approaches, not relying on satellite models or the loss distribution approaches described in this paragraph, shall be justified and documented in the explanatory note. Banks should indicate for each country-sector pair in the CSV_CR_SECTOR template the percentage

of exposures for which sectoral models or sensitivities were used. Banks are expected to provide sectoral risk parameters irrespectively of the adopted approach. The projected parameters are expected to be consistent with both the direction and the magnitude of the Gross Value Added shocks into the macroeconomic scenario.

115. For portfolios where no appropriate satellite models are available for estimating the stressed TRs, LGD or LRs, banks are expected to use the benchmark parameters provided by the ECB, without any adjustment (i.e. without applying any expert adjustment or scaling). Benchmarks should be applied at portfolio level, not at rating class level.

116. The bank's initial choice regarding the use of internal models or the ECB benchmark parameters for the estimation of projected parameters cannot change unless the competent authority approves this change. [26]

117. Banks are required to fill in the 'ECB benchmarks parameter application' columns in CSV_CR_SCEN with the percentage of exposures (gross carrying amounts) for which benchmark parameters were used due to the lack of appropriate satellite models. If the banks' satellite models do not ensure the estimation of all the PD/TR and LR/LGD parameters, respectively, for a minimum of 10% of the pivot asset class exposure, [27] the benchmark parameters need to be applied to the entire pivot asset class exposure (e.g. use the benchmark LR/LGD parameters for the entire exposure of 'Retail – Secured by residential real estate – SME' if the banks' satellite models do not ensure the estimation of all the LR/LGD parameters for a minimum of 10% of the total exposure to that asset class). If the 10% threshold is exceeded, unless the competent authority provides further instructions, banks can use a weighted average between internal models' and benchmark's parameters for the same asset class. The use of a mix between internal models' and benchmark's parameters shall be duly justified in the explanatory note.

118. Irrespective of the approach, the ECB benchmark parameters will serve as an important benchmark to gauge internal parameter estimates in the baseline as well as in the adverse scenario as described in the following paragraphs and will serve as inputs for the calculation of provisions for sovereign exposures according to paragraph 147. Moreover, banks will be subject to cross-sectional comparisons after the submission of the results and might be asked to revise internal figures if they are deemed overly optimistic.

119. If banks' models allow the estimation of the relationship between point-in-time parameters and the macroeconomic variables at a rating class level, banks are required to employ a rating transition matrix-based approach, considering the effects of TR/LR grade migration on the level of defaults and impairments projected in the stress test horizon for the given scenarios. In this case, banks are required to calculate point-in-time transition matrices. Transition

[26] Banks may be asked by competent authorities to indicate their intention to use the ECB benchmark parameters for the estimation of projected credit risk parameters before the publication of the macroeconomic scenarios.

[27] Pivot asset class refers to the lowest level of aggregation (e.g. 'Households - Lending for house purchase').

matrices need to ensure that the TR/LR for each grade are adjusted appropriately to reflect the scenario.

120. Conversely, if the bank's models allow for the estimation of the relationship between point-in-time parameters and the macroeconomic variables at a portfolio level, aggregate parameters for each portfolio are obtained. In addition, banks are required to document in the explanatory note the approach followed for this estimation.

121. In the projection of LGD/LRs, banks are required to take into consideration the possible impact caused by the decrease in the fair value of collateral and financial guarantees received (e.g. a shock on real estate prices will affect real estate collateral).

122. The LGD/LR parameters need to be estimated by taking into account both the characteristics of the exposures in S3 and the given scenario. Prudent assumptions are required on the implicit cure rate, the costs associated with the liquidation of collateral, and any other factor affecting the level of impairment. The development of these assumptions across the time horizon for the given scenarios will need to be justified.

123. For the estimation of the LGD/LR and lifetime ECL, it is assumed that there is perfect foresight and, therefore, the full macroeconomic scenarios for the remaining lifetime and possible workout period of the exposure should be treated as known when calculating ECL. This means that, whenever lifetime ECL is calculated during the stress test (i.e. for initial S2 or S3 exposures and for exposures that transition from S1 to S2 or to S3), the lifetime ECL has to be booked in that year with perfect foresight and ECL may change afterwards only if, during the stress test horizon, exposures mature, amortise or migrate to S3 or S1. The first year of the LGD/LR calculation shall incorporate, for example, the cumulative house price shocks and the impact of the scenario in the workout period and respective time-in-default. For the estimation of LGD/LR and lifetime ECL for 2027-2029, banks are required to assume that future macroeconomic parameters and property prices for realising collateral will develop as described in the given scenarios. After the scenario horizon — excluding GDP, for which constant growth rates shall be assumed, i.e., GDP growth set to be constant and equal to the growth in the last year of the baseline scenario — all macroeconomic parameters and real property prices used in the estimation shall be assumed to stay flat (i.e., stable real house prices and other macroeconomic variables considered in the modelling, without assuming any real growth or reversion to the baseline). This has the impact that loss rates for exposures which have moved to S3 by 2029 shall be calculated assuming this flat profile for the macroeconomic variables.

124. Notwithstanding these assumptions on macroeconomic variables, for the purpose of calculating the loss rates for S1 and S2 exposures, in the baseline scenario the credit risk parameters (i.e. stage transition probabilities and the corresponding loss rates across stages) are kept constant from 2029 onward. The adverse scenario credit risk parameters (i.e. stage transition probabilities/PDs and the corresponding loss rates across stages) for S1 and S2 exposures from 2029 onwards are assumed to revert from their 2029 levels to the end-of

2029 baseline scenario parameters. The path of each of the credit risk parameters for S1 and S2 exposures is assumed to linearly revert to those observed at the end of the baseline scenario over 6 years following the end of the adverse scenario.

125. If the lifetime ECL in a given year is calculated by banks as the discount of losses for each future time slice until the lifetime or workout period of the respective exposure, the expectation for the application of the perfect foresight is the following:

- The loss for each future time slice until the end of the stress test horizon (i.e. probabilities of defaulting in each future year and respective LGDs) shall fully incorporate the impact of the scenario in each future year until 2029;

- The loss for each future time slice after the stress test horizon shall follow the prescribed path of macroeconomic variables for S3 exposures (i.e. future PDs and LGDs reflecting flat macro variables, except GDP, as per paragraph 123) and the prescribed path of risk parameters for S1 and S2 exposures (i.e. future PDs and LGDs remaining flat in the baseline calculation and reverting to the baseline parameters in the adverse calculation, as per paragraph 124);

- According to paragraph 33, maturity and amortisation of exposures during the stress test horizon shall lead to the replacement of the same amount with similar characteristics. Maturity and amortisation of exposures without replacement can only be assumed by banks for time slices after the stress test horizon;

- If in a given year there are migrations from S2 to S1, the ECL related to that particular exposure flow is expected to change due to a 12-month calculation rather than lifetime. The ECL for the remaining part of S2 exposures shall be kept constant unless replaced;

- If in a given year there are migrations from S2 to S3, the ECL related to that particular exposure flow is expected to change due to the application of 100% PD and ECL fully driven by the LGD. The ECL for the remaining part of S2 exposures shall be kept constant unless replaced;

- Increases in vintages shall not be considered during the stress horizon, but the loss rates and LGDs shall consider the expected time-in-default.

126. If an exposure towards a Parent Company is subject to the credit risk scope for the 2027 EU-wide stress test, banks should treat the parent exposures at arm's length and provide transition and loss rates for a counterparty considering the credit quality and nature of the exposures (e.g. overnight placements).

127. Projected risk parameters have to be reported in the credit risk scenario template (CSV_CR_SCEN).

2.4.3 Calculation of S3 assets and provisions for on-balance sheet exposures (CSV_CR_SCEN and CSV_CR_SECTOR)

128. The development of the parameters as described in the previous section based on a single scenario in each macroeconomic scenario (baseline and adverse) must be applied for the computation of the accumulated impairments and provisions resulting from exposure transitions across stages.

129. The additional impairment losses for all the stages computed (as described in the following sections) will be reported in the P&L as 'impairment of financial assets other than instruments designated at fair value through P&L'.

130. For securitisation transactions where the underlying exposures remain recognised on the originator's balance sheet and are subject to the impairment calculation in CSV_CR_SCEN, the income arising from credit protection obtained in relation to credit losses on the securitised exposures shall be reported, for the projected years, under the 'Other' breakdown of 'Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss' in the P&L. Such income shall only be included to the extent that it is recognised in accordance with the applicable accounting framework and is not already reflected in the additional impairment estimation of the underlying exposures.

131. In line with the perfect foresight definition from paragraph 123, for initial S2 and S3 exposures and for exposures that transition from S1 to S2 or to S3, banks are required to reflect in the calculation of lifetime ECL the impact of the macroeconomic scenario for the remaining lifetime and possible workout period of the exposure. For example, if property prices drop by 10% over the 3-year horizon of the adverse scenario then this full drop should be reflected in the impairment loss for old S3 exposures already in 2027.

a. Stock of provisions and accumulated impairments

132. For exposures classified under S1, S2 and S3, the stock of provisions and accumulated impairments depends on the existing gross carrying amounts in each stage and the new exposures that have moved between stages. The stock of provisions for each stage will change over time during the stress period as summarised in Box 3.

133. For exposures classified as POCIs at the starting point, the projected stock provisions in each year of the scenario will be filled in directly in the template. This comes in contrast to the exposures classified as S1, S2 and S3, for which only the projected credit risk parameters are reported (based on which the stocks of provisions are ultimately computed).

Box 3: Development of the stock of provisions

Stock of provisions S1 = Provisions for new S1 exposures + Provisions for existing S1 exposures

$$\text{Prov Stock S1}(t+1) = \text{Prov S2-S1}(t+1) + \text{Prov S1-S1}(t+1)$$

Stock of provisions S2 = Provisions for new S2 exposures + Provisions for existing S2 exposures

$$\text{Prov Stock S2}(t+1) = \text{Prov S1-S2}(t+1) + \text{Prov S2-S2}(t+1)$$

Stock of provisions S3 = Provisions for new S3 + Provisions for existing S3 exposures

$$\text{Prov Stock S3}(t+1) = \text{Prov Cumul S1-S3}(t+1) + \text{Prov Cumul S2-S3}(t+1) + \text{Prov Old S3}(t+1)$$

134. Projected provisions are calculated in the credit risk scenario template (CSV_CR_SCEN).

b. Stock of provisions of S1 exposures

135. The stock of provisions for S1 exposures is given by i) exposures existing (and remaining) in S1 (Prov S1-S1) over the period t-> t+1 and ii) new S1 exposures migrating from S2 to S1 (Prov S2-S1) over the period t-> t+1. [28]

136. The calculation method of new S1 provisions is outlined in Box 4.

Box 4: Provisions for new S1 exposures

The provisions for new S1 exposures are computed as follows:

$$\text{Prov S2-S1}(t+1) = \text{S2-S1 flow}(t+1) * \text{PD-12M-S1}(t+2) * \text{LGD S1}(t+2)$$

$$\text{S2-S1 flow}(t+1) = \text{Exp S2}(t) * TR^{2\text{-}1}(t+1)$$

Where:

Exp S2(t) is the stock of S2 exposures (gross carrying amounts) at the end of year t.

- LGD S1(t+2) refers to the expected loss rate for exposures classified as S1 at the end of year t+1 and is associated with default events by the end of year t+1
- PD 12M S1(t+2) refers to the probability of a default event by the end of year t+2 for exposures classified as S1 at the end of year t+1. This parameter reflects the transition

[28] Provisions for S1 exposures at the end of year (t+1) account for the possibility that exposures might default during the following year (t+2). Therefore, PD-12M-S1 and LGD S1 applied to existing and new S1 exposures at the end of the year (t+1), respectively, should reflect the estimates for the following year (t+2).

probability of exposures classified as S1 at the end of year t+1 to become S3 by the end of year t+2.

- $TR^{2\text{-}1}(t+1)$ refers to the 1-year probability of exposures classified as S2 at the end of year t to transition to S1 by the end of year t+1.

In the specific case when t+2 refers to 2030, it is recalled that the baseline credit risk parameters are assumed to stay flat after year 3, hence the calculation of provisions for new S1 in year 3 (2029) under the baseline scenario is as follows:, given that $PD\text{-}12M\text{-}S1_{Base}$ is the same in 2029 and in 2030:

$$Prov\ S2\text{-}S1_{Base}(2029) = Exp\ S2(2028) * TR^{2\text{-}1}{}_{Base}(2029) * (PD\text{-}12M\text{-}S1_{Base}(2029) * LGD\ S1_{Base}(2029))$$

Regarding the adverse scenario, credit risk parameters are assumed to linearly revert to the baseline credit risk parameters within 6 years. Hence provisions for new S1 in year 3 (2029), under the adverse scenario are calculated as:

$$Prov\ S2\text{-}S1_{Adv}(2029) = Exp\ S2(2028) * TR^{2\text{-}1}{}_{Adv}(2029) * (5/6 * PD\text{-}12M\text{-}S1_{Adv}(2029) * LGD\ S1_{Adv}(2029) + 1/6 * PD\text{-}12M\text{-}S1_{Base}(2029) * LGD\ S1_{Base}(2029))$$

137. The provisions for existing S1 exposures (Prov S1-S1) should reflect the change in ECL due to the scenario and grade migration. Box 5 outlines the method for calculating provisions on existing S1 exposures.

Box 5: Provisions for existing S1 exposures

The provisions for existing S1 exposures are computed as follows:

$$Prov\ S1\text{-}S1(t+1) = Exp\ S1(t) * [1 - TR^{1\text{-}2}(t+1) – PD\ 12M\ S1(t+1)] * PD\ 12M\ S1\ (t+2) * LGD\ S1(t+2)$$

Where:

- Exp S1(t) is the stock of S1 exposures (gross carrying amounts) at the end of year t.
- $TR^{1\text{-}2}(t+1)$ refers to the 1-year probability of exposures classified as S1 at the end of year t to transition to S2 by the end of year t+1.
- PD 12M S1 (t+1) refers to the probability of a default event by end of year t+1 for exposures classified as S1 at the end of year t. This parameter reflects the transition probability of exposures classified as S1 at the end of year t to become S3 by the end of year t+1.

- PD 12M S1 (*t*+2) refers to the probability of a default event by end of year t+2 for exposures classified as S1 at the end of year t+1. This parameter reflects the transition probability of exposures classified as S1 at the end of year t+1 to S3 by the end of year t+2.

- LGD S1 (*t*+2) refers to the expected loss rate for exposures classified as S1 at the end of year *t*+1 and is associated with default events by the end of year t+2

For simplification, as the baseline credit risk parameters are assumed to stay flat after year 3, then provisions for existing S1 in year 3 (2029), under the baseline scenario, are calculated as:

$$\text{Prov S1-S1}_{\text{Base}}(2029) = \text{Exp S1}(2028) * (1 - \text{TR}^{1\text{-}2}{}_{\text{Base}}(2029) - \text{PD-12M-S1}_{\text{Base}}(2029)) * (\text{PD-12M-S1}_{\text{Base}}(2029) * \text{LGD S1}_{\text{Base}}(2029))$$

For simplification, as the adverse scenario credit risk parameters are assumed to linearly revert to the baseline credit risk parameters within 6 years, then provisions for existing S1 in year 3 (2029), under the adverse scenario, are calculated as:

$$\text{Prov S1-S1}_{\text{Adv}}(2029) = \text{Exp S1}(2028\ ) * (1 - \text{TR}^{1\text{-}2}{}_{\text{Adv}}(2029) - \text{PD-12M-S1}_{\text{Adv}}(2029)) * (5/6 * \text{PD-12M-S1}_{\text{Adv}}(2029) * \text{LGD S1}_{\text{Adv}}(2029) + 1/6 * \text{PD-12M-S1}_{\text{Base}}(2029) * \text{LGD S1}_{\text{Base}}(2029))$$

c. Stock of provisions of S2 exposures

138. The stock of provisions for S2 exposures at reporting date t+1 is given by the sum of i) provisions allocated to exposures classified as S2 at the reporting date t and which remain in S2 by the end of year t+1 (Prov S2–S2), and ii) provisions allocated to exposures migrating from S1 to S2 during the same period (Prov S1–S2), and is calculated on a lifetime perspective.[29]

139. Box 6 outlines the method for calculating provisions for S1 exposures that deteriorate in credit quality and migrate to S2 over the period t⟶t+1.

Box 6: Provisions for new S2 exposures

The provisions for exposures that move from S1 to S2 are computed as follows:

$$\text{Prov S1-S2}(t+1) = \text{S1-S2 flow}(t+1) * \text{LRLT S2}(t+1)$$

$$\text{S1-S2 flow}(t+1) = \text{Exp S1}\ (t) * \text{TR}^{1\text{-}2}(t+1)$$

Where:

- Exp S1(*t*) is the stock of S1 exposures (gross carrying amounts) at the end of year *t*.

[29] As per paragraph 68, the LRLT applied to S2 exposures at the end of the year (t+1) - both new and existing S2 exposures - shall be forward-looking (i.e. consider the macroeconomic conditions from the end of the year until the lifetime of the underlying exposure).

- $TR^{1\text{-}2}(t+1)$ refers to the 1-year probability of exposures classified as S1 at the end of year t to transition to S2 by the end of year t+1.
- LRLT S2(t+1) refers to the forward-looking lifetime ECL parameter applicable to S2 exposures at the end of year t+1.

140. Box 7 outlines the approach for calculating provisions for exposures that are classified as S2 at the end of year t and remain in S2 at end of year t+1 (Prov S2–S2). The total stock of S2 provisions at the end of year t+1 is obtained by adding Prov S2–S2 to provisions for new S2 inflows from S1 (Prov S1–S2(t+1)).

Box 7: Provisions for existing S2 exposures

The provisions for exposures that are classified as S2 at the reporting date t and that remain in S2 over t→t+1 are computed as follows:

$$\text{Prov S2-S2}(t+1) = \text{Exp S2}(t) * (1 - TR^{2\text{-}1}(t+1) - \text{PD 12M S2}(t+1)) * \text{LRLT S2}(t+1)$$

Where:

- Exp S2(t) is the stock of S2 exposures (gross carrying amounts) at the end of year t.
- $TR^{2\text{-}1}(t+1)$ refers to the 1-year probability of exposures classified as S2 at the end of year t to transition to S1 by the end of year t+1.
- PD 12M S2(t+1) refers to the probability of a default event by the end of year t+1 for exposures classified as S2 at the end of year t. This parameter reflects the transition probability of exposures classified as S2 at the end of year t to S3 by the end of year t+1.
- LRLT S2(t+1) refers to the forward-looking lifetime loss rate applied to S2 exposures measured at the end of year t+1.

d. Stock of provisions of S3 exposures

141. The stock of provisions for S3 exposures is given by the sum of provisions allocated to i) exposures existing in S3 at the beginning of the exercise (Prov Old S3), ii) new S3 exposures migrating from S1 to S3 (Prov S1-S3) and iii) new S3 exposures migrating from S2 to S3 (Prov S2-S3).

142. No release of accumulated provisions for any given S3 exposure is permitted for any year or scenario and this restriction shall be applied at the exposure level.

143. Provisions for new S3 exposures from S1 and S2 shall be calculated as shown in Box 8. Given the restriction of no release of accumulated provisions for any S3 exposure, provisions on new S3 exposures are accumulated throughout the stress test horizon.

Box 8: Provisions for new S3 exposures

The provisions for new S3 exposures at time *t* is given by:

$$\text{Prov SX-S3}(t+1) = \text{Prov S1-S3}(t+1) + \text{Prov S2-S3}(t+1)$$

$$\text{Prov S1-S3}(t+1) = \text{Exp S1}(t) * \text{ PD 12M S1 }(t+1) * \text{LGD S1}(t+1)$$

$$\text{Prov S2-S3}(t+1) = \text{Exp S2}(t) * \text{ PD 12M S2 }(t+1) * \text{LGD S2}(t+1)$$

Where:

- Exp S1(*t*) is the stock of S1 exposures (gross carrying amounts) at the end of year *t*.
- Exp S2(*t*) is the stock of S2 exposures (gross carrying amounts) at the end of year *t*.
- PD 12M S1(t+1) refers to the probability of a default by the end of year t+1 for exposures classified as S1 at the end of year t. This parameter reflects the transition probability of exposures classified as S1 at the end of year t to S3 by the end of year t+1.
- PD 12M S2(t+1) refers to the probability of a default event within 12 months by the end of year t+1 for exposures classified as S2 at the end of year t. This parameter reflects the transition probability of exposures classified as S2 at the end of year t to S3 by the end of year t+1.
- LGD S1(*t*+1) refers to the expected loss rate for exposures classified as S1 at the end of year *t* and is associated with default events by the end of year t+1.
- LGD S2(*t*+1) refers to the expected loss rate for exposures classified as S2 at the end of the year *t* and is associated with default events by the end of year t+1.

For S3 exposures, both the adverse and the baseline credit risk parameters shall assume a flat profile for the macroeconomic variables after year 3 (paragraph 123).

144. Box 9 describes the approach to be used to derive the provisions for existing S3 exposures.

145. As described in paragraph 123, perfect foresight applies to impairment losses on existing S3 exposures. In addition, due to the fact that these exposures are already non-performing, the provisions should be calculated based on the first-year risk parameter.

Box 9: Provisions for existing S3 exposures

The provisions for existing S3 exposures are given by:

$$\text{Prov Old S3}(t+1) = \text{MAX}\{\text{Exp S3}(t=0) * \text{LGD S3}(t=1); \text{Prov S3}(t=0)\}$$

Where:

- Exp S3 (t=0) is the stock of S3 exposures (gross carrying amounts) at the beginning of the exercise (end of year 2026).
- Prov S3(t=0) is the stock of provisions for exposures classified as S3 at the beginning of the exercise (end of year 2026).
- LGD S3 (t=1) refers to the expected loss rate at the end of the first year of the exercise (2027) for exposures classified as S3 at the beginning of the exercise (end of year 2026).

e. Provisions on sovereign exposures

146. Banks are required to estimate default and impairment flows for sovereign positions recorded at amortised cost according to the macroeconomic baseline and adverse scenarios. This in particular covers only sovereign positions whose exposure (Exp) is reported under the categories 'General governments'. For exposures to central banks zero loss rates are to be applied under the baseline and adverse scenarios. Fair value positions (i.e. FVOCI and FVPL) are subject to the market risk approach.

147. In order to compute these provisions, banks will be provided with a set of stressed PD/TR, LGD and LR parameters developed by the ECB for a selection of countries. The application of these parameters is mandatory for all banks and for all countries regardless of whether a country has to be reported separately according to paragraph 102. For the estimation of provisions on sovereign exposures for countries where the ECB does not provide stressed credit risk parameters, banks are required to estimate their own parameters with an adequate degree of conservatism and following the hierarchy of approaches described in Section 2.4.2.

2.4.4 FX lending

148. Banks with significant foreign currency exposure are required to take into account the altered creditworthiness of their respective obligors, given the FX development under the baseline and adverse scenarios. The marginal impact from the risk emanating from FX lending exposure has to cover both TRs and LRs. For TRs, the impact should be based on satellite models that link the macroeconomic scenario to the transition rates. For the loss rate, the impact should be based on an add-on for the LTV ratio in the case of collateralised exposures,

while, in the case of uncollateralised exposures, banks should apply the appropriate FX add-on based on relevant historical information.

149. In particular, banks are required to evaluate this impact for exposures denominated in a currency other than the local currency of the borrower at asset class level for each country of counterparty if the total share of exposures in foreign currencies is above the thresholds described in Table 10 below.

Table 10: FX lending threshold (per country of counterparty) and portfolios, relevant for projections

Impairments portfolios	Threshold (%)
Non-financial corporations - Small and medium-sized enterprises (SME) - Commercial real estate (CRE) loans	5
Non-financial corporations - Small and medium-sized enterprises (SME) - Other loans	5
Non-financial corporations - Non-financial corporations other than SMEs - Commercial real estate (CRE) loans	5
Non-financial corporations - Non-financial corporations other than SMEs - Other loans	5
Households - Lending for house purchase	5
Households - Credit for consumption	5
Households - Other households loans	5

2.5 Impact on REA, standardised REA, and IRB regulatory EL

150. Banks are required to simulate the impact on credit risk REA, used as component of the UTREA and IRB regulatory EL for credit risk caused by the application of the macroeconomic scenarios (baseline and adverse). When banks use internal models for the calculation of REA for credit risk, they are also required to simulate the impact caused by the application of the macroeconomic scenario on the REA for credit risk which is relevant for the calculation of STREA. The scope of the REA templates is wider than the P&L impact section. The exposure values to consider in the REA templates will follow the COREP perimeter, taking into account exposures subject to counterparty credit risk and eligible CRM techniques, but without "migration" between different asset classes as outlined in paragraph 157.

151. The exposure value of the positions included in the FVPL and FVOCI portfolio, whose P&L impact is assessed under the market risk framework, will remain constant for the purpose of the credit risk REA and the STREA estimation.

152. Banks are required to report credit risk REA under IRB approach (in CSV_CR_REA_IRB_DET) with a breakdown of asset classes as described in Table 6, for starting points and projections over the three-year horizon. For credit risk REA under standardised approach, banks are requested to report (in CSV_CR_REA_STA_DET) a breakdown by asset classes as described in

Table 7 for the starting points only, while using a simplified breakdown for projections as described in Table 8.

153. The use of new internal models or modifications of existing internal models or reversal to less sophisticated approaches are to be considered for calculating the REA only in accordance with paragraphs 28 and 29. The expected increase in regulatory parameters during the stress horizon, derived from their re-estimation following the addition of new data under stress conditions, shall be considered. The projections shall take into account any specific conditions for the continued use of such models for regulatory capital purposes — e.g. any regulatory floors and/or parameter-level supervisory scalars. Banks that have been granted permission to use the IRB approach for the calculation of REA for equity exposures up to 31 December 2026 should continue to report these exposures under the IRB approach for the purpose of the starting points and the stress test projections, if they apply the treatment laid down in Article 495(1).

154. For both STA and IRB portfolios, the end-2026 level of UTREA serves as a methodological floor for the total credit risk UTREA for non-defaulted and defaulted assets calculated using stressed regulatory risk parameters in the baseline and adverse scenarios, which is used as input for the unfloored total REA of the institution. This methodological floor is applied separately for the aggregate IRB and STA portfolios. The floor does not apply for the calculation of the total credit risk standardised REA that serves as input to the calculation of the standardised total REA (STREA).

155. REA for contributions to the default fund of a CCP is assumed to remain constant across both scenarios.

156. The exposure composition with respect to rating classes is expected to change as a result of defaulted asset flows and credit deterioration. For both STA and IRB portfolios, the exposure distribution among risk grades and defaulted exposures needs to be adjusted (assuming rating grade migration) based on the banks' own methodologies as appropriate, and consistent with the estimated default flows and migrations for impairment purposes. Accordingly, exposures that are downgraded or that are defaulted must be risk-weighted at the appropriate risk weights (e.g. in the case of STA defaulted unsecured exposures, at 100% or 150%).

157. The impact of the defined scenarios on collateral values and eligibility shall also be considered for REA and IRB EL projections, including the projections of the credit risk REA for the standardised REA in accordance with point (a) paragraph 5 of Article 92 of the CRR3. Banks shall assume no "migration" of exposures and REA between different asset classes during the stress test horizon, i.e. to consider exposure value of each asset class as static and report the respective REA in the same asset class. This applies for instance for exposures that do not meet definitions of secured by mortgages on immovable property 'due to decrease in property value over the stress test horizon. Banks are required to calculate risk weights as per CRR and project collateral and credit quality in line with the scenarios.

158. For the defaulted exposures, where the institutions apply the LGD values set out in Article 161(1) of the CRR, the REA shall be 0. If banks use own estimates of LGD, the REA for defaulted exposures is calculated in accordance with Article 153 of the CRR (as shown in Box 10 below).

159. Transitional arrangements according to Article 465 of the CRR3 (except Articles 465(1) and 465(2)) should be included for the reporting of standardised REA both at the starting point and for the projections within the CSV_CR_REA_OF template. The impact of these arrangements should be reported as an "of-which" item within the CSV_CAP template.

160. The credit risk UTREA amounts in the CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET templates should be reported including transitional arrangements. The impact of these arrangements should be reported as an "of-which" item within the CSV_CAP template. The credit risk amounts of STREA, including the adjustments to the STREA for STA credit risk exposures due to the IMM for CCR and master netting agreements in the CSV_CR_REA_STA template, should also be reported at the starting point and projections horizon considering transitional arrangements, including those stemming from Article 465 of the CRR3 (except Article 465(1) and 465(2)). The impact will be reported as an "of-which" item within the CSV_CAP template, separately for Article 465 of the CRR3 and other transitional arrangements. Further guidance on transitional adjustments is provided in Annex X.

161. Transitional arrangements for equity exposures, related to articles 495 and 495a of the CRR3 should be considered for the projections of REA within the CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET templates and thus included in the projections of the UTREA. In this case, banks should continue to report equity under the related IRB exposure class in accordance with paragraph 153 of this note. Banks should report the impact of the included transitional arrangements as an "of which" item to the UTREA and STREA within the CSV_CAP template.

Box 10: REA estimation for defaulted exposures

$$\text{REA Def}(t) = \text{MAX}\{0 ; [\text{LGDreg}(t) \text{ on default stock} - \text{ELBE}(t)] * 12.5 * \text{Def Stock}(t)\}.$$

Where:

- LGDreg(*t*) on default stock should incorporate downturn conditions and additional potential unexpected losses due to the impact of the scenarios.
- ELBE (in the CSV_CR_REA template) represents the Expected loss best estimate. The ELBE, as also underlined in Article 181(1)(h) of the CRR, should reflect economic circumstances.

162. The IRB excess or shortfall is calculated at an aggregate level, separately for the portfolios of defaulted and non-defaulted exposures. As per Article 159 of the CRR, the IRB excess

resulting from the calculation performed for the defaulted portfolio shall not be used to offset an IRB shortfall resulting from the calculation performed for the portfolio of exposures that are not in default. However, the IRB excess from the overall non-defaulted portfolio may be used to cover any IRB shortfall from the overall defaulted portfolio. If the mechanism outlined above results in an IRB excess of credit risk adjustments and additional value adjustments over expected losses, this amount must be included in Tier 2 capital as set out in Article 62(d) of the CRR, i.e. up to 0.6% of REA. The expected loss amounts for equity exposures need to be reported in a dedicated row of the CSV_CR_REA_IRB in case the expected loss for equity exposures is deducted in COREP and if the bank has applied the treatment in accordance with CRR3 Article 495(1). The expected loss amounts for other non-credit obligation assets shall be zero.

163. The development of the credit risk adjustments after the starting point should be consistent with the changes in provisions related to exposures that are determined as described for the estimation of impairments in section 2.4.3.

2.6 REA for CCR

164. The previous section 2.5 regarding the REA and IRB regulatory EL applies to the exposures subject to CCR (both banking and trading book).

165. For calculating the REA for CCR, regulatory exposures relating to CCR will be reported using the appropriate templates (CSV_CR_REA_STA_DET and CSV_CR_REA_IRB_DET) and asset classes listed in Table 6 to Table 8 for only this purpose.

166. CCR regulatory exposures will remain constant and will not be affected by the impact of market risk scenarios or by any offset for increased accounting CVA in the scenarios (as set out in Article 273(6) of the CRR). In particular, stressed regulatory PD and LGD parameters (PDreg and LGDreg) shall be applied to these constant CCR regulatory exposures for the calculation of stressed REA for CCR. Similarly, the CCR regulatory exposures will also remain constant for the calculation of the standardised credit risk REA in the CSV_CR_REA_OF template, but should include transitional arrangements related to Article 465(4) of the CRR3. The impact of the latter shall be reported separately within the CSV_CAP template.

2.7 Securitisation exposures

167. All exposures subject to Chapter 5 of the CRR (i.e. securitisation banking book positions, both on-balance and off-balance) are included in the scope of this section. Therefore, all these positions for which risk weights are calculated (retained originator positions for which SRT has been achieved and investor positions) need to be reported in the securitisation template under the relevant regulatory approach (SEC-IRBA, SEC-SA, SEC-ERBA, or SEC-IAA). Securitisation positions deducted from capital shall not be reported in any of the securitisation templates.

168. Re-securitisations shall be treated in line with Article 269 of CRR and, accordingly, shall always be reported under the SEC-SA part of the template.

169. Banks are required to take into account the credit risk mitigation effect in accordance with Article 249 of the CRR. In particular, this holds for originator and investor exposures to securitisations issued or guaranteed by international organisations, multilateral development banks, governments or government agencies, where firms are subject to the credit risk of these institutions rather than the credit risk of the underlying exposures.

170. In line with section 2.3.6, the static balance sheet assumption shall be applied by keeping the outstanding balance of all securitisation exposures unchanged throughout the time horizon of the stress test. Fair value changes shall not have an impact on the exposure amount and the REA calculation for the application of the credit risk methodology.

171. Banks are required to estimate the amount of specific credit risk adjustments before the calculation of REA for securitisation positions. All securitisation exposures are to be reported net of specific credit risk adjustments and in accordance with Article 248(1) of CRR.

172. The starting point figures for the REA should be reported based on regulatory standards applicable as of 31 December 2026 and will serve as the basis for the stress test projections. Accordingly, securitisations that lost their STS certification before 31 December 2026 should be classified as non-STS in the stress test projections.

173. Similarly to section 2.5, the use of new internal models or modifications of existing internal models or reversal to less sophisticated approaches are to be considered for calculating the securitisations REA only in accordance with paragraphs 28 and 29. The projections shall also take into account any specific conditions for the continued use of such models for regulatory capital purposes.

174. For the estimation of the REA, the stress under the securitisation framework is applied to the securitisation positions in both the banking book and the trading book within the scope of this section as per paragraph 167. Thus, all REA impact for exposures in the trading book (e.g. within correlation trading portfolios), except the specific risk of securitisation exposures, are covered by the market risk methodology and shall be reported within market risk templates.

175. Total adjustments to the REA (e.g., due to maturity mismatches or due to effects of Article 270a of CRR) should stay constant at the 2026 actual value.

176. Banks are required to simulate the impact of the macroeconomic scenarios (baseline and adverse) on the REA stemming from securitisation positions, used as a component of the UTREA for credit risk. When banks use internal models (SEC-IRBA or SEC-IAA) for the calculation of REA for securitisations, they are also required to simulate the impact caused by the application of the macroeconomic scenario on the REA stemming from securitisation positions which is relevant for the calculation of the STREA for credit risk.

177. The exposure composition with respect to reported risk weights buckets (for SEC-IRBA, SEC-SA, SEC-IAA) and credit quality steps (for SEC-ERBA) is expected to change as a result of defaults and credit deterioration. For both SEC-IRBA and SEC-SA regulatory approaches, the exposure distribution among risk grades and the amount of exposures in default (W) in the underlying portfolios needs to be adjusted (assuming rating grade migration) based on the banks' own methodologies and appropriately reflected in determination of KIRB and KSA according to Article 255 of CRR. For exposures under SEC-ERBA, the impact of stress conditions on changes in both short- and long-term credit assessment need to be considered. Similarly, for SEC-IAA stress conditions need to be reflected in derived ratings attributed to the positions in the ABCP programme or ABCP transaction.

178. The securitisations REA used as a component of the UTREA should be reported including relevant transitional arrangements. The impact of these arrangements should be reported as an "of which" item within the CSV_CAP template. Similarly, the securitisations REA serving as a component of STREA should also be reported considering transitional arrangements in accordance with Article 465(13) of CRR3, with the relevant impact also captured in the CSV_CAP template.

179. The end-2026 level of REA prior adjustments and reductions serves as a floor for the REA calculated under the baseline and adverse scenarios for the projections of the securitisations REA serving as component of the UTREA. This floor is applied separately for each securitisation regulatory approach (SEC-IRBA, SEC-SA, SEC-ERBA, and SEC-IAA). The total amount of adjustments and reductions is not affected by the application of the floor. The floor does not apply for the calculation of the total credit risk standardised REA that serves as input to the calculation of the standardised total REA (S-TREA).

3. Market risk, CCR losses and Valuation reserves

3.1 Overview

180. The impact of market risk on all positions at partial or full fair value measurement is to be assessed via a full revaluation after applying a common set of market risk shocks provided in the market risk scenario. Under the trading exemption (see section 3.3.1), banks are allowed to not apply a full revaluation on items held with a trading intent and their related hedges.

181. Banks must also recalculate their accounting and regulatory valuation reserves (i.e. CVA, FuVA, accounting and AVA reserves).

182. For items held with a trading intent, client revenues should be projected over the stress test horizon (subject to a cap) if the bank is able to provide historical evidence of the sustainability of these incomes. Under the trading exemption, banks are allowed to set these revenues to 80% of the average across the last three years if this income is proved to be part of their business model.

183. For CCR, it is assumed that out of the 40 largest counterparties, at least 2 and maximum 5 of them (depending on portfolio's riskiness) default in the adverse scenario.

184. Furthermore, banks shall determine the impact of the scenarios on market risk REA in accordance with the new regulation, applicable starting from 1st January 2027.

185. Banks' projections are subject to the constraints summarised in Box 11.

Box 11: Summary of the constraints on banks' projections of market risk

- No change, i.e. no deviation from the starting value, is assumed under the baseline scenario (paragraph 238) for the full revaluation.
- For CA and CA-Adv banks (see section 3.3.1), the full revaluation impact on items held with a trading intent and their related hedges is floored at a haircut based on the FRTB-ASA REA (see paragraph 244). While for TE banks, the impact of items held with TI&RH is assumed to be equal to zero as indicated in paragraph 234.
- The baseline value for the NTI is defined (based on average historical values) as the minimum of the averages across the last 2, 3 and 5 years, where the 2-year average is floored at 0 (Box 14).

- Under the adverse scenario, client revenues projections for CA and CA-Adv banks are capped at 80% of the average of the last three years of historical client revenues (paragraph 307). Client revenues for TE banks are assumed to remain flat (zero) in the adverse scenario unless banks can prove that they have generated client revenues over time. If so, client revenues are set to 80% of the average of the last three years of historical client revenues (Box 13).

- Under the adverse scenario, CVA and FuVA impacts losses (net of the eligible hedges) are capped at zero (i.e. no gains are assumed in the stress test horizon).

- The number of defaulting counterparties under the adverse scenario, out of the 40 largest counterparties, is set at individual bank level. It is set within a fixed range of 2 to 5, depending on the overall riskiness of bank's portfolio (paragraph 319).

- Several constraints are applied to MR REA:
  - REA stays constant in the baseline scenario (paragraph 333).
  - For ASA, AIMA and Simplified Standardised Approach, REA is assumed to stay constant in the adverse scenario despite the application of the multiplier (paragraph 335, 341).
  - The increase of CRR2 MR REA, for banks applying the multiplier, is capped at CRR3 MR REA as restated by institutions as of 1st January 2027 (paragraph 335, 340).
  - The impact on REA for IRC and CVA is floored at the increase for IRB REA (paragraph 339 and 344).

186. Following criteria of proportionality, banks are classified as Trading Exemption (TE), Comprehensive Approach (CA) or Advanced Comprehensive Approach (CA-Adv) (see section 3.3.1).

3.2 Scope

187. The scope of the market risk stress methodology covers all positions under full or partial fair value measurement — i.e. positions at FVPL, FVOCI and amortised cost positions being part of a hedge-accounting relationship.

188. This scope includes all hedging instruments and hedge-accounting portfolios designated to hedge positions measured at fair value (i.e. FVOCI, and FVPL) or to hedge positions at amortised cost. This includes fair value hedges, cash flow hedges and economic hedges.

189. Back-to-back trades are within the scope of the full revaluation if one of the legs is a non-EU institution and should be reported in the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT. They are reflected in the CSV_MR_SUM template. Instead, back-to-back trades are not in scope of the full revaluation if both legs involved in the trades reside in the EU or if the trades occur within the same entity. In addition, given their intra-group

nature, back-to-back trades are excluded from the CCR methodology and should not be reported in the CSV_MR_CCR template.

190. Market risk related profits or losses from discontinued operations shall be treated in line with paragraph 36 and paragraph 542. They should be also reported as a memo item in the CSV_MR_SUM template.

191. For items reported in the CSV_MR_FULL_REVAL template (non-HfT), the full revaluation must be performed using market risk factor shocks for both hedged position and the hedging instrument separately (i.e. positions cannot be netted prior to calculating the impact after stress). The CSV_MR_FULL_REVAL template distinguishes fair value changes between hedged items and their related hedging instruments (aggregated at accounting measurement type level). Therefore, banks should report the two components in separate rows.

192. In line with paragraphs 35 and 534, the P&L or OCI impact stemming from a FX movement on positions measured at amortised cost which are in a hedging relationship (both economic hedge and hedge accounting) is excluded from the scope. Furthermore, the fair value change due to an FX movement of the hedging instruments of such positions is out of scope for the market risk methodology and should not be reported in the CSV_MR_FULL_REVAL. Banks should provide additional info in the explanatory note on all the hedging relationships mentioned in this paragraph if requested by the Competent Authority (e.g. hedge efficiency and related impact of hedged and hedging items).

193. For all other items, the fair-value changes of both the hedged item and the hedging instrument, due to any hedged risk factor (e.g. interest rates or FX), should be considered. This applies also for FX effects on positions at FVPL or FVOCI for which an FX waiver on REA has been granted by the relevant Competent Authority according to art. 352 (2) CRR or art. 104c CRR3, such that these positions are within the scope and must be revalued accordingly.

194. Securitisation positions held at fair value are also in scope. The market risk impact for securitisation positions therefore needs to be reported in the market risk templates depending on their accounting treatment and in line with any other positions in the scope of the market risk methodology. However, the stressed REA for securitisation positions that are not in the correlation trading portfolio are not in the scope of the market risk methodology and are covered under credit risk in section 2.7.

195. Defined benefit pension funds are also in scope of the exercise and should be stressed by the shocks defined in the market risk adverse scenario. Further details on how to stress defined benefit pension funds are provided in paragraphs 251 and 556.

3.3 High-level assumptions and definitions

3.3.1 Proportionality

196. The classification of banks is defined univocally by the supervisory authorities before the start of the exercise based on the criteria outlined in Table 11.

197. Banks are distinguished in three clusters: Trading Exemption (TE), Comprehensive Approach (CA), or Advanced Comprehensive Approach (CA-Adv). Clusters are defined by combining quantitative and qualitative criteria (expert judgement), as summarised in Table 11. The methodological differences between TE, CA, and CA-Adv banks are also summarised in Box 33 of Annex V.

Table 11: Overview of quantitative requirements and exemptions for proportionality groups of banks for the MR methodology

Classification	***Trading Exemption (TE)***	***Comprehensive Approach (CA)***	***Comprehensive Approach - Advanced (CA-Adv)***
Quantitative Criteria	Not reporting FRTB-ASA or (FRTB-ASA REA / Total REA) < 2%	Reporting FRTB-ASA and 2% ≤ (FRTB-ASA REA / Total REA) ≤ 8%	Reporting FRTB-ASA and (FRTB-ASA REA / Total REA) > 8%
Requirements and exemptions	Full exemption from reporting in CSV_MR_FULL_REVAL_HFT Partial exemption from reporting in CSV_MR_FULL_REVAL and CSV_MR_RES_CVA_FVA (i.e., sensitivities not required)	Partial exemption from reporting in CSV_MR_FULL_REVAL_HFT (i.e., projections for additional scenarios not required)	Complete submission of CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT

3.3.2 Definitions

198. **Partial fair value** is an accounting measurement under which only specified risks are measured at fair value through profit and loss. For example, amortised cost items that are hedged via a fair value hedge-accounting relationship are at partial fair value because the

changes of the fair value of the instrument related to the hedged risk are reported in the P&L.

199. **Hedged items** are items in any type of hedge-accounting relationship (e.g., fair value and cash flow hedging), under either IFRS 9 or IAS 39.

200. **Hedging instruments** are framed univocally in one of the following categories:

- **Fair value hedging instruments** are items that are recognised as hedging instruments in a fair value hedge-accounting relationship under either IFRS 9 or IAS 39.
- **Cash flow hedging instruments** are items that are recognised as hedging instruments in a cash flow hedge-accounting relationship under either IFRS 9 or IAS 39.
- **Economic hedges** are financial instruments that do not meet the requirements of IAS 39 or IFRS 9 to qualify as hedging instruments, but that are held for hedging purposes. Economic hedges follow the definition used in FINREP. They include those derivatives that are classified as HFT but are not part of the trading book as defined in Article 4(1)(86) of the CRR. The item 'economic hedges' does not include derivatives for proprietary trading.

201. **Fund positions** are defined as "undertakings for collective investment in transferable securities" (UCITS) as in the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

202. Supranational institutions are international organisations, such as institutions of the European Union, the International Monetary Fund and the Bank for International Settlements.

203. The "IFRS 9 Measurement type" categories follow the FINREP definition and include items measured at amortised cost, FVOCI, mandatory or optional at FVPL, and FVPL "Held for Trading".

204. **Amortised cost** items include items in a hedge-accounting relationship under either IFRS 9 or IAS 39.

205. **FVOCI** items include both items in a hedge-accounting relationship under either IFRS 9 or IAS 39 and all items measured at FVOCI that are not part of any hedge-accounting relationship.

206. **Items mandatory or optional at FVPL** are positions that are either (i) non-trading financial assets mandatorily at fair value through profit or loss (IFRS 9.4.1.4) or (ii) designated at fair value through profit or loss (IFRS 7.8(a)(i)).

207. **Items held with a trading intent** are all financial instruments reported in HFT in FINREP.

208. The "**Type of instrument**" categories follow the FINREP definition and include debt instruments, equity, derivatives, and other.

209. **Back-to-back trade** is a pair of trades with the same risk characteristics and with one of the trades offsetting the risk of the other (e.g., an interest rate swap with a borrower and an offsetting interest rate swap with a dealer counterparty).

210. The "**Type of counterparty**" categories follow the FINREP definition and include **"**Central banks", "General governments", "Credit institutions", "Other financial corporations", "Non-financial corporations".

211. The "**Type of sensitivity**" categories distinguish between hedged item sensitivities and hedging instrument sensitivity.

212. **Market risk factors** refer to a set of factors identified by the ESRB and the ECB as the main drivers of market risk that were used to calibrate the impact of the adverse market risk scenario on fair value positions. They include interest rates and volatilities for currencies, exchange rates, changes in volatility for equity, commodity and debt instruments, changes in credit spreads for debt instruments, parameters relevant to the correlation trading portfolios, and bid/ask spreads to be used for the assessment of the impact on market liquidity. Most, but not all, of these market risk factors are explicitly captured in the full revaluation template (CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT).

213. **Additional risk factors** are factors other than the ESRB and the ECB market risk factors that have a material contribution to the overall full revaluation results.

214. **Basis risk** is defined as the risk arising from the valuation of instruments and positions that are a function of risk factors which are similar, but not identical to the ones provided in the market risk scenario.

215. **NTI** is defined as the sum of FINREP 02.00 row 0280, 0285, 0287, 0290, 0295 and 0300, with the exclusion of the following items:

- Net interest income on assets and liabilities in FVPL that are reported in NTI during their periodic financial reporting. Banks shall separate the accrued interest on held-for-trading instruments into a component related to Economic Hedges according to the definition in FINREP Annex V Part. Par. 137 and other instruments. The former will be treated in accordance with Sections 4.1 to 4.4. The latter will be treated in accordance with Section 4.5.

- All components (including related hedges), which will not further impact P&L according to paragraph 35 (e.g. gains and losses from FX positions, which will not re-occur after the market risk ad-hoc shock).

216. For **historical NTI**, the abovementioned exclusion should be carried out on a best effort basis. If the national applicable accounting framework mandatory requires classifying the P&L from FX hedging items as exchange differences instead of NTI, these P&L components must be netted with the effects from the related hedged items reported under NTI. Banks shall describe how the netting was carried out and report the excluded amounts per year in detail for the historical NTI in the explanatory note. One-off effects (as described in in section 6.4.2) shall not be deducted or accounted for in the calculation of the NTI, i.e. historical data for NTI may not be adjusted unless the bank restated its accounts (e.g. for misvaluing derivative positions) over the last 5 years.

217. **Client revenues** from items held with a trading intent are defined as the part of the NTI, which consists of (i) a retained portion of or a mark-up on the bid/ask-spread, generated from market making or trading activities on behalf of external clients, (ii) prime services revenues and (iii) underwriting fees charged by the bank on a debt underwriting or a debt issuance by a corporate client booked in the trading book. Banks shall describe in the explanatory note how client revenues have been estimated and give a breakdown of which types of transactions are recognised as client revenues. Client revenues as defined above do not include any items treated as "Fee and commission income" according to FINREP template 2 row 0200, which are treated under section 6.4.1 of the methodology. Further, P&L due to movements in fair value caused by movements in market prices shall not be included in the client revenues.

218. **Optional derivatives** are all derivatives, as defined under IFRS 9 or IAS 39 that have an optional pay-off. [30]

219. **CCR exposures** are exposures related to the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. This refers to CCR as defined in Article 272 of the CRR, with the determination of the exposure value in accordance with Article 271 of the CRR. The scope are fair value positions (FVOCI and FVPL), which are subject to the market risk approach for the estimation of the P&L effect (or through capital, via OCI, for FVOCI). The relevant exposure measure that shall be used is the current exposure given by the market value and considering (i) legally enforceable counterparty netting and (ii) collateral received or posted to the counterparty by the reference date to which the market risk scenario has been applied. The exposure for P&L is distinct from the exposure for the calculation of capital requirements as set out in section 2.6, which refers to regulatory exposure as defined in the CRR — i.e. covering both current and potential future exposure. The exposures for both the P&L and capital requirements calculations should

[30] This includes, inter alia, equity single name options, equity index options, equity basket options, equity variance options, equity volatility options, equity warrants, equity convertibles, equity convertible preferred, currency options, FX OTC options, currency swaptions, options on bond futures, options on interest rate futures, options on interest rate swaps and options on CDS. On the other hand, this excludes CDS – single names, CDS – basket, CDS – index, equity index futures, equity forward, equity swaps, equity variance swaps, equity volatility swaps, equity convertible swaps, currency futures, forward FX contracts, currency-linked notes, bond futures, interest rate futures, futures on swaps, single currency interest rate swaps, cross-currency interest rate swaps, basis swaps, bond forwards and forward rate agreements.

comprehensively capture trades and aggregated exposures across all forms of CCR at the level of specific counterparties.

220. **CVA** is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty, as per Article 381 of the CRR. This adjustment reflects the current market value of the credit risk of the counterparty to the institution but does not reflect the current market value of the credit risk of the institution to the counterparty. **DVA** is an adjustment to the measurement of derivative liabilities to reflect the own credit risk of the entity.

221. **FuVA** reflects the funding cost/benefit of writing a hedge (collateralised) on a derivative that is not, or only partially, collateralised. A funding cost arises typically when uncollateralised derivatives have a positive market value (thus negative for the collateralised hedges). A funding benefit arises when the derivatives have a negative market value.

222. **Liquidity reserves** are adjustments to reflect uncertainty of the fair value/exit price of a position (e.g. reserves for market price uncertainty, bid-ask spread and close-out costs).

223. **Securitisation positions** are defined as in section 2.7.

224. **IRC** is an approach that captures, in the calculation of capital requirements, the default and migration risks of trading book positions that are incremental to the risks captured by the VaR measure as specified in Article 365(1) of the CRR.

225. **Correlation trading portfolio and APR:** institutions shall use this internal model to calculate a number that adequately measures APR at the 99.9% confidence interval over a time horizon of 1 year under the assumption of a constant level of risk and adjusted (where appropriate) to reflect the impact of liquidity, concentrations, hedging and optionality (Article 377 of the CRR).

226. **Standardised Based Method (SBM**) is a parametric market risk calculation based on standardized risk factor sensitivities and volatilities and correlations specified by the CRR3 (Part Three, Title IV, Chapter 1a, Section 2-3).

227. **Default Risk Charge (DRC)** is an approach that captures, in the calculation of capital requirements, a jump-to-default measure for individual issuers as well as securitizations based on standard netting rules to capture hedging effects, as specified in the CRR (Part Three, Title IV, Chapter 1a, Section 5).

228. **Residual Risk Add-On (RRAO)** is an additional charge for non-vanilla instruments whose risk is not captured by either of the two metrics above, as specified in the CRR (Part Three, Title IV, Chapter 1a, Section 4).

3.3.3 Static balance sheet assumption

229. The market risk shock is applied as an instantaneous shock to all positions in the scope of the market risk methodology, except for FVPL positions held with a trading intent and their related hedges for trading exemption banks. The impact of the market risk shock is recognised in the first year of the horizon and banks shall not reflect any unwinding of the shock over time.

230. In line with the static balance sheet assumption:

- The notional values of all assets and liabilities under the market risk scope are expected to remain constant over the time horizon of the exercise.
- Banks cannot assume any portfolio management actions under the adverse scenario (e.g. portfolio rebalancing or liquidation).

3.4 Full revaluation of positions under partial or full fair value measurement

3.4.1 Reference date and time horizon

231. The reference date for applying the market risk shocks is 31 December 2026.

232. The overall impact on P&L and capital of the market risk shocks is fully recognised in the first year of the stress test horizon (i.e. in 2027).

233. The P&L impact of the market risk stress shall be an instantaneous shock — i.e. no holding period assumptions can be made for any positions for the calculation of gains or losses.

3.4.2 Scope of application of full revaluation

234. For banks classified as trading exemption (TE) banks according to the criteria set out in Section 3.3.1, the impact of FVPL positions held with a trading intent and their related hedges is set equal to zero.

235. All accounting categories under a full or partial fair value measurement are required to be fully revalued under the adverse scenario (except items held with a trading intent and their related hedges for trading exemption banks).

236. For items that are measured at FVOCI and that would be subject to the impairment model of IFRS 9, the impact from changes in the credit risk of counterparties shall be measured at fair value and reported in OCI.

237. Both linear and optional derivatives are within the scope of the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT template.

3.4.3 Features of the full revaluation

238. In the baseline scenario, no impact is assumed (i.e. the impact is set to zero). For the adverse scenario, gains and losses on all positions in scope shall be fully recognised in the first year of the adverse scenario. The impact of the full revaluation shall be reported in the template CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT.

239. Banks are requested to conduct full revaluations of all their positions under partial or full fair value measurement (except items held with a trading intent and their related hedges for trading exemption banks) and to report impacts by asset category, accounting type, instrument type, and counterparty type. These categories and types are defined in accordance with the FINREP (Annex V) reporting guidelines. .

240. For each row of the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT template, notional amount, fair value, and impact (both OCI and P&L) must be broken down (without double counting) into the components related to items (both hedged and not hedged), the fair value hedges, the cash flow hedges, and the economic hedges. Further instructions are given in the TG.

241. Banks need to report:

- The notional amount of the positions in line with FINREP requirements. Notional amount is defined as the sum of the absolute values for assets (positive) and liabilities (positive).
- The fair value of the positions, in line with FINREP requirements.
- The gains or losses under full revaluation, including a breakdown by risk factor by first and second order sensitivities (notice that such reporting is required for all banks, including TE banks).
- The gains or losses under the full revaluation of the held for trading portfolio for parameters of the market risk scenario scaled by different coefficients. This reporting applies only to CA-Adv banks.
- The details of first order sensitivities (‘Delta’, as defined in Table 12) of the positions to the risk factors provided in the template CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT, as of the reference date. Sensitivities need to be reported for all risk factors included in the market risk scenario other than volatilities and the shocks for reserves for liquidity or model uncertainty. This reporting applies only to CA and CA-Adv banks.

- The details of second order sensitivities (Gamma and Vega, as defined in Table 12) of the positions to the risk factors provided, as of the reference date, in the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT template. This reporting requirement applies only to CA and CA-Adv banks.

Table 12: Definition of sensitivities

Risk factor	Sensitivity	General definition	Initial value	Greek value
Interest rate Credit spread Inflation	Delta Δ	1st order partial derivative with respect to a parallel shift of the relevant risk factor	x_t	$\Delta = \frac{\partial F}{\partial x}(x_t)$ (normalised per 1 bp)
	Gamma Γ	2nd order partial derivative with respect to a parallel shift of the relevant risk factor	x_t	$\Gamma = \frac{\partial^2 F}{\partial x^2}(x_t)$ (normalised per (1 bp)^2)
FX Equity Funds Commodities	Delta Δ	1st order partial derivative with respect to a change in the relevant risk factor	s_t	$\Delta = \frac{\partial F}{\partial s}(s_t)$ (per 1%)
	Gamma Γ	2nd order partial derivative with respect to a change in the relevant risk factor	s_t	$\Gamma = \frac{\partial^2 F}{\partial s^2}(s_t)$ (per (1%)^2)
All risk factors	Vega v	1st order partial derivative with respect to the volatility of the relevant risk factor	σ_t	$v = \frac{\partial F}{\partial \sigma}(\sigma_t)$ (per 1 vol point)
Interest rate Equity	"Vanna" (Delta*Vega)	Cross-sensitivity: change in delta resulting from a change in the volatility of the relevant risk factor	$r_{t,(i)}, \sigma_{r,t,(i)}$	$\chi_{r,(i)} = \frac{\partial^2 F}{\partial r\, \partial \sigma_r}(r_{t,(i)}, \sigma_{r,t,(i)})$ (normalized per 1bp and 1 vol point)

242. In relation to credit risk and interest rate risk factors, the reporting of sensitivities across buckets in the template CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT shall follow a "bucketing" approach. This shall consist in reporting sensitivities for the relevant tenor (as reported in the template CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT) in such a way that the total impact computed from the tenors' sensitivities after bucketing is equivalent to the impact obtained from the actual sensitivity of the cash flows and the

related shock. Further details on the bucketing approach and on how to report sensitivities are provided in section 2.3.2 of the Template Guidance.

243. The total impact shall be separately reported for the following items, in line with accounting standards:

- The impact on P&L from revaluation effects of (i) ineffectiveness of hedging instruments that are part of a cash flow hedge-accounting relationship, (ii) hedged risk factors on hedged instruments via fair value hedge accounting or (iii) all risk factors on FVPL positions.

- The impact on OCI from revaluation effects of (i) non-hedged risk factors on hedged items — i.e. the impact on OCI after hedging —, (ii) hedged risk factors on cash flow hedging instruments (effective part) or (iii) all risk factors on FVOCI positions.

244. For items that are held with a trading intent and their related hedges (TI&RH), the full revaluation loss for CA and CA-Adv banks under the adverse scenario is floored at a haircut based on the formula described in Box 12. This is applied directly in the CSV_MR_SUM template on the final gain and losses on items held with TI&RH. An adjustment factor (as described in Box 12), to account for window dressing, is then applied to the final loss.

245. For TE banks, the impact of items held with TI&RH is assumed to be equal to zero as indicated in paragraph 234.

Box 12: Constraint on the full revaluation of CA and CA-Adv banks for items that are held with a trading intent and their related hedges (TI&RH)

- The impact for CA and CA-Adv banks on held-for-trading items is given by:

$$HfT\ impact = \boldsymbol{AF} \ * min\ (HfT\ floor; Projections) \qquad (1)$$

Where:

- $HfT\ floor = -0.4\ x\ 8\%\ \ x\ REA_ASA_{q4\ 2026}$
- $REA_ASA_{q4\ 2026}$ is the risk exposure amounts computed according to the FRTB - alternative standardised approach (sensitivity-based approach & residual risk add-on) as of 31 December 2026.
- $Projections$ are banks' own full revaluations of HfT items. This should exclude gains and losses coming from eligible CVA hedges (as defined in paragraph 275) and from eligible FuVA hedges (as defined in paragraph 285).
- AF is an adjustment factor that accounts for the possible lack of representativeness of the end-of-year positions, and it is defined as:

- $$AF = Max\left[1, \frac{Average\left(\underset{2026}{Highest\ REA_ASA}\ ; \underset{2026}{2nd\ Highest\ REA_ASA}\right)}{REA_ASA_{q4\ 2026}}\right] \quad (2)$$
- Where:
  - $\underset{2026}{Highest\ REA_ASA}$ is the highest quarterly reported risk exposure amount computed according to the FRTB - alternative standardised approach (sensitivity-based approach & residual risk add-on), in 2026.
  - $\underset{2026}{2nd\ Highest\ REA_ASA}$ is the second highest quarterly reported risk exposure amounts computed according to the FRTB - alternative standardised approach (sensitivity-based approach & residual risk add-on), in 2026.

246. For the stress test, banks shall not, under any circumstances, consider possible valuation adjustments on debt securities and gains resulting from credit spread widening of own liabilities (for instance DVA). Hence, following a deterioration of own creditworthiness, the bank is not allowed to book a gain on those debt securities (or any other fair value liabilities) that represent a net liability to the bank.

247. The impact of the full revaluation shall be reported including basis risk in line with paragraph 259. Banks are required to outline the approach taken in the explanatory note.

248. Market shocks shall be applied and reported also by relevant risk factors (i.e. interest rate, FX, equity, funds, commodities, credit spread, inflation). Multiple risk factors can apply to the same position and possible related hedges. For instance, for a bond the key risk factors to be considered could be interest rate and credit risk spread. If the bond is denominated in a foreign currency, also the FX risk factor shall be considered.

249. Market risk relevant holdings in national or supranational central banks or authorities shall be stressed as any other exposure if they are marketable or transferable and their value is sensitive to stressed market conditions; in cases where such holdings exhibit absent or partial price sensitivity, institutions may calibrate and scale the provided market shocks in a manner consistent with the actual market sensitivity of the instrument. To justify this treatment, institutions must provide in the explanatory note documentation and empirical evidence of the transactional prices observed during different market conditions, including historical periods of market stress, demonstrating the stability of the instrument's value relative to its nominal amount.

250. Other market risk relevant exposures (e.g. bonds) to supranational entities or authorities shall be stressed by applying the relevant market risk shocks like all other exposures (for further details on these specific counterparties please check section 2.3.2 of the Template Guidance).

251. Considering the risk factor 'funds', differently from the Basel Framework and the CRR Article 325(j), banks are not allowed to apply a look-through approach. Fund positions must be stressed with the dedicated fund shocks provided in the market risk scenario. For defined benefit pension funds, the dedicated fund shock applies to fund's assets, while the respective liabilities shall be stressed by applying the market risk scenario to the relevant variables.

252. The impact of the shock on correlation trading portfolios shall be reported together with other positions in the full revaluation market risk template (CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT). Banks holding a correlation trading portfolio larger than 1% of total REA are deemed to hold a significant correlation trading portfolio. Competent authorities can ask these banks to provide additional information on the impact of these portfolios in the explanatory note.

253. When reporting results, multivariate effects deriving from the application of the market risk shocks shall be considered and cumulatively shown in the template in the P&L and OCI impact columns.

254. Banks are requested to provide a narrative, detailing major hedging strategies at portfolio level, for both hedge-accounting portfolios and economic hedges in the explanatory note.

3.4.4 Market risk factors

255. The market risk scenario is defined in terms of shocks to market risk factors, aimed at projecting gains and losses on all positions subject to partial or full fair value measurement. This excludes items held with trading intent and their related hedges for banks subject to the trading exemption approach. The stressed market risk factors for the adverse scenario have been estimated by the ESRB and the ECB.

256. For every instrument in scope, banks' projections in the adverse scenario must be derived considering all market risk factors relevant for that particular instrument, as specified in the market risk scenario. For example, the impact on equity instruments will depend not only on the shocks applied to equity indices but also on the volatility assumptions specified in the scenario.

257. For risk factors defined by tenor (e.g. interest rates, credit spreads, and inflation curves), shocks for tenors not explicitly provided in the market risk scenario must be calculated through interpolation. For tenors that fall outside the range of those available in the scenario, the shocks corresponding to the shortest or longest tenor provided should be applied, respectively.

258. Banks are not expected to integrate or expand the MR scenario with additional or more granular risk factors. The shocks specified in the scenario must be applied directly and exactly as provided. In particular, no statistical extrapolation or expansion of risk factors is permitted. The closest applicable shock from the MR scenario should be used, for example, the EU

equity shock (defined at geographical area level) should be applied uniformly across EU countries without further differentiation between individual countries or sectors.

259. The only exception to paragraph 258 concerns shocks stemming from other risk factors included in approved internal models, shocks for basis risks, correlation shocks, and additional volatility shocks under the adverse scenario, where these parameters are not already provided in the MR scenario. Differently from paragraph 258:

- Banks are expected to include, in the full revaluation, all risk factors that are part of their approved internal models where a given risk factor category is not provided in the EBA MR scenario. Such additional factors, together with an explanation on how they are used in bank internal models shall be mentioned in the explanatory note.

- For basis risk, correlation shocks, and additional volatility shocks, banks are expected to include them in the full revaluation to the extent consistent with their internal modelling capabilities and practices. Banks which don't regularly use such factors, shall provide an explanation for their exclusion in the explanatory note.

260. When considering risk factors as described in paragraph 259, banks shall always provide the proper documentation of their use and calculation in the explanatory note and demonstrate that their approach complies with the following criteria:

- Appropriateness: The methods and relationships applied must be valid and reliable.

- Comprehensiveness: All material market risks must be adequately stressed, ensuring no significant risks are omitted.

- Conservatism: In situations where accurately reflecting the impact of the stress scenario is not feasible, banks must err on the side of caution by overestimating rather than underestimating the impact.

3.4.5 Full revaluation of positions under partial or full fair value measurement of held for trading portfolio

261. CA and CA-Adv banks shall fill in the CSV_MR_FULL_REVAL_HFT template in addition to the CSV_MR_FULL_REVAL. TE are exempted from reporting the CSV_MR_FULL_REVAL_HFT template.

262. If not differently indicated, the methodology and the scope of the CSV_MR_FULL_REVAL_HFT is the same as for the CSV_MR_FULL_REVAL (including back-to-back trades in the HfT portfolio).

263. Economic hedging instruments referring to hedged items outside the held for trading portfolio shall be reported in the CSV_MR_FULL_REVAL template in the appropriate rows for hedges and excluded from the CSV_MR_FULL_REVAL_HFT template.

264. Both linear and optional derivatives are within the scope of the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT template.

265. Banks need to report Delta, Gamma, and Vega sensitivities both in the CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT template.

266. CA-Adv banks should perform the full revaluation of the items held with a trading intent and their related hedges under the market risk scenario and under four additional scenarios defined proportionally to the market risk scenario. The parameters of the four additional scenarios shall be computed by multiplying, and thus, scaling all the shocks of the market risk scenario by a set of scalars, ranging from 0.7 to 1.2, which will be specified in the market risk scenario. The results for each of the scenarios should be reported in the dedicated columns of the CSV_MR_FULL_REVAL_HFT template.

267. In addition to the revaluation under different re-scaled market risk scenarios, CA-Adv banks should also provide, upon request by their CA, additional information in the explanatory note concerning macro hedges in the trading book (in line with paragraph 254). The information should include:

- An indication of whether the bank implements macro-hedging strategies within its Trading Book.
- Where applicable, banks should provide detailed information on the objectives of such strategies and their alignment with the bank's risk appetite framework, including the financial instruments used and the specific trading desks involved.
- Banks should also provide evidence as to whether these strategies are implemented consistently throughout the year or whether they involve adjustments executed around year-end. In this context, banks should disclose any relevant macro-hedging transactions, including optional derivatives, entered close to the reference date and with maturities close to that date.
- Where applicable, banks should also provide an assessment of the specific contribution and impact of these macro-hedging instruments under both the EBA scenario and the four alternative scenarios.

3.5 Treatment of valuation reserves

268. For the valuation of reserves stress test losses (as detailed in this section), all banks are required to stress accounting and prudential reserves in the adverse scenario based on the market risk scenario shocks for the relevant risk factors, as described in section 3.4.4.

269. The scope of application concerns the valuation reserves for CVA and FuVA as well as for market price uncertainty, close-out costs and model uncertainty.

270. Valuation reserves are assumed to remain constant under the baseline scenario.

3.5.1 CVA impact on P&L and exclusion of the DVA impact

271. The negative P&L adjustments arising from CVA changes will reflect both deteriorating counterparties' credit quality and changes in exposure resulting from the prescribed market risk shocks under the adverse scenario. When calculating the adjustments, all banks, irrespective of whether they are TE, CA or CA-Adv banks, should maintain consistency in the calculation of CVA with their internal modelling choice and apply their internal methodology in a prudent way.

272. Banks are required to calculate CVA losses as the CVA at the reference date minus the CVA under the market risk stress. The latter is derived from the application of the prescribed market risk shocks for the adverse market risk scenario to both the positions' exposure value and the counterparties' credit spreads, net of fair value changes on the eligible CVA hedges.

273. The projection of CVA losses encompasses all instruments (e.g. derivatives, SFTs) and portfolios in which CVA losses can occur according to the accounting treatment of the bank — i.e. it is not limited per se to FVPL positions, uncollateralised positions or positions for which a CVA capital charge is calculated. All losses will be captured in the P&L. No separate materiality thresholds are set, as banks are required to follow their accounting treatment.

274. In deriving the CVA under the adverse scenario, banks may exclude counterparties in default. Banks should pay particular attention to material counterparties whose credit spread is significantly and adversely correlated with the risk factors that drive the CVA related to those counterparties, or the collateral posted by those counterparties. In this case they should make a judgement about whether a more conservative application of their standard methodology would be appropriate in such a material case. If requested by the competent authorities, banks should report in the explanatory note additional information about those counterparties.

275. For the computation of the P&L impact of CVA reserves, banks should also consider eligible CVA hedges. An instrument is considered as an eligible hedge if it meets the criteria set in Article 386 of the CRR and it is used to hedge transactions that are either in scope of, or exempted from, the own funds requirement for CVA risk. The eligible CVA hedges shall be stressed with the shocks provided in the market risk scenario and should be reported in the CSV_MR_RES_CVA_FVA template. Eligible CVA hedges shall not be reported either in the CSV_MR_FULL_REVAL template or in the CSV_MR_FULL_REVAL_HFT template.

276. The net P&L effect from CVA reserves (resulting from the stressed CVA reserves minus stressed eligible hedges) will be computed in the CSV_MR_RES_CVA_FVA template. Total CVA losses (net of the eligible CVA hedges) are capped at zero (i.e. no gains are assumed in the stress test horizon). The cap is applied directly in the CSV_MR_RES_CVA_FVA template. If requested by the competent authorities, banks should report in the explanatory note additional information about eligible hedges.

277. Regarding the collateral, banks shall stress the collateral held at the reference date using the prescribed shocks in the market risk adverse scenario. Banks shall not assume the default of a counterparty. Banks shall also not assume that additional collateral can be called beyond what is held at the reference date and shall compute the corresponding CVA charge. The only exception for posting collateral after the reference date is for cash collateral of financial instruments that are cleared at an exchange or a CCP (either cleared directly with a CCP or cleared with a CCP through a Clearing Member). This methodological assumption should not be interpreted as triggering a contractual default event or a transition of the counterparty to a defaulted state.

278. For the purposes of the stress test, banks shall not consider possible DVA as explained in paragraph 246. This constraint should be applied within each netting set for derivatives.

279. The resulting CVA impact shall be reported using the reserve template (CSV_MR_RES_CVA_FVA).

280. Banks are asked to break down CVA positions into transactions in scope and exempted from CVA REA as well as types of counterparties defined in the template CSV_MR_RES_CVA_FVA, using the approach prescribed for COREP 25.01 reporting.

281. Banks are also asked to report the 'Delta' sensitivities (as defined in Table 13) of the accounting CVA, net of the eligible hedges, to the risk factors included in the market risk scenario. In relation to credit spread risk factors, banks should report the sensitivities of the CVA to both the counterparties' credit spreads and the credit spreads of the underlying positions (i.e. impacting the exposure value).

Table 13: Definition of CVA sensitivities

Risk factor category	Current Value	Greek letter	Greek value
Equity, FX	X_0	DELTA	$CVA_X'(X_0) \times 1\%$
Interest rate, credit spread, inflation	r_0	DELTA	$CVA_r'(r_0) \times 1bp$

3.5.2 FuVa impact on P&L

282. The P&L adjustments arising from FuVA changes will reflect changes both in institutions' funding costs and in exposure resulting from the prescribed market risk shocks under the market risk stress. When calculating the adjustments, all banks, irrespective of whether they are TE, CA or CA-Adv banks, should maintain consistency in the calculation of FuVA with their internal modelling choice and apply their internal methodology in a prudent way.

283. Banks are required to calculate FuVA impact as the FuVA at the reference date minus FuVA under the market risk stress. The latter is derived from the application of the prescribed market risk shocks in the adverse market risk scenario to both positions' exposure value and funding costs, net of fair value changes on the FuVA eligible hedges. The stressed funding rates are to be determined by applying a shock equal to the sum of the interest rate yield shocks applicable to institution's country and the credit spread shock defined for the ITRAXX Financial 5y. Interest rate yield shocks and funding spread shocks represent distinct risk factors and shall both be applied as prescribed in the market risk scenario. No deduction or de-layering of swap spreads from funding spread shocks is permitted.

284. The projection of FuVA impact encompasses all instruments (e.g. derivatives, SFTs) and asset and liability portfolios in which FuVA impact can occur according to the accounting treatment of the bank — i.e. it is not limited per se to FVPL positions. All impacts will be captured in the P&L. No separate materiality thresholds are set, as banks are required to follow their accounting treatment.

285. For the computation of the P&L impact of FuVA reserves, banks should also consider derivatives which specifically hedge FuVA reserves (i.e. instruments designed to protect against fluctuations in funding costs or positions' exposure value). Such transactions must be booked and managed by a dedicated function (e.g. FuVA trading desk).

286. FuVA eligible hedges shall be stressed with the shocks provided in the market risk scenario and should be reported in the CSV_MR_RES_CVA_FVA template. These hedges should not be reported in either the CSV_MR_FULL_REVAL template or the CSV_MR_FULL_REVAL_HFT template.

287. The P&L impact from FuVA reserves (net of hedges) will be computed in the CSV_MR_RES_CVA_FVA template. Total FuVA losses (resulting from stressed FuVA reserves minus stressed eligible FuVA hedges) are capped at zero (i.e. no gains are assumed in the stress test horizon). The cap is applied directly in the CSV_MR_RES_CVA_FVA template. If requested by the competent authorities, banks should report in the explanatory note additional information about these hedges.

288. Banks are also asked to report the 'Delta' sensitivities (as defined in Table 14) to the risk factors included in the market risk scenario, for both accounting FuVA and related hedges. In relation to credit spread risk factors, banks should report the sensitivities of FuVA reserves to both the funding spreads and the credit spreads of the underlying positions (i.e. impacting the exposure value).

Table 14: Definition of FuVA sensitivities

Risk factor category	Current Value	Greek letter	Greek value
Equity, FX	X_0	DELTA	$FuVA_X'(X_0) \times 1\%$
Interest rate, credit spread, funding spread, inflation	r_0	DELTA	$FuVA_r'(r_0) \times 1bp$

289. In case a bank does not explicitly calculate any FuVA for accounting purposes but includes funding costs or benefits using an alternative approach (e.g. adding a premium to the discounting curve), it is permitted to leave the respective section of the CSV_MR_RES_CVA_FVA template blank. However, the bank is required to stress the funding component embedded in the fair value computation according to the methodology specified in paragraph 285. The resulting impact must be reported in the CSV_MR_FULL_REVAL template as part of the revaluation effects. Banks are required to outline the approach taken in the explanatory note, along with an estimation of the impacts related to the funding component.

3.5.3 Reserves for market price uncertainty and close-out costs

290. The market price uncertainty and close-out costs methodology shall be applied to all banks in the sample.

291. Banks shall compute the impact on their fair value adjustments (IFRS 13) and prudential adjustments (AVA, Article 105 of the CRR) for market price uncertainty and close-out costs of an exogenous widening in the bid-ask spread for the whole portfolio of items for which these reserves are computed. Consistently with the static balance sheet assumption, starting-point valuation reserves, including AVAs, shall be based on reference date positions and valuations. Therefore, fair value changes resulting from the application of the prescribed market risk scenario shall not be used for the recalculation of starting-point valuation reserves.

292. Regarding the accounting adjustment, the scope of application of the bid-ask spread widening shall concern the fair value adjustment for market price uncertainty and close-out costs (bid-ask); while for AVA calculations, the adjustments related to market price uncertainty and close-out costs, including the corresponding components of unearned credit spreads and investing and funding costs, are required to be considered.

293. Different bid-ask spread shocks shall be applied to instruments or valuation inputs across different risk categories (i.e. interest rates, foreign exchange, credit, equities, commodities) and with different market liquidity. To that end, banks shall rely on their internal risk

management structure and allocate each instrument and valuation input to the most appropriate risk category, consistently with the reporting of these reserves in COREP 32.02. Regarding market liquidity, the shocks are differentiated according to whether a range-based approach or an expert-based approach is applied for the computation of the AVAs, as referred to in Articles 9(5) and 10(6) of Delegated Regulation (EU) 2016/101. Accordingly, banks shall apply the set of shocks that correspond to the approach used in their valuation framework to instruments or valuation inputs in order to compute the related reserves under stress.

294. For instruments and valuation inputs for which no quoted bid-ask spread can be obtained, banks shall multiply the accounting and prudential starting point reserves by the bid-ask spread shock prescribed for the corresponding risk category under expert-based approach. Banks may be exempted from the application of the bid-ask spread shocks to stress these instruments if they demonstrate that starting point reserves already incorporate very conservative assumptions. In such cases, banks shall provide evidence that the starting point reserves already reflect the exit price under stressed market conditions in their explanatory note.

295. Banks do not need to stress the AVA and can assume it stays flat during the stress scenario in the following cases:

- when a simplified approach is applied, and therefore the AVAs are determined using Chapter 2 of the Commission Delegated Regulation (EU) 2016/101, and
- for instruments where the AVA is determined using the fallback approach in accordance with Article 7(2)(b) of the same Regulation.

These banks should still compute the impact coming from the bid-ask spread shock on the accounting reserves.

296. Banks may apply the shocks at instrument or at portfolio level. Multiple bid-ask spread shocks can apply to the same instrument. Nevertheless, banks are expected to adhere as closely as possible to the methodology employed internally for the calculation of accounting and prudential reserves. Consequently, any divergence from that methodology must be adequately justified and accompanied by the implementation of additional controls on the input used (e.g. sensitivities), aggregation and calculation methodologies.

297. The impact coming from the market price uncertainty and close-out costs shocks shall be reported in template CSV_MR_RES_UNCERTAINTY. The impact coming from AVA reserves and accounting reserves shall also be reported in the respective columns of the CSV_MR_RES_UNCERTAINTY template.

3.5.4 Reserves for model uncertainty

298. The model uncertainty methodology shall be applied to all banks in the sample.

299. Banks shall compute the impact on their fair value adjustments (IFRS 13) and prudential adjustments (AVA, Article 105 of the CRR) of an exogenous widening in the dispersion of alternative pricing models or model parameters for the whole portfolio of items for which these reserves are computed. Consistently with the static balance sheet assumption, starting-point valuation reserves, including AVAs, shall be based on reference date positions and valuations. Therefore, fair value changes resulting from the application of the prescribed market risk scenario shall not be used for the recalculation of starting-point valuation reserves.

300. The scope of application of model uncertainty shocks shall concern accounting fair value adjustment for model risk as well as AVAs related to model uncertainty, including the corresponding component of unearned credit spreads and investing and funding costs.

301. Different model uncertainty shocks shall be applied to pricing models or model parameters related to different risk categories (i.e. interest rates, foreign exchange, credit, equities, commodities) and with different market liquidity. For this purpose, banks shall rely on their internal risk management structure and allocate each pricing model and model parameter to the most appropriate risk category, consistently with the reporting of these reserves in COREP 32.02. Regarding market liquidity, the shocks are differentiated according to whether a range-based approach or an expert-based approach is applied for the computation of the AVAs, as referred to in Articles 9(5) and 10(6) of Delegated Regulation (EU) 2016/101. Accordingly, banks shall apply the set of shocks that corresponds to the approach used in their valuation framework to instruments or valuation inputs, in order to compute the related reserves under stress.

302. For pricing models and model parameters for which no market dispersion can be obtained, banks shall multiply the accounting and prudential starting point reserves by the model uncertainty shock prescribed for the corresponding risk category under expert-based approach. Banks may be exempted from the application of the model uncertainty shocks to stress these instruments if they demonstrate that starting point reserves already incorporate very conservative assumptions. In such cases, banks shall provide evidence that the starting point reserves already reflect the exit price under stressed market conditions in their explanatory note.

303. Banks do not need to stress the AVA and can assume it stays flat during the stress scenario in the following cases:

- when a simplified approach is applied, and therefore the AVAs are determined using Section 2 of the Commission Delegated Regulation (EU) 2016/101, and

- for instruments where the AVA is determined using the fallback approach in accordance with Article 7(2)(b) of the same Regulation.

These banks should still compute the impact coming from the model uncertainty shocks on the accounting reserves.

304. Banks may apply the shocks at instruments or at portfolio level. Multiple model uncertainty shocks can apply to the same instrument. Nevertheless, banks are expected to adhere as closely as possible to the methodology employed internally for the calculation of accounting and prudential reserves. Consequently, any divergence from that methodology must be adequately justified and accompanied by the implementation of additional controls on the input used (e.g. sensitivities), aggregation and calculation methodologies.

305. The impact coming from the model uncertainty shocks shall be reported in template CSV_MR_RES_UNCERTAINTY. The impact coming from AVA reserves and accounting reserves shall also be reported in the respective columns of the CSV_MR_RES_UNCERTAINTY template.

3.6 Projections of client revenues for items held with a trading intent and NTI impact.

3.6.1 Client revenues for CA and CA-Adv banks

306. If banks can report quarterly client revenues of items held with a trading intent from 2022 to 2026, as defined in paragraph 217, they should project client revenues under the adverse scenario for the years 2027-2029 considering how the adverse market risk scenario would impact this income. If historical data for the client revenues cannot be reported for the years 2022-2026, all projections in the CSV_MR_PROJ template are set to zero. On the contrary, client revenues are computed according to Box 13. Banks shall outline the approach taken to project client revenues in the explanatory note.

307. For each year, the projections of client revenues of items held with a trading intent are capped under the adverse scenario at 80% of the average historical client revenues of items held with a trading intent over the past three years.

3.6.2 Client revenues for TE banks

308. For each year, the projections of client revenues of items held with a trading intent are set to 0 for TE banks by default. However, if a TE bank can prove, by providing evidence to their CA through the explanatory note, that they have generated client revenues from 2024 to 2026, then the projections of client revenues of items held with a trading intent are set to 80% of the average historical client revenues of items held with a trading intent over the past three years. This is explained in Box 13.

Box 13: Description of the computation of client revenues under the adverse scenario

For 2027, 2028 and 2029, Client revenues are computed according to the following approach:

- For *CA* and *CA-Adv* banks:
  - Quarterly client revenues from the 2022 Q1 to 2026 Q4 should be reported.
  - Banks should project client revenues in each year of the adverse scenario according to paragraph 306.
  - Then client revenues in each year of the adverse scenario are computed as:

$$Client\ revenues\ _i = \min(Proj_Client_Revenues_i, 0.8 * Average(Client_{Rev\,2024-2026}))$$

Where:

- $Proj_Client_Revenues_i$ are the client revenues of items held with a trading intent projected by banks in year *i* according to paragraph 217.

- $Average(Client_{Rev\,2024-2026})$ is the simple average of client revenues between the annual historical client revenues in 2024, 2025 and 2026.

- For *TE* banks:
  - If TE banks generated client revenues from 2024 Q1 to 2026 Q4 (under the conditions of paragraph 308), then client revenues of items held with a trading intent in year *i* are computed as follows:

$$Client\ revenues\ _i = 0.8 * Average(Client_{Rev\,2024-2026})$$

  - Otherwise, client revenues for TE banks in 2027, 2028 and 2029 are assumed to be equal to zero.

3.6.3 Baseline NTI

309. The baseline NTI for each year is defined as the least of the following: the average of the 2025-2026 NTI (floored at 0), the average of the 2024-2026 NTI, and the average of the 2022-2026 NTI (see Box 14). It will be calculated on the market risk template for the projection of client revenues (CSV_MR_PROJ).

Box 14: Definition of the baseline NTI

$NTI_{2027,2028,2029\ (baseline)}$ = Min{Average(NTI) $_{2022-2026}$, Average(NTI) $_{2024-2026}$, Max(0,Average(NTI) $_{2025-2026}$)}.

Where:

- Average(NTI)$_{2025\text{-}2026}$ is the simple average NTI over 2025-2026.
- Average(NTI)$_{2024\text{-}2026}$ is the simple average NTI over 2024-2026.
- Average (NTI)$_{2022\text{-}2026}$ is the simple average NTI over 2022-2026.

310. In line with this definition, regardless of the approach used in the market risk stress test, all banks should report their NTI for the years 2022-2026.

3.6.4 Adverse NTI

311. For the year 2027, the NTI under the adverse scenario is the sum of: i) the losses under the full revaluation of all items held with TI&RH ii) changes in liquidity, model uncertainty and valuation reserves, iii) client revenues computed on items held with a trading intent and economic hedges excluding hedges of items held with a trading intent iv) gains and losses from revaluation of items in hedge accounting v) gains and losses from revaluation of items mandatorily or designated at fair value. For the years 2028 and 2029, the NTI under the adverse scenario is equal to the client revenues as computed in Box 13. The resulting NTI calculation is shown in Box 15.

Box 15: NTI under the adverse scenario

NTI$_{2027\ (adverse)}$ = Client revenues$_{2027}$ + Accounting reserve impact$_{2027}$ + CVA reserve impact$_{2027}$ + FuVA reserve impact$_{2027}$ + Revaluation$_{TI\&RH.\ 2027}$ + Revaluation of items mandatorily or designated at fair value$_{2027}$ + Revaluation of hedge accounting$_{2027}$ + Revaluation of economic hedges excluding hedges of items held with a trading intent$_{2027}$

NTI$_{2028,2029\ (adverse)}$ = Client Revenues as defined in Box 13.

Where:

- NTI$_{2027,2028,2029}$ (adverse) are final NTI values reported in the P&L sheet.
- Client Revenues$_{2027}$ are client revenues computed according to Box 13 for all types of banks.
- Accounting reserve impact$_{2027}$ is the impact from reserves on model uncertainty, market price uncertainty and close-out costs for items under the scope of the market risk methodology.
- $\text{Revaluation}_{TI\&RH}$ is the market risk loss due to the full revaluation of all items TI&RH as reported in the CSV_MR_FULL_REVAL_HFT template and floored as described in Box 12.

- Revaluation of items mandatorily or designated at fair value$_{2027}$ is the market risk gain/loss due to the full revaluation of all items mandatorily or designated at fair value as reported in the template CSV_MR_FULL_REVAL.
- Revaluation of hedge accounting$_{2027}$ is the market risk gain/loss due to the full revaluation of all items in hedge accounting as reported in the CSV_MR_FULL_REVAL template.
- Revaluation of economic hedges excluding hedges of items held with a trading intent$_{2027}$ is the market risk gain/loss due to the full revaluation of economic hedges excluding hedges of items held with a trading intent as reported in the CSV_MR_FULL_REVAL template.

3.7 Counterparty credit risk losses

312. For CCR stress test losses in the adverse scenario (as detailed in this section), all banks are required to stress exposures based on the market risk scenarios and risk factor shocks described in section 3.4.4. This does not affect regulatory CCR exposure as reported in the credit risk templates for the calculation of the CCR exposure amount, for which the credit risk methodology set out in section 2 applies.

313. In addition to the P&L associated with changes in CVAs, counterparty credit losses may arise if counterparties default in the stress test. This is calculated in the CCR template (CSV_MR_CCR). To gauge the possible impact of this source of P&L, banks should calculate and report CCR exposures as at the reference date, stressed exposures and appropriate stressed LGD for their top 40 largest counterparties (by net stressed exposures), as described below.

314. In considering counterparty defaults in conjunction with market risk stresses, market risk factor shocks shall be applied to the exposure, whether uncollateralised or collateralised and whether positive or equal to zero at the reference date. In cases of collateralised exposures, banks are also required to stress the collateral in line with the market risk shocks, including any FX market risk shocks for cash collateral and assuming (in line with the general assumption of no portfolio rebalancing) that no additional collateral is received or posted beyond what is held as of 31 December 2026. Exposures shall be stressed based on the market risk scenarios as defined in section 3.4.4.

315. Stressed CCR exposure used to calculate CCR stress test losses shall be reported net of stressed collateral. When determining the exposure net of stressed collateral all exposures that are defined as CCR exposures according to paragraph 219 shall be considered.

316. An external PD with a 3-year horizon should be considered in the CCR methodology. If no external PD exists, then the internal PDs should be considered and calculated using their own models. External PDs should be determined based on the second-lowest long-term unsecured ratings and banks' internal mappings, with the restriction that they are within the

interval given for the corresponding credit quality step of the relevant rating-ECAI [31] pair (provided in Table 1 of Annex 1). Both internal and external PDs are point-in-time risk parameters and should reflect the probability of the counterparty defaulting within the 3 years of the stress test horizon.

317. The stressed LGD to be used should reflect the loss given each counterparty's default, consistently with the LGD applied to the default of the counterparty under the adverse scenario in the credit risk methodology. It should be consistent with the banking book risk parameter estimates, while taking into account any idiosyncratic factors specific to the counterparty, and connected to the adverse scenario, that could result in higher losses than those reflected in the LGD for the corresponding credit risk segment and geography. Such factors may include, for example, counterparty-specific financial or liquidity difficulties, weaknesses in recovery prospects, or legal or collateral-related issues that could adversely affect the recovery of the outstanding exposure following default. The stressed LGD should be applied to the stressed CCR exposure net of stressed collateral.

318. The stressed LGD should be applied to the stressed CCR exposure net of stressed collateral. The resulting losses should be added to the total losses arising from the market risk scenario.

319. The number of defaulting counterparties is bank-specific, from a minimum of 2 to a maximum of 5 depending on the riskiness of bank's portfolio (see box Box 16). The 40 largest counterparties need to be distinct (i.e. LEIs need to be unique amongst them). Guarantees and credit risk mitigations eligible under the CRR [32] should be considered when determining the 40 largest counterparties and in determining the appropriate stressed LGDs. Banks may also be asked by their competent authorities to provide evidence, in the explanatory note, that requirements according to Articles 205 to 217 of the CRR are met. The procedure for identifying the defaulting counterparties is described in Box 16.

320. Central governments (including EU regional governments and local authorities pursuant to Article 115 of the CRR [33]), central banks, CCPs and other market infrastructures, counterparties explicitly guaranteed by the central government and intra-group exposures shall not be included in the set of counterparties and names used to identify the largest exposure. Banks shall report their counterparties at the maximum level of consolidation where the bank has exposures to more than one entity within the same holding group, irrespective of whether the entities are located within or outside the EU. Where the bank has exposure to only one entity within the holding group, the bank shall report the PD and all other required information for that specific entity.

[31] ITS on the mapping of the credit assessments to risk weights of External Credit Assessment Institution (ECAIs) (Commission Implementing Regulation (EU) 2016/1799).

[32] See Part Three, Title II, Chapter 4 of the CRR.

[33] The list of eligible EU regional governments and local authorities that may be treated as central governments for the calculation of capital requirements pursuant Article 115 of the CRR is maintained by the EBA: https://eba.europa.eu/sites/default/documents/files/documents/10180/585167/e2128d3c-c67f-40fb-80ce-857df060f7b2/List%20of%20EU%20regional%20governments%20and%20local%20authorities%20treated%20as%20exposures%20to%20central%20governments%20%28Article%20115%20CRR%29.xlsx

321. The overall CCR loss will be calculated as the default exposure of the counterparties identified in paragraph 319, multiplied by the appropriate stressed LGD and minus the accounting CVA impact on P&L (before the application of the market price stress).

322. The default of the most vulnerable counterparties covers the effect that the whole CCR exposure assigned to this counterparty has on the P&L if the counterparty defaults. In addition to the CCR effect, banks are asked to calculate additional losses from the jump-to-default (JtD) of the direct credit exposure to debt and equity instruments (additional to the CRR exposure) to this counterparty in the FVPL and FVOCI portfolios. Here jump-to-default is the net additional loss resulting from an issuer's instantaneous default. Net profit resulting from an issuer's instantaneous default should not be considered in the jump-to-default estimations.

323. Only indirect exposures to the issuer (i.e. credit derivatives) that are either part of a hedge accounting relationship or that are recognised as credit mitigation effects (according to the Articles 213 and 216 of the CRR), shall be considered for the computation of the jump to default. Off-balance sheet exposures should be included in the jump-to-default calculation. The P&L impact based on the jump-to-default calculation of the direct credit exposure is calculated as the product of the stressed LGD and the JtD exposure. For exposures to the most vulnerable counterparties in accounting portfolios held at amortised cost no stress is required for the CCR loss calculation.

324. The algorithm for identifying the 40 largest counterparties and the most vulnerable ones is summarised in Box 16.

325. The resulting losses will be captured as impairments in the P&L. The projection of counterparty defaults should be carried out independently from the projection of credit risk losses as defined in section 2.4 — i.e. no adjustments should be made for credit risk exposure or credit risk parameters for the projection of credit risk losses as defined in section 2, based on assumed counterparty defaults.

Box 16: Algorithm for identifying and defaulting CCR exposures

- Exclude exposures not within the scope of the largest counterparty default (i.e. central governments, central banks, CCPs and other market infrastructures, counterparties explicitly guaranteed by the central government and intra-group exposures).
- Calculate stressed CCR exposure by applying stress factors defined in the market risk scenario to all positions subject to CCR as defined in paragraph 314, under the adverse market risk scenario.
- Calculate value of stressed collateral by applying stress factors defined in the market risk scenario to all collateral positions.

- Rank counterparties by stressed CCR exposure net of stressed collateral, guarantees and credit risk mitigation eligible under the CRR. The exposure has to take into account the change in the mark-to-market exposure to the counterparties, as well as the revaluation of the collateral.
- Consider the 40 largest counterparties in terms of stressed CCR exposure net of stressed collateral and eligible credit risk mitigation for the adverse scenario.
- Calculate an external PD for each counterparty. This PD shall be the probability of default implied by the second lowest external rating available, constrained by the upper bound and lower bound on the Long-run benchmark PD values on Table 1 of Annex 1 of ITS on the mapping of the credit assessments to risk weights of External Credit Assessment Institution (ECAIs) (Commission Implementing Regulation (EU) 2016/1799). Where the implied external PD is higher than the upper bound for a given credit quality step, the external PD shall be capped at the value of the upper bound of the credit quality step. Where the implied external PD is lower than the lower bound for a given credit quality step, the external PD shall be floored at the value of the lower bound of the credit quality step.

Credit Quality Step	**Lower bound**	**Upper bound**
1	0.00 %	0.16 %
2	0.17 %	0.54 %
3	0.55 %	2.39 %
4	2.40 %	10.99 %
5	11.00 %	26.49 %
6	26.50 %	100 %

- The ratings to be considered shall include, when available, at least the following sources:
  - DBRS Ratings
  - Fitch Ratings
  - Moodys Investors Service
  - S&P Global Ratings
- If external rating does not exist and consequently external PD cannot be estimated, calculate an internal PD for each counterparty, this PD shall be the probability of default implied by the internal rating of the counterparty.
- Assign a PD to each of the 40 largest counterparties using the external PD. If external PD cannot be estimated, then assign the internal PD.
- The number of defaulting counterparties, N, is identified automatically in CSV_MR_CCR based on the Vasicek formula (the outcome of which is rounded to the nearest integer):

$$N_{count} = \max\left(2, \min\left(5, \Phi\left(\frac{\Phi^{-1}(PD) + \sqrt{\rho} * \Phi^{-1}(\alpha)}{\sqrt{1-\rho}}\right) * 40\right)\right)$$

Where:

- *PD* = weighted average PD of the reported counterparties
- ρ = asset correlation coefficient (assumed to be equal to 0.4)
- α = confidence level (assumed to be equal to 99%)
- Φ = cumulative standard normal distribution function
- Φ^{-1}= inverse cumulative standard normal distribution function

- Calculate the impact of the default of CCR exposures for each of the *N* defaulting counterparties, identified automatically in CSV_MR_CCR based on PD*net stressed exposure. This is equal to the stressed CCR exposure net of stressed collateral and eligible credit risk mitigation multiplied by the respective stressed LGD, netting the CVA impact on the P&L before application of the stress. The impact is floored to zero.
- Calculate jump to default (JtD) loss for the *N* defaulting counterparties as the sum of JtD credit exposures in FVPL and FVOCI accounting categories multiplied by the respective stressed LGD.
- Calculate the final impact of default by summing up the impact of CCR stress losses and the impact of the JtD losses for the *N* defaulting counterparties.

3.8 Impact on REA

326. Under the market risk methodology banks are expected to consider the own funds requirements for market risk (Part Three – Title IV of the CRR), as well as REA CVA charges (Part Three – Title VI of the CRR). With respect to MR REA, banks shall also consider the entrance into force of the CRR3 and Commission's Third Delegated Act as described in this section.

327. Both general risk and specific risk REA of securitization exposures is to be included in market risk REA (and not in credit risk REA).

3.8.1 Starting points of MR REA

328. All banks, including the ones under the simplified standardised approach, shall report starting point values for market risk REA as of 31 December 2026. At this reference date, the starting points should be reported according to both the regulation in force as of 31 December 2026 (CRR2) and the regulation in force as of 1 January 2027 (CRR3). In this latter case MR REA should be restated.

329. MR REA figures computed according with CRR2 regulation, which concerns VaR, sVaR, IRC, APR, CVA and STA, should be reported by all banks from RowNum 2 to 8 and in ColNum 1 of the CSV_MR_REA template. MR REA figures computed according to CRR3 regulation, should be reported from RowNum 9 to 15 and in ColNum 2 of the CSV_MR_REA template. The breakdown of MR REA CRR3 figures should follow COREP 91.01 template.

330. If, under the CRR2 framework, the CA requires banks to also compute REA for risk not in model engine (RNIME), then this requirement should be reported in the CSV_MR_REA by adding it to the starting points of the related market risk REA component. In addition, banks should also report it separately as a memo item in the CSV_MR_REA template.

3.8.2 Projections of MR REA

331. For projecting MR REA, banks are expected to communicate to the respective CA if they intend to apply the multiplier of art. 495v by 31th May 2027. This information should be included consistently in RowNum 1 of CSV_MR_REA.

332. Irrespective of whether they are applying or not the multiplier of art. 495v DA, all banks are expected to restate MR REA at 1st January 2027, taking also into account art. 495i to art. 495v DA[34]. All banks are expected to report fully loaded MR REA (memo item in RowNum 25 of CSV_MR_REA) following CRR3 rules and excluding the transitional effects included in the DA (i.e. full implementation of FRTB). Consistently, the transitional adjustments introduced by the DA should be reflected in CSV_CAP.

333. Under the baseline scenario, MR REA is assumed to remain constant for all banks at the level of the starting point. For banks applying the multiplier of art. 495v DA, projections will therefore be equal to starting point MR REA under CRR2, while for all other banks restated CRR3 figures will be carried over the projections.

334. The Residual Risk Add-On (RRAO) and the Default risk charge (DRC) capital charge should be kept constant at the level of the starting point in the baseline and in the adverse scenario for all banks.

335. For exposures under Alternative Internal Models Approach (AIMA), the capital charge is considered to stay flat at the level of the starting point.

336. In the adverse scenario, a different approach is to be followed depending on whether the institution is applying or not the multiplier of art. 495v DA, as explained in section 3.8.2.1 and 3.8.2.2.

3.8.2.1 Banks applying the multiplier

337. Banks applying the multiplier should project MR REA following CRR2 rules. In this case, banks that do not have a VaR model approved by the CA in place are assumed to maintain market risk regulatory requirements constant at their starting point value.

[34] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202601221

338. For institutions with approved internal models, the VaR under stress is set to be equal to the SVaR at the reference date. The sVAR is then assumed to remain constant over the projections.

339. Furthermore, banks modelling IRC must project the impact in the adverse scenario based on stressed parameters in accordance with section 2. Banks should use the credit spread shocks given in the market risk scenario as input to the IRC under the adverse scenario, assumed to be instantaneous and constant over the years ahead. Regarding those shocks not available in the market risk scenario (e.g. macroeconomic variables like GDP or unemployment), the macro adverse scenario should be used as a reference. The relative increase in the IRC is floored at the relative increase of REA in the IRB portfolio in the adverse scenario.

340. Overall, the increase of CRR2 MR REA is capped at CRR3 MR REA as restated by institutions as of 1st January 2027 (ColNum 2 of the CSV_MR_REA template).

Table 15: VaR assumptons for the calculation of REA

Starting point	Baseline	Adverse
VaR	VaR	SVaR
SVaR	SVaR	SVaR

3.8.2.2 Banks not applying the multiplier

341. Banks not applying the multiplier are expected to restate MR REA at 1st January 2027 (ColNum 2) and keep this value stable throughout the projections. This applies to all portfolios and all approaches (ASA REA, AIMA REA and Simplified Standardised Approach). Banks that have received authorization to use AIMA by 31st December 2026 are allowed to use it when restating reporting MR REA under CRR3.

3.8.3 CVA REA

342. CVA REA under the baseline scenario shall be assumed equal to the starting point CVA REA under all approaches. Banks under the standardised approach (SA-CVA) should calculate the stressed CVA capital charge under the adverse scenario and report it in the CSV_MR_REA template. Banks under the basic (BA-CVA) and the simplified approach should keep the related capital charge flat at the starting point level.

343. Under the SA-CVA, banks shall apply the market risk scenario shocks to the relevant CVA risk factors at counterparty level, including interest rates, credit spreads, foreign exchange rates and equity prices. Banks shall compute the sensitivities to all relevant risk factors under stress and derive the stressed CVA capital requirement by aggregating these sensitivities using the regulatory aggregation formula set out in Article 383q of the CRR. Diversification and hedging effects shall be recognised in accordance with the regulatory framework.

344. The increase in the SA REA CVA under the adverse scenario is floored at the relative increase in REA of the IRB credit risk portfolio under the adverse scenario. This constraint is applied directly in the CSV_MR_REA template.

3.8.4 Output floor

345. Banks shall determine the market risk output floor (including MR REA and CVA REA) based on art. 92(5) CRR, and report in CSV_MR_REA a single number which is expected to be stable over the projections under both baseline and adverse scenario.

4. NII

4.1 Overview

346. The NII framework covers projections of reference rates and margins under both the baseline scenario and the adverse scenario. The split between reference rate and margin components of banks' assets and liabilities is introduced to distinguish two risks affecting banks' NII under stress:

- The risk related to a change in the general 'risk-free' yield curves.
- The risk related to a change in the 'premium' that the market requires or the bank sets for different types of instruments and counterparties, reflecting the impact of credit and other market risks (e.g. liquidity).

347. The projections are calculated in accordance with Box 17.

Box 17: Calculation of projections of NII

- Assumptions cannot lead (at group level) to an increase in the bank's NII, compared with the 2026 value, under the adverse scenario (paragraph 404).
- Under the adverse scenario, assumptions cannot lead (at group level) to an increase in the bank's NII compared with the 2026 value before considering the impact of the increase of provisions for non-performing exposures on interest income (paragraph 405).
- The income on non-performing exposures is calculated net of provisions, and under the adverse scenario subject to a cap on the applicable EIR at aggregate level (paragraph 407).
- Under the baseline scenario the margin component of the EIR of their repriced liabilities reflects a proportion of the changes in the sovereign bond spread of the country of location of activity (paragraph 422).
- Under the adverse scenario, the margin paid on interest-bearing liabilities increases equal to a proportion of the increase in the sovereign spread of the country of location of activity and the same proportion applied to the increase of an idiosyncratic component, derived from the impact on banks' wholesale funding rate of a rating downgrade (paragraph 422).

- Under both the baseline and the adverse scenario, the margin component of the EIR on repriced assets is projected as a proportion of the increase in the sovereign spreads of the country of exposure (paragraph 425).
- Under both the baseline and adverse scenario, sight deposits reprice immediately in line with the methodological prescriptions (paragraphs 393 and 397).
- The reference rate of new originated or repriced instruments should be consistent with the macroeconomic scenarios for risk-free yield curves (paragraph 351).
- Net interest income from held for trading and their related hedges, excluding economic hedges is set equal to the average during 2024-2026 (paragraph 430).

4.2 Scope

348. Interest -earning or interest-paying positions across all accounting categories, including not only instruments subject to amortised cost measurement but also those subject to fair value measurement (such as FVOCI positions, FVPL positions except for held-for-trading, but including Economic Hedges [35] and hedge-accounting instruments), are in the scope of this section. Held-for-trading positions except Economic Hedges are excluded from the scope of the NII methodology of Sections 4.1 to 4.4 and are treated according to the methodology described in Section 4.5. For avoidance of doubt, derivatives that are classified held for trading but are held with the purpose of hedging non-held for trading instruments are in scope of this section.

349. Contractual agreements not in line with the static-balance sheet assumption (e.g. become only effective in the stress test horizon but are not on-balance as of end of the year of the starting period such as loan commitments or financial guarantees) are out of scope of the NII methodology. However, derivative hedging instruments (e.g. swaptions, FRAs) used to hedge on-balance assets/liabilities and which go into the money during scenario horizon, are in scope (see paragraph 382).

350. Fees and commissions that are recognised as NII in the accounting framework are also within the scope of this section. Fees and commissions that can be directly linked to loans should be stressed through the loan's EIR. All other fee and commission income is out of the scope of the NII methodology.

[35] As defined in FINREP Annex V Part 2 Par. 137.

4.3 High-level assumptions and definitions

4.3.1 Definitions

351. **Reference rate** is defined as the general underlying 'risk-free' rate relevant for the given instrument, as used by banks in the management of their interest rate risk in the banking book. That rate shall not include instrument-specific or entity-specific credit risk spreads or liquidity risk spreads. Acceptable starting point rates are swap rates against 6-month money market rates (if available), while for tenors up to 1-year money market rates should be used. The reference rate shall reflect the contractual payment profile of the respective instrument unless otherwise specified in the Methodological Note. Specific treatments for the reporting of the sight deposits and embedded derivatives are envisaged in the Methodological Note (paragraphs 393, 397, 414, 415)**.**

352. **Margin** is defined as the 'premium' earned/paid by banks over the instrument's/portfolio's reference rate.

353. **Margin of the new business** (end 2026) refers to the margin (notional-weighted) of the instruments that were originated in 2026 and which were on the balance sheet at the end of the year. The margin of the new business is used for the projections of the margin components.

354. The **EIR** for a given instrument, time interval and component (margin or reference rate) is the rate that equals the ratio of interest income/expenses to the volume. For banks reporting according to IFRS 9, this coincides with the EIR as defined in that Standard. At portfolio level, the EIR is the interest income/expense earned over the year divided by the notional of the average volume of the year.

355. **Volume** stands for the notional amount of an instrument, i.e. its gross carrying amount in the case of instruments at amortised cost and the notional amount for fair value instruments (including FVOCI). In particular, projected volume should abstract from projected fair value changes under both the baseline scenario and the adverse scenario.

356. **Average 2026 volume** is the sum of the time-weighted notional over instruments that were on the balance sheet at any point in time during the year 2026. The time-weighted notional of an instrument is defined as the notional of the instrument times the fraction of the year the instrument was on the balance sheet.[36] If an instrument is reclassified from performing to non-performing (and vice-versa), the time-weighting scheme shall be applied

[36] E.g. in case of two instruments with both notional 100 and instrument 1 being on balance sheet 6 months and instrument 2 being on balance sheet for 9 months in 2026, the reported average volume would be 100*(6/12)+100*(9/12)=125. The average EIR is given as the NII generated by these instruments in 2026 divided by the average volume.

accordingly. [37] It is expected that the product between the average volume and the average EIR corresponds to the interest income/expenses over the starting point year at asset/liability type level.

357. **End 2026 volume** is equal to the stock being on the balance sheet at the end of the year, while the EIR is the notional-weighted end of the year EIR of the instruments being on the balance sheet at the end year.

358. **Maturity date** is defined as the contractual date on which the margin or the reference rate component of the asset/liability is replaced or repriced:

- For fixed-rate instruments, it is assumed that the maturity dates of the reference rate and the margin are the same, and equal to the contractual maturity of the instrument.

- For floating rate instruments, it is assumed that the margin is repriced at the contractual maturity of the instrument, while the reference rate component is repriced whenever the index rate of the floating rate instrument resets. [38]

359. **Maturing schedule** is the year when contractually an instrument matures/reprices. It includes performing exposures only at the starting point of the exercise. The reduction of performing exposures due to migration to non-performing exposures shall not be accounted for in the maturing schedule.

360. **Original maturity** is defined as the total time between the asset's/liability's time of origination and the maturity date. In cases of debt securities, the time of origination should be understood as the acquisition date by the bank and the original maturity should be based on the residual maturity at the acquisition date of the debt security. On a portfolio level, the original maturity is the notional weighted average over all instruments.

361. **Average point of maturing (APM)** is the methodologically predefined average fraction of a year at which the maturing positions mature/reprice. Average point of maturing values are provided in the template (CSV_NII CALC, CSV_NII_CALC_FUNDING_MATCH).

362. **Sovereign spread** is the difference between the 10-years yield-to-maturity of a given sovereign's debt security and the 10-years swap-rate for the currency based on the respective currency reported.

[37] If an instrument with a notional of 100, that at the beginning of 2026, is performing, and then it migrates after three months to non-performing and it is still in bank's balance sheet at the end of 2026, it shall be accounted for 100*(3/12) in the PE and for 100*(9/12) within NPE.

[38] In this context, the index rate of the instrument should be used as the reference interest rate for floating rate products.

363. **Sight deposits** are deposits legally redeemable immediately at demand without significant delay,[39] restriction or penalty. Unless their remuneration is referenced to an interest rate index as per paragraph 379, sight deposits shall be classified as fixed rate instruments.

364. **Regulated sight deposits** are sight deposits whose EIR is defined by an external authority (e.g. national government) through a publicly prescribed regulated formula and not by bank/customer negotiations or unilaterally by banks. The list of regulated sight deposits that banks can report is provided in paragraph 396.

365. **Legal floors** are floors on the EIR specified by law or determined by a Supreme Court decision. Bank/customer negotiations or unilateral (contractual) options are explicitly excluded from this definition. Legal floors are only recognised for sight deposits. The list of permissible legal floor deposits that banks can report is provided in paragraph 395.

366. **Term deposits** are deposits which are not sight deposits, i.e. deposits with a notification period for withdrawal.

367. **Average last date of repricing** is the average fraction of the starting point year at which the positions of a portfolio are repriced during that year. The average last date of repricing shall be calculated for the portfolio considering the repricing date of each instrument within the end-year portfolio. The average last date of repricing shall be reported with 2 decimals, corresponding thus to a monthly frequency. The volume weights shall be calculated considering the volume (defined in accordance with paragraph 355) of each instrument to the total volume of the end-year starting point portfolio that repriced during the starting point year.

4.3.2 Static balance sheet assumption

368. The projections of NII are based on the assumption of a static balance sheet. Assets and liabilities (in the banking book) that are replaced within the time horizon of the exercise should be replaced with similar financial instruments in terms of type, currency, credit quality at the time of repricing and original time to reprice (both reference interest rate and margin) of the instrument. Therefore, the original maturity of each re-payment should be set equal to the original maturity of the loan. For instance, if the first re-payment on a 10-year loan happens in year 1, this re-payment should be replaced with a loan with original maturity of 10 years and a volume equal to the re-payment. No difference in total volumes between baseline and adverse scenario is expected.

[39] More precisely, by close of business on the day following that on which the demand was made. In the case of deposits which fulfil the definition of sight deposits according to this paragraph, but which are not reported as overnight deposits in FINREP, these deposits shall be classified as sight deposits for the purpose of the NII projections. In this case, banks are required to provide supporting evidence for the classification as sight deposits in the Explanatory Note.

4.3.3 Treatment of maturing assets and liabilities

369. As specified above, banks are required to assume that the residual maturity of their assets and liability equals the contractual date on which the margin or the reference rate component of the asset/liability is repriced/replaced. No additional behavioural assumptions shall be taken into account (prepayment features must not be taken into account when determining the maturity schedule). Against this background:

- Banks are requested to assume that all sight deposits reprice immediately, i.e. no internal assumption regarding the maturity schedule should be in place.
- In the case of term deposits, the actual term at origination shall be used as original maturity.
- Debt liabilities that are callable by the bank's counterparty prior to their overall maturity are expected to be exercised on the first possible call date.
- Concerning loans, each repayment shall be treated as an individual maturing product and shall be reported in the maturity schedule on its contractual repayment date and then repriced with similar financial instruments in terms of type, credit quality at the time of repricing and original time to reprice (both reference rate and margin), in line with the static balance sheet assumption.

370. Banks shall report the starting point data, the new reference rate according to the scenario, the new margin subject to the pass-through constraints and comply with the intertemporal consistency constraint for EIR existing and maturing. The replacement of maturing positions related to both the reference rate and the margin is based on the methodologically prescribed average point of maturing. The overall impact will be directly calculated in the template.

4.3.4 Treatment of non-performing exposures

371. For the sake of simplicity, banks are required to assume that the volume of non-performing exposures is proportionally distributed between fixed rate and floating rate positions. Non-performing events are assumed to take place at the beginning of each time interval.

372. In order to achieve consistency with the banks' projections of non-performing exposures reported in the credit risk template, the following rules apply when reporting both columns of non-performing exposures and the corresponding volumes of provisions in the CSV_NII_CALC and CSV_NII_CALC_FUNDING_MATCH templates:

- Banks shall report the volume of non-performing exposures at the cut-off date in the NII template consistent with the data reported in FINREP.

- The ratio of total NPE flows per country reported in the credit risk template CSV_CR_SCEN in 2027, 2028 and 2029 for a given asset class compared with the total exposures (performing and non-performing) for the same country and asset class at the starting point (NPE growth rate) are implemented as the increase in non-performing exposures compared with the total volume at the starting point (end-2026) per country in the CSV_NII_CALC template for the corresponding NII asset type. Table 16 provides the mapping used only for linking the growth rates of NPE and related provisions between the CSV_CR_SCEN and CSV_CR_NII_CALC templates. The same applies to the flow of provisions compared with the total exposures at the starting point, calculated also by country and asset class breakdown (provisions growth rate).

- Growth rates of NPE and related provisions for exposures that cannot be directly matched at a country-level between credit risk and NII templates are as follows: regarding countries which are not explicitly reported under CSV_CR_SCEN but under CSV_NII_CALC applicable growth rates are based on the CR category 'Other'; notwithstanding this, for countries which are reported under CSV_CR_SCEN while not appearing in CSV_NII_CALC the respective NPE growth rate are incorporated in the NII category 'Other/Other'.

- Derivatives are excluded from the mapping as NPE, and provisions should be allocated to the respective counterpart via the CSV_CR_SCEN sheet.

373. The NPE growth rate and the provisions growth rate per country for a given asset class are applied in the CSV_NII_CALC template to each asset type and country for all the currencies, i.e. for all country/currency pairs, and both for fixed and floating rate instruments.

Table 16: Mapping of credit risk asset classes to the NII asset type

NII — Asset type	Credit risk — Asset class
Assets - Loans and advances - Central banks	Loans and advances - Central Banks
Assets - Loans and advances - General governments	Loans and advances - General Governments
Assets - Loans and advances - Credit Institutions and other financial corporations	Loans and advances - Credit institutions Loans and advances - Other financial corporations
Assets - Loans and advances - Non-financial corporations	Loans and advances - Non-financial corporations
Assets - Loans and advances - Households - Lending for house purchase	Loans and advances - Households - of which: Lending for house purchase
Assets - Loans and advances - Households - Credit for consumption and Other	Loans and advances - Households - of which: Credit for consumption Loans and advances - Households - of which: Other lending

NII — Asset type	Credit risk — Asset class
Assets - Debt securities - Central banks	Debt securities - Central banks
Assets - Debt securities - General governments	Debt securities - General governments
Assets - Debt securities - Credit Institutions and other financial corporations	Debt securities - Credit institutions Debt securities - Other financial corporations
Assets - Debt securities - Non-financial corporations	Debt securities - Non-financial corporations
Assets - Other assets	Loans and advances Debt securities

4.3.5 Interest rate and currency shocks

374. Where required, linear interpolation is used to add tenors to the provided interest rate curves in the macroeconomic scenario. In line with paragraph 257, for tenors that are shorter or longer than the range of tenors available in the scenario, the shocks to the shortest and longest tenor available respectively are used.

375. Interest rates are stressed based on the swap rate curves provided in the macroeconomic scenario. If a currency's swap rate curve is not provided in the macroeconomic scenario, the swap rate curve for "rest of the world" is used, unless specified differently. The "rest of the world" swap rate curve is used for the starting point and projections of the Other/Other country-currency pair and for country-currency pairs without available macroeconomic scenario swap rate curve projections. Linear interpolation techniques are used to derive specific tenors not reported in the macroeconomic scenario.

376. Effects caused by a variation of exchange rates are automatically captured via a corrective factor in CSV_NII_CALC and CSV_NII_CALC_FUNDING_MATCH templates. For currencies where no stress is provided, the "rest of the world" currency shock shall be used, if not otherwise specified in the scenario.

4.3.6 Reporting requirements

a. General requirements

377. Starting point (2026) and projections based on the approach described in this section shall be reported on the NII template (CSV_NII_CALC and CSV_NII_CALC_FUNDING MATCH). The country/currency breakdown, the presentation currency, as well as the assumption for the 'Other' currency shall be reported under the input template (Input).

378. Banks are required to report volumes and to fill the projections for the interest rates earned (or paid) of all their assets and liabilities in the scope of the NII methodology split into the margin and reference rate components. Exceptions are the columns for non-performing exposures, for which it is not required to split the EIR between margin and reference, and the columns for end-starting point year new business margin and reference rate. For the

latter, the split is performed in a centralized way based on the reported average last date of repricing, the AOM and the currency of the portfolio. The projections will be filled as follows:

- For the portfolios that fall under the scope of the NII centralised approach, the projections will be filled in the CSV_NII_CALC and CSV_NII_CALC_FUNDING MATCH templates based on the output of the NII calculations performed according to the formulas of Annex VII.

- For Derivatives portfolios which shall be reported in the CSV_NII_CALC template, banks shall fill the reference rate projections based on the output of the NII centralised calculations and they should only project the margin component.

379. The classification of an instrument as fixed and floating shall be done considering only the interest rate component of the instrument. An instrument shall be only classified as floating rate if its remuneration is referenced to an interest rate index, and otherwise as fixed rate. For instruments with an initially fixed rate that subsequently become linked to an index, the following shall apply:

- If the fixed period covers at least the whole projection period of the stress test, the instrument is to be classified as fixed.

- If the fixed pricing period ends within the projection period and the link to the index rate already starts within the projection period, the instrument is to be classified as floating.

The above classification of an instrument for the purpose of the stress test as fixed and floating should be applied consistently for the starting point and the projections horizon Behavioural assumptions and options at the discretion of the bank should not be taken into account, in line with paragraphs 369 and 418.

380. At the starting point, the reference rate shall generally reflect the risk-free rate at the last date of repricing. In particular, banks shall take into account the specific currency and original maturity of the instrument or, in case of floating rate instruments, the repricing frequency of the underlying interest rate index to determine the reference rate according to paragraph 351. The original contractual maturity shall be used to determine the applicable swap rate. The reference rate of new business starting point (2026), for each NII portfolio, is populated centrally by the NII calculations tool in accordance with paragraphs 351 and 367. [40]

381. At the starting point, the margin shall be generally equal to the difference between the effective interest rate of the instrument and the reference rate as described in paragraph 351 and 380. For floating instruments, the margin might be the contractual spread applicable over the index rate, but in case of the index rate cannot be considered a risk-free rate, it has to be transformed by removing all additional spread components for the purpose of serving

[40] Any difference between the bank internal starting point and the scenario starting point will be booked in margin new business and will enter via this variable into the NII projection.

as reference rate. Hence, the applicable (transformed) risk-free index rate might differ from the contractual index rate. Any difference, between the applicable index rate and the contractual index rate at the starting point, shall be considered in the margin component. The margin rate of new business starting point (2026), for each NII portfolio, is populated centrally by the NII calculations tool in accordance with paragraphs 351 and 367 and 380.

b. Derivatives and embedded derivatives

382. For the purpose of this section, interest-rate derivatives hedging interest rate risk in the banking book are in scope, i.e. contracts related to interest-bearing financial instruments whose cash flows are determined by referencing interest rates or another interest-rate contract, such as an option on a future contract to purchase a treasury bill. The interest-rate derivatives shall be split into the following categories:

i) Fair Value Hedges – Hedging Instruments (FINREP template 11.1 row 010 and 480);

ii) Cash Flow Hedges – Hedging Instruments (FINREP template 11.1 row 240 and 490);

iii) Economic hedges (FINREP template 10 row 020);

iv) Cross Currency IR Swaps if used for hedge accounting or economic hedges (relevant positions from FINREP template 11.1 row 110 and 340, and template 10 row 140);

v) Derivatives-other shall include embedded derivatives which need to be disentangled from the non-derivative host contract in accordance with paragraph 388 of this note.

383. Banks are required to report interest income and expenses for hedge accounting portfolios on a gross level, i.e. separate for the hedged item, the hedging instrument paying leg and the hedging instrument receiving leg. For all interest-rate derivatives, the receiving leg should be reported as an asset and the paying leg as a liability. Further, for all interest-rate derivatives, the reported interest income/expense shall distinguish between hedging instruments that are used for hedging asset positions and instruments used to hedge liability positions. If banks are reporting derivatives in their supervisory reporting in a different way, they should in their stress test submissions restate the historical data and report their projections in a way that is consistent with the provisions in this paragraph. Furthermore, negative interest rates do not affect the reporting of receiving and paying legs (e.g. a receiving leg has to be reported as an asset with a negative EIR in case the value is negative).

384. In case a bank hedges a net interest rate risk position, and the hedge is recognised as hedge accounting, the bank shall report the net interest rate risk position in the appropriate asset/ liability category. For the sake of clarity, a net interest rate risk position is defined as the difference between the interest rate sensitive assets and liabilities. The data related to volume will be computed pro-rata, i.e. taking into account the overall asset (or liability) sensitive position.

385. Economic hedges shall be reported among hedged assets (please refer to column "Hedged Type" of CSV_NII_CALC sheet) if the derivative instrument carries a fair value due to a net receiving position at the end of 2026; they shall be reported among hedged liabilities if the derivative instrument carries a negative fair value.

386. Cross currency IR swaps that involve the swapping of principal and interest in different currencies should be considered under the scope of the NII treatment. Cross currency IR swaps should be reported in both currency legs of the transaction in the respective country/currency pair. If interest earnings from these instruments are recognised as trading income, the relevant cash flows should be removed from NTI and covered under Section 4.5.

387. Regarding the allocation, cross currency interest rate swap should be reported according to FINREP, separately if used for hedge accounting or economic hedges following paragraph 382iv) of this note). In case the cross currency IR swap is part of a portfolio hedge of interest rate risk, it shall be reported as hedging instrument under 'Fair Value Hedges' (as per paragraph 382i)) or 'Cash Flow Hedges' (as per paragraph 382ii)), respectively. If the cross currency IR swap is used for hedge accounting or economic hedges and does not form part of a portfolio hedge relationship as per paragraph 382, only the hedging instrument should be reported under 'Cross currency IR swaps – hedge accounting/economic hedges' item. Hedging derivatives that cannot be split into paying and receiving legs should be reported under the respective hedging category.

388. In the case of assets and liabilities that include embedded derivatives,[41] banks are expected to disentangle the embedded derivatives from the host contract before the application of the interest rate scenarios, report the results in the corresponding parts of the NII template, and apply the relevant parts of the Methodological Note to each financial instrument. The embedded optionality should be reported in the same country and currency pair as the on-balance loan from which optionality was stripped from.

389. The effect on the interest income (expenses) of that instrument, which can be solely attributed to the embedded derivatives, should be reported separately from the underlying contract as part of the category within 'Assets (Liabilities) - Derivatives Other', while the effect of the host contract, i.e. without the embedded derivatives, should be included in the respective non-derivative portfolio. All embedded derivatives must be phased-out, i.e. upon maturity the contribution has to be set to 0 via the EIR. Banks shall assume in case of floating instruments a pro-rata approach for the phase-out. This implies multiplying the applicable scenario EIRs by the share of non-matured instruments up to respective scenario period divided by the total volume at the cut-off date.

390. Forward rate agreements (FRA), swaptions and other contracts with embedded derivatives (e.g. caps/floors) shall be reported in the relevant derivatives category only if they will be in the money, i.e. they will become active during the stress test horizon in any of the baseline

[41] Contractual caps and floors are to be treated as embedded derivatives.

or the adverse scenario.[42] In this case, initially, the nominal volume should be reported as existing volume on both sides of the balance sheet, where applicable, and the EIR should be set to zero to ensure that static balance sheet assumption is not breached when the contract becomes active.[43] For instruments featuring optionality, it is assumed that the counterparty exercises the option at the earliest strike date at which the instrument becomes in-the-money.

c. Sight deposits

391. The split of the rates between the reference and margin components should be made in accordance with paragraphs 351 and 352.

392. For sight deposits, the reference rate to be applied in the scenario horizon is the 1M swap rate or another index rate if it is explicitly prescribed (see paragraph 363).

393. For household (HH) and non-financial corporations (NFC) fixed and floating rate sight deposits, the reference rate is projected as follows:

$$Reference\ rate_{i,t} = \begin{cases} risk\ free\ rate_{t0} + 0.5 * \Delta risk\ free\ rate_{t-t0} if\ i = HH \\ risk\ free\ rate_{t0} + 0.75 * \Delta risk\ free\ rate_{t-t0} \quad if\ i = NFC \end{cases}$$

For household-other sight deposits and household and non-financial corporations legal floor/regulated formula sight deposits, a floor is imposed via the reference rate so that the total projected EIR is at least 0%. The floor is implemented after the projection of reference rate as follows:

$$EIR_t = \begin{cases} max\{0, legal\ floor, Reference\ rate_{i,t} + Margin_{i,t}\}, if\ i = HH \\ max\{legal\ floor, Reference\ rate_{i,t} + Margin_{i,t}\}, \quad if\ i = NFC \end{cases}$$

$$Reference\ rate_{i,t,floored} = \begin{cases} -Margin_{i,t}, if\ i = HH\ and\ portfolio = HH - Other - Sight\ Deposits \\ legal\ floor - Margin_{i,t}, if\ HH\ and\ portfolio = HH - Legal\ Floor/Regulated\ Sight\ Deposits \\ Legal\ floor - Margin_{i,t}, if\ HH\ and\ portfolio = NFC - Legal\ Floor/Regulated\ Sight\ Deposits \end{cases}$$

394. The pass-through on the reference rate of sight deposits starts from the point where the total EIR is above the legal floor or above zero, where the floor at zero is applicable.

395. Banks are required to provide the starting point volumes and the applicable legal floor relevant for the calculations in accordance with paragraph 393 in the dedicated cells of the CSV_NII_SUM template for the following list of sight deposits. Banks are also required to

[42] An FRA contract is considered in-the-money for the stress test if it is settled during the stress test horizon, regardless of the payoff being positive or negative.

[43] The average last date of repricing should be set at 0.5 for these instruments.

provide to their CA legal/regulatory evidence about the application of the legal floor. In case the floor is contract specific, this floor reflects an embedded derivative in the contract and is therefore not recognised in accordance with paragraph 415. Banks will report in CSV_NII_SUM only the regulated sight deposits denominated in one of the country-currency pairs reported in CSV_NII_CALC. All other cases will be reported in the 'Other-Other' or in the 'Other-EUR' categories of the CSV_NII_CALC template.

- Austria-EUR-Households-Saving deposits from households
- Austria EUR-Non-financial corporations-Saving deposits from non-financial corporations
- Belgium-EUR-Regulated saving deposits from households
- Belgium-EUR-Regulated saving deposits from non-financial corporations
- Portugal-EUR-Sight deposits from households
- Portugal-EUR-Sight deposits from non-financial corporations
- Hungary-HUF-Sight deposits from households
- Hungary-EUR-Sight deposits from households
- Hungary-USD- Sight deposits from households
- Hungary-Other currency- Sight deposits from households

396. In the case of regulated sight deposits, the outcome of the regulatory formula becomes the floor of the EIR. Banks are required to provide the starting point volumes and the projections of new business reference rate according to the regulatory formula in the dedicated cells of the CSV_NII_SUM template for the following list of sight deposits. Banks are required to provide to their CA legal/regulatory evidence about the prescribed application of the regulatory formula. In any case, regulated sight deposits will be subject to a shock of the margin, subject to a pass-through constraint, to preserve the economic rationality of a stress scenario. Banks will report in CSV_NII_SUM only the regulated sight deposits denominated in one of the country-currency pairs reported in CSV_NII_CALC. All other cases will be reported in the 'Other-Other' or in the 'Other-EUR' categories of the CSV_NII_CALC template.

- France – EUR - Households - Livret A
- France – EUR - Households - Livret bleus (LB)
- France – EUR - Households – Livrets de développement durable et solidaire (LDDS)
- France – EUR - Households – Livret Epargne Populaire (LEP)

- France – EUR - Households - Compte Epargne Logement Hors prime d'État (CELHP)

397. For all sight deposits other than households and non-financial corporations, the reference rate should be reported as follows. The impact of the legal floor should be reflected as an embedded derivatives and reported within the margin component projections of the Derivatives-Other category.

$$Reference\ rate_t = \max\{legal\ floor, risk\ free\ rate_{t0} + \Delta risk\ free\ rate_{t-t0}\}$$

$$EIR_t = max\{legal\ floor, Reference\ rate_{i,t}\ +\ Margin_{i,t}\ \}$$

$$Reference\ rate_{i,t,floored} =\ legal\ floor - Margin_{i,t}$$

d. Other requirements

398. Debt securities that do not generate interest flows, e.g. hybrid debt instruments that are AT1 eligible instruments, should be excluded from the NII Methodological Note while section 6.4.3 is applicable.

399. At the cut-off date, EIRs may include the effect of legal floors for instruments different from sight deposits or instruments that do not fulfil paragraph 365 as an embedded derivative within the margin projections of the Derivatives-Other item. In this case, banks shall apply the provisions laid out in paragraphs 351, 380 and 381 in order to split the EIR into reference rate component and margin component [44] and paragraph 408 for the projections.

e. Template Breakdown

400. For the country/currency breakdown in the templates, banks shall report the country of the 'location' of the activity for all liabilities, and the country of 'residence of the counterparty' for all assets, including exposures towards sovereigns. For multi-currency deposit accounts, balances should be broken-down by funding currency.

401. 'Location' and 'country of residence of the counterparty' are defined according to FINREP: 'location' means the jurisdiction of incorporation of the legal entity which has recognised the corresponding liability; for branches, it means the jurisdiction of its residence. [45] 'Country of residence of the counterparty' is defined as the residence of the immediate counterparty following FINREP, which means, if there is more than one obligor, the obligor that was the more relevant, or determinant, for the institution to grant the exposure.

402. For derivatives reported under hedge accounting or economic hedge, the country breakdown should be in line with the hedged items. For derivatives other than those reported under

[44] For example, a bank with a floating mortgage which, as of December 2026, has a reference rate of Euribor 3M equal to -40 bps and a margin equal to +30 bps and, due to the application of an existing legal floor, an EIR equal to 0. At the 2026 starting point the bank shall report a reference rate equal to -40bps and a margin equal to +40 bps (as sum of the margin and the correction for the existing legal floor).

[45] See EBA ITS on supervisory reporting Annex V, Reporting on Financial Information.

hedge accounting or economic hedge, the country breakdown should refer to the location of activity for the paying and receiving leg. For cross currency IR swaps, the provisions in paragraph 386 apply.

403. The number of country/currency pairs reported will be subject to the materiality thresholds specified in Box 18. First, banks will be requested to limit their reporting to the most significant country/currency pairs. Second, banks whose activities are heavily focused on their domestic market and currency will not be requested to provide this additional information. Intra-group transactions (in line with paragraph 13) shall not be included in the reporting by country/currency. If a country/currency pair does not reach the materiality threshold, the exposure has to be reported in 'Other-Other' or 'Other-EUR', depending on the currency of the exposure. Exposures towards international organisations are to be reported under 'Other-Other'.

Box 18: Application of the materiality threshold on the currency/country breakdown requested

Banks are required to follow the following algorithm to determine the materiality of the country/currency breakdown:

- For each couple of country/currency, banks are required to compute the larger of the notional amount of total assets and total liabilities, excluding (only for the purpose of ranking the country/currency couple) the notional amount of derivatives. This will define the volume associated with each country/currency couple.
- Banks shall rank the country/currency couple according to their volume.
- Banks are requested to report the country/currency breakdown, either:
    - Up to a 90% coverage of the sum of all country/currency volumes; or
    - Up to 20 country/currency couples.

Remaining exposures which have not been reported under the list of country/currency blocks should be reported under 'Other-Other' or 'Other-EUR' depending on the currency of the exposure.

Domestic banks — i.e. banks whose non-domestic exposures are less than 10% of the sum of domestic and non-domestic country exposures, and whose foreign currency exposures are less than 10% of the sum of domestic and foreign currency exposures — are not requested to report any country/currency breakdown with the only exception of the home country with the relevant currency. Domestic banks shall additionally report non-domestic numbers that have not been reported under the first country/currency block under 'Other-Other' or 'Other-EUR' depending on the currency of exposures.

The template will automatically calculate the Sum/Sum aggregate data.

4.4 Impact on P&L

4.4.1 High-level constraints

404. Assumptions cannot lead (at group level) to an increase in the bank's NII, including the NII from Held-for-Trading, compared with the 2026 value, under the adverse scenario.

405. Under the adverse scenario, assumptions cannot lead (at group level) to an increase in the bank's NII compared with the 2026 value before considering the impact of the increase of provisions for non-performing exposures on interest income, following the formula in Box 19 below. This is equivalent to specifying that the interest earned on performing assets is capped at the starting point. This constraint aims to avoid the possibility that banks compensate for the decrease in interest income linked to the growth of non-performing exposures with an increase in interest income from performing exposures.

Box 19: Cap on NII under the adverse scenario

$$NII_{t,adv} + NII_{t,adv}^{HfT} \leq NII_{t0} + NII_{to}^{HfT} - NII_{t0} \cdot \frac{\left(Vol_{t,adv}^{Prov} - Vol_{t0}^{Prov}\right)}{Vol_{t0}^{PE} + \left(Vol_{t0}^{NPE} - Vol_{t0}^{Prov}\right)}$$

Where,

- $NII_{t,adv}$ and $NII_{t,adv}^{HfT}$ stands for the total net interest income projected by banks for the time interval t under the adverse scenario, including NII in scope of Section 4.5.
- NII_{t0} *and* $NII_{t,adv}^{HfT}$ stands for the total net interest income projected by banks at the starting point (i.e. reporting for 2026), including NII in scope of Section 4.5.
- $Vol_{t,adv}^{Prov} - Vol_{t0}^{Prov}$ stands for the increase of total provisions on non-performing exposures reported by banks for the time interval t compared with the starting point under the adverse scenario.
- Vol_{t0}^{PE} stands for the volume of performing exposures at the starting point.
- $Vol_{t0}^{NPE} - Vol_{t0}^{Prov}$ stands for the volume of non-performing exposures net of provisions at the starting point.

406. Under both the baseline scenario and the adverse scenario, projections cover the interest accrued on performing exposures (including S1 and S2 exposures) in line with banks' standing

accounting practice and the applicable EIR, and in accordance with this Methodological Note. The interest revenue on performing exposures is calculated on the gross carrying amount.

407. The income on non-performing exposures is calculated on a net basis, i.e. on the value of the exposure net of provisions. Under the adverse scenario, the applicable effective EIR is subject to a cap on an aggregate level determined by the average EIR on net non-performing exposures at the end of 2026.

4.4.2 Projection of the components of the EIR

408. For each time interval of the projections (existing, maturing, new business), there should be separate projections for the margin and reference rate components of the EIR. The assumptions given in the following paragraphs are considered to project banks' interest expense and interest income:

- For fixed-rate products, the margin and reference rate are assumed to remain constant until the contractual maturity. In the year when the instrument matures, the fixed-rate products should be replaced considering a residual maturity equal to the provided average point of maturity. Fixed-rate instruments are assumed to be replaced with a fixed-rate instrument of the same type, original maturity and currency. In detail:

- The reference rate of the new instrument is calculated for a tenor equivalent to the average original maturity of the maturing portfolio. The new reference rate is given by the value provided in the macroeconomic scenario for the swap rate in the baseline/adverse scenario for the year in which the instrument replaces. In case no swap rate for a given average original maturity is provided in the macroeconomic scenario, linear interpolation of the swap rate is used. The original contractual maturity shall be used to determine the applicable swap rate.

- The margin component shall be based on the margin new business as in paragraph 352 and will be projected in accordance with Box 20 and Box 21;

- For floating rate products:

    - The reference rate component is repriced according to the provided average point of maturity. For the projections, the swap curve provided in the macroeconomic scenario shall be used. The reference rate for household sight deposits should be reported according to paragraph 392;

    - The margin is replaced in the year when it matures considering a residual maturity equal to the provided average point of maturity (see paragraph 361).

409. In the case of portfolios where no instruments were originated in 2026, but their total volume at the cut-off date is greater than zero, banks have to report such cases in the Explanatory Note, i.e. portfolios with zero volumes on new business but with non-zero total volumes at

cut-off date. Banks are requested to report in the template a hypothetical EIR (see paragraph 354) and Average last day of repricing (see paragraph 367) that will result in a hypothetical margin on new business for the end of 2026 (the split to reference rate and margin will be performed by the NII calculation tool in accordance with paragraph 378), along with zero volumes on new business at the end of 2026. Regarding the determination of the abovementioned hypothetical Average last day of repricing, and in consequence margin component, conservative assumptions have to be made, relying on margins rates paid/charged in comparable portfolios. Banks have to justify and document their choice. In exceptional cases of portfolios with average volume in 2026 greater than zero but total volume at the end of 2026 equal to zero, the margin and the reference rate at the end of 2026 as well as for the projections should be reported equal to zero. Finally, in the case of portfolios where both average volumes in 2026 and total volumes at the end of 2026 are both equal to zero, all cells in the respective rows should be left empty.

410. In order to ensure the intertemporal consistency of EIRs on existing *(ex)*, maturing *(mat)* and new *(new)* volumes for performing exposures only at portfolio level, the following relationship holds for the margin and the reference rate components, respectively: [46]

For t=2027:

$$EIR_t^{ex} = \frac{EIR_{t-1}^{EoY,total} \times Vol_{t-1}^{EoY,total} - EIR_t^{mat} \times (Vol_t^{mat} + Vol_t^{new})}{Vol_t^{ex}}$$

For t=2028,2029:

$$EIR_t^{ex} = \frac{EIR_{t-1}^{ex} \times Vol_{t-1}^{ex} + EIR_{t-1}^{new} \times (Vol_{t-1}^{mat} + Vol_{t-1}^{new}) - EIR_t^{mat} \times (Vol_t^{mat} + Vol_t^{new})}{Vol_t^{ex}}$$

411. In order to avoid numerical instabilities for small volumes of Vol_t^{ex}, the formula outlined above can be solved alternatively, and in a mathematically equivalent way, for EIR_t^{mat} in order to obtain robust results in those cases where $Vol_t^{ex} \leq Vol_t^{mat} + Vol_t^{new}$:

For t=2027:

$$EIR_t^{mat} = \frac{EIR_{t-1}^{EoY,total} \times Vol_{t-1}^{EoY,total} - EIR_t^{ex} \times Vol_t^{ex}}{Vol_t^{mat} + Vol_t^{new}}$$

For t=2028, 2029:

[46] The formula represents the expected evolution of the EIR. For further details related to the evolution of the EIR in each year of the stress test horizon, banks shall refer to "Annex VII: Consistent reporting of NII variables on portfolio level". The formula does not apply for derivatives categories that include non-linear derivatives components. As per paragraph 417, the explanatory note should clearly indicate for which derivatives category the intertemporal consistency formula cannot be applied because of non-linearities.

$$EIR_t^{mat} = \frac{EIR_{t-1}^{ex} \times Vol_{t-1}^{ex} + EIR_{t-1}^{new} \times (Vol_{t-1}^{mat} + Vol_{t-1}^{new}) \; - \; EIR_t^{ex} \times Vol_t^{ex}}{Vol_t^{mat} + Vol_t^{new}}$$

This means that if the repriced volume (maturing + new) is larger than the existing volume, the projected EIR_t^{ex} is used to solve the intertemporal consistency equation for EIR_t^{mat}.

412. These formulas do not affect projections of the reference rate and margin components of the EIR for new volumes. Instead, the formulas arise naturally from the methodological provision that the EIR of an instrument shall not change unless it reprices. The same methodological provision applies for the NII consistency equations shown in Annex VII.

413. In order to account for migration effects at portfolio level, the EIR on non-performing exposures shall correspond in each period to the weighted average between the EIR on non-performing exposures at the end of the previous period and the EIR on the default flow of the respective period. The EIR on the default flow of each period shall correspond to the EIR on the performing exposures during that period:

$$EIR_t^{NPE} = \frac{EIR_{t-1}^{NPE} \times (Vol_{t-1}^{NPE} - Vol_{t-1}^{Prov}) + EIR_t^{PE} \times \left((Vol_t^{NPE} - Vol_t^{Prov}) - (Vol_{t-1}^{NPE} - Vol_{t-1}^{Prov})\right)}{Vol_t^{NPE} - Vol_t^{Prov}}$$

EIR_t^{PE} should be calculated as the weighted average across existing, maturing and new business for performing exposures.

414. Interest-rate derivatives used either for hedge accounting or for economic hedges shall be replaced with an EIR in line with the scenario, after they mature, in order to keep the risk profile regarding interest rate risk as of the starting point of the exercise. [47]

415. Similarly, for embedded derivatives, only the host contract shall be replaced with the same instrument upon maturity, while the embedded derivatives shall not produce any interest income or expenses in the following years.

416. For interest rate swaps, the split of the EIR into reference rate and margin for the fixed and floating leg shall be defined similarly as for fixed and floating-rate products, respectively. As follows, the reference rate of the floating leg shall be the index rate of the swap, while the reference rate of the fixed leg shall be the fixed rate of the swap itself. Non-linear derivatives components shall be generally reported as part of the margin. The margin could be negative depending on the characteristics of a given swap. When isolating the non-linearity from the reference rate business and reporting it as part of the margin new business, banks shall ensure that the reported margin new business shall correct the cash-flow from the reference

[47] For Forward rate agreements (FRA) and other forward interest rate derivatives, if applicable, no additional forward period shall be assumed upon maturity. When repricing it shall be assumed that forward rates correspond to the swap rates/spot rates provided in the scenario.

rate, so that the final EIR (sum of reference and margin component) yields the payoff of the instrument in line with paragraph 354. The isolated non-linearity should be reported in the same country-currency pair as the on-balance business from which the optionality was stripped from.

417. The impact on NII of both non-linear derivatives components and embedded derivatives should be reported in the explanatory note. Banks should also provide information on the calculations underpinning the projections of margins and the reporting of the non-linear components. The explanatory note should also list cases where those non-linearities induce violations of intertemporal consistency and the NII consistency equations shown in Annex VII.

418. For assets for which banks have the option to adjust the margin at their discretion prior to the maturity of the instrument, it is assumed that banks do not exercise this option.

419. The change in the margin of repriced instruments will be equal prescribed projections paths for interest-bearing liabilities and interesting-earning assets. These projections paths do not apply to the margin of the instrument prior to their contractual maturity. These paths, however, apply to instruments independent of their accounting treatment and the corresponding risk category they have to be reported.

420. While there is no explicit forecast of monetary policy in the stress test scenarios, the projected changes in short-term market rates are factored into the costs of central bank funding. More specifically, banks are required to compute the spread between the central bank rates and the relevant short-term rates at the cut-off. The spread shall apply to the projected path of expected reference market interest rates over the stress test time horizon as provided by the scenario. In line with the static balance sheet assumption, central bank funding instruments are rolled over into similar central bank instruments.

421. Deposits at central banks shall be reported within the fixed instruments.

a. Path of the margin component for liability positions

422. Under the baseline scenario, projections reflect a proportion of the changes in the sovereign bond spread of the country of location of the activity in the margin component of the EIR of their repriced liabilities. Under the adverse scenario, the margin paid on interest-bearing liabilities increase equal to the higher of a proportion of the changes in the sovereign spread of the country of location of the activity and the same proportion applied to the increase of an idiosyncratic component, derived from the impact on banks' wholesale funding rate of a rating downgrade as described in Box 20. The impact is applied immediately at the beginning of the time horizon.

Box 20: Development of the margin paid on new liabilities

The margin on banks' new liabilities at time *t* is calculated as:

$$Margin_t^{new\ liab} = Margin_{t0}^{new\ liab} + \gamma \times max(\Delta\ sov\ spread_t, \Delta\ idiosyncratic\ component).$$

Where:

- $Margin_t^{new\ liab}$ stands for the margin component on the liabilities which are repriced during time interval t.
- $Margin_{t0}^{new\ liab}$ stands for the notional-weighted margin of new business at the end of t0, i.e. the year preceding the stress test horizon.
- $\Delta\ sov\ spread_t$ is the change in the relevant sovereign spread — i.e. difference between the yield-to-maturity of the 10-year sovereign's debt security and the 10-year swap rate for the same currency, between t and t0. The sovereign spread is calculated by performing the following steps:
  - Identify the applicable Long-term-Rate for the reported country from the macro-economic scenario;
  - Identify the applicable 10Y swap rate related to the reported currency from the macro-economic scenario; For the pair Other/Other, the rest of the world SWAP rate is used.
  - Calculate the difference between the Long-term rate and the associated 10Y swap rate for a given year to obtain the sovereign spread.
- γ is a factor specific to the different types of liabilities, which reflects the heterogeneity in the relationship between the sovereign spreads and the funding rates across different types of liabilities as summarised in the table below:

	Central banks: deposits	Credit institutions and other financial corporations: deposits	General governments and non-financial corporations: sight deposits	Households: sight deposits	Governments, non-financial corporations and households: term deposits	Repos and certificates of deposits	Asset-backed securities and covered bonds	Other debt securities issued	Other liabilities
γ	0	1	0.2	0.1	0.5	0.2	0.75	1	0.5

- $\Delta\ idiosyncratic\ component$ stands for the impact on the idiosyncratic component. Under the baseline scenario, the Δ idiosyncratic component will be 0; under the adverse scenario, it will represent the expected change in the margin of senior unsecured debt, issued in the bank's country of origin or main country of funding, denominated in local currency with 5 years' residual maturity, in the event of an instantaneous external credit assessment institution (ECAI) credit rating downgrade (taking the rating as of end 2026 as the starting point). Under the

adverse scenario, Δ idiosyncratic component is calculated as a single number per bank, used for all liabilities in all countries/currencies and assumed constant over the scenario. The idiosyncratic component takes, under the adverse scenario, the values listed below:

Credit rating (Standard & Poor's classification) 31 December 2026	Shock to the idiosyncratic component (bps)
AAA	25
AA+	30
AA	35
AA-	40
A+	45
A	50
A-	60
BBB+	70
BBB	80
BBB-	95
BB+	110
BB	125
BB-	145
B+/B/B-	175
CCC+/CCC/CCC-/CC+/CC/CC-	225

The rating to be used shall correspond to the legal entity that is subject to the 2027 EU-wide stress test, as indicated in the Input template. In case of a financial conglomerate, the rating of the banking group should be used.

If the applicable rating is issued by a nominated ECAI other than Standard & Poor's, the bank shall map it to one of the ratings envisaged in the idiosyncratic component table. In this mapping, the following constraint shall apply: both ratings shall share the same credit quality step according to Annex III of the Joint final draft Implementing Technical Standards on the mapping of ECAIs' credit assessment under Article 136(1) and (3) of the CRR.

In cases where the bank has more than one rating from nominated ECAIs, the following criteria will apply:

i) Long-term credit ratings will prevail over short-term credit ratings.

ii) If more than one long-term rating exists, the bank (issuer) rating will prevail over the issue rating.

iii) If more than one issue rating exists, senior ratings will prevail over subordinated ratings.

iv) If two senior rating exists, the most conservative rating will prevail.

v) If more than two senior rating exists, the two ratings generating the two less severe impacts shall be referred to and out of the two preselected, the one with the higher impact will be chosen.

vi) If more than one subordinated rating exists, the least conservative rating will prevail. The credit ratings in scope and the selection process shall be reported in the Explanatory Note.

In the exceptional case of a bank with only two credit ratings available from nominated ECAIs with a significant gap between them of 3 or more notches, and when the outlook of the worse rating is positive and the outlook of the better rating is either positive or stable, the bank and the competent authority may discuss during the quality assurance process the rationality of this gap. The competent authority may conclude that this gap is not justified and may approve a deviation from the general rule, allowing the institution to apply the impact corresponding to the credit rating resulting from the median of the two ratings, rounded to the worse of two adjacent ratings. These deviations should be communicated to the EBA together with the justification behind it.

If there is no rating available as of end-2026, banks are allowed to provide a rating available in 2027. In case there is no rating available in 2027 either, banks should provide a rating which corresponds to the calibrated delta idiosyncratic component taking into consideration the bank's bond and CDS spreads (e.g. 60 bps -> A- Rating).

In the exceptional cases where no rating nor relevant CDS and bond spreads are available, banks should estimate their rating taking into account all available information including at minimum: the last available ratings of peer institutions, the rating of the country of incorporation and the rating of the parent institution (if applicable). Banks shall provide a detailed explanation of the logic applied for estimating their rating in the Explanatory Note.

Example

The shock to the idiosyncratic component for a bank with a credit rating of AA- as of end 2026 will be +40 bps over the entire stress test period under the adverse scenario. Similarly, the shock to the idiosyncratic component for a bank with a credit rating of BB- as of end 2026 will be 145 bps under the adverse scenario.

423. The paths for the repricing of the margin of interest-bearing liabilities applies to all interest expense positions, except for derivatives instruments. The paths are applicable at country/currency level for each liability type and separately for fixed and floating rate portfolios.

424. For the liabilities of this paragraph for which funding matches are recognised, banks are required to provide the starting point volumes and maturity schedules in the relevant rows of the CSV_NII_CALC_FUNDING MATCH template and the projections of the new business margin in the dedicated cells of the CSV_NII_SUM template. The below exceptional cases of legally mandated restrictions to pass-through mechanisms due to funding matches should be identified, when relevant, before submission of the data and explained in accompanying documents. Banks will report in CSV_NII_SUM and CSV_NII_CALC_FUNDING_MATCH only the funding matched denominated in one of the country-currency pairs reported in CSV_NII_CALC. All other cases will be reported in the 'Other/Other' or 'Other-EUR' categories of the CSV_NII_CALC template and should not be inserted in the tables of the CSV_NII_SUM template.

- Liquidity upstreaming: Austria-EUR-Liabilities - Deposits (excl. repo) - Credit Institutions and other financial corporations – sight.
- Promotional loans: Germany-EUR-Liabilities - Deposits (excl. repo) - Credit Institutions and other financial corporations – term.
- Mortgage lending funded by covered bonds –Denmark-DKK- - Debt securities issued - Asset-backed securities and Covered bonds.
- Other exemptions, identified before submission and explained in accompanying documents.

b. Path of the margin component for asset positions

425. Under both the baseline scenario and the adverse scenario, projections of the margin component of the EIR on repriced assets shall be the sum of the margin starting value and a proportion of the change in the sovereign bond spread in the country of exposure, as explained in Box 21.

Box 21: Development of the margin earned on new assets

The Margin EIR component on banks' new repriced assets at time *t* is calculated as:

$$Margin_t^{new\ assets} = Margin_{t0}^{new\ assets} + \lambda \times max(\Delta\ sov\ spread_t, 0).$$

Where:

- $Margin_t^{new\ assets}$ stands for the margin component on the assets which are repriced during time interval t.
- $Margin_{t0}^{new\ assets}$ stands for the notional-weighted margin of new business at the end of t_0, i.e. the year preceding the stress test horizon.
- $\Delta\ sov\ spread_t$ is the change in the relevant sovereign spread as per Box 20.
- λ is a factor specific to the different types of assets under consideration, which reflects the heterogeneity in the relationship between the sovereign spreads and the lending rates across different types of assets as summarised in the table below:

	Central banks	General governments	Credit institutions and other financial corporations	Non-financial corporations	Households – Lending for house purchase	Households - other	Other assets
λ	0	1	0.5	0.15	0.15	0.15	0.5

426. For the asset portfolios of this paragraph for which funding matches are recognised, banks are required to provide the starting point volumes and maturity schedules in the relevant rows of the CSV_NII_CALC_FUNDING MATCH template and the projections of the new business margin in the dedicated cells of the CSV_NII_SUM template. The below exceptional cases of legally prescribed funding matches between the assets and liabilities sides may be identified before submission of the data and explained in accompanying documents. Banks will report in CSV_NII_SUM and CSV_NII_CALC_FUNDING_MATCH only the funding matched denominated in one of the country-currency pairs reported in CSV_NII_CALC. All other cases will be reported in the 'Other/Other' or 'Other-EUR' categories of the CSV_NII_CALC template and should not be inserted in the tables of the CSV_NII_SUM template.

- Liquidity upstreaming: Austria – EUR - Assets - Loans and advances - Credit Institutions and other financial corporations.
- Promotional lending: Germany-EUR- Assets - Loans and advances - Credit Institutions and other financial corporations.
- Mortgage lending funded by covered bonds in Denmark: Denmark-DKK -Assets - Loans and advances - Households - Lending for house purchase and Denmark-DKK-Loans and advances - Non-financial corporations.
- Regulated deposits placed with the Caisse des depots et consignations: France-EUR-Assets - Loans and advances - Credit Institutions and/or other financial corporations.
- Other exemptions, identified before submission and explained in accompanying documents.

427. These paths for the repricing of the margin of interest-earning assets apply to all interest income earning positions except for derivative instruments. The paths are applicable at country/currency level for each asset type and separately for fixed and floating rate portfolios.

4.5 Treatment for held-for-trading positions

428. In scope of this section are interest bearing instruments within the accounting held for trading portfolio (trading financial instruments under GAAP) net of economic hedges. [48] Therefore, the accrued interest from held-for trading instruments, both recorded under the 'clean' and 'dirty' price approach is in scope of this section.

429. Historical values of NII from instruments for which accrued interest is reported under FINREP F02.00 Row 0020/ Row 0100 (net of economic hedges FINREP 16.01 row 15) should be reported within the dedicated cells of the CSV_NII_SUM template. Net interest income on

[48] Economic Hedges as defined in Annex V Part 2 Paragraph 137 are in scope of sections 4.1-4.4 of this note.

assets and liabilities in FVPL which are held for trading excluding economic hedges, that banks report in NTI in the course of their periodic financial reporting should be reported in CSV_MR_PROJ sheet in line with paragraph 215. The historical data shall be reported including the effect of the related economic hedges. Banks should report for both items the NII corresponding to economic hedges in the CSV_NII_SUM sheet as 'of-which' item.

430. The NII of instruments in scope of this section is subject to a prescribed projection path that is implemented within the NII_SUM template. The projections of each year of the projection horizon, for both baseline and adverse, will be equal to the average of accrued interest from these instruments over the last three historical observation periods. The resulting NII is added before the application of the NII cap.

5. Conduct and other operational risks

5.1 Overview

431. Banks are required to project the P&L impact of losses arising from conduct risk and other operational risks, using, when relevant, their internal models and, in the case of conduct risk, available qualitative information.

432. Banks are also required to project capital requirements for operational risk within the time horizon of the exercise.

433. Banks' projections are subject to the constraints summarised in Box 22.

Box 22: Summary of the constraints on banks' projections of conduct risk and other operational risks

- Projections of losses that may arise from new non-material conduct risk events are subject to a minimum floor, computed in the baseline scenario as the average of the historical conduct risk losses reported by the bank during the 2022-2026 period times a multiplier — i.e. excluding past losses of historical material conduct risk events reported during this period. This floor is more conservative under the adverse scenario and requires the banks to apply a stress multiplier to the average (paragraph 469).

- Projections of losses connected to material conduct risk events are subject to a floor in the quality assurance process, i.e. banks that submit projections that are lower than the floor are required to justify their projections to their competent authority (paragraph 470).

- Projections of losses due to other operational risks are subject to a minimum floor, computed under the baseline scenario as the average of other historical operational risk losses reported by the bank during the 2022-2026 period. This floor is more conservative in the adverse scenario and requires banks to apply a stress multiplier to the average (paragraph 474).

- Total capital requirements for operational risk in each year of the projection horizon shall stay constant and equal to the total capital requirements according to the CRR3 in the starting point (paragraph 477).

5.2 Scope

434. The scope of the operational risk stress is defined to cover the impact on the P&L of potential future losses arising from conduct risk and other operational risks. This also covers the effect of the stress on operational risk capital requirements.

5.3 High-level assumptions

5.3.1 Definitions

435. **Conduct risk** is defined as the current or prospective risk of losses to a bank arising from an inappropriate supply of financial services, including cases of wilful or negligent misconduct. In the COREP template for operational risk (C 17.01), operational risk losses are classified by event type. For the purpose of reporting historical data and projections in the stress test templates, the assumption is that conduct risk losses will correspond to losses related to event type 4 ('clients, products and business practices') and event type 1 ('internal fraud'). Deviations from this rule (i.e. non-conduct events which are classified as event type 1 or 4 and conduct events which are not classified as event type 1 or 4) are allowed in exceptional cases subject to the approval of the competent authorities. In any case, banks are required to justify the exclusion from conduct risk of any event classified as type 1 or 4 and the inclusion in conduct risk of any events that match the definition provided without being classified as event type 1 or 4, supplying evidence to the competent authority that justifies this reclassification. Conduct risk shall also include violation of national and international rules and regulations (tax rules[49], internal fraud or internal theft, anti-money laundering rules, anti-terrorism rules and economic sanctions).

436. **Other operational risk** follows the definition of 'operational risk' as in the CRR (i.e. the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events (including war related losses), and includes legal risk), but excluding all conduct-related losses. For the purpose of reporting historical data and projections in the stress test templates, banks will consider as other operational risk all event types that are not defined as conduct risk events above.

[49] Banks are required to report any tax fines associated with client business as a conduct event. For instance, fines paid by banks that facilitated tax evasion – such as penalties imposed by the US Department of Justice under the 'Swiss Bank Program' – should be classified as a conduct event. Banks should also include any tax to be paid (including interest and fines) arising from such cases, including e.g. taxes for which the bank had an obligation to withhold. Cum-cum and cum-ex events fall under conduct risk and shall be reported as conduct risk events regardless of the issue of the ultimate financial beneficiary and/or the party guilty of misconduct regarding dividend stripping transactions still being under question as of the cut-off date. Hence, this also applies when the bank considers third parties to be accountable for the misconduct (e.g. when the bank acted in its role as a custodian for its clients), including cases for which the bank has received a third party liability notice regarding transactions which a bank's client is supposed to be involved in.

437. **A historical material conduct risk event** is defined as any misconduct issue that has triggered aggregate gross losses during the period 2022-2026 greater than 10bps of the bank's end-2026 absolute level of transitional CET1 capital at a consolidated level.

438. **A new conduct risk event** is defined as a misconduct issue that, as of the start of the exercise (31 December 2026), is unknown to the bank or is already known but has not had material P&L impact (i.e. below 10bps of the end-2026 absolute transitional CET1 capital of the bank at a consolidated level) during the 2022-2026 period. In this context, new conduct risk events, known and unknown, are material if the bank projects the event to trigger gross losses greater than 10bps of the end-2026 absolute transitional CET1 capital of the institution at a consolidated level during the 3 years of the exercise in the baseline or the adverse scenario.

439. **Number of loss events** is defined as the number of operational risk events accounted for the first time in the P&L statement within the reporting period (2022-2026 for actual data and 2027-2029 for projections). In the case of loss adjustments within the reporting period, no additional numbers of loss events should be reported.

440. **Recovery** is defined as an independent occurrence related to the original operational risk loss that is separate in time, in which funds or inflows of economic benefits are received from second or third parties, such as insurers or other parties.

441. **Gross loss** is defined as a loss stemming from an operational risk event or event type before recoveries of any type.

442. **Rapidly recovered loss event** is defined as an operational risk event that leads to losses that are partly or fully recovered within 5 working days. In a rapidly recovered loss event, only the part of the loss that is not fully recovered (i.e. the loss net of the partial rapid recovery) should be considered and reported as gross loss. In exceptional cases where a historical event (i.e. misdirected payments) produces artificially and significantly distorted results through the application of the window for rapidly recovered loss events and the operational risk floor, then a limited extension of the 5-day window may be allowed. This extension is solely for the purposes of computing the floors specified in Box 23 and Box 24. It is subject to the decision of the competent authority and requires the bank to provide compelling evidence of the distortion. [50]

443. **Date of accounting** is defined according to COREP instructions, i.e. as the date when an operational risk gross loss or reserve/provision was accounted for the first time in the P&L statement.

[50] According to EBA Q&A 2020_5261 institutions should not report in COREP C17.01 a gross operational risk loss for cash outs mispayments not being recovered within 5 days, if the institution has not yet recognised the loss in the P&L statements in the current reporting reference period. For the reporting periods before the EBA Q&A 2020_5261, the removal of the cash out mispayments in the stress test is done subject to the approval of the supervisory authorities, if these are deemed to be distorting results.

444. **Total loss recovery** is defined as the sum of the recoveries accounted for within the reporting period, relevant to loss events included into the 'total amount of gross losses'.

445. The **Business indicator component (BIC)** is defined as in Article 313 of the CRR3.

5.3.2 Reporting requirements

446. All banks are required to report historical data on incurred gross losses on conduct risk and other operational risks on a yearly basis 2022 to 2026 in the general operational risk template (CSV_OR_GEN) at a consolidated level, irrespective of the operational risk approach applied. Banks applying the fall-back solution (see section 5.4.3) are still expected to report all available and eligible historical losses incurred during the historical horizon.

447. Banks are required to report, in each year of the reporting period, the total amount of gross losses resulting from the sum of the following elements:

- The gross loss amounts corresponding to operational risk events accounted for the first time in the P&L during that specific year, within the reporting period (2022-2026), irrespective of when they have occurred;

- The net loss adjustments arising from, for example, additional settlements, increases of provisions and releases of provisions accounted for during that year.

448. Banks will report historical data on incurred gross losses for conduct risk and other operational risks in CSV_OR_GEN. Banks are required to group all payments relating to the same material conduct risk event for the purpose of populating both CSV_OR_GEN and CSV_OR_CON (thus ensuring that material conduct risk events comprising a large number of small items are appropriately captured).

449. In the case of events with a lifespan of several years, the initial impact and/or the net loss adjustments should be reported in the pertinent years of accounting. The sum of the initial impact and/or net loss adjustments accounted for during the reporting period (2022-2026) will determine the total size of the event for the purpose of classifying it as material or not material. In general, the historical and starting point losses should be reported in line with the latest COREP instructions. [51]

450. In the case of a rapidly recovered loss event, only the part of the loss that is not fully recovered (i.e. the loss net of the partial rapid recovery) should be considered and reported as gross loss.

451. In the case of a common operational risk event or multiple events linked to an initial operational risk event generating several events or losses, the related losses should be grouped and entered into the template as a single loss. In the case of events or multiple

[51] https://www.eba.europa.eu/risk-and-data-analysis/reporting-frameworks/reporting-framework-42

events with a lifespan of several years the related losses should be grouped and aggregated year by year and entered into the template as a single loss for the respective year. The bank should report one event, if there is a common operational risk event, and/or the number of the several events linked to the root event, if there are multiple events.

452. In accordance with Article 322(3)(b) of the CRR, operational risk losses that are related to market risk shall be included in the operational risk templates, while operational risk losses that are related to credit risk shall be excluded.

453. When reporting the gross losses, banks will include the following items, in accordance with letters (a), (b), (c) and (f) of Article 22(1) of the Commission Delegated Regulation (EU) 2018/959 [52]:

- Direct charges, including impairments and settlement charges, to the P&L and write-downs due to the operational risk event;
- Costs incurred as a consequence of the operational risk event, including external expenses with a direct link to the operational risk event (such as legal expenses and fees paid to advisors, attorneys or suppliers) and costs of repair or replacement to restore the position prevailing before the operational risk event;
- Provisions or reserves accounted for in the P&L statement against probable operational risk losses;
- Timing losses. [53]

454. When determining the scope of the gross losses to be reported, banks should also consider the provisions included in Articles 23(1) of the Commission Delegated Regulation (EU) 2018/959.

455. Banks are also requested to provide, in the CSV_OR_GEN template, data on the number of loss events, on total loss recovery and on the Business Indicator Component.

456. The quality assurance by supervisors of banks' projections is of special relevance in the case of conduct risk, given the high variability of the potential outcomes of the issues when settled, especially the material ones. Banks should support their projections for material conduct risk events with all available evidence, both quantitative and qualitative. Banks may also be asked by their competent authorities to provide evidence regarding issues that are widespread in the industry and have resulted in losses for other institutions, which could be of relevance for them based on their business activities. When quality assuring banks'

[52] Commission Delegated Regulation (EU) 2018/959 of 14 March 2018 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards of the specification of the assessment methodology under which competent authorities permit institutions to use Advanced Measurement Approaches for operational risk.

[53] For the definition of timing losses please refer to Article 2 (14) and 22 (1)(f) of the Commission Delegated Regulation (EU) 2018/959.

projections, competent authorities will take into account not only their supervisory knowledge of the particular bank, but also a comparison to the sector and the impact of similar issues in the bank's peer group.

5.4 Impact on P&L

5.4.1 Conduct risk treatment

457. Banks will stress their conduct risk losses by applying either a qualitative or a quantitative approach in accordance with the instructions below. In both cases, a minimum floor for new non-material conduct risk losses will apply.

458. Under both approaches, the P&L impact of banks' conduct risk estimates will be included in 'gains or losses arising from operational risk' in the P&L template (CSV_P&L), taking into account the applicable floor.

459. Institutions will apply the qualitative approach when they report any historical material conduct risk event during the period 2022-2026. Institutions reporting no historical material conduct risk event during 2022-2026 will also apply the qualitative approach if new material events, known or unknown, are expected, or if the relevant competent authority deems it necessary based on their knowledge of the bank and on their supervisory judgment (if they deem that the institution may face any new material conduct risk event in the future).

460. Projections of losses related to material conduct risk events shall take into account all available information as of 27 May 2027. This cut-off date does not affect information requests by competent authorities as part of the regular quality assurance. Furthermore, changes may occur during subsequent data submissions if new information or data on them are available. In particular, banks may not withhold information or data they owned (or could have derived from) before the cut-off date. If material conduct risk events, which could not have been anticipated by banks, occur between the cut-off date and the publication, the absence of loss projections for these events will be noted in the published results, in case they are confirmed and verified in time for publication. All remaining institutions will apply the quantitative approach.

a. Qualitative approach to estimating future conduct risk losses

461. Banks applying the qualitative approach are required to:

- Report historical data on incurred gross losses on conduct risk in the general template (CSV_OR_GEN) as indicated in paragraphs 446 to 448. In the same template they shall report projections of losses for non-material events during the time horizon of the exercise.

- Identify and report (separately) historical material conduct risk events in the conduct risk template (CSV_OR_CON), including an estimate of all potential losses that may still arise from them, in excess of accounting provisions and losses already booked by December 2026, during the time horizon of the exercise. This is applicable for both the baseline scenario and the adverse scenario.

- Include, in the conduct risk template (CSV_OR_CON), a projection of potential losses that may arise from new material conduct risk events during the time horizon of the exercise, under both the baseline scenario and the adverse scenario. Banks are required to project losses for both known (see paragraph 438) and unknown new material conduct risk events. Banks are required to ensure that projections of losses for conduct risk events reflect all information pertaining to these events that is available to the bank until the cut-off date (see paragraph 460).

- The process for treating new material conduct risk events that are not known to the bank shall consider the following steps:

    1. Identification of types of conduct risk events that could arise in areas vulnerable to material conduct risk losses, taking into account a qualitative analysis of areas of conduct risk to which the bank is exposed.

    2. Assessment of the probability of conduct risk events which are unknown to the bank in relation to the types of conduct risk identified in step 1.

    3. Assessment of the magnitude of future losses due to events that are unknown to the bank in relation to the types of conduct risk identified in step 1.

    4. When assessing the impact of new material conduct risk events in the baseline and adverse scenarios banks are expected to apply techniques and data sources available to the bank, such as historical datasets of conduct losses and statistical models, to ensure that low probability high impact events are correctly captured. The treatment of new material conduct risk events shall be explained and will be subject to scrutiny by supervisors, in particular, zero losses projections in the adverse scenario for unknown material conduct losses should be properly justified.

462. Banks are required to report individually in the CSV_OR_CON the 5 largest historical material conduct risk events in terms of aggregate projected losses, and also the 5 largest new material conduct risk events (whether known or unknown) in terms of aggregate projected losses. The rest of material conduct risk events not included among the 5 historical largest and/or the 5 new largest (if any) shall be reported jointly in a different single row for historical events and in another single row for new events.

463. Banks' estimates of future conduct costs linked to historical material conduct risk events or new conduct risk events reported in the conduct risk template (CSV_OR_CON) shall be

determined, irrespective of whether a provision has been recognised, by evaluating a range of settlement outcomes for each issue and assigning probabilities to these outcomes. Adverse outcomes should be attributed higher probabilities under the adverse scenario than under the baseline scenario, so that banks should have a high level of confidence that, under the adverse scenario, the losses would not exceed the loss estimate for material conduct risk events. These estimates are expected to exceed provisions, except for events where there is a high degree of certainty regarding the eventual cost. Material loss events should be reported regardless of the probability level.

464. When projecting conduct risk losses linked to historical material conduct risk events and new conduct risk events, banks are required to consider the time dimension and report the projected loss in the year when the settlement of the misconduct issue will most likely occur. If there is uncertainty on when the issue will be settled, then banks should distribute the projected loss equally over the 3 years of the exercise.

465. Table 17 below provides an illustration on the approach to follow in order to project conduct risk losses in the adverse scenario.

Table 17: Projection of conduct risk losses under the qualitative approach and in the adverse scenario — Illustration

Existing treatment of the misconduct issue	Possible approach to projecting future conduct risk losses
An accounting provision has been raised. There is a high degree of certainty over the eventual cost.	The estimate will equal the existing provisions.
An accounting provision has been raised. There is a high degree of uncertainty over the eventual settlement cost. While the IAS 37 provision strikes a balance between potential upside and downside, the likelihood of adverse outcomes exceeding existing provisions is greater than remote.	The estimate should exceed the existing provision. Banks are expected to provide an estimate, even if they are unable to reliably quantify the full range of potential outcomes, by exercising expert judgement. In the adverse scenario, banks should have a high level of confidence that the loss would not exceed the loss estimate for material conduct risk events. Adverse outcomes should be attributed higher probabilities under the adverse scenario than under the baseline scenario.
An accounting provision has not been raised. While a settlement cost is not probable, there is sufficient evidence to determine a range of settlement outcomes, and the possibility of a significant settlement cost is greater than remote.	An estimate should be determined by evaluating a range of settlement outcomes and assigning probabilities to these outcomes. In the adverse scenario, banks should have a high level of confidence that the loss would not exceed the loss estimate for material conduct risk events. Adverse outcomes should be attributed higher probabilities under the adverse scenario than under the baseline scenario.

Existing treatment of the misconduct issue	Possible approach to projecting future conduct risk losses
An accounting provision has not been raised. While a possible obligation has been identified, current evidence is insufficient to be able to reliably quantify any potential liability, or range of liabilities, that may exist. The possibility of a significant settlement cost is greater than remote.	An estimate should be determined by exercising expert judgement. In the adverse scenario, banks should have a high level of confidence that the loss would not exceed the loss estimate for material conduct risk events. Adverse outcomes should be attributed higher probabilities under the adverse scenario than under the baseline scenario.

466. Banks are required to provide supervisors with any information — both quantitative and qualitative — they have used in forming this assessment. This information shall include the extent of their business in relevant areas. Banks are required to provide supervisors with a summary of how they allocated each misconduct risk to the categories in Table 17 above.

b. Quantitative approach to estimating future conduct risk losses

467. Banks applying the quantitative approach (in line with paragraph 460) are required to, directly in the general template (CSV_OR_ GEN), project the P&L impact of non-material conduct risk losses over the 3-year time horizon using banks' own methods. Projections of zero losses for material conduct events, known and unknown, in the adverse scenario should be properly justified. Banks applying the quantitative approach shall not populate the material conduct risk template (CSV_OR_CON).

c. Floor for conduct risk loss projections

468. Projections of conduct risk losses linked to new non-material conduct risk events shall not fall below a binding floor over the 3-year stress test time horizon under both the baseline scenario and the adverse scenario. The floor is applicable to the total losses from new non-material conduct risk events for the 3 years, but not year by year. If the floor applies, the amount of losses under the floor will be projected equally along the 3 years of the time horizon.

469. In the baseline scenario, the 3-year floor for potential losses linked to new non-material conduct risk events will be computed as 3 times the average of the historical losses reported by the banks during the 5 years prior to the beginning of the exercise (the 2022-2026 period) times a multiplier for non-material conduct risk events only (i.e. excluding past losses of historical material conduct risk events reported during this period). In the adverse scenario, the floor will be more conservative and banks will be required to apply a stress multiplier to the average. This calculation is detailed in Box 23. In both scenarios, the floor is zero or above.

Box 23: Floor for conduct risk losses for non-material conduct events

$$\text{Conduct risk floor for non} - \text{material conduct events}_{(\text{b or Adv}),3\ years} = Max[3 * \Omega_{(\text{b or adv})} \frac{1}{5} \sum_{y=2022}^{2026} (\text{historical conduct losses for non} - \text{material events})_y; 0].$$

Where:

- In the baseline scenario, the stress multiplier is $\Omega_{(\text{CR, b})} = 0.9$.
- In the adverse scenario, the stress multiplier is $\Omega_{(\text{CR, adv})} = 1.4$.

470. Projections of conduct losses connected to material conduct risk events are subject to a floor in the quality assurance process, i.e. banks that submit projections which are lower than the floor are required to justify their projections to their competent authority. In order to justify their projections banks could apply the following criteria: back-testing of material conduct risk losses in the adverse scenario during the previous EBA stress tests exercises, projection of losses due to unknown material conduct risk events, ratio of new material conduct risk cases in relation to the historical material conduct risk cases, improvements of their internal controls. If the supervisor assesses that the bank is unable to provide a reasonable justification their component authority may request that the bank applies the floor. The floor applies only for the projections under the adverse scenario and is computed as 3 times the average of the historical losses reported by the banks during the 5 years prior to the beginning of the exercise (inclusive of the years 2022-2026) for material conduct risk events multiplied by a stress factor as shown in Box 24. The floor is calculated in the template CSV_OR_GEN.

Box 24: Floor for conduct risk losses for material conduct events in the quality assurance process

$$\text{Conduct risk floor for material conduct events}_{(\text{adv}),3\ years} = 3 * \Omega_{(\text{adv})} \frac{1}{5} \sum_{y=2022}^{2026} (\text{historical conduct losses for material events})_y.$$

Where:

- In the adverse scenario, the stress multiplier is $\Omega_{(\text{CR, adv})} = 1.5$.

471. In all circumstances, banks will be expected to identify their material risks and potential conduct risk losses and these will be subject to challenger models from supervisors — for example, based on statistical models which look beyond simple averages to identify the specific nature of conduct risk, or by using uncertainty-adjusted means to project potential material conduct risk losses and to challenge banks' own projections. Supervisors will consider the criteria set out in paragraph 470 jointly with their own supervisory experience based on the assessment of the bank's internal governance.

5.4.2 Treatment of other operational risks

472. Banks are required to enter the P&L impact of other operational risk losses over the 3-year time horizon directly in the general template (CSV_OR_GEN) using the banks' own methods. If using a loss distribution approach, banks' projections should be made considering at least the 50th percentile of the historical yearly aggregate amount of losses under the baseline scenario, and should reach at least the 90th percentile of the historical yearly aggregate amount of losses under the adverse scenario. Percentiles refer to the aggregate loss distribution, based on the bank's internal data on the frequency and severity of losses. Therefore, the aggregate loss distribution should be only one distribution over all buckets. Consequently, as set in the templates, banks should just populate aggregate values cells.

473. The projection of losses for other operational risks shall be reported in 'gains or losses arising from operational risk' in the P&L template (CSV_P&L), taking into account the applicable floor.

474. Projected losses for 3 years under the adverse and the baseline scenarios must be at least equal to the bank-specific floor computed as shown in Box 25.

Box 25: Floor for the projection of other operational risk losses

$$\text{OOR floor}_{(\text{b or adv}),3\ years} = 3 * \Omega_{(\text{b or adv})} \frac{1}{5} \sum_{y=2022}^{2026} (\text{OOR losses})_{\text{y}}.$$

Where:

- OOR means 'other operational risk'.
- In the baseline scenario, the loss factor is $\Omega_{(\text{OOR,b})} = 1.$
- In the adverse scenario, the loss factor is $\Omega_{(\text{OOR,adv})} = 1.3.$

5.4.3 Fall-back solution

475. If a bank is unable to report relevant historical losses for conduct risk and other operational risks or if relevant historical losses are provided only for material events and the projected losses for the material events are not deemed appropriate by the competent authorities, overall operational risk loss projections (aggregate for the 3 years of the exercise) will be calculated as a function of the Business indicator component (BIC), as shown in Box 26. In cases where this method applies, the amount of losses will be projected equally along the 3 years of the time horizon.

Box 26: Fall-back solution for conduct risk and other operational risk losses

$$L_{(\text{b or adv})} = \Omega_{(\text{b or adv})} * BIC_{2026}.$$

Where:

- BIC is the business indicator component.
- L is the total loss projected for the 3 years of the time horizon, meaning that, in each of the 3 years, the loss will be L/3.
- In the baseline scenario, the scaling factor is $\Omega_{(b)} = 0.5$.
- In the adverse scenario, the scaling factor is $\Omega_{(adv)} = 1$.

5.5 Impact on capital requirements

476. Banks shall report total capital requirements for operational risk at the starting point according to the CRR3, including providing transitional capital requirements, if they apply the Alternative Standardised Approach according to CRR3 Art. 314 (3 and 4).

477. Total capital requirements for operational risk in each year of the projection horizon in both scenarios shall stay equal to the total capital requirements according to the CRR3 in the starting point (31 December 2026), or to the total transitional capital requirements in the starting point if a bank applies the Alternative Standardised Approach according to CRR3 Art. 314 (3 and 4).

6. Non-interest income, expenses and capital

6.1 Overview

478. Banks are required to use their own methodologies to project their non-interest income and expenses items that are not covered by credit risk, market risk, operational risk or net fees and commissions income, under both the baseline scenario and the adverse scenario.

479. These projections are subject to the constraints summarised in Box 27. The macroeconomic shocks and market risk methodologies should be applied for stressing real estate assets and defined benefit pension plans, respectively.

Box 27: Summary of the constraints on banks' projections of non-interest income, expenses and capital

- For dividend income and share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method, net income from each item cannot exceed the 2026 level in the baseline scenario. In the adverse scenario, a minimum reduction of net income from each item compared with the 2026 reported value is prescribed for the projections (paragraph 499). In case the net income from any of these items is negative or zero, the projections are capped at the 2026 value.

- NFCI is projected using prescribed growth rate parameters. The prescribed growth rate parameters are applied by currency after considering FX variations to the starting point.

- Administrative expenses, remaining other operating expenses, cash contributions to resolution funds and deposit guarantee schemes (except for contributions to the building-up of national DGSs, cf. paragraph 501), depreciation and other provisions or reversal of provisions cannot fall below [54] the value observed in 2026 — unless an adjustment of this floor for one-offs is permitted (paragraph 501). Only recognised one-off exceptions exceeding the threshold of 5 bps impact on CET1 ratio will be permitted (paragraph 508). Administrative expenses, including entries in CSV_ADM_EXP, and the respective one-offs (if any) have to be adjusted for FX effects.

- For dividends paid, under the baseline and adverse scenarios, banks are required to apply a pay-out ratio based on their publicly declared projected dividend policies. If no dividend policy is available or documented, the bank shall apply the following rule: the pay-out ratio in the

[54] It is noted that the quantities referred to in this point are reported with a negative sign. Therefore, this constraints statement refers to the absolute amount of these P&L contributions.

baseline should be the larger between 30% and the median of the observed pay-out ratios in profitable years over the last 5 years. In the adverse scenario, the same pay-out ratio as in the baseline scenario has to be assumed, unless the bank can provide evidence that it can deviate from this rule and the deviation is approved by the relevant competent authority. In both cases, a zero dividend is accepted if the bank is loss-making (paragraph 519).

- Practices such as loss-transfer agreements and transfer pricing with entities outside the scope of consolidation, as defined in section 1.3.2, should not be taken into account for the projections.

- If the projected CET1 ratio for a given year of the stress test horizon falls below the MDA trigger point in line with Article 141 of the CRD, the template will automatically project reductions of distributions for the same year following some simplifying assumptions for the purpose of the stress test (paragraph 520).

- For GSIIs, if the projected leverage ratio for a given year of the stress test horizon falls below the leverage ratio MDA trigger point as per 141b and 141c of the CRD, the template will automatically project reductions of distributions for the same year following some simplifying assumptions for the purpose of the stress test (paragraph 521).

- A common tax rate of 30% has to be applied. The stock of existing DTAs and DTLs as of 31 December 2026 will not be recalculated according to the simplified tax rate. Banks can use and create both DTAs that depend on future profitability and do not arise from temporary differences and DTAs that depend on future profitability and arise from temporary differences (for OCI only) during the stress test, subject to some simplifying assumptions. The creation of DTAs that do not rely on future profitability is not allowed. The total stock of DTLs shall be kept constant during the stress test horizon[55] (section 6.4.4).

- Other operating income is capped at the 2026 value. The net income related to operating leasing is subject to a prescribed reduction of 10% with respect to the 2026 value in the adverse scenario (paragraph 536).

- No impact is assumed for FX effects (except for 'NFCI' and 'Administrative expenses'), realised gains or losses on derecognition of financial assets and liabilities not measured at fair value through P&L, gains or losses on derecognition of non-financial assets, impairments on goodwill and negative goodwill (paragraphs 488, 533, 535, 538 and 540).

[55] Although the total amount of DTLs is fixed, the split between DTLs associated with DTAs arising from temporary differences and those not arising from temporary differences should be dynamically re-allocated each year according to the relative shares of the DTAs projected during the stress test, in line with Art. 38 of the CRR.

6.2 Scope

480. The projections of non-interest income and expenses exclude any P&L positions and capital impacts covered in the approaches for credit risk, market risk, operational risk or NII.

481. The following FINREP P&L items are part of non-interest income and expenses:

- Expenses on share capital repayable on demand;
- Dividend income;
- NFCI;
- Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net;
- Exchange differences, net;
- Gains or losses on derecognition of non-financial assets, net;
- Other operating income;
- Other operating expenses;
- Administrative expenses;
- Cash contributions to resolution funds and deposit guarantee schemes;
- Depreciation;
- Modification gains or losses, net;
- Other provisions or reversal of provisions;
- Other impairment on financial assets not measured at fair value through profit or loss;
- Impairment or (-) reversal of impairment on non-financial assets;
- Negative goodwill recognised in profit or loss;
- Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method;
- Other income and expenses from continuing operations (impairments of investments in subsidiaries, joint ventures and associates, profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations);

- Profit or loss after tax from discontinued operations.

482. In addition to the P&L items listed above, this section captures the impact of taxes, defined benefit pension schemes, leasing income and dividends paid on capital as well as assumptions made regarding the calculation of capital ratios.

6.3 High-level assumptions and definitions

6.3.1 Definitions

483. All items follow IFRS definitions. Banks should align with FINREP reporting.[56] If national accounting frameworks are used, banks are required to map their accounting framework to the IFRS framework. Banks are requested to provide a mapping table in an accompanying document.

6.3.2 Approach

484. Banks will have to use their own methodologies in projecting non-interest income and expense paths for the baseline and adverse scenarios, except for the projections of NFCI. For NFCI banks must apply the prescribed growth rate parameters.

485. The assumptions taken as basis for the use of the internal models/methodologies shall be coherent with the macroeconomic scenario (which includes e.g. the assumptions on GDP growth, FX variation (where applicable) or inflation during the projection years)[57] and with the general assumptions of the methodology (i.e. static balance sheet, same business mix throughout the time horizon) and the constraints listed in this section. Banks are required to provide additional information on the approach followed when projecting the P&L items included in this section (which includes, but it is not limited to, items under section 6.4.1 and 6.4.2) in the explanatory note.

486. Banks are expected to apply models that are regularly used in internal risk management and stress testing, and the competent authority would need to be satisfied with using them for the purpose of the EU-wide stress test. For this reason, when models are deemed not

[56] In a few specific cases, deviations from the scope reported in FINREP are allowed for the starting point. For instance, 'interest expenses for atypical silent capital contributions' on capital instruments can be reclassified as dividends paid, while according to the FINREP references such payments are classified as operating expenses, in case the legally binding contract on 'atypical silent capital contributions' fulfils the conditions of paragraph 517 of the methodological note regarding publicly projected dividend policies. Besides, a structural break between the starting point and the projections is permitted as described in paragraph 501 of the methodological note.

[57] As an example, banks should take into account all relevant variables to project their administrative expenses, including, when relevant, the inflation assumptions of the macroeconomic scenario, and their contractual obligations with respect to inflation. Banks are not allowed to incorporate operational efficiency adjustments into their models to mitigate the constant increase in costs. This should ensure consistency with the static balance sheet assumption which has to be maintained as described in paragraphs 33 and 34.

suitable for projections, banks might be asked to revise internal figures, or the methodology may foresee an alternative treatment (such as for items treated in section 6.4.1).

487. The projections should incorporate both exogenous factors and bank-specific characteristics. They should also take into account the specific developments of the originating country. Given potential differences in the business cycles of these countries, the respective income and expense streams accrued by the bank in question will be affected.

488. With the exception of 'Administrative expenses' and 'NFCI', for which the prescriptions laid down in the respective sections are to be followed, no further FX effects should be accounted for regarding the above listed P&L items. The additional channels via which FX rate changes affect the P&L are an indirect credit risk from foreign currency lending that is related to the depreciation of local currencies (see section 2), the corrective factor for interest income and market risk effects (due to revaluation effects of trading and other fair value portfolios including REA projections, see section 3).

6.3.3 Reporting requirements

489. Banks are required to provide 5 years of historical data for dividend payments and coupons of AT1 instruments classified as equity instruments, together with their projections.

490. Gains (losses) arising from operational risk need to be reported as a separate item. To avoid any double counting, other P&L items therefore have to be adjusted to exclude these gains (losses) whenever relevant.

491. All historical and projected profit or loss values shall be reported on template CSV_P&L. Banks are required to report injections to retained earnings in CSV_CAP on the same calendar year in which profits are generated. Any additional impact to capital shall be reported on the capital template (CSV_CAP).

492. The items covered in sections 6.4.1 and 6.4.2 and paragraph 520 follow specific approaches that require the use of separate templates, namely CSV_NFCI_DIV, CSV_ONEOFF and CSV_MDA. Furthermore, banks shall report the decomposition of 'Administrative expenses' and 'NFCI' by currency in the input sheet. Banks shall also report in the input sheet the top 5 countries where their administrative expenses are located.

493. In line with the guidance descripted in paragraphs 15-20, banks are required to describe in the accompanying documents how historical and starting point P&L items are affected by e.g. mergers and acquisitions, and how specific projected P&L values have been determined.

6.4 Impact on P&L and capital

6.4.1 NFCI, dividend income, and profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method

494. NFCI is projected at the aggregated level by making use of prescribed growth rate parameters. Banks are required to insert in the 'Input' sheet of the EU-wide stress test templates the prescribed parameters communicated to them for the projections of NFCI.

495. The prescribed NFCI growth rate parameters are subject to constraints applied on their cumulative path over the three-years horizon in the following way:

- In the baseline scenario, the cumulative prescribed NFCI growth rate over the three-years scenario horizon is subject to a minimum and a maximum reduction (cap/floor). The cap is set at 0% (the cumulative NFCI growth rate over the three years cannot be positive). The constraints, if binding, are applied each year of the baseline scenario horizon and are incorporated in the prescribed baseline scenario path of the growth rate parameters.

- In the adverse scenario, the cumulative prescribed NFCI growth rate over the three-years scenario horizon is subject to a minimum and a maximum reduction (cap/floor). The constraints, if binding, are applied each year of the adverse scenario horizon and are incorporated in the prescribed adverse scenario path of the growth rate parameters. These parameters are applied to the NFCI starting point after considering FX variations.

496. In the adverse scenario, cumulative NFCI is projected with the prescribed growth rate parameters as described in paragraphs 494 and 495 and after considering FX variations to the starting point. Then, two cases apply:

1. If following the application of FX variations to the starting point, cumulative NFCI is negative, then the projection of NFCI for each year is the minimum between the FX-adjusted starting point for this year and the starting point. In this case, the prescribed growth rates are not applied.

2. If following the application of FX variations to the starting point, the cumulative NFCI is not negative, then the NFCI projections each year will reflect the prescribed growth rate parameters and the FX effects to the starting point.

497. Banks are required to project dividend income and share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method (i.e. outside the scope of consolidation) by making use of their own methodologies and assumptions on the development of volumes, margins, fees, etc.

498. Under the baseline scenario, for dividend income, and profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method, the projection of total net income for each year cannot exceed its reported value for 2026. [58]

499. Under the adverse scenario, banks are required to follow one of the approaches subject to different constraints to project dividend income and the share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method (see Box 28):

    i. For banks that model the projections, the cumulative projection of the 3 years of the scenario for each item is subject to a minimum reduction as defined in Box 28 compared with three times the 2026 reported value. If this minimum reduction is binding for dividend income and the share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method, the reduced amount of net income will be projected equally across the 3 years of the horizon.

    ii. Banks that choose not to model the projections themselves are required to apply a more severe reduction of the total net income reported for 2026. This simplified approach does not apply to banks reporting significant non-recurring income values in the 2026 starting point for any of the items in the scope of this paragraph. In such case, banks are required to model their projections and are subject to the minimum reductions as defined in (i).

    iii. For banks reporting 0 net income on aggregate for 2026 for dividend income and/or 0 or negative net income on aggregate for 2026 for the share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method, (i) and (ii) do not apply. In this case, the cumulative projections will be capped at three times the 2026 value when the bank projects the income items – alternative treatment to option (i) – and each yearly projection will be equal to the 2026 value when the bank does not project – alternative treatment to option (ii).

500. Banks making use of internal models should follow paragraphs 485 and 486, which include the requirement to include a description of the model used, along with the mapping applied, in the accompanying explanatory note.

[58] An exception to that floor is allowed in the case of disposals of investments in subsidiaries, joint ventures and associates that have occurred in 2026 that are neither classified as held for sale nor as discontinued operations. In such case, the starting point reported in template 'CSV_NFCI_DIV' (Row 'Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method', Col Num 1) shall exclude this event while the starting value in template 'CSV_P&L'(Row 'Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method', Col Num 5) should correspond to the actual value, i.e. the historical value. Furthermore, the bank should provide in the explanatory note a detailed description of the event, analytical information on the allocation of gains or losses associated to the transaction within the stress test template CSV_P&L and a complete reconciliation with the respective values reported in FINREP as of 31 December 2026.

Box 28: Constraints for the calculation of dividend income and the share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method

For each item i, the following constraint regarding the cumulative amount (if positive) applies for banks that model the projections in the adverse scenario:

$$\sum_{t=2027}^{2029} NetIncome_{i,t} = min\left[\sum_{t=2027}^{2029} NetIncome\ (own\ models)_{i,t}\ ;\ (1-\gamma) * 3 * NetIncome_{i,2026}\right]$$

Where:

- i refers to i) dividend income or ii) the share of the profit of investments in subsidiaries, joint ventures and associates accounted for using the equity method
- γ is equal to 25%

Banks that chose not to model the projections themselves for any of the items refered to in this box are required to apply an overall more severe reduction, so that:

$$NetIncome_{i,t} = (1-\delta)NetIncome_{i,2026}$$

Where:

- δ is equal to 50%

6.4.2 Administrative expenses, other main cost items and one-off adjustments

501. Remaining other operating expenses, cash contributions to resolution funds and deposit guarantee schemes[59], depreciation and other provisions or reversal of provisions shall be projected through the use of bank-internal models, but cannot fall below the absolute value

[59] As an exemption to this principle, the share of contributions to the deposit guarantee schemes (DGS) expensed in 2026 that aim to reach the DGS fund's target level (i.e. those that do not correspond to banks' risk profile increase or covered deposits grow), may be adjusted accordingly from the floor over the horizon (i.e. no one-off as per paragraph 511 needs to be requested), to the extent that this target level is reached somewhere in the projection window. Please provide in the explanatory note a quantitative description of the evolution of contributions to the DGS between 2026 and 2029 and supporting evidence by the corresponding DGS of the end of its building-up period.

observed in 2026.[60] The same applies to administrative expenses[61] but for this item the floor is adjusted in every year of the stress test horizon to take into account FX effects.

502. Adjustments of these constraints are permitted only for extraordinary costs affecting the items listed in paragraph 501 during the year 2026 and as defined in this section. Possible deviations from the constraints for administrative expenses and other operating expenses related to the MDA restrictions of Article 141 of the CRD are instead set out in section 6.4.3. Likewise, deviations from the constraints for other operating expenses are also possible for banks applying hyperinflation accounting following IAS 29.[62]

503. One-off adjustments shall be based on available uncontroversial evidence of the non-recurrence of the event as well as a reasonable estimate of the recurring part of the cost (based on, and linked to, the historical data of the bank).

504. All one-off adjustments are subject to a thorough quality assurance. As a necessary condition, banks are required to submit a list of those one-off events for consideration to the respective competent authority and by the deadlines set by the competent authorities and the EBA. This list of one-off events shall distinguish between one-off events having a positive P&L impact and those having a negative impact and will be limited to five P&L items in total. The same event may affect more than one eligible P&L item (see paragraph 508).

505. Failure to submit the list within the mandated deadlines will lead to automatic disallowance of all one-offs, whereas submission alone constitutes no claim to the eventual approval of the one-off. If items are rejected from the list, banks are not allowed to resubmit further applications.

[60] However, to avoid double-counting, regarding “Other provisions or reversal of provisions”, the bank should not project any provisions stemming from off-balance exposures, which are projected under row “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss” of CSV_P&L. This means that, while the starting value will still reflect FINREP reporting, banks should consider the floor in row “Other provisions or reversal of provisions” of CSV_P&L as if no provisions stemming from off-balance exposures were reported under this line in 2026. In other words, the projection of row “Other provisions or reversal of provisions” of CSV_P&L cannot fall below the absolute value observed in 2026 excluding provisions stemming from off-balance exposures that are reported in row “Other provisions or reversal of provisions” of CSV_P&L in 2026 but projected in row “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss” of CSV_P&L. The bank should provide in the explanatory note detailed analytical information of the off-balance sheet exposure amount per off-balance sheet category, reported in the starting point (i.e. YE2026) under “Other provisions or reversal of provisions”, but not reported in the projection years in the same line of CSV_P&L.

[61] Banks are expected to develop their own modelling approaches for staff expenses and other administrative expenses levels which should be coherent with the methodological assumptions of administrative expenses and the macroeconomic scenario. Banks are expected to provide detailed information on the approaches followed for the calculations of the projections in the explanatory note.

[62] Banks applying hyperinflation accounting following IAS 29 as of 31/12/2026 should also include this effect symmetrically in the P&L and OCI of their scenario projections. Banks applying IAS 29 are expected to report the Gain or Loss on Net Monetary Position for the projection years in RowNum 20 of CSV_P&L "Remaining other operating expenses" (Loss) or RowNum 17 of CSV_P&L "Other operating income" (Gain) and RowNum 8 of CSV_CAP "Other OCI contributions" taking into account the evolution on the projected HICP in the macro financial stress test scenario, which consequently could entail deviations from the floor in case of a decreasing evolution. Furthermore, banks are expected to include detailed information in the Explanatory Notes and Supporting Documentation on the respective accounting treatment and relevant evidence for the application of IAS 29 as of 31/12/2026.

506. One-off events shall be submitted using a dedicated template (CSV_ONEOFF). The pre-tax projected adjustments to the P&L items in scope in each year of the baseline and adverse scenarios shall be equal to the pre-tax amount of the one-off cost reported for 2026, and shall not be adjusted for FX effects in CSV_ONEOFF. Banks will have the possibility to modify these amounts to the extent that they result in more conservative adjustments. The total impact of the one-offs on CET1 ratio will then be calculated as the sum of the pre-tax projected adjustments over the 3 years of each scenario, divided by the end-2026 total REA. The sum of the pre-tax projected adjustments to the P&L items shall be allocated equally across the 3 years of the projection in each scenario in the CSV_ONEOFF template. This sum can only consider the most conservative values between the pre-tax amount of the one-off cost reported for 2026 and the average pre-tax projected adjustments to the P&L items in scope in each year.

507. In the CSV_P&L template, one-off adjustments to administrative expenses shall be adjusted for FX effects when reported in the memorandum item in the adverse scenario. In the baseline scenario, the memorandum item for off adjustments to administrative expenses is not FX adjusted and linked to the CSV_ONEOFF template.

508. Only recognised one-off exceptions as defined in this section and exceeding the threshold of 5 bps impact will be permitted. In case of one-off events with impact on more than one eligible P&L items, the sum of the impacts on the different P&L items for the same event shall exceed the 5bps threshold. In such cases, the institution should report the P&L impacts in separate lines of the CSV_ONEOFF template, one for each eligible P&L item affected. The limit of five maximum P&L items in total and for all the one-offs holds.

509. The resulting adjustments will be recognised in the template CSV_P&L, by singling out the one-off impact for each P&L item in the scope of this section, which will be reported net of the one-off adjustment and - in case of administrative expenses - after FX effects.

510. One-off adjustments due to the extraordinary cost produced by the following events shall be permissible for assessment by the competent authority:

- Divestments of business units under the following conditions:
    - The affected business unit was fully divested during the course of 2026;
    - Further follow-up expenses for these divestments are considered in the projection; and
    - No future benefits materialising in the projection years because of the divestment can be included, which includes all future costs related to the unit that was separated.

- Business unit restructuring, including measures that are part of a restructuring plan approved by the European Commission, leading to non-recurrent integration costs, subject to the following conditions:
    - The restructuring (but not the full restructuring plan in the case of a restructuring plan approved by the European Commission) shall have been completed in 2026;
    - Permissible restructuring costs are post-merger integration costs (subject to the merger having been completed by 31 December 2026) and set-up costs for a bad bank, wholly taken in 2026; and
    - In exceptional cases where the restructuring was completed in 2026 and still future restructuring costs are incurred/expected for 2027-2029, the future restructuring costs need to be incorporated in the forecast, i.e. the projections in CSV_P&L need to be adjusted to take the future costs into account.
- Employee restructuring/lay-offs and the associated severance costs, subject to the following conditions:
    - Severance costs shall have been paid in full or provisioned against by the end of 2026;
    - Any expected (i.e. known at the starting point of the stress test exercise, for instance approved by the Board of Directors) future restructuring payments and severance costs still need to be considered in the projection. Only those future restructuring/severance costs strictly related to the event for which the one-off has been requested shall be considered (i.e., other events shall be disregarded even if they were known); and
    - No future benefits materialising in the projection years because of the exit can be included, which includes all future costs related to the FTEs that were separated during and after 2026.
- Extraordinary (i.e. non-recurrent) ex post payment commitments to deposit guarantee schemes (DGS), institutional protection schemes (IPS) officially recognised as DGS in accordance with Directive 2014/49/EU (DGSD) and resolution funds (RF), subject to the following conditions:
    - In the case of DGS and IPS recognised as DGS, extraordinary ex-post payment commitments shall meet the criteria set out in Article 10(8) of the DGSD;
    - In the case of RF, extraordinary ex-post payment commitments meeting the criteria of Article 104 of the BRRD are triggered by an exceptional event and should be appropriately documented, e.g. by means of a legislative decree.

- Extraordinary (i.e. non-recurrent) ex-post cash contributions to resolution funds (RF), deposit guarantee schemes (DGS) and institutional protection schemes (IPS) officially recognised as DGS in accordance with Directive 2014/49/EU (DGSD), subject to the following conditions:
    - In the case of DGS and IPS recognised as DGS, extraordinary ex-post cash contributions shall meet the criteria set out in Article 10(8) of the DGSD;
    - In the case of RF, extraordinary ex-post cash contributions meeting the criteria of Article 104 of the BRRD are triggered by an exceptional event and should be appropriately documented, e.g. by means of a legislative decree.
- Temporary levies [63] under the following conditions:
    - The expenses exceeding the minimum threshold are the consequence of a legal requirement that will not be in force during the 3 years to be projected;
    - Considering this partial validity (i.e. only applies to one or two of the years of projection), the expenses that must be considered in the projections will only be the ones determined by the current legislation (or the best estimate thereof) in that particular year;
    - As an exemption to the principle stated in paragraph 503, the recurrence analysis would be excluded from this criterion, provided that there is no announced statement or clear indication of time extension by the cut-off date to submit one-off adjustments applications to the EBA, since this would mean anticipating the legislative power of the corresponding authorities in each country.

511. Other instances than those listed in paragraph 510 may be considered by the competent authority in exceptional cases. The following exceptions are explicitly not considered:

- Income and expenses for which a methodology has already been prescribed in this note. This includes, in particular — but is not limited to — conduct and litigation costs, which shall be treated in accordance with the methodology prescribed in section 5;
- All actions that are not fully implemented by 31 December 2026. This includes, in particular — but is not limited to — mergers and run-off of businesses, which are expected but not executed until year-end 2026. It also includes measures defined in restructuring plans or any contingency plans for stress situations if they are not fully implemented by 31 December 2026;
- Changes in variable compensation;

[63] Levies that are accounted for in accordance with IFRIC 21.

- Exceptional fees on professional services engagements, unless incurred as part of a one-off event specified in paragraph 510; [64]

- Changes in real estate / occupancy costs due to, for example, a move.

512. In projecting the P&L items described in this section, banks are required to include the phase-in of ex-ante contributions to the Single Resolution Fund, as established in EU Regulation 2015/81.

513. All exceptional adjustments can be considered only if the corresponding adjustment of any income is taken into account, and is consistent with the remaining methodology as presented in this note (e.g. in setting any caps on income projections based on 2026 levels).

514. For provisions not related to conduct or other operational risk no reversals are allowed (i.e. the projection is capped at zero).

6.4.3 Dividends paid and distribution restrictions under Article 141 of the CRD

515. The pay-out ratio described in this section is defined to include all voluntary reductions in the capital base (i.e. mainly in the form of cash dividends and share buy-backs). All voluntary reductions in the capital base distributed to owners of the consolidating entity, which are not already included - in accordance with their accounting policy - in other rows of either the CSV_P&L or the CSV_CAP, should be included in the "amount of dividends paid (before consideration of MDA restrictions)" for the respective year in template CSV_P&L. For simplicity, such reductions shall be reported according to the calendar year to which the distributable profit relates, irrespective of the actual payment date. [65]

516. Banks are required to report 5 years of historical dividend pay-outs by referring to the ratio between: (i) dividends [66], other than those paid in a form that does not reduce CET1 capital (e.g. scrip-dividends), distributed to owners of the entity; and (ii) profit after tax attributable to owners of the entity netted by AT1 coupons from AT1 instruments classified as equity instruments. [67] If, for a given year, the ratio between (i) and (ii) is negative or above 100%,

[64] E.g. for consultants or lawyers during a business restructuring or transaction advise during the sale of a NPL portfolio.

[65] Reductions associated with profits of a given year (e.g., 20X0) shall be fully allocated to that same year for stress-testing purposes, even if a portion of such reduction is effectively paid in the following year (e.g., interim dividend in 20X0 and final dividend paid in 20X1 after shareholder approval).

[66] As mentioned above, the term 'dividends' includes cash dividends as well as other voluntary capital reductions, such as share buy-backs.

[67] On AT1 instruments classified as equity instruments, the coupon works as a dividend, accounted for directly in equity via the statement of changes in equity. The coupon thus has no bearing on the institution's profit or loss of the period. This notwithstanding, the declaration of the AT1 coupon results according to accounting rules in an immediate reduction of equity (usually retained earnings) and, by that, reduces the institution's CET1 capital upon declaration of the coupon. However, considering that retained earnings in CSV_CAP are formulated, the simplest way to replicate this accounting is by including the AT1 coupons on RowNum 67 from CSV_P&L, which will have the same impact on capital. Hence, this approach does not apply to coupons from AT1 instruments classified as debt instruments, which are accounted for in P&L via an interest expense.

the pay-out ratio shall be deemed to be 100%. If for a given year, (ii) is zero, the pay-out ratio shall be set to 0% if (i) is zero and 100% if (i) is above zero.

517. Under the baseline and adverse scenarios, banks are required to apply a pay-out ratio (or an absolute pay-out per share) based on their publicly declared projected dividend policies.[68] The following aspects should be considered:

- This includes legally binding contracts, such as loss transfer agreements vis-à-vis subsidiaries and profit transfer agreements vis-à-vis holdings and policies concerning preferred shares, as well as restrictions imposed by law. Institutions that adopt profit distribution policies which include share buy-backs, used as a tool for the distribution of ordinary profits[69], must treat these share buy-backs in the same way as a cash dividend.

- References to publicly declared dividend policies (e.g. from annual reports, listing brochures, business plans) shall be provided in the explanatory notes. Internal policies which are not made public cannot be considered as publicly declared projected dividend policies. Public policies defined in terms of a target nominal amount of distributions can be considered, but the nominal amount has to be converted into a pay-out ratio for the purpose of the stress test.

- The bank shall not apply reductions to dividend distributions based on public capital targets, unless it can demonstrate that these targets are explicitly and formally linked to its distribution policy in publicly available documents.

518. Practices such as loss-transfer agreements and transfer pricing with entities outside the scope of consolidation, as defined in section 1.3.2, should not be taken into account for the projections.

519. If no dividend policy is available or documented, the bank is required to apply the following rules[70]:

- Under the baseline scenario, the bank shall apply a pay-out ratio equal to the maximum of 30% and the median of the observed pay-out ratios in profitable years, where a dividend has been paid[71], over the last 5 years. If the bank is loss-making, a zero dividend is accepted.

[68] Here "publicly declared" means that the document is freely accessible by any member of the general public. The general stress test cut-off date applies for such declarations, i.e. 31 December 2026.

[69] As a general rule, share buy-backs are treated as ordinary distributions unless the institution demonstrates that they stem from a clearly non-recurrent transaction or are entirely unrelated to annual profits.

[70] An exception to this approach may be considered where national legislation explicitly restricts or caps the amount of profit distributions. In such cases, the bank may apply the legally mandated limitation, provided that sufficient supporting evidence is submitted and the deviation is assessed by the competent authority.

[71] Thus, if in the last five years a bank had one or more profit-making years where no dividend was paid, then these years should not be considered for the calculation of the median pay-out ratio.

- Under the adverse scenario, if the bank is loss-making, a zero dividend is accepted. If the bank is profit-making, the bank is required to pay a dividend applying the same pay-out ratio as reported in the baseline scenario for the respective year, unless it can provide evidence that it can deviate from this rule and the deviation is approved by the relevant competent authority. Reduction of the pay-out ratio conditional to the breach of management capital buffers (e.g. breach of the P2G level) cannot be considered as admissible deviations, even if they are publicly declared. Reductions stemming from (risk-based or leverage ratio) MDA-related restrictions cannot be considered as admissible deviations with respect to the dividend pay-outs to be applied, either, as these types of reductions will be accounted for in the CSV_MDA template (cf. paragraphs 520-523). Restrictions imposed by the supervisor can be considered as admissible deviations. In such a case, the projections will be subject to a thorough quality assurance analysis and will be challenged by the competent authorities, taking into consideration the eventual declaration of dividend policies in the annual reports. This rule shall be applied to share buybacks as well.

520. All banks are required to report in CSV_MDA the amount of CET1 capital after distributions, to be checked against the risk-based Maximum Distributable Amount (MDA) trigger. They are also required to report distribution amounts before consideration of any potential restrictions for the following items: i) the payments of AT1 instruments which are classified as debt and hence reported as pre-tax expenses in CSV_P&L[72], and (ii) the starting point of pre-tax distributions related to discretionary pension benefits. Any other form of projected distributions amounts before consideration of any potential restrictions, namely variable remuneration, as well as post-tax distributions (dividends and AT1 coupons from AT1 instruments classified as equity) are automatically retrieved from other templates. The rest of the CSV_MDA template relies on automated computations.

521. For banks breaching the MDA trigger as per Article 141(3) of the CRD and/or the LR-MDA trigger as per 141b and 141c of the CRD, the MDA and/or LR-MDA adjustments are automatically projected according to the following simplified assumptions:

- Priority is given to MDA adjustments to post-tax distributions. Therefore, when there is a breach of the MDA and/or LR-MDA trigger, restrictions will be applied first to post-tax distributions. Only if distributions restrictions imposed by the MDA/LR_MDA exceed the amount of post-tax distributions, MDA-related adjustments will be applied to pre-tax items.

- No reduction of distributions beyond the minimum amount needed to meet the risk-based MDA requirement of Article 141(3) of the CRD or the leverage ratio MDA requirement of 141b and 141c of the CRD will be assumed, i.e. in years of the scenario

[72] Banks should report in this line only AT1 coupons from AT1 instruments classified as debt and hence reported in the P&L as pre-tax interest expenses. Banks should not report in this line AT1 coupons from AT1 instruments classified as equity and reported in CSV_P&L RowNum 67. This latter category of AT1 coupons from AT1 instruments classified as equity is considered for MDA purposes in RowNum 13 of CSV_MDA.

where the risk-based MDA trigger or the LR-MDA trigger would be breached, the prescribed computations assume that banks distribute exactly the risk-based MDA or the LR-MDA.

- In years of the scenario where both the risk-based MDA trigger and the leverage ratio MDA trigger would be breached, prescribed computations assume that banks distribute exactly the lower of the risk-based MDA and the LR MDA.

- The risk-based MDA and/or the LR-MDA are always set to 0 in loss making years when the risk-based MDA trigger and/or the LR-MDA trigger are breached, unless the presence of pre-tax distributions would offset the loss made.

522. Given that the stress test is run at the highest level of consolidation, the bank's treatment of distribution restrictions under Article 141 of the CRD shall not take into account any induced effects of a potential MDA breach on a sub-consolidated level from other exercises.

523. For the banks breaching the MDA and/or the LR-MDA trigger, the impact of the MDA and/or LR-MDA adjustments will be publicly disclosed on TRA_P&L.

6.4.4 Tax treatment

524. Banks are required to apply a common simplified tax rate of 30%. Current taxes in the stress test are calculated by applying the simplified tax rate to the taxable profit in each year, while the tax expenses/income are calculated as the sum of current taxes and changes in DTAs. The stock of existing DTAs and DTLs as of 31 December 2026 will not be recalculated according to the simplified tax rate.

525. The taxable profit is calculated on the basis of the profit or loss before tax from continuing operations minus those contributions from the P&L template that are reported after income tax in the P&L template, floored at zero and net of any loss carryforward used in the relevant period. Items that are reported after the taxes paid by the entity in FINREP (such as “Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method” and “Dividend income”) shall be included in the taxable profit if the tax rate before reporting was smaller than 30%, by making an adjustment to make the applied implied tax rate equal to the 30% as requested in the methodology. If the applicable tax rate before reporting is above 30%, institutions can decide between limiting the tax rate to 30% or keeping the applicable tax rate above 30%.

526. Banks are required to report the taxable profit in the respective line of the CSV_P&L template. For simplicity, banks should disregard the fact that some of the items included in the P&L may be neither tax-deductible nor taxable under national law.

527. DTAs that do not rely on future profitability (Articles 39 of the CRR) shall be held constant at their starting value for the purpose of the stress test. Other DTAs shall be calculated for the

time horizon of the stress test exercise according to the current regulation (Articles 38 and 48 of the CRR) and the instructions given in this section.

528. Banks may project the creation and use of DTAs that rely on future profitability and do not arise from temporary differences (and associated loss carryforwards) under the conditions below. This shall be done in accordance with applicable tax legislation and paying due regard to their own accounting position and the prospects for recovering loss carryforwards under future profitability in line with their accounting procedures:

- Existing DTAs that rely on future profitability and do not arise from temporary differences as of 31 December 2026 will not be recalculated according to the simplified tax rate, as it in the case for all types of DTAs in the stress test (see paragraph 524).

- These DTAs may be created during loss-making years in accordance with applicable tax legislation and paragraph 527 and applying the common tax rate of 30% for the creation of new DTAs.

- The use of loss carryforwards in a given profitable year shall be applied by giving priority to DTAs created during the stress test over DTAs existing as of 31 December 2026.

- On profit making years, banks can use loss carryforwards to offset their taxable amount if the competent tax authority allows it, regardless whether a DTA is created. In such cases, banks are required to provide undisputable evidence of the background of their approach. The loss carryforwards, as well as the DTAs, to be used for the determination of the taxable amount should be calculated and used according to the relevant and applicable tax legislation for each legal entity/country.

- Banks should, however, consider whether to disregard in full the creation and use of DTAs that rely on future profitability and do not arise from temporary differences, in line with their accounting procedures. [73] In this case, a tax rate of 30% should be applied in profit-making years and a tax rate of 0% in loss-making years.

- Banks should provide an explanation of their approach when calculating tax expenses for the stress test in their explanatory note, including a reconciliation of the effective tax rate with the 30% common tax rate for each year of the stress test horizon.

529. Unrealised gains and losses contributing to OCI under the stress test scenarios are also subject to the simplified tax rate of 30%. The creation and use of the associated DTAs that rely on future profitability and arise from temporary differences may be calculated in the following way:

[73] Institutions opting for this approach should provide appropriate and well-documented justification demonstrating that their accounting policies and practices do not support the recognition of such DTAs, so as to ensure a consistent supervisory interpretation.

- Projected OCI gains and losses shall be reported pre-tax in the market risk calculations and will be subject to the simplified tax rate assumption on CSV_CAP.

- DTAs that rely on future profitability and arise from temporary differences shall be projected during the time horizon of the stress test exercise applying the change in Accumulated OCI (reported net of tax charge calculated with the 30% common tax rate, as per COREP C 01.00 table, r180, c010) to the starting amount of DTAs reduced by the associated DTLs (see paragraph 530).[74]

- Banks are required to also provide full transparency on the deferred tax arising from temporary differences in their explanatory notes, detailing how the figures reported in the template were determined.

530. DTAs (net of DTLs, if allowed) that rely on future profitability and arise from temporary differences are deducted according to Articles 38 and 48 of the CRR. DTAs that rely on future profitability but do not arise from temporary differences will be fully deducted. When deducting the amount of DTAs that rely on future profitability, banks shall observe Article 38 of the CRR on the conditions for netting with the amount of DTLs and on the allocation of the DTLs according to the proportion of associated DTAs that rely on future profitability. The total amount of DTLs shall be held constant at the starting point of the exercise. The creation of DTAs that can be converted into tax credits under the conditions of Article 39 of the CRR are not allowed for the projected period.

531. Banks are required to also take into account any accelerated phase-in schedule as established by national legislations and the applicable competent authority. The resulting effects shall be included in the banks' projections and reported in template CSV_CAP.

6.4.5 Other P&L impact

532. **Expenses on share capital repayable on demand**: Expenses are projected equal to the 2026 value.

533. **Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit and loss, net**: No realised gains or losses are expected from the sale of financial assets and liabilities not measured at fair value through profit and loss, i.e. the P&L impact should be set to zero.

534. **Exchange differences**: In line with paragraph 488, no impact will be assumed in the baseline and adverse scenarios, i.e. the P&L item should be set to zero.

[74] DTAs relying on future profitability and arising from temporary differences must be recognised whenever OCI movements occur, even where such DTAs are not recognised under the institution's accounting framework, as the capital impact in CSV_CAP already reflects the 30% tax effect applied to OCI items.

535. **Gains or losses on derecognition of non-financial assets, net**: No impact will be assumed in the baseline and adverse scenarios, i.e. the P&L item should be set to zero.

536. **Other operating income**: Projected other operating income shall not be higher than the 2026 value. Banks should also consider reducing their annual forecasts of other operating income in a prudent way below the 2026 value where the 2026 results contain significant non-recurring contributions. [75] Net income related to operating leasing, included in other operating income and expenses, shall be singled out from CSV_P&L. This net income is projected equal to the 2026 value for the baseline scenario, while in the adverse scenario a reduction of 10% with respect to the 2026 value is prescribed.[76]

537. **Modification gains or losses**: The P&L impact of modification gains or losses should be set to zero.

538. **Other impairment on financial assets:** Impairments on participations shall be computed in line with the results of the (IFRS) test of impairment and will be consistent with the scenarios. This requirement extends to participations in other banks included in the sample of the EU-wide stress test. No impact should be assumed for the impact on impairments on goodwill on financial assets, i.e. the P&L contribution should be set to zero for the projections in both the baseline and the adverse scenario.

539. **Impairment on non-financial assets**: Impairments on non-financial assets shall be included not under depreciation but under 'Impairment or reversal of impairment on non-financial assets'. [77] Banks are required to project impairments on non-financial assets in line with the economic scenario of the stress test:

- Impairments on residential and commercial real estate will be computed by the application of the shocks from the macroeconomic scenarios on the market value of real estate owned by the bank. Real estate for own use shall be stressed by applying the commercial real estate shocks given in the macroeconomic scenarios.

- Similarly to paragraph 40, banks are required to also stress other non-financial assets (e.g. realised physical collaterals such as ships, residual values of leased out assets) on their balance sheets under the stress test scenarios.

- According to the relevant accounting standard if the right-of-use lease asset is subject to impairment the bank will need to consider the macroeconomic scenarios when projecting any possible impairments. According to paragraph 484 of the Methodological

[75] Possible deviations from these constraints could arise for banks applying hyperinflation accounting following IAS 29 in case they report gains on Net Monetary Position for the projection years.

[76] In case of a negative net operating leasing income at the starting point, the negative net income should be maintained constant over the stress test horizon.

[77] In case real estate assets are assessed at fair value, the related impairments should be included in line with FINREP, e.g. under 'Remaining other operating expenses'.

Note banks will have to use their own methodologies in projecting non-interest income and expense paths for the baseline and adverse scenarios.

- Impairments on non-financial assets should be projected at the level of individual assets and avoid offsetting effects between the impairments on individual assets.
- No impact should be assumed for impairments on goodwill on non-financial assets, i.e. the P&L contribution should be set to zero.
- No reversal of provisions shall be assumed under the scenarios of the stress test.
- Losses arising from non-financial assets related to operating lease contracts may, depending on the applicable accounting treatment, also be recognised within 'Other operating income'.

540. **Negative goodwill** recognised in profit or loss: No impact should be assumed for the baseline or adverse scenarios, i.e. the P&L item should be set to zero.

541. **Profit or loss from non-current assets and disposal groups** classified as held for sale not qualifying as discontinued operations: In accordance with the static balance sheet assumption, non-current assets and disposal groups classified as held for sale shall remain on the balance sheet in the exercise and shall be stressed by the application of the relevant shocks given in the macroeconomic and market risk scenarios. The impact will be reported in line with the accounting treatment of the banks in the P&L account or as OCI.

542. **Profit or loss from discontinued operation**s over the stress test time horizon shall be zero for those operations already disposed by the 31 December 2026. Discontinued operations which have not been disposed before that date shall be treated according to paragraph 36 and footnote 5.

543. **Deductions of intangible assets (including goodwill) from CET1 capital**: Banks are required to deduct their intangible assets consistently with their amortisation process and period:

544. Goodwill is not subject to depreciation (cf. paragraphs 538, 539 and 540) and must therefore be deducted from CET1 capital within 'Intangible assets' over the three-year stress test horizon in line with the starting point.

545. Software assets, which are subject to depreciation over the three-year stress test horizon in line with the accounting depreciation schedule and the methodological provisions provided in this chapter, are to be deducted from CET1 capital within 'Intangible assets' over the three-year stress test horizon only for the (positive) difference between accumulated prudential and accumulated accounting amortisation (see also Commission Delegated Regulation (EU)

2020/2176).[78] Banks shall also follow the provisions laid down in the RTS on the prudential treatment of software assets under Article 36(4) of Regulation (EU) No 575/2013 and include the 100% risk weight for the portion of the carrying amount of each software asset not deducted.

546. Other intangible assets (except for goodwill or software assets), which are subject to depreciation in line with the accounting (equal to regulatory) depreciation schedule and the methodological provisions provided in this chapter, must be deducted from CET1 capital within 'Intangible assets' over the three-year stress test horizon only to the amount of the net carrying value.

547. Details on the scheduling and the structure of prudential and accounting amortisation of intangible assets shall be provided in the explanatory note.

548. **Expenses and provisions or reversal of provision for operational risk:** Banks are required to report expenses and provisions for operational risk (i.e. conduct risk and other operational risk) for historical data in line with their accounting practice. Projected losses shall be reported on the P&L template (CSV_P&L) under 'gains or losses arising from operational risk'. In order to avoid double-counting of projected losses, banks are required to separate these projections from the relevant P&L item according to their accounting practice, while historical data shall be reported on the P&L template in line with paragraph 490. For example, while historical data might be reported in the P&L template under 'impairment of non-financial assets', 'administrative expenses' or 'provisions or reversal of provisions', in line with the relevant accounting practice, projections of conduct and other operational risk losses will only be included under 'gains or losses arising from operational risk', consistently with figures reported on the general operational risk template (CSV_OR_GEN template).

549. **AT1 and Tier 2 coupons**: These items shall be reported in CSV_P&L according to supervisory reporting requirements and their contractual obligations. Background on the reporting shall be given in the explanatory note. Coupons of AT1 instruments classified as equity instruments shall be reported in the dedicated RowNum 67 of CSV_P&L.

6.4.6 Impact on capital

550. Banks are required to follow section 1.3.5 for the definitions of capital instrument to be reported in CSV_CAP. The impact of the EU-wide stress test will be reported in terms of CET1 ratio, but information on the impact of the stress test on each type of capital ratios will be disclosed.

551. The amount of each capital instrument is expected to stay constant at the end-2026 level, in line with the static balance sheet assumption, which applies on a solo, sub-consolidated and

[78] For instance, assuming that a software asset is recognized for 30 m EUR, its (regulatory) prudential amortisation is three years, and its accounting amortization is five years, a deduction from CET1 capital must be made in every year as follows: -4 m EUR (= -(10-6) m EUR = -((30/3) m EUR - (30/5) m EUR)) in the first year, -8 m EUR (= -(10-6) m EUR * 2) in the second year, etc.

consolidated basis.[79] Capital instruments are not expected to increase also in case they are issued in favour of internal stakeholders (e.g. as part of a variable compensation scheme). However, minority interests or other qualifying own fund instruments according to Article 81 and 82 of the CRR may affect the capital position of a bank in case of changes in the amount calculated according to articles from 84 to 88 of the CRR.

552. Capital ratios are reported on a transitional basis and on a fully loaded basis. For the purpose of showing fully loaded capital ratios, an approximate calculation of fully loaded capital ratios is implemented in the capital template (CSV_CAP).[80]

553. Memorandum items in the capital templates include information on other types of capital ratios and requirements, as well as more granular information on other types of impact on capital, including DTAs (which follow the treatment of section 6.4.4) and defined benefit pension schemes.

554. The leverage ratio will be reported following Article 429 of the CRR on a transitional and a fully loaded basis for every year of the exercise. Banks should assume that the exposure for the computation of the leverage ratio remains constant.

555. Banks shall report their respective Pillar 2 requirement (P2R) brought into force and applicable as of 31 December 2026. This requirement will be kept constant in the stress test horizon (2027, 2028 and 2029) for both the baseline and adverse scenario. In the case where a P2R decision was taken and communicated to the bank in the course of 2026 but it is first applicable as of 1 January 2027, this new P2R should be reported under the year 2027 and kept constant for the remaining years of the stress test horizon (2028 and 2029) for both the baseline and adverse scenario.

556. Defined benefit pension schemes: In accordance with the static balance sheet assumption, banks shall disregard the cash flows into and out of the scheme (regardless of whether or not these are contractually agreed), disregard changes to the liability profile (such as any additional accrual or the maturing of the scheme) and disregard any asset rebalancing or planned changes to the asset allocation. This allows the market risk stresses related to the macroeconomic scenarios to be applied to the assets and liabilities on 31 December 2026 as if they were an instantaneous shock. As specified in paragraph 195, this needs to be applied only for the adverse macroeconomic scenario (including the market risk factors). The actuarial gain/loss shall then be apportioned to the first year, as described in the market risk methodology. The projected impact on OCI and pension assets shall be reported by all banks as a memorandum item on the market risk summary template (CSV_MR_SUM) and shall be included in the stress test projections in the following way:

[79] As an exemption to this principle, banks applying hyperinflation accounting following IAS 29 as of 31/12/2026 should also include this effect symmetrically in the P&L and OCI of their scenario projections.

[80] This approximation is solely based on the effect of the transitional provisions, which may also affect the AT1 and the T2 shortfall. It does not take into account potential implications from the dynamic computation of the threshold for deductions or other minor effects.

- No impact is assumed under the baseline scenario.

- For the adverse scenario, the projected OCI impact before tax shall be reported on the market risk summary template (CSV_MR_SUM). A positive value corresponds to a net gain arising from defined benefit pension assets and liabilities, while a negative value corresponds to a loss. Banks are required to describe in the explanatory note the approach followed to obtain the gain/loss on defined benefit pension assets and liabilities.

- In addition, banks are required to provide the net defined benefit pension fund assets as per Article 4(1)(109) of the CRR at the reference date and the projected change of this item under the adverse scenario.

- No netting between the OCI impact and the change in pension assets shall be assumed in the reporting of the impact on CSV_MR_SUM. Effects arising, e.g. from offsetting OCI gains by increases in deductions, are calculated in CSV_CAP.

- Tax assumptions are applied on the capital template CSV_CAP in line with section 6.4.4.

557. AT1 and Tier 2 instruments eligible as regulatory capital under the CRR/CRD provisions and that may convert into CET1 or are written down upon a trigger event are reported as a separate memorandum item. If the conversion trigger is effectively above the bank's CET1 ratio in the adverse scenario, another separate memorandum item collects this information. However, the resulting impact in CET1 capital is not taken into account for the computation of capital ratios.

558. Banks are required to deduct from CET1 capital the expected applicable amount of insufficient coverage for non-performing exposures as per Art. 36(1) point (m) of Regulation (EU) No 575/2013 ("NPL calendar"). Additional data will be collected in the CSV_CR_NPL template regarding the exposures subject to the NPL calendar. The template guidance includes specific instructions for the report of this information.

559. In the scope for the determination of the insufficient coverage described in paragraph 558 shall be the loans that were originated or modified, in a way that increases the institution's exposure to the obligor, between 26 April 2019 and 31 December 2026 or replaced during the stress test horizon to comply with the static balance-sheet assumption (henceforward 'newly originated loans') and are subsequently classified as S3. The applicable amount of insufficient coverage is determined according to Art. 47c and 469a of Regulation (EU) No 575/2013. Banks shall calculate the part of the newly originated loans that will become S3 during the first year of the projection in line with the estimated transition rates (TR1-3 or TR2-3). [81] No forbearance measures shall be assumed during the stress test horizon.

[81] For newly originated loans that will become S3 during the first year of the projection, unsecured loans will be subject to a minimum coverage of 35% by end-2029 (third year as NPE).

560. Banks shall calculate for the exposures in the scope of the NPL calendar as per paragraph 559 the total provisions and adjustments or deductions corresponding to those individual exposures.[82] The CET1 deduction at the aggregate level is determined based on the shortfall between the sum of the minimum coverage requirements by exposure and the sum of capped individual provisions and adjustments or deductions.[83] The total provisions and IRB shortfall deduction during the stress test horizon shall be in line with the respective estimated loss rates and regulatory expected losses.

[82] Specific credit adjustments, additional valuation adjustments, other own funds reductions, IRB shortfall (with the absolute value attributable to each non-performing exposure to be determined in line with Art. 47c (1b, iv) of Regulation (EU) No 575/2013), discount at purchase and partial write-offs. Only specific credit risk adjustments, additional valuation adjustments and IRB shortfall are expected to change during the projected period.

[83] Capped by the minimum coverage requirement at an exposure level.

7. Climate risk module

7.1 Overview

561. The 2027 Methodological Note introduces a dedicated climate risk module (hereafter, the "climate module"), developed in accordance with Article 23 of Regulation (EU) No 1093/2010, which mandates the inclusion of environment-related systemic risk to establish an adequate stress-testing regime.

562. The climate module evaluates the impact of selected transition and physical risk shocks that may materialise in addition to the adverse macro-financial conditions set out in the 2027 EU-wide stress test scenario over the three-year horizon. In other words, institutions shall apply the climate transition and flood scenarios in conjunction with, and as complementary overlays to, the adverse macro financial scenario of the 2027 EU-wide stress test for all exposures falling within the scope of the climate module.

563. For the purposes of this exercise, the transition risk scenario is defined as a sudden, stringent shift in climate policy in an unprepared, fossil-fuel-dependent world triggering rapid capital reallocation, financial turmoil, and severe real-economy impacts. The physical risk scenario is defined as the potential financial and economic damage caused by riverine flood events occurring within EEA Member States simultaneously (as set out in Box 29).

564. The climate module focuses on institutions' exposures to non-financial corporations (NFCs) and to real estate (RE) reflecting the materiality of these portfolios with respect to transition and flood risk transmission channels.

565. The transition risk adverse scenario covers a period of 3 years, from 2027 to 2029. It includes country-specific shocks to selected macro-financial variables, carbon prices and sectoral GVA and other macroeconomic variables for EU countries. Institutions can choose the set of transition shocks that best fit their projection models. The physical risk adverse scenario will be applied to the first year of the stress horizon (2027) (see Box 29).

Box 29: Climate adverse scenarios

Transition risk

Shocks for non-financial corporate exposures

The transition risk adverse scenario includes two complementary sets of transition risk shocks for banks to assess the impact of transition risk on banks non-financial corporate exposures: (i) shocks to macro-financial variables and carbon prices, and (ii) sector-specific GVA shocks which capture the transmission of the transition shock to economic activity in key sectors. The two sets

of shocks are calibrated consistently with the narrative of the climate scenario. They are designed to accommodate differences in banks' modelling capabilities, allowing for an appropriate degree of flexibility in the application of the scenario. Institutions should use macro-financial variables shocks, GVA shocks or both sets of shocks together depending on their modelling capabilities.

Macro-financial variables and carbon prices shocks

The macro-financial variables and carbon prices shocks are key inputs that can be directly incorporated into banks' own models to assess the transmission of transition risk to firms and, ultimately, to banks' exposures. They are therefore particularly relevant for banks which can explicitly model the impact of changes in climate-related variables on the financial performance and creditworthiness of their counterparties.

The macro-financial variables such as GDP, inflation, unemployment, residential and commercial real estate prices, interest rate swap rates, sovereign bond yields and stock market prices are included in the transition risk adverse scenario.

Carbon price pathways are also included in the transition risk adverse scenario, reflecting a scenario of increased costs associated with carbon mitigation. Carbon price projections capture the evolution of carbon pricing under the adverse scenario, providing insights into the economic impacts of heightened emission costs.

The baseline climate scenario corresponds to the macro-financial baseline scenario of the EU-wide stress test, including carbon prices in baseline conditions.

GVA shocks

The transition risk scenario provides GVA shocks, available only for EU countries and Norway, to capture the sector specific impacts of transition risk shocks on economic activity. They also facilitate the application of the transition risk scenario, particularly for banks with limited modelling capabilities, by allowing them to directly incorporate the estimated impact of higher carbon prices on sectors' production into their exposure.

These shocks are provided by country for NACE 1 and NACE 2 sectors level and capture the effects on sectoral output of the increase in carbon prices envisaged in the scenario narrative. They are expressed as deviations of sectoral GVA growth from the baseline path. Banks should apply these deviations to the sectoral GVA baseline of the EU-wide stress test GVA scenario. To do so, they should use the mapping between the 16 EBA sectors and NACE 2 sectors set out in the 'Cover' sheet of the climate GVA scenario template.

Shocks on real-estate exposures

The transition risk scenario also includes shocks to real estate prices, available only for EU countries and Norway, differentiated by energy-consumption buckets and calibrated for each EU country.

Additional shocks

If banks models require additional transition risk shocks which are not provided in the scenario, they are allowed to calibrate them consistently with the overall narrative of the transition risk scenario. In this case, banks are expected to document the approach used in the explanatory note.

Physical risk

The physical risk component is designed as a scenario analysis rather than a probabilistic risk assessment. It applies a severe riverine flood scenario, calibrated to an event with a notional 1% annual probability of occurrence (a 1-in-100-year flood) to all participating institutions. The probability serves only to set the severity of the scenario, a common hazard against which to test the resilience of institutions' counterparties. The identification of affected areas is based on flood depths extracted from the Joint Research Centre (JRC) river flood hazard maps

These maps are produced by combining (i) river flow simulations, which estimate water volumes within river systems; (ii) a digital elevation model with a spatial resolution of 90 metres; and (iii) hydrodynamic simulations that determine how floodwaters propagate across the terrain.
For the purpose of this exercise, the flood hazard is assumed to materialise instantaneously and simultaneously in all EEA countries. This assumption is a simplifying modelling convention adopted to enable a tractable, comparable assessment across institutions and does not imply an assessment of the actual joint probability of simultaneous flooding across the EEA. As a result, the physical risk impact is assessed over the first projection year only (i.e., 2027), with the flood shock applied as an add-on to the adverse macroeconomic scenario in Year 1. In the remaining years of the adverse scenario no additional physical shocks are assumed and projections are not required.

7.2 Scope

566. The climate module applies only to on-balance sheet for selected credit risk exposures designated at amortised cost. For physical risk, the scope is limited to “Loans and advances”. For both transition and physical risks, the module excludes any other exposure within the scope of the EU-wide stress test and does not consider market risk. Loans and advances measured at fair value through profit or loss that are match-funded by covered bonds also measured at fair value through profit or loss, in accordance with national requirements, also fall within the scope of the climate module. These covered bonds are neutralising the market risk arising on the asset and liability side, leaving credit risk as the primary remaining risk driver.

567. The module focuses only on P&L impact stemming from the effect of the adverse scenarios related to both transition and physical risk, without considering REA implications

568. In terms of scope, for transition risk banks should consider loans and advances and debt securities to non-financial corporations, broken down by material NACE level 1 sectors, classified under EU regulation as highly contributing to climate change (sectors A to H and M [84]), and by selected material NACE level 2 sectors. Furthermore, total exposures to lending for house purchase by the energy performance bucket of the underlying property are also in the scope of the exercise.

569. NACE 1 level exposures in a given country should be considered material when they are equal or above 0.5% of total NFCs exposures in that particular country, as explained in paragraph 100.

570. Exposures at NACE 2 level in a given country shall be considered material when they are equal or above 0.5% of total NFCs exposures in that given country.

571. For physical risk, banks should consider total EEA exposures, i.e., loans and advances, secured by immovable property located within the EEA, as well as EEA non-financial corporations across all sectors.

7.3 High-level assumptions and definitions

7.3.1 Definitions

572. For the purpose of the climate module:

- **Transition risk** as part of the environmental risk, means the risk of any negative financial impact on an institution stemming from the current or prospective impact of the transition to an environmentally sustainable economy on that institution's counterparties or invested assets. [85]

- **Physical risk** as part of the environmental risk, means the risk of any negative financial impact on an institution stemming from the current or prospective impacts of the physical effects of environmental factors on that institution's counterparties or invested assets. In this module, the environmental factors are limited to river flood risk. [86]

573. **Exposure subject to flood risk**: An exposure is considered "subject to flood risk" when the underlying collateral, assets or activities are geographically located in an area identified as exposed to flood hazard according to the maps provided in the exercise. An exposure can be "highly", "moderately" or "not significantly exposed" to flood risk according to the criteria listed in Table 7 of the Template Guidance. When the exposure could not be classified due

[84] See Annex 1 paragraph of Regulation (EU) 2020/852

[85] Article 4 (52g) of CRR

[86] Article 4 (52f) of CRR

to data limitations, the exposure is defined as “Not classified”. Banks are expected to limit the use of this category to the extent possible.

7.3.2 Static balance sheet assumption

574. The climate module follows the static balance sheet assumption of the EU-wide stress test. Banks assume that the size and composition of their balance sheets remain constant over the projection horizon, except for changes resulting from credit risk dynamics, including defaults, write-offs and amortization (see paragraph 33 to 37).

575. No mitigating effects from energy-efficiency renovations or from the repair of the damaged immovable property should be incorporated within the stress horizon. In particular:

- for transition risk, the energy-consumption intensity of properties is assumed to remain unchanged over the stress test time horizon (i.e., no migration across the energy efficiency buckets).
- For physical risk, banks shall not assume any management actions specifically aimed at mitigating climate-related losses, unless explicitly permitted under the general EU-wide stress test framework.

7.3.3 Asset classes and reporting requirements

576. Banks shall report climate risk information using template CSV_CL_TR and CSV_CL_PR for transition and physical risk respectively.

577. **For transition risk**, banks shall report exposures by country (in line with the list of countries of counterparties for CR_SCEN and CR_SECTOR which are specified in section 2.3.9.1). The reporting templates include: i) exposures to NFCs broken down by material NACE Rev.2.1 Level 1 and material NACE Rev.2.1 level 2 sectors; ii) exposures to households related to home purchases, broken down by the energy performance bucket of the underlying properties; and iii) climate-adjusted projections of PD/TR and LR/LGD parameters.

578. Reporting of the exposures to sectors should follow the NACE code classification and the same sectoral methodology as specified in paragraphs 97 and 98.

579. Reporting of the exposures to households related to home purchases, should follow the same scope and definition as in as in CSV_CR_SCEN. Where energy-efficiency data are not available, banks are invited to refer to the ECB report on good practices for climate stress testing (section 3.3.2)[87]for estimating the energy efficiency of real estate properties. Banks should describe the methodology, assumptions and data sources used to derive their

[87] Link

estimates and to allocate properties to the relevant energy-efficiency buckets within the explanatory note.

580. All credit risk variables requested follow the same definitions as in CSV_CR_SCEN (see paragraph 99) although information by sector is required only for on-balance sheet exposures.

581. **For physical risk**, banks shall report exposures to NFCs, including details of exposures collateralised by commercial real estate, and exposures collateralized by residential real estate as specified in the Table 18 below.

582. Banks shall report exposures by country based on the list of countries selected for credit risk in accordance with section 2.3.9.1 but restricted to the EEA countries included in that list only. Non-EEA countries in the credit risk list shall be excluded and shall not be replaced by other EEA countries. The number of countries reported for physical risk may therefore be lower than 10. Exposures shall further be broken down across flood intensity categories. Box 7 of the Template Guidance sets out how exposures should be analysed and reported across countries and flood intensity categories.

Table 18: List of credit risk portfolios in scope for Physical Risk, aligned with provisional FINREP Template F49 [88]

Portfolios	Portfolio definition (as in F.49)
NFC	• Loans & advances – Non-Financial Corporations – Small and Medium-sized Enterprises (SME) - Commercial Real Estate (CRE) • Loans & advances – Non-Financial Corporations – Small and Medium-sized Enterprises (SME) - Other loans • Loans & advances – Non-Financial Corporations – NFCs other than SMEs – Commercial Real Estate (CRE) • Loans & advances – Non-Financial Corporations – NFCs other than SMEs – Other loans
CRE (included in NFC)	• Loans & advances – Non-Financial Corporations – Small and Medium-sized Enterprises (SME) - Commercial Real Estate (CRE) • Loans & advances – Non-Financial Corporations – NFCs other than SMEs – Commercial Real Estate (CRE)
RRE	• Loans & advances – Households – Lending for House Purchase

[88] New templates added to FINREP for stress testing purposes – Under consultation from April to July 2026 - Consultation on Implementing Technical Standards on supervisory reporting (simplification package) | European Banking Authority

7.4 Impact on P&L

7.4.1 Starting point-in-time risk parameters

583. For the purpose of the climate module, banks shall estimate starting point-in-time parameters consistent with the credit risk methodology (as set out in section 2.4.1).

584. **For transition risk**, starting point risk parameters shall be differentiated as follows:

- For NFCs exposures, by material NACE 1 and material NACE 2 sector. Material sectors are defined in paragraph 569 and 570.
- For all exposures to households related to house purchases, by energy intensity of the underlying properties.

585. **For physical risk**, banks shall provide starting point risk parameters for all exposures within the applicable scope (real estate exposures and NFC exposures) broken down according to the flood risk exposure categories presented in section 7.3.1. Banks shall classify their credit exposures to these counterparties in accordance with the flood stress map provided in the physical risk scenario.

Where a counterparty's assets or activities are spread across several main locations, in particular non-financial corporates operating multiple sites, the flood risk assessment should be carried out at the level of each main site rather than at the level of the counterparty's registered or head-office address and reported in the template accordingly (see box 6 of the Template Guidance).

7.4.2 Projected point-in-time parameters

586. Climate risks affect profit and loss through changes in credit risk parameters and the resulting impact on credit losses, provisions and impairments. Banks shall reflect climate-related shocks by projecting credit parameters, using their internal models and determining stressed PD/TR and LR/LGD parameters. The projections should be performed for transition risk over the 3 years of the adverse scenario, and for physical risk in the first year of the adverse scenario.

Transition risk

587. Banks should use the transition risk shocks provided in the climate adverse (as described in Box 29) scenario to run their projections, covering all the starting points mentioned in paragraph 584 and taking into account, to the greatest possible extent, the transmission channels described in Box 31. The transition risk shocks reflect the impact of a transition risk scenario on top of an adverse macroeconomic environment. Different sets of shocks could be applied across NFC exposures, where justified by institutions' modelling capabilities and exposure characteristics.

Physical risk

588. For each exposure in scope of the physical risk module, banks should map the geographical coordinates (latitude and longitude) of the collateral asset to the corresponding flood depth value in the JRC hazard map (see Box 7 in the Template Guidance on how to map geographical coordinates with flood depth). Banks should use a damage function to estimate the effect of the physical risk scenario on their exposures (see Box 30). These functions aim to translate the severity of the flooding event into additional real estate price shocks in the first year of the adverse macroeconomic scenario. Banks need to reassess the value of collaterals located in affected areas and incorporate these revisions into their LGD estimates in year 1.

Box 30: Modelling flood losses: the role of damage functions

A damage function (or depth-damage curve) translates the physical intensity of a flood event into an estimated loss as a share of an asset's value. It is the mechanism that converts a flood hazard map into a financial impact: for a given exposure, the flood depth read from the hazard map is passed through the damage function to obtain a fractional loss, which is then multiplied by the asset's value to arrive at an estimated euro loss.

Banks may consider using the JRC's global flood depth-damage function methodology (Huizinga, De Moel and Szewczyk, 2017) as a starting point for modelling the financial impact of flood events on their exposures. The JRC methodology combines two elements: (i) a fractional damage curve — the share of asset value lost at a given water depth, derived from a literature review of historical flood-damage studies and built at continental level; and (ii) a country-level maximum damage value, calibrated from construction-cost data and socioeconomic indicators, which scales the curve to local conditions. Combined with a hazard map, this produces a depth-dependent loss estimate.

The JRC approach would progressively benefit from larger underlying datasets, allowing for a better account of local differences in building construction types, adaptation and flood-defence measures, and the dynamics specific to each flood event (e.g. flow velocity, duration, sediment load). Banks with access to relevant internal data may wish to tailor the approach accordingly.

589. Following the physical damage caused by the flooding, banks are expected to adjust PDs upwards in year 1 for NFC exposures located in affected areas that may have suffered a significant impact (see Box 31). These exposures may be reclassified to Stage 2 or Stage 3, depending on the severity of credit quality deterioration and the assessment of unlikeliness to pay.

590. No additional macroeconomic feedback effects (e.g. second round effects on GDP, unemployment, interest rates, etc., which differ from the indirect effects mentioned in box 31 below) are assumed to arise from the flood shock beyond those already embedded in the adverse macroeconomic scenario.

591. Banks should provide climate-adjusted projections of PD/TR and LR/LGD parameters before insurance mitigation effects. Concerning the impact after insurance only the total stock of provisions should be provided in the CSV_CL_PR (see Box 32 on the integration of insurance coverage in the calculation of non-performing assets and provisions).

Box 31: Summary of main transmission channels to consider in the climate module

Banks should project point-in-time (PiT) parameters over the stress test horizon under the combined adverse macro-financial and climate scenario. Climate-related shocks should be applied on top of the adverse macroeconomic scenario and should not replace or offset the macro-financial stress.

Institutions should consider the following climate-related transmission channels which may affect the creditworthiness and collateral value of their counterparties, reflecting both transition and physical risk drivers.

Transition risk transmission channels

Transition risk is assumed to materialise through the additional shocks provided in the transition risk adverse scenario.

For non-financial corporate exposures, institutions should model the impact of these variables on borrower creditworthiness. The modelling framework should consider sector-specific transmission channels, including increases in operating costs, additional capital expenditure requirements for decarbonisation, technological substitution, and changes in product demand.

For real estate exposures, institutions should model the impact of the shocks on real estate prices on borrowers' creditworthiness (PD impact) and on the value of the collaterals (LGD impact). Institutions should reflect the relevant transmission channels in their projections, considering for example the occupancy status of the property[89]. Energy-consumption intensity information, where available, or appropriate proxies should be used to differentiate transition vulnerability across real estate exposures. Banks should explain their approach to estimate the effects on these exposures in the explanatory note.

Physical risk transmission channels

Physical risk is assumed to materialise through flood events affecting the value of collateral as well as NFCs' operating capacity and their repayment ability.

- For residential real estate exposures, the impact of flood risk is primarily captured through LGD effects. Flood events may cause direct physical damage to immovable properties, resulting in lower collateral values and higher repair costs. Flood events may also have indirect effects on the perceived value of the collaterals. Where the RRE exposure is secured by a guarantee mechanism (such as, for instance, Crédit Logement, SACCEF, SOCAMI or CMH) that is

[89] For owner-occupied properties, higher energy costs may directly affect the borrower's disposable income and debt-servicing capacity. For rented properties, where energy costs may be borne by the tenant, institutions should consider the impact on the borrower through other relevant channels, including for example renovation costs, changes in rental income, vacancy risk and changes in property value

independent of the value of the financed property, no impact is expected within the scope of the exercise.

- For commercial real estate exposures, the potential impact of flood events can affect borrower repayment capacity, including business interruption, reduced tenant activity, temporary closure of premises or tenant relocation. These effects may weaken the borrower's ability to service debt and shall therefore be reflected in higher PD/TR estimates for affected counterparties. In addition, flood damage may reduce the market value of commercial buildings, while increased awareness of flood risk may lead to lower investor demand and reduced market liquidity. These effects are expected to be incorporated into LGD estimates.
- Non-financial corporate exposures, the potential impact of flood events can affect production processes supply chains, logistics networks and workforce availability. More specifically, NFC counterparties may be impacted through three distinct channels:
    - Direct channel: physical damage to the firm's own assets (premises, machinery, inventory);
    - Local channel: business interruption arising from damage to shared local infrastructure (roads, utilities, access) even in the absence of direct damage to assets;
    - Indirect channel: revenue or supply disruption transmitted through the firm's value chain or customer base, including both specific counterparty dependencies and a more general decline in regional demand.

Banks should at least consider the direct channel. They should assess the PD impact of flood events by taking into account the counterparty's repayment capacity, reflecting the impact on relevant cash flows, costs, revenues, and debt-servicing metrics arising from disruptions to production. The resulting stressed metrics should be then translated into the bank's PD parameters.

Flooding events can impact also the value of pledged collateral, including buildings, machinery, equipment and inventories. These effects shall be incorporated into LGD estimates.

7.4.3 Calculation of non-performing assets and provisions

592. The development of the parameters as described in the previous section must be applied for the computation of the accumulated impairments and provisions resulting from exposure transitions across stages. Banks should report credit losses attributable to transition and physical risks in accordance with supervisory reporting instructions.

Box 32: Insurance coverage and payout assumptions

Reporting requirements

- Banks are expected to compute projections of credit impairments both gross and net of insurance coverage.
- For the purpose of this methodological note the following definitions apply:
    - Gross impairment losses**:** impairments calculated considering that no insurance coverage is in place
    - Net impairment losses: impairments calculated considering the expected mitigating effect of insurance on credit risk
- Banks should calculate projected impairments according to paragraph 45 and seq. of this methodological note. This means (i) estimating starting values of the risk parameters, (ii) estimating the impact of the scenarios on the risk parameters, and (iii) computing changes in the stock of provisions that will drive the P&L impact.
- For projections of credit impairments gross of insurance effects (i.e. considering that no insurance coverage is in place) banks should report all granular risk parameters (PD/TR, and LR/LGD parameters). Resulting changes in stocks of provisions are then automatically calculated by the template.
- For exposures that are insured, banks should also report changes in stock of provisions net of insurance effects, i.e. considering the expected credit risk mitigation from insurance.
- For net impairments banks are not expected to report granular risk parameters, but just the resulting total stock of provisions.
- Banks are requested to report separately the stock of provisions net of private insurance and the stock of provisions net of private insurance and public schemes respectively.
- Banks should also report the insurance coverage rate (%) linked to private insurance for each category of counterparty.

Determining insurance coverage

- Banks should use the most granular information available to determine whether exposures are covered by insurance against flood risk.
- Where granular information on collateral insurance is unavailable, banks may rely on reasonable proxies, either based on their portfolio analysis or using average coverage rates at country level, for example leveraging on the information provided by the EIOPA dashboard on insurance protection gaps [90]. Respective assumptions used should be described in the explanatory notes.
- If underlying exposures are not insured against flood risk, institutions shall report the same stocks of provisions for both gross credit impairments and net credit impairments.
- In case for some reason banks are unable to provide either gross or net projections of impairments, they should report in the column for net impairments the same number than

[90] Link to the EIOPA Dashboard on insurance protection gap for natural catastrophes

the one resulting from the calculation of stock of provisions from granular risk parameters. Banks should motivate in their explanatory note why they were not able to provide both numbers and explain how reported figures have been derived.

Payout assumptions and modelling of LGDs

- Regarding insurance payouts banks should assume that they are disbursed within the one-year horizon of the physical risk scenario.
- For providing projections of net impairments banks should only consider the mitigation effect of insurance in the modelling of LGD. Insurance payouts should be reflected directly in LGD estimates through their impact on recovery values, e.g. repair costs or market value improvement, at the most granular level possible (at the minimum insurance should be considered at the country level if no asset specific information is available).
- Granular asset level LGDs should then be used to calculate the resulting total stock of provisions and aggregated to the required granularity of the reporting template.
- The recovery value should be applied to the impaired collateral value. Accordingly, the recovery value of collateral should be higher where insurance coverage is in place than where no such coverage exists.
- Where insurance coverage exists, banks should not automatically assume that insurance fully offsets losses arising from collateral damage or declines in collateral value. Instead, the mitigating effect of insurance should be modelled as realistically as possible, so that results are approximately in line with observed historical payout rates and recovery experience.
- Where the proportion of asset value recoverable through insurance is unknown, banks may, for example, apply a randomized distribution of recovery rates across the relevant pool of exposures. This approach can produce a more realistic distribution of recovery outcomes, reflecting that some exposures may benefit from higher insurance recoveries than others and avoiding unduly optimistic assumptions. Assumptions should be documented in the explanatory notes.
- Banks are not expected to include second-round effects in their projections. When projecting losses over the scenario horizon, banks should not include losses borne by the insurance company or government in their calculation. Specifically, where banks cross-sell insurance products and/or have an insurance entity at the holding level, losses should only be calculated for the consolidated banking entity.

Please refer to Box 5 of the Template Guidance regarding the consideration of insurance schemes in the assessment of flood risk mitigation measures.

Annex I: Sample of banks

Table 19: Sample of banks [91]

Country	Bank name
AT	Erste Group Bank AG
	Raiffeisen Bank International AG
BE	Belfius Banque SA (*)
	KBC Group NV
DE	Bayerische Landesbank
	COMMERZBANK Aktiengesellschaft
	Deutsche Bank AG
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank
	Goldman Sachs Bank Europe SE
	J.P. Morgan SE
	Landesbank Baden-Württemberg
	Landesbank Hessen-Thüringen Girozentrale
	Norddeutsche Landesbank – Girozentrale (*)
	Volkswagen Financial Services AG
DK	Danske Bank
	Jyske Bank
	Nykredit Realkredit

[91] Due to specific business models, the sample of banks excludes the following banks which according to their total assets would have been included (country code of the bank is in brackets): AB Svenska Exportkredit (SE), BNG Bank N.V. (NL) and Kommuninvest Grupp (SE).

BofA Securities Europe SA (FR) was also excluded from the 2027 EBA EU-wide stress test sample to be treated equally with the second European Bank of America subsidiary (Bank of America Europe Designated Activity Company (IE)). The reason for this decision is the same group affiliation of the more or less equally-sized two entities, which does not warrant a distinct treatment.

Banks marked with one asterisk (*) are subject to additional proportionality elements as per paragraph 9 and Annex VIII.

Country	Bank name
ES	Banco Bilbao Vizcaya Argentaria S.A.
	Banco de Sabadell S.A.
	Banco Santander S.A.
	Bankinter, S.A. (*)
	CaixaBank, S.A.
FI	Nordea Bank Abp
	OP Osuuskunta (*)
FR	BNP Paribas S.A.
	Confédération Nationale du Crédit Mutuel
	Groupe BPCE
	Groupe Crédit Agricole
	HSBC Continental Europe
	La Banque Postale
	Société Générale S.A.
GR	ALPHA BANK S.A. (*)
	EUROBANK S.A. (*)
	National Bank of Greece S.A. (*)
	PIRAEUS BANK SA (*)
HU	OTP Bank Nyrt.
	MBH bankcsoport (*)
IE	AIB Group plc (*)
	Bank of Ireland Group plc (*)
	Barclays Bank Ireland plc (*)
	Citibank Europe plc (*)
IT	Banca Monte dei Paschi di Siena S.p.A.

Country	Bank name
	Banco BPM S.p.A.
	BPER Banca S.p.A.
	ICCREA Banca S.p.A. – Istituto Centrale del Credito Cooperativo (*)
	Intesa Sanpaolo S.p.A.
	UniCredit S.p.a.
NL	ABN AMRO Bank N.V.
	Coöperatieve Rabobank U.A.
	ING Groep N.V.
NO	DNB Bank Group
	SPAREBANK 1 SØR NORGE ASA (*)
	SPAREBANKEN NORGE (*)
PL	Bank Polska Kasa Opieki SA
	Powszechna Kasa Oszczednosci Bank Polski SA
PT	Banco Comercial Português, SA (*)
	Caixa Geral de Depósitos, SA (*)
RO	Banca Transilvania (*)
SE	Länsförsäkringar Bank AB (publ)
	SBAB Bank AB – group
	Skandinaviska Enskilda Banken - group
	Svenska Handelsbanken - group
	Swedbank – group

Annex II: Template overview

Table 20: Overview of CSV templates

Section or topic	Template name	Description
N/A	Instructions	Summary of templates and colour code applied
N/A	Input	Input of bank name and relevant countries for credit risk, countries for climate physical risk, country/currency pairs for NII, currency breakdowns for NFCI and administrative expenses, NFCI prescribed parameters, countries for administrative expenses
Credit risk	CSV_CR_SUM	Credit risk - Summary
Credit risk	CSV_CR_SCEN	Credit risk - Scenarios (projection for credit risk losses from on-balance sheet)
Credit risk	CSV_CR_SCEN_OFF_BS	Credit risk - Scenarios (projection for credit risk losses from off-balance sheet)
Credit risk	CSV_CR_SECTOR	Credit risk - Exposures by sector of economic activity (non-climate risk related)
Credit risk	CSV_CR_NPL	Credit risk - NPL calendar
Credit risk	CSV_CR_SEC_SUM	Credit risk - Securitisations - Summary
Credit risk	CSV_CR_SEC	Credit risk - Securitisations
Credit risk	CSV_CR_REA_STA_DET	Credit risk - REA - STA approach - Details
Credit risk	CSV_CR_REA_IRB_DET	Credit risk - REA - IRB approach - Details
Credit risk	CSV_CR_REA_OF	Credit risk - REA Output Floor
Credit risk	CSV_CR_REA_STA	Credit risk - REA - STA approach floor
Credit risk	CSV_CR_REA_IRB	Credit risk - REA - IRB approach floor
Market risk, CCR losses and Valuation reserves	CSV_MR_SUM	Market risk - Summary
Market risk, CCR losses and Valuation reserves	CSV_MR_FULL_REVAL	Market risk - Full revaluation template
Market risk, CCR losses and Valuation reserves	CSV_MR_FULL_REVAL_HFT	Market risk - Full revaluation HFT template
Market risk, CCR losses and Valuation reserves	CSV_MR_RES_CVA_FVA	Market risk - Revaluation of reserves CVA and FuVA
Market risk, CCR losses and Valuation reserves	CSV_MR_RES_UNCERTAINTY	Market risk - Revaluation of reserves uncertainty
Market risk, CCR losses and Valuation reserves	CSV_MR_PROJ	Market risk - Projection of client revenues of items held with a trading intent and their related hedges
Market risk, CCR losses and Valuation reserves	CSV_MR_CCR	Market risk - Counterparty defaults

Section or topic	Template name	Description
Market risk, CCR losses and Valuation reserves	CSV_MR_REA	Market risk - REA
NII	CSV_NII_SUM	NII - Summary
NII	CSV_NII_CALC	NII - Calculation
NII	CSV_NII_CALC_FUNDING MATCH	NII - Reporting of asset liability matches
Conduct risk and other operational risks	CSV_OR_GEN	Operational risk - Conduct and other operational risk losses
Conduct risk and other operational risks	CSV_OR_CON	Operational risk - Material conduct risk losses
Non-interest income, expenses and capital	CSV_REA_SUM	NIEC - REA - Summary
Non-interest income, expenses and capital	CSV_NFCI_DIV	NIEC - Evolution of net fee and commissions income, dividend income
Non-interest income, expenses and capital	CSV_ADM_EXP	NIEC - Administrative expenses
Non-interest income, expenses and capital	CSV_ONEOFF	NIEC - Adjustments for non-recurring events (one-offs)
Non-interest income, expenses and capital	CSV_MDA	NIEC - Calculation of potential distribution restriction following breach of the risk-based MDA and/or LR MDA trigger levels
Non-interest income, expenses and capital	CSV_P&L	NIEC - Evolution of P&L
Non-interest income, expenses and capital	CSV_CAP	NIEC - Capital
Non-interest income, expenses and capital	CSV_CAPMEAS	NIEC - Major capital measures and material losses
Climate Risk	CSV_CL_SUM	Climate risk - Summary
Climate Risk	CSV_CL_TR	Climate risk - Transition risk
Climate Risk	CSV_CL_PR	Climate risk - Physical risk

Table 21: Overview of TRA templates

Section or topic	Template name	Description
N/A	TRA_SUM	Summary adverse and baseline scenario (stress test results)
Credit risk	TRA_CR	Credit risk - Loss projection
Credit risk	TRA_CR_SEC	Credit risk - Securitisations
Credit risk	TRA_CR_REA	Credit risk REA
Non-interest income, expenses and capital	TRA_REA	REA (projection)
Non-interest income, expenses and capital	TRA_P&L	P&L (projection)
Non-interest income, expenses and capital	TRA_CAP	Capital (projection)
Non-interest income, expenses and capital	TRA_CAPMEAS	Major capital measures and material losses

Annex III: Summary of information to be provided by banks

593. This annex summarises the requirements given across all sections of the methodological note for information to be provided by banks to their competent authorities as input to the quality assurance process. It differentiates information that is required for all banks and information that are subject to the discretion of the competent authority.

Table 22: Credit risk (excluding securitisations) — information to be provided by banks

Description	Requirement	Reference
Description of the S2 definition applied and of how the low credit risk exemption was implemented.	For all banks	Paragraph 57
Description of the internally applied S3 definition	For all banks	Paragraph 57
Methodology employed for deriving point-in-time parameters for all portfolios (both starting values and projections)	For all banks	Paragraph 112
If projections substantially deviate from benchmark figures and/or where deviations are implausible, provide more detailed information on banks' models to estimate credit risk losses including: portfolios to which models apply (mapping to assets classes), approval by supervisors, assumptions made to account for PD and LGD parameter estimation (e.g. cure rates, etc.), technical information on econometric soundness and responsiveness of risk parameters to ensure that a model specification results in a prudent outcome	Subject to the discretion of the competent authority	Paragraph 113
Detailed information on the use and methodology of sector-specific models and the methodology applied to allocate losses across economic sectors	For all banks	Paragraph 114
Detailed information on the use of a mix between internal models and benchmark parameters	For banks that use a mix between internal models and benchmark parameters	Paragraph 117
Methodology applied to estimate the migration effect on point-in-time PD and LGD	For all banks	Paragraph 120

Table 23: Credit risk (securitisations) — qualitative information to be provided by banks

Description	Requirement	Reference
Banks should provide a description of the methodology applied to estimate the impact of the macroeconomic scenarios on the securitisation REA. This should include details of the bank's approach to stressing the regulatory risk parameters such as W, KIRB, or KSA, and to estimation of changes in both short- and long-term credit assessment and in derived ratings attributed to the positions in the ABCP programme or ABCP transaction, where relevant	For all banks reporting CSV_CR_SEC template	Paragraph 177
Banks should outline the calculation of specific credit risk adjustments for securitisations in order to derive the net exposure amount in accordance with Article 248(1) of CRR.	For all banks reporting CSV_CR_SEC template	Paragraph 171

Table 24: Market risk, CCR losses and valuation reserves — qualitative information to be provided by banks

Description	Requirement	Reference
Description of major hedging strategies at portfolio level	For all banks	Paragraphs 254, 267
Description of approach used to stress holdings in national or supranational central banks	For all banks	Paragraph 249
Description of FX hedging strategies on amortised cost positions	Subject to the discretion of the competent authority	Paragraph 192
Calibration of additional risk factors	For all banks	Paragraphs 247, 259, 260
Explanation of the impact of the shock on correlation trading portfolios	Subject to the discretion of the competent authority	Paragraph 252
Description of assumptions used for the projection of client revenues for CA and CA-Adv banks	CA and CA-Adv banks	Paragraph 217
Description of removal of NII components from NTI	For all banks	Paragraph 216

Description	Requirement	Reference
Description of counterparties whose credit spread is significantly and adversely correlated with the risk factors	Subject to the discretion of the competent authority	Paragraph 274
Description of eligible CVA hedges	Subject to the discretion of the competent authority	Paragraph 273
Description of eligible FuVA hedges	Subject to the discretion of the competent authority	Paragraph 284
Description of funding costs reported in the CSV_MR_FULL_REVAL template	For all banks	Paragraph 289
Description of historical client revenues generation	TE banks	Paragraph 308
Description of approach taken to project client revenues	CA and CA-Adv banks	Paragraph 306
Description of starting point reserves already reflecting the exit price under stressed market conditions	For all banks	Paragraphs 294, 302
Description of the CDS exposures that are part of a hedge accounting or are used for credit mitigation purposes on CCR exposures	Subject to the discretion of the competent authority	Paragraph 319

Table 25: NII — qualitative information to be provided by banks

Description	Requirement	Reference
Explanation of legally mandated restrictions to pass through mechanisms	For all banks that report legally mandated restrictions	Paragraphs 424, 426
Information on the accounting framework applied to hedging and details of the hedging relationships	For all banks	Section 4.3.6
Evidence on the income on non-performing exposures reported in 2026, which will be the basis for the calculation of the cap to interest income from NPEs	For all banks	Paragraph 405

Description	Requirement	Reference
Description of the methodology employed for splitting margin and reference rate component	Subject to the discretion of the competent authority	Paragraph 378
Information on the credit ratings in scope and the selection process	Subject to the discretion of the competent authority	Paragraph 422
Information on the standing accounting practice applicable to the interest accrued on non-performing exposures	Subject to the discretion of the competent authority	Paragraph 406
Information on portfolios where no instruments were originated in 2026, but with total volume at the cut-off date greater that zero.	For all banks with respective portfolios	Paragraph 409
Information on the impact of non-linear derivatives components and embedded derivatives on NII, in particular where those non-linearities induce violations of the intertemporal consistency and the NII consistency equations (Annex VII). Banks should also provide information on the calculations underpinning the projections of margins and the reporting of the non-linear components.	For all banks with respective instruments	Paragraph 417
Supporting evidence for the classification of deposits reported as redeemable at notice in FINREP as sight deposits.	For all banks with respective instruments	Paragraph 363

Table 26: Conduct risk and other operational risk — qualitative information to be provided by banks

Description	Requirement	Reference
Qualitative and quantitative information that supports banks' projections of losses arising from each material conduct risk event reported individually including the identification of a range of outcomes and assigned probabilities	For all banks	Paragraphs 456, 466
Information on the internal models used for projecting losses and REA including the scope of application	Subject to the discretion of the competent authority	Paragraph 477

Table 27: Non-interest income, expenses and capital — qualitative information to be provided by banks

Description	Requirement	Reference
Discontinued operations	Subject to the discretion of the competent authority, at each risk type level	Paragraph 36 and footnote 5
Mapping of national accounting framework to IFRS	For all banks applying nGAAP	Paragraph 483
Additional information on the approach followed/internal models used when projecting P&L items	For all banks	Paragraph 485
P&L items affected by mergers and acquisitions	For all banks	Paragraph 493
Quantitative description of the evolution of contributions to the building-up of national DGSs between 2026 and 2029	For all banks subject to contributions to the building-up of a national DGS	Paragraph 501
List and background information on non-recurring events ('one-off events')	For all banks requesting one-off adjustments	Paragraph 504
References to publicly declared dividend policies	For all banks	Paragraph 517
Evidence that the bank can deviate from applying the same pay-out ratio as reported in the baseline scenario for the respective profit-making year	When no dividend policy is available or documented	Paragraph 519
Documentation underlying the distribution reductions under Article 141(3) of the CRD	For banks failing to meet or exceed their combined buffer requirement	Paragraph 521
Documentation underlying the distribution reductions under Article 141c of the CRD	For banks failing to meet or exceed their GSII buffer requirement	Paragraph 521
Explanation of approach followed when calculating tax expenses	For all banks	Paragraph 528
Evidence of the possibility to use loss carryforwards to offset taxable amount without the creation of DTAs	For banks using loss carryforwards without creation or use of DTAs	Paragraph 528
Details on deferred tax arising from temporary differences	For all banks	Paragraph 529

Description	Requirement	Reference
Information on the reporting of AT1 and T2 coupons in P&L (following FINREP)	For all banks	Paragraph 549
Explanation on the approach followed to obtain the gain/loss on defined benefit pension assets and liabilities (OCI impact)	For all banks	Paragraph 556
Detailed information on the NPL calendar	Subject to the discretion of the competent authority	Paragraph 558

Table 28: Climate risk — qualitative information to be provided by banks

Description	Requirement	Reference
Methodology employed for deriving projected point-in-time parameters conditional on the transition risk shocks for all portfolios. The information should also describe how the main transmission channels were reflected and explain and justify any proxies that were used to prepare the projections.	For all banks reporting CSV_CL_TR template	Box 31
Explanation on the additional shocks applied to the transition risk scenario including the list of additional shocks, their rationale, calibration, and methodology.	For all banks reporting CSV_CL_TR template	Box 29
Methodology employed for projected deriving point-in-time parameters conditional on the physical risk shocks for all portfolios. The information should also describe how the main transmission channels were reflected and provide details regarding the mapping procedure and applied damage functions	For all banks reporting CSV_CL_PR template	Box 31
Explanation on the methodology used to estimate the potential impacts on collateral values arising from differences in energy efficiency, which may affect the LGD of the real estate exposures.	For all banks reporting CSV_CL_PR template	Box 31
Explanation on the approach followed to capture the mitigating effects of insurance	For all banks reporting CSV_CL_PR template	Box 32
Explanation of why the bank was unable to provide both gross and net projections of	For banks unable to provide both gross and net projections	Box 32

Description	Requirement	Reference
impairments, where applicable, how the reported figures were derived,		
Justification relating to the bank's assumptions on the timing and payout amounts of insurance	For all banks reporting CSV_CL_PR template	Box 32
Detail of the sources of insurance information: a. obligor, b. insurers, c. estimate, c. other: please specify	For all banks reporting CSV_CL_PR template	Box 32
Information on the methodology used to estimate insurance coverage	For all banks reporting CSV_CL_PR template	Box 5 of the Template Guidance
Explanation of the methodology, assumptions and data sources used to estimate the energy efficiency of properties where actual energy-efficiency data are unavailable. Institutions should also report the share of exposures to households for house purchase for which the energy-efficiency classification is based on estimates rather than actual data	For all banks reporting CSV_CL_TR template	Paragraph 594
Precise description of the alternative flood hazard maps used, including the provider, dataset, geographic scope and other significant methodological features (e.g. spatial resolution, measurement approach). Bank should further explain how they ensured that the flood depth levels of the alternative maps cover ranges at least similar to, or more conservative than, those reported by JRC maps.	For banks using alternative flood maps	Paragraphs 320 & 321

Annex IV: Summary of key constraints and other quantitative requirements

594. This annex provides a summary of key constraints, i.e. caps and floors, and other quantitative requirements that need to be met by banks as a minimum for the correct application of the common methodology, and that will be assessed by competent authorities. In addition, the tables indicate which constraints are already implemented in the common templates. The annex solely serves as a summary of information elsewhere in the methodological note and does not constitute additional requirements for banks.

595. With regard to climate risk, the same key constraints as for credit risk apply, where relevant (see Table 29).

Table 29: Credit risk (excluding securitisations) — key constraints and quantitative requirements

Description	Implementation in templates	Reference
No release of accumulated provisions for any given S3 exposure for any year of the scenario	No	Paragraph 142
No reduction in the Stock of Provisions for S3 exposure existing as of 31 December 2026 (old S3)	CSV_CR_SCEN	Box 9
No workout or cure of S3 assets is assumed	No	Paragraph 33
Total IRB risk exposure amount for the calculation of UTREA cannot decrease over the time horizon for both scenarios	CSV_REA_IRB	Paragraph 154
Total STA risk exposure amount for the calculation of UTREA cannot decrease over the time horizon for both scenarios	CSV_REA_STA	Paragraph 154
Exposure value for the calculation of risk exposure amounts is not affected by market value fluctuations	No	Paragraph 90
Prescribed formula to calculate provisions for existing S1 exposures	CSV_CR_SCEN	Box 5
Prescribed formula to calculate provisions for new S1 exposures	CSV_CR_SCEN	Box 4
Prescribed formula to calculate provisions for new S2 exposures	CSV_CR_SCEN	Box 6
Prescribed formula to calculate provisions for existing S2 exposures	CSV_CR_SCEN	Box 7
Prescribed formula to calculate provisions for new S3 exposures	CSV_CR_SCEN	Box 8

Description	Implementation in templates	Reference
Prescribed formula to calculate provisions for existing S3 exposures	CSV_CR_SCEN	Box 9
Prescribed formula to calculate the development of the stock of provisions of S1, S2 and S3 assets	CSV_CR_SCEN	Box 3
Prescribed formula to calculate REA on defaulted assets	No	Box 10

Table 30: Credit risk (securitisations) — key constraints and quantitative requirements

Description	Implementation in templates	Reference
Specific credit risk adjustments must be subtracted from the exposure to be risk-weighted	No	Paragraph 171
SEC-IRBA risk exposure amount prior adjustments and reductions cannot decrease compared with the starting point over the time horizon for both scenarios. Adjustments and reductions are not affected by the application of the floor	CSV_CR_SEC_SUM	Paragraph 179
SEC-SA risk exposure amount prior adjustments and reductions cannot decrease compared with the starting point over the time horizon for both scenarios. Adjustments and reductions are not affected by the application of the floor	CSV_CR_SEC_SUM	Paragraph 179
SEC-ERBA risk exposure amount prior adjustments and reductions cannot decrease compared with the starting point over the time horizon for both scenarios. Adjustments and reductions are not affected by the application of the floor	CSV_CR_SEC_SUM	Paragraph 179
SEC-IAA risk exposure amount prior adjustments and reductions cannot decrease compared with the starting point over the time horizon for both scenarios. Adjustments and reductions are not affected by the application of the floor	CSV_CR_SEC_SUM	Paragraph 179

Table 31: Market risk, counterparty credit risk losses and valuation reserves — key constraints and quantitative requirements

Description	Implementation in templates	Reference
No impact under the baseline scenario	All market risk templates	Paragraph 238
Computation of baseline NTI	CSV_MR_PROJ	Box 14
Treatment of items held with a trading intent and their related economic hedges for CA and CA-adv banks	CSV_MR_SUM	Paragraph 244
Treatment of items held with a trading intent and their related economic hedges for TE banks	CSV_MR_SUM	Paragraphs 234, 245
Adverse scenario client revenues capped at 80% of average client revenues over the past three years.	CSV_MR_PROJ	Paragraph 308
NII to be excluded from NTI	No	Paragraph 216
Floor on losses from CVA and FuvA reserves in the adverse scenario.	CSV_MR_RES_CVA_FVA	Paragraphs 276 and 287
NTI in the 2028 and 2029 adverse equal to capped client revenues	CSV_MR_SUM	Paragraph 311
Treatment of MR REA in the baseline scenario	CSV_MR_REA	Paragraph 333
Floor on CVA and IRC REA projections in the adverse scenario	CSV_MR_REA	Paragraph 339, 344
Identification of the defaulting counterparties	CSV_MR_CCR	Box 16

Table 32: NII — key constraints and quantitative requirements

Description	Implementation in templates	Reference
Nominal net interest income cannot increase over the stress test time horizon under the adverse scenario relative to 2026	CSV_NII_SUM	Paragraph 404
Under the adverse scenario, assumptions cannot lead (at group level) to an increase in the bank's NII compared with the 2026 value before considering the impact of the increase of provisions for non-performing exposures on interest income	CSV_NII_SUM	Paragraph 405
Under the baseline scenario, the interest accrued on non-performing exposures is projected in line with the standing accounting practice. The interest revenue is calculated on the amortised cost (gross carrying amount less credit allowance)	CSV_NII_SUM	Paragraph 406

Description	Implementation in templates	Reference
Income on non-performing exposures is projected on a net basis, i.e. on the value of the exposure net of provisions	CSV_NII_CALC and CSV_NII_SUM	Paragraph 407
Under the baseline scenario, the margin component of the EIR of repriced liabilities will increase equal to a proportion of the increase in the sovereign bond spread of the country of exposure	No	Paragraph 422
Under the adverse scenario, the margin component of the EIR of repriced liabilities will increase equal to a proportion of the higher of the increase in the sovereign spreads of the country of exposure and the impact of the idiosyncratic component shock	No	Paragraph 422
Under both the baseline and the adverse scenario, the margin component of the EIR on repriced assets will be equal to the sum of the margin starting value and a proportion of the change in the sovereign bond spread in the country of exposure	No	Paragraph 425
Reference rate projections shall be consistent with the macroeconomic scenarios for risk-free yield curves	No	Paragraph 351
Under the static balance sheet assumption non-performing exposures will increase at the expense of performing exposures along the time horizon of the exercise	CSV_NII_SUM, CSV_NII_CALC	Paragraphs 368
Increase of non-performing exposures and provisions in NII is aligned with the development of non-performing exposures assets in the credit risk templates	CSV_NII_SUM, CSV_NII_CALC and CSV_CR_SCEN	Section 4.3.4
Reported EIRs for existing and maturing portfolios have to fulfil the requirements of intertemporal consistency	No	Section 4.4.2
NII of instruments held for trading net of economic hedges shall be equal, for each year of the baseline and adverse scenarios, to the average income over the period 2024-2026. Banks should report the historical numbers on which the calculation is based.	CSV_NII_SUM	Section 4.5

Table 33: Conduct risk and other operational risk — key constraints and quantitative requirements

Description	Implementation in templates	Reference
Projections of losses from new non-material conduct risk events are subject to a minimum overall 3-year	CSV_OR_GEN	Paragraphs 468, 469

Description	Implementation in templates	Reference
floor, computed in the baseline scenario as 3 times the average of the historical conduct risk losses reported by the bank during the 2022-2026 period; the average is multiplied by 0.9 under the baseline scenario and by 1.4 under the adverse		
Projections of conduct losses connected to material conduct risk events are subject to a floor in the quality assurance process, i.e. banks that submit projections which are lower than the floor are required to justify their projections to their competent authority	CSV_OR_GEN	Paragraph 470
Projections of losses due to other operational risks are subject to a minimum overall 3-year floor, computed in the baseline scenario as 3 times the average of the other historical operational risk losses reported by the bank during the 2022-2026 period; the average is multiplied by 1 under the baseline scenario and by 1.3 under the adverse	CSV_OR_GEN	Paragraph 474
In the absence of relevant historical losses and/or projections, overall operational risk loss projections, aggregate for the 3 years of the exercise, will be calculated as a function of the business indicator component (50% of the BIC and 100% respectively in the baseline and adverse scenarios)	CSV_OR_GEN	Paragraph 475
Total capital requirements for operational risk in each year of the projection horizon in both scenarios shall stay constant and equal to the total capital requirements according to the CRR3 in the starting point (31 December 2026) , or to the total transitional capital requirements in the starting point if a bank applies the Alternative Standardised Approach according to CRR3 Art. 314 (3 and 4).	CSV_OR_GEN	Paragraph 477

Table 34: Non-interest income, expenses and capital — key constraints and quantitative requirements

Description	Implementation in templates	Reference
Prescribed caps for dividend income and share of the profit of investments in subsidiaries, joint ventures and associates outside the scope of consolidation	CSV_NFCI_DIV	Paragraphs 494, 498, 499
Prescribed growth rate parameters for NFCI and cap and floors (including FX)	CSV_NFCI_DIV	Paragraphs 494, 495, and 496

Description	Implementation in templates	Reference
Prescribed floor/cap for administrative expenses (including FX effects)	CSV_P&L	Paragraphs 501
Floor/cap for remaining other operating expenses, depreciation and other provisions or reversal of provisions, other operating income (excluding leasing income) and expenses	No	Paragraphs 501, 536
Limitation of the number of one-off adjustments and permitted as well as excluded cases	CSV_ONEOFF	Paragraphs 504, 511
Prescribed threshold for recognition of submitted one-off adjustments	CSV_ONEOFF	Paragraph 508
Prescribed floor for dividend payments and link between the baseline and adverse scenario	No	Paragraphs 519, 517
Prescribed approach for distribution restrictions under Article 141(3) of the CRD	CSV_MDA	Paragraph 520
Prescribed approach for distribution restrictions under Article 141c of the CRD	CSV_MDA	Paragraph 521
Application of the common tax rate	CSV_CAP	Paragraph 524
Previous stocks of DTAs and DTLs is not recalculated with the common tax rate	No	Paragraph 524
Prescribed floor for DTAs that do not rely on future profitability	CSV_CAP	Paragraph 527
The creation of DTAs that rely on future profitability and do not arise from temporary differences is limited to the offsetting of negative pre-tax profits	No	Paragraph 528
Prescribed floor for DTLs	CSV_CAP	Paragraph 530
No impact for realised gains or losses, gains or losses on derecognition of non-financial assets, modification gains or losses, negative goodwill, impairments on goodwill, foreign exchange effects	CSV_P&L	Paragraphs 533, 534, 535, 537, 538, 539 ,540
Prescribed reduction for net operating leasing income	CSV_P&L	Paragraph 536
Prescribed approach for gains and losses on defined benefit pension schemes	No	Paragraph 556

Annex V: Overview of the differences between CA, CA-adv and TE banks

Box 33: Overview of the differences between CA banks and trading exemption banks for the full revaluation on all assets and liabilities at partial or full fair value

Category of bank	Baseline	Adverse
Advanced Comprehensive approach banks (CA-Adv)		Reporting CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT: revaluation of all assets and liabilities with a full or partial fair value Additional detail for the revaluation of linear and optional derivatives to be provided in CSV_MR_FULL_REVAL_HFT (ColNum 9-12). For items held with a trading intent and their related hedges, impact is capped at a specific floor and also adjusted by a window-dressing coefficient (see paragraph 244 and Box 12).
Comprehensive approach banks (CA)	No impact	Reporting CSV_MR_FULL_REVAL and CSV_MR_FULL_REVAL_HFT: revaluation of all assets and liabilities with a full or partial fair value Exempted from multi-scenario revaluation: no additional information required in CSV_MR_FULL_REVAL_HFT on the revaluation under additional scenarios (ColNum 9-12). For items held with a trading intent and their related hedges, impact is capped at a specific floor and also adjusted by a window-dressing coefficient (see paragraph 244 and Box 12).
Trading exemption banks (TE)	No impact	Reporting CSV_MR_FULL_REVAL. Exempted from the reporting of CSV_MR_FULL_REVAL_HFT: No revaluation of assets and liabilities with a full or partial fair value behaviour for items held with a trading intent and their related hedges. Exemption from reporting granular delta and second other sensitivities in the CSV_MR_FULL_REVAL template. However, TE banks should report the breakdown of the P&L and OCI impact by delta and second order sensitivities. Impact for items held with a trading intent and their related hedges is assumed equal to zero (see paragraph 245 and Box 12).

Annex VI: Requirements for banks applying nGAAP

596. This annex contains additional instructions for banks whose stress test projections are not subject to IFRS 9 assumptions as per paragraph 31. Competent authorities can provide further guidance on country-specific issues.

Credit risk

597. Banks which are subject to nGAAP are expected to comply with the requirements of this methodological note as it applies to S1 and S3 exposures. All performing exposures and associated provisions should be mapped to S1 equivalent fields, and all non-performing exposures and associated provisions should be mapped to S3. Thus, no stocks and flows of S2 exposures have to be reported by nGAAP banks.

598. Provisions for equivalent stages should be calculated using forward-looking information to ensure comparability and consistency among banks. Notwithstanding this, parameters in combination with the respective formulas prescribed by the methodological note and the templates should lead to accurate stocks of provisions given this information.

599. A precise listing of the fields to be populated in the template is provided in Table 35 below.

Table 35: Fields in credit risk templates to be populated by banks applying nGAAPs

	Fields to be populated by nGAAP banks for 2025 and 2026
End-of-year stocks	Performing exposure (Exp) Of which: S1 (Exp S1)
	Non-performing exposure (Exp S3)
	Stock of provisions (Prov Stock) Of which: S1 (Prov Stock S1)
	LTV – S1
	LTV – Non-performing exposure
	Average maturity
	Stock of provisions (Prov Stock) Of which: S1 (Prov Stock S1)
	Stock of provisions (Prov Stock) Of which: non-performing assets (Prov Stock S3)
Within year — flows and parameters	PD 12M S1
	TR3-1
	LGD S1
	LGD S3

Market risk

600. The scope of market risk includes all financial instruments for which the scenario would, based on the applicable accounting regulation, result in a value adjustment (except assets valued by the moderate LOCOM categories). Amortised cost items being part of a hedge-accounting relationship are also recognised in the market risk methodology. Financial instruments shall be mapped for reporting purposes to IFRS categories that imply a comparable accounting treatment as under nGAAP. The mapping procedure shall ensure that the balance sheet impact of a financial item under nGAAP is equal to the impact implied by the IFRS classification it is mapped to.

601. To calculate CCR losses as described in section 3.7, the largest counterparty exposure must be taken into account irrespective of its accounting treatment.

602. Banks shall provide in the accompanying explanatory note a detailed description of the mapping procedure applied to translate nGAAP accounting positions to the IFRS classifications used in the market risk template.

NII

603. The definition and the respective mapping of performing and non-performing exposures should be aligned with that in place for credit risk.

604. The effective interest rate should be reported by analogy to the approach outlined in section 4. This applies to performing exposures (S1 and S2 exposures) and non-performing (S3) exposures.

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605. In the cases, where the national accounting framework requires goodwill to be depreciated/amortised over a period of time, the projection of depreciation/amortisation of goodwill in both scenarios should be set to zero. This is equivalent to the treatment of goodwill for IFRS banks (paragraph 538 of the EBA Methodological Note), where no impact should be assumed for impairments on goodwill on non-financial assets (i.e. the P&L contribution should be set to zero).

Annex VII: Consistent reporting of NII variables at portfolio level

Initial State Data:

The following initial state variables are to be reported in the template by the bank:

$$\boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{total,j,p}};\ \boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,j,p}};\ \boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,OM\leq 1Y,j,p}};\ \boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,1Y<OM\leq 2Y,j,p}};\ \boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2028,j,p}};\ \boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2029,j,p}}$$

$$\boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{total,j,p}};\ \boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,j,p}};\ \boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,OM\leq 1Y,j,p}};\ \boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2027,1Y<OM\leq 2Y,j,p}};\ \boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2028,j,p}};\ \boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{mat\ 2029,j,p}}$$

where $j \in \{RefRate_{fixed}, RefRate_{floating}, Margin_{fixed}, Margin_{floating}\}$ and p represents a specific country-currency asset-class portfolio.

The following additional initial state variables can be directly derived from the reported template variables for both the margin and the reference rate components for both the margin and the reference rate components:

$$\boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{non-maturing\ 2027/28,j,p}} = Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2028,j,p}$$

$$\boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{non-maturing\ 2027/27/29,j,p}} = Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2028,j,p} - Vol^{end-2026}_{mat\ 2029,j,p}$$

$$\boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{maturing\ 2025,OM>1Y,j,p}} = Vol^{end-2026}_{mat\ 2025,j,p} - Vol^{end-2026}_{mat\ 2025,OM\leq 1Y,j,p}$$

$$\boldsymbol{Vol}^{\boldsymbol{end-2026}}_{\boldsymbol{maturing\ 2027,OM>2Y,j,p}} = Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} - Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}$$

$$\boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{non-maturing\ 2027,j,p}} = \left(EIR^{end-2026}_{total,j,p} - \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{total,j,p}} \times EIR^{end-2026}_{mat\ 2027,j,p}\right) \times \frac{Vol^{end-2026}_{total,j,p}}{(Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p})}$$

$$\boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{maturing\ 2027,OM>1Y,j,p}} = \left(EIR^{end-2026}_{mat\ 2027,j,p} - EIR^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026}_{mat\ 2027,j,p}}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}$$

$$\boldsymbol{EIR}^{\boldsymbol{end-2026}}_{\boldsymbol{maturing\ 2027,OM>2Y,j,p}} = \left(EIR^{end-2026}_{mat\ 2027,j,p} - EIR^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026}_{mat\ 2027,j,p}} - EIR^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{end-2026}_{mat\ 2027,j,p}}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} - Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}}$$

$$EIR^{end-2026}_{non-maturing\ 2027/28,j,p} = \left(EIR^{end-2026}_{total,j,p} - EIR^{end-2026}_{mat\ 2027,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{total,j,p}} - EIR^{end-2026}_{mat\ 2028,j,p} \times \frac{Vol^{end-2026}_{mat\ 2028,j,p}}{Vol^{end-2026}_{total,j,p}} \right) \times \frac{Vol^{end-2026}_{total,j,p}}{Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2028,j,p}}$$

$$EIR^{end-2026}_{non-maturing\ 2027/2829,j,p} = \left(EIR^{end-2026}_{total,j,p} - EIR^{end-2026}_{mat\ 2027,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{total,j,p}} - EIR^{end-2026}_{mat\ 2028,j,p} \times \frac{Vol^{end-2026}_{mat\ 2028,j,p}}{Vol^{end-2026}_{total,j,p}} - EIR^{end-2026}_{mat\ 2029,j,p} \times \frac{Vol^{end-2026}_{mat\ 2027,j,p}}{Vol^{end-2026}_{total,j,p}} \right) \times \frac{Vol^{end-2026}_{total,j,p}}{Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p} - Vol^{end-2026}_{mat\ 2028,j,p} - Vol^{end-2026}_{mat\ 2029,j,p}}$$

Average Original Maturity:

- For the floating rate portfolio, the AOM of the reference rate component corresponds to AOM of the underlying index.
- For the AOM of underlying index relating to the floating rate volume with OM <= 1Y and OM between 1Y and 2Y, the respective values in the EBA EU-wide stress test template must be used:
    - AOM_(Mat t1,OM≤1Y, Refrate, Floating)= Col EY
    - AOM_(Mat t1,1Y<OM≤2Y,Refrate, Floating)= Col FB

Average original maturity of instruments not maturing in 2027

$$AOM_{Not-Mat\ 2027,j,p} = \left(AOM^{end-2026}_{Tot,j,p} - \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{end-2026}_{Tot,j,p}} x AOM^{end-2026}_{Mat\ 2027,j,p} \right) x \frac{Vol^{end-2026}_{Tot,j,p}}{\left(Vol^{end-2026}_{Tot,j,p} - Vol^{end-2026}_{Mat\ 2027,j,p} \right)}$$

Average original maturity of instruments maturing in 2027 with average original maturity above 1y and 2y respectively

$$AOM_{Mat\ 2027,OM>1Y,j,p} = \left(AOM^{end-2026}_{Mat\ 2027,j,b} - AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}} \right) x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p} - Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}$$

$$AOM_{Mat\ 2027,OM>2Y,j,p} = \left(AOM^{end-2026}_{Mat\ 2027,j,p} - AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}} - AOM^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}} \right) x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p} - Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p} - Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}$$

Average original maturity for performing exposures not maturing until 2028 and 2029 respectively

$$AOM_{Not-Mat\ 2027-2028,j,p} = \left(AOM^{end-2026}_{Total,j,p} - AOM^{end-2026}_{Mat\ 2027,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{end-2026}_{Tot,j,p}} - AOM^{end-2026}_{Mat\ 2028,j,p} x \frac{Vol^{end-2026}_{Mat\ 2028,j,p}}{Vol^{end-2026}_{Tot,j,p}} \right) x \frac{Vol^{end-2026}_{Tot,j,p}}{Vol^{end-2026}_{Tot,j,p} - Vol^{end-2026}_{Mat\ 2027,j,p} - Vol^{end-2026}_{Mat\ 2028,j,p}};$$

$$\boldsymbol{AOM}_{\boldsymbol{Not-Mat\ 2027-2028-2029,j,p}} = \left(AOM^{end-2026}_{Total\ ,j,p} - AOM^{end-2026}_{Mat\ 2027,\boldsymbol{j,p}} x \frac{Vol^{end-2026}_{Mat\ 2027,\boldsymbol{j,p}}}{Vol^{end-2026}_{Tot,\boldsymbol{j,p}}} - AOM^{end-2026}_{Mat\ 2028,\boldsymbol{j,p}} x \frac{Vol^{end-2026}_{Mat\ 2028,\boldsymbol{j,p}}}{Vol^{end-2026}_{Tot,\boldsymbol{j,p}}} - AOM^{end-2026}_{Mat\ 2029,\boldsymbol{j,p}} x \frac{Vol^{end-2026}_{Mat\ 2029,\boldsymbol{j,p}}}{Vol^{end-2026}_{Tot,\boldsymbol{j,p}}} \right) x \frac{Vol^{end-2026}_{Tot,\boldsymbol{j,p}}}{Vol^{end-2026}_{Tot,\boldsymbol{j,p}} - Vol^{end-2026}_{Mat\ 2027,\boldsymbol{j,p}} - Vol^{end-2026}_{Mat\ 2028,\boldsymbol{j,p}} - Vol^{end-2026}_{Mat\ 2029,\boldsymbol{j,p}}}$$

Scenario evolution of volumes [92]***:***

$$\boldsymbol{Vol^{2027}_{existing,j,p}} = Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2027,j,p}$$

$$\boldsymbol{Vol^{2027}_{maturing,j,p}} = Vol^{end-2026}_{mat\ 2027,j,p} \times APM_p$$

$$\boldsymbol{Vol^{2027}_{new,j,p}} = Vol^{end-2026}_{mat\ 2027,j,p} \times (1 - APM_p)$$

$$\boldsymbol{Vol^{2028}_{existing,j,p}} = Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2028,j,p} - Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}$$

$$\boldsymbol{Vol^{2028}_{maturing,j,p}} = (Vol^{end-2026}_{mat\ 2028,j,p} + Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}) \times APM_p$$

$$\boldsymbol{Vol^{2028}_{new,j,p}} = (Vol^{end-2026}_{mat\ 2028,j,p} + Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}) \times (1 - APM_p)$$

$$\boldsymbol{Vol^{2029}_{existing,j,p}} = Vol^{end-2026}_{total,j,p} - Vol^{end-2026}_{mat\ 2029,j,p} - Vol^{end-2027}_{mat\ 2027,OM\leq 1Y,j,p} - Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}$$

$$\boldsymbol{Vol^{2029}_{maturing,j,p}} = (Vol^{end-2026}_{mat\ 2029,j,p} + Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}) \times APM_p$$

$$\boldsymbol{Vol^{2029}_{new,j,p}} = (Vol^{end-2025}_{mat\ 2029,j,p} + Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + Vol^{end-2026}_{mat\ 2027,1Y\leq OM<2Y,j,p}) \times (1 - APM_p)$$

Note: The Average Point of Maturity (APM) must be equal the methodologically prescribed values.

Scenario evolution of EIR for margin component [93]

$$\boldsymbol{Margin^{2027}_{existing,j,p}} = Margin^{end-2026}_{non-mat\ 2027,j,p}$$

$$\boldsymbol{Margin^{2027}_{maturing,j,p}} = Margin^{end-2026}_{mat\ 2027,j,p}$$

$$\boldsymbol{Margin^{2027}_{new,j,p}} = Margin^{end-2026}_{mat\ 2027,j,p} + \Delta Margin^{2027}_{j,p}$$

[92] APM for the margin and reference rate components of fixed rate portfolios are the same. The margin and reference rate component of floating rate portfolios have different APM, with the exemption of Derivatives. Floating rate Derivatives portfolios have the same APM for the margin and reference rate.

[93] For the calculation of $\Delta Margin^{t}_{j,p}$ the centralised tool implementation implements a simplification due to the $Margin^{end-2026}_{maturing,t,j,p}$, cancelling out in these formulas.

$$\boldsymbol{Margin}^{\mathbf{2028}}_{\boldsymbol{existing,j,p}} = Margin^{end-2026}_{non-mat\ 2027-2028,j,p} \times \frac{Vol^{end-2026}_{not-mat\ 2027-2028,j,p}}{Vol^{2028}_{ex,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM>1Y,j,p} + \Delta Margin^{2027}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM>1Y,j,p}}{Vol^{2028}_{ex,j,p}}$$

$$\boldsymbol{Margin}^{\mathbf{2028}}_{\boldsymbol{maturing,j,p}} = Margin^{end-2026}_{mat\ 2028,j,p} \times \frac{Vol^{end-2026}_{mat\ 2026,j,p}}{Vol^{2028}_{mat,j,p} + Vol^{2028}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + \Delta Margin^{2027}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2028}_{mat,j,p} + Vol^{2028}_{new,j,p}}$$

$$\boldsymbol{Margin}^{\mathbf{2028}}_{\boldsymbol{new,j,p}} = \left(Margin^{end-2026}_{mat\ 2028,j,p} + \Delta Margin^{2028}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2028,j,p}}{Vol^{2028}_{mat,j,p} + Vol^{2028}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + \Delta Margin^{2028}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2028}_{mat,j,p} + Vol^{2028}_{new,j,p}}$$

$$\boldsymbol{Margin}^{\mathbf{2029}}_{\boldsymbol{existing,j,p}} = Margin^{end-2026}_{non-mat\ 2027-2028-2029,j,p} \times \frac{Vol^{end-2026}_{non-mat\ 2027-2028-2029,j,p}}{Vol^{2029}_{ex,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM>2Y,j,p} + \Delta Margin^{2027}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM>2Y,j,p}}{Vol^{2029}_{ex,j,p}} + \left(Margin^{end-2026}_{mat\ 2028,j,p} + \Delta Margin^{2028}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2028,j,p}}{Vol^{2029}_{ex,j,p}}$$

$$\boldsymbol{Margin}^{\mathbf{2029}}_{\boldsymbol{maturing,j,p}} = Margin^{end-2026}_{mat\ 2029,j,p} \times \frac{Vol^{end-2026}_{mat\ 2029,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + \Delta Margin^{2028}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p} + \Delta Margin^{2027}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}}$$

$$\boldsymbol{Margin}^{\mathbf{2029}}_{\boldsymbol{new,j,p}} = \left(Margin^{end-2026}_{mat\ 2029,j,p} + \Delta Margin^{2029}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2029,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p} + \Delta Margin^{2029}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}} + \left(Margin^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p} + \Delta Margin^{2029}_{j,p}\right) \times \frac{Vol^{end-2026}_{mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{2029}_{mat,j,p} + Vol^{2029}_{new,j,p}}$$

Scenario evolution of EIR reference rate component

$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{Existing,j,p}} = RefRate^{end-2026}_{Not-Mat\ 2027,j,p}$$

$$\boldsymbol{RefRate^{2027}_{Maturing,j,p}} = RefRate^{end-2026}_{Mat\ 2027,j,p}$$

$$\boldsymbol{RefRate^{2027}_{New,j,p}} = RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}} +$$
$$RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}} + RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,OM>2Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM>2Y,j,p}}{Vol^{end-2026}_{Mat\ 2027,j,p}}$$

$$\boldsymbol{RefRate^{2028}_{Existing,j,p}}$$
$$= RefRate^{end-2026}_{Not-Mat\ 2027-2028,j,p,b} x \frac{Vol^{end-2026,PE}_{Not-Mat\ 2027-2028,j,p,b}}{Vol^{2028,PE}_{Ex,j,p,b}}$$
$$+ \underbrace{\left[\left(RefRate^{2028}_{New,j,p,b} - RefRate^{2027}_{AOM^{end-2026,PE}_{Mat\ 2027,OM\leq 1Y},j,p,b} x \frac{Vol^{end-2026,PE}_{Mat\ 2027,OM\leq 1Y,j,p,b}}{Vol^{end-2026,PE}_{Mat\ 2027,j,p,b}}\right) x \frac{Vol^{end-2026,PE}_{Mat\ 2027,j,p,b}}{Vol^{end-2026,PE}_{Mat\ 2027,OM>1Y,j,p,b}}\right]}_{RefRate_{AOM_{Mat\ t1>1Y,j,p,b}}} x \frac{Vol^{end-2026,PE}_{Mat\ 2027,OM>1Y,j,p,b}}{Vol^{2028,PE}_{Ex,j,p,b}}$$

$$= RefRate^{end-2026}_{Not-Mat\ 2027-2028,j,p} x \frac{Vol^{end-2026}_{Not-Mat\ 2027-2028,j,p}}{Vol^{2028}_{Ex,j,p}}$$
$$+ \underbrace{\left[\left(RefRate^{2027}_{New,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{2028}_{Ex,j,p}} - RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2028}_{Ex,j,p}}\right)\right]}_{RefRate_{AOM_{Mat\ 2025>1Y,j,p}}}$$

$$\boldsymbol{RefRate^{2028}_{Maturing,j,p}} = RefRate^{end-2026}_{Mat\ 2028,j,p} x \frac{Vol^{end-2026}_{Mat\ 2028,j,p}}{Vol^{2028}_{Mat,j,p} + Vol^{2028}_{New,j,p}} +$$
$$RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2028}_{Mat,j,p} + Vol^{2028}_{New,j,p}};$$

$$\boldsymbol{RefRate^{2028}_{New,j,p}} = RefRate^{2028}_{AOM^{end-2026}_{Mat\ 2028},j,p} x \frac{Vol^{end-2026}_{Mat\ 2028,j,p}}{Vol^{2028}_{Mat,j,p} + Vol^{2028}_{New,j,p}} +$$
$$RefRate^{2028}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2028}_{Mat,j,p} + Vol^{2028}_{New,j,p}}$$

$$\boldsymbol{RefRate^{2029}_{Existing,j,p}} = RefRate^{end-2026}_{Not-Mat\ 2027-2029,j,p} x \frac{Vol^{end-2026,PE}_{Not-Mat\ 2027-2029,j,p}}{Vol^{2029,PE}_{Ex,j,p}}$$
$$+ \underbrace{\left[\left(RefRate^{2027}_{New,j,p} - RefRate^{2027}_{AOM^{end-2026,PE}_{Mat\ 2027,OM\leq 1Y},j,p} x \frac{Vol^{end-2026,PE}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{end-2026,PE}_{Mat\ 2027,j,p}} - RefRate^{2027}_{AOM^{end-2026,PE}_{Mat\ 2027,1Y<OM\leq 2Y},j,p} x \frac{Vol^{end-2026,PE}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{end-2026,PE}_{Mat\ 2027,j,p}}\right) x \frac{Vol^{end-2026,PE}_{Mat\ 2027,j,p}}{Vol^{end-2026,PE}_{Mat\ 2027,OM>2Y,j,p}}\right]}_{RefRate^{t1,s}_{AOM^{end-t0,PE}_{Mat\ t1,OM>2Y},j,p,b}}$$

$$x \frac{Vol^{end-2026,PE}_{Mat\ 2027,OM>2Y,j,p}}{Vol^{2029,PE}_{Ex,j,p}} + RefRate^{2028}_{AOM_{Mat\ 2028},j,p} x \frac{Vol^{end-2026,PE}_{Mat\ 2028,j,p}}{Vol^{2029,PE}_{Ex,j,p}}$$
$$= RefRate^{end-2026}_{Not-Mat\ 2027-2029,j,p} x \frac{Vol^{end-2026}_{Not-Mat\ 2027-2029,j,p}}{Vol^{2029}_{Ex,j,p}}$$
$$+ \underbrace{\left[\left(RefRate^{2027}_{New,j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{2029}_{Ex,j,p}} - RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2029}_{Ex,j,p}} - RefRate^{2027}_{AOM^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{2029}_{Ex,j,p}}\right)\right]}_{RefRate^{2027,s}_{AOM^{end-2026}_{Mat\ 2027,OM>2Y},j,p}}$$

$$+ RefRate^{2028}_{AOM_{Mat\ 2028},j,p} x \frac{Vol^{end-2026}_{Mat\ 2028,j,p}}{Vol^{2029}_{Ex,j,p}};$$

$$\boldsymbol{RefRate^{2029}_{Maturing,j,p}} = RefRate^{end-2026}_{Mat\ 2029,j,p} x \frac{Vol^{end-2026}_{Mat\ 2029,j,p}}{Vol^{2029}_{Mat,j,p}+Vol^{2029}_{New,j,p}} +$$

$$RefRate^{2028}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2029}_{Mat,j,p}+Vol^{2029}_{New,j,p}} +$$

$$\left(RefRate^{2027}_{AOM^{end-2026,}_{Mat\ 2027,1Y<OM\leq 2Y},j,p}\right) x \frac{Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{2029}_{Mat,j,p}+Vol^{2029}_{New,j,p}};$$

$$\boldsymbol{RefRate^{2029}_{New,j,p}} = RefRate^{2029}_{AOM_{Mat\ 2029},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{2029}_{Mat,j,p} + Vol^{2029}_{New,j,p}} +$$

$$RefRate^{2029}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p},j,p} x \frac{Vol^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}}{Vol^{2029}_{Mat,j,p} + Vol^{2029}_{New,j,p}}$$

$$+ \quad RefRate^{2029}_{AOM^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}} x \frac{Vol^{end-2026}_{Mat\ 2027,1Y<OM\leq 2Y,j,p}}{Vol^{2029}_{Mat,j,p} + Vol^{2029}_{New,j,p}}.$$

Definition of $\mathbf{RefRate^{t}_{AOM,j,p}}$

- $\mathrm{RefRate}^{\mathrm{t}}_{\mathrm{AOM\ j=fixed,p}}$: for fixed rate instruments swap rate with maturity equal to AOM (Average original maturity of the maturing portfolio), provided in the macro-economic scenario for the respective year and scenario.

- $\mathrm{RefRate}^{\mathrm{t,s}}_{\mathrm{AOM\ j=floating,p}}$: <u>for floating rate instruments the AOM defining the swap rate is the AOM of the underlying index</u>, as highlighted in previous section.

- Interpolation of tenors (maturities): If the swap rate for a given AOM does not exist, then linear interpolation between the closest tenor below and above AOM from scenario is performed, i.e.: $swap - rate_{AOM} = swap - rate_{x_0} + \frac{swap-rate_{x_1}-swap-rate_{x_0}}{x_{1-}x_0}(x - x_0)$, with x_0 being the closest scenario tenor smaller than AOM and x_1 being the closest scenario tenor larger than AOM.

- If AOM smaller or larger than maturity of any swap rate provided in macro-scenario, the respective swap rate with the smallest or largest maturity in the scenario is used.

- The applicable swap rate for currencies (including "other") reported by the bank but not present in the macro-economic scenario shall be the swap rate Rest of the World "RoW".

Scenario evolution of EIR reference rate component for sight deposits

For each year of the scenario the reference rate for the existing, maturing, new business of sight deposits should follow the below formulas before the application of any floors,

All $RefRate^{t,before\ floor}_{j=fixed,p=sight}$ are defined as:

$$RefRate^{t,before\ floor}_{j=fixed,p=sight} = SwapRate^{end-2026}_{1M,p=sight} + \alpha\ (SwapRate^{t}_{1M} - SwapRate^{end-2026}_{1M})$$

All $RefRate^{t,before\ floor}_{j=floating,p=sight}$ are defined as

$$RefRate^{t,before\ floor}_{j=floating,p=sight} = SwapRate^{end-2026}_{AOMindex} + \alpha\ (SwapRate^{t}_{AOMindex} - SwapRate^{end-2026}_{AOMindex})$$

Where α equals:

- 0.5 for Households Other and Households Legal Floor/Regulated
- 0.75 for Non-Financial Corporations Other and Non-Financial Corporations Legal Floor/Regulated
- 1 for all other sight deposits portfolios

For the Households Other – Sight there is a methodological floor for the total EIR at 0%, which translates in following equations to obtain the applicable Reference Rate:

$$\boldsymbol{RefRate^{t}_{j=fixed,p=Households\ Other}} = Max\left(RefRate^{t,before\ floor}_{j=fixed,p=sight}, 0\right)$$

$$\mathbf{EIR^{t}_{j,p=Households\ Other}} = \max(0, \mathrm{RefRate}^{\mathrm{t,before\ floor}}_{\mathrm{j,p=Households\ Other}} + \mathrm{Margin}^{\mathrm{t}}_{\mathrm{j,p=Households\ Other}},$$
$$\text{for j } = \{\text{fixed, floating}\} \text{ and t } = \{2027,2028,2029\}$$

The adjustment to the total EIR if it is below 0% is performed via the reference rate as follows,

$$\boldsymbol{RefRate^{t,post\ floor}_{j,p=Households\ Other}} = -\mathrm{Margin}^{\mathrm{t}}_{\mathrm{j,p=Households\ Other}} \text{ for j } = \{\text{fixed, floating}\} \text{ and t } = \{2027,2028,2029\}$$

For the Households Legal Floor/Regulated – sight deposits and Non-financial corporations Legal Floor/Regulated- sight deposits, the floors which apply in each year of the baseline and the adverse scenario are either the legal floor applying in 2026 or the outcome of the regulated formula in the corresponding year of the baseline or adverse scenario. The EIR is floored at 0% via an adjustment to the reference rate projections. Both type of deposits are reported in the same portfolio. The below formulas for the floor and the application of the regulatory formula are applied separately to each of the deposit portfolios of paragraph 399 and paragraph 400. The floor and the regulatory formula outcome are reported by banks in the dedicated cells of the CSV_NII_SUM template. The projections are produced as follows,

$$\boldsymbol{EIR^{t}_{j,p,v}} = max(Floor^{t}_{j,p}, RefRate^{t,before\ floor}_{j,p} + Margin^{t}_{j,p}\ for\ t = \{2027,2028,2029\}, j = \{fixed, float\}, p = \{Households, LegalFloor/Regulated, NFC\ Households, LegalFloor/Regulated\}, and\ v\ is\ the\ product\ type$$

The floor is implemented via a correction to the reference rate as follows,

$$\boldsymbol{RefRate^{t,post\ floor}_{j,p,v=}} = Floor^{t}_{j,p} - Margin^{t}_{j,p},$$
$$for\ t = \{2027,2028,2029\}, j = \{fixed, float\}, p = \{Households, LegalFloor/Regulated, NFC\ Households, LegalFloor/Regulated\}, and\ v\ is\ the\ product\ type$$

Scenario evolution of reference rate component on embedded derivatives subject to phase-out (Derivatives – Other)

Embedded derivatives are assumed to not produce interest income/expense after they mature. Thus, the formulas for the projection of the reference rate components are adjusted to reflect that, over the scenario, a share of the portfolio will not yield interest income/expense. For the floating rate portfolios, the formulas are adjusted to reflect the non-matured share of the portfolio. To achieve these, the formulas downscale the applicable scenario rate by the ratio of the non-maturing volume to total volume. Upon maturity of instruments the embedded derivative seizes to generate interest and thus, the EIR need to be set to 0%. For floating rate instruments, the index resets before maturity and thus, only the EIR for the maturing instruments is set at 0.

The volumes used in the downscaling of the reference rate of the floating rate portfolios refer to margin volumes.

Fixed rate portfolios

$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{New,j,p}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2028}}_{\boldsymbol{New,j,p}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2029}}_{\boldsymbol{New,j,p}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{Mat\ t1,OM\leq 1Y}\ \boldsymbol{,j,p}}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{Mat\ 2027,1Y<OM\leq 2Y,j,p}}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2028}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{Mat\ t1,OM\leq 1Y,j,p}}} = 0$$
$$\boldsymbol{RefRate}^{\mathbf{2028}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{Mat\ 2028}\ \boldsymbol{,j,p}}} = 0$$

Floating rate portfolios

$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{new,j,p}} = \begin{cases} RefRate^{2027}_{new,j,p} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin}}{Vol^{end-2026}_{j,p.i=Margin}}, if\ Vol^{end-2026}_{j,p} > 0 \\ 0, if\ \ Vol^{end-2026}_{j,p} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{OM\leq 1Y,j,p}}} = \begin{cases} RefRate^{2027}_{AOM^{end-2026}_{OM\leq 1Y,j,p}} * \dfrac{Vol^{end-2026}_{j,p} - Vol^{end-2026}_{Mat\ 2027,j,p}}{Vol^{end-2026}_{j,p}}, if\ Vol^{end-2026}_{j,p} > 0 \\ 0, if\ Vol^{end-2026}_{j,p} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\mathbf{2027}}_{\boldsymbol{AOM}^{\boldsymbol{end-2026}}_{\boldsymbol{1Y<OM\leq 2Y,j,p}}} = \begin{cases} RefRate^{2027}_{AOM^{end-2026}_{1Y<OM\leq 2Y,j,p}} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin}}{Vol^{end-2026}_{j,p,i=Margin}}, if\ Vol^{end-2026}_{j,p} > 0 \\ 0, if\ Vol^{end-2026}_{j,p} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\boldsymbol{2028}}_{\boldsymbol{new,j,p}} = \begin{cases} RefRate^{2028}_{new,j,p} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2028,j,p,i=Margin}}{Vol^{end-2026}_{j,p,i=Margin}}, if\ Vol^{end-2026}_{j,p} > 0 \\ 0, if\ \ Vol^{end-2026}_{j,p} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\boldsymbol{2028}}_{\boldsymbol{AOM}^{\boldsymbol{end-t0}}_{\boldsymbol{Mat\ 2027,OM\leq 1Y,j,p}}} = \begin{cases} RefRate^{2028}_{AOM^{end-2026}_{Mat\ 2027,OM\leq 1Y,j,p}} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2028,j,p,i=Margin}}{Vol^{end-2026}_{j,p,i=Margin}}, if\ Vol^{end-2026}_{j,p,i=Margin} > 0 \\ 0, if\ Vol^{end-2026}_{j,p} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\boldsymbol{2028}}_{\boldsymbol{AOM}^{\boldsymbol{end-t0}}_{\boldsymbol{Mat\ 2028,j,p}}} = \begin{cases} RefRate^{2028}_{AOM^{end-2026}_{Mat\ \mathbf{2028},j,p}} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2028,j,p,i=Margin}}{Vol^{end-2026}_{j,p,i=Margin}}, if\ Vol^{end-2026}_{j,p,i=Margin} > 0 \\ 0, if\ Vol^{end-2026}_{j,p,i=Margin} \leq 0 \end{cases}$$

$$\boldsymbol{RefRate}^{\boldsymbol{2029}}_{\boldsymbol{new,j,p}} = \begin{cases} RefRate^{2029}_{new,j,p} * \dfrac{Vol^{end-2026}_{j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2027,j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2028,j,p,i=Margin} - Vol^{end-2026}_{Mat\ 2029,j,p,i=Margin}}{Vol^{end-2026}_{j,p,i=Margin}}, if\ Vol^{end-2026}_{j,p,i=Margin} > 0 \\ 0, if\ \ Vol^{end-2026}_{j,p,i=Margin} \leq 0 \end{cases}$$

Notes:

- $\Delta EIR^{t}_{j,p}$ is the difference between the EIR in year t of the scenario vs. the end year EIR of 2026.
- $\Delta EIR^{t}_{j,p}$ in case of margins will be the same across instruments within a given portfolio p.
- $\Delta EIR^{t}_{j,p}$ in case of reference rates will be the same for volumes with the same average original maturity within a given portfolio p.
- If the equations above are satisfied, the Intertemporal Consistency will also be satisfied.
- The formulas of this Annex apply to all instruments reported in templates CSV_NII_CALC and CSV_NII_CALC_FUNDING_MATCH, except for the following cases:

  - For derivatives instruments, the margin component is calculated by the bank, considering the potential non-linearities in accordance with Section 4.4.2.

  - For instruments reported under the item of paragraph 430 “Regulated deposits placed with the Caisse des depots et consignations: France-EUR- Assets - Loans and advances - Credit Institutions and/or other financial corporations” the reference rate new business is given by the regulated formula reported in the Regulated Sight Deposits table, in CSV_NII_SUM. For other instruments, under paragraph 430, the reference rate component is calculated according to the formulas described in this Annex.

  - For all instruments reported in accordance with paragraphs 428 and 430, the margin component is calculated according to the formulas described in this Annex, but the change in the margin component new business is calculated as difference between the margin new business (2027, 2028 and 2029) and the margin new business 2026 reported by the banks in the “Legally exempted new business” table of CSV_NII_SUM.

Projections of EIR and volumes of NPE

Volumes of NPEs and provisions are projected with formulas which are implemented within the CSV_NII_CALC and CSV_NII_CALC_FUNDING_MATCH templates,

$$Vol_{j,p}^{t,s,NPE} = max\left(Vol_{j,p}^{end-2026,NPE}; (Vol_{j,p}^{end-2026,NPE} + Vol_{j,p}^{end-2026,PE}) \times NPE\ gr.rate_{j,p}^{t,s} + Vol_{j,p}^{end-2026,NPE}\right)$$

$$Vol_{j,p}^{t,s,Prov} = max\left(Vol_{j,p}^{end-2026,Prov}; (Vol_{j,p}^{end-2026,NPE} + Vol_{j,p}^{end-2026,PE}) \times Prov.gr.rate_{j,p}^{t,s} + Vol_{j,p}^{end-2026,Prov}\right)$$

The projections of EIR for NPE follow paragraph 417. For portfolio p, $t = \{2027,2028,2029\}, s = \{baseline, adverse\}, j = \{fixed, floating\}$, the equation is re-written as follows,

$$EIR_{t,s,j,p}^{NPE} = \frac{\sum_{v=2027}^{t=\{2027,2028,2029\}} \frac{NII_{v,s,j,p}^{PE}}{Vol_{j,p}^{end-2026,PE}}\ x\ \left(\left(Vol_{v,s,j,p}^{NPE} - Vol_{v,s,j,p}^{Prov}\right) - \left(Vol_{v-1,s,j,p}^{NPE} - Vole_{v-1,s,j,p}^{Prov}\right)\right) + EIR_{end-2026,j,p}^{NPE} x (Vol_{end-2026,j,p}^{NPE} - Vole_{end-2026,j,p}^{Prov})}{(Vol_{t,s,j,p}^{NPE} - Vol_{t,s,j,p}^{Prov})}$$

To calculate the $EIR_j^{v,s,PE} = NII_{v,s,j,p}^{PE} / Vol_{end-2026,j,p}^{PE}$ the intermediate variable $NII_{t,s,j,p}^{PE}$ is calculated as,

$$NII_{t,s,j,p}^{PE} = (RefRate_{Existing,j}^{t,s} x Vol_{Ex,j,p}^{t,PE} + RefRate_{Maturing,j}^{t,s} x Vol_{Mat,j}^{t,PE} + RefRate_{New,j}^{t,s} x Vol_{New,j}^{t,PE} + Margin_{Existing,j}^{t,s} x Vol_{Existing,j}^{t,PE} + Margin_{Matusring,j}^{t,s} x Vol_{Maturing,j}^{t,PE} + Margin_{New,j}^{t,s} x Vol_{New,j}^{t,PE})$$

$EIR_j^{t,s,PE}$ is calculated using $Vol_{end-2026,j,p}^{PE}$ to ensure consistency with the income produced by performing exposures ($NII_{t,s,j,p}^{PE}$) which is calculated using the sum of the volumes for the existing, new, maturing business.

Annex VIII: Additional proportionality elements for smaller banks

606. In line with paragraph 9, banks may be allowed to apply additional proportionality elements, when interpreting the methodology. Additional proportionality elements of the 2027 EU-wide stress test will be facilitated, in particular, by an extensive use of materiality thresholds. For starting point data and bottom-up projections banks are allowed to apply the following materiality thresholds and simplifications as compared with the general methodology.

Credit risk

607. The thresholds for providing the breakdown by country of the counterparty, thereby derogating from paragraphs 102 and 107, are modified as follows: the breakdown by country of the counterparty will be reported according to a maximum of top 3 countries in terms of total exposure. [94]

608. The thresholds for the requirement to incorporate the development of FX effects in the projection of credit risk parameters is increased from 5% to 15%, thereby derogating from paragraph 149.

609. Banks only need to report securitisations within the CSV_CR_SEC template and apply the methodology as per section 2.7, if the bank's securitisation REA (or exposures) exceed 5% of total credit risk REA (or total loans and advances). For banks below the threshold, information associated to the securitisation exposures as of 31 December 2026 will be reported only in the "Summary Table - For banks eligible for proportionality elements reporting securitisation exposures according to Annex VIII" part within the CSV_CR_SEC_SUM template and the reported values shall be kept constant throughout the exercise. The eligible banks need to select the option "Bank eligible for proportionality elements reporting securitisation exposures according to Annex VIII" in the "Reporting approach" cell of the template.

Net interest income

610. The thresholds defined for determining the relevant country currency pairs, thereby derogating from paragraphs 403, are reduced as follows: (i) volume coverage: from 90% to 75%; and (ii) number of country/currency pairs: from 20 to 5. To qualify as 'domestic banks', i.e. limiting the reporting to the domestic country/currency pair and the residual categories 'Other-Other' and 'Other-EUR', the threshold for non-domestic exposures is increased from 10% to 25%.

[94] Exposure as defined in Annex II of COREP instructions, underlying the threshold laid down in Article 5(2) of the Commission Implementing Regulation (EU) 2024/31 (i.e. original exposure pre-credit conversion factor).

Operational risk

611. For non-material conduct risk losses and other operational risk losses banks need to project losses equal to the floors set out by paragraphs 469 and 474.

612. For projecting material conduct risk losses, the banks have to apply either the methodology or, as a simplification, project losses equal to the floor set out by paragraph 470. Only banks that choose to apply the methodology for material conduct risk have to report data in CSV OR_CON as required by the Methodological Note. Banks that apply above simplification should populate sheet CSV OR_GEN RowNum 3, 5, 12, 16, 20, and 21, ColNum 7-12 with zeros.

613. For sheet CSV_OR_CON, banks, which choose to project material conduct risk losses equal to the floor set out by paragraph 470 should only fill RowNum 53, ColNum 5-9 and 15-17 of CSV_OR_CON. These values will then serve as an input into RowNum 9, ColNum 1-5 and 10-12 of CSV_OR_GEN. The projections in CSV_OR_CON RowNum 53, ColNum 15-17 should correspond to the values reported in RowNum 11, ColNum 10-12 of CSV_OR_GEN. As the floor for material conduct risk losses only applies in the adverse scenario, no projections are expected for the baseline scenario. In addition, a split between RowNums 53 and 54 in CSV_OR_CON is not necessary.

614. If required for quality assurance purposes, in exceptional cases banks can be requested to project and report stress test results at a higher level of granularity than the minimum required as described in this section.

Annex IX: Methodology for net fees and commission income projections.

Supervisory model for NFCI

Data sources and bank sample

615. The dataset relies on various supervisory and private vendor data sources. The bank-level timeseries for NFCI and total assets are sourced from banks' FINREP submissions and are complemented with long-term supervisory data provided by competent authorities or private vendors. Macroeconomic and financial timeseries that serve as explanatory variables are sourced from the EU-wide stress test adverse scenario and historical values are retrieved from institutional data warehouses and financial data providers. [95]

616. To calibrate a model that produces projections which are consistent and comparable across firms, the dataset relies on data from banks for which NFCI amounts are significant. Therefore, the estimation sample excludes banks for which NFCI/TA lies below the 10th percentile of the historically observed distribution of the NFCI/TA ratio.

Explanatory variables and selection method

617. The model includes a set of variables as regressors. These regressors are selected before estimating the model by a dedicated variable selection process. The variable selection is used each time the model is updated to ensure that the best predictors are selected. Thus, only those variables selected are considered in the panel data model. [96]

618. The key macro-financial variables used as input to the variable selection procedure are the following: real GDP growth, short-term and long-term interest rates, stock market returns, residential property real price growth, consumer price index growth, the first differences of the 5-year iTraxx-Europe index, and any transformation of these series.

619. A weighting scheme is applied to the country-specific macro-financial variables to account for the geographical diversification of banks. [97] The explanatory variables are weighted for each bank using their relative exposure to each country. [98] Therefore, the final set of

[95] Among them the ECB, the IMF, and complemented with data licensed from Bloomberg, IHS Markit, and S&P Capital IQ.

[96] The set of explanatory variables includes contemporaneous, and 1-year lagged values of the macroeconomic and financial variables that form the dataset.

[97] The adjustment is not applied to the iTraxx as this variable is common across geographies.

[98] The bank specific weights for the geographical allocation of activities are constructed using data from FINREP (table F20.04). Weights are time-varying reflecting banks' geographical diversification. The weights are assumed to remain fixed

macroeconomic timeseries is a composite indicator reflecting the geographical breakdown of each bank's assets.

Econometric approach

620. The model is a panel data model for a transformation of the NFCI. The one-year lagged value of the dependent variable can also be used as an explanatory variable along with the final set of macroeconomic and financial variables selected. The estimated model is used to calculate scenario conditional projections of the NFCI at bank-level over the three years of the stress test horizon. NFCI projections are prescribed to banks in the form of growth rates relative to the starting point.

Model overlay to the supervisory model

Reasoning and calibration

621. The projections of the supervisory model are subject to a model overlay. The model overlay is applied at the level of individual banks in the estimation sample. This approach ensures that supervisory models are prudent, plausible, while results can be comparable with past EU-wide stress test exercises. Moreover, the overlay minimizes model related risks while it ensures minimum and transparent adjustment to the output of the supervisory model.

622. The model overlay takes the form of a cap and a floor ("corridor") to model projections for the bank level NFCI growth rates. The overlay is applied to the cumulative NFCI growth rate projections. The resulting cap and floor are common across banks in the sample and are different for the baseline and adverse scenario. In the baseline scenario, the cap is set at 0% and the floor is set at the value of the cap of the adverse scenario. In the adverse scenario, the cap and floor ("corridor") are set at a certain range. The calibration of the cap and floors maintains the order of severity between the two scenarios of the EU-wide stress test exercise.

Application and final projections

623. The model-based projections of NFCI growth rates are aggregated for each bank to cumulative growth rates relatively to the starting point. The cumulative bank level growth rate projections are then compared with the scenario specific cap and floor for each scenario according to Box 34.

624. If the cumulative NFCI growth rates are within the scenario specific cap and floor, then the NFCI growth rates (relatively to the starting point) that are transmitted to each bank correspond to the supervisory model output for this bank. If the bank level cumulative projections are below or above these caps and floors, the projections are replaced by the cap

over the three-year horizon of the baseline and adverse macroeconomic scenarios of the EU-wide stress test exercise in line with the static balance sheet assumption. For years before 2013, when this information is not available, weights are fixed at their 2014 value.

or the floor value for each year of the three-year scenario horizon. In this case, the NFCI growth rates (relatively to the starting point) that are transmitted to each bank correspond to the cap or the floor.

625. For banks with no model-based projections, the final prescribed NFCI growth rate parameters are derived from the model-based projections for banks with similar characteristics or the floor of the model overlay.

Box 34: Application of the model overlay and calculation of final growth rate parameters transmitted to banks

For each bank *i* the final baseline scenario growth rates are derived from the supervisory model projections and the model overlay as follows,

$$\frac{\Delta^h NFCI^{final,base}{}_{i,2026+h}}{NFCI_{i,2026}} = \begin{cases} 0\% & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,base}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 > 0\% \\ \frac{\Delta^h NFCI^{model,base}{}_{i,2026+h}}{NFCI_{i,2026}} & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,base}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 \ in \ [-L^{base}\%, 0\%] \\ -L^{base}\% & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,base}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 < -L^{base}\% \end{cases}$$

For each bank *i* the final adverse scenario growth rates are derived from the supervisory model projections and the model overlay as follows,

$$\frac{\Delta^h NFCI^{final,adv}{}_{i,2026+h}}{NFCI_{i,2026}} = \begin{cases} -U^{adv}\% & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,adv}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 > -U^{adv}\% \\ \frac{\Delta^h NFCI^{model,adv}{}_{i,2026+h}}{NFCI_{i,2026}} & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,adv}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 \ in \ [-L^{adv}\%, -U^{adv}\%] \\ -L^{adv}\% & if \left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,adv}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3 < -L^{adv}\% \end{cases}$$

Where:

- h denotes each of the three scenario years with $h = 1,2,3$.
- $\frac{\Delta^h NFCI_{i,2026+h}}{NFCI_{i,2026}}$ denotes the growth rate of NFCI for bank i between the end of the reference year 2026 and the scenario year $2026 + h$ with $h = 1,2,3$.
- $\frac{\Delta^h NFCI^{final,adv\ or\ base}{}_{i,2026+h}}{NFCI_{i,2026}}$ denotes the growth rate of NFCI transmitted to bank i for each scenario and scenario period h with $h = 1,2,3$.
- $\left(\sum_{h=1}^{3} \frac{\Delta^h NFCI^{model,adv\ or\ base}{}_{i,2026+h}}{NFCI_{i,2026}}\right)/3$ denotes the cumulative growth rate of NFCI projected by the supervisory model for bank i for each scenario.
- L^{adv} and L^{base} denote the absolute value of the floor for each scenario.
- U^{adv} denotes the absolute value of the cap for the adverse scenario.

Annex X: Guidance on transitional adjustments under the fully loaded definition

626. The table below provides guidance on transitional arrangements under the fully loaded definition. This is a stylized table providing the main elements for ease of reference, but reference should be made to the relevant Articles of the CRR3 for full specification of the provisions and related eligibility conditions.

Table 36: Guidance on transitional arrangements under the fully loaded definition

Area	CRR3 Article	Coefficients to be applied
Output floor factor	465(1)	Factor x = 72.5%
Cap on output floor	465(2)	No cap to UTREA applies
High creditworthiness unrated corporates	465(3)	RW= 100% [99]
Low-risk residential real estate	465(5 to 9)	Secured part up to 55% of property value: RW=20%, Unsecured: RW of the counterparty
Securitisations	465(13)	Article 262: ρ=0.5 Article 261: ρ=1
Temporary treatment for unrealised gains and losses	468	The temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income is not allowed, i.e. it is not allowed to remove from the CE1 items the amount A = a *f, referred to paragraph 1 of Article 468.
Equity	495	IRB REA not allowed [100]
	495a(1)	RW = 250%
	495a(2)	RW = 400%

[99] Please refer to Article 122(2) of the CRR. For specialized lending, please refer to the relevant risk weight set out in Article 122a of the CRR, which depends on the financing purpose.

[100] Without prejudice to the grandfathering of specific exposures as per Article 495a(3) of the CRR.

Area	CRR3 Article	Coefficients to be applied
IRB Specialised Lending Exposures	495b(1)	LGD input floor without any adjustment
SA Specialised Lending unrated high-quality object finance	495b(3)	RW = 100%
Leasing exposures as CRM	495c(1)	Haircut for “other physical collateral” unadjusted
Unconditionally cancellable commitments	495d(1)	The applicable percentage calculate the exposure value of an unconditionally cancellable commitment is 10%
Temporary treatment of public debt issued in the currency of another Member State	500a(1)	RW as in Article 114(2), i.e. unadjusted.
	500a(2)	25% of Tier 1 capital
Operational risk business indicator	314(3)	Provision on EU parent institutions, subject to safeguards, does not apply
	314(4)	Provision, if safeguards are met, to continue to use the alternative standardised approach does not apply
Market risk REA	520a of DA 2025/1496	The market risk REA multiplier of art. 495v DA 2026/1221 should not be applied under fully loaded basis

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