Enterprise-Wide Stress Test Summary

12-quarter horizon · Starting CET1 ratio 13.37% · Regulatory minimum 10.00% · Internal target 12.00%

STARTING CET1 RATIO
13.37%
Min 10.00% | target 12.00%

BASELINE
13.37%
Never falls below its start. Above target throughout

SEVERE BUT PLAUSIBLE
13.00%
Trough before actions, Q12. Above target throughout

CATASTROPHIC
11.32%
Trough before actions, Q12. Below target from Q6

PHYSICAL RISK (ACUTE FLOOD)
12.91%
Trough before actions, Q12. Above target throughout

Key findings

- Baseline: before management actions, the CET1 ratio never falls below its starting level of 13.37% and ends the horizon at 15.02%. It remains above the internal target throughout. Credit losses total $322m (11.9% of starting CET1), against $900m of pre-provision net revenue. No management actions are triggered.
- Severe but Plausible: before management actions, the CET1 ratio falls from 13.37% to 13.00% by the end of the horizon (Q12) and is still declining. It remains above the internal target throughout. Credit losses total $607m (22.5% of starting CET1), against $675m of pre-provision net revenue. No management actions are triggered.
- Catastrophic: before management actions, the CET1 ratio falls from 13.37% to 11.32% by the end of the horizon (Q12) and is still declining. It falls below the internal target in Q6 but stays above the regulatory minimum. Credit losses total $969m (35.9% of starting CET1), against $450m of pre-provision net revenue. Management actions: Q6: dividends suspended.
- Physical risk (acute flood): before management actions, the CET1 ratio falls from 13.37% to 12.91% by the end of the horizon (Q12) and is still declining. It remains above the internal target throughout. Credit losses total $628m (23.3% of starting CET1), against $675m of pre-provision net revenue. No management actions are triggered.
- Physical risk: an acute flood in Q4 on the Severe but Plausible backdrop adds $21.5m of credit losses and lowers the CET1 ratio by 9 bps at the horizon, from $2.56bn of real-estate exposure in affected areas.
- Portfolio context: the three largest segments (General RRE, Income-Producing CRE, Income-Producing RRE) hold 69% of on-balance exposure; ADC / Construction carries the largest undrawn commitments ($3,785m).

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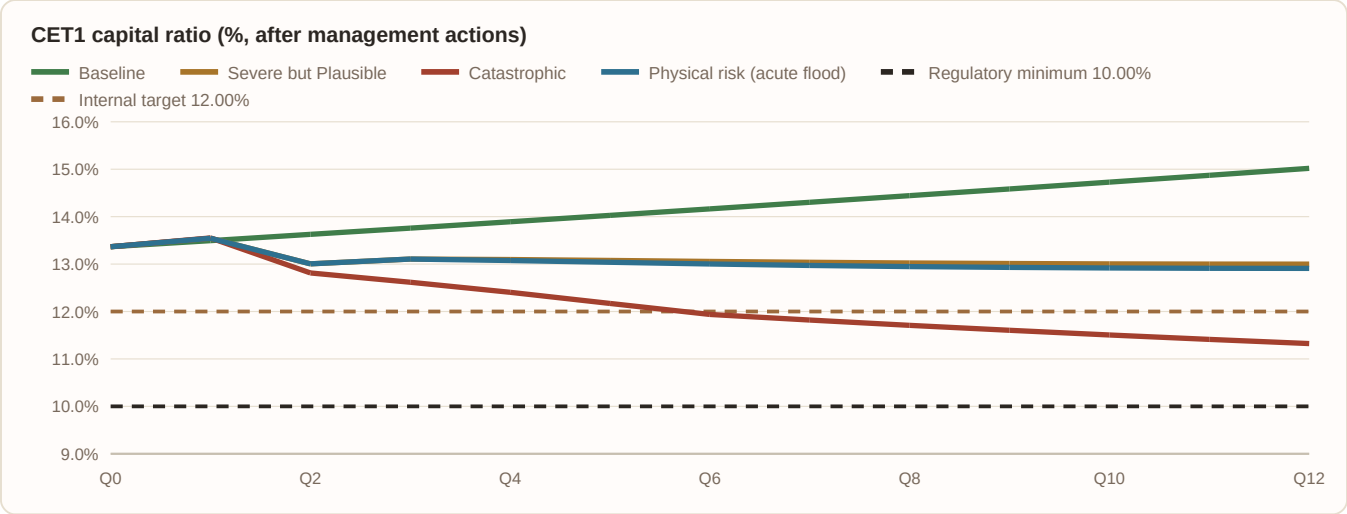
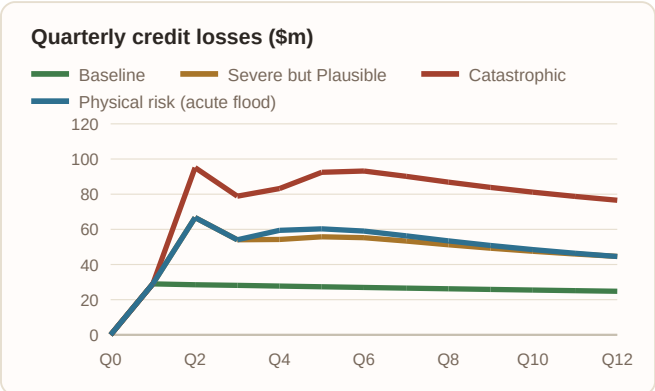
Capital and simulation setup

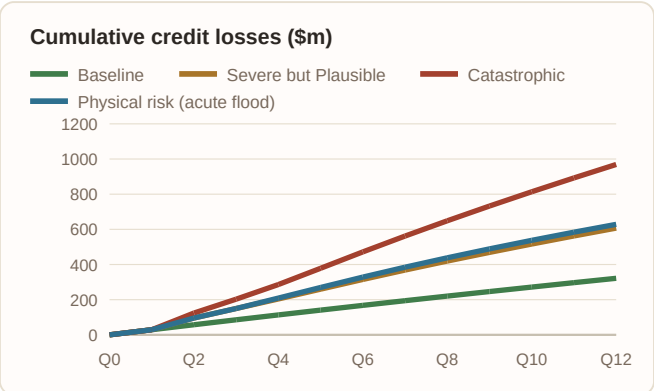
Simulation horizon	12 quarters	**Starting CET1 ratio**	13.37%
Initial CET1 capital	$2,700,000,000	**Initial total RWA**	$20,200,000,000
Initial credit RWA (reported)	$17,900,000,000	**Initial operational RWA**	$2,300,000,000
Regulatory minimum CET1	10.00%	**Internal target CET1**	12.00%
Quarterly dividend	$21,500,000	**CET1 raise if minimum breached**	$300,000,000
Model calibration	Enhanced	**PD input basis**	Annual, converted to quarterly
PPNR per quarter (baseline)	$75,000,000	**Tax rate**	26.5%

Stress test results

CET1 capital ratio, credit losses, earnings and risk-weighted assets for each scenario. Dashed lines mark the regulatory minimum and the internal target.







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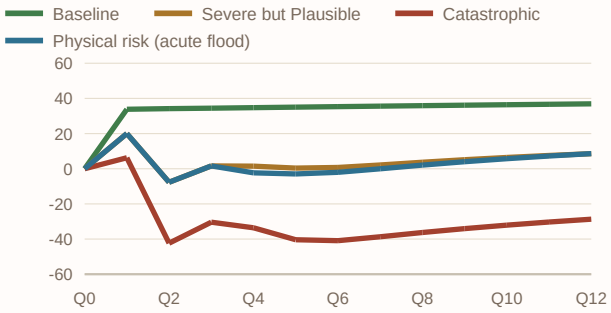
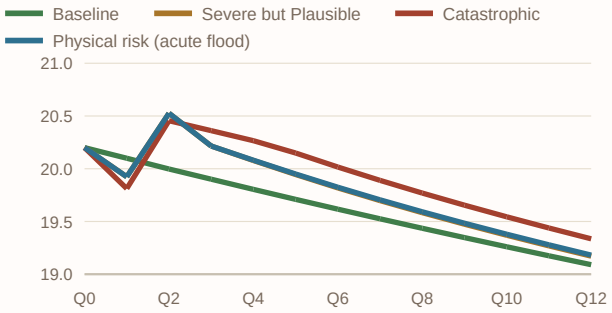
Net income after tax ($m)



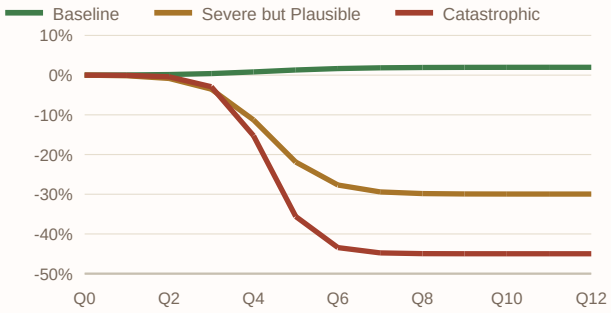
Total risk-weighted assets ($bn)



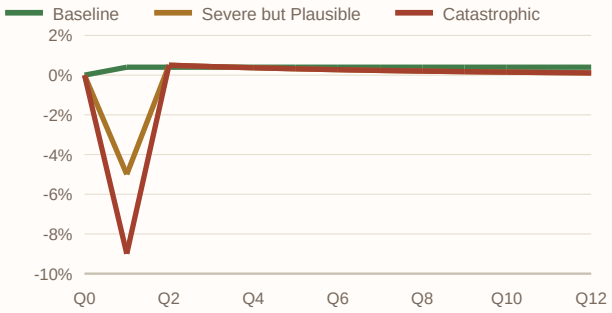
Macroeconomic scenarios

Each scenario is built from a logistic house-price shock, a shock-rebound-recovery GDP path, unemployment that responds to output through Okun's law (with a lag and gradual mean reversion), and a stepped, rule-based policy-rate reaction function.

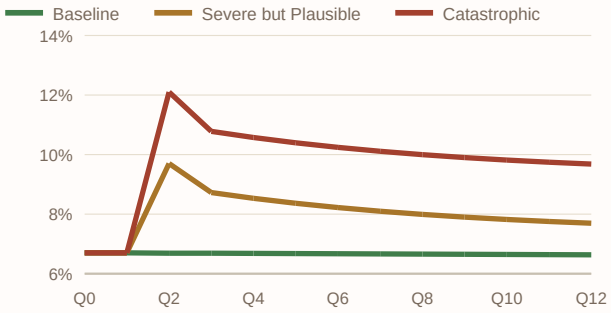
House price index shock (%)



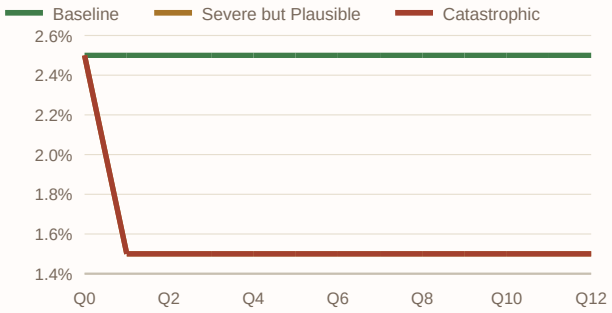
Real GDP growth (% per quarter)



Unemployment rate (%)



Policy rate (%)



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Physical-risk scenario: acute flood

An acute rainfall or flood event in Q4, layered on the Severe but Plausible macro backdrop. A share of each real-estate-secured segment sits in flood-affected areas. From the event quarter, uninsured damaged borrowers' PDs are multiplied, and damage lowers collateral recoveries, LGD' = 1 - (1 - LGD) x (1 - damage x uninsured share). Both effects fade linearly over the recovery period, and the impact is measured against the backdrop run.

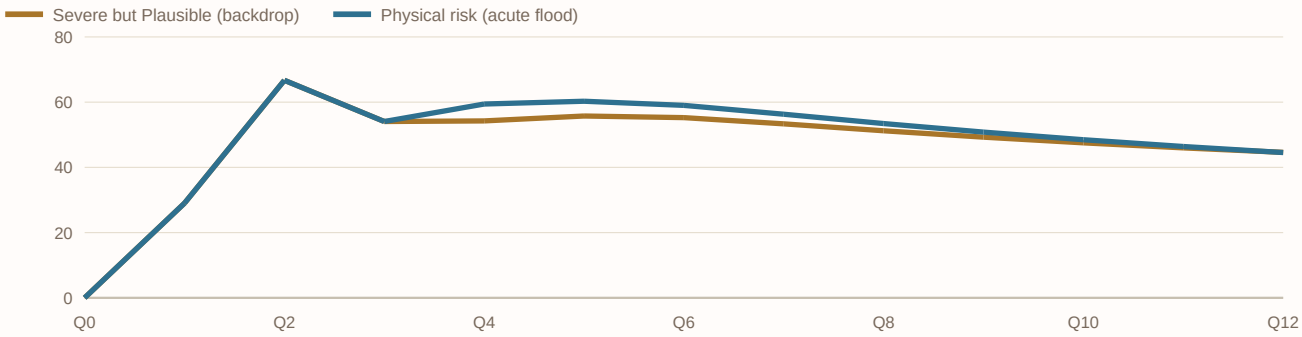
ADDED CREDIT LOSSES
$21.5m
Over the horizon, versus Severe but Plausible

TROUGH CET1 RATIO
-9 bps
13.00% to 12.91% before actions

CET1 RATIO AT HORIZON
-9 bps
13.00% to 12.91%

AFFECTED EXPOSURE
$2.56bn
6.1% of real-estate-secured balances

Quarterly credit losses ($m): physical-risk scenario versus its backdrop



How to read this: the scenario isolates the credit effect of a single acute event. For a diversified lender the capital impact is usually modest unless exposures are concentrated in flood-prone areas, which is why the affected-exposure shares should be calibrated to the institution's own geocoded book and flood maps. Operational disruption, insurer failure and longer-term repricing of affected neighbourhoods are not modelled.

Portfolio composition

Sixteen exposure segments aligned to Basel standardized asset classes. Balances and undrawn amounts are shown before credit conversion and mitigation.

Segment	Balance ($m)	Share	Undrawn ($m)
Sovereign	730.0	1.4%	0.0
PSE	86.0	0.2%	0.0
MBS	710.0	1.4%	0.0
Banks	2,031.0	4.0%	165.0
Covered Bonds	43.0	0.1%	0.0
Corporates	578.0	1.1%	476.0
Retail	1,952.0	3.8%	97.0
General RRE	23,106.0	45.3%	493.0
Income-Producing RRE	4,618.0	9.1%	142.0
General CRE	61.0	0.1%	1.0
Income-Producing CRE	7,501.0	14.7%	810.0

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Segment	Balance ($m)	Share	Undrawn ($m)
ADC / Construction	4,418.0	8.7%	3,785.0
Reverse Mortgages	2,624.0	5.1%	483.0
Sub-Debt/Equity/Other Capital	26.0	0.1%	0.0
Defaulted	811.0	1.6%	0.0
Other	1,728.0	3.4%	0.0
Total	**51,023.0**	**100.0%**	**6,452.0**

Simulation results by scenario

CET1 ratios in these tables are after any management action taken in the quarter (troughs in the summary are before actions). They are colour-coded: green above the internal target, amber below it, red below the regulatory minimum.

Baseline

Quarter	Balance ($m)	Losses ($m)	PPNR ($m)	Net income ($m)	CET1 ($m)	RWA ($m)	CET1 ratio
Q0	51,023.0	0.0	0.0	0.0	2,700.0	20,200.0	**13.37%**
Q1	50,744.6	29.0	75.0	33.8	2,712.3	20,099.5	**13.49%**
Q2	50,467.8	28.5	75.0	34.2	2,725.0	19,997.4	**13.63%**
Q3	50,192.4	28.1	75.0	34.4	2,738.0	19,900.8	**13.76%**
Q4	49,918.5	27.7	75.0	34.7	2,751.2	19,804.4	**13.89%**
Q5	49,646.1	27.3	75.0	35.0	2,764.7	19,709.7	**14.03%**
Q6	49,375.3	26.9	75.0	35.3	2,778.5	19,616.7	**14.16%**
Q7	49,105.9	26.6	75.0	35.6	2,792.6	19,525.3	**14.30%**
Q8	48,838.1	26.2	75.0	35.9	2,807.0	19,435.5	**14.44%**
Q9	48,571.7	25.8	75.0	36.1	2,821.7	19,347.1	**14.58%**
Q10	48,306.8	25.5	75.0	36.4	2,836.6	19,260.2	**14.73%**
Q11	48,043.4	25.1	75.0	36.7	2,851.7	19,174.7	**14.87%**
Q12	47,781.5	24.8	75.0	36.9	2,867.1	19,090.4	**15.02%**

No management actions triggered in this scenario.

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Severe but Plausible

Quarter	Balance ($m)	Losses ($m)	PPNR ($m)	Net income ($m)	CET1 ($m)	RWA ($m)	CET1 ratio
Q0	51,023.0	0.0	0.0	0.0	2,700.0	20,200.0	13.37%
Q1	50,744.6	29.0	56.3	20.0	2,698.5	19,923.7	13.54%
Q2	50,444.0	66.7	56.3	-7.7	2,669.3	20,526.0	13.00%
Q3	50,150.4	54.1	56.3	1.6	2,649.4	20,215.2	13.11%
Q4	49,856.4	54.2	56.3	1.5	2,629.4	20,077.9	13.10%
Q5	49,561.1	55.8	56.3	0.4	2,608.3	19,945.1	13.08%
Q6	49,266.6	55.3	56.3	0.7	2,587.5	19,818.1	13.06%
Q7	48,974.5	53.3	56.3	2.1	2,568.1	19,697.7	13.04%
Q8	48,685.3	51.2	56.3	3.7	2,550.3	19,583.2	13.02%
Q9	48,398.8	49.3	56.3	5.1	2,534.0	19,474.1	13.01%
Q10	48,114.9	47.5	56.3	6.4	2,518.9	19,369.5	13.00%
Q11	47,833.5	46.0	56.3	7.6	2,504.9	19,268.7	13.00%
Q12	47,554.4	44.6	56.3	8.6	2,492.0	19,171.4	13.00%

No management actions triggered in this scenario.

Catastrophic

Quarter	Balance ($m)	Losses ($m)	PPNR ($m)	Net income ($m)	CET1 ($m)	RWA ($m)	CET1 ratio
Q0	51,023.0	0.0	0.0	0.0	2,700.0	20,200.0	13.37%
Q1	50,744.6	29.0	37.5	6.3	2,684.8	19,811.7	13.55%
Q2	50,421.7	95.1	37.5	-42.3	2,620.9	20,455.1	12.81%
Q3	50,110.9	78.9	37.5	-30.4	2,569.0	20,361.0	12.62%
Q4	49,795.7	83.2	37.5	-33.6	2,513.9	20,265.8	12.40%
Q5	49,471.1	92.4	37.5	-40.4	2,452.0	20,149.0	12.17%
Q6	49,145.7	93.2	37.5	-40.9	2,389.6	20,016.1	11.94%
Q7	48,823.5	90.1	37.5	-38.7	2,350.9	19,889.6	11.82%
Q8	48,505.0	86.8	37.5	-36.3	2,314.7	19,769.3	11.71%
Q9	48,190.0	83.8	37.5	-34.1	2,280.6	19,654.4	11.60%
Q10	47,878.4	81.1	37.5	-32.1	2,248.5	19,544.2	11.50%
Q11	47,569.9	78.7	37.5	-30.3	2,218.2	19,438.1	11.41%
Q12	47,264.4	76.5	37.5	-28.7	2,189.5	19,335.6	11.32%

Management actions triggered

Q6: Dividend distribution suspended — internal capital target breached.

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Physical risk (acute flood)

Quarter	Balance ($m)	Losses ($m)	PPNR ($m)	Net income ($m)	CET1 ($m)	RWA ($m)	CET1 ratio
Q0	51,023.0	0.0	0.0	0.0	2,700.0	20,200.0	13.37%
Q1	50,744.6	29.0	56.3	20.0	2,698.5	19,923.7	13.54%
Q2	50,444.0	66.7	56.3	-7.7	2,669.3	20,526.0	13.00%
Q3	50,150.4	54.1	56.3	1.6	2,649.4	20,215.2	13.11%
Q4	49,852.6	59.4	56.3	-2.3	2,625.6	20,080.8	13.08%
Q5	49,553.8	60.3	56.3	-3.0	2,601.1	19,950.0	13.04%
Q6	49,256.4	59.0	56.3	-2.0	2,577.6	19,824.6	13.00%
Q7	48,962.0	56.3	56.3	-0.0	2,556.1	19,705.3	12.97%
Q8	48,671.0	53.4	56.3	2.1	2,536.6	19,591.8	12.95%
Q9	48,383.3	50.8	56.3	4.0	2,519.1	19,483.4	12.93%
Q10	48,098.7	48.5	56.3	5.7	2,503.4	19,379.2	12.92%
Q11	47,817.0	46.4	56.3	7.2	2,489.1	19,278.7	12.91%
Q12	47,538.1	44.5	56.3	8.6	2,476.2	19,181.3	12.91%

No management actions triggered in this scenario.

Capital and risk management strategy

1. Severe but Plausible is absorbed by earnings. The CET1 ratio stays at or above 13.00%, above the 12.00% internal target throughout, because $675m of pre-provision net revenue covers most of the $607m of credit losses. Keep the dividend policy, but pre-approve a review trigger at a 12.50% CET1 ratio.
2. Prepare a contingent capital plan for the Catastrophic case. Dividends are suspended in Q6 and the ratio is still falling at the end of the horizon (11.32% at Q12, 132 bps above the regulatory minimum). Pre-arrange access to a CET1 issuance and a discounted dividend reinvestment plan so a raise can be executed if the decline continues.
3. Reduce construction and income-producing CRE concentration. These real-estate-secured segments carry house-price-driven loss severity under stress, and ADC carries $3.8bn of undrawn commitments. Tighten new ADC underwriting (lower loan-to-cost, pre-sale requirements) and review cancellation rights on undrawn construction facilities.
4. Protect earnings capacity. Catastrophic PPNR falls to 50% of the baseline run-rate. Each $10m of quarterly PPNR preserved adds about 4 bps of CET1 ratio per quarter after tax, so identify pricing and expense levers in advance.
5. Set early-warning indicators: unemployment above 8%, house prices down more than 15%, and a CET1 ratio within 75 bps of the internal target (12.75%).
6. Map flood-prone real-estate exposure. An acute flood layered on the Severe but Plausible scenario adds $21.5m of credit losses and lowers the CET1 ratio by 9 bps, to 12.91%. The effect is modest because affected exposure is assumed to be $2.56bn; geocode the mortgage, commercial real estate and construction books against flood maps to confirm it, and require overland flood insurance on new lending in high-risk areas.

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Methodology and limitations

- Calibration: Enhanced. Segment PDs are annual inputs, stressed and then converted to quarterly default probabilities (1 - (1 - PD)^(1/4)). PD and CCF scale with unemployment relative to each scenario's starting rate; LGD rises with the house-price decline on real-estate-secured segments only; LGD and CCF are capped at 100%.
- Earnings: pre-provision net revenue (PPNR) is applied each quarter at the scenario's percentage of the baseline run-rate and taxed at 26.5%. The tax effect of losses assumes deferred tax assets are recognised.
- Balance sheet: run-off, with no new lending; amortization and cancellation of undrawn commitments reduce exposures. New defaults, net of losses, move into the defaulted segment and continue to attract risk weights. Credit losses are measured before mortgage-insurance recoveries.
- Physical-risk scenario: affected exposure shares, damage, uninsured share, PD multiplier and recovery period are illustrative inputs. Effects apply only to real-estate-secured segments, fade linearly, and are measured against the scenario's macro backdrop.
- Management actions are rule-based. Dividends are suspended when the CET1 ratio falls below the internal target, and a single CET1 raise of the stated size is made when it falls below the regulatory minimum. Trough ratios are measured before management actions.
- Operational-risk RWA and any residual (unmodelled) RWA are held at their starting values. Portfolio parameters are an illustrative benchmark unless replaced with institution-specific data.
- The policy-rate path is generated for scenario narrative and is not an input to the loss or capital calculations in this version of the model.
- This report is a decision-support summary and is not a substitute for an institution's formal ICAAP or for supervisory guidance.

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