What has changed since 2014?

In addition to removing the hurdle rates, there have been some key change in the proposed 2015 methodology and more focus on conduct and operational risk.

**Conduct and operational risk**
- Newly added to scope for 2016
- Banks’ internal P&L impact estimates
- Relying on quantitative and qualitative interaction with competent authorities
- Quantitative floors defined

**Credit risk**
- Banks with significant foreign currency exposure are requested to consider altered creditworthiness of obligors
- Use of specific provisions for old defaulted assets
- Specific reporting of rating transitions

**Market risk**
- Simplification regarding number of scenarios and application
- More conservative constraints
- Further detailed changes, e.g., to take portfolio changes over 2015 and hedging into account

**Net interest income and other income**
- Separation of reference rate and margin
- Pass-through constraints on margin only
- Fixed stress effect for main components
- Adjustment of costs for one-off effects

**Balance sheet assumptions**
- No exception now granted to the static balance sheet assumptions
- Accounting changes (IFRS 9) continues to be out of scope

**Why EY?**

**Extensive EBA stress testing delivery experience**
- We bring extensive learning and experience by partnering with a number of European institutions with previous stress test to accelerate your program

**Regulatory insights and intelligence**
- We have strong local and supranational supervisors relationships via a team of senior ex-regulators, to provide up to date insights on expectations and standards to focus your resource and efforts

**Tool and tested tools and accelerators**
- As a leading firm in stress testing, we have developed a number tools, methodologies and frameworks based on practical experience, to support your EBA delivery program

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**Key contacts**

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**EY | Assurance | Tax | Transactions | Advisory**

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.
The exercise will be carried out on the basis of Scope for additional institutions (>€100b) and Banks with minimum €30b in assets. Seventy percent of national banking sector in the A total of 53 European banking groups of which 39 Banks under the Single Supervisory Mechanism (SSM), will also be subject to a stress test broadly in line with the EBA methodology, bringing an additional 90 banks into scope. Results for these banks will not be externally published.

Timeline for preparation and execution

In order to start the EBA exercise in March 2016 the methodology review should be kicked-off before the end of 2015 and be followed by model development and impact assessment that is be completed by 1Q2016.

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| EY EBA stress testing — framework for delivery

Rigorous challenge of process shaped by extensive execution experience

- Review process and application for consistency with EBA guidance and requirements
- Review scenario enrichment and application
- Track data flows – review accuracy of consolidation process and results
- Sample and test process control

Practical validation approach leveraging deep industry expertise

- Application of EY model validation framework tailored to suit bank requirements
- Provision of resource and support to the validation team
- Model governance support

Market leaders in delivering proven approaches and methodologies

- Identify and implement enhancement to existing methodologies and processes
- Address PIT modelling challenges where IRB models exist
- Review application and impact of external data

We are a market leader partnering with institutions to develop their stress testing capabilities to meet their internal and external needs

Experience stress testing project managers

- Support planning of the exercise
- Engage with the business and functions to monitor progress
- Implementing program status reporting
- Facilitate committees and working groups

Specialist resources to supplement execution

- Provision of specific resources to support execution across the entire scope of the stress test
- Leverage stress testing experience to provide industry insights

A centrally controlled results hub to support reporting and analytics

- Processing and validation of projections data
- Consolidation and reconciliation of projections results
- Design and production of supporting management information

Our credentials:

- An integrated stress testing approach, in line with regulatory requirements and industry practices
- Greater alignment of automated methodologies across business units and portfolios
- Comprehensive set of deliverables, including detailed documentation allowing the Bank to own and implement the methodology without further support from EY

Global Bank Headquartered in the UK

- BAU stress testing tool for credit and business risk; provides rapid results and can embed stress testing into risk management
- Enhanced retail and corporate credit stress testing models, which reduced subjectivity, increased audibility, accuracy and confidence
- An improved process which significantly improved the process time and accuracy of stress testing results

Leading European Bank

- An improved process which significantly improved the process time and accuracy of stress testing results

*Note: The full list of banks is available on www.eba.europa.eu