CONTEXT COVID-19

Strong contraction in economic activity Uncertainty about the economy's recovery profile Liquidity shocks and reassessment of risk premia in international financial markets Very low interest rates







(A) Households



(fine) General government



(Banking sector



VULNERABILITIES

- · High indebtedness
- Low savings
- · High indebtedness
- · High exposure to non-performing loans, public debt and real estate market
- · Low profitability



IMPACT

- · Work stoppage
- Decrease in revenue
- · Decrease in income
- Higher unemployment



- · Increase in expenditure
- · Decrease in revenue
- Rise in debt



- · Fall in real estate prices
- Increase in credit impairment
- Devaluation of securities in the portfolios





MITIGANTS

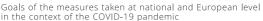
Adjustment prior to the pandemic crisis

- More savings
- · More capital
- Less indebtedness
- · Less indebtedness
- · Less indebtedness
- · Adjustment in fiscal balance
- · More capital · More liquidity
- · More stable financing
- Adequate credit
- standards









· Guarantee liquidity Preserve output

capacity

- Increase capital
- Mitigate income loss Preserve jobs



- · Keep borrowing capacity in sustainable conditions • Create capacity to support the economy
- · Provide funds to the economy to absorb losses





- · Deterioration of financing conditions
- · Decrease in debt servicing capacity
- · Higher default rates
- · Devaluation of exposures to public debt
- · Decline in the value of real estate collateral
- · Pressure on profitability
- · Difficulty increasing capital the context or an incomplete Samuel .

 Money Laundering/Terrorist Financing of an incomplete Banking Union















- · Political and economic fragmentation in the European Union
- Cyber risk associated with the digitalisation of the economy and the financial system
- · Financial risks from climate change













MACROPRUDENTIAL POLICY

- · Flexibility in using the combined buffer requirement, the P2G and the liquidity coverage requirement and changing the composition of the P2R
- · Postponing by one year the phase-in period of the O-SII capital buffer
- Maintaining the countercyclical capital buffer rate at 0% of the total risk exposure amount
- · Reassessing the macroprudential Recommendation to ensure liquidity in the short term and to anchor credit standards in the medium and long term: exemption of new personal credits with maturities of up to two years and duly identified as intended to mitigate households' temporary liquidity shortage situations from compliance with the DSTI ratio limit and with regular principal and interest payments
- · Amending the macroprudential Recommendation: reduction in the maximum maturity for personal credit and in the exceptions to the DSTI ratio limit





