

European Commission Services

European Central Bank

Single Resolution Board



MONITORING REPORT ON RISK REDUCTION INDICATORS¹

—
NOVEMBER 2018

Executive Summary

This is the third edition of the monitoring report on risk reduction indicators,² produced at the request of the President of the Eurogroup (PEG). As per his letter to the President of the Euro Summit of 25 June 2018, this is a regular monitoring exercise. The aim of risk reduction monitoring reports is to provide an updated assessment of how risks are evolving within the banking union (BU) so as to inform political decisions on the entry into force of the next steps in risk sharing. The report has been prepared jointly by the European Commission, the European Central Bank and the Single Resolution Board (SRB).

An overview of all quantitative indicators confirms that, on aggregate, and based on the available data, banks' capital and liquidity positions have continued to improve. At the same time, banks' leverage has decreased while loss-absorbing capacity has increased. Non-performing loans (NPLs) on banks' balance sheets have continued to decline. In addition, progress has continued to be made with the legislative processes for several risk reduction measures at EU and national level (see Annex I and Annex II respectively).

There have been a number of methodological changes compared to the previous iteration of the report which may result in slightly different values compared to the previous edition; key messages observed in previous reports remain unchanged. For further details of those methodological changes, please refer to the Annexes of the report.

¹ Report prepared for the 15 November 2018 Eurogroup Working Group meeting.

² November 2017: <https://www.consilium.europa.eu/media/31936/note-presenting-a-stock-take-of-financial-reforms.pdf> and Annexes.

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Overview of main developments:

Capital position	<p>The average Common Equity Tier 1 (CET1) Capital ratio has improved by 2.8 percentage points (pp) to 13.8% since the establishment of the BU</p> <ul style="list-style-type: none"> ▶ Most Member States (MS) now exhibit higher CET1 Capital ratios than four years ago ▶ Following consecutive improvements in the average CET1 Capital ratio until Q4 2017, Q2 2018 figures saw a 0.5 pp decrease in the CET1 Capital ratio which is mainly attributed to a reduction in CET 1 Capital*, also linked to the IAS39/IFRS9 migration**
Leverage ratio	<p>Banks have, on average, reduced their leverage by 1.1 pp as the average Leverage ratio improved from 4.0% in Q4 2014 to 5.1% in Q2 2018</p>
Liquidity and Net Stable Funding position	<p>The liquidity and net funding position of banks, as measured by the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), continues to be strong. The average LCR and NSFR have consistently been above the 100% minimum fully loaded requirements since the inception of the SSM</p> <ul style="list-style-type: none"> ▶ Improvements in the NSFR from 101.9% in Q4 2014 to 113.2% in Q2 2018 further indicate that the funding profile of banks has, on average, become more robust over the last few years
NPLs	<p>The average NPL ratio has decreased by 3.5 pp since Q4 2014, reaching 4.4% in Q2 2018</p> <ul style="list-style-type: none"> ▶ NPL ratios have decreased for almost all MS, with larger decreases for MS with high NPL ratios
MREL	<p>Overall, banks have made progress in building up their Minimum Requirement for Eligible Liabilities (MREL) capacity in order to reach the steady-state requirement as set by the SRB. The total MREL still needed to reach the level of the requirement is approximately 7.9% of the total requirement.</p>

* In particular the 'accumulated other comprehensive income' and 'retained earnings' categories

** A number of firms chose to take the full deduction rather than making use of the transitional arrangements

Assessment of Risk Reduction indicators

This section assesses (a) the evolution of selected indicators at MS level and (b) how the level of risk in the BU has been affected.

1. Capital position

Quantitative indicators

- **Fully Loaded Common Equity Tier 1 (CET1) Capital Ratio:** Ratio of fully loaded CET1 capital / total risk weighted assets (RWAs) (**Indicator 1: Charts 1.1 and 1.2**)³
- **Fully Loaded Tier 1 (Tier 1) Capital Ratio:** Fully loaded Tier 1 capital / total RWAs (**Indicator 2: Charts 2.1 and 2.2**)⁴
- **Fully Loaded Total Capital Ratio:** Fully loaded total capital / total RWAs ratio (**Indicator 3: Charts 3.1 and 3.2**)⁵

Commentary

- **CET1 Capital Ratio.** Since the end of 2014, the BU weighted average CET1 ratio has improved by 2.8 pp to 13.8% in Q2 2018. Compared with Q4 2017, Q2 2018 marked a 0.5 pp decrease in the CET1 ratio. This change is mainly due to a reduction in CET1 capital, which in turn is driven by “accumulated other comprehensive income” and “retained earnings” (and also linked to the IAS39/IFRS9 migration as a number of firms chose to take the full deduction rather than making use of the transitional arrangements).⁶
- **CET1, Tier 1 and Total Capital Ratios.** Except for the recent drops in Q1 and Q2 2018, there has been a long-term improvement for all three capital measures across banks. (Charts 1.1, 2.1, and 3.1).
- **MS-specific developments.** There have been notable improvements for MS with low capital ratios in 2014, including GR, IE, PT and BE.

³ The CET1 Capital Ratio indicates the extent to which an institution can absorb losses on a going concern basis using CET1 capital resources.

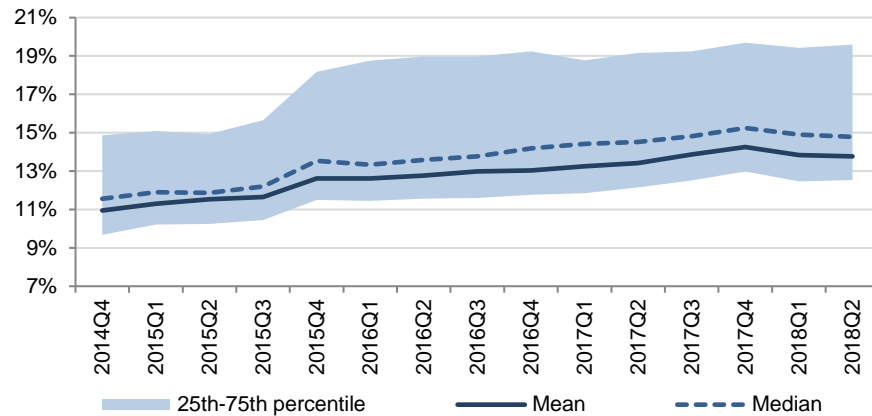
⁴ The Tier 1 Capital Ratio indicates the extent to which an institution can absorb losses on a going concern basis using Tier 1 capital resources (i.e. CET.1 and additional Tier 1 capital resources).

⁵ The Total Capital Ratio indicates the extent to which an institution can absorb losses on a going concern basis using Total Capital resources (i.e. CET.1 and additional Tier 1 capital resources as well as Tier 2 capital).

⁶ On 1 January 2018, IFRS 9 became effective for EU firms. Regulation (EU) 2017/2395 foresees a five year transitional arrangement, allowing institutions to phase in the immediate ('Day 1') capital impact. Institutions should decide whether to apply those transitional arrangements and inform the competent authority accordingly.

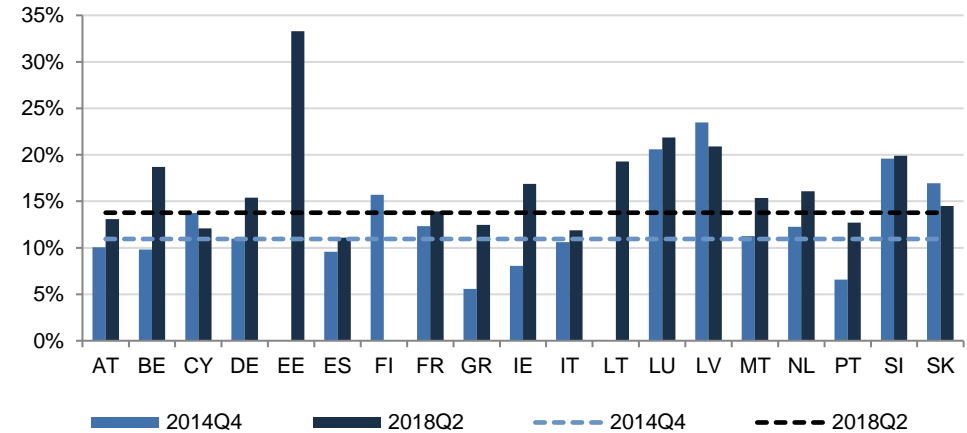
Indicator 1: Fully Loaded CET1 Capital Ratio

Chart 1.1: Fully Loaded CET1 Capital Ratio – Evolution in the BU



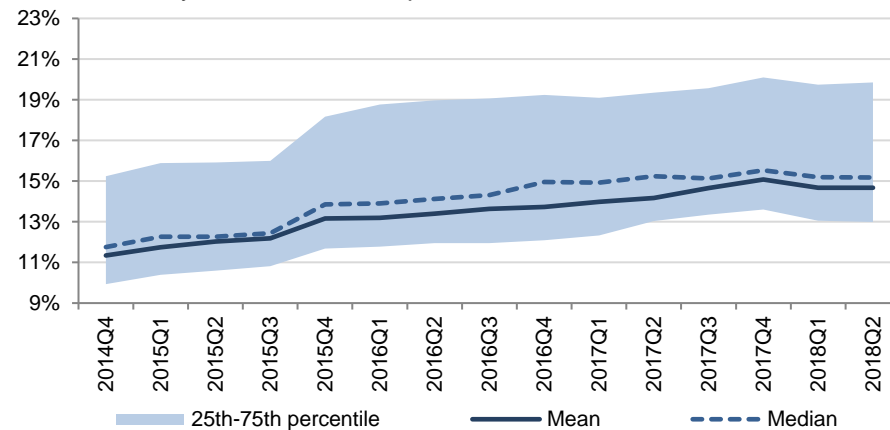
Source: ECB staff contribution, COREP and ECB calculations. See methodological notes in Annex III.

Chart 1.2: Fully Loaded CET1 Capital Ratio by MS



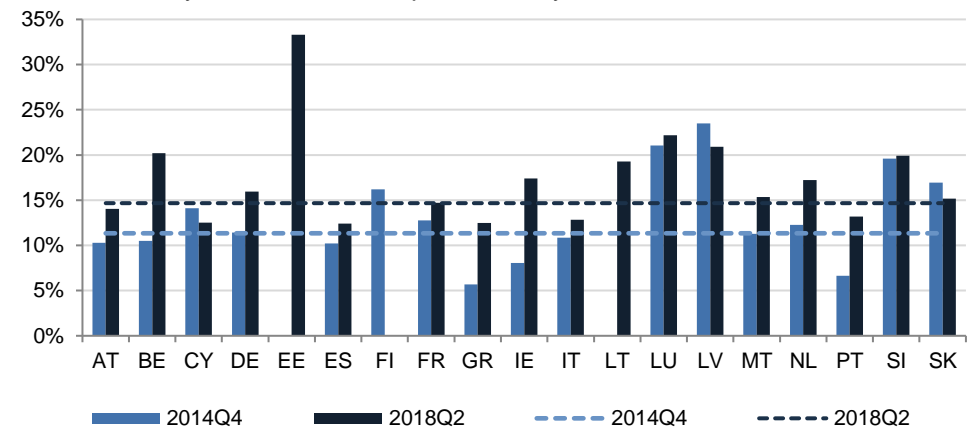
Indicator 2: Fully Loaded Tier 1 Capital Ratio

Chart 2.1: Fully Loaded Tier 1 Capital Ratio – Evolution in the BU



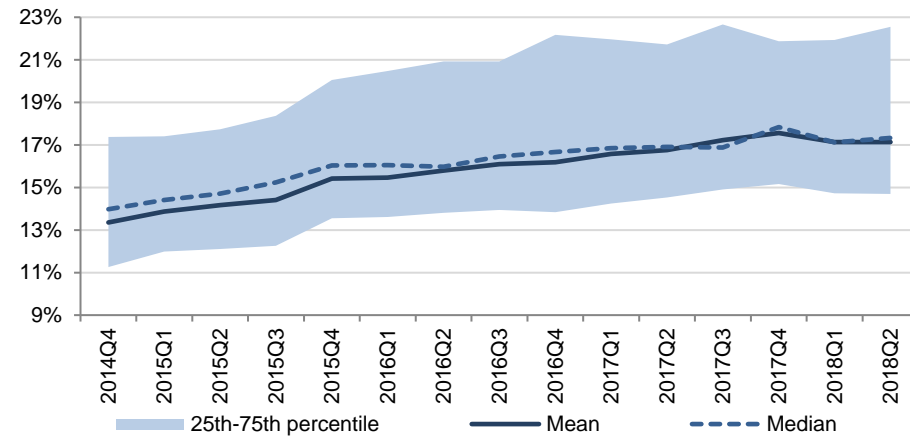
Source: ECB staff contribution, COREP and ECB calculations. See methodological notes in Annex III.

Chart 2.2: Fully Loaded Tier 1 Capital Ratio by MS



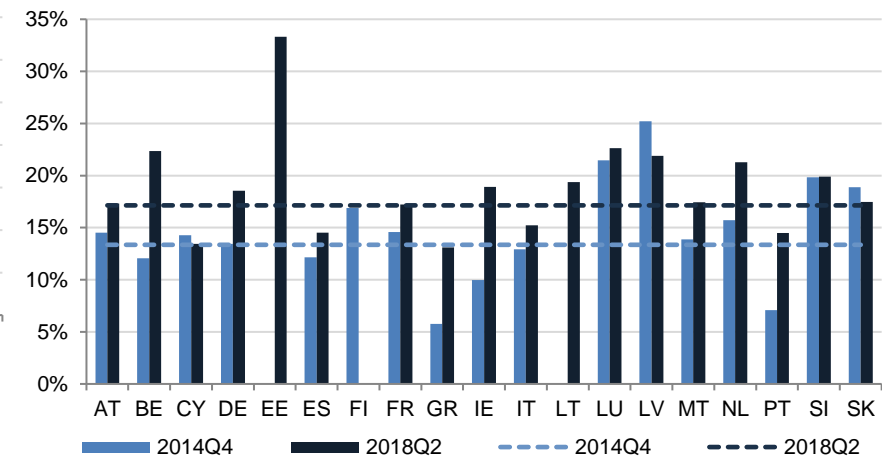
Indicator 3: Fully Loaded Total Capital Ratio

Chart 3.1: Fully Loaded Total Capital Ratio – Evolution in the BU



Source: ECB staff contribution, COREP and ECB calculations. See methodological notes in Annex III.

Chart 3.2: Fully Loaded Total Capital Ratio by MS



2. Leverage

Structural measure

- When adopted, the risk reduction package⁷ will introduce a binding leverage ratio to prevent institutions from accumulating excessive leverage as well as a leverage ratio buffer requirement for institutions qualifying as global systemically important institutions (G-SIIs). The leverage ratio is intended to reinforce the risk-based capital requirements with a simple, non-risk-based 'backstop'.

Quantitative indicator

- **Fully Loaded Leverage Ratio:** Ratio of fully loaded Tier 1 capital / total leverage ratio exposure⁸, as per CRR/D definitions reported in the EBA ITS on supervisory reporting (**Indicator 4, Charts 4.1 and 4.2**)⁹

Commentary

- **Fully Loaded Leverage Ratio.** As highlighted above, banks have, on average, reduced their leverage by 1.1 pp, with the average leverage ratio improving from 4.0% in Q4 2014 to 5.1% in Q2 2018.
- **Q1 2018 data point.** With the exception of Q1 2018, leverage ratios have tended to improve consistently across the BU since Q4 2014. The 0.3 pp decrease in Q1 2018 figures is primarily due to a decrease in Tier 1 capital (numerator) and to a lesser extent by an increase in overall leverage exposure (denominator). The decrease in Tier 1 capital was in turn driven by the reduction in CET1 capital ("accumulated other comprehensive income" and "retained earnings"), also linked to the IAS39/IFRS9 migration (whereby a number of firms chose to take the full deduction rather than making use of the transitional arrangements).¹⁰
- **MS-specific developments.** With the exception of CY, LU, LV and SK, which had lower weighted average fully loaded leverage ratios in Q2 2018 compared to Q4 2014, most MS have seen a material increase in the aggregate leverage ratio.

⁷ For an overview of the key proposals in the the risk reduction package, please see Annex I. This legislative package of reforms was proposed by the Commission on 23 November 2016 and is currently subject to Trilogue negotiations (see http://europa.eu/rapid/press-release_IP-16-3731_en.htm).

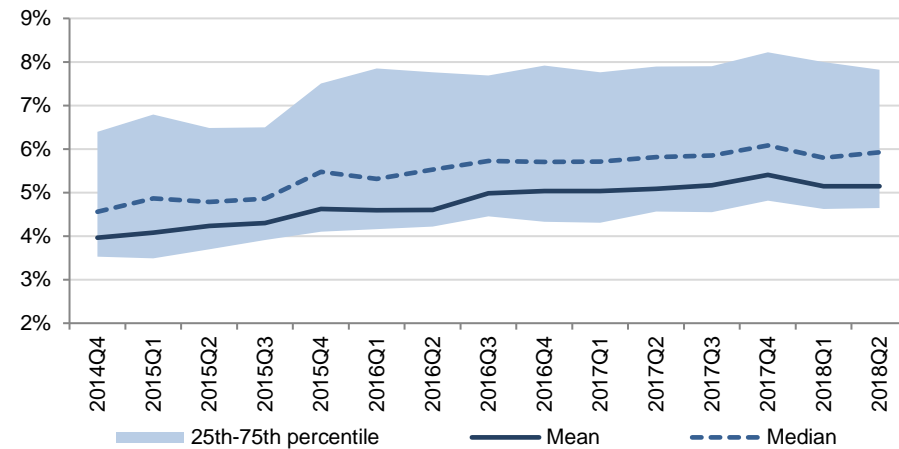
⁸ The exposure measure includes both on-balance sheet exposures and off-balance sheet items. On-balance sheet exposures are generally included at their accounting value, although exposures arising from derivative transactions and securities financing transactions are subject to separate treatment (in essence, amounts owed to a bank are excluded while any on-balance sheet collateral related to such transactions is included).

⁹ The Fully Loaded Leverage Ratio indicates the level of dependence on either shareholder or external financing for usual financing activities as defined by the institution's business model. This ratio uses Tier 1 capital to judge how leveraged a bank is in relation to its consolidated assets. The higher the leverage ratio, the greater the resilience to shocks affecting a bank's balance sheet.

¹⁰ On 1 January 2018, IFRS 9 became effective for EU firms. Regulation (EU) 2017/2395 foresees a five year transitional arrangement, allowing institutions to phase in the Day 1 capital impact. Institutions should decide whether to apply those transitional arrangements and inform the competent authority accordingly.

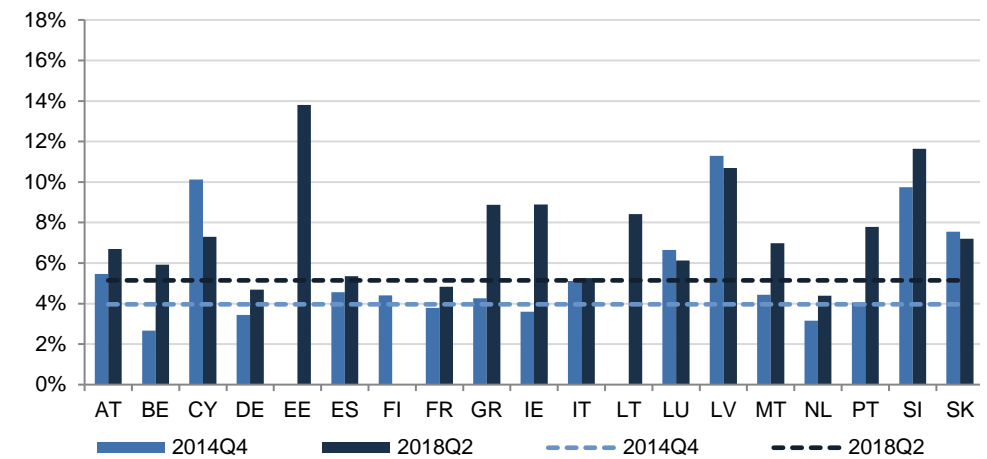
Indicator 4: Leverage Ratio

Chart 4.1: Fully Loaded Leverage Ratio – Evolution in the BU



Source: ECB staff contribution, COREP, ECB calculations. See methodological notes in Annex.

Chart 4.2: Fully Loaded Leverage Ratio by MS



3. Liquidity and funding position

Structural measure

- When adopted, the risk reduction package¹¹ will introduce a binding net stable funding ratio (NSFR) to address previous excessive reliance on short-term wholesale funding and to reduce long-term funding risk.

Quantitative indicators

- **Fully Loaded Liquidity Coverage Ratio (LCR):** Ratio of liquidity buffer / net liquidity outflow (**Indicator 5: Charts 5.1 and 5.2**)¹²
- **Fully Loaded NSFR:** Ratio of available stable funding (ASF) / required stable funding (RSF) (as reported in SSM Short Term Exercise and Basel III monitoring exercise templates), (**Indicator 6: Charts 6.1 and 6.2**)¹³

Commentary

- **Fully Loaded LCR.** On a BU aggregate level, the mean and median weighted average LCR figures have been above the minimum fully phased-in requirement of 100% since the start of the reporting period in Q4 2014.
- **Fully Loaded NSFR.** On a BU aggregate level, the mean and median weighted average NSFR figures have been above the minimum fully phased-in requirement of 100% since the first reporting point in Q4 2014 and the weighted average has improved further by 11.3 pp to 113.2% since then.
- **MS-specific NSFR developments.** Almost all MS met the fully phased-in minimum requirement of 100% in Q2 2018.

¹¹ For an overview of the key proposals in the risk reduction package, please see Annex I. This legislative package of reforms was proposed by the Commission on 23 November 2016 and is currently subject to Trilogue negotiations (see http://europa.eu/rapid/press-release_IP-16-3731_en.htm).

¹² The fully loaded LCR indicates whether an institution has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash with little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar-day liquidity stress scenario.

¹³ The NSFR indicates the ASF (calculated using liabilities) as a percentage of the RSF (calculated using assets).

Indicator 5: Fully Loaded Liquidity Coverage Ratio (LCR)

Chart 5.1: Fully Loaded LCR – evolution in the BU

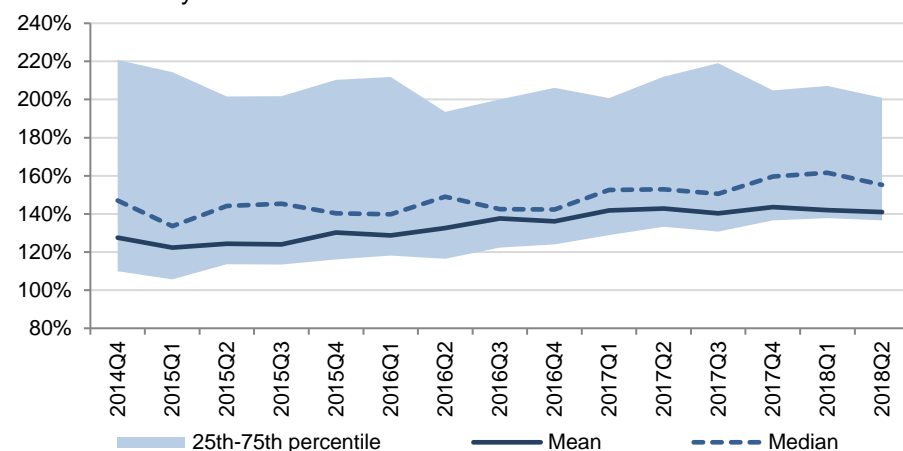
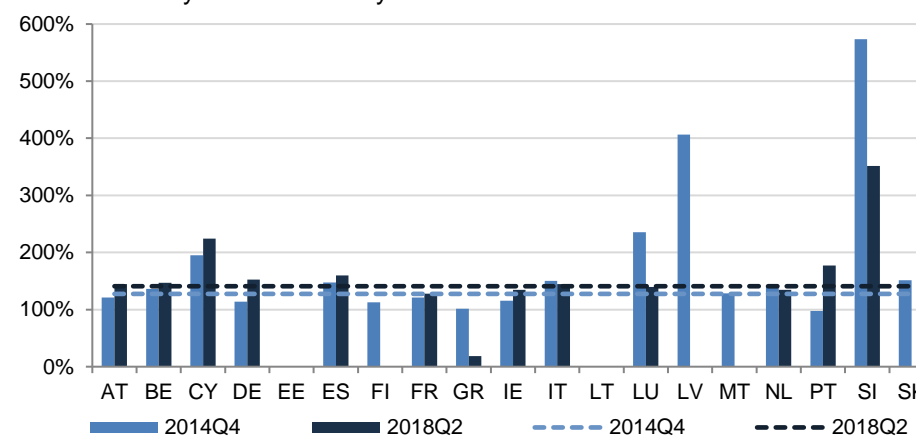


Chart 5.2: Fully Loaded LCR by MS



Source: ECB staff contribution. COREP, STE and ECB calculations. The figures for Greek banks should be interpreted carefully as external factors are hindering the use of the LCR as a measure of progress on risk reduction for these banks. See methodological notes in Annex III.

Indicator 6: Fully Loaded NSFR

Chart 6.1: NSFR – Evolution in the BU

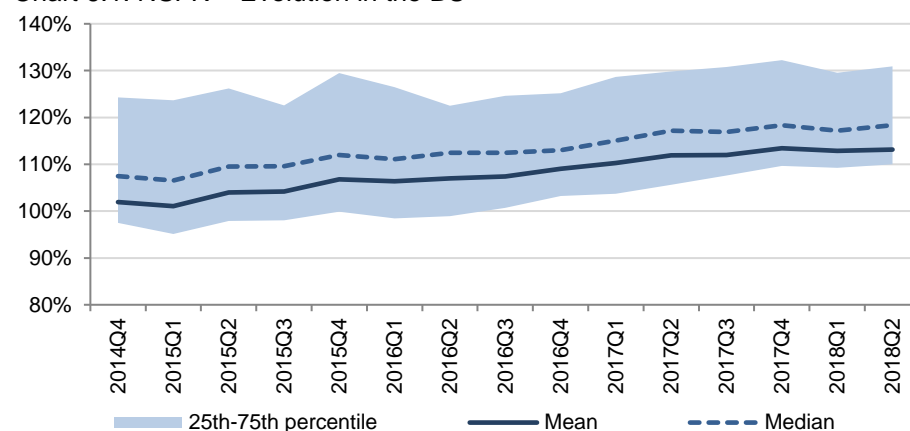
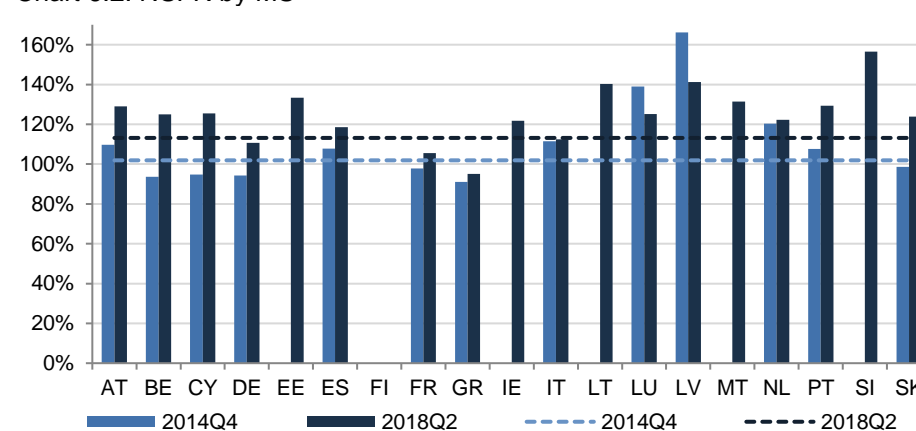


Chart 6.2: NSFR by MS



Source: STE, ECB calculations. The values for Austria, Belgium, Germany, Ireland, Italy, Malta and the Netherlands in 2014 Q4 might be affected by missing data for a small number of banks. See methodological notes in Annex III

4. MREL

Structural measures

Progress made to date:

- **Bank Creditor Hierarchy Directive** (Directive (EU) 2017/2399 published on 12 December 2017 (transposition ongoing). The adoption and transposition of the Bank Creditor Hierarchy Directive ((EU) 2017/2399) enhances legal certainty regarding compliance with the subordination requirement and contributes to the increased issuance of senior non-preferred debt;
- **Adoption of SRB 2017 MREL policy.** This forms the basis for decisions on MREL requirements during the 2017 resolution planning cycle.

Ongoing:

- Risk reduction package¹⁴ to be finalised in 2018 and adopted in 2019.
- SRB 2018 MREL policy due to be adopted by the end of 2018. This will form the basis for decisions on MREL requirements (solo and consolidated levels) during the 2019 resolution planning cycle.

Quantitative indicators¹⁵

- **MREL Target:** MREL consolidated target and subordinated requirement, expressed as a percentage of total risk exposure amount (TREA)¹⁶ per MS (**Indicator 7: Chart 7.1**)
- **Outstanding MREL Eligible Liabilities:** Outstanding stock of MREL eligible subordinated and non-subordinated instruments (including own funds instruments), expressed as a percentage of TREA per MS (**Indicator 8: Chart 8.1**)
- **MREL Shortfall:** Computed as the difference between the MREL requirement and the outstanding stock of MREL-eligible instruments. The part of the total MREL shortfall referring to subordinated debt is also presented. Variables are expressed in € millions and as a percentage of TREA per MS (**Indicator 9: Charts 9.1 and 9.2**)

¹⁴ For an overview of the key proposals in the risk reduction package, please see Annex I. This legislative package of reforms was proposed by the Commission on 23 November 2016 and is currently subject to Trilogue negotiations (http://europa.eu/rapid/press-release_IP-16-3731_en.htm).

¹⁵ For further details of data composition, please see Annex III.

¹⁶ The MREL requirement in the existing BRRD/SRMR framework is calibrated on the basis of total liabilities and own funds. Nevertheless, for presentation and comparability reasons, certain MREL related indicators are presented on the basis of TREA, unless specified otherwise.

Commentary

- **Outstanding stock of MREL eligible subordinated and non-subordinated instruments.** Banks under the SRB remit are making progress in issuing new MREL eligible instruments and adjusting their balance sheets. As at 31 December 2017, the stock of MREL eligible instruments accounted for 33.8% of TREA, of which more than two thirds was composed of subordinated instruments. On average, subordinated instruments account for a substantial percentage of TREA (23.1%).
- **MREL shortfall.** 14 of the 16 MS display a shortfall. That said, the bulk of the shortfall remains concentrated in 5 MS. Overall, the total shortfall amounts to €136,616 million. In relative terms, the proportion is moderate, at around 2% of TREA. Of the above-mentioned total shortfall, the subordinated part is low, standing at €13,348 million, which reflects both the gradual approach of the SRB in terms of subordination policy deployment and the shift to more subordinated issuances. As at 31 December 2017, total MREL needs represented approximately 7.9% of the total consolidated MREL requirement.

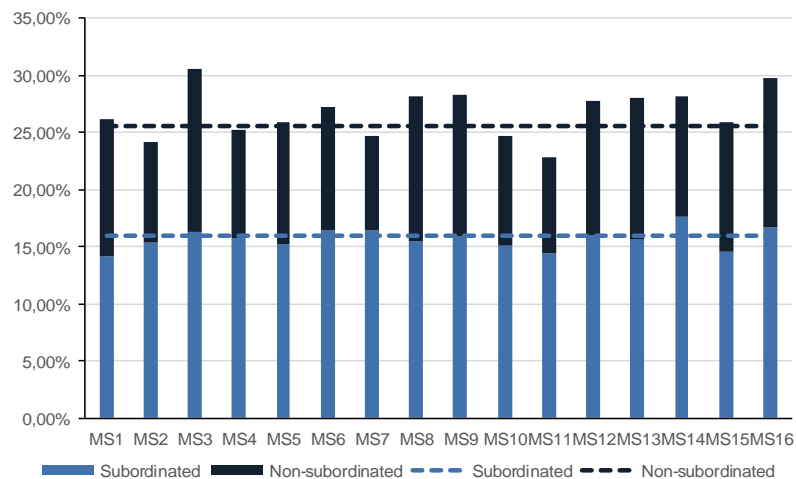
Qualitative assessment

- **Sector consolidation.** According to the SRB's 2017 annual report,¹⁷ the number of institutions under its remit fell from 139 in 2016 (of which 130 were banking groups) to 127 in 2017 (of which 119 were banking groups). Thus, over the course of 2017, a total of 12 institutions left the SRB's remit due to mergers and acquisitions, liquidation, withdrawal of banking licenses and bank restructuring activities.
- **Increasing number of resolution plans.** As part of the 2017 resolution planning cycle, the SRB drafted 106 resolution plans in its capacity as of home resolution authority for groups under its remit as well as 5 resolution plans as a host resolution authority. Thus, it drafted a total of 111 resolution plans, an increase of 13% compared with 2016. Resolution plans for banks and groups representing 83% of all banks and groups under the SRB's remit have been completed (as at the end of 2017).

¹⁷ https://srb.europa.eu/sites/srbsite/files/srb_annual_report_2017_en_0.pdf

Indicator 7: MREL Target

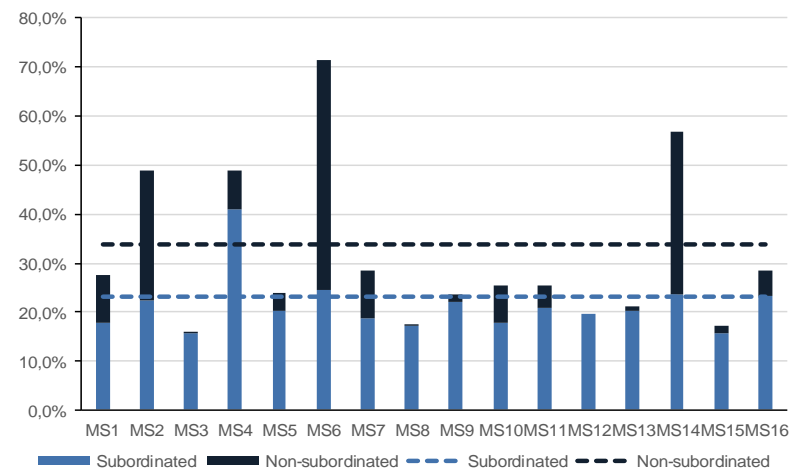
Chart 7.1: Consolidated MREL Target Requirement per MS, % TREA



Source: SRB staff contribution and SRB/Commission calculations. See methodological notes in Annex III.

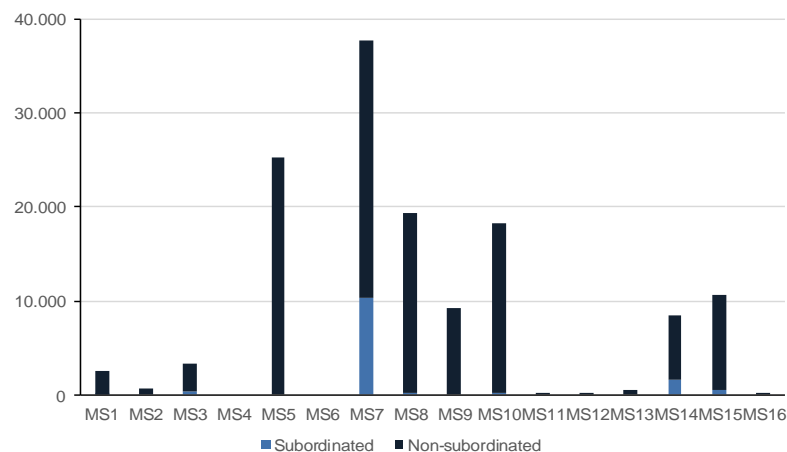
Indicator 8: Outstanding MREL Eligible Liabilities

Chart 8.1: Outstanding Stock of MREL Eligible Liabilities per MS, % TREA



Indicator 9: MREL Shortfall

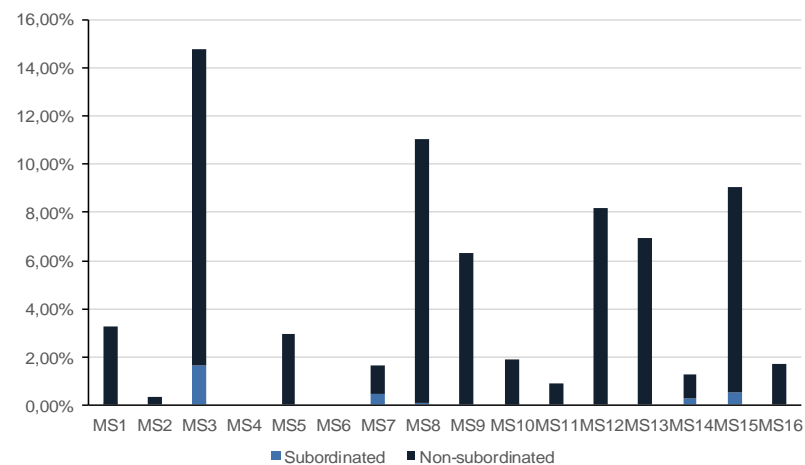
Chart 9.1: MREL Shortfall per MS, €millions



Source: SRB staff contribution and SRB/Commission calculations. See methodological notes in Annex III.

Indicator 9: MREL Shortfall

Chart 9.2: MREL Shortfall per MS (% of TREA)



5. NPLs

Structural measures

- **Legislative proposals (“NPL Package”).** In March 2018 the Commission proposed legislative measures on NPLs that aim to speed up progress already made in reducing NPLs and prevent their renewed build-up. Both proposals are currently being discussed by co-legislators.
 - The proposal for a regulation introducing common minimum coverage levels for newly originated exposures that become non-performing will make banks set aside funds to cover the risks associated with future non-performing exposures (NPEs) (“prudential backstop”). In October 2018, negotiations in the Council resulted in the successful agreement of a general approach.
 - The proposal for a directive on credit servicers, credit purchasers and the recovery of collateral will provide banks with an efficient out-of-court value recovery mechanism for secured loans and will encourage the development of secondary markets where banks can sell their NPLs to investors and make use of specialist credit servicers
- **National legislative measures.** Several EU MS have adopted or amended legislation with the aim of reducing NPLs (see Annex II). About half of the MS have implemented legal reforms relating to insolvency and foreclosure (CY, GR, ES, IT, IE, LV, HU, PT and SK), the cooperative or savings bank sectors (ES, IT and LT), legislation governing new sales of loans legislation (IE, CY) or the introduction of a subsidy scheme (CY).

Other measures

- **AMC blueprint.** As part of the March 2018 NPL package the Commission published a staff working document providing non-binding technical guidance (a so-called “blueprint”) on how national asset management companies (AMCs) can be set up.
- **EU-wide NPE guidelines.** Based on the ECB’s guidance to SSM banks on NPLs the EBA issued guidelines on the management of non-performing and forborne exposures in October 2018. The objective of these guidelines is to achieve effective and efficient management of exposures, as well as a sustainable reduction in the amount of NPLs in banks’ balance sheets.
- **Supervisory expectations on NPL provisioning.** In March 2018, the ECB published an Addendum to its qualitative NPL guidance specifying the ECB’s supervisory expectations as regards prudent levels of provisions for exposures that become non-performing after 1 April 2018. Moreover, the ECB announced in July 2018 that it would engage with each supervised institution to define its supervisory expectations with regards to the stock of NPLs with the aim of achieving consistent coverage of NPL stock and flow over the medium-term.
- **Enhanced disclosure requirements on asset quality and NPEs for all EU banks.** Based on the ECB’s NPL guidance, the EBA has developed guidelines specifying a common content and uniform disclosure formats on information on NPEs, forborne exposures and foreclosed assets that banks should disclose.
- **Improved loan tape information.** In order to strengthen data infrastructure with regard to uniform and standardised data for NPLs, the EBA issued templates on loan tape monitoring in December 2017 and updated them in September 2018. These

standardised NPL templates are not part of supervisory reporting, but banks and investors are encouraged to use them in their transactions.

Quantitative indicators

- **Gross NPE Ratio:** Ratio of gross non-performing exposures¹⁸ (NPEs) / total gross loans, advances and debt securities (**Indicator 10: Charts 10.1 and 10.2**)
- **Gross NPL Ratio:** Ratio of gross non-performing loans¹⁹ (NPLs) / total gross loans and advances (**Indicator 11: Charts 11.1 and 11.2**)
- **Net NPL Ratio:** Ratio of non-performing loans and advances net of allowances and other adjustments to total net loans and advances (**Indicator 12: Charts 12.1 and 12.2**)
- **NPL Coverage Ratio:** Ratio of accumulated allowances and credit risk adjustments / total gross NPLs²⁰ (**Indicator 13: Charts 13.1 and 13.2**)
- **Collateral coverage ratio:** Ratio of collateral received for non-performing loans and advances to total gross NPLs²¹ (**Indicator 14: Charts 14.1 and 14.2**)

Commentary

- **NPE, NPL and Net NPL Ratio.** There has been progress on NPE, NPL and the net NPL ratio both in terms of weighted average and all across the distribution since Q4 2014.²²
- **MS-specific developments for NPEs, NPLs and Net NPL Ratios.** There has been progress in most MS, with larger decreases for countries with high levels of NPEs (CY, IE, IT and PT). In GR, NPL stocks decreased, but the impact on the ratio was offset by a decline in total loans.
- **Weighted Average NPL Coverage Ratio.** The weighted average NPL coverage ratio improved slightly.²³ A more significant increase in the weighted average was observed between Q4 2017 and Q1 2018, due to both an increase in allowances and a decrease in NPLs.
- **MS-specific developments for Average NPL Coverage Ratio.** There were improvements in coverage for 8 of the 13 MS in the sample over this period, including several high-NPL countries (CY, GR, IT and PT), while IE and NL recorded the largest declines in average coverage.
- **Collateral Coverage Ratio.** The percentage of NPLs covered by collateral decreased from 40.0% in Q4 2014 to 34.6% in Q2 2018, which in turn led to a larger percentage of unsecured NPL exposures.

¹⁸ The gross NPE ratio indicates the credit risk arising from loans, advances and debt securities. Loans, advances and debt securities are reported gross of allowances and credit risk adjustments.

¹⁹ The gross NPL ratio indicates the credit risk arising from loans and advances. Non-performing loans and advances are reported gross of allowances and credit risk adjustments.

²⁰ The NPL coverage ratio indicates the extent to which losses on NPLs are covered by provisions.

²¹ The collateral coverage ratio indicates the extent to which NPLs are secured by collateral such as movable and immovable property, amongst others.

²² In particular, the interquartile range (25th to 75th percentiles) has narrowed for all three measures, which was mainly attributable to the large decrease observed for the 75th percentile.

²³ Across the distribution, the interquartile range has widened over the last year, driven by both a decrease in the 25th percentile and an increase in the 75th percentile.

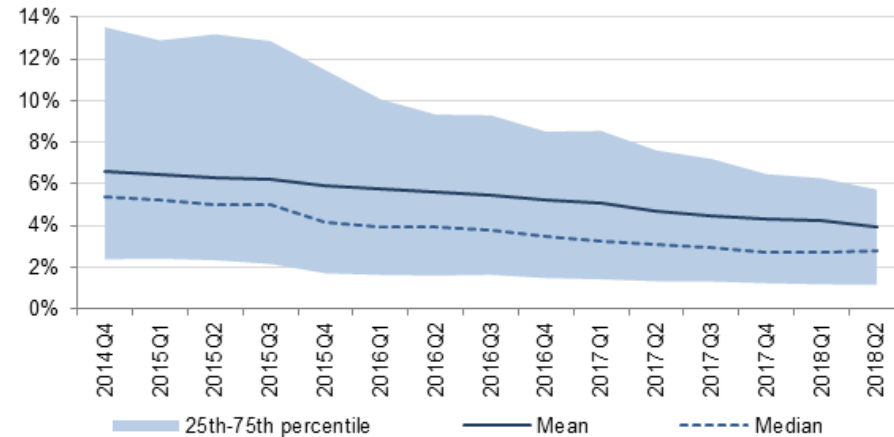
- **MS-specific developments for the Collateral Coverage Ratio.** 4 out of 13 MS in the sample have seen an increase in collateral coverage over this period, while the other 9 have seen declines.

Qualitative assessment

- **NPL reduction initiatives.** More than half of the MS have taken steps to reduce NPLs – e.g. by means of sales of NPLs (GR, ES, IT, IE, CY and PT), transfers of legacy assets to external asset management companies (ES and IE), securitisation schemes supported by state guarantees (IT), and improved arrears management and NPL workouts in banks (DE, IE, EE, ES, CY, LT and LV).
- **Q3 2018 developments.** Since June 2018, various credit institutions in CY have made significant progress in tackling NPLs (creation of a residual entity and removal of a sizeable NPL portfolio from outside banking systems, as well as the sale of NPL portfolios to AMCs), as have credit institutions in ES (large portfolio disposals by two major banks and acceleration of balance sheet clean-up).
- **Secondary markets.** Activity on secondary markets for NPLs is growing in some MS (IT, IE, ES, GR, CY and PT). Interest from investors is rising and the volume of NPL-related transactions is increasing.

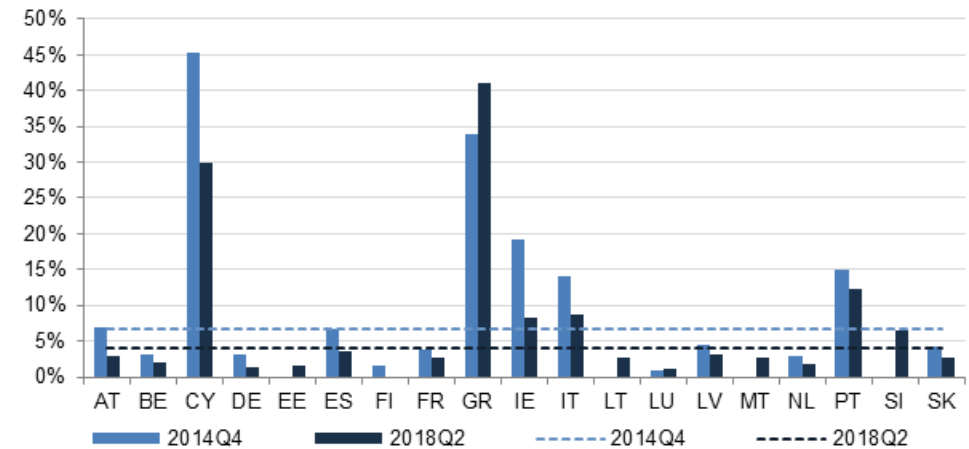
Indicator 10: Gross NPE Ratio

Chart 10.1: NPE Ratio – evolution in the BU



Source: ECB staff contribution, FINREP and ECB calculations.

Chart 10.2: NPE Ratio by MS



Indicator 11: Gross NPL Ratio

Chart 11.1: NPL Ratio - Evolution in the BU

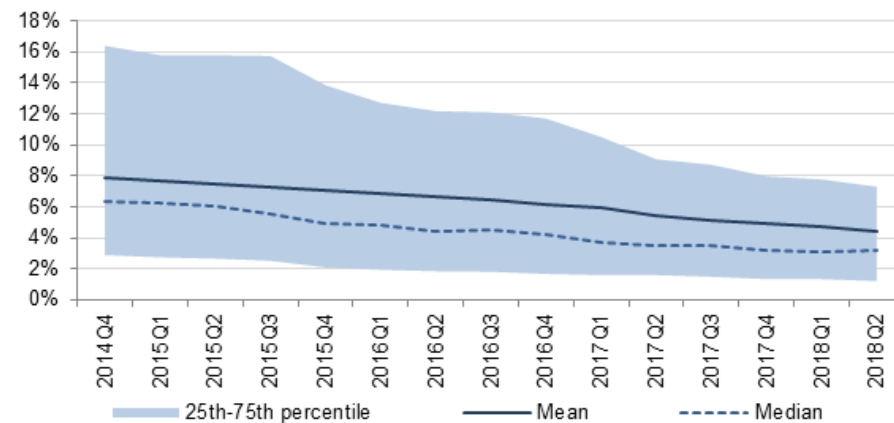
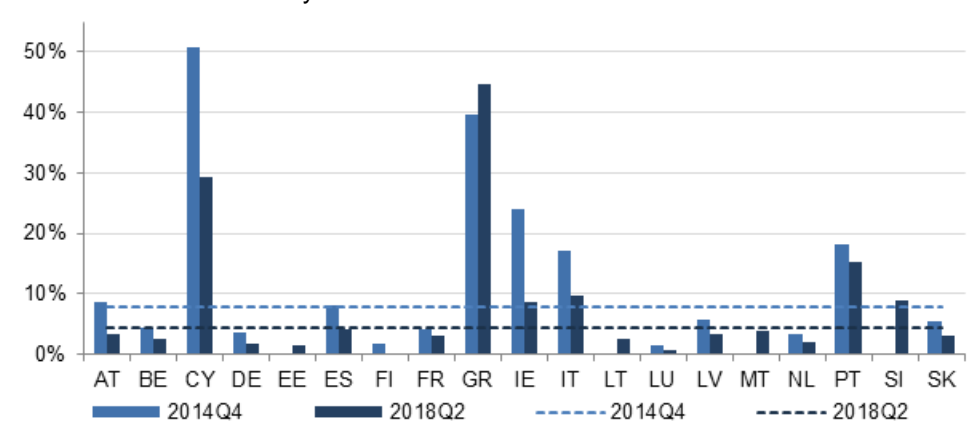


Chart 11.2: NPL Ratio by MS



Source: ECB staff contribution, FINREP and ECB calculations. Non-performing loans and advances gross of allowances and credit risk adjustments to total gross loans and adjustments.

Indicator 12: Net NPL Ratio

Chart 12.1: Net NPL Ratio – Evolution in the BU

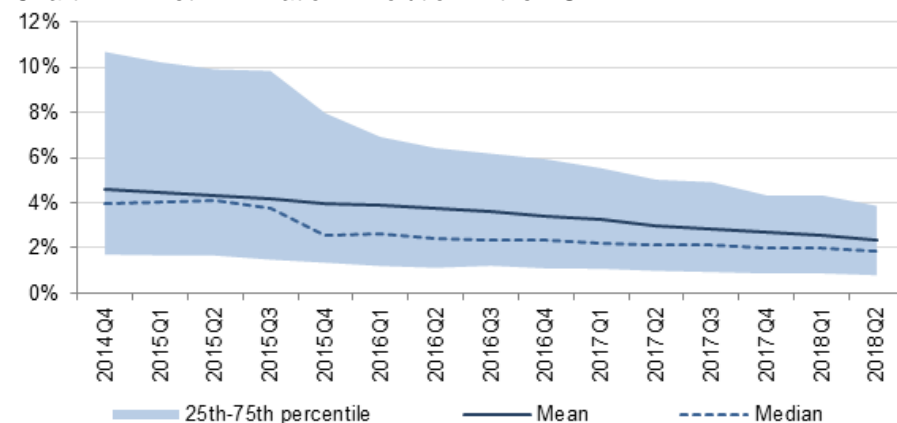
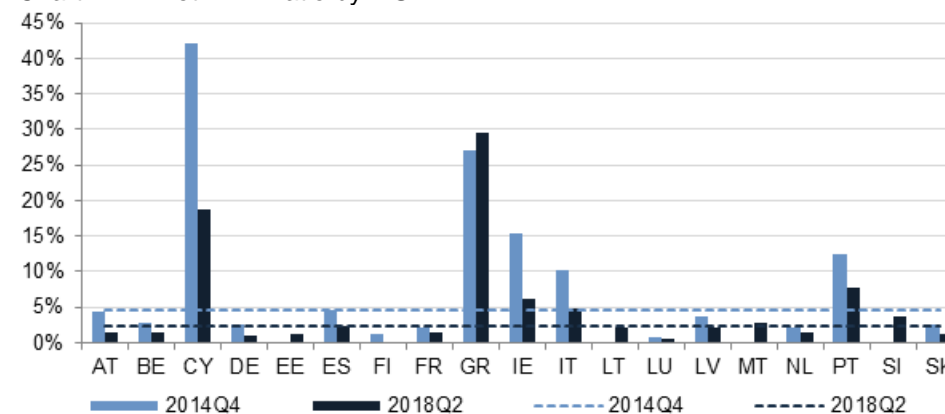


Chart 12.2: Net NPL Ratio by MS



Source: ECB staff contribution, FINREP and ECB calculations. Ratio of on-performing loans and advances net of allowances and other adjustments to total net loans and advances.

Indicator 13: NPL Coverage Ratio

Chart 13.1: NPL Coverage Ratio – Evolution in the BU

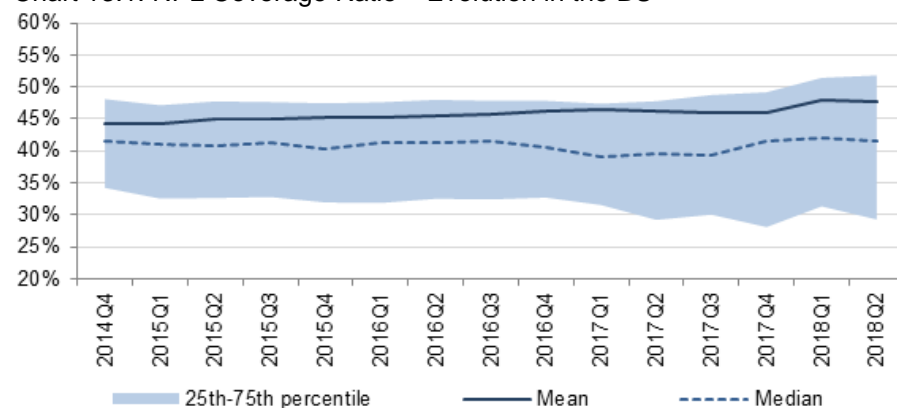
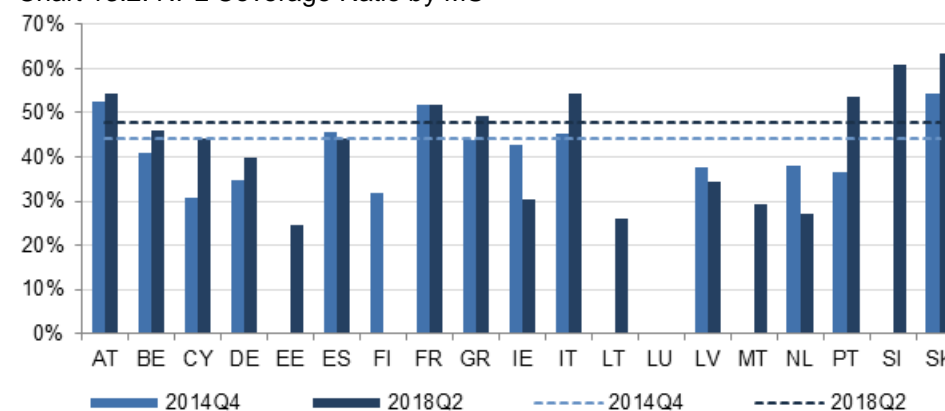


Chart 13.2: NPL Coverage Ratio by MS



Source: ECB staff contribution, FINREP and ECB calculations. Accumulated allowances and credit risk adjustments to total gross NPLs. Source: FINREP, ECB calculations.

Indicator 14: Collateral Coverage Ratio

Chart 14.1: Collateral Coverage Ratio – Evolution in the BU

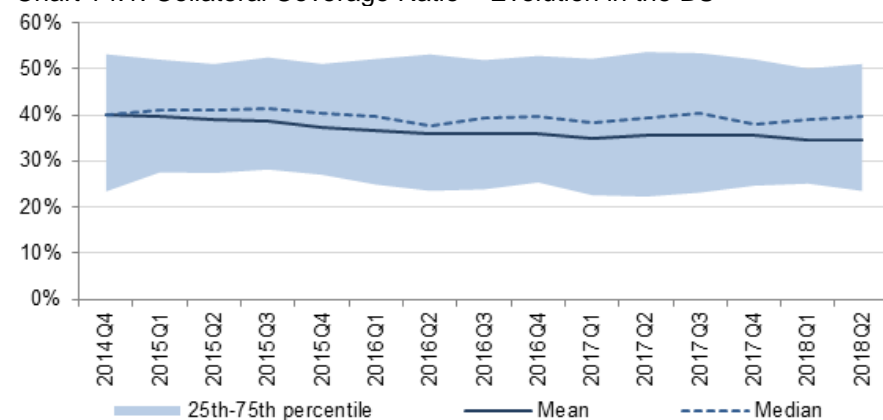
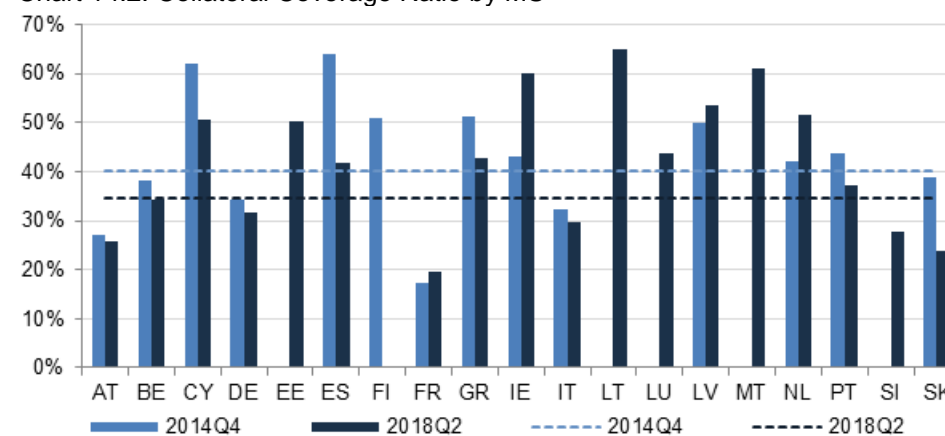


Chart 14.2: Collateral Coverage Ratio by MS



Source: ECB staff contribution, FINREP and ECB calculations. Collateral received on non-performing loans and advances to total gross NPLs.

Overview of Annexes

Annex I provides an update on relevant legislative measures. This list includes both risk reduction and risk sharing measures which are already in force or under negotiation.

Annex II presents details of other national measures that have been adopted in addition to transposing agreed EU legislation. This list of national measures, which is not exhaustive, provides details of some of the key measures covered by the *semester country surveillance reports*.

Annex III contains the methodological notes covering data sources, the scope of the analysis, time series samples, the metrics used, confidentiality criteria applied, the treatment of missing data and caveats applied to the charts displayed.

Annex IV presents formulae with reference to the ITS data points used to compute the different indicators.

Annex I: State of play as regards selected EU banking legislative measures relevant for risk reduction and risk sharing

Measure	Description
Already agreed and in force	
CRR/CRDIV including technical standards	Introduces new definition of capital, CVA surcharge, capital buffers, liquidity requirements, leverage ratio reporting and disclosure requirements, stricter governance requirements (including limits on bonuses) and benchmarking of internal models for calculating capital requirements.
Single Supervisory Mechanism Regulation (SSMR)	A single supervisory mechanism has been established, in order to (i) ensure supervision of the highest quality, (ii) implement EU policy on prudential supervision of credit institutions in a coherent and effective manner, and (iii) apply the single rulebook in a consistent manner.
Single Supervisory Mechanism (SSM)	The SSM became fully operational in 2014, with the ECB taking responsibility for supervising the most important banks in the euro area. The SSM adopts measures aimed at addressing risks in the euro area banking system and seeks to further reduce financial fragmentation.
Bank Recovery and Resolution Directive (BRRD)	New rules to manage the orderly recovery and restructuring of banks that are failing or at risk of failing.
BRRD delegated acts (level 2 legislation)	Specifies the content of recovery plans, resolution plans and group resolution plans, critical functions and core business lines/ex post contributions, exclusions from the application of write-down or conversion powers, MREL calibration methodology, methodologies and principles governing valuations, and minimum elements of a business reorganisation plan. Implementing Regulation on standardised formats and templates for reporting.
Single Resolution Mechanism Regulation (SRMR)	New rules to manage the orderly recovery and restructuring of banks that are failing or at risk of failing in the euro area. The legal provisions for the creation of a Single Resolution Fund are in place. So far, €24.9 billion has been collected in contributions from the banking industry. (In December 2013, the expected target level was €55 billion.) In 2018, 67% of the funds in all national compartments are mutualised. Those compartments will progressively be merged, with that process being completed in 2023.
Deposit Guarantee Scheme Directive (DGSD)	New rules for the funding of deposit guarantee schemes.
CRR/CRD delegated acts on leverage ratio and LCR	Delegated acts amending the methodology for calculating the leverage ratio and introducing an LCR requirement.
Single Resolution Mechanism (SRM)	The SRM has become operational, with a new EU agency, the Single Resolution Board, assuming responsibility for dealing with failing banks in the euro area.
Partial harmonisation of bank creditor hierarchy (BRRD Art. 108)	Adopted in December 2017; transposed by some Member States; official deadline for transposition is 29 December 2018. Creation of a new class of senior non-preferred debt to facilitate compliance with subordinated TLAC/MREL requirements achieved through modifications to BRRD Article 108.
Proposed by the Commission	
Risk reduction package – resolution (TLAC/MREL and moratorium tool)	Agreement of Council general approach and Parliament ECON committee vote in May and June 2018 respectively. Trilogue negotiations ongoing. Amendments to the BRRD/SRMR/CRR/CRD with a view to implementing the total loss absorbing capacity (TLAC) standard and

Measure	Description
	<p>reviewing the minimum requirement for own funds and eligible liabilities (MREL), implementing the MREL allocation within groups (internal MREL).</p> <p>Amendments to the BRRD with a view to harmonising moratorium tools and ensuring more proportionate recognition of bail-in powers in third countries.</p>
Risk reduction package – prudential (CRR/CRD review)	<p>Agreement of Council General Approach and Parliament ECON committee vote in May and June 2018 respectively. Trilogue negotiations ongoing.</p> <p>Amendments to the CRR/CRDIV to, inter alia, implement and finalise remaining Basel reforms, including the introduction of:</p> <ul style="list-style-type: none"> - a binding leverage ratio; - a binding net stable funding ratio; - more risk-sensitive capital requirements, particularly in the area of market risk, counterparty credit risk and exposures to central counterparties; - more stringent large exposure limits for G-SIIs. <p>Amendments to enhance consolidated supervision (requirement for third-country groups to set up an EU-based intermediate parent undertaking (IPU) or authorisation requirements for (mixed) financial holding companies).</p> <p>Amendments to allow for cross-border capital and liquidity waivers, subject to safeguards. Proportionality-enhancing amendments, which are intended to reduce undue administrative burdens and improve banks' lending capacity.</p>
Insolvency law	Council general approach agreed. Proposal for a directive on preventive restructuring framework, second chances and measures to increase the efficiency of restructuring, insolvency and discharge procedures.
Investment firms	Prudential banking supervision for large investment firms.
Measures to address NPLs	Interpretation of existing supervisory powers aimed at addressing potential under-provisioning of NPLs.
	Blueprint on the setting-up of national AMCs.
	Proposal for a directive on credit servicers, credit purchasers and the recovery of collateral.
	Fostering of transparency and improvements to data infrastructure on NPLs.
	Benchmarking of national loan enforcement (including insolvency) systems from a bank creditor perspective.
	Proposal for a regulation amending the Capital Requirements Regulation which introduces statutory prudential backstops to prevent the build-up of future NPLs without sufficient loan loss coverage and a common definition of NPEs.
	Measures building on the improvements introduced by IFRS9 (i.e. higher and earlier loan loss provisioning for credit risk).
Sovereign bond-backed securities (SBBSs)	An enabling framework for securities that allows for pooling and possibly tranching of sovereign bonds from different Member States.

Annex II: Other National Risk Reducing Initiatives

Disclaimer: The summary and table below provide a non-exhaustive overview of the key national measures adopted by MS in order to reduce risks on the basis of the semester country surveillance reports. Where appropriate, MS are invited to provide comments in order to update the table.

Key points

- **Legal/judicial, tax or other reforms.** Over time, about half of the MS have implemented reforms in the following areas:
 - legal frameworks governing insolvency and foreclosure (CY, GR, ES, IT, LV, HU, PT and SK);
 - cooperative or savings bank sectors (ES, IT and LT);
 - strengthening of limits on related-party exposures (BG);
 - aid schemes for distressed borrowers (IE);
 - tax changes (HR and NL);
 - new legislation on sales of loans (CY);
 - improvements to financial consumer protection (ES).

Since June 2018, amendments have been adopted or implemented in relation to banking and payment supervision (BG), company, bankruptcy, insolvency and securities law with a view to reducing NPLs (CY), the introduction of a subsidy scheme (CY), the introduction of e-auctions (GR), and the writing-off of past-due debts of individuals to public authorities (HR).

- **Prudential supervisory actions.** More than half of the MS have undertaken reforms in relation to the implementation of banking sector AQRs/stress tests and non-banking balance sheet reviews (BG and UK) and other supervisory measures aimed at increasing provisioning for NPLs (IE, ES, HR, CY, RO and SI), introducing bank-specific NPL reduction targets (GR, CY, IE, MT, PT and SI) and strengthening banking and non-banking supervision (BG, ES and PT).

Since June 2018, additional supervisory measures related to “connected lending” have been adopted (BG), minimum risk weights for residential mortgages have been raised (FI), sales of NPLs have been increased owing to provisioning needs (IE), and changes to mortgage guidelines have been introduced.

- **NPL management initiatives.** More than half of the MS have implemented reforms in this area, with measures relating, for example, to sales of NPLs (DK, GR, ES, IT, CY, RO and UK), transfers of legacy assets to external asset management companies (DK, ES, IE and HU), and improvements to arrears management and NPL workouts in banks (BG, DE, EE, ES, CY, LT, LV, RO and UK).

Since June 2018, progress in tackling NPLs in the banking sector has been achieved through the creation of a residual entity, the removal of a sizeable NPL portfolio and the sale of NPL portfolios to asset management companies (CY), as well as through the disposal of large portfolios by two major banks and the acceleration of a balance sheet clean-up (ES).

- **Macroprudential measures.** Less than half of the MS have implemented reforms in this area. Reform measures have included stricter rules limiting high loan-to-value (LTV) and loan-to-income (LTI) ratios and increasing risk weights, etc. (BE, CZ, DE, IE, FR, CY, LU, NL, SK and SE), and the introduction of countercyclical and systemic risk buffers (CY, HU, SE and UK). Additional measures have been adopted in a number of MS since June 2018 (AT, BG, CZ, CY, FI, FR, PL, RO and SK).

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
BE	None	None	None	- A macroprudential measure addressing financial stability risks originating in the residential real estate (RRE) sector was implemented in Belgium in 2014. That measure was based on Article 458 of the CRR and consisted of a general 5pp addition to risk weights for mortgage exposures. In the light of increasing RRE risks (see ESRB, 2016), the Belgian central bank proposed to replace that measure, following its expiry in May 2017, with a more stringent measure. The latter was rejected by the Belgian government, effectively resulting in the absence of a formal macroprudential measure to address RRE risk. The central bank proposed a new macroprudential measure in November 2017 consisting of a flat 5 pp addition (prolongation of the original measure) and a multiplier of 1.33 for mortgage risk weights. This measure has now

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
				been approved by the government and entered into force in April 2018.
BG	<ul style="list-style-type: none"> - Amendments to the Law on the Bulgarian National Bank, transferring to the Governing Council banking and payment supervision competencies previously held by the Deputy Governors responsible - Extension of the scope of Article 45 of the Law on Credit Institutions, which sets limits on related-party exposures - Stronger requirements for managing and reporting related-party transactions - Important legal amendments improving the independence and governance of the Financial Securities Commission were passed in 2017. - The insolvency regime has been amended and improved. 	<ul style="list-style-type: none"> - Independent banking sector AQR/stress test in 2016 - Independent balance sheet review of the insurance and pension fund sectors in 2016 - Several actions to strengthen banking and non-banking supervision - The Bulgarian National Bank will align its prudential guidance with the forthcoming implementation of the EBA guidelines 	<ul style="list-style-type: none"> - Strengthening of vulnerable bank capital buffers allowing better provisioning for NPLs - Improvement of risk management practices in vulnerable banks 	<ul style="list-style-type: none"> - In September 2018, the Bulgarian National Bank decided to set the countercyclical capital buffer at 0.5% as of October 2019. The reference indicator (deviation of the credit-to-GDP ratio from the long-term trend) would support keeping the buffer at zero. However, on the back of buoyant economic activity, growth in bank credit to the private sector has recently accelerated, particularly in the household loans segment.. - The Bulgarian authorities also envisage legislative amendments to the Law on Credit Institutions, which would introduce borrower-based requirements (caps on LTV and DSTI ratios, etc.), in addition to existing capital-based measures.

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
CZ	None	None	None	<p>- The Czech central bank would like to be able, by law, to set LTV, LTI, DTI and DSTI ratios. The relevant draft legislation failed to be approved by parliament in summer 2017 given the elections in October 2017. The central bank continues to make recommendations and has issued two which have been effective since 1 October 2018: a DTI ratio of 9 and a DSTI ratio of 45% (both based on the applicant's net annual income). Banks may exceed either ratio for 5% of newly granted mortgages.</p>
DK	None	<p>- Slow reduction of NPLs in agri-business, concentrated in small and mid-sized local banks, with support from the Danish FSA</p> <p>- The Danish FSA has introduced guidelines ("Seven Best Practices") on good mortgage lending in areas with large price increases: assessment of borrower's repayment capacity under interest rate stress, amortisation requirement for negative net wealth customers, net wealth requirement for customers with high LTI ratios, etc.</p> <p>- A Supervisory Diamond for Mortgage Credit Institutions supplementing the existing Supervisory Diamond for</p>	<p>- Finansiel Stabilitet is a state-owned company set up in 2008 that is charged with winding up exposures and activities taken over from distressed banks, including by offering portfolios for sale at market price.</p> <p>In 2014 Finansiel Stabilitet carried out an open and transparent sales process targeting qualified investors with the aim of divesting a portfolio consisting of about 10,000 unsecured non-performing exposures with a total outstanding debt of approximately DKK 3 billion. The exposures in the offered portfolio were taken over under</p>	<p>- The Danish government has decided to set the countercyclical capital buffer at a rate of 0.5% of credit institutions' total risk exposures in Denmark from 31 March 2019.</p> <p>- Using a consumer protection clause, a 5% down payment requirement for residential real estate purchases has been implemented.</p> <p>- The government has adopted lending restrictions for households with LTI ratios greater than 4 and LTV ratios in excess of 60%: (a) interest rate fixation for floating rate mortgages needs to last at least 5 years; and (b) deferred amortisation is only applicable on 30-year fixed rate loans.</p>

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
		Danish Banks has been introduced by the Danish FSA. This is a supervisory tool covering key risk areas for Danish mortgage credit institutions: lending growth, borrower interest rate risk, interest-only lending, large exposures and short-term funding.	the bank rescue packages implemented in 2008-11.	
DE	None	None	- The NPL ratio in the shipping segment increased to 37% in 2016. The lenders concerned have reacted, with shipping loans granted by the top five German lenders declining significantly in 2017 to stand at 29% of Tier 1 capital.	- Since June 2017, legislation has enabled supervisors to impose minimum standards and thresholds on mortgage-granting institutions if they see financial stability being endangered (BGBl. I S. 1495).
EE	None	None	- NPLs, which peaked after 2009, have been partially resolved and partially written-off, with substantial support from Scandinavian parent banks.	None
IE	A mortgage-to-rent scheme has been announced, which allows qualifying homeowners in arrears to remain in their homes as social tenants of a Housing Association which buys the property from the lender.	Mortgage Arrears Restructuring Targets (MART) encouraged restructuring efforts by banks to move from a short-term forbearance model to one where longer-term sustainable restructuring products were offered to borrowers. These targets were a contributing factor	- Centralised Credit Register introduced in 2017 - Asset Management Company established (NAMA)	- Authorities introduced macro-prudential measures to limit the high LTVs and LTIs on new residential mortgage loans in February 2015. The aim was to lower risks to vulnerable borrowers and dampen cyclical dynamics between house prices and lending volumes. The rules have been revised in 2016 (i.e. introduction of a sliding LTV limits) and in 2017 (i.e. stricter rules for second

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
	<ul style="list-style-type: none"> - Code of Conduct on Mortgage Arrears (CCMA) established to provide statutory safeguards for financially-distressed borrowers in arrears or at risk of falling into arrears. A review of the CCMA was recently concluded. - Personal Insolvency legislation introduced in 2012 significantly modernised the regime by providing a range of debt resolution options which balances the rights of creditors and debtors. - Enhanced Money Advice and Budgeting Service introduced for distressed borrowers. 	<p>to the reversal in the Irish banks' NPL ratio since 2013.</p> <ul style="list-style-type: none"> - Legislation introduced to Regulate Credit Servicing Firms in 2015 introduced a new regulatory regime for Credit Servicing Firms to clarify that consumers maintained the same protections when their loans are sold to an unregulated purchaser. - Ongoing supervisory focus on addressing NPL levels in Irish Banks. 	<ul style="list-style-type: none"> -Dedicated NPL work out units established by banks 	<p>and subsequent buyers). Another review of the measures will be concluded in 2018.</p>
GR	<ul style="list-style-type: none"> - Reform of the insolvency regime for corporates and households in December 2016/May 2017 (corporates) and November 2015 (households) - Introduction of an out-of-court debt workout mechanism for restructuring arrears to both the government and banks, operational since September 2017 - Introduction of e-auctions 	<ul style="list-style-type: none"> - Introduction of bank-specific operational NPL reduction targets for the period Q2 2016 to Q4 2019, in place since Q3 2016 	<ul style="list-style-type: none"> - Adoption of a new law on the sale of loans - Liberalisation of the licensing regime for NPL service providers in Q2 2017 	<ul style="list-style-type: none"> - In February 2015, authorities introduced macroprudential measures to limit high LTV and LTI ratios on new residential mortgage loans. The aim was to reduce risks for vulnerable borrowers and dampen procyclical dynamics linking house prices and lending volumes. Those rules have since been revised in both 2016 (introduction of sliding LTV limits) and 2017 (stricter rules for non-first-time buyers).

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
ES	<ul style="list-style-type: none"> - Establishment of a new legal framework for savings banks and banking foundations - Introduction of new personal and company insolvency regimes - Enhancement of consumer protection legislation for financial instruments 	<ul style="list-style-type: none"> - Spain implemented a financial assistance programme between July 2012 and January 2014 which resulted in the cleaning-up and transfer to an AMC of legacy assets of former savings banks and the restructuring and recapitalisation of those entities. 	<ul style="list-style-type: none"> - NPLs remain on a solid downward trend, supported by the announcement of large portfolio disposals by the two largest banks, Santander and BBVA. In addition, smaller operations for the sale of NPLs and foreclosed assets have already been finalised or are ongoing. - Following the resolution of Banco Popular, other banks have accelerated the cleaning-up of their balance sheets. 	<ul style="list-style-type: none"> - Creditors' preferential claim on secured collateral increased to 70% in 2015 and 90% in 2018.
FR	None	None	None	<p>The Haut Conseil de Stabilité Financière introduced a macroprudential measure under Article 458(d)(ii) CRR in July 2018. That measure lowers the large exposure limit set out in Article 395(1) to 5% of a bank's eligible capital for exposures incurred by systemically important French credit institutions to large resident highly indebted non-financial corporations (NFCs) at the highest level of consolidation. The objective is to limit systemically important French banks' exposure to highly indebted NFCs, thereby enhancing the resilience of the financial system, and to limit increases in excessive NFC debt in a forward-looking and preventive way – i.e. by limiting their bank funding opportunities and</p>

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
				sending a signal to the markets regarding the increased leverage of large French NFCs.
HR	<p>- In January 2017, the Croatian authorities introduced a temporary rule (applicable until end-2017) that allowed banks to deduct losses resulting from NPL write-offs from the tax base, which was not previously possible.</p> <p>- In August 2017, the government proposed amendments to the existing asset sales framework, requiring banks to inform borrowers about the details of the sale, including the owed amount, the maturity and the identity of the buyer. Those amendments are currently being considered by parliament.</p> <p>- In July 2018, the government proposed legislation that would write off the debts of individuals with past-due obligations to public authorities and state-owned enterprises. That measure applies to borrowers with bank accounts that were blocked due to their past-due debt as of end-2017, providing around HRK 1.4 billion in relief.</p>	<p>- In 2013, the Croatian central bank introduced provisioning backstops for all domestic banks, with minimum coverage ratios progressively increasing with the number of delinquency days. In March 2017, the authorities introduced a cap of 80% on the maximum coverage ratio for any specific portfolio</p> <p>- In 2013, the central bank introduced rules to restrict the transformation of forborne NPLs to performing status, requiring full payments to be made for a probation period of two or more years. These rules were amended in March 2017, aligning them with the uniform forbearance rules that are in place across the EU</p>	None	None

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
IT	<ul style="list-style-type: none"> - Reform of the insolvency and foreclosure frameworks in 2015 and 2016 to shorten the recovery period for collateral and foster the repossession of collateral - Reform of large cooperative banks (banche popolari) and small mutual banks (banche di credito cooperativo – BCCs); once fully implemented, these reforms are expected to also impact positively on the arrears management capacity of those banks - Introduction of immediate tax deductibility for loan loss provisions 	<ul style="list-style-type: none"> - Enhanced reporting by all banks on NPEs and collateral – reporting template introduced in 2016 by the Italian central bank 	<ul style="list-style-type: none"> - Establishment of an NPL securitisation scheme with state guarantees (GACS) to support banks' resolution of NPLs. That scheme, which was introduced in 2016, was extended in September 2018 for a period of six months. - Establishment of a private sector backstop facility to invest in NPLs sold or securitised by banks (i.e. Atlante Fund II, renamed the Italian Recovery Fund in 2017) 	None
CY	<ul style="list-style-type: none"> - In July 2018, as part of a three-pillar NPL reduction strategy, the Cypriot authorities adopted a package of legal amendments (comprising amendments to the Personal Insolvency Law, the Companies Law, the Insolvency Practitioners' Regulations, the Bankruptcy Law, the Law for the Sale of Loans and the Immovable Property Law). - The Securitisation Law was approved by parliament in July 2018. - Work to improve the effectiveness and efficiency of the Insolvency Service and 	<ul style="list-style-type: none"> - Supervisory pressure in late 2016 and early 2017 through the SSM Supervisory Review and Evaluation Process (SREP) led to an increase in levels of provisioning 	<ul style="list-style-type: none"> - NPLs have declined further in 2018, continuing the downward trend seen since end-2015. Indeed, stronger declines are expected in the second half of the year, owing (i) to the transfer of the Cooperative Bank's sizeable NPL portfolio (about €3.1 billion) from the banking system to a legacy entity and (ii) to the large volume of NPLs that are expected to be sold by one of the most important Cypriot banks (about €2.7 billion) 	<ul style="list-style-type: none"> - In 2017, the Central Bank of Cyprus designated six credit institutions and four investment firms as O-SIIs, imposing capital buffers (to be phased in over the period 2019-22) ranging from 0.5% to 2%. - The Central Bank of Cyprus also introduced borrower-based measures in 2013, which were streamlined in March 2016. Those measures capped the total debt servicing amount at 80% of the borrower's net disposable income (65% for foreign currency loans) and capped the LTV ratio (first introduced in 2003) at 80% of financing for

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
	<p>strengthen the regulatory framework for insolvency practitioners is ongoing, although progress is slow.</p> <p>- A government-supported subsidy scheme (ESTIA) has been established with the aim of providing a 33% debt reduction for eligible borrowers with NPLs that are backed by primary residences.</p>		<p>- The sale by another bank of an NPL portfolio with a value of €140 million to a distressed investment fund was also a positive development.</p>	<p>primary residences and 70% for all property financing.</p> <p>- Following the acquisition of the Cooperative Bank by another Cypriot bank, the authorities have launched a review of its O-SII buffer with a view to potentially increasing its size. The countercyclical capital buffer requirement has been kept at 0%.</p> <p>- The temporary macroprudential rules on liquidity requirements (the most important impact of which is the higher outflow rates applicable to covered deposits), which were introduced in January 2018, are easily being met by all local banks owing to excess liquidity.</p>
LV	<p>- The government has strengthened the supervision of insolvency administrators. The Insolvency Policy Development Guidelines for 2016 to 2020 contain specific measures to improve the insolvency framework and the regulation of insolvency administrators. They aim to increase the number of restructurings and the insolvency recovery rate, and to strengthen trust in the profession. With regard to the latter, the profession's regulatory framework has been overhauled, with closer oversight, stricter conflict of interest provisions and harsher</p>	None	<p>- NPLs, which peaked after 2009, have been partially resolved and partially written-off, with substantial support from Scandinavian parent banks.</p>	None

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
	penalties for misconduct. The court system has also been reformed by reducing the number of courts; this should improve the overall quality of decisions and improve the functioning of random case allocation to judges.			
LT	None	- A reform of credit unions – small financial cooperatives serving local people in rural areas – is under way. Many smaller credit unions were facing financial difficulties, which prompted the Lithuanian central bank to launch a programme restructuring and consolidating the sector. In January 2018, two central credit unions took over the management of 20 and 14 small institutions respectively, thus improving the sector's viability. The remaining seven credit unions will become banks by 2023.	- NPLs, which peaked after 2009, have been partially resolved and partially written-off, with substantial support from Scandinavian parent banks.	None
LU	None	None	None	- Parliament is currently debating thresholds for LTV, LTI, DTI and DSTI ratios, as well as mortgage maturity limits.

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
HU	<p>- The Personal Bankruptcy Act was adopted in 2015, providing for a debt settlement procedure for over-indebted households.</p>	<p>- A central bank recommendation for credit institutions has set out an expected minimum framework for cooperation between debtors and creditors.</p> <p>- A central bank recommendation has set out best practice guidelines on out-of-court restructuring and consensual settlement of NPLs in the corporate sector.</p>	<p>- The asset management company established in 2016 by the central bank (MARK) is tackling the sizeable amounts of commercial real estate distressed loans. It cleans up banks' balance sheets by selling their NPL portfolios on the market.</p> <p>- The National Asset Management Company (NAMA), which was set up by the government in 2015, has the capacity to purchase a total of 35,000 dwellings and targets non-performing household debtors facing the most difficult financial situations.</p>	<p>- The systemic risks generated by the considerable stock of loans denominated in foreign currencies (mainly Swiss francs) on banks' balance sheets were tackled by converting forex credit into Hungarian forints in 2015.</p> <p>- In 2016, the Hungarian central bank identified nine domestic systemically important financial institutions and introduced relevant risk buffers, applicable from 2017.</p> <p>- It also introduced institution-specific systemic risk buffers linked to the risks posed by commercial real estate NPLs.</p>
MT	None	<p>- The amended Banking Act (December 2016) requires credit institutions with a two-year average NPL ratio above 6% to draw up a concrete plan to bring NPLs below this ceiling over a five-year period. When set targets are missed, automatic sanctions apply (including higher capital requirements) through retained profits</p>	None	None

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
NL	<p>- The tax deductibility of mortgage interest (MID) is gradually being reduced. It now stands at 50% and will be cut by 0.5 pp per year until 2020. From 2020, it will be reduced by 3 pp per year to reach a floor of 37% in 2023. MID is not available for interest-only mortgages</p>	None	None	<p>- The LTV ratio for new mortgages has been gradually lowered and reached 100% in 2018. It will not be reduced further after 2018.</p> <p>- A cap on LTI ratios for mortgage loans was also introduced in 2013.</p> <p>- LTI rules are based on the residual purchasing capacity of a household, making the maximum loan value equal to about 400% of yearly gross income, excluding MID.</p>
AT	None	None	<p>- Prudential standards for risk management and granting of foreign currency adopted since 2008 by banking supervisors (Austrian central bank and Financial Market Authority) to curb foreign exchange lending to unhedged borrowers</p>	<p>- In September 2018, the Austrian Financial Market Stability Board (FMSG) issued a communication and quantitative guidance on sustainable real estate lending. The Board made the following recommendations: (i) the down payment by borrowers for real estate loans should not fall below a benchmark of 20%; (ii) newly originated mortgage loans should exceed 35 years only in exceptional cases; (iii) debt service should not exceed 30% to 40% of the net income of borrowers; and (iv) assessments of the creditworthiness of borrowers should be comprehensive and take account of all available information.</p>
PL	None	None	None	<p>- A risk weight of 150% is applied to exposures secured by residential property where the</p>

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
				<p>principal or interest instalments depend on changes in exchange rates, provided the borrower's income is in a different currency.</p> <p>- LTV ratios: 80% as of 2017, down from 90% in 2015. Potential rate of 90% if the additional part (above 80%) is insured/collateralised using funds in bank accounts.</p> <p>- As of Q4 2017, loan maturities are capped at 25 years. However, a borrower may ask for a maturity of up to 35 years (although the lender must assess creditworthiness assuming a maturity of 25 years).</p>
PT	<p>- Expedited insolvency proceedings: technology used to (i) accelerate proceedings and (ii) ensure transparency in judicial sales procedures</p> <p>- Flexibility for tax credit to be restructured and creation of a common decision-making body between social security and tax authority to participate in company restructuring negotiations</p> <p>- Creation of an early warning mechanism for entrepreneurs – compares various indicators to past levels and industry</p>	<p>- In line with SSM recommendations, Portuguese banks have submitted five-year NPL reduction plans forecasting at least a 50% reduction in NPL stocks over the coming years.</p> <p>- On-site and off-site inspections to segment banks' NPL portfolios by type, vintage, size and sector of activity</p>	<p>- Initiatives to promote coordination between creditors to accelerate credit restructuring and/or NPL sales; the flagship measure is a "coordination platform".</p> <p>- Financing lines/guarantees for viable companies that go through the restructuring process.</p> <p>- Creation of credit recovery funds, which allow banks to dispose of bad assets through dedicated marketable investment funds, boosting the secondary market for bad assets.</p>	<p>- Recommendation on new credit agreements for consumers, which places limits on new credit relating to residential immovable property, credit secured by a mortgage or equivalent guarantee, and consumer credit agreements concluded as of July 2018; this measure aims to promote the adoption of prudent credit standards in order to enhance the resilience of the financial sector and the sustainability of households' financing, thereby minimising defaults.</p> <p>i. Maximum LTV ratios: a) 90% for credit for own permanent residence; b) 80% for credit for purposes other than own permanent residence; c) 100% for credit for purchasing immovable</p>

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
	<p>benchmarks to create awareness and promote preventive approach</p> <p>- Measures to facilitate the transfer of NPL portfolios – regime allowing mass registration of the transfer of collateral and mass communication to courts in insolvency proceedings</p> <p>- Creation of new insolvency practitioners acting as mediators for companies in "recovery" mode and assisting debtors in both in-court and out-of-court restructuring procedures</p> <p>- Framework allowing majority creditors (holding at least two-thirds of debtor's liabilities) to convert their credit into share capital without the consent of shareholders, outside of insolvency proceedings (in certain strictly specified situations)</p> <p>- Framework for voluntary out-of-court restructuring for recovery of companies (RERE)</p> <p>- Ability for banks to fiscally recognise write-offs (to a larger extent than before)</p>		<p>- Creation of incentives to develop the secondary market for NPLs by enabling new servicing companies to enter the market</p>	<p>property held by credit institutions and for property financial leasing agreements.</p> <p>ii. Maximum DSTI ratio of 50%, with the following exceptions: a) up to 20% of the total amount of credit granted by an institution in a year may have a maximum DSTI ratio of 60%; b) up to 5% of credit granted may exceed that 60% limit. For variable and mixed interest rate agreements, the impact of an interest rate rise should be taken into account, as should a reduction in the borrower's net income if the borrower will be aged 70 or over at the end of the contract.</p> <p>iii. Original maturity of loans: a) maximum of 40 years for new credit agreements secured by a mortgage; b) average maturity of new credit agreements should be 30 years by 2022; c) maximum of 10 years for new consumer credit agreements.</p> <p>All credit agreements must have regular principal and interest payments. The relevant limits must be observed simultaneously. The recommendation follows the principle of "comply or explain", and its implementation will be monitored on at least an annual basis.</p>

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
RO	None	<ul style="list-style-type: none"> - Measures and recommendations adopted by the banking supervisor (the central bank) since 2013 to clean up bank balance sheets: <ul style="list-style-type: none"> - Removal of uncollectable NPLs fully covered by provisions - Full coverage with provisions for all NPLs for which repayment of principal and/or interest is overdue by more than 360 days and no legal action has been taken against borrowers - Up to 90% of NPLs covered with provisions for exposures to insolvent borrowers - Enhanced collateral valuations – several valuations since 2013 - Recommendation (adopted in 2016) calls for full coverage with provisions for unsecured NPLs where repayment of principal and/or interest is overdue by more than 180 days, followed by removal of exposure from balance sheet 	<ul style="list-style-type: none"> - Measures adopted by banks to improve their arrears management capacity and recovery of collateral 	<ul style="list-style-type: none"> - In October 2018, the Romanian central bank adopted measures aimed at limiting household indebtedness. Under those new provisions, the maximum level of indebtedness is 40% of net income for RON-denominated loans and 20% for foreign currency loans. The maximum level of indebtedness can be raised by 5pp for first-time homebuyer loans for borrower-occupied dwellings. The total level of indebtedness is measured as the ratio of monthly debt service to monthly net income.

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
SI	None	<ul style="list-style-type: none"> - In 2015, the Slovenian central bank issued guidance asking banks to specify annual targets and strategies for NPL reduction, which are regularly revised - Since 2015, the central bank's guidelines have recommended that banks derecognise assets within a specific time frame (i.e. time-dependent write-offs), which in turn depends on the type of asset and exposure 	None	None
SK	- In 2017, the Slovak government took steps to improve the deficient insolvency framework. Slovakia is one of the EU countries with the slowest insolvency resolution procedures. It is also one of the costliest as a percentage of the insolvency estate	None	None	<p>- The Slovak central bank has legal powers to set borrower-based limits and used them extensively in 2017:</p> <p>1) Maturity limits: new mortgages cannot have a maturity longer than 30 years; a maximum of 10% of new loans can have maturities longer than 25 years; and a maximum of 20% can have maturities longer than 20 years. Maturities on new consumer loans cannot exceed 8 years.</p> <p>2) Maximum LTV ratio of 90%, and the number of new mortgages that can exceed 80% is to be phased down from 40% in June 2018 to 20% in July 2019.</p> <p>3) Maximum DTI ratio of 8, and the amount of loans that can exceed that threshold is to be</p>

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
				<p>phased down from 20% in July 2018 to 10% in January 2019.</p> <p>4) Maximum DSTI ratio of 80%: Loan instalments (for both new and existing loans, subject to assumed interest rate increases of 2pp per year if interest rate is not fixed) cannot exceed 80% of the borrower's disposable income, which is defined as net income minus the minimum subsistence amount.</p>
FI	None	- FIN-FSA has made a conditional decision on raising the minimum risk weight level for residential mortgage loans to 15%. That decision is applicable to banks that have adopted the internal ratings-based approach for the calculation of capital requirements	None	- FIN-FSA has raised the maximum loan-to-collateral (LTC) ratio for loans (other than for first-time homebuyers) by 5 pp to 85%. The maximum LTC ratio for residential mortgage loans to first-time homebuyers remains unchanged at 95%.
SE	None	- In 2018, the supervisor revised the conditions for imposing a risk weight floor on residential mortgages in Sweden for banks using internal risk models, with the aim of retaining the level of prudential requirements that applied prior to one of the major Swedish banks leaving Sweden. This was also aimed at maintaining a level playing field	- Swedish banks benefit from high levels of asset quality. In recent years, the average NPL ratio has been below 1%, making it one of the lowest in the EU. Borrowers' disposable income and payment discipline are not the only things that contribute to this phenomenon. A substantial role is also played by the very efficient public framework for debt enforcement, which centres around the Swedish	<p>- Sweden has activated capital buffers (CCyB and SRB), as well as specific pillar requirements, notably for real estate.</p> <p>- Macroprudential measures adopted to address the buoyancy in real estate markets and rising household debt include the introduction of a maximum LTV ratio of 85% for mortgages in 2010, the gradual raising of banks' risk weight floors for mortgages in 2013 and 2014, and the introduction of a formal mortgage amortisation requirement in</p>

	Overview of risk reducing measures adopted at national level			
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
		among banks in the domestic market for residential mortgages	Enforcement Authority (Kronofogden). Most impaired loans are resolved in less than 12 months and do not pile up in banks' balance sheets	June 2016. Additionally, at end-2017 Sweden adopted legislation to enhance the macroprudential authority's legal mandate. As of March 2018, heightened amortisation requirements have applied to households with an LTV ratio in excess of 70% and/or a DTI ratio in excess of 4.5. While these steps have improved the resilience of the banking sector, they have not been sufficient to rein in household debt growth.

Overview of risk reducing measures adopted at national level				
	(i) legal/judicial, tax or other reforms	(ii) prudential supervisory actions	(iii) NPL management initiatives	(iv) macro-prudential measures
UK	<ul style="list-style-type: none"> - The Bank of England and other regulators are working closely with banks and other financial sector institutions in order to ensure adequate contingency planning in relation to the UK's withdrawal from the EU. - The UK government plans to ensure an adequate legal and regulatory framework for financial services via the EU Withdrawal Bill and related secondary legislation. 	<ul style="list-style-type: none"> - Regular bank stress tests performed by the Bank of England since 2014 have reinforced banks' capital buffers and provisioning levels. - In 2017, the Financial Policy Committee (FPC) announced measures to prevent excessive growth in the number of highly indebted households with mortgage loans. - In May 2017, the Bank of England continued its implementation of the bank resolution framework by publishing estimates of the minimum requirements for own funds and eligible liabilities for bail-in (MREL) for the largest UK banks. 	<ul style="list-style-type: none"> - Royal Bank of Scotland and Lloyds Banking Group, the two systemically important banks where the state acquired major participations in the aftermath of the Great Recession, have been restructured and cleaned up in terms of legacy assets. 	<p>In 2017, the Bank of England's FPC increased the countercyclical buffer from 0% to 1%.</p>

Annex III: Methodological notes and caveats

ECB-SSM indicators

Data sources

- The data used for the analysis in this report come from the EBA ITS on supervisory reporting (FINREP and COREP) and the SSM Short Term Exercise (STE) data collections.

Scope of the analysis

- The sample of institutions covered by this report (i) includes Significant Institutions (SIs) at the highest level of consolidation within the BU, (ii) excludes SIs that are branches of non-SSM banks (because only a subset of information is reported for these institutions) and (iii) excludes SIs that are subsidiaries of other SSM SIs to avoid double-counting.
- For the MS specific analysis, SSM SIs that are subsidiaries of an SSM parent are included.

Time series

- Time series cover the Q4 2014 – Q2 2018 reporting period.
- **Full sample approach:** The sample includes all banks meeting the above criteria.²⁴ The number of entities per reference period is reported in the table below and reflects changes resulting from amendments to the list of SIs following assessments by ECB Banking Supervision, in addition to mergers and acquisitions.

Reference period	Full sample (BU charts)
Q2 2018	109
Q1 2018	109
Q4 2017	111
Q3 2017	114
Q2 2017	114
Q1 2017	118
Q4 2016	121
Q3 2016	122
Q2 2016	124
Q1 2016	123
Q4 2015	117
Q3 2015	102
Q2 2015	102
Q1 2015	104
Q4 2014	101

For the MS-specific charts, which relate to Q4 2014 and Q2 2018, the number of entities is higher than for the SSM as a whole (full sample) owing to the inclusion of SIs that are subsidiaries of an SSM parent. In those charts, data, for Q4 2014 relate to 106 entities and data for Q2 2018 related to 115 entities.

²⁴ Since Lithuania did not join the SSM until January 2015, there are no country data for Lithuania for Q4 2014.

Charts metric

For each indicator, two types of graph are produced:

- **BU aggregate time series:** These charts show the weighted-average indicators for all SSM SIs as well as some measures of dispersion (the 25th, the 50th – median - and the 75th percentiles).
- **MS evolution since Q4 2014:** These charts report weighted-average indicators for each Member State for the first and last reporting periods (Q4 2014 and Q2 2018).

Ratios are computed using a **composite bank approach**, meaning that numerators and denominators are summed up before calculating the ratios.

Confidentiality criteria

To ensure the confidentiality of the data displayed, MS-level data are only displayed only when:

- There are at least three institutions in the MS; **and**
- Irrespective of the number of institutions per data value, no institution represents more than 85% of both the numerator and the denominator of the ratio.

Treatment of missing data

- For the **solvency and liquidity ratios**, both the numerator and the denominator need to have values for a bank to be included in the analysis. For **NPLs**, missing values are treated as zeros.
- For the **liquidity ratios**, some SIs are excluded from the aggregation in periods when they have not reported the relevant variables.

General caveats

- The analysis presented in this document reflects the availability and quality of reported data at the time the analysis was conducted.
- In 2015, the calculation methodology for the Basel III leverage ratio was changed in the European Union via Commission Delegated Regulation (EU) 2015/62. The quantitative impact of these definitional changes is, however, considered to be moderate on aggregate, as assessed by the EBA in its “Report on impact of differences in leverage ratio definitions” (4 March 2014).

SRB indicators

Data sources

- Calculations are based on SRB data from the Liability Data Templates as of 31 December 2017 and correspond to the application of the SRB's 2017 MREL policy.

Scope of the analysis

- Data cover groups under the SRB remit that are likely to go through resolution if they are declared to be failing or likely to fail. Based on those groups' places of establishment, the calculations cover 16 of the 19 MS in the BU.
- The 2017 sample comprises a total of 101 banking groups and, where relevant, resolution groups in the case of multiple point of entry (MPE) structures, of which, 89 will be subject to a binding decision as part of the 2018 planning cycle.
- Computations are based on fully loaded TREA.
- The subordination requirement is set at a level of 12% TREA plus combined buffer requirement for O-SIIs and 13.5% TREA plus combined buffer requirement for G-SIIs, also taking into account existing prudential requirements.
- MREL eligible instruments are taken into account at a consolidated level and exclude (i) all intragroup liabilities, (ii) all liabilities governed by third country law (except own funds), (iii) all non-covered non-preferred deposits and (iv) all structured notes.
- All averages are weighted by TREA.

Time series

- All charts are based on the Q4 2017 reporting period.
- **Sample approach:** The sample comprises 101 banking groups meeting the above criteria, for which the SRB is a home resolution authority.

Charts metric

MS-specific developments in the reporting period: The charts report weighted-average indicators for each MS for the last reporting period (Q4 2017).

Confidentiality criteria

To ensure the confidentiality of the data displayed, they are presented on an anonymised basis.

Treatment of missing data

- Consolidated MREL related data have been provided by the SRB for 16 of 19 MS in the BU. For banks in two of the three missing MS, the SRB is a host resolution authority, so it does not hold group-level consolidated MREL data. For the third MS, data were not reported by the reporting date since analysis relating to the resolution strategy was still ongoing.

General caveats

- Not all figures necessarily correspond to a formal MREL decision.
- No bank-specific adjustments are included in the calculations.
- In contrast with other indicators in this report, MREL-related data are presented at consolidated level only with no allocation of values to host MS where subsidiaries are located, as this begins to stray into the territory of internal MREL, which is work in progress.

Annex IV: Formulas of ECB supervisory banking indicators

Indicator	Formula	Taxonomy
Fully Loaded Common Equity Tier 1 (CET1) Capital Ratio	$\frac{\text{sum}(C_01_00_r020_c010, -C_05_01_r010_c010, -C_01_00_r440_c010, \text{MIN}(\text{sum}(C_01_00_r530_c010, -C_01_00_r740_c010, -C_05_01_r010_c020, -C_01_00_r720_c010, \text{MIN}(\text{sum}(C_01_00_r750_c010, -C_01_00_r970_c010, -C_05_01_r010_c030), 0)), 0))}{\text{sum}(C_02_00_r010_c010, -C_05_01_r010_c040)}$	All
Fully Loaded Tier 1 (Tier 1) Capital Ratio	$\frac{\text{sum}(C_01_00_r020_c010, -C_05_01_r010_c010, -C_01_00_r440_c010, C_01_00_r530_c010, -C_01_00_r740_c010, -C_05_01_r010_c020, -C_01_00_r720_c010, \text{MIN}(\text{sum}(C_01_00_r750_c010, -C_01_00_r970_c010, -C_05_01_r010_c030), 0))}{\text{sum}(C_02_00_r010_c010, -C_05_01_r010_c040)}$	All
Fully Loaded Total Capital Ratio	$\frac{\text{sum}(C_01_00_r020_c010, -C_05_01_r010_c010, -C_01_00_r440_c010, C_01_00_r530_c010, -C_01_00_r740_c010, -C_05_01_r010_c020, -C_01_00_r720_c010, C_01_00_r750_c010, -C_01_00_r970_c010, -C_05_01_r010_c030)}{\text{sum}(C_02_00_r010_c010, -C_05_01_r010_c040)}$	All
Fully Loaded Liquidity Coverage Ratio (LCR)	Since Q3 2016: C7600a_r010_c010/C7600a_r020_c010	v 2.4 onward
	Before Q3 2016: STE template	N/A
Fully Loaded Leverage Ratio	Since Q3 2016: C4700_r310_c010/C4700_r290_c010	v 2.4 onward
	Before Q3 2016: C4500a_r110_c030/ (sum (C4500a_r010_c030 to C4500a_r100_c030, C4500a_r130_c030, C4500a_r150_c030) - C4500_r160_c030)	v2.3 and earlier
Net Stable Funding Ratio (NSFR)	STE template	N/A
Gross NPE Ratio	F1800a_r330_c060 /F1800a_r330_c010	v2.6 and earlier
	$\frac{\text{sum}(F1800a_r330_c060, F1800a_r335_c060)}{\text{sum}(F1800a_r330_c010, F1800a_r335_c010)}$	v2.7
Gross NPL Ratio	$\frac{\text{sum}(F1800a_r070_c060, F1800a_r250_c060)}{\text{sum}(F1800a_r070_c010, F1800a_r250_c010)}$	v2.6 and earlier
	$\frac{\text{sum}(F1800a_r070_c060, F1800a_r191_c060, F1800a_r221_c060)}{\text{sum}(F1800a_r070_c010, F1800a_r191_c010, F1800a_r221_c010)}$	v2.7
Net NPL Ratio	$\frac{\text{sum}(F1800a_r070_c060, F1800a_r250_c060, F1800b_r070_c150, F1800b_r250_c150)}{\text{sum}(F1800a_r070_c010, F1800a_r250_c010, F1800b_r070_c130, F1800b_r250_c130)}$	v2.6 and earlier
	$\frac{\text{sum}(F1800a_r070_c060, F1800a_r191_c060, F1800a_r221_c060, F1800b_r070_c150, F1800b_r191_c150, F1800b_r221_c150)}{\text{sum}(F1800a_r070_c010, F1800a_r191_c010, F1800a_r221_c010, F1800b_r070_c130, F1800b_r191_c130, F1800b_r221_c130)}$	v2.7
NPL Coverage Ratio	$\frac{-\text{SUM}(F1800b_r070_c150, F1800b_r250_c150)}{\text{SUM}(F1800a_r070_c060, F1800a_r250_c060)}$	v2.6 and earlier
	$\frac{-\text{SUM}(F1800b_r070_c150, F1800b_r191_c150, F1800b_r221_c150)}{\text{SUM}(F1800a_r070_c060, F1800a_r191_c060, F1800a_r221_c060)}$	v2.7
Collateral Coverage Ratio	$\frac{\text{sum}(F1800a_r070_c200, F1800a_r250_c200)}{\text{sum}(F1800a_r070_c060, F1800a_r250_c060)}$	v2.6 and earlier
	$\frac{\text{sum}(F1800a_r070_c200, F1800a_r191_c200, F1800a_r221_c200)}{\text{sum}(F1800a_r070_c060, F1800a_r191_c060, F1800a_r221_c060)}$	v2.7