



# MONITORING REPORT ON RISK REDUCTION INDICATORS<sup>1</sup>

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## NOVEMBER 2019

### Executive Summary

This is the fifth edition of the monitoring report on risk reduction indicators, produced at the request of the President of the Eurogroup, as per his letter to the President of the Euro Summit of 25 June 2018. The aim of risk reduction monitoring reports is to provide a regular assessment on progress on risk reduction within the banking union (BU) so as to inform political decisions on how to further progress towards its completion. The report has been prepared jointly by the European Commission services, the European Central Bank (ECB) and the Single Resolution Board (SRB)<sup>2</sup>.

An overview of all quantitative indicators confirms that, on aggregate, and based on the available data, banks' capital and liquidity positions have improved steadily since the end of 2014 and remained largely stable since last year. Banks' overall leverage has also decreased since the end of 2014. Non-performing loans (NPLs) on banks' balance sheets have continued to decline. The build-up of eligible instruments for the minimum requirement for eligible liabilities (MREL) by the sector is continuing on the background of strengthened methodologies developed by the SRB. In addition, substantial progress has been made with the adoption of several legislative and non-legislative risk reduction measures at EU and national level (see Annex I and Annex II, respectively).

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<sup>1</sup> Report prepared for the 25-26 November 2019 Eurogroup Working Group meeting.

<sup>2</sup> European Commission, European Central Bank, Single Resolution Board (2017) [Note presenting a stock-take of financial reforms](#) and Annexes.



## Overview of main developments:

<b>Capital position</b>	<p>The average Common Equity Tier 1 (CET1) ratio <b>improved by 3.1 percentage points (pp) to 14.1%</b> since the establishment of the Single Supervisory Mechanism (SSM)</p> <ul style="list-style-type: none"> <li>▶ Most Member States (MS) now exhibit higher CET 1 ratios than four years ago</li> <li>▶ Overall, the capital position in the BU has remained largely stable over the past quarters</li> </ul>
<b>Leverage ratio</b>	<p>Banks have, on average, <b>reduced their leverage by 1.2 pp</b> as the average leverage ratio improved from 4.0% in Q4 2014 to 5.2% in Q2 2019</p>
<b>Liquidity and Net Stable Funding position</b>	<p>The <b>liquidity and funding position of banks</b>, as measured by the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) <b>continues to be strong</b>. The average LCR and NSFR have been consistently above the 100% minimum requirements since the inception of the SSM</p> <ul style="list-style-type: none"> <li>▶ Improvements in the NSFR from 101.9% in Q4 2014 to 112.6% in Q2 2019 further indicate that the funding profile of banks, on average, has become more robust over the last few years</li> </ul>
<b>NPLs</b>	<p>The average <b>NPL ratio decreased by 4.3 pp</b> since Q4 2014, <b>reaching 3.6% in Q2 2019</b></p> <ul style="list-style-type: none"> <li>▶ NPL ratios decreased for almost all MS, with larger decreases for MS with high NPL ratios</li> </ul>
<b>MREL</b>	<p>Overall, banks continued to <b>build up their Minimum Requirement for Eligible Liabilities (MREL)</b> capacity to reach the requirements set by the SRB. The aggregate <b>MREL funding needs</b> required for compliance is approximately <b>7.8% of the total consolidated MREL requirement</b>.</p> <ul style="list-style-type: none"> <li>▶ This represents an increase of 0.2% TREA year on year, due to a slight increase in banks' balance sheet size and its effect on absolute levels of MREL requirements, as well as a more stringent methodology used in the calculation of the outstanding stock of eligible liabilities for certain banks.</li> </ul>

## 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.<sup>3</sup>

### 1. Capital position

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#### 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**)<sup>4</sup>
- **Fully loaded Tier 1 (Tier 1) capital ratio:** Fully loaded Tier 1 capital/total RWAs (**Indicator 2: Charts 2.1 and 2.2**)<sup>5</sup>
- **Fully loaded total capital ratio:** Fully loaded total capital/total RWAs (**Indicator 3: Charts 3.1 and 3.2**)<sup>6</sup>

#### Commentary

- **CET1 capital ratio.** From the end of 2014, the BU weighted average CET1 ratio improved by 3.1 pp to 14.1% in Q2 2019. The ratio remained constant between Q4 2018 and Q2 2019.
- **CET1, Tier 1 and total capital ratios.** Capital resources remained stable with minor fluctuations<sup>7</sup> (Charts 1.1, 2.1, and 3.1).
- **MS-specific developments.** Relative to the previous report, there have been some improvements for MS which had low capital ratios in 2014.

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<sup>3</sup> Changes in the indicators from one reference period to another can be influenced by the changes in the sample of reporting institutions.

<sup>4</sup> The CET1 capital ratio indicates the extent to which an institution can absorb losses on a going concern basis using CET1 capital resources.

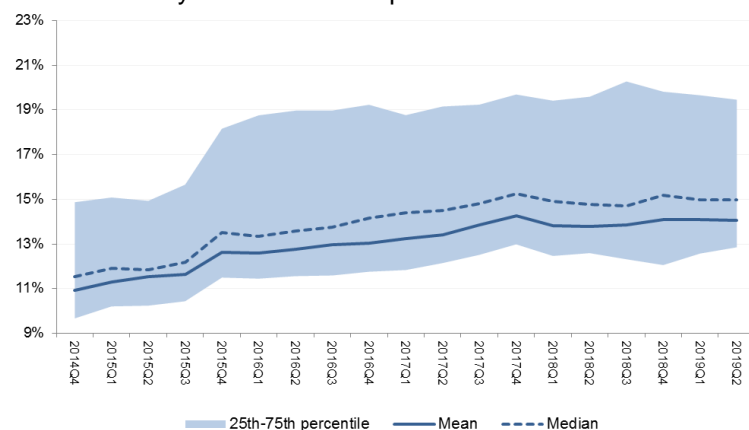
<sup>5</sup> The Tier 1 capital ratio indicates the extent to which an institution can absorb losses on a going concern basis using Tier 1 capital resources (i.e. CET1 and additional Tier 1 capital resources).

<sup>6</sup> 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. CET1 and additional Tier 1 capital resources as well as Tier 2 capital).

<sup>7</sup> The drop in Q1 2018 was mainly due to a reduction in CET1 capital, which in turn was 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). 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 had to decide whether to apply those transitional arrangements and inform the competent authority accordingly.

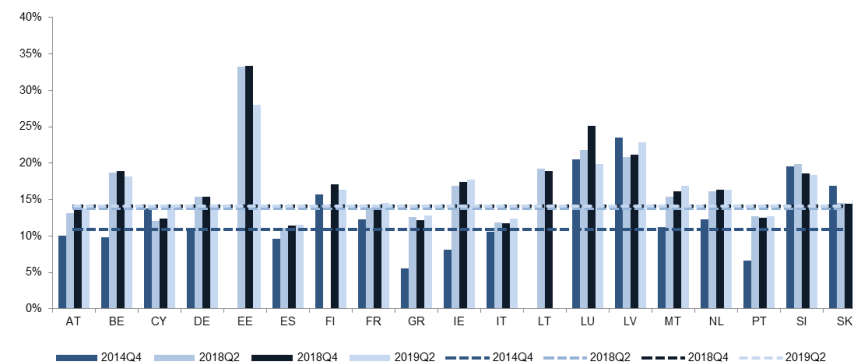
### Indicator 1: Fully loaded CET1 capital ratio

Chart 1.1: Fully loaded CET1 capital ratio – evolution in the BU



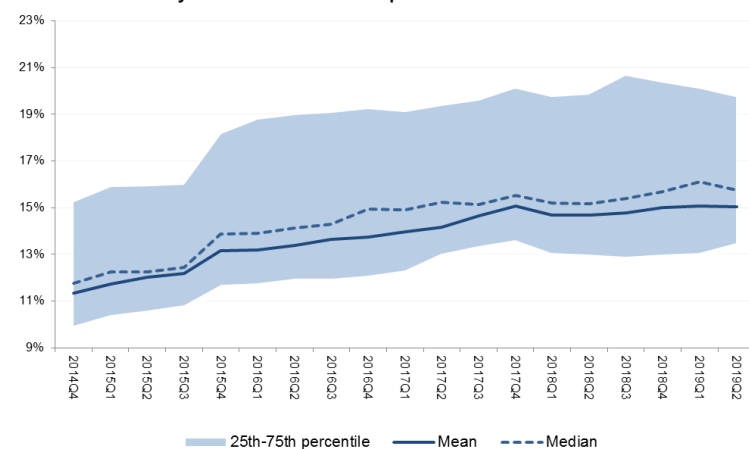
Source: ECB staff contribution, COREP and ECB calculations. See methodological notes in Annex III.

Chart 1.2: Fully loaded CET1 capital ratio by MS



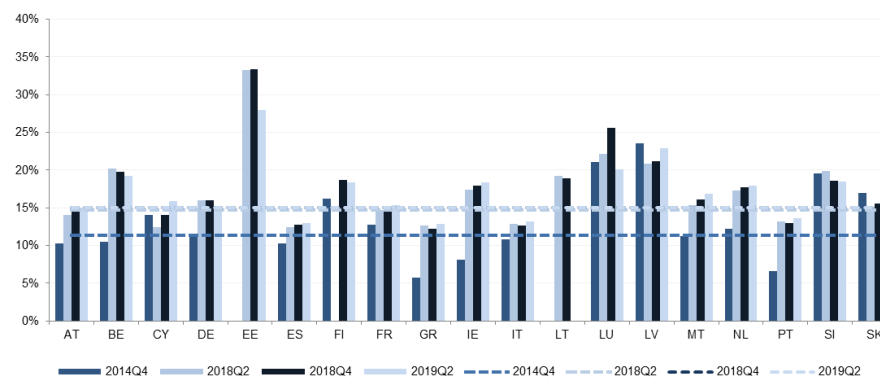
### Indicator 2: Fully loaded Tier 1 capital ratio

Chart 2.1: Fully loaded Tier 1 capital ratio – evolution in the BU



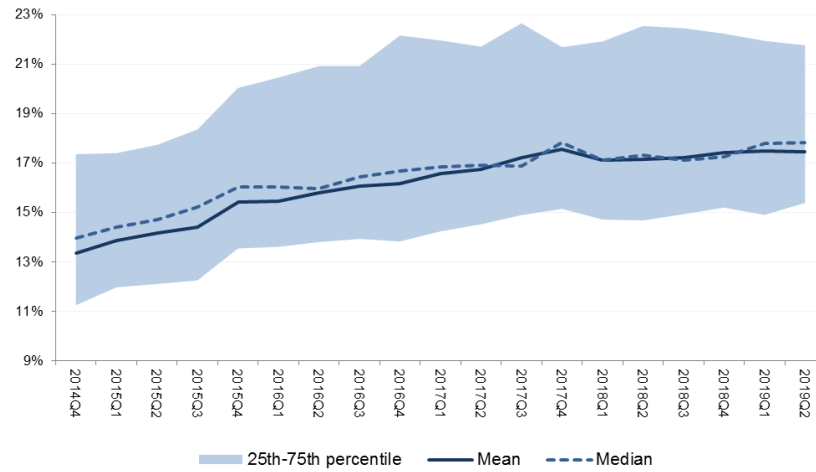
Source: ECB staff contribution, COREP and ECB calculations. See methodological notes in Annex III.

Chart 2.2: Fully loaded Tier 1 capital ratio by MS



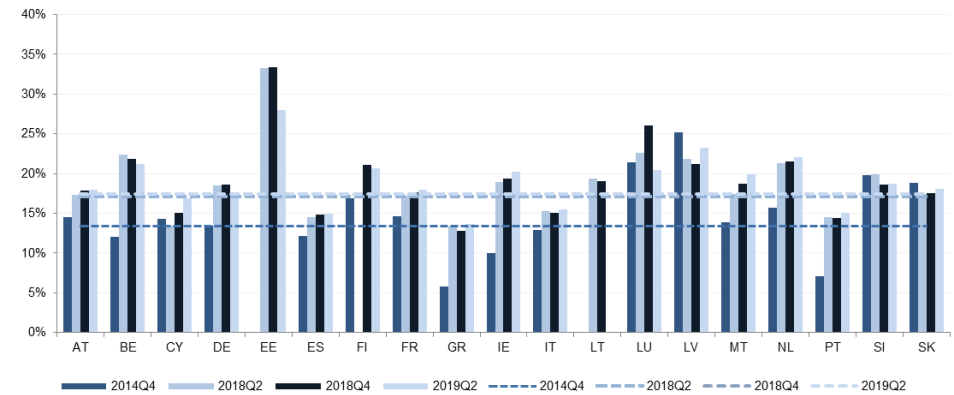
### Indicator 3: Fully loaded total capital ratio

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

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### Structural measure

- The **risk reduction package**<sup>8</sup>, which entered into force in June 2019, introduces 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 exposure<sup>9</sup>, as per Capital Requirements Regulation (CRR)/Capital Requirements Directive (CRD) definitions reported in the European Banking Authority (EBA) Implementing Technical Standards (ITS) on supervisory reporting (**Indicator 4, Charts 4.1 and 4.2**).<sup>10</sup>

### Commentary

- **Fully loaded leverage ratio.** As highlighted above, banks have, on average, reduced their leverage by 1.2 pp, with the average fully loaded leverage ratio improving from 4.0% in Q4 2014 to 5.2% in Q2 2019.
- **MS-specific developments.** The aggregate leverage ratio increased in most MS compared with Q4 2014.

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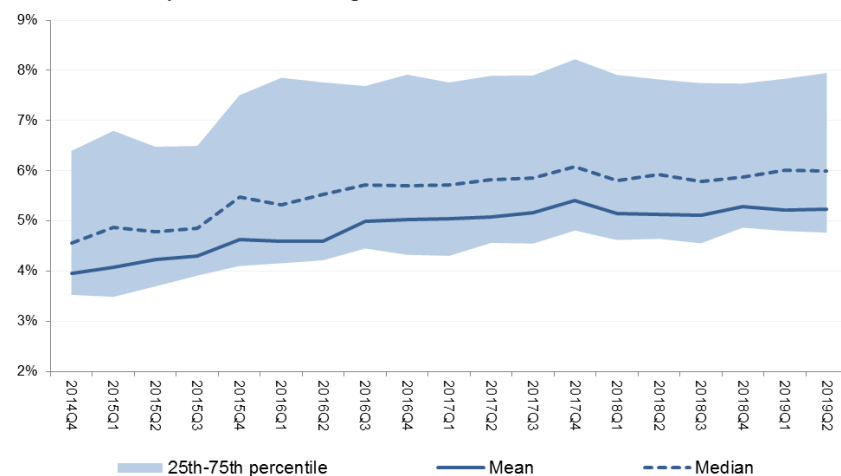
<sup>8</sup> [Regulation \(EU\) 2019/876](#) of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1). For an overview of the key elements of the risk reduction package, please see Annex I.

<sup>9</sup> 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).

<sup>10</sup> 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.

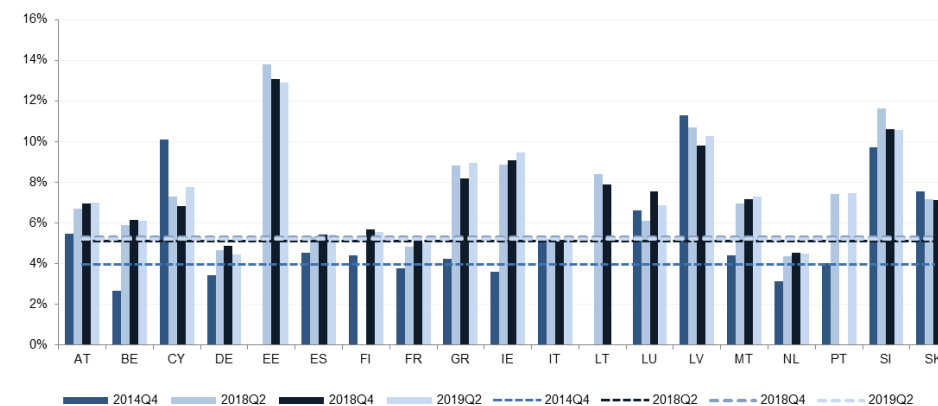
#### Indicator 4: Leverage ratio

Chart 4.1: Fully loaded leverage ratio – evolution in the BU



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

Chart 4.2: Fully loaded leverage ratio by MS



### 3. Liquidity and funding position

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#### Structural measure

- The **risk reduction package**<sup>11</sup>, which entered into force in June 2019, introduces a binding NSFR to address previous excessive reliance on short-term wholesale funding and to reduce long-term funding risk.

#### Quantitative indicators

- **LCR**: Ratio of liquidity buffer/net liquidity outflow (**Indicator 5: Charts 5.1 and 5.2**)<sup>12</sup>
- **NSFR**: Ratio of available stable funding (ASF)/required stable funding (RSF) (as reported in Single Supervisory Mechanism (SSM) Short-Term Exercise (STE)) (**Indicator 6: Charts 6.1 and 6.2**)<sup>13</sup>

#### Commentary

- **LCR**. On a BU aggregate level, the mean and median weighted average LCR figures have been above the minimum requirement of 100% since the start of the reporting period in Q4 2014.
- **NSFR**. On a BU aggregate level, the median and the weighted average NSFR figures have been above the forthcoming minimum requirement of 100% since the first reporting point in Q4 2014 and the weighted average has improved further by 10.7 pp to 112.6% since then.
- **MS-specific NSFR developments**. All MS met the forthcoming minimum requirement of 100% in Q2 2019.

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<sup>11</sup> [Regulation \(EU\) 2019/876](#). For an overview of the key elements of the risk reduction package, please see Annex I.

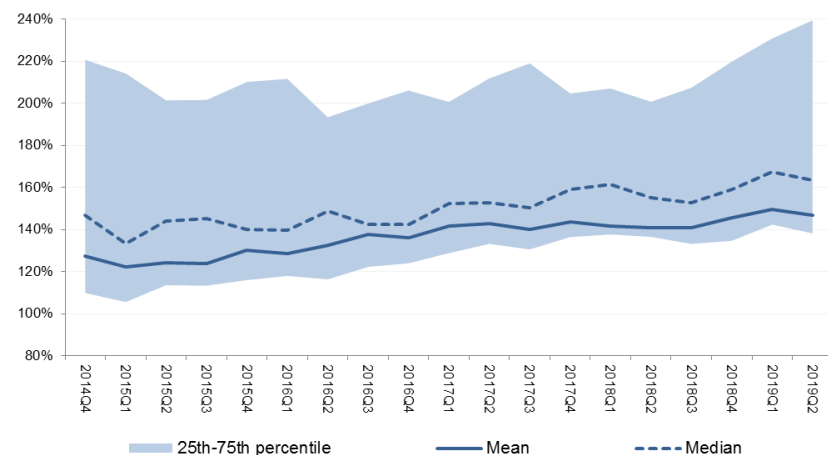
<sup>12</sup> The LCR indicates whether an institution has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash with little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar-day liquidity stress scenario.

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



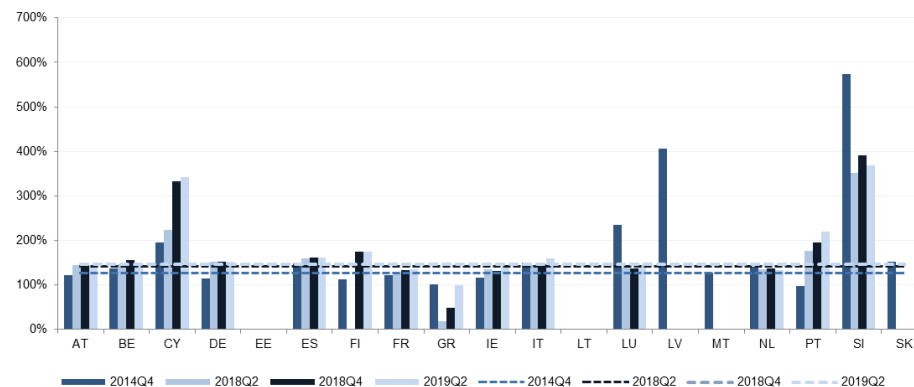
## Indicator 5: LCR

Chart 5.1: LCR – evolution in the BU



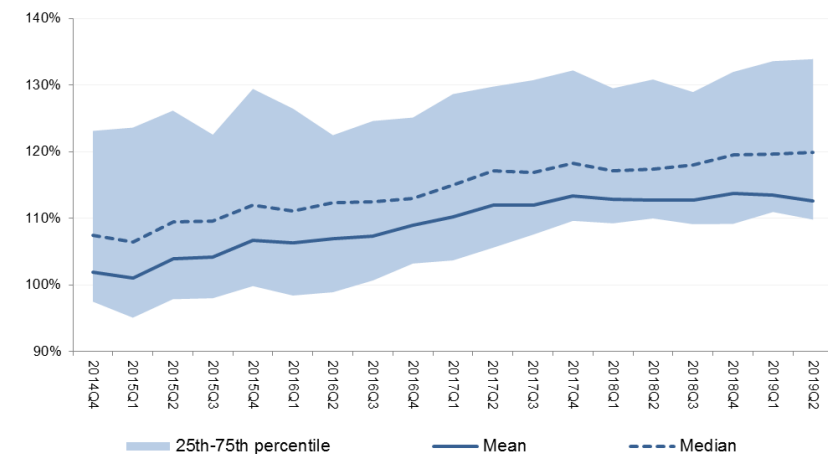
Source: ECB staff contribution, COREP, STE and ECB calculations. The figures for Greek banks should be interpreted carefully as external factors are hindering the use of the LCR as a measure of progress on risk reduction for these banks. See methodological notes in Annex III.

Chart 5.2: LCR by MS



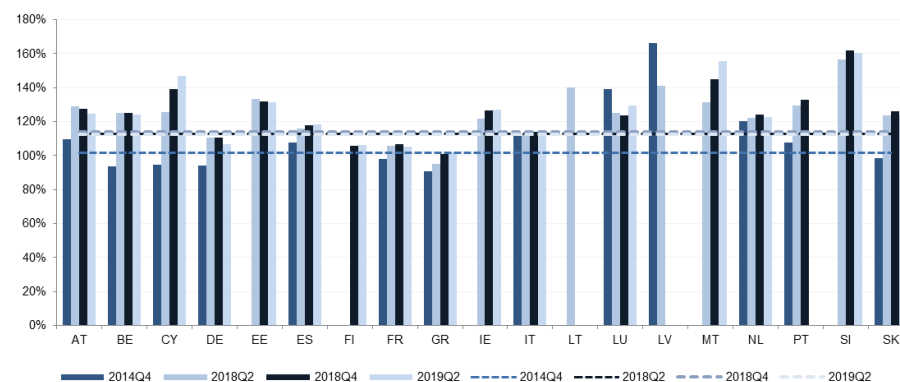
## Indicator 6: NSFR

Chart 6.1: NSFR – evolution in the BU



Source: ECB staff contribution, 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.

Chart 6.2: NSFR by MS



## 4. MREL

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### Structural measures

Progress made to date:

- The **risk reduction package**<sup>14</sup>, which entered into force on 27 June 2019, represents an important step towards the completion of the European post-crisis regulatory reforms and a response to the June 2016 ECOFIN Council invitation to further reduce risks in the financial sector.
- **SRB 2018 MREL policy**<sup>15</sup> and **guidance** forms the basis for decisions on MREL requirements during the 2018 (for groups with resolution college) and 2019 resolution planning cycles (for groups without resolution college).
- **Bank Creditor Hierarchy Directive** (EU) 2017/2399 published in December 2017<sup>16</sup>. All MS except one have confirmed the transposition of this Directive which enhances legal certainty regarding compliance with the subordination requirement and contributes to the increased issuance of senior non-preferred debt.

Ongoing:

- SRB 2018 **resolution planning cycle** (for banks with resolution college) to be completed by the end of 2019; SRB 2019 **resolution planning cycle** (for priority banks without college) to be completed by end of Q1 2020. In both cycles binding decisions are taken at consolidated and individual levels.
- **SRB 2020 MREL policy to support the implementation of the resolution part of the risk reduction package** which has entered into force in June 2019 and will become applicable following transposition on 28 December 2020.

### Quantitative indicators

- **MREL targets:** MREL consolidated target and subordinated requirement, expressed as a percentage of the total risk exposure amount (TREA) per MS (**Indicator 7: Chart 7.1** and for G-SIIs **Chart 7.2**).
- **Outstanding MREL-eligible liabilities:** Outstanding stock of MREL-eligible subordinated and non-subordinated liabilities (including own funds instruments), expressed as a percentage of the TREA per MS (**Indicator 8: Chart 8.1** and for G-SIIs **Chart 8.2**).
- **MREL shortfalls:** Computed as the difference between the MREL target and the outstanding stock of MREL-eligible liabilities, including the part of the shortfall to be met with subordinated eligible liabilities, expressed as a percentage of the TREA and EUR billion per MS (**Indicators 9 and 10: Charts 9.1, 9.2, 10.1 and 10.2**).

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<sup>14</sup> As part of the [Risk reduction package](#) published in the Official Journal of the EU (OJEU) in June 2019, Regulation (EU) 2019/876, Regulation (EU) 2019/877 and Directive (EU) 2019/879 implement a minimum TLAC requirement for EU G-SIIs (applicable as of 27 June 2019) and a revision of the MREL requirement for all banks with strengthened eligibility and subordination criteria (applicable upon transposition, from 28 December 2020). For an overview of the key elements of the risk reduction package, please see Annex I.

<sup>15</sup> SRB (2019), [2018 MREL Policy](#), January.

<sup>16</sup> [Directive \(EU\) 2017/2399](#) of the European Parliament and of the Council amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy.

## Commentary

- **MREL targets.** By the end of 2019, the SRB expects to adopt MREL targets at consolidated level for approximately 83% of the banks for which resolution plans will be adopted under the 2018 planning cycle<sup>17</sup>. MREL targets represent on average 25.2% TREA and on aggregate were equal to €1759 billion in Q4 2018 compared with €1722 billion in Q4 2017 reported in the May 2019 joint report<sup>18</sup>. MREL targets take into account bank-specific characteristics to tailor the calibration to the applicable resolution strategy. The SRB also requires (or expects, for banks without colleges during the 2018 planning cycle) an average amount of 17.8% TREA to be met with subordinated instruments (€1243 billion in Q4 2018 compared with €1213 billion in Q4 2017). When considering G-SIIs only, the average MREL target equals 25.8% TREA with average subordinated requirement of 20.0% TREA, i.e. higher than the average targets of non-G-SII banking groups.
- **Outstanding stock of MREL-eligible liabilities (including own funds instruments).** The stock of MREL-eligible liabilities including own funds for banks within SRB's remit accounted for an average of 28.5% TREA (€1987 billion) in Q4 2018 compared with 29.7% TREA (€2027 billion) in Q4 2017. This downward revision takes into account bank-specific adjustments by the SRB to the stock of MREL-eligible liabilities, regarding in particular: (i) the contractual features of the liabilities (governing law, presence of early redemption clauses); and (ii) the location of the issuances, as only those eligible liabilities issued by the point of entry can count for MREL<sup>19</sup>. Moreover, subordinated liabilities account for a substantial share of eligible liabilities, with an average of 23.4% TREA (€1627 billion in Q4 2018 compared with €1595 billion in Q4 2017). In some MS, the share of subordinated MREL-eligible liabilities is significant, either due to the recognition of statutory or structural subordination, or given the banks' funding model. When considering G-SIIs only, the average amount of MREL-eligible instruments amounts to 25.8% TREA, and 22.3% TREA for subordinated MREL-eligible instruments.
- **MREL shortfalls.** Based on the data displayed in this report, the majority of the 17 MS present a shortfall. The average MREL shortfall equalled 2.0% TREA in Q4 2018 compared with 1.8% TREA in Q4 2017. In absolute amounts, the total shortfall equalled €137.1 billion in Q4 2018 compared with €125.1 billion in Q4 2017. The 0.2% TREA increase in the shortfall is, among other things, due to the slight increase in the banks' balance sheet size and its effect on absolute levels of MREL targets, as well as the more stringent methodology used in the calculation of eligible liabilities for non-resolution college banks (both effects described above). The shortfall is higher than 5% TREA in only a few MS. Furthermore, the subordinated component of the MREL shortfalls is limited to, and accounts for, on average, 0.1% TREA. The shortfalls are concentrated in five MS with an absolute shortfall higher than €10 billion. As at 31 December 2018, total MREL funding needs represented approximately 7.8% of the total consolidated MREL target. When considering G-SIIs,

<sup>17</sup> Excluding banks with European Resolution College for which there is no MREL target at consolidated level.

<sup>18</sup> For further details please refer to the Methodological Annex III.

<sup>19</sup> Point ii) introduces a methodological difference in the determination of the outstanding stock of MREL-eligible liabilities, when compared with the previous joint report from May 2019. In the previous report, for banks without resolution colleges, eligible liabilities at the end of Q4 2017 were calculated at consolidated level of the resolution group, while in the current report, they are calculated as at Q4 2018 at the point of entry.

most of them meet their MREL targets and, according to a report by the Financial Stability Board on the implementation of the TLAC standard<sup>20</sup>, all of them meet or exceed their 2019 TLAC ratios.

### Qualitative assessment

- As mentioned above, the SRB has applied a more stringent approach than in previous reports for calculating eligible liabilities, including for banks without resolution colleges.
- Banks made progress as they reduced the subordinated shortfall by issuing instruments with higher quality. The impact of the introduction of the risk reduction package will be factored into the SRB resolution planning cycles: already in 2019 with statutory requirements for G-SIIs, and through the SRB 2020 MREL policy.
- Regarding policies and methodologies, in 2019 the SRB developed a comprehensive resolution planning manual as guidance for Internal Resolution Teams in their daily work. It describes the methodologies, processes and procedures for bank resolution in the banking union and serves as a benchmark for resolution planning. This will contribute to achieving harmonised and transparent working approaches as well as high-quality resolution plans.
- Furthermore, the SRB has recently launched a public consultation on its “Expectations for Banks” document<sup>21</sup>, which outlines best practice on key aspects of resolvability. This document sets out the capabilities the SRB expects banks to demonstrate in order to show that they are resolvable. The document will provide clarity to the market on the actions the SRB expects banks to take.
- Concerning crisis preparedness, the SRB continued its internal work on important projects such as the valuation project and the creation of a dedicated Resolution Tactical Team (RTT) in order to optimise crisis processes and workflows.

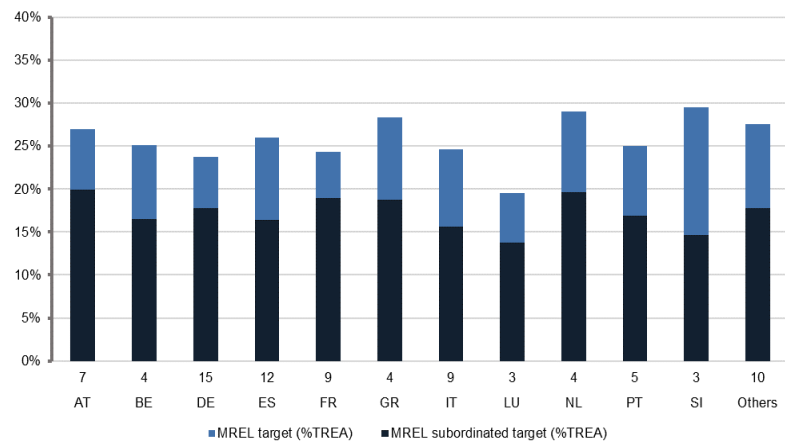
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<sup>20</sup> FSB (2019), [Review of the technical implementation of the Total Loss-Absorbing Capacity \(TLAC\) Standard](#), July.

<sup>21</sup> SRB (2019), [SRB public consultation on its “Expectations for banks”](#), October. This document includes a series of core principles organised along seven dimensions which banks are expected to comply with to be resolvable.

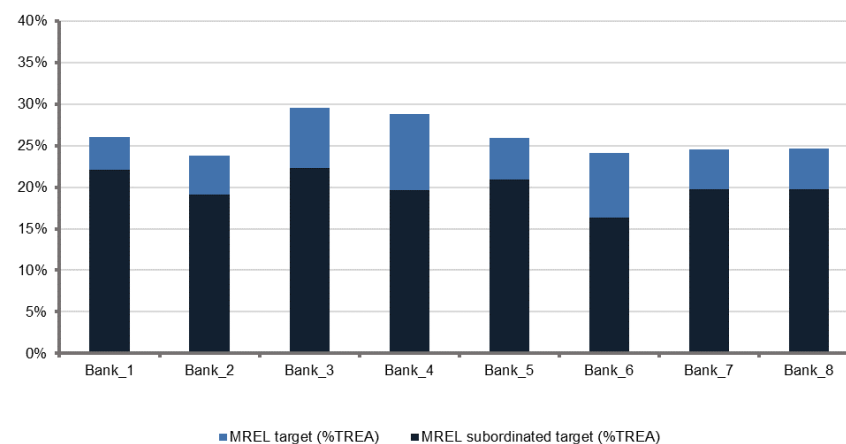
## Indicator 7: MREL target

Chart 7.1: MREL targets (of which subordinated), % TREA



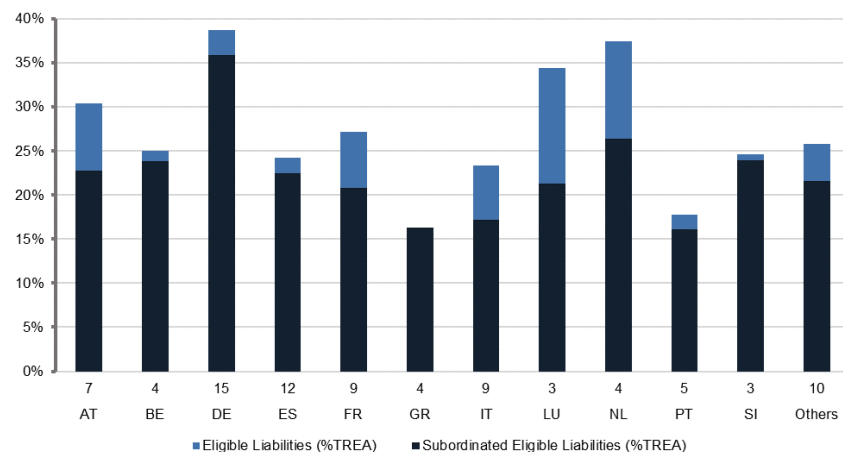
Source: SRB staff contribution and SRB calculations. See methodological notes in Annex III.

Chart 7.2: MREL targets (of which subordinated), % TREA – BU G-SIIs



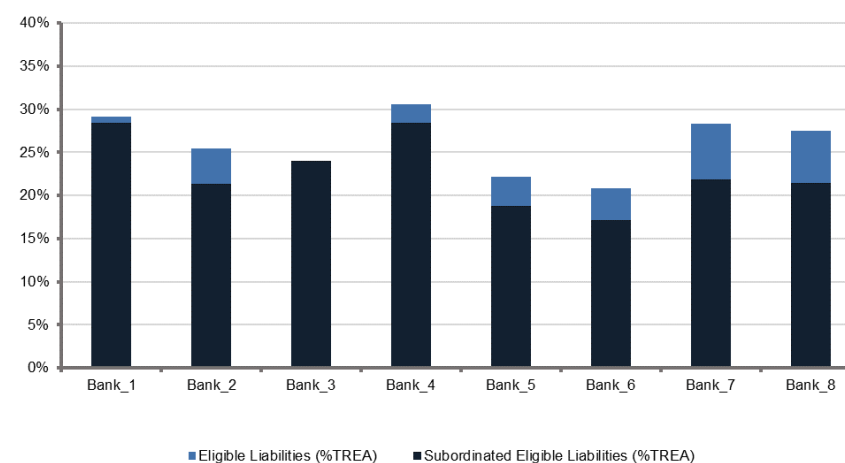
## Indicator 8: MREL-eligible liabilities

Chart 8.1: MREL-eligible liabilities (of which subordinated), % TREA



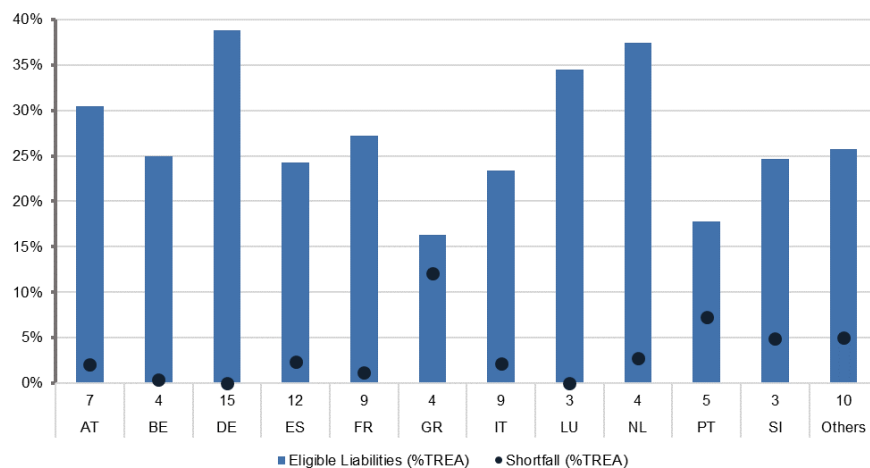
Source: SRB staff contribution and SRB calculations. See methodological notes in Annex III.

Chart 8.2: MREL-eligible liabilities (of which subordinated), % TREA – BU G-SIIs



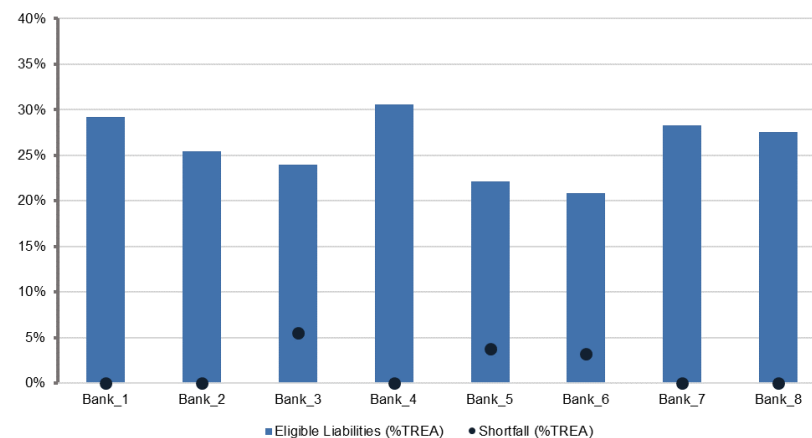
## Indicator 9: MREL shortfalls

Chart 9.1: MREL shortfalls, % TREA



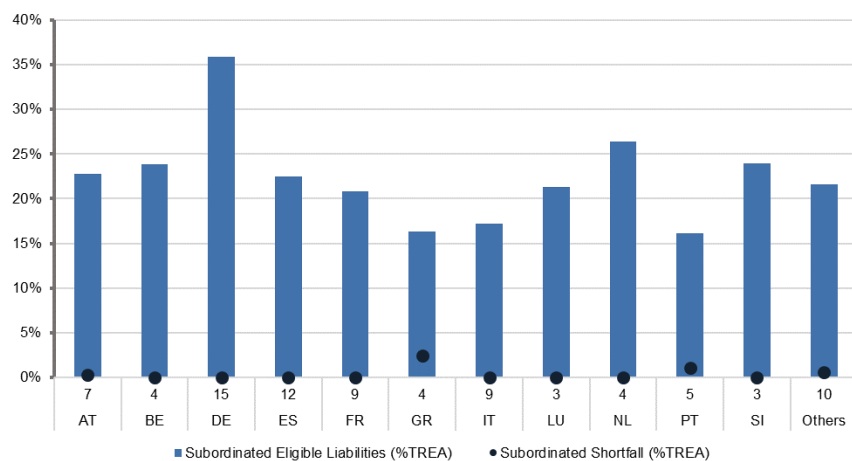
Source: SRB staff contribution and SRB calculations. See methodological notes in Annex III.

Chart 9.2: MREL shortfalls, % TREA – BU G-SIIs



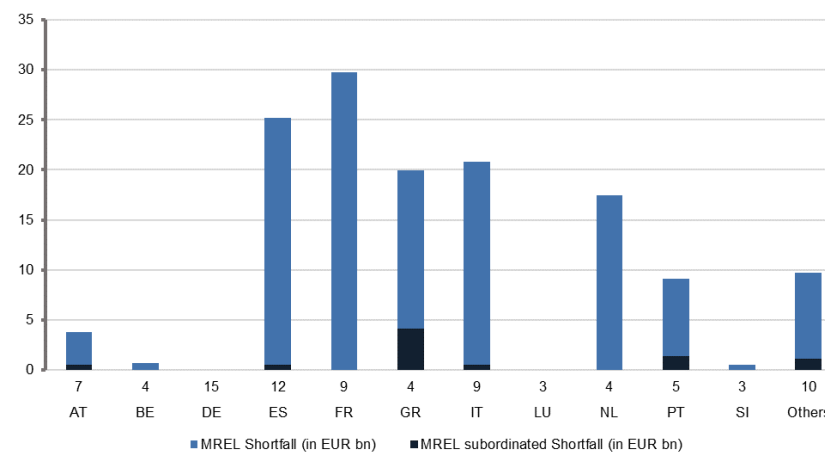
## Indicator 10: MREL subordinated shortfalls

Chart 10.1: MREL subordinated shortfalls, % TREA



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

Chart 10.2: MREL shortfalls (of which subordinated), EUR bn



## 5. NPLs

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### 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.
  - The proposed **regulation introducing common minimum coverage levels for newly originated exposures that become non-performing (“prudential backstop”)** entered into application in April 2019<sup>22</sup>. It requires banks to set aside sufficient funds to cover the risks associated with future non-performing exposures. To ensure legal certainty and consistency in the prudential framework, the Regulation also introduces a common definition of non-performing exposures (NPE), in line with the one already used for supervisory reporting purposes.
  - The proposal for a **directive on credit servicers, credit purchasers and the recovery of collateral**<sup>23</sup> aims at providing 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. This proposed legislation has not yet been adopted and negotiations are ongoing in the European Parliament and in the Council.
- **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 (Cyprus, Greece, Spain, Italy, Ireland, Latvia, Hungary, Portugal and Slovakia), the cooperative or savings bank sectors (Spain, Italy and Lithuania), legislation governing new sales of loans legislation (Ireland and Cyprus) or the introduction of a subsidy scheme (Cyprus).

### Other measures

- **Asset Management Companies (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-

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<sup>22</sup> [Regulation \(EU\) 2019/630](#) of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures (OJ L 111, 25.4.2019, p. 4).

<sup>23</sup> [COM/2018/0135 final - 2018/063 \(COD\)](#) - Proposal for a Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral.

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 regard to the stock of NPLs with the aim of achieving consistent coverage of NPL stock and flow over the medium term. Following the adoption of the prudential backstop regulation, the ECB revised its supervisory expectations for prudential provisioning for new NPLs to take new Pillar 1 requirements into account.

- **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, forbore 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.
- **EU-wide NPL transaction platform.** The Commission and the ECB are continuing to facilitate progress towards the emergence of Union-wide NPL transaction platforms. The Commission has been working with private-sector stakeholders to enable the development of industry standards that would govern such platforms, i.e. developed by the industry itself. To this end, the Commission has organised two roundtable meetings this year with industry experts.
- **EU-wide guidelines on loan origination and monitoring.** As a follow-up to the ECOFIN Council's "Action plan to tackle non-performing loans in Europe", in June 2019 the EBA issued draft guidelines on loan origination and monitoring for consultation. Learning from the elevated levels of NPEs across the EU in recent years, the draft guidelines aim to ensure that institutions have robust and prudent standards for credit risk taking, management and monitoring, and that newly originated loans are of high credit quality. The draft guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and anti-money laundering requirements.

## Quantitative indicators

- **Gross NPE ratio:** Ratio of gross NPEs<sup>24</sup>/total gross loans, advances and debt securities (**Indicator 11: Charts 11.1 and 11.2**)
- **Gross NPL ratio:** Ratio of gross NPLs and advances<sup>25</sup>/total gross loans and advances (**Indicator 12: Charts 12.1 and 12.2**)
- **Net NPL ratio:** Ratio of NPLs and advances net of allowances and credit risk adjustments to total net loans and advances (**Indicator 13: Charts 13.1 and 13.2**)
- **NPL coverage ratio:** Ratio of accumulated allowances and credit risk adjustments/total gross NPLs<sup>26</sup> (**Indicator 14: Charts 14.1 and 14.2**)
- **Collateral coverage ratio:** Ratio of collateral received for non-performing loans and advances to total gross NPLs<sup>27</sup> (**Indicator 15: Charts 15.1 and 15.2**)

<sup>24</sup> 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.

<sup>25</sup> 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.

<sup>26</sup> The NPL coverage ratio indicates the extent to which losses on NPLs are covered by provisions.



## Commentary

- **NPE, NPL and net NPL ratio.** There has been progress in reducing NPEs, NPLs and the net NPL ratio both in terms of weighted average and all across the distribution since Q4 2014.<sup>28</sup>
- **MS-specific developments for NPEs, NPLs and net NPL ratios.** There has been further progress in most MS, with larger decreases for countries with high levels of NPEs (Cyprus, Ireland, Italy and Portugal). In Q2 2019, Greece also reported for the first time an average NPL ratio slightly lower than the Q4 2014 one. Both the stock of NPLs (the ratio numerator) and the amount of total loans (the ratio denominator) have decreased, with the relative decrease in the numerator slightly outpacing the relative decrease in the denominator.
- **Weighted average NPL coverage ratio.** After peaking in Q1 2018 (due to both an increase in allowances and a decrease in NPLs with respect to the previous quarter), the value fell slightly over the last five quarters, while still remaining 2.0 pp higher than the Q4 2014 value.
- **MS-specific developments for average NPL coverage ratio.** Of the 14 MS in the sample in Q4 2014, there were improvements in coverage for eight of them over the period ending in Q2 2019, including several high-NPL countries (Cyprus, Greece, Italy and Portugal), while Ireland and the Netherlands 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 2019, which in turn led to a larger percentage of unsecured NPL exposures.
- **MS-specific developments for the collateral coverage ratio.** Of the 14 MS in the sample in Q4 2014, five saw an increase in collateral coverage over the period ending in Q2 2019, while the other nine recorded 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 (Denmark, Greece, Spain, Italy, Ireland, Cyprus and Portugal), transfers of legacy assets to external AMCs (Cyprus, Denmark, Spain, Ireland and Hungary), securitisation schemes supported by state guarantees (Italy, Greece), and improved arrears management and NPL workouts in banks (Germany, Ireland, Estonia, Spain, Cyprus, Lithuania and Latvia and the United Kingdom).
- **Recent developments.** Since October 2018, there has been ongoing supervisory focus on reducing NPLs (particularly in Ireland and Portugal), a further prolongation of the existing NPL securitisation scheme (Italy), and effective transfer of NPLs to a newly created AMC (Cyprus).
- **Secondary markets.** Activity on secondary markets for NPLs has been growing recently in some MS (Italy, Ireland, Spain, Greece, Cyprus and Portugal). Interest from investors is rising and the volume of NPL-related transactions is increasing.

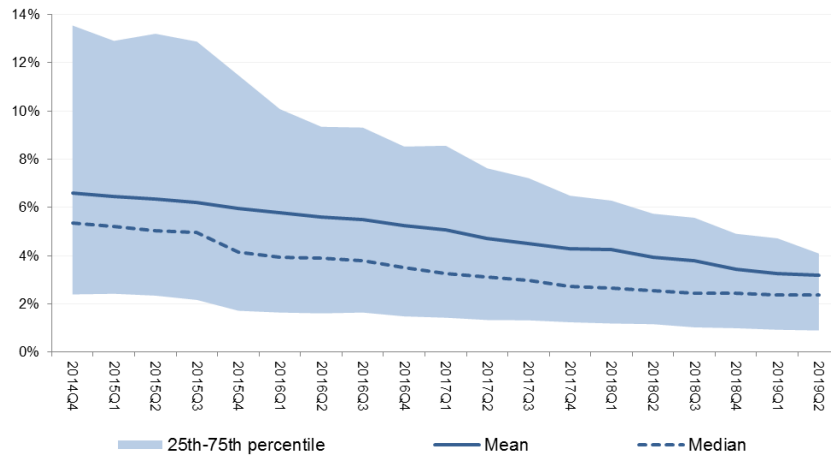
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<sup>27</sup> The collateral coverage ratio indicates the extent to which NPLs are secured by collateral such as movable and immovable property, amongst others.

<sup>28</sup> 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.

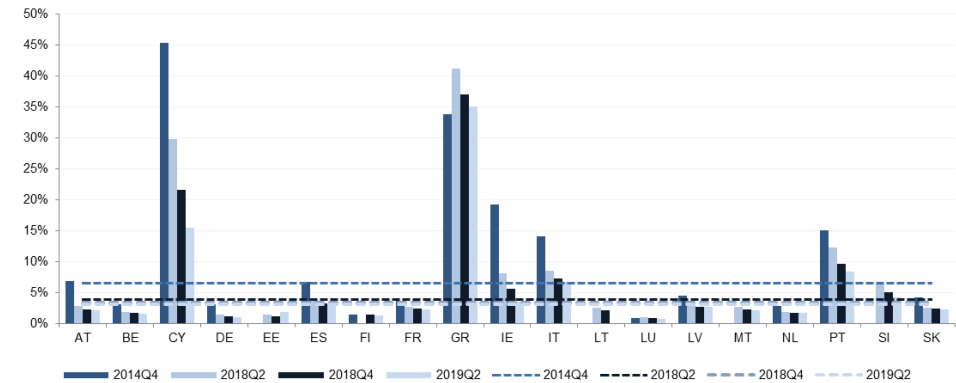
## Indicator 11: Gross NPE ratio

Chart 11.1: NPE ratio – evolution in the BU



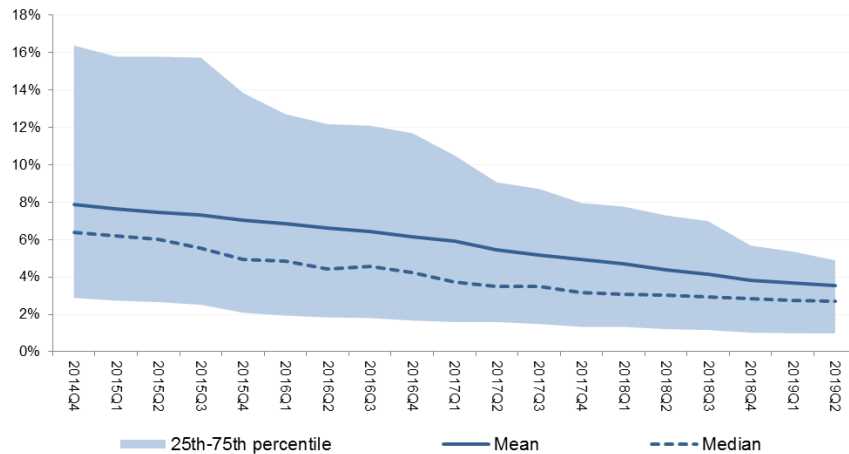
Source: ECB staff contribution, FINREP and ECB calculations.

Chart 11.2: NPE ratio by MS



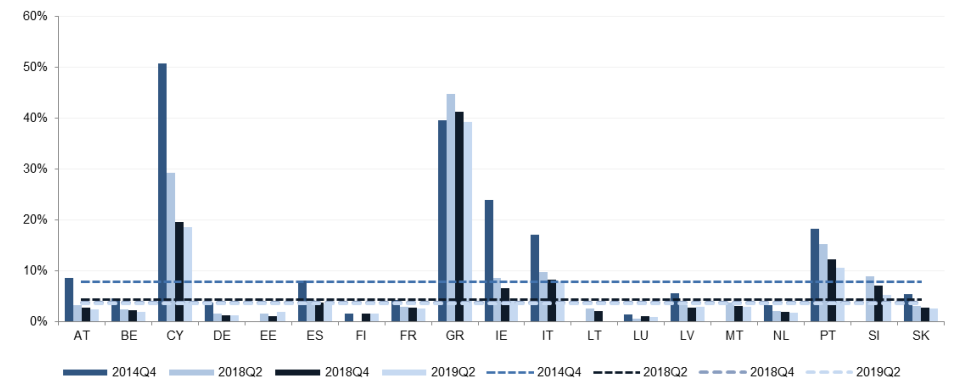
## Indicator 12: Gross NPL ratio

Chart 12.1: NPL ratio – evolution in the BU



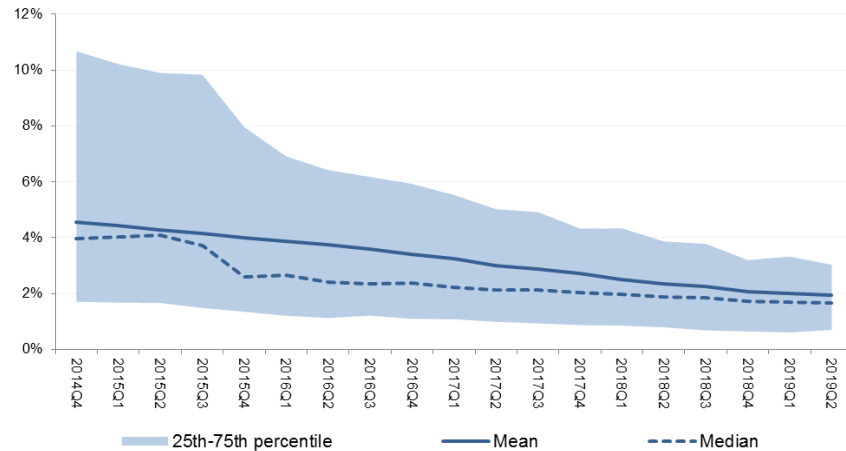
Source: ECB staff contribution, FINREP and ECB calculations. NPLs and advances gross of allowances and credit risk adjustments to total gross loans and adjustments.

Chart 12.2: NPL ratio by MS



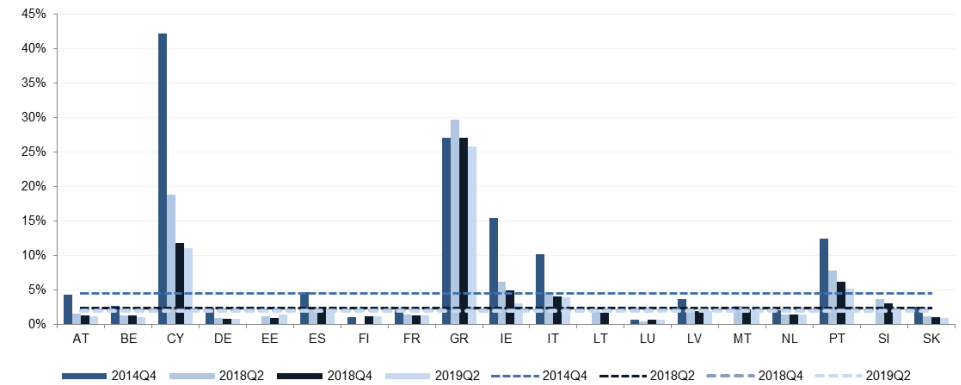
### Indicator 13: Net NPL ratio

Chart 13.1: Net NPL ratio – evolution in the BU



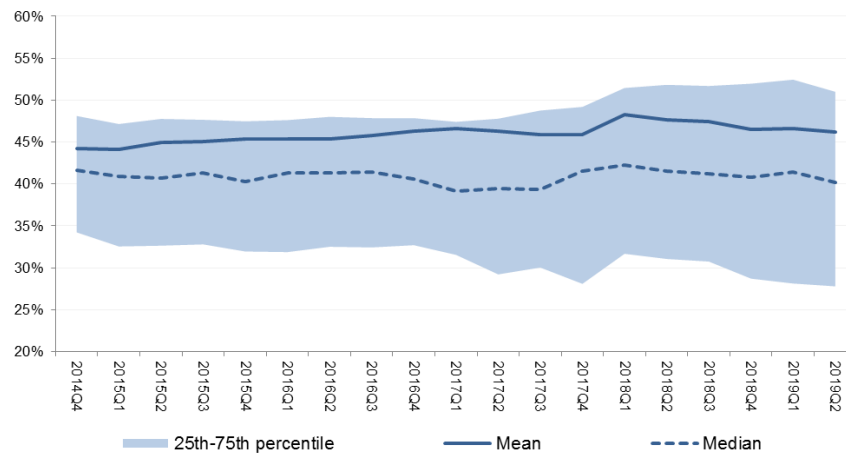
Source: ECB staff contribution, FINREP and ECB calculations. Ratio of on-performing loans and advances net of allowances and other adjustments to total net loans and advances.

Chart 13.2: Net NPL ratio by MS



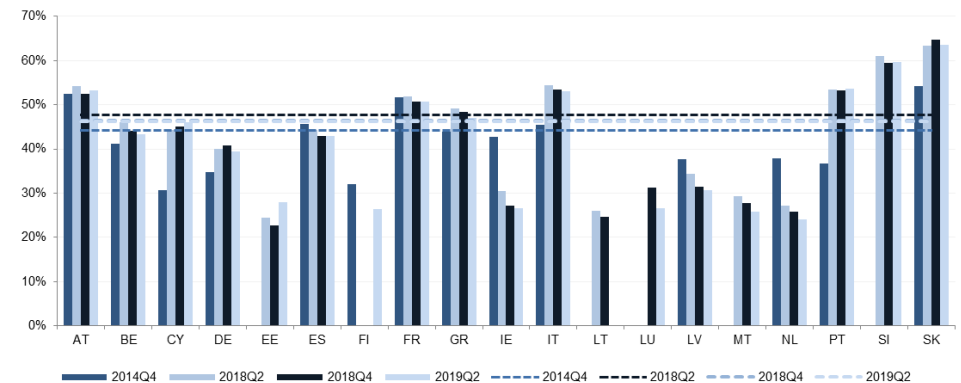
### Indicator 14: NPL coverage ratio

Chart 14.1: NPL coverage ratio – evolution in the BU



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

Chart 14.2: NPL coverage ratio by MS



## Indicator 15: Collateral coverage ratio

Chart 15.1: Collateral coverage ratio – evolution in the BU

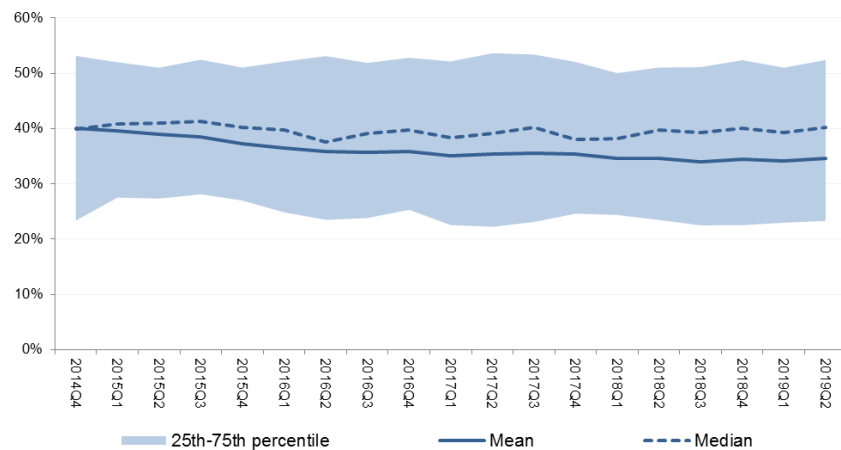
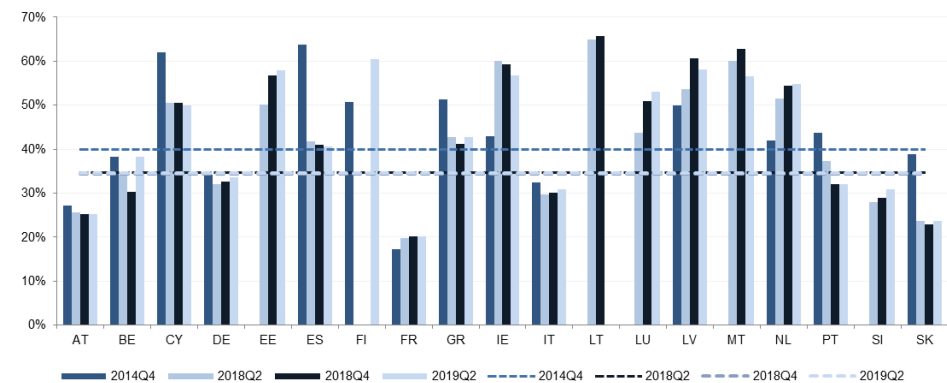


Chart 15.2: Collateral coverage ratio by MS



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 on some of the key measures covered by the semester country surveillance reports. Where appropriate, MS are invited to send updates to this table to the following functional email address: [FISMA-E2@ec.europa.eu](mailto:FISMA-E2@ec.europa.eu).

**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
<b>Already agreed and in force</b>	
CRR/CRD IV including technical standards	Introduces new definition of capital, credit valuation adjustment 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 SRB, assuming responsibility for dealing with failing banks in the euro area.
Partial harmonisation of bank creditor hierarchy	Adopted in December 2017; transposition ongoing. Creation of a new class of senior non-preferred debt to facilitate compliance with subordinated total loss absorbing capacity (TLAC)/MREL requirements achieved through modifications to Article 108 of the BRRD.
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.
	Fostering of transparency and improvements to data infrastructure on NPLs.
	Introduction of a statutory prudential backstop to prevent the build-up of future NPLs without sufficient loan loss coverage and a common

Measure	Description
	definition of NPEs. The amending Regulation entered into application in April 2019.
Risk reduction package – resolution (TLAC)	Amendments to the CRR implementing the TLAC standard entered into application in June 2019.
Risk reduction package – resolution (BRRD/SRMR review of MREL and other measures)	Publication in OJEU in June 2019; <b>transposition ongoing, with applicability after transposition.</b> Amendments to the BRRD/SRMR to strengthen the level and quality of MREL and implement the MREL allocation within groups (internal MREL). Amendments to the BRRD with a view to harmonising moratorium tools and ensuring more proportionate recognition of bail-in powers in third countries.
Risk reduction package – prudential (CRR/CRD review)	Publication in OJEU in June 2019; CRD <b>transposition ongoing.</b> Amendments to the CRR/CRD to, inter alia, implement and finalise remaining Basel reforms, including the introduction of: <ul style="list-style-type: none"> <li>- a binding leverage ratio;</li> <li>- a binding NSFR;</li> <li>- more risk-sensitive capital requirements, particularly in the area of market risk, counterparty credit risk and exposures to central counterparties;</li> <li>- more stringent large exposure limits for G-SIIs.</li> </ul> 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).
Insolvency law	Publication in OJEU in June 2019; <b>transposition ongoing.</b> Directive on preventive restructuring framework, second chances and measures to increase the efficiency of restructuring, insolvency and discharge procedures.
Investment firms	Publication in OJEU forthcoming in December 2019. Prudential banking supervision for large investment firms.
<b>Proposed by the Commission</b>	
Measures to address NPLs	Proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; <u>negotiations ongoing.</u> Benchmarking of national loan enforcement (including insolvency) systems from a bank creditor perspective.
Sovereign bond-backed securities (SBBSs)	An enabling framework for securities that allows for pooling and possibly tranching of sovereign bonds from different MS.
European Deposit Insurance Scheme (EDIS)	Proposal for a regulation to establish a European-wide deposit insurance scheme.

## 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. Initiatives are grouped into four main categories: legal reforms, supervisory actions, NPL initiatives and macro-prudential measures. Where appropriate, MS are invited to send comments to update the table to the following functional email address: [FISMA-E2@ec.europa.eu](mailto:FISMA-E2@ec.europa.eu).*

### 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 (Cyprus, Greece, Spain, Italy, Latvia, Hungary, Malta, Portugal and Slovakia);
  - cooperative or savings bank sectors (Cyprus, Spain, Italy and Lithuania);
  - strengthening of limits on related-party exposures (Bulgaria);
  - aid or protection schemes for distressed borrowers (Ireland, Cyprus and Greece);
  - tax changes (Croatia and the Netherlands);
  - new legislation on sales of loans (Cyprus);
  - improvements to financial consumer protection (Spain).

Since October 2018 reforms have been adopted or implemented in relation to insolvency (Cyprus and Hungary) and debt recovery laws, as well as out-of-court settlements (Malta), pensions (Cyprus), credit register (Cyprus and Finland), e-auctions (Cyprus), aid (Cyprus) and borrower protection schemes (Greece), recovery and resolution framework (the Netherlands), tax deductibility of interest including on mortgages (the Netherlands).

- **Prudential supervisory actions.** More than half of the MS have undertaken reforms in relation to the implementation of banking sector asset quality reviews (AQRs)/stress tests and non-banking balance sheet reviews (Bulgaria and the United Kingdom) and other supervisory measures aimed at increasing provisioning for NPLs (Ireland, Spain, Croatia, Cyprus, Romania and Slovenia), introducing bank-specific NPL reduction targets (Greece, Cyprus, Ireland, Malta, Portugal and Slovenia), and strengthening banking and non-banking supervision (Bulgaria, Spain and Portugal).

Since October 2018 additional supervisory measures related to potential losses from non-housing consumer loans and to management bonuses (Croatia) while the scope of supervisory oversight for consumer protection purposes was broadened (Ireland).



- NPL management initiatives.** More than half of the MS have implemented reforms in this area, with measures relating to, for example, sales of NPLs (Denmark, Greece, Spain, Italy, Cyprus, Romania and the United Kingdom), transfers of legacy assets to external AMC (Cyprus, Denmark, Spain, Ireland and Hungary), and improvements to arrears management and NPL workouts in banks (Bulgaria, Germany, Estonia, Spain, Cyprus, Lithuania, Latvia, Romania and the United Kingdom).  
 Since April 2019 there has been ongoing work on an asset protection scheme for securitised NPL portfolios (Greece), and effective transfer of NPLs to a newly created AMC (Cyprus).
- Macroprudential measures.** All MS have introduced macroprudential measures, since the introduction of most of the macroprudential instruments contained in CRR/CRD is mandatory. For more than half of the MS, new measures or changes to older measures occurred between April and October 2019. To date, nine MS have set a non-zero countercyclical capital buffer (CCyB) rate to address aggregate credit growth. Five of these Member States have announced further increases in CCyB rates. Furthermore, Belgium, Germany and Luxembourg have announced the setting of a non-zero CCyB rate for the first time. All MS have identified systemically important institutions in their economy. Around 200 G-SIIs and O-SIIs are currently identified in the EU. Systemic risk buffers (SyRB) are currently used in 14 MS for a wide range of purposes. Six MS resorted to temporary measures activated under Article 458 of the CRR with the main aim of addressing risks originating from the residential real estate sector. Given their potential negative impact on the single market, these measures are subject to an EU non-objection procedure. 23 MS have complemented macroprudential measures based on EU law with measures based on national law to address vulnerabilities stemming from the real estate sector. The majority of these MS (19) resorted to borrower-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) macroprudential measures
BE	None	None	None	<p>In June 2019 the National Bank of Belgium (NBB) announced an increase of the applicable CCyB rate from 0% to 0.5% as of July 2020.</p> <p>Eight institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.75% and 1.5%.</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) macroprudential measures
				<p>A macroprudential measure based on Article 458 of the CRR addressing financial stability risks originating in the residential real estate sector applied in Belgium from 2014 to 2017. A new macroprudential measure based on Article 458 of the CRR was implemented in 2018 to address the same risks. The measure, which entered into force in April 2018 and is applicable for two years, consists of a 5 pp risk weight add-on for IRB banks' exposures to Belgian mortgage loans (identical to the original measure); and of an additional multiplier of 1.33 for mortgage risk weights.</p> <p>On 5 September 2019, the NBB decided to establish new, explicit expectations for banks and insurance companies active in the residential real estate market. The aim is for these financial institutions to integrate these expectations in their internal risk management models. This should incite them to be (more) prudent in issuing mortgage loans. NBB will consult Belgian banks and insurance companies on this initiative. The macroprudential measure will be finalised in 2019 and should apply as from 2020 onwards.</p>
<b>BG</b>	Amendments to the Law on Българска народна банка (Bulgarian National Bank), transferring to the Governing Council banking and payment supervision competencies previously held by the	ECB Comprehensive Assessment (AQR and stress test) in 2018 covering 6 banks, out of which 2 domestically-owned institutions (First Investment Bank and Investbank) need to take follow-up measures to strengthen their	<p>Strengthening of vulnerable bank capital buffers allowing better provisioning for NPLs.</p> <p>Improvement of risk management</p>	In Bulgaria, a 0.5% CCyB rate has been applicable since October 2019. In March 2019 the Bulgarian National Bank also announced an increase of the applicable CCyB rate from 0.5% to 1% as of April 2020.

	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) macroprudential measures
	<p>Deputy Governors responsible.</p> <p>Extension of the scope of Article 45 of the Law on Credit Institutions, which sets limits on related-party exposures.</p> <p>Stronger requirements for managing and reporting related-party transactions.</p> <p>Important legal amendments improving the independence and governance of the Financial Securities Commission were passed in 2017.</p> <p>The insolvency regime has been amended and improved.</p>	<p>capital position.</p> <p>Several actions to strengthen banking and non-banking supervision.</p> <p>The Bulgarian National Bank aligned its prudential guidance with the implementation of the EBA guidelines.</p>	<p>practices in banks.</p>	<p>Eleven institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 1%.</p> <p>A systemic risk buffer (SyRB) of 3% has applied since October 2014 to the domestic exposures of all credit institutions in Bulgaria at individual, consolidated and sub-consolidated level. The measure was last reassessed in November 2017. As the SyRB is applied to domestic exposures, it is cumulated with the O-SII buffer for institutions subject to both buffers.</p> <p>The Bulgarian authorities adopted legislative amendments to the Law on Credit Institutions, introducing borrower-based requirements in addition to existing capital-based measures.</p>
<b>CZ</b>	None	None	None	<p>In the Czech Republic, a 1.5% CCyB rate has been applicable since July 2019. In November 2018 Česká národní banka (CNB) announced an increase of the applicable CCyB rate from 1.5% to 1.75% as of January 2020. In May 2019 the CNB announced a further increase of the applicable CCyB rate from 1.75% to 2% as of July 2020.</p> <p>Seven institutions were identified as O-SIIs in 2018. They are not subject to positive O-SII buffer rate requirements.</p> <p>An SyRB was introduced in 2014 and last renewed</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) macroprudential measures
				<p>in May 2018. It currently applies to five institutions that have been identified as O-SII, with rates up to 3%. The SyRB applies to all exposures.</p> <p>Draft legislation to empower the CNB to set legally binding loan-to-value (LTV), loan-to-income (LTI), debt-to-income (DTI) and debt-service-to-income (DSTI) limits failed to be approved by parliament in summer 2017 given the elections in October 2017. The CNB 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. LTV limits are kept at the current level (90%).</p>
<b>DK</b>	None	<p>Slow reduction of NPLs in agribusiness, concentrated in small and midsized local banks, with support from the Danish Financial Supervisory Authority (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</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 NPEs with a total outstanding debt of approximately DKK 3 billion. The exposures in the offered</p>	<p>In Denmark, a 1% CCyB rate has been applicable since September 2019. In June 2019 the Danish government announced an increase of the applicable CCyB rate from 1% to 1.5% as of September 2020. In July 2019 the date of applicability of the 1.5% CCyB rate was brought forward to June 2020. In October 2019 the Danish government announced a further increase of the applicable CCyB rate from 1.5% to 2% as of December 2020.</p> <p>Six institutions were identified as O-SIIs in 2018. They are not subject to positive O-SII buffer rate</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) macroprudential measures
		<p>customers with high LTI ratios, etc.</p> <p>The Danish FSA has also introduced a Supervisory Diamond for Mortgage Credit Institutions supplementing the existing Supervisory Diamond for Danish Banks. 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.</p>	<p>portfolio were taken over under the bank rescue packages implemented in 2008-11.</p>	<p>requirements.</p> <p>An SyRB was introduced in 2014. It was last renewed in December 2018. It currently applies to seven institutions that have been identified as O-SII, with rates up to 3%. The SyRB applies to all exposures.</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 five years; and (b) deferred amortisation is only applicable on 30-year fixed rate loans.</p>
DE	None	None	None	<p>In June 2019 BaFin announced an increase in the applicable CCyB rate from 0% to 0.25% as of July 2020.</p> <p>Thirteen institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2%. One of these institutions was also identified as a G-SII, with a G-SII buffer rate of 2%. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.</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) macroprudential measures
<b>EE</b>	None	None	NPLs, which peaked after 2009, have been partially resolved and partially written-off, with substantial support from Scandinavian parent banks.	<p>Four institutions have been identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 1% and 2%.</p> <p>An SyRB was introduced in 2014 with a 2% rate applicable to all banks. In April 2016 the SyRB rate was reduced to 1%. The measure was last renewed in April 2018. As the SyRB is applied to domestic exposures, it is cumulated with the O-SII buffer for institutions subject to both buffers.</p> <p>A macroprudential measure based on Article 458 of the CRR was implemented in Estonia in August 2019 to address financial stability risks originating in the residential real estate sector. The measure, which entered into force in September 2019 and is applicable for two years, consists of a credit institution-specific minimum level of 15% for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures secured by mortgages on immovable property to obligors residing in Estonia. The measure applies to the two credit institutions that have adopted the Internal Ratings Based Approach in Estonia (SEB and Swedbank).</p>
<b>IE</b>	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	Mortgage Arrears Restructuring Targets (MART) encouraged restructuring efforts by banks to move from a short-term forbearance model to one where	Centralised credit register introduced in 2017.	<p>In Ireland, a 1% CCyB rate has been applicable since July 2019.</p> <p>Six institutions were identified as O-SIIs in 2018.</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) macroprudential measures
	<p>association which buys the property from the lender.</p> <p>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 concluded recently.</p> <p>Personal insolvency legislation introduced in 2012 significantly modernised the regime by providing a range of debt resolution options which balance the rights of creditors and debtors.</p> <p>Enhanced money advice and budgeting service introduced for distressed borrowers.</p> <p>The Land and Conveyancing Law Reform Bill 2019 entered into force in August 2019. The bill sets out the considerations the courts must take into account when a lender is seeking an order for the repossession of lands. In particular, courts must consider a homeowner's personal circumstances before a repossession order can be issued.</p>	<p>longer-term sustainable restructuring products were offered to borrowers. These targets have been a contributing factor to the reversal in the Irish banks' NPL ratio since 2013.</p> <p>Legislation designed 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.</p> <p>Consumer Protection (Regulation of Credit Servicing Firms) Act 2018, which was adopted in December 2018, extends the scope of supervisory oversight for consumer protection purposes to credit acquiring companies. The original regulatory regime, introduced in 2015, was only applicable for credit servicing firms.</p> <p>Ongoing supervisory focus on addressing NPL levels in Irish banks.</p>	<p>AMC established (NAMA)</p> <p>Dedicated NPL work out units established by banks.</p>	<p>They are subject to O-SII buffer rates between 0% and 1.5%.</p> <p>Authorities introduced macroprudential measures to limit the high LTVs and LTIs on new residential mortgage loans in February 2015. The aims were to lower risks to vulnerable borrowers and to dampen cyclical dynamics between house prices and lending volumes. The rules were revised in 2016 (i.e. introduction of a sliding LTV limits) and in 2017 (i.e. stricter rules for second and subsequent buyers). Another review of the measures will be concluded in 2019.</p>

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<b>GR</b>	<p>Reform of the insolvency regime for corporates and households in December 2016/May 2017 (corporates) and November 2015/June 2018 (households);</p> <p>Introduction of an out-of-court debt workout mechanism for restructuring arrears to both the Government and banks, operational since September 2017;</p> <p>Introduction of e-auctions;</p> <p>Adoption of a new primary residence protection scheme, which aims to support the restructuring of NPLs, following the expiry of provisions on the protection of primary residences under the previous Household Insolvency (Katseli) law. Besides its social dimension, it may help to reduce the stock of NPLs by incentivising the servicing of loans that are currently non-performing;</p> <p>Since April 2019:</p> <p>New secondary legislation was issued with respect to the new primary residence protection scheme, facilitating the submission of applications through the platform; the relevant electronic platform</p>	<p>Revision in March 2019 and extension to the end of 2021 of bank-specific operational NPL reduction targets, already in place since 2016 for the period Q2 2016 to Q4 2019.</p>	<p>Adoption of a new law on the sale of loans.</p> <p>Liberalisation of the licensing regime for NPL service providers in Q2 2017.</p> <p>Since April 2019:</p> <p>A working group has been established to identify and assess impediments leading to the cancellation or suspension of e-auctions due to procedural abuse, in order to recommend the necessary mitigating measures that could be taken.</p> <p>An asset protection scheme with which the sovereign will provide a guarantee to securitised NPL portfolios of banks was notified by the Greek authorities to the Commission which decided that the scheme does not constitute State aid; technical work is currently ongoing to prepare and put in place the relevant legislation in 2019; complementary systemic initiatives may also be explored at a second stage.</p>	<p>Four institutions were identified as O-SIIs in 2018. They are all subject to an O-SII buffer rate of 1% subject to a phasing in period until 2022.</p> <p>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).</p>



Overview of risk reducing measures adopted at national level				
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	<p>was launched and subsequently upgraded. Following the Commission's state-aid approval, the first State loan subsidy was approved on 15 October 2019; debtors have started submitting rescheduling requests, although the volume of completed requests that received a restructuring proposal remained small up to end-September 2019;</p> <p>Some progress has been recorded with respect to enhancing the case processing capacity of courts through new staff appointments and the training of judges on financial topics. However, more needs to be done in this respect to achieve the elimination of the backlog of cases in the context of the Katseli household insolvency framework;</p> <p>The uptake of the out-of-court workout mechanism is mostly limited to bilateral restructuring and markedly less in multilateral restructuring. Numerous amendments and improvements have taken place since inception to ensure unhindered and increasingly automated operation, albeit with limited effect;</p> <p>A working group was created in February 2019 to assess the implementation record</p>			

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	of the reformed Code of Civil Procedure and questionnaires were dispatched to stakeholders in August 2019.			
ES	<p>Establishment of a new legal framework for savings banks and banking foundations.</p> <p>Introduction of new personal and company insolvency regimes.</p> <p>Enhancement of consumer protection legislation for financial instruments.</p>	Spain implemented a financial assistance programme between July 2012 and January 2014 which resulted in former savings banks' legacy assets being cleaned up and transferred to an AMC, and to those entities being restructured and recapitalised.	<p>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.</p> <p>SAREB is an asset management company that was created to divest the assets transferred from the old savings banks and help the economy recover. After 43% of SAREB's expected lifetime, 34% of assets have been sold and 30% of senior debt had been repaid by mid-2019.</p>	<p>Five institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.25% and 1%. One of these institutions has been also identified as a G-SII, with a G-SII buffer rate of 1%. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.</p> <p>Creditors' preferential claim on secured collateral increased to 70% in 2015 and 90% in 2018.</p> <p>In March 2019 the Spanish Macroprudential Authority Financial Stability Board (<i>Autoridad Macropudencial Consejo de Estabilidad Financiera</i> – AMCESFI) was created to help prevent and mitigate systemic risk to financial stability. The AMCESFI is tasked with the regular monitoring and analysis of sources of systemic risk. Within its powers, AMCESFI can issue warnings and recommendations on any matters pertaining to financial stability, as well as opinions on proposals of macroprudential measures previously notified to the AMCESFI by the sectoral authorities. On an annual basis, the new authority shall submit a public report to the Spanish Parliament, analysing the main risks to financial stability, the binding measures adopted and the recommendations and</p>

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				warnings issued.
FR	None	None	None	<p>In France, a 0.25% CCyB rate has been applicable since July 2019. In April 2019 the High Council for Financial Stability (<i>Haut Conseil de Stabilité Financière</i> – HCSF) also announced an increase of the applicable CCyB rate from 0.25% to 0.5% as of April 2020.</p> <p>Six institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.25% and 1.5%. Four of these institutions have been also identified as G-SIIs, with G-SII buffer rates between 1% and 1.5%. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.</p> <p>A macroprudential measure based on Article 458 of the CRR was implemented in France in 2018 to address financial stability risks originating from highly indebted large non-financial corporations. The measure, which entered into force in July 2018 and is applicable for two years, consists of a tightening of large exposure limits applicable to highly indebted large non-financial corporations that are resident in France. French O-SIIs shall not incur an exposure that exceeds 5% of their eligible capital for NFCs or group of connected NFCs assessed to be highly indebted.</p>

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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. The amendments are currently on hold, awaiting the outcome of the proposed EU directive on credit servicers, credit purchasers and the recovery of collateral.</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 Hrvatska narodna banka (HNB) 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> <p>In February 2019 HNB enacted two supervisory measures:</p> <ul style="list-style-type: none"> <li>- Potential losses arising from non-housing consumer loans should be accounted for in credit institutions' Internal Capital Adequacy Assessment Processes (ICAAPs).</li> <li>- Credit institutions are expected to define in their internal regulations</li> </ul>	None	<p>Nine institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.2% and 2%.</p> <p>An SyRB was introduced in 2014 and renewed in August 2017 and again in September 2019. It currently applies to all institutions, with a rate up to a maximum of 3%. As the SyRB is applied on all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two buffers.</p> <p>In February 2019 Hrvatska narodna banka issued a recommendation on granting non-housing consumer loans:</p> <ul style="list-style-type: none"> <li>- In determining consumers creditworthiness for all non-housing consumer loans with original maturities above 60 months, credit institutions should take into consideration minimum costs of living that may not be less than the amount prescribed by the act governing a part of salary exempted from foreclosure.</li> <li>- Credit institutions are recommended to establish records of all non-housing consumer loans with all the information on credit, collateral and consumer, and to calculate LTI, DTI, LSTI, DSTI and LTV (where applicable) for all housing and non-housing consumer loans.</li> </ul>

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		clear return mechanisms ("clawback clause") with respect to management bonuses in the event of excessive losses on those exposures.		
IT	<p>Reform of the insolvency and foreclosure frameworks in 2015 and 2016 to shorten the recovery period for collateral and foster the repossession of collateral.</p> <p>Reform of large cooperative banks (<i>banche popolari</i>) and small mutual banks (<i>banche di credito cooperativo</i> – BCCs); the reform of small mutual banks has been largely completed following the setting up of the two cooperative banking groups (ICCREA and Cassa Centrale Banca). The BCCs (Raiffeisen banks) operating in the Bolzano and Trento provinces were provided with the option of setting up an institutional protection scheme; the full implementation of the large cooperative banks reform has been suspended due to a decision taken by the Italian State Council in late 2018, which referred several questions related to the reform to the Court of Justice of the European Union.</p> <p>Introduction of immediate tax deductibility</p>	Enhanced reporting by all banks on NPEs and collateral – reporting template introduced in 2016 by the Banca d'Italia.	<p>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, and further prolonged in March 2019 for a period of two years. The recent prolongation of the GACS was confirmed in May 2019 by the European Commission as not constituting State aid.</p> <p>Establishment of a private sector backstop facility to invest in NPLs sold or securitised by banks (i.e. Atlante II Fund, renamed the Italian Recovery Fund in 2017).</p>	Three institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.25% and 1% subject to a phasing in period until 2022. One of these institutions has also been identified as a G-SII, with a G-SII buffer rate of 1%. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.

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	<p>for loan loss provisions.</p> <p>Recent developments:</p> <p>Finalisation in early 2019 of the insolvency framework reform. On 10 January 2019, the Government approved the relevant Legislative Decree (14/2019), which will enter into force 18 months after the publication, i.e. on 14 August 2020. The reform, <i>inter alia</i>, promotes out-of-court agreements between debtors and creditors, simplifies bankruptcy procedures and introduces a pre-emptive mechanism for corporate insolvencies. The Code also aims to harmonise Italian insolvency procedures with the EU Regulation 2015/848 by reducing the differences in the interpretation of the applicable law.</p>			
<b>CY</b>	<p>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).</p> <p>A number of amendments to the</p>	<p>Supervisory pressure in late 2016 and early 2017 through the Supervisory Review and Evaluation Process (SREP) led to an increase in levels of provisioning.</p>	<p>NPLs declined further, continuing the downward trend seen since end-2015. However, the reduction in the first half of 2019 was more marginal than in 2018 following the transfer of the Cooperative Bank's sizeable NPL portfolio from the banking system to Cyprus Asset Management Company (KEDIPEs) and a number of NPL disposals by several Cypriot lenders. Further planned</p>	<p>Ten institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2%.</p> <p>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</p>

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	<p>foreclosure framework, which were approved by Parliament in August 2019, were referred to the Supreme Court by the President. The Court's decision on the constitutionality of the amendments is expected in 2020. In the meantime, the July 2018 foreclosure framework is still in effect.</p> <p>The Securitisation Law was approved by parliament in July 2018.</p> <p>Work to improve the Insolvency Service of Cyprus' effectiveness and efficiency and strengthen the regulatory framework for insolvency practitioners is ongoing, although progress is slow.</p> <p>A government-supported subsidy scheme (ESTIA) was launched in July 2019 with the aim of providing a 33% debt reduction for eligible borrowers with NPLs that are backed by primary residences.</p> <p>The authorities expect to enact all necessary legislation regarding e-auctions in the fourth quarter of 2019. The developed system has already been tested in a pilot procedure. The aim is to establish an electronic auction system by mid-2020.</p>		<p>disposals, if successful, would imply a significant further reduction in the coming year.</p> <p>In December 2018, following the agreement of 25 June 2018, the assets and liabilities of the Cooperative Bank were transferred to the acquirer, while the NPLs were transferred to KEDIPES. Progress in setting up KEDIPES was slower than expected. As of September 2019, the organisational set-up of the body, the definition of the asset workout strategies, and the revision of the service level agreement have not been finalised.</p>	<p>(first introduced in 2003) at 80% of financing for primary residences and 70% for all property financing.</p>

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	<p>The authorities aim to launch the Department of Insolvency along with a uniform framework for the various authorities that licence insolvency practitioners by 2020. A review of the regulations governing insolvency practitioners is underway.</p> <p>In late 2018 regulatory amendments were introduced, requiring credit acquiring firms to use and report to the credit register.</p> <p>The integration of the supervisors of the pension funds and insurance companies is slowly progressing, the aim being to have the new body operational by mid-2020.</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</p>	None	<p>NPLs, which peaked after 2009, have been partially resolved and partially written-off, with substantial support from Scandinavian parent banks.</p>	<p>Six institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 1.25% and 2%.</p>



	Overview of risk reducing measures adopted at national level			
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	conflict of interest provisions and harsher 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 Lietuvos bankas 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.	<p>In Lithuania, a 1% CCyB rate is applicable since June 2019.</p> <p>Four institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 1% and 2%.</p> <p>The Bank of Lithuania implemented the Recommendation ESRB/2016/4 on the recognition and reciprocation of Swedish macroprudential measures, and required IRB banks operating in Lithuania to apply as of 20 June 2019 a credit institution-specific floor of 25% for the exposure-weighted average of the risk weights applied to the portfolio of retail exposures to obligors residing in Sweden secured by immovable property.</p>
LU	None	None	None	<p>In December 2018 the <i>Commission de Surveillance du Secteur Financier</i> (CSSF) announced an increase of the applicable CCyB rate from 0% to 0.25% as of January 2020.</p> <p>Eight institutions were identified as O-SIIs in 2018.</p>

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				<p>They are subject to O-SII buffer rates between 0.5% and 2%.</p> <p>A law introducing borrower based limits has been pending approval in parliament for 2 years. The package allowing the supervisor to set LTV, LTI, DTI, DSTI and maturity limitations, was proposed in 2017. The proposal does not contain any percentages; these will have to be set by the supervisor. In August 2019 the Ministry of Finance amended the draft bill to specify more narrowly the conditions under which the supervisor (CSSF) can impose those limits.</p>
<b>HU</b>	None	None	<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. In 2019, NAMA started a buyback program for its customers.</p>	<p>Eight institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2%.</p> <p>An SyRB was introduced in 2015. The measure has been renewed yearly. It applies to the domestic exposures of all institutions. SyRB rates are set in a 0–2% range, depending on the contribution to commercial real estate risk. Since the last reassessment in June 2019, no institutions qualify for an SyRB rate above 0%.</p> <p>In October 2018 the mortgage funding adequacy ratio (MFAR) was introduced, requiring that at least 20% of residential mortgage loans with maturities over one year are to be financed through eligible mortgage-backed funds. In January 2019 the MFAR</p>

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				Regulation was amended with effect from 1 October 2019, whereby the required minimum maturity of accepted funds was extended to three years, and the required minimum level of long-term funds in proportion to residential mortgage loans was increased to 25%.
<b>MT</b>	Work is under way for the implementation of insolvency and debt recovery laws and amendments have been implemented in the Companies Act to expedite out-of-court settlements.	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.	None	<p>Three institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2%.</p> <p>In March 2019 the Central Bank of Malta published a Directive on the Regulation on Borrower-Based Measures to be effective from 1 July where both resident and non-resident borrowers entering into residential real estate loans within the domestic territory are subject to the Directive. The limits of the Directive apply to all domestic lenders granting domestic residential real estate loans.</p> <p>For category I borrowers ((i) first-time borrowers (FTBs); (ii) non-FTBs purchasing their primary residence with no outstanding loans; (iii) borrowers who already own or have owned a primary residence and at the origination of the mortgage loan the pre-existing primary residence has either been sold or a promise of sale agreement has been entered into; (iv) borrowers who have pending proceedings before the Civil Court (Family Section) which hinder the sale of the primary residence):</p>

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				<ul style="list-style-type: none"> <li>- 90% loan-to-value at origination (LTV-O) cap with a “speed limit” of 10% on the volume of loans, for loans with a market value in excess of €175,000.</li> <li>- A stressed debt-service-to-income at origination (DSTI-O) of 40% for loans with a market in excess of €175,000.</li> <li>- A stressed DSTI-O of 40% for loans with a market in excess of €175,000 with a shock to interest rate of 150 bps.</li> <li>- A maturity term of 40 years or the official retirement age – whichever occurs first.</li> </ul> <p>For category II borrowers (defined as those for whom any other loan to purchase residential real estate excluding category I borrowers such as buy-to-let borrowers):</p> <ul style="list-style-type: none"> <li>- Gradual phasing-in: 1st year: 85% LTV-O cap with a “speed limit” of 20% on the volume of loans.</li> <li>- 2nd year: 75% LTV-O cap with a “speed limit” of 20% on the volume of loans.</li> <li>- A stressed DSTI-O of 40% with a shock to interest rate of 150 bps.</li> <li>- A maturity term of 25 years or the official retirement age – whichever occurs first.</li> </ul> <p>The adoption of the borrower-based measures is expected to continue strengthening the resilience of both lenders and borrowers to any potential shocks</p>

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				and preserve the current sound and prudent lending standards.
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. The announced acceleration of the reduction in MID between 2020 and 2023 has been turned into legislation (Belastingplan 2019). Nevertheless, the fiscal subsidy on home-ownership remains substantial.</p> <p>In 2019 a limitation on the deductibility of interest payments ("earnings stripping") was introduced as part of the implementation of the Anti-Tax Avoidance Directive. This reduces the incentive to take on debt for tax optimisation purposes and could help reduce corporate debt.</p> <p>The recovery and resolution framework for insurance companies (the Act on Insurance Recovery and Resolution) was adopted on 27 November 2018 (in force from 1 January 2019), which should contribute to financial stability.</p>	None	None	<p>Five institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 1% and 2%. One of these institutions has been also identified as G-SII, with a G-SII buffer rate of 1 %. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.</p> <p>An SyRB was introduced in 2014. It was last renewed in October 2018. It currently applies to three institutions that have been identified as O-SIIs, with rates up to 3%. As the SyRB is applied to all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two.</p> <p>The LTV ratio for new mortgages has been gradually lowered and reached 100% in 2018. It will not be reduced further after 2018. The Financial Stability Committee advised to continue the gradual lowering of the LTV limit for mortgage loans after 2018 to 90%. 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>

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	In line with the AML V Directive, on 2 July 2019 the act implementing amendments to the fourth Anti-Money Laundering Directive and the Explanatory Memorandum were filed with the Dutch House of Representatives and on 3 September 2019 DNB released the guidelines for cryptocurrency exchanges and custodian wallet providers.			
AT	None	None	Prudential standards for risk management and granting of foreign currency adopted since 2008 by banking supervisors (the Oesterreichische Nationalbank and Financial Market Authority) to curb foreign exchange lending to unhedged borrowers	<p>Seven institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2% of RWA as of January 2019 and 1% and 2% as of January 2020.</p> <p>An SyRB was introduced in 2015 and renewed in December 2018. It currently applies to thirteen institutions, ranging from 0.5% up to 2% as of January 2019 and 1% to 2% as of January 2020 onward. As the SyRB is applied to all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two buffers.</p> <p>In September 2018 the Austrian Financial Market Stability Board 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</p>

Overview of risk reducing measures adopted at national level				
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				<p>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> <p>To detect at an earlier stage potential vulnerabilities associated with the exposure of banks to the real estate sector, an enhanced reporting framework covering real estate exposures will be introduced in January 2020 as a binding requirement for banks.</p>
PL	<p>A new bill assisting distressed mortgage borrowers was voted in July 2019. It is a heavily abridged version of the bill once supposed to solve the issue of Swiss Francs mortgage borrowers. The bill allows mortgagees with negative equity to borrow up to EUR 17,000 to cover any amount still due on a mortgage after a property has been sold. It also allows for temporary support for troubled mortgage holders, who borrowed in Polish złoty (PLN), if they lose their source of income but have a good record of making timely repayments.</p>	None	None	<p>Eleven institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0% and 1%.</p> <p>An SyRB of 3% has applied since August 2017 to the domestic exposures of all credit institutions in Poland. As the SyRB is applied to domestic exposures, it is cumulated with the O-SII buffer for institutions subject to both buffers.</p> <p>A risk weight of 150% continues to be applied to exposures secured by residential property where the principal or interest instalments depend on changes in exchange rates, provided the borrower's income is in a different currency.</p> <p>The updated Recommendation S (April 2019) by the Polish supervisor recommends that banks require mortgage borrowers to have a minimum 10% own</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) macroprudential measures
				<p>equity for every mortgage.</p> <p>LTV ratios on mortgage loans: max. LTV of 80% since 2017. Potential LTV ratio 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>
<b>PT</b>	<p>Measures to facilitate the transfer of NPL portfolios (July 2019) – 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</p>	<p>In line with SSM recommendations, Portuguese banks are in the process of executing five-year NPL reduction plans forecasting at least a 50% reduction in NPL stocks over the coming years. By March 2019, the NPL ratio had fallen to 8.9% from 16.8 at end 2014.</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>Creation of incentives to develop the secondary market for NPLs by enabling new servicing companies to enter the</p>	<p>Six institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.25% and 1%.</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 property held by</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) macroprudential measures
	<p>situations).</p> <p>Ability for banks to fiscally recognise write-offs (to a larger extent than before).</p>		market.	<p>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 ten 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>
RO	None	Measures and recommendations adopted by the banking supervisor (the central bank) since 2013 to clean up	Measures adopted by banks to improve their arrears management capacity and	Nine institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 1%

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) macroprudential measures
		<p>bank balance sheets:</p> <ul style="list-style-type: none"> <li>- Removal of uncollectable NPLs fully covered by provisions</li> <li>- 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</li> <li>- Up to 90% of NPLs covered with provisions for exposures to insolvent borrowers</li> <li>- Enhanced collateral valuations – several valuations since 2013</li> </ul> <p>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.</p>	<p>recovery of collateral.</p>	<p>and 2%.</p> <p>An SyRB was introduced in 2018. It applies to all exposures of all institutions. SyRB rates are set in a 0–2% range, depending on the institutions' vulnerabilities related to non-performing loans. As the SyRB is applied to all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two.</p> <p>In January 2019 the measures aimed at limiting household indebtedness adopted in October 2018 by the Banca Națională a României entered into force. 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 5 pp 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.</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) macroprudential measures
SI	None	<p>In 2015 Banka Slovenije issued guidance asking banks to specify annual targets and strategies for NPL reduction, which are regularly revised.</p> <p>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.</p>	None	<p>Seven institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.25% and 1%.</p> <p>On 10 October 2019, the Bank of Slovenia decided to change the previous non-binding recommendation into a binding instrument. Commercial banks, savings banks and branches of foreign banks will be required to uphold the two Bank of Slovenia requirements as of November of this year:</p> <ul style="list-style-type: none"> <li>- A cap on the ratio of annual debt servicing costs to the borrower's net annual income (DSTI): This ratio may not exceed: (a) 50% for borrowers whose income is less than twice the gross minimum wage; and (b) 67% for the part of the borrower's income in excess of this threshold. The borrower must be left with no less than the net minimum wage after servicing the debt. The amount is raised as appropriate for borrowers with dependent family members.</li> <li>- Limit on maturity: consumer loans may not be approved with a maturity of more than 7 years.</li> </ul> <p>The Bank of Slovenia is maintaining the cap of 80% on the ratio of the amount of the loan to the value of the residential real estate collateral (LTV) in 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) macroprudential measures
				<p>form of a (non-binding) recommendation.</p> <ul style="list-style-type: none"> <li>- The Bank of Slovenia allows for the possibility of certain deviations from the binding requirements, although they may comprise no more than 10% of the value of new consumer loans or housing loans for the cap on DSTI, and no more than 15% of the value of new consumer loans for the limit on maturity.</li> </ul>
<b>SK</b>	None	None	None	<p>In Slovakia, a 1.5% CCyB rate has been applicable since August 2019. In July 2019 Národná banka Slovenska (NBS) also announced an increase of the applicable CCyB rate from 1.5% to 2% as of August 2020.</p> <p>Five institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 1%.</p> <p>A 1% SyRB has been applicable since 2015. The measure is reassessed on a yearly basis. It currently applies to the domestic exposures of three institutions that have been identified as O-SIIs. As the SyRB is applied to domestic exposures, it is cumulated with the O-SII buffer.</p> <p>Národná banka Slovenska has legal powers to set borrower-based limits and tightened them again 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) macroprudential measures
				<p>2018:</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 30 years. Maturities on new consumer loans cannot exceed eight years.</p> <p>2) Maximum LTV ratio of 80% and the number of new mortgages that can exceed 80% was phased down to 20% in July 2019.</p> <p>3) Maximum DTI ratio of 8The amount of loans that can exceed that threshold was phased down 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 2 pp 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	Work is ongoing on a public comprehensive credit registry	None	None	<p>Three institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0.5% and 2%.</p> <p>An SyRB was introduced in 2018 and renewed in May 2019. It currently applies to all institutions with a rate of 1%, except for three O-SIIs subject to</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) macroprudential measures
				<p>higher rates up to 3%. As the SyRB is applied to all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two.</p> <p>A macroprudential measure based on Article 458 of the CRR was implemented in Finland in 2017 to address financial stability risks originating in the residential real estate sector. The measure, which entered into force in January 2018 and is applicable for two years, consists of a credit institution-specific minimum level of 15% for the average risk weight on housing loans of credit institutions that have adopted the Internal Ratings Based Approach. The proposed one-year extension of the measure until December 2020 was approved in August 2019.</p> <p>The Finnish Financial Supervisory Authority (FIN-FSA) 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%.</p>
SE	None	None	<p>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</p>	<p>In Sweden, a 2.5% CCyB rate has been applicable since September 2019.</p> <p>Five institutions were identified as O-SIIs in 2018. They are subject to O-SII buffer rates between 0% and 2%.</p> <p>An SyRB of 3% has applied since 2014 to the four</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) macroprudential measures
			<p>efficient public framework for debt enforcement, which centres around the Swedish Enforcement Authority (Kronofogden). Most impaired loans are resolved in less than 12 months and do not pile up in banks' balance sheets.</p>	<p>largest institutions (also identified as O-SIIs). As the SyRB is applied to all exposures, institutions also subject to the O-SII buffer shall comply only with the higher of the two. In this case, the four institutions shall comply with the 3% SyRB.</p> <p>A macroprudential measure based on Article 458 of the CRR was implemented in Sweden in 2018 to address financial stability risks originating in the residential real estate sector and to maintain a level playing field among banks in the domestic market after the redomiciliation abroad of one large banking group. The measure, which started to apply from December 2018 and is currently applicable, consists of a credit institution-specific minimum level of 25% for the average risk weight on Swedish housing loans applicable to credit institutions that have adopted the Internal Ratings Based Approach. The measure replaces a pre-existing measure introduced through Pillar 2.</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 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</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) macroprudential measures
				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.
<b>UK</b>	<p>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.</p> <p>The UK government plans to ensure an adequate legal and regulatory framework for financial services via the EU Withdrawal Bill and related secondary legislation.</p>	<p>Regular bank stress tests performed by the Bank of England since 2014 have reinforced banks' capital buffers and provisioning levels.</p> <p>In 2017 the Financial Policy Committee (FPC) announced measures to prevent excessive growth in the number of highly indebted households with mortgage loans.</p> <p>In May 2017 the Bank of England continued its implementation of the bank resolution framework by publishing estimates of the MREL for bail-in for the largest UK banks.</p>	<p>The Royal Bank of Scotland and Lloyds Banking Group, the two systemically important banks in which the state acquired major participations in the aftermath of the Great Recession, have been restructured and cleaned up in terms of legacy assets.</p>	<p>In the United Kingdom, a 1% CCyB rate has been applicable since November 2018.</p> <p>Fifteen institutions were identified as O-SIIs in 2018. They are not subject to positive O-SII buffer rate requirements. Three of these institutions have been also identified as G-SIIs, with G-SII buffer rates between 1% and 2%. When an institution is subject to both an O-SII and a G-SII buffer, only the higher buffer rate applies.</p> <p>An SyRB was introduced in March 2019. It applies at the level of ring-fenced bodies (sub-consolidated level) for five institutions that have been identified as O-SII, and at the consolidated level for another institution identified as O-SII. The SyRB applies on all exposures with rates between 1% and 2%.</p>



## Annex III: Methodological notes and caveats

### ECB-SSM indicators

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#### 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 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 2019 reporting period.
- Values for a specific quarter may change from one publication to another due to resubmissions of banks' supervisory data.
- **Full sample approach:** The sample includes all banks meeting the above criteria.<sup>29</sup> 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 2019	111
Q1 2019	114
Q4 2018	110
Q3 2018	109
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

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<sup>29</sup> Since Lithuania did not join the SSM until January 2015, there are no country data for Lithuania for Q4 2014.

For the MS-specific charts, which relate to Q4 2014, Q2 2018, Q4 2018 and Q2 2019, 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, for Q2 2018 to 114 entities, for Q4 2018 to 115 entities and for Q2 2019 to 114 entities.

### 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 MS for the periods Q4 2014, Q2 2018, Q4 2018 and Q2 2019.

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 when:

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

### 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

- Changes in the indicators from one reference period to another can be influenced by the changes in the sample of reporting institutions.
- 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 EU 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

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### General caveats

- Individual MREL targets are not included in this exercise;
- The provisions of the risk reduction package are not yet applicable and, therefore, not yet reflected in the analysis.

### Data sources

- Calculations and charts are based on SRB data from the Liability Data Reports (LDR), which are updated on an annual basis.
- The MREL targets for the 2018 cycle expressed as a percentage of TLOF are set based on 31 December 2017 data. Keeping the MREL target as a percentage of TLOF fixed, the absolute amount of the target was then adjusted pro-rata for the TLOF reported in the LDR based on 31 December 2018 data. This amount is used to express the target as a percentage of TREA (as at 31 December 2018) in the respective graphs.
- In the counterfactual of constant targets expressed as a percentage of TREA - as will be the case under the new framework –our calculations find that the shortfall would be lower than in the May 2019 report, even when calculating the eligible liabilities at the point of entry, including for banks without a resolution college (see next paragraph).
- Own funds and eligible liabilities were calculated, across all banks in the sample, based on reported amounts as at 31 December 2018 and in line with the SRB MREL policy for the second wave of plans<sup>30</sup>. Under this policy, the computation is conducted taking into account own funds instruments eligible for the group's consolidated own funds requirement issued either by the resolution entity itself or by subsidiaries within the resolution group. Eligible liabilities - other than own funds - are only counted towards the MREL if issued by the resolution entity to entities outside the resolution group.
- The aforementioned approach for eligible liabilities introduces a difference compared with the previous report for the banks without resolution colleges, where eligible liabilities were calculated at the consolidated level of the resolution group. The approach followed in the current report is more stringent than in previous reports and prepares for the transition towards the future applicability of the risk reduction package.

### Scope of the analysis

- The sample of banks (85 against 87) differs slightly compared with the previous report because it includes two additional resolution groups and excludes four banks not

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<sup>30</sup> SRB (2019), [2018 SRB Policy for the second wave of resolution plans](#), January.

subject to an MREL binding target at consolidated level under the 2018 resolution planning cycle.

- The data presented cover groups under the direct SRB remit that are either likely to go through resolution if they are declared to be failing or likely to fail, or may be subject to liquidation under national insolvency proceedings, for which an **MREL decision at the consolidated level has been, or is about to be adopted** as part of the 2018 resolution planning cycle. Host cases as well as banks with a European resolution college<sup>31</sup> do not fall within the scope of the analysis.
- The sample comprises 85 banking groups and, where relevant, resolution groups in the case of multiple point of entry structures. Two member states are not presented on the basis that either there are no points of entry, subject to external MREL, located in these jurisdictions, or no binding decisions have yet been taken. Six member states have been regrouped for confidentiality purposes because the number of banks in the sample is less than three.
- Computations are based on the fully loaded TREA, in line with the SRB MREL policy, and take into account **bank-specific adjustments** to the target and the stock of eligible instruments to reflect the impact of the resolution strategy and the application of the SRB MREL policy (multiple point of entry strategy, resolution tools, liabilities governed by third-country law, structured notes, non-covered non-preferred deposits, etc.).
- MREL decisions are based on the applicable SRB MREL policy for each type of banks as part of the 2018 resolution planning cycle. With respect to the subordinated requirement:
  - For banking groups with resolution college: required subordination is set at a level of 16% TREA plus combined buffer requirement for G-SIIs, and 14% TREA plus combined buffer requirement for other banks.
  - For banking groups without resolution college: expected subordination is set at a level of 12% TREA plus combined buffer requirement for O-SIIs and existing prudential requirements, including buffers, for other banks.
  - The above-mentioned requirements may be supplemented by an add-on to address the risk of breaching the no-creditor worse-off safeguard.
- All averages are weighted by TREA.

### Confidentiality criteria

To ensure the confidentiality of the data displayed, MS-level data are presented only when there are at least three institutions in the MS. Member states subject to this criterion have been regrouped and labelled in graphs as “others”.

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<sup>31</sup> Subsidiaries of a parent undertaking, credit institution or investment firm that is headquartered in a third country, as per Article 89 of the BRRD.

## Annex IV: Formulae of ECB supervisory banking indicators

Indicator	Formula	Taxonomy
<b>Fully loaded Common Equity Tier 1 (CET1) capital ratio</b>	$\frac{\text{sum}(C\_01\_00\_r020\_c010, -C\_05\_01\_r010\_c010, -C\_01\_00\_r440\_c010, \text{MIN}(\text{sum}(C\_01\_00\_r530\_c010, -C\_01\_00\_r740\_c010, -C\_05\_01\_r010\_c020, -C\_01\_00\_r720\_c010, \text{MIN}(\text{sum}(C\_01\_00\_r750\_c010, -C\_01\_00\_r970\_c010, -C\_05\_01\_r010\_c030), 0)), 0))}{\text{sum}(C\_02\_00\_r010\_c010, -C\_05\_01\_r010\_c040)}$	All
<b>Fully loaded Tier 1 (Tier 1) capital ratio</b>	$\frac{\text{sum}(C\_01\_00\_r020\_c010, -C\_05\_01\_r010\_c010, -C\_01\_00\_r440\_c010, C\_01\_00\_r530\_c010, -C\_01\_00\_r740\_c010, -C\_05\_01\_r010\_c020, -C\_01\_00\_r720\_c010, \text{MIN}(\text{sum}(C\_01\_00\_r750\_c010, -C\_01\_00\_r970\_c010, -C\_05\_01\_r010\_c030), 0))}{\text{sum}(C\_02\_00\_r010\_c010, -C\_05\_01\_r010\_c040)}$	All
<b>Fully loaded total capital ratio</b>	$\frac{\text{sum}(C\_01\_00\_r020\_c010, -C\_05\_01\_r010\_c010, -C\_01\_00\_r440\_c010, C\_01\_00\_r530\_c010, -C\_01\_00\_r740\_c010, -C\_05\_01\_r010\_c020, -C\_01\_00\_r720\_c010, C\_01\_00\_r750\_c010, -C\_01\_00\_r970\_c010, -C\_05\_01\_r010\_c030)}{\text{sum}(C\_02\_00\_r010\_c010, -C\_05\_01\_r010\_c040)}$	All
<b>Fully loaded liquidity coverage Ratio (LCR)</b>	Since Q3 2016: C7600a_r010_c010/C7600a_r020_c010	v2.4 onward
	Before Q3 2016: STE template	N/A
<b>Fully loaded leverage ratio</b>	Since Q3 2016: C4700_r310_c010/C4700_r290_c010	v2.4 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
<b>Net stable funding ratio (NSFR)</b>	STE template	N/A
<b>Gross NPE ratio</b>	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 onward
<b>Gross NPL ratio</b>	$\frac{\text{sum}(F1800a\_r070\_c060, F1800a\_r250\_c060)}{\text{sum}(F1800a\_r070\_c010, F1800a\_r250\_c010)}$	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 onward
<b>Net NPL ratio</b>	$\frac{\text{sum}(F1800a\_r070\_c060, F1800a\_r250\_c060, F1800b\_r070\_c150, F1800b\_r250\_c150)}{\text{sum}(F1800a\_r070\_c010, F1800a\_r250\_c010, F1800b\_r070\_c130, F1800b\_r250\_c130)}$	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 onward
<b>NPL coverage ratio</b>	$\frac{-\text{SUM}(F1800b\_r070\_c150, F1800b\_r250\_c150)}{\text{SUM}(F1800a\_r070\_c060, F1800a\_r250\_c060)}$	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 onward
<b>Collateral coverage ratio</b>	$\frac{\text{sum}(F1800a\_r070\_c200, F1800a\_r250\_c200)}{\text{sum}(F1800a\_r070\_c060, F1800a\_r250\_c060)}$	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 onward