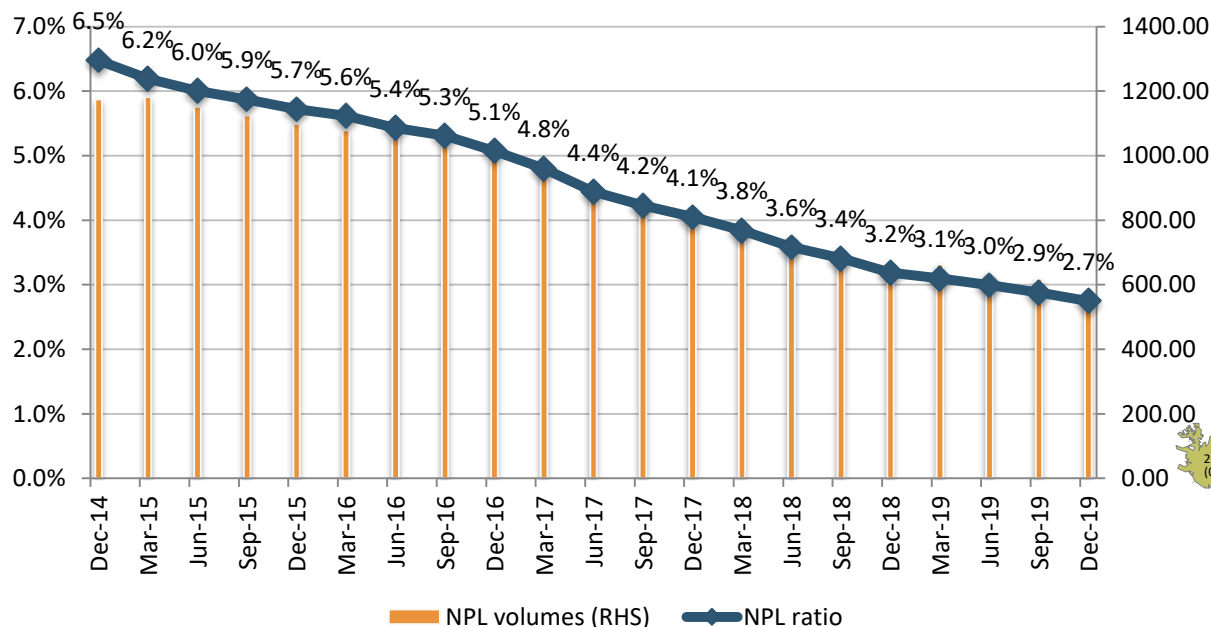


EBA Guidelines on loan origination and monitoring

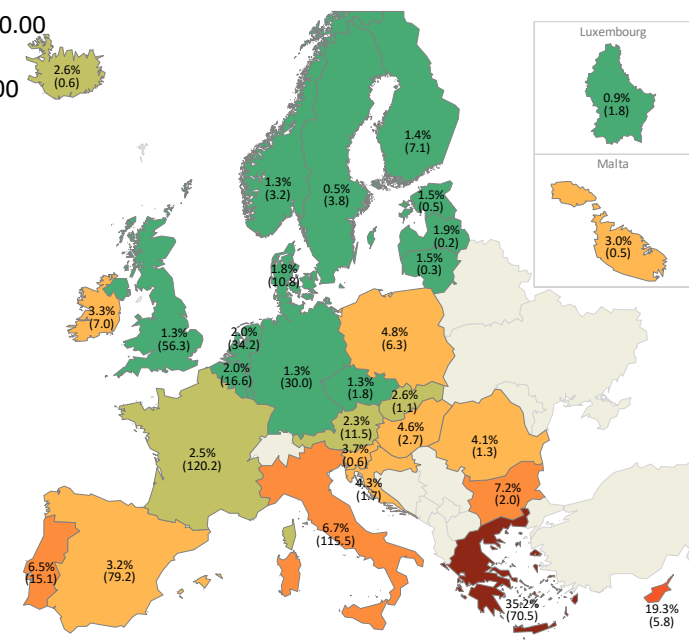
15 July 2020 | CEPS – ECRI Web seminar

Background: high level of NPLs post crisis



**Total NPL of
EUR 583.7bn
(EU, consolidated level)**

**Average NPL ratio
of 2.7%
(EU average)**

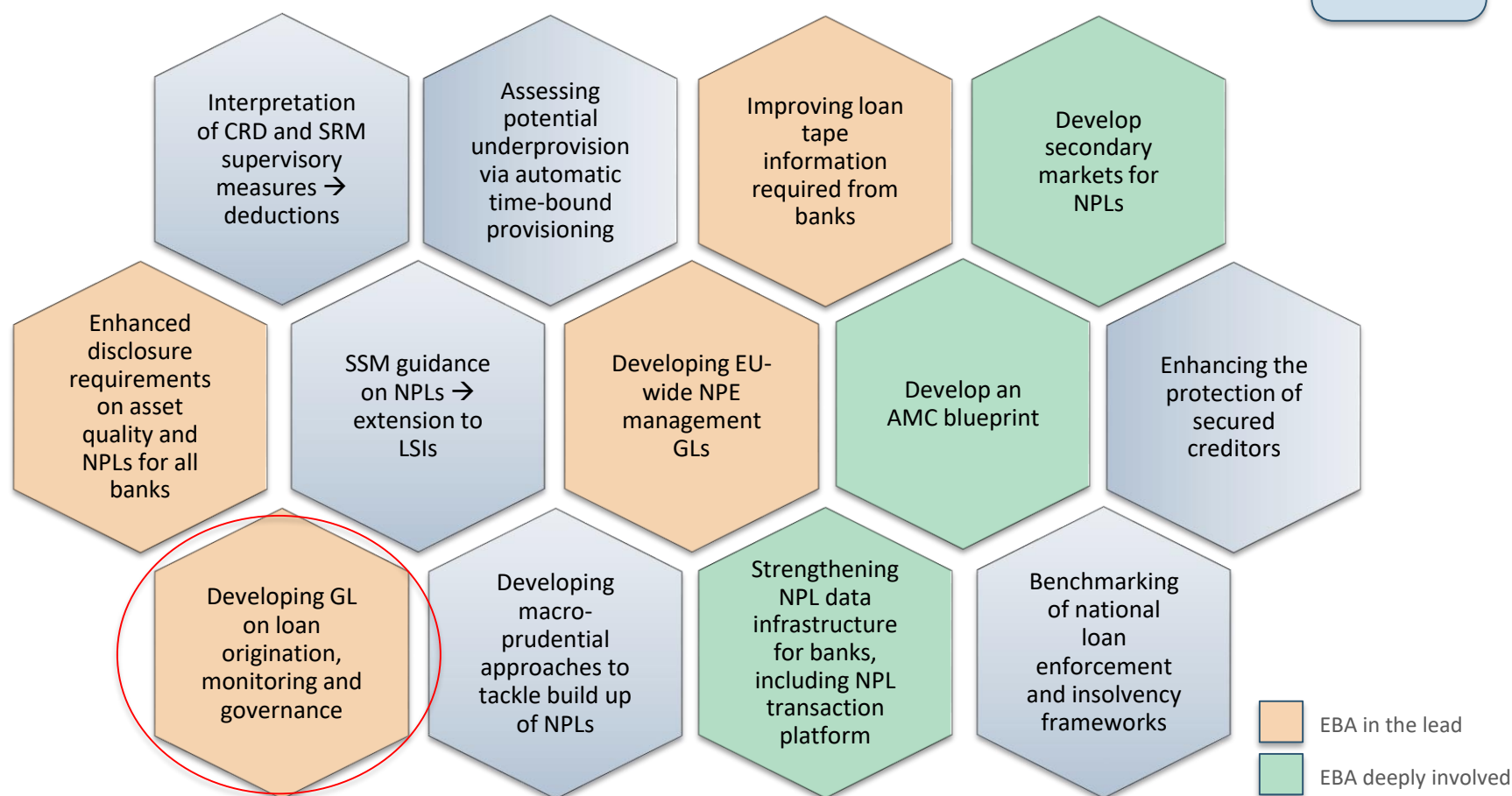


NPL ratios and volumes (EUR bn) as of Q4 2019

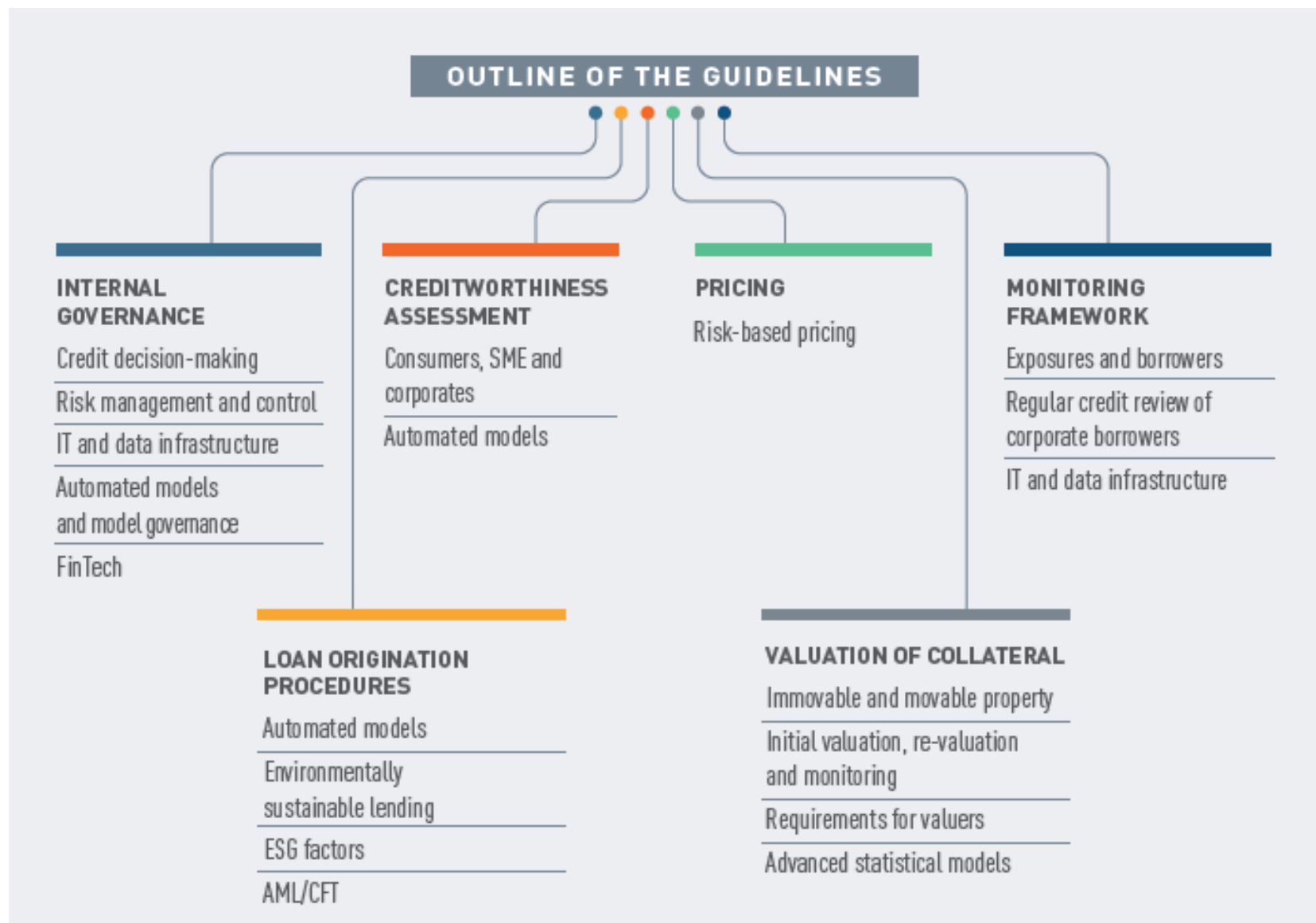
Background: Council Action Plan to tackle NPLs in EU (July 2017)

- Comprehensive EU-wide package of policy measures aimed at reduction and prevention of emergence of NPLs
- Actions required from the Commission, EBA, ESRB, ECB/SSM and Member States

Weighted average NPL ratio – 4.4%



Guidelines on loan origination and monitoring



GL on loan origination and monitoring: balance of objectives

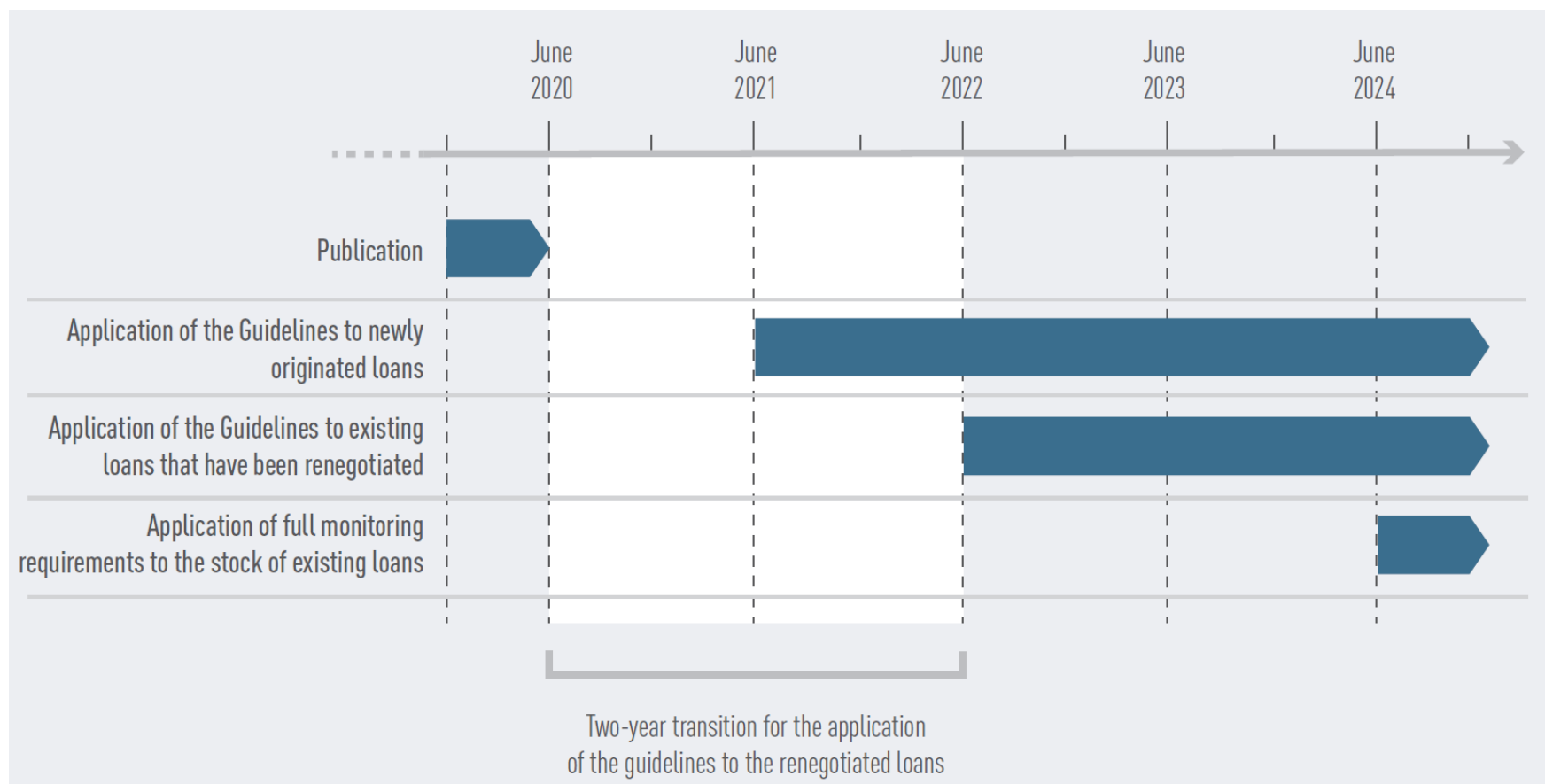


For **creditors**, creditworthiness assessment helps to manage credit risk at the point of loan origination and ensure that the individual loans they grant, and the overall credit portfolio, are within their risk appetite and in line with credit and risk policies that contribute to the overall financial stability of the sector

For **borrowers**, creditworthiness assessment focuses on assessing the source of their ability to repay and helps to understand if they will be able to repay the loan considering all other financial commitments. This is designed to prevent borrowers from taking on loans that they cannot afford and that will be detrimental to their long-term financial well being

Implementation

Ensuring manageable and proportionate implementation of the guidelines recognising current challenges



References

- EBA Guidelines on loan origination and monitoring (<https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring>)
- EBA Guidelines on management of non-performing and forborne exposures (<https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-management-of-non-performing-and-forborne-exposures>)
- EBA Guidelines on disclosure of non-performing and forborne exposures (<https://eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-of-non-performing-and-forborne-exposures>)
- EBA NPL data templates (<https://eba.europa.eu/-/eba-revises-standardised-npl-data-templates>)
- EBA Risk Dashboard (<https://eba.europa.eu/risk-analysis-and-data/risk-dashboard>)
- EBA NPL reports (<https://eba.europa.eu/risk-analysis-and-data/eba-work-on-npls>)



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