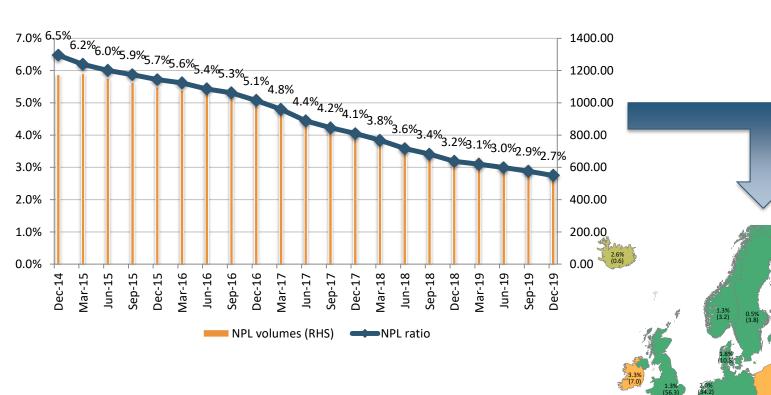




#### Background: high level of NPLs post crisis



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



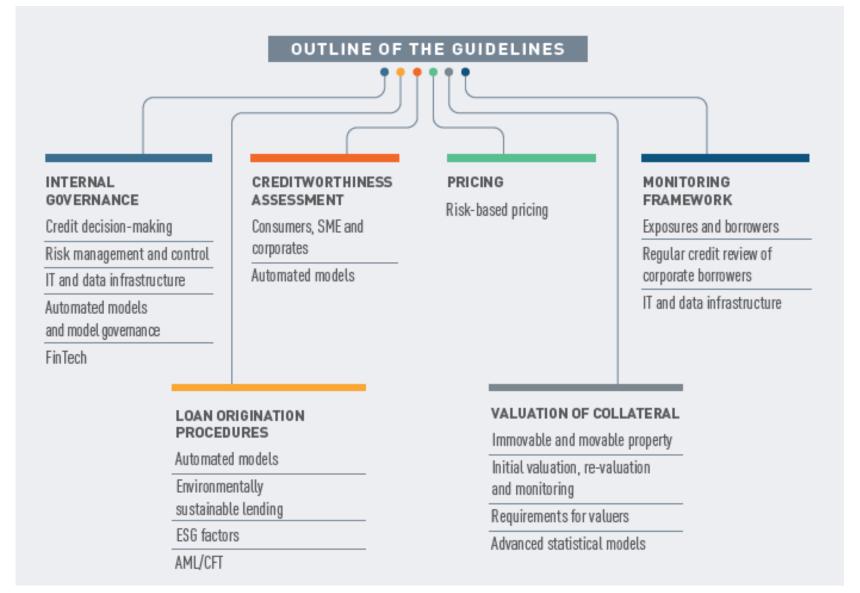
# Backround: Council Action Plan to tackle NPLs in EU (July 2017)

Comprehensive EU-wide package of policy measures aimed at reduction and prevention of emergence of NPLs Weighted average NPL Actions required from the Commission, EBA, ESRB, ECB/SSM and Member States ratio – 4.4% Assessing Interpretation Improving loan potential Develop of CRD and SRM tape underprovision secondary supervisory information via automatic markets for measures  $\rightarrow$ required from time-bound **NPLs** deductions banks provisioning Enhanced disclosure SSM guidance Developing EU-Enhancing the requirements Develop an on NPLs  $\rightarrow$ wide NPE protection of on asset AMC blueprint extension to management secured quality and creditors LSIs GLs NPLs for all banks Strengthening Benchmarking Developing Developing GL NPL data of national macroon loan infrastructure loan prudential origination, for banks, approaches to enforcement including NPL monitoring and tackle build up and insolvency transaction governance of NPLs frameworks EBA in the lead platform

EBA deeply involved



### Guidelines on loan origination and monitoring





# GL on loan origination and monitoring: balance of objectives

Prudent credit risk taking and management

Financial stability

Consumer protection

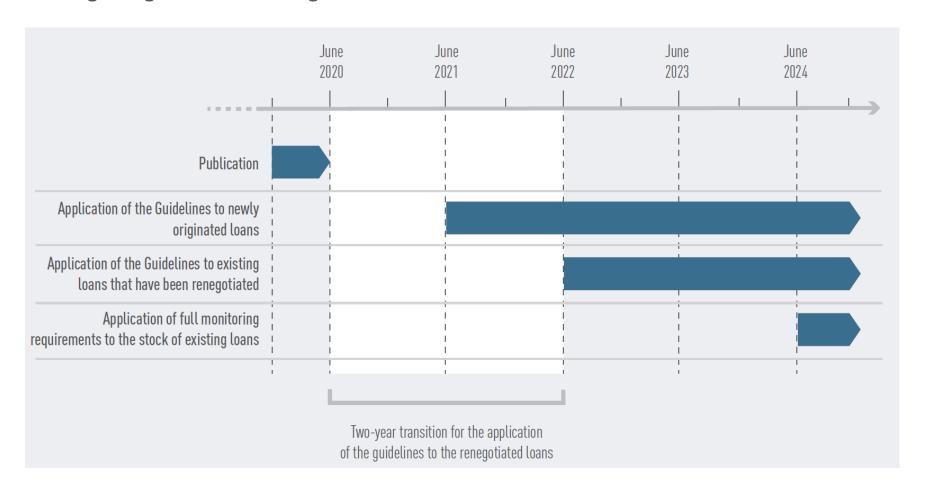
For creditors, creditworthiness assessment helps to manage credit risk at the point of loan origination and ensure that the individual loans they grant, and the overall credit portfolio, are within their risk appetite and in line with credit and risk policies that contribute to the overall financial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



## EBA EUROPEAN BANKING AUTHORITY

#### References

- EBA Guidelines on loan origination and monitoring (<a href="https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring">https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring</a>)
- EBA Guidelines on management of non-performing and forborne exposures (<a href="https://eba.europa.eu/regulation-and-policy/credit-risk/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</a>)
- 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 (<a href="https://eba.europa.eu/-/eba-revises-standardised-npl-data-templates">https://eba.europa.eu/-/eba-revises-standardised-npl-data-templates</a>)
- 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)

