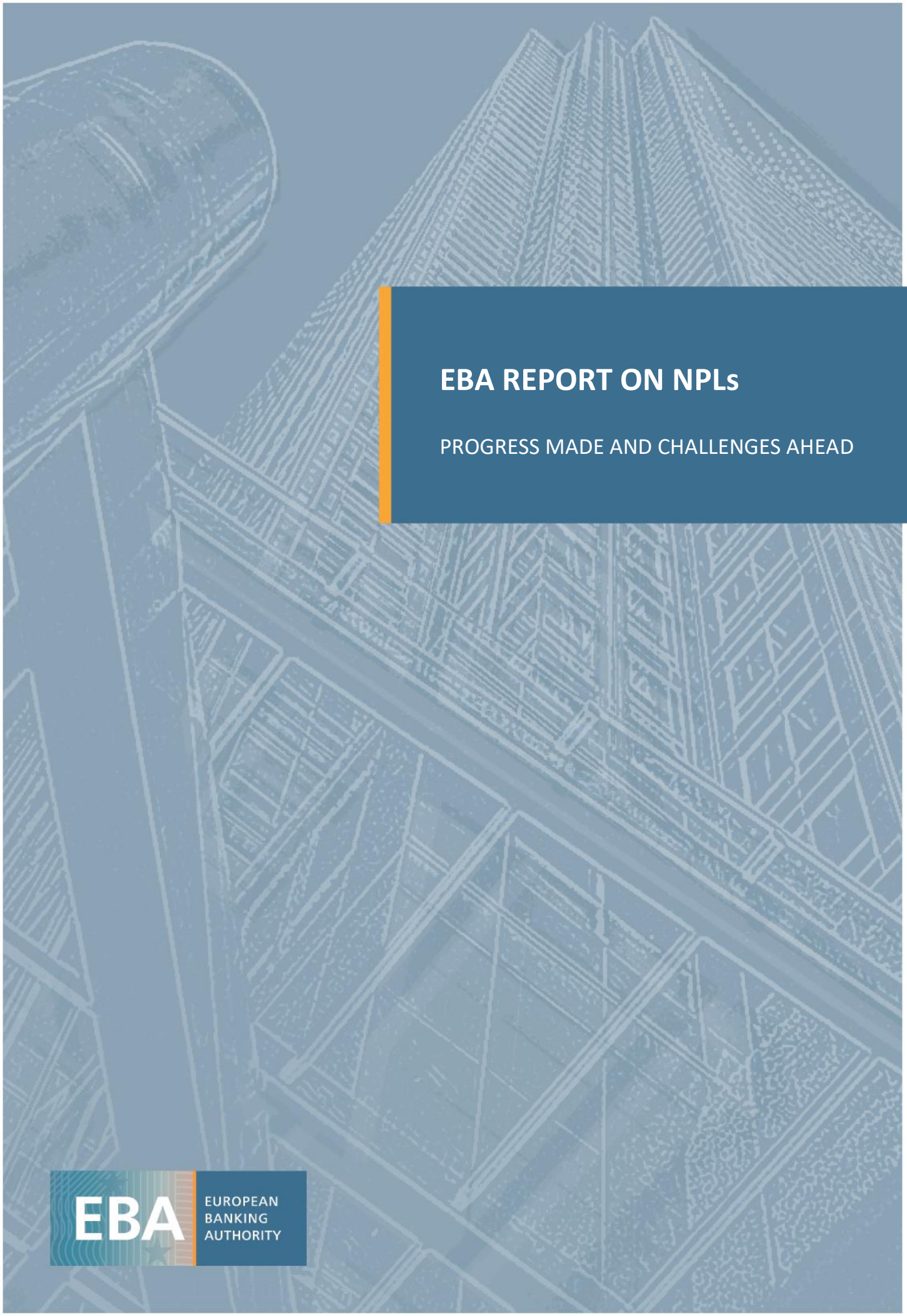

EBA REPORT ON NPLs

PROGRESS MADE AND CHALLENGES AHEAD

EBA EUROPEAN BANKING AUTHORITY

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Abbreviations

ABS	asset-backed securities
AMC	asset management company
AQR	asset quality review
bps	basis points
CET1	Common Equity Tier 1
CRE	commercial real estate
CRR	Capital Requirements Regulation
DRAT	Detailed Risk Analysis Tools
DTC	deferred tax credit
DUTB	Bank Assets Management Company of Slovenia
EBA	European Banking Authority
ECB	European Central Bank
ECL	expected credit loss
EDIS	European Deposit Insurance Scheme
EEA	European Economic Area
EU	European Union
FBE	forborne exposures
FBL	forborne loans
FINREP	financial reporting
GACS	Garanzia Cartolarizzazione Sofferenze
IAS 39	International Accounting Standard 39
IFRS	International Financial Reporting Standard
IFRS 9	International Financial Reporting Standard 9
ITS	implementing technical standards
NACE	classification of economic activities
NAMA	National Asset Management Agency
NFC	non-financial corporations
NPE	non-performing exposures
NPL	non-performing loan
p.p.	percentage points

RAQ	risk assessment questionnaire
SAREB	Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria
SMEs	small and medium enterprises
SPV	special purpose vehicle
SREP	supervisory review and evaluation process
SSM	Single Supervisory Mechanism
UTP	unlikely to pay that are not past due or are past due by ≤ 90 days

Executive summary

This report aims to take stock of the progress made so far on tackling NPLs in Europe

In the aftermath of the financial crisis, non-performing loans (NPLs) have been a major concern for supervisors, policymakers and market participants in the EU. In July 2017 the Council of the EU published a comprehensive action plan to address legacy assets in Europe. This report aims to give an update on the progress made so far, taking stock of the ongoing initiatives, identifying challenges ahead, and indicating possible areas of further action.

Asset quality has improved significantly since 2015

The asset quality of EU banks has improved significantly in the past 4 years. As of June 2019, the weighted average NPL ratio stood at 3%, compared with 6% in June 2015. This is the lowest since the EBA introduced a harmonised definition across European countries of NPLs in 2014. On average, the NPL ratio has improved by 75 bps each year.

Comprehensive effort and work took place involving several stakeholders

The supervisory attention and the political determination to address effectively the NPL issue were coupled by banks' efforts to enhance their NPL management capabilities. These were also helped by positive economic growth, low interest rates and decreasing unemployment.

NPL volumes have decreased by 50% since 2015, but country dispersion remains wide

Reductions in NPL volumes, the numerator of the ratio, mostly drove the improvement. Total NPLs as of June 2019 stood at EUR 636 billion, down by almost 50% compared with June 2015. The decrease in NPLs is mostly attributed to NPL sales and securitisations. Although reductions were reported across all countries, predominantly by those with higher starting ratios, NPLs remain unevenly distributed (from less than 1% in Sweden to 39% in Greece) and remain elevated for some countries.

Improvements across all loans categorised by past due days

Banks also report the breakdown of NPLs by past due days. Banks with higher NPL ratios tend to have a larger share of loans past due by more than 1 year. Although these legacy assets have been declining the most compared with other categories, they are considered more difficult to manage.

SMEs and CREs remain the riskiest lending segments, despite significant reductions in NPL ratios

NPLs ratios are higher for lending segments such as SMEs, CREs and consumer credit. As of June 2019, the average ratio for SMEs and for CREs stood at 8.5% and 8.1%, respectively, and for consumer credit at 5.6%. However, the riskiest lending segments also showed the biggest improvements over the last 4 years.

Coverage ratios have largely remained constant in the last 4 years, with high dispersion between countries and across banks

The average coverage ratio of NPLs reported as of June 2019 was 44.9%. The ratio has been on a slight upwards trend since June 2015 (when it was 43.6%), supported by a faster decline of NPLs than provisions. The coverage ratio is highly dispersed across banks and countries. Banks with lower provisioning levels tend, however, to hold higher collateral values and vice versa.

The forbearance ratio has improved in line with the NPL ratio

Forbearance ratios have been decreasing constantly since June 2015, down to 1.9% from 3.7% 4 years earlier. The decrease was mainly due to the decrease in forborne loans, decreasing from EUR 700 billion to EUR 400 billion during this period. Loans to non-financial corporates have a considerably higher forbearance ratio than other loans.

IFRS 9 data confirm the improvement of asset quality in recent quarters

IFRS 9 data of on-balance-sheet and off-balance-sheet items confirm the significant improvement achieved in asset quality. The share of stage 1 assets has been increasing relative to other stages, and there was a limited migration from stage 1 to stages 2 or 3.

Robust framework is in place to effectively manage NPLs

A much more solid and robust framework for banks to deal with NPLs is now in place, benefiting, to a large extent, from the work of the EBA, the ECB and the European Commission. This includes the EBA guidelines on management of non-performing and forborne exposures that should support banks and supervisors in their efforts to identify in good time and address NPE issues effectively and efficiently. In addition, an amendment to the CRR, the 'prudential backstop', requires the banks to have minimum loss coverage for non-performing exposures.

Impediments to the further resolution of NPLs

Impediments to resolving NPLs, as identified by the banks, remain significant in a few countries, and in particular in those with higher NPL ratios. The differences in the speed recovery procedures across countries, caused by an inefficient legal framework and the lack of a market for NPLs, are the responses most often cited by the banks as impediments to the further resolution of NPLs.

Legacy assets are still material, and ongoing monitoring is required in the light of a weakening economic environment

Despite substantial improvements, legacy assets remain material and are concentrated in a few countries. There are significant ongoing initiatives that aim to boost further the reduction in legacy assets in those countries, such as Greece and Cyprus, that still have double-digit NPL ratios. However, in the light of weakening economic conditions, banks should closely monitor asset quality to identify any possible deterioration, especially in riskier segments, and to continue to actively manage the NPLs from their balance sheets.

1. Introduction

The financial crisis and ensuing recessions, coupled with structural factors and inadequate loan origination practices, have left a number of banks in the EU struggling with NPLs[1] in their balance sheets. For many years, NPLs have been a major concern for banks, supervisors and market participants, as their negative effects pose risks to the overall economy and financial system. In addition to other effects, NPLs affect banks' profitability, consume productive resources and may limit banks' capacities to lend to the real economy.

In 2014 the EBA introduced a harmonised definition across European countries of NPLs, which has been the benchmark for monitoring the asset quality of the European banking sector. As of June 2015, banks reporting to the EBA had accumulated almost EUR 1.2 trillion of NPLs. Since then, banks have made a significant effort to restructure their business models and to reduce NPLs. In parallel, supervisors have implemented various measures that have addressed NPLs. In addition, the Council of the EU, in an effort to provide a bold response to tackle NPLs, announced in July 2017 an action plan to tackle NPLs in Europe.

This report aims to give an update on the progress made so far, taking stock of the ongoing initiatives, identifying challenges ahead and indicating possible areas of further action.

The figures included in this report are based on a sample of around 150 banks[2], and they are aligned with the EBA risk dashboard, covering more than 80% of the EEA banking sector (by total assets), at the highest level of consolidation, while country aggregates may also include large subsidiaries. All risk indicators and their ITS data points used in this report can be found in the 'EBA methodological guide — risk indicators and DRATs' [3].

[1] Non-performing loans or exposures are those that satisfy either of the following criteria: (a) material exposures that are more than 90 days past due; and (b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.

[2] The number and composition of contributors is subject to variation. These changes may influence the indicator magnitudes, especially at an individual country level. The list of banks can be found at https://eba.europa.eu/risk-analysis-and-data

[3] https://eba.europa.eu/risk-analysis-and-data/guides-on-data

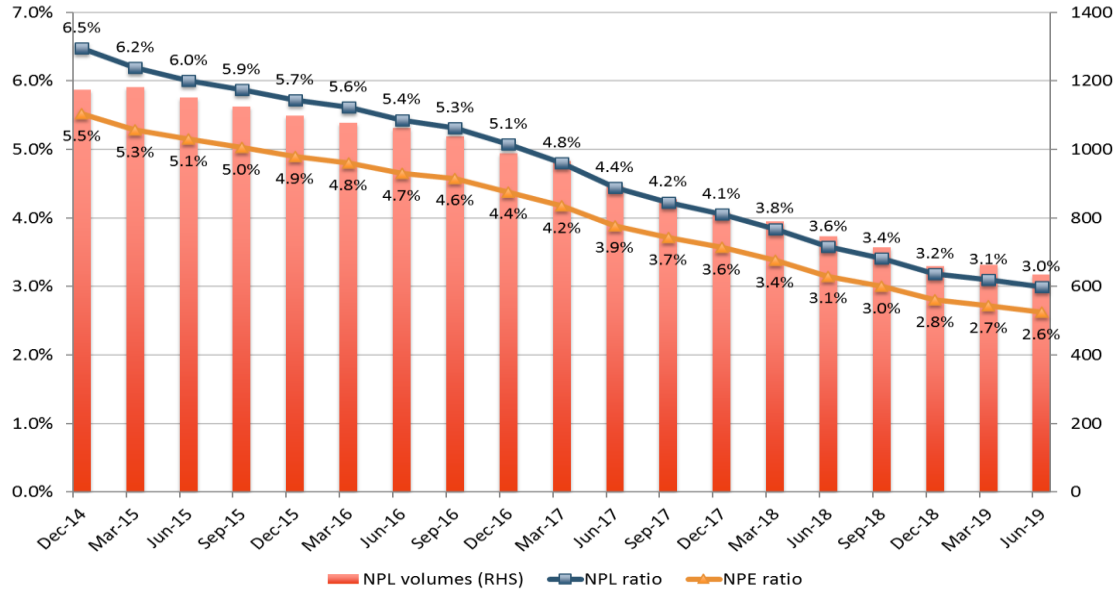
2. Non-performing loans

2.1 General trend in non-performing loans

The asset quality of banks in the EU area has improved significantly in the past 4 years. As of June 2019, the weighted average NPL ratio stood at 3%, compared with 6% as of June 2015 (Figure 1). The NPL ratio has therefore improved by an average of 75 bps each year; however, the pace of adjustment has considerably decreased in recent quarters (the ratio has decreased by just 60 bps in the last year). Reductions in the NPL volume, the numerator of the ratio, mostly drove the improvement. The total volume of NPLs as of June 2019 stood at EUR 636 billion, which is almost half the NPL volume recorded in June 2015 (EUR 1 152 billion). The ratio further improved as the result of increasing total loans. Loan volumes as of June 2019 stood at EUR 21.2 trillion, an increase of 10% compared with June 2015 (EUR 19.2 trillion).

The NPE[4] ratio improved in parallel with the NPL ratio and also moved at a slower pace in the most recent quarters. As of June 2019 the NPE ratio stood at 2.6%, down from 5.1% in June 2015 (Figure 1).

Figure 1: Quarterly trend in NPL and NPE ratios (%) and NPL volumes (EUR billion) — December 2014 to June 2019



[4] Non-performing exposures include non-performing loans and advances and debt securities.

Text box: Convergence of asset quality ratios

The improvement in asset quality is also confirmed when looking at other risk indicators such as the ratio of defaulted loans to total loans or the ratio of impaired loans to total loans.

Asset quality can be measured according to different metrics based on accounting, prudential or reporting definitions:

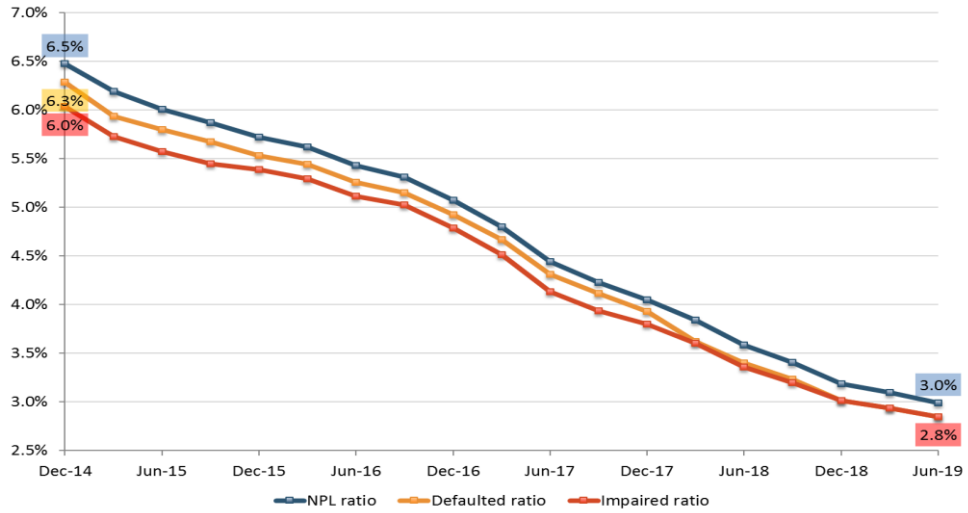
- *impaired assets, based on the accounting definition (IFRS and/or local generally accepted accounting principles);*
- *defaulted assets, based on the prudential (CRR) definition;*
- *NPL/NPE, based on the EBA definition (ITS) for supervisory reporting.*

These three ratios diverged significantly in December 2014, (NPL ratio: 6.5%; defaulted ratio: 6.3%; and impaired ratio: 6.0%). In the course of the last 4.5 years, these ratios have converged significantly, and their difference now stands at only 20 bps (Figure 2).

The main drivers of the differences between the risk metrics were the automatic factors used in the NPL definition, which are not applied for default/impaired definitions. These include:

a. *a 1-year cure period to exit the NPL status;*
b. *an NPL categorisation of > 90 days past due that is strictly applied for NPLs;*
c. *an NPL categorisation due to second forbearance or 30 days past due of a performing forborne in probation;*
d. *NPL categorisation due to the 20% 'pulling effect';*
e. *different materiality thresholds.*

Figure 2: Quarterly trend in NPL ratio, defaulted loan ratio and impaired loan ratio (%) — December 2014 to June 2019



Drivers of differences between impaired and defaulted loans include the automatic trigger of 90 and/or 180 days past due with specifically defined exceptions for defaulted loans. In addition, for retail exposures the definition of default may be applied at the level of an individual credit facility or at an obligor level.

The introduction of the EBA NPL definition has contributed to the gradual convergence of the different definitions. The presence of a harmonised EU benchmark for asset quality also encouraged banks to assess more conservatively their impaired and defaulted assets in connection with the EU-wide AQRs carried out in 2014. In addition, the publication of the Guideline on the application of the definition of default, and the introduction of IFRS 9 and the practice of supervisors encouraging banks to make use of the NPL definition for internal risk management and in the disclosure have also contributed towards convergence of the three risk metrics. It should be noted, however, that complete identity is not the goal as each definition serves different purpose.

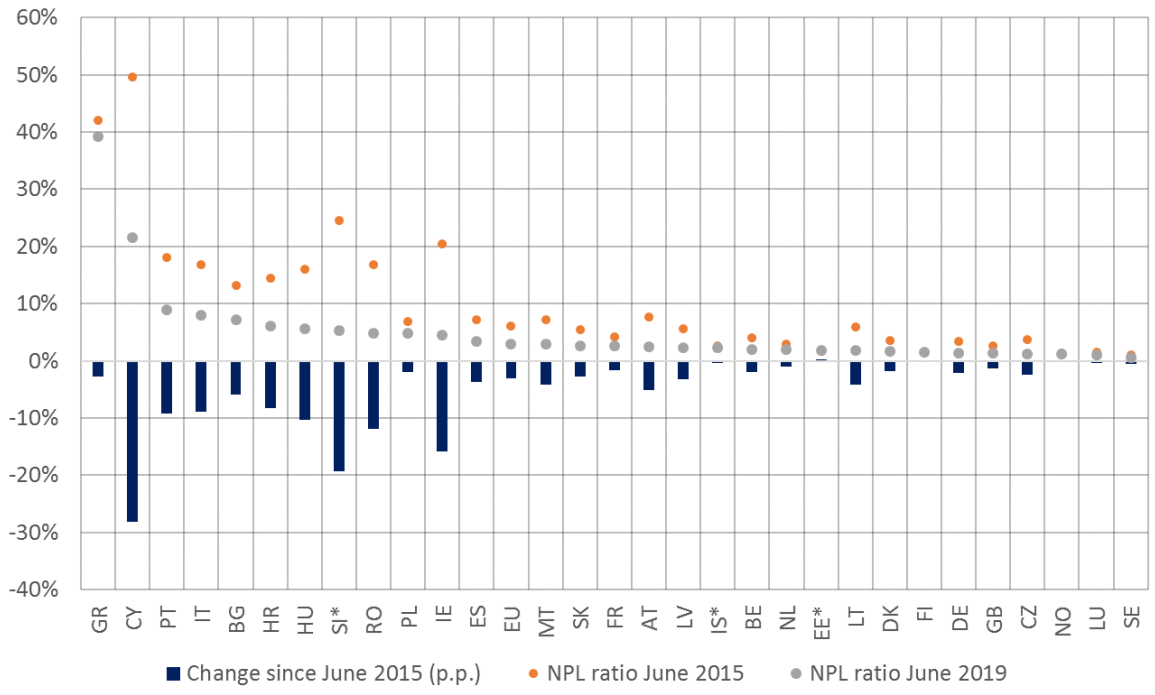
A comparison of NPL ratios reported as of June 2015 with those reported as of June 2019 highlights that most of the EU countries have experienced an improvement. Banks in countries with high NPL ratios at the beginning of the period generally reported the biggest improvements and are the main driver of the decrease at the EU level. These countries were also subject to supervisory attention from the outset, especially from ECB supervision, and they were required to comply with NPL reduction strategies. For example, Italian banks, which have the highest volume of NPLs, reduced their NPL ratio by 9 p.p. Spanish banks, which managed to achieve the second highest decrease in NPL volumes, reduced their ratio by more than 3.5 p.p. Banks in Cyprus and Slovenia[5] reported a

[5] Comparison for Slovenia between September 2015 and June 2019.

reduction of close to 30 p.p. and 20 p.p., respectively. Banks in Ireland reported improvements of more than 15 p.p. and Portuguese banks of around 10 p.p. during the same period.

However, Greece, which has the highest NPL ratio in the EU, has reported a decrease of only 2.7 p.p. since June 2015, which was also because the NPL ratio of Greece peaked in September 2016 at 47.1% (i.e. a decrease of 7.7 p.p. from the peak) (Figure 3). Despite the relatively small decrease in the NPL ratio, Greek banks have actually decreased their NPL volumes by EUR 35 billion or 30%. The small decrease in the NPL ratio is therefore primarily due to the significant deleveraging of their balance sheet.

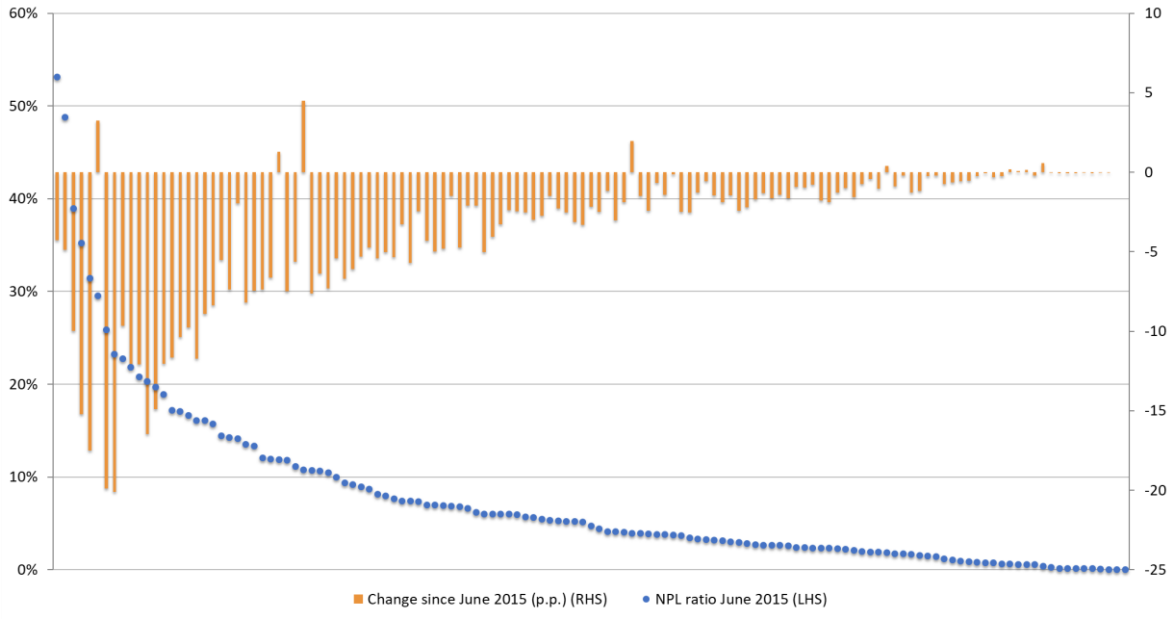
Figure 3: NPL ratios by country in June 2015 and June 2019 (%) and p.p. change between June 2015 and June 2019[6]



Data at individual bank level, based on a balanced sample, confirm the findings at country level. On average, banks have managed to decrease their NPL ratios by 3.9 p.p. over the past 4 years. Notably, banks that reported NPL ratios higher than 10% as of June 2015 managed to outperform their peers with lower NPL ratios and decreased the ratios by an average of 8.7 p.p. during the same period (Figure 4). Only 11 banks that had reported to the EBA in both June 2015 and June 2019 actually increased their NPL ratios, and only half of these banks reported an increase in the ratio of more than 1 p.p.

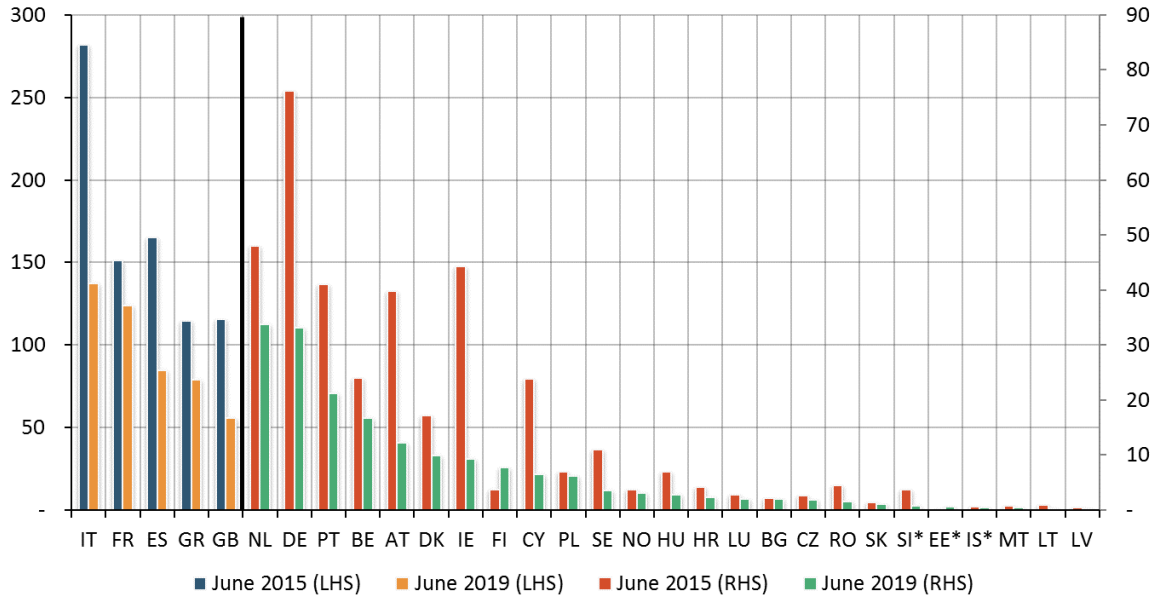
[6] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

Figure 4: NPL ratio (%) by bank in June 2015 and the change between June 2015 and June 2019 (p.p.)



Italy recorded the biggest decrease in NPL volumes (EUR 145 billion) between June 2015 and June 2019. It was followed by Spain (EUR 81 billion), the United Kingdom (EUR 60 billion) and Germany (EUR 43 billion). All four countries recorded at least a 50% decrease in their NPLs. These countries were followed by Ireland (decrease of EUR 35 billion or 80%) and Portugal (decrease of EUR 20 billion), quite notable amounts when one considers the size of these banking sectors. Greek and Cypriot banks, which reported the highest NPL ratios, have decreased their NPL volumes by EUR 35 billion (-30%) and EUR 17 billion (-73%), respectively (Figure 5).

Figure 5: Trend in NPL volumes (EUR billion) by country — June 2015 to June 2019[7]

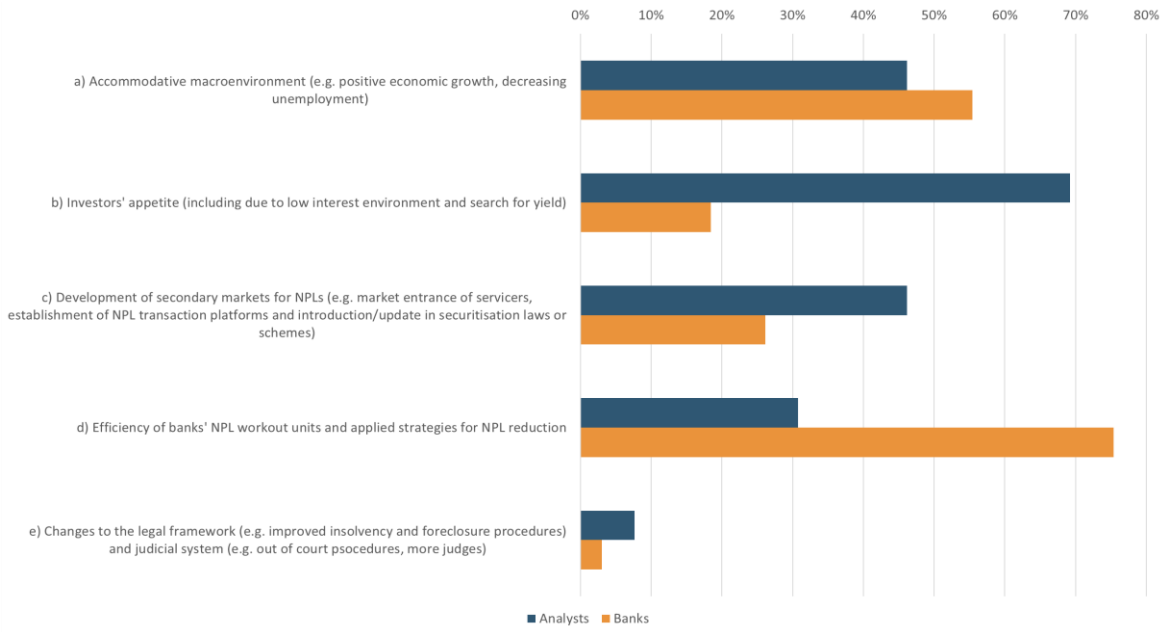


There are three main pillars that determined the overall reduction in NPLs. The first pillar is the clear policy stance of the EBA and the supervisory community, and the Council of the EU's action plan. The second pillar is banks' efforts to improve NPL management capabilities, by enhancing NPL strategies in monitoring and restructuring, by investing in information technology and by strengthening governance. Banks leverage on instruments for NPL management that are available to banks, such as write-offs, collateral repossession, collateral liquidation, cash collections and sales (which also require substantial amounts of preparatory work and investment on the bank's side to ensure good availability of data and documentation, etc., and are thus also crucial preconditions for any market solutions). The banks' efforts were combined with the wider use of external workouts and the development of companies with expertise in the area of NPL management. These were coupled with the development of the secondary market for NPLs in a selected number of countries. The third pillar is the positive economic growth, lower unemployment, low interest rates and positive development in real estate markets in the EU during the past 4 years. These factors together enhanced investors' appetite for yields, reduced the inflow of NPLs and provided tailwinds for transaction activity in the jurisdictions that had high volumes of legacy assets.

Analysts and banks generally agree with this assessment. Nearly 80% of the banks responding to the EBA's RAQ in autumn 2019 mainly attribute the decrease in the NPL volumes to successful internal workouts and more efficient NPL strategies. These are focused not only on cures but also on sales, write-offs, cash collections and in some cases foreclosures. Analysts rank the increased investor appetite for NPLs as the main driver and agree that economic growth, low unemployment rates and the development of a secondary market for NPLs were important contributors (Figure 6).

[7] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

Figure 6: Main drivers of the reduction in NPL levels during the past few years — banks' and analysts' RAQ, autumn 2019



Supervisory data are not yet available to monitor NPL inflows and outflows[8]. It is therefore difficult to exactly value the drivers of the reduction in NPLs, i.e. how much of these are driven by sales, securitisation, write-offs or internal workouts.

Market statistics show that the major contributor in the reduction of NPLs has been the sales or securitisations in the secondary market, specifically for those countries with high levels of NPLs. In the previous years, the main focus of these markets has been countries such as Italy, Spain and Ireland. During the course of last year there were also significant transactions in Greece and Cyprus, whereas Portuguese banks have announced further NPL sales that should take place during the course of the second half of this year. Data[9] show that announced and completed NPL transactions in 2018 across EU Member States was about EUR 200 billion in gross book value (up from around EUR 156 billion in 2017 and EUR 112 billion in 2016[10]). The activity during 2019 seems to have slowed down compared with previous years, suggesting that NPL sales may have peaked in 2018.

In Italy, the introduction of the GACS scheme by the government in 2016 has been instrumental in the reduction in NPLs. The public guarantee covers only the senior tranches (i.e. the lower risk notes) and aims to increase the credit worthiness of the senior ABS, reduce the funding cost of the SPV and incentivise banks to sell NPLs. In the period 2016-2018, Italy has been the most active market for NPLs in Europe, with sales in gross book value of around EUR 123 billion (excluding the transfer of NPLs to bad banks, following banks resolution and liquidation). The critical mass of NPLs

[8] Supervisory data on NPL inflows and outflows will become available with the amendments to the ITS on supervisory reporting with regard to FINREP (ITS 2.9), as of June 2020.

[9] A global NPL perspective: sellers and investors look to the big picture – Debtwire, Ashurst (https://www.ashurst.com/en/news-and-insights/insights/a-global-npl-perspective/).

[10] ECB financial stability review May 2018 — Euro area financial institutions.

in the country also presumably made it easier to establish an NPL market and attract investor interest.

The establishment of AMCs in Ireland (NAMA), Spain (SAREB) and Slovenia (DUTB) acted as catalysts for their banks to decrease radically their NPLs but also for the development of secondary NPL markets. However, since then the EU regulatory context has changed and this type of solution is now more difficult to implement (see European Commission, AMC blueprint[11]).

Banks in Greece and Cyprus report the highest NPL ratios in the EU and are still facing challenges to clean up their balance sheets and move closer to the EU average NPL ratio. In this respect, in both countries a systemic solution has been considered vital in order to speed up the NPL clean-up process and allow banks to concentrate on lending to the healthy and viable businesses and individuals that will further support economic growth.

Greek banks were slow to enter NPL secondary markets, but during 2018 they managed to sell EUR 11 billion of NPEs, including retail, corporate and other mixed portfolios, mostly using securitisation deals. In Greece, securitisation is considered the most efficient tool to offload NPLs in good time because of the legal certainty and the sufficient investor protection that the law provides and the lower cost compared with outright sales. An improved macroenvironment, the removal of legal and judicial impediments, the existence of expert NPE servicers and the increased provisions taken by the banks in the previous years have also supported the transactions in Greece. In addition, in October 2019, the European Commission approved a Greek asset protection scheme, stating that state guarantees are to be remunerated at market terms according to the risk taken. The scheme, called 'Hercules' is similar to the Italian GACS scheme and aims to further support the reduction of NPLs.

Cyprus is now going through a major banking sector restructuring, with the transfer of non-performing assets of the second largest bank, by assets of the country at the time of its restructuring, to a state-owned asset management company. At the same time performing assets and deposits were transferred to the third largest banking institution of the country. As a result of this, the total NPLs in the banking sector were reduced significantly. In addition, Cypriot banks have announced NPL sales in excess of EUR 3 billion, which represent 20% of the total NPL volumes.

Text box: EBA NPL transaction templates

In December 2017, the EBA published its standardised data templates specifying information for the transaction of NPLs in the secondary markets. The EBA has further revised these templates in September 2018, following the practical experience and feedback received from the testing of the original version.

One of the impediments to NPL sales in Europe was information asymmetry and opacity in the markets. Disparities in the quality and quantity of data provided by banks to investors and the absence of

[11] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018SC0072

common conventions and definitions ultimately creates delays, generates higher transaction costs and impairs price discovery.

With this in mind, to address data discrepancies and challenges in the NPL secondary markets, the EBA provided these templates to allow banks to supply comparable and standardised data on NPLs to meet the needs of investors and other stakeholders.

These EBA NPL templates are based on actual data needs in such transactions, and include information at the most granular level, covering exposure, counterparty, collateral and status of the enforcement process, where applicable. The seven templates that are included are asset class specific covering (a) residential, (b) CRE, (c) SME and corporate, (d) unsecured, (e) leasing and asset-backed finance, (f) automotive, (g) others and specialised loans.

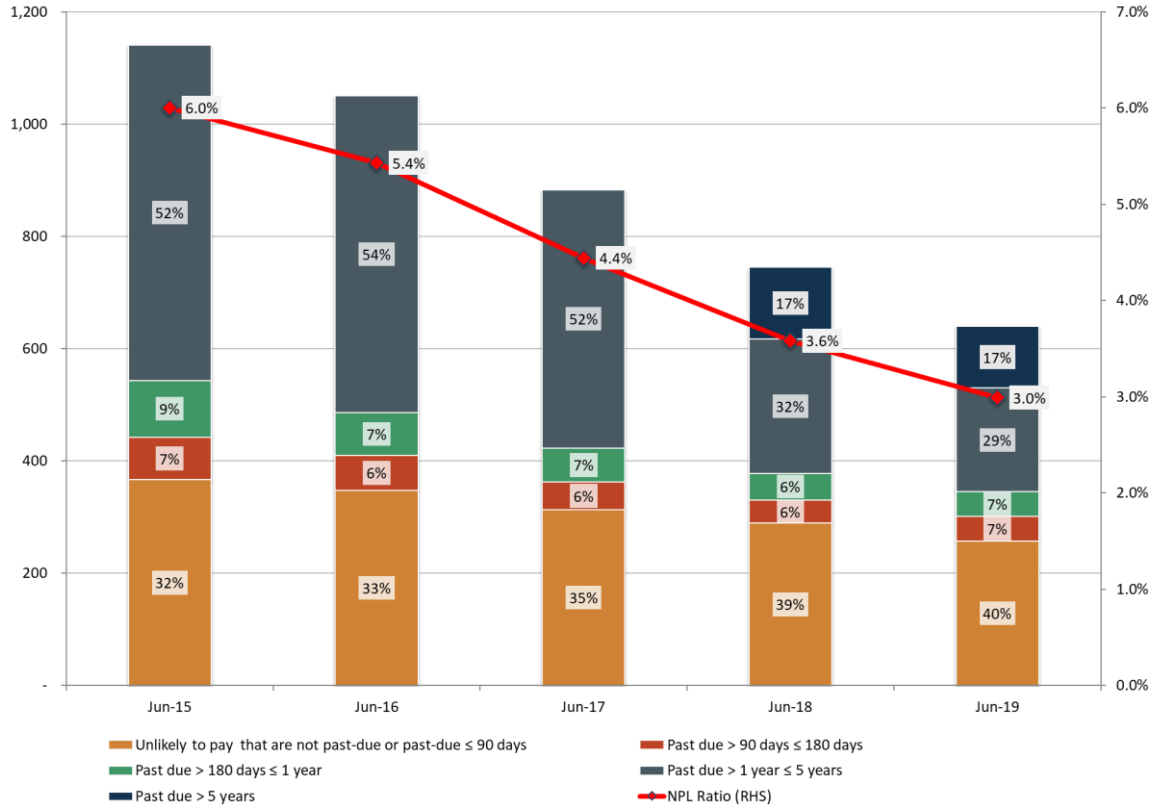
The EBA NPL templates, which are available for voluntary use, are aimed at providing a market standard for NPL transactions. The templates have also been considered in similar regulatory and secondary market initiatives to tackle NPLs in Europe, such as the EU-wide NPL transaction platform, the AMC blueprint, and as a reference point for the data collection and management of loan origination and monitoring.

2.2 Non-performing loans by past-due category

Early acknowledgement of problematic loans and appropriate intervention measures are crucial in keeping NPLs at a low level. Although there has been substantial progress in dealing with legacy assets across all countries, the non-performing assets still found on banks' balance sheets may be getting older. The consequences of this are twofold: first, older NPLs may be harder to cure and, second, the value of these assets have considerably depreciated. This also partly explains some stickiness in the NPL ratios and volumes in some countries over the recent quarters.

The general downwards trend in NPL volumes holds true across all past-due buckets, but it is more pronounced in buckets that are past due by more than 1 year. This has led to an increasing share of NPLs that are classified as unlikely to pay (UTP) and are less than 90 days past due. As of June 2019, this category accounted for 40% of total NPLs, while 14% were past due for between 90 days and 1 year, 29% were past due for more than 1 year and 17% were past due for more than 5 years. In 2015, 32% of total NPLs were categorised as UTP, 16% were past due for between 90 days and 1 year and 52% were past due for more than 1 year (Figure 7).

Figure 7: NPL volumes (EUR billion) by past due category and yearly trend of EU NPL ratio (%) — June 2015 to June 2019



Countries with lower NPL ratios generally reported a larger share of NPLs in the UTP category. This is in contrast to countries with higher NPL ratios, which have a larger share in the past-due buckets of 1 year and more (Figure 8 and Figure 9). For example, more than 65% of Cyprus and Greece NPLs were past due for at least 1 year and around 60% of those were past due for more than 5 years. Similarly, Bulgaria and Hungary reported more than half of their NPLs as being past due for more than 1 year, of which at least half were past due for more than 5 years. Italy is an exception in this, as although around 60% of its NPLs are past due for more than 1 year only one quarter of these are past due for more than 5 years.

Figure 8: NPL volumes (EUR billion) by past-due category and NPL ratio (%) by country — June 2019

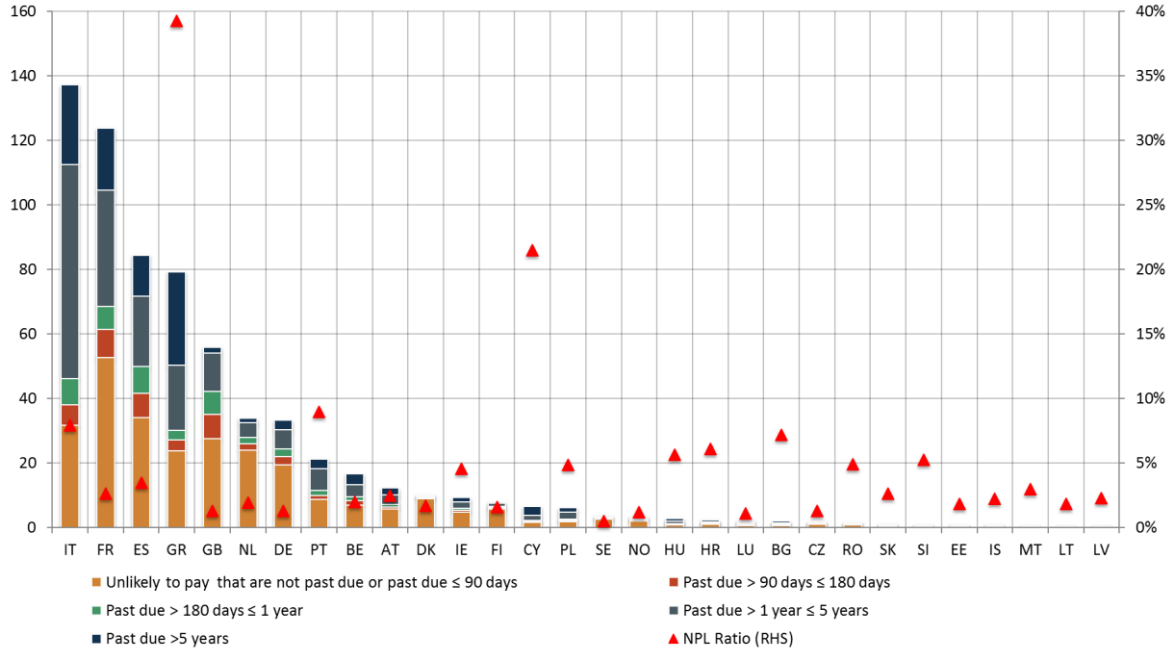
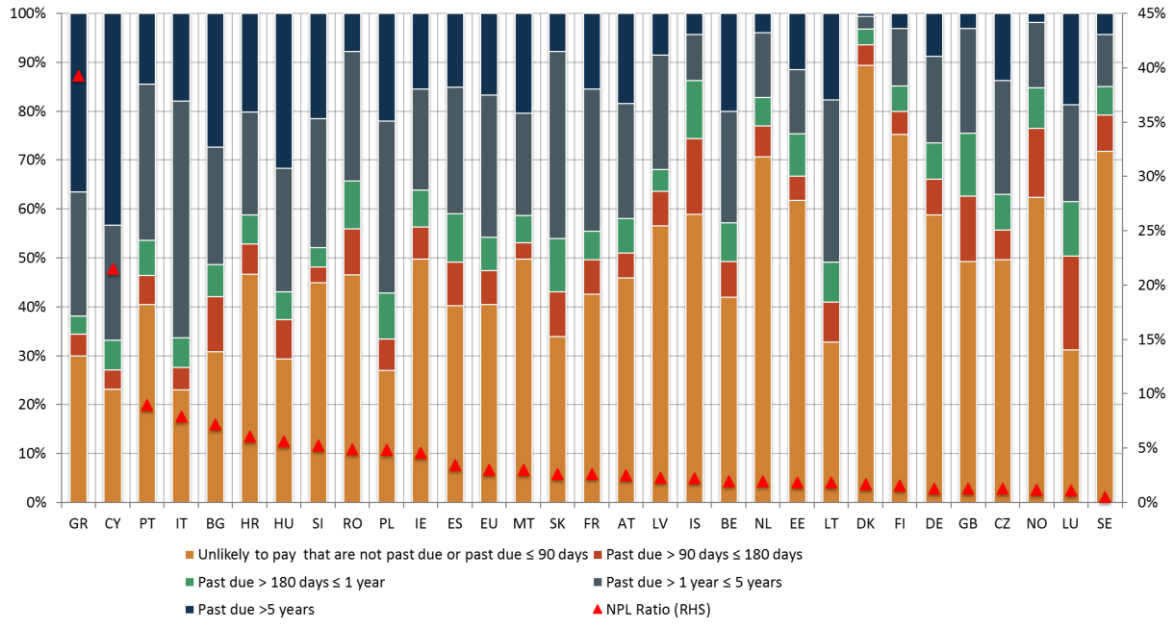


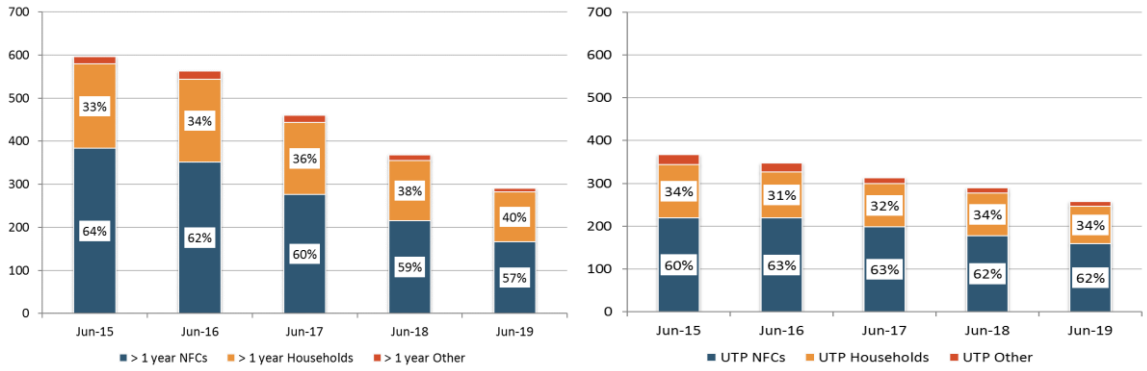
Figure 9: Distribution of NPL volumes (%) by past due category and by country — June 2019



Comparing NPLs that are past due by more than 1 year with those that are categorised as UTP reveals different trends in the composition of the two categories. While the composition of UTP loans has stayed the same for the last 4 years, the share of household loans that are past due for

more than 1 year has increased over the same period. As of June 2019, household loans represent almost 40% of all NPLs in this maturity bucket (see Figure 10). This reflects the fact that NPLs in the corporate segment decreased much more than those in the household segment. For social and political reasons, banks might be more reluctant to tackle aggressively household NPLs (e.g. to foreclose residential property, especially primary residences). In addition, the legal framework and impediments to foreclose collateral vary significantly across countries.

Figure 10: Trend in NPL volumes (EUR billion) past due > 1 year (left-hand side) and UTP (right-hand side), by lending segment — June 2015 to June 2019



Text box: EBA Guidelines on management of non-performing and forborne exposures

The EBA Guidelines on management of non-performing and forborne exposures [12] *(published in October 2018) are one of the key regulatory initiatives that support banks' NPE risk reduction processes.*

The guidelines introduce standards for banks' management of NPEs on their balance sheets. They aim to ensure that banks, in particular those with elevated levels of NPLs, implement comprehensive and sustainable NPE reduction strategies together with adequate operational arrangements for their implementation. In particular, the guidelines require banks with an NPL ratio of 5% or above to establish clear targets for the reduction of NPEs for each relevant portfolio over realistic but sufficiently ambitious time horizons. These targets and measures should be in line with banks' strategic objectives and approaches and supported by governance structure and operational arrangements that enable banks to address NPE issues effectively and efficiently, be it through sales, securitisation or workouts. The NPE strategies should also be supported by adequate decision-making, operating models, internal controls and monitoring.

The guidelines cover various phases of the 'lifecycle' of a bank's NPEs and should be reflected in the strategy, governance and operations, including early warning systems,

[12] EBA/GL/2018/06 (https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-management-of-non-performing-and-forborne-exposures).

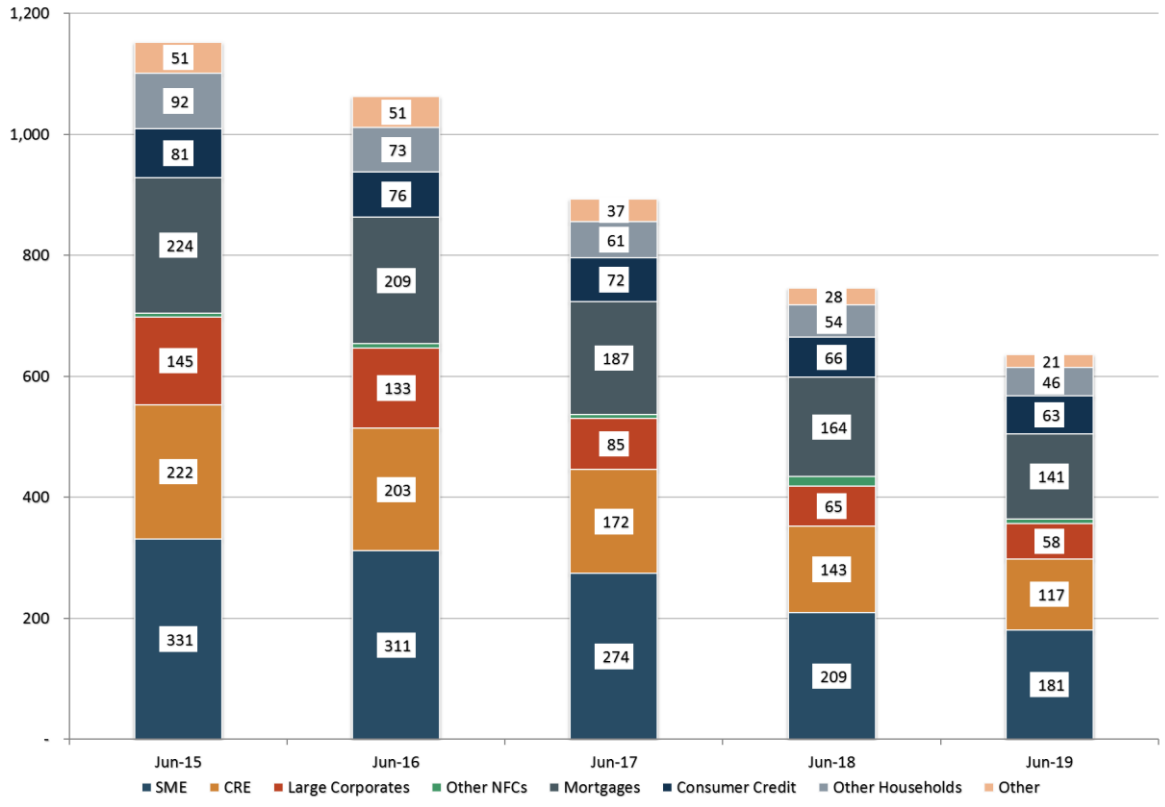
NPE recognition, forbearance, impairment and write-offs, and collateral valuation.

The assessment of banks' NPE reduction strategies and related operational framework forms part of the supervisory dialogue between authorities and banks under the supervisory review and evaluation process (SREP).

2.3 Non-performing loans by type of exposure

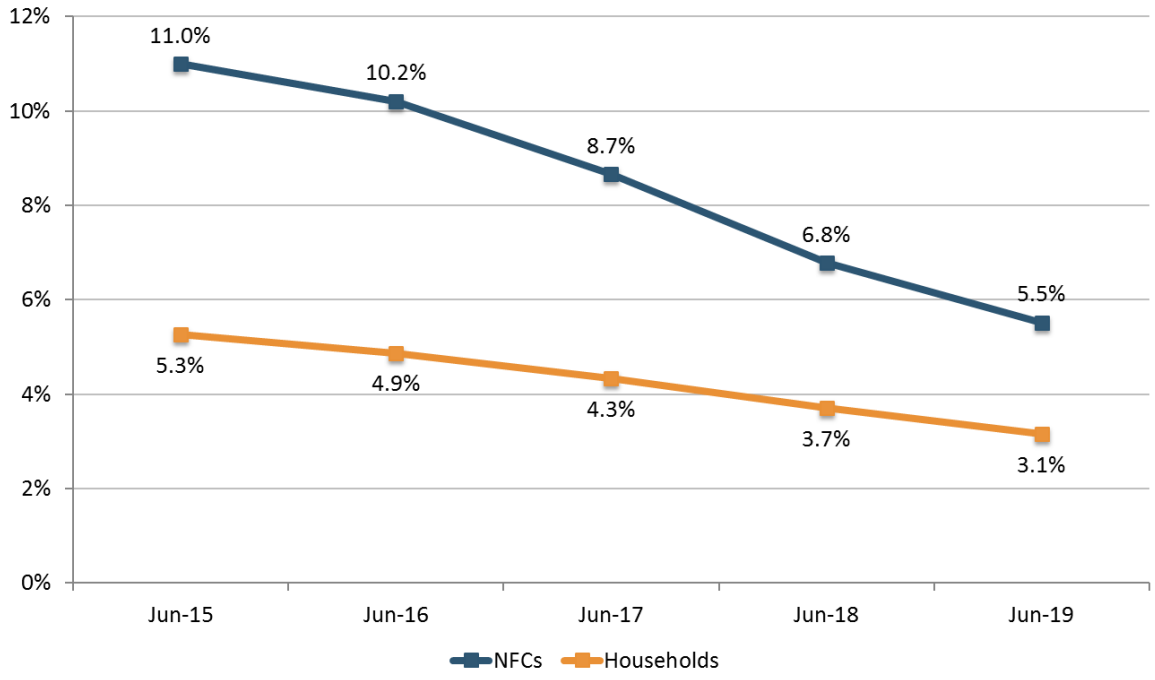
As of June 2019, NPLs to NFCs stood at EUR 364 billion (down from EUR 705 billion in June 2015), and NPLs to households stood at EUR 250 billion (down from EUR 396 billion 4 years earlier). SMEs, mortgages and CREs have been the largest sub-segments by volume of NPLs. As of the second quarter of 2019, NPLs to SMEs stood at EUR 181 billion (28.5% of the total), mortgages at EUR 141 billion (22%) and NPLs to CREs at EUR 117 billion (18.4%). The largest percentage decrease was reported by large corporates, down to EUR 58 billion from EUR 145 billion in June 2015 (a 60% reduction) (Figure 11).

Figure 11: Trend in NPL volumes by lending segment (EUR billion) — June 2015 to June 2019



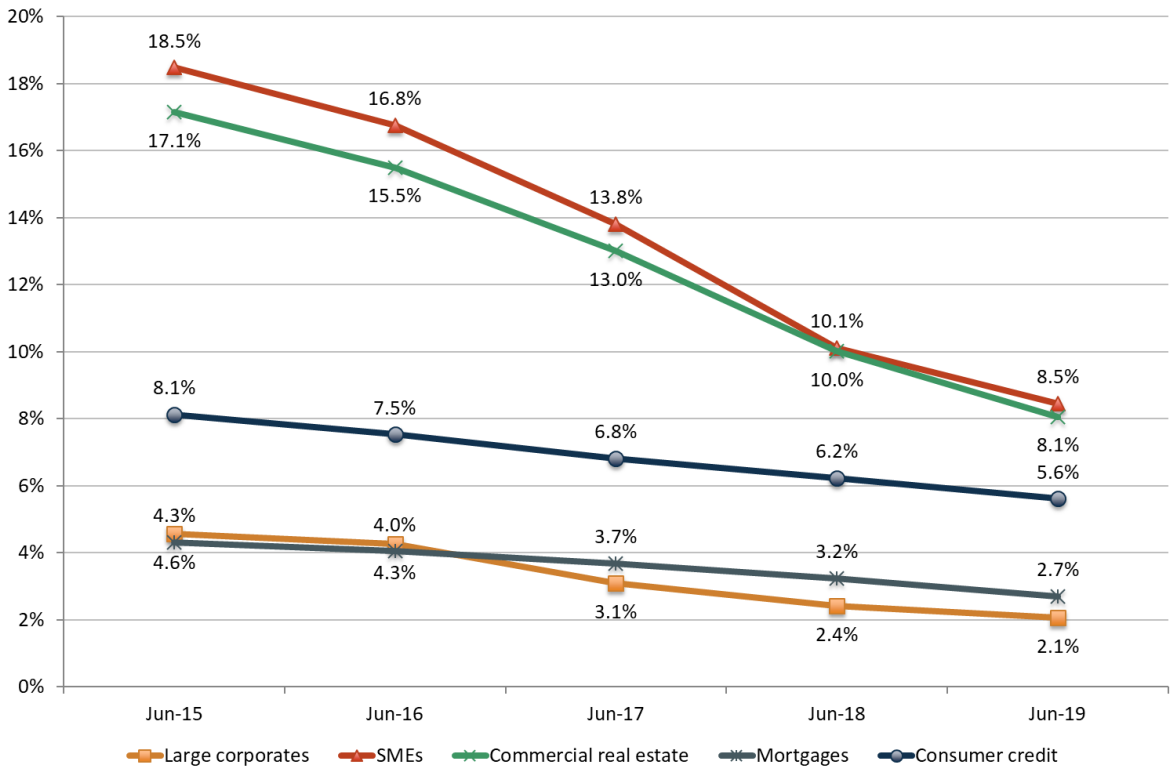
Households reported lower NPL ratios than NFCs. As of June 2019, the NPL ratio for households stood at 3.1% compared with 5.5% for the NFCs. In fact, this difference was more pronounced 4 years earlier, as the NPL ratio for the NFCs was 11% and for households was 5.3% (Figure 12).

Figure 12: Trend in NPL ratios (%) by lending segment — June 2015 to June 2019



Differences across segments are even more pronounced in the sub-categories of NFCs and households. In particular, NPL ratios for SMEs, CREs and consumer credit are considerably higher than for large corporates and mortgages. As of June 2019, the average NPL ratios for SMEs and for CREs stood at 8.5% and 8.1%, respectively, and for consumer credit at 5.6%. However, these lending segments also showed the biggest improvements over the last 4 years. For example, both SME and CRE segments improved significantly from the NPL levels of around 18% reported in June 2015. Large corporates generally showed a significantly lower NPL ratios than the other categories and, as of June 2019, showed the lowest ratio of all other segments (Figure 13).

Figure 13: Trend in NPL ratios (%) by lending sub-segment — June 2015 to June 2019

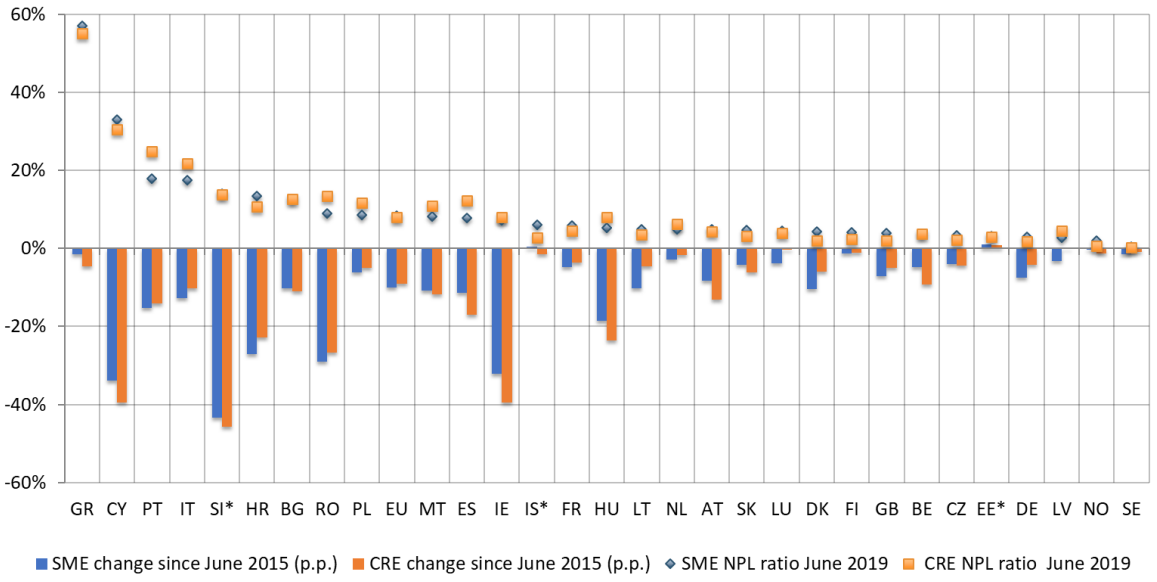


Loans to non-financial corporations

The segments with the highest NPL ratios have also improved the most. The improvement for SMEs and CREs is driven by banks in countries with high NPL ratios (Figure 14). A comparison of the NPL ratios reported as of June 2019 with those reported as of June 2015 shows that the vast majority of banks reported significant reductions in NPL ratios for both segments. The largest improvements were reported by banks in Slovenia[13], Ireland and Cyprus, with reductions in NPL ratios for both segments close to 40 p.p. Banks in Croatia and Romania have also achieved significant reductions of approximately 30 p.p. since June 2015. Nevertheless, there are still obvious vulnerabilities in these sectors in a few countries. Almost half of the total NFCs of Greek banks' exposures and close to 60% of exposures to SMEs and CREs are non-performing. In addition to this, there are a few countries in which especially SME and CRE exposures have high shares of NPLs.

[13] Comparison for Slovenia between September 2015 and June 2019.

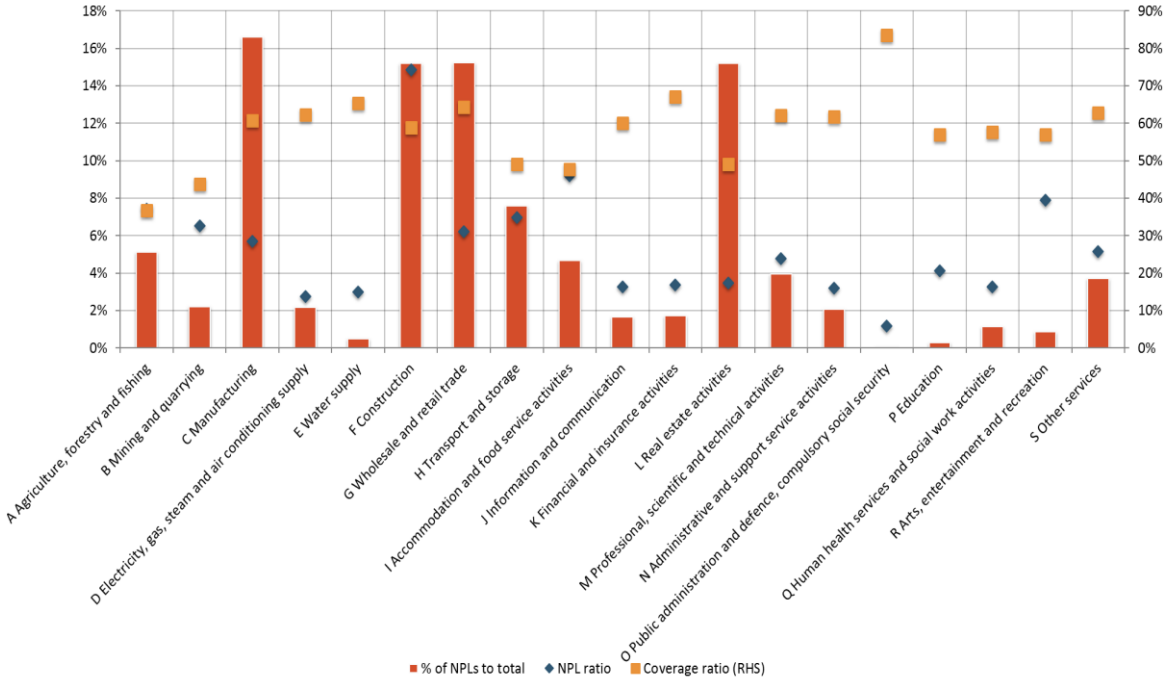
Figure 14: NPL ratio (%) for SME and CRE segments, by country in June 2019 and change in p.p. since June 2015[14]



Supervisory data also provide a further split in NFC exposures by economic activity. An analysis of NPLs by NACE code shows that the construction industry had the highest NPL ratio (15%) in June 2019. Loans to the accommodation and food services sector and to the arts, entertainment and recreation sector have also heightened NPL ratios (9% and 8%, respectively) (Figure 15). Important sectors, such as manufacturing and the wholesale and retail trade, which account for roughly 15% of the total NFCs each, have an NPL ratio of around 6%, which is slightly above average. On the other side, the lowest NPL ratios were towards exposures to public administration (1%) and around utilities, e.g. water supply, electricity and gas, which reported an NPL ratio of around 3%.

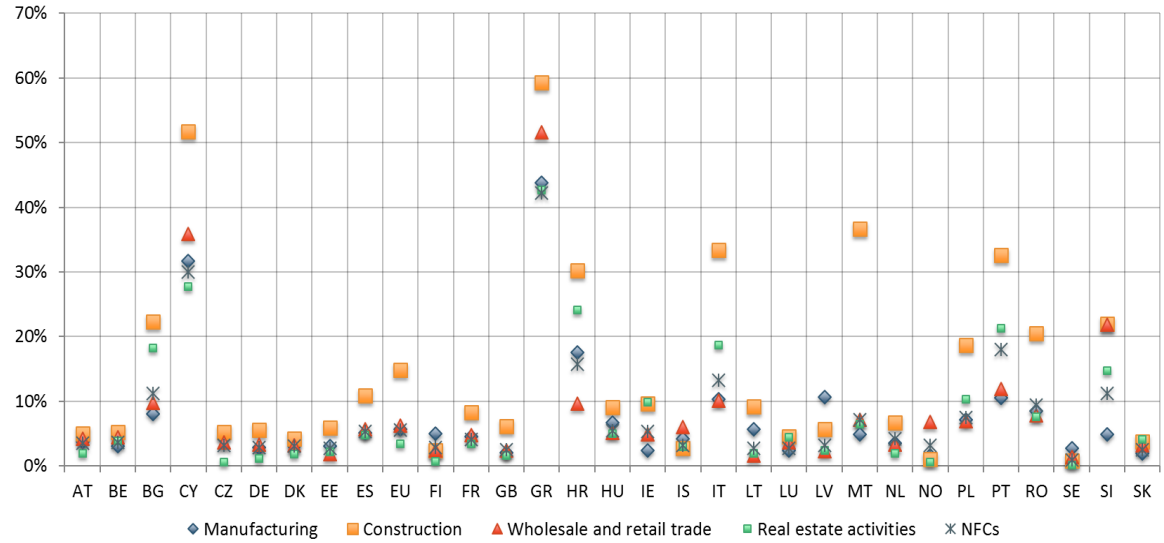
[14] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

Figure 15: Loans and advances to NFCs: NPL ratio and coverage ratio (%) and percentage of NPL volumes to total by NACE code — June 2019



At a country level, Greece stands out as it has the highest NPL ratios in the four largest sectors by volume of NPLs (manufacturing, construction, wholesale and retail, and real estate activities). Other countries with heightened NPL ratios for the four sectors are Cyprus, Croatia, Italy, Portugal and Slovenia (Figure 16).

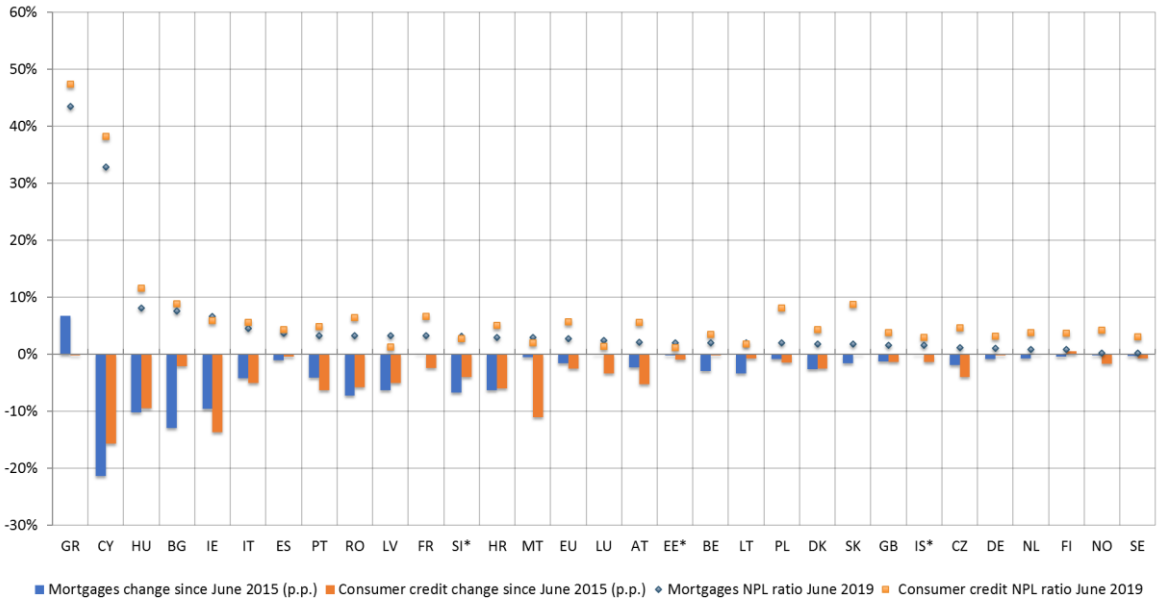
Figure 16: NPL ratios (%) for NFCs and for major NACE categories by country — June 2019



Loans to households

A general trend of improving NPL ratios could also be observed for mortgages and consumer credit (Figure 17). A comparison of NPL ratios reported as of June 2019 with those reported as of June 2015 shows that the vast majority of banks reported significant reductions in NPL ratios for both segments. The largest improvements were reported by banks in Cyprus, with an average reduction in NPL ratios for mortgages of close to 21 p.p. For the same segment, banks in Bulgaria, Hungary and Ireland have achieved significant reductions of more than 10 p.p. since June 2015. Banks in Greece represent an exception to this trend, as they reported an increase of 7 p.p. in the NPL ratio for mortgages over the 4-year period, which as of June 2019 stood at 45%. It is noted that in all other segments Greece has shown a decrease, albeit small, in NPL ratios. The increase in mortgage NPLs may also be attributed to changes in the Greek legal framework that provide protection from foreclosure to home owners and therefore have incentivised strategic defaulters.

Figure 17: NPL ratio (%) for mortgages and consumer credit segments, by country in June 2019, and change in p.p. since June 2015[15]



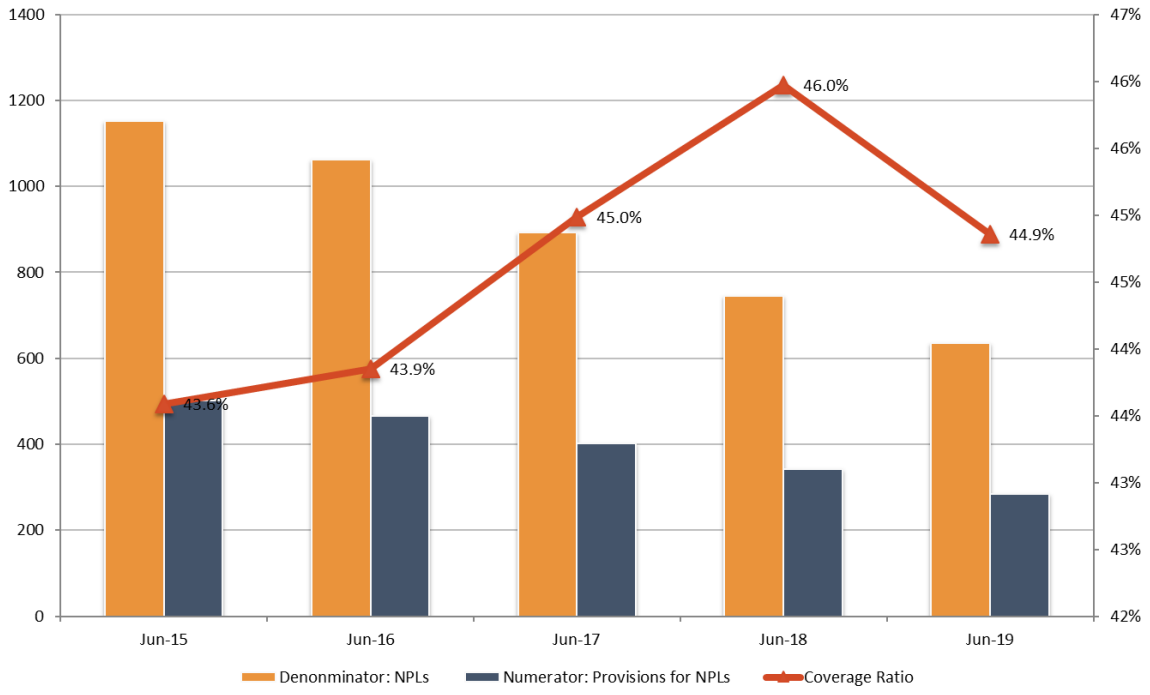
2.4 Coverage of non-performing loans

The average coverage ratio of NPLs reported as of June 2019 was 44.9%, an increase of 130 bps since 2015. This trend is the result of a faster decline in NPLs than in provisions. However, the coverage ratio has declined in the most recent year (down from 46% reported as of June 2018). This recent decline was due to a significant fall in provisions (-17% since June 2018), which was more pronounced than the continuing decline in NPLs (-15% since June 2018) (Figure 18). There are a few possible reasons underlying the decrease in provisioning, such as the lower cost of risk owing

[15] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

to economic recovery and the de-risking of the balance sheet, which results in a reduction of coverage on average. Nevertheless, to some extent, banks might also be underestimating risks.

Figure 18: Trends in EU coverage ratio (%), numerator and denominator (EUR billion) — June 2015 to June 2019

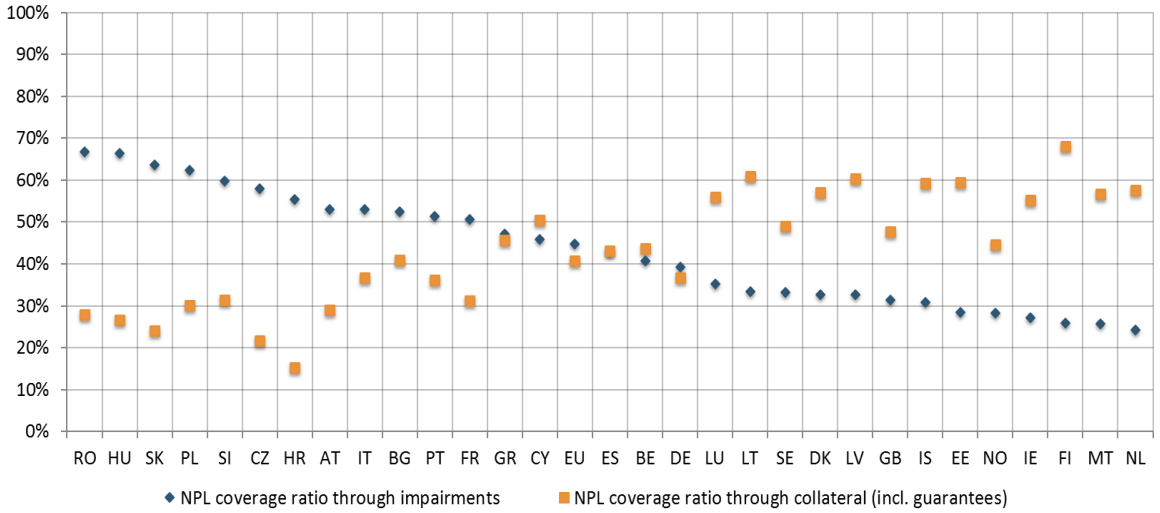


Coverage ratios are quite different across banks and countries, ranging from 26% for banks in Malta, Finland, the Netherlands and Ireland to 66% for banks in Hungary and Romania. These differences in ratios might reflect differences in the collateralisation, accounting standards, provisioning policies and types of exposures shows the distribution of coverage ratio through impairments and collateral as a percentages of NPLs, by country.

Figure 19 shows the distribution of coverage ratio through impairments and collateral as a percentages of NPLs, by country. Although when assessing collateral, valuation rules and enforceability should also be considered, the data indicate a link between coverage ratios and collateralisation[16].

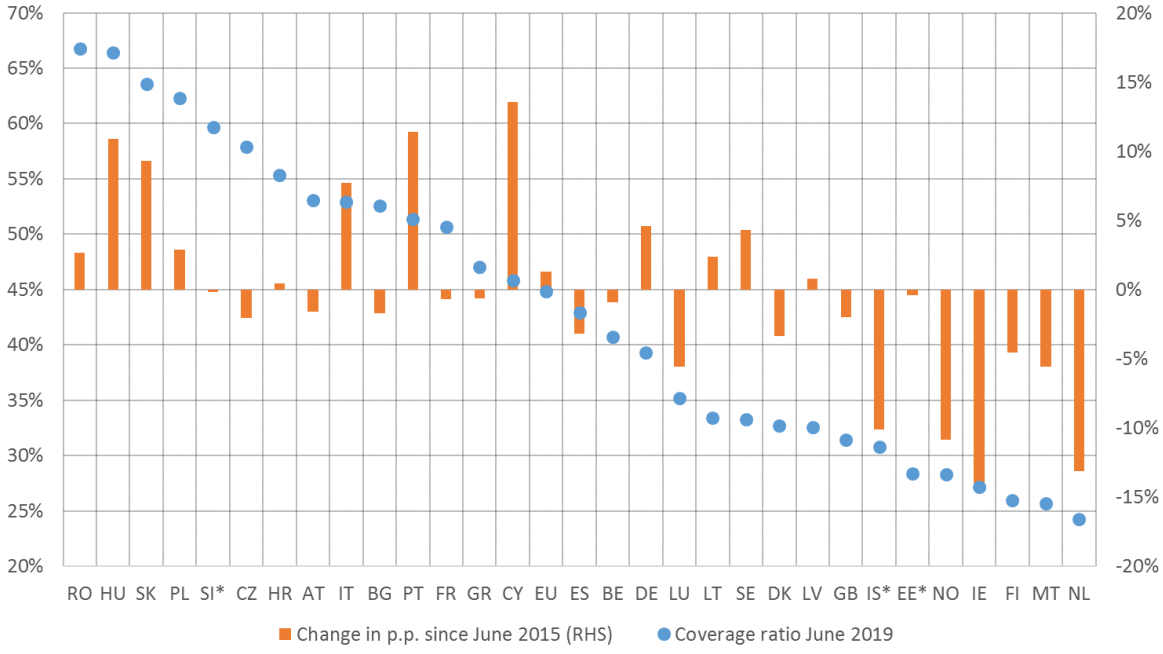
[16] This link is reflected by the fact that for countries with rather low coverage ratios collateralisation is higher and vice versa

Figure 19: NPL coverage ratio (%) through impairments and collateral by country — June 2019



Although coverage in the EU has only slightly increased in the past years (Figure 18), some countries have shown a considerable change in provisions. In particular, countries with higher NPL ratios have increased noticeably their coverage, e.g. Cyprus, Portugal, Italy, Hungary and Greece (Figure 20).

Figure 20: Coverage ratio (%), by country, and change in p.p. between June 2015 and June 2019[17]

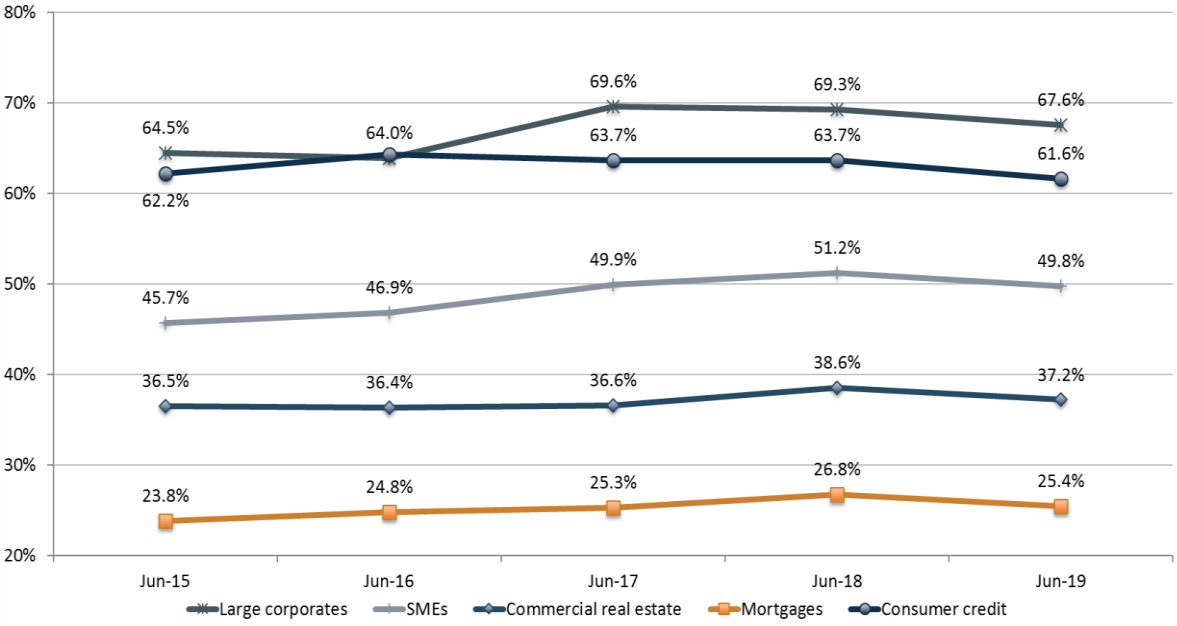


The differences across countries in coverage ratios can be mainly explained by differences in exposures to specific segments. NPLs to large corporates, for example, attract a higher level of

[17] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

provisioning than mortgages, which have higher collateral. Hence, a bank focused on business with corporate clients is likely to report a higher coverage ratio than a bank with a strong focus on mortgages. (Figure 21)

Figure 21: Trend in coverage ratios (%), by lending sub-segment — June 2015 to June 2019



Banks that consistently apply timely stringent provisioning policies are in a better position to manage NPLs. This enables banks not only to strengthen their balance sheets but also to focus on their core business. For this purpose, various European authorities, including the ECB and the Commission have applied provisioning expectations and policies to enhance prudential treatment.

Text box: Provisioning policies

Various initiatives across EU institutions have been introduced to increase banks' prudential provisioning against NPLs. The EBA has strongly supported these initiatives and believes that these initiatives will improve the resilience of the EU banking sector by preventing the excessive build-up of NPEs in the future and the possible spillover effects that these may have on economic growth and financial stability.

First, the ECB's Banking Supervision (SSM) published in March 2018 an addendum to the ECB Guidance[18] to banks on NPLs, indicating quantitative expectations of prudential provisioning. These quantitative expectations target new NPEs classified as such from 1 April 2018, regardless of the date of the loan origination. The implementation of these expectations will be through the supervisory dialogue (SREP process).

[18] https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.npl_addendum_201803.en.pdf

In parallel, the European Commission proposed an amendment to the CRR as regards the minimum loss coverage for non-performing exposures, and the 'prudential backstop' was adopted by the Council of the EU in April 2019[19]. The requirement targets new NPEs for loans that are originated and become non-performing after the implementation date of the regulation. According to the new rules, institutions should reach a minimum coverage level but, if there is a shortfall, then the amount should be deducted from institutions' CET1 (Pillar 1 treatment).

In August 2019, the SSM revised its supervisory expectations for prudential provisioning[20] in order to account for the new Pillar 1 requirements and maintain the treatment of NPEs more consistently. In this regard, the scope of the ECB's supervisory expectations for new NPEs will be limited to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment. It is noted that NPEs arising from loans originated from that date onwards will be subject to Pillar 1 treatment.

Further to the above, the SSM has also published in July 2018 a communication on the supervisory approach to increasing provisioning of the stock of NPLs[21], based on bank-specific expectations, which are guided by banks' current individual NPL ratios and main financial features in a consistent way across comparable banks. The policy aims to achieve the same coverage of NPL stock and flow over the medium term.

Table 1: shows the provisioning time frames for loans originated after 26 April 2019 as set out by Regulation (EU) 2019/630 amending the CRR (Regulation (EU) No 575/2013)

Table 1: Provisioning calendar

	After year of vintage	1	2	3	4	5	6	7	8	9
CRR	Secured by immovable collateral	–	–	25%	35%	55%	70%	80%	85%	100%
	Secured by movable collateral	–	–	25%	35%	55%	80%	100%		
	Unsecured	–	35%	100%						

19 https://data.consilium.europa.eu/doc/document/PE-2-2019-INIT/en/pdf

20 https://www.bankingsupervision.europa.eu/press/letterstobanks/shared/pdf/2019/ssm.supervisory_coverage_expectations_for_NPEs_201908.en.pdf

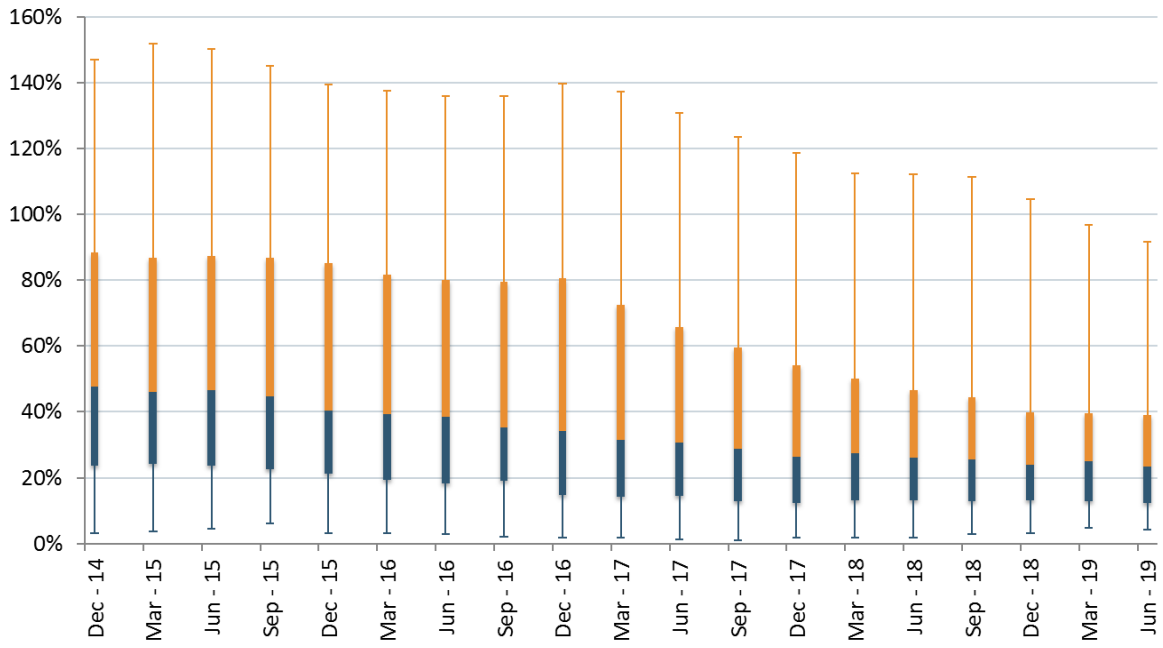
21 https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180711.en.html

2.5 Texas ratio

The Texas ratio[22] is one of the metrics for assessing the banks' riskiness and robustness against the legacy assets held on its balance sheet. In the last 4 years the aggregate EU-weighted average Texas ratio has halved (from 47% to 23%), reconfirming the progress achieved in the recovery of the banking sector. Strengthening of the banks' capital base has also contributed to this. Nevertheless, the Texas ratio should be read with caution, especially at aggregate levels, as it assumes that equity and provisions accumulated (the denominator) compensate for weaker banks or countries.

The dispersion of the ratio has considerably narrowed since December 2014. The 95th percentile stood at 92% as of June 2019, down from 145%. At the same time the upper interquartile range (75th percentile) decreased from 83% to 39% (Figure 22).

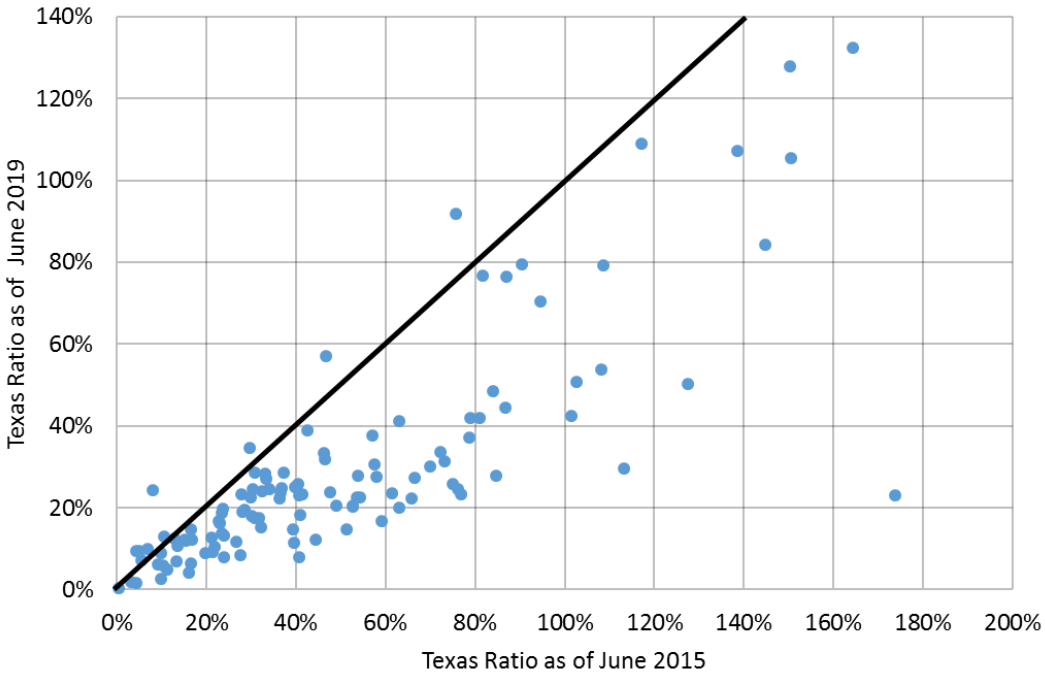
Figure 22: Dispersion of Texas ratios (%) by bank, showing 5th and 95th percentiles, interquartile ranges and medians — December 2014 to June 2019



On a bank-by-bank level, Figure 23 shows those banks that have increased their Texas ratio between June 2015 and June 2019 (banks above the line). In fact, in the EBA sample, only a few banks increased their Texas ratio. Nevertheless, there are still a few banks reporting a Texas ratio higher than 100%, which reveals vulnerabilities.

[22] Texas ratio is comparing the stock of NPLs with a credit institution's equity. NPLs (gross carrying amount) over equity and accumulated impairments accumulated negative changes in fair value due to credit risk and provisions on NPLs

Figure 23: Texas ratio (%) by bank between June 2015 and June 2019



3. An assessment of asset quality based on IFRS 9 stages

3.1 Distribution of loans by IFRS 9 stages

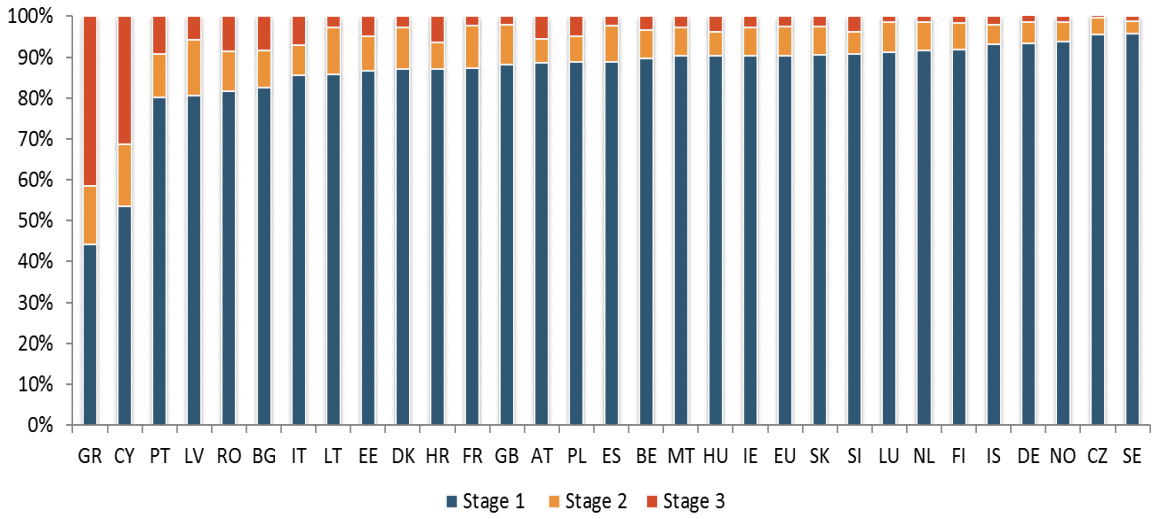
As of January 2018, IFRS 9 replaced the previous accounting standard for financial instruments (IAS 39), changing, among other aspects, the approach that banks are required to follow in the calculation of credit losses. With the new accounting standard, provisions need to be determined based on an expected credit loss (ECL) model instead of an incurred loss model. The introduction of IFRS 9 also requires banks to allocate financial instruments subject to ECL requirements in three different stages (stages 1, 2 and 3), according to their credit risk level. Those financial assets that have experienced a significant increase in credit risk are assigned to stage 2 and those that are credit impaired are assigned to stage 3.

The latter is similar to the IAS 39 definition of impaired but is still different from the EBA's NPL definition, as the 90 days past-due criterion does not necessarily mean stage 3 classification. The following section provides an overall view of the asset quality that complements the section on NPLs with the forward-looking view provided by the expected credit loss model.

In June 2019, banks in the EU allocated on average 90.4% of the loans and advances recognised at amortised cost in stage 1, 7% in stage 2 and 2.6% in stage 3. These allocations compare favourably with those of 1 year earlier (88.2%, 7.7%, and 4%, respectively). These figures resemble, to a great extent, the respective NPL ratios.

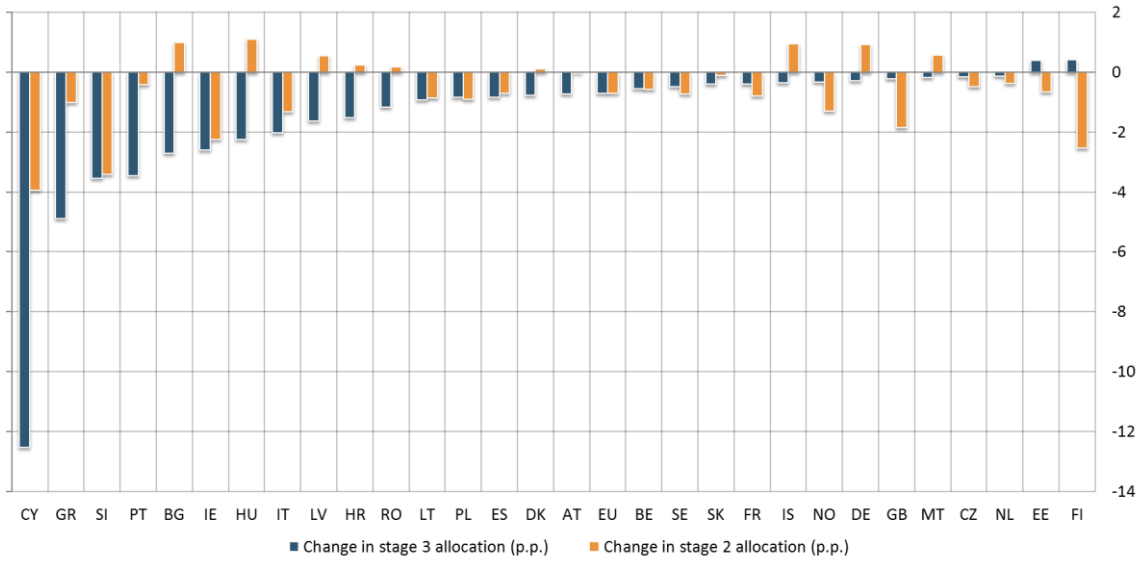
The share of stage 3 financial assets as of June 2019 was highest in Greece (41%) and Cyprus (31%), followed by Portugal (9%). The share of stage 2 financial assets was highest for banks in Cyprus (15%), followed by Greece and Romania (both 14%). On the contrary, Czechia and Sweden had the highest share of loans and advances in stage 1 (both more than 95%), followed by Norway and Germany (Figure 24).

Figure 24: Distribution (%) of loans and advances recognised at amortised cost among stages 1, 2 and 3, by country — June 2019



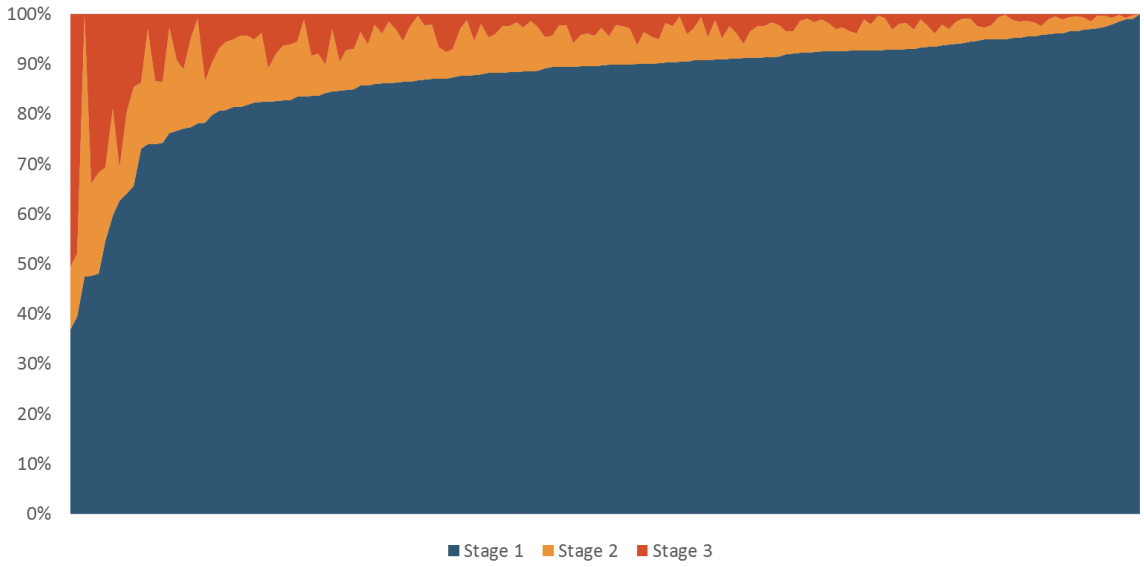
From June 2018 to June 2019, only 2 countries (Estonia and Luxembourg) reported an increase in the share of their stage 3 loans and advances, albeit very small, while the rest of the countries managed to decrease the allocation of their stage 3 assets. The most significant improvement was reported by banks in Cyprus, with a decrease in stage 3 assets of almost 13 p.p. (-4 p.p. in stage 2). Although the majority of the countries managed to decrease their stage 2 share as well, a few countries (Germany, Hungary and Bulgaria) reported an increased stage 2 share in the last year. This is mainly explained by a decreasing stage 3 share but also in some cases by a decreasing stage 1 share. (Figure 25).

Figure 25: Change in allocation of loans and advances recognised at amortised cost in stage 2 and stage 3 (p.p.) between June 2018 and June 2019[23]



Data at bank level show that as of June 2019 roughly 50% of the banks allocated at least 10% of their assets either in stage 2 or stage 3 (Figure 26). This may reflect that there are possible vulnerabilities in the asset quality of some banks' balance sheets.

Figure 26: Distribution (%) of loans and advances among stages 1, 2 and 3, by bank — June 2019



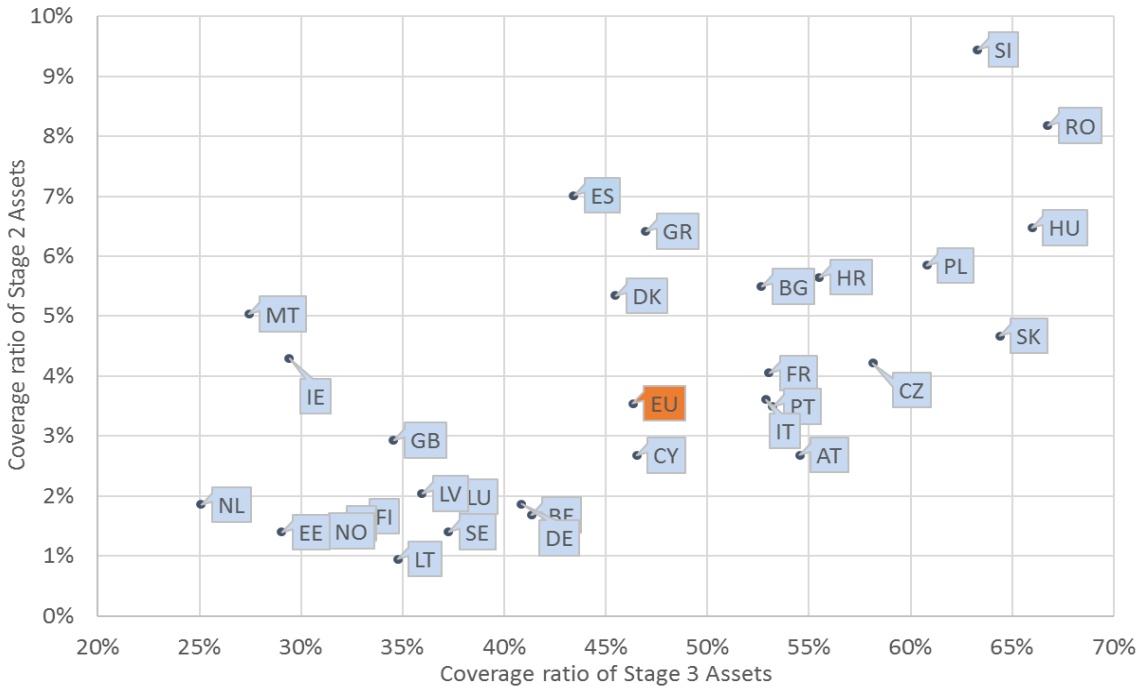
The weighted average of the EU banking sector coverage in June 2019 stood at 46.3% for stage 3, down from 47.5% in June 2018. Coverage for stage 2 (3.5%) and stage 1 (0.2%) assets remained

[23] Relevant information with respect to LU for the purposes of this analysis are not available due to a substantial change in the sample of banks serving as a reference

rather stable. Similar to the coverage of NPLs, the coverage of stage 3 assets shows a wider dispersion across banks and countries. While banks in Romania, Hungary, Slovakia and Slovenia provisioned around 65% of their stage 3 assets, banks in Netherlands, Malta, Estonia, and Ireland provisioned less than 30%. Banks in Slovenia and Romania also reported the highest coverages of stage 2 assets (both more than 8%), while banks in the Nordic countries in general have provisioned less than 2% of these assets (Figure 27).

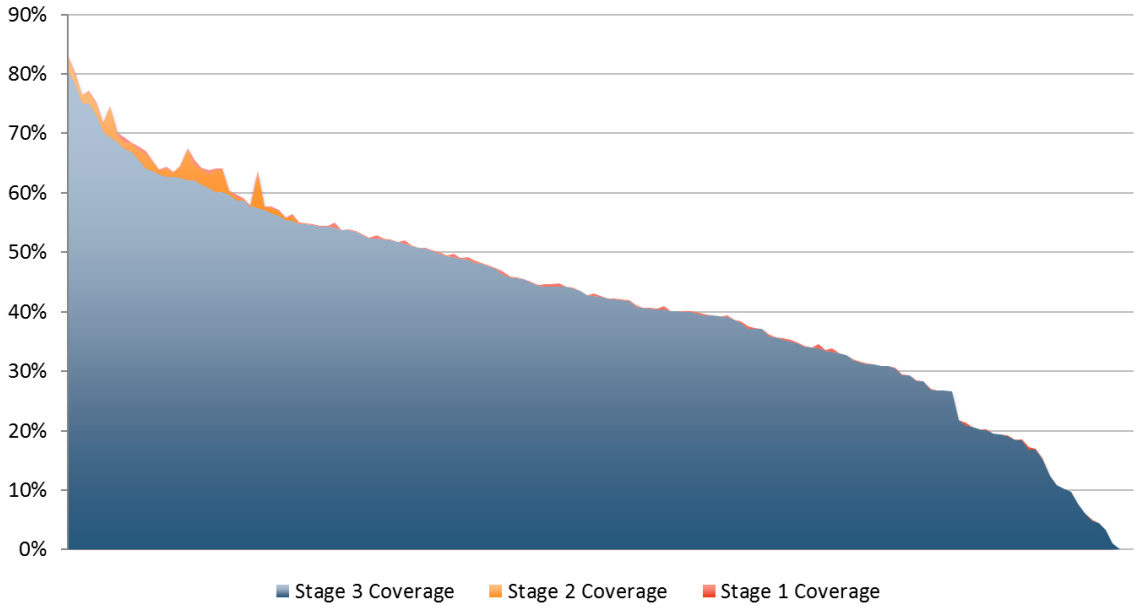
The highest increases between June 2018 and June 2019 in the coverage of stage 3 assets were reported by Lithuania and Denmark (7.7 p.p. and 7.0 p.p., respectively), while the highest decreases in coverage were reported by Luxembourg (-8.2 p.p.), Bulgaria (-7.9 p.p.) and Belgium (-6.2 p.p.).

Figure 27: Coverage ratio (%) of stages 2 and 3, by country — June 2019



The stage 3 coverage ratios at bank level reveal even greater differences than the coverage ratios for NPLs. In fact, the coverage of stage 3 assets ranges from 0% to close to 80% for certain banks. For stage 2 coverage, only a handful of banks exceed the 10% coverage threshold, whereas the majority of the banks have close to 0% coverage for the stage 1 assets (Figure 28). As explained in section 2.4, there might be several reasons for differences in coverage ratios, including collateralisation, provisioning policies and types of exposures.

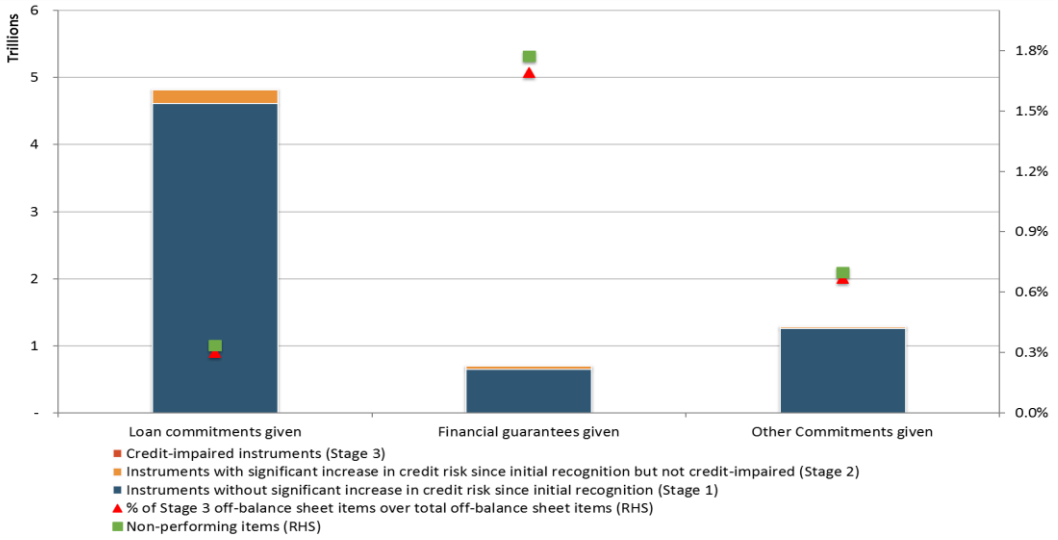
Figure 28: Coverage of stages 1, 2 and 3 (%), by bank — June 2019



3.2 Off-balance-sheet exposures

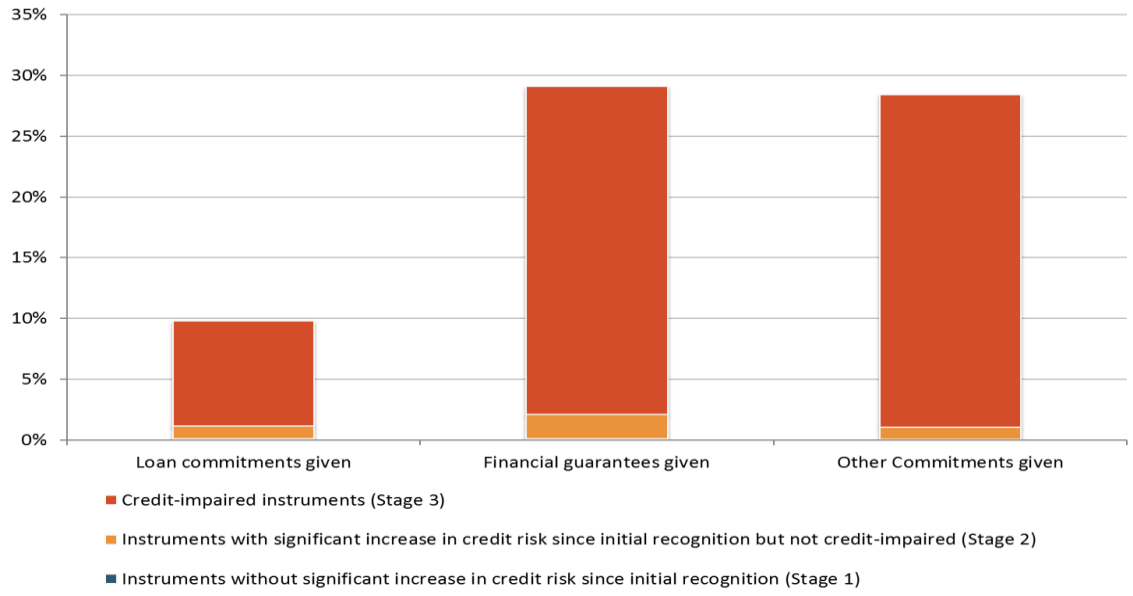
In June 2019, around EUR 38 billion of the banks' off-balance-sheet exposures in the EU banking sector were classified as non-performing (0.6% of total off-balance-sheet exposures) and EUR 36 billion were classified as stage 3 (0.5% of total off-balance-sheet exposures), both slightly lower than 1 year earlier. The total off-balance-sheet exposures amounted to EUR 6.8 trillion, of which more than 70% were loan commitments given (Figure 29).

Figure 29: Off-balance-sheet exposures (EUR trillion) and (%) NPL ratio and stage 3 items — June 2019



Despite the manageable amount of the off-balance-sheet items of lesser quality, the level of provisioning for off-balance-sheet exposures is relatively low. On average, coverage of stage 3 off-balance-sheet items reached 20% in June 2019. Specific financial guarantees and other commitments given showed higher coverage (both 27%) than loan commitments given (9%) (Figure 30).

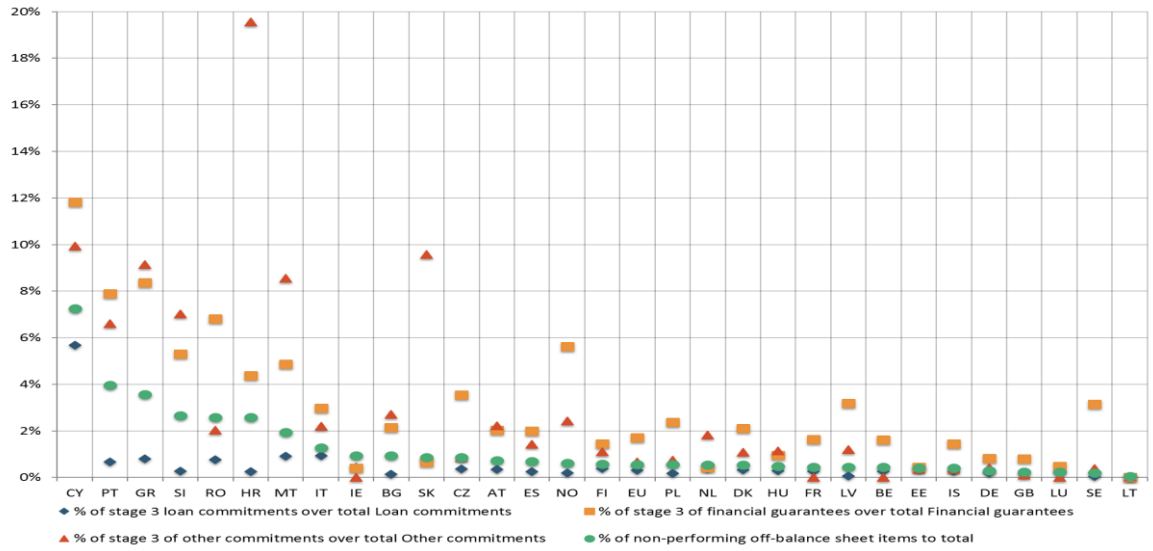
Figure 30: Off-balance-sheet exposures coverage ratios (%), by asset stage — June 2019



The dispersion across countries of non-performing and stage 3 off-balance-sheet exposures is relatively small compared with the dispersion reported for balance sheet exposures. This is mainly driven by the overall relatively lower ratios reported for the off-balance-sheet items. In June 2019, the highest non-performing ratio of off-balance-sheet exposures was reported by Cyprus (7%), followed by Portugal and Greece (both 4%). A significant number of countries (22) reported a ratio of less than 1%. Nevertheless, some discrepancies are observed in stage 3 classifications, most importantly under financial guarantees. The majority of the banks reported higher ratios for stage 3 financial guarantees than for other commitments and loan commitments (Figure 31).

Data on the coverage of off-balance-sheet exposures revealed similar trends to those identified in on-balance-sheet items. In general, the dispersion among banks and countries remained high and no clear link between the different types of off-balance-sheet exposures is present.

Figure 31:Percentages of stage 3 and non-performing off-balance-sheet exposures of the total, by countries and by category — June 2019

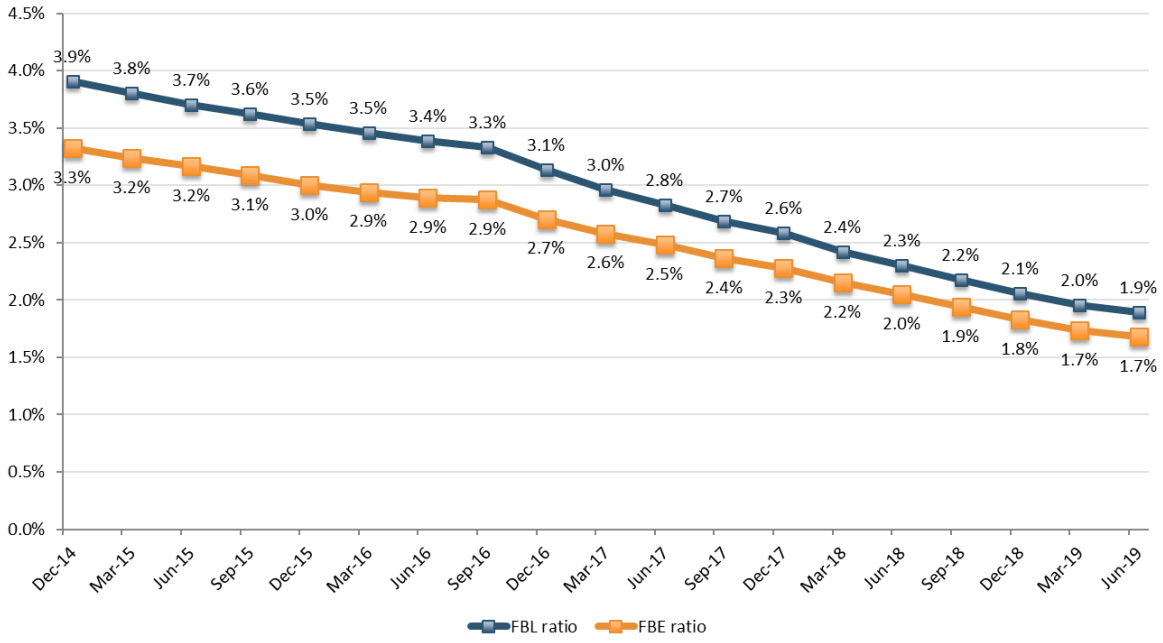


4. Forbearance measures and early warning signals

4.1 Exposures with forbearance measures

Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties'). Similarly to the trend observed in NPL ratios, forbearance ratios of the EU banking sector have been decreasing constantly since June 2015. The average forbearance loan ratio[24] (FBL) of the sector, as of June 2019, stood at 1.9%, down from 3.7% in June 2015. The same trend also holds true for the forbearance exposure ratio[25] (FBE), which has reduced from 3.2% to 1.7% over the past 4 years (Figure 32).

Figure 32: Trend in FBL and FBE ratios (%) in the EU banking sector — December 2014 to June 2019



A combination of performing FBLs[26] (which might in general be considered more vulnerable assets than performing loans) with NPLs provides a composite credit weakness indicator. Still, also on this

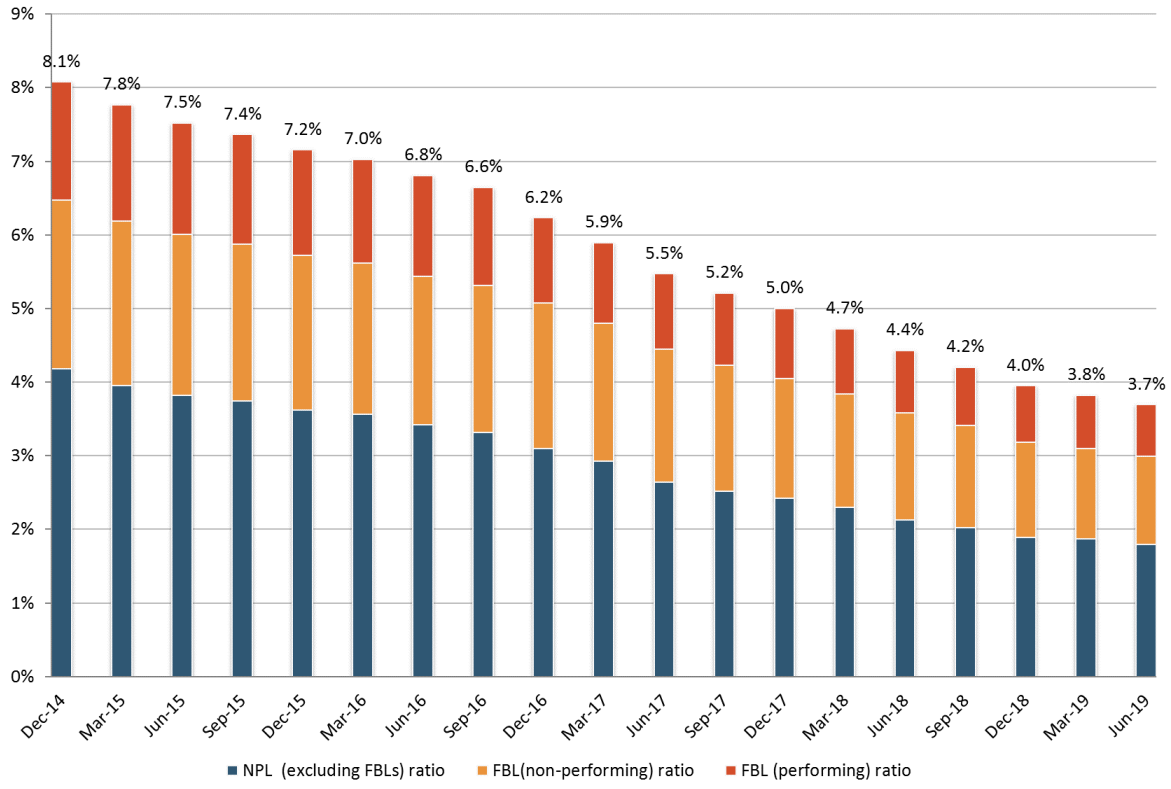
[24] FBL ratio is calculated as follows: loans with forbearance measures (including both non-performing and performing) for loans and advances/total gross loans and advances.

[25] Forbearance exposures include both loans and debt securities with forborne measures.

[26] Performing forborne loans are loans that may have been non-performing loans that were applied forbearance measures in the past and are currently under probation as performing forborne loans, or they have never been

basis, the enhancement of asset quality is obvious, as it decreased from 7.5% in June 2015 to 3.7% in June 2019 (Figure 33).

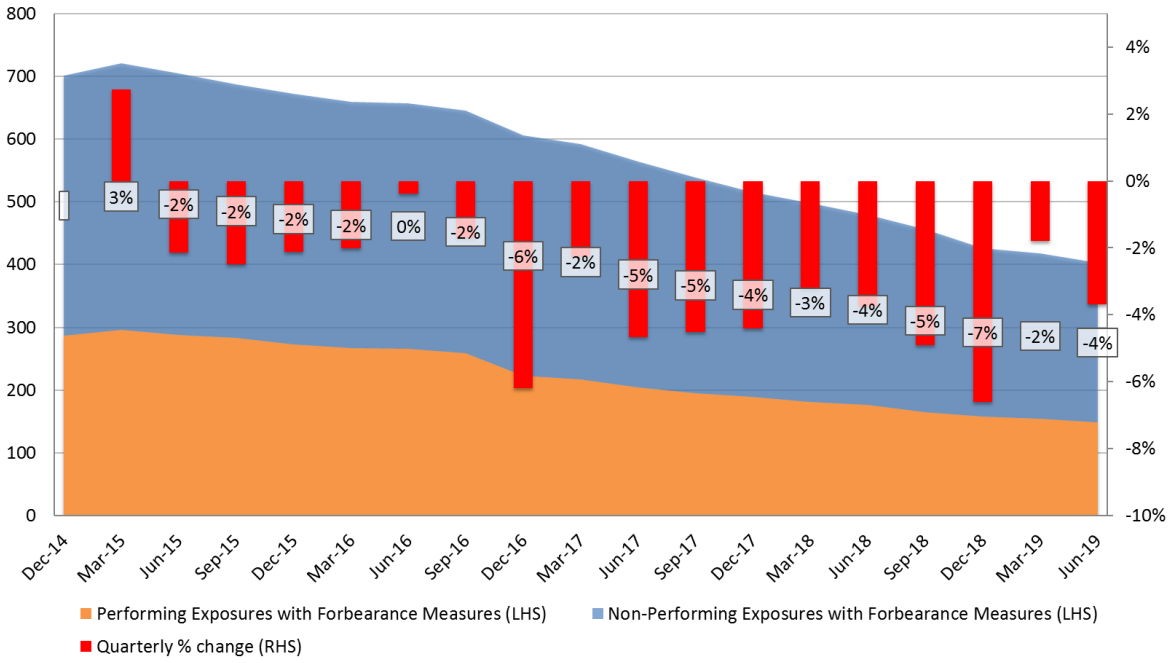
Figure 33: A composite credit weakness ratio of NPLs and performing forborne loans (%), December 2014 to June 2019



The decrease in the FBL ratio was mainly due to the decrease in the forborne loans — from EUR 700 billion in June 2015 to EUR 400 billion in June 2019 (or roughly -40%) — recording an average decrease of -3% per quarter (Figure 34). At the same time, the total loans of the EU banking sector, the denominator, increased by 10%.

considered as non-performing but required forbearance measures. These loans are in general considered more vulnerable than performing loans.

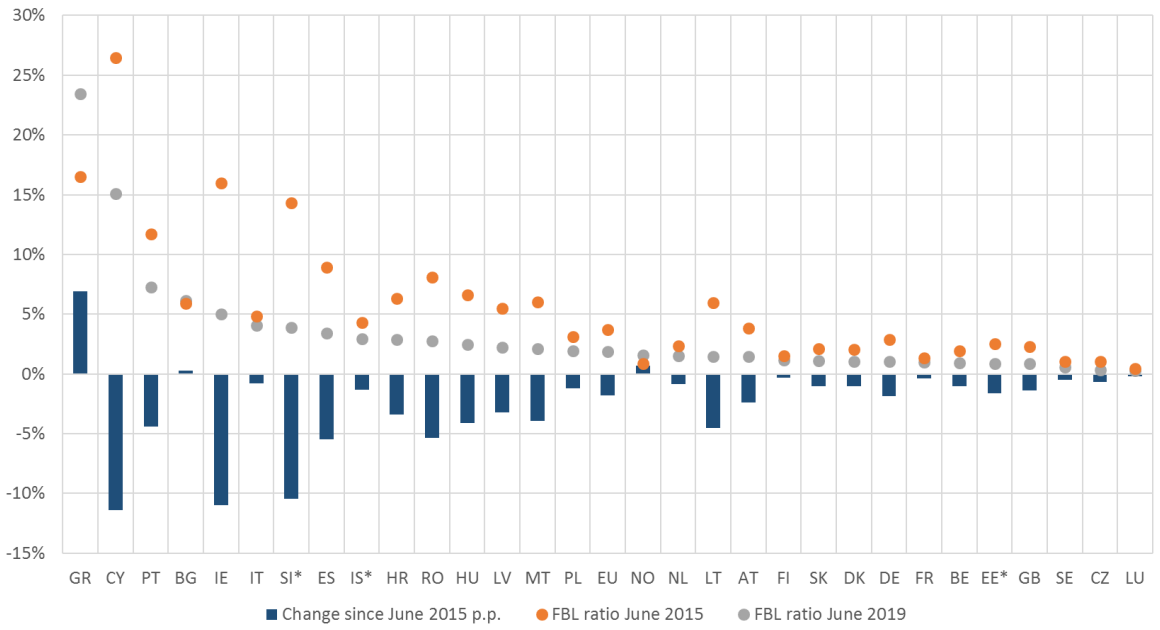
Figure 34: Change in volume of quarterly forbearance loans (performing and non-performing) (%) — December 2014 to June 2019



While the dispersion of FBL ratios is narrower than that of NPL ratios, it is still wide, ranging from 23% in Greece to close to 0% (Luxembourg). In fact, Greece's FBL ratio has increased by around 7 p.p. in the last 4 years (also driven by the deleveraging of the banking sector), and Norway reported a slightly higher FBL ratio in June 2019 compared with 4 years earlier. On the other hand, the highest decreases in the FBL ratio were reported by Cyprus and Ireland (both -11 p.p.), followed by Slovenia[27] (-10 p.p.) (Figure 35).

[27] Comparison for Slovenia between September 2015 and June 2019.

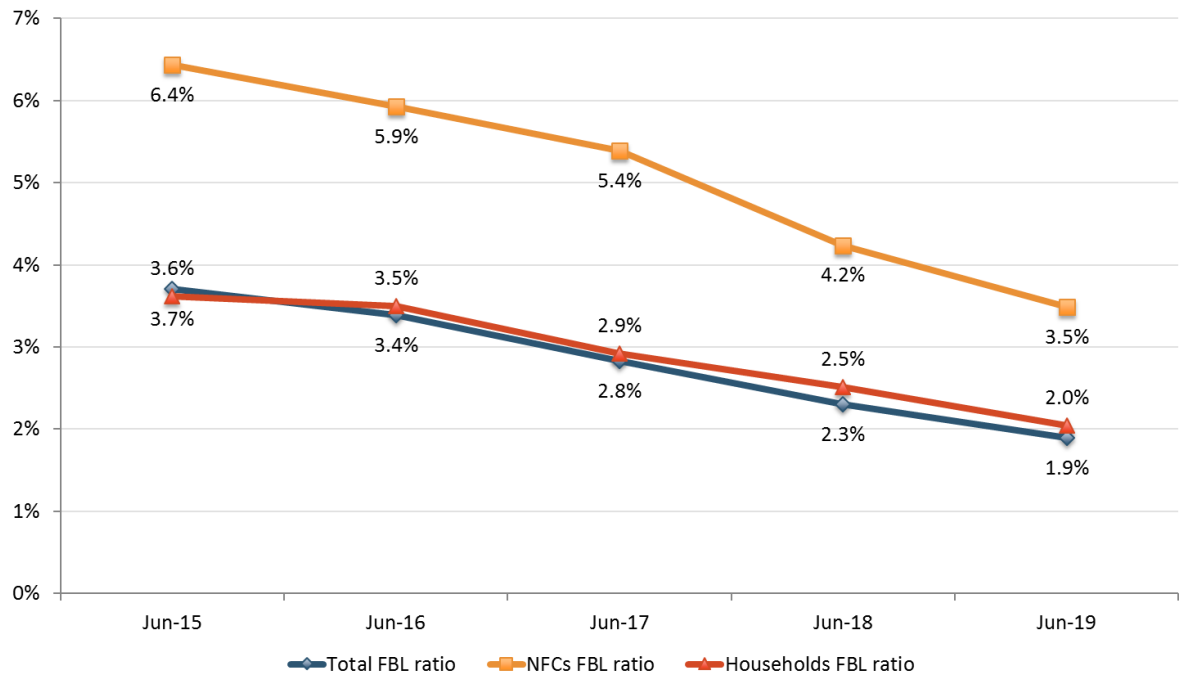
Figure 35: FBL ratio (%), by country, in June 2019 and change since June 2015 (p.p.)[28]



Loans extended by EU banks to NFCs have a considerably higher forbearance ratio than other loans. In June 2019, around 40% of the total loans with forbearance measures were extended to households and 57% to NFCs. The FBL ratio as of June 2019 for NFCs stood at 3.5% and for households at 2%, marking a downwards trend in the ratios during the past 4 years (Figure 36).

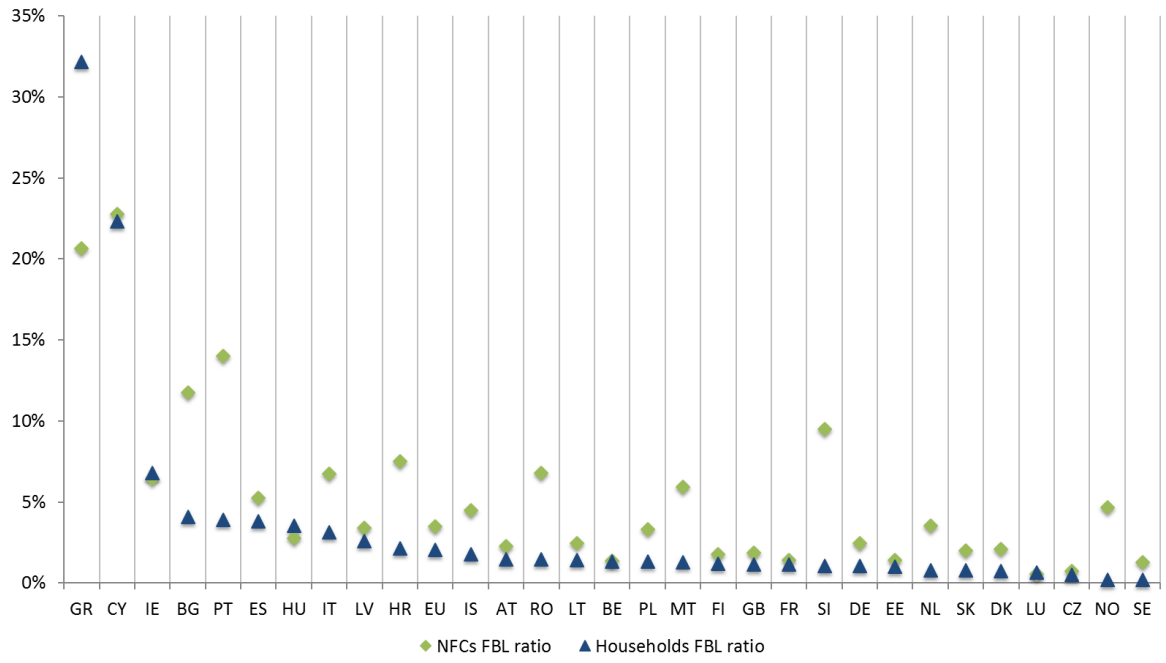
[28] Comparison for Estonia with March 2016, Iceland with December 2017 and Slovenia with September 2015

Figure 36: FBL ratios (%), by lending segment — June 2015 to June 2019



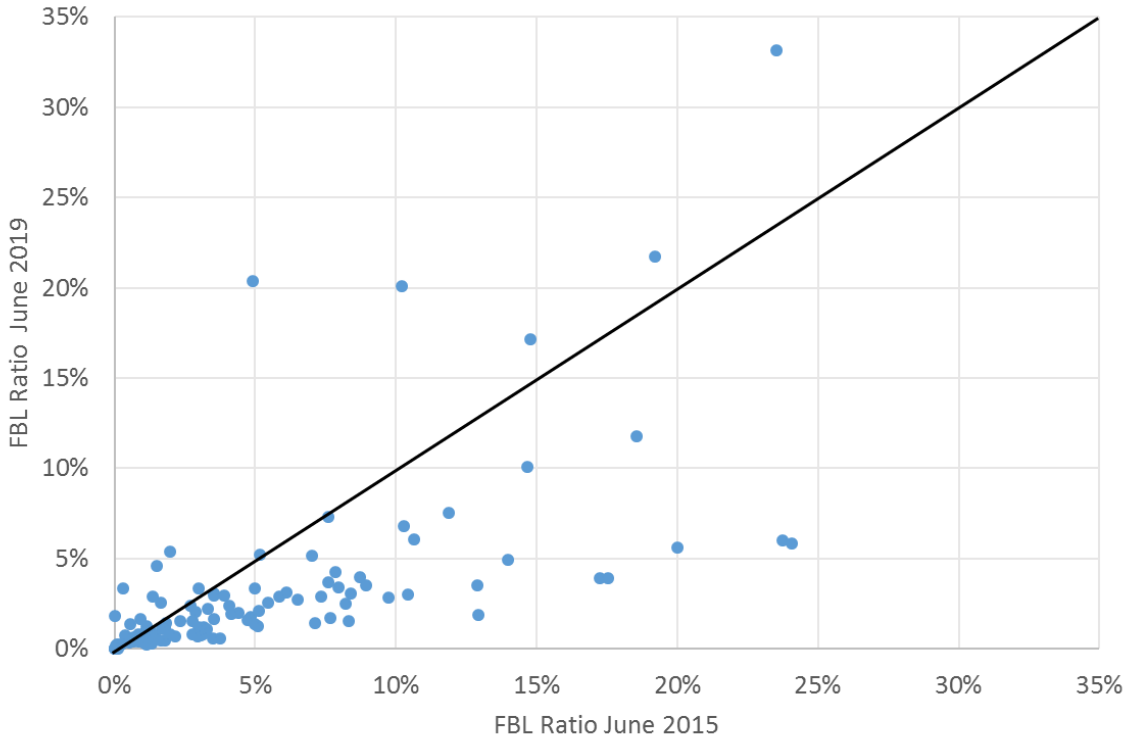
The highest FBL ratios for NFCs in June 2019 were reported by banks in Cyprus (23%) and Greece (21%), followed by Portugal (14%). In total, banks in five countries reported double-digit FBL ratios for NFCs. Banks in Greece reported the highest FBL ratio for households (32%), followed by Cyprus (22%), while banks in all other countries reported ratios of less than 7% (Figure 37).

Figure 37: FBL ratios (%), by lending segment and by country —June 2019



On a bank-by-bank level, only 13 reported an increase in their FBL ratio, of which only three reported an increase of more than 10 p.p. More than 20 banks managed to decrease their FBL ratios by more than 5 p.p. (Figure 38). The average decrease of these banks during the 4-year period was 2%.

Figure 38: Distribution (%) of banks' FBL ratios in June 2015 and June 2019

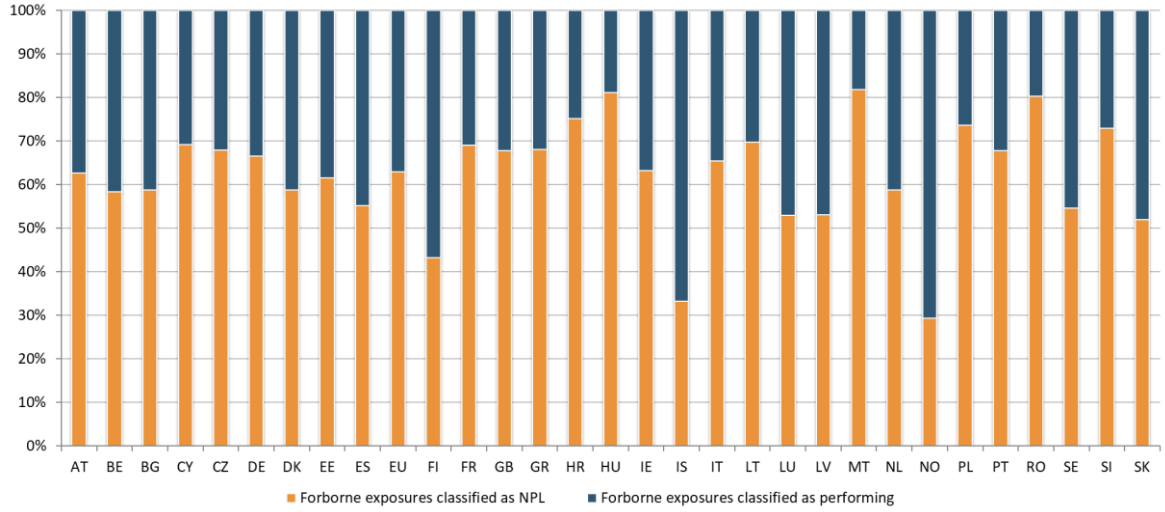


4.2 Forbearance measures used by the banks

63% of the total loans with forbearance measures (EUR 253 billion in June 2019) were NPLs. This share has been slightly increasing over the past 4 years (59% in June 2015). In fact, performing exposures with forbearance measures have decreased by 46% in this period, whereas non-performing exposures were down by just 36% (Figure 34). Nevertheless, supervisory data do not show the vintage of these assets nor do they clarify which parts of the NPLs with forbearance measures are due to re-defaults. Anecdotal evidence shows that the majority of re-defaults usually takes place in either the second or third quarters after the restructuring of the loan.

In June 2019, only Finland, Norway and Iceland reported less than 50% of their total loans with forbearance measures as being NPLs (Figure 39). In contrast, Malta, Hungary and Romania reported the highest ratios of NPLs with forbearance measures to total loans with forbearance measures (all more than 80%), followed by Croatia and Portugal.

Figure 39: Distribution (%) of forborne exposures classified as NPLs and forborne exposures classified as performing, by country — June 2019



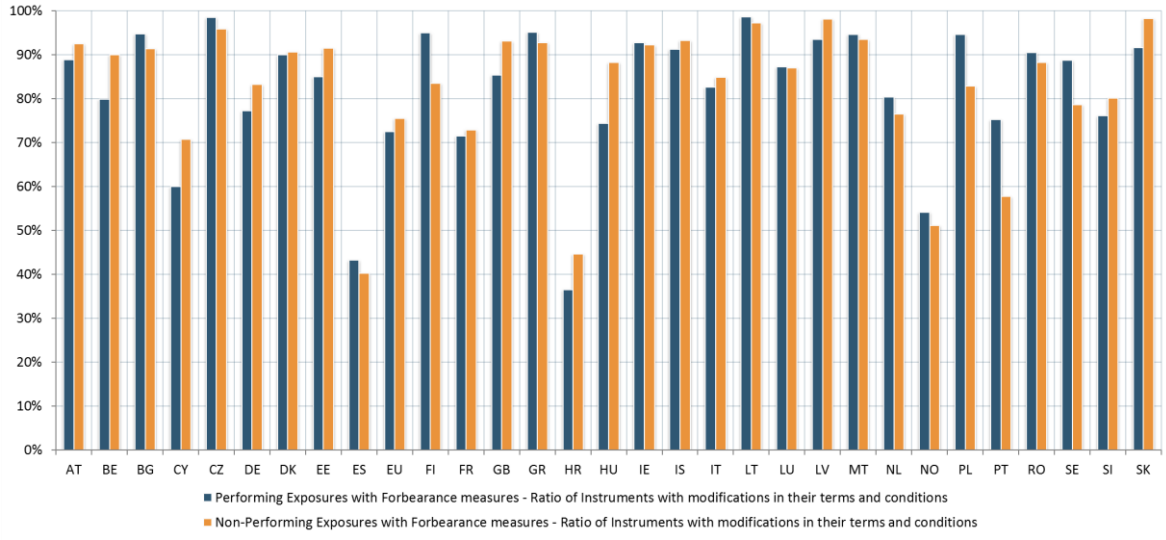
Banks prefer to modify the loan's terms and conditions (restructuring) when granting forbearance measures rather than refinancing[29] a bad loan, which is less applied, according to the supervisory data, revealing a reluctance to extend new contracts to counterparties with NPLs. On aggregate EU level, 75% of the loans with forbearance measures used instruments with modification in their terms and conditions, whereas only 25% were refinanced.

One would expect some differentiation between NFCs and households (i.e. banks would stand ready to provide refinancing to troubled NFCs as part of restructuring solutions — which might also involve a debt-to-asset/equity swap), but the data do not point in that direction.

Banks in Croatia, Spain, Cyprus and Norway use extensive refinancing as a means of forbearance measure. Banks in Greece, which reported the highest FBL ratios, are among those that use refinancing the least (7%) (Figure 40).

[29] A total or partial refinancing refers to the process of taking out a new loan to pay off one or more outstanding loans.

Figure 40: Ratio of FBLs with modifications in their terms and conditions (%) — June 2019



4.3 Early warning signals

This section takes a closer look at the last few quarters to assess whether there were warning signals on the asset quality. This section is based on IFRS 9 data that have only been available since March 2018. In order to assess early warning signals the section looks into the percentage of performing past-due loans and the movements towards a stage of lesser quality (e.g. from stage 1 to stage 2 or 3). It is noted that data used for the following analysis are only on financial assets subject to impairment that are past due. Therefore, countries that may have a very low percentage of past-due assets in their total assets might appear with a high percentage of performing past-due loans. It is therefore important that the following analysis is read in conjunction with the analysis of the relative NPL ratios and the volume of NPLs of each country.

Performing past-due loans

The improvement between June 2018 and June 2019 in the asset quality outlook as suggested by the decreasing allocation of financial assets under stage 3 (see section 3.1) is also seen in the total carrying amount (net of provisions) of past-due loans in the EU. Specifically, as of June 2019 the total past-due loans (net of provisions) stood at EUR 512 billion, down from EUR 759 billion in March 2018 (-33%). With a decreasing amount of past-due loans, the improvement in asset quality outlook is also confirmed by the slight reduction in the percentage of those assets that are:

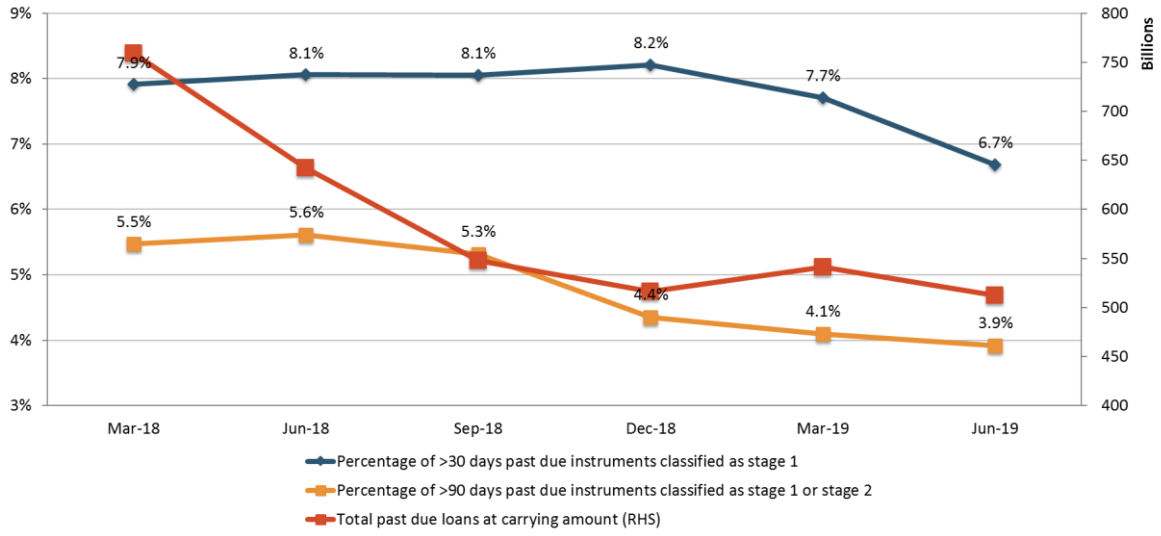
a) more than 30 days past due and are classified as stage 1;

b) 90 days past due and classified as stage 1 or stage 2.

The share of loans that are 30 days or more past due and classified as stage 1 has decreased from 7.9% in March 2018 to 6.7% in June 2019. Similarly, the share of stage 1 or stage 2 assets that are

past due by more than 90 days has gradually decreased from 5.5% in March 2018 to 3.9% in June this year (Figure 41).

Figure 41: Total past-due loans at carrying amount, average trend in share of > 30 days past-due instruments classified as stage 1 and > 90 days past-due instruments classified either as stage 1 or stage 2 (%) — March 2018 to June 2019

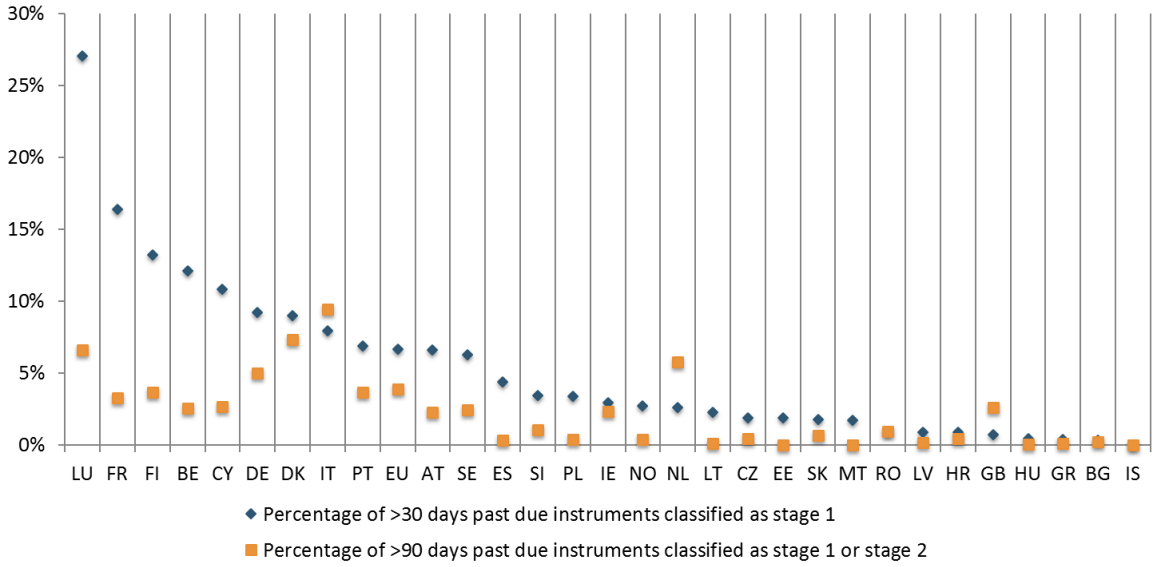


These assets have an increased probability of turning into non-performing (or stage 3), as they are already in a delinquent state, but banks do not deem them as impaired and still classify them as stage 1 or stage 2. This also implies that banks reporting a smaller share in these two categories, i.e. reporting a higher share of stage 3 assets, might follow a more conservative approach.

On a country-by-country basis, five countries have more than 10% of their loans past due for more than 30 days still classified as stage 1. Luxembourg reports the highest percentage of loans that are past due > 30 days and are classified as stage 1 (27%), followed by France (16%) and Finland (13%).

Italy has the highest share of instruments that are past due > 90 days and not classified as stage 3 (10%), followed by Denmark and Luxembourg (both 7%). Notably, a few countries, including Greece, Malta, Hungary and Norway, report nearly 0% of delinquent assets under stage 1 or stage 2, revealing perhaps a more conservative approach in their expected loss estimations. It should also be noted that these figures show considerable variation over quarters (Figure 42).

Figure 42: Share of more than 30 days past-due instruments classified as stage 1 and more than 90 days past-due instruments classified either as stage 1 or stage 2 (%) — June 2019

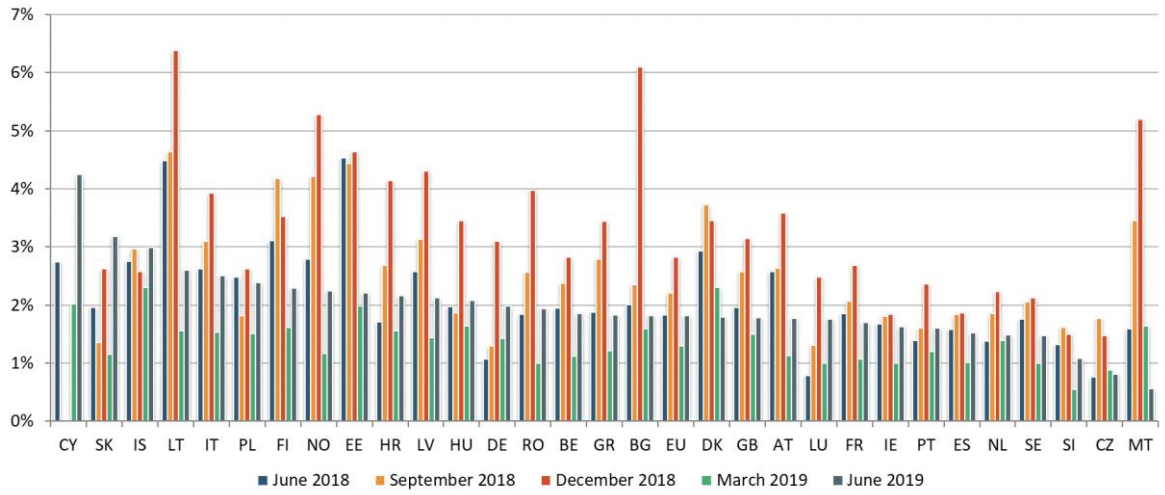


Deterioration rate and movements to stage 3

The deterioration rate — defined as the movement of an asset to a higher credit risk bucket (e.g. from stage 1 to stage 2 or from stage 2 to stage 3) — at aggregate EU level was just less than 2% during the second quarter of 2019, which was stable compared with the same quarter last year. Nevertheless, this ratio is seasonal, as the majority of EU countries show an increased deterioration rate in the last quarter of the year (Figure 43).

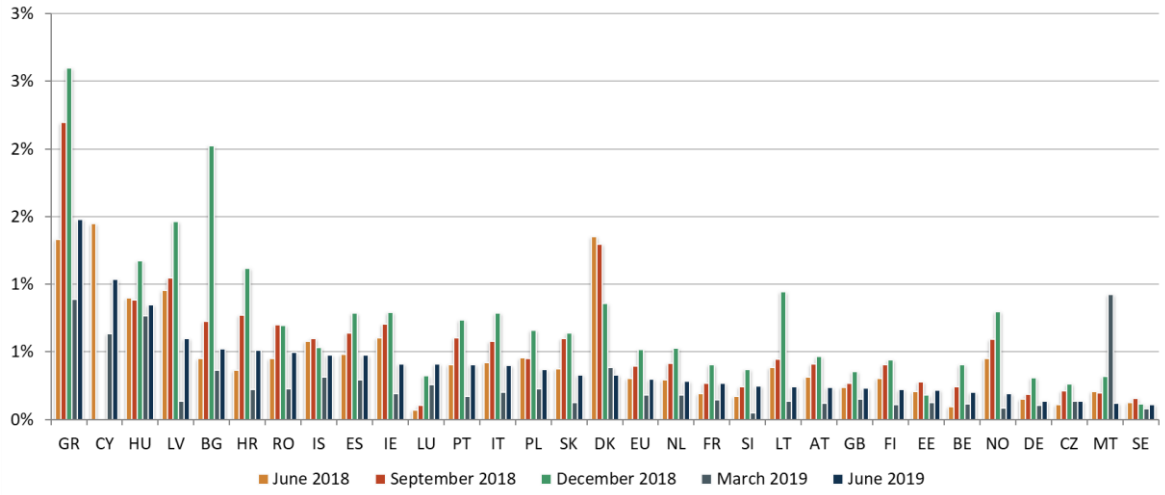
In June 2019, the highest deterioration rates were reported by Malta, Iceland, Denmark, Cyprus and Estonia, which saw at least 2% of their assets migrating to a stage of higher credit risk. In fact, Malta also had the highest increase in p.p. compared with the same quarter of last year (2.7 p.p.), followed by Finland (1.6 p.p.) and Luxembourg (1 p.p.) (Figure 43).

Figure 43: Deterioration rate (%) by country — June 2018 and June 2019



In the EU, 0.3% of assets moved to stage 3 from stage 1 or stage 2 in the last quarter, remaining stable compared with a year earlier. Greece stood out from other countries with a movement to stage 3 rate of 1.5% (just slightly higher than in June 2018). It was followed by Cyprus (1%) and Hungary (0.8%). At the lower end, Sweden, Malta, Czechia and Germany reported movements to stage 3 rates of just over 0.1% (Figure 44).

Figure 44: Movements to stage 3 rate (%), by country — June 2018 and June 2019



Text box: EBA Guidelines on loan origination and monitoring

In June 2019, the EBA published the consultation paper on Guidelines on loan origination and monitoring [30] *. Within the overall objective to tackle NPLs in Europe, the objective of these guidelines is to ensure that banks have robust and prudent standards for*

[30] EBA/CP/2019/04 (EBA Guidelines on Loan Origination and Monitoring)

credit risk taking, management and monitoring and that newly originated (performing) loans are of high quality.

The guidelines cover a broad range of topics including banks' internal governance and control framework; policies and procedures for credit granting; loan origination, including borrower's creditworthiness assessment; risk-based pricing; collateral valuation; and the ongoing monitoring of loans and credit review of the borrowers.

As part of the loan origination requirements, the guidelines define the type and extent of information that banks should collect for the purpose of assessing borrower's creditworthiness and sets the requirements for the assessment of the borrowers' creditworthiness for various types of lending.

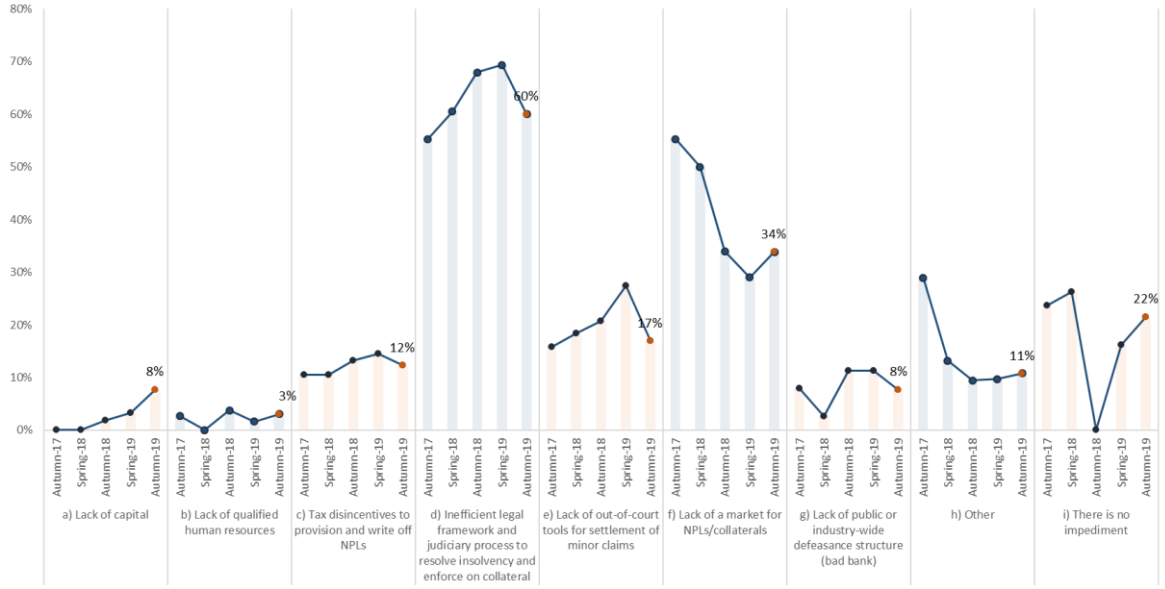
The EBA plans to publish the final guidelines in the first half of 2020.

5. Outlook and policy actions

5.1 Views of the banks on impediments to resolving NPLs

Figure 45 shows that around 60% of the banks participating in the risk assessment questionnaires run by the EBA identify the lengthy and expensive judiciary process in cases of insolvency and collateral enforcement as the main impediment to resolve NPLs. The lack of market for NPLs comes second, but it has decreased significantly compared with 2 years ago, due to the establishment of expert servicers in all regions and to increased investor appetite. Other reasons, such as tax disincentives to provision and write off NPLs and the lack of out-of-court settlements of minor claims score lower.

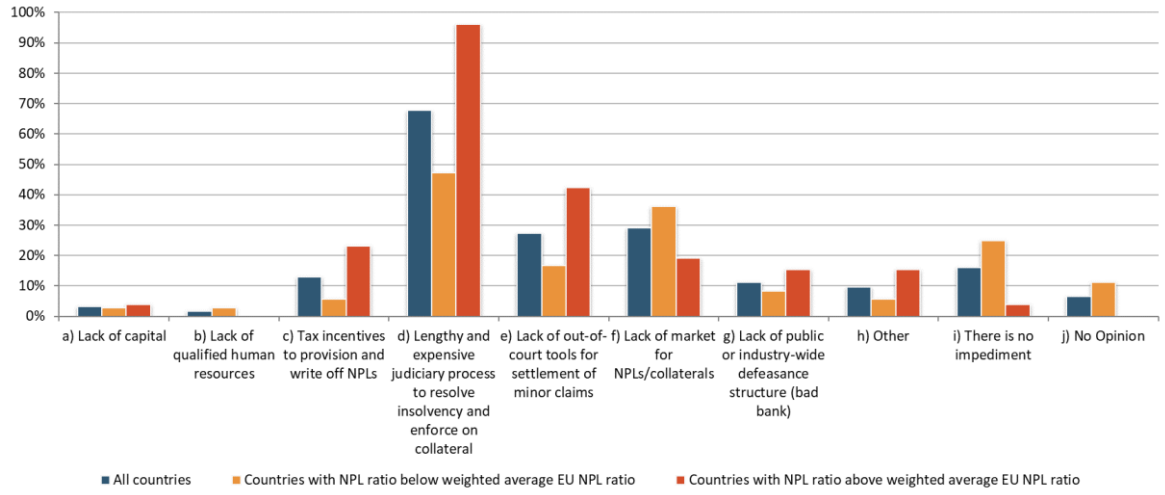
Figure 45: Trend in impediments to resolving NPLs (%) — banks' RAQs, autumn 2019



The view that an inefficient legal framework is the main impediment to resolving NPLs is most pronounced in banks from countries with an NPL ratio above the EU-weighted average (Figure 46). In particular, almost all banks from high NPL countries participating in the survey cite the judiciary process as the main impediment to resolving NPLs. A similar difference between countries with a high NPL ratio and those with a low NPL ratio is seen for the lack of out-of-court tools for settlement of minor claims (40% and 20%, respectively) and the tax incentives to provision and write off NPLs (25% and 15%, respectively).

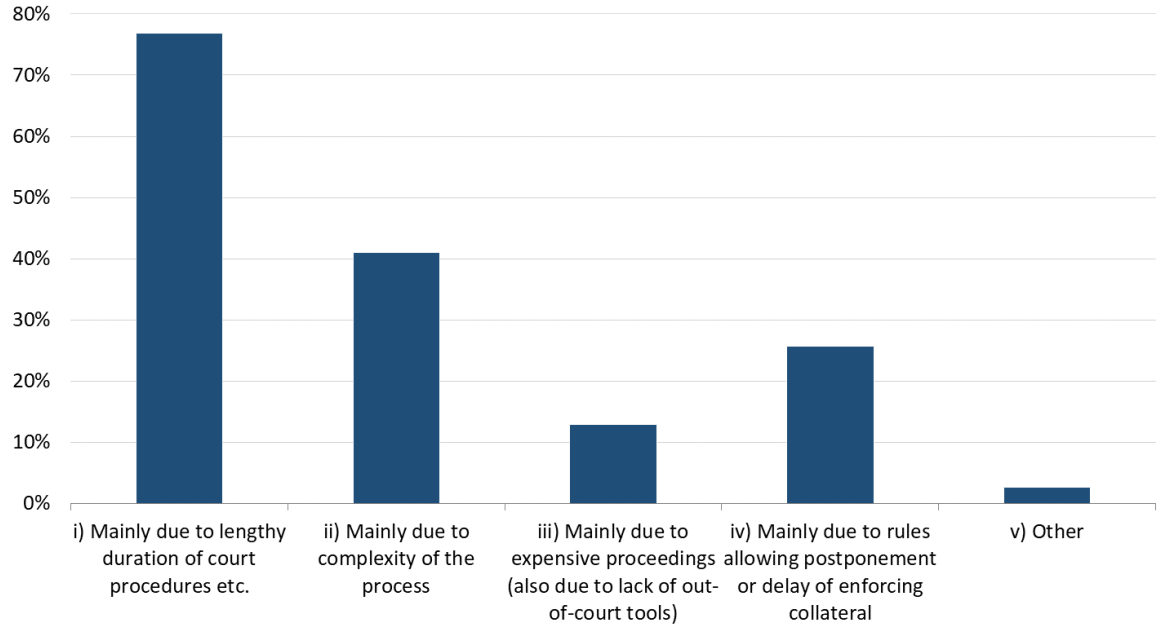
Of specific importance is the fact that banks from countries that have an NPL ratio below the EU average rank as second the lack of a market for NPLs/collaterals; this indicates that NPL investors focus on the regions with high NPL ratios that could translate into lower valuations and increased returns.

Figure 46: Impediments to resolving NPLs (%) — banks' RAQ, spring 2019



Of those banks identifying the inefficiency of the legal framework and judiciary processes as the main impediment to resolving NPLs (60% in the RAQ in autumn 2019, which is similar to previous questionnaires), at least 75% believe that this is due to the lengthy duration of the process and 40% that the inefficiency is caused by the complexity of the process (Figure 47).

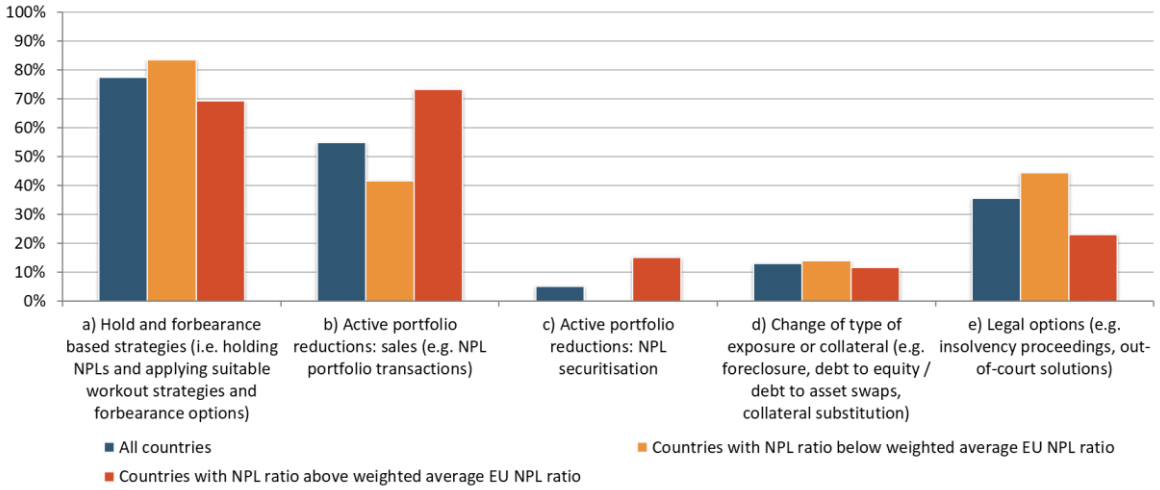
Figure 47: Reasons identified for the inefficiency of the legal framework and judiciary processes to resolve insolvency and enforce collateral (%) — banks' RAQ, autumn 2019



Differences in the strategies pursued to reduce NPLs are less evident among the two groups of countries. Not surprisingly, countries with higher NPL ratios have active NPL portfolio sales high on their agenda (75%), followed by their hold and forbearance strategies (70%) (Figure 48). This of

course also reflects both the investors' appetite for these portfolios and the supervisory pressure to reduce legacy assets within set timeframes. Conversely, banks with lower NPL ratios do not have a priority to sell NPL portfolios and they are seeking to cure NPLs either through internal work-out strategies or through legal proceedings. This also reflects the ability and flexibility of these banks, due to their lower NPL ratios, to wait and hold on to their non-performing assets.

Figure 48: Most commonly applied strategies for NPL reduction (%) — banks' RAQ, spring 2019



5.2 Country-specific policy actions

As discussed, authorities still consider NPLs as a high priority, and in a number of countries there are ongoing initiatives to assist the final clean-up of legacy assets. For example, in order to further boost the NPL reduction process, Greek authorities are seeking to introduce a systemic solution to tackle NPLs. In this regard, the Bank of Greece has proposed a scheme that would allow banks to transfer a significant part of NPLs along with part of the deferred tax credits (DTCs), which are booked on bank balance sheets, to a special purpose vehicle (SPV). The proposal suggests that banks would be able to absorb the loss through the transfer at 'near-market prices' without triggering a DTC-related rights issue that would dilute existing shareholders' positions.

In parallel, the Hellenic Financial Stability Fund, which holds stakes in Greek banks, has proposed the set-up of an asset protection scheme called 'Hercules', similar to the Italian GACS scheme. This is a crucial measure that may facilitate the de-risking process, as it could cover NPLs in excess of EUR 20 billion (25% of the stock). The proposal was approved by the European Commission in October 2019, as it has deemed that the Greek state will be remunerated in line with market conditions for the risk it will assume by granting a guarantee on securitised NPLs. This, according to the European Commission, does not involve state aid within the meaning of the EU rules.

In Cyprus, the government has introduced in 2019 the 'Estia' scheme, a special government scheme that aims, first, to protect the primary residency of vulnerable borrowers and, second, to mitigate

the issue of NPLs in the Cypriot banking system. According to reports, a similar initiative is being discussed by the Greek authorities.

Other national initiatives that aim to tackle NPLs swiftly are the coordination platforms established in Portugal and in Greece. In Portugal the coordination platform aims to integrate negotiations with the debtor on behalf of multiple creditors. The objective is to support the turnaround of viable debtors and the maximum recovery of NPLs. There is a similar initiative in Greece, where banks have formed a committee to discuss common exposures to large corporates. These relate to around 100 counterparties with exposures larger than EUR 30 million and a total of EUR 8 billion of NPEs. In parallel, Greek banks agreed to transfer to an SPV of around EUR 2 billion SME loans of multibank exposures. The servicing of these loans is performed by an independent third party servicer without the interaction of any bank. This is considered a breakthrough initiative for Greek banks, and the efficiency of the project will be monitored in order to expand the perimeter to another EUR 2-4 billion.

5.3 Ongoing work of the EBA and other EU institutions

NPL transaction platforms

As part of the Council of the EU 's action plan on tackling NPLs, the EBA contributed to the joint work of the European Commission, the EBA and the ECB on promoting secondary markets for the resolution of NPLs and establishing a European platform to facilitate NPL sales by banks. The vision and operational proposal for such a platform is an electronic market place where sellers and professional buyers can exchange information and transact loans and was published as a Commission staff working document in November 2018[31].

The proposal centred on the private sector-led initiative of organising existing (or new) transaction platforms under the umbrella of a 'standard-setting body', setting out standards for the governance and operational requirements for the platforms, data sharing and legal documentation, where relevant. Such a standard-setting body could also act as an overseeing body, issuing a 'seal of quality' to the participating platforms and performing the oversight of the ongoing adherence to the set standards and requirements.

To achieve the objectives of boosting the secondary markets for NPLs and maximising economic benefits, the NPL platform would need to be open to all types of loans and sellers and professional buyers, and its geographical scope of operation should be wide, preferably European Union wide. Furthermore, the platform would take further the EBA work on NPL templates and help to improve NPL data quality and data standardisation, as well as defining standards for data validation that would be performed by banks. In this way it might improve transparency between willing buyers and sellers of NPL portfolios. Moreover, as an electronic market place, it could facilitate transactions by offering a price discovery mechanism for participants to use and by intermediating

[31] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018SC0472

between investors and third-party service providers such as appraisers, loan servicers and transaction advisers.

Since the publication of the Commission staff working paper, the Commission, the EBA and the ECB have been engaging with the industry stakeholders to take the initiative forward.

Enhancements in capacities for risk analysis and monitoring

As discussed in the report, there are still limitations in the risk analysis that one can perform based on the data available form institutions. This will be alleviated to some extent by (1) enhanced NPE and FBE disclosure requirements stemming from the implementation of the EBA Guidelines on disclosure of NPE and FBE[32], and (2) the amendments to the ITS on supervisory reporting with regard to FINREP.

New guidelines on NPE and FBE disclosure aim at increasing overall the level of information banks should provide regarding their NPE and FBE and set enhanced disclosure requirements and uniform disclosure formats regarding NPEs, forborne exposures and foreclosed assets. The guidelines also require more detailed disclosure and breakdowns of information from the institutions with elevated levels of NPL ratios.

The amendments to FINREP aim to improve the reporting requirements on NPEs and forbearance in order to strengthen supervisors' abilities to assess and monitor banks' strategies for managing these exposures. The first reporting reference date will be 30 June 2020.

The amended reporting requirements cover new information on CRE exposures as well as on exposures secured by immovable property by level of collateralisation; enhanced and new information on performing exposures, NPEs and forbearance towards selected counterparty types (SMEs, households); additional information on inflows and outflows of NPLs and enhanced information on collateral and guarantees received.

In addition, to ensure proportionality, banks that are 'not small and non-complex' and have a gross NPL ratio equal to or greater than 5% shall report further details to provide deeper insights into banks' NPEs portfolios and NPEs management strategies. In particular, they shall report additional breakdowns and more granular information on loans and advances; information on the drivers for inflows and outflows of NPLs, impairments and write-offs; information on inflows and outflows of collateral obtained by taking possession; and more granular information on the forbearance management and the quality of forbearance.

Work on call for advice to the EBA for the purposes of a benchmarking of national loan enforcement frameworks from a bank creditor perspective

Further to the above, there is ongoing work at the EBA as part of the Council of the EU's action plan on insolvency benchmarking, based on the call for advice to the EBA[33]. The purpose of the exercise

[32] EBA/GL/2018/10 https://eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-disclosure-of-non-performing-and-forborne-exposures

[33] https://eba.europa.eu/sites/default/documents/files/documents/10180/2556373/1593a7ff-69e1-487f-9e8f-adbfe294a496/CfA%20EBA%20ins%20bmkg%20draft%207424809.pdf

is to understand the efficiency of country-level loan enforcement procedures in terms of recovery rates and times to recovery. The data should give insights into the formal enforcement procedures, both by creditors individually and in the context of collective proceedings in insolvency. As part of this exercise, the EBA will provide the EU with portfolio-specific, country-by-country benchmarks of national loan enforcement regimes (including insolvency), based on loan-by-loan data for loans that have entered an enforcement process. In addition, the EBA will try to identify the most important factors of the national loan enforcement regimes that may explain the differences in recovery outcomes.

EBA Opinion on securitisation framework

In October 2019, the EBA has published an opinion on the regulatory treatment of securitisations of NPE[34]. The purpose of this opinion is to examine the role of securitisations as a funding tool for NPE disposal and to outline the specific constraints on this role arising from the securitisation regulatory framework in EU law, which were not addressed by the NPE action plan-related legislation. The opinion recommends various amendments to the Capital Requirements Regulation (CRR) as well as to the Securitisation Regulation to remove the identified constraints.

5.4 Conclusion

The de-risking of the banking sector has been a high political and supervisory priority also because some views deem it to be a prerequisite to the introduction of the EDIS in order to complete the European banking union. Data confirm the remarkable improvement in the asset quality over the past few years. Banks' determination to proceed with the clean-up of their balance sheets has been critical in this effort. It is important to stress that vulnerabilities in the asset quality are still present, especially in the view of a weakening macroenvironment and the persistently low profitability of the sector, which may limit the capacity of the banks to finally put behind them their legacy assets. This is also important, as the unaddressed stock of NPLs is now getting older and it may be more difficult to resolve.

Although this report has mainly looked at the long-term trend, recent quarters' data suggest that the pace of reduction in the NPLs has been slowing down in the past few quarters. The report has identified a number of reasons for this, with the most important being the fact that older legacy assets may be more difficult to resolve, also given the inefficiency of the legal framework and judicial processes of some European countries. In addition to this, a large part of the legacy assets are mortgage loans that banks tackle with caution due to social aspects. Therefore, additional effort is still needed to further reduce the NPLs in line with pre-crisis levels.

It is therefore important that banks remain vigilant in their assessment of the asset quality, continue to monitor closely the developments of their portfolios' asset quality, and to apply in good time and effectively their NPL reduction strategy once it is deemed necessary.

[34] https://eba.europa.eu/eba-publishes-opinion-regulatory-treatment-non-performing-exposure-securitisations

Annex 1 — NPL ratios by country

%	Ratio of non-performing loans and advances (NPL ratio)																		
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
AT	8.0%	8.0%	7.7%	7.4%	6.9%	6.5%	6.0%	5.8%	5.1%	4.6%	4.3%	4.0%	3.7%	3.4%	3.2%	3.1%	2.8%	2.6%	2.5%
BE	4.3%	4.0%	4.0%	3.9%	3.9%	3.7%	3.6%	3.4%	3.2%	2.9%	2.8%	2.7%	2.6%	2.4%	2.3%	2.1%	2.3%	2.1%	2.0%
BG	13.9%	14.8%	13.1%	12.7%	13.7%	13.7%	13.7%	13.2%	12.5%	12.4%	12.4%	11.7%	10.6%	9.3%	9.3%	8.7%	8.3%	8.1%	7.2%
CY*	50.8%	49.5%	49.6%	50.0%	48.9%	48.5%	47.4%	46.7%	45.0%	43.8%	42.7%	40.6%	38.9%	38.9%	34.1%	n.a.	n.a.	23.6%	21.5%
CZ	4.5%	4.2%	3.7%	3.4%	3.3%	3.0%	2.7%	2.5%	2.5%	1.8%	1.7%	1.6%	1.6%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%
DE	3.7%	3.5%	3.4%	3.1%	3.0%	2.9%	2.6%	2.5%	2.5%	2.4%	2.2%	2.1%	1.9%	1.7%	1.7%	1.6%	1.3%	1.3%	1.3%
DK	3.9%	3.7%	3.5%	3.6%	3.6%	3.6%	3.4%	3.2%	3.1%	2.9%	2.7%	2.5%	2.4%	2.6%	2.2%	2.3%	2.2%	1.8%	1.7%
EE*	n.a.	n.a.	n.a.	n.a.	n.a.	1.6%	1.5%	1.4%	1.3%	1.3%	1.3%	1.3%	1.7%	1.9%	1.6%	1.5%	1.2%	2.0%	1.8%
ES	8.1%	7.7%	7.1%	6.8%	6.3%	6.3%	6.0%	5.9%	5.7%	5.5%	5.4%	4.8%	4.5%	4.5%	4.2%	4.1%	3.8%	3.6%	3.5%
FI	1.6%	1.6%	1.5%	1.4%	1.6%	1.5%	1.5%	1.5%	1.6%	1.6%	1.7%	1.6%	1.5%	1.3%	1.2%	1.2%	1.6%	1.6%	1.6%
FR	4.2%	4.3%	4.2%	4.2%	4.0%	4.0%	3.9%	3.7%	3.7%	3.5%	3.3%	3.2%	3.1%	3.0%	3.0%	2.9%	2.8%	2.7%	2.6%
GB	3.2%	2.9%	2.7%	2.4%	2.4%	2.3%	2.2%	2.2%	1.9%	1.8%	1.7%	1.6%	1.5%	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%
GR	39.7%	40.0%	42.0%	43.5%	46.2%	46.6%	46.9%	47.1%	45.9%	46.2%	46.5%	46.6%	44.9%	45.3%	44.8%	43.4%	41.3%	41.4%	39.2%
HR	13.7%	14.5%	14.4%	13.6%	12.5%	12.5%	10.8%	10.5%	10.1%	10.4%	9.8%	8.9%	7.5%	7.9%	7.6%	6.7%	6.4%	6.3%	6.1%
HU	19.4%	16.6%	15.9%	16.0%	14.0%	13.8%	13.9%	12.8%	11.5%	11.7%	10.8%	10.1%	8.9%	8.3%	7.6%	6.9%	6.0%	5.9%	5.6%
IE	21.6%	21.0%	20.4%	19.6%	17.8%	15.1%	14.6%	14.4%	12.3%	11.5%	11.8%	11.4%	10.5%	8.2%	7.0%	6.8%	5.8%	5.0%	4.6%
IS*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.7%	3.0%	2.5%	2.3%	2.2%	2.2%	2.2%
IT	17.0%	16.7%	16.8%	16.9%	16.8%	16.6%	16.4%	16.4%	15.3%	14.8%	12.0%	11.8%	11.1%	10.8%	9.7%	9.4%	8.3%	8.3%	7.9%
LT	6.3%	6.4%	6.0%	5.5%	5.1%	4.9%	4.5%	4.1%	3.8%	3.7%	3.3%	3.1%	2.8%	3.0%	2.7%	2.5%	2.4%	1.8%	1.8%
LU	1.4%	1.3%	1.5%	1.4%	1.1%	1.2%	1.0%	1.2%	1.1%	1.1%	1.1%	1.2%	0.7%	0.8%	0.8%	0.8%	1.1%	1.1%	1.1%
LV	5.7%	5.6%	5.5%	4.9%	4.0%	3.9%	3.7%	3.6%	3.2%	2.9%	2.7%	2.6%	2.3%	3.7%	3.3%	3.2%	2.8%	2.1%	2.3%
MT*	n.a.	7.3%	7.2%	6.3%	6.2%	5.6%	5.4%	4.6%	4.4%	4.2%	3.9%	3.6%	3.5%	3.7%	3.8%	3.4%	3.0%	3.1%	3.0%
NL	3.3%	3.2%	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%	2.5%	2.4%	2.5%	2.4%	2.3%	2.2%	2.2%	2.0%	2.0%	2.0%	1.9%
NO	1.6%	1.4%	1.3%	1.3%	1.4%	1.4%	1.7%	1.7%	1.9%	1.8%	1.8%	1.6%	1.8%	1.2%	1.3%	1.5%	1.5%	1.3%	1.2%
PL	7.3%	6.9%	6.8%	7.3%	6.8%	6.9%	6.8%	6.5%	6.1%	6.2%	6.0%	6.0%	5.8%	6.8%	5.6%	5.3%	4.9%	5.0%	4.8%
PT	18.0%	18.2%	18.1%	18.8%	19.6%	19.8%	20.1%	19.8%	19.5%	18.4%	17.5%	16.6%	15.2%	13.6%	12.4%	12.0%	10.1%	9.6%	8.9%
RO	22.2%	21.2%	16.7%	16.1%	14.6%	14.5%	12.1%	10.7%	10.1%	9.9%	8.9%	8.4%	6.5%	6.3%	6.0%	6.0%	5.3%	5.2%	4.9%
SE	1.2%	1.1%	1.1%	1.0%	1.1%	1.0%	1.0%	1.0%	1.0%	0.8%	0.9%	0.9%	1.0%	1.0%	1.0%	0.9%	0.5%	0.5%	0.5%
SI*	n.a.	n.a.	n.a.	24.6%	21.5%	19.7%	19.2%	16.3%	14.4%	13.5%	13.3%	12.6%	10.5%	9.3%	8.5%	7.9%	6.8%	6.3%	5.3%
SK	5.4%	5.5%	5.4%	5.2%	5.2%	5.0%	4.8%	4.6%	4.2%	4.1%	3.8%	3.6%	3.4%	3.3%	3.1%	3.0%	2.8%	2.7%	2.6%
EU/EEA	**6.5%**	**6.2%**	**6.0%**	**5.9%**	**5.7%**	**5.6%**	**5.4%**	**5.3%**	**5.1%**	**4.8%**	**4.4%**	**4.2%**	**4.1%**	**3.8%**	**3.6%**	**3.4%**	**3.2%**	**3.1%**	**3.0%**

* Data is not disclosed because it was reported for less than three institutions.

Annex 2 — NPLs and total loans by country

bln EUR		Non-performing loans and Total loans																		
		Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
AT	NPL	42	42	40	38	36	35	25	24	22	22	20	19	17	16	15	14	13	13	12
	Total Loans	517	530	518	514	522	532	420	413	431	472	472	479	471	469	465	469	475	491	493
BE	NPL	24	24	24	23	23	22	21	21	20	19	19	19	17	18	17	15	15	18	17
	Total Loans	566	599	600	595	576	606	597	614	632	665	686	682	660	725	728	721	662	842	844
BG	NPL	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	Total Loans	15	15	17	17	18	18	18	18	18	19	18	18	17	18	18	18	19	24	27
CY*	NPL	23	24	24	23	23	22	21	21	20	19	19	18	17	16	13	n.a.	n.a.	7	6
	Total Loans	46	48	48	47	47	46	45	45	44	44	44	43	43	42	39	n.a.	n.a.	29	30
CZ	NPL	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
	Total Loans	61	64	72	75	75	80	85	88	87	112	116	124	121	131	130	135	128	139	144
DE	NPL	81	81	76	73	69	68	68	65	63	63	59	54	50	47	46	43	34	33	33
	Total Loans	2184	2305	2263	2310	2319	2400	2578	2572	2525	2663	2656	2626	2572	2721	2706	2688	2574	2632	2551
DK	NPL	19	19	17	18	18	21	20	19	18	15	14	13	13	15	13	13	12	10	10
	Total Loans	489	501	494	487	487	585	590	611	602	511	512	515	551	570	566	574	567	578	588
EE*	NPL	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0	0	0	0	0	0	0	0	0	1	1
	Total Loans	n.a.	n.a.	n.a.	n.a.	n.a.	14	14	15	15	16	15	16	21	21	21	22	22	32	33
ES	NPL	175	173	165	159	151	146	141	136	135	132	127	112	106	103	99	95	89	88	84
	Total Loans	2149	2240	2316	2348	2395	2334	2369	2324	2359	2379	2355	2353	2347	2299	2333	2350	2376	2434	2433
FI	NPL	4	4	4	3	4	4	4	4	4	2	2	2	2	2	2	2	8	8	8
	Total Loans	224	235	245	253	234	247	267	269	233	143	142	143	145	132	137	136	491	504	490
FR	NPL	148	152	151	151	146	147	148	148	146	146	141	138	135	133	132	130	126	127	124
	Total Loans	3491	3570	3560	3612	3648	3699	3777	3968	4004	4140	4271	4353	4401	4389	4469	4532	4561	4688	4727
GB	NPL	125	124	115	102	102	93	91	84	75	71	65	63	61	61	60	58	56	58	56
	Total Loans	3861	4254	4339	4229	4273	4050	4097	3884	3875	4002	3945	3949	3935	4078	4209	4254	4233	4461	4378
GR	NPL	108	111	114	116	115	116	115	114	112	110	108	106	101	99	95	90	86	84	79
	Total Loans	273	278	273	266	250	248	246	242	243	239	232	228	224	218	211	208	209	204	202
HR	NPL	4	4	4	4	4	4	3	3	3	3	3	3	3	3	3	2	2	2	2
	Total Loans	30	29	29	31	31	30	31	31	31	31	31	34	35	35	36	37	38	38	38
HU	NPL	8	7	7	7	6	6	6	6	5	5	4	4	4	4	3	3	3	3	3
	Total Loans	39	44	43	43	43	42	41	43	44	40	41	41	42	43	44	45	46	49	50
IE	NPL	50	47	44	41	37	34	33	31	28	26	26	25	23	17	14	14	12	10	9
	Total Loans	231	227	217	211	210	229	224	216	232	229	223	222	219	200	200	200	204	202	205
IS	NPL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1	1	1	1	1	1	1
	Total Loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	23	25	26	26	24	24	24
IT	NPL	278	281	282	284	281	281	277	276	254	249	200	196	187	180	159	153	135	145	137
	Total Loans	1637	1685	1675	1675	1671	1690	1685	1686	1661	1686	1663	1654	1678	1666	1634	1640	1630	1755	1737
LT	NPL	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0
	Total Loans	15	15	15	16	16	16	16	17	18	18	18	18	21	20	21	22	24	18	18
LU	NPL	3	3	3	3	2	2	2	2	2	2	2	2	1	1	1	1	2	2	2
	Total Loans	208	235	189	192	193	198	216	205	191	198	163	157	145	150	162	160	178	186	191
LV	NPL	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
	Total Loans	8	8	8	9	10	10	10	10	10	10	10	10	10	15	15	13	14	11	11
MT*	NPL	n.a.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0
	Total Loans	n.a.	10	10	11	12	12	12	12	13	13	14	14	14	14	14	14	15	15	15
NL	NPL	50	51	48	45	45	44	45	43	42	41	41	40	38	40	38	37	36	35	34
	Total Loans	1507	1595	1636	1642	1610	1652	1661	1688	1650	1719	1651	1685	1640	1767	1774	1809	1748	1748	1740
NO	NPL	4	4	4	3	3	3	4	4	5	4	4	3	4	3	3	4	3	3	3
	Total Loans	265	284	286	247	235	240	246	246	262	203	197	201	198	250	270	252	229	257	267
PL	NPL	7	7	7	7	7	7	7	7	6	7	7	7	7	8	6	6	6	6	6
	Total Loans	92	102	102	99	104	100	99	104	105	108	109	109	113	116	111	118	127	126	128
PT	NPL	41	42	41	42	42	42	42	41	39	37	35	33	31	32	30	29	24	22	21
	Total Loans	229	230	226	224	215	212	207	206	198	203	200	199	201	235	239	238	233	233	238
RO	NPL	5	5	4	4	4	4	3	3	3	3	2	2	2	2	2	2	2	2	1
	Total Loans	21	22	27	27	27	26	27	27	27	26	26	26	28	27	29	29	30	29	30
SE	NPL	11	11	11	10	11	11	11	10	10	9	10	10	11	11	11	10	3	3	4
	Total Loans	936	994	1014	1026	1000	1049	1061	1055	1016	1113	1097	1108	1034	1071	1098	1101	708	734	711
SI*	NPL	n.a.	n.a.	n.a.	4	3	3	3	3	3	2	2	2	2	2	1	1	1	1	1
	Total Loans	n.a.	n.a.	n.a.	15	15	17	18	17	17	18	17	17	17	17	17	17	17	15	15
SK	NPL	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Total Loans	25	26	26	27	28	29	30	31	32	34	35	36	37	37	38	39	41	41	43
EU	NPL	1175	1182	1152	1125	1098	1079	1062	1038	989	967	893	854	815	791	746	714	660	663	636
	Total Loans	18138	19086	19192	19162	19200	19202	19557	19550	19487	20139	20107	20202	20107	20586	20823	20945	20706	21409	21248

* Data is not disclosed because it was reported for less than three institutions.

Annex 3 — Coverage ratios by country

Coverage ratio for non-performing loans and advances %	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
AT	53.3%	53.1%	54.7%	54.7%	55.9%	57.2%	56.9%	56.9%	57.5%	56.3%	55.2%	54.7%	52.7%	52.4%	54.3%	54.0%	52.8%	53.0%	53.1%
BE	41.2%	42.4%	41.6%	42.6%	42.7%	42.7%	43.1%	43.0%	44.1%	44.3%	44.9%	44.8%	43.0%	45.6%	46.1%	45.8%	44.7%	41.7%	40.7%
BG	53.0%	53.6%	54.2%	54.9%	55.8%	56.7%	56.8%	59.9%	57.8%	58.3%	58.2%	58.1%	54.5%	59.4%	60.2%	60.5%	57.9%	54.3%	52.6%
CY*	30.7%	31.6%	32.3%	33.9%	38.0%	37.1%	37.7%	38.4%	40.1%	41.3%	45.4%	45.5%	45.0%	46.1%	44.2%	n.a.	n.a.	45.9%	45.9%
CZ	59.4%	60.7%	60.0%	59.6%	59.9%	60.5%	60.8%	62.4%	62.6%	61.9%	62.7%	62.0%	62.5%	61.1%	61.5%	58.6%	57.7%	58.4%	57.9%
DE	34.6%	35.4%	34.8%	35.4%	37.8%	37.3%	38.7%	40.1%	38.2%	37.8%	40.7%	39.8%	41.3%	41.0%	40.0%	40.9%	40.8%	41.1%	39.3%
DK	36.3%	36.3%	36.0%	32.7%	31.5%	30.9%	31.7%	31.2%	30.0%	28.7%	29.0%	30.5%	28.9%	25.4%	27.9%	27.7%	28.1%	33.4%	32.7%
EE*	n.a.	n.a.	n.a.	n.a.	n.a.	28.8%	28.9%	28.5%	31.7%	31.6%	26.1%	23.8%	23.4%	22.4%	24.5%	26.0%	23.7%	25.8%	28.4%
ES	45.6%	46.2%	46.1%	46.3%	45.7%	45.4%	44.8%	44.4%	43.7%	43.6%	44.7%	41.9%	41.9%	44.7%	44.2%	43.4%	42.9%	42.8%	42.9%
FI	32.0%	31.0%	30.5%	32.4%	30.9%	30.9%	27.9%	26.6%	29.5%	28.9%	26.4%	25.6%	27.3%	29.2%	24.0%	24.2%	26.6%	27.0%	25.9%
FR	51.8%	50.9%	51.3%	51.6%	51.5%	50.9%	50.6%	50.8%	51.8%	51.3%	50.8%	51.1%	51.0%	52.0%	51.8%	51.4%	50.8%	50.3%	50.6%
GB	37.3%	34.0%	33.4%	31.5%	30.4%	29.9%	29.9%	30.3%	30.5%	30.5%	31.4%	32.4%	31.9%	31.6%	31.4%	31.2%	31.3%	30.4%	31.4%
GR	43.8%	43.6%	47.7%	47.6%	48.5%	48.3%	48.2%	48.2%	48.3%	48.2%	47.5%	47.5%	46.9%	49.7%	49.2%	48.0%	48.3%	48.0%	47.1%
HR	52.9%	53.6%	54.9%	56.2%	57.8%	58.9%	59.5%	61.4%	63.3%	63.0%	57.7%	57.9%	58.9%	58.2%	58.9%	58.5%	57.7%	58.1%	55.3%
HU	57.0%	54.9%	55.5%	57.9%	59.7%	61.9%	61.7%	62.0%	64.2%	65.4%	64.6%	64.0%	61.8%	66.3%	66.2%	67.3%	67.6%	65.8%	66.5%
IE	42.7%	41.9%	41.1%	40.8%	38.4%	38.6%	37.9%	37.9%	35.3%	34.6%	32.4%	32.2%	29.5%	31.3%	30.4%	30.3%	26.0%	26.0%	27.2%
IS*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	40.9%	33.0%	35.8%	37.2%	28.7%	29.2%	30.8%
IT	45.2%	45.0%	45.2%	45.1%	45.5%	45.8%	46.4%	47.2%	48.9%	50.6%	49.9%	50.1%	50.6%	55.4%	54.4%	54.5%	53.4%	53.3%	53.0%
LT	31.0%	30.9%	31.0%	31.5%	31.7%	32.8%	32.9%	33.3%	30.4%	31.0%	30.9%	30.2%	29.2%	26.1%	26.0%	26.5%	26.2%	33.4%	33.4%
LU	35.3%	33.1%	40.8%	41.9%	45.2%	41.3%	42.2%	38.5%	44.7%	41.6%	39.5%	40.4%	43.9%	45.2%	42.6%	40.6%	37.4%	35.0%	35.2%
LV	37.6%	34.3%	31.8%	32.9%	30.9%	29.3%	28.7%	27.7%	28.6%	30.1%	29.1%	29.5%	32.4%	36.9%	34.4%	34.3%	31.4%	36.1%	32.6%
MT*	n.a.	31.5%	31.3%	34.4%	35.4%	39.5%	39.7%	36.0%	36.3%	34.8%	36.3%	37.1%	35.7%	29.2%	29.2%	28.8%	27.7%	24.6%	25.7%
NL	37.7%	36.3%	37.3%	38.7%	37.5%	37.5%	36.4%	35.9%	35.2%	34.7%	33.0%	32.1%	29.1%	27.5%	27.2%	26.9%	25.8%	25.7%	24.2%
NO	34.8%	39.0%	39.2%	42.7%	37.1%	37.5%	31.6%	30.4%	28.2%	29.6%	27.4%	32.5%	32.8%	40.5%	25.5%	25.8%	28.4%	29.9%	28.3%
PL	59.5%	59.0%	59.4%	57.8%	58.6%	60.0%	60.3%	60.8%	58.8%	59.5%	60.5%	59.8%	59.3%	66.3%	61.9%	60.9%	60.2%	61.3%	62.3%
PT	37.6%	37.7%	40.0%	39.0%	38.9%	40.2%	41.2%	42.1%	44.0%	44.4%	44.9%	45.3%	48.6%	51.2%	51.8%	52.3%	51.0%	51.4%	51.4%
RO	65.7%	66.7%	64.1%	66.6%	65.4%	67.1%	65.2%	63.5%	66.8%	66.7%	68.3%	68.8%	67.6%	65.5%	62.1%	62.4%	65.7%	65.6%	66.7%
SE	30.8%	30.2%	29.0%	30.6%	29.5%	28.4%	28.2%	28.6%	28.7%	32.1%	28.7%	29.2%	29.5%	29.0%	27.1%	27.4%	33.1%	33.7%	33.3%
SI*	n.a.	n.a.	n.a.	59.9%	62.7%	64.1%	66.1%	66.5%	63.7%	63.7%	64.8%	65.1%	62.9%	59.6%	60.6%	61.6%	59.8%	60.4%	59.7%
SK	54.2%	53.8%	54.3%	55.3%	54.1%	55.0%	53.2%	54.1%	55.0%	55.9%	56.8%	59.8%	59.8%	61.4%	63.3%	64.5%	64.8%	64.3%	63.6%
EU/EEA	**43.4%**	**43.0%**	**43.6%**	**43.6%**	**43.7%**	**43.7%**	**43.9%**	**44.3%**	**44.8%**	**45.2%**	**45.0%**	**44.7%**	**44.6%**	**46.7%**	**46.0%**	**45.7%**	**45.0%**	**45.1%**	**44.9%**

* Data is not disclosed because it was reported for less than three institutions.

Annex 4 — NPLs by country and past due category

	Jun-15				Jun-16				Jun-17				Jun-18					Jun-19				
bln EUR	Unlikely to pay	Past due > 90 and ≤180 days	Past due > 180 days and ≤1 year	Past due > 1 year	Unlikely to pay	Past due > 90 and ≤180 days	Past due > 180 days and ≤1 year	Past due > 1 year	Unlikely to pay	Past due > 90 and ≤180 days	Past due > 180 days and ≤1 year	Past due > 1 year	Unlikely to pay	Past due > 90 and <=180 days	Past due > 180 days and ≤1 year	Past due > 1 year ≤5 Years	Past due > 5 years	Unlikely to pay	Past due > 90 and ≤180 days	Past due > 180 days and ≤1 year	Past due > 1 year ≤5 Years	Past due > 5 years
AT	15.9	2.5	3.5	18.0	9.6	1.6	2.0	12.0	9.2	1.0	1.1	9.0	6.3	0.7	1.1	4.2	2.6	5.6	0.6	0.9	2.9	2.3
BE	9.0	1.9	1.7	11.4	7.8	1.2	1.5	10.8	7.2	1.1	1.1	9.6	7.2	0.9	1.0	4.4	3.6	7.0	1.2	1.3	3.8	3.3
BG	0.4	0.2	0.1	1.4	0.7	0.2	0.2	1.5	0.6	0.1	0.3	1.2	0.4	0.1	0.1	0.6	0.5	0.6	0.2	0.1	0.5	0.5
CY	4.4	0.8	1.6	16.9	5.6	0.4	0.5	14.8	4.4	0.5	0.6	13.1	3.0	0.4	0.6	3.2	6.0	1.5	0.3	0.4	1.5	2.8
CZ	0.9	0.2	0.2	1.5	0.9	0.1	0.1	1.1	0.8	0.1	0.2	0.9	0.8	0.1	0.1	0.5	0.3	0.9	0.1	0.1	0.4	0.3
DE	38.5	4.5	5.8	24.9	36.8	3.6	4.1	20.4	32.1	4.2	3.7	17.1	26.3	1.9	3.8	10.5	3.5	19.5	2.4	2.5	5.9	2.9
DK	10.1	0.2	0.3	0.5	9.7	0.8	0.2	0.6	6.8	0.2	0.2	0.4	11.8	0.3	0.3	0.2	0.1	8.9	0.4	0.3	0.3	0.1
EE*	n.a.	n.a.	n.a.	n.a.	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.4	0.0	0.1	0.1	0.1
ES	49.6	14.5	14.8	86.1	48.3	10.2	12.5	70.2	45.3	10.3	10.6	61.1	38.8	7.8	8.8	28.9	14.6	34.0	7.5	8.3	21.8	12.8
FI	2.2	0.3	0.3	0.9	2.3	0.3	0.3	1.0	1.4	0.2	0.2	0.6	1.0	0.1	0.1	0.3	0.1	5.8	0.4	0.4	0.9	0.2
FR	70.1	9.0	10.9	60.3	62.8	8.7	8.9	67.5	57.8	6.9	8.2	67.6	56.7	7.1	7.3	40.6	20.7	52.7	8.7	7.2	36.1	19.1
GB	50.9	15.4	13.5	35.4	42.0	13.2	17.6	17.8	30.7	7.9	12.8	13.9	28.9	8.1	7.7	12.0	3.6	27.5	7.5	7.2	11.9	1.8
GR	28.1	6.6	6.0	73.8	30.7	4.9	5.6	74.0	30.7	4.2	4.5	68.6	29.4	3.6	4.0	25.9	31.8	23.7	3.5	3.0	20.1	28.9
HR	1.2	0.2	0.4	2.5	1.1	0.1	0.2	1.9	1.3	0.2	0.2	1.4	0.8	0.1	0.1	1.0	0.7	1.1	0.1	0.1	0.5	0.5
HU	1.9	0.5	0.6	3.9	1.6	0.3	0.4	3.5	1.1	0.2	0.3	2.8	1.0	0.1	0.2	1.1	1.1	0.8	0.2	0.2	0.7	0.9
IE	13.4	2.0	2.9	25.9	13.2	1.5	1.8	16.3	12.1	1.5	1.6	11.1	6.5	0.7	1.0	3.1	2.7	4.7	0.6	0.7	1.9	1.4
IS*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.4	0.0	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.0
IT	33.1	10.5	30.0	208.2	34.4	8.5	14.4	219.3	32.6	6.4	9.7	151.0	27.4	5.8	8.1	87.2	30.5	31.6	6.3	8.2	66.4	24.7
LT	0.3	0.1	0.1	0.4	0.2	0.1	0.1	0.4	0.2	0.0	0.0	0.3	0.2	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1
LU	1.4	0.3	0.4	0.8	0.9	0.3	0.2	0.8	0.9	0.2	0.1	0.7	0.5	0.1	0.1	0.3	0.2	0.7	0.4	0.2	0.4	0.4
LV	0.2	0.0	0.0	0.2	0.2	0.0	0.0	0.2	0.1	0.0	0.0	0.1	0.3	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.0
MT	0.2	0.1	0.1	0.3	0.2	0.1	0.1	0.3	0.2	0.0	0.0	0.2	0.2	0.1	0.0	0.1	0.1	0.2	0.0	0.0	0.1	0.1
NL	23.2	3.9	5.1	15.7	21.5	3.6	3.7	15.8	20.5	2.7	3.0	14.9	25.1	2.3	1.7	6.2	2.8	23.9	2.1	1.9	4.5	1.3
NO	2.0	0.4	0.3	1.0	2.4	0.5	0.4	0.7	1.9	0.5	0.5	0.7	2.5	0.4	0.2	0.3	0.1	2.0	0.4	0.3	0.4	0.1
PL	1.4	0.4	0.7	4.5	1.6	0.4	0.5	4.3	1.6	0.3	0.5	4.1	1.7	0.3	0.4	2.4	1.4	1.7	0.4	0.6	2.2	1.4
PT	13.9	3.3	4.3	19.5	16.0	3.2	2.7	19.7	13.1	1.6	2.2	18.1	11.4	1.1	1.5	10.9	4.9	8.6	1.3	1.5	6.8	3.1
RO	1.6	0.3	0.4	2.2	1.3	0.3	0.2	1.4	1.0	0.1	0.1	1.1	0.8	0.1	0.1	0.5	0.2	0.7	0.1	0.1	0.4	0.1
SE	5.1	1.6	0.6	1.9	6.0	1.0	0.6	1.7	6.2	0.7	0.5	1.5	7.9	0.7	0.5	1.2	0.3	2.5	0.3	0.2	0.4	0.2
SI*	n.a.	n.a.	n.a.	n.a.	1.0	0.1	0.2	2.0	0.9	0.1	0.1	1.2	0.6	0.0	0.0	0.4	0.4	0.4	0.0	0.0	0.2	0.2
SK	0.5	0.1	0.1	0.6	0.6	0.2	0.1	0.5	0.6	0.1	0.1	0.5	0.4	0.1	0.1	0.4	0.1	0.4	0.1	0.1	0.4	0.1
EU/EEA	366.6	75.8	101.3	597.0	348.1	61.6	76.9	563.5	313.1	49.4	60.8	459.8	289.1	41.4	47.8	238.9	128.9	257.6	43.4	43.9	184.9	105.9

* Data is not disclosed because it was reported for less than three institutions.

Annex 5 — FBL ratios by country

%	Forbearance ratio for loans and advances																		
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
AT	3.5%	3.6%	3.8%	3.8%	3.6%	3.5%	3.6%	3.3%	3.2%	2.8%	2.7%	2.6%	2.1%	2.1%	1.9%	1.8%	1.6%	1.5%	1.4%
BE	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.6%	1.5%	1.4%	1.4%	1.4%	1.2%	1.1%	0.9%	1.0%	1.0%	0.9%
BG	6.2%	6.3%	5.9%	6.9%	8.7%	8.6%	8.4%	7.9%	7.8%	7.7%	8.0%	7.3%	7.0%	6.9%	6.8%	6.3%	7.1%	6.0%	6.2%
CY*	24.0%	23.6%	26.5%	26.2%	26.1%	26.8%	27.1%	27.0%	26.4%	26.0%	25.8%	24.9%	23.6%	23.6%	20.6%	n.a.	n.a.	16.7%	15.1%
CZ	1.1%	1.2%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.8%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%
DE	3.0%	3.0%	2.9%	2.7%	2.4%	2.3%	2.2%	2.1%	2.1%	2.0%	1.9%	1.7%	1.6%	1.4%	1.4%	1.4%	1.1%	1.0%	1.0%
DK	2.2%	2.2%	2.1%	2.1%	2.2%	2.0%	2.0%	1.9%	1.8%	1.8%	1.8%	1.7%	1.5%	1.3%	1.5%	1.3%	1.3%	1.1%	1.0%
EE*	n.a.	n.a.	n.a.	n.a.	n.a.	2.5%	2.2%	2.0%	2.0%	1.9%	1.9%	1.7%	1.8%	1.0%	0.9%	0.8%	0.6%	0.5%	0.9%
ES	9.9%	9.6%	8.9%	8.7%	8.4%	8.4%	8.0%	7.8%	6.2%	5.9%	5.6%	5.1%	5.0%	4.9%	4.6%	4.3%	3.9%	3.6%	3.4%
FI	1.6%	1.6%	1.5%	1.4%	1.5%	1.5%	1.5%	1.5%	1.7%	1.9%	2.3%	2.4%	2.2%	1.9%	1.8%	1.9%	1.3%	1.2%	1.2%
FR	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%
GB	2.8%	2.5%	2.3%	2.0%	1.9%	1.7%	1.6%	1.6%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%	1.0%	0.9%	0.9%	0.9%	0.9%
GR	14.2%	15.1%	16.5%	17.5%	19.8%	20.5%	21.5%	22.4%	23.2%	23.9%	24.4%	24.9%	24.8%	25.5%	25.8%	25.5%	24.4%	24.5%	23.4%
HR	5.8%	6.0%	6.3%	6.1%	5.1%	5.3%	5.0%	4.9%	5.1%	5.2%	4.9%	5.0%	4.5%	4.3%	4.2%	3.3%	3.0%	2.9%	2.9%
HU	6.4%	6.5%	6.6%	6.5%	6.4%	6.3%	6.0%	5.5%	5.3%	5.3%	5.0%	4.6%	4.1%	4.1%	3.7%	3.4%	2.8%	2.5%	2.5%
IE	15.8%	15.9%	16.0%	15.8%	15.5%	13.9%	13.4%	13.4%	11.5%	10.9%	11.1%	10.7%	9.6%	7.5%	6.9%	6.7%	5.9%	5.4%	5.0%
IS*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.3%	4.0%	3.8%	3.6%	2.8%	2.6%	3.0%
IT	4.5%	4.7%	4.8%	5.0%	5.1%	5.1%	5.3%	5.4%	5.4%	5.2%	4.9%	4.8%	4.7%	4.6%	4.5%	4.4%	4.2%	4.2%	4.0%
LT	6.3%	6.3%	5.9%	4.9%	4.5%	4.3%	4.0%	3.7%	3.1%	3.0%	2.8%	2.4%	2.2%	2.1%	1.9%	1.7%	1.6%	1.5%	1.4%
LU	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%
LV	5.1%	5.1%	5.5%	5.8%	4.8%	4.8%	4.9%	4.6%	4.4%	4.1%	3.9%	3.6%	3.3%	3.5%	2.8%	2.5%	2.2%	6.3%	2.3%
MT*	n.a.	6.4%	6.0%	5.2%	5.0%	5.1%	4.9%	4.3%	4.2%	4.0%	3.7%	3.4%	3.1%	3.0%	3.0%	2.8%	2.4%	2.2%	2.1%
NL	2.4%	2.4%	2.4%	2.3%	2.3%	2.2%	2.3%	2.4%	2.4%	2.3%	2.4%	2.3%	2.1%	1.9%	1.8%	1.7%	1.7%	1.6%	1.5%
NO	0.8%	0.8%	0.9%	1.0%	1.3%	1.4%	1.9%	2.3%	2.9%	2.6%	2.5%	2.3%	2.9%	2.2%	2.0%	1.6%	2.0%	1.7%	1.6%
PL	3.5%	3.2%	3.1%	3.4%	2.9%	2.7%	2.6%	2.5%	2.4%	2.4%	2.4%	2.5%	2.4%	2.3%	2.1%	2.1%	2.0%	2.0%	1.9%
PT	11.3%	11.1%	11.7%	11.6%	11.7%	11.9%	12.2%	12.3%	12.8%	12.4%	11.9%	11.7%	10.6%	10.0%	9.1%	8.8%	7.9%	7.6%	7.3%
RO	10.3%	9.9%	8.1%	7.9%	7.4%	7.5%	6.5%	5.8%	6.1%	6.3%	5.9%	6.1%	4.8%	4.4%	4.0%	3.1%	3.0%	3.0%	2.8%
SE	1.0%	1.0%	1.0%	0.9%	1.0%	0.9%	1.0%	1.0%	1.1%	1.0%	0.9%	0.9%	1.0%	0.9%	0.8%	0.8%	0.5%	0.5%	0.6%
SI*	n.a.	n.a.	n.a.	14.3%	12.7%	12.8%	12.4%	11.2%	9.7%	9.1%	8.9%	8.4%	7.0%	6.1%	5.7%	5.0%	4.4%	4.2%	3.9%
SK	2.3%	2.4%	2.1%	2.1%	2.3%	2.2%	2.1%	2.2%	2.0%	1.8%	1.6%	1.5%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.1%
EU/EEA	**3.9%**	**3.8%**	**3.7%**	**3.6%**	**3.5%**	**3.5%**	**3.4%**	**3.3%**	**3.1%**	**3.0%**	**2.8%**	**2.7%**	**2.6%**	**2.4%**	**2.3%**	**2.2%**	**2.1%**	**2.0%**	**1.9%**

* Data is not disclosed because it was reported for less than three institutions.

Annex 6 — NPL and FBL ratios, by segment and by country

	Jun-15				Jun-16				Jun-17				Jun-18				Jun-19			
	NPLs		Forborne		NPLs		Forborne		NPLs		Forborne		NPLs		Forborne		NPLs		Forborne	
%	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs	NFCs	HHs
AT	11.2%	6.5%	6.2%	2.3%	8.5%	5.4%	5.9%	2.2%	6.9%	4.4%	4.8%	2.1%	4.8%	3.7%	3.2%	1.8%	3.5%	3.1%	2.3%	1.5%
BE	5.9%	4.6%	2.5%	2.8%	5.8%	3.9%	2.7%	2.7%	5.2%	3.3%	2.2%	2.4%	4.4%	2.8%	1.8%	1.8%	3.6%	2.0%	1.4%	1.3%
BG	18.3%	16.8%	9.7%	5.0%	21.3%	17.2%	13.6%	8.8%	19.0%	14.7%	12.6%	8.1%	14.2%	10.7%	11.5%	6.1%	11.3%	8.2%	11.8%	4.1%
CY	66.9%	55.3%	40.4%	24.8%	63.4%	55.9%	42.4%	26.6%	54.0%	54.6%	38.4%	28.2%	37.5%	50.5%	28.4%	26.5%	30.0%	34.1%	22.8%	22.3%
CZ	5.8%	4.2%	1.6%	1.1%	4.5%	3.2%	1.3%	1.0%	3.9%	2.3%	1.2%	0.8%	3.1%	2.0%	1.0%	0.7%	3.1%	1.8%	0.7%	0.5%
DE	7.5%	2.6%	7.2%	1.3%	6.2%	2.0%	5.6%	1.3%	5.8%	1.8%	5.3%	1.3%	4.2%	1.8%	3.9%	1.2%	2.8%	1.6%	2.5%	1.1%
DK	6.3%	5.7%	4.5%	2.5%	5.9%	5.5%	3.9%	2.8%	4.3%	4.9%	3.5%	2.8%	4.0%	1.8%	3.0%	1.0%	3.1%	1.4%	2.1%	0.7%
EE*	n.a.	n.a.	n.a.	n.a.	2.6%	1.4%	2.9%	1.9%	2.3%	1.1%	3.6%	1.6%	3.3%	1.0%	1.7%	0.8%	2.7%	2.0%	1.4%	1.0%
ES	14.4%	5.0%	14.7%	7.9%	11.9%	4.5%	12.8%	7.7%	10.1%	4.6%	9.2%	5.4%	6.8%	4.3%	6.7%	5.1%	5.3%	3.9%	5.2%	3.8%
FI	3.6%	1.7%	2.9%	2.0%	3.3%	1.9%	2.2%	2.6%	3.0%	2.0%	1.6%	3.9%	1.9%	1.4%	1.1%	3.5%	2.8%	1.2%	1.8%	1.2%
FR	6.2%	4.5%	2.1%	1.4%	5.9%	4.2%	2.0%	1.3%	5.5%	3.9%	2.0%	1.3%	4.7%	3.5%	1.5%	1.2%	4.1%	3.1%	1.4%	1.1%
GB	4.4%	3.2%	3.4%	3.1%	4.3%	2.7%	2.7%	2.2%	3.3%	2.2%	2.3%	1.7%	2.8%	2.1%	2.1%	1.4%	2.5%	1.8%	1.9%	1.2%
GR	47.0%	40.9%	14.8%	20.3%	53.0%	46.4%	19.1%	27.6%	52.9%	47.3%	21.9%	31.6%	49.2%	47.1%	23.1%	33.3%	42.2%	44.8%	20.7%	32.2%
HR	32.6%	12.0%	16.4%	3.6%	23.9%	9.8%	11.4%	4.1%	23.7%	7.5%	10.5%	5.0%	18.6%	6.6%	10.3%	3.6%	15.8%	4.8%	7.5%	2.1%
HU	25.3%	19.9%	12.8%	6.7%	19.3%	18.2%	10.4%	6.4%	13.7%	14.7%	7.4%	6.1%	8.7%	11.8%	4.4%	5.5%	5.4%	8.8%	2.8%	3.5%
IE	35.3%	16.8%	27.2%	13.6%	21.9%	15.0%	18.4%	14.8%	16.2%	14.2%	13.5%	14.5%	9.2%	8.9%	8.5%	9.4%	5.3%	6.6%	6.4%	6.8%
IS*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.5%	2.4%	6.2%	2.4%	3.2%	1.9%	4.5%	1.8%
IT	25.4%	13.0%	7.4%	3.3%	24.7%	12.9%	8.1%	3.7%	19.5%	9.9%	8.1%	3.6%	16.0%	7.6%	7.4%	3.3%	13.2%	6.4%	6.8%	3.2%
LT	9.2%	6.9%	11.0%	4.9%	7.1%	5.0%	7.5%	3.4%	5.3%	3.8%	5.3%	2.4%	3.6%	3.3%	3.1%	1.8%	2.7%	2.2%	2.5%	1.4%
LU	4.6%	3.1%	1.5%	0.9%	3.3%	2.5%	1.2%	0.9%	2.7%	2.2%	0.9%	0.6%	2.4%	1.5%	0.3%	0.5%	2.7%	2.3%	0.6%	0.6%
LV	4.7%	9.3%	6.9%	6.5%	4.7%	6.7%	8.1%	6.2%	3.6%	4.7%	6.7%	4.9%	5.1%	4.3%	4.4%	3.6%	3.1%	3.0%	3.4%	2.6%
MT	13.8%	5.1%	13.4%	2.7%	9.7%	4.9%	10.1%	3.0%	8.6%	3.9%	8.4%	1.9%	10.0%	4.0%	9.2%	1.7%	7.1%	3.1%	5.9%	1.3%
NL	5.7%	1.9%	4.7%	1.6%	5.1%	1.5%	4.5%	1.6%	5.2%	1.2%	5.0%	1.3%	4.6%	1.2%	3.7%	1.2%	4.2%	1.1%	3.5%	0.8%
NO	2.2%	1.0%	1.6%	0.5%	3.0%	0.7%	3.8%	0.4%	3.9%	0.4%	5.9%	0.1%	3.5%	0.4%	6.0%	0.2%	3.2%	0.4%	4.7%	0.2%
PL	12.2%	5.4%	6.3%	2.1%	11.5%	5.2%	4.6%	2.0%	9.2%	5.0%	4.4%	1.7%	8.9%	4.4%	3.9%	1.4%	7.5%	3.8%	3.3%	1.3%
PT	30.1%	9.1%	19.7%	5.2%	33.0%	9.4%	20.8%	5.2%	30.3%	8.6%	21.5%	5.2%	23.7%	6.4%	16.6%	4.9%	18.0%	4.3%	14.0%	3.9%
RO	35.5%	10.9%	19.8%	3.4%	27.3%	8.6%	16.8%	2.8%	19.9%	5.9%	12.9%	2.2%	12.3%	5.1%	8.6%	1.7%	9.4%	4.5%	6.8%	1.5%
SE	1.8%	0.9%	2.0%	0.6%	1.9%	0.8%	2.0%	0.5%	1.7%	0.7%	2.3%	0.3%	1.9%	0.7%	2.1%	0.2%	0.9%	0.3%	1.3%	0.2%
SI*	n.a.	n.a.	n.a.	n.a.	38.8%	7.0%	26.9%	1.9%	29.1%	4.5%	20.8%	1.7%	18.9%	3.8%	13.9%	1.3%	11.2%	2.9%	9.5%	1.1%
SK	7.0%	4.8%	3.4%	1.5%	6.2%	4.7%	4.1%	1.3%	4.3%	4.2%	3.2%	1.0%	3.0%	3.5%	2.5%	0.9%	2.5%	3.2%	2.0%	0.8%
EU/EEA	**11.0%**	**5.3%**	**6.4%**	**3.6%**	**10.2%**	**4.9%**	**5.9%**	**3.5%**	**8.7%**	**4.3%**	**5.4%**	**2.9%**	**6.8%**	**3.7%**	**4.2%**	**2.5%**	**5.5%**	**3.1%**	**3.5%**	**2.0%**

* Data is not disclosed because it was reported for less than three institutions.

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