

## **Guidelines on disclosure of non-performing and forborne exposures**

**(EBA/GL/2018/10)**

These Guidelines of the European Banking Authority (EBA) are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010 and to credit institutions as defined in Article 4(1) of Regulation (EU) No 575/2013.

The Guidelines aim to specify the content and uniform disclosure formats for credit institutions for disclosures related to non-performing exposures (NPEs), forborne exposures (FBEs) and foreclosed assets. These guidelines apply to credit institutions that are subject to all or some of the disclosure requirements specified in Part Eight of Regulation (EU) No 575/2013 (the CRR), in accordance with Articles 6, 10 and 13 of the CRR.

In particular, the Guidelines include a set of ten templates along with the guidance to fulfil them. Proportionality is embedded in the guidelines based on the significance of the credit institutions and their level of the gross non-performing loans (NPL) ratio.

The disclosure templates applicable to all credit institutions show the volumes and levels of NPEs, FBEs and foreclosed assets in their balance sheets, with the aim of fostering transparency, providing meaningful information to market participants on the quality of credit institutions' assets and addressing any potential asymmetries of information.

The templates applicable only to significant credit institutions with a gross NPL ratio of 5% or above provide additional information that allows stakeholders to gain a better insight into the distribution and features of the problematic assets, the quality and value of the collateral backing them, and the efficiency of institutions' recovery functions.

The EBA has developed these Guidelines in accordance with Article 16 of Regulation (EU) No 1093/2010 and following the conclusions reached by the European Council in July 2017 specifying an Action Plan to tackle NPL in Europe. The EBA published the English version of these Guidelines on 17 December 2018 (the Spanish version was released on 26 April 2019). The Guidelines apply from 31 December 2019.

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The Executive Commission of the Banco de España, in its role of competent authority for the direct supervision of the less significant credit institutions, adopted these Guidelines as their own on 2 July 2019.

EBA/GL/2018/10

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17/12/2018

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# Final Report

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Guidelines

on disclosure of non-performing and forborne exposures

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# Contents

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<b>Executive summary</b>	<b>3</b>
<b>Background and rationale</b>	<b>4</b>
<b>Guidelines</b>	<b>9</b>
1. Compliance and reporting obligations	11
2. Subject matter, scope and definitions	12
3. Implementation	15
Annex I – Disclosure templates: forbearance	16
Annex II – Disclosure templates: non-performing exposures	21
Annex III – Disclosure templates: collateral valuation	33
Annex IV – Disclosure templates: changes in the stock of NPLs	37
Annex V – Disclosure templates: foreclosed assets	41
<b>Accompanying documents</b>	<b>47</b>

## Executive summary

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The financial crisis negatively affected the European banking sector and contributed to a build-up of non-performing exposures (NPEs) in many banks' balance sheets. The overall level of NPEs remains high by historic standards, especially in some jurisdictions, even though the joint efforts of banks, supervisors, regulators and macroprudential authorities have led to a slow improvement in NPE ratios in recent years.

In July 2017, the European Council agreed on an Action Plan<sup>1</sup> to tackle non-performing loans (NPLs) in Europe. The Council's conclusions stressed that a comprehensive approach consisting of a mix of complementary policy actions, at national and European levels, was needed to address the existing stock of NPLs as well as to prevent the emergence and accumulation of new NPEs on banks' balance sheets. In this regard, the EBA, along with other bodies and institutions, was invited by the Council to contribute to this Action Plan through a number of initiatives. The enhanced disclosure requirements set out in these guidelines are one of the initiatives that the EBA is developing.

The guidelines specify the common content and uniform disclosure formats for the information on NPEs, forborne exposures and foreclosed assets that credit institutions should disclose. Proportionality is embedded in the guidelines based on two criteria – the significance of the credit institution and the level of NPEs – and there is a set of templates that needs to be disclosed only by significant credit institutions with a gross NPL ratio of 5% or above. The aims of the guidelines are to ensure the provision of meaningful information to market participants on credit institutions' asset quality and to gain a better insight into the distribution and level of collateralisation of NPEs among institutions with a gross NPL ratio of 5% or above, and thus a better understanding of credit institutions' risk profiles, in compliance with the second subparagraph of Article 431(3) of Regulation (EU) No 575/2013 (the CRR). In the long term, the guidelines are intended to reduce information asymmetry and increase the comparability of credit institutions' risk profiles, thus promoting market discipline.

### Next steps

The guidelines will be translated into the official EU languages and published on the EBA website. The deadline for competent authorities to report whether they comply with the guidelines will be two months after the publication of the translations. The guidelines will apply from 31 December 2019.

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<sup>1</sup> <http://www.consilium.europa.eu/en/press/press-releases/2017/07/11/banking-action-plan-non-performing-loans/#>

## Background and rationale

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1. The financial crises contributed to the build-up of a large stock of non-performing exposures (NPEs) in banks' balance sheets. The stock of non-performing loans (NPLs) in the EU banking sector amounted to EUR 989 billion at the end of 2016, EUR 815 billion at the end of 2017 and EUR 779 billion in the first quarter of 2018, i.e. 5.4%, 4.1% and 3.9% respectively of the total loan portfolio. The EU average NPE ratio was 3.4% in the first quarter of 2018.<sup>2</sup>
2. While the dispersion of the stock of NPEs is uneven across Member States, the problem is undeniably European, considering its scale and cross-border implications, with 12 Member States experiencing above average NPE ratios. The overall level remains high by historic standards and the improvement of NPE ratios has been disappointingly slow, even though the joint efforts of banks, supervisors and macroprudential authorities have recently led to an acceleration of the adjustment.
3. The EBA's risk analysis, supported by similar research conducted by other international organisations, indicated that high levels of NPEs are a drag on profitability and are strongly correlated with weak lending growth. In addition, the effects of high levels of NPEs in banks' balance sheets on, inter alia, funding costs and capital efficiency can seriously jeopardise institutions' ability to run a viable and sustainable business model.
4. NPEs are a problem at multiple levels: at microprudential level, high levels of NPEs are associated with lower profitability and lower efficiency; at macroprudential level, high levels of NPEs are connected with stagnant growth, as capital is tied up in NPEs and there is decreased new lending into the real economy. In addition, a high stock of NPEs negatively affects the resilience of the banking sector to shocks and hence increases systemic risk. All of these effects must be tackled in a comprehensive manner.
5. In 2014, the EBA published the implementing technical standard (ITS) on supervisory reporting, introducing definitions of NPEs and forborne exposures (FBEs) to facilitate the identification of problematic assets.
6. In July 2017, the European Council agreed on an Action Plan<sup>3</sup> to tackle NPLs in Europe. The Council's conclusions stressed that a comprehensive approach consisting of a mix of complementary policy actions, at national level and at European level where appropriate, was the most effective way to address the existing stock of NPEs, as well as the emergence and accumulation of new NPEs, on banks' balance sheets. The policy actions were to cover the following four policy areas: (i) supervision, (ii) structural reforms of insolvency and debt recovery frameworks, (iii) development of secondary markets for distressed assets and (iv) restructuring of the banking system. In this regard, the EBA, along with other bodies and

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<sup>2</sup> The EBA Risk Dashboard; data as of Q1 2018: <http://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>.

<sup>3</sup> <http://www.consilium.europa.eu/en/press/press-releases/2017/07/11/banking-action-plan-non-performing-loans/#>

institutions, was invited by the Council to contribute to this Action Plan through a number of initiatives and action points, in particular in areas (i) and (iii). There are two specific initiatives in which the EBA is involved and that require disclosure-related actions:

- a. The Council invited the EBA to issue guidelines on NPL management consistent with the ECB Single Supervisory Mechanism (SSM) 'Guidance to banks on non-performing loans' (SSM Guidance).

The SSM Guidance follows the life cycle of NPL management: it starts with supervisory expectations on NPL strategies, which are closely linked to NPL governance and operations. Following this, the guidance outlines important aspects for forbearance treatments and NPL recognition, including disclosure of NPLs. Then, qualitative guidance on NPL provisioning and write-off is provided and collateral valuation is also addressed.

- b. In addition, the Council invited the EBA, in consultation with the European Securities and Markets Authority (ESMA) and competent authorities, to implement, by the end of 2018, enhanced disclosure requirements on asset quality and NPLs for all banks.

7. The EBA has therefore undertaken various actions that can be categorised into (i) enhancement of disclosure requirements, (ii) supervisory guidance and (iii) improving the efficiency of secondary markets.

- a. These guidelines include enhanced disclosure requirements on NPEs, FBEs and foreclosed assets applicable to all banks. They also include more specific disclosure requirements applicable to significant credit institutions that have a gross NPL ratio of 5% or above. In issuing these guidelines, the EBA is implementing enhanced disclosure requirements that are consistent with the disclosure part of the NPL management cycle described in the SSM Guidance, following the Council's requests on disclosure-related topics. The EBA is also developing new supervisory reporting requirements on NPEs, and there will be alignment between the disclosure templates included in these guidelines and the supervisory reporting data.
- b. The EBA published its final Guidelines on management of non-performing and forborne exposures in October 2018. These guidelines provide supervisory guidance and set out rules for suitable NPE management that should be applied by credit institutions to facilitate the effective management of the stock and flow of NPEs. The aim is to achieve a sustainable reduction in NPEs in credit institutions' balance sheets.
- c. In addition, and in order to enhance supervisory guidance, the EBA will issue guidelines on banks' loan origination, monitoring and internal governance.
- d. With regard to secondary market development, in December 2017 the EBA published uniform and standardised templates to facilitate the screening and financial due diligence phase of NPL transactions. In particular, the EBA's NPL transaction templates will be helpful in carrying out financial due diligence and valuation of portfolios and

the EBA's NPL portfolio screening templates will be useful for the initial screening of portfolios.

## Objective and structure of the guidelines

8. Proportionality is embedded in the guidelines based on the significance of the credit institutions and their level of NPEs; there is a set of templates applicable to all credit institutions and some additional templates applicable only to significant credit institutions with a gross NPL ratio of 5% or above.
9. The disclosure templates applicable to all credit institutions show the volumes and levels of NPEs, FBEs and foreclosed assets in their balance sheets, with the aim of fostering transparency, providing meaningful information to market participants on the quality of credit institutions' assets and addressing any potential asymmetries of information. The templates applicable only to significant credit institutions with a gross NPL ratio of 5% or above provide additional information that allows stakeholders to gain a better insight into the distribution and features of the problematic assets, the quality and value of the collateral backing them, and the efficiency of institutions' recovery functions.
10. In particular, the guidelines include the following disclosures applicable to all credit institutions:
  - a. **Template 1 – 'Credit quality of forborne exposures'**, in which credit institutions are required to disclose the gross carrying amount, broken down by exposure class, of FBEs, the related accumulated impairment, provisions, changes in fair value, and the collateral and financial guarantees received, and to explain the drivers of any significant changes over the time.
  - b. **Template 3 – 'Credit quality of performing and non-performing exposures by past due days'**, in which credit institutions are required to disclose the gross carrying amount, broken down by exposure class, of performing and non-performing exposures, including a further breakdown of past-due exposures by the number of days that they have been past due. Credit institutions are also required to explain the drivers of any significant changes across the time periods.
  - c. **Template 4 – 'Performing and non-performing exposures and related provisions'**, in which credit institutions are required to disclose information on the gross carrying amount of impairments, provisions, accumulated changes in fair value due to credit risk, accumulated partial write-offs, and collateral and financial guarantees received – for both performing and non-performing exposures – with a breakdown by exposure class. Further details are requested on the stage of the exposures for banks governed by International Financial Reporting Standards (IFRS). Explanations of significant changes across the time periods should be provided.



- d. **Template 9 – ‘Collateral obtained by taking possession and execution processes’**, in which credit institutions are required to disclose information on the instruments and value of the collateral obtained by taking possession.

11. In addition, the following templates apply to significant credit institutions with a gross NPL ratio of 5% or above:

- a. **Template 2 – ‘Quality of forbearance’**, in which credit institutions are required to disclose the number of times that an exposure has been forborne and provide information about the non-performing FBEs that have failed to meet the non-performing exit criteria.
- b. **Template 5 – ‘Quality of non-performing exposures by geography’**, in which credit institutions are required to disclose the gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk by or country.
- c. **Template 6 – ‘Credit quality of loans and advances by industry’**, in which credit institutions are required to disclose the gross carrying amount of loans and advances to non-financial corporations and the related accumulated impairment and accumulated change in fair value due to credit risk by industry/sector of activity of the counterparty.
- d. **Template 7 – ‘Collateral valuation – loans and advances’**, in which credit institutions are required to disclose information on the gross carrying amount of loans and advances collateralised, the related accumulated impairment, and the value of the collateral/financial guarantees received and the partial write-offs for these exposures. All this information is to be broken down by past-due bucket. In addition, further detailed information is to be provided broken down by loan-to-value bucket.
- e. **Template 8 – ‘Changes in the stock of non-performing loans and advances’**, in which credit institutions are required to disclose information on the movements of the gross carrying amount of NPLs and advances during the period, with specific details on the net cumulative recoveries related to these changes.
- f. **Template 10 – ‘Collateral obtained by taking possession and execution processes – vintage breakdown’**, in which credit institutions are required to disclose information on the value and the related impairment of assets cancelled in exchange for the collateral obtained by taking possession, on the value and the related impairment of the collateral obtained, and on the vintage of the foreclosed assets.

12. The disclosure by credit institutions of this information will allow market participants and stakeholders to have a better understanding of the quality of banks’ assets and, in the case of more troubled banks, the distribution of the problematic assets and the value of the collateral backing those assets.



# Guidelines

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EBA/GL/2018/10

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17/12/2018

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## Guidelines

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# on disclosure of non-performing and forborne exposures

# 1. Compliance and reporting obligations

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## Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010.<sup>4</sup> In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set out the EBA's view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to which guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

## Reporting requirements

3. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA that they comply or intend to comply with these guidelines, or give reasons for non-compliance, by ([dd.mm.yyyy]). In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu) with the reference 'EBA/GL/2018/10'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to the EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

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<sup>4</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

## 2. Subject matter, scope and definitions

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### Subject matter

5. These guidelines specify the content and uniform disclosure formats for credit institutions for disclosures related to non-performing exposures (NPEs), forborne exposures (FBEs) and foreclosed assets.

### Scope of application

6. These guidelines apply to credit institutions that are subject to all or some of the disclosure requirements specified in Part Eight of Regulation (EU) No 575/2013 (the CRR),<sup>5</sup> in accordance with Articles 6, 10 and 13 of the CRR.
7. These guidelines apply to all exposures meeting the definitions of ‘non-performing’ and ‘forbearance’ as set out in Annex V to Commission Implementing Regulation (EU) No 680/2014.<sup>6</sup>
8. Proportionality applies based on the significance of the credit institution and on the level of NPEs reported according to the scope of application specified for each individual template. While some templates apply to all credit institutions, some are applicable only to credit institutions that are significant and have a gross NPL ratio of 5% or above.

### Addressees

9. These guidelines are addressed to competent authorities as defined in point (i) of Article 4(2) of Regulation (EU) No 1093/2010 and to credit institutions as defined in Article 4(1) of Regulation (EU) No 575/2013.

### Definitions

10. Unless otherwise specified, terms used and defined in Regulation (EU) No 575/2013 and in Commission Implementing Regulation (EU) No 680/2014 have the same meaning in the guidelines.
11. In addition and in particular, for the purposes of these guidelines, the following definitions apply:

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<sup>5</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>6</sup> Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).

12. **Credit institutions** that meet one or more of the following criteria are significant:

- a. The credit institution is one of the three largest credit institutions in its home Member State.
- b. The credit institution's consolidated assets exceed EUR 30 billion.
- c. The credit institution's 4-year average of total assets exceeds 20% of the 4-year average of its home Member State's GDP.
- d. The credit institution has consolidated exposures as per Article 429 of the CRR exceeding EUR 200 billion or the equivalent in foreign currency using the reference exchange rate published by the European Central Bank at the end of the applicable financial year.
- e. The credit institution has been identified by competent authorities as a global systemically important institution (G-SII), as defined in Commission Delegated Regulation (EU) No 1222/2014, or as an other systemically important institution (O-SII) pursuant to paragraph 3 of Article 131 of Directive 2013/36/EU.

13. **The gross NPL ratio** is the ratio of the gross carrying amount of NPLs and advances to the total gross carrying amount of loans and advances subject to the NPE definition. For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits are to be excluded both from the denominator and from the numerator.

14. **Non-performing loans and advances** includes loans and advances that are classified as non-performing according to Annex V to Regulation (EU) No 680/2014.

## Frequency of disclosures

15. The guidelines introduce a harmonised frequency<sup>7</sup> for the templates as follows:

- a. Template 1 ('Credit quality of forborne exposures'), Template 3 ('Credit quality of non-performing exposures by past due days'), Template 4 ('Performing and non-performing exposures and related provisions') and Template 9 ('Collateral obtained by taking possession and execution processes') should be disclosed by all credit institutions specified in the scope of application of these templates with the following frequency:

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<sup>7</sup> Credit institutions should ensure that the date of publication of the information included in these guidelines is close to the date of publication of their financial statements and that there is no more than a reasonable period of time between these dates.

- i. on a semi-annual basis by credit institutions that have been identified by competent authorities as a G-SII or O-SII in accordance with point (e) of paragraph 12;
  - ii. on an annual basis by all other credit institutions;
  - iii. those credit institutions that meet at least one of the criteria for significance specified in points (a) to (d) of paragraph 12 and that, at the reference date for half-year disclosures, have a gross NPL ratio of 5% or above should disclose these templates at the half-year reference date.
- b. Template 2 ('Quality of forbearance'), Template 5 ('Quality of non-performing exposures by geography'), Template 6 ('Quality of loans and advances by industry'), Template 7 ('Collateral valuation – loans and advances'), Template 8 ('Changes in the stock of non-performing loans and advances') and Template 10 ('Collateral obtained by taking possession and execution processes – vintage breakdown') should be disclosed on an annual basis by credit institutions meeting at least one of the criteria for significance specified in paragraph 12 and having a gross NPL ratio of 5% or above, in line with the scope of application of these templates. Credit institutions under the scope of application of the templates subject to the 5% gross NPL ratio threshold should start disclosing these templates if they have been at or above the threshold in two consecutive quarters during the four quarters prior to the disclosure reference date. For the first disclosure reference date on which credit institutions should comply with the guidelines, institutions should disclose the templates subject to the 5% gross NPL ratio threshold if they comply with the threshold on that disclosure reference date. Credit institutions may stop disclosing the templates subject to the 5% gross NPL ratio threshold if they have fallen below the threshold in three consecutive quarters during the four quarters prior to the disclosure reference date.



## 3. Implementation

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### Date of application

16. These guidelines apply from 31 December 2019.

### Amendments

17. These guidelines replace the following templates from the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11):

- a. 'Template 14: EU CR1-D – Ageing of past-due exposures'
- b. 'Template 15: EU CR1-E – Non-performing and forborne exposures'

18. This means that those institutions that, according to the EBA 2016 guidelines, are required to disclose the abovementioned templates must comply with this obligation by disclosing the information required in these guidelines.

19. Institutions that, according to the EBA 2016 guidelines, are to disclose 'Template 12 – EU CR1-B – Credit quality of exposures by industry or counterparty types' and 'Template 13 – EU CR1-C – Credit quality of exposures by geography' will be able to comply with this obligation by disclosing 'Template 5: Quality of non-performing exposures by geography' and 'Template 6: Credit quality of loans and advances by industry' of these guidelines on a semi-annual basis. Alternatively, institutions may choose to disclose Templates 5 and 6 of these guidelines including only the information on NPEs (excluding the information in the column 'of which defaulted'), and complete Templates 12 and 13 of the EBA 2016 guidelines for information on defaulted exposures.

# Annex I – Disclosure templates: forbearance

## Template 1: Credit quality of forborne exposures

<b>Purpose:</b> provide an overview of the quality of forborne exposures as per Commission Implementing Regulation (EU) No 680/2014.
<b>Scope of application:</b> the template applies to all credit institutions as defined in paragraph 6.
<b>Content:</b> gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> semi annual or annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
			Of which defaulted	Of which impaired					
1	Loans and advances								



2	Central banks								
3	General governments								
4	Credit institutions								
5	Other financial corporations								
6	Non-financial corporations								
7	Households								
8	Debt securities								
9	Loan commitments given								
<b>10</b>	<b>Total</b>								

**Definitions**

**Columns:**

*Gross carrying amount:* gross carrying amount as defined in paragraph 34 of Part 1 of Annex V to Commission Implementing Regulation (EU) No 680/2014. For loan commitments given, the nominal amount as defined in paragraph 118 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014 should be reported.

The gross carrying amount related to the exposures subject to impairment is the net of accumulated partial and total write-off.

*Forborne exposure:* forborne exposures as defined in paragraphs 240 to 244 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014. Depending on whether forborne exposures satisfy the required conditions set out in Annex V to that Regulation, they can be identified as performing or non-performing.

*Impaired exposures:* forborne exposures that are also impaired in accordance with the applicable accounting framework under paragraph 215 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

*Defaulted exposures:* forborne exposures that are also classified as defaulted in accordance with Article 178 of the CRR.

*Accumulated impairments, accumulated negative changes in fair value due to credit risk and provisions:* this should include the amounts determined in accordance with paragraphs 11, 69 to 71, 106 and 110 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

*Collateral and guarantees received on forborne exposures:* these should be reported for all exposures with forbearance measures, regardless of their performing or non-performing status. Amounts reported for collateral received and guarantees received should be calculated in accordance with paragraph 239 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014. The sum of the amounts reported for both collateral and guarantees is to be capped at the carrying amount of the related exposure.



*Non-performing exposures with forbearance measures:* these (non-performing forborne exposures) should comprise forborne exposures that meet the criteria to be considered non-performing and are included in the non-performing exposures category. Those non-performing forborne exposures are to include the following: (a) exposures that have become non-performing due to the application of forbearance measures; (b) exposures that were non-performing prior to the extension of forbearance measures; (c) forborne exposures that have been reclassified from the performing category, including exposures reclassified pursuant to paragraph 260 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

**Rows:**

*Counterparty breakdown:* institutions should apply the breakdown by counterparty as defined in paragraph 42 of Part 1 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

Counterparty sector allocation should be based exclusively on the nature of the immediate counterparty. The classification of exposures incurred jointly by more than one obligor should be done based on the characteristics of the obligor that was the more relevant, or determinant, for the institution's decision to grant the exposure. Among other classifications, the distribution of jointly incurred exposures by counterparty sector, country of residence and NACE code should be driven by the characteristics of the more relevant or determinant obligor.



### Template 2: Quality of forbearance

<b>Purpose:</b> provide an overview of quality of forbearance.
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above.
<b>Content:</b> gross carrying amount of forborne loans and advances exposures, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

		a
		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	

#### Definitions

##### Columns:

*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Forborne exposure:* see the definition in Template 1, 'Credit quality of forborne exposures'.

##### Rows:

*Having been forborne more than twice:* gross carrying amount of loans and advances that had been granted forbearance measures in the past and more than twice. Loans and advances for which forbearance was granted that exited the forborne category (i.e. cured forborne loans and advances) are also included here when a new forborne measure has been granted.



*Non-performing forborne loans and advances that failed to meet the non-performing exit criteria:* gross carrying amount of non-performing forborne loans and advances that are in the category of non-performing forborne loans and advances under the cure period of 1 year and that failed to comply with the forbearance measures after the 12-month cure period and therefore did not succeed in moving towards performing forborne status but retained non-performing forborne within cure period status.

## Annex II – Disclosure templates: non-performing exposures

**Template 3: Credit quality of performing and non-performing exposures by past due days**

<b>Purpose:</b> provide an overview of credit quality of non-performing exposures, as per Commission Implementing Regulation (EU) No 680/2014.
<b>Scope of application:</b> the template applies to all credit institutions as defined in paragraph 6.
<b>Content:</b> gross carrying amount of performing and non-performing exposures according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> semi annual or annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period. Institutions are also expected to disclose the gross NPL ratio, which is calculated as column (d) row (1) divided by the sum of column (d) row (1) plus column (a) row (1).

	a	b	c	d	e	f	g	h	i	j	k	l
Gross carrying amount/nominal amount												
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
1	Loans and advances											
2	Central banks											
3	General governments											
4	Credit institutions											

5	<i>Other financial corporations</i>												
6	<i>Non-financial corporations</i>												
7	<i>Of which SMEs</i>												
8	<i>Households</i>												
9	Debt securities												
10	<i>Central banks</i>												
11	<i>General governments</i>												
12	<i>Credit institutions</i>												
13	<i>Other financial corporations</i>												
14	<i>Non-financial corporations</i>												
15	Off-balance-sheet exposures												
16	<i>Central banks</i>												
17	<i>General governments</i>												
18	<i>Credit institutions</i>												
19	<i>Other financial corporations</i>												
20	<i>Non-financial corporations</i>												
21	<i>Households</i>												
<b>22</b>	<b>Total</b>												

**Definitions**

**Columns:**

*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Non-performing exposures:* as defined in paragraph 213 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

*Defaulted exposures:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Not past due or past due ≤ 30 days:* subcategory of performing exposures that are not past due or are 1–30 days past due.





*Past due >30 days ≤ 90 days*: subcategory of performing exposures that are 31–90 days past due. In addition, exposures that are more than 90 days past due that are not material are included in this subcategory.

*Unlikely to pay that are not past due or are past due ≤ 90 days*: subcategory of exposures that are either not past due or are up to 90 days past due but are nevertheless identified as non-performing, pursuant to point (b) of paragraph 213 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

**Rows:**

*Counterparty breakdown*: institutions should apply the breakdown by counterparty as defined in paragraph 42 of Part 1 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

Counterparty sector allocation should be based exclusively on the nature of the immediate counterparty. The classification of exposures incurred jointly by more than one obligor should be done based on the characteristics of the obligor that was the more relevant, or determinant, for the institution's decision to grant the exposure. Among other classifications, the distribution of jointly incurred exposures by counterparty sector, country of residence and NACE code should be driven by the characteristics of the more relevant or determinant obligor.

*SMEs*: as defined in paragraph 5(i) of Part 1 of Annex V to Commission Implementing Regulation (EU) No 680/2014.



**Template 4: Performing and non-performing exposures and related provisions**

<b>Purpose:</b> provide an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class.
<b>Scope of application:</b> the template applies to all credit institutions as defined in paragraph 6.
<b>Content:</b> gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, accumulated partial write-off, and collateral and financial guarantees received, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> semi annual or annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures		Non-performing exposures				Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances														
2	Central banks														
3	General governments														





*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Non-performing exposures:* see the definition in Template 3, 'Credit quality of performing and non-performing exposures by past due days'.

*Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Accumulated partial write-off:* this is to include the accumulated partial amount at the reference date of principal and accrued past-due interest and fees for any debt instrument that has been de-recognised to date using either of the methods described in paragraph 74 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014, to be reported because the institution has no reasonable expectation of recovering the contractual cash flows. These amounts are to be reported until the total extinguishment of all the reporting institution's rights by expiry of the statute-of-limitations period, forgiveness or another cause, or until recovery. Therefore, where the written-off amounts are not recovered, they are to be reported while they are subject to enforcement activities.

Write-offs constitute a de-recognition event and relate to a financial asset in its entirety or (in the case of a partial write-off) to a portion of it, including where the modification of an asset leads the institution to give up its right to collect cash flows either on a portion or on the entirety of that asset.

*Of which stage 1/stage 2/stage 3:* categories of impairment, as defined in IFRS 9.5.5. 'Stage 1' refers to impairment measured in accordance with IFRS 9.5.5.5. 'Stage 2' refers to impairment measured in accordance with IFRS 9.5.5.3. 'Stage 3' refers to impairment on credit-impaired assets, as defined in Appendix A to IFRS 9.

The columns 'Of which stage 1', 'Of which stage 2' and 'Of which stage 3' should not be reported by institutions that apply national generally accepted accounting principles based on Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

*Collateral and guarantees received:* see the definition in Template 1, 'Credit quality of forborne exposures'.



**Template 5: Quality of non-performing exposures by geography**

<b>Purpose:</b> provide an overview of the credit quality of non-performing exposures and related accumulated impairment, provisions and valuation adjustments by geography.
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above and where non-domestic original exposures in all non-domestic countries in all exposure classes are equal to or higher than 10% of the total (domestic and non-domestic) original exposures.
<b>Content:</b> gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed with flexible rows depending on the number of material countries.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period. When the materiality of countries has been determined using a materiality threshold, that threshold should be disclosed, as should the list of immaterial countries included in the 'Other countries' rows.

	a	b	c	d	e	f	g
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	Of which non-performing		Of which subject to impairment				
		Of which defaulted					
<b>1</b>	<b>On-balance-sheet exposures</b>						
2	Country 1						
3	Country 2						
4	Country 3						
5	Country 4						



6	Country N							
7	Other countries							
<b>8</b>	<b>Off-balance-sheet exposures</b>							
9	Country 1							
10	Country 2							
11	Country 3							
12	Country 4							
13	Country N							
14	Other countries							
<b>15</b>	<b>Total</b>							

#### Definitions

##### Columns:

*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Nominal amount:* for financial guarantees, loan commitments and other commitments given, the nominal amount as defined in paragraph 118 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014 should be reported.

*Non-performing exposures:* see the definition in Template 3, 'Credit quality of performing and non-performing exposures by past due days'.

*Defaulted exposures:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Gross carrying/nominal amount – of which subject to impairment:* the gross carrying/nominal amount related to exposures that are subject to the impairment requirements of the applicable accounting framework.

*Accumulated impairments, accumulated negative changes in fair value due to credit risk and provisions:* see the definition in Template 1, 'Credit quality of forborne exposures'.

##### Rows:

*Country:* a country in which the institution's exposures are material in accordance with EBA/GL/2014/14.

When the materiality of countries is determined using a materiality threshold, that threshold should be disclosed, as should the list of immaterial countries included in the 'Other countries' rows.



Institutions should allocate exposures to a significant country based on the residence of the immediate counterparty. Exposures to supranational organisations should be assigned not to the country of residence of the institution but to 'Other countries'.



**Template 6: Credit quality of loans and advances by industry**

<b>Purpose:</b> provide an overview of the credit quality of loans and advances to non-financial corporations and related impairments, provisions and valuation adjustments by industry.
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above.
<b>Content:</b> gross carrying amount of loans and advances to non-financial corporations and the related accumulated impairment and accumulated change in fair value due to credit risk, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

		a	b	c	d	e	f
		Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
				Of which defaulted			
1	Agriculture, forestry and fishing						
2	Mining and quarrying						
3	Manufacturing						
4	Electricity, gas, steam and air conditioning supply						





5	Water supply						
6	Construction						
7	Wholesale and retail trade						
8	Transport and storage						
9	Accommodation and food service activities						
10	Information and communication						
11	Financial and insurance activities						
12	Real estate activities						
13	Professional, scientific and technical activities						
14	Administrative and support service activities						
15	Public administration and defence, compulsory social security						
16	Education						
17	Human health services and social work activities						
18	Arts, entertainment and recreation						
19	Other services						
<b>20</b>	<b>Total</b>						

**Definitions**

**Columns:**

*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Gross carrying amount – of which loans and advances subject to impairment:* the gross carrying amount related to exposures that are subject to the impairment requirements of the applicable accounting framework.

*Non-performing exposures:* see the definition in Template 3, 'Credit quality of performing and non-performing exposures by past due days'.



*Defaulted exposures:* see the definition in Template 1, 'Credit quality of forborne exposures'.

*Accumulated impairment and negative fair value adjustments due to credit risk:* this should include the amounts determined in accordance with paragraphs 69 to 71 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

**Rows:**

Counterparty sector allocation should be based exclusively on the nature of the immediate counterparty. The classification of exposures incurred jointly by more than one obligor should be done based on the characteristics of the obligor that was the more relevant, or determinant, for the institution's decision to grant the exposure.

The rows should be used to disclose the material industry sectors or counterparty types to which institutions have exposures. Materiality should be assessed based on EBA/GL/2014/14, and immaterial industry sectors or counterparty types should be aggregated in the row 'Other services'.

# Annex III – Disclosure templates: collateral valuation

## Template 7: Collateral valuation – loans and advances

<b>Purpose:</b> disclose collateral valuation and other information on loans and advances.
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above.
<b>Content:</b> gross carrying amount on loans and advances and the related accumulated impairment, collateral and financial guarantees received, and partial write-offs, according to the scope of regulatory consolidation in accordance with Chapter 2 of Title II of Part One of the CRR.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

a	b	c	d	e	f	g	h	i	j	k	l
Loans and advances	Performing	Of which past due > 30 days ≤ 90 days	Non-performing	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
					Of which past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years		



								90 da ys ≤ 1 80 da ys					
1	Gross carrying amount												
2	<i>Of which secured</i>												
3	<i>Of which secured with immovable property</i>												
4	<i>Of which instruments with LTV higher than 60% and lower or equal to 80%</i>												
5	<i>Of which instruments with LTV higher than 80% and lower or equal to 100%</i>												
6	<i>Of which instruments with LTV higher than 100%</i>												
7	Accumulated impairment for secured assets												
8	Collateral												
9	<i>Of which value capped at the value of exposure</i>												



10	<i>Of which immovable property</i>												
11	<i>Of which value above the cap</i>												
12	<i>Of which immovable property</i>												
13	Financial guarantees received												
14	Accumulated partial write-off												

**Definitions**

**Columns:**

*Of which past due > 30 days:* subcategory of performing loans and advances that are 31–90 days past due.

*Non-performing exposures:* see the definition in Template 3, ‘Credit quality of performing and non-performing exposures by past due days’.

*Unlikely to pay that are not past due or are past due ≤ 90 days:* subcategory of loans and advances that are either not past due or are up to 90 days past due but are nevertheless identified as non-performing, because of the likelihood of non-full repayment pursuant to point (b) of paragraph 213 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

*Of which past due > 90 days ≤ 180 days:* subcategory of loans and advances that are 91–180 days past due.

*Of which past due > 180 days ≤ 1 year:* subcategory of loans and advances that are 181 days to 1 year past due.

*Of which past due > 1 years ≤ 2 years:* subcategory of loans and advances that are 1–2 years past due.

*Of which past due > 2 years ≤ 5 years:* subcategory of loans and advances that are 2–5 years past due.

*Of which past due > 5 years ≤ 7 years:* subcategory of loans and advances that are 5–7 years past due.

*Of which past due > 7 years:* subcategory of loans and advances that are more than 7 years past due.

**Rows:**

*Gross carrying amount:* see the definition in Template 1, ‘Credit quality of forborne exposures’.

*Secured loans and advances* should also include the parts of these exposures that are unsecured.



*Unsecured loans and advances* should include exposures for which neither collateral was pledged nor financial guarantees were received; the unsecured part of a partially secured or partially guaranteed exposure should not be included, according to paragraph 327(c) of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

Therefore, secured loans and advances must be calculated as the difference between the gross carrying amount of all loans and advances and the gross carrying amount of unsecured loans and advances.

*Instruments with LTV higher than 60% and lower or equal to 80%:* the loan-to-value (LTV) ratio should be calculated using the calculation method specified for 'LTV Current' in the Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB/2016/14). Institutions should disclose the gross carrying amount of loans and advances having an LTV ratio higher than 60% and lower or equal to 80%.

*Instruments with LTV higher than 80% and lower or equal to 100%:* institutions should disclose the gross carrying amount of loans and advances having an LTV ratio higher than 80% and lower than or equal to 100%.

*Instruments with LTV higher than 100%:* gross carrying amount of loans and advances having a LTV ratio higher than 100%.

*Accumulated impairment for secured assets:* for secured debt instruments, accumulated impairment should be calculated as the cumulative amount of impairment losses, net of use and reversals that has been recognised, where appropriate for each of the impairment stages (paragraph 70 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014).

*Collateral – of which value capped at the value of exposure:* amounts reported for collateral received should be calculated in accordance with paragraph 239 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014. The sum of the amounts reported for collateral in this row should be capped at the carrying amount of the related exposure.

*Of which immovable property:* the part of the collateral consisting of residential or commercial immovable property (point (a) of paragraph 173 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014). The sum of the amounts reported for collateral in this row should be capped at the carrying amount of the related exposure.

*Collateral – of which value above the cap:* in this row, the difference between the actual value of the collateral and the capped value of the collateral should be disclosed (institutions should not apply for the calculation of the actual value of the collateral paragraph 239 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014).

*Of which immovable property:* the difference between the actual value and the capped value of the part of the collateral consisting of residential or commercial immovable property (point (a) of paragraph 173 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014).

*Financial guarantees received:* as defined in paragraph 114 of Part 2 of Annex V to Commission Implementing Regulation (EU) No 680/2014.

*Accumulated partial write-off:* see the definition in Template 4, 'Performing and non-performing exposures and related provisions'.

## Annex IV – Disclosure templates: changes in the stock of NPLs

### Template 8: Changes in the stock of non-performing loans and advances

<b>Purpose:</b> provide an overview of the movements (inflows and outflows) of non-performing loans and advances.
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above.
<b>Content:</b> movements of gross carrying amounts of non-performing loans and advances during the period.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of a significant amount in the row 'Outflow due to other situations'.

		a	b
		Gross carrying amount	Related net accumulated recoveries
<b>1</b>	<b>Initial stock of non-performing loans and advances</b>		
2	Inflows to non-performing portfolios		
3	Outflows from non-performing portfolios		
4	Outflow to performing portfolio		
5	Outflow due to loan repayment, partial or total		
6	Outflow due to collateral liquidation		
7	Outflow due to taking possession of collateral		
8	Outflow due to sale of instruments		
9	Outflow due to risk transfer		
10	Outflow due to write-off		



11	Outflow due to other situations		
12	Outflow due to reclassification as held for sale		
<b>13</b>	<b>Final stock of non-performing loans and advances</b>		

## Definitions

### Columns:

*Gross carrying amount:* see the definition in Template 1, 'Credit quality of forborne exposures'.

### Rows:

*Initial stock of non-performing loans and advances:* the gross carrying amount of the stock of non-performing loans and advances at the end of the last financial year.

*Inflows to non-performing portfolios:* the gross carrying amount of loans and advances that entered non-performing status during the period (since the end of last financial year).

*Outflow to performing portfolio:* the gross carrying amount of loans and advances that exited non-performing status and became performing during the period (since the end of last financial year).

*Outflow due to loan repayment, partial or total:* the reduction in the gross carrying amount of non-performing loans and advances due to cash payments, namely regular payments of capital and any ad hoc repayments during the period (since the end of last financial year).

*Outflow due to collateral liquidations:* the effect on the gross carrying amount of an instrument from the liquidation of any kind of collateral should be reported in this row. Outflows due to other liquidation or legal procedures and voluntary sale of property are also to be included in this row. For the avoidance of doubt, please note that the gross carrying amount of the instrument should be reported, including any potential accompanying partial write-off. Please also note that outflows might not be equal to the sum of net cumulated recoveries and partial write-offs.

*Related net accumulated recoveries:* cash recoveries or cash equivalents collected due to collateral liquidations (net of respective collateral liquidation costs) are to be reported in this row.

*Outflow due to taking possession of collateral:* the effect on the gross carrying amount of an instrument due to the foreclosure of any kind of collateral should be reported in this row. Taking possession refers to the acquisition of non-cash collateral of which the credit institution or a group subsidiary has acquired ownership and which it has not yet sold to a third party. Debt asset swaps, voluntary surrenders and debt equity swaps are also to be included in this category. For the avoidance of doubt, please note that the gross carrying amount of the instrument should be reported, including any potential accompanying partial write-offs. Please also note that outflows might not be equal to the sum of net cumulated recoveries and partial write-offs.

*Related net accumulated recoveries:* the initial recognition in the bank's balance sheet of the fair value of the collateral at the moment of taking possession is to be reported in this row. Cash recoveries or cash equivalents collected in the context of taking possession of collateral net of costs should not be included in this row but be reported under 'Outflow due to loan repayment, partial or total'.





*Outflow due to sale of instruments:* total balance changes stemming from loans and advances sold to other institutions, excluding intragroup transactions. For the avoidance of doubt, please note that the gross carrying amount of the loans and advances sold is to be reported (including any potential accompanying partial write-offs) and not its valuation or price during the transaction. Please also note that outflows might not be equal to the sum of net cumulated recoveries and partial write-offs.

*Related net accumulated recoveries:* cash recoveries or cash equivalents collected in the context of the sale of loans and advances, net of selling costs, are included in this row.

*Outflow due to risk transfers:* the gross reduction in non-performing loans and advances due to securitisation or other risk transfers qualifying for de-recognition from the balance sheet. Please also note that outflows might not be equal to the sum of net cumulated recoveries and partial write-offs.

*Related net accumulated recoveries:* cash recoveries or cash equivalents collected in the context of the outflows due to significant risk transfers are to be reported in this row.

*Outflow due to write-offs:* full or partial write-offs of total loans and advances recorded during the reference period. A write-off (full or partial) constitutes a de-recognition event. Therefore, the gross carrying amount of loans and advances is reduced by the amount of the write-offs. For the avoidance of doubt, please note that this row reflects changes in the gross carrying amount of loans and advances, and any potential partial write-offs that have already been reported in previous rows (e.g. accompanying sale of loans and advances, collateral liquidation, taking possession of collateral or significant risk transfer) should not be included in this row. Furthermore, debt forgiveness in the context of forbearance measures, i.e. write-offs for which the amount of debt outstanding from the borrower was cancelled (the bank forfeits the right to legally recover it), is also to be included in this category.

*Outflow due to reclassification as held for sale:* decreases to the carrying amount of non-performing loans and advances due to their reclassification as instruments held for sale.

*Outflow due to other situations:* any other decreases to the carrying amount of loans and advances that are not covered by the events mentioned above should be included in this row. Those adjustments might include, for instance, FX changes, other closure actions, reclassifications between asset classes, etc. Where the amount for this category is significant, reporting institutions are expected to provide details in the text box located to the right of the template and labelled 'Notes on inflows/outflows to/from NP portfolios'.



## Annex V – Disclosure templates: foreclosed assets

### Template 9: Collateral obtained by taking possession and execution processes

<b>Purpose:</b> provide an overview of foreclosed assets obtained from non-performing exposures.
<b>Scope of application:</b> the template applies to all credit institutions as defined in paragraph 6.
<b>Content:</b> information on the instruments that were cancelled in exchange for the collateral obtained by taking possession and on the value of the collateral obtained by taking possession.
<b>Frequency:</b> semi-annual or annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E		
3	<i>Residential immovable property</i>		
4	<i>Commercial Immovable property</i>		
5	<i>Movable property (auto, shipping, etc.)</i>		



6	<i>Equity and debt instruments</i>		
7	<i>Other</i>		
<b>8</b>	<b>Total</b>		

**Definitions**

**Columns:**

*Value at initial recognition:* the gross carrying amount of the collateral obtained by taking possession at initial recognition in the reporting institution's balance sheet should be reported in this column.

*Accumulated negative changes:* accumulated impairment or accumulated negative changes to the initial recognition value of the collateral obtained by taking possession, as described above. Please note that accumulated negative changes due to amortisation in the case of PP&E and investment properties, if applicable, should also be included.

**Rows:**

*Collateral obtained by taking possession classified as PP&E:* the stock of collateral obtained by taking possession that remains recognised in the balance sheet at the reporting reference date and that is classified as PP&E should be reported in this row.

*Collateral obtained by taking possession other than that classified as PP&E:* the stock of collateral obtained by taking possession that remains recognised in the balance sheet at the reporting reference date and is not classified as PP&E will automatically be reported in this row. The total stock will be calculated taking into account the initial stock (since the end of the last financial year), and the inflows and the outflows that occurred during the disclosure period (since the end of the last financial year). Collateral obtained by taking possession (other than PP&E) is reported in rows by type of collateral.

*Residential immovable property:* collateral obtained by taking possession of residential property (e.g. houses, apartments, etc.) or property with potential use in the future as such (e.g. unfinished residential property etc.).

*Commercial immovable property:* collateral obtained by taking possession of commercial or industrial property that can be used for business and/or investment purposes, or of any immovable property that is not residential property, as described above. Land (both non-agricultural and agricultural) should also be included in this category.

*Movable property:* collateral obtained by taking possession of property other than immovable property should be reported in this row.

*Equity and debt instruments:* collateral obtained by taking possession of equity or debt instruments should be reported in this row.

*Other collateral:* collateral obtained by taking possession not falling into the categories of the other rows. If the amount reported in this row is relatively material, reporting institutions are asked to provide additional information in the free text box located on the right-hand side of the template and labelled 'Notes on other collateral obtained by taking possession'.



**Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown**

<b>Purpose:</b> provide an overview of collateral obtained by taking possession (by type and by time since date of foreclosure)
<b>Scope of application:</b> the template applies to credit institutions meeting at least one of the criteria for significance, as defined in paragraph 12, and having a gross NPL ratio of 5% or above.
<b>Content:</b> information on the instruments that were cancelled in exchange for the collateral obtained by taking possession and on the value of collateral obtained by taking possession.
<b>Frequency:</b> annual in accordance with paragraph 15.
<b>Format:</b> fixed.
<b>Accompanying narrative:</b> institutions should explain the drivers of any significant changes in the amounts from the previous disclosure period.

		a	b	c	d	e	f	g	h	i	j	k	l	
		Debt balance reduction		Total collateral obtained by taking possession				Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	
1	Collateral obtained by taking possession classified as PP&E													
2	Collateral obtained by taking possession other than													



	that classified as PP&E												
3	<i>Residential immovable property</i>												
4	<i>Commercial immovable property</i>												
5	<i>Movable property (auto, shipping, etc.)</i>												
6	<i>Equity and debt instruments</i>												
7	<i>Other</i>												
<b>8</b>	<b>Total</b>												

**Definitions**

**Columns:**

*Gross carrying amount:* the gross amount of the debt that was cancelled in exchange for the collateral obtained by taking possession, at the exact moment of the exchange, through judicial procedures or bilateral agreement. The gross amount should be calculated as the gross reduction of the instrument balance, not taking into account any provisions. For the avoidance of doubt, balance reductions due to other reasons (e.g. cash collections) should not be reported in this column.

*Accumulated impairment:* the accumulated impairment of the instrument that was cancelled in exchange for the collateral obtained by taking possession, at the exact moment of the exchange, should be reported in this column. The corresponding information should be filled out with a negative sign.

*Value at initial recognition:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Accumulated negative changes:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Foreclosed ≤ 2 years:* 'Value at initial recognition' and 'Accumulated negative changes' for collateral obtained by taking possession and recognised in the balance sheet for 2 years or less at the reporting reference date.

*Foreclosed > 2 years ≤ 5 years:* 'Value at initial recognition' and 'Accumulated negative changes' for collateral obtained by taking possession and recognised in the balance sheet for more than 2 years and up to 5 years at the reporting reference date.



*Foreclosed >5 years:* 'Value at initial recognition' and 'Accumulated negative changes' for collateral obtained by taking possession and recognised in the balance sheet for more than 5 years at the reporting reference date.

*Of which non-current assets held for sale:* 'Initial value' and 'Accumulated negative changes' for collateral obtained by taking possession that is classified as non-current assets held for sale should be reported in these columns. If this classification is not relevant according to the accounting framework applicable to the credit institution, this information should not be provided.

**Rows:**

*Collateral obtained by taking possession classified as PP&E:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Residential immovable property:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Commercial Immovable property:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Movable property:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Equity and debt instruments:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.

*Other collateral:* see the definition in Template 9, 'Collateral obtained by taking possession and execution processes'.



# Accompanying documents

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## Draft cost–benefit analysis/impact assessment

The financial crises negatively affected the European banking sector and contributed to a build-up of NPEs in many banks' balance sheets. To tackle this situation, the European Council agreed on an Action Plan for Europe, which invited the EBA to contribute a number of initiatives and action points. In particular, the Council invited the EBA, in consultation with ESMA and competent authorities, to implement enhanced disclosure requirements on asset quality and NPLs for all banks. The Council also invited the EBA to issue guidelines on NPL management consistent with the SSM Guidance. Therefore, these guidelines are own-initiative guidelines that the EBA has issued to comply with the Action Plan developed by the Council.

Pursuant to Article 16(2) of the European Supervisory Authority (ESA) Regulations (Regulation (EU) No 1093/2010, Regulation (EU) No 094/2010 and Regulation (EU) No 1095/2010 of the European Parliament and of the Council), any guidelines developed by the ESAs are to be accompanied by an impact assessment (IA) that analyses 'the potential related costs and benefits' of the guidelines. This IA is required to provide the reader with an overview of the findings as regards problem identification, the options identified to remove the problem and their potential impacts.

The EBA prepared this IA by analysing the policy options considered when developing the guidelines. Given the nature of the study, the IA is qualitative in nature.

### Problem identification

After the financial crisis and ensuing recessions, banks in some Member States have continued to report particularly high levels of NPLs. The stock of NPLs in the EU banking sector amounted to EUR 989 billion at the end of 2016, EUR 815 billion at the end of 2017 and EUR 779 billion in the first quarter of 2018, i.e. 5.4%, 4.1% and 3.9%, respectively, of the total loan portfolio. The EU average NPE ratio was 3.4% in the first quarter of 2018.<sup>8</sup>

While the dispersion of the stock of NPEs is uneven across Member States, the problem is undeniably European, considering its scale and cross-border implications, with 12 Member States experiencing above average NPE ratios. The overall level remains high by historic standards and the improvement of NPE ratios has been disappointingly slow, even though the joint efforts of banks, supervisors and macroprudential authorities have recently led to an acceleration of the adjustment.

High NPL levels can generate negative cross-border spillovers and can affect the market's perception of the EU banking sector. They can also drag heavily on investment and, consequently, on the economy. High levels of NPLs are a problem at multiple levels: at microprudential level, they are associated with lower profitability and lower efficiency as a result of administrative costs and

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<sup>8</sup> The EBA Risk Dashboard; data as of Q1 2018: <http://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>.

higher funding costs for banks; at macro level, they are associated with stagnant growth, as capital is tied up in unproductive assets and is not funding new lending in the real economy; they also pose a risk to the viability of high-NPL banks; a high stock of NPEs negatively affects the resilience of the banking sector to shocks and hence increases systemic risk; and, for consumers, banks' proactive engagement with NPLs can help to avoid a situation where they are paying interest and fees on an asset that they may in the end not own.

On account of the importance of the situation described, some actions have been undertaken to improve NPL management (e.g. the publication of the ITS on supervisory reporting introducing definitions of NPEs and FBEs in 2014). Nevertheless, credit institutions are currently required to disclose very limited information on NPLs. This could cause a potential asymmetry between the information on NPLs available to market participants and the information available internally to institutions, as well as potential inconsistencies in the information disclosed by different credit institutions.

Asymmetry of information and/or a lack of comparable public information may impair the functioning of market discipline, hinder the assessment by market participants of credit institutions' risk profile and reduce comparability among peers, thus impairing the ability of potential investors to make sufficiently informed investment decisions.

### Policy objectives

The guidelines aim to enhance credit institutions' disclosures on the credit quality of assets by defining the common content and uniform disclosure formats for disclosures of NPEs, FBEs and foreclosed assets. For this purpose, the guidelines provide a set of harmonised templates with enough granularity to address the issues described in paragraph 7, applying, at the same time, proportionality, and seeking to achieve the following general objectives:

- to reduce asymmetry of information on NPEs, FBEs and foreclosed assets;
- to increase the consistency and comparability of credit institutions' public disclosures;
- in the long term, to promote market discipline.

### Baseline scenario

Institutions are required to report NPL-related data to supervisors on a regular basis. The ITS on supervisory reporting introduced definitions of NPEs and FBEs to be used by banks when reporting to supervisors. Information on NPEs is collected regularly in the context of financial reporting using several FINREP templates, including in Table F.18 of Annexes III and IV to Commission Implementing Regulation (EU) No 680/2014, in which performing and non-performing exposures, and associated accumulated credit losses, are broken down by measurement basis, type of exposure, counterparty and trigger for classification as NPEs. In addition, the EBA is developing new supervisory reporting requirements on NPEs, seeking to align the information included in the disclosure templates

included in these guidelines with the information included in current and future supervisory reporting data.

Furthermore, the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL2/016/11) include some disclosure requirements on NPEs, and these disclosure requirements will be extended by the requirements that are being consulted on in the current consultation paper.

Finally, in March 2017, the ECB-SSM published 'Guidance to banks on non-performing loans'. The SSM Guidance follows the life cycle of NPL management and outlines important aspects for forbearance treatments and NPL recognition, including the disclosure of NPLs.

In July 2017, the European Council agreed on an Action Plan to tackle NPLs in Europe. The Council stressed the need for a comprehensive approach consisting of a mix of complementary policy actions, at national level and at European level where appropriate. In particular, the Council invited the EBA to develop initiatives and action points. There are two specific initiatives in which the EBA is involved and that require disclosure-related actions:

- The Council invited the EBA to issue guidelines on NPL management consistent with the SSM Guidance. The SSM Guidance follows the life cycle of NPL management, including disclosure of NPLs by credit institutions.
- In addition, the Council invited the EBA, in consultation with ESMA and competent authorities, to implement, by the end of 2018, enhanced disclosure requirements on asset quality and NPLs for all banks.

The EBA is issuing these guidelines in order to comply with the initiatives on disclosure included in the Council's July 2017 Action Plan.

### Options considered

When drafting the present guidelines, the EBA considered several policy options under four main areas:

#### **1) Definitions of 'non-performing' and 'forbearance'**

The EBA has analysed which exposures should fall under the scope of these guidelines.

#### **2) Scope of application**

The EBA has assessed the suitability of extending the scope of application of these guidelines to all EU credit institutions or, by contrast, limiting its application to EU credit institutions that meet certain criteria for significance. The following options have been assessed:

***Option 1:*** *scope of application limited to EU credit institutions that meet certain criteria for significance.*

**Option 2:** *scope of application extended to all credit institutions (irrespective of the criteria for significance).*

### 3) Introduction of proportionality

Proportionality is one of the key pillars of EU banking regulation. Various options have been assessed in order to embed proportionality in these guidelines:

**Option 1:** *apply extended disclosure requirements to credit institutions depending on the level of NPLs reported by the institution.*

**Option 2:** *apply extended disclosure requirements to credit institutions depending on both the size/significance of the institution and its level of NPLs.*

Regarding the frequency of disclosure, the EBA has assessed two possible options for ensuring proportionality:

**Option 1:** *require disclosure with the same frequency of all credit institutions regardless of the significance of the institution.*

**Option 2:** *adapt the frequency of disclosure to the significance of the institution.*

### 4) Content and granularity

When defining the guidelines, two options were assessed in terms of the content and granularity of the information to be disclosed:

**Option 1:** *stick to the information on NPEs that credit institutions are and will be required to report as part of the supervisory reporting framework.*

**Option 2:** *go beyond the supervisory reporting framework and require that credit institutions disclose additional information on the quality of assets that might be considered relevant for market participants.*

More specifically, some aspects of granularity, content and proportionality have been assessed at template level. The following table shows the various options considered:

	Template	Topic	Options considered
1	Templates 1,3 and 4	Granularity	<p><b>Option 1:</b> include breakdown by accounting portfolio for debt instruments</p> <p><b>Option 2:</b> do not include breakdown by accounting portfolio for debt instruments</p>

	Template	Topic	Options considered
2	Template 1	Granularity	<p><b>Option 1:</b> include breakdown by asset class for debt instruments</p> <p><b>Option 2:</b> do not include breakdown by asset class for debt instruments</p>
3	Template 4	Number of templates	<p><b>Option 1:</b> include two different templates showing the quality of NPEs depending on the accounting framework applicable to the institution (national GAAP or IAS/IFRS)</p> <p><b>Option 2:</b> include one template showing the quality of NPEs for all institutions, irrespective of the applicable accounting framework (national GAAP or IAS/IFRS)</p>
4	Template 7	Granularity	<p><b>Option 1:</b> include breakdown by LTV for all secured instruments</p> <p><b>Option 2:</b> include breakdown by LTV only for instruments secured with immovable property</p>
5	Templates 9 and 10	Proportionality	<p><b>Option 1:</b> include only one template for all institutions, showing information on collateral obtained by taking possession (by type and by time since the date of foreclosure)</p> <p><b>Option 2:</b> include two different templates, one template as defined in option 1 and another template showing information on collateral obtained by taking possession without breakdown by type or vintage</p>

### Assessment of the options and the preferred options

#### 1) Definitions of ‘non-performing’ and ‘forbearance’

After analysing which definition of NPEs should be used, it was decided that the EBA definition included in the ITS on supervisory reporting should be applied. This way, the disclosure requirements will be consistent with the information reported under the supervisory reporting framework. Moreover, institutions will face a lighter burden and less demand on resources when disclosing the required NPL-related data if the definition applicable for public disclosure does not differ from that used for supervisory reporting, as institutions will have their reporting systems already set up to provide similar information.

#### 2) Scope of application

The high level of NPLs is a significant problem in the EU banking sector. Under **option 1**, these guidelines would be applicable only to significant credit institutions that met certain criteria. However, high levels of NPLs affect not only significant institutions but also small and medium-sized institutions. Moreover, the main aim of these guidelines is to provide standardised and harmonised information about NPLs, and this aim will not be achieved if the scope of application is limited to certain institutions based on criteria for significance. Therefore, the preferred option is **option 2**. Under this option, these guidelines will apply to all credit institutions that are subject to all or some of the disclosure requirements specified in Part Eight of the CRR, irrespective of whether they meet the criteria for significance or not.

### **3) Introduction of proportionality**

High levels of NPLs can imply risks to the viability of an institution. The impact of a viability risk to a small or medium-sized institution on the economy of a Member State should be less material than that of such a risk to a significant one. Similarly, the potential impact in terms of reduced new lending into the real economy due to high NPL levels will be more material if the institution with high NPL levels has an important share of the market in a certain Member State. In addition, if the institution is a G-SII or O-SII, the high NPL levels and their possible consequences could result in a wider and extended spillover effect on the Member State's economy or the global economy. Furthermore, small and medium-size institutions may face significant resource constraints if they have to disclose highly detailed information.

Moreover, banks reporting high levels of NPLs are, in principle, those that may cause the problems described in the previous paragraph. Finally, additional detailed information on NPEs and foreclosed assets is relevant for the markets mainly in relation to institutions with high levels of NPLs.

For these reasons, the preferred option is to combine both criteria (size/significance of the institution and level of NPLs) to introduce proportionality to limit the application of extended and more detailed disclosure requirements to significant institutions with high levels of NPLs (**option 2**).

In terms of frequency, disclosure requirements with higher than annual frequency would be a burden for small and medium-sized institutions, which might face resource constraints. The guidelines embed proportionality also in terms of frequency of disclosures, and only certain institutions are required to disclose some templates more frequently than annually (**option 2**).

### **4) Content, structure and granularity**

As explained above, the Council's Action Plan invited the EBA to implement guidelines on NPL management consistent with the SSM Guidance. In terms of disclosure, this may lead to a requirement for credit institutions to disclose information on quality of assets that goes beyond the information that they already have to, or will have to, report as part of the supervisory reporting framework. It is important to note that the information included in the supervisory reporting framework should be enough for supervisors to form a clear picture of the quality of assets held by credit institutions. Similarly, this information should also be enough to enable market participants to understand the risk profiles of banks. In addition, sticking to the information that credit institutions will report as part of the supervisory reporting framework will contribute greatly to

facilitating their compliance with the disclosure requirements. Consequently, the preferred option is to ensure that there will be consistency between the disclosure templates included in these guidelines and the supervisory reporting data (**option 2**).

More specifically, as mentioned above, some aspects of granularity, content and proportionality have been assessed at template level. The following table shows the assessment of the various options previously described in section 4:

	Template	Assessment of the options	Preferred option
1	<b>Templates 1,3 and 4</b>	<p>Option 1 would be to include an accounting breakdown in the disclosure of information regarding forborne and non-performing exposures.</p> <p>This content could be useful, for example, in providing a broader view of the bank's business model (with regard to how long it is keeping its accounting positions). While this information might be useful for supervisors, this level of detail is probably not needed for market participants.</p>	<p>The preferred option is <b>option 2: do not include breakdown by accounting portfolio for debt instruments.</b></p>
2	<b>Template 1</b>	<p>It was assessed whether an accounting breakdown by asset class for both FBEs and NPEs for debt securities should be included or not. It is not usual for debt securities to become FBEs.</p>	<p>The preferred option is <b>option 2: do not include breakdown by asset class for debt instruments</b>, as this breakdown does not provide valuable information to the public.</p>
3	<b>Template 4</b>	<p>For credit institutions subject to the IAS/IFRS framework, this template requires the breakdown of the information on NPEs by 'stage'. However, this breakdown is probably not applicable to credit institutions subject to national GAAP. Option 1 would involve the creation of two different templates depending on the applicable accounting framework (the template applicable for IAS/IFRS institutions would contain a stage breakdown). However, this would result in the inclusion of one extra template, making the use of the information disclosed more difficult and less straightforward.</p>	<p>The preferred option is <b>option 2: include one template showing the quality of NPEs for all institutions, irrespective of the applicable accounting framework (national GAAP or IAS/IFRS)</b>. The one template will include enough of a breakdown to provide the required information by stage and will also include a column for the total amount (without stage breakdown) for institutions not subject to IAS/IFRS.</p>

4	<b>Template 7</b>	<p>A breakdown by LTV would be useful information if the user of the information knew the share of the exposure that was collateralised by real estate items. Option 1 would show the breakdown by LTV only over the whole collateralised exposure, and part of this exposure could be collateralised by collateral other than immovable property. In that situation, LTV is not a relevant concept.</p>	<p>The preferred option is <b>option 2: include breakdown by LTV only for instruments secured with immovable property</b>, as this breakdown is useful only for the share of the exposure secured by immovable collateral.</p>
5	<b>Templates 9 and 10</b>	<p>The information about the gross amount of the debt or the accumulated impairment of the instrument that was cancelled in exchange for collateral is useful and valuable for the public. However, breaking this information down by type and by vintage bucket is relevant mainly for credit institutions with high levels of NPLs.</p>	<p>The preferred option is <b>option 2: include two different templates, one template as defined in option 1 and another template showing information on collateral obtained by taking possession without breakdown by type or vintage</b>. The simplified template will be applicable to all credit institutions, while the detailed template will be applicable to credit institutions that meet any of the criteria for significance and report a high level of NPLs.</p>



## Overview of questions for consultation

Question 1: Could you provide your views on whether adding an ‘of which’ column to column f of Template 1, ‘Credit quality of forborne exposures’, including the information on non-performing forborne exposures that are impaired (i.e. ‘of which impaired’) would be useful?

Question 2: Could you provide your views on whether adding the columns with the breakdown of provisions for non-performing exposures by buckets of the number of days that the exposure has been past due to Template 3, ‘Credit quality of performing and non-performing exposures by ageing of past due days’, would be useful?

Question 3: Could you provide your views on whether the breakdown between ‘on-balance-sheet exposures’ and ‘off-balance-sheet exposures’ included in Template 5, ‘Quality of non-performing exposures by geography’, is useful?

Question 4: Could you provide your views on whether the information on loans and advances secured with immovable property with a loan-to-value higher than 60% and lower than 80% included in row 3 of Template 7, ‘Collateral valuation – loans and advances’, at cost or amortised cost is useful?

Question 5: Do you agree with the overall content of these guidelines and with the templates proposed? In case of disagreement, please outline alternatives that would help to achieve the purpose of the guidelines.

## Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for 3 months and ended on 27 July 2018. Thirteen responses were received, and all of them were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments, and the actions taken to address them if deemed necessary.

Changes to the draft guidelines have been incorporated as a result of the responses received during the public consultation.

### Summary of key issues and the EBA’s response

The majority of respondents requested further clarification on the relationship between the EBA guidelines and the SSM guidance. If the ECB declares compliance with the EBA guidelines,

institutions to which the ECB guidance is addressed, following that guidance, should be seen as complying also with the EBA guidelines, and vice versa.

Most of the respondents requested further clarification on the relationship between the EBA guidelines and both other EBA disclosure requirements for Pillar 3 and other EBA guidelines. The EBA agreed that there was a need to further clarify the relationship between the disclosure requirements included in the guidelines and the disclosure requirements included in other EBA products. Therefore, specific explanations are provided where the disclosure requirements included in the new guidelines replace or allow institutions to comply with some of the requirements included in the 2016 guidelines.

A number of stakeholders requested the alignment of the EBA guidelines with the supervisory reporting framework. The EBA agreed that there was a need for consistency between the two and has developed the disclosure templates in full alignment with supervisory reporting, including by ensuring consistency in the entry and exit criteria for the disclosure templates for which the requirement to disclose the information is subject to a threshold.

Most of the respondents requested the alignment of the EBA guidelines with the BCBS Pillar 3 standards. The EBA agrees that compliance with EBA regulatory products should allow credit institutions to comply with the BCBS standards. Therefore, this alignment was taken into account when developing the templates.

A number of stakeholders requested the postponement of the implementation date. The implementation date is set by the Council's Action Plan on NPLs and cannot be postponed. In addition, the current implementation date should provide enough time for credit institutions to implement the guidelines.

A number of stakeholders supported the inclusion of proportionality in the guidelines but argued that the guidelines proposed proportionality criteria for significant institutions that were not aligned with the CRR2 proposal. Some respondents also raised concerns regarding the appropriateness of the 5% NPL ratio. After an assessment of the comments received, the criteria have not been amended, as they are fully aligned with the criteria included in other relevant EBA products.

Some respondents commented that the quantity and granularity of the information that the EBA requires institutions to disclose might not be in line with the key principles of Pillar 3 (disclosures should be clear, comprehensive and meaningful to users). The EBA's view is that the guidelines were developed to achieve a balance between the need for transparency and to make available relevant information and the need to not overburden banks.

The consultation paper included four questions on the possible inclusion of additional information in some of the templates and on the possible removal of some of the original information in other templates. Based on the answers received, and taking into account the overall purpose of the guidelines, it was decided not to add or to remove the information referred to in these questions.

The feedback table below covers these aspects in detail and includes the EBA's analysis of them, as well as giving an account of the amendments made to the guidelines.





## Summary of responses to the consultation and the EBA’s analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<b>General comments</b>			
Interaction between the EBA guidelines and the ECB guidance	A number of stakeholders requested further clarification on the relationship between the EBA guidelines and the ECB’s ‘Guidance to banks on non-performing loans’ (ECB guidance), for example on whether compliance with the EBA guidelines can be assumed if the ECB guidance has been implemented by banks as intended.	<p>Article 16(1) of the EBA Regulation provides that the EBA ‘shall, with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of Union law, issue guidelines and recommendations addressed to competent authorities or financial institutions’.</p> <p>The guidelines are addressed to competent authorities as defined in point 40 of Article 4(1) of Regulation (EU) No 575/2013, including the European Central Bank with regard to matters relating to the tasks conferred on it by Regulation (EU) No 1024/2013, and to credit institutions as defined in point 1 of Article 4(1) of Regulation (EU) No 575/2013.</p> <p>Article 4(3) of the SSM Regulation provides, inter alia, that ‘the ECB shall adopt guidelines and recommendations, and take decisions subject to and in compliance with the relevant Union law and in particular any legislative and non-legislative act, including those referred to in Articles 290 and 291 TFEU. It shall in particular be subject to binding regulatory and implementing technical standards developed by EBA and adopted by the Commission in accordance with Article 10 to 15 of Regulation (EU) No 1093/2010, to Article 16 of that Regulation, and to</p>	The EBA did not make any amendments to the guidelines on this point.



**Comments**

**Summary of responses received**

**EBA analysis**

**Amendments to the proposals**

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the provisions of that Regulation on the European supervisory handbook developed by EBA in accordance with that Regulation.’

Article 16(3) of the EBA Regulation provides that ‘the competent authorities and financial institutions shall make every effort to comply with those guidelines and recommendations. Within 2 months of the issuance of a guideline or recommendation, each competent authority shall confirm whether it complies or intends to comply with that guideline or recommendation. In the event that a competent authority does not comply or does not intend to comply, it shall inform the EBA, stating its reasons. The EBA shall publish the fact that a competent authority does not comply or does not intend to comply with that guideline or recommendation.’

Thus, if the ECB complies with the EBA guidelines, it is expected that the ECB guidance will be in line with the EBA guidelines.

Financial institutions will then be expected to comply with the EBA guidelines while also having regard to the ECB guidance, which should be considered to set out the supervisory practice on the basis of which the ECB complies with the EBA guidelines.

More generally, where a competent authority declares compliance with EBA guidelines, financial institutions to which those guidelines are addressed are expected to comply with the guidelines, both on the basis of the soft or hard legal instrument by which the EBA guidelines have been ‘internalised’ within the

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Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Interaction between these EBA guidelines and other EBA guidelines	A number of stakeholders requested further clarification on the relationship between the EBA guidelines and both other EBA disclosure requirements for Pillar 3 and other EBA guidelines.	<p>pertinent supervisory practice of the competent authority and on the basis of their directly applicable obligation referred to in Article 16 of the EBA Regulation, i.e. the obligation on financial institutions to make every effort to comply with EBA guidelines.</p> <p>Where a competent authority has declared that it will not comply with EBA guidelines, there is a tension between the aforementioned directly applicable Union obligation on the relevant financial institutions to make every effort to comply with EBA guidelines and the fact that a competent authority has explained that it cannot comply. This tension can be settled only on an ad hoc basis, having regard primarily to the explanation that has been provided by the competent authority for its non-compliance.</p> <p>To conclude, if the ECB declares compliance with the EBA guidelines, institutions to which the ECB guidance is addressed, following that guidance, should be seen as complying also with the EBA guidelines, and vice versa.</p>	The EBA has included in section 3 of the guidelines a subsection on amendments. This section explains that compliance with some of the disclosure requirements



Comments	Summary of responses received	EBA analysis	Amendments to the proposals
Interaction between the EBA guidelines and the supervisory reporting framework	A number of stakeholders requested the alignment of the EBA guidelines with the supervisory reporting framework.	The EBA agrees that there is a need for consistency with supervisory reporting and has aligned the disclosure templates included in these guidelines with the supervisory reporting data on NPEs that were published for consultation in August 2018.	included in the new guidelines replaces or allows institutions to comply with some of the requirements included in the 2016 guidelines.  The EBA made some amendments to Templates 2, 5 and 6 to achieve full consistency with supervisory reporting.
Interaction between the EBA guidelines and BCBS Pillar 3 disclosures	A number of stakeholders requested the alignment of the EBA guidelines with the BCBS Pillar 3 standards.	The EBA agrees that compliance with EBA regulatory products should allow credit institutions to comply with the BCBS standards on Pillar 3. The BCBS included in its consultative document ‘Pillar 3 disclosure requirements – updated framework’, issued for comment by 25 May 2018, a new Table CRB-A (additional disclosure related to prudential treatment of problem assets), in which banks would be required to disclose information on NPEs. The guidelines include all the information required by the new Basel table and therefore allow credit institutions to comply with this Basel standard.	The EBA did not make any amendments to the guidelines on this point.
Implementation date	A number of stakeholders requested the postponement of the implementation date to 1 January 2021.	The EBA is publishing these guidelines to comply with the Council’s July 2017 Action Plan on NPLs. In particular, the EBA was invited to issue by	The EBA did not make any amendments to the



Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>Some stakeholders considered that immediate compliance with the full set of templates if an institution were to cross the EBA threshold and become a high-NPL bank was an unrealistic expectation. Therefore, they suggested that some sort of phase-in period for compliance should be provided for banks that become high NPL.</p>	<p>summer 2018 guidelines that are consistent with the ECB guidance on management of NPLs and to implement by the end of 2018 enhanced disclosure requirements on NPLs. The 2021 implementation date proposed by some stakeholders is not compatible with the Council’s Action Plan. In addition, the EBA is of the view that the implementation date of 31 December 2019 established in the guidelines gives credit institutions enough time to make the required disclosures, some of which are already part of the supervisory reporting framework and the rest of which soon will be.</p>	<p>guidelines on this point.</p>
Proportionality principles	<p>A number of stakeholders supported the inclusion of proportionality in the guidelines but argued that the two-layer proportionality principle with the distinction between <i>significant</i> and <i>other</i> banks was not aligned with the ongoing work on CRR2, which is building on a three-layer proportionality principle (large, small and non-complex, other). In addition, the 5% threshold was considered not to be fully appropriate, as it was based on an EU average and could disproportionately affect some regions and countries, as well as smaller and specialised institutions. Respondents made some suggestions, such as setting the threshold at a higher rate or making the requirements applicable only to countries or banks with high levels of NPLs.</p> <p>Taking proportionality into consideration, another comment was that the cost for smaller and specialised institutions of incorporating the new</p>	<p>The proportionality criteria set out in the guidelines are consistent with those used in other EBA products:</p> <ul style="list-style-type: none"> <li>• The criteria that the EBA applies in the guidelines to determine if an institution is significant were defined consistently with those applied in existing EBA products on disclosure. In particular, they are consistent with those applied in the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11), which are currently in force.</li> <li>• The 5% gross NPL ratio threshold is consistent with the threshold specified in the EBA Guidelines on management of non-performing and forborne exposures, published in October 2018.</li> </ul>	<p>The EBA did not make any amendments to the guidelines on this point.</p>





Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	reporting into their IT systems and internal operations would be disproportionate.	In addition, the alignment with supervisory reporting should alleviate the burden of the disclosures that are applicable to smaller institutions.	
Clear and meaningful information	Some respondents commented that some of the key principles of Pillar 3 disclosure are that information should be clear, comprehensive and meaningful. Taking these principles into account, the respondents were concerned about the quantity and granularity of the information that the EBA requires institutions to disclose under Pillar 3, since the general opinion is that making the templates more granular just makes them more complex and more difficult for the users to interpret. Furthermore, some of the templates were considered to be useful for supervisors only and not for the public, as most investors would be likely to misinterpret them.	While acknowledging the views expressed by some stakeholders, the EBA has developed the guidelines with the aim of striking a balance between the need for transparency and to make available relevant information and the need to not overburden banks. In this regard, alignment with supervisory reporting, which has been one of the bases for the development of the guidelines, is important in order to facilitate banks' disclosures as much as possible.	The EBA did not make any amendments to the guidelines on this point.
<b>Responses to questions in Consultation Paper EBA/CP/2018/06</b>			
<b>Question 1: Could you provide your views on whether adding an 'of which' column to column f of Template 1, 'Credit quality of forborne exposures', including the information on non-performing forborne exposures that are impaired (i.e. 'of which impaired') would be useful?</b>			
Addition of column 'of which impaired' to 'Credit quality of forborne exposures' in Template 1	Nine of the ten stakeholders that responded to Question 1 considered that adding an 'of which impaired' column would not be useful, as the template is granular enough and it would not add further valuable information. In addition, according to the respondents, the addition of the new column would make the template too complex for the	The EBA acknowledges the view expressed by the majority of the respondents with regard to this question and confirms that the proposed column, 'of which impaired', will not be added to Template 1.	The EBA did not make any amendments to the guidelines on this point.



Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	majority of investors. On the other hand, one stakeholder responded that adding an 'of which' column would be useful.		
<p><b>Question 2: Could you provide your views on whether adding the columns with the breakdown of provisions for non-performing exposures by buckets of the number of days that the exposure has been past due to Template 3, 'Credit quality of performing and non-performing exposures by ageing of past due days', would be useful?</b></p>			
Addition of breakdown by vintage of provisions for NPEs in Template 3	Nine of the eleven stakeholders that responded to this question considered that adding these columns would not be useful. They argued that the template was granular enough and that it would not provide further valuable information. Furthermore, according to these respondents the new columns would make the template too complex for most investors. In addition, the majority of respondents considered that the breakdown included in this template should be in line with FINREP Template 18 and with the ECB guidance. There were two stakeholders that were in favour of adding the proposed columns, with minor changes to the template.	The EBA acknowledges the view expressed by the majority of the respondents with regard to this question and confirms that the proposed additional columns with the breakdown by vintage of provisions for NPEs will not be added to Template 3.	The EBA did not make any amendments to the guidelines on this point.
<p><b>Question 3: Could you provide your views on whether the breakdown between 'on-balance-sheet exposures' and 'off-balance-sheet exposures' included in Template 5, 'Quality of non-performing exposures by geography', is useful?</b></p>			
Breakdown between on- and off-balance-sheet exposures for 'Quality of non-performing exposures by geography' in Template 5	There views of the stakeholders that responded to Question 3 were split. While some respondents did not support keeping this information, based on, inter alia, the argument that obtaining it would result in a higher cost for those institutions preparing the information, other respondents	The EBA acknowledges the differing views expressed by respondents to this question. The EBA also points out that this information is to be reported by the relevant credit institutions as part of the new supervisory reporting framework, and that therefore disclosure should not represent an additional burden	The EBA did not make any amendments to the guidelines on this point.



Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>considered the breakdown useful. Furthermore, some respondents noted the limited scope of application of this template, which is relevant only for significant institutions with a gross NPL ratio of 5% or above.</p>	<p>for these institutions. Consequently, this information will not be removed from Template 5.</p>	
<p><b>Question 4: Could you provide your views on whether the information on loans and advances secured with immovable property with a loan-to-value higher than 60% and lower than 80% included in row 3 of Template 7, ‘Collateral valuation – loans and advances’, at cost or amortised cost is useful?</b></p>			
<p>Comments on information on LTV higher than 60% and lower than 80% in Template 7</p>	<p>While the majority of respondents did not find this information useful, some of them considered that it would be useful. One respondent suggested that the thresholds should be harmonised with those used in EBA/ITS/2015/01. Furthermore, some respondents noted the limited scope of application of this template, which is relevant only for significant institutions with a gross NPL ratio of 5% or above.</p>	<p>The EBA acknowledges the negative views expressed by the majority of the respondents with regard to this question but also the supportive responses submitted by some. However, this information is to be reported by the relevant credit institutions as part of the new supervisory reporting framework, and therefore disclosure should not represent an additional burden for these institutions. Finally, this information could also provide some insight into collateral that, in the case of a deterioration in its value, could move to buckets with an LTV higher than 80%. Consequently, this information will not be removed from Template 5.</p>	<p>The EBA did not make any amendments to the guidelines on this point.</p>
<p><b>Question 5: Do you agree with the overall content of these guidelines and with the templates proposed? In case of disagreement, please outline alternatives that would help to achieve the purpose of the guidelines.</b></p>			
<p><b>Respondents included their answers to this question as general comments on the guidelines, which are covered at the beginning of this table.</b></p>			