



PRESS RELEASE

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ECB reinforces its NPL guidance for banks

- ECB publishes for consultation an addendum to its guidance to banks on non-performing loans (NPLs)
- The addendum sets out supervisory expectations for minimum levels of prudential provisioning for new NPLs
- Consultation period runs from today until 8 December 2017 and includes a public hearing on 30 November 2017

The European Central Bank (ECB) today launched a public consultation on a [draft addendum to the ECB guidance on non-performing loans](#). The addendum supplements the guidance which was published on 20 March 2017 and reinforces the guidance with regard to fostering timely provisioning and write-off practices.

The draft addendum specifies quantitative supervisory expectations for minimum levels of prudential provisions for new NPLs. The prudential provisioning expectations will apply to all exposures that are newly classified as non-performing in line with the EBA definition as of 1 January 2018. These take into account the length of time a loan has been non-performing and the extent and valuation of collateral. More specifically, banks are expected to provide full coverage for the unsecured portion of new NPLs after 2 years at the latest and for the secured portion after 7 years at the latest. Furthermore, banks are expected to explain any deviation from the guidance to supervisors. Based on the banks' explanations the ECB will assess the need for additional supervisory measures.

It is proposed that the draft addendum will be applicable to new NPLs. With regard to NPL stocks, ECB Banking Supervision has required banks with high levels of NPLs to submit NPL strategies, including their NPL reduction targets, in the first half of this year. Many banks have made notable progress and submitted credible strategies including reduction plans. However, some banks still need to improve. ECB

Banking Supervision will continue to closely monitor progress on reducing NPLs, provisioning for NPL stocks and developments with respect to NPL strategies. In addition, by the end of the first quarter of 2018, ECB Banking Supervision will present its consideration of further policies to address the existing stock of NPLs, including appropriate transitional arrangements.

The ECB will hold a public hearing as part of this consultation on 30 November 2017 at its premises in Frankfurt am Main. Information on registering for the public hearing and on how to submit comments can be found on the ECB's website. Following the public consultation, the ECB will publish the comments received, together with a feedback statement.

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