



Just in Time



EBA IRRBB Heatmap Implementation *Second Phase: Medium/Long Term Action Plan*

March 2026



Executive Summary

The **European Banking Authority (EBA)** has published a second report on the IRRBB Heatmap, setting out medium and long-term guidance for its implementation action plan. As for the first phase, it contains **observations and recommendations** for Institutions and Supervisors, including some tools for Supervisors to support them in the assessment of Interest Rate Risk arising in the Banking Book (IRRBB) on several dimensions.

The report covers the following areas:

- **5-year cap on NMD repricing:** Limits assumed NMD repricing to **5 years**; longer horizons require documented evidence and alignment with hedging strategies.
- **Commercial margin modelling (Article 4(4) of Commission Delegated Regulation (EU) 2024/856):** Apply **IMS margins** or a **constant spread** for the SOT on NII to preserve comparability.
- **CSRBB perimeter and treatment:** Use a **consistent, risk-based perimeter** across EVE and NII; include fair-value and material amortised-cost instruments.
- **Hedging strategies and effectiveness:** Require clear **hedge governance, designation and regular back-testing** to demonstrate mitigation of value and earnings risk.



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Keywords: IRRBB, CSRBB, NMD, Hedging, Commercial Margin



01

Background

QIS and ITS Data Collection

SOT Observations



Background 1/2

QIS and ITS Data Collection

Following the publication of the prudential regulatory package in October 2022, **EBA** published an **heatmap** in **January 2024** based on its scrutiny of the **implementation of the IRRBB standards within the EU**, which was followed in **February 2025** by the Report on IRRBB Heatmap Implementation medium and long-term guidance.

The primary objective of the EBA's scrutiny work is to evaluate how the implementation of IRRBB and related regulatory developments affect institutions' ability to prudently manage interest rate risk.

The scrutiny work aims to **enhance convergence in risk management** and **supervisory expectations** by identifying key areas where further clarification, alignment, or guidance may be necessary.

Following the short/medium term objectives, this report advances into the medium- and long-term **objectives** for **IRRBB scrutiny**:



Monitor the 5-year cap on NMD repricing: Continue oversight of the behavioural cap to ensure repricing assumptions remain prudent and comparable across institutions.



Assess commercial margin modelling: Review practices for modelling commercial spreads in the SOT on NII, balancing internal IMS assumptions and the option of a constant spread for comparability.



Clarify CSRBB perimeter and treatment: Deepen guidance on a consistent, risk-based perimeter for Credit Spread Risk in the Banking Book across EVE and NII, including fair-value and material amortised-cost instruments.



Evaluate hedging strategies and effectiveness: Update supervisory analysis of hedging governance, designation (micro vs macro) and evidence of effectiveness, given growing reliance on derivatives.

Background 2/2

SOT Observations

The **Supervisory Outlier Test (SOT) outliers for 2024** on **Economic Value of Equity (EVE)** and **Net Interest Income (NII)** show a stable distribution compared with previous year. In 2024, one **EVE** outlier was observed among Group 2 institutions, representing a marginal increase compared with 2023. For the **NII** metric, there is a small decrease in outliers from 2023 (16 cases) to 2024 (11 cases), slightly concentrated among Group 2 institutions.

ΔEVE

Year	Weighted Mean	S.D.	5 th	50 th	95 th	# of banks
2024	-5.50%	3.97%	-12.55%	-5.08%	0.00%	152
2023	-5.39%	3.93%	12.22%	-4.92%	0.35%	97
2022	-7.10%	8.05%	-19.72%	-5.42%	-0.15%	137
2021	-9.27%	13.92%	-30.70%	-5.99%	0.02%	115

The analysis of **ΔEVE** across the QIS sample shows a marked reduction in sensitivity, suggesting **increased resilience** and **more effective hedging strategies**. The decline in standard deviation and the narrowing percentile distribution indicate **greater convergence** and **fewer extreme exposures**, partly supported by higher interest rates mechanically reducing duration and EVE sensitivity, although some residual dispersion remains at the lower end of the distribution.

ΔNII

Year	Weighted Mean	S.D.	5 th	50 th	95 th	# of banks
2024	-2.39%	1.94%	-6.90%	-2.15%	0.00%	152
2023	-2.80%	3.83%	-7.72%	-2.57%	-0.30%	97
2022	-3.49%	5.05%	-10.91%	-2.63%	0.92%	139
2021	-1.49%	3.32%	-7.19%	-1.41%	3.22%	114

The **ΔNII** distribution shows further improvement, with a **decreased weighted mean** in 2024 and the **lowest standard deviation** since 2021, **indicating increased convergence**. However, the 5th percentile suggests that a **small group of institutions remains highly sensitive** to downward rate shocks.

In absolute terms, **NII outliers appear more material than EVE outliers**, as total NII breaches of the 5% threshold amount to EUR 700 million, compared to only EUR 45 million above the 15% EVE threshold for the single EVE outlier.

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NMD 5-year Cap

Definition and Purpose

Monitoring Results and Supervisory Expectations



NMD 5-year Cap 1/2

Definition and Purpose

Non-Maturity Deposits (NMDs) are retail and corporate deposits **without a contractual maturity**, withdrawable at any time (e.g. current accounts, savings and payment accounts).

A descriptive analysis undertaken at the end of 2024 shows that the 5-year cap on NMD behavioral maturity remains a **key supervisory benchmark** that ensures **prudent modelling** and **comparability**, with **limited impact** for most banks and flexibility only in exceptional, well-justified cases.

OBSERVATIONS



Harmonizing Benchmark

The 5-year cap limits the repricing maturity of NMD to ensure prudent and harmonized modelling. QIS evidence shows that, under current high-interest rate conditions, it has had limited material impact for most banks, and it is mainly used as a harmonizing benchmark rather than a binding constraint.



Compliance with the market

The application of the 5-year cap is in line with the *EBA IRRBB Heatmap* objectives and *EBA Q&A 2023_6807*, which clarifies supervisory expectations on the use of the 5-year behavioral assumption for NMDs, providing insight into current market practices and supporting supervisory dialogue.



Limited Material Impact

ITS on Supervisory Reporting suggests that the implementation of the 5-year cap has had limited impact on the IRRBB metrics for most institutions. At the same time, some institutions indicate unintended impact observed.



High Degree of Convergence

Most institutions align their NMD repricing assumptions with regulatory limits, which helps explain the limited impact of the 5-year cap, as QIS results show that many banks' models were already broadly within this horizon; several institutions also indicated they would apply an internal repricing cap even in the absence of a formal regulatory requirement.

NMD 5-year Cap 2/2

Monitoring Results and Supervisory Expectations

Based on the monitoring results and the degree of convergence observed in current market practices, supervisory expectations aim to preserve **prudence**, **consistency** and **comparability** in the modelling of NMD behavioral assumptions.

Restrict deviations to exceptional cases

Extensions beyond 5-years should be allowed only where justified by exceptional circumstances:

- evidence that it reflects their business-model, customer behavior, or funding model;
- evidence that is consistently embedded in their IMS and hedging strategy;
- back-tested data demonstrating the possible unintended effects of the 5-year cap).

Any deviation should be supported by robust behavioral and historical evidence and embedded in sound governance frameworks.



Maintain the 5-year cap as the supervisory default

The 5-year cap should continue to serve as the benchmark for NMD behavioral repricing assumptions.

Preserve transparency in Pillar 3 disclosure

Any cap longer than five years that has been agreed with the supervisor should be clearly disclosed, together with its quantitative impact on ΔEVE and ΔNII , to support market discipline.

03

Commercial Margin Modelling

Observations and Recommendations



Commercial Margin Modelling

Observations and Recommendations

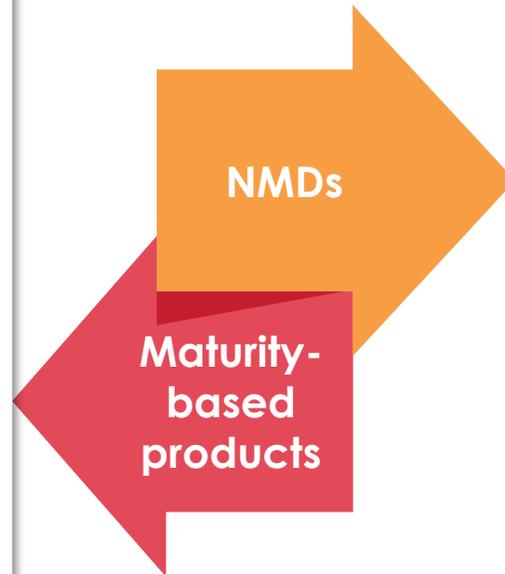
The Commercial Margin represents the **spread between the product rate and the underlying market reference rate**. The purpose of its modelling is to ensure a **consistent** and **comparable measurement of NII sensitivity**, by isolating interest rate risk effects from business and pricing decisions (as issued in *Article 4(4)**)

OBSERVATIONS

- **Regulatory requirement of constant margins:** the IRRBB framework requires the use of constant commercial margins in the SOT NII to enhance comparability across institutions.
- **Broad compliance for most products:** for loans, term deposits and other maturity-based products, institutions generally already apply constant margins, resulting in limited modelling challenges.

RECOMMENDATIONS

- **Preservation of constant margins:** commercial margins for maturity-based products should remain constant across scenarios, and behavioral assumptions applied to NMDs should not be extended to these products to not undermine comparability and complicate supervisory assessments under the SOT on NII.



OBSERVATIONS

- **Behavioral nature of margins:** commercial margins on NMDs reflect behavioral features such as delayed pass-through, partial repricing and asymmetric rate adjustments.
- **Heterogeneity of modelling practices:** institutions apply a wide range of approaches to NMD margin modelling, resulting in variability in NII sensitivity outcomes.

RECOMMENDATIONS

- **Alignment with internal modelling:** institutions should apply in the SOT on NII the same commercial margin assumptions used internally within their IMS for NMDs. Where IMS assumptions do not exist, institutions should use a constant spread over the risk-free rate.
- **Incorporation of key behavioural features:** institutions should appropriately reflect margin compression in negative spread environments, potential margin expansion when exiting low-rate regimes and pass-through lags.

*Article 4(4) of Commission Delegated Regulation (EU) 2024/856

04

CSRBB – Perimeter of Instruments

(Medium / Long Term Priorities) - Observations and Recommendations



CSRBB – Perimeter of Instruments

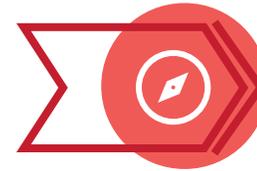
(Medium / Long Term Priorities) - Observations and Recommendations

The EBA identifies the definition of the **CSRBB perimeter** as a **medium/long-term supervisory priority**, due to the persistent **heterogeneity of practices** and the frequent restriction of the CSRBB scope to **fair value instruments**, which may lead to an **incomplete capture of credit spread risk** and **limited comparability of EVE and NII metrics**.



OBSERVATIONS (EBA FINDINGS)

- The CSRBB perimeter remains **heterogeneous across institutions** and jurisdictions
- A differentiated CSRBB perimeter is applied for **EVE and NII** by several institutions
- CSRBB is often **limited to fair value** instruments, with frequent exclusion of amortised cost and IFRS 13 Level 3 instruments
- **Liabilities and derivatives** are not consistently included
- **Own issuances** are not systematically captured in CSRBB frameworks



EXPECTATIONS (EBA DIRECTIONS)

- CSRBB should be **included in the ICAAP** where material
- Institutions should define a **consistent CSRBB perimeter across EVE and NII**, unless strong risk-based reasons justify a different treatment
- The CSRBB perimeter should **not be driven by accounting classification nor by the availability of market-observed prices**
- The CSRBB scope should include:
 - **fair value instruments** (IFRS 13 Levels 1–3);
 - **amortised cost instruments** when materially sensitive to credit spread risk (using proxy/model-based approaches);
 - **derivatives** bearing material credit spread risk;
 - **own issuances**, excluding the idiosyncratic component of the institution's own credit spread
- Instruments should **not be excluded** solely due to holding intention or CVA treatment

05

IRRBB Hedging Strategies

Supervisory Readings (Second Phase)



IRRBB Hedging Strategies

Supervisory Readings (Second Phase)

The EBA highlights **hedging strategies** as a **medium/long-term supervisory focus**, given their **material impact on SOT outcomes**, in particular on **ΔEVE**, and the **more limited effectiveness observed for ΔNII**, as shown by the quantitative evidence below.

Impact of hedging strategies on regulatory metrics for the SOT on EVE and SOT on NII			
Metric	QIS Sample	Group 1	Group 2
ΔEVE – Outliers (hedges apply)	1 (0.66%)	0 (0.00%)	1 (1.15%)
Total sample	152	65	87
ΔEVE – Outliers (hedges do not apply)	55 (36.18%)	22 (33.85%)	33 (37.93%)
Total sample	152	65	87
ΔNII – Outliers (hedges apply)	11 (7.24%)	4 (6.15%)	7 (8.05%)
Total sample	152	65	87
ΔNII – Outliers (hedges do not apply)	30 (19.74%)	7 (10.77%)	23 (26.44%)
Total sample	152	65	87

Key readings:

- A **sharp increase in ΔEVE** outliers when hedges do not apply, while the reduction for ΔNII outliers is less pronounced
- The impact of hedging on regulatory metrics is **system-wide and consistent across groups**, confirming that hedging is a **structural driver of SOT outcomes**.

OBSERVATIONS (EBA FINDINGS)

- **Interest rate swaps** are the dominant hedging instruments used by institutions.
- Hedging strategies **significantly reduce SOT outliers under ΔEVE**, while the impact on **ΔNII is more limited**.

EXPECTATIONS (EBA DIRECTIONS)

- Institutions should consider **both ΔEVE and ΔNII perspectives** when defining hedging strategies.
- Hedging strategies should be embedded in the **IRRBB risk strategy and governance framework**.

SUPERVISORY IMPLICATIONS

- Hedging strategies are a **key structural driver of SOT compliance**, especially for the **ΔEVE metric**, and therefore a **critical area of supervisory focus**
- The more limited impact on ΔNII indicates that **earnings risk remains material even in the presence of hedging strategies**.



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Conclusions

EBA IRRBB Heatmap Implementation (Second Phase)



Conclusions

EBA IRRBB Heatmap Implementation (Second Phase)

Phase 2 confirms the transition from short/medium-term implementation topics towards **medium/long-term supervisory priorities** focused on prudence, consistency and comparability of IRRBB/CSRBB practices.



Hedging strategies are confirmed as a structural driver of SOT outcomes, particularly for ΔEVE , while the impact on ΔNII is more limited, indicating residual earnings sensitivity.



The **5-year cap on NMD repricing** remains a key supervisory benchmark: its impact is limited for most institutions due to high convergence, while deviations beyond 5 years are expected to remain exceptional, evidence-based and aligned with hedging strategy and governance.



For **SOT on NII**, supervisory focus remains on **comparability**, requiring constant **commercial margins** for maturity products and consistent treatment of NMD margin behavioral features aligned with internal IMS assumptions (or constant spread fallback where IMS assumptions do not exist).



CSRBB perimeter definition remains heterogeneous and is a medium/long-term supervisory priority; the EBA direction is for a consistent, risk-based perimeter across EVE and NII and not driven by accounting classification or market price observability.

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