



TOPICS:

Credit risk

SOURCE:

European Central Bank

ECB: Sound Credit, Sustainable Growth

- The ECB document discusses the supervisory importance of **robust credit underwriting** practices and outlines supervisory initiatives planned for 2026–2028. It emphasises how **sound lending standards** contribute to both financial stability and sustainable economic growth.
- **Robust borrower assessment** - including evaluation of repayment capacity and collateral quality - is essential to limit future losses, contain non-performing loans (NPLs) and safeguard long-term bank profitability. From a macroprudential perspective, prudent lending supports efficient capital allocation and sustainable economic growth, while overly loose standards risk financial instability.
- In response to renewed credit growth since mid-2024 and increasing competitive pressures, ECB Banking Supervision has designated credit underwriting as **a supervisory priority for 2026–28**. A **thematic review**, accompanied by a targeted data collection exercise, will be launched in the first half of 2026.

The initiative builds on a 2019 exercise but introduces significant streamlining, reducing data points by approximately one third and focusing strictly on “need-to-have” risk indicators.

- The March 2026 data request will collect **harmonised key risk indicators** - such as debt service-to-income ratios - across major portfolios. Definitions will align with ECB and ESRB standards to enhance comparability and avoid duplication with national reporting requirements. Supervisors may conduct targeted follow-ups where outliers are identified.
- Finally, the ECB highlights **transparency and benchmarking**. Anonymised comparative results will be shared with banks to improve internal risk management and promote convergence toward common European definitions of new lending and underwriting metrics.

