Main Measures taken in the Context of COVID-19 at the European Union Level as on 30 April 2020

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Authorities	Measures
Monetary policy actions	
ECB Decision (EU) 2020/407 (17/03/2020) Press releases of 12/03 and 18/03	▪ **Easing TLTRO-III conditions** [1] (entry into effect as of 17/03/2020) - Increase in borrowing capacity from **30% to 50%** of eligible loans. - **Removal of the 10%** bid limit per operation. - **Early repayment allowed after 12 months (vs. 24 months)** from the launch of each operation (applicable from September 2021). ▪ **Future easing conditions announced (expected before the 4th TLTRO III operation in June 2020)** - Reduction in the interest rate applied to TLTRO III by 25 bp over the period from June 2020 to June 2021 for all transactions outstanding during this period ⇨ rate = - 0.75%. - Lending performance threshold reduced to 0% (vs. 2.5%).
	▪ **Targeted Longer-Term Refinancing Operations**[2] **(LTRO)** - <u>Objective:</u> provide additional liquidity with favourable terms to complement TLTRO III operations maturing in June 2020. - Operations allocated on a weekly basis in the form of a fixed rate tender procedures with full allotment. Operation rate = **average of the deposit facility rate** over the life of the respective operation. Interest paid at maturity on 24 June 2020.
	▪ **750 billion Pandemic Emergency Purchase Programme (PEPP) by the end of 2020** - New temporary private and public sector securities purchase program. - The range of assets eligible for the public sector securities purchase programme is extended to commercial paper in the non-financial sector. - Easing of collateral standards.
ECB Decision of 07/04	▪ **Measures to ease the Eurosystem's collateral** requirements with a view to promoting banks' refinancing conditions and facilitating in particular the mobilisation of loans to enterprises and households : - Removal of the threshold for the mobilisation of credit claims (for domestic use) and enlarging of the scope of eligible credit claims. - Decrease (temporarily or not depending on the nature of the collateral) in the haircuts applied to all eligible collateral
ECB Press release of 30/04 and Decision (UE° 2020/614	▪ **New series of non-targeted emergency non-targeted longer-term refinancing operations in response to the pandemic (PELTRO)** - Composed of 7 operations conducted from May 2020 onwards and maturing progressively between July and September 2021 - Interest rate 25 bp below the average rate on the main Eurosystem operations (over the maturity of each operation). ▪ **Announcement of further easing of TLTRO-III conditions (lower interest rate than previously envisaged)**

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[1] TLTRO: Targeted Longer-Term Refinancing Operations. *TLTRO III: seven operations conducted from September 2019 to March 2021 (1 per quarter). Borrowing possible for up to 30% of outstanding loans to non-financial companies and households (excluding housing loans), limited to 10% of eligible outstanding loans as of 28 February 2019.*

[2] LTRO: Longer-Term Refinancing Operations. *Long-term refinancing operations carried out at market conditions enabling the steering of interest rates, the management of bank liquidity and the signalling of the monetary policy stance. These operations have a maturity of three months.*

<table>
<tr><th>Authorities</th><th>Measures</th></tr>
<tr><td></td><td></td></tr>
<tr><td colspan="2">Prudential measures</td></tr>
<tr><td>ECB
Press releases of 12/03 and 20/03 (+FAQ)</td><td>▪ Adjustment of capital conservation buffer requirements
- Authorisation to operate temporarily below the level of capital buffer requirements (2.5%) and P2G. <u>Partial</u> or <u>total</u> use of the corresponding capital possible.
- Early application of measures carried by the CRDV allowing partial use of AT1, AT2 capital instruments to meet the P2R requirement (i.e. 56% CET1, 19% AT1 and 25% T2).
- ECB calls national competent authorities to relax countercyclical capital buffer.
- Flexible approach announced for the approval of capital conservation plans, in case banks breach the combined buffer requirement.

▪ Non-performing loans (NPLs)
- Flexibility in the classification of obligors in NPL (unlikely to pay classification"), in the event of public guarantees or moratoria.
- Flexibility for loans subject to public moratoria. (cf. ABB extension p.2)
- Reduced minimum prudential coverage for loans becoming NPLs and subject to public guarantees (exposures issued before 26 April 2019).
- The ECB encourages European legislators to take similar measures for all NPL exposures issued after 26 April 2019 (Pillar 1).
- The stock of NPLs is not the focus of the ECB's current mitigation measures. Nevertheless, the JST may, on a case-by-case basis, be more flexible regarding the NPL reduction strategies put in place.

▪ Short-term liquidity requirement (LCR)
- Banks will be able to temporarily have a LCR < 100
- In this case, the EBA will be lenient in assessing plans for the restoration of LCR.

▪ Supervisory measures
- Postponement of 2020 stress tests to 2021 and on-site inspection missions.
- Postponement by 6 months of the deadlines for implementing the recommendations issued (on-site inspections, TRIMs and internal model investigations).
- Postponement of the publication of TRIM decisions, follow-up letters for on-site missions and decisions on internal models by 6 months.
- Deferral of 6 months of monitoring compliance with SREP qualitative measures.

▪ Other recommendations
- Application of the transitional provisions of IFRS 9 (smoothing until 2022 the CET1 impact of the increase in provisions) for those who have not yet done so.
- Consideration of the long-term outlook for provisioning policies.</td></tr>
<tr><td>HCSF
Press release of 18/03/2020 and Decision of 02/04</td><td>▪ Removal of the “French” countercyclical capital buffer applicable as of April 2, 2020 - previously set at 0.25% of localized exposures in France (and planned at 0.5% as of April 2020)
⇨ Similar measures taken by other countries:
- Belgium: rate maintained at 0% (since 01/01/2016),
- United Kingdom: 0% rate applicable from 11/03/2020,
- Germany: rate maintained at 0% (since 01/01/2016).</td></tr>
<tr><td>EBA
Press release of 25/03</td><td>▪ Harmonisation of supervisory treatment for public and private moratoria (identical objective and characteristics)
- Absence of automatic reclassification as restructured, either as "performing" or "non-performing forborne".</td></tr>
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Authorities	Measures
	- Operational issues on the monitoring of credit risk, on a case-by-case basis (adaptation of the process for counting 90-day overdue), the large volume of files to be monitored which will require a risk-based approach to be favoured.
Basel Committee Press release of 27/03	▪ **Deferral of the implementation date of the Basel 4 standards (including Output Floor), the market risk standards and the associated Pillar 3 requirements, to 01/01/2023 (vs. 01/01/2022)**
EBA Press release of 31/03	▪ **Reporting requirements (deadline, data quality, etc.)** - The EBA encourages the authorities to give institutions an extra month to prepare the reports to be submitted between March and the end of May 2020. - ⓘ This exception should not apply to LCR, ALMM reports, reports necessary for resolution plans (including information on the structure of liabilities including intra-group financial relations), or reports that the competent authority has identified as priorities for resolution. - If the quality of the reported data is insufficient, institutions may exchange and agree a timetable with the competent authority for their correction and updating. - The transition to version 2.9 of the reports and taxonomy, starting on March 31, 2020, is maintained, which implies the first implementation of FINREP 2020 on June 30. - The EBA suggests to the competent authorities not to give priority to ad hoc data collections not necessary for supervisory purposes in the current context. - In coordination with the Basel Committee and in accordance with the EBA's statement of 25 March, the Quantitative Impact Study (QIS) based on June 2020 data has been canceled. ▪ **Pillar 3** - The EBA also calls on the competent authorities to show flexibility when assessing the compliance of institutions with publication deadlines. In the event of an anticipated delay, institutions are expected to inform their competent authority immediately and, where appropriate, the market (estimating a publication date). - In addition, a discussion should be held between competent authorities and institutions on the need to include additional information to reflect the risk profile of the institution in the current environment.
EBA Guidelines of 02/04	▪ **Treatment of moratoria granted in the context of the sanitary crisis** - No distinction between public and private moratoria under conditions (a priori fulfilled by the GCM). - Calculation of the delay of unpaid arrears based on the revised payment schedule, - Confirmation that the assessment of the debtor's risk of default ("unlikeliness to pay") is carried out in the usual way and on a case-by-case basis: moratorium does not systematically mean NPL classification, - Confirmation of the absence of automatic reclassification as restructured ("performing" or "non-performing forborne"). - In case of a private moratorium (case of France), notification to the authorities of the main features (including selection criteria, number of beneficiaries and corresponding exposures), - Monitoring of moratoria by the institutions (e.g. population to which the moratoria were offered, beneficiary population, amounts thus suspended or deferred, etc.).
SRB Press release of 01/04 and letter of 25/03	▪ **Announcements of the Single Resolution Board** - Possible deferral (with national resolution authorities) of less urgent requests for information and data collection in the 2020 Resolution planning cycle. - Maintaining "essential" reports (and on time): LDR, ALR, quarterly MREL declarations. - Consideration of a possible deferral of other reports, e.g. report on critical functions and/or access to financial market infrastructures. - Regarding the operational constraints posed by the sanitary crisis, the resolution teams will assess on a case-by-case basis the difficulties of institutions in updating their work programmes and submitting information.

Authorities	Measures
	- Possible adaptation of transition periods and "intermediate" targets applied to banking groups in light of changing market conditions and their impact on transition periods.
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Basel Committee FAQ of 03/04	▪ Sovereign-guaranteed loans: **sovereign risk weight should be used** to determine credit risk requirements. ▪ **Moratoria (private or public):** - Assessment of the debtor's quality made on its ability to pay "rescheduled" payments. - Payments under moratoria are not included in the counting of days past due (90 days for non-performing loans). - No automatic classification as forborne. ▪ **Transitional arrangements for expected credit loss accounting under IFRS 9** (mitigation of the CET1 impact of the increase in accounting provisions) - Possibility to apply these transitional arrangmentseven if not previously implemented to smooth the impact in CET1 of the increase iof accounting provisions - For 2020 and 2021, possibility (at the hand of the jurisdictions) to allow banks to add-back up to 100% of the transitional adjustment amount to CET1. The “add-back” amount must then be phased-out on a straight line basis over the subsequent 3 years.

ECB
Press Release of 15/04
	▪ **Measures relating to prudential information**
	- **Postponement by one month of the remittance dates (COREP, FINREP, benchmarking of internal models) planned between March and May 2020 for institutions under ECB supervision**.
	  ○ **/!\ Deadline not applying to the LCR and ALMM reporting deemed to be of priority**.
	  ○ Financing plans may be submitted up to two months late.
	  ○ Postponement should also be granted to smaller institutions, which are subject to EBA and ECB reporting requirements.
	- **Maintain the transition to version 2.9** of the regulatory remittances starting on 31 March 2020.

ECB Press release of 16/04/2020	▪ **Temporary easing of capital requirements for market risk calculated using the internal models (IMA - <u>GCM is not concerned</u>)**
EBA Statements of 22/04	▪ **Easing in the calculation of prudent valuation adjustments (ABE/RTS/2020/04)** - Proposal to **adjust the formula for calculating AVAs on a core approach**) until December 31, 2020 of the following three categories: market price uncertainty, close-out costs and model risk category-level AVAs. ○ *Objective: to mitigate the exceptional volatility, caused by the current sanitary crisis, of the values of assets and liabilities.* - EBA also recommends that a mandate, enabling it to specify the modalities of application of the prudent valuation in exceptional circumstances and involving similar market disruptions, be included in future revisions of Article 105 of the CRR. - **Call for the rapid adoption of this final RTS** draft by the European Commission, thus making it possible to apply it in COREP reports <u>from 30 June 2020</u>. ▪ **Specific reporting requirements for market risk** - Willingness to **defer the application of FRTB-SA reporting to the third quarter 2021** with a reference date of September 30, 2021 (versus Q1 2021). The ITS projects are currently being drafted. ▪ **Initial margin requirements for non-centrally cleared derivatives** - Regulatory Technical Standards (RTS) being drafted following the Basel Committee's

Authorities	Measures
	announcement of 3 April 2020 **postponing the application of initial margin requirements for certain types of counterparties by one year**. This extension concerns entities whose overall average notional amount of these positions exceeds €50bn (requirement applicable as of September 1, 2021 vs. 2020) and €8bn (requirement applicable as of September 1, 2022 vs. 2021). ▪ **Other measures relating to SREP and preventive recovery plans** - EBA advocates for a pragmatic SREP 2020 focusing on the most important risks and vulnerabilities induced by the crisis. Supervisors could move away from a comprehensive assessment of all risks and weaknesses of entities. For example, previous assessments could be maintained for certain elements of the process not affected by the crisis. - EBA calls on institutions **to review and update their preventive recovery plans** so that they can be effectively implemented where necessary. Institutions should pay more attention to understanding **what options are available and necessary under current conditions**. - Examples of other proposed flexibilities: o Possibility[3] to submit key elements only to the competent authorities, while other elements (*e.g. description of the institution and entities covered by the plan, communication plan etc.*) can be submitted in the next assessment cycle ; o Limit scenario updates to the description of a COVID-19 scenario; o Postpone the "fire-drill" exercises initially planned for 2020. ▪ **Clarifications on the application of public and private moratoria to securitizations and on the interpretation of implicit support:** - Classification of underlying securitized exposures in accordance with the EBA's COVID-19 guidelines: no automatic reclassification as "default" or "forbearance" in the event of a moratorium, unless classified as such before. - The suspension, deferral or reduction of payments due on securitised assets or the granting of a loan by the originator institution to its obligor due to a general moratorium on payments **should not automatically be seen as implicit support**. ▪ **Market risk measurement and internal model-based approach (IMA - *GCM not concerned*):** a reminder of the relaxations, at the discretion of the competent authorities, provided for by the CRR that may help to limit the increase in VaR due to the extreme volatility of financial markets.
EU Commission Legislative proposal of 28/04	▪ **Legislative proposal (not applicable at this stage) to soften some requirements of the CRR/CRR2 and thus free up capital to facilitate credit in the context of the Covid-19 crisis** - **Transitional arrangements for mitigating the impact of IFRS 9 provisions on regulatory capital** (optional application) o Review of the calculation formula for smoothing the CET1 impact of the increase in provisions between January 1, 2020 and the balance sheet date (but unchanged formula for smoothing the FTA impact under IFRS 9). o More favourable mitigation coefficients (total neutralisation of 2020 and 2021 provisions) and extension of the duration of the smoothing of the impact of the increase in IFRS 9 provisions until 31.12.2024. - **Reduced prudential coverage for NPLs from state-guaranteed loans under the Covid-19 crisis** o Non-performing loans (NPLs) guaranteed by the State (e.g. PGEs) would be subject to the same prudential coverage rules as NPLs guaranteed by a public export credit agency,

[3] En l'absence de changement significatif par rapport au dernier plan de rétablissement soumis et en l'absence de manquement majeur constaté.

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o prudential coverage only from their 8th year of seniority in NPL and for the full amount (and not a progressive coverage after 3 years).
- Leverage ratio:
o In exceptional circumstances and upon decision of the competent authority, central bank exposures could be excluded (under conditions) from the total exposure and modulo recalibration of the leverage ratio:
- this exclusion would apply to <u>all</u> central bank exposures (including stock, as of the date of the public disclosure) and not only to those arising after the exclusion took effect. But this provision would only apply as of 28 June 2021,
- modification of the way in which the ratio requirement is recalibrated (set <u>at the date of public declaration, no dynamic calculation</u>)
o Postponement of the application of the leverage ratio buffer for GSIB (GCM not concerned) to 1 January 2023 (versus 1 January 2022).
- Equity - Softwares: fast implementation of the exemption from deduction of equity, software, retaining a post-resolution value (weighting as of the EBA's publication of the RTS and no longer 12 months after)
- Credit risks: fast and immediate implementation of CRR2 provisions
o Supplementary factor in favour of SMEs (more favourable treatment than under CRR1),
o Exposures to entities operating or financing infrastructure (application of a factor to reduce capital requirements),
o Loans on salaries and expected pensions (favourable weighting in standard method).
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<tr><td colspan="2">Measures for enterprises</td></tr>
<tr><td>Order of 23 March 2020
(24/03)</td><td>
▪ Money loans granted to companies (VSEs, SMEs) backed by a EUR 300 billion State guarantee.
- <u>Beneficiaries:</u> banks and financing companies
- 12-month bullet loans (eligible from 25/03/2020 and until 31/12/2020), including an option to decide to have a grace period of 1 to 5 years thereafter.
- Interest rate: 0% for the 1st year, and then close to the refunding rate for the amortizable phase.
- Loan amount capped to 25% of total revenue of the borrower (except in specific cases).
- Application of the BPI guarantee from 70% to 90% of the capital and the remaining interest due (depending on the size of the company).
Commissions from 0.25% to 0.50%, then between 0.5% and 2% in the case of deferral. Supported by the borrower, collected by the institution and paid to BPI for the guaranteed portion.
</td></tr>
<tr><td>Order of 17 April 2020
(21/04)</td><td>
▪ Order amending the Order of 23 March 2020 on State-guaranteed treasury loans
- Clarification on the activation of the guarantee to ensure its prudential eligibility and not to allocate own funds to the guaranteed part of the loan
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<tr><td colspan="2">Measures related to financial statements (accounting impacts, publications)</td></tr>
<tr><td>IASB
Publication of 27/03/2020</td><td>
▪ Recognition of expected losses under IFRS 9
- Use of judgement in order to assess when lifetime losses are required to be recognized and in order to determine forward-looking scenarios to consider
- Existing expected credit losses (ECL) methodology should not be applied mechanically. For example, the moratoria granted for certain categories of financial instruments should not lead to recognize a systematic significant increase in credit risk (SICR).
- The assessment of SICRs requires entities to consideration of the risk of default over the expected life of the financial instrument.
- Changes in economic conditions should be reflected in the macroeconomic scenarios and their weightings. If the effects of Covid-19 cannot be considered in the models, post-model adjustments should be considered, and monitored as new reliable information becomes available.
- The IASB encourages entities to follow the IFRS 9 guidance issued by the European authorities (EBA, ECB, ESMA).
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<tr><td>EBA et ESMA
Statements of 25/03/2020</td><td>▪ Use of Judgement in applying IFRS 9
- For loans benefiting from moratoria, no systematic transfer to stage 2 (lifetime expected losses) or stage 3 (default): "case-by-case" analysis, possibility to perform this assessment on a collective basis in the initial period.
- Assessment of the significant increase in credit risk over the expected life of the financial instrument, allowing to consider the post-crisis indicator of the "probability of recovery"
- Integration of macroeconomic information, as far as possible, with a sufficient degree of certainty.
- Inclusion of the BPI guarantee in the estimate of expected losses measurement.
- Sufficient transparency expected on the disclosures related to the impacts of Covid-19 pandemic.</td></tr>
<tr><td>ESMA
Statements of 27/03/2020</td><td>▪ Flexibility regarding the deadlines for publishing financial statements (deferral of 2 months) for issuers on a regulated market (i.e. entities subject to the Transparency Directive).</td></tr>
<tr><td>ECB
Instructions in connection with IFRS 9 of 01/04/2020</td><td>▪ Collective assessment of the significant increase in credit risk
Recognizing lifetime expected credit losses on a portion of financial assets for which the credit risk is deemed to have increased significantly based on information that are only available on a collective basis (i.e. the "top-down" approach of IFRS 9)

▪ Use of the institution's long-term macroeconomic forecasts (based on available historical data provided as far as they are representative of the long-term horizon, unbiased or adjusted if necessary)

▪ Use of macroeconomic forecasts for specific years
- For interim accounts as from 30 June 2020, integration of the Euro area outlook to be published by the ECB on 4 June 2020
- To include forward-looking information in ECL models, the ECB has issued recommendations for banks using:
  - a baseline macroeconomic scenario:
    ▪ to consider economic forecasts for specific period (short term) and over a long term, and weight them according to their respective relevance
    ▪ revert faster to long-term forecasts if necessary. <u>The assumption of a mean reversion earlier than under normal conditions would not be objected to by the ECB</u>.
  - other scenarios (in addition to the baseline scenario) and :
    ▪ estimating the probabilities assigned to these scenarios and their deviation from the baseline
    ▪ ensuring that the probabilities assigned to the scenarios reflect collected experience over a sufficiently long-term horizon.</td></tr>
<tr><td colspan="2">Other measures</td></tr>
<tr><td>EBA
Statements of 25/03/2020</td><td>▪ Two-month deferral of ongoing consultations and data collection (Quantitative investment strategies - QIS)</td></tr>
<tr><td>ESMA
Statements of 26/03/2020</td><td>▪ Postponement of the application date of the reporting obligation for securities financing transactions to July 13, 2020 (vs. April 14, 2020 initially).</td></tr>
<tr><td>EBA
Statements of 31/03/2020</td><td>▪ Declaration on the distribution of dividends, share buybacks and variable compensation</td></tr>
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