Ensuring Risk-Sensitive Prudential Treatment of European Residential Mortgage Lending: A necessary pillar of housing affordability, social cohesion and European financial competitiveness

European Mortgage Federation-European Covered Bond Council (EMF-ECBC)

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Executive Summary

- The European Commission's forthcoming review of the Output Floor and its transitional arrangements provides an important opportunity to ensure that the EU prudential framework appropriately reflects the risk characteristics of European residential mortgage lending, while supporting the Union's wider objectives of competitiveness, housing affordability and long-term investment.

- The EMF-ECBC has consistently highlighted the disproportionate impact that the Output Floor could have on European mortgage lending, particularly given the prevalence of long-term, on-balance-sheet mortgage financing in the EU. While the EMF-ECBC has advocated maintaining the Output Floor at its original 50% calibration, preserving its function as a prudential backstop, it considers it essential that the existing framework provides permanent and appropriately differentiated treatment for demonstrably low-risk residential mortgage exposures.

- Updated EMF-ECBC modelling, covering 78 European banking groups, demonstrates the significance of this issue. Once the Output Floor is fully applicable in 2033, the analysis estimates that 29 institutions could become bound by the requirement, resulting in approximately €720 billion in additional risk-weighted assets and €66.7 billion in associated additional CET1 requirements. Making the preferential treatment under Article 465(5) CRR permanent and applying it consistently across the EU could reduce these estimated additional requirements by approximately €242.5 billion and €22.7 billion respectively.

- The implications extend beyond banks' capital requirements to the cost of mortgage finance and, potentially, its availability. Under the modelling assumptions, the additional annual cost potentially passed on to mortgage borrowers at affected institutions could amount to approximately €2.7–2.9 billion, equivalent to an illustrative average increase of 10–11 basis points in mortgage interest rates, which does not reflect the position of any particular bank; pricing decisions remain a matter for each institution. Maintaining Article 465(5) on a permanent and harmonised basis could mitigate around 80% of this modelled impact under the central modelling assumptions, helping to preserve access to affordable mortgage finance, particularly for households already facing affordability constraints.

- Against this background, the EMF-ECBC advocates two complementary measures in the event that an agreement on a permanently lower Output Floor of, for example, 50%, cannot be reached:
  1. Make the preferential treatment under Article 465(5) CRR permanent and harmonise its application across the EU, preserving the existing preferential risk weights and strict eligibility conditions, including historical loss-rate requirements, while removing national discretion.
  2. Align the Standardised Approach with the risk-sensitive principles underpinning Article 465(5) CRR, introducing appropriately differentiated risk weights of 10% for the qualifying portion of residential mortgage exposures up to 55% loan-to-value and 45% for the qualifying portion above 55% and up to

80%, subject to objective eligibility criteria and appropriate prudential safeguards. This would promote consistency in the calculation of RWAs across institutions using the IRB and Standardised Approaches, so that the recognition of demonstrably low-risk mortgage exposures does not depend solely on the methodology used.

- Together, these measures would strengthen the risk sensitivity and consistency of the EU prudential framework, promote a level playing field between European mortgage lenders and support the continued provision of affordable and sustainable housing finance, while preserving financial stability.

1. Context

The Draghi Report on the Future of European Competitiveness highlights, among other issues, the importance of a regulatory and financial framework that supports long-term investment, competitive and integrated banking and financial markets and ensures a level playing field, all of which are essential for sustaining Europe's growth and global competitiveness. More recently, the EU Affordable Housing Plan has placed housing affordability at the centre of EU priorities, with a strong emphasis on, among others, boosting housing supply, mobilising additional private (and public) investment and protecting vulnerable groups.

Most recently, the European Commission's Communication on the Competitiveness of the Banking Sector and the Single Market in Banking of 17 July 2026 explicitly recognises the need to examine the Output Floor and its transitional arrangements, including those relating to mortgage lending, as well as its interaction with other elements of the prudential framework. The Commission has indicated its intention to bring forward legislative proposals in the first quarter of 2027, providing a timely opportunity to address the prudential treatment of European residential mortgage lending.

During the legislative negotiations on the revised Capital Requirements Regulation (CRR III), the EMF-ECBC and other banking industry stakeholders highlighted the disproportionate impact of the Output Floor on EU mortgage lending and expressed concerns about its potential effect on the affordability of mortgages for EU citizens and the competitiveness of EU banks vis-à-vis their non-EU counterparts, largely given the EU practice of holding mortgages on balance sheet. In particular, stakeholders argued that the Output Floor, due to EU specificities, would become the binding requirement for a typical European IRB bank, rather than a backstop requirement for outlier banks as intended.

Against this background, the EMF-ECBC has advocated maintaining the Output Floor at its original 50% calibration, thereby preserving its role as a prudential backstop while limiting disproportionate effects on European mortgage lending. At a minimum, the industry has called for a more proportionate and permanent treatment of qualifying low-risk residential mortgage exposures under Article 465(5) CRR. While transitional arrangements were ultimately adopted, their permanence was not secured. Moreover, these arrangements remain subject to national discretion, creating uncertainty regarding the future prudential treatment of European residential mortgage lending.

In the context of the European Commission's forthcoming review, the EMF-ECBC considers it essential to address the treatment of low-risk residential mortgages within the existing prudential framework. In the event that the output floor is not permanently set at a lower level, for example 50%, the EMF-ECBC advocates **making Article 465(5) CRR permanent and aligning the Standardised Approach with its risk-sensitive principles**. These measures would strengthen the competitiveness of European mortgage lenders, ensure more consistent prudential treatment across the EU and support affordable housing finance.

2. The Case for Permanent and Risk-Sensitive Treatment

2.1. Updated evidence on the impact of the Output Floor

The importance of securing an appropriate and permanent prudential treatment for low-risk residential mortgage lending is further underlined by the potential impact of the Output Floor as the CRR III framework becomes fully applicable. With the European Commission preparing to examine the Output Floor and the relevant transitional arrangements, it is particularly important that the policy discussion is informed by an up-to-date assessment of the implications for European mortgage lenders.

Against this background, the EMF-ECBC has undertaken an updated quantitative assessment of the impact of the Output Floor. The assessment builds on the analytical approach developed by Copenhagen Economics in 2022 but has been carried out independently of Copenhagen Economics, applying that approach to the CRRIII framework using more recent, publicly available regulatory data.The updated analysis covers 78 European banks, including 52 groups using internal models, 45 of them for mortgage exposures, and examines the potential impact of the Output Floor throughout its implementation period and on a fully loaded basis. The full methodology is outlined in Annex I.

The findings point to a substantial increase in the estimated impact as the Output Floor is progressively implemented and the relevant transitional arrangements expire, highlighting the importance of addressing the long-term treatment of qualifying low-risk residential mortgage exposures.

CRR III implementation	Banks bound	Additional RWA	Associated additional CET1
2026 — 55% OF	4	€5.6bn	€0.5bn
2029 — 70% OF	14	€142.4bn	€12.6bn
2032 — 72.5% OF, transitional arrangements (Art. 465(3) and Art. 465(5))	18	€254.4bn	€22.6bn
2033+ — 72.5% OF, fully loaded	29	€720.0bn	€66.7bn

Source: EMF-ECBC Output Floor Exercise, October 2026.
Additional CET1 is measured at each bank's Pillar 1 and combined buffer requirement, excluding the Pillar 2 requirement and any sectoral systemic risk buffer (Annex I, section 2). Including the Pillar 2 requirement, the 2033+ figure would be €76.0 billion; at Pillar 1 only, €32.4 billion.

The results indicate that the potential impact of the Output Floor is not limited to its initial phase-in. **A particularly significant increase is estimated once the transitional arrangements have fully expired; about half of the step from 2032 to 2033 (€243 billion of the €466 billion increase in additional RWA) is attributable to the expiry of the treatment for qualifying residential mortgage exposures under Article 465(5), the remainder to the other transitional arrangements, notably Article 465(3) for unrated corporates.**

This reinforces the importance of considering the long-term prudential treatment of residential mortgage lending rather than focusing exclusively on the immediate implementation period.

2.2. The importance of Article 465(5) CRR

The updated modelling provides further evidence of the potential significance of Article 465(5) in mitigating the impact of the Output Floor. At the fully loaded 72.5% Output Floor calibration, the analysis compares the current framework, without Article 465(5), with scenarios in which the preferential mortgage treatment is maintained.

Fully loaded 72.5% Output Floor	Banks bound	Additional RWA	Associated additional CET1
Without Article 465(5)	29	€720.0bn	€66.7bn
Article 465(5) maintained where currently understood to apply*	27	€491.2bn	€45.4bn
Article 465(5) maintained EU-wide	24	€477.5bn	€44.0bn

Source: EMF-ECBC Output Floor Exercise, October 2026.
** Germany, Denmark, France, Italy, the Netherlands*

On this basis, maintaining Article 465(5) across the EU would reduce the modelled additional risk-weighted assets by up to €242.5 billion and the associated CET1 requirement by up to €22.7 billion, compared with the fully loaded framework without the preferential treatment. Even where Article 465(5) is assumed to continue only in those Member States currently applying it, the estimated reduction in additional CET1 amounts to approximately €21.3 billion.

These findings demonstrate the material importance of Article 465(5) in mitigating the impact of the Output Floor and provide a strong quantitative basis for making the preferential treatment permanent and removing national discretion, thereby ensuring consistent application across the EU and a more level playing field between European mortgage markets.

2.3. Preserving risk sensitivity and proportionality

European residential mortgage lending is characterised by long-term relationships between lenders and borrowers, prudent underwriting practices and structural risk mitigants that have historically contributed to comparatively low credit losses.

The importance of recognising these characteristics is supported by European supervisory evidence, including the European Banking Authority's (EBA) assessment of residential mortgage exposures under its EU-wide stress-testing framework. This evidence illustrates the comparatively favourable credit risk characteristics of residential mortgage lending, including under adverse economic conditions, and reinforces the importance of ensuring that prudential requirements remain appropriately differentiated according to underlying risk.

The Output Floor was introduced as a prudential backstop to address concerns about the reliability and variability of internal models. However, the ECB's Targeted Review of Internal Models (TRIM) and the EBA's IRB Roadmap have since strengthened the supervisory framework governing their use.

Where internal models appropriately reflect the low risk of well-underwritten residential mortgages, the Output Floor reduces risk sensitivity and narrows the differentiation between lower- and higher-risk exposures. Article 465(5) CRR addresses this concern to a certain extent through preferential risk weights for qualifying mortgages, subject to strict eligibility conditions, including historical loss-rate requirements under Article 465(8).

Making this treatment permanent would preserve risk differentiation where justified by demonstrated credit performance, while providing greater regulatory certainty for long-term mortgage lending. The expiry of a transitional provision does not, in itself, provide a prudential justification for withdrawing differentiated treatment where the underlying risk characteristics remain unchanged.

3. The Need for a Correspondingly Risk-Sensitive Standardised Approach

The treatment of residential mortgage lending under the Standardised Approach is central to the overall coherence of the prudential framework. The SA-CR determines capital requirements directly for institutions using the standardised methodology. At the same time, it provides the benchmark against which the Output Floor is calculated for institutions using internal models. Consequently, a lack of appropriate risk differentiation within the Standardised Approach can affect both categories of institutions, albeit through different mechanisms.

Given this dual role, ensuring appropriate risk sensitivity within the Standardised Approach is essential to achieving greater consistency in the prudential treatment of residential mortgage lending. Against this background, the EMF-ECBC proposes a recalibration of the Standardised Approach for qualifying low-risk residential mortgage exposures, as a natural complement to the permanent and harmonised application of Article 465(5) CRR. Both measures pursue the same fundamental objective: ensuring that the calculation of risk-weighted assets (RWAs) adequately reflects the underlying risk of residential mortgage exposures, irrespective of the approach used by an institution. Where residential mortgages meet robust, objective eligibility criteria demonstrating their low-risk nature, their prudential treatment should be consistent in principle across institutions using the Internal Ratings Based (IRB) approach and those using the Standardised Approach.

Alongside permanence of the Article 465(5) arrangements for IRB banks at the current level, the parallel alignment of the SA-CR would represent another powerful lever to secure affordable housing finance. Building on the existing preferential treatment under Article 465(5) CRR and the associated eligibility conditions under Article 465(8), this should include:

- A 10% risk weight for the qualifying low-LTV portion of residential mortgage exposures, combined with the applicable historical loss-rate 'hard test' requirements.
- A corresponding 45% risk weight for the portion of qualifying exposures with an LTV above 55% and up to 80%.

These proposed calibrations build directly on the preferential risk weights already established under Article 465(5) CRR. They therefore represent an extension of an existing legislative approach to the recognition of qualifying low-risk residential mortgage exposures, rather than the introduction of an entirely new framework.

The justification for this approach rests on the principle that prudential capital requirements should appropriately reflect differences in underlying credit risk. The dual-claim arrangement referred to in Article 465(8)(e) CRR is a risk-mitigating feature of qualifying secured mortgage lending, irrespective of whether the lending institution applies the IRB or Standardised Approach, while the historical loss-rate 'hard test' would provide an objective safeguard for the proposed preferential treatment.

The EMF-ECBC's analysis provides further support for this approach, demonstrating that the proposed preferential risk weights are consistent with the underlying risk characteristics of residential mortgage lending in several European markets (see Annex I, Section 4, for the underlying methodology). Importantly, the proposed framework does not envisage an indiscriminate reduction in capital requirements. Rather, preferential treatment would remain conditional on stringent historical loss-rate requirements and objective eligibility criteria, ensuring that lower risk weights are available only where justified by demonstrated credit performance.

Embedding these principles within the Standardised Approach would strengthen consistency between the treatment of qualifying low-risk mortgage exposures under the SA-CR and the standardised benchmark used for the Output Floor. It would also help to ensure that low-risk mortgage lending is treated in a more risk-sensitive manner in the Standardised Approach.

4. Implications for European Competitiveness and Housing Affordability

Mortgage lending, representing more than €7 trillion in outstanding loans and close to 40% of EU GDP[1], remains the primary source of financing for homeownership in Europe. The scale of outstanding residential mortgage lending relative to GDP underscores the economic significance of Europe's mortgage markets and the importance of ensuring an appropriately calibrated regulatory framework that enables them to continue supporting investment and growth. By providing access to affordable housing finance, European mortgage markets support social and economic well-being, encourage investment and foster job creation across the economy. They also play an important role in financing the renovation and energy efficiency improvement of the EU's building stock, with covered bonds and securitisations providing essential complementary sources of long-term funding. This also requires a consistent and risk-sensitive regulatory treatment of covered bonds and securitisations, taking due account of their respective risk profiles.

Beyond the direct implications for banks' regulatory capital requirements, the impact of the Output Floor must also be considered from the perspective of European mortgage borrowers. Higher capital requirements can affect the cost of providing mortgage credit, with potential consequences for borrowing costs and access to housing finance. To explore this dimension, the EMF-ECBC has complemented its updated prudential analysis with an assessment of the potential transmission of additional capital costs to mortgage borrowers.

Under the modelling assumptions, the analysis indicates that, once the Output Floor becomes fully applicable in 2033, the additional annual cost potentially passed on to mortgage borrowers at affected institutions could amount to approximately **€2.7–2.9 billion**, equivalent to an illustrative average increase of **10–11 basis points** in mortgage interest rates on the €2.7 trillion of residential mortgages concerned. For a household with a €200,000 mortgage[2], this could translate into approximately **€200–220 in additional annual interest costs** (see Annex I for underlying methodology). For modelling purposes, these estimates attribute the additional capital requirement to the mortgage book at the floored standardised risk weight. Under an alternative assumption in which the Output Floor add-on is allocated pro rata across all portfolios, the estimated annual cost would be approximately €0.8–0.9 billion. These estimates represent illustrative modelling outputs based on the assumptions described in Annex I. They are therefore purely illustrative examples that do not represent the situation of any particular bank and, as such, cannot be used to influence actual or intended mortgage pricing decisions, which remain subject to the independent commercial judgement of each institution.

The potential impact of the Output Floor on mortgage costs should also be read in the context of banks' asset and liability management, particularly given the prevalence of long-term, on-balance-sheet mortgage lending in Europe. Alongside funding costs, interest-rate risk and liquidity considerations, the additional regulatory capital requirements resulting from the Output Floor influence the overall cost of providing mortgage credit. The effect on borrowers may differ across European mortgage markets depending on the prevalence of fixed- and variable-rate products. Changes in financing costs may be reflected in the pricing of new lending and refinancing, at each lender's discretion, while their transmission to existing borrowers depends on the contractual terms of their loans.

Making the preferential treatment under Article 465(5) CRR permanent and applying it consistently across the EU could reduce these estimated potential additional annual borrowing costs to as little as **€0.5 billion**, mitigating around 80% of the modelled impact under the central modelling assumptions.

[1] HYPOSTAT_2026_.pdf

[2] The €200,000 mortgage is used for illustrative purposes. Average mortgage amounts vary significantly across EU Member States, reflecting differences in national housing markets. The same illustrative increase of 10–11 basis points in relation to a larger mortgage, for example of €370,000, which can be representative of average mortgage amounts in some markets (Hypostat 2026), would result in approximately €370–410 in additional annual interest costs.

Higher financing costs could particularly affect first-time buyers and households seeking higher loan-to-value mortgages. They may also reduce the amount households can borrow for a given monthly repayment, creating additional barriers to homeownership.

These potential effects must be considered alongside wider pressures on household budgets. According to Eurostat, housing costs accounted for an average of 19% of EU households' disposable income in 2024, rising to 37% for households with incomes below 60% of the national median[3]. Energy affordability also remains a significant concern, with 8.8% of the EU population unable to afford to keep their homes adequately warm in 2025[4], while household electricity prices remain well above their pre-energy-crisis levels[5]. These figures underline the pressures already facing European households and the importance of avoiding unnecessary increases in mortgage financing costs. Against this background, avoiding unnecessary increases in mortgage financing costs could help preserve households' financial resilience and capacity to meet their mortgage obligations.

Where affordability is constrained by insufficient housing supply, restricting mortgage credit does not address the underlying problem. Disproportionately conservative capital requirements for well-underwritten, low-risk mortgages risk increasing financing costs and making homeownership less accessible.

Capital requirements should reflect underlying risk, not serve as a tool for managing house prices. An appropriately risk-sensitive prudential framework would preserve financial stability while supporting European competitiveness and the financing of Europe's housing needs.

5. Policy Recommendations

In light of the EU's Competitiveness Agenda and Affordable Housing Plan, and the European Commission's forthcoming review of the Output Floor and its transitional arrangements, the EMF-ECBC believes that if the output floor is not set permanently at a lower level, it is vital to make the treatment of qualifying low-risk residential mortgage exposures permanent and harmonised across the EU, and to ensure a corresponding alignment of the Standardised Approach.

1. **Make the preferential treatment under Article 465(5) CRR permanent and harmonise its application across the EU:** The existing treatment for qualifying low-risk residential mortgage exposures should be made permanent, preserving both preferential risk weights beyond their respective transitional periods, together with the applicable objective eligibility conditions, including the historical loss-rate requirements. National discretion should be removed to ensure consistent application across Member States, promote a European level playing field and avoid unnecessary fragmentation in the prudential treatment of comparable mortgage exposures. The updated EMF-ECBC modelling indicates that this measure could at least partially mitigate the impact of the fully loaded Output Floor on affected European institutions.
2. **Align the Standardised Approach with the risk-sensitive principles underpinning Article 465(5) CRR:** The SA-CR should provide for appropriately differentiated risk weights for qualifying low-risk residential mortgage exposures, including a 10% risk weight for the relevant low-LTV portion and a 45% risk weight for the qualifying portion above 55% and up to 80% LTV, subject to robust eligibility conditions and historical loss-rate requirements. This would strengthen the risk sensitivity of the prudential framework for institutions applying the Standardised Approach directly.

[3] https://ec.europa.eu/eurostat/web/interactive-publications/housing-2025
[4] https://ec.europa.eu/eurostat/documents/15216629/24279737/KS-01-26-036-EN-N.pdf
[5] https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260505-1

The EMF-ECBC therefore calls on the European Commission to make Article 465(5) permanent and to embed its risk-sensitive principles within the Standardised Approach, preserving financial stability while supporting European competitiveness, housing affordability and long-term investment.

Annex I - Methodology

The quantitative analysis for this paper was carried out by the EMF-ECBC Secretariat together with Prof. Monica Billio (Ca' Foscari University of Venice), who developed the consumer-impact method and the Pillar 3 data update. The policy positions expressed in this paper are those of the EMF-ECBC.

The analysis is based on publicly available regulatory disclosures (principally institutions' Pillar 3 reports and the EBA's Transparency Exercise and Pillar 3 Data Hub) and other public data sources, supplemented by general, contextual information from EMF-ECBC members on regulatory treatment (such as the application of Article 465(5) and national floors) and market structure. No bank-specific, confidential or commercially sensitive information was requested or received from individual institutions for this exercise. The analysis does not incorporate confidential information concerning individual institutions' lending margins, credit conditions, proprietary risk or credit-scoring models, or future commercial plans. The results presented in this paper are published only as EU-level aggregates. The results represent estimates of the potential prudential impact of the Output Floor and its potential implications for borrowers, based on stated modelling assumptions. They do not reflect any individual institutions' commercial strategies or intentions.

1. Sample and data: The analysis covers 78 European banking groups in 13 EU Member States (corresponding to the sample used for the 2022 Copenhagen Economics Study), on a consolidated basis. For the 52 groups using internal models (IRB), 45 of them for mortgages, the floor inputs (modelled and full standardised risk exposure amounts, fully loaded and transitional) come from their Pillar 3 output-floor disclosures (EU KM1, CMS1, CMS2) on 31 December 2025, covering 86% of the sample's risk-weighted assets. The 26 standardised-approach groups cannot therefore be bound by the floor; their data, and mortgage exposure detail for all banks, come from the EBA Transparency Exercise 2025.

2. Output floor and Article 465(5)
For each bank, floored risk exposure amount = max (modelled amount, floor × standardised amount) (Article 92(3) CRR). The floor rises from 50% in 2025 to 72.5% in 2030, with the transitional standardised base and the 125% cap until 2029 and the remaining transitional treatments, including Article 465(3) for unrated corporates, until 2032. Under Article 465(5)–(6), the part of a residential mortgage up to 55% of the property value takes 10% risk weight and the part from 55% to 80% takes 45% (52.5%, 60% and 67.5% in 2030–32 under Article 465(9)), applied to qualifying owner-occupied mortgages using national loan-to-value distributions. The treatment is tested where currently applied and EU-wide; the property-location condition (Article 465(8)(c)) is not modelled, so the EU-wide result is an upper bound. National Article 458 floors are kept as reported; the Swedish floor, which currently runs to end-2027, is assumed to be renewed. Additional CET1 equals the additional risk exposure amount times each bank's CET1 requirement on that amount: Pillar 1 and the combined buffer requirement as disclosed in its KM1 at 31 December 2025, excluding the Pillar 2 requirement, whose nominal amount does not increase when a bank becomes bound by the floor and is reviewed to remove any double counting (Article 104a(6) CRD; EBA Opinion of 21 January 2025), and excluding any sectoral systemic risk buffer, which is set on the risk-weighted exposure amounts of the sectoral exposures and is therefore not affected by the floor. Figures including the Pillar 2 requirement are reported as an upper bound. Policy scenarios (Article 465(5) maintained; floor frozen at 50–60%) are on the fully loaded basis.

3. Mortgages and borrowers
The mortgage-attributable cost is the extra capital on the IRB mortgages of floor-bound banks: exposure × (floored standardised risk weight − current IRB risk weight, including any national floor). Borrower costs are estimated with full pass-through (extra risk weight × CET1 requirement, defined as in section 2, × net cost of capital of 11.7% a year: an 11% after-tax cost of equity, grossed up at a 25% tax rate, less a 3% cost of debt) and with empirical pass-through of 1 basis point per percentage point of risk weight (Benetton, Eckley, Garbarino,

Kirwin and Latsi, Journal of Financial Intermediation, vol. 48, 2021; risk-weight specification from Bank of England Staff Working Paper 639, 2017, Table IV). Only banks whose mortgage capital rises are counted (18 of the 29 bound banks in 2033); the extra capital is attributed to the mortgage book at the margin for modelling purposes, rather than allocated proportionately across all portfolios, and no Modigliani–Miller offset is applied to the full pass-through figure; a pro-rata attribution of the floor add-on gives €0.8–0.9 billion a year. The empirical estimate is based on reductions in requirements under Basel II in the United Kingdom; euro-area evidence on increases is not yet available.

4. Standardised risk weights

Current standardised weights (loan-splitting, fully loaded) and the proposed weights (10% up to 55% loan-to-value, 45% from 55% to 80%) are compared with risk-implied weights from the CRR IRB formula applied to EBA Risk Dashboard parameters (average bank, median bank, realised 2025 rates and a stress variant), with loss coverage based on the EBA's Article 430a loss data, and with the ESRB 2025 adverse house-price scenario applied to the proposed bands.

5. Validation and limitations

The results are consistent with the EBA Risk Dashboard (Q2 2026: fully loaded increase in risk-weighted assets of 7.2%, against 8.2% here) and correlate at 0.85 at bank level with the CRR III fully loaded restatement in the EBA 2025 EU-wide stress test. The main limitations are group-wide data that cannot be split by property location, and one to two years of loss data. A sectoral systemic risk buffer that applies to sub-portfolios other than residential mortgages (for example exposures to real-estate companies) is set on those exposures and is not affected by the expiry of the transitional treatment for residential mortgages; such buffers are excluded from the capital requirement applied to the additional risk exposure amount. All figures reflect data available on 26 October 2026.

Contact

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