

COVID-19-related payment moratoria and public guarantees for loans – stocktaking and outlook

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From March 2020 onward, measures aimed at mitigating the impact of the COVID-19 pandemic on banks and their customers were adopted in Austria, which included payment moratoria and public guarantees for loans. Data reported by banks to the Oesterreichische Nationalbank allow for an analysis of the utilization, expiry and residual maturities of these measures on the basis of consolidated quarterly data covering the period from June 2020 to December 2020 and provide input for a first assessment of financial stability implications.

The bulk of payment deferrals has expired by the end of the first quarter of 2021. Starting from a level of nonperforming loans (NPLs) well below the European average, Austrian banks are well prepared for potential deteriorations in credit quality, having increased their capital buffers in the aftermath of the 2007–2008 financial crisis, and having implemented measures to address future increases in NPLs. In 2020, Austrian banks proactively started to reclassify loans according to IFRS 9, which resulted in an increase of risk provisioning to address potential defaults. This frontloading should help reduce the burden on banks' 2021 balance sheets. We observe a first slight uptick in NPL ratios at the end of 2020 in the nonfinancial corporate loan segment, which at the same time still showed dynamic credit growth.

To assess the impact of potential defaults and their implications for financial stability, we analyze the impact of a severe hypothetical scenario. If half of the loans subject to COVID-19-related support measures (i.e. loans to households and nonfinancial corporations) were to default, the overall NPL ratio would increase to 5.8%, up from 2% as at December 2020. While severe, such a hypothetical scenario would still be manageable for the Austrian banking sector. We do not take into account structural changes in the economy, however, that might be triggered by the pandemic.

Given the payment deferrals, the impacts of the COVID-19 pandemic on credit quality will be reflected in banks' balance sheets with a time lag. While having already established risk provisions in 2020, banks will need to be prepared to handle a potential deterioration in credit quality in 2021 and later on. It therefore remains paramount for banks to monitor the credit quality of their portfolios in order to avoid any cliff effects once all support measures expire. To maintain financial stability in the banking sector in an environment of ongoing uncertainty, two things continue to be very important: proper risk provisioning at an early stage as well as acting in a forward-looking manner regarding the allocation of profits.

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In the context of COVID-19-induced restrictions on economic activity, banks play a crucial role in shock absorption. They support the real economy by providing much needed liquidity and absorbing deferred payments. Apart from unprecedented monetary and fiscal stimulus packages, European institutions and national governments also put in place support measures, such as payment moratoria and state-guaranteed loans, to help borrowers cope with the situation. These measures were designed carefully so as not to dilute the high standards previously developed for treating nonperforming loans (NPLs)². Consequently, a new reporting scheme was implemented to monitor asset quality in conjunction with the use of these instruments. In a recent study, Pühr and Schneider (2021) simulate the mitigating impact of COVID-19-related support measures on insolvencies in Austria. They find that, while loan guarantees and payment moratoria support borrowers by boosting their liquidity when most needed, some of these benefits might be reversed once the measures expire. Analyzing supervisory reporting data at the group level, we give an outlook for possible asset quality developments and their implications for financial stability in the banking sector.

The paper is structured as follows: section 1 describes the available data and their limitations as well as the set of applicable regulations. Section 2 provides data evidence for the utilization, expiry and residual maturities of support measures. Section 3 presents first indications of the future evolution of asset quality. Section 4 benchmarks Austrian banks against European peers. Section 5 assesses the impact of a severe scenario. Finally, section 6 highlights the impact on financial stability and section 7 concludes.

1 Data and regulatory setting

This analysis is based on data from regular supervisory reporting (FINREP) as well as on the new reporting scheme on payment moratoria, forbearance and public guarantees for loans defined in Guideline 07/2020 of the European Banking Authority (EBA)³. This reporting scheme focuses on households (HHs) and non-financial corporations (NFCs) because public support measures have been targeting these groups in particular. We use bank data at the highest level of consolidation, including foreign subsidiaries. As a consequence, we cover support measures implemented both in Austria and in countries in which Austrian banks operate. While broadening the perspective, this also comes with some limitations: it is not possible to make separate diagnoses for Austrian support measures. Moreover, the reporting requirements are designed in a proportionate manner – smaller banks need to report less data points less frequently. The established timelines for the reporting processes result in a time lag before data are available for analysis. Our observations are thus based on quarterly data from June 2020 to December 2020.

Public guarantees for loans apply to newly originated loans. The Austrian government provided such guarantees mainly for loans to NFCs, which transferred some credit risk to the government. Guarantees for loans are typically issued for much longer time horizons than payment deferrals. EBA-compliant payment moratoria

² The definition of the NPL ratio used in this paper matches that used in the EBA Risk Dashboard. It thus comprises loans and advances (but not debt securities), captures all types of customers (if not stated otherwise) and is given in gross terms, i.e. before any deductions of collateral or provisioning.

³ Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis.

and other COVID-19-related forbearance measures, on the other hand, apply to existing loans and required new legislation.

In April 2020, the EBA published “Guidelines on legislative and non-legislative payment moratoria on loan repayments applied in the light of the COVID-19 crisis” (EBA/GL/2020/02), clarifying that broadly applied payment deferral schemes do not necessarily trigger the default of a borrower, provided the payment moratoria follow general principles. Such EBA-compliant payment moratoria, established either by law (i.e. legislative payment moratoria) or by the banking sector (i.e. non-legislative payment moratoria), interrupt day counting for the 90 days past due criterion after which a loan is considered to be in default. However, institutions are still obliged to assess the obligor’s unlikeliness to pay on a case-by-case basis during the moratorium, which can also result in a loan’s default status. Further, the EBA clarified that loans under such payment moratoria do not constitute distressed restructuring and do not automatically have to be classified as forborne.

In contrast, deferral agreements not in line with the principles laid down in the EBA Guidelines (i.e. other COVID-19-related forbearance measures) do not benefit from these exemptions and will imply a forbearance qualification.⁴ These loans are reported under the category “other COVID-19-related forbearance.”⁵

In Austria, one legislative EBA-compliant moratorium was put in place (and extended), which addressed retail and microenterprise customers. From April 1, 2020, to January 31, 2021, it allowed banks and customers to agree on deferring debt or interest payments for up to ten months.

In addition, one nonlegislative EBA-compliant moratorium focusing on enterprises and leasing activities was put in place. It allowed payment extensions to be agreed between March 15, 2020, and August 31, 2020, for a duration of up to nine months but not beyond March 31, 2021.

Thus, depending on when the agreement was made, deferrals of loan repayments on the basis of the payment moratoria are set to expire in the course of 2021. It is possible at any time to agree on earlier repayment terms.

While it may take some time until first defaults materialize based on the 90 days past due criterion, banks have to continuously monitor customers’ unlikeliness to pay, which should help reduce the likelihood of an accumulating backlog of defaults. Later in this paper, we analyze whether the data indicate clusters of new defaults (cliff effects) when payments will have to be resumed.

2 Utilization, expiry and residual maturities of payment moratoria and public guarantees for loans

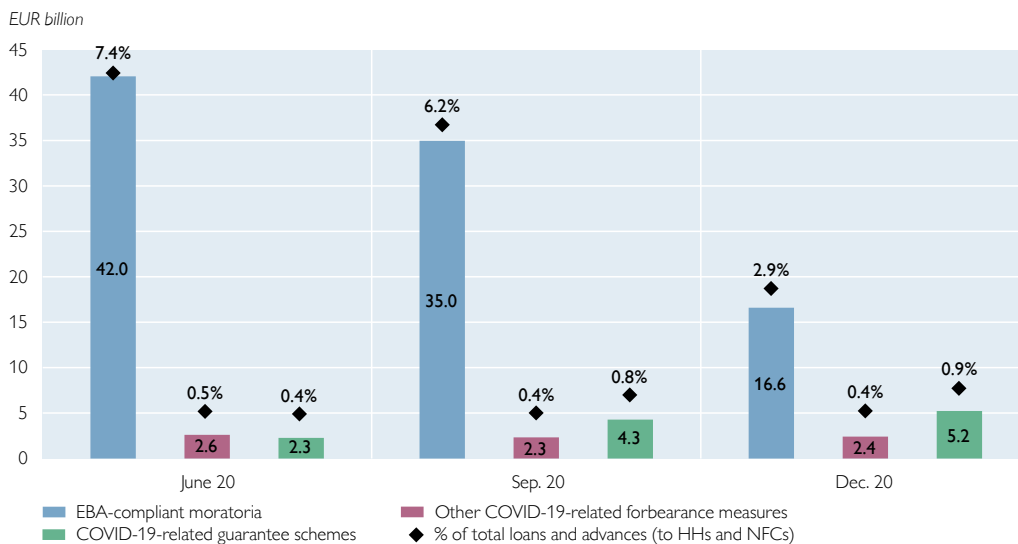
Support measures – such as payment moratoria and public guarantees for loans – were accessible for HHs and NFCs. At the end of 2020, these two groups of customers accounted for about EUR 573 billion or two-thirds of total loans and

⁴ The qualification of loans as forborne results in a more conservative handling, for example regarding the faster redefault of cured loans or the indication of re-forbearance as a default. A loan can be either performing forborne or nonperforming forborne. The assessment of performance has to be done independently of whether a loan is classified as forborne.

⁵ Exposures subject to EBA-compliant payment moratoria that are also subject to other COVID-19-related forbearance measures are reported as EBA-compliant payment moratoria.

Chart 1

Development of active support measures (HHs and NFCs)



Source: OeNB.

Note: Data refer to all Austrian SIs and LSIs.

advances⁶ of all Austrian banks on a consolidated basis. Given an uptake of EUR 55 billion for (expired and active) payment deferrals and EUR 5.2 billion for public guarantees, some 10.5% of the HH and NFC loan volume were at some point subject to at least one measure. Households account for half of the payment deferrals, and the NFC segment for the other half. As both measures were still open for application in December 2020, the figures were likely to increase further in early 2021.

Chart 1⁷ shows the level of active (i.e. net of expired) payment moratoria, other forbearance measures and COVID-19-related guarantees as recorded in June, September and December 2020. We see two trends: first, a decrease in the level of active EBA-compliant payment moratoria, which happen to be the predominant measure. In other words, more existing payment moratoria expired than new ones were granted. Second, starting from a much lower level, COVID-19-related public guarantees for loans were on the rise.

Now we take a closer look at loans with COVID-19-related public guarantees, which on average cover 70% of the loan volume. Compared to loans with payment moratoria, their volume is much less relevant, but their residual maturities are longer. Defaults of loans with public guarantees will also have a much smaller impact on banks' balance sheets, as banks only have to absorb the residual part not covered by the guarantee or any other collateral.

Chart 2 gives an overview of the total volume of these loans (i.e. including the guaranteed part), which amounted to EUR 5.23 billion at end-December 2020. The guarantee was called for about EUR 100 million of this amount. Roughly 90% of these loans were extended to NFCs, the remainder to borrowers classified as HHs.⁸ Chart 3

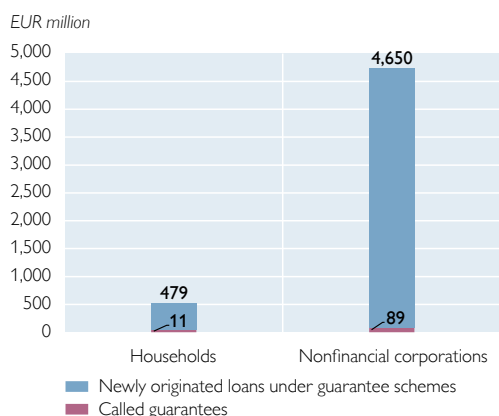
⁶ The remaining borrowers are banks, central banks, governments and nonbank financial intermediaries.

⁷ SIs refer to significant institutions, i.e. banks directly supervised by the ECB. LSIs refer to less significant institutions, which are banks directly supervised by the Austrian Financial Market Authority (FMA) and the OeNB.

⁸ Although the Austrian public guarantee scheme was designed to address the corporate sector, some household loans, extended e.g. to freelance professionals, are also included.

Chart 2

Utilization of COVID-19-related guarantee schemes

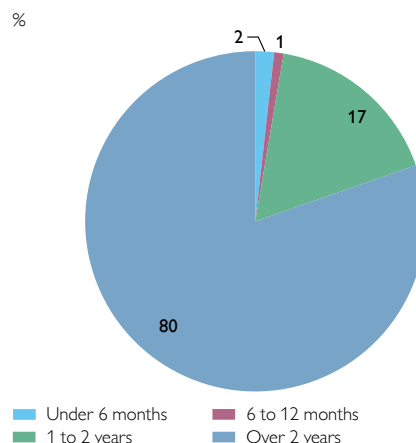


Source: OeNB.

Note: Data refer to all Austrian SIs and LSIs.

Chart 3

Residual maturity of guarantees



Source: OeNB.

Note: Data refer to all Austrian SIs and LSIs.

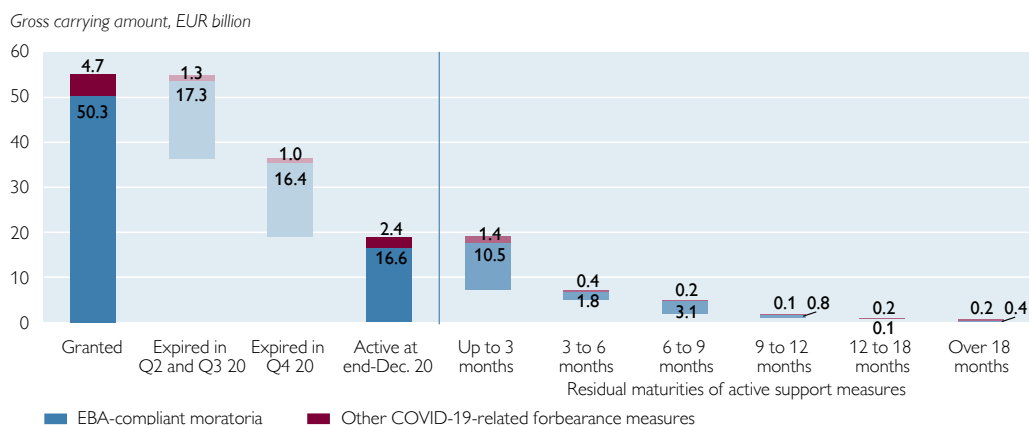
shows that around 80% of the guaranteed loans have a residual maturity of more than two years.

In the following, we will analyze the characteristics of loans with payment deferrals in more depth, given their volume and more immediate impact on banks' balance sheets.

Chart 4 depicts the total volume of all payment deferrals granted since the onset of the pandemic until end-December 2020 that had been reported in the dedicated EBA reporting template on payment moratoria for HHs and NFCs. The first column includes all active and expired payment deferrals, the second column captures all deferrals that expired in the second and third quarter of 2020, and the third column shows all deferrals that expired in the fourth quarter. The fourth column shows the payment moratoria that were active at end-December 2020. The remaining five columns look beyond December 2020, showing the volumes of active payment moratoria based on their remaining maturities.

Chart 4

Total volume of loans and advances with support measures and residual maturities as at end-December 2020 (HHs and NFCs)



Source: OeNB.

Note: Data refer to all Austrian SIs and LSIs.

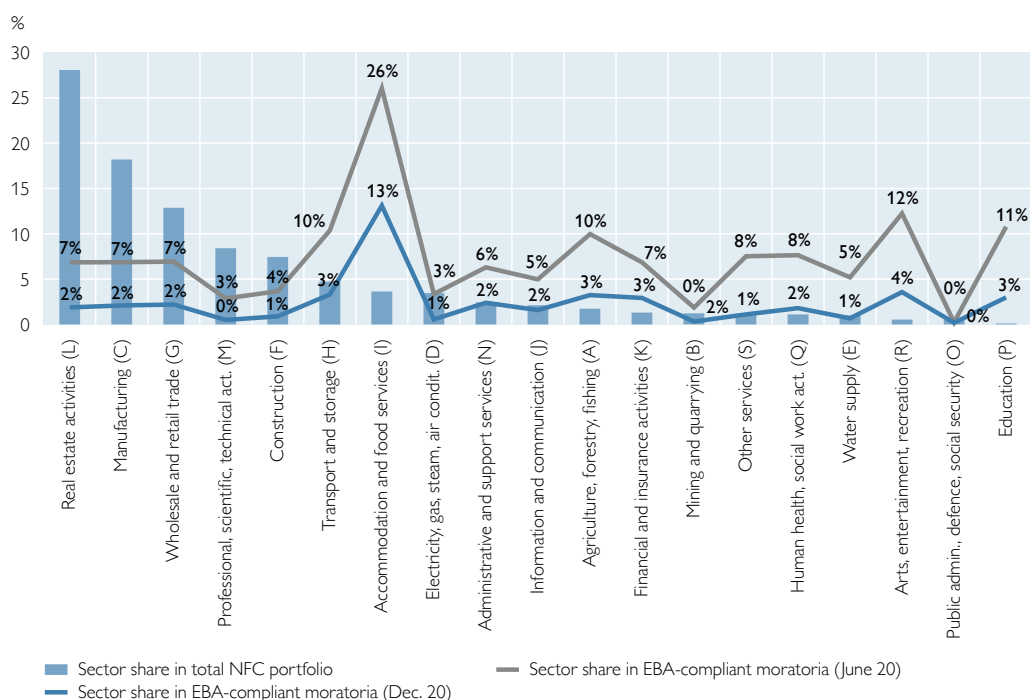
The main information we gain from chart 4 is that 87% of all deferral measures expired before the first quarter of 2021, and only EUR 1 billion reach into 2022. Even more interestingly, a significant share of deferrals already expired by the end of the third quarter of 2020, which – due to the 90 days past due default criterion – might give rise to potential cliffs of NPLs to be observed in the reporting data as of the final quarter of 2020. And, indeed, for the NFC portfolios, we observe a slight first uptick in NPL ratios in the quarterly data as of the fourth quarter of 2020. At the same time, we have to bear in mind that more agreements might still be agreed until January 31, 2021, i.e. one month after the cutoff date for this analysis.

In light of the large number of expiries before December 2020, we conclude that many borrowers did not take full advantage of the maximum deferral period that was legally possible in Austria. This could mean that deferrals that had been agreed at an early stage were not prolonged and that reporting data also reflect payment moratoria in other countries.

Significant institutions (SIs), which account for about two-thirds of Austrian banks' total assets, report more detailed information on the use of payment deferrals for NFCs across industry sectors (NACE classification) than less significant institutions (LSIs) do. Chart 5 shows the relative importance of the different industry sectors and the respective prevalence of EBA-compliant payment moratoria for two reference dates, namely end-June and end-December 2020. As mentioned earlier, the use of payment moratoria generally decreased from June to December 2020, which is also evident at the sector level. Across all NACE sectors, more payment moratoria expired during the second half of last year than were prolonged or newly agreed. Not surprisingly, sectors more heavily affected by lockdown measures also

Chart 5

NACE sector shares in EBA-compliant moratoria vs. total portfolio



Source: OeNB.

Note: Data refer to Austrian banks classified as SIs (as in June 2020).

made heavier use of payment moratoria. The average share of loans under payment moratoria was 6.8% by the end of June and 2.2% by the end of December 2020. By contrast, in accommodation and food services, which is a comparably small sector that accounts for about 4% of the NFC portfolios of Austrian SIs, more than one-quarter of loans was subject to EBA-compliant payment moratoria in June. This figure dropped to 13% in December 2020. The arts, entertainment and recreation sector (12% down to 4%) and the agriculture sector (10% down to 3%) also made heavy use of this instrument. In each of the three largest sectors, i.e. real estate activities, manufacturing and wholesale/retail trade, about 7% of loans were subject to payment moratoria at end-June, with this percentage declining to about 2% until year-end 2020.

3 First indications of asset quality evolution

While the previous section shed light on the status quo of the consolidated Austrian banking sector, we now provide a forward-looking snapshot for a subset of reporting banks. To this end, we examine two leading indicators for potential credit risk, namely IFRS⁹ Stage 2 classifications and the prevalence of early arrears.

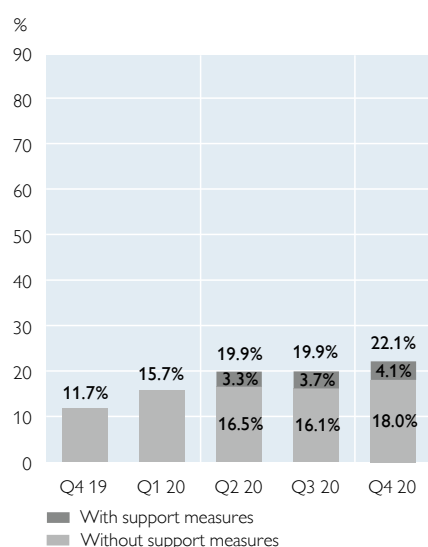
At first, we take a look at the sample of IFRS reporters among Austrian banks: 18 institutions covering around 80% of total HH and NFC loans. IFRS 9 requires banks to reclassify assets from the initial Stage 1 to Stage 2 once credit risk increases significantly. Such a reclassification is particularly relevant because the bank has to recognize substantial additional risk provisions on its balance sheet, thus anticipating losses before loans turn nonperforming, i.e. enter Stage 3.

Chart 6 shows that, once Austria felt the COVID-19 impact in the first quarter of 2020, banks' share of Stage 2 loans in their HH and NFC portfolios started to

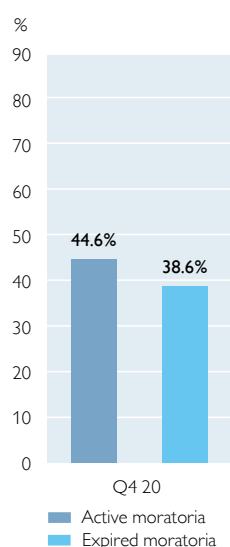
Chart 6

Credit quality: IFRS 9 stages for households and nonfinancial corporations

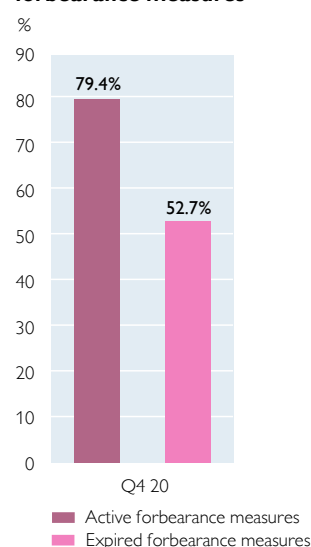
Evolution of Stage 2 of total HH and NFC loans and advances



Stage 2 of EBA-compliant moratoria



Stage 2 of other COVID-19-related forbearance measures



Source: OeNB, IFRS reporter sample.

⁹ International Financial Reporting Standards.

go up steadily (left panel). By end-2020, about 22% of all HH and NFC loans were classified as Stage 2. The share classified as Stage 2 amounted to 44.6% for loans with active EBA-compliant payment moratoria, and to 38.6% for loans with expired EBA-compliant payment moratoria (middle panel). Further, 79.4% of active, and 52.7% of expired, other COVID-19-related forbearance measures were classified as Stage 2 (right panel).¹⁰ In these areas, specifically, high levels of Stage 2 classifications point to targeted and proactive risk identification and management practices. The observed frontloading of provisions that comes with Stage 2 classifications – which was also called for by supervisors – suggests that Austrian banks took a conservative approach. This assumption is supported when we benchmark Austrian banks against European peers (see section 4). The fact that banks already frontloaded a significant part of provisions in 2020 will relieve some of the burden on their 2021 balance sheets.

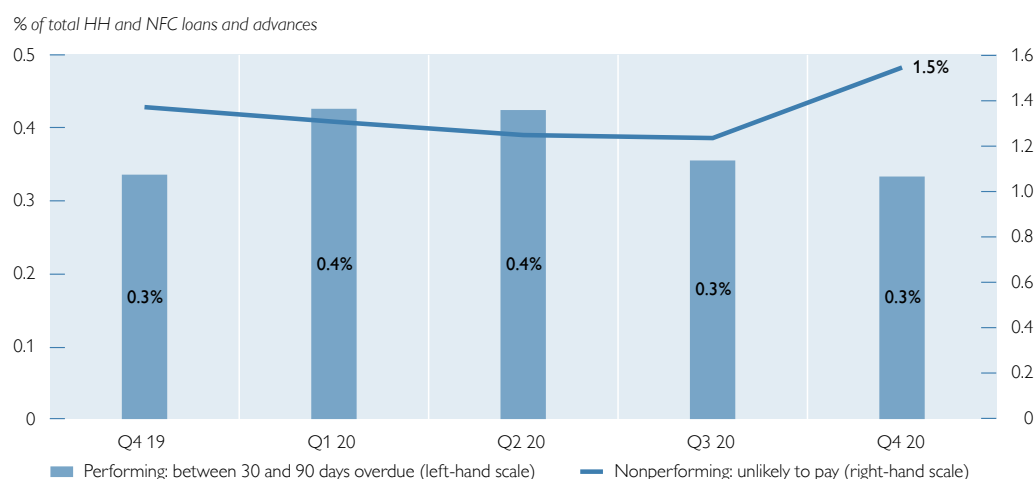
As to the forbearance status of HH and NFC loans reported for December 2020, we see that, for loans with payment moratoria, the share of forbore loans is significantly higher at 7.3% (active moratoria) and 6.4% (expired moratoria) than in the overall HH and NFC portfolio (2%). These forbearance flags result in particular from the performing forbore category (as opposed to the nonperforming forbore category). Thus, although no forbearance flag is required for loans subject to EBA-compliant payment moratoria, some of the banks in the sample nevertheless classified loans as forbore, based on their risk management policies or national specificities in host-country regulations.

Next, we look at early arrears, i.e. payments that are overdue by more than 30 and up to 90 days, and thus can be taken as an early indicator for upcoming defaults.

Chart 7 shows how both the volume of early arrears and defaults triggered only by the unlikely to pay criterion evolved from end-2019 to end-2020. We observe a

Chart 7

Early arrears of the HH and NFC portfolio



Source: OeNB, IFRS reporter sample.

¹⁰ Here, one would expect that the whole portfolio is at least subject to Stage 2 or to Stage 3. A forbearance flag would normally at least trigger a Stage 2 classification, and a Stage 3 classification should be in line with a default. The lower Stage 2 share results from one outlier bank and is additionally traceable to a time lag between forbearance and Stage 2 classification or to banks' policies not requiring a strict mechanical conditionality between Stage 2 and forbearance status during the forbearance probation period.

decrease in early arrears in the third and fourth quarters of 2020, which may be due to some loans turning nonperforming on account of the unlikely to pay criterion. But the decline may also have resulted from the suspension of the days past due counting due to payment moratoria.

4 Benchmarking Austrian banks against European peers

To provide some insight into Austrian banks' provisioning for potential risks in a European comparison, we look at the data in the EBA Risk Dashboard¹¹ for the fourth quarter of 2020. It analyzes more than 160 large European financial institutions, including seven banks that are domiciled in Austria (consolidated figures).

In Austria, COVID-19-related public guarantee schemes were applied to a much smaller extent of loans than in the European average, but, at more than two years, their maturities were much longer. The portion of a loan covered by guarantees lies at around 70% both in Austria and in Europe overall.

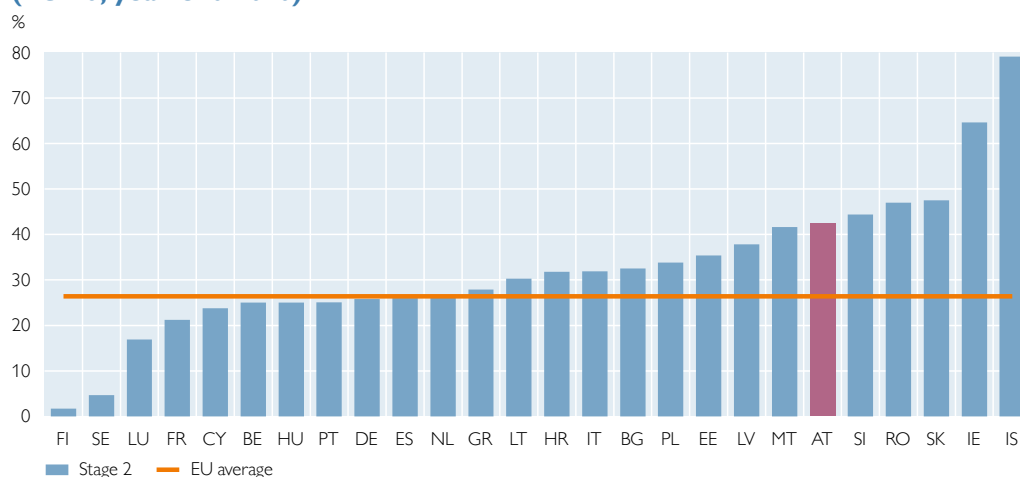
Given the design of the Austrian legislative moratorium, which addressed households and microenterprises, payment moratoria in Austria apply to HHs and NFCs in approximately equal shares, while the European average shows a slightly higher prevalence of NFCs.

On average, European banks built Stage 2 provisions for 9.1% of their total loans, compared to 18.1% for Austrian banks. Of loans with active payment moratoria, 26.4% were classified as Stage 2 for European banks overall, compared with 42.4% for Austrian banks (see chart 8). The Stage 2 shares of loans with expired payment moratoria came to 20.1% and 37.9%, respectively. At the same time, NPL ratios for Austrian total loans and advances (2.1%) have continuously been below the European average of 2.6%, while coverage ratios are well above the European average. This is also true for loans with active and expired payment moratoria, where coverage ratios are higher.

The comparison supports our conclusion that Austrian banks' Stage 2 provisions are an indication of conservative policies rather than a sign of low asset quality.

Chart 8

Loans and advances with active EBA-compliant moratoria classified as Stage 2 (EU-26, year-end 2020)



Source: EBA.

¹¹ EBA Risk Dashboard (<https://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>).

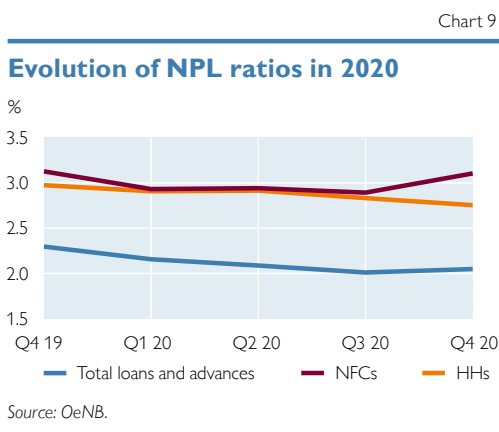
5 Assessing a hypothetical severe scenario

Comparisons with international peers suggest that Austrian banks seem well prepared for potential deteriorations in credit quality. Banks built up capital buffers over the past years and NPL ratios declined continuously, standing at 2.0% for the total portfolio at end-2020, or at 2.8% (HHs) and 3.1% (NFCs). In the HH and NFC segments, coverage ratios¹² equal around 50%.

Chart 9 shows, however, that the downward trend in the overall NPL ratio reversed into a small uptick between the third and fourth quarter of 2020, driven by the NFC portfolio. This uptick underestimates the trend reversal given that credit growth, i.e. the inflow of new loans, was still dynamic. In general, slightly higher NPL ratios (+20 basis points) are also reported for HH and NFC loans with (active and expired) payment moratoria than for such loans without payment moratoria.

The increase in NPL ratios in the NFC segment also reflects the rise in defaults due to the unlikely to pay criterion, as shown in chart 7 above. As insolvency filings had been suspended, we conclude that the classification of “unlikely to pay” was assessed separately from the insolvency status.

In a next step, we assess how banks would be affected by a strong increase in NPLs. Please note the hypothetical character of such a severe scenario: it only serves to assess the potential magnitude of possible impacts and should not be misinterpreted as an expected or a likely scenario. Chart 10 illustrates how the NPL ratio for the total loans and advances portfolio would increase if 50% of all currently performing loans (PLs) covered by (active or expired) support measures were to default.¹³ This covers all loans reported in the EBA reporting templates for COVID-19-related support measures (EBA/GL/07/2020), which are mostly NFC and HH loans. According to our approximation for this hypothetical scenario, the volume of NPLs would increase to EUR 49.7 billion (compared to actual NPLs at year-end 2020: EUR 17.6 billion¹⁴) and the NPL ratio would rise to 5.8% (actual NPL ratio at year-end 2020: 2.0%).



Apart from their hypothetical character, these figures must be interpreted with caution for other reasons as well. First, they represent a severe scenario that assumes that half of all borrowers using COVID-19-related support measures default (defaults in other segments are disregarded, however). Second, an increase in the NPL stock does not translate into provisions of an equal size, as parts of this portfolio are collateralized or have

¹² We use a coverage ratio that considers only provisioning coverage and not the value of collateral.

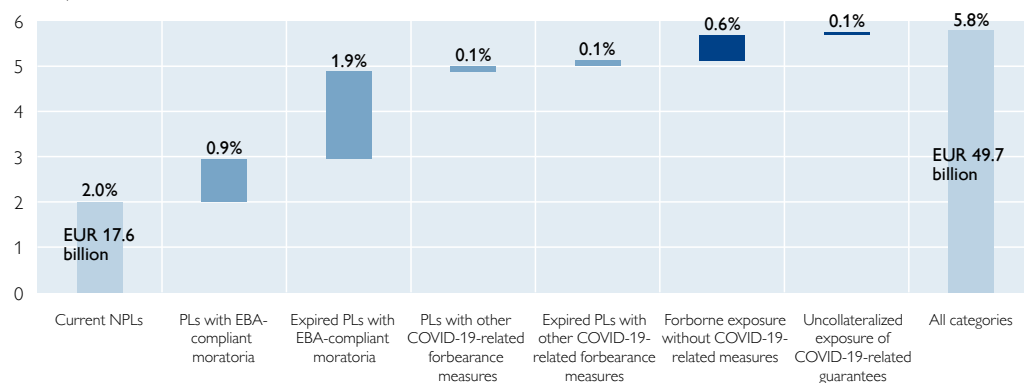
¹³ Besides nonperforming and forborne exposures, this includes performing exposures subject to active and expired EBA-compliant payment moratoria and other COVID-19-related forbearance measures. Furthermore, newly originated loans and advances subject to public guarantee schemes were factored into our calculations with their uncollateralized part.

¹⁴ Loans that were subject to support measures accounted for EUR 2.3 billion of this figure.

Chart 10

Asset quality: severe scenario – impact on NPL ratio based on data at year-end 2020

Share of total loans and advances in %



Source: OeNB.

already been provisioned for. In addition, it can be assumed that an increase in the NPL stock may not manifest itself immediately but over a certain period of time instead, not least because the maturities of the measures differ.

Compared with the consolidated NPL levels after the financial crisis, which stood at 7% in 2009, and peaked at 9% in 2012¹⁵, the scenario outcome seems manageable for Austrian banks, given that capitalization has improved considerably since then. This assessment is consistent with the OeNB's stress test for the Austrian banking sector published in December 2020. Based on a consistent macroeconomic scenario and additional assumptions for other risks, the stress test projected an aggregate NPL ratio of slightly above 7% and a depletion of the aggregate common equity tier 1 (CET1) ratio of about 4.4 percentage points. According to the stress test, banks can even withstand a considerable worsening of the economic environment on account of the ongoing COVID-19 pandemic.

So far, Austrian banks have taken various approaches to dealing with COVID-19-related credit risks. Some have already frontloaded risk provisions in 2020 to cover an expected increase in defaults as both unemployment and corporate bankruptcies are likely to go up in 2021. Importantly, Austrian banks should thus be able to cope with a corresponding increase in credit risks.

6 Financial stability implications

Fiscal support and financial sector policy measures – such as temporary suspensions of the obligation to file for insolvency, payment moratoria or public guarantees – have so far helped limit negative feedback loops between the real economy and the financial system. At the same time, as a result of the support measures, asset quality indicators have become increasingly disconnected from economic realities. With credit growth still strong, it is therefore difficult to gauge potential effects on financial institutions' credit risk and, ultimately, on financial stability.

Policymakers have, however, proactively started to adapt the NPL resolution frameworks with a view to mitigating credit risk. In 2020, the European Commission

¹⁵ The definition of the consolidated NPL measure has changed in the meantime. So, while this measure is therefore no longer fully comparable, it still gives a good indication.

revised its NPL action plan of 2017 to address a possible accumulation of NPLs over the medium term and support banks in working out problematic loans.

To complement these activities, banks themselves need to get operationally ready for handling rising volumes of bad loans. This requires fully functional work-out units that are endowed with the necessary resources. Banks will also need to adapt their internal policies for managing and resolving NPLs as well as their methodologies for dealing with recoveries and for assessing distressed borrowers' viability. Inevitable credit losses should be identified and worked out in order to release financial resources for financing recovered or emerging segments.

Banks have so far made a substantial contribution to overcoming the pandemic, providing their services without fail despite several lockdowns. Compared with the 2007–2008 financial crisis, banks entered the pandemic with much better capitalization. For this reason, financial stability risks have remained limited, as confirmed by the results of the OeNB stress test in late 2020 (Guth et al., 2020).

7 Conclusions

From our stocktaking, we conclude that the temporary support measures provided in 2020 to borrowers affected by the pandemic have proven effective. Although the pandemic was still ongoing at the cutoff date for this analysis, the lion's share of payment moratoria was scheduled to expire by the end of the first quarter of 2021, and several Austrian banks had already been increasing their risk provisions throughout 2020. This frontloading of provisioning should help reduce the burden on banks' 2021 balance sheets. In a hypothetical scenario, in which half of all loans covered by support measures were to default, Austrian banks' NPL ratio would almost triple to 5.8%. Compared to levels seen after the 2007–2008 financial crisis, this would seem manageable, especially as Austrian banks entered the COVID-19 pandemic with strong micro- and macroprudential capital buffers and a low level of NPLs compared to other European banks. In addition, taking a careful approach to profit distribution can further contribute to banks' financial strength.

The COVID-19 pandemic continues to be a threat to public health and uncertainty remains high. As banks are more resilient today than ten years ago, we find no indication of materializing financial stability risks. To date, banks have played an important role in supporting the economy during the pandemic, and they are also able to support the subsequent recovery.

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