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EBF White Paper on Specialised Lending

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1. Management summary

Specialised lending is an important asset class for financing the real economy, covering project finance, object finance, commodity finance and income-producing real estate. As such, it is key to many of the strategic goals set by the European Union, ranging from strategic energy independence to shipping, aviation and core European infrastructure (such as digital infrastructure and railway networks). Specialised lending is, as its name suggests, characterised by its bespoke and secured nature. The assets being financed (and their ability to generate revenue via their operation or sale) form the basis of the loan arrangement. The specific assets being financed generate reliable cash flows, generally over long technical lifespans of the assets. Together with the protective financing structures, comprehensive security packages and covenants make specialised lending a low-risk asset class.

Since the finalisation of Basel 4, low-risk activities, including specialised lending, have been consistently met with unduly burdensome and restrictive requirements, making bank financing more difficult. As noted in March 2026 by the Vice Chair for Supervision of the US Federal Reserve System, Michelle W. Bowman¹: *"Following the 2008 financial crisis, regulators implemented reforms that substantially increased bank capital and strengthened financial system resilience. While these initial reforms were necessary, experience shows requirements that overly calibrate low-risk activities produce unintended consequences. It constrains credit availability, pushes activity into the less-regulated nonbank sector, and layers on complexity and costs without meaningfully enhancing safety and soundness."* The EU legislature has a clear opportunity to improve the resilience of the EU economy and to foster its strategic independence by applying targeted changes to the regulatory framework.

The paper provides information about the types of loans that can be found under specialised lending, it discusses the areas where the legal framework provides impediments and how these can be addressed. In that sense, the paper provides a concise overview of the issues and provides a way forward for resolving these issues.

In a timeframe of increasing geopolitical tensions, the EU can no longer afford strategic dependencies on foreign jurisdictions. The proposals made in this paper ensure that borrowers in the EU will have a wide range of choices between both EU and non-EU financiers and address areas where regulation is holding back the EU.

Urgent actions need to be taken in the form of:

- i) allow **flexible modelling** for Low Default Portfolios such as SL
- ii) **lowering of SL LGD** (Loss Given Default) input floors or at least maintaining the current transitional 50% arrangement for the input parameter floors, (EBA 495b mandate/ July report) for A-IRB and recalibration of regulatory values for F-IRB
- iii) improving **collateral recognition** under CRR Article 199
- iv) **review of the Slotting Approach**, to improve risk sensitivity and financial collateral recognition
- v) lower the RW for High Quality Project Finance and Object Finance (and make HQOF transitional arrangement permanent), to make SA more risk sensitive
Indeed, SA is important for A-IRB banks, since it is applicable for the purpose of calculation of output floor. And it is also important for banks applying the SA approach.

¹ Source: <https://www.federalreserve.gov/newsevents/speech/files/bowman20260312a.pdf>

On a more global standpoint, as it is a major point for banks, i) make the transitional arrangement for unrated corporates permanent in the Standardized Approach, and ii) freeze the output floor.

2. Introduction

Specialised lending is an important asset class for the real economy. It consists of project finance, object finance, commodity finance and income-producing real estate.

In Europe, around two-thirds of corporate financing relies on the banking sector, compared with only one-third in the United States. This makes Europe more vulnerable to regulatory constraints that apply to credit institutions. The immediate effect of higher capital requirements is an increase in the costs banks face when providing specialised lending credit, threatening the economic rationale. In particular, the ‘finalisation of Basel III’ introduces constraints on specialised lending.

The fundamental challenge is to reconcile financial soundness with the need to finance:

- i) strategic infrastructure,
- ii) object finance (e.g. ships, aircraft and rail),
- iii) commodity trade finance, and
- iv) income producing real estate.

The market for specialised lending (SL) in Europe is facing increasing pressure due to the progressive loss of risk sensitivity in the prudential framework and the cumulative impact of modelling constraints introduced under CRR3. In recent years, several European banks have reduced or exited certain SL segments – not because the underlying risks have increased, but because capital requirements no longer reflect the true economic risk of well-structured, collateralised transactions.

As an example, we show data from the European aircraft industry and for global shipping²:

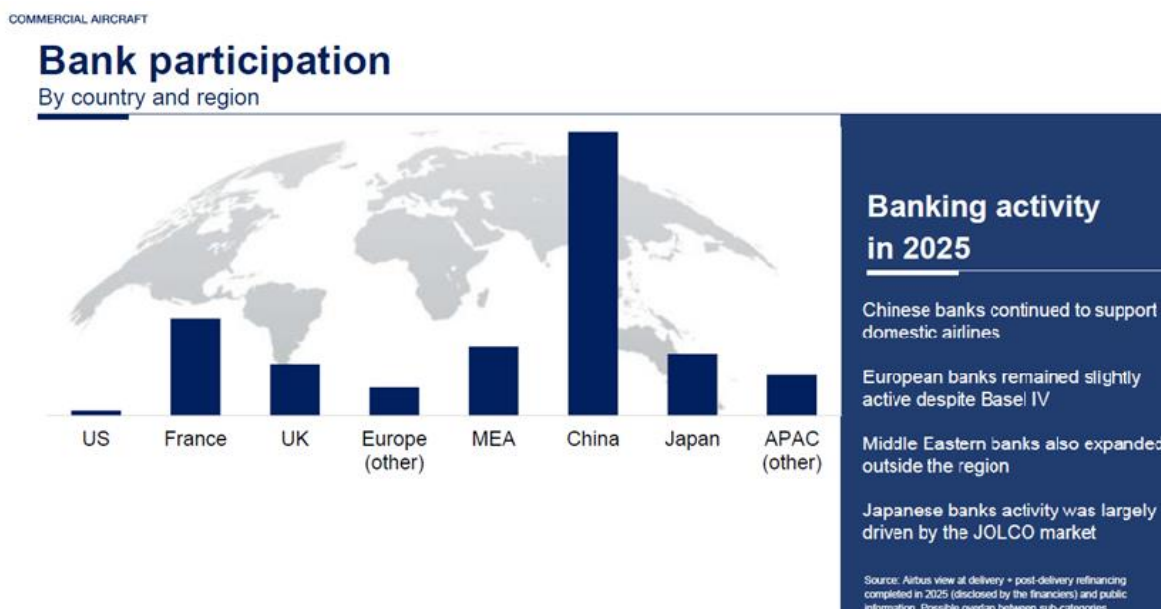


Figure 1 Geographical distribution of 2025 banking funding sources for Airbus.

² Source: [Petrofin-Global-Bank-Research-and-Petrofin-Index-of-Global-Ship-Finance-end-2024.pdf](https://www.petrofin.com/~/media/Files/Petrofin-Global-Bank-Research-and-Petrofin-Index-of-Global-Ship-Finance-end-2024.pdf)

Whereas Europe used to be a major source of financing for Airbus, in 2025 50% of its funding was provided by Chinese banks. Shipping finance provides a similar picture of declining financing from the EU:

Graph 5: Global Shipping Bank Portfolios – Geographical Distribution

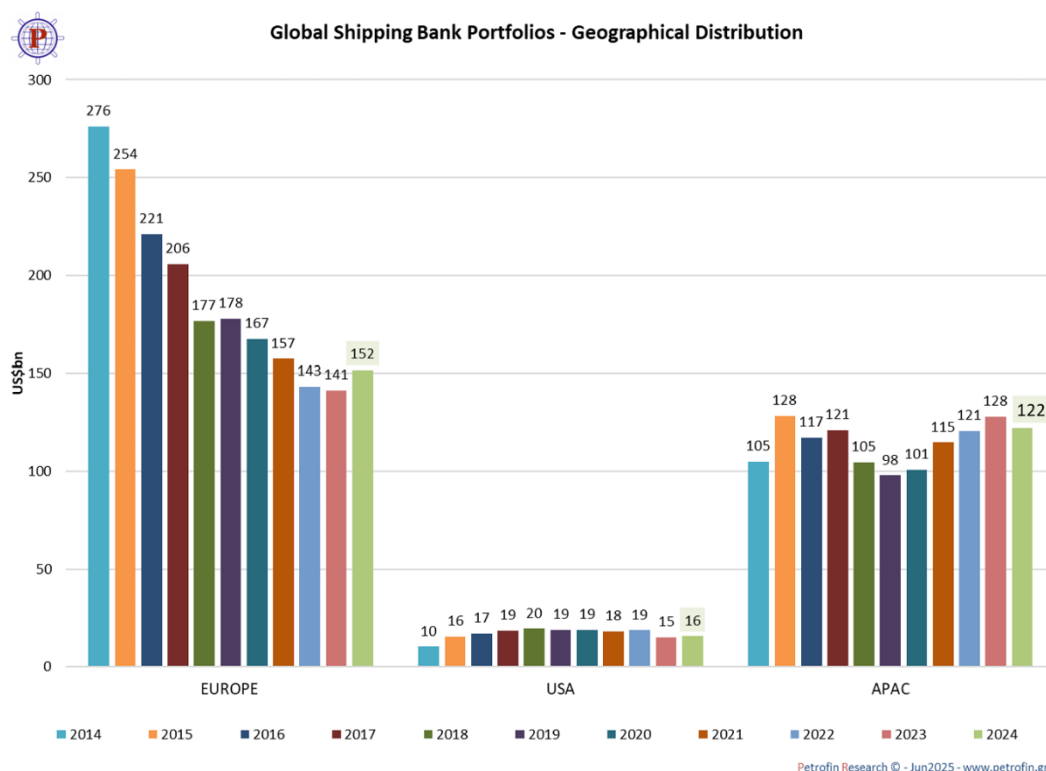


Figure 2 Geographical distribution global shipping exposure

In China, specialised lending is supported by large policy banks and bank-affiliated leasing companies that provide long-term financing for infrastructure and asset-based projects. Combined with state-directed credit policies and a broader ecosystem of development finance institutions, this contributes to strong financing capacity in sectors such as infrastructure, transport equipment and energy. As a result, transactions that are low-risk by nature (e.g. aviation finance, shipping, project finance) increasingly migrate towards actors outside the EU banking system.

For the EU economy, this trend is not benign. Specialised lending plays a crucial role in supporting strategic industries such as transport, infrastructure, energy transition & energy security and logistics. As the updated prudential requirements phase in, banks will be confronted with a higher risk weighted assets and a reduction in lending capacity for specialised lending. This raises the risk of critical assets being financed by less regulated entities with more volatile behaviour across economic cycles.

We strongly believe that restoring adequate risk sensitivity and recognising high-quality collateral—while maintaining prudential soundness—is essential to preserve the competitiveness and resilience of the European banking sector.

This document is structured as follows:

First, we provide background information about the economic relevance of specialised lending.

Second, we take a closer look at the impact of changes to prudential regulation and their impact on specialised lending.

Third, we discuss policy actions that can be used to improve the treatment of specialised lending.

3. The economic relevance of specialised lending

This section provides a short overview of the economic relevance of specialised lending, common deal structures and their benefits for the ability to finance projects and assets that would not be financeable without specialised lending techniques.

Specialised lending plays a critical role in financing large, capital-intensive assets that are essential for Europe's economic growth and strategic autonomy.

These financing structures differ from traditional corporate lending in that repayment is primarily derived from the cash flows of the underlying asset or project, rather than by the broader balance sheet of the borrower. As a result, specialised lending is particularly suited for funding infrastructure and industrial assets with predictable long-term revenues.

SL plays a key role in infrastructure financing

Specialised lending is a cornerstone of infrastructure finance in Europe. Large-scale projects in sectors such as energy, transport, telecommunications and water require long-term financing structures with maturities that can exceed 15–25 years.

Banks play a central role in this ecosystem. This is particularly important in the context of the EU's large investment needs, including:

- improving energy independence via the development of renewable and reliable energy, as well as the expansion of electricity networks
- realising the energy transition and decarbonisation of the economy
- improving transport infrastructure and logistics capabilities
- improving digital infrastructure such as high-speed internet and data centres.

According to European Commission estimates, additional annual investments of hundreds of billion euros will be required in the coming decades to achieve climate and energy objectives³.

Specialised lending therefore represents a key transmission channel between the banking sector and the financing of strategic infrastructure.

Financing transport and trade assets

Object finance—one of the main components of specialised lending—is critical for global transport and logistics systems.

³ European Commission, Clean energy investment. Available at: https://energy.ec.europa.eu/topics/funding-and-financing/clean-energy-investment_en.

It enables the financing of mobile, capital-intensive assets such as:

1. aircraft
2. ships
3. railcars and rolling stock
4. satellite systems and other large communication assets.

These assets underpin international trade and global supply chains. For example:

- maritime transport carries around 80–90% of global trade by volume, making shipping finance essential for international commerce.
- aviation finance supports the renewal and expansion of commercial aircraft fleets that connect European economies with global markets. This includes making the European fleet cleaner, less noisy and more fuel efficient.

Thanks to the comprehensive packages of securities and covenants, specialised lending allows lenders to rely on i) the income-generating capacity of the financed asset, and ii) the value of the asset.

SL supports the energy transition & energy security

Specialised lending is central to financing the energy transition and energy security.

(Renewable) energy projects such as:

- offshore wind farms
- solar power plants
- hydrogen infrastructure
- electricity grids

are typically financed through project finance structures, where repayment is linked to long-term revenue streams.

These structures allow investors to fund large projects with significant upfront costs but stable long-term cash flows.

As Europe is a net importer of fossil fuels, it has a strategic dependence on other jurisdictions for its energy security and is exposed to price fluctuations in the global markets. Electrification can help make the EU less dependent on foreign energy suppliers. Access to reliable electricity against low costs is essential to maintain economic competitiveness of the EU. Furthermore, green decarbonated sources of electricity (e.g. from wind and solar, or nuclear sources) helps reduce the EU's footprint and contributes to the achievement of the EU's climate goals.

SL enables risk allocation and financial stability

Specialised lending structures also provide efficient risk allocation mechanisms between project sponsors, lenders and other stakeholders.

Through contractual arrangements, such as:

- long-term offtake agreements
- construction contracts with performance guarantees
- reserve accounts and cash-flow waterfalls

project risks are allocated to the parties best able to manage them.

This structured approach allows banks to finance projects that would otherwise be too large or complex to fund through traditional corporate lending.

Empirical evidence suggests that many specialised lending sectors—particularly project finance — have historically exhibited low loss rates, reflecting the essential nature of the underlying assets and the robustness of contractual frameworks.

SL helps secure long-term investments to improve European competitiveness

Given the capital intensity and long investment horizons of many strategic sectors, specialised lending plays a key role in maintaining Europe's economic competitiveness and industrial capacity.

It supports:

- modernisation of infrastructure
- improvement of energy independence at lower costs
- development of transport and logistics networks
- financing of export-oriented industries.

A reduction in banks' ability to provide specialised lending can therefore be expected to have broader macroeconomic implications, such as higher financing costs for strategic assets, reduced investment capacity and increased reliance on non-European and/or non-bank sources of funding.

Ensuring that the prudential framework appropriately reflects the risk profile of well-structured specialised lending exposures is therefore essential for preserving the capacity of European banks to support long-term investment in the European real economy.

4. Changes applied to prudential regulation and their impact on specialised lending

This section provides an overview of the most important changes that were applied to the prudential regulatory framework, and the implications of these changes. Basel 4 and CRR3 introduced important and far-reaching changes to the prudential treatment of specialised lending. As mentioned before, this impact goes beyond banks and affects the competitiveness of the EU.

The most important changes are:

- a) *Structural constraints affecting the use of internal models*
- b) *Input parameter floors*
- c) *The Standardised approach output floor*
- d) *The treatment of collateral under CRR Article 199*
- e) *The treatment of the Slotting Approach*
- f) *Recognition of financial collateral under the Slotting Approach*
- g) *Infrastructure Supporting Factor*
- h) *Credit insurance - a credit risk management tools for banks*

Ad a) – Structural constraints affecting the use of internal models

Internal Ratings Based (IRB) models have historically been essential for capturing the asset-specific nature of specialised lending. However, several recent regulatory and supervisory developments have weakened their effective use for specialised lending portfolios, including: i) increasingly prescriptive guidelines ([EBA Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures](#)), ii) increased supervisory pressure on Low-Default Portfolios, iii) inflation of documentation requirements, iv) increasingly conservative model reviews driven by supervisory expectations, as well as v) strict constraints on segmentation and the use of external data. Taken together, these developments have significantly reduced modelling flexibility.

As a result:

- Model structures have become overly standardised and insufficiently suited to SL-specific risk drivers (residual values, contractual protections) due to modelling guidelines that were drafted for high-default portfolios.
- LGDs are artificially inflated due to the application of a conservative discount rate (much above the loan rate) and the prioritisation of restructurings or loan sales over formal liquidations leads to generally longer default durations (as shown in Figure 3 below). Furthermore, LGDs are inflated as a consequence of CRR Article 199, which we will cover later in this document.

In the remainder of this sub-section, we will focus on increasingly prescriptive EBA guidelines and increased supervisory pressure on low-default portfolios (LDP).

Project Finance

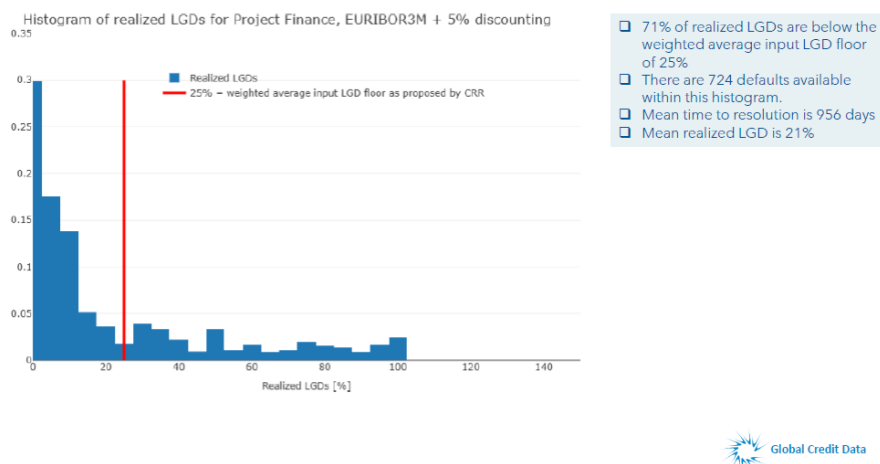


Figure 3 Overview of realised LGDs for project finance. Source: Global Credit Data

Increasingly prescriptive guidelines

Regarding the prescriptiveness of EBA guidelines, the current Margin of Conservatism (MoC) requirements—especially category C—tend to amplify statistical uncertainty for low-default portfolios. This results in disproportionately high parameter uplifts that do not adequately reflect the underlying economic risk of specialised lending transactions. In addition, the requirement to apply a discount rate equal to the reference rate plus 500 basis points generates artificial losses that do not reflect actual recovery behaviour. Where this discount rate exceeds the contractual loan rate, an economic loss is recorded even when the borrower fully repays principal and interest. These artificial losses are subsequently embedded in historical LGD datasets and influence model calibration.

By creating losses that never occurred, this discount rate introduces a structural bias and penalises low-risk transactions more than riskier ones—an unintended consequence of the prudential framework.

Furthermore, the discount rate has a particularly negative impact on restructurings, which are intrinsic to specialised lending. Even where defaults ultimately result in no economic loss, the framework produces high LGD estimates. A key strength of specialised lending structures lies in their ability to enable restructurings that preserve asset value and minimise losses while remaining favourable for borrowers.

It is therefore crucial to revisit the discount rate used for LGD estimation. Allowing banks, on an optional basis, to use the loan rate or an appropriate proxy—subject to supervisory validation—would improve risk sensitivity while remaining conservative and avoiding artificial losses in cases of full repayment.

Increased supervisory pressure on Low-Default Portfolios

Despite the existence of IRB models, the absence of specific guidelines for LDP models, and in particular for SL, leads joint supervisory teams (JST) to impose overly conservative "add-ons" and request high Margins of Conservatism (for example, during homogeneity tests on restricted sub-portfolios) based on High Default Portfolios modelling rules.

These regulatory requirements, combined with the aforementioned impact of the discount rate, result in overly conservative LGDs that diverge from observed economic performance. The disconnect between regulatory and economic LGDs undermines portfolio steering, risk-based pricing, and capital allocation. As a result, some banks apply less risk-sensitive approaches (Standardised Approach or Foundation IRB), leading to higher capital

consumption and reduced capacity to finance strategic assets. In some specialised lending segments, banks have reduced activity or exited entirely, despite stable underlying risk profiles.

The most appropriate solution for specialised lending would be to allow greater modelling flexibility consistent with article 174 CRR (Use of Models). In particular, specialised lending exposures should not be subject to modelling constraints developed for high-default portfolios. Greater emphasis should instead be placed on back-testing through comparisons of estimated LGD distributions with observed outcomes, supported by a broader use of relevant external data sources.

More generally, many specialised lending portfolios are characterised by a low-default profile with limited data availability, which makes it structurally challenging to derive PD and LGD estimates that are both sufficiently robust and fully compliant with the requirements stemming from the EBA Guidelines and supervisory expectations. This may result in additional conservatism, including through MoC overlays, without necessarily enhancing risk sensitivity. Against this backdrop, alongside any review of parameter-based constraints, revisiting the calibration of risk weights under the supervisory slotting approach may deserve consideration for some specialised lending sub-classes.

Rehabilitating a workable IRB framework is essential for maintaining appropriate risk differentiation and ensuring long-term financing capacity.

Ad b) – Input parameters

CRR3 introduces minimum PD and LGD floors which, for SL, are especially binding on LGD. These floors:

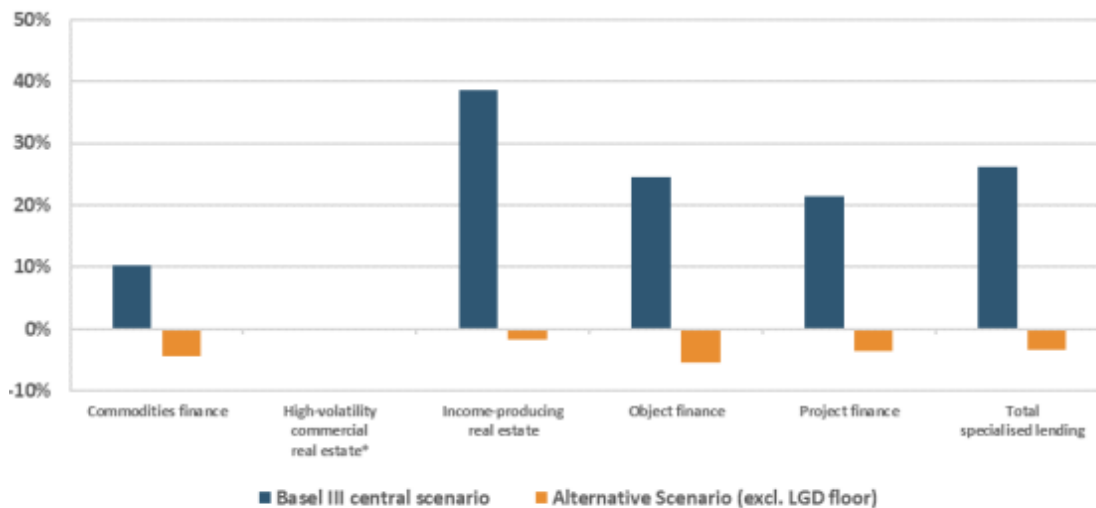
- override empirically observed recoveries from high-quality assets and structures;
- remove risk differentiation across SL exposures with very different profiles;
- disproportionately penalise low-risk transactions where natural LGDs lie well below the regulatory minima;
- create structurally inflated RWAs that do not match with loss experiences and suppress lending capacity.

This situation will worsen as the transitional factors under article 495b CRR increase over time—moving from 50% (2025-2027) to 80% (2028) and ultimately 100% in 2029—thereby fully activating the LGD input floors and driving capital requirements even further above economically justified levels.

By definition, LGD floors should serve as safeguards against exceptionally low values (outliers). Current LGD floor levels for specialised lending, however, are calibrated at levels that in many cases exceed average realised LGDs, rather than reflecting low-quantile outcomes.

As a result, the LGD input floors will have a large impact on A-IRB RWAs for specialised lending exposures and materially weaken the risk-sensitivity of the framework.

Figure 2 Percentage change in AIRB RWA (relative to sub-exposure class AIRB RWA), per sub-exposure class



Sources: EBA 2018-Q2 QIS data and EBA calculations.

Note: Based on a sample of 44 banks. * Not shown in the chart because fewer than three entities in the cluster.

Figure 4 Impact assessments of LGD floors (taken from the EBA reply to EC CfE on Basel 4 implementation).

Empirical evidence confirms that LGDs are inconsistent with observed risk. For example:

- Project Finance: The 25% LGD floor is very high (see Figure 3). Project finance transactions are treated like unsecured corporate exposures whereas PF lenders benefit from comprehensive security packages. Global Credit Data shows that 71% of observed LGD are below the floor. This means that the floor does not act as a means to avoid potential “outliers” but penalises a vast portion of the portfolio.
- Object Finance (Aviation, Shipping): A floor of 18% for an LTV (Loan-to-Value) of 85% is considered very penal and inconsistent with historical evidence (see Annex 1). About ¾ of observed historical LGDs are below the floor estimated for a typical aircraft finance loan (see Annex 2).

The application of these floors leads to a mechanical increase in the cost of capital, neutralising the benefits of the low-risk nature of these transactions.

The European Banking Authority (EBA) is mandated by article 495b of CRR3 to reassess the calibration of LGD floors, with a report expected by July 2026. A downward adjustment would be justified, bearing in mind that LGD floors should just be used to avoid “outliers”, i.e. too low LGDs, which would be considered as inconsistent with the risks of the transactions.

A straightforward way to limit the impact of LGD input floors on Specialised Lending, in particular on low-risk transactions, would be to keep the current 50% factor applied to LGD input floors.

For the sake of consistency, the lowering of LGD input floors under the A-IRB should be accompanied by a recalibration of the regulatory LGD values for the F-IRB.

Please refer to GCD’s documentation in annex 1 for further details.

Ad c) – The Standardised Approach Transitional Arrangements

The Standardised Approach Output Floor introduced under Basel 4 could constitute a key driver of increasing capital requirements for specialised lending. By flooring again model-based capital requirements (which already have floors applied in the modelling methodology) with the standardised approach, the output floor can significantly increase capital requirements, particularly for portfolios where internal models provide a more risk-sensitive assessment than the standardised approach. Although the output floor formally applies at consolidated level, in practice its impact is allocated to business lines, making it a binding constraint for specialised lending portfolios. This will strongly reduce risk sensitivity in capital allocation, and could reduce volumes of specialised lending.

To mitigate these effects, the EU legislator introduced a targeted transitional arrangement in Article 465(3) of the Capital Requirements Regulation (CRR) for unrated corporates.

This measure significantly reduces the increase of capital requirements resulting from the output floor during the transitional period until 31 December 2032. Once these arrangements expire, specialised lending portfolios will be exposed to materially higher capital requirements without any change in their underlying risk profile.

Under the Standardised Approach, specialised lending exposures rarely benefit from issue-specific external ratings. In case no external rating is available, the Standardised Approach assigns risk weights ranging from 80 % to 130 %, which is unduly conservative.

It is particularly punitive for High-quality Object and Project Finance deals, where selective and precise criteria are to apply.

Exposures to project finance, object finance and commodities finance		
Sector	Project finance	Object or commodity finance
Risk weight	130% pre-operational phase 100% operational phase 80% operational phase (High Quality)	100% 80% if High Quality

Accordingly,

✓ **For Project finance:**

Pre-operational phase RW should be segregated between High-quality and Non-high-quality project finance, and a lower RW of 100 % (instead of 130%) should apply to those pre-operational project finance deals that qualify for High-quality.

Operational phase High-quality RW should be lowered from 80% to 50 %.

✓ **For High-quality Object Finance,** the transitional treatment under 122 A in Art 495b(3) ⁽⁴⁾ should therefore be **made permanent**, and the RW should be lowered from 80% to **50 %**

This would allow to make SA more risk sensitive on relevant criteria.

⁴Art 495b(3) : By way of derogation from Article 122a(3), point (a), specialised lending exposures as referred to in that point for which a directly applicable credit assessment by a nominated ECAI is not available may, until 31 December 2032, be assigned a risk weight of 80 %, where the adjustment to own funds requirements for credit risk referred to in Article 501a is not applied and the exposure is deemed to be of high quality when taking into account all of the following criteria:

Increased SA capital requirements would not reflect the underlying risk profile of these exposures and will impact all EU banks, SA and IRB banks, the latter affected by the output floor. This would further reduce risk sensitivity and potentially shift financing activities to other, less regulated market participants. Against this background, a stable and proportionate regulatory framework is essential.

- ✓ **Since the lack of ratings is a common issue with banks applying the Standardized Approach, the transitional arrangement under Article 465(3) CRR for unrated corporates should be made permanent.**
- ✓ **The High-quality derogative treatment proposed by Article 495b(3) CRR should be strengthened, extended to Project Finance and made permanent.**

Ad d) – The treatment of collateral under CRR Article 199

CRR Article 199(6)(d) CRR requires institutions when using the Foundation Internal Ratings Based approach (F-IRB)⁵ to demonstrate that, for at least 90% of all liquidations of a given collateral type, realised proceeds do not fall below 70% of the collateral value. In our experience, this approach is not always workable and should be revised. Taking into account varieties in the business offerings for specialised lending (e.g. with varying focus across the asset class, differences in modelling approaches as well as variations in risk management techniques being used), targeted revisions in the treatment of collateral that cater for these specificities would be needed. The strict requirement to demonstrate the realisation of proceeds represents a significant deviation from the Basel framework. Under the Basel standard (CRE 36.143), banks are only required to demonstrate that the proceeds obtained upon realisation of collateral do not deviate significantly from prevailing market prices.⁶ In contrast, the CRR introduces a very prescriptive methodology for assessing compliance, which can be seen as a form of gold-plating that puts European banks at a competitive disadvantage, as this creates hurdles to recognise collateral.

The **first deviation** from Basel is the use of quantitative threshold in combination with the transaction-based and binary nature of the test. This approach gives equal weight to each individual liquidation regardless of the actual amount of proceeds realised and this creates disproportionate effects. A single realisation below the 70% threshold may require a significantly larger number of “successful” liquidations above 70% to restore compliance, even if these generate substantially higher liquidation proceeds. The **second deviation** is the calibration of the 70% threshold, which is no longer consistent with the current prudential framework. The threshold was originally derived on the basis of an approximate 30% haircut to collateral values. However, following the implementation of CRR3, the applicable supervisory haircut has increased to 40%. The **third deviation** from Basel is the CRR requiring banks to demonstrate the fulfilment of the thresholds separately for each “given type of collateral”. This could exacerbate the already existing problem of data scarcity for too narrowly defined sets of collateral. The **fourth and final deviation** requires institutions, in the event of significant volatility in market prices, the institution must demonstrate to the satisfaction of the competent authority that its valuation of the collateral is sufficiently conservative, which is not required by Basel. Taken together, these strict and inflexible requirements go far beyond the Basel standards.

⁵ This requirement does not apply to exposures under the Advanced-Internal Rating Based approach (1-IRB).

⁶ Basel wording (CRE 36.143): “Supervisors may allow for recognition of the credit risk mitigating effect of certain other physical collateral when the following conditions are met:

(1) The bank demonstrates to the satisfaction of the supervisor that there are liquid markets for disposal of collateral in an expeditious and economically efficient manner. Banks must carry out a reassessment of this condition both periodically and when information indicates material changes in the market.

(2) The bank demonstrates to the satisfaction of the supervisor that there are well established, publicly available market prices for the collateral. Banks must also demonstrate that the amount they receive when collateral is realised does not deviate significantly from these market prices.”

What is more, realised liquidations do not fully capture the range of recovery strategies applied by institutions thus resulting in a structurally limited data set of collateral liquidations. Banks typically rely on alternative—and often more effective—post-default recovery strategies, including restructuring (which typically represent the primary resolution strategy) or loan sales. In such cases, an outright sale is avoided and the collateral is not formally realised, retaining its economic value that positively influence the post-default recovery strategy. As a result, internal datasets based solely on realised liquidations are often not representative of actual recovery outcomes.

The issue of article 199-6 has become more pronounced also for corporate exposures following the implementation of CRR3, as exposures to large corporates can no longer be treated under the Advanced IRB Approach. Banks must increasingly rely on the F-IRB framework, where the requirements for recognising physical collateral are comparatively restrictive despite the limited LGD benefits and the substantial supervisory haircuts already applied. Hence, not only specialised lending exposures which were moved to Foundation IRB but also exposures to Large corporates collateralised by physical collateral must be regarded as unsecured. Therefore, the amendments proposed outlined below should not exclusively be applied to specialised lending exposures.

Finally, the current strict EU framework may have adverse implications for the international competitiveness of European institutions. Where high-quality physical collateral cannot be recognised for prudential purposes, capital requirements remain elevated, which could—all else being equal—affect pricing and lending capacity in globally competitive markets. Over time, this may limit the ability of European institutions to participate effectively in certain asset classes and could reduce the depth and resilience of European financing markets in strategically relevant sectors.

The EU legislature should therefore **revert to an approach that is closer to the Basel standard. In line with business models and risk management practices, we propose the following. Banks should be allowed to:**

- **either** demonstrate compliance through a quantitative approach, **(using all default cases including cures and restructuring, as well as all market data)** based on exposure-weighted averages rather than the counting of individual liquidation events. Furthermore, the threshold based on CRR I should be recalibrated from 70% towards 60%, reflecting the increased supervisory haircut of 40%;
- **or** show their competent authorities that there are well established market prices for the collateral and that the amount they receive when collateral is realised does not deviate significantly from these market prices at the date of realisation. This should also include that this valuation is sufficiently realistic.

In both cases, the assessment should focus on the relationship between the current market value of the collateral and the realised proceeds. Furthermore, institutions should be allowed to deploy well-functioning, alternative post-default recovery strategies and demonstrate their effectiveness to the competent authorities.

This approach would ensure closer alignment with international standards while maintaining an appropriate level of prudence.

Ad e) – The treatment of the Slotting Approach under CRR Article 153(5)

The review of the Supervisory Slotting Criteria Approach has been a long-standing issue under both the CRR framework and at Basel Committee level.

The CRR fails to recognise the need for greater granularity within the Slotting Approach, particularly for projects exhibiting stronger credit quality and lower risk profiles. Under the current framework, the lowest applicable risk weight for exposures with the strongest credit quality is 70%⁷, which does not provide sufficient

⁷ 50% risk weight for specialized lending exposures with a maturity below 2.5 years

differentiation between exposures with materially different risk profiles and results in an unduly conservative treatment of lower-risk exposures.

In this respect, article 153(5) CRR has not fully implemented the long-standing national discretion included in the Basel III framework, which allows for preferential risk weights of 50% and 70% to “strong” and “good” exposures, respectively, where a bank’s underwriting standards and other risk characteristics are materially stronger than those specified in the Slotting Criteria (CRE 33.4). As stated in the Basel framework “*At national discretion, supervisors may allow banks to assign preferential risk weights of 70% to “strong” exposures, and 95% to “good” exposures, provided [...] the supervisor determines that banks’ underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria for the relevant supervisory risk category*”. More broadly, a comprehensive review of the Slotting Approach should be undertaken to ensure that it remains appropriately risk sensitivity.

The limited granularity of the current Slotting risk-weight framework constrains the ability of banks in the slotting approach, to incorporate capital consumption effectively into pricing, portfolio management and lending decisions. By insufficiently differentiating between risk profiles especially for stronger credit quality transactions, the approach weakens risk-based decision-making, and further reduces the lending capacity of EU institutions, to the detriment of EU’s broader policy objectives.

Ad f) – Recognition of financial collateral under the Slotting Approach:

We welcome the introduction of Article 236(1d) CRR that was newly introduced by CRR3 that explicitly refers to the possibility to recognise personal guarantees outside the project (unfunded credit protection) by applying the substitution approach where the risk weights for the guaranteed exposure are determined by means of the Slotting Approach according to Article 153(5) of the CRR.

We believe that the same rationale should be extended to financial collaterals (funded credit protection) provided by third parties outside the project, such as cash collateral provided by insurers.

Chapter 4 of the CRR does not currently recognize such financial collateral under the Slotting Approach, despite its risk-reducing effect being comparable to that of eligible personal guarantees and despite the fact that equivalent forms of funded credit protection are recognized under both the Standardized and IRB approaches.

In our view, this treatment should be revisited, for instance through an amendment to Article 228 CRR3, allowing institutions to recognize the financial collateral over the exposure (under the Slotting Approach an LGD is not estimated). This would allow institutions to recognize third-party financial collateral and ensure consistency of the Slotting Approach with the other approaches.

Ad g) – Infrastructure Supporting Factor

Significant practical challenges arise from the more constraining environmental criteria introduced for the Infrastructure Supporting Factor (ISF) to align with the EU Taxonomy under CRR3 (Article 501a (1)(o) CRR). In particular, demonstrating a positive contribution or at least not doing any significant harm to any of the environmental objectives creates considerable operational burdens for institutions. These include complexity, lack of available data, uncertain interpretations and legal ambiguity when trying to assess compliance. These challenges are especially pronounced in the context of specialised lending, where projects are often bespoke and data availability is limited, almost by definition. It implies requirements to the borrower and its sponsors for getting external expert analysis, as data has been limited so far.

The current framework has adverse effects on the financing of infrastructure projects. Economically sound and socially essential projects—such as transport infrastructure (e.g. roads, tunnels and harbours), social infrastructure (e.g. schools, hospitals) and energy infrastructure (e.g. LNG terminals, pipelines, electricity grids, etc.) become more

difficult to finance for European banks since these projects are generally syndicated with other international banks (notably non-European ones) which are not required to meet such requirements.

As a result, the current approach weakens the effectiveness of the ISF and leads to distortions in capital allocation. Against this background, **we recommend reverting the amendment introduced by CRR3 to Article 501a(1)(o) CRR introduced by CRR3 to the wording applicable under CRR II.** This would prevent disproportionately complex requirements being imposed solely on European banks and their clients. The ISF is intended to support the financing of essential infrastructure in the European Union; the stricter criteria introduced by CRR III risk creating unintended barriers to achieve this objective.

Ad h) – Credit insurance - a credit risk management tools for banks

In an environment of increasing RWA constraints—particularly for specialised lending—credit insurance remains an important risk-management tool that enables banks to sustain origination and continue financing the European economy.

The restriction on credit insurance, with the modelling approach removed under CRR3, leaves RWA substitution as the only option. This, combined with a punitive LGD of 45%, will result in a further reduction in the volumes of financing granted to the European economy.

The LGD applied to credit insurance should be brought back to a level more in line with the risks actually observed, as envisaged in Article 506 and as estimated in the ITFA Additional Report, quantified with the assistance of Deloitte. ([ITFA Additional Report 506-vf.pdf](#))

5. Policy options and recommended actions

In the previous section, we discussed the major regulatory stumbling blocks that impair specialised lending. The policy options and recommended actions we described were:

For Advanced IRB:

- 1) **Lower the LGD input floors themselves set out in CRR Article 161(4) and (6) for specialised lending and at least freeze or lower the current final level achieved by the transitory applicable percentage, at a maximum of 50% of the floors.** The ongoing EBA works under article 495b on this should ensure that floors only aim to avoid excessively low LGDs that would be considered as low “outliers”.
- 2) Provide substantial adjustments in the application of the EBA Guidelines on PD and LGD estimation for specialised lending portfolios:
 - a) Allow more flexibility for modelling; SL should be exempted from current modelling guidelines (which were drafted for High Default Portfolio and are inadequate for Specialised Lending). Such guidelines could instead be complemented by risk sensitive Back-Testing Guidelines,
 - b) Allow a more extensive and easier use external data sources (such as data from GCD) for modelling purposes
 - c) Instead of requiring banks to use the “reference rate + 500 bps” as stated in the EBA Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures, allow them to use internal estimates, provided that institutions can demonstrate their internal approach is sound and sufficiently conservative.

For Foundation IRB:

- 1) Under CRR Article 199(6)(d) (treatment of collateral), revert to an approach closer to the Basel standard. Banks should be allowed to: (i) either demonstrate compliance through a quantitative approach based on exposure-weighted averages rather than the counting of individual liquidation events, with the threshold recalibrated from 70% to 60% to reflect the increased supervisory haircut of 40% under CRR3; or (ii) show their competent authorities that there are well-established market prices for the collateral and that the amount received upon realisation does not deviate significantly from those prices (with sufficiently conservative valuation). In both cases, the assessment should focus on the relationship between the current market value of the collateral and the realised proceeds, and institutions should be allowed to deploy well-functioning alternative post-default recovery strategies and demonstrate their effectiveness to the competent authorities.

For the Slotting Approach:

- 1) Fully implement the national discretion in CRE 33.7 allowing for the application of preferential risk weights where banks' underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria. This would allow to recognize lower risk weights of 50% and 70% risk weights for "strong " and "good" categories (highest credit quality projects), versus the current 70% and 90%. More broadly, undertake a comprehensive review of the slotting Approach to ensure appropriate risk sensitivity.
- 2) Recognition of financial collateral under the Slotting Approach:
- 3)

For the Standard Approach:

- 1) lower the RW for High Quality Project Finance and Object Finance (and make HQOF transitional arrangement permanent), to make SA more risk sensitive. Indeed, SA is important for A-IRB banks, since it is applicable for the purpose of calculation of output floor. Also this treatment is relevant for SA banks.

For all approaches:

- 1) Make the transitional arrangement for unrated corporates under CRR Article 465(3) permanent and introduced in the Standardized Approach.
- 2) Additionally, freeze the global output floor to further prevent a disproportionate impact on specialised lending which would result from a "biting" output floor.
- 3) For the Infrastructure Supporting Factor (CRR Article 501a(1)(o)), revert back to the wording of CRR II, which does not require a hard link to the EU taxonomy, as taxonomy-alignment is hard to establish for many specialised lending projects.
- 4) When there is a credit risk insurance, allow the application of a lower LGD (such as 22.5% as calibrated under ITFA Additional Report)⁸.

⁸ https://itfa.org/wp-content/uploads/2026/04/ITFA_Additional_Report_506-vf.pdf

6. Annexes

Annex 1 – LGDs based on GCD-data

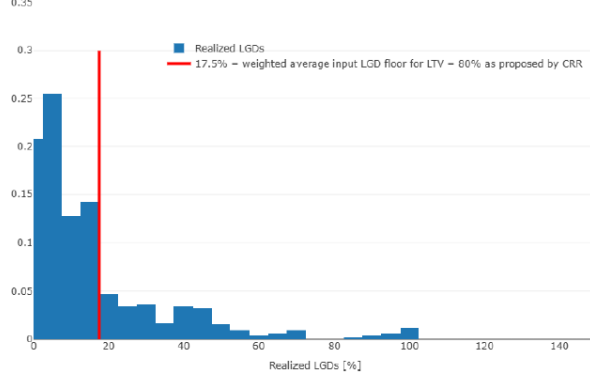
Appendix - CRR Article 495b

Facility Asset Class	Nr of Facilities	Average LGD EURIBOR3M Discounted	Average LGD EURIBOR3M + 5% Discounted	Average Time To Resolution [years]
Aircraft	526	10%	16%	2.8
Commodities	290	15%	18%	2.3
Project	724	17%	21%	2.6
Real Estate	1463	19%	23%	3.2
Shipping	1062	13%	17%	2.1



Aircraft Finance

Histogram of realized LGDs for Aircraft Finance, EURIBOR3M + 5% discounting

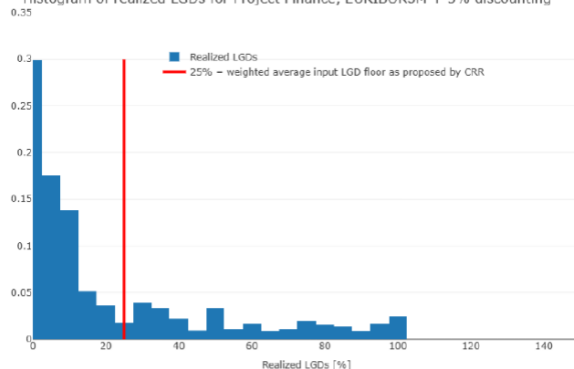


- ☐ 73% of realized LGDs are below the weighted average input LGD floor for LTV = 80%
- ☐ There are 526 defaults available within this histogram
- ☐ Mean time to resolution is 1030 days
- ☐ Mean realized LGD is 16%



Project Finance

Histogram of realized LGDs for Project Finance, EURIBOR3M + 5% discounting

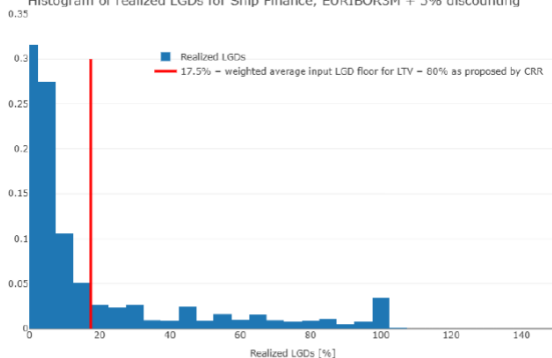


- 71% of realized LGDs are below the weighted average input LGD floor of 25%
- There are 724 defaults available within this histogram.
- Mean time to resolution is 956 days
- Mean realized LGD is 21%



Ship Finance

Histogram of realized LGDs for Ship Finance, EURIBOR3M + 5% discounting



- 75% of realized LGDs are below the weighted average input LGD floor for LTV = 80%
- There are 1062 defaults available within this histogram
- Mean time to resolution is 782 days
- Mean realized LGD is 17%



Sources:

- [GCD Recovery Rate Report for Banks and Financial Institutions 2025](#),
- [GCD Recovery Rate Report for Aircraft Finance 2025](#),
- [GCD Recovery Rate Report for Shipping Finance 2025](#), and
- [GCD Recovery Rate Report for Project Finance 2025](#).
- GCD “Empirical insights from banks’ loss data” (provided separately).

Annex 2 – Discount rate issue examples.

Extract from slides for EBA Public Hearing on their mandate for CRR3 article 181 (5)

Using a discount rate higher than the loan rate implies artificial losses. The example below is based on an assumed margin of 110 bps.

Discount rate for calculation of “realized” LGDs

- ❖ EBA mandate, article 181 (5), b): appropriateness of the discount rate for the calculation of economic loss across all exposures.
- ❖ CRR3:
 - ✓ Article 181 (1) (a): estimation of LGD to be done on the basis of the average realized LGDs
 - ✓ Article 4: Loss Given Default : Loss/ Outstanding at default
 - ✓ Article 5 : Loss is the economic loss: including material discount effects and direct and indirect recovery costs

❖ Example of LGD calculation using risk free + loan margin or using risk free + 5%:

assumption of repayment of the outstanding on year 2, annual interests. All principal and interests paid.

LGD	Discount rate = risk free + loan margin= 3,60%	Discount rate = risk free + 5%, add-on= 7,50%
Risk free rate	2,50%	
Loan margin	1,1%	
Example 1	100% recovery rate, default 2 years, interests paid	
LGD	0%	7%

7 % points of LGD difference

=> Realized Loss :

- ✓ Is it 7% or 0%?
- ✓ The borrower repaid all principal and interests, so what real loss is the 7%?

=> the impact of difference 5% add-on – loan margin, is huge , in absolute and relative value.

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The current discount rate has a more punitive effect on low-risk transactions than on high-risk transactions.

Low risk transactions more penalized by GL discount rate

❖ Impact of the difference of the discount rate with loan rate on LGD, depending on the recovery rate:

LGD	Discount rate = risk free + loan margin= 3,60%	Discount rate = risk free + 5% add-on= 7,50%	
Risk free rate	2,50%		
Loan margin	1,1%		
Example 1	100% recovery rate, default 2 years, interests paid		
LGD	0%	7%	+7% of LGD for 100% infinite relative increase of LGD
Example 2	95% recovery rate, default 2 years, interests paid		
LGD	5%	11.3%	+ 6.7 % of LGD for 95% recovery, i.e. increase of LGD by 143%
Example 3	50% recovery rate, default 2 years, no interests paid		
LGD	53.4%	56.7%	+ 3.3 % of LGD for 95% recovery, i.e. increase of LGD by 6%

⇒ Transactions with low realized loss (examples 1 and 2) are more penalized than those with high realized ones (example 3).

⇒ A discount rate higher than the loan rate is the inverse of risk sensitive:

- ✓ It is risk favouring. It impacts less high risk transactions than low risk ones.
- ✓ It is not treating all loans the same way, it is not neutral, but favors loans with high losses/ penalizes those with low losses.

Annex 3 - Overview of most relevant CRR articles pertaining to specialised lending

Specialised lending consists of:

- 'project finance' (PF), (under SA (122a) and IRB (147(8)))
- 'object finance' (OF), (under SA (122a) and IRB (147(8)))
- 'commodity finance' (CF) (under SA (122a) and IRB (147(8))), and;
- 'income-producing real estate' (IPRE). (Only IRB, following CRR 122a (1)(b))

1. For specialised lending, the CRR contains the following mandates:

LGD input floors and haircut parameters. CRR Article 495b (2) requires EBA to submit a report to the European Parliament, the Council and the Commission by 10 July 2026. EBA shall recommend specific calibrations of risk parameters, including the haircut parameter, that would reflect the specific and different risk profile for each specific category of specialised lending exposures. On the basis of that report, the Commission shall, where appropriate, submit to the European Parliament and to the Council a legislative proposal by 31 December 2027.

Object finance: CRR article 495b (4) requires EBA to prepare a report on object finance by 31 December 2030. The Commission shall, where appropriate, submit a legislative proposal by 31 December 2031.

Project finance (operational phase): CRR article 122a(4) requires EBA to develop draft RTS to further specify the conditions under which an 80% RW may be applied. EBA shall submit those draft RTS to the Commission by 10 July 2026.

2. For specialised lending, the Basel III- Finalising post-crisis reforms contains the following provisions which should be fully included as a mandate in CRR:

Slotting approach. CRR33.4 establishes that at national discretion supervisors may allow banks to assign preferential risk weights of 50% to "strong" exposures and 70% to "good" exposures, provided [...] the supervisor determines that banks' underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria for the relevant supervisory risk category.

Article 153 (5) CRR – Slotting Approach - should be amended to include the Basel national discretion commented above.

3. For Slotting Criteria, amendments to articles 228 should be included in CRR to recognize the financial collateral outside the projects in the slotting criteria.

1. For specialised lending, the CRR contains the following mandates:

CRR Article 122a - Specialised lending exposures (risk weights SA)

1. Within the corporate exposure class referred to in Article 112, point (g), institutions shall separately identify as specialised lending exposures, exposures with all of the following characteristics:

(a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an exposure that is economically comparable to such an exposure;

(b) the exposure is not related to the financing of residential property or commercial immovable property and is within the definitions of object finance, project finance or commodity finance exposures laid down in paragraph 3;

(c) the contractual arrangements governing the obligation related to the exposure give the institution a substantial degree of control over the assets and the income that they generate;

(d) the primary source of repayment of the obligation related to the exposure is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.

2. Specialised lending exposures for which a directly applicable credit assessment by a nominated ECAI is available shall be assigned a risk weight in accordance with Table 1. Table 1 Credit quality step Risk weight 1 2 3 4 5 6 20 % 50 % 75 % 100 % 150 % 150 %

3. Specialised lending exposures for which a directly applicable credit assessment by a nominated ECAI is not available shall be assigned a risk weight as follows:

(a) where the purpose of a specialised lending exposure is to finance the acquisition of physical assets, including ships, aircraft, satellites, railcars, and fleets, and the income to be generated by those assets comes in the form of cash flows generated by the specific physical assets that have been financed and pledged or assigned to the lender ('object finance exposures'), institutions shall apply a risk weight of 100 %;

(b) where the purpose of a specialised lending exposure is to provide for short-term financing of reserves, inventories or receivables of exchange-traded commodities, including crude oil, metals or crops, and the income to be generated by those reserves, inventories or receivables is to be the proceeds from the sale of the commodity ('commodity finance exposures'), institutions shall apply a risk weight of 100 %;

(c) where the purpose of a specialised lending exposure is to finance an individual project, either in the form of construction of a new capital installation or refinancing of an existing installation, with or without improvements, for the development or acquisition of large, complex and expensive installations, including power plants, chemical processing plants, mines, transportation infrastructure, environment, and telecommunications infrastructure, in which the lending institution looks primarily to the revenues generated by the financed project, both as the source of repayment and as security for the loan ('project finance exposures'), institutions shall apply the following risk weights:

(i) 130 % where the project to which the exposure is related is in the pre-operational phase;

(ii) provided that the adjustment to own funds requirements for credit risk referred to in Article 501a is not applied, 80 % where the project to which the exposure is related is in the operational phase and the exposure meets all of the following criteria:

(1) there are contractual restrictions on the ability of the obligor to perform activities that might be detrimental to lenders, including the restriction that new debt cannot be issued without the consent of existing debt providers;

(2) the obligor has sufficient reserve funds fully funded in cash, or other financial arrangements with an entity, to cover the contingency funding and working capital needs over the lifetime of the project being financed, provided that the entity is assigned an ECAI rating by a recognised ECAI with a credit quality step of at least 3 or, in the case of institutions calculating risk-weighted exposure amounts and expected loss amounts in accordance with Chapter 3, where the entity does not have a credit assessment by a recognised ECAI, that entity is assigned with an internal credit rating equivalent to a credit quality step of at least 3 by the institution, provided that that entity is internally rated by the institution in accordance with the provisions of Chapter 3, Section 6;

(3) the project to which the exposure is related generates cash flows that are predictable and cover all future loan repayments;

(4) where the revenues of the obligor are not funded by payments from a large number of users, the source of repayment of the obligation depends on one main counterparty and that main counterparty is one of the following:

— a central bank, a central government, a regional government or a local authority, provided that they are assigned a risk weight of 0 % in accordance with Articles 114 and 115, or are assigned an ECAI rating with a credit quality step of at least 3 by a recognised ECAI; or, in the case of institutions calculating risk-weighted exposure amounts and expected loss amounts in accordance with Chapter 3, where the central bank, central government, regional government or local authority do not have a credit assessment by a recognised ECAI, they are assigned with an internal credit rating equivalent to a credit quality step of at least 3 by the institution, provided that they are internally rated by the institution in accordance with the provisions of Chapter 3, Section 6;

— a public sector entity, provided that that entity is assigned a risk weight of 20 % or below in accordance with Article 116, or is assigned an ECAI rating with a credit quality step of at least 3 by a recognised ECAI or, in the case of institutions calculating risk-weighted exposure amounts and expected loss amounts in accordance with Chapter 3, where the public sector entity does not have a credit assessment by a recognised ECAI, that public sector entity is assigned with an internal credit rating equivalent to a credit quality step of at least 3 by the institution, provided that that public sector entity is internally rated by the institution in accordance with Chapter 3, Section 6,

— a corporate entity which has been assigned an ECAI rating with a credit quality step of at least 3 by a recognised ECAI, or, in the case of institutions calculating risk-weighted exposure amounts and expected loss amounts in accordance with Chapter 3, where the corporate entity does not have a credit assessment by a recognised ECAI, that corporate entity is assigned an internal credit rating equivalent to a credit quality step of at least 3 by the institution, provided that that corporate entity is internally rated by the institution in accordance with the provisions of Chapter 3, Section 6;

(5) the contractual provisions governing the exposure to the obligor provide for a high degree of protection for the lending institution in the case of a default of the obligor;

(6) the main counterparty, or other counterparties which similarly comply with the eligibility criteria for the main counterparty, effectively protect the lending institution against losses resulting from the termination of the project;

(7) all assets and contracts necessary to operate the project have been pledged to the lending institution to the extent permitted by applicable law;

(8) the lending institution is able to take control of the obligor entity in the case of a default event

(iii) 100 % where the project to which the exposure is related is in the operational phase and the exposure does not meet the conditions set out in point (ii);

(d) for the purposes of point (c)(ii)(3), the cash flows generated shall not be considered predictable unless a substantial part of the revenues satisfies one or more of the following conditions:

(i) the revenues are availability-based, meaning that, once construction is completed, the obligor is entitled, as long as the contractual conditions are fulfilled, to payments from its contractual counterparties which cover operating and maintenance costs, debt service costs and equity returns as the obligor operates the project, and those payments are not subject to swings in demand, such as traffic levels, and are adjusted typically only for lack of performance or lack of availability of the asset to the public;

(ii) the revenues are subject to a rate-of-return regulation;

(iii) the revenues are subject to a take-or-pay contract;

(e) for the purposes of point (c), the operational phase shall mean the phase in which the entity that was specifically created to finance the project, or that is economically comparable, meets both of the following conditions:

(i) the entity has a positive net cash flow that is sufficient to cover any remaining contractual obligation;

(ii) the entity has a declining long term debt.

4. EBA shall develop draft regulatory technical standards to further specify the conditions under which the criteria set out in paragraph 3, point (c)(ii), are met.

EBA shall submit those draft regulatory technical standards to the Commission by 10 July 2026.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010.

CRR Article 147(8) (IRB exposure class assignment)

8. Within the corporate exposure class laid down in point (c) of paragraph 2, institutions shall separately identify as specialised lending exposures, exposures which possess the following characteristics:

(a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;

(b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate;

(c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.

Those exposures shall be assigned to the exposure class referred to in paragraph 2, point (c)(ii), and shall be categorised as follows: 'project finance' (PF), 'object finance' (OF), 'commodity finance' (CF) and 'income-producing real estate' (IPRE).

CRR Article 161 Loss Given Default (LGD)

(...)

4. For exposures assigned to the exposure classes referred to in Article 147(2), point (c)(i), (ii) or (iii), for the sole purpose of calculating risk-weighted exposure amounts and the expected loss amounts of those exposures, and in particular for the purposes of Article 153(1), point (iii), Article 157, and Article 158(1), (5) and (10), where own estimates of LGD are used, the LGD values for each exposure used as an input of the risk-weighted exposure amounts

and expected loss formulae shall not be less than the following LGD input floor values, calculated in accordance with paragraph 6 of this Article.

CRR 495b – Transitional arrangements for specialised lending exposures

1. By way of derogation from **Article 161(4)**, the LGD input floors applicable to specialised lending exposures treated under the IRB Approach where own estimates of LGD are used, shall be the applicable LGD input floors provided for in Article 161(4), multiplied by the following factors:

- (a) 50 % during the period from 1 January 2025 to 31 December 2027;
- (b) 80 % during the period from 1 January 2028 to 31 December 2028;
- (c) 100 % during the period from 1 January 2029 to 31 December 2029.

2. EBA shall prepare a report on the appropriate calibration of risk parameters, including the haircut parameter, applicable to specialised lending exposures under the IRB Approach, and in particular on own estimates of LGD and LGD input floors for each specific category of specialised lending exposures as referred to in **Article 147(8)**. EBA shall in particular include in its report data on average numbers of defaults and realised losses observed in the Union for different samples of institutions with different business and risk profiles. EBA shall recommend specific calibrations of risk parameters, including the haircut parameter, that would reflect the specific and different risk profile for each specific category of specialised lending exposures.

EBA shall submit that report to the European Parliament to the Council and to the Commission by 10 July 2026.

On the basis of that report and taking due account of the related internationally agreed standards developed by the BCBS, the Commission shall, where appropriate, submit to the European Parliament and to the Council a legislative proposal by 31 December 2027.

3. By way of derogation from **Article 122a(3), point (a)**, specialised lending exposures as referred to in that point for which a directly applicable credit assessment by a nominated ECAI is not available may, until 31 December 2032, be assigned a risk weight of 80 %, where the adjustment to own funds requirements for credit risk referred to in **Article 501a** is not applied and the exposure is deemed to be of high quality when taking into account all of the following criteria:

- (a) the obligor can meet its financial obligations even under severely stressed conditions due to the presence of all of the following features:
 - (i) adequate exposure-to-value of the exposure;
 - (ii) conservative repayment profile of the exposure;
 - (iii) commensurate remaining lifetime of the assets upon full pay-out of the exposure or alternatively recourse to a protection provider with high creditworthiness;
 - (iv) low refinancing risk of the exposure by the obligor or that risk is adequately mitigated by a commensurate residual asset value or recourse to a protection provider with high creditworthiness;

- (v) the obligor has contractual restrictions over its activity and funding structure;
 - (vi) the obligor uses derivatives only for risk-mitigation purposes;
 - (vii) material operating risks are properly managed
- (b) the contractual arrangements on the assets provide lenders with a high degree of protection, including the following features:
- (i) the lenders have a legally enforceable first-ranking right over the assets financed and, where applicable, over the income that they generate;
 - (ii) there are contractual restrictions on the ability of the obligor to make changes to the asset which would have a negative impact on its value;
 - (iii) where the asset is under construction, the lenders have a legally enforceable first-ranking right over the assets and the underlying construction contracts;
- (c) the assets being financed meet all of the following standards to operate in a sound and effective manner:
- (i) the technology and design of the asset are tested;
 - (ii) all necessary permits and authorisations for the operation of the assets have been obtained;
 - (iii) where the asset is under construction, the obligor has adequate safeguards on the agreed specifications, budget and completion date of the asset, including strong completion guarantees or the involvement of an experienced constructor and adequate contract provisions for liquidated damages.
4. EBA shall prepare a report, analysing the following:
- (a) the evolution of the trends and conditions in markets for object finance in the Union;
 - (b) the effective riskiness of the object finance exposures over a full economic cycle;
 - (c) the impact on own funds requirements of the treatment set out in **Article 122a(3), point (a)**, for object finance exposures, without taking into account **Article 465(1)**;
 - (d) the appropriateness of the definition of the sub-class of 'high quality object finance' and to assign to that sub-class of exposures a different prudential treatment.

EBA shall submit that report to the European Parliament, to the Council and to the Commission by 31 December 2030.

On the basis of that report and taking due account of the related inter nationally agreed standards developed by the BCBS, the Commission shall, where appropriate, submit to the European Parliament and to the Council a legislative proposal by 31 December 2031

CRR Article 501a - Adjustment to own funds requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential

public services 2. For specialised lending, the Basel III- Finalising post-crisis reforms contains the following provisions which should be included as a mandate in CRR:

2. For specialised lending, the Basel III- Finalising post-crisis reforms contains the following provisions which should be included as a mandate in CRR:

Basel III- Finalising Post-crisis reforms:

CRR33.4 At national discretion, supervisors may allow banks to assign preferential risk weights of 50% to “strong” exposures, and 70% to “good” exposures, provided [...]supervisor determines that banks’ underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria for the relevant supervisory risk category.

Article 153.5 CRR:

5. For specialised lending exposures in respect of which an institution is not able to estimate PDs or the institutions’ PD estimates do not meet the requirements set out in Section 6, the institution shall assign risk weights to these exposures in accordance with Table 1, as follows:

Table 1

Remaining Maturity	Category 1	Category 2	Category 3	Category 4	Category 5
Less than 2,5 years	50 %	70 %	115 %	250 %	0 %
Equal or more than 2,5 years	70 %	90 %	115 %	250 %	0 %

In assigning risk weights to specialised lending exposures institutions shall take into account the following factors: financial strength, political and legal environment, transaction and/or asset characteristics, strength of the sponsor and developer, including any public private partnership income stream, and security package.

3. For Slotting Criteria, amendments to articles 228 should be included in CRR to recognize the physical and financial collateral outside the projects in the Slotting Criteria.

Article 228 CRR new paragraph to be included:

Article 228

Calculating risk-weighted exposure amounts under the Financial Collateral Comprehensive method for exposures treated under the Standardised Approach

Under the Standardised Approach, institutions shall use E* as calculated under Article 223(5) as the exposure value for the purposes of Article 113. In the case of off-balance-sheet items listed in Annex I, institutions shall use E* as the value to which the percentages indicated in Article 111(2) shall be applied to arrive at the exposure value.