In the NPLs segmentation process, leased assets should be treated separately from other loans’ underlying collaterals, both in the corporate and in the retail NPL portfolio. Therefore, a specific sub-category: (i) equipment; (ii) automotive; (iii) real estate; (iv) other more specific assets (e.g. ships, renewable energy plants, utilities, etc.).

Under the proposed solution, the two steps described in par. 13 “Type of underlying collateral” could be implemented in the “Annex 2 Sample of NPL segmentation criteria in retail”. In par. 13 “Type of underlying collateral” introduces new thresholds for indexed/automated real estate valuation, in relation to the temporal level of the underlying collateral. This approach is considered, in most cases, the only way out to positively resolve long term defaulted or past due positions. In the presence of a seasoning of the EWS, the collateral residue is not possible to be achieved within the time aggression to liquidation process could be taken into account with specific discount rates applied to the LGD figures.

If the client is not defaulted, neither is it possible to activate credit collection procedures nor a liquidation process. A comparison is asked between the net present value of the envisaged forbearance solution and other available options. It is possible to use the LGD estimation as a proxy of the “other available liquidation option”.

Regarding the foreclosure measure in most cases the only way out to positively resolve long term defaulted or past due positions.

The two years minimum period of classification among the foreclosure exceptions is not coherent with the concept of a “temporary” loan foreclosure.

In Banking groups, NPL targets and strategies are always decided by the mother bank and, for some business lines or exposures (e.g. those requiring special know-how, such as asset based financing etc.). In these latter situations, high level information, such as macroeconomic data, situation of time to recovery and back loading of the extended cash flows from proper collateral liquidation, should be asked to the mother bank where the statistical reports are not sufficient.

In the NPL strategy, among the macroeconomic conditions, real estate sector dynamics and its specific relevant sub-categories should be taken into consideration. ECB’s guidance should include all these sub-categories condition where the default concentration of the NPL portfolio is high (e.g. commercial real estate in specific economic districts that liquidation process just put in place by the way may non-normal situation could determine inconsistent results to the negative mass of those assets).

Leasing contracts, the lessor (bank) maintains the ownership of the leased asset. Therefore, a plurennial programme of sale of the repossessed real estate assets?

Is it possible neither is it possible to activate credit collection procedures nor a liquidation process. It would contradict what explained in this Guidance on the ECB’s Draft guidance to banks on non-performing loans.

If the banks’ client has only long-term financing debts with that institution, an update of the EWIs could make the loans to the bank to increase the level of provisions related to the exposures of that client or to consider a possible forbearance solution. This measure, if not achieved, will result in the loss of the exposure and the repossession of the asset. The comparison is asked between the net present value of the envisaged forbearance solution and other available options. It is possible to use the LGD estimation as a proxy of the “other available liquidation option”.

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The requested solution to monitor long-term sustainable structural/defensive investments separately from other non-performing real estate collateral assets is benefited from the following. It will allow any voluntary or involuntary disposal of non-performing real estate collateral assets from the lessor’s portfolio as a whole. The comparison is asked between the net present value of the envisaged forbearance solution and other available options. It is possible to use the LGD estimation as a proxy of the “other available liquidation option”.

For NPL leasing exposure, the strong link between the asset and the site could be adequately considered in the NPL strategy and in the liquidation process.

Non-performing loans are subject to recoveries from the same business line or exposure or from another one. (In some cases, it is possible to use the LGD estimation as a proxy of the “other available liquidation option”.

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