



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Template for comments

Consultation on the draft ECB Guidance for banks on non-performing loans

Institution/Company

HELLENIC BANK PUBLIC COMPANY LTD

ID	Chapter	Section	Page	Type of comment	Detailed comment	Concise statement why your comment should be taken on board
1				Clarification	A transitional implementation period will be needed to adapt the Bank's systems processes and technologies for the compliance with the Guidelines.	The Bank's systems are not yet to the level of monitoring and reporting the Guidance is setting.
2	6 - Prov	6.2.3	68	Amendment	The Guidance calls for back-testing for collective & individually provisioning results. Given that i) the real estate market in Cyprus has limited depth and ii) there is no active market and experience for Secondary Market Credit Activities (i.e. loan sales, origination of structured products) there are limited data to be used on testing our hypotheses like time-to-liquidation, recovery rates etc.	Limited data for back testing exercises. We seek comfort that parameters used are on an "educated guess" basis and it is difficult to be justified through back-testing.
3	7 - Coll	7.4.3	91	Amendment	The Guidance calls for the use of empirical evidence on forming assumptions for selling/maintenance costs and OMV haircuts, in case a 'Gone Concern' approach is employed. However, it should be stressed out that there is only limited time-history for auctions and collateral sales and therefore the forming of assumptions on the basis of empirical evidence cannot be adopted immediately.	Limited data availability.
4	5 - Recog		38-63	Clarification	There are a number of qualitative and subjective rules on NPLs and forbearance setting for which we need to obtain comfort that there will be a level playing field with other Banks, ensuring a harmonized implementation of the EBA directive on NPEs and forbore exposures amongst peers.	Banks with high NPLs are constantly under scrutiny as to how they implement these directives and need to get comfort that across the system there is similar compliance (e.g. how do the "unlikely to pay" criterion has been implemented).
5	5 - Recog	5.1	47	Clarification	Guidance to be drafted in a way to ensure alignment also with the upcoming changes in the IFRS 9 as Banks will formulate their NPE strategies based on current information, rules and regulations. For example, if there is a major change on which facilities are considered impaired with IFRS 9, then the NPE strategy would have to be revised.	Currently applicable rules and regulations interrelated with IFRS 9 should be consistent to avoid confusion during implementation.
6	4 - Forb	4.2	42	Deletion	Conversion of currency cannot always be seen as forbearance measure.	Conversion of currency cannot always be seen as forbearance measure.
7				Clarification	There are various requirements (requirements to provide evidence about assumptions, requirements for the early warning mechanism to identify high risk customers, requirements for collateral valuations) that are very difficult to be applied immediately to the local banking sector due to the lack of the necessary data / market to perform such analysis. To this end a proportionality element could be considered in these requirements that captures the particularities and the level of sophistication of each market.	A proportionality element could be considered in these requirements that captures the particularities and the level of sophistication of each market.