Template for comments
Public consultation on the draft addendum to the ECB guidance to banks on non-performing loans

Institution/Company
Združenje bank Slovenije (The Bank Association of Slovenia)

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General comments
## Template for comments

Public consultation on the draft addendum to the ECB guidance to banks on non-performing loans

Please enter all your feedback in this list.

When entering feedback, please make sure that:
- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

**Deadline:** 8 December 2017

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<tr>
<th>ID</th>
<th>Chapter</th>
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<td>1</td>
<td>5 - Related supervisory reporting</td>
<td>10</td>
<td>02</td>
<td>Amendment</td>
<td>Taking into account the fact that the document will start to apply to NPEs that will (already) occur after 1 January 2018, we propose that the ECB defines in advance and in this document, as an annex, a template that the reporting institutions will have to use for reporting instead of waiting for details to be provided by the JSTs at a later state.</td>
<td>We cannot agree that the JSTs will provide banks with further details regarding the coverage levels by NPL vintage reporting at a later stage and believe that uniform template should be provided as an annex to this document.</td>
<td>Publish</td>
<td></td>
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| 2  | 4 - Prudential provisioning backstop | 4.1 and 4.2 | 10, 11 | Amendment       | Concerning the provisions of Chapter 4, which relate to the requirement to create 100% provisions for the secured exposures in the period of 7 years, we similarly support the view that, in terms of efficient credit risk management, the Bank must realise its collateral in due time, and that in this context, the 7-year period seems long enough for execution. However, we would like to point out that for certain types of real estate collateral such treatment is not appropriate (e.g. due to longer legal procedures, the specific of individual types of real estate that, due to their functional characteristics and economic reasons, do not lose value at such rates, the effects of the real estate cycle etc.).  
We believe that in any case the value of the property must be permanently assessed. The requirement for a complete devaluation of the property over a seven-year period may unjustly force the owner to behave in a non-market manner and attempt to sell the property as soon as possible, which is not necessarily economically justiﬁed and can cause unnecessary damage to the bank (though we fully agree with the importance of timely and effective resolution of the NPL).  
On this basis, we propose a relaxation on the introduction of categorization of real estate collateral, for which, for example, a less strict regime than proposed in chapter 4 of the document (e.g. linear growth of additional impairments over a period of 8-9 years or an increase in the minimum value of real estate collateral even after 7 years from 5% to at least 25% of the value), or b) the provision of exceptions to the proposed provisions of chapter 4, would be applied. Alternatively, ECB could consider an amendment of the application of the subject requirement to conduct a specific study on the impact of the proposed rules and analysis for the determination of the appropriate impairment growth rate and period on the basis of recorded recovery rates for different types of collateral that would be presented to the banking industry and on basis of which a ﬁnal decision could be taken. | Re explained in our detailed comment. | Publish          |               |