

Vienna Initiative 2.0

September 2017

*NPLs: best practices and
differences between countries*



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NPLs in CESEE: Continued Improvement

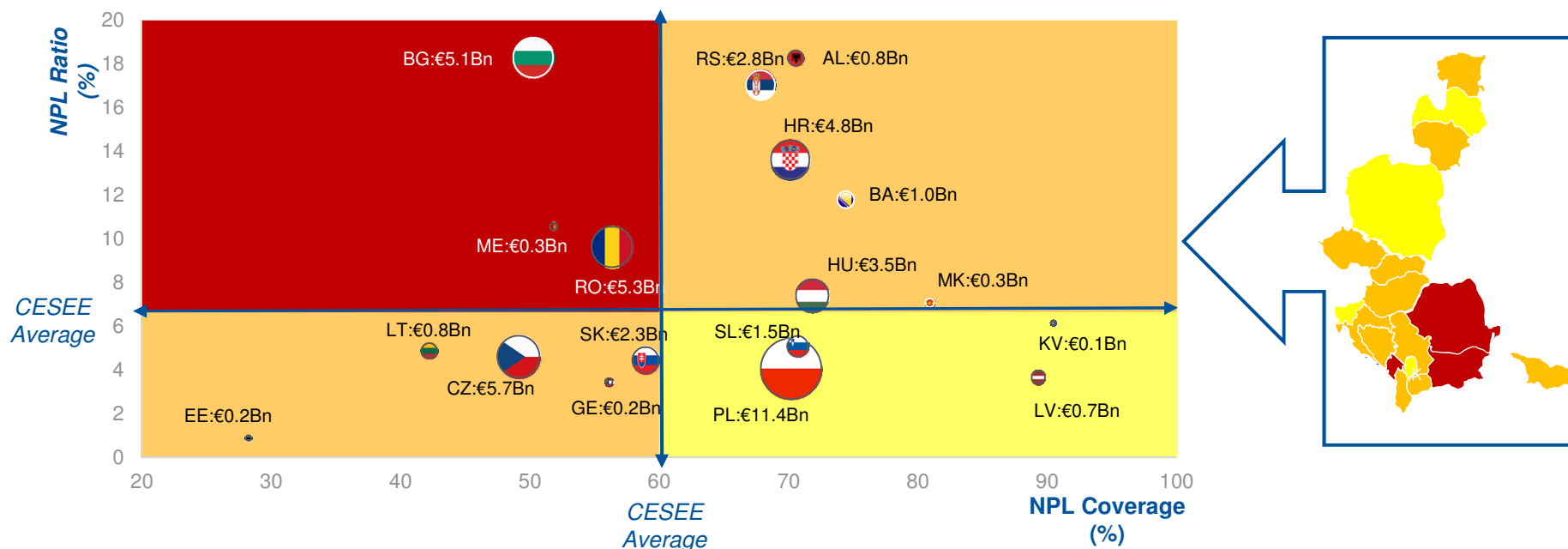
(December 2016 data)



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- NPLs in CESEE have continued to gradually decrease, with the NPL volume recording a €5.9bn drop from June 2016 to **€46.7bn** as of December 2016- this is mostly explained by NPLs sales.
- The average NPL ratio in the region stands at **6.2%** while the average NPL Coverage Ratio remains stable at around **62.5%**.

Snapshot of NPLs in CESEE

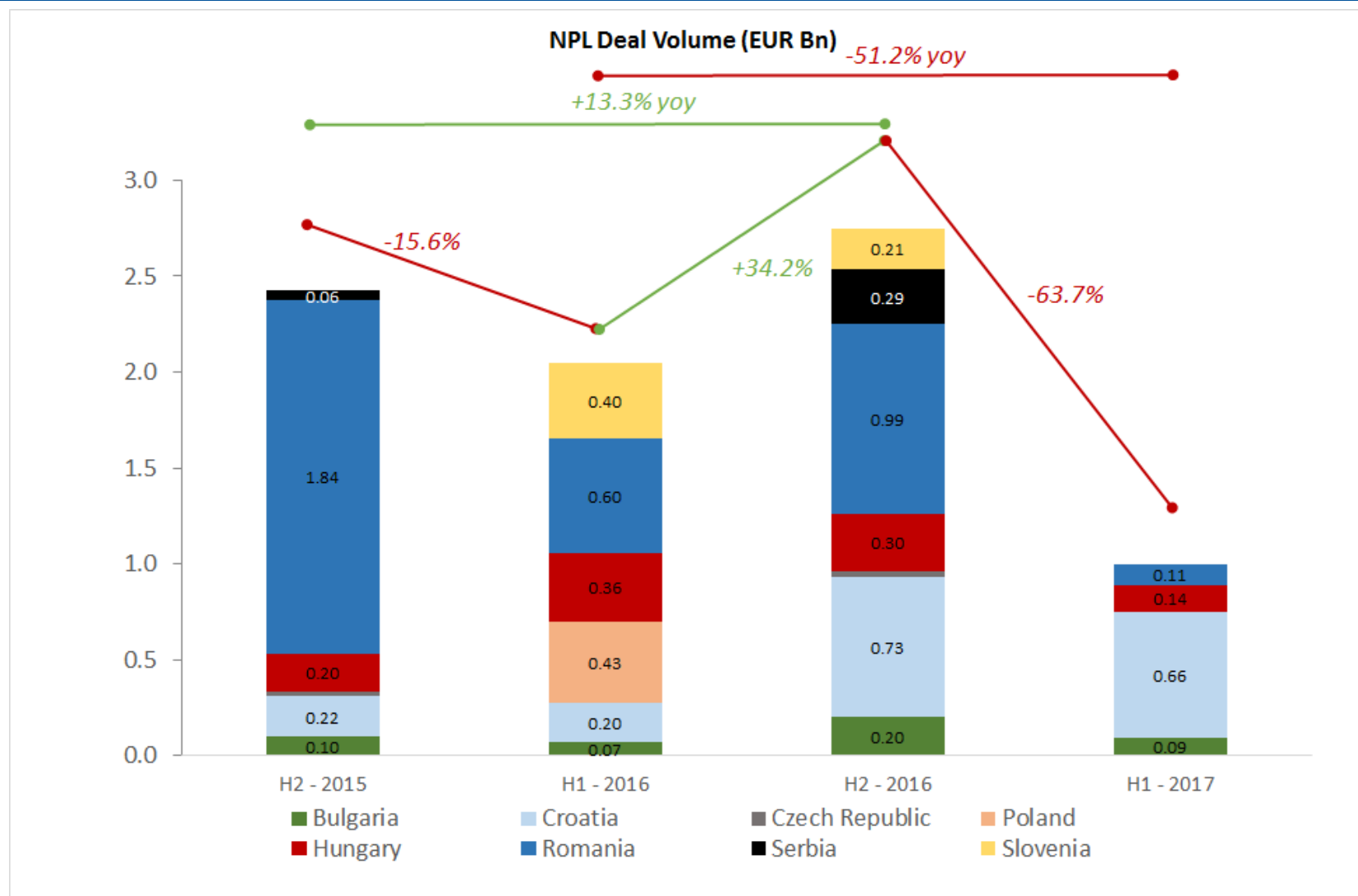


Source: IMF FSI, Central Banks, December 2016 – preliminary data

Deepening NPL Market in CESEE albeit a slow start for 2017



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Source: KPMG European Banking Transaction Tracker (as of September 2017), Investors' websites

NPL Action Plan: *partner countries under VI*








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OVERVIEW OF VI - NPL	Albania 	Croatia 	Hungary 	Montenegro 	Serbia 
<i>EBRD in VI lead</i>			√		
<i>Other institutions involved</i>	WB/IMF/EIB	WB/IMF/EC/EIB	IMF/EC/EIB	IMF/WB/EC	IMF/WB
INITIATIVE TO DATE					
<i>Impediment assessment</i>		√ (tax)	√		√
<i>OOCR review</i>	√	√	√	√	
<i>Reforms to Civil Procedure</i>	√				
<i>Insolvency/bankruptcy law</i>	√				√
<i>NPL Working group</i>	√		√ (informal)		√
<i>Training on restructuring</i>		√	√		√
<i>Knowledge sharing (workshops/conferences)</i>	√	√	√	√	√
COMMENTS					
	Conference in May 15 & June 16 (WB/IMF) Gov't reform targets + IMF structural benchmarks.	Workshop on OOCR MoF, MoJ, CB & WB in Nov 16 Restructuring training - EBRD	Report on impediments on NPL resolution March 2015 Workshop on OOCR	Law on Voluntary Financial Restructuring (LVFR) supported by WB.	Report on impediments (May 2015) and Action Plan WG on NPL Resolution

NPL Action Plan: non-partner countries








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OVERVIEW OF VI - NPL	Ukraine 	Greece 	Belarus 	BiH 	Bulgaria 
<i>VI Institutions Involved</i>	IMF/EBRD /WB	EBRD/EC IMF	IMF	WB/IMF	IMF/WB/EC /EIB/EBRD
INITIATIVE TO DATE					
<i>Impediment assessment</i>					
<i>OOOCR review</i>	√				
<i>Reforms to Civil Procedure</i>			√		
<i>Insolvency/bankruptcy law</i>		√	√	√	√
<i>NPL Working group</i>	√				
<i>Training on restructuring</i>		√			√
<i>Knowledge sharing (workshops/conferences)</i>	√	√			√
COMMENTS					
	Development of the Ukrainian Law on Financial Restructuring (June 2016) Structural reforms Capacity building	NPL conference in March 2016 – EBRD/BoG Workshop/training in restructuring EBRD/Euromoney Nov 17 EBRD - training for the IOHs and judges		On going works on drafting new insolvency laws and subsequent implementation of regulatory framework.	Work on insolvency and creditor rights ROSC. EBRD led Workshop on NPLs in Sofia, Sep 2017

NPL Action Plan: non-partner countries



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OVERVIEW OF VI - NPL	Romania 	Cyprus 	Georgia 	Moldova 	Slovenia 
<i>VI Institutions Involved</i>	WB/IMF/EC EIB	EBRD/IMF	WB	WB/IMF	IMF/WB/EC
INITIATIVE TO DATE					
<i>Impediment assessment</i>					
<i>OOCR review</i>					√
<i>Reforms to Civil Procedure</i>					
<i>Insolvency/bankruptcy law</i>				√	
<i>NPL Working group</i>					
<i>Training on restructuring</i>	√	√			√
<i>Knowledge sharing (workshops/conferences)</i>	√	√			√
COMMENTS					
	Best practices note VI website More developed NPL market	Network Event on NPLs in EBRD's AGM Workshop/training in restructuring EBRD/Euromoney for Greece/Cyprus Nov 17	New potential area	Insolvency ROSC conducted by WB during 2014 FSAP	Debt Restructuring and Insolvency conference in Feb 2014 Handbook on Workout for MSME NPLs by WB Capacity building



- **Clarity on Bank Secrecy Rules** => availability of data on VDR for auction sales
- **Adequate provisioning policies** => bridging the pricing gap for sales
- **Accurate collateral valuation** => improve bid price
- **Investor-friendly licencing requirements/regulation** => develop local servicing capacity
- **Removal of tax disincentives (e.g. on write-offs)** => develop/support NPL sales
- **OOCR and training of judges** => Facilitate corporate/SME restructuring



Q&A