

Solving NPLs through Innovative Solutions

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HELLENIC BANK

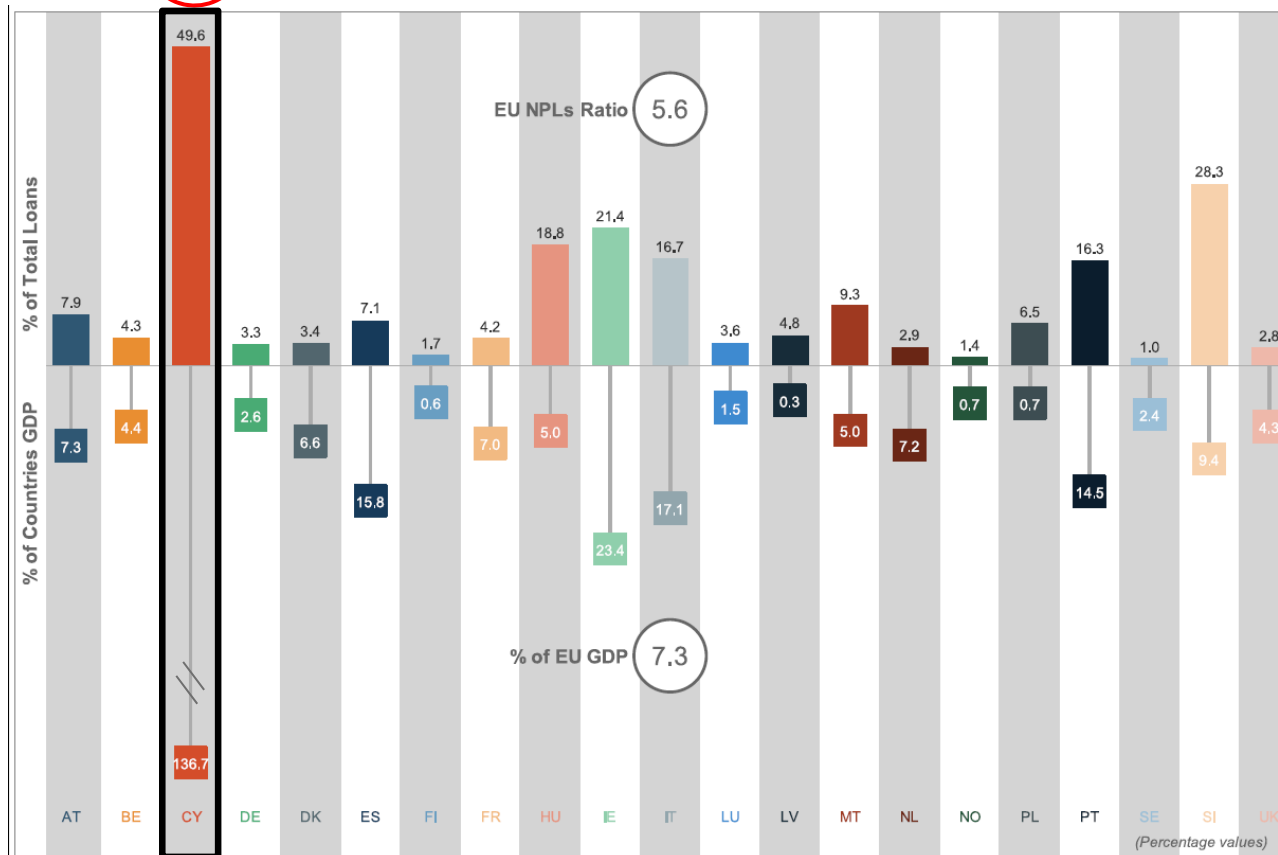
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NPL situation in Cyprus

49,6

NPL balances to Total Loans and Country's GDP



The very high NPL ratio to Total Loans and to GDP indicates the magnitude and depth of the problematic loans portfolio.

136,7

Source: EBA 2015 EU-wide transparency exercise

Progress made by Hellenic Bank

- Prudently provisioned
- Created a separate Arrears Mgmt Unit
- Focused also on pre-arrears
- Ready for new foreclosure process
- Improved skill sets
- Introduced new tools
- Increased systems support
- Improved data quality
- Changing the 'mindset'

2015 Results

- **€757 million restructured**
 - €560m NPLs
 - €197m Pre-arrears

 - €645m Business
 - €112m Retail
- Continued acceleration throughout the year

Challenges in resolving NPLs

- Untested process regarding:
 - Foreclosures
 - Insolvency
 - Asset sales

- Populist public debate

- Strategic default and the moral hazard it causes

- New regulatory regime

- Labour environment in Banking

- Slow judicial system

Possible NPL Solutions

Tools & Techniques used

- Consensual Approach
- Repayment ratchet
- Bullet repayment profile
- Discounted Interest Margins
- Performance/behaviour Incentives
- Sales Incentives
- Debt Compromise
- Cash Sweeps
- Standardised Restructuring Products
- Split Loans/Mortgages
- Retail settlement campaigns
- D2A (Debt Asset Swaps)
- Capital Grace periods
- Targeted financing
- Consolidation to improve viability
- Foreclosure

Tools not used yet

- D2E (Debt to Equity)
- Non cash interest (PIK Rates)
- Sale & Leaseback
- Syndicated/Club Financing
- Shared Equity in Real Estate

How to start a market for NPLs

Authorities and regulators have taken a number of measures to promote NPL resolution: e.g. new legislations, stricter supervisory policies and requirements

- New securitisation law to help bridge pricing gap

Next step is to involve outside investors in :

- | | | |
|----------------------|---|--|
| 1. Servicing | } | Leverage outside expertise |
| 2. Direct purchasing | | Utilise PE capital = better risk capital |

**High NPLs depress bank profitability and restrict new lending.
A secondary market for NPLs would facilitate disposals, reduce collection burden on banks and free up capital and resources to support new lending**

Thank you