HCMC and BOG

Guidelines on Banks' Credit Risk Disclosures on Loans and Advances to Customers

September 2013

CONTENTS

ABBREVIATIONS

AFS:	Available for Sale
AG:	Application Guidance of IFRSs
BoG:	Bank of Greece
CBI:	Central Bank of Ireland
DR:	Disclosure Requirement
EBA:	European Banking Authority
EIR:	Effective Interest Rate
EL:	Expected Loss
ESMA:	European Securities and Markets Authority
ESRB:	European Systemic Risk Board
FSB:	Financial Stability Board
HCMC:	Hellenic Capital Market Commission
HTM:	Held to Maturity
IFRIC:	IFRSs Interpretation Committee
IFRSs:	International Financial Reporting Standards
IG:	Implementation Guidance of IFRSs
L&As:	Loans and Advances to customers at amortised cost
LTV:	Loan to Value
NPL:	Non-performing loans

GLOSSARY

Arrears	See "Loans past due"
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Buy-to-let mortgages	Mortgages offered to customers purchasing residential property as a rental investment.
Collectively assessed impairment provision	A provision established following an impairment assessment on a collective basis for homogeneous groups of loans, such as credit card receivables and personal loans, that are not considered individually significant and for loan losses that have been incurred but not separately identified at the balance sheet date.
Credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Expected loss ('EL')	A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).
Forbearance measures	In situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties, the issuer decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially.
Impaired loans	Loans for which an impairment allowance has been established.
Impairment allowance	Equals the accumulated impairment allowance carried forward from previous years, increased by the net impairment loss for the year and decreased by the use of allowances against assets that exited from balance-sheet, and impacted by other elements (foreign exchange, disposals.etc.) An impairment allowance may be either individual or collective.

Impairment losses	An impairment loss is the reduction in value that arises following an impairment review and equals the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate.
Individually assessed Impairment provision	A provision established following an impairment assessment on all individually significant accounts and all other accounts that do not qualify for collective assessment.
Loans and Advances to Customers	Refers to loans and receivables to customers valued at amortised cost (per IAS 39 categorization), including lease receivables. Loans classified in the HTM, AFS or designated at fair value through P&L categories as well as loans to banks and debt securities are excluded from the scope of these Guidelines.
Loans past due	Loans are past due when a counterparty has failed to make a payment when contractually due.
Loan to value ratio ('LTV')	A mathematical calculation that expresses the amount of the loan as a percentage of the value of the asset held as collateral. A high LTV indicates that the loan is partially collateralized and there is less cushion to protect the lender against falls in the price of the collateral.
Public Sector	Includes: i. Central Government (all departments or Ministries, Agencies or Branches of the Government) ii. Local Authorities iii. Entities controlled and fully or partially owned by the state iv. State-linked companies
Renegotiated Loans	Loans for which the terms have been renegotiated to facilitate the on-going performance of a loan, but not due to the financial difficulty of the borrower.
Write off of L&As	The removal of the loan balance from the statement of financial position and the release of the impairment allowance held against it.

1. Introduction

Based on the provisions of the 2nd Economic Adjustment Programme for Greece - First review - December 2012, the HCMC and the BoG prepared this paper that sets out best practice guidelines on banks' disclosures on Loans and Advances to customers (thereafter "the Guidelines").

More specifically, the guidelines included in this paper provide comprehensive guidance on the information banks should disclose in their annual financial statements regarding asset quality, impairment provisioning and income recognition of loans and advances to customers.

It should be pointed out that the IFRSs are issued by the International Accounting Standards Board and the authoritative guidance on their application is provided by the IFRS Interpretations Committee (IFRS IC). Therefore, these Guidelines should not be perceived as constituting guidance or recommendations on IFRSs but rather assisting issuers in disclosing information in their annual financial statements that reflect international best practices.

The HCMC and the BoG consider that through the application of the enhanced disclosures provided herein, market participants' confidence in the Greek banking sector will be improved.

1.1. Objectives – Focus Areas

The scope of these Guidelines is to produce a set of qualitative and quantitative disclosures that banks are expected to adopt and which are aiming to:

i. provide a detailed set of disclosures based on the provisions of IFRSs, in order to enhance transparency and comparability among banks' financial statements and promote users' understanding of the banks' exposure to credit risk, as well as of the quality of their loan portfolios and

ii. improve banks' credit risk disclosures by providing information on concessions granted to borrowers due to financial difficulties (forbearance measures).

For the purposes of achieving the aforementioned objectives, these Guidelines mainly focus on the following:

- impairment provision methodology (impairment triggers, impairment calculation, key management judgments and estimates),
- forborne loans and related disclosures,
- interest income recognition on impaired loans, and
- valuation of collaterals.

1.2. Application of the Guidelines

These Guidelines apply to all banks whose securities are admitted for trading in a regulated market with a registered office in Greece as well as by all other banks registered in Greece that prepare annual financial statements in accordance with the IFRSs. These guidelines also apply to co-operative banks.

The HCMC and the BOG expect that banks include both qualitative and quantitative disclosures contained herein in their 2013 annual audited financial statements. However, taking into consideration the extensive restructuring that took place in the banking sector during the last year, the HCMC and the BOG are aware that banks might not be able to provide the full disclosures along the lines requested in these Guidelines in the 2013 financial statements as well as provide the comparative information for 2012, with the exception of section 5.3 ("Forbearance"), to which they should fully comply according to ESMA's Public Statement "*Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions*", published in December 2012. Nevertheless, it is expected that the proposed disclosures are included in the 2013 financial statements to the maximum extent possible, stating at the same time the reasons for non compliance with any of the required disclosures.

It is understood that the Guidelines will be applied taking into account the materiality principle, meaning that some information may not be provided, or some illustrative templates not be used or used only for some portfolio, when this information relate to non-material element for the disclosing institution.

In any case, the Guidelines are expected to be fully implemented and reflected in the 2014's annual financial statements with all the comparative information.

The HCMC and the BoG expect that through the Guidelines, the quality of disclosures in the 2013 annual financial statements will be enhanced and while this report has the status of guidance, it is expected to be applied and will be monitored.

1.3. Material Reviewed

For the preparation of the recommended disclosures contained herein, the HCMC and the BoG reviewed and processed the information contained in several publications. More specifically, at international level, the last couple of years several publications have been issued by regulatory and other authorities, which aim to enhance credit risk disclosures aligning them to international best practices.

In that context, the FSB has published best practice analytical disclosures[1] on banks risks and the CBI published guidelines[2] to banks receiving state aid to provide

[1] https://www.financialstabilityboard.org/publications/r_121029.pdf

[2] *December 2011 guidelines*:
http://www.centralbank.ie/press-area/press-releases/Documents/Impairment%20Provisioning%20Guidelines-%20Central%20Bank%20of%20Ireland%20-%20Decemeber%202011.pdf

additional information in the audited financial statements regarding the quality of loans and the management of credit risk.

Furthermore, the EBA published consultation papers on harmonized definitions and templates for forbearance and non performing loans (EBA/CP/2013/06)[3] .

Also, the ESMA published in December 2012, a public statement (ESMA/2012/853)[4] regarding the "*Treatment of forbearance practices in IFRS financial statements of financial institutions*" in order to promote consistent application of European securities and markets legislation, and more specifically that of IFRSs.

In the same direction, consulting - auditing firms have issued several publications identifying best practice disclosures on Financial Instruments (IFRS 7).

Moreover, the HCMC and the BoG, in accordance with their respective competencies:

► reviewed banks' impairment provisioning frameworks,

► reviewed banks' disclosures on L&As in financial statements and Pillar 3 reports and benchmarked them against international best practices,

► considered current issues such as forbearance measures, interest recognition, and developments in the IFRSs, and

► consulted with various stakeholders including Greek banks, auditors, professional bodies and other regulatory authorities both in Greece and across Europe.

1.4. Credit risk measurement – EBA's Draft Consultation Paper on Forbearance and Non-performing exposures

A. Credit risk measurement

IFRSs general objective is to provide relevant information for decision making purposes at a specific point in time, specifically at the reporting date. On the contrary, the Basel II's perspective is more forward looking, as its objective is to ensure reliability and stability of the financial system, requiring banks to hold an adequate level of funds against the expected risks they take plus a buffer against unexpected risks over the course of the following 12 months.

Based on the above, the objective of IFRSs, regarding impairment provisioning, is to ensure that financial statements adequately reflect losses incurred as at the reporting date whereas Basel II focuses on expected and unexpected losses. IAS 39 "*Financial Instruments: Recognition and Measurement*" explicitly states that expected losses as a result of future events, "no matter how likely," shall not be recognized.

May 2013 guidelines:
http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/Documents/Impairment%20Provisioning%20Guidelines%20May%202013.pdf

[3] http://www.eba.europa.eu/documents/10180/40000/CP-on-Forbearance-and-non-performing-exposures.pdf,

[4] http://www.esma.europa.eu/system/files/2012-853.pdf

However, during the financial crisis, the delayed recognition of credit losses that are associated with loans and other financial instruments was identified as a weakness in existing accounting standards. Because the incurred credit loss impairment model ('incurred loss model') that is currently in force requires the recognition of credit losses when a credit loss event occurs, the new IFRS 9 which will replace IAS 39, explores the transition from the incurred loss model to a more forward-looking approach (expected credit losses approach). It is noted that IFRS 9 has not been finalized yet while its effective date that was expected to be the annual financial statements beginning on or after 1.1.2015, has been deferred.

B. EBA's Draft Consultation Paper on Forbearance and non-performing exposures

EBA has issued a draft consultation paper for regulatory purposes to introduce a harmonized definition on the terms of NPL and forbearance measures, in order to enhance consistency and comparability among banks' financial statements. The definition, included in the aforementioned draft paper, on forbearance measures is very similar to the definition included in ESMA's public statement, which is adopted by these Guidelines.

1.5. Credit risk disclosures

IFRS 7 requires a set of specific minimum disclosures (qualitative and quantitative) about credit risk, liquidity risk and market risk.

More specifically, concerning credit risk:

- IFRS 7.36, IFRS 7.37, IFRS 7.IG28[5], IFRS 7.IG29, provide disclosures on credit quality,
- IFRS 7.34(c), IFRS 7.BC55, IFRS 7.IG18, provide disclosures on credit risk concentration,
- IFRS 7.36(b), provides disclosures on collaterals held,
- IFRS 7.15, provides disclosures on collaterals held that can be sold or repledged and
- IFRS 7.38, provides disclosures on collaterals repossessed.

However, the extent of disclosures required depends on the extent of the banks' use of financial instruments and of their exposure to risk.

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[5] Although Bases for Conclusions (BC) and Implementation Guidance (IG) are not regulatory requirements since they have not been endorsed by the European Union, they have been considered in this benchmark as they provide relevant information about what could be expected under IFRS 7 disclosures requirements

According to IFRS 7 paragraphs 7, 31, 33 & 35:

"*7. An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance."*

"31. An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period."

Qualitative disclosures

"33. For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise,

(b) its objectives, policies and processes for managing the risk and the methods

used to measure the risk, and

(c) any changes in (a) or (b) from the previous period."

Quantitative disclosures

"35. If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall

provide further information that is representative…"

Based on the above and considering that these Guidelines aim to produce a set of best practice disclosures, some extra disclosure information is presented herein which is in excess of the specific minimum requirements of the IFRSs but in line with the disclosure framework presented above [IFRS 7.7,31,33 & 35], its respective implementation guidance as well as with international best practices.

The qualitative and quantitative disclosures produced in these Guidelines are in line with the current financial reporting framework (IFRS) and therefore any future amendments/revisions in the IFRSs as well as any future publications issued by accounting bodies and/or European Authorities must be taken into consideration while preparing the information contained herein.

Banks' qualitative disclosures should provide specific and not generic information based on the internal policies and procedures adopted.

2. Credit Risk Management

Credit risk is the risk of incurring losses if a customer or counterparty fails to meet an obligation under a contract and the collateral held does not cover the existing claims. One of the principal sources of credit risk to which banks are exposed stems from Loans and Advances to Customers.

IFRS 7 (par. 31, 33 & IG 15) require an entity to make both qualitative and quantitative disclosures on the credit risk arising from its financial instruments. The qualitative disclosures provide information that focus on the management and measurement of the credit risk the banks are exposed. The quantitative disclosures include data about banks' exposure to credit risk as at the reporting date.

Banks should design their credit risk management policies and procedures in order to be able to identify and analyze risks, to set appropriate risk appetite limits and controls and to monitor the risks and adherence to those limits by means of reliable and timely reporting.

This section outlines relatively condensed information of best practice disclosures. In practice though, more detailed information might be necessary to reflect specific events and circumstances.

The disclosure requirements listed below exclusively refer to the credit risk exposure from Loans and Advances to Customers.

DR:

According to paragraph IG15 which gives guidance on the implementation of paragraph 33 of IFRS 7, banks should disclose the following information regarding their credit risk management function:
(a) their exposures to risk and how they arose. Information about risk exposures might describe exposures both gross and net of risk transfer and other risk-mitigating transactions.
(b) their policies and processes for accepting, measuring, monitoring and controlling risk, which might include:

- **structure and organization of the risk management function including a discussion of independence and accountability as well as the roles and responsibilities of the credit risk division;**
- **the scope and nature of risk reporting or measurement systems;**
- **the policies for hedging or mitigating risk, including the policies and procedures for taking collateral and**
- **the processes for monitoring the continuing effectiveness of such hedges or mitigating devices.**

(c) policies and procedures of managing excessive concentration of risk.

2.1. Credit Risk Approval

Credit risk approval should be undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework. Only the most senior officers should be entrusted with the higher levels of delegated authority.

Limits should be established for each counterparty. Also for each credit proposal there must be enough information available to form a complete picture of the risks involved and justification of their acceptance. A loan should only be granted, if these limits are adhered to and are appropriately approved.

2.2. Credit Risk Measurement and Internal Ratings

The principal objective of credit risk measurement is to produce the most accurate quantitative assessment of the credit risk to which banks are exposed, from the level of individual facilities up to the total portfolio. Decisions on the level of credit risk accepted by banks should not only be based on quantitative information or model outputs, but also expert judgement and critical analysis should be taken into account.

The overall risks should be monitored, controlled and measured on a timely basis based on limits that the bank establishes and the information gathered from all entities within the group. An internal credit rating system may be used for managing and monitoring the credit quality of the loan portfolio. The internal credit rating system should incorporate credit risk parameters used for the quantification of credit risk. Also, it should differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. More specifically, borrowers would have to be graded on an internal grading scale in accordance with their probability of default. This grading is fundamental to credit sanctioning and approval, and to the on-going credit risk management of loan portfolios. The risk ratings for individually significant accounts (predominantly corporate loans) should be reviewed regularly and any amendments should be implemented promptly. Retail loans should be mainly assessed using models to generate portfolio data.

DR:

Banks should disclose an overview of their internal rating system for credit risk measurement purposes, providing a detailed analysis of the credit quality classifications applied.

Banks should also disclose how often the methodology they choose to use for credit risk measurement is reviewed [taking into consideration that this methodology should be reviewed at least annually].

2.3. Management of Excessive Risk Concentration

A concentration of credit risk exists when a number of counterparties is engaged in similar activities and has similar economic characteristics that would cause its ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Methods of achieving risk diversification, may include:

- setting maximum exposure limits to individual counterparties.
- having in place controls to minimise undue concentration of portfolio exposure, such as portfolio and counterparty limits, approval and review controls and stress testing.

DR:

In accordance with paragraph IFRS 7.34(c) & B8, banks should disclose the following regarding their credit risk concentration:

(a) a description of how management determines concentrations,

(b) a description of the shared characteristic that identifies each concentration (eg counterparty, geographical area, currency or market), and

(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

In order to improve comparability, banks are encouraged to disclose their credit risk concentration when they use a geographical breakdown based on the place of residence of the borrower.

2.4. Credit Risk Mitigation

A range of techniques may be applied to mitigate credit risk exposure, arising from L&As such as obtaining collateral and/or guarantees.

Collaterals refer to any commitment made or privilege given by a counterparty or third party to which the bank can seek recourse in the event of the counterparty's default in order to reduce credit losses.

Guarantees refer to contractual agreements by which a person or an entity assumes responsibility for paying another's debts.

Collateral management and valuation should result in reasonable and reliable estimates and be reviewed at least annually. The value of property taken out as collateral may require more frequent monitoring where the property sector in a given geography has been subject to significant deterioration or where banks have material concentrations of property collateral.
There should be specific and strict instructions for every type of collateral that could be accepted based on specific coverage ratio.

Types of collateral accepted might include:

- Real estate collateral,
- Financial collateral (i.e. listed shares, listed bonds and other specific securities, deposits, post-dated cheques and trade debtors),
- Other collateral (i.e. machinery, inventory)

Collaterals should be monitored regularly to ensure that they remain legally effective and enforceable and of sufficient value. Depending on the type of collateral, periodical reassessment of the value is required, the frequency of which is based among others on value volatility, significant market changes or a significant decrease of creditworthiness of the counterparty. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

For the valuation of assets held as collateral, banks should take into consideration the provisions of the new IFRS 13 (effective for annual periods beginning on or after 1 January 2013) which sets out in a single IFRS, the framework for the measurement of fair value and the related disclosures. More specifically:

"fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available… [IFRS13.2].

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs... an entity's intention to hold an asset… is not relevant when measuring fair value [IFRS 13.3].

A fair value measurement is for a particular asset or liability… Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include… (a) the condition and location of the asset, and (b) restrictions, if any, on the sale or use of the asset… [IFRS13.11].

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest [IFRS13.22].

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use [IFRS13.27].

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows… (eg the location or size of a property), …(eg the zoning regulations applicable to a property), … whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that *market participants would require from an investment in that asset put to that use. [IFRS13.28].*

Valuations techniques used for the valuation of non financial assets held as collaterals, such as real estate, may include the use of professional valuations or valuations based on statistical methods. The frequency, of such up-to-date valuations is a key factor within impairment loss calculation. If loans are secured, the current net realisable value of the collateral is taken into account when assessing the need for an impairment allowance. Additionally, all relevant costs associated with the realisation of the collateral are taken into account in the cash flow forecasts as well as other cash flows, such as recourse to other assets. Another key driver is the time it takes to receive the funds from the realisation of collateral. Where foreclosure proceedings have been initiated and the expected time to collateral realization is prolonged and or delayed, banks are advised to review the valuation of the underlying collateral on a regular basis. The spread of any resulting discount to the original collateral valuation is influenced by the type of collateral, e.g. land, developed land or investment property and also its location. Also, firms which possess the necessary qualifications, ability and experience in property valuation and which are independent from the credit decision process may provide formal written valuations, including an assessment of the timeline of disposal in respect of the property. Usually, professional valuations are sought in circumstances where it is believed that sufficient transactional evidence is available to support an expert objective view.

Historical valuations are also used as benchmarks to compare against current market conditions and assess peak to trough reductions. Available market indices for relevant assets, e.g. residential and investment property are also used in valuation assessments.

DR:

According to paragraph IG22, which gives guidance on the implementation of paragraph 36(b) of IFRS 7, banks should disclose the following information for collaterals used as security for assets held and other credit enhancements obtained:

- **the policies and processes for valuation and management of collateral and other credit enhancements obtained,**
- **a description of the main types of collateral and other credit enhancements (examples of the latter being guarantees, credit derivatives, and netting agreements that do not qualify for offset in accordance with IAS 32),**
- **the main types of counterparties to collateral and other credit enhancements and their creditworthiness, and**

- **information about risk concentrations within the collateral or other credit enhancements.**

Banks should define the measurement basis used to quantify the financial effect of assets used as collaterals (IFRS 7.36b).

DR:

Banks that hold collateral (of financial or non-financial assets) that can be sold or repledged, in the absence of default by the owner of the collateral, should disclose as required by paragraph 15 of IFRS 7, the following:

(a) the fair value of the collateral held,

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it, and

(c) the terms and conditions associated with the use of the collateral.

DR:

Banks should also disclose the following information, as per paragraph 38 of IFRS 7, for assets held at the reporting date, that have been recognised as a result of taking possession of collateral held as security or from calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other IFRSs:

(a) the nature and carrying amount of the assets, and

(b) when the assets are not readily convertible into cash, the policies for the disposal of such assets or for using them in their operations.

3. Impairment Assessment Methodology

IAS 39 describes the methodology for the assessment of impairment and recognition of impairment losses. More specifically, a financial asset or a group of financial assets is considered to be impaired and impairment losses are incurred, when there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

An entity first assesses on an individual basis whether objective evidence of impairment exists for loans that are individually significant and on an individual or collective basis for loans that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of financial assets with similar credit risk characteristics which are collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on L&As has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The impact on the estimated future cash flows should be measured reliably and impairment losses should decrease the carrying amount to the recoverable amount of the loan. The amount of the loss is recognised in the statement of comprehensive income.

According to IAS 39.63, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. **Banks are advised to reduce the carrying amount of the asset through the use of an allowance account and not directly.**

3.1. Triggers of Impairment

IAS 39 uses an incurred loss model approach to loan provisioning which means that impairment losses can only be recognised when objective evidence of a specific loss event has been observed.

DR:

According to paragraphs 21, 37(b) and B5(f) of IFRS 7, banks should disclose the impairment triggers that are used as part of their impairment review process.

Examples of such impairment triggers may include:

A. Retail Lending

- Significant financial difficulty of the borrower.
- A default or breach of contract.
- The lender granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider (forbearance measures).
- It is becoming probable that the borrower will enter bankruptcy or other financial distress.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows.
- The existence of detriments in the Credit Registry.
- Initiation of legal proceedings against the borrower from other creditor.
- Loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as:
  - Serious illness or disability that affects the borrower's ability to work,
  - Death of the borrower,
  - Loss or substantial reduction of income (job loss),
  - Conviction for offenses, imprisonment.
- The borrower does not have access to refinancing options from other lenders.
- Deterioration of the credit rating of the borrower (internal or external) when assessed with other available information.
- A material decrease in rents received on a buy-to-let property.

B. Corporate Lending

- A default or breach of contract.
- Borrower has significant past due obligations to the group companies (i.e. leasing firms) and / or in other loan products of the bank (such as mortgage loans).
- Becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- Initiation of legal proceedings against the borrower that may result to material cash outflows.
- Diversion of cash flows from non deliquent loans to support past due and/or impaired loans of the same borrower.

- The lender granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider (forbearance measures).
- Facts indicating a deterioration of the financial performance of the borrower (i.e. financial difficulty), such as:
    - Over indebtedness,
    - Destruction of significant assets and equipment used in the production process of the borrower or taken as collateral for the loan,
    - The borrower has negative equity or is not in compliance with Company's Act Regulation related to equity requirements,
    - Measures undertaken by the borrower to increase liquidity,
    - Loss of major customers,
    - Termination of agreements with major suppliers,
    - Partial write-off in borrower's obligations, due to economic or legal reasons relating to his financial status,
    - Breach of loan covenants or other terms.
- The existence of detriments in the Credit Registry.
- Deterioration of the credit rating of the borrower (internal or external) when assessed with other available information.

For those loans where objective evidence of impairment exists, impairment losses are determined considering, among other, the following factors:

- banks' aggregate exposure to the borrower,
- viability of the borrower's business model and his capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations,
- the amount and timing of expected receipts and recoveries of the loan,
- the extent of other creditors' commitments ranking ahead of, or pari passu with, the bank and the likelihood of other creditors continuing to support the company,
- the complexity of determining the aggregate amount and ranking of all creditors claims and the extent to which legal and insurance uncertainties are evident,
- the realisable value of collateral (or other credit mitigates) and likelihood of successful repossession and liquidation,
- the likely deduction of any costs involved in recovery of amounts outstanding, and

- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency.

C. Macroeconomic triggers

- National or local economic conditions that indicate a measureable decrease in estimated future cash flows of the loan asset class.
- An increase in the unemployment rate.
- A decrease in property market prices/deterioration of collateral's value.
- Adverse changes in the industry conditions in which the borrower operates.

3.2. Individually Assessed Loans and Advances to Customers

All loans and advances to customers that are considered individually significant, are assessed for objective evidence of impairment (impairment triggers) on a case by case basis at least at each reporting date. If there is objective evidence of impairment, a specific loan impairment loss is recognised if the asset's carrying amount is higher than the present value of the estimated future cash flows discounted at the original effective interest rate (for fixed rate loans) or current effective interest rate (for variable rate loans).

For collaterised L&As, the current net realisable value of the collateral should be taken into account when assessing the need for impairment. No impairment loss should be recognised in cases where all amounts due are expected to be settled in full on realisation of the collateral. The impairment calculation should reflect the cash flows that may result from foreclosure less cost for obtaining and selling the collateral. The value of collateral should be assessed at inception and subsequently based on the banks' internal policy and more frequently when market conditions or portfolio performance are subject to significant change and when a loan is identified as impaired. As already mentioned in section 2.4 "Credit Risk Mitigation", for the valuation of assets held as collateral, banks should take into consideration the provisions of the new IFRS 13 (effective for annual periods beginning on or after 1 January 2013) which sets out in a single IFRS the framework for measuring fair value and the related disclosures.

DR:

Banks are expected to disclose the definition of the term "individually significant" based on their policy (e.g. all loans above € XX million are considered to be individually significant) or any other approach used.

3.3. Collectively Assessed Loans and Advances to Customers

All loans that are not individually assessed for impairment and loans subject to individual assessment found not to be impaired should be assessed on a collective basis.

Loans that are collectively assessed should be grouped on the basis of similar credit risk characteristics. Examples of common credit risk characteristics are:

i. estimated default probabilities or credit risk grades,

ii. type (for example mortgage loans or credit card loans),

iii. geographical location,

iv. collateral type,

v. counterparty type (for example consumer, commercial or sovereign),

vi. past-due status and

vii. maturity.

The selected characteristics should be relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The collective impairment loss is determined after taking into account the estimated future cash flows of a group of loans, discounted using the effective interest rate. In order to promote consistency in the estimation of future cash flows, the following elements should be incorporated through an adequate process:

(a) Historical loss experience should provide the basis for estimating future cash flows in a group of financial assets that are collectively assessed for impairment.

Historical loss experience should be adjusted, on the basis of observable data, to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

(b) Changes in estimates of future cash flows should be directionally consistent with changes in underlying observable data.

(c) Estimation methods should be adjusted to reduce differences between estimates of future cash flows and actual cash flows in order to recognise impairment losses as early as possible.

More sophisticated credit risk statistical models or other formulaic approaches for estimating expected future cash flows and impairment losses may combine several factors. Such factors that may be incorporated in these models/approaches are:

- historical loan loss rates (in portfolios of similar credit risk characteristics),
- credit grading profiles and grading migration,

- the estimated period between the occurrence of impairment and its identification (Loss Identification Period – LIP or Loss Emergence Period - LEP),
- current estimates of loss in the portfolio,
- changes in the credit management,
- local and economic environment.

Factors that might cause losses to differ from historical experience are:

- Changes in lending policies and procedures,
- Changes in international, national and local economic and business conditions,
- Changes in the trend, volume and severity of past due and adversely classified L&As, as well as trends in the volume of impaired L&As and forbearance measures,
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations, and
- Changes in the risk profile of the portfolio as a whole.

Objective evidence of impairment might exist for a group of financial assets, even though it does not exist for an individual asset within the group. A requirement for objective evidence to exist in order to recognise and measure impairment in individual loans might result in delayed recognition of loan impairment that has already occurred. In this context according to IAS 39 it would be appropriate for an impairment loss to be recognized for "incurred but not reported losses" (IBNR).

For that purpose, individually assessed loans, whether significant or not, that are found not to be impaired are included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Impairment losses recognised on a group basis represent an interim step pending the identification of impairment losses on individual assets in the group of financial assets that are collectively assessed for impairment. As soon as information is available to identify losses on individually impaired assets, those assets are removed from the loan portfolio that is collectively assessed for impairment.

3.4. Key Management Judgments and Estimates

One of the most significant areas requiring management to exercise judgements in making assumptions and estimates, is the calculation of impairment losses on both individually and collectively assessed loans and advances to customers.

The most significant judgmental area is the calculation of collective impairment provisions where a combination of specific reviews, statistical modelling and estimates is used. Considerable judgement is required by management for the determination of the impairment loss in areas such as risk portfolio evaluation, current economic and credit conditions, historical loss experience and industry, geographical and concentration trends.

Management's estimates are based on assumptions about a number of factors, such as:

- future economic activity and employment rates,
- real estate price indices,
- country risk,
- bank's specific asset foreclosure and disposal policies,
- discounts on the disposal of repossessed assets and
- performance of different individual groups.

The methodology and assumptions used for estimating future cash flows should be reviewed regularly to reduce any differences between loss estimates and actual loss experience and reflect the current and currently expected future economic conditions (domestic and international macroeconomic environment).

The approach used in the estimation of the future cash flows and collateral valuation should not result in excessively optimistic estimates.

Banks should present their disclosures, in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty.

DR:

According to paragraph 129 of IAS 1, banks should disclose at least the following:

- **the nature of the assumption or other estimation uncertainty**

(per loan portfolio that is taken into consideration in calculating the impairment charge),

- **an explanation of changes made to past assumptions,**

- **the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity and**
- **the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected.**

Also, any other information that explains estimates and change in estimates that are required to determine recoverable amount should be disclosed.

In addition, banks should disclose when changes in estimates are driven by results from back-testing.

The nature and extent of the information disclosed vary according to the nature of the assumptions and other circumstances.

3.5. Reversal of Impairment

According to par. 65 of IAS 39, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss should be reversed by adjusting the allowance account accordingly.

The reversal shall not result in a carrying amount of the loan that exceeds what the amortised cost would have been, had the impairment not been recognised at the date the impairment is reversed.

The amount of the reversal is recognized in the statement of comprehensive income.

3.6. Restoration of L&As to Unimpaired Status

If the contractual amount of principal and interest of the loan is deemed to be fully collectible in accordance with the terms of the agreement, it could be restored to unimpaired status. Subsequently, there must be objective evidence to justify the restoration.

DR:

Banks should disclose an overview of their policy for restoring impaired loans to unimpaired status, with specific reference to a probation period, if applicable.

3.7. Write-off of Loans and Advances to Customers

Write-off refers to the point where it is determined that the asset is irrecoverable, or it is no longer considered economically viable to try and recover it or it is deemed immaterial, or full and final settlement is reached, including loan collateral that has been realised, and a shortfall remains. In the event of write off, the loan balance should be removed from the statement of financial position and the impairment allowance held against this loan should be released.

The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire loan is beyond realistic prospect of recovery. In any event, the position of impaired loans should be reviewed at each reporting date to ensure that irrecoverable amounts are being written off in a prompt and orderly manner and in compliance with any local regulations.

Any subsequent recoveries of amounts previously written off, decrease the amount of provision for loan impairment losses in the statement of comprehensive income.

DR:

Banks should disclose the following with regard to their write-off policy:

- **the timing of loan write-offs taking into consideration the type of the loan as well as whether it is secured or not, and**
- **whether assets written off are still subject to enforcement activity.**

3.8. Review of Impairment Provision Methodology

The methodology for the impairment calculation should be reviewed regularly so that differences between loss estimates and actual losses are minimised. This review should take place at least on an annual basis and more frequently, if needed, depending on the changes in market, credit or economic conditions.

In addition, when new impairment methods are introduced, then the rationale should be sufficiently documented and the results of both the new and old methodology should be provided for the first year.

3.9. Interest Income Recognition

Interest income on loans shall be recognized by using the effective interest method as set out in IAS 39 (applying the EIR on the loan's amortized cost), provided that it is probable that the economic benefits will flow to the enterprise and the amount of revenue can be measured reliably [IAS 18.29 & 30]. The calculation of the effective interest rate takes into account all contractual terms and includes any fees or incremental costs that are directly attributable, but not future credit losses [IAS 39.9]. When applying the effective interest method, an entity amortizes any fees, points paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the instrument. However, a shorter period is used if this is the period to which the fees, points paid or received, transaction costs, premiums or discounts relate [IAS 39.9 & AG6]. According to AG 93 of IAS 39, *"once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss"*.

Therefore, banks should recognise interest income on the written down amount of the loan after the impairment loss, on an accrual basis, using the EIR.

More specifically, when a loan is identified as impaired, banks should cease to recognise interest in accordance with the original terms of the contract and recognise interest income on the recoverable amount that reflects the unwinding of the discount that results from the application of the Net Present Value methodology.

DR:

Banks should disclose information about the accounting policies, practices and methods employed to account for loans, including the accounting policy regarding the recognition of accrued interest on impaired loans [IFRS 7.21].

Also they should disclose either in the statement of comprehensive income or in the notes:

1. the total interest income (calculated using the effective interest method) for financial assets that are not at fair value through profit or loss [IFRS 7.20(b)]

2. the interest income on impaired financial assets accrued in accordance with par. AG 93 IAS 39 [IFRS 7. 20(d)]

When assessing the recoverable amount of the loan for impairment purposes, reasonable and reliable estimates of the future cash flows should be used in order to avoid overestimating the carrying amount and the accrued interest income recognized.

4. Forbearance

As a result of the recessionary economic environment, it is acknowledged that banks in order to improve their risk profile, especially in the downward phase of the economic cycle, proceed with the extension of loan forbearance measures. Such practices have gained the interest of investors and other market participants reflecting the need for further transparency and accuracy in financial information provided and for the enhancement of market confidence with respect to the credit quality of financial assets, disclosed in banks' financial statements. Forbearance should not lead to avoiding or postponing the recognition of impairment or obscuring the level of credit risk resulting from forborne assets.

4.1. Definition of Forbearance and Forbearance Policy

ESMA is of the view that the indicators of objective evidence of impairment in IAS 39 "Financial Instruments: Recognition and Measurement" cover forbearance measures, even though the IFRSs do not use the term forbearance.

According to ESMA's Public Statement "Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions", forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Based on these difficulties, the issuer decides to modify the terms and conditions of the contract to allow the borrower sufficient ability to service the debt or refinance the contract, either totally or partially.

Examples of forbearance measures, based on ESMA's public statement, include:

i. a move to interest only schedules (e.g. interest only payment for a period of up to 3 months),
ii. reduced payments (e.g. interest and partial capital re-payment),
iii. temporary payment holidays,
iv. capitalisation of arrears or partial debt write-off,
v. extension of loan term,
vi. amendment or lack of enforcement of covenants (e.g. suspension of application of a covenant that has been breached due to financial difficulties),
vii. arrangements leading to payment of fees or charges on behalf of the borrower (e.g. in case of mortgage loans, payment of outstanding fees and charges to protect security of a property, taxes or maintenance of the property).

All loans, for which the terms have been renegotiated due to the borrower's financial difficulties, should be classified as forborne and included in banks' disclosures on forbearance.

All loans for which the terms have been renegotiated but not due to the borrowers financial difficulties should be classified as renegotiated and not as forborne.

4.2. Impairment Assessment on Forborne Loans and Advances to Customers

Paragraph 59 (c) of IAS 39 states that objective evidence of impairment includes circumstances when the lender, for economic or legal reasons related to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider.

Consequently, the extension of forbearance measures is considered to be objective evidence that impairment may be present and an impairment test should be performed for all loans placed in forbearance on an individual and collective basis. A higher risk of default should be attributed to forborne loan portfolios.

Impairment calculations should be based on the estimated future cash flows and not the contractual cash flows of financial assets carried at amortized cost. Therefore, once a forbearance measure is extended as the future estimated cash flows may need to be reduced or delayed this may result in a decrease of their estimated present value thus giving rise to an impairment loss.

A heightened level of skepticism should be applied when estimating the future cash flows, collateral values as well as other parameters used in calculating the impairment on forborne loans. The estimates and assumptions should reflect the current economic conditions and the current view of the expected outlook. Furthermore, the collective impairment calculations of these loans might include a longer emergence period than those expected for the loan pools which have not been subjected to forbearance measures.

When determining the collateral valuations in the cash flow calculation, consideration should be given in the estimation of both the expected timing and the amount of the proceeds to avoid overstating the resulting loan balance.

In some other circumstances, forbearance measures may lead to derecognition of the original loan. In those instances, the new asset would be recognized at its fair value and the difference between the carrying amount of the original asset and the fair value of the newly recognized asset, is recognized immediately in the statement of comprehensive income.

The issue of the derecognition of financial assets resulting from modifications of their original terms, due to the lack of guidance in IAS 39, has been extensively discussed for the accounting of the restructuring of Greek government bonds (Greek PSI). Banks are advised to consider the IFRIC's decisions on the aforementioned issue as the same principles may apply for the derecognition of forborne loans. More specifically review the guidance provided in the following IFRIC's decisions:

1. May 2012[6] & September 2012[7] (determining whether the transaction results in derecognition of the whole asset or part of it – IAS 39.17(a), IAS 39.40 & IAS 8.11) and

[6] http://www.ifrs.org/Updates/IFRIC-Updates/Documents/IFRICUpdateMay12.pdf

2. July 2012[8] (determining the EIR for the new bonds received – IAS 39.AG5).

Usually a new loan will be recognized when changes to the original contractual terms, result in a substantially different loan, i.e. the loan is altered in a manner that the terms under the new or modified contract are substantially different from those under the original contract.

Examples of significant changes to the original loan terms that may lead to the derecognition of the old loan, might include the following:

- an uncollateralised loan becomes fully collateralised,
- the addition or removal of cross collateralisation provisions,
- multiple facilities are consolidated into a single new facility,
- removal or addition of conversion features attached to the loan agreement,
- a change in the currency in which the principal or interest is denominated,
- a change in the liquidation preference or ranking of the instrument, or
- the contract is altered in any other manner so that the terms under the new or modified contract are substantially different from those under the original contract.

It is also possible, that modification of the terms of the contract might not lead to impairment [IAS 39.E4.3 (Implementation guidance)], although such a fact is considered highly remote due to the financial difficulties of the borrower.

4.3. Exit From Forborne Status

To discontinue the consideration of a contract as with forbearance measures and be restored to unimpaired status, the borrower must have paid on a regular basis and according to the conditions of the post-forbearance, more than an insignificant amount of principal or interests of the contract and a probation period must have passed.

DR:

Banks should disclose the probation period adopted for the exit from the forborne status.

In the case of a breach of the renegotiated terms, the probation period will restart automatically for the entire probation period time at the date of the repayment of the amount past-due.

[7] http://media.ifrs.org/IFRICUpdateSep12.pdf
http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2012/September/031209AP03IAS39%20Greek%20Government%20Bonds.pdf

[8] http://media.ifrs.org/IFRICUpdateJul12.pdf

4.4. Debt for Equity Transactions

On occasions, banks may participate in debt for equity swaps or debt restructuring agreements. 'Debt for equity swaps' refer to transactions where, a borrower and a bank might renegotiate the terms of a loan with the result that the borrower extinguishes the liability fully or partially by issuing equity instruments to the bank. It often occurs when, the borrower is in financial distress and unable to service the loan. The primary goals of debt for equity swaps are to reduce the debt service (capital and interest) burden on the borrower, to encourage early repayment of outstanding loans to the Group, to protect the value of the residual debt provided, and to benefit from any future growth in value of the borrower. No cash exchange occurs in the debt-to-equity swaps.

DR: **Banks should disclose separately all the debt for equity transactions they have participated in, providing specific information regarding the equity stakes obtained (i.e. whether it acquired control or significant influence over the borrower, or a minority shareholding).**

4.5. Qualitative Disclosures on Forbearance

DR: **According to paragraph 33 of IFRS 7, banks should disclose their objectives, policies and processes for managing the credit risk as well as the methods used to measure this risk.**

Therefore, and based on ESMA's public statement, banks are expected to include the following qualitative disclosures in their annual financial statements**,** in order to achieve a fair presentation and disclose information that enables users of financial statements to evaluate the significance of loans to their financial position and performance**:**

1. details of the types of forbearance measures and practices undertaken during the reporting period,
2. description of the risks related to the forbearance measures undertaken, and of the way these risks are managed and monitored for internal management purposes,
3. accounting policies applied in respect of the forborne assets with:

    i. a distinction between the circumstances where a forbearance related measure results in the derecognition of the original asset and where it leads to impairment of the original asset and the consequences to the accounting treatment of the asset,

ii. methodologies for assessing and calculating impairment of forborne assets taking into account risk characteristics, including a description of specific and/or collective assessment of impairment,

iii. a definition when an issuer no longer considers an asset to be forborne together with any consequences on the risk classification of the asset (e.g. impact on impairment status, impact on assessment and calculation of impairment losses),

iv. a description of the criteria for recognition of impairment losses and the impact on the risk classification of forborne exposures as impaired/non-impaired for different types of forbearance measures for example, where forbearance measures:

   a) lead to an impairment loss being recognized or do not lead to an impairment loss being recognized,
   b) have been extended to assets that had been already impaired in previous reporting periods and were still considered to be impaired at the date of forbearance,
   c) have led to derecognition of the original asset,
   d) are used in refinancing of existing exposures, and

4. description of any changes in these aspects of forbearance measures from the prior period.

4.6. Quantitative Disclosures on Forbearance

In relation to quantitative information, paragraph 36(c) of IFRS 7 requires issuers to provide information about the credit quality of financial assets even if these are neither past due nor impaired. At the same time, paragraph 35 of IFRS 7 notes that, if the quantitative data disclosed as at the end of the reporting period is unrepresentative of an entity's exposure to risk during that period, an entity should provide further information that is representative. On these grounds and based on ESMA's public statement, banks should disclose in their annual financial statements the illustrative templates presented in section 5.3 ("Forbearance").

5. Illustrative Templates

Deviations from the format of the disclosure templates may only occur on the grounds of materiality.

Comparatives are required in all cases according to par. 38 of IAS 1.

In geographical segmentation, banks should present any material exposure to a specific country separately.

5.1. Credit Risk Management

5.1.1. Loans and Advances to Customers by Asset Quality

	Non impaired L&As		Impaired L&As		Total Gross amount	Impairment Allowance		Total Net amount	Value of collateral
	Neither past due nor impaired	Past due but not impaired	Individually assessed	collectively assessed		Individually assessed	collectively assessed		
Retail Lending									
Mortgage									
Consumer									
Credit card									
Other									
Corporate Lending									
Large									
SMEs									
Public Sector									
Greece									
Other countries									
Total									

Total Gross amount: is the maximum exposure to credit risk gross of impairment allowance.

Value of Collateral: The value of collateral as per IFRS 7.36(b).

5.1.2. An analysis of Neither past due nor Impaired Loans and Advances to Customers:

(The risk classification presented below is indicative and should be based on each bank's internal rating system. Each level of the grading system used internally and reported to the key management personnel should be defined.)

	Strong	Satisfactory risk	Watch list (higher risk)	**Total neither past due nor impaired**	**Value of Collateral**
Retail lending					
Mortgage					
Consumer					
Credit card					
Other					
Corporate lending					
Large					
SMEs					
Public sector					
Greece					
Other countries					
Total					

The first four columns of this table represent the maximum exposure to credit risk as per IFRS 7.36(a).

The "*Total neither past due nor impaired*" loans and advances to customers should equal the respective total of table 5.1.1.

5.1.3. Ageing analysis of Past due but not Impaired Loans and Advances to Customers by product line:

	Retail lending				**Corporate lending**		**Public sector**		**Total Past due but not impaired**
	Mortgage	Consumer	Credit card	Other	Large	SMEs	Greece	Other Countries	
1-29 days									
30-59 days									
60-89 days									
90-179 days									
180-360 days									
>360 days									
Total									
Value of collateral									

All rows of this table except for the row "*Value of collateral*" represent the maximum exposure to credit risk as per IFRS 7.36(a).

The "*Total past due but not impaired*" loans and advances to customers should equal the respective total of table 5.1.1.

5.1.4. Impaired Loans and Advances to Customers:

5.1.4.1. Movement in Impaired L&As by product line

	Retail lending				**Corporate lending**		**Public sector**		**TOTAL**
	Mortgage	Consumer	Credit card	Other	Large	SMEs	Greece	Other countries	
Gross balance as at 1.1.2013									
New impaired L&As									
Transferred to non-impaired									
Repayment									
Impaired L&As written-off									
Disposals									
Exchange and others									
Gross balance as at 31.12.2013									
Impairment allowance									
Net balance as at 31.12.2013									

The amounts included in the movement of impaired L&As, except for the last two rows, represent the maximum exposure to credit risk, gross of impairment allowance.

The total *"Net balance as at 31.12.2013"* should equal the *"Total net amount"* of table 5.1.4.2.

5.1.4.2. Ageing analysis of Impaired Loans and Advances to Customers by product line

	Retail lending				**Corporate lending**		**Public sector**		**Total**
	Mortgage	Consumer	Credit card	Other	Large	SMEs	Greece	Other Counties	
1-29 days									
30-59 days									
60-89 days									
90-179 days									
180-360 days									
>360 days									
Total net amount									
Value of collateral									

All figures in this table, except for the last row "*Value of collateral*", represent the maximum exposure to credit risk as per IFRS 7.36(a).

The value of collateral as per IFRS 7.36(b).

The total *"Total net amount"* should equal the *"Net balance as at 31.12.2013"* of table 5.1.4.1.

5.1.5. Loan-to-value Ratio (LTV) of Mortgage Lending

Loan to value is the relationship between the loan and the appraised value of the mortgaged property held as collateral.

2013	Mortgages
Less than 50%	
50%-70%	
71%-80%	
81%-90%	
91%-100%	
101%-120%	
121%-150%	
Greater than 150%	
Total exposure	
Avg LTV	

The table refers to mortgages for both residential purposes and commercial use.

The amounts in the table above, represent the maximum exposure to credit risk gross of impairment allowance.

5.1.6. Repossessed collaterals

	Gross amount	Of which: added this year	Accumulated impairment	Of which: on newly added	Net amount	Net Sale Price	Net gain / losses on sale
Real estate							
- Residential							
- Commercial							
Financial assets							
Other collateral							

<u>Net Sale Price</u>: is the difference between sales proceeds and the cost to sell.

5.1.7. Breakdown of collateral and guarantees

	Value of collateral received				Guarantees received
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	
Retail Lending					
Corporate Lending					
Public Sector					
Total					

The total value of collateral should equal the respective total of table 5.1.1.
The fair value of collaterals held that can be sold or repledged should be separately disclosed (IFRS 7.15).

5.2. Impairment Provisioning

5.2.1. Reconciliation of Impairment Allowance by Product Line

	Retail lending	Corporate lending	Public sector	Total
Opening balance as at 1.1.2013				
Impairment loss for the period				
Reversal of impairment allowances no longer required				
Recoveries of amounts previously written-off				
Total impairment loss on L&As				
Amounts written off				
Unwinding of discount				
Foreign exchange differences and other movements				
Closing balance as at 31.12.2013				

Impairment loss for the period: is the amount charged to the income statement due to incurred losses on financial assets during the year, gross of reversal and recoveries on impaired assets that exited the balance sheet

Total impairment loss on L&A: is the gross impairment loss for the period, net of reversals and recoveries on impaired assets that exited the balance sheet – the total impairment loss can be the loss that appears on the face of the P&L.

Unwinding of discount: is the accrued interest income on impaired loans and equals the respective total in table 5.2.3.

5.2.2. Loans and Advances to Customers, Impaired Loans and Impairment Allowance by Product Line, Industry and Geographical Region

31/12/2013	**Greece**			**Rest of Europe**			**Other countries**		
	Gross amount	Impaired amount	Impairment Allowance	Gross amount	Impaired amount	Impairment Allowance	Gross amount	Impaired amount	Impairment Allowance
Retail Lending									
Mortgage									
Consumer									
Credit card									
Other									
Corporate Lending									
Commerce and services									
Manufacturing									
Shipping									
Construction									
Tourism									
Energy									
Other									
Public Sector									
Total									

"*Gross amount*" & "*impaired amount*" : is the maximum exposure to credit risk, gross of impairment allowance.

The geographical breakdown should be based on the domicile of the counterparty.

5.2.3. Interest Income Recognized by Quality of Loans and Advances to Customers and Product Line

31.12.2013	Interest income on non-impaired L&As	Interest income on impaired L&As	**Total interest income**
Retail lending			
Corporate lending			
Public sector			
Total interest income			

The interest income on impaired loans equals the respective total in table 5.2.1. *"Unwinding of discount".*

5.3. Forbearance

5.3.1. Forborne Loans and Advances to Customers by Type of Forbearance Measure

Forborne L&As (net amounts):		
Forbearance measures:	**31/12/2013**	**31/12/2012**
Interest only schedule		
Reduced payment schedule		
Payment moratorium/Holidays		
Term extension		
Arrears capitalization		
Partial debt write off		
Hybrid (i.e. term extension and interest only)		
Payment other than cash		
Debt for equity exchange		
Adjustments or non-enforcements of covenants		
Other		
Total net amount		

The amounts in the table above, represent the maximum exposure to credit risk as per IFRS 7.36(a) and refer to the current status of forborne L&As i.e. to post-forbearance values and must equal the amounts of tables 5.3.2., 5.3.3., 5.3.4. & 5.3.5.

5.3.2. Credit Quality of Forborne Loans and Advances to Customers

	Total amount of L&As	Total amount of forborne L&As	% of forborne L&As
Neither past due nor impaired			
Past due but not impaired			
Impaired			
Total Gross Amount			
Individual Impairment Allowance			
Collective Impairment Allowance			
Total Net Amount			
Collateral received			
Impairment loss			

The first three rows represent the maximum exposure to credit risk, gross of impairment allowance.

The gross and net amounts and the individual and collective impairment allowance of L&As should equal table 5.1.1.

The net amount of forborne L&As should equal the respective amounts of tables 5.3.1., 5.3.3., 5.3.4. & 5.3.5.

5.3.3. Reconciliation of Forborne Loans and Advances to Customers

	31/12/2013	31/12/2012
Opening balance		
Forbearance measures in the period		
Interest income		
Repayment of loans (partial or total)		
L&As that exited forbearance status		
Impairment loss		
Loss on derecognition:		
- Fair Value of new loan recognised		
- Carrying amount of old loan derecognized		
Other		
Closing balance		

Forborne L&As included in the "*Opening balance*" line are net of impairment for the previous year but gross of impairment for the year under review.
Forborne L&As included in the line "*Forbearance measures in the period*" are gross of impairment.
The line "*Interest income*" is the interest income (accrued) recognised on forborne L&As.
The "*impairment loss*" line is the impairment for the year charged to the P&L. It is net of reversals and recoveries on impaired assets that exited from balance sheet. It refers to all forborne L&As, including those forborne in the period and those already forborne at the beginning of the period. Regarding forborne L&As during the period this impairment loss encompasses (i) loss recognised upon the extension of forbearance measures, and (ii) impairment losses to take account of the uncertainty surrounding the collection of cash-flows according to the post-forbearance conditions. This means that L&As characterised forborne in the period without derecognition have to be included in line "Forbearance measures in the period" for their pre-forbearance value.
L&As for which the extension of forbearance has not led to the recognition of impairment loss are included in line "Forbearance measures in period" for their pre-forbearance amount, and gross of impairment that could be recognised to take account of the uncertainty surrounding the collection of cash-flows according to the post-forbearance conditions.
The "*closing balance*" should equal the net of impairment amount of forborne L&As in table 5.3.1, 5.3.2., 5.3.4 & 5.3.5.
The impairment loss should equal the impairment loss of forborne L&As in table 5.3.2.

5.3.4. Forborne Loans and Advances to Customers by Product Line

	31/12/2013	31/12/2012
Retail Lending		
Mortgage		
Consumer		
Credit card		
Other		
Corporate Lending		
Large		
SMEs		
Public Sector		
Greece		
Other countries		
Total net amount		

Total net amount: is the maximum exposure to credit risk as per IFRS 7.36(a) and refers to the current status of forborne L&As i.e. to post-forbearance values and should equal the respective values in tables 5.3.1, 5.3.2, 5.3.3 and 5.3.5.

5.3.5. Forborne Loans and Advances to Customers by Geographical Region

	31/12/2013	**31/12/2012**
Greece		
Rest of Europe		
Other countries		
Total net amount		

<u>Total net amount</u>: is the maximum exposure to credit risk as per IFRS 7.36(a) and refers to the current status of forborne L&As i.e. to post-forbearance values.

The total net amount of forborne L&As should equal the respective values in tables 5.3.1, 5.3.2, 5.3.3 and 5.3.4.