



NARODOWY
BANK POLSKI

NPLs after the COVID-19 crisis

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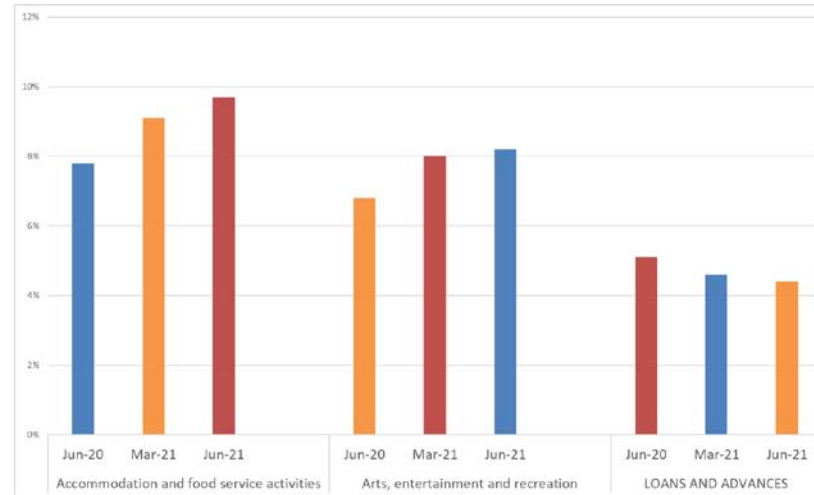
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December 15th, 2021



¿Sustainable? decrease in NPLs?

NPLs by sector

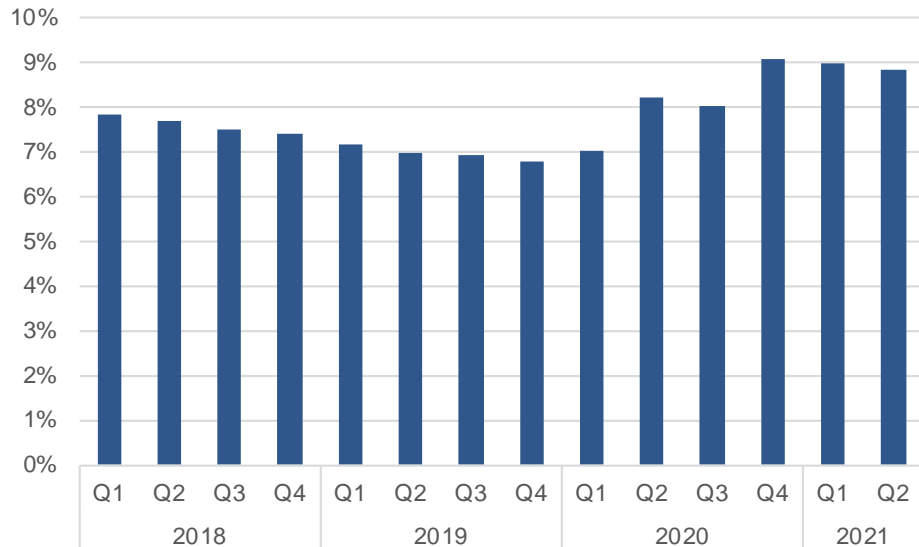


¿Sustainable? decrease in NPLs?

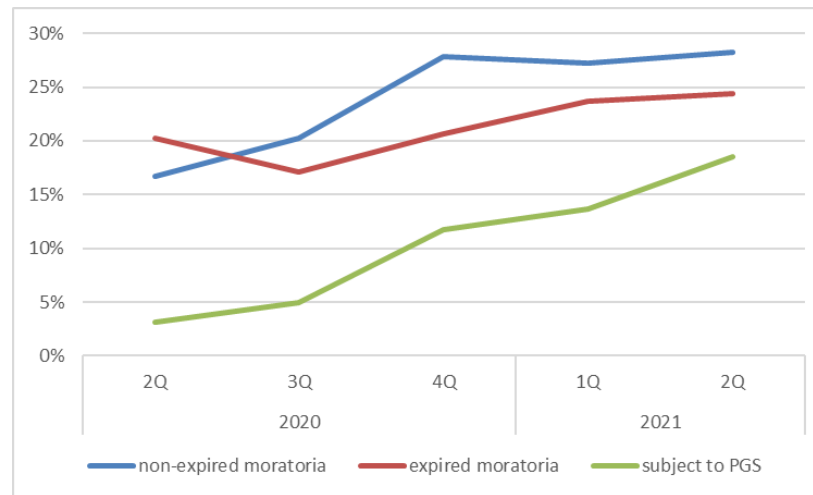
- Off-loading of NPLs from banks' balance sheets
- Increased indebtedness (gross/net)?
- Zombies camouflaged under public support measures/stays on bankruptcy proceedings?

How bright is the future? – a story of Stage 2

Share of Stage 2 loans and advances, EU



Loans with moratoria or PGS: share of Stage 2, EU

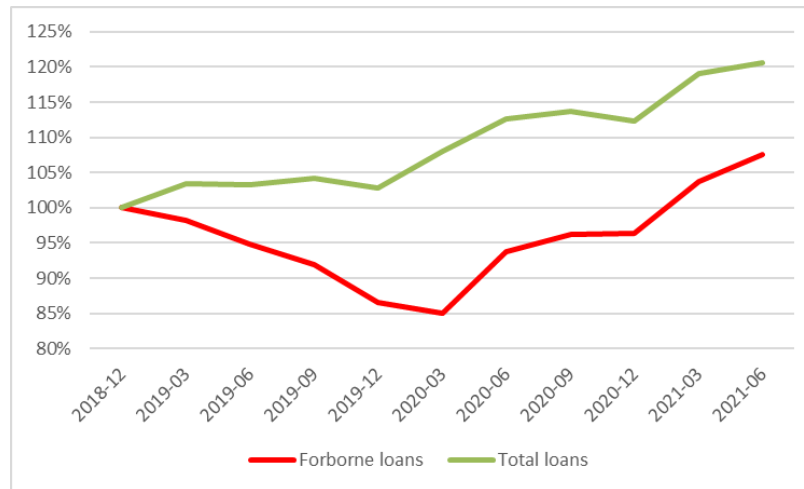


... forbearance...

Forbearance ratio

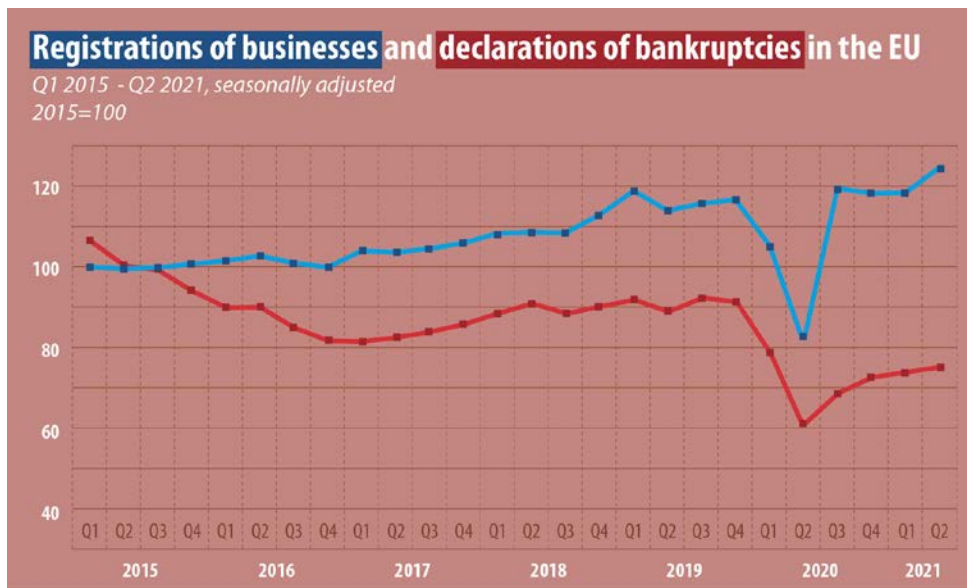


Numerator and denominator



Note: 2018-12 = 100%

...and a looming bankruptcy gap.



ec.europa.eu/eurostat 

How reliable is the thermometer?

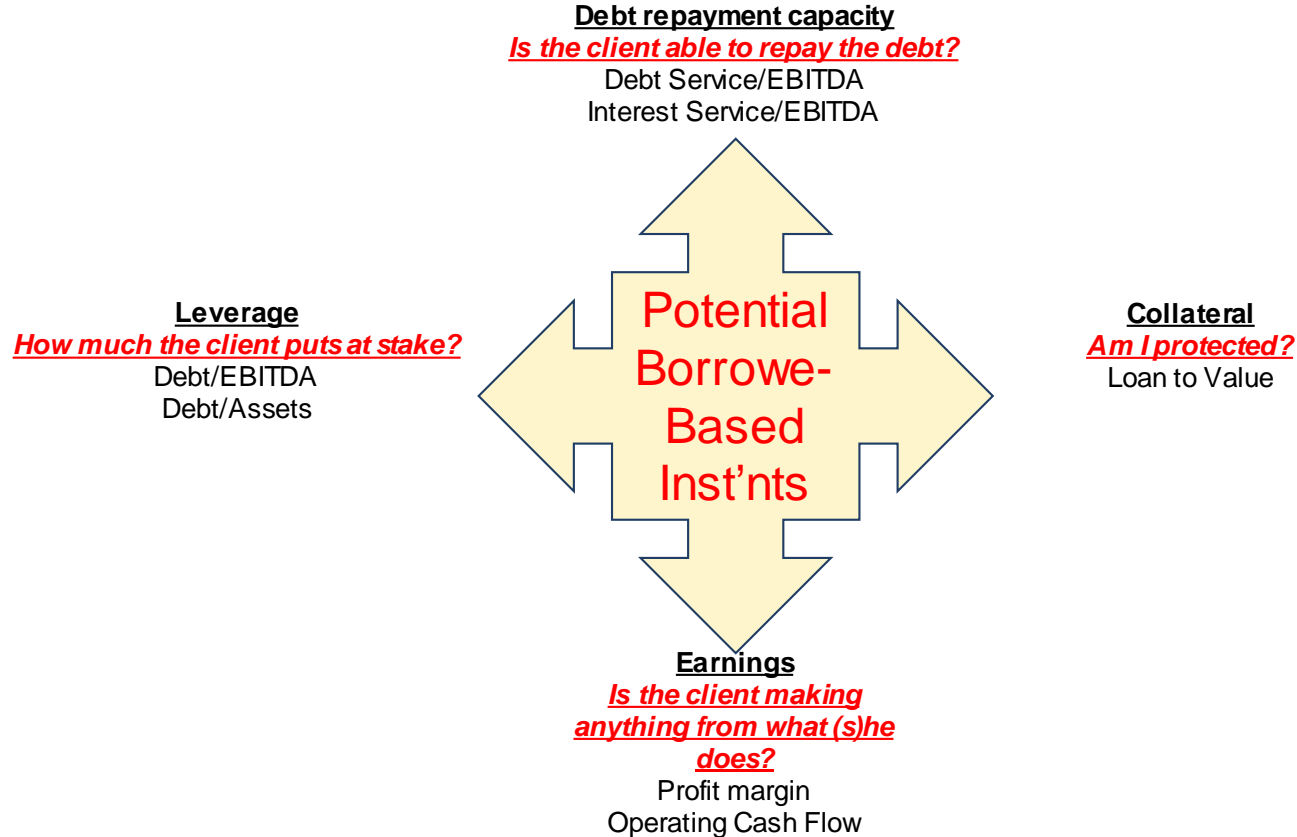
- Divergence in accounting practices: flexibility of IFRS 9/limited experience.
- Limited use of collective assessment and/or SICR overlays.
- COVID-19 pushed models outside their „habitat”, more manual post-model adjustments with divergent results on the final ECL amount.
- Some discrepancies in the derecognition of financial assets e.g. high percentages of recoveries after write offs.

How reliable is the thermometer?

Implications of regulatory relief measures on key prudential metrics

Applicable regulatory metric	Prudential relief measures taken	Impact on regulatory metric
Stock of NPEs	<ul style="list-style-type: none">Loans granted payment deferrals do not need to be counted in determining the over-90-days past due criterion; and in and of itself, does not signal "unlikely to pay"	May reduce reported level of NPEs
CET1 RBC ratio	<ul style="list-style-type: none">Sterilisation of ECL provisions (numerator)Loans subject to payment deferrals do not need to be counted as past due under SA and IRB approaches (denominator)For loans subject to public guarantees, the risk weight of sovereign replaces obligor risk weight (denominator)	May increase reported CET1 ratios

Ensuring resilience of NFC exposures





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