

NATIONAL BANK OF SERBIA
Bank Supervision Department

**METHODOLOGY
FOR FILLING IN NPE AND FBE FORMS**

This methodology explains in detail the elements and manner of compiling the Report on Non-Performing Exposures (NPE Form) and Report on the Structure of Forborne Exposures (FBE Form) that banks are required to compile and submit to the National Bank of Serbia pursuant to the decision governing reporting requirements for banks.

BASIC TERMS

Non-performing exposures, performing exposures and forborne exposures shall have the meaning defined by the Decision on the Classification of Bank Balance Sheet Assets and Off-Balance Sheet Items (hereinafter: the Classification Decision).

For all materially significant currencies, the bank fills in the report according to internal methodology, while other currencies are shown aggregately under the code Other. Exposures in a particular currency shall include, apart from exposures denominated in that currency, also exposures in dinars indexed to such currency.

Also, for each currency, reports are further shown by sector, according to the Code list from Section 1, Annex 3 of the Decision on Collection, Processing and Submission of Data on the Balance and Structure of Accounts in the Chart of Accounts (4th and 5th figure).

For each sector, the types of bank's exposures are shown – specifically, debt instruments in the balance sheet and off-balance sheet exposures.

Report on Non-Performing Exposures – NPE Form

Column 1 – Gross carrying amount

This column shows the gross carrying amount of non-performing and performing exposures. The amount in the column equals the sum of amounts shown in the columns 2 and 7 of this Form.

Column 2 – Gross carrying amount of performing exposures

This column shows the gross carrying amount of performing exposures.

The gross carrying amount of performing exposures is broken down in columns 3-6 of this Form according to the number of days past due.

Column 7 – Gross carrying amount of non-performing exposures

This column shows the gross carrying amount of non-performing exposures.

The gross carrying amount of non-performing exposures is broken down in columns 8–15 of this Form, according to the number of days past due.

Column 16 – *of which: Defaulted*

This column shows the gross carrying amount of non-performing exposures which have become defaulted pursuant to Section 175 of the Decision on Capital Adequacy of Banks.

The gross carrying amount of non-performing exposures in respect of which both the default occurred and there is objective evidence of impairment on individual or collective basis is shown in both this column and column 17 of this Form.

Column 17 – *of which: Exposures for which there is objective evidence of impairment on individual or collective basis*

This column shows the carrying amount of non-performing exposures for which there is objective evidence of impairment on individual or collective basis.

The gross carrying amount of non-performing exposures in respect of which both the default occurred and there is objective evidence of

impairment on individual or collective basis is shown in both this column and column 16 of this Form.

Column 18 – Amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions

This column shows the total amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions pertaining to non-performing and performing exposures. The amount in this column equals the sum of amounts shown in columns 19 and 24 of this Form.

Column 19 – Amount of allowances for impairment and loss provisions for performing exposures

This column shows the amount of allowances for impairment and loss provisions for performing exposures, broken down in columns 20–23 of this Form, according to the number of days past due of the respective exposure.

Column 24 – Amount of allowances for impairment and loss provisions for non-performing exposures

This column shows the amount of allowances for impairment and loss provisions for non-performing exposures, broken down in columns 25–32 of this Form, according to the number of days past due of the respective exposure.

Column 33 – *of which: Defaulted*

This column shows the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions for non-performing exposures which have become defaulted pursuant to Section 175 of the Decision on Capital Adequacy of Banks.

The amount of allowances for impairment or loss provisions for non-performing exposures in respect of which both the default occurred and there is objective evidence of impairment on individual or collective basis is shown in both this column and column 34 of this Form.

Column 34 – *of which: Exposures for which there is objective evidence of impairment on individual or collective basis*

This column shows the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions for non-performing exposures for which there is objective evidence of impairment on individual or collective basis

The amount of allowances for impairment or loss provisions for non-performing exposures in respect of which both the default occurred and there is objective evidence of impairment on individual or collective basis is shown in both this column and column 33 of this Form.

Columns 35 to 42 – Collateral value

Column 35 shows the total value of collateral received on performing exposures, while column 39 shows the total value of collateral received on non-performing exposures.

The total value of collateral shown in column 35 is further broken down in columns 36–38 according to the quality of collateral (Prime collateral, Adequate collateral – mortgaged property or Adequate collateral – other than mortgaged property). The amount shown in column 39 is further broken down in columns 40–42 in the same way.

Prime collateral means collateral defined by Section 28, paragraphs 1 and 2 of the Classification Decision provided that it meets the requirement specified in paragraph 3, indent 1 of that Section.

Adequate mortgaged property means property that meets the requirements defined in Section 29, paragraph 1, provision 1), indents 1–6 and paragraph 2 of the Classification Decision.

Adequate collateral – other than mortgaged property means pledge of warehouse receipt and/or pledge of livestock provided that they meet the requirements defined in Section 29, paragraph 1, provision 2), indents 1 and 3 of the Classification Decision and/or requirements specified in provision 3), indents 1, 2 and 4 of that paragraph.

When determining collateral quality for the purposes of filling in this Form, the following shall not be deemed relevant: the number of days past due of the exposure covered by such collateral; whether the collateral issuer is in bankruptcy and/or whether it acts in accordance with the adopted reorganisation plan; and whether such collateral and/or the insured amount covers 100% of the value of the collateralized exposure.

The value of prime collateral is the amount of such collateral and/or if it is a debt security – market value of such collateral which does not exceed the gross carrying amount of the exposure secured by such collateral.

The value of adequate collateral is the market value of such collateral less the amount of exposures with higher priority in collection, which does not exceed the gross carrying amount of the exposure secured by such collateral.

Where several exposures (some of which are non-performing) are secured by a single collateral and have the same order of priority in collection, the value of such collateral is first distributed to non-performing exposures, and only afterwards to performing exposures, proportionate to their gross carrying amount (in rows of the Form, they are also presented proportionate to the gross carrying amount of an individual exposure), as shown in examples below:

Collateral value		1050		
	Gross carrying amount of exposure	PE/NPE	Breakdown of collateral value	Presentat ion in NPE Form
1.	150	NPE	$\min((150/650)*1050;150)$	150
2.	200	NPE	$\min((200/650)*1050;200)$	200
3.	300	NPE	$\min((300/650)*1050;300)$	300
4.	200	PE	$\max(\min((200/250)*(1050-650);200);0)$	200
5.	50	PE	$\max(\min((50/250)*(1050-650);50);0)$	50

Collateral value		800		
	Gross carrying amount of exposure	PE/NPE	Breakdown of collateral value	Presentat ion in NPE Form
1.	150	NPE	$\min((150/650)*800;150)$	150
2.	200	NPE	$\min((200/650)*800;200)$	200
3.	300	NPE	$\min((300/650)*800;300)$	300
4.	200	PE	$\max(\min((200/250)*(800-650);200);0)$	120
5.	50	PE	$\max(\min((50/250)*(800-650);50);0)$	30

Collateral value		450		
	Gross carrying amount of exposure	PE/NPE	Breakdown of collateral value	Presentat ion in NPE Form
1.	150	NPE	$\min((150/650)*450;150)$	104

2.	200	NPE	$\min((200/650)*450;200)$	138
3.	300	NPE	$\min((300/650)*450;300)$	208
4.	200	PE	$\max(\min((200/250)*(450-450);200);0)$	0
5.	50	PE	$\max(\min((50/250)*(450-450);50);0)$	0

Where one exposure is secured by several collateral instruments, their values are broken down by collateral quality, i.e. the value of prime collateral is shown first, followed by adequate collateral – mortgaged property and finally, adequate collateral other than mortgaged property, provided that the sum of all collateral instruments securing an exposure may not exceed the gross carrying amount of such exposure.

The collateral value is broken down in the same way as explained in the Methodology for Filling in the Report on the Value of Collateral Instruments Securing NPLs (NPL4 Form).

Report on the Structure of Forborne Exposures – FBE Form

Column 1 – Gross carrying amount of exposures with forbearance measures

This column shows the gross carrying amount of forborne exposures. The amount in this column equals the sum of amounts shown in columns 2 and 6 of this Form.

Column 2 – Performing exposures with forbearance measures

This column shows the gross carrying amount of performing exposures with forbearance measures. The amount in this column equals the sum of amounts shown in columns 3 and 4 of this Form.

Column 3 – Instruments with modifications in their repayment terms and conditions

This column shows the gross carrying amount of performing forborne exposures with modifications in the initial repayment terms and conditions with which the borrower could no longer comply due to financial difficulties, whereas such concession (modifications) would not have been granted had the borrower not been in financial difficulties.

Column 4 – Refinancing

This column shows the gross carrying amount of a new performing exposure approved for refinancing purposes that is classified as a forbearance measure, as well as the part of the refinanced performing exposure that is still outstanding, if any. Refinancing of an exposure means the replacement of one part or the total existing exposure by a new exposure agreed under different terms.

Forborne exposures with combined forbearance measures in the form of modifications in repayment terms and conditions and refinancing are shown in column 3 “Instruments with modifications in their repayment terms and conditions” or in column 4 “Refinancing”, depending on what measure has had a greater impact on cash flows.

Merger of several exposures into one is shown in column 3 “Instruments

with modifications in their repayment terms and conditions”, except in the case that a refinancing measure was also applied which has had a dominant impact on cash flows.

Column 5 – of which: Performing forbore exposures under probation

This column shows the gross carrying amount of forbore exposures which were, in accordance with Section 35d of the Classification Decision, reclassified from the category of non-performing to the category of performing exposures.

Column 6 – Non-performing exposures with forbearance measures

This column shows the gross carrying amount of non-performing forbore exposures. The amount in this column equals the sum of amounts shown in columns 7 and 8 of this Form.

Column 7 – Instruments with modifications in their repayment terms and conditions

This column shows the gross carrying amount of non-performing forbore exposures with modifications in the initial repayment terms and conditions with which the borrower could no longer comply due to financial difficulties, whereas such concession would not have been granted had the borrower not been in financial difficulties.

Column 8 – Refinancing

This column shows the gross carrying amount of a new exposure that was approved for refinancing of a non-performing exposure and was classified as a forbearance measure, as well as the part of the refinanced non-performing exposure that is still outstanding, if any. Refinancing of an exposure means the replacement of one part or the total existing exposure by a new exposure agreed under different terms.

Forborne exposures with combined forbearance measures in the form of modifications in repayment terms and conditions and refinancing are shown in column 7 “Instruments with modifications in their repayment terms and conditions” or in column 8 “Refinancing”, depending on what measure has had a greater impact on cash flows.

Merger of several exposures into one is shown in column 7 “Instruments

with modifications in their repayment terms and conditions”, except in the case that a refinancing measure was also applied which has had a dominant impact on cash flows.

Column 9 – of which: Defaulted

This column shows the gross carrying amount of non-performing forborne exposures which have become defaulted pursuant to the Decision on Capital Adequacy of Banks.

The gross carrying amount of non-performing forborne exposures in respect of which both the default occurred and there is objective evidence of impairment on individual or collective basis is shown both in this column and column 10 of this Form.

Column 10 – of which: Exposures for which there is objective evidence of impairment on individual or collective basis

This column shows the gross carrying amount of non-performing forborne exposures for which there is objective evidence of impairment on individual or collective basis.

The gross carrying amount of non-performing forborne exposures in respect of which both the default occurred and there is objective evidence of impairment on individual or collective basis is shown in both this column and column 9 of this Form.

Column 11 – of which: Non-performing forborne exposures

This column shows the gross carrying amount of non-performing forborne exposures that were already classified as non-performing at the time of application of the forbearance measure.

Column 12 – Amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions

This column shows the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions. The amount in this column equals the sum of amounts shown in columns 13 and 14 of this Form.

Column 13 – Performing exposures with forbearance measures

This column shows a part of the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions shown in column 12 which pertains to performing forbore exposures.

Column 14 – Non-performing exposures with forbearance measures

This column shows a part of the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions shown in column 12 which pertains to non-performing forbore exposures. The amount in this column equals the sum of amounts shown in columns 15 and 16 of this Form.

Column 15 – Instruments with modifications in their repayment terms and conditions

This column shows a part of the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions shown in column 12 which pertains to non-performing forbore exposures shown in column 7.

Column 16 – Refinancing

This column shows a part of the amount of allowances for impairment of balance sheet assets and off-balance sheet loss provisions shown in column 12 which pertains to non-performing forbore exposures shown in column 8.

Columns 17–24 – Collateral value

Column 17 shows the total value of collateral received on performing forbore exposures and column 21 shows the total value of collateral received on non-performing forbore exposures.

The total value of collateral shown in column 17 is further broken down in columns 18 to 20 according to the quality of collateral (Prime collateral, Adequate collateral – mortgaged property or Adequate collateral – other than mortgaged property). The amount entered in column 21 is broken down in columns 22–24 in the same way.

Prime collateral means collateral defined by Section 28, paragraphs 1 and 2 of the Classification Decision, provided that it meets the requirement specified in paragraph 3, indent 1 of that Section.

Adequate mortgaged property means property that meets the requirements defined in Section 29, paragraph 1, provision 1), indents 1–6 and paragraph 2 of the Classification Decision.

Adequate collateral – other than mortgaged property means pledge of warehouse receipt and/or pledge of livestock provided that they meet the requirements defined in Section 29, paragraph 1, provision 2), indents 1 and 3 of the Classification Decision, and/or requirements specified in provision 3), indents 1, 2 and 4 of that paragraph.

When determining collateral quality for the purposes of filling in this Form, the following shall not be deemed relevant: the number of days past due of the exposure covered by such collateral; whether the collateral issuer is in bankruptcy and/or whether it acts in accordance with the adopted reorganisation plan; and whether such collateral and/or the insured amount covers 100% of the value of the collateralized exposure.

The value of prime collateral is the amount of such collateral and/or if it is a debt security – market value of such collateral which does not exceed the gross carrying amount of the exposure secured by such collateral.

The value of adequate collateral is the market value of such collateral less the amount of exposures with higher priority in collection, which does not exceed the gross carrying amount of the exposure secured by such collateral.

Where several exposures (some of which are non-performing) are secured by a single collateral and have the same order of priority in collection, the value of such collateral is first distributed to non-performing exposures, and only afterwards to performing exposures, proportionate to their gross carrying amount (in rows of the Form, they are also presented proportionate to the gross carrying amount of an individual exposure), as shown in examples below:

Collateral value 1050				Presentation in FBE Form
	Gross carrying amount of a forbore exposure	PE / NPE	Breakdown of collateral value	
1.	150	NPE	$\min((150/650)*1050;150)$	150

2.	200	NPE	$\min((200/650)*1050;200)$	200
3.	300	NPE	$\min((300/650)*1050;300)$	300
4.	200	PE	$\max(\min((200/250)*(1050-650);200);0)$	200
5.	50	PE	$\max(\min((50/250)*(1050-650);50);0)$	50

Collateral value 800				
	Gross carrying amount of a forborne exposure	PE / NPE	Breakdown of collateral value	Presentation in FBE Form
1.	150	NPE	$\min((150/650)*800;150)$	150
2.	200	NPE	$\min((200/650)*800;200)$	200
3.	300	NPE	$\min((300/650)*800;300)$	300
4.	200	PE	$\max(\min((200/250)*(800-650);200);0)$	120
5.	50	PE	$\max(\min((50/250)*(800-650);50);0)$	30

Collateral value 450				
	Gross carrying amount of a forborne exposure	PE / NPE	Breakdown of collateral value	Presentation in FBE Form
1.	150	NPE	$\min((150/650)*450;150)$	104
2.	200	NPE	$\min((200/650)*450;200)$	138
3.	300	NPE	$\min((300/650)*450;300)$	208
4.	200	PE	$\max(\min((200/250)*(450-450);200);0)$	0
5.	50	PE	$\max(\min((50/250)*(450-450);50);0)$	0

Where one exposure is secured by several collateral instruments, their values are broken down by collateral quality, i.e. the value of prime collateral is shown first, followed by adequate collateral – mortgaged property and finally, adequate collateral other than mortgaged property, provided that the sum of all collateral instruments securing an exposure may not exceed the gross carrying amount of such exposure.

The collateral value is broken down in the same way as explained in the Methodology for Filing in the Report on the Value of Collateral Instruments Securing NPLs (NPL4 Form).