NON-PERFORMING LOANS RISK MANAGEMENT

Implementing a robust and sustainable strategy to reduce your NPL



MAZARS

Consistently high NPLs hold down credit growth and economic activity

Several years after the financial crisis, the banking sector still faces a number of challenges. One of these is reducing the non-performing loan (NPL) portfolios that tie up bank capital, reduce bank profitability and raise funding costs.

At Mazars, we have a keen awareness of the challenge this presents to you and can help you tackle this threat with confidence. We are able to provide a full spectrum of services bringing our expertise and experience to assist you with implementing a successful NPL strategy.

We have already provided expert advice to distressed financial institutions across the globe in countries including the UK, France, Ireland, Greece, Spain and Afghanistan.

Enhancing your NPL management practice

Successful NPL management requires a considerable range of tasks and skills and must be supported by a comprehensive strategy covering governance, operational, disclosure and technical aspects.

In order to have a robust and rigorous NPL risk management framework in place you need to regularly assess your current framework as well as the external conditions and operational environment required to implement a realistic NPL strategy. It also involves ensuring that your current operating models, risk and control functions around NPLs meet industry best practices and regulatory requirements. You need to review your processes, policies and procedures (which covers identifying forbearance, measuring impairment and writing off NPL) to ensure that these are all compliant with international accounting standards and regulatory requirements.

At Mazars, we have extensive experience working within numerous banking systems and have assisted central banks, national regulators, major financial institutions and small and mid-size entities in dealing with the managing of non performing exposures. With our breadth and depth of experience working with the financial services industry, our team can provide advisory and tailored support services to ensure your compliance with industry best practises and international accounting standards. We want to help you launch a rigorous assessment and implement an operationally efficient framework.

How can Mazars help?

OPERATIONAL

- Preparing or reviewing your accounting manuals, processes and policies
- Performing portfolio reviews and analysis
- Adapting your IT systems to collect relevant data to comply with supervisory reporting

SENIOR MANAGEMENT

- Performing a comprehensive diagnostic to carry out a realistic NPL strategy
- Assisting you in defining and implementing the NPL strategy
- Adapting operating model, including the organisation of your work-out non-performing unit
- Reviewing, assessing and implementing internal controls

BOARD LEVEL

- Defining management objectives and incentives for NPL workout activities
- Managing external stakeholder
- Assessing board and management oversight

A credible partner

As a result of our experience in working with distressed credit institutions we have developed a unique service offering building on a mix of former regulators, corporate financiers and banking professionals. Some examples of our work can be seen below:

- We were subcontracted by a global investment management company to support a central bank's PCAR 2012 analysis and perform a Distressed Credit Operations Review and Asset Quality Review of portfolios of SME loans held by two subject banks. Our work with the government backed asset management agency included assessing the sustainability of outstanding debt and ability of borrower to repay over agreed period, as well as making recommendations for debt restructuring and giving the optimal course of action.

- As monitoring trustee to the European Commission with respect to a UK retail and commercial bank, our responsibilities include monitoring the £181 billion asset reduction required by the Commission. We are also on the Commission's monitoring trustee for a Greek retail and commercial bank. Beyond this role, the bank had asked us to conduct an asset quality review of its impaired retail and corporate credit portfolios of €11.7 billion and €5.5 billion respectively.

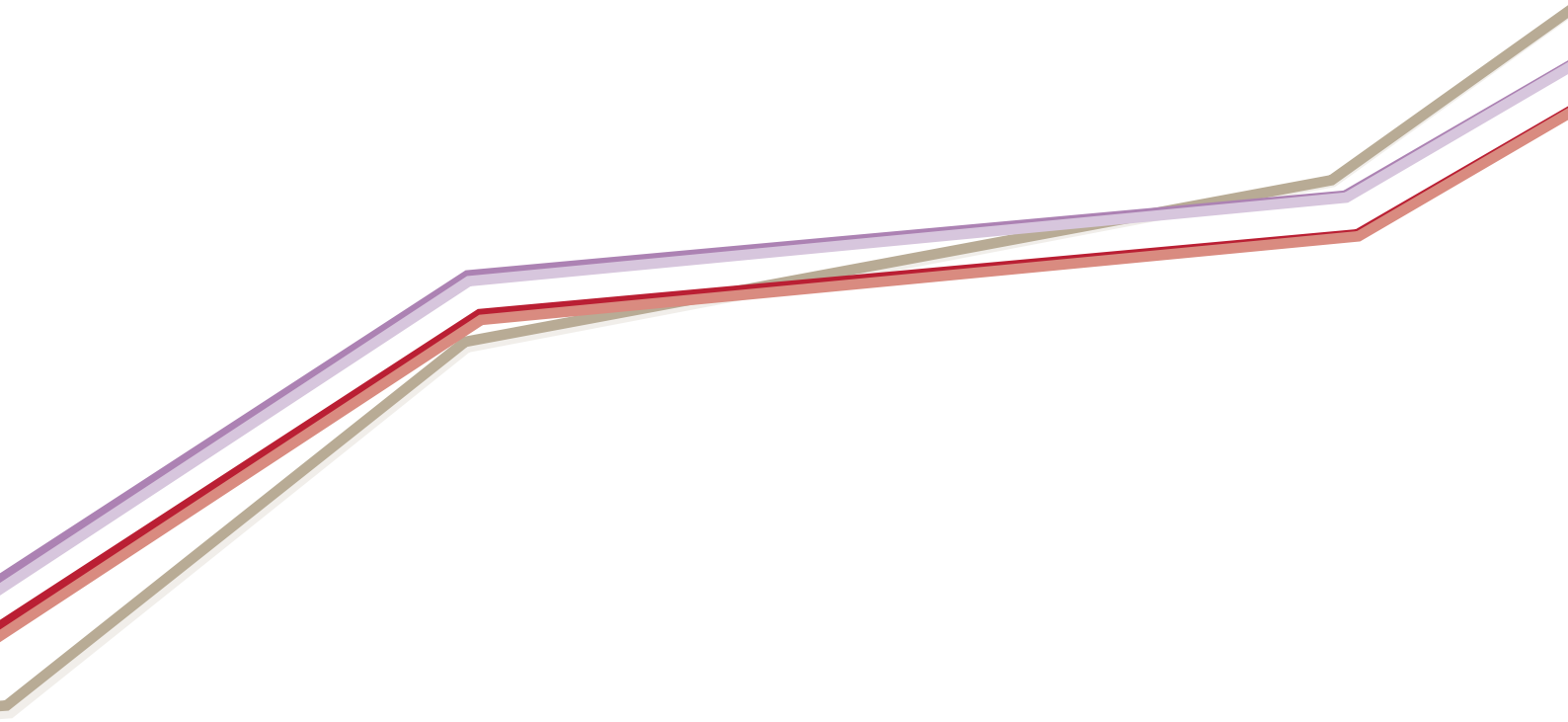
- We are currently providing a number of services for a financial institution active in public finance including auditing ex-FSA and illiquid assets since 2008, reviewing the principles and models used to price interest rates, inflation, hybrid, FX, equity and structured credit products.

- In our role supporting a government backed agency with the aim to set up support for the country's financial sector. We performed reviews in 13 French financial institutions including a collateral quality review held by the banks and examination of some credit files to assess the information quality and accuracy sent by the banks to the agency.

- During the 2014 EU-wide Comprehensive Assessment, Mazars has been involved with 21 major European banks in nine countries, either assisting the National Competent Authority (NCA) or the banks. Mazars continues to act as a trusted partner with regards to Asset Quality Reviews and Stress-Testing since 2015.

A dedicated service

As an integrated global firm, Mazars can offer the expertise its professionals have gained working across the world on assignments for banks of all sizes. We pride ourselves on being accessible; providing a partner-led service and offering continuous support from a team dedicated to the banking sector. Our approach offers senior, experienced teams, comprising skilled people and experienced staff from our financial services team. We have expert local teams in your country, as well as a coordination team with deep experience with cross-border projects. Experience, knowledge and client service are the foundations of our approach and we firmly believe we can help you implement a sustainable and rigorous NPL strategy.



Please get in touch...

Should you require any further information on how we can assist you please contact:

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