Comments on the Basel Committee on Banking Supervision's Consultative Document "*Review of the Pillar 3 disclosure requirements*"

National Bank of Georgia

We appreciate the possibility to comment on the consultative document "*Review of the Pillar 3 disclosure requirements*" released on June 2014 by the Basel Committee on Banking Supervision.

Here are some recommendations that will allow enhancing credit quality reporting standards by concentrating more attention on the disclosure of borrowers' debt service capacity by industries and products. Also, refinancing exposures at least could be used to hide restructuring ones and we believe disclosure of such, together with restructured one, would be beneficial. For this purpose, it is appropriate to establish additional tables, similar to Template CR4, where the exposure will be distributed by the ranges of Payment-to-Income (PTI) ratios for individual retail borrowers, and Interest Coverage (EBIT/Interest), Debt Service Coverage (DSCR – EBITDA/Payment, FCF/Payment) and Leverage (Debt / Equity; Debt/EBITDA) ratios - for corporate and SME borrowers.

Further, we find it useful to consider an additional template, which discloses concentration risk of a given bank. In this regard, we present an example of the table below:

Template 1 - TOP Borrowers Concentration

a	b	c	d	e	f	g	h	i	j	k	l	m
The Largest Group of Borrowers	Portion of Regulatory Capital (%)	On Balance Sheet Gross Exposure	Off balance Sheet Gross Exposure	Allowances	Net Value (c + d - e)	Allowances / Gross Exposure (%)	DEBT / Equity	DEBT / EBITDA	DSCR 1 - EBITDA / Payment	DSCR 2 - FCF / Payment	Interest Coverage	Loan-to-Value
TOP-5												
Defaulted												
Non-Defaulted												
TOP-10												
Defaulted												
Non-Defaulted												
TOP-20												
Defaulted												
Non-Defaulted												
TOP-40												
Defaulted												
Non-Defaulted												
TOP-100												
Defaulted												
Non-Defaulted												
TOTAL												

Template 2 - Industry Concentration

a	b	c	d	e	f	g	h	i	j	k	l	m
Sectors	Portion in Corporate On-balance Gross Portfolio (%)	On Balance Sheet Gross Exposure	Off balance Sheet Gross Exposure	Allowances	Net Value (c + d - e)	Allowances / Gross Exposure (%)	DEBT / Equity	DEBT / EBITDA	DSCR 1 - EBITDA / Payment	DSCR 2 - FCF / Payment	Interest Coverage	Loan-to-Value
Sector 1												
Defaulted												
Non-Defaulted												
Sector 2												
Defaulted												
Non-Defaulted												
Secor 3												
Defaulted												
Non-Defaulted												
Sector ---												
Defaulted												
Non-Defaulted												
TOTAL												

Additionally, we think it will be very beneficial to introduce estimated ratio benchmarks for corporate, SME and retail borrowers. For example, for Retail borrowers the benchmarked ratios can be Payment-to-Income and Loan-to-Value ratios, and for Corporate and SME borrowers - DSCR, Leverage, Profitability ratios and etc.

We hope these proposals will assist you in developing the framework, and we are looking forward to future discussions on the issue.

Sincerely,

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