



საზოგადოება და ბანკები  
SOCIETY AND BANKS

# RESTRUCTURING



[www.sab.ge](http://www.sab.ge)

## RESTRICTURING

Restructuring is modification of the loan service terms of the bank customer (service means the coverage of the loan, including the principle sum and interest); such modification aims to simplify the loan service for the customer. The most popular form of the restructuring in Georgia is summing of all liabilities of the customer and allocation of the total loan over larger period of time. Though restructuring can be any modification of loan service terms. It should be considered that the restructuring is a free will of any bank and bank is entitled either to restructure or not to restructure the loan for the customers, though restructuring bears its advantages and disadvantages similar to other bank products.

Non-governmental organization "Society and Banks" focused on the issue and checked the restructuring terms through the five largest commercial banks of Georgia:

1. **Bank of Georgia:** "Bank of Georgia" is one of the first banks, which elaborated the restructuring terms and offered to its customers. These terms are as follows

ცხრილი 1.

Loan period	3 -120 months
Loan %	Average of all liabilities
issuance commission	0.5 % of loan
Prepayment commission	0%
Prepayment commission of payable liabilities	0%
Number of excluding penalties	50-90%
Security	Upon agreement

Source: bog.ge

It should be considered that modification of these terms depends on the financial condition of the customer. AS we see, number of excluding penalties vary between 50%-90%, and this depends on the security presented as a result of restructuring: securing - 50%; vehicle - 70%; immobile property - 90%; though, upon agreement penalties can be excluded in 100%. As table shows, loan issuance commission is 0,5%.



## 2. Liberty Bank: Restructuring terms are as follows:

Loan period	3 -120 months
Loan %	Maximum among all liabilities
issuance commission	0 % of loan
Prepayment commission	0%
Prepayment commission of payable liabilities	0%
Number of excluding penalties	Individually
Security	Upon agreement

Source: *libertybank. ge*

In case of Liberty Bank, restructuring loan interest rate depends on the interest of payable liabilities and bank verifies the highest interest rate among them. As for the excluding of the penalties, it completely depends on the bank officer and not on the presented security (if you present the immobile property, total exclusion of the penalty is possible). For example, in case of presenting guarantee, bank may not exclude the penalties at all.

## 3. TBC Bank: TBC Bank also was the one of the first banks offering restructuring to its customers; these terms are as follows:

Loan period	3 -48 თვე
Loan %	average 16-36 %
issuance commission	2% of loan
Prepayment commission	2%
Prepayment commission of payable liabilities	2%
Number of excluding penalties	100 - 500 Gels
Security	Upon agreement

Source: *tbcbank. ge*

Pursuant to the terms of TBC Bank restructuring terms, loan period is maximum 48 months i.e. if the customer presents the immobile property for the loan, it shall not be prolonged for more than 48 months. Only mortgage loan can be restructured for more than 12 months. Besides. amount of excluding penalties varies between 100-500 Gels. Bank sets specific commissions as well.



**4. PrivatBank Georgia:** Restructuring terms of PrivatBank is extraordinary from all. For loan restructuring, 180 days delay of liabilities is obligatory. Terms are as follows:

Loan period	3 -48 თვე
Loan period	6 - 36 months
Loan %	0.01 – 18%
issuance commission	0%
Prepayment commission	0%
Prepayment commission of payable liabilities	0%
Number of excluding penalties	maximum 90%

Source: *privatbank.ge*

It should be noted that, the terms of PrivatBank is quite plural. For example, notwithstanding the presented security, maximum loan period is 36 months. Thereby, interest rate is verified according to the loan period, such as: 6 months - 0.01%; 6-12 months - 10%; 12-36 months - 18%, this is the maximum interest rate; as for the penalties, penalties can be excluded with 90% as maximum, which is determined based on individual case. It is notable that no commission fee is revealed in the restructuring terms of PrivatBank.

**5. Bank Republic:** As we found out, Bank Republic shows the most individual restructuring terms.

Loan period	3-120 months
Loan %	max 33%
issuance commission	2%
Prepayment commission	Individually
Prepayment commission of payable liabilities	Individually
Number of excluding penalties	Individually
Security	Upon agreement

Source: *br.ge*

We may say that the restructuring terms of the Bank Republic are not verified. It is possible that, this bank can issue the restructured loan in terms of the standard consumer's loan, including all related commission fees. It depends on the financial condition of the customer and existing loan. Restructuring period is standard for this bank - 36 months and in case of presenting the immobile property, period can be prolonged to 84 months. Interest rate depends on the loan parameters as well and 36% is the



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maximum, as bank decides. Besides, commission fee of the bank restructuring is 2% and penalties can be either excluded or not.

## CONCLUSION

Non-governmental "Society and Banks" researched the terms of the five largest banks. Tables show that, the most of the banks have the commission fee for issuing the restructured loan. Thus, it turns out that, effective interest rate of the loan increases as a result of commission fee. Additionally paid money also increases in case of prolongation of the loan period, plus increased interest rate, source of which is unclear. Notwithstanding this fact, consumer's condition is simplified by the restructuring as monthly payable sum decreases and there is no risk of realization of immobile property or other security. Besides, instead of several liabilities, you pay one loan and via restructuring consumer improves his/her credit history as well. Often banks refuse to restructure the loan until it becomes a problem loan. Reason of such refusal is that banks have to make extra charges for restructuring process, which includes the following: after restructuring, banks are obliged to reserve the loan in 10% (pursuant to the "Rule of the Usage and Creating the possible loss reserves and classification of assets by the commercial banks", #350 order of the President of the National Bank, dated December 29, 2000), and if the loan is not delayed for more than 30 days, it is reserved in 2%.



