NPL Monitor for the CESEE region [1]

H1 2017

This NPL Monitor reviews the latest fully available data on NPLs (as of 30 June 2016) for the 18 economies of Central, Eastern and South Eastern Europe (CESEE) countries[2]. The monitor also reports on recent structural reform progress in the five NPL Initiative "Partner Countries"[3] and on the NPLs transactions closed in the region recently.

1. NPL EVOLUTION IN THE CESEE

As of 30 June 2016[4], Non-Performing Loans (NPLs)[5] in the CESEE region amounted to €52.6 Bn[6], which equates to circa 4.3% of GDP or 7.1% of gross loans. A further €127.6 Bn in NPLs were recorded in Cyprus, Greece and Ukraine.

Since June 2015, NPL volume and NPL ratios have continued to improve across the CESEE region as a whole and NPL coverage ratios have remained stable. Moreover, three countries (Hungary, FYR Macedonia and Slovenia) have managed to reduce their NPL ratio below the 10% threshold since December 2015. Despite this rather positive picture, NPL ratios remain persistently high, exceeding 10% in 7 of the 18 CESEE countries.

The June 2016 NPL volume in the CESEE represents a substantial decrease from prior year levels.

- On a region-wide basis, the NPL volume has decreased[7] by 8.2% (or €4.7 Bn) in the 12-month period since June 2015. With the exception of increases in Bulgaria (+19.8% year-on-year (yoy)) and Georgia (+18% yoy)[8], all CESEE countries have recorded a drop in NPL volume yoy.

---

[1] *Prepared by Eric Cloutier, Senior Advisor EBRD, and Maxime Terrieux, Advisor EBRD. All views presented here are the authors' views only. For more details, please contact NPL@ebrd.com*

[2] *We classify the 18 economies, comprising the EBRD country groups of central Europe and the Baltics (CEB), and south-eastern Europe (SEE), collectively as central and south-eastern Europe (CESEE), and wherever appropriate separately list figures for Cyprus, Greece and Ukraine. Please refer to Table 1 for the detailed list of countries.*

[3] *Albania, Croatia, Hungary, Montenegro, Serbia.*

[4] *30 June 2016 is the latest common date where data are available for (nearly) all of the countries covered in this monitor. This date was therefore chosen for comparison purposes. We note that some countries have made further improvements in resolving NPLs since June 2016 (e.g. Romania's NPL ratio has dropped to 9.46% as of December 2016).This will be reflected in the next edition of the NPL Monitor.*

[5] *Unless stated otherwise, all data are sourced from the IMF Financial Soundness Indicators (IMF FSI), available here http://data.imf.org/regular.aspx?key=60949720, accessed on 26 January 2017. For individual countries definitions and to allow more precise comparisons, it is advised to consult the IMF FSI metadata and to refer to the individual country authorities for further details. Please also refer to the Appendix section for more details.*

[6] *All data sourced in local currency is converted to US$ and then €, using IMF exchange rates available here: National Currency per US Dollar, end of period http://data.imf.org/regular.aspx?key=60998120*

[7] *Any variations between volumes are calculated as ((value period 1/value period 0) -1) and between ratios as (% period 1 - % period 0).*

[8] *Romania also shows an increase in NPL volumes but due to a methodological change in the computation of NPLs as of December 2015, comparison of NPL-related data between 2015 and 2016 (including in Table 1.) is not fully representative and for indicative purpose only.*

- The reduction in the NPL volume across the region was primarily attributable to decreases in NPL stock in Hungary (€1.3 Bn, -22.4% yoy), Slovenia (€1.3 Bn; -36.4% yoy), Croatia (€1 Bn; -16.4% yoy) and Poland (€1 Bn; -7.9% yoy).
- Overall, reduction in NPL stock in these countries was mostly resulting from sales of NPLs (see section 3.).
- The secondary NPL market has remained relatively stable in the region over 2016, with total NPL sales reaching €4.1 Bn, split evenly over H1 and H2 2016.
- Despite remaining regulatory, legal and tax impediments to market entry in many of the CESEE countries, progress with structural reforms and improved business environment have helped maintain NPL investors' – albeit cautious – appetite.
- €6.5 Bn of NPL transactions have been realised in the CESEE region in the last 18 months, with a relatively constant absorption (€2.2 Bn on average) per semester over that period.

The NPL ratio for the CESEE region has also decreased since June 2015.

- As at June 2016, the NPL ratio (as a proportion of NPLs to total gross loans) across the CESEE was 7.1%, a 0.8 percentage-point (pp) decrease since June 2015.
- Of the 18 countries comprising the CESEE, 16 have seen a decrease in their NPL ratio when compared to the same period in 2015.
- The NPL ratio on a country-by-country basis continues however to vary greatly, ranging from a low of 1% in Estonia to a high of 20.6% in Bulgaria.
- Despite improvements, NPL ratios also remain persistently high in Serbia (20.2%), Albania (20%) and Croatia (14.8%).
- With regard to the 2 countries which saw increases in their NPL ratio, Georgia recorded a small 0.3 pp increase and Bulgaria 3.9 pp. These two countries account for 11.2% of all NPLs in the region while only representing 4.6% of total gross loans.
- The high NPL countries are mostly characterised by weak credit growth, high leverage and poor overall economic performance, in turn providing low prospects for corporates and households to grow out of debt. The deeply-rooted NPL problem is therefore likely to require time and further reforms to support accelerated NPL resolution and economic growth.

NPL coverage ratios have remained stable overall in the last 12 months.

- Across the CESEE the NPL coverage ratio (measured as the proportion of loan-loss provisions to NPLs) has remained stable at 61.2% in June 2016 (vs 61.1% in June 2015).
- On a country by country basis; Kosovo, Latvia and FYR Macedonia have the highest NPL coverage ratio at 90.5%, 82.6% and 80.4% respectively, with Latvia recording the fourth largest increase (+6.1 pp).
- Serbia, while having one of the highest NPL ratios in the region, has made substantial improvements in terms of provisioning: it has recorded the largest coverage ratio increase (+9 pp) since June 2015, bringing its coverage ratio above the regional average and at the median (10^{th} overall). This is however partially explained by the decrease in volume of NPLs by 9.9% over the same period (i.e. ratio improvement driven by the denominator effect (decrease in NPLs)).
- The countries with the lowest NPL coverage ratio as at June 2016 were Estonia and Lithuania at 26.9% and 44.4% respectively, with Lithuania also maintaining a relatively high Net NPL/capital ratio at 27%. However, both countries have greatly decreased their NPL volumes (by 14.8% and 16.5% respectively) and maintain a low NPL ratio (1% and 5.5% respectively), thereby reducing risks associated with lower coverage.
- Given the drop in NPL ratio and stable coverage ratio, the Net NPL ratio stood at 2.8%, a 0.3 pp drop in the last 12 months. However, the Net NPL ratio remains high in Bulgaria (10.6%), Serbia (7%, but down from 10%), Albania (6.8%) and Montenegro (5.7%, but down from 8.6%).

Note: Figure 1. and Table 1. below are for illustrative purposes only. We invite readers to refer to footnotes 4, 5 and the Appendix for definitions of criteria and discussion about comparability issues.

Figure 1. NPL ratio, coverage ratio and volume (%, € Bn, June 2016)

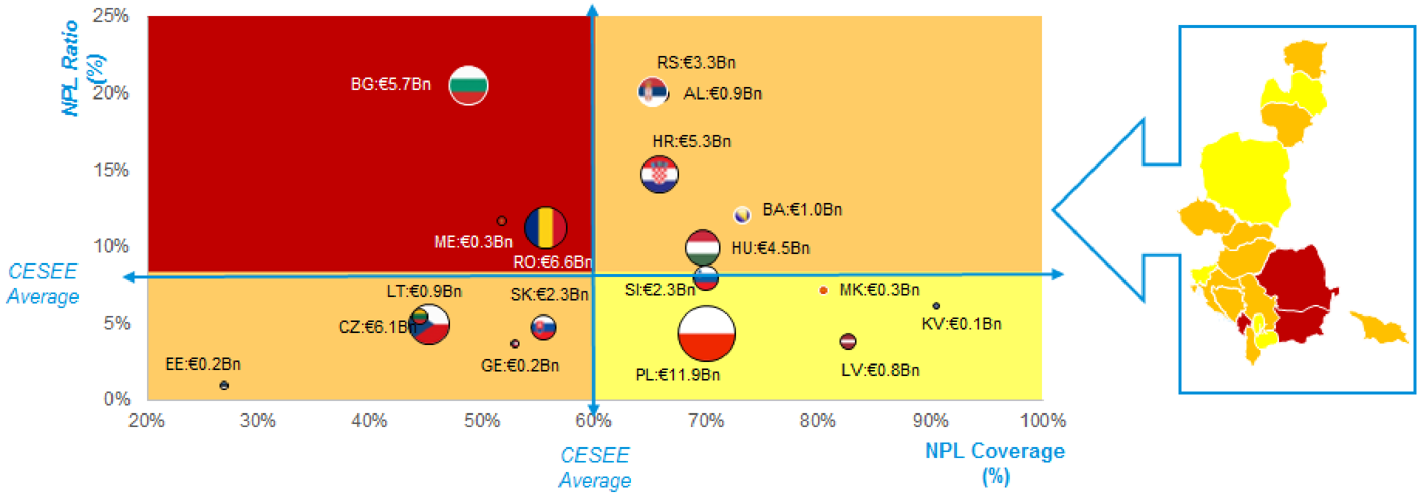

Table 1. Overview of the NPL profile of the CEE, 30 June 2015 to 30 June 2016 [9, 10, 11, 12, 13, 14]

Country	NPL volume (€ bn) Jun-16	NPL volume Variation(%)	NPL ratio (%) Jun-16	NPL ratio Δ(pp)	NPL coverage ratio Jun-16	NPL coverage ratio Δ(pp)	Net NPL ratio (%) Jun-16	Net NPL ratio Δ(pp)	Net NPL / Capital (%) Jun-16	Net NPL / Capital Δ(pp)	Market Share NPLs (%) Jun-16	Market Share NPLs Δ(pp)	Market Share Loans (%) Jun-16	Market Share Loans Δ(pp)
Albania (AL)	0.9	▼ (2.4)	20.0	▼ (1.0)	65.9	▼ (2.9)	6.8	▲ 0.3	30.4	▼ (0.4)	1.7	▲ 0.1	0.6	↔ 0.0
Bosnia & Herzegovina (BA)	1.0	▼ (13.0)	12.1	▼ (2.0)	73.2	▲ 3.1	3.2	▼ (1.0)	20.3	▼ (6.3)	1.9	▼ (0.1)	1.1	▼ (0.0)
Bulgaria (BG)	5.7	▲ 19.8	20.6	▲ 3.9	48.8	▼ (0.7)	10.6	▲ 2.1	52.1	▲ 8.6	10.8	▲ 2.5	3.7	▼ (0.2)
Croatia (HR)	5.3	▼ (16.4)	14.8	▼ (2.3)	65.7	▲ 7.9	5.1	▼ (2.1)	25.7	▼ (10.8)	10.0	▼ (1.0)	4.8	▼ (0.3)
Czech Republic (CZ)	6.1	▼ (4.3)	5.0	▼ (0.5)	45.2	▼ (0.9)	2.7	▼ (0.2)	21.2	▼ (2.1)	11.6	▲ 0.5	16.5	▲ 0.4
Estonia(EE)	0.2	▼ (14.8)	1.0	▼ (0.3)	26.9	▼ (0.7)	0.7	▼ (0.2)	5.1	▼ (2.3)	0.3	▼ (0.0)	2.4	▲ 0.2
Georgia (GE)	0.2	▲ 18.0	3.7	▲ 0.3	52.9	▲ 3.5	1.7	▲ 0.0	7.8	▲ 0.7	0.4	▲ 0.1	0.9	▲ 0.0
Hungary (HU)	4.5	▼ (22.4)	10.0	▼ (2.6)	69.6	▲ 1.2	3.0	▼ (0.9)	14.6	▼ (6.2)	8.5	▼ (1.5)	6.1	▼ (0.3)
Kosovo (KV)	0.1	▼ (14.3)	6.2	▼ (1.1)	90.5	▼ (1.8)	0.6	▲ 0.0	3.0	▼ (0.1)	0.2	▼ (0.0)	0.3	↔ 0.0
Latvia (LV)	0.8	▼ (23.1)	3.8	▼ (0.9)	82.6	▲ 6.1	0.7	▼ (0.5)	4.3	▼ (3.4)	1.5	▼ (0.3)	2.7	▼ (0.2)
Lithuania (LT)	0.9	▼ (16.5)	5.5	▼ (1.6)	44.4	▼ (0.7)	3.1	▼ (0.9)	27.0	▲ 0.5	1.7	▼ (0.2)	2.3	▲ 0.1
FYR Macedonia (MK)	0.3	▼ (30.8)	7.2	▼ (3.8)	80.4	▼ (4.0)	1.4	▼ (0.3)	8.3	▼ (1.7)	0.6	▼ (0.2)	0.6	▲ 0.0
Montenegro (ME)	0.3	▼ (24.9)	11.7	▼ (3.9)	51.7	▲ 6.7	5.7	▼ (2.9)	27.5	▼ (17.3)	0.5	▼ (0.1)	0.3	▼ (0.0)
Poland (PL)	11.9	▼ (7.9)	4.3	▼ (0.4)	70.0	▲ 1.7	1.3	▼ (0.2)	9.8	▼ (1.9)	22.7	▲ 0.1	37.3	▼ (1.0)
Romania (RO)	6.6	▲ 9.7	11.3	▼ (1.5)	55.6	▼ (13.4)	5.0	▲ 1.0	35.4	▲ 11.9	12.5	▲ 2.0	7.9	▲ 1.4
Serbia (RS)	3.3	▼ (9.9)	20.2	▼ (2.6)	65.1	▲ 9.0	7.0	▼ (3.0)	22.1	▼ (8.3)	6.2	▼ (0.1)	2.2	▼ (0.0)
Slovakia(SK)	2.3	▼ (4.5)	4.8	▼ (0.6)	55.4	▲ 3.1	2.1	▼ (0.4)	13.9	▼ (1.8)	4.3	▲ 0.2	6.5	▲ 0.3
Slovenia (SI)	2.3	▼ (36.4)	8.0	▼ (3.5)	69.8	▲ 5.9	2.4	▼ (1.7)	17.2	▼ (15.2)	4.4	▼ (1.9)	3.9	▼ (0.4)
CESEE	**52.6**	▼ **(8.2)**	**7.1**	▼ **(0.8)**	**61.2**	▲ **0.1**	**2.8**	▼ **(0.3)**	**12.8**	▼ **(1.6)**	**100.0**	↔ **0.0**	**100.0**	↔ **0.0**
Cyprus	26.9	▼ (5.7)	47.0	▲ 2.3	36.5	▲ 3.4	29.8	▼ (0.1)	257.0	▼ (15.1)	-	- -	-	- -
Greece	86.6	▼ (1.5)	37.0	▲ 3.6	67.8	▲ 2.1	11.9	▲ 0.4	82.3	▼ (54.2)	-	- -	-	- -
Ukraine	14.1	▲ 0.7	30.4	▲ 6.1	65.8	▼ (5.5)	10.4	▲ 3.4	93.6	▼ (1.4)	-	- -	-	- -
Grand Total	**180.2**	▼ **(4.1)**	**16.7**	▼ **(0.2)**	**61.0**	▲ **1.3**	**6.5**	▼ **(0.3)**	**34.2**	▼ **(6.0)**	-	- -	-	- -

[9] *Variation (%) is calculated as ((value period 1/value period 0) -1), with June 2016 as period 1 and June 2015 as period 0.*
[10] *Δ (pp) is the variation, expressed in percentage points, between 2 periods. It is calculated as (% period 1 - % period 0).*
[11] *Bulgaria: due to lack of data, it is assumed that June 2016 data are equal to December 2015 values.*
[12] *Kosovo: due to lack of data, it is assumed that June 2016 data are equal to December 2015 values.*
[13] *FYR Macedonia: when considering the regulatory changes from December 2015 (i.e. the amendments of the Credit Risk Management Regulation), the banks were required by the end of June 2016 to write off the credit exposures which have been fully provisioned longer than 2 years. Even though these exposures are transferred from on-balance to off-balance sheet, the banks should still take actions for recovery/collection of these claims. As a result, as of June 2016, the NPLs volume decreased by 30.8% yoy and the NPL ratio reduced to 7.2%.*
[14] *Cyprus: due to lack of data, it is assumed that June 2016 data are equal to March 2016 values.*

2. PROGRESS WITH RESOLVING IMPEDIMENTS TO NPLS[15]

Considering a scenario assuming the annual average of sales in the last 24 months as the base for future annual absorption, combined with no new flow of NPLs, it would take close to 13 years for the CESEE banks to deleverage the current total stock of NPLs via sales only. While this is purely for illustrative purposes, it highlights the importance to define and implement a broader range of solutions to the NPL problem across the jurisdictions and to work to solve impediments to NPL resolution still prevailing.

Regulators, international financial institutions (IFIs) and the banking industry continue working together to define solutions to the reduction of the high level of NPLs stock in Europe.

The significant stock of NPLs in Europe is considered a systemic challenge by European regulators as it imposes significant pressure on European financial stability, banks' profitability and the overall economy. In an attempt to increase the speed and effectiveness of NPL resolution, European regulators and IFIs - in consultation with banks, investors and industry experts - have realised numerous initiatives in the last 12 months, including creating expert NPL working groups and holding workshops and brainstorming roundtables on the topic. More remains to be done to ensure a robust joint response by European and national regulators while working with the industry in defining practical solutions.[16]

Below is a sample of key NPL initiatives of recent months. We expect 2017 to remain very active on the topic.

- **Working groups on NPLs, workshops and brainstorming sessions**
  - Since mid-2016, the Financial Services Committee (as part of the EU Council) has been working intensively on this topic and has created a sub-group on NPLs as a forum for strategic reflection.
  - The European Commission's Structural Reform Support Service (SRSS) was established in July 2016 with a mandate to provide technical support to EU Member States in pursuing growth-enhancing structural reforms, including assistance in the area of NPLs.
  - The Expert Group on NPLs of the European Systemic Risk Board (ESRB - EG NPL) was created in q3 2016 with the specific and provisional mandate to work on macroprudential policy-oriented topics related to NPLs, to highlight common challenges with NPL resolution across jurisdictions and assess the potential pan-European solutions available.
  - The European Banking Authority (EBA) and the IMF have held an expert workshop in December 2016 on the Risks of the European Banking Sector, NPLs and Transparency, involving numerous industry specialists in the discussion.
  - The European think tank Bruegel organised an industry workshop in February 2017 entitled "Tackling Europe's non-performing loans crisis: restructuring debt, reviving growth".[17, 18]
  - The European Bank Coordination Vienna Initiative held its 9th Full Forum in early March 2017 in Luxembourg. NPL stocktake and resolution discussion was one of the main topics on the agenda.[19]
- **Research, publications and guidelines:**
  - The ECB guidance to banks on NPLs[20], which was open to consultation and comments until mid-November 2016, is expected to be published in its final form in the second quarter of 2017.

---

[15] Source when not specified: EBRD

[16] The current low interest rates environment must be used to carry out a sound clean-up of banks' balance sheet in the EU. In case interest rates return to higher levels, the problem of the stock of NPLs may be aggravated by a new flow of NPLs.

[17] Bruegel, Bruegel conference discusses strategies to tackle Europe's NPL crisis, February 2017, (link)

[18] Keynote speech by Vítor Constâncio, Vice-President of the ECB, at the Bruegel conference, (link)

[19] See footnote 15

- The European Commission proposal for a directive on restructuring issues was issued in November 2016[21]. Its aim is to improve the effectiveness of insolvency and restructuring frameworks.
- The EBA published a report on the recent trends in the stock of NPLs in the EU based on supervisory data for over 160 EU banks. The report identifies various structural impediments to addressing NPLs and highlights policy options for removing or easing such impediments: (1) improve provisioning and arrears management, (2) address structural issues such as inefficient judicial systems and (3) improve liquidity, transparency and efficiency of secondary market in loans.[22]
- In a seminar organised by the ESM, the EBA Chairman also discussed the possibility of creating a pan-European Asset Management Company (AMC) to manage bad loans.[23]
- The ECB has been evaluating the optimal design of NPL resolution frameworks available, the underlying required guiding principles, policy options and the optimal sequencing of measures to be implemented.[24]
- A recent paper published by EBRD[25] finds that an active policy of NPL reduction has an unambiguously positive impact on the economy, further supporting the case for policymakers to tackle the issue together with private market participants.

- **Training:** Some progress has been made in terms of capacity-building but the development of local expertise (especially within CESEE banks' judicial and insolvency professions) remains a vital need across the region. IFIs have been playing an important role in capacity-building, with for example EBRD's regional and in-country training on NPL Financial Restructuring, but more remains to be done.
- **Knowledge dissemination:** EBRD's NPL-dedicated website (http://npl.vienna-initiative.com), launched in September 2016 and serving as an information sharing hub for the industry, also now offers a search function.

Significant measures have continued to be successfully implemented by countries across the CESEE to tackle impediments to NPL resolutions and sales, but this is only the beginning.

Progress is being made and below is a highlight of reforms and measures implemented recently or underway in the five "Partner Countries" under the Vienna Initiative 2.0. However, important challenges (legal, regulatory, tax, structural, etc.) preventing banks to resolve their NPLs and/or attract secondary markets investors remain to be tackled in many of the CESEE countries. It is therefore primordial for the dialogue on and knowledge sharing of NPL solutions to remain active.

---

[20] *ECB, ECB launches public consultation on guidance to banks on non-performing loans, September 2016, (link)*
[21] *European Commission, Proposal for a Directive on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures, November 2016, (link)*
[22] *EBA, Report on the Dynamics and Drivers of Non-Performing Exposures in the EU Banking Sector, July 2016, (link)*
[23] *Enria A., The EU banking sector - risks and recovery. A single market perspective, EBA, January 2017, (link)*
[24] *ECB, Special feature of the ECB Financial Stability Review, November 2016 (link)*
[25] *Balgova M. et al, The Economic Impact of Reducing Non-Performing Loans, EBRD working paper, October 2016, (link)*

Albania

- **NPL Working Group and action plan:** A comprehensive strategy to address the NPL issues was developed and published in November 2015[26]. It integrates and sequences reforms in the areas of supervision, enforcement, debt restructuring, and insolvency. The plan is being monitored and revisited periodically, with many actions accomplished by the end of 2016 (see below).
- **Bankruptcy law:** Prepared in collaboration with IFC and approved by the Parliament on 26 October 2016. The law incorporates the best international practices, simplifies the existing framework, allows for expedited approval of reorganisation plans and protects economic and governance rights of secured and unsecured creditors (incl. the ranking of preferred creditors in bankruptcy proceedings).[27]
- **Amendment to the Civil Code:** Approved in November 2016. Aims to harmonize the Civil Code with the new Law on Bankruptcy with regard to the ranking of preferred creditors in bankruptcy proceedings.
- **Amendment to the Civil Procedure Code:** Approved in November 2016. The main objective of the amendment is to increase the efficiency of litigation and foreclosure procedures. Among others, it will shorten the procedures for the execution of collateral, avoiding lengthy court proceedings, and giving security to creditors on their rights.[28]
- **Amendment to Private Bailiffs Law and Law on Judicial Bailiff Service:** Approved in October 2016. Aims to increase the efficiency of foreclosure procedures and debt collection and improve the structure of fees for Bailiff Services (i.e. base tariff plus success fee).[29]
- **Amendments to the Law on securing charges:** Approved by the Parliament in October 2016. The amendment reinstated definitions for "intangible property", "instrument", "securities" and "accounts" that were removed from the Law in 2013 (causing insecurity for legal professionals, banks and businesses).
- **New Law and amendments to the Law on registration of immovable properties:** Approved by the Parliament in February 2016. The law and amendments improve the registration process for incomplete real estate developments, strengthening creditors' security over such collaterals and regulating conflicts following an enforcement procedure. Transfer of development rights to the bank are facilitated, thus allowing emancipation from the insolvent developer.
- **Upgrade of Credit Register:** In April 2016, Bank of Albania's (BoA) credit register was upgraded to include loans undergoing court proceedings, restructured loans and loans sold to third parties. BoA is also currently assessing the feasibility of introducing a credit scoring system, (tentative implementation by the end of December 2017)[30] and EBRD has commissioned a study on the feasibility of a Consumer Credit Bureau in Albania (ongoing).
- **Regulatory write-off:** A BoA regulation came into force in early 2015 to mandate the write-offs of loans that have spent more than 3 years in the lost category.[31]
- **Out-of-Court debt Restructuring (OOCR):** Guidelines on "corporate OOCR" and "OOCR for individuals" were issued by BoA in 2013. In 2016, in further consultation with banks, BoA unified and revised the guidelines (not yet approved: expected in 2017).

[26] *IMF, Fifth and Sixth Review under the Extended Arrangement, February 2016; Bank of Albania, Action Plan for Non-Performing Loans, (link)*
[27] *IMF, Staff Report for Albania 2016 for the 2016 Article IV Consultation, June 2016; EBRD's Resident Office Albania*
[28] *EBRD's Resident Office in Albania*
[29] *Government of Albania: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding with the IMF, May 2016*
[30] *Bank of Albania, Action Plan for Non-Performing Loans, (link)*
[31] *IMF, Staff Report for Albania 2016 for the 2016 Article IV Consultation, June 2016*

Croatia

- **Guidelines on out-of-court restructuring:** In October 2015, the Ministry of Justice (MoJ) introduced non-binding "Guidelines on Corporate Debt Restructuring by Means of Out-of-Court Agreement" which aim at the timely resolution of insolvency-related disputes. In November 2016, EBRD organized a workshop in Zagreb with MoJ and bank representatives to foster exchange and discussion about the new guidelines, develop further cooperation between banks and public authorities and encourage banks to adopt a more cooperative and coordinated approach to multi-creditor cases.
- **New Bankruptcy Act:** Adopted in June 2015 to shorten the bankruptcy procedures and strengthen creditors' control over the process. It speeds up the transition from the pre-bankruptcy procedure to the bankruptcy procedure, which are now both under court supervision. Since 2015, the Pre-Bankruptcy Settlement Procedure (PBSP) has also been included in this Act.[32]
- **Consumer Bankruptcy Act:** The Act was introduced in January 2016 and represents the legal concept of consumer bankruptcy in the legal system for the first time. It aims to benefit creditors from increased collection of their claims, while consumers can be released from those obligations that remain after their assets have been sold and the proceeds obtained, subject to protections for the debtor's primary residence.[33]
- **New tax reform, including a one-off tax incentive for NPL resolution:** Adopted by Parliament in late 2016 and entered into force in January 2017, the tax reform includes changes to a set of several tax regulations. Among others, and in effort to help banks reduce their NPLs, a one-off measure, valid for 2017 only, allows banks to treat provisions related to NPLs as tax-deductible expenses.[34]
- **Implementation of 2010 ESA definitions for monetary statistics:** Implemented in January 2015 with a view to reclassifying data series back to January 2011, which included gross loan claims of banks. The methodology was also improved in early 2016 to better take into account write-offs for banks.[35]

Hungary

- **New recommendation on out-of-court restructuring:** Issued for public consultation at the beginning of February 2017 to all financial institutions under Hungary's Central Bank's (MNB) regulatory regime and expected to come into force in April 2017[36]. The MNB recommendation sets out best practice guidelines on OOCR and consensual settlement of NPLs in the corporate sector. The recommendation is technically non-binding but is expected to have significant power of persuasion and to be an important tool for NPL resolution. The recommendation was first drafted in cooperation between MNB and EBRD.
- **Law on enforcement procedure:** Law adopted in March 2017 to increase the minimum sale price of a residential property ("property") in the enforcement procedure from the current 70% to 100% of the market value (i.e. price set by the appraisal of the bailiff), provided that (i) the claim to be enforced stems from a consumer contract; (ii) it is the debtor's only property; and (iii) the debtor resided in that property for at least six months prior to the initiation of the enforcement procedure. If the property cannot be sold within one year, the minimum sale price may be reduced to 90% of the market value. The law also allows the parties to freely agree on a minimum sale price below the 100% threshold, on the condition that the creditor's claim terminates upon the sale of the property and the distribution of the enforcement proceeds (irrespective of full recovery).

---

[32] The Pre-Bankruptcy Settlement Act has been repealed.
[33] Schönherr, Croatia: Consumer Bankruptcy Act Introduces Consumer Bankruptcy into the Legal System, 5 January 2016
[34] EBRD's Resident Office in Croatia
[35] IMF, Staff Report for Republic of Croatia for the 2016 Article IV Consultation, June 2016
[36] EBRD's Headquarters and Resident Office in Hungary

- **Report on "Analysis of International OOCR and Implementation in Hungary"**: Published in Q2 2016 by EBRD with the assistance of EY, this explains the origin of the MNB recommendation issued on OOCR described above.
- **Report on "Analysis of Corporate Restructuring and Insolvency in Hungary"**: Published in Q1 2015 by EBRD with the assistance of EY and White & Case, this provides an overview of the key impediments to NPL resolution in the corporate restructuring and insolvency framework. [37]
- **Amendment to the Personal Bankruptcy Act**: The Act, introduced in 2015, simplifies the existing framework and creates an efficient personal bankruptcy system to provide relief to qualifying debtors and at the same time the creditor interests are taken into account.[38] It applies mainly to households whose residence would be subject to enforcement and sale and other over-indebted persons.
- **Electronic Sales System (EÉR):** Launched on 1st January 2015 as an online platform for selling the assets of debtors in liquidation.
- **MARK Zrt sd:** Established by MNB in November 2014 with the mandate to purchase commercial real estate (CRE) exposures from banks to reduce risks inherent in the Hungarian financial system. The design of MARK benefitted from IMF technical assistance, and was ruled free of state aid by the EU Commission in February 2016. MARK is in the process of assessing registered portfolios.

Montenegro

- **Supervisory Regime:** In 2013, the Central Bank of Montenegro (CBM) introduced a requirement for banks to prepare a multi-year NPL resolution strategy[39]. While a number of supervisory shortcomings remain, CBM has drafted a law to extend its supervisory remit to factoring, leasing, and credit and guarantee operations[40]. The law should be ready by end-March 2017 and adoption by the Parliament is envisioned for 2017[41].
- **Insolvency regime for natural persons:** Introduced in August 2015 but is considered to require amendments. In November 2016, the government initiated the procedure of constitutionality of the law before the Constitutional Court.[42]
- **Law on Voluntary Financial Restructuring in line with the "Podgorica Approach":** Prepared by the Central Bank of Montenegro in cooperation with experts from the World Bank and the Ministry of Finance (MoF). Adopted and its application commenced on 1 May 2015 for an initial 2-year validity period. The Law provides a framework for out-of-court restructuring and is supported by tax and loan-provisioning incentives. However, banks have not shown large interest in using this framework in resolving their NPLs. As a result, CBM is working with banks to introduce some changes and extend the validity period of the law.[43]

Serbia

- **Report on "Analysis of the existing impediments to the sale of NPLs in Serbia":** A study prepared by EBRD with assistance from KPMG and published for public consultation by MoF in H2 2016, highlighted areas for further action in order to support the development of a secondary market for NPLs.[44]

---

[37] *Refer to EBRD - Vienna Initiative website and link to document*
[38] *The Hungarian Personal Bankruptcy Act, Lawyer Issue, accessed on 25 April 2016*
[39] *IMF, Framework for Nonperforming Loans Workout and Insolvency and Creditor Rights – Technical Note, Financial Sector Assessment Program, June 2016*
[40] *IMF, Staff Report for the 2015 Article IV Consultation, February 2016*
[41] *EBRD Resident Office in Montenegro*
[42] *See footnote 41*
[43] *See footnote 41*
[44] *Refer to EBRD - Vienna Initiative website and link to document*

- "**NPL Resolution Strategy" and "Action Plan**": Adopted by the Government in August 2015, both are being implemented and monitored by an official Working Group (WG).[45] EBRD, with financial support from DFID[46], has been providing coordination support to MoF in that area.
- **Amendments to the Mortgage Act:** Adopted in July 2015, with one of the most prominent changes being the possibility of any creditor, regardless of the ranking of its claim, to initiate the foreclosure procedure.[47]
- **Amendments to the Banking Act**: [48] Came into effect in H1 2015 and incorporated numerous changes, such as reflecting some of the provisions of the BRRD[49], including an asset separation tool for the transfer of the assets, rights or liabilities of a bank under resolution to the Deposit Insurance Agency (DIA), or to asset management vehicle(s) (AMC).[50]
- **Explanation on tax deductibility of distressed debts write-offs:** The government issued mid-2016 an official explanation on the tax deductibility of distressed debt write-offs.
- **Supervisory Guidance for Loan-Loss Provisioning (LLP):** Setting expectations for LLP under IAS 39 (implemented in December 2015). Banks are in the process of implementing recommendations for strengthening their internal accounting policies. National Bank of Serbia (NBS) expects auditors to independently assess banks' progress. NBS is simultaneously strengthening its analytical and supervisory capacity for IFRS.[51]
- **Law on Consensual Financial Restructuring:** The new law became applicable in February 2016, now applies to both companies and individual entrepreneurs (the latter were previously excluded from the old law) and is intended to provide a better legal framework for voluntary debt restructuring.[52]
- **Amendments to the Law on Agency for Bankruptcy Administrators in 2015:** The Agency got authority over all bankruptcy procedures and administration for the state-owned companies bankruptcy cases.[53]
- **Real Estate Cadastre operations:** in order to improve efficiency, 324 new part-time employees were engaged thanks to funding from the World Bank and the Republic Geodetic Authority. As a result, the average time for mortgage registration has improved (11 days in 2016 compared to 48 in 2015). However, backlog of cases and unresolved appeals from the previous years are still issues preventing full operational efficiency of the cadastre agency.
- **Amendments to corporate insolvency law:** Amendments are aimed at ensuring: (i) adequate safeguards for the secured creditors' rights; (ii) better value maximization and more predictable and swift disposal of assets where assets are not strictly necessary for rehabilitation; and and (iii) stronger protection of new creditors in a reorganization. Public consultation concluded in October 2016 and the amendments were initially expected to be adopted by end-February 2017[54]. The submission and adoption of the changes have however been delayed.
- **Amendment to the Civil Procedure Act:** the Amendment's objective is to grant unconditional right to the new creditor (NPL acquirer) to take over an ongoing dispute without additional consent from the counterparty. A draft of the Amendment has been prepared by MoJ and should be adopted by the end of the second quarter of 2017.

[45] *Serbian Government, NPL Resolution Strategy, Official Gazette of the Republic of Serbia, Number 72/15, Q2 2015*
[46] *UK Department for International Development*
[47] *Gecic Law, Recent developments in Serbian mortgage law, October 2015*
[48] *Zakon o bankama, Official Gazette of RoS Nos. 107/2005, 91/2010 and 14/2015*
[49] *Bank Recovery and Resolution Directive, EU Directive 2014/59/EC*
[50] *BDK Advokati, Serbia: Amendments to the Banking Act to ensure financial stability, March 2015*
[51] *IMF, Sixth Review under the Stand-by arrangement – Republic of Serbia, December 2016*
[52] *CEE Legal Matters, New Law on Consensual Financial Restructuring, April 2016*
[53] *See footnote 15*
[54] *IMF, Fourth and Fifth Reviews under the Stand-by arrangement – Republic of Serbia, August 2016*

- **Law on Real Estate Appraisers:** The law will regulate the profession of real estate appraisers and is intended to help ensure that collateral valuations are sufficiently conservative, and thus contribute to adequate provisioning. A draft law was adopted by the National Assembly in December 2016.[55]
- **Banking Secrecy Rules:** Building on some of the recommendations of the report on "Analysis of the existing impediments to the sale of NPLs in Serbia", NBS has published an official interpretation of the application of banking secrecy rules with the aim to facilitate comprehensive due diligence for NPL sales. However, clarification of the scope of business secrecy and data protection laws remains to be completed.[56] EBRD has prepared a proposal for MoF on amendments to the Business Secrecy Protection Law, which would remove impediments to the sale of loans resulting from the current provisions on bank secrecy and data protection.

[55] *See footnote 54 and National Assembly of the Republic of Serbia, Adopted Law, (link)*
[56] *See footnote 54*

3. SNAPSHOT OF NPL TRANSACTIONS IN CEE

NPL Sales for the last 18 Months (June 2015 – December 2016)

- Over the last 18 months, ca. €6.5 Bn in NPL transactions have been realised in the CESEE region.
- Romania, Croatia and Hungary accounted for close to 80% of the total sale value in the last 18 months.
- NPL sales of €4.1 Bn in 2016 accounted for 7.7% of the NPL stock as at June 2016 (€52.6 Bn).
- Overall, market absorption for NPLs sales in the CESEE has been relatively constant between periods, with an average of realised transactions around €2.2 Bn[57] per half-year period in the last 18 months.
- On a year-on-year basis, NPL transaction volumes were 17.5% smaller in H2 2016 than H2 2015.
- As per the previous periods, most asset classes of NPLs continue to be transacted. However, H2 2016 saw a rise in mixed NPL portfolio sales (mainly CRE/corporate and CRE/Residential) and a surge in residential-only real estate transactions offsetting a drop in CRE-only deals.
- Romania and Croatia both contributed a large share (ca. one third each) of overall transactions in H2 2016.
- In addition, 2017 has started strong with 2 transactions already closed in January alone, for a total of €243 m (buyers B2Holding and APS Holding).

Loans servicing capabilities in the region remain slow to develop

- Access to external servicing capabilities remain scarce for CESEE banks, with the bulk of the external servicing solely focussing on recovery (usually for unsecured debt).
- NPL management remains predominantly performed in-house, with inadequacy of skills and capacity remaining the key challenge to handle the high stock of complex NPLs (particularly for small banks).
- Large international loan servicers remain concentrated on specific countries, mainly to manage their own loan portfolio investments.
- Individual market sizes, risks and disparities (e.g. language, licensing requirements, laws, etc.) remain a high barrier to investments for multi-country servicing platforms.
- Regional capabilities are expected to evolve organically over time, as large players become more present in neighbouring countries and as partnerships and consolidation begin to arise (See also table 3.).

European regulators and IFIs are evaluating pan-European options to facilitate sales of NPLs

- Numerous solutions to tackle the large NPL stock and support banks' NPL deleveraging are being discussed, including[58]:
    - A clearinghouse, with standardization of loans data stored onto a common centralised European platform. Such platform could reduce information asymmetry, increase transparency, decrease due diligence costs and pricing gaps, and expend investors' reach.
    - AMC at the European Level (or more realistically a blueprint to be used at the national level) to acquire NPLs and other assets from banks, with objectives including (1) facilitating raising of private funding, (2) expediting banks deleveraging (with immediate and realistic loss recognition) and (3) easing structuring of portfolios for sale (e.g. across jurisdictions and asset classes).
- Such discussions remain embryonic but are important instigators of open brainstorming and debates.
- Any such solutions in Europe would inevitably have direct repercussions (positive and negative) on the neighbouring non-EU CESEE countries.

[57] *Average transactions for H2 2015, H1 2016 and H2 2016*
[58] *See footnote 15*

Figure 2. Realised NPL portfolio transaction (January 2015 to December 2016)[59,60]

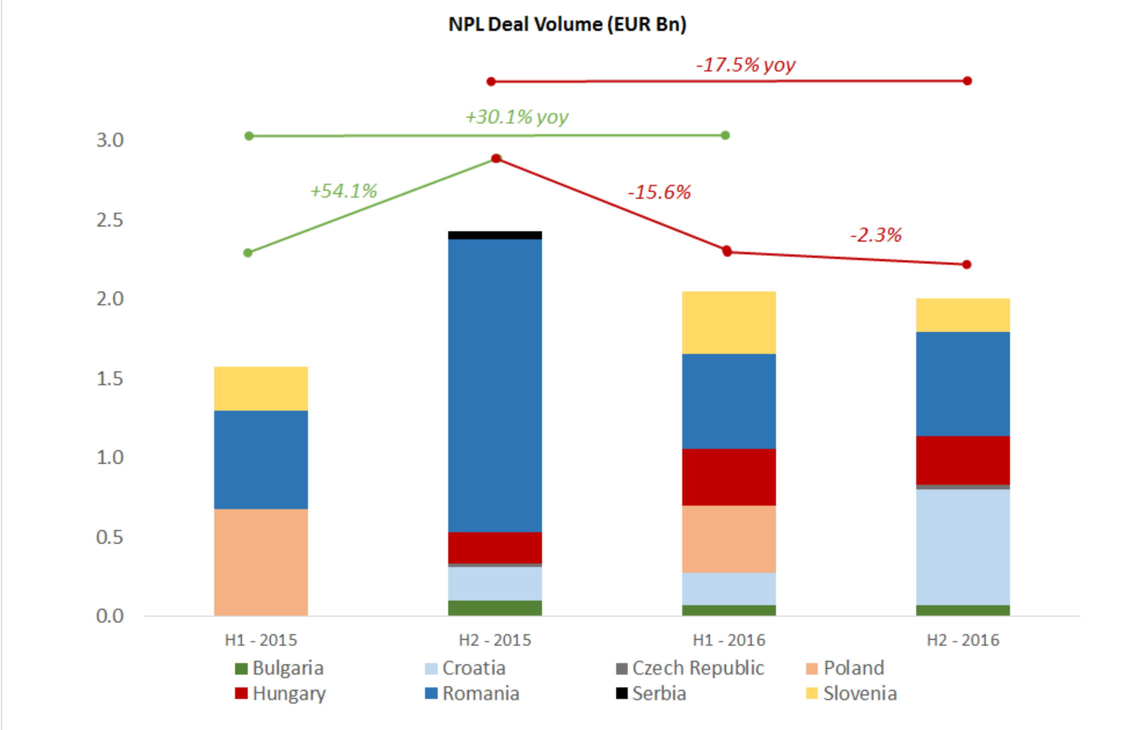

Table 2. Sample of recent (publicly available) NPL transactions in CEE [61]

Date	Period	Country	Vendor	Project	Type	Buyer	Face Value (€m)
Jan-17	**H1 - 2017**	Bulgaria	Unicredit Bulbank	Project Taurus (Bulgaria)	Corporate	B2Holding	93
Jan-17	**H1 - 2017**	Hungary	Unicredit	Hungarian NPL Portfolio	Residential	APS Holding	150
Sep-16	**H2 - 2016**	Bulgaria	United Bulgarian Bank (NBG Group)	Consumer Loan Portfolio	Consumer	Confidential	70
Dec-16	**H2 - 2016**	Croatia	Hrvatska Postanska Banka	Project Sunrise	Consumer	B2Holding	325
Nov-16	**H2 - 2016**	Croatia	Heta Asset Resolution	Project Pathfinder	CRE / Corporate	Confidential	406
Aug-16	**H2 - 2016**	Czech Republic	Confidential	Project Bohemia	Consumer	Confidential	31
Nov-16	**H2 - 2016**	Hungary	Erste Group	Hungarian NPL Portfolio	Residential	Intrum Justitia	300
Aug-16	**H2 - 2016**	Romania	Banca Comerciala Romania (Erste Group)	Project Blue Lake	Residential	EOS Matrix / B2Holding	370
Jul-16	**H2 - 2016**	Romania	Intesa Sanpaolo	Project Rosemary	CRE / Residential	AnaCap / APS Holding	287
Jul-16	**H2 - 2016**	Romania	Unicredit	Project Taurus (Romania)	Corporate / Consumer	Undisclosed	Undisclosed
Sep-16	**H2 - 2016**	Slovenia	Unicredit	Project Taurus (Slovenia)	Corporate / Consumer	B2 Holding	110
Jul-16	**H2 - 2016**	Slovenia	Nova Ljubljanska Banka (NLB)	Slovenian NPL portfolio	Consumer	Undisclosed	104

[59] *KPMG European Debt Sales 2016 Dashboard (link), DebtWire, Deloitte*
[60] *These figures are based on known transactions from both public sources. As a result, they may not include all transactions closed in the market and are estimations for indicative purposes only*
[61] *See footnotes 59 and 60*

Table 3. List of NPL Servicers in the CESEE region

Servicer	Type of servicer *				Also Investor?	Asset class					Country																					Comments
	Primary	Special	Recovery Agency	Own assets only	yes / no	Retail	SME	Corporate	Residential RE	CRE	Albania	Croatia	Hungary	Monte negro	Serbia	Bulgaria	Romania	Slovenia	Ukraine	Greece	Cyprus	Bosnia	Czech	Estonia	Georgia	Kosovo	Latvia	Lithuania	FYR Macedonia	Poland	Slovakia	
Kruk	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓							✓						✓							✓	✓	
EOS Group	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓		✓	✓						✓	✓	✓	
CreditExpress			✓		**No**	✓						✓	✓		✓		✓	✓	✓			✓	✓						✓	✓	✓	Preliminary Information
B2 Holding	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓			✓	✓		✓		Present in Poland through Ultimo
Intrum Justitia	✓	✓	✓		**Yes**	✓	✓	✓	✓				✓										✓	✓						✓	✓	
Coface			✓		**No**	✓					✓	✓	✓		✓	✓	✓	✓					✓							✓	✓	Preliminary Information
APS Holding	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓				✓		✓							✓	✓	Extensive Experience in Romania Greece: license approval is pending (as of March 2017)
Kredyt Inkaso	✓	✓	✓	✓	**Yes**	✓	✓	✓	✓	✓		✓				✓	✓			✓										✓		
Lexus EGF			✓		**No**	✓		✓		✓																				✓		Preliminary Information
Tagor Asset Management		✓	✓		**Yes**			✓		✓							✓															Preliminary Information. Tagor often bids alongside international investors in Romania to act as their servicing partner
Chartered Debt Management (CDM)	✓	✓	✓		**Yes**	✓	✓	✓									✓															Preliminary Information. CDM typically partners with international investors in Romania to act as their servicing partner
GetBack			✓		**No**	✓																								✓		Preliminary Information. Part of the Getin Bank. Service their own as well as third party portfolios. Also manage securitized funds of NPL assets
Lindorff			✓		**Yes**	✓		✓																✓			✓	✓		✓		Preliminary Information. Mainly a mass servicer but recently purchased 3 NPL portfolio from DNB Bank. In 2015, acquired Casus Finanse in Poland
Hoist Finance				✓	**Yes**	✓																								✓		Purchased NaviLex in 2014, a Polish debt collection agency, which has consolidated its presence in Poland
PraGroup		✓	✓		**Yes**	✓	✓																							✓		
Best S.A	✓		✓		**Yes**	✓	✓	✓																						✓		
Castlelake				✓	**Yes**		✓	✓	✓	✓			✓				✓						✓							✓	✓	
Mount Street	✓	✓	✓		**No**		✓			✓		✓	✓			✓	✓	✓		✓	✓		✓							✓	✓	

Source: KPMG NPL Servicers

* Primary servicers: monitor and manage loans
* Special servicers: try and restructure the loan and work with debtor in case of default
* Recovery servicers: aim to collect as much as possible in case of default and after all restructuring options have been exhausted

APPENDIX

DEFINITIONS

- **NPL Volume (or Gross NPLs):**
  - NPLs are defined and reported differently across countries as there is no one international standard. For countries reporting financial soundness indicators (FSIs) to the IMF, the FSI Compilation Guide (IMF, 2006) recommends reporting NPLs when (1) payments of principal and interest is past due by 90 days or more, or (2) interest payments equal to 90 days interest or more have been capitalised, refinanced, or rolled over, and (3) includes loans with less than 90 days past due but recognized as non-performing under national supervisory guidance.
  - European national supervisory authorities tend to use the 90 days of payments past-due as a quantitative threshold as well as bankruptcy as objective criteria for reporting NPLs.
  - It is also important to note that in January 2015, the EU adopted harmonized and consistent definitions of both forbearance and non-performing exposures (Regulation (EU) No. 680/2014 which lays down the technical standards submitted by the EBA).
  - While most NPL data in this report are sourced from the IMF FSI, NPL data for Albania, Montenegro and Serbia directly come from information made available by their respective central banks (Financial Stability Reports, Banking Reports, Macroeconomic Reports or Statistical Databases). Albania and Serbia adopt a definition which is in line with the IMF. Montenegro defines NPLs as loans past due longer than 90 days, without interests, prepayments and accruals.
- **NPL Ratio:** NPL volume divided by the total gross value of the loan portfolio (including gross NPLs (*i.e* before the deduction of specific loan-loss provisions)).
- **NPL Coverage Ratio:** Total specific loan-loss provisions divided by gross NPLs.
- **Net NPLs:** NPLs minus specific loan-loss provisions
- **Net NPL Ratio:** Net NPLs divided by the total gross value of the loan portfolio (including gross NPLs (*i.e* before the deduction of specific loan-loss provisions)).
- **Net NPL / Capital:** Net NPLs divided by Capital. Capital is measured as capital and reserves, and for cross-border consolidated data, total regulatory capital can also be used.
- **Market Share NPLs:** Total country gross NPLs divided by total CESEE gross NPLs.
- **Market Share Loans:** Total country gross loans divided by total CESEE gross loans.

METADATA

In order to provide a comprehensive view of the underlying data used in this monitor, we summarize below the main specificities of the key indicators used in the analysis, as detailed by central banks when reporting to the IMF (or, as in the case of Albania, Montenegro and Serbia, directly published). It is worth noting that while most countries report to the IMF, they do not always report exactly the same data. For examples, some countries include loans among deposit-takers in the calculation of the total gross loan portfolio whereas some exclude such loans (which would increase the NPL ratio for the latter category of countries). Other specificities listed below may also slightly bias upwards or downwards the results presented in this monitor. However, despite some discrepancies, the definitions and data used in this monitor are overall consistent across the countries and can be relied upon for comparability purposes.

	NPLs	Gross Loans	Provisions (or Net NPLs)
Albania	Non-performing loans include "substandard", "doubtful", and "loss" classes; The criteria to define a loan as "non-performing" is the number of past due days (90 days).	Stock of loans gross (plus accrued interests)	NPL loan-loss provisions
Bosnia & Herzegovina	Until fourth quarter of 2010 nonperforming loans ware consisted of C (substandard, 90 days) and D category loans. E category loans are part of nonperforming loans beginning from fourth quarter 2011.		
Bulgaria	NPL include loans which are: "Unlikely to pay" that are not past-due or past-due less than 90 days, "Non-performing" past-due 91 to 180 days, and "Loss" past-due over 180 days	Total Gross Loans exclude Loans to deposit takers.	All deposit takers must assess, classify and provision loans at least on a quarterly basis and submit a regulatory report to Bulgarian National Bank. Compliance is enforced via off-site surveillance and on-site inspections.
Croatia	Non-performing loans are all gross loans (to all sectors) not classified as performing (90 days overdue basis is used). However, loan can be considered as a Pass even if it is 90 days over due if it is well covered with collateral and if the process of foreclosures have started.		Provisions refer to Non-performing loans.
Cyprus	Since December 2014, the EBA Final Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013 have come into force. Non-performing exposures are those that satisfy either or both of the following criteria: (a) material exposures which are more than 90 days past-due; (b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due		
Czech Republic	Besides the FSI Guide-recommended 90-day rule, the financial condition of the debtor is also used in determining loans as nonperforming loans	Excludes loans to central bank. OFCs data are not included. Credit cooperatives are not included. Banks in receivership and in liquidation are not included.	
Estonia	Collateral and guarantees are not taken into consideration. Restructured loans are treated as performing loans.		If there is a problem with a loan granted by bank A and the debtor has also taken a loan from bank B and that loan "works well", creditor B does not need to make any provisions or downgrade the loan.
Georgia	NPLs exclude financial leases and repurchase agreements that are not classified as deposits.		
Greece	Rescheduled loans are not included in the calculation of NPLs. Collaterals and guarantees are not taken into consideration. Restructured troubled loans are reported separately and are not included in the calculation of NPLs	Excludes repurchase agreements that are not classified as deposits.	Strictly speaking and in accordance with the legal framework, banks are not required to downgrade all loans to a common debtor if any of these loans are classified as impaired. Nevertheless, if one bank proceeds to downgrading, it is highly likely that other banks will follow suit. Reviews are conducted on a quarterly basis by banks for the best clients and at least annually in most cases.
Hungary	90-day overdue-loans are classified as nonperforming loans.	Gross loans provided to customers and banks.	Only the specific provisions (impairment) attributed to the NPLs are netted out from NPLs

	NPLs	Gross Loans	Provisions (or Net NPLs)
Kosovo	N/A	N/A	N/A
Latvia	N/A	N/A	N/A
Lithuania	NPLs is the sum of impaired loans and advances and non-impaired loans and advances that are past due 60 days or more. Includes interest accrued on some NPLs. Includes some other financial assets besides loans.	Includes interest accrued on some NPLs. Includes deposits and funds held in other banks and credit institutions. Banks in distress and in receivership are not included into the coverage of FSIs. Credit Unions are excluded (very insignificant market share). Subsidiaries in the insurance subsector are included.	
FYR Macedonia		Includes loans to financial and nonfinancial sector.	Provisions include provisions for nonperforming and performing loans as well.
Montenegro	Includes Cat C, D and E (ie. from 90 days past due onwards). Excludes interests and prepayments and accruals		Value adjustment of loans and other receivables
Poland		Excludes repurchase agreement that are not classified as deposits. Includes some other financial assets besides loans: Data represent total receivables, such as originated loans, purchased receivables, and guarantees which are being excercised. Excludes loans to central bank. Deposit takers in distress or in receivership are not included	
Romania	Since June 2014, NPLS based on reports from all banks, Romanian legal persons for loans that meet the non-performance criteria (i.e. overdue for more than 90 days and/or in which case legal proceedings were initiated). Since December 2015, based on EBA Definition: ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances	Exclude loans among deposit-takers. Deposit takers in distress or receivership are not included.	From June 2014 to December 2015, IFRS impairment losses (provisions) for nonperforming loans determined (based on reports from all banks) were subtracted from nonperforming loans. Since December 2015, NPLs net of provisions have been compiled as gross carrying amount of non-performing loans and advances minus the accumulated impairment of non-performing loans and advances
Serbia	NPL means the total outstanding debt under an individual loan (including the amount of arrears): - where the payment of principal and interest is 90 days or more past due its original maturity date; - where at least 90 days of interest payments have been added to the loan balance, capitalized, refinanced or delayed by agreement; - where payments are less than 90 days overdue, but the bank has assessed that the borrower's repayment ability has deteriorated and doubts that the payments will be made in full.		Specific provisions of NPLs
Slovakia	Deposit takers use not only quantitative criteria (i.e., 90-days past due criterion) but also own judgment for classifying loans as NPLs.		Specific provisions that are netted out from NPLs in compiling the series NPLs net of provisions include not only the provision attributed to the NPLs but also the provisions constituted for performing loans. General provisions are not netted out.
Slovenia		Includes all financial assets at amortized cost (not just loans) and some non-loan assets (tax assets, non-current assets and disposal groups classified as held for sale, etc).	
Ukraine	Consistent with the criteria "of 90 days" From the 4th quarter of 2012, NPLs defined as credit transactions attributed to the IV and V quality categories. (Doubtful and Loss (write-off))	Credit unions (that accept deposits) and deposit takers in distress or in receivership are not included. Total gross loans defined as debts arising from credit transactions, including loans to customers, interbank loans and deposits, off-balance sheet liabilities on guarantees and loans given to banks and customers, used for credit risk assessment.	