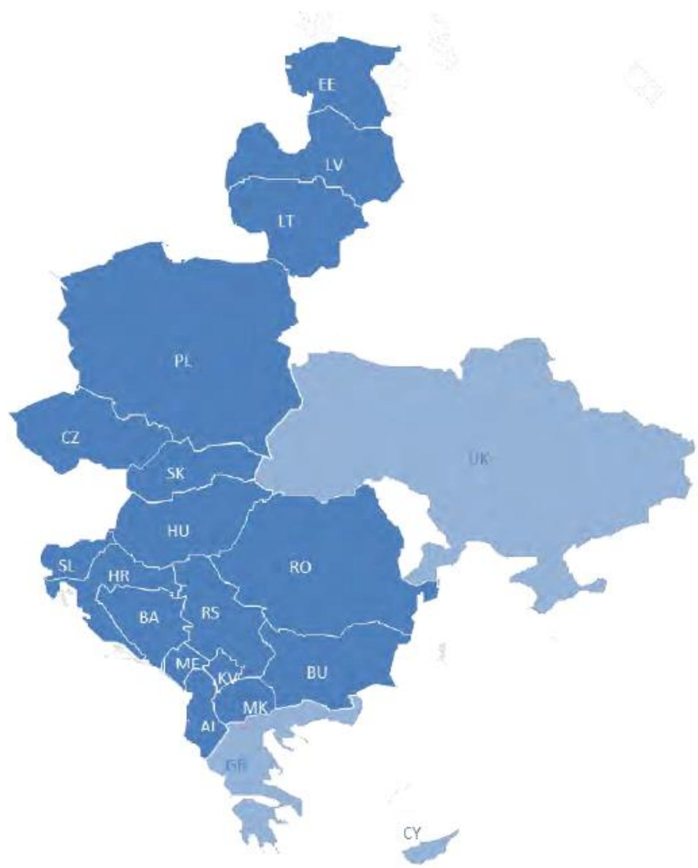
EBCI Vienna Initiative

NPL Monitor for the CESEE region [1]

H2 2018

The NPL Monitor is the semi-annual publication of the NPL Initiative, a subset of the Vienna Initiative. The publication reviews the latest NPLs data[2] of 17 countries[3] in Central, Eastern, and South Eastern Europe (CESEE), whilst reporting on progress with recent structural reforms, NPL transactions, and regional loan servicing capacities.



---

[1] *Prepared by Eric Cloutier, Senior NPL Advisor EBRD and Jure Jeric, NPL Advisor EBRD. We would like to extend our gratitude to colleagues across the EBRD (in an alphabetical order: Catherine Bridge Zoller, Sanja Borkovic, Frederique Dahan, Sarah Eble, Sean Goodier, Graeme Hutchison, Hrvoje Jazvic, Marko Lazarevic, Giorgio Manenti, Andreea Moraru, Jakov Milatovic, Ivana Milicic, Andrea Schwaiger, Mateusz Szczurek, Peter Tabak, Levent Tuzun, Dejan Vasiljev, Endrita Xhaferaj, and Aziza Zakhidova). All remaining omissions or errors are our own; whilst all views presented here are the authors' views only and do not necessarily reflect the official EBRD standpoint. For more details, please contact [NPL@ebrd.com.](mailto:NPL@ebrd.com)*

[2] *31 March 2018 is the latest common date where data are available for all of the countries covered in this edition of the Monitor with the exception of Lithuania and Poland (the last available IMF data from Q4 2017). We note that some countries have made further improvements in resolving NPLs since the 31 March 2018 cut-off, which will be reflected in the next edition of the NPL Monitor (H1 2019).*

[3] *CESEE (dark blue on the map): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, FYR Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, and Slovenia. Non-CESEE (light blue): Cyprus, Greece, and Ukraine are not covered in the CESEE NPL data although the NPL Initiative has started following more closely NPL reform developments in these countries.*

EXECUTIVE SUMMARY

NPL total volumes and the NPL ratio maintained their downward trajectory (€38.3 Bn outstanding and 4.2% respectively, as of 31 March 2018). This is partly explained by a rebound in NPL transactions in H1 2018 (€2.4 Bn realised), following a drop of NPL sales in H2 2017. Most CESEE countries have continued their legal and supervisory efforts to resolve NPLs, although there is a significant divergence in the pace of reforms. At the EU level, discussions are progressing for further harmonisation in this respect, with foreseen spill-over effects on adjacent countries to the EU and additional impetus to further reduction in NPLs. For example, the upcoming EU[4] Directive on preventive restructuring framework, second chance and measures to increase the efficiency of restructuring, insolvency, and discharge procedures is likely to have a considerable impact in Europe and beyond.

Table of Contents

[4] *European Parliament and of the Council*

1. SNAPSHOT UPDATE SINCE THE LAST MONITOR

NPL evolution in the CESEE

Since the previous period, Non-Performing Loans (NPLs) have continued to improve across the CESEE region. The latest IMF figures[5,6] demonstrate that the downward trend of both NPL volumes and ratios has continued in most of the countries reviewed. Please refer to section 2 for more details.

- The NPL volumes continued decreasing to €38.3 Bn[7] as of 31 March 2018, a reduction of 16.1% year on year (yoy).
- The average NPL ratio for CESEE stood at 4.2%, down by 1.8 percentage points (pp) yoy[8].
- However, there are still important disparities between countries as evidenced by the range in NPL ratios[9], from 0.7% to 13.4%.
- In comparison to the H1 2018 edition of the Monitor, there are only two countries remaining above the 10% threshold in the CESEE (Albania at 13.4% and Croatia at 11.3%).
- The regions' average coverage ratio has somewhat improved to 64.4%, up from 63.0% in the previous year.

Progress with reforms

The continuous progress across different NPL metrics can be attributed to a combination of macroeconomic developments and policy actions aimed at reducing impediments to resolution and NPL sales, which are discussed more specifically in section 4.

A. NPL Initiative (under the Vienna Initiative):

IFI members of the Vienna Initiative have continued providing a broad range of technical support related to NPLs across the region. For example:

- In September 2018, the EBRD completed its Western Balkan-wide study on the impact of account blocking and cash sweeping powers of bills of exchange which are used as a form of quasi-security in the region. The study revealed the negative effect of bills of exchange on debt restructuring and creditor relations, since these triggered a 'first past the post' race among creditors. It recommended a gradual transition to stronger account pledge and financial collateral security.

---

[5] *Unless stated otherwise, all data are sourced from the IMF Financial Soundness Indicators (IMF FSI), available at http://data.imf.org/regular.aspx?key=61404590, accessed on 10 November 2018. For individual country 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 of the NPL Monitor for more details. Unless stated otherwise, NPL refers to Gross NPL values throughout the publication.*

[6] *As per footnote 2, the data for Lithuania and Poland is from Q4 2017, whilst relative changes in Greece are calculated with the base values from Q3 2017 rather than Q1 2017 due to the change in definitions. Where appropriate, the more recent figures from EBA or respective central banks are reported.*

[7] *All data were sourced in local currency and 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=61545862*

[8] *Net NPL ratio net of provision (%) is calculated by taking the value of total NPLs net of provisions as the numerator, and the value of total gross loans as the denominator. Please see the Appendix for definitions.*

[9] *NPL ratio is calculated by taking the NPL volume as the numerator, and the total gross value of the loan portfolio (including gross NPLs, i.e. before the deduction of specific loan-loss provisions) as the denominator. Please see the Appendix for definitions.*

- In Albania, the World Bank (WB) organised a workshop on financial health assessment of top domestic corporates (September 2018). The EBRD started preparing a roadmap for the Albanian Association of Banks (AAB) in their efforts to upgrade the Credit Register (October 2018).
- In Croatia, the EBRD completed an analysis of the Croatian framework for insolvency practitioners (October 2018), whilst trainings in cooperation with the Ministry of Justice (MoJ) are scheduled for H1 2019.
- In FYR Macedonia, the National Bank of the Republic of Macedonia, European Banking Authority (EBA), and EBRD organised a two-day regional seminar for Western Balkan regulators and supervisors (October 2018). The purpose of the seminar was to address regulatory and supervisory responses to tackling NPLs in the EU and their impact on the Western Balkan region.

B. European regulatory landscape with NPLs:

Since the last NPL Monitor, important new measures based on best practices have been published and are being implemented in Europe to tackle NPLs, including:

- The ECB announced further steps in its supervisory approach for addressing the stock of NPLs.
- The EBA published a revised version of its ‘EBA NPL Templates’, the European best practice standard for NPL-related data.
- The EBA published its final “Guidelines on management of non-performing (NPE) and forborne exposures (FBE)”, which mirrored the base principles of the ECB Guidance to banks on NPLs published last year.
- In addition, other initiatives are being put forward by the European Parliament and Council. These include improving the harmonization of insolvency and enforcement regimes and supporting more efficient extrajudicial collateral enforcement to increase debt recovery efficiency.

Evolution of NPL transactions in CESEE

- In 11[10] out of the 17 CESEE countries, the loan sales activity amounted to €2.41 Bn in H1 2018, which represents a 12.8% yoy increase, which is a considerable revitalisation from H2 2017 (€0.41 Bn).
- Since H2 2015, NPL transactions in the CESEE region amounted to €12.15 Bn, which can be largely attributed to the broad range of initiatives undertaken in recent years to address impediments to NPL resolution and sales as well as the improved levels of NPL provisioning by banks.
- In H1 2018, Romania has continued attracting the highest investor interest, followed by Bulgaria and Croatia; whilst FYR Macedonia witnessed the first larger NPL sales.

[10] *Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Latvia, FYR Macedonia, Poland, Romania, Serbia, and Slovenia.*

2. NPL EVOLUTION IN CESEE

Solid gradual reduction: NPL volumes continue their steady downward trajectory

- On a region-wide basis, the NPL volumes have recorded a substantial decrease[11] of 16.1% (or €7.4 Bn) in the 12-month period leading up to March 2018.
- The improvement in the NPL volumes across the region is largely attributed to the following reductions (ordered by absolute value decreases): Romania (€1.6 Bn reduction; -30.4% yoy); Bulgaria (€1.2 Bn, -23.2% yoy); Serbia (€1.2 Bn; -41.2% yoy); Croatia (€1.1 Bn; -22.8% yoy); Hungary (€1.1 Bn, -39.9% yoy); and Czech Republic (€0.5 Bn, -9.4% yoy).
- Whilst Hungary, Serbia (both partner countries of the NPL Initiative) and Romania have continued showing the largest improvements in terms of yoy reductions, Poland has recorded a marginal increase in NPL volumes (€0.6 Bn increase from €11.5 Bn in the previous period)[12]. Nevertheless, both Polish NPL ratio (3.9%) and coverage ratio (71.5%) have improved over the same period.
- Compared to the CESEE region (NPL total volume of €38.3 Bn and 16.1% yoy reduction); Cyprus, Greece, and Ukraine have continued recording significantly higher NPL volumes (€140.7 Bn) and a slower pace of reductions in the year to March 2018. More specifically, the NPL volume in Cyprus fell by 14.1%, while Greece and Ukraine recorded -6.9% and -2.9% yoy, respectively. At the same time, Ukraine has witnessed a moderate increase in its NPL ratio which is currently the highest in emerging Europe (1.3 pp yoy to 56.4%).
- The latest data highlights the continued high leveraging of Cypriot and Greek banks (net NPL / capital at 177.1% and 164.5%, respectively).

Back to single digits: only two CESEE economies remain with NPL ratios above 10%

- As of March 2018, the NPL ratio (as a proportion of NPLs to total gross loans) across the CESEE decreased to 4.2%, a fall by 1.8 pp from 12 months earlier. The Net NPL ratio (net of provision)[13] stood at 1.5%, down 0.7 pp for the same time period.
- With the exception of Latvia (0.2 pp increase to 3.7%), all CESEE countries have recorded a drop in their NPL ratios. Serbia and Albania, both partner countries of the NPL Initiative, have continued achieving the largest improvements with -7.6 pp and -4.0 pp yoy reductions respectively, followed by Bulgaria (-3.4 pp yoy) and Romania (-3.2 pp yoy).

---

[11] *Any variations between volumes are calculated as ((value period 1/value period 0) -1) and between ratios as (% period 1 - % period 0). See Appendix for all definitions.*

[12] *The latest available Polish date from the IMF is for Q4 2017; however the statistics obtained directly from the Central Bank corroborate the trend. More specifically, the NPLs volumes amounted to PLN70.88 Bn and PLN 82.32 Bn in Q1 2017 and Q1 2018, respectively followed by a correction in Q2 2018 at PLN 77.20 Bn. Please note that the Central Bank uses a different NPL definition: for IMF purposes only 90 days+ impaired loans are taken into account, while the local statistics include all impaired loans. In addition, as per footnote 7, all currency conversions are based on IMF rates.*

[13] *Net NPL ratio net of provision (%) is calculated by taking the value of total NPLs net of provisions as the numerator, and the value of total gross loans as the denominator. See Appendix for all definitions.*

- There continues to be a significant but decreasing dispersion in national NPL ratios, ranging from the lowest 0.7% in Estonia to the highest 13.4% in Albania.
- Compared to the previous edition of the NPL Monitor (H1 2018), there are now only two CESEE countries exceeding the 10% NPL ratio threshold (Albania at 13.4% and Croatia 11.3%) from previously five (Bosnia and Herzegovina, Bulgaria, and Serbia have moved below the 10% mark).

Mixed bag: NPL coverage ratios marginally improving with some disparities

- Across the CESEE region, the NPL coverage ratio (measured as the proportion of loan-loss provisions to NPLs) has increased to 64.4% as of March 2018, a 1.4 pp improvement yoy. The average includes deteriorating ratios in five CESEE countries (Lithuania -7.8 pp[14], Serbia -7.3 pp, Estonia –4.9 pp, Albania -2.2 pp, and Kosovo -1.3 pp), and improving ratios in all other CESEE countries.
- On a country-by-country basis, Latvia, Kosovo, FYR Macedonia, and Bosnia and Herzegovina record the highest NPL coverage ratios: 98.0%, 92.2%, 81.2%, and 77.3%, respectively. The countries with the lowest NPL coverage ratios remain Estonia[15] and Lithuania at 28.0% and 34.4%, respectively.
- Despite having its NPL ratio above the CESEE average (7.4% versus 4.2%), Montenegro, a partner country of the NPL Initiative, has made the largest relative improvement by increasing its coverage ratio by 11.9 pp yoy to 68.1% as of March 2018.

[14] *The more recent EBA figures for Lithuania (with the different methodology) corroborate the trend of the decreasing coverage ratio since September 2016 (33.3%) to 29.2% for December 2017 (IMF equivalent at 34.3%), 25.8% for March 2018, and 26.0% for June 2018.*

[15] *The more recent EBA figures indicate a marginal improvement in Q2 2018 (24.5% versus 22.4% in Q1 2018 / IMF equivalent at 28.0%). Estonia still has the lowest coverage ratio across all European countries (including the emerging Europe), albeit it is also the country with the lowest NPL ratio in CESEE.*

Figure 1a - NPL ratio, coverage ratio and volume (%, € Bn, Q1 2018)

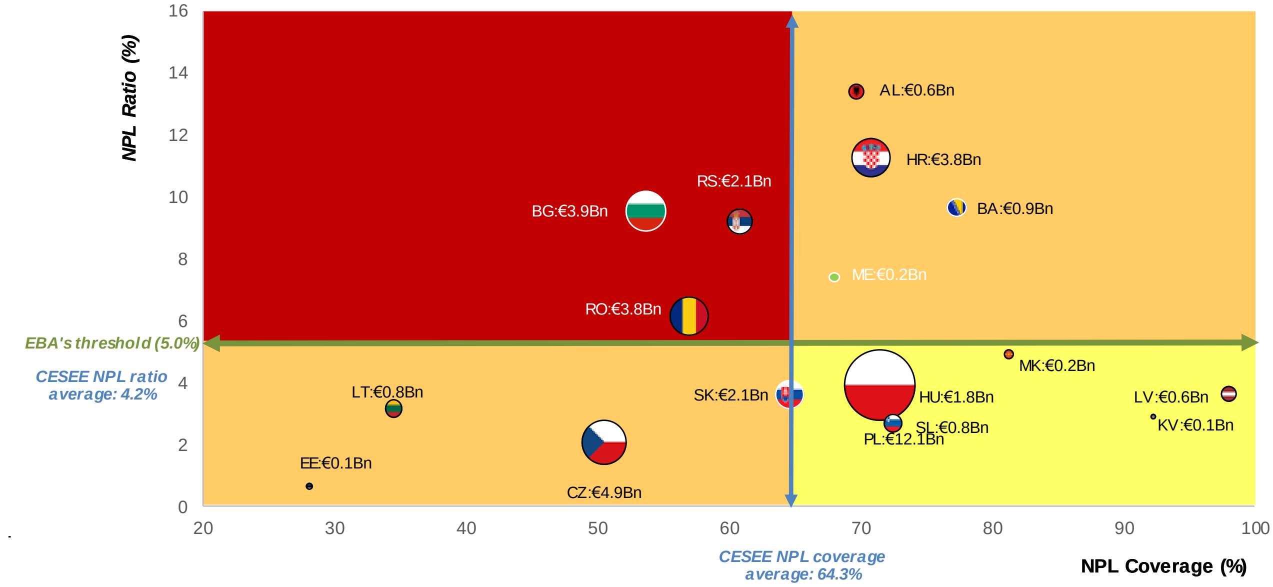


Figure 1b - NPL ratio and % NPL coverage ratio as per colour-quadrants in Figure 1a (%, March 2018)

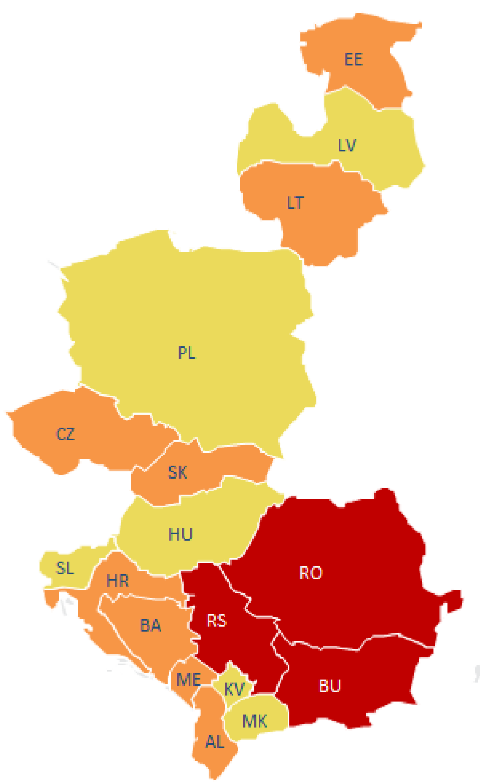


Figure 1c. Net NPL ratio (%, March 2018)

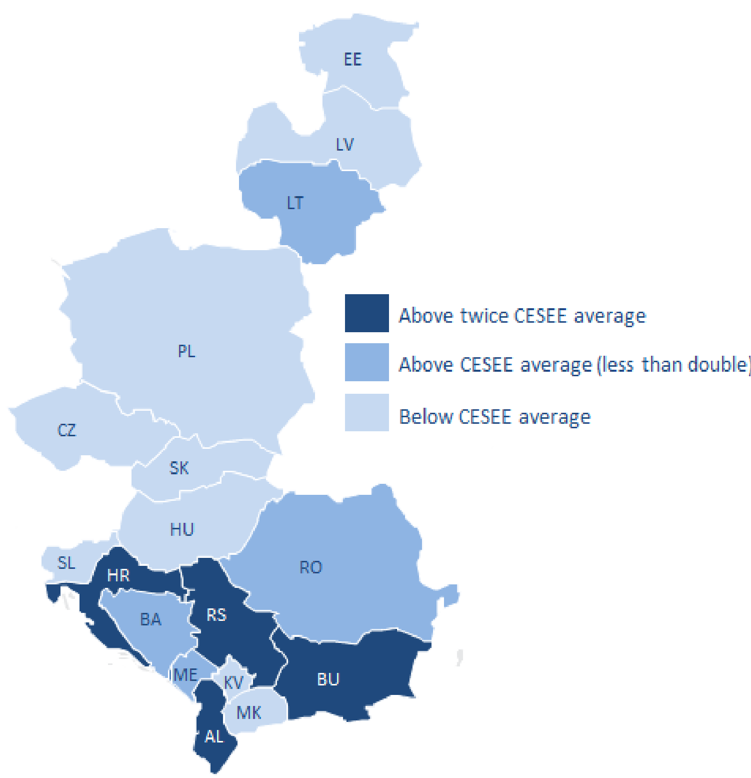


Table 1 - Overview of the NPL profile in CESEE, 31 March 2017 to 31 March 2018[16, 17, 18, 19]

Note: Please refer to footnotes 2-4 and the Appendix for definitions and discussion about comparability.

	NPL volume (€ bn)			NPL ratio (%)			NPL coverage ratio			Net NPL ratio (%)			Net NPL / Capital (%)			NPL to GDP (%)		
Country	Mar-18	Variation(%)		Mar-18	Δ(pp)		Mar-18	Δ(pp)		Mar-18	Δ(pp)		Mar-18	Δ(pp)		Mar-18	Δ(pp)	
Albania (AL)	0.6	▼	(20.8)	13.4	▼	(4.0)	69.6	▼	(2.2)	4.1	▼	(0.8)	16.9	▼	(4.7)	5.2	▼	(1.8)
Bosnia & Herzegovina (BA)	0.9	▼	(11.0)	9.7	▼	(1.8)	77.3	▲	2.6	2.2	▼	(0.7)	13.9	▼	(4.1)	5.8	▼	(1.1)
Bulgaria (BG)	3.9	▼	(23.2)	9.6	▼	(3.4)	53.7	▲	3.4	4.4	▼	(2.0)	31.2	▼	(12.2)	7.9	▼	(3.3)
Croatia (HR)	3.8	▼	(22.8)	11.3	▼	(2.5)	70.8	▲	0.1	3.3	▼	(0.7)	14.0	▼	(5.0)	7.9	▼	(2.7)
Czech Republic (CZ)	4.9	▼	(9.4)	2.1	▼	(2.1)	50.5	▲	2.2	1.0	▼	(1.2)	13.2	▼	(3.7)	2.5	▼	(0.6)
Estonia (EE)	0.1	▼	(12.1)	0.7	▼	(0.1)	28.0	▼	(4.9)	0.5	▼	(0.0)	3.0	▼	(0.6)	0.5	▼	(0.1)
Hungary (HU)	1.8	▼	(39.9)	3.6	▼	(2.6)	71.7	▲	4.1	1.0	▼	(1.0)	4.4	▼	(4.9)	1.5	▼	(1.1)
Kosovo (KV)	0.1	▼	(29.0)	2.9	▼	(1.6)	92.2	▼	(1.3)	0.2	▼	(0.1)	1.2	▼	(0.4)	1.2	▼	(0.6)
Latvia (LV)	0.6	▼	(8.3)	3.7	▲	0.2	98.0	▲	4.7	0.1	▼	(0.2)	0.4	▼	(1.1)	2.2	▼	(0.4)
Lithuania (LT)	0.8	▼	(7.7)	3.2	▼	(1.7)	34.4	▼	(7.8)	2.1	▼	(0.7)	22.9	▼	(2.3)	1.9	▼	(0.3)
FYR Macedonia (MK)	0.2	▼	(15.4)	4.9	▼	(1.2)	81.2	▲	3.5	0.9	▼	(0.5)	5.0	▼	(2.9)	2.4	▼	(0.7)
Montenegro (ME)	0.2	▼	(18.2)	7.4	▼	(2.5)	68.1	▲	11.9	2.4	▼	(2.0)	13.1	▼	(8.9)	5.1	▼	(1.4)
Poland (PL)	12.1	▲	6.0	3.9	▼	(0.1)	71.5	▲	1.2	1.1	▼	(0.1)	8.1	▼	(1.1)	2.6	▼	(0.1)
Romania (RO)	3.8	▼	(30.4)	6.2	▼	(3.2)	56.9	▲	0.1	2.7	▼	(1.4)	17.5	▼	(9.2)	2.1	▼	(1.1)
Serbia (RS)	1.6	▼	(41.2)	9.2	▼	(7.6)	60.8	▼	(7.3)	3.6	▼	(1.8)	11.2	▼	(5.8)	4.4	▼	(3.9)
Slovakia (SK)	2.1	▼	(6.9)	3.6	▼	(0.6)	64.6	▲	5.0	1.3	▼	(0.4)	9.2	▼	(2.1)	2.5	▼	(0.3)
Slovenia (SL)	0.8	▼	(41.6)	2.7	▼	(2.1)	72.4	▲	0.5	0.7	▼	(0.6)	5.4	▼	(4.5)	2.0	▼	(1.6)
CESEE	38.3	▼	(16.1)	4.2	▼	(1.8)	64.4	▲	1.4	1.5	▼	(0.7)	10.8	▼	(3.9)	2.8	▼	(0.8)
Cyprus (CY)	19.7	▼	(14.1)	38.9	▼	(7.4)	48.1	▲	5.7	20.2	▼	(6.5)	177.1	▼	(17.4)	105.5	▼	(23.3)
Greece (GR)	101.7	▼	(6.9)	46.0	▼	(1.2)	52.4	▲	3.3	21.9	▼	(2.1)	164.5	▼	(10.5)	56.1	▼	(6.1)
Ukraine (UK)	19.2	▼	(2.9)	56.4	▲	1.3	83.8	▲	6.9	9.1	▼	(3.6)	67.1	▼	(20.3)	24.3	▼	(0.6)
Other	**140.7**	▼	**(7.4)**	**46.0**	▼	**(1.9)**	**56.1**	▲	**9.1**	**20.2**	▼	**(3.0)**	**155.0**	▼	**(12.5)**	**50.9**	▼	**(4.9)**
Total Countries	**179.0**	▼	**(9.4)**	**14.6**	▼	**(3.6)**	**57.9**	▲	**7.2**	**6.2**	▼	**(2.2)**	**45.5**	▼	**(11.4)**	**11.0**	▼	**(2.0)**

[16] *Variation (%) is calculated as ((value period 1/value period 0) -1), with March 2018 as period 1 and March 2017 as period 0 (where available).*

[17] *Δ (pp) is the variation, expressed in percentage points, between 2 periods. It is calculated as (% period 1 - % period 0).*

[18] *As per footnotes 2, 5, and 13; the latest available data is for March 2018, with the exception of Poland and Lithuania (the latest IMF is available for December 2017). In addition, the base period for Greece is September 2017 rather than March 2017 due to changes in definitions. However, the trends presented in Table 1 are consistent with trends derived from EBA data for March 2017 and March 2018.*

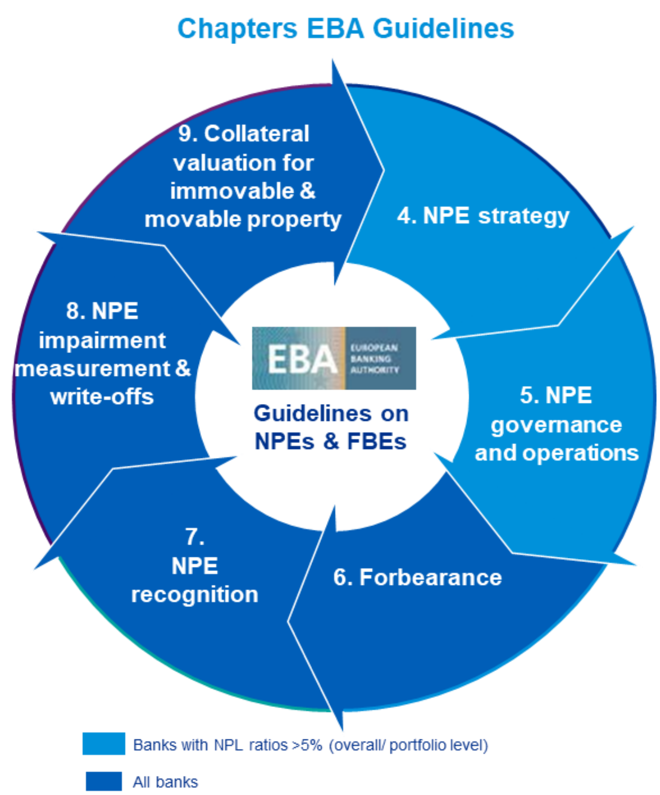
[19] *NPL to GDP (%) is calculated of annual GDP values for 2016 and 2017, respectively (rather than quarterly data); which is in line with the IMF World Economic Outlook reporting.*

3. PROGRESS WITH REFORMS[20]

Recent regulatory development for NPLs in the EU

Addressing both the stock and the new flow of NPLs in Europe continues to be a top priority for the European regulator. Important new measures have been published since the last NPL Monitor. Key developments are detailed below:

- In July 2018 the **ECB announced further steps in its supervisory approach for addressing the stock of NPLs** in the euro area under a consistent framework. This is being implemented as part of the broader supervisory dialogue with banks supervised by the ECB / SSM and by setting supervisory expectations on an individual bank basis. The main goal will be to ensure adequate provisioning of the stock of NPLs (i.e. loans classified as NPLs prior to 1 April 2018). Individual banks' expectations will be defined by benchmarking comparable banks and comparing NPL ratios and main financial features. The aim is to ensure continued progress to reduce legacy risks in the euro area and achieve the same coverage of the stock and flow of NPLs over the medium term. This is the complementary step to the ECB addendum to its Guidance to banks on NPLs, which set the expected provisioning calendar for loans classified as new NPLs from 1 April 2018.[21]
- On 12 September 2018, **the EBA published a revised version of its 'EBA NPL Templates'**, which considers feedback received from the industry from the testing period of templates since their publication in December 2017. The revised templates include minor changes which do not impact the aims of the templates and architecture. Key amendments include changes in some data fields, a redesign of the related legal fields and other editorial changes to improve effectiveness and usability. The templates aim to enhance standardisation of NPL related data, reduce information asymmetries between potential buyers and sellers of NPL portfolios, enhance granularity, quality and comparability of NPL data and increase transparency and market certainty.[22]
- In October 2018, the EBA published its final **"Guidelines on management of non-performing**



[20] *Source when not specified: EBRD.*
[21] *ECB Press release, "ECB announces further steps in supervisory approach to stock of NPLs", 11 July 2018*
[22] *EBA*

(NPE) and forborne exposures (FBE)".[23] The guidelines outline key elements of best practices surrounding the management of NPE and FBE. They are closely aligned with the ECB Guidance to banks on NPLs published in March 2017 although incorporate a broader scope and applicability whilst introducing the concept of proportionality. EU banks with gross NPL ratios in excess of 5% are expected to establish an NPE strategy as part of their overall strategy and implement robust governance and operational arrangements. The guidelines will apply from 30 June 2019 to all regulated credit institutions in Europe.[24]

Harmonisation of the insolvency and enforcement regime in Europe

- The EU countries may be further influenced in their insolvency reforms by the proposal for a Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures[25], which is expected to enter into force early next year.
- Another significant EU initiative is the proposal for the Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral[26]. If implemented in its existing form, the proposed EU directive will support more efficient extrajudicial collateral enforcement to increase efficiency of debt recovery procedures and development of more efficient and transparent secondary markets for NPLs, both of which are expected to prevent excessive future build-up of NPLs.

---

[23] *The technical content of the guidelines starts at chapter 4, with chapters 1 to 3 of general in essence (i.e. 1. Compliance and reporting obligations; 2. Subject matter, scope and definitions; 3. Implementation)*

[24] *EBA, KPMG ECB Office*

[25] *For the original legislative text, please refer to*: http://data.consilium.europa.eu/doc/document/ST-12536-2018-INIT/en/pdf

[26] *For the original legislative text, please refer to*: http://ec.europa.eu/finance/docs/policy/180314-proposal-directive-non-performing-loans_en.pdf

Highlights of reforms and measures implemented in the last six months or underway for the five "partner countries" under the Vienna Initiative 2.0.

Albania

- **Bankruptcy law framework:** The Government has continued its commitment to strengthen the bankruptcy legal framework (originally approved in October 2016)[27] through two latest decisions by the Council of Ministers in September 2018[28]. Firstly, the formation of the National Bankruptcy Agency - the competent state authority entrusted with the supervision, training, and licensing of insolvency administrators; and secondly, the promulgation of the Insolvency Administrator Code of Ethics.
- **Upgrade of Credit Register and establishment of a credit bureau:** The Albanian Association of Banks (AAB) has undertaken the initiative of establishing a new comprehensive Credit Bureau. In October 2018, the EBRD has engaged an international expert and local legal firm to prepare a roadmap on the legal and operational framework necessary to set up the Bureau. The advisory report will be issued in March 2019 for the AAB to act upon.
- **Out-of-Court debt Restructuring (OOCR):** The Bank of Albania (BoA) is currently analysing submissions to the second consultation procedure on the latest draft of a new framework for OOCR, drafted with the assistance from the World Bank. Given the significant interest and consultative feedback from commercial banks, the date for finalising the new OOCR framework has not been defined yet.
- **Financial health assessment of top Albanian corporates:** Following the IFC and FinSAC[29]sponsored study of the financial health of top Albanian corporates (2014-2016), the World Bank organised the workshop in September 2018 to share undisclosed findings with domestic banks, the BoA, and the Government representatives.
- **Amendment to Private Bailiffs' tariffs instruction**: In August 2018, the Government approved a new instruction to improve bailiff fees, although it was subsequently challenged[30]and suspended until a final decision is reached.

Croatia

- **New Bankruptcy Act and further amendments:** The EBRD assisted the Ministry of Justice (MoJ) with a review of the bankruptcy law framework and presented its recommendations on strengthening bankruptcy and pre-bankruptcy proceedings in the form of a report dated March 2018. The MoJ is assessing the need for further reforms which may be necessary if the EU Proposal for the Directive[31] to increase the efficiency of insolvency is adopted.

---

[27] *IMF, Staff Concluding Statement of the 2017 Article IV Mission in Albania, October 2017 (link)*

[28] *For the original legislative text, please refer to: http://www.qbz.gov.al/botime/fletore_zyrtare/2018/PDF-2018/138-2018.pdf (Decisions 542 and 543 of the Council of Ministers, dated 19 September 2018, available only in Albanian language)*

[29] *International Finance Corporation (IFC) and Financial Sector Advisory Center (FinSAC)*

[30] *By the Chamber of Private Bailiffs at the Administrative court*

[31] *Directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures.*

- **Framework for insolvency and restructuring practitioners:** The EBRD is assisting the MoJ in strengthening the framework for insolvency practitioners (IPs) and establishing a sustainable training framework for the future. Support includes the delivery of training for IPs and trainers. The project is funded by the European Commission via the Structural Reform Support Service. The objective is to encourage outside investment, improve the prospects for recovery of viable yet struggling businesses and their employees, as well as to secure long-term health of the banking and financial sector. An analysis of the existing regulatory framework for IPs was completed in October 2018 and work is underway on methodology for an IP training, which is scheduled for H1 2019.
- **Enforcement:** The MoJ is preparing a new Enforcement Act which will be released shortly for consultations. The EBRD will provide input on the new legislation based on its recent cross-jurisdictional study of enforcement frameworks in the EBRD region.

Hungary

- **New Bankruptcy Law:** On 10 October 2018, the MoJ organised the first meeting of the cross-stakeholder working group, which has been set up to overhaul Hungary's 1991 Bankruptcy Law. The objectives of the new legislation include a controlled reorganisation of the working group, viable enterprises and fast liquidation of non-viable businesses, greater protection of creditors' interests in insolvency, and improving the efficiency of court led insolvency processes. The timetable for the proposed reform is tight as the law is set for adoption by the Parliament in Q4 2019.

Montenegro

- **Alignment with EU Regulation:** The transposition of the Bank Recovery and Resolution Directive (BRRD) will be carried out through the preparation of a new Law on Credit Institutions and Credit Institutions Resolution, instead of the previously planned modification of the existing Banking Act. Adoption of both laws is envisioned by the end of 2019. The new Law on Credit Institutions will be prepared within the framework of the Twinning project (with the central banks of Germany, the Netherlands and Croatia as twinning partners). This was launched in April 2018 and financed by the EU and it envisages the transposition of EU's CRD IV package comprising Directive 2013/36/EU and Regulation (EU) 575/2013. In addition, the Central Bank of Montenegro (CBCG) is currently working on amending the Decision on the minimum standards for management of credit risk in line with the EBA guidelines (expected to be adopted by year-end).
- **By-Laws on non-banking Financial Institutions:** In April 2018, the CBCG adopted a set of by-laws which further regulate the operation of non-banking financial institutions, following the adoption of the all-encompassing Law covering factoring, leasing, micro-crediting and credit guarantee operations in October 2017 (in force from May 2018). The by-laws include the Decision on documents supporting the request for granting approvals under the above

mentioned Law; the Decision on Minimum Standards for Risk Management in Financial Services Providers; and the Decision on Financial Services Providers' Reporting to the CBCG.

- **Upgrade of the Credit Registry:** In June 2018, the Council of the CBCG adopted a new Decision on the Credit Registry (opening in January 2019) with the aim to further improve the Credit Registry by providing enhanced individual and aggregated-level data from the Credit Registry. In accordance to the new non-banking FI legislation, data from the leasing, factoring and receivable repurchase companies will be included in the Credit Registry.
- **Law on Voluntary Financial Restructuring:** Initially envisioned for a two-year validity period ending in May 2017, the law has been extended to May 2019, with the broader coverage of assets under restructuring. According to the CBCG estimate, EUR 36.7 million of loans were restructured from June 2017 to September 2018.
- **Account Blocking and Debt Restructuring:** In September 2018, the EBRD completed its Western Balkan-wide study on the impact of account blocking and cash sweeping powers of bills of exchange on debt restructuring. The study revealed the negative effect of bills of exchange on debt restructuring and creditor relations, since these triggered a 'first past the post' race among creditors. While the study was underway, in November last year the Montenegro Constitutional Court adopted a decision abolishing the direct cash sweeping and account-blocking powers of bills of exchange. This development should be positive for Montenegro's business environment and the ability of viable yet struggling businesses to achieve restructuring in the long-term. Nevertheless, the EBRD study has recommended the immediate steps to mitigate possible negative effects of the change of the law by strengthening the account pledge and evaluating the extension of financial collateral arrangements to corporates.

Serbia

- **Resolution of the Deposit Insurance Agency (DIA) NPL portfolio:** In October 2018, the DIA announced its first auction for the sale of the NPL portfolio of EUR 240 million. This is the first auction in the process of the planned resolution of the DIA NPL portfolio of circa EUR one billion[32].
- **Personal and Entrepreneurs Bankruptcy Preparatory Study:** The draft study on the options for introduction of bankruptcy of private individuals and entrepreneurs in the Republic of Serbia, with peer countries review, was presented to the NPL Working Group in July 2018. The Study should be finalised by the year-end.
- **Law on Real Estate Appraisers**: Following an implementation of the law[33] in June 2017, the regime that regulates the profession of court-sworn experts will be amended by year-end.
- **Rights of NPL Purchasers:** Amendments to the Civil Procedure Law have been prepared in September 2018 and should be adopted by the end of 2018. The proposed amendments

[32] *Please refer for more details: https://www.imf.org/external/np/loi/2018/srb/062918.pdf*
[33] *National Assembly of the Republic of Serbia, Adopted Law, (link)*

should grant an unconditional right to the new creditor (NPL acquirer) to take over an ongoing dispute without additional consent from the counterparty.[34]

- **Other NPL Related Regulatory Updates:** The Bankruptcy Law Amendments were adopted in December 2017 in order to improve in-court debt resolution and mortgage framework, as well as to enhance the insolvency regulatory framework. The Procedure on the national standards for realisation and distribution of assets in bankruptcy was published in August 2018. In addition, the Judicial Academy conducted trainings during 2018 for all judges in Serbian commercial courts on the application of the Bankruptcy Law.

[34] *IMF, Eight Review under the Stand-by arrangement – Republic of Serbia, December 2017 (link)*

4. EVOLUTION OF NPL TRANSACTIONS IN CESEE[35]

NPL Sales

- Following subdued transaction volumes in H2 2017, the NPL market witnessed a strong pick-up with €2.41 Bn executed in H1 2018, an 12.8% yoy increase[36], which is broadly in line with six-month averages of €2.02 Bn since H2 2015. The 488% increase from the previous period (H2 2017) follows a very low base of €0.41 Bn.
- Investors demonstrated continued interest in the region despite lower margins, diminishing NPL volumes and the opening of other larger non-CESEE markets (e.g. Greece and Italy).
- Since H2 2015, the NPL transactions in the CESEE region have amounted to €12.15 Bn, which can be largely attributed to macroeconomic recovery and a broad range of initiatives undertaken in recent years to address inadequacy of provisioning and to tackle impediments to NPL resolution and sales.
- Romania has continued to dominate sale transaction volumes in the CESEE market, recording €1.01 Bn in H1 2018 (42.1% of the total transactions across CESEE countries for the same period), which contributes to the total value of €4.96 Bn of NPL sales in Romania in the last three years (40.9% of the total CESEE transactions for the same period). However, the current activity in Romania is significantly below the peak levels transacted in H2 2015 (€1.84 Bn).
- Despite challenging market conditions, Bulgaria capitalised on stronger investors' interest by recording €0.53 Bn in NPL sales in H1 2018, which represents 41.5% of its total sale volumes transacted in the last three years (€1.29 Bn since H2 2015).
- There was also a modest pick-up in sales activity in Croatia (€0.34 Bn in H1 2018).[37] After the pause in H2 2017; Czech Republic, Hungary, Latvia, and Serbia recorded transactions of up to €0.20 Bn each.
- Q1 2018 marked the first larger sale of NPLs in FYR Macedonia. Three banks sold EUR 37 million worth of claims on a single non-financial company, which represents circa 13% of the total NPLs stock in Macedonian banking system.
- From a deal-by-deal perspective, UniCredit was the single most active vendor (based on public sources), selling €0.87 Bn from its Bulgarian and Croatian subsidiaries; followed by Alpha Bank with €0.41 Bn executed in H1 2018.
- The most recent period was primarily characterised by corporate NPL sales that amounted to 59.3% of the total volume transacted.
- While cross-border servicing remains challenging, the number of multi-asset firms operating in the region is growing steadily. Please refer to the list of firms operating in the region in Table 4.

---

[35] *Based on publicly available data, KPMG European Transaction Dashboard (link) and various financial media sources, accessed 10 November.*

[36] *Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Latvia, FYR Macedonia, Poland, Romania, Serbia, and Slovenia*.

[37] *For the same period, Croatian Central Bank reported €0.31 Bn. Please refer to Table SP7 Data on sold claims at: https://www.hnb.hr/en/statistics/statistical-data/financial-sector/other-monetary-financial-institutions/credit-institutions/indicators-of-credit-institution-operations).*

Figure 3 - Realised NPL portfolio transactions in CESEE based on publically available data (July 2015 to June 2018)[38]

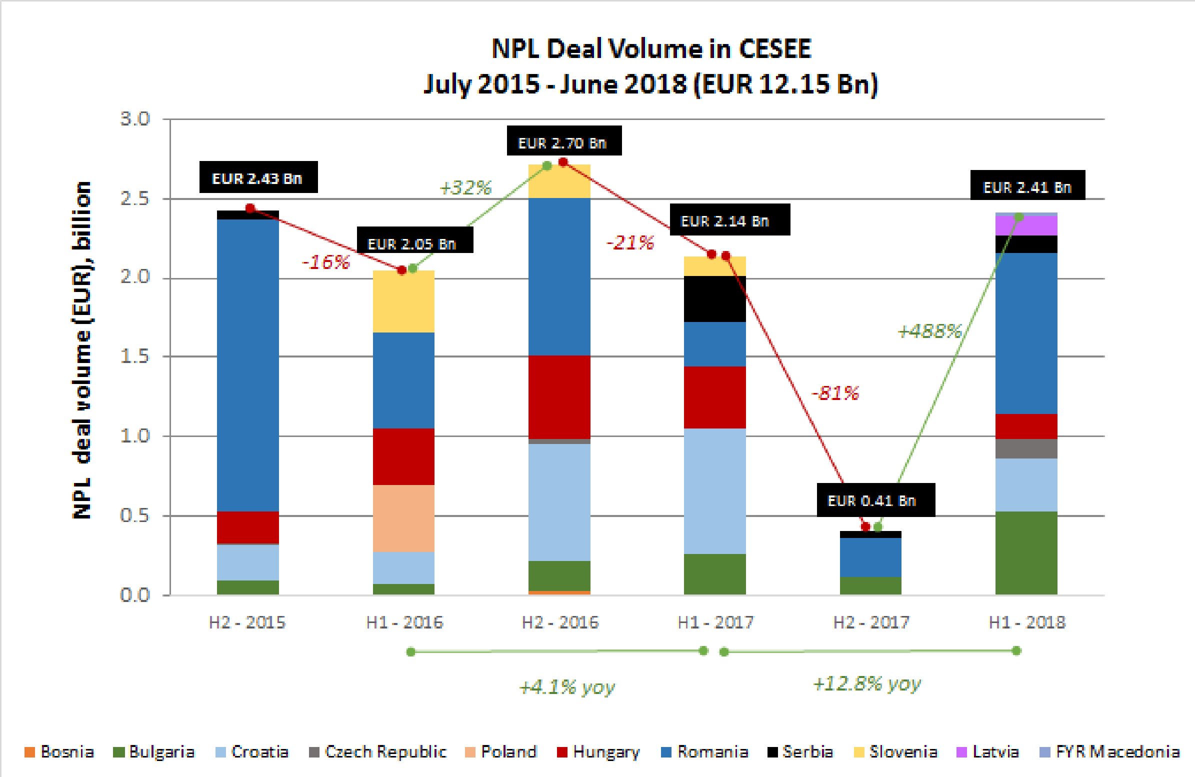


Table2 - Sample of recent (publicly available) NPL transactions in CESEE

Period	Country	Vendor	Project	Type	Buyer	Face Value (€m)
H1 - 2018	Croatia	UniCredit	Project Taurus 2	Corporate	B2 Holding	335
H1 - 2018	Bulgaria	UniCredit	Project Taurus	Corporate	APS Holding	450
H1 - 2018	Bulgaria	UniCredit	Undisclosed	Other	B2 Holding	84
H1 - 2018	FYR Macedonia	Komercijalna Banka	Undisclosed	Corporate	Undisclosed	22
H1 - 2018	Hungary	Raiffeisen Bank	Project Rosie	Other	Balbec/APS Holding	160
H1 - 2018	Romania	Banca Transilvania	Undisclosed	Other	Undisclosed	124
H1 - 2018	Czech Republic	Moneta Money Bank	Undisclosed	Retail	B2 Kapital Czech Republic	119
H1 - 2018	Romania	Alpha Bank	Project Mars (secured)	Corporate	Anacap / Deutsche Bank / APS	360
H1 - 2018	Romania	Alpha Bank	Project Mars (unsecured)	Other	B2Holding	50
H1 - 2018	Romania	Raiffeisen Bank	Undisclosed	Corporate / Retail	B2Holding	271
H1 - 2018	Latvia	SIA Hiponia	Undisclosed	Secured and unsecured	B2Holding ASA	119
H1 - 2018	Serbia	Nova Ljubljanska Banka (NLB)	Undisclosed	REO	Undisclosed	115
H1 - 2018	Romania	Piraeus Bank	Undisclosed	Other	Kruk Group	200

[38] *The figures are based on disclosed transactions from public sources. As a result, they may not include all transactions closed in the market and are estimations for indicative purposes only.*

Table 4 - 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	Bosnia	Bulgaria	Czech Republic	Croatia	Cyprus	Estonia	FYR Macedonia	Greece	Hungary	Kosovo	Latvia	Lithuania	Monte negro	Poland	Romania	Serbia	Slovakia	Slovenia	Ukraine	
APS Holding	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓			✓	✓	✓	✓			✓	✓				✓	✓	✓	✓	✓			
Altamira																✓			✓												In 2017 the servicer created a joint venture with Cooperative Central Bank (CCB), in which Altamira holds a 51% stake and which has been operational since 2018.
Best S.A	✓		✓		**Yes**	✓	✓	✓	✓																✓						
B2 Holding	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		✓		Present in Poland through Ultimo
Castlelake				✓	**Yes**		✓	✓	✓	✓				✓						✓					✓	✓		✓			
Chartered Debt Management (CDM)	✓	✓	✓		**Yes**	✓	✓	✓																		✓					CDM typically partners with international investors in Romania to act as their servicing partner.
CreditExpress			✓		**No**	✓						✓		✓	✓			✓		✓					✓	✓	✓	✓	✓	✓	
Coface			✓		**No**	✓					✓		✓	✓	✓					✓					✓	✓	✓	✓	✓		
Delfi																✓			✓												
EOS Group	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓	✓	✓			✓	✓	✓	✓	✓	✓		
GetBack			✓		**Yes**	✓			✓																✓	✓					Trading of this publicly-listed company on Warsaw Stock Exchange was suspended by regulators in aftermath of Getback's application for opening of restructuring proceedings (May 2018) and criminal investigation of the ex CEO.
Hoist Finance				✓	**Yes**	✓	✓												✓						✓						
Intrum	✓	✓	✓		**Yes**	✓	✓	✓	✓					✓			✓		✓	✓		✓	✓		✓	✓		✓			In June 2017, Intrum Justitia officially merged with Lindorff. The new entity is called Intrum.
Kredyt Inkaso	✓	✓	✓	✓	**Yes**	✓	✓	✓	✓	✓			✓		✓				✓						✓	✓					
Kruk	✓	✓	✓		**Yes**	✓	✓	✓	✓	✓				✓											✓	✓		✓			
Lexus EGF			✓		**No**	✓		✓		✓															✓						
Mount Street	✓	✓	✓		**No**		✓	✓		✓		✓	✓	✓	✓	✓			✓	✓					✓	✓		✓	✓	✓	In January 2017, Mount Street acquired EPA, the management subsidiary of EAA, the German asset management company created in 2009 to manage the assets of the former WestLB AG
Pepper	✓	✓														✓															
Pillarstone	✓	✓	✓		**Yes**		✓	✓		✓						✓			✓												
PraGroup		✓	✓		**Yes**	✓	✓																		✓						
Resolute		✓	✓		**No**	✓	✓	✓	✓	✓			✓			✓			✓							✓					
Tagor Asset Management		✓	✓		**Yes**			✓		✓																✓					Tagor often bids alongside international investors in Romania to act as their servicing partner.

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 harmonised 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 Montenegro and Serbia directly come from information made available by their respective central banks (Financial Stability Reports, Banking Reports, Macroeconomic Reports or Statistical Databases). Serbia adopts 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

To provide a comprehensive view of the underlying data used in this monitor, we summarize below 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). While most countries report to the IMF, they do not always report exactly the same data. For example, some countries include loans among deposit-takers in the calculation of the total gross loan portfolio whereas some exclude such loans (increasing the NPL ratio for the latter). Other specificities listed below may also slightly create an upwards or downwards bias in the results presented. 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)	Comments
1	**Albania**	N/A	N/A	N/A	
2	**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.	Until fourth quarter of 2009, instead of using nonperforming loans net of provisions for calculation of this FSI used nonperforming assets net of privisions to Tier 1. From the fourth quarter of 2009 for calaculation of this FSI used nonperforming loans net of provisions to Tier 1.		
3	**Bulgaria**	Until 2014, Non-performing loans are the risk exposures where principal or interest payments have been past-due over 90 days. Since 2015 the definitions and the scope of the NPLs have been in line with the EBA standards.	Until 2014, loans to deposit takers were excluded from the calculations. Since 2015 the definitions and the scope of the NPLs have been in line with the EBA standards. The source of data is the FinRep reporting template F18 row 70 and 250 column 10 which cover all Loans and advances, including 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.	
4	**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.	
5	**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.			
6	**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.		
7	**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.	
8	**Greece**	In accordance with EBA ITS on supervisory reporting. In accordance with EBA ITS on supervisory reporting. Non-performing loans will comprise the exposures defined under Commission Regulation (EU) № 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.	In accordance with EBA ITS on supervisory reporting. Total gross loans will comprise Non Performing Loans before the deduction of specific loan loss provisions.	In accordance with EBA ITS on supervisory reporting. Only specific loan provisions are deducted from NPLs.	
9	**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	
10	**Kosovo**	N/A	N/A	N/A	
11	**Latvia**	Nonperforming loans are considered to be those whose term due for the accrued income payment is overdue for a period of more than 90 days or the payment, provisions are the total amount of provisions (general and specific) for the total loan portfolio of the credit institutions.			
12	**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.		
13	**FYR Macedonia**	N/A	Includes loans to financial and nonfinancial sector.	Provisions include provisions for nonperforming and performing loans as well.	
14	**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.	Not reported by FSI. Source: CBCG Annual Report and Macroeconomic Quarterly report

		NPLs	Gross Loans	Provisions (or Net NPLs)	Comments
15	**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.		
16	**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.	
17	**Serbia**	NPL means the total outstanding debt under an individual loan (including the amount of arrears): where the debtor is past due (as envisaged by the decision governing the classification of bank balance sheet assets and off-balance sheet items) for over 90 days, with respect to payments of interest or principal; - where at least 90 days of interest payments have been added to the loan balance, capitalised, 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.	Not reported by FSI. Sources: Quarterly Review of Dynamics of Financial Stability; Quartery banking report statistical annex; Annual Financial Stability Report
18	**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.	
19	**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).		
20	**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)) Ukraine is not fully compliant with NPL definition established by EBA ITS in 2013: NBU regulation No.351 has definition of non-performing assets equivalent to degaulted loans (it does not include "unlikely to repay" criteria which is broader than defaulted loans).	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.		

NPL INITIATIVE CONTACTS:

Bojan Markovic
Deputy Director
Economics, Policy and Governance Department
EBRD
Tel: +44 7551 127331
Email: markovib@ebrd.com

Eric Cloutier
Senior Advisor, NPL Initiative
Economics, Policy and Governance Department
EBRD
Tel: +44 7775704154
Email: cloutiere@ebrd.com

Jure Jeric
Advisor, NPL Initiative
Economics, Policy and Governance Department
EBRD
Tel: +44 7732428325
Email: jericj@ebrd.com