EBCI Vienna Initiative

NPL monitor for the CESEE region[1]

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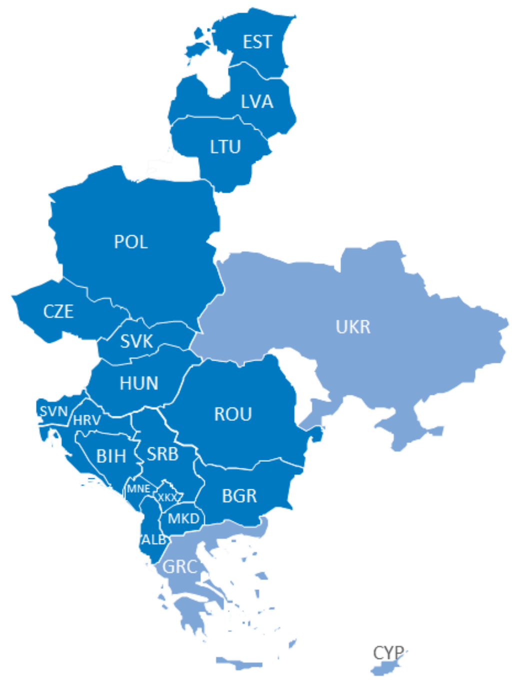
The *NPL Monitor* is the semi-annual publication of the NPL Initiative, a subset of the Vienna Initiative. The publication reviews the latest non-performing loan (NPL) trends in 17 countries [2] in central, eastern and south-eastern Europe (CESEE). This edition focuses on the heightened risks to and vulnerability of bank asset quality from the current volatile macroeconomic and geopolitical environment.



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

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Executive summary

The latest data show that the banking sector in the European Union (EU) and the broader central, eastern and south-eastern European (CESEE) region has remained stable and resilient. On the whole, banks' asset quality in the region has not yet shown meaningful signs of deterioration, despite the end of unprecedented levels of Covid-19 government support and the challenging macroeconomic environment.

The decreasing trend in NPLs continued in most countries in the region, surpassing even the lowest record in recent years. The average share of NPLs to total loans (the NPL ratio) in the CESEE region reached 2.3 per cent as of 31 December 2022, only slightly above the EU average of 1.8 per cent. The total NPL stock in the region also declined by 10 per cent on the year, to €27.4 billion. The NPL coverage ratio held strong at 65.2 per cent as of 31 December 2022.[3]

Nonetheless, it remains too early to draw conclusions from this downward trend and vulnerabilities remain in most CESEE countries. Persistent macroeconomic pressures, including high inflation and interest rates, combined with low economic growth prospects in many jurisdictions, are all contributing to stress in many asset classes. In some economies, the issues are exacerbated by other difficulties, such as a high proportion of variable-rate mortgages or local currency devaluation.

Macroeconomic and geopolitical developments over the coming months will continue to stress asset quality resilience, so a possible rise in NPLs may lie ahead. Growing pressure on credit risk can already be observed in the wider gap between stage 2 and stage 3 loans, according to International Financial Reporting Standard (IFRS) 9 accounting principles, which include forward-looking recognition of loan impairment. The share of stage 2 loans continued to increase, rising nearly 1 percentage point to 12.2 per cent in the 12-month period. This might indicate pressure on loan books and the potential for additional NPLs to materialise in the near future.

Regulators, therefore, continue to expect banks to have a detailed understanding of potential pressure points in their lending books. This includes having clear and implementable plans for different credit risk deterioration scenarios and a rise in NPLs for different sub-portfolios and regions.

Because of the low NPL levels, thanks to banks' success in deleveraging in the years preceding the pandemic, NPL transaction levels in the region remain very subdued. Investor interest in the region remains, however, and if new portfolios were to come to the market, demand could be expected to absorb larger-scale transactions at the right price.

[3] Data are from the International Monetary Fund's (IMF) Financial Soundness Indicators (FSIs). Missing data are sourced from monetary authorities or, failing that, the most recently available data are used. More information on data and their interpretation is provided throughout this publication.

I. NPL evolution in the CESEE region

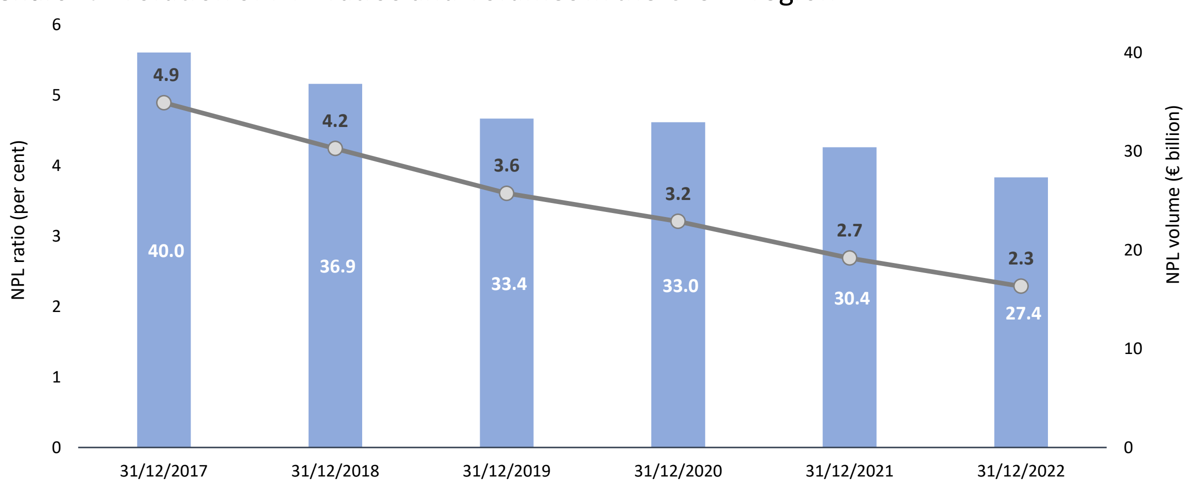
Continued decline in NPL volumes in the 12-month period for most CESEE jurisdictions

- At the regional level, NPL volumes fell 10.0 per cent to €27.4 billion in the 12 months to 31 December 2022.[4] This is the lowest level recorded since the *NPL Monitor* was first published in 2016.
- In relative terms, the decline in NPL stocks was most significant in Latvia, Croatia and Bosnia and Herzegovina, where they fell 20.9 per cent, 20.8 per cent and 19.1 per cent, respectively.
- In absolute terms, the largest contributor to the decline was Poland, where the stock of NPLs declined by €8.4 billion, or 14.8 per cent.
- Only three countries saw an increase in NPL volumes: Lithuania (6.3 per cent), Kosovo (4.4 per cent) and Montenegro (0.8 per cent).
- In comparator countries, Ukraine experienced an increase of €11.6 billion (2.3 per cent), while Cyprus and Greece saw a continuation of their decreasing trend. NPL volumes in Greece fell by €13.9 billion (28.1 per cent) over the period, mainly due to a high volume of NPL securitisation deals under the Hercules Asset Protection Scheme (HAPS), which was extended to October 2022.

The average regional NPL ratio fell 0.4 percentage point in the 12 months to December 2022, reaching its lowest level in recent years

- As of December 2022, the average regional NPL ratio (the proportion of NPLs to total gross loans) across the CESEE region decreased to 2.3 per cent – a reduction of 0.4 percentage point over the 12-month period. This set a new low for recent years.
- Croatia saw the largest decline during the year, with a 1.4 percentage point drop to 4.3 per cent.
- Out of the countries covered, the NPL ratio increased only in Hungary, rising 0.2 percentage point to 3.9 per cent.

Chart 1: Evolution of NPL ratios and volumes in the CESEE region



Source: IMF FSI and central banks

[4] See notes for Table 1.

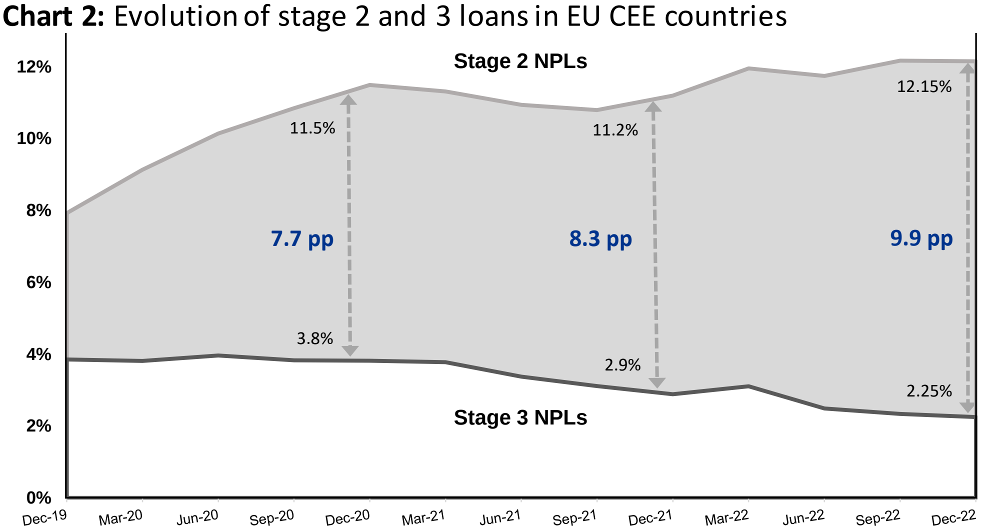
Overall coverage ratio improved to 65.2 per cent, the highest since the Covid-19 pandemic

- On aggregate, in the CESEE region, the average NPL coverage ratio[5] increased 1.8 percentage points to 65.2 per cent between December 2021 and December 2022.
- Croatia recorded the highest coverage ratio in the region, at 101.7 per cent, corresponding to a 13.7 percentage point increase. It was followed by Slovenia, at 92.0 per cent, with a 3.3 percentage point increase.
- The most significant decline in the NPL coverage ratio was recorded in Albania, which saw a decrease of 4.2 percentage points.

The gap between stage 2 and stage 3 loans widened further in the second half of 2022[6, 7, 8]

- As demonstrated in Figure 2, the gap between stage 2 and stage 3 loans in the EU central and eastern European region (EU CEE) continued to widen over 2022.[9]
- We can observe an upward trend in the spread between stage 2 and stage 3 loans since 2019, with an increase to 9.9 percentage points as at 31 December 2022, up from 8.3 percentage points as at 31 December 2021 and 7.7 percentage points as at 31 December 2019.
- Despite a continued decrease of 0.65 percentage point in stage 3 loans, the share of stage 2 loans continued to increase, rising 0.95 percentage point in the 12-month period.
- The increase in stage 2 loans and the diverging move in NPLs suggest that rising levels of borrower distress could translate into fresh pressures on asset quality in the banking sector.
- The ratio of stage 2 loans subject to a public guarantee scheme also increased in both the last 12-month and three-month periods, by 0.8 percentage point and 4.9 percentage points, respectively.

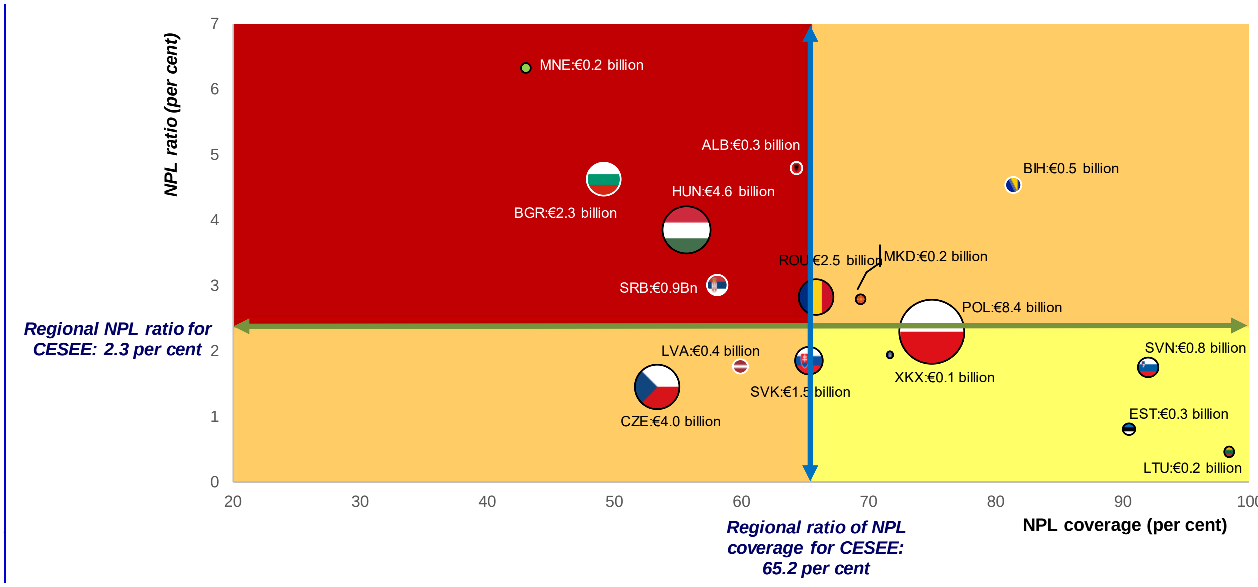
Chart 2: Evolution of stage 2 and 3 loans in EU CEE countries



Source: EBA Risk Dashboard

[5] Percentage of NPL provisions divided by the NPL stock.
[6] Under IFRS 9, which includes forward-looking recognition of loan impairment, when a loan's credit risk has increased significantly since initial recognition, the loan is categorised as "stage 2". When a loan's credit risk increases to the point where it is considered credit impaired, the loan is categorised as "stage 3". See BIS (2017).
[7] As classified by IFRS 9, unless otherwise specified. Data on staging are from the EBA interactive tool.
[8] See the EBA Risk Dashboard.
[9] EU CEE countries: Bulgaria, Czech Republic, Estonia, Croatia, Hungary, Lithuania, Latvia, Poland, Romania, Slovak Republic and Slovenia.

Chart 3a: NPL volumes and ratios in the CESEE region as of 31 December 2022



Source: IMF FSI and central banks

Chart 3b: NPL and NPL coverage ratios per coloured quadrant in Chart 3a (Q4 2022)

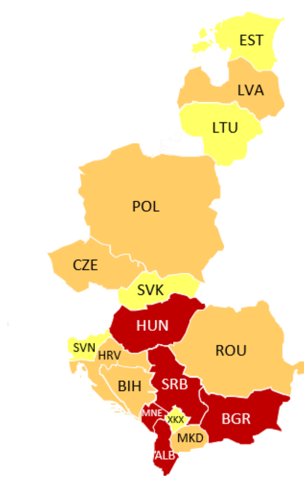
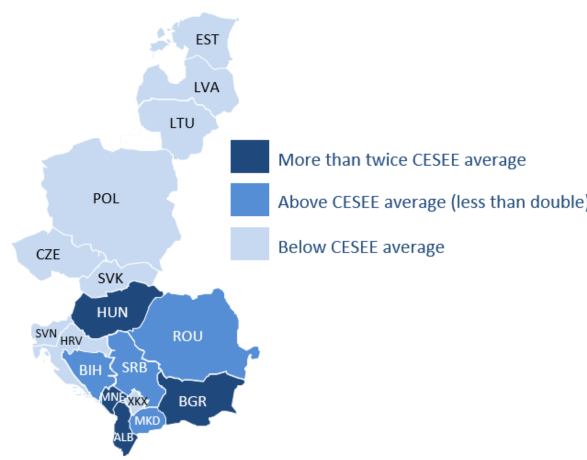


Chart 3c : Net NPL ratio (Q4 2022)



Source: IMF FSI and central banks

Table 1: Overview of the NPL profile in the CESEE region, 31 December 2021 to 31 December 2022

	NPL volume (€ bn)			NPL ratio (%)			NPL coverage ratio			Net NPL ratio (%)			Net NPL / Capital (%)			NPL to GDP (%)		
Country	Dec-22		Variation(%)	Dec-22		Δ(pp)	Dec-22		Δ(pp)	Dec-22		Δ(pp)	Dec-22		Δ(pp)	Dec-22		Δ(pp)
Albania (ALB)	0.3	▼	(1.9)	4.8	▼	(0.6)	64.4	▼	(4.2)	1.7	▲	0.0	7.2	▲	0.1	1.7	▼	(0.2)
Bosnia & Herz. (BIH)	0.5	▼	(19.1)	4.5	▼	(1.2)	81.4	▲	3.0	0.8	▼	(0.4)	4.5	▼	(1.8)	2.2	▼	(0.9)
Bulgaria (BGR)	2.3	▼	(9.1)	4.6	▼	(1.3)	49.2	▲	1.3	2.4	▼	(0.7)	13.4	▼	(2.7)	2.7	▼	(0.8)
Croatia (HRV)	0.3	▼	(20.8)	4.3	▼	(1.4)	101.7	▲	13.7	(0.1)	▼	(0.8)	(0.4)	▼	(3.8)	0.4	▼	(0.2)
Czech Republic (CZE)	4.0	▼	(11.6)	1.5	▼	(0.3)	53.4	▲	1.2	0.7	▼	(0.1)	6.9	▼	(1.3)	1.4	▼	(0.5)
Estonia (EST)	0.3	▼	(14.9)	0.8	▼	(0.3)	90.5	▲	20.8	0.1	▼	(0.3)	0.7	▼	(1.3)	0.7	▼	(0.3)
Hungary (HUN)	4.6	▼	(0.9)	3.9	▲	0.2	55.7	▲	2.4	1.7	↔	0.0	11.4	▼	(0.0)	2.5	▼	(0.4)
Kosovo (XKX)	0.1	▲	4.4	1.9	▼	(0.2)	71.7	▼	(2.5)	0.5	↔	0.0	3.7	▲	0.4	1.0	▼	(0.1)
Latvia (LVA)	0.4	▼	(20.9)	1.8	▼	(0.7)	59.9	▲	14.9	0.7	▼	(0.7)	6.4	▼	(5.1)	1.1	▼	(0.5)
Lithuania (LTU)	0.2	▲	6.3	0.5	▼	(0.1)	98.4	▲	15.2	0.0	▼	(0.1)	0.1	▼	(1.3)	0.3	▼	(0.0)
Montenegro (MNE)	0.2	▲	0.8	6.3	▼	(0.5)	43.0	▲	0.6	3.6	▼	(0.3)	19.3	▼	(0.3)	3.5	▼	(0.6)
North Macedonia (MKD)	0.2	▼	(1.8)	2.8	▼	(0.3)	69.4	▲	3.1	0.9	▼	(0.2)	4.7	▼	(1.0)	1.4	▼	(0.2)
Poland (POL)	8.4	▼	(14.8)	2.3	▼	(0.6)	75.0	▲	2.6	0.6	▼	(0.2)	5.1	▼	(0.7)	1.2	▼	(0.5)
Romania (ROU)	2.5	▼	(7.7)	2.8	▼	(0.5)	65.9	▼	(0.2)	1.0	▼	(0.2)	6.8	▼	(0.5)	0.8	▼	(0.2)
Serbia (SRB)	0.8	▼	(8.5)	3.0	▼	(0.6)	58.1	▲	1.8	1.3	▼	(0.3)	5.7	▼	(0.9)	1.4	▼	(0.3)
Slovak Republic (SVK)	1.5	▼	(5.8)	1.9	▼	(0.3)	65.3	▼	(3.6)	0.6	▼	(0.0)	5.3	▲	0.0	1.4	▼	(0.2)
Slovenia (SVN)	0.8	▼	(10.0)	1.8	▼	(0.3)	92.0	▲	3.3	0.1	▼	(0.1)	1.1	▼	(0.6)	1.3	▼	(0.3)
CESEE	27.4	▼	(10.0)	2.3	▼	(0.4)	65.2	▲	1.8	0.8	▼	(0.2)	6.5	▼	(0.9)	1.3	▼	(0.4)
Cyprus (CYP)	2.0	▼	(24.5)	7.7	▼	(1.3)	44.2	▲	5.9	4.3	▼	(1.3)	25.4	▼	(8.0)	7.5	▼	(3.2)
Greece (GRC)	13.9	▼	(28.1)	6.5	▼	(2.6)	53.6	▲	6.2	3.0	▼	(1.8)	25.5	▼	(15.2)	6.4	▼	(3.8)
Ukraine (UKR)	11.6	▲	2.3	38.1	▲	6.4	83.2	▼	(8.4)	6.4	▲	3.7	32.3	▲	19.1	8.1	▲	1.6
Other	27.4	▼	(17.5)	10.2	▼	(1.9)	65.4	▲	3.7	3.5	▼	(1.1)	26.6	▼	(7.7)	7.1	▼	(1.5)
Total countries	**54.8**	▼	**(13.9)**	**3.7**	▼	**(0.8)**	**65.3**	▲	**2.8**	**1.3**	▼	**(0.4)**	**10.4**	▼	**(2.3)**	**2.2**	▼	**(0.7)**

Source: IMF FSI and central banks

Notes on the data and the interpretation of results

- Variation (per cent) is calculated as ((value period 1/value period 0) -1), with December 2021 as period 1 and December 2022 as period 0 (where available).
- Δ (percentage points) is the variation between two periods. It is calculated as (per cent period 1 – per cent period 0).
- For most of the countries covered in this edition of the *NPL Monitor*, data to 31 December 2022 are the latest available.
- When not available from the IMF FSI, data are found on the websites of the monetary authorities of the countries in question. Such data include the latest information on selected indicators for Serbia. When information is available from neither national websites nor the IMF FSI, time-adjacent data are used to plug the gaps. The countries for which IMF data are not available for Q4 2022 are Lithuania (Q3 2022) and Romania (Q3 2022).
- The NPL-to-gross domestic product (GDP) ratio (per cent) is calculated using annual GDP values for 2021 and 2022, respectively (rather than quarterly data), in line with reporting for the IMF World Economic Outlook. For Ukraine, annual GDP values for 2021 are used for 2022 due to data availability.
- The NPL ratios for Cyprus, Croatia, Bulgaria, Poland, Greece and Latvia vary from EBA Risk Dashboard Q4 2022 data (4.58 percentage points, 2.11 percentage points, 2.08 percentage points, 1.95 percentage points, 1.94 percentage points and 1.29 percentage points, respectively) due to differences in latest data availability and reporting standards.

II. The EU perspective: ongoing regulatory and supervisory activities around credit risks and NPLs

In this section, we discuss the recent analysis of credit risk and the NPL outlook undertaken by EU regulators and supervisors. The EU's areas of attention echo challenges faced in the broader CESEE region, although each country has its own specific issues.

Pulse on credit risks in the EU banking sector: prudence despite resilience[10, 11]

The financial stability outlook in the euro area remains challenging

- Asset quality remained stable overall and NPL levels continued to decline in most asset classes and EU jurisdictions in 2022.
- However, while euro-area banks have shown resilience, with strong capital and liquidity positions, the European Central Bank (ECB) warned in its latest Financial Stability Review that the financial stability outlook in the euro area remains challenging.
- Vulnerabilities persist due to stress in the banking sectors of some mature economies, and many banks now face profitability uncertainty due to funding and asset quality headwinds.
- Despite some improvements, the persistence of high inflation and high interest rates also continues to put pressure on certain borrower segments, such as consumer finance and residential real estate.
- This was particularly evident in the level of stage 2 loans and the slight increase in default rates towards the end of 2022. Moreover, the trend has continued into 2023.
- Macroeconomic and geopolitical developments over the coming months will continue to put pressure on asset quality resilience and dictate the likely level of default ahead.

The corporate sector outlook remains uncertain, with a risk of rising defaults

- The ECB cautions that the challenging and uncertain macroeconomic and geopolitical environment, as well as higher financing costs, may continue to impact the business prospects of companies.

Small and medium-sized enterprises (SMEs) remain most vulnerable to an economic slowdown

- SMEs may be particularly vulnerable to a slowdown in economic activity and higher borrowing costs, as they have benefited less from the economic recovery.
- Debt instruments that are more sensitive to rate increases, such as leveraged loans, may also be particularly exposed to a further tightening of financial conditions.

Real estate remains subject to close scrutiny by EU regulators, in anticipation of a possible asset price correction

[10] See ECB (2023e).
[11] See KPMG (2023).

- The ECB also warns that the euro-area property market cycle is turning, as higher interest rates weigh on affordability.
- According to the ECB, the residential real-estate market is entering a correction phase, posing risks to households, particularly if falling prices and rising interest rates make mortgages less affordable. This could impact, in particular, countries where variable-rate mortgages predominate.
- The regulator has also cautioned that the commercial real-estate market may be facing a downturn, with declining valuations and reduced demand in the office and retail segments. The challenges may be particularly pronounced in markets with lower-quality assets and where tenant demand has weakened since the pandemic. While bankruptcies remain low in the sector, structural vulnerabilities are of concern.

The non-bank financial sector faces significant exposure to credit risk and property markets

- The high level of non-bank exposure to credit risk and the property markets also makes these institutions vulnerable to future losses.
- The ECB notes that strengthening regulatory frameworks and addressing liquidity mismatches in funds will be crucial in order to mitigate risks in the wider financial system.

In contrast, consumer confidence remains relatively optimistic

- The ECB Consumer Expectations Survey[12] of April 2023 showed that consumer inflation expectations had decreased significantly and that expectations for economic growth over the next 12 months had become less negative.
- Consumers also expect the price of houses to increase 2.2 per cent over the next 12 months.

Closing the remaining gaps in credit risk and NPL management remain a top priority

Gaps remain when it comes to sound credit risk and NPL management by some EU banks[13]

- Despite finding that banks have solid capital and liquidity positions, the ECB reiterated its concerns over some significant and persistent credit risk deficiencies.
- As part of its 2022 supervisory review and evaluation process (SREP), the ECB uncovered numerous weaknesses that still need to be addressed by banks with regard to NPLs, including issues as regards strategic and operational elements of NPL management, forbearance, classification, coverage and reporting.
- To put this into numbers, nearly one in five of all deficiencies identified in 2022's SREP related to credit risks.
    - Of these, 44 per cent involved shortcomings in banks' credit risk management frameworks.
    - An additional one-third related to non-performing exposures (NPEs), including lower-than-expected coverage and gaps in strategic and operational plans to tackle NPEs and reporting.

[12] See ECB (2023c).
[13] See ECB (2023b).

  - Another 10 per cent related to overall loan classification and provisioning.
  - Given clearly defined ECB supervisory expectations for prudential provisioning for NPLs, in 2022, the ECB imposed a dedicated add-on to Pillar 2 requirements (P2R) for 24 banks specific to inadequacies of provisioning.
- The ECB now expects banks to have a fully detailed understanding of potential pressure points in their lending books and have clear and implementable plans for different credit risk deterioration scenarios and a rise in NPLs for different sub-portfolios and regions.

Improvements are still needed in EU banks' forbearance frameworks[14]

- Over the past year, the ECB has conducted deep dives and in-depth assessments of banks' forbearance processes and methodologies, in line with the expectations set out in the ECB's guidance on NPLs[15] and the EBA's guidelines on managing non-performing and forborne exposures.[16]
- Based on this recent analysis, the ECB has identified recurring areas where banks need to improve, including:
  - more consistent and proactive identification of clients in financial difficulty, based on sound criteria (both quantitative and qualitative) and supported by effective early warning systems
  - ensuring that the most suitable and sustainable forbearance measures are granted, with assessment and approval in line with forbearance policies, supported by a complete forbearance toolkit and a clear decision process, and with affordability assessments performed using projection under different scenarios
  - improving the monitoring process of forbearance measures, both at individual and portfolio level, to act in a timely manner as clients' financial situations deteriorate further.
- The ECB is expected to continue to monitor banks' preparedness for a potential increase in distressed debt and refinancing risk, including by conducting new deep dives into forbearance and broader credit risk reviews.

Many banks still do not adequately capture novel risks such as inflation or geopolitical risk[17]

- This is particularly relevant in the context of the current uncertain environment and the need for banks to identify novel risks (such as energy, supply chains, environmental risks, inflation and geopolitical risks) in a timely way and to cover them with adequate loan loss provisions.
- The ECB conducted an assessment of 51 supervised banks' IFRS 9 provisioning frameworks, concluding that a significant minority of banks do not yet capture novel risks or are not quantifying them robustly.

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[14] See ECB (2023f).
[15] See ECB (2017).
[16] See ECB (2018).
[17] See ECB (2023h).

- A portion of banks are still using legacy IFRS 9 macro-overlay models to capture novel risks. However, IFRS 9 models designed before 2018 fall short of reflecting actual credit risk expectations for novel risks in a rapidly changing environment.
- Banks are advised to design evidence-based approaches to capturing novel risks, quantifying them at a sectoral level and then identifying which groups of clients are affected by each novel risk.
- IFRS 9, therefore, remains a key focus area, for which the ECB is conducting an on-site inspection (OSI) campaign, with particular attention to large companies, SMEs and retail portfolios, as well as commercial real estate.
- The ECB has also announced that it will conduct targeted joint OSIs/internal model investigations for material portfolios in certain vulnerable sectors to assess the adequacy of internal ratings-based (IRB) models, accounting models and credit risk management frameworks.

Strengthening EU bank crisis management

The recent banking-sector turmoil in the United States of America and Switzerland has put EU financial resilience in the spotlight[18]

- The potential threat to banks' capital strength posed by the impact of higher interest rates on bond portfolios dominated the headlines earlier this year.
- While events in the United States of America and Switzerland remained contained, with no significant contagion to EU banks, they had the temporary effect of shaking investor confidence.
- This was a robust reminder of the potential knock-on effects of such events on banking-sector stability, ultimately leading to a tightening of credit standards and additional pressure on borrowers and economies.
- These recent shocks underscored the ECB's conviction that careful oversight of credit risks and adequate management of NPLs are vital to the long-term stability of the EU banking sector.

Banks must be prepared for the "dark side to digitalisation"[19, 20, 21]

- In a recent interview on the current crisis in the banking sector, Andrea Enria, Chair of the Supervisory Board of the ECB, discussed the "dark side to digitalisation".
- Mr Enria observed that depositors' ability to withdraw their money more easily and quickly, or to organise more rapidly thanks to social media, was a key contributing factor in several recent bank failures.
- Many banks, however, still lack the investment, technical staff skills and risk management capabilities to meet the new challenges brought about by the digital age.

[18] See KPMG (2023).
[19] See ECB (2023g).
[20] See ECB (2023j).
[21] See ECB (2023a).

- Mr Enria underscored that effective supervision is needed more than ever.

Reviewing the EU crisis management framework to protect financial stability while avoiding contagion from similar events[22]

- The European Commission published in April 2023 its proposal to adjust and further strengthen the EU's bank crisis management and deposit insurance (CMDI) framework, with a focus on medium-sized and smaller banks.
- The proposed reform aims to facilitate the implementation of strategies for the transfer of a failing bank's business, meaning that the bank's critical functions will be better maintained and, thus, depositors would retain uninterrupted access to their accounts.
- Some of the major changes proposed include extended depositor protection, a unique ranking for all deposits (for example, covered and non-covered deposits, deposit guarantee scheme claims) and authority for the supervisor to revoke a bank's licence based on a failing or likely-to-fail determination.
- The EBA also recently published its final resolvability testing guidelines, which require banks, among other things, to submit a resolvability self-assessment at least every two years. The first self-assessment is expected by year end 2024.[23]

[22] See ECB (2023i).
[23] See ECB (2023d).

III. *Measures implemented in the EU as part of the European Commission's 2020 NPL action plan*

As discussed in previous editions of the *NPL Monitor*, in December 2020, the European Commission published its NPL action plan. It introduced a broad range of policy initiatives to be implemented at the EU level, with a particular focus on developing the bloc's secondary distressed debt market. An NPL advisory panel was created last year[24] to support the European Commission in developing the diverse initiatives set out in the action plan. We discuss some of the latest updates below.

Update on the EBA's NPL transaction data templates[25]

- As a reminder, the EBA was mandated by the EU directive on credit servicers and credit purchasers[26] to draw on its existing (voluntary) NPL transaction data templates, published in 2018, to develop new standardised and mandatory data templates to be used by credit institutions for the provision of information to credit purchasers when selling NPLs.
- After public consultation, the EBA published in December 2022 its final draft Implementing Technical Standards (ITS) on its NPL transaction data templates (EBA/CP/2022/05).[27] The ITS were submitted to the European Commission for adoption.
- The templates have been revised and the data fields further streamlined. There are now 129 data fields, of which 69 are mandatory (compared with 157 data fields previously, of which 133 were mandatory). Different data fields apply, depending on whether the NPL relates to a private individual or corporate borrower and the nature of the loan (secured or not).
- The templates are to be used for loans that have originated on or after 1 July 2018 and that became an NPL after 28 December 2021. When selling or transferring loans that originated between 1 July 2018 and the date of entry into force of the ITS, the templates can be completed with the information already available only (on a "best-efforts" basis).
- The explicit proportionality threshold was dropped (there is no longer a €25,000 threshold). However, the proportionality principle was extended by allowing all data fields to be treated as not mandatory for certain types of transaction (for example, for intra-group, single borrowers, syndicated loans and borrowers domiciled outside the EU). For unsecured loans to natural persons outside the scope of the Consumer Credit Directive (2008/48/EC), all data fields should be treated as non-mandatory.
- One of the main points of industry debate revolves around enforceability, as the ITS do not define any supervisory or enforcement mechanism or sanctions, but rather rely on market discipline.

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[24] Composed of industry experts and observers/contributors from the ECB and EBA. Eric Cloutier, Senior Adviser to the ERBD on NPLs and a Partner at KPMG International, is a member.
[25] See NPL Markets (2022).
[26] See European Union (2021).
[27] See EBA (2022).

- It remains to be seen how these will be adopted and implemented at national level in the EU.

Consultation paper for EBA draft guidelines to assess the knowledge and experience of the management or administrative organ of a NPL credit servicer[28]

- The EBA published in April 2023 a consultation paper on the development of guidelines to assess the knowledge and experience of the management or administrative organ of a credit servicer.
- The consultation runs until 19 July 2023, with the final guidelines expected by the end of 2023 and application from 2024.
- The guidelines will apply to competent authorities and NPL credit servicers (that is, servicers of a creditor's right under a non-performing credit agreement or of the non-performing credit agreement itself).
- The development of these new EBA guidelines is an important step towards the implementation of the requirements of European Commission Directive 2021/2167 on credit servicers and credit purchasers (the European Commission Directive on NPLs).[29]
- This will provide a framework for competent authorities to assess the adequacy of the knowledge and experience of the management or administrative organ of credit servicers, based on their size, nature and complexity.
- The proposed guidelines would introduce clear expectations from credit servicers, including having a documented policy and processes for assessing the knowledge and experience of the management or administrative organ (that is, collective and individual members), the periodicity of assessments, who should conduct them, considerations depending on the nature, scale and complexity of the servicing activities, and the need to have a plan in place to address any identified gaps.
- This is expected to impact servicers differently, as smaller credit servicers may not already have such processes in place. The guidelines, however, refer to proportional application depending to the size and internal organisation of the servicer and the nature, scale and complexity of its activities.

[28] See EBA (2023a).
[29] See European Union (2021).

IV. Recent policy actions in the partner countries of the Vienna Initiative in response to the pandemic, the war on Ukraine and the current macroeconomic environment

As detailed in the EBRD's latest *Regional Economic Prospects* report,[30] the price of gas in Europe increased sharply in 2022 as supplies of pipeline gas from Russia to Europe fell, but eased from its recent peak to pre-war levels from mid-April 2023. As prices of energy and food rose, inflation in the EBRD regions also peaked, at 17.5 per cent in October 2022. As energy prices moderated, inflation started to come down, averaging 14.3 per cent in the EBRD regions in March 2023.

However, preliminary results from the new round of the *Life in Transition Survey*, a representative household survey conducted by the EBRD in partnership with the World Bank across the EBRD regions, suggest that 55 per cent of households in the EBRD regions cannot save and are living from paycheck to paycheck. Moreover, 10 per cent of respondents report running up debts, while 59 per cent of households in the EBRD regions report being unable to cover their basic expenses for more than a month out of savings. In this context, governments in the CESEE region have put in place comprehensive cost-of-living support measures to protect their citizens and businesses from the direct impact of rising prices.

In this section, we summarise recent updates on the coordinated measures implemented by the government or main public institutions in five partner countries of the Vienna Initiative to mitigate the negative impact of the prolonged pandemic and the war on Ukraine on banks' asset quality.

See also Bruegel's dataset on national fiscal responses to the energy crisis for more information on measures implemented.[31]

Albania

Policy actions

- **Monetary policy:**[32] On 23 March 2023, the Bank of Albania increased its base interest rate from 2.75 per cent to 3.00 per cent – the highest rate since 2015 – in response to a rise in inflation driven by the war on Ukraine.

[30] See EBRD (2023).
[31] See Sgaravatti et al. (2023).
[32] See Bank of Albania (2023).

- **Euro liquidity line extension:**[33] The ECB and the Bank of Albania agreed to extend until 15 January 2024 a repo line agreement from 2020, renewed in 2021, which provided the Bank of Albania with a euro liquidity line of €400 million. Although this collateralised credit line has not been used so far, the Bank of Albania considers it to be supportive of the monetary and financial stability of Albania in view of uncertainties in the global economy and financial markets stemming from Russia's ongoing war on Ukraine.

Croatia

Policy actions[34]

- **Monetary policy:** Amid elevated financial stability risks owing to growing consumer price inflation, higher energy prices, an upsurge in residential property prices and mounting geopolitical risk, the Croatian National Bank (CNB) decided to further enhance the resilience of banks in the event of adverse economic and financial scenarios by increasing the countercyclical buffer rate from the current 0.5 per cent (applicable from 31 March 2023) to 1.0 per cent (applicable from 31 December 2023).

- **Measures against rising energy prices:** In March 2023, the Croatian government introduced a fourth package of measures to mitigate and absorb the consequences of rising energy prices for end users worth €1.7 billion (2.4 per cent of GDP). The largest part of the package aims to mitigate the impact of high energy prices (€1.2 billion) and protect against inflation (€169 million), with special supports and incentives worth another €347 million. The price of electricity for households, the public and non-profit sector, and enterprises will remain the same until September 2023, while the price of gas will remain unchanged until March 2024. There will also be a reduced VAT rate of 5 per cent on deliveries of natural gas. The cost of energy subsidies has so far been covered by the state-owned power utility company, which requires a recapitalisation of up to €900 million (1.5 per cent of GDP).

Hungary

Policy actions

- **Suspension of loan payments for private individuals:**[35] In December 2022, the Minister for Economic Development announced that a loan payment freeze in effect since 2020 would come to an end on 1 January 2023. The end of the moratorium was due to a drop in the number of people opting for the scheme. New legislation is expected to be passed to

[33] See Bank of Albania (2022).
[34] Information provided by EBRD staff.
[35] See Eurofound (2020).

ensure that repayments remain at a stable level and for the terms of loans to be extended when borrowers continue their repayments.

- **Price cap on basic food items:**[36] On 1 February 2022, the government capped certain food prices at the level they were at on 15 October 2021. This measure was extended to 31 December 2022 and extended again to 30 April 2023. The government implemented the price caps in response to surging inflation and record weakness of the forint against the euro, with a view to helping struggling families. The price limits pertained to certain basic food items and required retailers to ensure that those items remained in stock.

- **Interest rate caps on lending rates:**[37] The government first introduced an interest-rate cap on eligible variable-rate mortgages in 2021 and later extended it until end June 2023. Eligible mortgages with interest rates due to reprice between November 2021 and end June 2022 were frozen at October 2021 levels for the first half of 2022. The cap was later extended to end June 2023 and its scope broadened to include mortgages with up to a five-year fixed interest-rate period.

Montenegro

Policy actions[38]

- **Covid-19 measures and the war on Ukraine:** On 5 December 2022, the Central Bank of Montenegro updated its "decision on interim measures to mitigate the negative impact of the Covid-19 pandemic and the situation in Ukraine on the financial system of Montenegro". The measures include: (i) no dividend payments until further notice; (ii) mandatory reserve fees halved from 12 per cent to 6 per cent and (iii) credit institutions being allowed to exclude 100 per cent of accumulated unrealised losses incurred after 24 February 2022 from the calculation of Common Equity Tier (CET) 1 capital items when valuing available-for-sale debt instruments issued by central governments in accordance with IFRS 9.[39] The first two measures are valid until further notice, the third until 30 June 2023 (will not be extended).

- **Changes in debtors' default status:** On 26 December 2022, the Central Bank of Montenegro updated Article 197 of the "Decision on Capital Adequacy of Banks" (applicable from 1 April 2023). The new rule has a broader NPL definition (NPLs are now considered to be all exposures of a group of borrowers) and is stricter when it comes to days past due. This could bring about a slight increase in the NPL levels of individual banks.

[36] See Eurofound (2023).
[37] See Lybek (2023).
[38] Information provided by EBRD staff.
[39] The basis for the calculation is the difference between the market value of debt instrument on 24 February 2022 and on the day of the capital calculation.

- **Reduction in excise duties on oil and fuel:** On 29 December 2022, the government amended its original decision to reduce excise duties on oil and fuel by 50 per cent to 15 per cent, valid until 27 February 2023. Since 28 February 2023, no further reduction in excise duties on oil and fuel has been applied.

Serbia

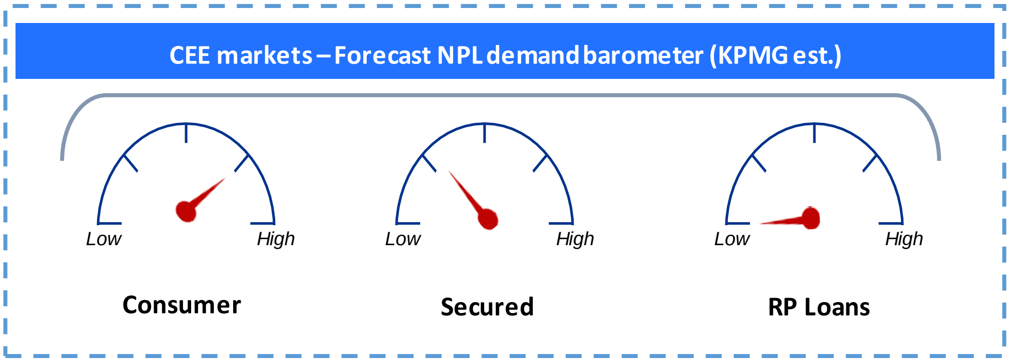
Policy actions[40]

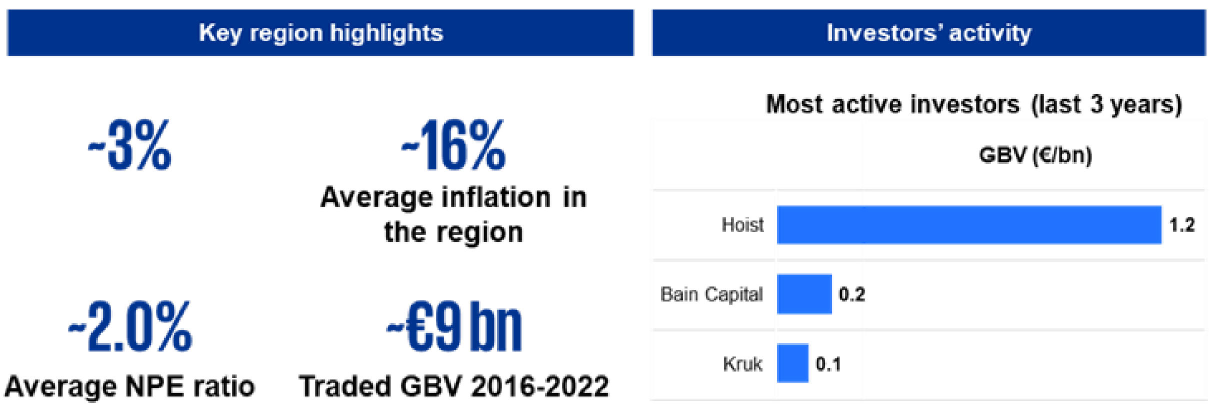
- **Monetary policy**: In response to rising inflation, the National Bank of Serbia (NBS) increased the reference rate more than 10 times in 2022 and 2023 (from 1.0 per cent to 6.0 per cent).
- **Moratorium in the agriculture sector**: In October 2022, as a consequence of food supply shortages and macroeconomic disruptions, the NBS introduced a moratorium on debt facilities taken out by agricultural producers. The measure was valid until 30 April 2023, with the moratorium period ranging from 6 to 12 months.
- **Temporary measure for debt securities**: The disruption to markets caused by the war on Ukraine has created further uncertainties, characterised by widening bond spreads and shrinking securities portfolios. Against this background, the NBS introduced temporary measures for Fair Value through Other Comprehensive Income (FVOCI)-valued debt securities in June 2022. Namely, local banks are not obliged to recognise 70 per cent of losses for FVOCI debt securities as CET 1 deductible for six months until the end of 2022. This deadline has since been extended to the end of 2023.

[40] Information provided by EBRD staff.

V. NPL transactional trends[41, 42, 43]

The number of public loan transactions in the CEE region remained virtually nil in 2022 and the first half of 2023. There have been some private transactions, but they have mostly been small. Investors remain interested in the region, however, and if new portfolios were to come to the market, there is likely to be enough demand to absorb new, larger-scale transactions at the right price.





Source: KPMG

As discussed in previous issues of the *NPL Monitor*, the extensive pandemic-related support measures implemented at EU and national level contributed to the resilience of banks and borrowers. They also allowed households and corporates to enter the current crisis in a position to shoulder some of the additional economic strain.

However, persisting macroeconomic pressures, including high inflation and interest rates, combined with low economic growth prospects for many jurisdictions and a decrease in the value of local currency in some non-eurozone countries, are expected to contribute to additional stress for many asset classes, such as residential real estate, commercial real estate, small and medium-

[41] See EBA (2023b) for the NPE ratio.
[42] See European Commission (2023) for GDP and inflation.
[43] Source of NPL data and analysis: Debtwire, KPMG elaborations.

sized enterprises (SMEs) and companies operating in sectors sensitive to current volatilities. Both supervisors and banks are, therefore, still preparing for a likely increased flow in unlikely-to-pay loans and, ultimately, NPLs.

If such new flows were to materialise later in 2023 and in 2024, transaction momentum would probably pick up, as investor demand in the region still remains. However, there is likely to be a time lag between banks' NPL recognition and the sale of these portfolios. The volume of such potential new flows also remains uncertain because, until now, borrowers' resilience has been much more robust than analysts predicted. The evolution of the macroeconomic and geopolitical environment in the coming months and into 2024 will be a clear determinant of the evolution of NPLs among new transactions in the region.

Some country highlights

- **Romania:** Considering the low NPL ratio and volumes of recent years, the market has shown a moderate level of activity.
- **Hungary:** The volatility in foreign exchange rates and high inflation have not yet led to more NPLs. This is partly due to a previous material reduction of loans in foreign currencies and the fairly stable unemployment rate. Moreover, the high portion of mortgage borrowers on a fixed rate, as well as the low level of mortgages generally, offsets some of the challenges of the current high inflation environment. This was reinforced by the cap on eligible variable-rate mortgages in place until end June 2023.[44]
- **Poland:** The NPL market is moderately active. This is a very mature transaction market, with most deals having as underliers retail and/or very granular portfolios.
- **Serbia:** The NPL ratio has been constantly reducing over the last 10 years and remains mostly concentrated in the household sector, in which NPLs are not permitted to be sold to third-party investors.

[44] See Lybek (2023).

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Annex 1: NPL servicers in the CESEE region

Table 2: List of major NPL servicers in the CESEE region

Servicer	Type of servicer *				Also investor?	Asset class					Country																				Website
	Primary	Special	Recovery agency	Own assets only	Yes / No	Retail	SME	Corporate	Residential real estate	CRE	Albania	Bosnia & Herzegovina	Bulgaria	Czech Republic	Croatia	Cyprus	Estonia	Greece	Hungary	Kosovo	Latvia	Lithuania	Monte negro	North Macedonia	Poland	Romania	Serbia	Slovak Republic	Slovenia	Ukraine	
APS Holding	✓	✓	✓		Yes	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓				✓		✓	✓	✓	✓	✓	✓	https://www.aps-holding.com/
AxFina	✓	✓				✓	✓	✓	✓	✓					✓				✓							✓			✓		https://www.axfina.com/
Best S.A	✓		✓		Yes	✓	✓	✓	✓																✓						https://www.best.com.pl/en/home
B2 Holding	✓	✓	✓		Yes	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓		✓		https://www.b2holding.no/
Cepal	✓	✓	✓		No	✓	✓			✓								✓													https://www.cepal.gr/?lang=en
CreditExpress			✓		No	✓									✓										✓	✓	✓			✓	https://www.creditexpress.com/
Coface			✓		No	✓					✓		✓	✓	✓				✓						✓	✓	✓	✓	✓		https://www.coface.com/
Delfi					No											✓															https://delficorp.com/
doValue Greece	✓	✓	✓		Yes	✓	✓			✓								✓													https://www.dovaluegreece.gr/en/services
EOS Group	✓	✓	✓		Yes	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓	✓			✓	✓	✓	✓	✓	✓	✓		https://eos-solutions.com/
Hoist Finance				✓	Yes	✓	✓											✓							✓	✓					https://www.hoistfinance.com/
Intrum	✓	✓	✓		Yes	✓	✓	✓	✓					✓			✓	✓	✓		✓	✓			✓	✓		✓			https://www.intrum.com/
Kredyt Inkaso	✓	✓	✓	✓	Yes	✓	✓	✓	✓	✓			✓		✓										✓	✓					https://www.kredytinkaso.pl/
Kruk	✓	✓	✓		Yes	✓	✓	✓	✓	✓				✓											✓	✓		✓			https://en.kruk.eu/
Lexus EGF			✓		No	✓		✓		✓															✓						https://www.egf.pl/index.php?id=5
Mount Street	✓	✓	✓		No		✓	✓		✓								✓													https://mountstreet.com/
Pepper	✓	✓			No											✓															https://www.peppercyprus.com/
Pillarstone	✓	✓	✓		Yes		✓	✓		✓						✓		✓													https://www.pillarstone.com/en/
PraGroup		✓	✓		Yes	✓	✓																		✓						https://pragroup.co.uk/
Resolute		✓	✓		No	✓	✓	✓	✓	✓			✓			✓		✓	✓							✓					https://www.resoluteassetmanagement.com/
QQuant Master Servicer	✓	✓	✓		No													✓													https://www.qquant.gr/en/home/
Tagor Asset Management		✓	✓		Yes			✓		✓																✓					https://www.tagor.ro/

Source: KPMG and EBRD

NPL Servicers * Primary servicers: monitor and manage loans
* Special servicers: try and restructure the loan and work with the 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

Annex 2: Summary of recent decisions by Vienna Initiative stakeholders and EU regulators[45]

Table 3: Measures related to Covid-19 and the war on Ukraine implemented by EU regulators since the H2 2022 edition of *NPL Monitor*

Date	Authority	Measure	Source
4/5/2023	ECB	The ECB raised its three key interest rates by 25 basis points. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility were increased to 3.75 per cent, 4.00 per cent and 3.25 per cent, respectively, with effect from 10 May 2023. The Governing Council said its future decisions would ensure that the policy rates were brought to levels sufficiently restrictive to achieve a timely return of inflation to the 2 per cent medium-term target and were kept at those levels for as long as necessary.	Source
2/5/2023	EC	The European Commission adopted exceptional and temporary preventive measures on imports of a limited number of products from Ukraine under the exceptional safeguard of the Autonomous Trade Measures Regulation. These measures are necessary given the exceptional circumstances of serious logistical bottlenecks experienced in five member states. The measures concern only four agricultural products – wheat, maize, rapeseed and sunflower seed – originating in Ukraine. They aim to alleviate logistical bottlenecks concerning these products in Bulgaria, Hungary, Poland, Romania and the Slovak Republic. The measures will enter into force on 2 May and will last until 5 June 2023.	Source
13/4/2023	EC	The European Commission approved a €1 billion (approximately HUF 379 billion) Hungarian scheme to support companies facing increased energy costs in the context of Russia's war on Ukraine. The scheme consists of aid for additional costs due to exceptional energy price increases and will take the form of loans and guarantees. The measure will be open to companies of all sizes and sectors, with the exception of the financial sector and sectors that are considered to be potentially harmful to the environment.	Source
16/3/2023	ECB	The ECB raised its three key interest rates by 50 basis points, in line with its determination to ensure the timely return of inflation to the 2 per cent medium-term target. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility were increased to 3.50 per cent, 3.75 per cent and 3.00 per cent, respectively, with effect from 22 March 2023.	Source
16/3/2023	EC	The European Commission approved a €650 million Slovenian scheme to support companies facing increased energy costs in the context of Russia's war on Ukraine. The scheme consists of two measures: (i) limited amounts of aid; and (ii) aid for additional costs due to exceptional natural gas and electricity price increases. Under both measures, the aid will take the form of direct grants. The measure will be open to companies of all sizes and sectors, with the exception of financial and insurance companies.	Source
23/2/2023	EC	The European Commission announced the selection results of the MSCA4Ukraine initiative, which supports displaced researchers from Ukraine. Thirteen doctoral candidates and 111 post-doctoral researchers from Ukraine will be able to continue their work in EU member states and countries associated with Horizon Europe. Launched in September 2022, the MSCA4Ukraine scheme is part of the EU's response to Russia's invasion of Ukraine and the need for action to support researchers from Ukraine and enable them to continue their work in the EU, helping to safeguard Ukraine's research and innovation system, and the freedom of scientific research at large. Selected researchers will be hosted by academic and non-academic organisations in 21 countries, with most of them based in Germany, the Czech Republic and France. They will work on top-tier projects spanning all scientific disciplines. The duration of fellowships awarded ranges was from eight months to two years, with most applicants awarded two-year fellowships.	Source
4/2/2023	EC	The European Union – together with the international G7+ Price Cap Coalition – adopted further price caps for seaborne Russian petroleum products (such as diesel and fuel oil). This decision will hit Russia's revenues even harder and reduce its ability to wage war on Ukraine. It will also help stabilise global energy markets, benefiting countries around the world. It comes on top of the price cap for crude oil in force since December 2022 and will complement the EU's full ban on importing seaborne crude oil and petroleum products into the European Union.	Source

[45] Unless otherwise specified, sources are the websites of the respective institutions.

Date	Authority	Measure	Source
2/2/2023	ECB	The ECB raised its three key interest rates by 50 basis points and expects to raise them further. In view of the underlying inflation pressures, the Governing Council said it intended to raise interest rates by another 50 basis points at its next monetary policy meeting in March and would then evaluate the subsequent path of its monetary policy. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility were increased to 3.00 per cent, 3.25 per cent and 2.50 per cent respectively, with effect from 8 February 2023.	Source
31/1/2023	EC	The European Commission approved a €600 million Slovak scheme to support its economy in the context of Russia's war against Ukraine. Under this measure, the aid will take the form of direct grants to support companies affected by the severe increases in natural gas and electricity prices. The measure will be open to all sectors except the financial sector. The Commission found that the Slovak scheme was in line with the conditions set out in the Temporary Crisis Framework. In particular, the individual aid amount will not exceed 50 per cent of the eligible costs or the maximum aid ceiling of €4 million. For beneficiaries qualifying as energy-intensive businesses, the overall aid per beneficiary will not exceed 80 per cent of the eligible costs or the maximum aid ceiling of €150 million. In addition, the aid will be granted no later than 31 December 2023.	Source
26/1/2023	EC	The European Commission approved, under EU State aid rules, a €21 million (PLN 100 million) Polish scheme to compensate companies active in the tourism sector for damages suffered as result of the restrictive measures adopted by Poland in response to the instrumentalisation of migrants by the Belarusian authorities at the EU's external border. Under the scheme, the aid will take the form of direct grants. The scheme will be open to companies in the tourism sector active in the restricted area, including hotels, restaurants and tour operators. In order to qualify for the aid, beneficiaries must show that their sales decreased by at least 25 per cent compared with achieved between September 2018 and June 2019. The compensation will cover a fraction of the beneficiary's costs (that is, all costs minus depreciation and amortisation) corresponding to its loss of turnover. The aid will be capped at 65 per cent of the beneficiary's average monthly profit calculated over the three months preceding the prohibition for tourists.	Source
22/12/2022	EC	The European Commission approved a €3 billion Polish scheme to support companies active in the Polish gas market in the context of Russia's war against Ukraine. The measure will be open to small and medium-sized enterprises (SMEs) and large companies active on the Polish gas market, specifically sellers of last resort and entities legally obliged to sell natural gas on the gas exchange market. Credit institutions or other financial institutions are excluded from the scheme. Under this measure, the aid will take the form of subsidised loans. The support will be granted and administered by Bank Gospodarstwa Krajowego (BGK), the Polish national promotional bank.	Source
20/12/2022	EC	The European Commission has approved a €1.1 billion (PLN 5.1 billion) Polish scheme to support particularly affected energy-intensive companies in the context of Russia's war on Ukraine. Under the measure, which will be administered by the Ministry of Development and Technology, the aid will take the form of direct grants. The measure will be open to SMEs and large companies that qualify as energy-intensive businesses and that are active in particularly affected sectors and sub-sectors listed in Annex 1 of the Temporary Crisis Framework. Credit and financial institutions will be excluded from the measure.	Source
16/12/2022	EC	The European Commission and the Government of Ukraine signed a €100 million support package for the reconstruction and rehabilitation of schooling facilities damaged in Russia's full-scale war of aggression against the country. Support will reach Ukraine through the EU's humanitarian partners and partly as budget support to the Government of Ukraine. The European Commission has allocated around €14 million from an ongoing contract with the Polish Development Bank (BGK) to purchase school buses and bring Ukrainian children safely to school. The Commission has also launched an EU-wide solidarity campaign to donate school buses for Ukraine, channelled through the EU Civil Protection Mechanism. Overall, around 240 buses are now on the way from the EU and its member states. More are coming.	Source
15/12/2022	ECB	The ECB extended its temporary swap line with Poland, as well as its temporary repo lines with the central banks of Albania, Andorra, Hungary, North Macedonia, Romania and San Marino. The size and operational parameters of the individual agreements will remain unchanged. The swap and repo lines were due to expire on 15 January 2023 and have now been extended until 15 January 2024. In the context of the persistent uncertainty stemming from Russia’s ongoing war in Ukraine and the associated economic and financial repercussions on the global economy and financial markets, the lines are designed to prevent spillover effects in euro-area financial markets and economies and safeguard the smooth transmission of the ECB’s monetary policy.	Source
15/12/2022	ECB	The ECB raised its three key interest rates by 50 basis points and, based on the substantial upward revision to the inflation outlook, said it expects to raise them further. In particular, the Governing Council judged that interest rates would still have to rise significantly at a	Source

Date	Authority	Measure	Source
		steady pace to reach levels that were sufficiently restrictive to ensure a timely return of inflation to the 2 per cent medium-term target. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility were increased to 2.50 per cent, 2.75 per cent and 2.00 per cent, respectively, with effect from 21 December 2022.	

Table 4: Measures related to Covid-19 and the war on Ukraine from stakeholders of the NPL Initiative since the H2 2022 edition of *NPL Monitor*

Date	Authority	Measure	Source
2/6/2023	EIB	The European Investment Bank (EIB) and JSC Ukrainian Railways (Ukrzaliznytsia) signed an EU grant agreement in Kyiv worth €6.7 million to back the company's activities during Russia's full-scale war against Ukraine. The EU grant will cover the most urgent needs of Ukraine's only railway company, which is keeping the country's economy and people moving amid a brutal second year of war. Since the start of the Russian invasion, Ukrzaliznytsia has played a pivotal role in providing transport services and evacuating people from the regions most affected by Russian attacks. It has become the main avenue for transporting refugees, humanitarian aid, diplomatic delegations and food shipments.	Source
1/6/2023	EIB	The European Investment Bank (EIB) signed an EU grant agreement for over €50 million with the State Agency for Restoration and Infrastructure Development of Ukraine in Kyiv. The funds will support the agency in the emergency acquisition of temporary bridges to improve mobility, helping the country surmount obstacles caused by Russian attacks by connecting the Ukrainian population with the aid and services they need. Much transport infrastructure has been destroyed since Russia began its war on Ukraine, isolating millions of people from the rest of the country and cutting them off from medical care, humanitarian aid, food and medical supplies. To serve the agency's priority of building temporary bridges, the EIB will provide Ukraine with the EU grant funds available under the Neighbourhood Investment Platform, originally granted to enhance the country's transport networks.	Source
27/4/2023	EBRD	The EBRD approved a zloty loan in the equivalent of €50 million to the Polish subsidiaries of NREP Nordic Strategies Fund IV to finance two residential rental projects in Warsaw. The new residential units will help tackle Poland's chronic shortage of rental accommodation – something that is in even shorter supply since the arrival of 1.5 million Ukrainians fleeing the Russian invasion. The project was approved under the EBRD's Resilience and Livelihoods Framework (RLF) to help Ukraine and other countries affected by the Russian invasion and is the second such residential project in Poland.	Source
18/4/2023	EBRD	The EBRD approved a loan of €42 million to Cersanit SA, a leading Polish ceramic tile and bathroom equipment manufacturer with a large operation in Ukraine, which is expected to play an important role in the reconstruction of infrastructure damaged by war.	Source
31/3/2023	IMF	The International Monetary Fund (IMF) approved a 48-month extended arrangement under the Extended Fund Facility (EFF) with an SDR amount of US$11.6 billion (about US$ 15.6 billion). This arrangement is part of a US$ 115 billion total support package for Ukraine. The Executive Board's decision allows the immediate disbursement of around SDR 2 billion (or US$ 2.7 billion). The overarching goals of the authorities' programme are to sustain economic and financial stability at a time of exceptionally high uncertainty, restore debt sustainability on a forward-looking basis in both a baseline and downside scenario, and promote reforms that support Ukraine's recovery on the path towards EU accession in the post-war period.	Source
12/4/2023	WB	The World Bank announced UIS$ 200 million in grant financing for a project to repair Ukraine's energy infrastructure. The funds for this project are being provided by the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund, with additional funding of up to US$ 300 million envisaged from partners through grants and other contributions as the project expands in scope. The Restoration Project of Winterization and Energy Resources will support emergency repairs to the electricity transmission and heating infrastructure by urgently procuring critical equipment. Emergency electricity equipment includes autotransformers, transmission transformers, switchgears and circuit breakers, relay protection devices and other equipment.	Source
24/2/2023	WB	The World Bank announced US$ 2.5 billion in additional grant financing for Ukraine. The grant provides direct support to Ukraine's budget under the World Bank's Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) Project, to maintain essential services and core government functions amid the ongoing war. The funds, provided by the United States Agency for International Development (USAID), will be transmitted to the Government of Ukraine after appropriate verification of eligible expenditures are made by the World Bank. This additional financing package to the PEACE project builds on previous grants and will support key sectors, including health care, schools, payment of pensions, payments for internally displaced people, social assistance programmes, and wages for employees providing core government services.	Source
10/2/2023	WB	The World Bank announced a new US$ 50 million project to repair and restore Ukraine's transport network to support immediate humanitarian relief and recovery and increase the capacity of import and export corridors. The grant financing for this project is being provided by the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF), with additional follow-on funding of up to US$ 535 million envisaged shortly. This is the second scalable World Bank-supported emergency operation approved within two months that mobilises partner resources through an innovative framework. The first one was approved in December and focuses on repairing health infrastructure and health services.	Source
6/2/2023	EIB	The EIB announced a €200 million loan to the Czech Republic to help the country host war refugees from Ukraine. The loan agreement signed with the Ministry of Finance will enable the	Source

		Czech government to cover urgent, mainly healthcare-related expenses, focusing on ongoing issues connected to health insurance for displaced people from Ukraine, as well as other areas related to the most urgent needs of Ukrainian refugees. The loan will help the Czech Republic to provide for the basic needs of around 480,000 Ukrainian war refugees who have fled to the country since Russia launched its invasion on 24 February 2022, and to provide vital support for the Czech healthcare system by covering the acute needs of the Ukrainian citizens it insures.	
30/12/2022	EBRD	The EBRD approved lending of €25 million to help the city of Lviv in western Ukraine adapt to hosting large numbers of internally displaced people as a result of Russia's war on Ukraine. The United States of America will provide credit support to cover half the risk of the loan. The EBRD loan will provide liquidity support for both the city government and key municipal companies – including the transport company Lvivelectrotrans, the road construction, maintenance and traffic-management enterprise Lvivavtodor, the water operator Lvivvodokanal, the district heating company Lvivteploenergo and the waste management operator Zelene Misto.	Source

Annex 3: Regional Economic Prospects in the EBRD regions[46]

According to the EBRD's latest *Regional Economic Prospects* report of May 2023, growth in the EBRD regions slowed to 3.3 per cent in 2022 from 7.2 per cent in 2021, as the war on Ukraine took its toll and the post-Covid recovery largely ran out of steam. However, outcomes were better than previously expected.

The price of gas in Europe increased sharply in 2022 as supplies of pipeline gas from Russia to Europe fell, but had eased from its recent peak to pre-war levels as of mid-April 2023. Nonetheless, gas prices in Europe still exceed the US price by a factor of six and markets expect some of this differential to persist, with a further pick-up in prices in the coming winter.

As prices of energy and food rose, inflation in the EBRD regions peaked in October 2022, at 17.5 per cent. Most central banks in the EBRD regions tightened policy rates in response to inflationary pressures. Some monetary authorities, including in Moldova, Tajikistan and Türkiye, started to reduce policy rates as inflation peaked and the growth outlook weakened.

At the same time, the banking liquidity jitters that followed the collapse of Silicon Valley Bank on 10 March 2023 and the merger of Credit Suisse and UBS have had a limited impact on the EBRD regions. While NPL ratios in the region continued to decline, bankruptcies started to pick up at the end of 2022, albeit from historically low levels.

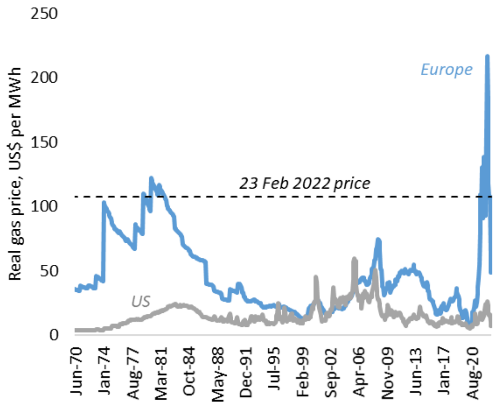
Table 5: Gross domestic product (GDP) growth in real terms

GDP growth in real terms							
	Actual			Forecast (May'23)		Revision since Feb'23	
	2020	2021	2022	2023	2024	2023	2024
EBRD Regions	**-2.2**	**7.2**	**3.3**	**2.2**	**3.4**	**-0.1**	**0.1**
Central Europe and the Baltic states	**-3.3**	**6.3**	**4.0**	**0.5**	**2.9**	**-0.1**	**0.2**
Croatia	-8.6	13.1	6.3	1.5	2.3	0.0	0.0
Czech Republic	-5.5	3.6	2.5	-0.1	2.9	-0.3	0.7
Estonia	-0.6	8.0	-1.3	-1.3	2.8	-1.5	0.3
Hungary	-4.5	7.2	4.6	0.4	3.5	0.6	1.0
Latvia	-2.3	4.3	2.8	0.0	2.5	0.2	0.5
Lithuania	0.0	6.0	1.9	0.0	2.0	0.0	0.3
Poland	-2.0	6.9	5.1	0.6	3.0	-0.4	0.0
Slovak Republic	-3.4	3.0	1.7	1.4	3.0	0.9	-0.4
Slovenia	-4.3	8.2	5.4	1.5	2.3	0.5	0.0
Ukraine	-3.8	3.4	-29.1	1.0	3.0	0.0	0.0
South-eastern EU	**-5.6**	**7.0**	**4.9**	**2.3**	**3.0**	**0.8**	**-0.1**
Bulgaria	-4.0	7.6	3.4	1.3	2.9	0.3	0.3
Greece	-9.0	8.4	5.9	2.4	2.3	0.9	-0.7
Romania	-3.7	5.8	4.7	2.5	3.5	0.8	0.2
Western Balkans	**-2.9**	**7.8**	**3.1**	**2.2**	**3.4**	**0.0**	**0.0**
Albania	-3.3	8.9	4.8	2.5	3.3	0.0	0.0
Bosnia and Herzegovina	-3.1	7.5	3.9	2.0	3.0	0.0	0.0
Kosovo	-5.3	10.7	3.5	3.5	4.0	0.5	0.0
Montenegro	-15.3	13.0	6.1	3.3	3.7	0.0	0.0
North Macedonia	-4.7	3.9	2.1	2.0	3.0	0.0	0.0
Serbia	-0.9	7.5	2.3	2.0	3.5	0.0	0.0

Source: National authorities and EBRD

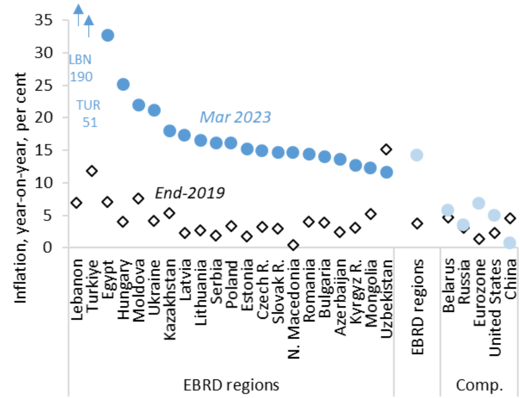
[46] See EBRD (2023).

Chart 4: Gas prices in Europe have eased from their recent peaks



Source: IMF, World Bank via CEIC and authors' calculations

Chart 5: Inflation in double digits in over three-quarters of economies in the EBRD regions



Source: National authorities via CEIC and authors' calculations

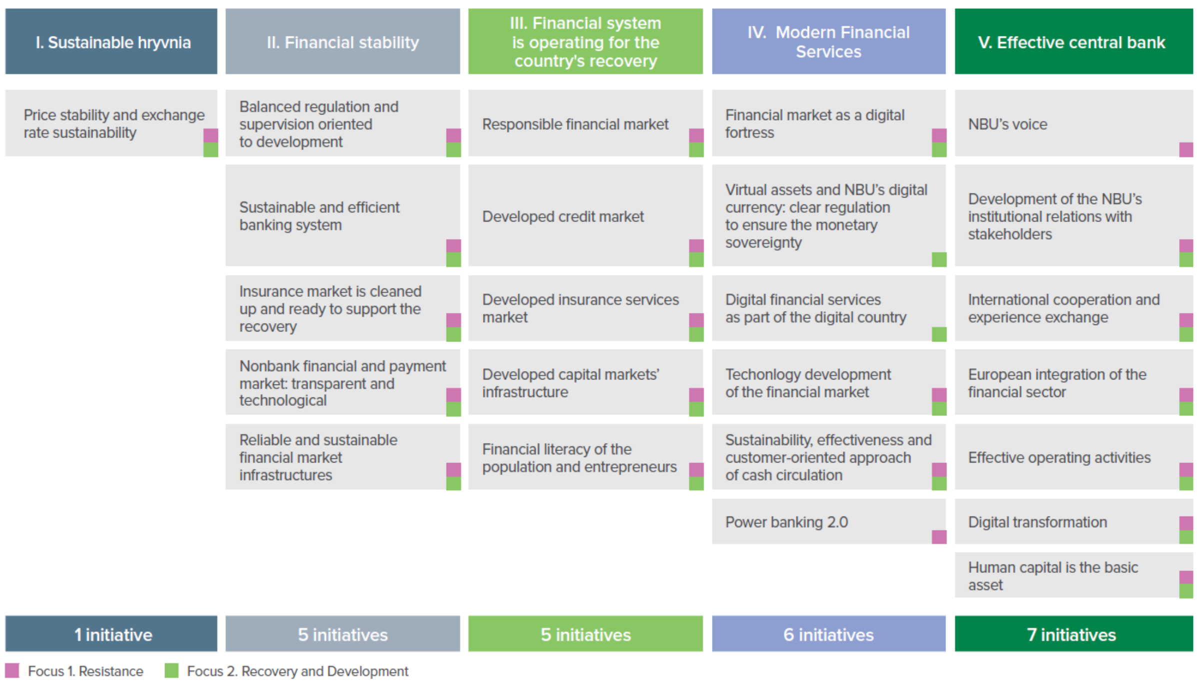
- **EU economies**: In the EU economies where the EBRD invests, the impressive post-Covid recovery has slowed. Elevated inflation has hit households' disposable income and consumption sharply, whereas savings accumulated during lockdowns have allowed private consumption to remain afloat. Increased interest rates in response to high inflation and the resulting tighter financial conditions have hampered private investment. While headline inflation, measured year on year, has declined in line with lower energy prices, core inflation has remained high, sapping consumer spending power, especially in Hungary, where headline HICP inflation has remained above 25 per cent since December 2022 and the core inflation rate exceeded 17 per cent in March 2023.

  Output in central Europe and the Baltic states is expected to grow by a modest 0.5 per cent in 2023, revised down from February on slower-than-expected growth in advanced economies and persistent (in particular, core) inflation. While the region proved resilient in 2022, the post-Covid recovery has largely run out of steam and growth has recently turned negative in quarter-on-quarter terms. Growth forecasts for 2023 have been revised up for the south-eastern EU economies, supported by the prospect of eurozone accession boosting investor confidence in Bulgaria, higher public investment in Romania and the carry-over effect of stronger outturns in Greece in the last quarter of 2022.

- **Western Balkans**: The Western Balkans economies fared better than expected in 2022 as a strong beginning of the year partially offset a slowdown in the second half of the year. Household consumption proved resilient to rising inflation, as governments implemented sizeable fiscal packages to protect citizens' living standards and robust external demand boosted exports and tourism revenues. Global monetary policy tightening is restricting the space for external market financing, raising the need for fiscal vigilance. North Macedonia and Serbia have managed a successful return to external markets recently and both countries initiated programmes with the IMF, while Kosovo reached a staff-level agreement with the IMF in April 2023. Growth is expected to pick up moderately in 2024 as downside risks subside and the global outlook turns more favourable.

Annex 4: National Bank of Ukraine publishes its 2025 strategy[47]

On 22 May 2023, the National Bank of Ukraine published its strategy for 2025.[48] The strategy looks at the current political, economic and social contexts, in particular explaining that Russia's war on Ukraine has inflicted great losses on the economic potential, citizens and businesses of Ukraine. Entire sectors and regions that used to be important for generating Ukrainian exports have been destroyed or blockaded. A decline in the country's population is undermining the post-war recovery. Ukraine's budget remains heavily dependent on international financial assistance. The strategy focuses on the resistance and recovery of the financial system and the economy in general. It sets five strategic goals that will serve as guidance for the National Bank of Ukraine in the coming years:



Source: National Bank of Ukraine Strategy 2025, page 14.

As a part of its financial stability goal, the strategy highlights the need to **develop and implement a strategy of work as regards NPLs**. As previously shared by the National Bank of Ukraine, banks will be required to update their NPL reduction strategies once martial law has been lifted.[49] It is essential to ensure that new tools for NPL resolution are available by that time. Other financial stability measures with a view to ensuring a sustainable and efficient banking system include assessing banks' resilience, controlling compliance with capital increase/restructuring plans, a resumption of prudential requirements and the cancellation of temporary restrictions, enhancing the efficiency of corporate governance, the implementation of European prudential requirements and the implementation of the Bank Recovery and Resolution Directive.[50]

[47] Prepared by the EBRD Legal Transition Team – Kateryna Yashchenko (associate counsel).
[48] See National Bank of Ukraine (2023).
[49] The NPL ratio in Ukraine was 38 per cent at the beginning of 2023: https://bank.gov.ua/en/stability/npl.
[50] See European Union (2014).

Annex 5: Definitions

- **NPL volume (or gross NPLs):**
  - NPLs are defined and reported differently from country to country as there is no international standard. For countries reporting FSIs to the IMF, the FSI Compilation Guide recommends reporting NPLs when: (i) payments of principal and interest are past due by 90 days or more; or (ii) interest payments equal to 90 days' interest or more have been capitalised, refinanced or rolled over; and (iii) loans are less than 90 days past due, but recognised as non-performing under national supervisory guidance.
  - European national supervisory authorities tend to use 90 days past due as a quantitative threshold, alongside 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 No. 680/2014, which sets out the technical standards submitted by the EBA).
  - While most NPL data in this report are sourced from the IMF FSI, NPL data for Serbia come directly from its central bank (from, for example, its financial stability reports, banking reports, macroeconomic reports and statistical databases). Serbia uses a definition in line with that of the IMF. Montenegro defines NPLs as loans that are more than 90 days past due, without interest, prepayments and accruals.
- **NPL ratio:** NPL volume divided by the total gross value of the loan portfolio (including gross NPLs 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, before the deduction of specific loan-loss provisions).
- **Net NPL/capital:** Net NPLs divided by capital. Capital is measured as capital plus reserves; 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 summarise below the key indicators used in the analysis, as detailed by central banks when reporting to the IMF (or, in the case of Serbia, as published directly). While most countries report to the IMF, they do not always report the same data. For example, some countries include loans to deposit-takers when calculating the total gross loan portfolio, while some exclude such loans (increasing their NPL ratio). Other specificities listed below may also create a slight upward or downward bias in the results. However, despite some discrepancies, the definitions and data used in this monitor are consistent overall between countries and can be relied on for comparability purposes.

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
1	**Albania**	- 90 days past due for the instalment loans. - 60 days past due for limit loans (excluding overdrafts).	Book value of principal plus accrued interest. The accrued interest for non-	Specific provisions for NPLs are accounted for. Only financial collateral is taken into	

		- 60 days over limit usage for limit loans. A borrower's financial situation and inflows are assessed as insufficient to regularly meet the default liabilities; or the bank does not possess the complete required or updated information needed to fully assess their financial condition.	performing loans, after becoming non-performing, is not counted.	consideration for loan provisioning.
2	**Bosnia and Herzegovina**	Until Q4 2010, NPLs consisted of C (substandard, 90 days) and D category loans. E category loans are part of non-performing loans beginning from Q4 2011.		From Q4 2009, FSIs used non-performing loans net of provisions to Tier 1.
3	**Bulgaria**	Until 2014, NPLs were the risk exposures where principal or interest payments had been past-due over 90 days. Since 2015, the definitions and the scope of the NPLs have been in line with 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 EBA standards. The source of the data is the FinRep reporting template (F18, rows 70 and 250, column 10), which covers 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 the Bulgarian National Bank. Compliance is enforced via off-site surveillance and on-site inspections.
4	**Croatia**	NPLs are all gross loans (to all sectors) not classified as performing (90 days overdue). However, a loan can be considered a "pass" even if it is 90 days overdue if it is well covered with collateral and if the process of foreclosure has started.		Provisions refer to NPLs.
5	**Cyprus**	In 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 came into force. Non-performing exposures are those that satisfy either or both of the following criteria: (i) material exposures which are more than 90 days past due; (ii) the debtor is assessed as unlikely to pay their 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 to be non-performing.	This excludes non-current assets (or disposal groups) classified as held for sale.	
7	**Estonia**	Deposit-takers usually carry out loan reviews monthly, depending on the needs of any given credit institution. Collateral and guarantees are not taken into consideration. Restructured loans are treated as performing loans. There is no credit register in Estonia, but there is a register containing information on bad loans and problematic debtors. If there is a problem with a loan granted by bank "A" and that debtor has also taken a loan from bank "B" and that loan "works well", bank "B" does not need to make any provisions or downgrade the loan.		
8	**Greece**	In accordance with EBA ITS on supervisory reporting, non-performing loans will comprise the exposures defined under Commission Regulation 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 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**	Loans that are overdue by 90 days are classified as NPLs.	These are 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**	NPLs are considered to be those whose term due for the accrued income payment is overdue for a period of more than 90 days.	According to the EBA guidance note on compiling the IMF FSIs for deposit-takers using the ITS on supervisory reporting (June 2018 edition).	Provisions are the total number of provisions (general and specific) for the total loan portfolio of the credit institutions.
12	**Lithuania**	NPLs are the sum of impaired loans and advances and non-impaired loans and advances that are past due by 60 days or more. In their accounting policies, banks specify the individual provisions and conditions under which interest on non-performing assets is not accrued. This includes interest accrued on some NPLs. It also includes some financial assets besides loans, for example, deposits and funds held in other banks and credit institutions.	This includes interest accrued on some NPLs. In their accounting policies, banks specify the individual provisions and conditions under which interests on non-performing assets are not accrued.	

13	**Montenegro**	NPLs include only principal, excluding interest due, as well as accrued interest and fees. Loans are defined as non-performing using the 90-days past due criterion, or if there is a high probability of incurring losses due to clearly disclosed weaknesses jeopardising their repayment. According to the central bank's Decision on Minimum Standards for Credit Risk Management in Banks (Official Gazette of MNE, no. 22/12, 55/12, 57/13, 44/17, 82/17), loans are classified into five categories (A, B, C, D, E) depending on the probability of incurring losses. Loans that fall into categories C, D and E are considered to be non-performing. A loan that is more than 90 days past due may not be classified in a higher classification category than C. Indeed, banks may determine a loan to be non-performing if they have evidence suggesting the inability of the borrower to repay the debt.		Provisions refer to value adjustments per IAS 39 / IFRS 9, as they are allocated by banks' own criteria. Apart from value adjustments, which are balance-sheet data, there are also regulatory provisions, which are not balance-sheet data. They are calculated by central bank-prescribed criteria and serve as a prudential filter. Namely, if regulatory provisions are higher than value adjustments for a particular loan, the difference essentially leads to a deduction from the bank's core capital.	
14	**North Macedonia**	Non-performing credit exposure is defined as: - credit exposure which on any basis (principal, interest, other non-interest claims) has not been collected in a period longer than 90 days from the maturity date, while the uncollected amount that is due for a period longer than 90 days is greater than: MKD 1,000 (for credit exposures to natural persons), MKD 3,000 (for credit exposures to small companies) or MKD 10,000 (for credit exposures to other legal entities). - credit exposure for which it has been determined that the client will not be able to meet his/her liabilities to the bank, regardless of whether collateral has been established and regardless of the amount that has not been collected or the number of days of delay (unlikeness to pay). The bank shall assess whether there is unlikeliness to pay by the client, at least on the basis of the following data and information: - blocked account of the client - deteriorating risk category at the banking-system level - deteriorating financial position of the client - client's work permit revoked by the competent body - sale of another credit exposure from the client with a significant loss - extension of grace period for the payment of principal and interest longer than 18 months - a write-off that significantly reduces the amount of credit exposure. All of a bank's credit exposures to one client legal entity should be treated as non-performing credit exposures if the bank's own balance-sheet credit exposure that is past-due for more than 90 days exceeds 20 per cent of the total balance-sheet credit exposure of the bank to that client. Amid the Covid-19 pandemic, amendments to the decision on the methodology for credit risk management were introduced (in March and April 2020). These amendments allowed for a temporary change in the definition of an NPL. The threshold of 90 days past due was increased to 150 days past due for all clients with a performing status before the pandemic (before the entrance into force of the amendments). Moreover, banks were not obliged to apply provisions for determining clients' unlikeliness to pay, nor the provision according to which all of the bank's credit exposures to one client-legal entity should be treated as non-performing credit exposures if the bank's on-balance-sheet credit exposure past due for more than 90 days exceeded 20 per cent of the bank's total balance-sheet credit exposure to that client. Banks could use these exceptions until 30 September 2020 for credit exposures that were determined to be performing (classified in the A, B or C risk category) as of 29 February 2020, or were approved (as performing credit exposures classified in the A or B risk category) in the period from 1 March to 30 September 2020. However, in order to adequately address the possible risks, banks were required to fully adjust to the existing "regular" criteria for determining non-performing credit exposures	This includes loans to the financial and non-financial sectors.	Provisions include provisions for non-performing and performing loans.	Definitions of gross loans and provisions (or net NPLs) are published based on the IMF FSI compilation guide. The central bank also calculates and publishes on its website loans and NPLs in the non-financial sector only and net-NPLs netted by loan-loss provision against NPLs only.

		(90 days and unlikeliness to pay) no later than 31 December 2020.			
15	**Poland**	This excludes repurchase agreements that are not classified as deposits. It includes some other financial assets besides loans: data represent total receivables, such as originated loans, purchased receivables and guarantees that are being exercised. It excludes loans to the central bank. Deposit-takers in distress or in receivership are not included.	This excludes repurchase agreements that are not classified as deposits. It includes some other financial assets besides loans: data represent total receivables, such as originated loans, purchased receivables and guarantees that are being exercised. It excludes loans to the central bank.	From the Q1 2010, data include all receivables excluding the central bank. Banks that follow Polish Accounting Standards decrease the carrying value of all loans except those classified in the loss category by proportional share of general provisions, as well as by impairment provisions.	
16	**Romania**	From June 2014, NPLs were based on reports from all banks for Romanian legal persons for which loans meet the non-performance criteria (overdue for more than 90 days and/or in which case legal proceedings were initiated). Since December 2015, NPLs have been based on a definition by the EBA: the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances.	These exclude loans to deposit-takers. Deposit-takers in distress or receivership are not included.	From June 2014 to December 2015, International Financial Reporting Standards impairment losses (provisions) for NPLs determined (based on reports from all banks) were subtracted from NPLs. Since December 2015, NPLs net of provisions have been compiled as the gross carrying amount of NPLs and advances minus the accumulated impairment of NPLs 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 deemed the borrower's repayment ability to have 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; Quarterly banking report statistical annex; Annual Financial Stability Report.
18	**Slovak Republic**	Deposit-takers use not only quantitative criteria (in other words, the 90-days-past-due criterion) but also their own judgement 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**	This includes all financial assets at amortised cost (not just loans) and some non-loan assets (tax assets, non-current assets and disposal groups classified as held for sale, and so on).	This includes all financial assets at amortised cost (not just loans) and some non-loan assets (tax assets, non-current assets and disposal groups classified as held for sale, for example).	All financial assets at amortised cost and that risk-bearing off-balance-sheet items are included. Off-balance sheet items comprise financial guarantees issued, avals, uncovered letters of credit and transactions with similar risk, based on which a payment liability could arise for the bank.	
20	**Ukraine**	This is consistent with the criterion of 90 days. Since the first quarter of 2017, NPLs include loans classified as the lowest class, in particular: class 10 – loans to corporate borrowers (excluding banks and state-owned entities); and class 5 – loans to other borrowers or counterparties accounted in the balance sheet. The bank is a legal entity with separate subdivisions in Ukraine and abroad.	Since the first quarter of 2017, debts arising from credit transactions that comprise loans to customers, interbank loans and deposits (including the accrued interest) and do not include off-balance-sheet liabilities on guarantees and loans given to banks and customers are used for credit risk assessment. The bank is a legal entity with separate subdivisions in Ukraine and abroad.		

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