EBCI | Vienna Initiative

NPL Monitor H1 2024

The *NPL Monitor*[1] is the semi-annual publication of the NPL Initiative, a work stream of the Vienna Initiative. This publication reviews the latest non-performing loan (NPL) trends in 17 countries[2] in central, eastern and south-eastern Europe (CESEE) and selected non-CESEE countries.[3]

This edition focuses on the impact that the challenging macroeconomic landscape and heightened geopolitical risks could potentially have on the quality of bank assets.

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[2] The 17 CESEE countries are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, the Slovak Republic and Slovenia.

[3] The non-CESEE countries are Armenia, Georgia, Greece, Kazakhstan, Moldova, Morocco, Türkiye and Ukraine. Although they are not covered by the CESEE data on NPLs, the NPL Initiative has begun following NPL reforms in these countries more closely.

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Executive summary

The European Union (EU) and the broader central, eastern and south-eastern Europe (CESEE) region continue to navigate macroeconomic uncertainties and geopolitical tensions. Despite these external pressures, the non-performing loan (NPL) landscape in the region has shown resilience, with stable volumes and ratios across most jurisdictions.

The latest data indicate that NPL volumes in the CESEE region increased marginally by 0.9 per cent to €27.5 billion by December 2023, reversing a declining trend observed since 2020. However, the average regional NPL ratio remained fairly stable relative to 2022 with a slight decrease to 2.1 per cent. The region's overall coverage ratio held steady at around 65 per cent.[4]

Nonetheless, the European Central Bank (ECB) has emphasised the importance of avoiding another build-up of NPLs, given the economic uncertainties and the fact that higher interest rates are affecting borrowers' creditworthiness.

As a result, the ECB is continuing to closely monitor credit risks in the banks it supervises, focusing on the resilience of portfolios that are more sensitive to the current macro-financial situation and exposed to refinancing risk.

For example, challenges remain in commercial real estate (CRE), exacerbated by reduced demand and refinancing risks in a high-interest rate environment. Similarly, loans to small and medium-sized enterprises (SMEs) are starting to show vulnerabilities, with stage 2 loans and early arrears raising concerns about NPLs potentially materialising.

In addition, in the first half of 2024, EU regulators continued to implement the European Commission's 2020 NPL Action Plan. This included the new European Banking Authority (EBA) guidelines on national registers of credit servicers in the EU, which will hopefully prove useful for the CESEE region. The European Commission's Advisory Panel on NPLs also published its report on the role of securitisation in the development of a mature secondary market for NPLs in the EU.

NPL transactions remained slow in the CESEE region in 2023, despite a significant contribution from secondary sales. Primary sales continued, although at lower volumes. Now that banks have offloaded most of their toxic assets, they can approach portfolio sales from a tactical perspective, rather than as a crisis response. Consolidation dynamics in the credit servicers industry also helped to expand the secondary flow in 2023. On the demand side, the prolonged effect of higher interest rates had an impact on the investor cohort.

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

I. NPL developments in the *NPL Monitor* regions

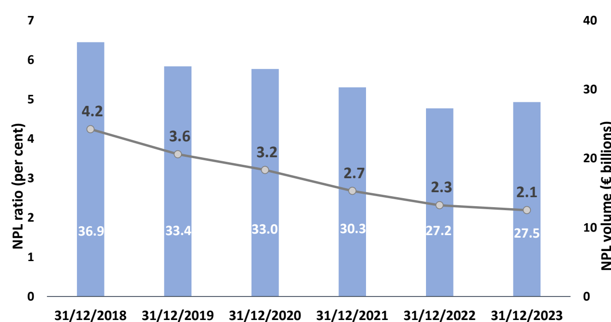
NPL volumes and the average NPL ratio remain fairly stable across the CESEE region, despite external shocks such as high inflation, but supervisors must remain vigilant in light of ongoing challenges.

CESEE region

At a regional level, **NPL volumes rose slightly by 0.9 per cent to €27.5 billion** in the 12 months from December 2022 to December 2023.[5] This halted the downward trend that had begun at the end of 2020. However, the total stock of NPLs still remained low compared with the trends of the past decade.

In relative terms, the increase in NPL volumes was most significant in Estonia, where it rose by 39.4 per cent in the 12-month period as a result of a 3 per cent contraction in the country's gross domestic product (GDP).[6]

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

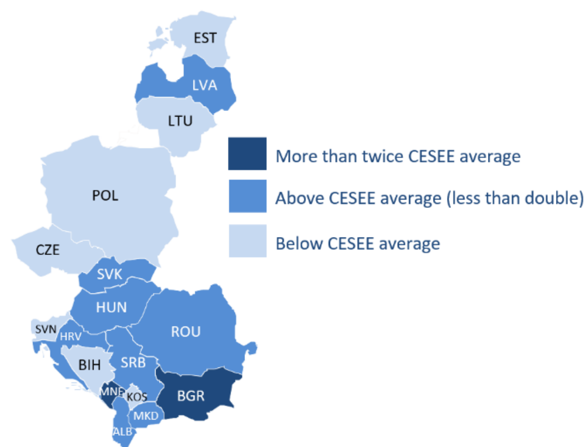


Source: IMF FSIs and central banks.

Despite the increase in NPL volumes, the **average regional NPL ratio**[7] declined slightly further in 2023, falling by 0.2 percentage points relative to the end of 2022, **remaining broadly stable at 2.1 per cent, the lowest level on record.**

Most CESEE jurisdictions maintained a steady NPL ratio, while Bulgaria saw the largest decline during the year, with a 0.9 percentage point drop to 3.6 per cent. However, it recorded a high net NPL ratio[8] of 1.8 per cent, more than twice the CESEE average of 0.8 per cent, owing to its significantly lower coverage ratio.[9]

Chart 2. Net NPL ratio (Q4 2023)



Source: IMF FSIs and central banks.

Furthermore, the **overall coverage ratio** in the region remained largely unchanged from the end of 2022, **maintaining an average level of around 65 per cent.** Lithuania and Slovenia continued to exhibit the highest coverage

[5] See notes on Table 1.
[6] See EBRD (2024b).
[7] The ratio of NPLs to total gross loans.
[8] The ratio of NPLs net of provisions to total gross loans.
[9] The ratio of NPL provisions to the NPL stock.

ratios at 117.7 per cent and 101.0 per cent respectively.

Overall, the fact that the NPL ratio and coverage ratio remain stable, despite increasing NPL stocks, indicates that the **banking sector in the region shows resilience to external shocks** such as high inflation and the low purchasing power of households.

However, banks and supervisors need to continue exercising caution and take steps to mitigate any negative effects of the still-precarious macroeconomic and geopolitical environment on the credit risks of potential inflows of new NPLs.

Other regions

As shown in Table 1, Ukraine's NPL ratio stood at 37.4 per cent at the end of 2023, largely owing to the ongoing war. Nonetheless, its NPL stock and NPL ratio improved slightly on the previous year.

Morocco's NPL ratio stood at 8.6 per cent as of June 2023 (latest data available), reflecting a 4.5 per cent increase in volume relative to the previous year. To cope with the higher default rate, banks have maintained their provisions, resulting in an average coverage ratio of 68.0 per cent.

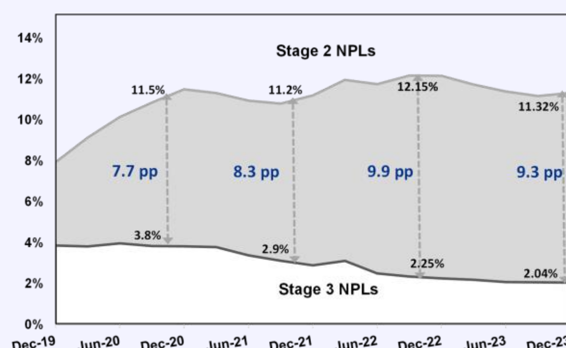
Armenia's NPL ratio increased slightly year on year, reaching 2.5 per cent. However, its NPL coverage ratio of 108 per cent indicates its capacity to absorb potential loan losses.

In focus: Evolution of staging in EU CEE[10]

Stage 2 and stage 3 loans both show downward trends[11,12]

As shown in Chart 3, stage 2 loans in EU member states in central and eastern Europe (EU CEE), which peaked at the end of 2022, finally began to decline in 2023. By the end of 2023, they had decreased by 0.8 percentage points to 11.32 per cent, but remained at a high level. The main contributors to this decline were the Slovak Republic (-2.7 percentage points), Lithuania (-2.6 percentage points) and Romania (-2.5 percentage points). Stage 3 loans also continued their downward trend, falling to 2.04 per cent as of December 2023.

Chart 3. Evolution of stage 2 and 3 loans in EU CEE



Source: EBA Risk Dashboard.

The gap remains noticeable

With both stage 2 and stage 3 loans showing a downward trend, the gap between the two, which reached a record high of 9.9 percentage points at the end of 2022, narrowed to 9.3 percentage points over the 12-month period. However, it still remains sizeable compared with pre-pandemic levels.

In response to the potential risk of deteriorating asset quality triggered by the current high inflation and economic contraction, close attention should be paid to early warning signals such as increases in stage 2 loans and diverging movement in NPLs.

[10] The EU CEE countries are Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.

[11] 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 to be credit impaired, the loan is categorised as "stage 3". See BIS (2017).

[12] As classified by IFRS 9, unless otherwise specified. Data on staging are from the EBA's interactive tool.

Chart 4a. NPL volumes and ratios in the CESEE region as of Q4 2023

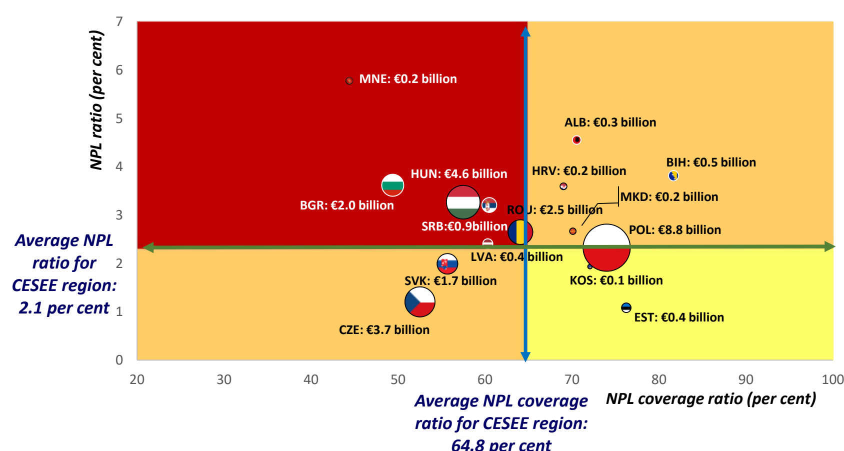
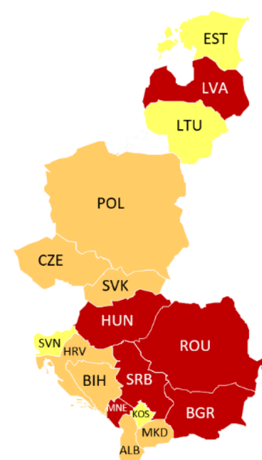


Chart 4b. NPL ratios and NPL coverage ratios as per coloured quadrants in Chart 4a



Source: IMF FSIs and central banks.

Table 1. Overview of the NPL profile in the CESEE region, 31 December 2022 to 31 December 2023

	NPL volume (€ billions)			NPL ratio (%)			NPL coverage ratio (%)			Net NPL ratio (%)			Net NPL/capital (%)			NPL-to-GDP ratio (%)		
Country	**Dec-23**	**Variation (%)**		**Dec-23**	**Δ (pp)**		**Dec-23**	**Δ (pp)**		**Dec-23**	**Δ (pp)**		**Dec-23**	**Δ (pp)**		**Dec-23**	**Δ (pp)**	
Albania (ALB)	0.3	▲	9.7	4.6	▼	(0.2)	70.5	▲	6.2	1.3	▼	(0.4)	5.5	▼	(1.5)	1.6	▼	(0.1)
Bosnia and Herz. (BIH)	0.5	▼	(11.0)	3.8	▼	(0.7)	81.7	▲	0.3	0.7	▼	(0.1)	3.5	▼	(1.0)	1.8	▼	(0.3)
Bulgaria (BGR)	2.0	▼	(11.5)	3.6	▼	(0.9)	49.4	▲	1.1	1.8	▼	(0.5)	10.4	▼	(2.9)	2.1	▼	(0.4)
Croatia (HRV)	0.2	▼	(15.8)	3.6	▼	(0.7)	69.0	▼	(32.7)	1.1	▲	1.2	6.0	▲	6.4	0.3	▼	(0.1)
Czechia (CZE)	3.7	▼	(7.2)	1.2	▼	(0.3)	52.5	▼	(0.9)	0.6	▼	(0.1)	6.2	▼	(0.6)	1.2	▼	(0.2)
Estonia (EST)	0.4	▲	39.4	1.1	▲	0.3	76.2	▼	(14.3)	0.3	▲	0.2	1.8	▲	1.1	1.0	▲	0.3
Hungary (HUN)	4.6	▼	(0.5)	3.3	▼	(0.5)	57.5	▲	1.7	1.4	▼	(0.3)	7.8	▼	(3.0)	2.3	▼	(0.3)
Kosovo (KOS)	0.1	▲	12.2	1.9	↔	0.0	72.1	▲	0.3	0.5	▼	(0.0)	3.5	▼	(0.1)	1.0	▲	0.1
Latvia (LVA)	0.4	▲	4.2	2.4	▲	0.1	60.3	▲	0.5	1.0	▲	0.0	5.9	▼	(0.5)	1.1	▲	0.0
Lithuania (LTU)	0.2	▲	10.9	0.4	▲	0.0	117.7	▲	4.0	(0.1)	▼	(0.0)	(1.1)	▼	(0.3)	0.3	▲	0.0
Montenegro (MNE)	0.2	▼	(1.7)	5.8	▼	(0.6)	44.4	▲	1.4	3.2	▼	(0.4)	15.1	▼	(4.2)	3.0	▼	(0.4)
North Macedonia (MKD)	0.2	▲	0.7	2.7	▼	(0.1)	70.1	▲	0.7	0.8	▼	(0.1)	4.1	▼	(0.6)	1.4	▼	(0.0)
Poland (POL)	8.8	▲	5.6	2.3	▼	(0.1)	74.0	▼	(1.3)	0.6	↔	0.0	4.3	▼	(0.7)	1.2	▼	(0.1)
Romania (ROU)	2.5	▲	2.4	2.6	↔	0.0	64.1	▼	(1.5)	1.0	▲	0.0	6.9	▲	0.2	0.8	▼	(0.1)
Serbia (SRB)	0.9	▲	8.0	3.2	▲	0.2	60.5	▲	2.4	1.3	▲	0.0	5.2	▼	(0.6)	1.3	▼	(0.1)
Slovak Republic (SVK)	1.7	▲	12.6	2.0	▲	0.1	55.7	▼	(9.6)	0.9	▲	0.2	7.2	▲	1.9	1.4	▲	0.1
Slovenia (SVN)	0.7	▼	(8.8)	1.5	▼	(0.2)	101.0	▲	9.0	(0.0)	▼	(0.2)	(0.1)	▼	(1.3)	1.2	▼	(0.2)
CESEE	27.5	▲	0.9	2.1	▼	(0.2)	64.8	▼	(0.5)	0.8	▼	(0.1)	5.6	▼	(0.8)	1.2	▼	(0.1)
Armenia (ARM)	0.3	▲	8.8	2.5	▲	0.1	108.0	▲	5.0	(0.2)	▼	(0.1)	(0.8)	▼	(0.5)	1.4	▼	(0.1)
Georgia (GEO)	0.3	▲	9.6	1.5	▼	(0.0)	38.6	▼	(10.4)	0.9	▲	0.1	5.5	▲	0.9	1.1	▼	(0.1)
Greece (GRC)	10.3	▼	(26.2)	6.0	▼	(2.2)	60.0	▲	6.4	2.4	▼	(1.4)	13.9	▼	(11.5)	4.6	▼	(1.9)
Kazakhstan (KAZ)	1.7	▲	1.0	2.9	▼	(0.5)	76.0	▼	(0.9)	0.7	▼	(0.1)	3.5	▼	(0.5)	0.7	▼	(0.1)
Moldova (MLD)	0.2	▼	(8.5)	5.6	▼	(0.9)	92.1	▼	(5.6)	0.4	▲	0.3	1.1	▲	0.7	1.2	▼	(0.3)
Morocco (MAR)	8.4	▲	4.5	8.6	▲	0.2	68.0	↔	0.0	2.8	▲	0.1	-	-	-	6.3	↔	0.0
Türkiye (TUR)	6.3	▼	(27.2)	1.5	▼	(0.5)	82.0	▼	(4.7)	0.3	↔	0.0	1.9	▼	(0.1)	0.6	▼	(0.4)
Ukraine (UKR)	10.7	▼	(7.3)	37.4	▼	(0.8)	83.6	▲	0.4	6.1	▼	(0.3)	25.4	▼	(6.9)	6.5	▼	(0.9)
Other	38.2	▼	(14.4)	4.7	▼	(0.8)	73.1	▲	1.5	1.3	▼	(0.3)	8.6	▼	(2.8)	2.1	▼	(0.6)
Total countries	**65.7**	▼	**(8.6)**	**3.1**	▼	**(0.5)**	**69.6**	▲	**0.4**	**0.9**	▼	**(0.2)**	**6.8**	▼	**(1.7)**	**1.6**	▼	**(0.3)**

Source: IMF FSIs 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)*100, with December 2023 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 2023 are the latest available.
- When not available from the IMF FSIs, 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 and Morocco. When information is available from neither national websites nor the IMF FSIs, time-adjacent data are used to plug the gaps. The countries for which data are not available for Q4 2023 are Lithuania (Q3 2023), Romania (Q2 2023), Armenia (August 2023) and Morocco (Q2 2023).
- Net NPL/capital for Morocco is not calculated, as capital data could not be obtained from the IMF or the monetary authorities' websites.
- The NPL-to-GDP ratio is calculated using annual GDP values for 2022 and 2023 respectively (rather than quarterly data), in line with reporting for the IMF World Economic Outlook.

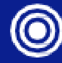
II. NPL market trends

The NPL market in Greece stayed buoyant, in contrast to the more subdued transaction flows in the CESEE region.

A lot of market movements (some successful and some not) came in the form of smaller transactions in 2023, without hitting the headlines. Here, the NPL Monitor takes a closer look at some of the more significant public deals.

NPL transactions remained slow in the CESEE region in 2023, despite a significant contribution from secondary sales. A cumulative nominal value north of €4 billion was traded in Poland, on the back of a sizeable secondary flow. The Romanian market remained smaller, albeit fairly active, with a volume exceeding €1.5 billion in 2023, two-thirds of which came from secondary transactions.

Turning to the non-CESEE jurisdictions covered by the *NPL Monitor*, the Greek market remained robust. Although only €2.8 billion was sold directly by credit institutions, there was significant activity in secondary markets.[13] Meanwhile, banks in Türkiye continued their regular portfolio sales, with volumes reaching around €550 million in 2023.[14]



Transaction activities in focus

- *Lower primary volumes indicate sales for tactical reasons.*
- *Focus shifts to secondary flows, particularly for curated portfolios.*
- *Credit servicers industry heading for consolidation.*

Regulatory activity, rather than macroeconomic headwinds, has influenced deal activity in recent months. In Greece, the Hercules Asset Protection Scheme (HAPS) was renewed in December 2023 with a guarantee ceiling of €2 billion and expiry in 12 months, paving the way for more activity in the primary markets. Attica Bank and Pancreta Bank are expected to take advantage of the extension. Romania, meanwhile, has proposed a new law establishing a recovery value ceiling, potentially affecting valuations for smaller unsecured tickets.

Primary sales (from banks to investors) have continued, although at lower volumes. Now that the banks have offloaded most of their toxic assets, they can adopt a more routine approach to NPL portfolio sales, using them for tactical reasons rather than as a crisis response.

The prolonged impact of higher interest rates has affected buyers. Investors with a strategic angle seem more likely to achieve acceptable returns.

Consolidation dynamics in the credit servicers industry are one of the other factors supporting an expansion of secondary flows. Specialist buyers have spotted a chance to pursue segmented portfolios, with an expectation of more opportunities to come, and re-performing loans are establishing a pipeline of their own. However, given the difficulty of placing re-performing loans with the original lenders, the need for a sustainable warehousing solution remains.

[13] See Bank of Greece (2024).

[14] Source: Varlık Yönetim Sektör Raporları - Finansal Kurumlar Birliği (fkb.org.tr); TRY 14 billion converted at average rate for reference purposes.

Credit servicers in the EU: likely consolidation ahead

New European NPL rules based on Directive (EU) 2021/2167 on credit servicers and credit purchasers continue to be adopted across jurisdictions, with some servicers having to invest significant amounts of time and money in order to comply. The re-licensing process is well under way in Greece and has been fully communicated in Romania. Poland expects to publish the final draft of its transposition legislation later this year. The combination of regulatory changes, weaker deal flows, macroeconomic headwinds, difficulty refinancing and the tightening of margins is likely to prompt consolidation in the industry.

Table 2. Close-up of selected transactions in 2023 and 2024 (taken from public sources)[15]

Transaction	Details
Project Delta	Piraeus Bank sells a portfolio in Romania with a gross book value of €160 million to APS Group. EBRD finances 30 per cent of the participation. (May 2024)
Project Solar	Alpha Bank, National Bank of Greece, Eurobank Ergasias and Piraeus Bank, Greece's four systemically important banks, sell €1.2 billion of gross book value to Waterwheel Capital. (November 2023)
Project Cell	Alpha Bank sells a portfolio with an outstanding balance of €1.5 billion to Hoist Finance. (August 2023)
Secondary market	APS Group acquires a portfolio of Greek NPLs with a nominal value of €1 billion from Bain Capital. (February 2023)

Table 3. Close-up of selected servicing agreements in 2023 and 2024 (taken from public sources)[16]

Servicing	Details
doValue	doValue signs servicing agreements covering Bain Capital Credit's Project Amoeba and EOS Group's Project Heliopolis II with a gross book value of €1 billion in Greece. (May 2024)
doValue	doValue signs a servicing agreement with Attica Bank to service part of a de-securitised portfolio known as Project Omega with a gross book value of €500 million. (March 2024)
QQuant	QQuant takes over servicing for Pillar Finance, Eurobank's Greek residential mortgage NPL securitisation, which had an original gross book value of €2 billion. (May 2023)

[15] Source: EBRD, Debtwire and public information.

[16] Source: EBRD, Debtwire and public information.

III. The EU perspective on credit risks and NPLs

NPLs continue to be resilient in the EU, but credit risks remain a key priority for banking supervisors in light of the current macroeconomic environment. Commercial real estate is particularly at risk, and other pockets of credit risk are beginning to emerge.

EU regulators have continued to pursue activities implementing the European Commission's 2020 NPL Action Plan, with new EBA guidelines on national registers of credit servicers and a report by the Commission's NPL Advisory Panel on NPL securitisation.

Credit risks remain resilient, but commercial real estate lending is under stress. Loans to SMEs have also started to show vulnerabilities.

Credit risks in EU banks remain resilient, with NPL levels persistently low and stable in recent months. However, the ECB has issued a reminder about the importance of avoiding a renewed build-up of NPLs as European economies become exposed to new shocks.[17]

Indeed, the ECB has warned that, when looking more closely at banks' credit portfolios, a more nuanced picture emerges. The weaker economy and high interest rates are continuing to pose challenges for borrowers' creditworthiness and asset quality, especially for leveraged sectors.

Increase in NPL volumes are starting to be observed in certain market segments, albeit starting from low levels.[18] Asset quality impairments are also being observed in some countries and sectors which were not previously affected by legacy NPLs.

> *"We have this pressure for structural change, and it's just extremely unlikely that we would have a period of structural change where there's no increase in defaults."*
>
> Claudia Buch, Chair of the Supervisory Board of the ECB

For example, the real estate sector is in a downturn in the EU, affecting both the residential and the commercial segments, as higher interest rates are impacting borrowers' debt servicing costs. The CRE sector is particularly sensitive to the current environment of higher interest rates and slower economic growth, leading to declining profitability in the sector. The CRE sector is also being impacted by persistently lower demand, caused by both the pandemic and lasting structural changes in the market (such as the increase in online shopping and working from home). Thus, borrowers in the CRE segment are facing challenges on both the financing and the income side, with a greater likelihood of facing debt servicing challenges.[19] Moreover, a large portion of CRE lending is in the form of bullet loans, making them sensitive to refinancing risk in a high-interest rate environment.[20]

[17] See ECB (2024a).
[18] See ECB (2024c).
[19] See ECB (2024c).
[20] See ECB (2024b).

Consequently, the ECB is continuing to pay particular attention to the CRE segment, with close monitoring of credit tensions in the different regions and asset classes, as well as movements in collateral valuations.[21]

More recently, loans to SMEs have also started to show vulnerabilities. Stage 2 loans and early arrears continue to be significantly higher than they were prior to the pandemic, albeit a slight decrease was observed in the fourth quarter of 2023,[22] raising concerns about possible materialisation of NPLs if the current situation persists. The ECB is also continuing to observe a decline in coverage ratios for NPLs, as banks may not yet be accounting for the emerging deterioration in asset quality when provisioning.[23]

EBA guidelines on the establishment and maintenance of national lists or registers of credit servicers[24]

Directive (EU) 2021/2167 on credit servicers and credit purchasers[25] mandated the EBA to develop guidelines on the development of lists or registers (hereinafter "registers") of credit servicers in the EU. In response, the EBA published new guidelines on national lists or registers of credit servicers in March 2024.[26]

The guidelines are aimed at national competent authorities (NCAs), requiring them to develop and publish registers of all credit servicers authorised to provide services within their territory. Credit purchasers and borrowers will be the main users of these registers.

The guidelines provide templates indicating the information that NCAs must include in the registers. This includes, for example, basic information about the credit servicers, the services authorised, the list of host member states where they provide services, and whether the servicers can receive and hold funds from borrowers. They also need to include information for borrowers on national complaint handling procedures. The registers must be published on the website of the competent authority or in another electronic tool, and they must be accessible 24/7, free of charge. The EBA will publish links to all of the individual registers on its website.

This is a most welcome project, which will provide more transparency and facilitate access to credit servicers across the EU. This may also be useful for adjacent non-EU countries, such as partner countries under the NPL Initiative.

Further developing secondary markets for NPLs: the role of securitisation[27]

In December 2023, the Commission's NPL Advisory Panel published a report on the role of securitisation in the development of a mature secondary market for NPLs in the EU.

The report emphasises that securitisation can play an important role in addressing large existing stocks of NPLs and could help to prevent future build-ups. It explains the concept of NPL securitisation in detail, sets out its potential advantages, highlights relevant regulatory requirements, presents an overview of the EU's NPL securitisation market, highlights lessons learnt, and offers concrete ideas to enable further improvement.

[21] See ECB (2024b).
[22] See EBA (2023a).
[23] See ECB (2024a).
[24] See EBA (2023b).
[25] See European Union (2021).
[26] See EBA (2024).
[27] See European Union (2023).

For example, transparency has been identified as a key area where improvements are necessary in order to facilitate price discovery, attract new investors and increase the efficiency of the EU's NPL market across national borders. The EBA's NPL transaction data templates were introduced in the EU for this purpose.[28]

Looking beyond NPLs at securitisation as a whole, activity levels have been very high in some EU jurisdictions, but they are still lower than in markets such as the United States of America. Further reforms are coming in the EU to boost securitisation in Europe, with a public consultation from the European Commission expected in the coming months on this topic.

Looking ahead, NPL securitisation has the potential to complement the working-out of distressed loans, while improving the functioning of the secondary market for NPLs. By widening the range of potential investors, NPL securitisation can help banks to deleverage, support the broader economy and enable the efficient allocation of capital.

[28] See EBA (2022).

IV. Recent policy actions in *NPL Monitor* countries[29]

Europe and the Western Balkans

Albania

- **Monetary policy:** On 1 November 2023, the Bank of Albania increased its base rate by 0.25 percentage points, raising it to 3.25 per cent – the highest level since 2015 – in a bid to tackle inflation.

Croatia

- **Monetary policy:** The Croatian National Bank increased its countercyclical buffer rate from 0.5 per cent (31 March 2023) to 1.0 per cent (applicable from 31 December 2023), with a further rise to 1.5 per cent to apply from 30 June 2024.
- **Measures to tackle rising energy prices:** In March 2024, the Croatian government adopted a sixth package of anti-inflation measures with a total value of €503 million (0.7 per cent of GDP) in order to mitigate and absorb the consequences of rising energy prices for end users.
- **Insolvency policy:** Croatia was the first EU member state where the EBRD invests to transpose Directive (EU) 2019/1023 on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt into national law following the extension of the deadline to 22 July 2022. The amended provisions of the Croatian Bankruptcy Act became effective on 31 March 2022. In accordance with Article 3 of the EU directive, the Croatian legislator introduced an early warning system to notify debtors in financial difficulties about the need to take appropriate action.

Hungary

- **Interest rate caps on lending rates:** The voluntary cap on mortgage interest rates is set to expire in June 2024, while the voluntary credit margin waiver on corporate lending expired in April 2024. The Minister for National Economy has suggested that both could be extended, but no decision or official agreement with the banking sector has been reached at the time of writing.
- **Interest rate cut for green development projects:** As part of the government-backed funding scheme for SMEs, the interest rate for green development projects was cut from 5 to 1.5 per cent starting from January 2024.
- **Insolvency law reforms:** Hungary was the third EU member state where the EBRD invests to transpose Directive (EU) 2019/1023 on preventive restructuring into national law. A new online early warning platform aimed at alerting debtors about the need to take action when they are in the initial stages of financial difficulties was also introduced through Act LXIV, but that infrastructure is not yet operational.

[29] Based on information provided by EBRD staff.

Europe and the Western Balkans

Montenegro

- **Monetary policy:** The Central Bank of Montenegro cancelled the interim measures which it had put in place to mitigate the negative impact of the Covid-19 pandemic and the war in Ukraine on the country's financial system. As of 18 April 2024, dividend payments were allowed again, and the mandatory reserve fee returned to 12 per cent.

Serbia

- **Temporary measures for debt securities extended again:** The temporary Fair Value through Other Comprehensive Income (FVOCI) measures, under which local banks are not obliged to recognise 70 per cent of losses for FVOCI debt securities as CET 1, have been extended again until the end of 2024.
- **Temporary measures for housing loans:** The National Bank of Serbia has adopted a decision that limits the interest rate for first-time buyers with a variable interest rate whose contracted amount does not exceed €200,000. For those debtors, the nominal interest rate is temporarily limited until the end of 2024.

North Africa

Morocco

- **Temporary measures to address earthquake damage[30]:** The government decided to provide monthly payments of MAD 2,500 (US$ 242) to families whose homes had been destroyed by an earthquake, starting from October 2023 for a period of 12 months.

Caucasus and Central Asia

Georgia

The National Bank of Georgia cut its policy rate seven times between May 2023 and May 2024, reducing it from 11 per cent to 8 per cent in line with moderating inflation. The policy rate currently remains at 8 per cent.[31]

Türkiye

The Central Bank of the Republic of Türkiye hiked its policy rate nine times between February 2023 and March 2024, raising it from 8.5 per cent to 50 per cent. Nevertheless, inflationary pressures remain strong, with the inflation rate soaring to 75.45 per cent in May 2024, nearly double the rate seen a year ago.[32]

Kazakhstan

With inflationary pressures receding, the National Bank of Kazakhstan has started gradually reducing its policy rate. Having peaked at 16.75 per cent between December 2022 and July 2023, the policy rate currently stands at 14.50 per cent as at June 2024.[33]

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[30] See Morocco World News (2023).
[31] Source: National Bank of Georgia.
[32] See EBRD (2024b).
[33] See EBRD (2024b).

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Annexes

Annex 1. NPL servicers in the *NPL Monitor* regions

Table 4. List of major NPL servicers in the *NPL Monitor* regions

NPL servicer	Type of servicer		Asset class					Country																																		Website
	Own assets*	Third-party assets	Retail	SME	Corporate	Residential real estate	CRE	Albania	Armenia	Azerbaijan	Bosnia and Herz.	Bulgaria	Croatia	Cyprus	Czechia	Egypt	Estonia	Georgia	Greece	Hungary	Jordan	Kazakhstan	Kosovo	Kyrgyz Republic	Latvia	Lithuania	Moldova	Mongolia	Montenegro	Morocco	North Macedonia	Poland	Romania	Serbia	Slovak Republic	Slovenia	Tajikistan	Tunisia	Türkiye	Ukraine	Uzbekistan	
APS Holding	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓	✓	✓				✓	✓									✓			✓	✓	✓	✓	✓				✓		https://www.aps-holding.com/
AxFina		✓	✓	✓	✓	✓	✓						✓							✓												✓	✓			✓						https://www.axfina.com/
Altamira Asset Management (doValue Group)	✓	✓				✓	✓							✓					✓																							https://www.altamirainmuebles.com/
Best S.A.	✓	✓	✓	✓	✓	✓																										✓										https://www.best.com.pl/en/home
B2 Impact	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓	✓	✓		✓		✓	✓					✓	✓			✓			✓	✓	✓		✓						https://www.b2-impact.com/
Cabot Credit Management (Encore Capital Group)	✓	✓	✓	✓	✓	✓	✓																									✓										https://www.cabotcreditmanagement.com/
AB CarVal Investors	✓		✓	✓	✓	✓	✓												✓																							https://abcarval.com/us/en-us/investors/home.html
Centerbridge Partners	✓		✓	✓	✓	✓	✓																																			http://www.centerbridge.com/
Cepal Hellas Financial Services S.A.		✓	✓	✓			✓												✓																							https://www.cepal.gr/?lang=en
Cerved Credit Management	✓	✓		✓	✓														✓																							https://www.cerved.com/en/
Copernicus Hellas		✓	✓	✓	✓	✓													✓																							https://copernicusservicing.com/
CreditExpress	✓	✓	✓										✓		✓																	✓	✓	✓						✓		https://www.creditexpress.com/
DDM Group/Aldridge EDC Special finance (AEDC)	✓	✓	✓	✓	✓	✓	✓												✓																							https://www.ddm-group.ch/
Debt Agency	✓	✓	✓	✓	✓	✓	✓					✓																					✓									https://theagency.bg/en/
doValue Group	✓	✓	✓	✓	✓	✓	✓							✓					✓																							https://www.dovaluegreece.gr/en/services https://dovalue.it/en
Dunya Varlık Yönetim A.Ş.	✓	✓	✓	✓	✓	✓	✓																																✓			https://www.dunyavarlik.com/
DV01 Asset Management		✓		✓	✓														✓																							https://dv01am.com/
EOS Group	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓		✓				✓	✓			✓						✓		✓	✓	✓	✓	✓	✓						https://eos-solutions.com/
EuPraxis FSI		✓	✓	✓	✓	✓	✓												✓																							https://www.eupraxis-fsi.com/
Gelecek Varlik	✓	✓	✓	✓	✓	✓	✓																																✓			https://www.gelecekvarlikyatirimciiliskileri.com.tr/en/
Hipoges Hellas	✓	✓	✓	✓	✓	✓	✓												✓																							https://www.hipoges.com/en/home-en/
Hoist Finance	✓		✓	✓															✓													✓	✓									https://www.hoistfinance.com/
Intrum	✓	✓	✓	✓	✓	✓									✓		✓		✓	✓					✓	✓						✓	✓		✓							https://www.intrum.com/
Kredyt Inkaso	✓		✓	✓	✓	✓	✓					✓	✓																			✓	✓									https://www.kredytinkaso.pl/
Kruk	✓	✓	✓	✓	✓	✓	✓								✓																	✓	✓		✓							https://en.kruk.eu/
Mount Street Hellas	✓	✓	✓	✓	✓	✓	✓												✓																							https://mountstreet.com/
NPA Servicing S.A.	✓	✓	✓	✓	✓	✓	✓												✓																							https://npa-servicing.gr/en/
PraGroup	✓	✓	✓	✓																												✓										https://pragroup.co.uk/
Primo Collect Ukraine	✓	✓	✓	✓	✓	✓	✓																																	✓		https://primocollect.com.ua/en
Resolute Asset Management		✓	✓	✓	✓	✓	✓					✓		✓					✓	✓													✓									https://www.resoluteassetmanagement.com/
Silverton Servicing Solutions S.A.	✓	✓	✓	✓	✓	✓	✓												✓																							https://silverton-group.gr/about/
QQuant Master Servicer		✓	✓	✓	✓	✓	✓												✓																							https://www.qquant.gr/en/home/
Tagor Asset Management	✓	✓			✓	✓	✓																										✓									https://www.tagor.ro/
Thea-Artemis Financial Solutions		✓	✓	✓	✓														✓																							https://www.thea-artemis.com/
UCI Greece Loan Management Services	✓	✓	✓			✓													✓																							https://uci.gr/en/home/
Veraltis Asset Management		✓	✓	✓	✓	✓	✓												✓																							https://www.veraltis.gr/
Waterfall Asset Management	✓		✓	✓	✓	✓	✓												✓																							https://www.waterfallam.com/

Source: Public information and EBRD.

* Note: NPL servicers investing in and servicing own NPL portfolios.

Annex 2. Regional economic prospects in the EBRD regions[34]

According to the EBRD's *Regional Economic Prospects* report of May 2024, average growth in the EBRD regions slowed from 3.3 per cent in 2022 to 2.5 per cent in 2023, below the global average of 2.7 per cent, with the war in Ukraine taking its toll, energy prices in Europe remaining relatively high and the post-Covid recovery in the services sector running out of steam.

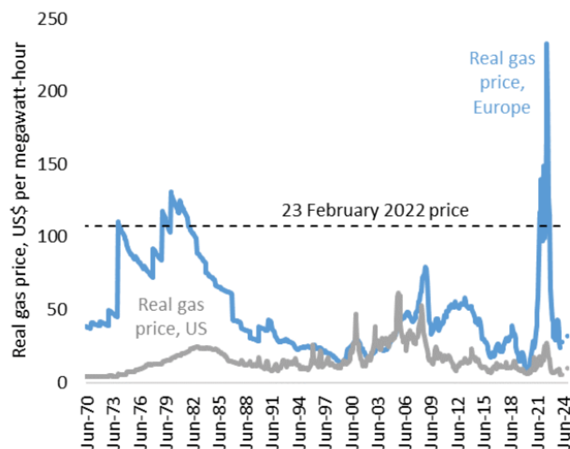
Table 5. GDP growth in real terms

GDP growth in real terms						
	Actual			Forecast (May 24)		Revision since Sep 23
	2021	2022	2023	2024	2025	2024
EBRD regions	**7.3**	**3.3**	**2.5**	**3.0**	**3.6**	**-0.2**
Central Asia	**5.2**	**4.6**	**5.7**	**5.4**	**5.9**	**-0.5**
Kazakhstan	**4.1**	**3.2**	**5.1**	**4.5**	**5.5**	**-0.5**
Central Europe and the Baltic states	**6.5**	**4.0**	**0.1**	**2.2**	**3.1**	**-0.3**
Croatia	13.8	6.3	2.8	2.9	2.8	0.6
Czechia	3.6	2.4	-0.3	0.9	2.5	-1.6
Estonia	7.2	-0.5	-3.0	0.8	3.5	-1.2
Hungary	7.1	4.6	-0.9	2.2	3.5	-0.6
Latvia	6.7	3.0	-0.3	1.8	2.6	-0.2
Lithuania	6.3	2.4	-0.3	1.5	2.3	0.0
Poland	6.9	5.3	0.2	2.9	3.5	0.2
Slovak Republic	4.8	1.9	1.6	1.8	2.7	-0.4
Slovenia	8.2	2.5	1.6	2.3	2.6	0.0
Eastern Europe and the Caucasus	**5.3**	**-13.0**	**4.4**	**3.5**	**4.9**	**0.4**
Armenia	5.8	12.6	8.7	6.2	4.8	1.7
Georgia	10.6	11.0	7.5	5.2	4.6	0.7
Moldova	13.9	-4.6	0.7	3.5	3.7	0.0
Ukraine	3.4	-29.1	5.3	3.0	6.0	0.0
South-eastern EU	**7.0**	**4.6**	**2.0**	**2.8**	**3.1**	**0.0**
Bulgaria	7.7	3.9	1.8	2.6	3.0	0.0
Greece	8.4	5.6	2.0	2.3	2.6	0.0
Romania	5.7	4.1	2.1	3.2	3.4	0.0
Southern and eastern Mediterranean	**6.4**	**3.3**	**2.7**	**3.4**	**3.9**	**-0.5**
Morocco	8.0	1.3	3.2	3.0	3.6	0.0
Türkiye	**11.4**	**5.5**	**4.5**	**2.7**	**3.0**	**-0.3**
Western Balkans	**7.9**	**3.4**	**2.5**	**3.3**	**3.7**	**-0.1**
Albania	9.0	5.0	3.4	3.3	3.5	0.0
Bosnia and Herzegovina	7.4	4.1	1.7	2.8	3.0	-0.2
Kosovo	10.7	4.3	3.3	4.0	4.0	0.0
Montenegro	13.0	6.4	6.0	3.5	2.9	-0.2
North Macedonia	4.5	2.2	1.0	2.5	3.5	-0.5
Serbia	7.7	2.5	2.5	3.5	4.0	0.0

Source: National authorities and EBRD.

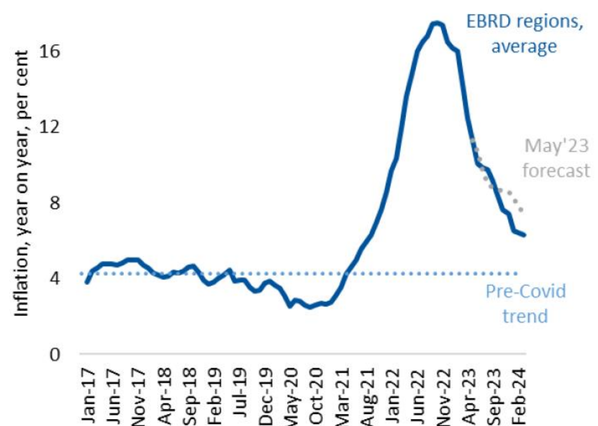
[34] See EBRD (2024b).

Chart 5. Gas prices in Europe are back below their pre-war levels, but almost five times the US price



Source: Bloomberg, CEIC, IMF and authors' calculations.

Chart 6. Disinflation has proceeded more quickly than was expected a year ago



Source: IMF, national authorities via CEIC, World Bank Global Inflation database and authors' calculations.

As increases in the price of energy – and, to a lesser extent, food – have moderated, inflation in the EBRD regions has come down, averaging 6.3 per cent in March 2024 versus the peak of 17.5 per cent in October 2022. While disinflation has so far been somewhat quicker than was expected a year ago, inflation remains 2 percentage points above the pre-pandemic average.

Geopolitical tensions are having a profound impact on the EBRD regions and beyond, leading to rapid fragmentation of trade and investment and a marked rise in defence spending. As the "peace dividend" has eroded following the invasion of Ukraine in February 2022, the arms trade's contribution to the imports and exports of EBRD economies in the EU has increased from 0.1 per cent (a level at which it was stable for years) to between 0.3 and 0.5 per cent.

Central Asia

Central Asian economies' robust post-Covid recovery has continued, aided by a wave of money, businesses and high-quality human capital from Russia and strong demand for key export commodities. Importantly, the opportunistic spike in Central Asia's intermediated trade has been accompanied by sizeable publicly and privately financed investment in transport, logistics and export-oriented manufacturing capacity. Robust growth in wages and real incomes, coupled with a surge in international arrivals and tourism, has led to a boom in consumption, which has been further supported by technological advances in consumer lending (despite elevated interest rates). Despite mounting demand-side pressures, inflation has receded to single-digit levels in all countries, in line with broader global trends, allowing central banks in most Central Asian countries to start softening their monetary policy stances.

Central Europe and the Baltic states

Central Europe and the Baltic states was the weakest performing EBRD region in 2023, with economic growth averaging just 0.1 per cent. High inflation, tightening of monetary policy, weak demand from western Europe and uncertainties relating to the war in Ukraine all weighed on the growth of economies in the region. Tight labour markets, coupled with generous increases in minimum wages and disinflation, are expected to lead to a strong rebound in real

wage growth, supporting consumption in 2024.

Eastern Europe and the Caucasus

Economic performance varied widely across the economies of eastern Europe and the Caucasus in 2023 amid a challenging environment, but solid growth is expected in 2024 in all five economies. While Armenia, Georgia and Ukraine will probably see some moderation of GDP growth following the high levels achieved last year, growth rates in Azerbaijan and Moldova are expected to accelerate from a low base. Disinflationary policies across the region have succeeded in bringing inflation below targeted levels.

South-eastern EU

Economies in the south-eastern EU saw a significant weakening of growth in 2023, but still grew at a faster rate than most EU peers, reflecting robust consumption. Moreover, investment trends remain positive and the availability of substantial EU funds in the coming years is expected to be an important driver of short and medium-term growth, alongside strong wage growth.

Southern and eastern Mediterranean

The southern and eastern Mediterranean region has, overall, shown resilience in the face of the war in Gaza and rising regional political and security tensions over the past few months. Morocco, Jordan and Egypt have all received support from the IMF and international donors, contributing to macroeconomic stabilisation. Inflation has moderated across the region (though it remains above 30 per cent in Egypt), and the region is broadly on track to achieve fiscal consolidation in 2024, while aiming to maintain growth-enhancing investments and targeted social protection.

Türkiye

While Türkiye's GDP growth slowed from 5.5 per cent in 2022 to 4.5 per cent in 2023, the economy performed better than had been expected in September 2023. Growth last year was driven by the services sector (trade, logistics, tourism, financial services and government services) and reconstruction following the devastating earthquakes of February 2023. Private consumption remained strong, supported by the fiscal stimulus that was implemented in the first half of the year and rising wages.

Western Balkans

Growth in the Western Balkans slowed to 2.5 per cent in 2023, down from 3.4 per cent in 2022, on the back of persistently high inflation (which weighed on domestic demand) and subdued external demand from the EU. In several economies, household consumption was supported by fiscal stimulus measures and rises in minimum wages. Growth is expected to strengthen, reaching 3.3 per cent in 2024 and 3.7 per cent in 2025, as inflation moderates and construction activity picks up throughout the region. IMF programmes have helped to cover external financing needs and supported the implementation of capital expenditure projects in Kosovo, North Macedonia and Serbia.

Annex 3. Update on European Union insolvency harmonisation efforts[35]

Most EU member states have now enacted reforms to their national insolvency legislation to transpose the relevant provisions of Directive (EU) 2019/1023 on preventive restructuring. The original deadline for most provisions was 17 July 2021, but there was the possibility to apply for an extension until 17 July 2022. Of the 12 EU countries where the EBRD currently invests, only one (Poland) has not yet transposed the directive.

The directive represents an important effort by the EU to harmonise pre-insolvency procedures to support the successful early restructuring of businesses in financial difficulties. The directive addresses both legal entities and natural persons (entrepreneurs).

The original transposition deadline meant that member states had to engage with the directive during a pandemic. At that time, they were also focused on bringing in temporary emergency insolvency measures to prevent unnecessary liquidations of businesses. The Survey of Covid-19 Emergency Measures in the EBRD Regions that was conducted by the Legal Transition Programme in partnership with our Office of the Chief Economist found that approximately half of all the economies where the EBRD invests (18 in total) had introduced emergency insolvency measures during the pandemic.[36] Of the 13 EU economies where the EBRD invested at that time,[37] only three (Bulgaria, Cyprus and Greece) did not fall into this category.

Some commentators have argued that the harmonisation effect of the directive has been limited owing to the many options it provides for implementation. Nevertheless, there are a few clear trends. Eight of the 12 EU economies where the EBRD currently invests (Bulgaria, Croatia, Estonia, Greece, Hungary, Latvia, the Slovak Republic and Slovenia)[38] have opted for the new EU relative priority rule that allows shareholders or lower-ranked creditors to retain value even if higher-ranking creditors are not paid in full. This effectively means that a restructuring plan can offer some incentive or payment to owners and managers of small businesses to keep them involved in the restructuring process. This trend contrasts with developments in larger EU economies, such as France and Germany, where the absolute priority rule has prevailed. That rule provides that lower-ranking claims, such as equity, cannot be satisfied as part of a restructuring plan until higher-ranking claims, such as bank creditors, have been paid in full.

Another noticeable trend is that only debtors can initiative preventive restructuring in most countries. Creditors are precluded from doing this in Bulgaria, Croatia, Czechia, Hungary, Latvia, Romania, the Slovak Republic and Slovenia. There is a general reliance on the courts for preventive restructuring in most EBRD economies in the EU (apart from Greece and Romania, where administrative authorities are involved in several out-of-court restructuring procedures). The directive has introduced a requirement for member states to notify businesses that are in difficulties about the need to act ("early

[35] Prepared by the EBRD Legal Transition Team – Catherine Bridge Zoller (Senior Counsel).

[36] See EBRD (2024a).

[37] This group includes Cyprus, which was an EBRD country of operation until the end of 2020.

[38] Cyprus has also adopted this model.

warning" signals). Our initial research suggests that this is not yet operational in some countries (such as Croatia and Hungary) and has been implemented in quite a diverse way, through a mixture of self-assessment tools and government – including tax authority – systems.

For some EU member states, the ability to include secured creditors in the restructuring process represents a major change. Historically, many national insolvency procedures did not extend the moratorium to secured creditors and/or could not compromise secured claims as part of a majority creditor-led restructuring. This meant that secured creditors did not participate in restructuring in practice. With the directive, secured creditors can now be subject to a moratorium or bar on enforcement of up to 12 months maximum and a dissenting minority of secured creditors can be crammed down when voting on a restructuring plan.

The directive mandates member states to ensure that judges and insolvency practitioners have the requisite expertise. It also prescribes certain optional and mandatory data fields for member states reporting on insolvency. Member states will be required, as a minimum, to collect and aggregate, on an annual basis, at national level, data on procedures concerning restructuring, insolvency and discharge of debt, broken down by (a) the number of procedures, (b) the average length of procedures, (c) the number of procedures broken down by type of outcome and (d) the number of applications for restructuring procedures that are declared inadmissible, rejected or withdrawn before being opened.

Comprehensive, updated and disaggregated insolvency data are important to have a full picture of the insolvency system and some objective measurement of its performance in practice. However, in practice, many countries do not publish insolvency data; and such data is frequently incomplete or out of date.[39] In the EU, we expect to see advances in the collection and analysis of data on insolvency, which will help to measure the effectiveness of national insolvency systems as an NPL resolution tool.

[39] EBRD Business Reorganisation Assessment, Annex 13 (Data Transparency Factor).

Annex 4. 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; (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 an objective quantitative threshold, alongside bankruptcy, when 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 (see Regulation No. 680/2014, which sets out the technical standards drawn up by the EBA).
  - While most NPL data in this report are sourced from the IMF FSIs, NPL data for Serbia come directly from its central bank (being taken, for example, from its financial stability reports, banking reports, macroeconomic reports and statistical databases). Serbia uses a definition in line with that of the IMF. Montenegro, meanwhile, 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.

Annex 5. Metadata

To provide a comprehensive overview of the underlying data used in this report, 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 report 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 instalment loans - 60 days past due for limit loans (excluding overdrafts) - 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.	Book value of principal plus accrued interest. For non-performing loans, interest accrued after becoming non-performing is not counted.	Specific provisions for NPLs are accounted for. Only financial collateral is taken into 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 became part of non-performing loans from Q4 2011.		From Q4 2009, FSIs used non-performing loans net of provisions to Tier 1.	
3	**Bulgaria**	Until 2014, NPLs were risk exposures where principal or interest payments had been past due for more than 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 definition and the scope of NPLs have been in line with EBA standards. The source of the data is FinRep 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	**Czechia**	Besides the 90-day rule recommended by the FSI guide, the financial condition of the debtor is also used in classifying loans as 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.			

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
8	**Greece**	In accordance with the EBA ITS on supervisory reporting, non-performing loans 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.	Calculated in accordance with the EBA ITS on supervisory reporting. Total gross loans comprise NPLs before the deduction of specific loan loss provisions.	Calculated in accordance with the 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.	Calculated in accordance with 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, such as deposits and funds held in other banks and credit institutions.	These include interest accrued on some NPLs. In their accounting policies, banks specify the individual provisions and conditions under which interest on non-performing assets is not accrued.		
13	**Montenegro**	NPLs include only principal and exclude 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, Nos. 22/12, 55/12, 57/13, 44/17 and 82/17), loans are classified in five categories (A, B, C, D and E) depending on the probability of incurring losses. Loans in 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 category than C. Indeed, banks may deem 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 as 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 using 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**	A non-performing credit exposure is defined as: - a credit exposure which on any basis (principal, interest or 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). - a 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's assessment of whether the client is unlikely to pay will be based, as a minimum, on 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 of the client's credit exposures with a significant loss - grace period for the payment of principal and interest extended beyond 18 months	These include 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's 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.

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
		- write-off that significantly reduces the amount of the 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 bank's total balance-sheet credit exposure 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 deemed to be performing (classified in risk category A, B or C) as of 29 February 2020, or were approved (as performing credit exposures classified in risk category A or B) 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 (90 days and unlikeliness to pay) by 31 December 2020 at the latest.			
15	**Poland**	NPLs exclude repurchase agreements that are not classified as deposits. They include some other financial assets besides loans: data represent total receivables, including originated loans, purchased receivables and guarantees that are being exercised. They exclude loans to the central bank. Deposit-takers that are in distress or in receivership are not included.	These exclude repurchase agreements that are not classified as deposits. They include some other financial assets besides loans: data represent total receivables, such as originated loans, purchased receivables and guarantees that are being exercised. They exclude loans to the central bank.	From Q1 2010, data include all receivables excluding loans to the central bank. Banks that follow Polish Accounting Standards decrease the carrying value of all loans except those classified in the loss category by a 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 met the non-performance criteria (overdue for more than 90 days and/or legal proceedings initiated). Since December 2015, NPLs have been based on the EBA definition: 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 that are in distress or receivership are not included.	From June 2014 to December 2015, IFRS impairment losses (provisions) for NPLs identified (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**	An NPL is the total outstanding debt under an individual loan (including the amount of arrears) where (i) 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, (ii) at least 90 days of interest payments have been added to the loan balance, capitalised, refinanced or delayed by agreement or (iii) 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 the FSIs. Sources: Quarterly Review of Dynamics of Financial Stability; statistical annex to Quarterly Banking Report; 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 when 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	

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
				loans. General provisions are not netted out.	
19	**Slovenia**	NPLs include 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).	These include 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 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 on the basis of which a payment liability could arise for the bank.	
20	**Ukraine**	This is consistent with the 90-day criterion. Since the first quarter of 2017, NPLs have included loans classified in 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 for in the balance sheet. A 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. A bank is a legal entity with separate subdivisions in Ukraine and abroad.		

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