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NPL Monitor H1 2026





About the *NPL Monitor*

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 countries² in central, eastern and south-eastern Europe (CESEE) and selected non-CESEE countries.³

This edition presents a data-based analysis of NPL trends, as well as a comprehensive overview of the current NPL market and of European Union regulations related to credit risks. In addition, it focuses on the potential impact that today's challenging macroeconomic landscape and heightened geopolitical risks could 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

Non-performing loan (NPL) levels remain at or near all-time lows across the *NPL Monitor* regions, with headline ratios continuing their downward trend in most markets. However, diverging dynamics are increasingly visible beneath the surface, with credit risks becoming more uneven across countries, sectors and borrower segments amid geopolitical tensions, trade policy uncertainty and weaker growth momentum.

In central, eastern and south-eastern Europe (CESEE), NPL volumes have reversed the declining trend of recent years, increasing by 4.5 per cent to €28.6 billion in the year to December 2025. Despite this, the **average regional NPL ratio** continued its gradual downward trend, declining by 0.09 percentage points to a **new historic low of 1.86 per cent** as loan book growth outpaced the rise in impaired exposures. The region's overall coverage ratio declined slightly to 62.7 per cent, a fall of 1.5 percentage points from the end of 2024, mainly due to softer provisioning buffers in some countries.⁴

While headline indicators suggest resilience, more fragile dynamics are also emerging. National trends are diverging as macroeconomic pressures, sectoral exposures and policy responses vary. Romania and Hungary have recorded notable increases in NPL volumes driven by weak economic growth and emerging credit risks, while other countries continue to see reductions. Stage 2 exposures⁵ remain a key supervisory focal point. **In European Union (EU) countries within the central and eastern Europe (CEE) region, Stage 2 loans compressed sharply to 8.5 per cent by the end of 2025 from 10.4 per cent a year earlier.** Stage 3 loans remained broadly stable at around 2.0 per cent, but vigilance remains warranted as risks reflected in Stage 2 exposures may not have fully materialised.

Sectoral risks remain concentrated in specific pockets. Commercial real estate (CRE) continues to

show signs of stress, while construction carries the highest sectoral NPL ratio. Small and medium-sized enterprise (SME) exposures remain vulnerable, particularly in export-oriented sectors exposed to geopolitical and trade-related risks. Consumer credit continues to warrant close monitoring. **The NPL transaction market is undergoing a structural shift**, from broad-based deleveraging to more selective activity, with smaller, targeted deals, forward-flow arrangements and renewed secondary trades.

In the euro area, supervisory priorities remain anchored in forward-looking credit risk assessment and early intervention. The European Central Bank (ECB) continues to focus on lending standards, non-performing exposure (NPE) coverage and more rigorous monitoring of portfolios with emerging risk, particularly CRE, SMEs and interest-only mortgages. Supervisory attention is also extending beyond bank balance sheets, with private credit and bank linkages with non-bank financial intermediaries becoming more relevant to the assessment of potential credit stress. **The ECB is also adapting its NPL supervisory framework for NPEs.** From 2026, NPE coverage expectations for significant institutions will be set on a multi-year basis, to focus on material provisioning shortfalls. For less significant institutions (LSIs), a harmonised approach for legacy NPEs will be implemented to reduce fragmentation across national practices.

The *NPL Monitor* regions have so far avoided a sharp deterioration in headline asset-quality indicators. However, the risk of renewed NPL accumulation has not disappeared, particularly as macroeconomic uncertainty and global trade fragmentation continue to weigh on CESEE's small and open economies. In this environment, early identification, targeted supervision and timely resolution of emerging distressed assets remain essential.

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.

⁵ As categorised by the accounting principles of the International Financial Reporting Standards (IFRS 9).

I. NPL developments in the NPL Monitor regions

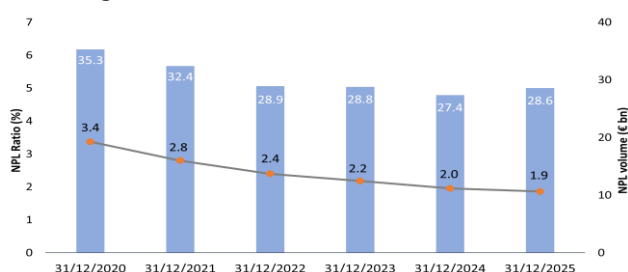
NPL volumes in the CESEE region edged up modestly in 2025, while the average NPL ratio continued its gradual downward trend, reaching an all-time low. Headline indicators remain broadly positive, but early signs of pressure are becoming increasingly visible in selected markets and sectors, warranting close supervisory attention.

CESEE region

Credit quality in the CESEE region **continued to demonstrate resilience in 2025**, supported by low unemployment and adequate borrower liquidity. However, **early signs of strain are emerging** as the region's small and open economies face macroeconomic risks from external shocks, **weakening growth and elevated interest rates**, which are weighing on borrower affordability.⁶

NPL volumes increased modestly during the year, rising by 4.5 per cent to €28.6 billion, reversing the declining trend of previous years.⁷ Supervisors are closely monitoring credit migration, early identification of deteriorating asset quality and provisioning adequacy as preventive measures.⁸

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



Source: IMF Financial Soundness Indicators (FSIs) and central banks.

⁶ See Austrian National Bank (2025) and (2026).

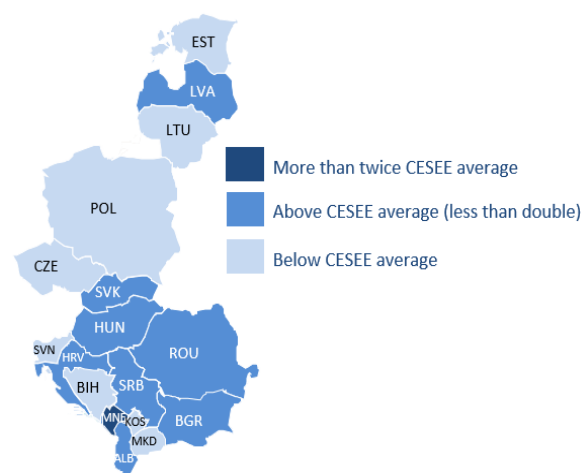
⁷ See notes to Table 1.

⁸ See ECB (2025).

⁹ The ratio of NPLs to total gross loans.

The average regional NPL ratio⁹ reached a new **low** as it continued its modest gradual downward trend, with a 0.09 percentage point decline during the year taking it to 1.86 per cent. **Slovenia recorded the most pronounced rise in NPL volumes at 53.9 per cent**, driven by restructuring cases in the manufacturing sector, while Romania and Hungary saw notable increases of 13.0 per cent and 9.5 per cent, respectively.¹⁰ In contrast, Montenegro and Serbia recorded significant falls of 13.2 per cent and 11.9 per cent, respectively, while Poland – the region's largest NPL market at €7.3 billion – saw volumes decline by 4.1 per cent.

Chart 2. Net NPL ratio¹¹ (Q4 2025)



Source: IMF FSIs and central banks.

The **overall coverage ratio¹² in the region declined slightly in 2025**, falling by 1.5 percentage points to 62.7 per cent, mainly due to softer provisioning buffers in some countries. North Macedonia maintains the highest coverage ratio in the region

¹⁰ See notes to Table 1.

¹¹ The ratio of NPLs net of provisions to total gross loans.

¹² The ratio of NPL provisions to NPL stock.

at 152.3 per cent, while Bulgaria, Czechia and Estonia report the lowest, at below 55 per cent.

Other regions

NPL trends in the non-CESEE countries covered by the *NPL Monitor* remained mixed in 2025, with significant divergence in direction and magnitude.

As Table 1 shows, **Ukraine's** NPL ratio fell to 13.9 per cent in December 2025, its lowest level since the start of Russia's full-scale invasion. The decline was primarily driven by large-scale write-offs of legacy problem loans by state-owned banks, particularly longstanding NPLs originating from earlier banking-sector restructuring. An expansion of new high-quality lending also contributed to the lower NPL ratio.¹³

In contrast, **Türkiye** experienced a further surge in NPL volumes in 2025, with the NPL ratio rising to approximately 2.1 per cent by the end of Q3, mainly due to consumer and credit-card exposures. Softer economic activity, high funding costs and currency weakness have weighed on borrower repayment capacity. Banks have proactively accelerated portfolio sales to locally licensed asset management companies to manage balance-sheet risks.¹⁴

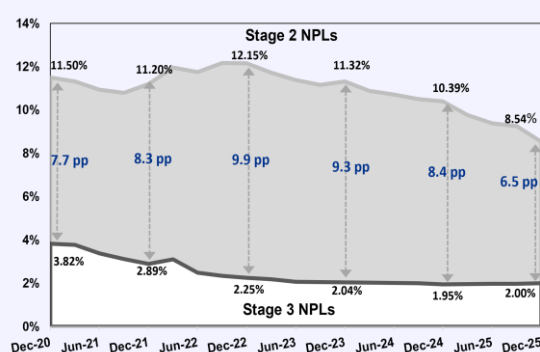
Kazakhstan's NPL ratio edged up to 3.6 per cent, reflecting tighter monetary policy conditions and stress in the retail credit segment. The country raised its base rate to 18.0 per cent in October 2025 amid accelerating inflation and elevated inflation expectations.¹⁵ **Morocco** has maintained a broadly stable elevated NPL ratio of 8.5 per cent, with secondary market reform legislation advancing through the regulatory process.



Sharp decline in Stage 2 loans, but vigilance remains warranted^{17, 18}

The most notable development in the EU CEE region's credit-quality profile in 2025 was a sharp decline in Stage 2 loans. Sliding to 8.5 per cent, from 10.4 per cent at the end of 2024, it was **the steepest single-year fall since the post-pandemic cycle began**. This deceleration largely reflected banks' proactive reclassification of exposures, improved borrower repayment capacity and the resolution of legacy watchlist positions that had been accumulating since 2022.

Chart 3. Evolution of Stage 2 and 3 loans in EU CEE region



Source: European Banking Authority (EBA) Risk Dashboard.

Note: Stage 2 and Stage 3 ratios are calculated as simple averages across EU CEE countries.

The narrowing gap between Stage 2 and Stage 3 loans – to **6.5 percentage point** in December 2025 from **9.9 percentage points** at its peak at the end of 2022 – is a positive signal, reflecting fewer loans transitioning directly into default. With Stage 3 loans remaining broadly stable at **2.0 per cent** as at December 2025, continued vigilance is warranted. Stage 2 exposures still capture risks that may not have yet translated into realised credit deterioration. Continued weak euro area growth and the indirect effects of trade policy uncertainty on the region's small and open economies could increase the risk of credit migration from Stage 2 to Stage 3.^{19, 20}

¹³ See National Bank of Ukraine (2026).

¹⁴ See S&P Global (2025).

¹⁵ See National Bank of Kazakhstan (2025).

¹⁶ The EU CEE countries are Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.

¹⁷ Under IFRS 9, which includes forward-looking recognition of loan impairment, a loan is categorised as Stage 2 when its

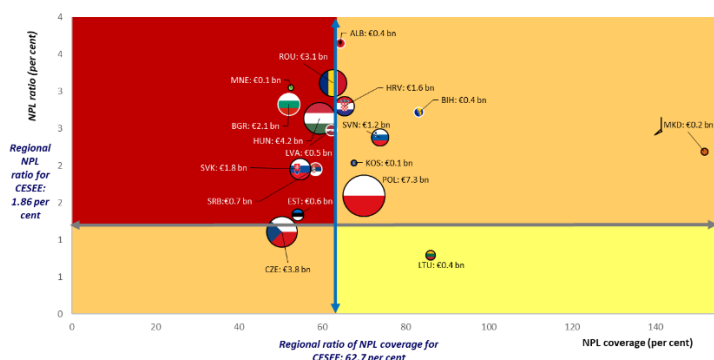
credit risk has increased significantly since initial recognition. A loan is categorised as Stage 3 when its credit risk has increased to the point where it is considered credit impaired. See BIS (2017).

¹⁸ As classified by IFRS 9, unless otherwise specified. Data on staging are from the [interactive EBA Risk Dashboard](#).

¹⁹ See IMF (2026).

²⁰ See ECB (2026).

Chart 4a. NPL volumes and ratios in the CESEE region as at Q4 2025



Source: IMF FSIs and central banks.

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

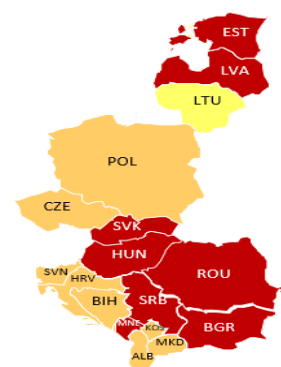


Table 1. Overview of the NPL profile in the CESEE region, 31 December 2024 to 31 December 2025

| Country | NPL volume (€ billions) | | NPL ratio (%) | | NPL coverage ratio (%) | | Net NPL ratio (%) | | Net NPL/capital (%) | | NPL-to-GDP ratio (%) | |
|------------------------|-------------------------|---------------|---------------|----------|------------------------|----------|-------------------|---------|---------------------|---------|----------------------|---------|
| | Dec-25 | Variation (%) | Dec-25 | Δ (pp) | Dec-25 | Δ (pp) | Dec-25 | Δ (pp) | Dec-25 | Δ (pp) | Dec-25 | Δ (pp) |
| Albania (ALB) | 0.4 | ▲ (5.5) | 3.6 | ▼ (0.4) | 64.4 | ▼ (11.7) | 1.3 | ▲ (0.3) | 5.7 | ▲ (1.7) | 1.4 | ▲ (0.0) |
| Bosnia and Herz. (BIH) | 0.4 | ▼ (7.1) | 2.7 | ▼ (0.4) | 83.2 | ▲ (3.0) | 0.5 | ▼ (0.2) | 2.2 | ▼ (0.9) | 1.4 | ▼ (0.1) |
| Bulgaria (BGR) | 2.1 | ▲ (6.9) | 2.8 | ▼ (0.4) | 52.0 | ▲ (2.6) | 1.4 | ▼ (0.3) | 7.4 | ▼ (1.5) | 1.9 | ▲ (0.0) |
| Croatia (HRV) | 1.6 | ▼ (2.7) | 2.8 | ▼ (0.3) | 65.4 | ▼ (0.9) | 1.0 | ▼ (0.1) | 5.6 | ▼ (0.3) | 1.7 | ▼ (0.1) |
| Czechia (CZE) | 3.8 | ▲ (1.6) | 1.1 | ▼ (0.1) | 50.4 | ▲ (0.1) | 0.5 | ▼ (0.1) | 6.1 | ▼ (0.4) | 1.2 | ▼ (0.0) |
| Estonia (EST) | 0.6 | ▲ (21.7) | 1.3 | ▲ (0.1) | 54.1 | ▼ (10.8) | 0.6 | ▲ (0.2) | 4.5 | ▲ (1.7) | 1.4 | ▲ (0.3) |
| Hungary (HUN) | 4.2 | ▲ (9.5) | 2.6 | ▼ (0.1) | 59.4 | ▲ (1.8) | 1.1 | ▼ (0.1) | 5.6 | ▼ (0.4) | 2.0 | ▲ (0.1) |
| Kosovo (KOS) | 0.1 | ▲ (24.8) | 2.0 | ▲ (0.2) | 67.7 | ▼ (1.2) | 0.7 | ▲ (0.1) | 4.3 | ▲ (0.5) | 1.3 | ▲ (0.2) |
| Latvia (LVA) | 0.5 | ▲ (18.5) | 2.5 | ▲ (0.1) | 62.3 | ▲ (6.2) | 0.9 | ▼ (0.1) | 6.5 | ▲ (0.1) | 1.3 | ▲ (0.2) |
| Lithuania (LTU) | 0.4 | ▲ (15.2) | 0.8 | ▼ (0.1) | 86.0 | ▼ (4.9) | 0.1 | ▲ (0.0) | 1.0 | ▲ (0.3) | 0.5 | ▲ (0.1) |
| Montenegro (MNE) | 0.1 | ▼ (13.2) | 3.0 | ▼ (1.1) | 52.5 | ▲ (0.6) | 1.4 | ▼ (0.5) | 7.0 | ▼ (2.2) | 1.8 | ▼ (0.3) |
| North Macedonia (MKD) | 0.2 | ▼ (7.0) | 2.2 | ▼ (0.4) | 152.3 | ▲ (11.6) | (1.1) | ▼ (0.1) | (5.8) | ▼ (0.4) | 1.2 | ▼ (0.1) |
| Poland (POL) | 7.3 | ▼ (4.1) | 1.6 | ▼ (0.2) | 70.0 | ▼ (1.0) | 0.5 | ▼ (0.0) | 3.1 | ▼ (0.4) | 0.8 | ▼ (0.1) |
| Romania (ROU) | 3.1 | ▲ (13.0) | 3.1 | ▲ (0.3) | 62.6 | ▼ (3.4) | 1.2 | ▲ (0.2) | 6.7 | ▲ (0.7) | 0.8 | ▲ (0.1) |
| Serbia (SRB) | 0.7 | ▼ (11.9) | 2.0 | ▼ (0.6) | 58.4 | ▼ (3.9) | 0.8 | ▼ (0.1) | 3.6 | ▼ (0.4) | 0.8 | ▼ (0.1) |
| Slovak Republic (SVK) | 1.8 | ▲ (7.4) | 2.0 | ▲ (0.0) | 54.8 | ▼ (0.4) | 0.9 | ▲ (0.0) | 6.1 | ▼ (0.4) | 1.4 | ▲ (0.1) |
| Slovenia (SVN) | 1.2 | ▲ (53.9) | 2.4 | ▲ (0.7) | 73.9 | ▼ (29.3) | 0.6 | ▲ (0.7) | 4.1 | ▲ (4.5) | 1.8 | ▲ (0.6) |
| CESEE | 28.6 | ▲ (4.5) | 1.86 | ▼ (0.1) | 62.7 | ▼ (1.5) | 0.7 | ▼ (0.0) | 4.2 | ▼ (0.2) | 1.1 | ▲ (0.0) |
| Armenia (ARM) | 0.2 | ▲ (7.8) | 1.2 | ▲ (0.0) | 55.2 | ▲ (5.0) | 0.5 | ▼ (0.0) | 2.3 | ▼ (0.3) | 0.8 | ▲ (0.0) |
| Georgia (GEO) | 0.6 | ▲ (5.7) | 2.5 | ▲ (0.0) | 32.8 | ▼ (3.6) | 1.7 | ▲ (0.1) | 8.8 | ▲ (0.4) | 1.9 | ▲ (0.1) |
| Greece (GRC) | 6.2 | ▼ (6.1) | 3.0 | ▼ (0.5) | 61.6 | ▲ (7.9) | 1.1 | ▼ (0.5) | 6.3 | ▼ (2.8) | 2.6 | ▼ (0.2) |
| Kazakhstan (KAZ) | 2.6 | ▲ (26.0) | 3.6 | ▲ (0.6) | 74.2 | ▲ (7.2) | 0.9 | ▼ (0.1) | 4.2 | ▼ (0.4) | 1.0 | ▲ (0.2) |
| Moldova (MDL) | 0.2 | ▲ (24.9) | 4.2 | ▲ (0.0) | 46.2 | ▼ (7.3) | 2.2 | ▲ (0.3) | 8.0 | ▲ (2.2) | 1.2 | ▲ (0.2) |
| Morocco (MAR) | 13.2 | ▲ (4.0) | 8.5 | ▲ (0.3) | 68.8 | ▼ (0.2) | 2.7 | ▲ (0.1) | 19.1 | ▼ (0.1) | 8.4 | ▼ (0.0) |
| Türkiye (TUR) | 10.2 | ▲ (28.6) | 2.1 | ▲ (0.5) | 74.7 | ▼ (2.0) | 0.5 | ▲ (0.2) | 3.4 | ▲ (0.9) | 0.7 | ▲ (0.1) |
| Ukraine (UKR) | 3.9 | ▼ (56.4) | 13.9 | ▼ (16.4) | 73.5 | ▼ (11.4) | 3.7 | ▼ (0.9) | 11.8 | ▼ (4.9) | 2.1 | ▼ (2.9) |
| Other | 37.1 | ▼ (5.1) | 3.7 | ▼ (0.3) | 69.3 | ▼ (1.6) | 1.1 | ▼ (0.0) | 4.3 | ▼ (0.4) | 1.6 | ▼ (0.2) |
| Total countries | 65.7 | ▼ (1.2) | 2.6 | ▼ (0.2) | 66.4 | ▼ (1.7) | 0.9 | ▼ (0.0) | 4.3 | ▼ (0.3) | 1.4 | ▼ (0.1) |

Source: IMF FSIs and central banks.

Notes on the data and the interpretation of results

- Variation (per cent) is calculated as $((\text{value period 1}/\text{value period 0}) - 1) \times 100$, with December 2025 as period 1 and December 2024 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 2025 are the latest available.
- When not available from the IMF FSIs, data are obtained from the websites of the monetary authorities of the countries in question. Such data include the latest information on selected indicators for Serbia. Since the start of 2026, the IMF FSIs have covered all countries included in the *NPL Monitor* except Serbia.
- As some IMF FSI series differ from those previously reported by national authorities due to differences in methodology, scope and reporting practices, IMF FSI data have been used as the primary source for all countries except Serbia to ensure consistency and continuity of the dataset. 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 2025 are Armenia (up to Q3), Bosnia and Herzegovina (up to Q3), Morocco (up to Q2), North Macedonia (up to Q3) and Türkiye (up to Q3).
- The NPL-to-GDP ratio is calculated using annual GDP values for 2024 and 2025, respectively (rather than quarterly data), in line with reporting for the IMF's *World Economic Outlook*.

II. NPL market trends


A market in transition: from broad-based recovery to selective stress

Asset quality across the CESEE region remains strong by historical standards, with banking systems operating at the low end of the NPL ratio range. This sustained improvement reflects resilient labour markets, adequate borrower liquidity and several years of banks actively cleaning up their balance sheets. Most banking sectors in the region are now on a significantly sounder footing than in the previous cycle.

However, the pace of improvement has clearly moderated. With NPL ratios already low, the current phase is no longer characterised by broad-based reductions in NPL stocks. Instead, emerging asset-quality pressures are translating into more selective NPL flows concentrated in specific countries, portfolios and borrower segments, rather than a broad-based deterioration. This is changing the nature of NPL market activity. Transaction flow is increasingly expected to come from smaller, targeted disposals, forward-flow arrangements and

selectively reactivated secondary trades, rather than large-scale legacy portfolio clean-ups. Banks are likely to focus on portfolios where early signs of stress are more visible, including retail, SME and real-estate-related exposures, with CRE continuing to warrant attention. Segments linked to development activity, including residential assets originated by commercial developers, are facing growing pressure. This reflects a combination of higher construction costs, lingering supply chain disruptions, rising financing costs and softer demand in certain submarkets, alongside the legacy of expansion during the low-rate environment. These pockets of stress are therefore becoming more relevant to transaction pipelines, even if they have not yet translated into a broad deterioration in asset quality.

As NPL transaction activity becomes increasingly selective, understanding the different investor models active in the distressed asset market becomes more relevant. The table below summarises the main business models and their key characteristics.

|  In focus: types of business models in the distressed segment | | | |
|--|--|--|---|
| Core model | Balance-sheet investor | Hybrid, transitioning to capital-light | Asset manager/co-investment platform |
| Capital structure | Primarily own capital: equity + debt-funded acquisitions | Increasing use of third-party capital; minority co-investment stakes | Combination of general partners' capital and third-party co-investors |
| Risk exposure | Direct exposure to portfolio performance | Selective exposure (minority stakes) and fee-based income | Risk shared with investors, increasingly off balance sheet |
| Revenue drivers | Realisation of estimated remaining collections, investment returns | Servicing fees, investment management fees, co-investment returns | Investment management fees, performance fees and co-investment return |
| Servicing role | Own or affiliated servicing platforms | Own or affiliated servicing platforms – core strategic strength | Access to a network of servicing platforms |
| Use of leverage | Leverage at balance sheet level | Moderated through capital-light approach | Typically ring-fenced at portfolio/special-purpose-vehicle level |
| Operational focus | Portfolio acquisition and collections performance | Servicing excellence and scalable platform model | End-to-end lifecycle: sourcing, underwriting, servicing, exit |
| Strategic positioning | Traditional distressed debt investor | Transitioning to asset-light investment manager | Fully evolved capital-light/partnership-driven model |

Granularity over volume: how transaction activity is adapting

Relationship-driven bilateral deals remain important, particularly for more complex or mixed portfolios.

Investment approaches are shifting in parallel. There is greater emphasis on data quality, transparency around historical performance and realistic recovery assumptions. Underwriting has become more execution-focused: clear visibility on recovery timelines and operational feasibility are now critical to maintaining pricing discipline. Servicer alignment from the underwriting stage is increasingly central, with transaction structures more frequently incorporating clearly defined key performance indicators and fee arrangements linked to gross recoveries and time-to-cash.

The broader investor landscape is also evolving. Traditional balance-sheet investors are increasingly complemented by asset managers, servicers and hybrid platforms that are partnering with third-party capital. Co-investments, joint ventures and structured finance solutions are becoming more prevalent, providing greater flexibility in capital deployment and risk allocation. Some more leveraged players, however, continue to work on optimising their capital structures – as illustrated in the “In focus” boxes on this and the following page.



In focus (credit servicer): Intrum

- Intrum, a leading European credit management servicer, has pivoted towards a partnership-based business model, illustrating the sector-wide shift towards capital-light approaches – underpinned by comprehensive balance-sheet restructuring.
- **Co-investment transaction:** a secondary market portfolio acquisition of approximately HUF 41 billion (€116 million) across around 25,000 accounts, completed in May 2026, represents Intrum’s first co-investment transaction in Hungary. Intrum retains a minority investment stake, consistent with its capital-light strategy, and will service the portfolio under a long-term agreement, generating recurring servicing income.²¹
- **Capital increase:** Intrum has been pursuing a comprehensive balance-sheet restructuring aimed at reducing leverage and strengthening liquidity following its 2024-25 recapitalisation process. In May 2026, the company announced a capital increase of SEK 7.5 billion (€700 million), intended to accelerate deleveraging, reduce financial risk and improve flexibility to execute its Intrum 2030 strategy.²²
- Together, these developments illustrate the sector-wide transition towards stronger balance sheets, greater financial flexibility and increasingly capital-light, partner-based serving models.

²¹ See Intrum (2026).

²² See Intrum (2026a).

Capital models, technology and regulatory pressure converge

Beyond capital structure, competitive positioning is increasingly defined by access to operational capacity. High-quality servicing platforms, strong data analytics and robust governance frameworks are becoming critical to performance. The integration of advanced technologies – including automation, machine learning and artificial intelligence – is reshaping all workflows, starting with underwriting.

Regulatory and supervisory frameworks across the region are also tightening. Authorities are placing greater emphasis on borrower affordability, underwriting standards and consumer protection. Insolvency and recovery frameworks continue to improve, although progress remains uneven across jurisdictions, reflecting a broader shift towards more pre-emptive supervision. Some more leveraged players continue to face structural pressure on their capital structures, while others are demonstrating how institutional partnerships can provide a sustainable path forward.



In focus (credit servicer): DDM Group

- DDM Group is working to address its more leveraged capital structure, illustrating the structural pressures confronting some market participants in the current environment. DDM Finance and its subsidiary Achilles Capital filed for corporate restructuring in April, a few days ahead of the maturity of €200 million of senior secured bonds and €25 million of super-senior bonds.
- DDM expects a refinancing solution to be completed in the second half of 2026, subject to approval of the restructuring, while Axfina Group – one of Achilles' core portfolio companies – will remain fully operational.²³



In focus: EBRD-APS Holding NPL Co-Investment Programme²⁴

- APS Holding and the European Bank for Reconstruction and Development (EBRD) have developed an NPL Co-investment Programme designed to enable agile and efficient deployment in increasingly granular markets – illustrating how institutional capital is adapting to a more mature market phase.
- The EBRD plans to invest up to €75 million in the programme – which APS is managing – targeting distressed and non-performing assets across the EBRD regions.
- The initiative forms part of the broader €300 million NPL Resolution Framework II, providing a scalable institutional framework for NPL deployment across the EBRD regions.
- The structure combines EBRD capital with APS's investment expertise, local market knowledge and in-house servicing capabilities – enabling end-to-end execution from sourcing through to collections.
- The programme demonstrates the growing importance of scalable, partnership-based investment models in facilitating continued capital deployment across multiple transactions, supporting effective NPL resolution and contributing to the development of well-functioning NPL markets across the EBRD regions.

²³ See DDM Group (2026).

²⁴ See EBRD (2026).

III. The EU perspective on credit risks and NPLs

Asset quality remains resilient, but underlying risks are increasing

Asset quality across the EU/European Economic Area banking sector²⁵ has remained resilient despite the more fragile macroeconomic environment. The aggregate NPL ratio held broadly stable at 1.8 per cent in Q4 2025, compared with 1.9 per cent a year earlier,²⁶ while provisioning levels showed little change, with coverage standing at 41.4 per cent.²⁷

However, supervisors are seeing signs of increasing pressure. Banks have reported a further tightening of credit standards – the most pronounced since 2023 – reflecting heightened risk perceptions, lower risk tolerance and continued geopolitical and energy-related concerns.²⁸ The ECB's 2025 Supervisory Review and Evaluation Process (SREP) also pointed to diverging trends across countries and asset classes, with some jurisdictions recording increases in NPL stocks and a marginal increase in forborne exposures after several years of decline.²⁹ The still elevated Stage 2 exposures add to this picture of credit risk that is building but has not yet been realised.³⁰

Risk dynamics are diverging across countries and sectors

NPL stock reductions have continued in many countries that had previously reported higher NPL ratios, including in southern Europe, but increases

are emerging in some countries with historically lower NPL levels, notably France and Germany. Diverging segmental trends are part of the explanation, with NPLs rising slightly in unsecured lending while edging down in secured lending. This pattern may also be an early sign that credit risk is building at different speeds across the region.³¹

Real estate faces an uneven recovery and structural pressures

Real estate activities represented 27.3 per cent of non-financial corporate (NFC) exposures at the end of 2025 but continued to perform comparatively well, with an NPL ratio of 2.4 per cent. However, close monitoring is warranted given emerging signs of risk in the sector and the relatively high share of real estate activities within NFC portfolios in some countries, such as France.³²

Construction carried the highest NPL ratio of any sector, at 6.1 per cent in Q4 2025, despite a slight improvement during the year. However, the sector accounted for only 5.0 per cent of NFC exposures.³³

CRE also continues to face persistent challenges, with conditions having worsened for some jurisdictions and institutions despite signs of stabilisation overall. Structural pressures are weighing on asset quality – including remote working, climate and environmental considerations, and falling values for non-prime

²⁵ The EBA Risk Dashboard covers EU member states plus the three European Free Trade Association countries (Iceland, Liechtenstein and Norway) that participate in the European Economic Area.

²⁶ See EBA (2026).

²⁷ See ECB (2025a).

²⁸ See ECB (2026a).

²⁹ See ECB (2025a).

³⁰ See ECB (2026a).

³¹ See ECB (2025a).

³² See EBA (2026).

³³ Ibid.

office space – particularly in markets that have historically reported very low NPL levels.³⁴

SME vulnerabilities concentrated in geopolitically exposed sectors

SME exposures remain a source of concern. Corporate insolvencies, while stabilising, are still above pre-pandemic levels, particularly among highly leveraged firms and export-oriented sectors such as automotive, chemicals and pharmaceuticals, which are most exposed to geopolitical risk and trade tensions.³⁵ The SME NPL ratio stood at 4.6 per cent in Q4 2025, above the aggregate NPL ratio,³⁶ while the ECB continued to identify SMEs as a portfolio requiring closer supervisory scrutiny.³⁷

Household credit remains resilient while consumer credit warrants monitoring

Household credit quality remained resilient, supported by record-low unemployment, rising incomes and falling interest rates, all of which underpinned retail asset quality, particularly in residential mortgages. Several banks also made progress in closing supervisory findings and refining provisioning, reflecting broader improvements in credit risk management.³⁸

Consumer credit, however, requires closer attention: its NPL ratio rose slightly to 5.4 per cent, and the segment was among the main sources of NPL inflows in the first half of 2025, generating more than €20 billion of inflows against €19 billion of outflows.³⁹

Supervisors are also paying closer attention to private credit

Supervisory attention is increasingly extending beyond the banking book to private credit and to banks' linkages with non-bank financial institutions

(NBFIs). The Financial Stability Board has said that private credit – estimated at US\$ 1.5 trillion-2.0 trillion (€1.3 trillion-1.7 trillion) – remains untested at its current size, scope and concentration, and that a severe economic downturn could expose vulnerabilities linked to borrower credit quality, leverage, valuation opacity and bank credit lines.⁴⁰ The ECB and the European Systemic Risk Board (ESRB) also warned that bank–NBFI linkages can transmit stress through funding, liquidity, leverage and derivatives channels. Such risks may not be immediately visible in bank NPL ratios, but they could amplify credit stress in a more adverse macroeconomic scenario.⁴¹

ECB supervisory focus for credit risks and NPLs

In the 2025 SREP cycle, around two-thirds of NPL-related qualitative measures focused on banks with high NPL levels, particularly their strategic and operational planning, compliance with NPE coverage expectations and related reporting. There was also a slight rise in measures requesting that banks monitor specific portfolios more rigorously, such as CRE or interest-only mortgage portfolios, as well as the prudential classification of loans and IFRS 9 compliance.⁴²

The ECB will continue focusing on prudent risk-taking and sound credit standards to prevent the emergence of future NPLs, with a particular emphasis on banks' underwriting standards.⁴³ As part of the latest update of its Supervisory Priorities 2026-28, the ECB indicated that it will perform a system-wide analysis to better understand banks' lending standards, in line with European Banking Authority (EBA) guidelines on loan origination and monitoring, and building on its 2019 credit underwriting exercise. This will involve a data request in 2026 to identify key portfolio trends, best lending practices and any banks that require further scrutiny. Priority areas

³⁴ See ECB (2025a).

³⁵ Ibid.

³⁶ See EBA (2025).

³⁷ See ECB (2025a).

³⁸ Ibid.

³⁹ See EBA (2025).

⁴⁰ See Financial Stability Board (2026).

⁴¹ See ECB (2026b).

⁴² See ECB (2025a).

⁴³ See ECB (2026c).

for further follow-up, together with the relevant remediation measures, will be integrated into the offsite and onsite planning cycles in 2027 and 2028.⁴⁴

ECB simplifies NPL coverage expectations and refines its approach for LSIs

The ECB is simplifying how it applies its existing NPE coverage framework. From the 2026 supervisory cycle, coverage expectations will be set through a single multi-year operational act, rather than repeated annually in SREP decisions. Banks with immaterial stocks of older NPEs will no longer need to meet or report against them, while supervisory scrutiny of requests to reduce provisioning shortfalls will focus more on banks

where those requests are material. This will reduce the supervisory burden where residual legacy risks are low, while keeping pressure where under-covered NPEs remain relevant.⁴⁵

The ECB also introduced Guideline (EU) 2025/2595 (ECB/2025/40) in 2025, establishing a harmonised supervisory framework to assess the coverage of NPEs held by LSIs. It focuses on legacy NPEs originated before 26 April 2019, which fall outside the Capital Requirements Regulation Pillar 1 (“backstop”) regime. This addresses the previous fragmentation of national approaches to LSI legacy NPEs and extends more consistent single supervisory mechanism (SSM) expectations to smaller banks, while preserving proportionality and supervisory discretion.⁴⁶

⁴⁴ See ECB (2025).

⁴⁵ See ECB (2026c).

⁴⁶ See EU (2025).

IV. Recent policy actions in NPL Monitor countries⁴⁷

Europe and the Western Balkans



Albania

- **Monetary policy:** The Bank of Albania (BoA) kept its base rate at 2.5 per cent in the first half of 2026, slightly below its 3 per cent inflation target.⁴⁸ Consumer price inflation averaged 2.5 per cent in Q1, close to target. BoA maintained a vigilant but accommodative stance, noting that oil price shocks could push inflation temporarily above target in 2026, with the effects expected to be moderate.
- **Banking sector stability:** In April 2026, BoA's *Financial Stability Report* confirmed that the sector remains solid: private-sector loans grew by 13.7 per cent year on year in Q1 2026⁴⁹ and asset quality remained high. Stress tests indicate resilience to identified risks, although the BoA has highlighted the need to maintain prudent risk-management buffers amid global uncertainties.
- **Regulatory and supervisory updates:** BoA's Supervisory Council has approved extensive regulatory amendments aligned with international standards and recommendations from the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism.⁵⁰ The changes tighten requirements around anti-money laundering and countering the financing of terrorism, introduce clearer definitions of "good reputation" and "beneficial owner", and strengthen fit-and-proper standards for bank shareholders and managers. Borrower-based macroprudential caps introduced in 2025 set loan-to-value limits at 85/80 per cent for primary/secondary residences and debt service-to-income (DSTI) caps for loans.
- **Banking market entries:** BoA granted two new banking licences in the first half of 2026. Jet Bank received a full licence in March to operate as a fully digital bank, making it the country's first new bank in about two decades, while a local branch of Türkiye's Ziraat Bank received a licence in May, which is expected to enhance competition and diversify financial services.



Croatia

- **Monetary policy:** The Croatian National Bank is raising the countercyclical capital buffer from 1.5 per cent to 2.0 per cent from 1 January 2027, reflecting elevated cyclical systemic risks amid strong credit growth and rising residential real estate prices.⁵¹
- **Measures to tackle rising energy prices:** In March 2026, the government adopted its 10th package of anti-inflation measures, worth around €450 million (0.3 per cent of GDP). The package extends enacted energy price caps, freezes electricity and gas prices until the end of September 2026 and supports households through targeted energy efficiency investments
- **Revised lending criteria:** Stricter consumer lending criteria came into force on 1 July 2025, including a 30-year cap on housing loan terms (10 years for non-housing), limits on DSTI ratios of 45 per cent (housing) and 40 per cent (non-housing), and a loan-to-value cap of 90 per cent for housing loans.

⁴⁷ Based on information provided by EBRD staff.

⁴⁸ See Bank of Albania (2026).

⁴⁹ See Bank of Albania (2026a).

⁵⁰ See Bank of Albania (2026b).

⁵¹ See Croatian National Bank (2026).

Europe and the Western Balkans



Hungary

- **Monetary policy:** The National Bank of Hungary cut its base rate in February 2026 for the first time since September 2024, lowering it by 25 basis points to 6.25 per cent.⁵²
- **Capital requirements:** From 1 January 2026, the systemic risk buffer (SyRB) was replaced by two separate 1-per cent sectoral SyRBs for exposures secured by mortgages on residential and commercial real estate located in Hungary.
- **Revised residential mortgage lending criteria:** In line with nominal wage growth over recent years, the National Bank of Hungary raised the income thresholds applicable to the 60 per cent DSTI lending cap by a third from January 2026.



Montenegro

- **Supervisory and resolution framework:** Montenegro continued aligning its banking supervisory and resolution framework with the EU acquis in the first half of 2026, making amendments to the Law on Credit Institutions and the Law on Resolution of Credit Institutions.⁵³ Banks entered the implementation phase for minimum requirement for own funds and eligible liabilities (MREL) rules on 1 January 2026, following a transitional period ending in December 2025, with EBA Regulatory and supervisory assessment ongoing.
- **Financial sector digitalisation and payments:** Montenegro's payments framework has been further advanced through alignment with the EU's revised Payment Services Directive principles and the introduction of digital resilience standards. Amendments to the Law on Payment Transactions aim to open access to payment systems for non-bank providers. Adoption of the Law on Digital Operational Resilience for the Financial Sector and related regulatory initiatives are further strengthening cyber- and operational risk management.



Serbia

- **State-backed programme for first-home buyers:** The programme enables people aged 20-35 to purchase their first home with a 1 per cent downpayment, with the government subsidising the interest rate at 1.5 per cent for the first six years. Loans of up to €100,000 are available with maturities of up to 40 years. They are designed to be inclusive for students and unemployed applicants, and require a family guarantor.
- **SEPA membership:** Serbia has officially joined the Single Euro Payments Area (SEPA), with full operational implementation beginning on 5 May 2026. SEPA membership enables faster, safer and more cost-efficient euro transactions with 40 other member countries, facilitating easier remittances and strengthening financial links with Serbian diasporas.⁵⁴
- **Countercyclical capital buffer:** In response to accelerating credit activity and a narrowing credit-to-GDP gap, the National Bank of Serbia decided in December 2025 to activate the countercyclical capital buffer for the first time. The buffer was set at 0.5 per cent, with a one-year phase-in period, making it applicable to banks from 15 December 2026.

⁵² See Central Bank of Hungary (2026).

⁵³ See Central Bank of Montenegro (2026).

⁵⁴ See European Payments Council (2025).

North Africa



Morocco

- **Measures to tackle NPLs:** Morocco continued to advance reforms to establish a secondary market for NPLs. A draft law addressing NPL transferability progressed through government consultation in 2025, with the objective of removing legal barriers to loan transfers and facilitating NPL portfolio sales by credit institutions. Bank Al-Maghrib has supported the set-up of this secondary market since 2023, seeing it as a way to help credit institutions manage and reduce NPLs as well as to enhance their capacity to finance the economy.

Caucasus and Central Asia



Georgia

- **Monetary policy:** The National Bank of Georgia (NBG) raised its refinancing rate by 25 basis points to 8.25 per cent on 6 May 2026.⁵⁵ The decision followed a rise in headline inflation to 5.9 per cent in April, above the NBG's 3.0 per cent target, as a result of supply shocks and commodity-price rises stemming from the Middle East conflict. The NBG described the move as pre-emptive tightening to anchor inflation expectations and limit second-round effects.
- **Macroprudential policy:** Georgia's Financial Stability Committee kept the cyclical component of the countercyclical capital buffer unchanged, citing healthy bank capital and liquidity indicators, as well as a credit-to-GDP ratio that is below long-term trends. Year-on-year credit growth, excluding exchange-rate effects, stood at 14.9 per cent in March 2026, driven mainly by business lending.
- **Reserve requirements and de-dollarisation:** The NBG returned the temporarily raised upper limit for minimum reserve requirements on foreign-currency funding to its previous level, reducing it by 5 percentage points. It also raised the threshold for unhedged foreign-currency loans by a third to GEL 1 million (€330,000) from 1 July 2026, as part of its de-dollarisation policy to balance credit availability with financial-stability objectives.



Türkiye

- **Monetary policy and liquidity management:** The Central Bank of the Republic of Türkiye (CBRT) kept its policy rate at 37.0 per cent in March and April 2026, in response to renewed inflation and exchange-rate pressures linked to geopolitical developments. Overnight lending and borrowing rates were held at 40.0 per cent and 35.5 per cent, respectively.⁵⁶ One-week repurchase agreement auctions were suspended, shifting the average funding cost to the overnight lending rate. The CBRT also launched lira-settled foreign exchange (FX) forward sales and provided lira funding against FX swap auctions to support the tight monetary stance and stabilise FX liquidity.
- **Macroprudential credit measures:** The CBRT tightened credit-growth rules, reducing the eight-week FX loan growth limit to 0.5 per cent from 1.0 per cent and introducing a 2.0 per cent eight-week limit for macrofinancial stability. Exemptions under the lira loan growth-based reserve-requirement framework were narrowed by revoking tradesmen and artisans.
- **Retail credit restructuring and consumer protection:** On 30 January 2026, the Banking Regulation and Supervision Agency announced measures to strengthen household borrowing discipline. Unpaid credit-card balances and consumer loans overdue by more than 30 days may be restructured for up to 48 months, if requested within three months, while new credit-card limits are linked to verified income and individual overdraft limits are capped at double the holder's verified monthly income.

⁵⁵ See National Bank of Georgia (2026).

⁵⁶ See CBRT (2026).



Kazakhstan

- **Monetary policy:** Monetary policy remained tight in the first half of 2026, with the National Bank of Kazakhstan (NBK) keeping the base rate at 18.0 per cent in January, March and April before cutting it to 17.0 per cent in June as inflationary pressures started to ease. Annual inflation moderated from 11.7 per cent in February to 11.0 per cent in March, 10.6 per cent in April and 10.4 per cent in May, but remained well above the NBK's medium-term target. Despite the cut to the base rate, monetary conditions remain restrictive and further easing is likely to be gradual and conditional on sustained disinflation, lower inflation expectations, fiscal discipline and stable FX conditions. For banks, the high-rate environment supports asset yields and liquidity-placement income, but keeps funding costs elevated, intensifies competition for stable deposits and may pressure borrower affordability, particularly in unsecured retail lending and loans to micro, small and medium-sized enterprises.
- **Regulatory and tax changes:** Kazakhstan moved to a more rules-based banking framework as its new Law on Banks and Banking Activities entered into force in March 2026, introducing differentiated requirements and a more developed resolution framework. The country's new Tax Code, effective from 1 January 2026, raised corporate income tax for banking activities to 25 per cent (business lending remains at 20 per cent), which will increase compliance costs and weigh on after-tax profitability.
- **Consumer-protection and macroprudential measures:** Consumer-lending regulation remained tight, with caps on annual effective interest rates of 46 per cent for unsecured and 35 per cent for secured bank loans. From April 2026, banks are required to maintain a 2 per cent sectoral capital buffer for lending to individuals, and the moratorium on sales of problem retail loans to collection agencies has been extended.⁵⁷ These measures should contain unsecured retail growth and support capital adequacy, but they may also compress risk-adjusted yields and shift portfolio growth toward secured and prime retail lending.

⁵⁷ See National Bank of Kazakhstan (2025).

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Annexes

Annex 1. Selected transactions in Türkiye

Table 2. NPL portfolio sales by top four private banks in Türkiye in H2 2025 and H1 2026⁵⁸

| Bank | Date | Buyer | Portfolio type | Nominal (€ million) ⁵⁹ | Purchase price (€ million) ⁶⁰ | Blended purchase price (%) |
|------------------------------|---------------------------|---|----------------|-----------------------------------|--|----------------------------|
| Türkiye İş Bankası A.Ş. | Jul 2025 | Dünya Varlık Yönetim A.Ş. Gelecek Varlık Yönetimi A.Ş. Emir Varlık Yönetim A.Ş. Hedef Varlık Yönetim A.Ş. İstanbul Varlık Yönetim A.Ş. Ortak Varlık Yönetim A.Ş. Birikim Varlık Yönetim A.Ş. GSD Varlık Yönetim A.Ş. Tuna Varlık Yönetim A.Ş. | Retail | 107.6 | 21.3 | 20% |
| | Nov 2025 | İlke Varlık Yönetim A.Ş. Doğru Varlık Yönetim A.Ş. Dünya Varlık Yönetim A.Ş. GSD Varlık Yönetim A.Ş. Birleşim Varlık Yönetim A.Ş. Birikim Varlık Yönetim A.Ş. | Retail | 56.9 | 12.3 | 22% |
| | Mar 2026 | Gelecek Varlık Yönetimi A.Ş. Dünya Varlık Yönetim A.Ş. Galata Varlık Yönetim A.Ş. Hedef Varlık Yönetim A.Ş. Ortak Varlık Yönetim A.Ş. | Retail | 74.8 | 13.3 | 18% |
| Türkiye Garanti Bankası A.Ş. | Jul 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 16.1 | 3.4 | 21% |
| | Jul 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 16.1 | 3.0 | 19% |
| | Aug 2025 | Ortak Varlık Yönetim A.Ş. | Retail | 13.5 | 2.9 | 22% |
| | Aug 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 11.2 | 1.3 | 12% |
| | Aug 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 10.7 | 1.7 | 15% |
| | Aug 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 16.7 | 2.7 | 16% |
| | Aug 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 16.7 | 2.6 | 16% |
| | Oct 2025 | Ortak Varlık Yönetim A.Ş. | Retail | 11.1 | 1.9 | 17% |
| | Oct 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 11.1 | 1.9 | 17% |
| | Oct 2025 | Dünya Varlık Yönetim A.Ş. | Retail | 11.2 | 1.8 | 16% |
| | Oct 2025 | Galata Varlık Yönetim A.Ş. | Retail | 5.1 | 0.8 | 15% |
| | Nov 2025 | Dünya Varlık Yönetim A.Ş. | Retail | 11.2 | 1.8 | 16% |
| | Nov 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 11.1 | 1.9 | 17% |
| | Nov 2025 | Ortak Varlık Yönetim A.Ş. | Retail | 11.1 | 1.9 | 17% |
| | Dec 2025 | Gelecek Varlık Yönetimi A.Ş. | Retail | 10.0 | 1.7 | 17% |
| | Dec 2025 | Sümer Varlık Yönetim A.Ş. | Retail | 10.1 | 1.8 | 17% |
| | Dec 2025 | Birikim Varlık Yönetim A.Ş. | Retail | 10.1 | 1.8 | 17% |
| | Jan 2026 | Pozitif Varlık Yönetim A.Ş. | Retail | 10.3 | 1.2 | 12% |
| | Jan 2026 | Emir Varlık Yönetim A.Ş. | Retail | 10.3 | 1.2 | 11% |
| | Feb 2026 | Birikim Varlık Yönetim A.Ş. | Retail | 13.9 | 1.9 | 14% |
| | Feb 2026 | Emir Varlık Yönetim A.Ş. | Retail | 13.9 | 1.9 | 14% |
| | Feb 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 13.9 | 1.9 | 14% |
| | Feb 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 13.9 | 1.9 | 14% |
| | Feb 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 12.0 | 0.9 | 8% |
| Mar 2026 | Emir Varlık Yönetim A.Ş. | Retail | 10.2 | 1.5 | 15% | |
| Mar 2026 | Doğru Varlık Yönetim A.Ş. | Retail | 10.2 | 1.5 | 15% | |
| Mar 2026 | Efes Varlık Yönetim A.Ş. | Retail | 10.2 | 1.5 | 15% | |
| Apr 2026 | Dünya Varlık Yönetim A.Ş. | Retail | 8.8 | 1.1 | 12% | |

⁵⁸ Source: Bank and company announcements on public disclosure platform (www.kap.org.tr).

⁵⁹ Converted to EUR from TRY for information purposes.

⁶⁰ Converted to EUR from TRY for information purposes.

| | | | | | | |
|-----------------------------------|----------|--|--------|------|------|-----|
| | Apr 2026 | Adil Varlık Yönetim A.Ş. | Retail | 9.6 | 1.0 | 10% |
| | Apr 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 9.1 | 1.1 | 12% |
| | Apr 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 5.3 | 1.0 | 20% |
| | Apr 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 3.4 | 0.7 | 21% |
| | May 2026 | Gelecek Varlık Yönetimi A.Ş. | Retail | 9.3 | 0.8 | 8% |
| | May 2026 | Emir Varlık Yönetim A.Ş. | Retail | 8.2 | 1.0 | 12% |
| | May 2026 | Dünya Varlık Yönetim A.Ş. | Retail | 8.3 | 1.6 | 20% |
| | May 2026 | Dünya Varlık Yönetim A.Ş. | Retail | 6.7 | 1.7 | 26% |
| | May 2026 | Adil Varlık Yönetim A.Ş. | Retail | 5.8 | 1.6 | 28% |
| Akbank T.A.Ş. | Sep 2025 | Birikim Varlık Yönetimi A.Ş. Doğru Varlık Yönetim A.Ş. Dünya Varlık Yönetimi A.Ş. Gelecek Varlık Yönetimi A.Ş. | Retail | 24.3 | 5.9 | 24% |
| | Sep 2025 | İstanbul Varlık Yönetimi A.Ş. Ortak Varlık Yönetim A.Ş. | n/a | 21.3 | 5.3 | 25% |
| | Nov 2025 | Dünya Varlık Yönetimi A.Ş. Emir Varlık Yönetimi A.Ş. Gelecek Varlık Yönetimi A.Ş. İstanbul Varlık Yönetimi A.Ş. Ortak Varlık Yönetim A.Ş. | Retail | 32.5 | 6.5 | 20% |
| | Dec 2025 | Birikim Varlık Yönetimi A.Ş. Efes Varlık Yönetimi A.Ş. Emir Varlık Yönetimi A.Ş. Gelecek Varlık Yönetimi A.Ş. | Retail | 30.2 | 6.3 | 21% |
| | Dec 2025 | Emir Varlık Yönetimi A.Ş. İstanbul Varlık Yönetimi A.Ş. Sümer Varlık Yönetim A.Ş. | Retail | 28.9 | 4.2 | 15% |
| | Feb 2026 | Birikim Varlık Yönetimi A.Ş. Gelecek Varlık Yönetimi A.Ş. İstanbul Varlık Yönetimi A.Ş. Ortak Varlık Yönetim A.Ş. | Retail | 23.6 | 4.7 | 20% |
| | Mar 2026 | Denge Varlık Yönetimi A.Ş. Dünya Varlık Yönetimi A.Ş. Emir Varlık Yönetimi A.Ş. Ortak Varlık Yönetimi A.Ş. Sümer Varlık Yönetim A.Ş. | Retail | 30.9 | 5.3 | 17% |
| | Mar 2026 | Arsan Varlık Yönetimi A.Ş. Dünya Varlık Yönetimi A.Ş. Gelecek Varlık Yönetim A.Ş. | Retail | 29.2 | 4.4 | 15% |
| Yapı ve Kredi Bankası A.Ş. | Sep 2025 | Arsan Varlık Yönetim A.Ş. Denge Varlık Yönetim A.Ş. Efes Varlık Yönetim A.Ş. Emir Varlık Yönetim A.Ş. Gelecek Varlık Yönetim A.Ş. | Mixed | 55.3 | 10.3 | 19% |
| | Dec 2025 | Sümer Varlık Yönetim A.Ş. | n/a | 11.8 | N/A | N/A |
| | Dec 2025 | Gelecek Varlık Yönetimi A.Ş. | n/a | 3.9 | N/A | N/A |
| | Feb 2026 | Birikim Varlık Yönetim A.Ş. Denge Varlık Yönetim A.Ş. Dünya Varlık Yönetim A.Ş. Emir Varlık Yönetim A.Ş. Ortak Varlık Yönetim A.Ş. | | 43.2 | 5.3 | 12% |
| | May 2026 | Arsan Varlık Yönetim A.Ş. Birikim Varlık Yönetim A.Ş. Dünya Varlık Yönetim A.Ş. Emir Varlık Yönetim A.Ş. Gelecek Varlık Yönetimi A.Ş. Sümer Varlık Yönetim A.Ş. | Mixed | 61.3 | 7.5 | 12% |

Annex 3. Regional economic prospects in the EBRD regions – H1 2026⁶¹

According to the European Bank for Reconstruction and Development's (EBRD) [Regional Economic Prospects](#) report of June 2026, average growth in the EBRD regions is expected to slow to 3.1 per cent in 2026, down by 0.5 percentage points from the projection made in early 2025. This follows the start of the conflict in

the Middle East in late February 2026. However, even before then the economies in the EBRD regions were facing a difficult external environment, with purchasing managers' indices pointing to weak momentum in manufacturing amid rising global trade tensions.

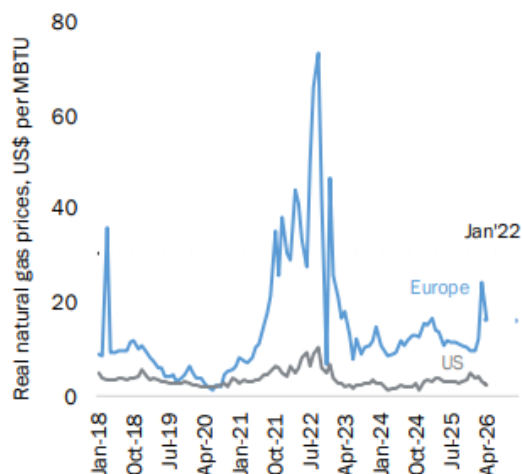
Table 4. GDP growth in real terms

| GDP growth in real terms | | | | | | |
|---|------------|------------|--------------------|------------|-----------------------|-------------|
| | Actual | | Forecast (June 26) | | Revision since Feb 26 | |
| | 2024 | 2025 | 2026 | 2027 | 2026 | 2027 |
| EBRD regions | 3.1 | 3.4 | 3.1 | 3.6 | -0.5 | -0.1 |
| Central Asia | 5.9 | 6.9 | 5.6 | 5.3 | 0.0 | 0.0 |
| Kazakhstan | 5.0 | 6.5 | 4.7 | 4.5 | 0.0 | 0.0 |
| Central Europe and the Baltic states | 2.4 | 2.6 | 2.8 | 2.5 | -0.1 | -0.2 |
| Croatia | 3.8 | 3.4 | 2.7 | 2.5 | 0.0 | 0.0 |
| Estonia | -0.1 | 0.6 | 2.1 | 2.3 | -0.1 | -0.2 |
| Hungary | 0.6 | 0.5 | 1.8 | 2.5 | -0.2 | 0.0 |
| Latvia | 0.0 | 2.1 | 2.0 | 2.3 | -0.2 | -0.2 |
| Lithuania | 3.0 | 2.9 | 3.0 | 2.2 | -0.3 | -0.3 |
| Poland | 3.0 | 3.6 | 3.5 | 2.8 | -0.2 | -0.2 |
| Slovak Republic | 1.9 | 0.8 | 0.5 | 1.5 | -0.5 | -0.3 |
| Slovenia | 1.7 | 1.1 | 2.0 | 2.2 | -0.2 | -0.2 |
| Eastern Europe and the Caucasus | 3.9 | 2.7 | 2.8 | 3.9 | -0.1 | 0.0 |
| Armenia | 5.9 | 7.2 | 5.5 | 5.5 | 0.0 | 0.0 |
| Georgia | 9.7 | 7.5 | 6.0 | 5.0 | 0.5 | 0.0 |
| Moldova | 0.1 | 2.4 | 2.8 | 3.5 | -0.2 | 0.0 |
| Ukraine | 2.9 | 1.8 | 2.2 | 4.0 | -0.3 | 0.0 |
| South-eastern EU | 1.4 | 1.2 | 0.5 | 2.0 | -1.0 | -0.3 |
| Bulgaria | 3.4 | 3.1 | 2.7 | 2.5 | 0.0 | -0.1 |
| Romania | 0.8 | 0.7 | -0.2 | 1.8 | -1.4 | -0.4 |
| Southern and eastern Mediterranean | 1.9 | 3.1 | 2.5 | 4.2 | -1.7 | 0.1 |
| Morocco | 3.8 | 4.6 | 4.4 | 4.0 | 0.0 | 0.0 |
| Türkiye | 3.3 | 3.6 | 3.5 | 4.0 | -0.5 | |
| Western Balkans | 3.7 | 2.6 | 2.9 | 3.5 | -0.2 | 0.0 |
| Albania | 4.0 | 3.8 | 3.4 | 3.5 | -0.1 | 0.0 |
| Bosnia and Herzegovina | 3.2 | 2.1 | 2.4 | 2.8 | -0.3 | 0.0 |
| Kosovo | 4.6 | 3.6 | 3.5 | 3.9 | -0.4 | 0.0 |
| Montenegro | 3.2 | 2.7 | 2.9 | 3.0 | -0.3 | -0.2 |
| North Macedonia | 3.0 | 3.5 | 3.0 | 3.2 | -0.2 | -0.1 |
| Serbia | 3.9 | 2.0 | 2.8 | 3.8 | -0.2 | 0.0 |

Source: National authorities and EBRD.

⁶¹ See EBRD (2026b).

Chart 5. Gas prices have moderated somewhat but remain significantly above pre-conflict levels



Source: EBRD *Regional Economic Prospects: June 2026*, based on Bloomberg, Refinitiv and authors' calculations.

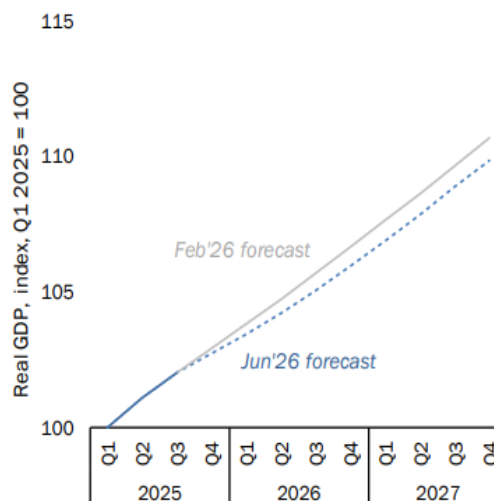
As the conflict in the Middle East raised energy prices and disrupted supply chains, growth momentum slowed in the first quarter of 2026, with estimated year-on-year growth of 2.9 per cent in EBRD investee economies.

The latest data point to weaker-than-expected outturns in a number of large economies in the EBRD regions, including Egypt, Kazakhstan, Romania, Türkiye and Ukraine.

Growth in the EBRD regions is expected to slow from 3.4 per cent in 2025 to 3.1 per cent in 2026, before picking up to 3.6 per cent in 2027. The 2027 forecast is 0.1 percentage point below the projection made in February 2026.

The escalation of the Middle East conflict led to a sharp rise in oil and gas prices, with the wedge between European and US gas prices exceeding a factor of five. Inflation in the EBRD regions jumped by 1.2 percentage points between February and April 2026, to 6.4 per cent on average, reflecting higher prices for energy and, to a lesser extent, food. The fallout from the conflict is also adding to fiscal pressures, especially in the southern and eastern Mediterranean and sub-Saharan Africa. Almost two-thirds of economies in the EBRD

Chart 6. Growth momentum weakened in the first quarter of 2026



Source: EBRD *Regional Economic Prospects: June 2026*, based on national authorities via CEIC and EBRD forecasts.

regions have implemented at least one policy measure to conserve energy or support consumers in response.

Central Asia

Economic activity remained resilient in Central Asia in early 2026, but showed signs of gradual moderation. Growth was supported by strong domestic consumption and investment, particularly in services, construction and manufacturing. However, inflation dynamics diverged across countries, with intensifying price pressures in the Kyrgyz Republic and Mongolia and persistently elevated inflation in Kazakhstan.

Growth is projected to moderate to 5.6 per cent in 2026 and 5.3 per cent in 2027, as the energy shock and spillovers from the Middle East conflict weigh on the region. Downside risks have increased, driven by energy price volatility, supply-chain disruptions, sanctions and weaker growth in key trading partners, including Russia and China. Country-specific developments also highlight emerging pressures, with Kazakhstan's growth slowing in early 2026 due to disruptions in oil output.

Central Europe and the Baltic states

Growth in central Europe and the Baltic states is projected to rise modestly from 2.6 per cent in 2025 to around 2.8 per cent in 2026, before easing to 2.5 per cent in 2027. Forecasts have been revised down due to the energy shock stemming from the Middle East conflict, although investment is expected to increase ahead of the deadline for the EU's Covid-19 Recovery and Resilience Facility (RRF) at the end of August 2026. Private consumption remains the main growth driver, although real wage gains are moderating.

The impact of the energy shock is uneven, with Lithuania more exposed due to its energy mix, while Estonia and Latvia are partly insulated. Downside risks include a prolonged conflict, potential energy supply disruptions affecting countries such as Hungary and the Slovak Republic, and delays in RRF fund absorption.

Eastern Europe and the Caucasus

Economic performance in eastern Europe and the Caucasus remained uneven in 2025 and early 2026. Ukraine maintained macroeconomic stability under wartime conditions, supported by international financing, but growth remained constrained by infrastructure damage, labour shortages and inflation pressures. Moldova continues to expand modestly but faces renewed risks from energy shocks, while Armenia and Georgia have continued to record strong growth. In contrast, Azerbaijan's economy lost momentum, entering contraction in early 2026 as hydrocarbon output declined.

Regional growth is expected to remain around 2.8 per cent in 2026, revised down due to higher energy import costs and weaker tourism. Ukraine's growth outlook has been downgraded further, with output projected at 2.2 per cent in 2026 before recovering to 4.0 per cent in 2027, contingent on improved conditions and reconstruction.

South-eastern Europe

Growth in south-eastern Europe is expected to continue declining, from 1.2 per cent in 2025 to around 0.5 per cent in 2026, reflecting fiscal consolidation and political uncertainty, particularly in Romania. Bulgaria, in contrast, has shown stronger growth supported by wage increases and household credit, although emerging fiscal and external imbalances pose risks.

Regional growth is set to ease further as real wage gains moderate and fiscal space tightens, while investment remains supported by the absorption of RRF funds. Romania's outlook has weakened significantly, with GDP projected to contract slightly in 2026 amid high inflation, fiscal adjustment and weak domestic demand, partly offset by EU-funded investment.

Southern and eastern Mediterranean

Growth in the southern and eastern Mediterranean improved in 2025, supported by solid performance in Egypt and Morocco and a partial recovery in Lebanon, while Iraq's economy contracted due to oil production constraints. However, the escalation of the Middle East conflict has introduced significant downside risks, with higher energy prices and supply-chain disruptions weighing on growth prospects and fiscal positions, particularly in oil-dependent economies such as Iraq.

Inflation rose across most economies in the region in early 2026, driven mainly by energy and food prices. Regional growth is projected at 2.5 per cent in 2026, rising to 4.2 per cent in 2027, although the outlook remains highly dependent on the duration and spillovers of the conflict.

Egypt recorded strong growth of 5.1 per cent in 2025, but inflation is rising and reached 15.2 per cent in early 2026. Lebanon's economy grew by 3.5 per cent in 2025 but is expected to contract by around 2.0 per cent in 2026 due to the conflict in the region. Iraq is also projected to remain in

contraction, with the economy shrinking by 1.5 per cent in 2026 as oil export disruptions persist.

Türkiye

Growth picked up from 3.3 per cent in 2024 to 3.6 per cent in 2025, driven by private consumption and investment. However, forecasts have been revised down to 3.5 per cent for 2026 and 4.0 per cent for 2027 on rising energy imports, significant inflationary pressures and the potential impacts of the conflict in the Middle East on tourism and manufacturing value chains.

Year-on-year consumer price inflation declined to 32.4 per cent in April 2026 from 37.9 per cent a year earlier, although disinflation stalled in late 2025 and early 2026 amid upward pressure on food and services prices. The central bank held its policy rate at 37 per cent in March and April 2026. Gross international reserves fell from US\$ 210.3 billion at the end of February 2026

to US\$ 150.8 billion at the end of March, before partially recovering.

Western Balkans

Growth in the Western Balkans slowed from 3.7 per cent in 2024 to 2.6 per cent in 2025 and is expected to recover modestly to 2.9 per cent in 2026 and 3.5 per cent in 2027, driven by public investment and infrastructure projects. However, the rebound is weaker than previously expected due to the impact of energy shocks and rising inflation.

Downside risks remain significant, stemming from the Middle East conflict, with higher fuel and food prices and supply-chain disruptions weighing on growth. At the same time, the region could benefit from nearshoring trends and a partial redirection of tourism, while early 2026 indicators point to continued consumption-driven growth despite subdued industrial activity.

Annex 4. EU insolvency reform: towards greater harmonisation⁶²

Efficient, predictable insolvency laws are essential to the timely resolution and recovery of non-performing loans, yet they continue to vary significantly across jurisdictions. Since 2019, there has been a progressive harmonisation of substantive insolvency law within EU member states. In 2019, the EU Preventive Restructuring Directive required member states to adopt national laws to support enterprises in early financial distress, including by facilitating timely restructuring to preserve viability and avoid insolvency. The Directive expressly acknowledged the need for out-of-court action and debtor-in-possession procedures to achieve this objective. It also established uniform rules for entrepreneur insolvency (and discharge), set requirements for expertise and knowledge within the judiciary and insolvency practitioner profession and, importantly, sought to introduce rules on member states' reporting of insolvency data to the European Commission.

Following the July 2022 transposition deadline for the Preventive Restructuring Directive, member states introduced a range of new pre-insolvency mechanisms, including Germany's Corporate Stabilisation and Restructuring Act, while jurisdictions with established pre-insolvency restructuring traditions, such as France, adapted existing procedures, including conciliation and safeguard. While it contained a set of common benchmarks for early restructuring, the Directive was nevertheless criticised for allowing member states significant flexibility and policy choices, which some commentators argued weakened its harmonisation goal.

On 21 April 2026, a new EU Insolvency Directive (2026/799) harmonising certain aspects of insolvency law⁶³ entered into force. Member states must transpose the Directive by 22 January 2029,

with certain provisions subject to a later transposition date of 10 July 2029. Similar to the Preventive Restructuring Directive, the Insolvency Directive is a minimum-harmonisation instrument. However, it applies more narrowly to insolvent debtors and to five substantive areas of main insolvency proceedings.

First, the Directive addresses transaction avoidance – the rules allowing courts to set aside certain transactions entered into during the twilight period before insolvency, where those transactions harm creditors by reducing the assets available for distribution. It sets minimum lookback periods for the avoidance of transactions and seeks to ring-fence certain legal acts by the debtor that are performed in return for fair consideration and for the benefit of the debtor's estate, such as new financing provided by a creditor to support an earlier attempt by the debtor at preventive restructuring. Important elements remain governed by national law: for example, the definition of what constitutes "insolvency" is left to the national legislator, with some EU countries preferring cash-flow tests and others a combination of cash-flow and forward-looking balance-sheet insolvency tests.

Second, the Directive seeks to strengthen the powers of insolvency practitioners appointed to manage the debtor's estate in order to identify and trace assets that have left the debtor's estate. Again, like avoidance actions, this aims to maximise the potential value of the estate for the benefit of creditors. The Directive requires member states to ensure that insolvency practitioners have access to information contained in a broad list of national registers and databases identified by the Annex to the Directive, as well as information on ultimate beneficial ownership. It also requires designated courts or administrative

⁶² Prepared by the EBRD Legal Transition Team – Catherine Bridge Zoller (Senior Counsel).

⁶³ EU (2026).

bodies to have direct and immediate access, where needed in individual cases, to bank account register information concerning the debtor and relevant third parties. Insolvency practitioners may access that information only indirectly, through those designated bodies.

Third, the Directive requires national insolvency laws to provide for “pre-pack proceedings” enabling the sale of all or part of a business as a going concern in liquidation. This is intended to reduce reliance on piecemeal asset sales, which are generally associated with lower creditor recoveries and the loss of employment. It sets standards for pre-pack proceedings, including consultation and confidentiality requirements. In such proceedings, the sale of the debtor’s business is prepared and negotiated before insolvency proceedings are formally opened and is completed shortly after they begin, with the aim of preserving value and securing a going-concern sale. For a limited period, member states must ensure the availability of a moratorium to stabilise the preparation phase, suspend early-termination rights under contracts, and safeguard competitiveness, transparency and fairness. Subject to rights attached to certain types of contracts, such as employment contracts, purchasers of a going-concern business out of liquidation are expected to be able to acquire it free of any debts and liabilities, which are to be satisfied out of the proceeds of the sale and any further realisations from the debtor’s estate. Secured creditors should be allowed to bid their debt (the amount owed to them by the debtor), and parties closely related to the debtor should be given the right to bid, subject to any applicable safeguards.

Fourth, the Directive introduces, for the first time at EU level, a duty for directors to request the opening of insolvency proceedings within a maximum of three months from the point at which they know, or could reasonably be expected to know, that the company is insolvent. Existing national rules vary: for example, directors must file

within three weeks of insolvency in Germany, within 45 days of cessation of payments in France and within 60 days in Austria. This contrasts with the United States, where there is no such requirement for directors to file for insolvency, and the United Kingdom, where directors have no express requirement but may face wrongful trading liability for continuing to trade without a reasonable prospect of avoiding insolvent liquidation. The Directive nevertheless recognises that directors may, in certain circumstances, discharge their duty without filing directly for the opening of insolvency proceedings. This includes where insolvency is notified in a public register, thus allowing creditors to file, or where directors take certain steps to protect the interests of creditors. The Directive stipulates that the penalty for directors’ failure to file within the statutory period is civil liability.

Fifth, the Directive requires member states to permit the establishment of creditors’ committees after insolvency proceedings have opened. These committees must be able to request information from insolvency practitioners and debtor management, where relevant, and to express their views during the proceedings. This is intended to strengthen creditor participation – a recurring concern in many jurisdictions – but the requirement applies only where the burden of establishing such a committee does not outweigh its benefits.

Lastly, member states are required by the Directive to prepare key information factsheets on insolvency proceedings for the public and potential investors. Among other matters, the factsheets must include information on:

- the conditions for the opening of insolvency proceedings
- the lodging, verification and admission of claims
- the ranking of creditors’ claims

- the distribution of proceeds from the realisation of assets arising from insolvency proceedings
- the average reported duration of insolvency proceedings as required under the Preventive Restructuring Directive.

Both the Preventive Restructuring Directive and the Insolvency Directive are expressly linked to the

EU Capital Markets Union and aim to reduce legal uncertainty, unpredictability of outcomes, and divergence in recovery values and timing across member states.

In future, this may strengthen creditor rights and value maximisation, as well as help NPL investors to navigate national insolvency regimes within the EU with greater confidence and comparability.

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 Financial Soundness Indicators (FSIs) to the International Monetary Fund (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 European Banking Authority).
 - 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 of NPLs:** Total country gross NPLs divided by total CESEE gross NPLs.
- **Market share of loans:** Total country gross loans divided by total CESEE gross loans.

Annex 6. 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.

Table 5. Key indicators used in this analysis

| | NPLs | Gross loans | Provisions (or net NPLs) | Comments |
|---|---|---|---|----------|
| 1 | <p>Albania</p> <ul style="list-style-type: none"> - 90 days past due for instalment loans - 60 days past due for limit loans (excluding overdrafts) - 60 days over limit usage for limit loans <p>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.</p> | 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 | <p>Bosnia and Herzegovina</p> <p>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.</p> | | From Q4 2009, FSIs used non-performing loans net of provisions to Tier I. | |
| 3 | <p>Bulgaria</p> <p>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 scope of the NPLs have been in line with EBA standards.</p> | <p>Until 2014, loans to deposit-takers were excluded from the calculations.</p> <p>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.</p> | All deposit-takers must assess, classify and provision loans on at least a quarterly basis and submit a regulatory report to the Bulgarian National Bank. Compliance is enforced via offsite surveillance and onsite inspections. | |
| 4 | <p>Croatia</p> <p>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.</p> | | Provisions refer to NPLs. | |
| 5 | <p>Cyprus</p> <p>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 that 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.</p> | | | |
| 6 | <p>Czechia</p> <p>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.</p> | This excludes non-current assets (or disposal groups) classified as held for sale. | | |
| 7 | <p>Estonia</p> <p>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.</p> | | | |

| | | NPLs | Gross loans | Provisions (or net NPLs) | Comments |
|----|-----------------|--|---|---|---|
| 8 | Greece | In accordance with the EBA Implementing Technical Standards (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 FSLs 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 | <p>A non-performing credit exposure is defined as:</p> <ul style="list-style-type: none"> - 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 their 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 (unlikeliness to pay). <p>The bank's assessment of whether the client is unlikely to pay will be based, as a minimum, on the following data and information:</p> <ul style="list-style-type: none"> - 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 | These include loans to the financial and non-financial sectors. | Provisions are included for non-performing and performing loans. | Definitions of gross loans and provisions (or net NPLs) are published based on the IMF's <i>FSI Compilation Guide</i> . 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 |
|----|--|---|---|---|
| | <p>- grace period for the payment of principal and interest extended beyond 18 months</p> <p>- write-off that significantly reduces the amount of the credit exposure.</p> <p>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.</p> <p>During 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 entry 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.</p> <p>For NPLs, the same approach is applied, using only the principal of the loan agreement. The regulation defines the NPL ratio as the ratio between the total amount of NPLs (principal) and the bank's total loans (principal), in gross value.</p> | | | |
| 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 | <p>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).</p> <p>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.</p> | 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: <i>Quarterly Review of Dynamics of Financial Stability</i> ; statistical annex to <i>Quarterly Banking Report</i> ; <i>Annual Financial Stability Report</i> . |

| | | NPLs | Gross loans | Provisions (or net NPLs) | Comments |
|----|------------------------|--|--|---|-----------------|
| 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 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 that 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. | | |

Acronyms and abbreviations

| | |
|--------------|--|
| BoA | Bank of Albania |
| CBRT | Central Bank of the Republic of Türkiye |
| CEE | central and eastern Europe |
| CESEE | central, eastern and south-eastern Europe |
| CRE | commercial real estate |
| DSTI | debt service-to-income |
| EBA | European Banking Authority |
| EBRD | European Bank for Reconstruction and Development |
| ECB | European Central Bank |
| ESRB | European Systemic Risk Board |
| EU | European Union |
| FSIs | Financial Soundness Indicators |
| FX | foreign exchange |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| LSI | less significant institution |
| NBG | National Bank of Georgia |
| NBK | National Bank of Kazakhstan |
| NFC | non-financial corporate |
| NPE | non-performing exposure |
| NPL | non-performing loan |
| RRF | Recovery and Resilience Facility |
| SEPA | Single Euro Payments Area |
| SME | small and medium-sized enterprise |
| SREP | Supervisory Review and Evaluation Process |
| SSM | single supervisory mechanism |
| SyRB | systemic risk buffer |

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