EBCI Vienna Initiative

NPL Monitor H1 2025

European Commission

European Investment Bank

European Bank for Reconstruction and Development

International Monetary Fund

WORLD BANK GROUP

EUROPEAN CENTRAL BANK BANKING SUPERVISION

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 countries[2] 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 EU 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.

Contents

Executive summary

Non-performing loan (NPL) levels remain broadly stable across the EU and central, eastern and south-eastern Europe (CESEE) banking systems, with NPL ratios continuing their downward trend in most countries. However, supervisors remain vigilant due to early signs of asset quality deterioration, which are driven by sector-specific shocks, weakening borrower affordability and prevailing refinancing risks.

In the CESEE region, NPL volumes declined by 4.4 per cent in the 12 months to the end of December 2024, reaching €26 billion – one of the more pronounced annual reductions in recent years. **The average NPL ratio fell by 0.2 percentage points to a new low of 1.9 per cent**, dipping below the 2 per cent threshold for the first time since the global financial crisis. However, the regional coverage ratio edged down to 63 per cent, a 1.3 percentage point decrease year on year, suggesting some erosion in provisioning buffers.[4]

While **overall credit quality has remained resilient, country-level dynamics have varied,** with some countries – such as Romania and Türkiye – facing the impact of the broader macroprudential tightening on NPLs. **Stage 2 exposures remain elevated in several markets**,[5] leading banks and supervisors to intensify their focus on early-warning indicators and adequacy of credit migration and provisioning. Persistent cost-of-living pressures are accentuating demand for short-term consumer credit, leading to increased scrutiny by supervisors of banks' affordability and origination standards to mitigate the associated increased risks.

NPL market activity showed moderate acceleration in 2024. Transaction pipelines expanded in Greece, Poland, Romania and Türkiye, supported by secondary sales and forward-flow deals, which are gradually re-engaging investors. However, some less mature markets are still being impacted by legislative barriers, data limitations, and regulatory fragmentation – which continues to weigh on investor demand and pricing. **Servicer consolidation continues to progress**, although platform capabilities remain uneven across the region.

In the euro area, **supervisors continue to focus on forward-looking credit risk assessments and early intervention.** Stage 2 exposures for sectors such as commercial real estate (CRE), small and medium-sized enterprises (SMEs) and vulnerable retail segments are still facing increased scrutiny. Provisioning adequacy, internal model calibration and robust early-warning frameworks remain essential. The European Central Bank (ECB) has also **embedded geopolitical risks into its priorities**. It includes the potential impacts of issues such as energy disruption and trade fragmentation, as well as expectations on scenario design and risk capture that are relevant to credit risk assessments.

Supervisors are also intensifying **scrutiny of unsecured lending and retail origination practices** while **monitoring asset valuation adjustments** in CRE.

At the national level, authorities across the *NPL Monitor* jurisdictions continue to advance legal, prudential and structural reforms.

While the region has so far avoided a sharp deterioration in credit quality, the **risk of an NPL build-up remains**. Continued vigilance, proactive supervision and enhanced transparency will be essential to support the timely identification and resolution of distressed assets.

[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).

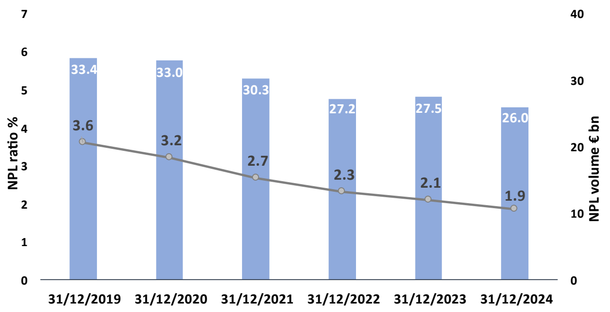
I. NPL developments in the *NPL Monitor* regions

Non-performing loan volumes in the CESEE region continued to decline in 2024, with NPL ratios again reaching record lows. This reflected improved credit quality and proactive management by the banking sector. Despite this positive trend, ongoing economic uncertainties and geopolitical risks underscore the need to maintain vigilance.

CESEE region

NPL volumes declined notably in the region in 2024, **decreasing by 4.4 per cent to €26 billion**.[6] This positive development represents a relatively sharp reduction compared with recent years, with Poland and Hungary recording particularly significant falls in NPL volumes of 14.1 per cent and 12 per cent, respectively. In contrast, Romania saw NPL volumes rise by 21.2 per cent amid weak economic growth and emerging credit risks, particularly in the SME and real estate sectors.

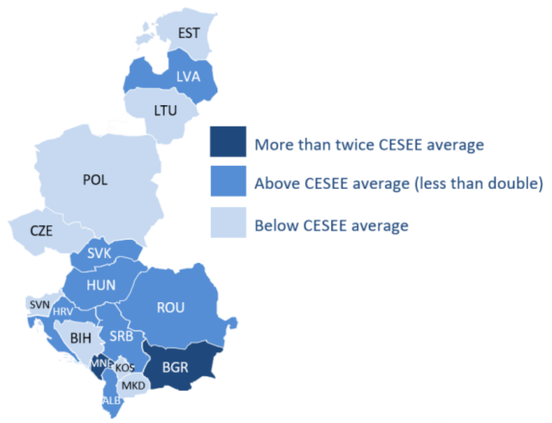
Chart 1. Evolution of NPL ratios and volumes in the CESEE region



Source: IMF FSIs and central banks.

The average regional **NPL ratio**[7] remained **broadly stable**, continuing its **modest gradual downward trend** – declining by 0.2 percentage points over the 12-month period to reach a new low of 1.9 per cent, marking the first time it has fallen below the 2 per cent threshold. Most CESEE jurisdictions saw decreases in their NPL ratios, with only Estonia, Romania and Slovenia registering marginal increases of 0.1 percentage points. The persistently low level of NPLs continues to be supported by a proactive approach from the banking sector that emphasises early recognition and ongoing disposal of impaired loans, primarily through the sale of smaller portfolios.[8]

Chart 2. Net NPL ratio[9] (Q4 2024)



Source: IMF FSIs and central banks.

The **overall coverage ratio**[10] in the region declined slightly, falling by 1.3 percentage points compared with the previous year, putting it at 63 per cent. Slovenia maintains the highest coverage ratio in the region at 103.2 per cent, while Lithuania and Montenegro report the lowest coverage levels, both below 50 per cent.

Overall, credit quality in the CESEE region improved throughout 2024, demonstrating the ongoing resilience of the banking sector. Low

[6] See notes on Table 1.
[7] The ratio of NPLs to total gross loans.
[8] See EU NPL Advisory Panel (2025).
[9] The ratio of NPLs net of provisions to total gross loans.
[10] The ratio of NPL provisions to NPL stock.

unemployment rates and liquidity accumulated during the pandemic have supported borrowers' repayment capacity, thereby limiting new NPL formation and bolstering credit quality.[11]

However, early indications of credit quality deterioration are beginning to surface, driven by subdued economic prospects and rising policy uncertainties–such as increasing protectionism–which pose particular risks to the CESEE region's small and open economies.[12] Notably, sectors sensitive to higher borrowing costs and declining household purchasing power, such as commercial real estate and SME lending, are showing growing signs of strain.

Other regions

As shown in Table 1, NPL stocks in Armenia and Greece decreased significantly in 2024, each falling by more than 35 per cent. In **Armenia**, rising income levels combined with government programmes facilitating the repayment of NPLs, contributed to a substantial reduction in impaired loan volumes, resulting in a record-low NPL ratio in 2024 and early 2025.[13] In **Greece**, the notable decrease in NPLs was driven by aggressive portfolio sales and the extension of the Hellenic Asset Protection Scheme (HAPS, also known as Hercules), which helped lower NPL ratios to below 4 per cent.

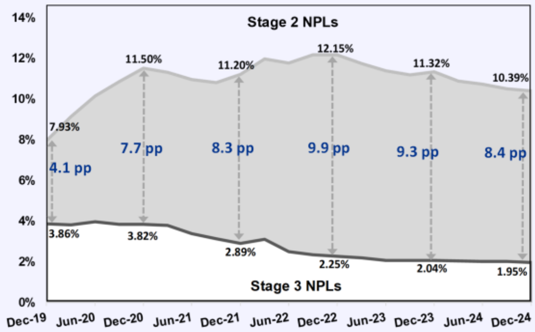
In contrast, **Türkiye** experienced a 27 per cent surge in new NPLs in 2024, primarily driven by retail loans and credit card delinquencies. Weaker GDP growth and higher interest rates are expected to lead to further pressure on asset quality.[14]

In focus: evolution of staging in EU CEE region[15]

Ongoing improvement in credit quality with declining Stage 2 and Stage 3 loans [16,17]

As shown in Chart 3, the EU CEE region showed an improvement in credit quality, as evidenced by the sustained decline in Stage 2 and Stage 3 loans since 2023. Stage 2 loans peaked at 12.15 per cent at the end of 2022 but have since declined moderately, reaching 10.39 per cent at the end of 2024. Stage 3 loans have continued a steady decline, reaching an historic low of 1.95 per cent by December 2024, reflecting improved credit quality and the resolution of stressed exposures across the region.

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



Source: EBA Risk Dashboard.

Lowered expectations for economic growth require increased vigilance on credit quality

The narrowing gap between Stage 2 and 3 loans (from 9.9 percentage points at its peak at the end of 2022, to 8.4 percentage points at the end of 2024) is a positive signal. It suggests fewer loans transitioning into default and improving early risk identification. However, it remains above pre-pandemic levels, showing a need for prudence. The projected slowdown in economic growth for 2025-26, along with external shocks such as US tariffs, may exert additional pressure on credit quality.[18,19]

[11] See EU NPL Advisory Panel (2025).
[12] See Austrian National Bank (2025).
[13] See Financial Portal Arm Info (2025).
[14] See Fitch Ratings (2025).
[15] The EU CEE countries are Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.
[16] Under IFRS 9, which includes forward-looking recognition of loan impairment, when a loan's credit risk has increased significantly since initial recognition, the loan is categorised as "Stage 2". When a loan's credit risk increases to the point where it is considered credit impaired, the loan is categorised as "Stage 3". See BIS (2017).
[17] As classified by IFRS 9, unless otherwise specified. Data on staging are from the interactive EBA Risk Dashboard.
[18] See IMF (2025).
[19] See Austrian National Bank (2025).

Chart 4a. NPL volumes and ratios in the CESEE region as at Q4 2024

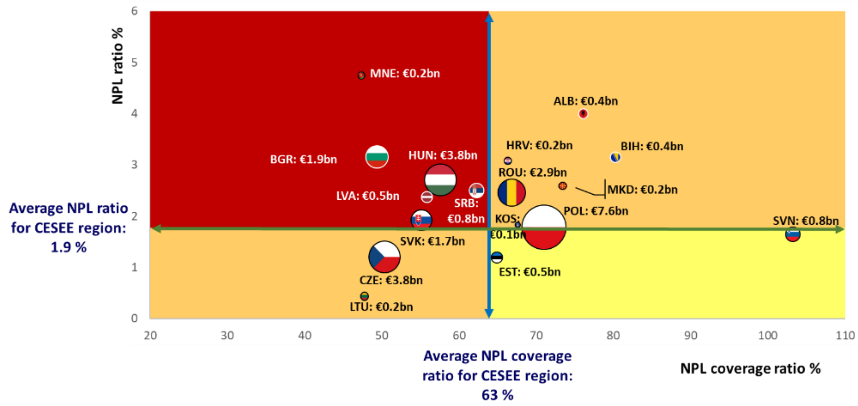
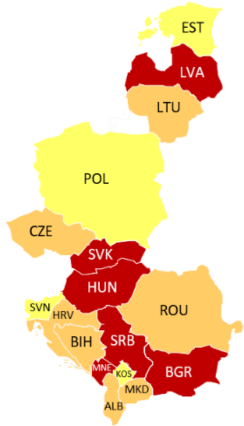


Chart 4b. NPL ratios and NPL coverage ratios as per coloured quadrants in Chart 4a



Source: IMF FSIs and central banks.

Table 1. Overview of the NPL profile in the CESEE region, 31 December 2023 to 31 December 2024

	NPL volume (€ billions)			NPL ratio (%)			NPL coverage ratio (%)			Net NPL ratio (%)			Net NPL/capital (%)			NPL-to-GDP ratio (%)		
Country	Dec-24	Variation (%)		Dec-24	Δ (pp)		Dec-24	Δ (pp)		Dec-24	Δ (pp)		Dec-24	Δ (pp)		Dec-24	Δ (pp)	
Albania (ALB)	0.4	▲	5.0	4.0	▼	(0.6)	76.1	▲	5.6	1.0	▼	(0.4)	4.1	▼	(1.4)	1.4	▼	(0.2)
Bosnia and Herz. (BIH)	0.4	▼	(9.5)	3.2	▼	(0.7)	80.3	▼	(1.4)	0.6	▼	(0.1)	3.1	▼	(0.5)	1.5	▼	(0.3)
Bulgaria (BGR)	1.9	▼	(1.2)	3.2	▼	(0.5)	49.4	▼	(0.1)	1.6	▼	(0.2)	8.9	▼	(1.5)	1.9	▼	(0.2)
Croatia (HRV)	0.2	▼	(3.6)	3.1	▼	(0.5)	66.3	▼	(2.7)	1.0	▼	(0.1)	5.9	▼	(0.1)	0.2	▼	(0.0)
Czechia (CZE)	3.8	▲	3.0	1.2	↔	0.0	50.3	▼	(2.2)	0.6	▲	0.0	6.4	▲	0.2	1.2	▲	0.0
Estonia (EST)	0.5	▲	18.2	1.2	▲	0.1	64.9	▼	(11.3)	0.4	▲	0.2	2.8	▲	1.1	1.2	▲	0.1
Hungary (HUN)	3.8	▼	(12.0)	2.7	▼	(0.5)	57.6	▲	0.3	1.1	▼	(0.2)	6.0	▼	(1.5)	1.8	▼	(0.4)
Kosovo (KOS)	0.1	▲	11.0	1.8	▼	(0.1)	67.6	▼	(4.2)	0.6	▲	0.1	3.9	▲	0.3	1.0	▲	0.0
Latvia (LVA)	0.5	▲	3.0	2.4	▼	(0.1)	55.8	▼	(3.7)	1.1	▲	0.1	6.5	▲	0.4	1.1	↔	0.0
Lithuania (LTU)	0.2	↔	0.0	0.4	↔	0.0	47.8	↔	0.0	0.2	↔	0.0	3.6	↔	0.0	0.3	▼	(0.0)
Montenegro (MNE)	0.2	▼	(11.2)	4.7	▼	(1.0)	47.3	▲	2.9	2.5	▼	(0.7)	11.4	▼	(3.7)	2.4	▼	(0.5)
North Macedonia (MKD)	0.2	▲	7.8	2.6	▼	(0.1)	73.4	▲	3.3	0.7	▼	(0.1)	3.5	▼	(0.6)	1.4	▲	0.0
Poland (POL)	7.6	▼	(14.1)	1.8	▼	(0.5)	71.0	▼	(3.1)	0.5	▼	(0.1)	3.5	▼	(0.8)	0.9	▼	(0.3)
Romania (ROU)	2.9	▲	21.2	2.5	▲	0.1	66.8	▲	2.2	0.8	▼	(0.0)	-	-	-	0.8	▲	0.1
Serbia (SRB)	0.8	▼	(11.2)	2.5	▼	(0.7)	62.3	▲	1.8	0.9	▼	(0.3)	4.1	▼	(1.1)	1.0	▼	(0.2)
Slovak Republic (SVK)	1.7	▼	(1.1)	1.9	▼	(0.1)	55.1	▼	(0.5)	0.9	▼	(0.0)	6.6	▼	(0.6)	1.3	▼	(0.1)
Slovenia (SVN)	0.8	▲	6.2	1.6	▲	0.1	103.2	▲	2.6	(0.1)	▼	(0.0)	(0.4)	▼	(0.3)	1.2	▲	0.0
CESEE	26.0	▼	(4.4)	1.87	▼	(0.2)	63.0	▼	(1.3)	0.7	▼	(0.1)	4.9	▼	(0.7)	1.1	▼	(0.1)
Armenia (ARM)	0.2	▼	(38.3)	1.1	▼	(1.1)	165.1	▲	39.8	(0.7)	▼	(0.2)	(3.2)	▼	(0.8)	0.7	▼	(0.5)
Georgia (GEO)	0.3	▲	13.0	1.5	▼	(0.0)	37.8	▼	(0.9)	0.9	▲	0.0	4.9	▼	(0.5)	1.1	▲	0.0
Greece (GRC)	6.6	▼	(35.6)	3.5	▼	(2.5)	53.6	▼	(6.4)	1.6	▼	(0.8)	9.1	▼	(4.9)	2.7	▼	(1.8)
Kazakhstan (KAZ)	2.0	▲	18.9	3.1	▲	0.2	67.0	▼	(9.0)	1.0	▲	0.3	4.6	▲	1.1	0.8	▲	0.1
Moldova (MLD)	0.2	▼	(5.4)	4.2	▼	(1.4)	53.5	▼	(0.5)	1.9	▼	(0.6)	5.8	▼	(0.7)	1.0	▼	(0.2)
Morocco (MAR)	9.2	▲	7.3	8.3	▼	(0.0)	68.8	▲	1.3	2.6	▼	(0.1)	-	-	-	6.3	▼	(0.1)
Türkiye (TUR)	8.0	▲	27.2	1.7	▲	0.2	76.6	▼	(5.4)	0.4	▲	0.1	2.5	▲	0.7	0.6	▲	0.1
Ukraine (UKR)	8.9	▼	(17.3)	30.3	▼	(7.1)	84.9	▲	1.3	4.6	▼	(1.5)	16.7	▼	(8.6)	5.0	▼	(1.5)
Other	35.4	▼	(7.7)	3.8	▼	(0.8)	71.8	▼	(1.1)	1.1	▼	(0.2)	5.1	▼	(1.4)	1.7	▼	(0.4)
Total countries	**61.3**	▼	**(6.3)**	**2.7**	▼	**(0.4)**	**68.0**	▼	**(1.3)**	**0.8**	▼	**(0.1)**	**5.0**	▼	**(1.0)**	**1.3**	▼	**(0.2)**

Source: IMF FSIs and central banks.

Notes on the data and the interpretation of results

- Variation (per cent) is calculated as ((value period 1/value period 0) – 1)*100, with December 2024 as period 1 and December 2023 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 2024 are the latest available.
- When not available from the IMF Financial Soundness Indicators (FSIs), data are found on the websites of the monetary authorities of the countries in question. Such data include the latest information on selected indicators for Romania, Serbia and Morocco. When information is available from neither national websites nor the IMF FSIs, time-adjacent data are used to plug the gaps. The countries for which data are not available for Q4 2024 are Lithuania (Q4 2023), Montenegro (Q3 2024), Romania (Q3 2024, coverage ratio only), and Armenia (October 2024).
- Net NPL/capital for Romania and Morocco is not calculated, as capital data could not be obtained from the IMF or the monetary authorities' websites.
- The NPL-to-GDP ratio is calculated using annual GDP values for 2023 and 2024, respectively (rather than quarterly data), in line with reporting for the IMF's *World Economic Outlook*.

II. NPL market trends

Deal flows

Greece continues to address its relatively high system-wide NPL ratio through the extension of the Hercules (HAPS) government guarantee scheme until mid-2025, accompanied by a €1 billion increase in the guarantee envelope. The scheme has also been expanded to include NPLs from the newly formed entity resulting from the merger of Attica Bank and Pancreta Bank.

Transactions involving significant institutions in Greece tend to be more prominent and thoroughly documented, reflecting both their larger scale and the strong regulatory emphasis on transparency – particularly when compared with less significant institutions and other regional markets where disclosure standards may be less consistent.

In Greece, the number of primary transactions appears to have declined compared with the previous year; however, final figures for the second half are still pending and may alter the overall picture.

Outside Greece, transaction activity remained ongoing but was more opaque, with limited publicly disclosed deals.

Poland also continues to be a leading market among *NPL Monitor* countries, although transaction volumes have moderated slightly, settling in the €3.0 billion-3.5 billion range.

Türkiye also gained momentum in 2024, with banks disposing of over €1 billion in NPLs – nearly double the volume recorded in 2023.

In focus: recent market trends

- **An insightful paper published this year by the European Commission's NPL Advisory Panel**[20] highlights the evolution of NPL markets and regulatory frameworks – particularly those promoting the early recognition of non-performing loans – as key drivers behind the EU's relatively low NPL levels. **See Annex 1 for a summary of the key messages from this report.**

- The EU's banking sector is characterised as proactive in identifying NPLs and disciplined in the routine disposal of smaller portfolios. These encouraging outcomes serve as a proof of concept for countries within the broader geographic scope of the *NPL Monitor*.

- **Another noteworthy finding is the waning appeal of securitisation structures, as recent transactions increasingly involve smaller deal sizes.** This development may be too early, however, for more nascent markets with higher NPL volumes, such as Ukraine, where it is still worth investing regulatory effort in the development of proper underpinning legislation for securitisations.

- **Notably, closely related sub-performing and re-performing loan segments are beginning to crystallise into distinct asset classes** – a trend that is likely to require the development of new regulatory approaches and market practices.

[20] See EU NPL Advisory Panel (2025).

Credit servicers in the EU

The majority of loan servicers across EU member states are still in the process of adapting to the requirements set forth by the EU NPL Directive. Some member states are yet to transpose the directive into national law, prompting the European Commission to initiate infringement proceedings against them.

Greece is actively pursuing measures to unlock the economic potential of a substantial portfolio of real estate assets – estimated to exceed 25,000 properties – currently tied up in NPL structures. The removal of regulatory and legal impediments is expected to facilitate NPL resolution while restoring the real estate sector's contribution to the national economy.

In focus (credit servicer): Cepal

- **In Greece, Cepal has continued to expand its operations, now managing assets exceeding €30 billion.** The company has secured servicing mandates for the Domus, Rhodium and GAIA I and II portfolios acquired by Davidson Kempner, and has established a new strategic partnership with Attica Bank to manage real estate assets from various securitisation projects.

In focus (credit servicer): doValue

- In the servicing sector, **doValue commanded attention in 2024 by reaching a gross book value of €136 billion** – an increase of 16 per cent year on year – driven primarily by the acquisition of Gardant, despite the impact of collections and write-offs. The company secured €10 billion in new business during 2024 and has already added €5.4 billion in new mandates in 2025, with €3.9 billion originating from the Hellenic region.[21]

- **Recent doValue servicing mandates in the Hellenic region in 2025**

Country	Client (portfolio)	Estimated volume
Greece	Bracebridge Capital (Alphabet)	€2.3 billion
Greece	Bracebridge Capital (Frontier III)	€0.7 billion
Greece	Fortress Investment Group	€0.5 billion
Cyprus	Unnamed investor	€0.35 billion

[21] See doValue (2025).

Table 2. Close-up of selected transactions in Greece [22]

Project name	Bank	Completion (expected)	Gross book value (GBV)	Investor/ servicer	Notes
Domus and Rhodium	Attica Bank	Q1 2025	€3.7 billion (combined)	Davidson Kempner	Under HAPS III
Solar	Joint transaction by all four systemic Greek banks – National Bank of Greece, Alpha Bank, Piraeus Bank and Eurobank	Q3 2025	€1.2 billion		First multi-seller (involving Greece's four systemic banks) single-SPV, HAPS and SRT compliant securitisation of SME and corporate non-performing exposures (NPEs) in Greece. Although the long stop date for the HAPS transaction expired on 31 December 2024, banks remain committed, with expected completion no later than Q3 2025
GAIA I and II	Alpha Bank	Q1-Q2 2025	€1.1 billion (combined)	Davidson Kempner/ Cepal Hellas	Under HAPS III; non-performing mortgage exposures, exposures to small businesses, SMEs and large corporations – via a securitisation structure
Frontier III	National Bank of Greece	Q2 2025	€0.7 billion	Bracebridge Capital/ doValue Greece	Under HAPS III; predominantly secured large corporate, SME, mortgage and consumer loans
Leon	Eurobank	2024	€0.6 billion		Mixed NPE portfolio
Imola	Piraeus Bank	2025	€0.3 billion		Mixed portfolio of consumer, mortgage and business NPLs
Etalia	National Bank of Greece	2025	€0.2 billion		Large corporate, SME, mortgage and consumer loans
Andros	Alpha Leasing (subsidiary of Alpha Bank)	2025	€0.2 billion	Bain Capital (via Hellas Capital Leasing)	Perimeter of non-performing financial leases along with the related real estate interests
ACAC	Alpha Bank	2025	€0.1 billion		Cypriot mainly secured NPE portfolio exposures
Pronto	National Bank of Greece	Q1 2025	€33 million	Arena Investors (US-based); via AIEF Hellenic Fin LP (an Irish fund controlled by Arena)	National Bank of Greece decided on the disposal of the non-performing leasing exposures through: i) the sale of the shares of the Probank Leasing SA; and ii) the sale of the bank's leasing portfolio (formerly held by First Business Bank) and NBG Leasing SA leasing portfolio.

[22] Source: EBRD, banks' Pillar III reporting, audited financials and public information.

III. The EU perspective on credit risks and NPLs

Despite NPL ratios remaining broadly stable across the euro area, supervisory authorities are signalling that this surface-level resilience masks growing credit strain. Stage 2 exposures are rising, particularly in CRE and SME portfolios, which supervisors highlight as early indicators of asset quality deterioration. The ECB's *Economic Bulletin – Q1 2025*[23] flags this trend as a sign of underlying deterioration, not just a by-product of IFRS 9 reclassification. The ECB[24] underscored in March 2025 that "corporate insolvencies are on the rise", pointing to mounting fragilities in borrower segments despite strong top-level metrics.

Supervisory response sharpens around early signs of credit quality deterioration

Supervisory attention is increasingly turning to early signs of weakening credit quality. The same ECB *Economic Bulletin*[25] notes that Stage 2 exposures are nearing pre-pandemic levels in certain sectors of the euro area, particularly where businesses continue to face high energy costs or refinancing challenges. Although aggregate metrics remain stable, supervisors have raised concerns that some banks may be slow to respond to early-warning signals – particularly payment arrears, covenant breaches or rent declines – which could delay appropriate risk reclassification.

In anticipation of potential credit deterioration, the ECB Supervisory Priorities 2025-27[26] call explicitly for faster risk capture, warning that credit risk may be building unnoticed in portfolios with high sectoral or regional concentration. Joint Supervisory Teams (JSTs) are continuing their review of how risk signals are escalated from business lines to risk control and provisioning functions. Particular attention is being paid to whether banks are relying too heavily on lagging indicators or outdated assumptions in internal models – especially in CRE and SME portfolios already flagged for asset-quality concerns.

The ECB has also made clear that the shift towards real-time deterioration detection is not optional. Resilience at the aggregate level should not lead to complacency at the borrower level. This evolving supervisory lens is shaping not only Pillar 2 outcomes related to bank-specific capital requirements, but also the structure of horizontal reviews and the criteria for model challenge across institutions.

Continued supervisory attention to Stage 2 loans and provisioning

This situation is leading to supervisors increasingly challenging the quality of provisioning assumptions. Banks whose internal models underplay downside scenarios are facing heightened ECB scrutiny as part of the 2025 Supervisory Review and Evaluation Process (SREP)[27] cycle and the 2025 EU-wide stress test.[28,29] IFRS 9 overlays are under review for failing to reflect emerging sector-level risk, particularly where repayment capacity or collateral values

[23] See ECB (2025b).
[24] See ECB (2025d).
[25] See ECB (2025b).
[26] See ECB (2024c).
[27] See EBA (2022).
[28] See ECB (2025a).
[29] See EBA (2025b).

appear overstated. In its priorities, the ECB warns of disconnects between stress-test results and business-as-usual assumptions, prompting supervisory pressure that may translate into Pillar 2 guidance adjustments, especially where credit risk frameworks show material weaknesses.[30]

CRE remains the sector most under surveillance

Supervisory reviews initiated in 2025 are examining whether banks have adequately revalued collateral, adjusted covenant monitoring post-repricing and reclassified loans in line with declining asset quality. The ECB calls for tighter classification of loans exposed to refinancing risk and post-pandemic shifts in office demand. *The Financial Stability Review – May 2025*[31] notes that many institutions continue to hold CRE assets at outdated valuations, exacerbating risk, particularly in geographies where vacancy rates are high or legacy low-interest underwriting remains unadjusted.

SME risk intensifies in industrial and energy-exposed sectors

Supervisory concerns around SME exposures continue to centre on macro-driven vulnerabilities in energy-intensive and export-linked sectors. The EU supervisors emphasise the need for timely identification of asset-quality deterioration and appropriate provisioning responses. At the same time, refinancing risk is growing as credit lines originated during low-rate periods mature. While few systemic warning signals have materialised, supervisors are placing greater emphasis on borrower segmentation and early-warning mechanisms, particularly where Stage 2 migration is increasing.[32,33]

Retail credit risks rising in lower-income segments

Household demand for unsecured loans is increasing amid cost-of-living pressures. Supervisory concerns are focused on lower-income borrower segments, short-term instalment credit and affordability risk. A spike in loan applications from households in the lower half of the income distribution, as flagged last year by the ECB[34], has prompted closer scrutiny. Issues under review range from loan origination practices – to be in line with European Banking Authority (EBA) Guidelines[35] – to the quality of banks' affordability testing, particularly where restructuring tools may not be captured in standard non-performing exposure (NPE) metrics. Another point of attention is the expanding volume of fintech-issued credit, as supervisory oversight in this area remains uneven across jurisdictions, raising questions about the consistent application of affordability and origination standards.[36]

Diverging risk narratives across EU jurisdictions

While euro area credit indicators remain broadly stable, underlying risk dynamics are not evenly distributed. A sharper increase in Stage 2 exposures is observed in certain countries and sectors, particularly in CRE and SME lending.[37] These localised trends are not yet reflected in Stage 3 ratios, but they are prompting closer scrutiny.

To address emerging inconsistencies in risk recognition and provisioning, the ECB is stepping up its use of joint inspections and horizontal benchmarking. This requires a more consistent treatment of Stage 2 assets – especially where

[30] See ECB (2025f).
[31] See ECB (2025c).
[32] See ECB (2024c).
[33] See ECB (2025b).
[34] See ECB (2024a).
[35] See EBA (2020).
[36] See ECB (2025e).
[37] See ECB (2025b).

banks rely on internal triggers that may lag real borrower stress.[38]

Differences in portfolio composition and economic exposure across jurisdictions mean some variation is to be expected. But ensuring a coherent supervisory response remains a priority. In 2025, supervisors are placing more weight on aligning escalation practices, provisioning overlays and sectoral risk capture across institutions.[39,40]

Geopolitical instability formally integrated into credit risk

For the first time, the ECB has embedded geopolitical risk scenarios into formal credit risk oversight. The ECB 2025-27 Supervisory Priorities[41] require Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) scenarios to include trade fragmentation, energy disruption and foreign exchange-linked stress.

ECB officials have also warned that internal stress testing often under-estimates the persistence and impact of geopolitical shocks, and that particular attention must be paid to such impacts on credit risks in the current environment.[42] Banks failing to reflect these risks in capital planning may face increased supervisory scrutiny or escalation.

Supervisory strategy moves from NPL resolution to risk detection

To mitigate the growing credit risks, the ECB strategy has been shifting in recent years from reactive NPL resolution to forward-looking detection of credit deterioration. Banks have been expected to enhance their systems for identifying early signs of stress, including breaches of financial covenants, declines in collateral values or macroeconomic input shocks. Internal ECB reviews[43] highlighted weaknesses in escalation processes, driven by fragmented data, limited borrower stratification and siloed risk ownership. These gaps are now central to horizontal reviews of CRE, SME and retail credit portfolios.

Stronger credit risk governance tied to Pillar 2 capital outcomes

The ECB's supervisory assessments of 2024[44] revealed inconsistencies in provisioning and borrower-level risk integration, prompting a more thorough focus on governance structures linked to banks' lending.

As a result, ECB supervisory scrutiny is sharpening around the governance frameworks that underpin credit risk control. JSTs are reviewing credit committee structures, risk data aggregation and escalation mechanisms, particularly where early-warning signals are not translated into timely provisioning or risk reclassification. Weaknesses in these areas are increasingly viewed as capital-relevant – regardless of model sophistication.[45]

From volume reduction to embedded NPL management

Supervisors are therefore shifting from headline NPL volume reduction to evaluating how banks embed internal resolution tools and early-stage detection. Digital alert systems, borrower behaviour indicators and remediation flags are becoming baseline expectations.

According to the EBA Risk Dashboard – Q4 2024,[46] many institutions remain inconsistent in their application of overlays, vintage analysis and provisioning timeliness. These gaps are now being targeted in 2025 through on-site inspections and reviews,[47] with a particular focus on how quickly risk migrates across asset classifications.

[38] See ECB (2024c).
[39] See ECB (2024c).
[40] See ECB (2024b).
[41] See ECB (2024c).
[42] See Forvis Mazars (2025).
[43] See ECB (2025b).
[44] See ECB (2024b).
[45] See ECB (2024b).
[46] See EBA (2025a).
[47] See ECB (2024c).

From overlays to enforcement: supervisory follow-through intensifies

Supervisors are moving beyond setting expectations. Banks are now being assessed on how effectively they apply sector-specific overlays – particularly in SME, CRE and retail credit. This includes affordability checks, debt-service coverage ratio (DSCR) thresholds and structural risk factors such as energy exposure or export reliance.[48]

While the EBA's Guidelines on loan origination and monitoring[49] have not changed, their enforcement has become more rigorous now that banks across the EU are expected to demonstrate full compliance. Material shortcomings are being treated as serious breaches by supervisors. Where deficiencies persist, supervisory responses are becoming more assertive. For significant institutions, the ECB has made clear that it is prepared to use the full range of supervisory tools at its disposal – including on-site inspections, capital add-ons and, where appropriate, sanctions.[50]

This marks a distinct shift in tone: banks that fail to embed sound credit risk management into their day-to-day governance and lending decisions should expect a firmer supervisory stance.

[48] See ECB (2024c).

[49] See EBA (2020).

[50] See Forvis Mazars (2025).

IV. Recent policy actions in *NPL Monitor* countries[51]

Europe and the Western Balkans

Albania

- **Monetary policy:** On 7 May 2025, the Supervisory Council of the Bank of Albania (BoA) decided to maintain its policy rate at 2.75 per cent and its overnight deposit and overnight lending rates at 1.75 per cent and 3.75 per cent, respectively.
- **Regulatory updates to enhance consumer protection:** BoA's Supervisory Council approved amendments to regulations on consumer credit, mortgage credit and transparency in financial services. These changes aim to lower borrowing costs for small consumer loans and improve advertising transparency, particularly among non-bank financial institutions.[52]
- **Increase in Resolution Fund:** The Resolution Fund increased by ALL 1.04 billion (€10.6 million) in April 2025 following banks' annual contributions. This has strengthened the financial safety net to manage potential banking-sector crises.[53]

Croatia

- **Monetary policy:** On 30 December 2024, the Croatian National Bank held its countercyclical buffer rate at 1.5 per cent, assessing that this level remains appropriate for maintaining banking system resilience against a possible cyclical systemic risk materialisation or sudden shocks.
- **Measures to tackle rising energy prices:** In March 2025, the Croatian government adopted its eighth package of anti-inflation measures. With a total value of €296 million (0.3 per cent of GDP), it extends enacted energy price caps, offers one-off payments to pensioners and maintains price controls on essential food items.
- **Revised limits on consumer lending criteria:** To address rising financial stability risks from increased household lending and to bolster resilience in adverse scenarios, the Croatian National Bank brought stricter consumer lending criteria into force on 1 July 2025. The changes include capping housing loan terms at 30 years (10 years for non-housing), debt service-to-income ratio limits of 45 per cent (housing) and 40 per cent (non-housing) and a loan-to-value ratio capped at 90 per cent for housing loans.

Hungary

- **New economic policy framework:** The government has introduced a new economic plan that includes soft equity, subsidised loans and grants, mobilising a total of €3.5 billion.
- **Temporary measures for housing loans:** As of April 2025, a preferential mortgage loan with an interest rate of up to 5 per cent became available, offered by banks based on a voluntary interest-rate cap. The aim of the scheme is to help people under the age of 35 purchase their first energy-efficient home.

[51] Based on information provided by EBRD staff.
[52] See Bank of Albania (2025a).
[53] See Bank of Albania (2025b).

Europe and the Western Balkans

Montenegro

- **Insolvency law:** The new Law on the Resolution of Credit Institutions was adopted on 27 November 2024 with the aim of aligning the local resolution framework with BRRD2 (Directive 2019/879/EU amending the Directive 2014/59/EU). The Amended Law on the Bankruptcy and Liquidation of Banks was adopted on the same date, and both laws became applicable as of 3 December 2024.

Serbia

- **Temporary measures for loans granted to retail segment:** The National Bank of Serbia introduced interest-rate caps for retail loans from December 2024 through end-2025. It caps consumer loans at 14.75 per cent nominal (7.05 per cent for foreign currency loans), credit cards/overdrafts at 17.75–19.75 per cent and housing loans at a 5 per cent nominal rate (6.65 per cent effective rate).

North Africa

Morocco

- **Measures to tackle NPLs:** Since 2023, Morocco's central bank, Bank Al-Maghrib, has been helping to set up a secondary market for NPLs with the aim of facilitating the management and reduction of NPL portfolios held by credit institutions and enhancing their capacity to finance the economy. This work has led to the drafting of a reform addressing the transferability of NPLs.

Caucasus and Central Asia

Georgia

Inflation averaged 1.1 per cent in 2024, down from 2.5 per cent in 2023, but began rising from October 2024 due to higher food prices, reaching 3.4 per cent on a year-on-year basis by April 2025 – slightly above the National Bank of Georgia's (NBG) 3 per cent target. The NBG has kept its policy rate at 8 per cent since May 2024 after a cumulative 150-basis-point cut earlier that year.

Türkiye

The Central Bank of Türkiye (CBRT) sharply hiked its policy rate from 8.5 per cent in mid-2023 to 50 per cent by March 2024, driving inflation down from 65 per cent at the end of 2023 to 44.4 per cent a year later and 38 per cent by April 2025. After starting rate cuts in late 2024, the CBRT reversed course in April 2025 – raising policy rates to 46 per cent amid inflation and currency pressures following political events – while maintaining a tight stance to ensure price and financial stability.

Kazakhstan

- **Monetary policy:** Falling inflation allowed the National Bank of Kazakhstan to cut rates in early 2024, but by year-end tenge depreciation – driven by a strong dollar, budget deficits and rouble weakness – had reversed the trend. The central bank responded with rate hikes to 15.25 per cent in December 2024 and 16.5 per cent in March 2025. The consumer price index increased to 9.4 per cent in February 2025, while the tenge had somewhat recovered.
- **A new countercyclical capital buffer** – set as a 2 per cent sectoral buffer on risk-weighted assets in retail lending – was introduced in response to signs of overheating in the retail credit market. Banks will begin complying on 1 April 1 2026, with a 12-month transition period to accumulate the necessary capital. This measure supplements existing capital adequacy requirements.

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Annexes

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

Table 3. List of major NPL servicers in the *NPL Monitor* regions

NPL servicer	Type of servicer		Asset class					Country																						Website
	Own assets*	Third-party assets	Retail	SME	Corporate	Residential real estate	CRE	Albania	Bosnia and Herz.	Bulgaria	Croatia	Czechia	Estonia	Georgia	Greece	Hungary	Kazakhstan	Kosovo	Latvia	Lithuania	Montenegro	North Macedonia	Poland	Romania	Serbia	Slovak Republic	Slovenia	Türkiye	Ukraine	
APS Holding	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓					✓		✓	✓	✓	✓	✓		✓	https://www.aps-holding.com/
AxFina		✓	✓	✓	✓	✓	✓				✓					✓							✓	✓			✓			https://www.axfina.com/
Best S.A.	✓	✓	✓	✓	✓	✓																	✓							https://www.best.com.pl/en/home
B2 Impact	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓			✓	✓	✓		✓	✓	✓		✓			https://www.b2-impact.com/
Cabot Credit Management (Encore Capital Group)	✓	✓	✓	✓	✓	✓	✓																✓							https://www.cabotcreditmanagement.com/
Cepal Hellas Financial Services S.A.		✓	✓	✓			✓								✓															https://www.cepal.gr/?lang=en
Copernicus Hellas		✓	✓	✓	✓	✓									✓															https://copernicusservicing.com/
CreditExpress	✓	✓	✓								✓	✓											✓	✓	✓				✓	https://www.creditexpress.com/
Debt Agency	✓	✓	✓	✓	✓	✓	✓			✓														✓						https://theagency.bg/en/
doValue Group	✓	✓	✓	✓	✓	✓	✓								✓															https://www.dovaluegreece.gr/en/services https://dovalue.it/en
Dunya Varlık Yönetim A.Ş.	✓	✓	✓	✓	✓	✓	✓																					✓		https://www.dunyavarlik.com/
DV01 Asset Management		✓		✓	✓										✓															https://dv01am.com/
EOS Group	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓			✓	✓		✓			✓	✓	✓	✓	✓	✓	✓			https://eos-solutions.com/
EuPraxis FSI		✓	✓	✓	✓	✓	✓								✓															https://www.eupraxis-fsi.com/
Gelecek Varlik	✓	✓	✓	✓	✓	✓	✓																					✓		https://www.gelecekvarlikyatirimciiliskileri.com.tr/en/
Hipoges Hellas	✓	✓	✓	✓	✓	✓	✓								✓															https://www.hipoges.com/en/home-en/
Hoist Finance	✓		✓	✓																			✓	✓						https://www.hoistfinance.com/
Intrum	✓	✓	✓	✓	✓	✓						✓	✓		✓	✓			✓	✓			✓	✓		✓				https://www.intrum.com/
Kruk	✓	✓	✓	✓	✓	✓	✓					✓											✓	✓		✓				https://en.kruk.eu/
NPA Servicing S.A.	✓	✓	✓	✓	✓	✓	✓								✓															https://npa-servicing.gr/en/
PraGroup	✓	✓	✓	✓																			✓							https://pragroup.co.uk/
Primo Collect Ukraine	✓	✓	✓	✓	✓	✓	✓																						✓	https://primocollect.com.ua/en
Resolute Asset Management		✓	✓	✓	✓	✓	✓			✓						✓								✓						https://www.resoluteassetmanagement.com/
Silverton Servicing Solutions S.A.	✓	✓	✓	✓	✓	✓	✓								✓															https://silverton-group.gr/about/
QQuant Master Servicer		✓	✓	✓	✓	✓	✓								✓															https://www.qquant.gr/en/home/
Tagor Asset Management	✓	✓			✓	✓	✓																	✓						https://www.tagor.ro/
Thea-Artemis Financial Solutions		✓	✓	✓	✓										✓															https://www.thea-artemis.com/
UCI Greece Loan Management Services	✓	✓	✓			✓									✓															https://uci.gr/en/home/

Source: Public information and EBRD.

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

Annex 2. EU NPL Market

This section provides some key points of attention derived from **the February 2025 report from the EU NPL Advisory Panel on NPLs entitled *Monitoring the state of NPL secondary markets*.**[54] The aim of this paper is to provide a detailed overview of the state of the NPL market in the European Union. While the report is not an official European Commission position, it offers a timely and practical view of the regulatory and market landscape. We highlight below some useful points of consideration for sellers and/or investors in NPL portfolios in the EU, also relevant to CESEE countries.

1. The use of the EU NPL Directive is limited by its scope

The NPL Directive[55,56] introduces a passporting regime for credit servicers, but its scope is limited to NPLs originated by EU credit institutions. It does not cover non-bank debt, reperforming loans (RPLs) or sub-performing loans (SPLs). That means:

- cross-border transactions still require local structuring and licensing
- servicers will continue to need local entities in many jurisdictions
- operational scale across the EU remains constrained by national rules.

2. Legal fragmentation in the EU impacts pricing

Differences in insolvency regimes, enforcement timelines and judicial efficiency across member states directly affect recovery expectations and pricing. For investors, this means:

- discount rates and bid strategies need to reflect jurisdictional enforcement risk
- volatility in loss-given-default assumptions – especially in markets such as Croatia, Greece, Romania and Portugal – can materially impact valuations.

3. Differences in approaches to forbearance and consumer protection can create risks

The patchwork of national rules on forbearance and debt collection creates both compliance and reputational exposure – especially for retail-heavy portfolios:

- Some countries cap default charges; others do not.
- Forbearance obligations are inconsistently applied and loosely defined.
- Investors need to ensure their servicers apply borrower treatment standards that meet the highest bar across all jurisdictions where they operate.

4. Non-bank debt is growing – but is not covered by the NPL Directive

The directive does not apply to non-bank credit (for example telecom, utilities, e-commerce receivables), which is increasingly common in mixed portfolios. This creates:

- a regulatory blind spot that may distort pricing and servicing economics
- an uneven playing field between bank and non-bank debt servicers
- a need for investors to assess whether their exposure to non-bank assets is being priced and managed appropriately.

5. Servicer concentration is becoming a systemic consideration

The top 20 servicers now manage more than 90 per cent of the market's assets – but they're also the most leveraged and, in many cases, the least profitable. One major player has already entered recapitalisation. This raises:

- counterparty risk for investors relying on third-party servicers
- questions about resilience and continuity in the event of further consolidation.
- a need for deeper due diligence on servicer financial health and contingency planning.

[54] See EU NPL Advisory Panel (2025).
[55] See EU (2021).
[56] It aims to harmonise the rules for the sale, purchase and servicing of NPLs across the EU, facilitating the development of a secondary market for NPLs while safeguarding borrower rights.

Annex 3. Regional economic prospects in the EBRD regions – H1 2025[57]

According to the EBRD's *Regional Economic Prospects* report of May 2025, average growth in the EBRD regions is expected to be 3 per cent in 2025, with downward revisions across most economies due to increased global policy uncertainty, weaker external demand and the direct and indirect effects of the announced increases in import tariffs.

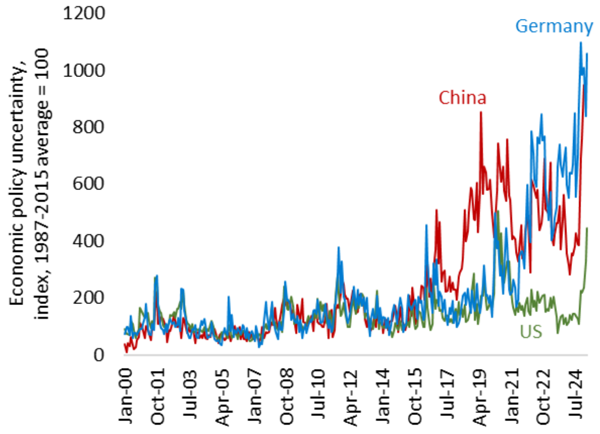
Table 4. GDP growth in real terms

GDP growth in real terms						
	Actual		Forecast (May 24)		Revision since Feb 25	
	2023	**2024**	**2025**	**2026**	**2025**	**2026**
EBRD regions	**2.8**	**2.8**	**3.0**	**3.4**	**-0.2**	**0.0**
Central Asia	**5.7**	**5.6**	**5.5**	**5.2**	**-0.2**	**0.0**
Kazakhstan	5.1	4.8	4.9	4.5	-0.3	0.0
Central Europe and the Baltic states	**0.4**	**2.1**	**2.4**	**2.7**	**-0.3**	**-0.1**
Croatia	3.3	3.9	2.9	2.6	-0.1	0.0
Czechia	-0.1	1.1	1.6	2.2	-0.3	-0.2
Estonia	-3.0	-0.3	1.3	2.0	-0.4	-0.6
Hungary	-0.8	0.5	1.5	2.7	-0.5	-0.1
Latvia	2.9	-0.4	1.8	2.4	-0.2	-0.1
Lithuania	0.3	2.8	2.6	2.6	-0.2	-0.1
Poland	0.2	2.9	3.3	3.2	-0.1	0.0
Slovak Republic	2.2	2.1	1.4	1.8	-0.5	-0.4
Slovenia	2.1	1.6	1.9	2.3	-0.1	-0.1
Eastern Europe and the Caucasus	**4.5**	**3.8**	**3.5**	**4.3**	**-0.1**	**0.0**
Armenia	8.3	5.9	5.0	4.5	0.0	0.0
Georgia	7.8	9.4	6.0	5.0	0.0	0.0
Moldova	0.7	0.1	1.8	3.8	-0.2	0.0
Ukraine	5.3	2.9	3.3	5.0	-0.2	0.0
South-eastern EU	**2.3**	**1.6**	**2.0**	**2.4**	**-0.1**	**0.0**
Bulgaria	1.9	2.8	2.8	2.6	0.4	-0.2
Greece	2.3	2.3	2.2	2.2	-0.1	-0.1
Romania	2.4	0.8	1.6	2.4	-0.2	0.0
Southern and eastern Mediterranean	**2.7**	**2.7**	**3.6**	**3.9**	**-0.1**	**-0.2**
Morocco	3.4	3.2	3.5	3.4	-0.1	0.0
Türkiye	**5.1**	**3.2**	**2.8**	**3.5**	**-0.2**	**0.0**
Western Balkans	**3.4**	**3.6**	**3.2**	**3.4**	**-0.4**	**-0.2**
Albania	3.9	4.0	3.5	3.5	-0.2	-0.2
Bosnia and Herzegovina	1.9	2.5	2.5	2.7	-0.3	-0.3
Kosovo	4.1	4.4	3.9	3.9	-0.1	-0.1
Montenegro	6.3	3.0	2.6	2.7	-0.3	-0.3
North Macedonia	2.1	2.8	2.6	2.7	-0.4	-0.3
Serbia	3.8	3.9	3.5	3.7	-0.5	-0.3

Source: National authorities and EBRD.

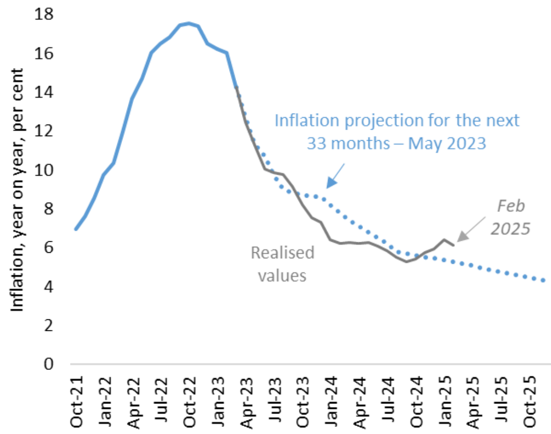
[57] See EBRD (2025).

Chart 5. Economic policy uncertainty is at all-time highs in Germany and the US



Source: CEIC, Baker, Bloom and Davis (2016) and authors' calculations.

Chart 6. Average inflation in recent months has been higher than expected



Source: EBRD May 2023 *Regional Economic Prospects*, based on IMF, national authorities via CEIC, World Bank Global Inflation database and authors' calculations.

Increases in US import tariffs in the first half of 2025 are estimated to push the average effective US tariff on imports from the EBRD regions up to 10.5 per cent, from 1.8 per cent in 2024 (based on the 2024 composition of imports). The effects of these tariff hikes and increased uncertainty around trade policy could spread due to global value chain linkages, including to economies with limited direct exports to the US.

Average inflation in the EBRD regions peaked at 17.5 per cent in October 2022 and bottomed out at 5.3 per cent in September 2024 before picking up to 6.1 per cent as of February 2025. Inflationary pressures are increasingly demand-driven, reflecting loose fiscal policies and high nominal wage growth. Despite substantial fiscal pressures, the International Monetary Fund (IMF) expects average debt in the EBRD regions to remain broadly stable, at around 52 per cent of GDP in 2025-29.

Central Asia

Central Asian countries continue to demonstrate strong economic performance, underpinned primarily by domestic demand, including public investment. Recent growth has been supported by rising real wages, sustained remittance inflows and, in several countries, favourable tourism seasons, all of which has boosted the services sector. Industrial output has also remained robust across the region. Inflation levels continue to be elevated, driven by demand-side pressures, energy tariff adjustments and, in some cases, currency depreciation against the US dollar, with monetary policy remaining tight in response.
The region's economic outlook is exposed to risks stemming from its dependence on China – particularly so for Mongolia, where export concentration is highest.

Central Europe and the Baltic states

Increased uncertainty around global trade policy is likely to negatively impact economies in central Europe and the Baltic states. High tariffs on cars and car parts will hit Germany hard, negatively affecting exporters in the wider region, both in the automotive industry and more broadly. The escalating trade war risks erasing the positive effects from the easing of fiscal policy in major EU countries and the announced €150 billion EU defence fund. Increased uncertainty regarding the future of trade is further weighing on investment. Higher-than-expected demand from Germany and potential nearshoring could present upside risks.

Eastern Europe and the Caucasus

Real GDP growth is projected to moderate in 2025 and 2026, reflecting external vulnerabilities and regional instability, but could be strengthened by greater regional trade integration. Signs of economic rebounds in Ukraine and Moldova faded in late 2024 and inflation has been rising again. Russian attacks on Ukraine's energy infrastructure and Gazprom's move to cut off gas supplies to Moldova's largest power plant will hamper growth in 2025 as well. However, both economies could benefit from external financial support.

South-eastern Europe

Economic growth slowed in 2024, mainly due to a notable deceleration in Romania. While private consumption accelerated in the region on the back of strong wage growth, investment weakened in Bulgaria and Romania, partly due to mounting delays in implementing the EU Recovery and Resilience Facility (RRF). In contrast, Greece remains among the frontrunners in the absorption of RRF funds. Regionally, strong domestic demand stimulated imports, although the outlook for exports worsened on increased trade policy uncertainty, with indirect impacts likely to be felt through the main eurozone trade partners. Growth will nonetheless be sustained by robust domestic demand.

Southern and eastern Mediterranean

Growth across the southern and eastern Mediterranean accelerated towards the end of 2024 following a prolonged period of regional instability. Performance is expected to improve further, with average growth reaching 3.6 per cent in 2025 and 3.9 per cent in 2026, although with significant downside risks stemming from global trade policy uncertainty and the spillover effects of the conflicts in the Middle East. A more stable macroeconomic environment and falling inflation are likely to support investor and consumer confidence in Egypt and a pickup in growth.

Türkiye

Growth slowed from 5.1 per cent in 2023 to 3.2 per cent in 2024. Domestic demand weakened significantly but remained the main driver of growth as economic policy continued its shift towards orthodoxy. Türkiye maintained tight monetary policy throughout 2024 to combat inflation and stabilise the economy. The Central Bank of the Republic of Türkiye (CBRT) kept the policy rate at 50 per cent from March to December 2024, then cut it to 42.5 per cent in three steps. In March 2025, facing renewed inflation and market volatility, the CBRT unexpectedly raised the overnight lending rate to 46 per cent. This was followed by a reversal of its rate-cutting cycle in April, with a 350-basis-point hike in the policy rate. These measures, along with a stronger lira, helped reduce inflation significantly from 75.4 per cent in May 2024 to 38.1 per cent in March 2025.

Western Balkans

Growth in the Western Balkans accelerated slightly from 3.4 per cent in 2023 to 3.6 per cent in 2024. The main drivers were private consumption, on the back of rising wages, as well as public investment. However, growth is projected to fall to 3.2 per cent in 2025 on the direct and, more importantly, indirect effects of new US tariffs. Economies with a strong, export-oriented manufacturing sector – such as Bosnia and Herzegovina, North Macedonia and Serbia – are expected to face significant indirect negative effects through their exports to the eurozone.

Annex 4. Definitions

- NPL volume (or gross NPLs):
    - NPLs are defined and reported differently from country to country, as there is no international standard. For countries reporting Financial Soundness Indicators (FSIs) to the IMF, the *FSI Compilation Guide* recommends reporting NPLs when: (i) payments of principal and interest are past due by 90 days or more; (ii) interest payments equal to 90 days' interest or more have been capitalised, refinanced or rolled over; and (iii) loans are less than 90 days past due, but recognised as non-performing under national supervisory guidance.
    - European national supervisory authorities tend to use 90 days past due as an objective quantitative threshold, alongside bankruptcy, when reporting NPLs.
    - It is also important to note that in January 2015, the EU adopted harmonised and consistent definitions of both forbearance and non-performing exposures (see Regulation No. 680/2014, which sets out the technical standards drawn up by the 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 5. Metadata

To provide a comprehensive overview of the underlying data used in this report, we summarise below the key indicators used in the analysis, as detailed by central banks when reporting to the IMF (or, in the case of Serbia, as published directly). While most countries report to the IMF, they do not always report the same data. For example, some countries include loans to deposit-takers when calculating the total gross loan portfolio, while some exclude such loans (increasing their NPL ratio). Other specificities listed below may also create a slight upward or downward bias in the results. However, despite some discrepancies, the definitions and data used in this report are consistent overall between countries and can be relied on for comparability purposes.

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
1	**Albania**	- 90 days past due for instalment loans - 60 days past due for limit loans (excluding overdrafts) - 60 days over limit usage for limit loans A borrower's financial situation and inflows are assessed as insufficient to regularly meet the default liabilities; or the bank does not possess the complete required or updated information needed to fully assess their financial condition.	Book value of principal plus accrued interest. For non-performing loans, interest accrued after becoming non-performing is not counted.	Specific provisions for NPLs are accounted for. Only financial collateral is taken into consideration for loan provisioning.	
2	**Bosnia and Herzegovina**	Until Q4 2010, NPLs consisted of C (substandard, 90 days) and D category loans. E category loans became part of non-performing loans from Q4 2011.		From Q4 2009, FSIs used non-performing loans net of provisions to Tier I.	
3	**Bulgaria**	Until 2014, NPLs were risk exposures where principal or interest payments had been past due for more than 90 days. Since 2015, the definitions and the scope of the NPLs have been in line with EBA standards.	Until 2014, loans to deposit-takers were excluded from the calculations. Since 2015, the definition and the scope of NPLs have been in line with EBA standards. The source of the data is FinRep template F18 (rows 70 and 250, column 10), which covers all loans and advances, including to deposit-takers.	All deposit-takers must assess, classify and provision loans at least on a quarterly basis and submit a regulatory report to the Bulgarian National Bank. Compliance is enforced via offsite surveillance and onsite inspections.	
4	**Croatia**	NPLs are all gross loans (to all sectors) not classified as performing (90 days overdue). However, a loan can be considered a "pass" even if it is 90 days overdue if it is well covered with collateral and if the process of foreclosure has started.		Provisions refer to NPLs.	
5	**Cyprus**	In December 2014, the EBA final implementing technical standards on supervisory reporting on forbearance and non-performing exposures under Article 99(4) of Regulation (EU) No. 575/2013 came into force. Non-performing exposures are those that satisfy either or both of the following criteria: (i) material exposures 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.			
6	**Czechia**	Besides the 90-day rule recommended by the FSI guide, the financial condition of the debtor is also used in classifying loans as non-performing.	This excludes non-current assets (or disposal groups) classified as held for sale.		
7	**Estonia**	Deposit-takers usually carry out loan reviews monthly, depending on the needs of any given credit institution. Collateral and guarantees are not taken into consideration. Restructured loans are treated as performing loans. There is no credit register in Estonia, but there is a register containing information on bad loans and problematic debtors. If there is a problem with a loan granted by bank "A" and that debtor has also taken a loan from bank "B" and that loan "works well", bank "B" does not need to make any provisions or downgrade the loan.			

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
8	**Greece**	In accordance with the EBA 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 FSIs for deposit-takers using the ITS on supervisory reporting (June 2018 edition).	Provisions are the total number of provisions (general and specific) for the total loan portfolio of the credit institutions.	
12	**Lithuania**	NPLs are the sum of impaired loans and advances and non-impaired loans and advances that are past due by 60 days or more. In their accounting policies, banks specify the individual provisions and conditions under which interest on non-performing assets is not accrued. This includes interest accrued on some NPLs. It also includes some financial assets besides loans, such as deposits and funds held in other banks and credit institutions.	These include interest accrued on some NPLs. In their accounting policies, banks specify the individual provisions and conditions under which interest on non-performing assets is not accrued.		
13	**Montenegro**	NPLs include only principal and exclude interest due, as well as accrued interest and fees. Loans are defined as non-performing using the 90-days-past-due criterion, or if there is a high probability of incurring losses due to clearly disclosed weaknesses jeopardising their repayment. According to the central bank's Decision on Minimum Standards for Credit Risk Management in Banks (Official Gazette of MNE, Nos. 22/12, 55/12, 57/13, 44/17 and 82/17), loans are classified in five categories (A, B, C, D and E) depending on the probability of incurring losses. Loans in categories C, D and E are considered to be non-performing. A loan that is more than 90 days past due may not be classified in a higher category than C. Indeed, banks may deem a loan to be non-performing if they have evidence suggesting the inability of the borrower to repay the debt.		Provisions refer to value adjustments as per IAS 39/IFRS 9 as they are allocated by banks' own criteria. Apart from value adjustments, which are balance-sheet data, there are also regulatory provisions, which are not balance-sheet data. They are calculated using central bank-prescribed criteria and serve as a prudential filter. Namely, if regulatory provisions are higher than value adjustments for a particular loan, the difference essentially leads to a deduction from the bank's core capital.	
14	**North Macedonia**	A non-performing credit exposure is defined as: - a credit exposure which on any basis (principal, interest or other non-interest claims) has not been collected in a period longer than 90 days from the maturity date, while the uncollected amount that is due for a period longer than 90 days is greater than: MKD 1,000 (for credit exposures to natural persons), MKD 3,000 (for credit exposures to small companies) or MKD 10,000 (for credit exposures to other legal entities) - a credit exposure for which it has been determined that the client will not be able to meet 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 (unlikeness to pay). The bank's assessment of whether the client is unlikely to pay will be based, as a minimum, on the following data and information: - blocked account of the client - deteriorating risk category at the banking system level - deteriorating financial position of the client - client's work permit revoked by the competent body - sale of another of the client's credit exposures with a significant loss	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 *FSI Compilation Guide*. The central bank also calculates and publishes on its website loans and NPLs in the non-financial sector only and net NPLs netted by loan loss provision against NPLs only.

		NPLs	Gross loans	Provisions (or net NPLs)	Comments
		- grace period for the payment of principal and interest extended beyond 18 months - write-off that significantly reduces the amount of the credit exposure. All of a bank's credit exposures to one client legal entity should be treated as non-performing credit exposures if the bank's own balance-sheet credit exposure that is past due for more than 90 days exceeds 20 per cent of the bank's total balance-sheet credit exposure to that client. Amid the Covid-19 pandemic, amendments to the decision on the methodology for credit risk management were introduced (in March and April 2020). These amendments allowed for a temporary change in the definition of an NPL. The threshold of 90 days past due was increased to 150 days past due for all clients with a performing status before the pandemic (before the 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.			
15	**Poland**	NPLs exclude repurchase agreements that are not classified as deposits. They include some other financial assets besides loans: data represent total receivables, including originated loans, purchased receivables and guarantees that are being exercised. They exclude loans to the central bank. Deposit-takers that are in distress or in receivership are not included.	These exclude repurchase agreements that are not classified as deposits. They include some other financial assets besides loans: data represent total receivables, such as originated loans, purchased receivables and guarantees that are being exercised. They exclude loans to the central bank.	From Q1 2010, data include all receivables excluding loans to the central bank. Banks that follow Polish Accounting Standards decrease the carrying value of all loans except those classified in the loss category by a proportional share of general provisions, as well as by impairment provisions.	
16	**Romania**	From June 2014, NPLs were based on reports from all banks for Romanian legal persons for which loans met the non-performance criteria (overdue for more than 90 days and/or legal proceedings initiated). Since December 2015, NPLs have been based on the EBA definition: the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances.	These exclude loans to deposit-takers. Deposit-takers that are in distress or receivership are not included.	From June 2014 to December 2015, IFRS impairment losses (provisions) for NPLs identified (based on reports from all banks) were subtracted from NPLs. Since December 2015, NPLs net of provisions have been compiled as the gross carrying amount of NPLs and advances minus the accumulated impairment of NPLs and advances.	
17	**Serbia**	An NPL is the total outstanding debt under an individual loan (including the amount of arrears) where: (i) the debtor is past due (as envisaged by the decision governing the classification of bank balance-sheet assets and off-balance-sheet items) for over 90 days with respect to payments of interest or principal; (ii) at least 90 days of interest payments have been added to the loan balance, capitalised, refinanced or delayed by agreement; or (iii) payments are less than 90 days overdue, but the bank has deemed the borrower's repayment ability to have deteriorated and doubts that the payments will be made in full.		Specific provisions of NPLs.	Not reported by the FSIs. Sources: *Quarterly Review of Dynamics of Financial Stability*; statistical annex to *Quarterly Banking Report*; *Annual Financial Stability Report*.

		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 Türkiye
CESEE	central, eastern and south-eastern Europe
CRE	commercial real estate
DSCR	debt-service coverage ratio
EBA	European Banking Authority
ECB	European Central Bank
FSIs	Financial Soundness Indicators
GBV	gross book value
HAPS	Hellenic Asset Protection Scheme
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
ITS	Implementing Technical Standards
JST	Joint Supervisory Team
NBG	National Bank of Georgia
NPE	non-performing exposure
NPL	non-performing loan
RPL	reperforming loan
SME	small and medium-sized enterprise
SPL	sub-performing loan
SREP	Supervisory Review and Evaluation Process

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