

NPLs stable in central and south-eastern Europe during Covid-19 pandemic

Impact of tapering state support yet to materialise, new report says

FOR IMMEDIATE RELEASE

 www.ebrd.com/news



Date: 07/06/2021

Contact: Axel Reiserer

Tel: +44 7741240316

Email: axel.reiserer@ebrd.com

Twitter: @ebrd

Tags: #EBRD, #financial sector, #NPLs, #Vienna Initiative, #Covid-19

- **Non-performing loans stable in CESEE during Covid-19 pandemic**
- **New report warns of impact of tapering state support**
- **Regulators monitoring banks' asset quality closely**

Massive state intervention in the economy has prevented a rise in non-performing loans (NPLs) during the Covid-19 pandemic in central and south-eastern Europe (CESEE), but the quality of bank assets after the phasing out of public measures “remains uncertain”, according to the [latest NPL Monitor](#), published today.

The report finds a decline in the NPL ratio over the course of 2020, as the decrease in NPLs exceeded the decrease in loans and advances. As of 31 December 2020, the region's NPL ratio remained relatively stable compared with the previous year, at 3.5 per cent, down 0.2 percentage point from end 2019.

But while the worst-case scenario “is now unlikely to materialise”, NPLs are still expected to rise as government measures begin to be withdrawn. While the extent remains to be seen, the Monitor warns that the recent rise in loans with significantly higher credit risks since initial recognition (stage 2 loans) “can be seen as an indicator of intensifying credit risks in future”.

Economies reliant on sectors most vulnerable to the crisis – such as accommodation and food, arts and entertainment, commercial real estate or transport – are also likely to be particularly affected. In addition, the widespread use of payment moratoria and other forbearance measures “creates additional risk-monitoring challenges for banks, putting them under accrued pressure”, the report finds.

Pierre Heilbronn, EBRD Vice President, Policy and Partnerships, said: “We are encouraged by the findings of the latest NPL Monitor, but it is clear that we are not out of the woods yet. The report sends a clear warning of the dangers ahead. This makes the support of a robust and sustainable recovery all the more important.”

Other findings of the report include:

- At regional level, NPL volumes fell 3.9 per cent in the 12 months from Q4 2019 to Q4 2020.
- Similar to the trend in NPL volumes, NPL ratios continued to decrease in 2020 in all but five countries in CESEE.
- On aggregate for the region in 2020, the NPL coverage ratio showed a slight improvement of 0.3 percentage point, supported by prudent provisioning in the context of Covid-19 and the slight decrease in NPLs.
- According to the European Banking Authority, the overall share of stage 2 loans in the European Union rose to 9.1 per cent of total loans in the last quarter of 2020, with stage 2 loans as a share of

The EBRD is a multilateral bank that promotes the development of the private sector and entrepreneurial initiative in 38 economies across three continents. The Bank is owned by 69 countries as well as the EU and the EIB. EBRD investments are aimed at making the economies in its regions **competitive, inclusive, well-governed, green, resilient and integrated**. Follow us on the [web](#), [Facebook](#), [LinkedIn](#), [Instagram](#), [Twitter](#) and [YouTube](#).

loans still under moratorium nearly triple that (26.4 per cent). The [Vienna Initiative](#) countries in which the share of stage 2 loans increased most throughout 2020 were [Hungary](#), [Poland](#) and [Romania](#).

Overview of the NPL profile in CESEE, 31 December 2019 to 31 December 2020

Country	NPL volume (€ bn)		NPL ratio (%)		NPL coverage ratio		Net NPL ratio (%)		Net NPL / Capital (%)		NPL to GDP (%)													
	Dec-20	Variation(%)	Dec-20	Δ(pp)	Dec-20	Δ(pp)	Dec-20	Δ(pp)	Dec-20	Δ(pp)	Dec-20	Δ(pp)												
Albania (ALB)	0.4	▲	1.1	▼	8.1	▼	0.3	▼	65.2	▲	5.8	▼	2.8	▼	0.6	▼	10.5	▼	2.2	▼	3.2	▲	0.3	
Bosnia & Herz. (BIH)	0.7	▼	(16.6)	▼	3.1	▼	(4.3)	▼	78.4	▲	1.4	▼	0.7	▼	(1.0)	▼	7.8	▼	(2.1)	▼	4.1	▼	(0.2)	
Bulgaria (BGR)	2.9	▼	(6.4)	▼	5.8	▼	(0.8)	▼	46.0	▼	(1.6)	▼	3.1	▼	(0.3)	▼	20.8	▼	(3.1)	▼	5.2	▲	0.1	
Croatia (HRV)	2.7	▲	7.9	▼	7.2	▲	0.2	▼	83.3	▲	1.5	▼	1.2	▼	(0.1)	▼	5.4	▼	(0.2)	▼	5.7	▲	1.2	
Czech Republic (CZE)	4.1	▼	(3.1)	▼	2.7	▼	(0.1)	▼	53.6	▼	(1.8)	▼	1.2	▲	0.0	▼	8.6	▼	(0.8)	▼	2.1	▲	0.2	
Estonia (EST)	0.1	▲	7.7	▼	0.4	▲	0.0	▼	37.7	▼	(2.7)	▼	0.2	▲	0.0	▼	1.1	▲	0.1	▼	0.3	▲	0.1	
Hungary (HUN)	0.6	▼	(35.6)	▼	0.9	▼	(0.6)	▼	70.4	▲	4.2	▼	0.3	▼	(0.2)	▼	1.4	▼	(0.9)	▼	0.5	▼	(0.2)	
Kosovo (XKX)	0.1	▲	39.8	▼	2.5	▲	0.6	▼	69.6	▼	(17.3)	▼	0.8	▲	0.5	▲	4.5	▲	▲	▼	3.0	1.4	▲	0.5
Latvia (LVA)	0.6	▼	(37.2)	▼	3.1	▼	(1.9)	▼	30.4	▼	(14.0)	▼	2.2	▼	(0.6)	▼	17.4	▼	(7.3)	▼	2.2	▼	(1.0)	
Lithuania (LTU)	0.3	▲	0.8	▼	0.8	▼	(0.2)	▼	79.8	▲	15.3	▼	0.2	▼	(0.2)	▼	3.1	▼	(3.3)	▼	0.7	▲	0.1	
North Macedonia (MKD)	0.2	▼	(26.4)	▼	3.3	▼	(1.4)	▼	73.2	▲	5.5	▼	0.9	▼	(0.6)	▼	4.5	▼	(3.4)	▼	1.9	▼	(0.4)	
Montenegro (MNE)	0.2	▲	19.6	▼	5.9	▲	0.8	▼	80.0	▼	(8.9)	▼	1.2	▲	0.6	▼	7.1	▲	▲	▼	3.6	4.4	▲	1.5
Poland (POL)	12.8	▼	(2.8)	▼	4.1	▼	0.3	▼	69.6	▲	0.1	▼	1.3	▲	0.1	▼	8.6	▼	(0.3)	▼	2.6	▲	0.2	
Romania (ROU)	2.8	▲	3.4	▼	4.1	▼	(0.0)	▼	61.8	▲	1.1	▼	1.5	▼	(0.1)	▼	9.6	▼	(0.5)	▼	1.4	▲	0.2	
Serbia (SRB)	0.9	▲	0.6	▼	3.7	▼	(0.4)	▼	57.0	▼	(4.5)	▼	1.6	▲	0.0	▼	6.1	▲	▲	▼	0.6	2.0	▲	0.1
Slovakia (SVK)	1.7	▼	(7.5)	▼	2.5	▼	(0.3)	▼	64.7	▼	(0.8)	▼	0.9	▼	(0.1)	▼	6.5	▼	(0.8)	▼	2.0	▲	0.0	
Slovenia (SVN)	1.2	▲	4.8	▼	3.0	▼	(0.4)	▼	81.7	▲	4.3	▼	0.6	▼	(0.2)	▼	4.1	▼	(1.2)	▼	2.8	▲	0.4	
CESEE	32.0	▼	(3.9)	▼	3.5	▼	(0.2)	▼	65.2	▲	0.3	▼	1.2	▼	(0.1)	▼	7.9	▼	(0.7)	▼	2.2	▲	0.1	
Cyprus (CYP)	5.4	▼	(33.6)	▼	16.9	▼	(0.2)	▼	45.9	▼	(4.4)	▼	9.1	▲	0.6	▼	56.1	▼	(20.5)	▼	27.5	▼	(8.9)	
Greece (GRC)	58.2	▼	(21.0)	▼	27.0	▼	(9.5)	▼	48.1	▲	1.2	▼	14.0	▼	(5.4)	▼	105.4	▼	(23.8)	▼	37.7	▼	(2.6)	
Ukraine (UKR)	12.4	▼	(37.8)	▼	41.0	▼	(7.4)	▼	89.3	▼	(1.2)	▼	4.4	▼	(0.2)	▼	21.9	▼	(3.4)	▼	10.0	▼	(4.5)	
Other	76.0	▼	(25.3)	▼	27.3	▼	(7.6)	▼	54.6	▼	(1.1)	▼	12.4	▼	(3.1)	▼	86.3	▼	(18.3)	▼	25.6	▼	(4.2)	
Total Countries	108.0	▼	(20.0)	▼	9.0	▼	(2.1)	▼	57.8	▼	(0.2)	▼	3.8	▼	(0.9)	▼	25.1	▼	(6.4)	▼	6.3	▼	(0.7)	

The NPL Monitor is a half-yearly report by the Vienna Initiative, a framework for safeguarding the financial stability of emerging Europe, bringing together banks, governments, regulators and international financial institutions.