



Financial reporting of European banks – Central Eastern Europe Supplement

A focus on expected credit losses

Based on 2024 annual reports provided by CEE banks before 1 July 2025

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1. Executive summary

As banks in CEE enter 2025, they face continuous uncertainty related to conflict in Ukraine and rising economic turbulence linked to U.S. tariffs pressure. While the conflict in Ukraine has escalated in 2022 and is fairly well recognised, the change of U.S. administration and tariff actions are not yet recognised in year-end (YE) 2024 financial statements. They raise prospective concerns about global trade disruptions and their potential to weigh on credit quality and investment.

CEE banks similar to western banks appear well-positioned to weather these risks, with credit risk metrics currently at historically low levels. The most notable results from YE 2024 are:

- Share of average cost of risk charge in operating profit of CEE banks decreased by 4.9% compared to 8% in WE banks.
- Average amortised cost loan ECL coverage ratio decreased by 37 bps compared to 2023 (3.52% in YE 2024 vs 3.89% in YE 2023). Decrease is visible across all stages and is larger than 10 bps decrease observed in WE banks (1.26% in YE 2024 vs 1.36% in YE 2023).
- For CEE banks the decrease in ECL coverage ratio is driven mainly by decrease in Stage 3 allowances. With stable share of Stage 3 loans, the average ECL coverage for these loans decreased by 440 bps (57.0% in YE 2024 vs 61.4% in YE 2023) driving decrease in ECL coverage ratio. In WE banks decrease was 80 bps (36.8% in YE 2024 vs 37.6% in YE 2023).
- Compared to reporting of WE banks, CEE banks disclosures on ECL post-model adjustments are very limited.
- In terms of weighting of expected macroeconomic scenario distribution, no significant differences were observed between YE 2024 vs YE 2024, with 59% baseline, 27% negative and 14% positive expectations in YE 2024.

-4.9% -8.0%

change in average ECL charge/profit
YE 2024 vs YE 2023

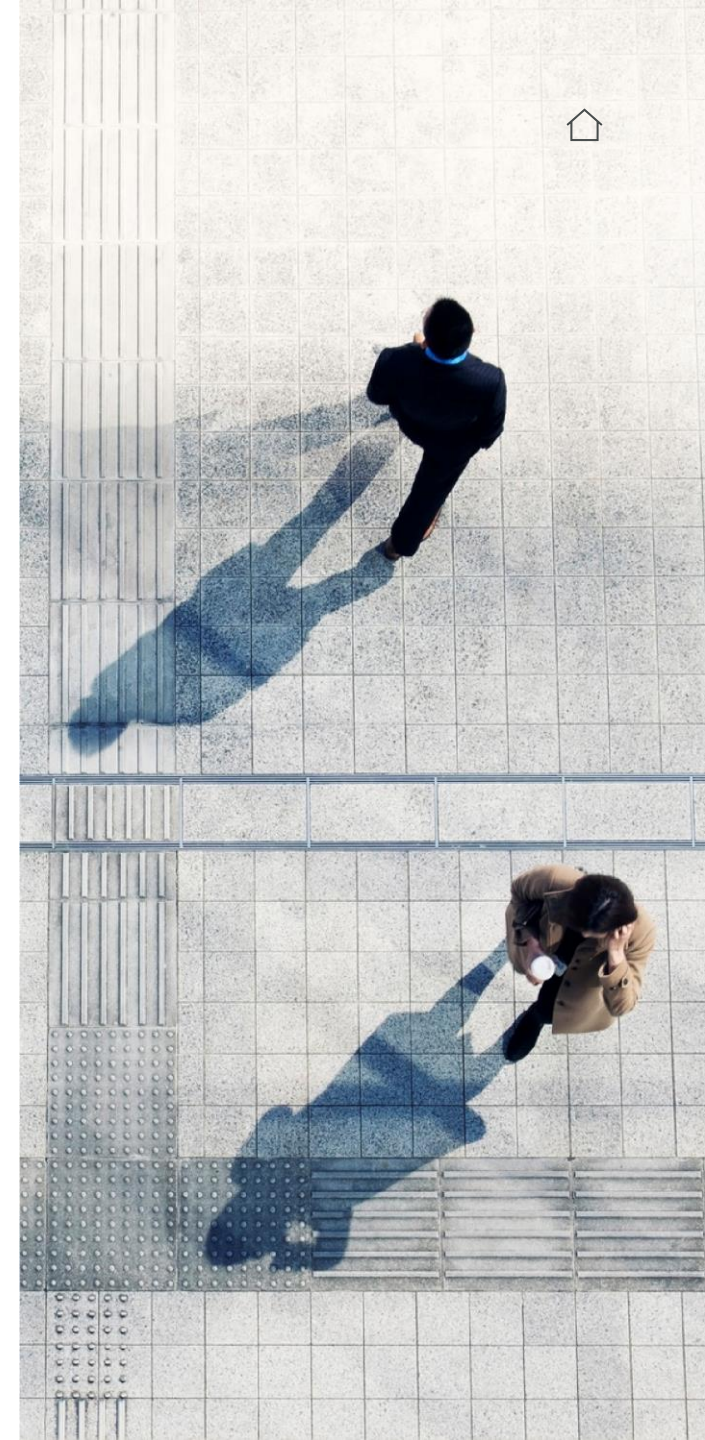
-37 bps -10 bps

change in average ECL coverage ratio
YE 2024 vs YE 2023

-440 bps -80 bps

change in Stage 3 ECL coverage ratio
YE 2024 vs YE 2023

Values presented in blue are extracts from Forvis
Mazars report for western europe banks sample ([link](#))



2. Sample and methodology

This study is based on information disclosed in the annual reports of participating banks, without considering any press releases, investor-oriented presentations or similar publications.

Each bank is represented by an alphanumeric code composed of two letters: PL for Poland and a number. When the sample presents only one bank in a country, to keep it anonymous, the country code is 'O' for other countries. Additionally, we have included an aggregate for all wester europe banks 'WEB' indicating data extracted from initial Forvis Mazars report on European banks ([link](#)) which this report supplements. In this aggregate we present avereges for the sample included in the initial report.

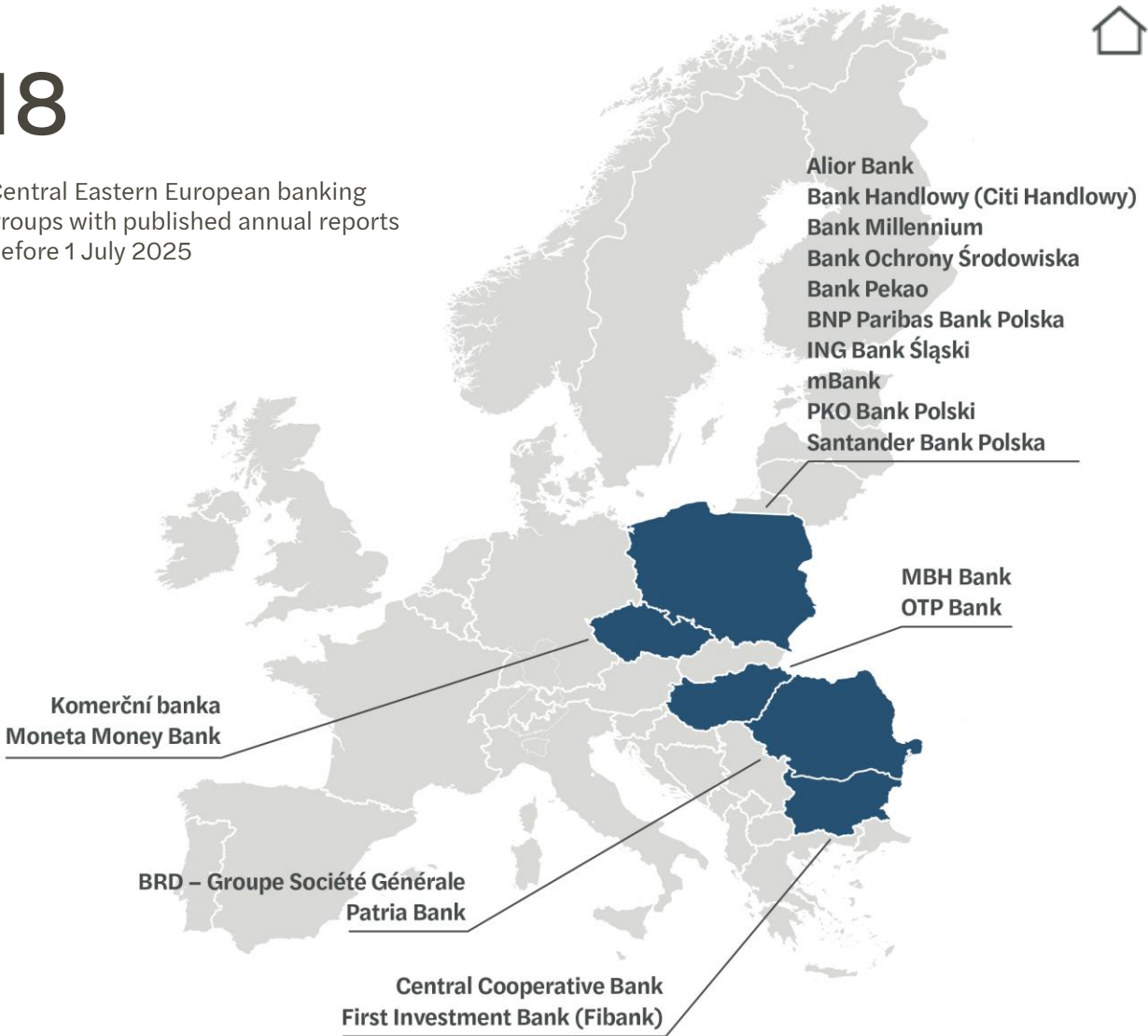
To increase comparability, we have chosen relevant indicators disclosed by most of the banks in the sample. Therefore, when a bank does not appear in a graph, it means they did not disclose data relevant to that graph. Some figures presented, such as the ECL coverage ratio, have been calculated using input data from the annual reports.

Please note that comparisons should be treated with some care, as information provided by banks does not always follow the same instrumental scope. In some cases, assumptions were made to increase the comparability of the data.

The comparison of quantitative findings should be examined with caution due to the differing natures and risk profiles of bank portfolios. Often, more granular additional information (e.g. by geographical area or by type of loan) would be necessary to fully understand the differences between the results of each bank.

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Central Eastern European banking groups with published annual reports before 1 July 2025



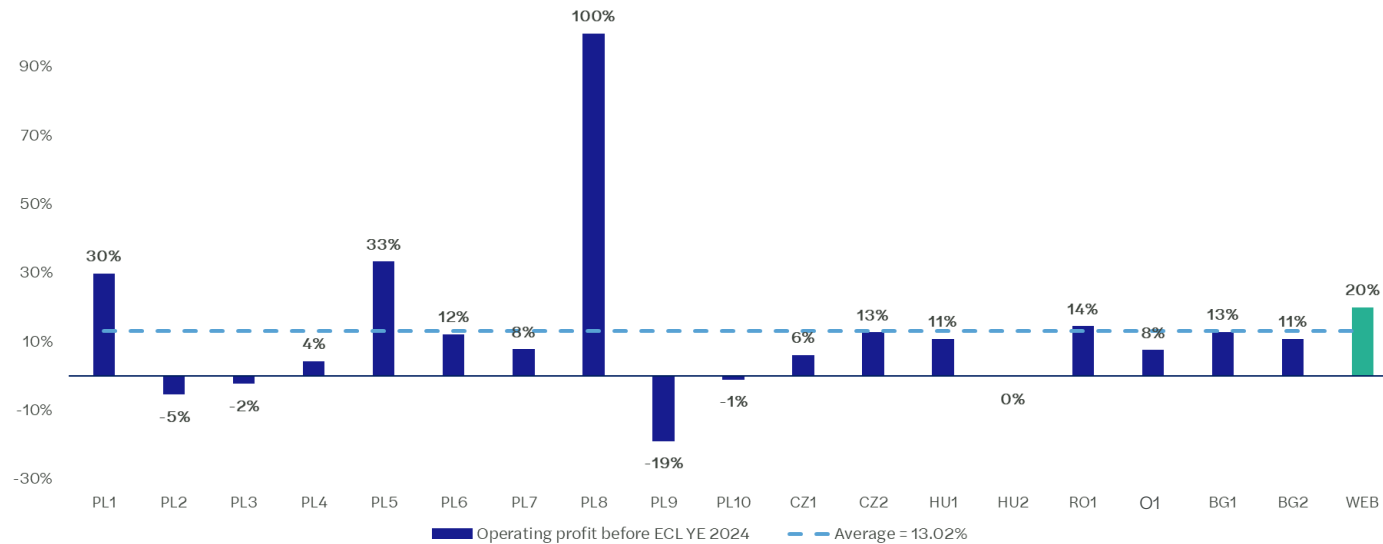
3. Key findings

3.1 Impact of the YE 2024 ECL charge on profit or loss and ECL allowance



3.1.1 Change in operating profit or loss before ECL charge/release

Graph 1: Change in operating profit or loss before ECL charge, in % (var YE 2024 vs YE 2023)



Insights

- 13 banks in the sample experienced positive growth in their operating profit or loss before the ECL charge.
- Five banks experienced a decrease in their operating profit or loss before the ECL charge, though overall profitability remained positive for all banks.
- The average profit growth for CEE banks of 13.02% and is lower than WE banks where average 20% growth was observed.



The 'operating profit before ECL charge/release' indicator has been computed with data available in the income statements of the banks in our sample. It includes salaries and other operating expenses, amortisation, depreciation or impairment charges for tangible and intangible non-financial assets (if any.) It excludes "non-operating" income or expenses such as share in the income of associates and joint ventures, profit from disposal of non-financial assets and the ECL charge for the period. Given the diversity in the presentation of different lines in the income statement by European banks, this indicator should be seen as a broad measure of revenue net of most operating expenses, rather than a universal measure of net profitability before impairment (we cannot guarantee that the scope of this indicator is the same in all the banks in the sample). Specifically for Polish banks we have excluded charges to P&L resulting from creating reserves for foreign exchange mortgage loans. For all banks, banking tax was included as a part for calculation.

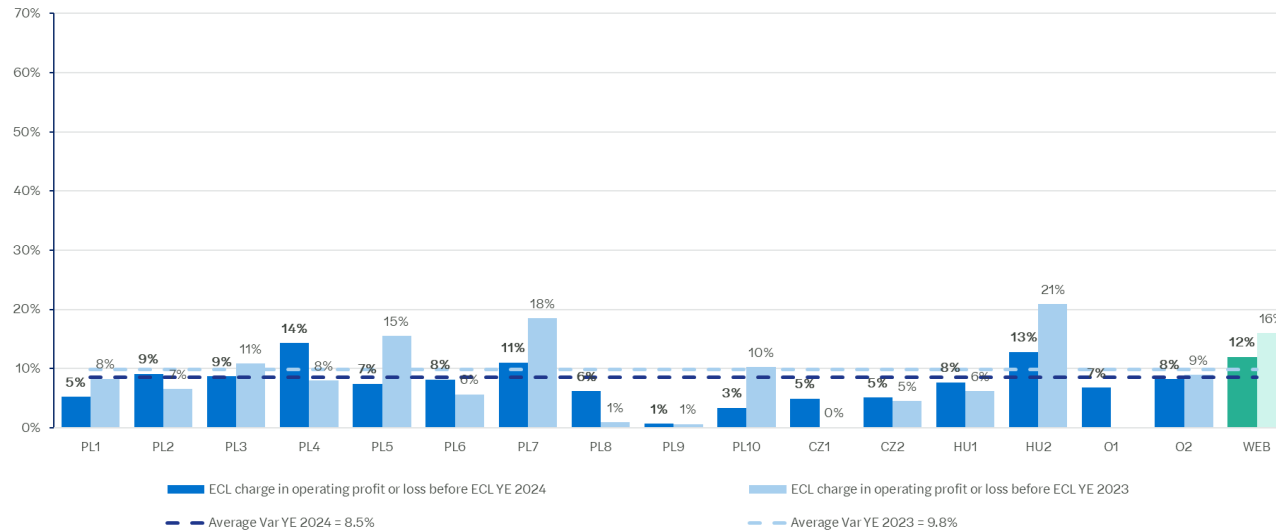
3. Key findings

3.1 Impact of the YE 2024 ECL charge on profit or loss and ECL allowance



3.1.2 Share of ECL charge in operating profit or loss before ECL

Graph 2: ECL charge as a percentage of operating P&L before ECL



Insights

- The average ratio of the ECL charge to operating profit or loss before the ECL charge decreased to 8.5% in YE 2024 (vs 9.8% in YE 2023.)
- In YE 2024, the median remained stable at 8% level with a range from -1% to 21%.
- In YE 2024 all banks in the sample had a net ECL charge in operating profit or loss before ECL. In YE 2023 all banks in the sample except O1 had a net ECL charge
- Compared to WE banks 16% average the decrease of ECL charge is lower than in the CEE sample.



See section 3.1.1 for an explanation of how we calculated operating profit or loss before the ECL charge, the denominator of the ratio presented here.

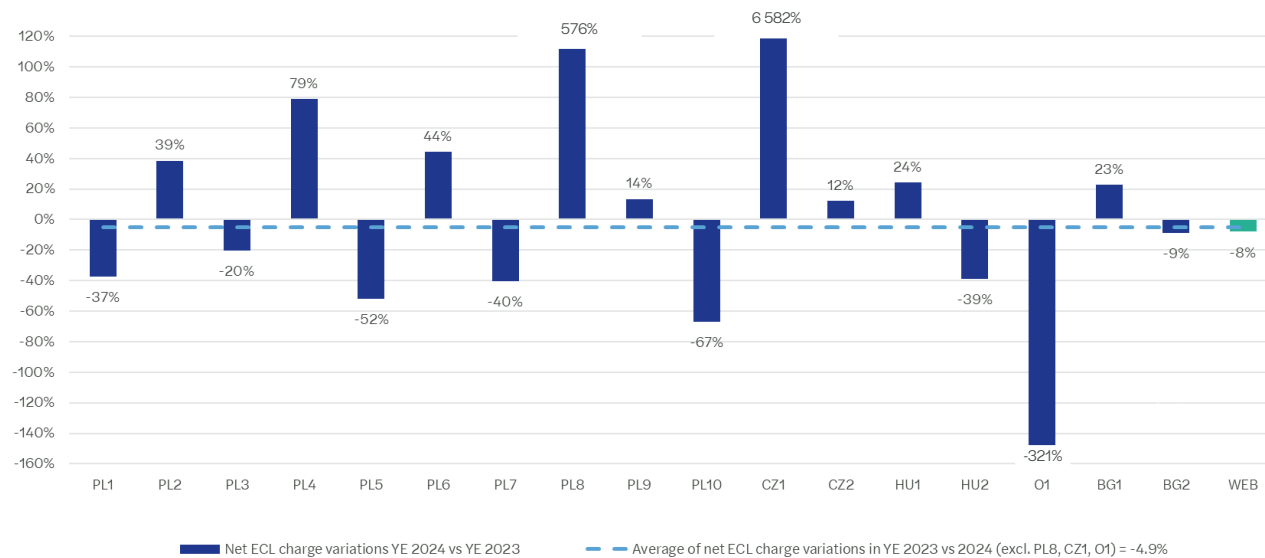
3. Key findings

3.1 Impact of the YE 2024 ECL charge on profit or loss and ECL allowance



3.1.3 Changes in the ECL charge / release

Graph 3: Changes in ECL charge / release Var. YE 2024 vs YE 2023



Insights

- Positive percentage values indicate an increase in the net ECL charge in YE 2024
- Two banks has an increase exceeding 100% which is related to small ECL charge in YE 2023 (PL8 and CZ1).
- Decrease of more than 100% means an ECL release in YE 2024 compared to net ECL charge in YE 2023 (O1).
- The average change in ECL charge is -4.9% (excluding PL8, CZ1 and O1 outlier) but the situations of CEE banks is fairly diverse.
- Average decrease of -4.9% for CEE banks is lower than average decrease of -8.0% for WE banks.



Note: the data above should be interpreted with some caution. We have used data available in the profit or loss statements as banks often isolate the ECL/fin. instruments' impairment charge within a single line of P&L. However, at some banks in our sample have included part of the ECL charge relating to off-balance sheet commitments within another line of P&L that we include in the charge for YE 2024 and YE 2023. Other banks have included in their ECL charge factors that do not stem directly from the IFRS 9 ECL models, such as a fair value credit risk adjustment in loans at fair value.

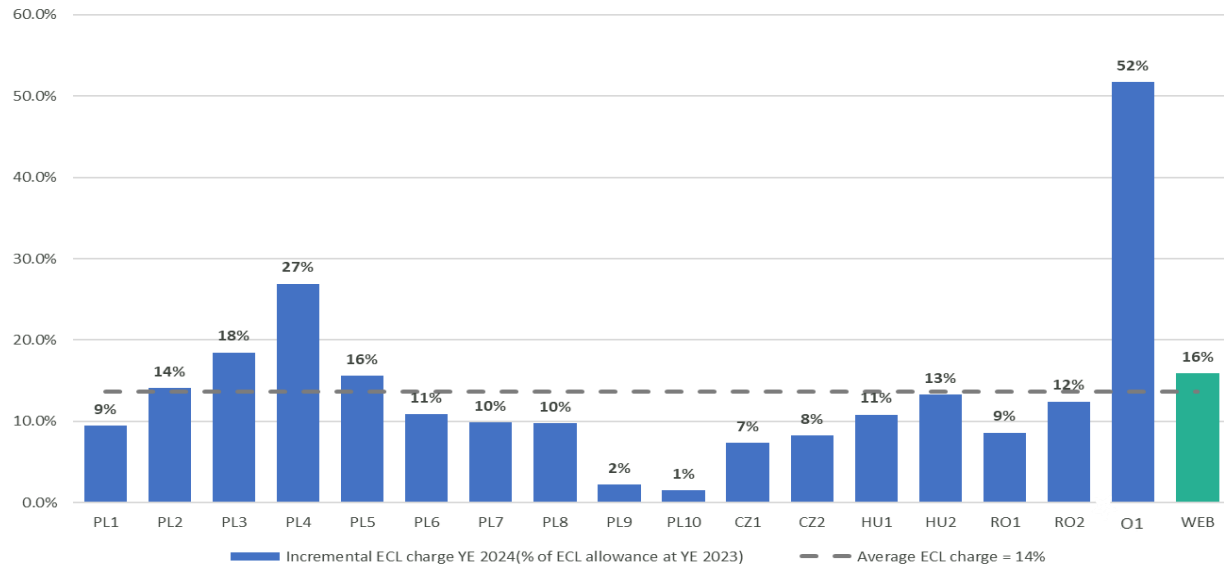
3. Key findings

3.1 Impact of the YE 2024 ECL charge on profit or loss and ECL allowance



3.1.4 Incremental ECL (% of ECL allowances)

Graph 4: Incremental ECL (charge at YE 2024 expressed as a % of ECL allowance at YE 2023)



Insights

- The range of incremental ECL allowances is narrower in CEE bank, spanning from 1% to 52%, compared to WE banks spanning from -5% to 53%.
- The average of 14% in the CEE is lower than WE banks average of 16%.
- For most of the banks in the sample the ECL charge for YE 2024 expressed as % of ECL oscillate around 11% median.
- Notably the O1 may be considered as outlier without it the average value would decrease to 11% which is almost the same as median calculated for the sample.



Note: This graph presents the IFRS 9 ECL losses and ECL allowances concerning assets at amortised cost, assets at FV-OCI and off-balance sheet commitments and guarantees

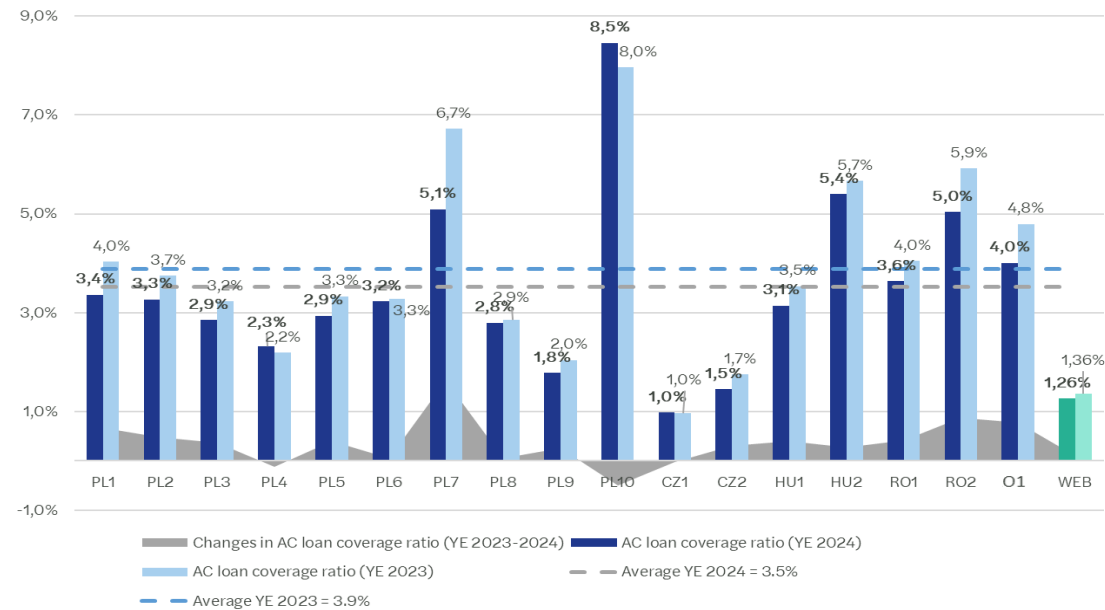
3. Key findings

3.2 ECL allowances: changes in coverage ratios and allocation between stages



3.2.2 AC loans: coverage ratio broken down by stage (YE 2024 vs. YE 2023)

Graph 7: AC loans coverage ratio YE 2024 vs. YE 2023



Insights

- For CEE banks The average ECL coverage ratio of AC loans is 3.5% in YE 2024 (3.9% in YE 2023).
- Compared to WE banks with coverage ratio of 1.26% in YE 2024 (1.36% in YE 2023) the overall ratio is higher, but the decrease dynamics is also higher - 9.5% for CEE and -7.3% for WE banks.
- Most banks (14 of 17 banks) show a decrease in their coverage ratio.
- We continue to observe significant diversity in the levels of the ECL coverage ratio, and opposite to WE banks the range of coverage increase to 3.2 – 8.5% in YE 2024 from 3.5% - 8.0% in YE 2023



Note: Loans at amortised cost encompass the loans granted to banks and public/retail customers that are accounted for at amortised cost (AC.) We computed the ECL coverage ratio of AC loans for each bank by dividing the ECL allowance of AC loans by the gross credit exposure of AC loans only. We have tried to be as consistent as possible given the information disclosed. Several banks do not disclose enough information to enable the calculation of this ratio. The comparison of quantitative findings should be examined with caution due to the differing natures and risk profiles of bank portfolios. Often, more granular additional information (e.g., by geographical area or by type of loan) would be necessary to fully understand the differences between the results of each bank.

Some banks include POCl assets in their Stage 3 figures. In addition, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies. The same methodology described in Graph 7 has been used for computing the coverage ratio by stage (see graphs 7.1, 7.2 and 7.3 on the next page) and same limitations apply.

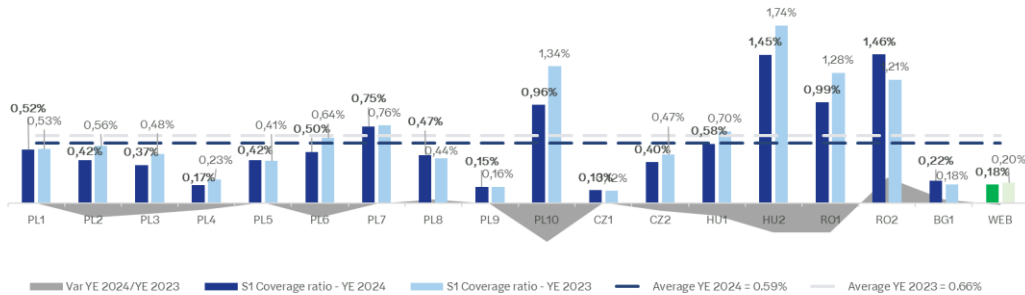
3. Key findings

3.2 ECL allowances: changes in coverage ratios and allocation between stages

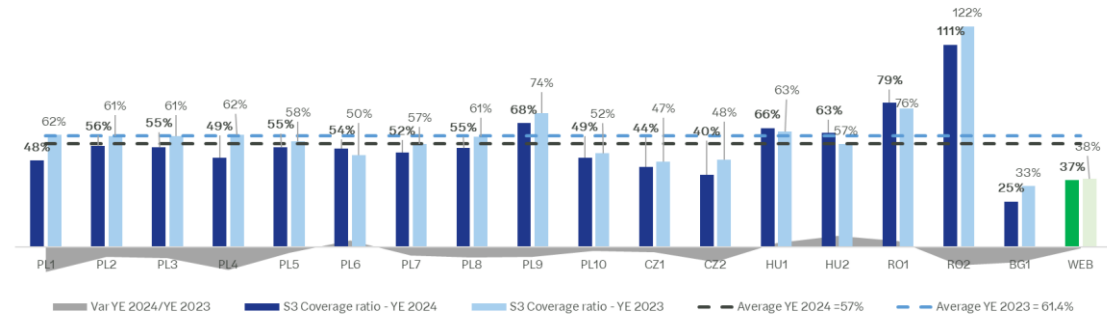


3.2.2 ECL coverage ratios of AC loans (YE 2024 vs. YE 2023)

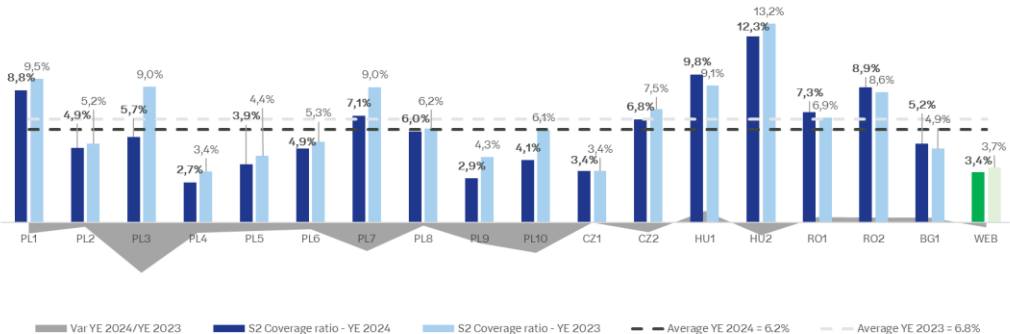
Graph 7.1: AC loans coverage ratio YE 2024 vs. YE 2023 - Stage 1



Graph 7.3: AC loans coverage ratio YE 2024 vs. YE 2023 - Stage 3



Graph 7.2: AC loans coverage ratio YE 2024 vs. YE 2023 - Stage 2



Insights

- For all stages average stage coverages decreased to level of 0.59%, 6.2% and 57% in YE 2024 from 0.66%, 6.8%, 61% in YE 2023 for Stage 1, Stage 2 and Stage 3.
- Similar to WE banks, in CEE the decrease is visible for all Stages however significant decrease is observable for Stage 3, where coverage decreased by 440 bps compared to 80 bps in WE.
- This results from better non-performing loan management (NPL) and increase of NPL sales processes which decrease the volume of most delinquent exposures accumulating most of ECL charge

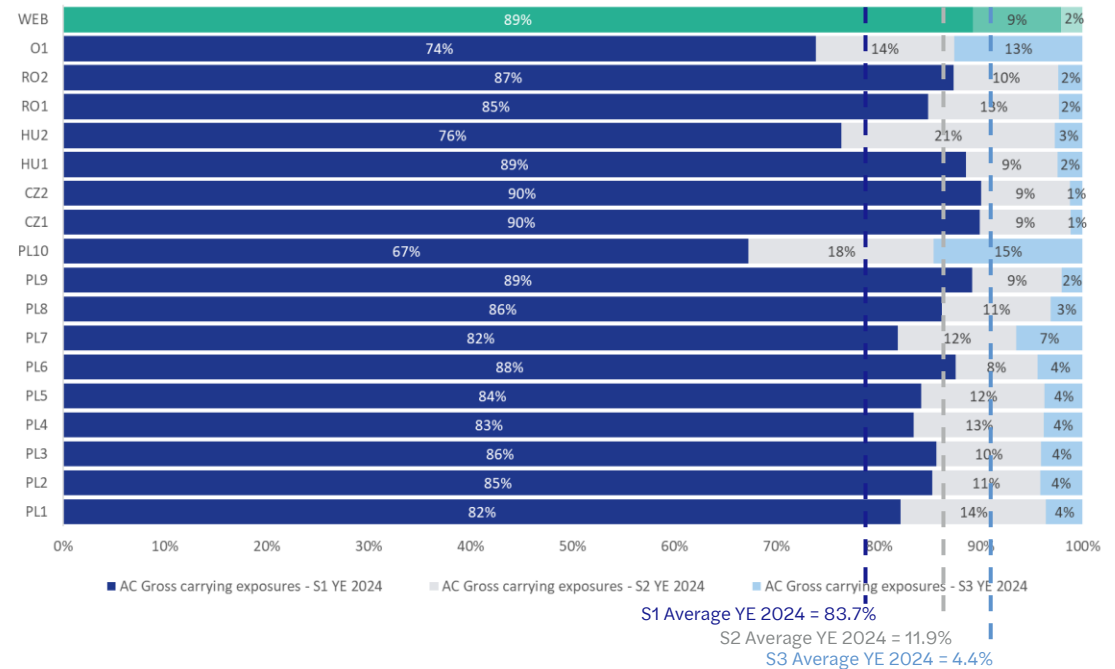
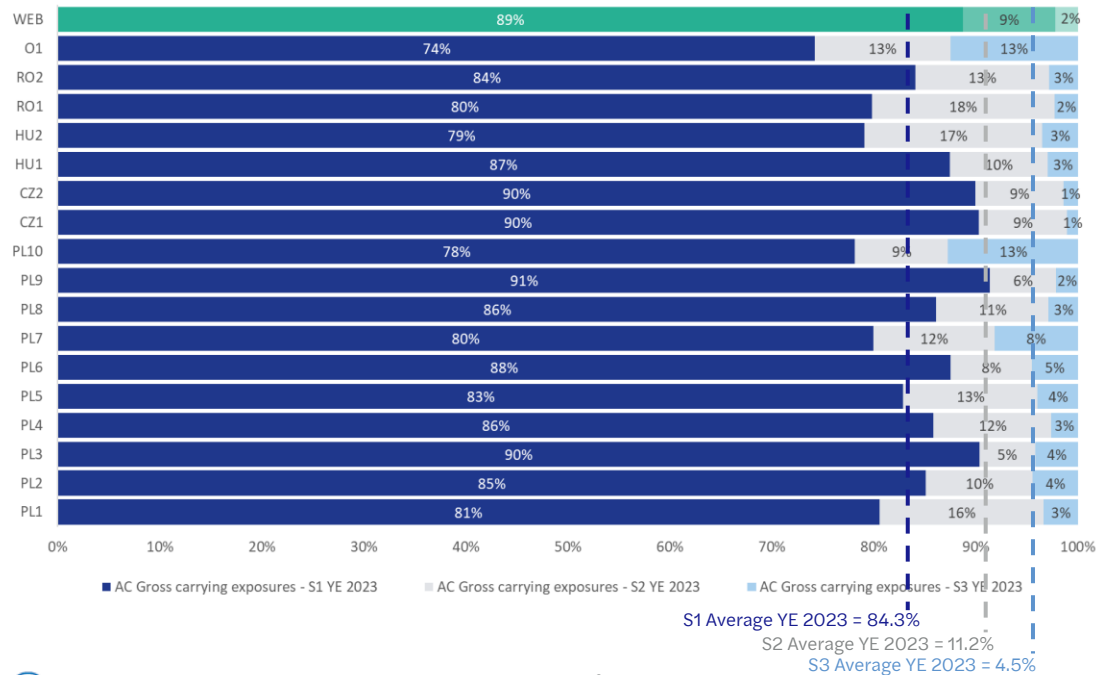
3. Key findings

3.2 ECL allowances: changes in coverage ratios and allocation between stages



3.2.3 Breakdown of AC loans gross credit exposure by stage (YE 2024 vs. YE 2023)

Graphs 8 and 9 : allocation by stage AC loans gross carrying exposures in YE 2023 and YE 2024



Note: Some banks include POCI assets in their Stage 3 figures. In addition, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies. The same methodology described in Graph 6.1 has been used for computing the coverage ratio by stage. The limitations of the data used to calculate these metrics are explained above.

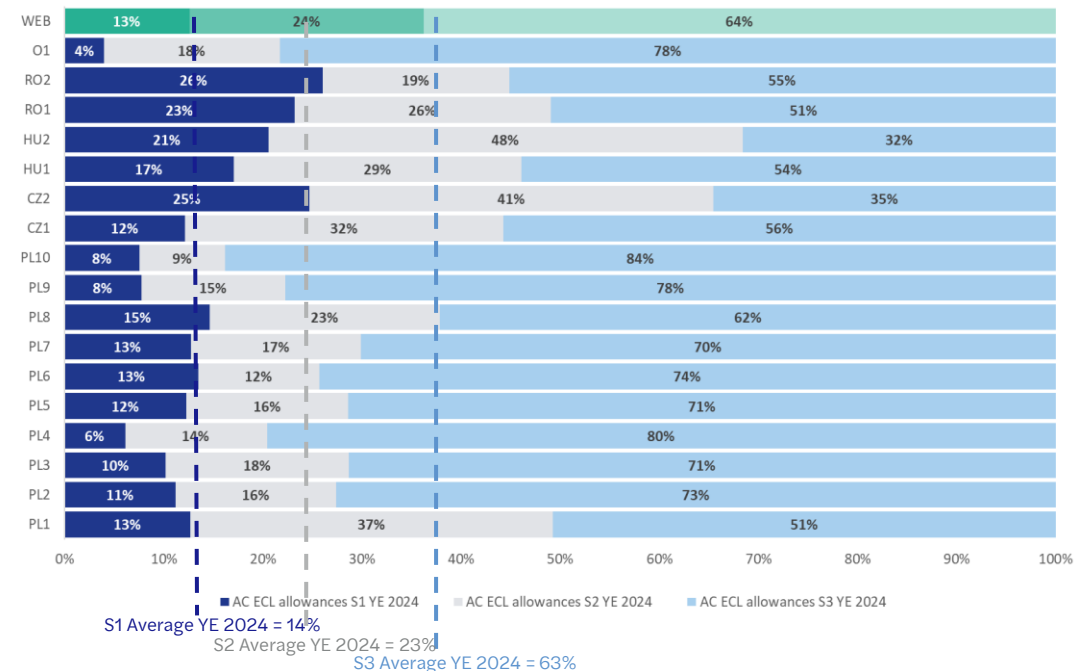
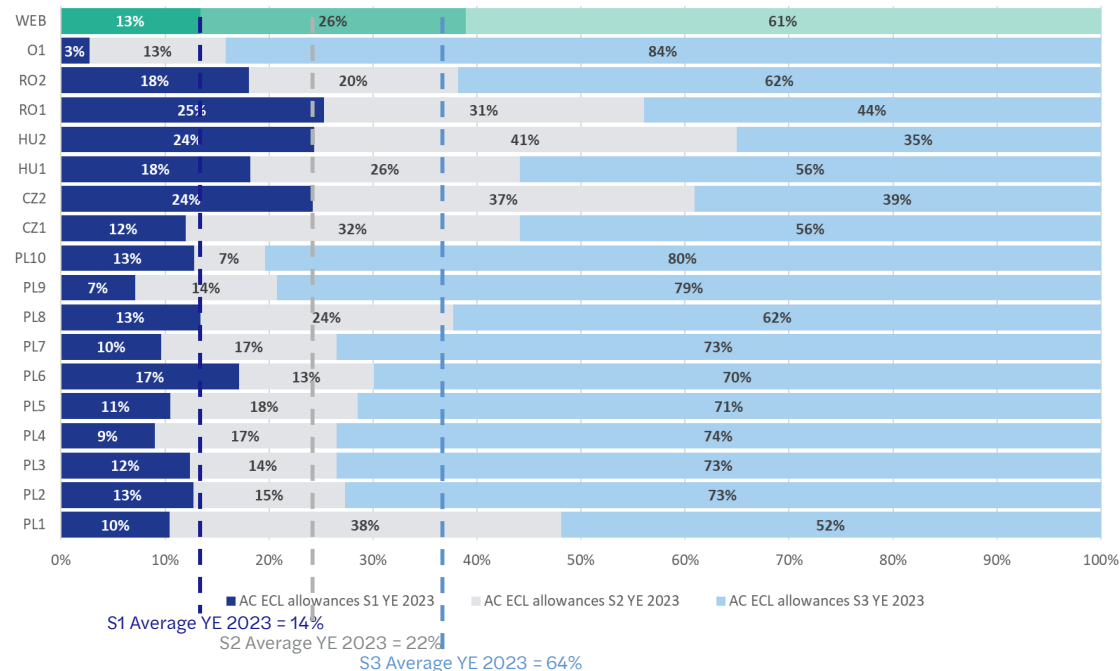
3. Key findings

3.2 ECL allowances: changes in coverage ratios and allocation between stages



3.2.4 Breakdown of AC loans ECL allowances by stage (YE 2024 vs. YE 2023)

Graphs 10 and 11: allocation by stage of AC loans – ECL allowances in YE 2023 and 2024



Note: Some banks include POCI assets in their Stage 3 figures. In addition, several banks provided a breakdown by stage for most of their asset classes, but not necessarily all asset classes. The comparability of Stage 3 weight may be further influenced by potentially different write-off policies. The same methodology described in Graph 6.1 has been used for computing the coverage ratio by stage. The limitations of the data used to calculate these metrics are explained above.

3. Key findings

3.3 Post model adjustments / overlays and forward-looking information



3.3.1 Post model adjustments

9 banks

out of 18 disclosed some information regarding overlays in their financial statements

2 banks

out of these 9 presented the disclosure on overlays in tables and structured way

1 bank

has an increase of overlays compared to amount in YE 2023 for other banks the overlays did not change or were decreased

3.3.2 Forward looking information – ECL macroeconomic models

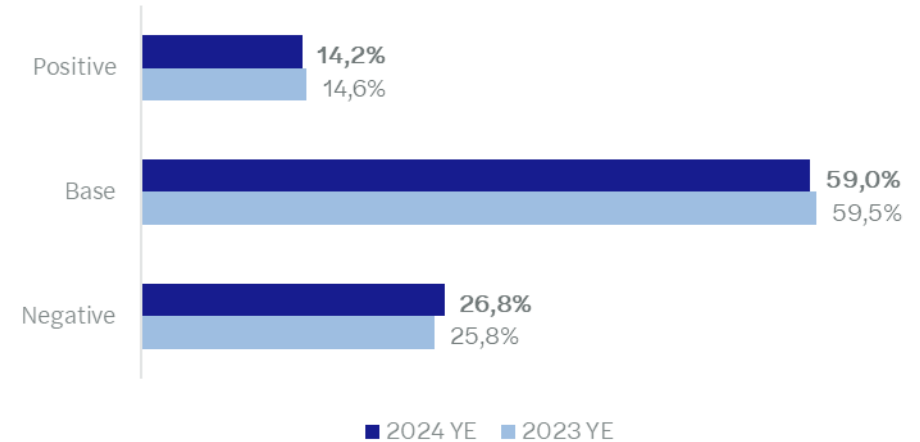
13 banks

out of 18 disclosed information on details regarding composition of their macroeconomic scenarios

3 scenarios

are used by majority of the banks to assess the forward-looking information in ECL modes (1 bank uses separate severe scenario within negative segment, 1 uses 6 scenarios)

Average scenario weights



Insights

- Compared to WE banks, the CEE banks provide less structured data concerning overlays and their impact on ECL allowances.
- Banks in CEE decreased the impact of overlays included in their ECL allowances in YE 2024, which is consistent with observable values presented by WE banks.
- The average weight of macroeconomic scenarios included in forward looking information models remained unchanged.

Thank you for viewing

In case of any questions please do not hesitate to contact me or your local Forvis Mazars office directly



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