

# **Banking Sector Resilience and Non-Performing Loans: Lessons from Post-Crisis Recovery**

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## **Abstract**

The resilience of banking sectors following financial crises is closely tied to the speed and effectiveness of non-performing loan (NPL) resolution mechanisms. This study examines how regulatory interventions — including asset quality reviews, bad bank structures, and forbearance policies — affected NPL ratios and credit growth recovery across a sample of 186 banks in 22 countries following recent economic shocks. Using bank-level panel data from 2010 to 2023, the paper assesses the trade-offs between aggressive NPL write-offs and gradual recognition approaches, evaluating their respective impacts on bank capital adequacy and lending capacity in subsequent years. Findings suggest that early and transparent NPL recognition, paired with targeted recapitalisation support, is associated with faster credit growth recovery. The paper offers policy implications for banking regulators designing crisis-response frameworks that balance financial stability with the need to restore credit flow to the real economy.

**Keywords:** Banking sector resilience; bank recapitalisation; forbearance; non-performing loans; NPL resolution