

ECONOMICS – REGIONAL STUDIES

CESEE

Central, Eastern and South-Eastern Europe

Bank Lending Survey

Spring 2020



European
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CESEE Bank Lending Survey

Spring 2020

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About the EIB Economics Department

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The department, a team of 40 economists, is headed by Director Debora Revoltella.

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Regional Overview

The CESEE region entered the recessionary COVID-19 environment on a rather strong footing, with supply-side conditions easing and robust demand for loans over the past six months. The COVID-19 pandemic brought about a sharp negative revision in expectations. Regional demand is expected to contract, supply conditions to tighten significantly and approval rates to compress. Along with a decrease in loan application quality, NPLs are expected to increase for the first time since 2015.

Summary

This edition of the CESEE Bank Lending Survey was conducted during the unfolding of the COVID-19 pandemic. It finds that when the COVID-19 epidemic hit the region – thus forcing the implementation of restriction and containment measures – banks revised sharply and negatively their expectations for the next six months (April to September 2020).

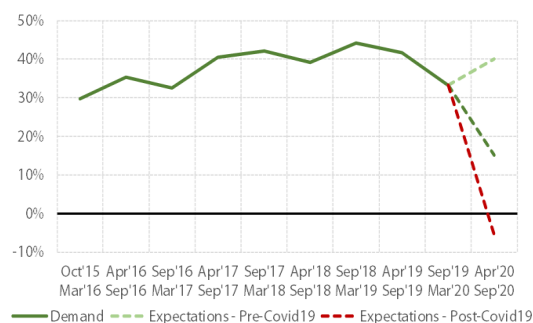
Banking groups reported over the recent past a generalised stability stance in their loan-to-deposit (LTD) ratio. Following the COVID-19 shock, expectations of re-leveraging disappeared and an increasing number of banking groups operating in the CESEE region signalled the re-start of a deleveraging cycle.

Demand for loans continued to increase in the last six months. Coming from this relatively benign environment, expectations for the next six months (April to September 2020) reversed during the month of March 2020. Prior to COVID-19 affecting the region, banks were expecting an increase in demand in line with the recent past, whilst post-COVID-19 expectations changed sharply and are standing in a contractionary area for the first time in the past six years. Expected demand seems to be more contractionary in the household than the corporate segment, including SMEs. This suggests a still sustained need for finance in the corporate segment to meet liquidity and short-term needs. The quality of loan applications is also expected to deteriorate sharply across the client spectrum.

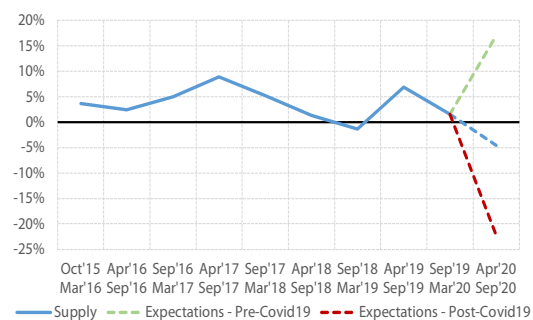
Supply conditions eased slightly over the past six months in line with the expectations recorded in the Autumn 2019 release of the survey. The COVID-19 induced crisis is expected to exert a significantly negative impact on supply conditions over the next six months, thus determining a sharp tightening across the client spectrum. Many factors positively supporting supply conditions in the past are expected to enter into negative territory. In addition to the local and international macroeconomic environment, NPLs (group and local level), local capital conditions, groups' funding and the regulatory environment are expected to exert significant negative pressure.

NPL ratios continued to improve, albeit less than earlier in the cycle, over the past six months. This positive trend is expected to reverse dramatically in the post-COVID-19 environment, whereby the vast majority of banks expect NPL ratios to increase.

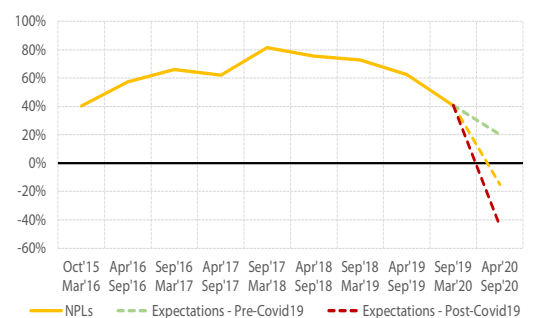
Demand for loans



Supply conditions



NPL ratios



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages
Supply/Demand: Positive figures refer to increasing (easing) demand (supply)
NPL: Negative figures indicate increasing NPL ratios

Special Analysis including COVID-19 impact on expectations

We investigate the impact of the COVID-19 shock on the formation of expectations of banks. When the COVID-19 epidemic hit the CESEE region – forcing the implementation of restriction and containment measures – banks revised sharply and negatively their expectations for the next six months (April to September 2020).

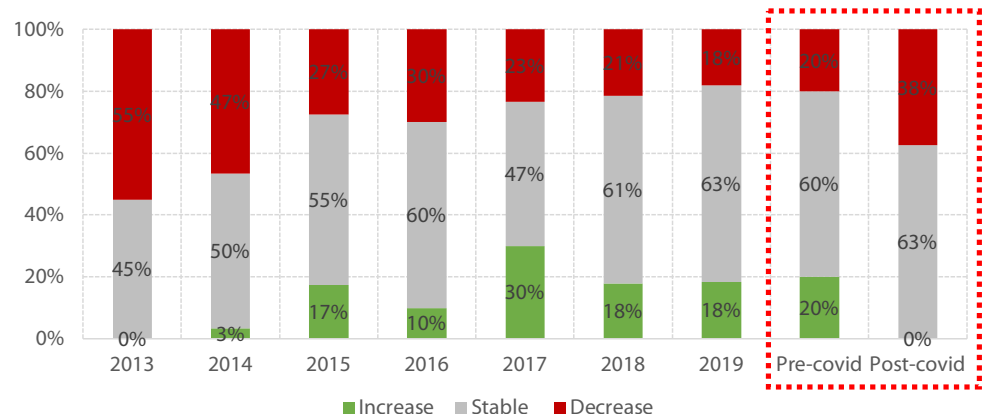
The H1 2020 wave of the CESEE Bank Lending Survey was in the field during the month of March 2020. Replies from individual banks were received throughout the month. At the same time, the COVID-19 epidemic started to spread fast in Europe including the CESEE region. To limit the spread of the virus and contain health damages, many countries in the region implemented restriction and containment measures (e.g. closure of schools/childcare facilities, restaurant and bars, non-essential shops and services, prohibition of public gatherings, limitation of external and internal mobility) during the month of March. This implies that some of the respondent banks formed their expectations before the impact of COVID-19 was fully unleashed and prior to the implementation of the containment measures, whilst others did so after that. We conduct an analysis of the expectations, splitting the sample depending on the period in which banks formed their expectations for the next six months. As a result, we obtain two groups: before (labelled pre-COVID-19 hereafter) and after (labelled post-COVID-19 hereafter) containment measures entered into force. This makes it possible to gauge the actual effect of COVID-19 on the revision of expectations in a quasi-real-time experiment. Overall, we find that banks operating in the CESEE region revised sharply their expectations for the next six months (April to September 2020) when the COVID-19 epidemic hit the region and containment and restriction measures were put in place.

Banking groups reported over the recent past a generalised stability stance in their loan-to-deposit (LTD) ratio. Following the COVID-19 shock, expectations of re-leveraging disappeared. An increasing number of banking groups operating in the CESEE region signalled the re-start of a deleveraging cycle.

Before the COVID-19 shock, deleveraging expectations at the group level (Figure 1) slowed significantly compared to 2013 and 2014. Also, a soft re-leveraging trend was detected. Nevertheless, the COVID-19 shock has changed significantly the attitude of banking groups operating in the CESEE region. Notably, expectations of re-leveraging disappeared whilst an increasing number of banking groups signalled the re-start of a deleveraging cycle. Specifically, almost 40% of the groups, reporting after the COVID-19 restrictions were imposed, expect a decrease in the loan-to-deposit ratio (LTD), bringing the indicator of a deleveraging attitude closer to levels recorded in 2013-2014.

Figure 1

Deleveraging: loan-to-deposit ratio (expectations over the next 6 months)



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q4 – questionnaire in the Annex

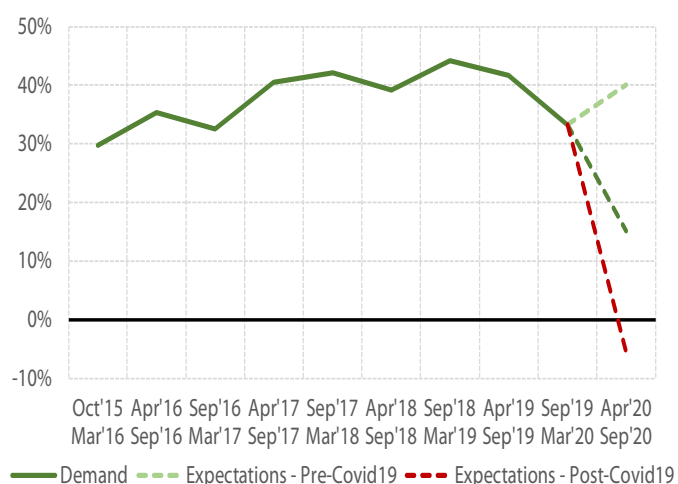
CESEE subsidiaries and local banks entered the COVID-19 induced crisis supported by an increasing demand for credit. Nonetheless, expectations for the next six months reversed when COVID-19 started to dent the regional economies, thus pointing at contracting demand conditions and the decreasing quality of loan applications.

Demand for loans and credit lines continued to increase in the last six months (Figure 2). These results mark the fifteenth consecutive increase in demand for credit, an improvement fully aligned with the expectations embedded in the Autumn 2019 release of the survey. For the eleventh time in a row, all factors influencing demand exerted a positive contribution (Figure 3). Working capital accounted for a large share of demand stemming from enterprises. Contributions to demand from investment also made a significant positive impact and were among the highest positive factors. Corporate and debt restructuring as well as M&A did not contribute to propelling demand. Housing- and non-housing-related consumption also continued to make robust and positive contributions to demand. Consumer confidence continued to exert a positive effect, although lower than in previous waves of the survey. This indicates that the region entered the COVID-19 recessionary environment on a fairly solid macroeconomic and financial footing.

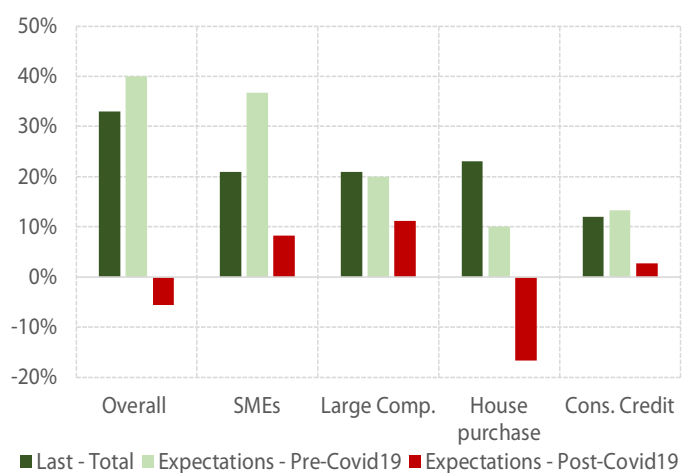
Coming from this relatively benign environment, expectations for the next six months (April to September 2020) regarding demand conditions changed during the month of March 2020 (Figure 2). Banks reporting before the COVID-19 restriction and containment measures were put in place expected an increase in demand in line with the past positive developments. Conversely, post-COVID-19 expectations are standing in a contractionary area. It should be noted that negative expectations of demand for loans have never been recorded over the past six years. Expected demand seems to be more contractionary for the household than the corporate segment, including SMEs. This suggests a still sustained need for finance in the corporate segment to meet liquidity and short-term needs even in the absence or subdued demand for firms' products and/or services. Demand for loans for investment and M&A activities is expected to drop, and demand for working capital is not expected to increase any further but also not to contract significantly (Figure 3). On the other hand, demand for debt restructuring is expected to increase for the first time in the past six years. Consumer and household expectations also reversed significantly. Notably, consumer confidence and consumption expenditure are expected to contribute negatively to demand for loans. Finally, yet importantly, the quality of loan applications – increasing pre-COVID-19 – is expected to deteriorate sharply across the client spectrum (Figure 4).

Figure 2 Demand: past and expected conditions

A. Total demand conditions over time

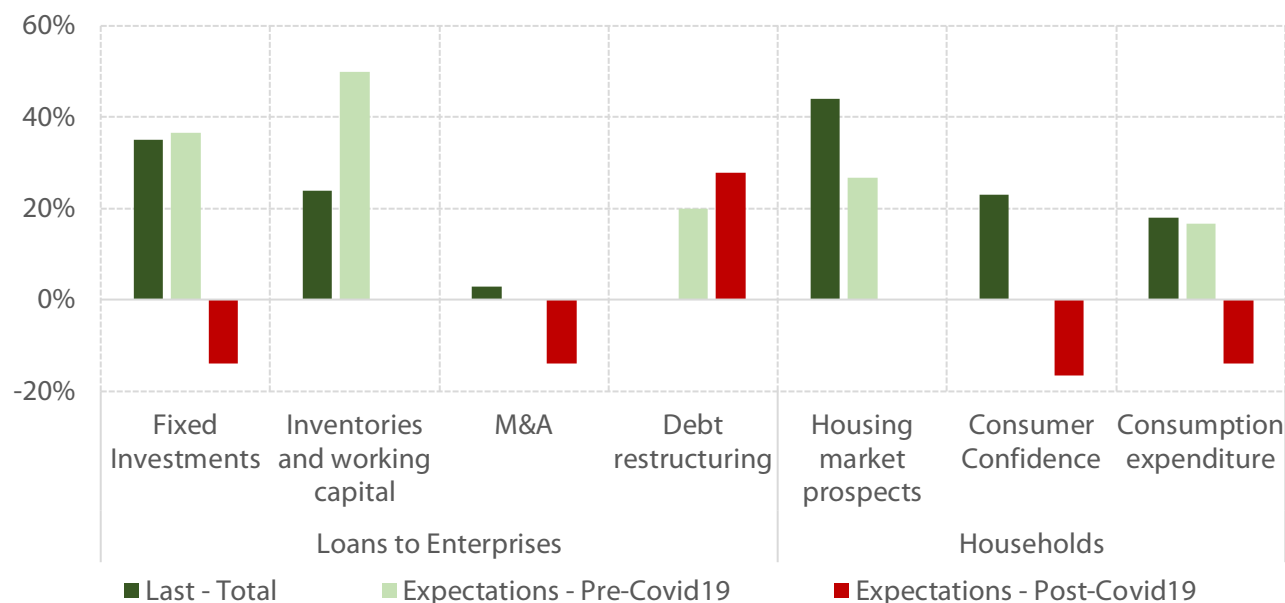


B. Demand breakdown by client segments – Spring 2020 wave only



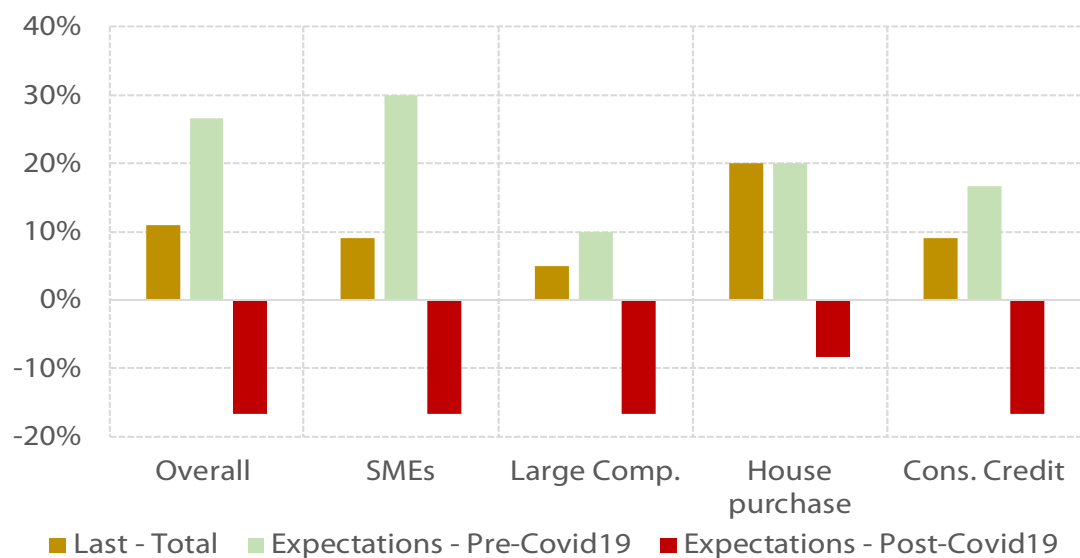
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to an increasing demand – see question B.Q5 – questionnaire in the Annex

Figure 3 Factors affecting demand for credit

Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate a positive contribution to demand conditions – see question B.Q7 – questionnaire in the Annex

Figure 4 Quality of loan applications

Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increasing quality of loan applications – see question B.Q6 – questionnaire in the Annex

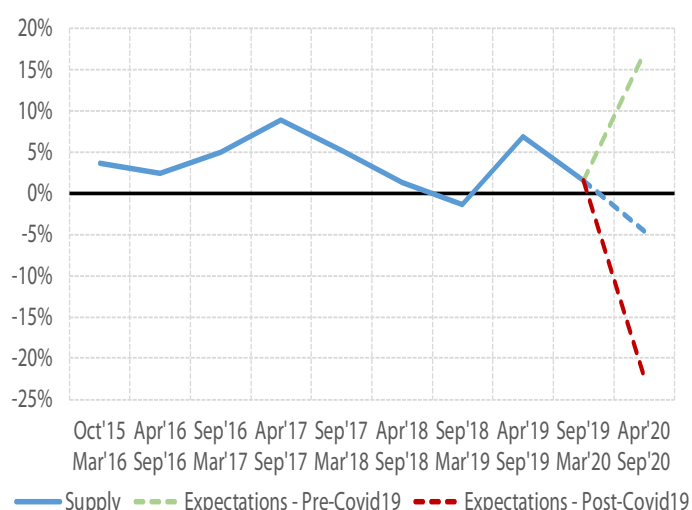
Before COVID-19, CESEE subsidiaries and local banks had been mildly easing supply conditions. The COVID-19 induced crisis is expected to determine a sharp tightening in supply across the client spectrum. Many factors positively supporting supply conditions over the past are expected to enter into negative territory. In addition to the local and international macroeconomic environment, NPLs (group and local level), local capital conditions, groups' funding and the regulatory environment are expected to exert significant negative pressure on supply conditions.

Supply conditions eased slightly over the past six months in line with the expectations recorded in the Autumn 2019 release of the survey. Across the client spectrum, credit standards were relaxed somewhat in the SME segment and the household segment, specifically mortgages (Figure 5). Supply conditions eased on short-term loans as well as on long-term loans, primarily in local currency. The number of domestic and international factors limiting supply has decreased substantially compared to 2013 (Figure 7). Looking at domestic factors supporting supply conditions, changes in the regulatory environment were the only limiting element over the past six months. As in previous surveys, domestic NPLs were no longer a limiting factor. International factors were no longer playing a constraining role, thus largely supporting supply conditions. Approval rates were improving, particularly in the enterprise segment, including SMEs.

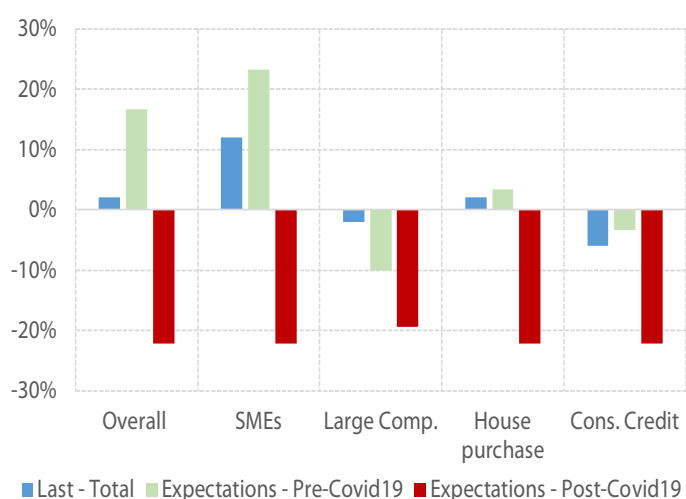
Against this backdrop, COVID-19 is expected to exert a significantly negative impact on aggregate supply conditions over the next six months (Figure 7). Supply conditions are expected to tighten sharply across the client spectrum, thus affecting the corporate segment, notably SMEs. Many factors positively supporting supply conditions in the past are expected to enter into negative territory. In addition to the local and international macroeconomic environment, NPLs (group and local level), local capital conditions, groups' funding and the regulatory environment are expected to exert significant negative pressure on supply conditions. This suggests a nascent ring-fencing attitude whereby home and host regulators as well as parent banks pursue measures to retain liquidity and support capital at the source. Finally, yet importantly, the approval rate for loan applications is expected to decline visibly across the board in the next six months. The protracted inertia of supply-side conditions did not follow the robust demand conditions, leaving a noticeable perceived gap between demand and supply in the past. This is expected to become even more pronounced for enterprises – specifically SMEs – in the near future.

Figure 5 Supply: past and expected conditions

A. Total supply conditions over time

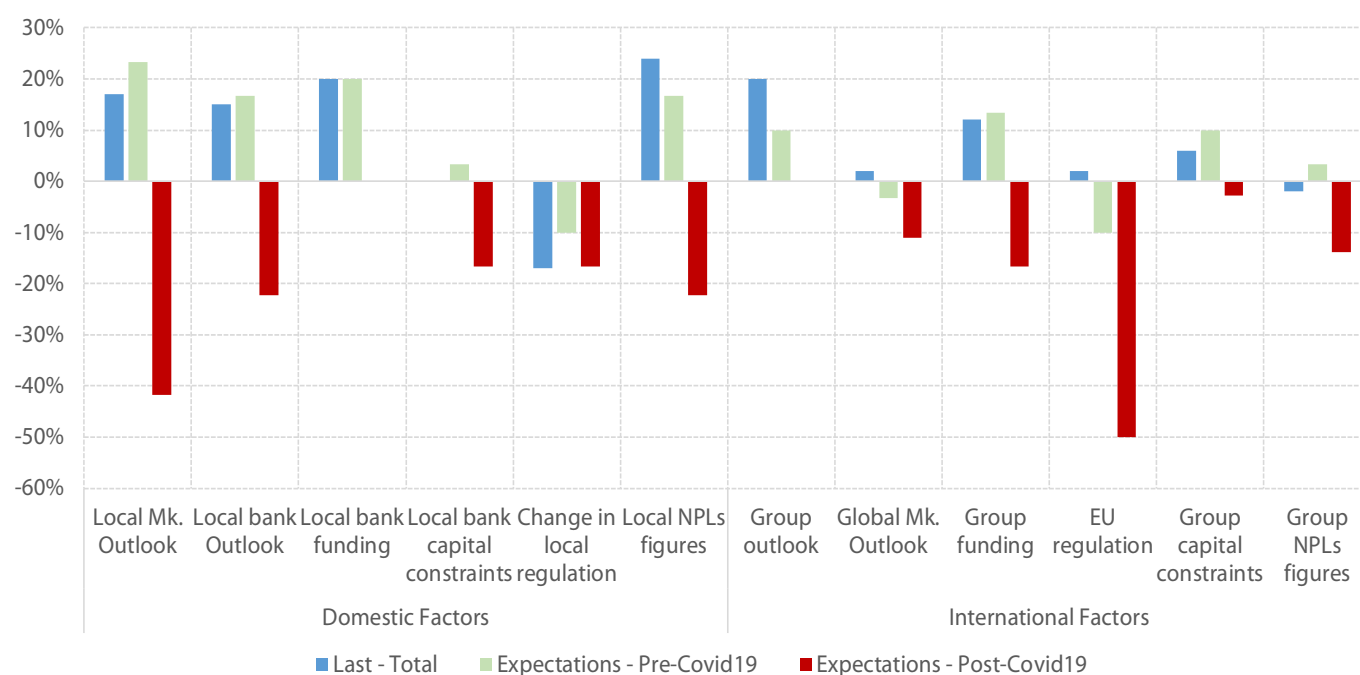


B. Supply breakdown by client segments – Spring 2020 wave only



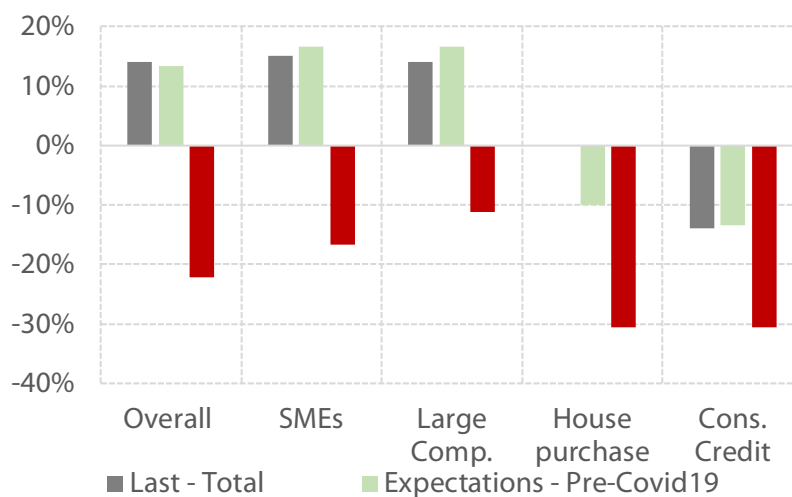
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to an easing supply – see question B.Q1 – questionnaire in the Annex

Figure 6 Factors contributing to supply conditions (credit standards)

Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply – see question B.Q4 – questionnaire in the Annex

Figure 7 Approval rate for loan applications

Source: EIB – CESEE Bank Lending Survey.

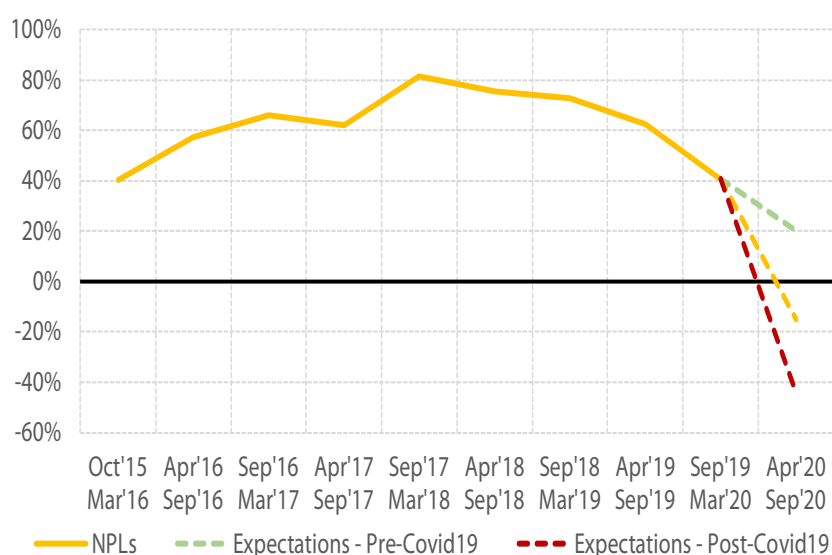
Note: Net percentages; positive values indicate increasing approval rate for loan applications – see question B.Q2 – questionnaire in the Annex

Credit quality continued to improve over the past six months, albeit less than earlier in the credit cycle. This positive trend is expected to reverse dramatically in the post-COVID-19 environment, whereby the vast majority of banks expect NPL ratios to increase.

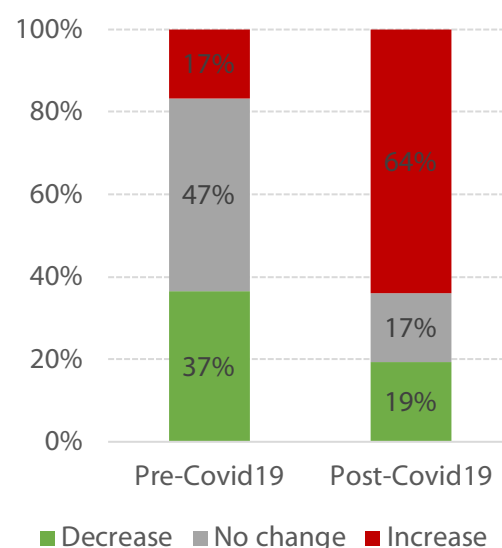
Over the past six months, aggregate regional NPL ratios showed another improvement in net balance terms (Figure 8). This positive trend started in 2015. In absolute terms, the share of subsidiaries indicating a decline in their NPL ratios stood at roughly 60%, whilst 17% indicated an increase. As a reminder, 60% of banks reported an increase in NPLs in 2013. On the other hand, the survey recorded for the third time in a row a slight increase in the number of banks reporting a rise in their NPL ratio over the past six months. Against this backdrop, the COVID-19 impact has determined a sharp and negative revision in expectations, whereby the vast majority of banks (64%) anticipate an increase in their NPL ratio over the next six months.

Figure 8. Non-performing loan ratios

NPLs: development over time



Last run of the survey – expectations for the next six months



Source: EIB – CESEE Bank Lending Survey.

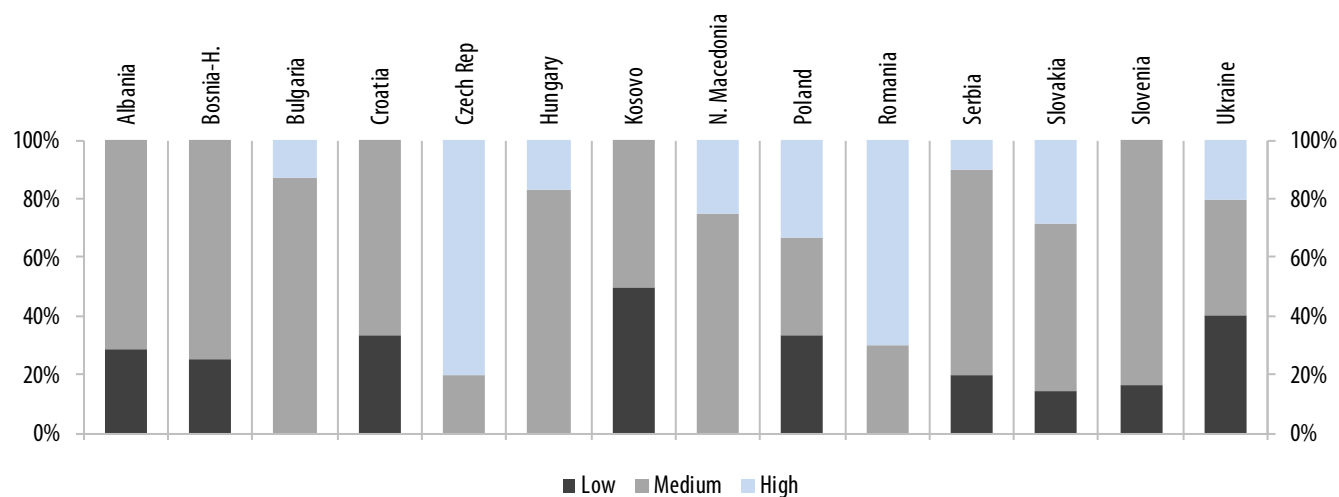
Note: Net percentage; negative figures indicate increasing NPL ratios – see question B.Q8 – questionnaire in the Annex

The CESEE region entered the recessionary COVID-19 environment on a fairly strong footing. Nonetheless, expectations for the next six months have turned negative across the board, thus signalling contracting demand, tightening supply conditions, the decreasing quality of loan applications, compressing approval rates and increasing NPL figures.

The CESEE region entered the recessionary COVID-19 environment on a fairly strong footing. Supply conditions eased over the past six months. Aggregate credit demand conditions continued to be robustly positive across the board. NPLs continued their declining trend. The COVID-19 crisis has brought about a sharp reversal in expectations for the next six months, whereby the positive landscape has turned abruptly negative. As a result, demand for loans is expected to contract and supply conditions to tighten even faster on the back of deteriorating expectations regarding NPLs, capital conditions and funding. Against this backdrop, a financing gap is expected to persist, whereby compressing demand conditions are expected to be frustrated by even more sharply tightening supply conditions and declining approval rates.

Annex

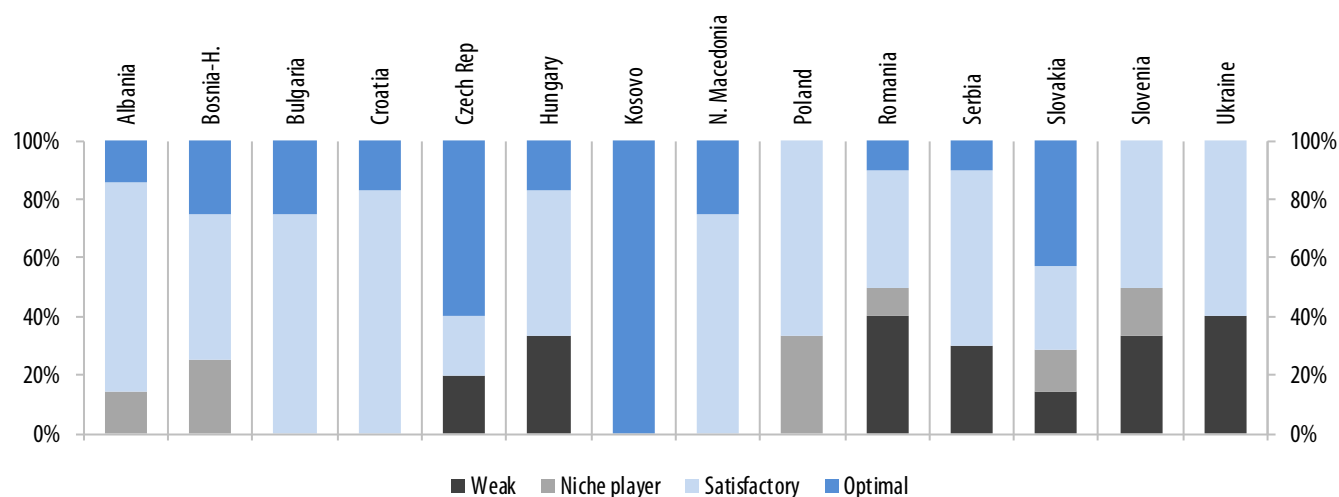
Annex A.1 Market potential



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

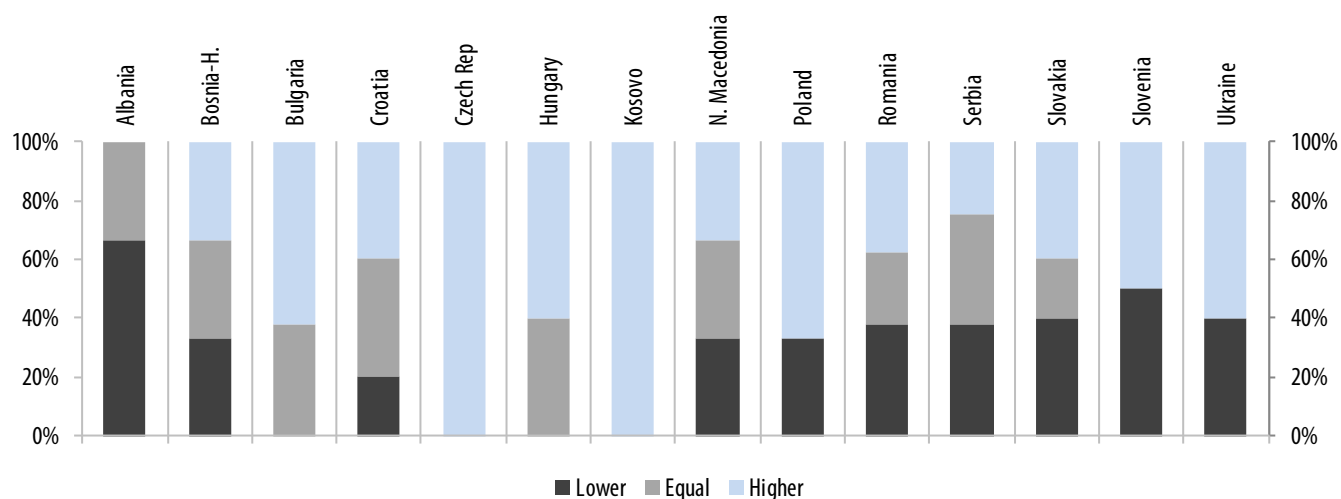
Annex A.2 Market positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

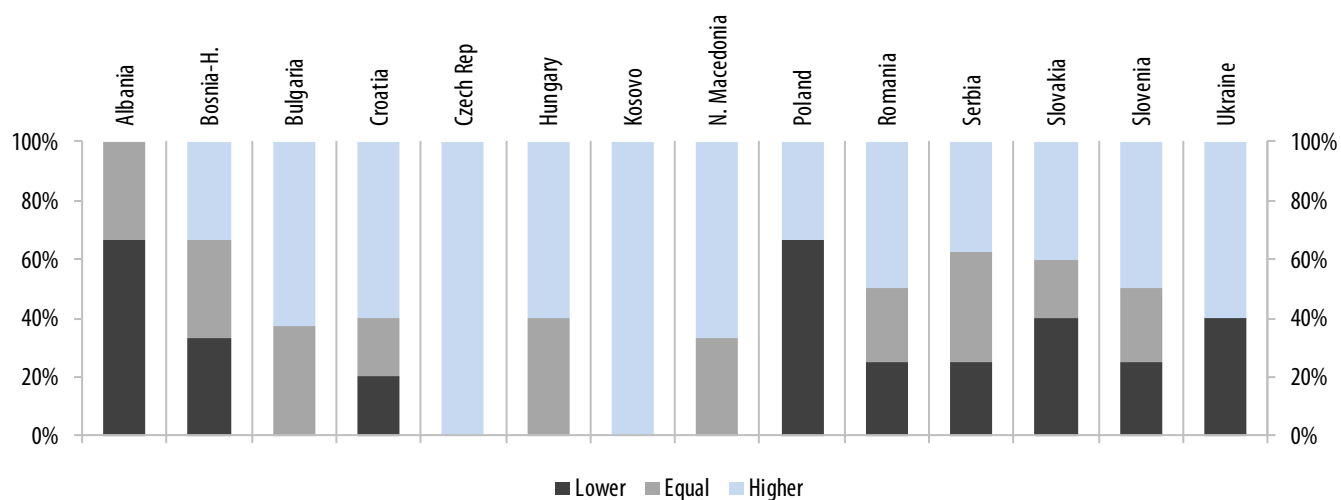
Annex A.3 Return on assets (adjusted for cost of risk) compared to overall group operations



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

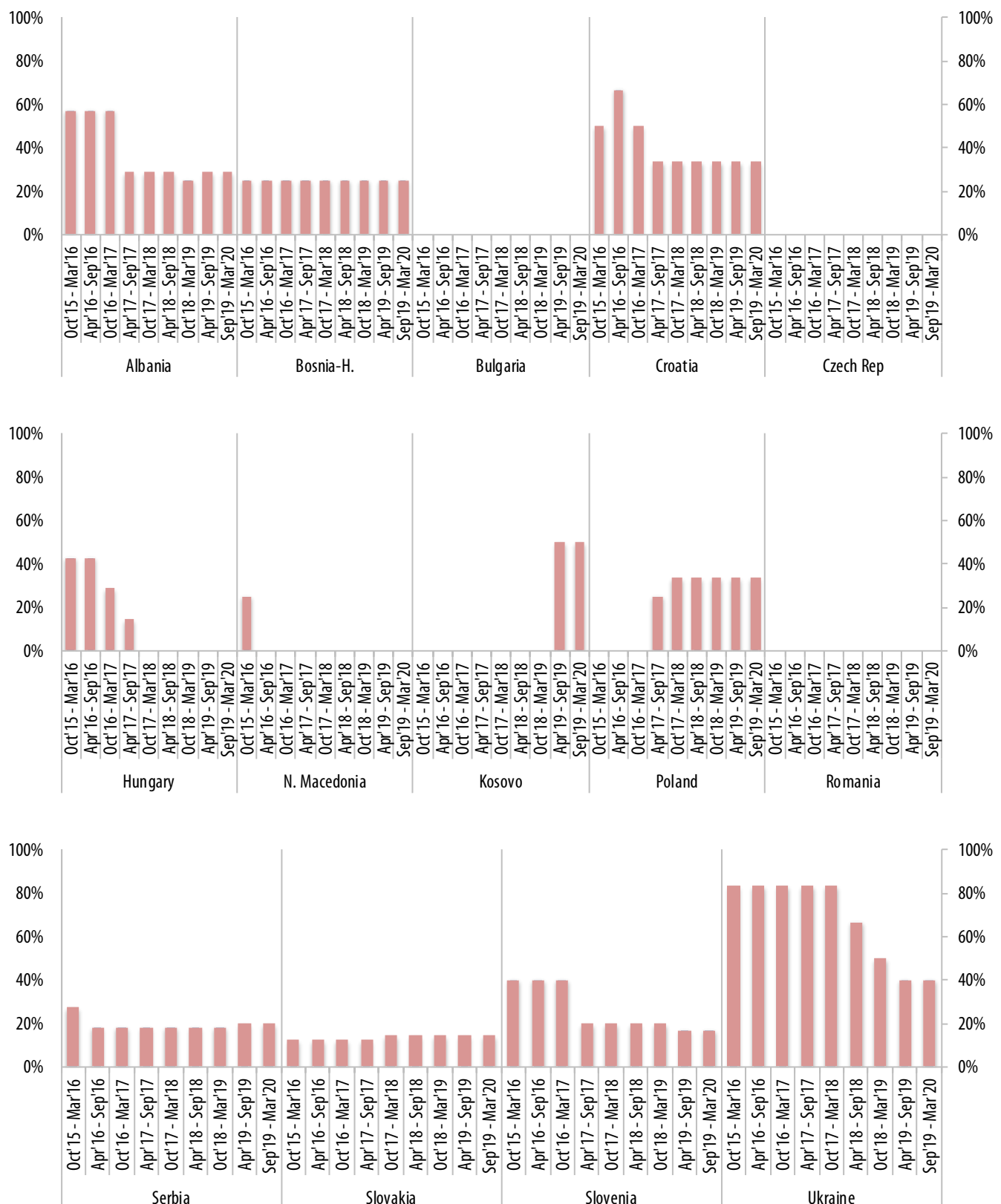
Annex A.4 Return on equity (adjusted for cost of equity) compared to overall group ROE



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

Annex A.5 Share (%) of parent banks indicating a “low” market potential



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

Annex A.6 Share (%) of parent banks indicating a “weak/niche” positioning

Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex

Albania

Before COVID-19 impacted the region, credit demand was moderate and supply conditions neutral. NPL ratios continued to improve but are still among the highest in the region.

Summary

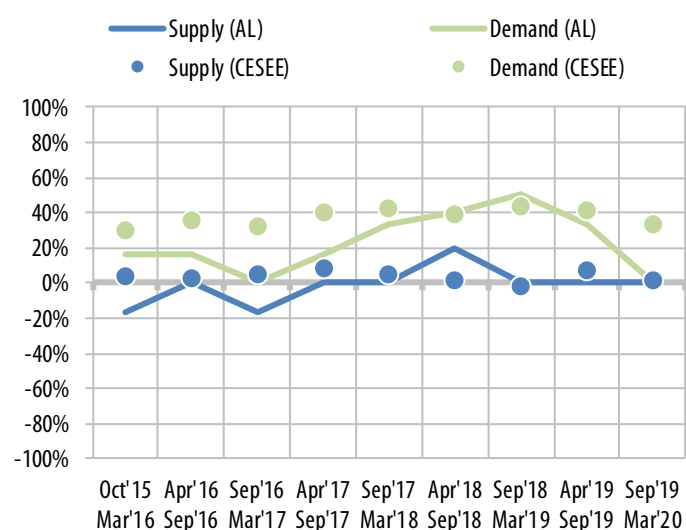
Group assessment of positioning and market potential: two third of parent banks considered the Albanian market to have medium potential but about the same share of parent banks saw operations less profitable than those at group level.

Credit demand and supply conditions in Albania remained neutral at aggregate level. Demand for household loans remained unchanged during the last six months, whilst it increased for loans to large companies and SMEs.

Credit supply conditions were very much in line with the CESEE region on the neutral stance. During the last six months, credit supply conditions tightened for large companies and eased for house purchase loans and consumer credit. Still, approval rate of loan applications increased during the last six months for all segments.

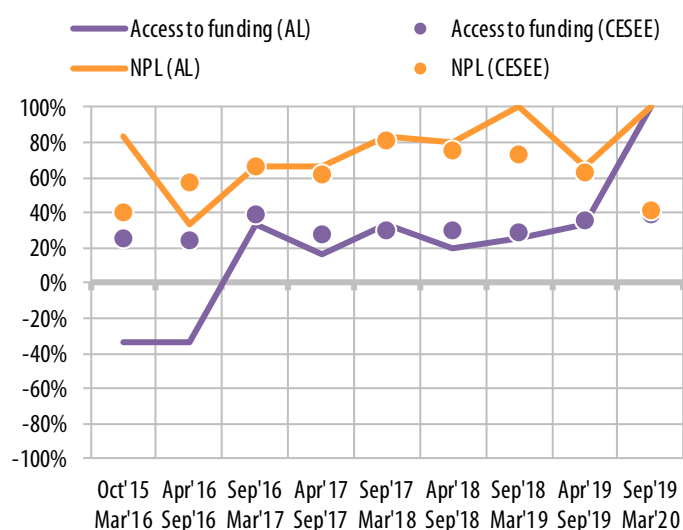
Access to funding in Albania improved further on the back of better access to local retail and corporate deposits and Intra-group funding.

NPL ratios have been improving significantly for both corporate and household segments during the last six months.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

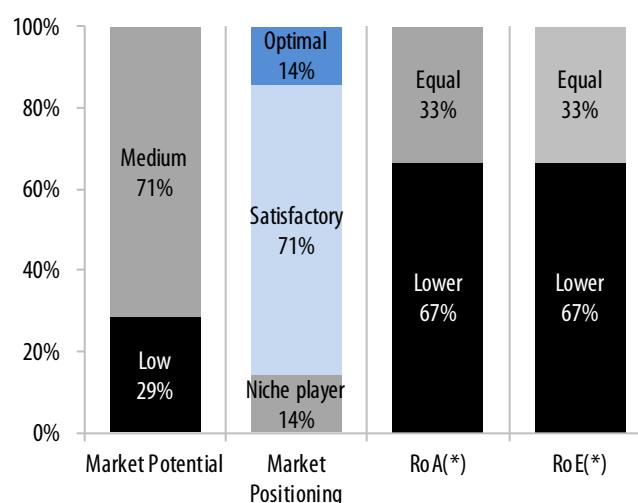
Results of the Bank Lending Survey – Parent banks level

The continuous write-down of bad loans and the sluggish lending activity have been weighting negatively on bank profitability, positioning Albania on the worst position among CESEE countries.

A large majority of international banking groups reported a lower return on both equity and assets for Albanian operations than for overall group operations, contrary to the relatively higher than group level profitability of other CESEE operations.

Still, most of the parent banks considered the Albanian market to have medium potential and satisfactory or optimal market positioning, and only around one third of parent banks find their market potential low.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

Results of the Bank Lending Survey - local banks/subsidiaries level

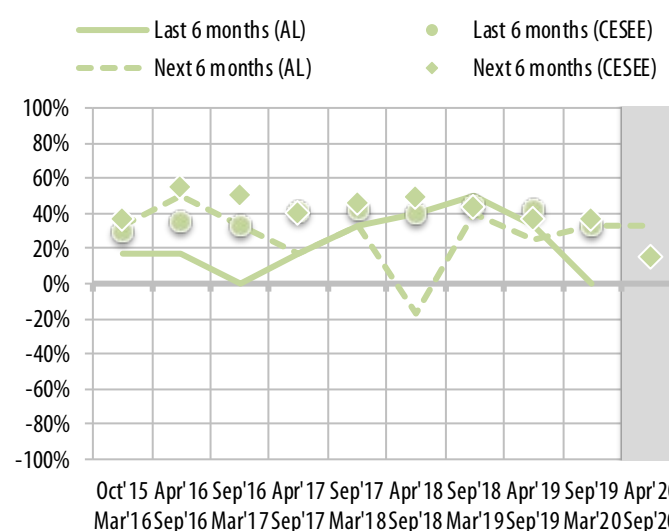
Aggregate demand developments

Demand for loans in Albania came below expectations decelerating further during the last six months.

Demand turned neutral after more than two years of positive trend. The outstanding loans started to grow as of mid-2019 for both households and firms, after one year of contraction and long-term stagnation of the portfolio (since 2013).

While the full impact of the COVID-19 pandemic is still uncertain, loans for household might be strongly negatively affected by the plummeting consumption, a higher demand for loans is expected for emergency liquidity needs of companies under lockdown, supported also by policy measures. The announced fiscal package includes sovereign guarantee for commercial lending to companies experiencing difficulties.

Figure 2 Demand side developments

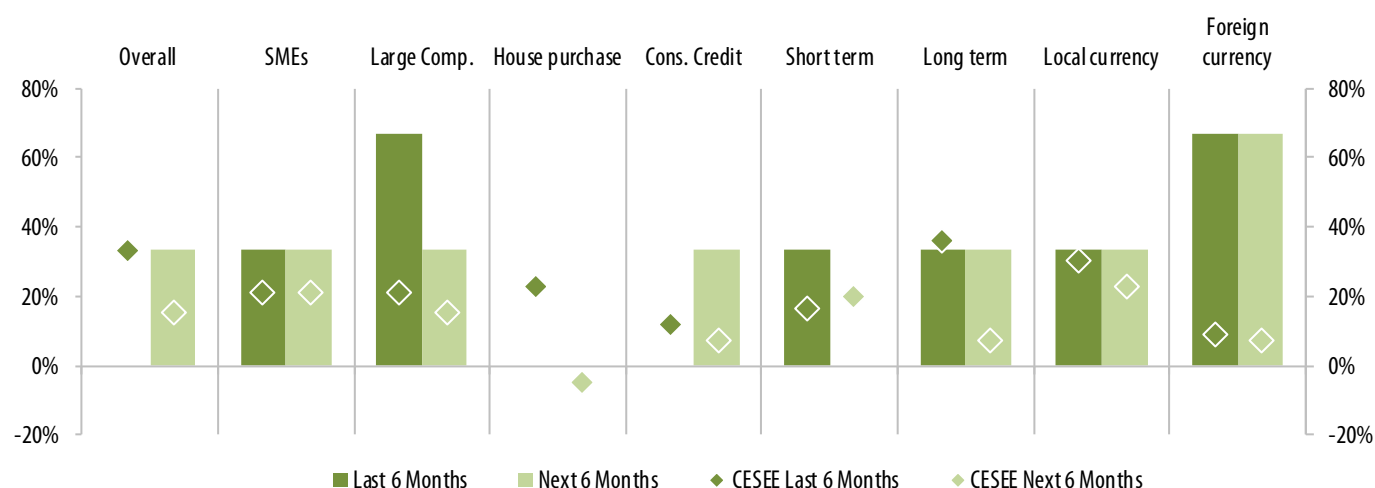


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Demand for loans remained neutral overall; and also for mortgages and consumer loans. It increased both in the corporate and SMEs segment. Contrary to the regional trends, survey data showed a preference towards borrowing in foreign currency during the last six months.

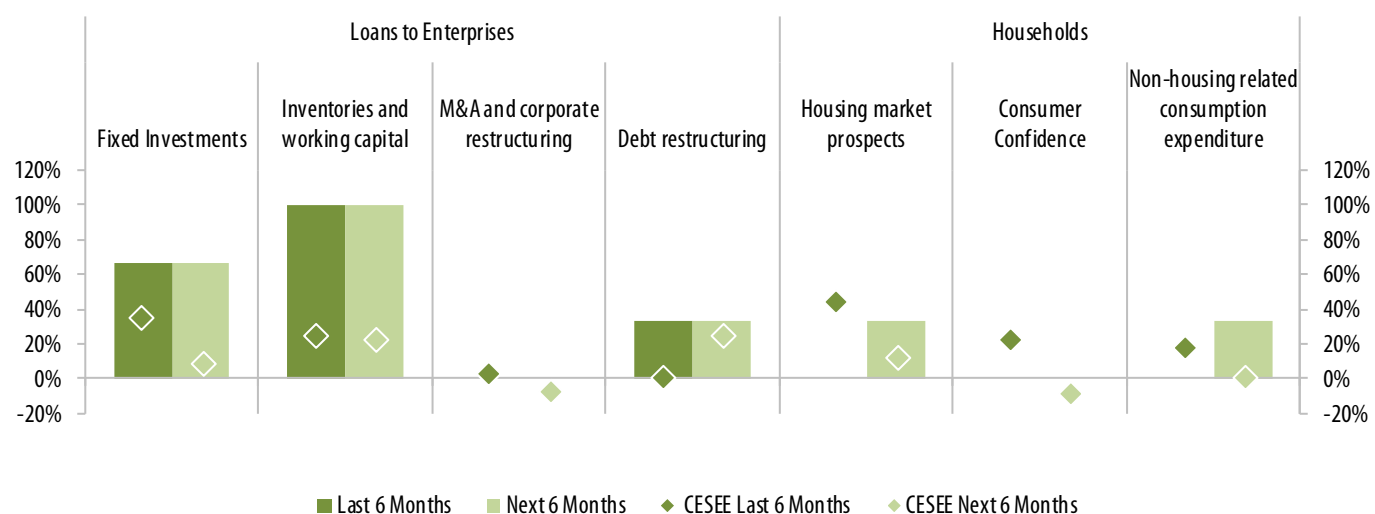


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

All household factors had a neutral contribution to demand for loans, while on the enterprise side, inventories and working capital, fixed investment and debt restructuring had a positive contribution.

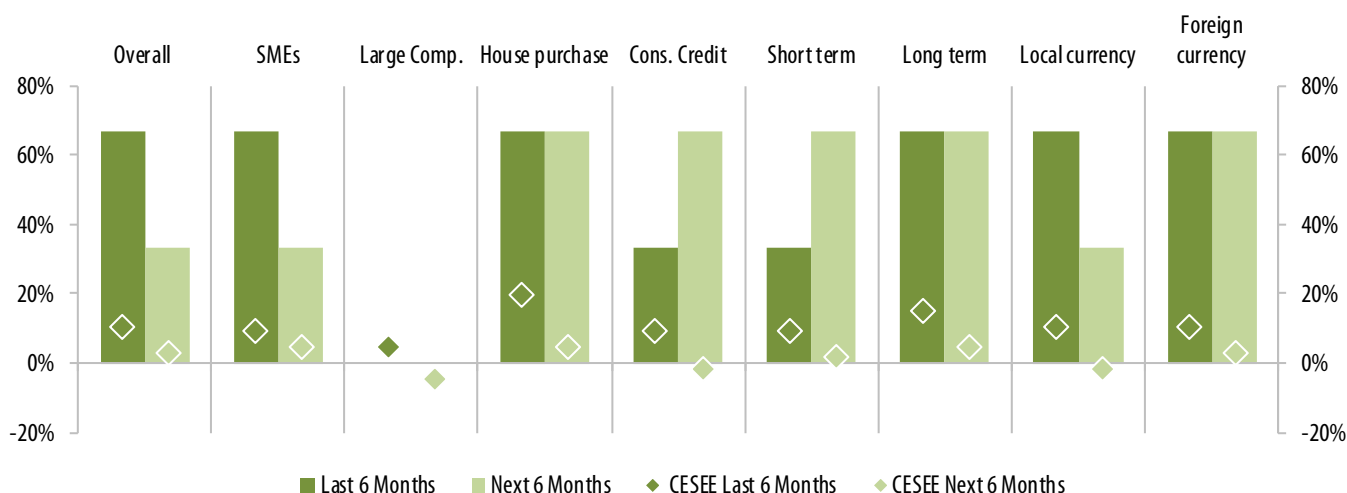


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 Quality of loan applications

The perceived quality of loan applications have been improving considerably during the last six months across all segments, except large corporates. The strongest enhancement has been registered for mortgage loans and SMEs.

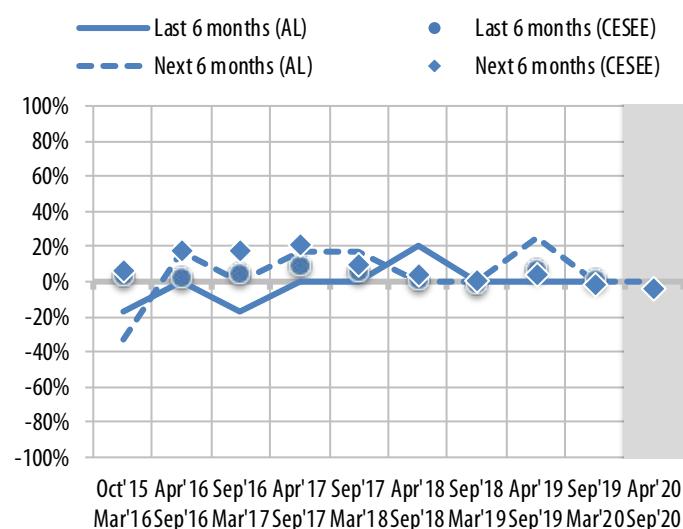


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit standards remained neutral for the third consecutive period, just in line with the CESEE average.

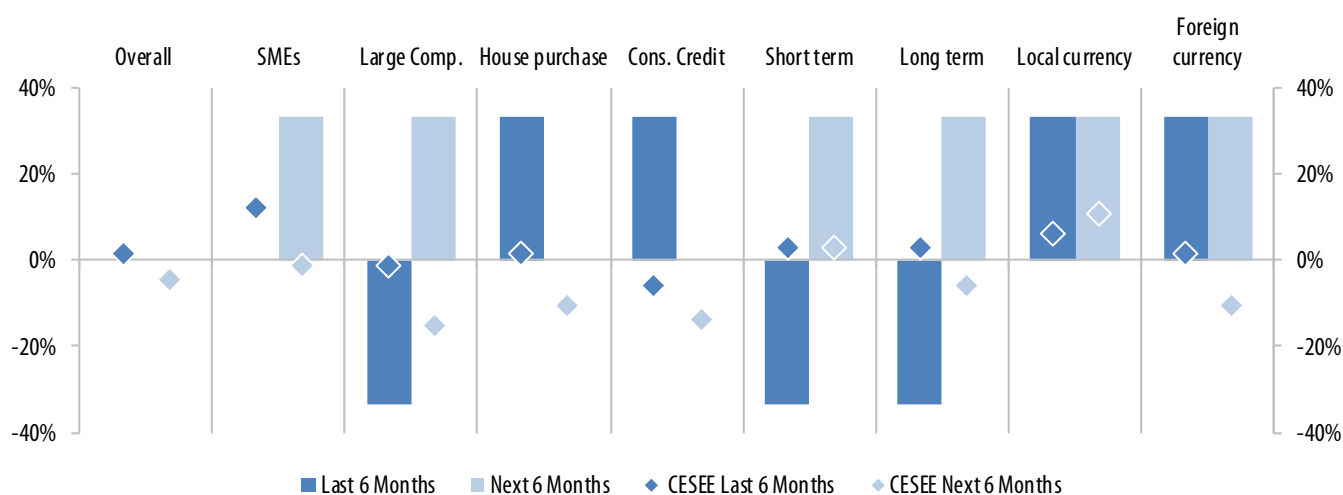
Figure 6 Supply developments

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Overall credit supply conditions stayed neutral, while they tightened for large companies and eased for mortgages and consumer loans.

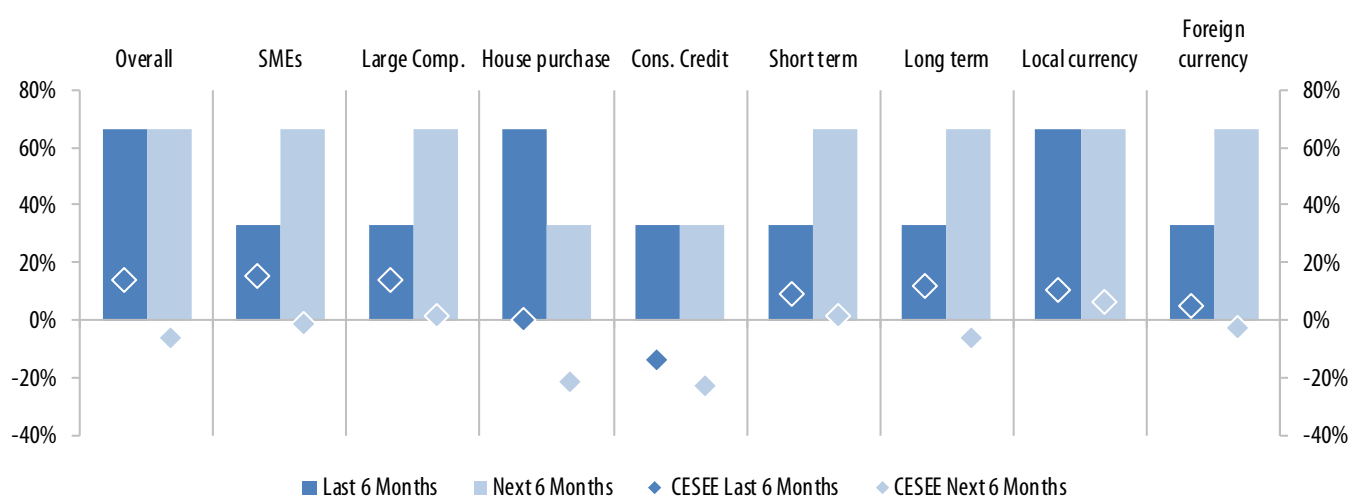


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

The approval rate increased during the last six months for all segments, more than in the CESEE. The highest increase in approval rate have been registered for mortgage loans.



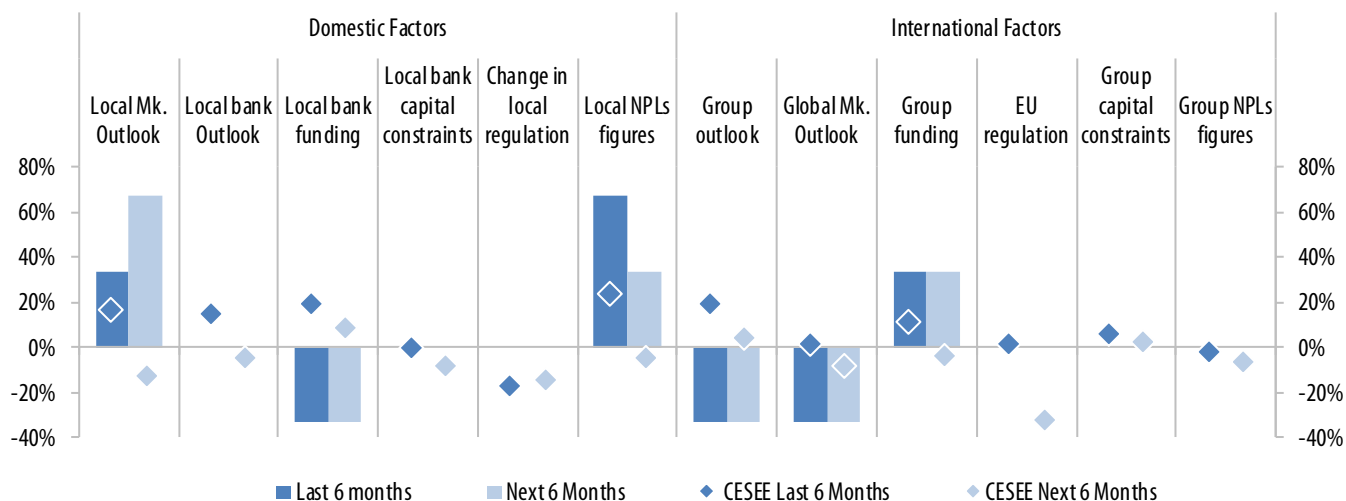
Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Among the domestic factors, local market outlook and NPL figures contributed positively on credit supply conditions in Albania, while local bank funding had a negative contribution.

From international factors, group funding remained positive while global market outlook and group outlook contributed negatively.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

The cleaning-up process of the bank's portfolio in Albania remained strong for both corporate and retail segment over the past six months.

The NPL ratio is still among the highest in the CESEE region, stagnating at around 8.4 percent as of end-2019.

In the context of Covid-19 crisis, the Bank of Albania announced three-month loan payment deferral and approved the temporal amendment of a provision in the regulation on credit risk management effective from March 12th to May 31st not to count deferral loan repayments as default.



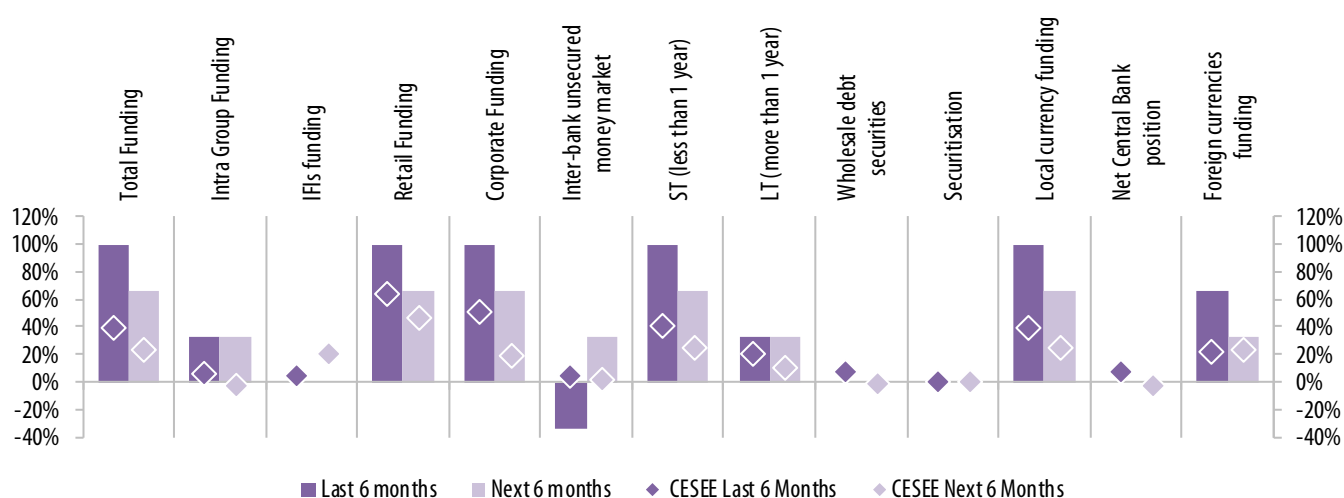
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Bank funding in Albania has improved considerably in the last six months mainly supported by the domestic retail, corporate and intra-group funding, while access to inter-bank unsecured money market deteriorated.

In the context of Covid-19 crisis, the Bank of Albania announced to provide unlimited liquidity for as long as needed and to purchase short-term government bonds on the secondary market. IFIs also announced to step in to provide additional liquidity.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Bosnia-Herzegovina

Before COVID-19 impacted the region, credit demand matched supply developments. Profitability of local operations was broadly similar to that of the groups, according to parent banks' self-assessment.

Summary

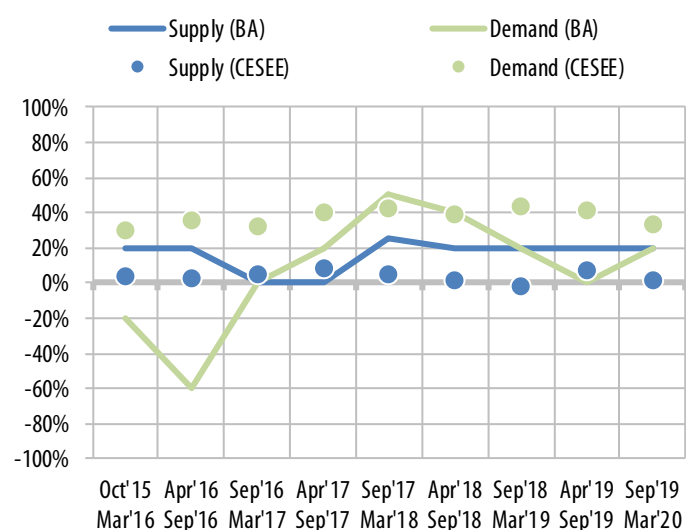
Group assessment of positioning and market potential: The majority of parent banks operating in Bosnia and Herzegovina reported a medium potential for the local market. The same share of respondents indicated a satisfactory or optimal positioning in the market. Although profitability have improved during the last year, on average it was comparable to the overall group operations because same share of banks report above and below group-level profitability.

Demand for loans slightly increased during the last six months, in particular for consumer loans mortgages and loans for SMEs. Housing market prospects were an important factor supporting household demand for loans. For companies, inventories and working capital were the driver of the demand. The overall quality of loan applications improved, particularly on the mortgage loans.

Credit supply conditions eased for the fifth time and above the CESEE average, although banks approval rate remained unchanged. Moreover, local bank outlook, local regulation change and NPL figures at the group level were still considered a drag to credit supply.

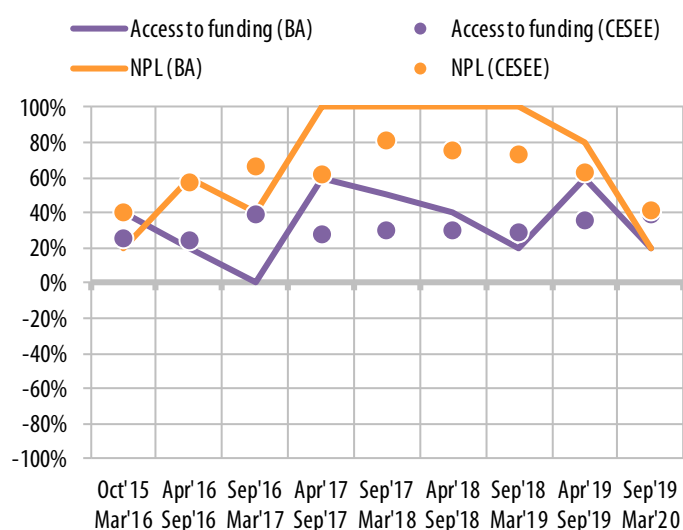
Access to funding slightly improved further on the back of better access to local retail and corporate deposits and Intra-group funding.

NPL figures improved further, albeit at a more moderate pace.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

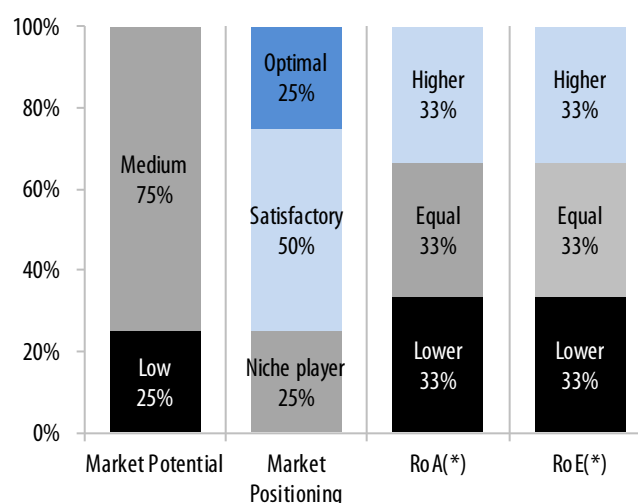
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Bosnia and Herzegovina continued to show a strong commitment to the region. Three quarter of the banking groups present in the country planned to selectively expand and the rest to maintain their operations in CESEE.

The overwhelming majority of parent banks considered the Bosnian market to have medium potential and their market positioning satisfactory or optimal.

Profitability of the local banks was comparable to group-level metrics.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

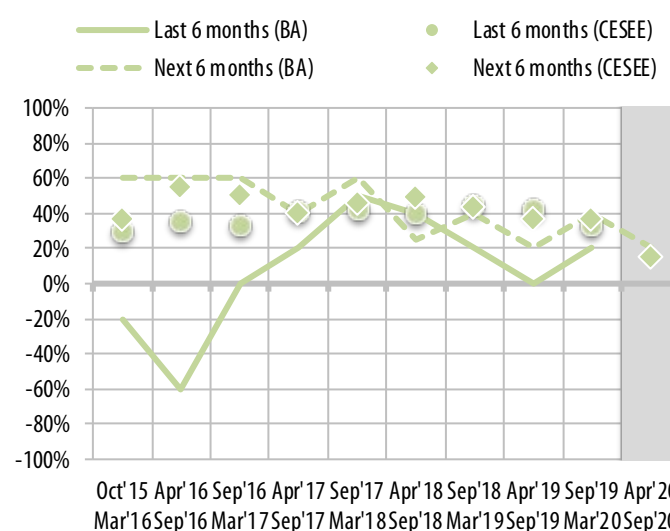
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Demand for credit slightly accelerated during the last six months, in line with expectations. Still, it was below regional average.

While the full impact of the Covid-19 pandemic still uncertain, a mixed impact on loan demand can be expected. While loans for household might be strongly negatively affected by the plummeting consumption (5% GDP drop expected for Bosnia and Herzegovina in 2020, IMF Spring WEO), a higher demand for loans might come from emergency liquidity needs of companies under lockdown, supported also by the announced policy measures.

Figure 2 Demand side developments

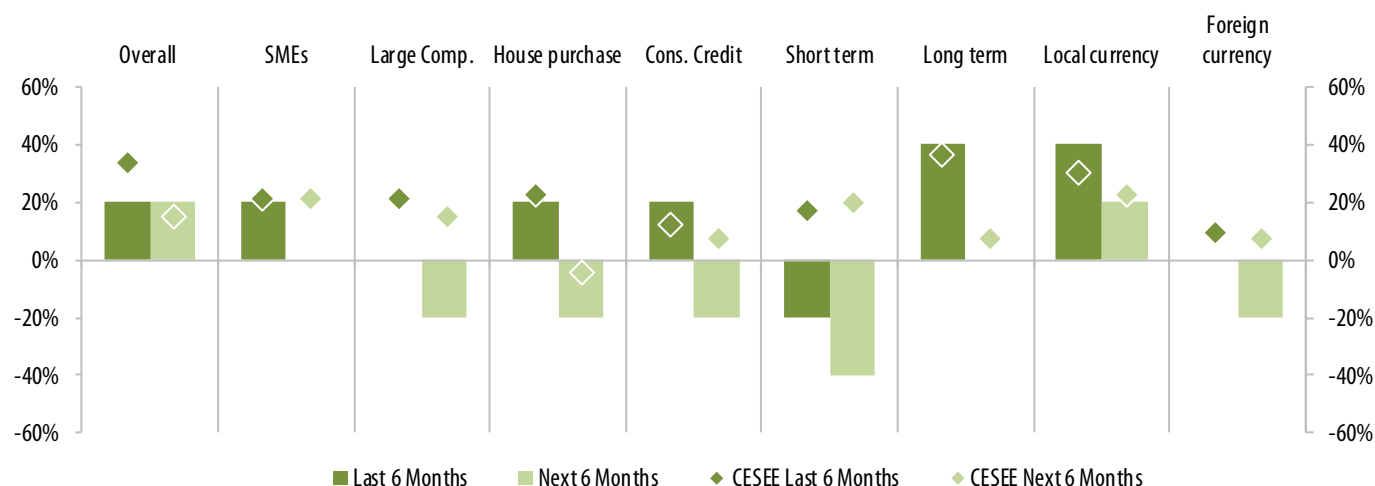


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Demand for loans increased on the balance, especially for mortgages, consumer loans and loans for SMEs. There was a clear preference for long-term and local-currency loans.

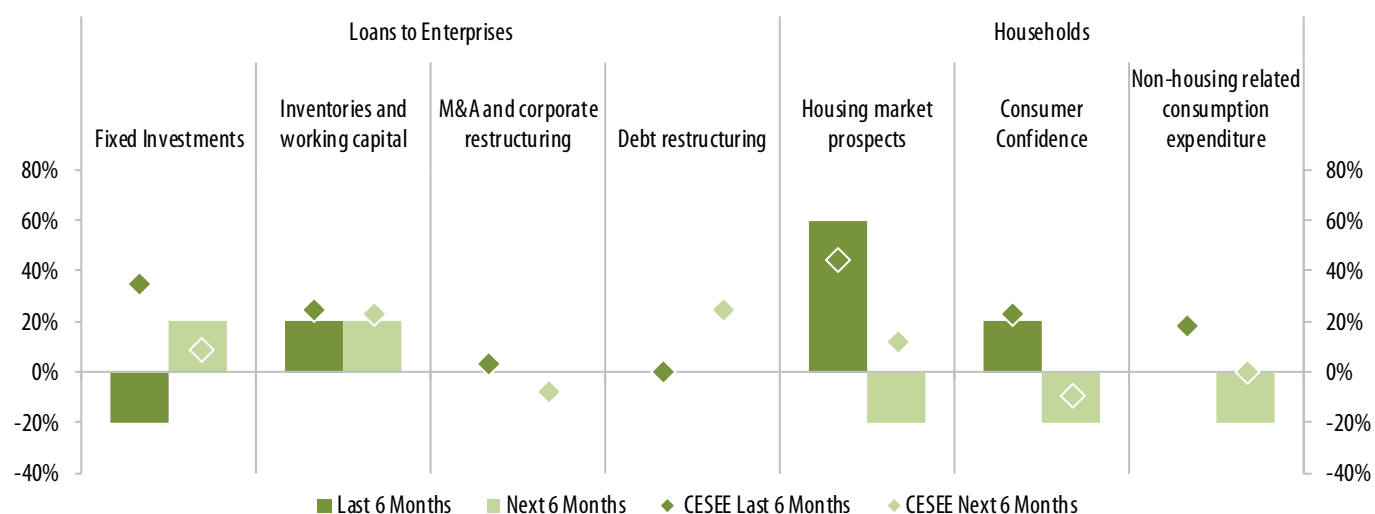


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

Among the factors affecting credit demand, housing market prospects was the main driver while consumer confidence and loans for inventories and working capital contributed also positively.

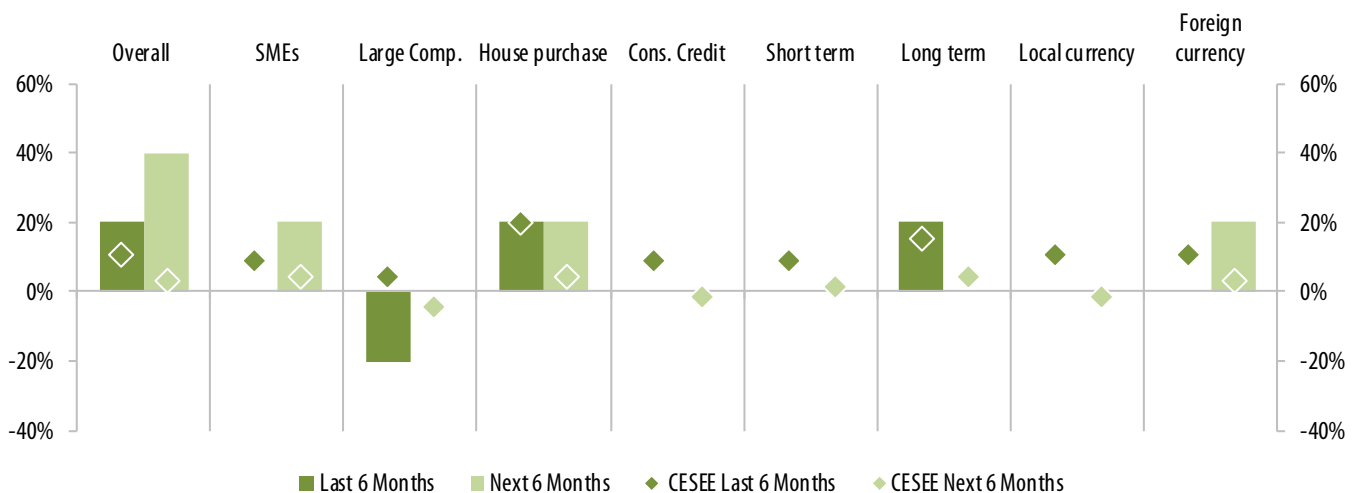


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The quality of loan applications in Bosnia and Herzegovina improved during the last six month, in particular for mortgage loans.



Source: EIB – CESEE Bank Lending Survey

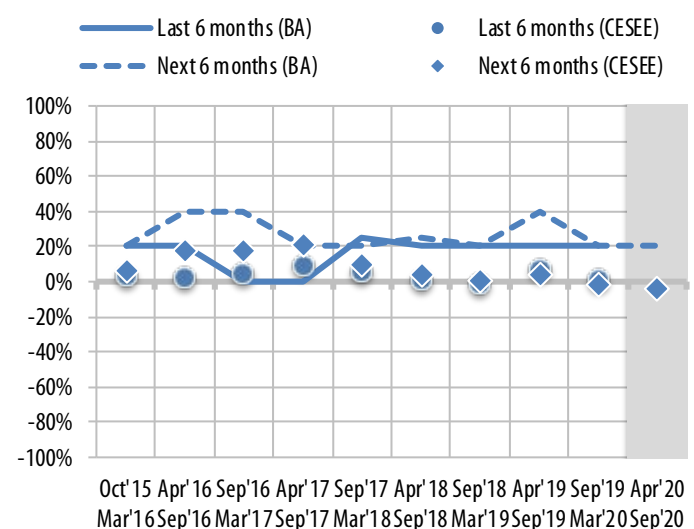
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Supply conditions continued to ease during the last six months.

On the longer term, contrary to the CESEE region, credit supply conditions in Bosnia and Herzegovina had been running ahead of loan demand.

Despite the easing credit conditions, the lending activity slightly decelerated in the first two months of the year (4% annual growth as of Feb 2020 compared to 7% at the end-2019).

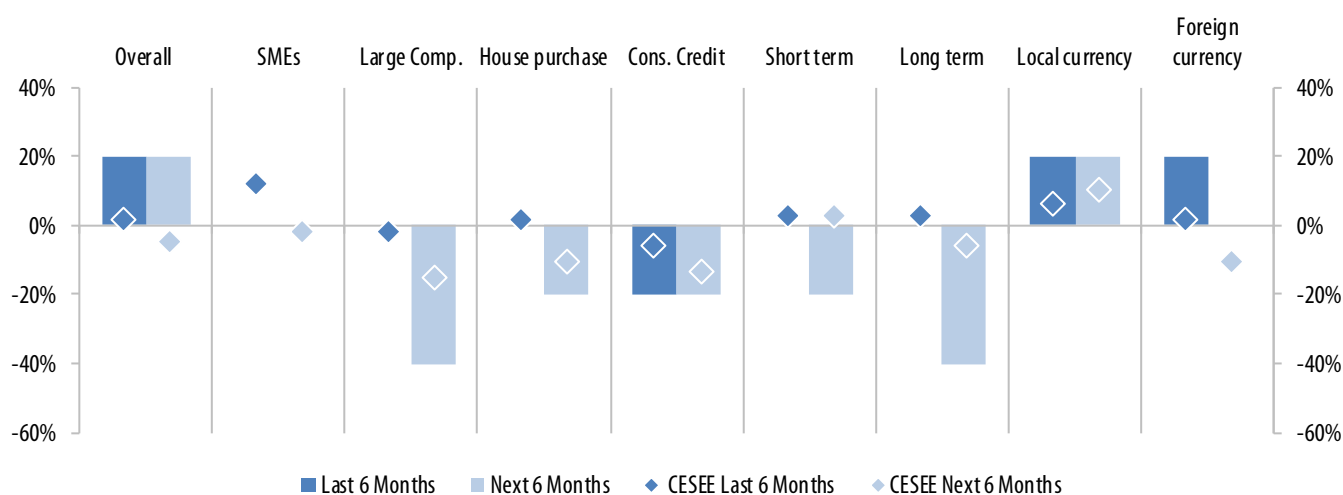
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Credit standards have eased on balance during the last six months, but tightened for consumer loans.

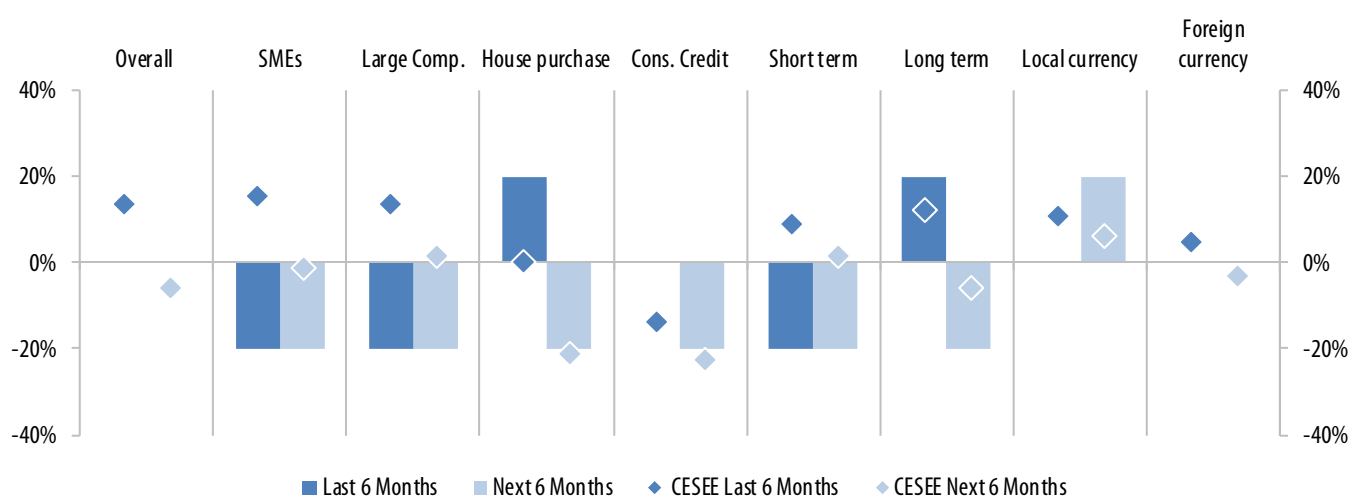


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

The loan approval rate in Bosnia and Herzegovina has been stagnating on the balance during the last six months. Some segments benefited from a higher approval rate, such as mortgage and longer-term loans while approval rates of corporate loans declined.

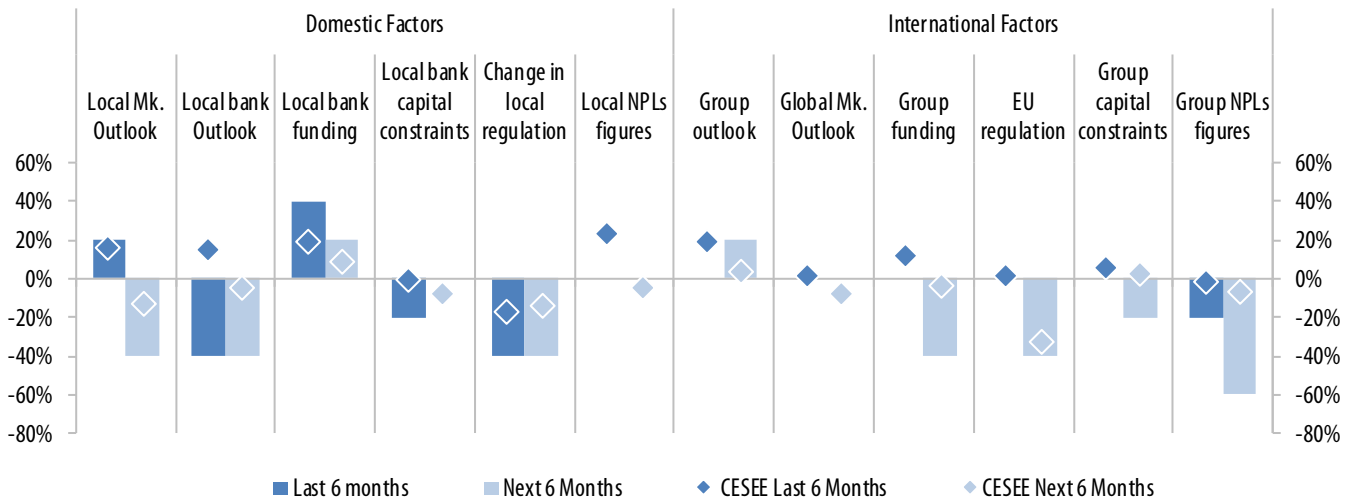


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Local bank funding and local market outlook remained the only two positive elements among supply factors while local bank outlook, change in local regulation and group NPL have been hindering credit standards.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

NPL ratios have been improving slightly in Bosnia and Herzegovina during the last six months, below the CESEE region. Although declining, NPL ratio was still relatively high on a regional comparison (7.4 percent at the end- 2019).

In the context of COVID-19 crisis, a three to six-month loan repayment moratorium for individuals and legal entities impacted by the COVID-19 crisis was announced in Bosnia and Herzegovina. Supervisory approach in terms of deferred loans' classification and provisioning has been adjusted. As a result, many loans are not to classified as defaulted. The announced fiscal package includes also a guarantee fund which will deployed to maintain and improve the liquidity of companies.

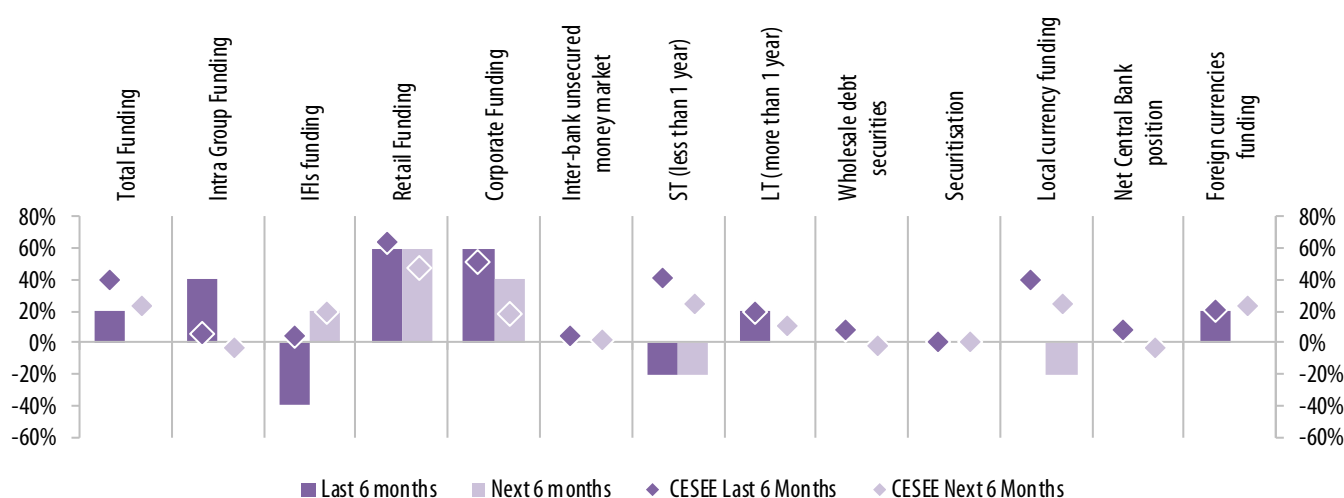


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to bank funding improved during the last six months. Higher access to funding was recorded from domestic retail and corporate deposits and inter-group funding, while IFIs funding decreased. In the context of the COVID-19 crisis, the Central Bank and IFIs pledged to step in to support the necessary liquidity.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Bulgaria

Before the COVID-19 pandemic, the market was described with medium potential and increasing credit demand, especially for house purchases and consumer loans.

Summary

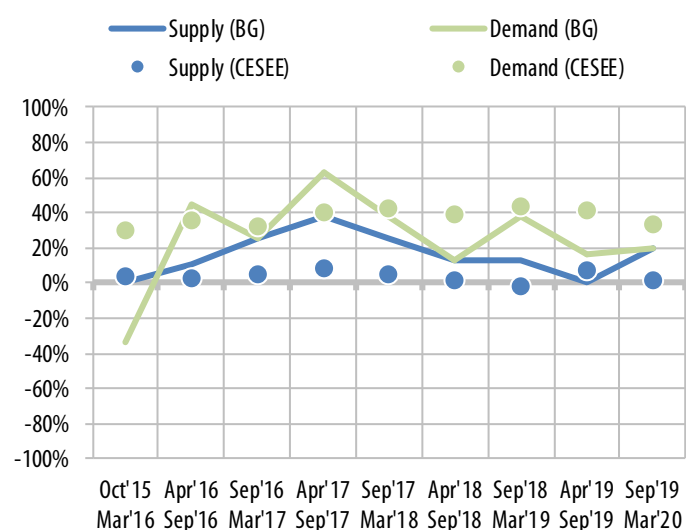
Group assessment of positioning and market potential: Parent banks operating in Bulgaria show a strong commitment towards the region and assess the country's market potential as medium. Most parent banks saw returns on assets in Bulgaria as high and mostly exceeding those of the overall group. This has been the case consistently over the past three years. The majority of the parent banks operating in Bulgaria seemed to be satisfied with their current market positioning.

Credit supply conditions have slightly improved in the last six months across market segments, with the consumer credit segment benefitting the most. This improvement is expected to be reversed in the next six months.

Demand for loans slightly improved over the past six months driven mostly by households, especially in the consumer credit segment. Two opposing forces will shape the demand in the near future – the drive of the corporate sector to secure liquidity and the decline of economic activity.

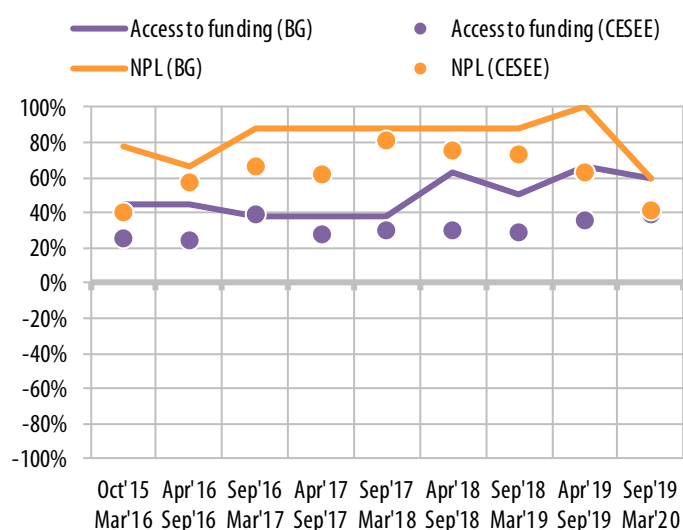
Access to funding has continued improving over the past six months riding a multiannual trend. The improvement is mostly due to high and sustained growth of corporate deposits and to a lesser extent of household deposits.

NPL figures have continued to improve in all segments, but their level remains above those in EU peers.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

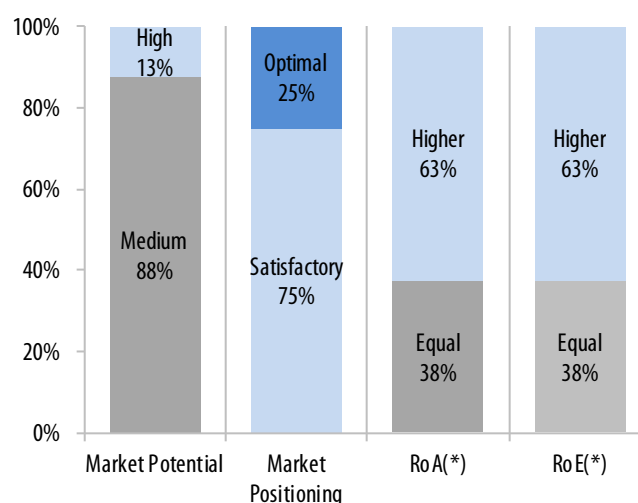
All respondents plan to maintain or expand selectively regional operations in CESEE. Answers from parent banks have been very stable over the past three years, showing strong commitment to the region.

All foreign banks with operations in Bulgaria saw a market of medium and high potential (Figure 1). All respondents considered their market positioning as satisfactory or optimal.

All parent banks assessed returns from operations in Bulgaria as higher than or equal to their overall group returns (Figure 1). This assessment has been very stable over the past five years.

As a result, a majority of parent banks have increased exposure to subsidiaries (net 20% of respondents) increasing capital and intra-group funding (net 40% of respondents).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

Results of the Bank Lending Survey - local banks/subsidiaries level

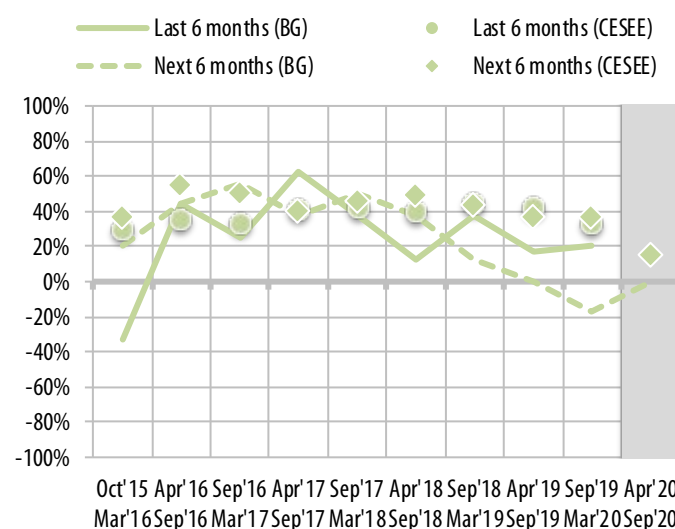
Aggregate demand developments

Changes in demand for loans in Bulgaria since 2016 have been of a similar magnitude to those in the aggregate CESEE region, but more volatile. After a substantial moderation in H1 2018, loan demand picked up again in H2 2018 only to return to H1 2018 levels in H2 2019. Expectations point to deteriorating demand in the six months ahead. These expectations should be assessed with the caveat that the ongoing COVID-19 crisis embeds substantial uncertainty in them.

The second caveat is that expectations about demand for six months ahead have consistently undershot actual numbers over the past year and a half.

Early, but incomplete evidence suggests that demand for loans should be rising at first, as firms attempt to shore up liquidity. As the economic recession deepens and economic activity declines, however, less external financing will be needed on the aggregate and demand will weaken.

Figure 2 Demand side developments

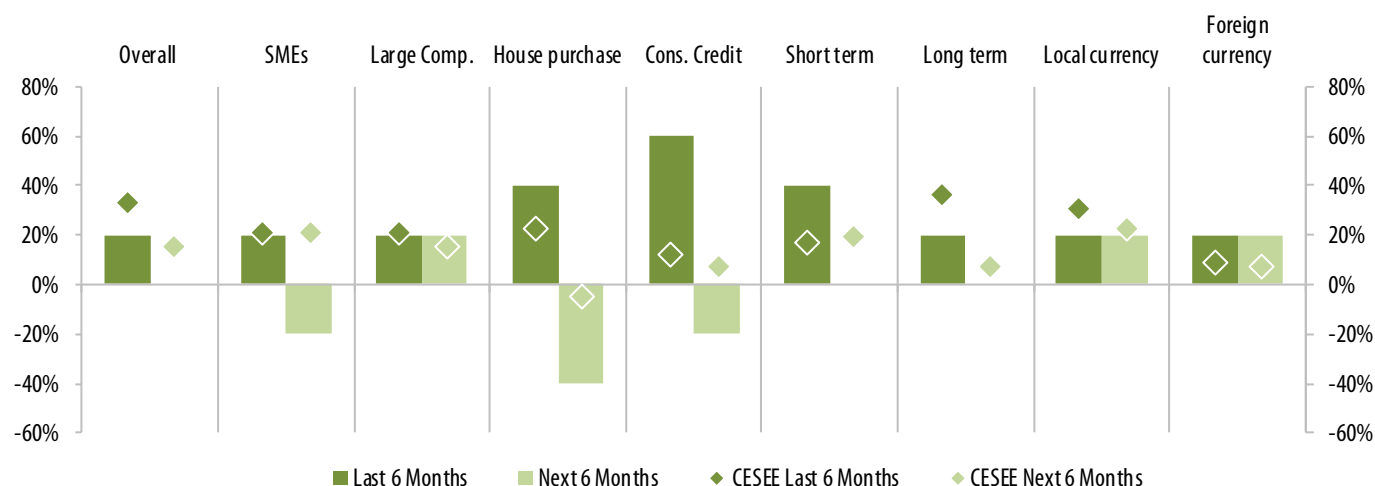


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

The household sector continued to be the main contributor to strong loan demand in line with developments over the past two years. The corporate sector, both large companies and SMEs, contributed less to loan demand. The increase of households' demand for loans was underpinned by both loans for house purchases and consumer loans. Robust household demand was in line with observed strong aggregate consumer spending and the increase of house prices, as household disposable incomes continued to increase until March 2020. Corporate demand, however, did not indicate that a durable recovery in corporate investment was underway in this period.



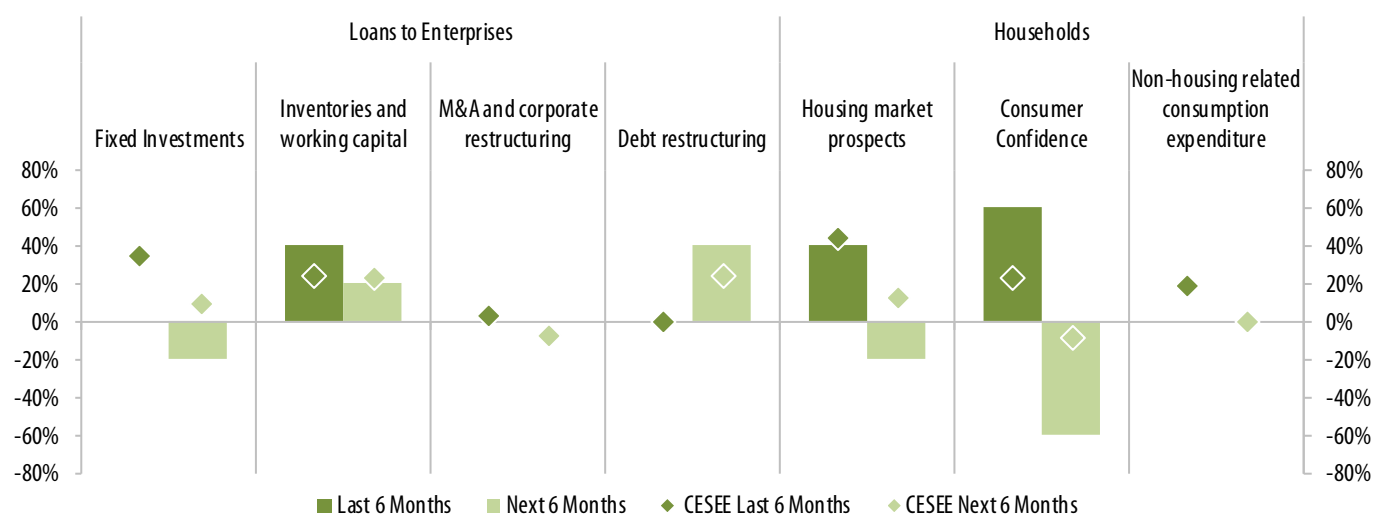
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

Financing of working capital was the main driving force of corporate demand growth, whereas demand for investment loans remained stable. This was in line with aggregate investment statistics showing stagnant investment.

As in the previous survey waves, household demand for loans was buoyed by positive housing market expectations and rising consumer confidence throughout 2019. The sharp economic deterioration should impact negatively demand for house purchases. Consumer confidence declined in March and is expected to fall further.

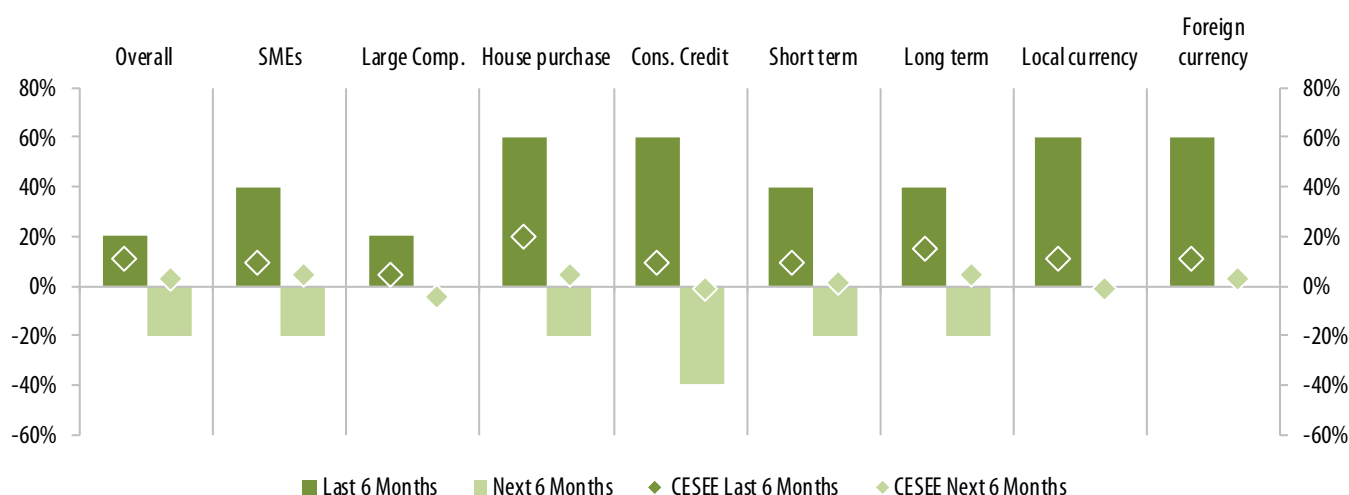


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

Quality of loan applications was perceived as improving by a majority of respondents. Quality of credit applications in the retail segment was assessed as increasing by 60% of respondents. In the corporate segment, quality was seen as increasing, but by a smaller margin. Quality of loan applications in the next six months will very likely decrease, as employment falls and business activity remains restrained by policy measures and, subsequently, by weaker demand.



Source: EIB – CESEE Bank Lending Survey

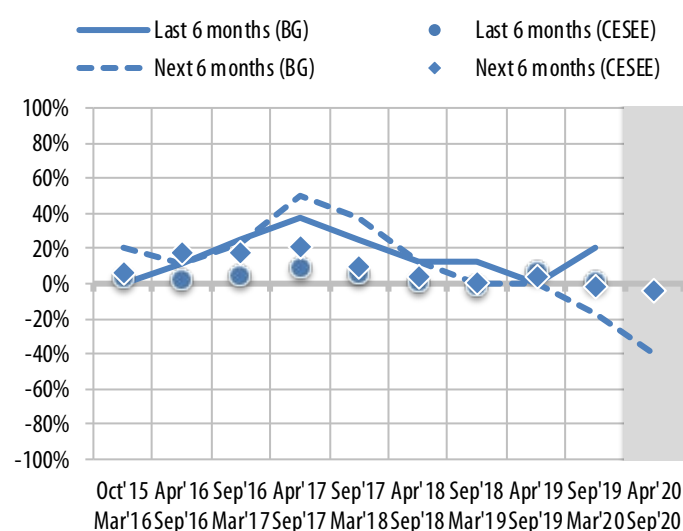
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

After significant improvements in supply in 2017 and early 2018, supply conditions stabilised in line with developments in the aggregate CESEE region, where credit conditions have been stable over the past two years. In the last six months, supply conditions were judged as improving by 20% of respondents.

Previous improvement of supply conditions was in line with the improving aggregate economy and balance sheets in the Bulgarian banking system. Bulgarian banks have substantially reduced the share of non-performing loans on their books over the past two years, enabling them to relax loan conditions and expand their loan portfolios after years of decline and stagnation. The stabilisation can be perceived as a normalisation of credit conditions in the country.

Expectations about overall supply conditions have been diverging from actual developments in Bulgaria, unlike expectations in rest of CESEE. That said, early, if incomplete, evidence shows that banks are tightening credit standards during the COVID-19 crisis in line with stated in this survey.

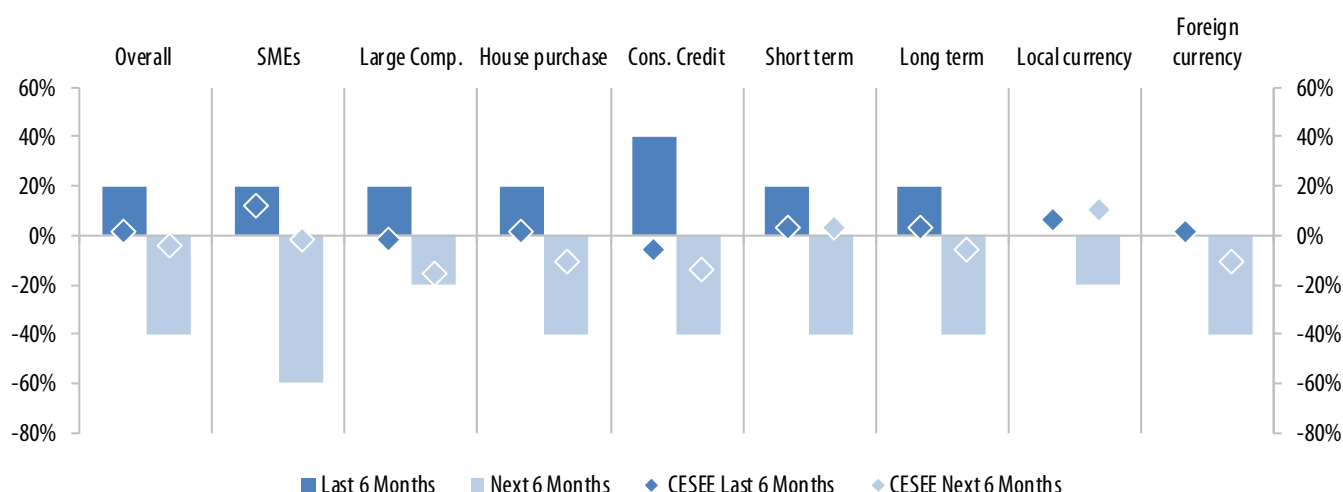
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Credit supply conditions were seen as improving across all market segments over the past six months and most notably in the consumer credit segment. Looking forward, it is very likely that banks will tighten credit standards across the board as a consequence of the ongoing economic downturn.

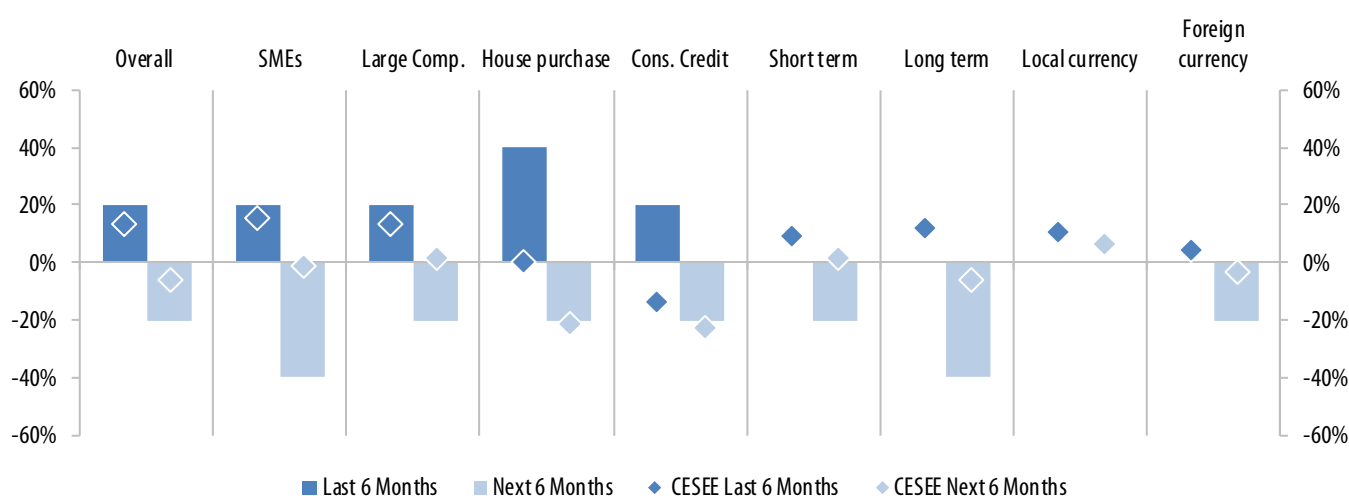


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

Approval rates have increased for a majority of respondents in the past six months. The increase was spread across segments, with approval rates for housing loans having the highest rate. Approval rates were very likely to decline during the economic downturn as credit risk increases and the general quality of loan applications decline.

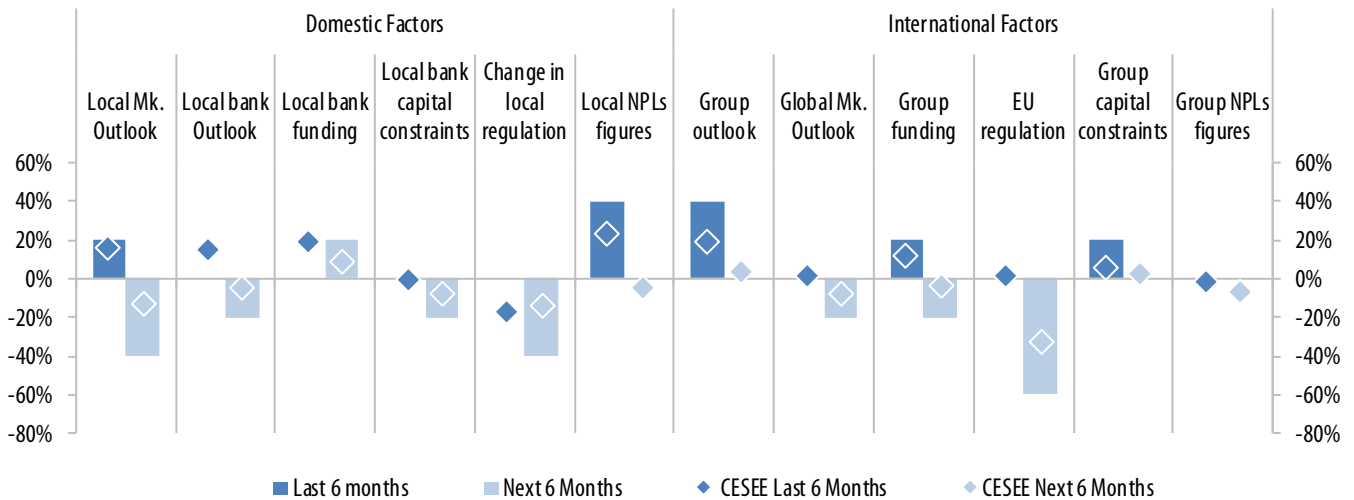


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Both domestic and international factors drove the improvements in supply conditions. Improvement of local NPL figures are the main domestic contributor to improving supply conditions in Bulgaria. Among international factors, the group outlook, funding and capital constraints contributed positively to improved supply conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

The recession following the global financial crisis, and the bursting of the real estate bubble in the Bulgaria resulted in a very high share of non-performing loans on the books of Bulgarian banks. These have been a major constraining factor on credit conditions since 2008. Until 2016, banks have been reluctant to reduce NPLs, but this has changed since.

Between 2017 and 2019, the vast majority of local subsidiaries report improving NPL figures across institutional sectors. Hard data confirms this: NPL ratios have been coming down throughout 2016-19. They nevertheless remain among the highest in the region. Restructuring of corporate portfolios has had a bigger contribution, partly because NPLs are concentrated in the corporate segment.

Developments in overall NPL figures over the past six months are likely to be reversed in the near future as the economic downturn takes its toll.

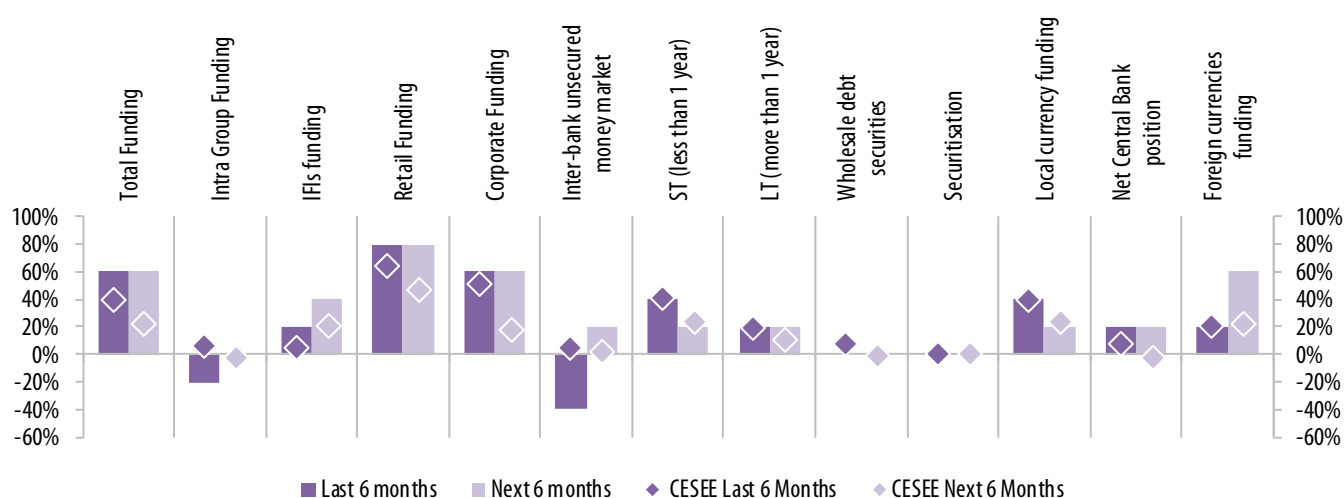


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to funding for Bulgarian subsidiaries has continued improving over the past six months on a trend that started in the second half of 2013. This improvement is expected to continue in the coming six months, following aggressive measures of the ECB and local monetary authorities. The main contributors, as before, are retail and corporate funding that are mostly short term and in local currency. As a result, the growth rate of household and corporate deposits in the banking sector has significantly outpaced the average annual real GDP growth since 2009.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Croatia

Tightening supply conditions amid positive credit demand. Before COVID-19 impacted the region, NPLs and liquidity conditions improved. Banking groups reported higher profitability of local operations compared to that of the overall group.

Summary

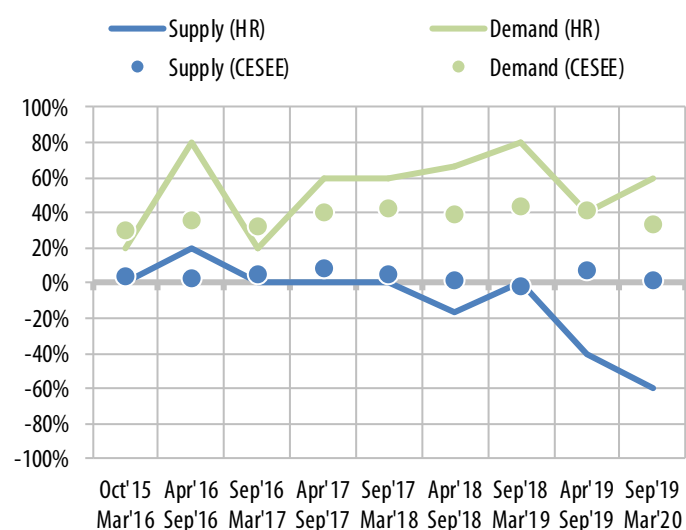
Group assessment of positioning and market potential: High profitability of Croatian operations has been preserved during the last six months. More than half of the international banking groups reported a higher return on equity over the last six months compared to the overall group level and all saw their market positioning satisfactory or optimal. Two third of parent banks operating in Croatia consider the market potential just medium and one third of it consider it as low, an improvement compared to the past survey releases.

Credit demand kept the positive trend over the last six months while **credit supply** conditions tightened, preserving a visible gap between demand and supply. Demand for loans has increased across most components, except foreign currency loans and those on the short-term. Demand was driven mainly by mortgage loans.

Credit supply conditions remained negative on balance. The tighter conditions were visible across all loan segments. Moreover, local regulation change and bank capital constraints were still considered a drag to credit supply.

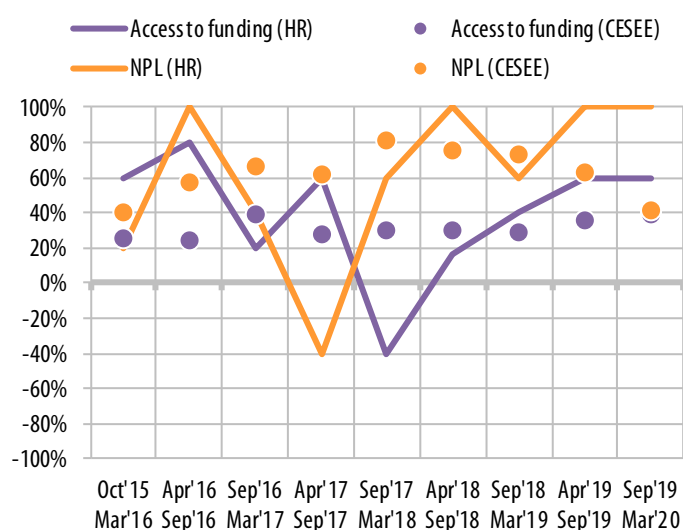
Access to funding has improved further over the last six months, mainly due to the higher domestic retail and corporate funding. On the contrary, access to long-term funding decreased.

NPL figures improved strongly during the last six months, continuing the trend of last two years, after a negative impact of Agrokor restructuring at the beginning of 2017.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

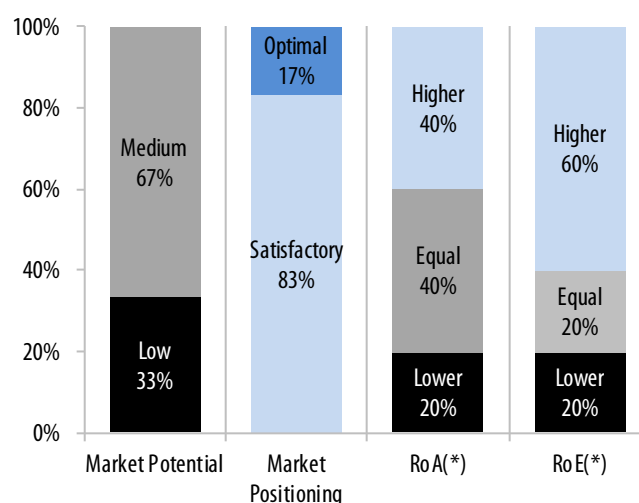
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Croatia showed an optimistic approach towards the region, as 60% of them plan to selectively expand while the rest intended to maintain their presence. Most of the parent banks declared higher or at least the same level of profitability than on the group level and only 20% of them stated a lower than group's profitably.

Two third of parent banks operating in Croatia continued to consider the market potential as medium, while the rest with low potential, which position the country behind its regional peers, such as Slovenia. In terms of market positioning, Croatia was considered relatively better than peers, with either satisfactory (83%) or optimal (17%) positioning.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

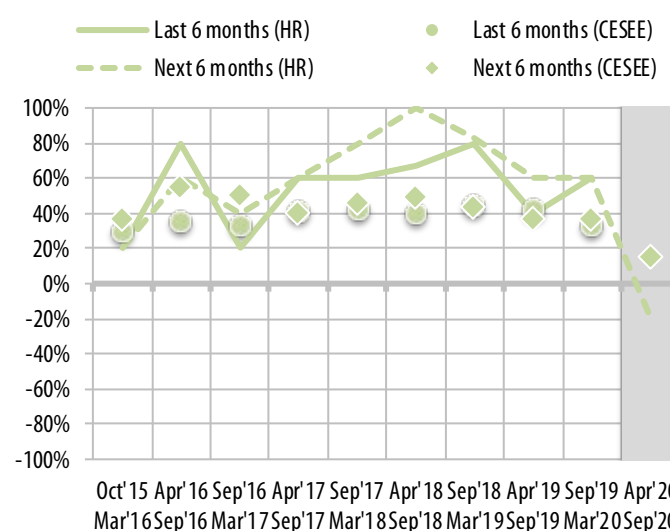
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

The reacceleration of demand during the last six months positioned Croatia above the CESEE average trend.

For the next six months, while the full impact of the Covid-19 pandemic still uncertain, banks already expect declining dynamics in Croatia even below the regional trend, in line with expectations of one of the strongest economic contraction in the region (9% GDP drop expected for 2020, IMF Spring WEO). While loans for household might be strongly negatively affected by the plummeting consumption, a higher demand for loans might come for emergency liquidity needs of companies under lockdown, supported also by policy measures.

Figure 2 Demand side developments

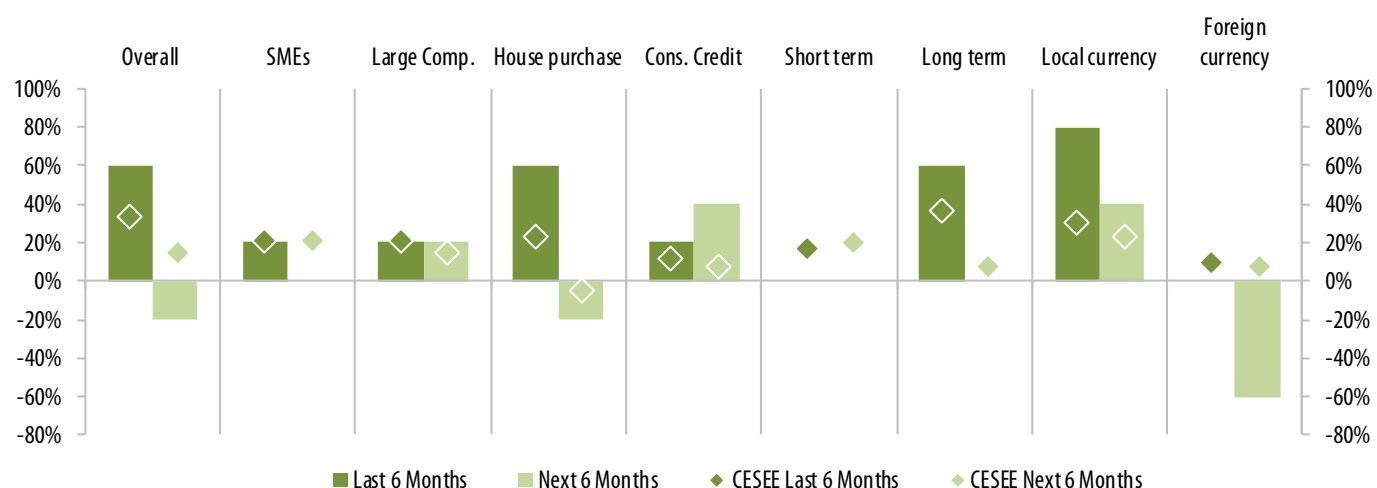


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Credit demand has increased in the last six months mainly driven by local currency loans in the segment of house purchase. Demand for consumer credit and loans for companies also increased. Demand is shifted clearly towards local currency and long-term loans.

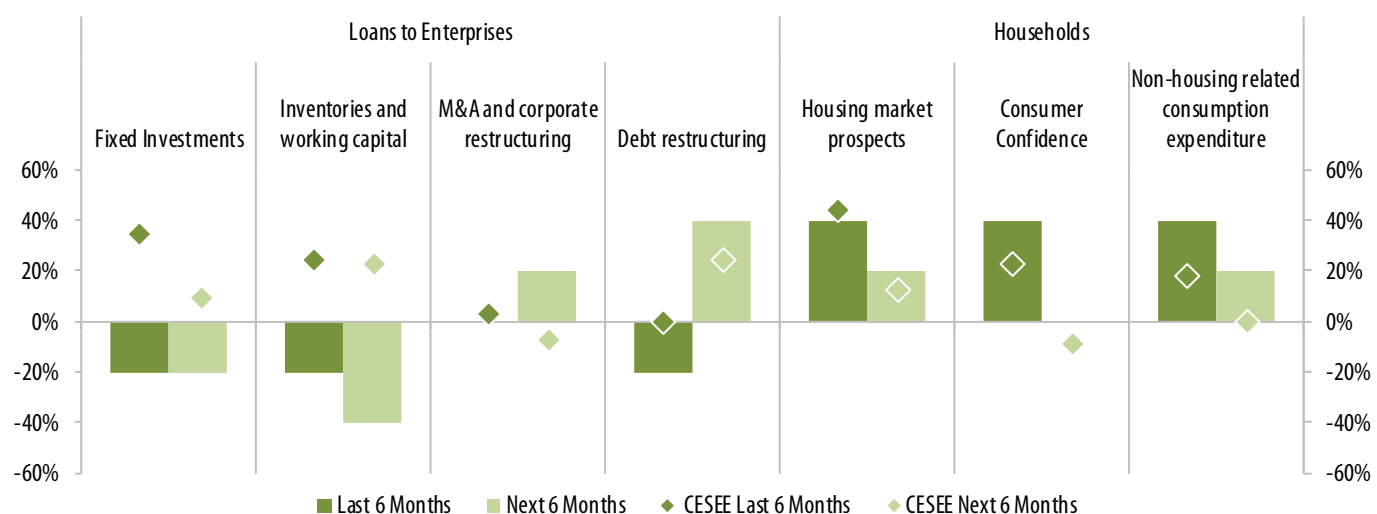


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

All households segments contributed positively to loan demand during the last six months. Regarding the enterprises' segment, almost all segments contributed negatively, except of M&A and corporate restructuring that had a neutral contribution.

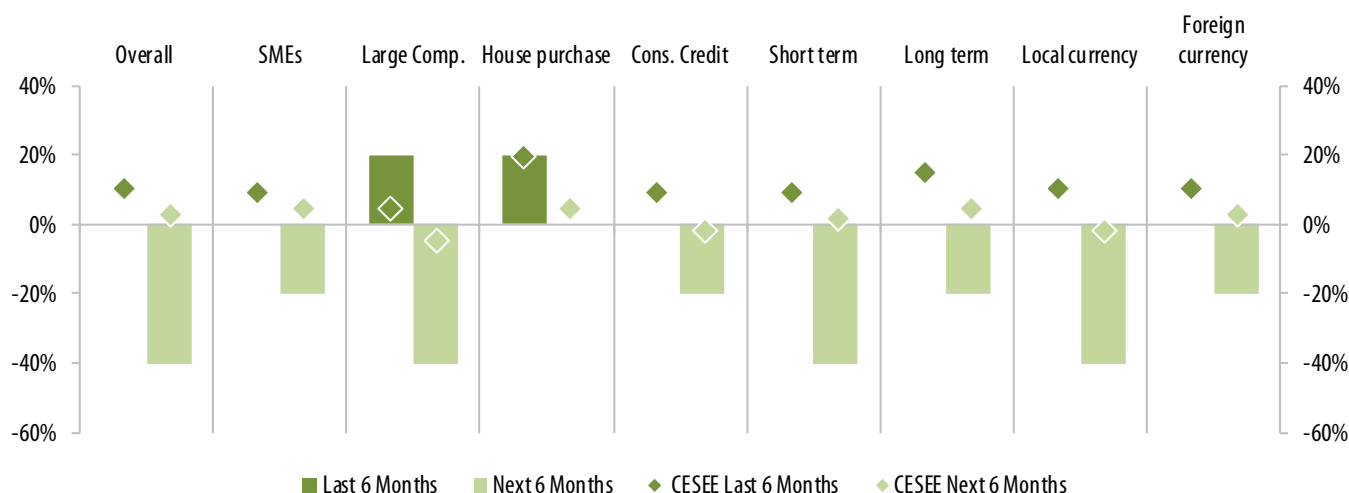


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The perceived quality of overall loan applications was unchanged during last six months, but improved for some segments, in particular for mortgages, and large companies.



Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

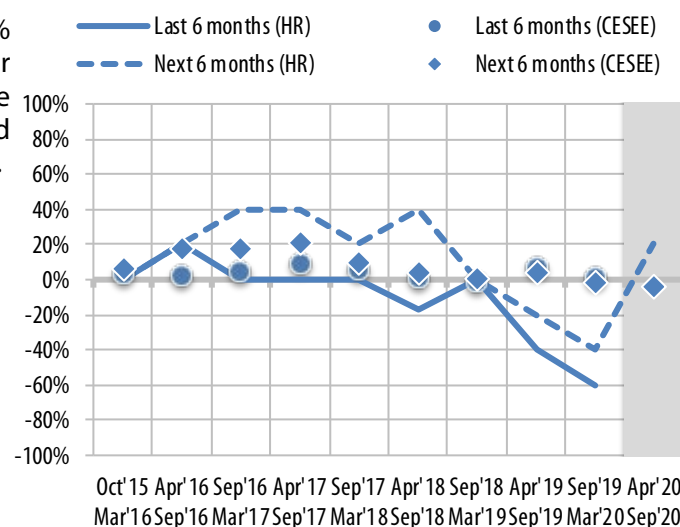
Aggregate supply developments

Credit supply in Croatia tightened for the second consecutive period.

The private loans' portfolio accelerated slightly (4% annual growth as of Feb. 2020) mainly driven by loans for households. The tighter or neutral credit conditions since 2015 may suggest that most of the new credit extended should be of better quality than in previous credit cycles.

Figure 6

Supply developments

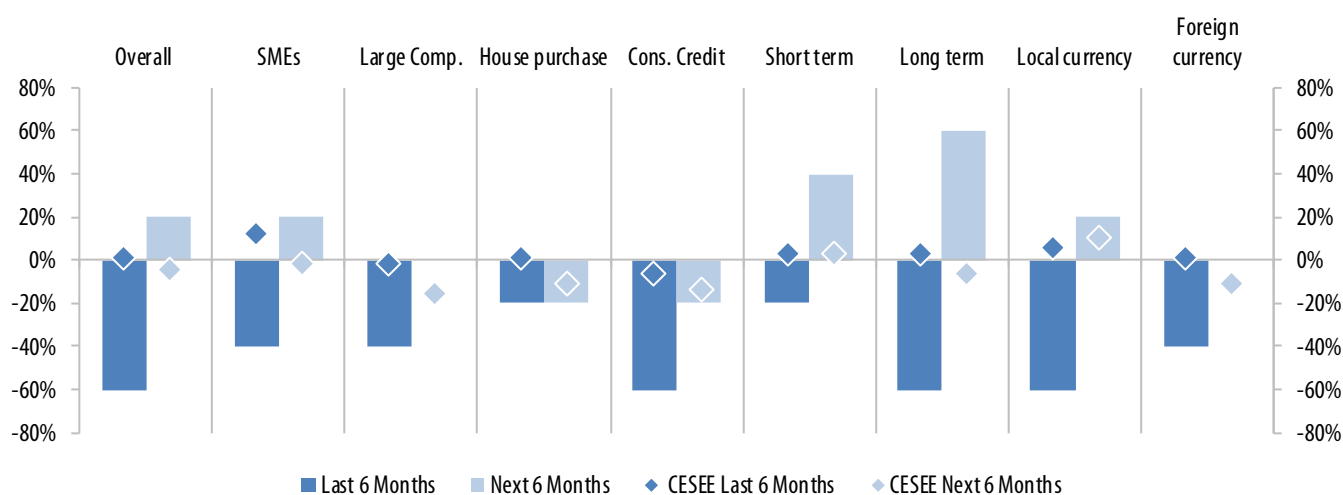


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Credit supply conditions have tightened remarkably across the board during the last six months.

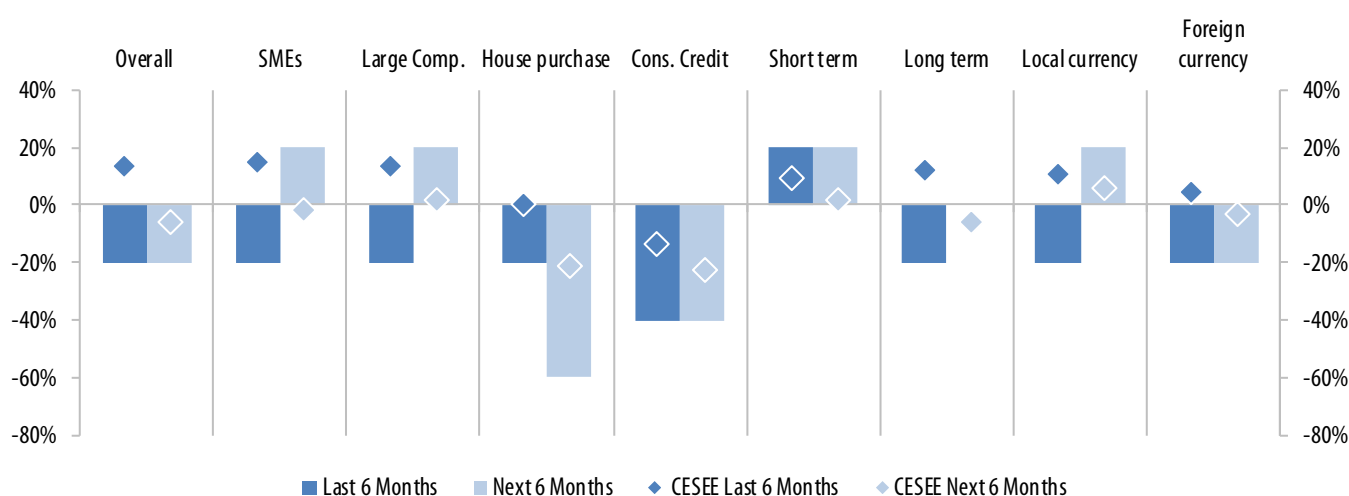


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

Overall approval rate decreased in Croatia during the last six months, while for the CESEE region have been slightly improving. The only positive evolution was registered for short-term loans while the strongest decline was registered for consumer loans.

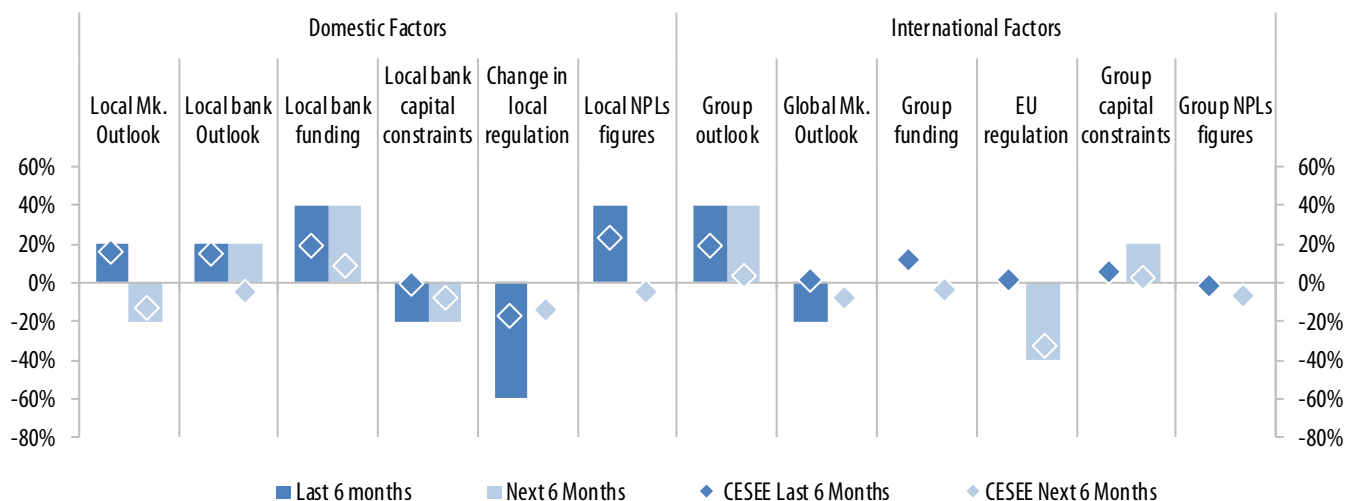


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

In line with the previous survey's outcome, change in local regulation remained the major drag among the domestic factors while local bank funding and global market outlook contributed also negatively to the supply conditions. These have been slightly counter balanced by improving local NPL figures and better local bank funding. Among international factors, group outlook was lifting up domestic credit conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

All banks in Croatia reported a decrease in NPL ratio over the last six months, especially on corporate loans' portfolio.

The level of NPL in Croatia improved during the last six months by two percentage points at 5.5, but it was still relatively high for corporate segment at 13.6 (end-2019).¹ The write-off of NPLs has been enhanced through tax-treatment.

In the context of COVID-19 induced crisis, the Croatian National Bank announced three-month loan payment deferral for those companies and households that have been affected by the crisis and adjusted supervision approach in terms of deferred loans' classification and provisioning not to count them as default for the given period.



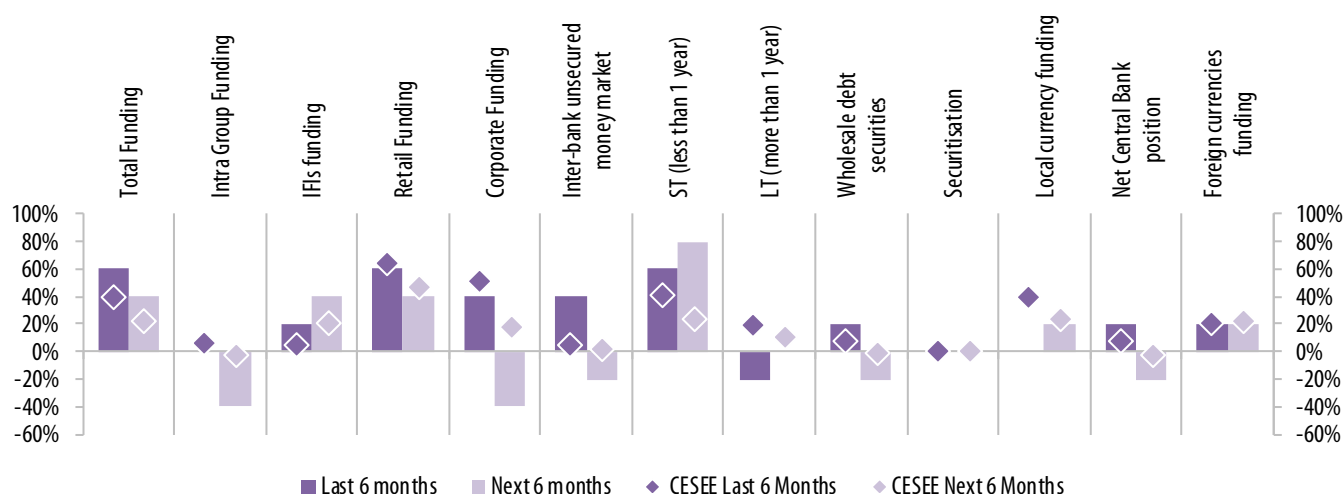
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to funding increased during the last six months, mainly due to better access to corporate and retail funding but access to IFI funding, inter-bank unsecured money market, wholesale debt securities, net central bank position and foreign currencies funding also improved.

In the context of COVID-19 crisis, policy measures have been taken to assure liquidity in both local and foreign currency. Starting March 2020 HNB carried out forex interventions to ensure foreign currency liquidity and On 15 April HNB agreed with ECB on EUR 2bn currency swap line for additional liquidity with maximum maturity for each drawing of three months. IFIs also announced to step in to provide additional liquidity.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

¹ WIW database based on CNB

Czech Republic

A profitable market, funded mostly from local deposits, and healthy credit developments prior to the COVID-19 crisis.

Summary

Group assessment of positioning and market potential: Banks operating in the Czech Republic saw predominantly high market potential and regarded their current market positioning largely as optimal. Local bank profitability remained above the group level.

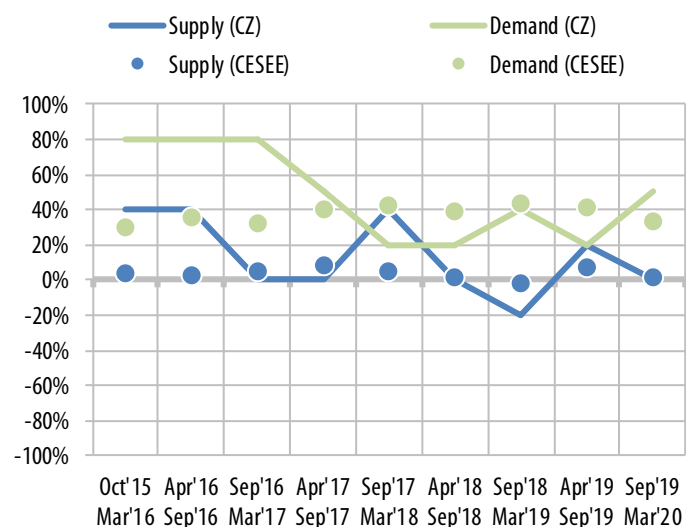
Czech banks reported that **overall lending standards** became once again broadly neutral during the last six months, while the **overall loan demand** posted a healthy net increase.

On the **credit supply** side, the contribution of individual components and segments was muted and remained broadly unchanged during the last six months. The loan approval rate improved for all segments except consumer credit. Changes in local regulation contributed negatively to credit supply over the last six months.

Demand for credit in the Czech Republic increased across all loan segments during the last six months. House purchase loans registered an improvement in the quality of loan applications.

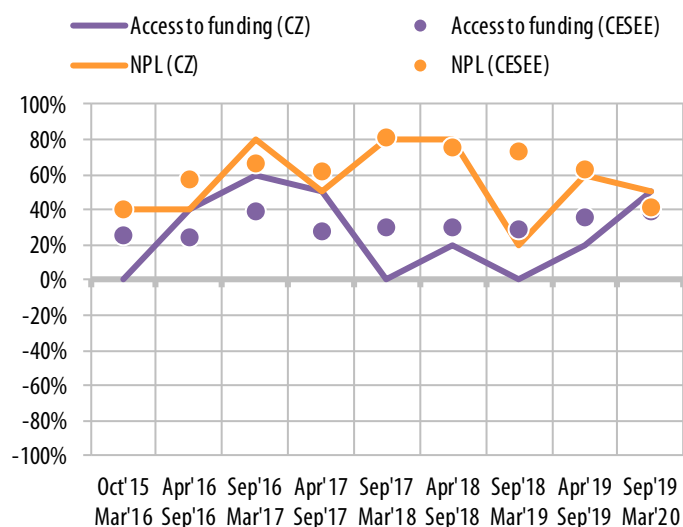
Access to funding for banks in the Czech Republic improved during the last six months. Retail and corporate deposit funding continue contributing to the healthy funding base of the Czech banking sector.

NPL figures registered another decline during the last six months according to the survey.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

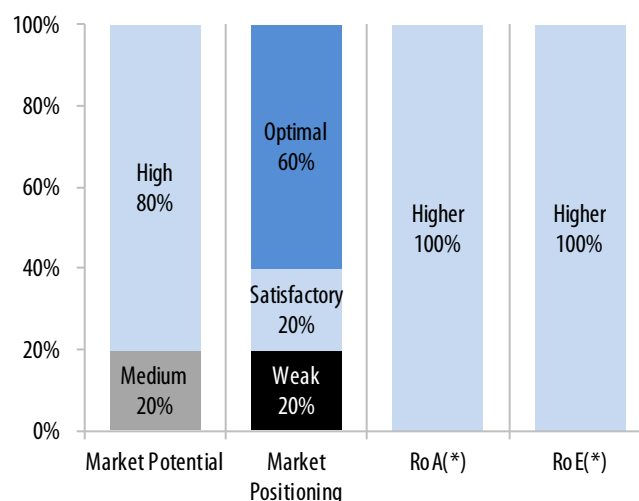
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Local bank profitability in comparison to overall group operations remained favourable. All banks in the Czech Republic reported higher profitability than the overall group in the last six months.

The favourable profitability performance, together with the stability of such profitability across the last years, translated into the parent banks' perception of high market potential in the Czech Republic and very good market positioning on average. 80% of parent banks saw high potential on the Czech market.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

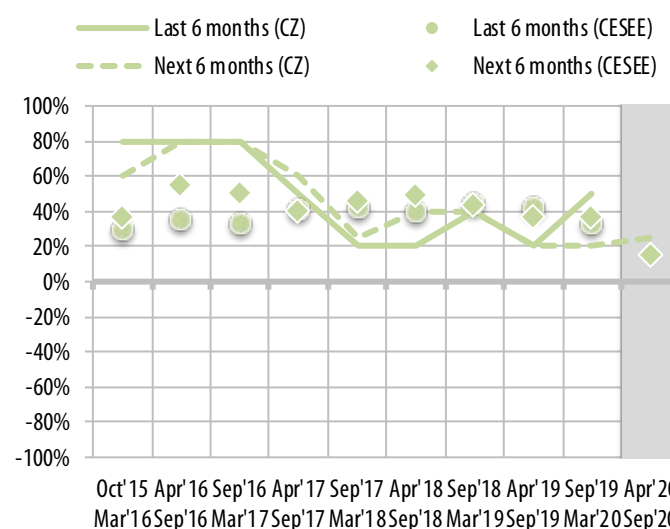
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Net increases in the overall loan demand have slightly picked up in the last six months. About half of Czech banks on a net basis reported an increase in overall loan demand.

Credit demand in the Czech Republic was running at a slightly stronger pace than the CESEE average during the last six months.

Figure 2 Demand side developments

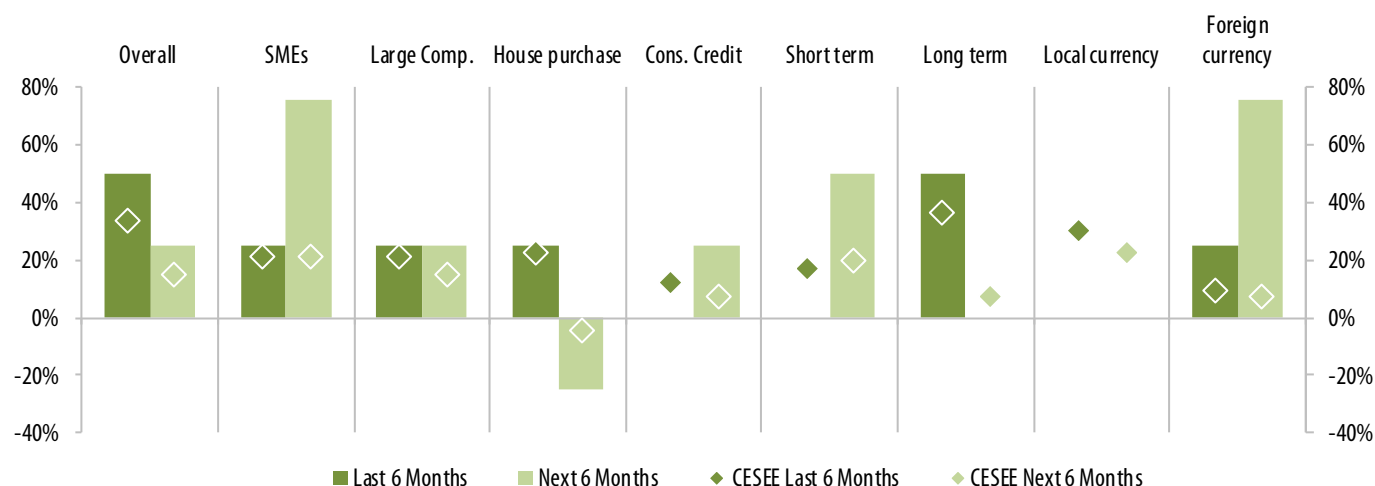


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Last six months have witnessed a healthy increase in loan demand across both households and firms. Demand for loans to SMEs and larger corporations has increased, as well as demand for house purchase loans by households. Demand for consumer credit was unchanged during the last six months, in comparison to a net increase during the previous wave of the survey.

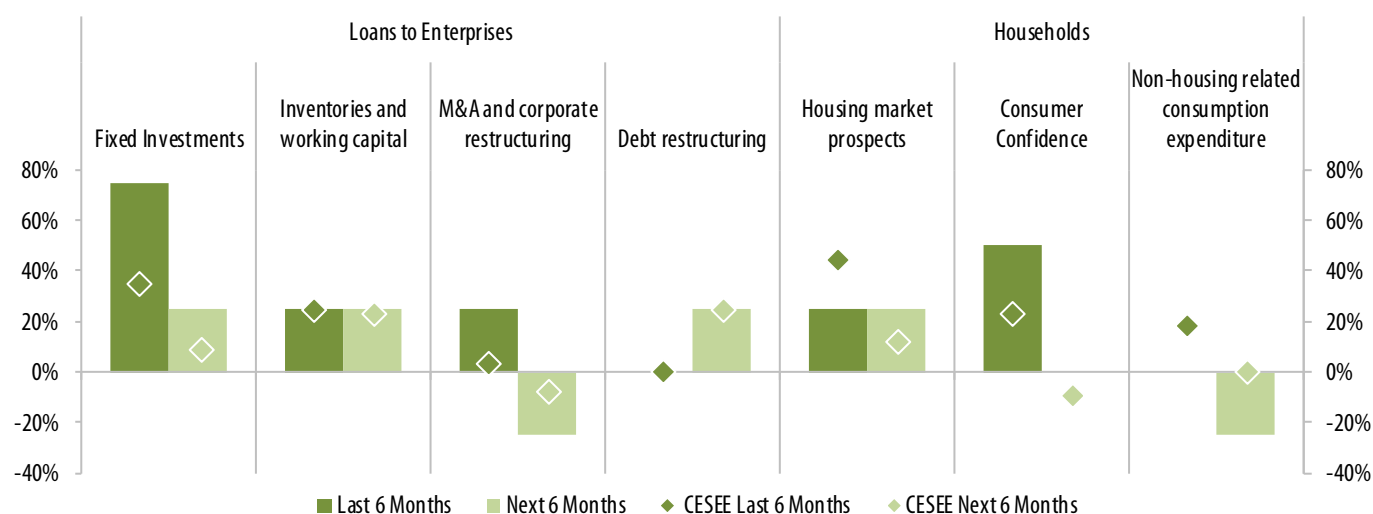


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

As for the factors affecting demand for loans in the Czech Republic, firm fixed investments and consumer confidence had the largest positive influence in the last six months. Firms also slightly increased their demand for loans related to inventories and working capital. Housing markets prospects became a net positive factor in the last six months, after recording a more neutral mark during the previous wave of the survey.

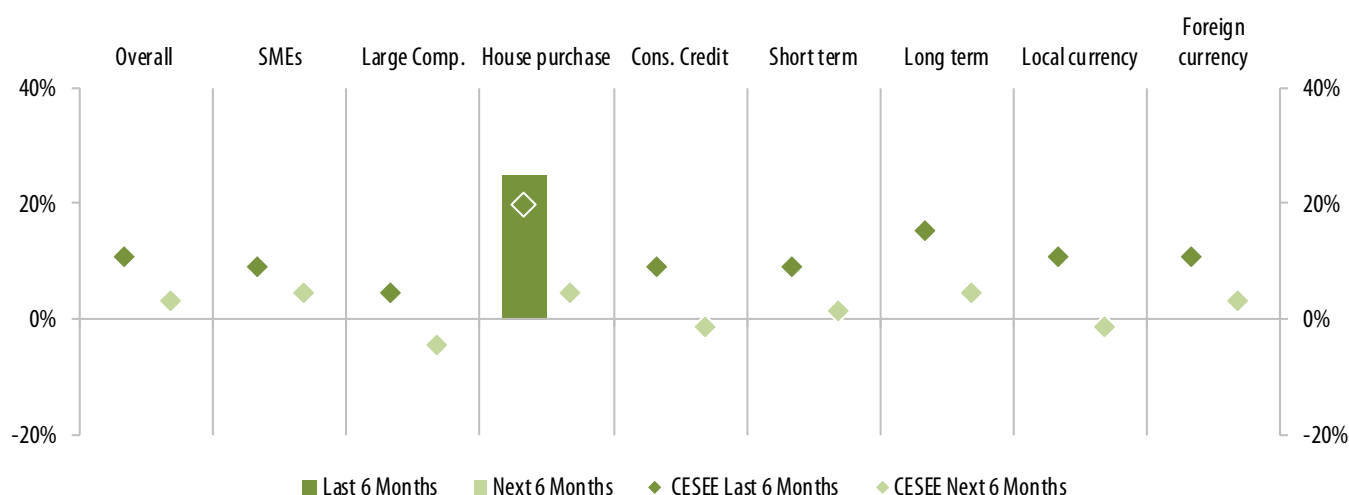


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

Over the last six months, the quality of loan applications was unchanged, same as during the previous wave of the survey. Mortgages registered an improvement in the quality of loan applications in the last six months.

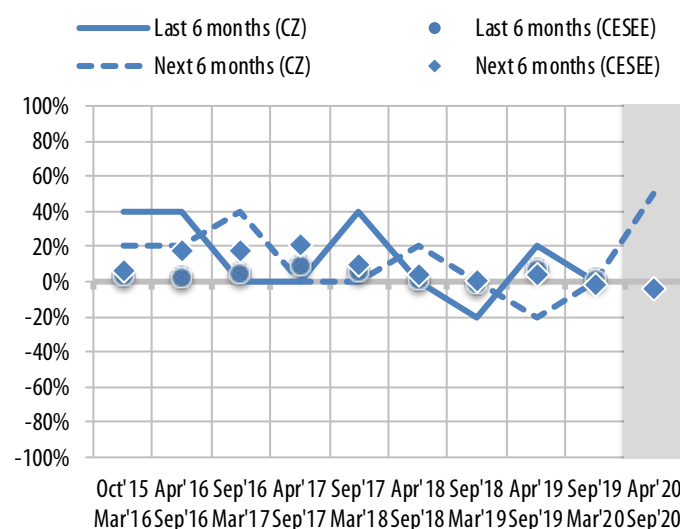


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

After a slight easing during the previous wave of the survey, credit standards in the Czech Republic became more neutral in the last six months. This development was broadly in line with the CESEE region as a whole.

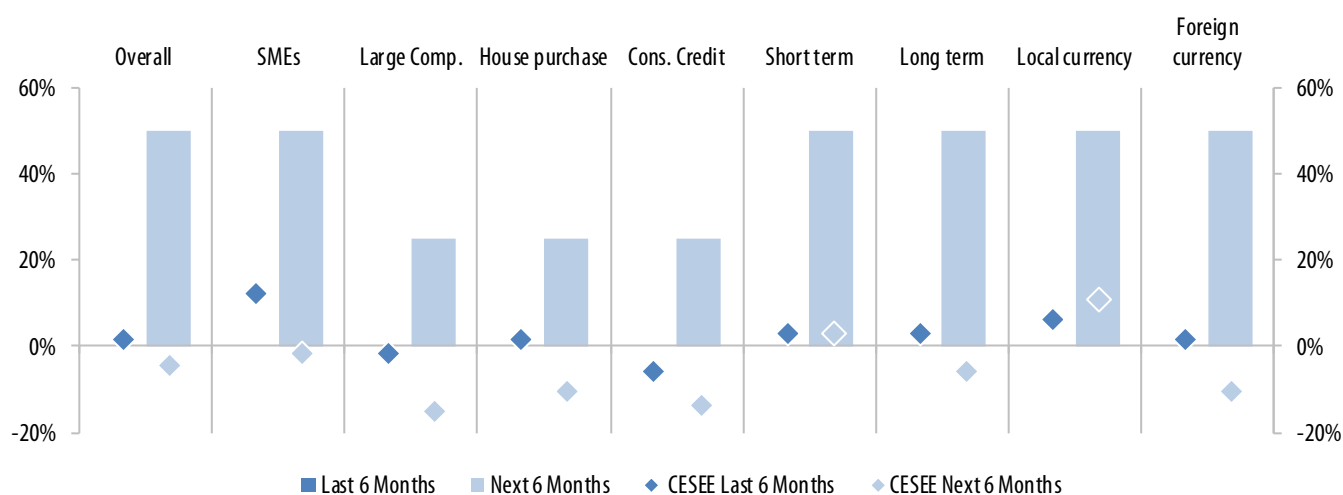
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Individual credit supply components and segments were unchanged during the last six months, in line with the aggregate credit standards developments. A broadly similar picture was seen across the CESEE region as well.

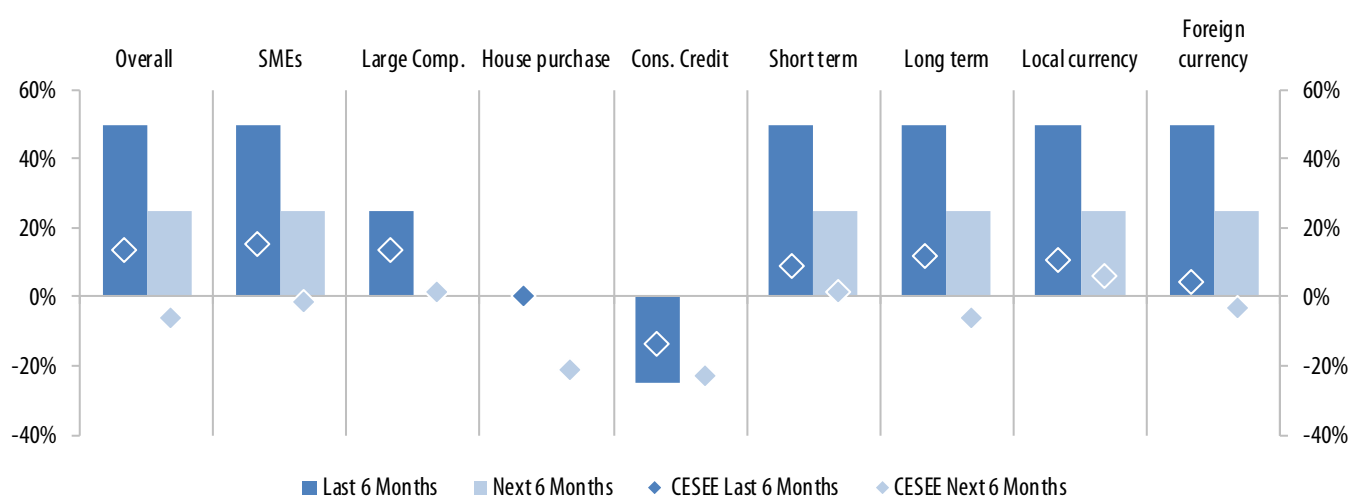


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

The overall loan approval rate registered a stronger net increase over the last six months in comparison to the previous wave of the survey. In particular, the approval rate for loans to SMEs increased substantially, followed by large corporate loans. On the other hand, the approval rate for consumer credit declined in the last six months, following another decline during the last wave of the survey.

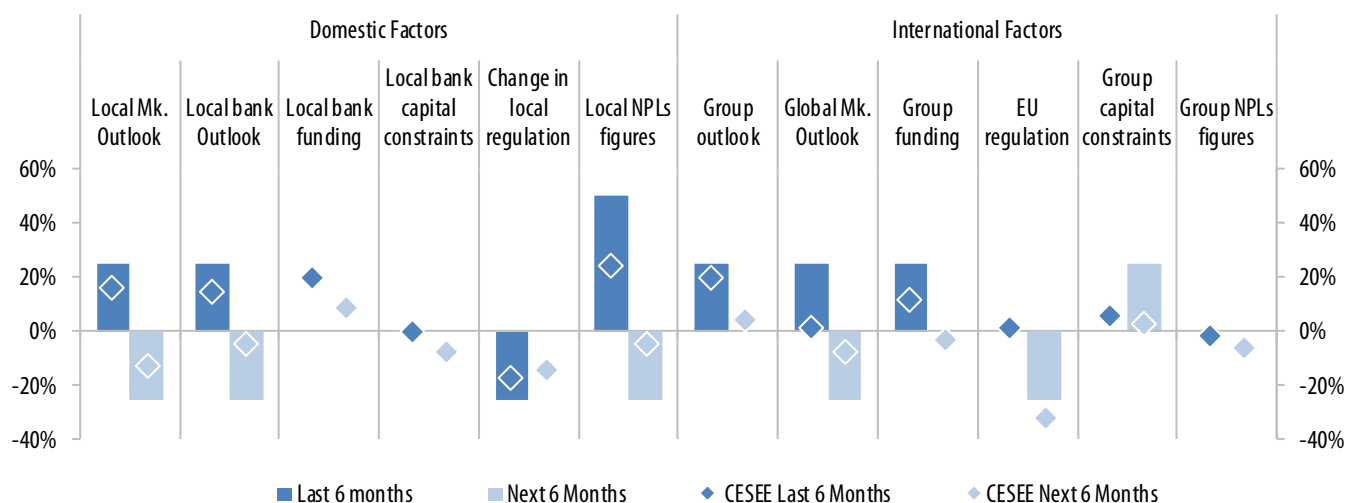


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

In line with the recent macro-prudential tightening, changes in local regulation continued being the dominant factor contributing negatively to credit supply conditions in the Czech Republic. On the other hand, both the local as well as the group/global market and bank outlook made a positive contribution to credit supply conditions, together with local NPL figures.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

The total NPL ratio decreased in the Czech Republic over the last six months, broadly in line with the CESEE average. Just like in the previous wave of the survey, the NPL reduction was equally strong for corporate loans as well as retail loans. The expectations for the next six months show a relevant deterioration in credit quality, driven by the effect of Covid-19 crisis.

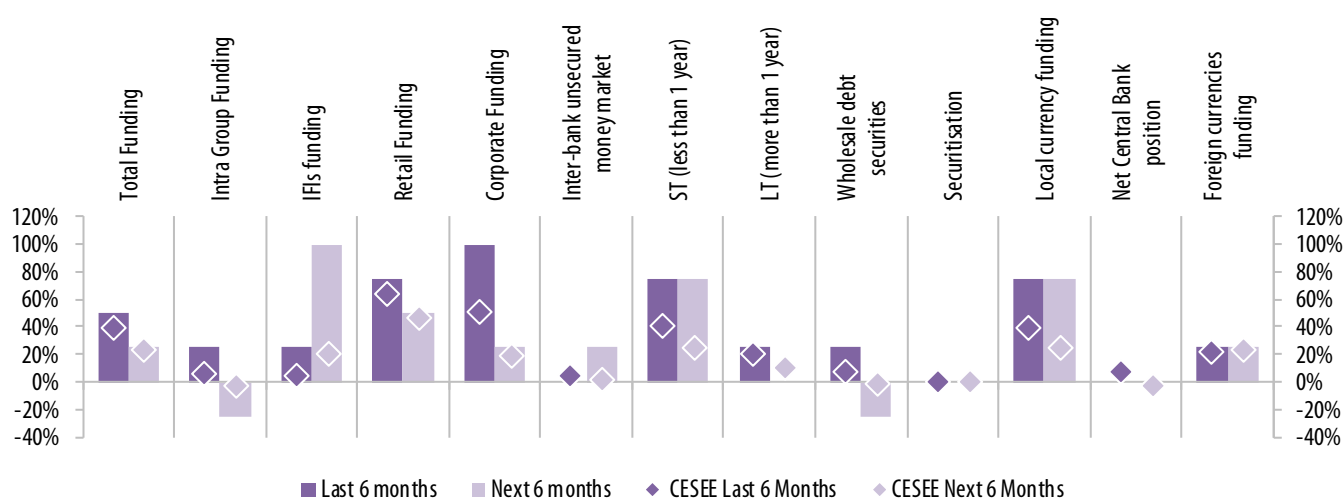


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to funding of Czech banks improved during the last six months. Retail and corporate funding continued being the strongest positive contributions to total funding.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Hungary

Before the pandemic hit the region, the Hungarian market was characterised by rapidly increasing credit demand and improving supply conditions. After COVID-19, expectations for the next six months indicate a contracting demand and tightening supply conditions. .

Summary

Group assessment of positioning and market potential: The overwhelming majority of parent banks considered the Hungarian market to have medium potential, which puts the country somewhat behind the Czech Republic, but ahead of Slovenia. The majority of banking groups find that their position in the Hungarian market was satisfactory or optimal, yet one-third of the groups find their positioning weak. Risk-adjusted returns on equity and assets were on average equal to or higher than those seen in the groups' other operations.

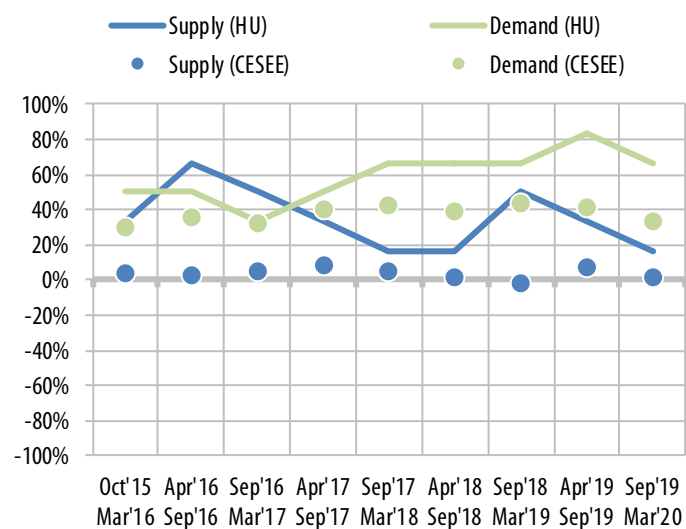
Hungarian banks report that **credit demand** improved dynamically over the last six months (September 2019 to February 2020), while the improvements in **credit supply** conditions have been more moderate.

Overall, **credit supply** conditions improved somewhat in the last six months, significantly above the rest of the CESEE region.

Demand for loans increased across the whole spectrum of products and segments over the last six months, especially in the retail segments: housing, consumer credit and SMEs.

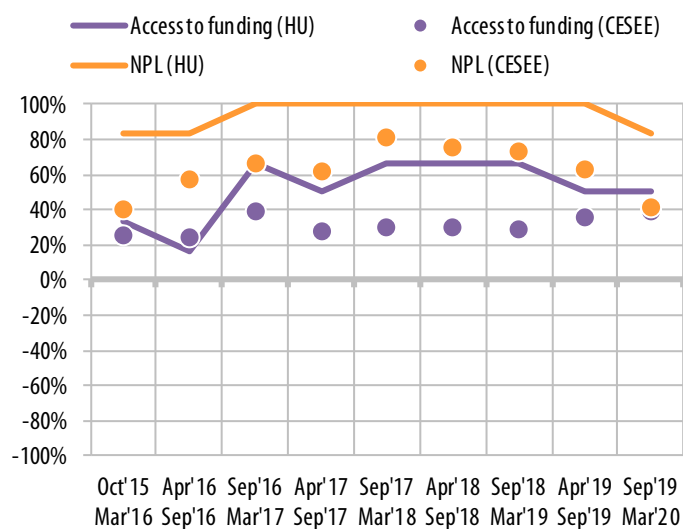
Access to funding: Overall access to funding improved in line with the CESEE region as a whole over the past six months. The improvement was due chiefly to domestic sources.

NPL ratios improved in an unequivocal manner in both the corporate and retail segments over the past six months.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

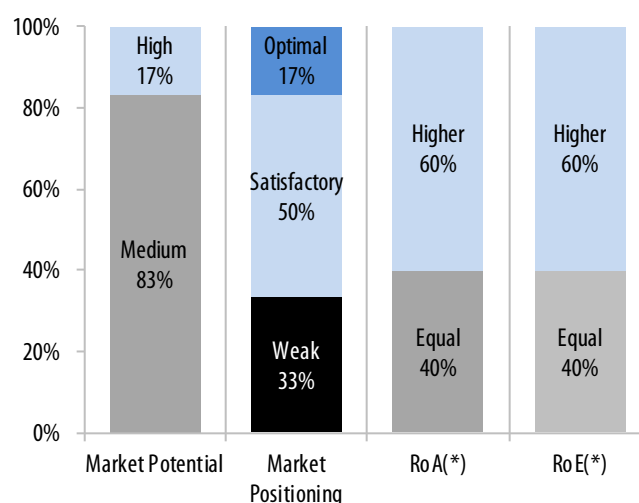
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Hungary show commitment towards the region. Two-thirds of the banking groups present in the country planned to selectively expand their operations in the CESEE region, while the rest of the groups indicated intentions to maintain their presence at the current level.

The overwhelming majority of parent banks consider the Hungarian market to have medium potential, which puts the country somewhat behind the Czech Republic, but ahead of Slovenia.

The majority of the banking groups find that their position in the Hungarian market is satisfactory or optimal, yet one-third of the groups find their positioning weak. Most parent banks find that risk-adjusted returns on assets and equity are somewhat higher than those seen in other operations of the groups.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

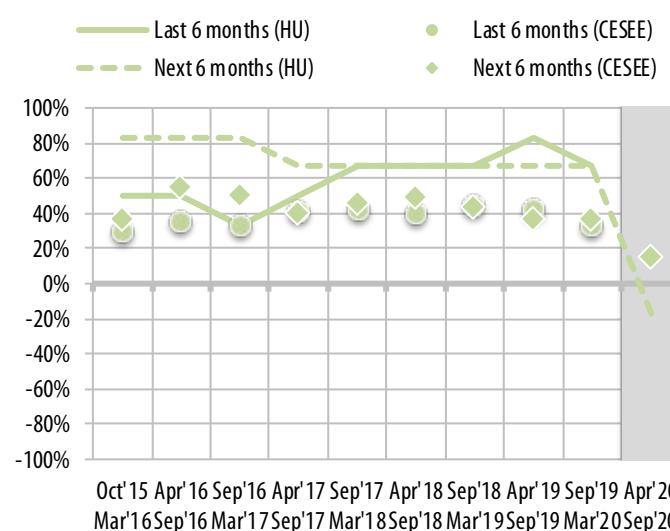
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Hungarian banks continued to report strong improvements in credit demand in the past six months, in line with their previous expectations. The dynamics of the demand for loans in Hungary continued to be well above those in the rest of the CESEE region.

A significant decline in credit demand is expected for the next six months, which is most likely associated with the impact of the COVID-19 pandemic.

Figure 2 Demand side developments

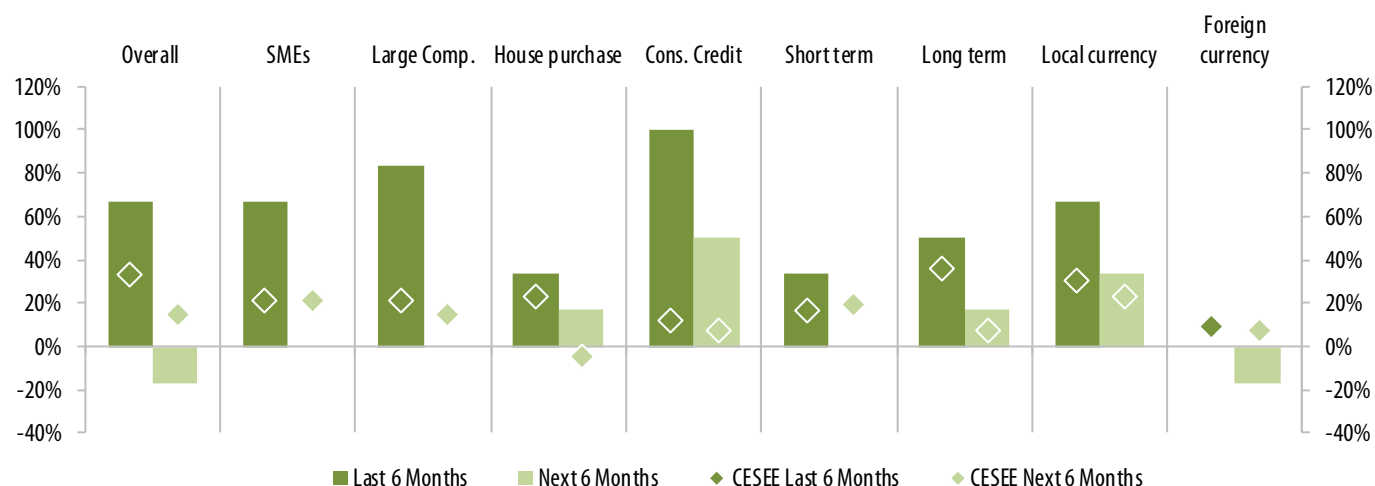


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

We were observing increasing demand in almost all market segments and sub-categories in the last six months. Loan demand was more dynamic for SMEs and large corporations than for house purchases, although in the retail segment consumer credit demand was expanding significantly. There is a strong preference for borrowing in Hungarian forint versus foreign currency denominated loans.



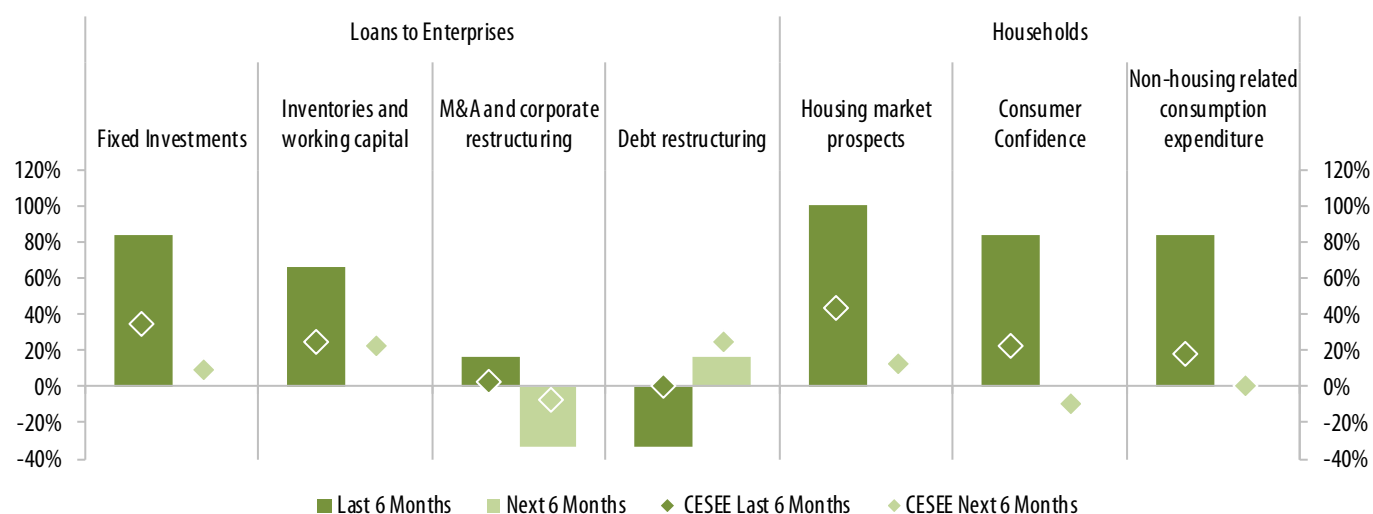
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

When looking at the individual factors, both investment and working capital have been driving the demand for loans in the corporate sector. Demand related to acquisitions and restructuring has been modest, while demand related to debt restructuring has been slightly negative.

As for households, all listed components – housing market expectations, consumer confidence, and consumption expenditure – have been providing strong stimulus to loan demand over the past six months.

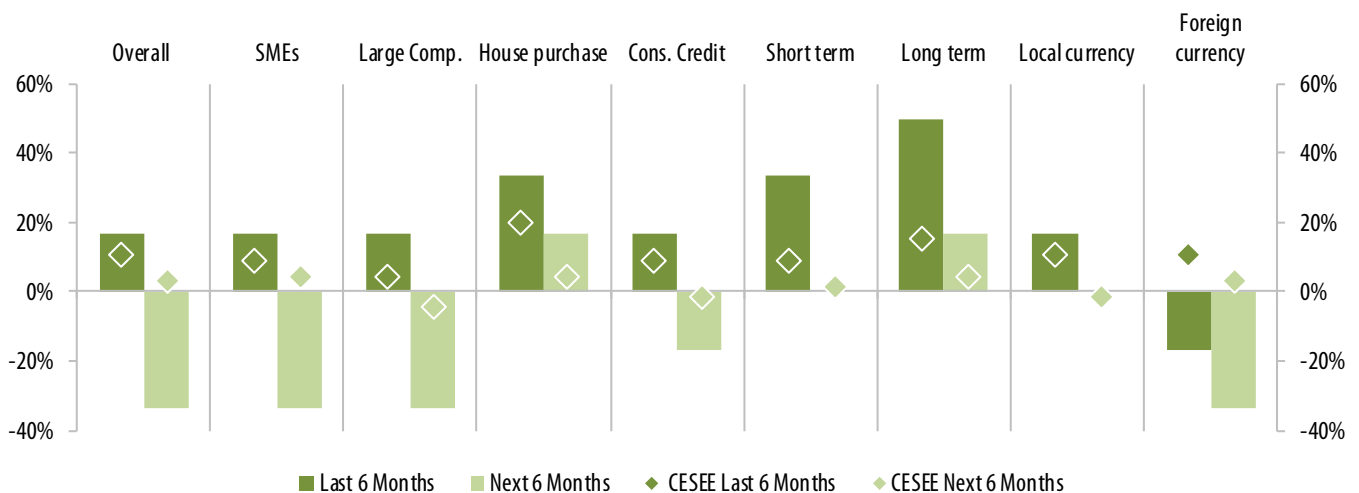


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The overall perceived quality of loan applications has improved somewhat in the last six months in all client categories, and both for short-term and long-term loans. Improvements are more marked in Hungary than in the CESEE average. When it comes to the quality of applications for FX-denominated loans, banks reported a decline.



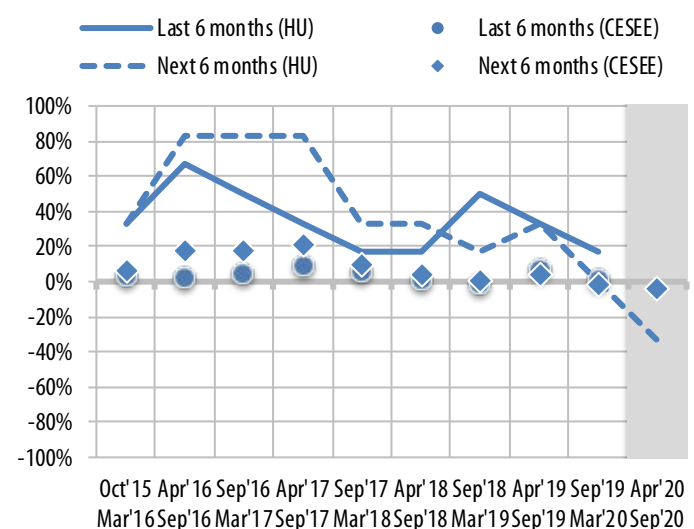
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions have shown moderate improvements in Hungary over the last six months, yet the improvement exceeded somewhat the banks' own expectations, which pointed towards stagnation. Looking ahead, supply is expected to decline, reflecting the projected impact of the COVID-19 outbreak on banks' credit policy at the time of the survey.

While lagging behind demand, credit supply conditions were significantly more dynamic in Hungary than in the rest of the CESEE economies, where credit supply conditions were broadly stagnating in the past six months.

Figure 6 **Supply developments**

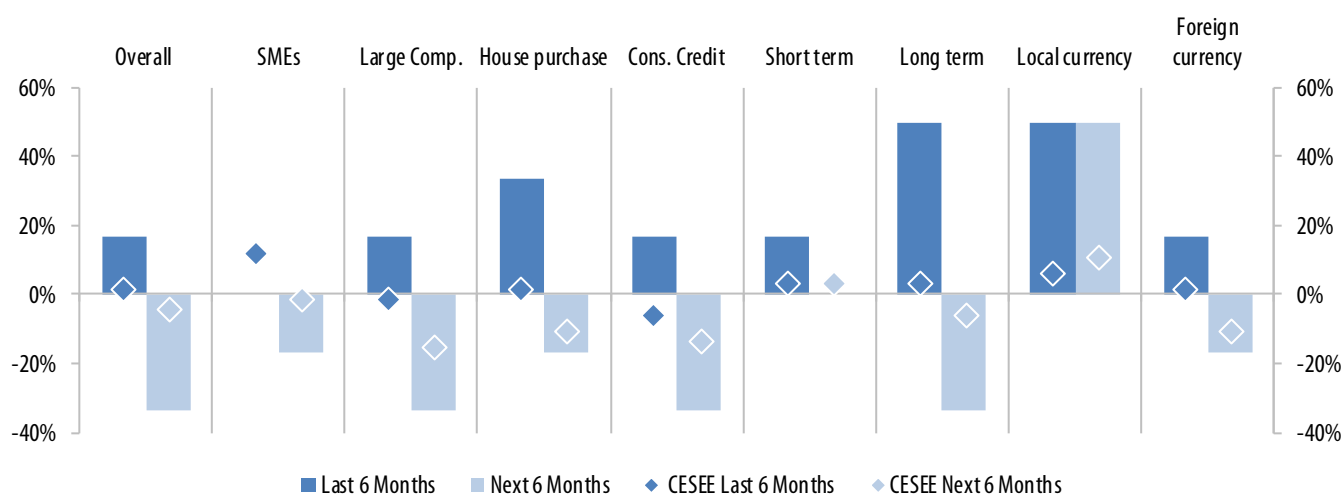
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Although credit supply conditions have been improving in almost all segments, the strongest positive developments can be observed for mortgages. Credit supply conditions for smaller companies have improved only marginally in the last six months. Supply conditions for foreign currency loans have improved less than for local currency loans.

Improvements in credit supply exceeded the CESEE average in all categories, except for SMEs.



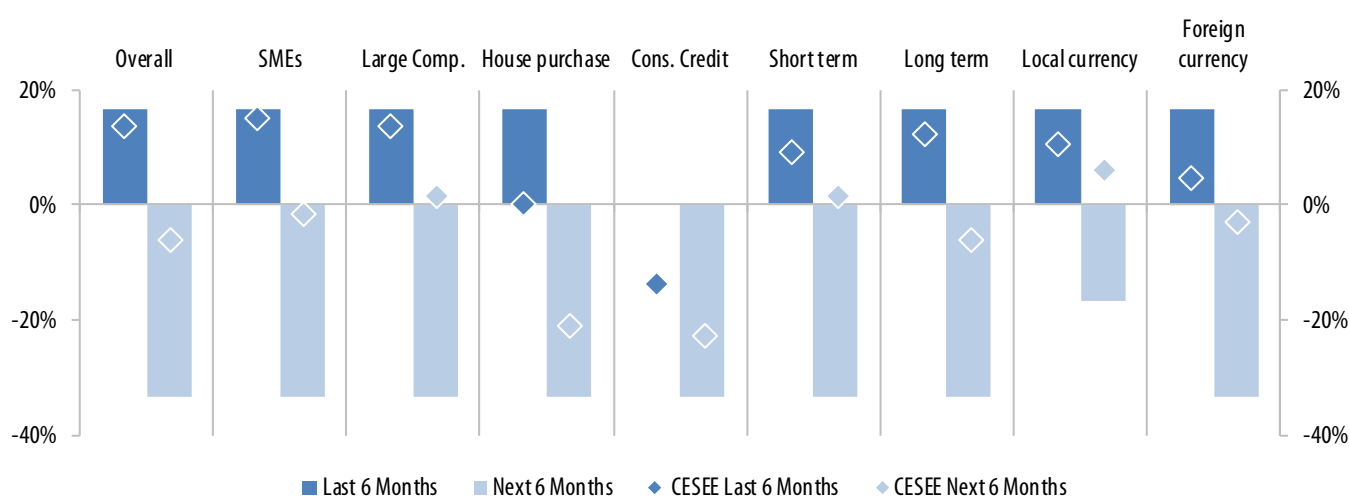
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

The approval rates of credit applications improved overall over the past six months. Strong improvements have been reported for all categories, except for consumer credit where approval rates were stagnating.

These developments are broadly in line with the CESEE average, but more pronounced in the case of mortgage loans and FX-denominated lending. A sharp reversal is expected over the next six months due to the impact of COVID-19 pandemic.

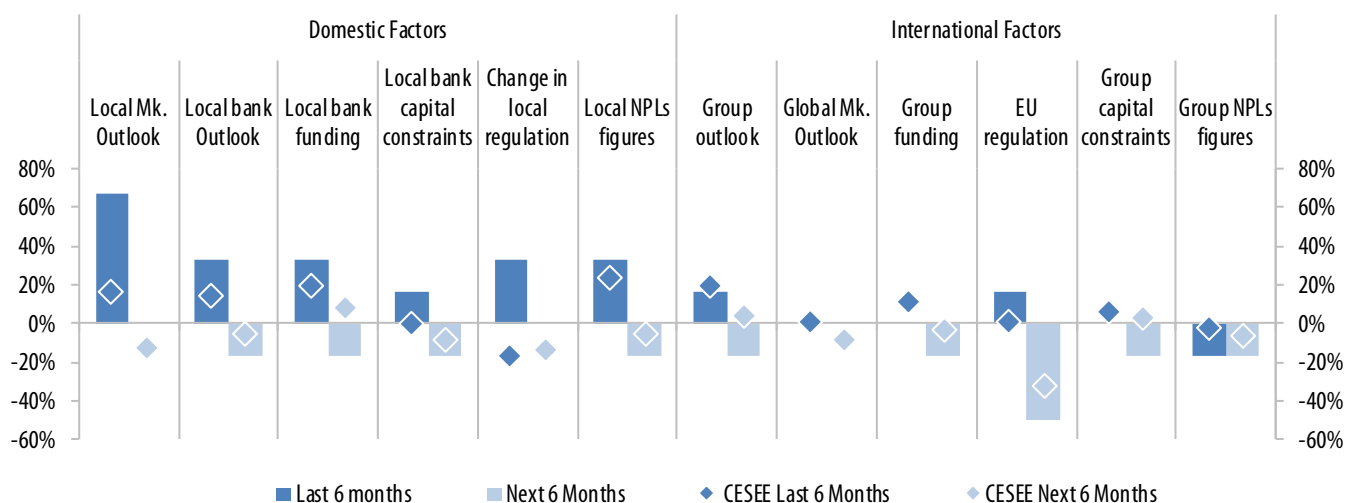


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Domestic factors were contributing positively to credit supply, while international factors have been mostly neutral on average over the past six months. Local regulation had a positive effect in Hungary, while elsewhere in the region it contributed negatively to credit supply over the past six months. Post-COVID-19 many factors are expected to have a negative impact on credit supply conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

NPL figures in Hungary were improving in both the corporate and retail segments over the past six months. The improvement were in line with the general developments of NPLs in the CESEE region as a whole, but more pronounced. Deteriorating asset quality is expected over the next six months as a result of the COVID-19 impact.

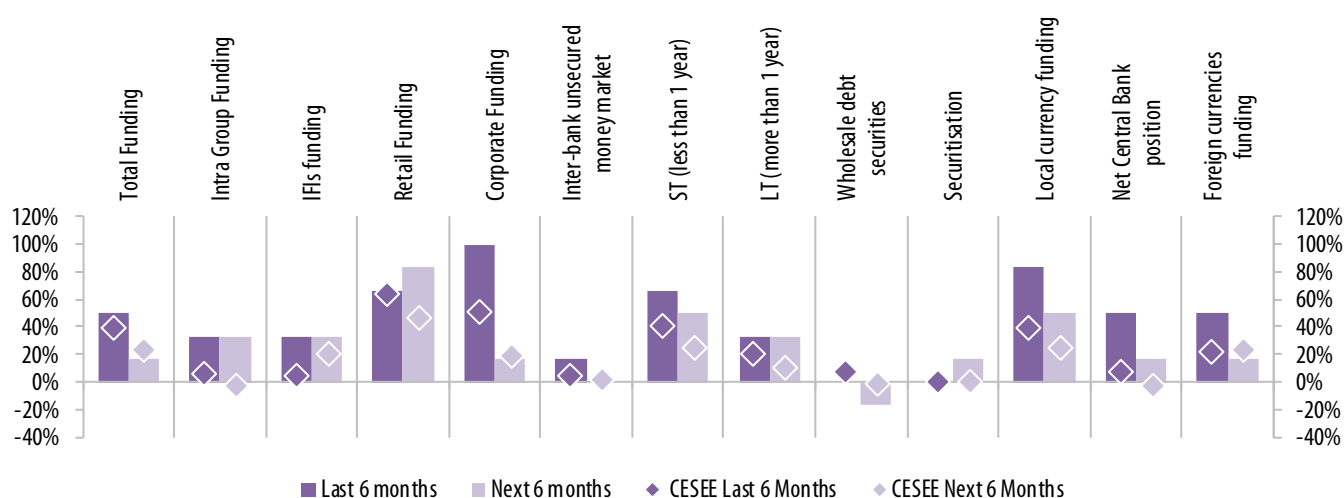


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

In line with developments in the rest of the CESEE, overall access to funding for Hungarian banks has improved over the last months. The strongest contributor is the domestic side, both corporate and retail deposits had a strong positive influence. These improvements are above the CESEE average, particularly in the case of corporate funding and net central bank position.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Kosovo

A small but profitable market with low to medium market potential. Before COVID-19 pandemic impacted the region, credit demand was strong, supported by easy credit standards. NPL reduction was ongoing.

Summary

Group assessment of positioning and market potential: half of the parent banks operating in Kosovo saw medium market potential whilst the other half pointed at low market potential. On the other hand, market positioning was regarded as optimal. The profitability of all local banks was described above that of overall group operations.

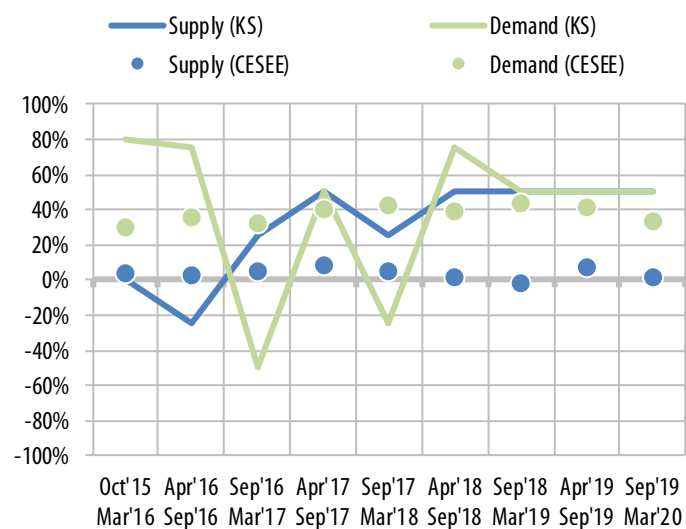
Credit demand continued increasing steadily during the last six months, at the same pace as during the Autumn 2019 wave of the survey. **Credit supply** conditions remained accommodative in the last six months, similar to the previous wave of the survey.

During the last six months, **credit supply** conditions eased for loans to SMEs, house purchase loans and consumer credit. However, consumer credit registered a net decline in the banks' loan approval rate.

Demand for loans during the last six months increased for loans to SMEs, large corporates and for house purchase loans. Firm fixed investment were an important factor supporting corporate demand for loans. On the other hand, consumer credit demand declined. The overall quality of loan applications declined, particularly on the part of SMEs and large corporates.

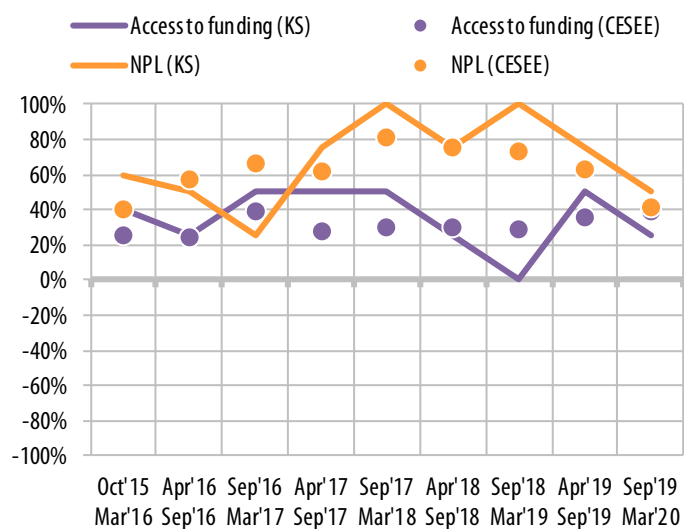
Access to funding improved slightly during the last six months, albeit less than the CESEE average. Access to retail funding increased significantly.

NPL figures declined during the last six months, across both retail and corporate loans.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



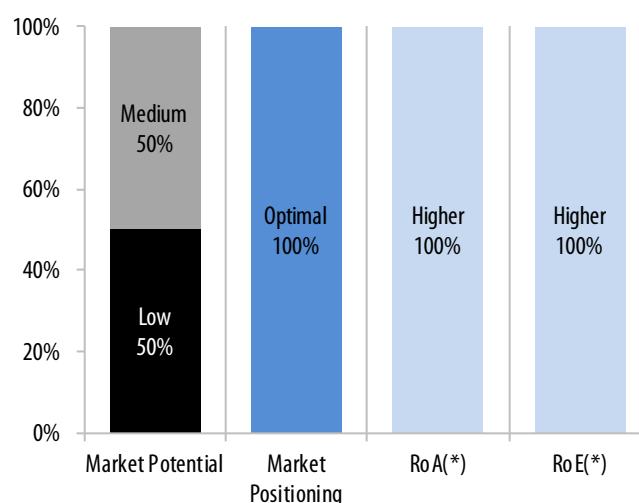
Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

The profitability of local banks in Kosovo remains universally above the overall group levels. 50% of parent banking groups regard the market potential as medium and all parent banks see their current market positioning as optimal.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

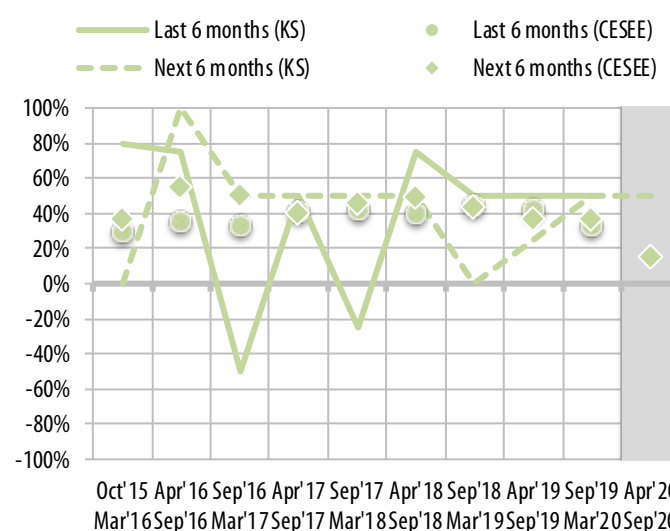
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand in Kosovo continues to register stable net increases over the past six months. The increase in credit demand in Kosovo over the last six months was slightly stronger than the CESEE average.

As a CoVID-19 impact, loans for household might drop strongly due to lower income and overall consumption contraction. For example, GDP is expected to drop 5% for Kosovo in 2020 (Spring WEO IMF). On the other hand, higher demand for loans might come from emergency liquidity needs of companies under lockdown. Support can come by policy measures, whereby the announced fiscal package includes also guarantees for new loans for affected companies.

Figure 2 Demand side developments

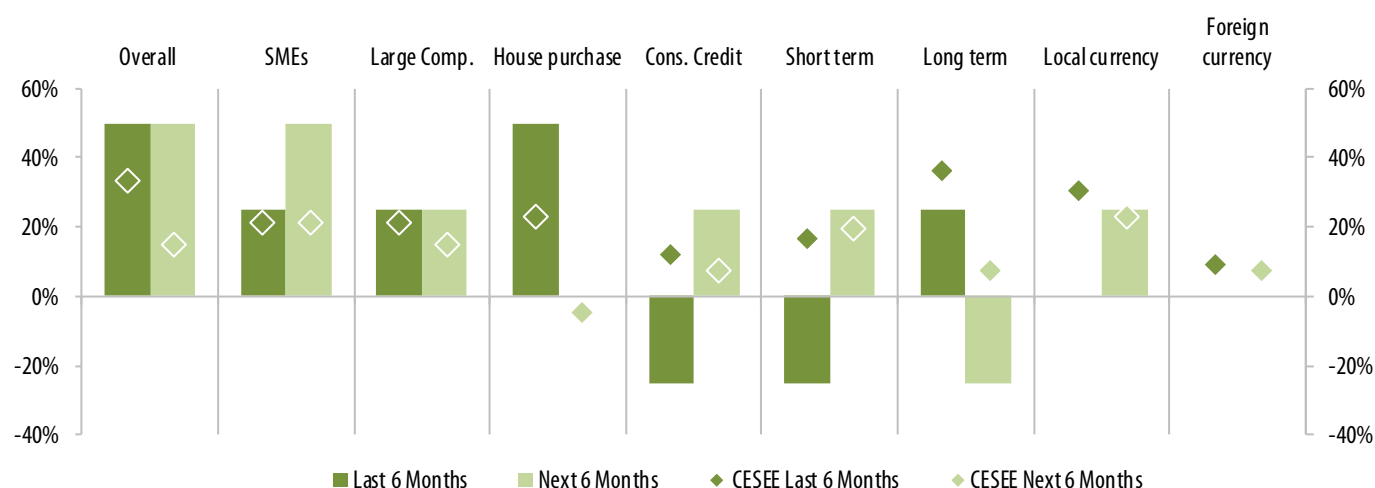


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time $t+1$.

Figure 3 Demand components and segments

During the last six months, credit demand registered a healthy increase for loans to SMEs and large corporates. The picture for the household segments of credit demand was mixed. Demand for house purchase loans increased sharply in the last six months, while demand for consumer credit registered a net decline.

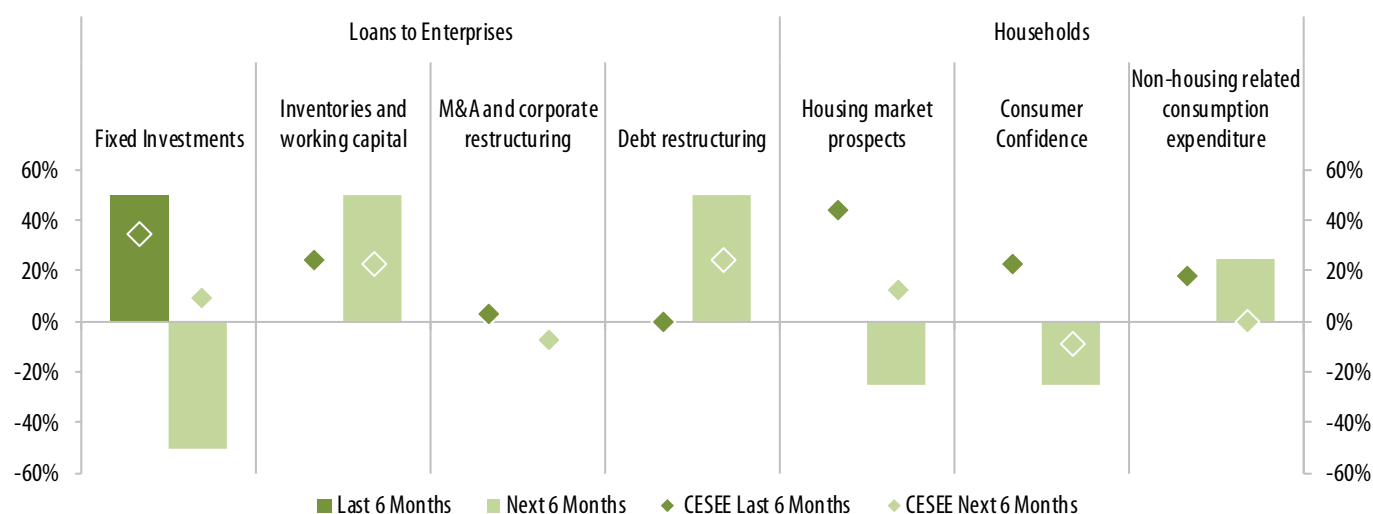


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

During the last six months, firm fixed investment were the only factor contributing positively to credit demand in Kosovo, above CESEE average. All the remaining credit demand factors were unchanged in the last six months.

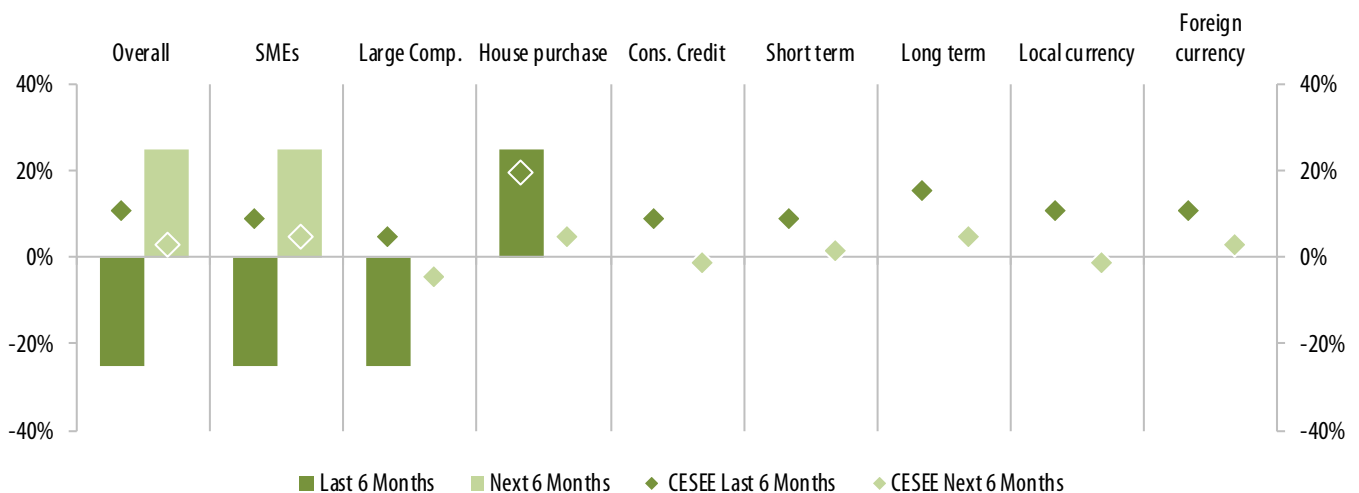


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 Quality of loan applications

The overall quality of loan applications declined in Kosovo during the last six months. The main declines in the quality of loan applications were registered for loans to SMEs and large corporate loans. On the other hand, the quality of loan applications for house purchase loans improved during the last six months.

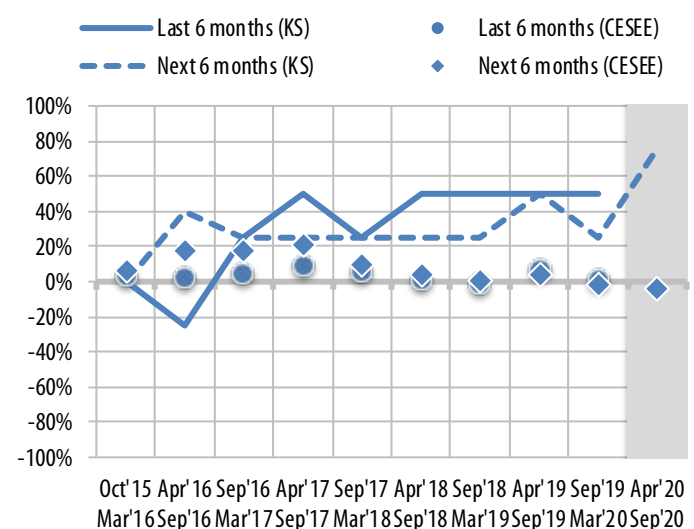


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Just like credit demand conditions, credit supply standards continued registering stable net easing over the last six months. The net easing of credit standards over the last six months was the same as during the previous wave of the survey. Credit supply conditions in Kosovo remain more accommodative than for the CESEE aggregate.

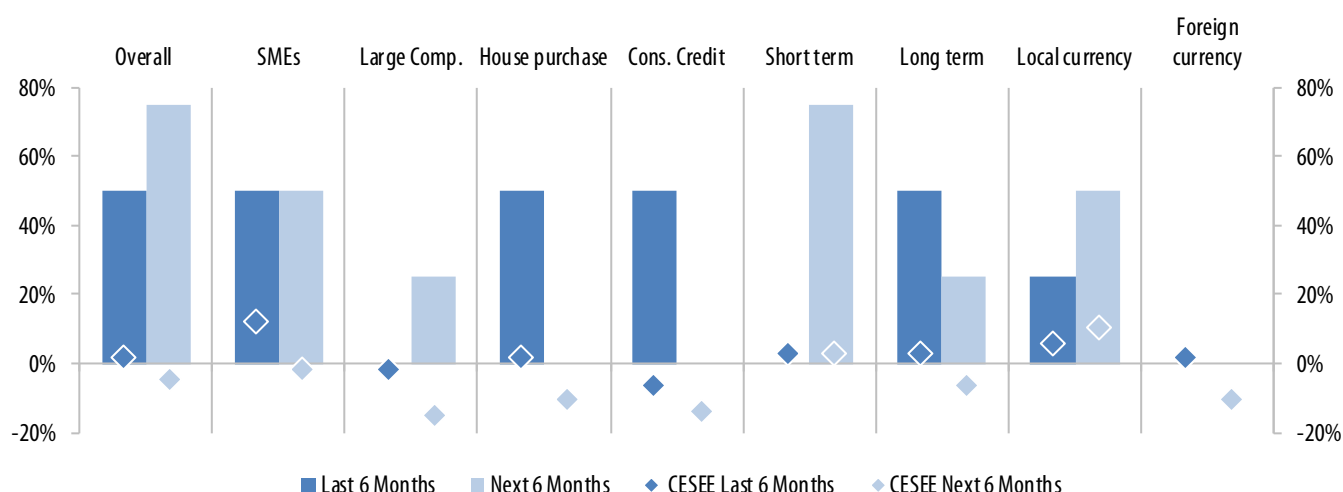
Figure 6 Supply developments

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

During the last six months, credit conditions eased particularly for loans to SMEs, house purchase loans and consumer credit – above CESEE average. Credit standards remained unchanged for large corporate loans.

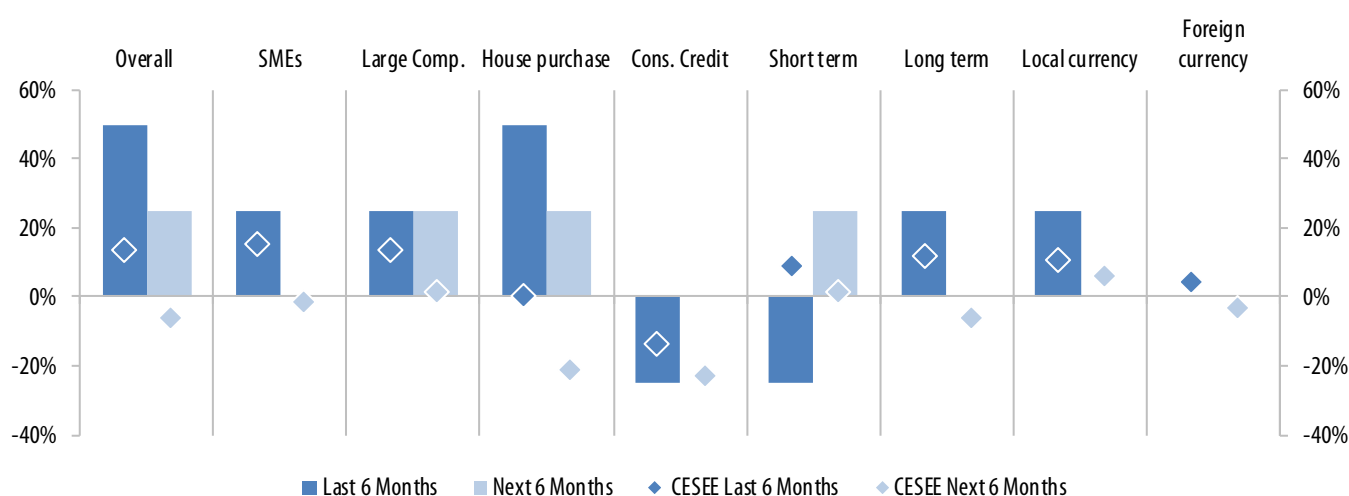


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

During the last six months, the overall banks' approval rate for loan applications in Kosovo increased substantially, above the CESEE average. Loans to SMEs, large corporates and house purchase loans registered an increase in the approval rate. On the other hand, consumer credit registered a net decrease in the approval rate for loan applications.

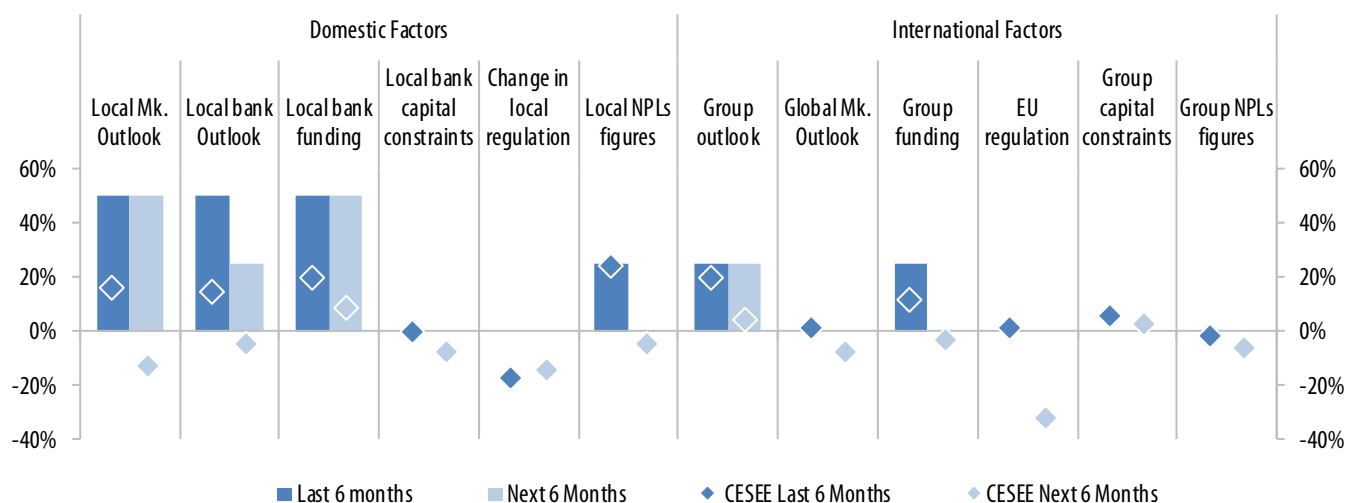


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Domestic factors had a more positive impact on local credit conditions in Kosovo than international factors over the last six months. In particular, local market and bank outlook, local bank funding and local NPLs figures contributed positively to credit supply conditions. Among the international factors, group outlook and group funding also had a positive effect on credit supply conditions in Kosovo in the last six months.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

NPL reduction was strong during the last six months in Kosovo. NPL ratios decreased for both corporate and retail loans. This development was in line with the CESEE region as a whole.

In the context of Covid-19 crisis, the Central Bank of Kosovo announced loan repayments moratorium for distressed borrowers until 30 April (with possibility of extension), to be decided on a case-by-case basis by the lender and a regulatory change on loan provisions and capital requirements on deferral loans.

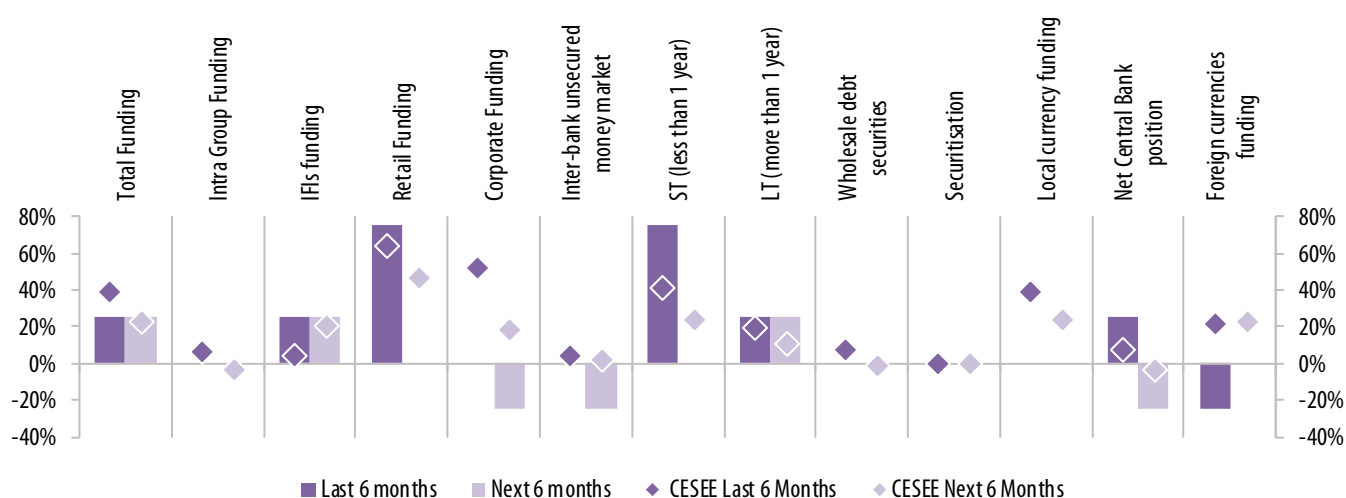


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to total funding for banks in Kosovo improved during the last six months, although slightly less than for the CESEE aggregate. In particular, access to retail deposits increased sharply. In addition, access to IFIs funding also registered a net improvement.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

North Macedonia

Prior COVID-19 credit demand conditions became more muted, while credit standards were unchanged during the last six months. NPL reduction picked up.

Summary

Group assessment of positioning and market potential: the majority of parent banking groups operating in North Macedonia regarded the market potential as medium and their market positioning was seen as mostly satisfactory. Local banks' profitability was on balance equal or better than the overall group operations.

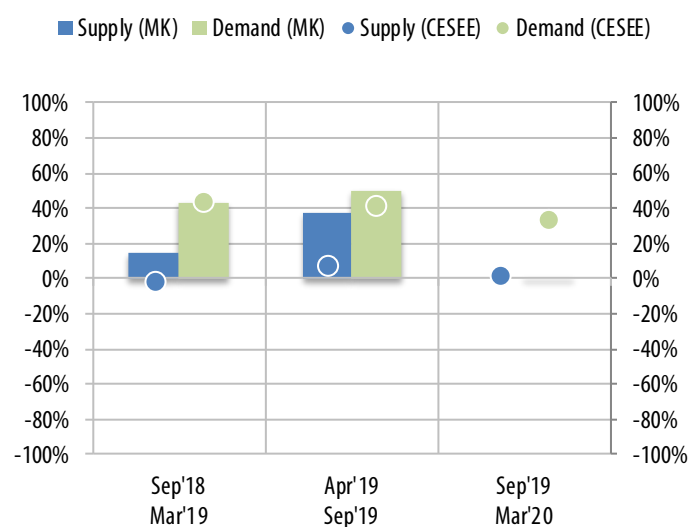
During the last six months, **credit demand** was unchanged, compared to an overall increase in the CESEE average, and **credit supply conditions** were unchanged too, in line with the CESEE average.

Credit supply conditions eased for house purchase loans and consumer credit. Overall, the loan approval rate registered a net increase, but it declined for house purchase loans and consumer credit.

Demand for loans, while unchanged overall, declined for consumer credit and FX loans. The quality of loan applications for consumer credit declined too. On the other hand, firm loan demand for fixed investment and working capital increased during the last six months, as well as demand for house purchase loans.

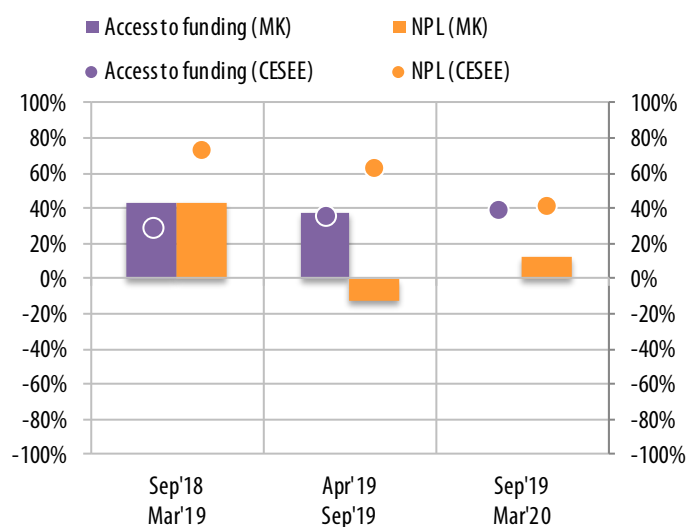
Access to funding for local banks in North Macedonia was unchanged during the last six months, in contrast to an improvement for the CESEE region as a whole. Nevertheless, access to retail and corporate deposits has continued improving significantly. On the negative side, access to intra-group funding and IFIs funding registered a slight deterioration during the last six months.

NPL ratios decreased during the last six months, albeit less than the CESEE aggregate. In particular, retail loans registered a healthy reduction in their NPL ratio.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

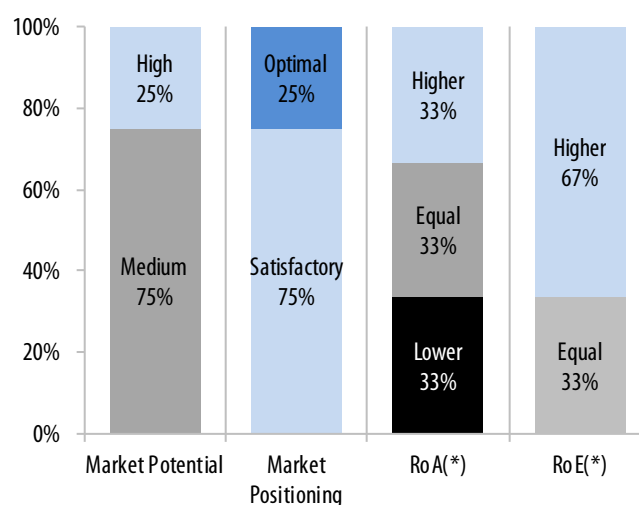
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

75% of the parent banking groups operating in North Macedonia regarded their current market positioning as satisfactory. The same share of parent banks saw the market potential in North Macedonia as medium. Over the last six months, there was an increase in the share of parent banks that saw the market potential in North Macedonia as high.

The majority of local banks in North Macedonia reported profitability equal or exceeding the profitability of the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

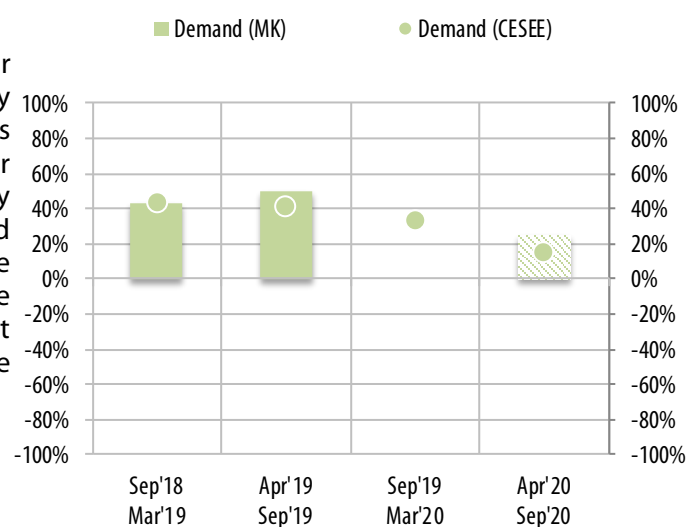
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand in North Macedonia dropped from registering net increases to becoming unchanged during the last six months, below the CESEE average.

As an impact of the Covid-19 pandemic loans for household might be strongly negatively affected by plummeting consumption (e.g. a 4% GDP drop is expected in 2020, Spring WEO IMF), while a higher demand for corporate loans might come from emergency liquidity needs of companies under lockdown, supported also by policy measures. The announced fiscal package include direct financial assistance to firms from the Development Bank of North Macedonia, offering loans at zero interest rate and soft loans at low interest rate through commercial banks.

Figure 2 Demand side developments

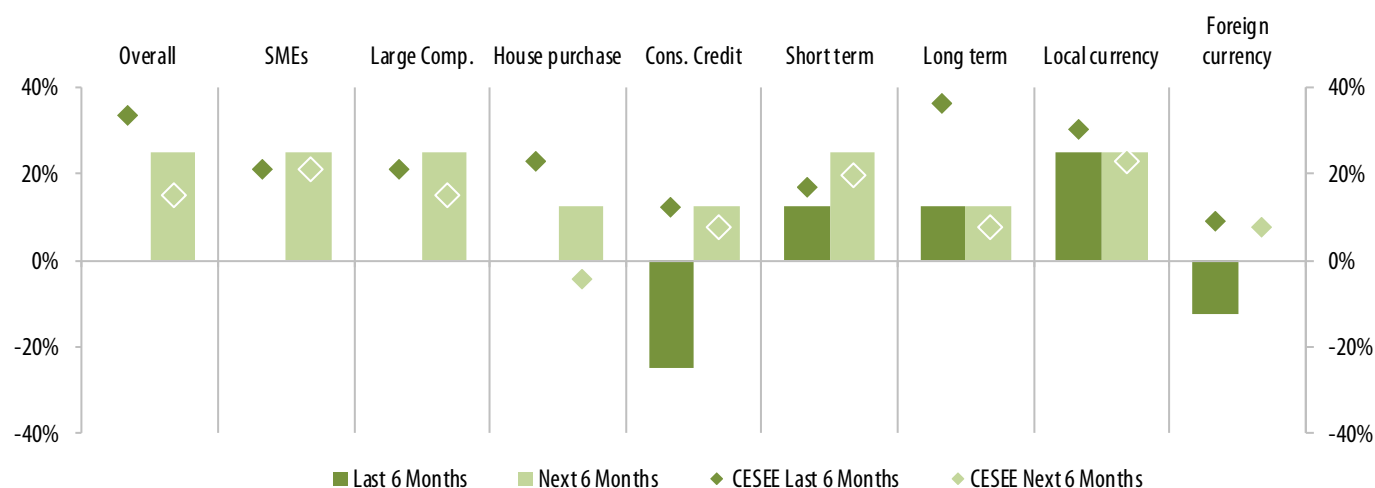


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Credit demand was more muted over the past six months compared to earlier survey releases, with an unchanged stance across many components and segments. In addition, consumer credit registered a net decrease in credit demand over the last six months.

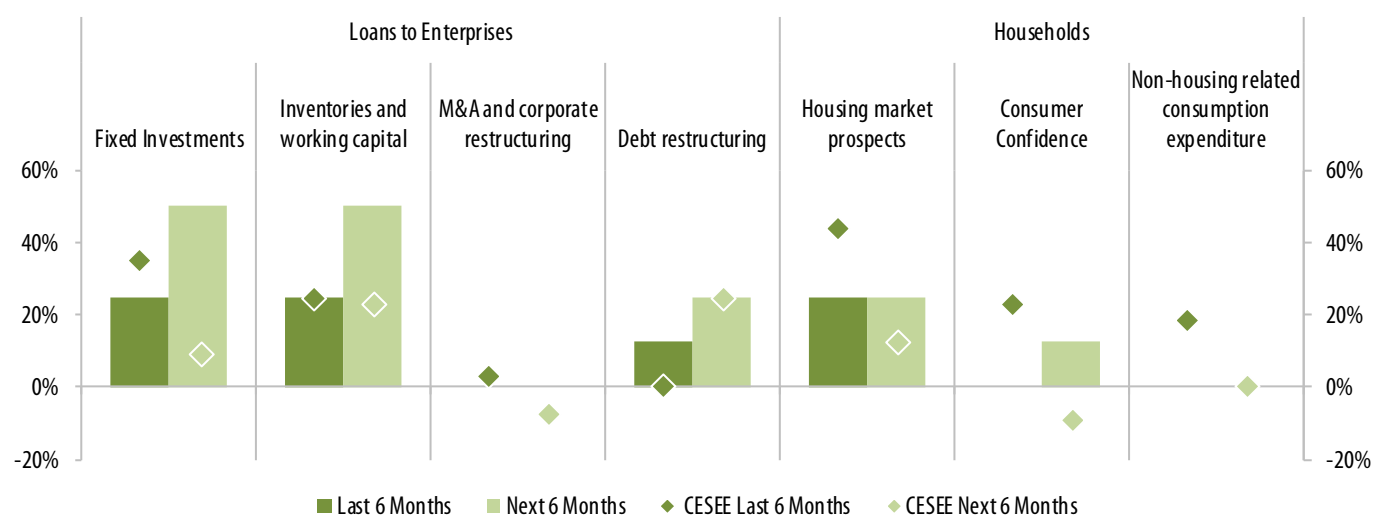


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

On the positive side, firm fixed investment, spending on inventories and working capital supported credit demand in the last six months. Also, housing market prospects contributed positively to households' demand for credit. Firms continued to restructure their credit from banks, as firm credit demand for debt restructuring increased over the last six months.

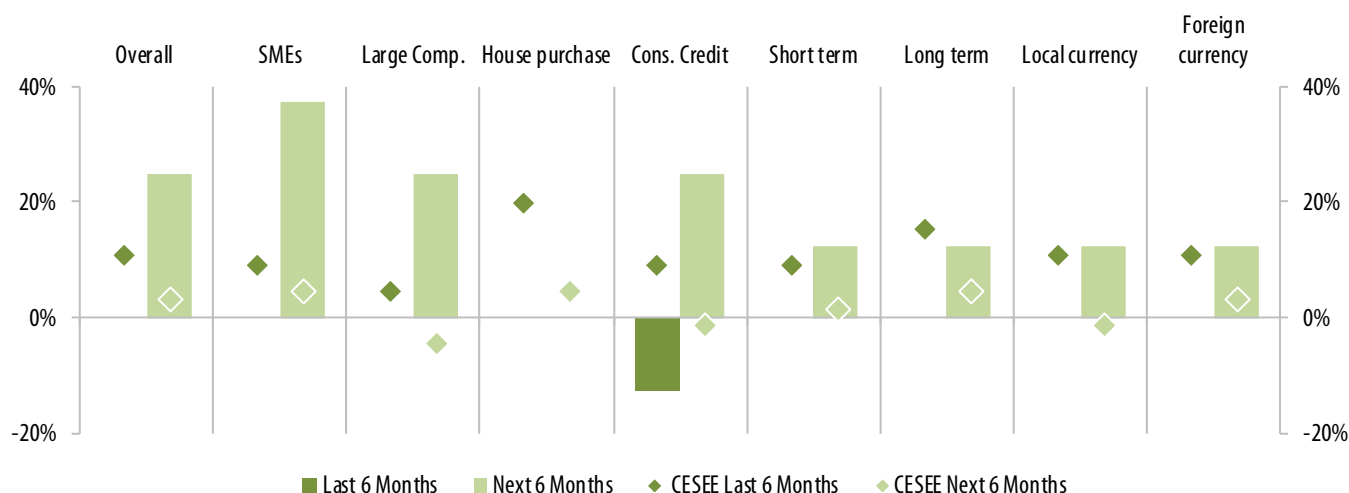


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The overall quality of loan applications in North Macedonia was unchanged during the last six months, in comparison to a slight improvement for the CESEE region. The only segment that registered a net decrease in the quality of loan applications during the last six months was consumer demand.

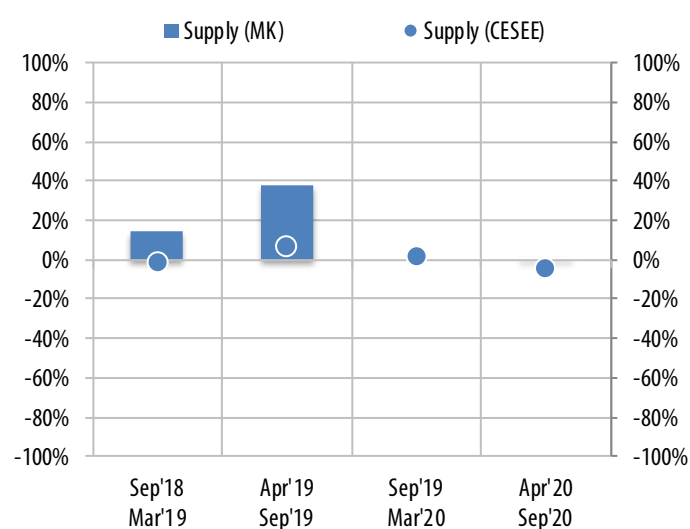


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

After an easing during the last two waves of the survey, credit standards in North Macedonia became neutral in the last six months. This was in line with the CESEE average and in line with the previous wave's expectations.

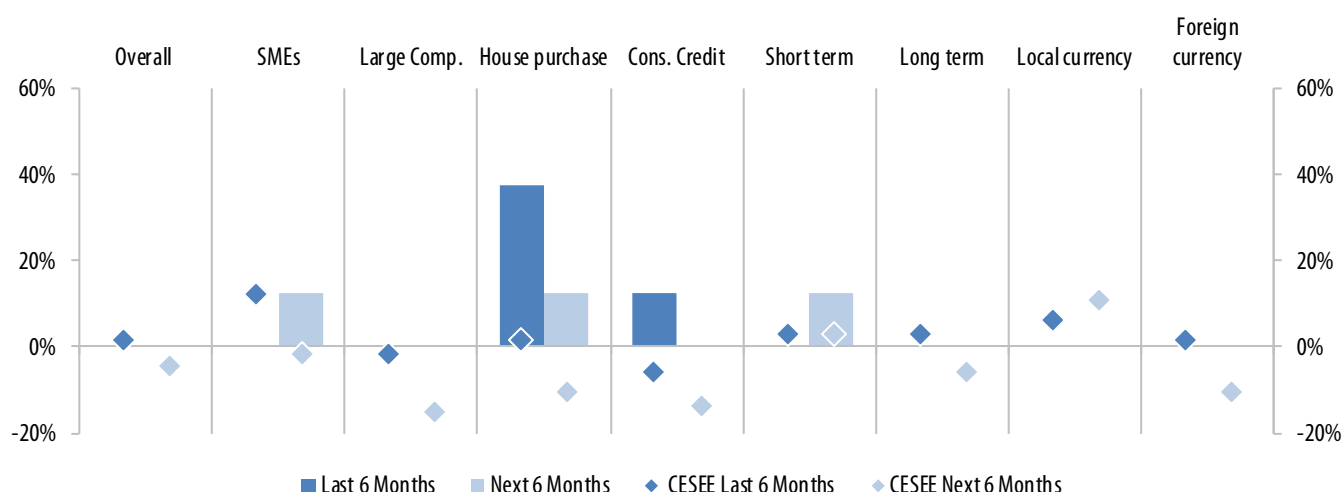
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Under the surface of overall unchanged credit standards during the last six months, there are two exceptions. House purchase loans registered a marked easing in credit standard and credit standards for consumer credit eased as well in the last six months.

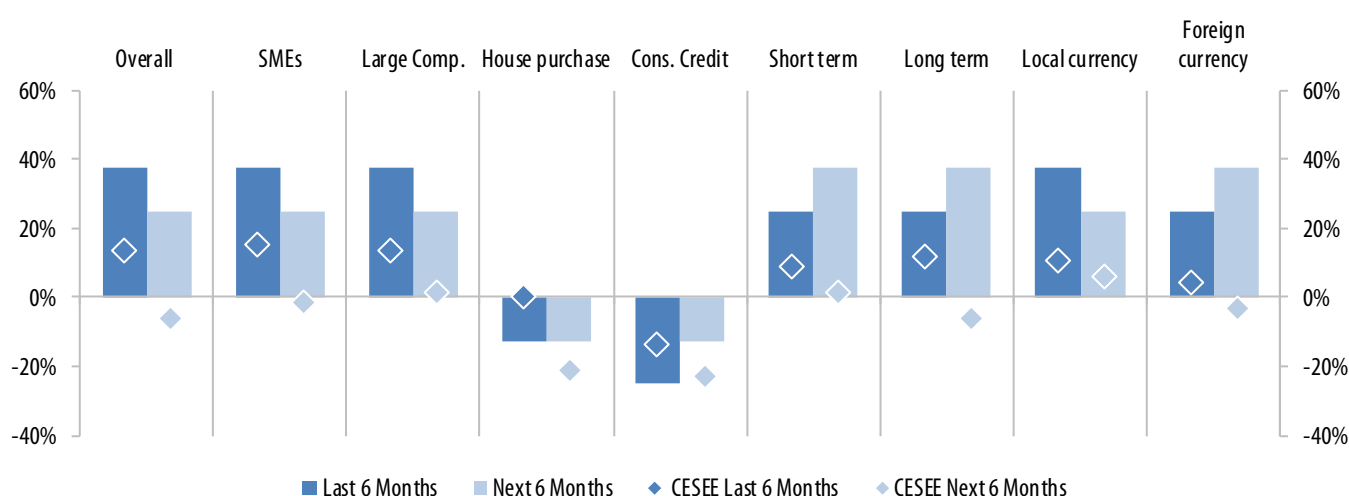


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

Banks' overall loan approval rate in North Macedonia increased again during the last six months, above the CESEE average. The increase was driven by the rise in approval rate for loans to large corporates and SMEs, while the approval rate for house purchase loans and consumer credit declined. This was in slight contradiction with the easing of credit standards for house purchase and consumer credit.

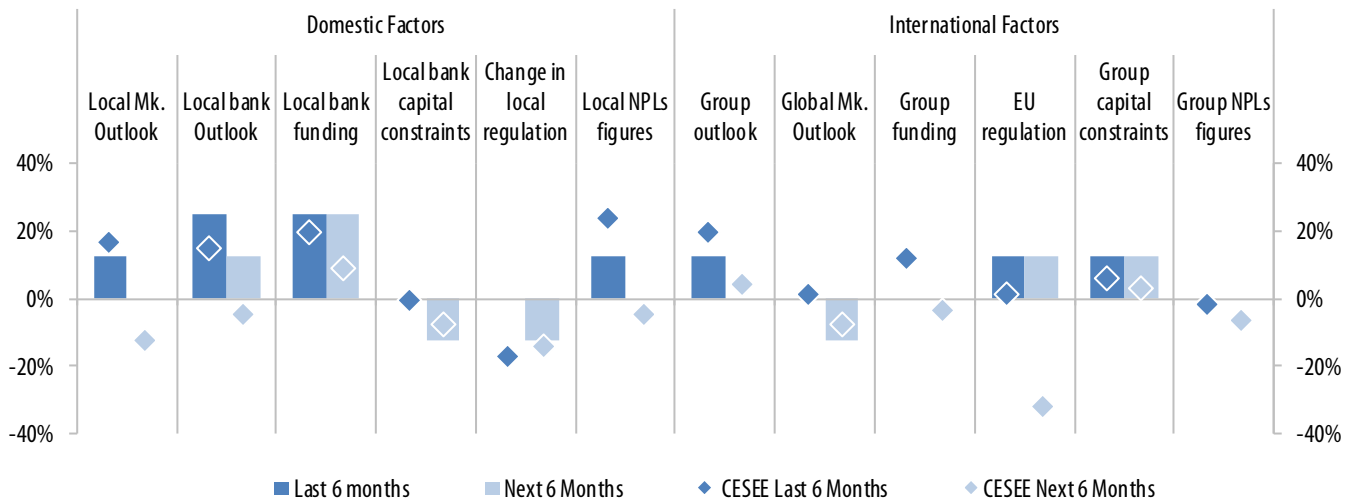


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

There was no domestic or international factor that contributed negatively to local credit supply conditions in North Macedonia during the last six months. Local bank outlook and local bank funding had a particularly positive impact credit conditions in North Macedonia in the last six months. Local NPLs figures also contributed positively to credit supply conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

Unlike a net increase in total NPL ratio during the last wave of the survey, the total NPL ratio declined and improved slightly over the last six months, although less than the CESEE average. Retail NPL ratio registered a stronger reduction than the corporate NPL ratio.

In the context of Covid-19 crisis, the National Bank of the Republic of North Macedonia announced three- to six-month loan payment deferral and has relaxed the loan classification standards for NPLs (extension of time period to classify a loan as NPL from 90 to 150 days, by end-September).

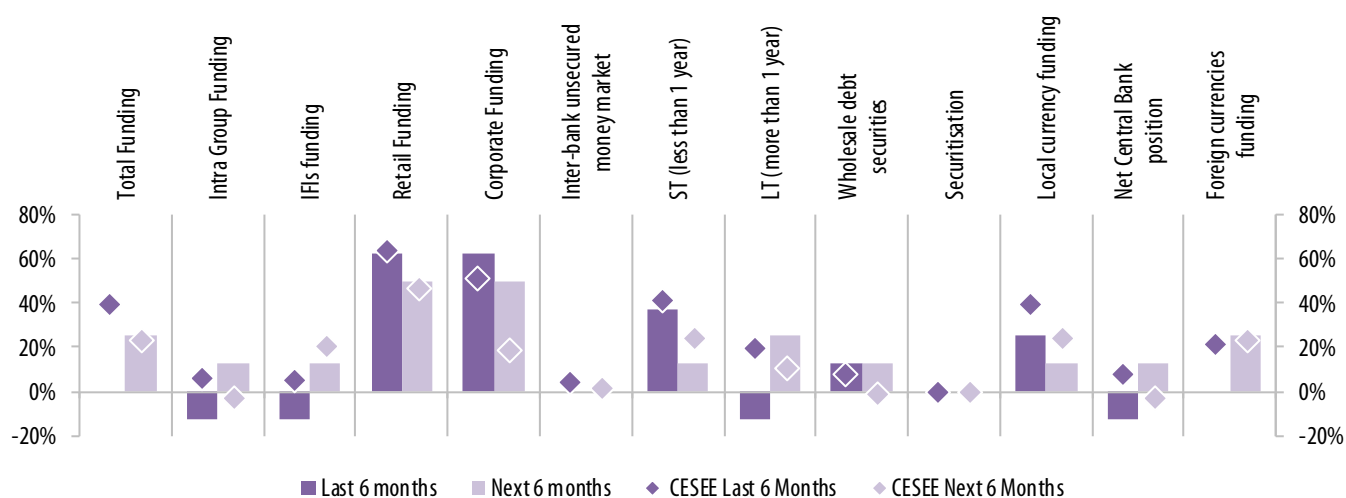


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to total funding was unchanged in North Macedonia during the last six months and it had some diverse development within the subgroups. On the positive side, access to retail and corporate deposits improved significantly in the last six months. However, there was a slight decrease in access to intra-group funding and IFIs funding in the last six months in North Macedonia.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Poland

Before the COVID-19 outbreak, parent banks have a heterogeneous view on the Polish banking market's potential and relative profitability, as well as on their own positioning in the market. Credit demand stagnated for the third semester in a row. Supply conditions were also unchanged.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland show commitment towards the region, but they held very heterogeneous views on the potential of the Polish market. Their views also diverged about their current market positioning and their assessment of risk-adjusted returns relative to the regional peers.

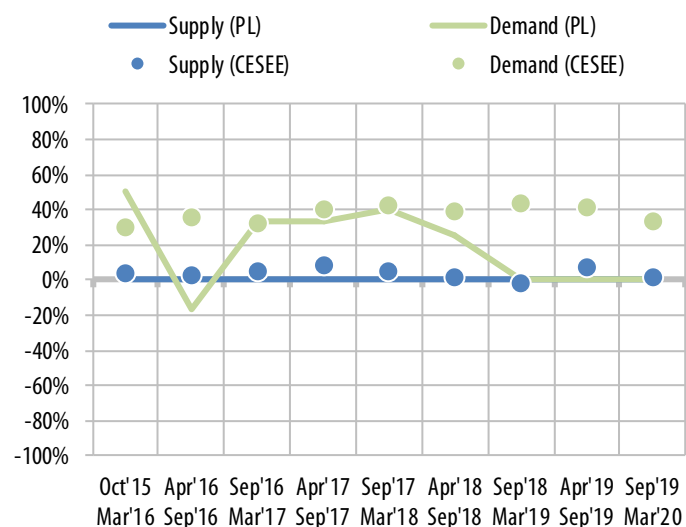
Polish banks report that **credit demand** has been stagnating for the last year, while **supply conditions** have been broadly unchanged for an even longer period.

Credit supply conditions continued to be neutral in the last six months, in line with the rest of the CESEE region.

Credit demand stagnated again for the third semester in a row. Credit demand was lagging behind the dynamics observed in the CESEE region, but the stagnation was in line with the banks' own past expectations.

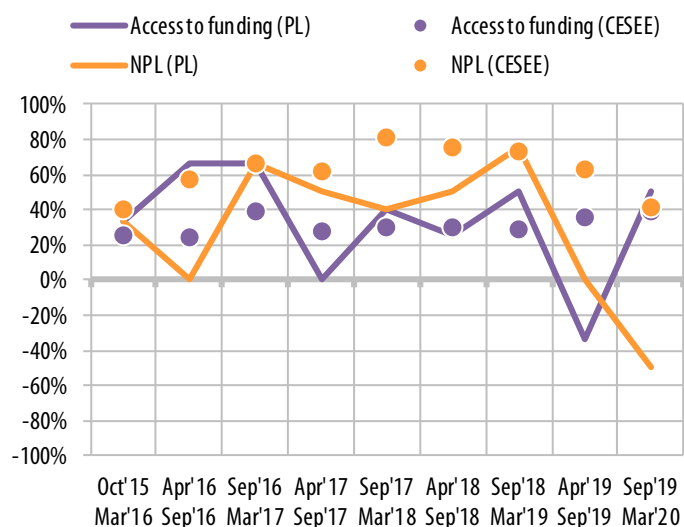
On aggregate, Polish banks' **access to funding** has been improving in the last six months.

NPLs have been described as deteriorating in all segments, in line with the banks' expectations formulated earlier.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

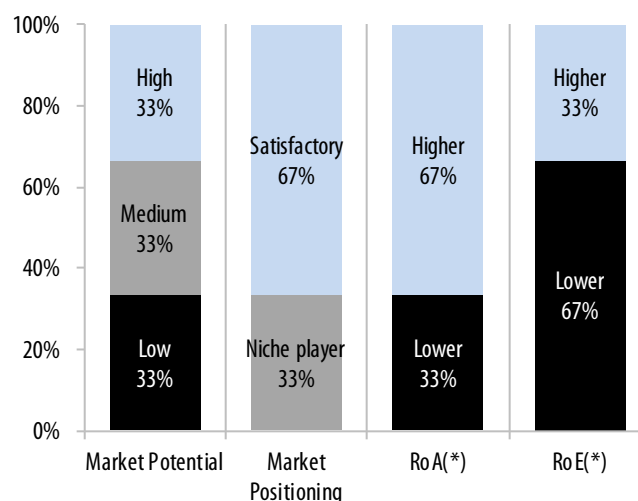
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Poland show commitment towards the region and planned to maintain their regional operations at their current level.

The strong commitment aside, parent banks have heterogeneous views on the market potential of the Polish market within the CESEE region. Two-third of the groups viewed their own current market positioning as satisfactory, while one-third considered themselves as niche player. Views also diverged about the relative profitability of Polish operations compared to the regional peers (Figure 1).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

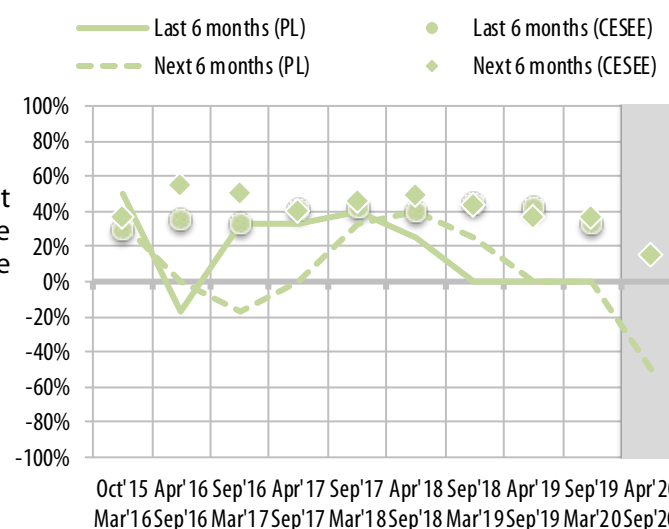
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand in Poland continued to remain stable over the last six months. While credit dynamics were moderating throughout the CESEE region, the Polish market has been showing a more pronounced stagnation. This muted credit demand was in line with the banks' own expectations formed in the Autumn 2019 survey.

Looking ahead, Polish banks are expecting the credit demand to slow down significantly, which is possibly due to responses being formulated after the outbreak of the COVID-19 pandemic (Figure 2).

Figure 2 Demand side developments

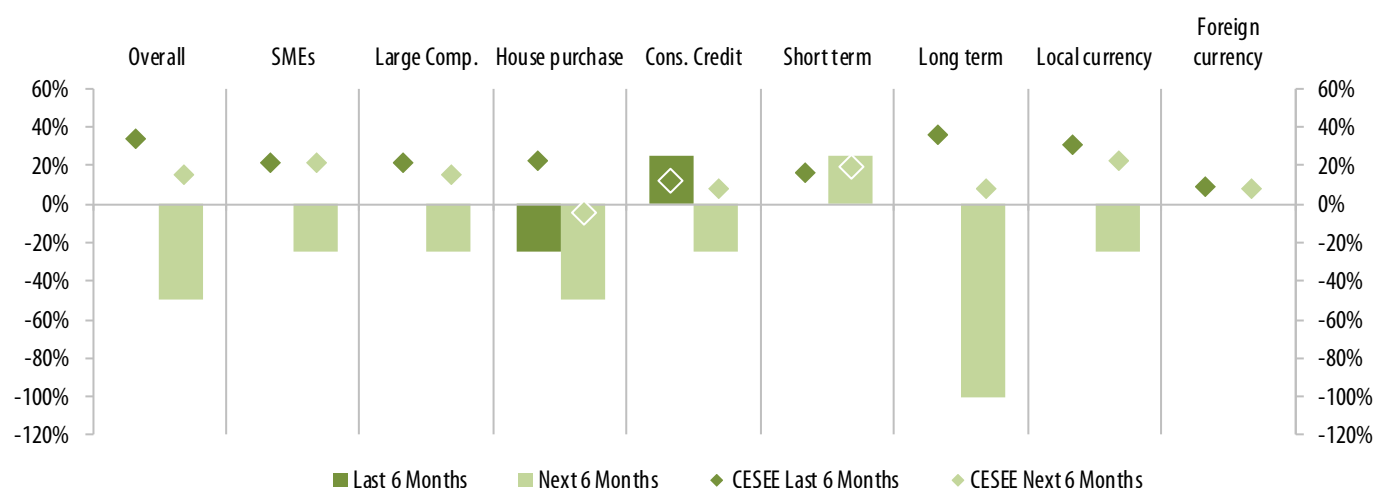


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

While demand for housing loans decreased somewhat, banks reported a moderate increase in consumer credit. Credit demand by both large and smaller companies was stagnating over the past half year. (Figure 3).

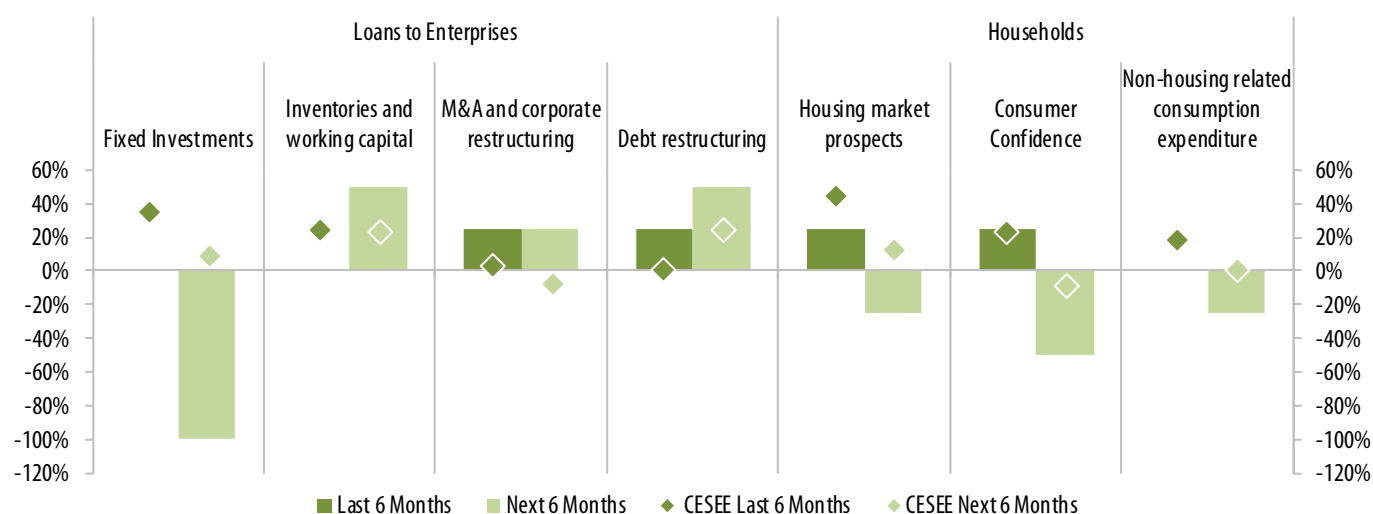


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

Consumer confidence, together with housing market prospects were improving somewhat in the last six months, thus moderately supporting credit demand from the households side. On the corporate side, corporate mergers and debt restructuring had a minor positive impact on demand (Figure 4).

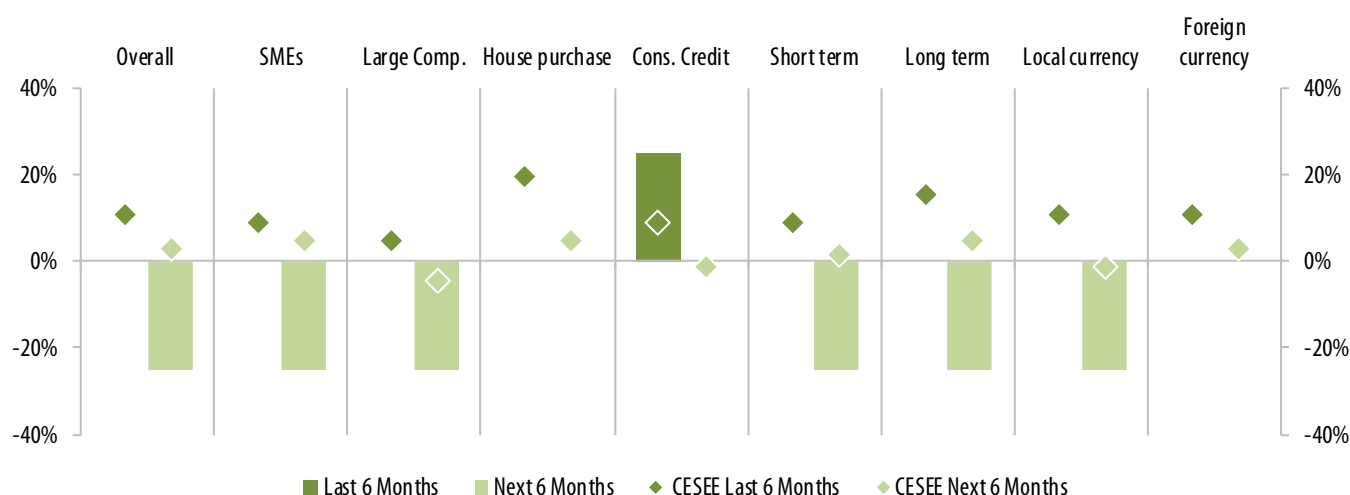


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The quality of loan applications were improving for consumer credit, whereas in other segments they were stagnating. Elsewhere in the CESEE region, banks reported mild improvements in the quality of loan applications across all segments (Figure 5).



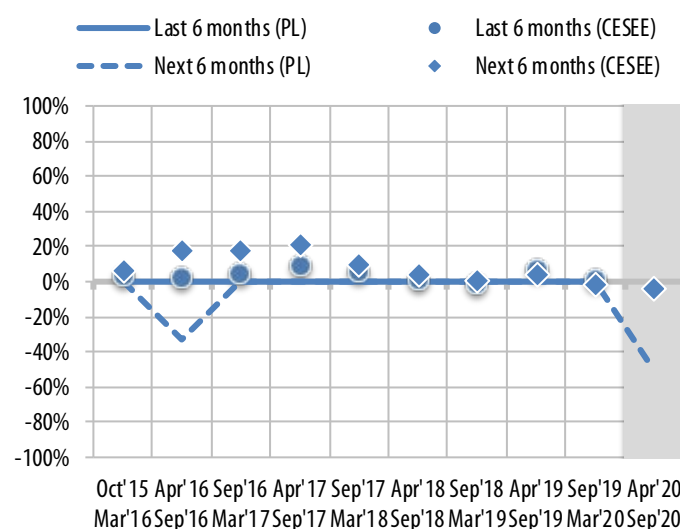
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing of quality demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions in Poland continued to be neutral in the last six months, in the same way as in the past three years. These supply developments were in line with the close-to-neutral situation in the overall CESEE region. The stagnating credit supply was also in line with the banks' own expectations formulated six months ago.

Looking ahead, Polish banks expect overall credit supply to deteriorate, again most likely due those responses that were formulated when the COVID-19 crisis was already unfolding.

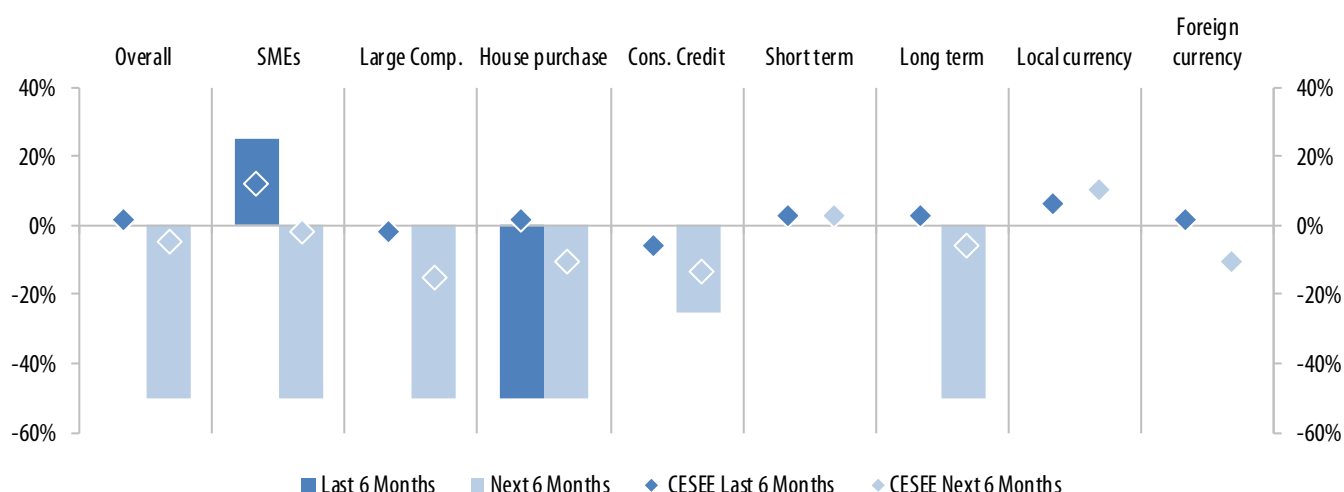
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

The supply of loans to Polish SMEs has been increasing somewhat, while lending to larger corporates has been stagnating. When it comes to households, the supply of consumer credit products stagnated, while mortgage loan supply declined markedly over the course of the last six months.

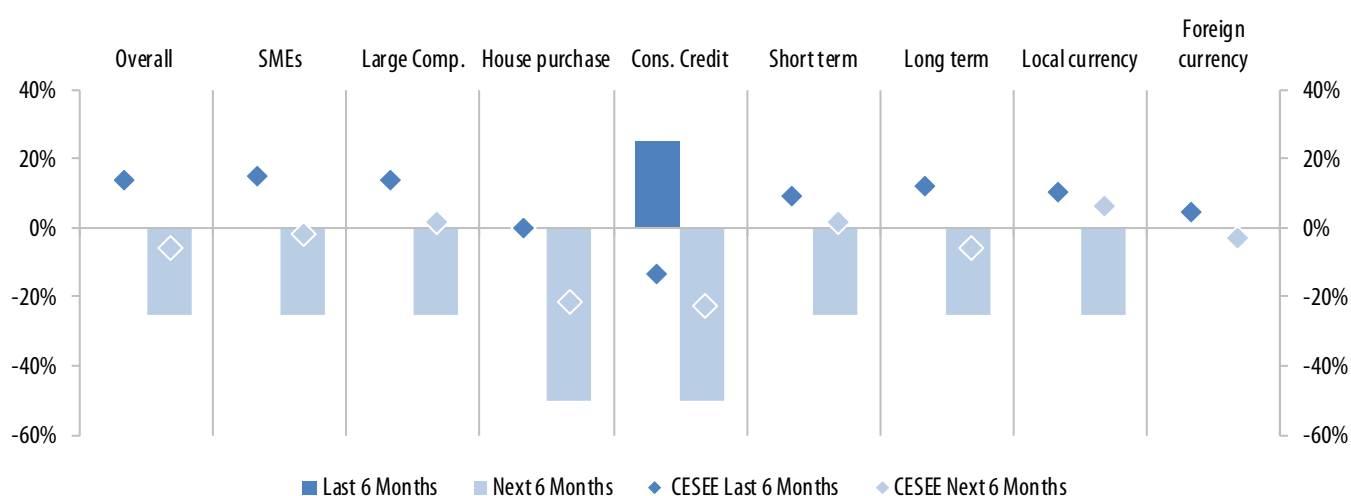


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

Loan approval rates have been broadly stagnating, except for consumer credit where an increase was reported by the banks. The picture contrasts with other CESEE markets, where approval rates increased in the corporate and SME sectors over the last six months.

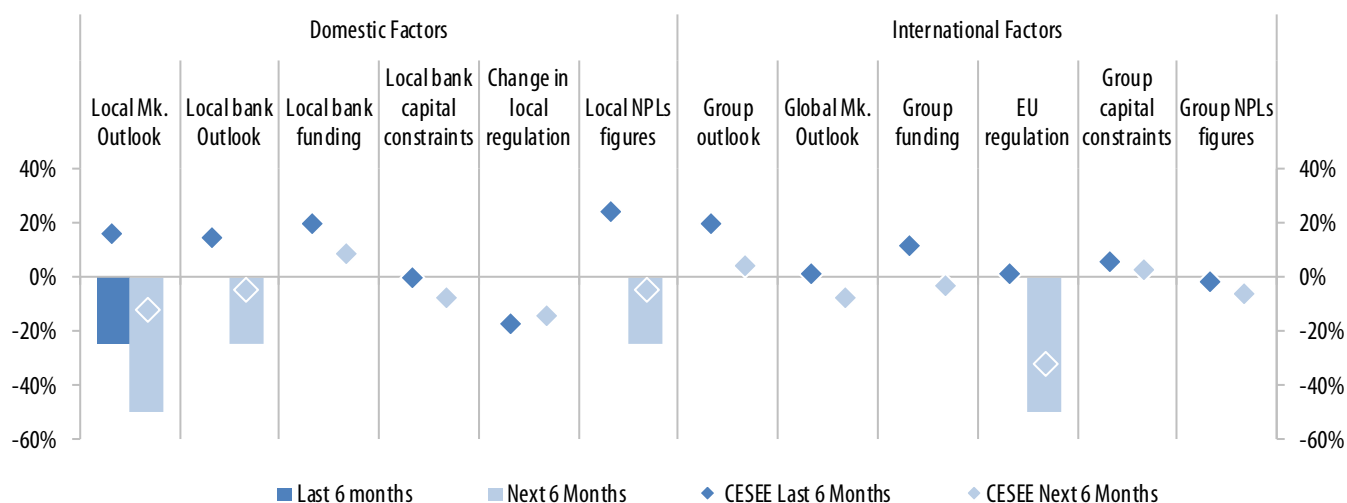


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Polish banks considered that factors behind credit supply were neutral over the past six months. The only exception was local market outlook, which appeared to deteriorate. The overall picture was more pessimistic about these factors than in the rest of the CESEE.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

In the banks' own perception, NPL figures in Poland have been deteriorating in the last six months. This deterioration was more pronounced for the retail segment than for the corporate clients.

The reported developments go against the trend observed in the rest of the CESEE. Nevertheless, Poland's NPL ratio is already well below the regional average. Further deterioration is expected over the next six months.

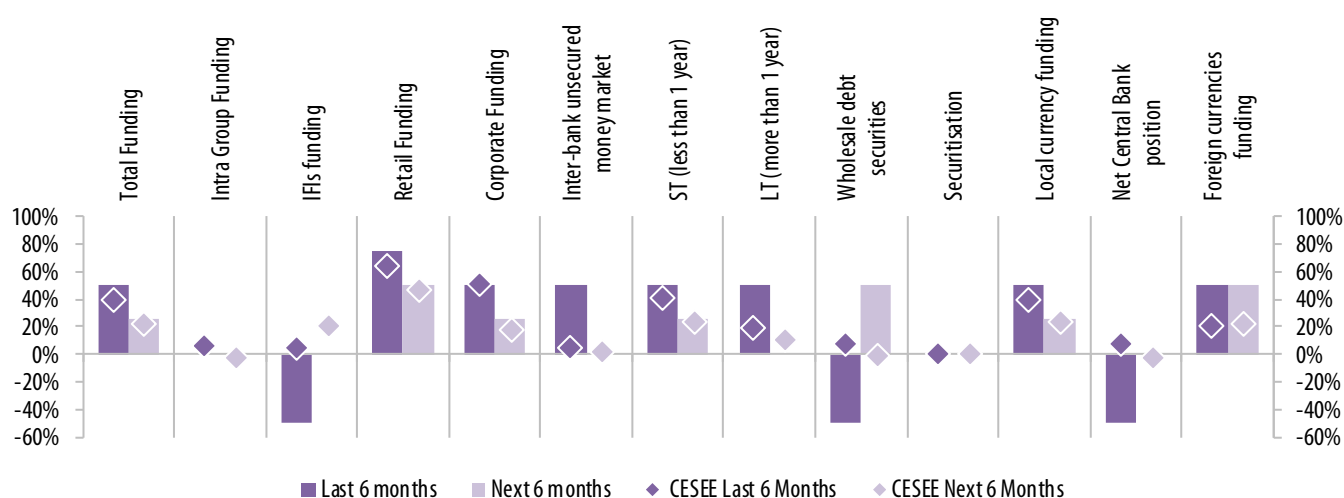


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Polish banks' total access to funding has improved somewhat in the last six months. Better funding conditions were reported in the retail, corporate and interbank funding segments, while funding from international financial institutions and the net central bank position decreased. (Figure 11).



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Romania

Before COVID-19 affected the region, credit demand remained positive for households and corporates. Supply conditions eased, driven by developments for SME loans. NPLs improved.

Summary

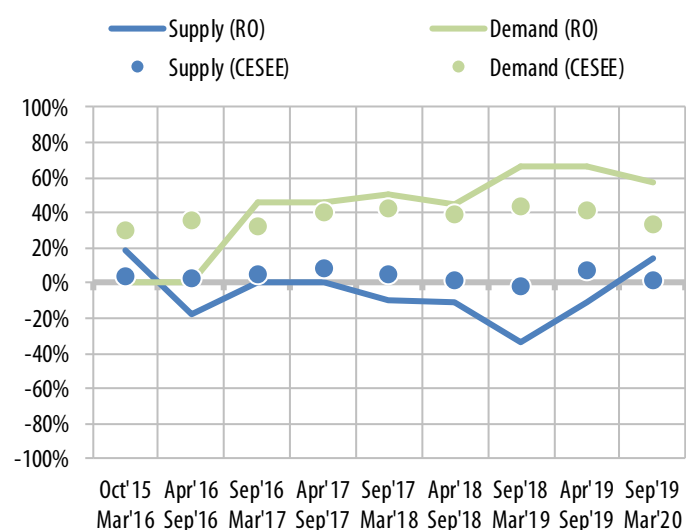
Group assessment of positioning and market potential: Seventy percent of the parent banks considered Romania a market with high potential. This was the second highest score among the CESEE countries. Assessment of market positioning remained divided with about 50 percent considering positioning satisfactory or optimal but also 40 percent describing a weak positioning. Still more than half of respondents found profitability higher or equal in Romania compared to group operations.

Credit demand has increased over the past six months surpassing prior expectations. This was driven by developments in the corporate and the household segment.

Credit supply eased in the past six months. Easing of credit standards was particularly pronounced for loans to SMEs. In contrast, supply conditions tightened in the household segment.

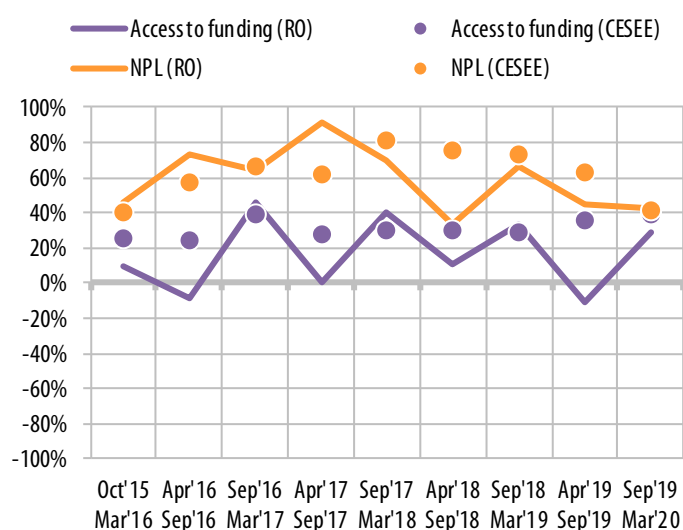
Access to funding has improved on balance over the last six months, in line with the regional trend. Both retail and corporate funding contributed to improvements.

NPL figures had improved further both in corporate and retail segments largely in line with the regional trend.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

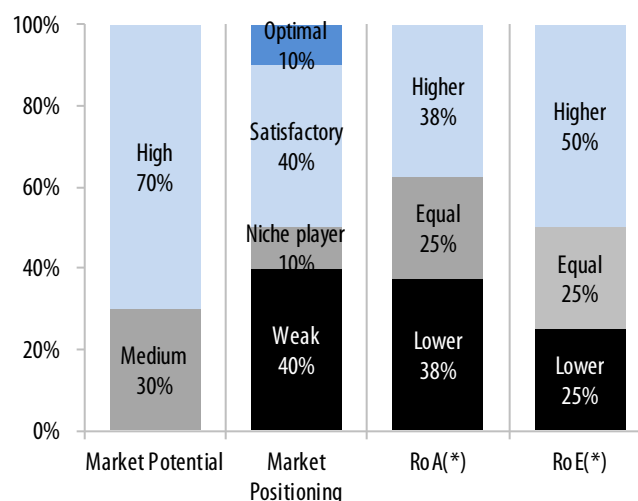
Results of the Bank Lending Survey – Parent banks level

Views on the market potential and positioning in Romania remained very similar to the last wave of the survey. Exactly half of parent banks reported higher RoE on domestic operations compared to overall group results and 38 percent report higher RoA (both the same as in H2 2019). Similarly, the share of banks reporting lower returns remained constant, and a quarter of banks saw profitability as on par with the region.

Views on market positioning continued to show divisions among competitors. While 40 percent of respondents reported satisfactory market positioning a similar share found it weak (unchanged to H2 2019).

With 70 percent of banks considering Romania as a market with high potential, Romania ranked second among CESEE peers. Structural characteristics – country size and low levels of financial penetration (25 percent of GDP) – added to the market's attractiveness.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

Results of the Bank Lending Survey - local banks/subsidiaries level

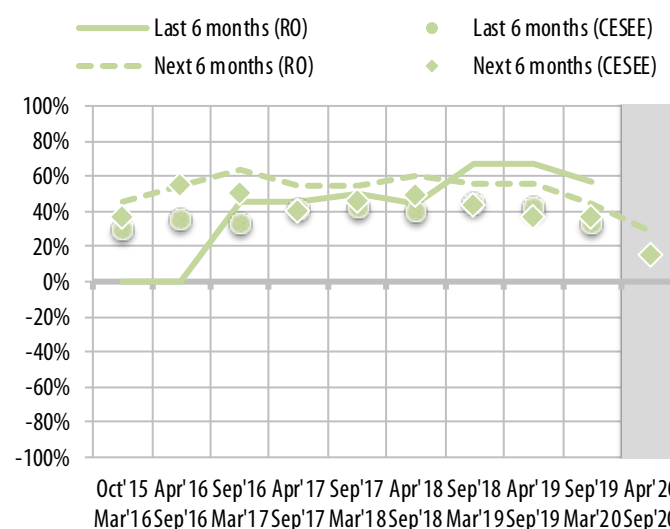
Aggregate demand developments

Credit demand in Romania was reported to have increased over the last six months, continuing to grow and surpassing banks' expectations stated in the last round.

Credit demand recovery has been lagging behind the economic cycle. Romania registered robust growth in the last years, with a post-crisis high in 2017 (almost +7 percent GDP increase) growing demand for loans started to be visible only since end-2016. Credit growth for corporates started to increase in the second half of 2017, with accelerated annual dynamics in 2019 (about +7 percent). Credit to households continued to grow faster than for corporates.

For the next six months, while not in a position to foresee the full impact of the Covid pandemic at an early stage, banks already expect weakening dynamics, both in Romania and across the region. Nevertheless, a higher demand for loans might come for emergency liquidity needs of companies, supported also by policy measures. These include a higher allotment and guarantees for working capital and investment SME loans (increased to RON 10bn) interest-free to borrowers.

Figure 2 Demand side developments

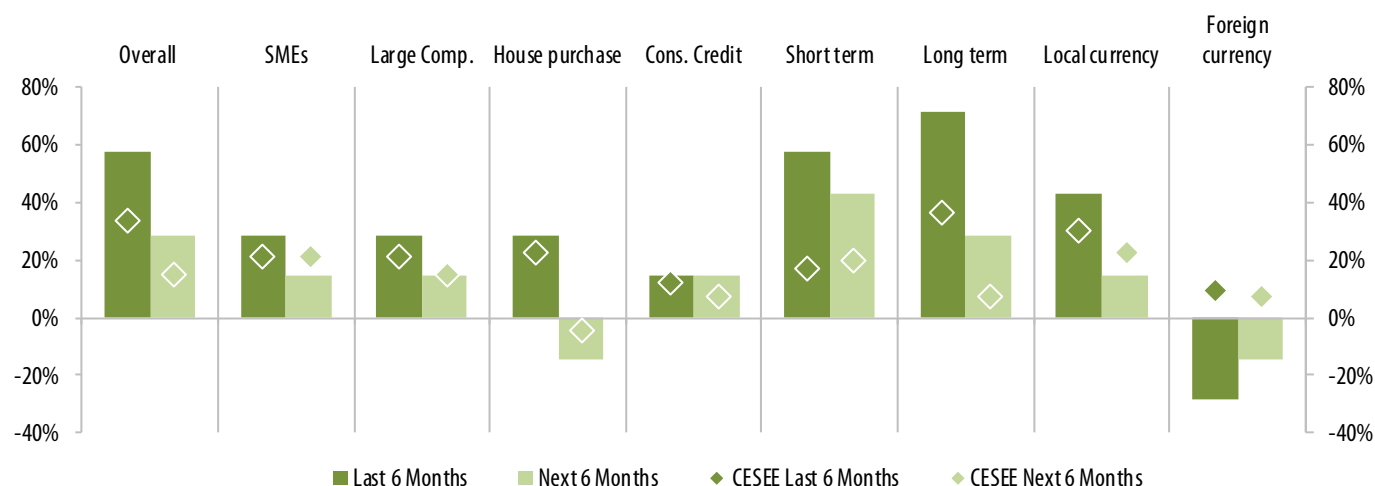


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Aggregated demand for loans in Romania has increased on balance in the last six months. Both the corporate and the household segment contributed to the positive move, the latter rebounding from weaker demand in H2 2019. Demand for short-term and long-term financing increased strongly, with increases again well above the regional average for both categories. Appetite for funds in local currency remained strong. In contrast, demand for credit in foreign currency dropped in Romania, while remaining positive on balance in the region.

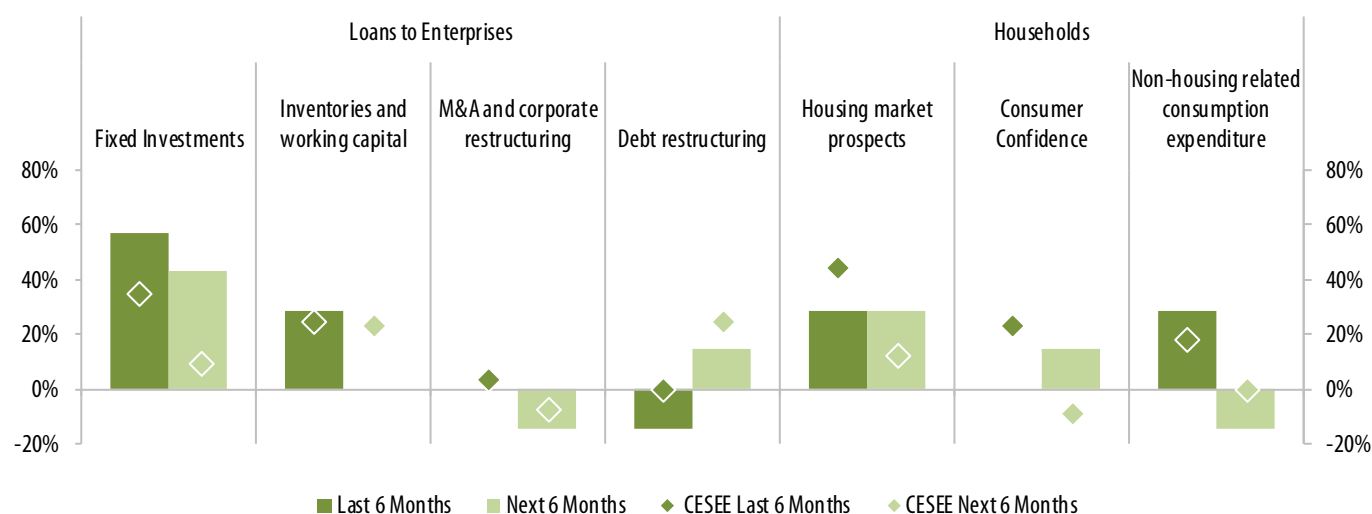


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

The corporate segment has again contributed substantially to demand over the last six months. On the enterprise side, banks recorded the strongest demand for fixed investment and inventories and working capital. In contrast with the last wave, the contribution of debt restructuring turned negative. In the household segment, the contribution of housing turned positive and non-housing related expenditure further added to demand.

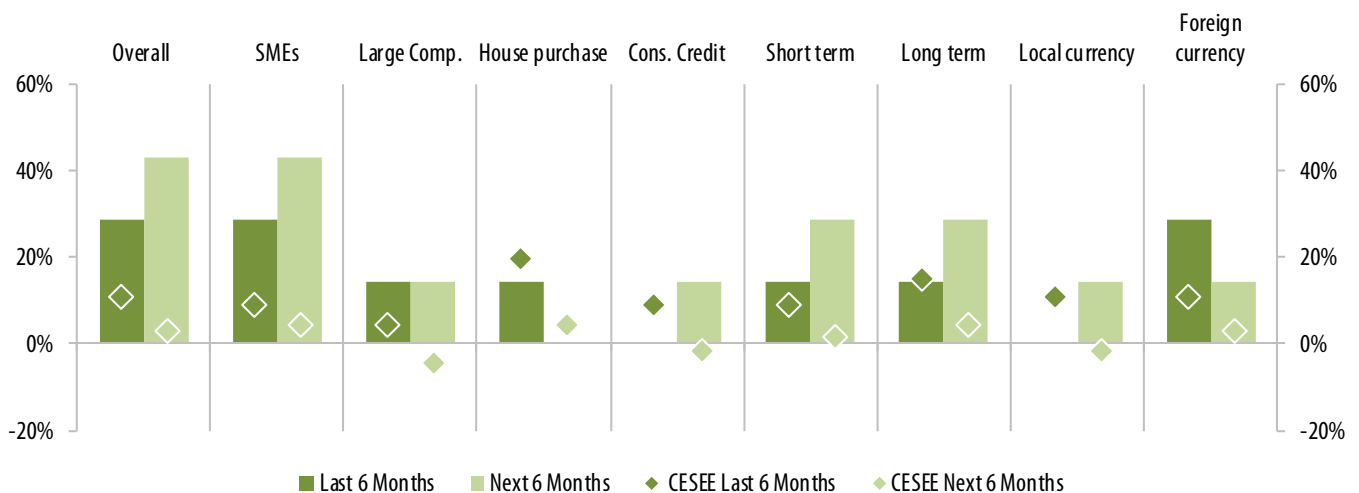


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 Quality of loan applications

The quality of loan applications in Romania has continued to improve strongly, surpassing the general positive trend in the region. Credit to corporates, and particularly for SMEs, recorded stronger improvements than the household segment. Improvements for financing were similar across maturities and the quality of loan applications for credit in foreign currency exceed again regional averages. Banks report unchanged quality of applications for consumer credit and local currency loans.



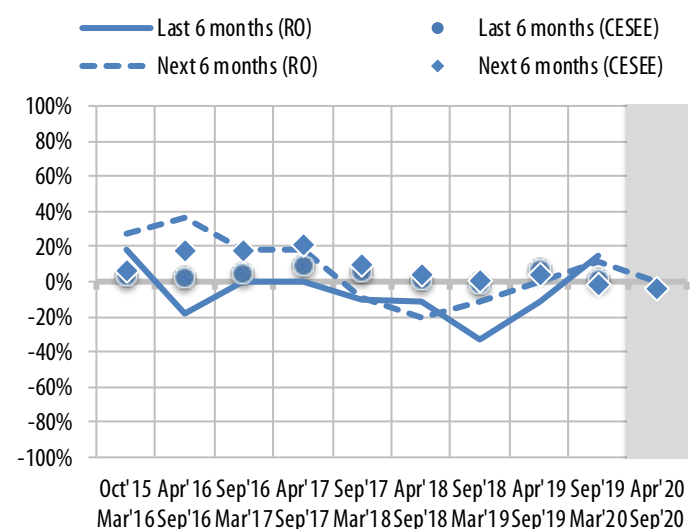
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions eased in the past six months. Developments in Romania, for the first time since 2018, have started to surpass the regional trend. On average, banks in CESEE are keeping supply conditions unchanged.

In Romania, credit standards have tightened on a cumulative basis since 2015 – having contrasted for a prolonged period with expectations. Banks had started to revise their outlook downward since 2017, also reflecting moves towards monetary tightening prior to 2020.

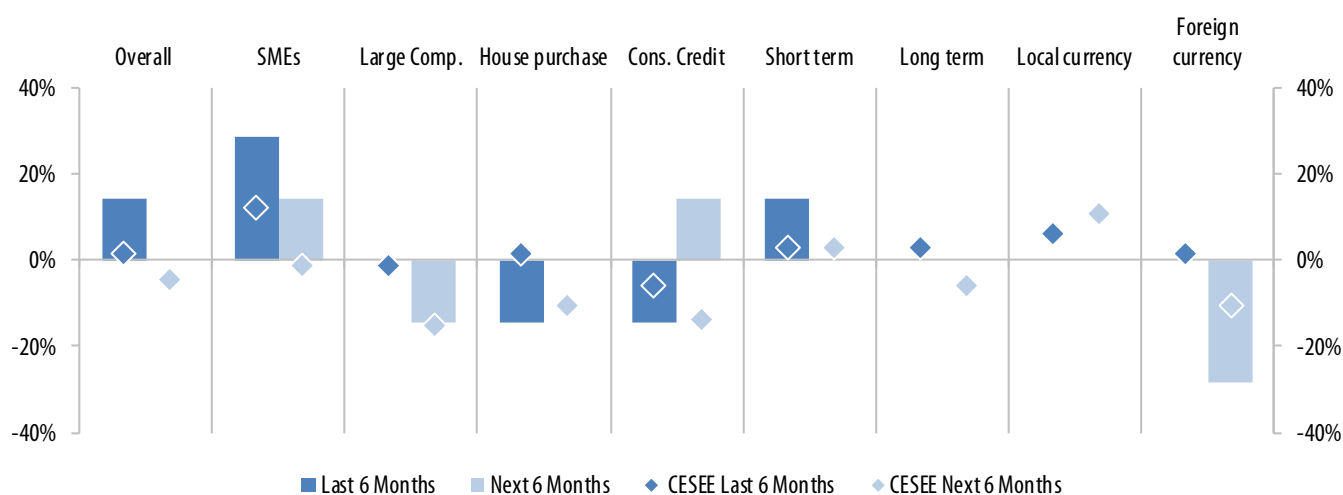
Figure 6 Supply developments

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

Credit supply conditions showed heterogeneous developments across segments. Easier credit standards were recorded in particular for the SME segment and for short-term loans. In contrast, supply conditions in the household segment tightened, continuing developments of the previous wave.

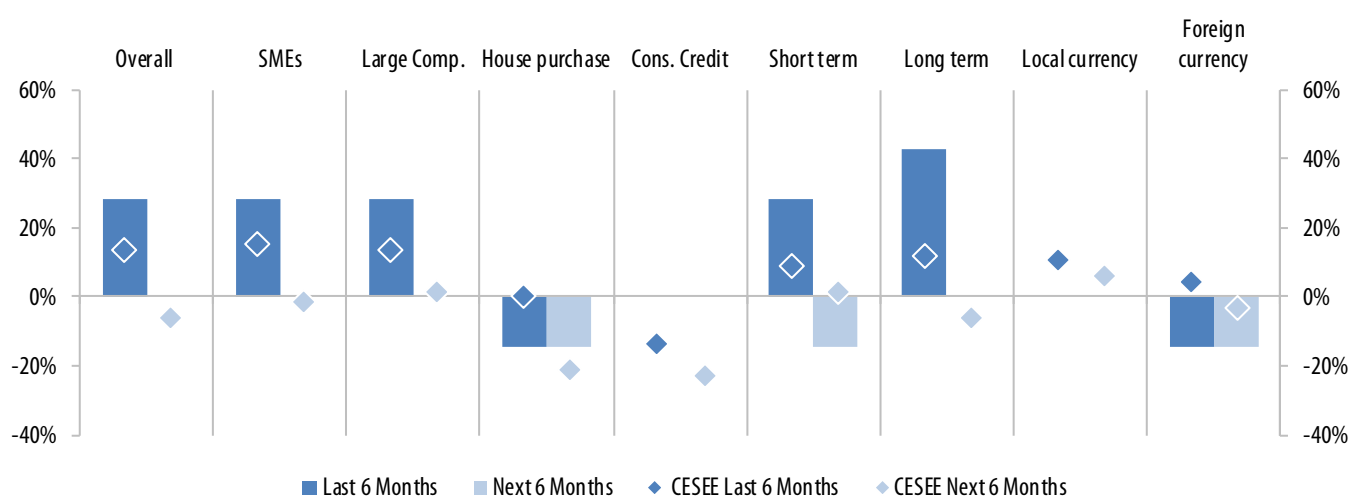


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

Overall approval rates continued to increase during the last six months, surpassing the regional average. In particular, getting loans got easier for corporates. Higher approval rates were similarly reported for lending at different maturities. In the household segment, however, banks again lowered approval for mortgages and conditions for foreign currency lending continued to tighten.

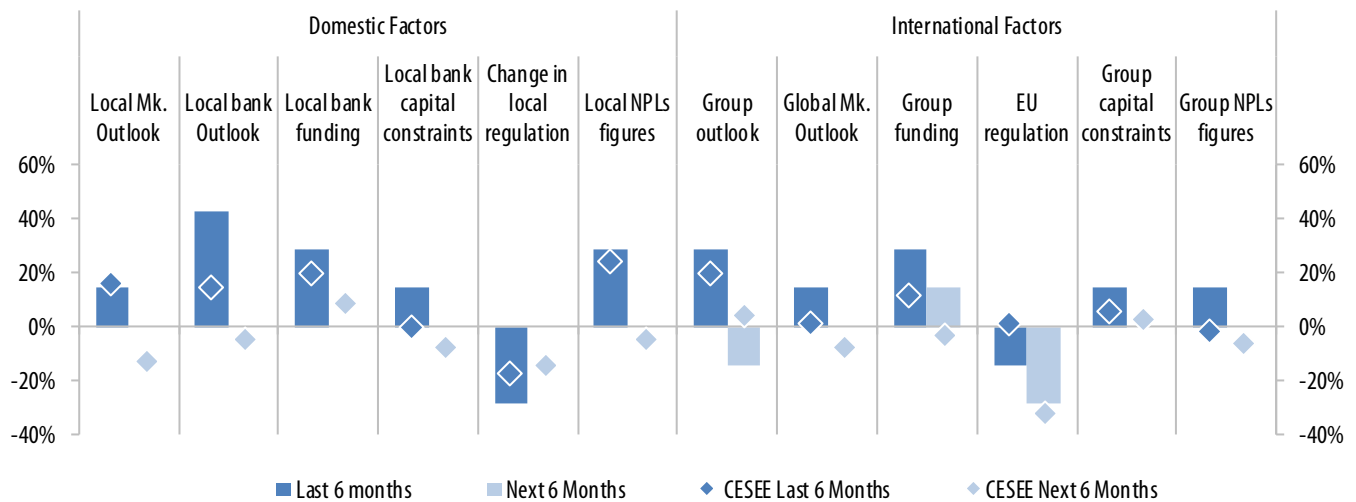


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

While most of the domestic and international factors played a facilitating role in easing credit standards, changes in local regulation contributed negatively. Also, domestic regulation was a negative contributor in Romania more so than across the region, likely reflecting the experience with ad-hoc regulatory changes (emergency ordinance 114) and related uncertainties in the sector. Internationally, all factors with the exception of EU regulation showed a positive contribution over the last six months.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

NPL figures in Romania have been described as improving further both in the corporate and retail segments. The pace of improvement largely continued compared to the previous release of the survey, and in line with the regional average.

The non-performing loan ratio in Romania reached 4.1 percent at the end of Q4 2019, a level below the EBA threshold of 8 percent, i.e. within the EBA-defined medium-risk bucket.

NPL ratios in the past six months again recorded stronger decreases in the corporate segment.

In the context of Covid-19 crisis, a nine-month loan payment deferral has been announced for those companies and households that have been affected by the crisis. The National Bank of Romania stated that it will use the flexibilities in the legislative framework in terms of reclassification and provisioning of deferred loans and not to count them as default for the given period.

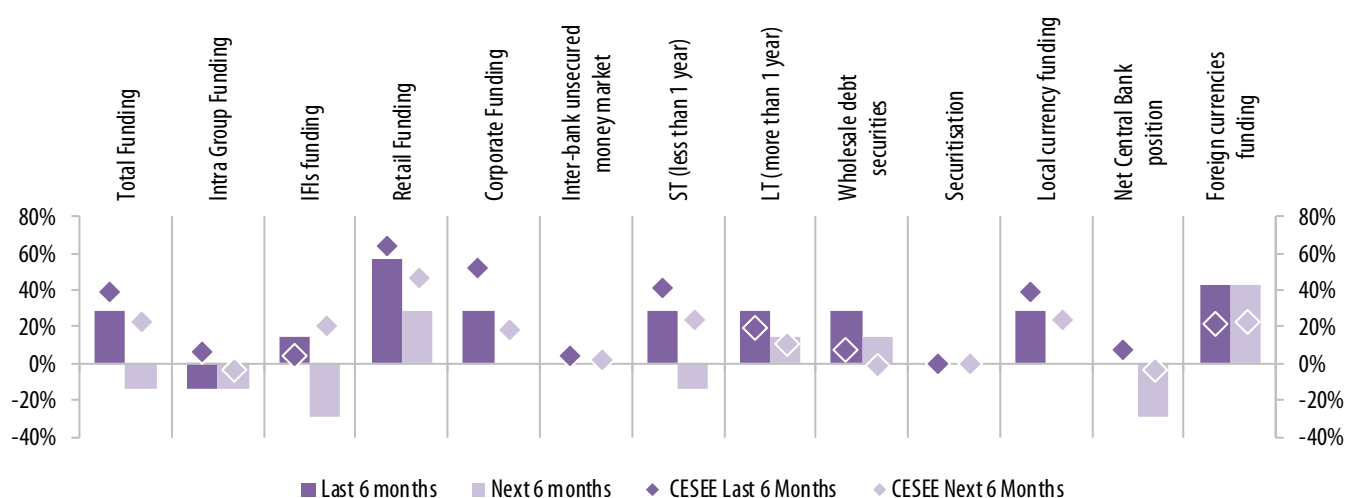


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

On balance, access to funding has improved for banks in Romania over the past months. In particular, tapping retail and corporate funding became easier. Similarly, access to funding in local and foreign currency improved. In contrast, access to intra-group funding again worsened. In the context of Covid-19 crisis, the National Bank of Romania has signalled liquidity support. The central bank committed to provide liquidity to credit institutions through repo operations and by purchasing RON-denominated government bonds on the secondary market.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Serbia

Before COVID-19 impacted the region, credit demand was growing steadily whilst credit standards tightened somewhat. Overall NPL reduction continued. Access to funding improved.

Summary

Group assessment of positioning and market potential: The majority of parent banking groups operating in Serbia regarded the market potential as medium, and their market positioning was seen as mostly satisfactory. Local banks' profitability was on balance similar to that of the overall group level.

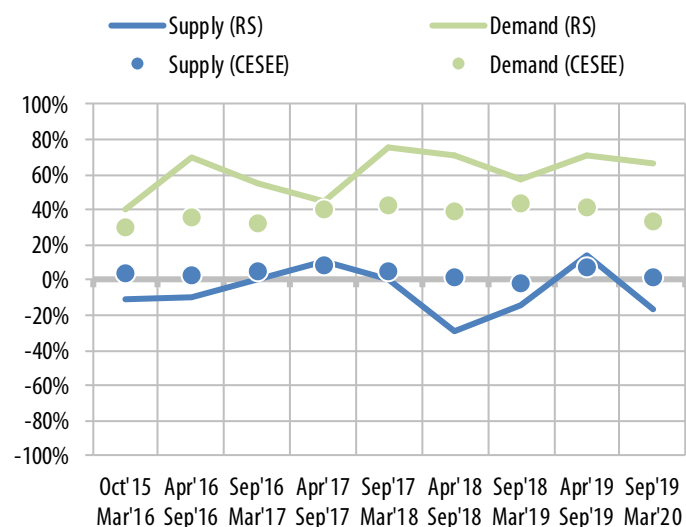
During the last six months, **credit demand** increased, above the CESEE average, while **credit supply conditions** slightly tightened. With credit standards remaining broadly neutral and loan demand growing robustly, the past credit expansion could be seen in the most healthy parts of the credit market.

Credit supply conditions eased for loans to SMEs during the last six months. On the other hand, they tightened for consumer credit and loans to large companies. Loan approval rates decreased, especially for household segments.

Demand for loans increased across all loan segments during the last six months, with once again particularly strong demand from larger corporates and SMEs. Fixed investments and housing market prospects were the strongest factors behind growth in loan demand. The quality of loan applications increased, particularly for corporate loans.

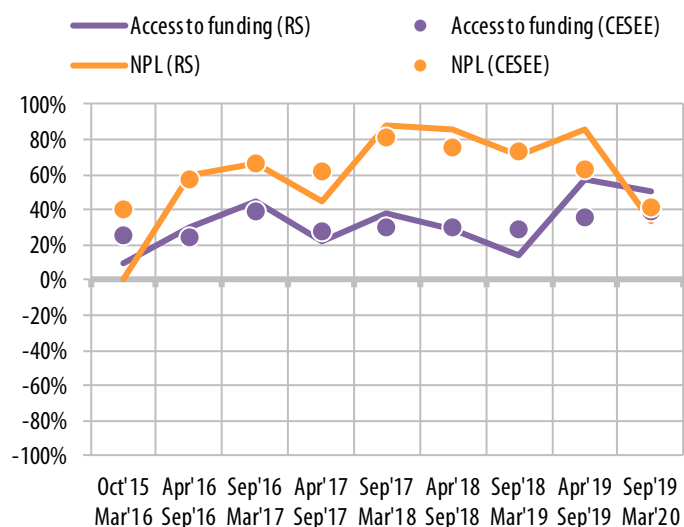
Access to funding for local banks increased during the last six months (just slightly above the CESEE average). Access to retail, corporate as well as to intragroup funding continued to be robust.

The positive trend in **NPL** reduction has continued for corporate and retail loans in the last six months.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

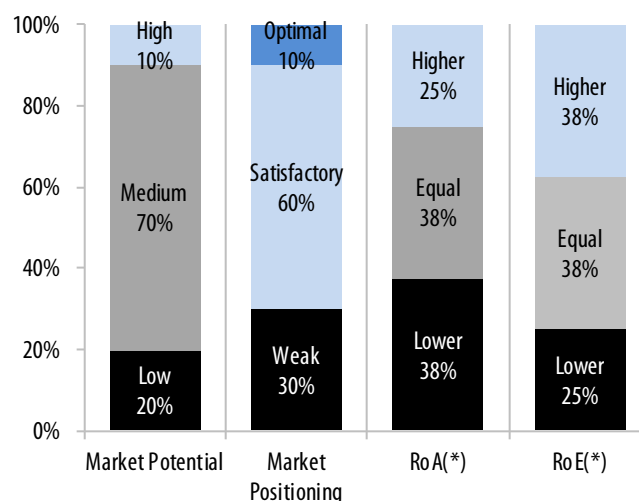
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Market attractiveness was relatively higher from a regional perspective, as 80% of parent banking groups saw a medium to high market potential in Serbia and 70% regarded their current market positioning as satisfactory to optimal.

In terms of profitability, 63% (76%) of local banks report a higher or equal return on assets (return on equity) compared to the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

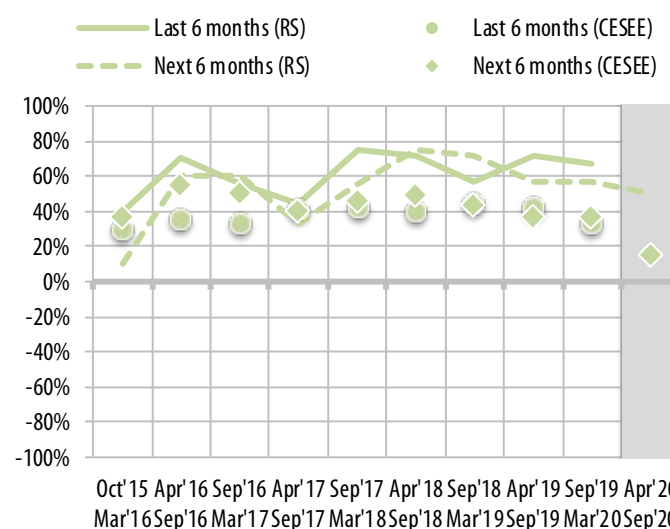
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Loan demand in Serbia increased during the last six months. Credit demand series in Serbia have been steadily above the CESEE averages over the past five years.

While the full impact of the Covid-19 pandemic is still uncertain, a mixed impact on loan demand can be expected. While loans for household might be strongly negatively affected by the plummeting consumption (3% GDP drop expected for Serbia in 2020, IMF Spring WEO), a higher demand for loans might come from emergency liquidity needs of companies under lockdown, supported also by policy measures. The announced fiscal package include low interest-rate loans and state guarantees for EUR 2 billion new loans.

Figure 2 Demand side developments

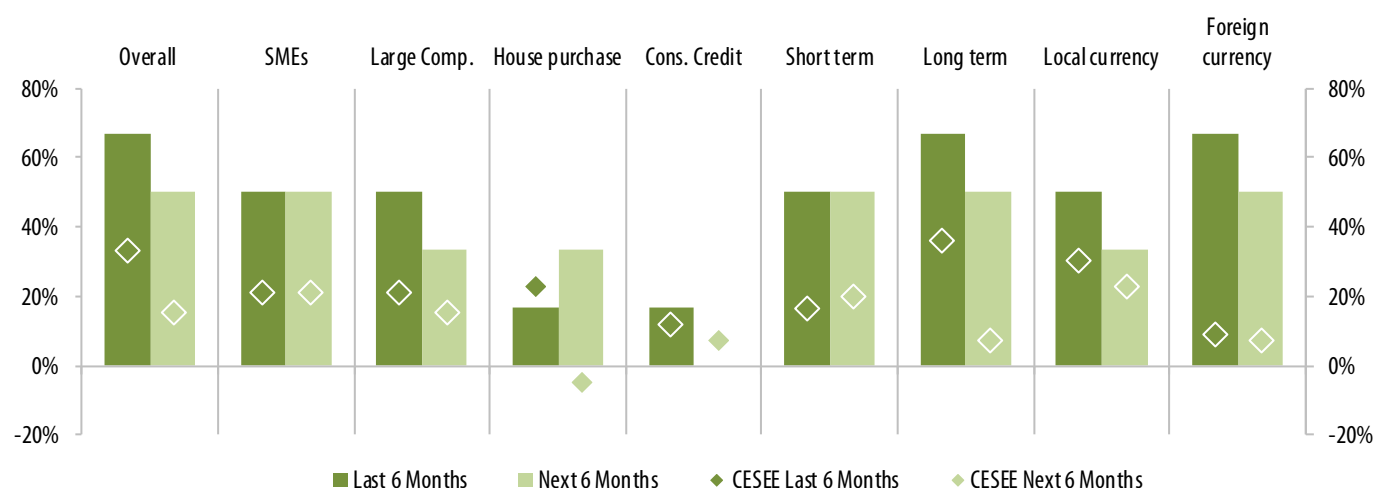


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Demand for loans in Serbia increased again across the board during the last six months. In comparison to the CESEE average, loan demand in Serbia was particularly strong for loans to SMEs and large corporate loans.

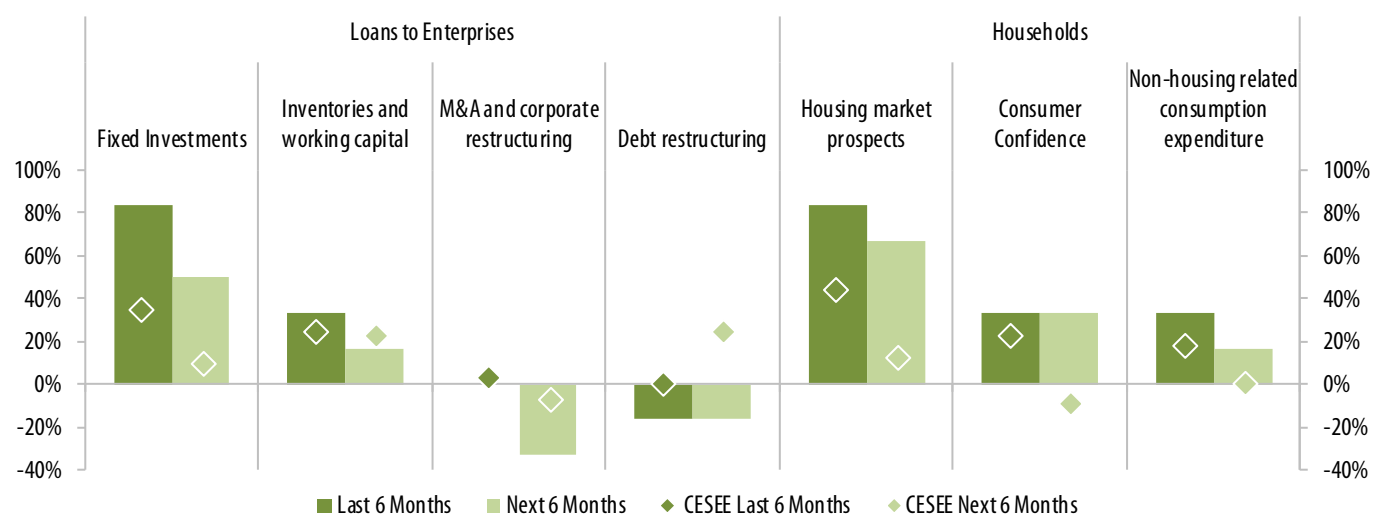


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

Among the firm-related factors, financing of fixed investments and working capital contributed positively in the last six months. Debt restructuring had a slightly negative impact on credit demand. The contribution of fixed investment (on the firms side) and housing market prospects (on the households side) were stronger than the CESEE average.

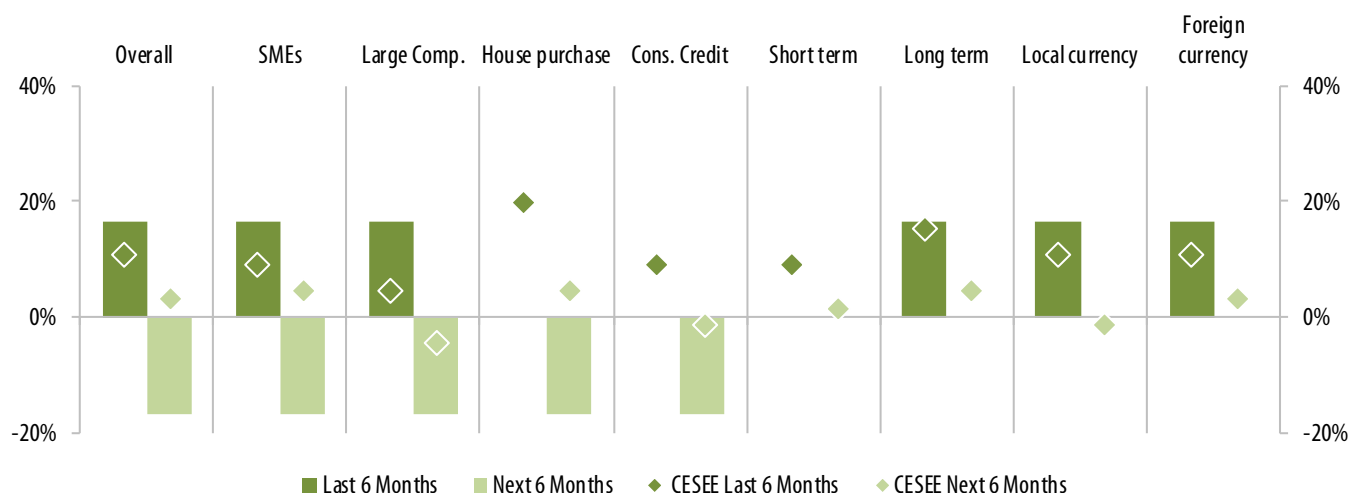


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The overall quality of loan applications improved broadly across all segments in the last six. The improvement in the quality of loan applications was mainly on the corporate loans while quality of household loans applications remained unchanged.

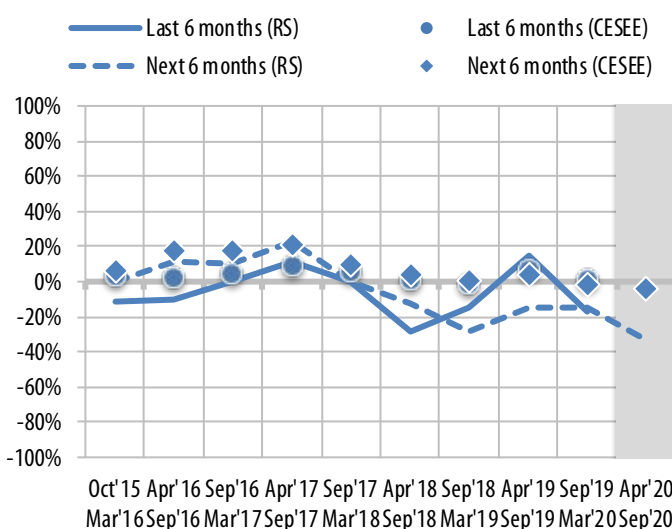


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

During the last six months, credit standards returned to tightening, even below the CESEE average. The growth in loan demand since 2015 has so far been supported by broadly neutral credit standards, thus pointing at a perceived widening gap between a sustained demand and sluggish credit standards.

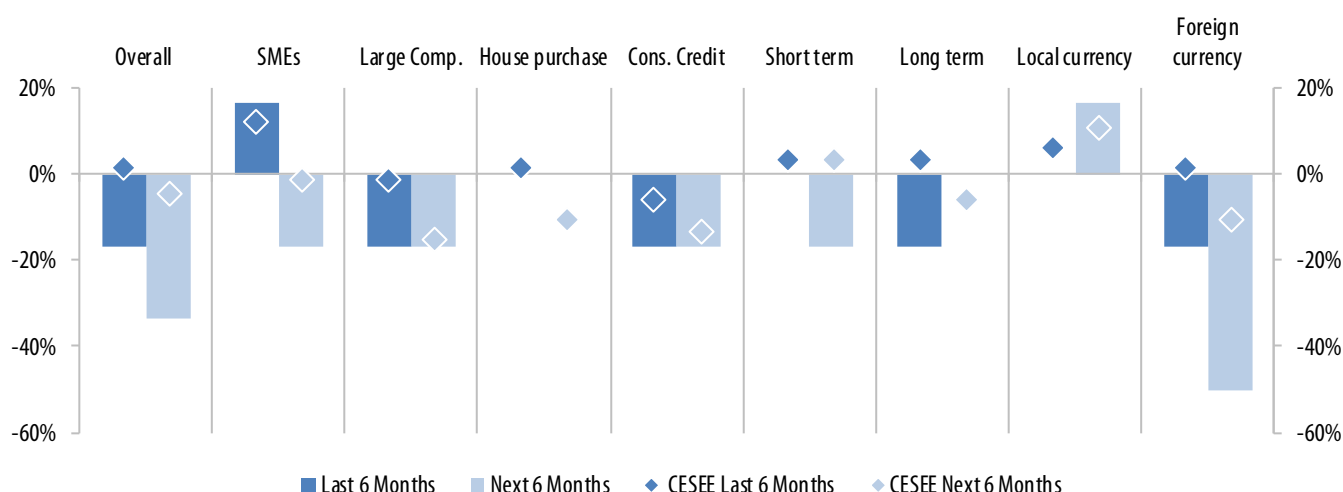
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 7 Supply components and segments

While credit standards tightened during the last six months for most of the segments, supply conditions eased for loans to SMEs.

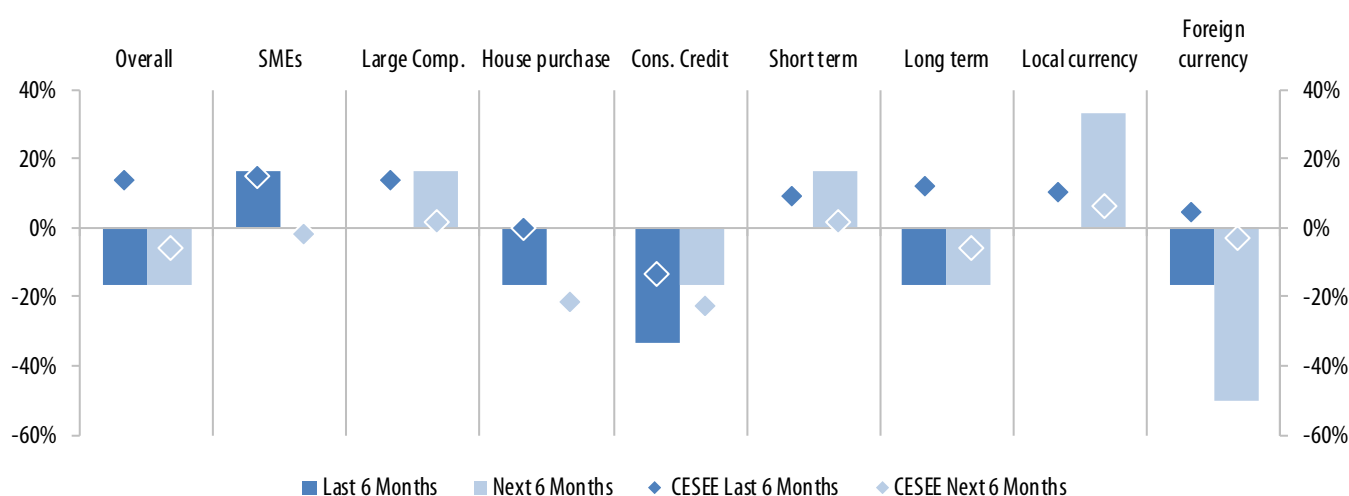


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

The overall banks' approval rate declined slightly during the last six months and the same dynamic is expected in the next six months. The approval rate increased for loans to SMEs, but it decreased for consumer credit and mortgage loans.

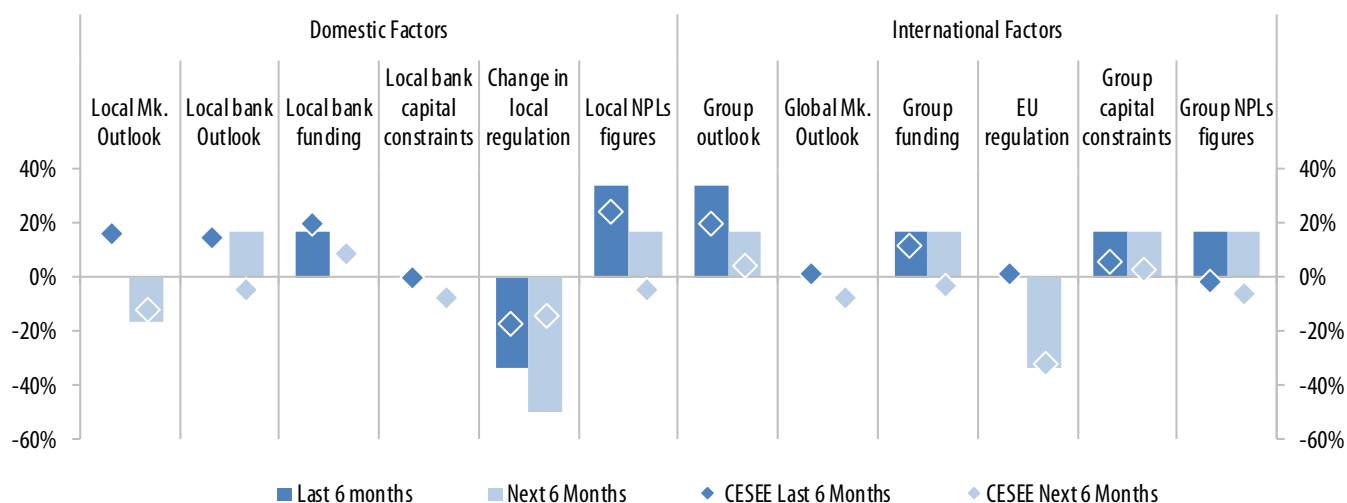


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

During the last six months, changes in local regulation contributed negatively to credit supply conditions in Serbia. On the other hand, the impact of both local and group bank funding and NPL figures was positive. Group outlook and group capital constraints had also a positive contribution.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

The NPL reduction have been moderating during the last six months, below the CESEE average. Moreover, a reversing of the trend is expected for the next six months, with NPL ratio deteriorating for both corporate and retail segment probably in relation to the deteriorating economic environment due to COVID-19 pandemic.

In the context of Covid-19 crisis, The National Bank of Serbia announced three-month loan payment deferral for all repayments under bank loans and financial leasing agreements and adjusted supervision approach in terms of deferred loans' classification and provisioning not to count them as default for the given period.



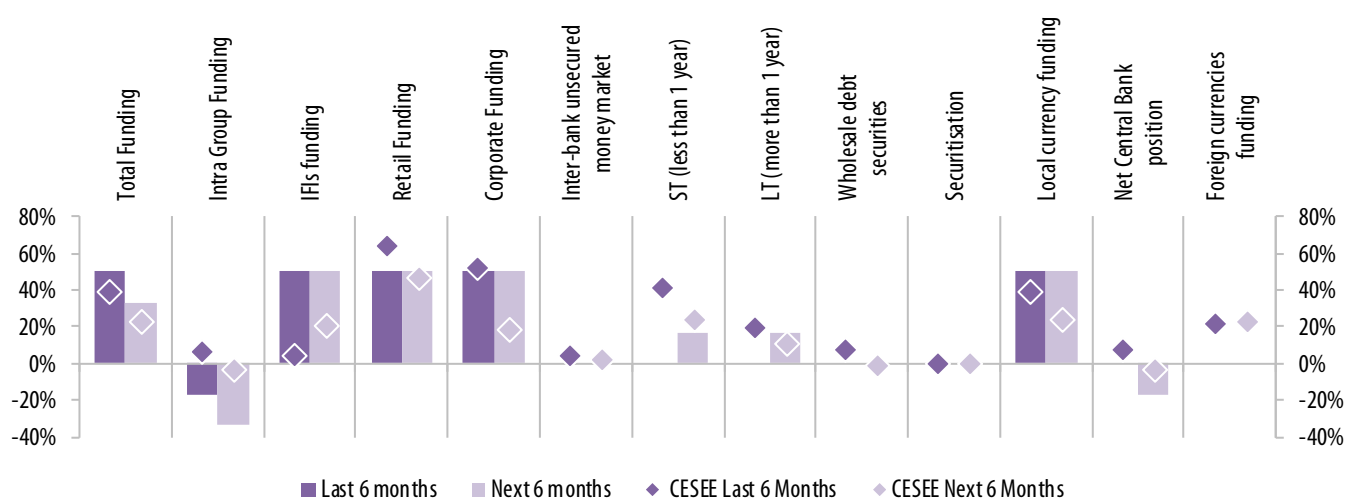
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Access to funding for banks located in Serbia increased during the last six months, slightly above the CESEE average. The main contributors to better access to funding remained IFI funding as well as retail and corporate deposits while access to intra-group funding decreased.

In the context of Covid-19 crisis, the National Bank of Serbia announced liquidity support to banks through an additional EUR/RSD swap auction and repo purchase auction of dinar government securities. IFIs also announced to step in to provide additional liquidity.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Slovakia

The Slovakian banking market is signalling a turning point with worsening credit demand, tighter credit standards and higher NPL going forward. The large majority of parent banking groups continue seeing high to medium market potential.

Summary

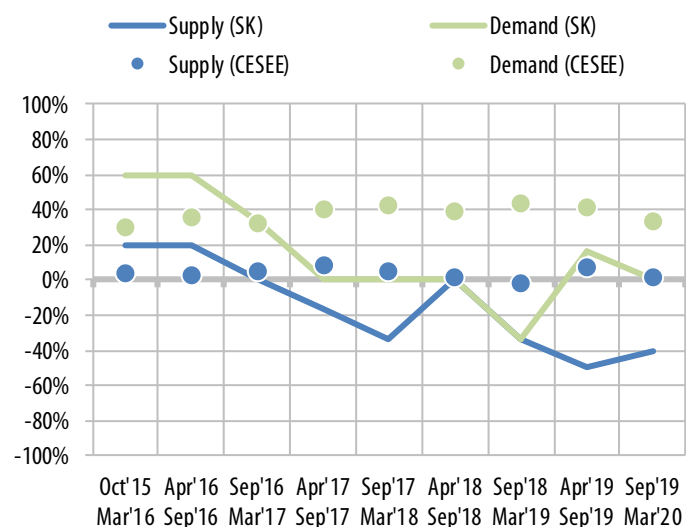
Group assessment of positioning and market potential: Before COVID-19 impacted the region, the large majority of parent banking groups continued seeing high to medium market potential in Slovakia, and they regarded their current market position as mostly optimal or satisfactory. The Slovakian banking sector was considered on average as profitable as the overall group global operations (while it was more profitable according to the surveys of the last years).

Credit demand: demand for loans was slowing down over the last months and it was weaker than the average of the CESEE region. Over the past six months demand for house purchase loans was increasing, while demand for consumer credit, SME, large corporate were decreasing. Short term financing needs may be a driver of demand for the future, as the crisis will generate additional short-term liquidity needs, together with debt restructuring.

Credit standards continued tightening over the last six months and further tightening is expected in the next six months. Credit standards in Slovakia are tighter than in the CESEE region.

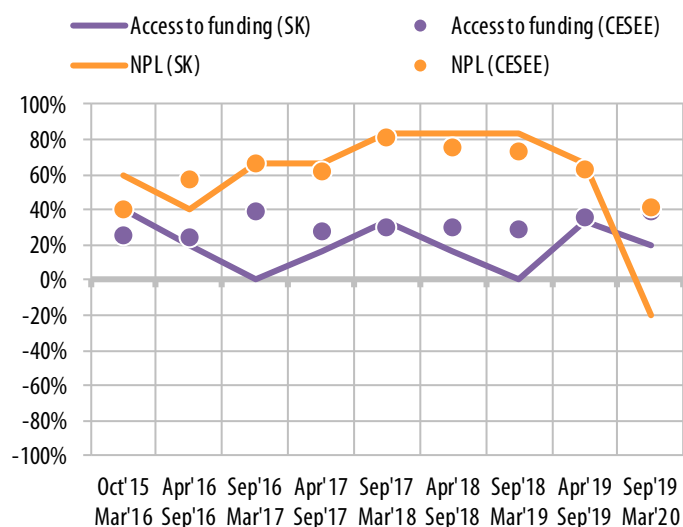
Access to funding: funding for banks improved during the last six months in Slovakia, driven by retail and intra-group funding. Lower corporate liquidity may contribute negatively to banks' funding going forward.

NPL ratio decline came to an end over the past six months. The ratio is expected to further deteriorate, worse than the average of CESEE, especially driven by Corporate.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

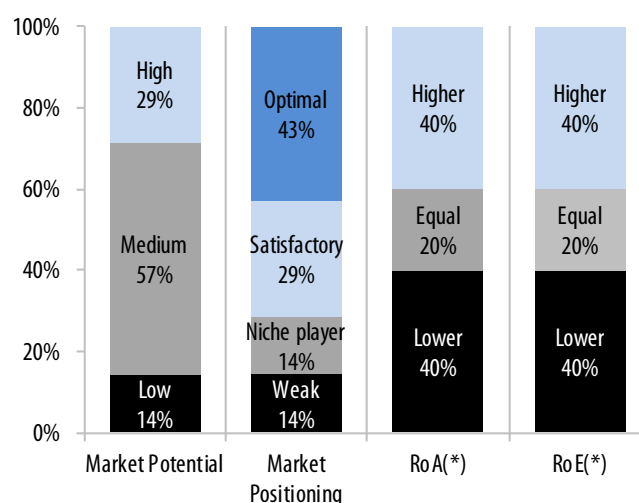
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

The majority of parent banking groups operating in Slovakia regarded the market potential as high to medium and their market positioning as optimal to satisfactory. Most of foreign banks in Slovakia are belonging to banking groups with a strong presence in various countries in the CESEE region (Erste, Raiffeisen, Intesa, UniCredit, KBC and OTP).

As for last year's surveys, 40% of banks saw their local bank profitability, both in terms of Return on Equity (RoE) and Return on Assets (RoA), higher than that of the overall group operations. An equal share of banks (40%) saw the profitability of their subsidiaries as lower than that of the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

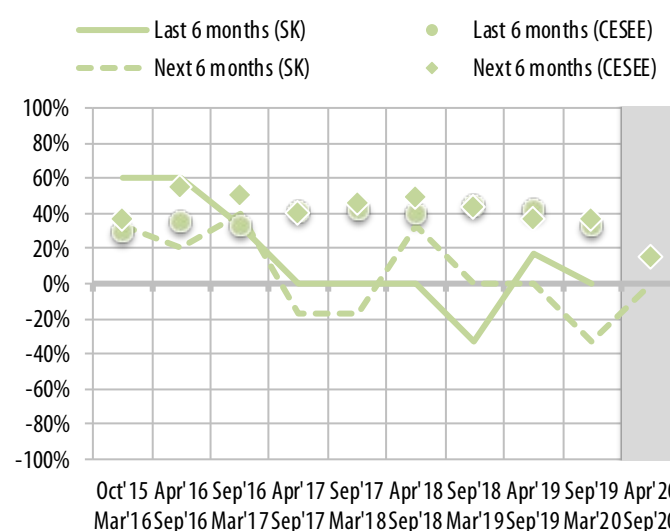
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Demand for loans was signalling a slowdown over the last six months, when compared with the previous survey. Both actual and expected demand for loans in Slovakia is perceived as weaker than the CESEE average.

The Covid-19 related crisis may be affecting the expectations of market players more than it is reflected in the survey (whose answers were collected during March 2020).

Figure 2 Demand side developments

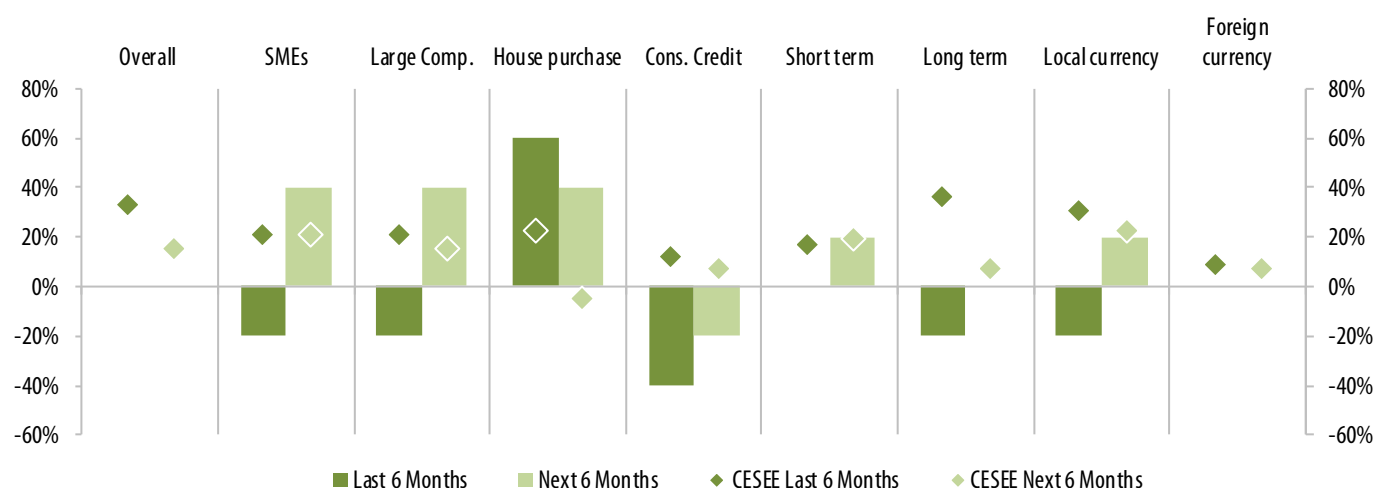


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

Figure 3 Demand components and segments

Demand for house purchase loans was increasing during the last six months, while demand for consumer credit, SME, Large Corporate were decreasing. House purchase was the only category signalling higher demand than the average of the CESEE region.

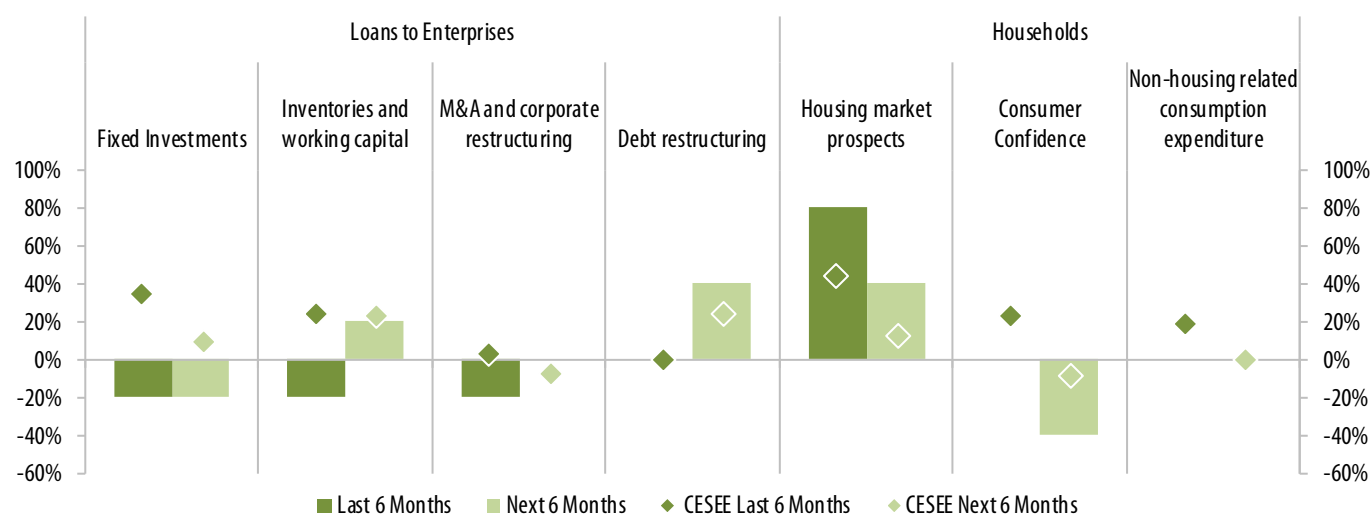


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

Figure 4 Factors affecting demand for loans

Housing market prospects continued to make a positive contribution to credit demand in Slovakia. Demand for loans from the Corporate sector appeared weaker, for short term as well as long term financing. Short term financing needs may be a driver of demand for the future, as the crisis will generate additional short-term liquidity needs, together with debt restructuring. M&A activity was not a significant positive driver of demand.

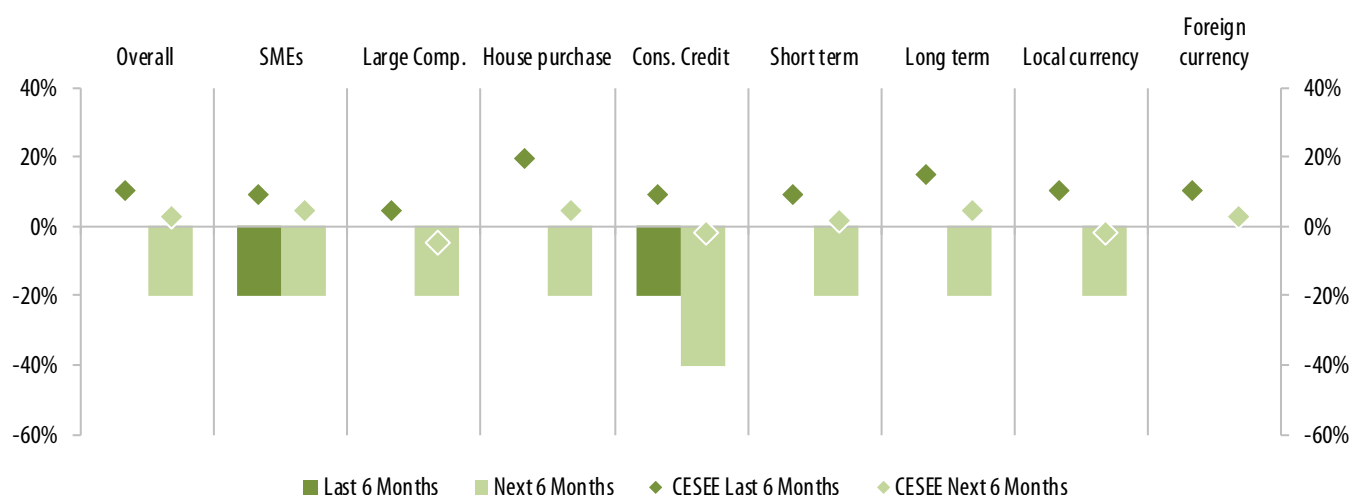


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

Figure 5 **Quality of loan applications**

The overall quality of loan applications was unchanged during the last six months, while the quality of loan applications was improving in the CESEE region overall. The next months will be more challenging, as a deterioration of loans application may be expected across all segments, with the consumer credit component being the most impacted.

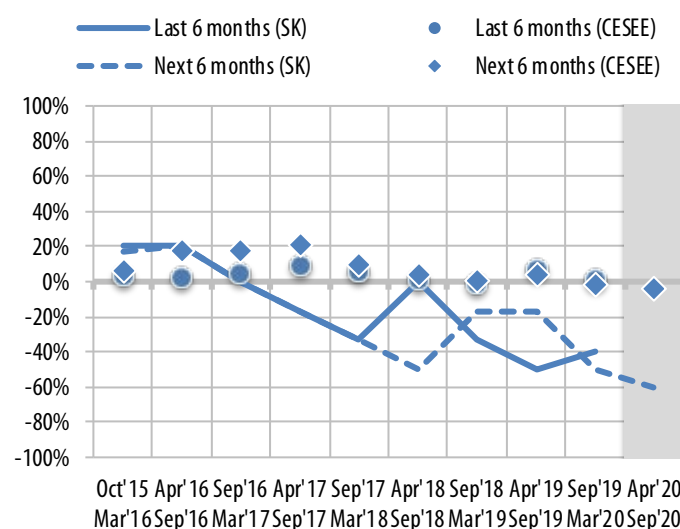


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit standards continued to be tight during the last six months and further tightening is expected in the next six months. Credit conditions in Slovakia were tighter than the CESEE average and are expected to continue to be tighter.

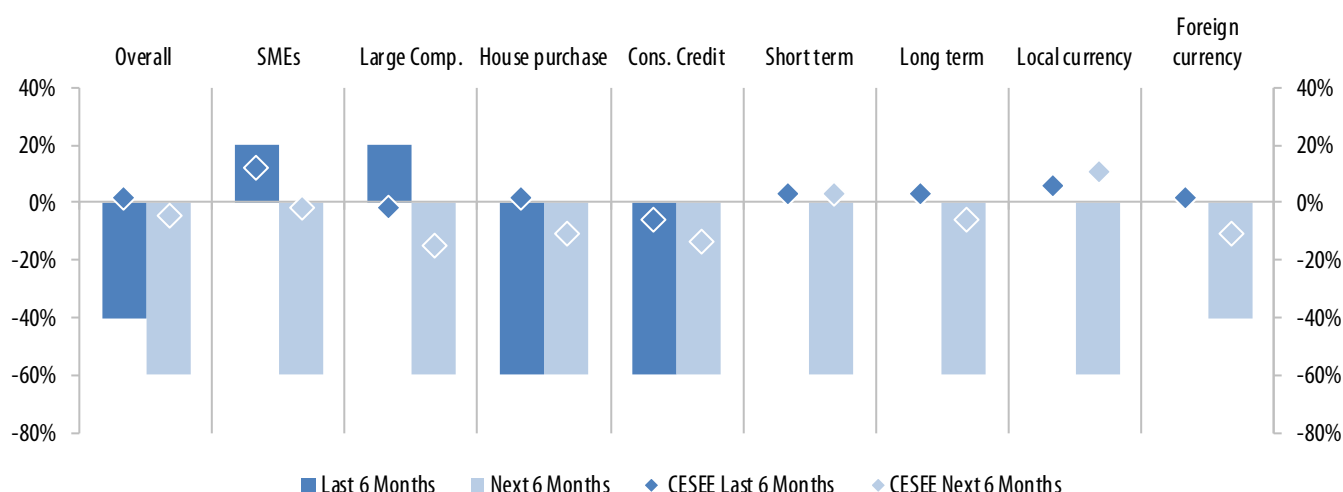
Figure 6 **Supply developments**

Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time $t+1$.

Figure 7 Supply components and segments

Credit standards tightened for the Retail segments, both for house purchase loans and for consumer credit. Going forward, all segments are expected to experience a significant tightening of lending conditions over the next six months. On the firms side, while credit standards for loans to SMEs and larger corporates eased during the last six months, they are also expected to register net tightening over the next six months.

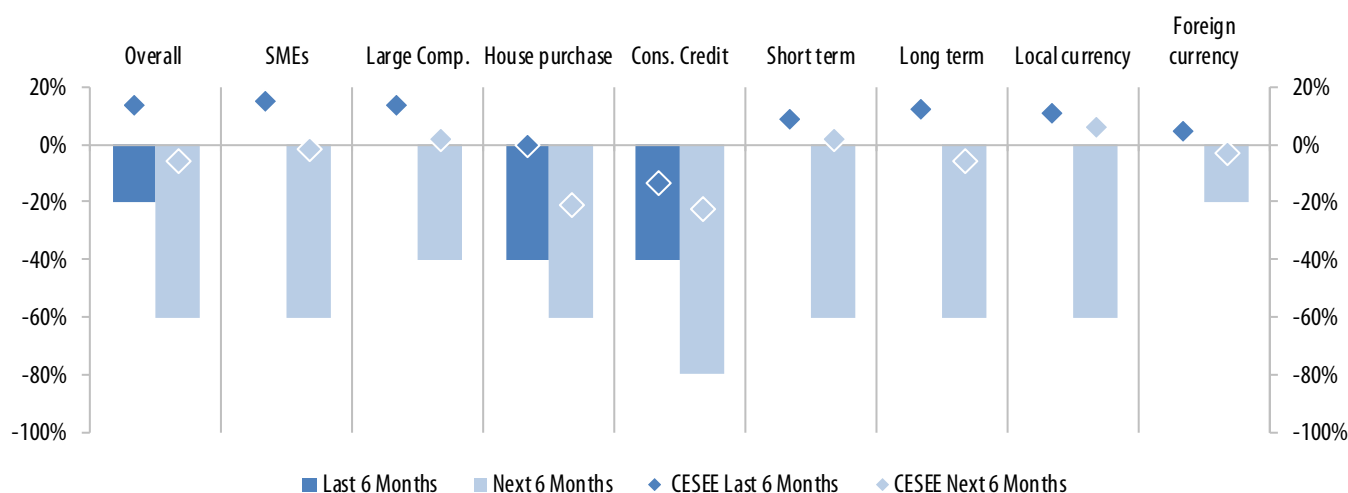


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

The overall banks' loan approval rate in Slovakia declined, in contrast to an overall improvement in the loan approval rate for the CESEE as a whole. The main drivers of this decline in Slovakia have been house purchase loans and consumer credit. The loan approval rate for house purchase loans and consumer credit is expected to further decline over the next six months, but also all other components (SME, Large corporate) are expected to decline. Both long term and short term lending credit supply will be affected.

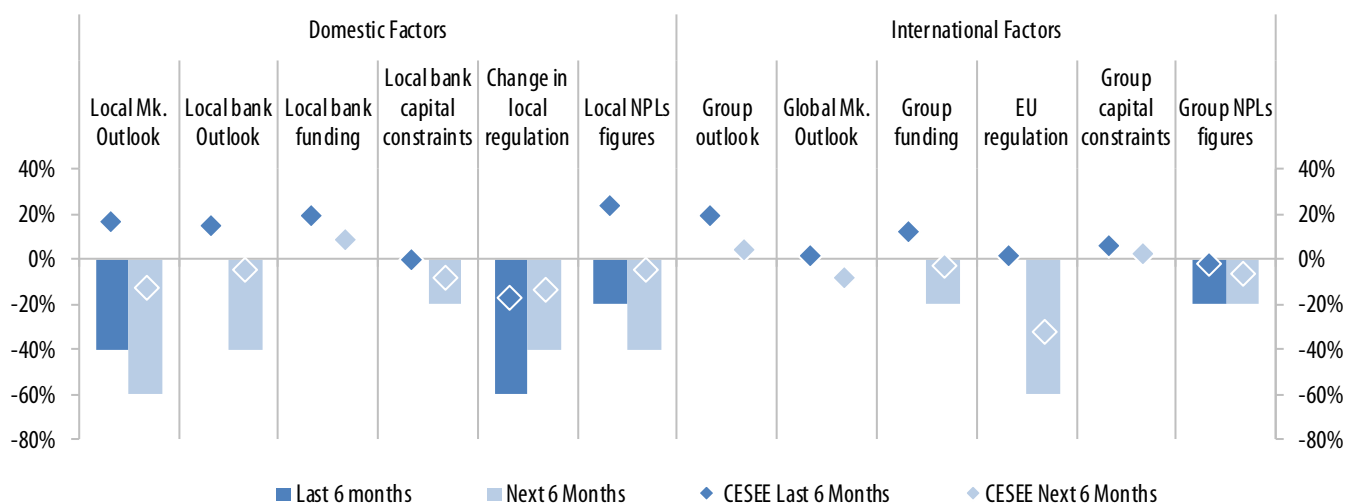


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

Figure 9 Factors contributing to supply conditions

Regarding the worsened supply conditions during the previous six months, changes in local regulations and NPL had the biggest negative impact. The same negative impact of these two factors is predicted over the next six months as well, together with capital constraints and EU regulations. Also Group may become a source of reduced credit supply going forward.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

Banks are reporting that the total NPL were increasing, following quite a long period of reductions (the NPL ratio halved between 2014 and 2019, driven by corporate, according to the data published by the Central Bank of Slovakia). The NPL figures are expected to deteriorate significantly going forward.

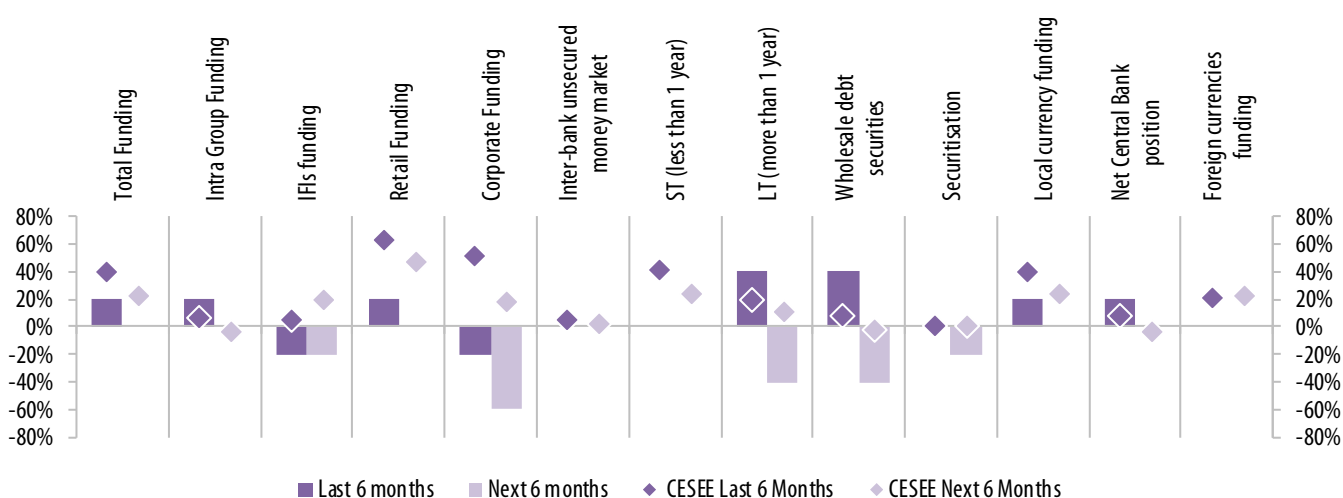


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

Figure 11 Access to funding

Total funding for banks improved during the last six months in Slovakia, even if less than the CESEE region as a whole. The improvement in access to funding was, however, not broad-based across the different categories, as Corporate and funding from International Finance Institutions were contributing negatively. Lower corporate liquidity may contribute negatively to banks' funding going forward.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

Annex

Non-performing loans in % of total loans (more than 90 days overdue)													
	AL	BA	BG	HR	CZ	HU	XK	MK	PL	RO	RS	SK	CESEE
2019Q4	8.4	7.4	6.5	5.5	2.5	4.0	2.0	4.6	6.4	4.1	4.1	2.8	4.9
2019Q3	10.6	7.7	7.6	6.0	2.7	4.5	2.3	4.8	6.8	4.6	4.7	2.8	5.3
2019Q2	11.2	8.0	7.3	7.3	2.8	4.9	2.5	5.4	6.8	4.7	5.2	2.9	5.4
2019Q1	11.4	8.5	7.6	7.4	3.2	5.2	2.6	5.1	6.8	4.9	5.5	3.0	5.6
2018Q4	11.1	8.8	7.8	7.6	3.3	5.4	2.7	5.1	6.8	5.0	5.7	3.1	5.7
2018Q3	12.9	9.4	8.7	8.1	3.3	6.2	2.8	4.9	7.0	5.6	6.4	3.4	6.0
2018Q2	13.3	9.3	9.3	8.9	3.4	6.6	2.8	5.0	7.1	5.7	7.8	3.5	6.2
2018Q1	13.4	9.7	9.6	8.9	3.6	7.0	2.9	5.0	7.7	6.2	9.2	3.6	6.6
2017Q4	13.2	10.0	10.4	11.4	4.0	7.5	3.1	6.2	6.8	6.4	9.8	3.6	6.6
2017Q3	14.8	10.8	11.7	12.5	4.0	8.5	3.6	6.5	6.9	8.0	12.2	3.9	7.1
2017Q2	15.6	11.1	12.4	13.2	4.3	9.2	3.9	6.6	6.9	8.3	15.6	4.0	7.4
2017Q1	17.4	11.5	12.9	13.9	4.5	10.2	4.5	6.2	6.9	9.4	16.8	4.3	7.8
2016Q4	18.3	11.8	13.2	13.8	4.8	10.8	4.9	6.4	7.1	9.6	17.0	4.4	8.0
2016Q3	21.3	12.1	14.0	14.7	5.2	12.5	5.1	7.2	7.3	10.0	19.5	4.7	8.6
2016Q2	20.0	12.1	14.4	15.0	5.3	13.6	5.3	7.4	7.3	11.3	20.2	4.7	8.9
2016Q1	19.3	13.2	14.7	16.1	5.5	14.5	5.9	10.5	7.4	13.5	20.9	4.7	9.3
2015Q4	18.2	13.7	14.5	16.7	5.8	13.6	6.2	10.4	7.5	13.5	21.6	4.8	9.5
2015Q3	20.6	13.8	14.5	17.1	6.1	15.5	6.8	11.3	7.9	15.7	22.0	5.3	10.2
2015Q2	20.9	14.1	15.0	17.3	6.0	14.9	7.2	11.0	8.0	16.2	22.8	5.5	10.3
2015Q1	22.9	14.2	17.2	17.1	6.1	14.7	8.1	11.1	8.2	20.2	22.6	5.6	10.9
2014Q4	22.8	14.2	16.7	17.1	6.1	16.7	8.3	10.9	8.1	13.9	21.5	5.5	10.5
2014Q3	25.0	16.1	18.1	17.2	6.2	17.8	8.5	11.8	8.2	15.3	23.0	5.6	11.0
2014Q2	24.1	15.5	18.0	16.6	6.3	18.1	8.2	11.4	8.3	19.2	23.0	5.5	11.4
2014Q1	24.0	14.9	16.7	16.1	6.5	18.2	8.6	10.7	8.4	20.4	22.3	5.5	11.5
2013Q4	23.2	15.1	16.9	15.7	5.9	17.7	8.7	11.1	8.5	21.9	21.4	5.3	11.6
2013Q3	24.3	14.9	17.2	15.3	5.9	18.1	8.5	11.3	8.5	21.6	21.1	5.6	11.6
2013Q2	24.4	14.3	17.1	15.1	6.0	18.3	7.8	11.9	8.7	20.3	19.9	5.5	11.6
2013Q1	24.0	13.8	16.9	14.6	6.0	17.9	7.6	11.4	8.9	19.1	19.9	5.4	11.5

Source: WIW

Credit to private sector, y/y growth rate

	AL	BA	BG	HR	CZ	HU	XK	MK	PL	RO	RS	SK	CESEE
2019Q4	6.6	6.7	7.4	3.9	5.2	13.2	10.0	6.1	4.7	7.0	8.9	6.6	6.1
2019Q3	5.1	6.0	6.5	1.8	5.2	13.3	10.3	5.5	6.1	7.2	9.7	7.6	6.6
2019Q2	3.6	6.0	6.0	2.6	5.4	11.4	10.5	8.1	5.3	6.7	8.9	7.2	6.1
2019Q1	-0.8	5.3	7.5	3.5	6.8	11.6	11.5	9.0	7.1	7.7	9.6	8.5	7.4
2018Q4	-3.6	5.5	7.5	2.3	6.8	10.6	10.8	7.2	7.2	7.8	9.9	9.8	7.4
2018Q3	-3.5	6.3	6.1	1.7	6.7	9.6	11.5	7.8	5.8	6.4	6.4	9.5	6.5
2018Q2	-2.4	7.0	5.7	2.2	6.1	8.7	11.4	6.1	5.5	7.0	4.4	10.2	6.2
2018Q1	0.4	7.2	3.8	0.7	5.5	5.0	10.6	5.7	4.4	5.9	2.2	9.9	5.1
2017Q4	0.7	7.3	3.3	-0.1	6.5	5.5	11.6	5.4	3.1	5.3	2.1	9.9	4.6
2017Q3	0.9	7.3	4.1	0.3	6.5	4.6	10.3	4.0	4.1	7.2	0.8	11.2	5.2
2017Q2	-1.5	6.2	3.6	-1.3	7.3	2.3	10.2	4.1	4.0	3.9	2.2	11.7	4.8
2017Q1	0.1	4.8	3.3	-2.3	6.7	0.1	10.9	-1.2	4.7	2.7	4.5	11.2	4.6
2016Q4	0.2	3.5	1.0	-4.3	6.7	-1.3	10.5	-0.1	5.3	0.9	2.3	9.3	4.1
2016Q3	0.5	2.4	-0.7	-6.0	6.5	-4.6	9.7	1.5	4.9	0.5	6.0	8.7	3.6
2016Q2	-0.1	2.2	-1.2	-6.2	6.5	-5.8	8.3	2.5	5.2	0.6	4.7	7.4	3.4
2016Q1	-2.1	3.3	-2.3	-7.0	7.9	-6.4	8.8	8.5	5.4	2.3	2.1	8.0	3.7
2015Q4	-2.6	2.0	-1.6	-3.1	6.6	-12.3	7.2	9.6	7.1	2.5	3.0	9.7	4.2
2015Q3	-1.9	1.0	-10.1	-1.6	8.6	-9.4	7.8	8.9	6.4	0.4	3.1	8.2	3.7
2015Q2	0.7	0.7	-10.2	-0.6	5.9	-8.3	7.9	9.1	6.8	-0.5	5.4	8.7	3.6
2015Q1	2.5	-0.1	-9.2	-0.5	3.8	-6.7	6.1	9.2	6.7	-3.6	7.3	7.8	3.0
2014Q4	2.4	1.7	-8.2	-2.0	2.7	-0.3	6.2	10.0	5.8	-3.7	4.5	6.7	2.7
2014Q3	1.9	3.2	2.0	-3.6	2.8	-3.9	4.7	9.5	5.7	-4.9	-0.8	7.4	2.6
2014Q2	-1.5	4.0	2.1	-2.5	3.8	-2.5	3.6	8.6	4.8	-4.3	-4.5	6.2	2.3
2014Q1	-2.1	3.8	1.2	-2.0	2.8	-5.9	2.6	7.6	4.5	-3.0	-6.5	5.4	1.7
2013Q4	-1.2	2.9	0.0	-1.5	4.1	-4.4	2.6	6.5	3.3	-3.4	-4.9	5.4	1.5
2013Q3	-1.7	1.9	0.7	-2.5	2.4	-1.6	2.9	3.8	3.0	-3.4	-4.6	4.8	1.2
2013Q2	1.0	1.7	1.0	-4.7	1.9	-5.4	3.4	3.8	2.1	-1.2	-0.5	4.4	0.6
2013Q1	1.4	2.2	2.3	-6.8	2.8	-4.5	4.4	4.4	2.3	0.2	1.8	4.0	1.1

Source: WIIW

Survey Description

Key statistics

Developed in the context of the Vienna Initiative (VI) 2.0 as an additional instrument to monitor:

- cross-border banks' deleveraging in CESEE
- the determinants/constraints influencing credit growth in CESEE
- market expectations of future developments.

Target groups: international banks active in CESEE interviewed at group level and local banks/local subsidiaries of these groups interviewed at single-entity level:

- 15 international groups
- 85 local banks/subsidiaries.

Average coverage: 50% of regional banking assets.

Countries covered: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine¹.

Periodicity: semi-annual (Sep/Oct and Mar/Apr). The first survey was conducted in October 2012.

The CESEE Bank Lending Survey – technical note

The CESEE Bank Lending Survey was developed in the context of the Vienna Initiative 2.0 and has been endorsed by the various institutions participating in VI 2.0 as an instrument to:

- contribute to the monitoring of cross-border banking activities and deleveraging in CESEE;
- better understand the determinants/constraints influencing credit growth in CESEE;
- to gain some forward-looking insights into cross-border banks' strategies and market expectations regarding local financial conditions.

Taking into account the unique nature of the regional banking sector, with a large proportion of banks being foreign-owned, the survey investigates both the strategies of international banks active in CESEE and the market conditions and market expectations as perceived by the local subsidiaries/local banks. To that end, the survey covers the major international banks operating in CESEE and their subsidiaries in the region. At the same time, to

¹ Details for Slovenia and Ukraine are not presented on a stand-alone basis, due to the relatively low coverage in terms of number of banks.

gain a full understanding of local market conditions, an effort has been made to also include in the survey the relevant domestic players in a specific local market.

Given these features, the survey is a unique instrument for monitoring banking sector trends and challenges in CESEE. It complements domestic bank lending surveys by adding the value of comparability across countries and the unique feature of specifically addressing the parent/subsidiary nexus. It also complements information derived from BIS data concerning cross-border banks' exposure.

The survey is administered by the European Investment Bank, under a confidentiality agreement with the individual participating banks. It is addressed to senior officials of the banks involved and is conducted on a semi-annual basis in February/March and September. The first survey was carried out in September/October 2012. Most of the questions have a backward and a forward-looking component, covering the six months before and expectations over the following six months.

In terms of coverage, the latest survey involved 15 international groups operating in CESEE and 90 local subsidiaries/independent domestic players. It is highly representative of international groups active in CESEE and also of local market conditions, as it relates on average to 50% of local banking assets.

The countries currently included in the survey are: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine.

The detailed survey questionnaire is contained in the annex. The survey is divided into two sections, the first addressed to international groups, the second to domestic banks/subsidiaries of international groups.

The first section investigates international banks' strategies, restructuring plans, access to funding and deleveraging at the global and group level. It includes questions on the long-term strategic approaches adopted for CESEE, the level of profitability of CESEE operations and the groups' exposure to the CESEE region.

The second part of the survey is addressed to domestic/subsidiary banks operating in the CESEE region and investigates the main determinants of local banking conditions.

Among the supply conditions, attention is given to credit standards and credit terms and conditions, as well as to the various factors that may be responsible for changes to them. Credit standards are the internal guidelines or criteria that guide a bank's loan policy. The terms and conditions of a loan refer to the specific obligations included in a loan contract, such as the interest rate, collateral requirements and maturity. The survey includes a set of questions assessing the underlying factors affecting the bank's credit standards. Factors are clustered into domestic and international components. Examples of local factors are the local market outlook, local bank outlook and local bank access to funding, changes in local regulation, local bank capital constraints and local bank NPLs (non-performing loans). Among the international factors, the survey includes the group outlook and global market outlook but also EU regulation, group capital constraints and group NPLs.

Demand for loans is also investigated in terms of loan applications. Among the elements that may affect loan demand, various factors relating to financing needs in both the household and enterprise sectors are examined. For the enterprise sector, the survey includes fixed investment, inventories and working capital, corporate restructuring and debt restructuring. For the household sector, the survey considers the effects of housing market prospects, consumer confidence and non-housing-related consumption expenditure.

Most of the questions concerning demand and supply are classified according to two borrower sectors: households and enterprises. Further breakdowns are also considered. For example, the survey investigates developments in the SME and large corporate segments as well as different types of credit lines and loans in the household sector (e.g. consumer credit and loans for house purchases). In addition, maturity and currency dimensions are also explored.

The survey includes specific questions on credit quality and the funding conditions for banks in CESEE. Specifically it includes questions on NPL ratio developments, providing a breakdown between the retail and corporate subsectors. The survey investigates aggregate access to funding as well as funding conditions for an extensive list of funding sources. These include intra-group funding, retail and corporate funding, funding from international financial institutions (IFIs) and wholesale funding.

Most of the responses are illustrated in the following chapters of this report as net percentages, i.e. the percentage of positives minus negatives (excluding the neutral responses). For example, the percentage difference between responses reporting an increase in demand for loans and responses reporting a decrease – irrespective of the size of the increase or decrease. This is an oft-cited indicator, which has a barometer function. It helps to detect potential drifts and tendencies in the panel of respondents. Answers are not weighted by the size of the participating banks.

The Questionnaire

The questionnaire is divided into two parts:

- **Part A addressed to parent banks**
- **Part B addressed to local / subsidiary banks**

PART A

A.Q1 How do you assess in each country...

Country	...market potential	...your subsidiary current positioning	...Return on assets (adjusted for cost of risk)	...Return on assets (adjusted for cost of risk) compared to overall Group operations	...Return on equity (adjusted for cost of equity)	...Return on equity (adjusted for cost of equity) compared to overall Group ROE
Albania						
Bosnia-H.						
Bulgaria						
Croatia						
Czech Republic						
Estonia						
Hungary						
Kosovo						
Latvia						
Lithuania						
Macedonia						
Poland						
Romania						
Serbia						
Slovakia						
Slovenia						
Ukraine						

A.Q2 - Strategic operations: Has your group conducted strategic operations to increase the capital ratio and/or will conduct strategic operations? If yes, which type?

	LAST 6 months	NEXT 6 months
Strategic restructuring		
Sale of assets		
Sale of branches of activities		
Raising capital on the market		
State contribution to capital		

A.Q3 - Group funding: Group's access to funding...

	<i>...How has it changed over the LAST six months?</i>	<i>...How do you expect it to change over the NEXT six months?</i>
Total		
Retail (deposits and bond to clients)		
Corporate (deposits and bond to clients)		
Interbank market		
IFIs		
Wholesale debt securities		
Loans or credit lines from the Central Bank		
Securitisation		
Short-term funding (any source)		
Long-term funding (any source)		

A.Q4 - Deleveraging —over the next six months, do you expect the loan-to-deposit ratio of your group to...

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A.Q5 - Longer term strategic approach (beyond 12 months): Looking at operations via subsidiaries in CESEE, your group intends to...

--	--	--

A.Q6 - Profitability of the strategy in CESEE region: the contribution of activities in CESEE in total ROA of the Group is/will...

	LAST 6 months	NEXT 6 months

A.Q7 - Profitability of the strategy in CESEE region: ROA of your CESEE operations is higher/lower/equal of that for the overall group...

	LAST 6 months	NEXT 6 months

A.Q8 - Group total exposure to CESEE: Concerning cross-border operations to CESEE countries, your group did/intends to...

	LAST 6 months	NEXT 6 months
Total Exposure		
Exposure to Subsidiaries - intra-group funding		
Exposure to Subsidiaries - capital		
Direct cross border lending to domestic clients, booked in the BS of the parent company		
MFIs - funding to banks not part of the group, booked in the BS of the parent		

A.Q9 - Conditions of your funding to your own subsidiaries in CESEE...

	<i>...How have they changed over the LAST six months?</i>	<i>...How do you expect them to change over the NEXT six months?</i>
Overall		
Pricing		
Maturity		

PART B

B.Q1 - Credit Supply: bank's (local subsidiary)'s credit standards applied when assessing credit applications...

	...How have they changed over the last six months?	...How do you expect them to change over the next six months?
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q2 - Credit Supply: bank's (local subsidiary)'s approval rate for loan applications...

	...How has it changed over the last six months?	...How do you expect it to change over the next six months?
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q3 - Credit supply: have bank's conditions and terms (e.g. maturity, pricing, size of average loan, etc.) **for approving loans or credit lines changed/will they change?...**
OVER the LAST 6 months

	Overall	Loans to SMEs	Loans to large companies	Loans to households for house purchase	Consumer credit (other than loans for house purchase)
A) Your bank's margin on average loan (wider margin = --, narrower margin = ++)					
B) Size of the average loan or credit line					
C) Maturity					
D) Non-interest rate charges					
E) Collateral requirements					

OVER the NEXT 6 months

	Overall	Loans to SMEs	Loans to large companies	Loans to households for house purchase	Consumer credit (other than loans for house purchase)
A) Your bank's margin on average loan (wider margin = --, narrower margin = ++)					
B) Size of the average loan or credit line					
C) Maturity					
D) Non-interest rate charges					
E) Collateral requirements					

B.Q4 - Factors affecting your bank's credit standards (credit supply).

Have the following domestic and international factors contributed to tighten (ease) your credit standards over the past six months, and do you expect them to contribute to tighten (ease) your credit standards over the next six months?

Over the **LAST** six monthsOver the **NEXT** six months**Impact on credit standards****A) Domestic Factors - affecting your subsidiary**

i) Local market outlook		
ii) Local bank outlook		
iii) Local banks access to total funding		
iii.a) of which: domestic		
iii.b) of which: international/intra-group		
iv) Local bank capital constraints		
v) Change in local regulation		
vi) Competition		
vii) Credit quality (NPLs)		
viii) Bank's liquidity position		
ix) Risk on collateral demanded		

B) International Factors - affecting your subsidiary

i) Group Company outlook		
ii) Global market outlook		
iii) Overall group access to funding		
iv) EU Regulation		
v) Group capital constraints		
vi) Global Competition		
vii) Credit quality (NPLs)		

B.Q5 - Loan Applications: Demand for loans or credit lines to enterprises and households (to your local subsidiary/branch)...

	<i>...How has it changed over the last six months?</i>	<i>...How do you expect it to change over the next six months?</i>
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q6 - Has the quality of the Loan Applications changed / Do you expect it to change?

	<i>...How has it changed over the last six months?</i>	<i>...How do you expect it to change over the next six months?</i>
Overall		
Applications from small and medium-sized enterprises		
Applications from large enterprises		
Applications from households for house purchase		
Applications for consumer credit (other than loans for house purchase)		
Applications for short-term loans		
Applications for long-term loans		
Applications for Local Currency		
Applications for Foreign Currency		

B.Q7 - Factors affecting clients' demand for loan applications...**...Loans or credit lines to enterprises**

	<i>...How have they changed over the last six months?</i>	<i>...How do you expect them to change over the next six months?</i>
A) Financing needs		
Fixed Investments		
Inventories and working capital		
M&A and corporate restructuring		
Debt restructuring		

...Loans to Household

A) Financing needs		
Housing market prospects		
Consumer Confidence		
Non-housing related consumption expenditure		

B.Q8 - Gross non-performing loans ratio in your local subsidiary/branch (excluding extraordinary operations)...

	<i>...Has the non-performing loans ratio changed over the last six months?</i>	<i>...How do you expect the non-performing loans ratio to change over the next six months?</i>
Total		
Retail		
Corporate		

B.Q9 - In terms of funding: has access to funding of your local subsidiary/branch changed over the past six months, or do you expect it to change over the next six months?

	Over the LAST six months	Over the NEXT six months
A) Total funding		
A.1) Intra Group Funding		
A.2) IFIs (international financial institutions) funding		
A.3) Retail funding (deposits and bonds to clients)		
A.4) Corporate funding (deposits and bonds to clients)		
A.5) Inter-bank unsecured money market		
A.6) Wholesale debt securities		
A.7) Securitisation		
A.8) Net Central Bank position		
B.1) Local currency funding		
B.2) Short term (less than 1 year)		
C.1) Long term (more than 1 year)		
C.2) Foreign currencies funding		

ECONOMICS – REGIONAL STUDIES

CESEE

Central, Eastern and South-Eastern Europe

Bank Lending Survey

Spring 2020



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Investment
Bank**

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