



CESEE Bank Lending Survey

H2-2017

CESEE Bank Lending Survey – H2 2017

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

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Regional Overview

International banks discriminate among CESEE countries on the basis of local operations' returns, market potential and positioning. The generalised cross countries' assessment has been improving steadily, thus boosting selective strategic expansions. Regional demand for credit increased and supply standards eased over the last six months. Group asset quality, changes in local regulation and local capital positions weigh negatively on subsidiaries' supply stance, whilst subsidiaries' NPL ratios declined progressively.

Summary

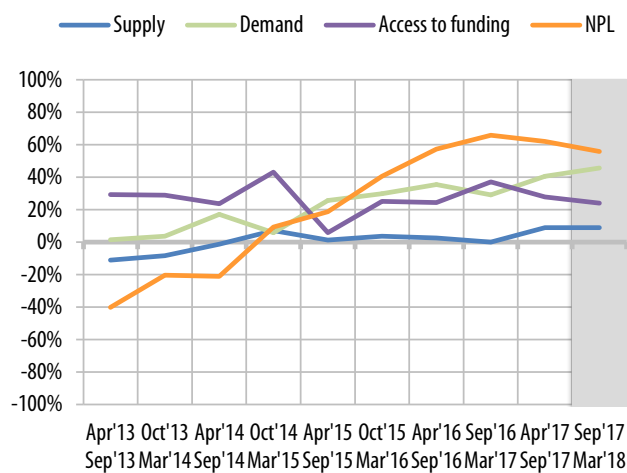
Global strategies: Some restructuring of global activities has continued, albeit less intense than in 2013-2016. Capital increases have been achieved via sales of assets and branches. On balance more banking groups have been re-leveraging than deleveraging compared to 2015-2016.

Commitment to CESEE: Banking groups' strategies seem to be tilted towards a selective expansion in the CESEE region. A large majority of international groups described the ROA of CESEE operations as being higher than that of the overall group, whilst the aggregate net balance of exposures to the region has been mildly negative over the last six months. All in all, cross-border banking groups continue to be selective in their countries of operation in CESEE on the basis of differentiated market potentials, positionings and returns.

CESEE subsidiaries and local banks continue to report an increase in **demand** for credit, and **supply** conditions have eased visibly over the past six months. However a perceived demand-supply gap still persists. This may also suggest that most of the new credit can be on average of a better quality than in previous credit cycles. Across the client spectrum, supply conditions eased partially in the SME segment and on consumer credit, while credit standards have tightened on mortgages. Changes in local regulation and Groups' NPLs are perceived to be key factors adversely affecting supply conditions. In the last six months, demand for loans improved again across the board. This marks the ninth consecutive semester of positive developments. All factors affecting demand have made a positive contribution. Notably, investment accounted for a good part of the strengthening in demand, whilst debt restructuring was almost irrelevant.

Access to funding has continued to ease in the CESEE region, supported by easy access to domestic sources, mainly retail and corporate deposits. IFIs funding has also contributed positively, whilst intra-group funding was not supportive.

The **NPL ratios** continued to improve. In absolute terms, the share of subsidiaries still reporting an increase in their NPL ratios fell well below 10 percent, down from 60 percent in 2013.



Source: EIB – CESEE Bank Lending Survey.

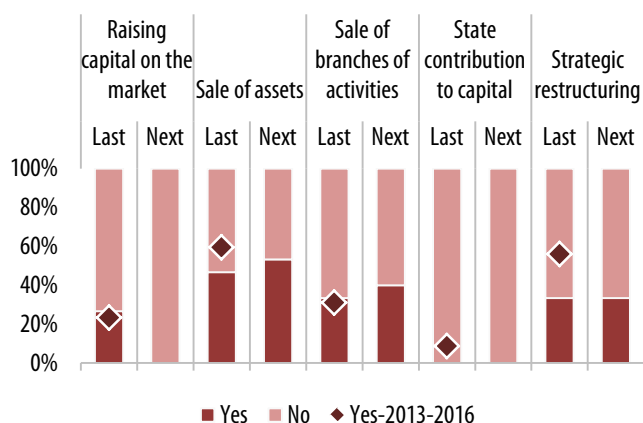
Note: All indicators in net percentages
 Supply/Demand: positive figures refer to increasing (easing) demand (supply)
 Access to funding: positive values indicate increased access to funding
 NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Some restructuring of global activities has continued. However it is less intense than in 2013-2016. Capital increases have been mainly achieved via sales of assets and branches. Fewer banking groups than in 2015-2016 have continued to deleverage, whilst on balance more banking groups have been re-leveraging than deleveraging compared to 2015-2016.

Fewer banking groups than before have continued to be engaged in various forms of restructuring at the global level to increase their group capital ratios. The same number of groups expect this process to continue (Figure 1), albeit at a slower pace than previous years. Moreover, strategic restructuring expectations are, on average, lower than in 2013-2016. Lately, capital has been raised primarily through sales of assets and branches. In contrast to the past, no state contribution to capital has been introduced and/or is expected. Compared to 2013-2016, the same number of banking groups has raised capital on the market. Looking at the next six months, contributions to balance sheet strengthening are again expected to come mainly from sales of assets and branches. Deleveraging at the group level (Figure 2) has significantly decelerated compared to 2013 and 2014, but also compared to already improved conditions in 2015 and 2016. Slightly less than 20 percent of banking groups expects a decrease in their loan-to-deposit (LTD) ratio in the next six months, scoring an improvement compared to the results of 2016 survey releases and also compared to the 2017 H1 wave whereby around 30 percent of the banking groups expected a decrease in group-level LTD ratios. Last but not least, this release of the survey shows that more groups expect an increase in their LTD than a decrease over the next six months. The survey also highlights an improved picture whereby slightly upbeat expectations prevail.

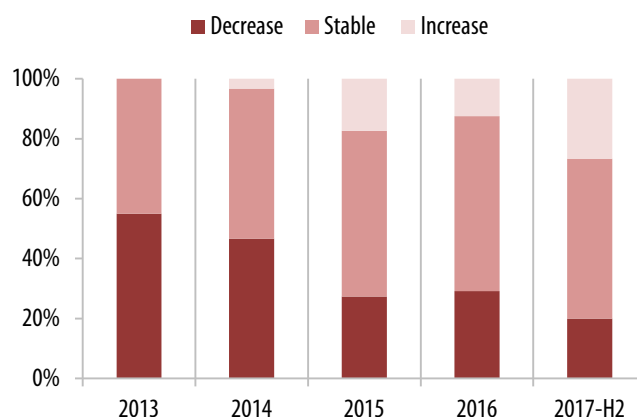
Figure 1 Strategic operations to increase capital ratio



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q2 – questionnaire in the Annex

Figure 2 Deleveraging: loan-to-deposit ratio (expectations over the next 6 months)



Source: EIB – CESEE Bank Lending Survey.

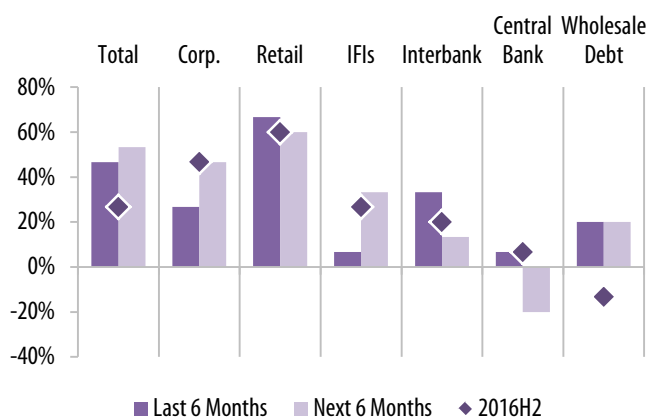
Note: See question A.Q4 – questionnaire in the Annex

The easing in group-level funding conditions accelerated over the past six months and improved compared to 2016 (Figure 3a). Notably, most of the funding sources made a significant positive contribution to total access to funding.

Access to funding has continued easing over the past six months. The information contained in the current release of the survey strengthens even further the results obtained in the previous releases. Following a mild contraction during 2015, in the first half of 2016 access to funding resumed an easing trend, which continued throughout the second half of 2016 and accelerated further in the second half of 2017. Therefore, the contraction in access to funding is confirmed to be a temporary event, which coincided with the long tail effects generated by the spring/summer 2015 Greek crisis. In detail, the detected dynamics in aggregate access to funding reflect

protracted improvements in retail and corporate funding and positive contributions from IFIs over the past six months. Notably the interbank market started playing a greater positive role. On the other hand, banking groups have been relying less and less on central bank liquidity lately. Looking at the next six months, funding conditions are expected to continue easing (Figure 3.b) and more funding is predicted from all sources but central banking.

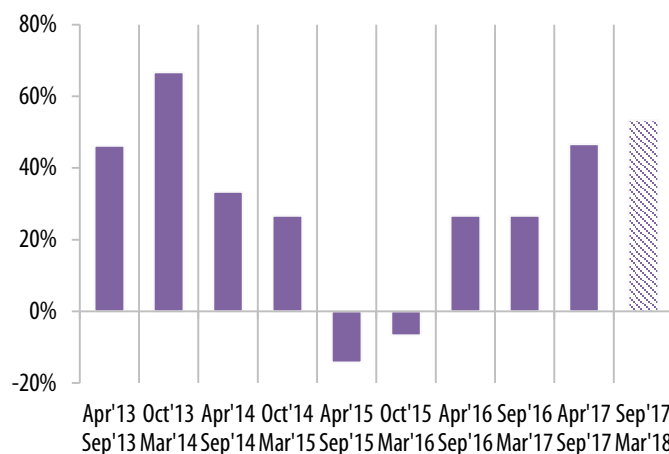
Figure 3a Access to funding conditions



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q3 – questionnaire in the Annex

Figure 3b Total access to funding conditions



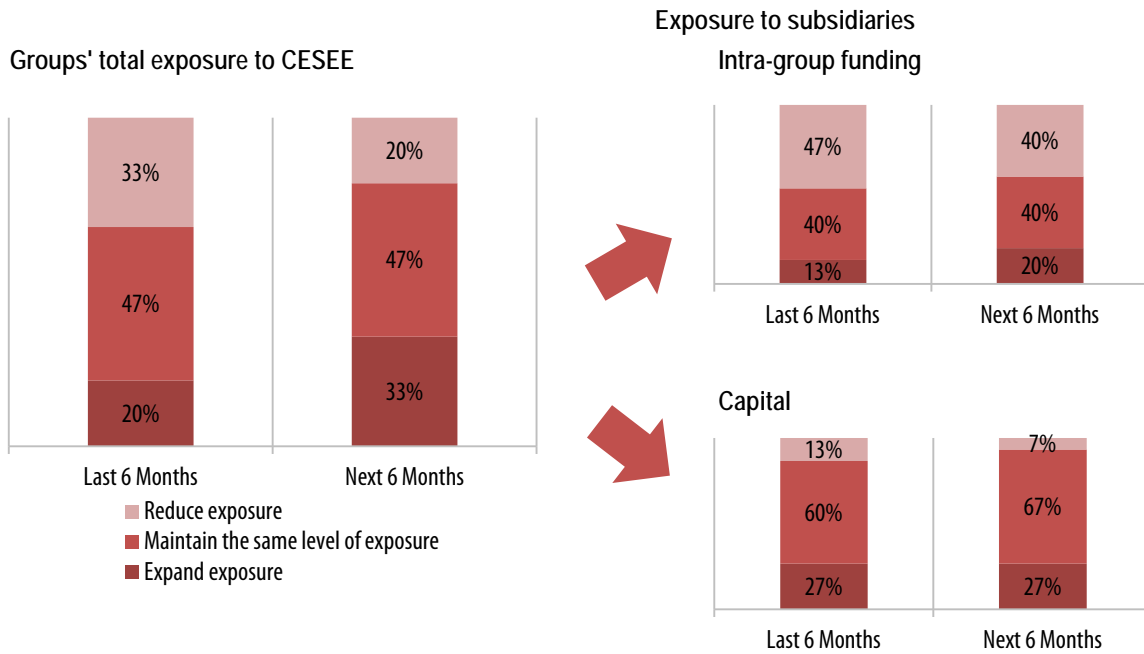
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q3 – questionnaire in the Annex

Around a third of banking groups have reduced their total exposure to the CESEE region and around 20 percent increased their exposures. As a result the aggregate net balance has been mildly negative over the last six months. Looking at the next six months, the net balance is expected to turn slightly positive.

Around a third of banking groups have reduced their total exposure to the CESEE region and around 20 percent increased their exposures. The number of banks decreasing their exposure increased slightly compared to the 2017 H1 release of the survey. Most of the decline in exposure to the CESEE region stemmed from reduced intra-group funding to subsidiaries, whilst only a few groups expanded their intra-group funding to CESEE subsidiaries. This process has been more or less similar to that in the recent past, including the last six months, and it is expected to continue over the next six months, although at a marginally slower pace (Figure 4a). Most parent banks report that they have maintained their capital exposure to their subsidiaries and expect to continue to do so. Notably more groups than in the past waves report increased capital exposures. Moreover, the net balances of capital exposure are positive. Nevertheless increasing capital exposures did not fully compensate for decreased intra-group funding. As a result the aggregate net balance has been negative (Figure 4.b). Looking at the next six months, the net balance is expected to turn slightly positive on the back of improved net balances in capital positions as well as less negative net balances in intragroup funding.

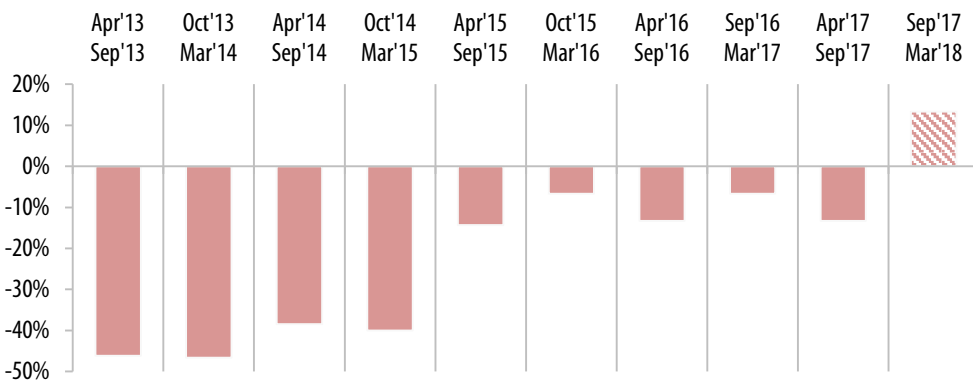
Figure 4a Groups' total exposure to CESEE



Source: EIB – CESEE Bank Lending Survey.

Note: Cross-border operations involving CESEE countries – see questions A.Q8 – questionnaire in the Annex

Figure 4b Groups' total exposure to CESEE



Source: EIB – CESEE Bank Lending Survey.

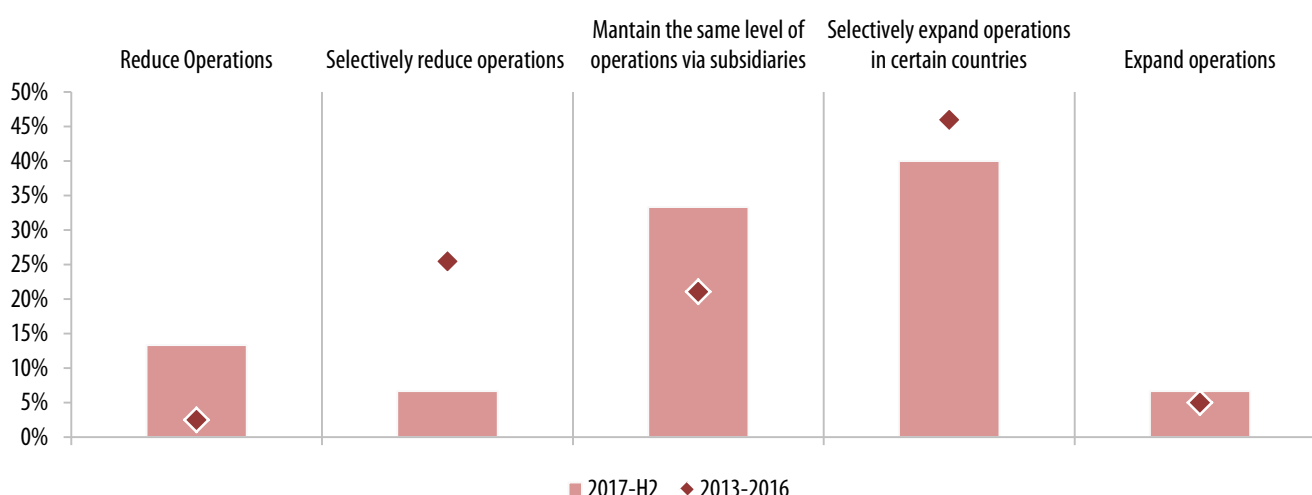
Note: Cross-border operations involving CESEE countries – see questions A.Q8 – net percentages; negative figures refer to decreasing exposure – questionnaire in the Annex

Banking groups' strategies seem to be tilted towards a selective expansion in the CESEE region. A large majority of international groups described the ROA of CESEE operations as being higher than that of the overall group. Only small set of banking groups reports the intention to reduce operations as well as diminishing returns. All in all cross-border banking groups continue to be selective in their countries of operation in CESEE.

A large majority of international groups reported higher ROAs (return on assets) in CESEE operations than for the overall group over the past six months. On the other hand, less than one-fourth of the banking groups had ROAs in the CESEE region lower than overall group returns. This solidifies a positive trend that emerged a little more than two years ago. At the same time, a relatively small, and persistent, set of banking groups continue to point to positive but diminishing returns compared to overall group activities. While cross-border banking groups continue to discriminate in terms of countries of operation (Figure 5) as they reassess their country-by-country strategies, they are also signalling their intentions to expand operations selectively in the region. Around 50 percent of the groups have a medium-to-long term strategy of selective expansion of operations. A decreasing number of groups (roughly 20 percent in this wave) indicated that they may reduce operations in the long term. Looking more carefully at the results, most but not all of such banking groups are based in Greece. In addition, market potential and positioning continue to differ across countries, albeit less than before and with some tentative signs of re-alignment (Annexes A.4 and A.5).

The assessment of market prospects marks another improvement compared to the results reported in previous releases of the survey. Surveyed banks see the market potential (Annex A.8 for data on low market potential) as being significantly low in Ukraine only. Some marginal signs of low market potential are reported for Albania, Bosnia-Herzegovina, Croatia, Hungary, Poland, Serbia, Slovenia and Slovakia. In the other countries of the region, banking groups see essentially medium to reasonable market potential. In terms of market positioning, most banks in the majority of the markets remain comfortable with their scale of operations. However, weak positioning should be seen as combined with limited market potential. Some surveyed banks find their positions in Bulgaria in the weak or niche category (Annex A.9 for data on weak positioning). This is even more so in Hungary, Romania, Serbia, Slovakia, Slovenia and Ukraine. Conversely, no weak positioning is detected in Croatia. Moreover the assessed profitability of markets in terms of ROA (adjusted for cost of risk) and ROE (adjusted for cost of equity) differs across countries (Annexes A.6 and A.7). All in all, the survey detects a re-alignment of the assessed market potential of each single market to the described positioning and profitability levels. Ultimately this suggests a generalised improvement in the assessment of market potential.

Figure 5 Group-level long-term strategies (beyond 12 months) in CESEE



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q5 – questionnaire in the Annex

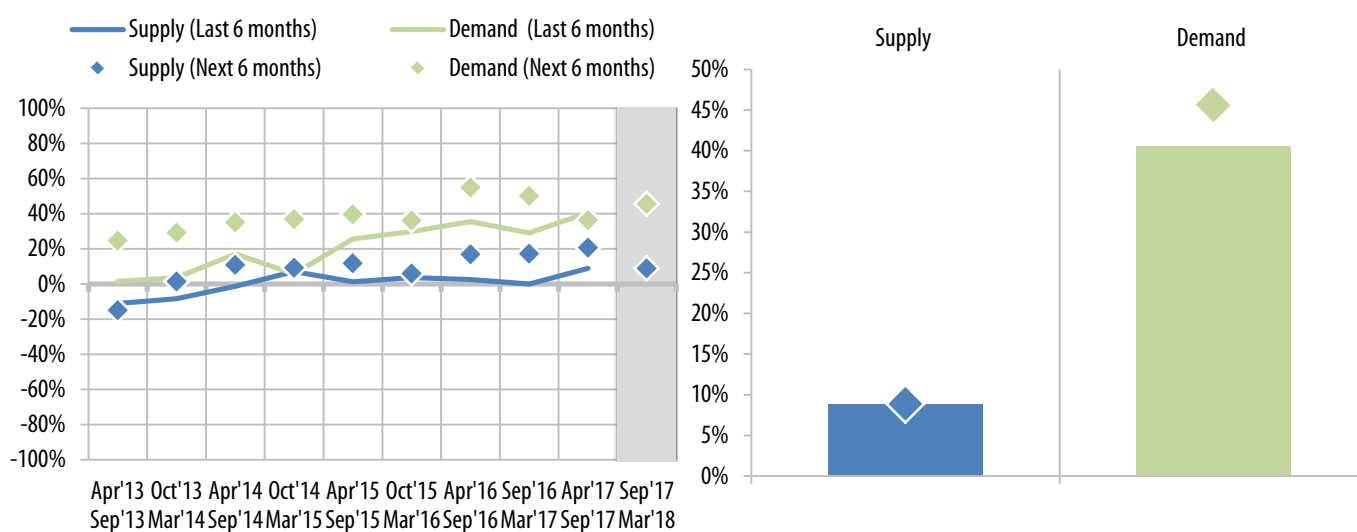
Results of the Bank Lending Survey – Local banks/subsidiaries

CESEE subsidiaries and local banks report an increase in demand for credit as well as an easing of supply conditions over the past six months. This marks the first clear-cut easing event over the past two years. Nevertheless a perceived demand-supply gap still persists. On the other hand, this may also suggest that most of the new credit can be on average of a better quality than in previous credit cycles.

In the last six months, **demand** for loans and credit lines continued to increase in net balances (Figure 6). These results mark the ninth consecutive semester of positive increase in credit demand for loans. The improvement was aligned to the expectations embedded in the April 2017 release of the survey. Also, the trend traced out from past expectations continues to be aligned with actual realisations. This signals that, on average, banks are increasingly able to better predict future conditions of demand, thus suggesting a less volatility and uncertainty in the operating environment than before. For the sixth time in a row all factors influencing demand made a positive contribution (see Annex A.1). Working capital accounted for a good part of the demand stemming from enterprises. Contributions to demand from investment exerted a significant positive impact, scoring increasingly higher than in previous releases of the survey, thus indicating a strengthening of the economic cycle. This also suggests an improving and stabilising macroeconomic and financial environment, which is more conducive to investment. Last but not least, debt restructuring contributes less and less to propelling demand. Contributions to demand from housing-related and non-housing-related consumption also continued to be robust and positive, and consumer confidence continues to exert a positive effect.

Supply conditions eased over the past six months, and this is the first significant easing over the past two years. Across the client spectrum, supply conditions (credit standards) eased on SME lending and consumer credit, whilst credit standards tightened on mortgages (see Annex A.3). Supply conditions eased on both short-term and long-term loans, primarily in local currency. In the period ahead, banks expect a continuous expansion in credit demand and some mild easing of supply conditions. Working capital, investment, consumer confidence, housing and non-housing-related expenditures are all expected to make a positive contribution to demand. Credit demand from enterprises (primarily SMEs) and from households is also expected to be robust (see Annex A.2). Aggregate supply conditions are expected to ease somewhat and the easing seems to be broad-based, except on mortgages (see Annex A.3). The general terms and conditions of loan supply to the corporate segment loosened over the past six months. Notably, collateral requirements also eased for the first time. A cumulated index, built on the demand and

Figure 6 Total supply and demand, past and expected development



Source: EIB – CESEE Bank Lending Survey.

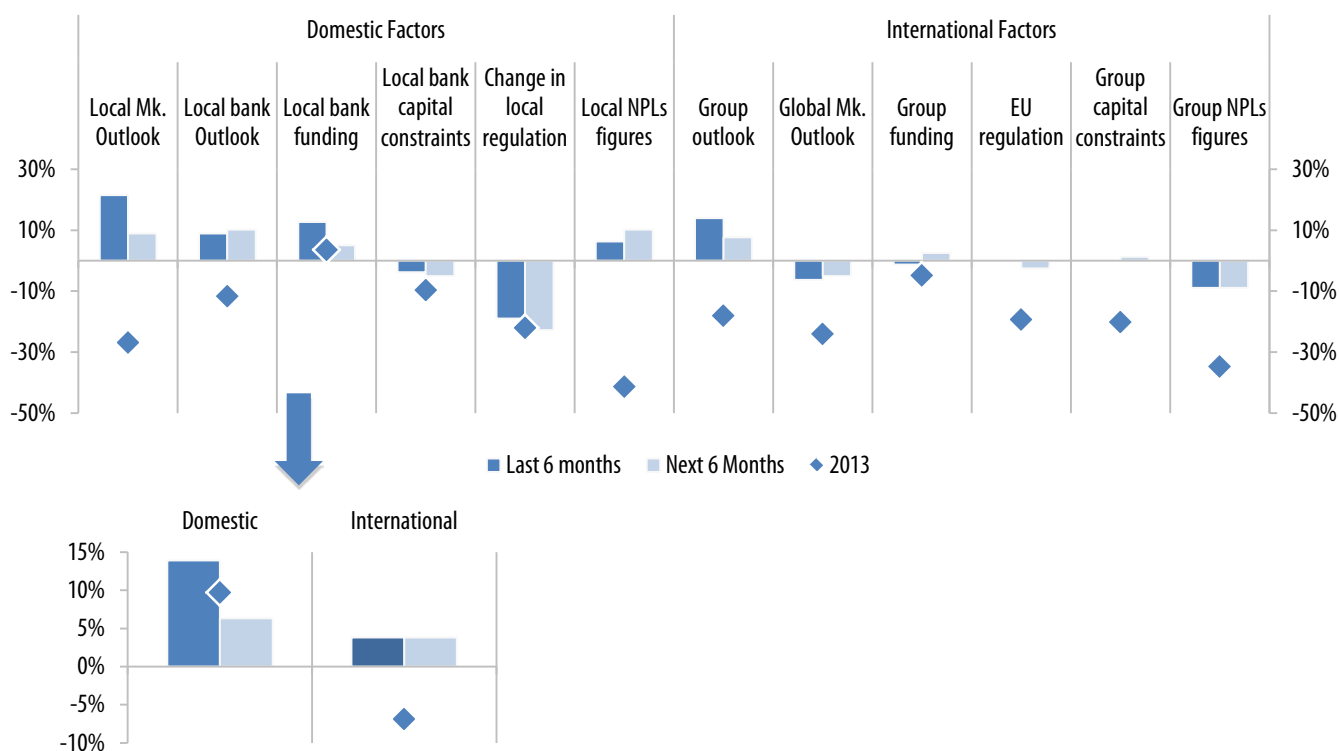
Note: Net percentages; positive figures refer to increasing (easing) demand (supply) (triangles refer to expectations derived from previous runs of the survey, lines report actual values and dotted lines expectations in the last run of the survey) – see questions B.Q1 and B.Q5 – questionnaire in the Annex

supply changes reported in Figure 6, hints at a still wide gap between demand and supply positions, where optimism on the demand side is frustrated by the legacy of protracted stagnation of conditions on the supply side. On the other hand, aggregate credit figures for the CESEE entered into positive territory over the past. This positive trend should be paired with the evidence derived from the survey of a strong demand and pretty much stable credit standard. As a result this may suggest that most of the new credit extended should be on average of a better quality than in previous credit cycles.

The domestic regulatory environment, domestic banks' capital constraints, groups' NPLs and the global market outlook are partially constraining supply conditions.

The number of limiting factors at domestic level has been decreasing over time compared to 2013 recordings. Figure 7 shows that almost all domestic and international factors were adversely affecting supply conditions in the first half of 2013. However, the last release shows that primarily the regulatory environment remained a limiting element at the domestic level. Moreover banks' capital constraints also played a limited but negative role. As in previous surveys, neither access to domestic funding nor the domestic outlook are seen as a constraint. Interestingly local NPLs are also not described as being a limiting factor anymore. Fewer international factors are playing a constraining role compared to 2016. Mainly group NPLs and, to a lesser extent, the global market outlook are mentioned as having a negative effect on credit supply conditions. Overall, a further improvement is detected compared to the previous release of the survey. Looking ahead, almost all the same factors are expected to affect supply conditions in the same direction as in the recent past.

Figure 7 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

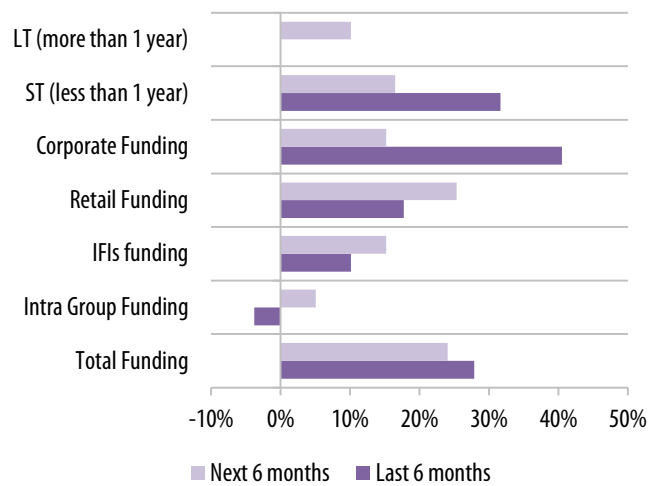
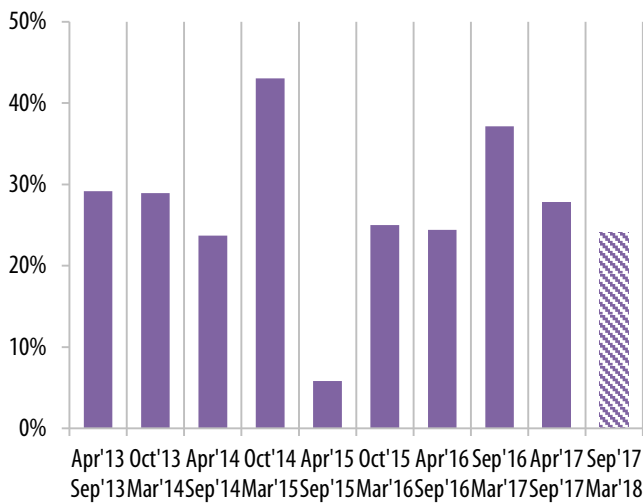
Access to funding continued to ease in the CESEE region, marking a long protracted period of ample availability of funding in the region mostly from local sources and IFIs. In contrast intra group funding decreased marginally.

Easy access to retail and corporate deposits supports a positive outlook (Figure 8). In addition, CESEE subsidiaries report easier access to short-term funding as making a positive contribution to overall funding activities. Longer-term funding conditions did not ease instead. Moreover, long-term funding conditions did not improve substantially over the recent past. This does not support a reduction of maturity mismatches and does not help to boost banks' long-term stable funding ratios. Subsidiaries indicate that access to international and intra-group funding decreased slightly on balance during the past six months.

Figure 8 Access to funding by CESEE subsidiaries

A. Trend in total funding conditions - (shaded bar - expectations)

B. Breakdown of funding conditions – results from latest survey



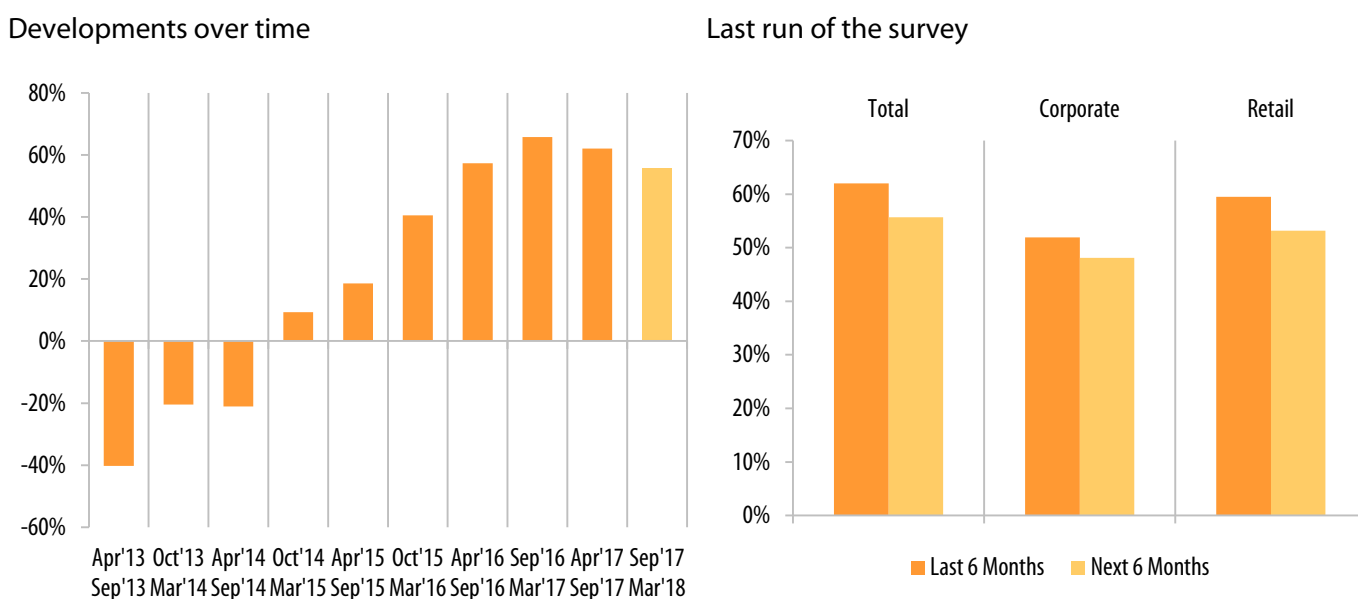
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to an easing of access to funding) – see question B.Q9 – questionnaire in the Annex

Starting from high NPL levels, credit quality has continued to improve, and is expected to continue to do so over the next six months.

The speed of deterioration in NPL ratios has been slowing down over time, as already pointed out more than two years ago. In 2015 the survey firmly indicated a turning point in the negative spiral of NPL flows. Over the past six months, and for the sixth time, aggregate regional NPL ratios recorded an improvement in net balance terms (Figure 9). In absolute terms, the share of subsidiaries indicating an increase in their NPL ratios over the past six months fell to well below 10 percent. This figure is substantially lower than the 60 percent reported in the September 2013 survey release. All in all, the share of subsidiaries indicating either the stabilisation of or a decline in their NPL ratios increased. It currently stands at more than 90 percent, while only a very small share of banks continue to expect an increase in NPLs over the next six months. NPL ratios for both the corporate and retail segments are expected to decrease.

Figure 9. Non-performing loan ratios



Source: EIB – CESEE Bank Lending Survey.

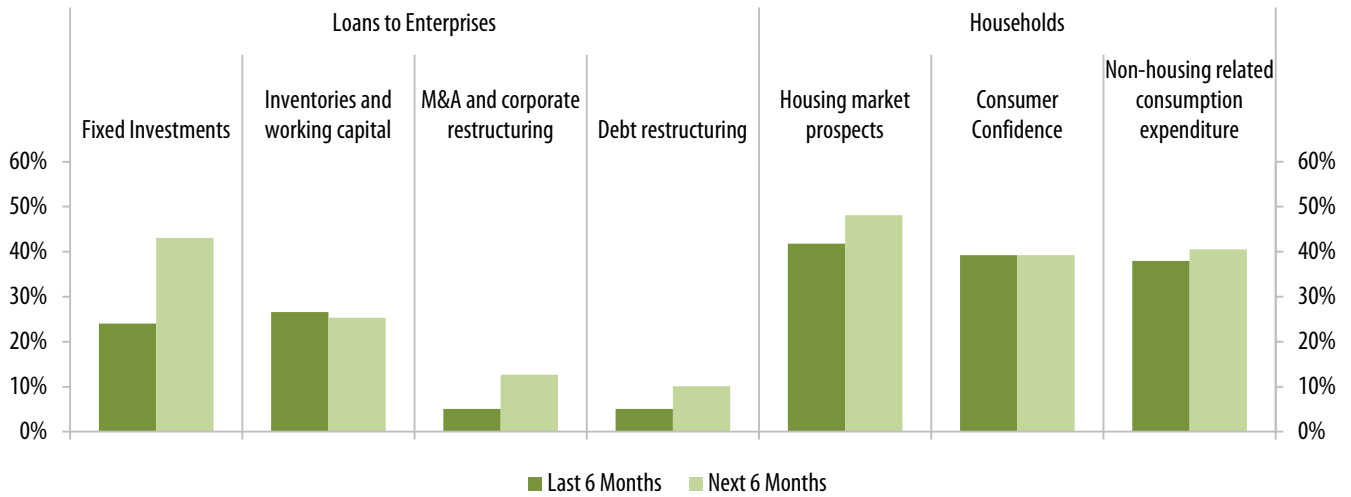
Note: Net percentage; negative figures indicate increasing NPL ratios) – see question B.Q8 – questionnaire in the Annex

The survey shows protracted positive developments in the credit market, also signalling an easing in supply conditions, although aggregate lending levels still remain rather low.

Supply conditions eased over the past six months for the first time in the recent past. Aggregate credit demand conditions continued to be positive across the board. A perceived gap between demand and supply conditions continued to persist. On the other hand, aggregate credit figures for the CESEE entered into positive territory over the past. This positive trend should be paired with the evidence derived from the survey of a strong protracted demand and only recently eased credit standard. As a result this may suggest that most of the new credit extended should be on average of a better quality than in previous credit cycles. Nevertheless group NPL levels, local capital constraints and the regulatory environment remain a drag on the further easing of credit standards. Against this backdrop, groups continued to differentiate across markets, albeit converging tentatively on the assessment of their positioning and market potential.

Annex

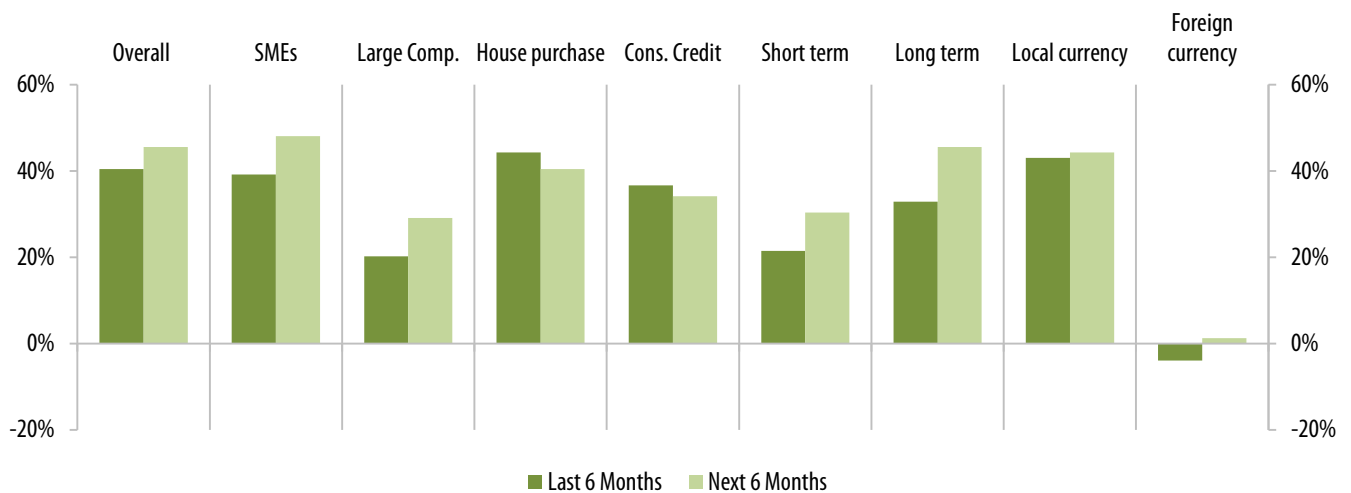
Annex A.1 Factors affecting demand for credit



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

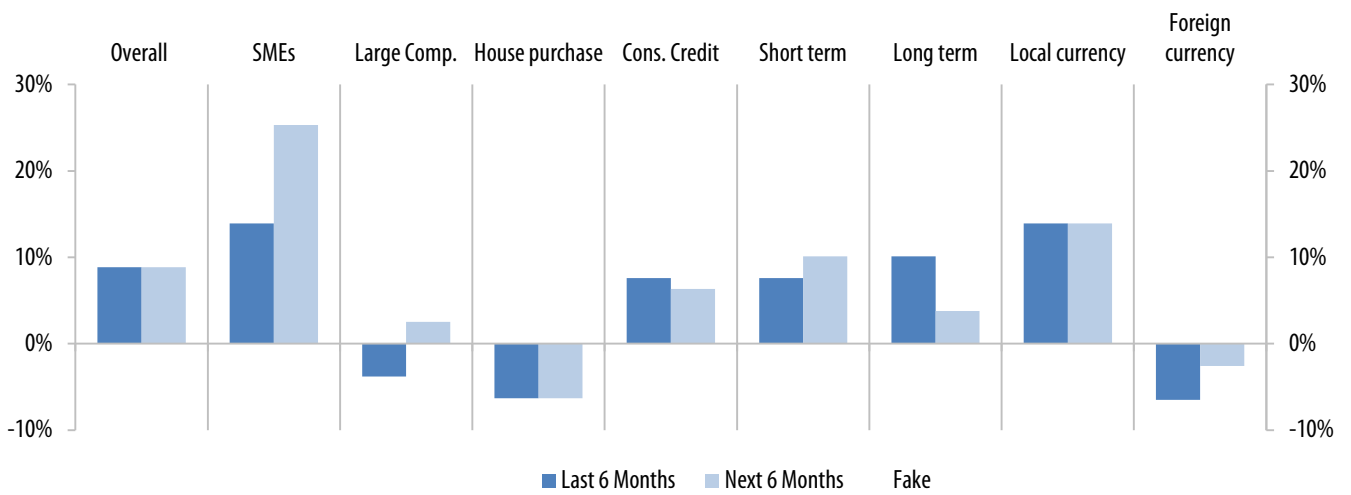
Annex A.2 Demand for loans or credit lines – client breakdown



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increasing demand) – see question B.Q5 – questionnaire in the Annex

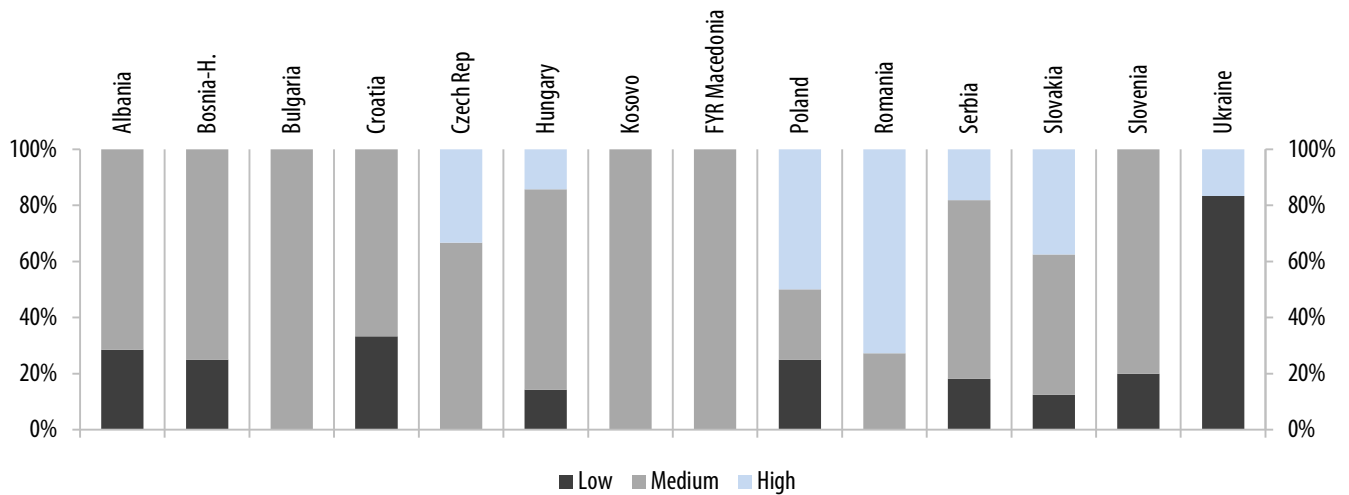
Annex A.3 Credit supply (credit standards) – client breakdown



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate an easing supply) – see question B.Q1 – questionnaire in the Annex

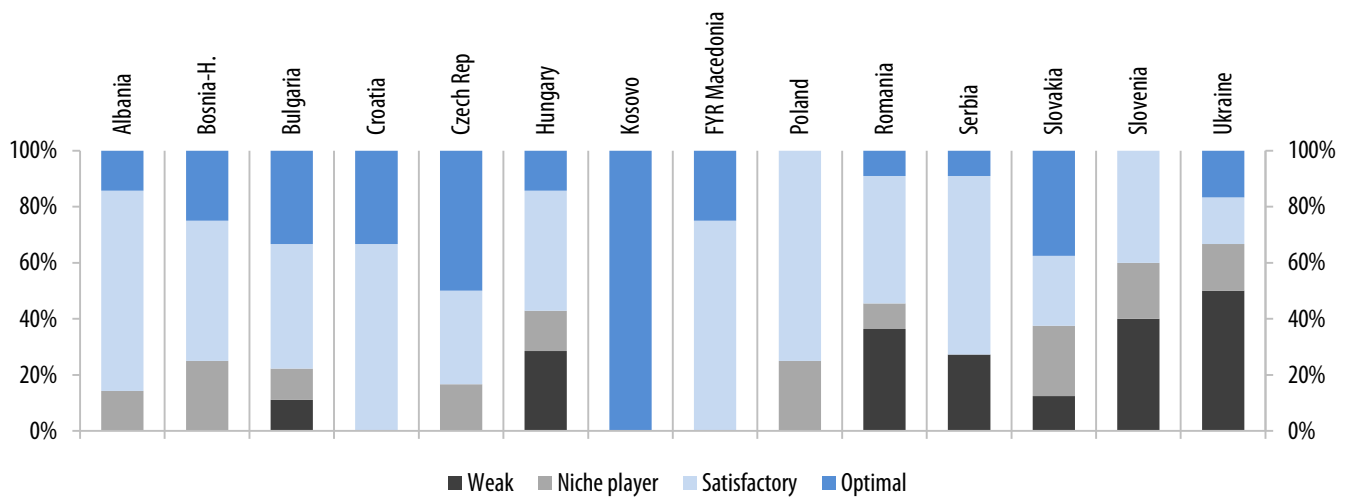
Annex A.4 Market potential



Source: EIB – CESEE Bank Lending Survey.

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

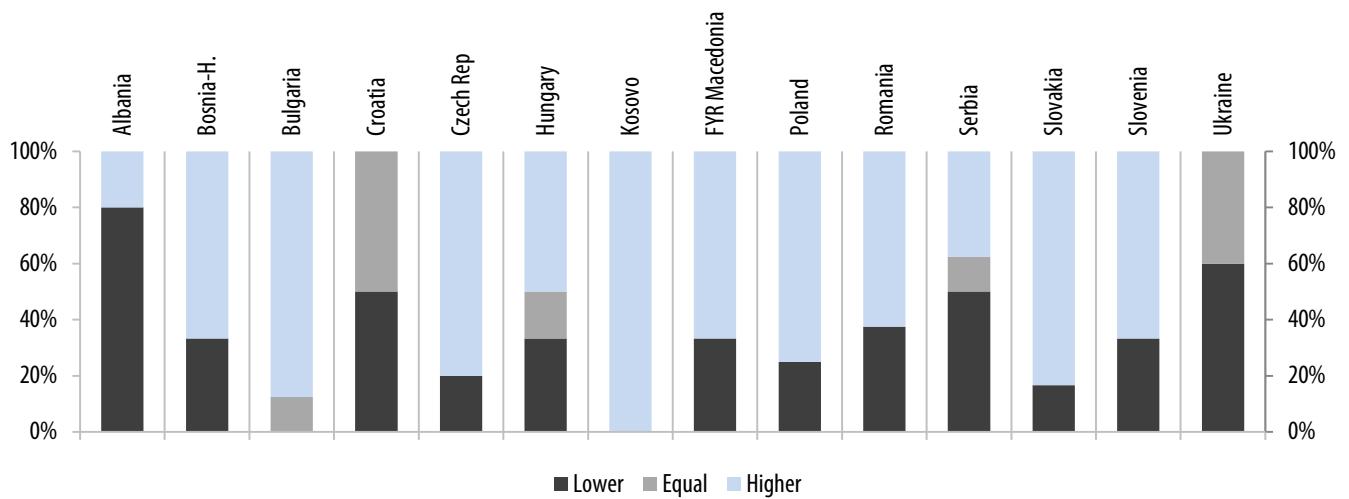
Annex A.5 Market positioning



Source: EIB – CESEE Bank Lending Survey.

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

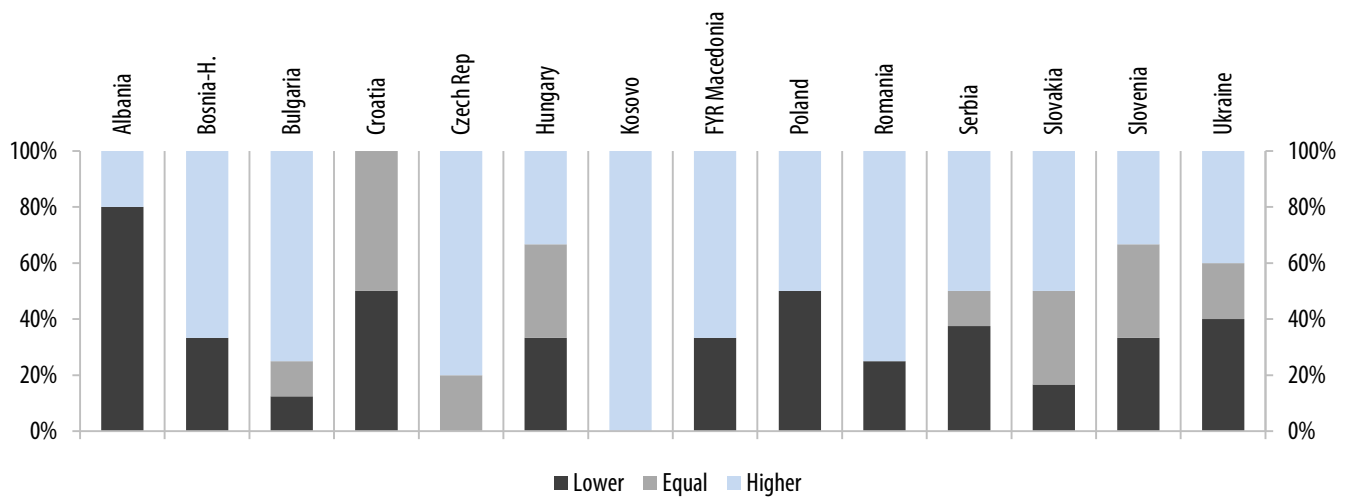
Annex A.6 Return on assets (adjusted for cost of risk) compared to overall group operations



Source: EIB – CESEE Bank Lending Survey.

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

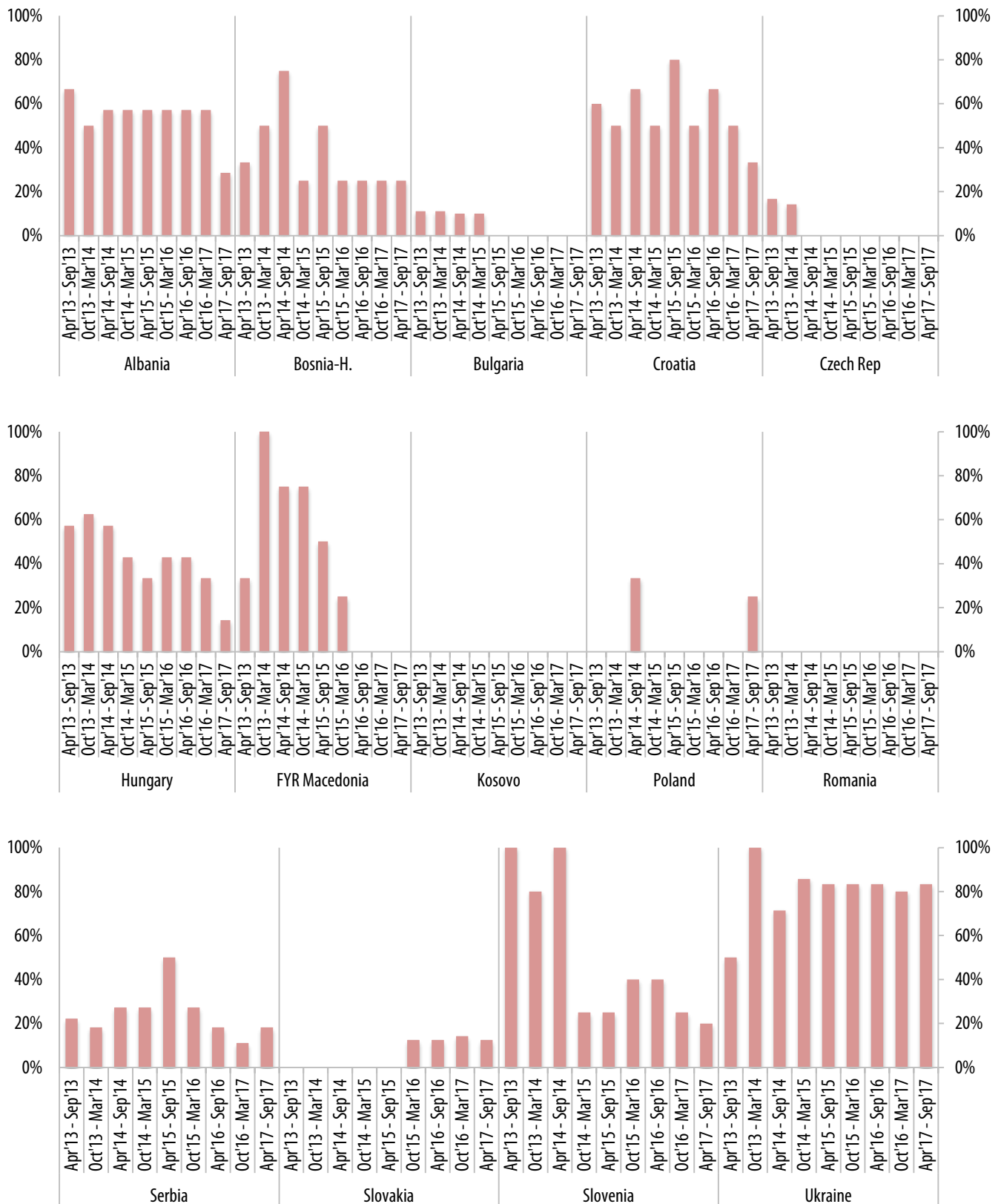
Annex A.7 Return on equity (adjusted for cost of equity) compared to overall group ROE



Source: EIB – CESEE Bank Lending Survey.

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

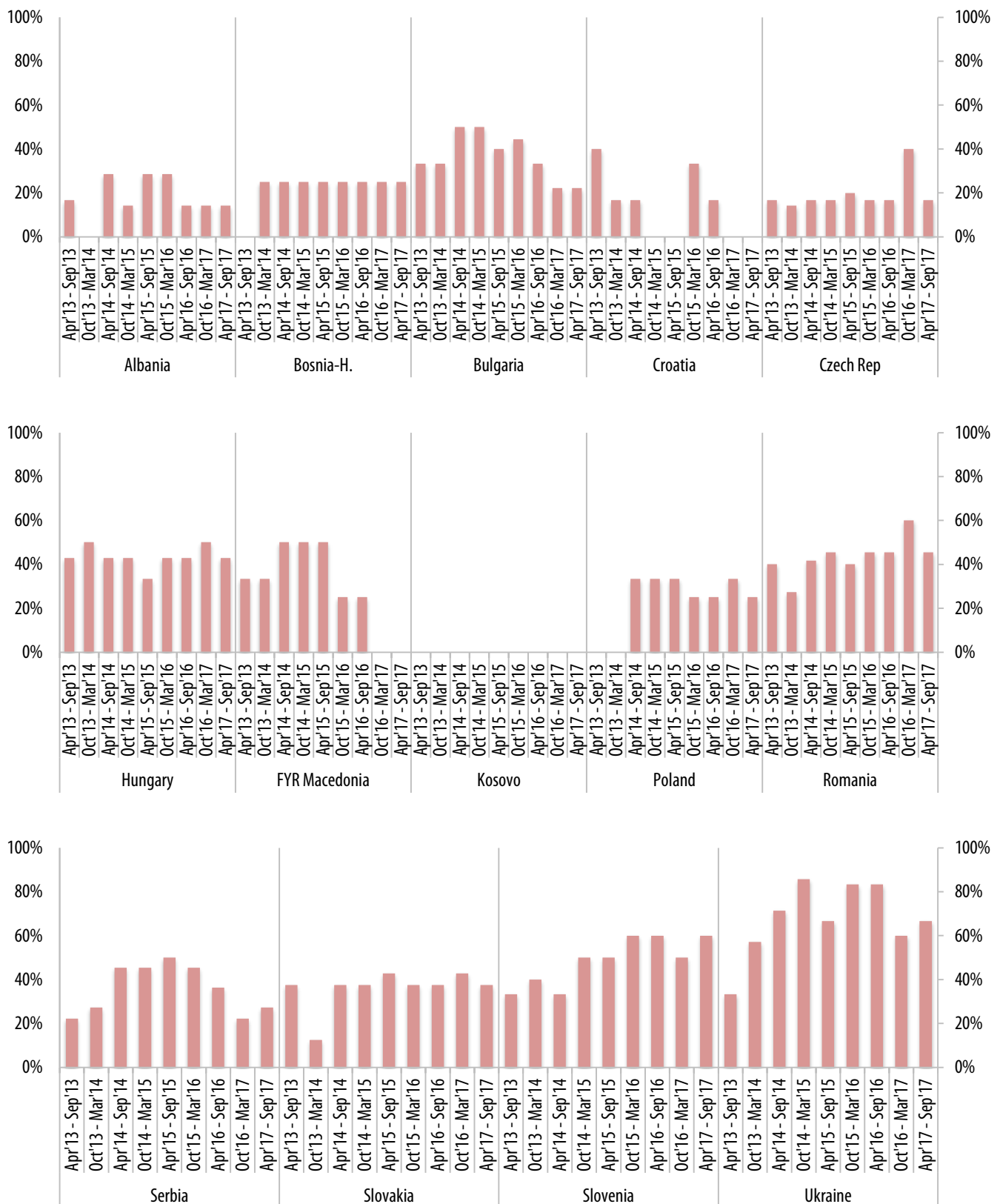
Annex A.8 Share (%) of parent banks indicating a “low” market potential



Source: EIB – CESEE Bank Lending Survey.

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

Annex A.9 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

Some improvement in the market potential with continuously dropping NPL. The ongoing portfolio clean-up weighs negatively on bank profitability but it should enhance lending capacity.

Summary

Group assessment of positioning and market potential: Albania is seen by the parent banking groups as a market with medium potential and satisfactory market positioning but comparatively with lower profitability than the group, also due to the ongoing cleaning-up of the portfolio.

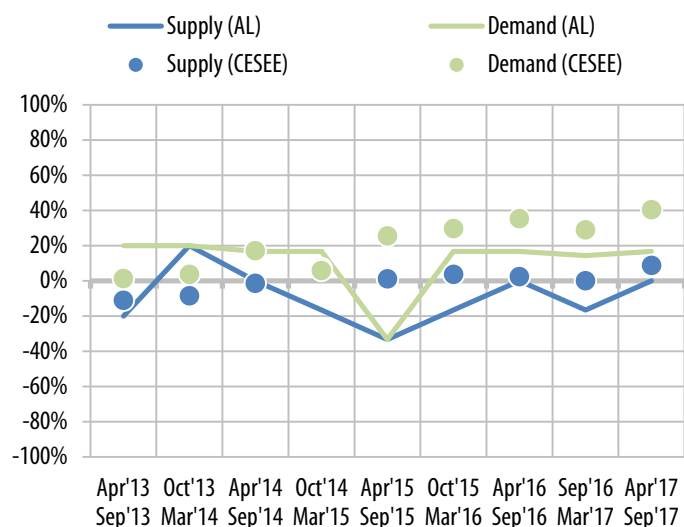
Credit demand in Albania has been gradually improving, while **supply conditions** have turned more neutral during the last six months. Both demand and supply conditions are expected to moderately improve over the next six months hand in hand with the improving macroeconomic environment.

The **credit supply conditions** are lagging behind the credit demand and improvements are continuously below expectations. Supply conditions tightened for large companies but they have eased for loans to households in the last six months. Expectations remain optimistic and an easing of supply condition is anticipated for all loan segments over the next six months.

Demand for loans in Albania for the last six months has been driven by loans for house purchase. Over the next six months, loan demand in the retail segment, both consumer and housing loans, is expected to remain the strongest driver, but demand for companies' loans is expected also to pick up. Debt restructuring remains the strongest factor of loan demand by enterprises. Moreover a positive contribution came also from investments and inventory. The quality of loan applications has been improving remarkably on the companies segment.

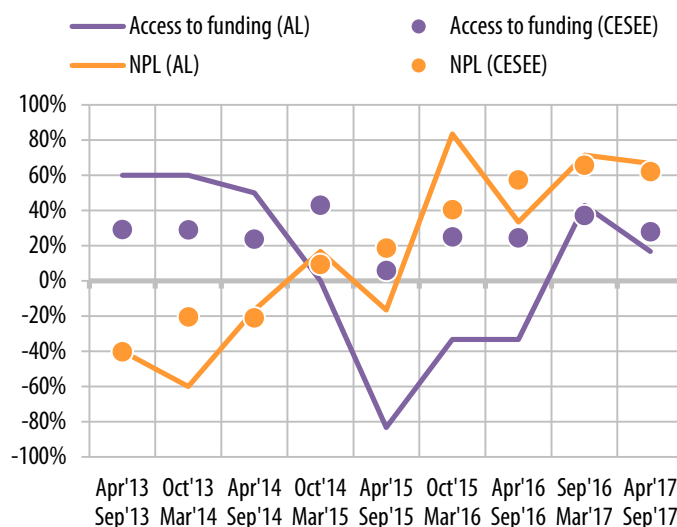
Access to funding in Albania has improved, just in line with previous expectations. Further improvement is expected over the next six months. Improvements have been recorded for both local currency and foreign-currency funding.

NPL figures, while still among the highest in the region, continue improving, and this trend is expected to persist over the next six months across both corporate and retail 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.

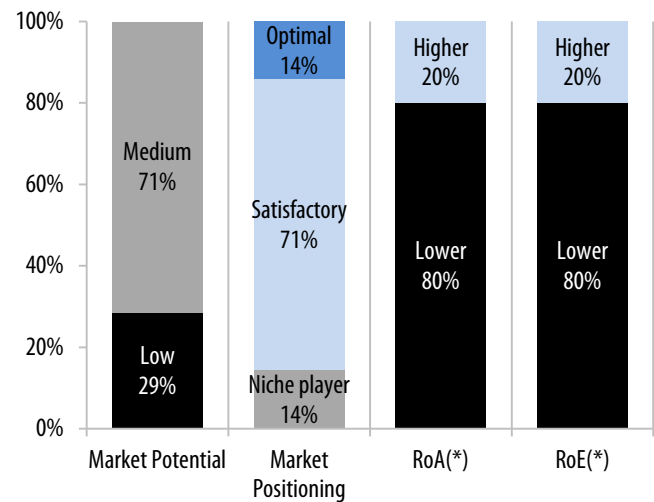
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

The majority of local banks in Albania continued to be less profitable than their parent banking groups in the last six months. Non-performing loans dropped to the lowest level since May 2011 and the continuous write-down of these bad loans has been weighting negatively on bank profitability. Nevertheless, the write-downs is also expected to enhance lending capacity and this way future profitability as well.

Still, we can notice the first improvement since end-2013 on the market potential, as only 29 percent of the banks consider as being low compared to the 57 percent previously. Overall 71 percent of the parent banks see the market potential in Albania as medium, and the same share consider their current market positioning as satisfactory while 14 percent of them see their 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.

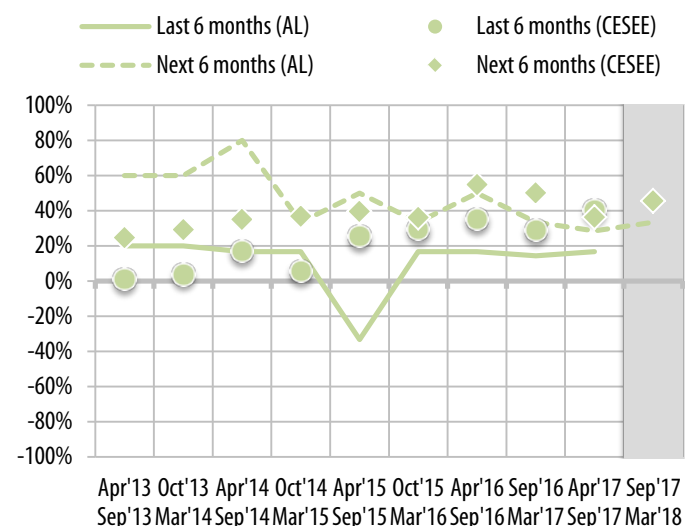
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Loan demand in Albania remained continuously positive for the last two years, supported by corporate investment and household consumption. Still, the evolution is lagging behind the CESEE region as a whole.

The positive trend is expected to continue as domestic demand is robust and there are some larger infrastructure investment projects in the pipeline that might further boost demand for financing.

Figure 2 Demand side developments

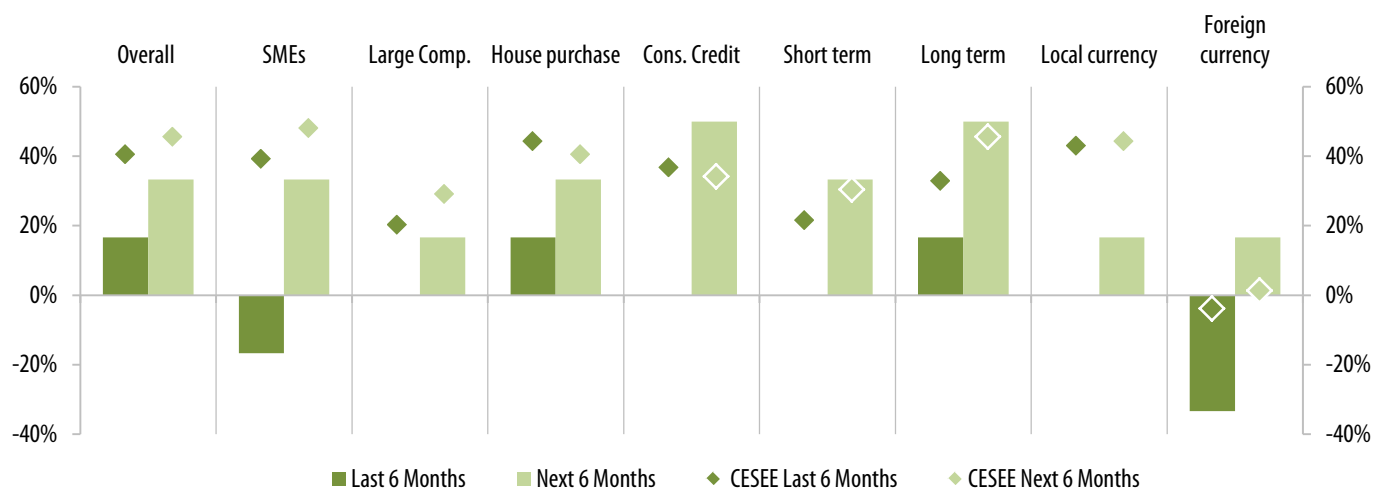


Source: EIB – CESEE Bank Lending Survey.

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 the last six months has been driven by long-term housing loans while demand for SME loans and those denominated in foreign currency have declined. The other segments remained unchanged. Over the next six months, loan demand for retail segment, both consumer and housing loans, is expected to remain the strongest, but demand for companies' loans is expected also to pick up. Nevertheless, trend in loan demand is expected to remain still below the CESEE average.

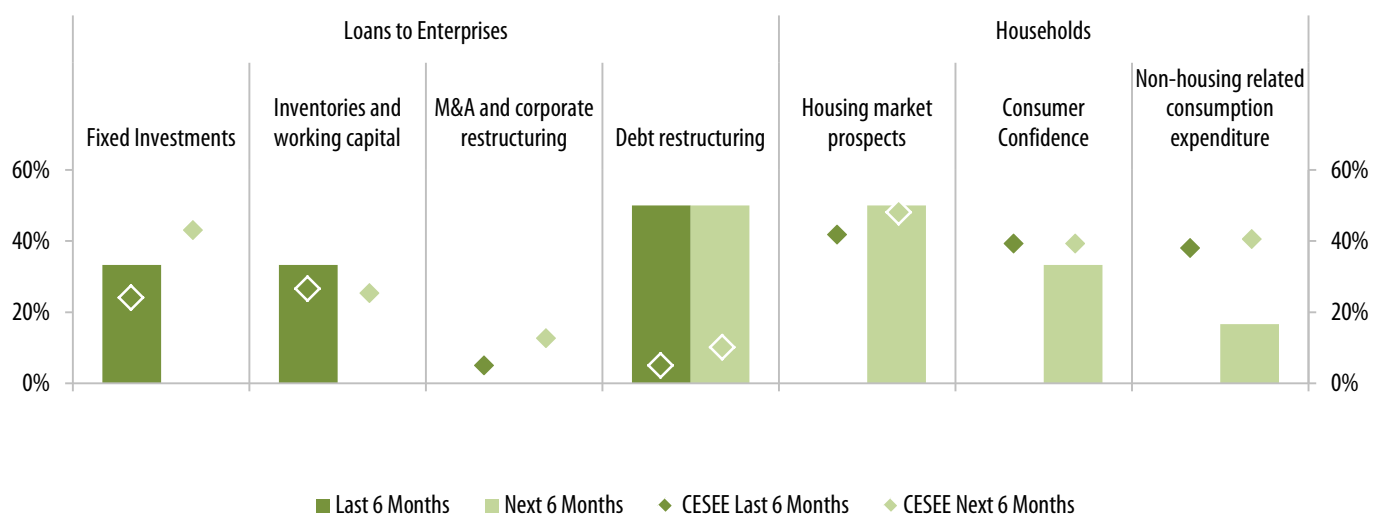


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Debt restructuring remained the dominant driver of loans to enterprises, well above the CESEE average, in line with the ongoing cleaning-up of the portfolio. Fixed investment and inventories contributed also positively in the last six months, showing a clear acceleration on the demand for finance of enterprises compared to the previous period. Regarding the expectations for the next six months, debt restructuring will remain one of the main demand factors. Housing market prospects, consumer confidence and non-housing related household consumption are expected also to support the loan demand.

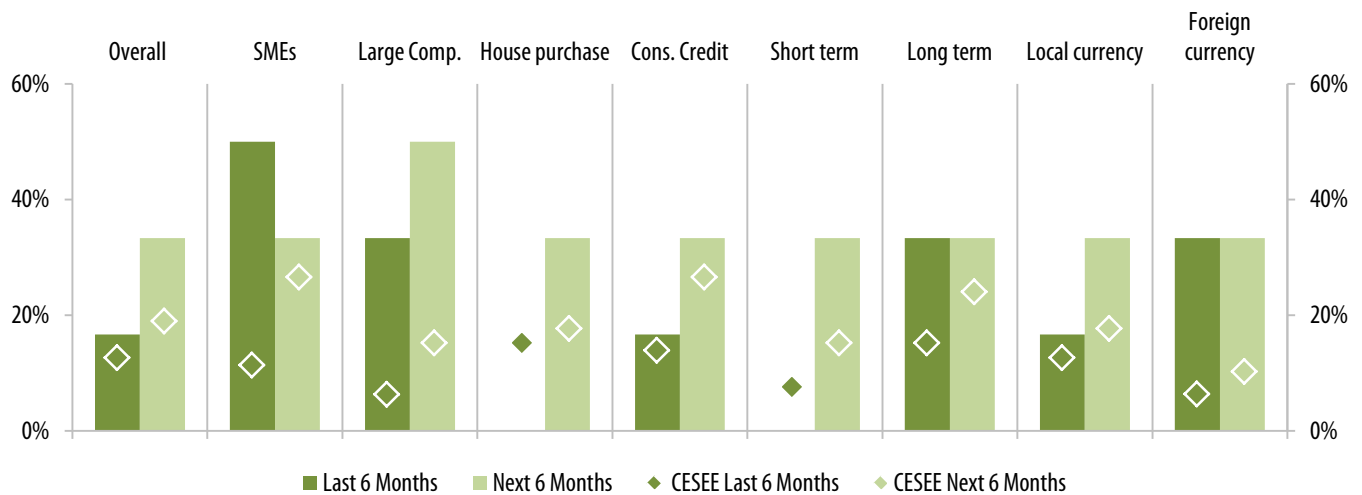


Source: EIB – CESEE Bank Lending Survey.

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 continued to improve across most of the loan segments during the last six months. The strongest enhancement has been registered on the companies segment, both SMEs and large companies. Over the next six months, the quality of loan applications is expected to increase further on all categories of loans.



Source: EIB – CESEE Bank Lending Survey

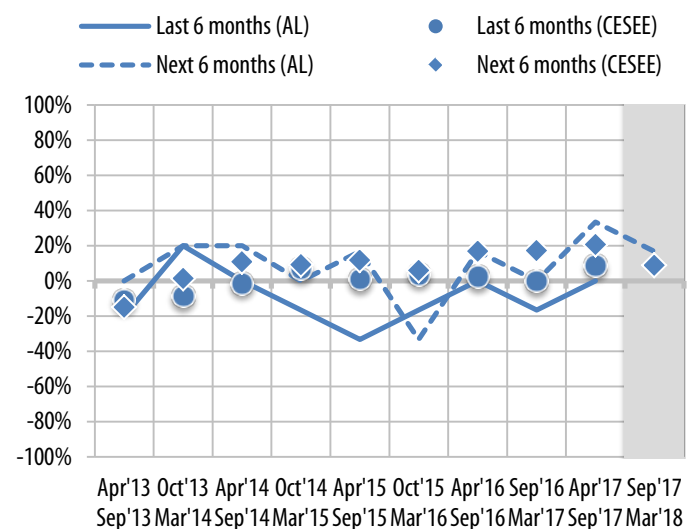
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit standards remained neutral during the last six months, following a slight tightening during the previous period.

Banks' expectations on credit standards remain optimistic, and they point to some easing of lending conditions over the next six months.

Figure 6 Supply developments

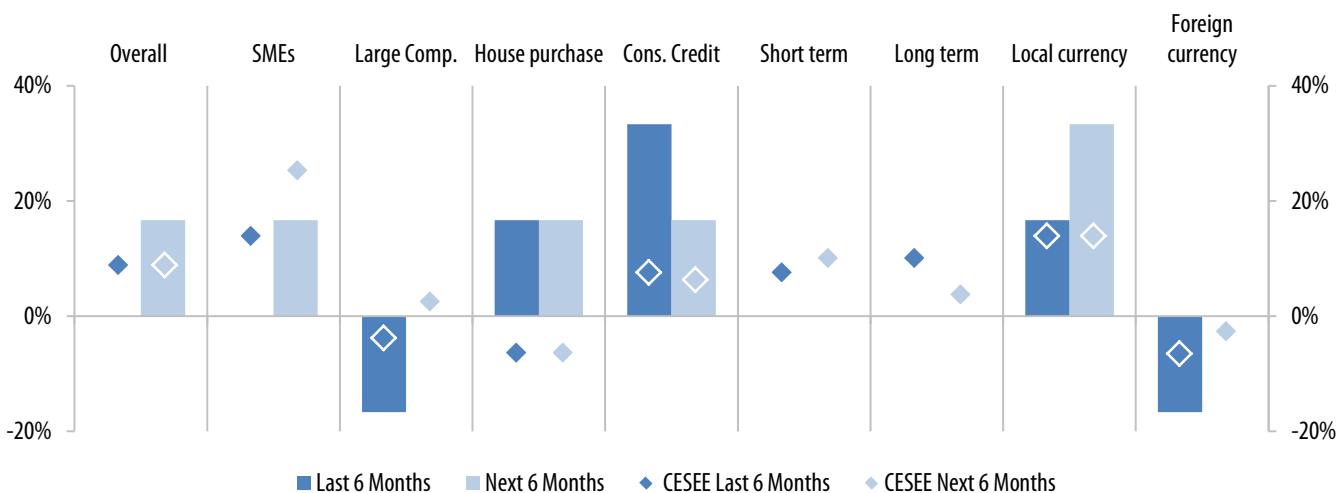


Source: EIB – CESEE Bank Lending Survey.

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 the lending conditions remained neutral overall during the last six months, they have tightened in the corporate sector, namely on large companies. On the other hand, credit standards eased in the households segment, both on mortgages and consumer credit, in the last six months. Looking ahead, banks expect a broad-based easing of lending conditions for loans to the household sector (above the CESEE average) and for loans to the SMEs. Supply conditions for local-currency lending improved, while for those in foreign currency tightened. They are expected to preserve this trend over the next six months.

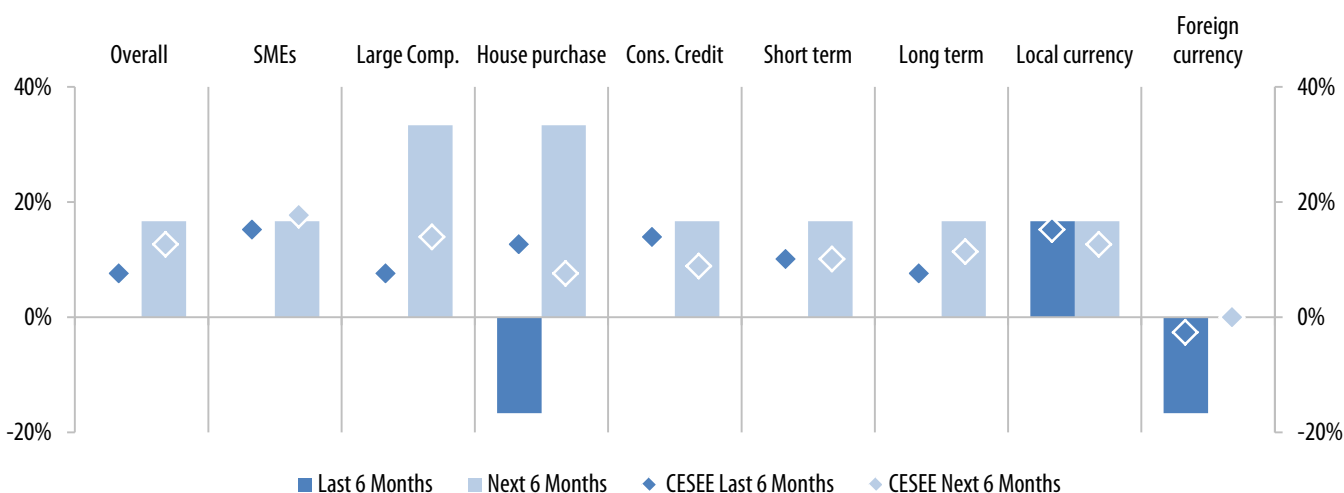


Source: EIB – CESEE Bank Lending Survey

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

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

Despite the positive expectations, the approval rate remained unchanged during the last six months, below the CESEE region as a whole. Moreover, a drop in the banks' approval rate has been registered for house purchase loans. Over the next six months, expectations are much more optimistic and broad-based, surpassing the CESEE regional expectations.

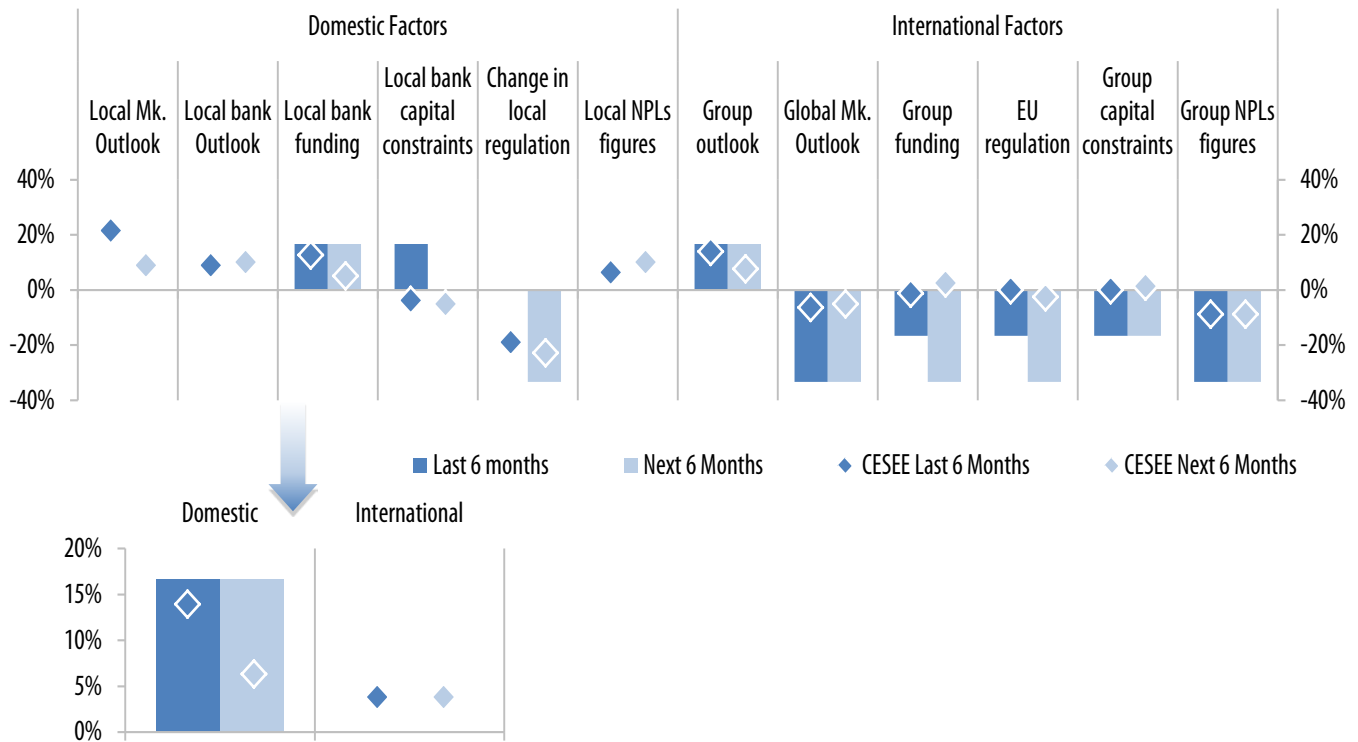


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Change in local regulation continues to weigh negatively on credit supply conditions in Albania. Nevertheless, other domestic factors, like domestic funding and capital requirements, contributed positively to credit supply just as in the previous wave of the survey. On the other hand, all international factors, but group outlook, have had a negative contribution to lending conditions in Albania over the last six months. This is expected to stay so for the following 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

The cleaning-up process of the bank’s portfolio in Albania remained strong and above the CESEE average during the last six months, for both corporate and retail loans. Survey results confirm the aggregated figures on non-performing loans that dropped around additional 3 percentage points in six months. Despite of the continuous improvement since end-2014 from the peak of 25 percent to 15.3 percent in July 2017, the NPL ratio is still one of the highest in the region.

Continuation of the improvement in this respect is expected for the next 6 months as well.

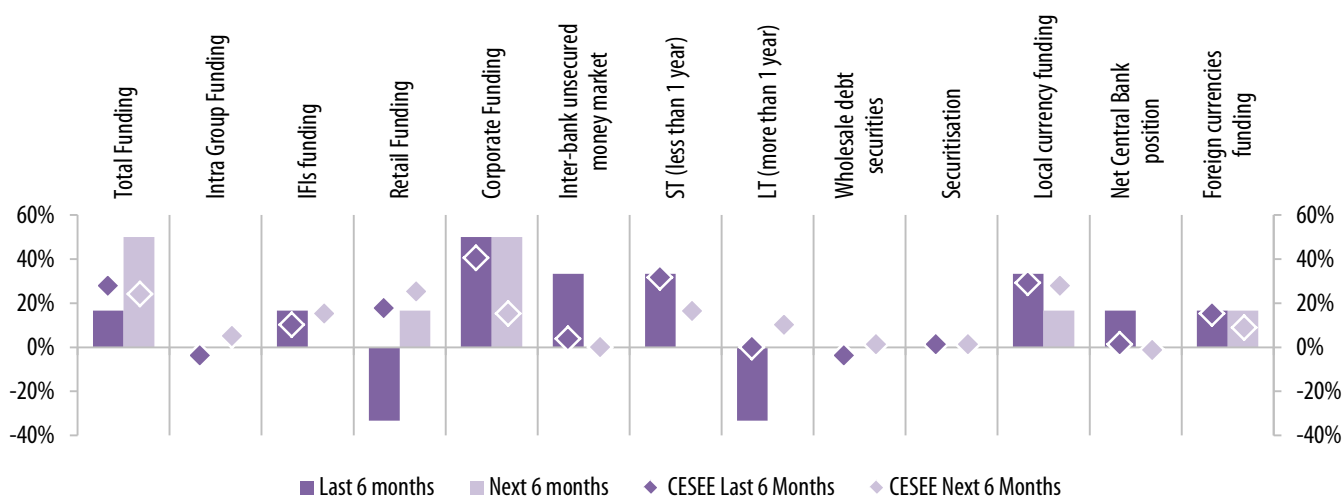


Source: EIB – CESEE Bank Lending Survey.

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 in the last six months and further improvement is expected over the next six months. Both access to local currency as well as to foreign currency funding has improved and is expected to improve further. Access to intra-group funding stayed unchanged, while the long-term funding deteriorated further.



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

Demand for loans increased for the first time, whilst supply conditions remained neutral. Credit quality has been improving considerably with some slow-down in this trend for the next period.

Summary

Group assessment of positioning and market potential: two third of the groups operating in Bosnia and Herzegovina report a medium potential for the local market. The same share of respondents indicates a satisfactory or optimal positioning in the market, which reflects also a relatively better achievement on profitability in comparison to overall group operations.

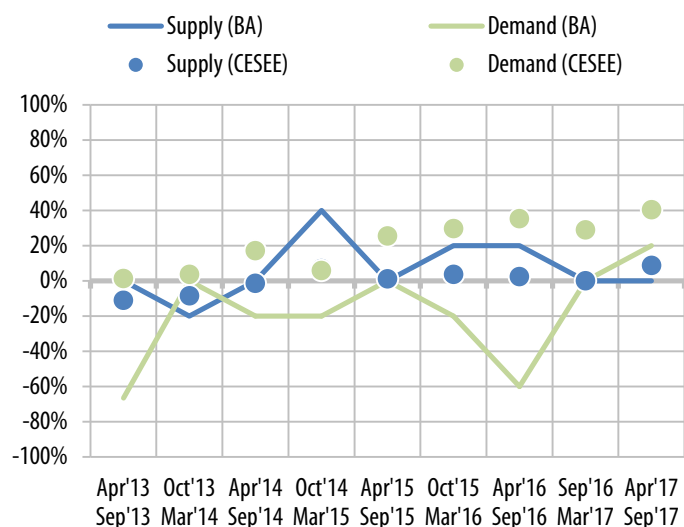
Credit demand improved for the first time since early 2013, while the credit **supply conditions** have **remained broadly neutral**. Unlike the regional trend, loan demand in Bosnia-Herzegovina has been rather subdued and has been lagging behind credit standards. After this upturn, both loan demand and credit standards are expected to improve further over the next six months.

Credit supply conditions have eased for retail loans while for companies remained relatively unchanged during the last six months. Local bank capital constraints and changes in regulations contributed negatively to supply conditions and a worsening is expecting regarding these two factors. The only positive factor for supply remains a better local bank funding, mainly from domestic sources.

Demand for loans improved during the last six months, with a broad-based support from all components while the demand for house purchases have registered the strongest contribution in light of the positive economic development. In the coming months, local banks expect a more broad-based increase in demand for loans, supported by better housing market prospects, improving consumer confidence and accelerating consumption expenditure. Over the next six months, corporate investment is expected to act as one of the strongest factor behind loan demand.

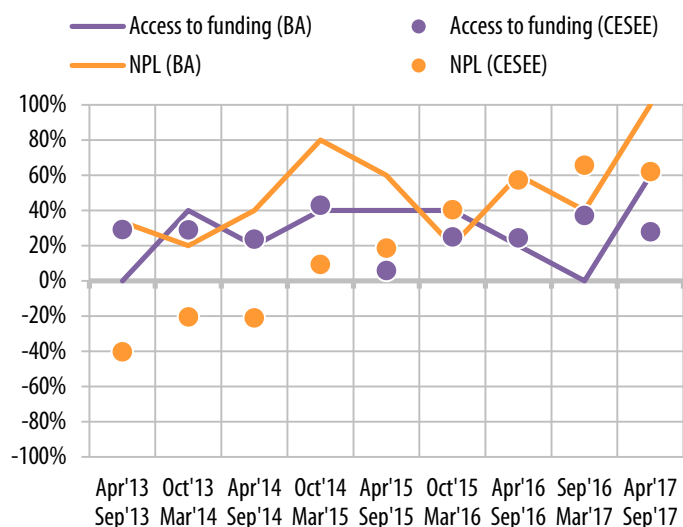
Access to funding improvement was broad-based across different sources but especially from IFIs. Further improvement in access to all type of funding is expected.

NPL figures registered strong improvement 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.

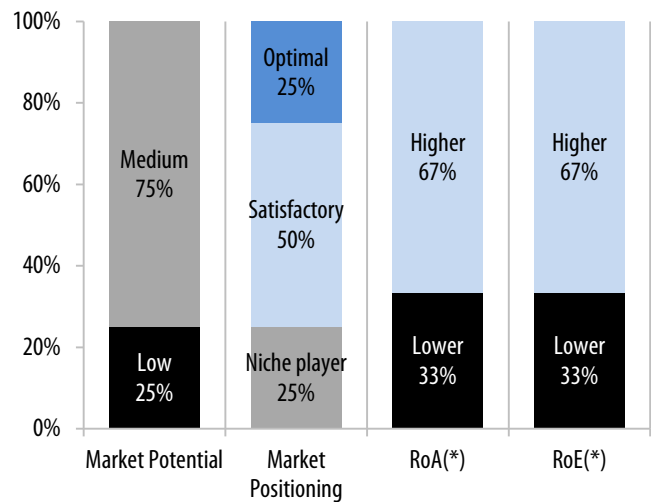
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

The market positioning of the banking groups in Bosnia and Herzegovina improved according to the parent banks assessment, as 25 percent of them considers that their position improved from satisfactory to optimal during the last six months. Nevertheless, the market potential remained unchanged from the previous period, with 75 percent of respondents considering a medium market potential.

About 67 percent of local banks report higher return on assets (adjusted for the cost of risk) than the overall group operations, and higher return on equity (adjusted for the cost of equity) than the overall group operations, despite the subdued loan demand and profit-burden of the continuous write-downs of the non-performing loans.

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.

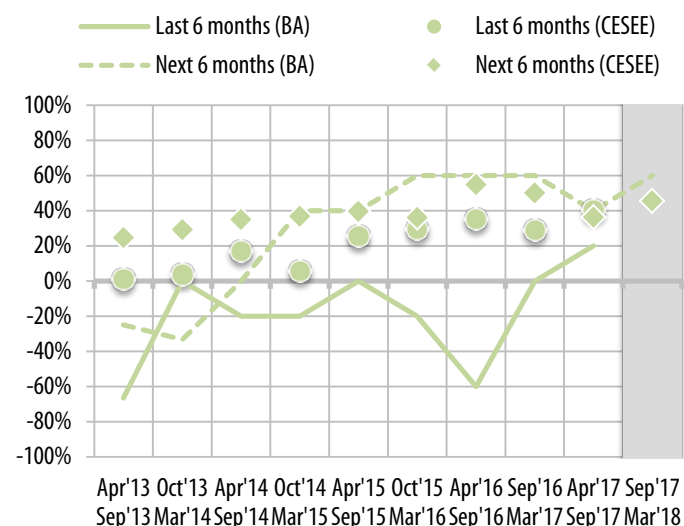
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Demand for credit improved during the last six months. This is the first positive evolution since early 2013 lagging behind the economic recovery started two years ago. Nevertheless, some structural weaknesses persist, as Bosnia-Herzegovina has one of the highest unemployment rates in the region, while the long-lasting political instability with divergent interests of the leading three national groups hindered business environment and investments. This background might explain the weak demand for loans despite the GDP acceleration with a positive boost from external demand. Despite the recent improvement, loan demand remained well below the expectations and below the CESEE region as a whole.

Over the next six months, banks remained optimistic regarding the demand for credit, taking further boost from the positive economic growth. Nevertheless, some worsening of the business sentiment cannot be ruled out after the suspension of the country's IMF loan in February 2017 due to a halt on economic reforms front.

Figure 2 Demand side developments

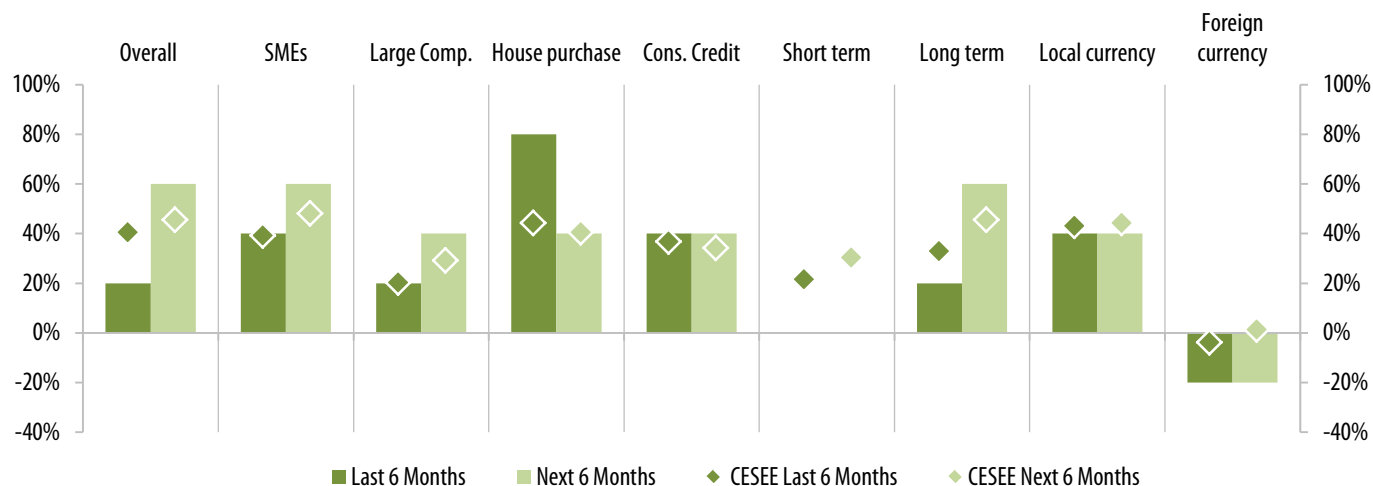


Source: EIB – CESEE Bank Lending Survey.

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 first-time improvement in the loan demand is broad-based. All segments contributed to the recovery, specifically in local-currency loans. The major improvement in demand is for house purchase loans but all other segments contributed positively. Over the next six months, local banks expect even a higher increase in demand for loans with accelerating demand by enterprises.

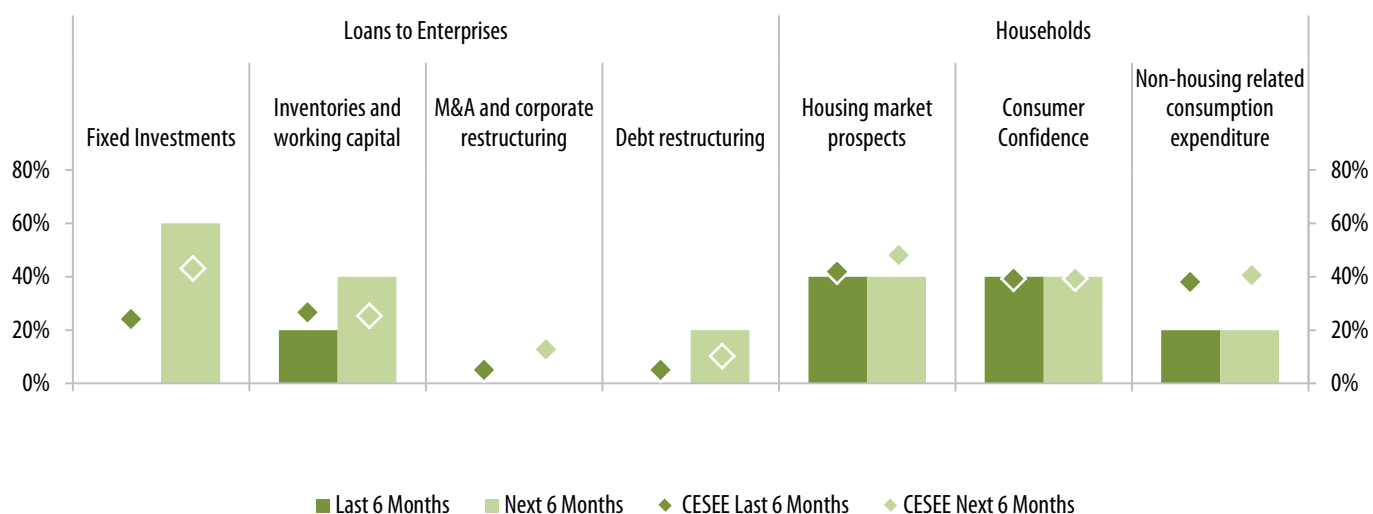


Source: EIB – CESEE Bank Lending Survey.

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, all segments of household loans registered a positive contribution in the last six months, despite the still high unemployment rate. On the enterprise side, working capital was the only factor recording a net increase. Over the next six months, corporate investment is expected to contribute the most to loan demand. On the household front, all factors are expected to provide a positive contribution over the next six months.

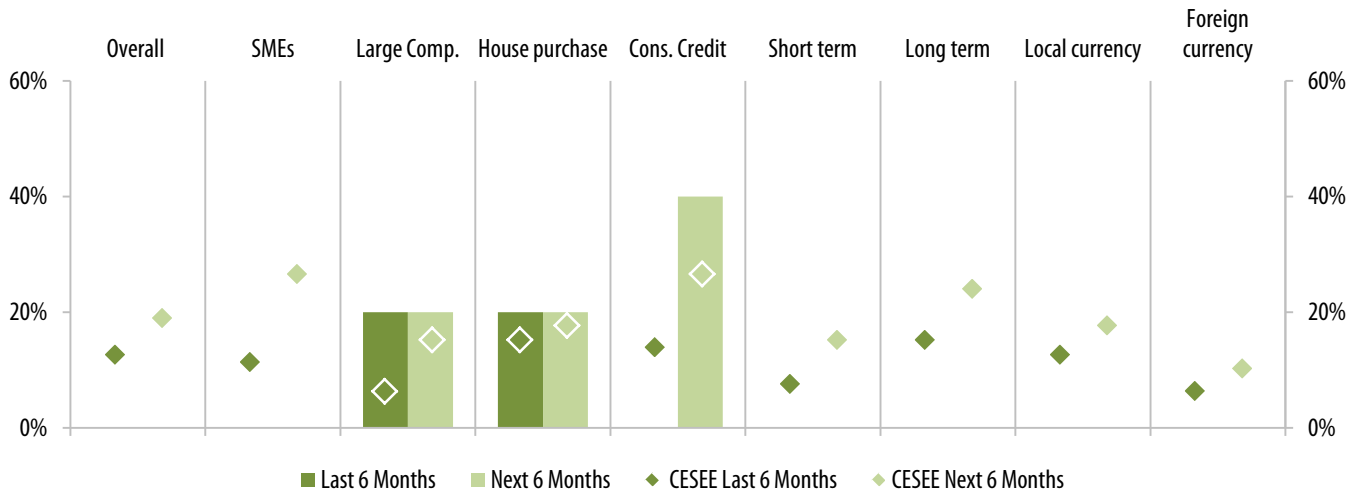


Source: EIB – CESEE Bank Lending Survey.

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 quality of loan applications in Bosnia and Herzegovina has remained unchanged on average during the last six month, while it recorded an improvement for the CESEE region as a whole. The quality of loan applications improved for loans to large corporations as well as for house purchase. For the upcoming period, the quality of loan applications is expected to remain broadly unchanged (again below CESEE average), but with improvements for some segments, like consumer credit, house purchase loans and loans for large companies.



Source: EIB – CESEE Bank Lending Survey

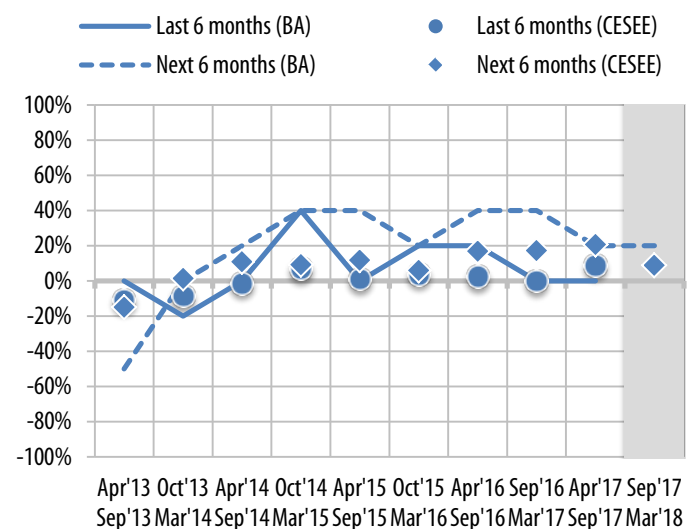
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Contrary to the CESEE region with a widening demand-supply gap, the credit conditions in Bosnia and Herzegovina had been running ahead of the subdued loan demand over the last few years. Nevertheless, they have turned more neutral during the last twelve months.

The expectations have been consistently more optimistic, just as in other countries of the region. Local subsidiaries expect easing in credit standards over the next six months, slightly above the CESEE average.

Figure 6 Supply developments

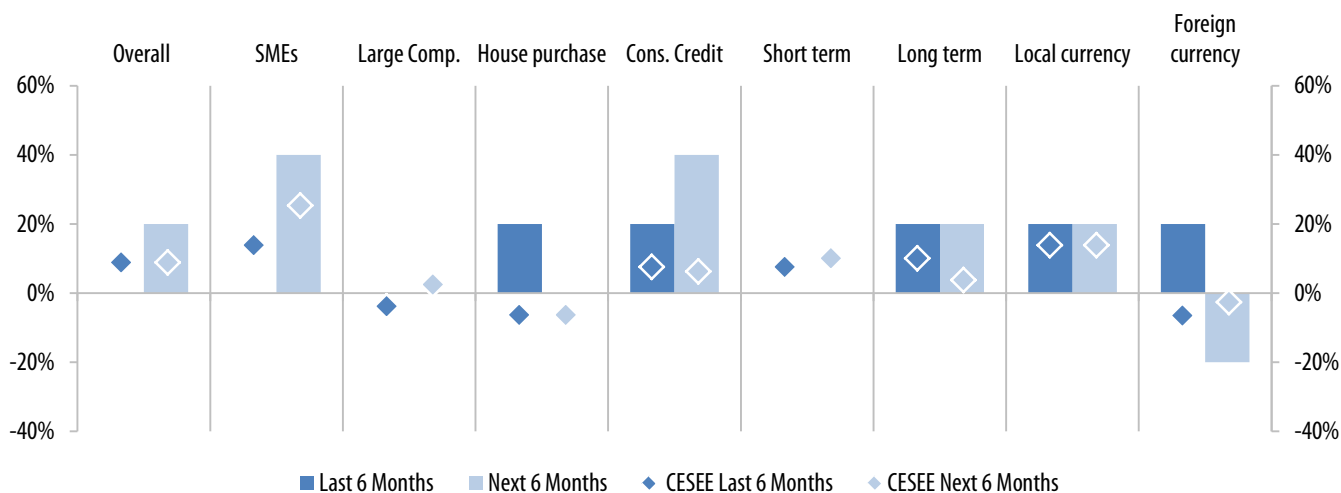


Source: EIB – CESEE Bank Lending Survey.

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

While overall credit standards remained unchanged during the last six months, they eased for household segment, both for house purchase loans and consumer credit, above the CESEE region as a whole. Looking ahead, local banks expect an easing of credit standards for SMEs and consumer credit while a tightening of conditions is likely for foreign-exchange loans.

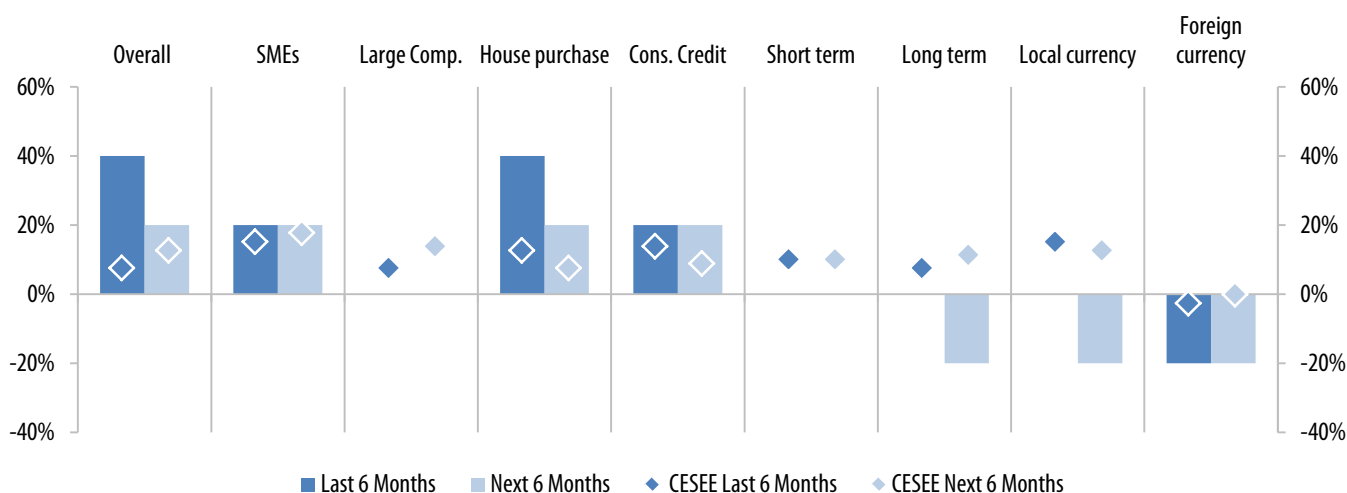


Source: EIB – CESEE Bank Lending Survey

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 improving remarkably in the last six months and further improvement is expected for the next period. The loan approval rate increased recently for house purchase loans, consumer credit and SMEs while it has dropped for foreign exchange loans. Over the next six months, better approval rates are expected for the same segments that registered improvement recently.

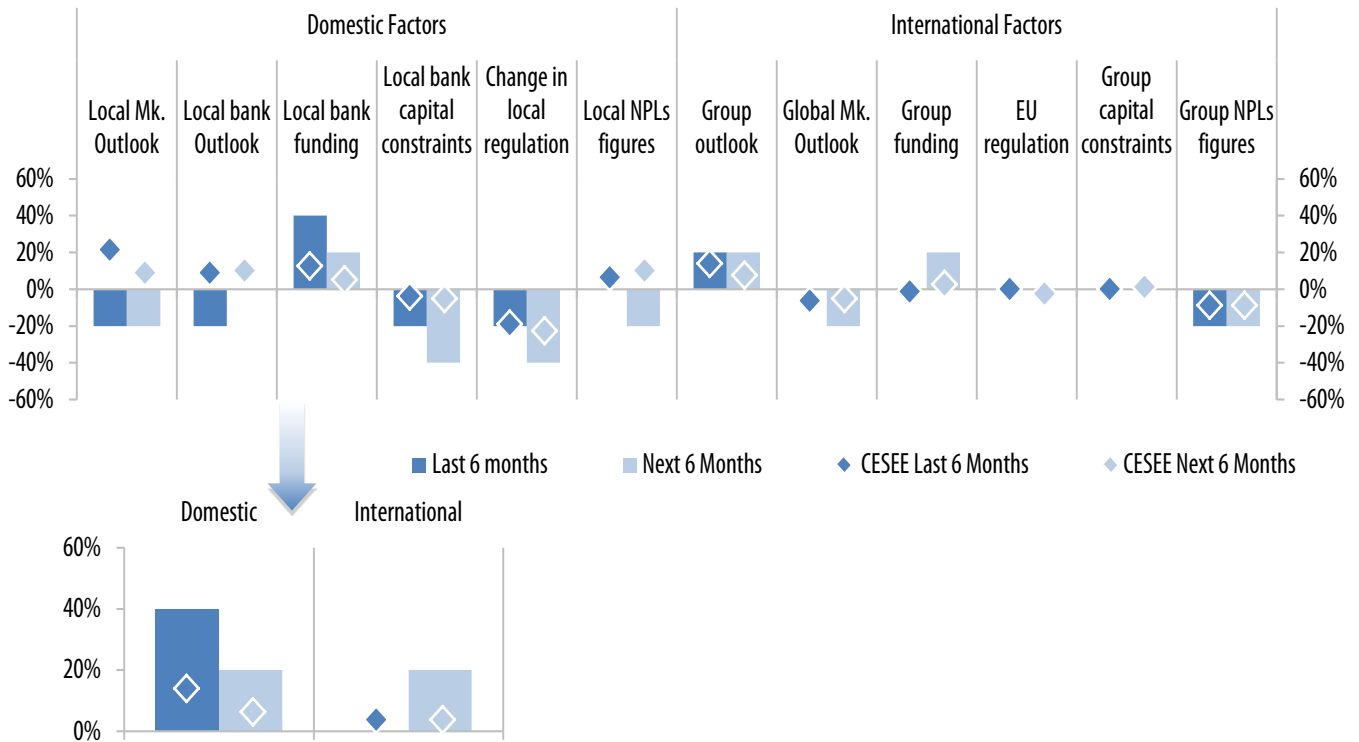


Source: EIB – CESEE Bank Lending Survey

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 remains the only positive factor affecting credit supply conditions while both local market outlook and local bank outlook have been contributing negatively to the credit supply conditions in Bosnia and Herzegovina, unlike in the CESEE region as a whole. The relatively lower bank capitalizations compared to regional peers leads to some capital constraints to credit supply conditions. Changes in local regulations contributed negatively as well while local NPL evolution was neutral on supply conditions. Among the international factors, group outlook contributed positively to credit supply conditions, but group NPL figures exerted a negative influence. Broadly the similar pattern is expected for both domestic and international factors in the coming 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 ratios have been declining strongly in Bosnia and Herzegovina during the last six months, on a higher extent for corporate loans, outpacing the CESEE region as a whole.

Over the next six months, local banks expect a tempering of the drop in NPL ratios, while corporate NPL ratio is even expected to increase slightly.

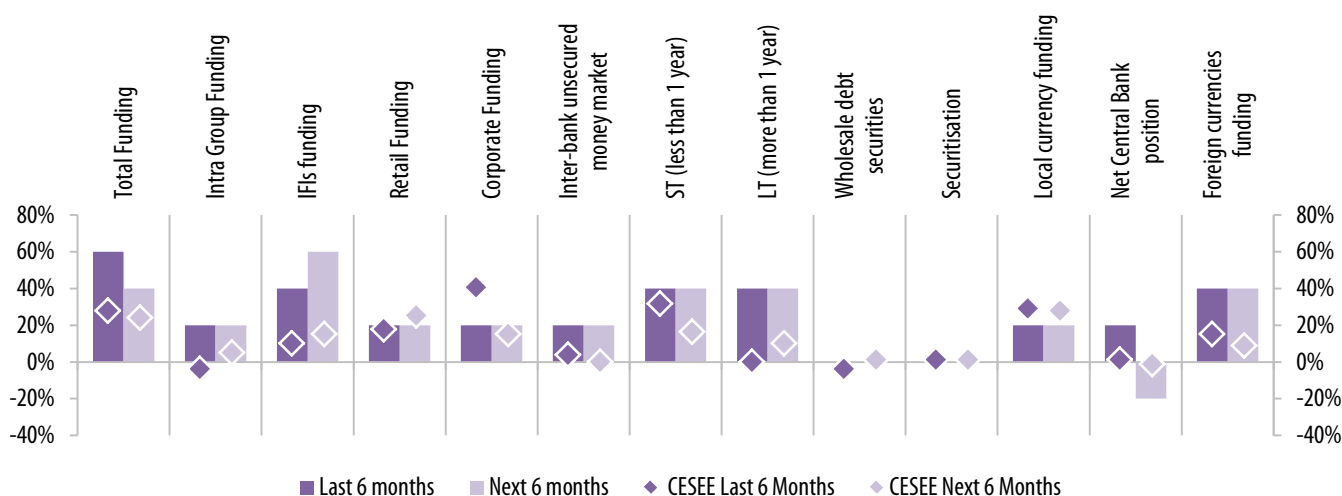


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Overall access to bank funding has improved during the last six months, even more than for the CESEE region as a whole. The increase in access to funding was broad-based across different sources but especially from IFIs funding. Both local and foreign currency funding has improved. Banks in Bosnia and Herzegovina expect further improvement in access to funding over the next six months, keeping the same pattern of the last six months in terms of different sources.



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

A market with medium potential, with signs of increasing credit demand, especially for house purchases and consumer loans, but with still a large legacy of NPLs.

Summary

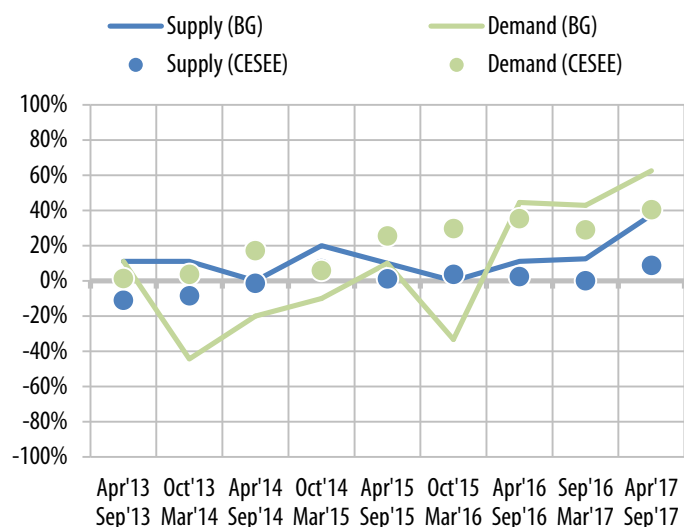
Group assessment of positioning and market potential: Parent banks operating in Bulgaria show a strong commitment towards the region and assess the country's market potential as medium. Returns on assets in Bulgaria are seen as high and exceeding those of the overall group. This has been the case consistently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

Credit supply conditions have improved in the last six months after a long period of stagnation. This has been particularly the case of lending to households. This improvement is expected to continue in the next six months.

Demand for loans has also strengthened over the past year. This has been driven mostly by households, especially for house purchases, and to a lesser extent by corporates. A majority of respondents expect demand to strengthen further over the next six months.

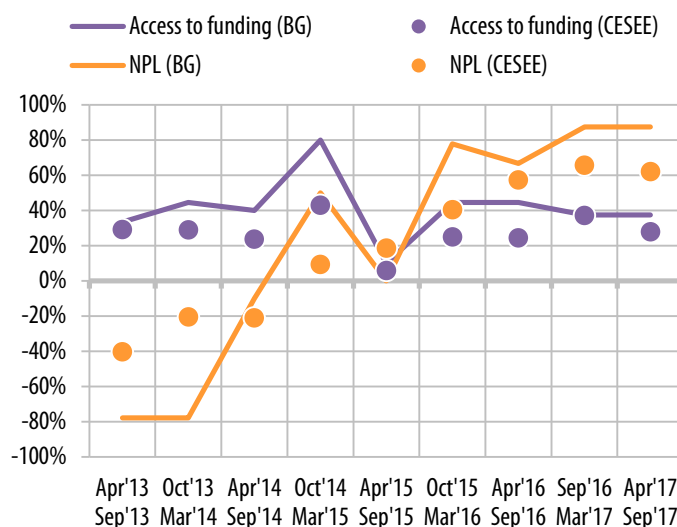
Access to funding has continued improving over the past six months following a multiannual trend. The improvement is mostly due to high and sustained growth of corporate deposits and to a lesser extent of household deposits and IFI funding.

NPL figures have continued to improve in all segments. Nevertheless aggregate figures remain 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

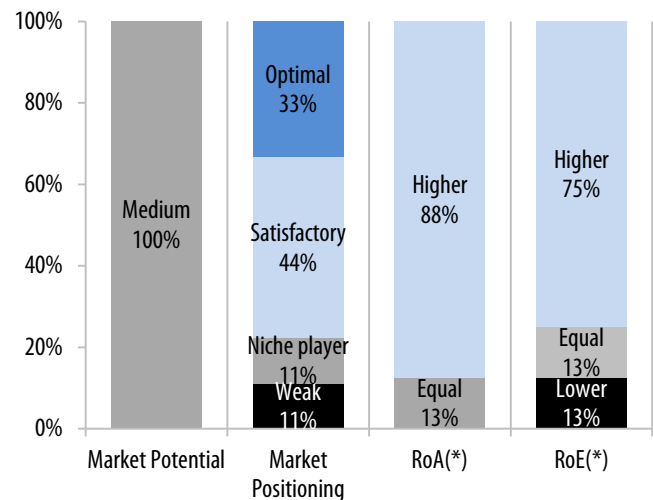
Foreign banks operating in Bulgaria show a strong commitment towards the CESEE region. About three quarters of the foreign banks present in the country plan to maintain or expand regional operations.

All foreign banks with operations in Bulgaria see the market as have a medium potential (Figure 1). The banks that consider their market positioning as satisfactory or optimal as very high (77 percent). This assessment comes after several years of strategic repositioning, as pointed out in previous volumes of this publication.

A majority of parent banks assesses returns from operations in Bulgaria as higher than those for the group as a whole. This has remained the case over the past four years.

As a result a majority of parent banks have increased capital exposure to subsidiaries. Intra-group funding, however, decreased for a majority 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

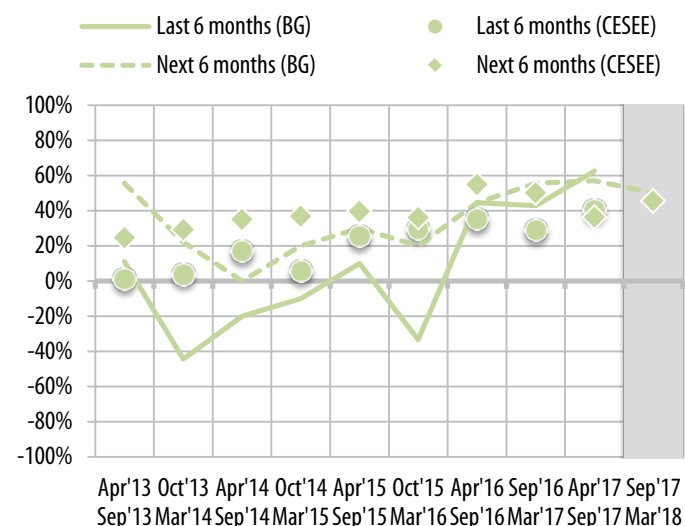
Demand for loans in Bulgaria has gradually strengthened over the past two years as the economy has improved. Private and public consumption as well as external demand have underpinned the output growth.

Investment however, has broadly stagnated due to stagnant corporate and household investments. Both sectors were significantly affected by the burst of the real-estate bubble in 2009 and have been deleveraging since. Government investment has been more resilient largely due to European Structural and Investment Funds.

Local bank's assessment of loan demand has reflected this weakness in investment consistently before 2016. Since then, an increasing number of local banks see strengthening loan demand.

This strengthening comes at a pace that has exceeded the CESEE average since 2016.

Figure 2 Demand side developments

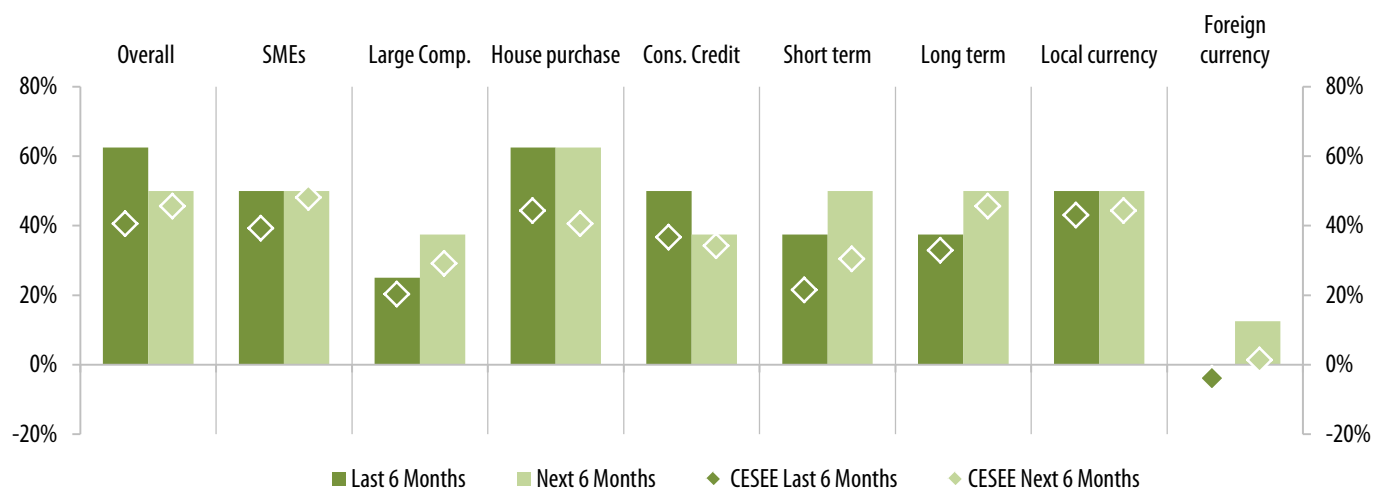


Source: EIB – CESEE Bank Lending Survey.

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

Stronger loan demand comes predominantly from the household sector. Demand from the corporate sector is also seen as improving but to a smaller degree. The increase of households' demand for loans is more pronounced for house purchases than for consumer spending. This increase is expected to increase also over the next six months in both segments. Strengthening household demand is in line with observed strengthening of aggregate consumer spending and the bottoming out of house prices. Strengthening loan demand from corporates, albeit to a smaller degree, raises hope that a more robust recovery of corporate investment in the country has finally set in.



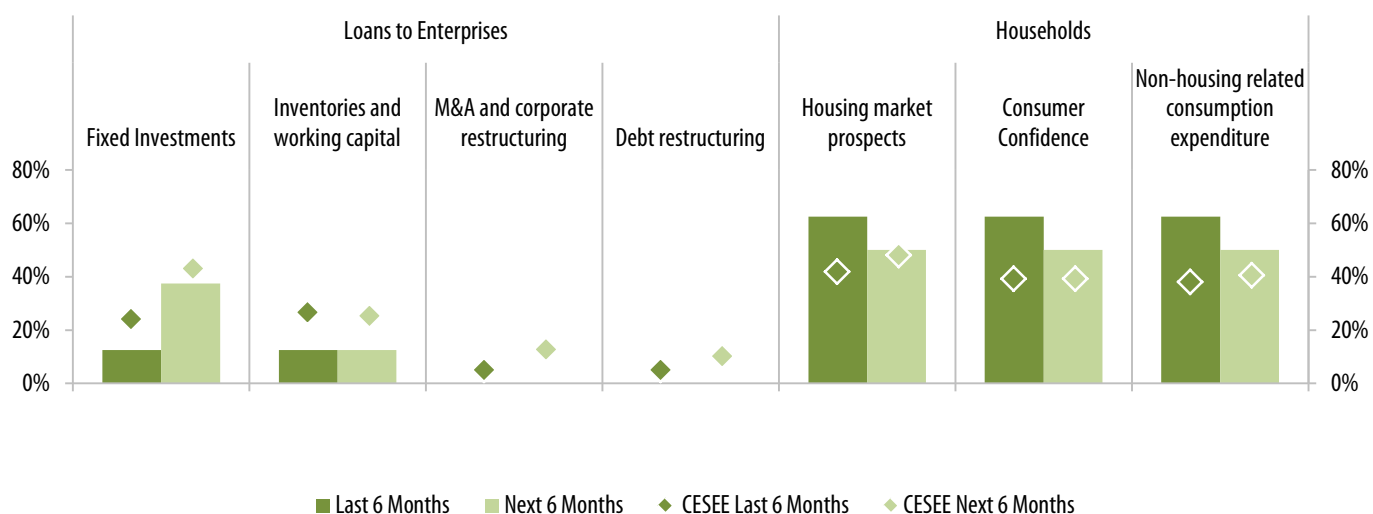
Source: EIB – CESEE Bank Lending Survey.

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 individual factors contributing to corporate credit demand, a small majority sees fixed investment and working capital as positively contributing to improving demand. These two are expected to remain so in the next six months.

As in the previous survey waves, households demand for loans is underpinned by housing market expectations and consumer confidence in the last few months. The role of these drivers is expected to remain broadly the same in the coming two quarters.

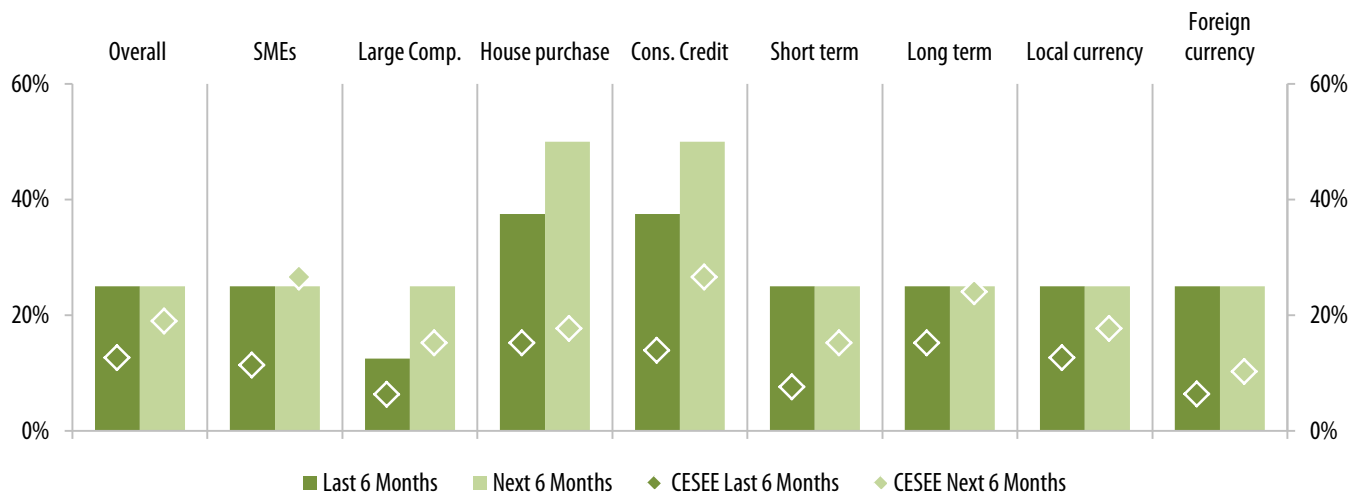


Source: EIB – CESEE Bank Lending Survey.

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

Increasing demand for mortgage and consumer loans is accompanied by higher quality of loan applications in these two segments. Quality in remaining segments has been assessed as having improved, too. Quality of loan applications is expected to increase over the next six months in the retail segment and for large corporates.



Source: EIB – CESEE Bank Lending Survey

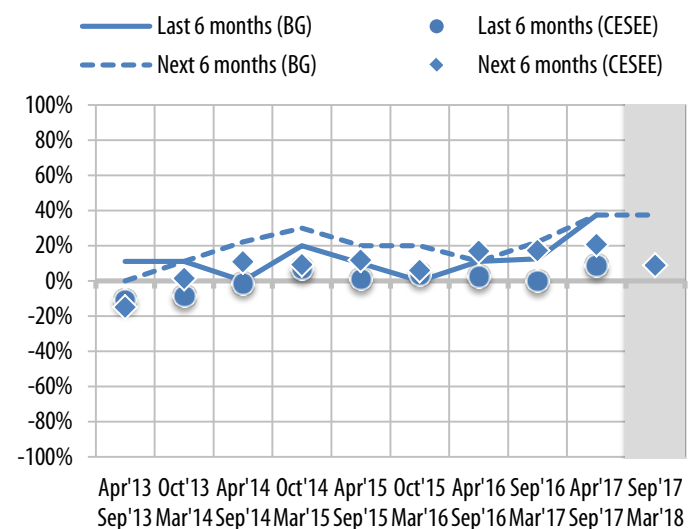
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions have been assessed as improving by about 40 percent (net) of local subsidiaries in the last six months. This is significantly more than in all previous survey waves since 2013 and is well above the CESEE average.

Bulgarian banks have increased efforts over the past year to improve the quality of their balance sheet by reducing the share of non-performing loans. This puts them in a position to relax loan conditions and expand their loan books after years of decline and stagnation.

Until the first half of 2017, the dynamics of supply conditions in Bulgaria was similar to that of the aggregate CESEE region, where credit conditions have been stable over the past two years. The second half of 2017 marks a clear improvement in Bulgaria and local subsidiaries expect to sustain it at least over the next six months.

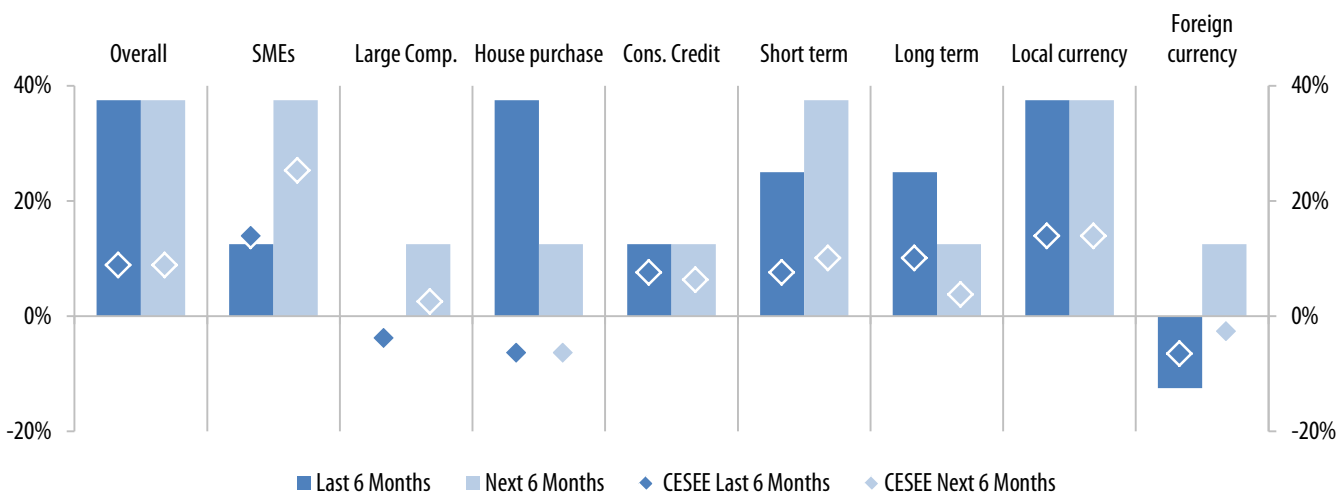
Figure 6 Supply developments

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

The largest contribution to improving supply conditions comes from the mortgage loan segment. In the corporate sector, loans to SMEs have also benefitted from some improvements in supply conditions. These are expected to improve by a higher net share of local subsidiaries in the next six months and this improvement will most likely be associated with conditions on short term loans.

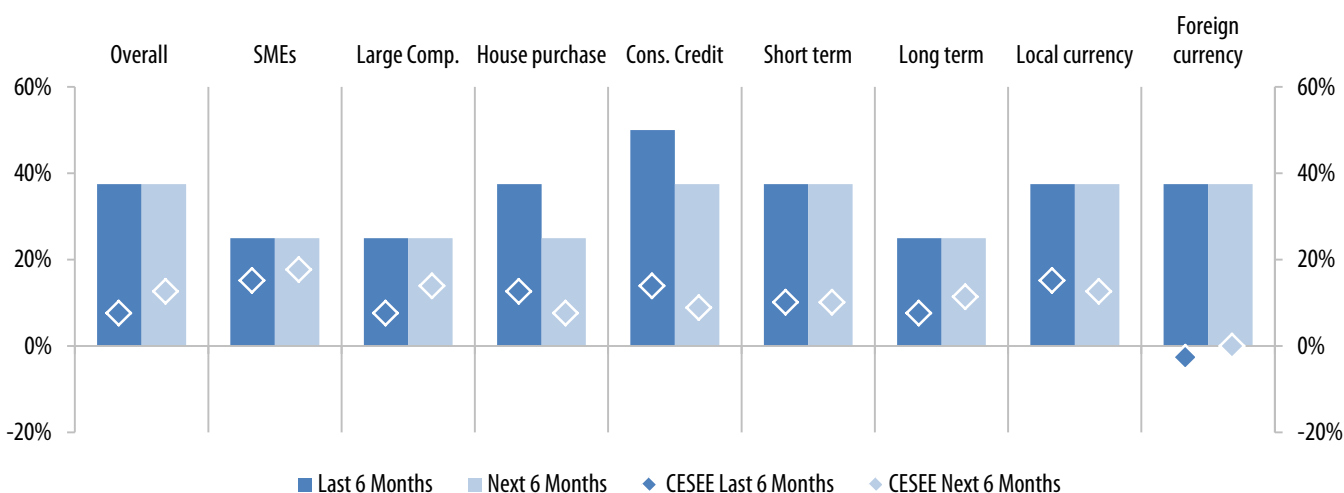


Source: EIB – CESEE Bank Lending Survey

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

Overall approval rates have also been assessed as improving by a net 40 percent of local subsidiaries. The retail sector has been the main beneficiary. Approval rates for house purchases in Bulgaria have been assessed as improving by about 40 percent (net) of local banks, while a net 50 percent share assessed approval rates as increasing in the consumer-loan segment. Approval rates are expected to continue improving by a similar net share of banks over the next six months.

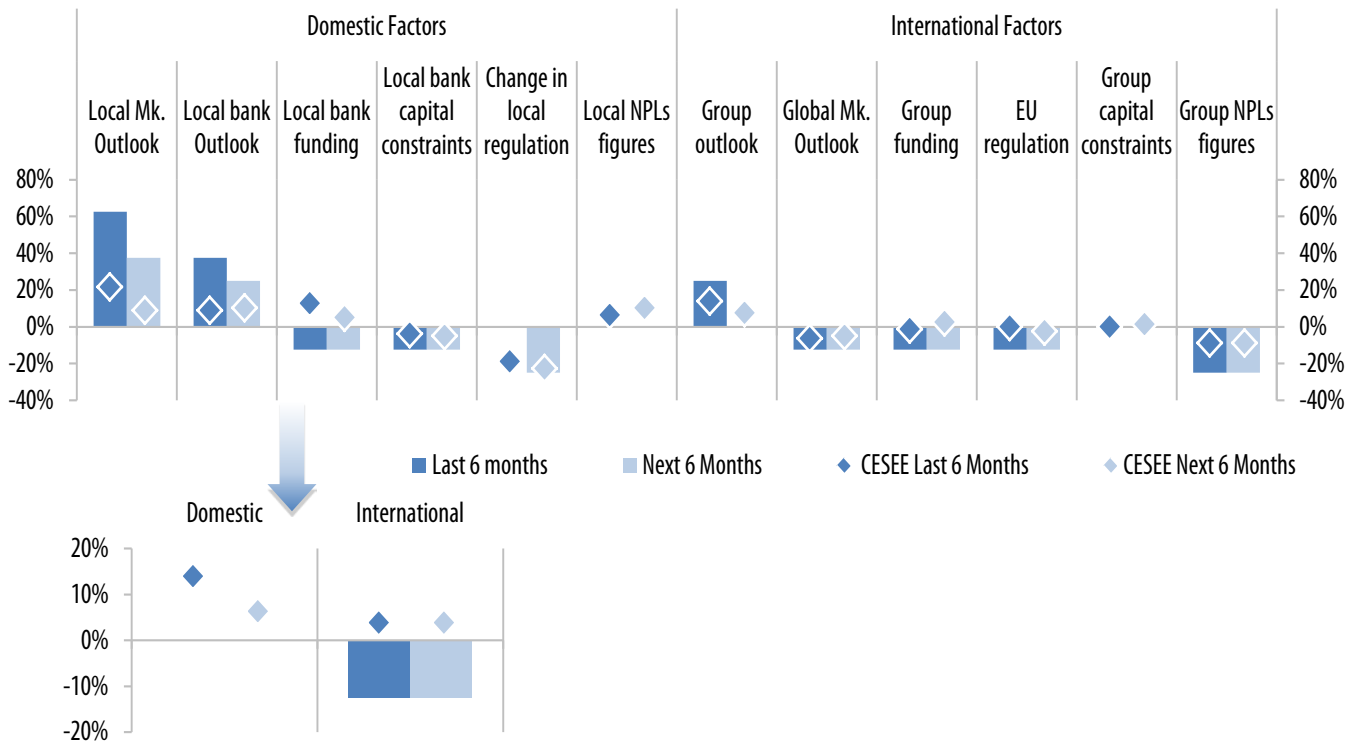


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Domestic factors are behind the improvements in supply conditions. Local market outlook and local bank outlook are the main positive contributors to supply conditions in Bulgaria. These are, however, broadly offset by funding and capital constraints. International factors, pertaining to parent banks remained a drag to supply conditions.



Source: EIB – CESEE Bank Lending Survey.

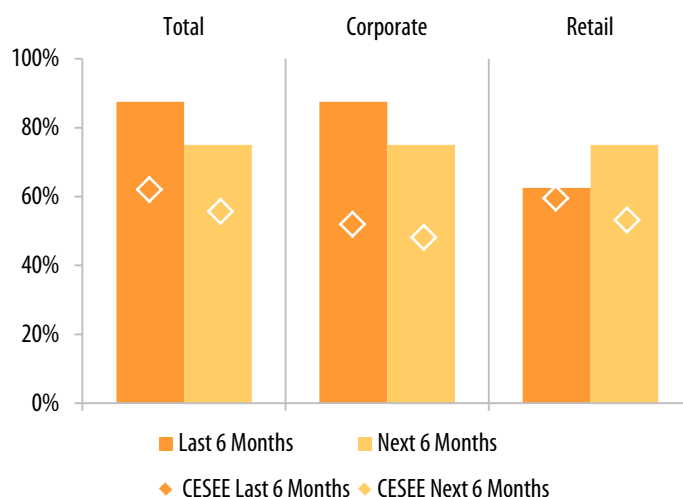
Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

Figure 10 Non-performing loan ratios

High share of non-performing loans has been a major factor for tight credit conditions since the beginning of the global financial crisis in 2008. Until recently, banks have been reluctant to reduce NPLs, but this seems to have changed in 2016.

In 2017 banks continued to report that NPL figures have improved across institutional sectors. Hard data confirms this: NPL figures have been coming down throughout 2016 and early 2017 albeit only gradually. Aggregate NPL figures remain among the highest in the region. Like in 2016, restructuring of corporate portfolios has had a bigger contribution.

Developments in overall NPL figures over the past six months are expected to continue. This is broadly similar to what is observed in the CESEE region on average.

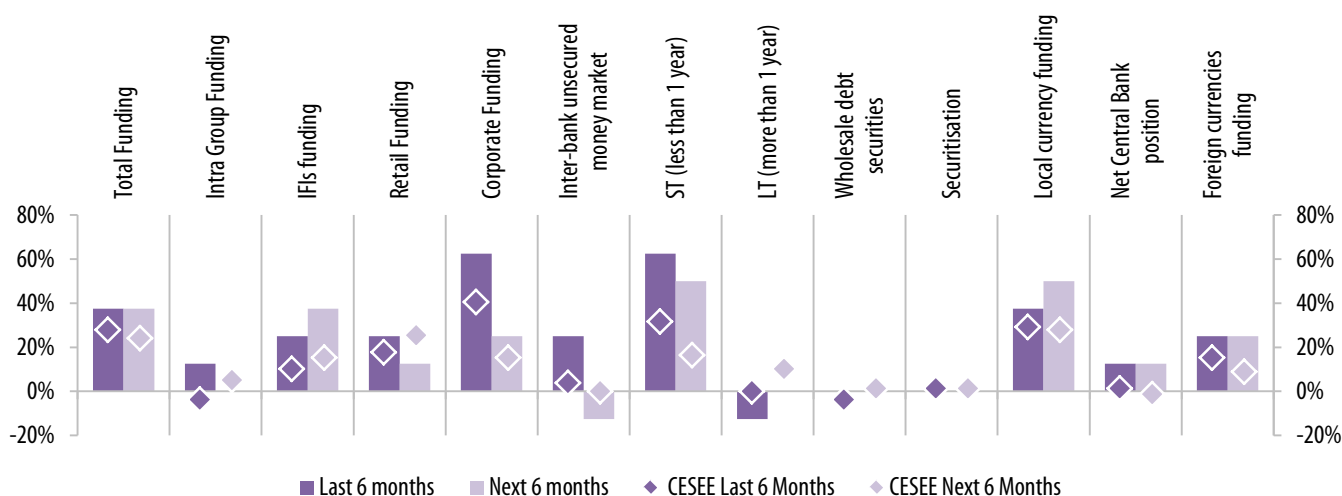


Source: EIB – CESEE Bank Lending Survey.

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. Main contributors continue to be improved retail and corporate funding, and are mostly short term. This is largely due to continued deleveraging in both the household and corporate sectors, which followed the burst of the real estate bubble in 2009. As a result, household and corporate deposits in the banking sector have been growing at an average rate of about 7.5 percent since 2009 (in real terms), while average annual real GDP growth has been about 1.5 percent.



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

After a temporary slow-down, demand is picking up again, while supply is continuously lagging behind. Some recent worsening in the NPLs is related exclusively to the corporate sector given the restructuring of the Croatia's largest private company

Summary

Group assessment of positioning and market potential: The share of parent banks seeing at least a medium market potential has increased. A growing number of parent banks consider their current market position as optimal, in line with an increasing number of banks reporting higher or equal profitability than the overall group operations. The new upturn of NPL weighs negatively on banks' profitability.

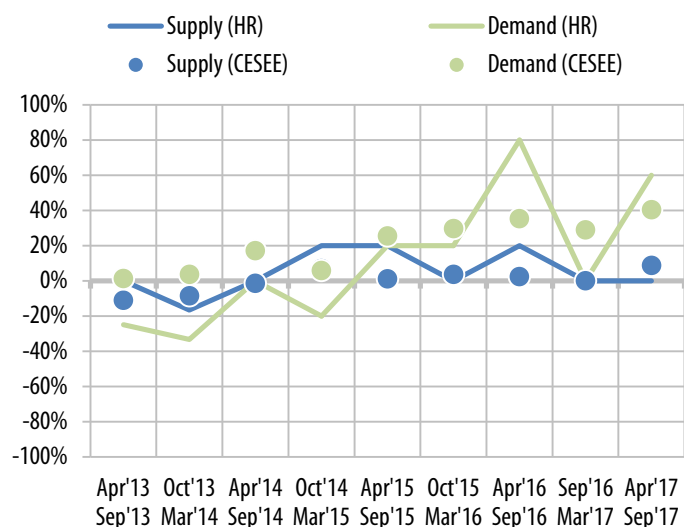
Credit demand has reaccelerated over the last six months while **credit supply conditions** have become more neutral in the last twelve months. The credit supply conditions are persistently lagging behind the credit demand. The deterioration in the NPL cycle is related to the corporate sector. It is probably linked to the biggest Croatian food retailer that is currently facing a state-led restructuring.

Credit supply conditions tightened for large corporations and also for SMEs over the last six months while they eased for consumer credit and housing loans. Nevertheless, aggregate lending standards are expected to ease in all segments over the next six months, even surpassing the CESEE aggregate.

Demand for loans has reaccelerated over the last six months above the CESEE average and is expected to maintain its strength across all loan segments for the next six months. Consumption is the main driver of household demand for loans while debt restructuring, in contrast to the regional average, is the major driver of loans for enterprises. Credit demand for house purchases is expected to recover in the next six months with a positive contribution of housing market prospects.

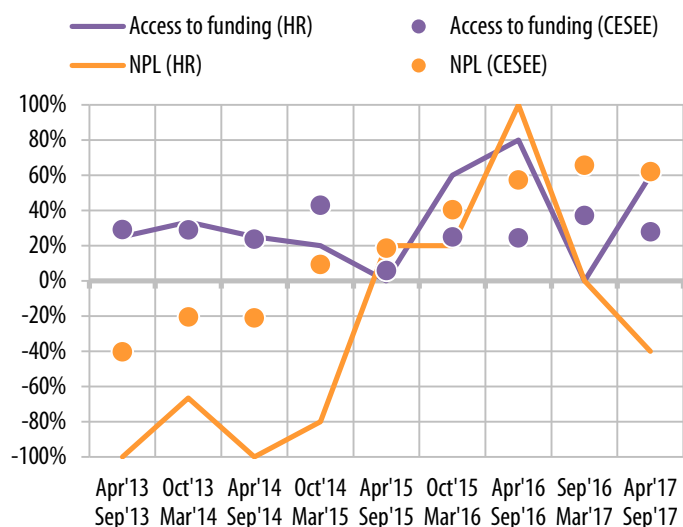
Access to funding has improved over the last six months, mainly relying on more stable domestic sources of finance such as deposits.

NPL figures deteriorated only for corporate loans over the last six months, and a reversal of the process is expected already in the next six months. The improvement in retail segment's NPLs is expected to continue for the next 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.

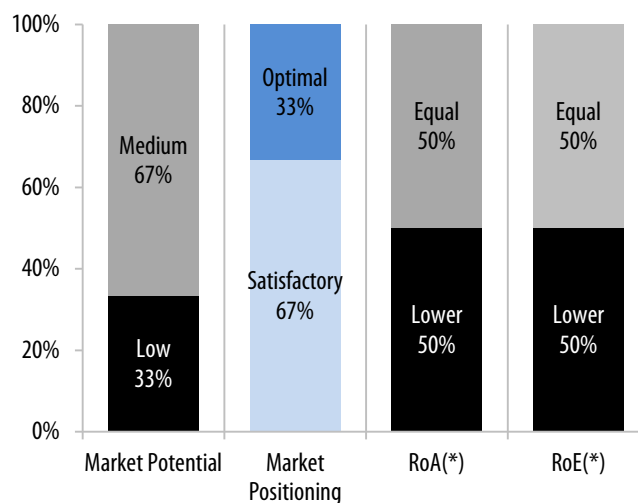
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Compared to six months ago, the share of parent banks operating in Croatia that see at least a medium market potential has increased further. The number of parent banks that considers their current market position as optimal has declined from 50 percent to 33 percent. However, all of them considers their market position at least satisfactory. Profitability took a negative turnaround in terms of return on equity with half of the respondents declaring lower profitability in Croatia compared to the overall group results. Nevertheless, in terms of return on assets those with lower profitability than the group dropped from 67 percent to 50 percent.

The revival in non-performing loans related to the financial difficulties of the biggest private company burns profitability through additional provisioning. This negative impact is coming just after the forced conversion of households' Swiss franc loans into euros last year. These keep profitability in Croatia lower compared to the CESEE average.

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

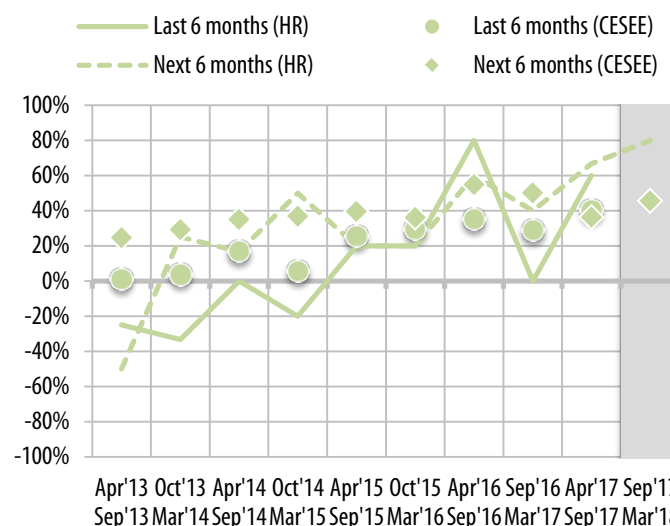
Aggregate demand developments

After a temporary slowdown, demand for loans is back again, just in line with the buoyant economic growth.

Consumption has been boosted by the improving labour market and the tax easing passed at the end of 2016. Moreover, investment has been the major driver of economic growth for the last two years and further more to come with the pick-up in the EU funding cycle.

Confirming the macroeconomic trends, local banks expect the credit demand to accelerate strongly and to stay above the CESEE average.

Figure 2 Demand side developments

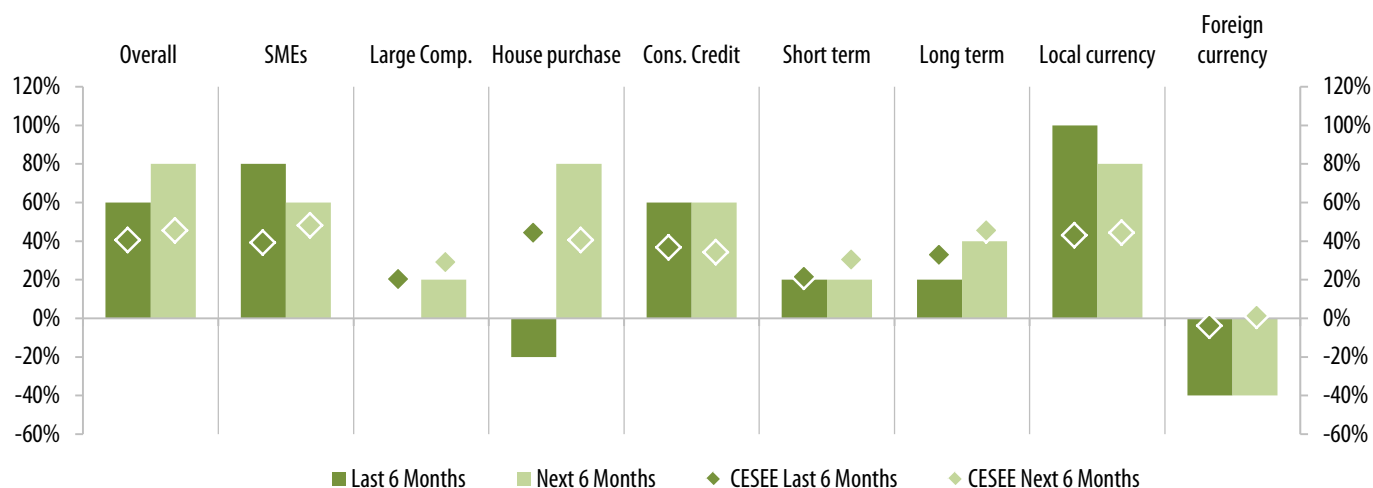


Source: EIB – CESEE Bank Lending Survey.

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 accelerated in the last six months across most components except large companies' loans and foreign currency loans. Contrary to the expectations from six months ago, credit demand for house purchases didn't pick up, while positive expectations are kept for the next six months. Overall, loan demand expectations remain very strong and above CESEE average. Lending demand is shifted clearly towards local currency and it is expected to remain so for the next six months.

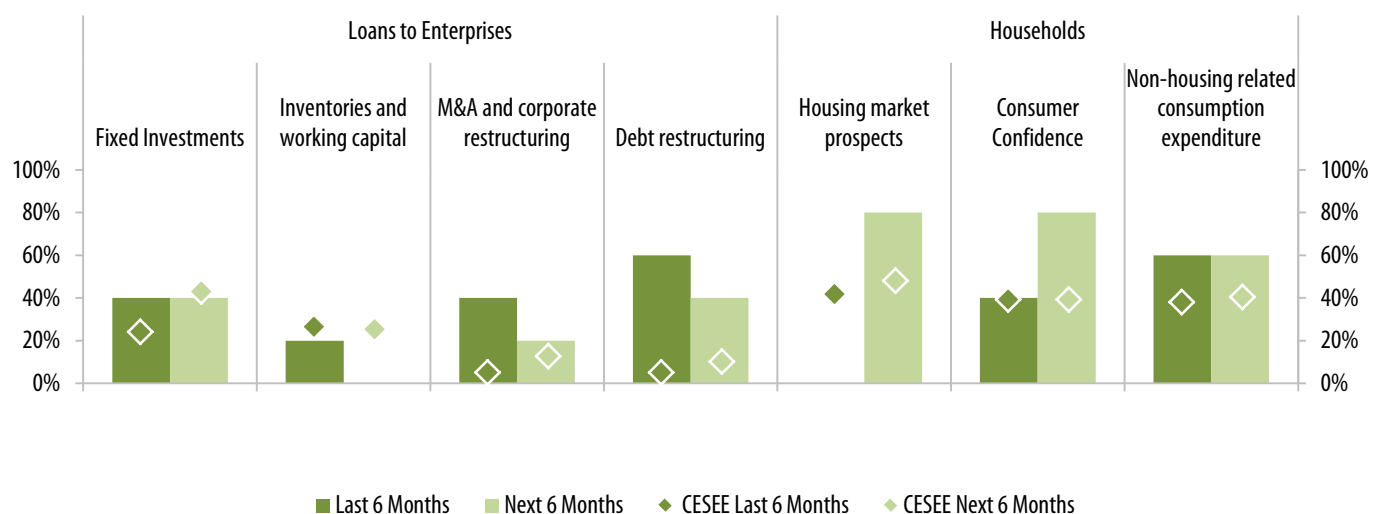


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Consumption expenditures and debt restructuring were the leading factors that contributed positively to loan demand during the last six months. Housing market prospects, despite past positive expectations, still do not contribute to the demand and are lagging behind the CESEE as a whole. Nevertheless, a rebound in demand is expected from housing market prospects, while consumer confidence and consumption expenditures are leading the trend. Debt restructuring, with some softening, still remains above the regional average.

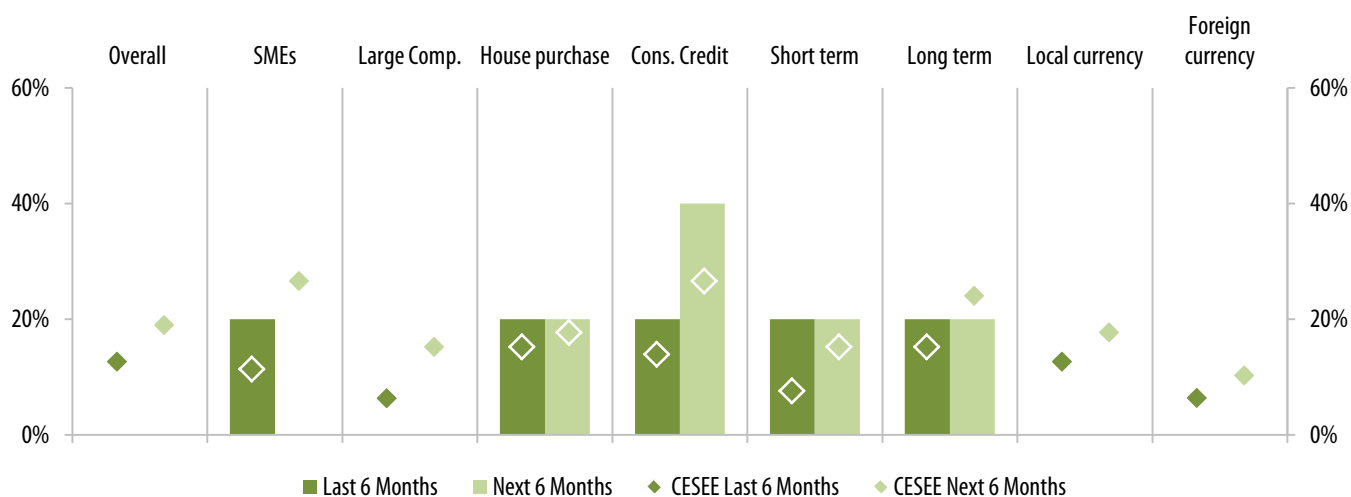


Source: EIB – CESEE Bank Lending Survey.

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 quality of overall loan applications has not changed during last six months and is expected no improvement over the next six months. Still, it is indicated a current and expected improvement in the quality of applications for house purchase loans and consumer credit. The quality of applications for loans to SMEs improved also, and runs above the CESEE average while for large companies no improvement has been registered and neither expected.



Source: EIB – CESEE Bank Lending Survey

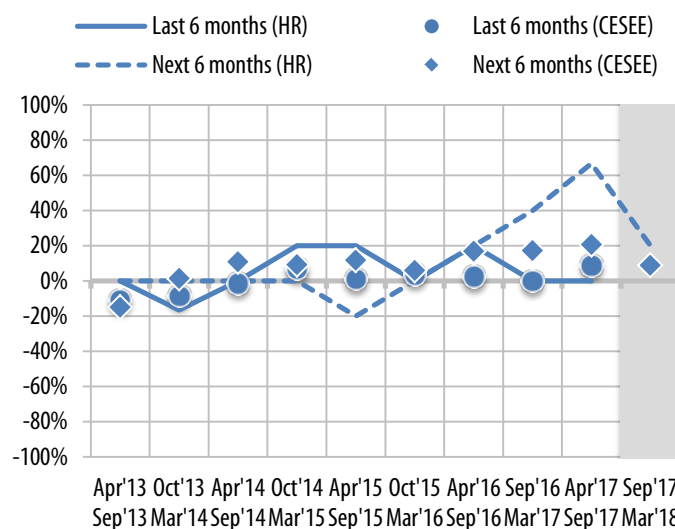
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply developments in Croatia continue to lag behind credit demand, despite the continuous positive expectation.

During the last six months, lending standards remained neutral, but are expected to ease in the next six months. Nevertheless, expectations have been moderated.

Figure 6 Supply developments

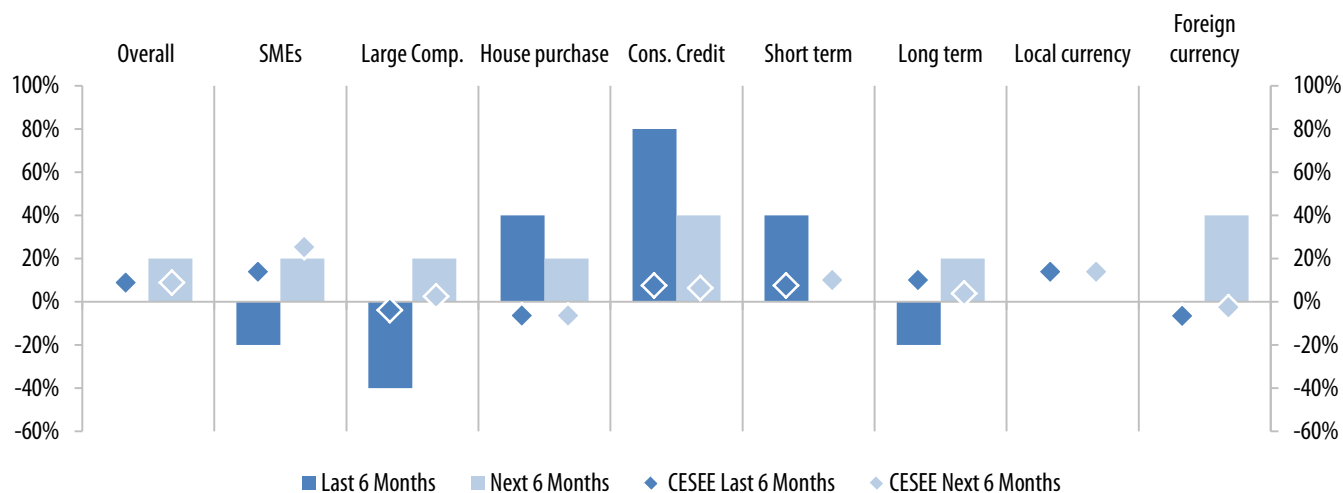


Source: EIB – CESEE Bank Lending Survey.

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 have remained broadly neutral over the last six months. Still, they have eased considerably for consumer loans and house purchase. On the other hand, the supply of loans to companies, both for large corporations and SMEs, have been tightened. Credit standards are expected to ease across most loan segments and components in the next six months.

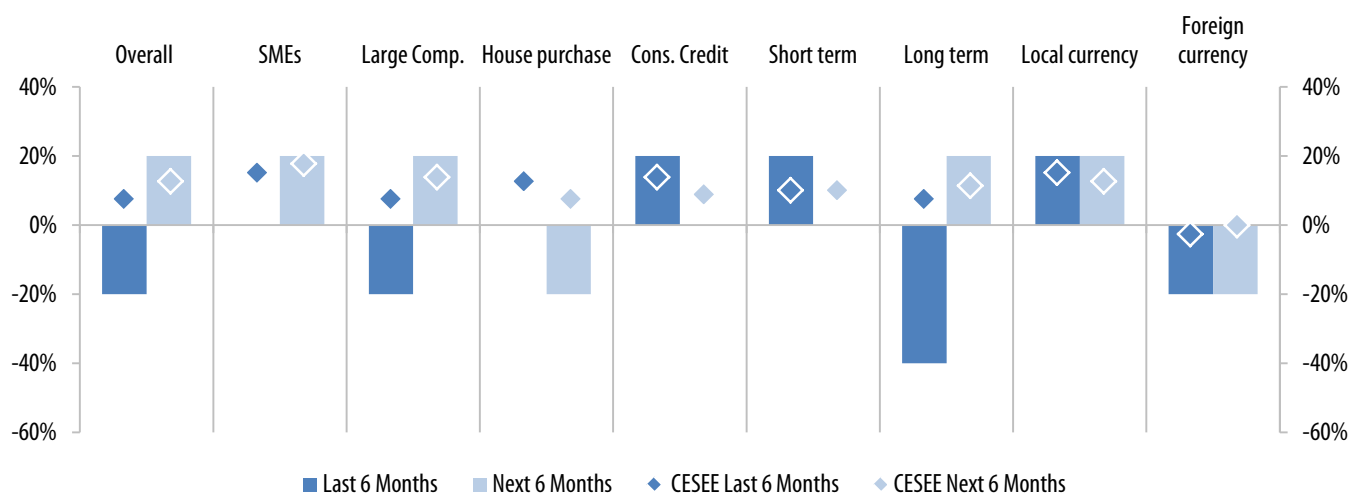


Source: EIB – CESEE Bank Lending Survey

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

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

Overall approval rates have decreased in Croatia during the last six months, and they have been less favourable than in the CESEE region as a whole. Only consumer and short-term loans have received an increase in the banks' approval rate. On the contrary, large company loans, long-term loans and those denominated in foreign currency have experienced a net decline in the approval rate. Over the next six months, the overall approval rate is expected to improve, except for house purchase and foreign currency loans.



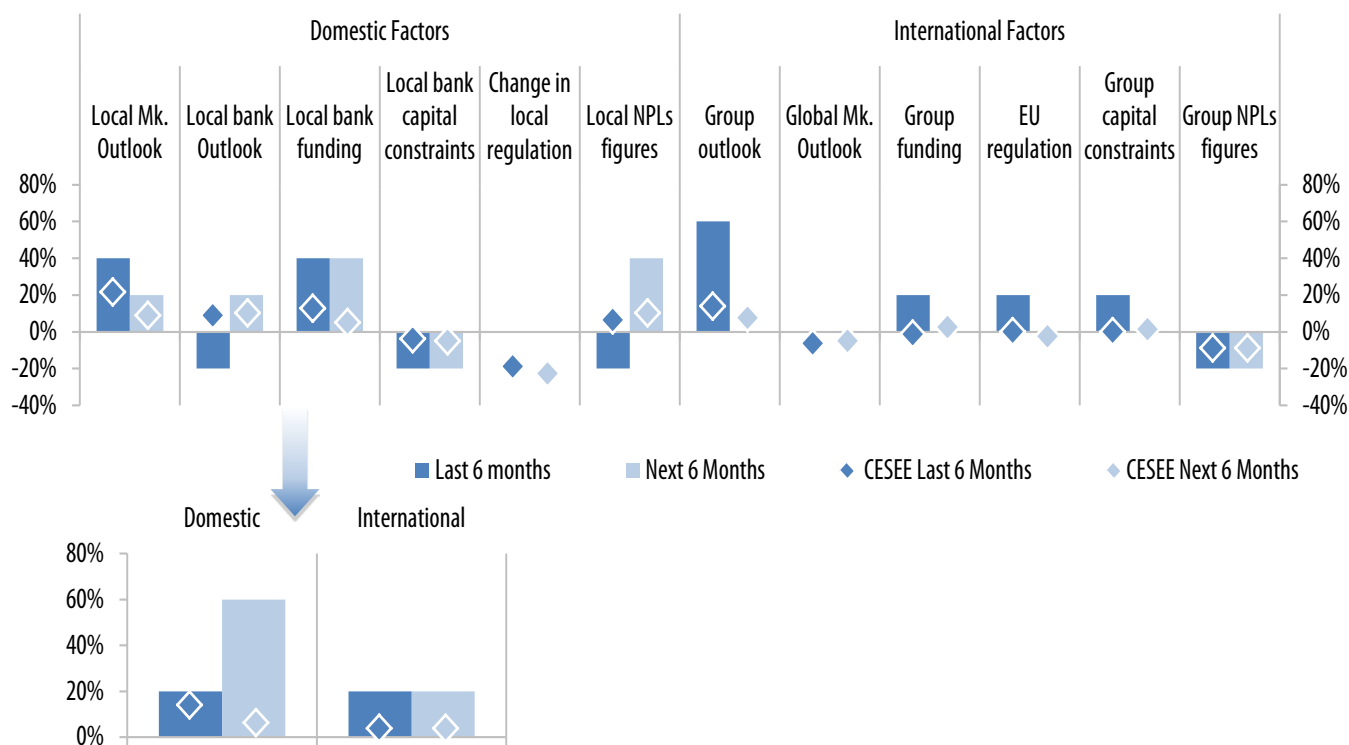
Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

The positive local market outlook contributed positively to the credit supply conditions, just as the local bank funding. Nevertheless, the outlook for local banks and the NPL brought a negative impact on domestic credit standards. Local capital constraints continued contributing negatively to supply conditions and are expected to do so in the next six months.

Among the international factors affecting credit standards, group funding, EU regulation and group capital requirements contributed positively to credit supply conditions in Croatia over the last six months while group NPLs are still dragging down 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 ratio deteriorated over the last six months, due to re-emerging problematic loans in the corporate segment while the ratio of retail loans continued to improve. Banks have been advised by the central bank (HNB) to provision 50 percent of their Agrokor exposure and of their exposure to Agrokor’s suppliers. This is the first deterioration since the end of 2014, when banks entered a restructuring path with improved NPL ratios in the whole CESEE region.

The progress on NPLs reduction is expected to continue on retail segment feeding positively to banks’ profitability, local market outlook and to banks’ ability to easy credit standards going forward.

On the corporate segment, for the moment the outlook is moderately positive, expecting no further deterioration but rather the improvement of the portfolio quality.

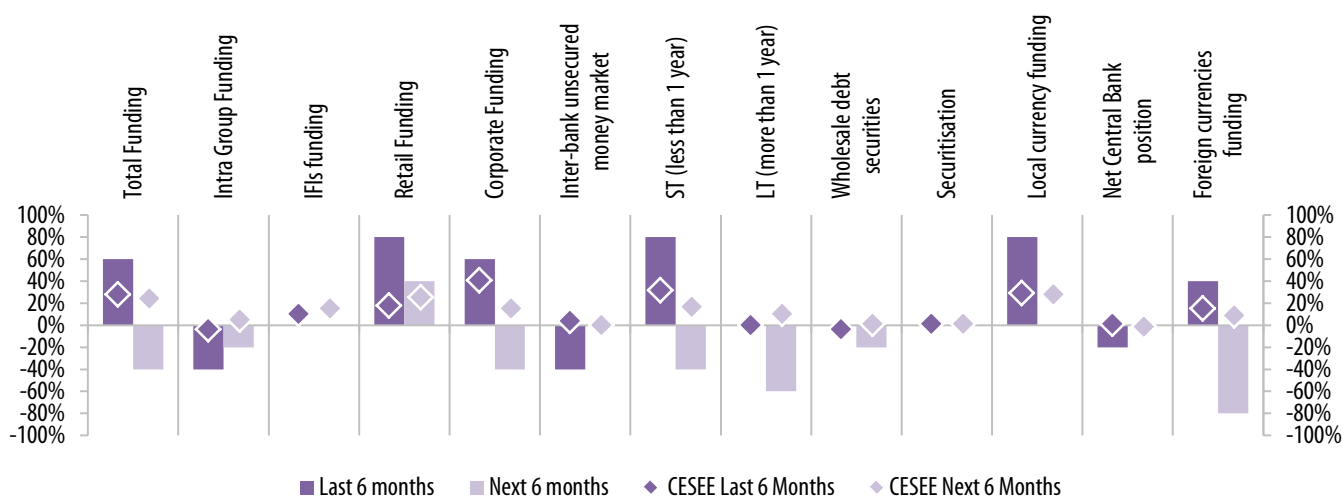


Source: EIB – CESEE Bank Lending Survey.

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 Croatian banks improved during the last six months but is expected to deteriorate for the upcoming period. The deleveraging process in the economy is reflected in a positive contribution of retail and corporate deposits to banks’ funding. Nevertheless a drop is expected on the corporate funding. Access to intragroup funding has been decreasing while local currency funding of the Croatian banks has been strong.



Source: EIB – CESEE Bank Lending Survey.

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

Czech Republic

Highly profitable market, funded mostly from local deposits. While strong, credit demand has been slightly softening, more cooling off expected for mortgages. As the central bank has embarked upon tighter monetary policy, lending standards have become flatter.

Summary

Group assessment of positioning and market potential: Majority of banks operating in the Czech Republic envisage high to medium market potential and vast majority regard their current market positioning as optimal or satisfactory. Local bank profitability is higher than at the group level.

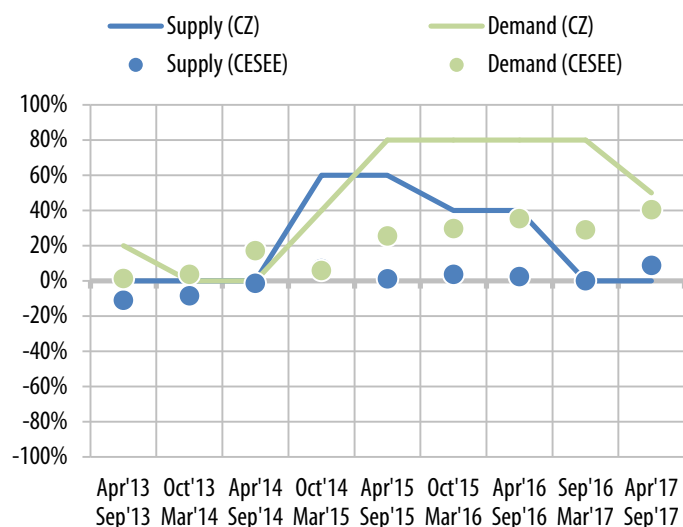
Amidst the interplay of a strong growth of the domestic economy and the beginning of the monetary policy tightening cycle, Czech banks report that **credit demand has been increasing albeit at a slower pace than before**, while **supply conditions have become broadly neutral**. Over the next six months, the net increases of credit demand should continue softening, while credit standards will remain flat.

On the **credit supply** side the lending conditions have become more neutral for the second consecutive six-month period and they are expected to remain neutral over the next six months. In line with the onset of the monetary policy tightening cycle and tentative prudential tightening, credit standards for house purchase loans and consumer credit have tightened in the last six months, and they are expected to tighten further for house purchase loans.

Credit Demand in the Czech Republic has been recently driven by corporate fixed investment, housing market prospects and consumer confidence. While expected to remain positive, the influence of these factors will soften somehow over the next six months. In terms of loan segments, demand for house purchase loans is expected to turn negative in the next six months.

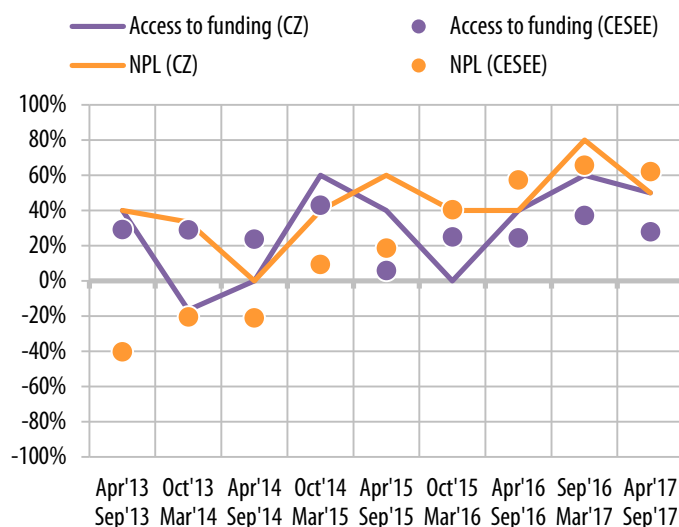
Access to funding has improved for bank subsidiaries in the Czech Republic in the last six months. The Czech banking sector is predominantly funded by local corporate and retail deposits and their positive contribution is expected going forward.

NPL figures have improved recently, particularly in the retail sector. Further NPL reduction is expected going forward.



Source: EIB – CESEE Bank Lending Survey.

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



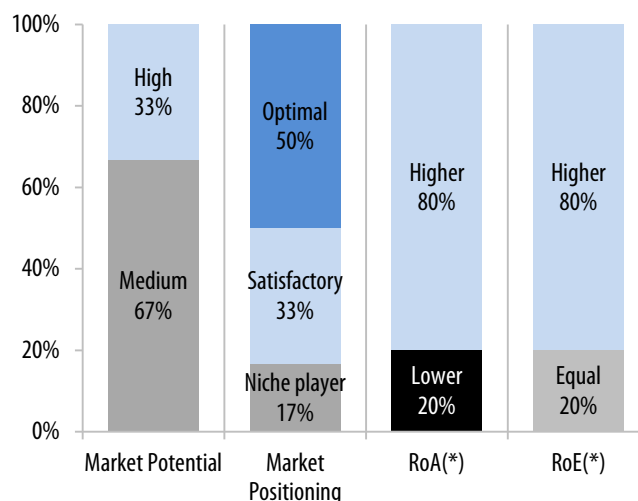
Source: EIB – CESEE Bank Lending Survey.

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 the Czech banks remain more profitable than their foreign parent banking groups, in Return-on-Equity terms, there has been further improvement from previous six months. All parent banks see high to medium market potential on the Czech market and none of them sees low market potential. 33 percent of correspondents see high potential on the Czech market (a decline from 60 percent six month ago, reflecting the start of monetary policy tightening). Market positioning has improved further, and now 83 percent of the correspondents regard their current market positioning as optimal or satisfactory.

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.

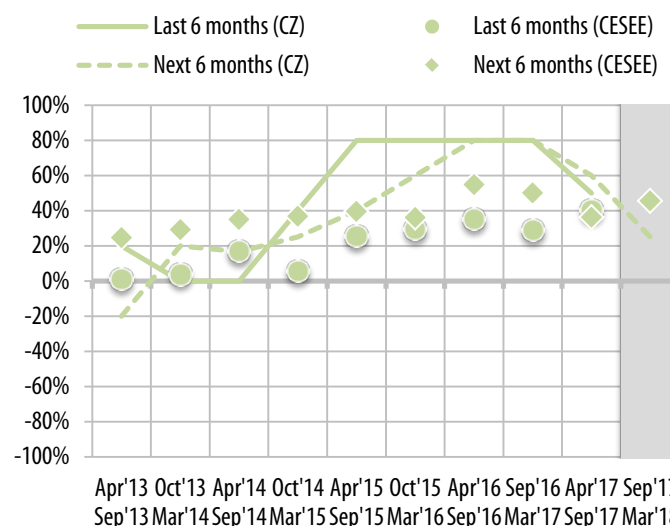
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Strong domestic demand in the Czech economy keeps on feeding into a net increase in loan demand, although to a lesser extent during the past six months than in previous periods (but broadly in line with CESEE average).

The expectations series points to further slowdown in net credit demand increases over the next six months, running slightly below the CESEE region as a whole.

Figure 2 Demand side developments

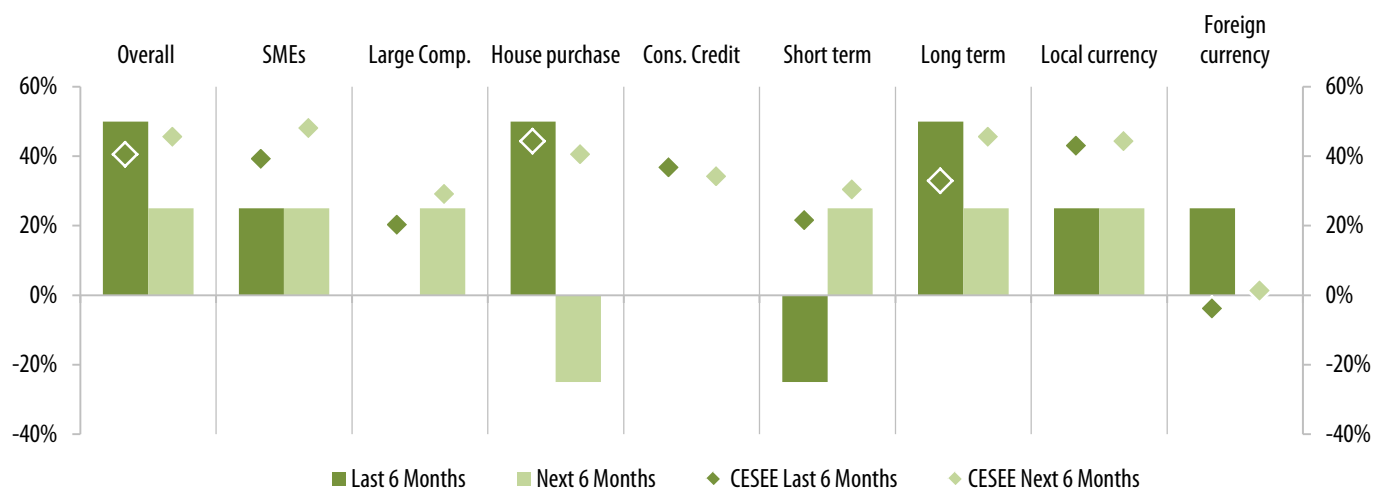


Source: EIB – CESEE Bank Lending Survey.

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 still strong and growing, the softening of the net increases in loan demand is visible across most demand components and segments. In particular, the net increases in loan demand over the last six months have been below the CESEE average and lower than in the previous period for SME and large corporate loans and consumer credit. Despite the negative expectations from the previous period, house purchase loans have registered the largest net increase in demand over the last six months. Looking ahead, while demand for SME loans and large corporate loans is expected to increase (albeit below CESEE average), demand for house purchase loans is expected to decline over the next six months.

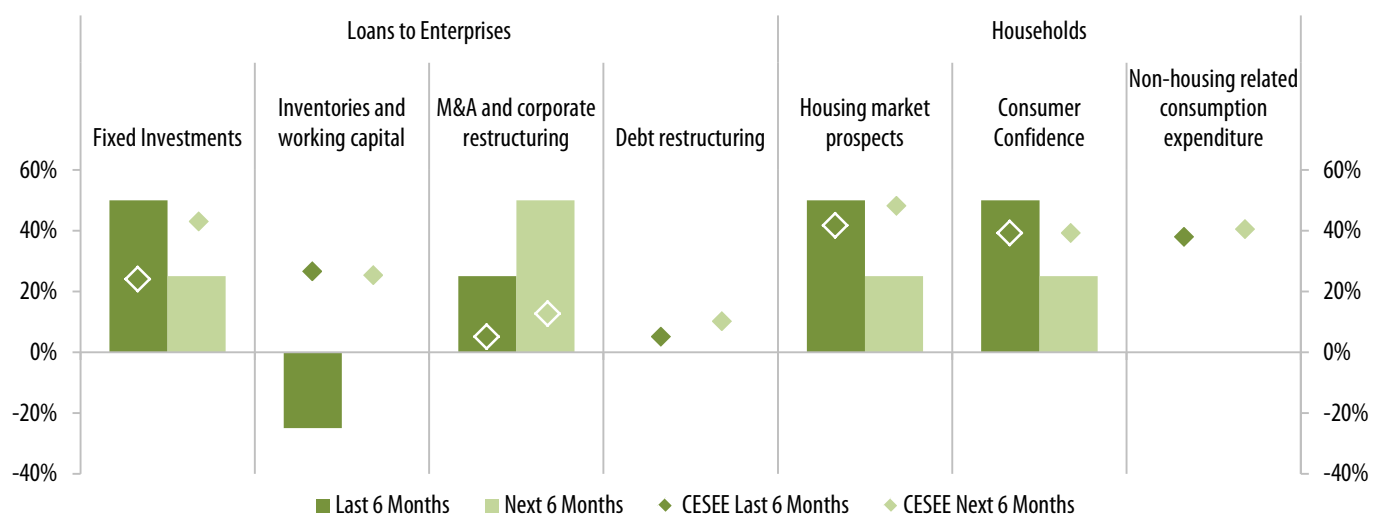


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Like in the previous period, fixed investments on the corporate side and housing market prospects and consumer confidence on the households' side have been the main factors affecting loan demand in the last six months – above the CESEE average. Looking ahead, fixed investments, M&A and corporate restructuring, as well as consumer confidence and housing markets prospects are expected to remain as strong demand factors, although below the levels of the CESEE region as a whole.

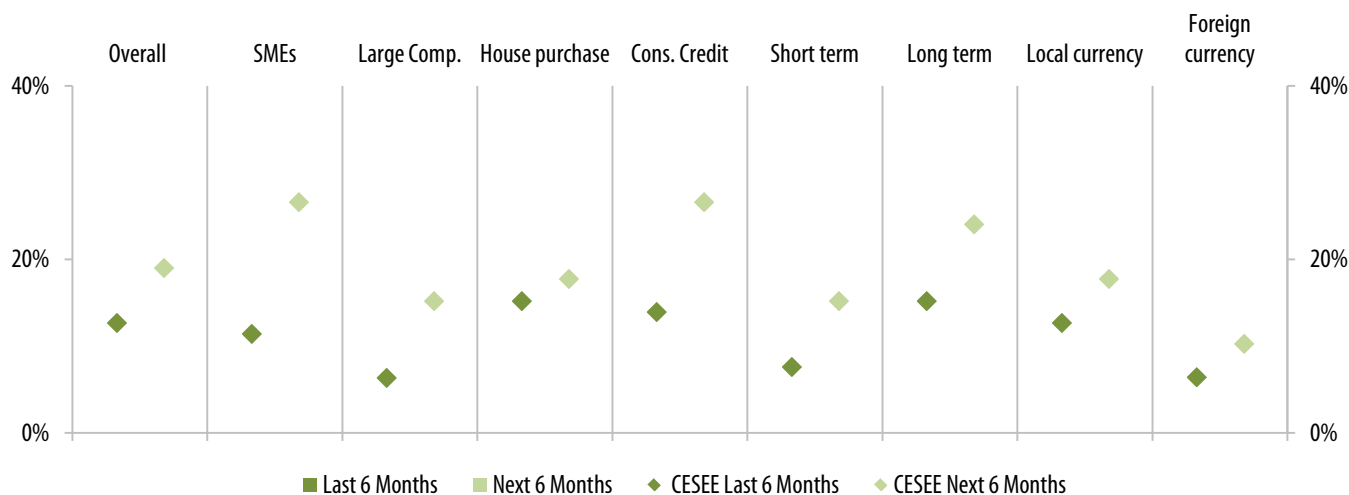


Source: EIB – CESEE Bank Lending Survey.

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 has been stable, in contrast with the CESEE region as a whole where the quality of loan applications has been witnessing a broad-based improvement. Similar development is foreseen over the next six months, with no expected change to the quality of loan applications in the Czech Republic.



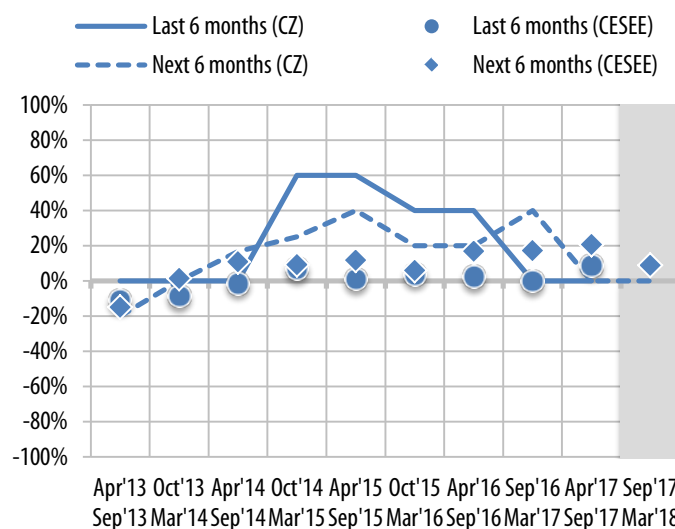
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

After a period of strong credit easing from late 2014, lending conditions in the Czech Republic have become broadly neutral for the last consecutive six-month periods. Credit standards are expected to remain flat also over the next six months, in line with the ongoing tightening of monetary policy conditions and regulatory standards. In contrast, the lending conditions for the CESEE region as a whole have become slightly more accommodative (from a period of broadly unchanged conditions) and are expected to record a minor easing also over the next six months.

Figure 6 Supply developments

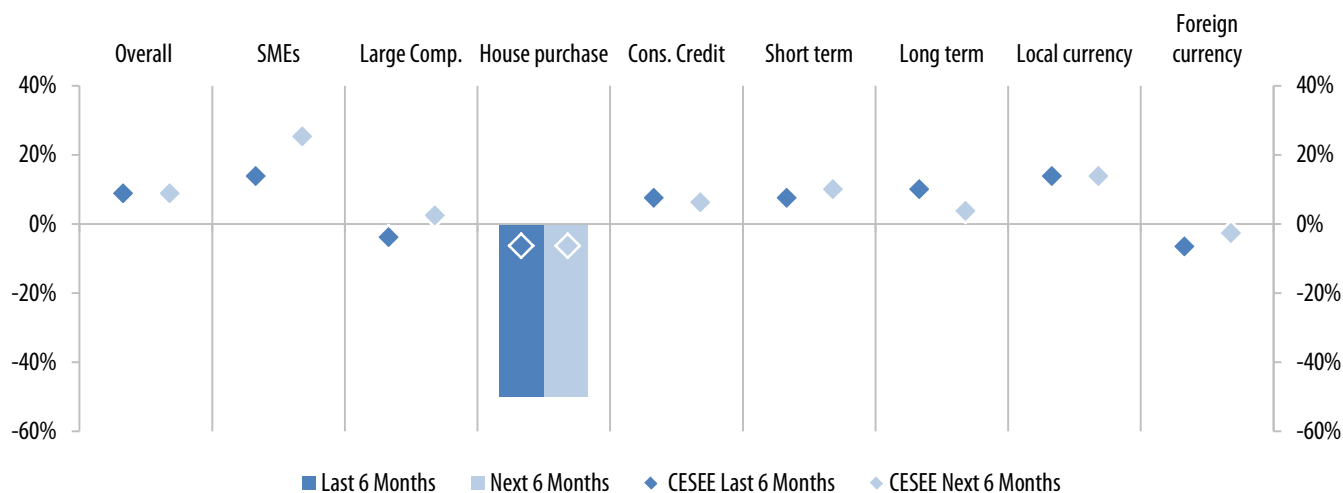


Source: EIB – CESEE Bank Lending Survey.

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

In line with previous expectations, credit standards have tightened significantly for house purchase loans over the last six months and are expected to tighten further in the next six months, more than the CESEE average. Across all other loan components and segments, lending conditions are remaining broadly unchanged in the Czech Republic, while they are broadly easier in the CESEE as a whole.

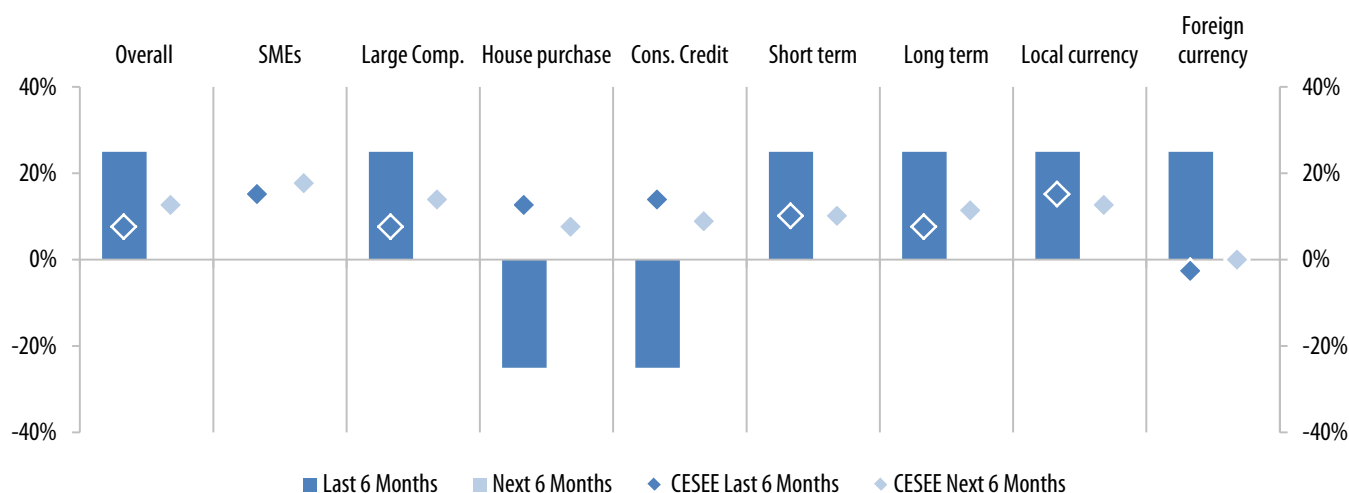


Source: EIB – CESEE Bank Lending Survey

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 banks' loan approval rate has increased during the last six months (mainly for large corporate loans), above the CESEE average. Nevertheless, house purchase loans and consumer credit have recorded a net decline in the approval rate for loan applications. Over the next six months, no change is expected to the overall banks' approval rate in the Czech Republic (despite more positive expectations for the CESEE region as a whole).

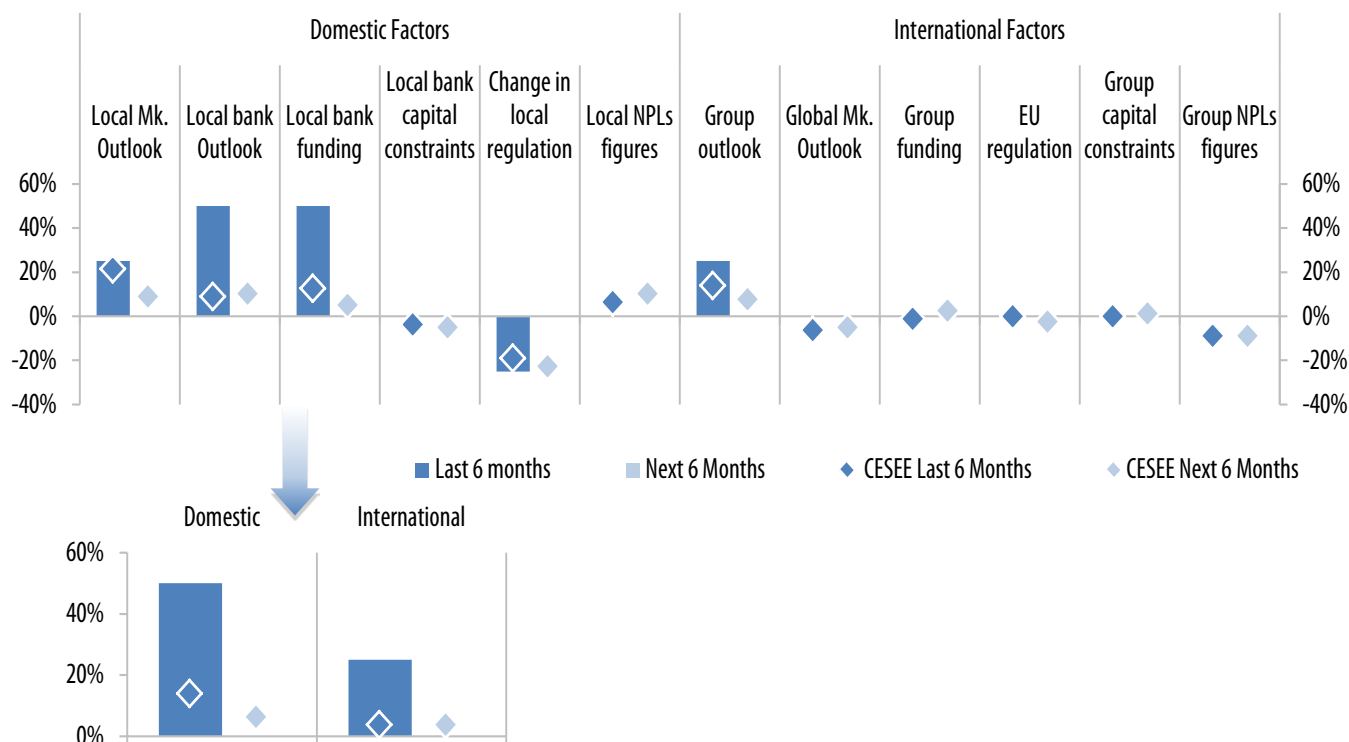


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Changes in local regulation have been the only factor contributing negatively to credit supply conditions over the last six months, broadly in line with CESEE average and with previous expectations. High bank profitability and good market potential continues to be reflected in positive contributions of local market outlook and local bank outlook to credit supply conditions in the Czech Republic. Likewise, local bank funding has contributed positively to credit standards, above the CESEE average. The international factors have remained broadly flat, with the exception of group outlook that has recorded a positive influence over the credit supply conditions in the Czech Republic. Over the next six months, both domestic and international factors are expected to have broadly neutral effect on credit supply conditions in the Czech Republic.



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

Despite the previous period's expectations of no change, total NPL reduction in the Czech Republic has continued during the last six months, albeit slightly below the CESEE average. The reduction in retail non-performing loans has been and is expected to remain most prominent and above the CESEE average. The pace of total and corporate NPL reduction is expected to be below CESEE average over the next six months.

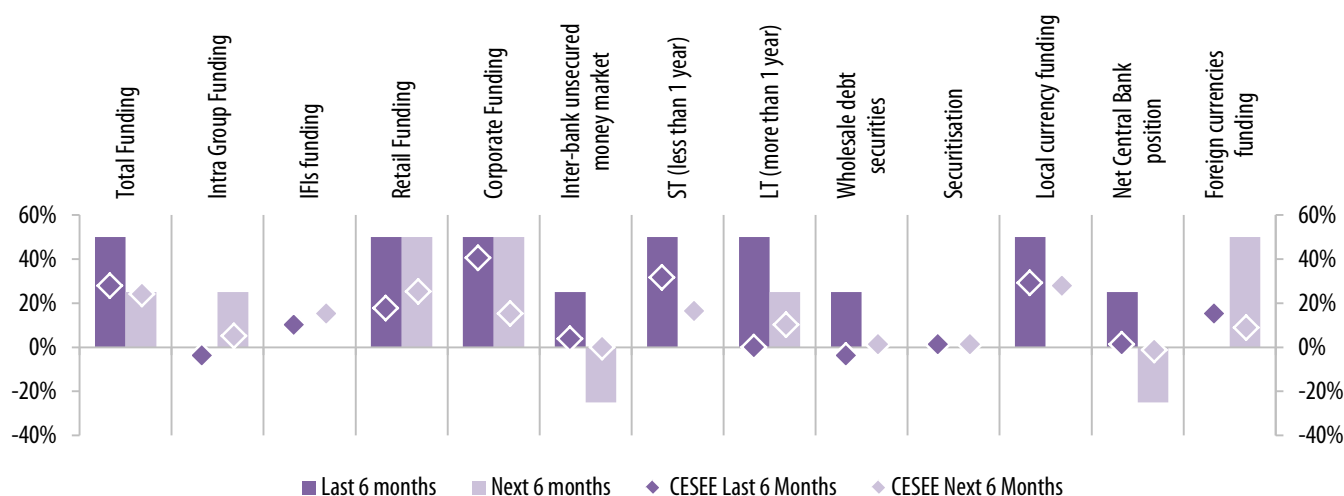


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding of the Czech banks has improved during the last six months, ahead of the CESEE region as a whole, and is expected to continue improving going forward. As the Czech banks are predominantly funded from local deposits, the contribution of retail and corporate funding has been the most significant. The same funding pattern is expected over the next six months. Money market and central bank funding are on balance expected to get worse over the next six months, but these expectations have recently been consistently more pessimistic than their actual outcome.



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

The Hungarian market is characterised with strong credit demand and rapidly improving supply conditions. Parent banks' assessment of the market potential has improved, yet it lags somewhat behind Visegrad 4 peers

Summary

Group assessment of positioning and market potential: Parent banks in general consider the Hungarian market to have average potential within the CESEE region, and put it somewhat behind the rest of the Visegrad 4 group. More than 50 percent of the banking groups find that their position in the Hungarian market is satisfactory or optimal. Risk-adjusted returns on equity and assets are in line with overall group operations.

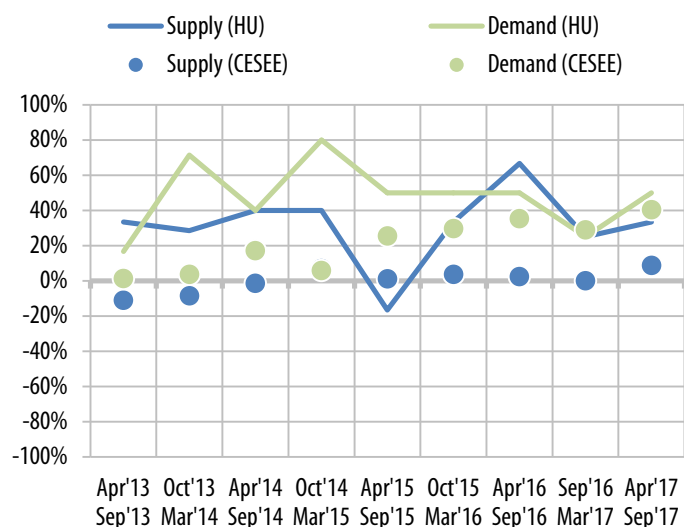
Hungarian banks report that both **credit demand and supply** conditions have been **improving rapidly** over the last six months.

Credit supply conditions have been still improving further in the last six months. Banks expect to see some improvements – although less dynamic – again in the near future. Still, Hungarian banks are more optimistic on supply improvements than the rest of the CESEE.

Demand for loans has also been increasing across the whole spectrum of products and segments over the last six months.

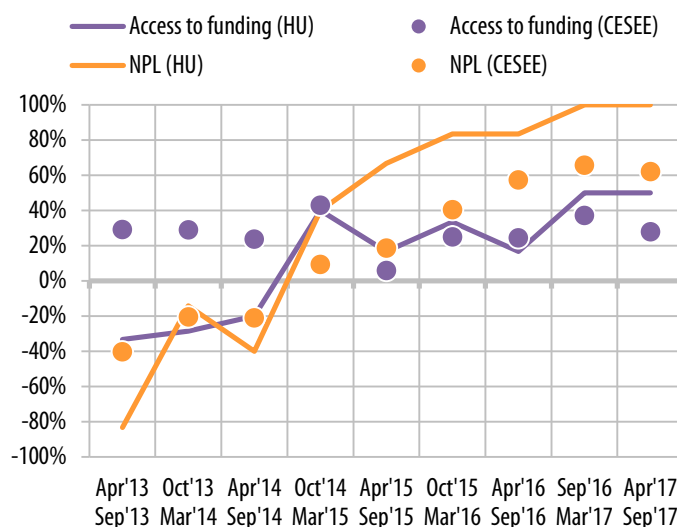
Access to funding: Overall access to funding by Hungarian banks improved in line with the CESEE region. The improvement is due chiefly to domestic sources, whereas intragroup funding has been declining slightly.

NPL ratios have been improving in an unequivocal manner both in the corporate and the retail segments.



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

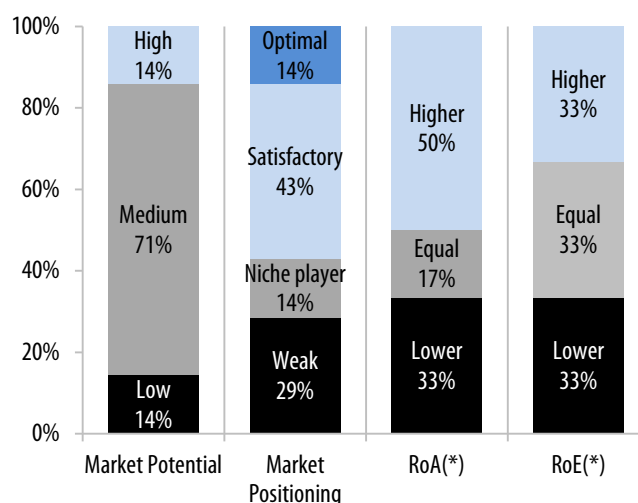
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Hungary show a strong commitment towards the region. About two-third of the groups present in the country plan to –selectively or generally – expand their operations in CESEE.

Parent banks in general consider the Hungarian market to have average potential within the CESEE region. This reflects a gradual improvement in the assessment. Yet still, Hungary has the lowest-scoring banking market within the Visegrad 4 group.

More than 50 percent of the banking groups find that their position in the Hungarian market is satisfactory or optimal, yet almost 30 percent of the groups find it weak. Parent banks find that risk-adjusted returns on assets and equity are more or less in line with 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.

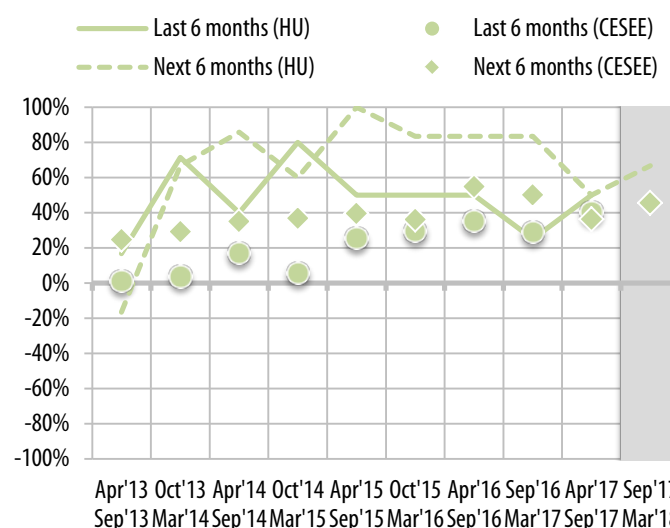
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Hungarian banks continue to report a strengthening of credit demand for the past six months – in line with their previous expectations. They expect further increase in demand for the forthcoming period.

Both the data referring to the past, and the change expected by the financial institutions for the next six months suggest the dynamics of the demand for loans in Hungary to be somewhat above the rest of the CESEE region.

Figure 2 Demand side developments



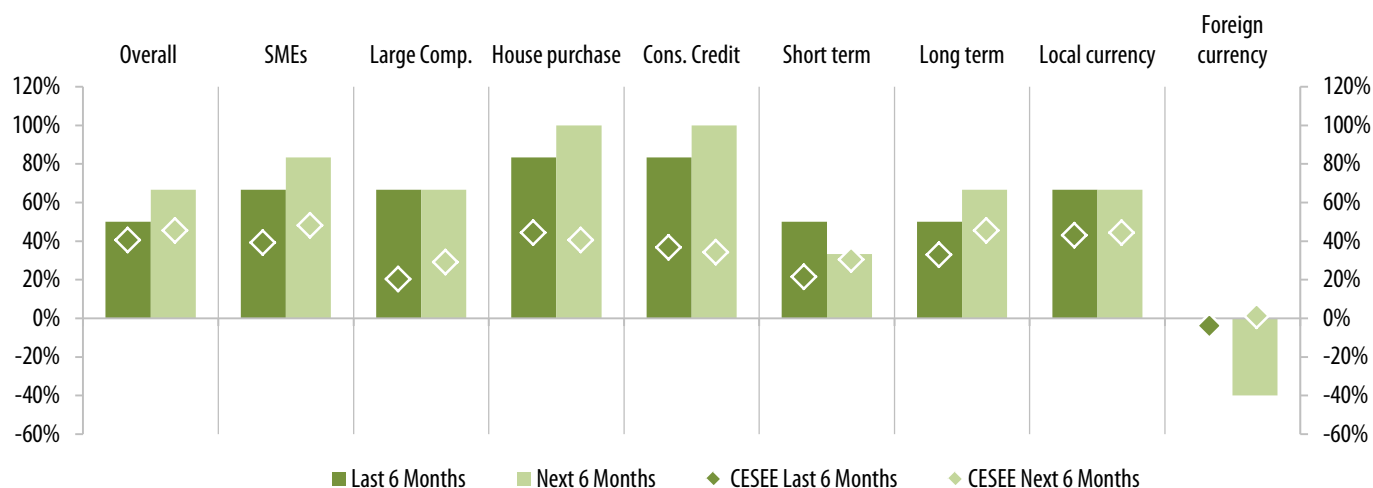
Source: EIB – CESEE Bank Lending Survey.

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

This increase in demand can be observed in all market segments and subcategories. Demand has been particularly strong for households, both for mortgages and consumer credit. Looking ahead, banks expect even stronger credit growth in this segment.

The demand is shifting somewhat towards the longer maturities. The survey data also indicates a strong preference towards borrowing in Hungarian forint versus foreign currency denominated loans.



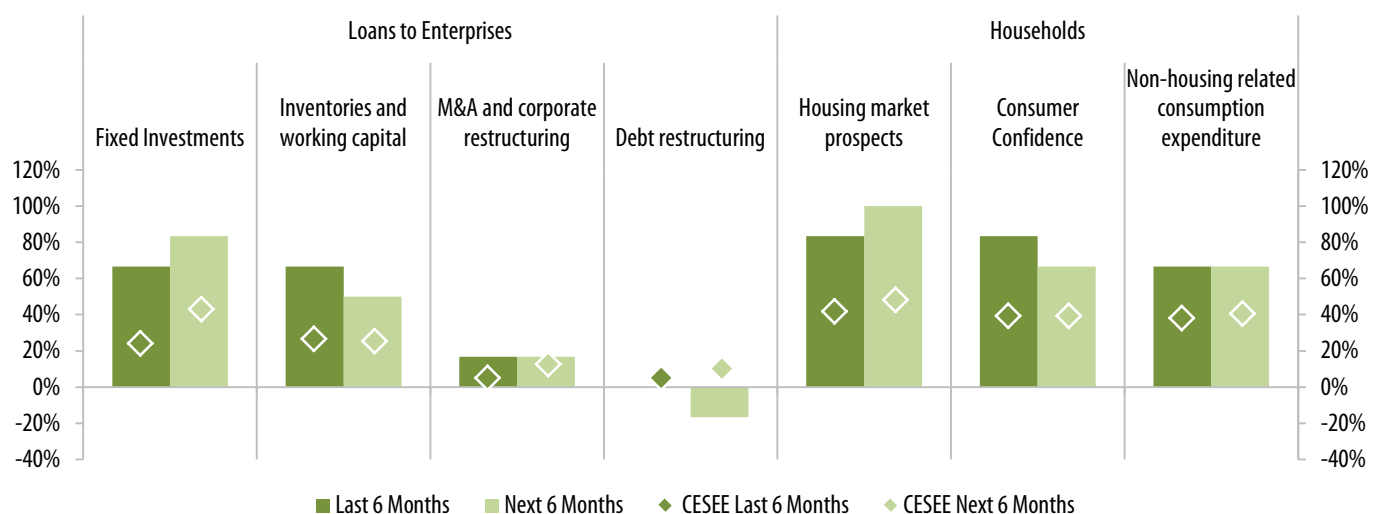
Source: EIB – CESEE Bank Lending Survey.

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 has been driving the demand for loans in the corporate sector. Investment is expected to become an even stronger factor the next six months. Demand related to debt restructuring has been stagnating, and is expected to decline.

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

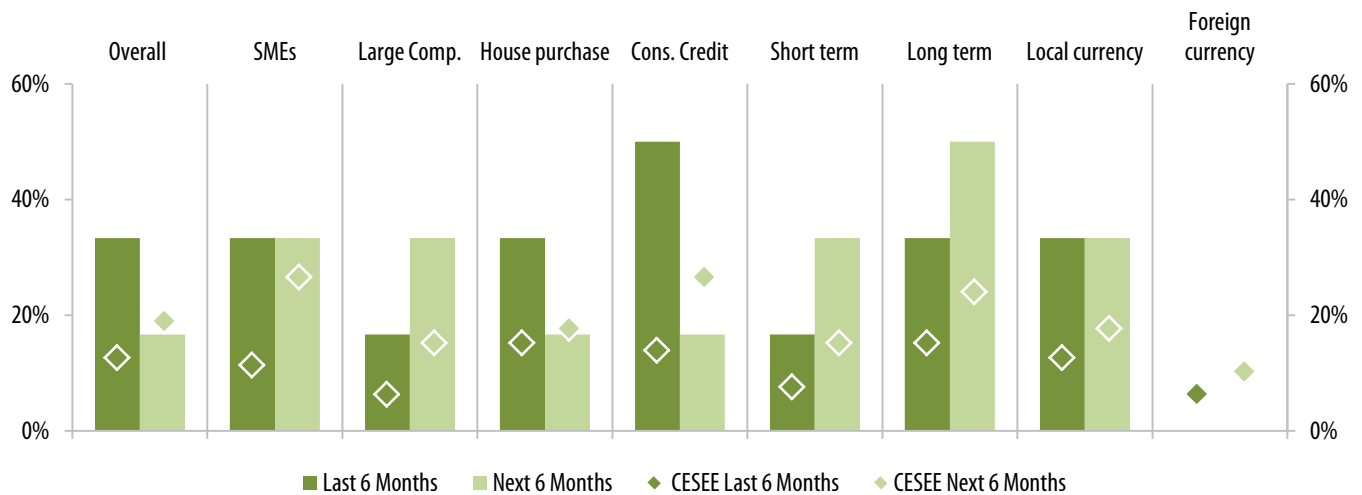


Source: EIB – CESEE Bank Lending Survey.

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 perceived quality of loan applications has improved significantly in the last six months, and Hungarian banks expect further positive developments in the coming months.



Source: EIB – CESEE Bank Lending Survey

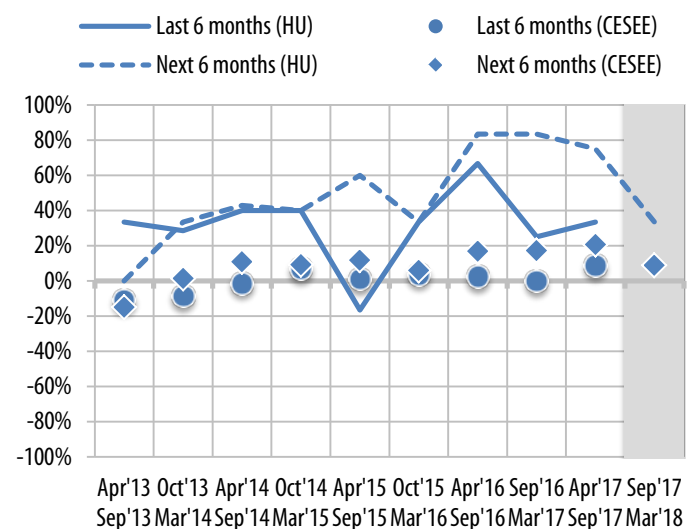
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions have been easing further in the last six months. Nevertheless, the improvement was somewhat less than the perceived increase in credit demand. When looking ahead, banks are expected to see further mild increase in the supply again in the near future. However, the forecasted credit easing is significantly smaller than in the earlier projections.

Still, both current and expected improvements in the credit supply conditions are larger in Hungary than in the rest of the CESEE.

Figure 6 Supply developments

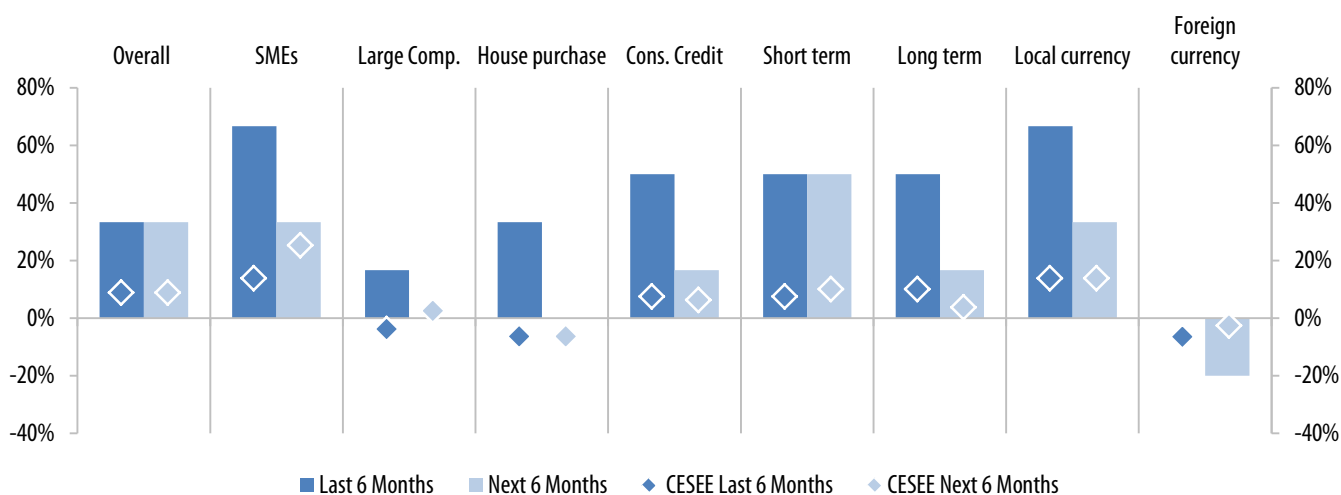


Source: EIB – CESEE Bank Lending Survey.

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 all segments, the strongest positive developments can be observed in the case of SME loans. Credit supply conditions for large companies improved at a slower pace, and expected to stagnate in the next six months. As to consumer credit and mortgages, improvements have been observed in both segments. Although the expected improvements are moderate in all segments, they are clearly above the CESEE average.

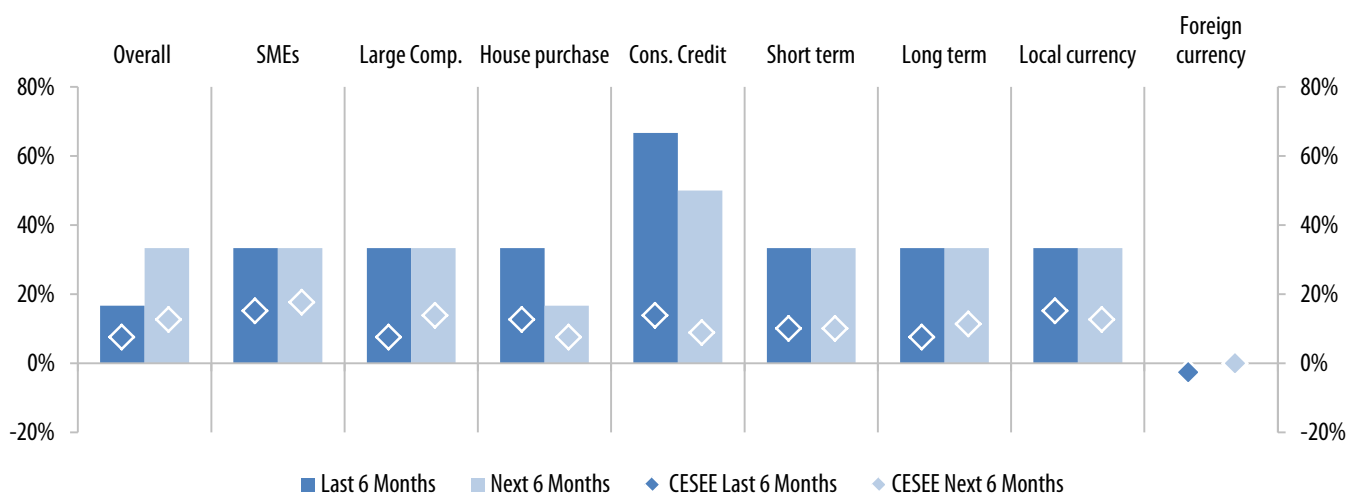


Source: EIB – CESEE Bank Lending Survey

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 rates of credit applications have improved in all market segments in the last two quarters, and are expected to improve further in the coming months. These developments are broadly in line with the CESEE average, but more pronounced.

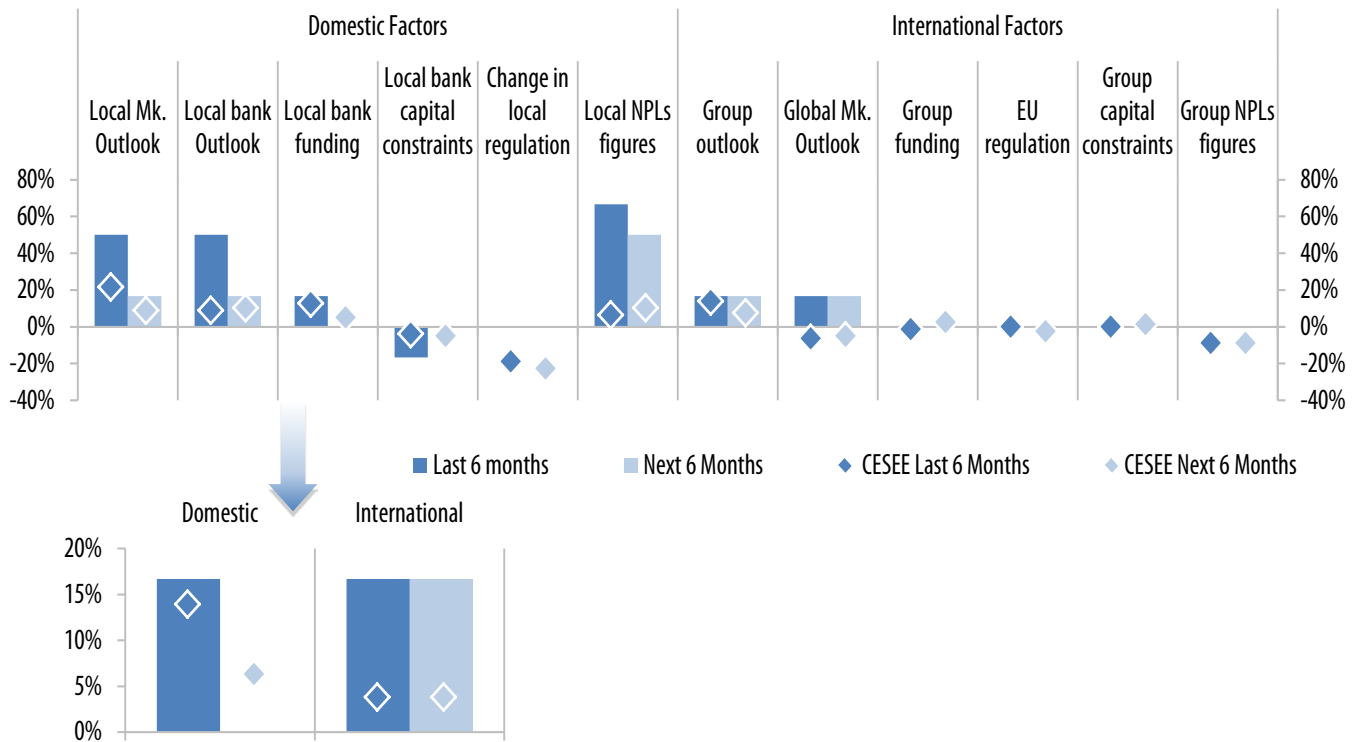


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

The improvement in credit supply conditions is mainly due to domestic factors: better local market and bank outlook, better funding conditions, and improving NPL figures. Capital constraints at subsidiary level are also somewhat contractionary. International factors have neutral or slightly positive impact on credit supply.



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 have been improving in an unequivocal manner both in the corporate and the retail segments. The improvement is in line with the general developments of NPLs in CESEE, but yet more pronounced.

Further progress in the resolution of non-performing loans is expected in the coming months.



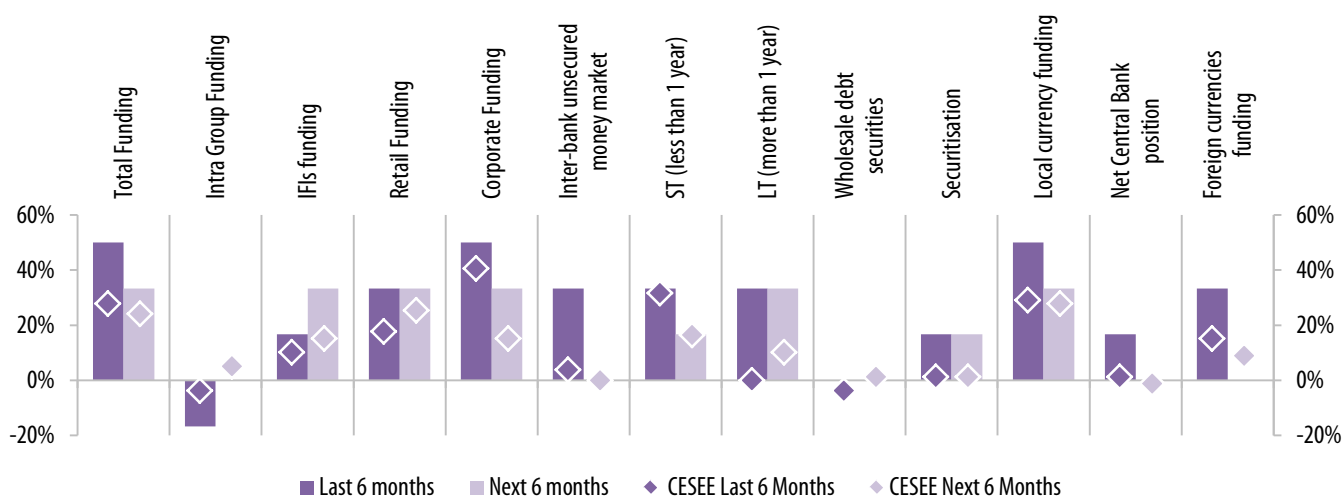
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

In line with the developments in CESEE, overall access to funding by Hungarian banks has improved over the last months. The strongest contributor is corporate funding. However, we can observe positive developments in all the other sources, except in intragroup funding, which contributed negatively to the overall funding picture.

Looking ahead, banks expect the continuation of the improvement in access to funding across the board.



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 medium market potential. Credit demand has strengthened again. Credit conditions and banks' access to funding remain supportive. NPL reduction goes on.

Summary

Group assessment of positioning and market potential: Parent banks operating in Kosovo continue seeing a medium market potential. Their market positioning is regarded as optimal. The profitability of all local banks has been above the overall group operations.

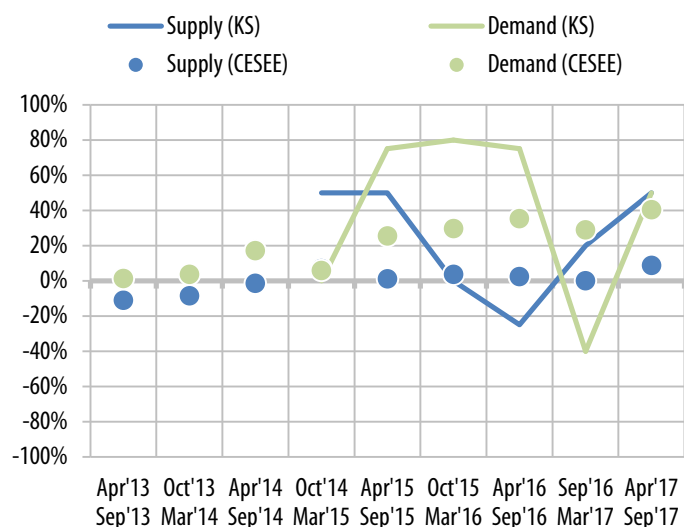
Banks report a recovery in **credit demand** in the last six months after a dip in the previous period, while **credit supply conditions** have now eased for two consecutive six-month period. Over the next six months, local banks expect improvements for both credit supply and credit demand.

Overall **credit supply conditions** have eased again, particularly for loans to SMEs and consumer credit. Banks' approval rate for house purchase loans has also been high. Local bank funding has had negative effect on local credit supply conditions in the last six months but is expected to become more neutral.

On the back of strong economic growth in Kosovo, the **demand for loans** in the last six months has increased from SMEs, large companies and from households for house purchase loans and corporate credit. Corporate fixed investment and purchases of inventories and working capital as well as housing market prospects and consumer confidence have been important factors behind the loan demand in the last six months. The quality of loan applications has been improving for most loan segments.

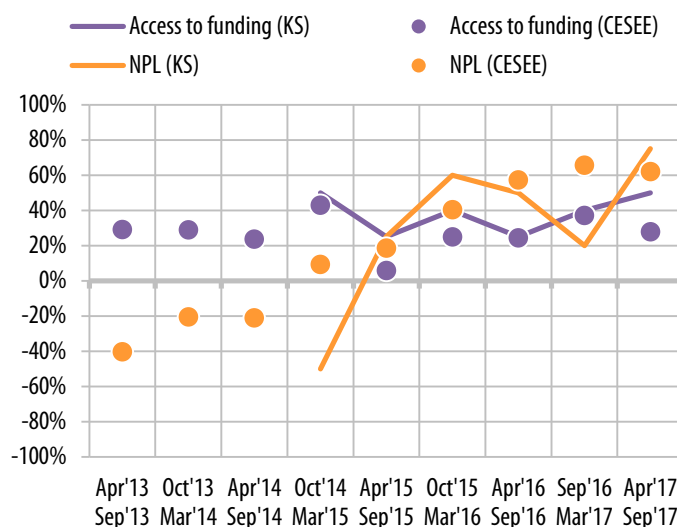
Access to funding has improved mostly on the back of an increase in retail and corporate funding, while access to intragroup and IFIs funding has deteriorated in the last six months. Local bank funding and group funding have been among the factors contributing negatively to credit supply conditions.

NPL figures have declined during the last six months more than the CESEE regional average. They are expected to decline further over the next six months, although to a slightly lesser extent than before, and below the CESEE average.



Source: EIB – CESEE Bank Lending Survey.

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



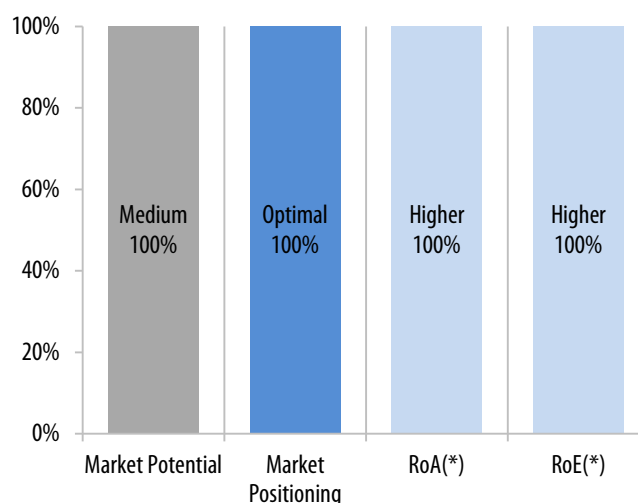
Source: EIB – CESEE Bank Lending Survey.

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 banks in Kosovo remains above the overall group levels. Despite its small size, high remittances inflows and improving institutional frameworks bode well for the banking prospects in Kosovo. Parent banking groups regard the market potential as medium and their current market positioning has now become optimal at large (an improvement from the previous period).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

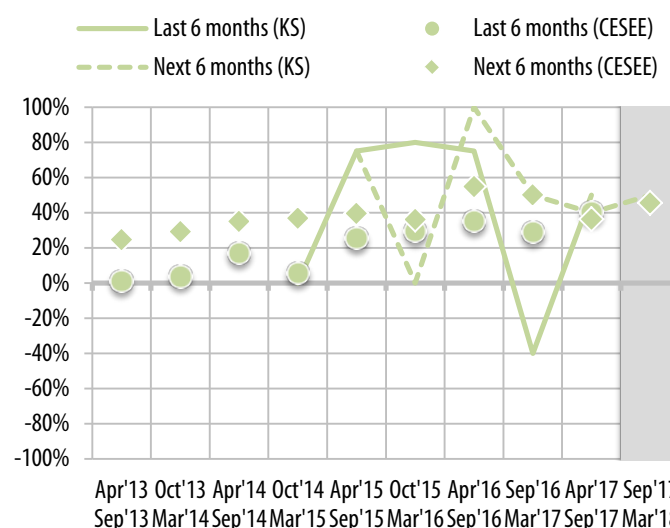
Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

Both credit demand perceptions and expectations have been rather volatile in Kosovo. After a period of negative credit demand perceptions, local banks perceived an increase in credit demand in the last six months. Positive credit demand is expected to persist over the next six months, in line with the CESEE average.

Figure 2 Demand side developments

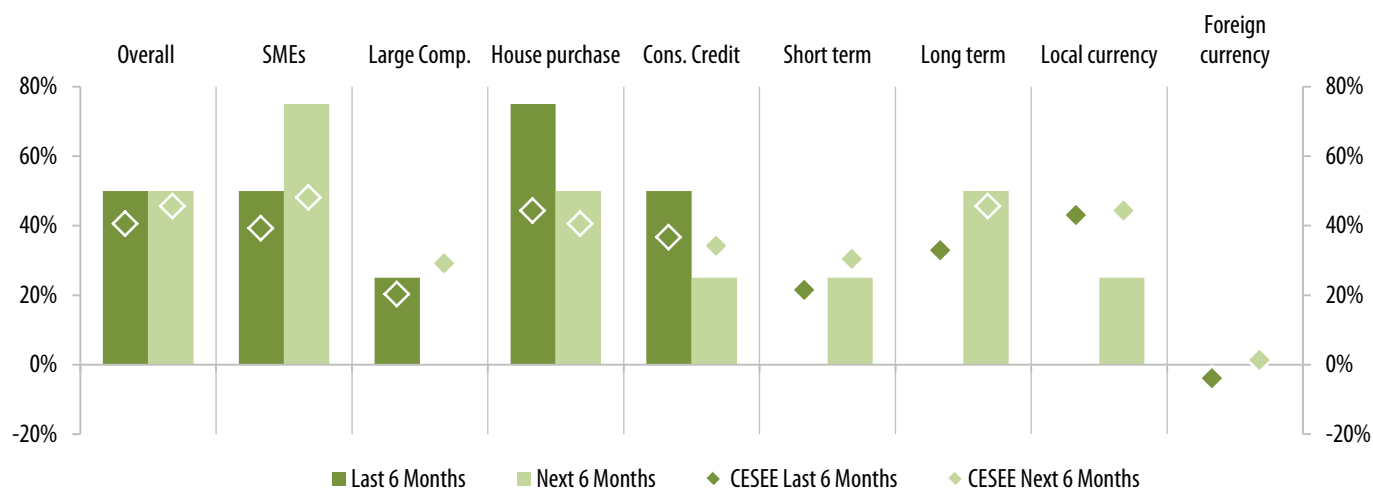


Source: EIB – CESEE Bank Lending Survey.

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 main contribution to the net decrease in loan demand during the last six months has come from loans to SMEs, large corporate loans, house purchase loans and consumer credit, all slightly above the CESEE averages and a significant improvement from the previous six-month period. Over the next six months, local banks expect continuation of strong demand for SMEs loans, house purchase loans and to some extent consumer credit. Demand for large corporate loans is expected to be unchanged in the next six months.

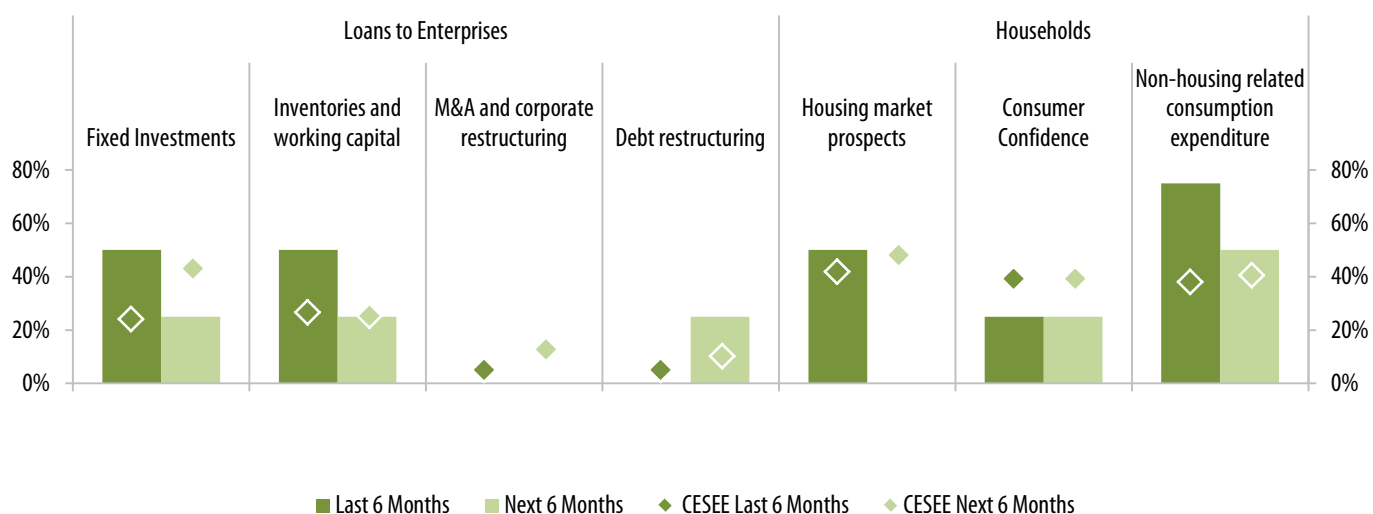


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Factors affecting credit demand have improved broadly across the board during the last six months. Fixed investments and spending on inventories and working capital have contributed strongly to companies’ demand for loans (both above CESEE average). Debt restructuring contribution was unchanged during the last six months. Housing market prospects and consumer confidence (the latter below CESEE average) have contributed positively to households’ demand for loans. Over the next six months, similar picture is expected to persist, with the exception of yet again positive contribution of debt restructuring to corporate credit demand and unchanged contribution of housing market prospects to households’ credit demand.

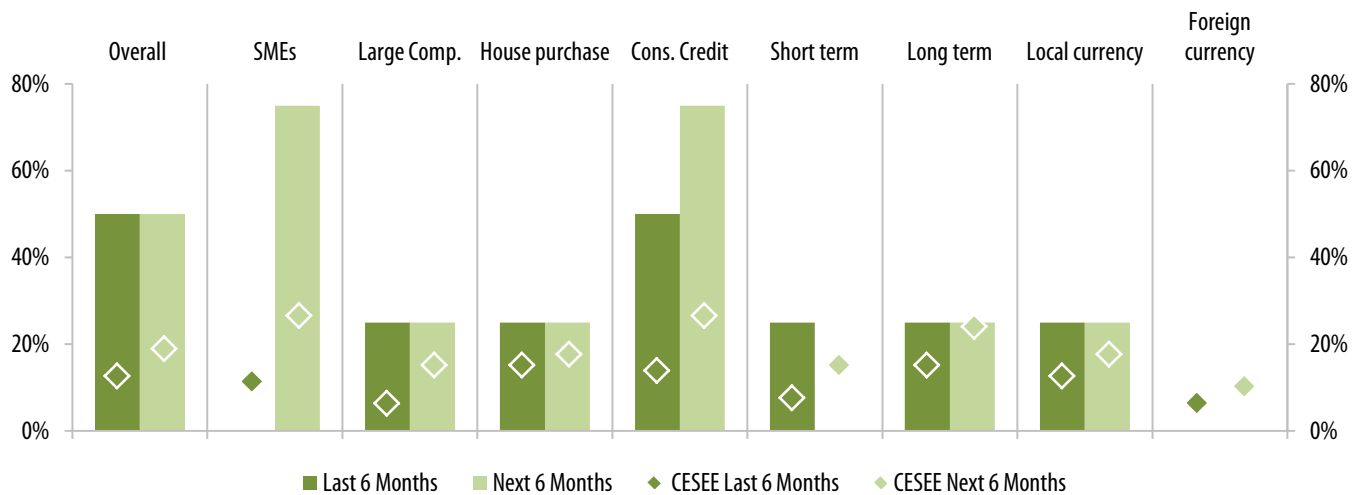


Source: EIB – CESEE Bank Lending Survey.

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 overall loan applications has improved significantly during the last six months (above CESEE average) and this development is expected to continue over the next six months. The main improvement in the quality of loan applications over the last six months has been recorded for large corporate loans, house purchase loans and consumer credit, while going forward, the quality of loans to SMEs and consumer credit is expected to improve the most over the next six months, surpassing the regional average.



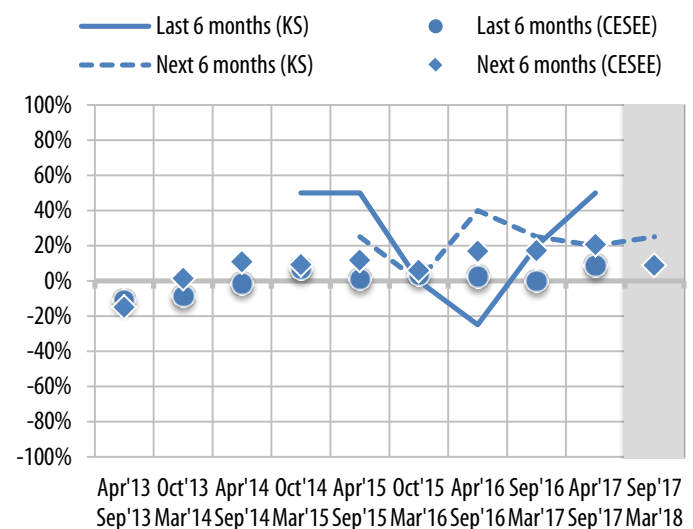
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

Like demand for credit, credit supply conditions have also been rather volatile in Kosovo. After a period of tighter lending standards around mid-2016, banks' credit conditions have now become easier for two consecutive six-month periods. Credit easing now surpasses the CESEE average and is expected to continue over the next six months as well.

Figure 6 Supply developments

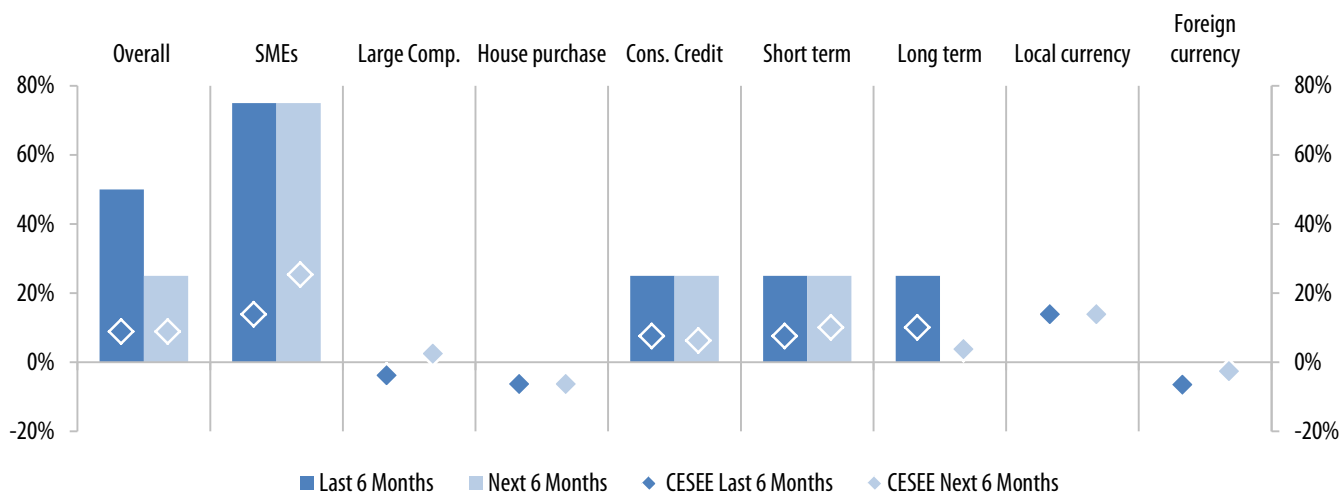


Source: EIB – CESEE Bank Lending Survey.

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 standards have eased significantly for loans to SMEs and consumer credit (both surpassing the respective CESEE averages). Similar development is expected to continue over the next six months.

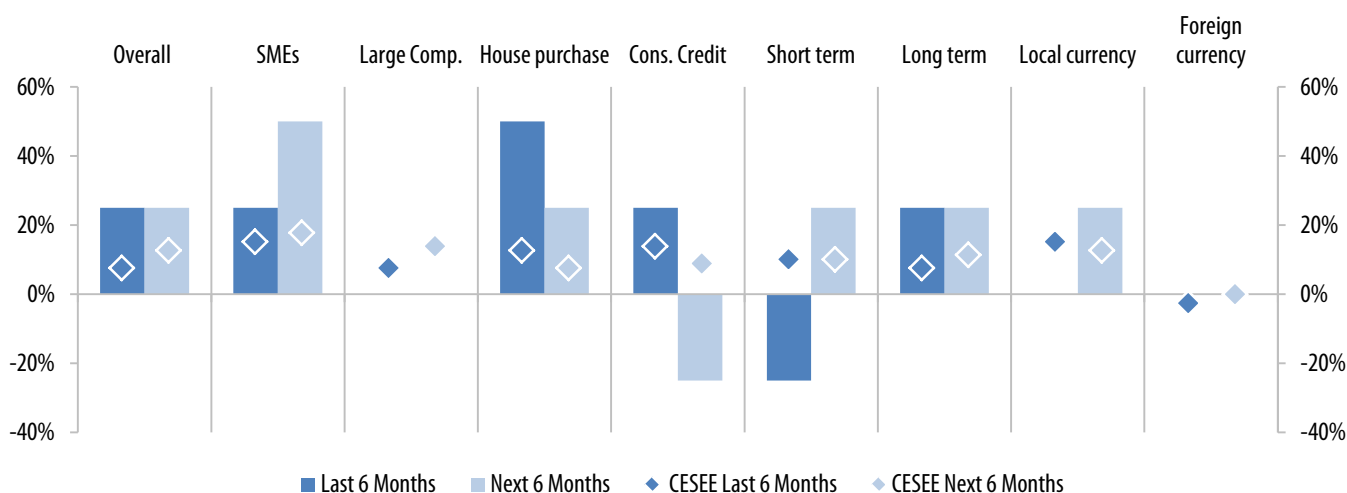


Source: EIB – CESEE Bank Lending Survey

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

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

The banks' loan approval rate in Kosovo has increased for loans to SMEs, house purchase loans and consumer credit during the last six months, although it has decreased for short-term credit. Over the next six months, further increases to the banks' loan approval rate are expected for loans to SMEs, house purchase loans, short-term and long-term loans, while the approval rate for consumer credit is expected to decrease.

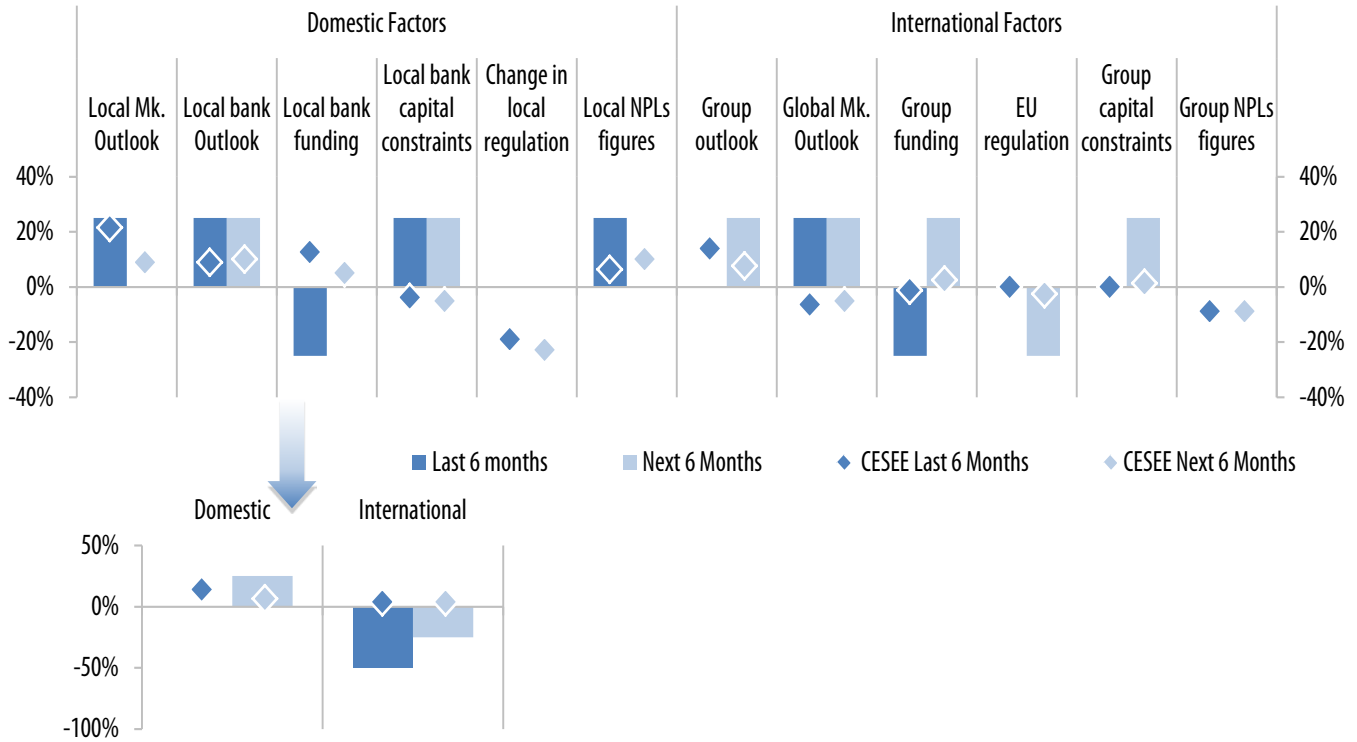


Source: EIB – CESEE Bank Lending Survey

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, local bank funding and group funding have contributed negatively to credit supply conditions in Kosovo, worse performance than for the CESEE region as a whole. These negative factors are expected to evaporate over the next six months, but EU regulation is expected to contribute negatively to credit supply conditions in Kosovo. On the positive side, local bank outlook, local bank capital and global market outlook are having consistent positive contribution 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

Despite the negative expectations from the previous six-month period, NPL reduction in Kosovo has continued favourably during the last six months. This development is expected to continue, albeit at somewhat slower pace and below CESEE average.

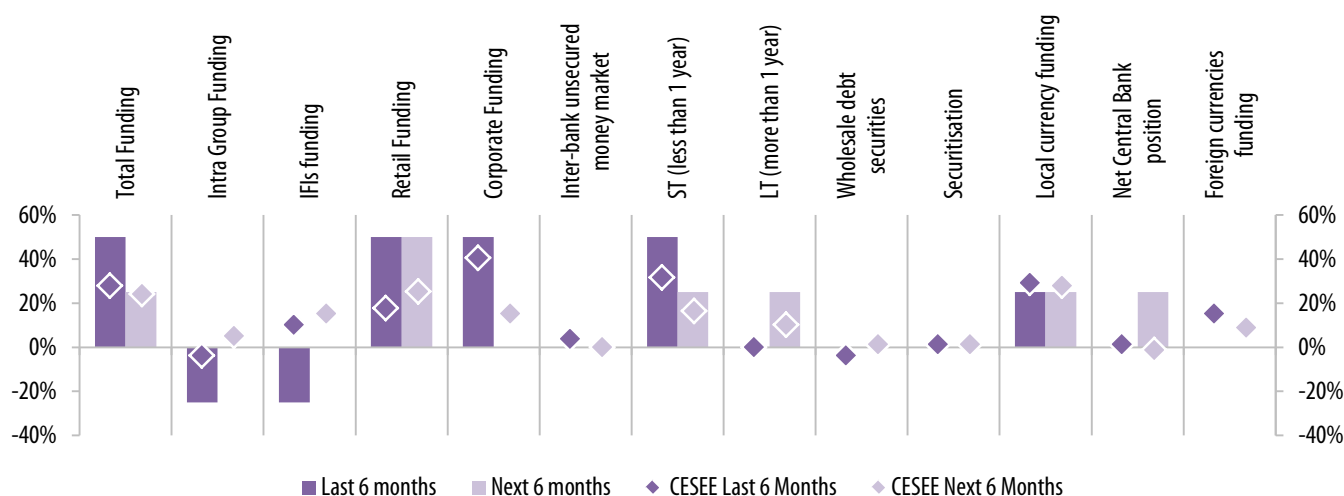


Source: EIB – CESEE Bank Lending Survey.

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 in Kosovo has improved in the last six months and is expected to improve over the next six months. While access to intragroup funding and IFIs funding has worsened during the last six months, retail and corporate deposits have contributed strongly to banks’ funding. Going forward, banks’ access to intragroup, IFIs and corporate funding is expected to be more neutral, but the access to retail funding is expected to improve further.



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

The Polish banking is still attractive for parent banks, although profitability has declined relative to the levels observed a few years ago. Credit demand is increasing, but supply is lagging behind.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland show a strong commitment towards the region. They still consider the Polish market to be among the more attractive ones within CESEE, and find their current market positioning satisfactory. Banks' assessment of risk-adjusted returns is in line with the results of regional peers; nevertheless, the assessment of returns is far from the levels observed a few years ago, when banks had reported business prospects in Poland to be the best in the region.

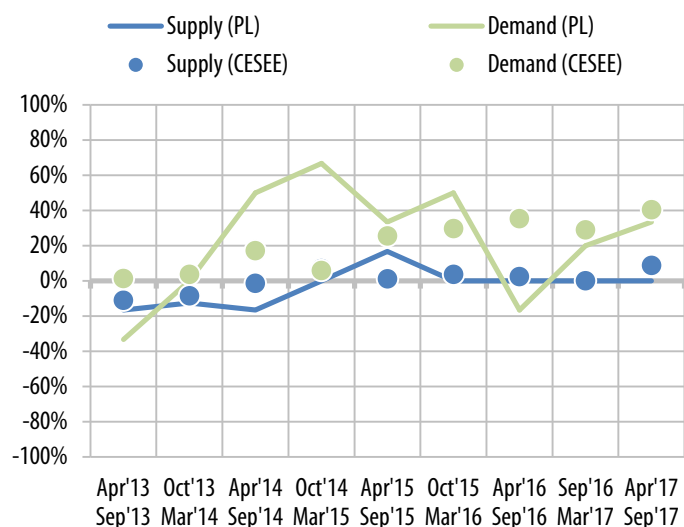
Polish banks report that **credit demand has continued to increase**, while **supply conditions have been stagnating**.

Credit supply conditions have been broadly neutral in the last six months, lagging somewhat behind the rest of the CESEE region. Looking ahead, Polish banks expect the neutral stance for credit supply to continue.

Credit demand continued to grow in Poland. The overall broadening of demand is more or less in line with the dynamics observed in CESEE in general, but exceeds the banks' own past expectations. Looking ahead, banks are expecting a further dynamic increase in demand for credit.

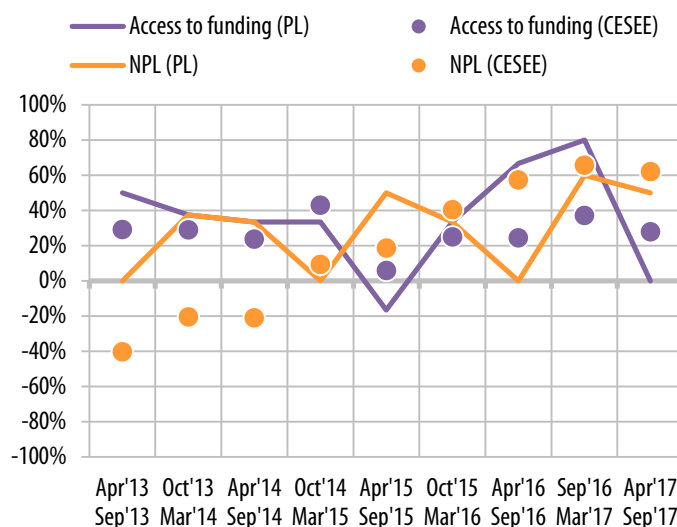
On aggregate, Polish banks' **access to funding has been stable** in the last six months.

NPLs have been described as improving on aggregate. Looking at it by sector, the improvement is confined to the corporate segment, whereas retail loan quality has deteriorated slightly.



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

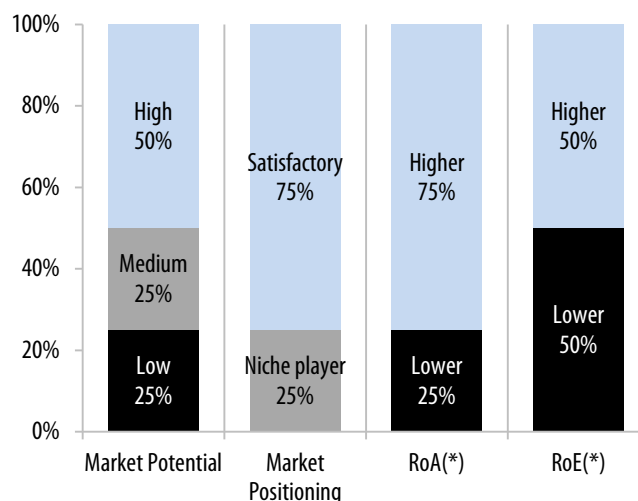
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Poland show a relatively strong commitment towards the region. Three quarter of groups present in the country plan to maintain their regional operations at their current level, while the rest plan to selectively expand its CESEE activity.

Parent banks still consider the Polish market to be one of the more attractive ones within CESEE. The majority of the parents find their current market positioning satisfactory.

As to profitability, the parent banks' assessment of risk-adjusted returns is in line with the results of regional peers. However, the assessment on returns is far from the levels observed a few years ago, when banks had reported business prospects in Poland to be among the best in the region (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.

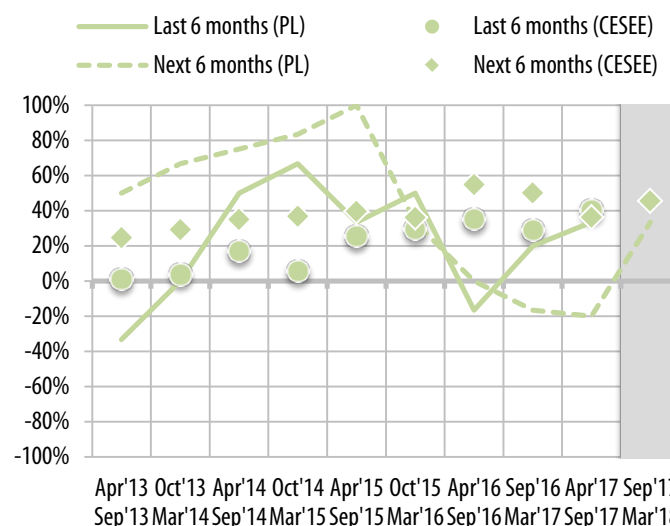
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand has continued to increase in Poland. The overall broadening of demand is more or less in line with the dynamics observed in the CESEE region, but it exceeds significantly the banks' own expectation formed six month ago, when the survey participants indicated that they are expecting a moderation in credit demand.

Looking ahead, Polish banks are expecting a further dynamic increase in demand for credit, in line with the overall CESEE outlook (Figure 2).

Figure 2 Demand side developments



Source: EIB – CESEE Bank Lending Survey.

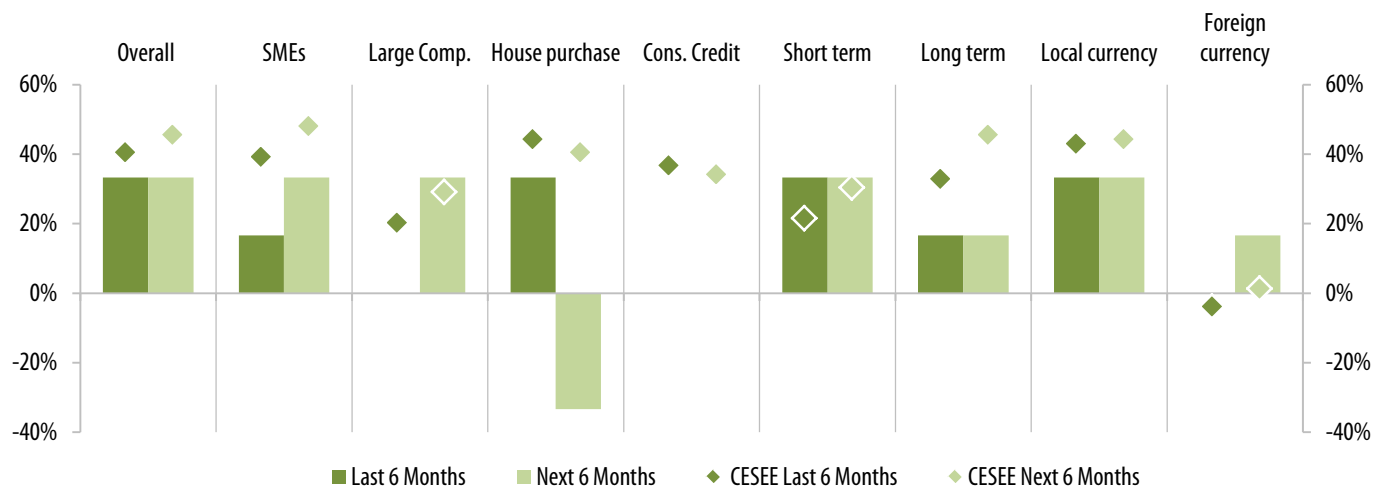
Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months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

Figure 3 Demand components and segments

For the corporate sector in Poland, SMEs are showing an increasing interest towards borrowing, whereas demand by large corporations has been neutral. Looking ahead, demand is expected to increase dynamically in both segments (Figure 3).

As to the households, demand towards mortgage products has increased, but a correction is expected for the coming months. Demand for consumer credit has been neutral.

Credit demand is broadly in line with overall developments in the CESEE region.



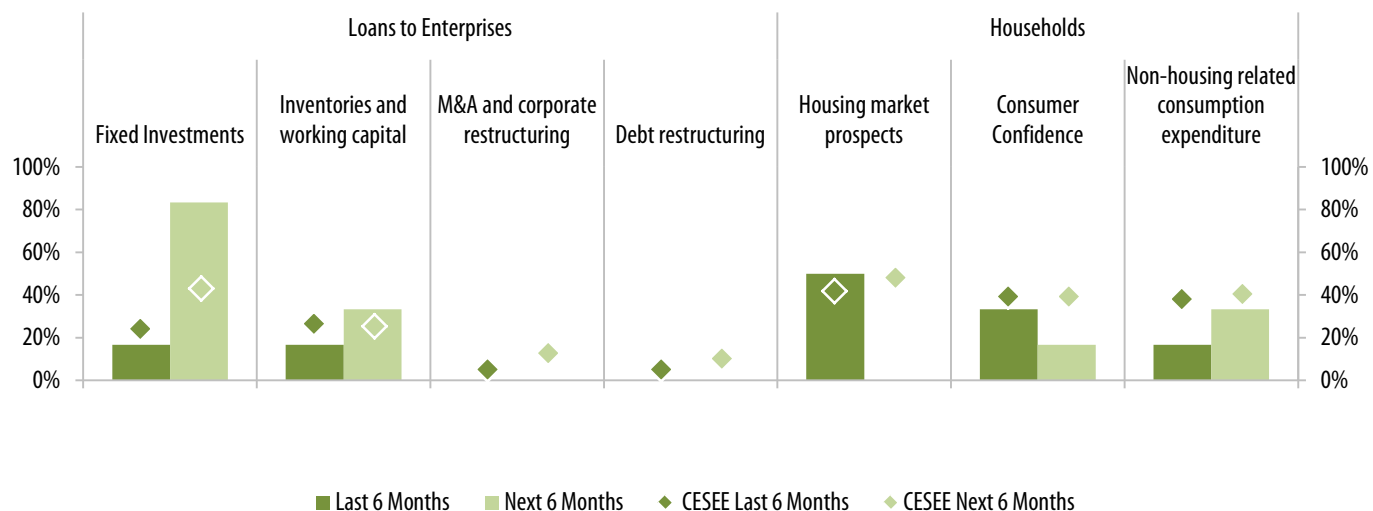
Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Demand for both investment loans and working capital has been increasing mildly in the past six months. As to households, consumer confidence, together with housing market prospects, have been the key driver of credit demand. Looking ahead, banks expect further improvement in the investment outlook in particular (Figure 4).

The cautious, yet broad-based optimism about the factors affecting demand for credit is in line with the rest of the CESEE.



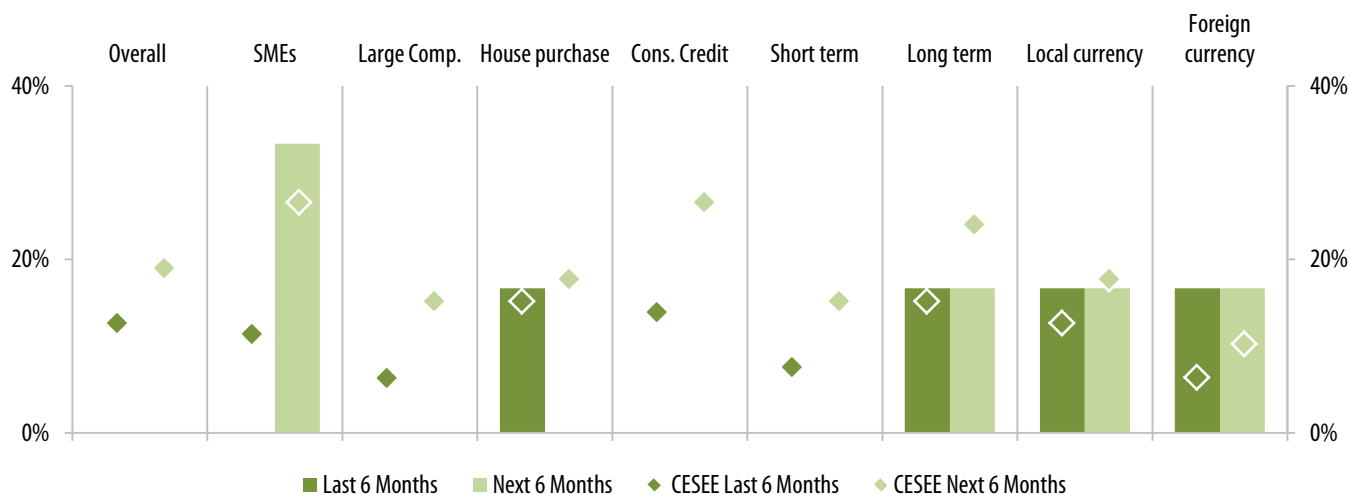
Source: EIB – CESEE Bank Lending Survey.

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 has been more or less steady across the board, with the exception of the mortgage segment, where an improvement has been detected.

Elsewhere in CESEE banks report stronger improvements in the quality of the loan application across all the segments.



Source: EIB – CESEE Bank Lending Survey

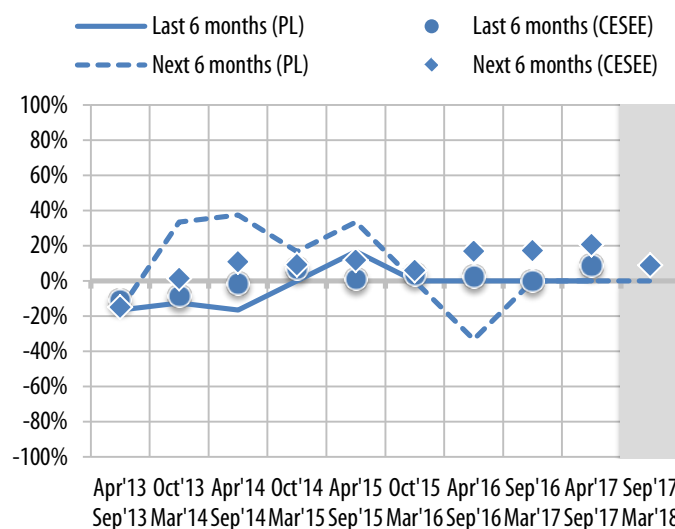
Note: Net percentages - positive figures refer to increasing of quality demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions in Poland, have been neutral in the last six months. Supply developments are lagging slightly behind the cautious optimism of the overall CESEE region. This is also in line with the banks’ own expectation formulated six months ago.

Looking ahead, Polish banks expect the overall neutral stance for credit supply to continue.

Figure 6 Supply developments



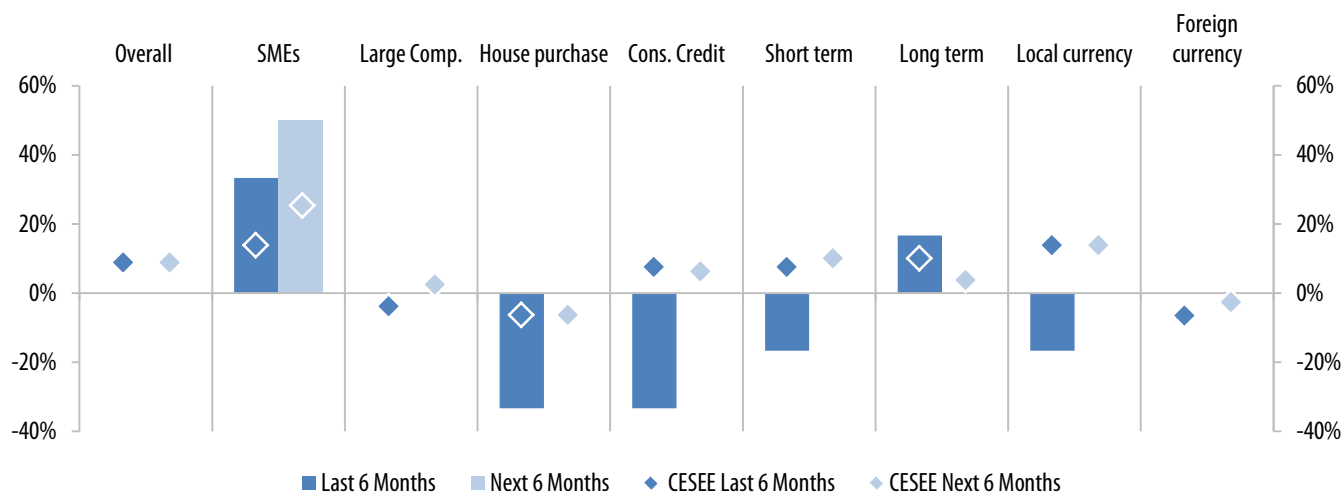
Source: EIB – CESEE Bank Lending Survey.

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 standards of loans towards Polish SMEs have been increasing dynamically, and these increases are expected to continue in the coming months. For large corporates, credit supply has been steady in the last six months. In the retail segment, the supply of mortgage products has been reduced, and a similar decline was observed for consumer credit.

Looking ahead, banks expect neutral supply conditions in all segments except for SMEs. The overall picture represents a slightly more pessimistic outlook relative to the CESEE average.



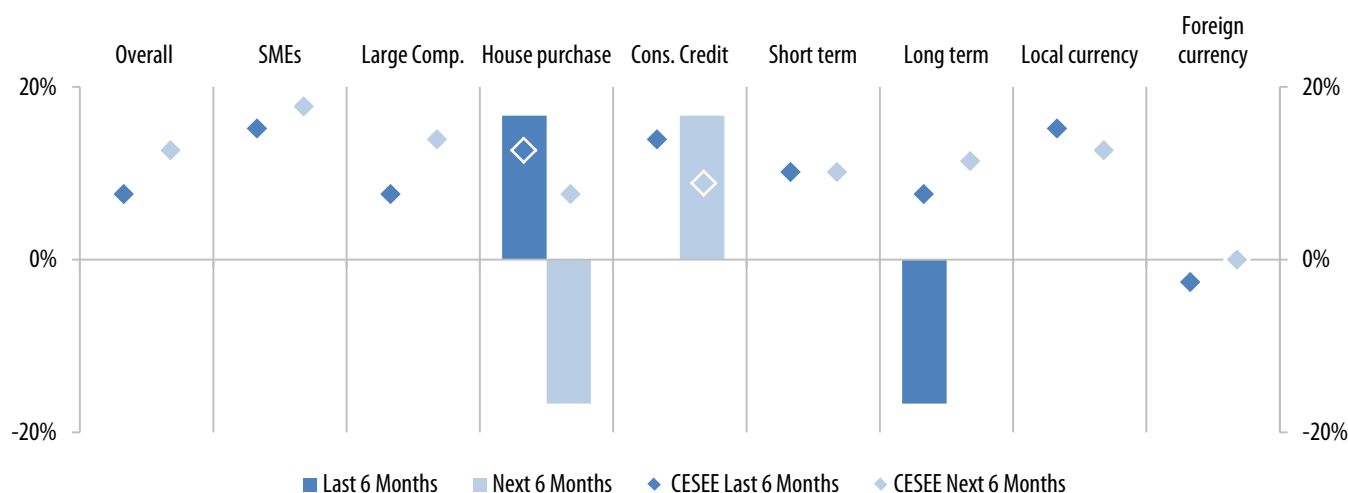
Source: EIB – CESEE Bank Lending Survey

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

Loan approval rates have not been changing much, with the exception of housing loans, where an easing in credit conditions was reported.

Looking ahead, banks expect the neutral stance to continue, with the possibility of tightening for mortgage approvals, and an easing in the consumer credit segment.

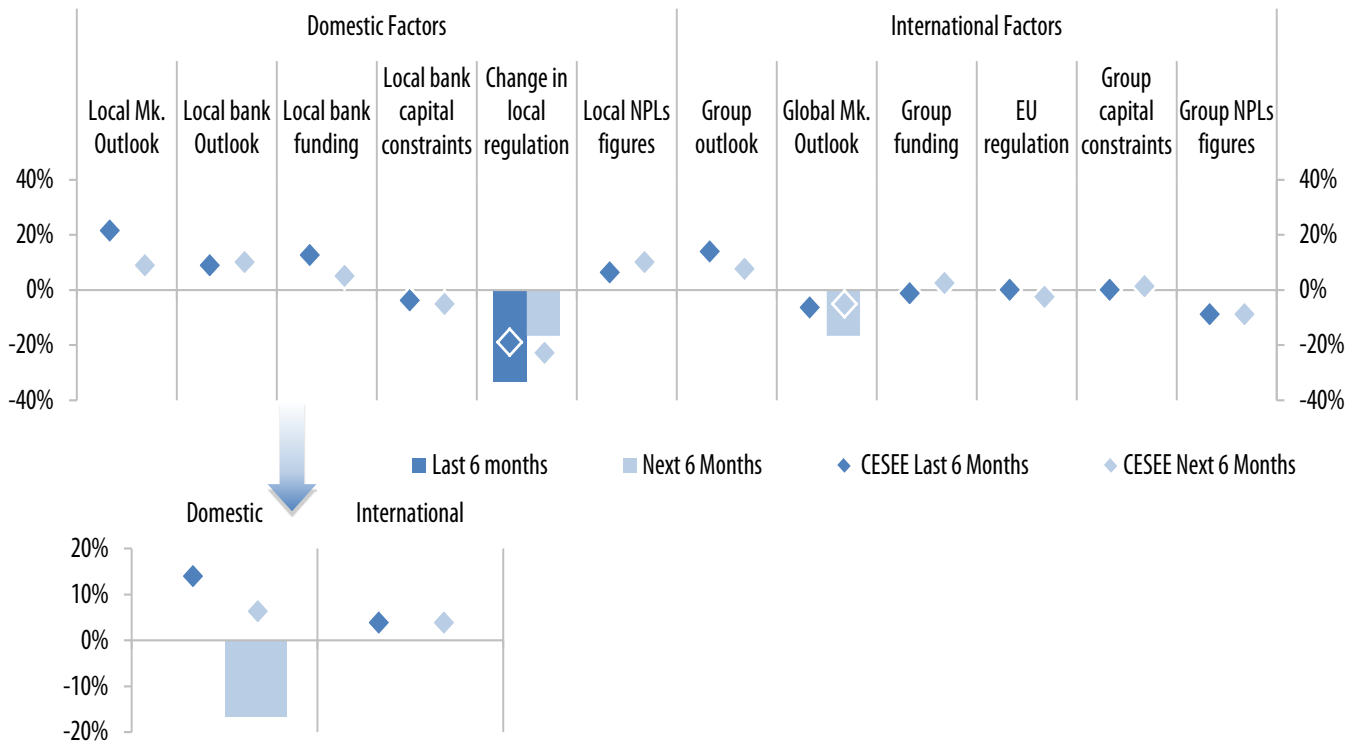


Source: EIB – CESEE Bank Lending Survey

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 see most domestic and international factors as broadly neutral with respect to credit supply conditions. One exception is the domestic regulatory environment, which has been asserting a negative influence on credit supply, and this restraining effect is expected to remain strong in the future, too.



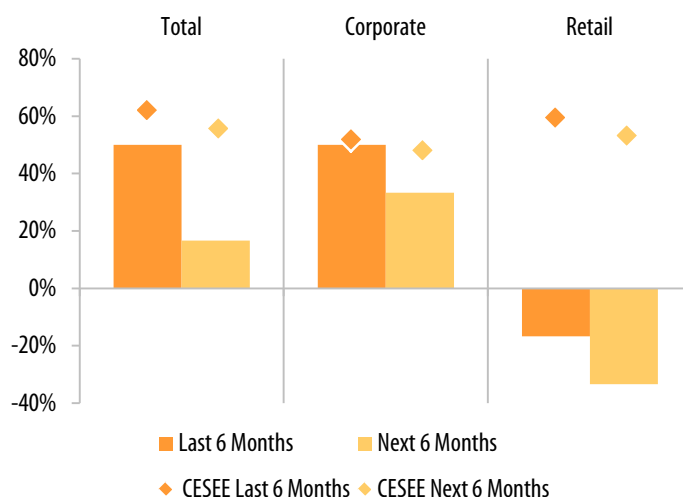
Source: EIB – CESEE Bank Lending Survey.

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 Poland have been improving in the last six months on aggregate. Strong positive trends have been observed in the corporate segment, whereas for retail clients banks reported a slight deterioration.

Further improvements are projected for the corporate sector, whereas asset quality in the retail segment in Poland is expected to deteriorate over the next six months – unlike in the rest of the CESEE region.

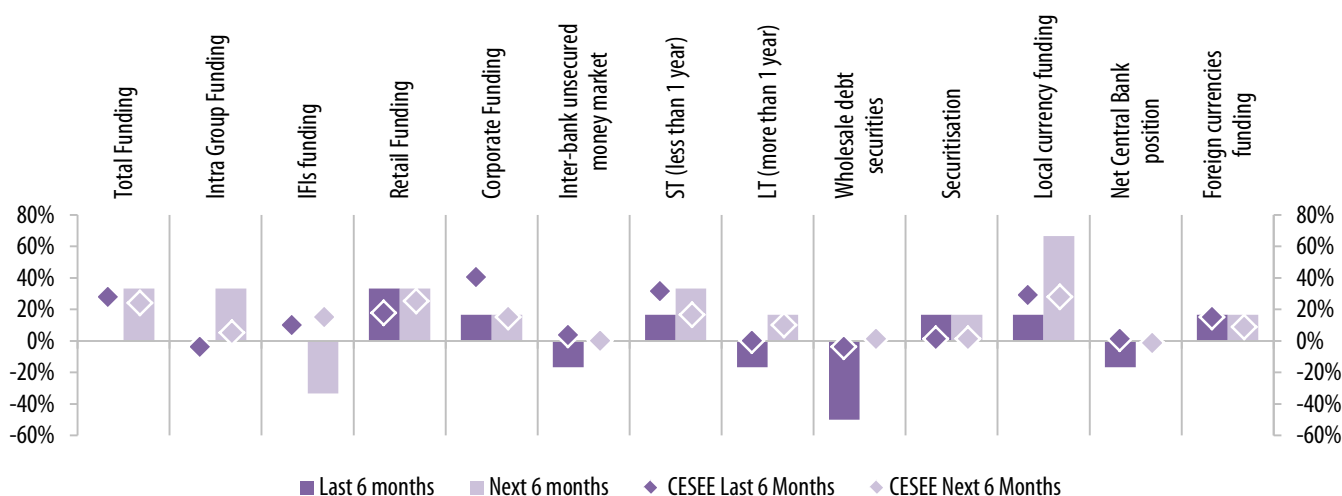


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

On aggregate, Polish banks’ access to funding has not changed significantly in the last six months. Better conditions were observed on the retail market segment and for corporate funding, whereas interbank funding and the segment of the wholesales debt securities became somewhat more stringent (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

Best market potential in the region and improving profitability. Better portfolio quality through continuous decrease of NPLs and still tight credit standards. The demand-supply gap is widening due to higher credit demand.

Summary

Group assessment of positioning and market potential: 73 percent of the parent banks consider Romania a market with high potential. It is the highest score among the CESEE countries. More than half of the Groups consider their market position satisfactory or optimal. Notably, during the last six months views on profitability have improved with 63 percent of respondents reporting higher RoA's and 75 percent higher RoE's compared to the overall group level.

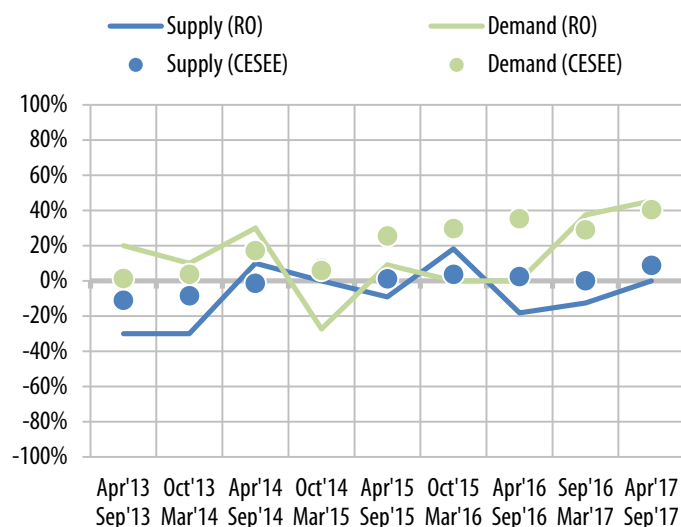
Credit demand has increased in line with past expectations, boosted by buoyant economic growth, while **supply conditions have remained mostly unchanged on balance.**

Credit supply conditions have continued to perform below expectations. Stricter credit standards were recorded for the household loans and further tightening on this segment is expected for the next six months. Banks' approval rate decreased for loans denominated in foreign currency and housing loans. Domestic regulation changes, but also the global market outlook, played a limiting effect on supply.

Increased aggregated **demand for loans** is driven by developments in both household and enterprise segments. Looking ahead, growth in credit demand is expected to continue catching up, owing to the strong acceleration of the economy.

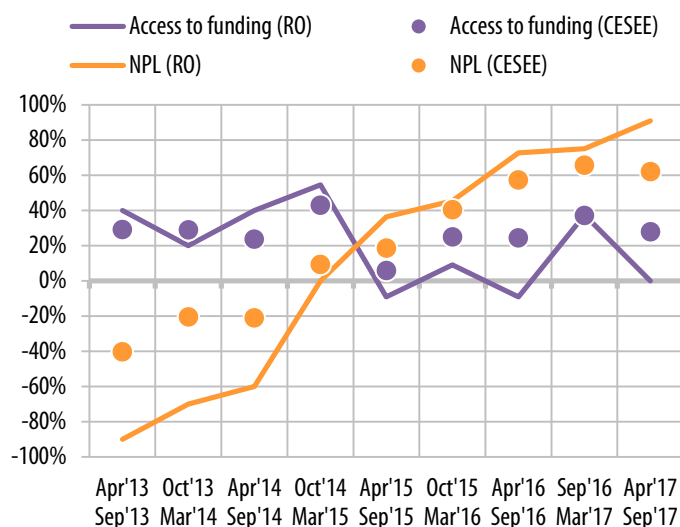
Access to funding has remained stable on balance with heterogeneous developments across segments. While retail and corporate deposits gave an improved support of funding, intra-group funding, unsecured money market developments and net central bank positions declined during the last six months. Nevertheless, banks expect the overall access to funding to improve over the next six months.

NPL figures have been described as improving both in the corporate and retail segments.



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

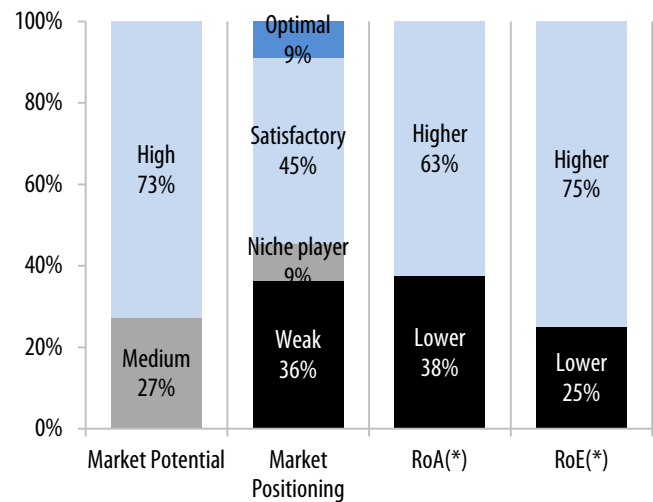
Results of the Bank Lending Survey – Parent banks level

Overall, views on operations in Romania have improved compared to the previous release of the survey. Notably, a large majority of banks report higher RoA and RoE on domestic operations compared to overall group results.

Improved assessment of profitability is reflected in a lower share of respondents reporting weak positioning (-14pp compared to H1-2017). More than half of banks consider their positioning satisfactory or optimal.

Romania ranks first among CESEE countries in terms of market potential. 73 percent of bank groups consider Romania as a market with high potential and all of them assess it at least medium. This might be explained also by the size of the country, as being the second largest in the region, combined with the lowest financial penetration level with private domestic loans of only 28 percent of GDP.

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

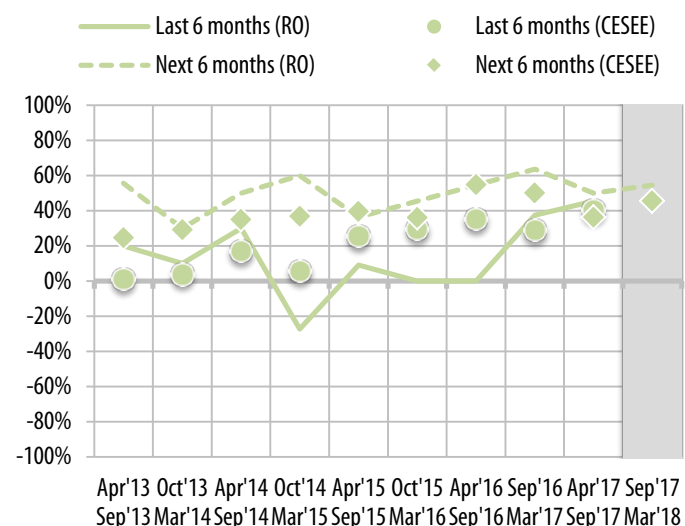
Aggregate demand developments

Credit demand in Romania is reported to have increased over the last six months, growing largely in line with banks' expectations voiced in the last round. On balance, the trend towards increasing demand seems to strengthen.

For the upcoming six months banks foresee a robust increase in credit demand in Romania, slightly above the CESEE average.

Credit demand recovery is lagging behind the economic recovery cycle. While Romania registered robust growth in the last four years, demand for loans started to be visible only since end-2016.

Figure 2 Demand side developments

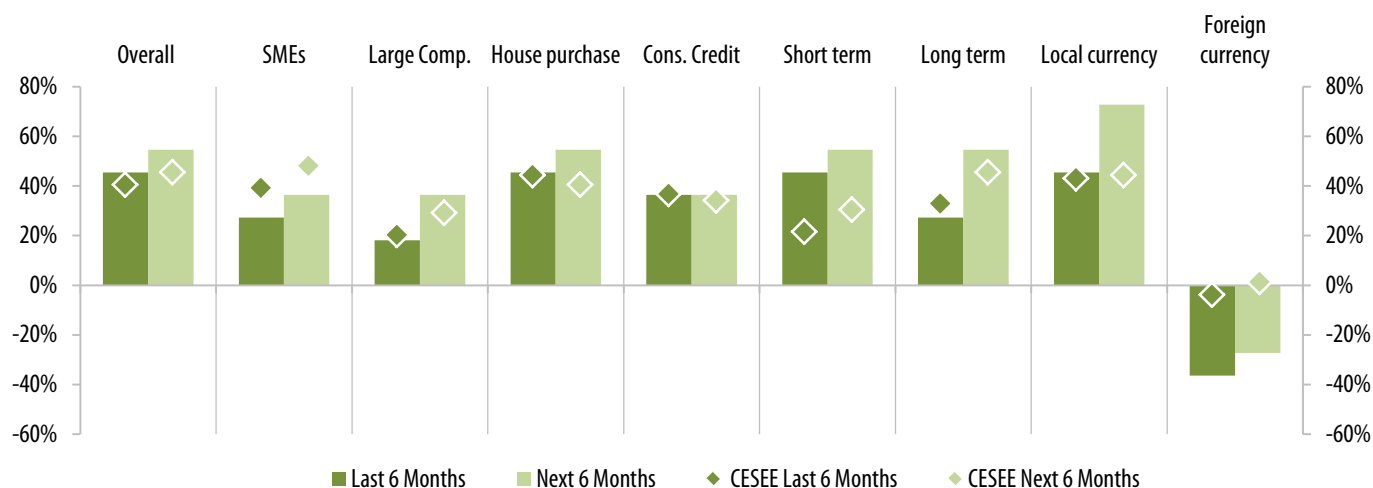


Source: EIB – CESEE Bank Lending Survey.

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 the broad-based. With the exemption of credit in foreign currency, the positive move was reflected in all segments at varying degrees of intensity. Increases in the household segment were more pronounced than for companies. Demand from SME's showed stronger increases than for large firms. Also demand for short-term as well as long-term financing increased while in terms of currency, there is clear shift from foreign currency to in local currency financing. Looking ahead, growth in credit demand is expected to continue the same pattern, with a slight acceleration.

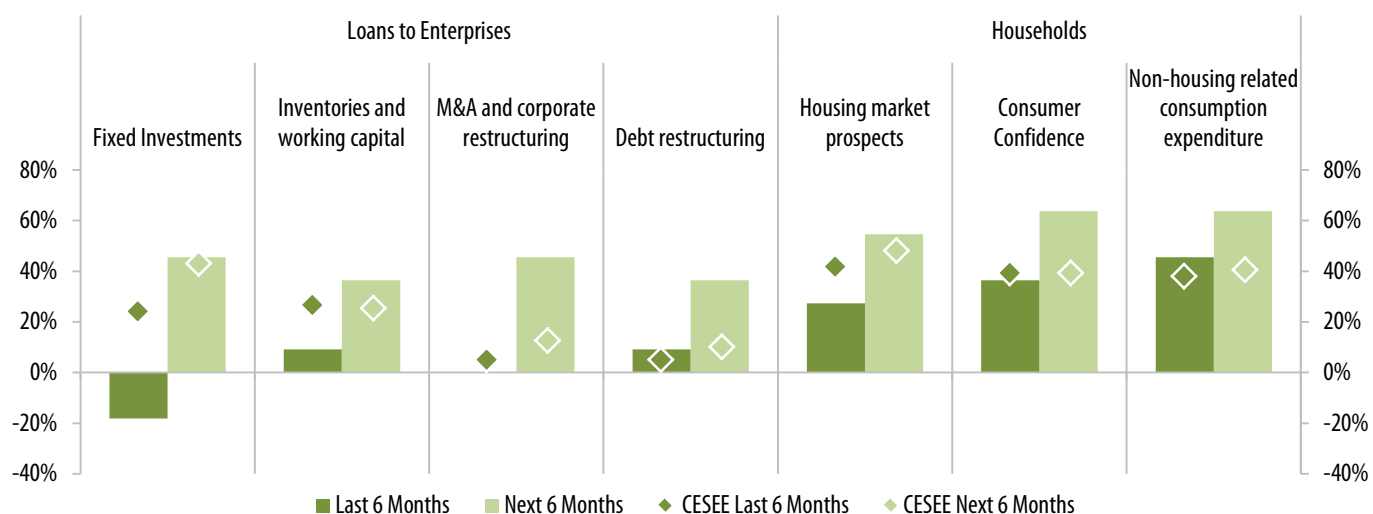


Source: EIB – CESEE Bank Lending Survey.

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 surveyed factors in the household segments have made a positive contribution to demand over the last six months. On the enterprise side, the picture has been more mixed. Here, demand was positive for inventories and working capital and debt restructuring but decreased for fixed investments – contrasting with CESEE developments – and stagnated for M&A. The subdued development in both categories confirms the macroeconomic figures on the low investment dynamic. Expectations for fixed investment continue to be optimistic though. In the household segment, all factors are expected to be strongly positive for the next six months.

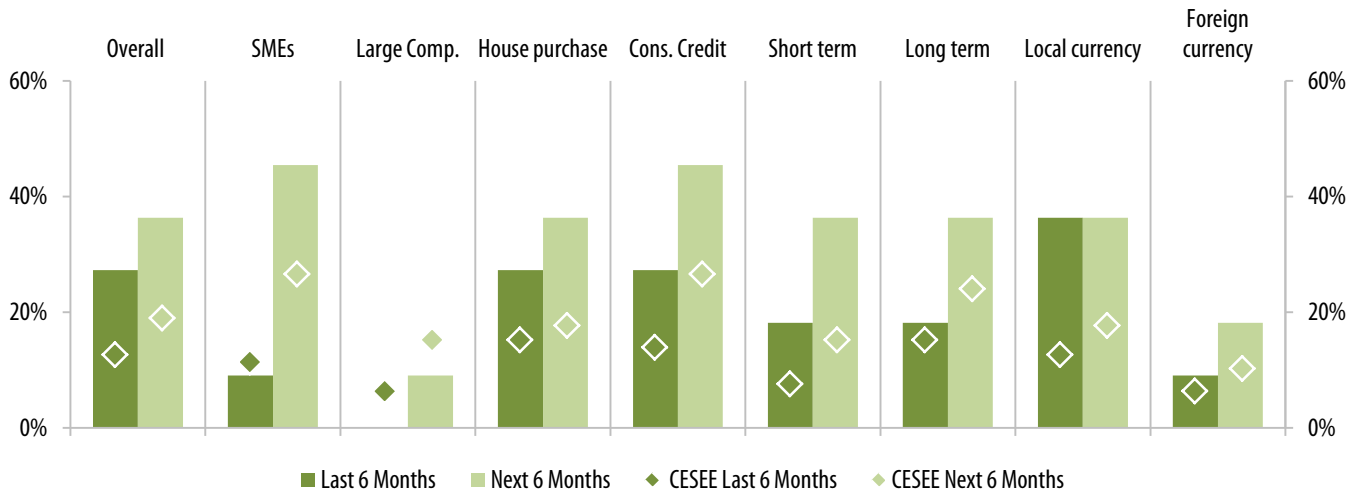


Source: EIB – CESEE Bank Lending Survey.

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 quality of loan applications in Romania has improved across most loan categories, in line with the CESEE. The strongest improvements have been recorded on the household side and for local currency lending. The SME segment has shown some quality improvements. The overall quality progress is likely to strengthen further in the near future and is expected to be driven by basically all segments.



Source: EIB – CESEE Bank Lending Survey

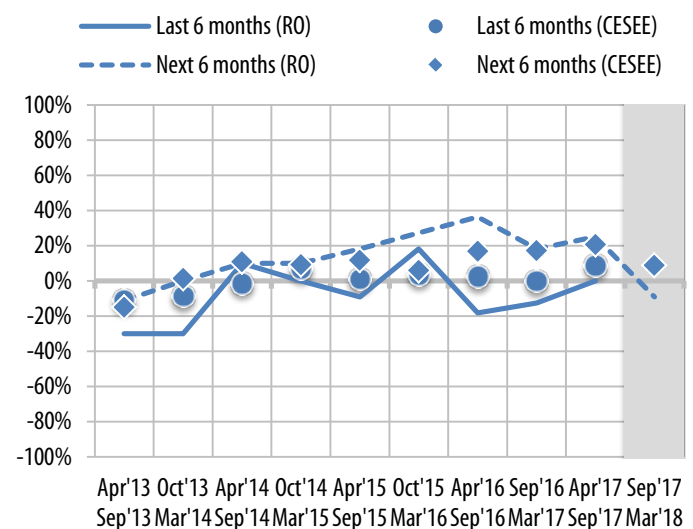
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions have not been aligned with banks’ earlier expectations. Over the last six months, Romanian banks kept supply conditions unchanged, scoring little below the CESEE regional average.

On balance, supply conditions (credit standards) have slightly tightened on a cumulative basis since 2015 – contrasting with expectations. For the next six months, banks seem to adjust their outlook, expecting a slight tightening. Looking ahead, this would suggest divergence with the wider region where banks expect slight easing of the supply conditions.

Figure 6 Supply developments

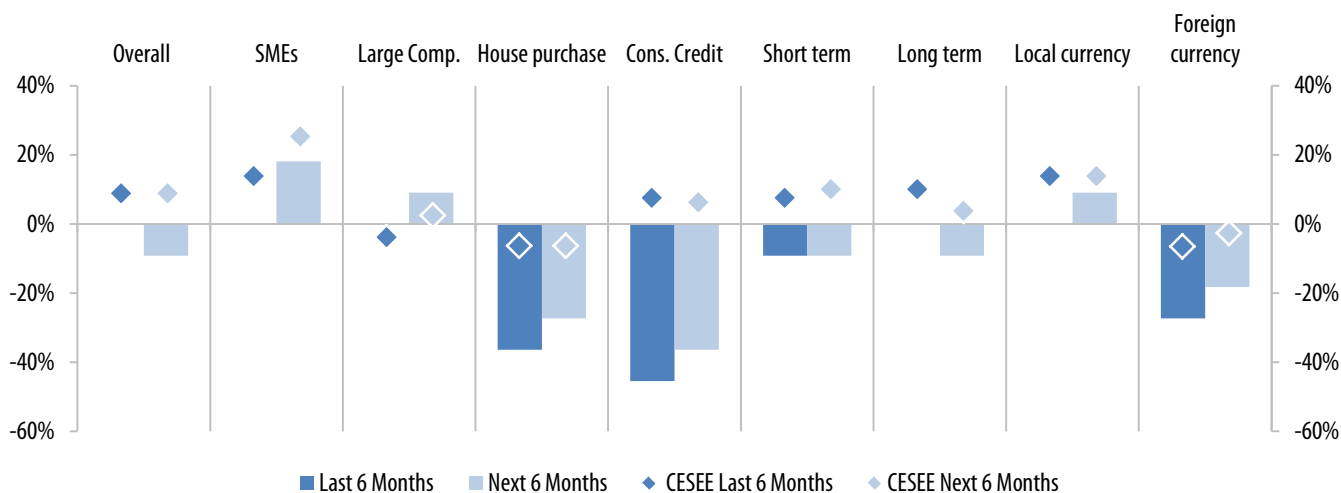


Source: EIB – CESEE Bank Lending Survey.

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

Stricter credit standards were recorded for house purchases and consumer credit. Shorter term maturities and lending in foreign currency have also seen a slight tightening. In contrast, no tightening was recorded on the companies' side. Looking ahead, a tightening of credit conditions of loans for households is in the pipeline contrasting with the more positive expectations in the wider region.

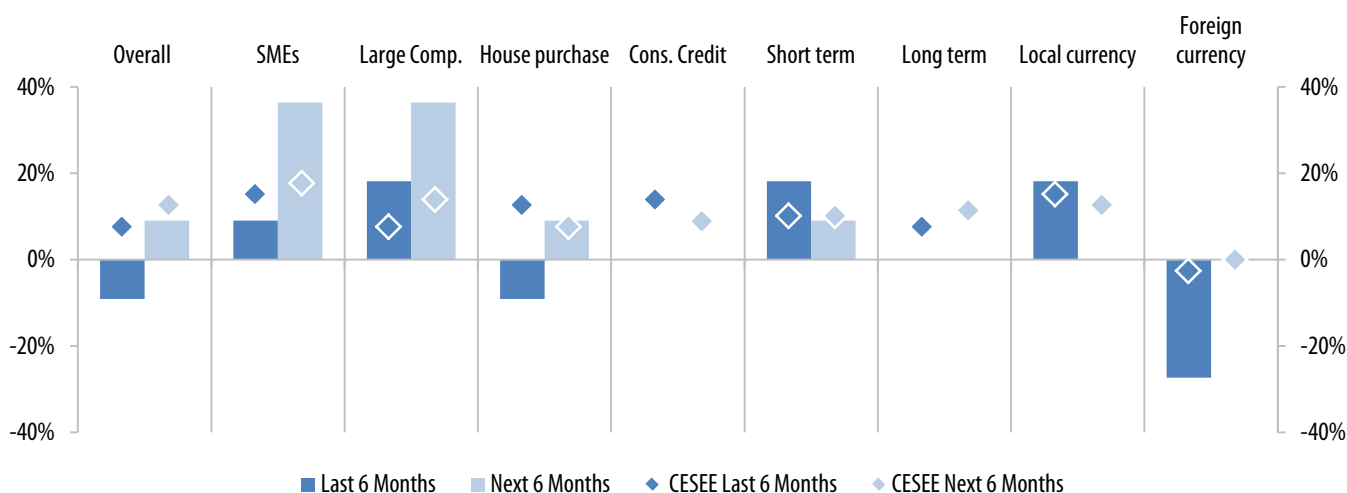


Source: EIB – CESEE Bank Lending Survey

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 decreased during the last six months. This development is driven by loans in foreign currency and housing credit. In contrast, loans to corporates show higher approval rates. In the months ahead, banks are prepared to approve more easily particularly for small corporate clients and loan applications in local currency.

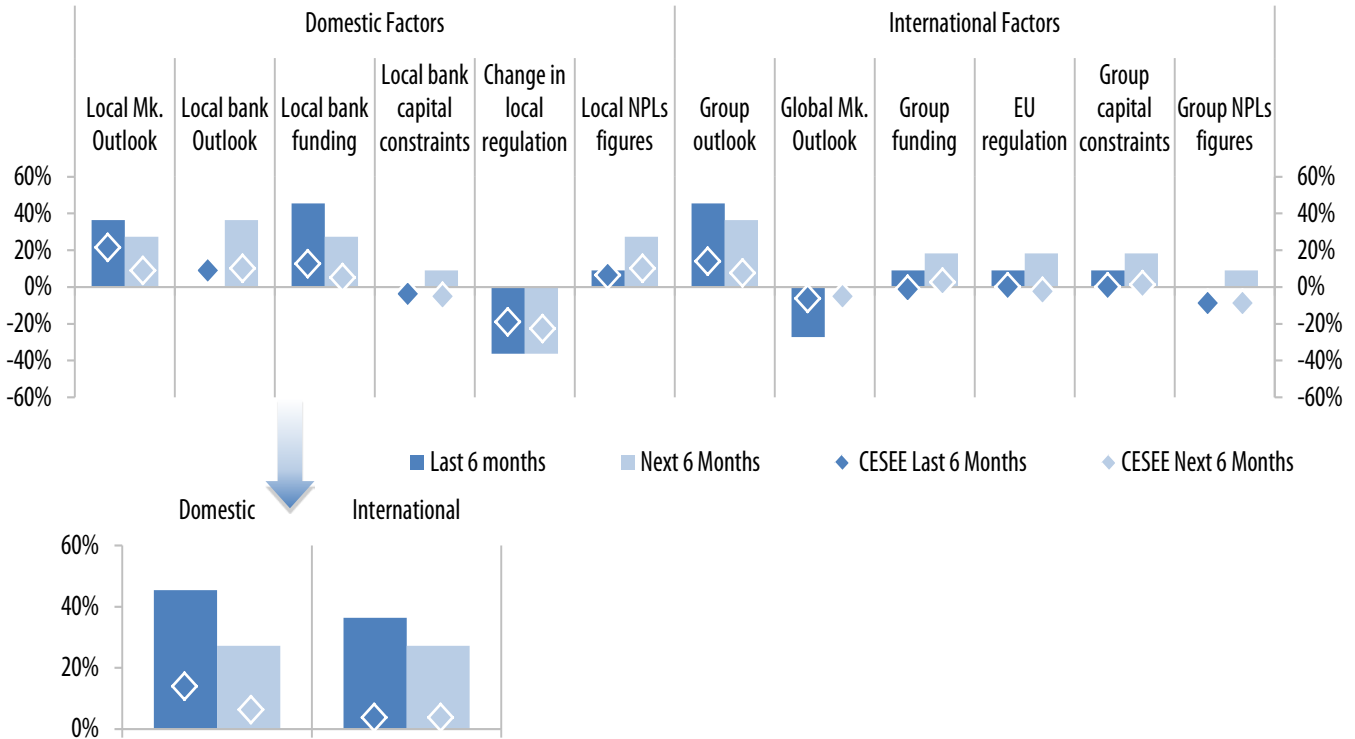


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Some domestic and international factors played a facilitating role in easing credit standards, whilst others exercised a negative contribution. On the latter, changes in local regulation, a weaker global market outlook and group NPL figures contributed negatively. In contrast, the local market outlook and funding conditions, both domestic and international sources, had a positive effect. Changes in local regulation are expected to have a negative contribution to supply over the next six months as well, staying behind the expected overall tightening of 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

NPL figures in Romania have been described as improving strongly both in the corporate and retail segments and overall above the CESEE region. This trend was recorded also in previous releases of the survey.

For the next six months further strong improvements are expected in Romania and across the region.

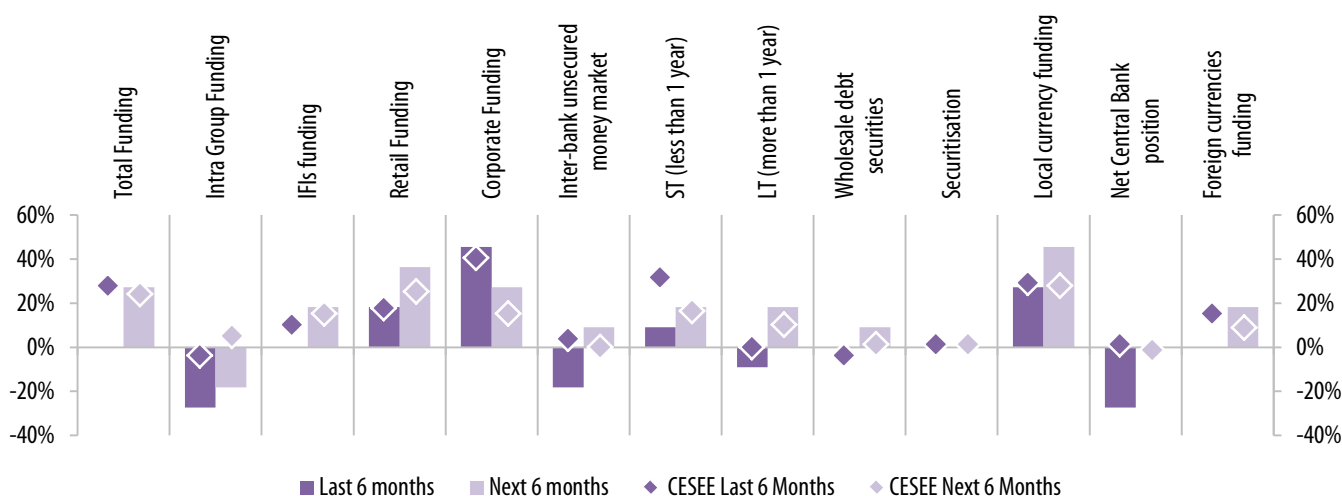


Source: EIB – CESEE Bank Lending Survey.

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 remained broadly unchanged for subsidiaries in Romania over the past months. While domestic retail and corporate deposits offered a better support for funding, intra-group funding, unsecured money market developments and net central bank positions registered some deterioration. For the months ahead banks expect the overall access to funding to improve.



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

Credit conditions have eased after a few years of tightening, while demand for loans remains positive. NPL reduction needs to continue.

Summary

Group assessment of positioning and market potential: The majority of parent banking groups operating in Serbia regards the market potential as high to medium and their market positioning is seen as satisfactory to optimal. NPL overhang has been weighing negatively on banks’ profitability but the progress with NPL reduction together with the overall recovery of the Serbian economy should lead to improved bank profitability indicators going forward.

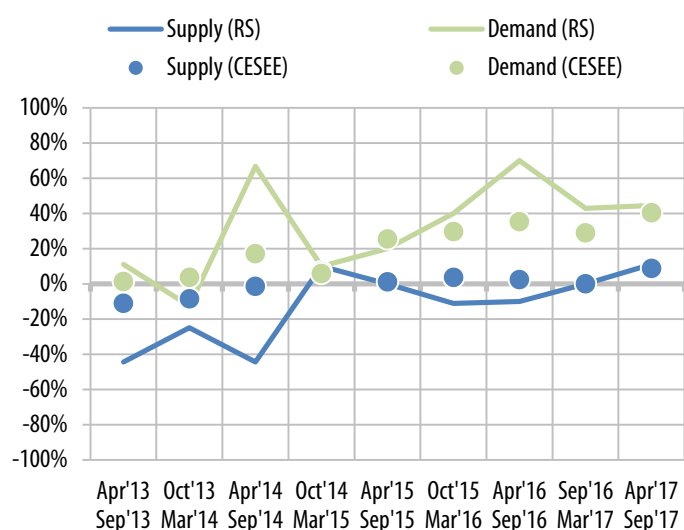
During the last six months, **credit demand has increased**, and it has been increasing since late-2015, while **credit supply conditions have at last become accommodative**. Credit demand is expected to continue increasing over the next six months, while credit supply conditions are expected to become neutral.

Credit supply conditions have been easing recently for loans to SMEs, consumer credit and local currency loans and this trend is expected to continue. Credit standards are expected to tighten for large corporate loans and house purchase loans over the next six months. Factor-wise, most domestic and international factors have been contributing negatively to credit supply conditions in Serbia, with local market outlook being the only positive supply-side factor.

Demand for loans has risen across all components and sectors during the last six months and this trend is expected to continue, with demand for loans to SMEs recording the largest increases. Among the factors affecting loan demand, corporate fixed investment and housing market prospects and household consumption remain as strong drivers.

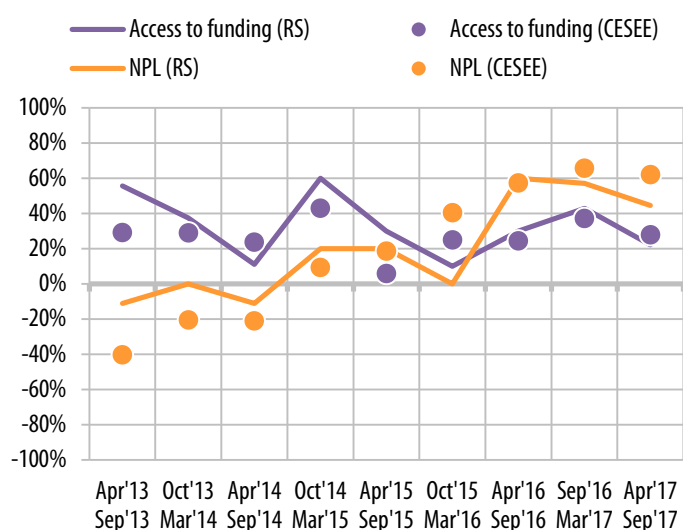
Access to funding for local banks continues improving, mainly thanks to better retail and corporate funding as well as intragroup and IFIs funding.

NPL figures have been improving strongly continuously and this trend is expected to continue.



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.

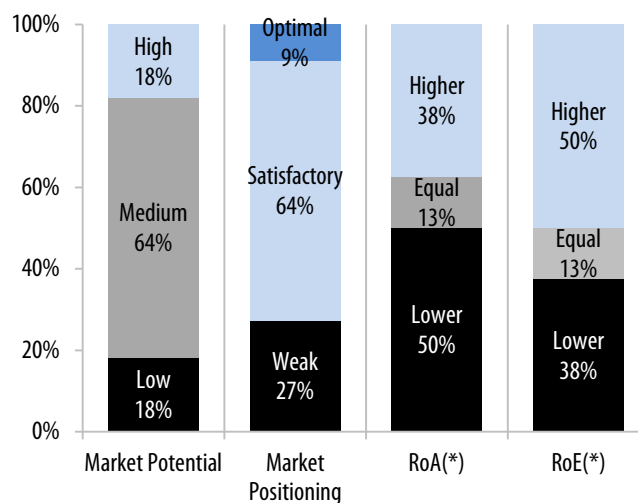
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Overall 82% of parent banks see medium to high market potential in Serbia and 73% of parent banks regard their current market positioning as satisfactory to optimal – both marking a small worsening from the previous period. The share of banks seeing a low market potential and weak market positioning has increased in the last six months in comparison to the previous period.

In comparison to the previous period, bank profitability indicators have improved in return-on-equity terms and have slightly worsened in return-on-assets terms during the last six months. On balance, at least more than half of banks operating in Serbia assess their profitability to be above the overall group level.

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.

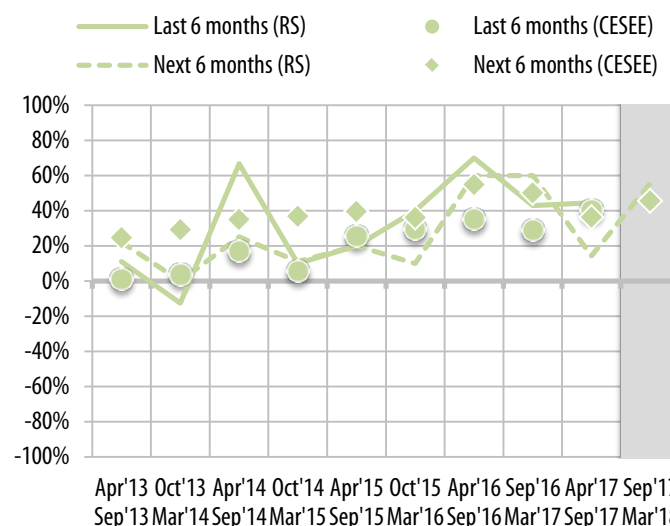
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand in Serbia has been improving since late-2015 and it has remained solid also during the last six months, in line with the CESEE region as a whole.

The expectations of local banks point to continued increases of credit demand over the next six months.

Figure 2 Demand side developments

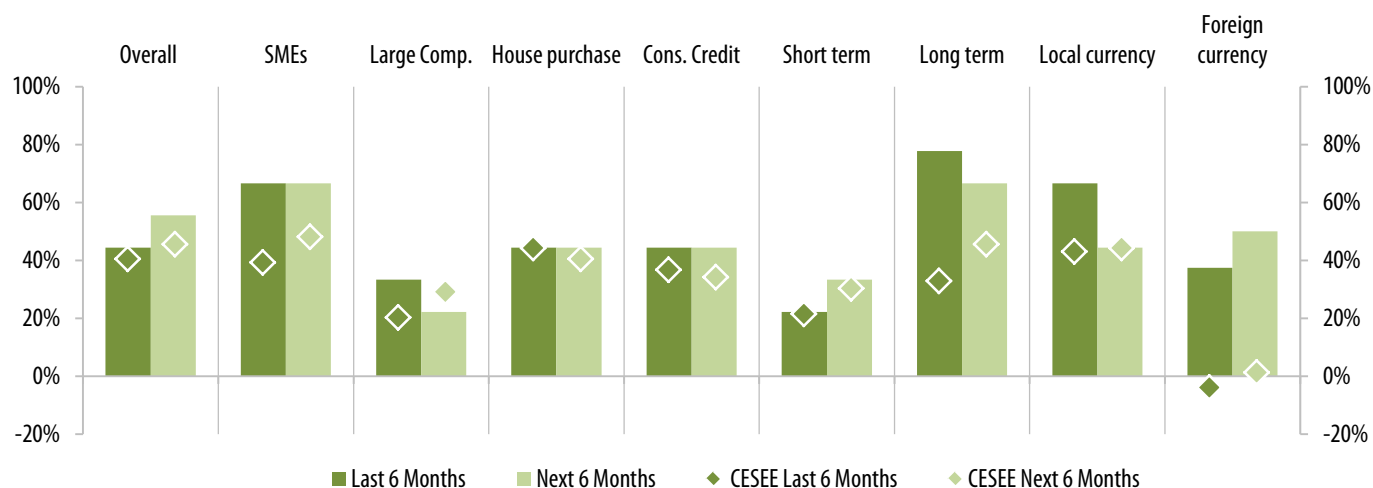


Source: EIB – CESEE Bank Lending Survey.

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

Demand for credit in Serbia has increased across the board during the last six months and a similar picture is expected over the next six months. Demand for loans to SMEs has increased the most, above the CESEE average. Looking ahead, demand for SMEs loans, house purchase loans and consumer credit is expected to remain strong. Demand for large corporate loans is expected to record a slightly smaller increase over the next six months than 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

Strong domestic demand in the Serbian economy is translated into the positive effects of fixed investment, purchases of inventories and working capital as well as housing market prospects and consumer confidence on credit demand. On balance, debt restructuring has had a neutral effect on demand for loans, in line with the improvements in NPL reduction. Going forward, a similar picture is expected to persist.

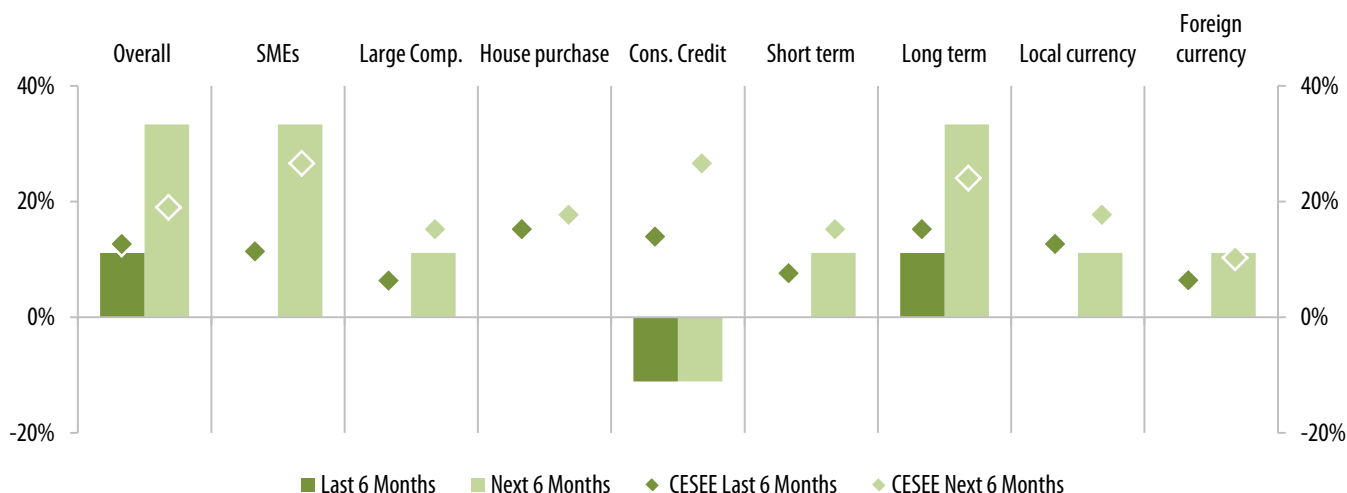


Source: EIB – CESEE Bank Lending Survey.

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 has improved somewhat in the past six months and is expected to improve further over the next six months, particularly for SMEs loans. The only exception is consumer credit where the quality of loan application deteriorated in the last six months and is expected to worsen also over the next six months.



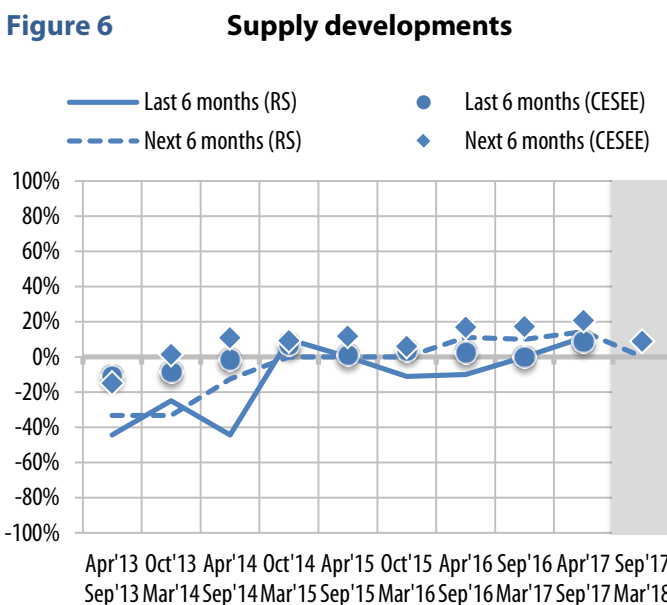
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

After exiting from tightening in the previous period for the first time since late-2015, credit standards in Serbia have now moved to an easing territory in the last six months, in line with the CESEE average.

The expectations series has been consistently more optimistic, but the local banks expect the credit standards to become more neutral over the next six months.

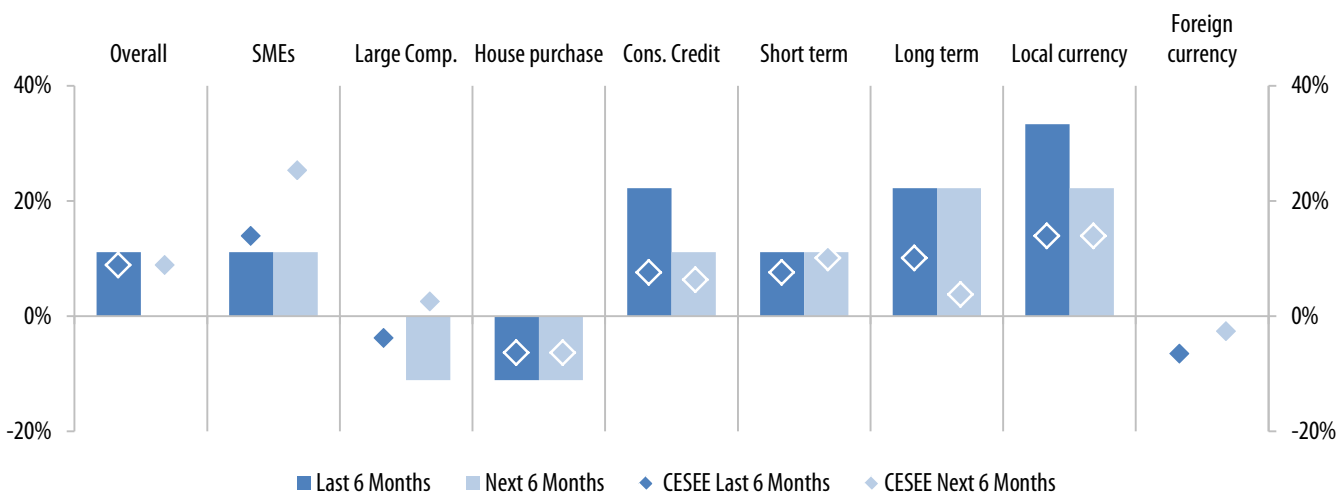


Source: EIB – CESEE Bank Lending Survey.

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 standards have eased for loans to SMEs, consumer credit and local currency loans, while they have become tighter for house purchase loans. Over the next six months, local banks expect further credit easing for loans to SMEs and consumer credit, but they expect credit tightening for large corporate loans and house purchase loans.

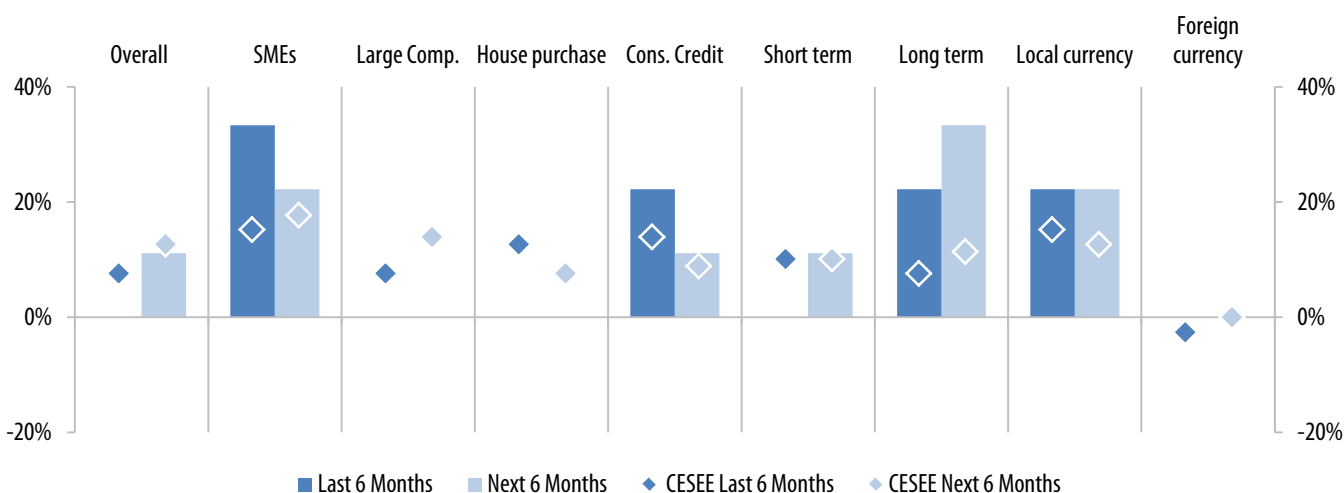


Source: EIB – CESEE Bank Lending Survey

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 overall banks' approval rate has been unchanged during the last six months and is expected to increase over the next six months. The approval rate for loans to SMEs and consumer credit as well as local currency loans has increased the most, and above the CESEE average.

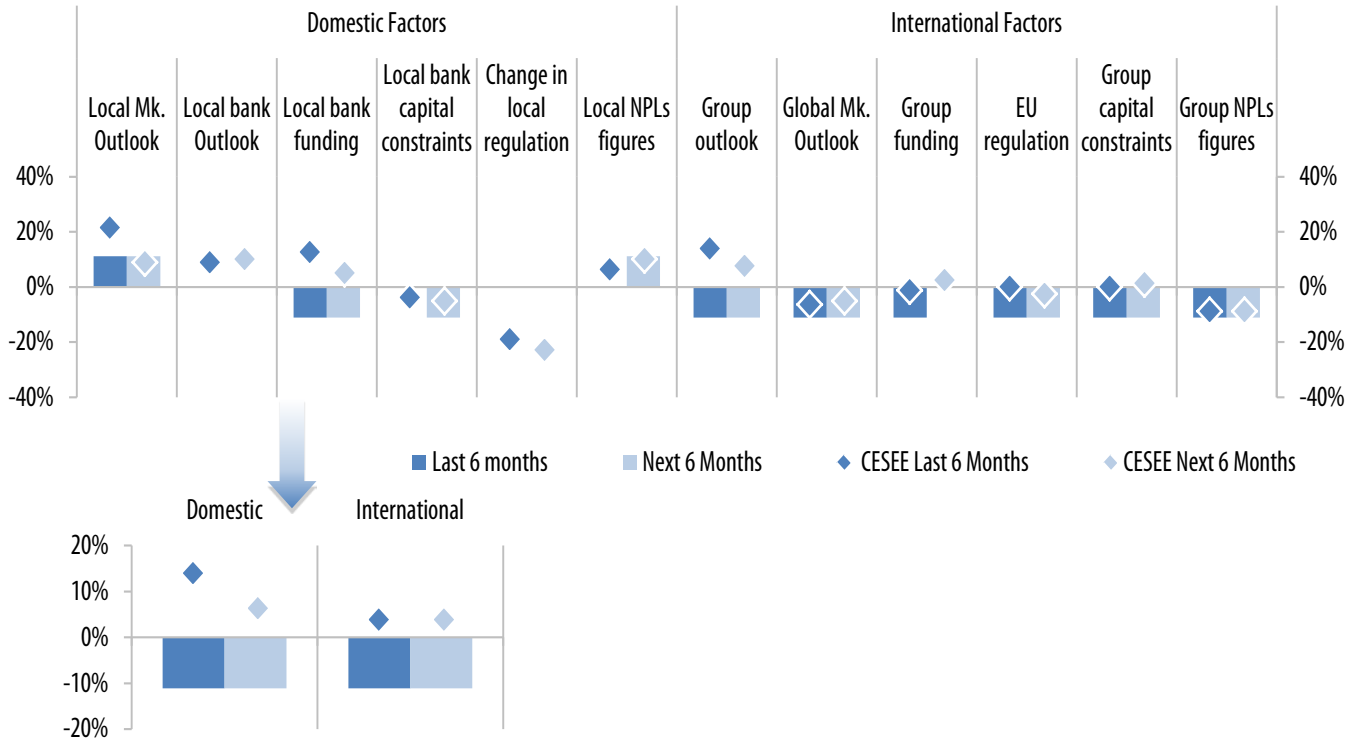


Source: EIB – CESEE Bank Lending Survey

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, local market outlook has been the only domestic and international factor contributing to credit supply conditions in Serbia. Local NPLs figures have had a broadly neutral impact on credit conditions and are expected to have a positive impact over the next six months. Local bank funding, from both domestic and international sources has had and is expected to have negative impact on domestic credit supply conditions. All international factors on group level are having negative impact on domestic credit supply conditions in Serbia.



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 has continued also during the last six months, for both corporate and retail loans, and is expected to pick up its pace also over the next six months, above the CESEE average.

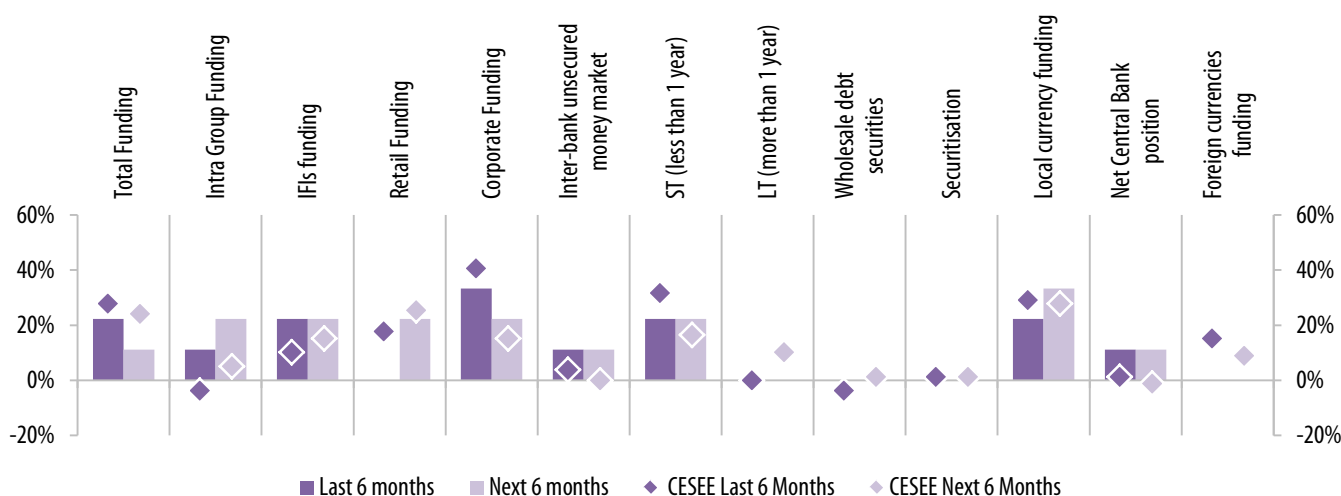


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

The deleveraging in the economy is flowing through the improvements in loan-to-deposits ratio of the Serbian banks and to improvements in their access to funding. Total access to bank funding has improved during the last six months and is expected to be positive also in the next six months. Bank access to retail deposits has turned from deterioration to a neutral position and is expected to increase over the next six months. Access to corporate deposits has been increasing. Banks’ access to intragroup and IFIs funding has also been increasing.



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

Profitable market with stable domestic funding and declining trend of NPL ratios. In light of strong credit growth, the initial macro-prudential tightening has contributed to tighter credit conditions. Loan demand seems to be softening to healthier levels.

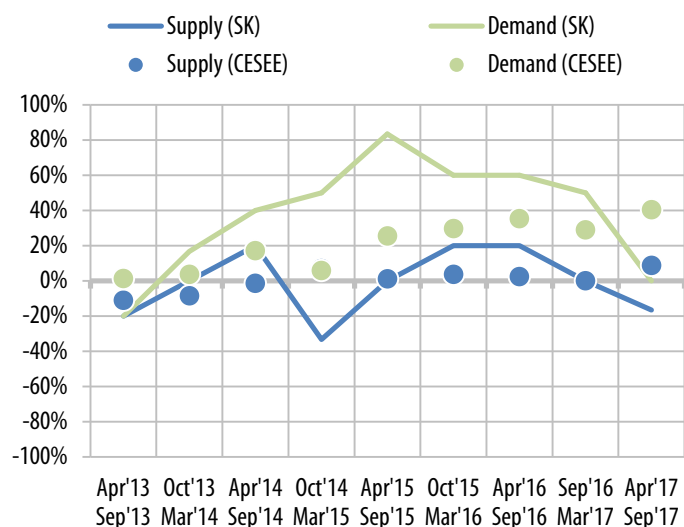
Summary

Group assessment of positioning and market potential: Slovakian banking sector is predominantly owned by foreign banking groups and remains more profitable than the overall group. The parent banking groups continue seeing high to medium market potential in Slovakia.

The introduction of the countercyclical capital buffer for banks by the National Bank of Slovakia came into effect in August 2017, with some impact already visible on the domestic credit market. After a number of periods of strong performance, **credit demand** has become broadly neutral during the last six months and further softening is expected. **Demand for loans** decreased for large corporate loans during the last six months. The positive demand for house purchase loans has weakened. Demand for consumer credit is expected to turn negative over the next six months.

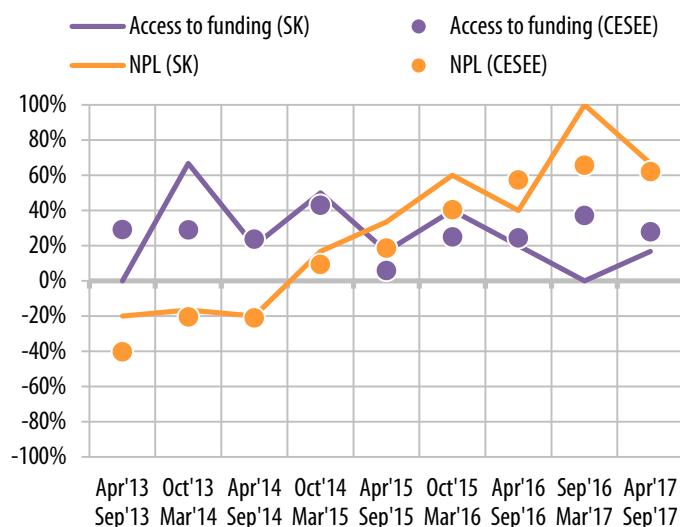
Credit supply conditions have become tighter during the last six months for the first time since mid/late 2015, and are expected to become tighter over the next six months. The tightening of credit conditions is being felt particularly for house purchase loans and consumer credit. Among the factors contributing to credit supply conditions, changes in local regulation contribute negatively to credit standards in Slovakia.

Access to funding: Slovakian banks rely predominantly on domestic deposits. During the last six months, banks' access to deposits from households has weakened, but corporate retail funding and intragroup funding has further strengthened. **NPL ratios** decreased over the last six months and are expected to decrease further, although to a slightly lesser degree than the CESEE average.



Source: EIB – CESEE Bank Lending Survey.

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



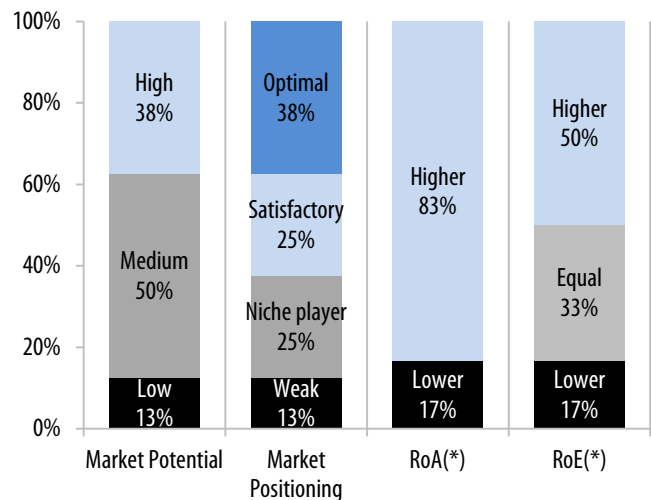
Source: EIB – CESEE Bank Lending Survey.

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

Amidst the strong credit growth and solid performance of the Slovakian economy, the share of local bank correspondents with higher profitability than the group has increased during the last six months. In line with high profitability, 88 percent of the parent banking groups operating in Slovakia continues to see high or medium market potential in Slovakia.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

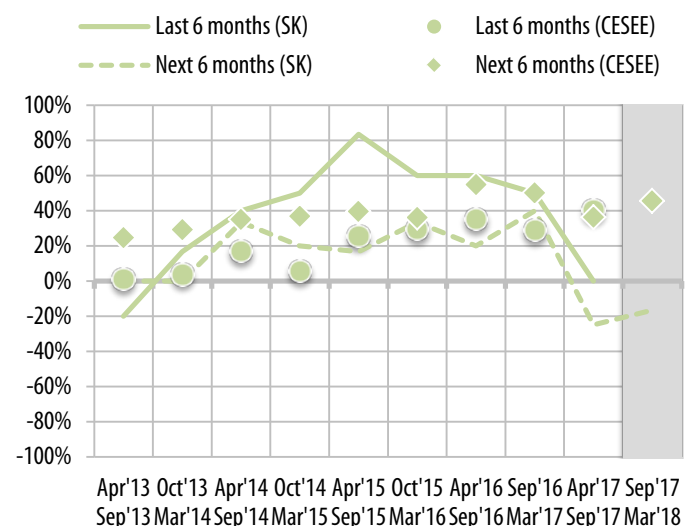
Note: See question A.Q1. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

Despite the currently strong economic growth of the Slovakian economy, and coming down from a period of large credit demand increases, the demand for credit has stopped increasing and has become broadly neutral during the last six months. The expectations series points to a net decrease of credit demand over the next six months, but the series has tended to be slightly more pessimistic than the actual demand perceptions. This development contrasts the development of the CESEE region as a whole, where credit demand keeps on strengthening from relatively lower levels.

Figure 2 Demand side developments

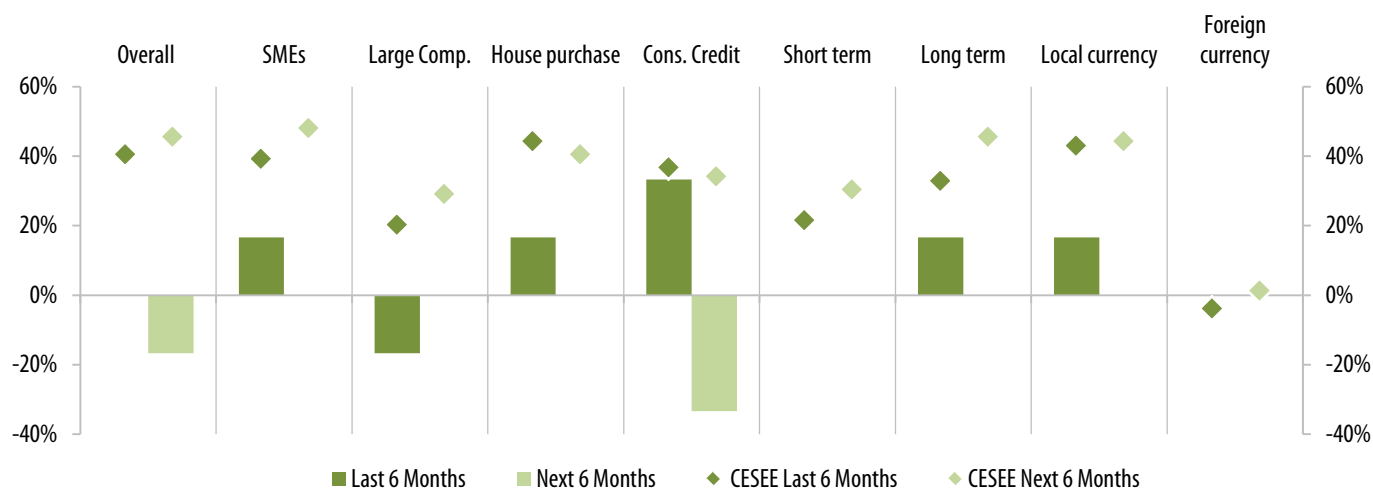


Source: EIB – CESEE Bank Lending Survey.

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 sharpest decline in credit demand during the last six months in comparison to the previous period has been visible for large corporate loans, where demand shifted from increasing to decreasing on balance. While still positive, credit demand has also weakened for loans to SMEs and house purchase loans. Demand for consumer credit has increased the most in the last six months but is expected to contract the most over the next six months.

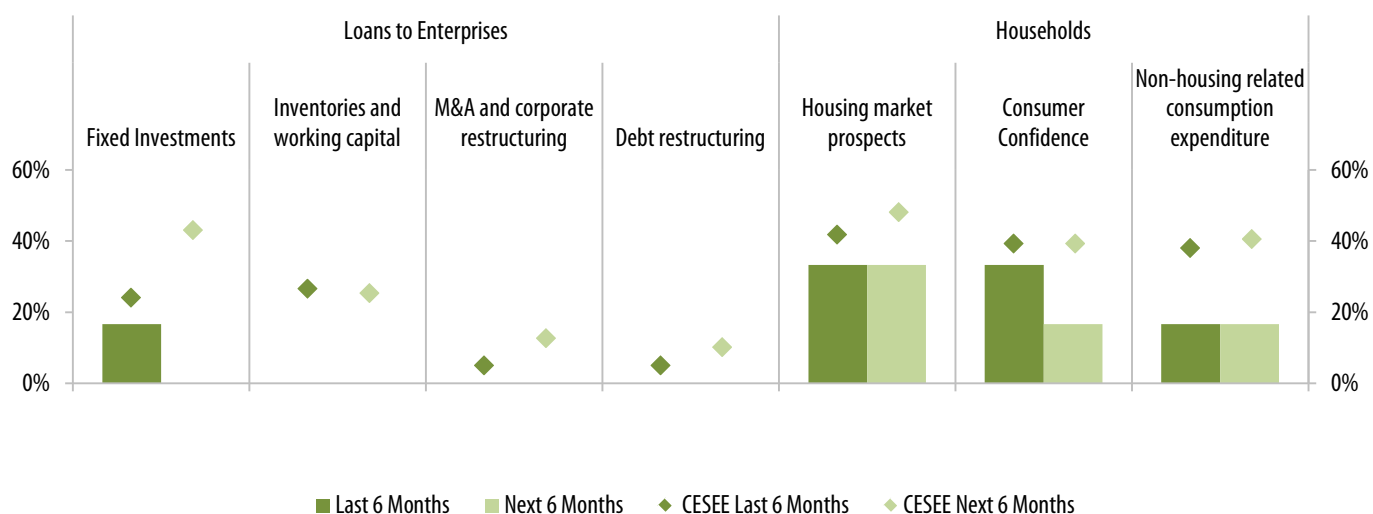


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Corporate fixed investments as well as housing market prospects and consumer confidence have been the main factors contributing to the credit demand during the last six months. The remaining factors have had a neutral impact, down from positive impact in the previous periods, all below the levels experienced in the CESEE region as a whole.

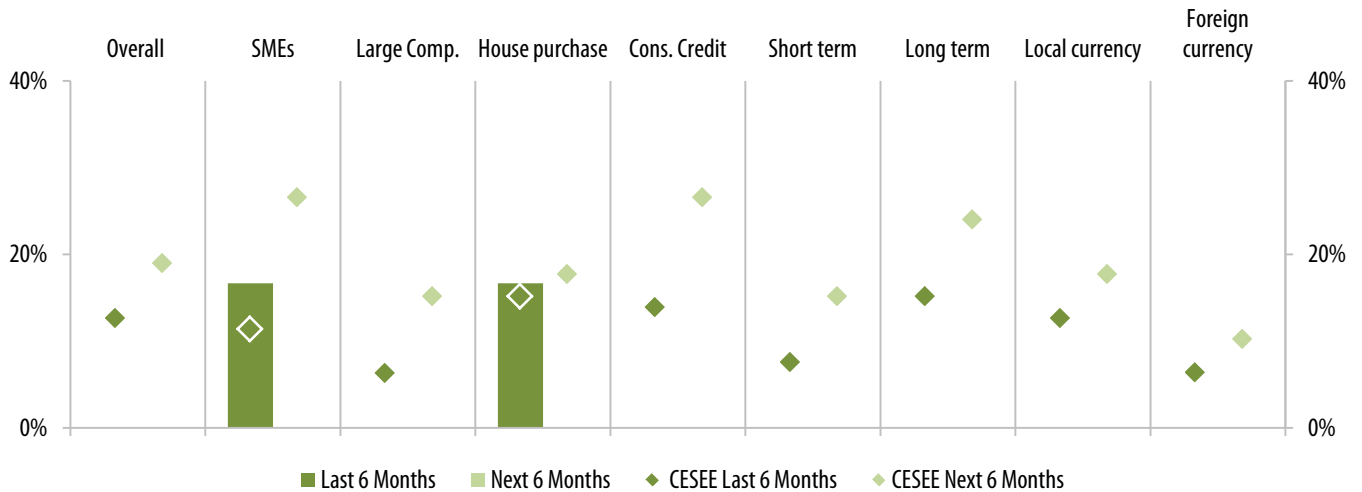


Source: EIB – CESEE Bank Lending Survey.

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 has improved for loans to SMEs and hours purchase loans. It is expected to remain unchanged over the next six months across all loan segments and components. In contrast, the quality of loan applications in the CESEE region as a whole keeps on improving.



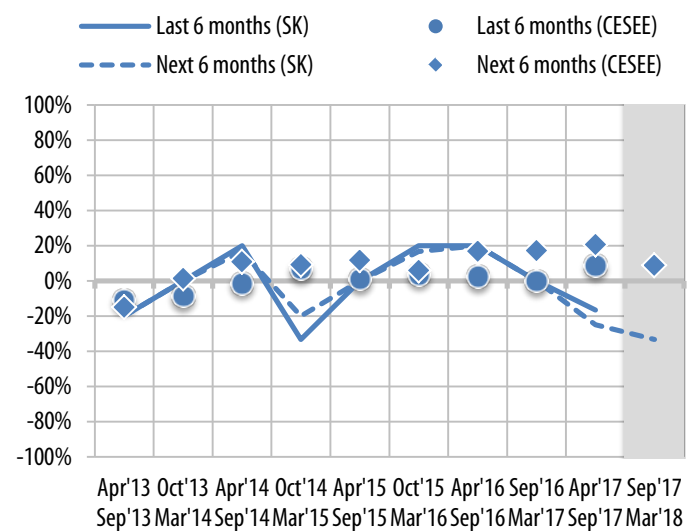
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

As the macro-prudential conditions in Slovakia have become tighter during 2017 and the continued strong credit growth sparks debate over further prudential action, the bank lending standards have turned from a period of easing to net tightening for the first time since mid/late 2015. Further tightening of credit standards is expected over the next six months. On the other hand, for the CESEE region as a whole, lending conditions have mildly improved recently and are expected to be slightly easier also over the next six months.

Figure 6 Supply developments

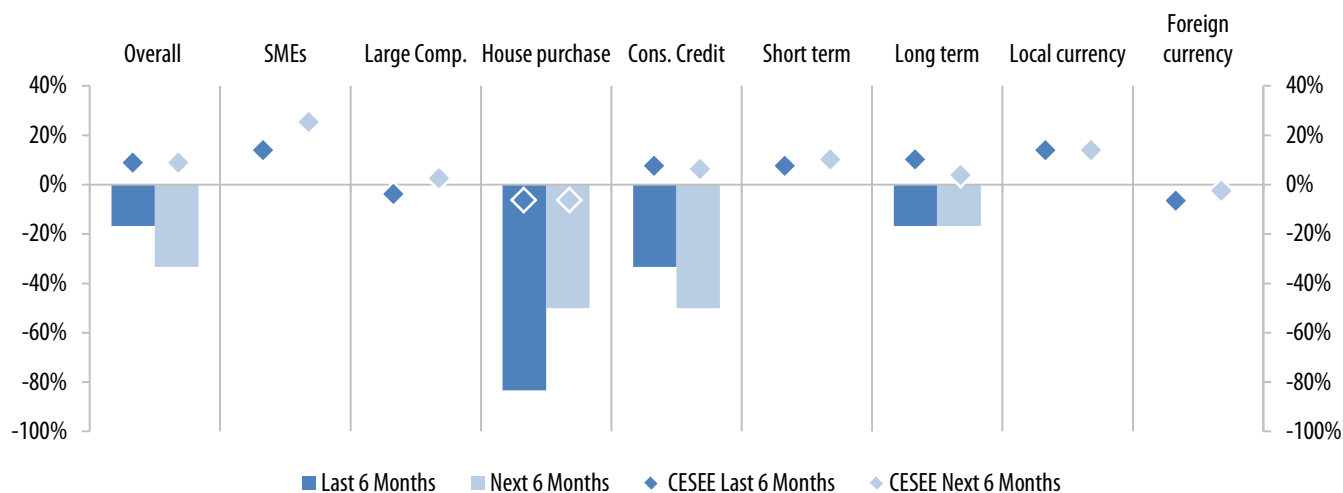


Source: EIB – CESEE Bank Lending Survey.

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

In line with expectations from the previous period, credit standards have tightened the most for house purchase loans and consumer credit, i.e. the loan segments that have experienced the most buoyant credit growth recently. Further tightening in credit standards for house purchase loans and consumer credit is expected over the next six months.

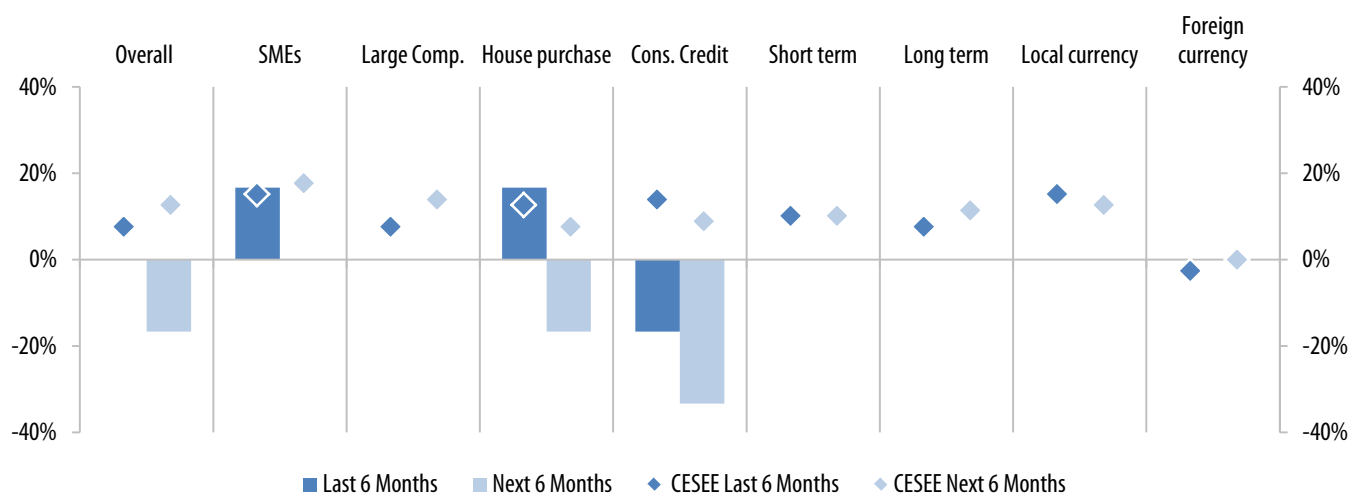


Source: EIB – CESEE Bank Lending Survey

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

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

The overall banks' loan approval rate has been unchanged during the last six months, thanks to still positive approval rate for loans to SMEs and house purchase loans. Nevertheless, the approval rate for consumer credit has been negative during the last six months, and is expected to decrease for both consumer credit and house purchase loans over the next six months.

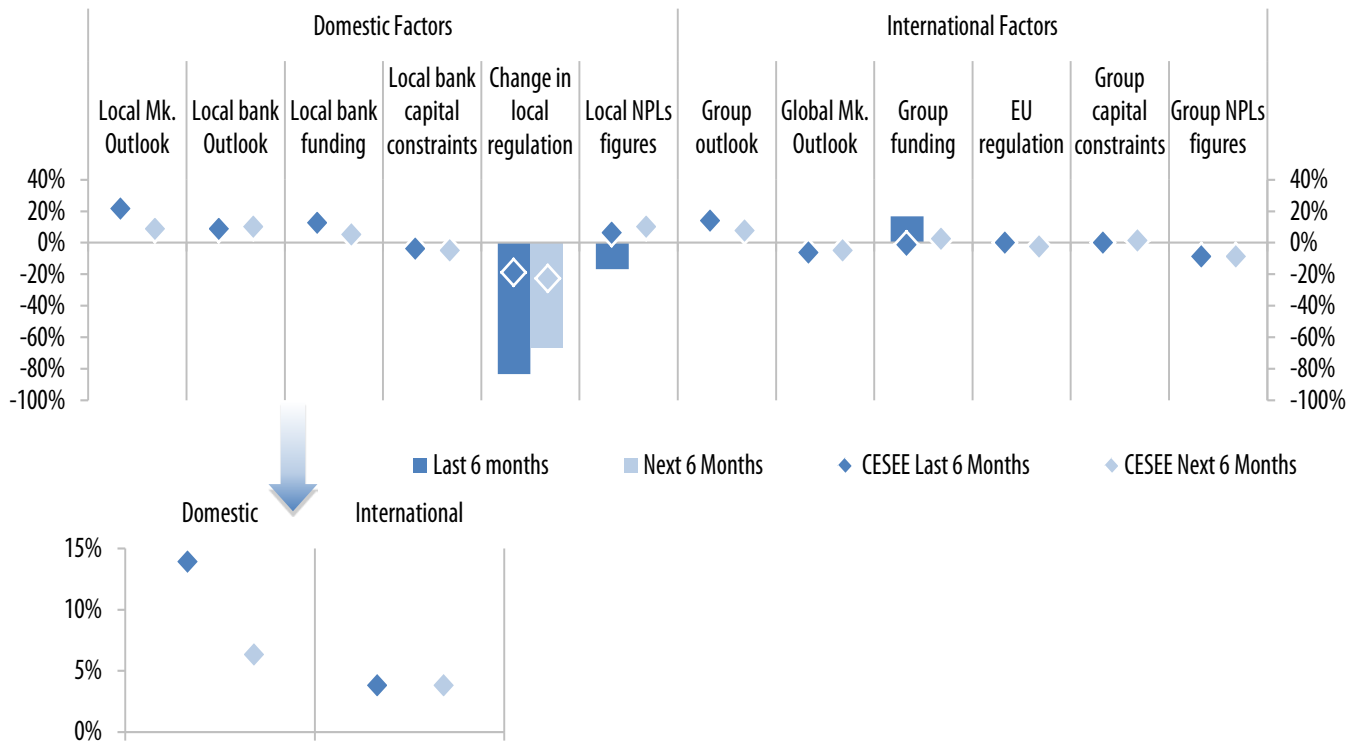


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Changes in local regulation continue to weigh negatively on credit supply conditions in Slovakia, and this impact is expected also over the next six months. Local NPL figures have also had a negative impact on domestic credit supply conditions during the last six months. On the other hand, group funding has been the only positive domestic or international factor contribution to credit supply conditions in Slovakia.



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

Total NPL reduction in Slovakia over the last six months has been strong, for both the corporate and retail sectors. Over the next six months, the pace of NPL reduction is expected to be somewhat slower, and below the CESEE average.

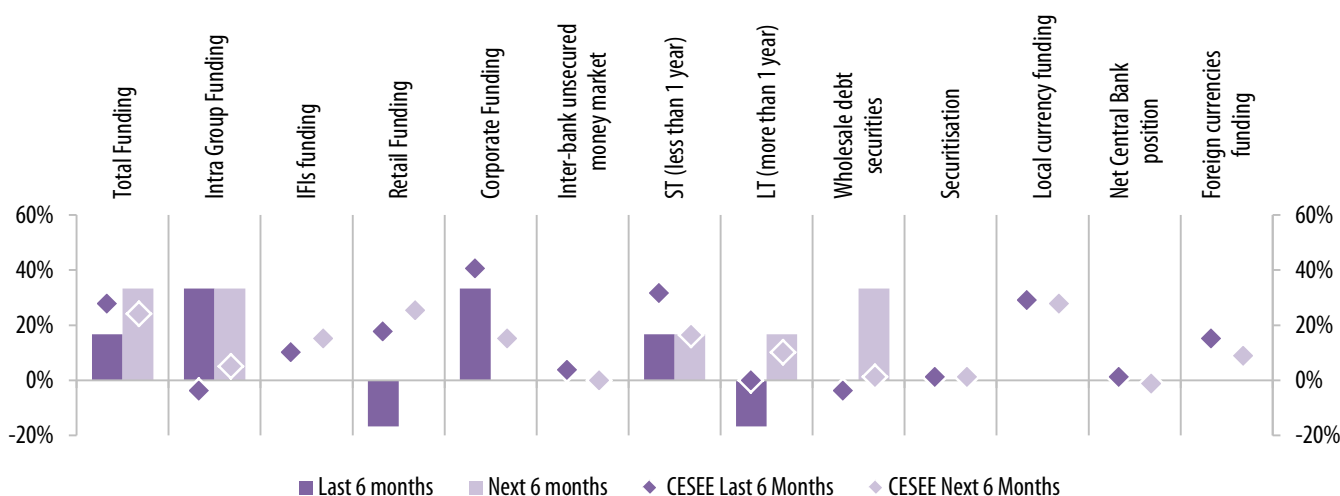


Source: EIB – CESEE Bank Lending Survey.

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 in Slovakia has improved during the last six months (although slightly less than the CESEE average) and is expected to strengthen over the next six months, surpassing the CESEE average. Corporate and intragroup funding has improved the most during the last six months. On the other hand, access to retail funding has deteriorated in the last six months and is expected to be neutral over the next six months. Overall funding conditions remain broadly stable. Intragroup funding and wholesale debt securities funding are expected to improve further 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

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, Estonia, Hungary, 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 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

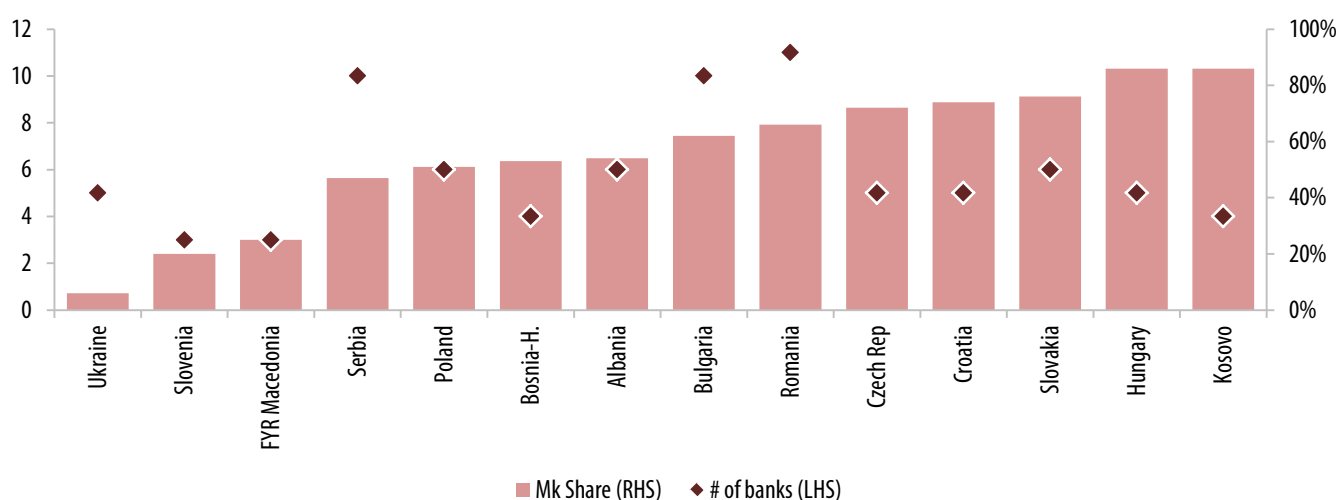
¹ Details for Estonia, Macedonia, Slovenia and Ukraine are not presented on a stand-alone basis, due to the relatively low coverage in terms of number of banks.

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 coverage varies by country – Figure 1 presents the percentage of assets covered in each country and number of banks included.

Figure 1 Market share and number of banks



Source: EIB – CESEE Bank Lending Survey.

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...

--	--

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...

	<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		
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...

	<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.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 months

Over 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

...How have they changed over the last six months?

...How do you expect them to change over the next six months?

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)...

...Has the non-performing loans ratio changed over the last six months?


...How do you expect the non-performing loans ratio to change over the next six months?

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		

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CESEE Bank Lending Survey

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