

**ECONOMICS** – REGIONAL STUDIES

**CESEE**

Central, Eastern and South-Eastern Europe

# Bank Lending Survey

H1-2019



European  
Investment  
Bank

*The EU bank*



## CESEE Bank Lending Survey – H1 2019

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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 30 economists and assistants, is headed by Debora Revoltella, Director of Economics.

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# Regional Overview

*The CESEE strategy is appealing for a vast majority of banking groups. However, country differentiation remains significant. On aggregate, supply-side conditions did not ease, whilst demand for loans was robust.*

## Summary

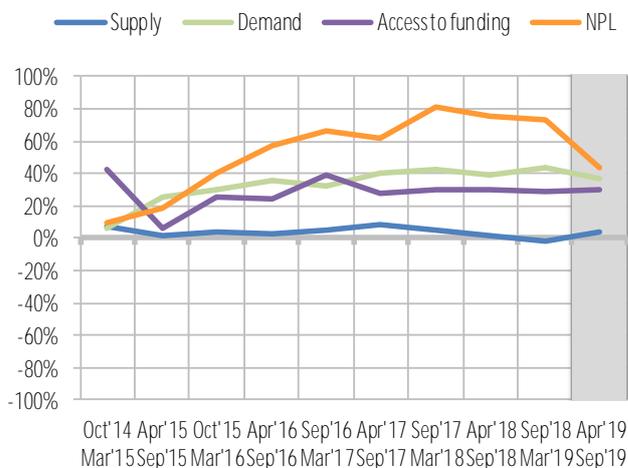
Global strategies: about 40% of banking groups, more or less the 2013-2018 average, continued some restructuring activities at global level. Capital increases have been achieved exclusively via sales of assets and branches. Around 25%-30% of banking groups expect a decrease in their loan-to-deposit (LTD) ratio in the next six months; whilst on balance around 20% of banking groups have been re-leveraging. Group-level funding conditions continued to ease.

Commitment to CESEE: the self-declared net balance of banking groups' total exposure to the CESEE region has been hovering around zero over the last six months, a turnaround compared to the negative outcome recorded in autumn 2018. Nevertheless, ample swings have been recorded during the recent past. A large majority of banking groups reported that the RoA of CESEE operations was on average higher than that of the overall group. Around 20% of banking groups report a combination of diminishing returns and intentions to reduce the scale of regional operations. The assessment of market prospects shows enduring diversified potential and profitability across countries.

CESEE subsidiaries and local banks report another robust increase in demand for credit whilst supply conditions did not ease over the past six months. Across the client spectrum, supply conditions eased somewhat in the enterprise segment including SME lending, and less in the household segment. Credit standards have tightened again on mortgages. Changes in local regulation are still perceived to be adversely affecting supply conditions. In addition, **groups'** non-performing loans (NPLs) and the global outlook are still having a slight negative effect on supply conditions. Nevertheless, almost all the other domestic and international factors have been more supportive lately than a couple of years ago. In the last six months, demand for loans improved again across the board. This marks the twelfth consecutive half-year of positive developments. Notably, investment contributed significantly to pushing up demand for loans. At the same time, almost no contribution was recorded from restructuring activities.

Access to funding has continued to ease in the CESEE region, supported by local sources and IFIs. Intra-group funding is also assisting these positive developments as well as long term funding.

NPL ratios continued to improve. In absolute terms, the share of subsidiaries still reporting an increase in their NPL ratios was around 5%, down from 60% in 2013.



Source: EIB – CESEE Bank Lending Survey.

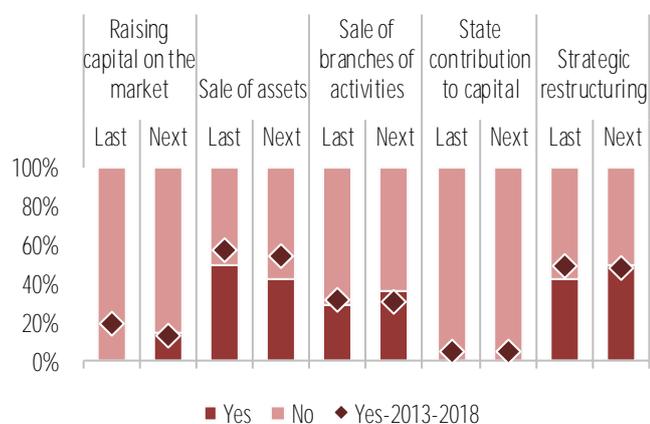
Note: All indicators in net percentages  
 Supply/Demand: Positive figures refer to increasing (easing) demand (supply)  
 Access to funding: Positive values indicate increased access to funding  
 NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks

About 40% of banking groups, more or less the 2013-2018 average, continued some restructuring activities at global level. Capital increases have been achieved exclusively via sales of assets and branches. Around 25%-30% of banking groups expect a decrease in their loan-to-deposit (LTD) ratio in the next six months, whilst on balance around 20% of banking groups have been re-leveraging.

About 40% of banking groups, more or less the 2013-2018 average, continued their restructuring activities at the global level to increase group capital ratios, and a slightly higher share expects this process to continue over the next six months (Figure 1). Capital has been raised only through sales of assets and branches, whilst no state intervention to capital has been introduced and/or is expected. Between 2013 and 2018, capital was also funded on the market, whereas lately this contribution has essentially disappeared. Looking at the next six months, contributions to balance sheet strengthening are again expected to come mainly from sales of assets and, to a lesser extent, branches. At the same time, a return of capital markets is also expected. Deleveraging at the group level (Figure 2) has slowed significantly compared to 2013 and 2014. The share of banks expecting deleveraging is similar to the 2015 and 2016 levels. Around 25%-30% of banking groups expect a decrease in their loan-to-deposit (LTD) ratio in the next six months—a slight deterioration compared to the 2017-2018 average, whereby around 20% of the banking groups expected a decrease. At the same time, around 20% of banking groups expect an increase in their LTD over the next six months. This is part of a re-leveraging trend initiated essentially in 2017. Overall, the **almost even distribution between increases and decreases in groups' LTD shows a reinforced polarisation in the (de)leveraging attitude of banking groups operating in the region.**

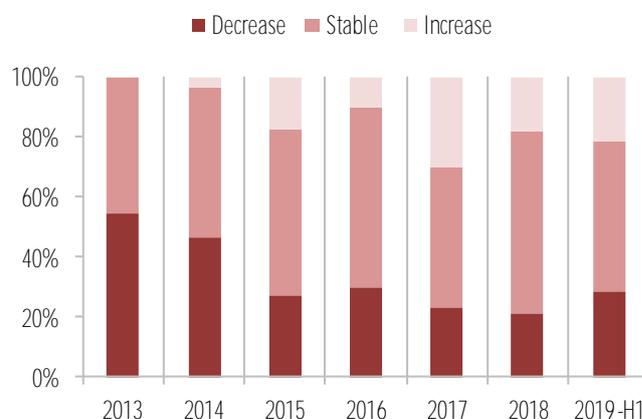
**Figure 1** Strategic operations to increase capital ratio



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.

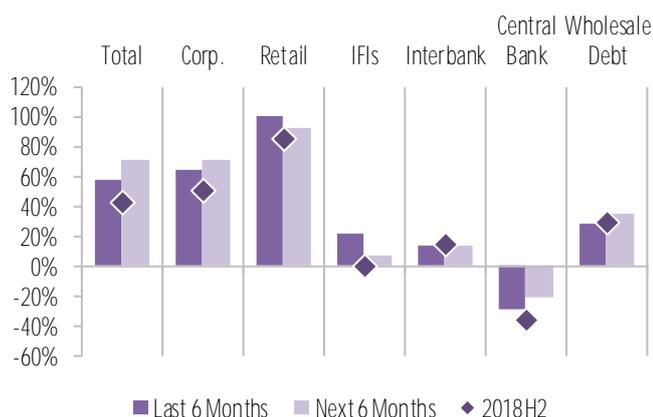
Note: See question A.Q4 – questionnaire in the Annex

Group-level access to funding conditions improved over the past six months (Figure 3). Notably, corporate and retail deposits made a significant positive contribution to total access to funding. The interbank market, IFIs and debt issuance have also contributed positively.

The global access to funding of the banking groups has eased significantly over the past six months, thus consolidating the results obtained in the previous releases. Following a contraction during 2015, access to funding resumed an easing trend in the first half of 2016, and accelerated further in 2017. Moreover, it seems to have accelerated further at the end of 2018/beginning of 2019. The contraction in access to funding in 2015 can be seen as a temporary event, which coincided with the long tail effects generated by the Greek crisis of spring/summer

2015. The developments in the H1 2019 survey release can be described as building on the positive solid 2017 and 2018 outcomes. The dynamics detected in aggregate access to funding reflect prolonged improvements in retail and corporate funding, and positive contributions from wholesale debt issuance in the past six months. Notably, the interbank market continued to play a positive role and banking groups have continued to rely less and less on central bank liquidity. This is a further positive signal of a more stable and self-supporting funding environment. A tentative further acceleration is reported for the second half of 2019 (Figure 3b). The possible acceleration in expected access to funding conditions seems to be primarily ascribed to a higher inflow of corporate deposits and higher wholesale funding.

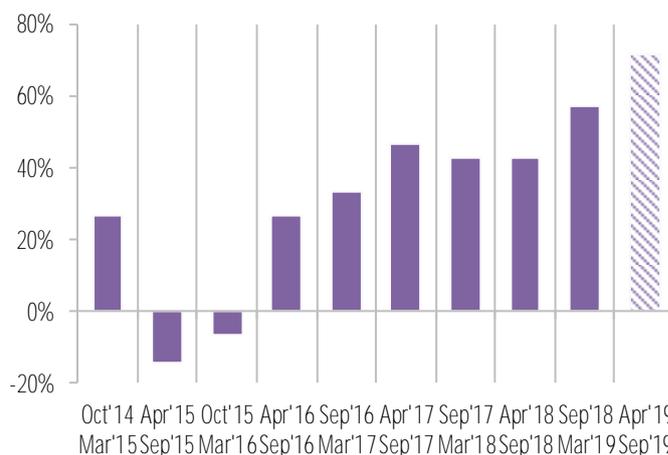
Figure 3a Access to funding conditions



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



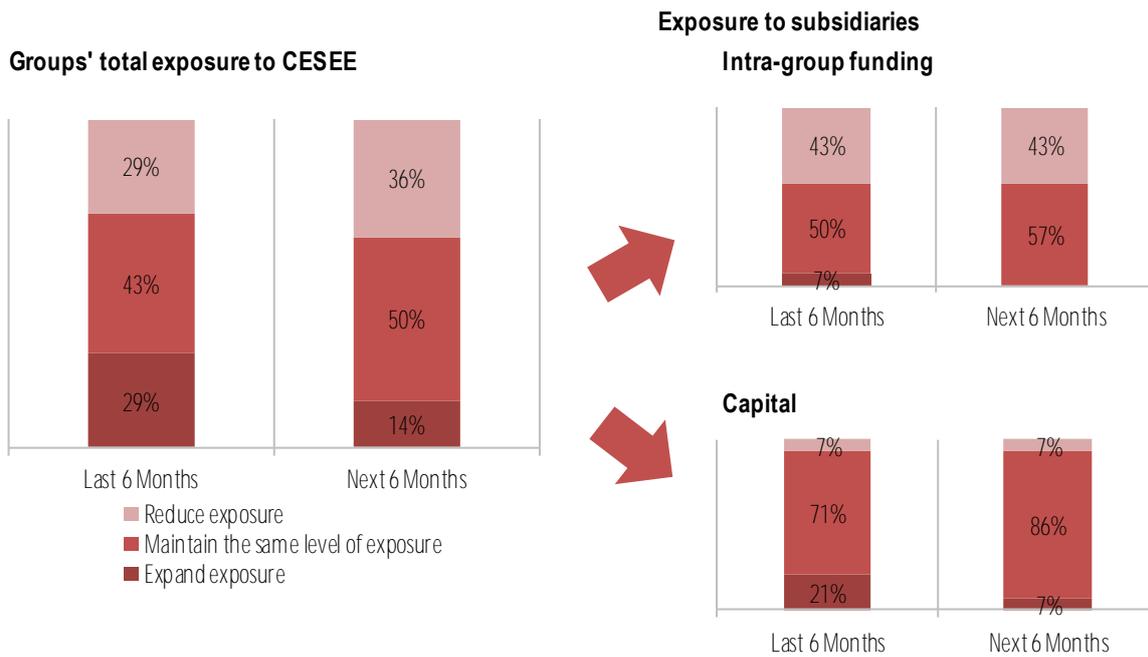
Source: EIB – CESEE Bank Lending Survey.

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

Almost 30% of banking groups have reduced their total exposure to the CESEE region whilst an equal share have increased their exposure. As a result, the aggregate net balance has been hovering around zero over the last six months. This represents a significant turnaround compared to the negative outcome recorded in the previous wave of the survey. Nevertheless, it is a sub-par result compared to the positive trend initiated a year ago. It also suggests increased volatility. Expectations should therefore be interpreted with caution at the current stage of the economic and financial cycle.

The trend of total exposure to the CESEE region has hovered around zero over the past six months, because the number of banks declaring a reduction in their exposures was equal to the number declaring an increase in their exposures to the region. As a result, the survey detects a partial turnaround compared to the previous release, which scored a significantly negative trend. Nevertheless, it is also a rather ample reversal compared to the positive upturn recorded roughly a year ago. It squares with the cautious approach taken in interpreting the previous outcomes. Most of the enduring negative contributions to the CESEE exposures stemmed from reduced intra-group funding to subsidiaries. At the same time, only a small percentage of groups expanded their intra-group funding to CESEE subsidiaries. This process is expected to continue at the same pace over the next six months (Figure 4b). Most parent banks report that they have maintained their capital exposure to their subsidiaries and expect to continue to do so. This time the survey detects a slight upturn in the banking groups reporting an increase in their capital exposure to the region (Figure 4b). Looking at the next six months, the net balance of total exposure to the region is expected to plunge back into negative territory. The recent developments highlight a certain degree of volatility compared to the recent past. Therefore, negative and positive expectations should be interpreted with caution at the current stage of the economic and financial cycle.

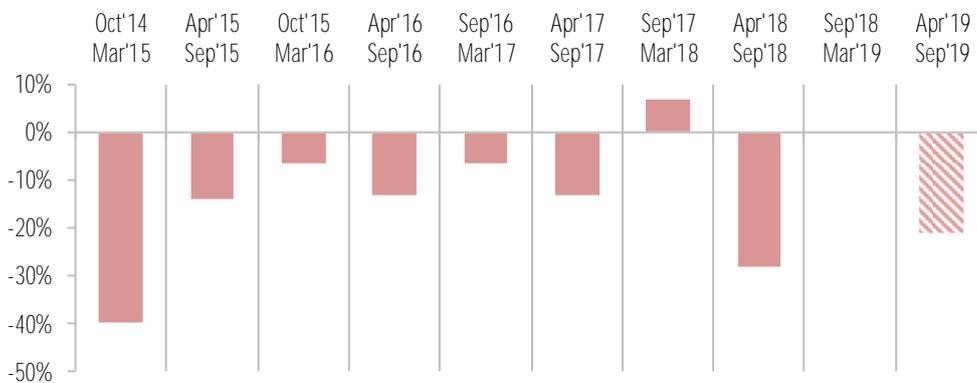
Figure 4a **Groups' total exposure to CESEE**



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.

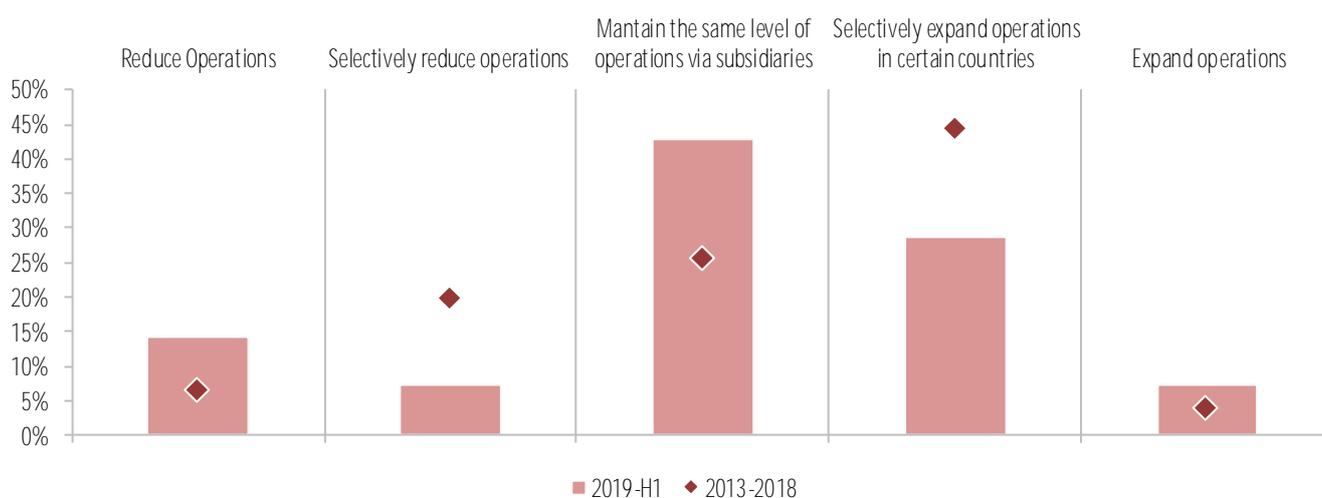
Note: Cross-border operations involving CESEE countries – see questions A.Q8 – net percentages; negative figures refer to decreasing exposure – questionnaire in the Annex

A large majority of banking group strategies continues to be tilted toward expansion stability. This is also supported by the profitability (RoA) of CESEE operations largely defined as higher than that of the overall group. On the other hand, roughly 20% of banking groups report a combination of diminishing regional returns and intentions to reduce operations. All in all, the assessment of market prospects shows continued stabilisation in the region with improved positioning, but enduring diversified potential and profitability across countries.

Around 80% of international banking groups reported higher return on assets (RoA) of the CESEE operations than overall group operations over the last six months, reinforcing a positive trend that emerged in 2016. Nonetheless, around a fifth of groups report lower regional RoAs than their global RoAs, reflecting a persistent subset of banking groups which continue to point to positive but diminishing returns in the region versus the group. Cross-border banking groups signal an intention to expand operations selectively in the region (Figure 5). Nevertheless, they continue to discriminate in terms of countries of operation as they reassess their country-by-country strategies. Around 35% of the groups have a medium- to long-term strategy of selective expansion of operations (less than before) whilst about 45% of groups intend to maintain the same level of operations in the region (more than before). Around 20% of banking groups, predominantly (but not exclusively) those based in Greece, indicated that they might reduce operations in the long term. Market potential continues to differ across countries with some tentative signs of realignment, whilst positioning seems to have improved across the board, settling at medium levels (Annexes A.4 / A.5).

The assessment of market prospects essentially shows results similar to the previous wave of the survey, thus suggesting a stabilisation at somewhat improved levels compared to one or two years ago. Surveyed banks see the market potential (Annex A.8 for data on low market potential) as being low in Ukraine only. Some marginal signs of low market potential are reported for Albania, Bosnia-Herzegovina, Croatia, 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 remain comfortable with the scale of their operations in the majority of markets. 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 the case in Romania, Serbia, Slovenia and Ukraine. Conversely, no weak positioning is detected in Poland. 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). Except for the countries with profitability on balance higher than group levels, the percentage responses indicating low profitability range between a minimum of 20% and a maximum of 60%. Spikes of low profitability are detected in Ukraine but also in Albania, Bosnia and Slovenia, whilst in other countries the low profitability share revolves around 20% to 30%.

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

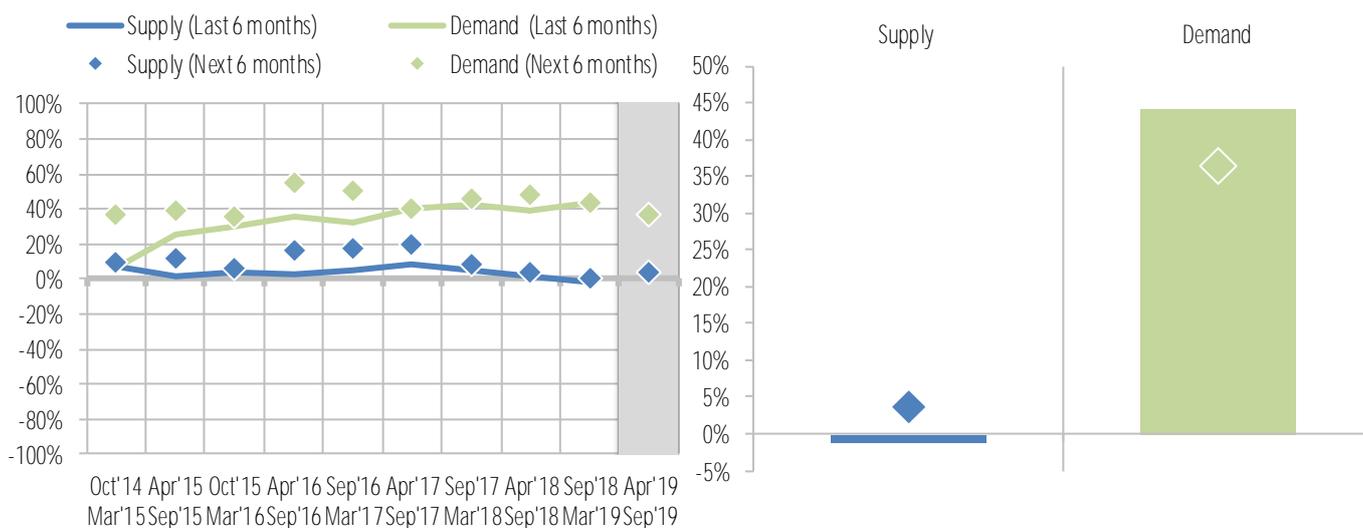
Results of the Bank Lending Survey – Local banks/subsidiaries

CESEE subsidiaries and local banks report a robust increase in demand for credit, whilst supply conditions did not ease. Investment contributed significantly to pushing up demand for loans. At the same time, almost no contribution was recorded from restructuring activities.

In the last six months, demand for loans and credit lines continued to increase robustly in net balances (Figure 6). These results mark the thirteenth consecutive half-year of increased demand for credit, an improvement partially aligned to the expectations embedded in the autumn 2018 release of the survey. Contrary to the recent survey waves, this time there was no disconnect between expectations and actual realisation. For the eighth time in a row all factors influencing demand made a positive contribution (see Annex A.1). Working capital accounted for a large share of the demand stemming from enterprises. Contributions to demand from investment exerted a significant positive impact, being among the highest positive contributors. This continues to indicate a strong economic cycle coupled with a macroeconomic and financial environment conducive to investment. Corporate and debt restructuring as well as M&A basically did not contribute to propelling demand, and all stand currently near zero. Housing- and non-housing-related consumption also continued to make robust and positive contributions to demand. Consumer confidence continues to exert a positive effect, although lower than in previous waves of the survey.

Supply conditions did not ease over the past six months. Across the client spectrum, credit standards eased somewhat in the enterprise segment including SME lending and less in the household segment. Only consumer credit recorded slight easing, whilst credit standards continued to tighten on mortgages (Annex A.3). Supply conditions did not ease on short-term loans and tightened slightly on long-term loans, primarily in foreign currency. In the period ahead, banks expect continued expansion in credit demand. 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) is expected to be more robust than from households (see Annex A.2). Aggregate supply conditions are expected to ease slightly (see Annex A.3). The general terms and conditions of loan supply to the corporate segment loosened over the past six months, primarily in terms of maturity and size of the loans. On the other hand, collateral requirements did not ease. Optimism on the demand side is still frustrated by the protracted stagnation of supply-side conditions, leaving a noticeable perceived gap between demand and supply. Nevertheless, aggregate credit growth for the CESEE region is in positive territory. This may suggest that most of the new credit extended should, on average, be of a

Figure 6 Total supply and demand, past and expected development



Source: EIB – CESEE Bank Lending Survey.

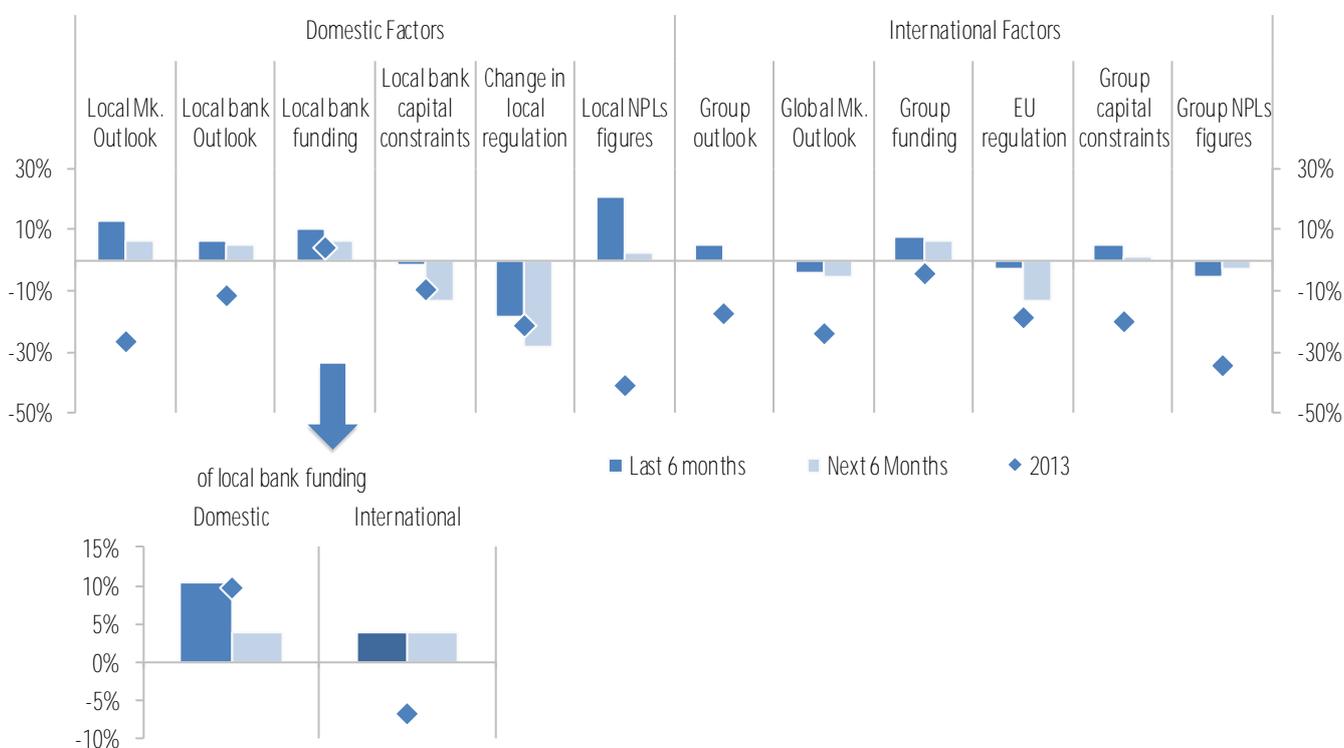
Note: Net percentages; positive figures refer to increasing (easing) demand (supply) (triangles refer to expectations derived from previous releases of the survey, lines report actual values and dotted lines expectations in the lastst one) – see questions B.Q1 and B.Q5 – questionnaire in the Annex

better quality than in previous credit cycles because credit standards did not change/eased substantially.

**The domestic regulatory environment is constraining supply conditions. Moreover, groups' NPLs and the global market outlook also play a slightly tightening role.** However, their negative contribution is very small and has diminished over time. On the other hand, most of the domestic and international factors no longer limit supply.

The number of domestic and international factors limiting supply has decreased substantially compared to 2013 (Figure 7). However, the latest survey release shows that volatility in the regulatory environment remained a primary limiting element at domestic level. As in previous surveys, neither access to domestic funding nor the domestic outlook are considered a constraint, nor are other factors previously weighing negatively, including domestic NPLs. Fewer international factors are playing a constraining role compared to 2013. Nonetheless, group NPLs and the global market outlook are mentioned as having a limited negative effect on credit supply conditions. 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.

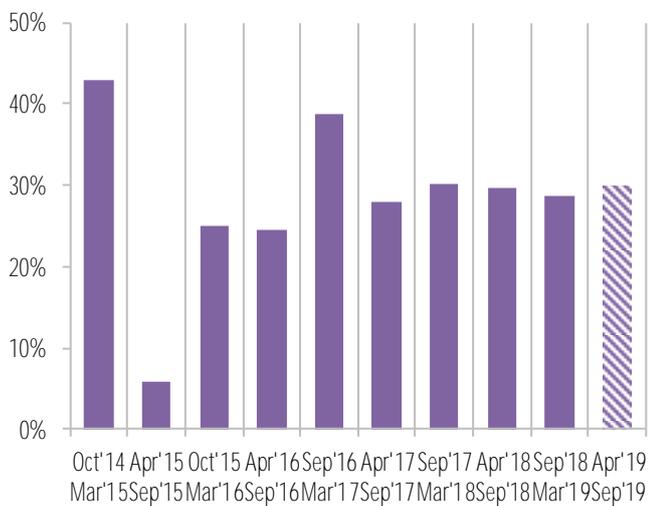
Note: Net percentage: positive figures refer to a positive contribution to supply – see question B.Q4 – questionnaire in the Annex

Access to funding continued to ease in the CESEE region, supported mostly by local sources and IFIs. Again, intra-group funding is also assisting these positive developments. Long-term funding also began again to be a positive contributor.

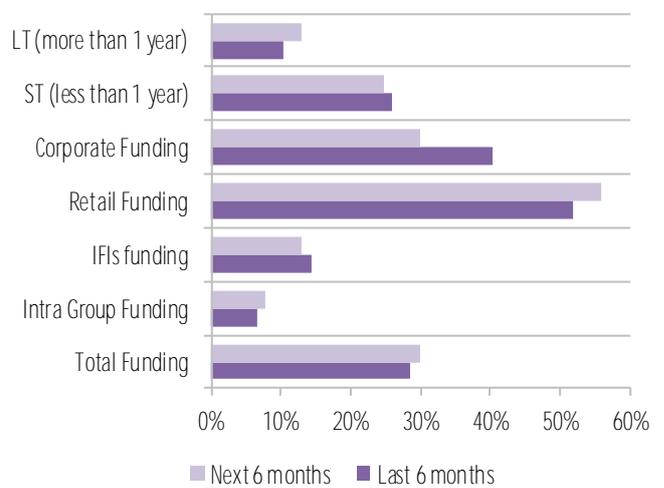
Easy access to retail and corporate deposits supports a positive outlook (Figure 8). In addition, CESEE subsidiaries report easier access to short-term funding as making a positive contribution to overall funding activities. Longer-term funding conditions have also eased, reversing the limited contribution reported in the previous survey waves. Subsidiaries indicate that access to international and intra-group funding increased on balance during the past six months. This is a positive signal of additional **shareholders' support to the region**.

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.

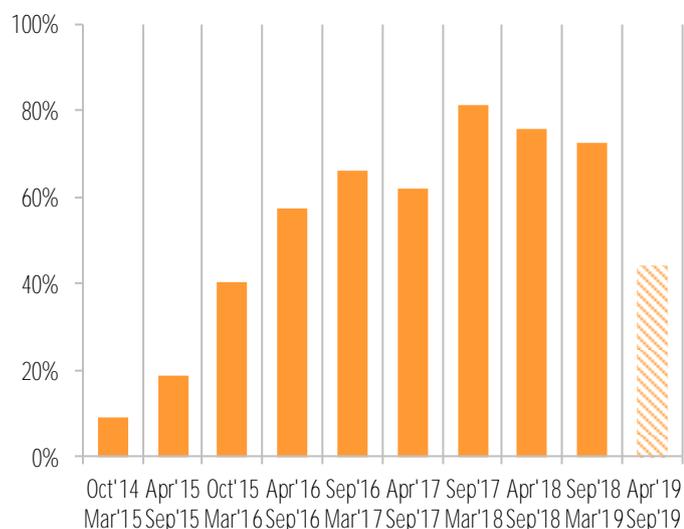
Note: Net percentage: positive figures refer to an easing of access to funding – see question B.Q9 – questionnaire in the Annex

Starting from high NPL levels, credit quality has continued to improve, albeit less than earlier in the credit cycle. This trend is expected to continue over the next six months.

The deterioration in NPL ratios has been reversing over time, as already demonstrated a few 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 ninth 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 was around 5%. This figure is substantially lower than the 60% reported in the September 2013 survey release. Overall, the share of subsidiaries indicating a decline in their NPL ratios currently stands at roughly 80%. Nevertheless a slightly larger number of banks expect an increase in NPLs over the next six months.

Figure 9. Non-performing loan ratios

Developments over time



Last run of the survey



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 continues to show slightly upbeat expectations prevail. The CESEE strategy continues to pay off as reflected in increased regional profitability. A positive, but selective, approach to the region continues to be part of the global strategies. Regional supply conditions did not improve, whilst demand for loans was robust. In addition, exposures to the region are hovering around zero, with ample swings during the recent past.

Supply conditions did not ease over the past six months. Aggregate credit demand conditions continued to be robustly positive across the board. Positive demand remains frustrated by continuing cautious behaviour in supply conditions, suggesting that new credit should, on average, be of a better quality than in previous cycles. Very few factors still constrain credit standards, whilst access to funding has been easing significantly across the board, including for intra-group funding. Broadly speaking, the survey reveals the appeal to international groups of their CESEE operations and strategy as reflected in the regional profitability levels - mostly described as being above group profitability - and in satisfactory overall positioning. At the same time, cross-border exposure to the region was hovering around zero, reflecting ample swings during the recent past.

# 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

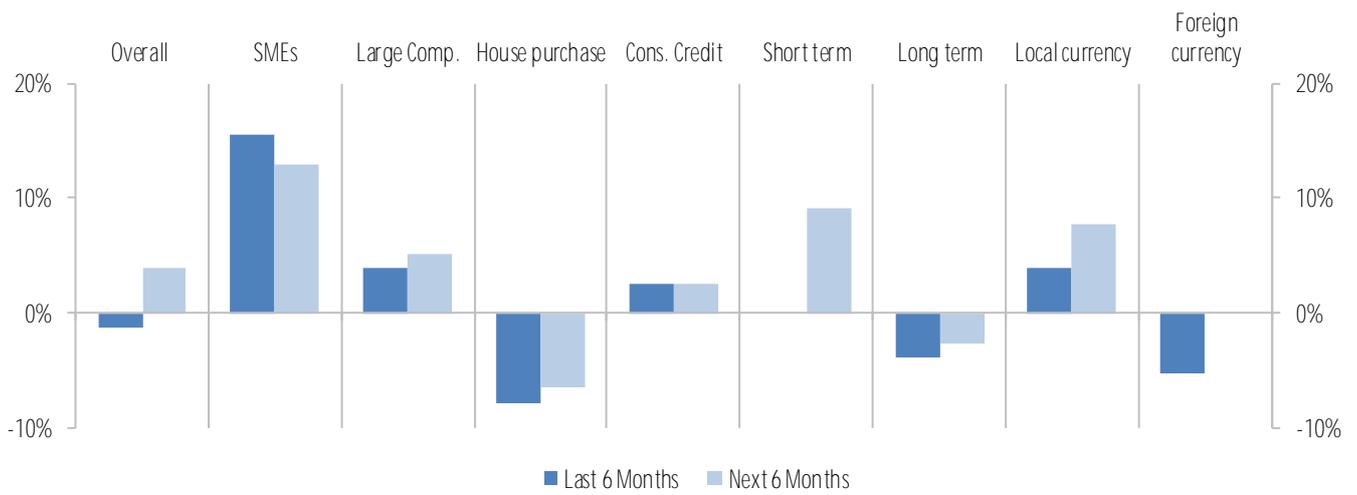
## Annex A.2 Demand for loans or credit lines – client breakdown



Source: EIB – CESEE Bank Lending Survey.

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

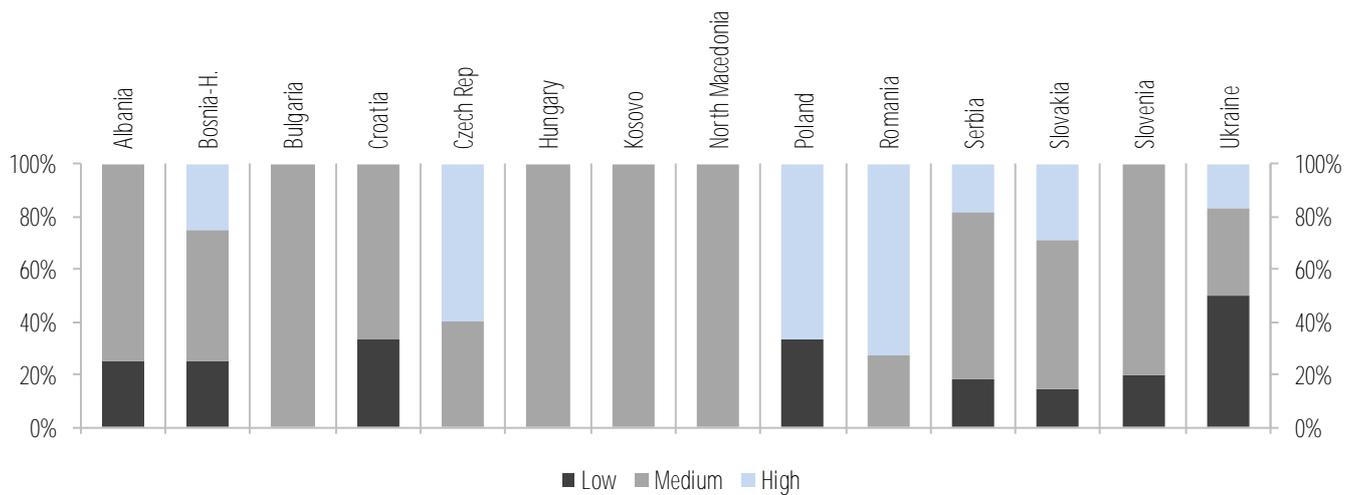
Annex A.3 Credit supply (credit standards) – client breakdown



Source: EIB – CESEE Bank Lending Survey.

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

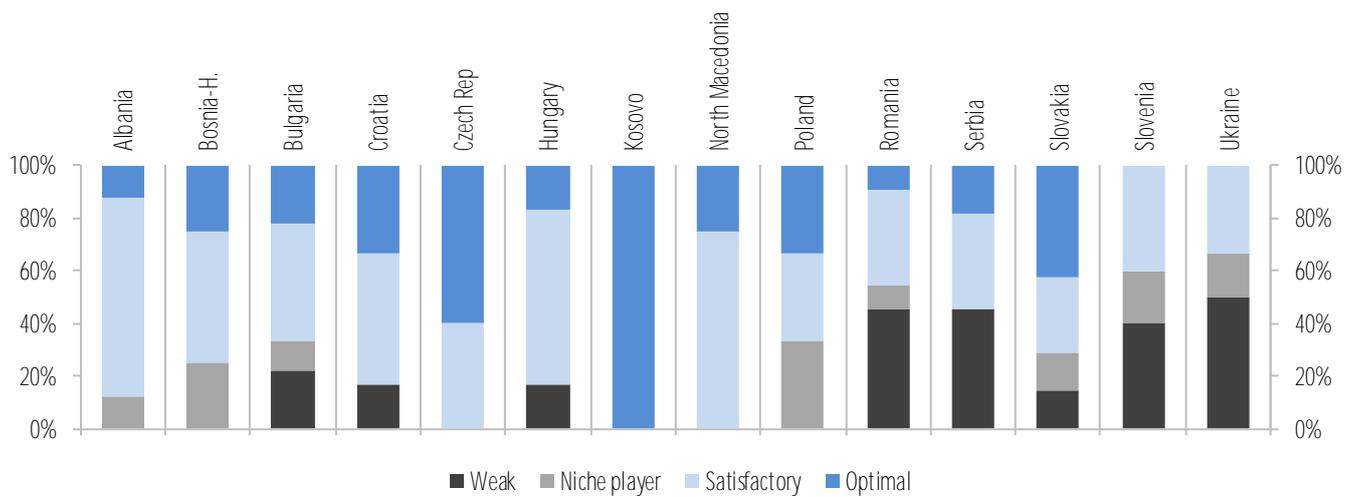
Annex A.4 Market potential



Source: EIB – CESEE Bank Lending Survey.

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

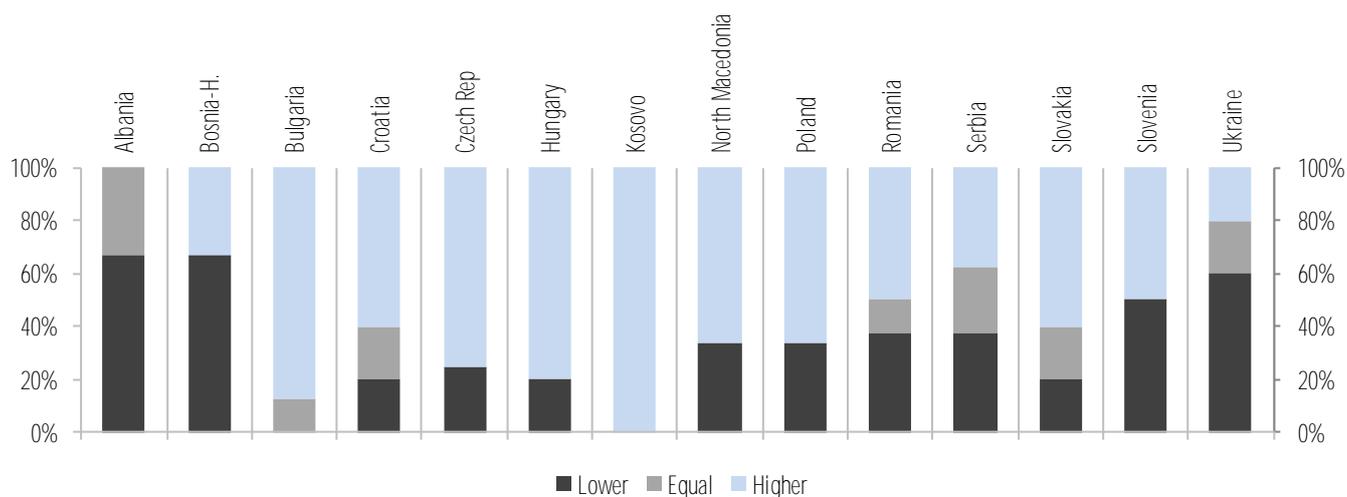
Annex A.5 Market positioning



Source: EIB – CESEE Bank Lending Survey.

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

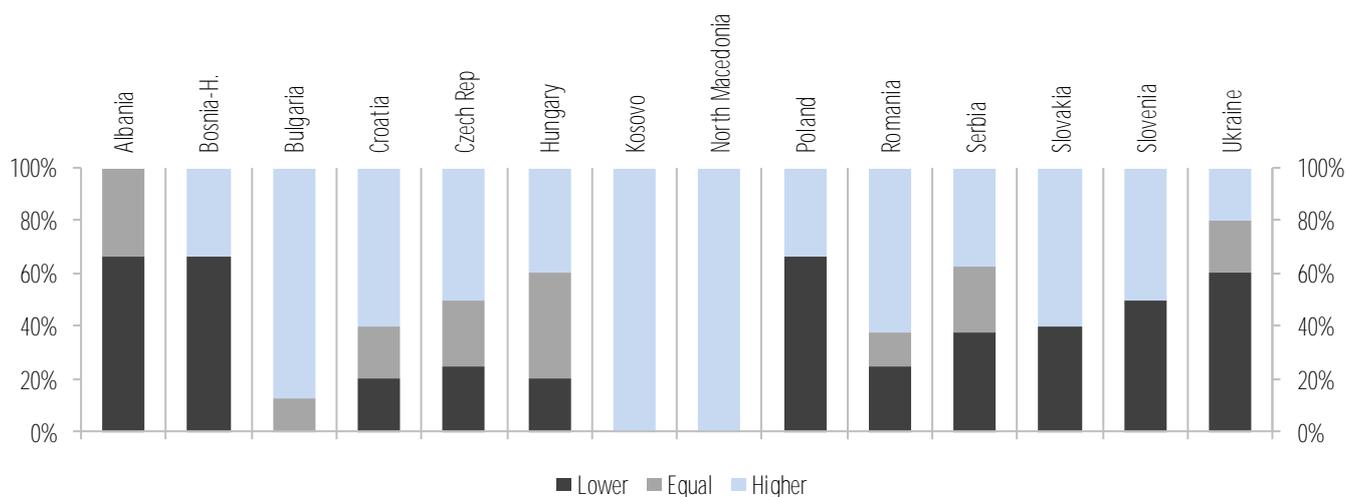
Annex A.6 Return on assets (adjusted for cost of risk) compared to overall group operations



Source: EIB – CESEE Bank Lending Survey.

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

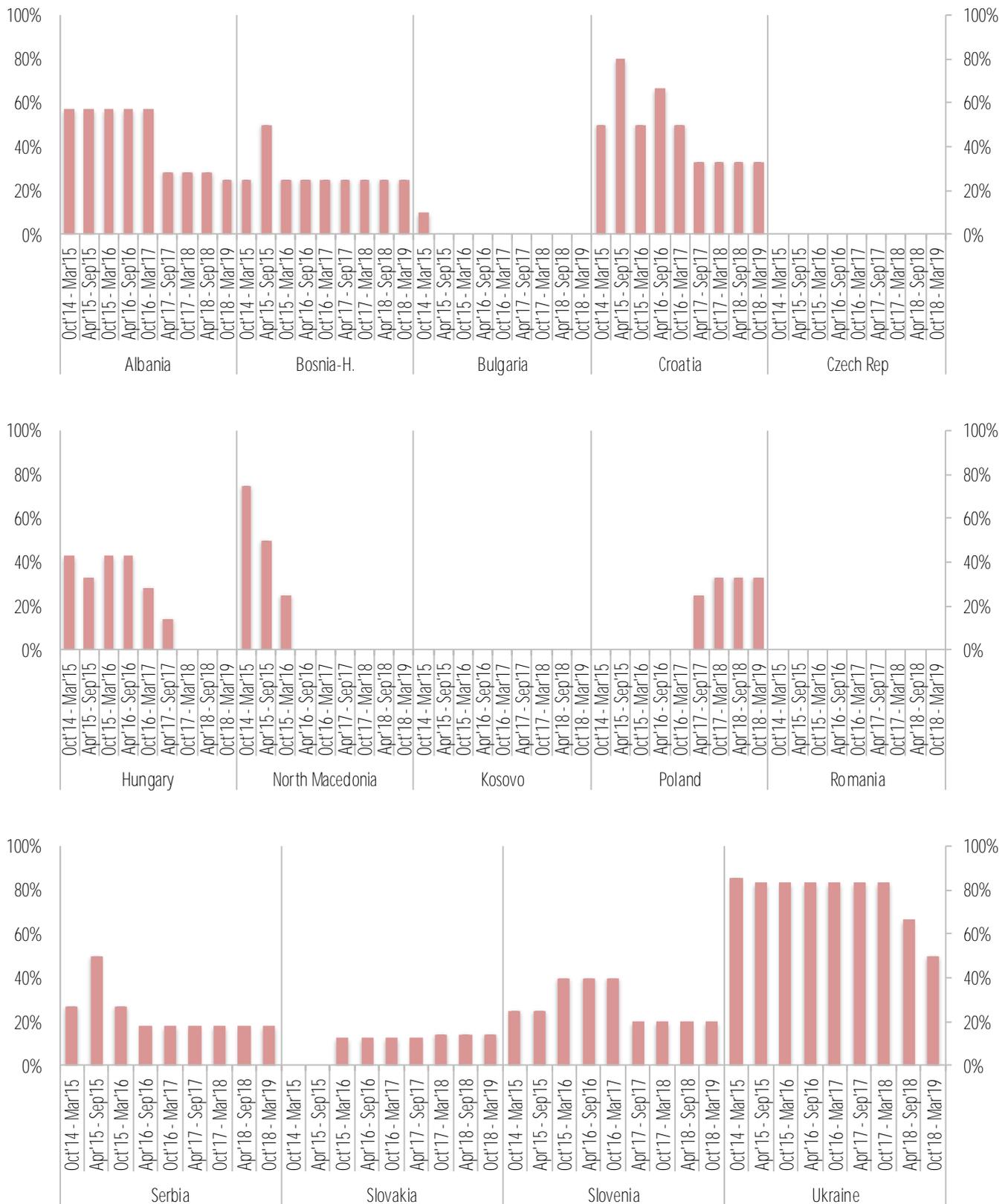
Annex A.7 Return on equity (adjusted for cost of equity) compared to overall group ROE



Source: EIB – CESEE Bank Lending Survey.

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

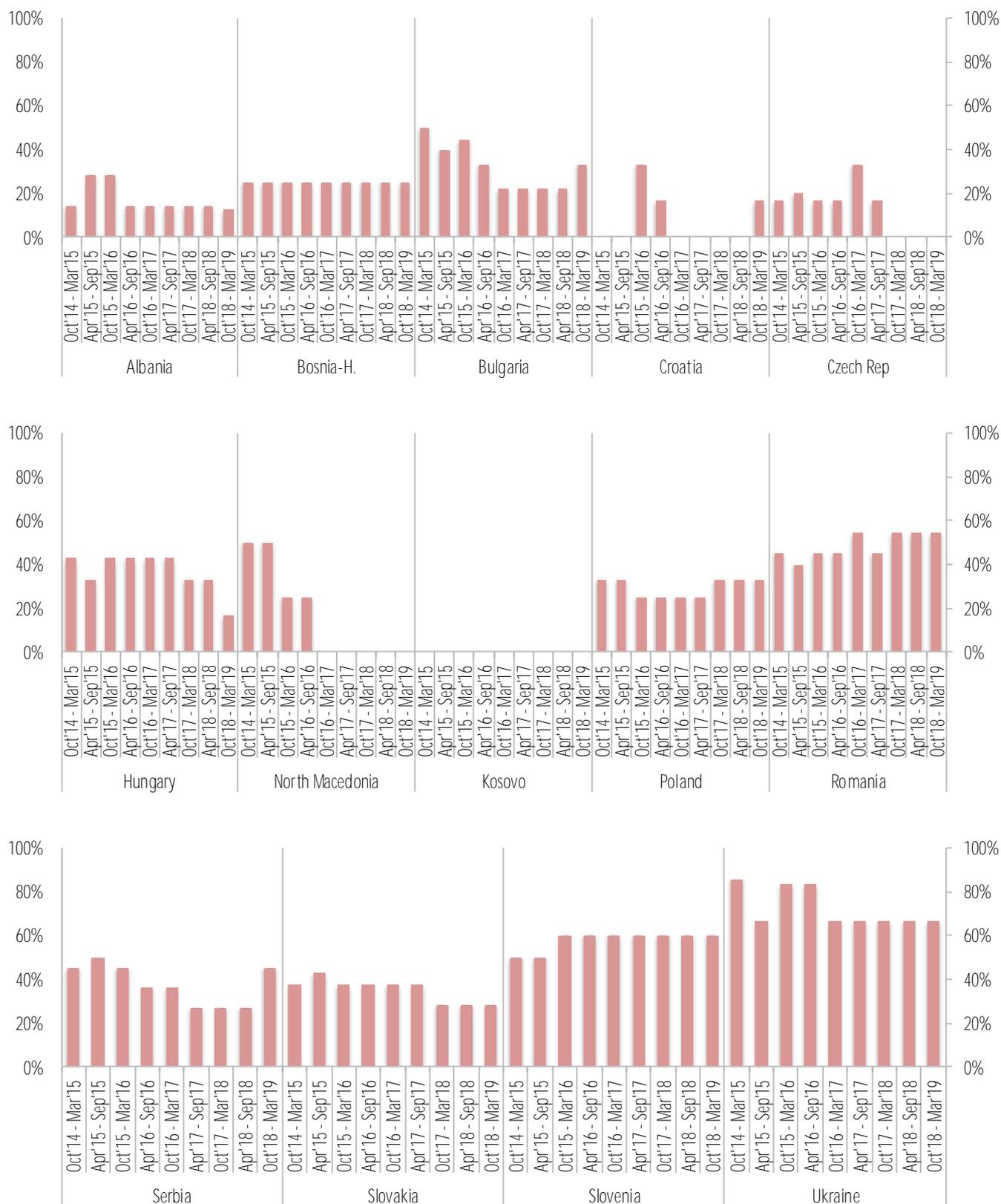
Annex A.8 **Share (%) of parent banks indicating a “low” market potential**



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

*Banks report an increase in credit demand while supply conditions turned again neutral. NPL ratios continued to improve. Nevertheless, they are still among the highest in the region. Most of the banks report profitability to be lower than that of the overall group level.*

## Summary

Group assessment of positioning and market potential: majority of parent banks consider the Albanian market to have medium potential and operations less profitable than those at group level. At the same time, most of the parent banks find their positioning satisfactory.

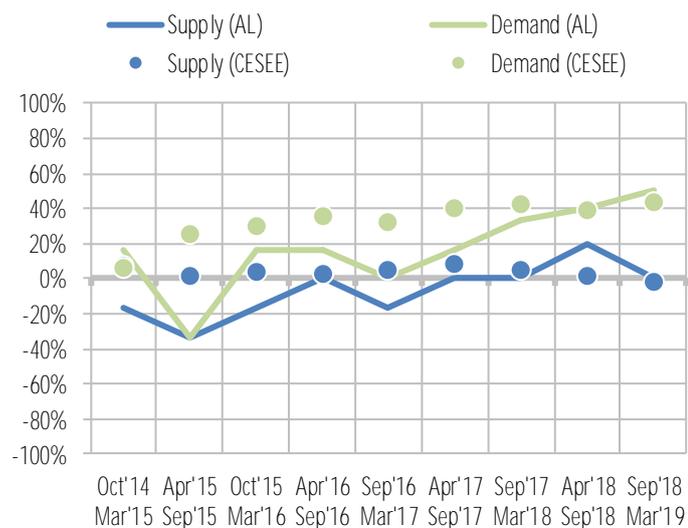
Credit demand in Albania has been gradually improving, while supply conditions turned again neutral after some softening six months ago. Banks expect credit demand to keep the positive trend, albeit moderating.

Credit supply conditions are lagging behind credit demand, very much in line with the CESEE region. While supply conditions have eased for consumer loans, tighter conditions have been applied to corporate loans.

Demand for loans in Albania have been broad-based among segments with a slightly higher demand from corporates in the last six months. The quality of loan applications continued to improve across the board.

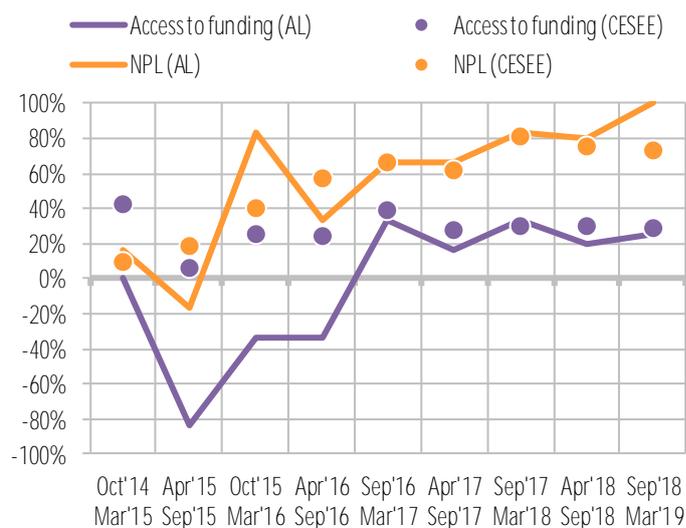
Access to funding in Albania improved further on the back of better access to inter-bank money market and, on a lesser extent, to IFI's funding, retail deposits and intra-group funding.

NPL ratios have been improving and this trend is expected to continue in both corporate and retail segments 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

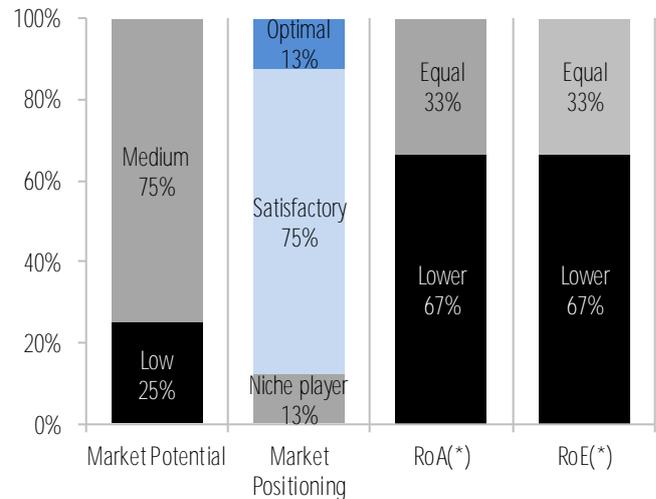
The continuous write-down of bad loans and the sluggish lending activity have been weighting negatively on bank profitability.

A large majority of international banking groups reported a lower return on both equity and assets for Albanian operations than for overall group operations, contrary to the relatively higher profitability of CESEE operations. The share of firms declaring lower profitability is the highest also in the Western Balkan region.

Moreover, one fourth of parent banks declared that the market potential in Albania is rather low and 13 percent of them reported as being a niche player.

Still, some three quarter of the parent banks consider the Albanian market to have medium potential and satisfactory market positioning. Furthermore, 13 percent of parent banks see their market positioning as even 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.

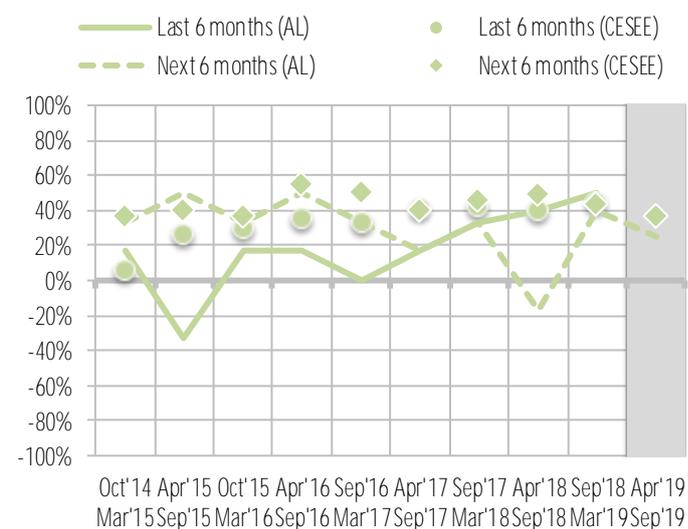
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Demand for loans in Albania came just according to the expectations and slightly improving compared to the last six months.

Demand kept a positive trend of the last two years. This is in line with the still positive macroeconomic outlook of the country that should also result in higher financial penetration from the current low level (33% of total private loans to GDP as of Q1 2019).

Figure 2 Demand side developments



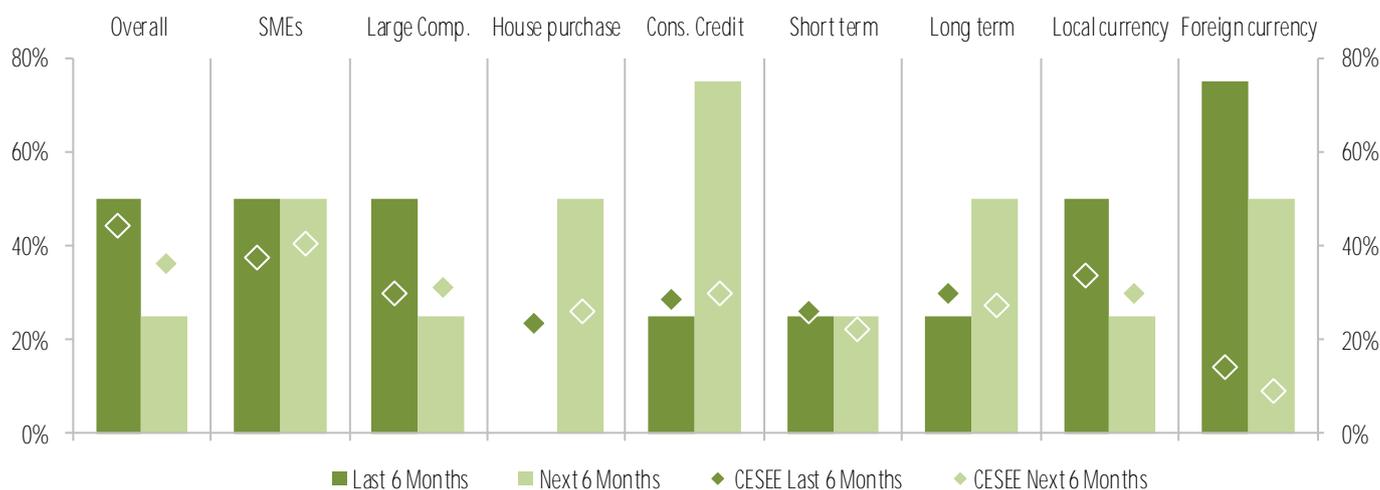
Source: EIB – CESEE Bank Lending Survey.

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

### Figure 3 Demand components and segments

Demand for loans increased more in the corporate segment, while demand for household loans was driven by consumer credit. Contrary to the regional trend, survey data shows a preference towards borrowing in foreign currency denominated loans.

For the next six months, the increasing trend is expected to continue for all segments, with consumer credit is anticipated to contribute the most to the upward trend.



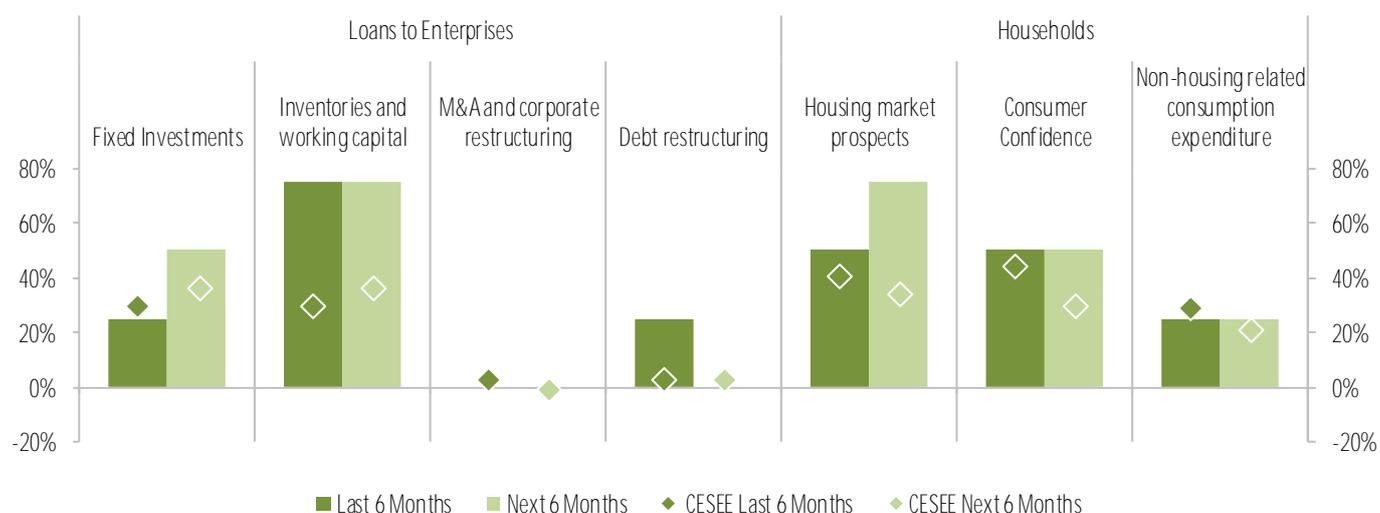
Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

Just in line with the regional trend, all household factors contributed positively to demand for loans. The dominant driver of loans to enterprises is the working capital financing but fixed investment has also a positive contribution. Debt restructuring has still generated some demand, above the CESEE average.

Regarding expectations, all the current positive factors are projected to keep their positive contribution for the next six months, except debt restructuring, that is expected not to affect the demand, in line with the regional trend.

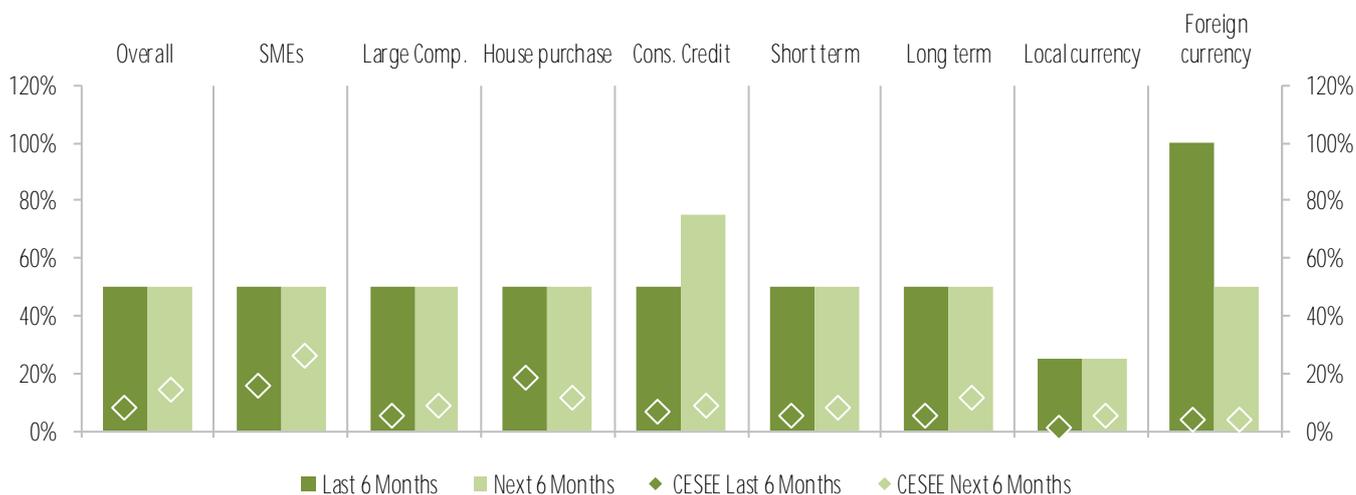


Source: EIB – CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The perceived quality of loan applications have been improving further during the last six months across all loan segments. The strongest enhancement has been registered in the foreign currency loans. Over the next six months, quality of loan applications is expected to improve further on all categories of loans.



Source: EIB – CESEE Bank Lending Survey

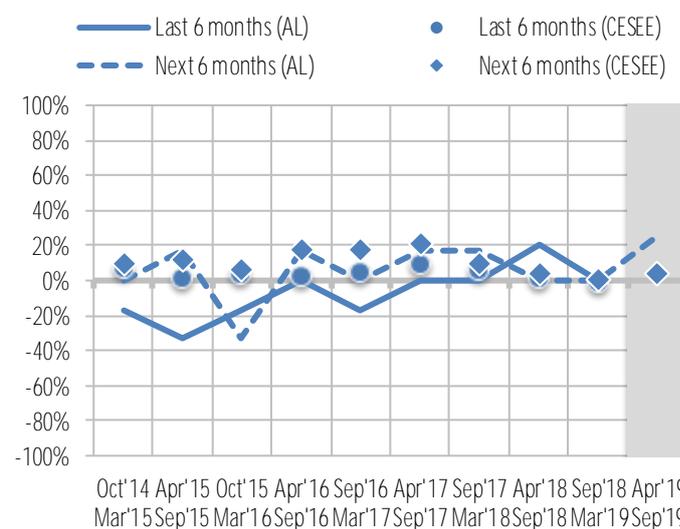
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit standards turned again neutral after the first positive evolution registered six months ago. The current trend is just in line with the CESEE average.

**Banks' expectations** on credit standards for the next six months is more optimistic, with some easing above the CESEE average.

Figure 6 Supply developments

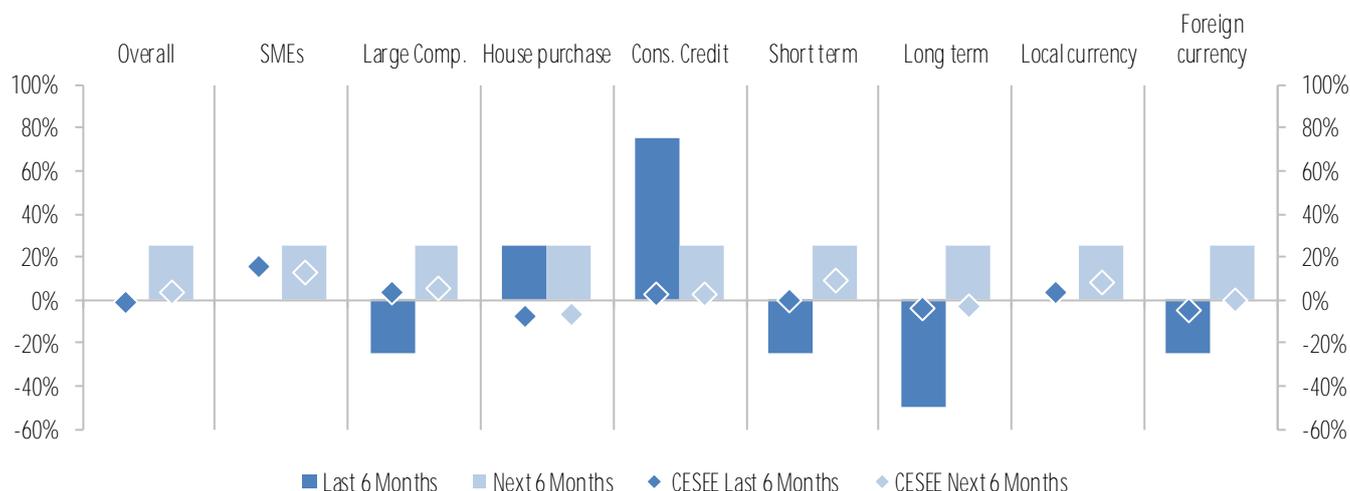


Source: EIB – CESEE Bank Lending Survey.

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**

Overall credit supply conditions stayed neutral, while they tightened for large corporates and eased for households, especially on consumer loans. Looking ahead, banks expect lending conditions to ease slightly on all segments of loans and above the CESEE average.

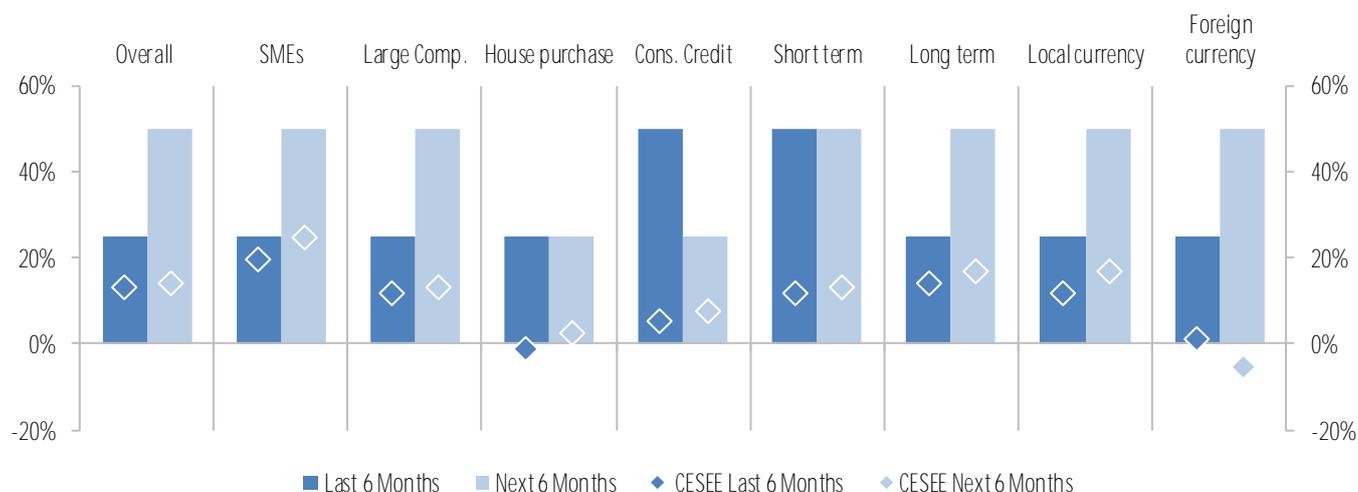


Source: EIB – CESEE Bank Lending Survey

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 rate increased during the last six months, above the CESEE average. The highest approval rate have been registered for short-term consumer loans. Over the next six months, an even higher approval rate is expected, driven by corporate segment.



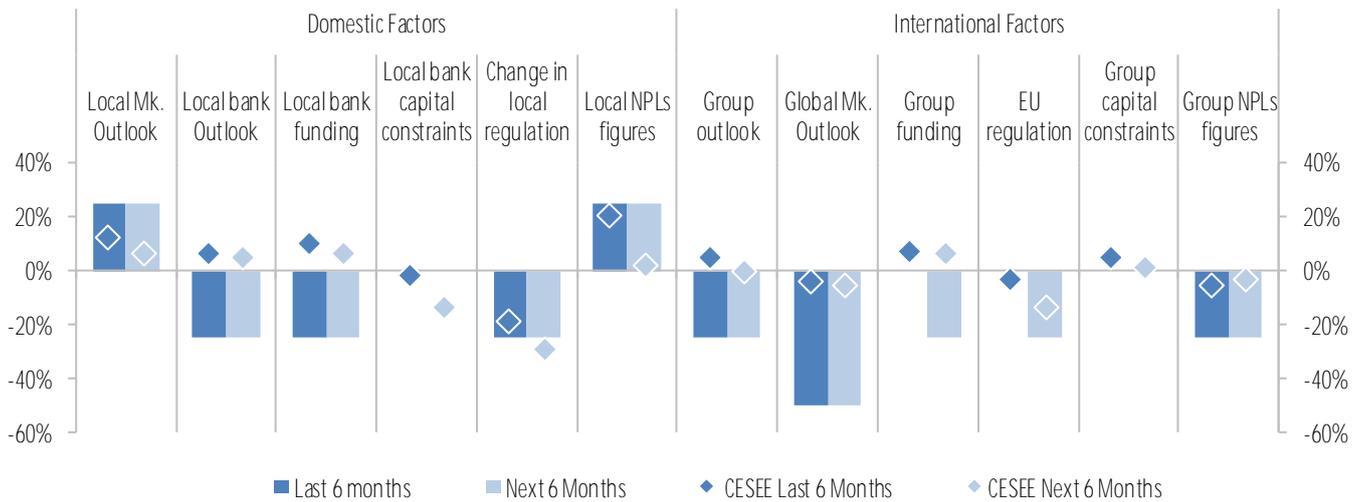
Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Change in local regulation continues to weight negatively on credit supply conditions in Albania, while local bank funding and local bank outlook turned negative from previous positive assessment. Local market outlook and local NPLs evolution contributes positively to the supply conditions.

All international factors, but group funding and EU regulation, have had a negative contribution to lending conditions. The group and local bank outlook turned negative for the first time after three years. The same contribution is expected 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, even above the CESEE average, for both corporate and retail loans.

Despite the continuous improvement since end-2014, from the peak of 25 percent to 11.1 percent at the end of 2018, the NPL ratio is still among the highest in the CESEE region.

Further improvement is expected for the next six months.

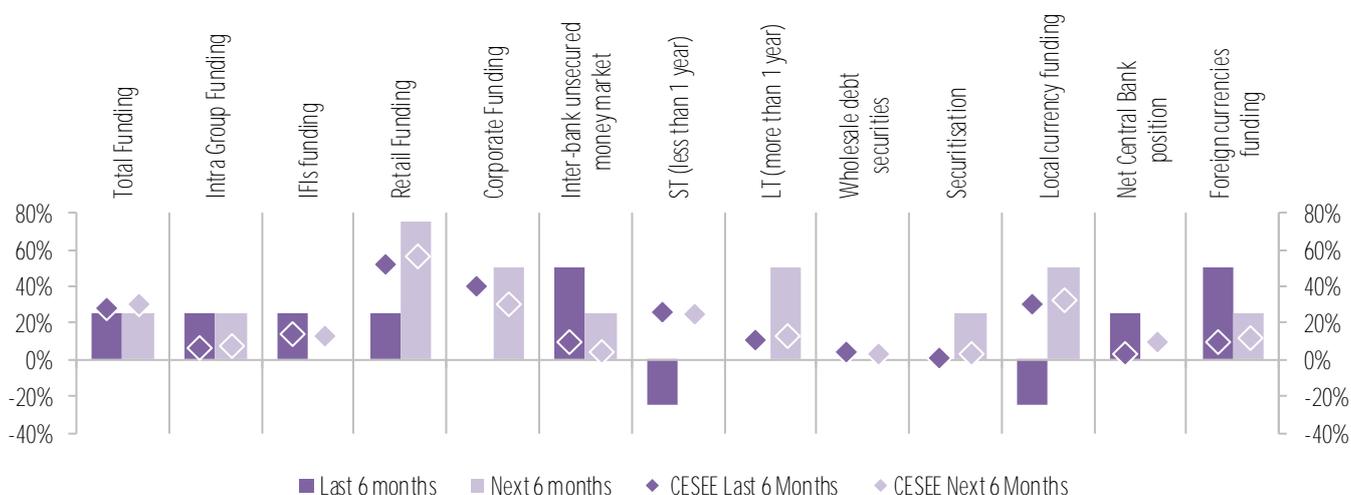


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Bank funding in Albania has improved slightly in the last six months mainly supported by the interbank money market, while intragroup funding, domestic retail deposits and IFIs funding contributed also positively. Over the next period, domestic retail and corporate funding are expected as a major source of bank funding.



Source: EIB – CESEE Bank Lending Survey.

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



# Bosnia-Herzegovina

*Credit demand and supply remained on the positive trend coupled with a narrowing demand-supply gap. Nevertheless, profitability is among the weakest in the region, according to parent banks' assessment.*

## Summary

Group assessment of positioning and market potential: half of the parent banks operating in Bosnia and Herzegovina report a medium potential for the local market. The same share of respondents indicates a satisfactory positioning in the market. Also, a slightly higher share of parent banks', compared to previous assessment, consider market potential high. Still, profitability have deteriorated during the last year. Two third of the banking groups find that profitability of Bosnian operations are marginally lower, compared to overall group operations.

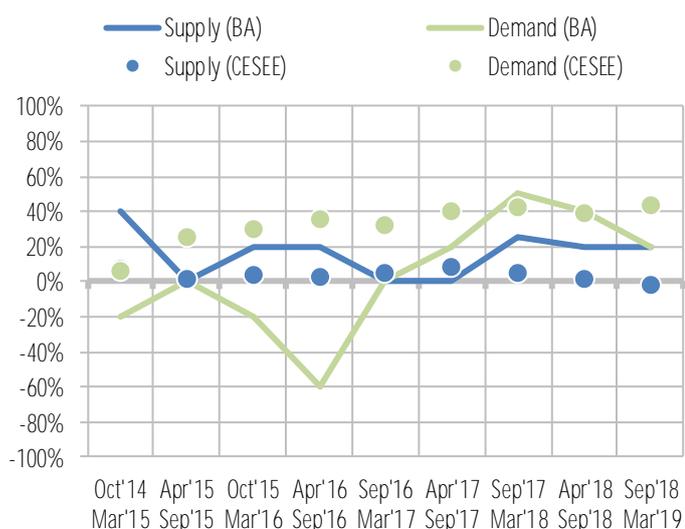
Demand for loans have kept the positive trend although moderating further during the last six months, with a broad-based support from both corporate and housing segments.

Credit supply conditions eased for the third time and above the CESEE average. Banks approval rate has improved across the board. Nevertheless, local bank capital constraints, change in local regulation and NPL figures at the group level were still considered as a drag to credit supply.

Unlike the regional trend, loan demand in Bosnia-Herzegovina has been lagging behind credit supply. After the upturn in 2017, both demand and supply conditions are expected to improve further.

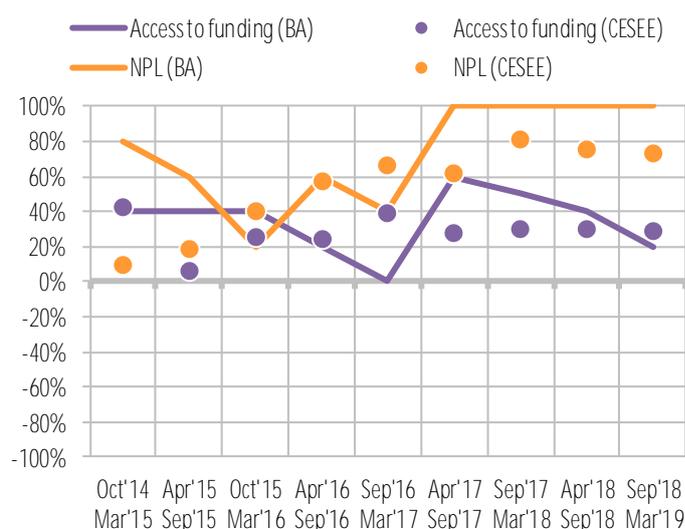
Access to funding: an improvement has been broad-based across different sources, with better access to IFIs funding and domestic retail and corporate funding.

NPL figures have been improving strongly during the last two years and are expected to continue this trend 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

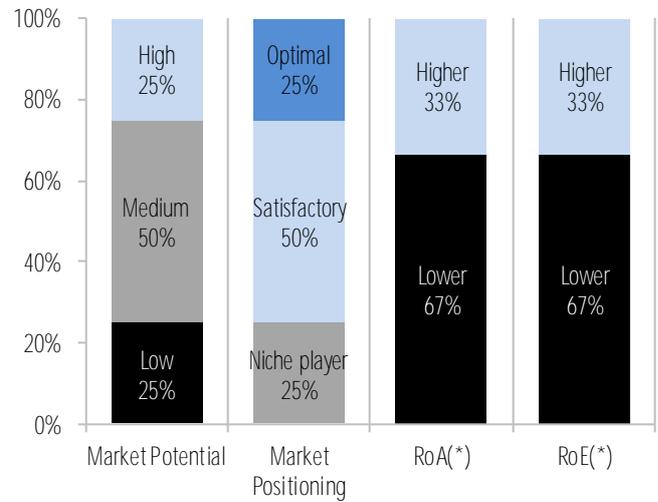
## Results of the Bank Lending Survey – Parent banks level

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

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

Profitability have deteriorated, however, compared to the previous year. Two third of the banking groups find that returns on both assets and equity are marginally lower, compared to overall group operations, while the same share reported a higher than group level profitability one year ago.

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.

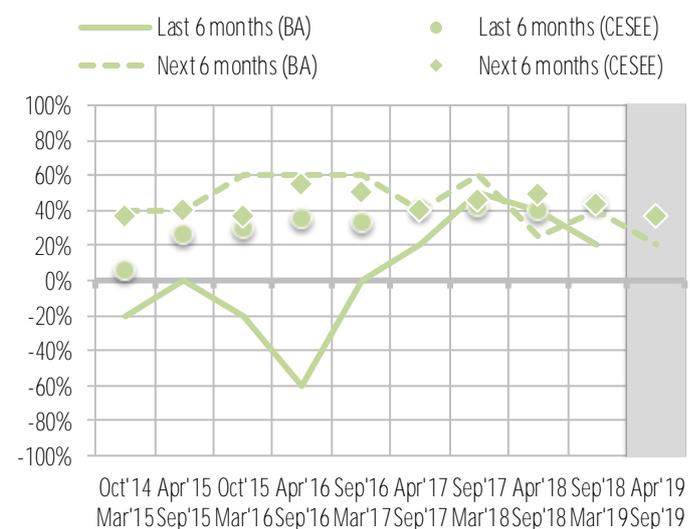
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Demand for credit have improved during the last two years, although slightly decelerating during the last six months and positioning below expectations.

Banks expect further positive developments in the coming months, slightly below regional trend.

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 improvement in the loan demand remained broad-based among corporates and households. All segments have contributed to the increasing demand, except foreign currency loans. There is a clear preference for long-term and local-currency loans. Over the next six months, banks expect a continuation of the positive trend, slightly 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

Among the factors affecting credit demand, housing market prospects and consumer confidence were the main drivers of the demand. Over the next period, all factors are expected to contribute positively to credit demand.

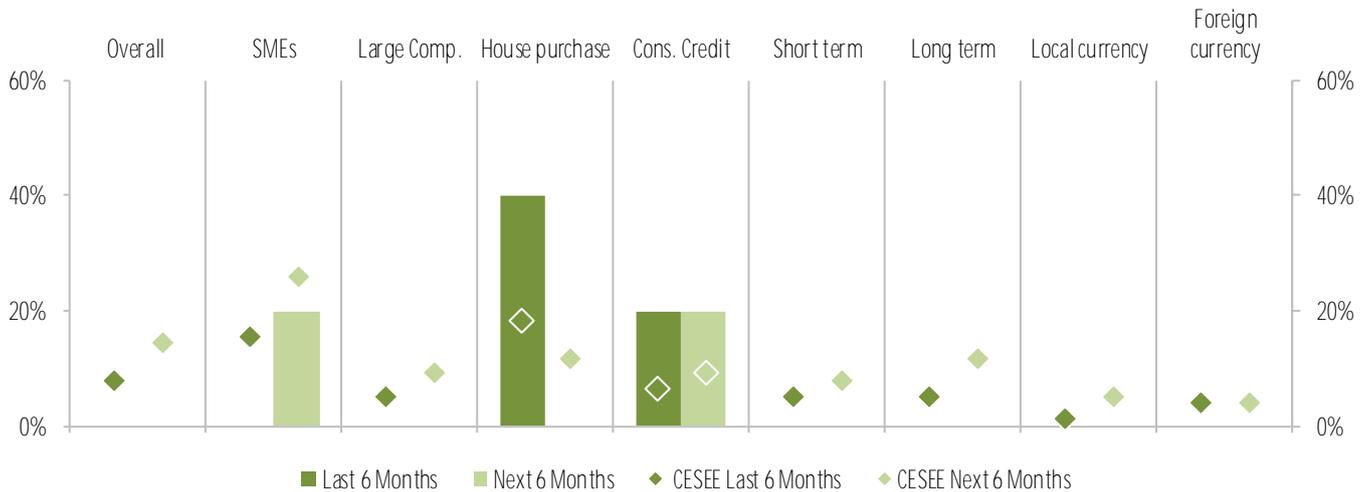


Source: EIB – CESEE Bank Lending Survey.

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 loan applications in Bosnia and Herzegovina has remained unchanged during the last six month, while it recorded an improvement for the CESEE region as a whole. Still, it improved for household loans, both for house purchase and consumer credit. For the next six months, quality of applications is expected to remain unchanged on the balance (lagging the CESEE improvement), while improvement is expected for SMEs loans and consumer credit.



Source: EIB – CESEE Bank Lending Survey

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

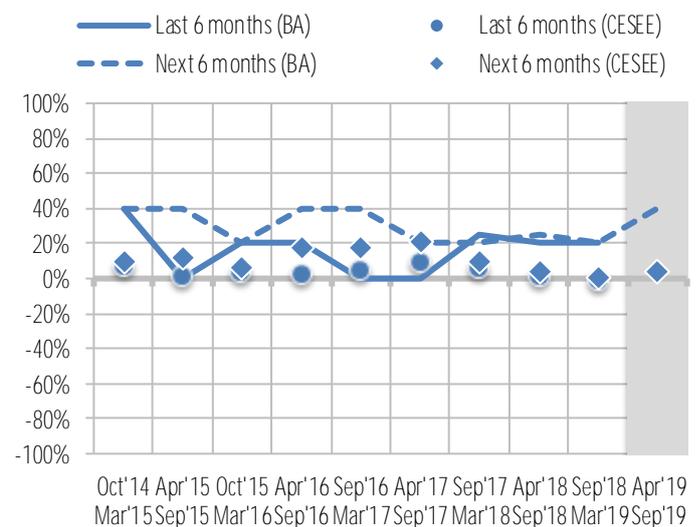
**Aggregate supply developments**

Supply conditions have continued to ease during the last six months.

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

Supply conditions are expected to ease further in the next six months, above the CESEE region.

**Figure 6 Supply developments**

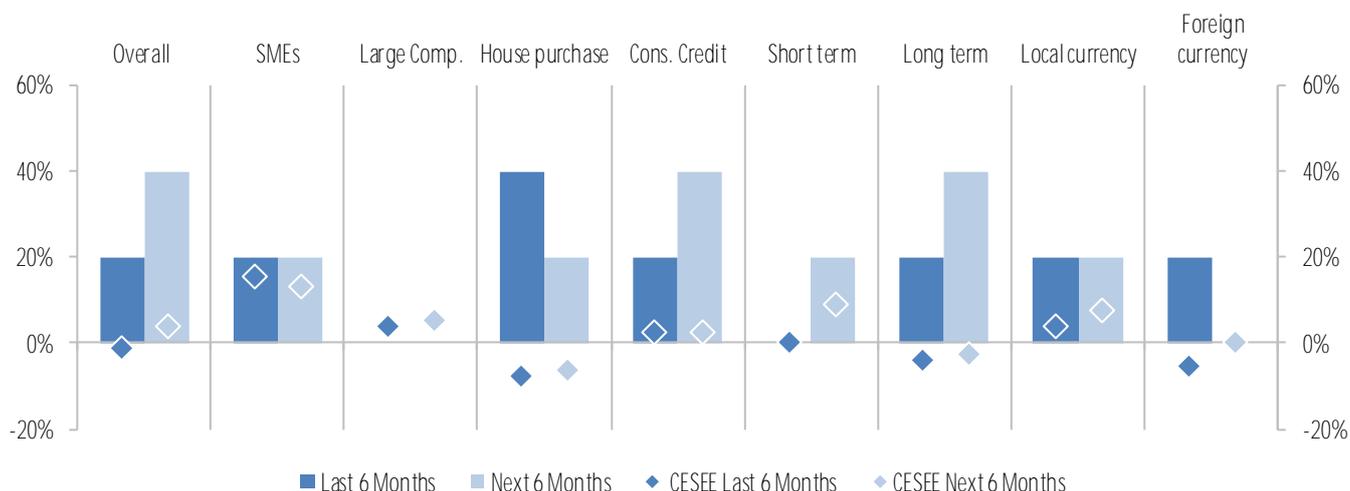


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 7 Supply components and segments**

Credit standards have eased during the last six months for all segments, except for large companies and short-term loans. Looking ahead, local banks expect further easing, especially for consumer credit and long-term loans.

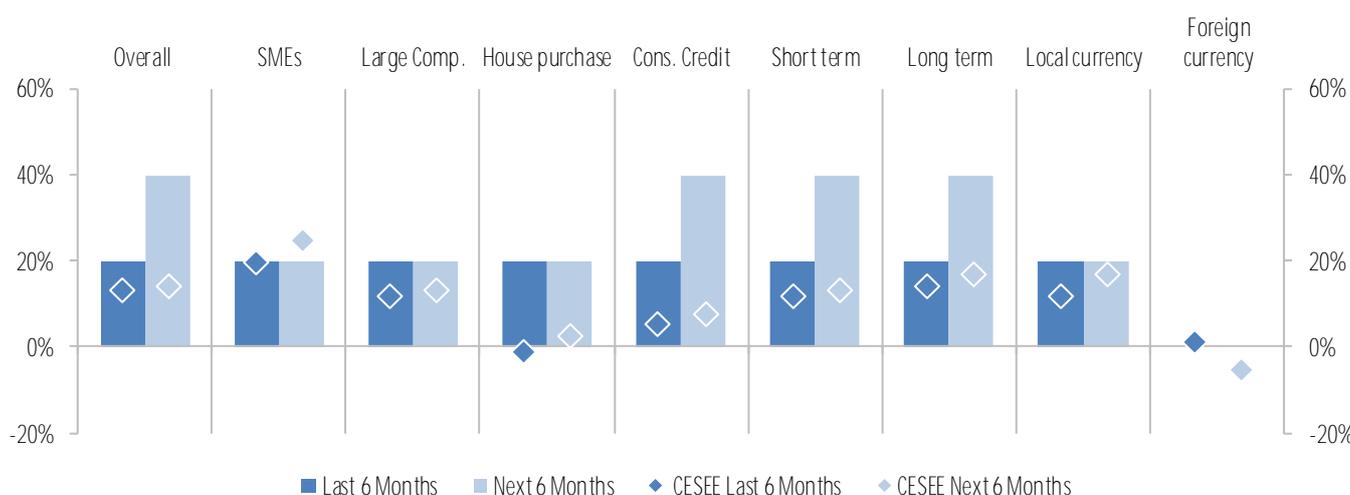


Source: EIB – CESEE Bank Lending Survey

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**

The loan approval rate in Bosnia and Herzegovina has been improving during the last six months and further improvement is expected. All segments benefited from a higher approval rate, except foreign currency loans. Over the next six months, the same pattern is expected with a relatively higher improvement for consumer credit.



Source: EIB – CESEE Bank Lending Survey

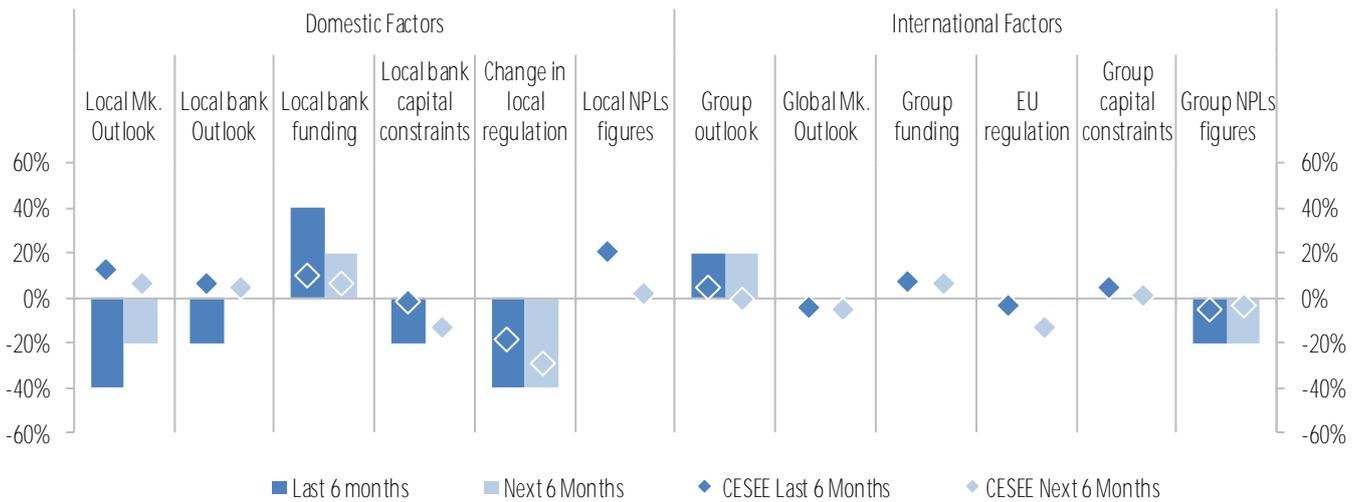
Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9** Factors contributing to supply conditions

Local bank funding remains the only positive element among domestic factors while almost all the other domestic factors have been contributing negatively to credit supply conditions in Bosnia and Herzegovina. Local NPL evolution remained neutral.

Among the international factors, group outlook contributed positively to credit supply conditions, while group NPL have been a drag.

In the coming months, the major drag for supply conditions is expected to remain the change in local regulation, the worsening local market outlook and the less favourable NPLs on the group level.



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, outpacing the CESEE region. Although improving, NPL ratio, at 8.8 percent at the end of 2018, is still relatively high on a regional comparison.

Over the next six months, local banks expect a continuation of the positive evolution in NPL ratios.

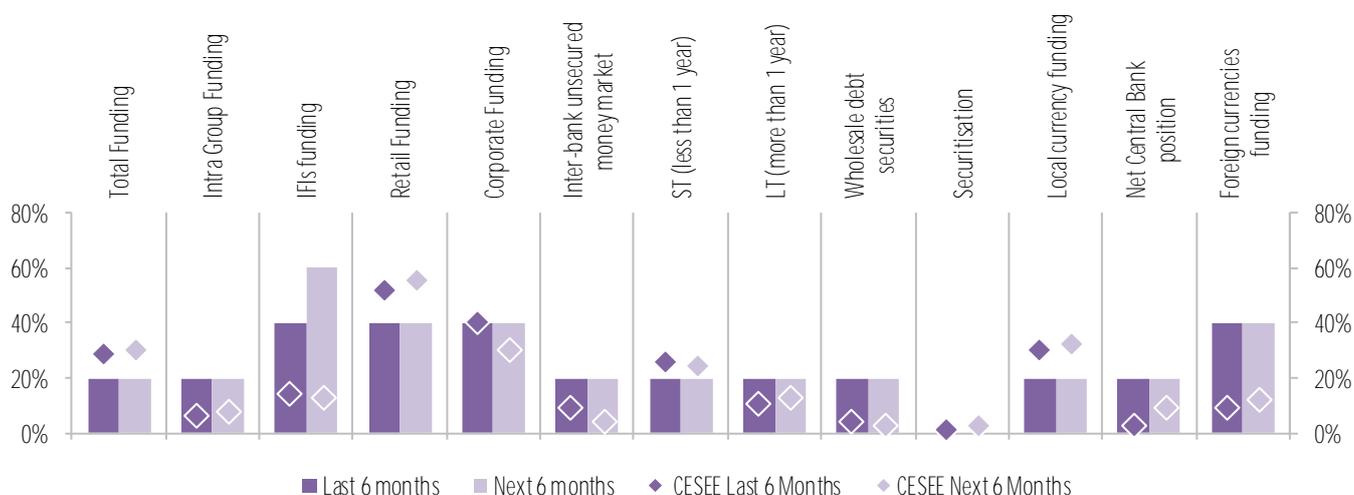


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 11 Access to funding**

Access to bank funding has improved during the last six months. The increase was broad-based across different sources but relatively higher for IFIs funding and domestic retail and corporate funding, while funding from securitisation remained unchanged. Banks in Bosnia and Herzegovina expect further improvement in access to funding over the next six months, keeping the same pattern of the previous period.



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 and increasing credit demand, especially for house purchases and consumer loans.*

## Summary

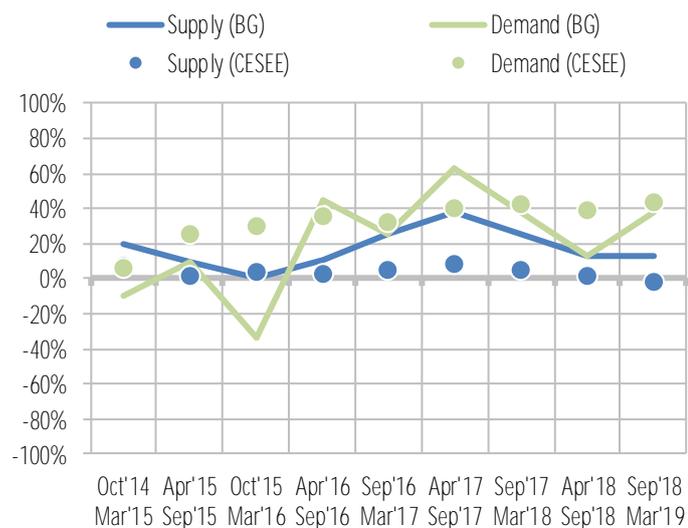
Group assessment of positioning and market potential: Parent banks operating in Bulgaria show a strong commitment towards the region and assess **the country's market potential** as medium. Most parent banks see returns on assets in Bulgaria as high and mostly exceeding those of the overall group. This 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 slightly improved in the last six months, driven mostly by developments in the retail sector, both for consumer and mortgage credit. This improvement is expected to peter out in the next six months, however.

Demand for loans has continued to strengthen, albeit at a more moderate pace, driven mostly by households, especially for house purchases. Demand is expected to stabilise over the next six months.

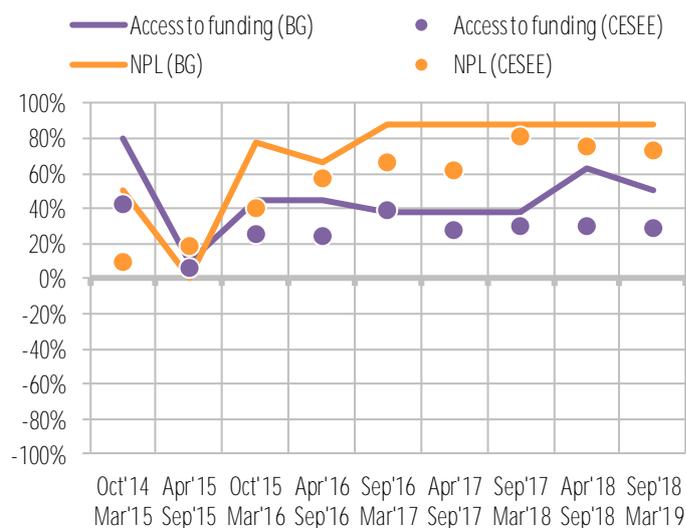
Access to funding has continued improving over the past six months following a multiannual trend. The improvement is mostly due to high and sustained growth of corporate deposits and to a lesser extent of household deposits.

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



Source: EIB – CESEE Bank Lending Survey.

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



Source: EIB – CESEE Bank Lending Survey.

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

## Results of the Bank Lending Survey – Parent banks level

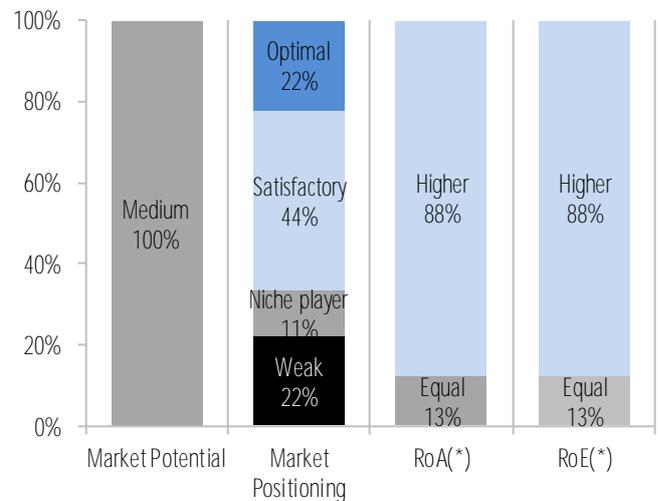
Answers from parent banks have been very stable over the past three years. Nearly 90 per cent of the foreign banks present in the country plan to maintain or expand regional operations, showing strong commitment to the region.

All foreign banks with operations in Bulgaria see a market of medium potential (Figure 1). Following several years of strategic repositioning, the share of banks that consider their market positioning as satisfactory or optimal is high (66 percent), but has come down in the first half of 2019 to levels where it was last seen in 2015.

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

As a result, a majority of parent banks have increased capital exposure to subsidiaries (net 38% of respondents), at the expense of intragroup funding.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

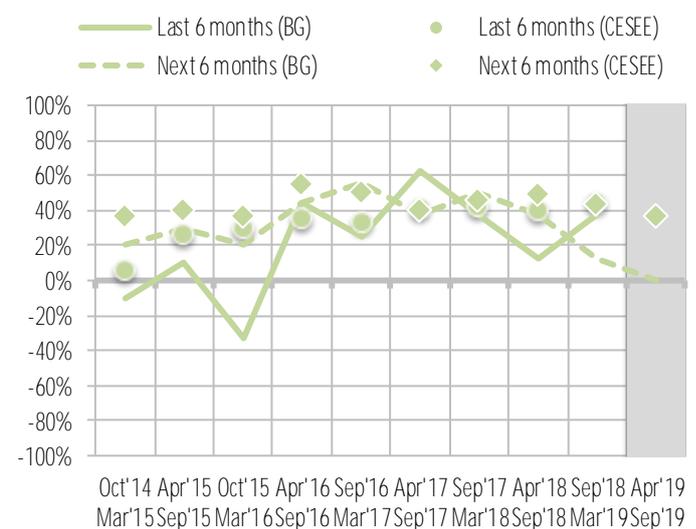
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Changes in demand for loans in Bulgaria in since 2016 have been of a similar magnitude to those in the aggregate CESEE region, but have been more volatile. After a substantial moderation in H1 2018, loan demand picked up again in H2 2018. That said, expectations point to moderating of demand. This moderation comes after a rebound period of two years. Before 2016, credit demand was very weak as economic growth was very slow and there was a protracted period of significant private-sector deleveraging.

The rebound in loan demand is due to increases in both corporate investment and household demand for housing and consumer goods. As economic activity increases in Bulgaria, higher employment, lower unemployment rates and high wage growth increased aggregate disposable income. Growing incomes encouraged loan demand, both from households and from the corporate sector.

Figure 2 Demand side developments



Source: EIB – CESEE Bank Lending Survey.

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

**Figure 3 Demand components and segments**

The household sector continues to be the main contributor to strong loan demand. The corporate sector contributed a little with demand increases due to SMEs. **The increase of households' demand for loans is more pronounced for house purchases than for consumer spending.** In the next six months, demand for consumer credit is expected to keep its growth pace, while demand for mortgage loans should moderate a bit. Strengthening household demand is in line with observed strengthening of aggregate consumer spending and the increase of house prices, as household disposable incomes continue to increase. Corporate demand, however, does not support hopes for a durable recovery in corporate investment.



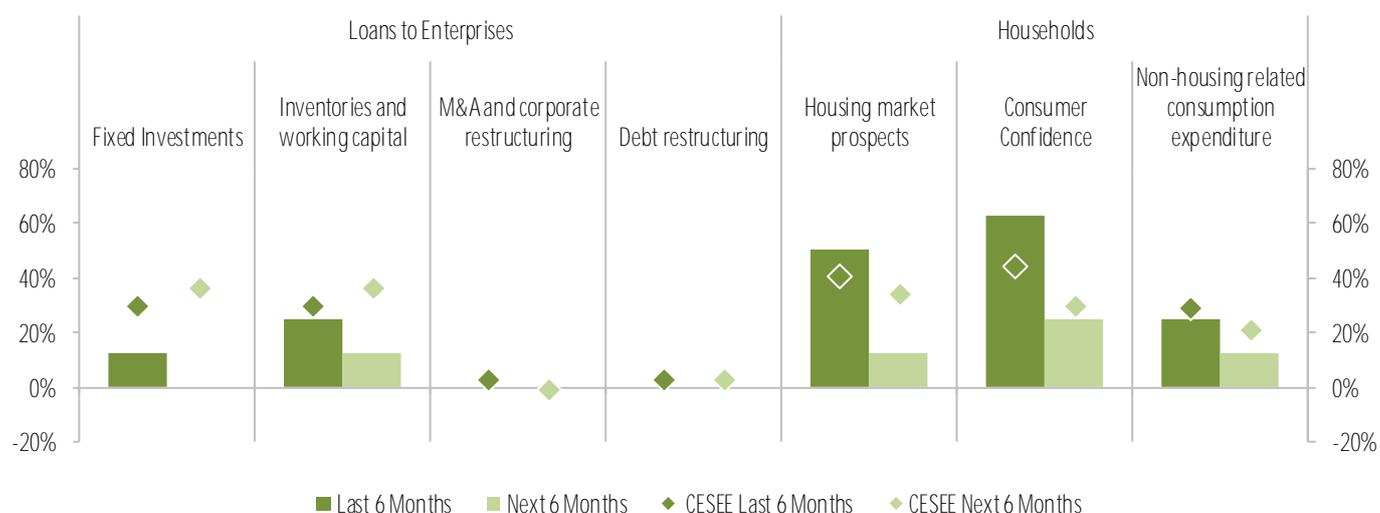
Source: EIB – CESEE Bank Lending Survey.

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

**Figure 4 Factors affecting demand for loans**

Financing of working capital is the main driving force of corporate demand growth, while investment loans had a small contribution. The effect of these two components is expected to decline further in the next six months.

As in the previous survey waves, household demand for loans is buoyed by positive housing market expectations and rising consumer confidence in the last few months. The role of these drivers is, however, expected to moderate in the coming two quarters.

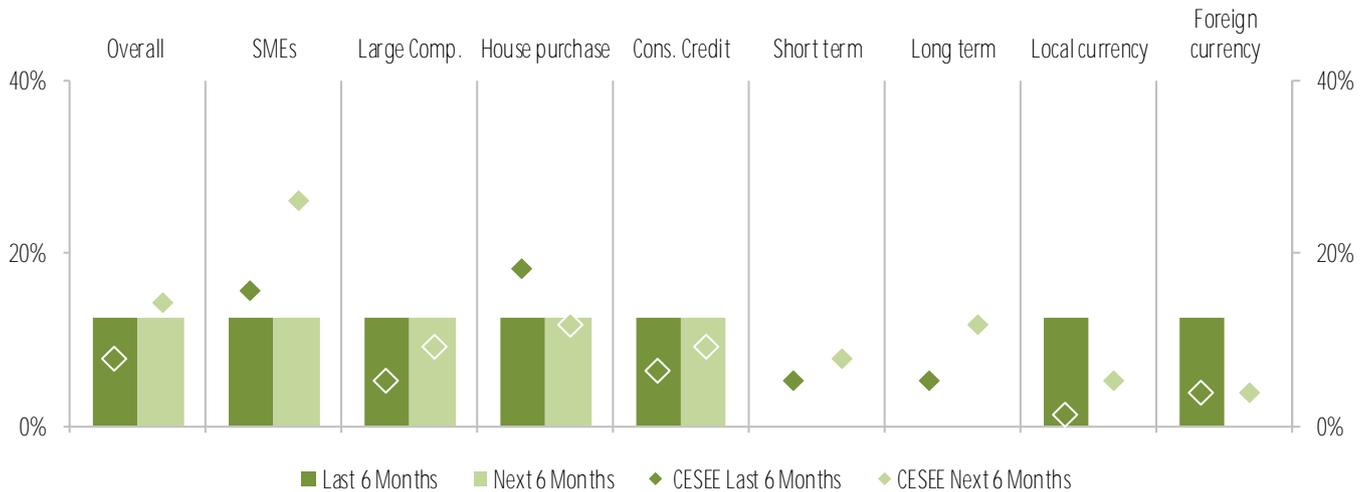


Source: EIB – CESEE Bank Lending Survey.

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 credit demand is accompanied by gradually increasing quality of loan applications both in the corporate and in the retail segment. Overall quality of loan applications should continue to improve across all market segments. These developments are in line with improving economic conditions in the country, growing employment and incomes.



Source: EIB – CESEE Bank Lending Survey

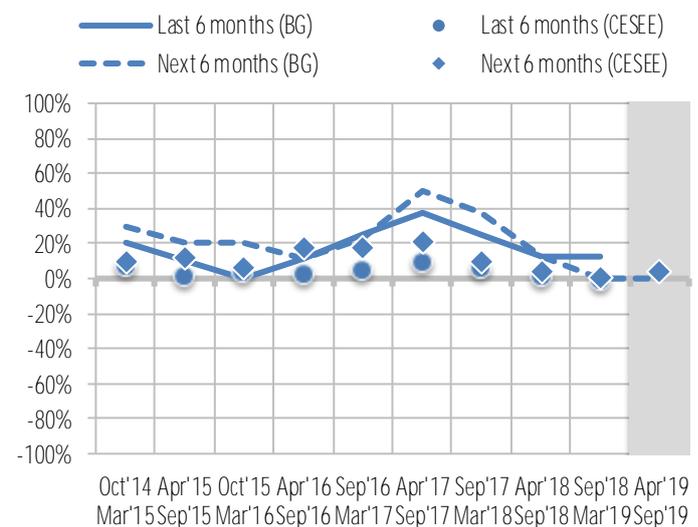
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

After significant improvements in supply in 2017 and early 2018, supply conditions have stabilised in line with developments in the aggregate CESEE region, where credit conditions have been stable over the past two years.

Improving supply conditions are in line with the improving aggregate economy and balance sheets in the Bulgarian banking system. Bulgarian banks have substantially reduced the share of non-performing loans on their books over the past two years, enabling them to relax loan conditions and expand their loan portfolios after years of decline and stagnation.

**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 retail segment continues to make the largest contributions to improving supply conditions. Supply conditions improved the most for both mortgage and consumer loans over the past six months. The corporate sector has also benefitted from some improvements in supply conditions, albeit to a lesser extent. Improvements in the next six months are expected to slow down and stagnate, due to expected stabilisation across market segments.

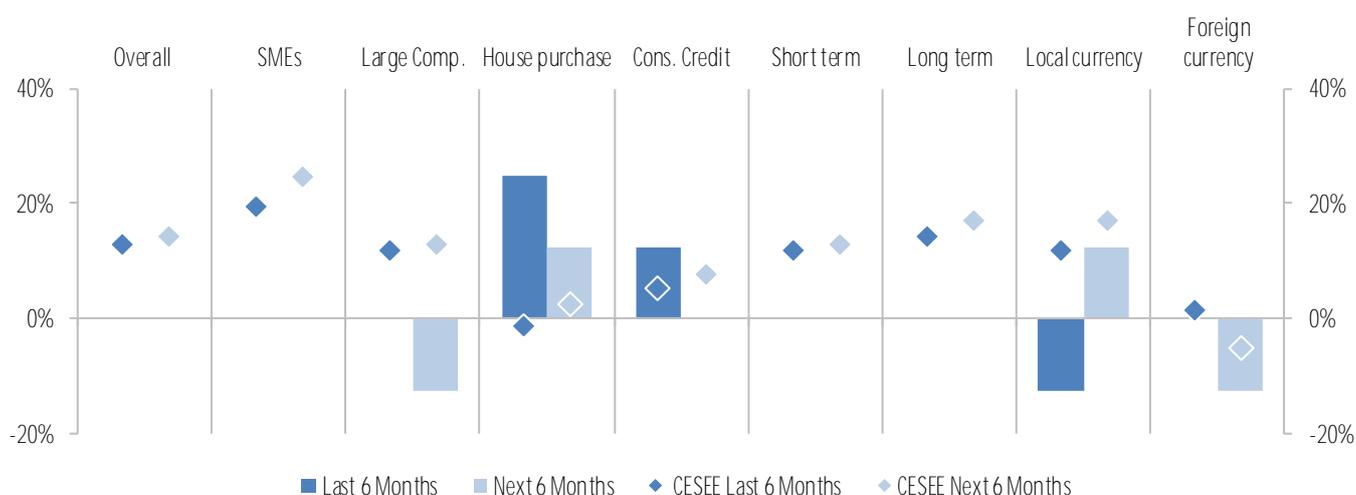


Source: EIB – CESEE Bank Lending Survey

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

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

Approval rates were stable in the past six months. This was due to stable approvals in the corporate segment. The retail sector saw some improvement, but this proved insufficient to affect aggregate perceptoins. Overall approval rates are expected to remain stable over the next six months. Some improvements in mortgage loan approvals are expected to be offset by declines of approval rates for large corporates.

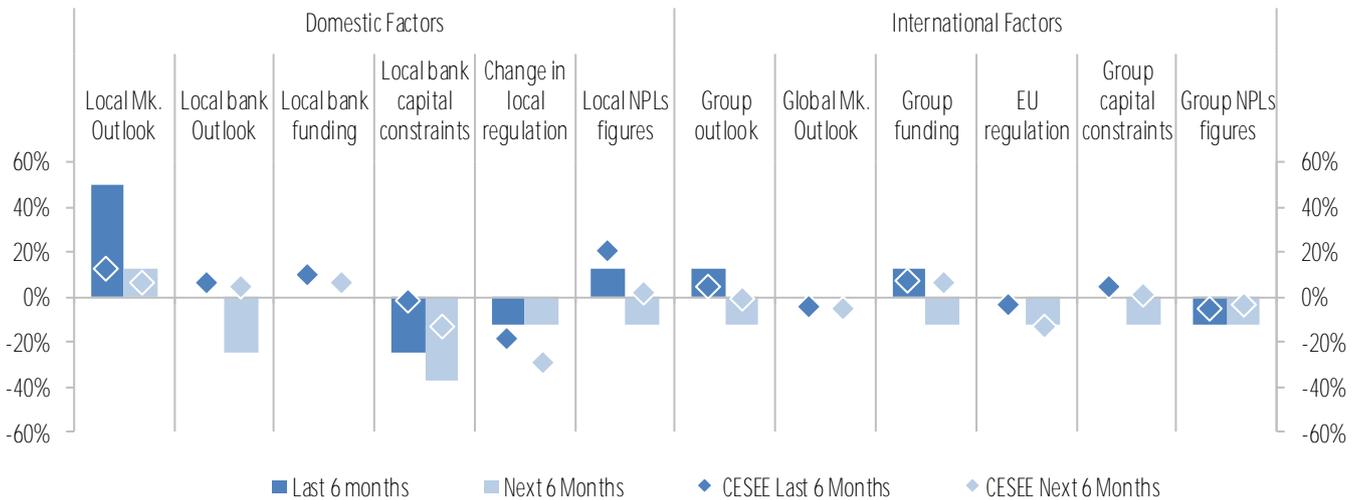


Source: EIB – CESEE Bank Lending Survey

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 continue to be the main source of improvements in supply conditions. Local market outlook is a main contributor to improving supply conditions in Bulgaria, while capital constraints remain the largest obstacle to improving supply conditions, as in earlier survey waves. International factors, pertaining to parent banks had a small positive effect, except group NPLs. Looking ahead, capital constraints, regulatory changes, and NPL figures, both locally and on group level, are expected to hold back further improvements of supply conditions.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

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

In 2017 and 2018, the vast majority of local subsidiaries report improving NPL figures across institutional sectors. Hard data confirms this: NPL ratios have been coming down throughout 2016-18. They nevertheless remain among the highest in the region. Restructuring of corporate portfolios has had a bigger contribution, partly because NPLs are concentrated in the corporate segment.

Developments in overall NPL figures over the past six months are expected to continue in the near future by a large majority of survey respondents. This is broadly similar to what is observed in the CESEE region on average.

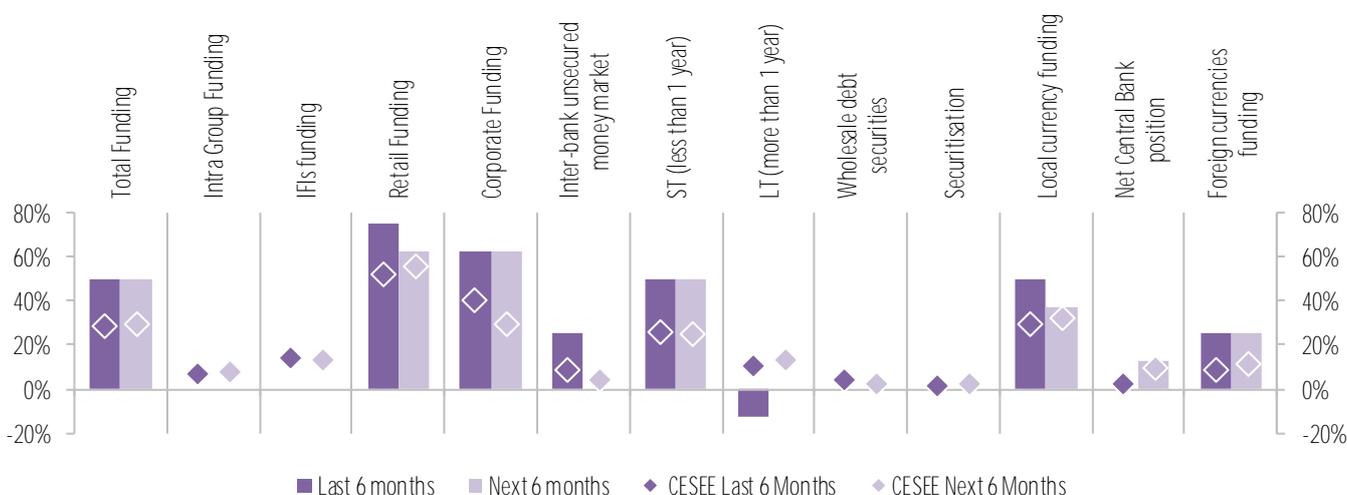


Source: EIB – CESEE Bank Lending Survey.

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. This improvement is expected to continue in the coming six months. The main contributors remain retail and corporate funding that are mostly short term and in local currency. As a result, the growth rate of household and corporate deposits in the banking sector has significantly outpaced the average annual real GDP growth since 2009. Continued deleveraging in both the household and corporate sectors play an important role in the supply of cheap deposits.



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

*Widening gap between demand and supply. Strong NPLs improvement and liquidity conditions are also further improving. Higher profitability of the local operations increases market attractiveness*

## Summary

Group assessment of positioning and market potential: Profitability of Croatian operations improved considerably during the last year. More than half of the international banking groups reported a higher return (both on equity and on assets) over the last six months in Croatian operations compared to the overall group level. Two third of parent banks consider the Croatian market potential as medium and their market positioning as satisfactory or optimal.

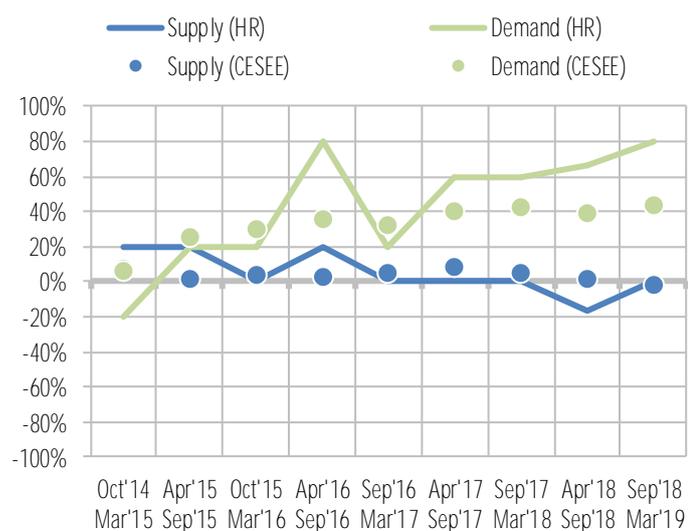
Credit demand has accelerated further over the last six months while credit supply conditions turned neutral, leading to a wide gap between demand and supply.

Demand for loans has increased across most components, except foreign currency loans. Demand was driven mainly by consumer loans and SMEs financing.

Credit supply conditions remained neutral overall. The softening for corporate loans have been counterbalanced by the tighter conditions for the households. Credit standards are expected to tighten further, especially for households.

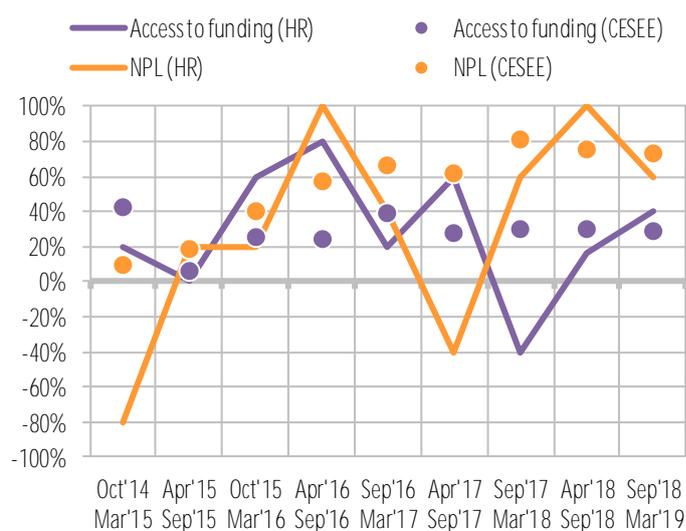
Access to funding has improved over the last six months, mainly due to the higher domestic corporate funding. On the contrary, long-term and foreign currency funding decreased.

NPL figures have improved strongly over the last two year, after a negative impact of Agrokor restructuring at the beginning of 2017. The improvement is expected to continue for the next six months but it remains among the highest in the region.



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

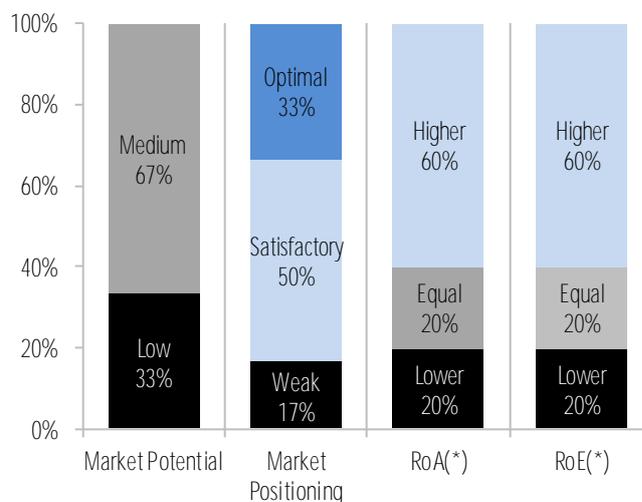
## Results of the Bank Lending Survey – Parent banks level

Profitability increased further during the last six months. More than half of the parent banks declared that they perform above those of the overall group operations in terms of both return on equity (adjusted for the cost of equity) and on assets (adjusted for cost of risk).

Two third of parent banks operating in Croatia consider the market potential as medium with market positioning mainly satisfactory or even optimal (33%).

Parent banks operating in Croatia show a strong commitment to the region. More than half of the banking groups present in the country plan to selectively expand their operations in CESEE while the rest declare to maintain their current position.

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.

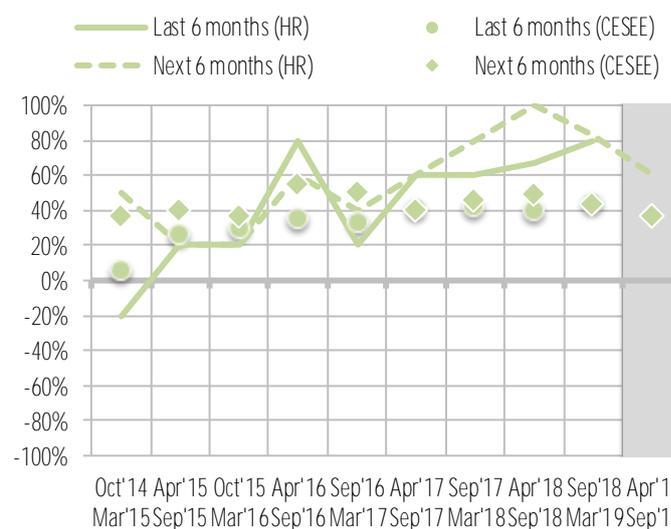
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

After a temporary slowdown at the end-2016, demand for loans continued to increase in Croatia above the CESEE average.

Expectations compared to actual realisation turns more realistic. In line with the slightly tempering macroeconomic trend, local banks expect the credit demand to decelerate, but positioning still above the CESEE average.

Figure 2 Demand side developments

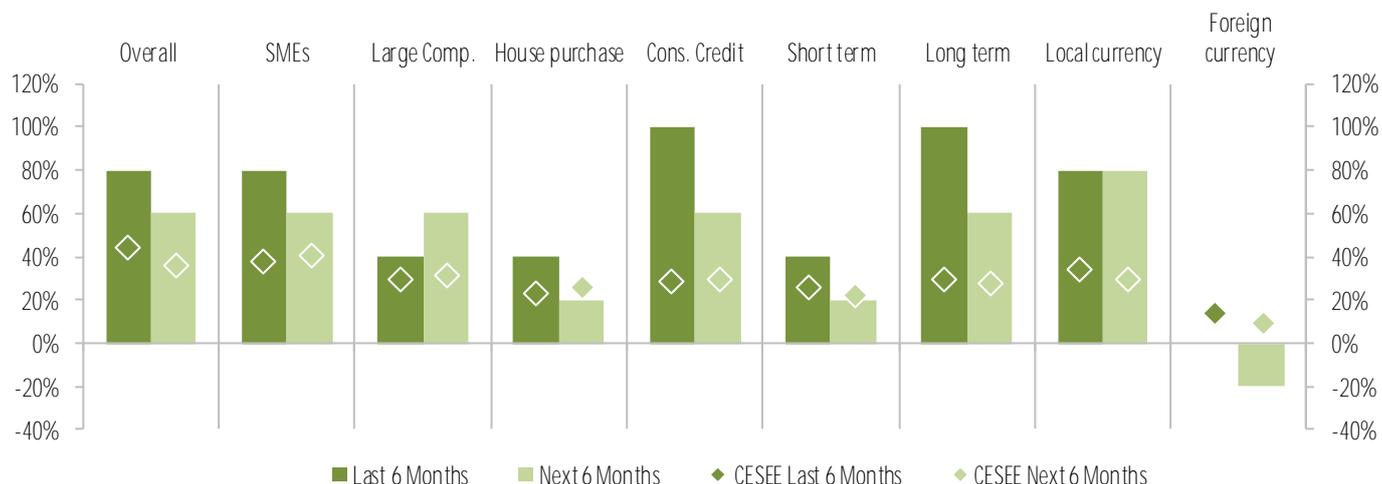


Source: EIB – CESEE Bank Lending Survey.

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 increased in the last six months across most components except foreign currency loans. Consumer loans again have been the most dynamic component. 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.

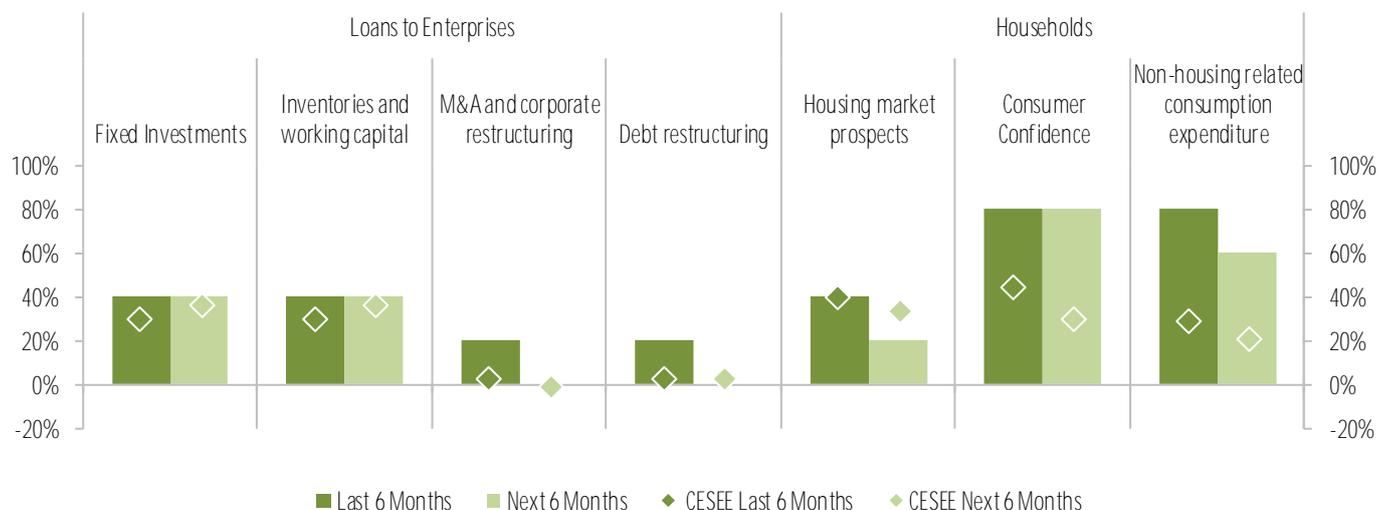


Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

All segments contributed positively to loan demand during the last six months. Regarding the enterprises’ segment, financing of fixed investments and inventories and working capital were the major drivers, while for households the consumption segment was stronger. For the next six months, similar trend is expected, with **households’** factors leading the demand.

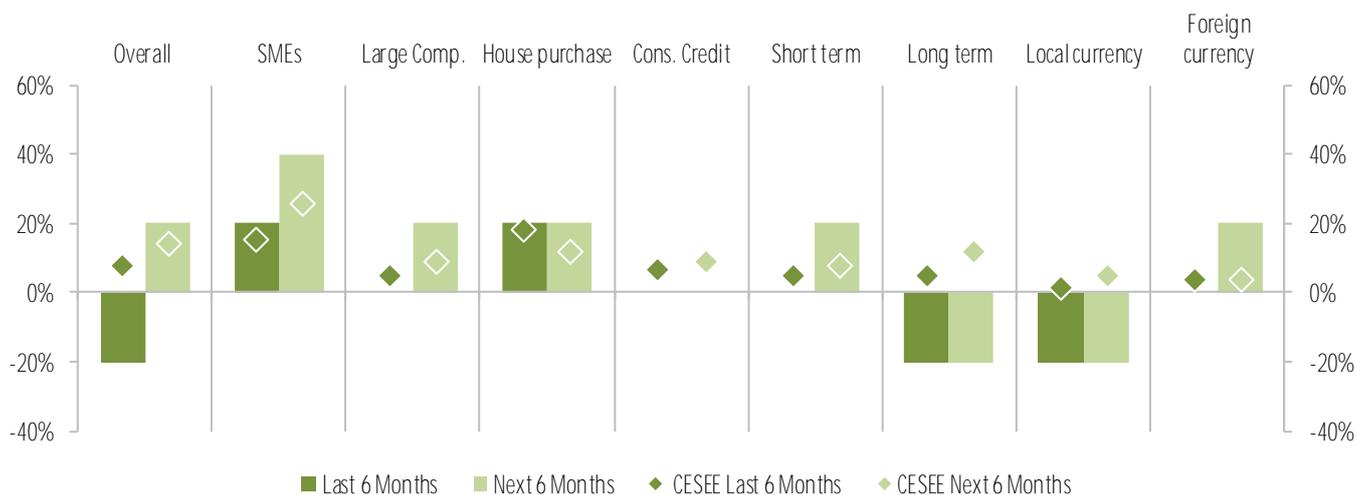


Source: EIB – CESEE Bank Lending Survey.

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 deteriorated during last six months but it is expected to be just temporary and an improvement is expected for the next six month. Still, quality of applications for mortgage loans and SMEs have improved. Regarding the next six months, improvements are expected for the quality of all type of corporate and mortgage loans.



Source: EIB – CESEE Bank Lending Survey

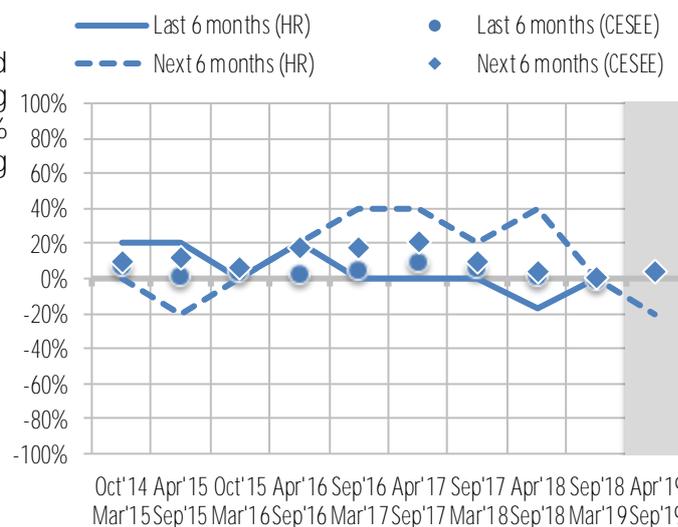
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Credit supply developments in Croatia turned neutral but further tightening is expected for the next six months.

The private loans’ portfolio of the banking system started to grow at the beginning of 2018, following a prolong period of contraction since end-2012. Still, with 4% annual growth of private loans, Croatia is positioning below the regional average growth of around 7%.

**Figure 6 Supply developments**

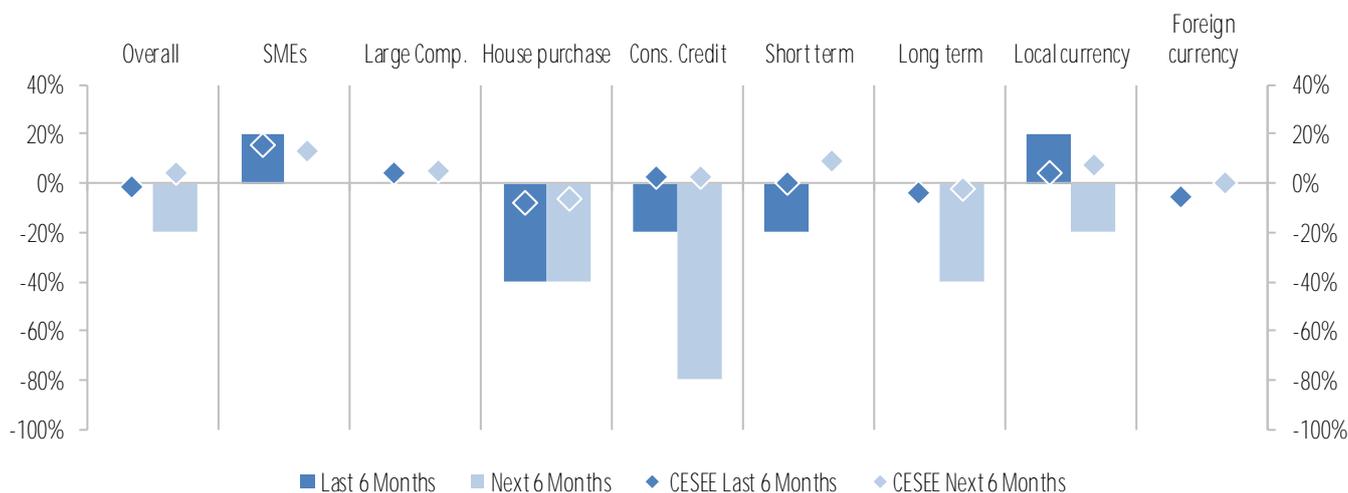


Source: EIB – CESEE Bank Lending Survey.

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 remained neutral. The tighter conditions for the households loans was counterbalanced by the easing conditions for SMEs and local currency loans. Credit standards are expected to tighten in the next six months, mainly for the households segment.

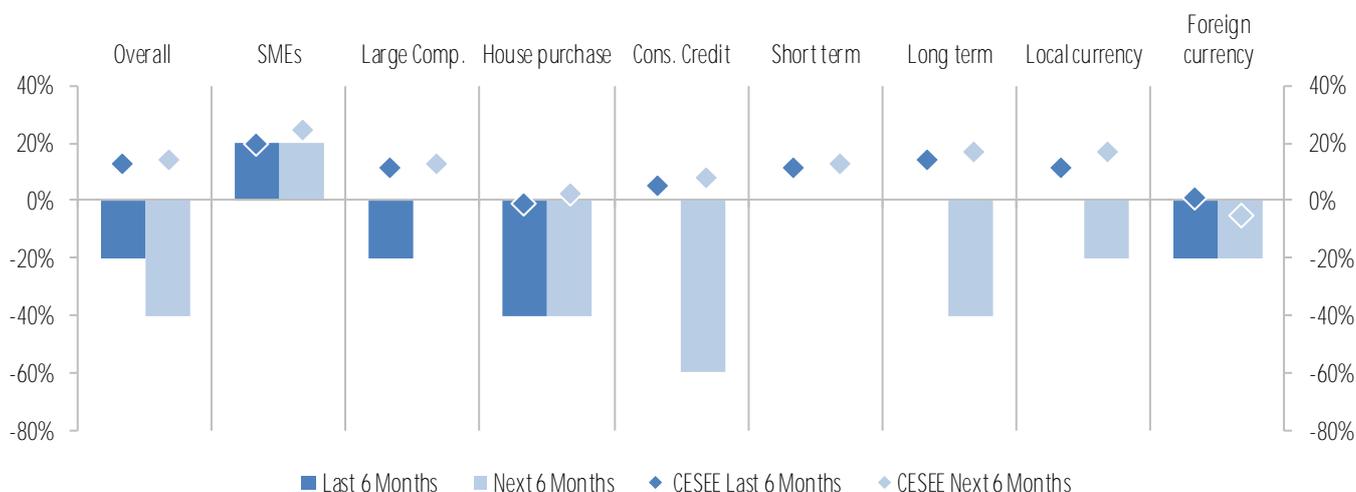


Source: EIB – CESEE Bank Lending Survey

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

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

Overall approval rate decreased in Croatia during the last six months, below the CESEE regional average. The only positive evolution was registered by SMEs loans. On the contrary, all type of household loans have experienced a decline of approval rate. Over the next six months, further decline is expected, especially for households.



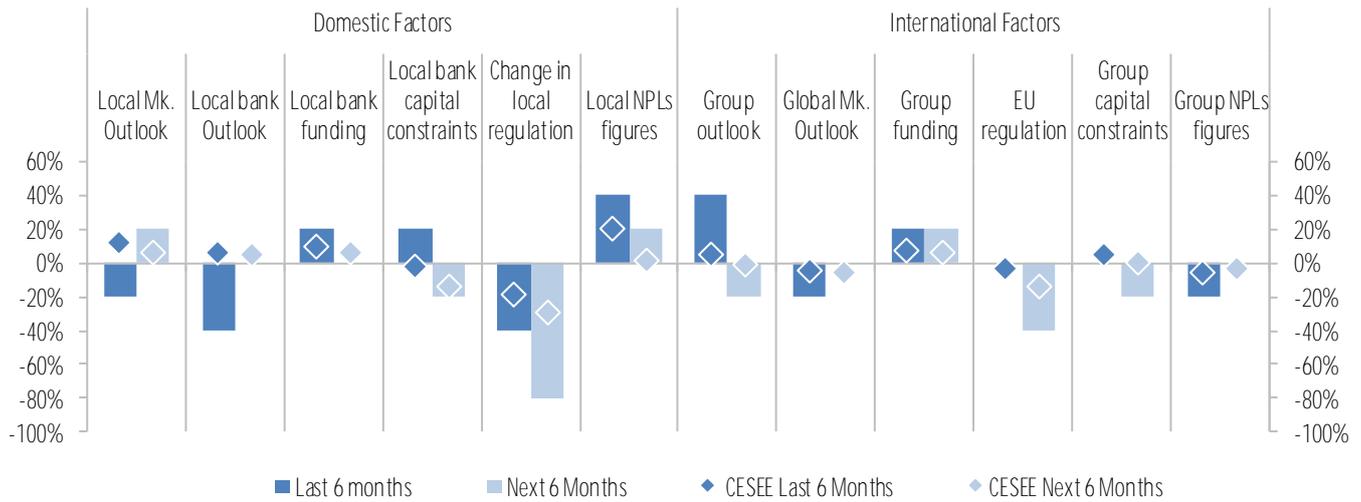
Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Contrary to previous survey's positive contribution of domestic factors, some of these factors turned negative, such as the local market outlook, bank outlook and change in local regulation. These have been counterbalanced by improving local NPL figures, lower capital constraints and better local bank funding. Among international factors, group outlook and group funding are lifting up domestic credit standards, while global market outlook and NPL figures at the group level contributed negatively.

For the next six months, the supportive effects are expected to come from local NPLs (see also figure 10) and local market outlook, whilst both local and EU regulation and capital constraints are expected to contribute negatively.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Most of the banks in Croatia reported a decrease in NPL ratio over the last six months, both on corporate and retail loans' portfolio.

Despite improvements, the level of NPL in Croatia is one of the highest in the region, at 9.8 percent overall and even higher for corporate segment at 20.4 percent at the end of 2018.<sup>1</sup> The write-off of NPLs has been enhanced through a one-off tax-treatment in 2016, but implementation is still ongoing. During 2018 the reduction of NPL level slowed down (-1.5 percentage points) due to the lower sales of NPL portfolios but also due to the recognition of new non-performing loans, as measures that entered into force in January 2018 have lowered the provisioning coverage ratio.

The progress on NPLs reduction is expected to reaccelerate for the next six months.

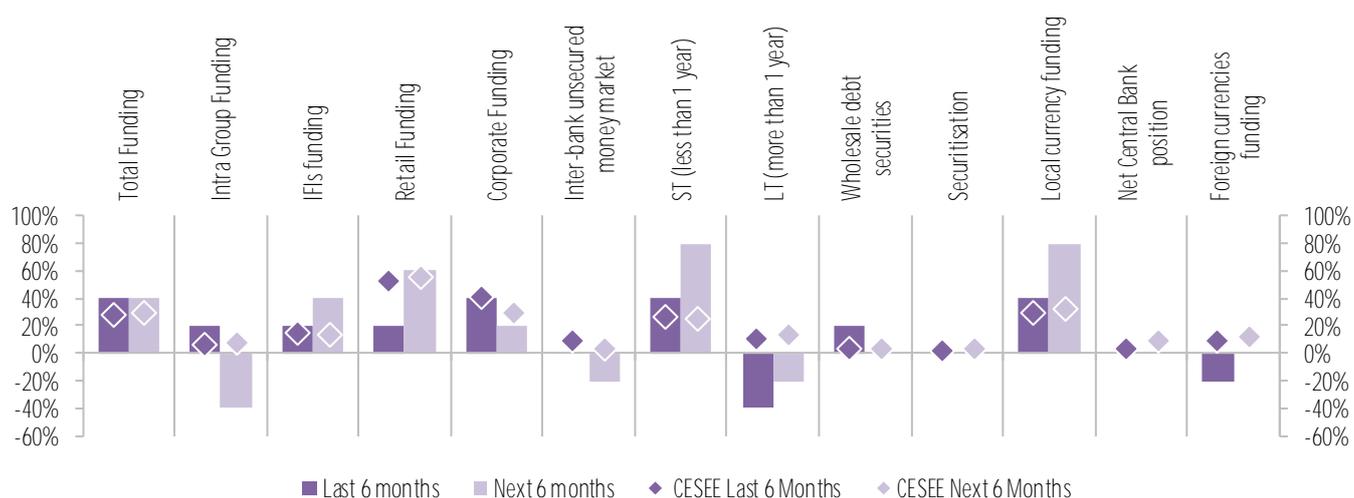


Source: EIB – CESEE Bank Lending Survey.

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 Croatian banks improved during the last six months slightly above expectations of previous survey. Although most of the sources contributed positively to banks' financing, access to long-term and foreign currency funding have declined during the last six months. The positive trend is expected to be kept for the next six months, except for intra-group funding and the inter-bank money market.



Source: EIB – CESEE Bank Lending Survey.

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

<sup>1</sup> WIW database based on CNB



# Czech Republic

*Profitable market, funded mostly from local deposits. Credit standards became tighter, driven by tighter conditions for house purchase loans. Loan demand improved recently for all segments except house purchase loans. NPL reduction is turning south for firms.*

## Summary

Group assessment of positioning and market potential: Banks operating in the Czech Republic see high to medium market potential and they regard their current market positioning as optimal to satisfactory. Local bank profitability is generally higher than or equal to the group level.

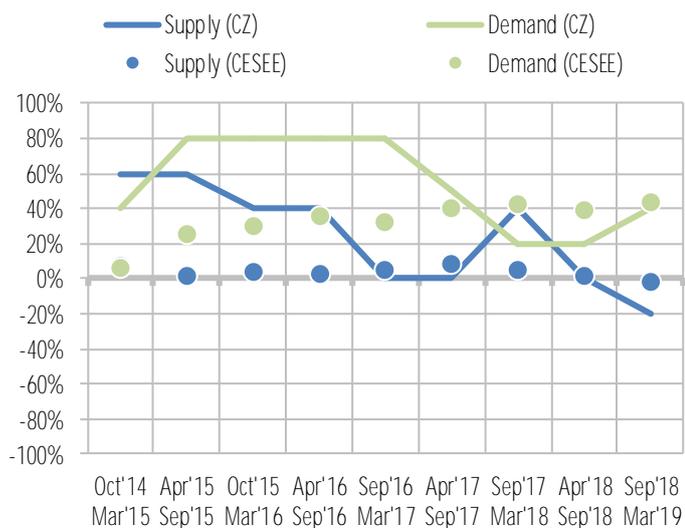
Czech banks report that overall lending standards became tighter during the last six months, while the overall loan demand improved. Over the next six months, loan demand is expected to weaken slightly, as lending standards are expected to tighten further.

Behind the overall tight picture on the credit supply side, the lending conditions for house purchase loans continue tightening. This development is in line with the ongoing macro-prudential tightening for retail mortgages by the Czech National Bank. On the flip side, credit conditions for large firms and SMEs remain accommodative.

Demand for credit in Czech Republic increased overall during the last six months. All loan segments except house purchase loans continue experiencing strong demand dynamics.

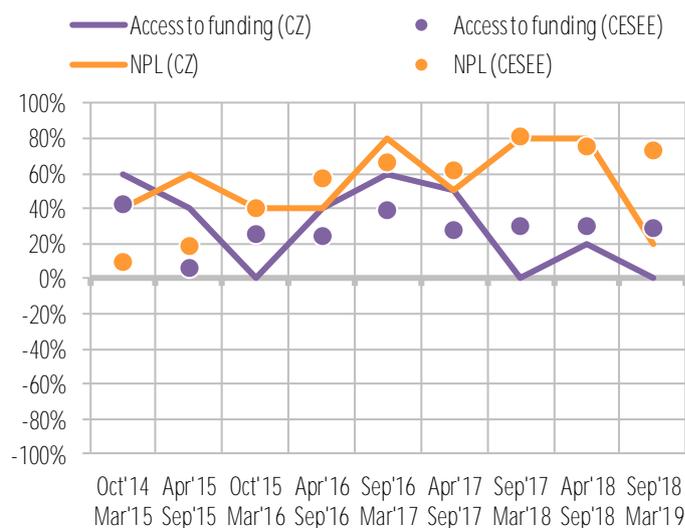
Access to funding for bank subsidiaries in the Czech Republic remained unchanged during the last six months and is expected to slightly improve over the next six months. **Retail bank funding from households' deposits** keeps on contributing to the healthy funding base.

NPL figures improved during the last six months, but overall NPL ratio is expected to increase in the next six months, namely on account of an expected increase in corporate NPLs.



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

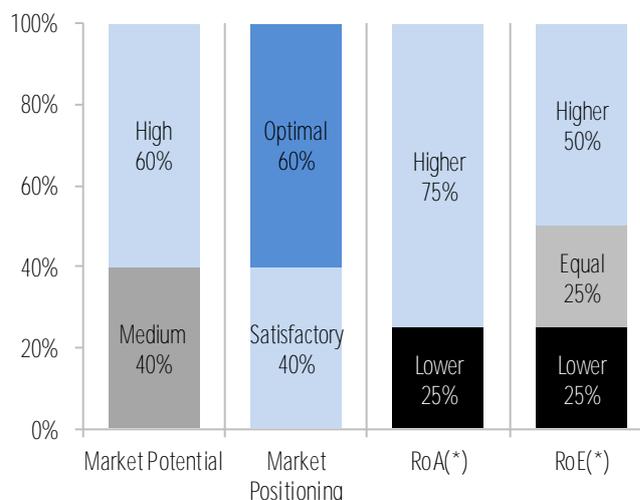
## Results of the Bank Lending Survey – Parent banks level

In comparison to the previous six months, market **potential and positioning as seen from parent banks’ perspective** has remained broadly unchanged.

Local bank profitability in comparison to overall group operations remains favourable, as more banks report higher or equal profitability than the overall group.

The favourable profitability performance is translated **into the parent banks’ perception of high market potential** in the Czech Republic (60 percent of respondents) and optimal market positioning (60 percent 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.

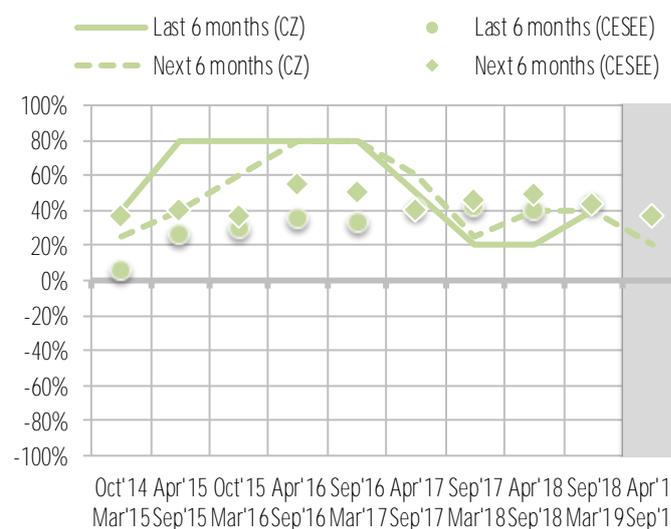
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Net increases in the overall loan demand bounced back to the CESEE average in the last six months, as 40% of Czech banks on net basis reported an increase in overall loan demand (compared to 20% in the previous wave of the survey).

Nevertheless, local banks expect a weakening in loan demand net increases during the next six months. This mimics the direction for the CESEE region overall.

Figure 2 Demand side developments

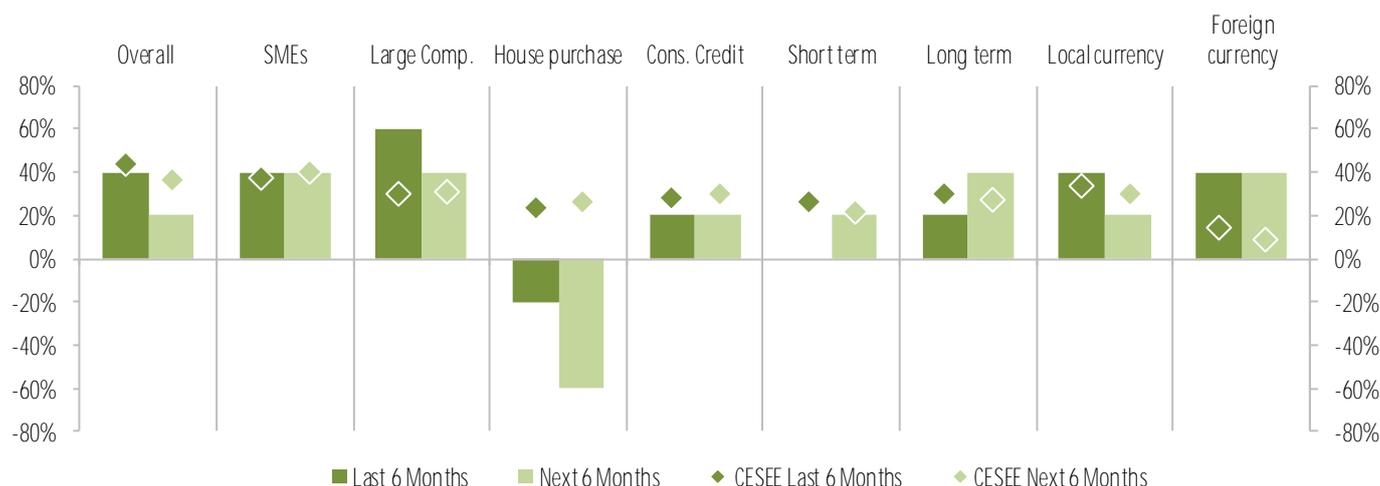


Source: EIB – CESEE Bank Lending Survey.

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

In line with the ongoing macro-prudential tightening, demand for house purchase loans was the only segment that registered a net decline during the last six months. Over the next six months, house-purchase loan demand is expected to strongly decline again. On the other hand, large firms and SMEs have posted an increase in loan demand and this development is expected to continue. Consumer credit demand remains reasonably strong, albeit slightly below CESEE average.

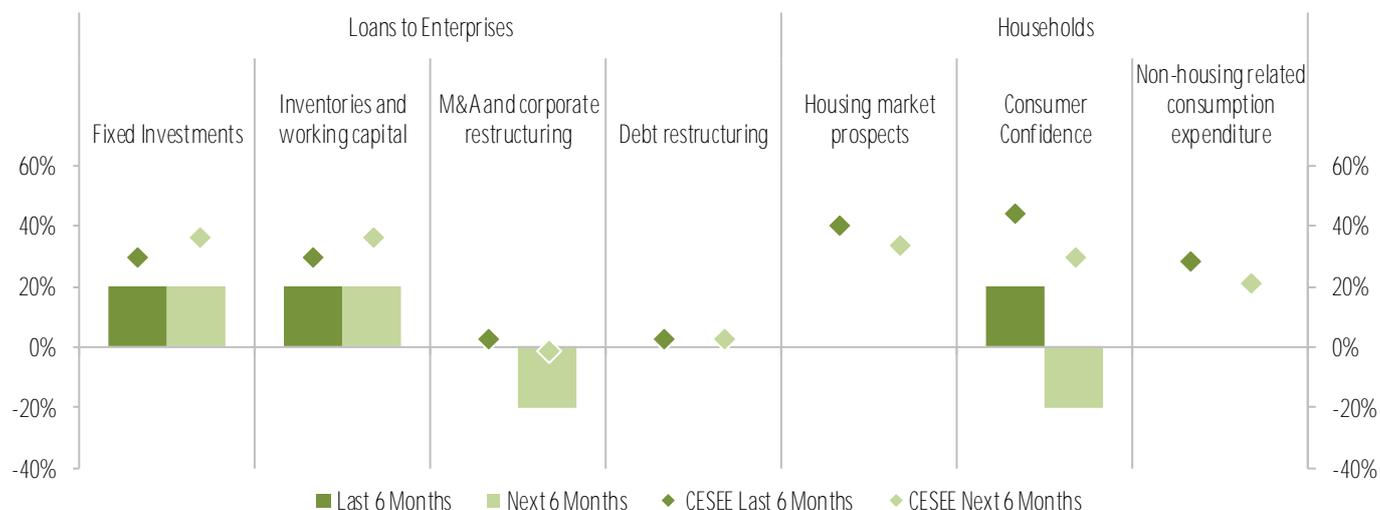


Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

As for the factors affecting demand for loans in the Czech Republic, firm fixed investments as well as inventories and working capital continue to have increasingly positive influence on loan demand. Housing market prospects are having a broadly neutral impact on loan demand, after a negative impact during the last wave of the survey. Consumer confidence had positive impact on loan demand over the last six months, but is expected to exert negative influence 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**

Over the last six months, the quality of loan applications has been broadly stable, in contrast with the CESEE region as a whole where the quality of loan applications has been witnessing a broad-based improvement. The only segment that registered an improvement in the quality of loan applications in the last six months were house purchase loans. Similar overall development is foreseen over the next six months, with no expected change to the quality of loan applications in the Czech Republic.



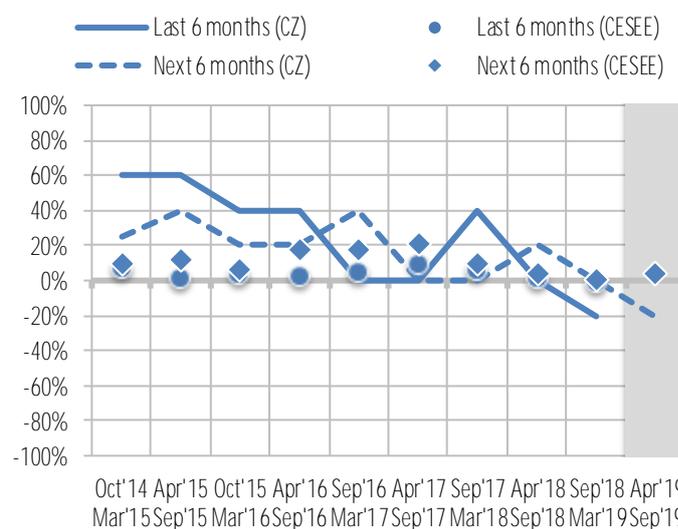
Source: EIB – CESEE Bank Lending Survey

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

**Aggregate supply developments**

From becoming neutral in the previous wave of the survey, credit standards in the Czech Republic became net negative in the last six months. The expectations series points to the continuation of net credit tightening over the next six months. These developments are slightly more negative than the overall CESEE average.

**Figure 6 Supply developments**

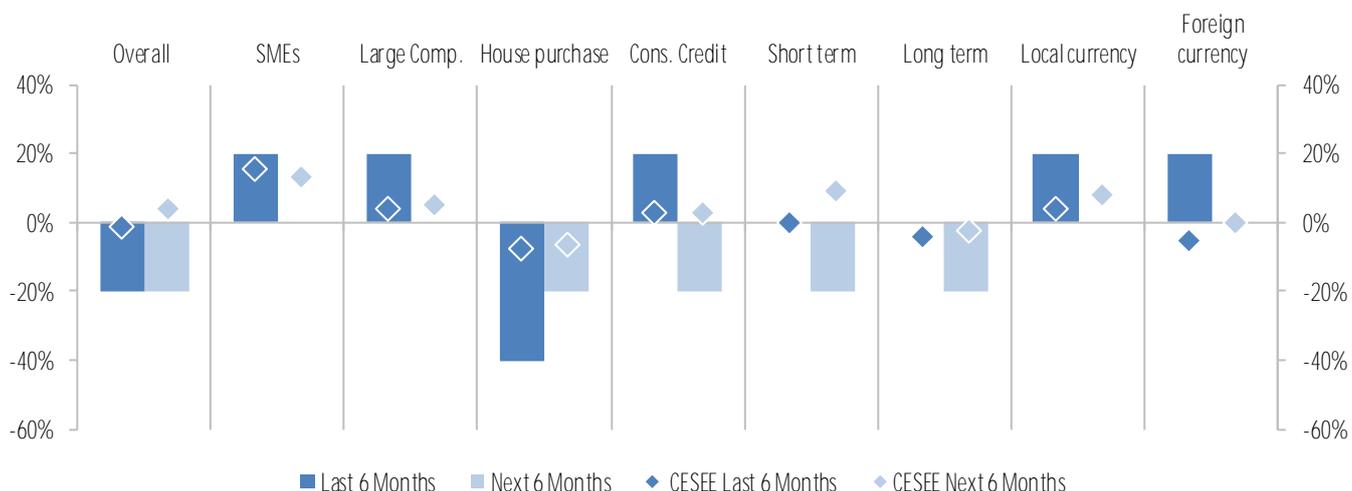


Source: EIB – CESEE Bank Lending Survey.

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**

Credit standards for house purchase loans tightened during the last six months. More tightening (although of a lesser magnitude) is envisioned by the banks over the next six months. Credit standards for consumer credit, while being accommodative during the last six months, are expected to tighten in the next six months. On the other, lending conditions for SMEs and large corporations eased during the last six months.

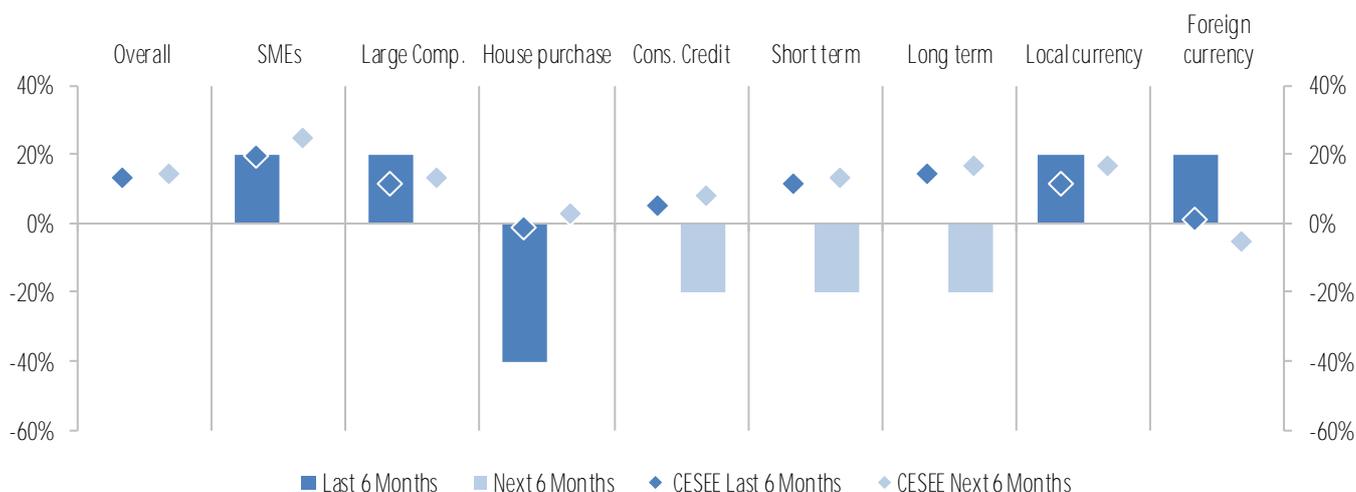


Source: EIB – CESEE Bank Lending Survey

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

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

Overall banks' loan approval rate was unchanged during the last six months, compared to an increase during the previous wave of the survey. House purchase loans were the only segment that experienced a net decrease in the loan's approval rate during the last six months. On the other hand, the approval rate for loans to SMEs and large corporations continued increasing during the last six months.

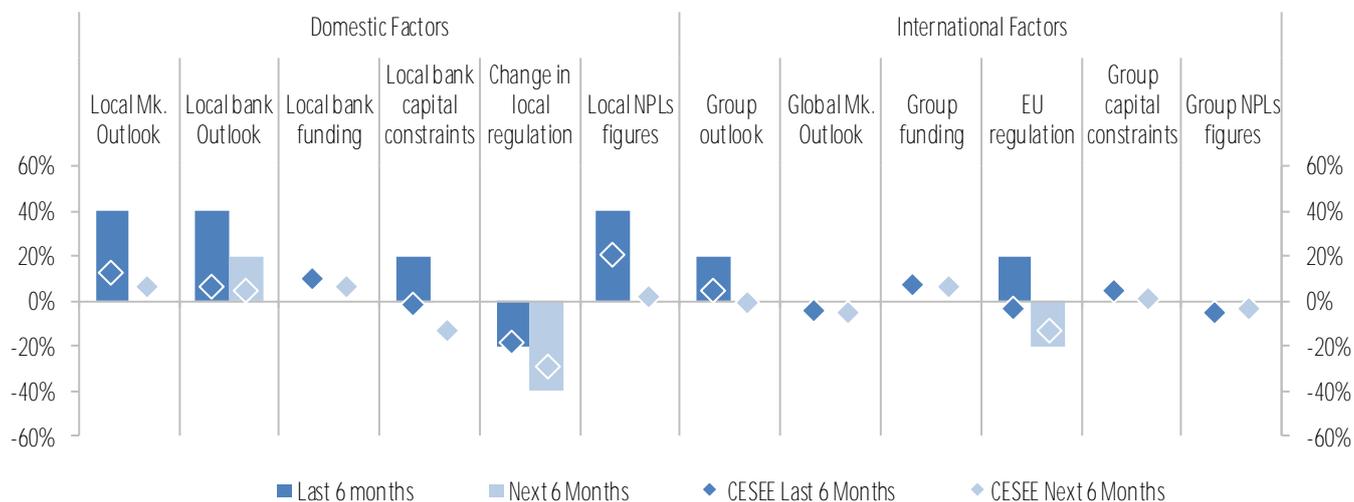


Source: EIB – CESEE Bank Lending Survey

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

**Figure 9** Factors contributing to supply conditions

As in the previous three survey periods, changes in local regulation were the only factor contributing negatively to credit supply conditions during the last six months. Further negative contribution of local regulation is expected in the next six months. On the other hand, local market outlook, local bank outlook, local bank capital constraints, local NPL figures as well as group outlook and EU regulation all had a positive contribution to credit supply conditions in the Czech Republic during the last six months.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Total NPL reduction in the Czech Republic continued during the last six months, but to a smaller extent than the CESEE average.

Over the next six months, total NPL ratio is expected to increase for the first time since 2014, driven by the corporate NPLs increase. Retail NPL reduction is expected to continue favourably in the next six months.

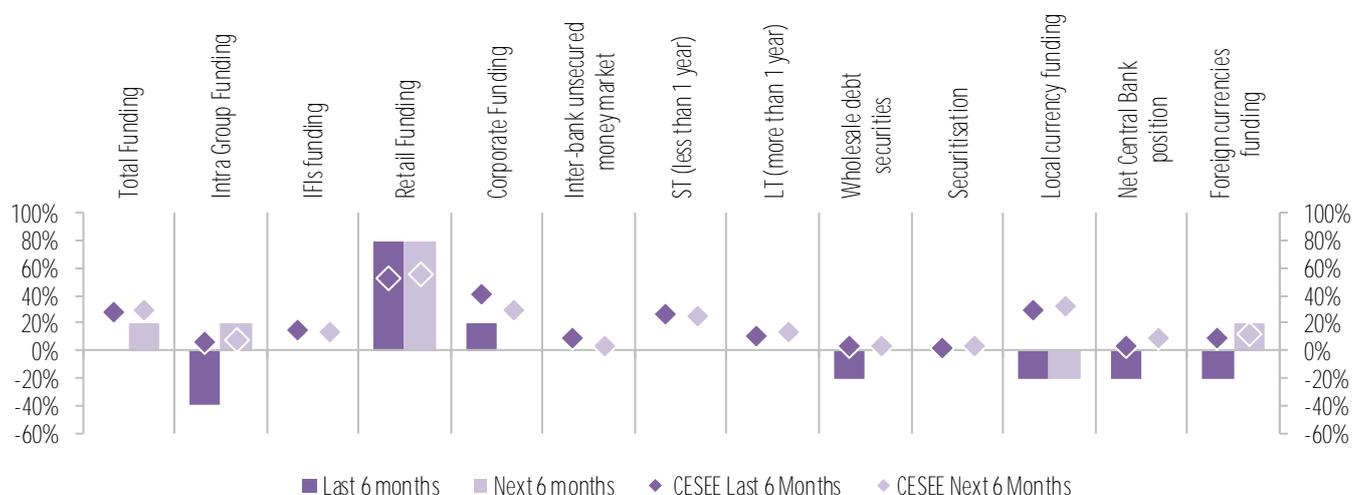


Source: EIB – CESEE Bank Lending Survey.

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 was unchanged during the last six months. Going forward, it is expected to slightly improve over the next six months. Retail funding remains the strongest positive contribution to total funding. Intra-group funding deteriorated during the last six months.



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 continues to be characterised with rapidly increasing credit demand, and with supply conditions also catching up dynamically. **Parent banks' assessment of the market potential is positive, yet below the Visegrad peers.***

## Summary

Group assessment of positioning and market potential: Most parent banks consider the Hungarian market to have medium potential, lagging somewhat behind the rest of the Visegrad 4 group. The overwhelming majority of the banking groups find that their position in the Hungarian market is satisfactory or optimal. Risk-adjusted returns on equity and assets on average is equal to or exceed those of the overall group operations.

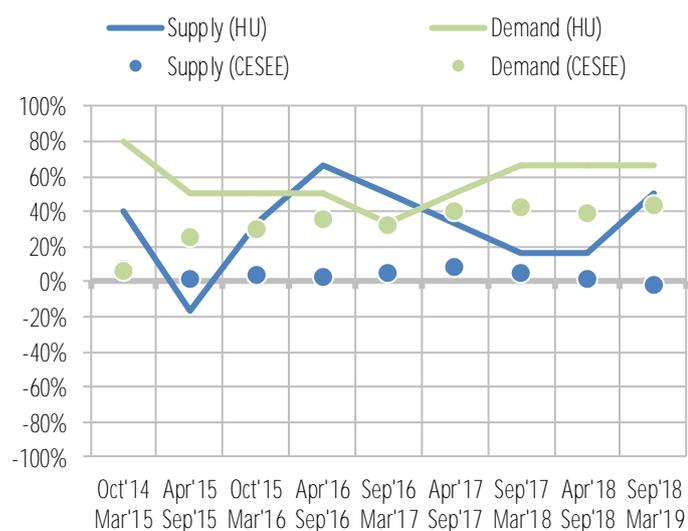
Hungarian banks report both credit demand has been improving very dynamically over the last six months, while the improvements in credit supply conditions have been catching up with the demand.

Credit supply conditions have improved in the last six months, significantly above the rest of the CESEE region. Banks expect to see further improvements again in the near future.

Demand for loans at the same time has also been increasing dynamically across the whole spectrum of products and segments over the last six months. Demand for foreign-currency loans are on the rise again.

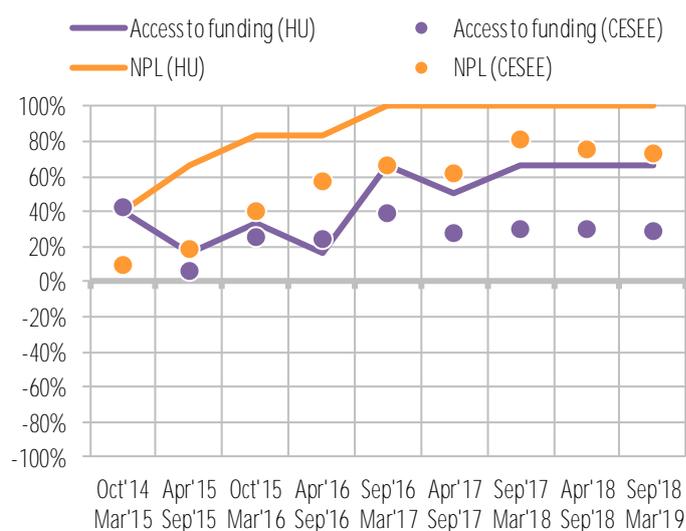
Access to funding: Overall access to funding improved in line with the CESEE region. The improvement is due chiefly to domestic sources; both retail and corporate funding have been contributing strongly to that.

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

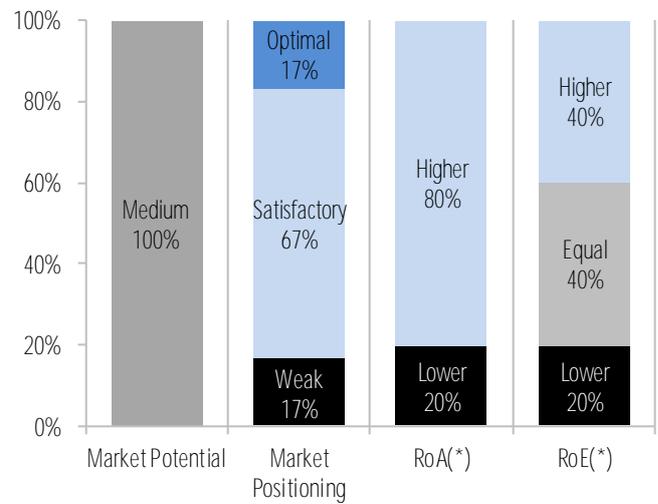
## Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Hungary show commitment towards the region. Half of the banking groups present in the country plan to selectively expand their operations in CESEE, while the others indicate maintaining their presence at the current level.

Parent banks consider the Hungarian market to have medium potential, which puts the country somewhat behind the rest of the Visegrad 4 peers, but ahead of Slovenia.

Most of the banking groups find that their position in the Hungarian market is satisfactory or optimal, and only less than 20 percent of the groups find their positioning weak. Most parent banks find that risk-adjusted returns on assets and equity are equal or higher than those seen in other operations of the group.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

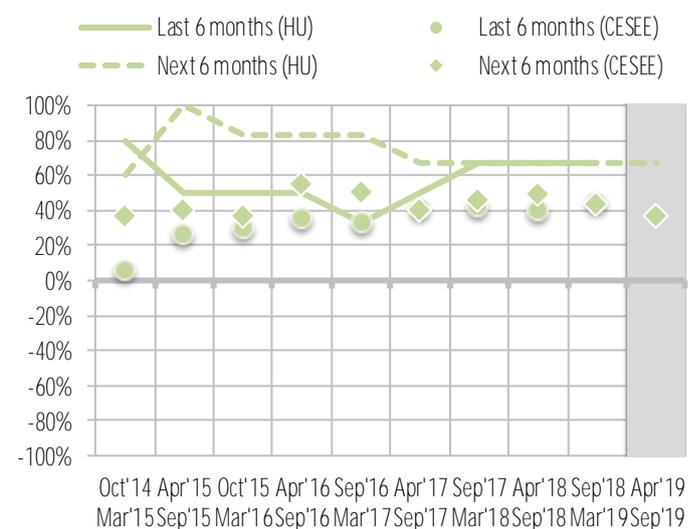
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Hungarian banks continued to report strong improvements in credit demand in the past six months – in line with their previous expectations. Furthermore, they expect an increase of similar scale for the forthcoming period.

Both the data referring to the past, and the change expected by the financial institutions for the next six months generally suggest the dynamics of the demand for loans in Hungary to continue to be well 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

An increasing demand is observed in all market segments and subcategories. Demand is expected to strengthen even more for mortgages and consumer loans.

Loan demand is more dynamic for longer maturities than for short-term banking products. While the earlier survey rounds indicated a strong preference towards borrowing in Hungarian forint versus foreign currency denominated loans, banks now report a positive demand for foreign currency loans, too.



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. Demand related to acquisitions, as well as to debt restructuring have been close to stagnating.

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

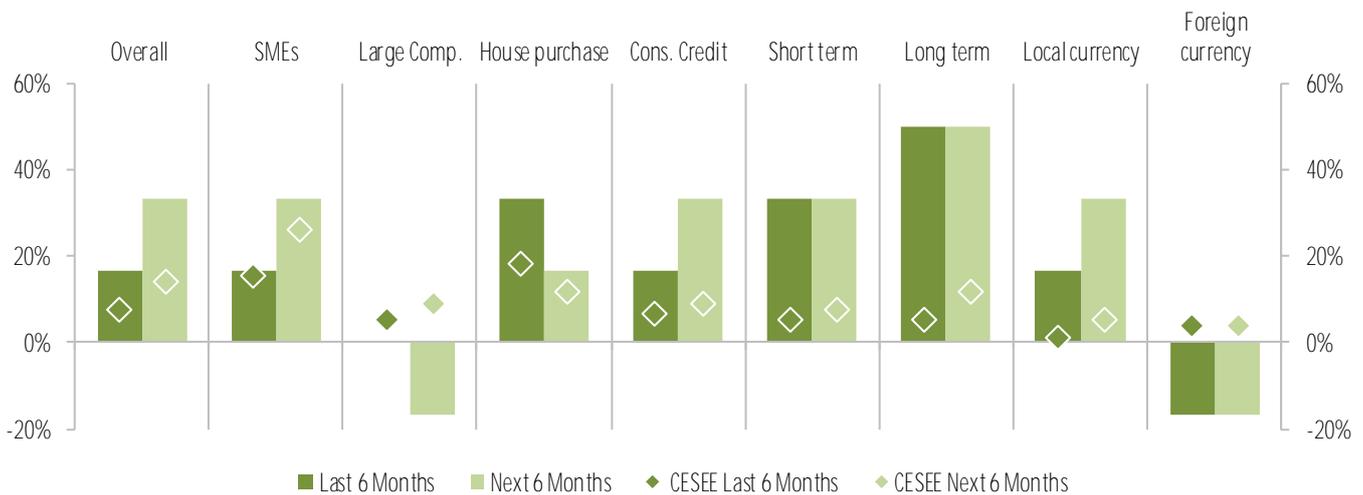


Source: EIB – CESEE Bank Lending Survey.

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 in the last six months, in particular for mortgages. Banks operating in Hungary expect further positive developments in the coming months. However, when it comes to the quality of the applications for FX-denominated loans, banks report a decline, and they expect further deterioration for the coming period.



Source: EIB – CESEE Bank Lending Survey

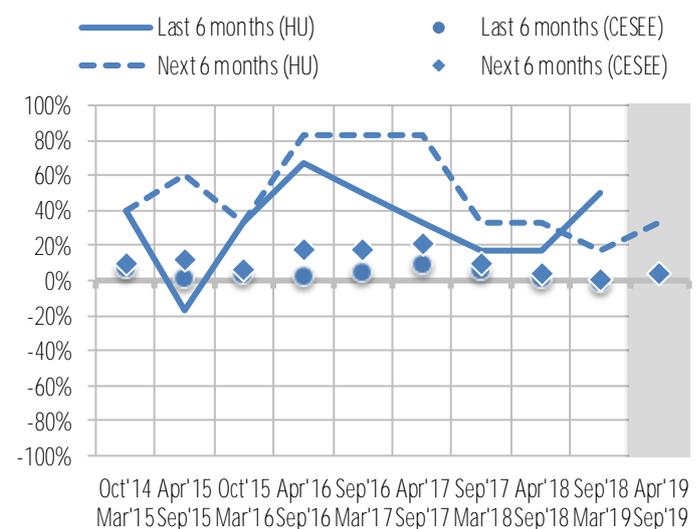
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Credit supply conditions have been easing significantly in the last six months. The improvement was more pronounced than the banks' own expectations. When looking ahead, banks are expecting to see further increase in supply again in the near future, albeit one with a somewhat smaller magnitude.

While still lagging somewhat behind the demand side, current and expected improvements in the credit supply conditions are significantly more pronounced in Hungary than those in the rest of the CESEE economies, where credit supply conditions are broadly stagnating.

**Figure 6 Supply developments**

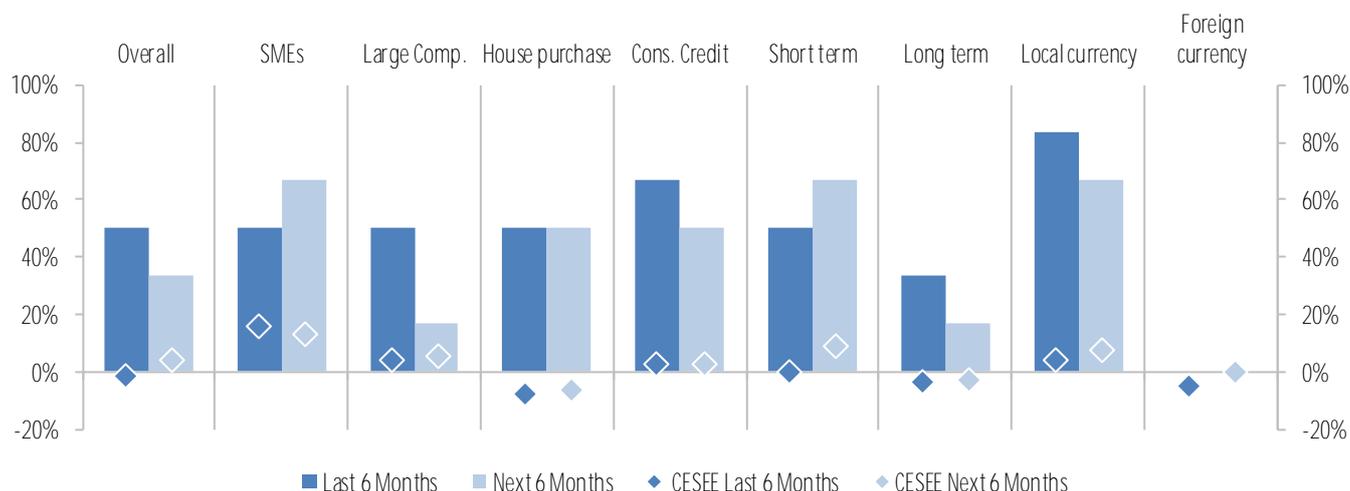


Source: EIB – CESEE Bank Lending Survey.

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 consumer credit. Credit supply conditions for the corporate sector have been improving at a similar pace than those for households. Credit supply for large companies is expected to increase only marginally in the next six months, whereas the lending growth is forecasted to remain high for SMEs. The expected improvements are well above the CESEE average in most categories.

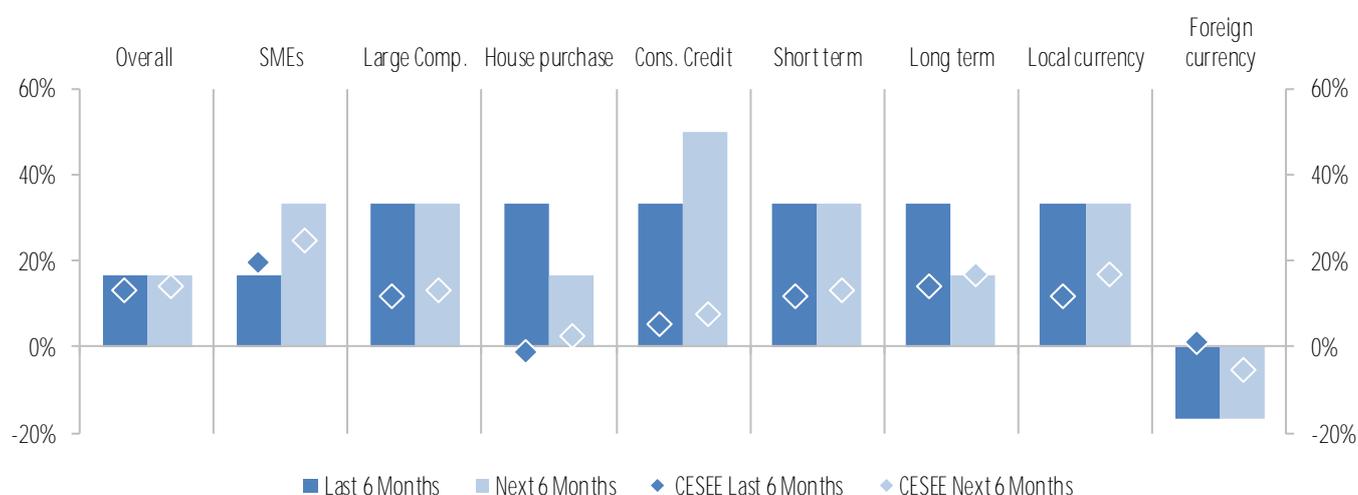


Source: EIB – CESEE Bank Lending Survey

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. The only exception is the FX-denominated segment, where approvals declined. These developments are broadly in line with the CESEE average, but significantly more pronounced.

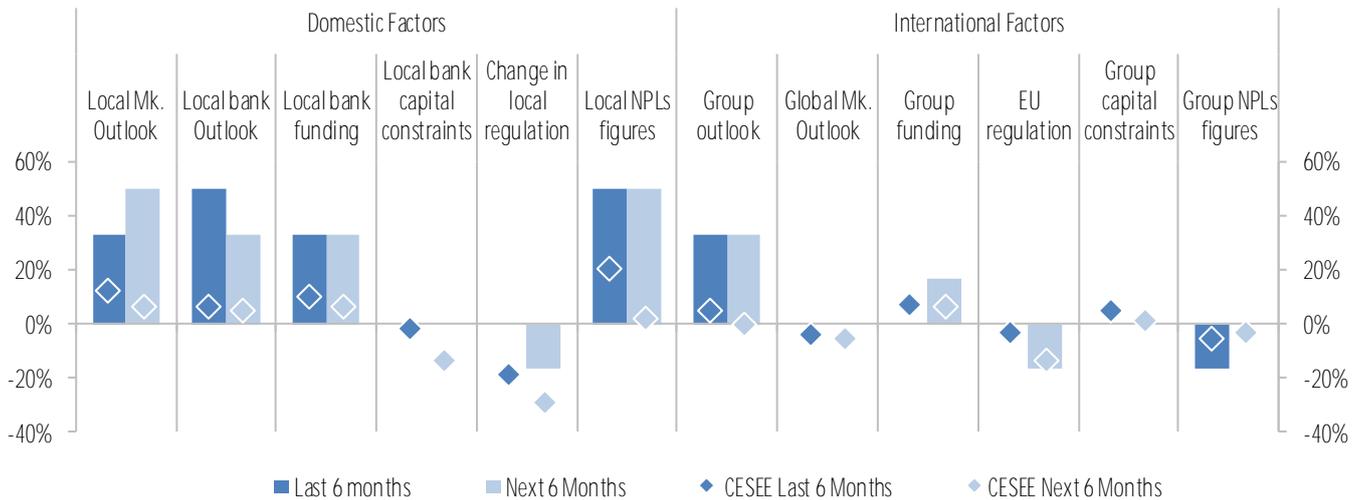


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Domestic factors have been contributing mainly positively to credit supply, while international factors have been broadly neutral. Local outlook, funding conditions, and non-performing loans are pointing towards increasing supply. Local regulation had a neutral effect in the past, but it is expected to be a drag in the coming months. On the international side, group outlook is having a mild 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.



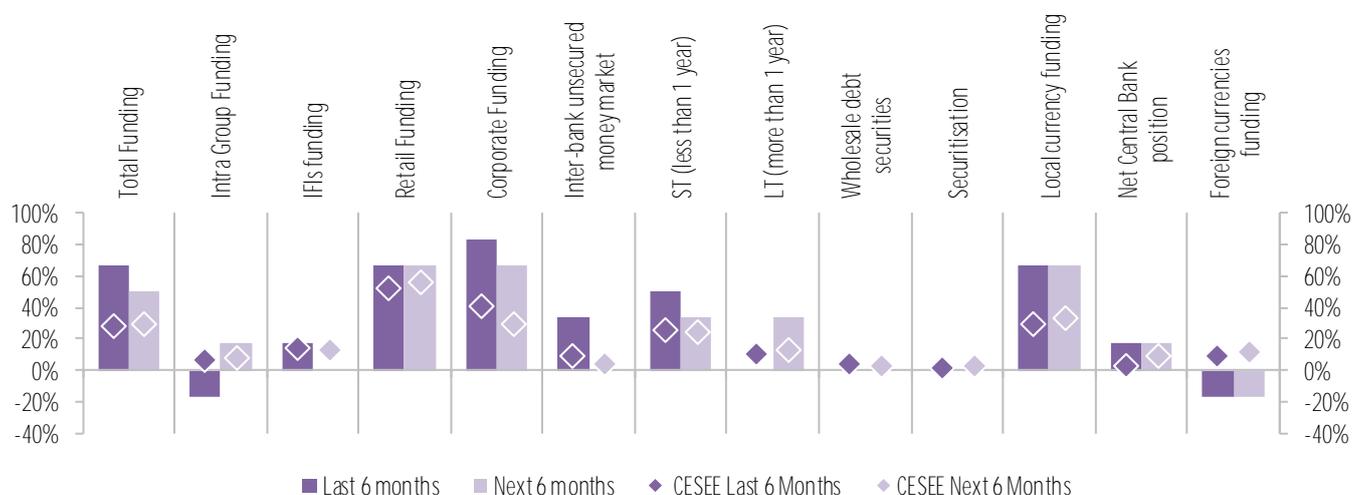
Source: EIB – CESEE Bank Lending Survey.

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 contributors are domestic retail and corporate funding. Improvements are pronounced in the short-term segment.

Looking ahead, banks expect the continuation of the improvements 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 been growing on the back of easing credit standards.*

## 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. This assessment has not changed since the last wave of the survey.

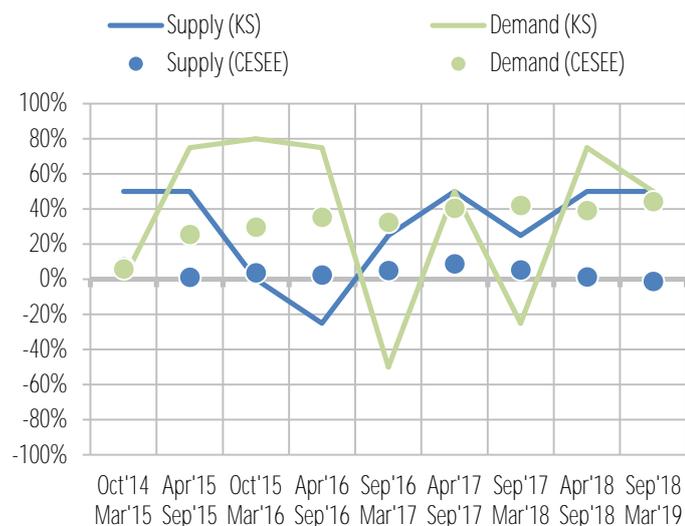
Credit demand increased during the last six months. Credit supply conditions continue easing. Over the next six months, a broadly similar picture is expected to continue.

During the last six months, credit supply conditions have eased for loans to SMEs, house purchase loans and consumer credit. **Banks'** loan approval rate was more selective. It increased for loans to SMEs, but declined for large corporate loans for the second consecutive period.

Favourable economic environment in Kosovo supported increasing demand for loans during the last six months. Demand for house purchase loans and consumer credit have been leading the increases in overall demand. The firm performance has been mixed. Demand for SME loans keeps on increasing, while demand for large corporate loans declined during the last six months, as expected in the previous wave of the survey.

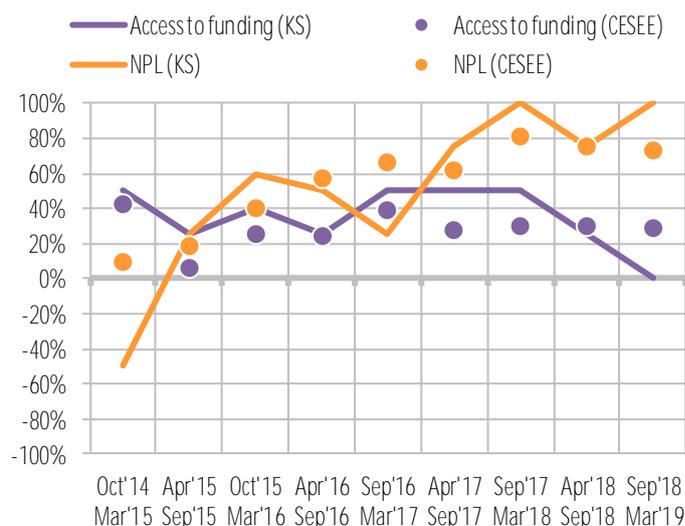
Access to funding became more neutral during the last six months, but it is expected to improve again over the next six months. Access to intra-group funding, IFIs funding and retail deposits continue being the main positive factors, while access to corporate deposits has declined for two consecutive periods.

NPL figures as a total declined during the last six months. Further overall NPL reduction is expected over 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)



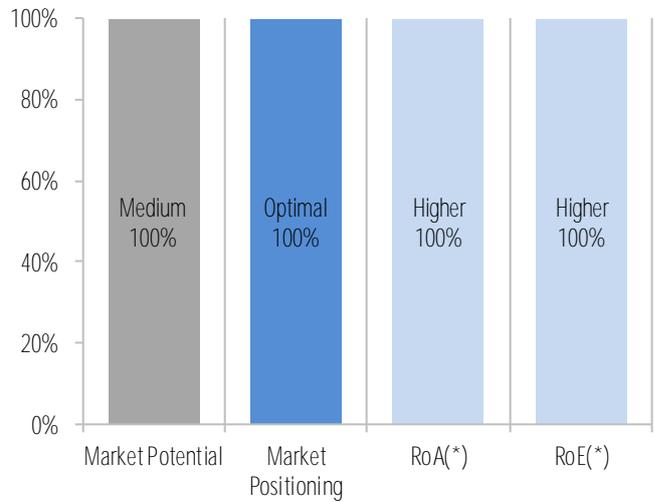
Source: EIB – CESEE Bank Lending Survey.

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

The profitability of local banks in Kosovo remains above the overall group levels. All parent banking groups regard the market potential as medium and their current market positioning is seen as optimal. This picture remains unchanged from the previous wave of the survey.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

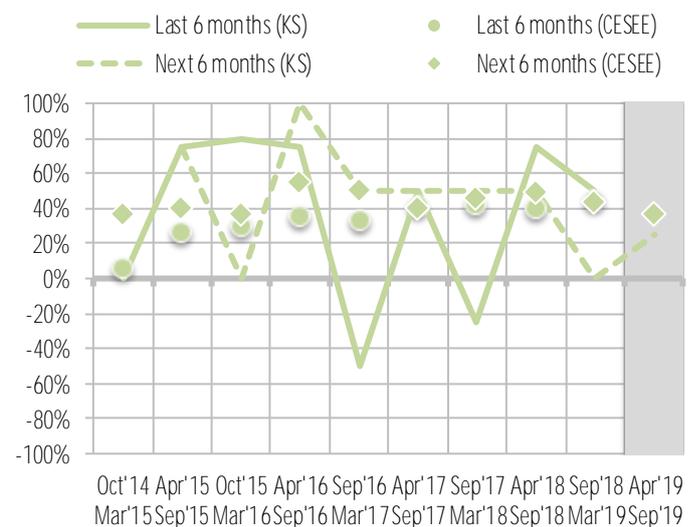
Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

### Aggregate demand developments

Credit demand perceptions in Kosovo have been choppy. Nevertheless, loan demand registered its second-in-a-row net increase during the last six months. The expectations point towards further increases in credit demand over the next six months, although at a slower pace, but in line with the CESEE average.

Figure 2 Demand side developments

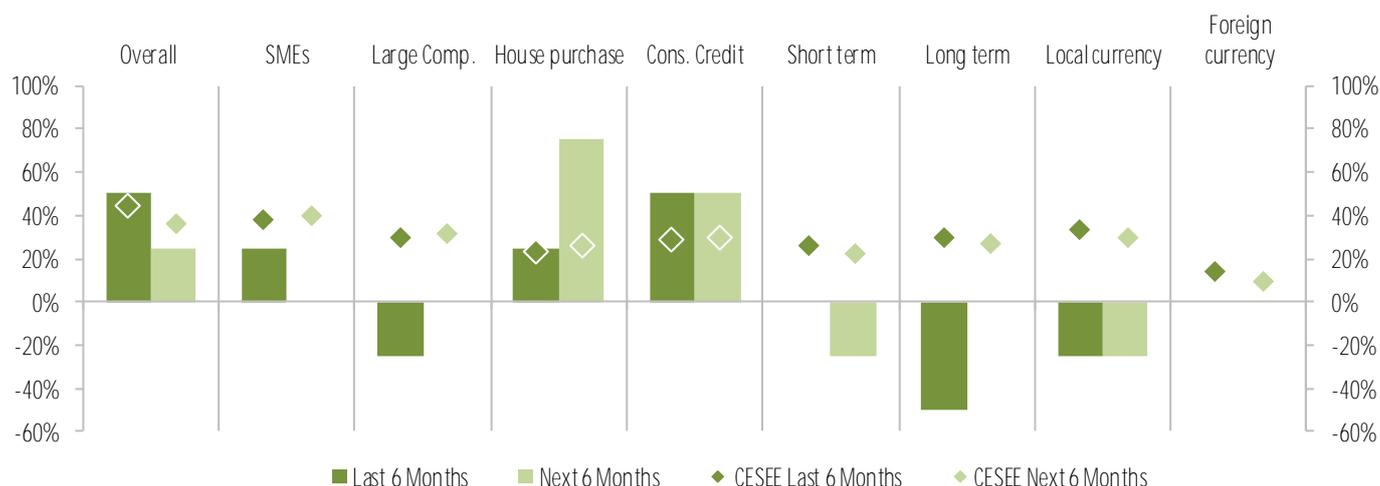


Source: EIB – CESEE Bank Lending Survey.

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

During the last six months, credit demand increased mostly for consumer credit, house purchase loans and loans to SMEs. In line with previous expectations, large corporations reduced their credit demand, and the demand for local currency loans declined as well. Going forward, demand for house purchase loans and consumer credit is expected to continue increasing, while demand for local currency loans is expected to decline.



Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

Household-related factors affecting credit demand have continued being upbeat, with particularly strong positive contributions from housing market prospects and consumer confidence. On the firm side, firm investments continue being the main positive influence, while the remaining factors have been volatile.



Source: EIB – CESEE Bank Lending Survey.

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

**Figure 5 Quality of loan applications**

The overall quality of loan applications improved during the last six months, and it improved more than for the CESEE as a whole. The main drivers of this development were loans to SMEs, house purchase loans and consumer credit. Same factors that contributed to the increase in loan demand in Kosovo are also seeing an improvement in the quality of loan demand. Broadly, the continuation of the same environment is expected over the next six months.



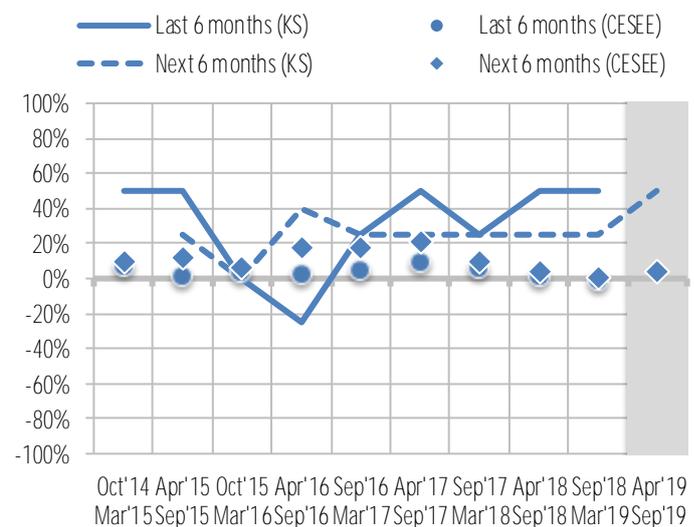
Source: EIB – CESEE Bank Lending Survey

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

**Aggregate supply developments**

Credit supply conditions in Kosovo have been easing since 2016. In contrast to the CESEE average, credit standards registered further easing during the last six months in Kosovo. This accommodative credit environment is expected to persist over the next six months.

**Figure 6 Supply developments**

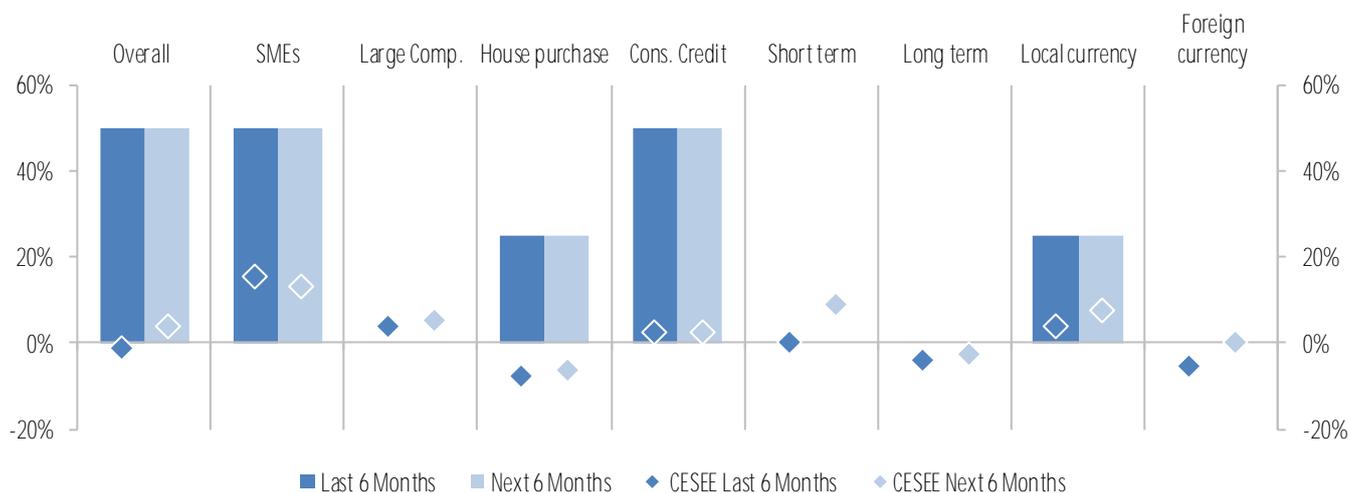


Source: EIB – CESEE Bank Lending Survey.

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**

During the last six months, credit standards eased strongly for loans to SMEs, consumer credit, house purchase loans and local currency loans. The same segments are expected to register further easing over the next six months, all above CESEE average.

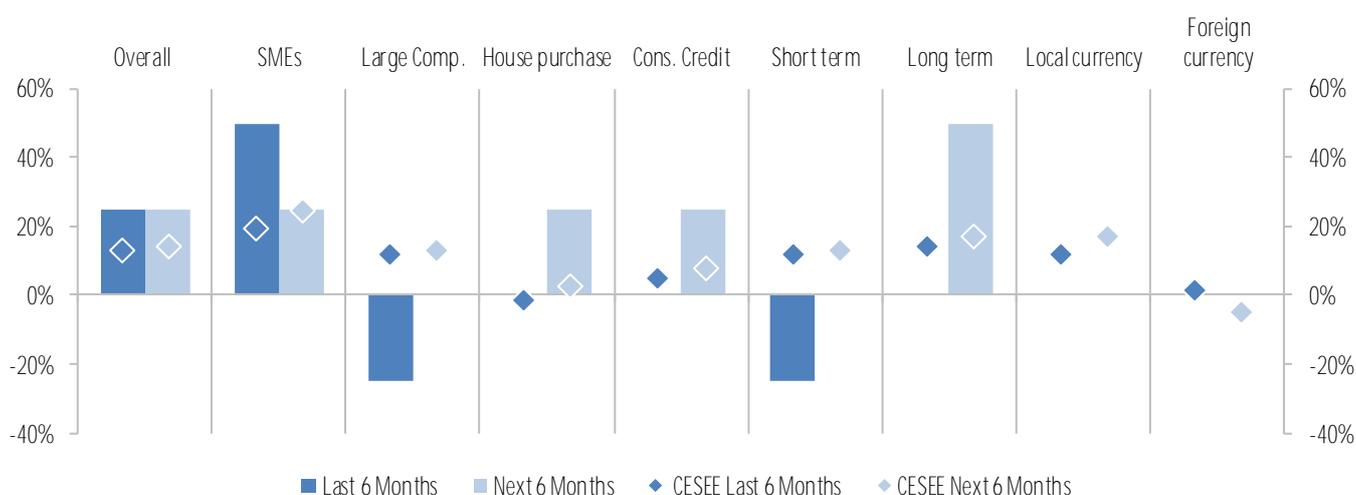


Source: EIB – CESEE Bank Lending Survey

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**

During the last six months, the banks' approval rate increased only for loans to SMEs, and declined for large corporate loans, while remaining unchanged for the other loan segments. Over the next six months, an improvement in the loan approval rate is expected for loans to SMEs, house purchase loans, consumer credit and long-term loans.

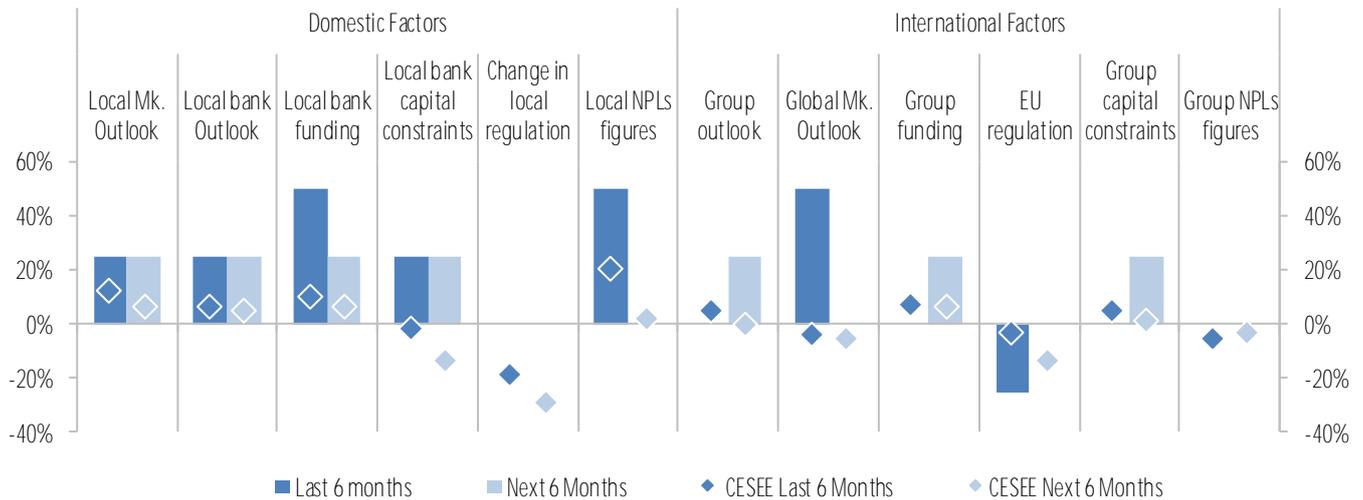


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

As in the previous wave of the survey, domestic factors had a predominantly positive effect on domestic credit supply conditions in Kosovo during the last six months and the same is expected going forward. Among the international factors, global market outlook was positive, while EU regulation was perceived being negative. Over the next six months, global outlook, group funding and group capital constraints are expected to have positive effect on local credit conditions in Kosovo.



Source: EIB – CESEE Bank Lending Survey.

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

**Figure 10 Non-performing loan ratios**

NPL reduction was strong during the last six months, particularly on the back of declining corporate NPLs. On the other hand, retail NPLs increased during the last six months. Total NPL reduction is expected to continue over the next six months, although at a slower pace.

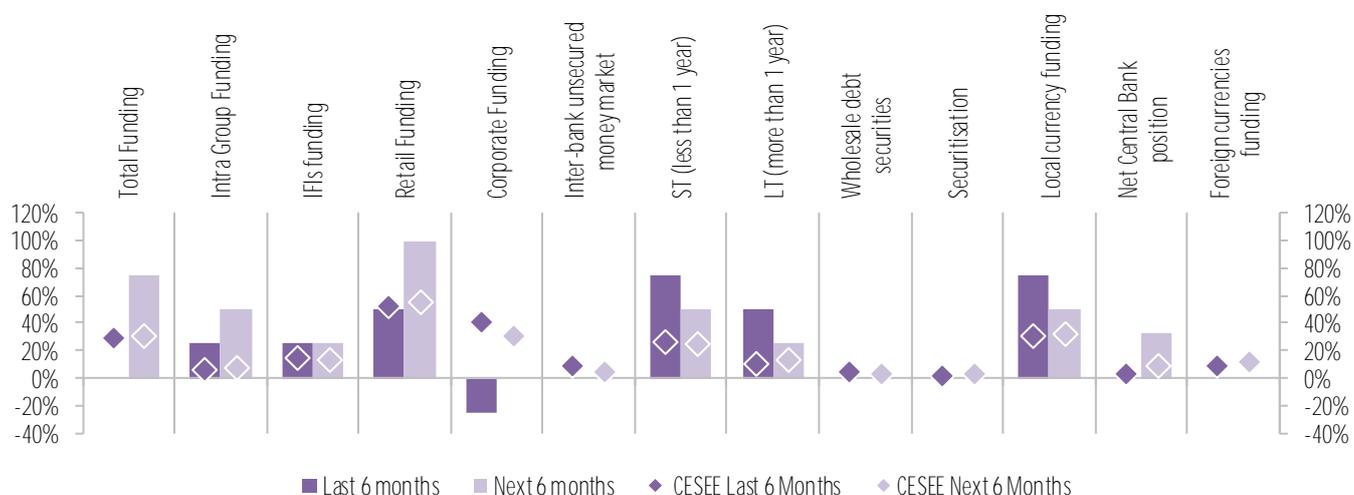


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 11 Access to funding**

Access to total funding for banks in Kosovo became neutral during the last six months. Access to corporate deposits registered its second-in-a-row decline. Nevertheless, access to retail funding, intragroup funding and IFIs funding improved and is expected to improve further over the next six months.



Source: EIB – CESEE Bank Lending Survey.

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



# North Macedonia

*A profitable market with medium potential. Credit demand is increasing while credit standards are accommodative. SMEs and large corporates are currently the main beneficiaries of easier credit conditions.*

## Summary

Group assessment of positioning and market potential: All parent banking groups operating in North Macedonia regard the market potential as medium and their market positioning is seen as mostly satisfactory. Local **banks' profitability** is on balance better than the overall group operations.

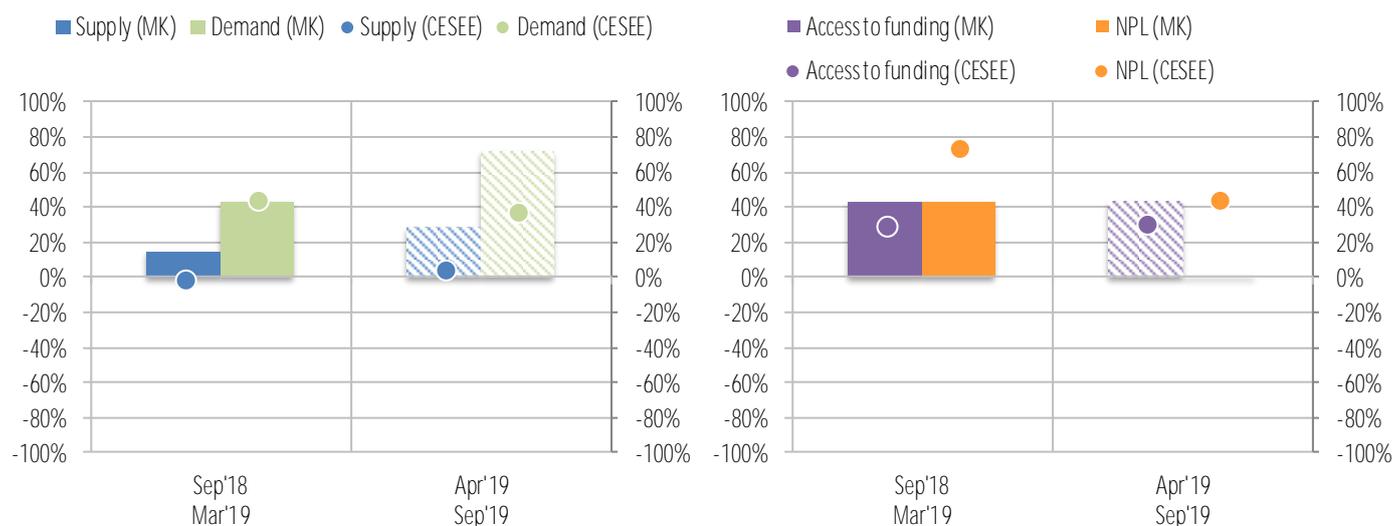
During the last six months, credit demand increased, in line with the CESEE average, while credit supply conditions became easier. Further strengthening of credit demand on the back of easier credit standards is expected over the next six months.

Credit supply conditions eased mainly for loans to SMEs and large corporate loans as well as consumer credit. Credit standards for house purchase loans remained unchanged during the last six months and the loan approval rate for house purchase loans lagged behind most other loan segments.

Demand for loans increased across all loan segments during the last six months, with particularly strong increases for loans to larger corporates and SMEs. Despite pronounced increases in the effects of housing market prospects and consumer confidence on credit demand during the last six months, demand for house purchase loans and consumer credit increased by less than demand for corporate credit. Quality of loan applications was unchanged in the last six months.

Access to funding for local banks improved and the favourable trend is expected also in the next six months, mainly thanks to improving access to retail and corporate funding.

NPL ratios were reduced during the last six months. NPL reduction expected to be unchanged over the next six months.



Source: EIB – CESEE Bank Lending Survey.

Source: EIB – CESEE Bank Lending Survey.

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

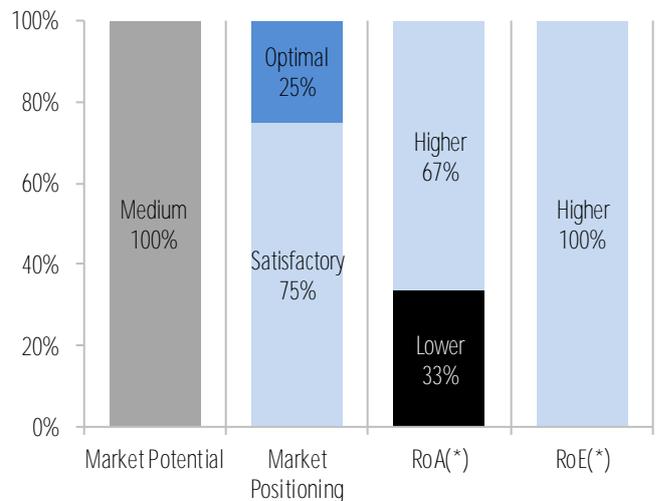
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Parent banking groups operating in North Macedonia see the potential of the market overwhelmingly as medium. 75% of the parent banks regard their current market positioning as satisfactory.

The rather positive assessment of the parent banks of the market potential and their positioning in North Macedonia is driven by the favourable profitability of the local banks. Both return on assets and return on equity are reported by majority of local banks in North Macedonia to exceed the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

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

### Aggregate demand developments

Credit demand in North Macedonia increased during the last six months, in line with the overall CESEE average.

Going forward, demand for loans is expected to increase further over the next six months, surpassing the CESEE benchmark.

Figure 2 Demand side developments

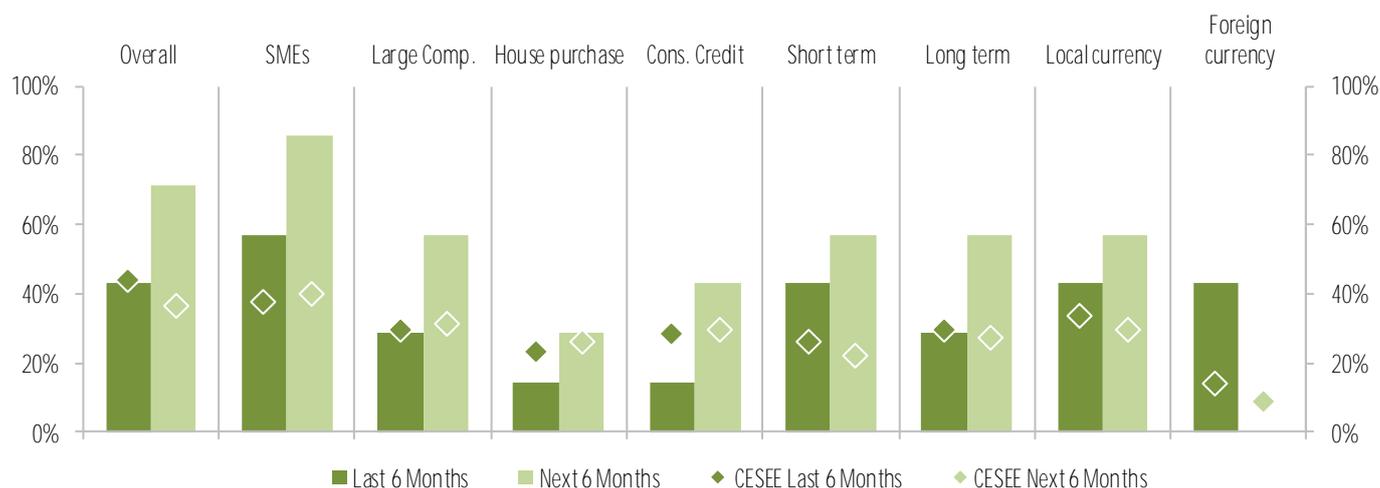


Source: EIB – CESEE Bank Lending Survey.

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 the increases in loan demand by households for house purchases and consumer credit were more muted (and below the CESEE average) during the last six months, the increases in loan demand for SMEs and large corporates were strong. Similar distribution is expected 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

Housing market prospects and consumer confidence contributed positively to the households’ demand for credit during the last six months. On the firms’ side, fixed investments and purchases of inventories and working capital influenced the firm credit demand positively.



Source: EIB – CESEE Bank Lending Survey.

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

**Figure 5 Quality of loan applications**

The quality of loan applications in North Macedonia was unchanged during the last six months and it is expected to remain unchanged over the next six months. Quality of the applications for loans to SMEs is expected to improve.



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 improved slightly during the last six months and further credit easing is expected over the next six months. Credit conditions in North Macedonia are currently being assessed as more accommodative than for the CESEE average.

**Figure 6 Supply developments**

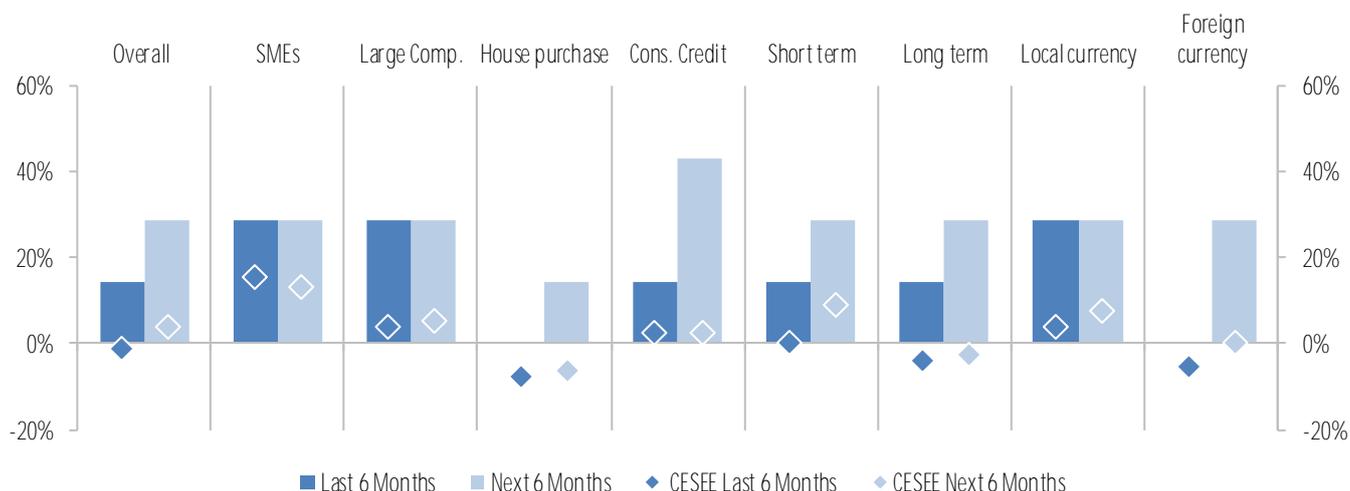


Source: EIB – CESEE Bank Lending Survey.

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**

Credit standards eased more profoundly for loans to SMEs and large corporate loans during the last six months, followed by consumer credit. On the other side, credit standards remained unchanged for house purchase loans, but they are expected to become more accommodative over the next six months. Overall, banks in North Macedonia expect more upbeat demand for loans across most of the segments going forward.



Source: EIB – CESEE Bank Lending Survey

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

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

Banks' loan approval rate in North Macedonia increased strongly across most loan segments during the last six months. The increases were more tilted in favour of corporate credit relative to household credit. This favourable environment is expected to continue over the next six months.

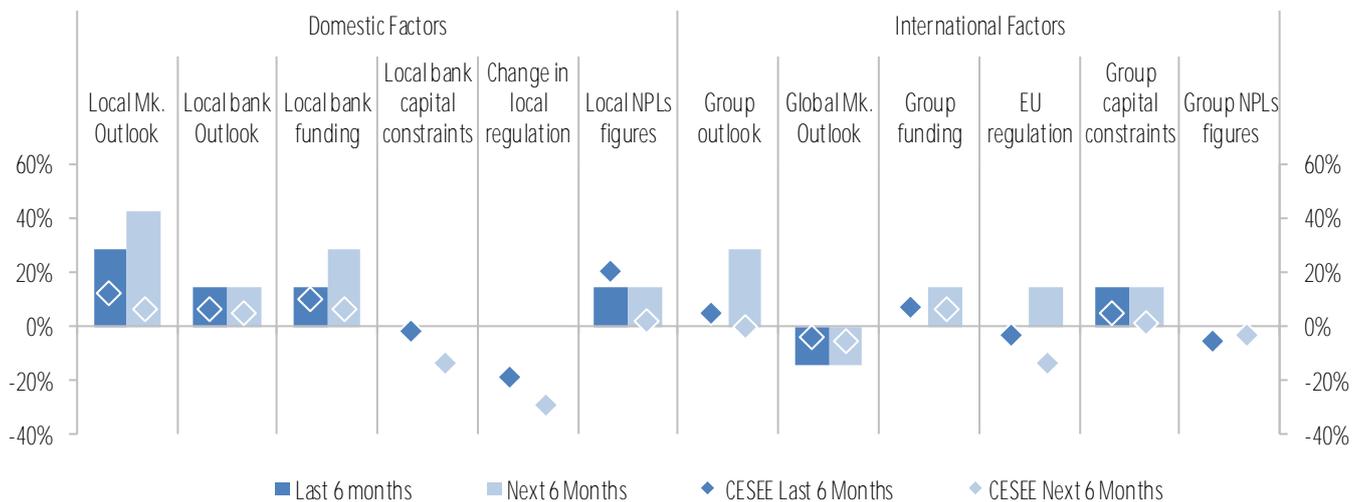


Source: EIB – CESEE Bank Lending Survey

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

**Figure 9** Factors contributing to supply conditions

Global market outlook was the only negative factor contribution to the local credit supply conditions during the last six months and it is expected to remain negative over the next six months. On the other hand, local market outlook was the strongest positive factor affecting local credit supply conditions in North Macedonia. Over the next six months, local market outlook, local bank outlook and group outlook are expected to be the main positive factors affecting local 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**

Total NPL ratios were assessed to be on a decline during the last six months in North Macedonia. NPL reduction was seen as stronger for corporate loans in comparison to retail loans.

Over the next six months, total NPL ratios are expected to remain unchanged in North Macedonia.

The share of banks reporting a decline in NPL ratio in North Macedonia is below the CESEE average.

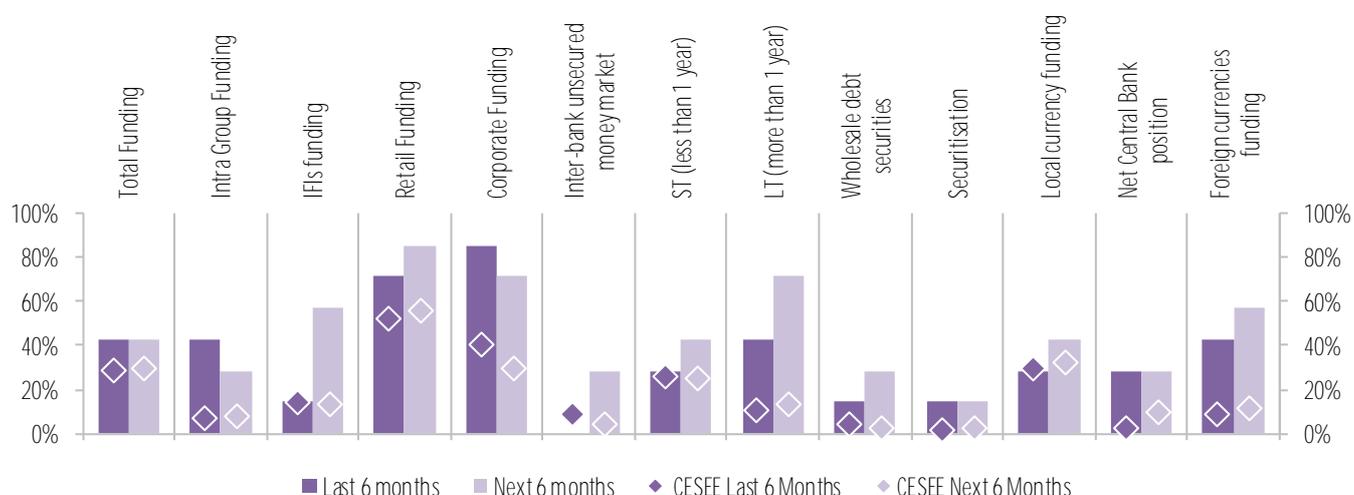


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 11 Access to funding**

Access to total funding improved in North Macedonia during the last six months and it is expected to register further improvement over the next six months. Both retail and corporate deposits are the strongest contributors to the improved funding conditions of banks in North Macedonia. Access to intra-group funding and IFIs funding is supportive.



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 **market's potential** is considered to be somewhat above the rest of the CESEE according to the assessment of parent banks. Credit demand has been stagnating for the first time in two years. Supply conditions are also unchanged.*

## Summary

Group assessment of positioning and market potential: Parent banks operating in Poland show commitment towards the region. Most of them have positive views on the potential of the Polish market. However, parent banks operating in Poland have heterogeneous views about their current market positioning. The diversity of the views extends also to the **banks' assessment of risk**-adjusted returns relative to the regional peers.

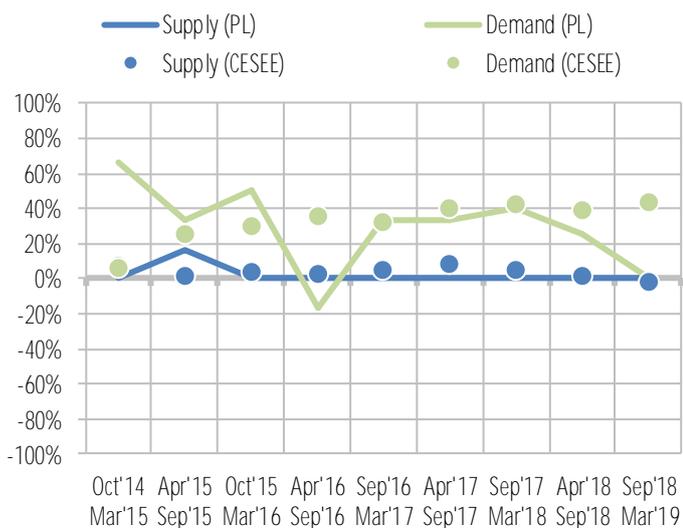
Polish banks report that credit demand has been stagnating recently, while supply conditions have been also broadly unchanged.

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

Credit demand stagnated for the first time after two years of increase. Credit demand is lagging behind both the dynamics observed in the CESEE region and **banks' own** past expectations for the Polish market. Looking ahead, banks expect further stagnation, well below the CESEE outlook.

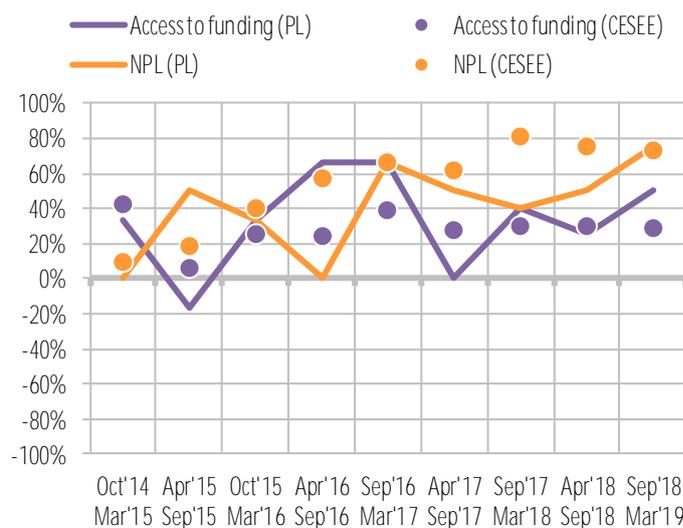
**On aggregate, Polish banks' access to funding** has been improving in the last six months.

NPLs have been described as improving in all segments. Further additional improvements are expected in the months ahead.



Source: EIB – CESEE Bank Lending Survey.

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



Source: EIB – CESEE Bank Lending Survey.

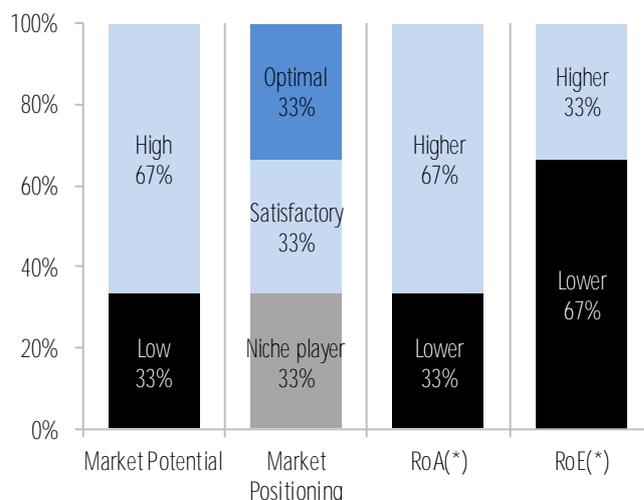
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Poland show commitment towards the region. Two-third of the groups present in the country plan to expand – fully or selectively – their CESEE activity, while a third of them plan to maintain their regional operations at their current level.

The strong commitment aside, parent banks have heterogeneous views on the market potential of the Polish market within CESEE, yet two-third of them report it as high. Parents have even more diverging views about their own current market positioning, and the relative profitability of their Polish operations compared to the regional peers (Figure 1).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

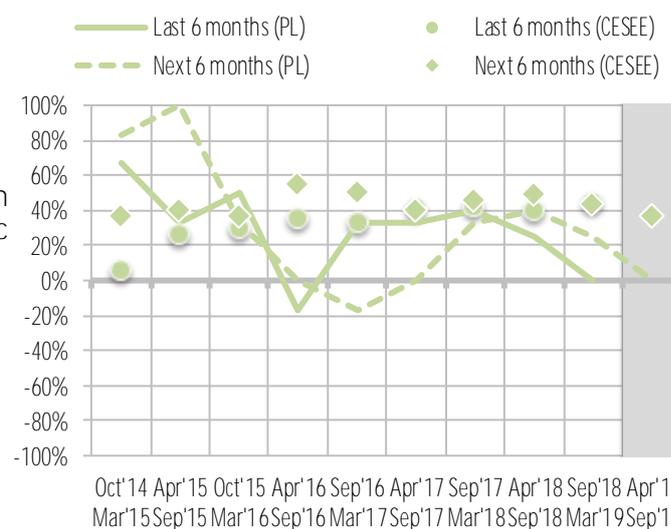
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Credit demand in Poland remained stable over the last 6 months, which signals a turning point after an extended period of increase. While credit dynamics are moderating all over in the CESEE region, the Polish market shows a more pronounced slowdown. Credit demand is also below **the banks' own** expectation formed six month ago.

Looking ahead, Polish banks are expecting no change in credit demand, which represents a more pessimistic outlook than for the rest of the CESEE (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

Housing loans have been the only component in credit demand over the last six month that showed any significant increase. Demand for consumer loans have also been showing a mild increase. Other components of credit demand have been neutral.

Looking ahead, demand is expected to increase mildly in the SME and housing credit segments (Figure 3).



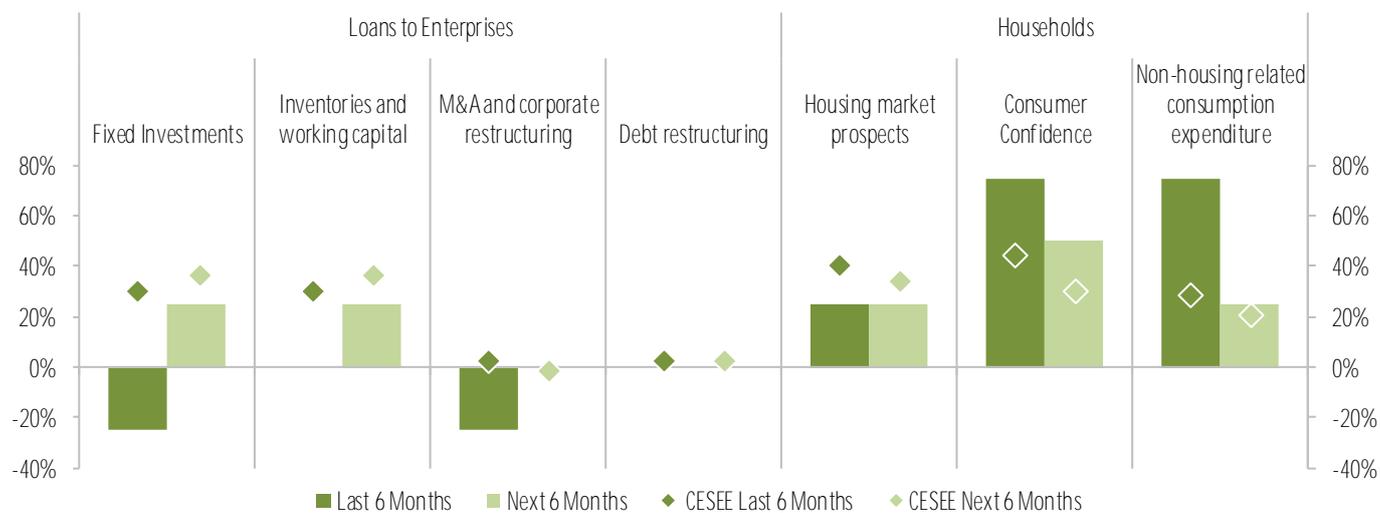
Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

Consumer confidence, together with housing market prospects, and non-housing related consumption expenditure have been improving, thus supporting credit demand from the households’ side. On the corporate side, demand components have been either neutral, or slightly on the negative side in the past six months.

Looking ahead, banks expect mild positive developments in the investment and working capital outlook (Figure 4). This cautious optimism 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 have been improving for SMEs, whereas in other segments it has been stagnating. Looking ahead, further strong improvements are expected in the SME segment. Elsewhere in CESEE, banks report mild improvements in the quality of loan applications across all the segments.



Source: EIB – CESEE Bank Lending Survey

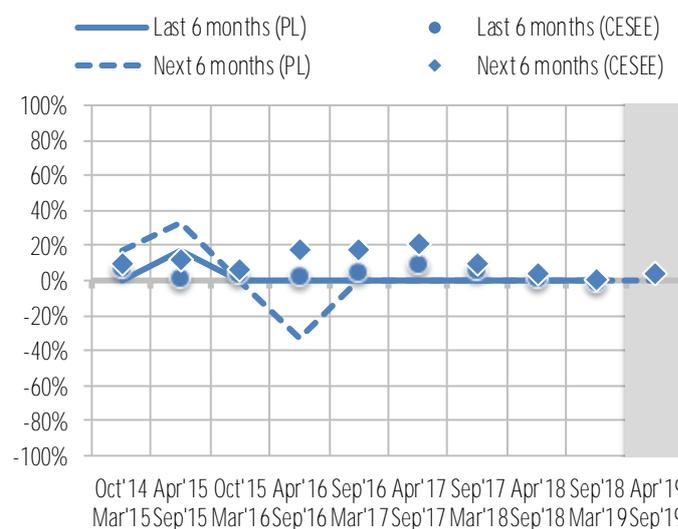
Note: Net percentages - positive figures refer to increasing of quality demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Credit supply conditions in Poland have been neutral in the last six months. Supply developments are in line with the close-to-neutral stance of the overall CESEE region. Stagnating credit supply 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**

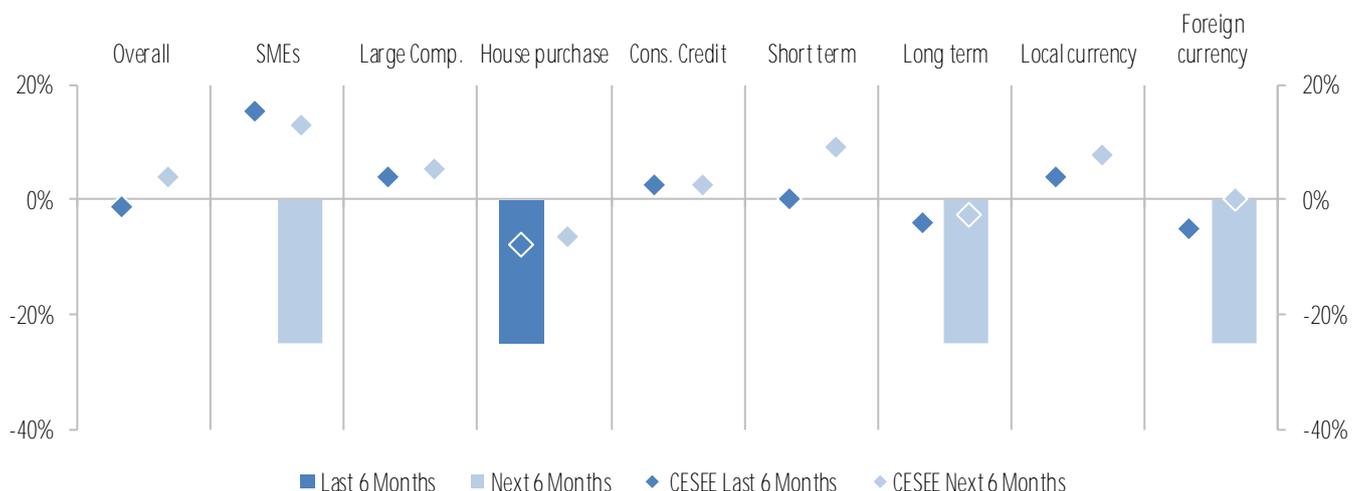


Source: EIB – CESEE Bank Lending Survey.

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 of loans to Polish SMEs and larger corporates have been stagnating, and this is expected to continue in the coming months. The supply of mortgage products has been somewhat curtailed over the course of the last six months. Looking ahead, banks on average expect neutral to slightly negative supply stance for corporates, and no change in credit supply for households. The overall picture represents a marginally more pessimistic outlook relative to the CESEE average.

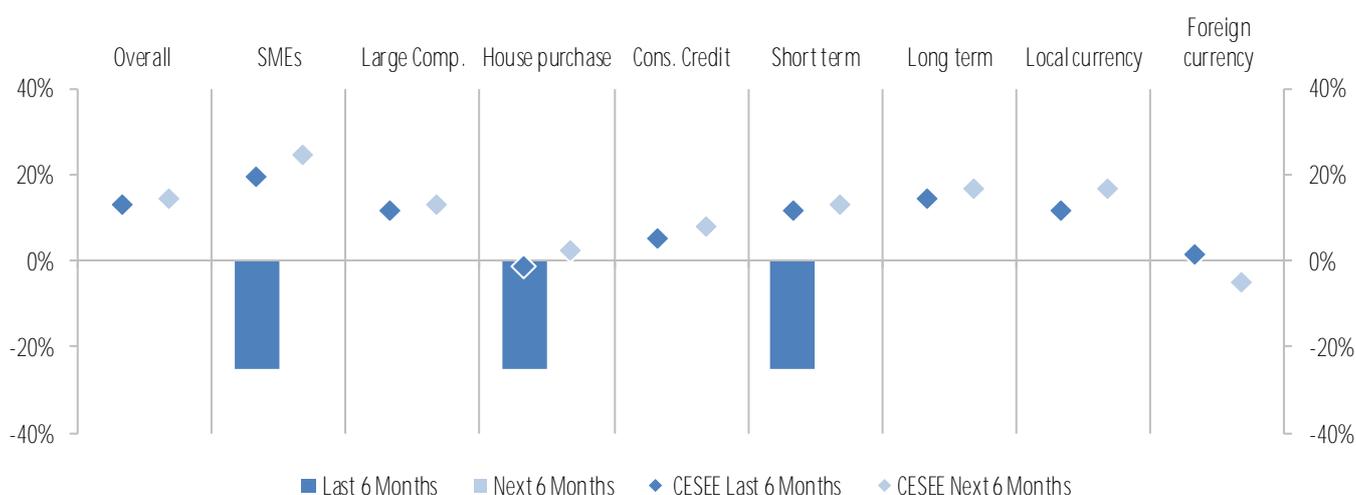


Source: EIB – CESEE Bank Lending Survey

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

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

Loan approval rates have been declining for SMEs and mortgages, while they remained unchanged in the other segments. Looking ahead, banks expect approval rates to remain at their current levels. The picture is in contrast with other CESEE markets, where approval rates increased, and they are expected to continue to do so.

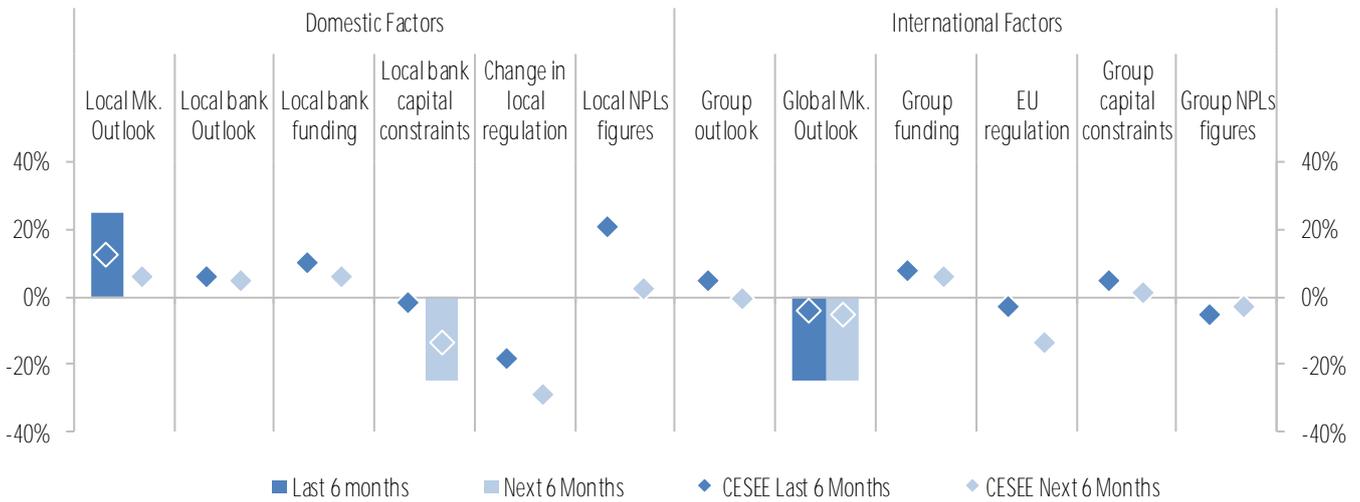


Source: EIB – CESEE Bank Lending Survey

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 the majority of factors behind credit supply to be neutral; and they are expected to be as such in the coming months too. Local market outlook had a mild positive contribution to credit supply, while global market outlook had an opposite impact. According to the banks, local capital constraints, together with the global outlook, are expected to deteriorate 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 figures in Poland have been improving in the last six months. Strong positive trends have been observed in the retail segment, whereas for corporate clients banks reported somewhat milder improvements. The positive developments are overall in line with the rest of the CESEE, despite Poland's NPL ratio being already well below the regional average.

In line with the rest of the region, further improvement in non-performing loans is projected for Poland.



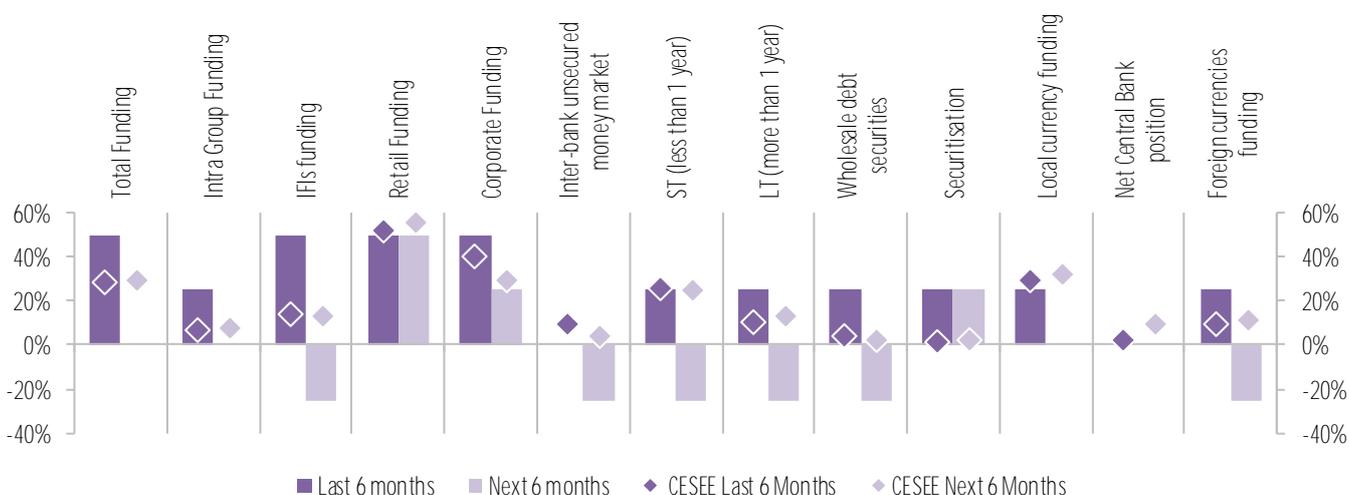
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Polish banks' access to funding has improved in the last six months. Better funding conditions were reported in all segments, except on the unsecured interbank market (Figure 11). This is in line with the rest of the region.

Looking ahead, however, the funding picture is slightly negative for the next six months.



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. Credit demand remained positive but the consumer segment shows weakening dynamics. Access to funding and NPLs improvement in line with the regional trend.*

## Summary

Group assessment of positioning and market potential: More than seventy percent of the parent banks consider Romania a market with high potential. This is the highest score among the CESEE countries. Assessment of market positioning remains divided with about 45 percent considering positioning satisfactory or better but the same share describing their position as weak. Still more than half of respondents find profitability higher or equal in Romania compared to group operations.

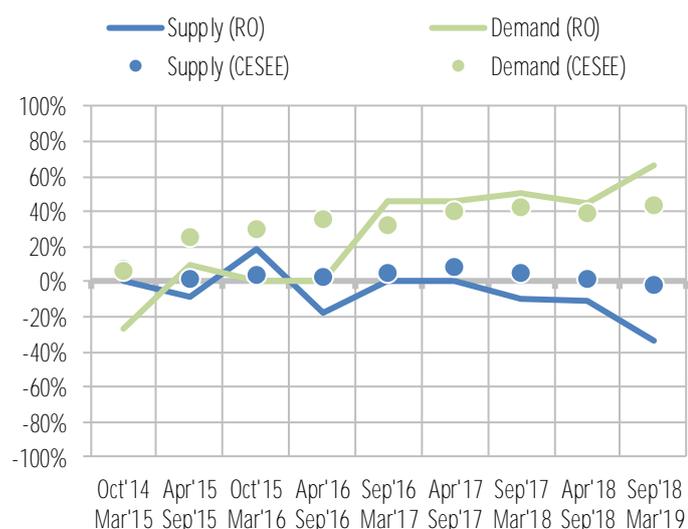
Credit demand has increased over the past six months surpassing expectations and developments in the region despite weakening economic growth in Romania. Supply conditions have tightened again on balance.

Credit supply tightening has accelerated in the past six months. Stricter credit standards were recorded for the household segment in particular with further tightening foreseen for the next six months. **Banks'** approval rates indicate higher approval for corporates, but more stringent approvals on consumer credit. Domestic regulatory changes were again perceived as limiting supply. Looking ahead, banks see a weaker local market outlook and domestic regulation as factors limiting supply.

Increased aggregated demand for loans is driven by developments in the corporate segment. Despite signs of economic cooling, and interest rate hikes in 2018, demand for credit is still expected to grow for corporates in the next six months.

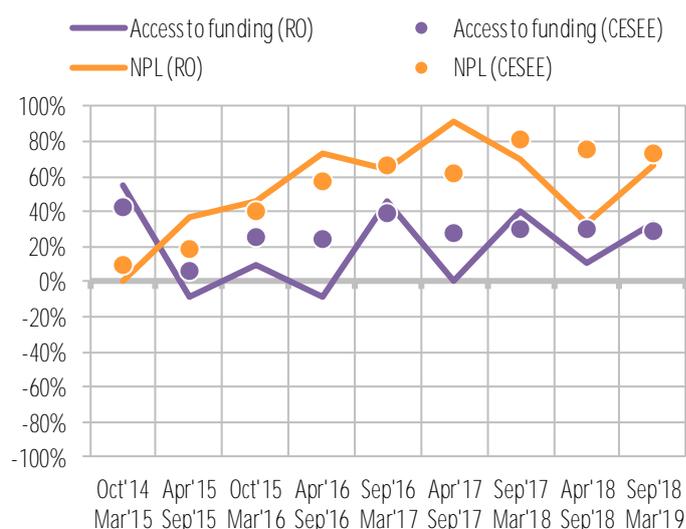
Access to funding has slightly improved on balance with conditions for retail, corporate and short-term funding improving the most. Contrasting with the general trend, intra-group funding slightly deteriorated. On balance, banks expect the overall access to funding to improve in line with the regional trend.

NPL figures have been described as further improving both in the corporate and retail segments, in line with the regional trend.



Source: EIB – CESEE Bank Lending Survey.

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



Source: EIB – CESEE Bank Lending Survey.

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

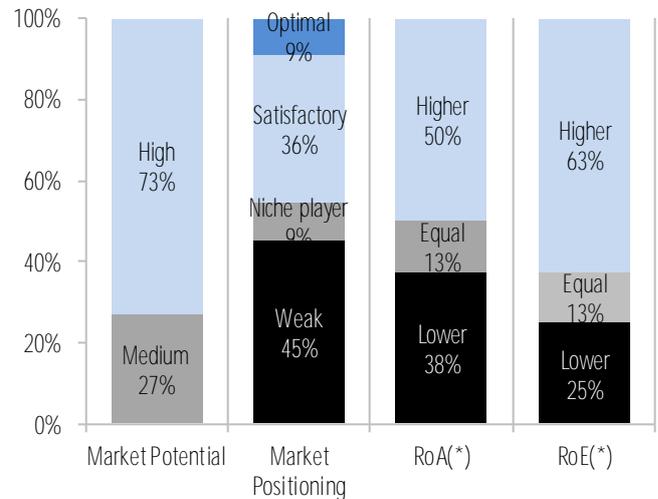
## Results of the Bank Lending Survey – Parent banks level

Views on operations in Romania are mostly in line with the last release of the survey. Exactly half of parent banks report higher RoA on domestic operations compared to overall group results. In terms of RoE, 63 percent report higher (+13pp compared to H2 2018), while the share of banks reporting lower returns decreased respectively.

Views on market positioning are unchanged. The share of respondents reporting satisfactory market positioning has remained at 36 percent for the past year and similarly for those finding weak market positioning. The latter continue to make up the largest group (45 percent).

Romania continues to rank first compared to CESEE peers in terms of market potential, with 73 percent considering it as a market with high potential. Consistently positive views also reflect structural characteristics – country size and low levels of financial penetration (26 percent of GDP) – that add to the **market’s attractiveness**.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

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

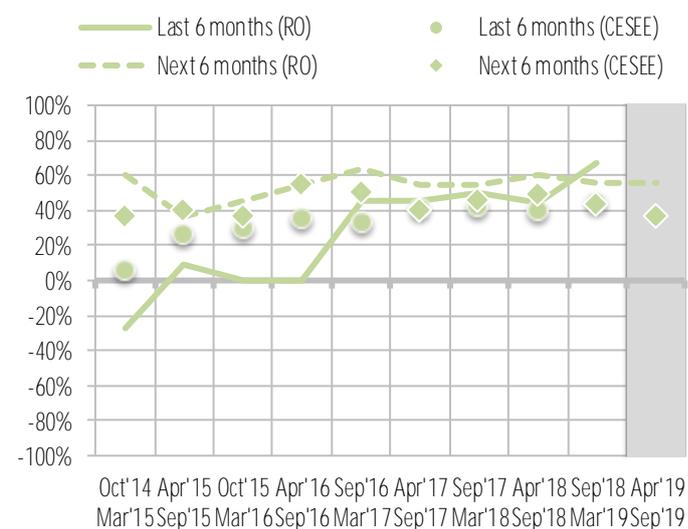
### Aggregate demand developments

Credit demand in Romania is reported to have increased notably over the last six months, continuing to grow **and surpassing banks’ expectations stated in the last round**. On balance, the trend towards increasing demand still seems to continue.

For the next six months, banks continue expect a robust increase in credit demand in Romania, slightly above the CESEE average and despite the increasing interest rates since fall 2017.

Credit demand recovery has been lagging behind the economic cycle. While Romania registered robust growth in the last four years, reaching a post-crisis high in 2017 (almost +7 percent GDP increase) growing demand for loans started to be visible only since end-2016. After a period of contraction and subdued lending activity since 2013, credit growth for corporates started to increase in the second half of 2017, with Q1 2019 showing accelerating annual dynamics (+7.4 percent). Credit to households continued to grow faster than for corporates (+8.1 percent annually).

Figure 2 Demand side developments



Source: EIB – CESEE Bank Lending Survey.

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

### Figure 3 Demand components and segments

Aggregated demand for loans in Romania has increased on balance in the last six months. Both large corporations and SMEs contributed to the positive move. In contrast, the household segment showed weaker demand. Demand for short-term financing was stronger than for longer-term loans with increases again well above the regional average. While appetite for foreign currency lending dropped, demand for funds in local currency remained high. Looking ahead, growth in credit demand is expected to continue and exceed the regional average. Views are most positive for funds in local currency, short-term and lending to corporates.

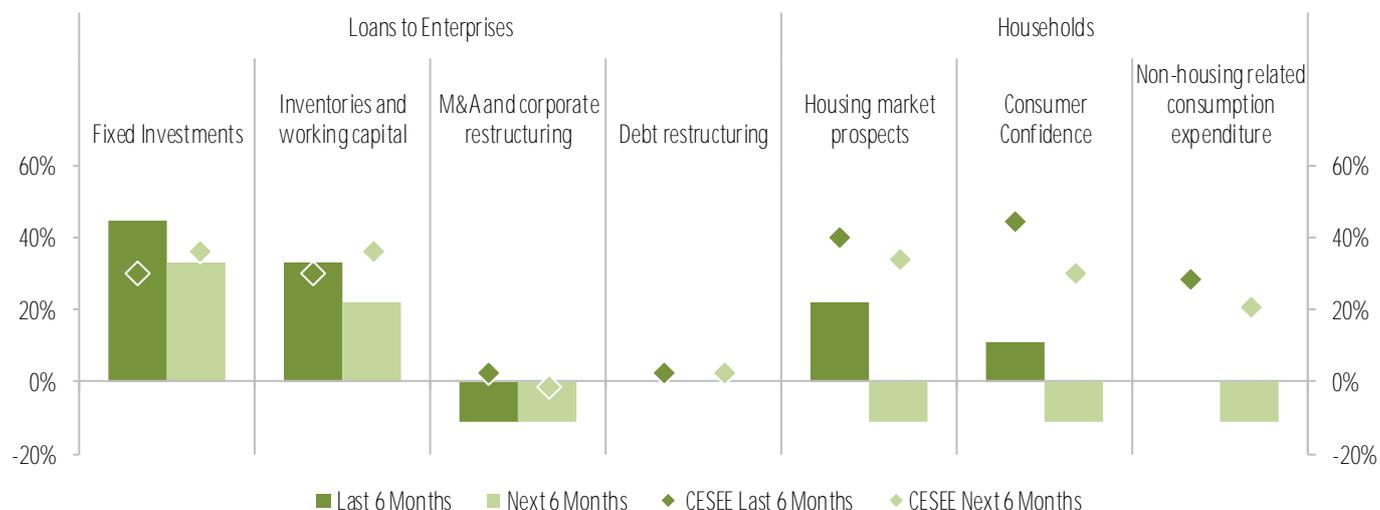


Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

Only the M&A and corporate restructuring segment has made a negative contribution to demand over the last six months. On the enterprise side, banks recorded the strongest demand for fixed investment, continuing developments of the previous wave. Demand for fixed investment in the last six months was more positive compared to the overall CESEE developments but looking ahead seems to converge to the regional average. Demand was also positive for inventories and working capital. In the household segment, housing continued to make the strongest contribution. However, looking ahead, demand for the consumer loan segment is expected to slow, pointing to some cool-down after a period of accelerated dynamics.

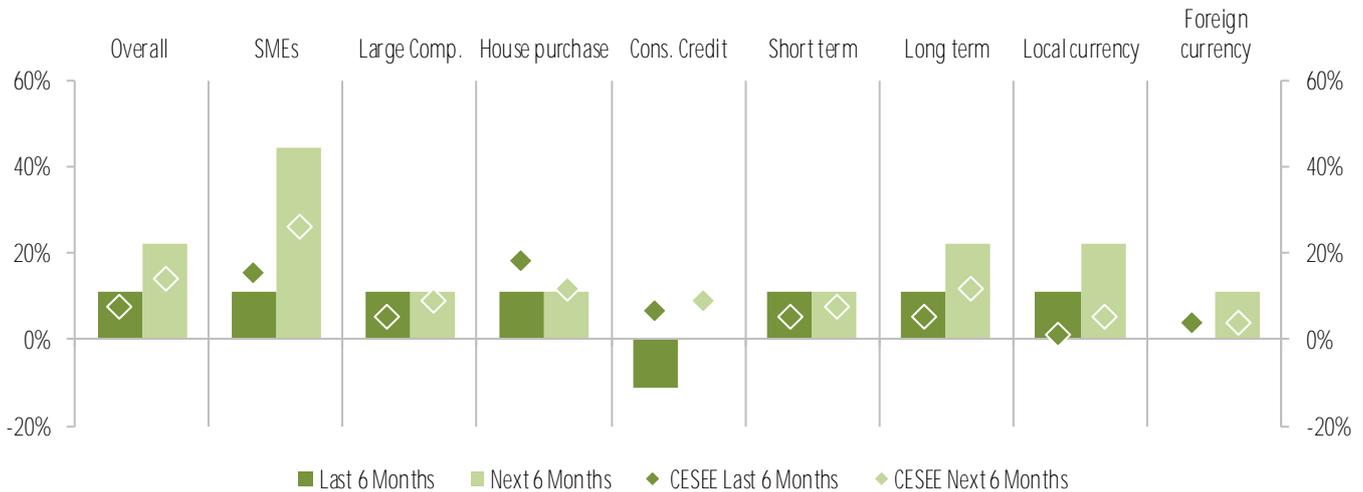


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 5 Quality of loan applications**

The quality of loan applications in Romania has continued to improve overall, in line with the CESEE development. Credit to corporates, mortgages and financing at different maturities all record similar improvements. Consumer credit is the only category that contrasted with the trend. The overall quality strengthening is expected to continue in the near future, supported by all segments except consumer credit. Notably, banks expect strong improvements in the quality of loan applications by SMEs 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

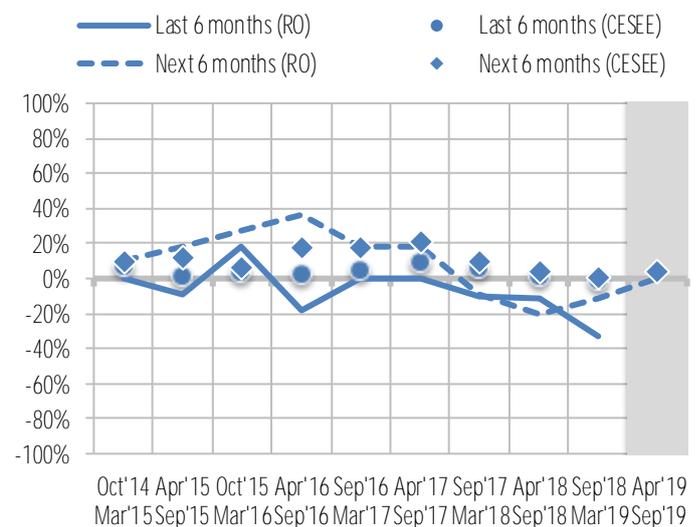
**Aggregate supply developments**

The tightening of credit supply conditions has accelerated in the past six months. Developments in Romania continue to contrast with the regional trend. On average, banks in CESEE are keeping supply conditions unchanged.

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

The outlook is slightly more positive with no more further tightening for the next six months. Divergences between supply expectations of banks in Romania and the CESEE region appear to narrow for the upcoming six months according to banks' expectations.

**Figure 6 Supply developments**

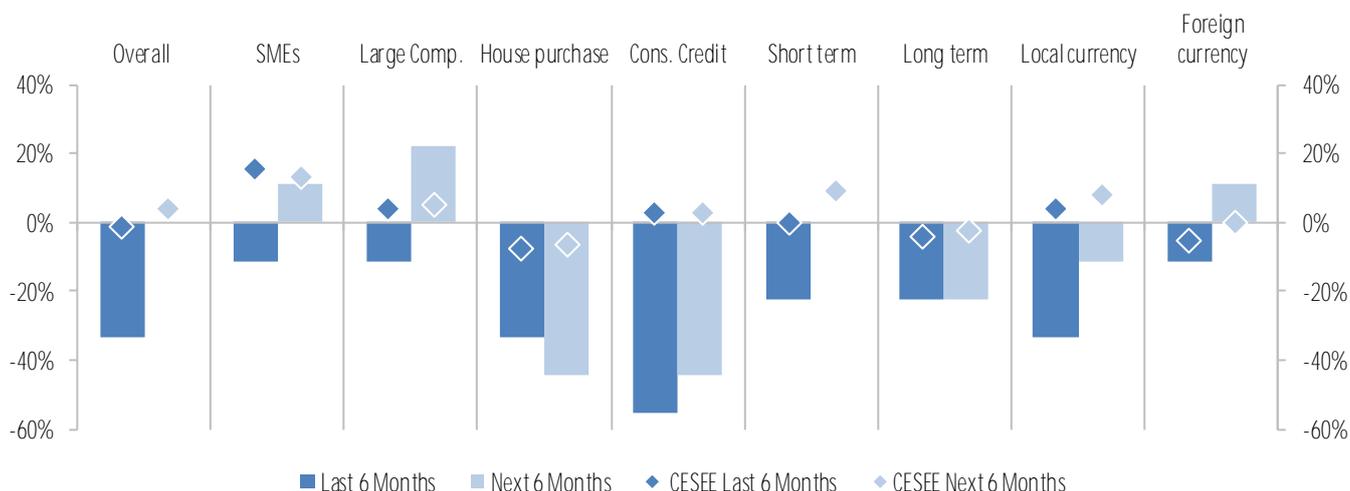


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 7 Supply components and segments**

Stricter credit standards were recorded across all credit segments. Changes were most for consumer loans. Supply conditions to corporates tightened at a slower pace diverging from the regional trend. Lending across different maturities saw accelerated tightening. Tightening conditions were more pronounced for lending in RON than in foreign currency contrasting with H2 2018. Looking ahead, credit conditions are expected to see further tightening for households but some easing for corporate clients.



Source: EIB – CESEE Bank Lending Survey

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

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

Overall approval rates continued to increase during the last six months. In particular, getting loans got easier for corporates. Higher approval rates are similarly reported for lending with different maturities. The household segment shows heterogeneous developments with banks again lowering approval on consumer credit. Looking ahead, banks appear set to approve loans more easily in the corporate lending segment contrasting with expectations for the credit to consumers.

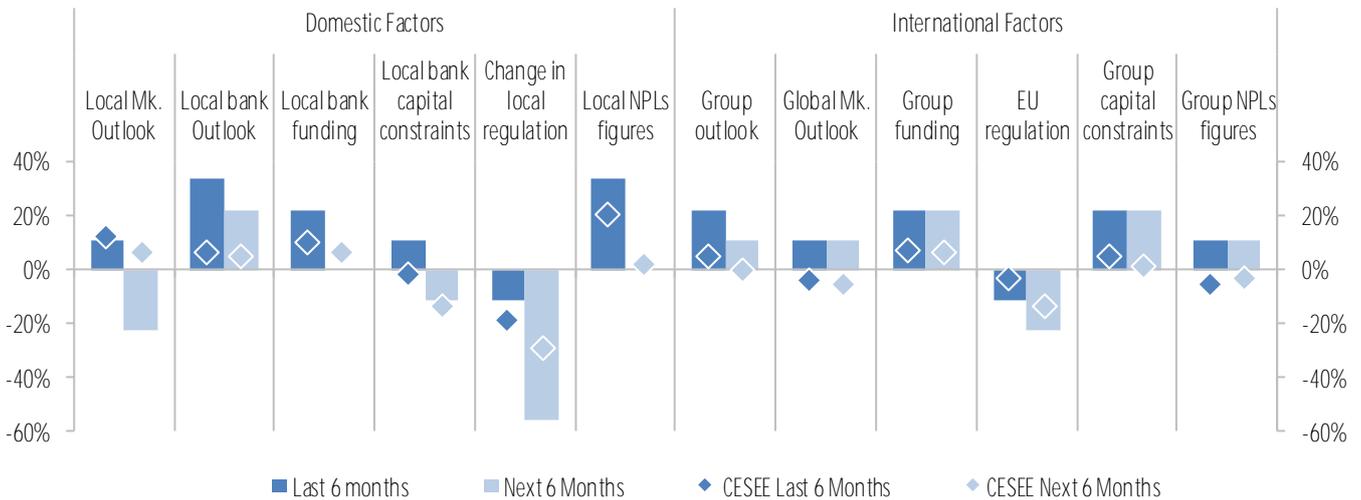


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

While most of the domestic and international factors played a facilitating role in easing credit standards, changes in local regulation contributed negatively. Other domestic factors mostly acted as a positive contributor in Romania more so than across the region. Internationally, a positive group outlook, group funding and lower capital constraints showed the strongest positive contribution over the last six months and with the latter two expected to do so for the next period. Looking ahead, the negative impact of changes in local regulation is expected to increase more in Romania than in CESEE region and the local market outlook is expected to become a negative for 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 Romania have been described as improving further both in the corporate and retail segments. The pace of improvement accelerated compared to the previous releases of the survey.

The non-performing loan ratio in Romania reached 5.0 percent as of December 2018, a level below the EBA threshold of 8 percent, i.e. within the EBA-defined medium-risk bucket.

NPL ratios in the past six months recorded stronger decreases in the corporate segment. Looking ahead, further improvements are expected for both segments albeit at a slower pace.

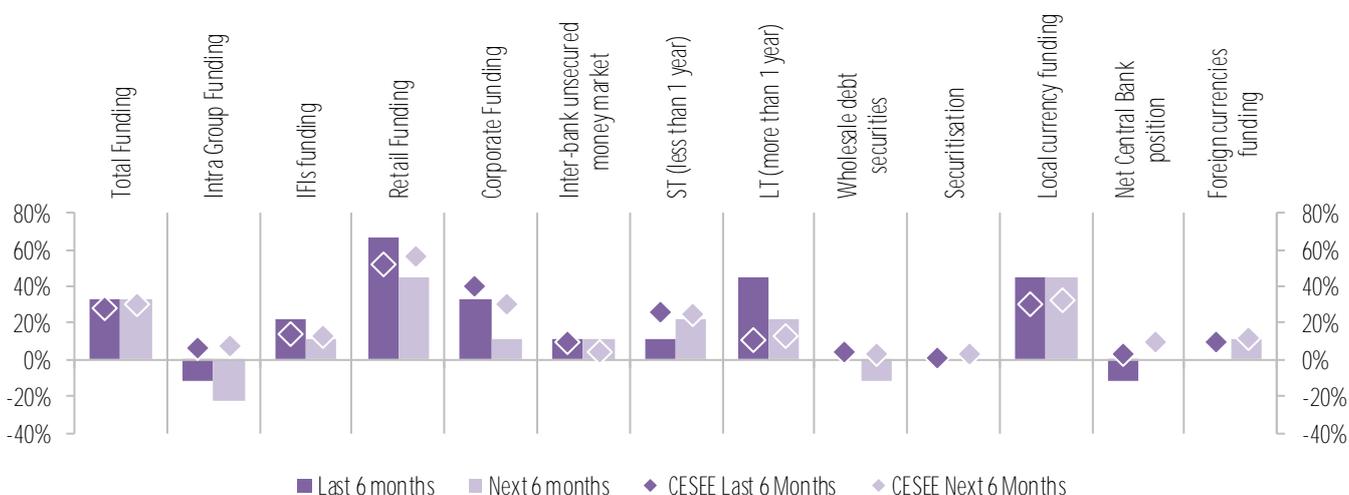


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

On balance, access to funding has improved for subsidiaries in Romania over the past months. In particular, tapping retail funding became easier. Access to funding eased for different maturities. In contrast, intra-group funding continued to register some deterioration. For the months ahead, banks expect the overall access to funding to improve in line with views in the region.



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

*Healthy growth in demand for loans across most loan segments on the back of neutral to slightly tighter credit standards. Overall NPL reduction continues; retail NPL reduction is slowing down.*

## Summary

Group assessment of positioning and market potential: The majority of parent banking groups operating in Serbia regards the market potential as medium and their market positioning is seen as mostly satisfactory. Growing number of those parent banks who see their market position as weak. Local **banks' profitability** on balance better or equal to the overall group.

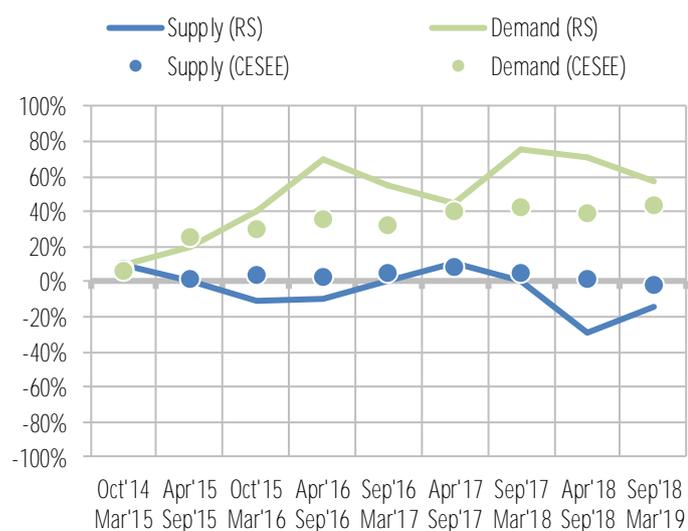
During the last six months, credit demand remained strong, above the CESEE average, while credit supply conditions hover around neutral to tighter. With credit standards remaining unchanged and loan demand growing steadily, the ongoing credit expansion could be seen in healthy credit.

Credit supply conditions tightened mainly for consumer credit, long term credit and both local currency and foreign currency loans. On the other hand, credit standards for loans to SMEs eased during the last six months. Loan approval rates increased more broadly.

Demand for loans increased across all loan segments during the last six months, with particularly strong rebound of loan demand from larger corporates and SMEs. **Households' demand for loans**, particularly house purchase loans, remained strong. A broadly similar trend is expected in the next six months, with demand for consumer credit expected to print somewhat softer growth. Quality of loan applications **increased for SMEs and households'** house purchase loans.

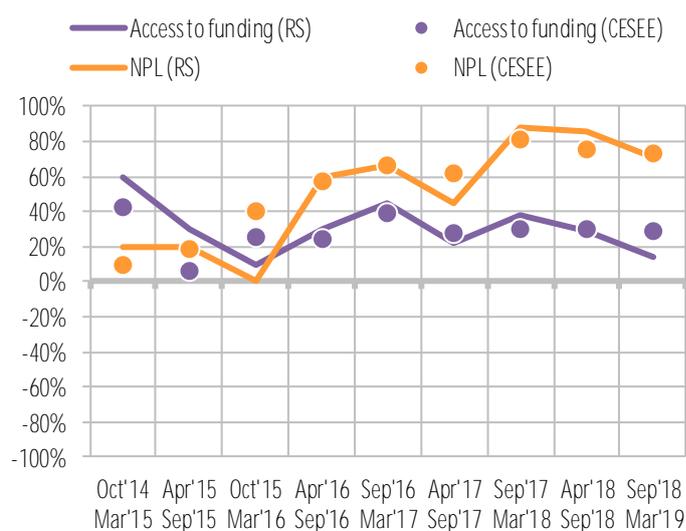
Access to funding for local banks improved and the favourable trend is expected also in the next six months, mainly thanks to improving access to retail and corporate funding as well as to intragroup funding.

The positive trend in NPLs reduction has continued for corporate and retail loans in the last six months. The pace of retail NPL reduction is slowing down. Retail NPL reduction is expected to remain unchanged in 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.

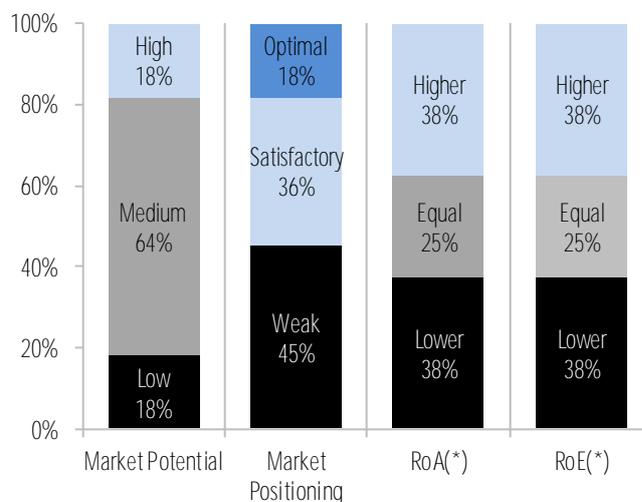
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Majority of parent banking groups see medium to high market potential in Serbia and regard their current market positioning as satisfactory to optimal. Nevertheless, the share of parent banks seeing their market positioning as weak (45%) increased compared to the previous wave of the survey (27%)

In terms of profitability, about 52 percent of local banks report higher or equal return on equity and return on assets compared to the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

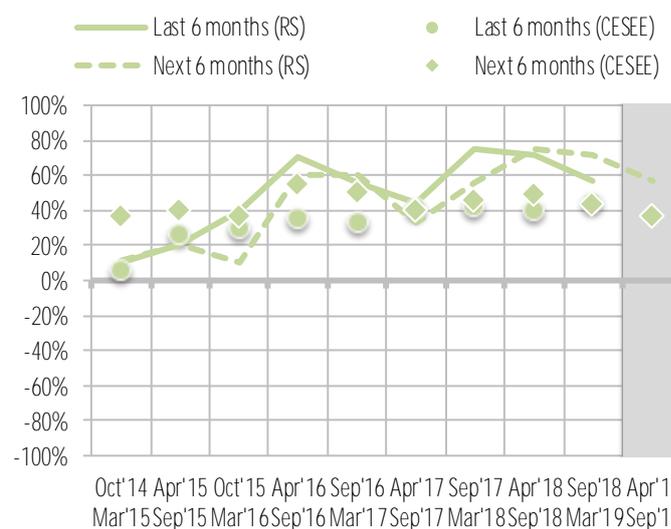
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Overall loan demand in Serbia increased during the last six months, although to a lesser extent than in the previous wave of the survey.

Expectations point to further solid increase in the demand for credit in Serbia over the next six months. Both the currently perceived and the expected credit demand series in Serbia are above the CESEE averages.

Figure 2 Demand side developments



Source: EIB – CESEE Bank Lending Survey.

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

**Figure 3 Demand components and segments**

Demand for loans in Serbia increased across the board during the last six months and a further strengthening is expected over the next six months. Demand for large corporate loans registered a particularly strong increase during the last six months compared to the previous wave of the survey, above the CESEE average, and the expectations are robust as well. Demand for FX loans continues increasing. On the other hand, demand for consumer credit is expected to weaken somehow 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**

All households-related factors contributed positively to credit demand over the last six months, above the CESEE average. They are expected to have favourable, though a little weaker contribution over the next six months. The contribution of firm-related factors to credit demand in Serbia strengthened in the last six months compared to the previous wave of the survey and further strengthening is expected in the next six months. Debt restructuring is having negligible impact on 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 overall quality of loan applications improved broadly across all segments in the last six months and this trend is expected to continue. In particular, the quality of loan applications for loans to SMEs, large corporations and house purchase loans strengthened materially during the last six months compared to the previous period.



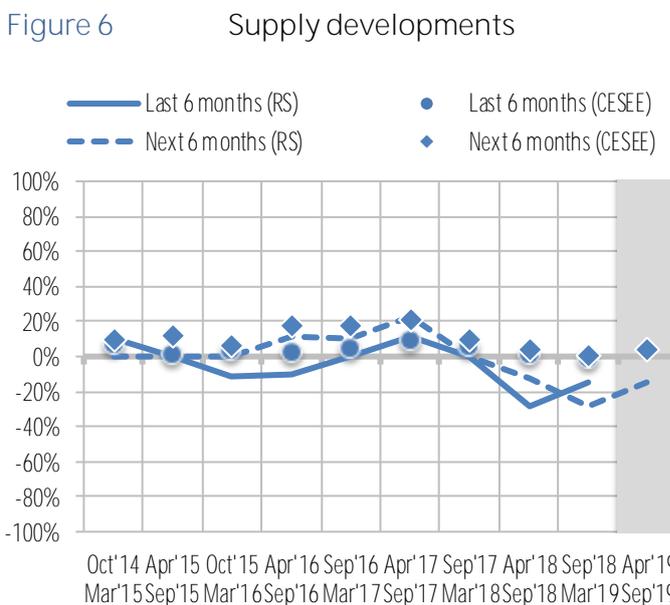
Source: EIB – CESEE Bank Lending Survey

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

**Aggregate supply developments**

After a dive into tighter credit standards in the previous wave of the survey, lending conditions became less tight in the next six months and they are expected to move towards a more neutral territory over the next six months. The recovery in the loan demand since 2015 has been so far supported with more or less neutral credit standards.

Credit standards have been slightly tighter in Serbia than in the overall CESEE since mid-2017.

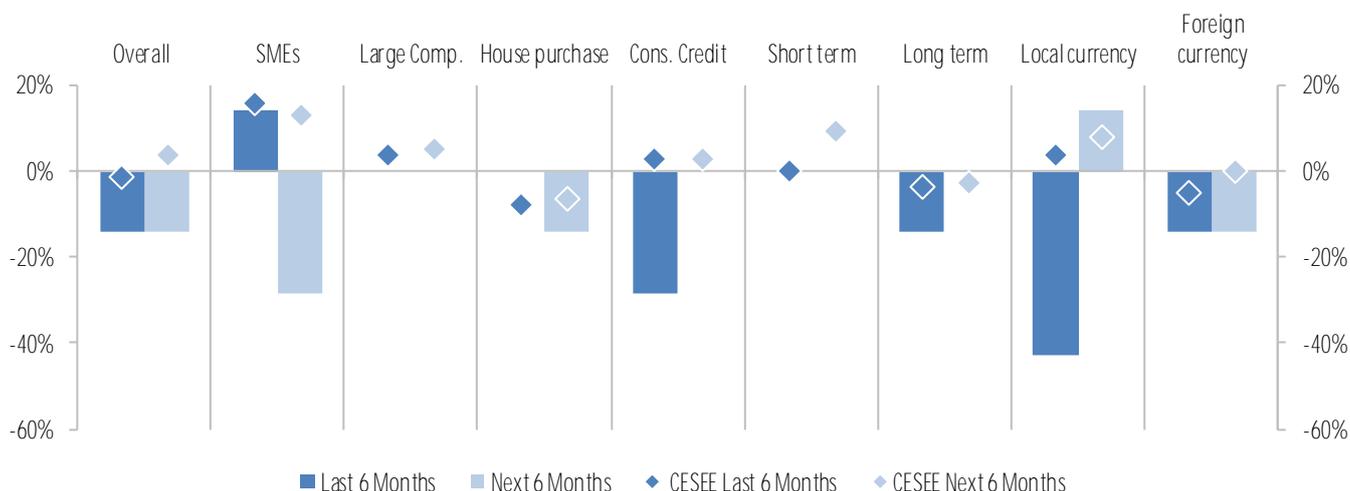


Source: EIB – CESEE Bank Lending Survey.

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**

Tightening of credit standards was occurring mainly in the segments of consumer credit, long term credit and both in for local and foreign currency loans. Nevertheless, credit standards for loans to SMEs became easier during the last six months, and credit standards for large corporate loans moved from tighter to neutral. Looking ahead, credit standards are expected to tighten for loans to SMEs, house purchase loans and FX loans over the next six months.

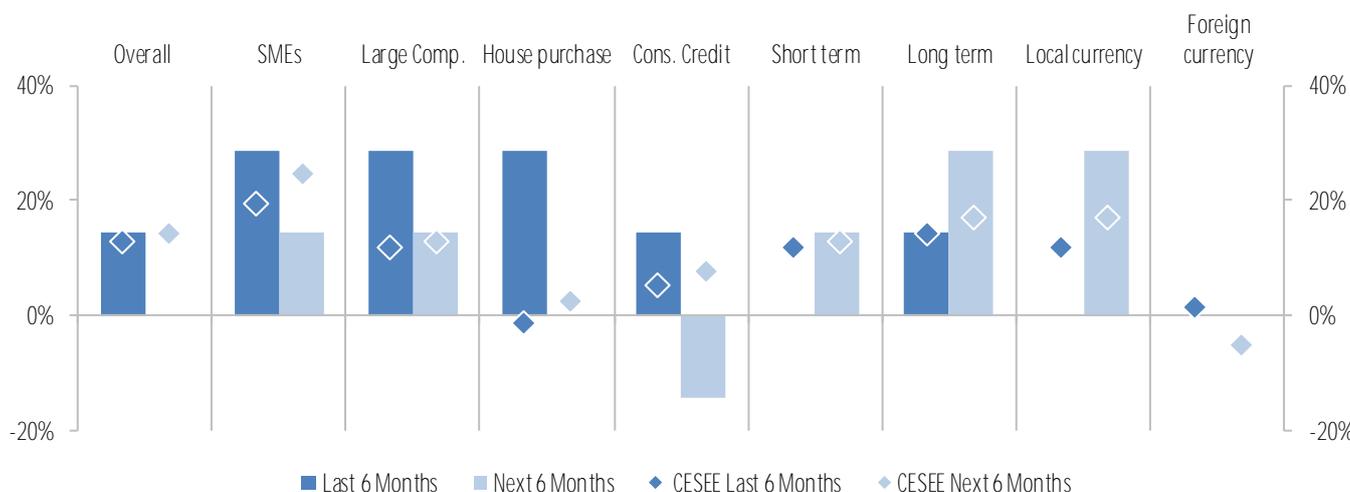


Source: EIB – CESEE Bank Lending Survey

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 tight credit standards, the overall banks' approval rate increased during the last six months and is. The approval rate was strong for loans to SMEs, large corporate loans and house purchase loans, above their CESEE averages. Over the next six months, the only segment that is expected to register a net decline in loan approval rate is consumer credit.



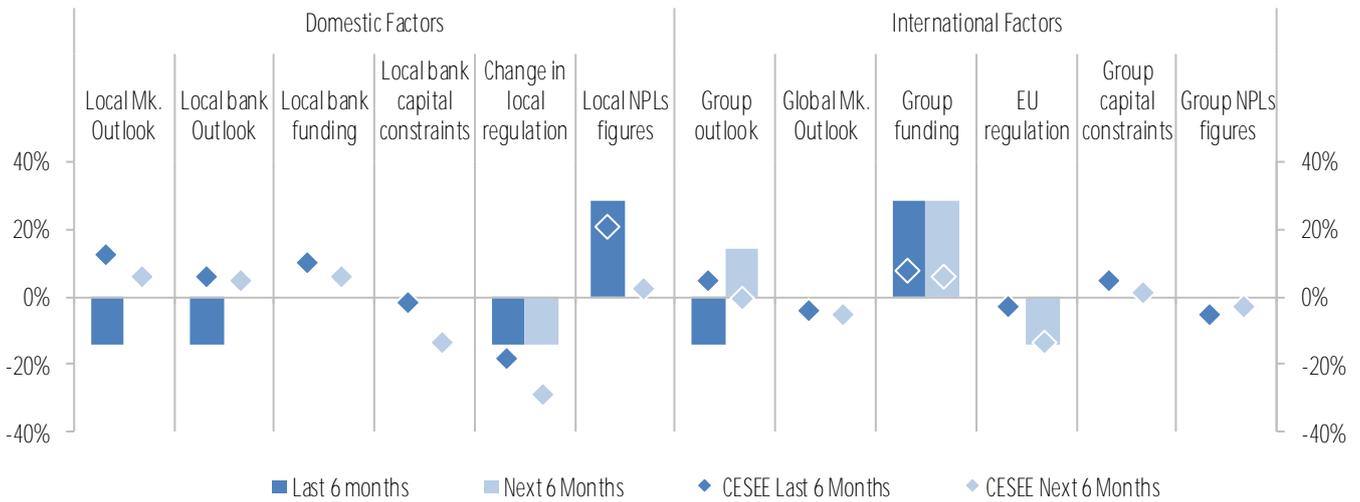
Source: EIB – CESEE Bank Lending Survey

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

**Figure 9** Factors contributing to supply conditions

During the last six months, the contribution of domestic factors to credit supply conditions in Serbia was less favourable. Local market outlook, local bank outlook and changes in local regulation contributed negatively to domestic credit supply conditions. On the other hand, NPLs reduction continues feeding in the positive effect of local NPLs on domestic credit conditions.

Among the international factors, while group outlook was negative during the last six months, group funding contributed positively to 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 was strong during the last six months, exceeding the expectations from the previous wave of the survey. In particular, NPL reduction for corporate loans remains strong. NPL reduction for retail loans was below CESEE average. The NPL reduction in retail loans has now been in a downward trend for three consecutive survey periods.

The expectations are yet again more downbeat and point to a lower pace in NPL reduction over the next six months, below the CESEE average. There is no change in NPL ratios expected for retail loans over the next six months.

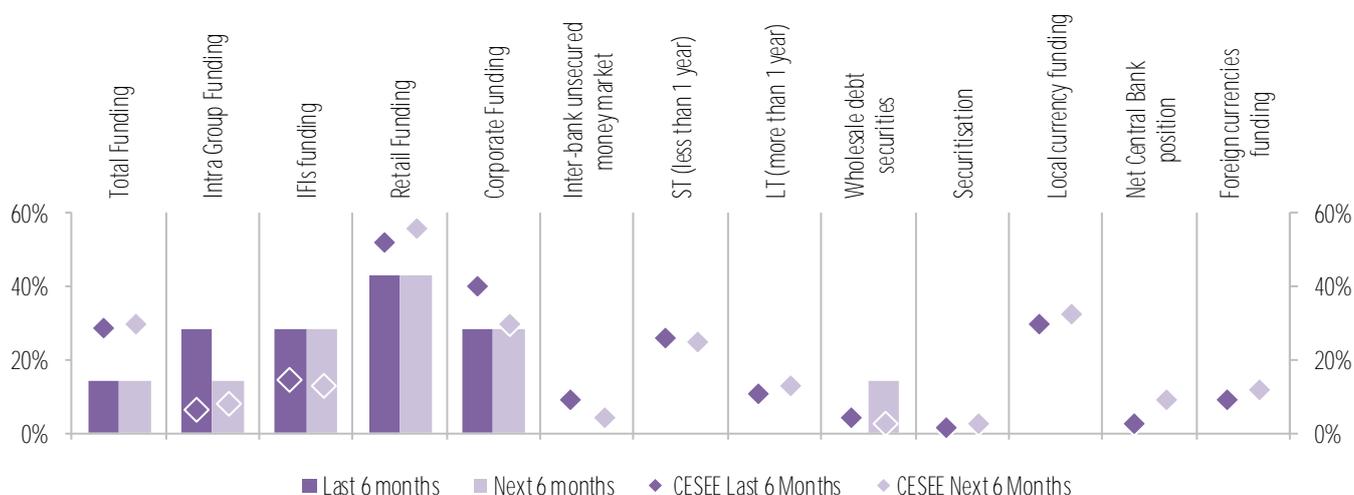


Source: EIB – CESEE Bank Lending Survey.

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 banks located in Serbia increased during the last six months, although running below the CESEE average. This trend is expected to continue over the next six months. The main contributors to better access to funding were intra-group funding, retail and corporate deposit funding as well as IFIs funding.



Source: EIB – CESEE Bank Lending Survey.

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



# Slovakia

*Profitable market with stable domestic funding and declining trend of NPL ratios. Tighter credit standards are at last having their toll on overall loan demand, which is softening. However, demand for house purchase loans remains strong.*

## Summary

Group assessment of positioning and market potential: Slovakian banking sector remains more profitable than the overall group. Thanks to the profitable environment, the parent banking groups continue seeing high to medium market potential in Slovakia and they regard their current market position as mostly optimal or satisfactory.

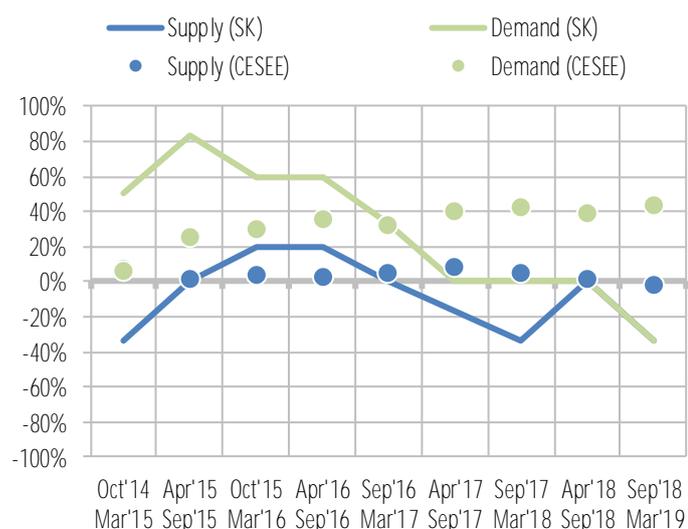
The continuation of macro-prudential tightening by the National Bank of Slovakia has started to bite. After a number of periods of strong growth, credit demand declined for the first time since 2014, as credit standards have become tighter once again.

Demand for loans declined predominantly for consumer credit and loans to SMEs, while it kept on increasing for house purchase loans during the last six months. Housing market prospects continue having positive impact on credit demand.

Credit supply conditions tightened predominantly for house purchase loans and consumer credit during the last six months, and further tightening in these two loan segments is expected over the next six months. On the flip side, credit standards for loans to SMEs became slightly more accommodative. Loan approval rate declined for house purchase loans and consumer credit during the last six months.

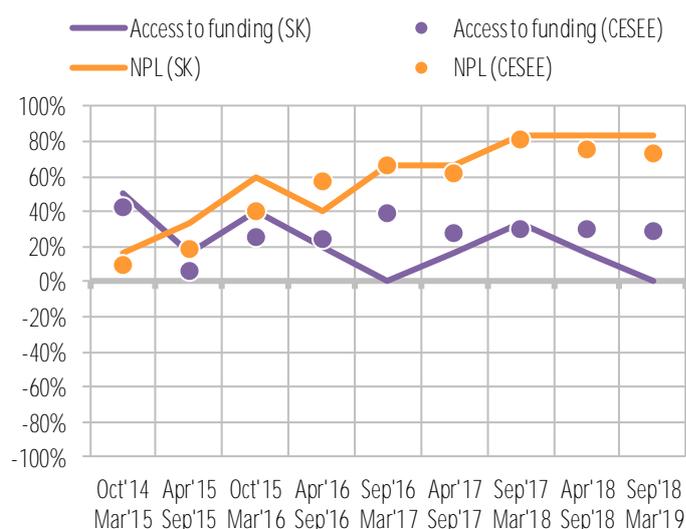
Access to funding: During the last six months, banks reported that their access to funding remained unchanged, compared to an improvement for the CESEE average. Access to retail and corporate deposits was seen as improving and is expected to improve further over the next six months.

NPL ratios continued declining during the last six months and are expected to be reduced further going forward, albeit at a lower pace.



Source: EIB – CESEE Bank Lending Survey.

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



Source: EIB – CESEE Bank Lending Survey.

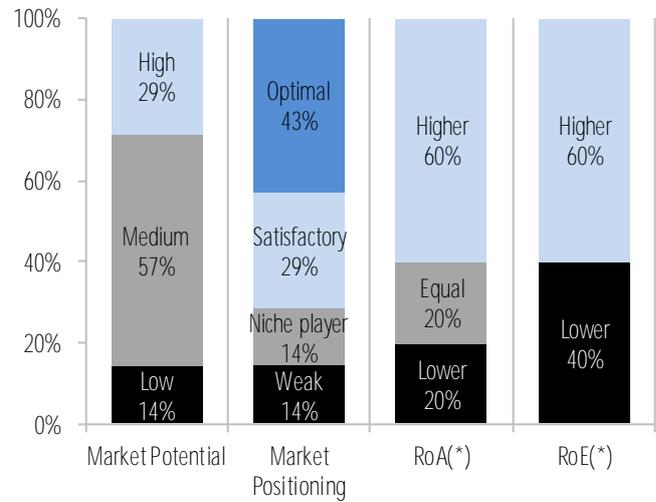
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Overall, the majority of parent banking groups operating in Slovakia regard the market potential as high to medium, and their market positioning as optimal to satisfactory. Compared to the last wave of the survey, the share of those banks that regard their market position as weak has increased from zero to 14%.

In total, local bank profitability in Slovakia continues surpassing that of the parent banking groups. However, less banks than in the previous wave of the survey see currently their local bank profitability in terms of return on assets as higher than the overall group operations (60% currently versus 80% in the previous wave). Correspondingly, more banks than in the previous wave of the survey see their profitability in terms of return on assets as equal to the overall group operations (20% currently versus zero in the previous wave).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

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

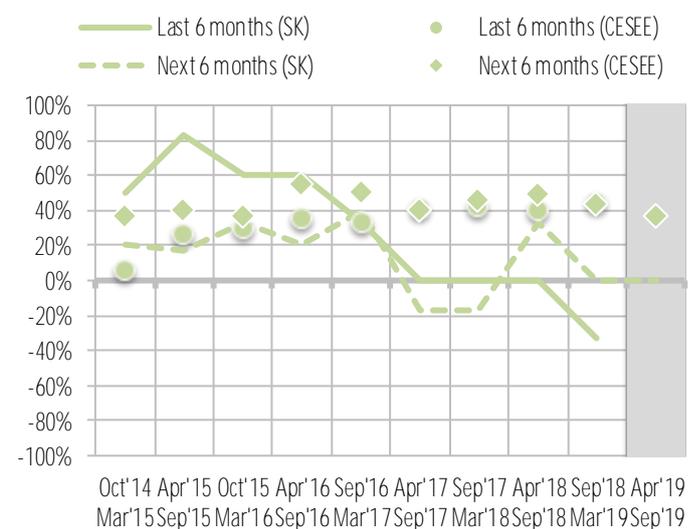
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

The demand for loans declined on net basis during the last six months. This was the first decline in loan demand since 2014 as the central bank's macro-prudential tightening is taking effect.

Loan demand is expected to be neutral over the next six months. Both actual and expected demand for loans in Slovakia is below the CESEE overall average.

Figure 2 Demand side developments

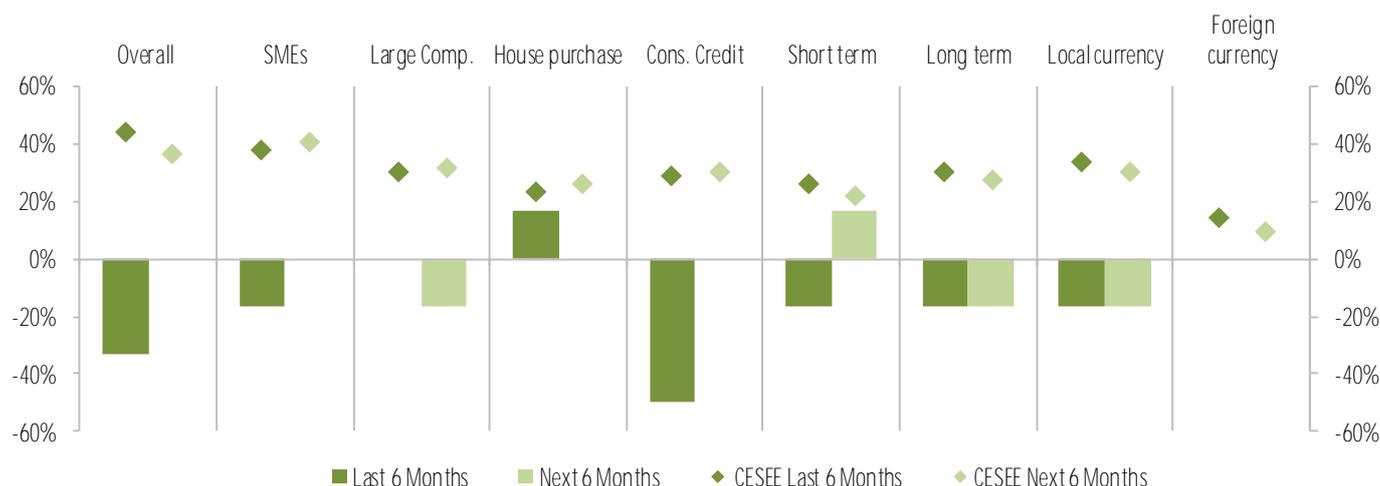


Source: EIB – CESEE Bank Lending Survey.

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 decline in the demand for loans during the last six months was more pronounced for consumer credit and loans to SMEs, i.e. the riskier segments. Demand for long term loans in local currency also declined. On the other hand, demand for house purchase loans was still increasing during the last six months. Over the next six months, net declines in loan demand are expected for large corporate loans and long term local currency loans. Loan demand for the remaining components is expected to be unchanged in the next six months.

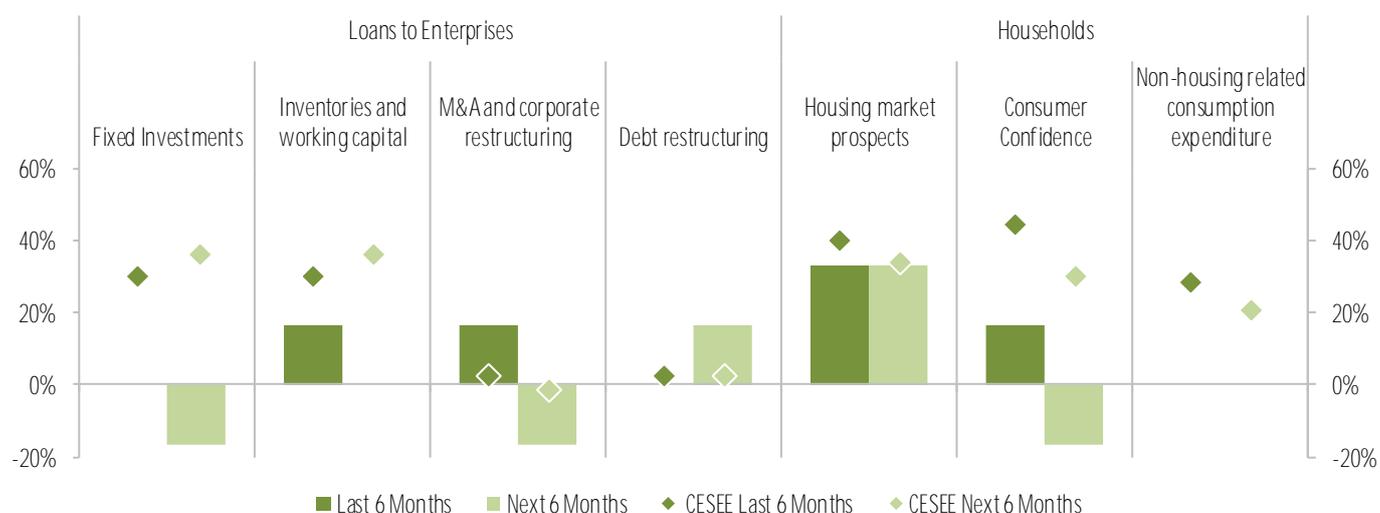


Source: EIB – CESEE Bank Lending Survey.

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

### Figure 4 Factors affecting demand for loans

Despite the macro-prudential tightening, housing market prospects are still having a strong impact on demand for loans in Slovakia. Consumer confidence had positive contribution to demand for loans during the last six months, but is expected to turn negative over the next six months. The contribution of factors affecting corporate demand for loans has been mixed.



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 improved for large corporate loans (above CESEE average) and remained unchanged for other segments during the last six months. Over the next six months, an improvement to the quality of loan applications is expected only for loans to SMEs.



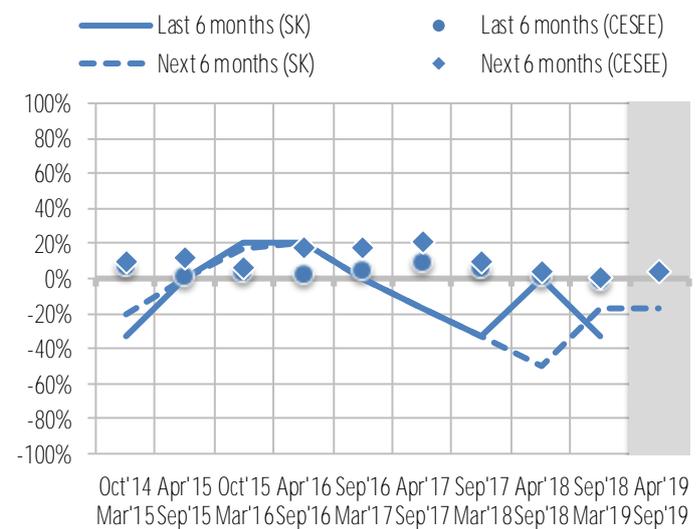
Source: EIB – CESEE Bank Lending Survey

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

**Aggregate supply developments**

After an episode of neutral credit standards in the previous wave of the survey, lending conditions became tighter once again during the last six months. In light of the ongoing macro-prudential tightening by the central bank, tighter credit standards are expected also in the next six months in Slovakia. The perceived and expected tightening of credit standards in Slovakia is stronger than for CESEE as a whole.

**Figure 6 Supply developments**

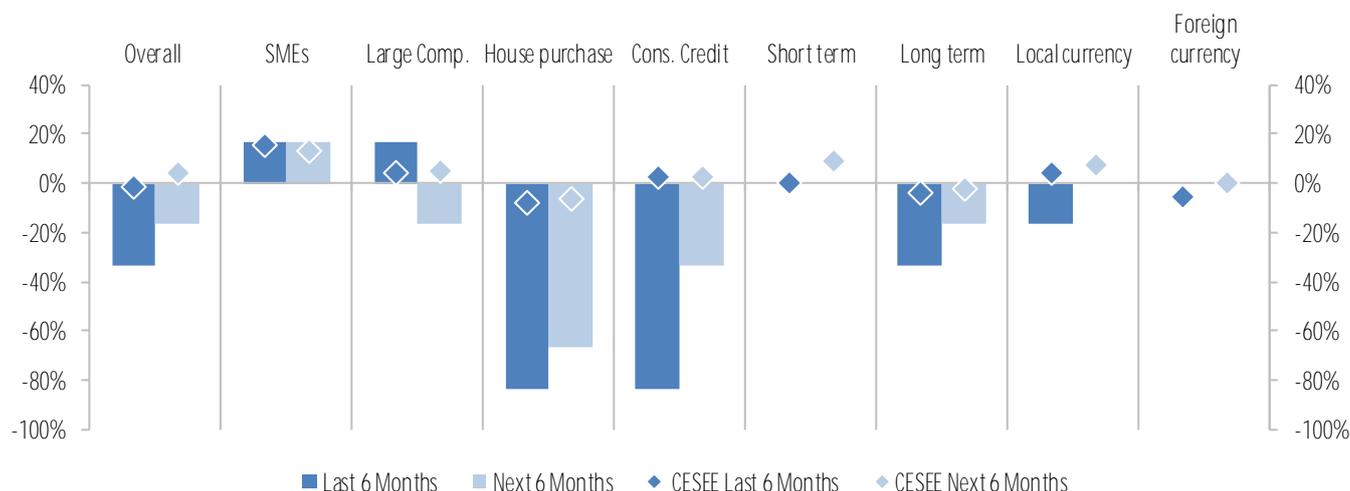


Source: EIB – CESEE Bank Lending Survey.

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

**Figure 7 Supply components and segments**

During the last six months, credit standards tightened predominantly for house purchase loans and consumer credit in Slovakia. More tightening in credit standards for house purchase loans and consumer credit is expected going forward as the central bank's macro-prudential measures are being fully translated into commercial banks' lending standards. On the other hand, credit standards for loans to SMEs and large corporate loans eased during the last six months.

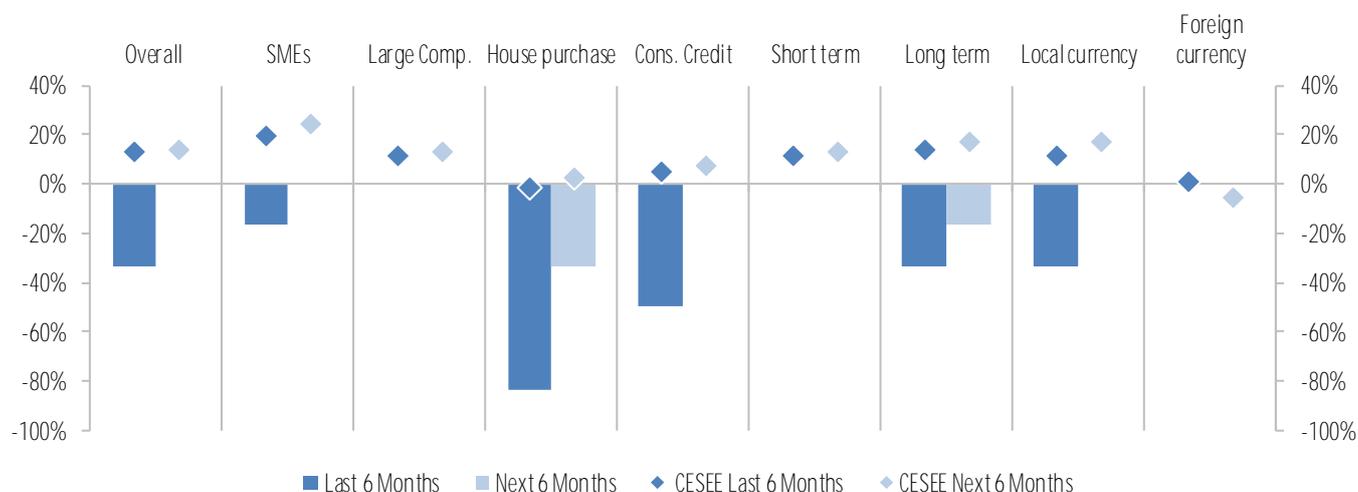


Source: EIB – CESEE Bank Lending Survey

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

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

The overall banks' loan approval rate continues declining for house purchase loans and consumer credit, in line with the credit standards. During the last six months, the approval rate declined also for loans to SMEs.



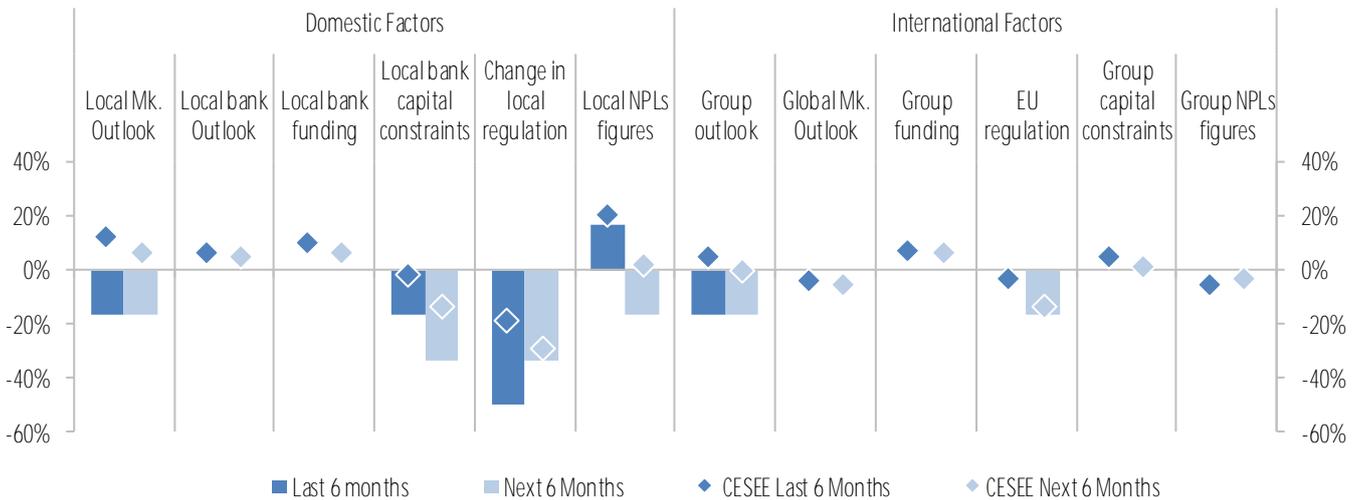
Source: EIB – CESEE Bank Lending Survey

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 had the largest negative impact on local credit supply conditions in Slovakia during the last six months. In addition, both local market and group outlook as well as local bank capital constraints contributed negatively to domestic credit supply conditions.

Over the next six months, changes in local regulation and local bank capital constraints are expected to exert further negative impact on local bank 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

Total NPL reduction in Slovakia was strong during the last six months, above CESEE average. The pace of NPL reduction is expected to soften somehow in the next six months, particularly in the corporate segment.

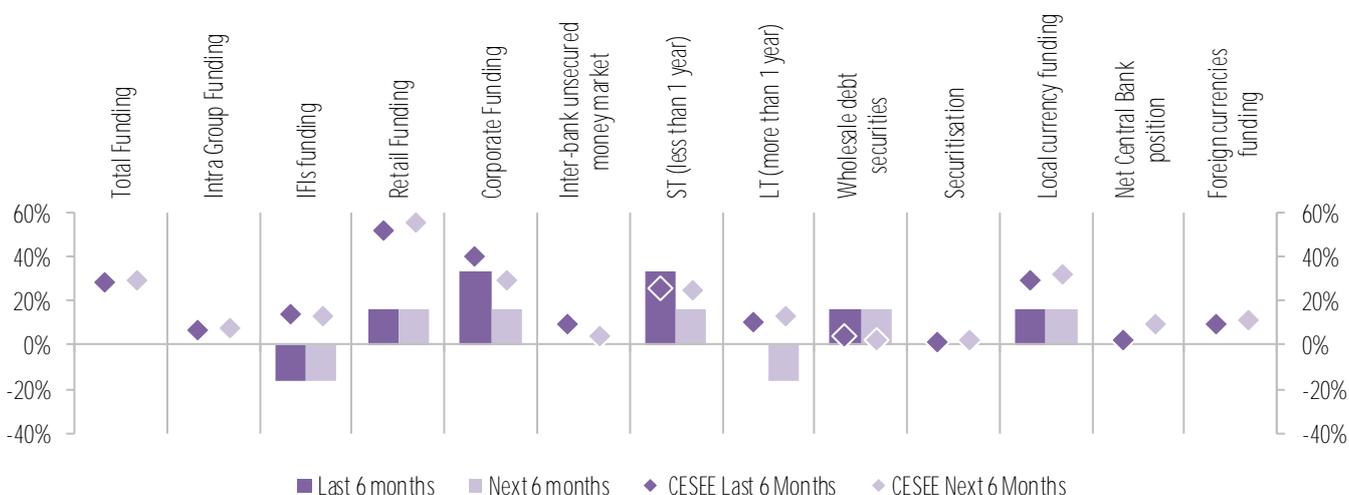


Source: EIB – CESEE Bank Lending Survey.

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 remained unchanged during the last six months in Slovakia, while it improved for the CESEE as a whole. Nevertheless, access to retail and corporate deposits improved and remains among the main components of funding for banks in Slovakia.



Source: EIB – CESEE Bank Lending Survey.

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



# Annex

Non-performing loans in % of total loans (more than 90 days overdue)													
	AL	BA	BG	HR	CZ	HU	XK	MK	PL	RO	RS	SK	CESEE
2018Q4	11.1	8.8	7.8	9.8	3.2	2.6	2.7	5.1	6.8	5.0	5.7	3.3	5.6
2018Q3	12.9	9.4	8.7	10.3	3.3	3.0	2.8	4.9	7.0	5.6	6.4	3.5	5.9
2018Q2	13.3	9.3	9.3	11.2	3.4	3.2	2.8	5.0	7.1	5.7	7.8	3.6	6.1
2018Q1	13.4	9.7	9.6	11.4	3.6	3.5	2.9	5.0	7.7	6.2	9.2	3.9	6.6
2017Q4	13.2	10.0	10.4	11.4	4.0	4.2	3.1	6.2	6.8	6.4	9.8	3.9	6.4
2017Q3	14.8	10.8	11.7	12.5	4.0	4.7	3.6	6.5	6.9	8.0	12.2	4.2	6.8
2017Q2	15.6	11.1	12.4	13.2	4.3	5.2	3.9	6.6	6.9	8.3	15.6	4.3	7.2
2017Q1	17.4	11.5	12.9	13.9	4.5	6.1	4.5	6.2	6.9	9.4	16.8	4.5	7.5
2016Q4	18.3	11.8	13.2	13.8	4.8	7.2	4.9	6.4	7.1	9.6	17.0	4.7	7.8
2016Q3	21.3	12.1	14.0	14.7	5.2	8.9	5.1	7.2	7.3	10.0	19.5	4.9	8.3
2016Q2	20.0	12.1	14.4	15.0	5.3	9.8	5.3	7.4	7.3	11.3	20.2	5.0	8.6
2016Q1	19.3	13.2	14.7	16.1	5.5	10.6	5.9	10.5	7.4	13.5	20.9	5.1	9.1
2015Q4	18.2	13.7	14.5	16.7	5.8	11.1	6.2	10.4	7.5	13.5	21.5	5.2	9.3
2015Q3	20.6	13.8	14.5	17.1	6.1	12.8	6.8	11.3	7.9	15.7	22.0	5.7	10.0
2015Q2	20.9	14.1	15.0	17.3	6.0	11.9	7.2	11.0	8.0	16.2	22.8	5.8	10.1
2015Q1	22.9	14.2	17.2	17.1	6.1	12.2	8.1	11.1	8.2	20.2	22.6	5.9	10.7
2014Q4	22.8	14.2	16.7	17.1	6.1	16.7	8.3	10.9	8.1	13.9	21.5	6.0	10.5
2014Q3	25.0	16.1	18.1	17.2	6.2	17.8	8.5	11.8	8.2	15.3	23.0	6.1	11.0
2014Q2	24.1	15.5	18.0	16.6	6.3	18.1	8.2	11.4	8.3	19.2	23.0	5.8	11.4
2014Q1	24.0	14.9	16.7	16.1	6.5	18.2	8.6	10.7	8.4	20.4	22.3	5.9	11.6
2013Q4	23.2	15.1	16.9	15.7	5.9	17.7	8.7	11.1	8.5	21.9	21.4	5.8	11.6
2013Q3	24.3	14.9	17.2	15.3	5.9	18.1	8.5	11.3	8.5	21.6	21.1	5.9	11.7
2013Q2	24.4	14.3	17.1	15.1	6.0	18.3	7.8	11.9	8.7	20.3	19.9	5.9	11.6
2013Q1	24.0	13.8	16.9	14.6	6.0	17.9	7.6	11.4	8.9	19.1	19.9	5.8	11.5

Source: WIIW

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

Source: WIIW



# Survey Description

## Key statistics

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

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

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

- 15 international groups
- 85 local banks/subsidiaries.

Average coverage: 50% of regional banking assets.

Countries covered: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine<sup>1</sup>.

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

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

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...**

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

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

## PART B

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

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	<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)

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


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	<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		

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


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	<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		

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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

	<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>
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		



**ECONOMICS** – REGIONAL STUDIES

**CESEE**

Central, Eastern and South-Eastern Europe

# Bank Lending Survey

H1-2019



**European  
Investment  
Bank**

*The EIB bank*

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