CENTRAL, EASTERN AND SOUTH-EASTERN EUROPE (CESEE)

Bank Lending Survey

Autumn 2022

European Investment Bank

The EU bank

Central, Eastern and South-Eastern Europe (CESEE)

Bank Lending Survey

Autumn 2022

European Investment Bank

The EU bank

CESEE Bank Lending Survey – H2 2022 – Autumn Edition

November 2022

Coordination and management: Matteo Ferrazzi
Editors: Matteo Ferrazzi and Debora Revoltella

Chapter authors
Regional overview: Matteo Ferrazzi
Albania, Bosnia-Herzegovina and Croatia: Rozalia Pal
Bulgaria: Atanas Kolev
Czech Republic and Slovakia: Jochen Schanz
Hungary: Peter Harasztosi
Kosovo, North Macedonia and Serbia: Matteo Ferrazzi
Poland: Marcin Wolski
Romania: Denis Gorea

Data, layout and statistics
Rafal Banaszek

Acknowledgements
This survey was developed in the context of the Vienna Initiative. The results were discussed and approved by the Vienna Initiative Steering Committee and are presented at an aggregate level in the Vienna Initiative Deleveraging and Credit Monitoring Report. The EIB designed, conducted and managed the survey. The Bank wishes to thank participating banks for their contributions to the survey, as well as all members of the Vienna Initiative and its steering committee for their comments and support in developing the survey.

EIB Economics Department
The department's mission is to provide economic analyses and studies to support the Bank in its operations, positioning, strategy and policy. Director of Economics Debora Revoltella heads the department, which comprises 40 economists and assistants.

economics@eib.org
www.eib.org/economics

For further information on the EIB's activities, please consult our website, www.eib.org. You can also contact our InfoDesk, info@eib.org.

Published by the European Investment Bank.
Printed on FSC® Paper.

pdf: QH-BQ-22-002-EN-N ISBN 978-92-861-5409-6 ISSN 2600-1500 doi:10.2867/69690

Table of Contents

Introduction to the survey

The CESEE Bank Lending Survey

The **Central, Eastern and South-Eastern Europe (CESEE) Bank Lending Survey** was developed in the context of the Vienna Initiative 2.0[1] and has been endorsed by the various participating institutions as an instrument for:

- monitoring cross-border banking activities and deleveraging in the region;
- better understanding the determinants and constraints of credit growth;
- gaining insights into the business strategies and market expectations of cross-border banks regarding local financial conditions.

Target groups: international banks active in Central, Eastern and South-Eastern Europe (interviewed at the group level); subsidiaries of those banking groups and local banks (interviewed at the single-entity level).

Countries covered: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, North Macedonia, Poland, Romania, Serbia and Slovakia. Details for Slovenia and Ukraine are not presented on a standalone basis because of the low number of banks operating in these countries. Russia and Belarus are outside the scope of the survey.

Frequency: semi-annual (March and September).

Autumn 2022 survey wave: conducted during September 2022. In the following, "last six months" refers to the period between March and September 2022, and "next six months" refers to the period between October 2022 and March 2023.

The survey investigates the strategies of major international banks operating in the region and their local subsidiaries, taking into account the unique characteristic that many banks are foreign-owned. The survey also covers relevant domestic players in specific local markets, aiming to better understand market conditions and expectations.

The survey is a unique instrument for monitoring banking sector trends and challenges in Central, Eastern and South-Eastern Europe. It complements domestic bank lending surveys by enabling comparison between countries, and offers the unique feature of specifically addressing the parent/subsidiary nexus. The survey also complements data from the Bank for International Settlements (BIS) concerning the exposure of cross-border banks.

The survey is administered by the European Investment Bank (EIB) under a confidentiality agreement with the individual participating banks. It is addressed to those banks' senior officials. Most questions have backwards and forwards-looking components, respectively covering the previous six months and expectations for the following six months.

The latest survey involved 12 international groups operating in Central, Eastern and South-Eastern Europe and 70 local subsidiaries and independent domestic players. It is highly representative of international groups active in the region and of local market conditions, as survey participants collectively represent 50% of local banking assets.

The complete survey questionnaire is presented in the Annex. The survey is divided into two sections, the first addressed to international groups and the second to domestic banks and international subsidiaries.

The first section investigates international banks' strategies, restructuring plans, access to funding and deleveraging at the global and group level. Its questions cover the long-term strategic approaches adopted for Central, Eastern and South-Eastern Europe, the profitability of regional operations, and groups' exposure to the region.

The second section 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 various factors that may cause them to change. Credit standards are the internal guidelines or criteria for a bank's loan policy, while terms and conditions

[1] For more information on the Vienna Initiative, see: Vienna Initiative (eib.org) and Vienna Initiative (vienna-initiative.com).

are the specific obligations included in a loan contract, such as the interest rate, collateral requirements and maturity.

One set of questions assesses the underlying factors affecting the bank's credit standards. Factors are clustered into domestic and international components. Examples of domestic factors are the local market outlook, the local bank outlook and access to funding, changes in local regulations, and local bank capital constraints and non-performing loans (NPLs). The international factors include, for example, the group outlook, global market outlook, EU regulations, group capital constraints and group non-performing loans.

Demand for loans is investigated by considering loan applications. Various aspects of the financing needs of companies and households are examined, among the elements potentially affecting loan demand. For companies, the survey covers fixed investment, inventories and working capital, corporate restructuring and debt restructuring. For households, it considers housing market prospects, consumer confidence and non-housing-related consumption expenditure.

Most of the questions on supply and demand are classified into two borrower sectors — households and companies — with subsectors also considered where relevant. For example, the survey investigates developments for small and medium-sized enterprises (SMEs) and large corporates, as well as different types of credit lines and loans in the household sector, such as consumer credit and loans for house purchases. Maturity and currency dimensions are also explored.

The survey includes questions on credit quality and funding conditions for banks in the CESEE region, specifically covering non-performing loan ratio developments in the retail and corporate subsectors. It also investigates aggregate access to funding and the funding conditions for an extensive list of funding sources, including intragroup, retail and corporate, international financial institutions (IFIs) and wholesale.

Most of the survey responses are presented as net percentages — in other words, as positive minus negative responses (excluding neutral answers) — irrespective of the size of the increase or decrease. For instance, regarding change in loan demand over the last six months, the net percentage is the difference between responses reporting an increase and responses reporting a decrease. This is an oft-cited indicator, and its barometer function helps to detect potential drifts and trends among survey respondents. Answers are not weighted by the size of participating banks.

Glossary

CESEE: Central, Eastern and South-Eastern Europe

IFI: International financial institution

NPL: Non-performing loan

SME: Small and medium-sized enterprise

AL: Albania

BA: Bosnia-Herzegovina

BG: Bulgaria

HR: Croatia

CZ: Czech Republic

HU: Hungary

KS: Kosovo

MK: North Macedonia

PL: Poland

RO: Romania

SK: Slovakia

SR: Serbia

Regional overview

Cross-border banking groups operating in Central, Eastern and South-Eastern Europe continue to see high or medium market potential for their business in the region. However, the resilience of credit demand will be tested over the next six months by tighter supply conditions, with potential increases in non-performing loans.

Summary

International banking group strategies: Parent banks in Central, Eastern and South-Eastern European (CESEE) countries have maintained (80%) or increased (10%) their **exposure** during the last six months. But 10% of parent banks have reduced their exposure, either through selling assets and branches or restructuring activities (note that Russia, Belarus and Ukraine are outside the scope of the survey).

Cross-border banking groups continue to see high or medium **market potential** in most of the region's banking markets, with highest potential in the Czech Republic and Romania. In most cases, profitability is higher for regional subsidiaries than for the overall group (Poland being the only exception). More than half of banking groups intend to maintain their level of operations in the region, while almost one-third intend to selectively expand operations. However, 10% of banking groups (compared to zero in the previous edition of the survey) are signalling their intention to selectively reduce activities.

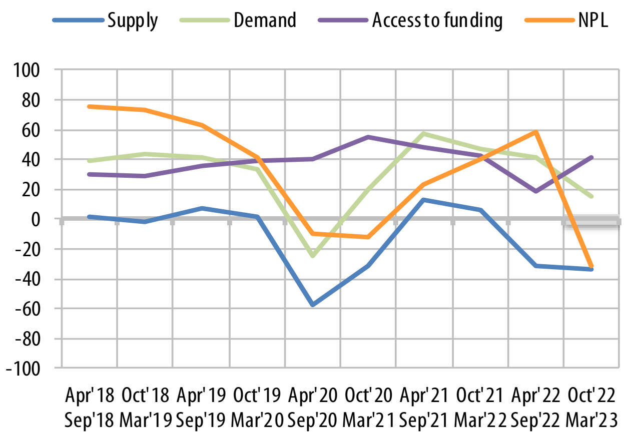
The results of the CESEE Bank Lending Survey, which collected data in September 2022, also help to disentangle the credit demand and supply trends in the region. **Credit demand** from banks' clients has remained strong and is expected to remain benign. However, its composition has changed, with working capital (reflecting firms' liquidity needs) now the main driver, while fixed investments and retail segments are expected to contribute negatively.

Credit supply has been deteriorating and is expected to weaken further across all business segments, mortgages in particular.

Banking groups expect the current benevolent **funding** environment to remain in place, driven especially by retail and corporate funding.

The deterioration of **credit quality** expected during the last round of the survey did not materialise: credit quality has improved over the last six months. However, in keeping with the deteriorating global economic environment, banks again expect an increase in non-performing loans, affecting the retail and corporate sectors.

Figure 1 **Banking outlook in CESEE** (in %)



Note: All values are net percentages. Supply/demand: Positive values denote increasing (easing) demand (supply). Access to funding: Positive values indicate increased access to funding. NPL: Negative values indicate increasing non-performing loan ratios.

Bank Lending Survey results — parent bank level

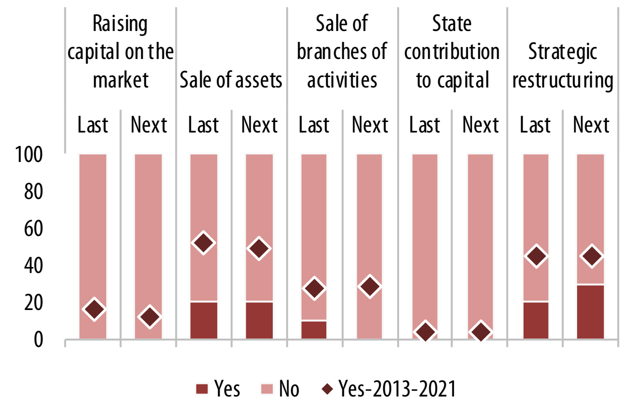
Parent banks in Central, Eastern and South-Eastern Europe broadly maintained their positions in the region, with only some selling assets and branches or implementing restructuring activities. Banks expect a similar situation over the next six months: none of the cross-border groups is signalling a need to raise capital, but around one-third of them anticipate strategic restructuring. No deleveraging is expected.

Several large European banking groups with an important presence in Central, Eastern and South-Eastern Europe also have a presence in Russia, Belarus and/or Ukraine (all three countries are outside the scope of this survey). Recent developments involving those countries do not appear to have affected the groups' strategy and commitment towards other banking markets in the region.

Parent banks broadly maintained their positions in Central, Eastern and South-Eastern Europe over the last six months. Some banks have sold assets (20%) or branches (around 10%) or restructured their activities (20%) — similar to the previous round of the survey — whereas these activities were more common between 2013 and 2021 (Figure 2). None of the parent banks had to raise capital during the last six months, and no state intervention on capital was reported. Similar trends are expected over the next six months, with only some strategic restructuring activities — for around one-third of banks, more than in the last six months — in the pipeline.

Group-level deleveraging — lowering the loan-to-deposit ratio — was strong before 2017 but had already slowed significantly before the pandemic (Figure 3). Following such strong adjustment of the loan-to-deposit ratio in recent years, banks are now envisaging that the ratio will remain stable or increase.

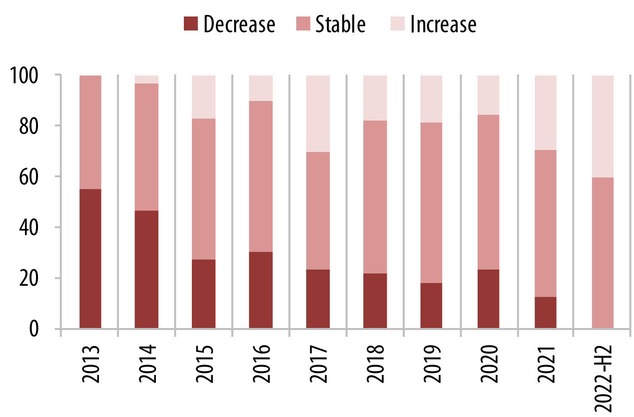
Figure 2 **Strategic operations to increase capital ratio** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: "Last" indicates the past six months (April to September 2022). "Next" indicates the next six months (October 2022 to March 2023). See Question A.Q2 in the Annex.

Figure 3 **Deleveraging: loan-to-deposit ratio (expectations over the next six months)** (in %)



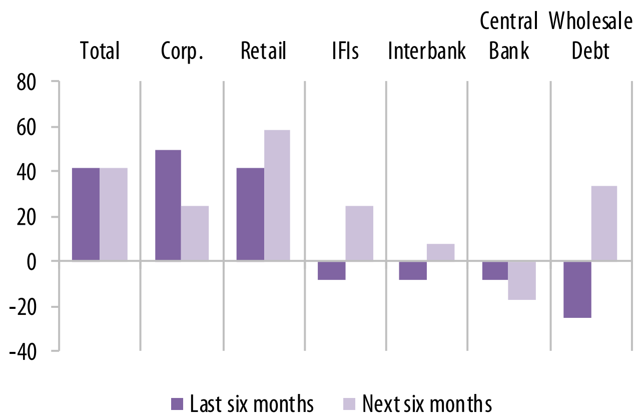
Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q4 in the Annex.

Group-level access to funding has remained solid during the last six months, reflecting sustained improvements in retail and corporate deposits funding but weaker contributions from other sources. The funding situation is expected to remain favourable.

Banking groups' overall access to funding in the region has remained strong over the last six months. The dynamics detected in aggregate access to funding reflect sustained improvements in retail and corporate funding (in other words, increased retail and corporate deposits), despite reduced support from international financial institutions (IFIs), the interbank market, central banks and wholesale debt (Figure 4a). Over the next six months, banking groups expect the current benign funding environment to continue (Figure 4b), driven especially by retail and corporate funding.

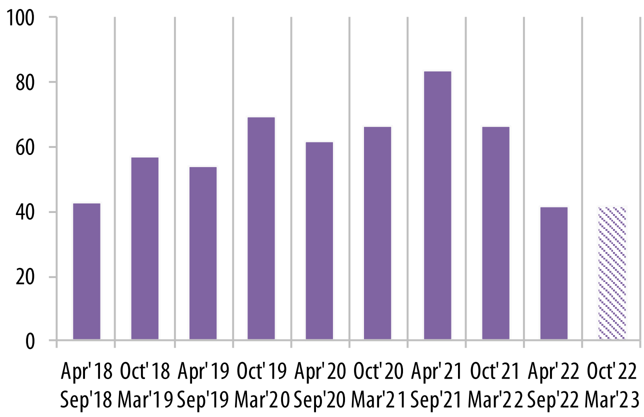
Figure 4a **Access to funding conditions** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increased access to funding. See Question A.Q3 in the Annex.

Figure 4b **Total access to funding conditions** (in %)



Source: EIB — CESEE Bank Lending Survey.

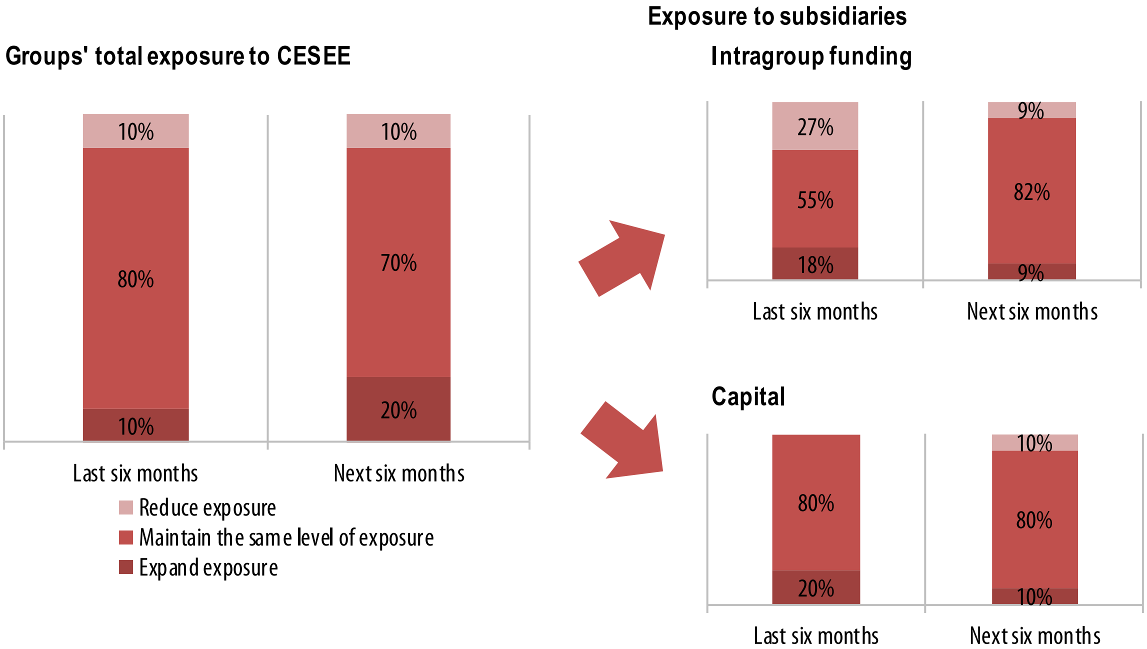
Note: The chart shows net percentages, with positive values indicating increased access to funding. See Question A.Q3 in the Annex.

After the large negative shock of COVID-19 and the subsequent recovery, banking exposure to the region displayed a neutral trend over the last six months. Cross-border banking groups expect their net balance of total exposure to the region to be again positive in the next six months.

Most banks (80%) maintained the same level of **exposure** to the region over the last six months, while 10% expanded their exposure and the other 10% reduced it (Figure 5a, left side). This overall stable development is in line with expectations expressed in the previous survey wave. Still, 27% of parent banks report a reduction in their intragroup funding, while 18% have expanded it (Figure 5a, right side).

Despite uncertainty and increasing risks, international banking groups currently remain confident in the region's potential. Overall, they are comfortable with their exposure to the region, which most plan to maintain (70%) or even increase (20%) over the next six months. Still, 10% of banks suggest they may reduce their exposure to the region. In terms of exposure, capital and intragroup funding are also expected to remain stable (around 80%) or expand (around 10%).

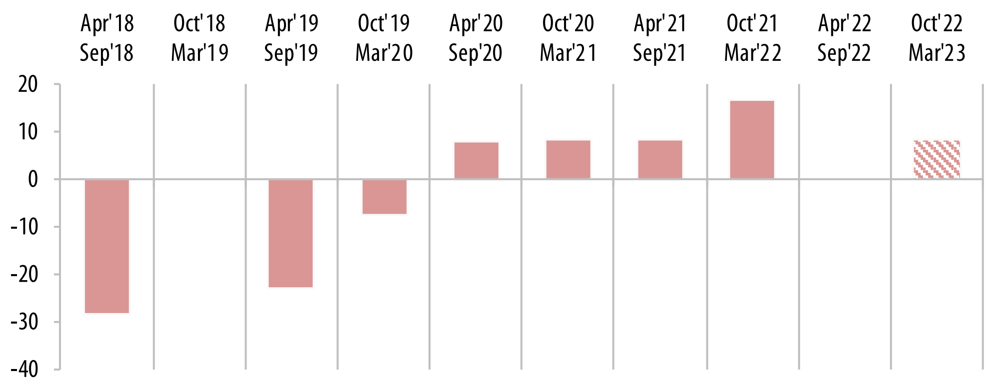
Figure 5a **Groups' total exposure to Central, Eastern and South-Eastern Europe**



Source: EIB — CESEE Bank Lending Survey.

Note: Cross-border operations involving countries in the region. See Question A.Q8 in the Annex.

Figure 5b **Groups' total exposure to Central, Eastern and South-Eastern Europe** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: Cross-border operations involving countries in the region. The chart shows net percentages, with negative values denoting decreased exposure. See Question A.Q8 in the Annex.

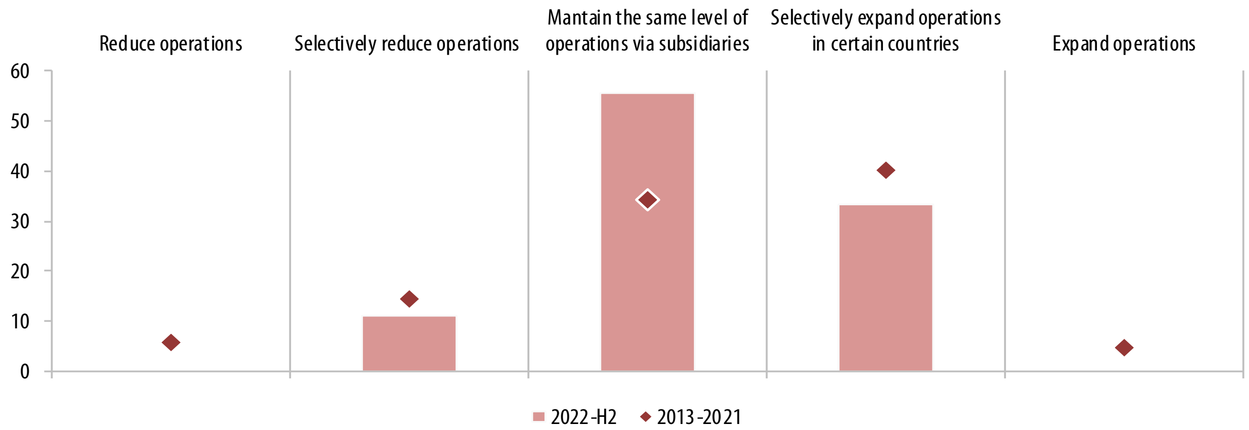
Banking group strategies for regional operations are tilted towards expansion or stability as they continue to see mainly high or medium market potential in most banking markets of Central, Eastern and South-Eastern Europe, and profitability higher than at group level.

Cross-border banking groups signal positive **strategic intentions** towards their regional operations: more than half intend to maintain their current level of operations in the region (Figure 6), while almost one-third intend to selectively expand. However, 10% of banking groups (compared to zero in the previous survey wave of the survey) are signalling their intention to selectively reduce activities in the region.

Parent banks continue to see high or medium **market potential** in most of the region's banking markets. They are more pessimistic on Bosnia-Herzegovina (with two-thirds of banking groups signalling low market potential) while they see the highest market potential in the Czech Republic and Romania (see Additional CESEE regional data, A.4, at the end of the Regional overview). Accordingly, they perceive their overall **market positioning** and the scale of their operations as mainly optimal or satisfactory. Only a few banks in Romania and Serbia assess their positioning as weak (see Additional regional data, A.5).

Most regional subsidiaries have higher profitability — in terms of return on assets (adjusted for cost of risk) and return on equity (adjusted for cost of equity) — than the overall group (see Additional regional CESEE data, A.6 and A.7). The main exception is Poland, a more mature market in which profitability is generally lower than at group level. Higher local (vs. group) profitability is reported by all banks present in Bosnia-Herzegovina, the Czech Republic, Kosovo and North Macedonia.

Figure 6 **Group-level long-term strategies (beyond 12 months) in Central, Eastern and South-Eastern Europe** (in %)



Source: EIB — CESEE Bank Lending Survey.
Note: See Question A.Q5 in the Annex.

Bank Lending Survey results — local banks/subsidiaries

Subsidiaries and local banks in Central, Eastern and South-Eastern Europe report an increase in demand for credit but a deterioration in supply conditions over the last six months.

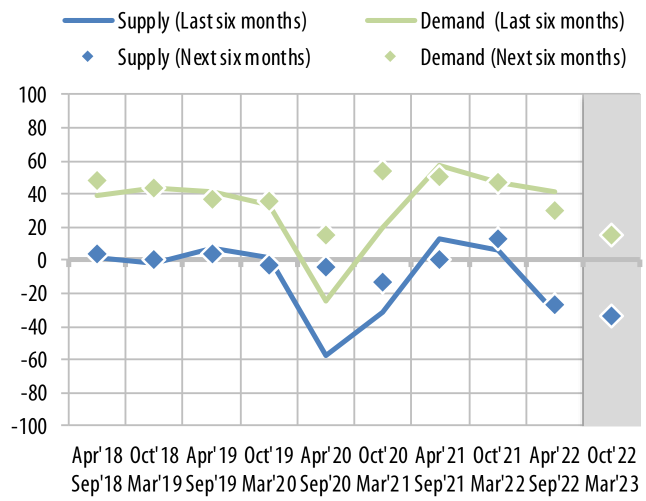
The worsened economic outlook is expected to further harm supply conditions, possibly creating a mismatch between credit demand and supply, affecting the corporate and retail segments.

After contracting sharply in 2020, **demand** for loans and credit lines increased throughout 2021 and in the first part of 2022 (Figure 7), across all segments (see Additional CESEE regional data, A.2). However, the last six months were characterised by changes in the composition of demand: it has been driven by liquidity needs (working capital) and the housing market, with corporate fixed investments contributing little (see Additional CESEE regional data, A.1).

Banks expect credit demand to further increase over the next six months, albeit to a lesser extent. Working capital is expected to remain a strong contributor, whereas a sharp deterioration is anticipated in the retail sector, affecting house purchases, consumer confidence and non-housing related consumption spending (see Additional CESEE regional data, A.1).

Supply conditions (credit standards) deteriorated significantly (Figure 7) over the last six months, characterised by various complications (especially the war in Ukraine, higher inflation, and the slowdown of economies). All segments have been similarly affected, though the deterioration has been particularly strong in the mortgage market. Across all segments, aggregate supply conditions are expected to deteriorate further over the next six months (see Additional CESEE regional data, A.3).

Figure 7 **Total supply and demand: past, current, and expected developments** (in %)



Source: EIB — CESEE Bank Lending Survey.

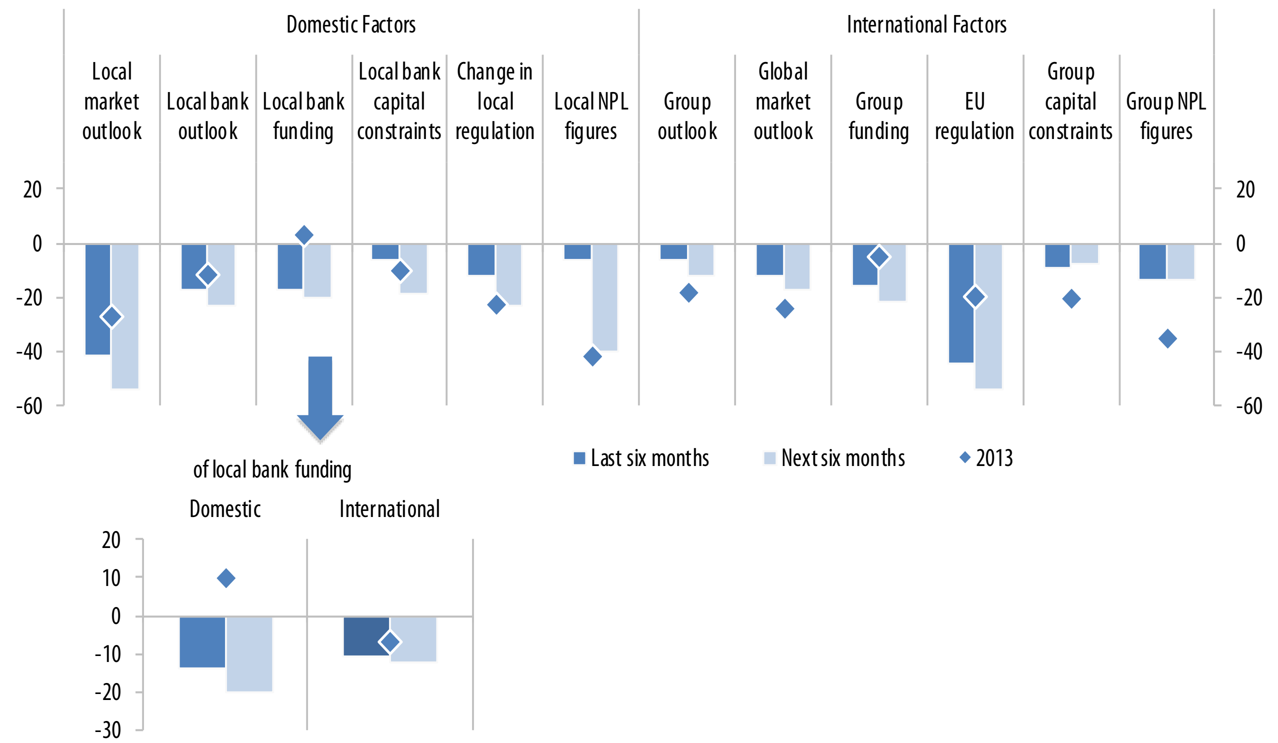
Note: All values are net percentages. Positive values denote increasing (easing) demand (supply). Diamonds represent expectations from previous rounds of the survey; lines show actual values. See Questions B.Q1 and B.Q5 in the Annex.

Following the deterioration of supply conditions during the last six months, local subsidiaries are signalling a further worsening ahead.

Domestically and internationally, most factors contributed to the worsening of supply conditions over the last six months, with particularly negative contributions from the local market outlook and EU regulation, local bank funding and group funding.

Banking groups expect supply conditions to worsen over the next six months, with the local market outlook, deteriorating credit quality and EU regulation continuing to be the most relevant constraining factors.

Figure 8 **Factors contributing to supply conditions (credit standards)** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values representing a positive contribution to supply. See Question B.Q4 in the Annex.

Access to funding remained favourable in Central, Eastern and South-Eastern Europe (although less than before), supported mostly by corporate and retail funding (meaning increased availability of retail and corporate deposits). It is expected to further improve over the next six months.

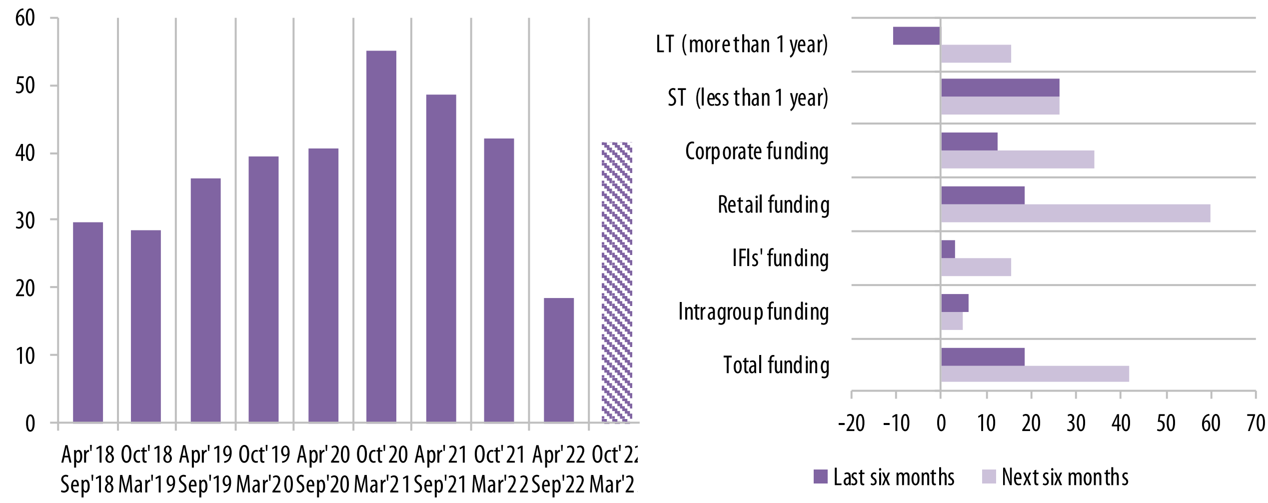
Easy access to corporate and retail deposits supported benign funding conditions over the last six months. However, long-term funding worsened. Access to intragroup funding slightly improved.

Banking groups expect funding conditions to remain positive and even become more favourable over the next six months (Figure 9). Corporate and, especially, retail deposits will be the main drivers of this improvement, with international finance institutions also expected to make a positive contribution.

Figure 9 **Access to funding for subsidiaries in Central, Eastern and South-Eastern Europe** (in %)

A. Trends in total funding conditions (shaded bar = expectations)

B. Breakdown of funding conditions: results from the latest survey



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values representing an easing of access to funding. LT is long-term and ST is short-term. See Question B.Q9 in the Annex.

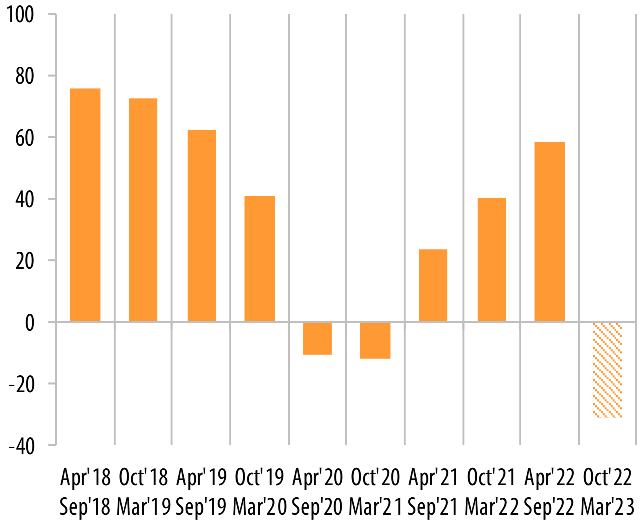
The deterioration of credit quality predicted during the last survey round did not materialise: Credit quality has improved over the last six months. However, given the unfavourable economic outlook, banks again expect an increase in non-performing loans in the next six months.

Credit quality expectations suddenly deteriorated in 2020 due to the COVID-19 crisis, as Figure 10 illustrates, although various policy measures helped to greatly limit the actual deterioration. Continuing the trend of 2021 and the first half of 2022, non-performing loan ratios improved further over the last six months in the corporate and retail segments. (The banking sector's non-performing loans as a percentage of total loans, provided by central banks, can be seen in the Annex.)

However, amid the uncertainty of the economic consequences of the war in Ukraine, banks are expecting a deterioration in credit quality over the next six months, with retail and corporate loans significantly affected.

Figure 10 **Non-performing loan ratios** (in %)

Developments over time



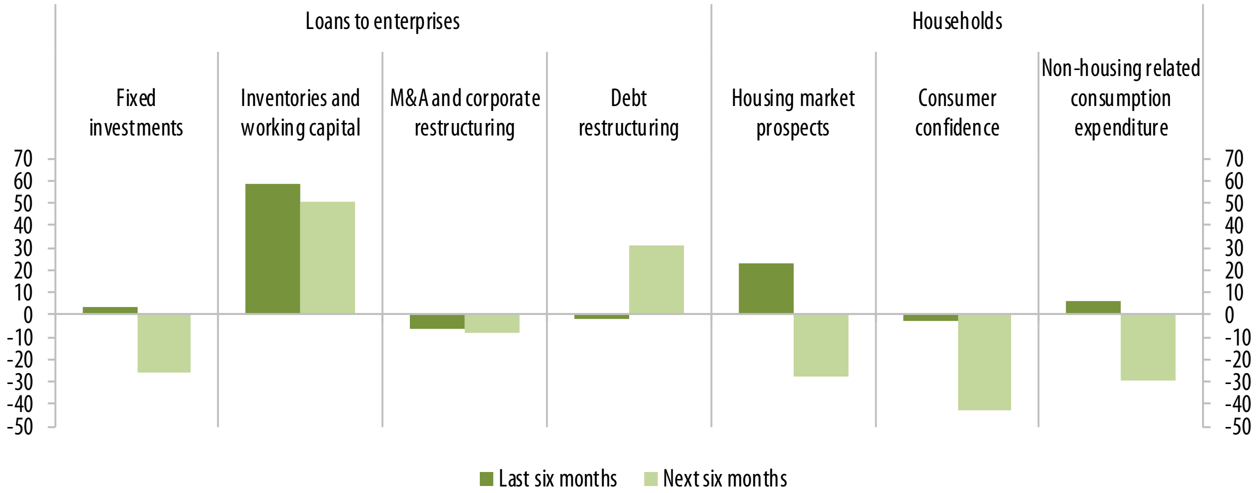
Latest survey round (Autumn 2022)

Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing non-performing loan ratios). See Question B.Q8 in the Annex.

Additional CESEE regional data

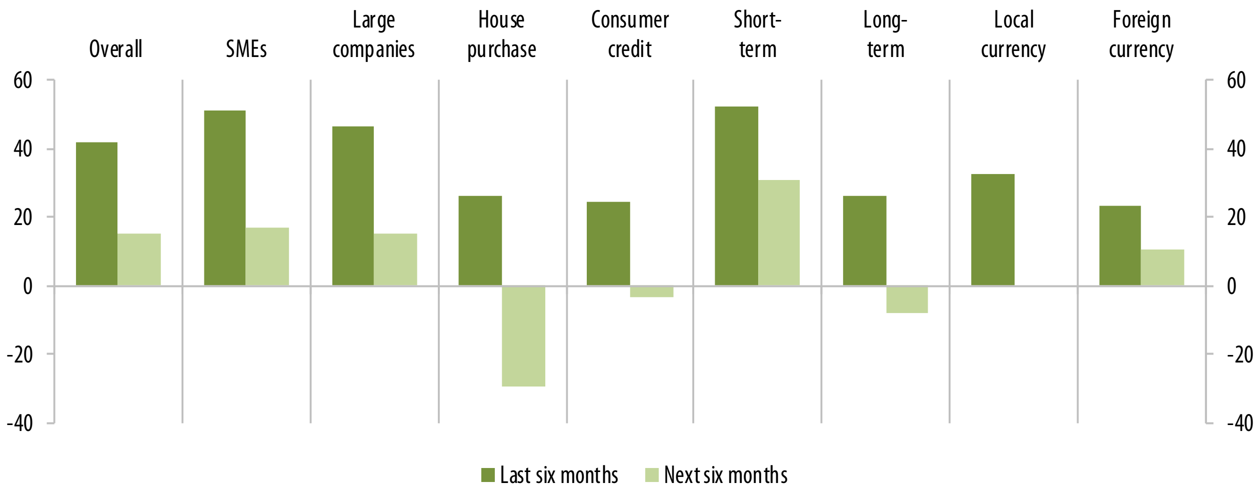
A.1 **Factors affecting demand for credit** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand conditions. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

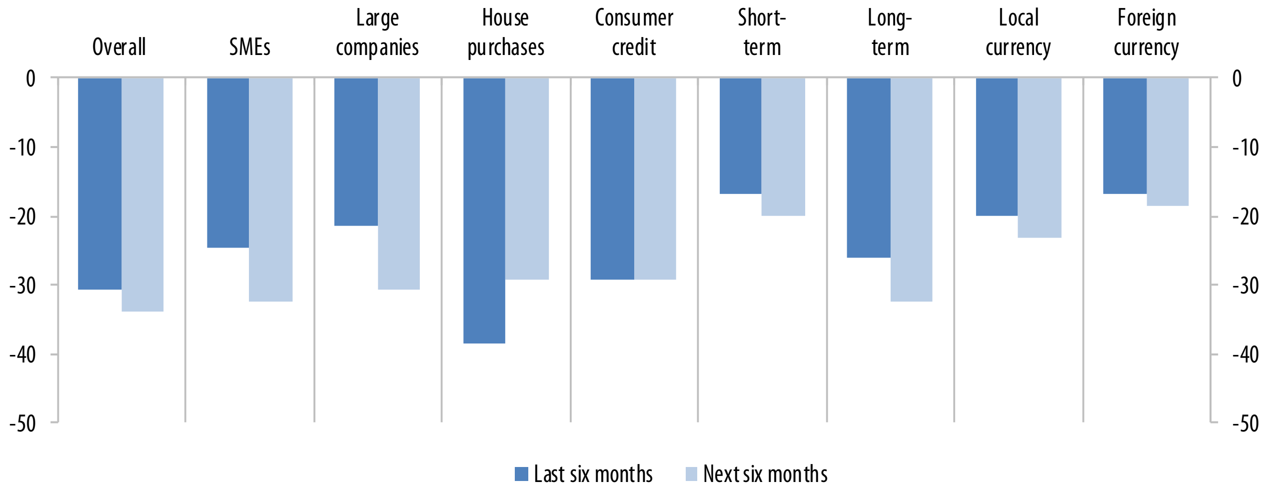
A.2 **Demand for loans or credit lines — client breakdown** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

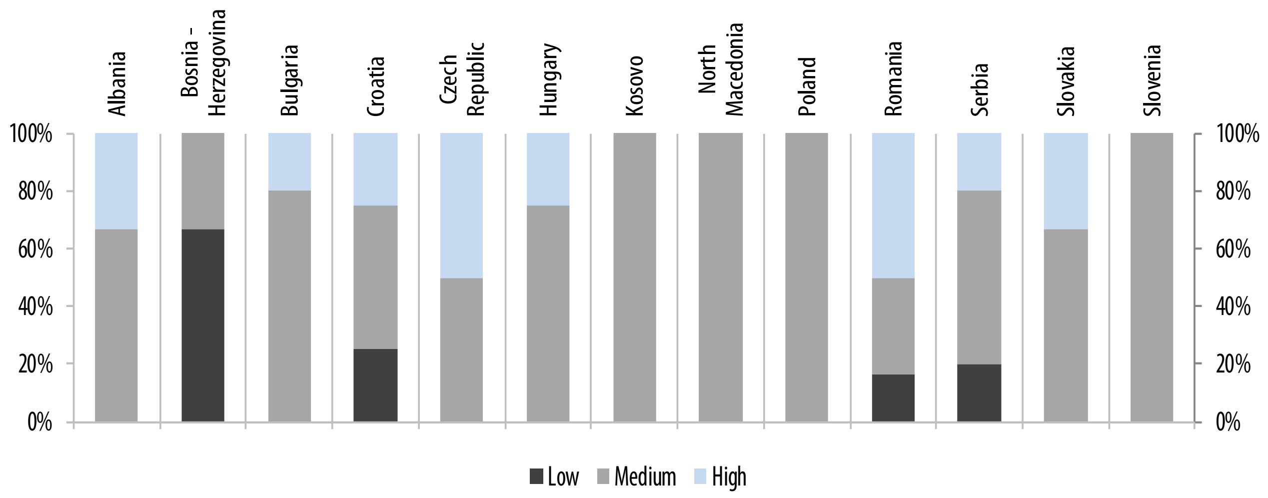
A.3 **Credit supply (credit standards) — client breakdown** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an easing of supply. See Question B.Q1 in the Annex.

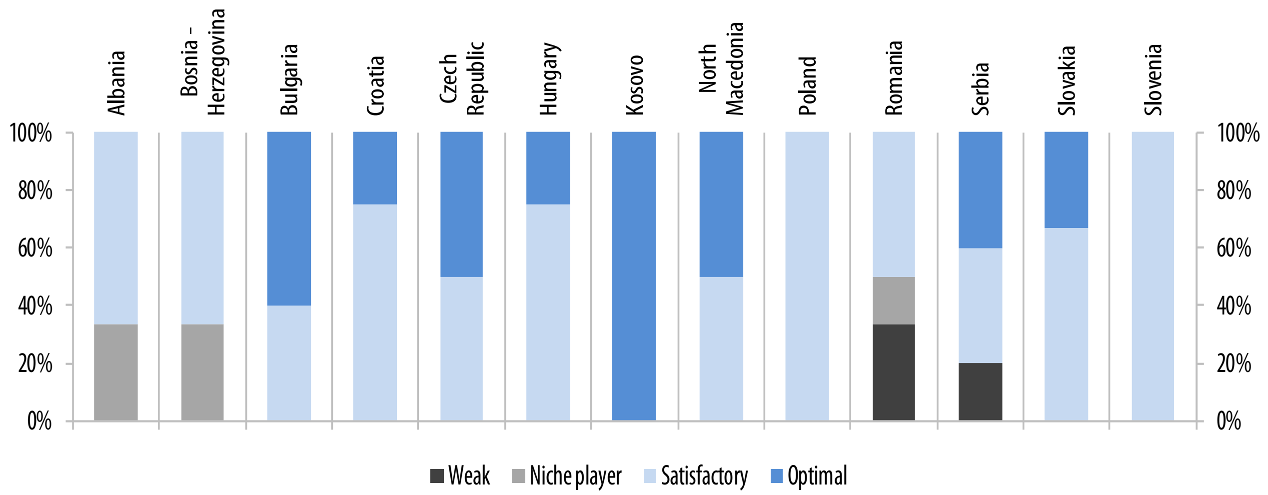
A.4 Market potential



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

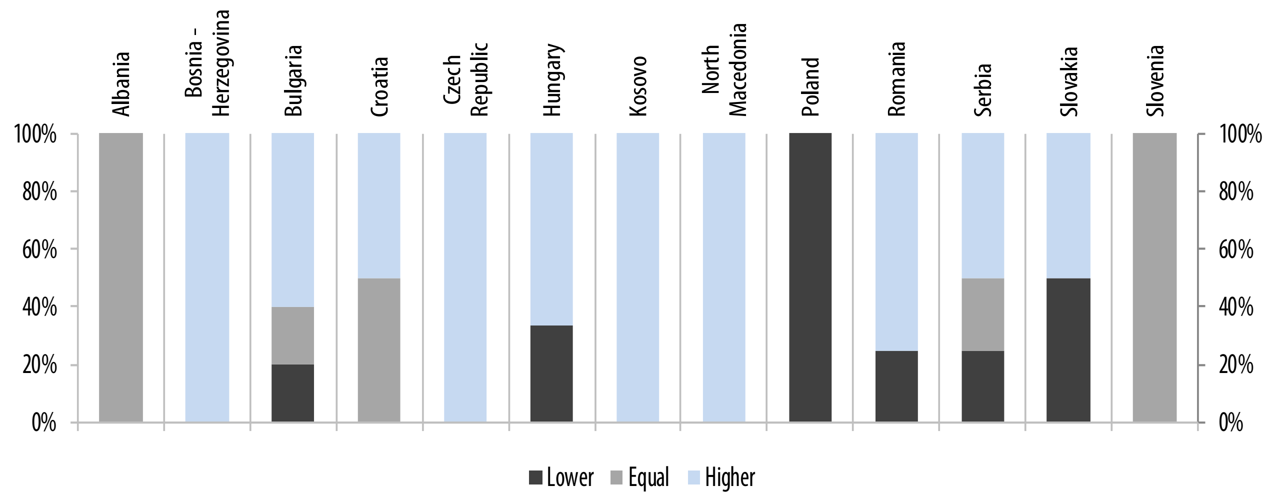
A.5 Market positioning



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

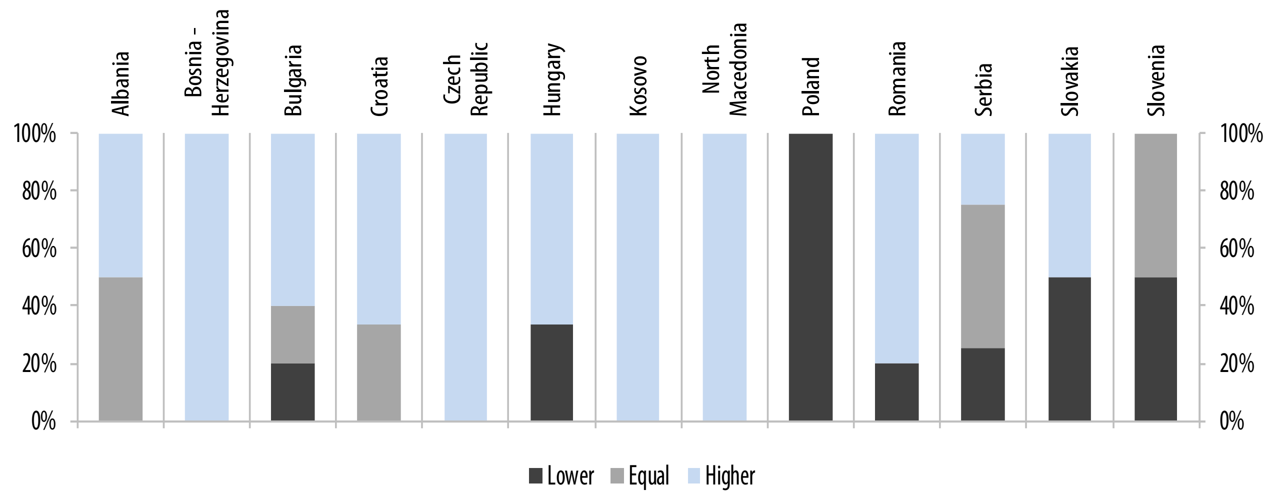
A.6 Return on assets (adjusted for cost of risk) compared to overall group operations



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

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



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

Albania

Credit demand continued to improve sharply, while supply conditions started to tighten. Expectations for the next six months indicate slowing demand and continued tightening of supply conditions, whereas further improvements are expected in access to funding and non-performing loan ratios.

Summary

Group assessment of positioning and market potential: All international banking groups reported higher or equal profitability for Albanian operations compared to overall group operations, representing an improvement against the previous survey round. All parent banks considered the Albanian market to have medium or high potential.

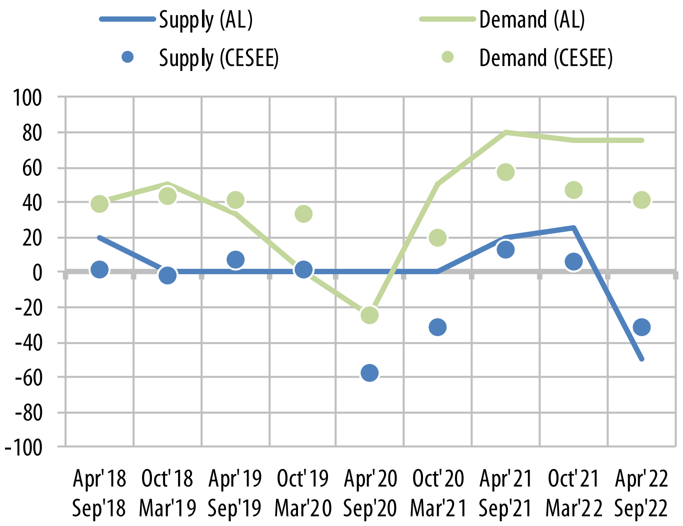
Credit demand in Albania continued to recover following the COVID-19 outbreak, outperforming the regional average. Demand increased for all types of loans, driven especially by firms' working capital needs, whereas demand to finance fixed investments declined.

Credit supply conditions began tightening, in line with the regional trend and increasing monetary policy rates. The approval rate of loan applications still increased for small and medium-sized enterprises (SMEs) over the last six months, though it decreased for large companies. Subsidiary banks in Albania are signalling that supply conditions will continue tightening over the next six months, especially for corporations.

Access to funding in Albania continued to improve and is expected to remain strong overall. However, corporate deposits deteriorated, having been one of the main funding sources in the previous survey round.

Non-performing loan (NPL) ratios continued to improve in the corporate and retail segments over the last six months, and further improvement is expected for the next period, contrary to worsening regional trends.

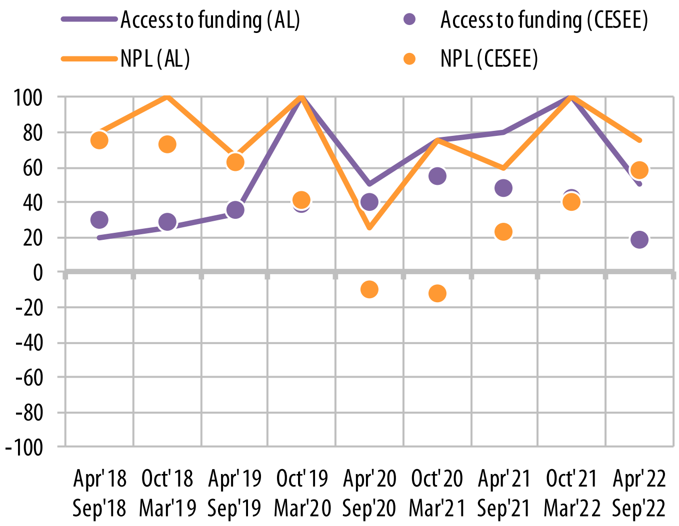
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access. NPL: Negative values indicate an increase in the non-performing loan ratio.

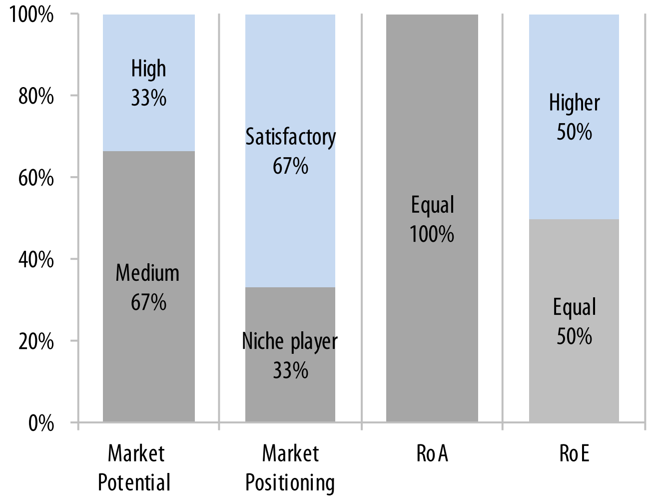
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Bank profitability slightly improved over the last six months in Albania.

All international banking groups reported a higher or equal return on assets and return on equity for Albanian operations compared to overall group operations. This marks an improvement on the previous period, when half reported a lower return in Albania.

Parent banks consider the Albanian market to have medium or high potential, and two-thirds continue to report their market positioning as satisfactory.



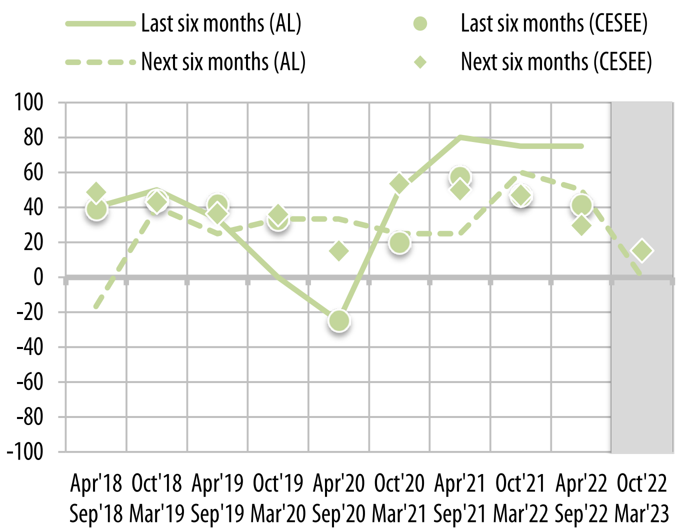
Source: EIB – CESEE Bank Lending Survey.

RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

The recovery in demand for loans in Albania has exceeded expectations since the beginning of 2021, and aggregate demand remains above the regional average. Expectations for the next six months point towards a halt in this positive trend in Albania, just as for the wider region.



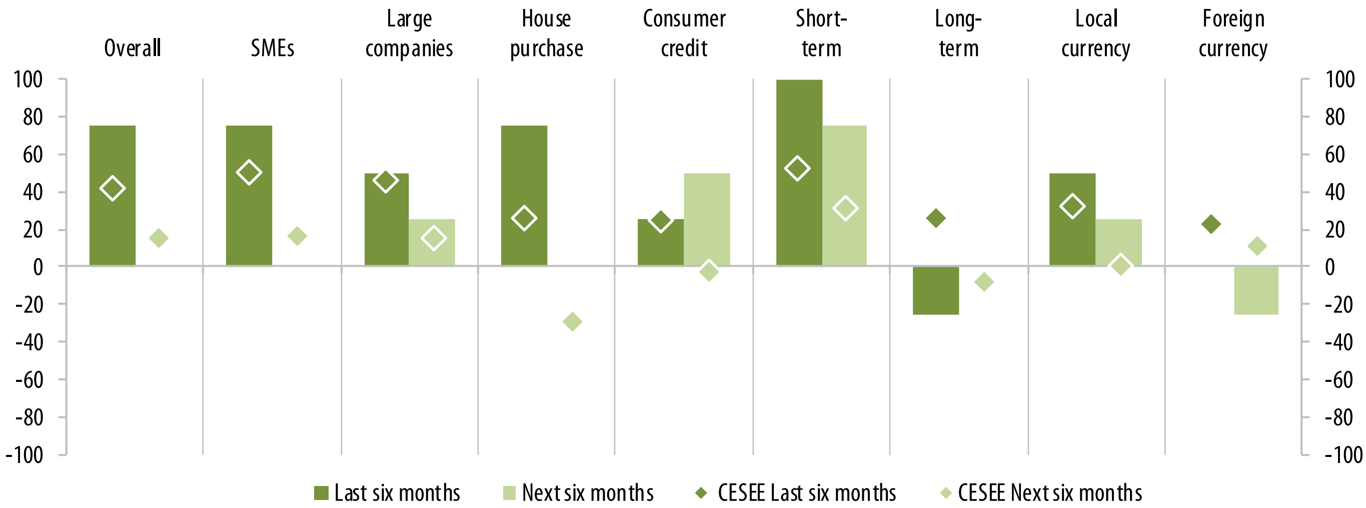
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments

Demand for loans increased overall and across the different categories. Small and medium firms and mortgages remained the main drivers of increasing demand.

Overall credit demand is expected to remain unchanged on average for the next six months, with positive contributions coming from large companies and consumer credit.

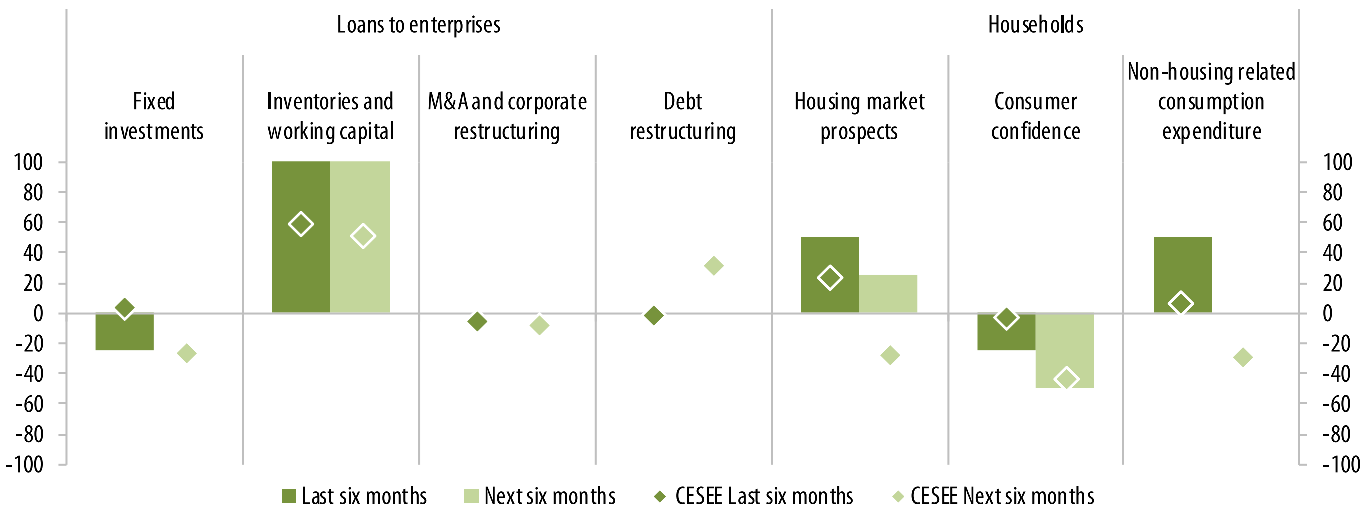


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans

Working capital, driven by firms' liquidity needs, contributed most to loan demand whereas demand to finance fixed investments declined. In the households segment, housing market prospects and non-housing-related consumption spending contributed positively to credit demand, while consumer confidence made a negative contribution and is expected to deteriorate further. During the next six months, demand for loans will again be driven by working capital, while fixed investments are not expected to recover significantly.



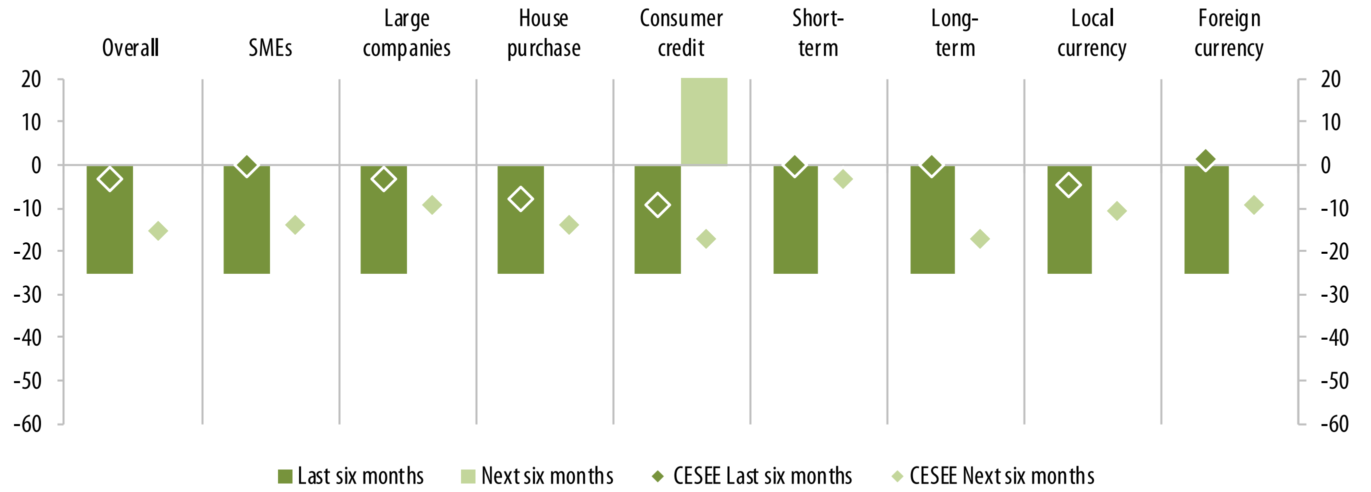
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 Quality of loan applications

The perceived quality of loan applications deteriorated significantly over the last six months, across all corporate and retail segments.

No change is expected over the next six months except for consumer credit, for which an improvement is projected.



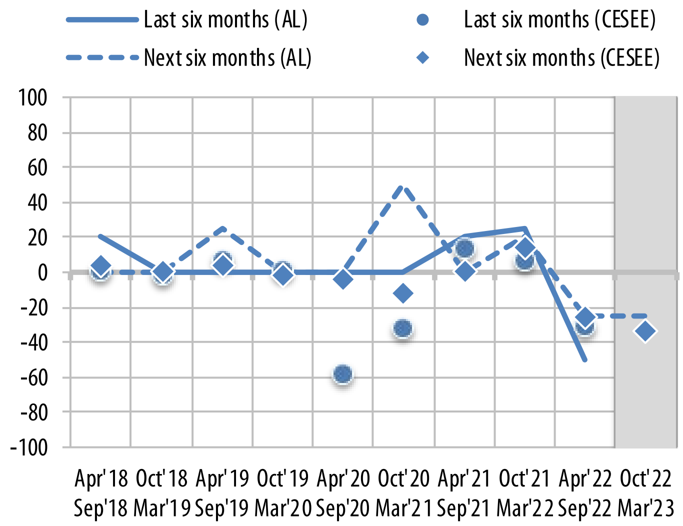
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments

Credit standards in Albania have begun tightening after years of softening — similar to the regional trend.

Over the next six months, the tightening of credit supply is expected to continue in Albania and the wider region, in line with global trends of increasing policy rates to tackle inflation.



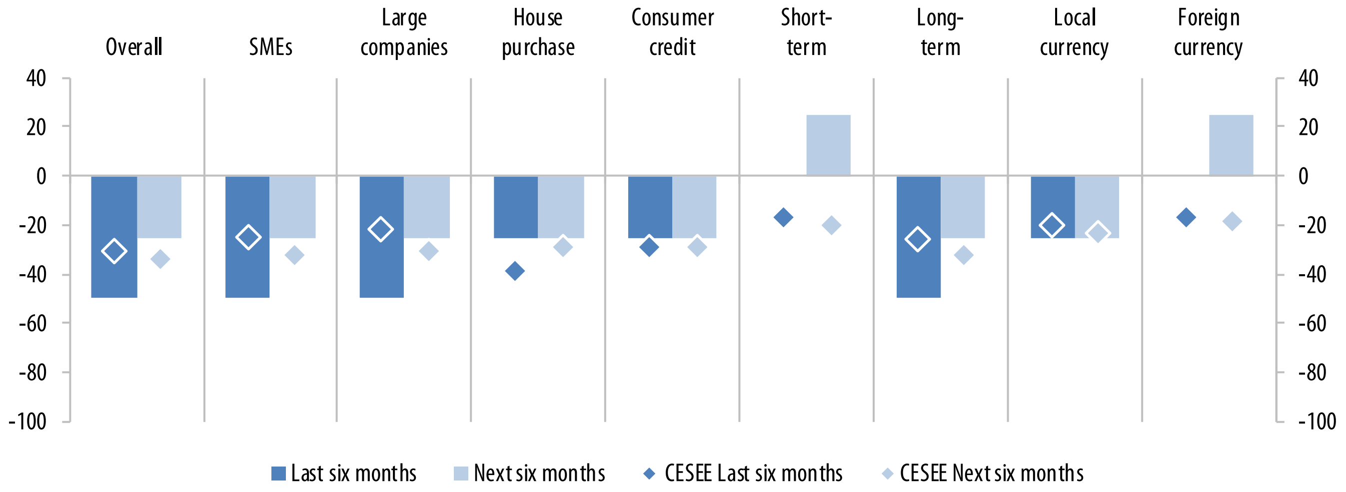
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments**

Credit supply conditions tightened in almost every segment, especially for small and medium firms, corporates and for long-term lending.

Further tightening is expected for the next six months in every segment except short-term lending and foreign currency. This trend is in line with the regional average.



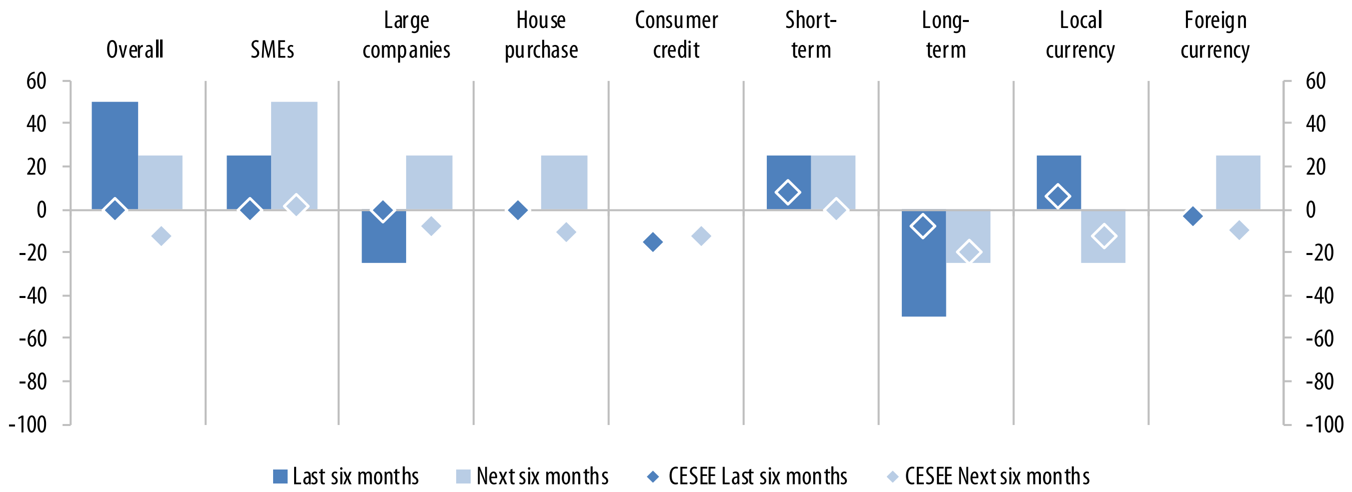
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions. See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications**

Local subsidiary approval rates increased overall during the last six months, mainly driven by small and medium firms. However, approval rates decreased for large corporations and remained unchanged for mortgage and consumer loans.

A positive trend is expected for the next six months, in contrast to the lower approval rates expected for the wider region.



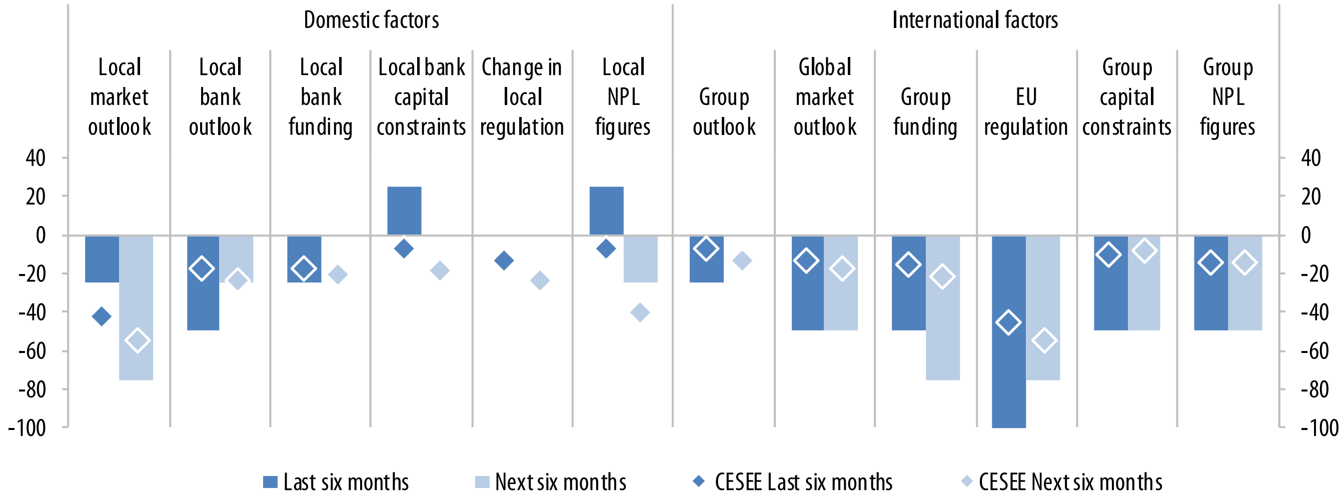
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions

Half of domestic factors contributed negatively to credit supply conditions in Albania over the last six months, although local bank capital constraints and local non-performing loans made positive contributions. Every international factor contributed negatively, exceeding the regional average.

Supply conditions are expected to deteriorate over the next six months, driven mainly by international factors but also some local factors, especially the local market outlook.



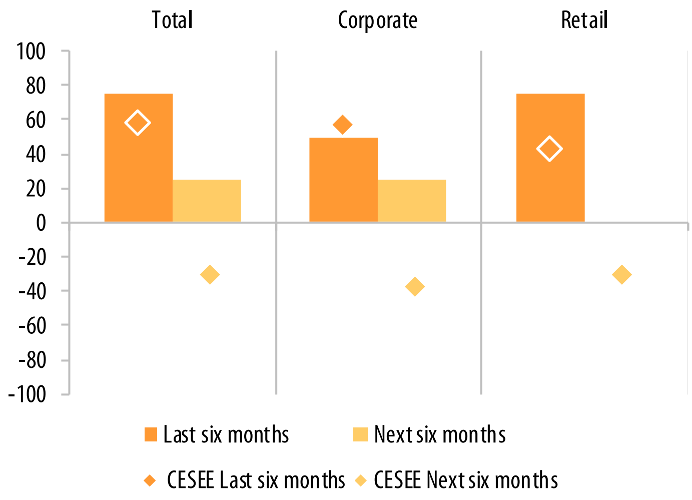
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios

The cleaning-up process of banks' portfolios continued for the corporate and retail segments over the last six months. The expected deterioration in non-performing loans did not materialise, partly because of crisis relief measures such as loan moratoriums, postponing of payments and reinforcement of stringent measures on reclassified loans. Following this favourable situation, local banks in Albania expect further improvement in credit quality (in other words, a decrease in non-performing loans) during the next six months, but only in the corporate segment. By contrast, deterioration is expected in the wider region.

The non-performing loan ratio in Albania, although decreasing, remained among the highest in the region, at 5.3% in mid-2022 according to Central Bank data.



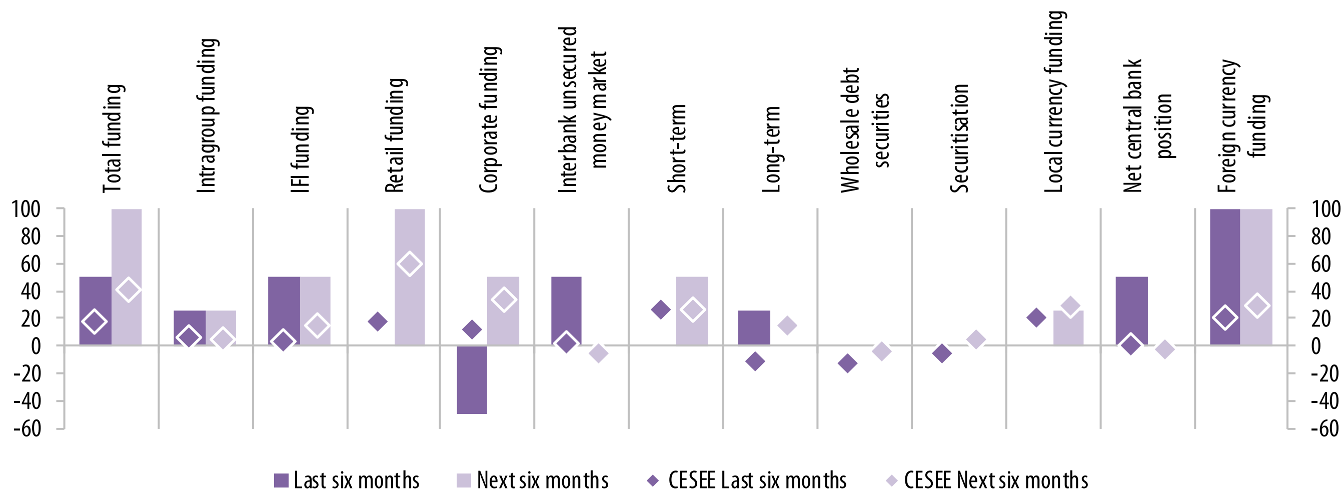
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 Access to funding

Bank funding in Albania continued to improve over the last six months, supported especially by foreign currency funding, international financial institutions, the interbank money market and intragroup funding. However, domestic corporate deposits deteriorated, having previously been a main source of funding.

Banks expect funding conditions to further improve during the next six months, driven mainly by retail and foreign currency funding.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Bosnia-Herzegovina

Credit supply conditions began tightening during the last six months in all segments and are expected to tighten further. Credit demand remained unchanged overall, and this is expected to continue. Most parent banks consider Bosnia-Herzegovina's market potential to be low, but profitability improved significantly.

Summary

Group assessment of positioning and market potential: The majority of parent banks report that Bosnia-Herzegovina has low market potential (67%). However, the profitability of local banks has improved significantly and was higher than overall group profitability.

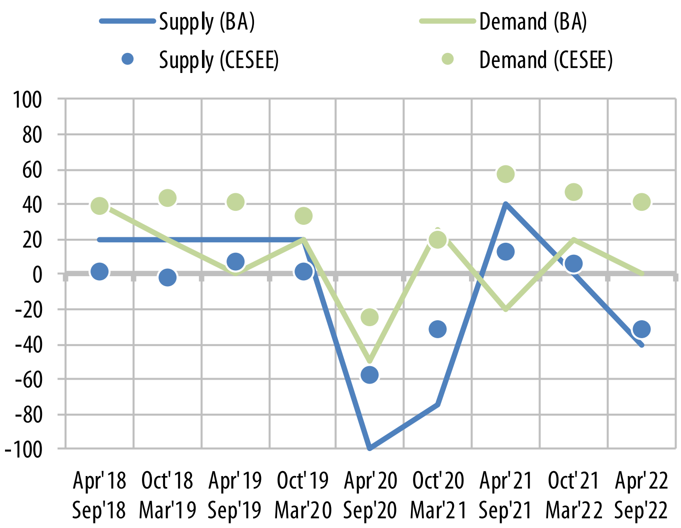
Demand for loans remained unchanged across most segments over the last six months. While no change is expected in overall credit demand in the next six months, lower demand is projected for all segments apart from small and medium enterprises.

Credit supply conditions have tightened across the board and are expected to deteriorate further, especially for corporates.

Access to funding remained unchanged overall for the third consecutive period. By segment, access improved for corporate deposits but worsened for intragroup, retail, and interbank funding.

Credit quality improved strongly in the corporate and retail segments. However, in line with the deteriorating economic environment, banks expect an increase in non-performing corporate loans in the next six months.

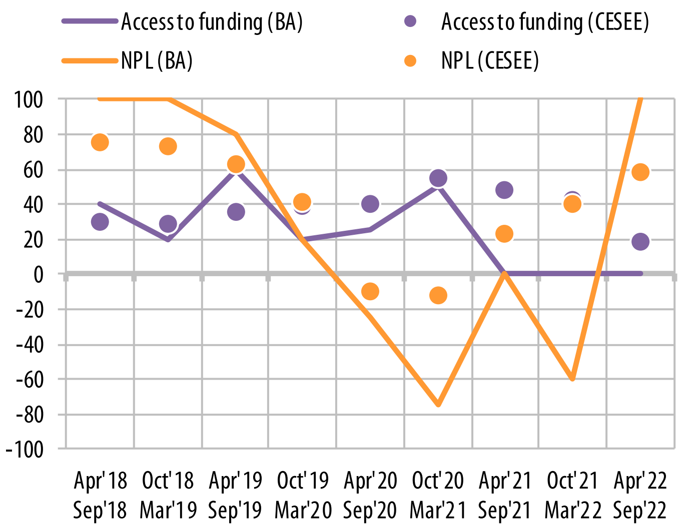
Credit supply and credit demand (%)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (%)



Source: EIB — CESEE Bank Lending Survey.

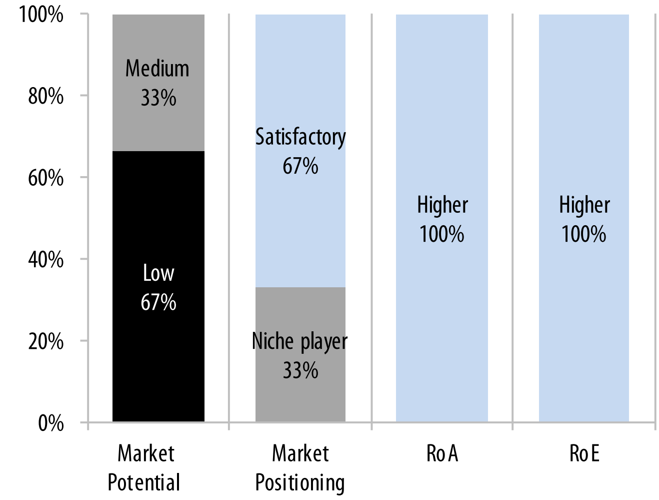
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The outlook for the banking market is less optimistic in Bosnia-Herzegovina than in the rest of the region. Specifically, two-thirds of parent banks rate market potential as low for Bosnia-Herzegovina, which is the worst rating of all the surveyed countries.

Nevertheless, profitability indicators show strong improvement: whereas half of parent banks reported lower profitability for local operations in the last survey round, all banks in this round declared a higher return on assets and return on equity in Bosnia-Herzegovina compared to the overall group. Market positioning also improved, from suboptimal to mainly satisfactory (for two-thirds of parent banks).



Source: EIB — CESEE Bank Lending Survey.

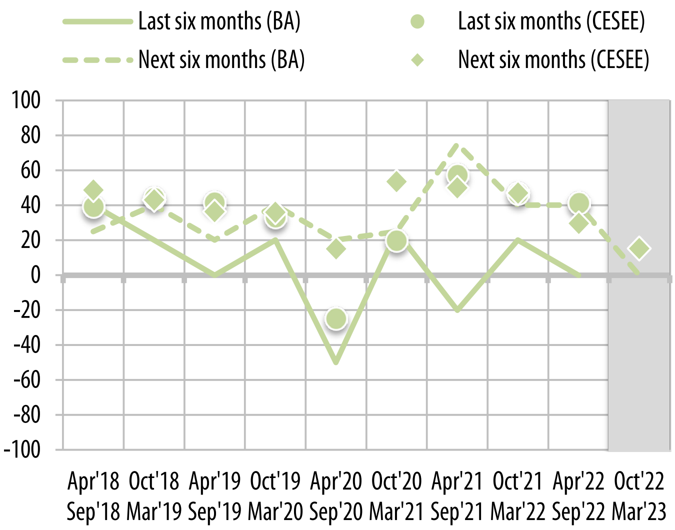
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

After displaying some volatility in recent years, demand for credit remained stable over the last six months, albeit not quite as positive as the regional average.

No change in credit demand is expected over the next six months, which is more in line with the regional trend.



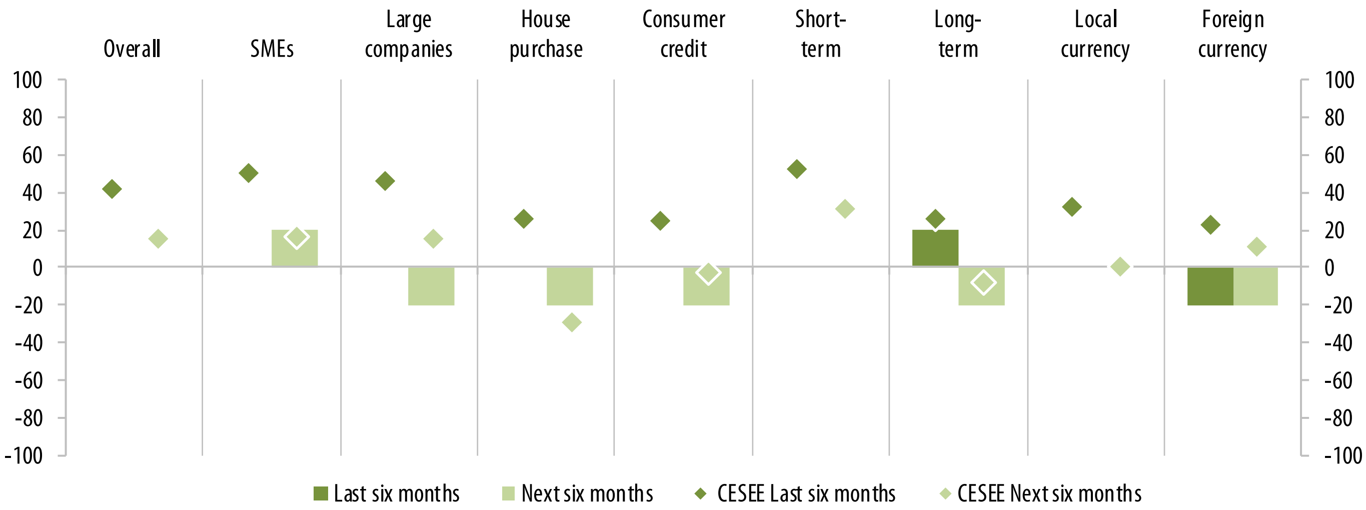
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 **Demand components and segments** (in %)

Demand for loans remained unchanged overall and in most segments, except for an increase for long-term loans and a decrease for foreign currency loans.

Over the next six months, no change in overall credit demand is expected but falls are projected for most segments. The only improvement in demand is forecast for loans to small and medium businesses (SMEs), suggesting that this segment may be more resilient.



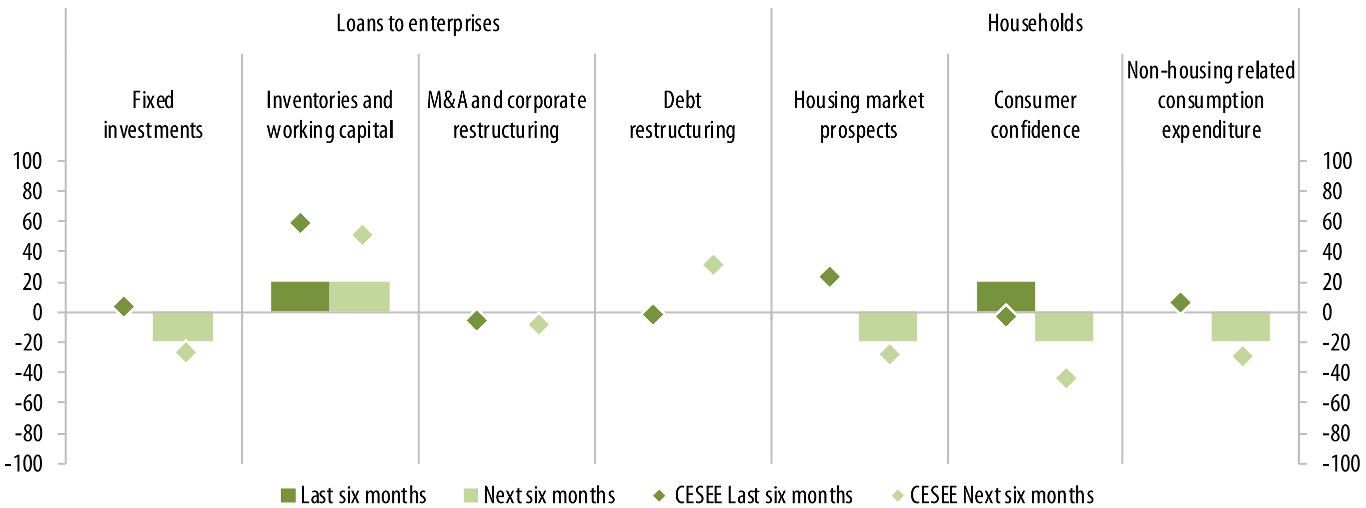
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 **Factors affecting demand for loans** (in %)

Most factors made a neutral contribution to credit demand over the last six months, though positive contributions were reported for inventories and working capital and for consumer confidence.

Parent banks expect a slight negative contribution overall in the next six months, mainly from household factors, although companies' liquidity needs (loans for inventories and working capital) are forecast to continue contributing positively.



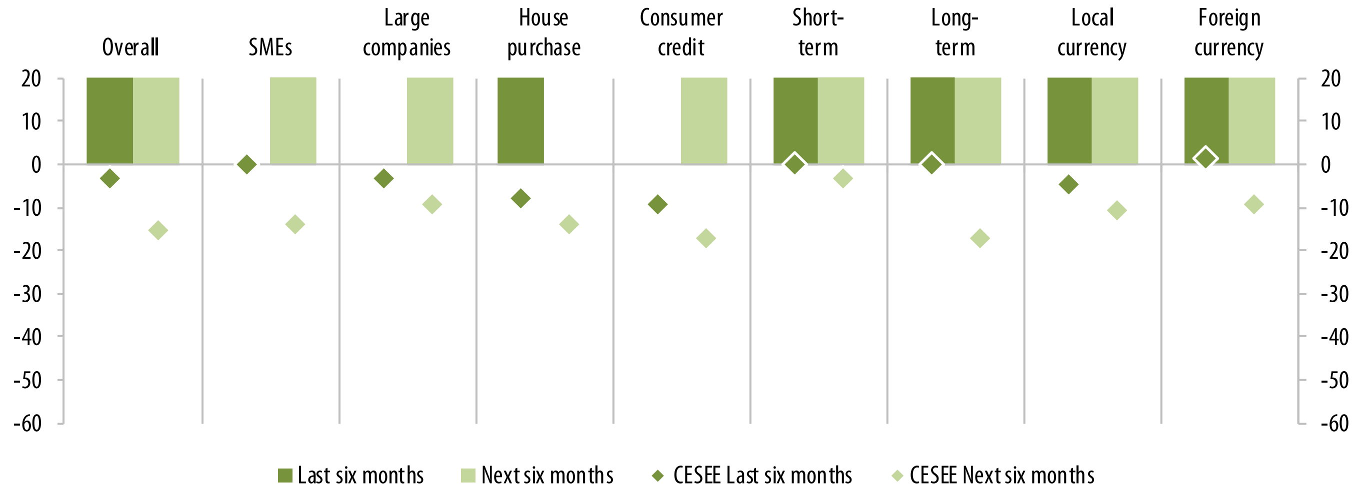
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The quality of loan applications in Bosnia-Herzegovina improved over the last six months, mainly, among business segments, due to the increasing quality of mortgage loan applications.

For the next six months, the quality of loans is expected to improve further overall and especially for small firms, large companies and consumer credit. However, house purchase will have a neutral contribution.



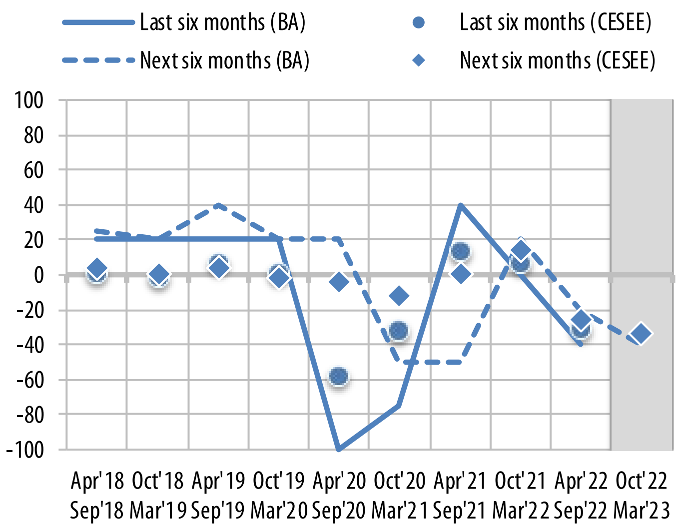
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Supply conditions in Bosnia-Herzegovina began tightening over the last six months, in line with the average trend in Central, Eastern and South-Eastern Europe.

Over the next six months, banks in Bosnia-Herzegovina and most countries in the region expect credit supply to continue to contract, influenced by the tightening of monetary policy at local and global levels.



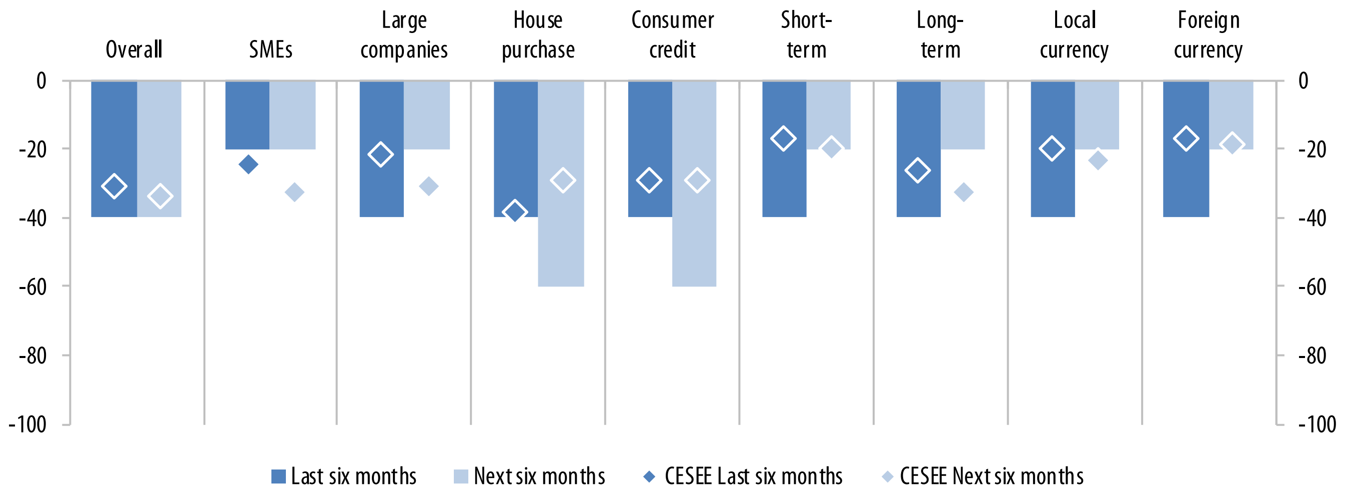
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Credit standards in Bosnia-Herzegovina's banking market have tightened across all segments.

Further tightening is expected in the next six months, especially in the households segment, with mortgages and consumer credit most affected.



Source: EIB — CESEE Bank Lending Survey.

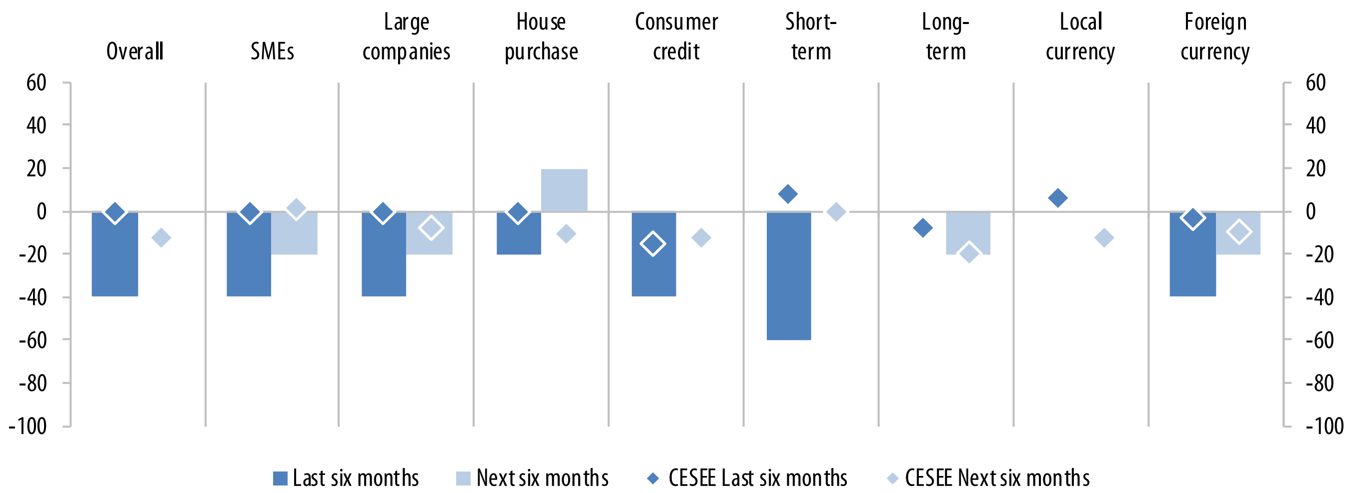
Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions).

See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

Loan approval rates decreased overall in the last six months, driven by the corporate (small and medium businesses and large firms) and households segments (mortgages and, especially, consumer credit).

In the next six months, the approval rate is expected to improve for mortgage loans but decline again for corporate loans.



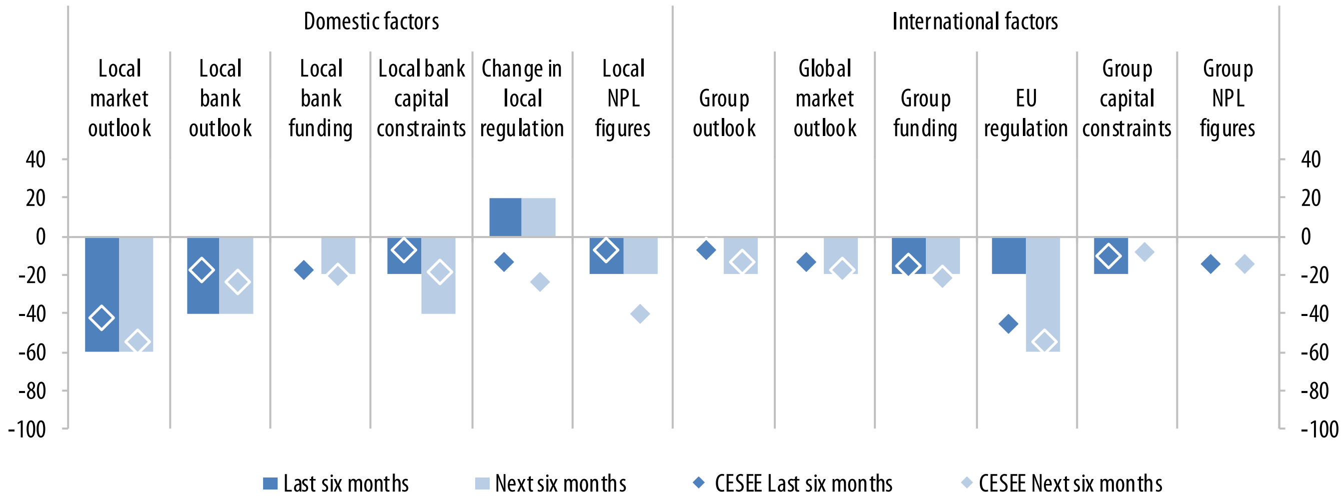
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 **Factors contributing to supply conditions** (in %)

Almost all domestic factors contributed negatively to credit supply conditions over the last six months, with local bank funding (neutral) and change in local regulation (positive) the only exceptions. Of the international factors, contributions were negative from group funding, EU regulation and group capital constraints, while the other three factors made neutral contributions.

In the next six months, most local and international factors are expected to contribute negatively to credit supply conditions. The only positive contribution expected is from change in local regulation.



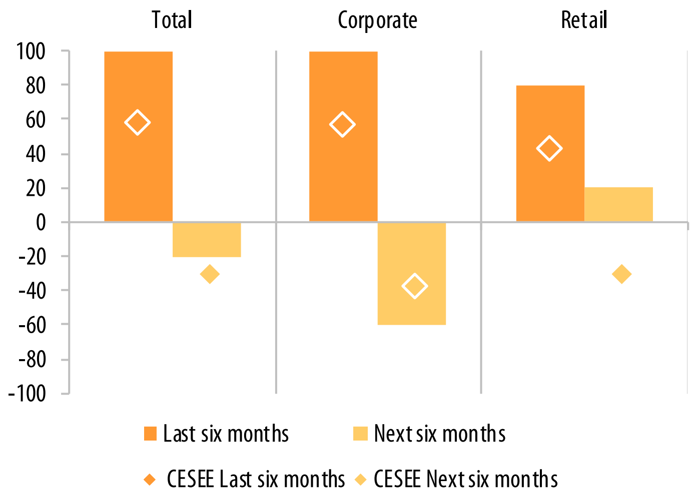
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

Non-performing loan ratios improved strongly in Bosnia-Herzegovina over the last six months, with positive changes in the corporate and retail segments exceeding average regional improvements.

A slight deterioration in credit quality is expected for the next six months, driven by the corporate segment.



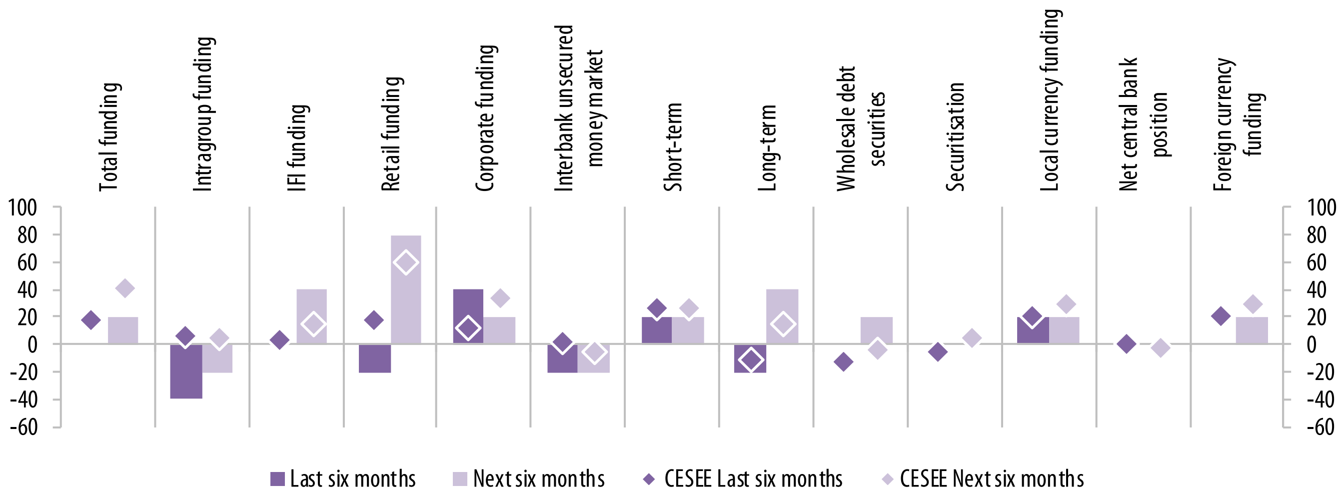
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Access to funding remained unchanged overall during the last six months. By segment, access increased for corporate funding but decreased for intragroup, retail and interbank funding.

For the next six months, banks expect better access to funding overall, driven mainly by retail and corporate deposits and international financial institution (IFI) funding.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Bulgaria

Bulgaria's market is seen by parent banks to have medium or high potential, and has recovered substantially following the large deterioration in credit demand and supply during COVID-19. However, the worsening outlook is expected to negatively affect credit demand, supply and credit quality.

Summary

Group assessment of positioning and market potential: Parent banks operating in Bulgaria show strong commitment to the region and assess the Bulgarian banking market potential as medium or high. For the third consecutive year, most participants reported a higher return on assets for Bulgarian operations than for the group overall. Moreover, the majority of parent banks operating in Bulgaria regard their current market positioning as optimal.

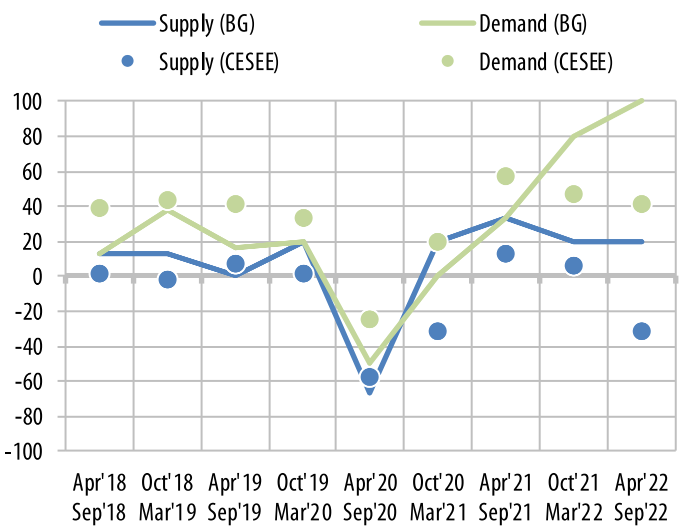
Demand for loans has rapidly improved, especially in the small firms and consumer loans segments, following a sharp deterioration in the first half of 2020 and subsequent stabilisation. Over the next six months, however, demand is expected to slow significantly.

Credit supply conditions have continuously improved in the last year across all market segments, following a significant deterioration in 2020. However, this gradual improvement is expected to partially reverse in the next six months.

Access to funding continued to improve over the last six months, continuing a multiannual positive trend. The improvement is mostly attributable to the high, sustained growth of household deposits and, to a lesser extent, the growth of corporate deposits.

Non-performing loans improved again over the past year, following a deterioration in 2020, thereby returning to the positive trend of the four years preceding the pandemic. Expectations for the next six months, however, are more pessimistic.

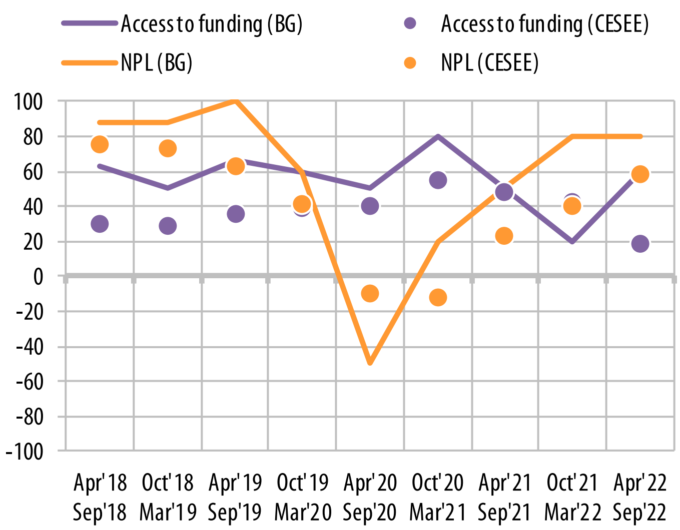
Credit supply and credit demand (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative values indicate an increase in the NPL ratio.

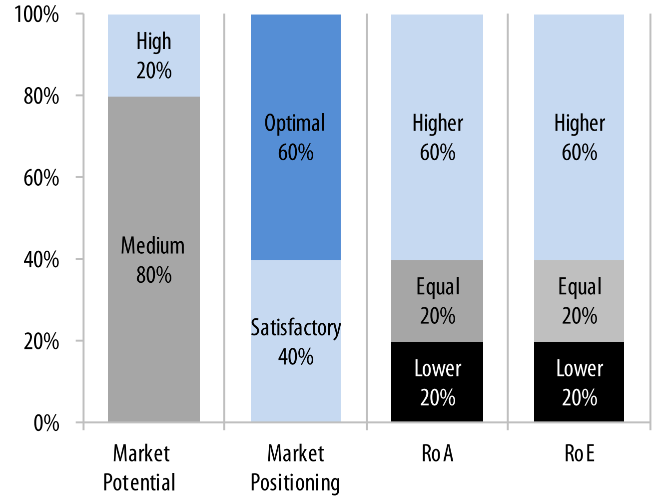
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

A large share of the Bulgarian banking sector is controlled by foreign banks with a strong foothold in the region (such as UniCredit, OTP, KBC and ProCredit).

All foreign banks operating in Bulgaria consider the country as a market with medium (80%) or high potential (20%), and regard their market positioning as satisfactory (40%) or optimal (60%).

In line with this high level of satisfaction with market positioning, 80% of banks reported that returns on assets and equity in Bulgaria are higher than or equal to overall group returns.



Source: EIB — CESEE Bank Lending Survey.

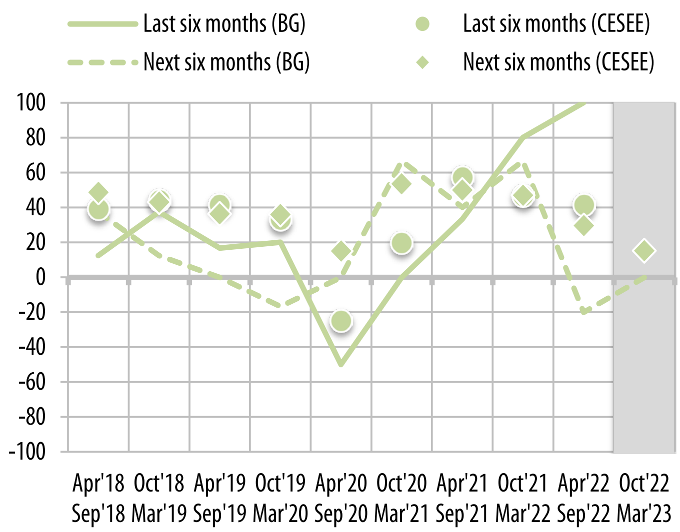
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Changes in demand for loans in Bulgaria since 2016 have followed a similar pattern to that of the wider region. However, demand picked up in the first half of 2021, and the proportion of Bulgarian subsidiaries reporting rising demand has steadily increased since then. However, demand may stagnate over the coming six months, as equal proportions of banks respectively forecast increasing and decreasing demand. By way of comparison, a net 15% on average expect increasing demand in the wider region.

High uncertainty and positive growth surprises in the first half of 2022 likely account for credit demand significantly exceeding banks' expectations in the last survey round. At the same time, the expected economic slowdown globally, and particularly in the wider region, are the most likely explanation for the pessimism about credit demand.

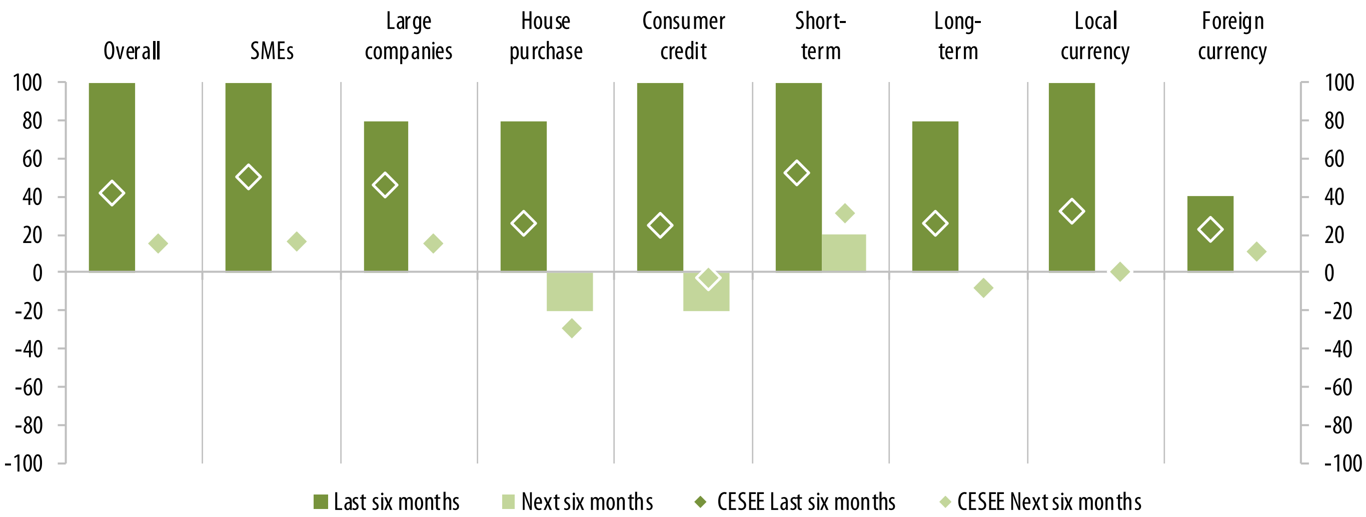


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 **Demand components and segments** (in %)

Overall loan demand was assessed as increasing over the last six months by all respondents. Loan demand increased in every market segment. In the retail markets, consumer credit demand rose for all respondents and mortgage demand increased for a large majority (80%). These findings are in line with growing private consumption spending in the first half of 2022. Regarding corporates, all respondents indicated rising demand for loans from small firms, while 80% reported the same for large corporates. Banks expect loan demand to stagnate over the next six months in most market segments, with declining demand forecast for house purchases and consumer credit.



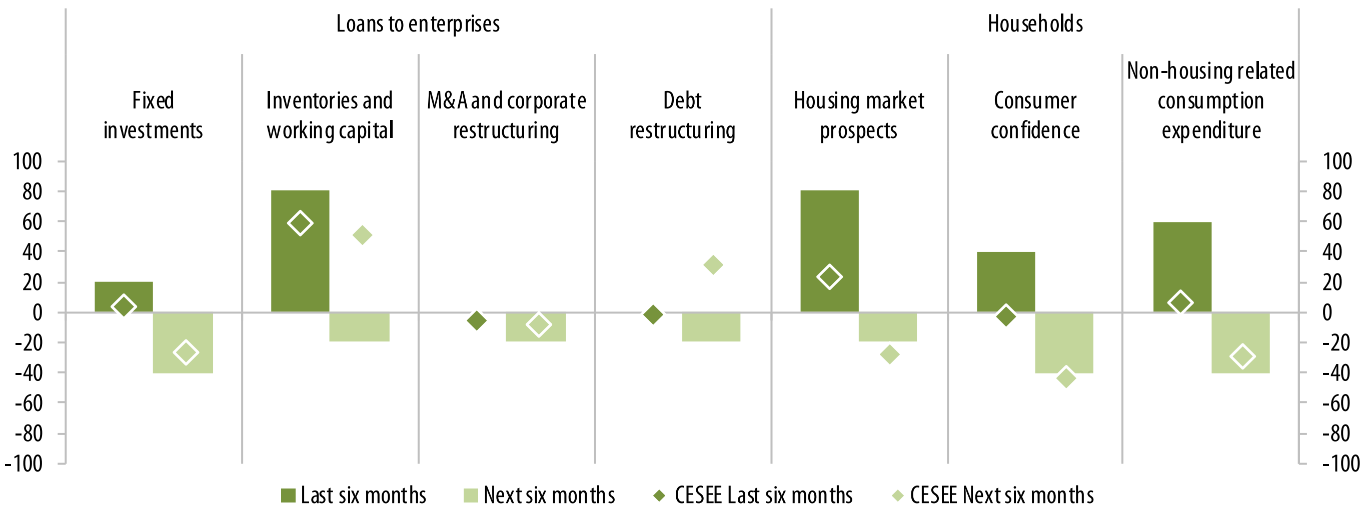
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 **Factors affecting demand for loans** (in %)

Loan demand for fixed investments has increased during the last six months (net 20% of respondents). Demand for loans to finance working capital has also grown over the last six months (net 80%).

In the next six months, however, a net 40% of respondents expect declining demand for investment loans and a net 20% forecast lower demand for working capital loans. Collapsing consumer confidence and elevated uncertainty explain the expected declines in household demand for loans going forward.



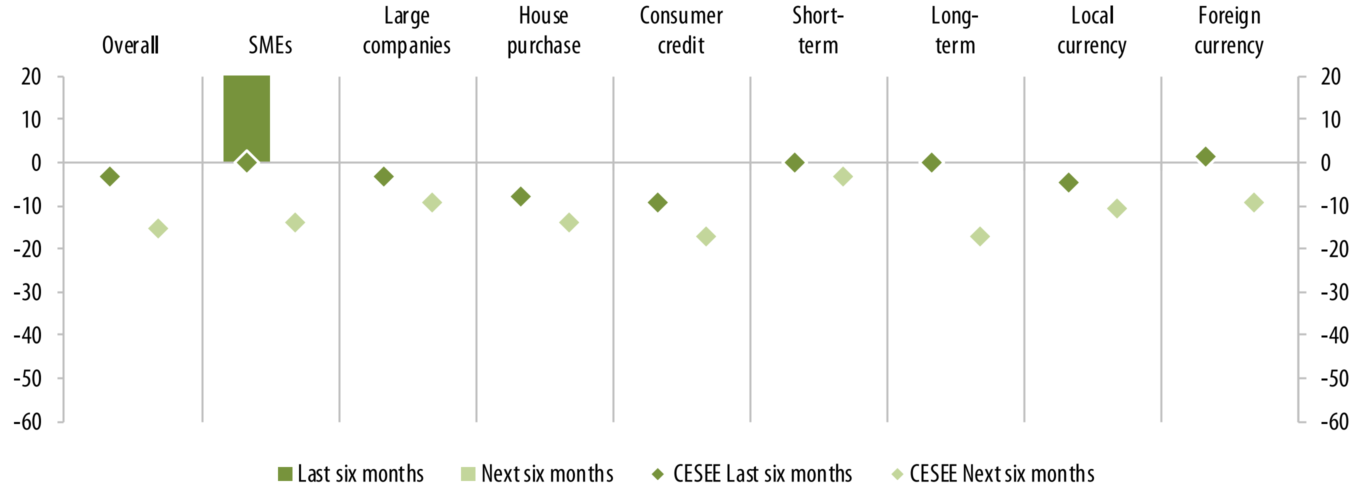
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 Quality of loan applications (in %)

The quality of loan applications in Bulgaria was stable in the last six months across all market segments and maturities with just one exception: a net 20% reported improved loan application quality for small firms.

In the next six months, respondents do not expect any changes in the quality of loan applications.



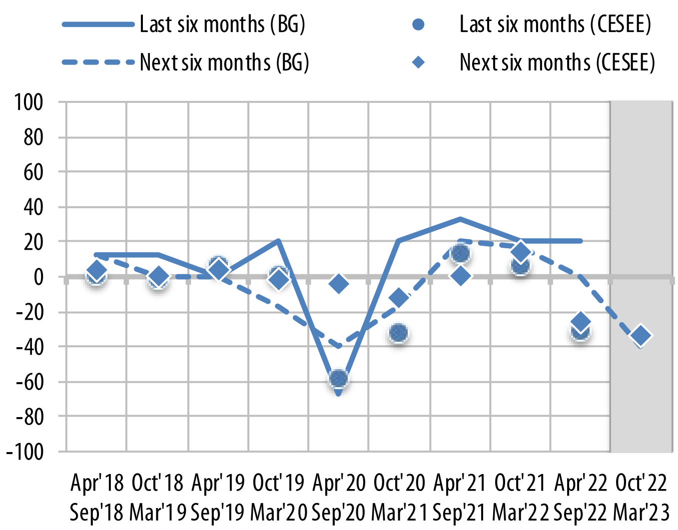
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments (in %)

In the last six months, supply conditions continued the positive trend that started following a brief deterioration in the first half of 2020. These improvements in recent years resulted from the strengthening of economic activity and banking sector balance sheets, which enabled Bulgarian banks to relax loan conditions.

Over the next six months, however, supply conditions are expected to deteriorate (according to a net 40% of respondents). These expectations are in line with the average forecast for the region and reflect the impact of tightening monetary policy and an expected economic downturn.



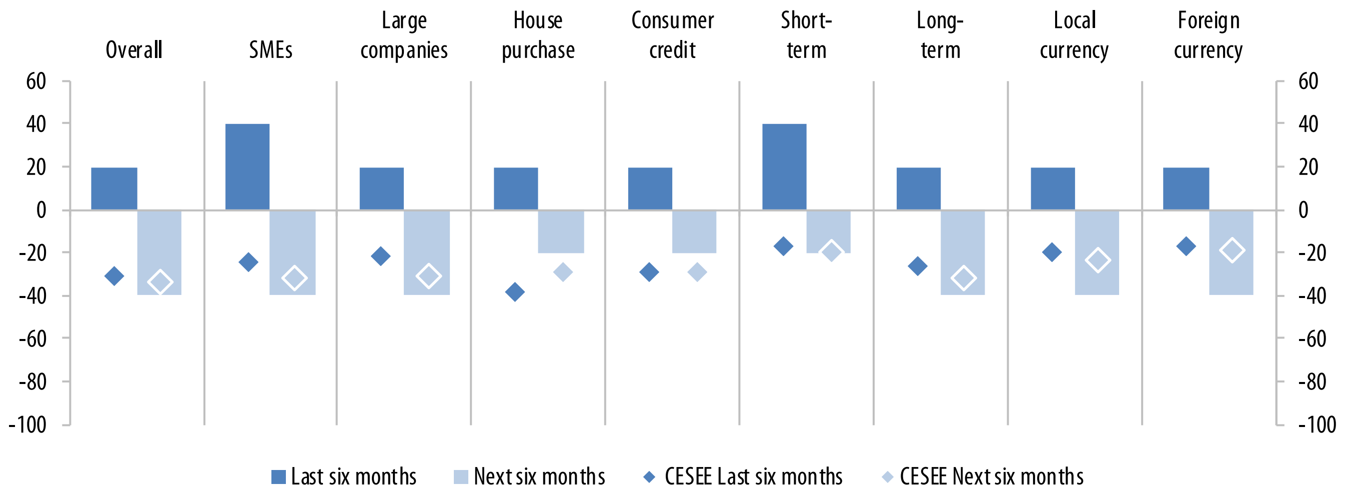
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time t for the next six months are plotted in the chart at time $t + 1$. See Question B.Q1 in the Annex.

Figure 7 Supply components and segments (in %)

Credit supply conditions were perceived as improving across all market segments over the last six months.

In the next six months, however, banks expect to tighten credit standards across all market segments and especially in the corporate sector, in line with regional trends. In the retail sector, a smaller majority of respondents (net 20%) expect deteriorating credit supply conditions.



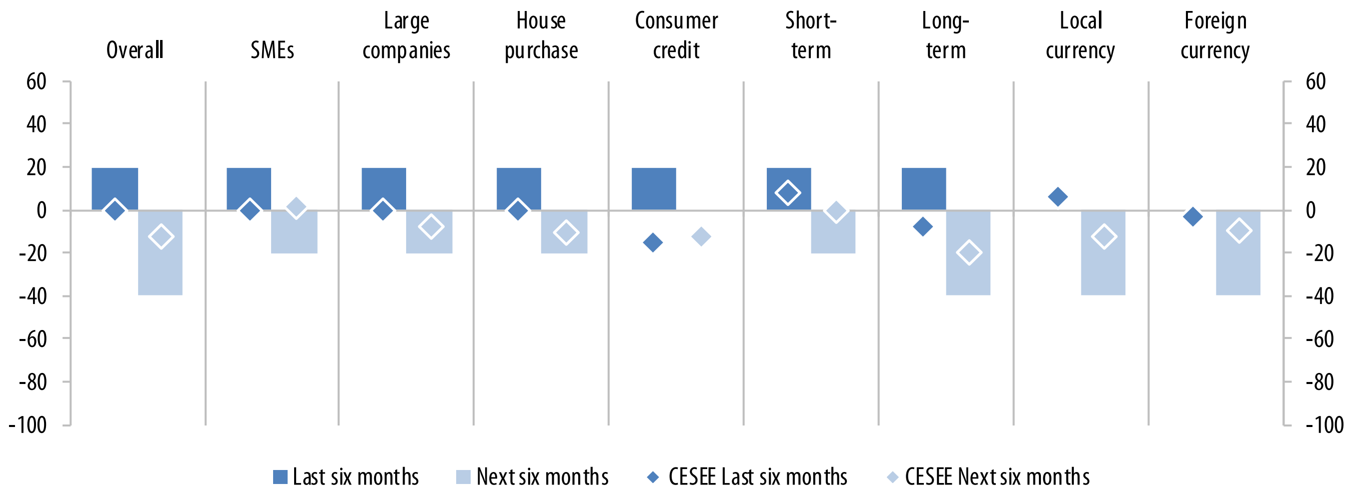
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions. See Question B.Q1 in the Annex.

Figure 8 Credit supply: bank (local subsidiary) approval rates for loan applications (in %)

Approval rates are assessed as having increased across most market segments by a small majority of respondents (net 20%) in the last six months.

Over the next six months, however, the overall approval rate is expected to decline by a net 40% of respondents, driven by the deterioration of every market segment except consumer credit.



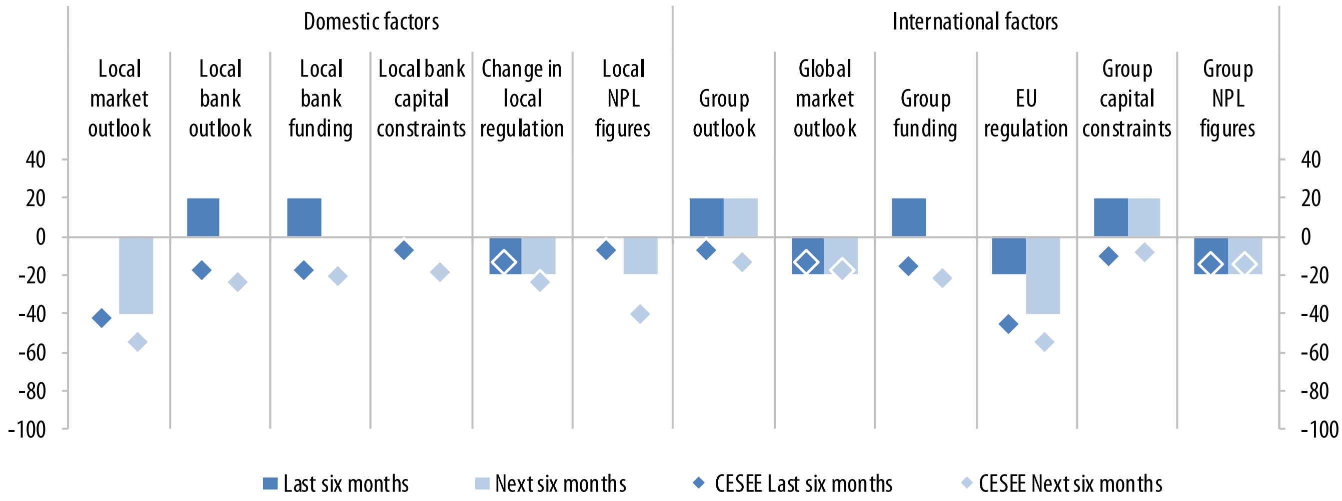
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

Both domestic and international factors contributed to the improvement in supply conditions over the last six months. According to a net 20% of respondents, local bank funding and outlook (domestic) and group outlook, funding and capital constraints (international) all made positive contributions. Conversely, local regulation change, EU regulation, group market outlook and non-performing loans all weighed down supply conditions (net 20% of respondents).

In the next six months, local market conditions are expected to deteriorate significantly (net 40%), as are local non-performing loan figures (net 20%). Of the international factors, global market outlook, group non-performing loans (net 20% each) and EU regulation (net 40%) are expected to continue exerting negative pressure on supply conditions.



Source: EIB — CESEE Bank Lending Survey.

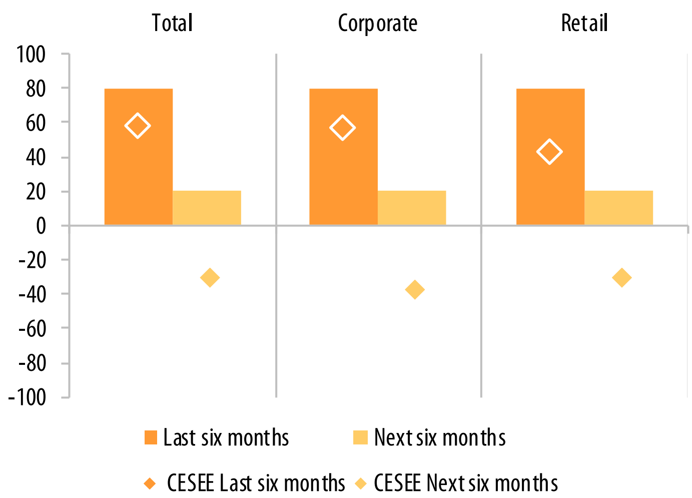
Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

The recession following the global financial crisis and the bursting of the real estate bubble in Bulgaria resulted in very high non-performing loan ratios. Banks exhibited reluctance to reduce non-performing loans up to 2016 but subsequently changed their approach. Between 2017 and 2022, the vast majority of local subsidiaries reported declining non-performing loan ratios, although these still exceed regional averages. Restructuring corporate portfolios has had a significant effect, partly because non-performing loans in Bulgaria are concentrated in the corporate segment.

Surveyed banks indicated that the non-performing loan ratios in Bulgaria improved over the last six months in the retail and corporate segments for most respondents (net 80%).

Over the next six months, however, a much smaller majority forecasts further improvement (net 20%), as many banks expect deteriorating economic conditions to reduce the quality of loan portfolios.



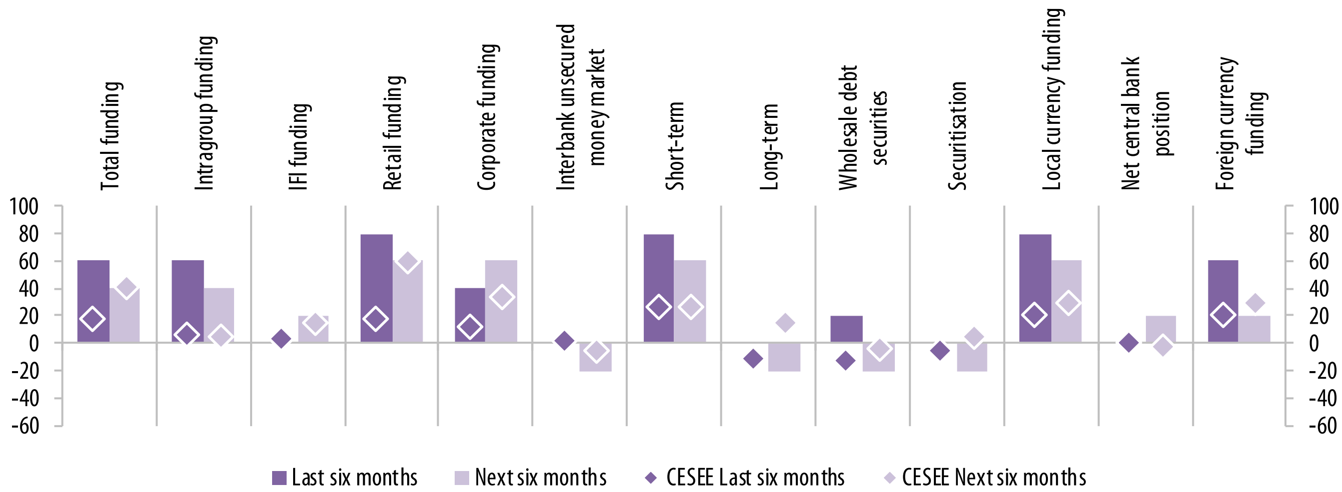
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Access to funding for Bulgarian subsidiaries has improved over the last six months, continuing a trend that started in the second half of 2013, and was not interrupted by the pandemic.

This improvement is expected to be maintained in the next six months, as the European Central Bank and local monetary authorities are committed to maintaining open credit channels while increasing policy rates. The main positive contributors during the last six months were retail, intragroup and corporate funding. Over the next six months, these categories are all expected to continue contributing to better access to funding.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Croatia

Credit supply conditions tightened in the last six months, and this negative dynamic is expected to continue, in line with tightening monetary conditions. Conversely, better access to funding and improving credit quality are expected to support credit demand.

Summary

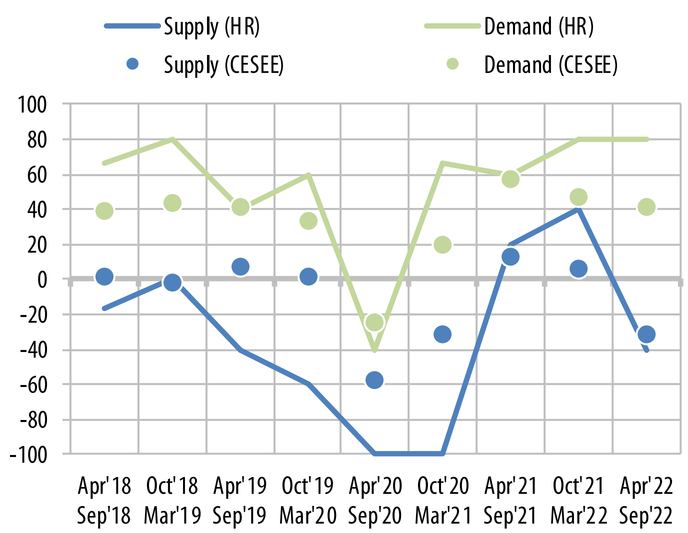
Group assessment of positioning and market potential: International banking groups reported that operations in Croatia either exceeded or matched the profitability of the overall group in the last six months. Their market positioning in the country was also relatively stable, assessed by all banks as satisfactory (75%) or optimal (25%). Parent banks' assessment of Croatia's market potential slightly improved but remained below the regional average.

Credit demand recovered for the fourth consecutive period, following a sharp drop in 2020, but **credit supply** conditions started to tighten. Banks expect these trends (strong demand, except for housing loans, and deteriorating supply conditions) to continue in the next six months.

Access to funding continued improving over the last six months, while domestic retail and corporate deposits remained the main funding sources. Funding conditions are expected to remain positive.

Non-performing loan ratios improved for the corporate and retail segments in the last six months. Unlike the prevailing regional trend, further improvements are expected over the next six months.

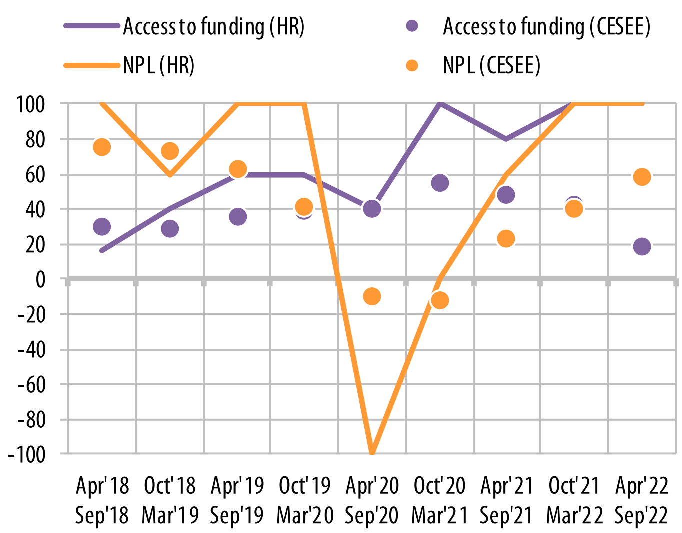
Credit supply and credit demand (in %)



Source: EIB – CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB – CESEE Bank Lending Survey.

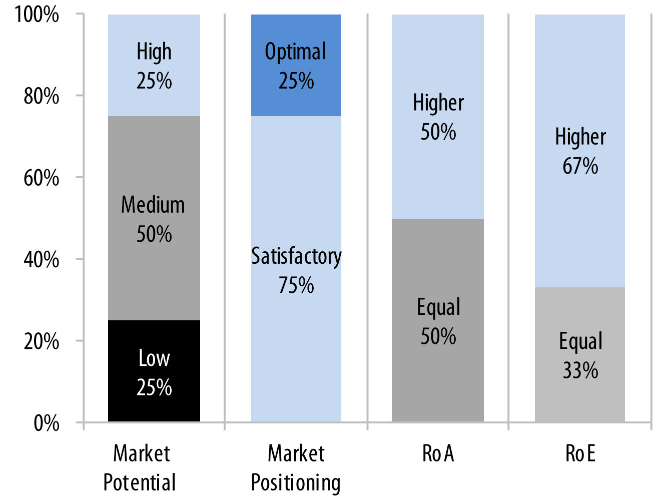
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Croatia's market potential improved over the last six months, with most banks indicating medium (50%) or high (25%) potential. In terms of market positioning, the Croatian banking market is assessed as being relatively better than other countries in the region, with all banks perceiving their positioning as satisfactory (75%) or optimal (25%).

Half of parent banks indicate that their Croatian subsidiaries have a higher return on assets than the overall group, while two-thirds report a higher return on equity in Croatia compared to the group figure. No parent banks report lower profitability from Croatian operations.



Source: EIB — CESEE Bank Lending Survey.

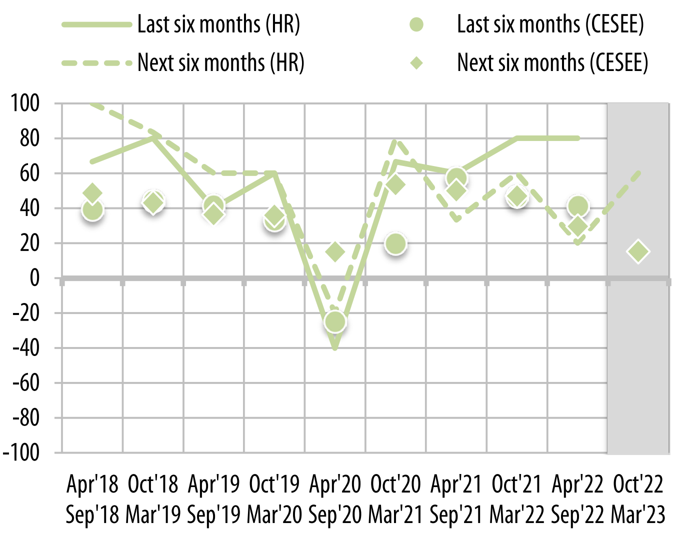
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Loan demand recovered for the fourth consecutive six-month period, after a sharp drop in the second half of 2020. The increase in demand in Croatia was substantially above expectations in the last survey wave and the regional average.

For the next six months, Croatian banks expect the positive trend to continue, and forecast demand above the average for Central, Eastern and South-Eastern Europe.



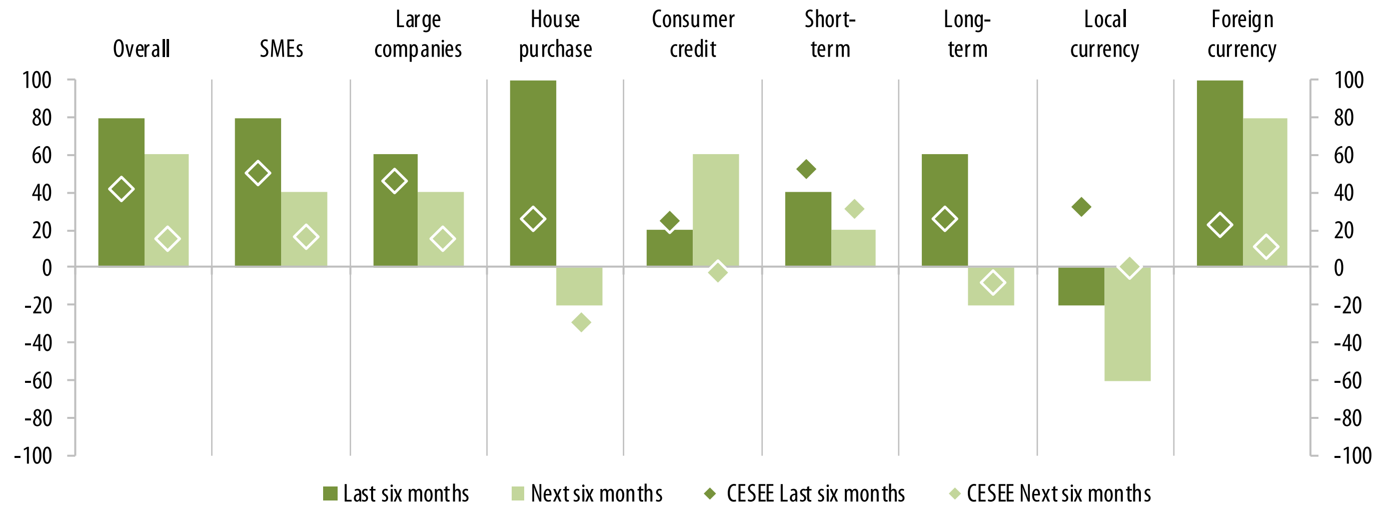
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

Credit demand continued to increase over the last six months in every segment except local currency. It was particularly strong for the mortgage market.

Further increases in loan demand are expected in the next six months for most segments, with the notable exception of mortgage loans.



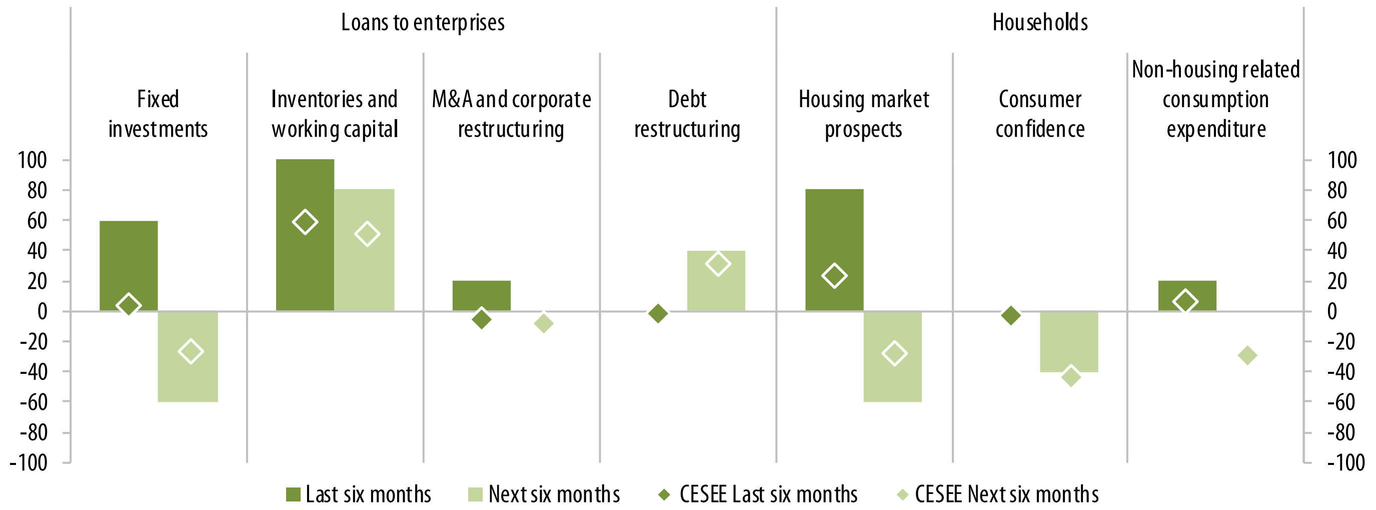
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Most factors contributed positively to the increase in demand for loans, especially inventories and working capital, housing market prospects, and fixed investments.

In the next six months, loans for working capital and debt restructuring are expected to contribute positively, whereas the possible economic slowdown is expected to lower fixed investments, housing market prospects and consumer confidence, all dragging down credit demand.



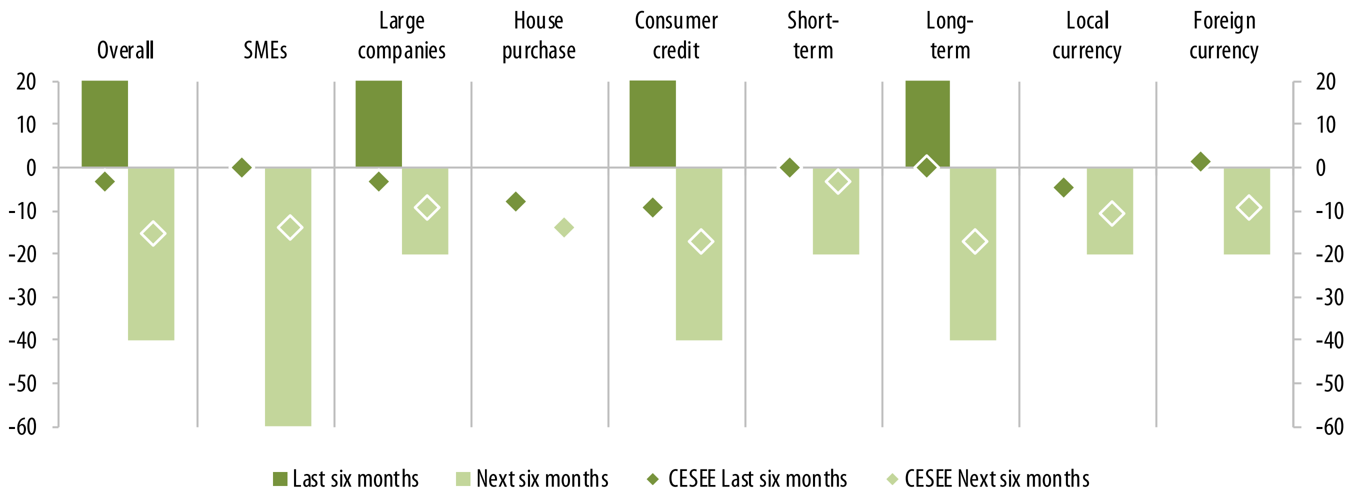
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The perceived quality of loan applications improved overall in the last six months, mainly driven by large companies and consumer credit. No segment declined in quality.

For the next six months, however, a deterioration in quality is expected for loan applications in every segment except mortgages, especially for corporates and consumer loans.



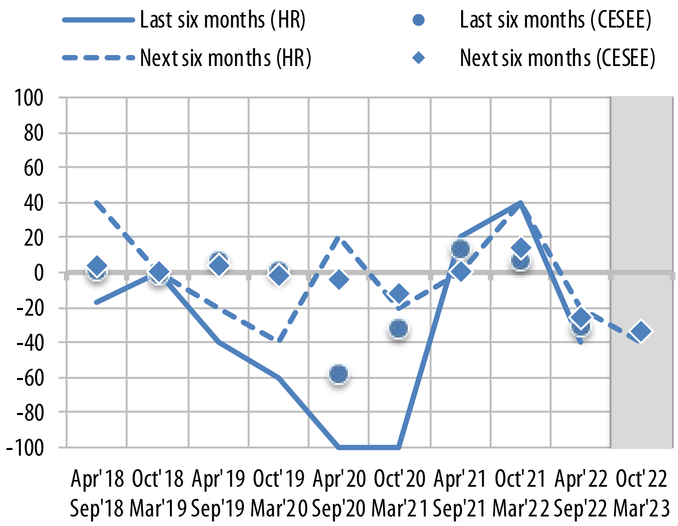
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Credit conditions tightened over the last six months, after two periods of easing which followed the credit tightening of 2019-2020.

Supply conditions are expected to continue tightening over the next six months in Croatia, in line with the regional and global trends of tighter monetary policy.



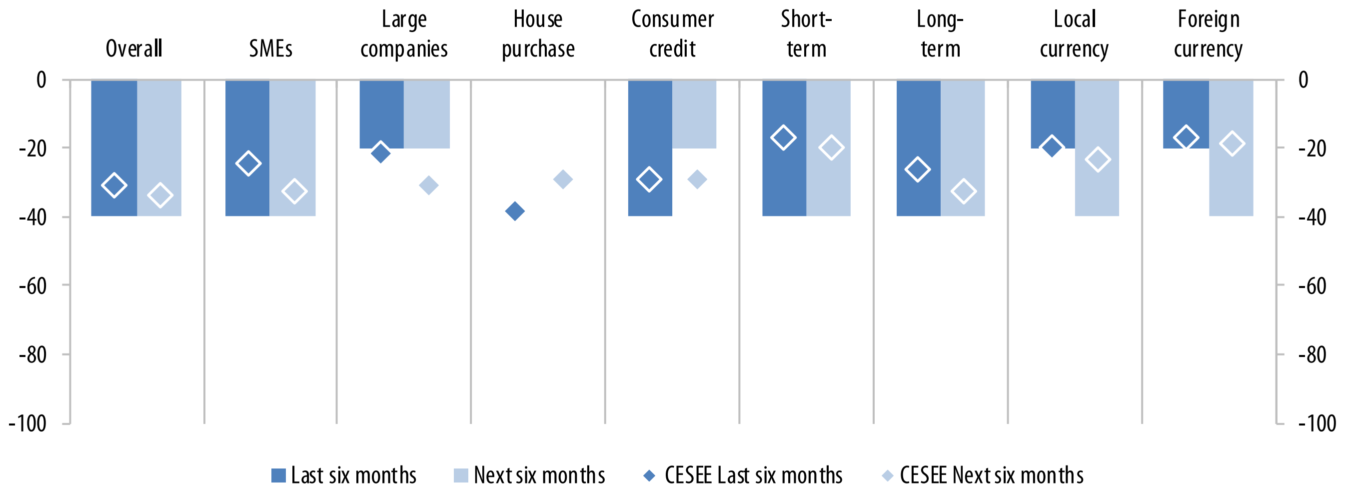
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Credit supply conditions tightened across every segment except mortgage loans.

This tightening is expected to continue in the same segments over the next six months. Only the house purchase segment has a neutral outlook, in contrast to the expected negative turn in demand for mortgages.



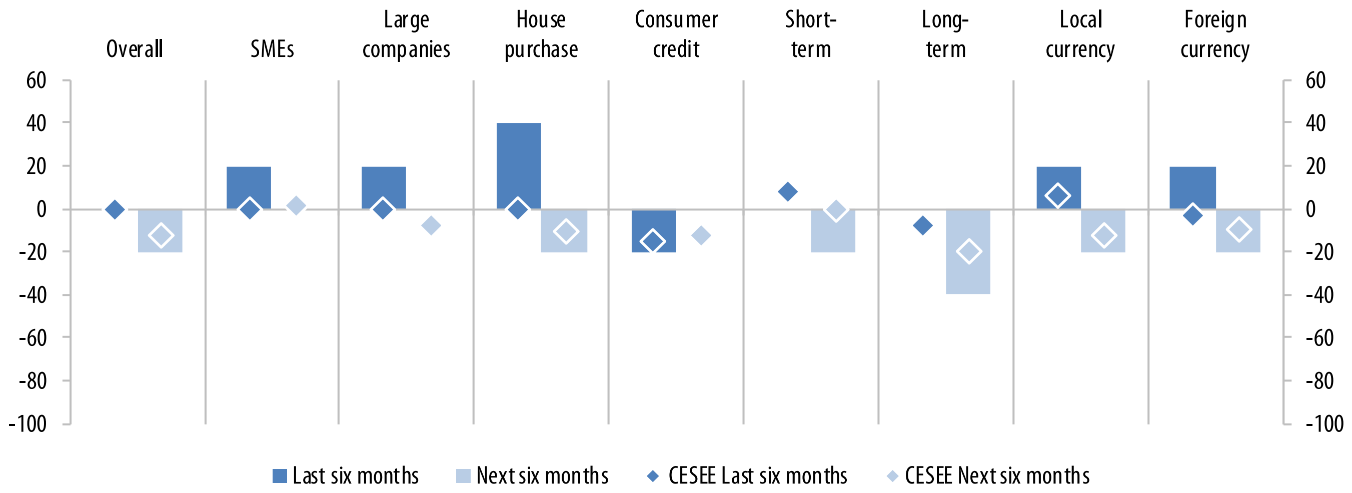
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

The overall approval rate did not change in Croatia over the last six months, in line with the regional average. There were positive developments for corporate and mortgage loans, whereas the approval rate for consumer credit decreased.

Approval rates are expected to fall in many segments over the next six months, particularly for mortgage loans but also affecting small firms and large companies.



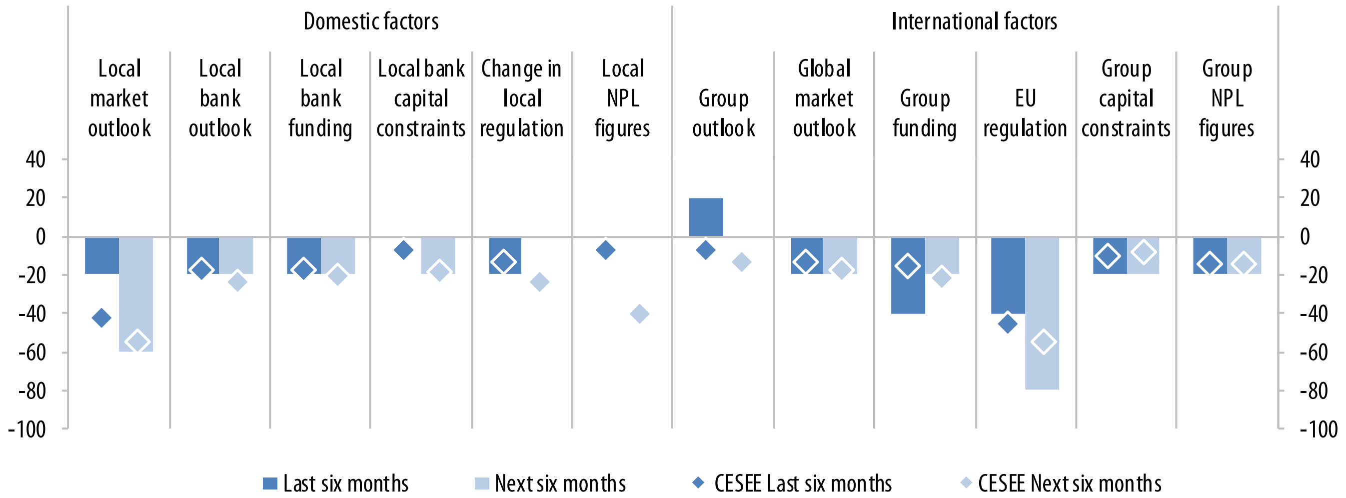
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

Most domestic factors contributed negatively, while local bank capital constraints and local non-performing loan figures made neutral contributions. All the international factors except group outlook contributed negatively to credit conditions.

Negative trends are also expected for most contributing factors over the next six months, especially for local market outlook and EU regulation.

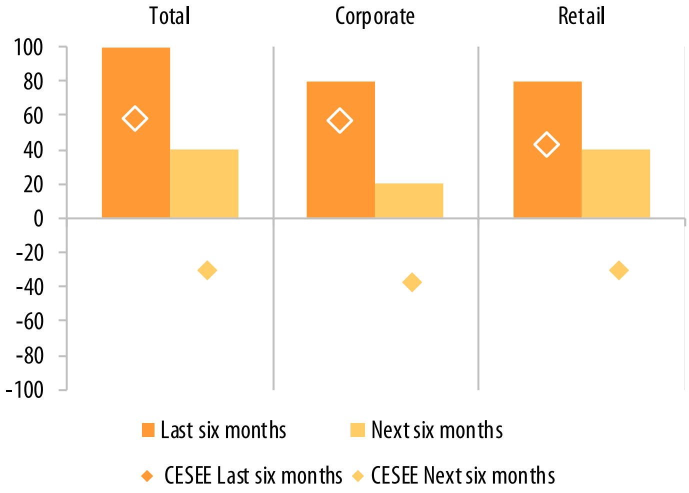


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

Credit quality is improving evolving more favourably in the Croatian banking market than at the regional level. The non-performing loan ratios of the corporate and retail segments improved over the last six months, and these positive trends are expected to continue in the next period, in contrast to the negative trend in the region.



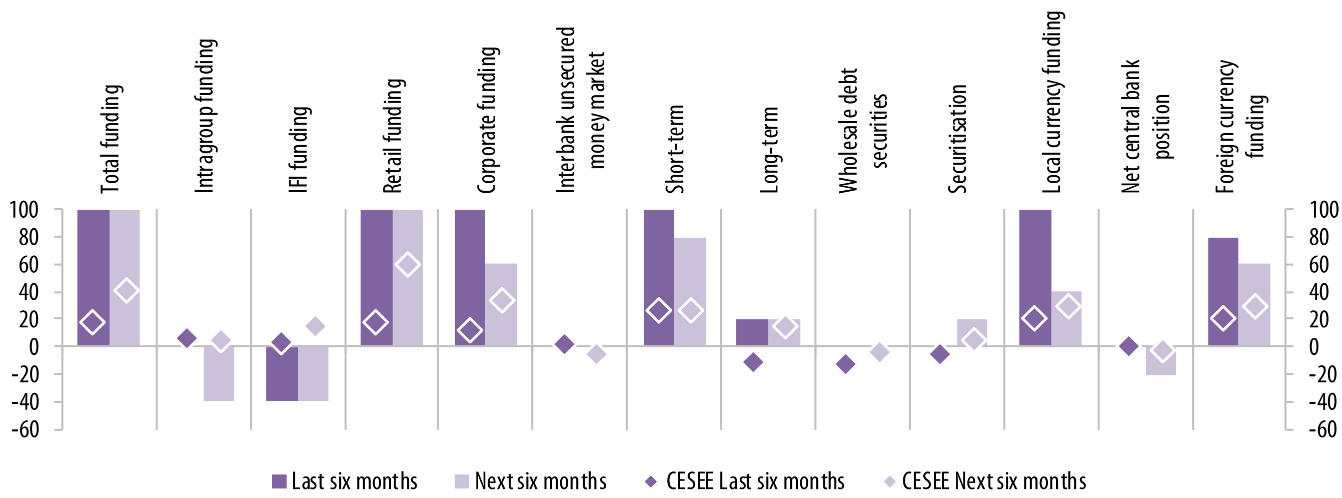
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Access to funding increased further over the last six months, mainly through higher retail and corporate deposits and increases in local and foreign currency funding. A small majority of banks reported a deterioration in funding from international financial institutions (IFIs).

Further improvement in overall access to funding is expected in the next six months, driven mainly by the same sources (retail and corporate funding).



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Czech Republic

Rapidly rising interest rates and the war in Ukraine have continued to temper risk appetite and reduce demand for loans, particularly for mortgages. Over the next six months, banks expect the quality of loan applications to decrease and credit supply to decline further.

Summary

Group assessment of positioning and market potential: All parent banks operating in the Czech Republic say the country's banking market has high or medium potential and see little reason to change their positioning. Moreover, their profitability in the Czech Republic is higher than at group level. However, over the last six months, rapidly rising interest rates and the outbreak of war in Ukraine have dampened risk appetite and reduced the affordability of loans. As inflation surged, the Czech National Bank continued to raise its repo rate, which reached 7% in June 2022.

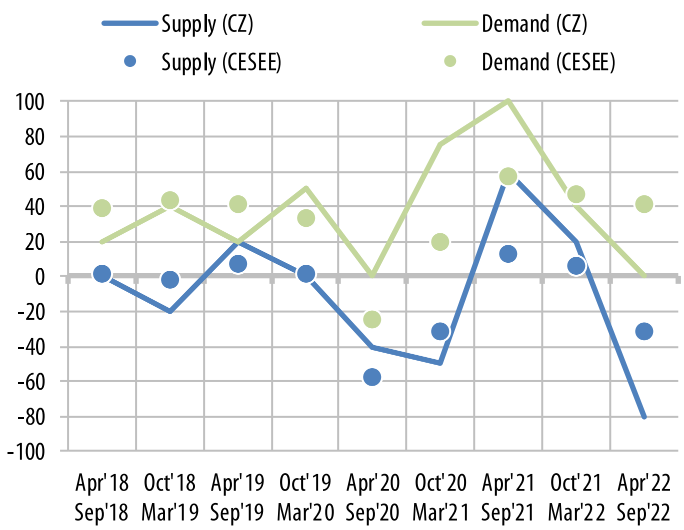
While banks on balance reported no change in overall **demand for loans**, there were important differences across market segments. Demand for mortgages declined for all reporting banks, whereas most saw increased demand for loans from large companies.

The supply of loans declined across all product groups as the macroeconomic environment deteriorated. Almost all reporting banks reduced their supply of mortgages. On balance, banks reported that the quality of loan applications decreased, and they expect further deterioration over the next six months. A substantial majority of banks expects to further reduce the supply of loans across most product groups, with the exception of mortgages.

A majority of banks forecast an increase in **non-performing loans**, reversing the decline over the last six months.

Access to funding does not appear to have changed significantly for banks in the Czech Republic. Funding conditions remain supportive, with most banks finding it easier to access retail funding in the last six months. Banks were already largely funded by stable domestic deposits. These developments are similar to those observed in the wider region and are not expected to change substantially over the next six months.

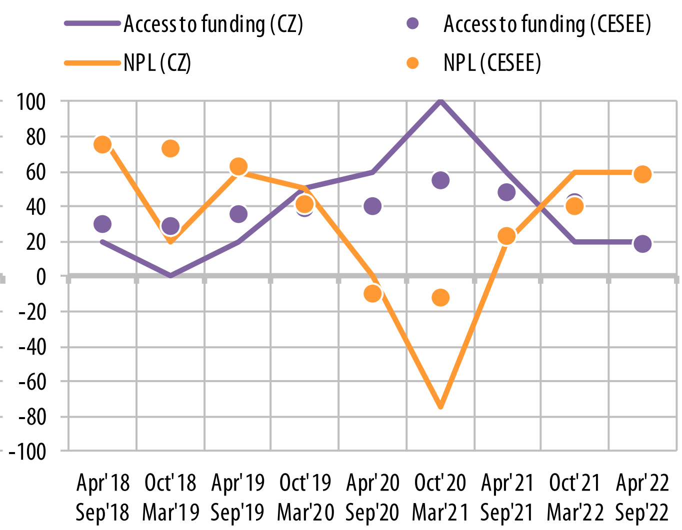
Credit supply and credit demand (in %)



Source: EIB – CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB – CESEE Bank Lending Survey.

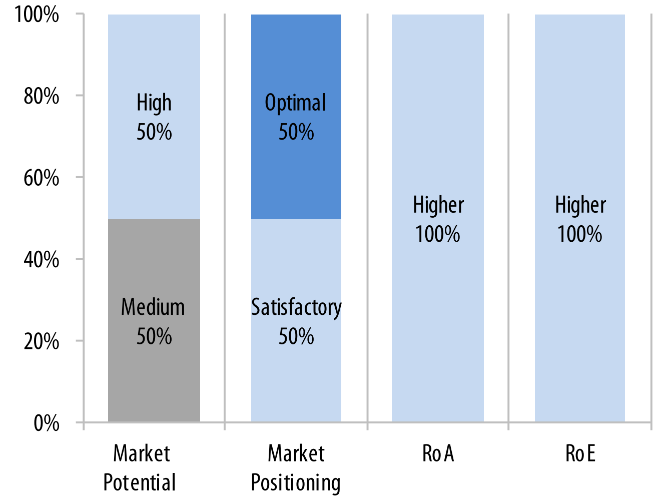
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Most banks in the Czech Republic belong to banking groups that also operate elsewhere in the region (such as Erste, KBC, Raiffeisen, UniCredit and Société Générale). All parent banks with a presence in the Czech banking market believe it has high or medium potential and see little reason to change their positioning.

Banks reported that returns on assets and equity are higher in the Czech Republic than for their overall groups, possibly reflecting higher margins earned on interest rates.



Source: EIB – CESEE Bank Lending Survey.

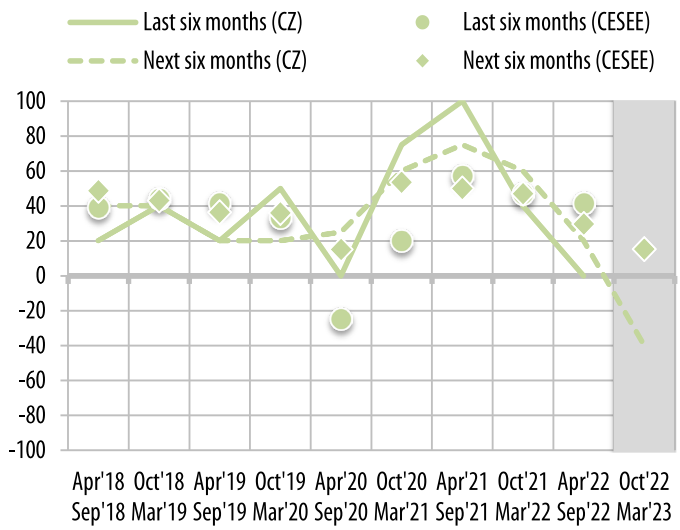
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

The share of banks reporting increased demand for loans has continued to decline.

Over the next six months, most banks expect demand to fall as real disposable income losses and higher interest rates impact on the local economy. The forecast is more pessimistic than in the wider region, possibly reflecting higher inflation in the Czech Republic.



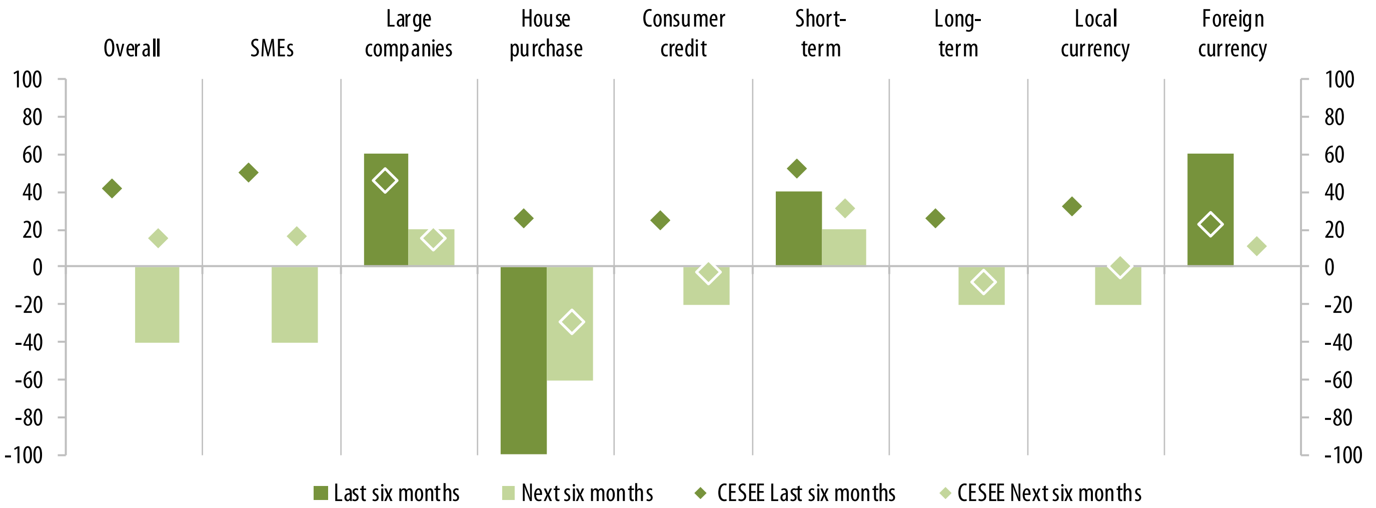
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

On balance, banks reported that overall demand for loans remained unchanged during the last six months. However, there were large differences across product groups. All banks saw demand for mortgages significantly decline, presumably reflecting the sharp increase in official interest rates. In contrast, demand has increased on balance for loans to large companies and short-term lending.

For the next six months, banks expect overall demand to weaken, in contrast to the strengthening anticipated for the wider region. The most negative demand forecasts are for loans to small firms and for mortgages.



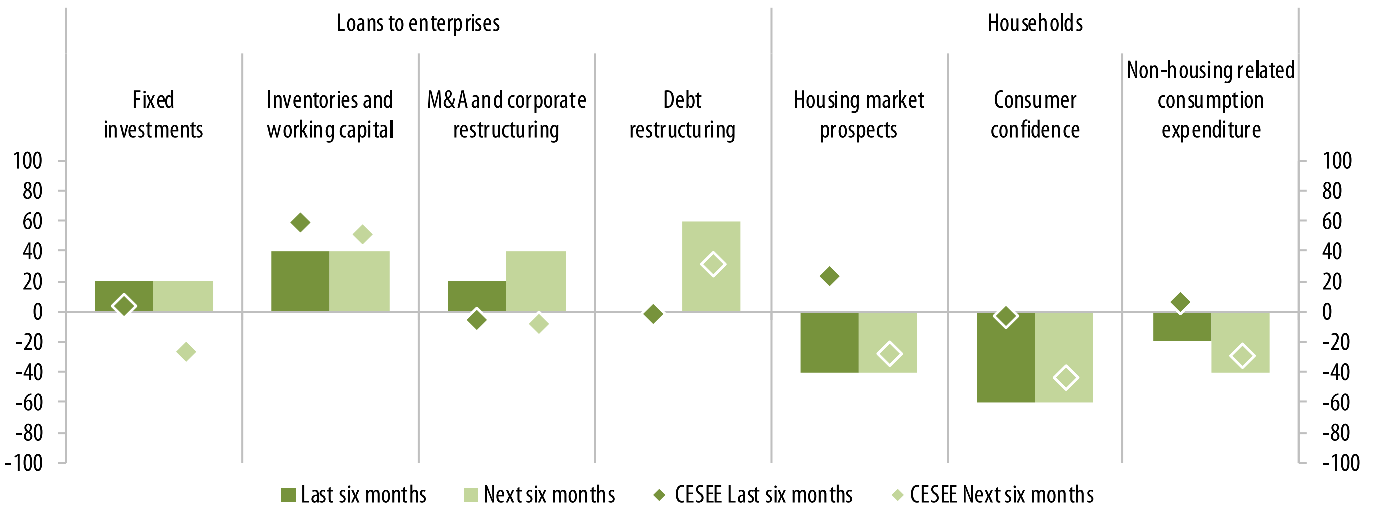
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Banks reported on balance that demand for household loans has softened, reflecting a weakening housing market, lower consumer confidence and reduced non-housing related spending (which might typically be financed by taking out loans). In the corporate markets, banks in the Czech Republic reported that loan demand has been supported by the need to finance working capital.

The loan demand situation is expected to remain similar across the different market segments, but debt restructuring is also forecast to support demand for corporate loans.



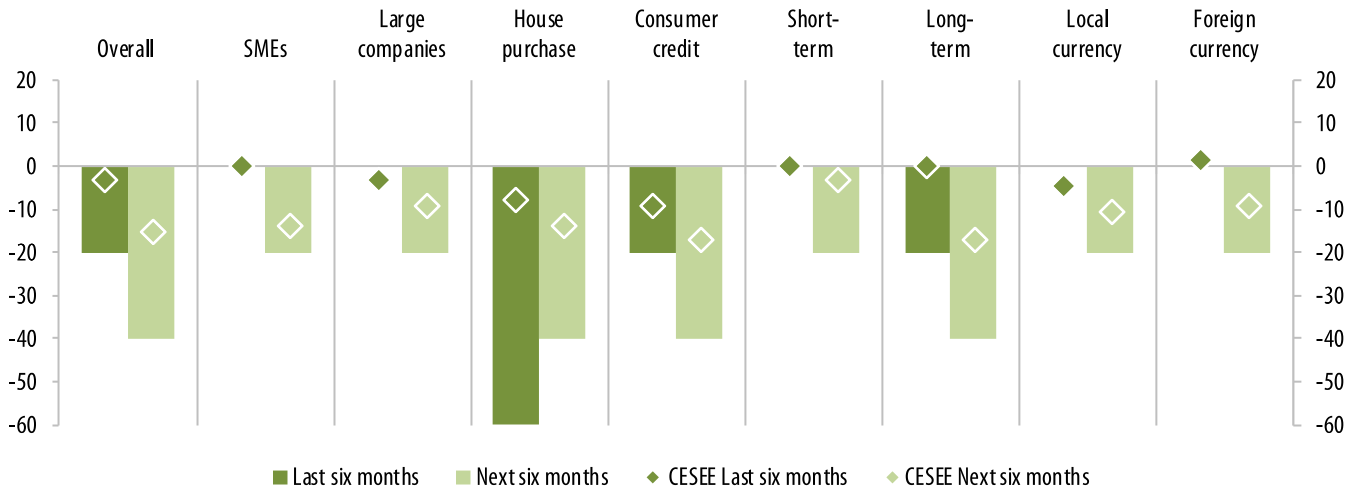
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The quality of loan applications has deteriorated for the majority of banks, especially for mortgages.

Banks expect a continuing deterioration in application quality across product categories, particularly for mortgages and consumer credit. These forecasts reflect households' increasingly difficult financial situation as high inflation affects real incomes.



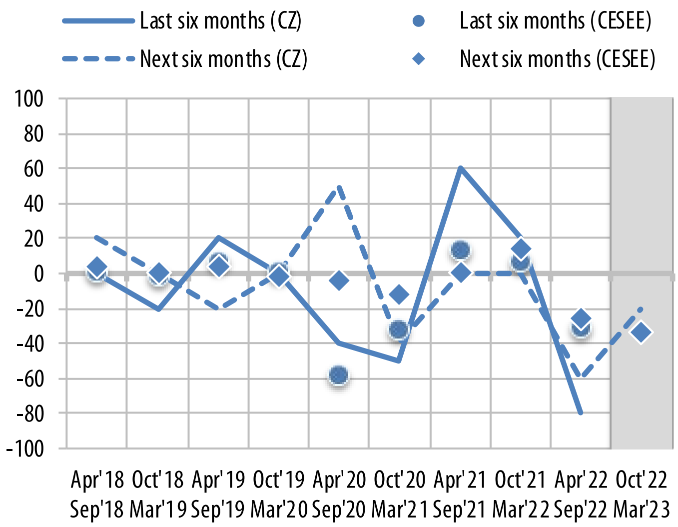
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand (and negative values indicating tighter conditions). See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

The credit cycle continued to turn in the Czech Republic over the last six months, reflecting declining real incomes and a higher official interest rate. Whereas most banks expanded credit supply during the first half of 2021, almost all started to tighten credit standards in the following period and also during the last six months.

A smaller majority of banks expect to continue tightening credit standards in the months ahead, perhaps reflecting that the official interest rate has not increased for several months. These developments are qualitatively similar but more pronounced than in the wider region.



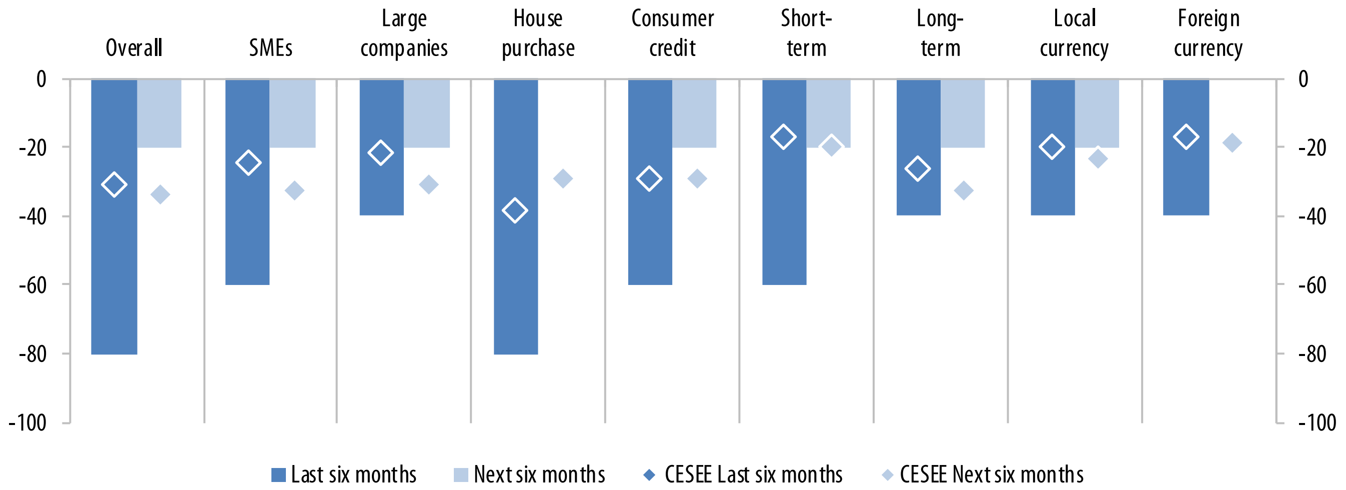
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

A large majority of Czech banks cut their supply of loans in the last six months, particularly for mortgages and consumer credit, but also for small and medium businesses (SMEs). These developments were more pronounced than in the wider region.

A smaller majority of banks expect to tighten loan supply over the next six months. The contrast is particularly sharp for mortgages, with a net expectation of no further tightening.



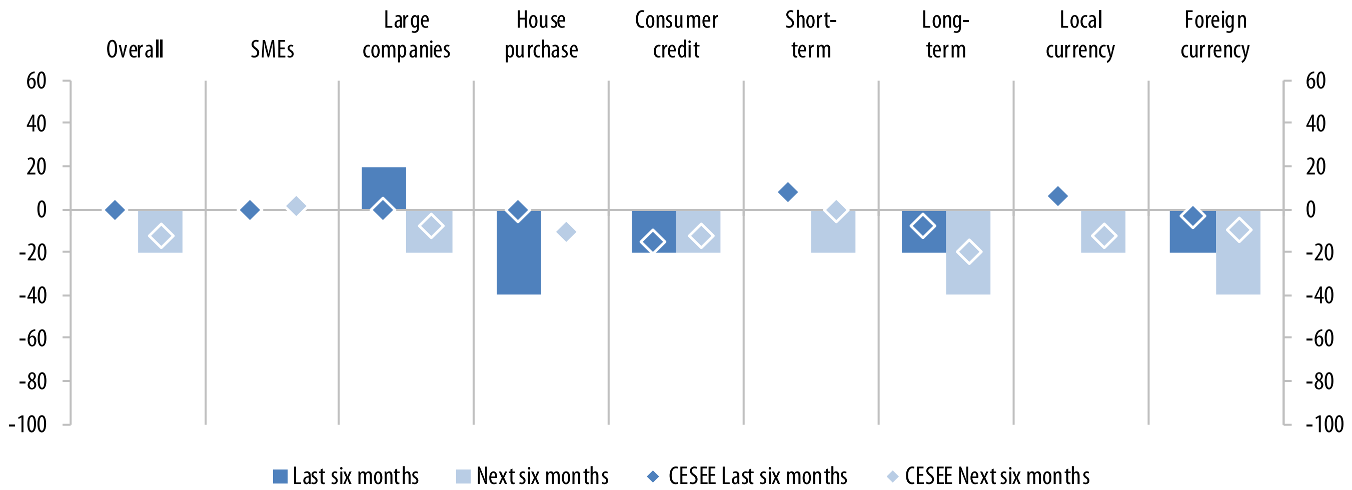
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

Most reporting banks approved a smaller share of mortgage and consumer loan applications over the last six months. In contrast, the approval rate for loans to large companies increased on balance. Except for the sharp decline in the approval rate for mortgages, the picture in the Czech Republic is broadly similar to that of the wider region.

Over the next six months, banks expect approval rates to decline in every segment except small firms and mortgages.



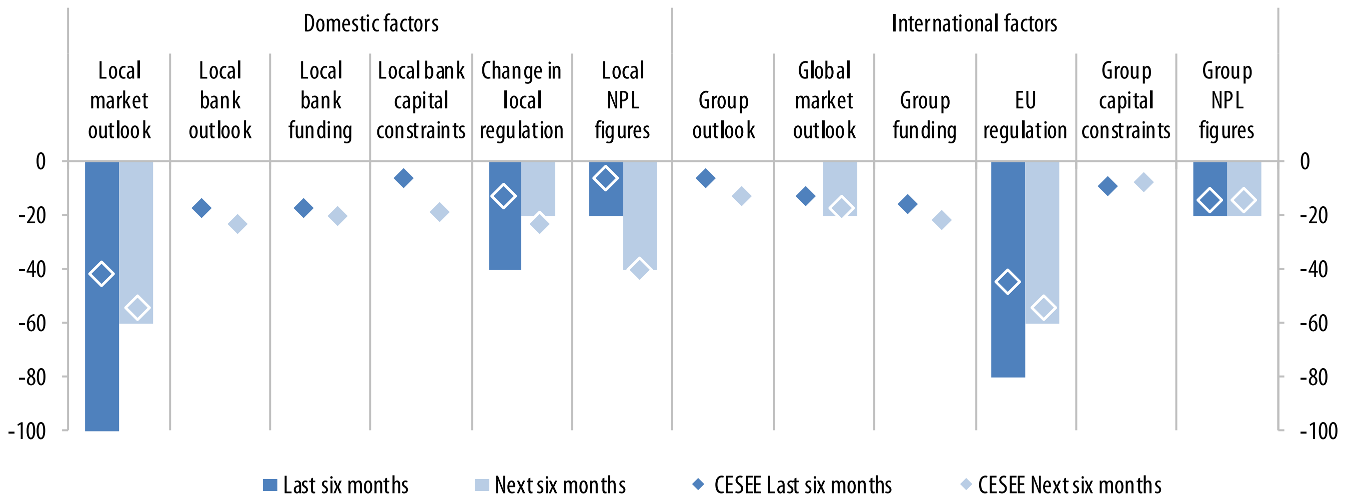
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 **Factors contributing to supply conditions** (in %)

The local market outlook has limited the supply of credit by all reporting banks in the Czech Republic over the last six months, amid high inflation eroding real incomes and a steep rise in the official interest rate.

Banks expect local non-performing loans to gain weight as a constraint on credit supply in the coming months, arguably reflecting concerns about natural gas supply and the risk of a brief recession. Among the international factors, EU regulation constrained supply according to most reporting banks.



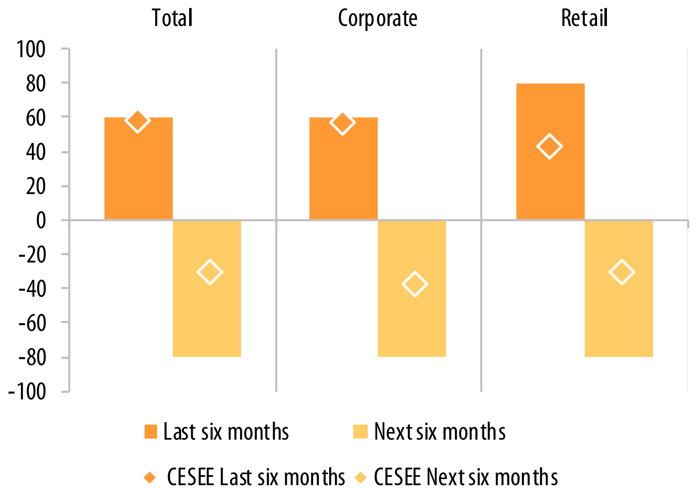
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply (and negative values indicating tighter conditions). See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

Most banks reported improvements in non-performing corporate and retail loans over the last six months (consistent with the expectations expressed by the banks during the previous survey), arguably reflecting the Czech economy's strong performance as the pandemic receded.

However, non-performing loan ratios are expected to rise in the retail and corporate sectors over the next six months. Banks' assessment of their non-performing loan ratios is broadly in line with perceptions in the wider region, albeit slightly more pessimistic.



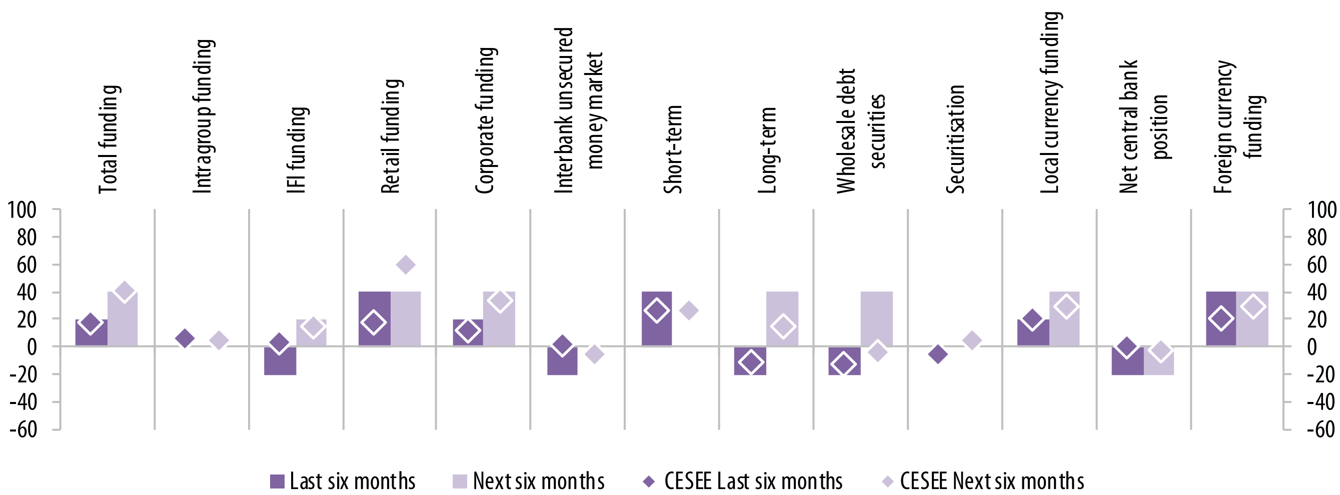
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Access to funding does not appear to have changed significantly for banks in the Czech Republic. Most found it easier to access retail funding over the last six months, and were already largely funded by stable domestic deposits.

A majority of banks expect improved access to funding over the next six months, again driven by customers' deposits. These developments are similar to those in the wider region.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Hungary

After improving credit demand and stagnating supply conditions over the last six months, banks in Hungary expect the scenario to worsen, with credit demand declining, supply conditions tightening and non-performing loan ratios rising.

Summary

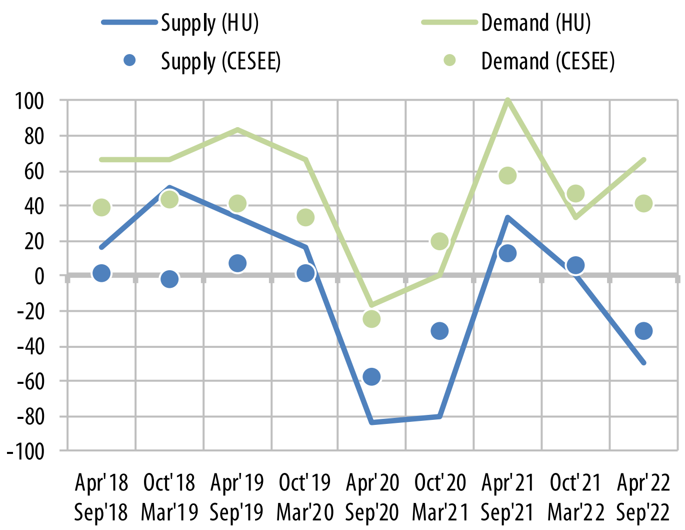
Group assessment of positioning and market potential: Parent banks consider the Hungarian market to have medium to high potential, reflecting a worsening outlook compared to the previous survey round. On this measure, Hungary is somewhat behind the Czech Republic and Slovakia but slightly ahead of Bulgaria and Poland. Most banking groups (75%) consider their positioning in the Hungarian market as satisfactory, while the remaining 25% report optimal positioning. Returns on assets and equity are mostly higher in Hungary than at group level.

Hungarian banks report that **credit demand** increased over the last six months, along with an improvement in **credit supply conditions**. For the next six months, however, banks expect a decline in **credit demand** across most segments. The small firm segment is forecast to remain unchanged. **Credit supply** is expected to tighten further, signalling a deterioration of credit conditions.

Access to funding: Overall access to funding was adequate, in line with the CESEE region as a whole, but it is expected to deteriorate.

Non-performing loan (NPL) ratios have moderately improved over the past six months, while banks report a strong negative outlook for both the corporate and retail sectors.

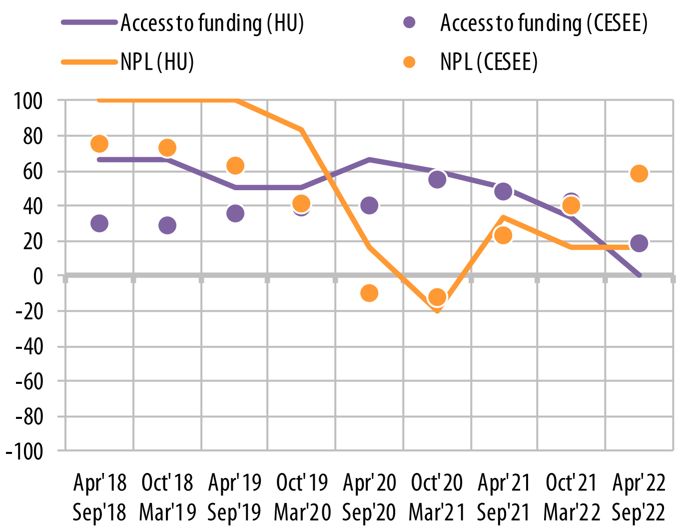
Credit supply and credit demand (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

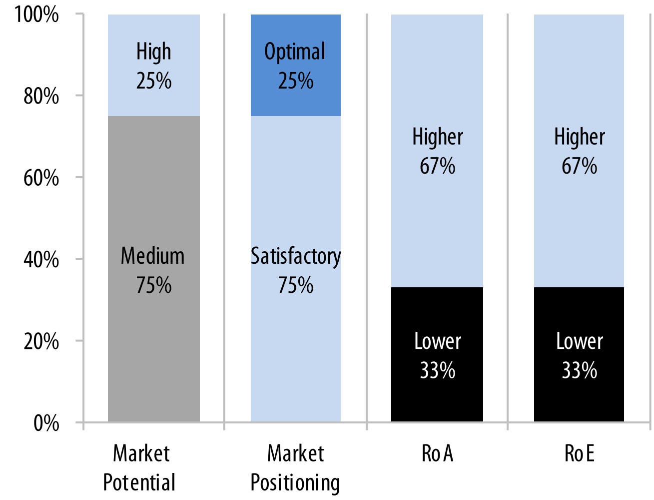
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Many of the parent banks operating in Hungary also have a presence elsewhere in Central, Eastern and South-Eastern Europe.

The majority of parent banks (75%) consider the Hungarian market to have medium potential, while the remaining 25% perceive high potential. This outlook is significantly worse than in the previous survey round, and places Hungary behind the Czech Republic and Slovakia but slightly ahead of Bulgaria and Poland.

Positioning in the Hungarian market is deemed satisfactory by 75% of banking groups and optimal by the other 25%. Returns on assets and equity are mostly higher in Hungary than at group level.



Source: EIB — CESEE Bank Lending Survey.

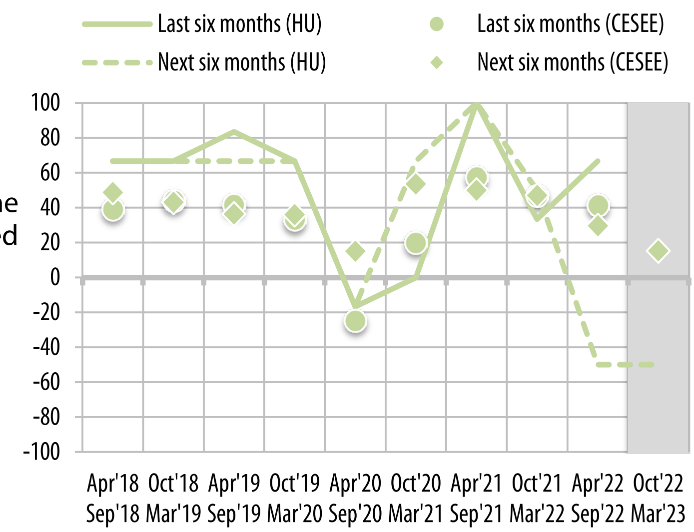
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Hungarian banks reported an increase in credit demand over the last six months, contrary to the decline predicted in the previous survey round. Demand for loans in Hungary exceeds the levels seen on average in the rest of the region.

However, banks expect credit demand to decrease in the next six months, in contrast to the generally expected increase on average in the rest of the region.



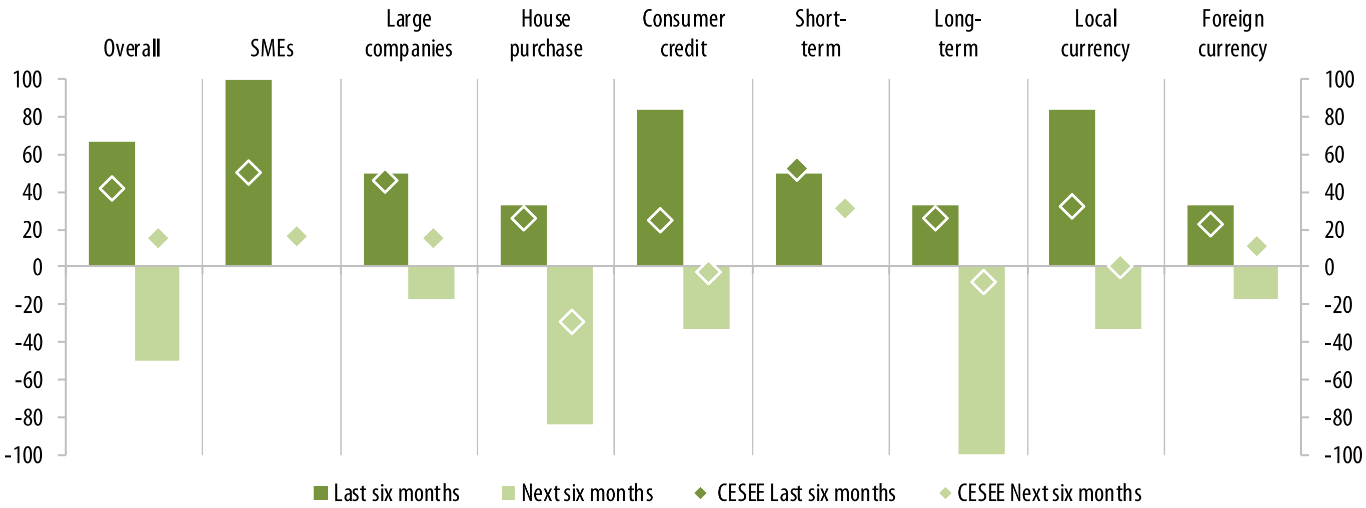
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

Loan demand increased for all segments in the last six months. These developments are broadly in line with the overall picture for Central, Eastern and South-Eastern Europe. Demand from consumer credit and small firms increased somewhat more in Hungary than in the overall region.

For the next six months, banks expect credit demand to decrease in most segments, especially for long-term and house purchase loans. This outlook is more negative than the average expectation for the rest of the region, where an overall decline in demand is not anticipated.

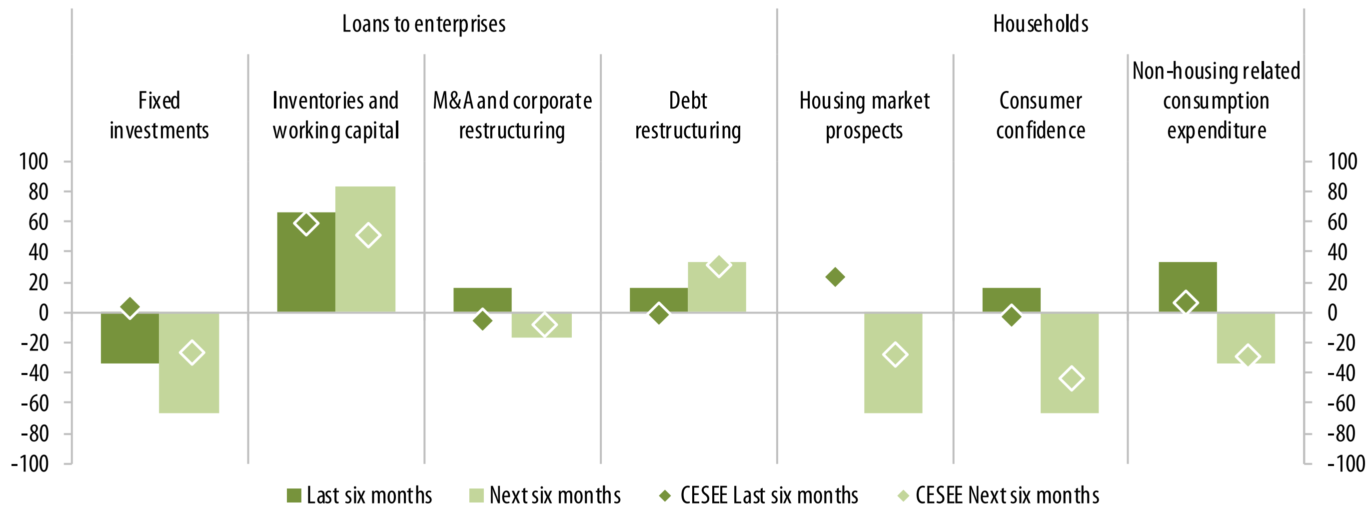


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Regarding the individual factors driving loan demand in the corporate segment, investment-related demand decreased, in line with the expected economic slowdown, whereas demand to fund working capital remained positive. In the households segment, consumer confidence and consumption spending made positive contributions to loan demand. Over the next six months, banks expect fixed investments in the corporate sector and all three household factors to weigh negatively on demand. These expectations are consistent with the overall picture for the region.



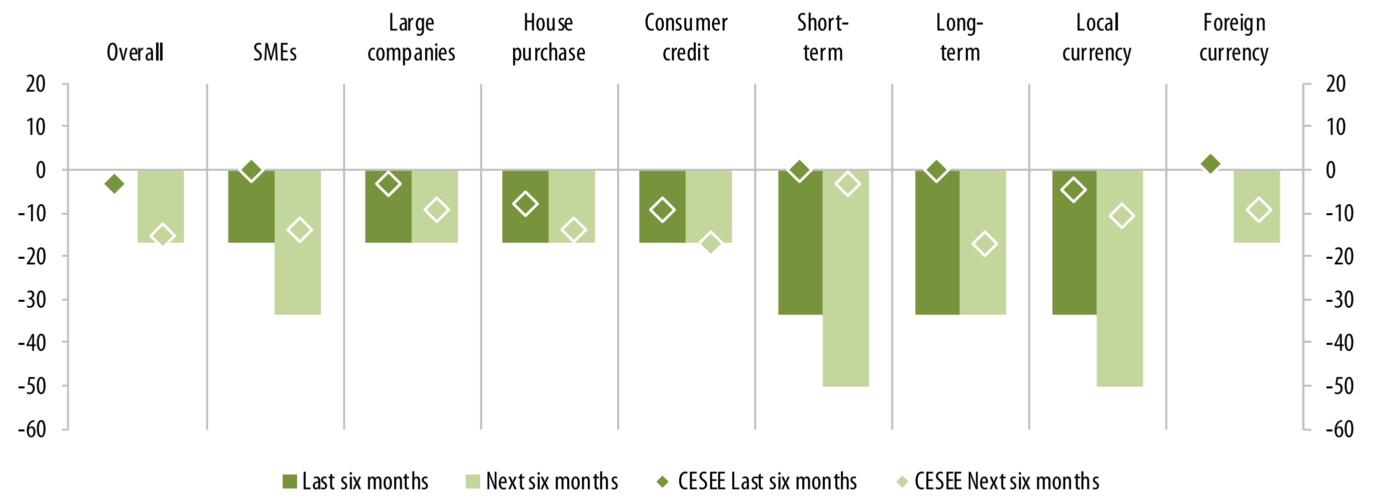
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The overall quality of loan applications stagnated in the last six months and is expected to decline for all segments over the next six months, with especially negative predictions for the short-term and local currency segments and for small firms.

Worsening expectations are in line with the overall picture for the region, although Hungarian banks appear far more pessimistic about the short-term and local currency segments.



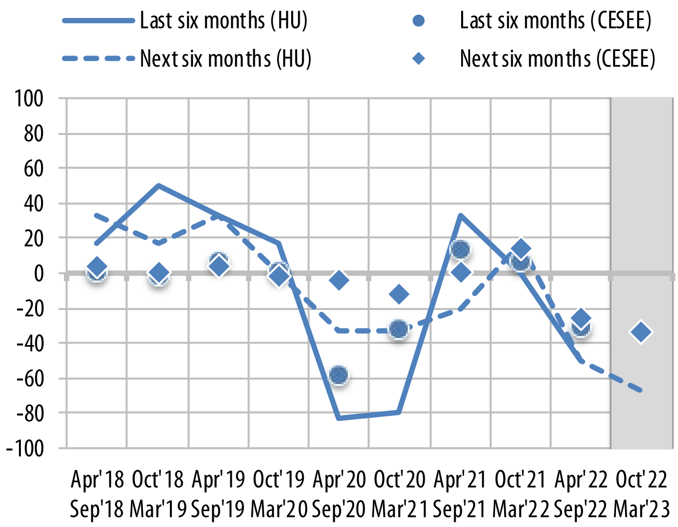
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand (and negative values indicating tighter conditions). See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Credit supply conditions in Hungary tightened significantly over the last six months, in line with expectations reported in spring 2022. The situation is similar for the rest of the region.

Banks expect supply to tighten further in the coming months, exceeding the regional average and anticipating a similar level of tightening to that experienced in 2020.



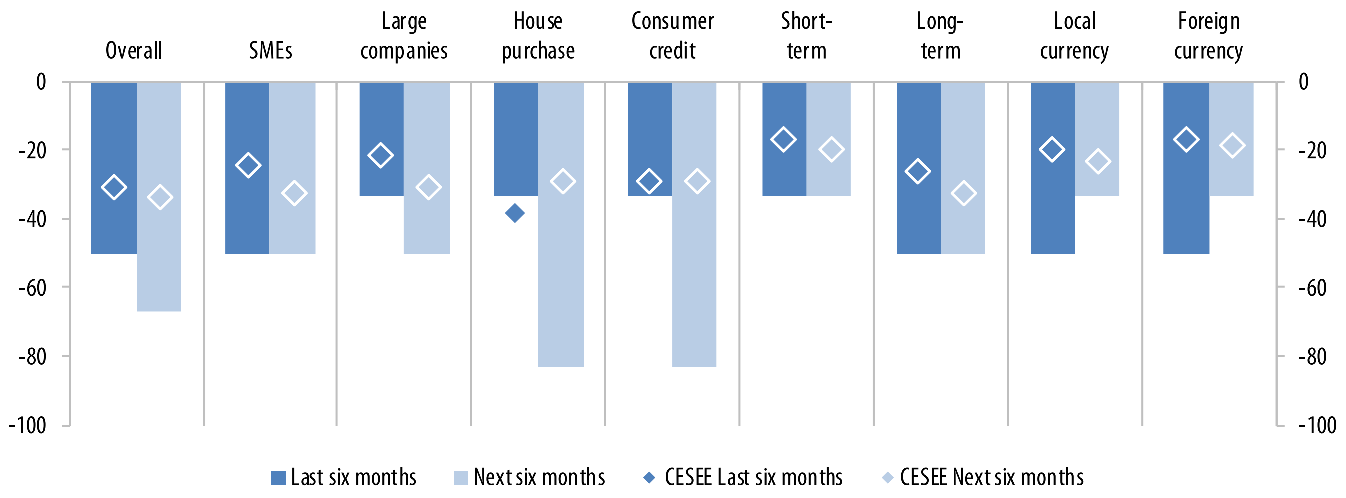
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time t for the next six months are plotted in the chart at time $t + 1$. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Credit supply conditions have worsened in every segment during the last six months, which is broadly in line with developments elsewhere in the region.

Banks project worsening conditions overall for the next six months, with particularly negative expectations for house purchases and consumer credit. The negative outlook is in line with expectations for other banking markets in the region.



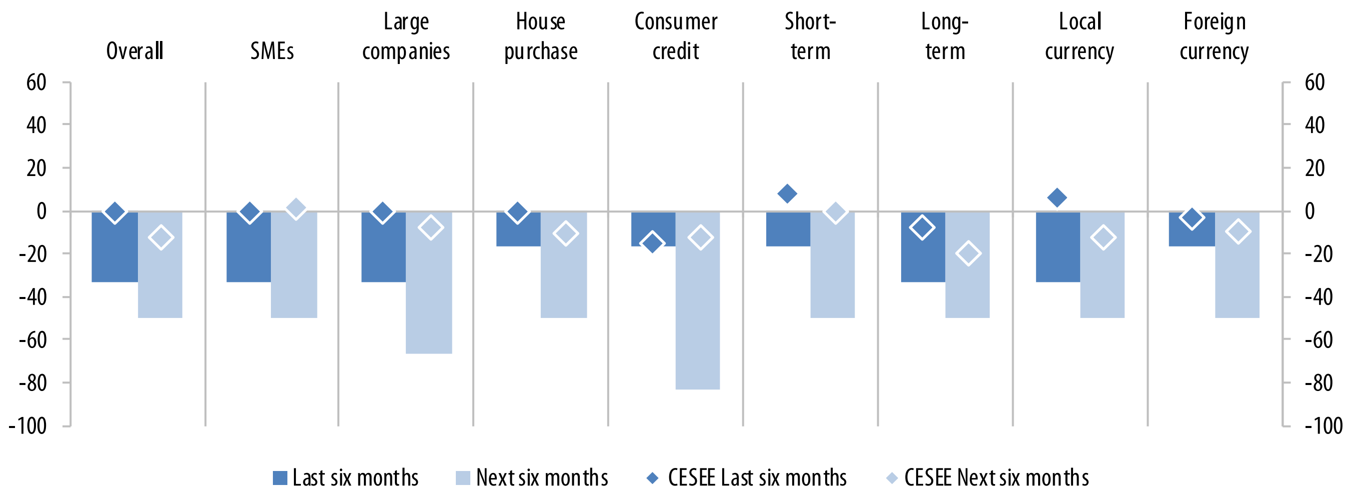
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

Approval rates for credit applications have deteriorated in all segments. The greatest declines in the last six months were for long-term loans and the corporate segment (small firms and large corporates), while approval rates worsened less for foreign currency loans and the households segment.

Over the next six months, approval rates are expected to worsen overall but especially for consumer credit and large companies. By contrast, the average regional expectations are for moderate worsening or stagnation of approval rates in most segments.



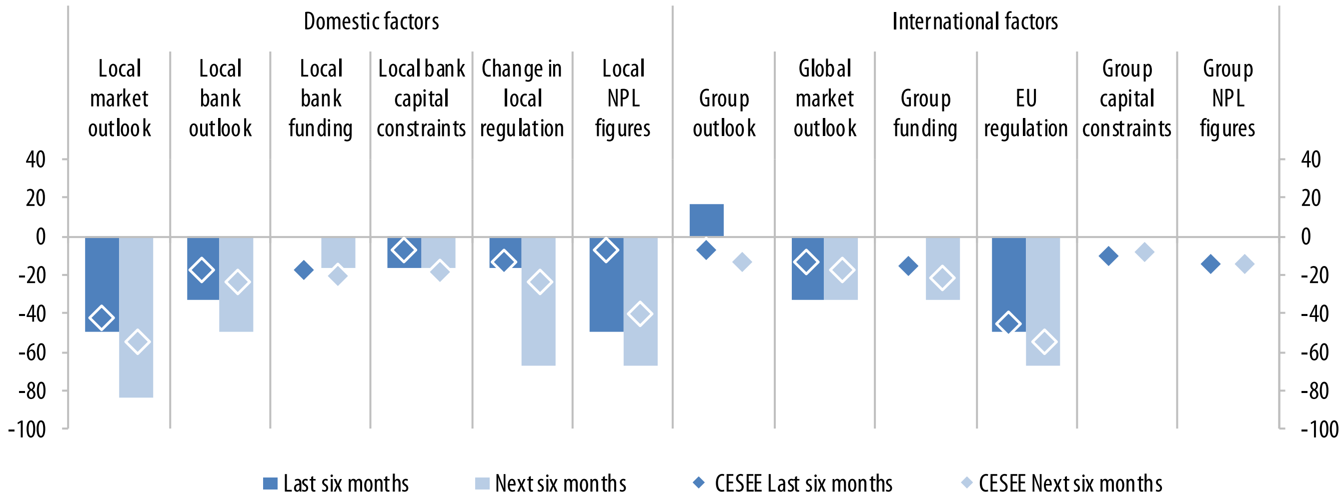
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

All domestic factors except local bank funding pushed banks in Hungary to take a more cautious stance in the last six months. Of the international factors, EU regulation and global market outlook negatively contributed to supply conditions.

Banks are worried that all domestic factors and half of the international factors will worsen in the next six months. However, they expect no change for any of the group-level factors.



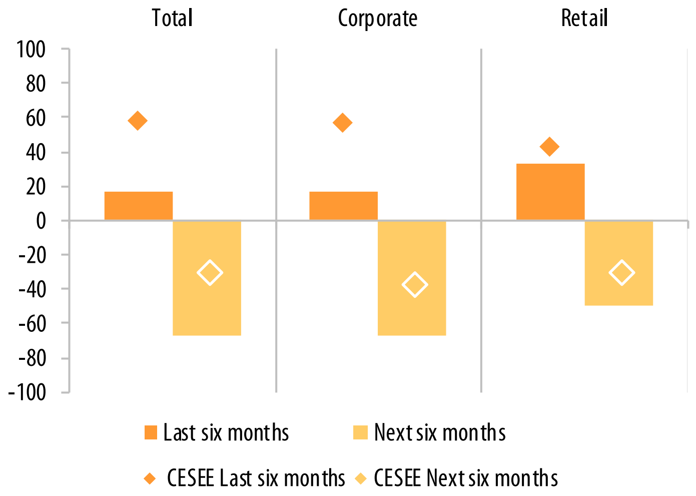
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios (in %)

Non-performing loan ratios in Hungary improved in the corporate and retail segments over the last six months, in contrast to the pessimistic forecasts in the last survey round.

In the next six months, however, banks again expect a dramatic deterioration in the overall non-performing loans ratio, even worse than the regional average. This is consistent with the negative economic outlook for Hungary and the region.



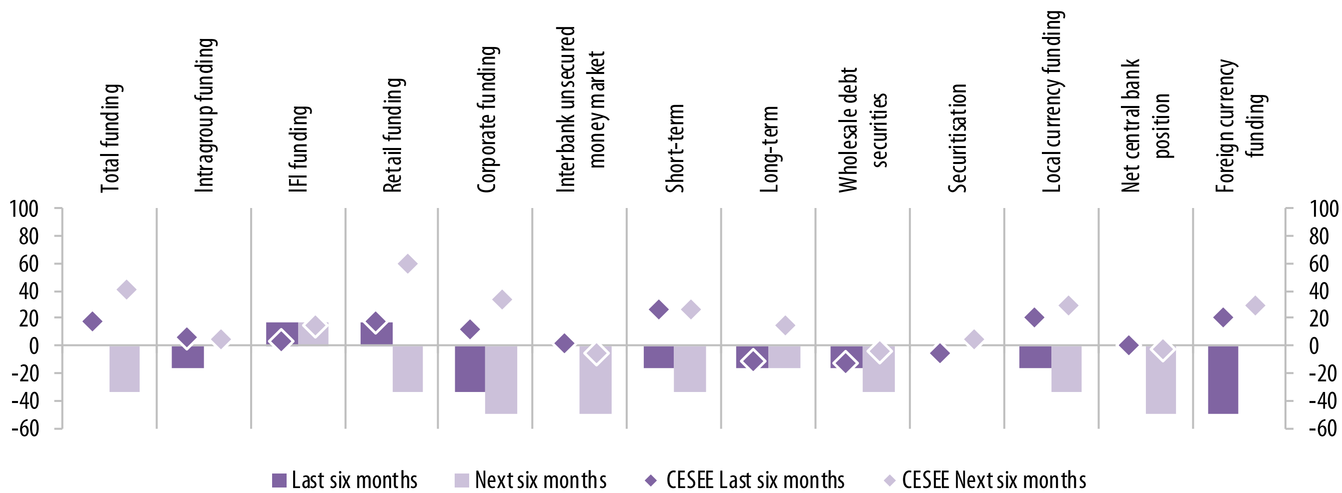
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 Access to funding (in %)

Overall access to funding for Hungarian banks remained unchanged in the last six months. Specific segments showed a mixed performance: access to funding deteriorated for foreign currency funding but improved moderately for funding from international financial institutions (IFIs).

Funding conditions are expected to deteriorate in most segments during the next six months, with corporate and retail funding particularly vulnerable. International financial institutions funding is the only segment for which improved access is anticipated.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Kosovo

Credit demand and supply conditions deteriorated quickly during the last six months. The outlook for the next six months is generally unfavourable. Banks are also signalling a possible increase in non-performing loans.

Summary

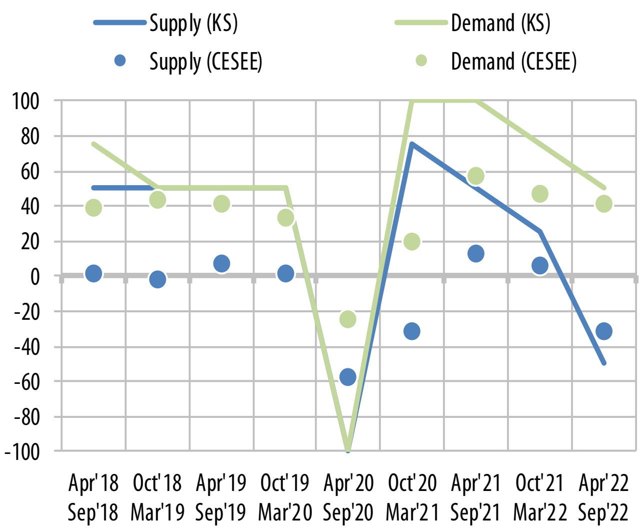
Group assessment of positioning and market potential: Parent banks indicate strong profitability in Kosovo, above the levels observed elsewhere in Central, Eastern and South-Eastern Europe. All banks continue to assess their market positioning in Kosovo as optimal but rate the market potential as medium.

Credit demand was growing over the last six months but continued its fast decelerating trend. For the next six months, moderation in economic growth is likely to curtail loan demand and further deceleration is expected.

Credit supply has been quickly deteriorating from rather favourable conditions in recent years. Banks expect a further tightening of credit supply in Kosovo during the next six months, with a particularly negative performance expected for house purchases. In summary, demand and supply conditions are likely to deteriorate.

While **funding** conditions were positive and are expected to further improve, banks in Kosovo, more than in the rest of the region, are signalling a possible increase in **non-performing loans** in the next six months.

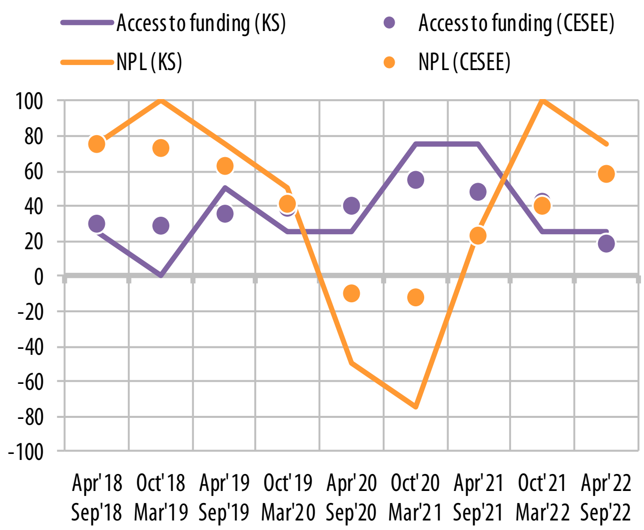
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

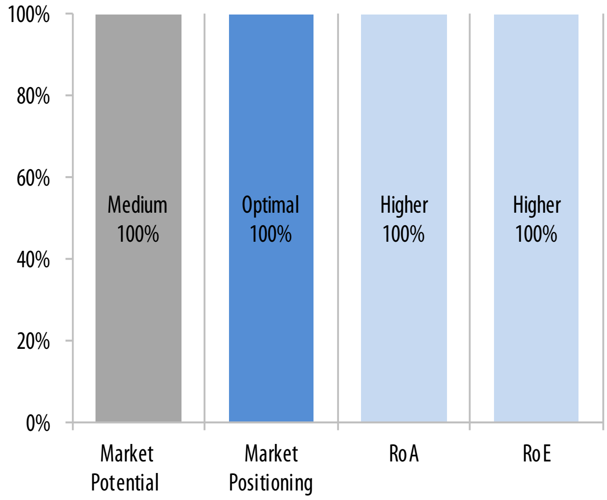
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

As in the previous survey, the profitability of local banks remains very strong and above levels observed elsewhere in the CESEE region. All parent banks indicate that profitability is higher for their operations in Kosovo than for overall group operations.

All banks continue to assess their market positioning as optimal but rate the market potential as medium.



Source: EIB – CESEE Bank Lending Survey.

RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

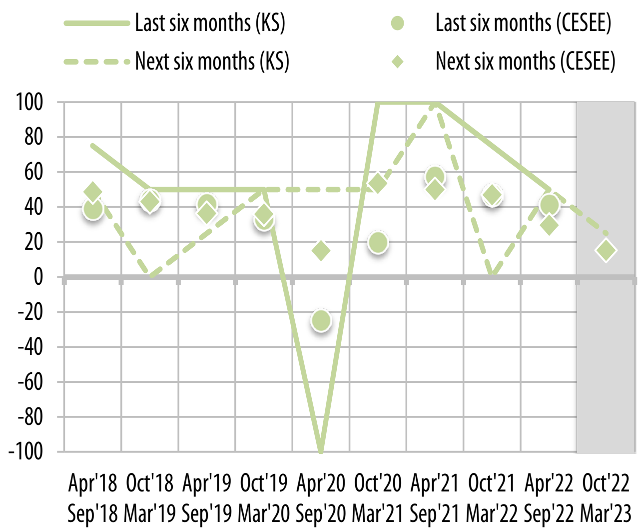
Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand was growing in Kosovo over the last six months but continued its decelerating trend. For the next six months, further deceleration is expected.

Following a strong recovery (real GDP grew 9.5% in 2021), economic growth is moderating. According to the International Monetary Fund's World Economic Outlook in October 2022, Kosovo's gross domestic product will grow 2.7% in 2022 and 3.5% in 2023.

Loan demand is likely to be somewhat curtailed by growth moderation but will nevertheless remain solid under the baseline growth scenario.

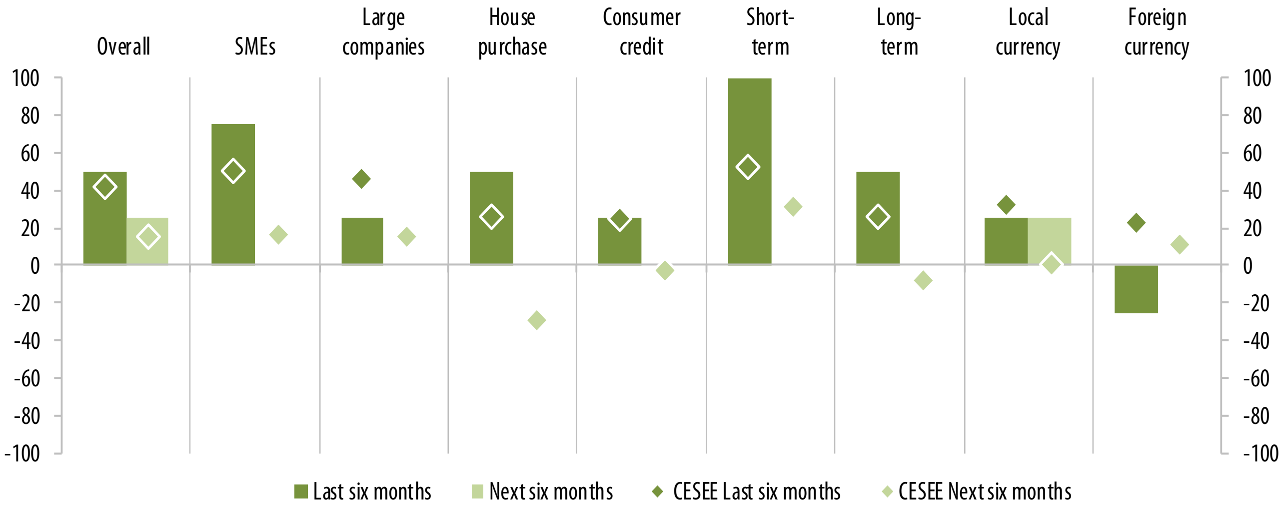


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

Credit demand was strong across all major segments except foreign currency loans. In the corporate sector, loan demand was particularly strong, driven by the small and medium-sized enterprise sector. In the households sector, demand for house purchases remained very robust. Banks in Kosovo expect credit demand to remain above the regional average but weaken somewhat across all segments.



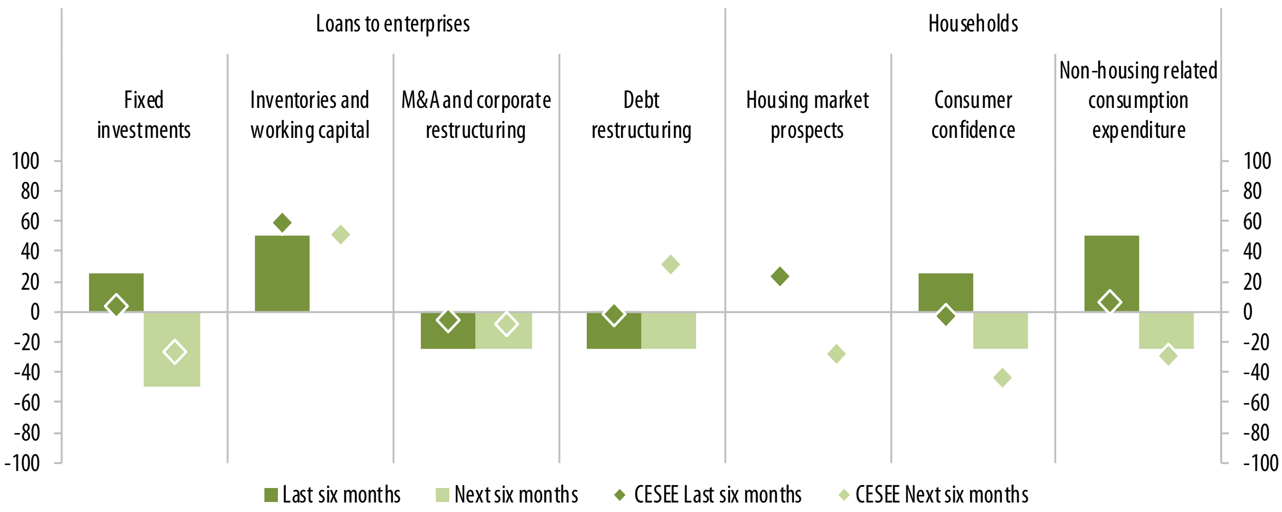
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Short-term liquidity needs (inventories and working capital) and fixed investment financing were the major drivers of demand for loans to corporates. For households, loan demand was supported by consumer confidence and consumption expenditure, whereas the housing market appears to be cooling off.

In the next six months, demand is expected to deteriorate further due to weaker corporate investments, lower consumer sentiment and lower consumption expenditure.



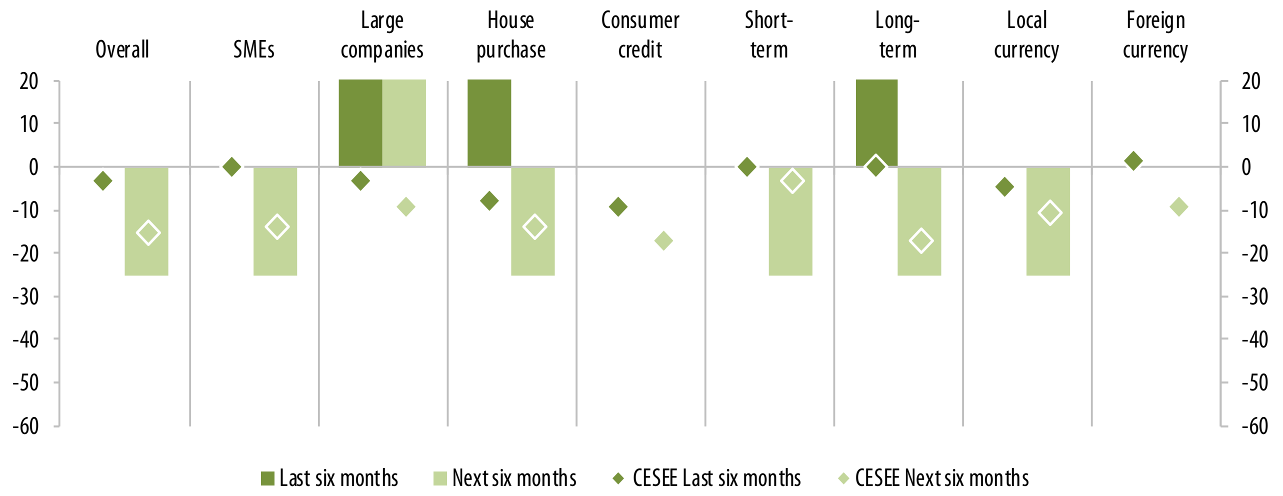
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 Quality of loan applications (in %)

The quality of loan applications in Kosovo remained stable overall during the last six months.

In the next six months, deterioration is expected, in line with the regional average. The only exception is large corporates, for which quality is expected to improve.

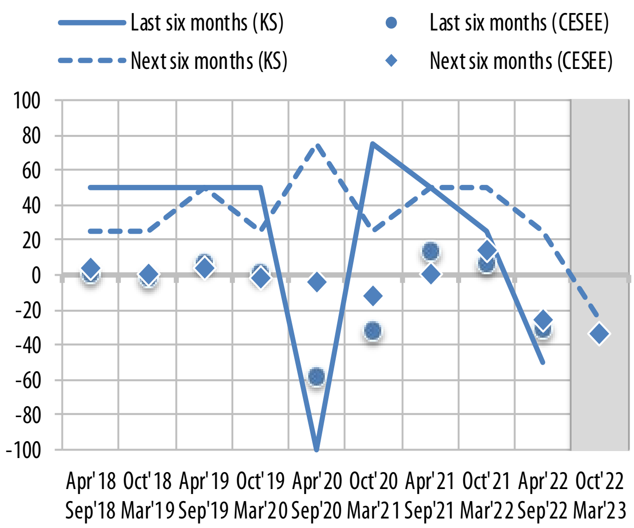


Source: EIB – CESEE Bank Lending Survey

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments (in %)

Credit supply conditions, having been rather favourable in recent years, have quickly deteriorated in the last six months. Banks expect a further tightening of credit supply in Kosovo during the next six months, which will result in the country falling below the regional average.



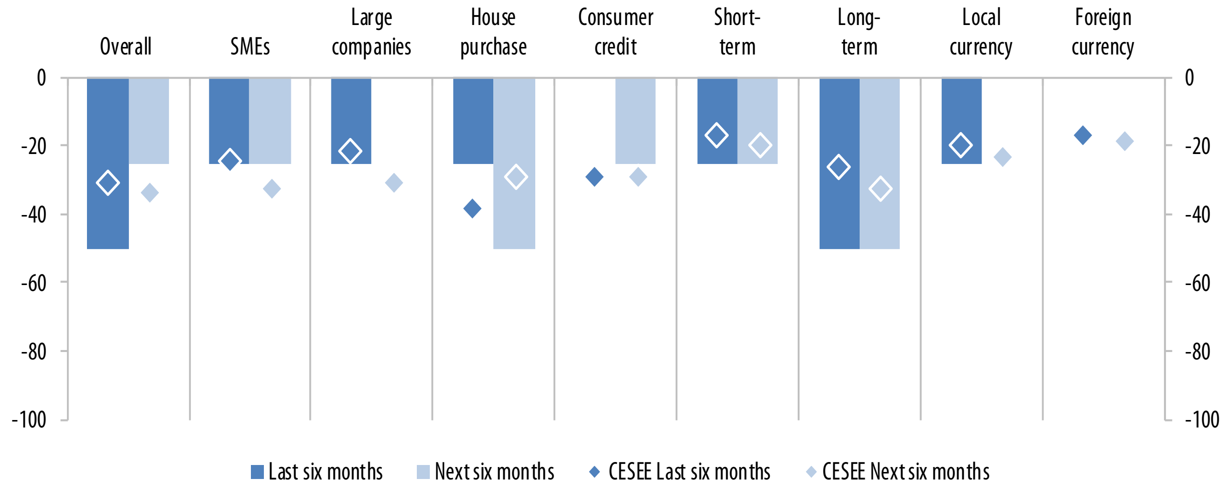
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Supply conditions deteriorated in the corporate sector (small and medium-sized enterprises and large corporates) and for house purchases during the last six months.

Negative supply conditions are expected during the next six months across all business segments (except consumer credit) and maturities.



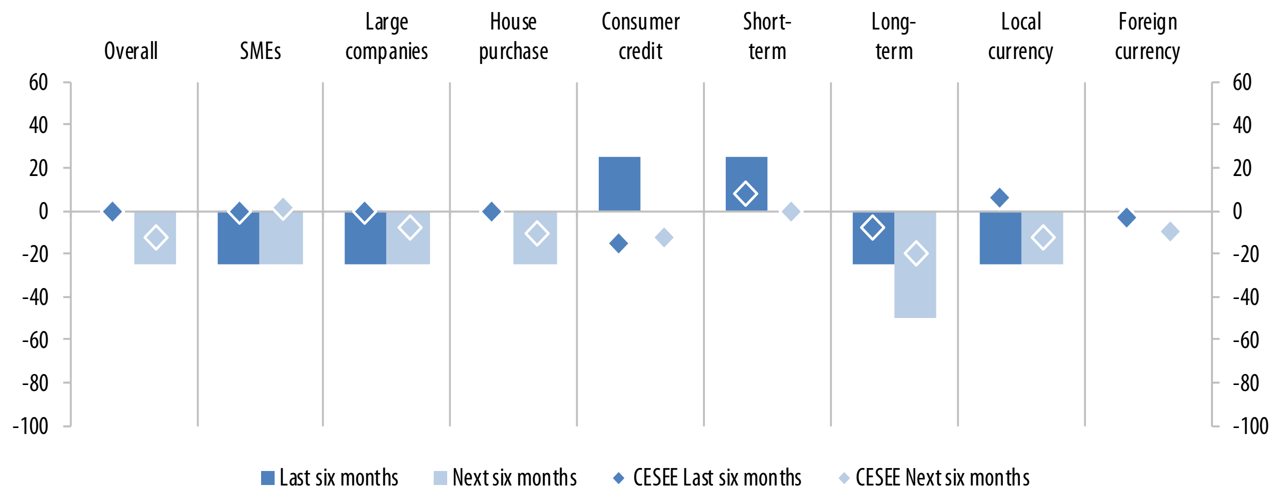
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: Local/subsidiary bank approval rates for loan applications** (in %)

The overall bank approval rate for loan applications remained stable during the last six months, in line with the regional average. By segment, the approval rate worsened for small to medium-sized businesses and large corporates, was broadly neutral for large corporates and improved for consumer credit.

Over the next six months, approval rates are expected to weaken, driven by the corporate sector.



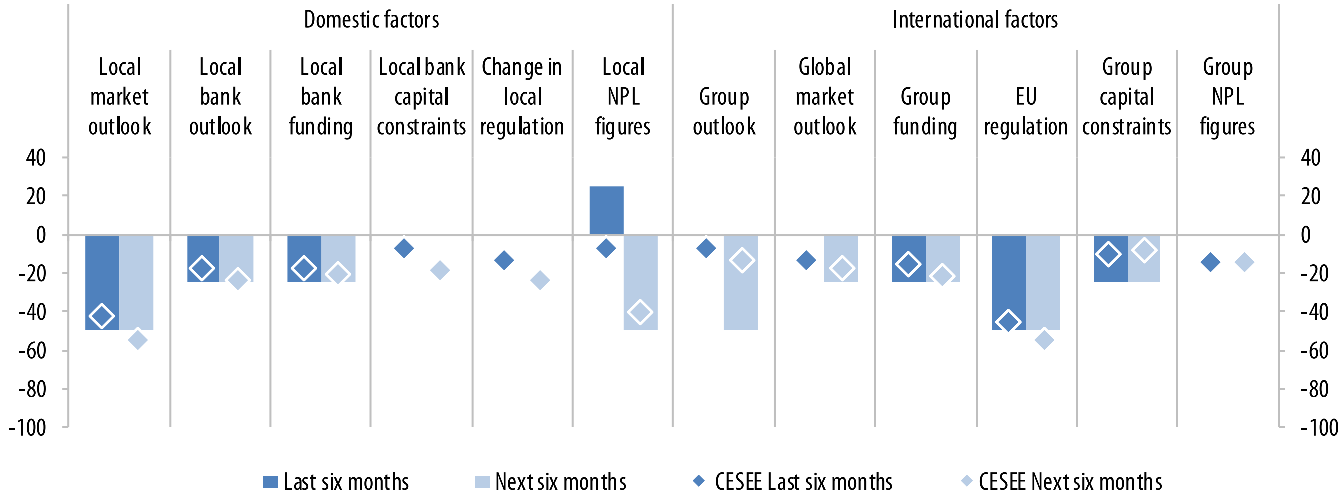
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

Apart from local non-performing loans, all other factors were considered negative or neutral for supply conditions over the last six months.

Forecasts are negative for most factors during the next six months, with local market outlook, local bank outlook, local and group funding, EU regulation and capital constraints especially challenging.



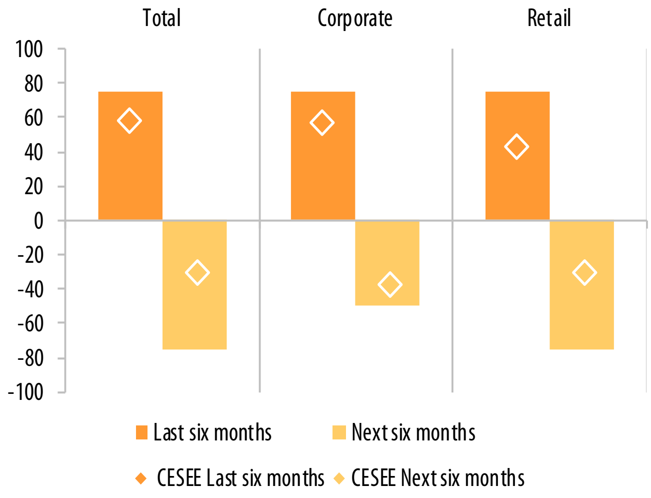
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios (in %)

Broadly supporting strong macroeconomic data for the first part of the year, non-performing loan ratios mostly declined in the last six months, indicating improved credit quality. Both corporate and retail contributed positively.

However, banks in Kosovo, more than in the rest of the region, are signalling a possible increase in non-performing loans over the next six months.



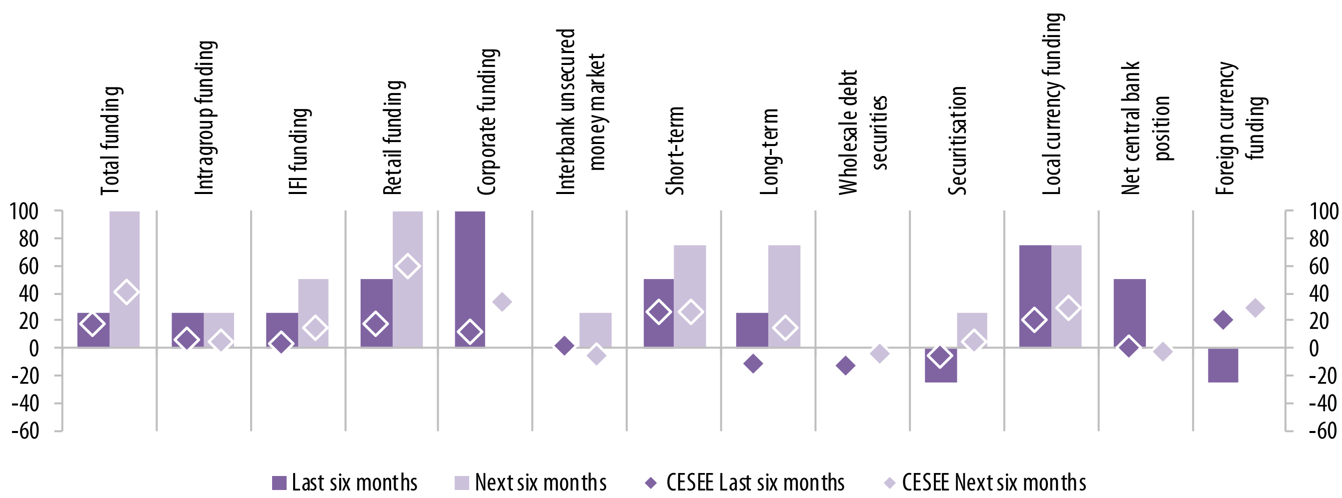
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 Access to funding (in %)

Access to funding further improved in Kosovo over the last six months, especially for corporate and retail funding (meaning higher deposits). This improvement was across maturities.

Banks are even more optimistic about access to funding for the next six months, particularly regarding retail and local currency funding.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

North Macedonia

While loan demand remains strong, supply conditions again deteriorated. Both trends are expected to persist in the coming months, with supply conditions tightening especially in the corporate segments, and non-performing loans forecast to increase.

Summary

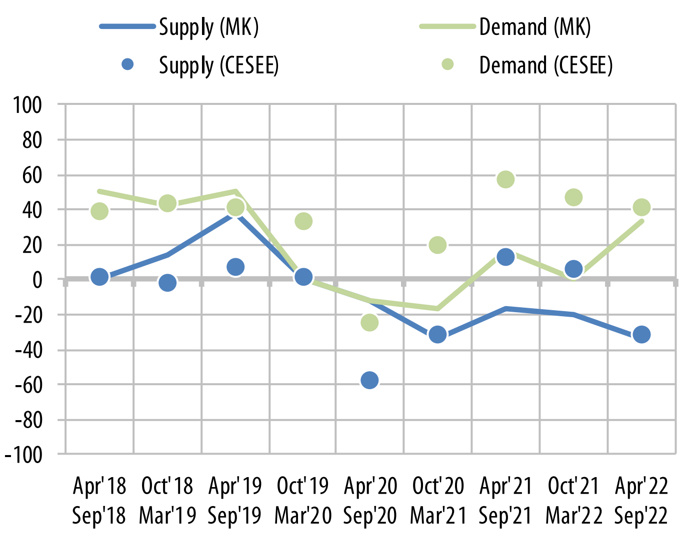
Group assessment of positioning and market potential: The North Macedonian financial system is largely foreign-owned (over 70% of assets, loans and deposits) and parent banking groups perceive their current market positioning in the country as either satisfactory (50%) or optimal (50%). They all assess North Macedonia's banking market potential as medium and report higher profitability for local operations than at group level.

Credit demand conditions were strong over the last six months and are expected to remain favourable. Although demand to finance house purchases is still strong, other retail segments are showing weaker appetite for credit.

Credit supply tightened again over the last six months, and further deterioration is expected in supply-side conditions. This trend is in line with the regional average and driven by weakening in the corporate segment.

Access to funding worsened in North Macedonia over the last six months, contrary to the regional average. Funding availability could improve in the next six months, with corporate and retail funding expected to make positive contributions. **Credit quality** followed a favourable trend in the last six months, but banks expect the overall non-performing loan ratio to deteriorate, driven mainly by the corporate segment.

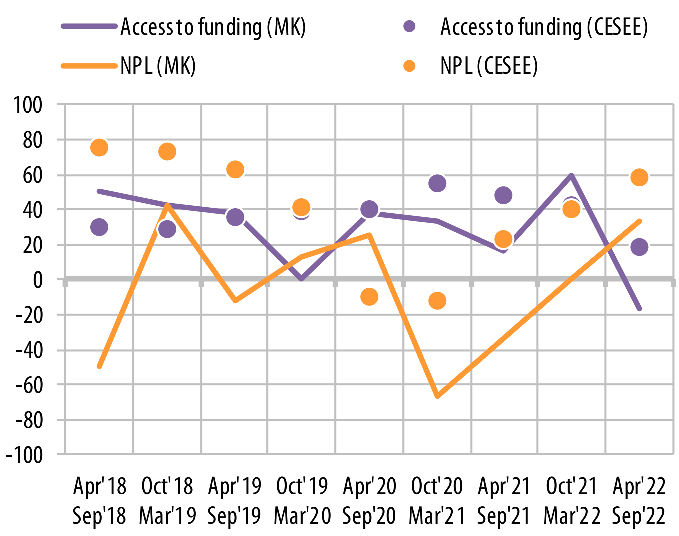
Credit supply and credit demand (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

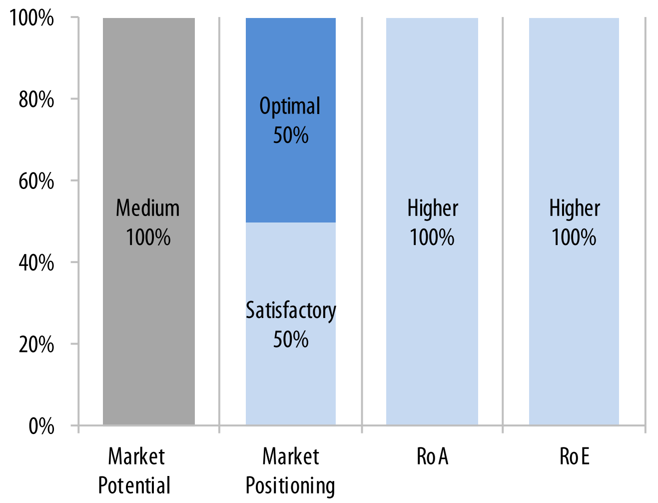
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Foreign-controlled banks represent over 70% of assets, loans and deposits in North Macedonia. Some foreign groups have a presence in many Central, Eastern and South-Eastern European countries, while others are concentrated in the Western Balkans. The three largest banks, Komercijalna Banka, NBG Stopanska Banka Skopje, and NLB Bank, hold around 50% of total loans and 50% of total deposits.

As in the previous survey round, parent banking groups operating in North Macedonia perceive their current market positioning as satisfactory (50%) or optimal (50%). They all rate the market potential as medium.

Banks reported higher profitability for North Macedonia than the overall group, in terms of returns on assets and equity. This represents an improvement since the last survey round.



Source: EIB – CESEE Bank Lending Survey.

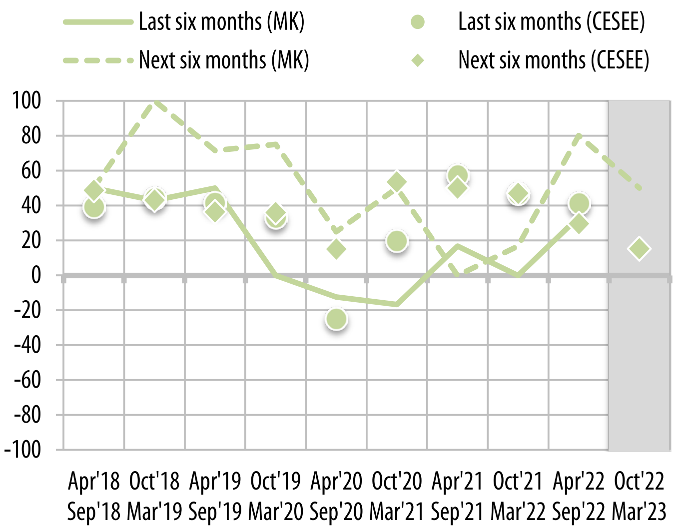
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand conditions improved over the last six months, in line with expectations reported in the previous survey round.

Credit demand is also expected to remain strong in the next six months, despite the expected slowdown in economic activity. Gross domestic product (GDP) growth reached 4% in 2021 but is projected to soften somewhat to 2.7% this year and 3% in 2023, according to the International Monetary Fund's World Economic Outlook, October 2022.



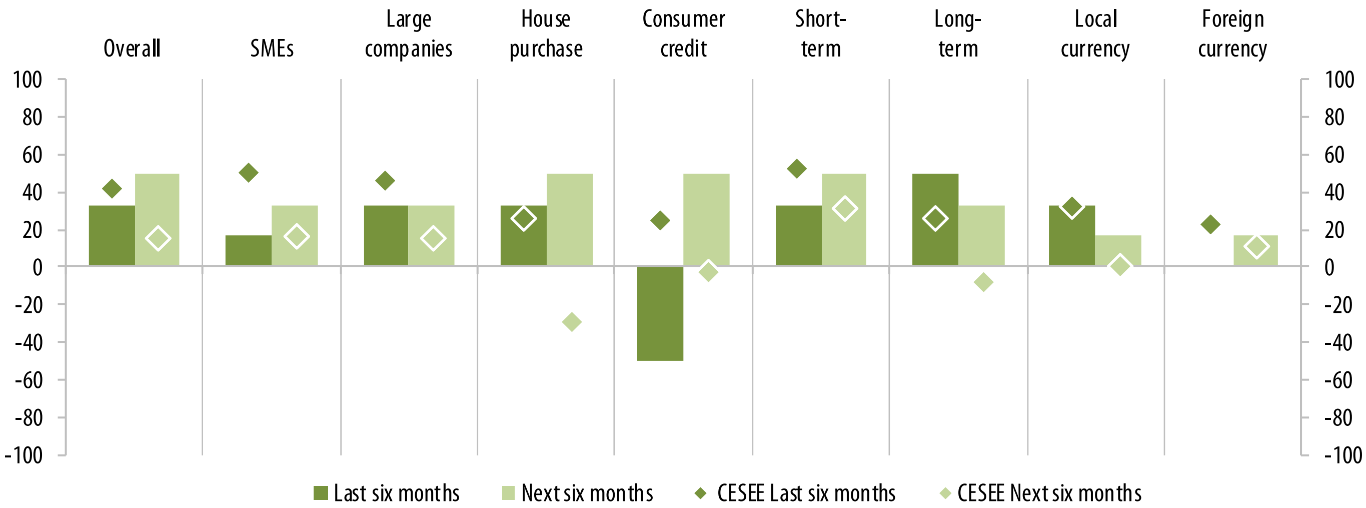
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

Overall credit demand in North Macedonia was strong in the last six months, driven mainly by small firms, large corporates and mortgages. A notable exception was the weakening in consumer credit.

Banks in North Macedonia are even more optimistic about demand developments for the next six months, with all segments expected to contribute positively, especially in the retail segments of mortgages and consumer credit.



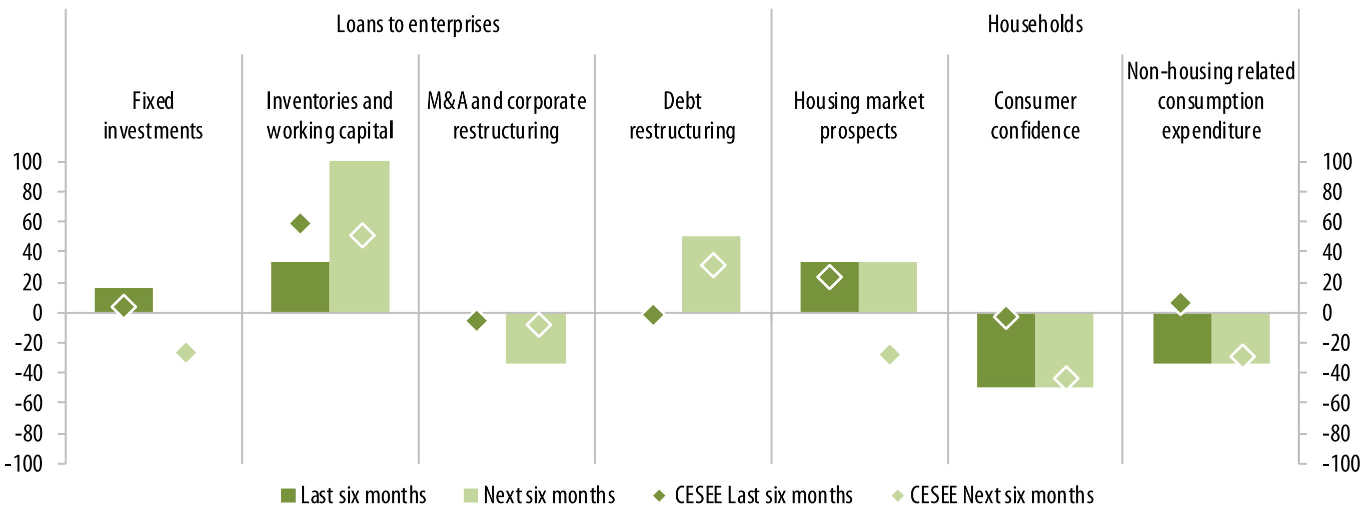
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Mortgages and working capital were the main drivers of positive credit demand during the last six months.

In the next six months, banks again expect positive contributions by mortgages and working capital but also forecast higher demand for debt restructuring. Of the other factors, no change is predicted for fixed investments while corporate restructuring, consumer confidence, and non-housing related consumption spending are all forecast to contribute negatively.

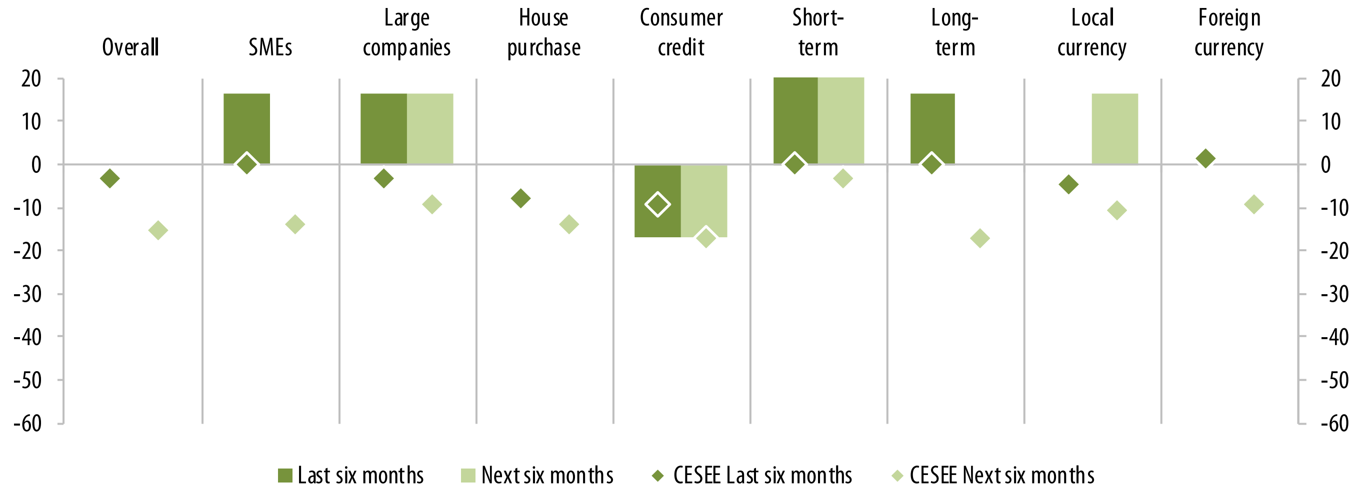


Source: EIB – CESEE Bank Lending Survey.
Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

Banks in North Macedonia signalled no change in the quality of loan applications overall during the last six months, contrary to the slight deterioration in the regional average.

The quality of loan applications overall is also expected to remain neutral over the next six months. However, quality deterioration for consumer credit is forecast to persist.



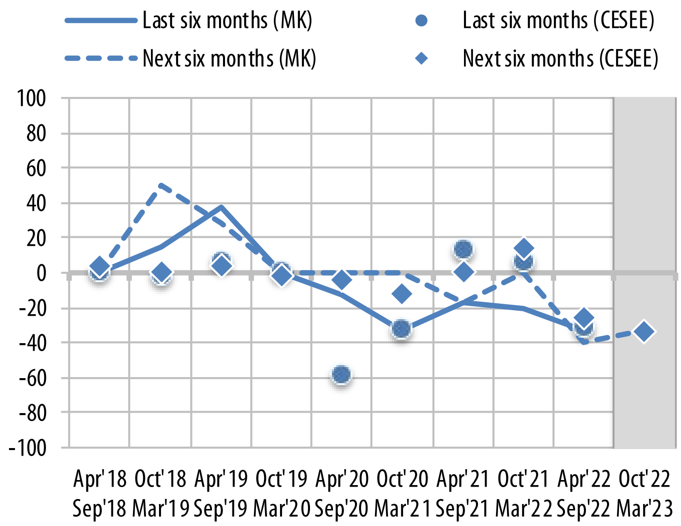
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Credit standards in North Macedonia tightened over the last six months, consistent with expectations in the previous survey round.

Supply-side conditions are likely to deteriorate further in the next six months, in line with the regional average.



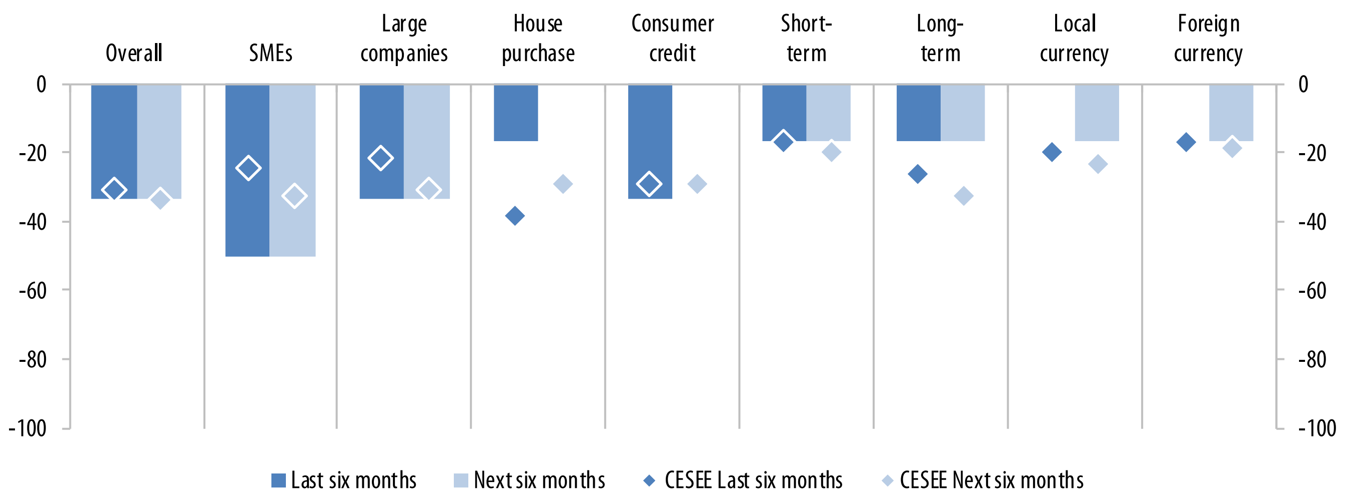
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Small and medium firms were most affected by the tightening of credit standards in the last six months, but large companies and the retail segments of house purchases and consumer credit were not immune.

In the next six months, supply conditions are expected to remain tight in North Macedonia, in line with the regional average. Small companies will again be particularly affected. However, the retail segments are forecast to remain stable.



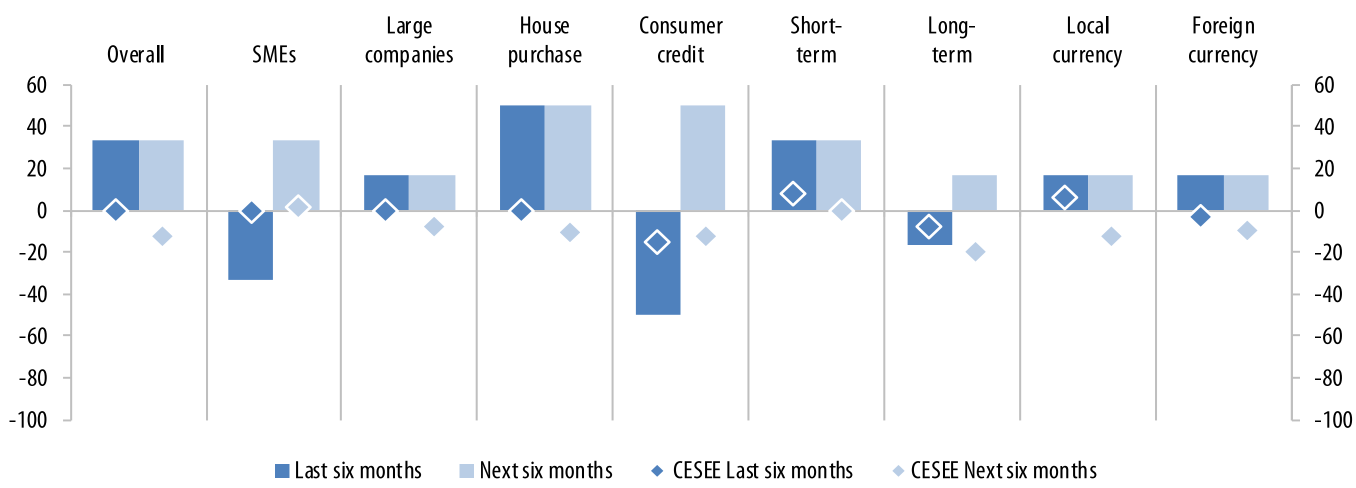
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

Bank loan approval rates improved overall during the last six months, driven mainly by the house purchase segment. Notably, approval rates worsened for consumer credit, small firms and long-term loans.

Over the next six months, approval rates are expected to improve overall and remain above the regional average. Banks also predict better approval rates for the consumer segments.



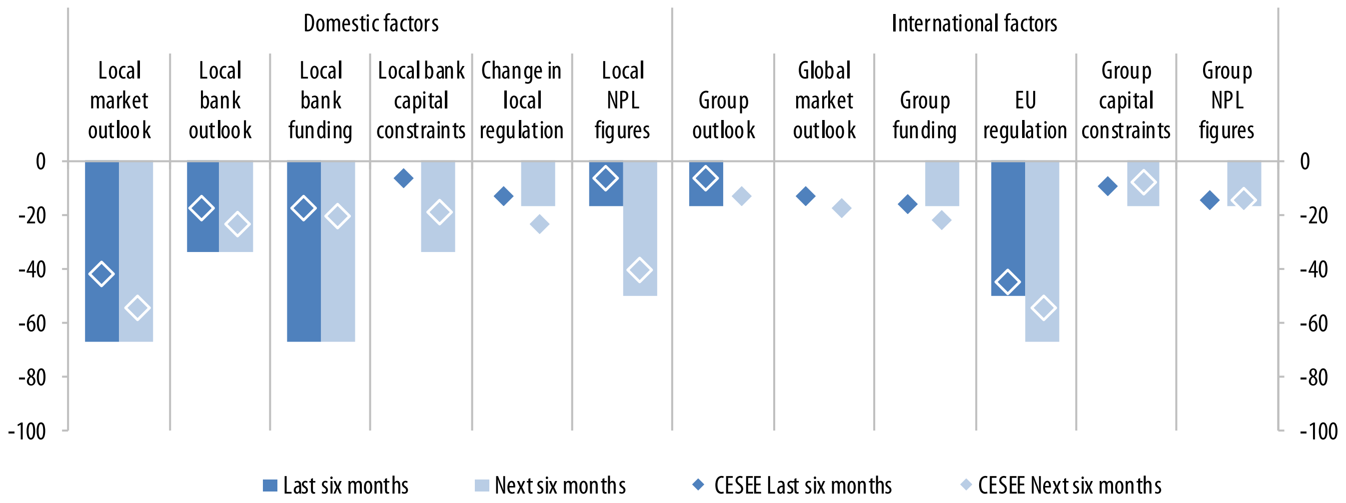
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 **Factors contributing to supply conditions** (in %)

Most domestic factors contributed negatively to supply conditions (local market and local bank outlook, local bank funding, and credit quality). Of the international factors, EU regulation made a notably negative contribution.

In the next six months, banks in North Macedonia expect a similar picture, with negative forecasts for all domestic factors.



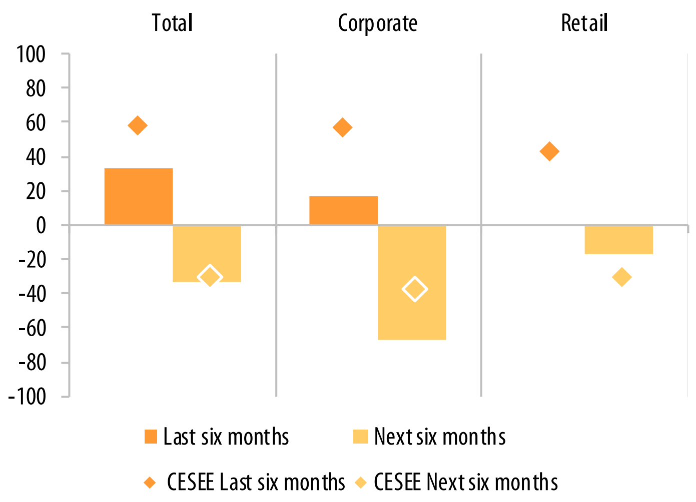
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply (and negative values indicating tighter conditions). See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios (in %)

Banks in North Macedonia signalled improvements in credit quality during the last six months, driven by the corporate segment. According to central bank data, the overall non-performing loan ratio is actually low, at 3.3% in the third quarter of 2022, and has remained between 3% and 3.5% since 2020.

For the next six months, banks expect non-performing loan ratios to deteriorate in the corporate and retail segments.



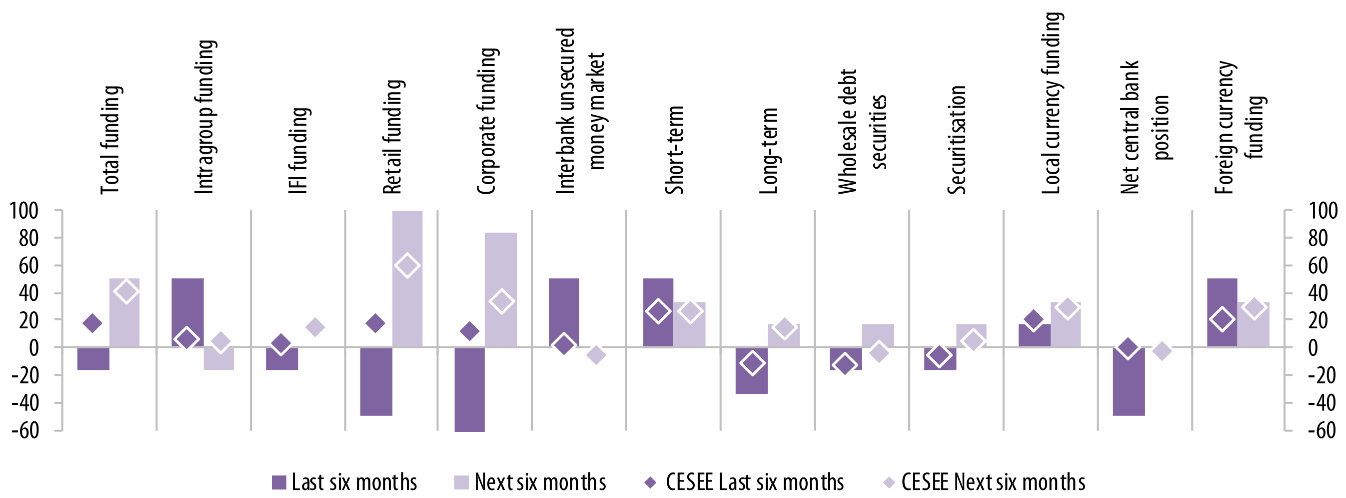
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 Access to funding (in %)

Contrary to the previous survey round, and unlike the regional average, access to funding worsened in North Macedonia over the last six months. Retail and corporate funding were particularly weak and funding from international financial institutions (IFIs) was not supportive. Recent years were characterised by elevated credit growth (and high funding needs), and the loan-to-deposit ratio is now close to 90%, according to central bank data.

Over the next six months, access to funding is expected to improve, with corporate and retail funding forecast to make positive contributions.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Poland

The global outlook and the spillovers of the war in Ukraine are prompting Polish banks to expect worsening supply conditions, reduced demand for credit, and deteriorating credit quality, with greater pessimism than in the wider region.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland consider their positioning in the Polish market as satisfactory. However, all banks reported that their operations in Poland are less profitable than overall group operations. Major international banks operating in Poland do not have subsidiaries in other countries of Central, Eastern and South-Eastern Europe.

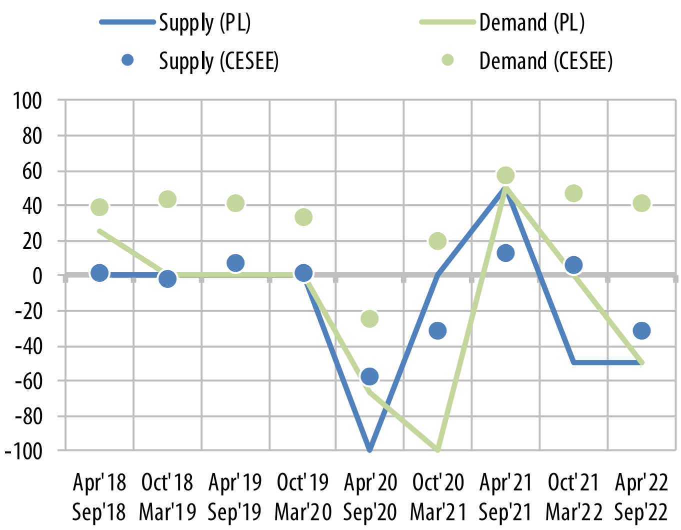
Credit demand in Poland declined during the last six months, in contrast to still rising demand in the wider region, and is expected to weaken further.

After a promising rebound during 2021, **credit supply conditions** in Poland have worsened significantly over the last six months, much more than in the wider region. Looking ahead, banks expect a general worsening of credit supply conditions across all business segments and categories.

Overall **access to funding** continued improving for banks in Poland during the last six months, mostly driven by local funding (retail and corporate deposits), rather than group funding.

Banks are also signalling a turning point in terms of credit quality: the overall ratio of **non-performing loans** remained stable during the last six months, but banks expect credit quality to decline in the corporate and retail sectors.

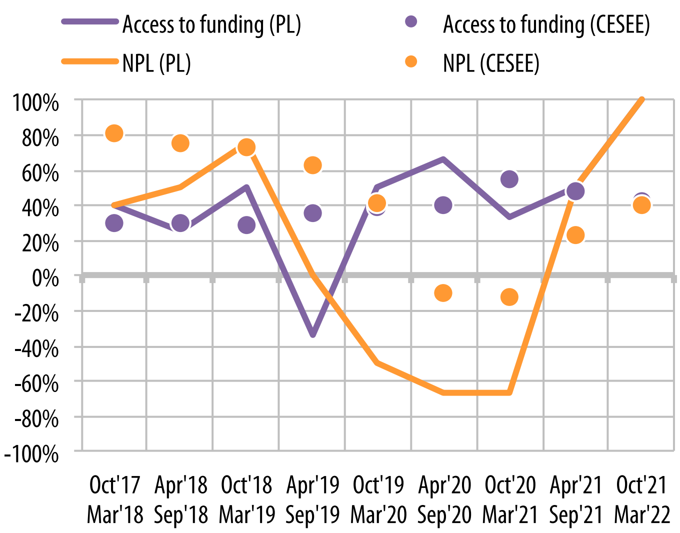
Credit supply and credit demand (in %)



Source: EIB – CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB – CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

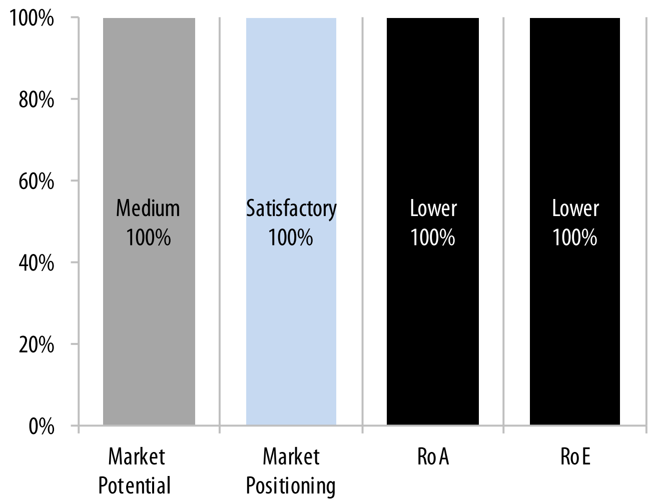
Results of the Bank Lending Survey — parent bank level

Figure 1 Market potential and positioning (in %)

Parent banks operating in Poland plan to maintain operations in the country at their current level, as all respondents consider their market positioning as satisfactory.

Major international players with a presence in Poland do not have subsidiaries elsewhere in the region. They all assess Poland's market potential as medium.

However, measured by returns on assets and equity, Polish operations are less profitable than at the group level, contrary to the situation in most of the other countries in the region.



Source: EIB – CESEE Bank Lending Survey.

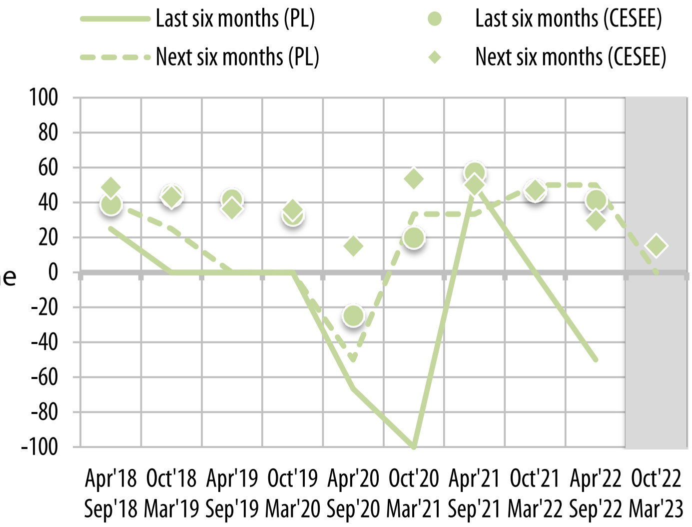
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1. in the Annex.

Results of the Bank Lending Survey — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

After bouncing back in 2021, credit demand in Poland lost momentum again and weakened over the last six months. This development is explained by tighter financial conditions amid higher inflation and the outbreak of war in Ukraine. The fall in credit demand widened the gap between Poland and the regional trend. It was also significantly worse than surveyed banks had forecast in the autumn of 2021.

Polish banks expect no change in credit demand over the next six months, in line with the regional average.



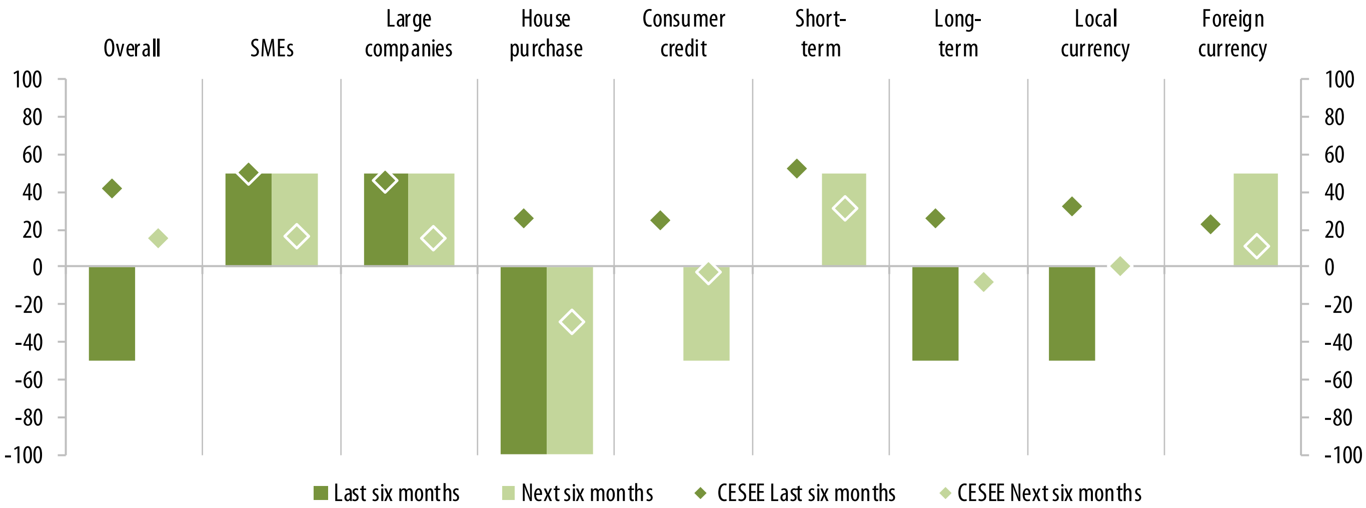
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 **Demand components and segments** (in %)

Credit demand overall declined in Poland, but banks reported a mixed picture across different credit segments. While corporate segments (small and medium-sized enterprises and large firms) have been able to demand credit in the last six months, demand for mortgages strongly declined, in contrast to the increase reported in the wider region.

Banks expect a partial recovery of demand for loans in all business areas except house purchases and consumer credit.

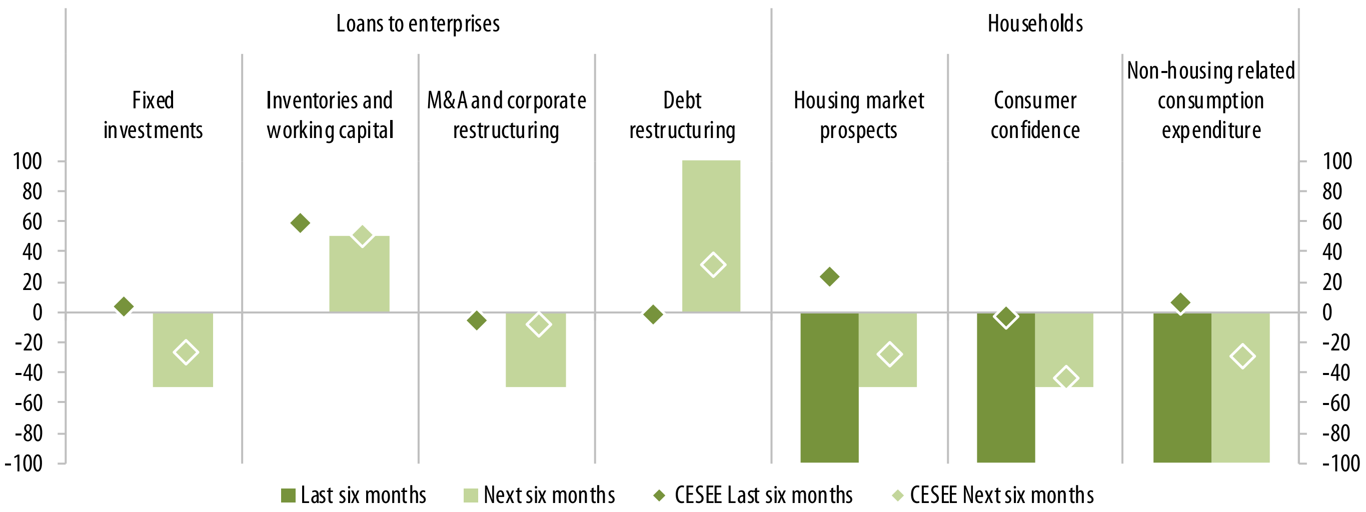


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 **Factors affecting demand for loans** (in %)

Loans to corporates remained stagnant or declined, in contrast to increases in the wider region. In the coming months, banks expect declining demand for fixed investments, mergers and acquisitions (M&A) and debt restructuring, and growing demand for working capital loans. For households, consumer confidence and housing market prospects dropped sharply in the last six months, whereas credit demand for home mortgages grew on balance in the wider region. Non-housing consumption spending also declined and is projected to stagnate in the next six months.

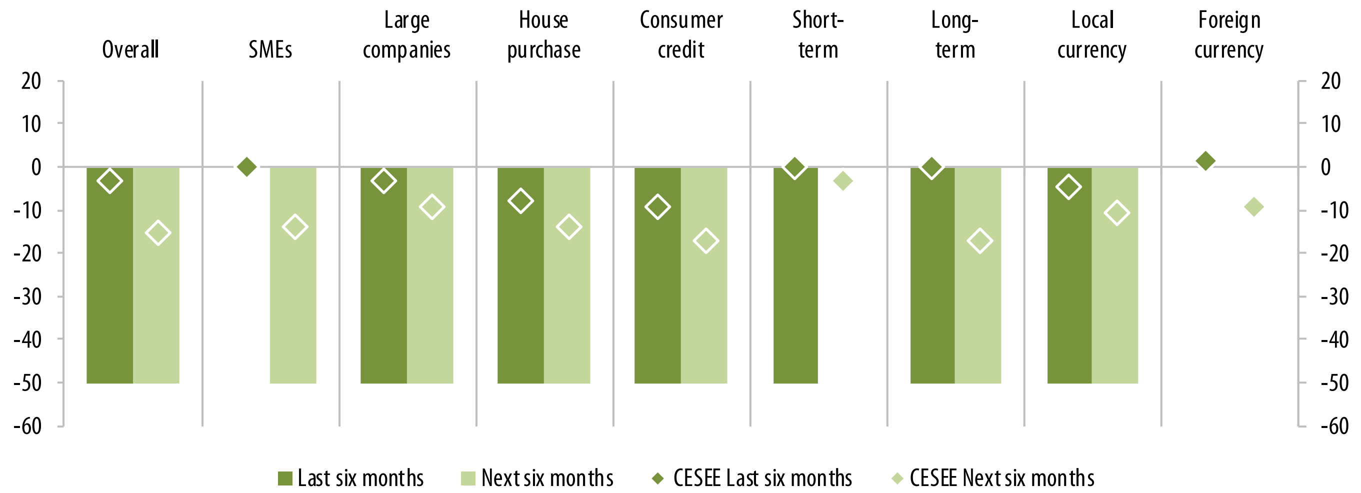


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The quality of loan applications declined in all segments covered by the survey but is expected to increase in the next six months only for house purchases, consistent with the regional forecast.



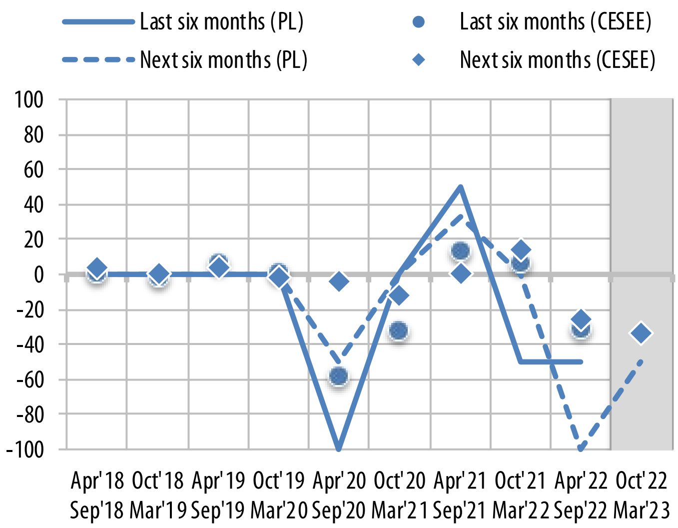
Source: EIB – CESEE Bank Lending Survey

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand (and negative values indicating tighter conditions). See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Following a rebound in the second half of 2021, credit supply conditions declined significantly in Poland in the last six months. The decline exceeded banks' forecasts in the autumn 2021 survey round and was worse than the regional average.

Looking ahead, Polish banks expect overall credit supply to continue declining in the next six months.

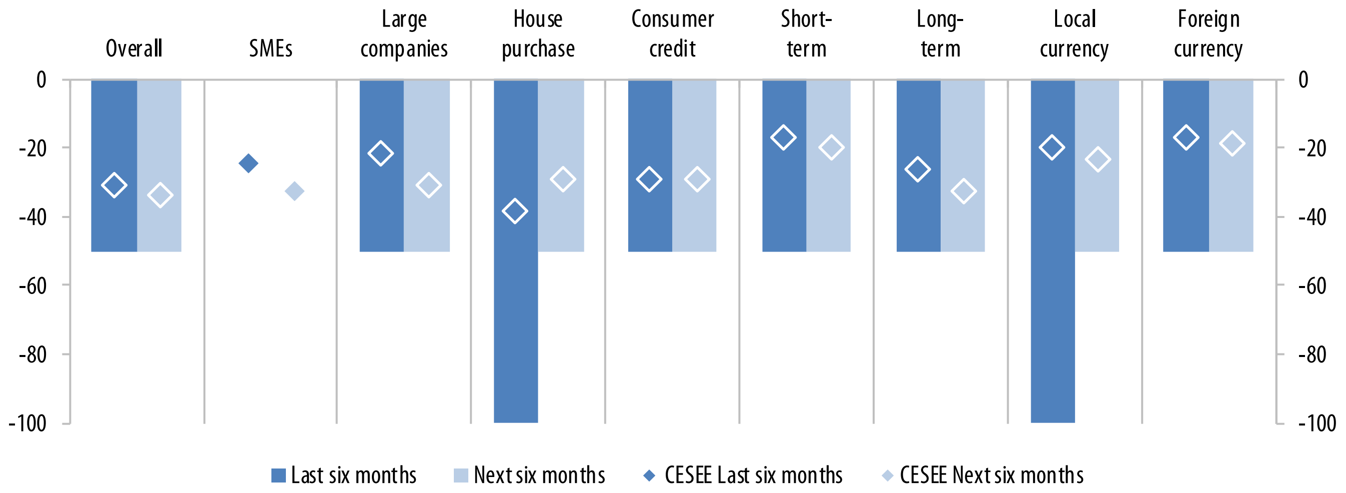


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Credit supply declined in all segments in Poland, whereas the regional averages remained constant. Banks expect credit supply conditions to further worsen in the next six months, projecting a stronger decline than in the wider region across most segments, especially for mortgages and for local currency lending.



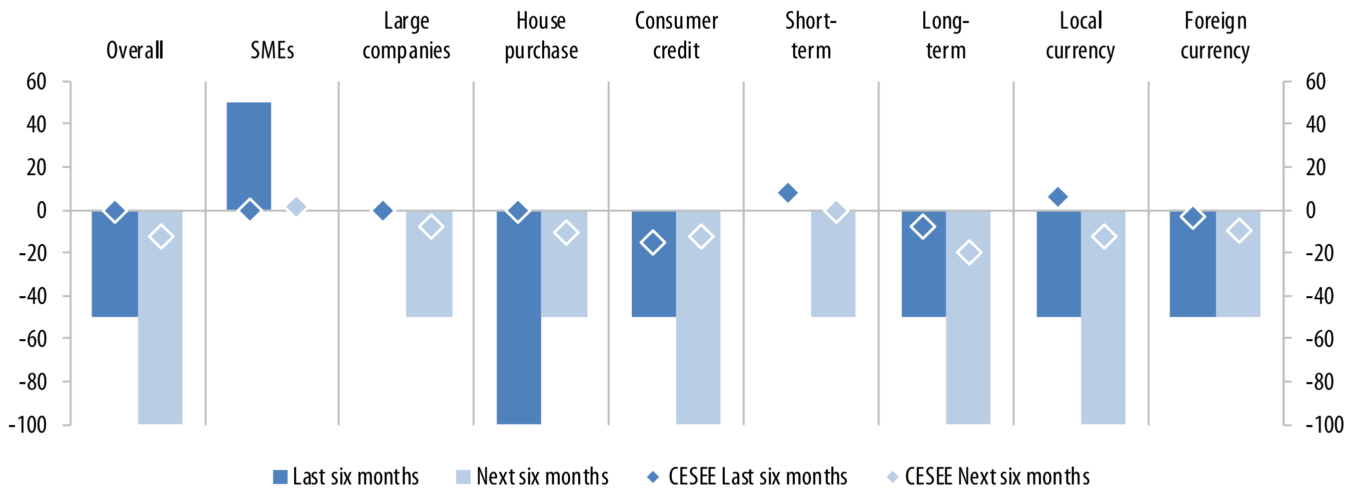
Source: EIB – CESEE Bank Lending Survey

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

Loan approval rates have stagnated or declined in all segments except small firms. The most significant deterioration was recorded for house purchases.

Banks project a sharp decline in loan approvals in the upcoming period, significantly worse than in the wider region (despite the deterioration in credit supply conditions).



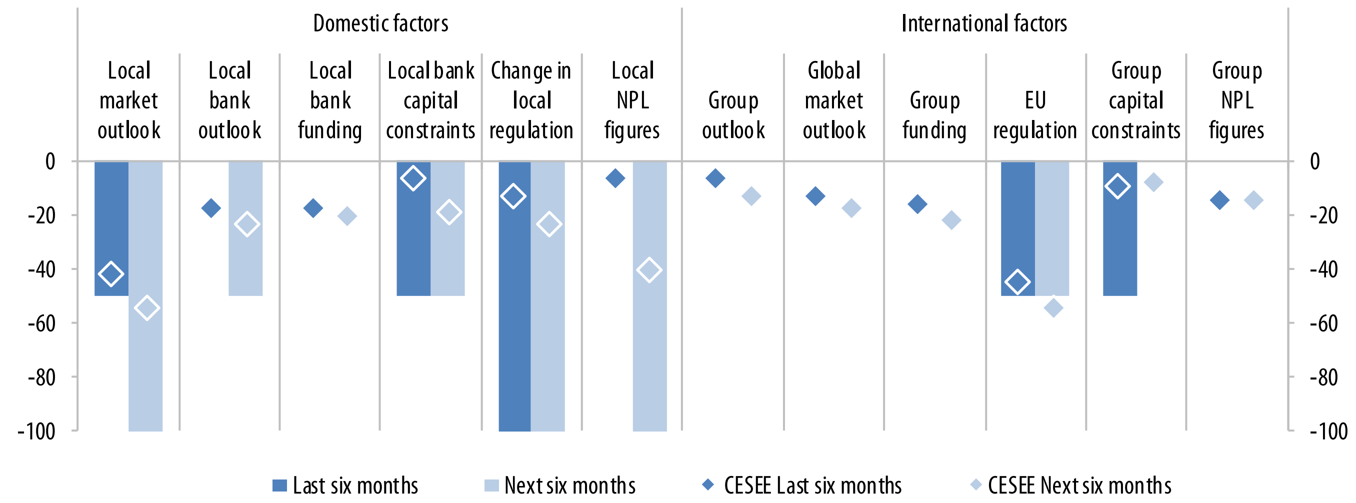
Source: EIB – CESEE Bank Lending Survey

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

According to banks in Poland, all factors contributed to stagnating or declining credit supply conditions over the last six months, with particularly negative contributions from change in regulation at a local level.

For the next six months, they expect tighter conditions in most domestic factors (especially related to regulation, market outlook and credit quality) but no change in international factors, except an ongoing negative contribution from EU regulation.



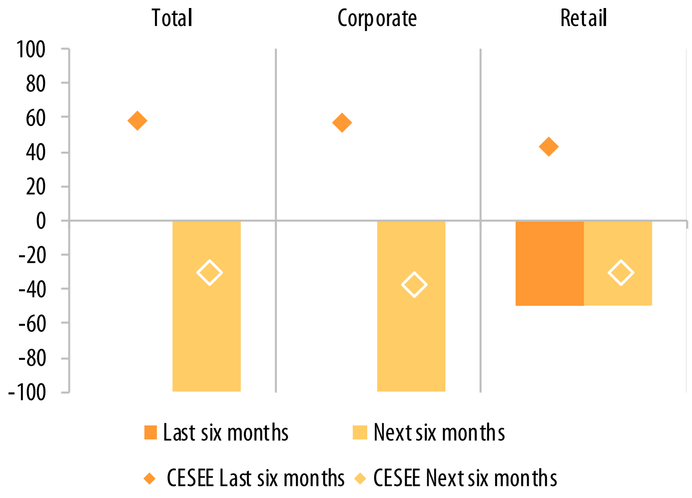
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply (and negative values indicating tighter conditions). See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios (in %)

Overall credit quality remained constant in Poland in the last six months. The retail segment experienced a deterioration.

However, credit quality is expected to become less supportive over the next six months. Banks expect higher non-performing loans in corporate and retail loans.



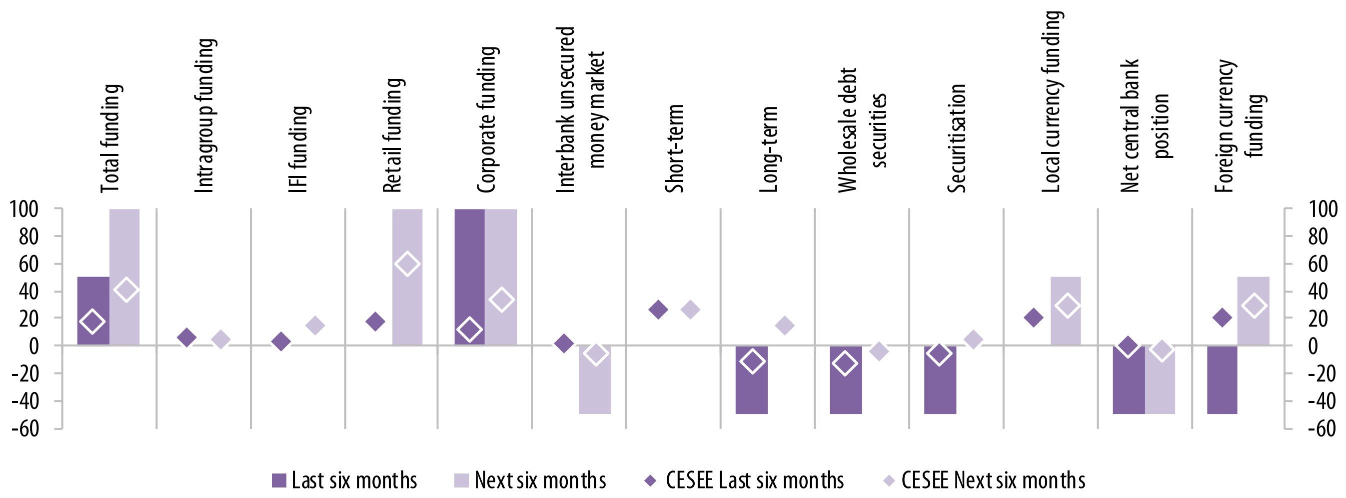
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 Access to funding (in %)

Polish banks' total access to funding improved in the last six months, with better access reported for corporate funding.

Banks expect funding conditions to further improve in the coming months, supported by still improving access to funding from corporate deposits, but also retail.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Romania

Credit demand was strong in the Romanian banking sector over the last six months, mostly driven by corporates. Meanwhile, the retail sector experienced a sharp drop in credit supply. Robust credit demand and deteriorating supply conditions are expected for the next six months.

Summary

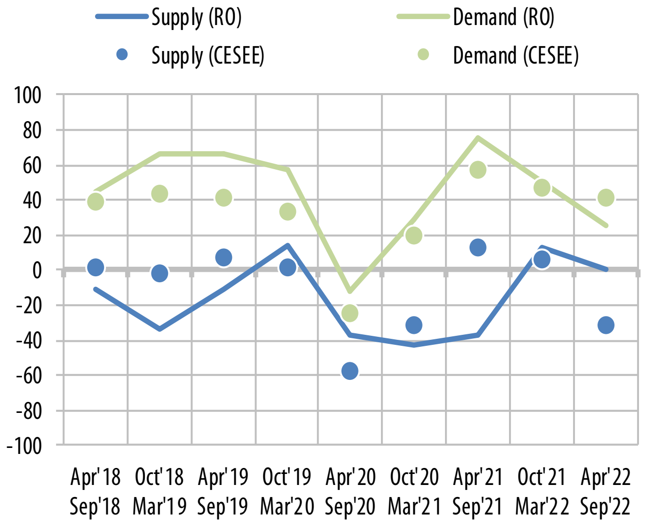
Group assessment of positioning and market potential: the Romanian banking market is perceived to have high potential by 50% of survey participants — among the highest ratios across the region but lower than in the last survey round. Respondents remain divided in their assessment of their market positioning in Romania, with 50% considering it satisfactory but 33% regarding it as weak. More positively, Romanian operations are reported to be more profitable than overall group operations by 75% of participants for return on assets and 80% for return on equity.

Credit demand remained strong over the last six months — driven primarily by strong demand in the corporate segment — but was somewhat below the regional average. Demand for credit by households deteriorated substantially, especially for mortgages. Banks expect overall credit demand to stay strong in the next six months.

Credit supply conditions did not change over the last six months in Romania, with strong credit supply in the corporate segment. By contrast, the regional average deteriorated substantially. However, banks in Romania forecast that credit supply will deteriorate during the next six months.

Access to funding worsened substantially over the last six months, whereas **credit quality** improved markedly. Banks expect an improvement in access to funding over the next six months, but their outlook for credit quality is rather negative, in line with deteriorating expectations for non-performing loans in the region as a whole.

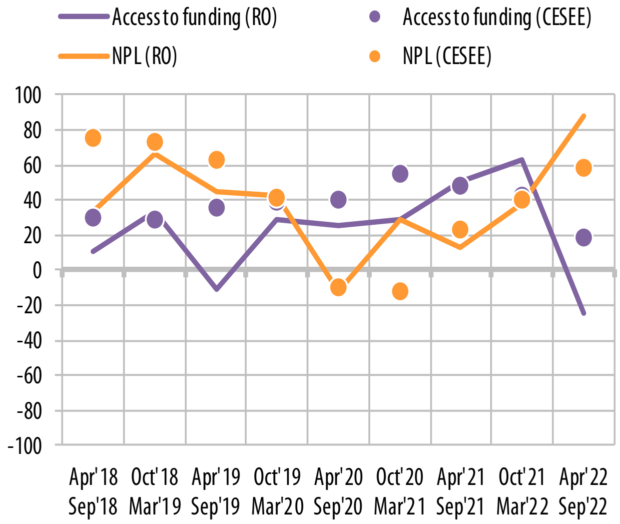
Credit supply and credit demand (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

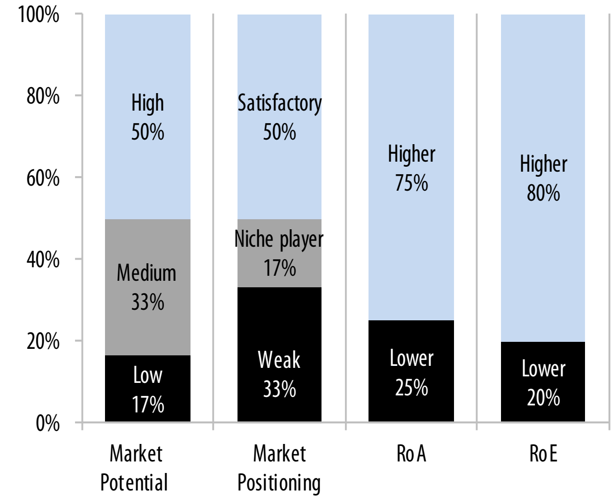
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Most of the banking groups with a presence in Central, Eastern and South-Eastern Europe have operations in Romania (Erste, Raiffeisen, UniCredit, Intesa Sanpaolo, OTP, ProCredit). Romania's banking market has high potential according to 50% of survey participants: This ratio is among the highest across the region but lower than that reported in the previous survey round.

Banks report that profitability has improved substantially since the last survey. Romanian operations outperformed the overall group in terms of return on assets and return on equity for 75% and 80% of banking groups, respectively.

Banks remain divided on market positioning, with 50% of survey participants considering it satisfactory but 33% regarding it as weak.



Source: EIB — CESEE Bank Lending Survey.

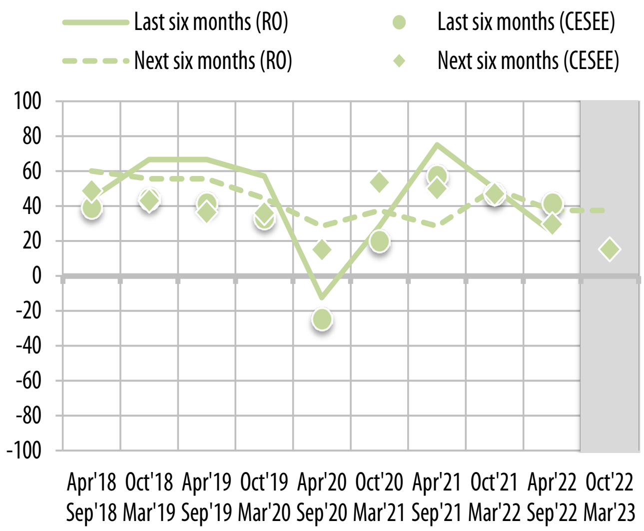
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand in Romania remained strong over the last six months, but with a more moderate increase compared to that reported in the last survey round. Policy support measures against rising energy costs have stabilised demand and are likely to continue propping it up during the next six months.

Banks in Romania are more optimistic about credit demand dynamics for the next six months compared to banks elsewhere in the region. Their optimism reflects the strong economic growth recorded during the first half of 2022. Nevertheless, the war in Ukraine and the risk of high inflation becoming entrenched in Romania are likely to dampen lending demand in the coming months.



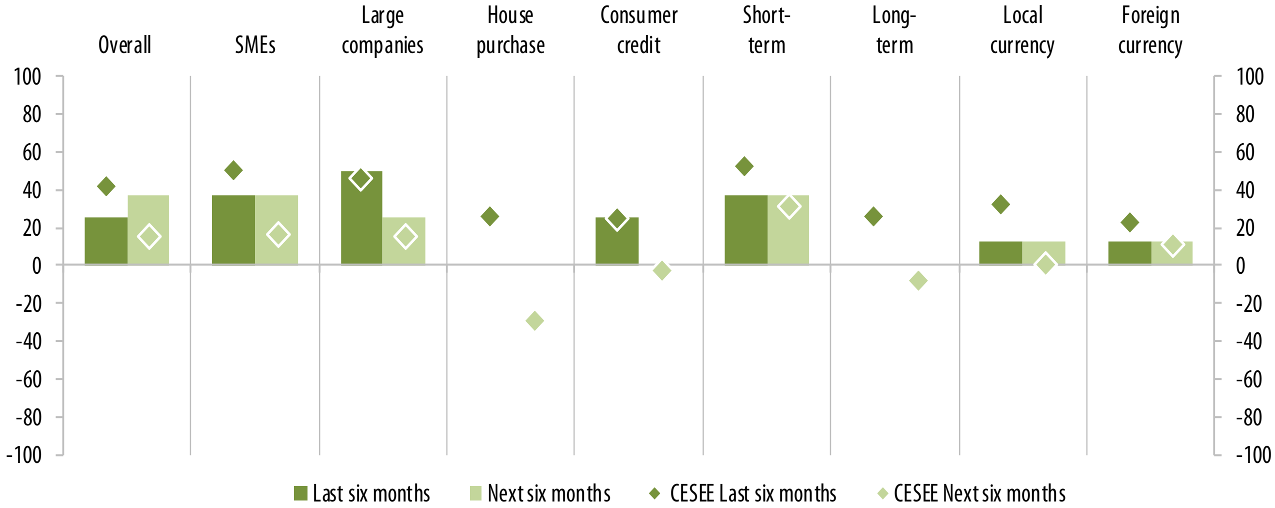
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 Demand components and segments (in %)

Overall demand for loans has increased over the last six months, mostly driven by demand from small and medium firms (SMEs) and large companies. Short-term loans continued to be in high demand, though somewhat below the regional average.

In the next six months, banks expect demand to remain strong across most sectors (especially small businesses and large corporates). However, stability is forecast with respect to mortgages and consumer credit loans.



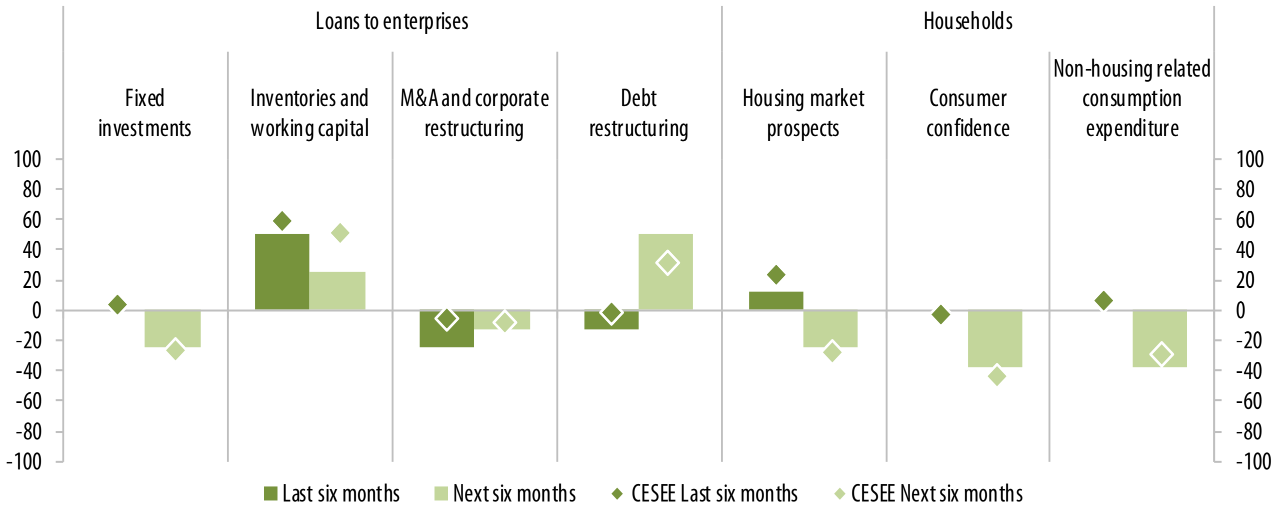
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 Factors affecting demand for loans (in %)

Loan demand by companies was mainly driven by needs for inventories and working capital, favouring short-term lending. Other factors affecting corporate demand were either unchanged or contributed negatively. Meanwhile, housing market prospects have boosted demand for credit from households.

Expectations are negative for most credit demand factors over the next six months, although debt restructuring and working capital needs are forecast to contribute positively.



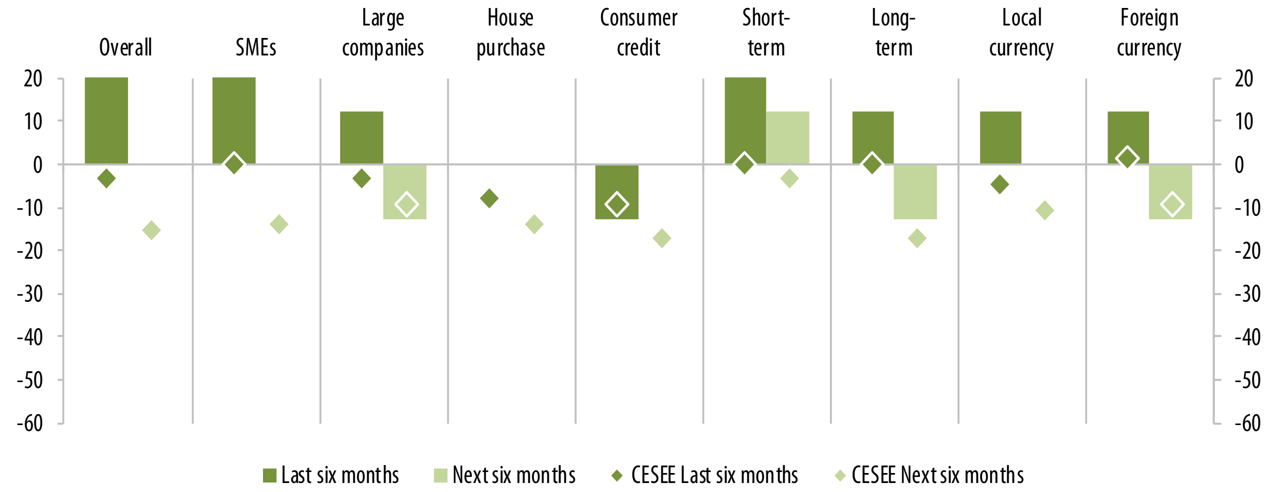
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 Quality of loan applications (in %)

Loan application quality has improved markedly over the last six months, driven mainly by the corporate segment. The drop in quality for consumer credit suggests a deterioration of economic conditions at the household level. High energy and food prices are severely limiting the purchasing power of Romanian households, with negative implications for their credit scores.

In the next six months, banks expect the quality of loan applications to remain stable overall and that from large companies to worsen.



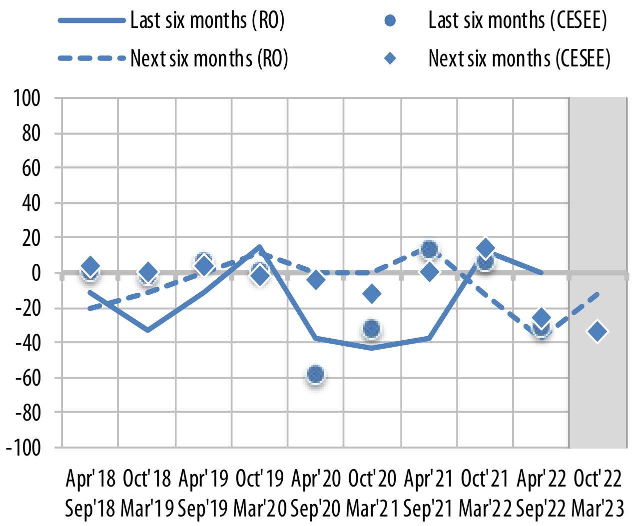
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments (in %)

Credit supply conditions remained unchanged in Romania over the last six months, in contrast to the substantial decline in the regional average.

With the rising monetary policy rate likely to dampen the growth of credit supply, banks expect a moderate tightening in supply of credit during the next six months. Nevertheless, the forecast for Romania is significantly better than the regional average.



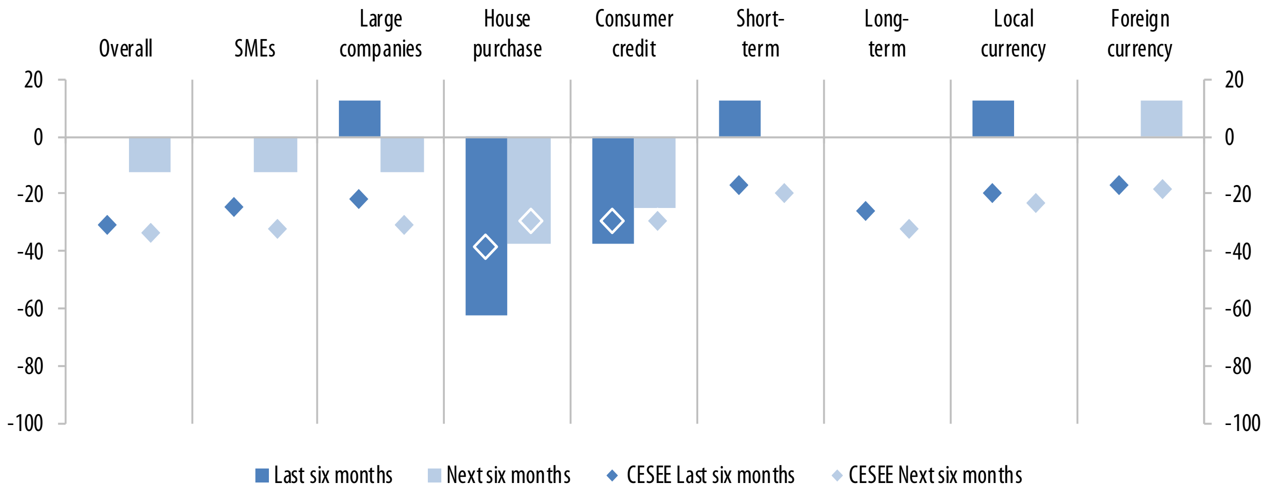
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Overall credit supply conditions did not change over the last six months. Regarding segments, banks reported an easing of credit conditions for large companies, short-term debt and local currency but a tightening for house purchases and consumer credit.

Banks expect a sharp tightening of overall supply conditions in the next six months, especially for house purchases and consumer credit. This greater impact on households reflects the rising risk of debt distress as consumers' purchasing power continues to weaken.



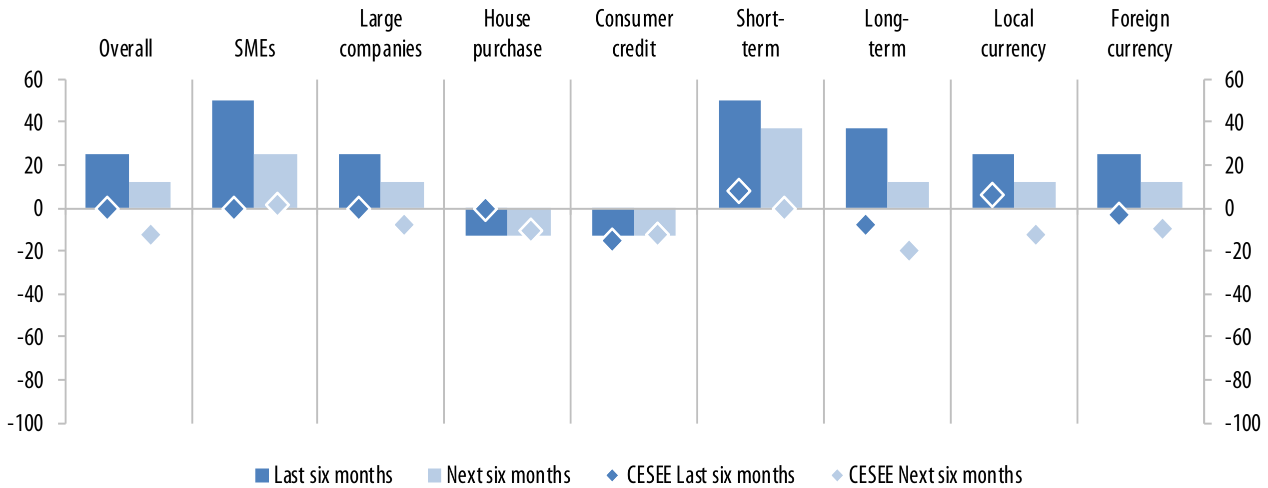
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions. See Question B.Q1 in the Annex.

Figure 8 **Credit supply: bank (local subsidiary) approval rates for loan applications** (in %)

The overall approval rate increased during the last six months in Romania and was substantially above the regional average. Small firms and large companies benefited from higher approval rates. However, approval rates dropped for loan applications for home purchases and consumer credit.

Over the next six months, banks expect approval rates to continue improving for firms and deteriorating for households.



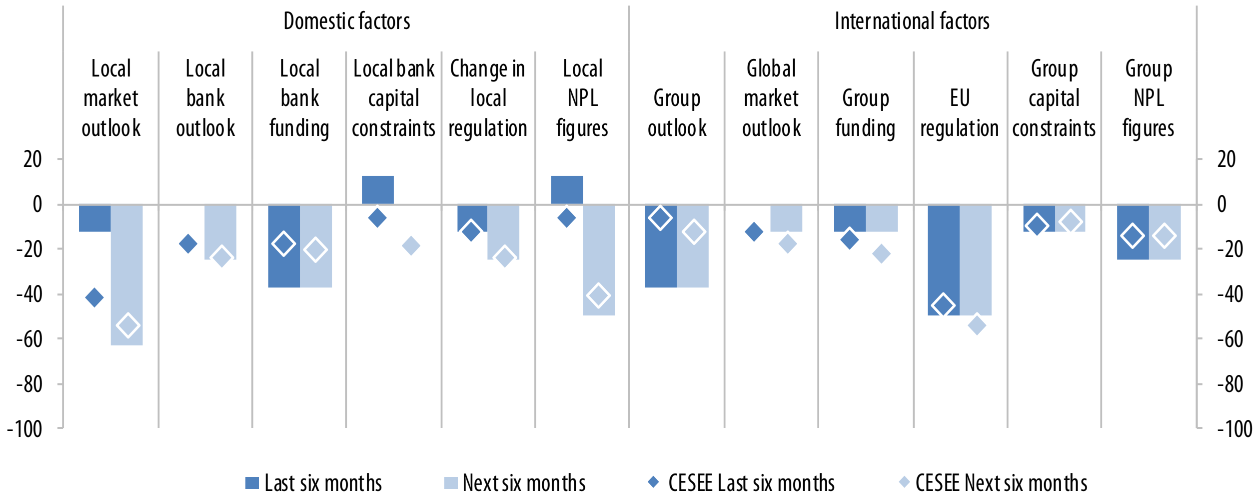
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

Domestic and international factors contributed negatively to supply conditions over the last six months. Local bank funding was the domestic factor with the highest negative contribution, while EU regulation and group outlook were the two international factors with the most negative contributions.

Banks expect all factors to make a negative or neutral contribution to credit supply over the next six months, suggesting a protracted period of credit tightening.



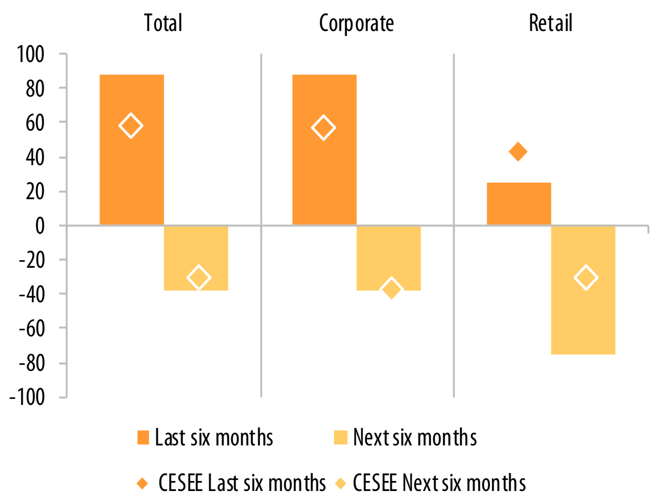
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 Non-performing loan ratios (in %)

Overall credit quality in Romania has improved substantially over the last six months, well above the regional average. Improvements were mostly driven by the corporate segment, while credit quality in the retail segment improved only marginally, helped by energy cost support policies for Romanian households.

Banks predict significant deteriorations in non-performing loan ratios over the next six months, with credit quality dropping most in the retail segment. The continued growth of food and energy prices is likely to keep affecting households the most, as food and energy products represent a large fraction of the inflation basket in Romania.



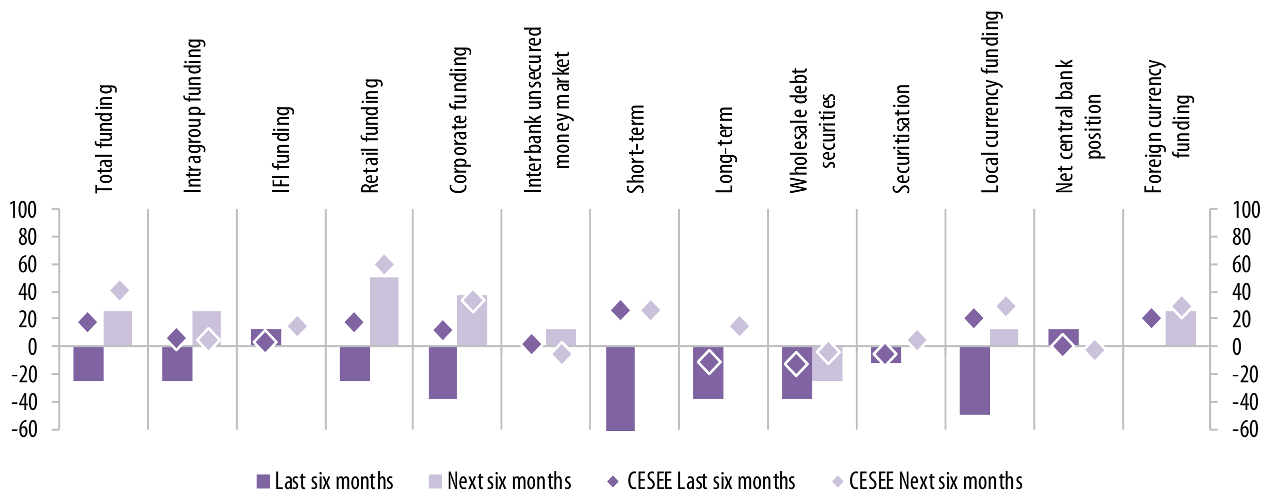
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 Access to funding (in %)

Access to funding for banks in Romania deteriorated substantially over the last six months across almost all categories, and especially for short-term, local currency and corporate funding (that is, availability of corporate deposits).

In the next six months, total funding is expected to improve slightly but stay below the regional average. Retail and corporate funding are forecast to improve, having deteriorated in the last six months.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Serbia

Credit supply conditions are further tightening, and loan demand is expected to experience a slowdown. Non-performing loan ratios have not yet risen, but Serbian banks expect the phasing out of policy support measures and the tightening of monetary policy to exert downward pressure on credit quality.

Summary

Banking **market attractiveness** remains strong in Serbia but has declined somewhat over the last six months. Compared to the previous survey, 20% of parent banking groups still assess market potential as high, but the percentage assessing it as medium has dropped from 80% to 60%, with the other 20% now reporting low market potential. Similarly, 20% of parent banks now assess their market positioning in Serbia as weak.

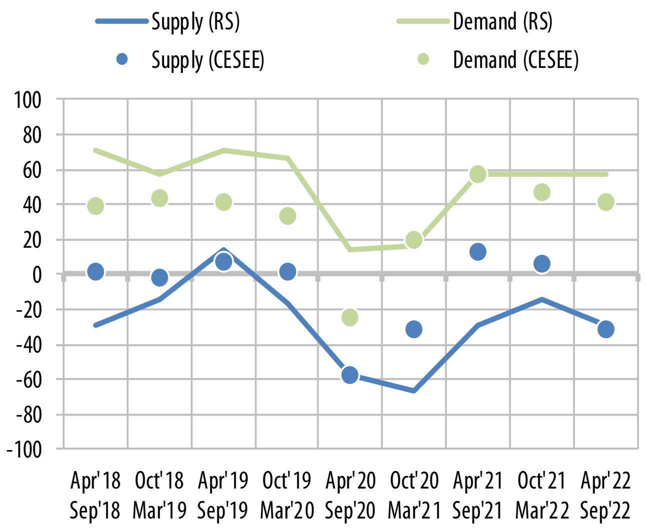
Loan demand remained rather strong over the last six months (especially for corporates), in line with the country's solid economic performance during the first part of 2022. In the next six months, loan demand may experience a gradual slowdown but this is expected to be less pronounced than the regional average.

Credit supply conditions tightened further in Serbia over the last six months and are expected to remain tight during the next six months — both trends are in line with the regional average. While very resilient, the Serbian banking sector could experience more pressure as financial conditions tighten locally and internationally.

The overall **quality of loan applications** worsened over the last six months, driven primarily by large corporates, and further deterioration is expected across all segments.

Access to funding for Serbian banks showed improvements, with international financial institutions (IFIs) playing a significant positive role. In the next six months, banks expect access to funding to further improve, which is broadly in line with the regional aggregate. Banks also anticipate **non-performing loan ratios** to increase. Though this is yet to materialise, it appears likely with the phasing out of policy support measures and the tightening monetary policy of the Serbian Central Bank.

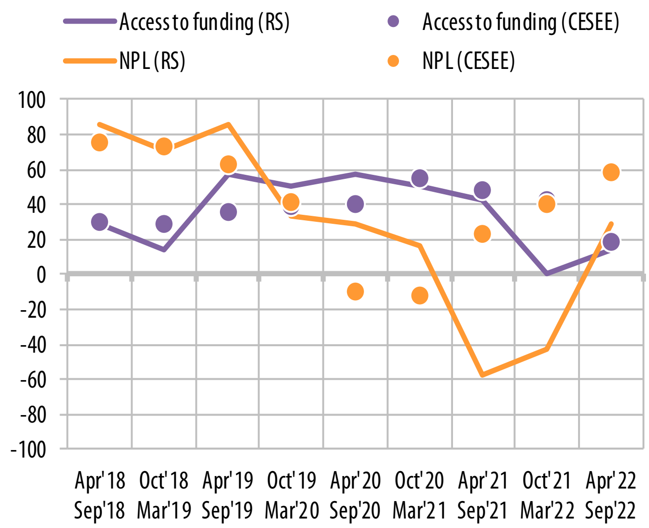
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

Note: All indicators are in net percentages. Supply/demand: Positive figures refer to increasing (easing) demand (supply).

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

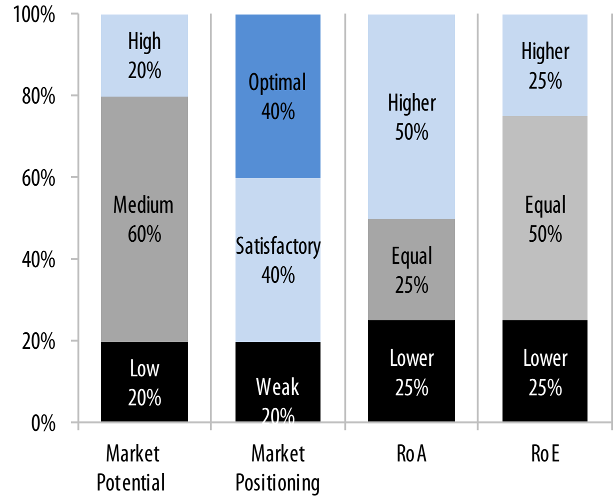
Note: All indicators in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The Serbian banking sector is characterised by a significant presence of foreign banks (representing 84% of total banking assets, as of the second quarter of 2022). These include large European banking groups that operate in various Central Eastern European countries. The Serbian banking market is somewhat less attractive now than six months ago: Market potential is still high for 20% of parent banking groups, but only 60% now assess it as medium (compared to 80% in the previous survey), with 20% now reporting low potential. Similarly, 20% of parent banks now assess their market positioning in Serbia as weak. However, for 80% of banks market positioning is still satisfactory or optimal (40% each).

In terms of profitability, 75% of banks report that return on assets/equity for local operations is higher than or equal to that of overall group operations — similar to previous survey results.



Source: EIB – CESEE Bank Lending Survey.

RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

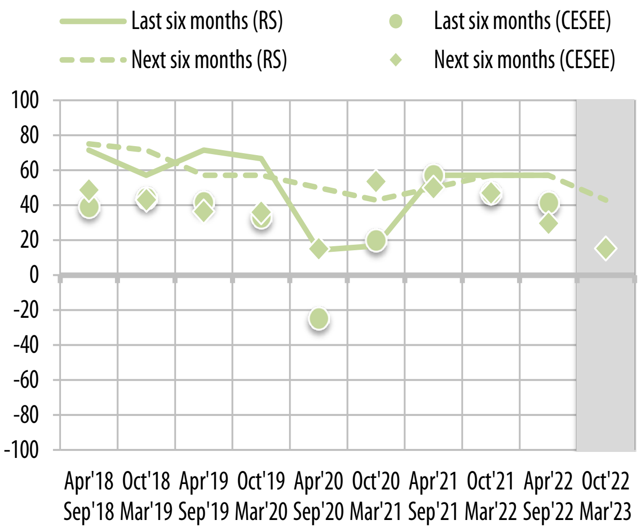
Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Loan demand in Serbia remained rather strong over the last six months, in line with a solid economic performance during the first half of 2022.

Forecasts for the next six months suggest that loan demand will experience a gradual slowdown, although this will be less pronounced than the regional average.

Serbia's economic growth is expected to decelerate during the last quarter of 2022 and in 2023. In its World Economic Outlook (October 2022), the International Monetary Fund envisages real gross domestic product growth in Serbia of 3.5% in 2022 and 2.7% in 2023, following the 7.4% growth recorded in 2021. Therefore, loan demand is also likely to moderate somewhat in the next six months.



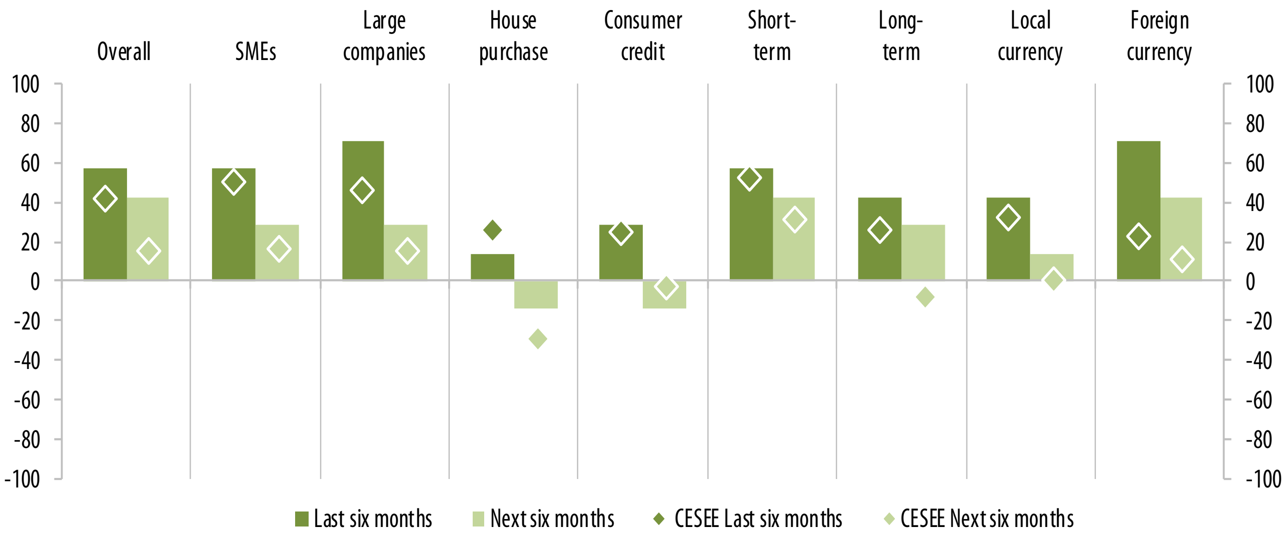
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 **Demand components and segments** (in %)

Credit demand over the last six months was stronger in Serbia than in the rest of the region, and this trend will likely persist over the next six months. In particular, demand from the corporate sector — including small and medium firms and large corporates — has been vigorous.

Forecasts for the next six months suggest that credit demand will cool off but remain stronger than the regional average for all segments except consumer credit. Demand for short-term lending appeared stronger than for long-term lending during the last six months, and this trend is expected to persist.

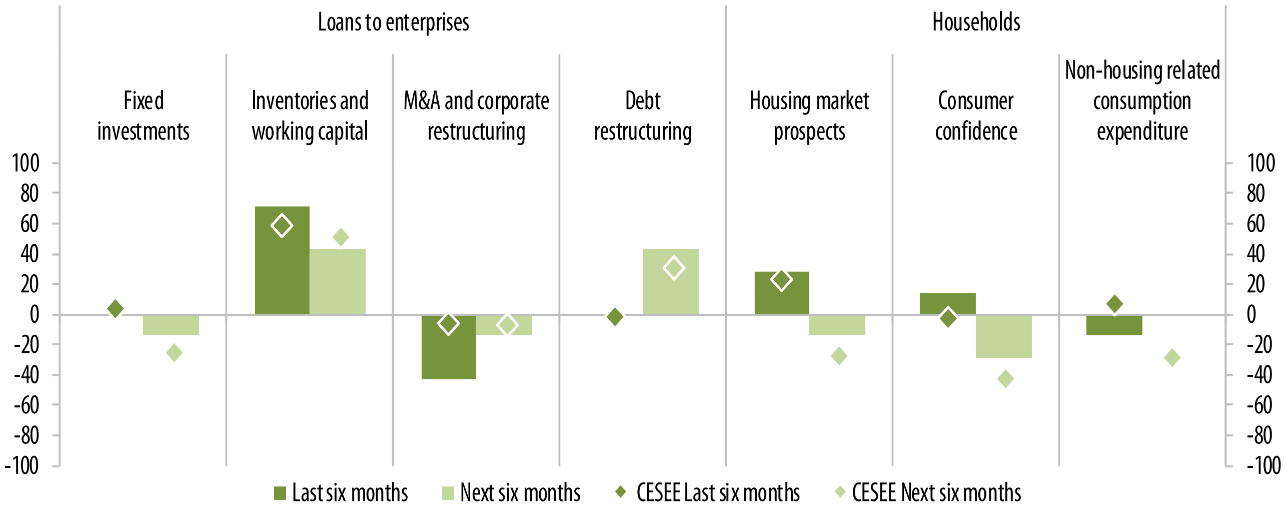


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 **Factors affecting demand for loans** (in %)

Need for working capital was the main driver of credit demand during the last six months, while weakness persisted in demand for loans to fund investments. Similar trends are expected for the next six months, signalling that companies have rising liquidity needs and are reluctant to commit to investment projects. Regarding households, the housing market contributed positively to loan demand during the last six months, in line with regional average, but its contribution is expected to weaken.

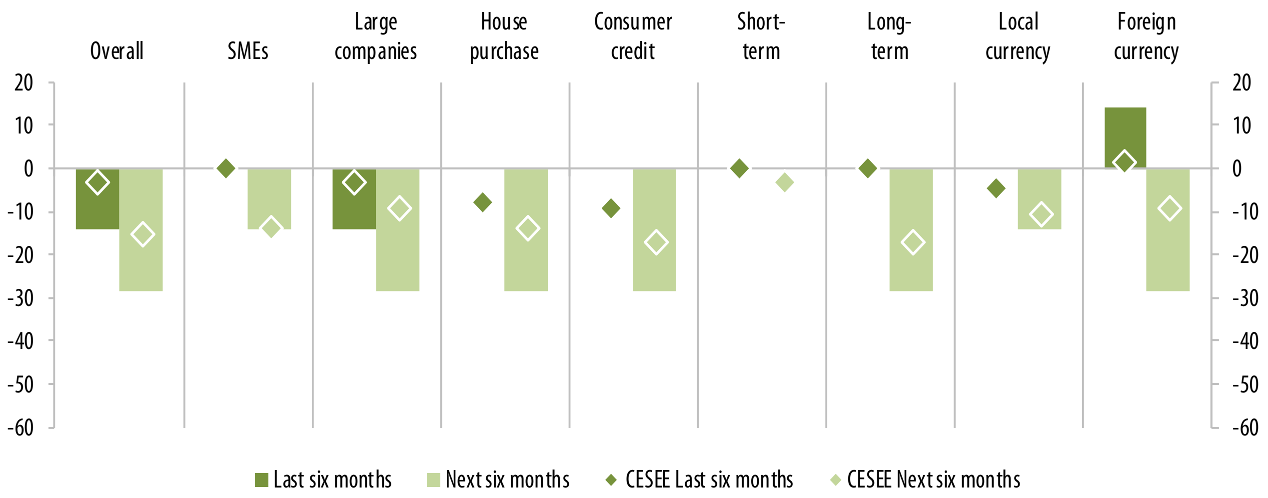


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 **Quality of loan applications** (in %)

The overall quality of loan applications in Serbia worsened over the last six months, driven primarily by large corporates. In the next six months, banks in Serbia expect to experience further deterioration in the quality of loan applications across all segments.



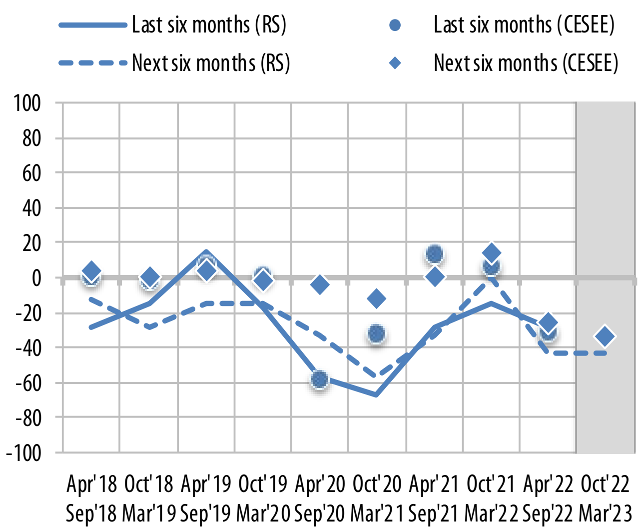
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand. See Question B.Q6 in the Annex.

Figure 6 **Aggregate supply developments** (in %)

Credit standards further tightened in Serbia over the last six months, in line with the regional average.

In the next six months, credit supply conditions in Serbia and the CESEE region are expected to remain tight. While very resilient, the Serbian banking sector could feel more pressure as financial conditions locally and internationally are tightening. Monetary policy has changed direction: The central bank raised its policy rate from 1% at the end of 2021 to 4% in Autumn 2022.

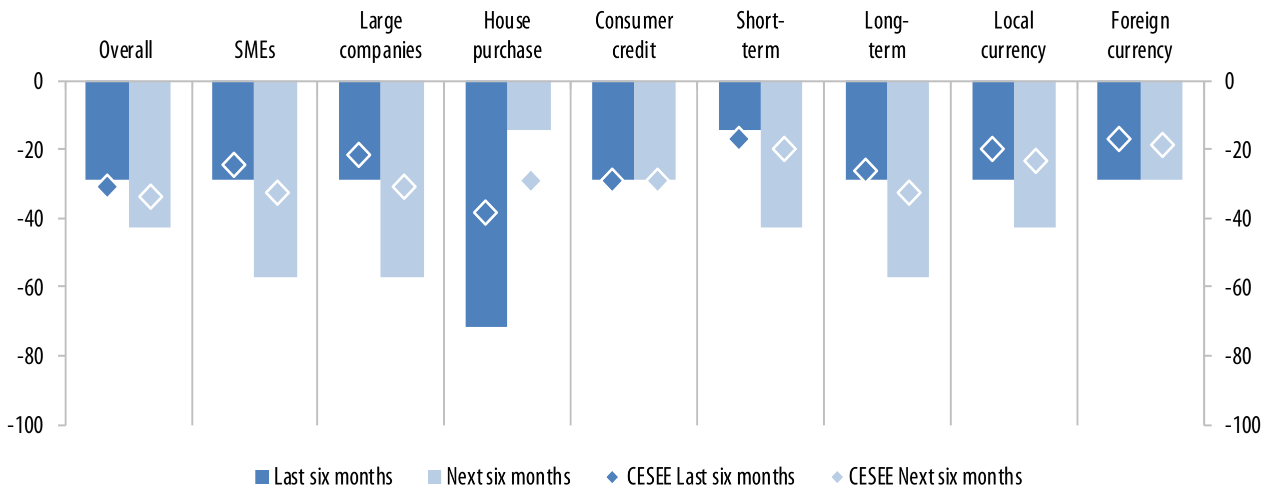


Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 **Supply components and segments** (in %)

Credit standards tightened again in Serbia over the last six months across all segments, in line with average trends in Central, Eastern and South-Eastern Europe. The house purchase segment was particularly affected. Aggregate supply conditions are expected to deteriorate further over the next six months, especially regarding small firms and large corporates.



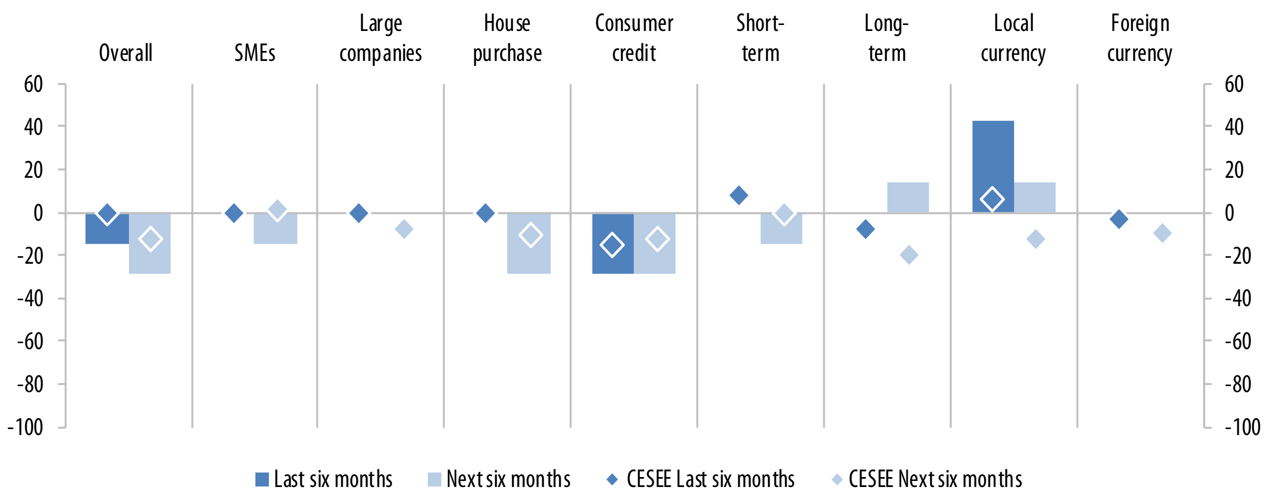
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 **Credit supply: Local/subsidiary bank approval rates for loan applications** (in %)

The overall bank approval rate for loan applications worsened during the last six months, driven primarily by consumer credit.

In the next six months, banks expect further deterioration in approval rates across all major business segments except for large corporates. Retail segments (house purchase and consumer credit) are expected to perform worse than the regional averages. Moreover, short-term credit supply is expected to deteriorate whereas long-term credit supply is forecast to improve.



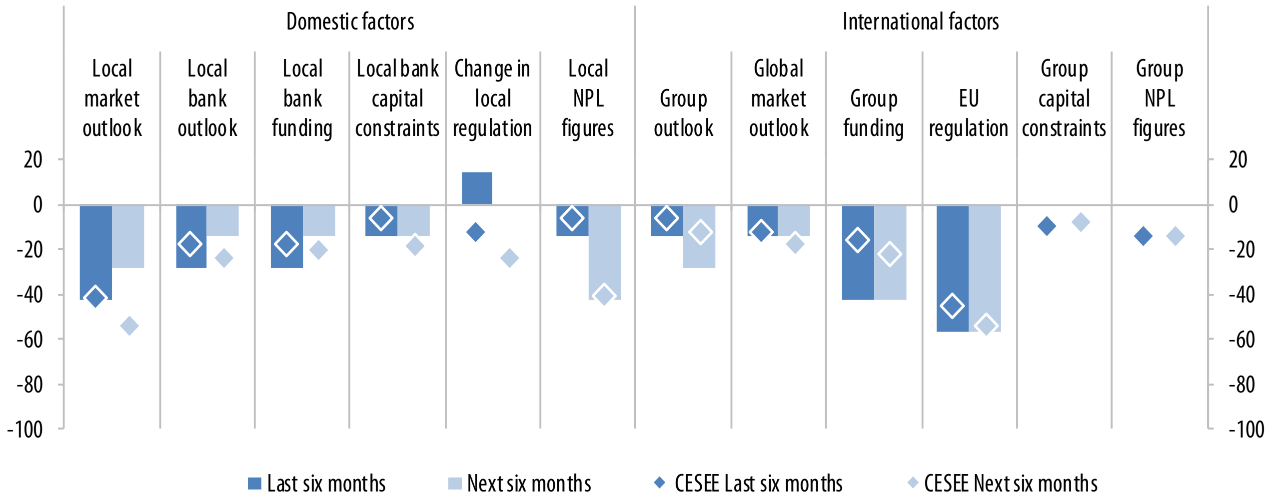
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 **Factors contributing to supply conditions** (in %)

Domestic and international factors have contributed to the deterioration of supply conditions over the last six months. Internationally, changes in EU regulation and group funding were the most negative contributors to credit supply conditions in Serbia. Domestically, changes in local regulations supported supply conditions, but all other factors had a negative impact.

In the next six months, domestic factors (especially non-performing loans) and international factors (especially EU regulation and group funding) are expected to continue constraining supply conditions.



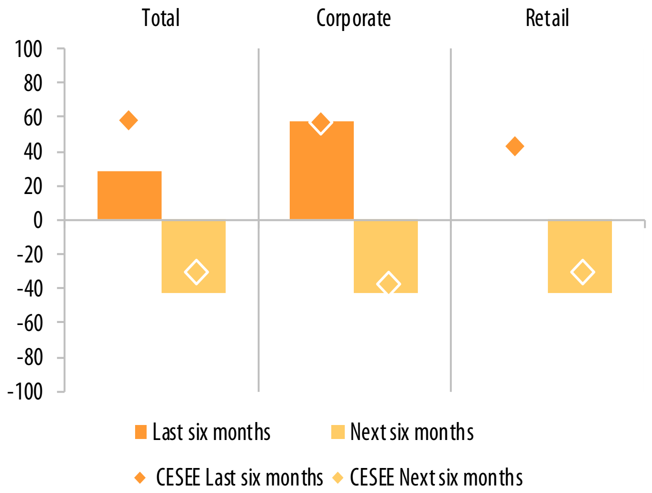
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

In line with the previous survey (and despite the concerns it raised), banks in Serbia reported an improvement in non-performing loan ratios over the last six months, primarily driven by the corporate sector. Asset quality has remained under control, with non-performing loans stable at 3.3% of total loans in the second quarter of 2022, according to central bank data. This partly reflects the influence of policy support measures.

For the next six months, banks again anticipate deteriorating credit quality, with non-performing loans expected to increase in the corporate and retail segments (in line with regional averages). These possible increases from historically low levels would be partly explained by the phasing out of policy support measures and the tightening of monetary policy.



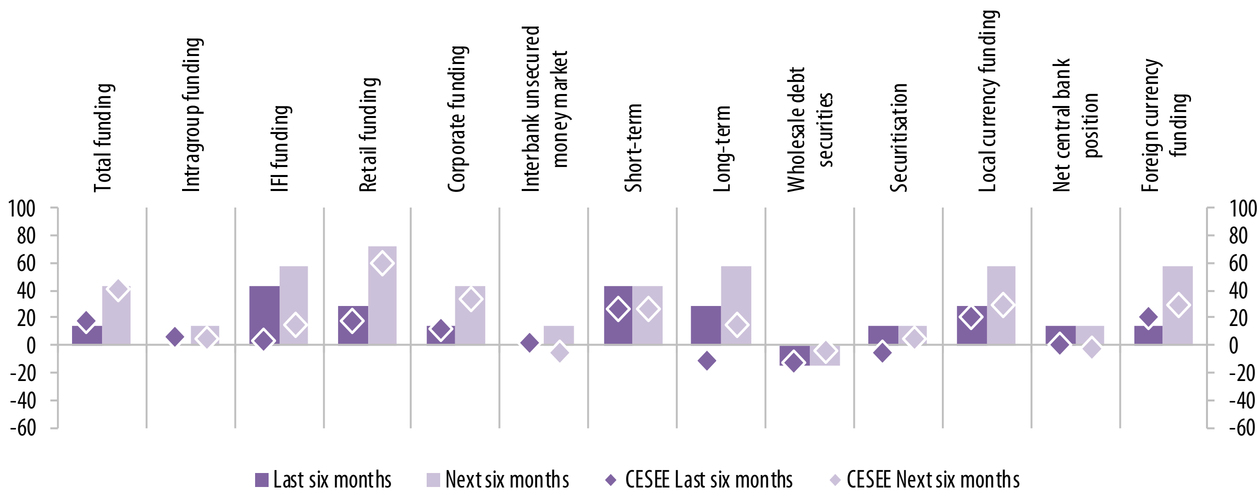
Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratio). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Access to funding remained moderately favourable for Serbian banks over the last six months, similarly to the regional average. International financial institutions funding, retail funding and, to a lesser extent, corporate funding continued to contribute positively, while the impact of intragroup funding was neutral. Access to local currency funding also improved over the last six months.

Banks expect some improvement in access to funding over the next six months, which is broadly in line with the regional average. Such improvement is expected to occur across almost every major segment.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved access to funding. See Question B.Q9 in the Annex.

Slovakia

Demand increased and supply remained stable over the last six months, but both are expected to fall in the coming months. Most banks anticipate a decline in demand for mortgages, consumer credit and loans for fixed investments, accompanied by an increase in demand for working capital — signalling an economic downturn.

Summary

Group assessment of positioning and market potential: Most parent banks regard Slovakia's market potential as high (33%) or medium (67%) and see little reason to change their positioning, which is assessed as optimal (33%) or satisfactory (67%).

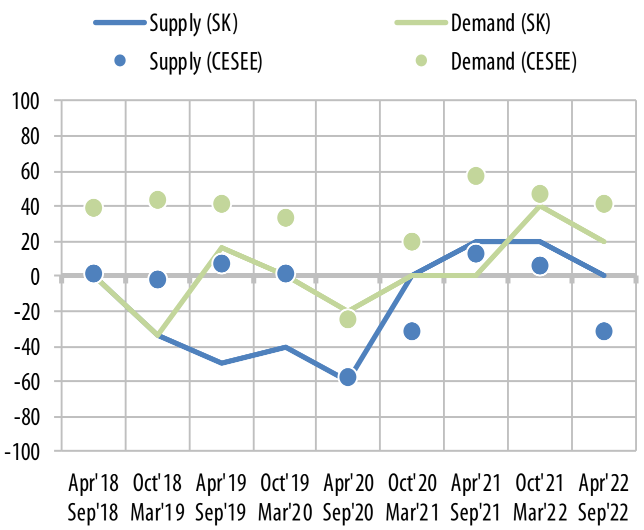
Banks in Slovakia reported on balance that aggregate **demand for loans** had increased over the last six months. A particularly large majority reported higher demand for mortgages, reflecting the booming housing market (residential property prices increased by nearly 25% in the second quarter of 2022). Overall demand for loans is expected to continue increasing over the next six months. However, the picture signals an incipient economic downturn, with most banks expecting falling demand for mortgages, consumer credit and fixed investment loans but growing demand to fund working capital and debt restructuring.

On balance, banks in Slovakia reported no change in **credit supply** over the last six months. Looking ahead, the picture turns much gloomier, with a large majority of banks expecting to reduce credit supply across all product categories. This outlook is more pessimistic than that for the wider region. All banks expect changes in local banking regulation to constrain loan supply over the next six months. This may reflect the tightening of the countercyclical capital buffer from 1% to 1.5%, scheduled to take effect in October 2023.

Credit quality followed a positive trend over the last six months, contrary to negative expectations expressed in the previous survey round. However, a deterioration of credit quality is expected during the next six months.

Access to funding changed little over the last six months but is expected by most banks to improve, driven by greater availability of retail funding. This is in line with developments in the wider region.

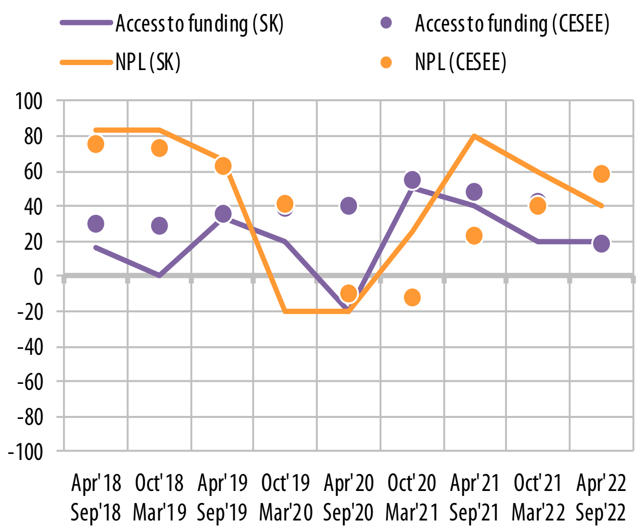
Credit supply and credit demand (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: All values are net percentages. Positive values denote increasing (easing) demand (supply).

Access to funding and credit quality (in %)



Source: EIB — CESEE Bank Lending Survey.

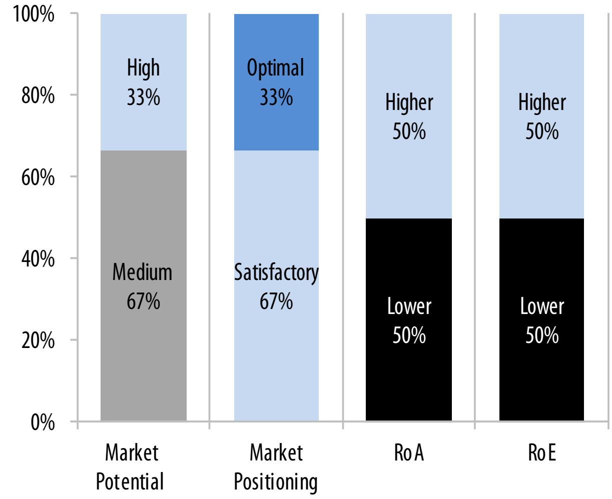
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

Bank Lending Survey results — parent bank level

Figure 1 **Market potential and positioning** (in %)

Most banks in Slovakia belong to groups with a presence elsewhere in the region (such as Erste, UniCredit, Intesa Sanpaolo and KBC). Parent banks' ratings of market potential are encouraging, and all banks appear content with their market positioning in Slovakia.

Regarding returns on assets and equity, half of parent banks reported higher profitability for their Slovakian subsidiary than for the overall group, but the other half reported the opposite.



Source: EIB — CESEE Bank Lending Survey.

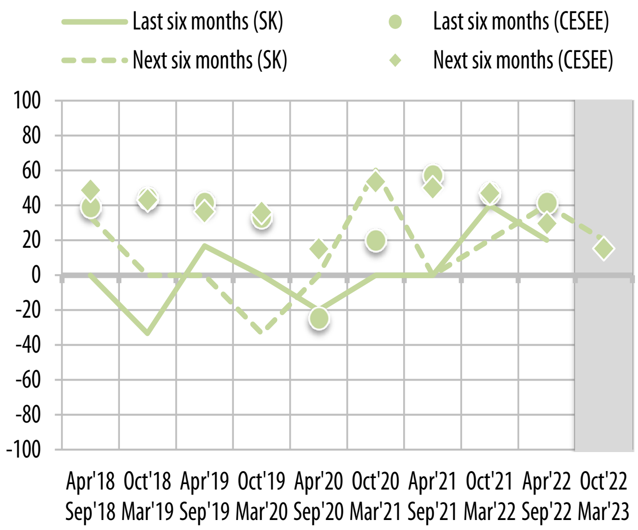
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 **Aggregate demand developments** (in %)

On balance, banks in Slovakia reported that demand for loans has increased over the last six months, as in the wider region.

Most banks expect demand to rise further over the next six months, in line with the average regional forecast.



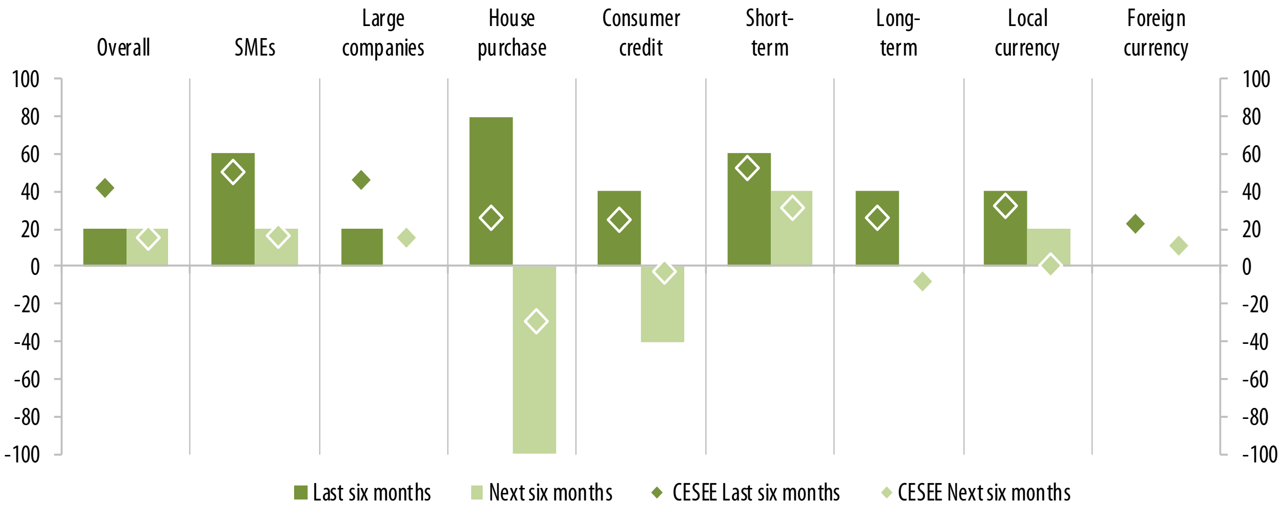
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q5 in the Annex.

Figure 3 **Demand components and segments** (in %)

Demand for loans increased in every segment except foreign currency over the last six months. A particularly large majority of banks reported higher demand for mortgages. Strong demand in the housing market is further reflected by the nearly 25% rise in residential property prices in the second quarter of 2022.

Banks expect overall demand for credit to improve further over the next six months. However, they anticipate a shift from long-term to short-term loans and significant declines in demand for mortgages and consumer loans. Explanations for these forecasts include high inflation (eroding real incomes), geopolitical uncertainty and increasing interest rates.

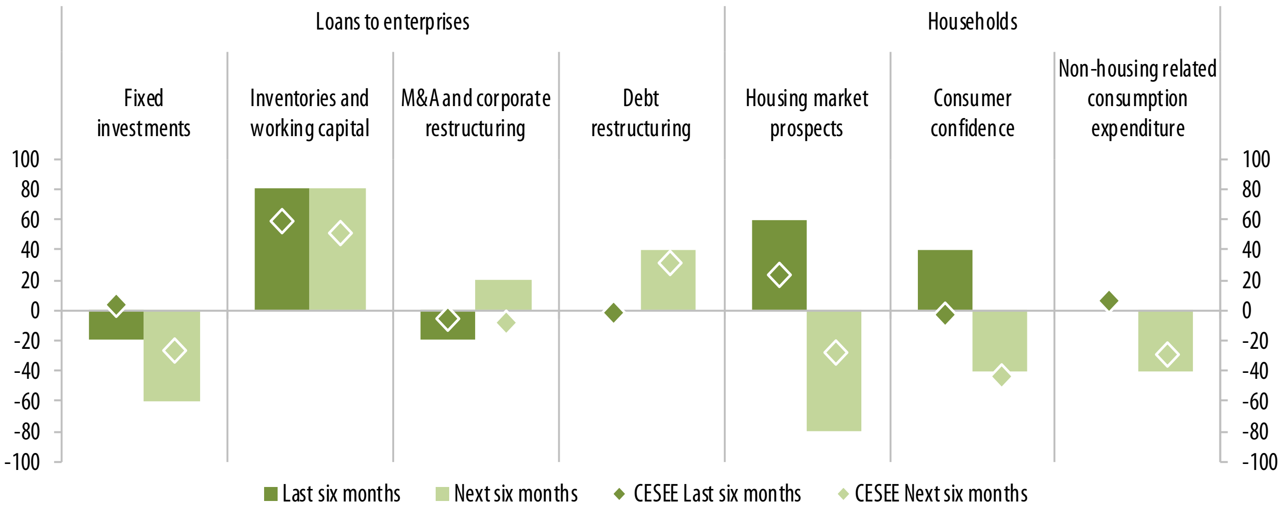


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. See Question B.Q5 in the Annex.

Figure 4 **Factors affecting demand for loans** (in %)

The majority of banks reported that housing market prospects and high consumer confidence were the main drivers of increasing loan demand. Over the next six months, however, these factors are expected to slow loan demand. The forecast switch from long- to short-term loans is also attributed to greater demand for working capital and less for investments. Such developments are typical for an economic downturn. The picture in Slovakia regarding credit demand is broadly in line with regional trends.



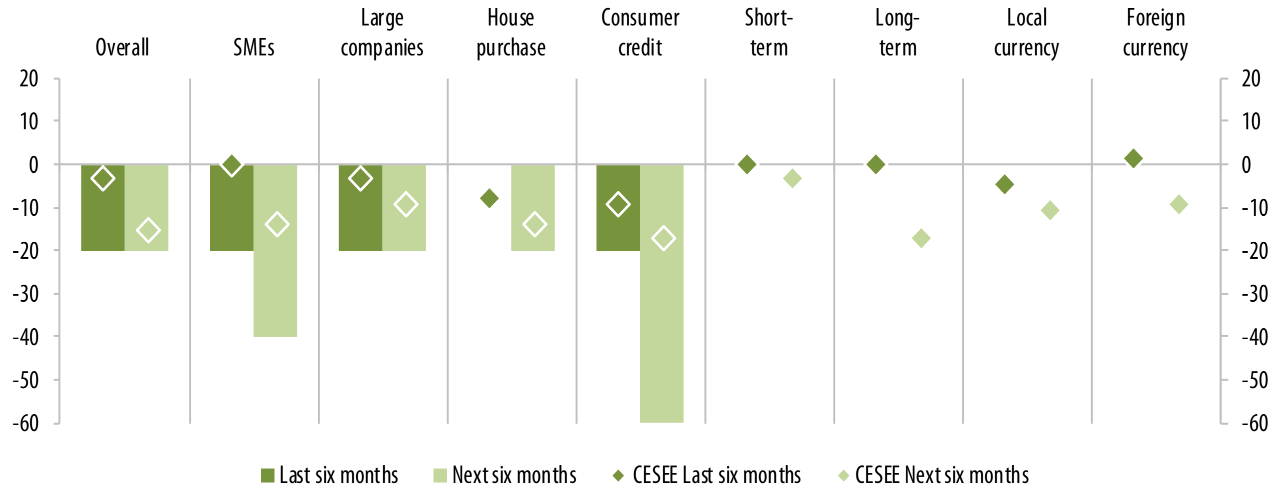
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 Quality of loan applications (in %)

On balance, a small majority of banks reported that the quality of loan applications deteriorated over the last six months.

This trend is expected to persist, with a large majority of banks anticipating a decline in the quality of consumer loan applications — in line with falling real incomes and a gradually weakening labour market. The forecasts are broadly consistent with those for the wider region, except that a larger majority of banks in Slovakia expects a fall in application quality for consumer loans.



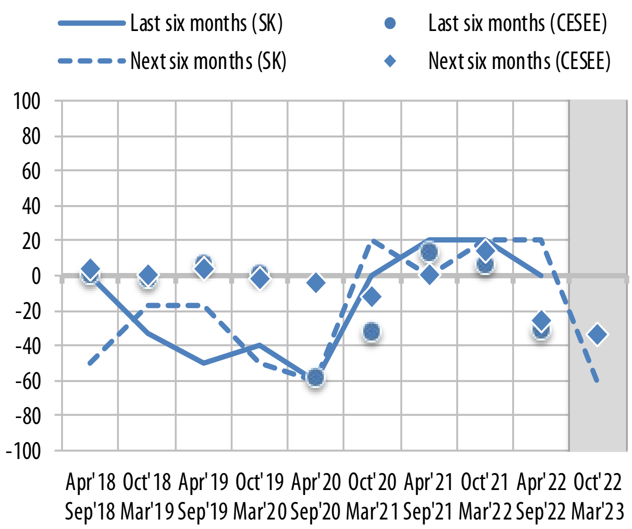
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an increase in quality of demand (and negative values indicating tighter conditions). See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments (in %)

Most banks reported that supply conditions have been stable over the last six months.

However, they expect to tighten supply in the next six months, in line with the wider region. This is typical for a deteriorating economic environment with considerable uncertainty about the path of the economy.



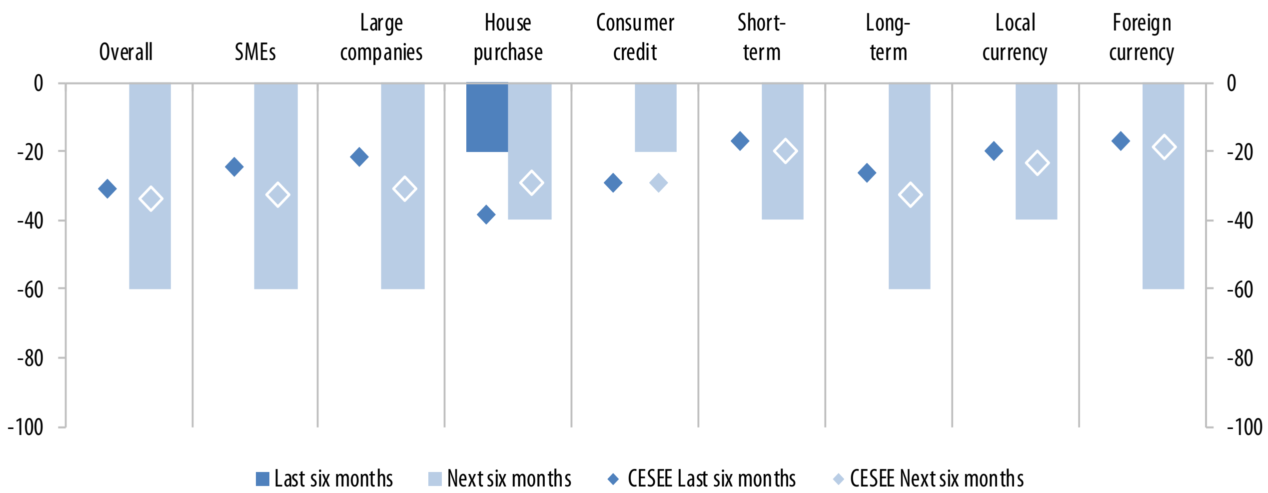
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating an easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (line and circles). In other words, expectations reported at time *t* for the next six months are plotted in the chart at time *t* + 1. See Question B.Q1 in the Annex.

Figure 7 Supply components and segments (in %)

Aside from the tightening of credit standards for mortgages, banks on balance reported no change in their credit supply over the last six months. House purchase was the only exception.

Forecasts for the next six months are much gloomier, with a large majority of banks expecting to reduce credit supply across all segments. The outlook in Slovakia is much more pessimistic than in the wider region, especially for corporates (small firms and large companies).



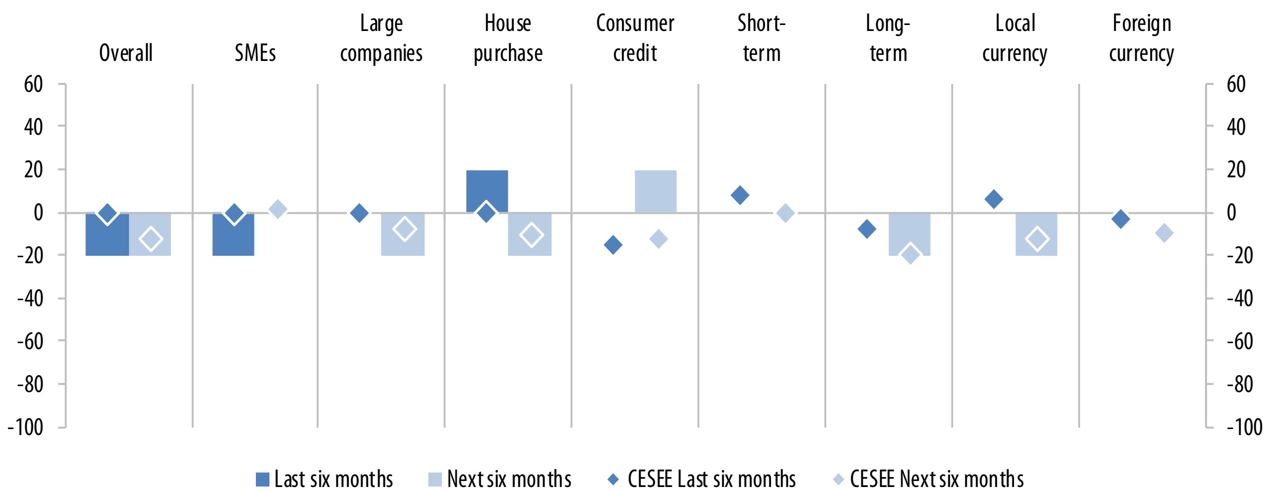
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply conditions (and negative values indicating tighter conditions). See Question B.Q1 in the Annex.

Figure 8 Credit supply: bank (local subsidiary) approval rates for loan applications (in %)

On balance, banks approved a smaller share of loans overall during the last six months.

This trend is forecast to continue in the next six months, broadly in line with the forecast for the wider region.



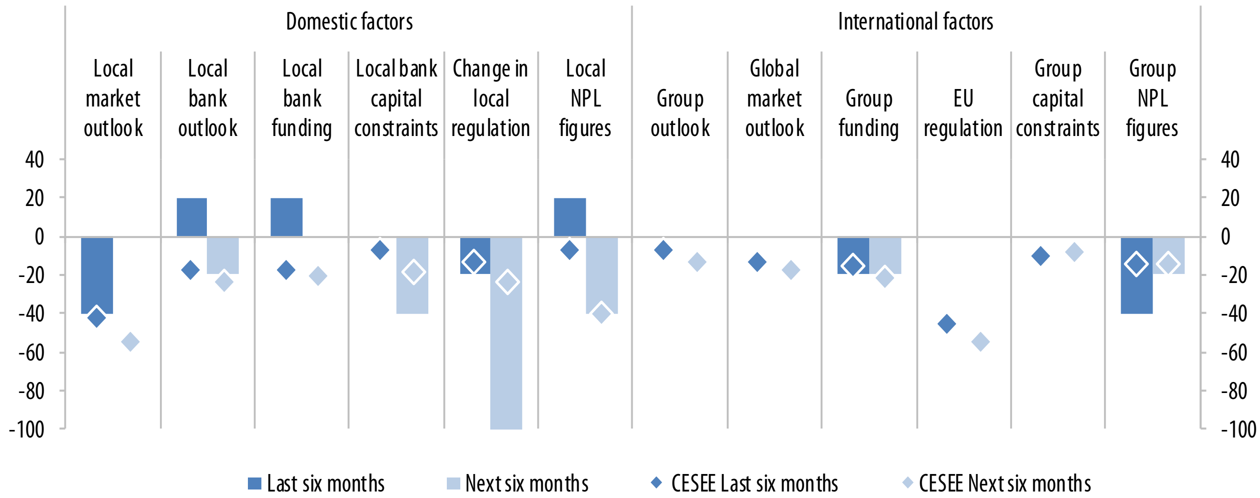
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions (in %)

Of the domestic factors, local market outlook was reported to have constrained loan supply by a substantial majority of banks. All banks in Slovakia expect changes in bank regulation to constrain loan supply over the next six months. This may reflect the tightening of the countercyclical capital buffer from 1% to 1.5%, with effect from October 2023.

Among the international factors, only group non-performing loans and group funding constrained supply, and both trends are expected to continue during the next six months.



Source: EIB — CESEE Bank Lending Survey.

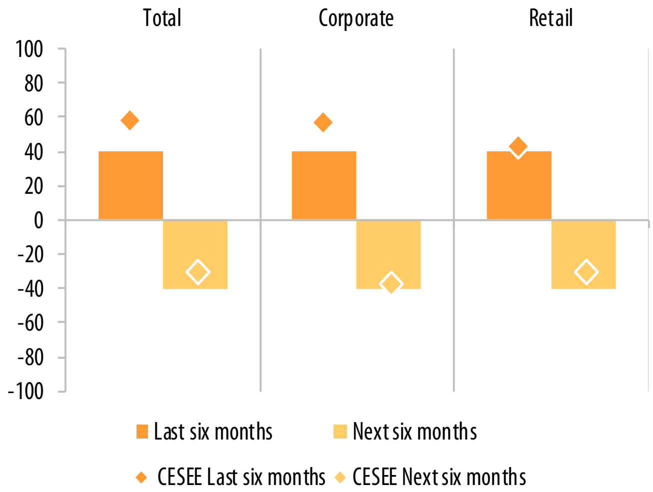
Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 10 **Non-performing loan ratios** (in %)

Most banks reported that non-performing loan ratios continued to improve in the corporate and retail sectors, contrary to the negative forecasts in the last survey round.

However, credit quality is again expected to worsen over the coming six months for retail and corporate loans.

The reported and forecast developments in Slovakia are broadly in line with regional trends.



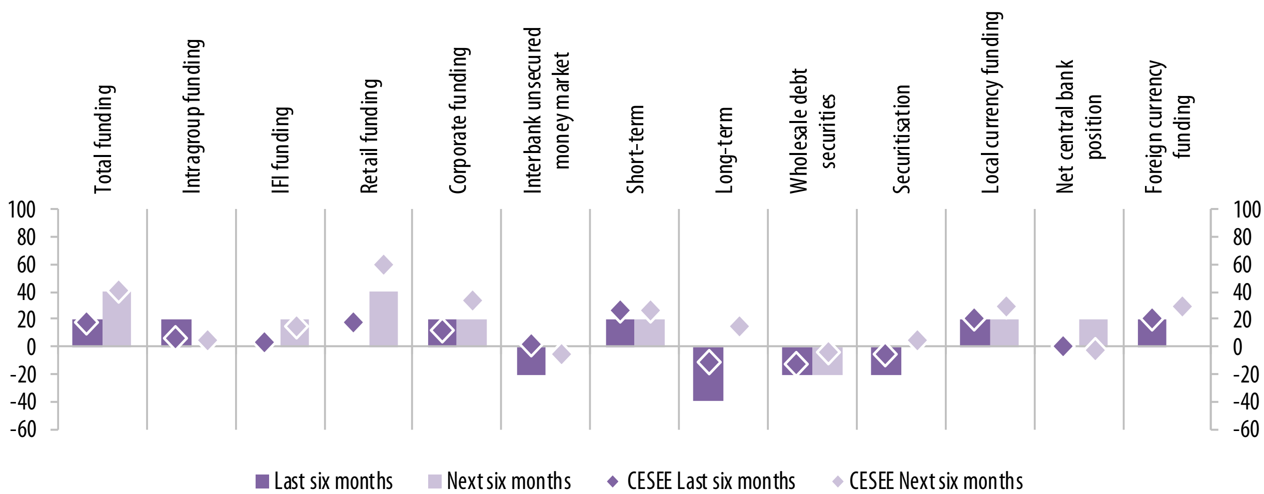
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with negative values indicating deteriorating credit quality (in other words, increasing NPL ratios). See Question B.Q8 in the Annex.

Figure 11 **Access to funding** (in %)

Banks' access to funding has changed little on balance, although a sizeable majority reported reduced access to longer-term funding.

On balance, banks expect improvement in funding conditions over the next six months. These forecasts are broadly in line with those for the wider region, driven by retail and corporate funding and international financial institutions (IFIs).



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating improved 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	KS	MK	PL	RO	RS	SK	CESEE
2022Q2	5.32	5.20	5.24	3.82	2.10	3.47	2.10	3.21	5.60	3.01	3.26	1.93	4.08
2022Q1	5.24	5.40	5.50	4.16	2.30	3.15	2.10	3.06	5.70	3.31	3.40	1.97	4.19
2021Q4	5.65	5.78	6.03	4.33	2.40	3.20	2.30	3.20	5.80	3.35	3.50	1.90	4.30
2021Q3	6.49	5.55	6.44	4.68	2.60	3.04	2.40	3.49	6.30	3.65	3.55	1.98	4.61
2021Q2	7.12	5.70	6.72	5.07	2.70	3.40	2.50	3.44	6.50	3.78	3.60	2.10	4.79
2021Q1	7.96	6.00	7.10	5.27	2.80	3.57	2.70	3.39	6.80	3.94	3.90	2.23	5.02
2020Q4	8.11	6.10	7.45	5.43	2.70	3.60	2.70	3.28	7.00	3.83	3.70	2.34	5.12
2020Q3	8.30	6.60	7.78	5.49	2.30	3.84	2.70	3.33	7.00	4.06	3.40	2.48	5.13
2020Q2	8.09	6.70	8.11	5.50	2.40	3.98	2.60	4.56	6.90	4.38	3.70	2.69	5.20
2020Q1	8.21	6.60	8.00	5.39	2.40	4.15	2.90	4.83	6.60	3.94	4.00	2.81	5.06
2019Q4	8.37	7.40	6.62	5.53	2.50	4.06	2.00	4.61	6.60	4.09	4.10	2.81	5.04
2019Q3	10.61	7.74	7.56	6.03	2.70	4.48	2.30	4.81	6.80	4.58	4.70	2.80	5.37
2019Q2	11.23	8.03	7.31	7.25	2.80	4.92	2.50	5.36	6.80	4.74	5.20	2.89	5.54
2019Q1	11.38	8.50	7.55	7.40	3.20	5.22	2.60	5.11	6.80	4.90	5.50	2.95	5.69
2018Q4	11.08	8.80	7.80	7.56	3.30	5.43	2.70	5.11	6.80	4.96	5.70	3.06	5.77
2018Q3	12.89	9.39	8.68	8.07	3.30	6.17	2.80	4.95	7.00	5.56	6.41	3.40	6.14
2018Q2	13.27	9.31	9.29	8.89	3.40	6.59	2.80	5.02	7.10	5.71	7.81	3.46	6.39
2018Q1	13.43	9.66	9.56	8.92	3.60	6.98	2.90	5.04	7.70	6.16	9.20	3.60	6.81
2017Q4	13.23	10.05	10.43	11.35	4.00	7.52	3.10	6.24	6.80	6.41	9.85	3.61	6.85
2017Q3	14.78	10.78	11.73	12.51	4.00	8.47	3.60	6.49	6.90	7.96	12.21	3.92	7.42
2017Q2	15.58	11.09	12.39	13.16	4.30	9.23	3.90	6.63	6.90	8.32	15.58	4.02	7.79
2017Q1	17.44	11.49	12.92	13.91	4.50	10.16	4.50	6.18	6.90	9.36	16.82	4.26	8.21
2016Q4	18.27	11.78	13.17	13.80	4.80	10.75	4.90	6.39	7.10	9.62	17.03	4.37	8.49
2016Q3	21.29	12.12	14.02	14.65	5.20	12.50	5.10	7.19	7.30	10.00	19.51	4.67	9.10
2016Q2	19.96	12.11	14.40	14.99	5.30	13.59	5.30	7.41	7.30	11.30	20.22	4.70	9.42
2016Q1	19.31	13.24	14.74	16.12	5.50	14.50	5.90	10.52	7.40	13.52	20.92	4.71	10.00
2015Q4	18.22	13.71	14.51	16.65	5.80	13.59	6.20	10.43	7.50	13.51	21.58	4.81	10.00
2015Q3	20.57	13.83	14.48	17.05	6.10	15.54	6.80	11.26	7.90	15.73	21.98	5.31	10.74
2015Q2	20.94	14.07	15.01	17.34	6.00	14.90	7.20	11.02	8.00	16.20	22.78	5.48	10.83
2015Q1	22.85	14.19	17.17	17.14	6.10	14.71	8.10	11.12	8.20	20.20	22.60	5.57	11.45
2014Q4	22.80	14.17	16.75	17.06	6.10	16.65	8.30	10.89	8.10	13.93	21.54	5.54	10.93
2014Q3	24.98	16.08	18.13	17.24	6.20	17.78	8.50	11.75	8.20	15.33	23.01	5.64	11.49
2014Q2	24.07	15.47	17.97	16.59	6.30	18.07	8.20	11.38	8.30	19.19	23.01	5.46	11.87
2014Q1	24.02	14.89	16.74	16.11	6.50	18.23	8.60	10.70	8.40	20.39	22.25	5.46	11.94
2013Q4	23.22	15.12	16.87	15.70	5.90	17.74	8.70	11.07	8.50	21.87	21.37	5.32	11.98
2013Q3	24.34	14.86	17.22	15.32	5.90	18.14	8.50	11.32	8.50	21.56	21.06	5.57	11.98

Source: WIIW

Credit to private sector, y/y growth rate

	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
2022M8	12.64	5.01	13.43	9.66	8.92	14.50	18.45	9.71	5.79	15.10	11.50	11.16	9.43
2022Q2	12.46	4.77	12.36	7.97	8.06	13.36	17.34	9.94	5.66	16.65	12.81	11.32	9.18
2022Q1	12.16	4.26	10.53	4.70	9.28	9.77	18.37	9.79	5.38	14.96	12.38	8.77	8.34
2021Q4	9.55	3.70	8.27	2.28	8.36	12.83	15.42	8.23	4.61	14.26	10.23	7.19	7.50
2021Q3	7.20	2.74	7.33	2.17	6.32	11.49	12.25	6.17	2.89	12.96	6.92	5.98	5.87
2021Q2	6.06	2.05	6.20	1.57	4.18	10.26	12.23	5.01	0.47	10.88	7.26	5.08	4.03
2021Q1	2.42	-0.40	4.51	0.77	3.21	9.01	7.68	5.12	-2.04	6.93	8.93	5.12	2.29
2020Q4	6.92	-2.50	4.46	3.47	4.10	13.45	7.07	4.61	0.42	5.00	11.06	5.02	3.71
2020Q3	5.32	-0.55	4.25	4.50	4.75	12.55	7.65	7.40	0.56	4.19	14.38	5.29	3.93
2019Q2	6.60	0.36	4.88	4.13	5.61	13.68	6.39	6.71	2.91	4.10	13.89	6.05	5.14
2020Q1	8.85	3.46	7.05	5.97	6.40	18.36	9.17	5.88	5.97	6.23	11.47	6.56	7.25
2019Q4	6.62	6.68	7.36	3.87	5.20	13.14	10.02	6.07	4.65	7.02	8.93	6.55	6.05
2019Q3	5.06	6.04	6.51	1.77	5.15	13.25	10.26	5.53	6.05	7.15	9.71	7.63	6.61
2019Q2	3.62	6.03	5.98	2.57	5.43	11.37	10.51	8.07	5.34	6.66	8.95	7.22	6.13
2019Q1	-0.77	5.28	7.51	3.54	6.79	11.53	11.47	8.97	7.07	7.73	9.61	8.54	7.42
2018Q4	-3.59	5.48	7.54	2.26	6.83	10.57	10.81	7.21	7.17	7.84	9.91	9.78	7.44
2018Q3	-3.53	6.32	6.10	1.68	6.70	9.63	11.47	7.83	5.84	6.44	6.40	9.52	6.46
2018Q2	-2.44	6.98	5.73	2.20	6.12	8.72	11.41	6.15	5.50	6.95	4.44	10.20	6.21
2018Q1	0.36	7.19	3.80	0.67	5.52	5.05	10.57	5.65	4.44	5.89	2.16	9.86	5.06
2017Q4	0.72	7.33	3.27	-0.10	6.53	5.47	11.65	5.43	3.08	5.26	2.13	9.85	4.57
2017Q3	0.88	7.34	4.14	0.33	6.47	4.63	10.26	4.01	4.10	7.24	0.77	11.20	5.24
2017Q2	-1.52	6.22	3.57	-1.33	7.27	2.30	10.17	4.09	4.02	3.94	2.21	11.74	4.81
2017Q1	0.09	4.75	3.33	-2.26	6.75	0.14	10.93	-1.16	4.69	2.67	4.48	11.24	4.64
2016Q4	0.24	3.54	0.97	-4.29	6.73	-1.33	10.50	-0.06	5.28	0.89	2.35	9.30	4.15
2016Q3	0.49	2.41	-0.69	-5.97	6.48	-4.59	9.67	1.52	4.90	0.46	5.97	8.75	3.56
2016Q2	-0.10	2.18	-1.21	-6.24	6.51	-5.75	8.33	2.50	5.22	0.57	4.65	7.36	3.38
2016Q1	-2.05	3.31	-2.27	-6.95	7.94	-6.44	8.80	8.53	5.38	2.34	2.07	8.02	3.73
2015Q4	-2.64	2.02	-1.57	-3.09	6.63	-12.34	7.23	9.60	7.07	2.50	3.02	9.69	4.17
2015Q3	-1.89	0.96	-10.07	-1.55	8.57	-9.36	7.76	8.89	6.43	0.37	3.11	8.15	3.70
2015Q2	0.72	0.69	-10.17	-0.62	5.88	-8.26	7.87	9.09	6.82	-0.45	5.43	8.69	3.59
2015Q1	2.48	-0.10	-9.20	-0.49	3.81	-6.72	6.06	9.25	6.67	-3.62	7.31	7.78	3.00
2014Q4	2.39	1.68	-8.15	-2.03	2.69	-0.27	6.23	10.00	5.80	-3.71	4.46	6.70	2.71
2014Q3	1.92	3.24	1.98	-3.58	2.78	-3.90	4.71	9.51	5.69	-4.87	-0.81	7.45	2.59
2014Q2	-1.55	3.97	2.10	-2.55	3.84	-2.46	3.63	8.61	4.76	-4.29	-4.48	6.22	2.34
2014Q1	-2.07	3.81	1.22	-1.99	2.85	-5.95	2.57	7.55	4.51	-2.98	-6.50	5.37	1.71
2013Q4	-1.15	2.86	-0.01	-1.46	4.06	-4.43	2.56	6.51	3.31	-3.43	-4.95	5.41	1.45
2013Q3	-1.73	1.94	0.68	-2.47	2.38	-1.62	2.89	3.76	2.95	-3.42	-4.60	4.78	1.18

Source: WIIW

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's 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 it 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...		
	*…How has it changed over the **LAST** six months?*	*…How do you expect it to change over the **NEXT** six months?*
Total		
Retail (deposits and bonds to clients)		
Corporate (deposits and bonds 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, you expect the loan-to-deposit ratio of your group to…		

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

A.Q6 — Profitability of the strategy in CESEE region: the contribution of activities in CESEE in total ROA of the group is/will…		
	LAST 6 months	**NEXT** 6 months

A.Q7 — Profitability of the strategy in CESEE region: ROA of your CESEE operations is higher/lower/equal to 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 — intragroup funding		
Exposure to subsidiaries — capital		
Direct cross-border lending to domestic clients, booked in the balance sheet of the parent company		
MFIs — funding to banks not part of the group, booked in the balance sheet of the parent company		

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

	*…How have they changed over the **LAST** six months?*	*…How do you expect them to change over the **NEXT** six months?*
Overall		
Pricing		
Maturity		

PART B

B.Q1 — Credit supply: bank's (local subsidiary's) credit standards applied when assessing credit applications…

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

B.Q2 — Credit supply: bank's (local subsidiary's) approval rate for loan applications…

	…How has it changed over the last six months?	*…How do you expect it to change over the next six months?*
Overall		
Loans to small and medium-sized enterprises		
Loans to large companies		
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 the bank's conditions and terms (such as 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 bank access to total funding		
iii.a) of which: domestic		
iii.b) of which: international/intragroup		
iv) Local bank capital constraints		
v) Change in local regulation		
vi) Competition		
vii) Credit quality (NPLs)		
viii) Bank's liquidity position		
ix) Risk on collateral demanded		
B) International factors *— affecting your subsidiary*		
i) Group company outlook		
ii) Global market outlook		
iii) Overall group access to funding		
iv) EU regulation		
v) Group capital constraints		
vi) Global competition		
vii) Credit quality (NPLs)		

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

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

B.Q6 — Has the quality of the loan applications changed / Do you expect it to change?

	…How has it changed over the last six months?	*…How do you expect it to change over the next six months?*
Overall		
Applications from small and medium-sized enterprises		
Applications from large companies		
Applications from households for house purchase		
Applications for consumer credit (other than loans for house purchase)		
Applications for short-term loans		
Applications for long-term loans		
Applications for local currency		
Applications for foreign currency		

B.Q7 — Factors affecting clients' demand for loan applications...

...Loans or credit lines to enterprises

A) Financing needs	*…How have they changed over the last six months?*	*…How do you expect them to change over the next six months?*
Fixed investments		
Inventories and working capital		
M&A and corporate restructuring		
Debt restructuring		

...Loans to households

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) Intragroup 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) Interbank 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 currency funding		

European Investment Bank The EU bank

European Investment Bank
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
+352 4379-1
www.eib.org – **info@eib.org**

twitter.com/EIB
facebook.com/EuropeanInvestmentBank
youtube.com/EIBtheEUbank

pdf: ISBN 978-92-861-5409-6

12/2022 – EN